Novartis AG
Investor Relations

Q4 and Full Year 2016 Results

Investor presentation | January 25, 2017

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Disclaimer

This presentation contains forward-looking statements that can be identified by terminology such as such as “potential,” “expected,” “will,” “planned,” or similar expressions, or by express or implied discussions regarding potential new products, potential new indications for existing products, or regarding potential future revenues from any such products; potential shareholder returns or credit ratings; or regarding the potential outcome of the announced review of options being undertaken to maximize shareholder value of the Alcon Division; or regarding the potential financial or other impact on Novartis or any of our divisions of the significant reorganizations of recent years, including the creation of the Pharmaceuticals and Oncology business units to form the Innovative Medicines Division, the creation of the Global Drug Development organization and Novartis Operations (including Novartis Technical Operations and Novartis Business Services), the transfer of the Ophthalmic Pharmaceuticals products of our Alcon Division to the Innovative Medicines Division, the transfer of selected mature, non-promoted pharmaceutical products from the Innovative Medicines Division to the Sandoz Division, and the transactions with GSK, Lilly and CSL; or regarding the potential impact of the share buyback plan; or regarding potential future sales or earnings of the Novartis Group or any of its divisions; or by discussions of strategy, plans, expectations or intentions. You should not place undue reliance on these statements. Such forward looking statements are based on the current beliefs and expectations of management regarding future events, and are subject to significant known and unknown risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those set forth in the forward looking statements. There can be no guarantee that any new products will be approved for sale in any market, or that any new indications will be approved for any existing products in any market, or that any approvals which are obtained will be obtained at any particular time, or that any such products will achieve any particular revenue levels. Nor can there be any guarantee that the review of options being undertaken to maximize shareholder value of the Alcon Division will reach any particular results, or at any particular time. Neither can there be any guarantee that Novartis will be able to realize any of the potential strategic benefits, synergies or opportunities as a result of the significant reorganizations of recent years, including the creation of the Pharmaceuticals and Oncology business units to form the Innovative Medicines Division, the creation of the Global Drug Development organization and Novartis Operations (including Novartis Technical Operations and Novartis Business Services), the transfer of the Ophthalmic Pharmaceuticals products of our Alcon Division to the Innovative Medicines Division, the transfer of selected mature, non-promoted pharmaceutical products from the Innovative Medicines Division to the Sandoz Division, and the transactions with GSK, Lilly and CSL. Neither can there be any guarantee that shareholders will achieve any particular level of shareholder returns. 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In particular, management’s expectations could be affected by, among other things: regulatory actions or delays or government regulation generally; the potential that the strategic benefits, synergies or opportunities expected from the significant reorganizations of recent years, including the creation of the Pharmaceuticals and Oncology business units to form the Innovative Medicines Division, the creation of the Global Drug Development organization and Novartis Operations (including Novartis Technical Operations and Novartis Business Services), the transfer of the Ophthalmic Pharmaceuticals products of our Alcon Division to the Innovative Medicines Division, the transfer of selected mature, non-promoted pharmaceutical products from the Innovative Medicines Division to the Sandoz Division, and the transactions with GSK, Lilly and CSL may not be realized or may take longer to realize than expected; the inherent uncertainties involved in predicting shareholder returns or credit ratings; the uncertainties inherent in the research and development of new healthcare products, including clinical trial results and additional analysis of existing clinical data; our ability to obtain or maintain proprietary intellectual property protection, including the ultimate extent of the impact on Novartis of the loss of patent protection and exclusivity on key products which commenced in prior years and will continue this year; safety, quality or manufacturing issues; global trends toward health care cost containment, including ongoing pricing and reimbursement pressures, such as from increased publicity on pharmaceuticals pricing, including in certain large markets; uncertainties regarding actual or potential legal proceedings, including, among others, actual or potential product liability litigation, litigation and investigations regarding sales and marketing practices, intellectual property disputes and government investigations generally; general economic and industry conditions, including uncertainties regarding the effects of the persistently weak economic and financial environment in many countries; uncertainties regarding future global exchange rates; uncertainties regarding future demand for our products; and uncertainties regarding potential significant breaches of data security or data privacy, or disruptions of our information technology systems; and other risks and factors referred to in Novartis AG’s current Form 20-F on file with the US Securities and Exchange Commission. Novartis is providing the information in this presentation as of this date and does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

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Agenda

1. Group review	**Joseph Jimenez, Chief Executive Officer**
2. Financial review	Harry Kirsch, Chief Financial Officer
3. Business updates	Paul Hudson, Pharmaceuticals | Mike Ball, Alcon
4. Development	Vas Narasimhan, Global Head Drug Development & CMO
5. Research	Jay Bradner, President NIBR
6. Closing	Joseph Jimenez, Chief Executive Officer

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1. Group review

2016 in review

Industry trends & our strategy to win

The next growth phase

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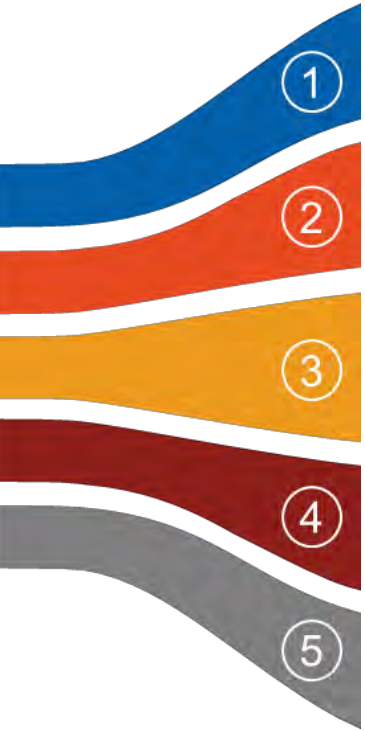
Last year we established 5 objectives for 2016



1. Deliver strong **Financial Results**
2. Strengthen **Innovation**
3. Improve **Alcon Performance**
4. Capture **Cross-Divisional Synergies**
5. Build a **High-Performing Organization**

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We broadly delivered on these, with some areas for improvement

Deliver strong **Financial Results**	**Sales broadly in line** despite Glivec® loss of exclusivity in US
Strengthen **Innovation**	**Launches:** Strong Cosentyx® launch; Entresto® uptake slower than expected **Breakthrough innovations**: LEE011, BAF312, AMG 334, Biosimilars
Improve **Alcon Performance**	**Alcon improved, but did not return to growth**: Vision Care returned to growth, but Surgical taking longer
Capture **Cross-Divisional Synergies**	**NBS-managed costs decreased**, scaling up 5 Global Service Centers
Build a **High-Performing Organization**	**Major organizational changes** implemented without disruption

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Sales broadly in line due to strong performance of Growth Products

1 Deliver strong **Financial Results**

2

3

4

5

Continuing operations[1] (in USD bn)	2016	Change vs. PY % USD	Change vs. PY % cc[1]
Net Sales	48.5	-2	0
Core Operating Income[1]	13.0	-6	-2
Operating Income[1]	8.3	-8	-3
Net Income	6.7	-5	+1
Core EPS (USD)[1]	4.75	-5	-2
EPS (USD)	2.82	-3	+2
Free Cash Flow[1]	9.5	+2	

1. Continuing operations are defined on page 41 of the Condensed Financial Report. Constant currencies (cc), core results, and free cash flow are non-IFRS measures. An explanation of these measures can be found on page 50 of the Condensed Financial Report.

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Launches: Cosentyx® and Entresto®

1 2 3 4 5

Strengthen **Innovation**

Cosentyx® secukinumab

- Full year sales **USD 1,128m**
- **Launched** in major markets
- Leading positions in **NBRx**[1]
- **Sustained efficacy**[2]**:**
  - PsO (4 years[3])
  - PsA (3 years[4])
  - AS (2 years[5])

Entresto® sacubitril/valsartan

- Full year sales **USD 170m**
- **Access**: 23% of Medicare patients without prior authorization
- Positive treatment guidelines[6]
- Continuing **FF expansion**

1. Leading NBRx share among biologics in PsA / AS segment in US (IMS NBRx Rheumatology specialty allocated for PsA/AS indications based on anonymized patient data), DE, FR and in PsO segment in DE, FR, SP, UK
2. PsO – Psoriasis; PsA - Psoriatic Arthritis ; AS - Ankylosing Spondylitis 3. Seminars in Cutaneous Medicine and Surgery (Supplement 7), Vol. 35, December 2016 4. Mease PJ, et al. Arthritis Rheumatol. 2016;68 (suppl 10): abstract 961 5. Baeten D, et al. Arthritis Rheumatol 2015; 67(Suppl10): abstract 2896 6. Class I recommendations in the ACC/AHA/ESC Heart Failure Guidelines

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Pipeline: 2016 was a strong year for innovation

1
2 Strengthen **Innovation**
3
4
5

✓ **LEE011**	**Positive Ph III data:** Filed in the US and EU
✓ **BAF312**	**Positive Ph III:** Reduction of disability progression in SPMS[1]
✓ **AMG 334**[2]	**Positive Ph III & Ph II:** In episodic and chronic migraine
✓ **Ultibro® Breezhaler®**	**FLAME data:** Demonstrates superiority over Seretide®[3]
✓ **Erelzi®**	**US approval:** Unanimous vote by Arthritis Advisory Committee
✓ **Rituximab**	**EMA submission accepted:** Demonstrated bioequivalence

1. SPMS: Secondary progressive multiple sclerosis 2. In collaboration with Amgen; Novartis has AMG 334 rights outside of US, Canada and Japan 3. Clinicaltrials.gov. QVA149 vs. Salmeterol/ Fluticasone, 52-week Exacerbation Study (FLAME). NCT01782326. Seretide® is a registered trademark of GlaxoSmithKline

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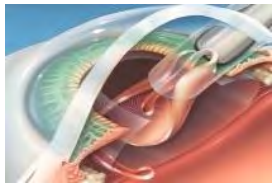
Alcon: Vision Care turning but Surgical taking longer

1
2
3 Improve **Alcon Performance**
4
5

Vision Care

- Continued strong global growth of Dailies Total1®
- Contact lens share positively impacted in US, EU
- Introduced new innovation e.g., Dailies Total1 Multifocal®



Surgical

- Continued solid growth of cataract consumables and vitreoretinal
- Weaker performance of IOLs and equipment
- Introduced new innovations: CyPass® and NGENUITY®

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Novartis Business Services: costs under management decreased, while quality improved

1
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4 Capture **Cross-Divisional Synergies**
5

- **Reducing costs in IT and Facilities Services**, e.g.
  - Initiated standardization of **infrastructure services** at manufacturing sites
  - Consolidation of **facilities services** from 100+ to 3
  - Significant reduction of **IT applications**
- Selective offshoring to our 5 Global Service Centers continues to **optimize geographical footprint**

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Integrating manufacturing and drug development across divisions: Seeing early benefits

1
2
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4
5 Build a **High-Performing Organization**

- **Manufacturing:** Integration around technology platforms
- **Drug development**: Integration of global functions

1. Improved transparency
2. Better resource allocation
3. More collaboration

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1. Group review

2016 in review

Industry trends & our strategy to win

The next growth phase

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The demand for healthcare is growing…

The population is getting …

... larger

+1bn

By 2030

... older

~1 in 3

Over 50 years old

... sicker

Chronic diseases

>70% of all deaths

Source: United Nations, “World Population to Increase by One Billion by 2025,” 2013 Source: World Health Organization, “The Global Burden of Disease: Updated Projections,” 2015

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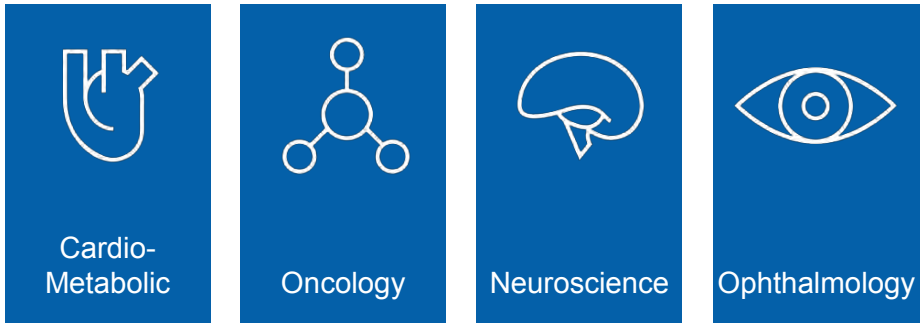
...creating opportunities in key diseases

Expected high growth areas (2025)



- **Heart disease** and **cancer** alone expected to cause 50% of all deaths
- More than 2bn people expected to suffer from **presbyopia** and ~18m cases of **cataracts** expected in US

Source: WHO, OECD

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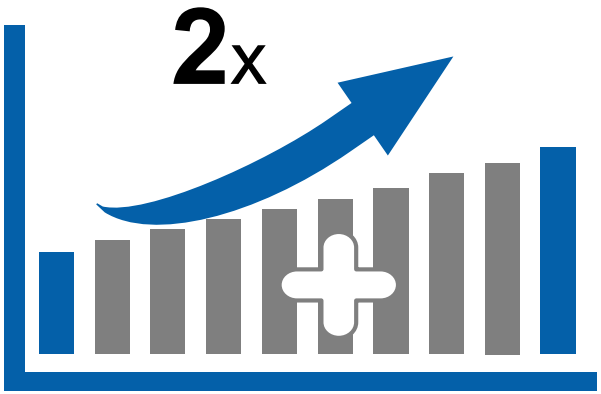
However, the same forces creating this demand, are putting pressure on the industry



