



The pharmaceutical industry and Switzerland: a story of shared success

IMD Alumni Club Switzerland

Joe Jimenez, CEO, Novartis

28 May, 2015

Agenda

The changing healthcare industry

Novartis' strategy for growth

Switzerland: an enduring hub for the pharma industry

Q&A

Powerful trends changing the healthcare landscape



**Population
will increase by**

1
billion



**Additional
50+ year olds**

>500
million



**Chronic
diseases**

70%
of all illnesses

2 0 1 5 - 2 0 2 5

Source: Projections from UN; WHO

Healthcare spending forecast to double as a result



Healthcare spending to double¹

2x

2 0 1 5 - 2 0 2 5

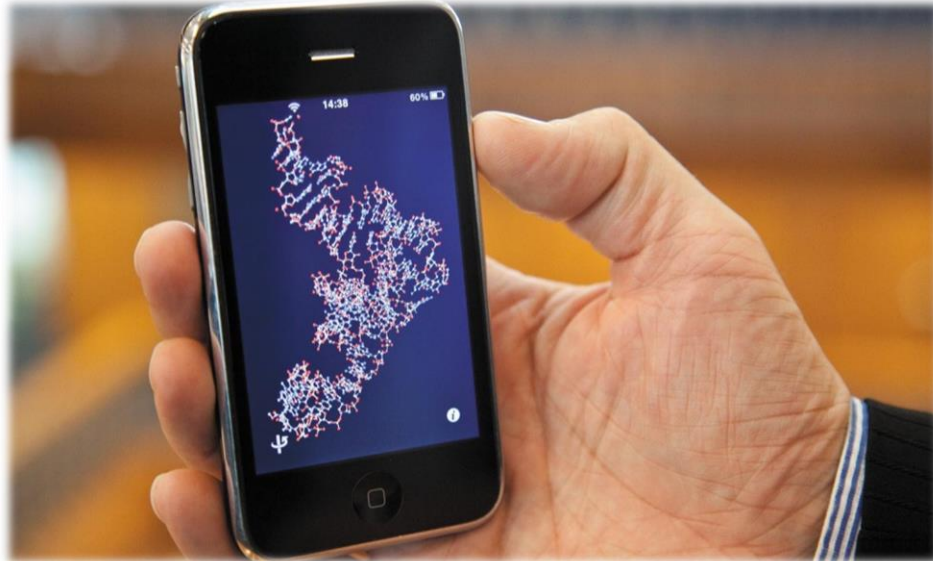
¹ Projected Global Healthcare Spend, expressed in nominal terms

Source: Economist intelligence Unit, World Bank, Global Insights, BMI, OECD, McKinsey Strategy & Trend Analytic Center

Competition is intensifying



**More breakthrough
drugs and devices**



**Tech companies
entering healthcare**

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The implications for Novartis



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**Increased
Demand**

**Spending
constrained**

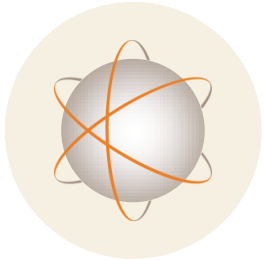
**Need cost
effective
treatments**

2 0 1 5 - 2 0 2 5

To succeed, industry leaders will need:



Science-based R&D and innovation power



Global scale



Broad partnerships to deliver outcomes

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Our strategy to lead in this environment

