

Basel, February 3, 2014

To the shareholders of Novartis AG

Notice of Annual General Meeting

Date: Tuesday, February 25, 2014, 10.00 a.m. (doors open at 8.30 a.m.)

Place: St. Jakobshalle, Basel (entrance Brüglingerstrasse/St. Jakobs-Strasse)

Agenda

1 Approval of the Annual Report, the Financial Statements of Novartis AG and the Group Consolidated Financial Statements for the Business Year 2013

The Board of Directors proposes approval.

2 Discharge from Liability of the Members of the Board of Directors and the Executive Committee

The Board of Directors proposes discharge from liability for each of its members and for each of those of the Executive Committee for the business year 2013 (in a single vote for all members of the Board of Directors and of the Executive Committee).

3 Appropriation of Available Earnings of Novartis AG and Declaration of Dividend

The Board of Directors proposes to use the available earnings of Novartis AG of 2013 for the purpose of distributing a gross dividend of CHF 2.45 per share as follows. This will result in a payout ratio of 74% of the Group's consolidated net income expressed in USD*.

Balance brought forward	CHF	—
Net income of 2013 of Novartis AG	CHF	5,630,725,971
Partial use of free reserves	CHF	<u>716,197,300</u>
Available earnings at the disposal of the Annual General Meeting	CHF	6,346,923,271
Gross (before taxes and duties) dividend of CHF 2.45 per dividend bearing share** of CHF 0.50 nominal value	CHF	<u>-6,346,923,271</u>
Balance to be carried forward	CHF	<u>—</u>

* Payout ratio is calculated by converting into USD the proposed total gross dividend amount in CHF at the CHF-USD exchange rate of December 31, 2013 based on an estimated number of shares outstanding on dividend payment date and dividing it by the USD consolidated net income attributable to shareholders of Novartis AG in the 2013 Novartis Group consolidated financial statements effective December 31, 2013.

** No dividend will be declared on treasury shares held by Novartis AG and certain other treasury shares held by other Group companies.

Assuming that this proposal by the Board of Directors is approved, payment of the dividend will be made as from March 4, 2014. The last trading day with entitlement to receive the dividend is February 26, 2014. As from February 27, 2014 the shares will be traded ex-dividend.

4 Advisory Votes on Compensation for the Members of the Board of Directors and the Executive Committee

The Board of Directors proposes to hold advisory votes on the compensation of the Board of Directors and the Executive Committee at the Annual General Meeting 2014. Amendments to the Articles of Incorporation of Novartis AG will be proposed for the Annual General Meeting 2015 in line with the requirements of the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations. The Board of Directors will continue its extensive discussions with shareholders and proxy advisors to make appropriate recommendations.

The enclosed brochure sets out further details in relation to the proposed votes on compensation. In addition, the compensation system of Novartis is described in the Annual Report – Compensation Report (<http://www.novartis.com/annualreport2013>).

4.1 Advisory Vote on Total Compensation for Members of the Board of Directors from the Annual General Meeting 2014 to the Annual General Meeting 2015

The Board of Directors proposes that shareholders endorse in an advisory (non-binding) vote the total maximum amount of compensation for the members of the Board of Directors covering the period from the Annual General Meeting 2014 to the Annual General Meeting 2015, i.e. CHF 8,022,000.

4.2 Advisory Vote on Total Compensation for Members of the Executive Committee for the Performance Cycle Ending in 2013

The Board of Directors proposes that shareholders endorse in an advisory (non-binding) vote the total amount of compensation paid or to be granted to members of the Executive Committee for the performance cycle ending in 2013, i.e. CHF 67,725,713 (fixed and variable compensation as further described in the enclosed brochure).

5 Re-elections to the Board of Directors, Election of the Chairman of the Board of Directors

William Brody, M.D., Ph.D., and Rolf M. Zinkernagel, M.D., have reached the age limit stipulated in the Articles of Incorporation and are therefore not standing for re-election. In addition, Dr. Ing. Wendelin Wiedeking has decided to focus on his own business activities and is thus not seeking another term of office.