If unchecked, healthcare spending forecast to double by 2030

- Increased pressure on **pricing** and **access**
- Increasing attention to **Real World Evidence**

Source: Business Monitor International, Harvard Business Review and CMS (Centers for Medicare and Medicaid Services)

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To win in this environment, we are rethinking all aspects of our business

We are “Reimagining Medicine”

1 How we **innovate**

2 How we **sell**

3 How we **operate**

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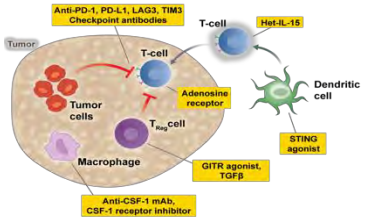
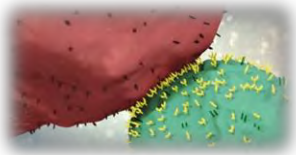
1. Reimagining: How we innovate

Pioneering new technologies



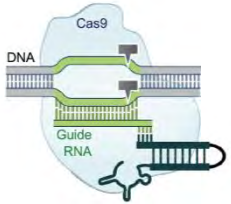
Second Generation Immunotherapy

- 11+ clinical assets
- 2 pre-clinical assets



CTL019:

- Pediatric ALL filing expected in early 2017
- DLBCL filing expected in H2 2017



CRISPR

- Novartis candidates for Sickle Cell disease entered safety studies

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2. Reimagining: How we sell

New commercial & medical approaches

Contracting based on outcomes

Entresto® sacubitril/valsartan

Cigna

aetna

Virtual tools to better serve our customers

VIVINDA TV

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3. Reimagining: How we operate

A new operating model

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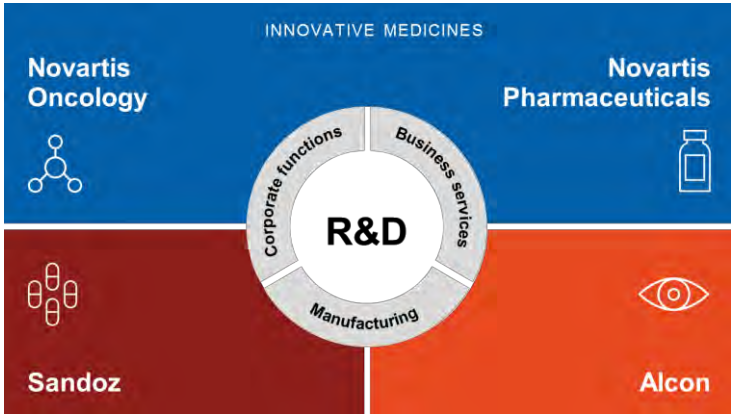

- **Innovation at our core**
- **Customer focused**
- **More efficient**

Expect at least USD 1bn savings annually by 2020

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1. Group review

2016 in review

Industry trends & our strategy to win

The next growth phase

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Novartis is positioned well for the future

- Pipeline strong and broad
- Lower risk profile
- Strong capital allocation discipline

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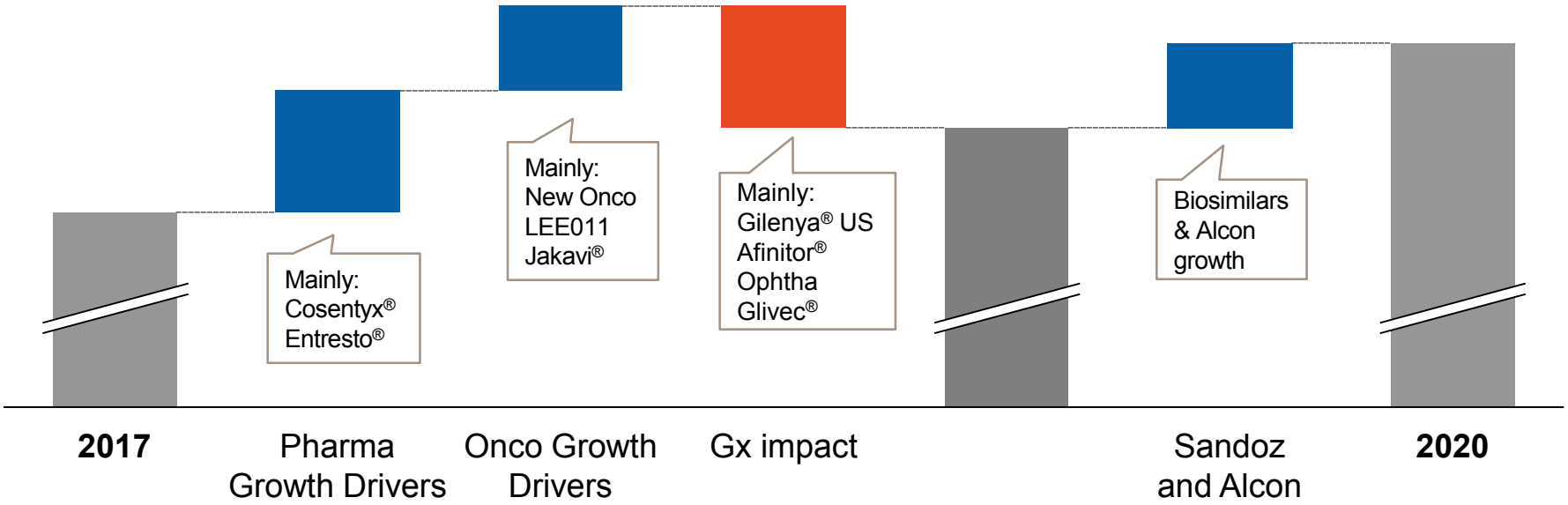
FY 2017-2020: Growth drivers expected to more than offset Generics

Illustrative Sales FY 2017–2020 (in cc)



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… without including other key pipeline assets with blockbuster potential

- **AMG 334** (erenumab)
- **BAF312** (siponimod)
- **RLX030** (serelaxin)
- **OMB157** (ofatumumab)
- **ACZ885** (Ilaris®)
- **QVM149** (indacaterol, glycopyrronium, mometasone)
- **QAW039** (fevipiprant)

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Biosimilars: Potential for substantial future sales growth

Plan to launch 5 biosimilars
of major oncology and immunology biologics by 2020

Etanercept

FDA approved for all indications

Rituximab

Submission accepted by EMA

Infliximab

Phase III trial demonstrated equivalent efficacy

HUMIRA adalimumab | Remicade INFLIXIMAB | Neulasta (pegfilgrastim) | Rituxan Rituximab | Enbrel etanercept [1]

1. All trademarks are the property of the respective originator companies

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Less exposed to Pricing or IP risks

Balanced global presence

35% sales in US

Balanced portfolio

Gx, Biosimilars

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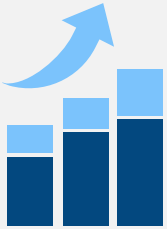
Creating Shareholder Value

We will continue to aggressively manage our capital structure and allocation to deliver shareholder value

Novartis Capital Allocation Priorities

1. Investments in organic business
2. Growing annual dividend in CHF
3. Value creating bolt-on[1]
4. Share buybacks

Create sustainable shareholder value



1. Includes M&A and BD&L

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Today, we are announcing two actions based on these priorities

Alcon Review	Options to maximize shareholder value of the Alcon Division under consideration
Share Buyback	We are initiating share buyback of up to USD 5 billion for 2017

These actions demonstrate our commitment to maximizing shareholder value and confidence in our future growth trajectory

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2017 priorities

1 Deliver financial targets	• **Sales** broadly in line with prior year • **Core Operating Income** broadly in line with prior year or decline low single digits[1]
2 Strengthen R&D	• **Regulatory decisions**: LEE011, PKC412, Biosimilars • **Submissions**: CTL019, AMG 334 • **Trial readouts**: RLX030, ACZ885, RTH258
3 Ensure world-class commercial execution	• **Accelerate sales**: Cosentyx®, Entresto® • **Successfully launch new approvals**: potentially LEE011, Biosimilars rituximab and etanercept, PKC412
4 Transform Alcon into an agile medical device company	• Return **Alcon** to top-line growth • Strengthen innovation and commercial execution
5 Create a stronger company for the future	• Embed **new operating model** & capture synergies • Strengthen **quality**, **compliance** and develop the best **talent**

1. Barring unforeseen events

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Agenda

1. Group review	Joseph Jimenez, Chief Executive Officer
2. Financial review	**Harry Kirsch, Chief Financial Officer**
3. Business updates	Paul Hudson, Pharmaceuticals | Mike Ball, Alcon
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5. Research	Jay Bradner, President NIBR
6. Closing	Joseph Jimenez, Chief Executive Officer

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2016 actuals in line with our guidance

Full Year Guidance, Q2 2016 – reconfirmed in Q3 2016 (in cc)	**Actual vs. PY** (in cc)
"**Sales** are expected to be broadly in line with prior year"	**+0%** ✓
"**Core operating income** is expected to be broadly in line with prior year or decline low single digits"	**-2%** ✓

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Summary of Q4 2016 and FY financial results

Continuing Operations[1] (in USD m)	Q4 2016	Change vs. PY % USD	Change vs. PY % cc	FY 2016	Change vs. PY % USD	Change vs. PY % cc
Net Sales	12 322	-2	0	48 518	-2	0
Core Operating Income	3 013	-1	1	12 987	-6	-2
Operating Income	1 455	-13	-9	8 268	-8	-3
Net Income	936	-11	0	6 698	-5	1
Core EPS (USD)	1.12	-2	1	4.75	-5	-2
EPS (USD)	0.40	-9	2	2.82	-3	2
Free Cash Flow	2 976	1		9 455	2	

1. An explanation of continuing operations can be found on page 41 of the Condensed Interim Financial Report. Core results, constant currencies and free cash flow are non-IFRS measures. Further details regarding non-IFRS measures can be found starting on page 50 of the Condensed Interim Financial Report

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Q4 Core margin slightly improved with Innovative Medicines offsetting Alcon

	Q4 2016			
	Net sales change vs. PY (in % cc)	**Core operating income change vs. PY** (in % cc)	**Core ROS** (%)	**Core margin change vs. PY** (% pts cc)
Innovative Medicines	-1	4	29.1	1.2
Sandoz	3	4	20.0	0.1
Alcon	0	-36	11.3	-6.3
Q4 continuing operations	0	1	24.5	0.2

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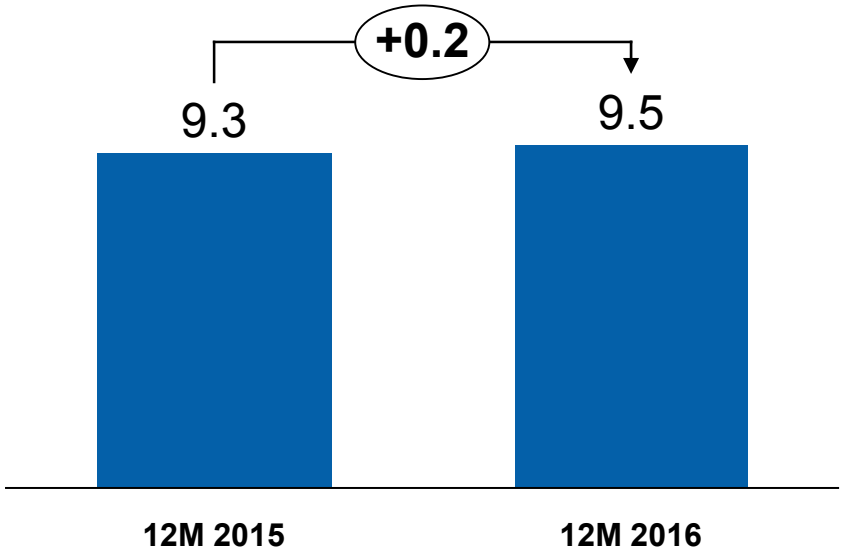
12M free cash flow was USD 9.5bn

Continuing operations free cash flow
(USD bn)



Key drivers vs. PY:

\+ Working capital

\+ Lower CapEx

\+ OTC/JV dividend

− Lower OpInc

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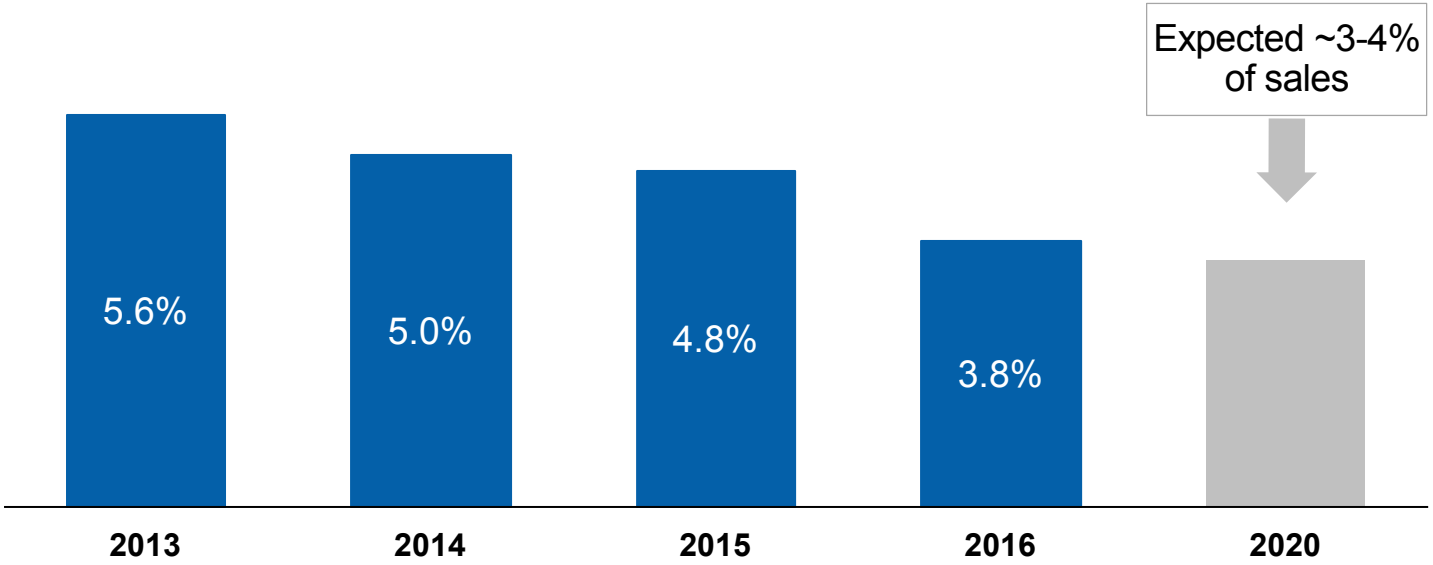
CapEx discipline driving improved Cash Flow

