Novartis concludes strategic review of Alcon, initiates share buyback of up to USD 5bn

Investor presentation | June 29, 2018
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1. Novartis strategy and transaction rationale

2. Transaction overview

3. Alcon investment highlights
Novartis long-term strategy

Focus the company and our capital

Pursue 5 priorities to drive growth

1. Operational Execution
2. Breakthrough Innovation
3. Data / Digital Leadership
4. Trust & Reputation
5. Culture Transformation
Today’s announcements reflect our strategy and capital allocation priorities

Proposed 100% spinoff of Alcon

Strategic review concludes 100% spinoff\(^1\) of Alcon would be in best interest of shareholders

Subject to final Board of Directors endorsement and shareholder approval at the 2019 AGM

Preparations for planned Alcon spinoff\(^1\) well advanced, expected completion in H1 2019

Share buyback, dividend commitment

Capital allocation priorities:

1. Investments in organic business
2. Growing annual dividend in CHF
   Novartis intends to continue paying a strong and growing dividend in CHF, without any adjustments for Alcon spinoff
3. Value-creating transactions\(^2\)
4. Share buybacks
   Novartis initiates a share buyback of up to USD 5bn to be executed by the end of 2019

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\(^1\) The planned spinoff is subject to general market conditions, tax rulings and opinions, final Board endorsement and shareholder approval at the AGM in February 2019; completion expected in H1 2019

\(^2\) Includes M&A and BD&L
Rationale for separation of the Alcon eye care devices business

- Consistent with Novartis strategy of focusing as a leading medicines company
- Focus Novartis capital allocation into the medicines pipeline and capabilities
- Focus Alcon eye care devices business on its distinct business model, product development cycles and customer base
- Increase Alcon flexibility to pursue its device-specific growth strategies

1. The planned spinoff is subject to general market conditions, tax rulings and opinions, final Board endorsement and shareholder approval at the AGM in February 2019; completion expected in H1 2019
Strategic review concludes 100% spinoff of Alcon would be in best interest of shareholders

- Spinoff would allow shareholders to benefit from potential future successes of a more focused Novartis and a standalone Alcon
- Spinoff allows a tax neutral transaction to Novartis
- Spinoffs have been the preferred form of public market separations in the past and in line with previous Novartis capital markets transactions, i.e. Syngenta, Ciba Specialty Chemicals

1. The planned spinoff is subject to general market conditions, tax rulings and opinions, final Board endorsement and shareholder approval at the AGM in February 2019; completion expected in H1 2019
Planned spinoff would create the world-leading standalone eye care devices company\(^1\)

Revenue by eye care segment
FY 2017, USD bn

<table>
<thead>
<tr>
<th>Surgical</th>
<th>Vision Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Alcon</strong></td>
<td><strong>3.7(^2)</strong></td>
</tr>
<tr>
<td>Johnson &amp; Johnson Vision Care</td>
<td>1.0 (^3)</td>
</tr>
<tr>
<td>ZEISS</td>
<td>1.0</td>
</tr>
<tr>
<td>B+L</td>
<td>0.7</td>
</tr>
</tbody>
</table>

1. The planned spinoff is subject to general market conditions, tax rulings and opinions, final Board endorsement and shareholder approval at the AGM in February 2019; completion expected in H1 2019
2. All Alcon numbers are post transfer of Ophthalmic OTC and Diagnostics products from the Innovative Medicines Division to Alcon
3. J&J FY17 represents partial year reporting after AMO acquisition in February 2017
Highly experienced leadership team with successful track record in medical devices and ophthalmology

Mike Ball  
Chairman-designate

- Joined Alcon in February 2016 and successfully led turnaround
- Will step down from the Executive Committee to focus fully on the Alcon separation
- Previously, CEO of Hospira (2011-2015), conducted a turnaround of the company
- Held a number of senior leadership positions, including President at Allergan
- Holds a B.Sc. and an MBA from Queen’s University, Kingston, Ontario, Canada

David Endicott  
Chief Executive Officer

- Joined Alcon in July 2016 and played an integral role in the turnaround
- Previously, President of Hospira Infusion Systems, a Pfizer company
- Former Allergan Officer and Member of Executive Committee
- Holds an undergraduate degree in Chemistry from Whitman College and an MBA from the University of Southern California

Key leadership positions in place; on track to have a full executive team in place on the day of spinoff
An Alcon spinoff would further focus Novartis’ portfolio as a leading medicines company.