In accordance with Articles 3, 4 and 29 of the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, as from January 1, 2014, the Annual General Meeting elects each member of the Board of Directors and the Chairman of the Board of Directors individually each year. The Board of Directors proposes the election of Joerg Reinhardt, Ph.D. (also as Chairman of the Board of Directors in a single vote), Dimitri Azar, M.D., MBA, Verena A. Briner, M.D., Srikant Datar, Ph.D., Ann Fudge, Pierre Landolt, Ph.D., Ulrich Lehner, Ph.D., Andreas von Planta, Ph.D., Charles L. Sawyers, M.D., Enrico Vanni, Ph.D., and William T. Winters as members of the Board of Directors, each until the end of the next Annual General Meeting. You will find information on the members of the Board of Directors in the Annual Report, Corporate Governance Report – Our Board of Directors (<http://www.novartis.com/annualreport2013>).

5.1 Re-election of Joerg Reinhardt, Ph.D., and election as Chairman of the Board of Directors (in a single vote)

5.2 Re-election of Dimitri Azar, M.D., MBA

5.3 Re-election of Verena A. Briner, M.D.

5.4 Re-election of Srikant Datar, Ph.D.

5.5 Re-election of Ann Fudge

5.6 Re-election of Pierre Landolt, Ph.D.

5.7 Re-election of Ulrich Lehner, Ph.D.

5.8 Re-election of Andreas von Planta, Ph.D.

5.9 Re-election of Charles L. Sawyers, M.D.

5.10 Re-election of Enrico Vanni, Ph.D.

5.11 Re-election of William T. Winters

6 Elections to the Compensation Committee

In accordance with Articles 7 and 29 of the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, as from January 1, 2014, the Annual General Meeting elects each member of the Compensation Committee of the Board of Directors individually each year.

The Board of Directors proposes the election of Srikant Datar, Ph.D., Ann Fudge, Ulrich Lehner, Ph.D., and Enrico Vanni, Ph.D., as members of the Compensation Committee, each until the end of the next Annual General Meeting. The Board of Directors intends to nominate Enrico Vanni, Ph.D., as Chairman of the Compensation Committee, subject to his election as a member of the Compensation Committee.

6.1 Election of Srikant Datar, Ph.D., as member of the Compensation Committee

6.2 Election of Ann Fudge as member of the Compensation Committee

6.3 Election of Ulrich Lehner, Ph.D., as member of the Compensation Committee

6.4 Election of Enrico Vanni, Ph.D., as member of the Compensation Committee

7 Re-election of the Auditor

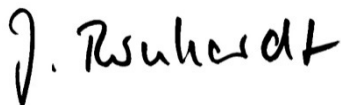
The Board of Directors proposes the re-election of PricewaterhouseCoopers AG as auditor of Novartis AG for one year.

8 Election of the Independent Proxy

In accordance with Articles 8 and 30 of the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, the Annual General Meeting elects the Independent Proxy until the end of the next Annual General Meeting.

The Board of Directors proposes the election of lic. iur. Peter Andreas Zahn, Advokat, Basel, as Independent Proxy until the end of the next Annual General Meeting.

For the Board of Directors
The Chairman:



Joerg Reinhardt, Ph.D.

(The original German text is binding)

Enclosures: - Registration form with reply envelopes
- Brochure "Shareholder Information on the Compensation Votes at the 2014 Annual General Meeting"

Organizational notes

No Trading Restriction on Novartis Shares

The registration of shareholders for voting purposes does not affect the trading of Novartis shares held by registered shareholders before, during or after a General Meeting.

Annual Report

The Annual Report containing the financial statements of Novartis AG, the Group's consolidated financial statements and the auditors' reports for the business year 2013 will be available for inspection by shareholders at the Registered Office of the Company* from Monday, February 3, 2014 onwards. The Annual Report is available on the Company website at <http://www.novartis.com/annualreport2013>. In addition, from February 7, 2014 a printed edition of the Annual Report will be sent to all registered shareholders who have requested one or who request one* after receiving this notice.