Continuing operations CapEx

(In % of sales)

Illustrative



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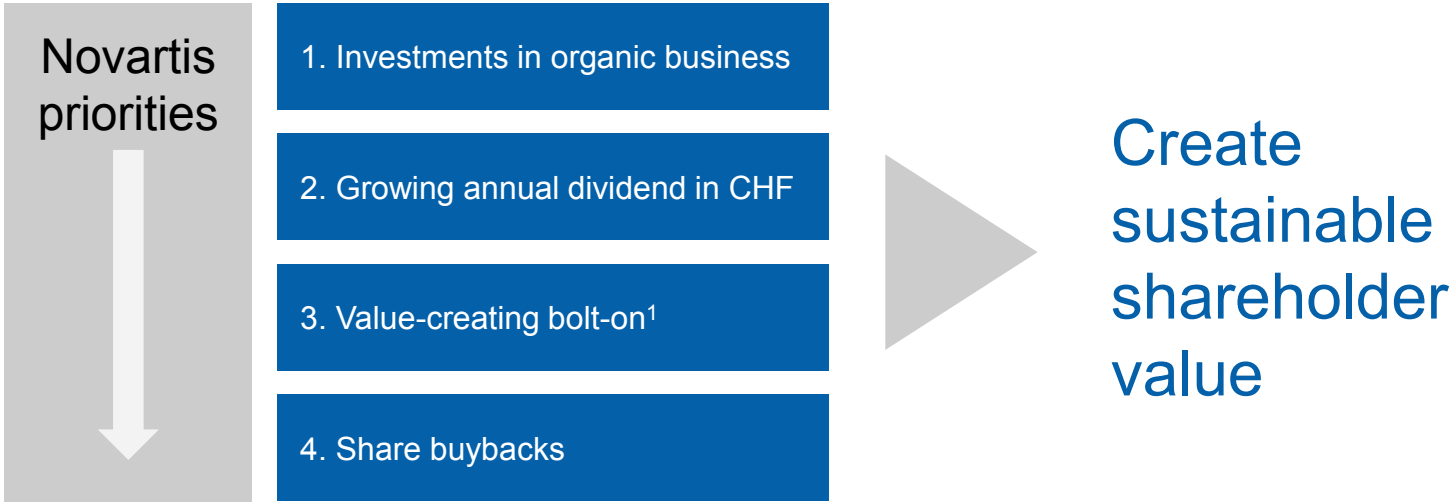
Novartis follows a capital allocation framework focused on shareholder value



1. Includes M&A and BD&L

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Novartis reinvests substantially back into the business

1. Investments in organic business

Key R&D investment in the pipeline

LEE011 (ribociclib)

AMG 334 (erenumab)

BAF312 (siponimod)

RLX030 (serelaxin)

OMB157 (ofatumumab)

Rest of pipeline +200 projects

Key M&S investment in current growth drivers

Entresto® sacubitril/valsartan

Cosentyx® secukinumab

REVOLADE™ (eltrombopag olamine)

JAKAVI™ ruxolitinib

Alcon

Tafinlar® (dabrafenib)

Mekinist® (trametinib)

Biosimilars

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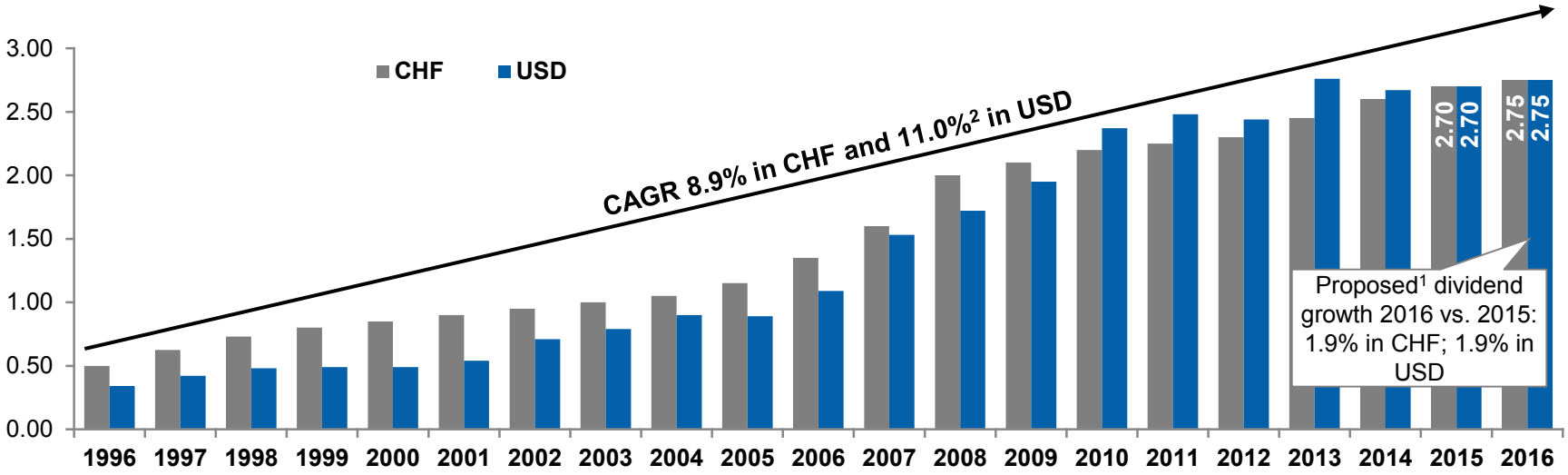
Novartis proposes the 20th consecutive dividend increase to the AGM: 2.75 CHF / share

2. Growing annual dividend



1. Proposal to shareholders at the 2017 Annual General Meeting, taking place on February 28, 2017 2. Converted at historic exchange rates on the dividend payment date as per Bloomberg; assumes an exchange rate of USD / CHF of 1.0001 as of January 23, 2017 for 2016

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Novartis executed various value-creating bolt-on transactions to support growth

3. Value-creating bolt-on

Evaluation criteria

- ☑ Strategic priorities
- ☑ Financial discipline
- ☑ IRR and value creation

1. Subject to customary closing conditions 2. Regulatory approval is required to exercise the option

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Initiating a share buyback of up to USD 5 bn in 2017 reinforcing confidence in growth prospects

4. Share buybacks

- Initiating a share buyback[1] of up to USD 5 billion, reinforcing confidence in growth prospects
- Novartis aims to execute this buyback in 2017
- Novartis envisages to finance the buyback through new debt, actively using its strong balance sheet
- Attractive funding rates reflecting historically low interest rates

1. Under the existing authority of the seventh share buyback program granted by the AGM in February 2016

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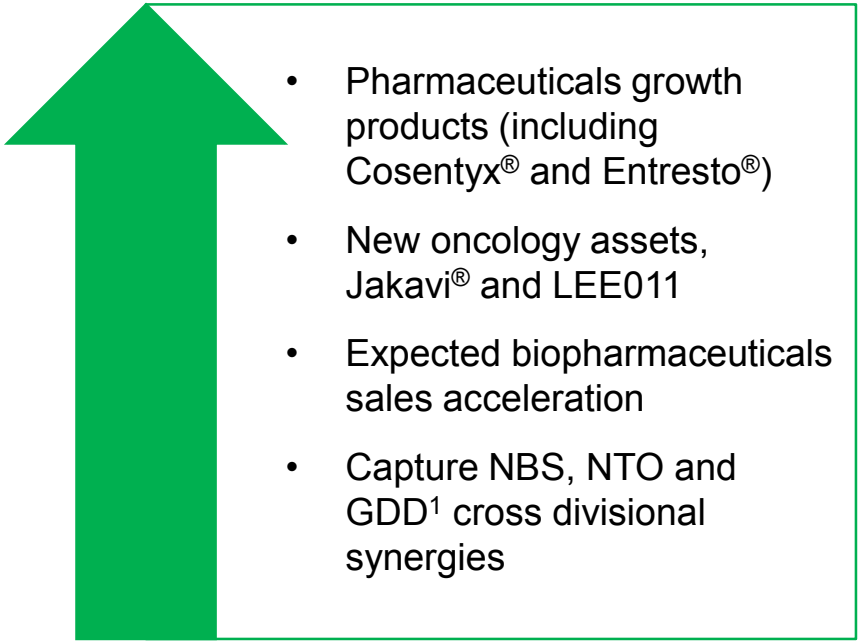
Expected key drivers of 2017 performance



- Pharmaceuticals growth products (including Cosentyx® and Entresto®)
- New oncology assets, Jakavi® and LEE011
- Expected biopharmaceuticals sales acceleration
- Capture NBS, NTO and GDD[1] cross divisional synergies

- Generics (mainly Glivec®)
- Launch investments
- Alcon growth plan investments

1. NBS = Novartis Business Services; NTO = Novartis Technical Operations; GDD = Global Drug Development

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2017 Full Year Guidance

Barring unforeseen events (in cc)

- In 2017, we expect continued genericization of Glivec® to impact results

- **Group net sales** expected to be **broadly in line with PY**
  - IM Division broadly in line
  - Sandoz low single digit growth
  - Alcon broadly in line to low single digit growth

- **Group core operating income expected to be broadly in line with PY to low single digit decline**

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Core OpInc trajectory expected to be stronger in H2 than H1

Key impacts in H1

Innovative Medicines	Full year impact of launch investments in H1 (Cosentyx® / Entresto®/ potentially LEE011) with expected sales to accelerate throughout the year Glivec® H1 2017 compares with prior year before LoE[1]
Sandoz	Momentum from Biopharmaceuticals (including Glatopa® 40mg)
Alcon	Full year impact of growth plan investments

1. Exclusivity period of the first Glivec® Gx in the US from Feb – July 2016

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2017 Guidance on other financial KPIs

Barring unforeseen events (in cc)

Core tax	FY core tax rate in the mid-teens consistent with prior years
FX impact[1]	FY: -2% in sales and -3% in core operating income Q1: -2% in sales and -2% in core operating income
Core associated companies	Expected higher core income from Roche[2] and OTC JV
Core Net Financial Income	Expense of approx. USD 850m to 950m; increase mainly driven by higher interest costs associated with the share buyback

1. Assuming mid January 2017 exchange rates prevail for the full year 2. Based on December 2016 consensus

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Agenda

1. Group review	Joseph Jimenez, Chief Executive Officer
2. Financial review	Harry Kirsch, Chief Financial Officer
3. Business updates	**Paul Hudson, Pharmaceuticals** | Mike Ball, Alcon
4. Development	Vas Narasimhan, Global Head Drug Development & CMO
5. Research	Jay Bradner, President NIBR
6. Closing	Joseph Jimenez, Chief Executive Officer

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Novartis Pharmaceuticals: Our priorities

1. Ensure Entresto® and Cosentyx® success
2. Focus on commercial execution
3. Prepare for data read-outs and new launches
4. Culture

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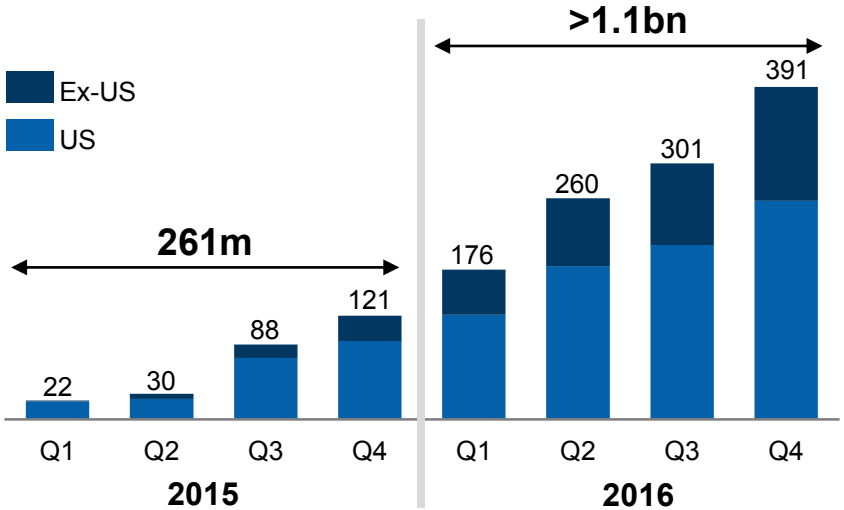
Cosentyx® achieved blockbuster status

