1- Macroeconomic Scenario

The external environment remains positive for emerging countries. After a weak start to the year, economic activity in major economies, particularly in the U.S., has improved in 2Q14. Meanwhile, U.S. interest rates may remain low beyond the expected. In Europe, the ECB eased its policies again, increasing the perception of lower global interest rates for longer. Emerging-market assets benefit from this global environment, but weak growth performance could limit some of the gains.

Economic activity in most major economies is improving - The **U.S.** economy was very weak in Q1, but is now on track to post 3.8% (annualized) in Q2. For 2014, GDP is expected to grow 2.3% and for 2015, 3.1%. The recovery in the **euro zone** has been modest, but it will continue; its GDP is expected to grow by 1.1% in 2014 and 1.5% in 2015. In **China**, the improvement in domestic demand suggests that targeted government measures are beginning to add up and helping to stabilize the economy, thereby offsetting the weakness of Real Estate sector; the estimated GDP growth is 7.2% in 2014 and 7.0% in 2015. **Japan**'s GDP grew 5.9% in 1Q14, significantly above consensus, mainly driven by private investment; with this, GDP growth forecast for 2014 was raised from 1.1% to 1.7%.

Meanwhile, interest rates in developed countries could remain low for longer - In the U.S., inflation rose but remains moderate, and the Central Bank's rhetoric signals no rush to increase rates. As a result, the expectation about when the increases will start was moved from Q2 to Q3 2015. Moreover, the ECB (European Central Bank) carried out another round of easing. Main measures: a) reduction of interest rate on overnight bank deposits to an unprecedented negative value of -0.10% (from 0%); b) BCE will lend funds to banks for up to four years at a fixed cost of 0.25%; c) ECB also ended the weekly sterilization of its periphery sovereign-bond portfolio, which was acquired during the euro crisis ; d) ECB reinforced its forward guidance of low interest rates. The measures were necessary to counterbalance the increasing risk of deflation.

Emerging markets: favorable external liquidity conditions amid weak growth - Interest rates in major developed countries remain low, with little pressure to rise. At some point, the situation will change. For now, however, the environment supports financial inflows to emerging economies, including Brazil. Notwithstanding, the supportive environment, growth in developing economies continues to disappoint. This factor could limit some of the gains from the favorable environment.

In the internal scenario, the Brazilian economy is losing steam and business and consumer confidence level is falling. Despite slower job creation, the labor market remains tight. Inflation remains close to the upper limit of the target range and the Central Bank maintained the benchmark interest rate at 11.0%. The current-account deficit was wider than expected, but FDI (foreign direct investments) remained strong. The public sector's primary budget surplus increased, due to postponed expenditures and extraordinary revenues. Brazilian assets ended the month at relatively stable levels. Major events that marked the month of May:

- **Economic Activity:** *outlining a lower-growth scenario* - GDP grew just 0.2% in Q1, compared to the previous quarter. Economic indicators already observed in April and May suggest a slowdown in domestic demand and, as a consequence, it is expected a negative growth in Q2. For the second half, however, the expectation is that the economy will recover moderately, driving the GDP to 1.4% in 2014 (according to Focus survey held by Central Bank on June 06). However, many banks have already revised the number down and do not be surprised if the indicator falls below 1.0%.

- **Unemployment Rate:** *despite the slowdown in economic activity, unemployment remains low* - The rate stood at 4.6% (seasonally-adjusted) in April, vs. 4.8% in March. The recent decoupling of unemployment and economic growth has been partly due to successive year-over-year drops in labor force. The tight labor market continues to pressure wages, but the real-wage bill grows modestly, due to slow growth in the working population.

- **Energy Crisis:** *dependence on thermal power plants and rationing risks persist* - The rainfall levels in key regions for hydropower generation and storage were below average in May. Reservoir levels started to recede, following the seasonal patterns, and should continue to drop slowly until November. In a nutshell, recent developments reinforce a scenario of intense thermal-power-plant usage and a continued risk of rationing going forward. Although precipitation levels that surpass the seasonal average during the dry season (until October) provide relief, they are not a definitive solution.

- **Current-account deficit** *was wider than expected, but direct investment remained strong* - April ended with a wider-than-expected current-account deficit of USD 8.3 billion. The biggest surprise came from the income account, with hefty profit and dividend remittances. Over 12 months, the gap was virtually stable at USD 82 billion (3.65% of GDP). Trade Balance follows impacted by falling prices of exported commodities and resilient imports (which continue to advance despite the economic activity deceleration). Foreign direct investment adds up to USD 65 billion (2.88% of GDP) over 12 months.

