

From: Communications, Pharma (Gen) on behalf of Epstein, David
Sent: Wednesday, January 27, 2016 12:33 PM
Subject: 2015 full year results: Improving patients' lives through innovation



A message from David Epstein

Division Head, Novartis Pharmaceuticals



Translations in German and French will be available on the [pharmaintranet](#) within 24 hours

January 27, 2016

Dear Pharma colleagues,

Since the launch of our *Winning for Patients* strategy we have been very clear that our successes are not just about numbers, but that we achieve success by doing things the right way and never losing sight of the patient.

Our results in 2015

We showed an ever growing commitment to *Winning for Patients* in 2015, with our medicines reaching 124 million people worldwide¹. This is an outstanding achievement and as we enter 2016 we will stay focused on further strengthening our collaboration – with each other, our investigators, our customers and patients – to find new ways to bring our science-based innovation to the people who need it. In this way Novartis will lead the industry in re-imagining medicine for the benefit of patients around the world.

Today, I'm pleased to share that we reached USD 30.4 billion (+6% cc) in net sales in 2015, driven primarily by our Growth Products². View the infographic ([English](#), [German](#) and [French](#)) to see some of the ways we brought our medicines to so many people last year.

Thank you for a truly excellent 2015.

Moving forward in 2016

This year holds great promise to reach even more patients due to the launches of Cosentyx and Entresto, increasing market share with Gilenya, growth of our key Oncology assets, further pipeline advances and excellent new exacerbation data for Ultibro.

2016 will also be a challenging year. In particular, an uncertain global economy, the patent expiration of Glivec as well as funding the launches of Cosentyx and Entresto means we need to do even better at controlling costs and allocating resources to ensure these brands reach patients as quickly as possible.

Today you will also have received a message from Joe outlining the next steps we are taking in our growth and innovation strategy. This evolution in what we do and how we do it is designed to improve our effectiveness, drive more efficiency and simplify how we work to free up energy to be directed toward even greater innovation.

For our associates in Novartis Pharma there are five key elements announced:

1. One Development organization

Effective July 1, we are increasing Group-wide coordination of our drug development activity to increase our efficiency to deliver more medicines and more breakthrough treatments to patients.

Specifically, we are establishing a Group-wide Global Head of Drug Development and Chief Medical Officer. We will also better align certain common functions and capture synergies including data management, statistical programming, medical writing, pharmacovigilance and safety and certain regulatory operations.

Importantly, key components of drug development will continue to remain in the divisions to ensure close alignment with commercial teams and customers. These include GPTs, trial operations, medical affairs, Sandoz small molecules and Alcon device development (except for safety/pharmacovigilance and country regulatory activities).

2. Centralizing our Manufacturing

Also effective July 1, we will create a centralized manufacturing organization across Novartis. The new Technical Operations (TechOps) organization will supply all divisions and provide more optimized capacity planning and utilization. The new unit will be designed to enhance quality through simplification and standardization, as well as improve overall efficiency.

3. Creating a new powerhouse in Ophthalmology

Within the Pharma Division we will create a new Ophthalmology franchise, effective April 1, bringing together two equally strong partners of Novartis Pharma Retina with Alcon's Ophthalmic Pharmaceuticals to offer pharmaceutical eye care for patients covering both the front and back of the eye.

We believe we are stronger together than apart and as a result of this partnership we will become the leading ophthalmology company with the #1 position in all ophthalmic segments across Retina, Glaucoma, Infections/Inflammation and Allergy, as well as a #2 position in Dry Eye.

Our combined portfolios, expertise, talent and leadership enable us to be even stronger in how we compete and perform for our patients. While creating one footprint in ophthalmology we will work in close coordination with Alcon to simplify the point of contact for health care professionals and our key customers.

4. Achieving greater economies of scale in Established Medicines

We are shifting a portfolio of 19 mature pharmaceuticals products into Sandoz to achieve greater economies of scale effective July 1. The products to be transferred are in the therapeutic areas of Pain & Bone, Respiratory and Anti-Infectives and include Aclasta for Pain & Bone, Foradil for Respiratory and Famvir for Anti-Infectives, as well as the malaria treatment Coartem, which will expand the Sandoz Access to Medicines proposition. Voltaren will remain in Pharma.

The Malaria Initiative will also move to Sandoz. This is consistent with their experience in managing other large-scale access programs for Novartis.

5. Stronger in-country Service Support

To bring greater efficiencies to how we work we will expand Novartis Business Services (NBS) to create a stronger in-country service support platform across all divisions for

commercial and medical functions. This will include marketing analytics, sales support and customer service and marks the next step in the evolution of shared services. Some of our teams who currently deliver in-scope support will join PLS through 2016 but for now they continue their roles with no change. The strengthening of the in-country service support platform will follow a phased approach with Germany, Switzerland and the United States in the first wave of countries for April 1, the second wave taking effect July 1, and the third wave in January 2017.

I recognize that today's announcements may bring some uncertainty about what this means for you and your current role. The vast majority of our employees are not directly affected. Your respective PEC member will give you more details shortly on these changes including timing of potential reporting line changes.

If you have questions about what this means for you, I encourage you to speak with your line manager. We may not have all the answers today but we commit to communicating with transparency as we work through the implementation over the next few months.

In the Novartis Declaration for Patients, we are clear that patients motivate and inspire us every day. To do our best for patients, we will not accept the status quo. A patient-centered culture fosters innovation, collaboration and risk-taking. To get the most from our efforts we need to nurture a culture that also welcomes change and even disruption.

Our focus remains clear - to use science-based innovation to address some of society's most challenging healthcare issues and develop breakthrough treatments, and find new ways to deliver them to as many people as possible.

I am asking for your continued collaboration and cooperation in making these changes happen.

Regards,
David

¹ Estimate of patient equivalents based on internal assumptions (e.g., compliance, doses per year). All products provided under patient access programs (e.g., Coartem) are excluded. Not all brands represented yet (e.g., newly acquired oncology brands).

² Growth Products are an indicator of the rejuvenation of the portfolio, and comprise products launched in a key market (EU, US, Japan) in 2010 or later, or products with exclusivity in key markets until at least 2019. They include the acquisition effect of the GSK oncology assets.