Quarterly sales evolution

USD m



Best-in-class[1] profile

- Strong efficacy uniquely sustained over 4 years[2]
- Only fully human IL17 mAb associated with high regain of response[3]

Strong uptake in PsA / AS

- Opportunity expected to exceed PsO
- No new competition expected near term[4]

Building long-term leadership

- Label expansion on track (nrAxSpA)

1. 'Best-in-class' refers to best in the IL17 class based on demonstrated long-term efficacy (4 years in PsO, 3 years in PsA, 2 years in AS), 2 year inhibition of disease progression data (PsA and AS), 95% recapture of response (PsO) and a favorable safety profile with very low injection site reactions and almost zero immunogenicity 2. The only published PhIII data of any IL17 relate to Cosentyx® (Source: Seminars in Cutaneous Medicine and Surgery (Supplement 7), Vol. 35, December 2016) 3. Based on PASI 75 (Blauvelt et al. Late Breaker Poster presentation, AAD 2016 4. mAb entrants ony; ixekizumab expected to be approved for PsA at the end of 2017 / early 2018 and for AS in H2 2018; no other IL17 or p19 expected to be approved in PsA or AS in 2017-2019

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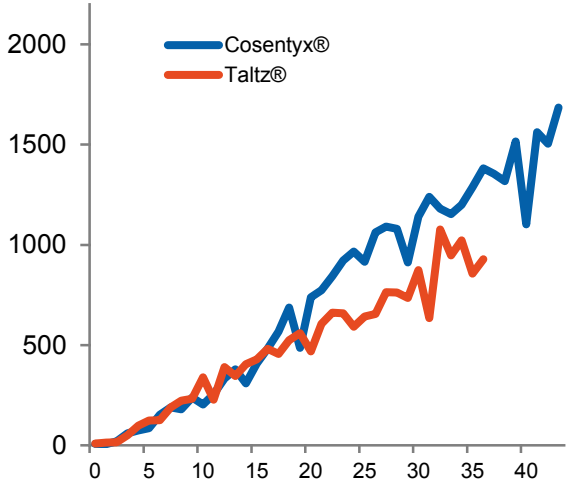
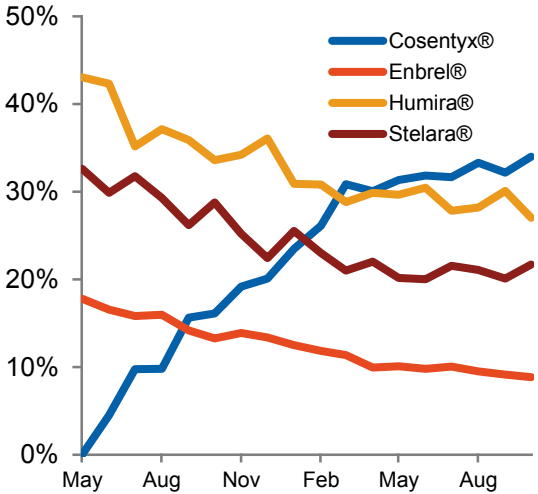
Psoriasis: Strong uptake in major geographies; #1 in new to brand biologic prescriptions in EU[1]

US: Weekly TRx comparison[2]



DE: Value segment share[3]



EU: NBRx share & rank[1]

	Segment share (%)	Segment rank
DE	34%	#1
FR	38%	#1
SP	37%	#1
UK	44%	#1

1. Patient share across naive and switch patients (UK refers to naive only) including all biologics and biosimilars (except for FR); Source: IMS (DE, FR, UK) and patient based research (SP) 2. IMS NPA Weekly TRx across Dermatology, Rheumatology and Other specialties. Cosentyx® series 20 Feb to 18 Dec 2015; Taltz® series from 22 Apr to 30 Dec 2016 3. Psoriasis segment value share (from May 2015 to Oct 2016). Segment defined as biologics (Cosentyx®, Enbrel®, Humira®, Stelara® and Remicade®) plus Otezla®; Source: IMS PSc DocSplit, office-based dermatologists only All trademarks are the property of their respective owners.

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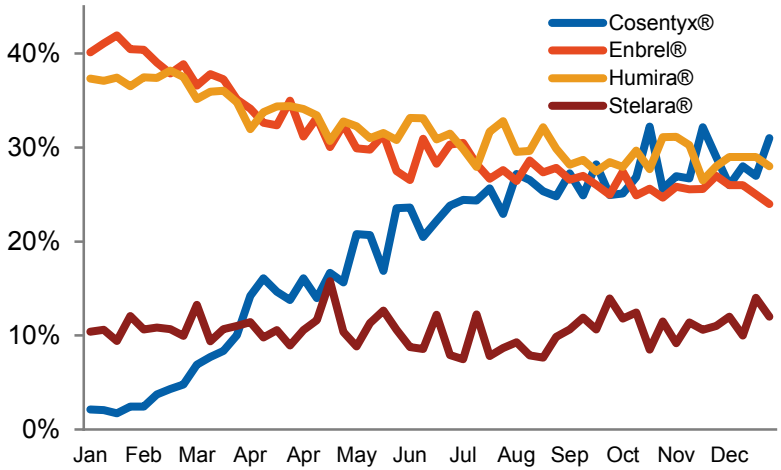
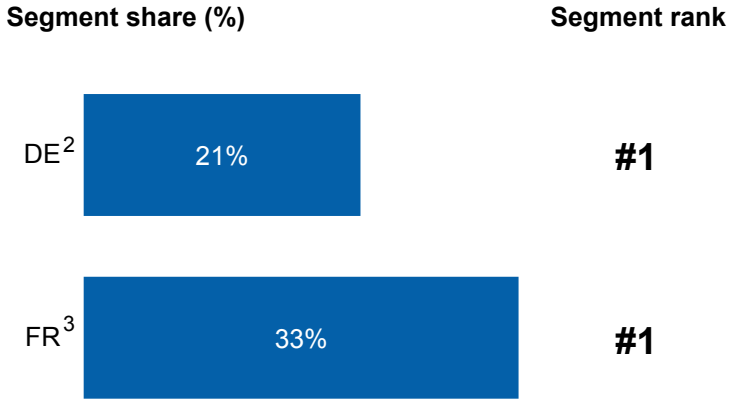
PsA/AS: Leading position in new to brand prescriptions in less than one year

US: Share of NBRx[1]



Europe: NBRx share & position



1. IMS NPA data week ending 8 Jan to 30 Dec 2016. NBRx from Rheumatology specialty and allocated for PsA and AS indications only based on anonymized patient data. Simponi®, Cimzia® not shown. Remicade® excluded from analysis
2. Source: IMS LRx pat.data 10/2016 - Biologics Market office based rheumatologist only ('Etanercept' comprises both Enbrel® and Benepali®) 3. Source: MS LTD patient data 10/2016, Rolling quarter except for Cosentyx® (its share is based on monthly data); segment defined without Infliximab Note: All trademarks are the property of their respective owners

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Significant opportunity in PsA/AS

	Psoriasis	PsA and AS
Number of patients US & EU5 (million)	3.1[1]	4.2[2]
Sales CAGR[3] (2011-2016)	26%	18%

Note: Area of circles represent patient numbers (Source: Decision Resources Epidemiology Database 2016 and IMS defined health 2015). Bx = biologics; 1. Number of patients refers to moderate to severe plaque psoriasis only 2. Of the total patient number of 4.2m PsA represents 76% and AS represents 26% 3. IMS PADDS Monthly, Medical Data, MAT Oct 2016 as last year of the 5-year period 2011-2016. PsO segment includes Remicade®, Humira®, Enbrel®, Stelara®, Cosentyx® and Taltz®; PsA segment includes Remicade®, Humira®, Enbrel®, Stelara® and Cosentyx®; AS segment includes Simponi®, Cimzia®, Remicade®, Humira®, Enbrel® and Cosentyx® Note: All trademarks are the property of their respective owners

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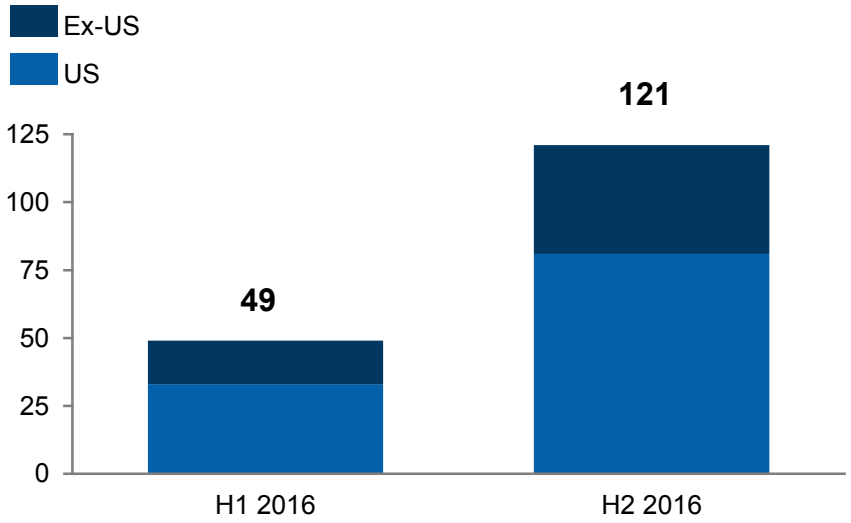
Entresto® more than doubled in H2 vs. H1 2016

Net sales 2016
USD m



- US focus in 2016 has been on
  - Resourcing
  - Prior Authorizations
  - Co-pays / Access
- Access ex-US improved throughout 2016; expected to improve further in 2017

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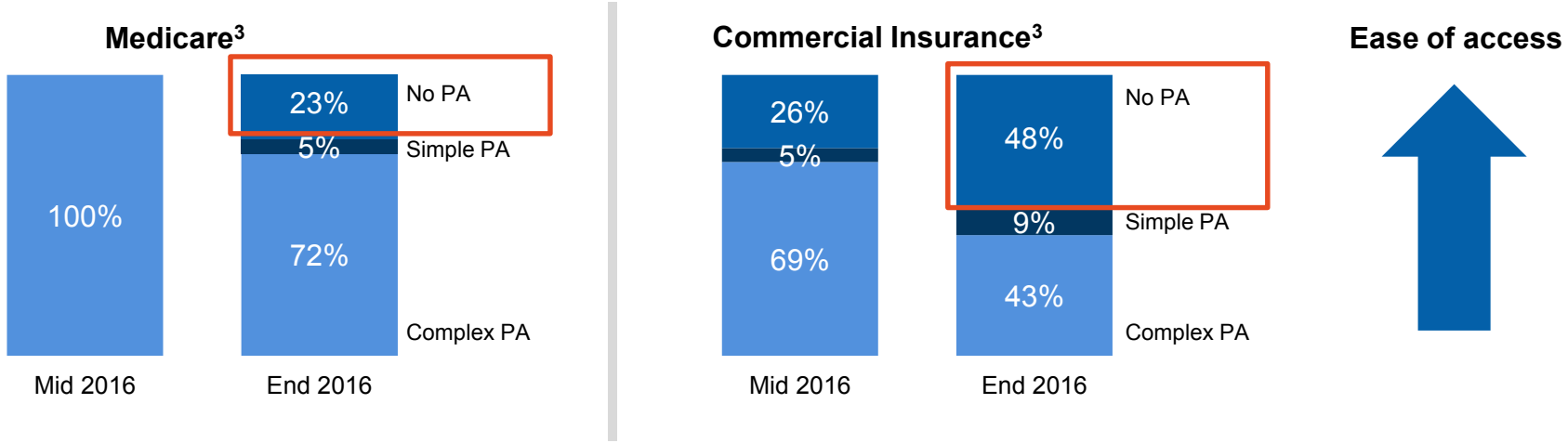
Quarter of Medicare patients now without PA[1]

Entresto® PA criteria in US plans[2]



1. Prior authorizations (PA) influence the ease of access. "Simple" defined as "1 page Entresto® specific form with few check boxes based on label criteria." "Complex" defined as "generic form (fill in info) and complex criteria
2. Insured patients in either the Medicare or the commercial insurance segment. Both national and regional plans included in the analysis. The represented plans cover an estimated 2.2m HFrEF patients 3. Share of patients that could have access to Entresto® under each of the three categories of PA criteria (Source: Formulary Data on file, Novartis Dec 2016)