- **Exchange Rate** *has been fluctuating within the 2.20-2.30 range, which seems to be a comfort-zone for monetary authorities* - The government has used its toolkit to maintain the exchange rate stable. In May, for example, was reduced the IOF tax charges on foreign borrowing to 180 days, from 360 days. The set of measures signals that the government is uncomfortable with a weaker exchange rate because a weaker BRL makes the battle against inflationary pressures more difficult in the short-term.

- **Inflation** *remains close to the upper limit of the target range* - The IPCA consumer price index rose 0.46% in May, lower than April index (0.67%), but above market expectations. The deceleration was driven by smaller changes in the food and transportation groups. The year-over-year change in IPCA advanced to 6.37%, from 6.28% in April. An exchange rate that remains at the current levels for a longer period of time may help ease inflation throughout the 2H14.

- **Interest Rate:** *Central Bank maintained the benchmark interest rate at 11.0% in its last meeting* - The decision was unanimous and in line with market expectations. The post-meeting statement included the phrase "at this moment", leaving the door open for future monetary policy actions. The outlook for weaker economic activity was crucial to the decision. The market expectation is that the rate will remain at 11.0% until year-end, and be increased again in 2015, up to 12.0% p.a.

- **Fiscal Policy**: *public sector's primary budget surplus increased, due to extraordinary revenues and postponed expenditures* - The primary surplus reached BRL 16.9 billion in April, slightly higher than expectations. Central government spending slowed down, but mainly because outlays were postponed. Hence, the surplus over 12 months increased to 1.87% of GDP from 1.75% in March. The market expectation is that it will be very difficult in an election year, the government meet its target surplus of 1.9% of GDP in 2014.

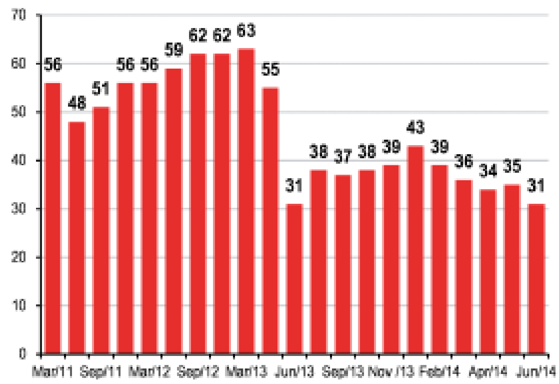
- **Presidential Elections**: *falling approval ratings and worsening perceptions about the economy make for a more competitive electoral race* - IBOPE poll held on June 07 revealed Dilma Rousseff falling, while her main rivals are rising. Since Dilma has less votes than all the other candidates combined, the election, if held today, would go to a runoff – and according to runoff simulations, the gap between Dilma and her main opponents shrank. The same poll showed that approval ratings for the administration and confidence in the economy decreased.

Voting Intentions for President (%)

	17-Mar	14-Apr	19-May	07-Jun
Dilma Rousseff (PT)	40	37	40	38
Aécio Neves (PSDB)	13	14	20	22
Eduardo Campos (PSB)	6	6	11	13
Other candidates	5	6	6	7
Abstain	24	24	14	13
Did not answer	12	13	10	7
	2nd Round			
Rousseff x Neves	47 x 20	43 x 22	43 x 24	42 x 33
Rousseff x Campos	47 x 16	44 x 17	42 x 22	41 x 30

Source: Ibope

Approval rate of the Rousseff Administration (%)



Key Macroeconomic Indicators

	2008	2009	2010	2011	2012	2013	2014(f)
GDP							
Real GDP growth	5,1%	-0,3%	7,5%	2,7%	1,0%	2,3%	1,4%
Per capita GDP (USD)	8.717	8.469	11.068	12.863	11.585	11.470	11.133
Labor market							
Unemployment rate (IBGE) -avg	7,9%	8,1%	6,7%	6,0%	5,5%	5,4%	5,7%
Inflation							
IPCA (IBGE)	5,9%	4,3%	5,9%	6,5%	5,8%	5,9%	6,47%
Interest rates							
Selic (end of period)	13,75%	8,75%	10,75%	11,00%	7,25%	10,0%	11,00%
Real interest rate	6,2%	5,4%	3,7%	4,8%	2,4%	2,2%	4,0%
Exchange rate							
BRL/USD (year end)	2,34	1,74	1,67	1,88	2,04	2,35	2,40
BRL/USD (year avg.)	1,83	2,00	1,76	1,67	1,95	2,16	2,33
External sector							
Trade Balance (USD bn)	24,7	25,4	20,3	29,8	19,5	2,6	3,0
- Exports (USD bn)	197,9	153,0	201,9	256,0	242,6	242,2	250,0
- Imports (USD bn)	173,2	127,6	181,6	226,2	223,1	239,6	247,0
Current account (USD bn)	-28,3	-24,3	-47,5	-52,5	-54,2	-81,4	-80,0
Foreign direct investment (USD bn)	45,1	25,9	48,5	66,7	65,3	64,0	60,0
International reserves (USD bn)	206,8	239,1	288,6	352,0	379,0	374,0	383,0
External debt (USD bn)	198,4	202,3	255,7	261,5	296,4	331,0	365,0
Sovereign rating (S&P)	BBB-	BBB-	BBB-	BBB	BBB	BBB	BBB-
Fiscal accounts							
Primary fiscal result (%GDP)	3,5%	2,1%	2,8%	3,1%	2,4%	1,9%	1,7%
Net public sector debt (%GDP)	38,4%	42,9%	40,4%	36,5%	35,1%	33,8%	34,8%

