

Buyback of own shares for the purpose of a capital reduction Trading on a separate line on SIX Swiss Exchange

Legal basis	<p>The Board of Directors of Novartis AG, Lichtstr. 35, Basel («Novartis») has decided to launch a new buyback program to buy back max. 10% of its own registered shares on a separate trading line in accordance with the International Reporting Standard on SIX Swiss Exchange over the coming three years; all such buybacks shall be full in line with the respective authorization by the general meeting of Novartis.</p> <p>The equity capital of Novartis is currently CHF 1'263'687'410.00, divided into 2'527'374'820 registered shares, each with a par value of CHF 0.50.</p> <p>Capital reductions of the registered shares repurchased under the buyback program will be proposed at future annual general meetings.</p> <p>The ADSs of Novartis, which are listed on the New York Stock Exchange, are not part of this buyback program.</p>
Trading on a separate line on SIX Swiss Exchange	<p>Only Novartis can act as a buyer on the separate trading line (security number 3.845.941) and acquire its own registered shares via the bank that has been mandated with the share repurchase program. The trading of Novartis registered shares on the ordinary trading line (security number 1.200.526) is not affected and will continue in its normal course. Any Novartis shareholder who is willing to sell, can choose to sell registered shares on the ordinary trading line or to tender them on the separate trading line for the purpose of a future capital reduction.</p> <p>Novartis is not obliged to buy its own registered shares on the separate trading line at any time; it will act as a buyer according to market conditions. The conditions set out in the TOB circular no. 1: Buyback Programmes of 27 June 2013 (as of 1 January 2016) will be observed.</p> <p>In accordance with Article 123 (1) (c) FMIO, the maximum repurchase volume per day can be found on the Novartis website at: https://www.novartis.com/investors/shareholder-information/share-buy-back</p>
Buyback price	<p>The buyback prices and the prices on the separate trading line are based on the prices for Novartis registered shares traded on the ordinary trading line.</p>
Payment of the net price and delivery of the securities	<p>Transactions on the separate trading line constitute regular stock exchange transactions. Hence, the net price (buyback price less Swiss federal withholding tax) will be paid, and the registered shares delivered, as customary, on the second trading day after the transaction date.</p>
Mandated bank	<p>Novartis has given UBS AG the mandate to execute this share repurchase. UBS AG will be the sole member of the stock exchange offering bid prices for registered shares on behalf of Novartis on the separate trading line.</p>
Delegation agreement	<p>In accordance with Article 124 (2) (a) and (3) FMIO, Novartis and UBS entered into a delegation agreement, according to which UBS shall make the repurchases independently within the defined parameters. However, in accordance with Article 124 (3) FMIO, Novartis may terminate this delegation agreement at any time without cause or modify the parameters.</p>
Opening of the separate trading line and duration of the repurchase program	<p>Trading of registered shares of Novartis on the separate trading line on the SIX Swiss Exchange in accordance to this buyback program will commence on 11 March 2020 and is planned to remain open until 10 March 2023.</p>
Duty to trade on the exchange	<p>In accordance with the regulations of the SIX Swiss Exchange, off-exchange transactions are not permitted in case of share repurchases on a separate trading line.</p>

Disclosure of transactions	Novartis will publish the transactions made as part of the share repurchase on the following website: https://www.novartis.com/investors/shareholder-information/share-buy-back
-----------------------------------	---

Own holdings	As of 6 March 2020, Novartis held 135'804'699 of its own registered shares directly and indirectly. This corresponds to 5,37% of voting rights and of the equity capital recorded in the Commercial Register.
---------------------	---

Shareholders with more than 3% of capital and voting rights	Name of shareholder and domicile	Purchase positions *)	in % of the current capital and voting rights	Information as of
	BlackRock, Inc., New York	108'513'190	4,29%	5 Sept. 2017
	Emasan AG, Basel	90'652'010	3,59%	30 Nov. 2011
	The Capital Group Companies, Inc., Los Angeles	76'609'830	3,00%	13 June 2018

*) includes registered shares, stock borrowing and comparable transactions, voting rights to exercise at one's own discretion und participation derivatives

Furthermore, JP Morgan Chase Bank, New York, as nominee and custodian bank for the American Depository Receipt (ADR) program, had a position of 315,948,469 registered shares (12,50% of capital and of voting rights) as of 6 March 2020.

Taxes and deductions	A company's buyback of its own registered shares for the purpose of reducing capital is treated, for the purposes of both Swiss federal withholding tax and of direct taxes, as partial liquidation of the company in question. Specifically, this has the following tax implications for the selling shareholders:
-----------------------------	---

1. Swiss withholding tax

In principle, Swiss federal withholding tax amounts to 35% on half of the difference between the buyback price and the par value of the registered shares. Should Novartis not have any reserves from capital paid in (*Kapitaleinlagereserven*) left at its disposal before the end of the buyback program, the Swiss federal withholding tax will be raised on the full difference between the buyback price and the par value of the registered shares from this point on. Special cases remain reserved. The repurchasing company respectively the bank mandated by the company deducts the tax from the buyback price on behalf of the Swiss Federal Tax Administration.

Persons domiciled in Switzerland are entitled to a refund of the withholding tax provided they had equitable ownership of the shares at the time of redemption and no tax evasion has been committed (Art. 21 of the Swiss Withholding Tax Act). Persons domiciled outside Switzerland may reclaim part of the withholding tax subject to the provisions of any relevant double taxation agreement.

2. Direct taxes

The following statements refer to the levying of direct federal taxes. As a rule, the same practice applies to cantonal and municipal taxes as to direct federal taxes.

a) Registered shares held as private assets:

In the case of a direct return of registered shares to the company, the difference between the buyback price and the par value of the registered share constitutes taxable income (nominal value principle).

b) Registered shares held as business assets:

In the case of a direct return of registered shares to the company, the difference between the buyback price and the book value (*Buchwert*) of the registered share constitutes taxable income (book value principle).

Shareholders domiciled outside Switzerland for tax purposes will pay tax in accordance with the laws of the country in which they are domiciled.

3. Fees and deductions

The repurchase of own shares for the purpose of a capital reduction is exempt from transfer tax for the selling shareholder. However, the SIX Swiss Exchange's fees still have to be paid.

Applicable law / place of jurisdiction	Swiss law / Zurich 1, Zurich is the exclusive place of jurisdiction.
---	--

Security numbers / ISINs / ticker symbols	Registered share of Novartis AG (ordinary trading line) of CHF 0.50 par value	1.200.526	CH0012005267	NOVN
	Registered share of Novartis AG (separate trading line) of CHF 0.50 par value	3.845.941	CH0038459415	NOVNEE

Place and date Basel, 10 March 2020

This advertisement is neither an issuing prospectus in the sense of Art. 652a and 1156 of the Swiss Code of Obligations nor a prospectus pursuant to Art. 35 *et seq.* FinSA.

This offer is not made in the United States of America and to US persons and may be accepted only by Non-US persons and outside the United States. Offering materials with respect to this offer may not be distributed in or sent to the United States and may not be used for the purpose of solicitation of an offer to purchase or sell any securities in the United States.