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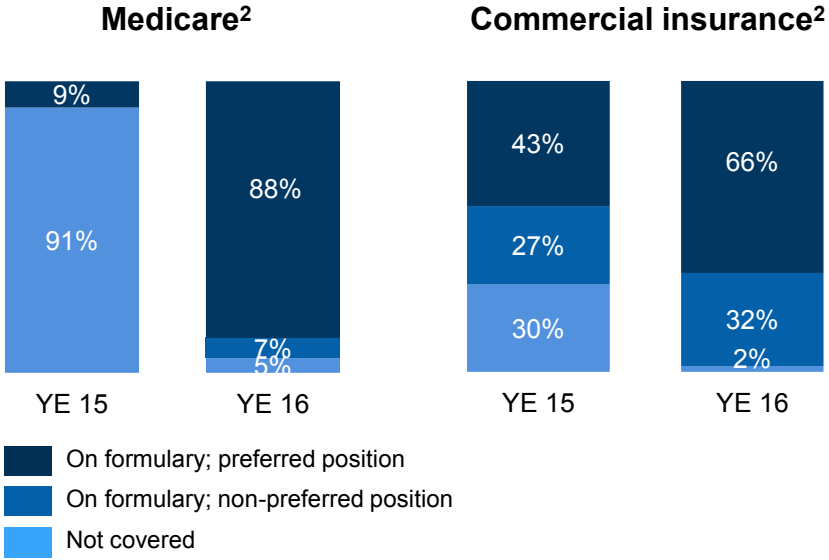
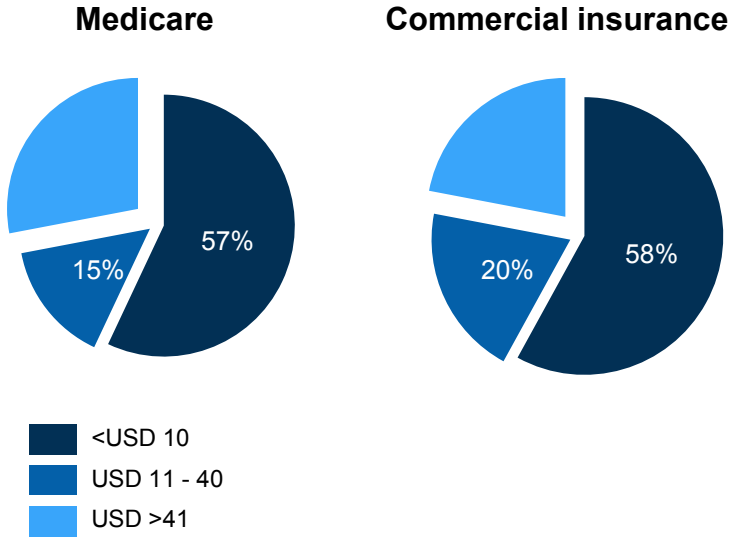
Majority of patients incurred co-pay of < USD 10; Patient affordability is not a barrier in 2017

Entresto® formulary status in US plans[1]



Incurred monthly co-pay for patients on Entresto® in Q4 2016 (USD)[3]



1. Insured patients in either the Medicare or the commercial insurance segment. Both national and regional plans included in the analysis. The represented plans cover an estimated 2.2m HFrEF patients 2. Share of patients that could have access to Entresto® under each of the three formulary categories (Source: Formulary Data on file, Novartis Dec 2016) 3. Monthly co-pay in each of the segments estimated based on filled prescriptions in Q4 2016

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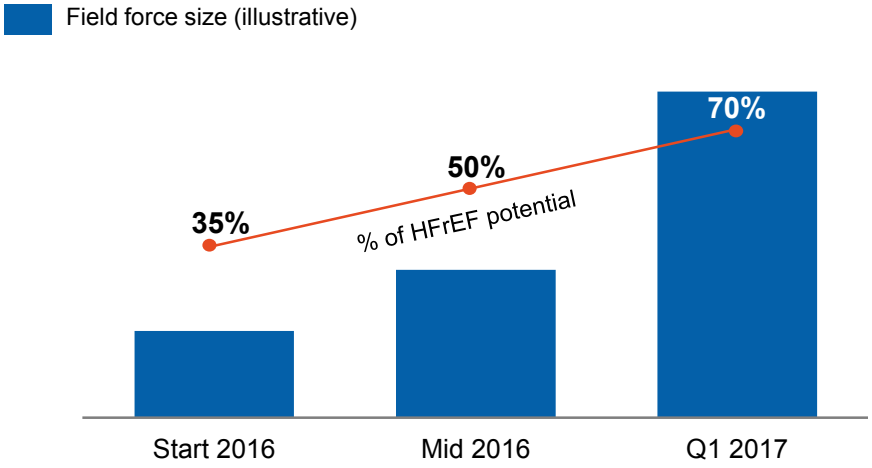
Resources now in place to support further uptake in the US

Relative field force size and coverage of HFrEF potential[1]



Field force set to double in 2nd expansion

- Completed 1st expansion (Apr 2016; Cardiologists and PCPs)
- Ongoing 2nd expansion (Sep 2016 – Feb 2017; PCPs only)
- Expansions allow increases in physician coverage and interaction frequency

1. HFrEF potential defined as TRx volume specific to HFrEF indication across a two specialties, ie Cardiology and Primary Care (PCPs) (Source: IMS)

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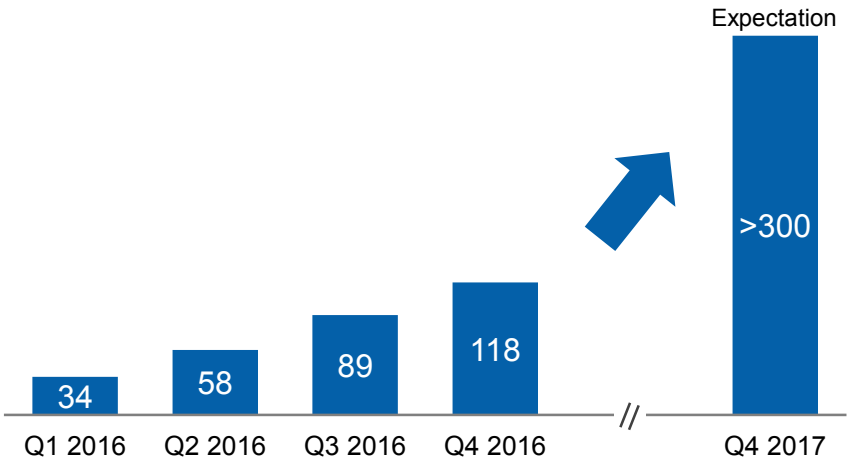
Entresto® expected to achieve worldwide sales of >USD 500m in 2017

Quarterly TRx volume (US)

(in ’000)



At the end of 2016 (US):

- Growth in weekly NBRx (to >1,800) and TRx (to >10,000)
- Weekly new prescribers grew to >500

Expectation for 2017:

- TRx volume growth accelerates (US)
- Further access improvements ex-US
- Worldwide net sales >USD 500m

1. Quarterly TRx volume (Source: IMS) and management expectation

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Five strong franchises with expanding therapeutic depth

	Immunology Dermatology (I&D)	Cardio-Metabolic (CM)	Respiratory		Ophthalmology	Neuroscience
Key assets 2016 net sales (USD m) and growth vs. PY (in cc)	Cosentyx® secukinumab 1,128 (334%)	Entresto® sacubitril/valsartan 170 (n.m.)	Xolair® omalizumab 835 (+15%)	Ultibro® breezhaler® 363 (+38%)	LUCENTIS® RANIBIZUMAB 1,835 (-8%)	GILENYA® (fingolimod) 3,109 (+14%)
Internal assets and opportunities	Cosentyx® (NrAxSpA) LJN452 VAY736 CJM112	RLX030 Entresto® (pEF, post-acute MI) ACZ885 LIK066	QAW039 QMF149 QVM149		RTH258	BAF312 CNP520 CAD106 BYM338
Recent deals Examples incl. both BD&L and M&A	**Ziarco** *(Atopic Dermatitis)* **Conatus** *(NASH)*	**IONIS / AKCEA** *(AKCEA-APO(a)-LRx and AKCEA-APOCIII-LRx)*[1]	**Utibron® Breezhaler®** *(Out-licensing in US territory only, post H2H trial)*		**Encore Vision, Inc** – *(Presbyopia (topical Rx medicine))* **Lubris** *(dry eye)*	**AMG 334** *(migraine)* **OMB157** *(RMS)* **EMA401** *(Pain)*

1. Option to in-license subject to customary closing conditions and regulatory approval

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Alcon: 2016 expectations vs. what happened

1
2
3 Improve **Alcon Performance**
4
5

	2016 expectations		What happened (FY2016)
Vision Care			
Contact lenses	Modest growth	⊕	Growth of +2%, improving Vision Care results to flat (vs. -2% in 2015)
Surgical			
Consumables	Growth throughout 2016	⊕	Growth of +4%, driven by a strong installed equipment base
IOLs	Growth in H2	⊖	Competitive pressures globally
		⊖	Supply issues through Q3 impacted customer service, but now improved
Others	Flat	⊖	Capital equipment purchases lower in the market

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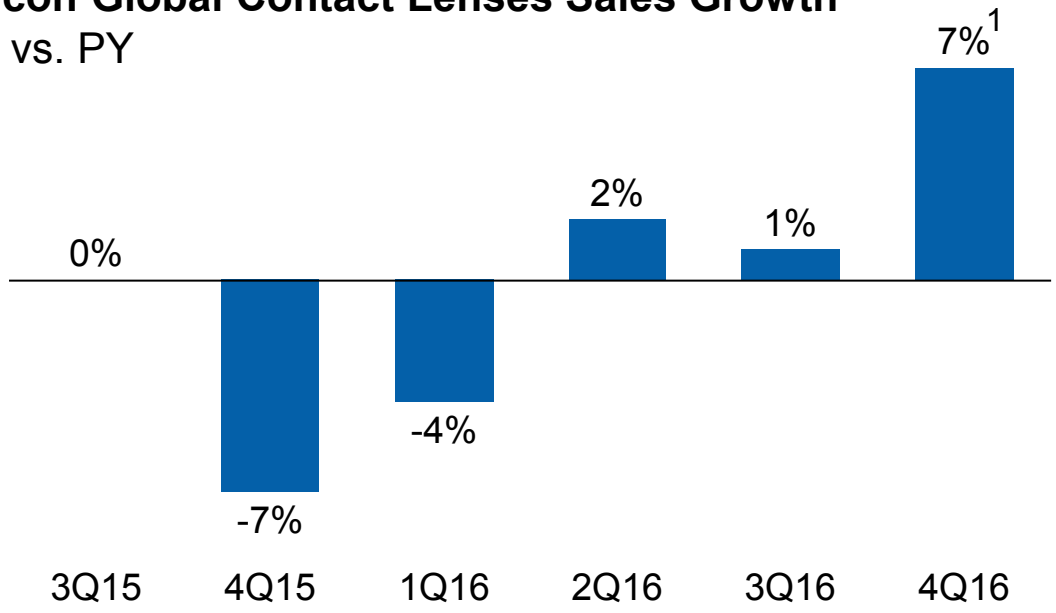
Alcon: Contact lenses growing following DTC investment

Alcon Global Contact Lenses Sales Growth
% vs. PY



- **Consumer market with 4 competitors** and **3-4% growth per annum**
- **1-2 ppt[2] share increase** in European markets with **DTC[3]** investment
- **New launches: Dailies Total1 Multifocal®** and **AirOptix Plus HydraGlyde®**

1. Favorably impacted by PY destocking 2. ppt: percentage point 3. DTC: direct-to-consumer advertising
Source: Contact Lens Institute/Euromcontact Factory Sales Sharing Program/GfK

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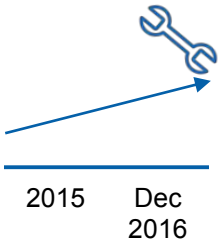
Alcon: Fixing the foundation to drive customer satisfaction

Service levels at 2-year high



Custom pak disassociation[1] rate declined ~80%

Increased customer training and field service personnel by ~10%

Systems improvements: SAP deployments now span 50% of Alcon revenue

Equipment quote turnaround improved by 60%

Customer ordering made easy: e-commerce platform launched in US

Establishing a nimble, customer-centric device culture

1. Disassociations refer to instances when individual items within a custom pak arrive at the customer separately from the remainder of the custom pak

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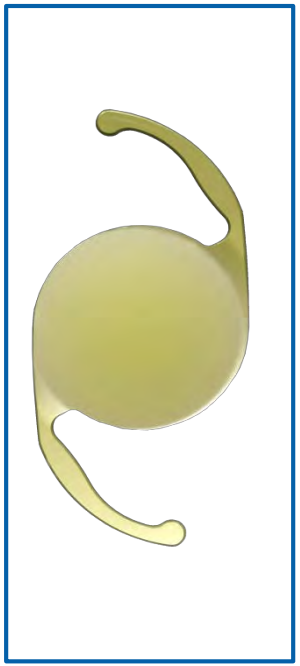
Alcon: IOLs declined in 2016; incremental innovation to counter competitive intrusion; new IOL platforms in pipeline



UltraSert™ launched in all major markets by H2 2016

Toric IOLs: US cataract patient education initiative

PanOptix®: Solid uptake in EU; launching Toric version in Jan.