**Science-
based
innovation**



To deliver
**better
patient
outcomes**



In
**growing
areas of
healthcare**



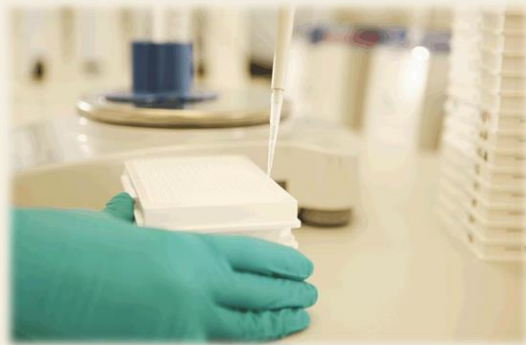


Science-based innovation

More than

200

**R&D projects
underway**



Over

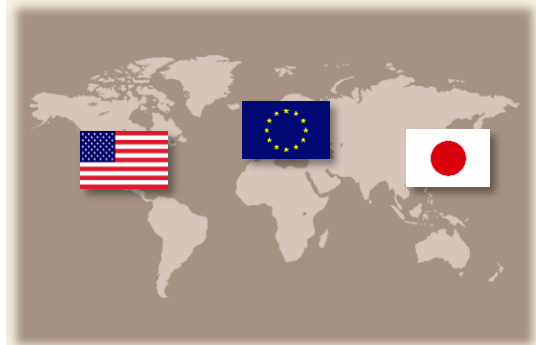
USD 9.9 billion

**Invested in
R&D in 2014**



13

**Major approvals
in US, EU, Japan
in 2014**





To deliver better patient outcomes



BASELINE



PASI 100



Growing areas of healthcare



INNOVATIVE MEDICINES



**Novartis
Pharmaceuticals**

EYE CARE



Alcon

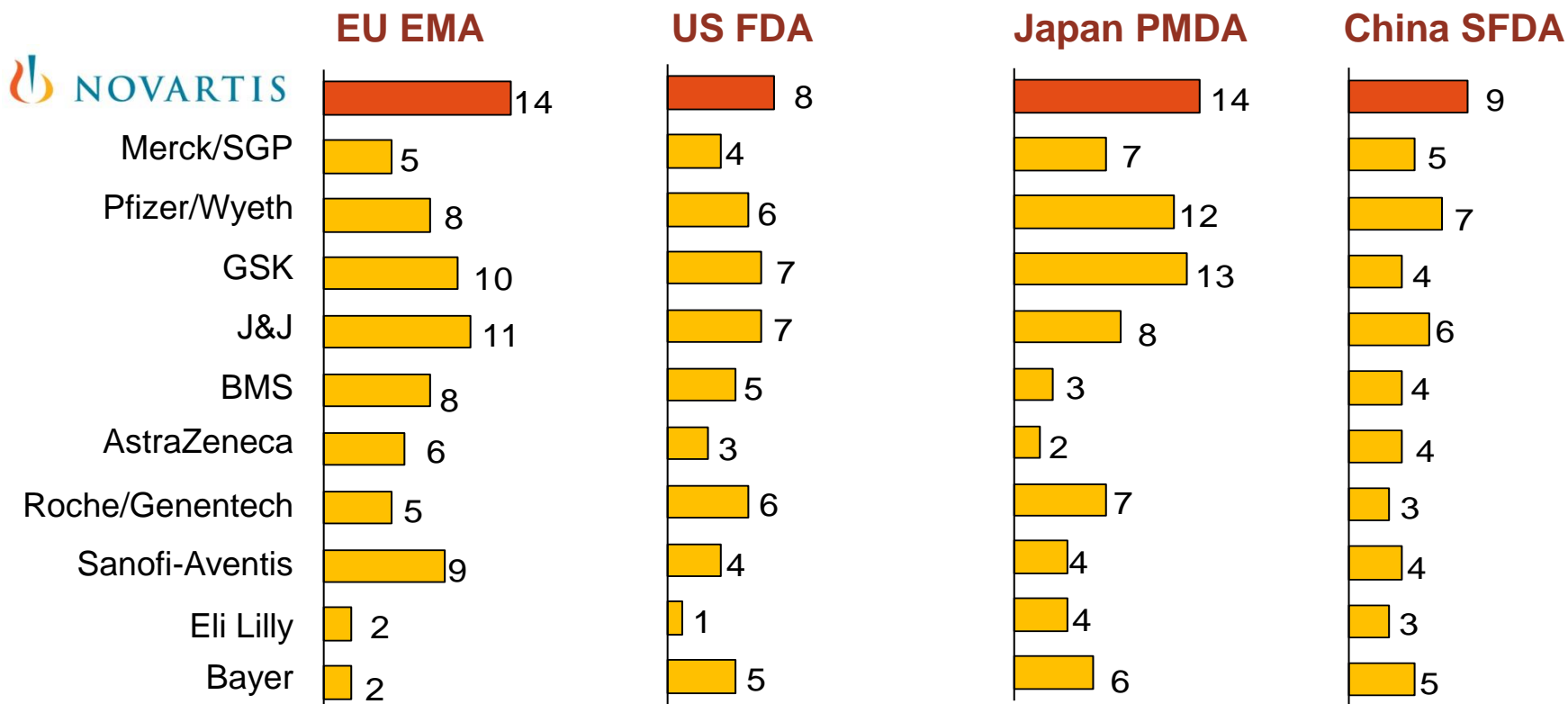
GENERICS



Sandoz

This strategy will maintain our success in innovation

New chemical/molecular entity (NCE/NME) approvals for selected companies 2009 – 1Q 2015



