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Novartis highlights strong innovation momentum at its second Meet Novartis Management investor day

- **Strong progress on innovation across divisions**
  - Pharmaceuticals is building breadth and depth in seven franchises, including Oncology, where it is complementing leadership in targeted therapies and CART with immuno-oncology assets
  - Alcon is focused on eye care innovation, including strengthening its IOL pipeline over prior year and focusing on early-stage discovery in Ophthalmic Pharmaceuticals
  - Sandoz is extending its lead in differentiated generics, exemplified by first-of-a-kind FDA approvals for biosimilar *Zarxio* and generic Copaxone® 20mg
- **Clear focus on execution**
  - Expect to increase core margin (cc) in 2015 due to portfolio transformation and productivity improvements in line with 2015 full year guidance
  - Novartis Business Services fully operational and contributing to margin improvement; target to keep cost under management flat versus prior-year
  - Execution of portfolio changes on track; additional Oncology sales force in top 20 markets fully operational
  - Clear priorities for capital allocation, allowing for strong and growing dividend and strategic bolt-on acquisitions

Basel, June 18, 2015 – For its second "Meet Novartis Management" investor day, Novartis gathered more than 20 of its top executives from Pharmaceuticals, Alcon, Sandoz and NIBR, to meet with approximately 100 investors and analysts at the Novartis Institutes for BioMedical Research in Boston.

"With the portfolio transformation behind us[1], management is focused on execution against our strategic priorities, including strengthening innovation across our three businesses. In Pharmaceuticals, we have a deep portfolio with *Entresto* (LCZ696) for chronic heart failure, *Cosentyx* for psoriasis, our newly acquired Oncology assets, and a strategy to lead in second generation immuno-oncology. At Alcon, IOL innovation is accelerating, and at Sandoz, we have a strong biosimilar and generic pipeline. With strong innovation in each of our businesses, we are well positioned for the future," said Novartis CEO Joseph Jimenez.

Pharmaceuticals
Pharmaceuticals has an industry-leading pipeline with 143 active programs, including 74 new molecular entities, more than 500 trials ongoing and more than 300 trials planned to start through the end of 2016. These programs span disease areas where the unmet need is still great and where we can offer a real advance in treatment for patients, including oncology, cardio-metabolic, immunology and dermatology, and respiratory.

[1] Divestiture of the influenza vaccines business to CSL is expected to close in the second half of 2015

In Oncology, where Novartis is the number two player globally, we are taking a holistic approach, continuing to build our strength in targeted therapies and leadership position in CART, while aggressively pursuing a full suite of immuno-oncology (IO) assets. The aim is to lead in each of these areas, positioning us well for combination therapies.

We strengthened our position in targeted therapies with the recently acquired Oncology assets, including *Votrient*, *Tafinlar*, *Mekinist* and *Promacta*, which generated 2014 net sales of USD 2.0 billion. We see the potential to increase sales to reach three blockbusters through market expansion and new indications. Data from the COMBI-d trial of *Tafinlar* and *Mekinist*, for example, showed a 29% reduction in risk of death versus *Tafinlar* monotherapy and 51% overall survival at two years. The combination was granted accelerated approval in the US in January 2014, and submissions were completed in the EU and Japan for first line melanoma in the second quarter of 2015. The combination of *Tafinlar* and *Mekinist* is also being investigated in non-small cell lung cancer and colorectal cancer.

In immuno-oncology, we made significant advances with the acquisition of the CoStim portfolio and alliance with Aduro Biotech, and are now bringing our own assets – including both monotherapies and combinations – to the clinic. Our anti-PD1 checkpoint inhibitor (PDR001) started first-in-human trials in April 2015. Our anti-LAG3 (LAG525), anti-TIM3 (MBG453) and anti-CSF1 (MCS110) therapies are on track to be in clinical trials in 2015, and doublets of those monotherapies with PDR001 are planned to enter in 2015 and 2016. Our STING agonist MIW815 (through collaboration with Aduro Biotech) and our GITR agonist are progressing towards first-in-human in 2016.