Sources: Itaú, Bradesco, HSBC, Ibope, Focus Survey (Central Bank)

2- Monthly Financial Indicators

Indice	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
CDI (interbank deposit)	0,84%	0,78%	0,76%	0,81%	0,86%								4,12%	9,41%	17,35%	30,21%
IMA-Geral ex-C*	-0,79%	2,64%	0,69%	1,60%	2,51%								6,78%	6,87%	14,83%	35,48%
Ibovespa	-7,51%	-1,14%	7,05%	2,40%	-0,75%								-0,52%	-4,25%	-5,98%	-20,73%
IBrX **	-8,15%	-0,32%	6,89%	2,71%	-1,12%								-0,61%	-1,62%	7,74%	0,42%
Saving Accounts	0,61%	0,55%	0,53%	0,55%	0,56%								2,83%	6,69%	13,26%	21,47%
USD	3,57%	-3,83%	-3,02%	-1,19%	0,13%								-4,43%	5,01%	10,69%	41,68%
CPI (IPCA)	0,55%	0,69%	0,92%	0,67%	0,46%								3,33%	6,38%	13,29%	18,95%
IGP-DI (FGV)	0,40%	0,85%	1,48%	0,45%	-0,45%								2,75%	7,27%	13,93%	19,41%
Actuarial Target***	0,73%	1,18%	1,81%	0,78%	-0,12%								4,44%	11,56%	23,92%	36,37%

* Previ Novartis benchmark for fixed income
** Previ Novartis benchmark for equities
*** IGP-DI + 4% p.a.

3- Investments

Investments

Asset Manager	Fixed Income		Equities		Total	
	BRL mio	%	BRL mio	%	BRL mio	%
Bradesco	264,0	34,2%	40,8	5,3%	304,8	39,5%
Itaú Unibanco	155,2	20,1%	32,0	4,2%	187,2	24,3%
Western	233,1	30,2%	46,6	6,0%	279,7	36,2%
Total	**652,3**	**84,5%**	**119,4**	**15,5%**	**771,7**	**100,0%**

Allocation in Equities

	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Previ Novartis	19%	19%	17%	17%	18%	17%	17%	17%	17%	18%	17%	16%
Market*	17%	18%	16%	18%	18%	18%	17%	16%	17%	17%	16%	ND

* Source: Club of Investments Tow ers Watson (median)

4- Performance

Portfolio Previ Novartis - performance by type of investment

Segment	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
Fixed Income	-0,90%	2,74%	0,65%	1,63%	2,62%								6,88%	5,63%	14,33%	35,77%
Equities	-8,19%	-0,46%	6,00%	2,86%	-0,88%								-1,24%	-2,57%	9,10%	0,70%
Total	**-2,16%**	**2,20%**	**1,58%**	**1,84%**	**2,05%**								**5,56%**	**4,28%**	**13,63%**	**28,07%**

Quota Previ Novartis - net performance

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
Profitability %	**-2,17%**	**2,18%**	**1,55%**	**1,83%**	**2,05%**								**5,49%**	**4,15%**	**13,45%**	**27,81%**

May was exceptional in terms of performance for the portfolio of Novartis Pension Fund, continuing its upward trend for the fourth consecutive month, despite the poor performance of the stock market. The return was +2.05%, accumulating +5.56% in the period January-May 2014. The actuarial target was exceeded by more than one percentage point.

The electoral scenario and polls for government approval and voting intentions continue to cause volatility in the Brazilian market. The stock market and fixed income will still suffer the impact of this volatility during the year.