Tickets of Admission

Tickets of admission and voting materials will be sent from February 10 to 21, 2014 to shareholders who register for the Annual General Meeting. It will greatly facilitate the preparations for the meeting if the enclosed registration form is returned as early as possible. Voting rights may only be exercised for shares registered with the right to vote on the Record Date (February 20, 2014).

Appointment of Proxy

A shareholder of Novartis AG may only be represented by his or her legal representative, another shareholder with the right to vote or the Independent Proxy (lic. iur. Peter Andreas Zahn, Advokat, St. Jakobs-Strasse 7, P.O. Box, 4091 Basel, Switzerland). Proxies may only be appointed for one Annual General Meeting.

Please note that family members who are not themselves shareholders cannot be appointed as proxies.

Electronic voting

Novartis offers to shareholders the possibility to use the Sherpany online platform and thus to receive notices of future General Meetings exclusively by e-mail and to give their instructions to the Independent Proxy electronically. Shareholders who are not yet registered on the Sherpany online platform may do so by contacting the Novartis Share Registry (Novartis AG, Share Registry, Forum 1-P.75, 4002 Basel, Switzerland, fax: +41 61 324 32 44, e-mail: share.registry@novartis.com).

Leaving the Annual General Meeting early

Shareholders who leave the Annual General Meeting early are requested to hand in their unused voting materials and the electronic voting unit on their way out.

Means of Transport

Shareholders are requested to use public transport since parking facilities at the St. Jakobshalle are limited.

Simultaneous Translations

The Annual General Meeting will be held partially in German and partially in English. Simultaneous translation into German, English and French will be available. Headsets will be provided in the foyer.

Speakers' Desk

Shareholders who wish to speak are requested to notify the speakers' desk (*Wortmeldeschalter*) near the podium before the Annual General Meeting begins.

Proposals from Shareholders on Agenda Items

Proposals from shareholders on agenda items are only permissible if they are put to the Annual General Meeting by the shareholders themselves or by an individual proxy acting on their behalf. The Independent Proxy cannot act as individual proxy in this sense.

Mobile Phones

Please switch off your mobile phones during the Annual General Meeting.

Webcast

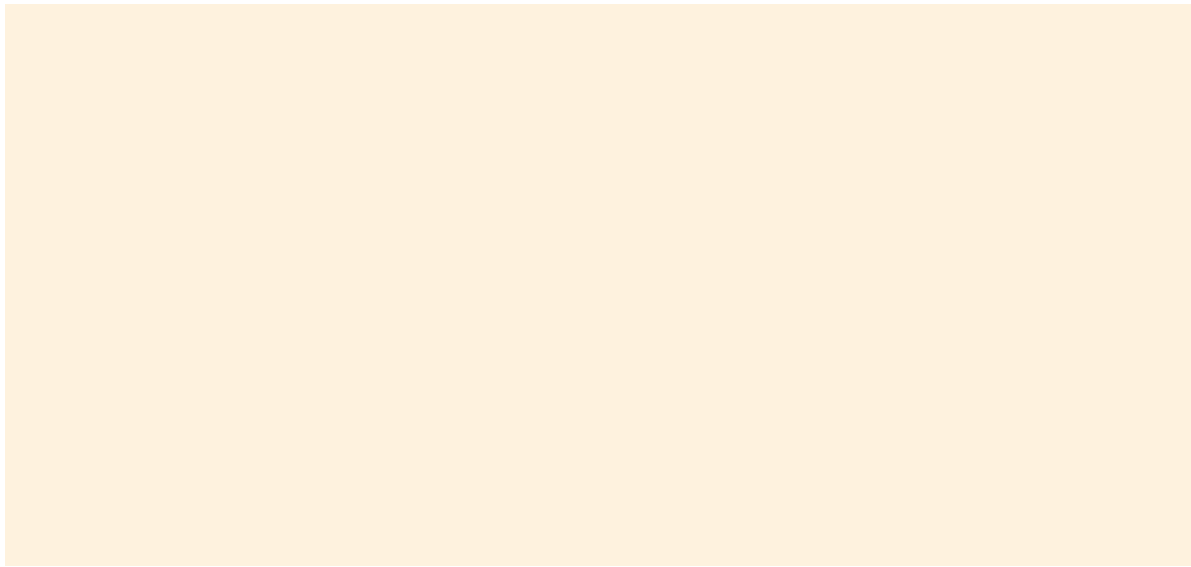
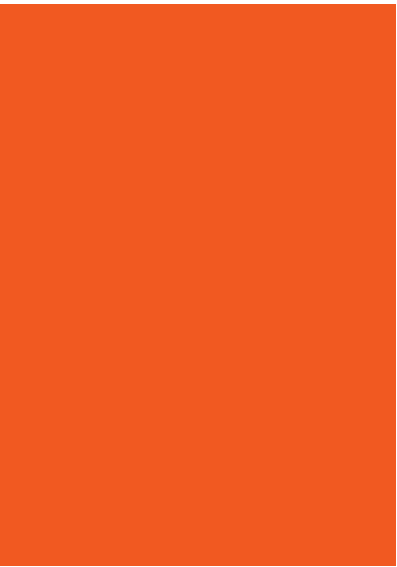
The Annual General Meeting can be watched as a webcast on www.novartis.com.

