

NOVARTIS AG  
Form 424B5  
March 09, 2010

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Filed pursuant to Rule 424(b)(5)  
Registration No. 333-153696

**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement together with the accompanying prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to Completion  
Preliminary Prospectus Supplement dated March 9, 2010**

**Prospectus Supplement**

(To Prospectus dated September 26, 2008)

**Novartis Capital Corporation**

**\$ % Notes due , 2013**

Issue price: %

**\$ % Notes due , 2015**

Issue price: %

**\$ % Notes due , 2020**

Issue price: %

fully and unconditionally guaranteed by

**Novartis AG**

*Interest payable and*

The % Notes due , 2013, which we refer to as the "2013 notes," will bear interest at a rate of % per year.  
The % Notes due , 2015, which we refer to as the "2015 notes," will bear interest at a rate of % per year.  
The % Notes due , 2020, which we refer to as the "2020 notes," will bear interest at a rate of % per year. We will pay interest on each of the 2013 notes, the 2015 notes and the 2020 notes each and , commencing on , 2010.

We refer to the 2013 notes, the 2015 notes and the 2020 notes collectively as the "notes." Unless we redeem the notes earlier, the 2013 notes will mature on , 2013, the 2015 notes will mature on , 2015 and the 2020 notes will mature on , 2020. There is no sinking fund for the notes. The notes will rank equally in right of payment with all our other senior, unsecured debt obligations.

We may redeem some or all of the notes at any time and from time to time at the redemption prices determined in the manner described in this prospectus supplement. We may also redeem the 2013 notes, the 2015 notes and/or the 2020 notes before their stated maturity at a price equal to 100% of their principal amount plus accrued interest to the redemption date in the event of certain changes in withholding taxes applicable to

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payments of interest on the relevant notes in Switzerland, the United States or any other Relevant Taxing Jurisdiction (as defined in the accompanying prospectus).

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

Investing in the notes involves risks. See "Risk factors" beginning on page S-9 of this prospectus supplement and on page 6 of Novartis AG's annual report on Form 20-F for the year ended December 31, 2009 incorporated herein by reference.

	Price to Public	Underwriting Discount	Proceeds to Issuer
Per 2013 Note	%	%	%
Total		\$	\$
Per 2015 Note	%	%	%
Total		\$	\$
Per 2020 Note	%	%	%
Total		\$	\$

Plus accrued interest, if any, from \_\_\_\_\_, 2010.

The underwriters expect to deliver the notes to purchasers in book-entry form only through the facilities of The Depository Trust Company, or "DTC," for the accounts of its participants, including Clearstream Banking, *société anonyme*, or "Clearstream," and Euroclear Bank S.A./N.V., or "Euroclear," against payment in New York, New York on or about \_\_\_\_\_, 2010.

*Joint Book-Running Managers*

**Goldman, Sachs & Co.**      **J.P. Morgan**      **Barclays Capital**      **BofA Merrill Lynch**      **Citi**      **Morgan Stanley**  
 \_\_\_\_\_, 2010

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

No person has been authorized to provide you with information that is different from what is contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, and, if given or made, such information must not be relied upon as having been authorized. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the notes to which they relate or an offer to sell or the solicitation of an offer to buy such notes by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus supplement or that the information contained in this prospectus supplement and the accompanying prospectus is correct as of any time subsequent to its date.

As used in this prospectus supplement and the accompanying prospectus, the terms "we," "our" and "us" refer to Novartis AG and its consolidated subsidiaries unless the context requires otherwise.

The distribution or possession of this prospectus supplement and the accompanying prospectus in or from certain jurisdictions may be restricted by law. You should inform yourself about and observe any such restrictions, and neither we nor any of the underwriters accepts any liability in relation to any such restrictions. See "Underwriting."

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual reports with and furnish other reports and information to the Securities and Exchange Commission, or the "SEC." You may read and copy any document we file with or furnish to the SEC at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain documents we file with or furnish to the SEC on the SEC website at [www.sec.gov](http://www.sec.gov). The address of the SEC's internet site is provided solely for the information of prospective investors and is not intended to be an active link. Please visit this website or call the SEC at 1-800-732-0330 for further information about its public reference room. Reports and other information concerning our business may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to "incorporate by reference" information contained in documents we file with or furnish to the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus.

Each document incorporated by reference is current only as of the date of such document, and the incorporation by reference of such documents is not intended to create any implication that there has been no change in our affairs since the date of the relevant document or that the information contained in such document is current as of any time subsequent to its date. Any statement contained in such incorporated documents is deemed to be modified or superseded for the purpose of this prospectus supplement and the accompanying prospectus to the extent that a subsequent statement contained in another document we incorporate by reference at a later date modifies or supersedes that statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement and the accompanying prospectus.

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We hereby incorporate by reference into this prospectus supplement and the accompanying prospectus the documents listed below. Unless otherwise noted, all of the documents listed below have the SEC file number 001-15024:

Annual Report on Form 20-F for the year ended December 31, 2009;

Report on Form 6-K furnished to the SEC on March 9, 2010 with a statement of computation of the ratio of earnings to fixed charges; and

each of the following documents that we file with or furnish to the SEC after the date of this prospectus supplement from now until we terminate the offering of securities under this prospectus supplement, the accompanying prospectus and the registration statement:

reports filed under Section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, as amended, and

reports filed or furnished on Form 6-K that indicate that they are incorporated by reference in this prospectus supplement or the accompanying prospectus.

You may obtain copies of these documents in the manner described above. You may also request copies of these documents (excluding exhibits) at no cost by contacting us as follows:

Novartis International AG  
Investor Relations  
P.O. Box  
CH - 4002 Basel  
Switzerland  
Tel: +41 61 324 79 44  
Fax: +41 61 324 84 44  
E-mail: investor.relations@novartis.com

Novartis Finance Corporation  
Investor Relations  
608 Fifth Avenue  
New York, NY 10020  
USA  
Tel: +1 212 307 1122  
Fax: +1 212 830 2405  
E-mail: investor.relations@novartis.com

Novartis Capital Corporation does not, and will not, file separate reports with the SEC.