¹ Does not include vaccines. Includes compounds acquired through mergers and acquisitions. EU approvals for all companies are inclusive of fixed-dose combinations.
Source: FDA, EMA, PMDA, CFDA websites (snapshot as of 2 April 2015)

Corporate responsibility: Expanding access



- Appointed **Global Head of Corporate Responsibility**
- Novartis climbed from 7th to 4th place on **Access to Medicines Index**
- Novartis Foundation for Sustainable Development launched **new strategy to eliminate leprosy**

Stakeholders are taking notice of our success

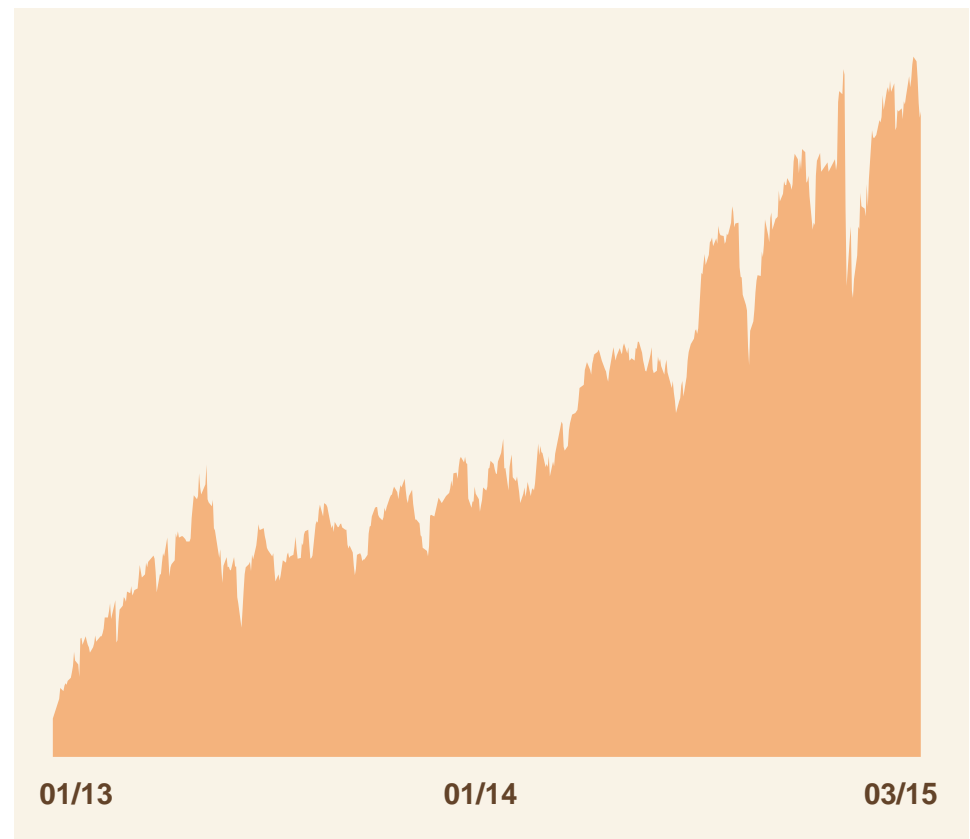


Shareholders are taking notice of our success

Novartis market
capitalization^{1,2}



since the beginning of
2013 to CHF 231bn



Source: Bloomberg

¹ Based on outstanding shares (i.e., excluding treasury shares) as of the corresponding preceding quarter

² From the beginning of 2013 to 27 March 2015, Novartis' market capitalization grew from CHF 139bn to CHF 231bn

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Switzerland is the epicenter of our innovation

