Q4 and Full Year 2015 Results

Investor Presentation

January 27, 2016
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<th>Agenda</th>
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<tr>
<td>Group review</td>
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<td>Financial review</td>
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<td>Pharmaceuticals review</td>
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<tr>
<td>Closing remarks</td>
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<tr>
<td>Q&amp;A session</td>
</tr>
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</table>
Agenda

Group review

• 2015 Review

• Taking our strategy forward in 2016

Financial review

Pharmaceuticals review

Closing remarks

Q&A session

Joseph Jimenez, Chief Executive Officer

Harry Kirsch, Chief Financial Officer

David Epstein, Division Head, Novartis Pharmaceuticals

Joseph Jimenez, Chief Executive Officer

Executive team
Delivered strong sales growth, core margin expansion (cc) and continued to strengthen the pipeline in 2015

- **Net sales** of USD 49.4 billion, up +5% versus PY (cc)

- **Core operating income** +10% (cc); **Core margin** +1.3 ppts (cc)

- **Strong performance** from Pharmaceuticals and Sandoz offset weak Alcon

- **Advancing key launches** (Entresto™, Cosentyx®, Zarxio™)

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1 All growth shown vs. prior year (PY) in constant currencies (cc). All numbers refer to continuing operations (incl. the newly acquired oncology assets and the OTC JV formed in 2015) and do not include divested businesses. An explanation of continuing operations can be found on page 43 of the Condensed Financial Report.
## Summary of 2015 financial results

<table>
<thead>
<tr>
<th>Continuing operations¹ (in USD bn)</th>
<th>2015</th>
<th>Change vs. PY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>% USD</td>
<td>% cc</td>
</tr>
<tr>
<td>Net Sales</td>
<td>49.4</td>
<td>-5</td>
<td>+5</td>
</tr>
<tr>
<td>Core Operating Income</td>
<td>13.8</td>
<td>-5</td>
<td>+10</td>
</tr>
<tr>
<td>Operating Income</td>
<td>9.0</td>
<td>-19</td>
<td>-2</td>
</tr>
<tr>
<td>Net Income</td>
<td>7.0</td>
<td>-34</td>
<td>-18</td>
</tr>
<tr>
<td>Core EPS (USD)</td>
<td>5.01</td>
<td>-3</td>
<td>+10</td>
</tr>
<tr>
<td>EPS (USD)</td>
<td>2.92</td>
<td>-33</td>
<td>-17</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>9.3</td>
<td>-15</td>
<td></td>
</tr>
</tbody>
</table>

¹ Continuing operations are defined on page 43 of the Condensed Financial Report. Constant currencies (cc), core results, and free cash flow are non-IFRS measures. An explanation of these measures can be found on page 53 of the Condensed Financial Report.
2015 Novartis performance highlights

1. Deliver strong Financial Results
   - Increased profitability: USD core margin up 2.7 ppts\(^1\)
   - But... Alcon weighed heavily on results

2. Strengthen Innovation
   - 20 major approvals
   - Entresto™ & Cosentyx® launched
   - First US Biosimilar under BPCIA pathway

3. Complete the Portfolio Transformation
   - Closed all deals
   - Smooth integration and separation

4. Capture Cross-Divisional Synergies
   - NBS managed costs flat
   - Scaling up 5 Global Service Centers

5. Build a High-Performing Organization
   - 98% inspections good or acceptable\(^2\)

---
\(^{1}\) 2015 Continuing Operations compared to 2014 Group (including divested businesses)
\(^{2}\) 100% pending acceptance of action plans for three inspections: two for Sandoz and one for Pharma
Strong Pharmaceuticals and Sandoz performance drove sales and profit growth despite weak Alcon

Deliver strong Financial Results\(^1\)

<table>
<thead>
<tr>
<th>Pharmaceuticals</th>
<th>Sales: +6%</th>
<th>Core operating income: +14%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandoz</td>
<td>Sales: +7%</td>
<td>Core operating income: +17%</td>
</tr>
<tr>
<td>Alcon</td>
<td>Sales: -1%</td>
<td>Core operating income: -7%</td>
</tr>
</tbody>
</table>

\(^1\) All growth shown vs. PY in constant currencies (cc)
2015 was a strong year for innovation

<table>
<thead>
<tr>
<th>Strengthen Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US and EU approval</strong></td>
</tr>
<tr>
<td>HFrEF(^1)</td>
</tr>
<tr>
<td><strong>EU Approval</strong></td>
</tr>
<tr>
<td>ALK+ NSCLC(^3)</td>
</tr>
</tbody>
</table>

\(^1\) Approved in EU and US for heart failure with reduced ejection fraction (HFrEF) NYHA II-IV
\(^2\) Approved for PsO (US, EU, JP), PsA (EU, JP) and AS (EU); US approval for AS and PsA in Jan ’16; Japan approvals for PsO and PsA in Dec ’14. PsO = Psoriasis; PsA = Psoriatic Arthritis; AS = Ankylosing Spondylitis
\(^3\) NSCLC = Non-Small Cell Lung Cancer
We completed our complex portfolio transactions ahead of schedule.
NBS is executing on its objectives

- **Cost under management flat** versus prior year
- **Scaling up 5 Global Service Centers**: Mexico City, Prague, Dublin, Hyderabad and Kuala Lumpur
- **Procurement savings of USD 1.7 billion** delivered in 2015, in part by leveraging our scale through NBS
Strong Quality performance across our ~80 sites, with 98% of inspections good or acceptable (remaining 2% pending⁴)

<table>
<thead>
<tr>
<th>% Inspections good or acceptable¹</th>
<th>Number of inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>99%</td>
</tr>
<tr>
<td>Alcon</td>
<td>100%</td>
</tr>
<tr>
<td>Sandoz</td>
<td>97%</td>
</tr>
</tbody>
</table>