*At the Office of the Corporate Secretary, Lichtstrasse 35, 4056 Basel, Switzerland



Shareholder Information on the Compensation Votes at the 2014 Annual General Meeting

Item#4 of the Agenda



Dear Shareholder,

Our associates, through their innovation and dedication, are developing, manufacturing and distributing life-saving and life-improving treatments for millions of patients around the world. Talented associates, whatever their position may be, are critical to our company's success and to delivering sustainable returns for our shareholders. While we are headquartered in Switzerland, we have important operations around the world and compete globally for talented associates to manage our businesses. The Novartis Board of Directors and its Compensation Committee are accountable to you for determining the right amount of competitive compensation, including appropriate incentives that drive and reward performance.

We strive for transparency in linking company performance and pay. We are committed to continuously improving our engagement with shareholders on this issue, as well as our compensation systems and practices. At our 2013 Annual General Meeting (AGM), shareholders voted in favor of a new compensation system for our CEO and the other members of the Executive Committee of Novartis, effective January 1, 2014.

As from 2015, Swiss law (Ordinance Against Excessive Compensation in Listed Companies of November 20, 2013 which came into effect on January 1, 2014) will require Swiss-listed companies to hold binding votes on the compensation of Board members and Executive Committee members. Ahead of this date and in line with the spirit of the new requirements, we are asking shareholders at the 2014 AGM to cast advisory (non-binding) votes on two separate aggregate amounts of compensation:

Vote #4.1: Compensation for the members of the Novartis Board of Directors

The total maximum amount of compensation for the members of the Novartis Board of Directors covering the period from the 2014 AGM to the 2015 AGM.

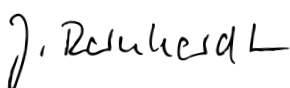
Vote #4.2: Compensation for the members of the Executive Committee of Novartis

The total amount of actual compensation (fixed and variable) paid or to be granted to members of the Executive Committee of Novartis for the performance cycle ending in 2013.

Our purpose in asking our shareholders to express their opinions on these two compensation matters at our 2014 AGM is to provide valuable input to our Board and its Compensation Committee. In the course of 2014 we will continue to prepare for the full implementation of the new Swiss law, including amendments to the Articles of Incorporation of Novartis AG, which will be proposed at the 2015 AGM.

This brochure provides information on these two advisory votes. Further details regarding the compensation system are contained in the Compensation Report in the Novartis Annual Report 2013.

On behalf of the Novartis Board of Directors,



Joerg Reinhardt, Ph.D.
Chairman, Board of Directors



Enrico Vanni, Ph.D.
Vice Chairman, Board of Directors
Chairman, Compensation Committee

Vote #4.1

Advisory vote on total compensation for members of the Board of Directors from the 2014 Annual General Meeting to the 2015 Annual General Meeting

The Board of Directors proposes that shareholders endorse in an advisory (non-binding) vote the total maximum amount of compensation for the members of the Board of Directors covering the period from the 2014 Annual General Meeting to the 2015 Annual General Meeting, i.e. CHF 8 022 000.