We are continuing to explore the potential of targeted therapy-IO combinations through several external collaborations, including one with MedImmune/AstraZeneca on the triple combination of *Tafinlar*, *Mekinist* and an anti-PDL1 in melanoma. We also have three combinations with Opdivo® (Bristol-Myers Squibb) entering the clinic in the first half of 2015.

In Cardio-Metabolic, we are preparing for the expected launch of LCZ696 in heart failure with reduced ejection fraction, with accelerated reviews underway in the US, Canada and Switzerland, conditional approval for the brand name in the US (*Entresto*), and early/temporary access programs granted in the UK and France. The franchise has a strong pipeline with pivotal Phase III studies for LCZ696 in heart failure with preserved ejection fraction, RLX030 in acute heart failure and ACZ885 in coronary artery disease.

In Immunology and Dermatology, Pharmaceuticals is working to expand the indications for *Cosentyx* beyond psoriasis, with pivotal Phase III studies in psoriatic arthritis (FUTURE 1 and 2) and ankylosing spondylitis (MEASURE 1 and 2) forming the basis for regulatory filings, including in the US and EU, which were completed for both indications in the second quarter of 2015. We expect CHMP opinion in the first half of 2016 and potential FDA approval in the second half of 2016 for these indications. Cosentyx is expected to be a blockbuster and one could build a scenario where it could reach USD 4-5 billion in psoriasis and the arthridities. This assumes success in the new already submitted indications.

In Respiratory, Pharmaceuticals is committed to expanding its asthma portfolio beyond *Xolair*. A pivotal trial of QVM149 studying the combination of LABA, LAMA and an inhaled corticosteroid is planned to start in 2015. In addition, a pivotal study is planned for QAW039, a potential first-in-class oral anti-inflammatory for asthma.

Alcon

Innovation is accelerating at Alcon. The division is rolling out *Centurion*, the industry's most advanced phacoemulsification platform, and has reached 15% penetration of the global installed base and over 25% in the US. Alcon is seeing improved pull-through on sales of consumables from its Cataract Refractive Suite. At the same time, the division has increased the number of intraocular lens (IOL) projects in its pipeline over the past year, with key pre-loaded and trifocal IOL launches on track for launch in Europe in the second half of 2015, and work underway on a next-generation, potentially best-in-class IOL platform.

In addition, Alcon is developing its early stage Ophthalmic Pharmaceuticals pipeline, exploring novel glaucoma treatment pathways and early-stage opportunities in dry eye. Alcon is also expecting to innovate in the retina market with RTH258, which has demonstrated promising visual acuity gains in patients with wet age-related macular degeneration (wet AMD). Alcon initiated a Phase III study of RTH258 in wet AMD in December 2014.

Sandoz
Sandoz is focused on extending its lead in differentiated generics, and driving growth with margin expansion to support continued investment in innovation. It is already the global leader in biosimilars[1], with three in-market products (*Omnitrope*, *Binocrit* and *Zarzio*) that are number one in their respective segments, as well as a strong pipeline with five molecules in Phase III development/registration and plans to announce ten further biosimilar filings over the next three years. In the US, where the biosimilars market is still evolving, Sandoz was the first company to receive approval for a biosimilar under the new pathway (*Zarxio*), and will leverage its experience from ex-US markets.

In addition to biosimilars, Sandoz has a broad range of innovative development capabilities, including generic injectables, dermatology medicines, ophthalmics and inhalables, as well as anti-infectives. Sandoz's *Glatopa*, the prime example of a differentiated generic, was the first FDA approved substitutable generic version of Copaxone® 20mg. Sandoz has accelerated growth in the US behind a focus on differentiated generics, including the Fougera specialty dermatology business.

To drive growth with margin expansion, Sandoz is refocusing its business on key geographies and portfolio areas, and streamlining its manufacturing footprint to ensure a fully competitive global production network. By driving margin expansion in the retail business, Sandoz expects to be strongly positioned to continue investing in growth opportunities.

NIBR
NIBR helps build our pipeline across divisions, making Novartis the company with the largest number of active clinical trials in the industry. Supporting our Oncology strategy, for example, NIBR has a broad pipeline with drug candidates covering most oncogenic pathways. Together with our IO portfolio, this provides a strong platform for novel combinations.