¹ Results status December 31, 2015, for continuing operations: Pharmaceuticals, Alcon and Sandoz. 100% pending acceptance of action plans for three inspections: two for Sandoz and one for Pharma. Received FDA warning letter related to inspection at Kalwe/Turbhe India sites in Aug '14; does not contain any new issues versus the 483 observations issued.
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Executive team
Taking our strategy forward in 2016

Alcon growth plan

Our strategy for growth and innovation
Ophthalmology is an attractive healthcare segment

High unmet need

Market is large and profitable

Market expected to continue to grow at healthy rate

80% of population has a treatable eye condition

Market size in 2015: Over USD 40 billion in sales

+5% p.a. projected market growth, driven by an aging population

Source: Market Scope, LLC forecast, Alcon and competitors financial results, IMS MIDAS, Evaluate Pharma, Contact Lens Institute/Euromonitor Contact Factory Sales Sharing Program/GfK, Alcon internal estimate
Alcon is the global leader in ophthalmology and maintains strong customer relationships

**Ophthalmology revenue**
2014 full year, USD bn

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenue (USD bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcon</td>
<td>10.8</td>
</tr>
<tr>
<td>Bausch + Lomb</td>
<td>3.4</td>
</tr>
<tr>
<td>Allergan</td>
<td>3.3</td>
</tr>
<tr>
<td>Santen</td>
<td>1.5</td>
</tr>
<tr>
<td>Abbott Medical Optics</td>
<td>1.2</td>
</tr>
<tr>
<td>Zeiss</td>
<td>0.8</td>
</tr>
</tbody>
</table>

**“Which ophthalmology company do you prefer?”**

<table>
<thead>
<tr>
<th>Company</th>
<th>Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcon</td>
<td>66%</td>
</tr>
<tr>
<td>Competitor 1</td>
<td>21%</td>
</tr>
<tr>
<td>Competitor 2</td>
<td>7%</td>
</tr>
<tr>
<td>Competitor 3</td>
<td>7%</td>
</tr>
</tbody>
</table>

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1 Estimated based on Valeant reporting, as B&L did not report Q1 ‘14 sales
2 Includes surgical ophthalmology microscope business
3 Based on a survey of 203 ophthalmologists in the US in Nov/Dec ‘15
However, Alcon growth slowed in 2015

% Change vs. PY
(in cc)

Net sales

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>+6</td>
<td>-1</td>
</tr>
</tbody>
</table>

Core operating income

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>+8</td>
<td>-7</td>
</tr>
</tbody>
</table>
We conducted an extensive analysis of Alcon’s underlying issues

- **Listened to our customers** 100+ interviews with surgeons, ophthalmologists, optometrists
- **Deep dive data analysis** of market and competitor benchmark data
- **Assessed impact** of Alcon’s strategic decisions over last decade
The root causes

- Insufficient innovation
  - Devices vs. Pharma, two different models
  - Lack of investment, especially in Pharma

- Reduced customer focus

- Underdeveloped capabilities in operations and systems
Insufficient innovation due to two different models

<table>
<thead>
<tr>
<th>Medical Devices</th>
<th>Pharmaceuticals</th>
</tr>
</thead>
<tbody>
<tr>
<td>High frequency, iterative development</td>
<td>Longer-term view on development</td>
</tr>
<tr>
<td>Lower R&amp;D investment</td>
<td>Higher R&amp;D investment</td>
</tr>
<tr>
<td>Deep relationships with physicians</td>
<td>Targeted reach with physicians</td>
</tr>
</tbody>
</table>

**Core issue:** Two different innovation models, operating in one division
Reduced customer focus

- Less surgeon education and training
- Supply chain and consumables capacity issues
- Reduced in-field support
As well as underdeveloped capabilities

Less Focus on Pharma Capabilities

- Medical Affairs & Market Access
- Sales Force Effectiveness
- Pricing
- Customer Relationship Management
Alcon growth plan has three core elements

1. Focus the business
2. Strengthen the foundation
3. Invest for growth
Focus the business

Focus Alcon eye care division on Surgical and Vision Care

Move Ophtha Pharma into our Pharmaceuticals Division

- Gives critical devices business 100% focus from division management
- Leverages Novartis’ world-class pharma capabilities in R&D and marketing
- Maintains strong customer-facing Alcon branding to provide seamless service
2. Strengthen the foundation

Accelerate Innovation
- Implement best-in-class surgical innovation model
- Prioritize and invest in Ophtha Pharma R&D behind key projects

Strengthen the Customer Relationship
- Ensure best-in-class customer training & education
- Surround surgeon with support (e.g., field service engineers and MSLs)

Improve Basic Operations
- Improve sales force effectiveness and pricing capabilities
- Strengthen supply chain
- Implement improved systems (e.g., SAP)
Maximize new **IOL launches** (e.g., UltraSert™, PanOptix™) and accelerate **toric IOL** uptake

Invest in **direct-to-consumer** to bolster contact lenses (e.g., *Dailies Total1®*, *AirOptix®*)

Accelerate **near-term BD&L and M&A** to augment pipeline
Alcon to become a ~USD 6 billion eye care division focused on Surgical and Vision Care