5- Fixed Income

Asset Manager	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
Bradesco	-0,76%	2,56%	0,62%	1,55%	2,48%								6,58%	5,97%	14,20%	35,30%
Itaú Unibanco	-0,80%	2,66%	0,71%	1,69%	2,63%								7,04%	6,03%	14,84%	35,69%
Western	-1,12%	2,99%	0,63%	1,68%	2,76%								7,08%	5,08%	14,19%	36,41%
Benchmark IMA-Geral ex-C	-0,79%	2,64%	0,69%	1,60%	2,51%								6,78%	6,87%	14,83%	35,48%

Once again in May, the flattening of the yield curve was positive for our fixed income portfolio.

The Brazilian fixed income market has shown strongly linked to the behavior of global interest rates. As a result, in May, the mood of the market was dictated, in the external front, by the behavior of the US 10-year Treasury bond, influenced by some disappointing data from the US economy, coupled with the perception that US interest rates will stay for a longer time than expected at low levels. In this environment, the "carry trade" movement continues and Brazil remains the main destination of these funds, thus benefiting the Brazilian yield curve.

Bradesco was the only asset manager that did not hit the benchmark in May. On the other hand, we highlight the process of recovery performed by Western this year.

According to the Net Quant investment's club, of Towers Watson, the performance of Previ Novartis fixed income portfolio in the period Jan-May 2014 was placed in the 13th position among 33 funds with the same benchmark. Analyzing longer periods, the performance of Previ Novartis was excellent compared to other funds: in the last 3 years, in 4th position among 22 funds and, in the last 5 years, 3rd position among 20 funds.

6- Equities

Asset Manager	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
Bradesco	-8,15%	-0,50%	5,95%	2,77%	-0,58%								-1,07%	-2,49%	9,82%	4,14%
Itaú Unibanco	-8,26%	-0,29%	6,25%	2,83%	-0,98%								-1,04%	-1,55%	8,90%	2,85%
Western	-8,17%	-0,54%	5,88%	2,97%	-1,07%								-1,49%	-3,50%	8,33%	-3,97%
Benchmark IBrX	-8,15%	-0,32%	6,89%	2,71%	-1,12%								-0,61%	-1,62%	7,74%	0,42%

Although remaining in positive territory for most part of May, the Brazilian stock market performance could not be sustained and interrupted the upward trend, ending the month in slight decline, due mainly to the sharp fall in international prices of ore iron and also deteriorating levels of confidence in the economy. The IBrX fell 1.1% to 21,167 points, reversing the gains accumulated in the year and decreased 0.6% in 2014. Again the month was marked by the inflow of foreign capital, USD 5.5 billion, and raising the surplus to USD 10.8 billion in 2014. In the U.S., the stock market continued to perform positively, with Dow Jones index rising 0.8% and extending gains in the year to 0.85%.

In May, the few positive highlights of the Stock Exchange were: “Education” sector (Kroton +19.6%, Anhanguera +16.7% and Estácio +13.5%), due to the merger approval between Kroton and Anhanguera, as well as the increased application to ENEM (National Exam for High School); and “Health” sector (Qualicorp +8.9% and Fleury +14.4), which showed good results in Q1. On the other hand, the negative highlights were: “Banks” (Bradesco ON -6.6%, Itau Unibanco -5.1% and Banco do Brasil -2.4%), due to the cause on trial in the Federal Supreme Court, which can result in heavy fines to banks; “Mining” (Vale ON -3.4%), due to the significant drop in the price of iron ore and “Petrochemicals & Gas” (-3.8% Braskem and Ultrapar -3.8%) – Braskem suffered from the risk of energy rationing and possible weaker demand, while Ultrapar announced the prospect of weaker results in Q2.

We believe that the stock market will remain quite volatile, with risks coming from the timing of the increase in interest rates in the U.S., a new round of monetary stimulus in the eurozone, the recent signs of slowing Chinese economy and, in scenario domestic, the deterioration of important macroeconomic indicators, electoral scenario, risk of energy rationing and possible negative impacts of the World Cup in the economic activity.

In May, all asset managers exceeded the benchmark, as in the previous month.

According to Net Quant investment club, of Towers Watson, the performance of Previ Novartis equity portfolio was placed in 21st position among 49 funds with the same benchmark, in the period of 12 months (May13 – Apr14). In the last 3 years, in 12th position among 33 funds and, in the latest 5 years, in 13th position among 28 funds.