Q4 2016 US FDA approval: ReSTOR® +3.0D Toric; +2.5D submitted

EU submission imminent: Clareon™ (new material IOL platform)

Developing accommodating IOL (e.g. PowerVision)

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Alcon: conditions to return business to long-term sustainable growth are trending favorably

Flat to positive FY growth expected in 2017[1]

1. Returning to best-in-class customer experience (customer service, partnering, and education)
2. Stabilized organization and re-focusing sales force to enhance sales and service execution
3. Adding and re-directing resources and investment to front-line promotion
4. Extending Alcon's industry-leading portfolio through internal and external innovation

Innovating and executing to drive long-term, sustainable growth

1. Barring unforeseen events

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Alcon: a leader in growing eye care market, which offers attractive returns

Favorable megatrends

- Patient desire for spectacle independence
- Aging population with high unmet need
- Emerging market opportunities

Large, profitable, growing market

USD ~20bn

- USD 20 bn market projected to grow ~3-4% per annum[1]
- Medical device industry mean ROS[2] of low-mid 20%
- Significant untapped market potential

Alcon

- Short term: Complete the turnaround to growth
- Long term: Drive Alcon to sustainable growth, in line with industry ROS[2]

1. Includes Surgical and Vision Care ophthalmology/optometry products 2. ROS: return on sales
Source: Market Scope, LLC forecast, Alcon and competitors financial results, Contact Lens Institute/Euromcontact Factory Sales Sharing Program / GfK, Alcon internal estimate, Company filings

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Q&A

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Appendix

Financial Review

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FY Core margin declined due to Glivec® US LoE and Growth Investment

	FY 2016			
	Net sales change vs. PY (in % cc)	**Core operating income change vs. PY** (in % cc)	**Core ROS** (%)	**Core margin change vs. PY** (% pts cc)
Innovative Medicines	0	-1	31.8	-0.2
Sandoz	2	4	20.4	0.2
Alcon	-2	-27	14.6	-5.3
Continuing operations	0	-2	26.8	-0.7

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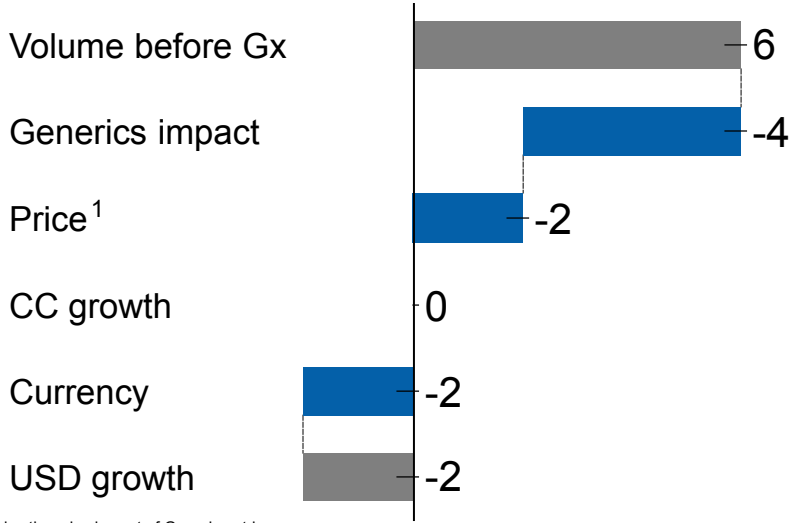
Sales volume mostly offset by Gx Impact

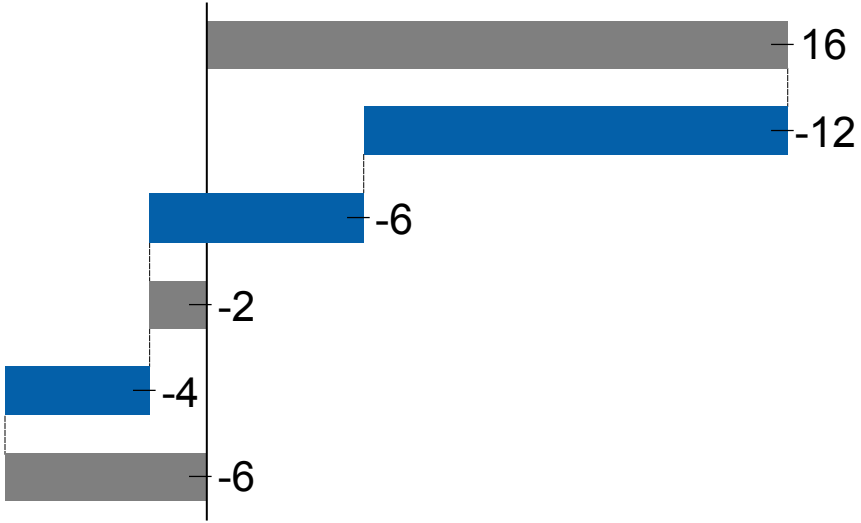
Continuing operations FY 2016

(growth vs. PY in %)

Net sales



Core operating income



1. Includes the price impact of Generic entries

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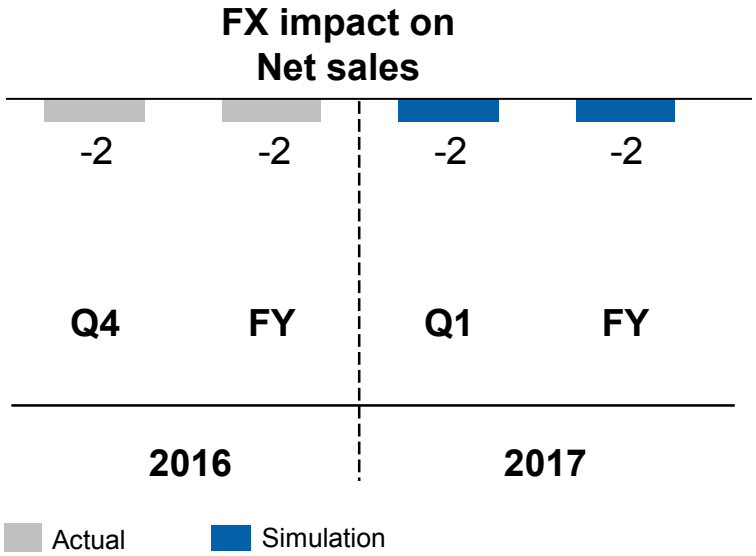
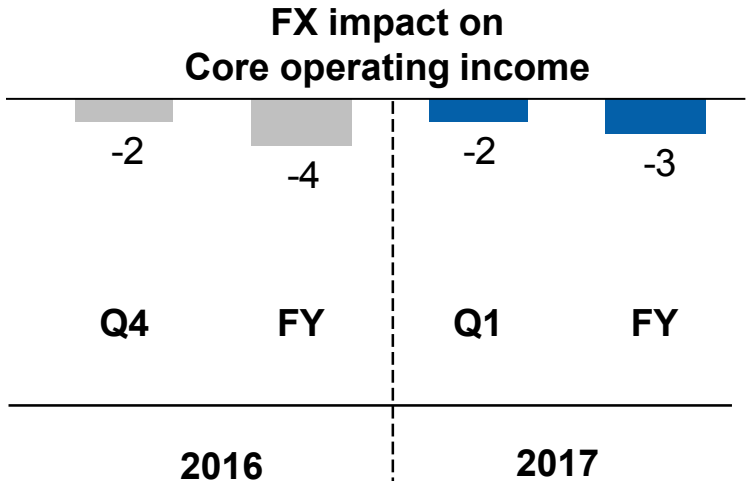
Expected currency impact for FY 2017

Assuming mid-Jan exchange rates prevail

Currency impact vs. PY (in % pts)





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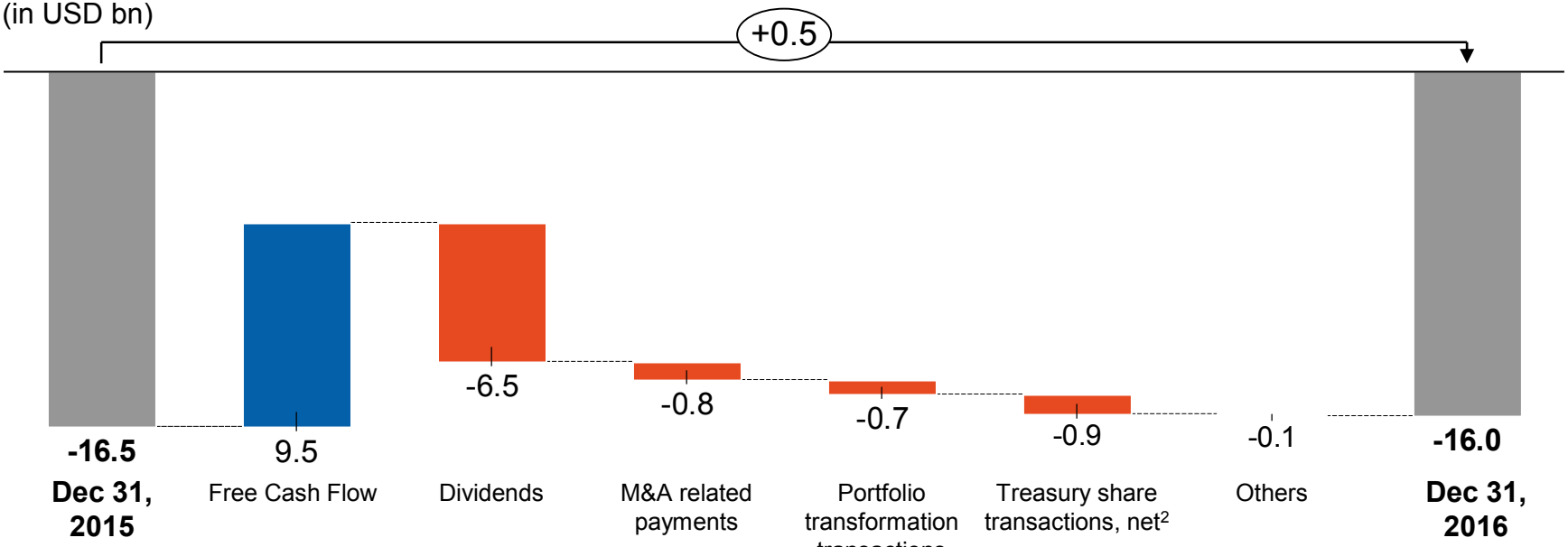
Net debt amounted to USD 16.0 bn at the end of 2016

Continuing operations FY 2016

(in USD bn)



1. Includes capital gains tax payments 2. Includes proceeds from options exercised

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Appendix

Business Update - Pharmaceuticals

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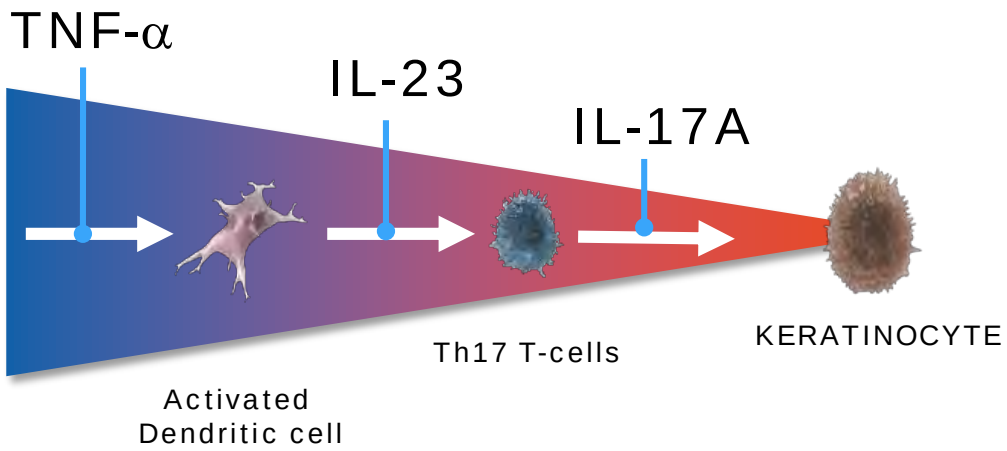
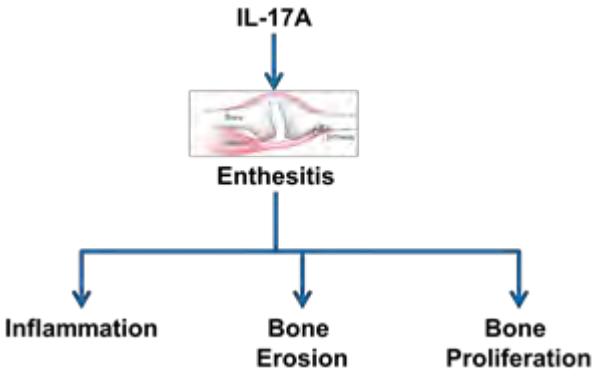
IL-17A is a key inflammatory cytokine with a central role in psoriasis and enthesitis in SpA





Source : Lynde et. at JAAD 2014

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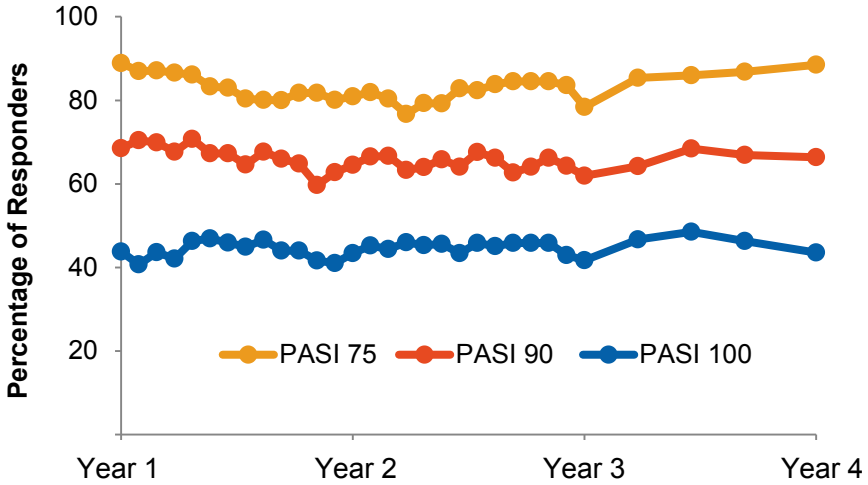
Over 4 years, Cosentyx® sets new standard in long-lasting skin clearance

PASI responder rates[1,2]

4-year data from SCULPTURE Phase III trial



- Cosentyx® sustains efficacy over 4 years in psoriasis[1,2]
  - ~ 4 in 5 patients completed 4 years of treatment[1-3]
  - Almost 100% of PASI 90 & 100 response rates maintained from year 1 to year 4[1-3]
  - Average PASI improvement >90% out to year 4[1-3]
  - High and sustained relief from patient burden of psoriasis[1,2,4]
- Cosentyx® has a high recapture of response (95%) following retreatment after withdrawal at week 52[5]