1. The planned spinoff is subject to general market conditions, tax rulings and opinions, final Board endorsement and shareholder approval at the AGM in February 2019; completion expected in H1 2019.
2. Alcon 2014 and 2017 net sales include the Ophthalmic OTC and Diagnostics products transferred from the Innovative Medicines Division from January 1, 2018, and exclude the remaining Ophthalmic Pharmaceuticals business transferred to the Innovative Medicines Division from January 1, 2016.
Novartis retains leading ophthalmology pharmaceuticals business

Novartis retains benefits of prior Alcon portfolio of in-market and pipeline ophthalmology pharmaceuticals products

**Novartis Ophthalmology franchise USD 4.6bn**

<table>
<thead>
<tr>
<th>In-market products</th>
<th>USD</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucentis®</td>
<td>1.9bn</td>
<td></td>
</tr>
<tr>
<td>Former Alcon Ophtha Pharma</td>
<td>2.7bn</td>
<td></td>
</tr>
</tbody>
</table>

| Selected pipeline | | |
|-------------------|------------------|
| RTH258            | Expected filing: 2018 |
| Luxturna®²        | EMA filing: July 2017 |
| ECF843            | Expected filing: ≥ 2022 |
| UNR844            | Expected filing: 2021 |

- Leading franchise with global reach and capabilities
- RTH258 offers potential to expand into US retina market
- Exciting pipeline including potential novel treatments for presbyopia, dry eye, and genetic disease

1. All numbers: net sales 2017; net sales include former Alcon pharmaceuticals portfolio of USD 2.7bn. Does not include Alcon OTC USD 0.7bn including Systane®, other artificial tears and diagnostics as transferred on January 1, 2018 from Innovative Medicines to Alcon
2. Signed licensing agreement with Spark for ex-US rights
We are announcing a share buyback of up to USD 5bn...

Reflects strict financial discipline and is in line with strategic capital allocation priorities

Largely funded by the proceeds from the Consumer Health Joint Venture stake divestment (USD 13.0bn), net of AveXis acquisition (USD 8.7bn)

Current AGM authority (i.e. the 7th share repurchase program) will allow buyback of up to CHF 2.9bn, consequently a new framework program would be proposed to shareholders at the 2019 AGM

Share buyback to be executed by the end of 2019
...which reflects our confidence in top-line growth and margin expansion

**Illustrative sales growth**
FY 2017–2022, in cc

**Plan to drive margin expansion**
Innovative Medicines, core margin in %

1. Aimovig™ is developed in collaboration with Amgen. Companies to co-commercialize in the US (Amgen to book sales to third party), Novartis to have Aimovig™ exclusive rights in rest of world excluding Japan.
2. Source: Novartis analysis of average 2016 core margins of Large Pharma peer companies
3. Chart as presented at Meet Novartis Management investor event in May 2018
1. Novartis strategy and transaction rationale

2. Transaction overview

3. Alcon investment highlights
Dual-listing planned on SIX and NYSE

Natural listing location for a Swiss company
Main listing location of Novartis
Enables maximum number of Novartis shareholders to remain invested
Targeting SMI® inclusion

Access to large US investor base
Enables geographically restricted shareholders to invest
Main listing venue for large cap MedTech peers

1. SMI® is a registered trademark of the SIX Swiss Exchange
Global company to be incorporated in Switzerland

Global reach and scale serving patients in over 140 countries

- USD 7bn in sales in 2017
- More than 20,000 employees
- Headquarters would be in Switzerland
- Fort Worth would continue to be a key location

<table>
<thead>
<tr>
<th>% OF TOTAL NET SALES</th>
<th>AMERICAS</th>
<th>EMEA</th>
<th>ASIA/JAPAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surgical FY 2017 sales: 3.7bn</td>
<td>51%</td>
<td>25%</td>
<td>24%</td>
</tr>
<tr>
<td>Vision Care FY 2017 sales: 3.0bn</td>
<td>50%</td>
<td>32%</td>
<td>18%</td>
</tr>
</tbody>
</table>

All Alcon numbers are post transfer of Ophthalmic OTC and Diagnostics products from the Innovative Medicines Division to Alcon
Key transaction milestones

1. Preparations for planned Alcon spinoff\(^1\) well advanced, expected completion in H1 2019


3. Subject to final Board of Directors endorsement and shareholder approval at the 2019 AGM

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\(^1\) The planned spinoff is subject to general market conditions, tax rulings and opinions, final Board endorsement and shareholder approval at the AGM in February 2019; completion expected in H1 2019
Agenda

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3. Alcon investment highlights
Eye care is a large, attractive and growing market

Large and profitable eye care devices market expected to grow mid-single digits
- Changing lifestyles and patient desire for spectacle independence
- Aging population with high unmet needs
- Growing middle class in emerging markets

Vision Care market USD 12bn (expected to grow +4%\(^1\) per year), growth drivers:
- Uptake of toric/multifocal specialty lenses
- Trade-up to daily lenses/premium materials
- Increased marketing behind dry eye brands

Surgical market USD 8bn (expected to grow +4%\(^1\) per year), growth drivers:
- Supportive demographic trends and technological advancements, incl. AT-IOLs
- Improved diagnostics and visualization technologies

USD ~20bn

1. Based on Novartis analysis, company filings
Alcon is the global leader in this market, with a broad product portfolio across Surgical and Vision Care...