NIBR is also focused on a next wave of therapeutics, based on principles of regenerative biology, that address common disorders of aging, including muscle weakness, loss of vision and hearing, and heart and liver failure, including nonalcoholic steatohepatitis (NASH). New NIBR-derived drugs and drug candidates also address a range of auto-immune and other disorders.

In addition to driving innovation in-house, NIBR manages a robust network of alliances, including more than 300 collaborations with academic institutions and more than 100 collaborations with biotech and pharmaceutical organizations (270 including those managed by the Pharmaceuticals Division). Jointly NIBR and Pharmaceuticals added 37 new alliances in 2014.

Novartis Group
As a Group, Novartis is focused on execution to deliver strong innovation and financial results. The portfolio transformation is largely completed, with the last step – the divestiture of the influenza vaccines business to CSL – expected to close in the second half of 2015. The integration of the new Oncology assets is also progressing well, with approximately 1,800 new associates joined in 60 countries, and the additional sales force in our top 20 markets already fully operational.

[1] By sales in the combined regions of North America, Europe, Japan and Australia

We expect to grow core margin in constant currencies (cc) in line with our full year 2015 guidance, driven by the portfolio transformation, ongoing productivity programs (including effective resource allocation) and Novartis Business Services (NBS).[1]

NBS, which covers approximately USD 5 billion in spend, is fully operational and contributing to margin improvement. We have already transferred approximately 8,700 associates from divisions to NBS, generated procurement savings of approximately USD 350 million in the first quarter of 2015, and selected five locations for Global Service Centers. Our target is to keep the cost under NBS management flat versus prior year, even as revenue grows, by capturing synergies across divisions.

While we continue to improve productivity and generate leverage, our capital allocation priorities remain the same: investing in the existing business, growing the annual dividend, bolt-on acquisitions, and share buybacks.

In each of our businesses, we have leading positions and growth catalysts expected in the near, medium and long-term. Underpinning those businesses, we have a world-class research engine in NIBR, an operational platform to extract synergies in NBS, and the financial and cost discipline to drive leverage. Taken together, Novartis is set for the future, with a strategy to realize the full potential of the portfolio of our leading businesses.

For background slides please refer to the following link:
http://www.novartis.com/investors/event-calendar/index.shtml

Disclaimer

This press release contains forward-looking statements that can be identified by words such as "momentum," "progress," "building," "focused," "pipeline," "focusing," "focus," "expect," "target," "on track," "strategy," "accelerating," "well positioned," "ongoing," "planned," "aim," "being investigated," "continuing," "potential," "preparing," "launch," "underway," "working," "committed," "potentially," "developing," "initiated," "continued," "development," "plans," "evolving," "will," "expects," "continue," "expected," "progressing," "priorities," 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 the potential completion of the announced transaction with CSL, or regarding the potential financial or other impact on Novartis of the transactions with GSK, Lilly or CSL, or regarding any potential strategic benefits, synergies or opportunities as a result of these transactions; or regarding potential future sales or earnings of the Novartis Group or its divisions and associated companies; 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 the announced transaction with CSL will be completed in the expected form or within the expected time frame or at all. Neither 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 transactions with GSK, Lilly or CSL. Neither can there be any guarantee that the Novartis Group or any of its divisions or associated companies will achieve any particular financial results in the future. Nor can there be any guarantee that shareholders will achieve any particular level of shareholder returns. Neither can there be any guarantee that the Novartis 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, including an unexpected failure to obtain necessary government approvals for the announced transaction with CSL, or unexpected delays in obtaining such approvals; the potential that the strategic

[1] Barring unforeseen events. For continuing operations: net sales expected to grow mid-single digit (cc); core operating income expected to grow ahead of sales at a high-single digit rate (cc)

benefits, synergies or opportunities expected from the transactions with GSK, Lilly or 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; the Company's ability to obtain or maintain proprietary intellectual property protection; unexpected manufacturing or quality issues; global trends toward health care cost containment, including ongoing pricing pressures; 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; 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 the Company's 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 2014, the Group achieved net sales of USD 58.0 billion, while R&D throughout the Group amounted to approximately USD 9.9 billion (USD 9.6 billion excluding impairment and amortization charges). Novartis Group companies employ approximately 120,000 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.

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