1. Seminars in Cutaneous Medicine and Surgery (Supplement 7), Vol. 35, December 2016 2. Bisonette et al. Late Breaker Poster presentation, EADV 2016 3. As observed analysis; PASI: Psoriasis Area and Severity Index score
4. As observed analysis; DLQI 0/1: Dermatology Life Quality Index score of 0 or 1 P224 5. Based on PASI 75 (Blauvelt et al. Late Breaker Poster presentation, AAD 2016)

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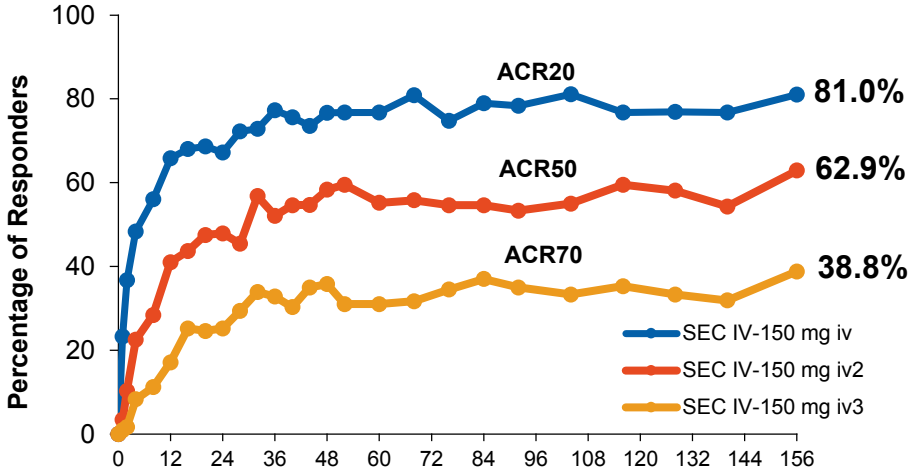
Cosentyx® provides sustained response in the joints and skin in PsA

ACR20/50/70 responder rates[1]

3-year data from FUTURE 1 Phase III trial in anti–TNF-naive patients[2,3]



- Cosentyx® sustained 3 year efficacy in signs and symptoms[4] of PsA [2,3,5]
  - Approximately 7 in 10 patients completed 3 years of treatment
  - Benefits seen in TNF-naive and TNF-failure patients
- EXCEED1 superiority head-to-head trial vs. adalimumab planned start date H1 2017[5]

1. ACR responses shown as observed data from the FUTURE 1 study, in which patients received intravenous loading doses of secukinumab N = number of patients who entered extension period: n = 116 patients in secukinumab IV → 150 mg group at Week 156 (anti–TNF-naïve population) 2. Mease PJ, et al. Arthritis Rheumatol. 2016;68 (suppl 10): abstract 961 3. Novartis Data on File 2016. FUTURE 1 Data Tables; 14.2-1.9a, 14.2-7.9a, 14.2-12.8a; 4. In joints, skin, enthesitis, dactylitis, quality of life, physical function 5. Mease P, et al. N Engl J Med. 2015; 373:1329–39; 6. NCT02745080

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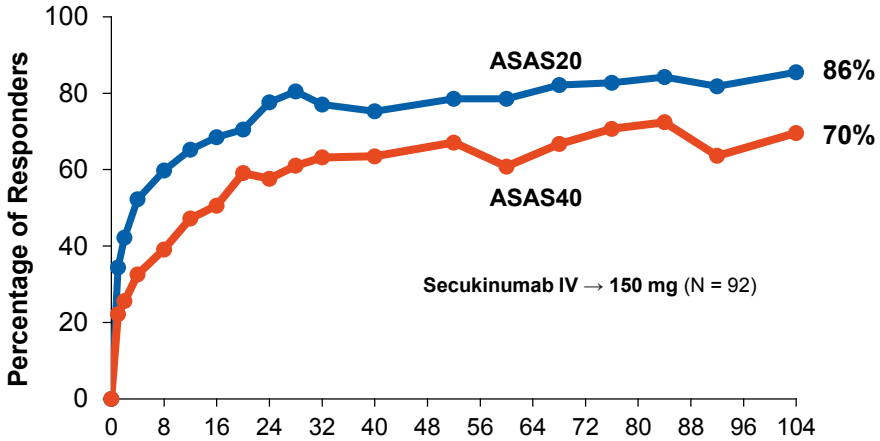
Cosentyx® demonstrated enduring improvements in the signs and symptoms of AS

ASAS 20/40 responder rates[1]

2-year data from MEASURE 1 Phase III trial in anti-TNF-naive population[2,3]



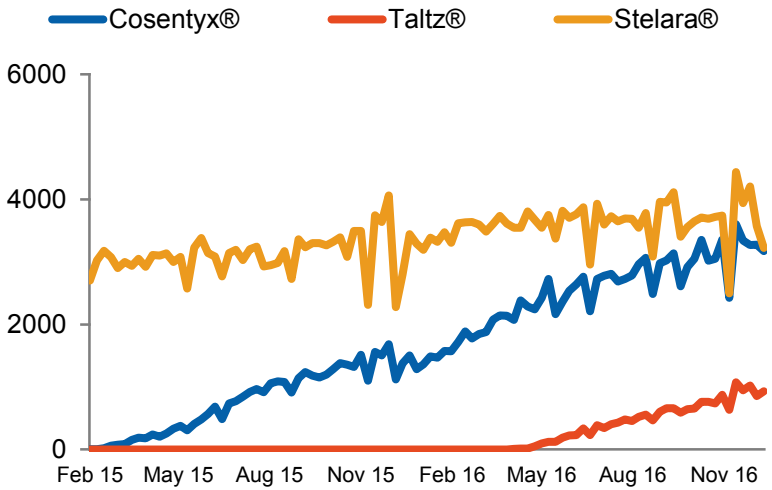
- Cosentyx® sustained improvements in signs and symptoms[4] of AS through 2 years[2,3,5]
- Benefits seen in TNF-naive and anti-TNF therapy failures[1]
- Head-to-head trial in AS vs. adalimumab in preparation

1. ASAS responses as observed; N = number of patients randomized: n = 77 patients in secukinumab 150 mg group at Week 104 2. Baeten D, et al. *Arthritis Rheumatol* 2015;67(Suppl10) Abstract 2896 3. Novartis Data on File 2015. Week 104 Data Tables 14.2-1.5 and 14.2-2.5 4. In physical function, quality of life, and inflammation 5. Baeten D & Sieper J, et al. N Engl J Med 2015;373:2534–48;

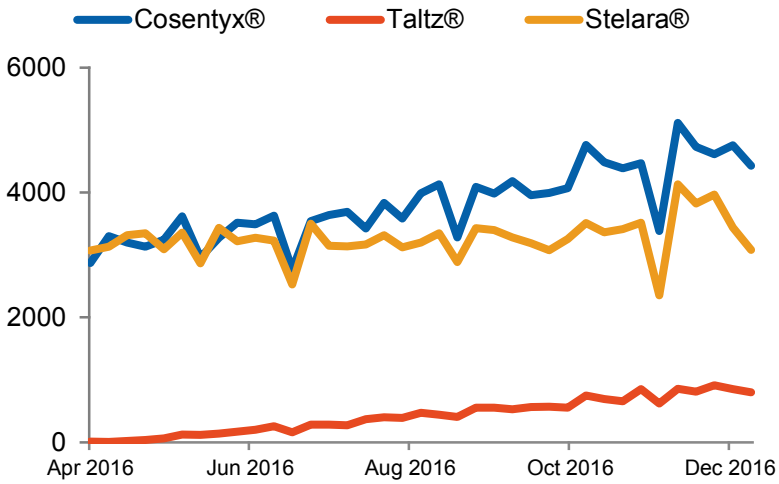
NOVARTIS

Continued TRx growth for Cosentyx®; A leader in the non-TNF segment

IMS Weekly TRx
(across indications)[1]



Symphony Weekly TRx
(across indications)[2]



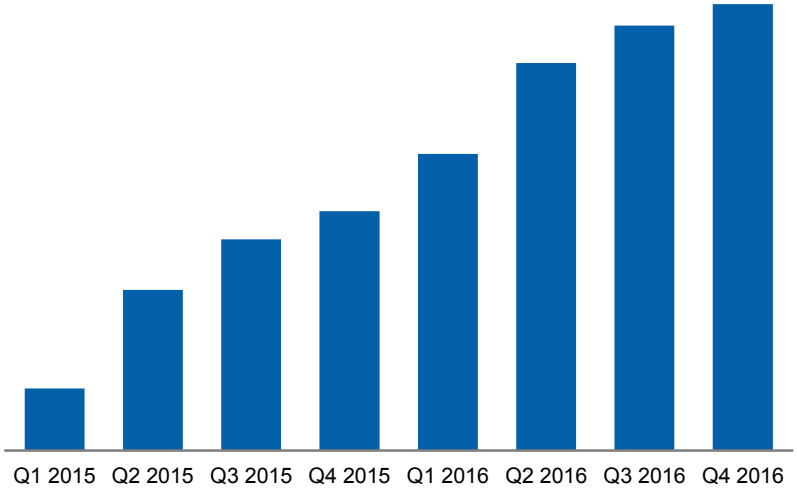
1. Weekly TRx across specialties, incl. Dermatology, Rheumatology and Other. (Source: IMS NPA week ending 30 Dec) 2. Weekly TRx across specialties, incl. Dermatology, Rheumatology and Other. Cosentyx® series since Feb 2015; Taltz® series since April 2016 (Source: Symphony PHAST week ending 30 Dec) Note: IMS NPA data excludes Cosentyx® free bridge program, but includes bridge programs of Taltz® and Stelara®. Symphony PHAST data includes bridge programs for Cosentyx®, Taltz® and Stelara® Note: All trademarks are the property of their respective owners

NOVARTIS

Number of Cosentyx® prescribers continues to grow steadily

US: Prescribers (per quarter)[1]

(#)



Dermatology

- US: ~65% of dermatologists prescribe biologics; of which ~40% prescribe Cosentyx®
- US: Number of Cosentyx® prescribers exceded Taltz® at similar time points post launch[2]
- EU: ~30% of dermatologists prescribe biologics; of which ~55% prescribe Cosentyx®

Rheumatology

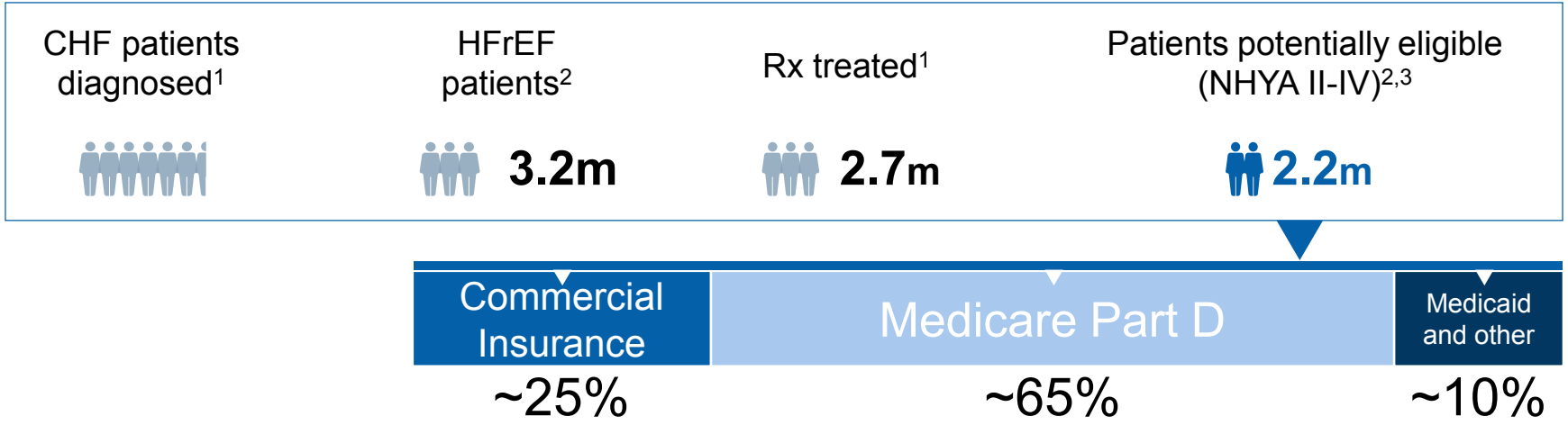
- Majority of rheumatologists prescribe biologics (EU & US)
- Of these, ~20% (US) and ~40% (EU) prescribe Cosentyx®

1. Number of prescribers across Dermatology and Rheumatology specialties (Source: Symphony sub-national data); Q4'16 corresponds to data of 3 month ending Nov'16
2. Symphony Prescriber, sub-national data at 7 months post launch Note: Taltz® is a registered trademark of Eli Lilly and Company

NOVARTIS

Sizeable population suffers from HFrEF

Potentially eligible HFrEF population (NYHA II-IV)



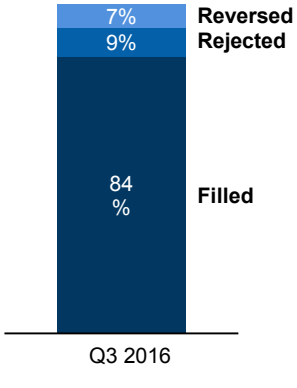
1. Decision Resources Patient Base 2012 2. LEK research and Novartis internal data 3. US label & patient inclusion criteria of PARADIGM study included NYHA II-IV whereas US guidelines (ACC/AHA) include only NYHA II-III (May 2016)