- Three large and profitable businesses: Lenses, Consumables and IOLs
  - **Drive Lenses** with DTC investment behind key brands
  - **Drive Consumables** with innovative equipment and physician training
  - **Drive IOLs** by prioritizing innovation and commercial launches
<table>
<thead>
<tr>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Focus</strong></td>
</tr>
<tr>
<td>▪ <strong>Full operational transfer</strong> of Ophtha Pharma by end Q2 2016</td>
</tr>
<tr>
<td><strong>Innovation &amp; Growth</strong></td>
</tr>
</tbody>
</table>
| ▪ **Accelerate innovation and growth:**  
  Return IOLs to growth by H2 2016  
  Grow consumables throughout the year  
  Launch Clareon™ IOL platform by 2017 |
| ▪ **Deliver short-term, incremental innovation milestones** |
| **Investment** |
| ▪ **Incremental investment** in our innovation and growth priorities:  
  Incremental M&S behind UltraSert™ and PanOptix® launches  
  DTC behind key Vision Care brands in H1  
  Provide training, education and improved services for eye care professionals |
| **Financial** |
| ▪ **Alcon (ex. Ophtha Pharma):**  
  Expect difficult H1; exiting Q4 with low to mid-single digit sales growth |
New Division Head and CEO Alcon

- Mike Ball appointed Division Head and CEO Alcon, effective February 1, 2016
- Member of Executive Committee of Novartis
- CEO of Hospira 2011-2015
- President of Allergan 2006-2011
- Expertise in ophthalmology and medical devices
Shift of Alcon Ophtha to Pharmaceuticals Division creates a ~USD 6 billion unified ophthalmic medicines franchise¹

- Strengthened with world-class capabilities in R&D and commercial
- Alcon-branded field force, coordinated with surgical
- Stronger combined pipeline

¹ Including Lucentis®
Taking our strategy forward in 2016

Alcon growth plan

Our strategy for growth and innovation
Last year we transformed our company to focus on three leading divisions and streamline our operations.
In 2016, we will take the next steps in our strategy to improve our effectiveness and streamline our operations

Next steps:

1. **Further focus our divisions**, increasing our specialization in terms of science, talent and market approach

2. **Create even greater innovation** by increasing Group-wide coordination of drug development

3. **Leverage cross-divisional scale to lower our cost base**
Further focus our divisions

We are integrating businesses that share therapeutic and commercial focus to better leverage development and marketing capabilities

- **Focus the Alcon eye care division** on Surgical and Vision Care
- **Transfer Alcon’s Ophtha Pharma business** to Pharmaceuticals Division
- **Shift ~USD 0.9 billion of mature pharmaceutical products** to our Sandoz generics division
Create even greater innovation

We are increasing Group-wide coordination of drug development to stay at the cutting edge of innovation

- Establish single Global Head Drug Development to improve resource allocation, technology and standards across divisions
- Integrate clinical enabling functions (such as safety, pharmacovigilance and regulatory), while maintaining strategy and clinical execution in the divisions
New Global Head Drug Development and Chief Medical Officer

- Dr. Vas Narasimhan appointed Global Head Drug Development and Chief Medical Officer, effective February 1, 2016
- Member of Executive Committee of Novartis
- Functional oversight for drug development for General Medicines, Ophtha Pharma, Oncology and Biosimilars
- Working closely with Jay Bradner at NIBR
- Position created to improve resource allocation, technology and standards to further increase innovation
Leverage cross-divisional scale to lower our cost base

We are creating integrated manufacturing operations and more shared services, to further boost efficiency

- Centralize manufacturing operations across all divisions to:
  - Improve capacity planning
  - Lower costs and enhance quality
  - Develop next-generation technologies and share best practices

- Expand NBS to create an in-country service platform for sales and marketing services across all divisions
New President Novartis Operations

- Andre Wyss appointed President, Novartis Operations
- Already a member of Executive Committee of Novartis, Head NBS and Country President for Switzerland
- Will assume responsibility for the integrated Technical Operations organization and Global Public & Government Affairs, in addition to his current responsibilities
These changes are a natural extension of our strategy and are expected to generate significant savings.

Expect to generate ≥ USD 1bn savings annually by 2020.

Savings will be used to:

- Maintain our high investment in R&D
- Free up resources for growth priorities
- Improve our profit margins
Agenda

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Joseph Jimenez, Chief Executive Officer
- 2015 Review
- Taking our strategy forward in 2016

Financial review  
Harry Kirsch, Chief Financial Officer

Pharmaceuticals review  
David Epstein, Division Head, Novartis Pharmaceuticals

Closing remarks  
Joseph Jimenez, Chief Executive Officer

Q&A session  
Executive team
Continuing operations performance delivered 2015 guidance

<table>
<thead>
<tr>
<th>Full Year Guidance, Q2 2015 (all in cc)</th>
<th>Actuals vs. PY (all in cc)</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Sales are expected to grow at a mid-single digit rate”</td>
<td>+5% ✓</td>
</tr>
<tr>
<td>“Core operating income is expected to grow ahead of sales, at a high-single digit rate”</td>
<td>+10% ✓</td>
</tr>
<tr>
<td>“Pharmaceuticals: mid single digit sales growth”</td>
<td>+6% ✓</td>
</tr>
<tr>
<td>“Alcon: low single digit sales growth”</td>
<td>-1% X</td>
</tr>
<tr>
<td>“Sandoz: high single digit sales growth”</td>
<td>+7% ✓</td>
</tr>
</tbody>
</table>

1 An explanation of continuing operations can be found on page 43 of the Condensed Financial Report

41 | Novartis Q4 and FY 2015 Results | January 27, 2016 | Novartis Investor Presentation
### Strong leverage in Q4 and Full Year