7- Global Performance per Asset Manager

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
Bradesco																
Profitability	-1,98%	2,00%	1,59%	1,75%	2,03%								5,45%	4,52%	13,52%	28,62%
Equity allocation*	16,1%	18,2%	19,0%	15,4%	13,4%								16,4%	15,3%	17,9%	18,4%
Itau Unibanco																
Profitability	-2,11%	2,17%	1,61%	1,88%	2,00%								5,61%	4,88%	14,04%	28,64%
Equity allocation*	16,7%	16,3%	17,2%	17,5%	17,1%								17,0%	18,8%	20,6%	20,7%
Western																
Profitability	-2,38%	2,39%	1,49%	1,90%	2,10%								5,54%	3,45%	13,23%	26,85%
Equity allocation*	16,8%	16,3%	17,0%	17,2%	16,7%								16,8%	18,0%	20,0%	20,8%

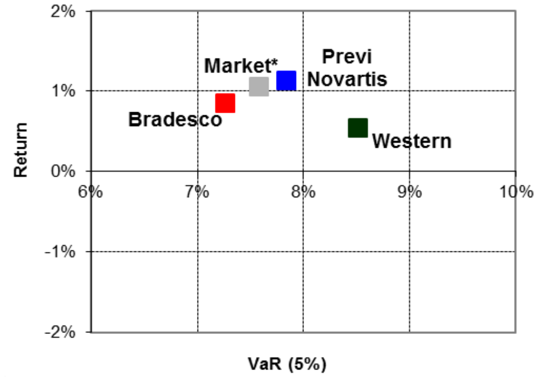
* The asset manager is free to decide the allocation in equities within the limits between 10-25%, according to the current investment policy

8- Risk Analysis

VaR (5%) - 12 months (May/13 to Apr/14)

Asset Manager	Fixed Income	Equities	Global
Bradesco	6,84%	24,82%	7,26%
Itaú Unibanco	6,97%	25,69%	7,83%
Western	7,77%	26,98%	8,51%
Previ Novartis	7,21%	25,80%	7,84%
Market*	6,95%	25,62%	7,58%

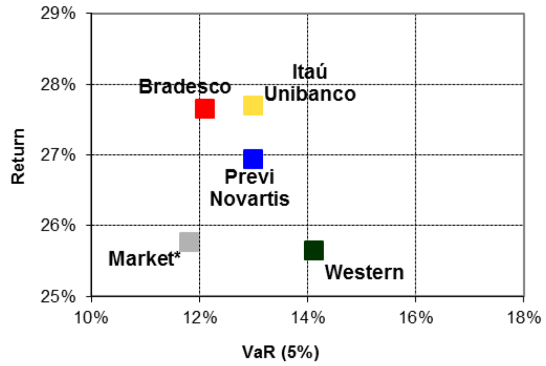
* Source: Club of Investments Towers Watson



VaR (5%) - 36 months (May/11 to Apr/14)

Asset Manager	Fixed Income	Equities	Global
Bradesco	8,34%	49,86%	12,10%
Itaú Unibanco	8,52%	50,85%	12,98%
Western	8,97%	55,03%	14,12%
Previ Novartis	8,48%	52,08%	12,99%
Market*	8,02%	51,27%	11,81%

* Source: Club of Investments Towers Watson



9- Information about participants

Sponsors and participants

Sponsors	Active Members	Vesting	Retired members	Total
Novartis Biociências	2.053	325	438	**2.816**
Sandoz	448	70	10	**528**
Saúde Animal	119	21	18	**158**
Gerber*	0	3	0	**3**
Previ Novartis	1	0	1	**2**
Total	**2.621**	**419**	**467**	**3.507**

Active members distribution

Plan of benefits	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Plan A	16%	15%	15%	15%	15%	15%	16%	16%	16%	16%	15%	15%
Plan D	84%	85%	85%	85%	85%	85%	84%	84%	84%	84%	85%	85%

Retired members by type of benefits

Payment options	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Lifetime annuity	75%	76%	74%	74%	74%	74%	75%	74%	75%	68%	75%	62%
Financial income	25%	24%	26%	26%	26%	26%	25%	26%	25%	32%	25%	38%

** Base at the benefit value.

10- Other Subjects

ALM and Investment Profiles

On May 28 was approved by PREVIC (National Superintendency of Pension Funds), the new regulation of the plans A and D, allowing the implementation of the ALM study (immunization of liabilities related to lifelong annuity) and Investment Profiles.

From this date, Previ Novartis will have 60 days to promote the new profiles for participants and make them choose one of the profiles. The internal campaign has already started and it is composed of booklets, presentations, publication in intranet and hallways, lectures, videos and educational material.

The selection of new asset managers and definition of asset classes, has been completed. The new structure of investments and how it will be managed, are also already drawn.

The implementation of the new model is scheduled for August 1.