During 2013, the Compensation Committee, together with its independent advisor, undertook a detailed review of Board compensation and proposed a revised policy, which leads to a reduction in compensation. The Board approved this recommendation on December 12, 2013.

The new policy reflects some of our new governance changes, including the removal of the Chairman's Committee. It aims to better align our Board compensation to the current levels of our international healthcare peer group, and other Swiss industrial companies.

Members of the Novartis Board of Directors receive only fixed compensation. They receive no variable, or performance-based compensation and no additional fees for attending meetings. Except for the Chairman, Board Members are not eligible to participate in the Novartis pension and life insurance benefit plans.

The Board members' new annual fees (excluding the Chairman), which are paid at least 50% in Novartis shares (up to 100% at the option of each Board member), are summarized below:

	2013 Annual Fee (CHF 000)	2014 Annual Fee (CHF 000)
Board member	350	300
Vice Chair	50	50
Chairman's Committee member	150	0 ⁽¹⁾
Audit and Compliance Committee chair	120	120
Audit and Compliance Committee member	100	60
Other Board Committee chair ²	60	60
Other Board Committee member ²	50	30

¹ Committee has been disbanded.

² Committees include the Compensation Committee, the Governance, Nomination and Corporate Responsibility Committee, the Risk Committee, and the Research & Development Committee.

The annual compensation of our new Chairman will be CHF 3.8 million from the 2014 AGM to the 2015 AGM (to be paid 50% in cash, 50% in shares). This has been determined by a contract negotiated by the Board in 2013. We believe that the compensation of our Chairman at Novartis is aligned with market levels. In addition, in 2014 the company will make contributions amounting to CHF 162 000 for the Chairman's participation in the Novartis Swiss standard pension and insurance benefit plans.

The table below shows the total amount of compensation to be paid to the members of the Novartis Board of Directors proposed for the period from the 2014 AGM to the 2015 AGM:

Compensation for the members of the Novartis Board of Directors (2014 AGM–2015 AGM)	Total fixed compensation (CHF 000)
Joerg Reinhardt, Chairman of the Board	CHF 3 962 ¹
Other 10 Board members to be paid in accordance with the new annual fee structure	CHF 4 060
Aggregate amount of compensation for the members of the Novartis Board of Directors for the period from the 2014 AGM to the 2015 AGM	CHF 8 022¹

The table below shows the evolution of Board compensation since 2012:

	Total including Chairman of the Board (CHF 000)	Average per Board member² (excl. Chairman, CHF 000)
Board compensation 2012 AGM–2013 AGM ³ (11 Board members plus the Chairman)	19 157	554
Board compensation 2013 AGM–2014 AGM ³ (13 Board members plus the Chairman)	12 404	515
Proposed Board compensation 2014 AGM–2015 AGM³ (10 Board members plus the Chairman)	8 022¹	406

¹ This figure includes CHF 162 000 for pension and insurance contributions to be paid by the company. It excludes an amount of EUR 871 251 payable to the Chairman on January 31, 2015, should he remain in his position until that date. This amount is the second of three installments comprising a total amount of EUR 2 665 051, which compensates him for lost entitlements with his previous employer due to him joining Novartis. This figure also includes CHF 60 000, the equivalent of two additional Committee memberships for other members of the Board should they join Committees during the year.

² Figure includes compensation for Committee chairs and Committee memberships.

³ Cash compensation paid to the Chairman of the Board is based on the calendar year of the year of the first AGM mentioned in each row.

Additional information regarding compensation for the Board may be viewed in the Compensation Report on pages 126–129 and page 137.

Vote #4.2

Advisory vote on total compensation for members of the Executive Committee for the performance cycle ending in 2013

The Board of Directors proposes that shareholders endorse in an advisory (non-binding) vote the total amount of compensation paid or to be granted to members of the Executive Committee for the performance cycle ending in 2013, i.e. CHF 67 725 713 (fixed and variable compensation).