#### Continuing operations

<table>
<thead>
<tr>
<th>(in USD m)</th>
<th>Q4 2015</th>
<th>Change vs. PY</th>
<th>FY 2015</th>
<th>Change vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% USD</td>
<td>% cc</td>
<td>% USD</td>
<td>% cc</td>
</tr>
<tr>
<td>Net Sales</td>
<td>12 520</td>
<td>-4</td>
<td>49 414</td>
<td>-5</td>
</tr>
<tr>
<td>Core Operating Income</td>
<td>3 057</td>
<td>-5</td>
<td>13 790</td>
<td>-5</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1 677</td>
<td>-29</td>
<td>8 977</td>
<td>-19</td>
</tr>
<tr>
<td>Net Income</td>
<td>1 054</td>
<td>-57</td>
<td>7 028</td>
<td>-34</td>
</tr>
<tr>
<td>Core EPS (USD)</td>
<td>1.14</td>
<td>-4</td>
<td>5.01</td>
<td>-3</td>
</tr>
<tr>
<td>EPS (USD)</td>
<td>0.44</td>
<td>-57</td>
<td>2.92</td>
<td>-33</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>2 942</td>
<td>-26</td>
<td>9 259</td>
<td>-15</td>
</tr>
</tbody>
</table>

1 An explanation of continuing operations can be found on page 43 of the Condensed Financial Report.
Sales volume more than offset generic impact

Continuing operations FY 2015
(growth vs. PY in %)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Net sales</th>
<th>Core operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume before Gx</td>
<td>11</td>
<td>27</td>
</tr>
<tr>
<td>Price</td>
<td>-2</td>
<td>-6</td>
</tr>
<tr>
<td>Growth before Gx</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>Generics impact(^1)</td>
<td>-4</td>
<td>-11</td>
</tr>
<tr>
<td>CC growth</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Currency</td>
<td>-10</td>
<td>-15</td>
</tr>
<tr>
<td>USD growth</td>
<td>-5</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Generics impact on sales amounted to USD 2.2 billion for FY 2015

Generics impact on sales amounted to USD 2.2 billion for FY 2015
Negative currency impact in 2015 from strong USD

Currency impact vs. PY
(in % pts)

Net sales

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>-10</td>
<td>-11</td>
<td>-12</td>
<td>-8</td>
<td>-5</td>
</tr>
</tbody>
</table>

FY impact: -10%

Core operating income

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>-13</td>
<td>-13</td>
<td>-14</td>
<td>-17</td>
<td>-14</td>
</tr>
</tbody>
</table>

FY impact: -15%

Expected currency impact assuming mid January rates prevail for full year
### FY core margin improved due to Pharmaceuticals and Sandoz

<table>
<thead>
<tr>
<th></th>
<th>Net sales change vs. PY (in % cc)</th>
<th>Core operating income change vs. PY (in % cc)</th>
<th>Core ROS (%)</th>
<th>Core margin change vs. PY (% pts cc)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>6</td>
<td>14</td>
<td>30.9</td>
<td>2.4</td>
</tr>
<tr>
<td>Alcon</td>
<td>-1</td>
<td>-7</td>
<td>31.2</td>
<td>-2.1</td>
</tr>
<tr>
<td>Sandoz</td>
<td>7</td>
<td>17</td>
<td>18.1</td>
<td>1.5</td>
</tr>
<tr>
<td>FY continuing operations</td>
<td>5</td>
<td>10</td>
<td>27.9</td>
<td>1.3</td>
</tr>
</tbody>
</table>
Q4 core margin improvement driven by Pharmaceuticals

<table>
<thead>
<tr>
<th></th>
<th>Q4 2015</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td></td>
<td>(in % cc)</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>9</td>
</tr>
<tr>
<td>Alcon</td>
<td>-6</td>
</tr>
<tr>
<td>Sandoz</td>
<td>0</td>
</tr>
<tr>
<td>Q4 continuing operations</td>
<td>4</td>
</tr>
</tbody>
</table>
FY core margin significantly above prior year due to both portfolio transformation and productivity improvements.

Core margin USD at period rates (in % pts)

- FY 2014 Total Group core ROS: 25.2
- Portfolio Transformation: 2.5
- FY 2014 continuing operations core ROS: 27.7
- Sales and Productivity: 1.3
- FX: -1.1
- FY 2015 continuing operations core ROS: 27.9
Net debt increased mainly due to acquisition of GSK oncology assets

(in USD bn)

-6.5  9.0  -6.6  -16.0  -16.5
9.9

1.6

-1.0

-6.1

-0.8

-16.5

Dec 31, 2014
Free Cash Flow
Dividends
Acquired GSK oncology products
Net proceeds from portfolio transformation transactions
Divestment tax payments
Proceeds from options exercised
Share repurchases
Others
Dec 31, 2015

1 Total Group including discontinued operations
2 Related to employee participation programs
19th consecutive dividend growth proposed

Proposal to shareholders at the 2016 Annual General Meeting, taking place on February 23, 2016.

Dividend per share in USD is calculated by converting into USD the proposed dividend per share in CHF at the CHF-USD exchange rate of December 31, 2015 (1 CHF=USD 1.01).

1 Proposal to shareholders at the 2016 Annual General Meeting, taking place on February 23, 2016.
2 Dividend per share in USD is calculated by converting into USD the proposed dividend per share in CHF at the CHF-USD exchange rate of December 31, 2015 (1 CHF=USD 1.01).
Key drivers of expected 2016 performance for continuing operations

- Pharmaceuticals Growth Products (including Cosentyx® and Entresto™)
- New oncology assets
- Capture NBS and cross-divisional synergies
- Other growth drivers

- Generics (mainly Gleevec®/Glivec® and Ophtha Pharma)
- Launch investments
- FX impact (USD appreciation against most currencies)
**Expected divisional sales outlook in 2016**