### **PRESENTATION OF FINANCIAL INFORMATION**

We present our consolidated financial statements in U.S. dollars and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. When we refer to "\$," we mean U.S. dollars. Except where noted, all financial information is presented in accordance with IFRS.

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**SUMMARY**

This summary highlights selected information from this prospectus supplement, the accompanying prospectus and the documents incorporated by reference and does not contain all of the information that may be important to you. You should carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference.

**Novartis AG**

Novartis AG was incorporated on February 29, 1996 under the laws of Switzerland as a stock corporation (*Aktiengesellschaft*) with an indefinite duration. On December 20, 1996, our predecessor companies, Ciba-Geigy AG and Sandoz AG, merged into this new entity, creating the Novartis Group. Novartis AG is domiciled in and governed by the laws of Switzerland. Its principal office is located at Novartis AG, Lichtstrasse 35, 4056 Basel, Switzerland, and its telephone number is +41 61 324 1111.

Novartis AG is organized as a holding company which owns, directly or indirectly, all significant operating companies of the Novartis Group. The Novartis Group is a multinational group of companies specializing in the research, development, manufacturing and marketing of a broad range of healthcare products led by innovative pharmaceuticals. Novartis provides innovative healthcare products and provides healthcare solutions that address the evolving needs of patients and societies worldwide. Our broad portfolio includes innovative medicines, preventive vaccines and diagnostic tools, generic pharmaceuticals and consumer health products.

Our businesses are organized in four global operating divisions:

Pharmaceuticals: Innovative patent-protected prescription medicines

Vaccines and Diagnostics: Human vaccines and blood-testing diagnostics

Sandoz: Generic pharmaceuticals

Consumer Health: OTC (over-the-counter medicines), Animal Health and CIBA Vision (contact lenses and lens-care products)

Our shares are listed on the SIX Swiss Exchange under the symbol "NOVN.VX" and our American Depositary Shares are listed on the New York Stock Exchange under the symbol "NVS." We employed 99,834 full-time equivalent associates as of December 31, 2009 and have operations in approximately 140 countries around the world.

**Novartis Capital Corporation**

Novartis Capital Corporation is a finance subsidiary indirectly owned 100% by Novartis AG and was incorporated as a corporation under the laws of Delaware on July 23, 2008. It exists for the purpose of issuing debt securities, the proceeds of which will be invested by it in marketable securities or advanced to, or otherwise invested in, subsidiaries or affiliates of Novartis AG. The principal office of Novartis Capital Corporation is located at 608 Fifth Avenue, New York, New York 10020, USA, and its telephone number is +1 212 307 1122.

Table of Contents**The Offering**

<b>Notes</b>	<p>\$ principal amount of 2013 notes</p> <p>\$ principal amount of 2015 notes</p> <p>\$ principal amount of 2020 notes</p>
<b>Issuer</b>	Novartis Capital Corporation
<b>Guarantees</b>	Novartis AG will fully and unconditionally guarantee the payment of principal, interest and additional amounts, if any, payable in respect of the notes.
<b>Maturity</b>	<p>The 2013 notes will mature on                   , 2013.</p> <p>The 2015 notes will mature on                   , 2015.</p> <p>The 2020 notes will mature on                   , 2020.</p>
<b>Interest Rate</b>	<p>The 2013 notes will bear interest at a rate of       % annually.</p> <p>The 2015 notes will bear interest at a rate of       % annually.</p> <p>The 2020 notes will bear interest at a rate of       % annually.</p>
<b>Interest Payment Dates</b>	For each of the 2013 notes, the 2015 notes and the 2020 notes, every           and           , commencing           . If an interest payment date or redemption date, or the maturity date, as the case may be, for the notes would fall on a Saturday, Sunday or a day on which banking institutions in the City of New York, Luxembourg, Luxembourg or Zurich, Switzerland, are authorized or obligated by law, regulation or executive order to be closed, then the interest payment date, redemption date or maturity date, as the case may be, will be postponed to the next succeeding business day, but no additional interest shall be paid unless we fail to make payment on such next succeeding business day.
<b>Regular Record Dates for Interest</b>	For each of the 2013 notes, the 2015 notes and the 2020 notes, every           and           .
<b>Calculation of Interest</b>	Interest on the notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.
<b>Optional Make-Whole Redemption</b>	<p>The notes will be redeemable at our option, in whole or in part, at any time and from time to time. See "Description of the Notes – Optional Make-Whole Redemption of the Notes." Upon redemption, we will pay a redemption price equal to the greater of:</p> <p style="padding-left: 40px;">100% of the principal amount of the notes to be redeemed and</p> <p style="padding-left: 40px;">the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed,</p> <p style="padding-left: 40px;">together with, in each case, accrued interest to the date of redemption.</p>

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The present value will be determined by discounting the remaining principal and interest payments to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), using the Treasury Rate (as defined in this prospectus supplement) plus % in the case of the 2013 notes, % in the case of the 2015 notes and % in the case of the 2020 notes.

**Tax Redemption**

In the event of changes in withholding taxes applicable to payments of interest on the notes in Switzerland, the United States or any other Relevant Taxing Jurisdiction, we may redeem the notes in whole (but not in part) at any time, at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

See "Description of Debt Securities - Optional Redemption for Tax Reasons" in the accompanying prospectus.

**Denominations**

The notes will be issued only in book-entry form, in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

**Ranking**

The notes will rank equally in right of payment with all other senior, unsecured debt obligations of Novartis Capital Corporation.

