

Annual General Meeting 2016

Date: Tuesday, February 23, 2016, 10.00 a.m.

Place: St. Jakobshalle, Basel

Comment: Further Share Repurchase Program, item 5 of the Agenda

Item 5 is to seek shareholder approval for authorizing the Novartis Board of Directors to execute share buybacks within the framework of the proposed new (seventh) share repurchase program, i.e. to repurchase own shares up to a maximum of CHF 10 billion for subsequent cancellation. This authority will enable Novartis to repurchase shares - consistent with our commitment to prudent balance sheet management and to the capital allocation policy as communicated to the market, where it is in the best interests of all shareholders.

We previously sought and received on a consistent basis shareholder approvals for repurchase programs in 2004, 2005 and 2008 even though, under Swiss law, shareholder approval is technically not required. However, as we did in the past, we are putting the resolution on the agenda of the upcoming AGM, consistent with Novartis' best-practice corporate governance. The most recently approved repurchase program of 2008 is now complete; it took a relatively long period to completion because the Board of Directors suspended it for some time in line with the capital allocation policy of Novartis (financing of the Alcon acquisition). We believe that the flexibility of the Board of Directors in executing an approved share repurchase program in the overall framework of a prudent balance sheet management and its communicated capital allocation policy is important; we have therefore refrained from proposing a time-limit for completion of the program which is in line with Swiss law and corresponds to the practice of other Swiss companies.

As we have consistently done in the past, all shares repurchased under the proposed new authority will be cancelled at each subsequent AGM subject to shareholders' approval. Cancellation of these shares will ensure that we remain compliant with Article 659 of the Swiss Code of Obligations which defines an upper holding limit of 10% of the issued share capital for treasury shares. We and others believe, on the basis of strong legal support, that the proposed share repurchase program which explicitly provides for cancellation of all repurchased shares does not count in the calculation of this 10% upper-holding limit.

The ability to continue to repurchase shares is central to our commitment to prudent balance sheet management and our capital allocation policy.