<table>
<thead>
<tr>
<th>Sales (USD bn)</th>
<th>Pharmaceuticals</th>
<th>Alcon</th>
<th>Sandoz</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015 Actual</strong></td>
<td>30.4</td>
<td>9.8</td>
<td>9.2</td>
</tr>
<tr>
<td>Ophtha Pharmaceuticals</td>
<td>3.8</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>Mature Product consolidation</td>
<td>0.9</td>
<td></td>
<td>0.9</td>
</tr>
<tr>
<td><strong>2015 Restated</strong></td>
<td>33.3</td>
<td>6.0</td>
<td>10.1</td>
</tr>
</tbody>
</table>

**Vs. 2015 (cc)**
- Pharmaceuticals: Broadly in line to slight decline
- Alcon: Low single digit growth
- Sandoz: Low to mid-single digit growth

**Vs. 2015 (cc) Continuing ops**
- Total net sales expected to be broadly in line; mid-single digit growth excluding Gleevec®/Glivec® Gx

---

1 Barring unforeseen events; restated financials to be provided in the first half of April ‘16

Novartis Q4 and FY 2015 Results | January 27, 2016 | Novartis Investor Presentation
Outlook for continuing operations in 2016\(^1\)

- In 2016, we expect genericization of Gleevec®/Glivec®, currently the largest product in our Pharmaceuticals portfolio; February in US and December in Europe

- **Continuing operations net sales** expected to be *broadly in line with PY*; excluding the Gleevec®/Glivec® Gx impact, growth is expected to be *mid-single digits*

- Including the steps we announced today, we expect 2016 divisional net sales performance
  - Pharmaceuticals: broadly in line with PY to a slight decline
  - Alcon: low single digit growth
  - Sandoz: low to mid-single digit growth

- **Continuing operations core operating income** expected to be *broadly in line with PY*; excluding the Gleevec®/Glivec® Gx impact, the growth is expected to be in the *mid-teens*

---

\(^1\) All in cc, barring unforeseen events

52 | Novartis Q4 and FY 2015 Results | January 27, 2016 | Novartis Investor Presentation
Core OpInc growth trajectory expected to be stronger in H2 than H1

Key impacts in H1

**Pharma**
- Launch investments in H1 (Cosentyx®/ EntrestoTM)
- Glivec® Gx February ‘16

**Alcon**
- Growth plan investment throughout the year but sales in H2
- High prior-year base in Q1

**Sandoz**
- High prior-year base in Q1 (strong flu season)
**Key assumptions in 2016**

- **Core tax**
  - FY core tax rate in the mid-teens consistent with prior years

- **FX impact**
  - FY: -3% in sales and -5% in core operating income
  - Q1: -5% in sales and -7% in core operating income

- **Core associated companies**
  - Higher core income as the OTC JV grows and 2015 included a negative true-up on 2014 Roche income

- **Core NFI**
  - Expense of approx. USD 0.8bn to 0.9bn, vs. USD 0.7bn in 2015; increase driven by higher hedging costs due to increased exposure and volatility in emerging market currencies
Today’s announced synergy plans expected to deliver over USD 1 billion in annual cost savings by 2020

Operating income
(in USD bn)

*Illustrative*

![Graph showing expected cost synergies and one-time costs from 2016 to 2020. The graph indicates that expected one-time costs are USD 1.4bn over 5 years, starting in 2016, and expected cost synergies are at least USD 1bn per year by 2020.](image-url)
Agenda

Group review  Joseph Jimenez, *Chief Executive Officer*

- 2015 Review
- Taking our strategy forward in 2016

Financial review  Harry Kirsch, *Chief Financial Officer*

Pharmaceuticals review  David Epstein, *Division Head, Novartis Pharmaceuticals*

Closing remarks  Joseph Jimenez, *Chief Executive Officer*

Q&A session  Executive team
Pharmaceuticals Division delivered strong growth (cc) in both sales and core operating income

<table>
<thead>
<tr>
<th>(in USD bn)</th>
<th>FY 2015</th>
<th>FY 2014</th>
<th>Change vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% USD</td>
<td>% cc</td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>30.4</td>
<td>31.8</td>
<td>-4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Core Operating Income</td>
<td>9.4</td>
<td>9.5</td>
<td>-1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>Operating Income</td>
<td>7.6</td>
<td>8.5</td>
<td>-10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Core Operating Income Margin</td>
<td>30.9%</td>
<td>29.9%</td>
<td></td>
</tr>
<tr>
<td>Operating Income Margin</td>
<td>25.0%</td>
<td>26.6%</td>
<td></td>
</tr>
</tbody>
</table>
Growth Products representing an unprecedented 44% of total division sales in 2015¹

Pharmaceuticals Growth Products net sales
(in USD bn, growth in % cc)

11.3  →  13.5

2014  →  2015

+33%

% of total division sales

36%  →  44%¹

¹ The share of total division sales for Growth Products increased each quarter in 2015: from 41% (Q1) to 44% (Q2), 46% (Q3), 47% (Q4)
Attractive growth platform\(^1\) with exclusivity to 2019 and beyond

<table>
<thead>
<tr>
<th>Indication</th>
<th>FY 2015 Net sales (USD m)</th>
<th>FY 2015 Growth vs. PY (% cc)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS</td>
<td>2,776</td>
<td>21</td>
</tr>
<tr>
<td>wAMD, DME, bRVO, cRVO, mCNV</td>
<td>2,060</td>
<td>-2</td>
</tr>
<tr>
<td>CML</td>
<td>1,632</td>
<td>16</td>
</tr>
<tr>
<td>aRCC, TSC/SEGA, pNET, HR+/HER2- aBC</td>
<td>1,607</td>
<td>10</td>
</tr>
<tr>
<td>Type 2 diabetes mellitus</td>
<td>1,140</td>
<td>8</td>
</tr>
<tr>
<td>Severe allergic asthma, CSU/CIU</td>
<td>755</td>
<td>14</td>
</tr>
<tr>
<td>COPD</td>
<td>576(^3)</td>
<td>40(^3)</td>
</tr>
<tr>
<td>aRCC</td>
<td>565</td>
<td>n/a</td>
</tr>
<tr>
<td>BRAF V600+ metastatic melanoma</td>
<td>453(^4)</td>
<td>n/a</td>
</tr>
<tr>
<td>MF, PV</td>
<td>410</td>
<td>71</td>
</tr>
<tr>
<td>Thrombocytopenia(^5), SAA</td>
<td>402</td>
<td>n/a</td>
</tr>
<tr>
<td>PsO, PsA, AS</td>
<td>261</td>
<td>n/a</td>
</tr>
<tr>
<td>HFrEF</td>
<td>21</td>
<td>n/a</td>
</tr>
</tbody>
</table>