The guarantees will rank equally in right of payment with all other senior, unsecured debt obligations of Novartis AG.

**Payment of Additional Amounts**

Subject to certain exceptions, if we are required to withhold or deduct any amount for or on account of any withholding tax in Switzerland, the United States or another Relevant Taxing Jurisdiction from any payment made on the notes, we will pay additional amounts on those payments so that the amount received by noteholders will



equal the amount that would have been received if no such taxes had been applicable.

See "Description of Debt Securities Covenants Payment of Additional Amounts" in the accompanying prospectus.

**Repayment**

The notes will not be subject to repayment at the option of the holder prior to maturity.

**Events of Default**

The events of default are subject to a number of important qualifications and exceptions. See "Description of Debt Securities Events of Default" in the accompanying prospectus.

**Sinking Fund**

None.

**Book-Entry Issuance; Settlement; Clearance**

We will issue the notes as global notes in book-entry form registered in the name of DTC or its nominee. The sale of the notes will settle in immediately available funds through DTC. Investors may hold interests in a global note through organizations that participate, directly or indirectly, in the DTC system. Those organizations will include Clearstream and Euroclear in Europe.

**Governing Law**

The notes and the guarantees will be governed by the laws of the State of New York.

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**Further Issuances**

We may from time to time, without the consent of the holders of a series of notes, create and issue further notes of the same series having the same terms and conditions in all respects as the notes of that series being offered hereby, except for the issue date, the issue price and the first payment of interest thereon. We will not issue any further notes of a series unless such further notes have no more than a *de minimis* amount of original issue discount or such issuance would constitute a "qualified reopening" for U.S. federal income tax purposes. Any additional 2013 notes issued in this manner will be consolidated with and will form a single series with the 2013 notes being offered hereby. Any additional 2015 notes issued in this manner will be consolidated with and will form a single series with the 2015 notes being offered hereby. Any additional 2020 notes issued in this manner will be consolidated with and will form a single series with the 2020 notes being offered hereby.

**Listing**

The notes will not be listed on any securities exchange or interdealer market quotation system.

**Use of Proceeds**

We intend to use the net proceeds from the sale of the notes for intercompany refinancing purposes in connection with the pending Alcon acquisition, as well as for general corporate purposes.

**Trustee; Principal Paying Agent; Transfer Agent**

HSBC Bank USA, National Association.

**Expected Ratings**

The 2013 notes, the 2015 and the 2020 notes are each expected to be rated:

Moody's:                   Aa2  
Standard & Poor's:       AA-

On January 4, 2010, Moody's changed its outlook for Novartis AG from "stable" to "negative", whereas Standard & Poor's confirmed its "stable" outlook on January 5, 2010. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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**RECENT DEVELOPMENTS**

**Novartis AG Board of Directors selects new CEO and simplifies Novartis top leadership organization**

On January 26, 2010, we announced that the Novartis AG Board of Directors has accepted Dr. Daniel Vasella's proposal to complete the CEO succession process after serving 14 years as CEO and 11 years as Chairman and CEO, by appointing Joe Jimenez, formerly Head of our Pharmaceuticals Division, as our new CEO. Dr. Vasella is continuing in his role as Chairman of the Novartis AG Board of Directors concentrating on strategic priorities.

David Epstein, formerly Head of the Novartis Oncology business, was appointed Head of our Pharmaceuticals Division. Jon Symonds has taken over as our CFO as of February 1, 2010, from Raymund Breu, who retires on March 31, 2010 having reached the mandatory retirement age.

Simplifying our top leadership structure, we reduced the size of the Novartis Executive Committee from 12 to 9. The current members of the Executive Committee are: Joe Jimenez, CEO; Jon Symonds, CFO; David Epstein, Division Head Pharmaceuticals; Mark Fishman, M.D., Global Head of NIBR (The Novartis Institute for BioMedical Research); Jeff George, Division Head Sandoz; George Gunn, Division Head Consumer Health; Andrin Oswald, M.D., Division Head Vaccines and Diagnostics; Thomas Werlen, Group General Counsel; and Juergen Brokatzky-Geiger, Global Head Human Resources.

Furthering our delayering efforts, three executive positions have been eliminated: COO, Head Corporate Affairs, and Head Group Quality/Technical Operations. Corporate Audit and Compliance reports to our Chairman.

All changes were effective February 1, 2010.

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**RISK FACTORS**

Investing in the notes involves risks. You should carefully consider the risks relating to the notes described below, as well as the other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our annual report on Form 20-F for the year ended December 31, 2009 and the extensive risk factors relating to our business described therein beginning on page 6 thereof, before making a decision to invest in the notes.

**Risks Relating to the Notes**

**The notes will not be listed and may not have an active trading market.**

The notes will not be listed or displayed on any securities exchange or included in any interdealer market quotation system, and there may be little or no secondary market for your notes. Even if a secondary market for your notes develops, it may not provide significant liquidity and we expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your notes in any secondary market could be substantial. Underwriters, broker-dealers and agents that participate in the distribution of the notes may make a market in the notes as permitted by applicable laws and regulations but will have no obligation to do so, and any such market-making activities with respect to the notes may be discontinued at any time without notice. Therefore, there can be no assurance as to the liquidity of any trading market for the notes or that an active public market for the notes will develop. See "Plan of Distribution" in the accompanying prospectus.

**General market conditions and other factors could adversely affect market prices for the notes.**

Market prices for the notes can be expected to vary with changes in market and economic conditions, including prevailing interest rates and the market for similar securities, our financial condition and prospects, changes in our credit ratings (whether real or anticipated) and other factors that generally influence the market prices of securities. As a result, the notes could trade at prices that may be lower than the initial offering price.