In establishing the compensation for our Executive Committee members, we endeavor to provide a competitive advantage to Novartis in the marketplace for executive talent and utilize a system that is aligned with shareholders' interests.

To attract and retain key talent, it is important for us to offer compensation that is competitive compared to global market levels. In line with our compensation philosophy, members of the Executive Committee who achieve their objectives are generally awarded target compensation at a level comparable to the median level of comparable roles at the twelve companies in our healthcare peer group¹. In the event of under- or over-performance, the actual compensation may be lower or higher than the benchmark median. In the event of exceptional and sustained performance, actual compensation may be awarded at the top quartile of the relevant benchmark to encourage and reward superior performance.

Company Performance in 2013

2013 was a strong year for Novartis, growing sales, operating income and net income (in constant currencies). Novartis met its raised guidance across all parameters especially versus our start-of-year outlook. We performed above expectations as a result of strong growth product momentum and growing sales in all divisions, even when excluding the lower than expected impact of generic competition. The year 2013 also proved to be a rewarding year for our shareholders, who benefited from a share price increase of 24 % (from CHF 57.45 at December 31, 2012 to CHF 71.20 at December 31, 2013) and a dividend of CHF 2.30 per share, resulting in a Total Shareholder Return of 28 % for the year (in Swiss francs, which was 32 % in US dollars).

Overall, growth products performance offset the impact of sales lost to generics of USD 2.2 billion (mainly due to *Diovan* and *Zometa/Aclasta*). Novartis achieved the significant number of eleven blockbusters (products with sales above USD 1 billion), ten of which were in the

¹ Companies include Abbott, AbbVie, Amgen, AstraZeneca, Bristol-Myers Squibb, Eli Lilly & Company, GlaxoSmithKline, Johnson & Johnson, Merck & Co., Pfizer, Roche and Sanofi.

Pharmaceuticals Division and one with sales across Pharmaceuticals, Consumer Health and Sandoz. Productivity gains allowed for continued investments behind growth products. Currency had a negative impact (-2% on net sales, -8% on operating income) due to a weak yen and weak emerging market currencies against the US dollar. The table below outlines results versus prior year in constant currencies as well as in US dollars:

	Growth in constant currencies versus prior year	Growth in USD versus prior year
Net Sales	+4%	+2%
Operating Income	+5%	-3%
Net Income	+7%	-1%
EPS	+6%	-2%

Free cash flow of USD 9.9 billion was 13% below the prior year. Aside from the significant currency impact, major reasons for the decline were increased accounts receivables and higher capital investments in manufacturing and research facilities.

In addition we performed well on our three strategic priorities:



Innovation: In 2013 we invested USD 9.9 billion in research and development. In total, we secured 18 approvals¹. Our Pharmaceuticals Division alone achieved 13 approvals, including *Ultibro Breezhaler* in Europe, and *Tobi Podhaler* in the US. We also secured key approvals in Alcon (including *Jetrea* for vitreo-macular traction in Europe), and in Vaccines and Diagnostics (including *Bexsero* for meningococcal disease B in Europe).



Growth: Net sales grew 4% in constant currency. Excluding the impact of patent expiries, underlying sales grew 8% in constant currencies with underlying core operating income up 15% in constant currency.



Productivity: We achieved USD 2.8 billion in productivity cost savings, which exceeded our start-of-year projections.

Improvements in quality, compliance and customer satisfaction

In 2013, we continued to improve in quality, compliance and customer satisfaction. We are also proud to have been recognized as one of the 25 best multinational employers by “Great Place to Work” Institute, and we ranked top pharmaceutical company in Fortune’s “World’s Most Admired Companies” for the third year in a row.

¹ Includes major approvals across Pharmaceuticals, Alcon, and Vaccines and Diagnostics in the EU and the US

2013 CEO Compensation

As outlined above, overall the company exceeded start-of-year expectations, and the Board recognized that the CEO met or exceeded most of his individual objectives, including his financial targets that were set in constant currencies. However, given that we saw a decline, compared to the prior year, in reported operating income and free cash flow (in USD), the Compensation Committee and the CEO determined together, that he would waive a portion of his variable compensation for the performance year 2013. The Board of Directors supported this decision.