\(^1\) Selected key products for growth of Pharmaceuticals Division

\(^2\) Onbrez® Breezhaler® approved as Arcapta® Neohaler® in the US; Ultibro® Breezhaler® approved as Ultibron® Neohaler®

\(^3\) Net sales and growth of Onbrez®, Seebri® and Ultibro®

\(^4\) Net sales of Tafinlar® + Mekinist®

\(^5\) Approved as Promacta® in the US

\(^6\) cITP and thrombocytopenia associated with hepatitis C
Oncology achieved strong growth momentum in 2015

Oncology Franchise net sales and growth
(in USD bn, growth in % cc)

- FY sales growth 24% vs. PY (Q4 +23%)
- New assets\(^2\) contributed USD 1.8 billion
- Integration of new assets and onboarding of associates almost completed
- All submissions and approvals for the new assets were completed as planned in 2015

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base business(^1)</td>
<td>11.7</td>
</tr>
<tr>
<td>New assets(^2)</td>
<td>+24%</td>
</tr>
</tbody>
</table>

\(^1\) Continuing Oncology assets unaffected by the GSK transaction
\(^2\) Assets acquired in the GSK transaction which closed on March 2, 2015. These include, among others, Votrient\(^\circledR\), Promacta\(^\circledR\), Tafinlar\(^\circledR\) + Mekinist\(^\circledR\)
Jakavi® continues solid growth trajectory

Jakavi® sales\(^1\) (ex-US)
(in USD m)

- FY sales growth 71% vs. PY (Q4 +59%)
- Continued in-market growth of MF indication across geographies
- Contribution from PV sales mainly from DE and JP
- Approval for PV in Canada (Nov ’15)

\(^1\) Sales growth vs. PY is in cc. Novartis licensed ruxolitinib (Jakavi\(^{®}\)) from Incyte Corporation. Ruxolitinib is marketed in the US by Incyte under the brand name Jakafi\(^{®}\)
### Gilenya® performance vs. PY

<table>
<thead>
<tr>
<th>Net sales FY 2015 (USD m, growth in % cc)</th>
<th>Value share¹ (% growth in ppt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>Ex-US</td>
</tr>
<tr>
<td><strong>+26%</strong></td>
<td><strong>+17%</strong></td>
</tr>
<tr>
<td>1,497</td>
<td>1,279</td>
</tr>
</tbody>
</table>

- FY sales growth 21% vs. PY (Q4 +18%)
- Over 134,000 patients treated to date²
- #1 in value share in Multiple Sclerosis (MS) segment in 23 countries¹,³
- Acquisition of remaining ofatumumab rights completed; on track for filing in RMS in ‘19

1. Value share defined as % share of the MS segment YTD Sep 2015 vs. PY incl. Aubagio®, Copaxone®, Gilenya®, Lemtrada®, Tecfidera®, Tysabri® and approved interferons (Source: IMS based on 51 countries)
2. Worldwide Novartis estimate in clinical trials and in post-marketing setting
3. Leading value share in the MS segment ex-US in general and in 23 countries specifically, incl France, Italy, Spain, Australia, Switzerland, Turkey, Brazil, and Mexico

---

1  Value share defined as % share of the MS segment YTD Sep 2015 vs. PY incl. Aubagio®, Copaxone®, Gilenya®, Lemtrada®, Tecfidera®, Tysabri® and approved interferons (Source: IMS based on 51 countries)
2  Worldwide Novartis estimate in clinical trials and in post-marketing setting
3  Leading value share in the MS segment ex-US in general and in 23 countries specifically, incl France, Italy, Spain, Australia, Switzerland, Turkey, Brazil, and Mexico
Entresto™ started slowly in the US, but...

**Demand in the US¹**
(in weekly Rx from launch)

- Sales of USD 21m (FY) and USD 5m (Q4)
- US launch in 2015:
  - Sales specialists interact with ~26k physicians equivalent to 30-40% of Heart Failure potential
  - Very limited access in 2015; prior authorization was required
  - >4,850 prescribers² and >11,000 patients³

---

¹ IMS weekly data from launch of each product  
² IMS NPA, Dec '15  
³ IMS Custom Patient Count Report, Dec '15
...patient access has substantially improved in both Medicare and commercial segments...