**Neither Novartis Capital Corporation nor Novartis AG is prohibited from issuing further debt.**

There is no restriction on the amount of debt Novartis Capital Corporation may issue that ranks equally with the notes or on the amount of debt or guarantees Novartis AG may issue that ranks equally with the guarantees. The issuance of any such debt or guarantees may reduce the amount recoverable by you in the event of a liquidation or bankruptcy.

In particular, we may from time to time, without the consent of the holders of a series of notes, create and issue one or more additional series of debt securities through the accompanying prospectus or create and issue further notes of the same series having the same terms and conditions in all respects as the applicable notes being offered hereby, except for the issue date, the issue price and the first payment of interest thereon. See "Description of the Notes – Further Issuances." In addition, Novartis Capital Corporation may from time to time, without the consent of the holders of a series of notes, issue additional debt, and Novartis AG may among other things issue additional guarantees, including pursuant to our €15 billion Euro Medium Term Note Programme or our \$5.5 billion U.S. Commercial Paper Program.

**We may redeem the notes.**

We may redeem the 2013 notes, the 2015 notes and/or the 2020 notes, in whole or in part, at our option at any time and from time to time. See "Description of the Notes – Optional Make-Whole Redemption of the Notes" below and "Description of Debt Securities – Optional Redemption for Tax Reasons" in the accompanying prospectus.

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**The notes will rank below any secured debt of Novartis Capital Corporation and the guarantees will rank below the secured debt of Novartis AG.**

The notes will be unsecured obligations of Novartis Capital Corporation and will rank equal in right of payment to all other existing and future unsecured indebtedness of Novartis Capital Corporation. The notes will be subordinated to all existing and future secured indebtedness of Novartis Capital Corporation to the extent of the assets securing that indebtedness. The guarantees by Novartis AG will be subordinated to all existing and future secured indebtedness of Novartis AG to the extent of the assets securing that indebtedness. If Novartis Capital Corporation or Novartis AG incurs additional indebtedness and secures such indebtedness with its assets, your rights to receive payments under the notes and the guarantees will be subordinated to the rights of the holders of such future secured indebtedness. As of the date of this prospectus supplement, neither Novartis AG nor Novartis Capital Corporation had any secured indebtedness.

**Because Novartis AG is a holding company and conducts substantially all of its operations through subsidiaries, your right to receive payments under the guarantees is structurally subordinated to the liabilities of our subsidiaries.**

Novartis AG is organized as a holding company, and substantially all of its operations are carried on through subsidiaries. The ability of Novartis AG to meet its financial obligations is dependent upon the availability of cash flows from our domestic and foreign subsidiaries and affiliated companies through dividends, intercompany advances, management fees and other payments.

The notes are obligations of Novartis Capital Corporation and are guaranteed exclusively by Novartis AG. The subsidiaries of Novartis AG are separate and distinct legal entities, and have no obligation to pay any amounts due on the guarantees or to provide us with funds for its payment obligations. Our right to receive any assets of any of our subsidiaries, as an equity holder of such subsidiaries, upon their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets through the guarantees, will be effectively subordinated to the claims of that subsidiary's creditors. The guarantees do not restrict the ability of our subsidiaries to incur additional indebtedness or other liabilities. Even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

**The right to receive payments under the guarantees of Novartis AG may be adversely affected by Swiss bankruptcy laws.**

Novartis AG is incorporated under the laws of Switzerland. Accordingly, bankruptcy proceedings with respect to Novartis AG are likely to proceed under, and to be governed primarily by, Swiss bankruptcy law. The procedural and substantive provisions of such bankruptcy laws are, in certain cases, more favorable to secured creditors than comparable provisions of United States law. These provisions afford debtors and unsecured creditors only limited protection from the claims of secured creditors and it may not be possible for us or other unsecured creditors to prevent or delay the secured creditors from enforcing their security to repay the debts due to them under the terms that such security was granted.

**Enforcement claims or court judgments against Novartis AG must be converted into Swiss francs.**

Enforcement claims or court judgments against Novartis AG under Swiss debt collection or bankruptcy proceedings may only be made in Swiss francs and any foreign currency amounts must accordingly be converted into Swiss francs. With respect to enforcing creditors, any such foreign currency amounts will be converted at the exchange rate prevailing on (i) the date of instituting the enforcement proceedings (*Betreibungsbegehren*), (ii) the date of the filing for the continuation of the bankruptcy procedure (*Fortsetzungsbegehren*) or (iii) the date on which any amounts claimed first became due and payable (*Verfallzeit*), whichever date is more favorable for the creditors. With respect to non-enforcing creditors, foreign currency amounts will be converted at the exchange rate prevailing at the time of the adjudication of bankruptcy (*Konkurseröffnung*).

Table of Contents**USE OF PROCEEDS**

We estimate the net proceeds from the sale of the notes to be approximately \$ \_\_\_\_\_ after deducting underwriting discounts and expenses of the offering. We intend to use the net proceeds for intercompany refinancing purposes in connection with the pending Alcon acquisition, as well as for general corporate purposes.

**RATIOS OF EARNINGS TO FIXED CHARGES**

The following table sets forth our consolidated ratio of earnings to fixed charges for each of the periods indicated using financial information extracted, where applicable, from our IFRS consolidated financial statements.

	<b>Year Ended December 31,</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	
16.3	24.0	21.4	21.7	17.7	

For purposes of determining the ratio of earnings to fixed charges, earnings have been calculated by adding (i) income from continuing operations before taxes (after eliminating our share of results from associated companies), (ii) fixed charges and (iii) dividends from associated companies. Fixed charges are defined as the total of (i) interest expense and (ii) an estimate of the interest within rental expense.

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated capitalization (including short-term debt and non-controlling interests) as of December 31, 2009, on an actual basis and on an as adjusted basis to give effect to the sale of the notes (after deducting underwriting discounts and commissions).