NOVARTIS

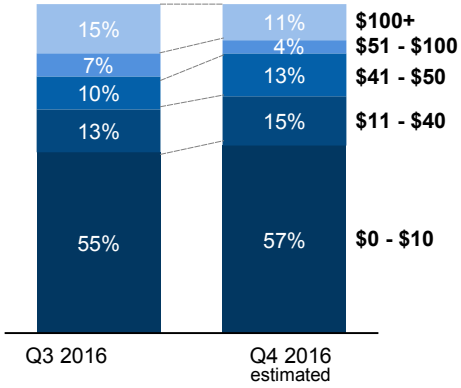
Majority of patients have <USD 10 co-pay

Medicare

Patient Fill Rates[1]

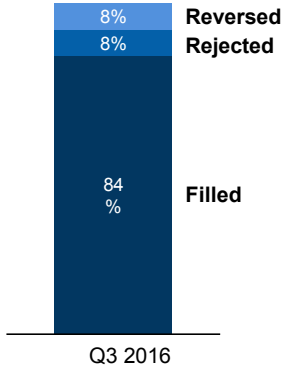


Distribution of incurred co-pays[2]

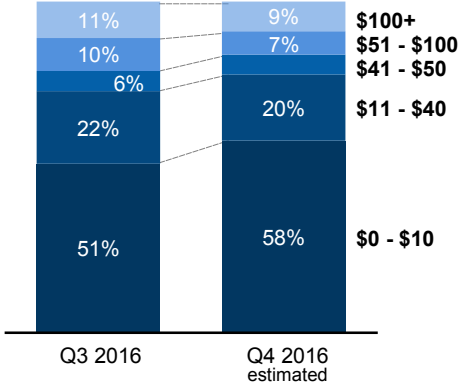


Commercial insurance

Patient Fill Rates[1]



Distribution of incurred co-pays[2]

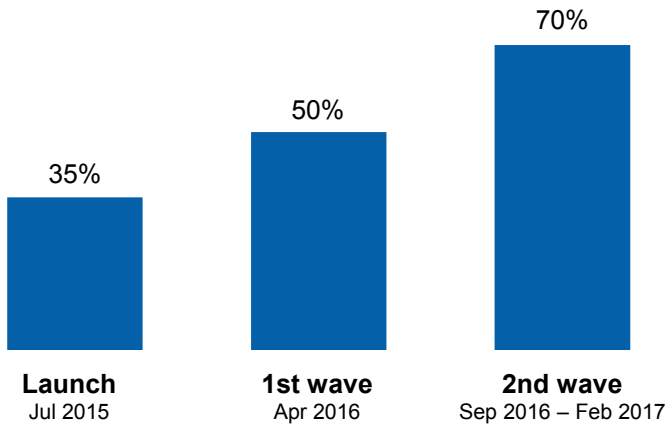


1. September 2016 claims (FTD) data 2. Analysis based on filled and non-rejected claims

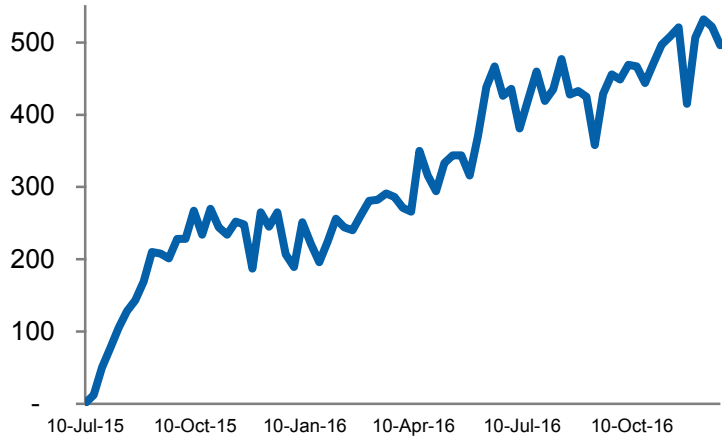
NOVARTIS

Investments in place to support further uptake among both cardiologists and PCPs

Share of HFrEF potential addressed[1]



Weekly new prescribers[2]

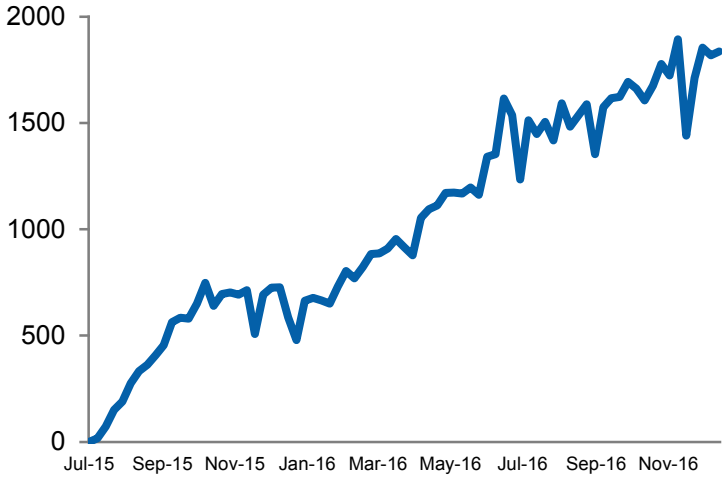


1. HFrEF potential defined as TRx volume specific to HFrEF indication across a predfined group of physicians across both cardiology and PCPs (Source: IMS) 2. Weekly new prescibers across both cardiology and PCPs (Source: IMS); data from week ending Jul 10, 2015 to week ending Dec 23, 2016

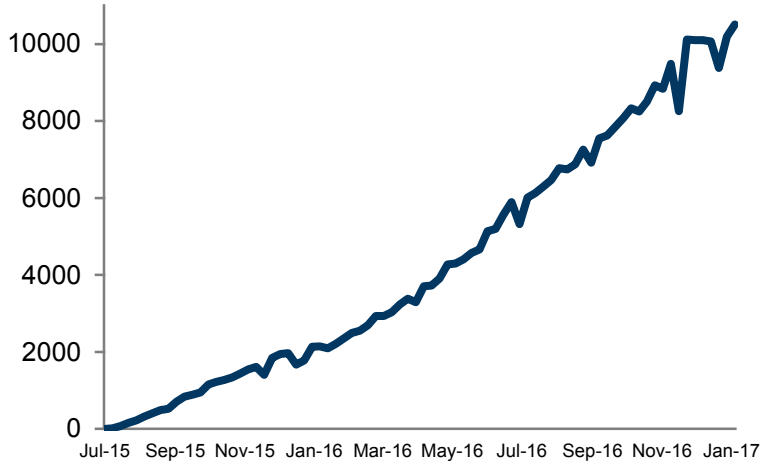
NOVARTIS

More patients starting on Entresto® every week

Weekly NBRx[1]



Weekly TRx[2]

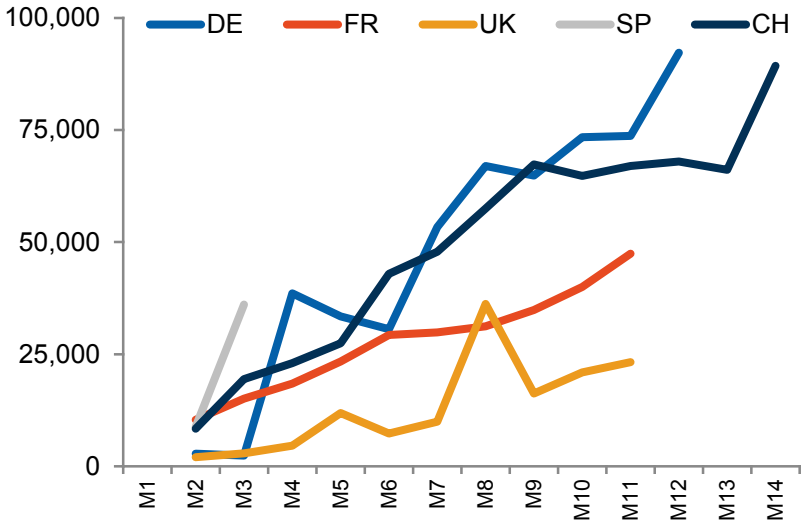


1. NBRx across specialties from week ending Jul 10, 2015 to Dec 23, 2016 (Source: IMS)
2. TRx across specialties from week ending Jul 10, 2015 to Jan 13, 2017 (Source: IMS)

NOVARTIS

Volume growth throughout 2016; Reimbursement improves over time (Europe)

Relative uptake across countries[1]



- 17 countries achieved reimbursement (>70% of eligible patients; 80% expected by end of 2017)[2;]
- Top-5: 1st reimbursement and current status
  - DE: Q1 2016 (price negotiations ongoing)[3]
  - FR: Q1 2016 (reimbursed under Art. 48 since Q1 2016; general reimbursement pending)[4]
  - UK: Q2 2016 with NICE positive recommendation[5]
  - SP: Q4 2016
  - IT: Reimbursed launch expected in Q1 2017[6]
- In addition, further improvements expected over time in CEE[7]

1. Selected countries in Europe (Source: Novartis analysis based on relative volume per capita) 2. 33 countries considered in the European region. Russia not included. First achievement of reimbursement; not necessarily reimbursement for all patients in all situations (Source: Novartis data on file) 3. Arbitration board expected in late Q1 2017 4. Reimbursement under Article 48, ie restricted to hospital dispensing and NYHA II with >1 hospitalization in past 12 months at max. doses of ACEi/ARBs OR NYHA III-IV at >50% of max. ACEi/ARBs 5. NICE positive recommendation for NYHA II-IV, LVEF < 35%, on a stable dose of ACEi/ARBs 6. Restriction under a therapeutic plan for specialist initiation only
7. Central Eastern European countries, incl. Poland and Hungary account for the majority of the 16 remaining countries to achieve reimbursement

NOVARTIS

Strong base for volume growth in 2017

2016

Access

- ✓ US: Substantial improvements in access throughout the year; PA impact diminishing, majority of patients incur co-pay <USD 10
- ✓ Ex-US: Reimbursement achieved in key markets

Treatment paradigm

- ✓ Class I inclusion in ACC/AHA/ESC Heart Failure Guidelines
- ✓ Key trials addressing in-hospital initiation (PIONEER & TRANSITION) ongoing
- ✓ Leading Heart Failure RWE generation (REPORT, CHAMP and GTW)

Investment expansion

- ✓ US: completed 1st and ongoing 2nd wave of FF expansions - increased interaction frequency (Cardiologists) and broader coverage (PCPs)
- ✓ US: DTC campaign
- ✓ Expansion of medical education

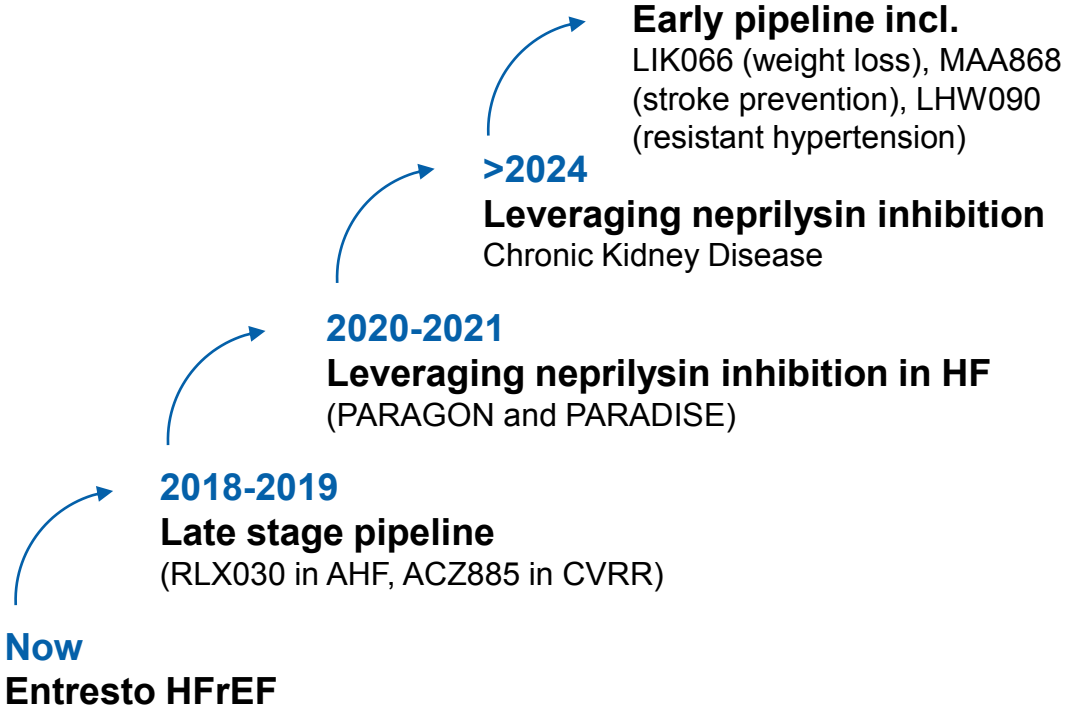
2017

Increasing volume across geographies

NOVARTIS

Outlook: Building an industry-leading Cardio-metabolic business franchise

- Entresto® launch in HFrEF, laying foundation for CM infrastructure
- Attractive pipeline based on differentiated biology addressing new pathways
- Driving growth in US, full geographic ownership of all pipeline assets



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