Patient access – Medicare
(% coverage over time)

Patient access – Commercial insurance
(% coverage over time)

1 Patient access calculated based on Entresto™ inclusion in national insurance plan formularies. Patient access is total number of patients whose insurance plan includes Entresto™ on formulary (whether or not a heart failure patient). Percentage shown is calculated as number of patients covered by an insurance plan with Entresto™ on formulary, divided by all patients covered by insurance plans (Medicare and Commercial respectively).
...and Entresto™ is off to an encouraging start in Europe

Projected patient access evolution\(^1\)
(Eligible patients with reimbursement\(^2\))

- Illustrative evolution over time -

- Central & Eastern Europe -

- Positive feedback from physicians on clinical experience
- Launched in Nov
  Initial Swiss uptake >5x US due to unrestricted access
- NICE issued draft guidance recommending Entresto™ as a treatment option for HFrEF (Nov ’15)
- Launched in Jan

---

\(^1\) Possible reimbursement timings are based on average standard timelines by country and do not imply an actual favorable decision by local authorities or inclusion in individual plans

\(^2\) Eligible patients defined by the approved label. Exact criteria for reimbursement may differ by country or insurance plan
Cosentyx® gains share in psoriasis across the world

Value share in psoriasis segment\(^1\)
(% value share per country)

- Global sales of USD 261m (FY) and USD 121m (Q4)
- >15,000 patients worldwide
- Share of biologic naive patients remains high in EU, i.e. 40-55% in AT, CH, DE & UK
- Approval for pustular psoriasis in JP

---

\(^1\) Value share in psoriasis segment, defined as systemic therapies and consisting of Cosentyx®, Humira®, Enbrel®, Remicade®, Stelara®, Acitretin, Ciclosporin, Methotrexate, Etretinate (only in JP) and Otezla® (only in US) (Source: IMS PADDs)
Cosentyx® approved for AS and PsA in US and EU

The first and only IL-17A approved for AS & PsA

First experience in EU, after DE launch (Dec)

Significant opportunity in high growth segments
- ~350k patients currently on biologics
- Up to 40% of patients on biologics do not respond adequately
- Penetration of biologics is <20%

1 Approvals granted in Nov ’15 (EU) and Jan ’16 (US) for both AS and PsA. PsA approval in JP in Dec ’14
2 Moving Annual Total (MAT) of 12-month data ending the month of October. PsA and AS segments defined by listed biologics
3 IMS sales units data (US, DE, FR, IT, SP, UK)
4 Dougados M et al., The Lancet. 2011; 377: 2127–37
5 Estimate based on Gelfand, 2005 (PsA prevalence), Reveille JD et al. 2013 (AS prevalence), Decision Resources 2013 (PsA treated pool) and Datamonitor 2008 (AS treated pool)
PKC412: 1st targeted therapy to show overall survival (OS) benefit in FLT3mut AML patients

Overall survival in FLT3mut AML\(^1\)
(% probability of survival)

- OS improved by 23%
- One-third of AML patients are FLT3mut; estimated at 25-30k patients worldwide
- ASM is a rare disease of the mast cells and a 2\(^{nd}\) potential indication for PKC412 \(^2\)
- US/EU submissions expected in H1 2016

\(^1\) Stone RM, et al. 2015, oral presentation, ASH 2015
\(^2\) J. Gotlib & al. (Data presented at oral presentation ASH 2015). Full data to be published in 2016
### Progressing our late stage pipeline across disease areas

<table>
<thead>
<tr>
<th>QAW039</th>
<th>AMG 334</th>
<th>RLX030</th>
<th>ABL001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severe asthma</td>
<td>Migraine</td>
<td>Acute heart failure</td>
<td>CML</td>
</tr>
<tr>
<td><img src="image1" alt="QAW039" /></td>
<td><img src="image2" alt="AMG 334" /></td>
<td><img src="image3" alt="RLX030" /></td>
<td><img src="image4" alt="ABL001" /></td>
</tr>
</tbody>
</table>

- **QAW039**
  - Severe asthma
  - Ph III LUSTER1-2 trials
  - 1,692 patients planned
  - FPFV achieved (Dec)
  - Filing planned 2019

- **AMG 334**
  - Migraine
  - Two Ph III migraine prevention trials ongoing
  - ~1,400 patients
  - Amgen collaboration\(^1\)

- **RLX030**
  - Acute heart failure
  - RELAX-AHF2
  - 6,800 patients
  - Recruitment ongoing
  - Filing planned 2017

- **ABL001**
  - CML
  - Unique mode of action\(^2\)
  - 80+ patients in FIH study
  - Filing planned ≥2020

---

\(^1\) The collaboration includes co-development and co-commercialization of AMG 334 (migraine) and CNP520 (Alzheimer’s disease)

\(^2\) First allosteric BCR-ABL inhibitor in clinical development
### Expected selected highlights from Pharmaceuticals newsflow

<table>
<thead>
<tr>
<th>H1 2016</th>
<th>Cosentyx®</th>
<th>FDA action in ankylosing spondylitis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cosentyx®</td>
<td>FDA action in psoriatic arthritis</td>
</tr>
<tr>
<td></td>
<td>Ilaris®</td>
<td>Regulatory filings in EU and US for hereditary periodic fevers</td>
</tr>
<tr>
<td></td>
<td>Afinitor®</td>
<td>FDA action for advanced non-functional NET (GI / Lung origin)</td>
</tr>
<tr>
<td></td>
<td>PKC412</td>
<td>Regulatory filings in US and EU for ASM and AML</td>
</tr>
<tr>
<td></td>
<td>Tafinlar® + Mekinist®</td>
<td>PMDA action in BRAF V600+ metastatic melanoma</td>
</tr>
<tr>
<td>H2 2016</td>
<td>BYM338</td>
<td>Regulatory filings in EU and US for sporadic inclusion body myositis</td>
</tr>
<tr>
<td></td>
<td>Tafinlar® + Mekinist®</td>
<td>Regulatory filings in US and EU for BRAF V600+ NSCLC</td>
</tr>
<tr>
<td></td>
<td>Votrient®</td>
<td>Regulatory filings in US and EU for adjuvant RCC</td>
</tr>
<tr>
<td></td>
<td>Afinitor®</td>
<td>EU and PMDA action in advanced non-functional NET</td>
</tr>
<tr>
<td></td>
<td>LEE011 (+ letrozole)</td>
<td>Submission¹ in US 1st line HR+ HER2(-) mBC</td>
</tr>
</tbody>
</table>