	As of December 31, 2009	
	Actual	As Adjusted (unaudited)
	(in millions \$)	
<b>Equity</b>		
Share capital <sup>(1)</sup>	\$ 957	\$ 957
Treasury shares <sup>(2)</sup>	(132)	(132)
Reserves	56,562	56,562
Issued share capital and reserves attributable to shareholders of Novartis AG	57,387	57,387
Non-controlling interests	75	75
<b>Total equity</b>	<b>57,462</b>	<b>57,462</b>
<b>Indebtedness</b>		
Short-term indebtedness:		
Interest bearing employee accounts	1,175	1,175
Other bank and financial debt	2,142	2,142
Commercial paper	1,887	1,887
Current portion of long-term financial debt	29	29
Fair value of derivative financial instruments	80	80
Long-term indebtedness:		
3.50% CHF 700 million notes due 2012 of Novartis Securities Investment Ltd.	673	673
3.625% CHF 800 million notes due 2015 of Novartis AG	763	763
4.125% \$2,000 million notes due 2014 of Novartis Capital Corporation	1,993	1,993
5.125% \$3,000 million notes due 2019 of Novartis Securities Investment Ltd.	2,983	2,983
4.25% EUR 1,500 million notes due 2016 of Novartis Finance S.A.	2,144	2,144
Liabilities to banks and other financial institutions	144	144
Finance lease obligations	4	4
Less current portion of non current financial debt	(29)	(29)
2013 notes offered hereby		
2015 notes offered hereby		
2020 notes offered hereby		
<b>Total indebtedness</b>	<b>13,988</b>	
<b>Total capitalization</b>	<b>\$ 71,450</b>	<b>\$</b>

(1) Share capital was converted at the exchange rate of CHF 1.378/U.S. dollar applicable on December 31, 1998, the date on which we switched the presentation currency of our consolidated financial statements from CHF to U.S. dollars.

(2) Treasury shares are converted at appropriate historical exchange rates.

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**DESCRIPTION OF THE NOTES**

The following description of the particular terms of the notes offered by this prospectus supplement adds information to the description of the general terms and provisions of debt securities under the heading "Description of Debt Securities" of the accompanying prospectus.

**General**

We will issue the notes pursuant to an indenture, dated as of February 10, 2009, among Novartis Capital Corporation, Novartis Securities Investment Ltd. and Novartis Finance S.A., as issuers, HSBC Bank USA, National Association, as trustee, and Novartis AG, as guarantor. The notes will each be a series of our debt securities. Novartis Capital Corporation will issue the 2013 notes in the aggregate principal amount of \$ . The 2013 notes will mature on , 2013. Novartis Capital Corporation will issue the 2015 notes in the aggregate principal amount of \$ . The 2015 notes will mature on , 2015. Novartis Capital Corporation will issue the 2020 notes in the aggregate principal amount of \$ . The 2020 notes will mature on , 2020. The notes will be issued only in book-entry form, in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

The notes will be fully and unconditionally guaranteed by Novartis AG. If, for any reason, Novartis Capital Corporation does not make any required payment in respect of the notes when due, whether on the normal due date, on acceleration, redemption or otherwise, Novartis AG will cause the payment to be made to or to the order of the trustee. You will be entitled to payment under the guarantees of Novartis AG without taking any action whatsoever against Novartis Capital Corporation.

**Interest Payments**

The notes will each bear interest at the applicable interest rate shown on the cover of this prospectus supplement and will accrue interest from , 2010, or from the most recent date to which interest has been paid (or provided for), to but not including the next date upon which interest is required to be paid.

Interest will be payable on each of the 2013 notes, the 2015 notes and the 2020 notes twice a year, on and , commencing , 2010, to the person in whose name a 2013 note, a 2015 note or a 2020 note, respectively, is registered at the close of business on the or that precedes the date on which interest will be paid. Interest on the notes will be paid on the basis of a 360-day year consisting of twelve 30-day months. "Business day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York, Luxembourg, Luxembourg or Zurich, Switzerland are authorized or obligated by law, regulation or executive order to be closed.

If an interest payment date or redemption date, or the maturity date, for the 2013 notes, the 2015 notes or the 2020 notes, as the case may be, would fall on a day that is not a business day, then the interest payment date or redemption date, or the maturity date, as the case may be, will be postponed to the next succeeding business day, but no additional interest shall be paid unless we fail to make payment on such next succeeding business day.

**Covenants**

Subject to certain exceptions, if we are required to withhold or deduct any amount for or on account of any withholding tax in Switzerland, the United States or another Relevant Taxing Jurisdiction from any payment made on the notes, we will pay additional amounts on those payments so that the amount received by noteholders will equal the amount that would have been received if no



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such taxes had been applicable. See "Description of Debt Securities Covenants Payment of Additional Amounts" in the accompanying prospectus.

As contemplated by the last paragraph under "Description of Debt Securities Defeasance" of the accompanying prospectus, the satisfaction of certain conditions will permit us to omit to comply with some or all of our obligations, covenants and agreements under the indenture with respect to the notes. In addition, we may omit to comply with certain covenants through covenant defeasance. See "Description of Debt Securities Defeasance" in the accompanying prospectus.

Except as described in the accompanying prospectus, the indenture for the notes does not contain any covenants or other provisions designed to protect holders of the notes against a reduction in our creditworthiness in the event of a highly leveraged transaction or that would prohibit other transactions that might adversely affect holders of the notes, including, among other things, through the incurrence of additional indebtedness.

### **Optional Make-Whole Redemption of the Notes**

Novartis Capital Corporation may redeem the 2013 notes, the 2015 notes and/or the 2020 notes, in each case in whole or in part, at its option at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed on that redemption date; and (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed on that redemption date (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus % in the case of the 2013 notes, % in the case of the 2015 notes and % in the case of the 2020 notes, plus, in each case, accrued and unpaid interest thereon to, but excluding, the date of redemption. Notwithstanding the foregoing, installments of interest on notes to be redeemed that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the notes and the indenture.