**> 2,000
scientists**

- Novartis Institutes for Biomedical Research in Basel

**320
researchers**

- Friedrich Miescher Institute

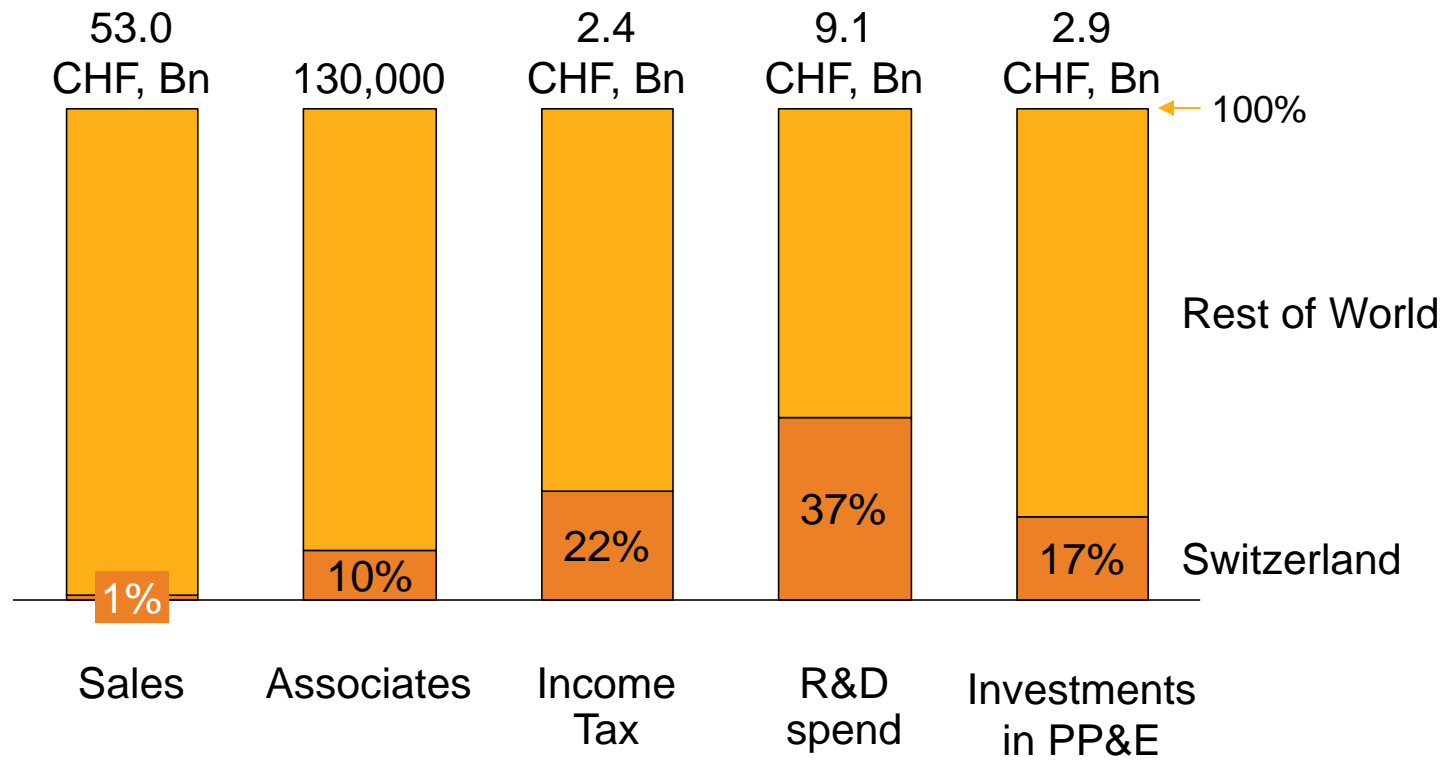
Collaborations

- ETH, Zurich
- EPF, Lausanne
- University of Basel

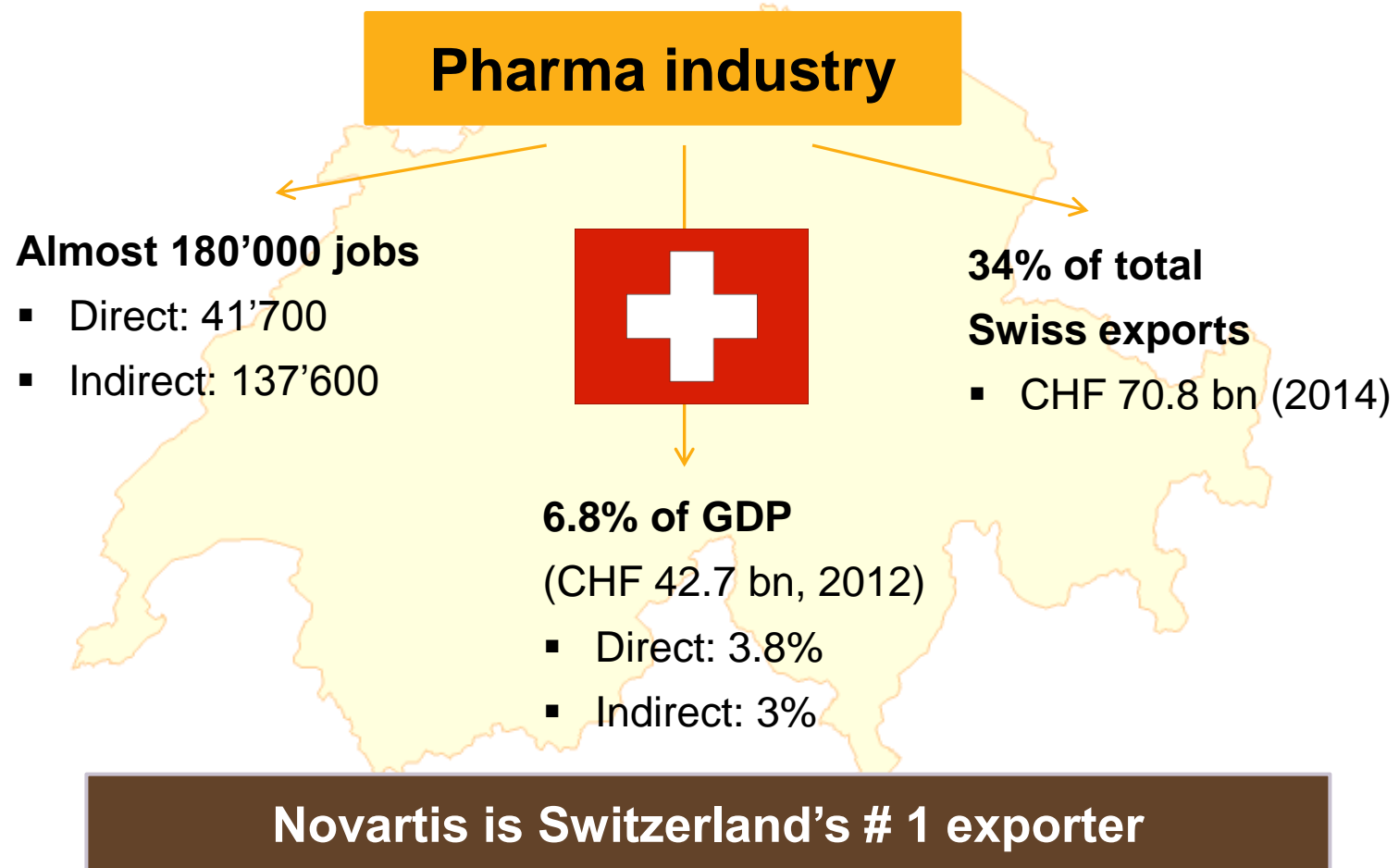


Switzerland occupies a central position within Novartis' global activities

Relative contribution of Switzerland vs. rest of world within Novartis 2014



And the pharmaceutical industry occupies a central position within the Swiss economy



Quelle: Polynomics 2013, BAK Basel 2014, BfS 2015, NI/ESPA 2015

Switzerland's competitiveness in innovation is the result of highly successful policies



*European
Innovation Scoreboard*

1. **Switzerland**

2. Sweden

3. Denmark

4. Germany

5. Finland

6. Luxemburg



*World Economic Forum's
Innovation Index*

1. Finland

2. **Switzerland**

3. Israel

4. Japan

5. USA

6. Germany

The Conference Board of Canada



Conference Board Report

1. USA

2. **Switzerland**

3. Singapore

4. Hong Kong

5. Sweden

6. Germany

INSEAD



Global Innovation Index

1. **Switzerland**

2. UK

3. Sweden

4. Finland

5. Netherlands

6. USA

Sources: EU Innometrics (2014), WEF (2015), The Conference Board of Canada (2014), INSEAD (2014)

Novartis is supporting this strength in innovation by supporting education



- “Learn for Life” umbrella for our educational initiatives in Switzerland
- Committed CHF 50M over 5 years to over 25 initiatives
- Example projects include:
 - International BioCamp
 - ScienceNights
 - School Lab
 - Next Generation Scientist Program
 - Student Internships

But Switzerland must preserve its competitive political and legal framework to keep its innovation lead

Key sources of competitive advantage in Switzerland

Intellectual property protection

Competitive research environment

Incentivizing innovation

Access to talent

Early threats emerging

- **Potential impact on bilateral treaties with the EU from Mass Immigration Initiative**
- **New drug pricing system post 2015**
- **Increasing competition in clinical research**

The loss of Switzerland's bilateral treaties with the EU could have significant impact

Loss of talent



Multiple inspections



Weakened research



Source: NBS/ESPA (2014)

Conclusion: Switzerland and the Pharma industry

- Switzerland has flourished through trade and innovation
- Pharmaceuticals is Switzerland's most important export industry
- To stay successful Switzerland must work on framework conditions:
 - Maintain bilateral treaties with the EU
 - Stay innovative by supporting science-base and innovation
 - Boost Switzerland as a biomedical center



Q&A