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From: Communications, Novartis (Gen)
Sent: Tuesday, May 17, 2016 9:06 PM
Subject: Letter from Joe Jimenez: Next steps in our growth and innovation strategy

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Dear colleagues,

Today we announced the next steps we are taking as we pursue our growth and innovation strategy. Since the acquisition of GlaxoSmithKline's oncology portfolio in 2015, our oncology business has grown into a major business in its own right. We have been busy integrating the acquisition and on-boarding new employees. The new brands are doing well under our ownership. The time has come to recognize the importance and potential of our oncology business.

On July 1, 2016 we will create a separate business unit called Novartis Oncology, reporting to me. This move will increase management focus and speed decision-making, allowing the oncology business to capitalize on opportunities, confront challenges and accelerate growth. At the same time, it will free the leaders of our pharmaceuticals business to focus on their priorities, including the launches of Entresto and Cosentyx. This will help further improve execution in both Novartis Oncology and Novartis Pharmaceuticals. Novartis Oncology and Novartis Pharmaceuticals will be business units that together form the Innovative Medicines Division. For governance reasons, I will oversee this segment, but the leaders of Novartis Oncology and Novartis Pharmaceuticals will each have their own full operating management teams and will report to me individually.

Bruno Strigini will be appointed *CEO, Novartis Oncology* and will join the ECN reporting to me. Bruno joined Novartis in 2014 from Merck & Co. to lead our oncology franchise. He was instrumental in the successful integration of the oncology portfolio acquired from GSK last year. Bruno's current direct reports will continue to report to him, with the addition of Oz Azam, Head of the Cell and Gene Therapy Unit. Bruno, together with some of the leadership team of Novartis Oncology, will be based at the global headquarters of the Novartis Oncology business unit, which will now be in Basel.

I am happy to announce that **Paul Hudson** will become *CEO, Novartis Pharmaceuticals* and join the ECN on July 1, also reporting to me. Paul comes to us from AstraZeneca, where he has been Executive Vice President North America and a member of the executive committee. Prior to his role in North America, he successfully served as the leader of AstraZeneca's Japanese business. Paul has broad pharmaceutical industry experience and he will lead Novartis Pharmaceuticals, which includes the franchises Neuroscience, Ophthalmology, Immunology and Dermatology, Respiratory, Cardio-Metabolic and Established Medicines. His strong experience with cardiovascular and immunology products will help support the ongoing launches of our heart failure drug Entresto and of Cosentyx for psoriasis and other autoimmune diseases. All of the existing PEC members, with the exception of Bruno, Oz and Nigel Sheail, will report to Paul. Nigel will now report to Vas Narasimhan, reflecting the cross-divisional nature of his BD&L role. Paul will be based at the global headquarters of the Novartis Pharmaceuticals business unit, which will continue to be in Basel.

Please join me in wishing Bruno and Paul much success in their new roles.

With these changes, **David Epstein** has decided this is an appropriate moment to leave Novartis. I would like to thank David for his substantial contribution to the development and growth of Novartis and its people over many years. He built our leading oncology business and over the last six years has steered our Pharmaceuticals Division through a period of excellence in innovation, execution and improved financial results.

Over the course of his career he and his teams have been responsible for leading the development and commercialization of an industry-leading number of new medicines, including life-changing therapies such as Glivec, Gilenya, Cosentyx and Entresto. David has decided to explore new challenges from the US.

I want to express my personal appreciation for all David has done for Novartis and patients and wish him continued success.

Rainer Boehm will act as interim head of the Pharmaceuticals Division, effective immediately, until Paul arrives on July 1 and the two business units become live.

Over the past few months, many of you have asked why we are making these significant changes to the company. The steps we are taking today follow the changes we started two years ago with the portfolio transformation. They are designed to sharpen our focus on areas where we are strongest and to ensure that we have global scale and strong innovation power across our businesses.

The industry is operating in an increasingly tough environment, with the aging population

putting health systems under unprecedented pressure. We are seeing payer consolidation, more competition in the market and the emergence of disruptive new technologies. This is resulting in increasing pricing pressure. This is becoming a threat to delivering innovation to patients, and we are taking decisive action to strengthen our future. The structure that served Novartis well for 20 years is no longer optimal for the world around us, as there is a lack of focus and scale in our functions.

Our divisions must become more focused to serve patients and customers in a more specialized way. We must build functional excellence in many areas, such as manufacturing, drug development, finance and IT, to support the divisions most effectively. If you work in a division, you are at the forefront of Novartis to serve the patient and the customer. If you work in a function, you are at the forefront of Novartis to support the divisions with excellence. But we are all from Novartis. Think of your division or function as your given name and Novartis as your family name. We are one company, and our new structure recognizes this. We're coming together as a more tightly knit organization, pooling our knowledge and our energy to better deliver upon our mission: To discover new ways to improve and extend people's lives. In the weeks ahead I will explain in more detail how we will work together in the new structure and share my thoughts about our future.

What we're doing together is reimagining medicine -- supported by an unwavering commitment to science, a strong development organization, integrated technical operations, efficient business services and divisions with deep ties to our customers and to patients.

Thank you for continuing to do your part in building a stronger Novartis for the future.

Regards,

Joe Jimenez