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term (as measured from the date of redemption) of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of four Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Quotation Agent for the notes obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (iii) if only one Reference Treasury Dealer Quotation is received, the quotation.

"Quotation Agent" means any Reference Treasury Dealer appointed by us.

"Reference Treasury Dealer" means (i) each of Goldman, Sachs & Co., J.P. Morgan Securities Inc., Banc of America Securities LLC, Barclays Capital Inc., Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated (or their respective affiliates that are Primary Treasury Dealers) and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by us.

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"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each registered holder of the notes to be redeemed by us or by the trustee on our behalf. Notice of redemption will be published in a daily newspaper of general circulation in the United States, and we will give notice of any such redemption to any exchange on which the notes are listed. On and after any redemption date, interest will cease to accrue on the notes or portions thereof called for redemption. On or before the redemption date, we will deposit with a paying agent (or the trustee) money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on that date. If less than all of the notes are to be redeemed, the notes to be redeemed shall be selected by lot by DTC, in the case of notes represented by a global security, or by the trustee by such method as the trustee deems to be fair and appropriate, in the case of notes that are not represented by a global security.

**Optional Redemption for Tax Reasons**

In the event of changes in withholding taxes applicable to payments of interest on the notes in Switzerland, the United States or another Relevant Taxing Jurisdiction, Novartis Capital Corporation may redeem the 2013 notes, the 2015 notes or the 2020 notes, in each case in whole (but not in part) at any time, at a price equal to 100% of their principal amount plus accrued interest to the redemption date. See "Description of Debt Securities - Optional Redemption for Tax Reasons" in the accompanying prospectus.

**Further Issuances**

We are initially offering the 2013 notes in the aggregate principal amount of \$ , the 2015 notes in the aggregate principal amount of \$ and the 2020 notes in the aggregate principal amount of \$ . We may from time to time, without the consent of the holders of a series of notes, create and issue further notes of the same series having the same terms and conditions in all respects as the applicable notes being offered hereby, except for the issue date, the issue price and the first payment of interest thereon. We will not issue any further notes unless such further notes have no more than a *de minimis* amount of original issue discount or such issuance would constitute a "qualified reopening" for U.S. federal income tax purposes. Any additional 2013 notes issued in this manner will be consolidated with and will form a single series with the 2013 notes being offered hereby. Any additional 2015 notes issued in this manner will be consolidated with and will form a single series with the 2015 notes being offered hereby. Any additional 2020 notes issued in this manner will be consolidated with and will form a single series with the 2020 notes being offered hereby.

**Trustee, Principal Paying Agent and Transfer Agent**

HSBC Bank USA, National Association is the trustee under the indenture, and the principal corporate trust office of the trustee in The City of New York is also designated as the principal paying agent, registrar, transfer agent and calculation agent for the notes. We may at any time designate

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additional agents or rescind the designation of any agents or approve a change in the office through which any agent acts.

**Book-Entry System**

We will issue the notes of each series in the form of one or more fully registered global securities. We will deposit these global securities with, or on behalf of, DTC and register these securities in the name of DTC's nominee. Direct and indirect participants in DTC will record beneficial ownership of the notes by individual investors. The transfer of ownership of beneficial interests in a global security will be effected only through records maintained by DTC or its nominee, or by participants or persons that hold through participants.

Investors may elect to hold beneficial interests in the global securities through either DTC, Clearstream or Euroclear if they are participants in these systems, or indirectly through organizations which are participants in these systems. Beneficial interests in the global securities will be held in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Upon receipt of any payment in respect of a global security, DTC or its nominee will immediately credit participants' accounts with amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown in the records of DTC or its nominee. Payments by participants to owners of beneficial interests in a global security held through participants will be governed by standing instructions and customary practices and will be the responsibility of those participants.

DTC holds securities of institutions that have accounts with it or its participants. Through its maintenance of an electronic book-entry system, DTC facilitates the clearance and settlement of securities transactions among its participants and eliminates the need to deliver securities certificates physically. DTC's participants include securities brokers and dealers, including the underwriters of this offering, banks, trust companies, clearing corporations and other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the Financial Industry Regulatory Authority, Inc. Access to DTC's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. DTC agrees with and represents to its participants that it will administer its book-entry system in accordance with its rules and bylaws and requirements of law. The rules applicable to DTC and its participants are on file with the SEC.

Clearstream and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries, which in turn will hold interests in customers' securities accounts in the depositaries' names on the books of DTC. At the present time, Citibank, N.A. acts as U.S. depositary for Clearstream and JPMorgan Chase Bank, N.A. acts as U.S. depositary for Euroclear, or, collectively, the "U.S. Depositaries."

Clearstream holds securities for its participating organizations, or "Clearstream Participants," and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries.

Clearstream is registered as a bank in Luxembourg and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which

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supervise and oversee the activities of Luxembourg banks. Clearstream Participants are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the underwriters or their affiliates. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream Participant. Clearstream has established an electronic bridge with Euroclear as the operator of the Euroclear System, or the "Euroclear Operator," in Brussels to facilitate settlement of trades between Clearstream and the Euroclear Operator.

Distributions with respect to the notes of a series held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the U.S. Depository for Clearstream.

Euroclear holds securities and book-entry interests in securities for participating organizations, or "Euroclear Participants" and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear Participants with, among other things, safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations and may include the underwriters or their affiliates. Non-participants in Euroclear may hold and transfer beneficial interests in a global security through accounts with a Euroclear Participant or any other securities intermediary that holds a book-entry interest in a global security through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Distributions with respect to notes of a series held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depository for Euroclear.