This resulted in our CEO earning a total compensation (salary and variable compensation including benefits) of CHF 13.2 million for the year 2013, which is at the same level to the compensation he received for the prior year (2012).

Total Executive Committee Compensation for 2013

The compensation of the Executive Committee members for 2013 consisted of the following components:

Fixed compensation and benefits		Variable compensation			
Annual base compensation	Pension and other benefits	Annual incentive	Share savings plans	Equity plan "Select"	Long Term Performance Plan (LTPP)
Reflects the associates responsibilities, job characteristics, seniority, experience and skill set	Establishes a level of security for associates and their dependents tailored to local market practice and regulations	Rewards performance against annual Group, divisional and individual targets, as well as values and behaviors	Retains key executives within Novartis while aligning with the long-term interests of our shareholders	Ties compensation directly to the long-term performance of our shares to further align with the interests of our shareholders	Drives long-term shareholder value creation

For the Annual Incentive, the strong performance described above, with all Divisions either meeting or exceeding their target performance, resulted in an above target payout factor for the Group of 130%.

The grants made under the share savings plans are subject to time-vesting cycles of 3 years for the Employee Share Ownership Plan (vesting in January 2017), and 5 years for the Leveraged Share Savings Plan (vesting in January 2019).

The grants under Equity Plan "Select" are subject to the same performance conditions as the Annual Incentive, and have a time-vesting cycle of 3 years (vesting in January 2017).

On an aggregate basis for 2013, CHF 20 077 080 representing 270 874 shares was awarded to our Executive Committee members under our Long-Term Performance Plan (LTPP). This was based on a payout of 126% of target for our performance on Novartis Economic Value Added over the last 3 years (2011–2013).

The table below presents 2013 total compensation for the CEO and the other 11 Executive Committee members (in CHF):

Executive Committee compensation	Annual base compensation	Pension and other benefits	Annual incentive	Share savings plans	Select	LTPP	No. of equity instruments ¹	Total compensation
Performance cycle	2013	2013	2013	2013	2013	2011–2013		
Joseph Jimenez Chief Executive Officer of Novartis	2 055 417	269 723	1 061 200	0	3 714 124	6 125 823	133 423	13 226 287
11 other members of the Executive Committee	8 704 860	5 121 043	6 882 443	3 103 227	16 736 596	13 951 257	501 013	54 499 426
Total Executive Committee compensation for the performance cycle ending December 31, 2013							634 436	67 725 713

¹ The equity instruments used are as follows: Annual incentive - restricted shares; Share savings plans – restricted shares or restricted share units; Equity plan “Select” – restricted shares or restricted share units; LTPP – restricted share units. The above-mentioned instruments were valued at the share price of CHF 73.75, or an American Depository Receipt price of USD 80.79 on January 22, 2014.

The table below shows the evolution of total compensation for members of the Executive Committee (in CHF) since 2011:

	Total including the CEO (CHF 000)
Total Executive Committee compensation for the performance cycle ending December 31, 2011. (12 members)	67 868
Total Executive Committee compensation for the performance cycle ending December 31, 2012. (12 members)	62 359
Total Executive Committee compensation for the performance cycle ending December 31, 2013. (12 members)	67 726

The main drivers of the observed increase between 2012 and 2013 were the share price evolution over the last 12 months (i.e. an impact of CHF 3.3 million) and personnel changes within the Executive Committee.

This is the last year where compensation has been granted under our current compensation system. As from January 1, 2014, Novartis will be providing compensation under the new executive compensation system. However, previous cycles of long-term incentives from the current compensation system will continue to vest according to their normal cycles and plan rules.

Additional information regarding compensation for the Executive Committee may be viewed in the Compensation Report on pages 114–125 and pages 133–136.



Novartis mission

Our mission is to care and cure. We want to discover, develop and successfully market innovative products to prevent and cure diseases, to ease suffering and to enhance the quality of life.

We also want to provide a shareholder return that reflects outstanding performance and to adequately reward those who invest their money, their time and their ideas in our company.



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