¹ Submission late 2016 or early 2017 with final analysis based on the predefined progression free survival (PFS) data of the MONALEESA-2 trial, provided that events occur no later than early Q3
Agenda

- Group review
  - 2015 Review
  - Taking our strategy forward in 2016

- Financial review
  - Harry Kirsch, Chief Financial Officer

- Pharmaceuticals review
  - David Epstein, Division Head, Novartis Pharmaceuticals

- Closing remarks
  - Joseph Jimenez, Chief Executive Officer

- Q&A session
  - Executive team
Our 2016 Priorities

1. Deliver strong 
   Financial 
   Results
   ▪ Maintain sales and core operating income, while absorbing Gleevec®/Glivec® impact and investing for future growth

2. Strengthen 
   Innovation
   ▪ Execute on Entresto™ and Cosentyx® launches
   ▪ Secure key biosimilars filings

3. Improve 
   Alcon 
   performance
   ▪ Execute Alcon plan to return to growth

4. Capture 
   Cross-Divisional 
   Synergies
   ▪ Implement organization restructuring
   ▪ Execute NBS plans

5. Build a 
   High-Performing 
   Organization
   ▪ Strengthen quality, compliance and develop the best talent

Novartis Q4 and FY 2015 Results | January 27, 2016 | Novartis Investor Presentation
In summary

■ A growth plan for Alcon

■ Next phase of our strategy to increase focus and efficiency

■ A stronger, better company going forward
Q&A
<table>
<thead>
<tr>
<th>Planned filings 2016 to ≥ 2020a</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2016</strong></td>
</tr>
<tr>
<td>BKM120 + fulv mBC1 ER+ AI resistant/mTOR naive</td>
</tr>
<tr>
<td>BYM338 asta1</td>
</tr>
<tr>
<td>LEE011 + tz2</td>
</tr>
<tr>
<td>PKC412 AML1</td>
</tr>
<tr>
<td>Afinitor®</td>
</tr>
<tr>
<td>Afinitor® TDC sestubes</td>
</tr>
<tr>
<td>Arzerra®</td>
</tr>
<tr>
<td>Arzerra®</td>
</tr>
<tr>
<td>BKM126 + fulv mBC1 ER+ post AI and mTOR inhibitor 1st line</td>
</tr>
<tr>
<td><strong>Combination Abbreviations:</strong> fulv fulvestrant tz2 letrozole tz tamoxifen gsn goserelin NSAI Non-steroidal aromatase inhibitor</td>
</tr>
<tr>
<td>a) AMG 334 is not included in this view. AMG 334 is part of the global collaboration with Amgen to commercialize and develop neuroscience treatments (announced in September 2015). b) Submission anticipated late 2016 or early 2017. c) Also known as Fovista® (pegpleranib) and E10030. This product is being developed by Ophthotech Corp. Ophthotech has licensed ex-US commercialization rights to Novartis under a Licensing and Commercialization Agreement. d) Novartis acquired all remaining rights to GSK’s ofatumumab (OMB157) in December 2015.</td>
</tr>
</tbody>
</table>
This presentation contains several important words or phrases that we define as below:

**aBC**: advanced Breast Cancer

**ALK+ NSCLC**: Anaplastic Lymphoma Kinase positive Non-Small Cell Lung Cancer

**AML**: Acute Myeloid Leukemia

**ASM**: Aggressive Systemic Mastocytosis

**Approval**: In Pharmaceuticals and Alcon in US and EU; each indication and regulator combination counts as approval; excludes label updates, CHIMP opinions alone and minor approvals

**aRCC**: advanced Renal Cell Cancer

**AS**: Ankylosing Spondylitis

**Base business**: continuing Oncology assets unaffected by the GSK transaction

**cc**: constant currencies

**cITP**: chronic Immune Thrombocytopenia

**CML**: Chronic Myeloid Leukemia

**COPD**: Chronic Obstructive Pulmonary Disease

**CSU / CIU**: Chronic Spontaneous Urticaria / Chronic Idiopathic Urticaria

**DME**: Diabetic Macular Edema

**Growth Products**: Products launched in a key markets (EU, US, Japan) in 2010 or later, or products with exclusivity in key markets until at least 2019 (except Sandoz, which includes only products launched in the last 24 months). They include the acquisition effect of the GSK oncology assets

**HFrEF**: Heart Failure with Reduced Ejection Fraction

**HR+/HER2-**: Hormone Receptor positive / Human Epidermal growth factor Receptor 2 negative

**mCNV**: Choroidal Neovascularization (CNV) secondary to pathologic myopia (myopic CNV)

**MF**: Myelofibrosis

**MS**: Multiple Sclerosis

**New assets**: Assets acquired in the GSK transaction which closed on March 2, 2015

**NSCLC**: Non-Small Cell Lung Cancer

**OS**: Overall Survival

**PFS**: Progression Free Survival

**pNET**: pancreatic Neuroendocrine Tumor

**PsA**: Psoriatic Arthritis

**PsO**: Psoriasis

**PY**: Prior Year

**PV**: Polycythemia Vera

**RMS**: Relapsing Multiple Sclerosis

**RVO**: Retinal Vein Occlusion

**SAA**: Severe Aplastic Anemia

**TSC/SEGA**: Tuberous Sclerosis Complex / Subependymal Giant Cell Astrocytoma

**wAMD**: wet (neovascular) Age-related Macular Degeneration

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Aubagio® and Lemtrada® are registered trademarks of Genzyme Corporation

Cimzia® is a registered trademark of UCB PHARMA

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