Transfers between Euroclear Participants and Clearstream Participants will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between DTC's participating organizations, or the "DTC Participants," on the one hand, and Euroclear Participants or Clearstream Participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its U.S. Depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (European time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depository to take action to effect final settlement on its behalf by delivering or receiving interests in the global security in DTC, and making or receiving payment in accordance with normal procedures for same-day fund settlement applicable to DTC. Euroclear Participants and Clearstream Participants may not deliver instructions directly to their respective U.S. Depositories.

Due to time zone differences, the securities accounts of a Euroclear Participant or Clearstream Participant purchasing an interest in a global security from a DTC Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear Participant or Clearstream Participant during the securities settlement processing day (which must be a business day for Euroclear or Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interests in a global security by or through a Euroclear Participant or Clearstream Participant to a DTC Participant will be received with value on the settlement date of

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DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy of that information.

None of us, any of the underwriters and the trustee will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of securities among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and they may discontinue the procedures at any time.

**Same-Day Settlement and Payment**

Initial settlement for the notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

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**TAX CONSIDERATIONS**

The following summary of material considerations relating to U.S. federal income tax, Swiss tax and the European Union Savings Tax Directive is based upon laws, regulations, decrees, rulings, administrative practice and judicial decisions in effect at the date of this prospectus supplement. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming. Any such changes or interpretations could affect the tax consequences to holders of the notes, possibly on a retroactive basis, and could alter or modify the statements and conclusions set forth herein. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the notes. Prospective purchasers of the notes are advised to consult their own tax advisers as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of notes including, without limitation, the consequences of the receipt of interest and (if applicable) any premium on, and of the sale or redemption of, the notes or any interest therein.

The summary in respect of Swiss tax considerations does not deal with the position of certain classes of noteholders, such as dealers, and relates only to those persons who are the absolute beneficial owners of the notes and who hold the notes as an investment.

**United States Taxation**

**U.S. Holders**

The following discussion summarizes certain U.S. federal income tax considerations that may be relevant to you if you purchase notes in the initial offering at the original issue price and are a "U.S. holder." You will be a "U.S. holder" if you are a beneficial owner of notes who is an individual who is a citizen or resident of the United States, a U.S. domestic corporation, or any other person that is subject to U.S. federal income tax on a net income basis in respect of an investment in the notes. This summary deals only with U.S. holders that hold notes as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, insurance company, pass-through entity (including an entity that is treated as a partnership for U.S. federal income tax purposes), dealer in securities or currencies, trader in securities or commodities that elects mark-to-market treatment, person that will hold notes as a hedge against currency risk or as a position in a "straddle" or conversion transaction, tax-exempt organization or a person whose "functional currency" is not the U.S. dollar.

You should consult your tax adviser about the tax consequences of holding notes, including the relevance to your particular situation of the considerations discussed below, as well as the relevance to your particular situation of state, local, non-U.S., or other tax laws.

*Payments or Accruals of Interest*

Payments or accruals of interest on a note will be taxable to you as ordinary interest income at the time that you receive or accrue such amounts (in accordance with your regular method of tax accounting). Interest income on the notes will be treated as U.S. source income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. holder's foreign tax credit limitation.

*Sale or Exchange of Notes*

Upon the sale, exchange or other taxable disposition of a note, you generally will recognize gain or loss equal to the difference between the amount realized on the disposition (less any accrued interest, which will be taxable as such) and your tax basis in such note (generally, its cost less any principal payments previously received). Any such gain or loss generally will be U.S.-source capital gain or loss and will be long-term capital gain or loss (which long-term capital gain is currently subject to taxation).

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at reduced rates for non-corporate taxpayers) if you have held the note for more than one year. The deductibility of capital losses is subject to limitations.

*Information Reporting and Backup Withholding*

A paying agent must file information returns with the U.S. Internal Revenue Service ("IRS") in connection with payments on the notes made within the United States, or through certain U.S.-relevant financial intermediaries, to certain United States persons. If you are a United States person, you generally will not be subject to U.S. backup withholding tax on such payments if you provide your taxpayer identification number to the paying agent. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that the required information is timely furnished to the IRS. You also may be subject to information reporting and backup withholding tax requirements with respect to the proceeds from a sale of the notes. If you are not a United States person, you may have to comply with certification procedures to establish that you are not a United States person in order to avoid information reporting and backup withholding tax requirements.

**Non-U.S. Holders**

Under current U.S. federal income tax law,

- (a) payment on a note by us or any paying agent to a holder that is a non-U.S. holder (as defined below) will not be subject to U.S. federal income tax (including withholding tax), provided that, with respect to payments of interest, (i) the holder does not actually or constructively own 10% or more of the combined voting power of all classes of our stock and is not a controlled foreign corporation related to us through stock ownership, (ii) the holder is not a bank extending credit to us in the ordinary course of its trade or business, (iii) interest paid on the note is not effectively connected with the non-U.S. holder's conduct of a trade or business in the United States and (iv) the beneficial owner provides a statement signed under penalty of perjury that includes its name and address and certifies that it is a non-U.S. holder in compliance with applicable requirements (or satisfies certain documentary evidence requirements for establishing that it is a non-U.S. holder); and
- (b) a holder of a note that is a non-U.S. holder will not be subject to U.S. federal income tax on gain realized on the sale, exchange or redemption of the note, unless (i) such gain is effectively connected with the conduct by the holder of a trade or business in the United States or (ii) in the case of gain realized by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and either (A) such gain or income is attributable to an office or other fixed place of business maintained in the United States by such holder or (B) such holder has a tax home in the United States.

Payments on a note owned by a non-U.S. holder will not be subject to information reporting requirements or backup withholding tax if the statement described in clause (a) of the preceding paragraph is duly provided to the paying agent.