### Surgical 2017 net sales
USD billion

<table>
<thead>
<tr>
<th>Category</th>
<th>Net Sales (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implantables</td>
<td>1.0</td>
</tr>
<tr>
<td>Consumables</td>
<td>2.1</td>
</tr>
<tr>
<td>Equipment/Other</td>
<td>0.6</td>
</tr>
</tbody>
</table>

### Vision Care 2017 net sales
USD billion

<table>
<thead>
<tr>
<th>Category</th>
<th>Net Sales (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily disposable contact lenses</td>
<td>1.8</td>
</tr>
<tr>
<td>Weekly/monthly contact lenses</td>
<td></td>
</tr>
<tr>
<td>Contact lens care</td>
<td>0.5</td>
</tr>
<tr>
<td>Dry Eye &amp; Ocular health</td>
<td>0.7</td>
</tr>
</tbody>
</table>
...and a robust pipeline to fuel future growth

<table>
<thead>
<tr>
<th>Recent launches</th>
<th>2018 – 2020 planned launches</th>
<th>2020+ planned launches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surgical</td>
<td>Vision Care</td>
<td></td>
</tr>
<tr>
<td>Clareon® with AutonoMe™ – OUS</td>
<td>Non-diffactive extended depth of focus IOL – OUS</td>
<td>New IOL platforms</td>
</tr>
<tr>
<td>UltraSert™ – US/OUS</td>
<td>PanOptix® Trifocal – US</td>
<td>Next generation cataract and vitreoretinal technology platforms</td>
</tr>
<tr>
<td>PanOptix® Trifocal – OUS</td>
<td>Clareon® with AutonoMe™ – US</td>
<td>Integrative technologies to connect the clinic to the operating room</td>
</tr>
<tr>
<td>ReSTOR® Toric with ACTIVEFOCUS™ – US</td>
<td>ORA™ System with VerifEye™ Lynk – US/OUS</td>
<td></td>
</tr>
<tr>
<td>NGENUITY® 3D – US/OUS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIR OPTIX® plus HydraGlyde®</td>
<td>AIR OPTIX® plus HydraGlyde® (Toric and Multifocal lenses)</td>
<td>2 innovative new contact lens platforms</td>
</tr>
<tr>
<td>Dailies Total1® Multifocal</td>
<td>AIR OPTIX® Colors – 3 new colors</td>
<td>Accommodating contact lens</td>
</tr>
<tr>
<td>Clear Care® plus HydraGlyde®</td>
<td>FRESHLOOK® – 5 new limbal lenses</td>
<td>Systane® Ultra</td>
</tr>
<tr>
<td></td>
<td>Systane® Complete</td>
<td>Systane® Hydration</td>
</tr>
<tr>
<td></td>
<td>New daily disposable lens</td>
<td></td>
</tr>
</tbody>
</table>
Alcon is embarking on the next phase of the growth acceleration strategy

Phase 1: Fix the foundation
- Strengthen execution
- Invest in promotion
- Reinvigorate innovation pipeline
- Strengthen customer relationships
- Improve internal culture

... enabling superior customer experience

Phase 2: Execute the growth plan
- Superior execution
- Further invest in high potential market segments
- Complete accelerated product development cycle
- Implement emerging market strategies
- Reduce complexity / operational efficiencies

Phase 3: Accelerate the growth
- Deliver on the next wave of innovation
- Realize emerging market upside
- Eye care ecosystem digital integration
- Continue to leverage the infrastructure
- ROS to medical device industry standards

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Alcon actions resulted in growth in 2017 and expect to deliver long-term sustainable growth

Net sales growth¹
vs. PY, % cc

1. Alcon Division Q1 2017 to Q4 2017 growth rates updated to include the Ophthalmic OTC and Diagnostics products, transferred from the Innovative Medicines Division from January 1, 2018, and are compared against the Q1 2016 to Q4 2016 updated financials including the product transfers. 2. Alcon sales growth benefitted from stock in trade movements, approx. 2% (cc) in Q3 2017, 1% (cc) in Q4 2017, and 1% (cc) in Q1 2018

1% Q1 2017
3% Q2 2017
6%² Q3 2017
6%² Q4 2017
7%² Q1 2018
Alcon summary

1. Alcon is the global leader in eye care devices, with leading positions in Surgical and Vision Care.

2. Alcon is ideally positioned in the attractive USD 20bn eye care market, which exhibits sound fundamentals and considerable opportunities for future growth.

3. Alcon invested behind key growth drivers and improved foundational systems and capabilities, enabling a superior customer experience.

4. Actions resulted in a return to profitable growth in 2017; with continued innovation and investment, Alcon expects to deliver long-term, sustainable growth.
Summary

Proposed 100% spinoff\(^1\) of Alcon

- Strategic review concludes 100% spinoff of Alcon would be in best interest of shareholders
- Subject to final Board of Directors endorsement and shareholder approval at the 2019 AGM
- Preparations for planned Alcon spinoff well advanced, expected completion in H1 2019

Share buyback

- Initiating up to USD 5bn share buyback, reflecting our confidence in top-line growth and margin expansion

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1. The planned spinoff is subject to general market conditions, tax rulings and opinions, final Board endorsement and shareholder approval at the AGM in February 2019; completion expected in H1 2019