Payment on a note by the U.S. office of a custodian, nominee or other agent of the beneficial owner of such note will be subject to information reporting requirements and backup withholding tax unless the beneficial owner timely certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Information reporting requirements and backup withholding tax will not apply to any payment of the proceeds of the sale of a note effected outside the United States by a foreign office of a foreign "broker" (as defined in applicable U.S. Treasury regulations), provided that such broker (i) derives less than 50% of its gross income for certain periods from the conduct of a trade or business in the United States, (ii) is not a controlled foreign corporation for U.S. federal income tax purposes and (iii) is not a

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foreign partnership that, at any time during its taxable year, is more than 50% (by income or capital interest) owned by U.S. persons or is engaged in the conduct of a U.S. trade or business. Payment of the proceeds of the sale of a note effected outside the United States by a foreign office of any other broker will not be subject to backup withholding tax, but will be subject to information reporting requirements unless such broker has documentary evidence in its records that the beneficial owner is a non-U.S. holder and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Payment of the proceeds of a sale of a note by the U.S. office of a broker will be subject to information reporting requirements and backup withholding tax unless the beneficial owner certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

For purposes of applying the rules set forth under this heading "Non-U.S. Holders" to an entity that is treated as fiscally transparent (e.g., a partnership) for U.S. federal income tax purposes, the beneficial owner means each of the ultimate beneficial owners of the entity.

For purposes of the discussion under this heading "Non-U.S. Holders" a "non-U.S. holder" is a beneficial owner of a note or coupon that is not a U.S. holder (as defined above).

**Proposed Legislation**

The U.S. House of Representatives and the U.S. Senate have each passed a bill containing provisions that, if enacted in their current form, would substantially revise some of the rules discussed above, including with respect to certification requirements and information reporting. In the event of non-compliance with the revised certification requirements, withholding tax could be imposed on payments of interest, principal or sales proceeds to holders that own notes through foreign accounts or foreign intermediaries. It cannot be predicted whether, or in what form, this bill will be enacted. Prospective purchasers of the notes should consult their own tax advisers regarding this bill and other legislative proposals made by the Obama administration and members of Congress.

**Swiss Taxation**

**Swiss Withholding Tax**

According to the present practice of the Swiss Federal Tax Administration, payments of principal and interest (and discount or premium, if any) or gains in respect of the notes by Novartis Capital Corporation or the Guarantor are not subject to Swiss Withholding Tax (*Verrechnungssteuer*), if the proceeds from the notes are neither directly nor indirectly used in Switzerland.

**EU Savings Tax for Swiss Paying Agents**

The payment of interest (and discount or premium, if any) in respect of the notes by Novartis Capital Corporation or the Guarantor or the payment of accrued interest upon a sale of the notes by the purchaser may be subject to a deduction of 20% until June 30, 2011 or 35% thereafter, if such payment is made to an EU resident individual (or certain entities or vehicles) via a Swiss paying agent. The deduction is not applied if the recipient of the payment voluntarily elects to have certain information on the payment transmitted to the tax authorities of his state of residence.

**Issue or Transfer Stamp Taxes**

The issue of notes is not subject to Issue or Transfer Stamp Taxes, provided that proceeds from the notes are neither directly nor indirectly used in Switzerland.

Secondary market transactions in notes may be subject to Transfer Stamp Tax of up to 0.3% of the consideration paid, if a Swiss or Liechtenstein securities dealer (as defined in the Swiss Stamp Tax Act) is involved in the transaction as party or as intermediary.

Redemption of notes is not subject to Issue or Transfer Stamp Taxes.



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**Personal Income Tax**

Under present Swiss tax law, an individual noteholder who is not Swiss tax resident and who, during the tax year, has not engaged in trade or business through a permanent establishment, sole proprietorship or partnership in Switzerland and who is not subject to Swiss taxation for any other reason, will not become subject to Swiss personal income tax on the interest (and discount or premium, if any) or gains from the notes because of the mere acquisition, ownership or disposal of notes.

A Swiss tax resident individual who holds notes as part of his private assets is subject to income tax on the interest (and discount or premium, if any) derived from the notes as part of his overall net income. A gain realized upon a sale of notes by such individual is not subject to income tax.

A Swiss tax resident individual holding notes as part of his Swiss business assets (including a professional securities dealer) is subject to income tax on any interest (and discount or premium, if any) and gain derived from the notes as part of the overall income. Losses incurred on notes by such investors are tax deductible, if certain conditions are met. Similar rules apply to foreign resident individuals, which have a permanent establishment or business in Switzerland with which the notes are effectively connected.

**Profit Tax**

Under present Swiss tax law, a corporate noteholder who is not a Swiss tax resident and who, during the tax year, has not engaged in trade or business through a permanent establishment or partnership in Switzerland and who is not subject to Swiss taxation for any other reason, will not become subject to Swiss profit tax on the interest (and discount or premium, if any) or gain from the notes because of the mere acquisition, ownership or disposal of notes.

A Swiss tax resident corporate entity holding notes is subject to profit tax on any profit (interest, discount, premium and gains) derived from the notes as part of the overall profit. Losses incurred on notes by such investors are tax deductible, if certain conditions are met. Similar rules apply to foreign resident corporate entities, which have a permanent establishment or business in Switzerland with which the notes are effectively connected.

**European Union Savings Tax Directive**

The European Union has adopted a directive regarding the taxation of savings income (Council Directive 2003/48/EC, the "Directive"). The Directive requires member states of the European Union (each, a "Member State") to provide to the tax authorities of another Member State details of certain payments of interest and other similar income paid by a person to an individual resident in that other Member State, except that Austria and Luxembourg may instead impose a withholding tax system for a transitional period unless during such period they elect otherwise. The Directive does not preclude Member States from levying other types of withholding tax.

The European Community and Switzerland have entered into an agreement on the taxation of savings income by way of a withholding tax system and voluntary declaration in the case of transactions between parties in the Member States and Switzerland. On the basis of such agreement, Switzerland has introduced a withholding tax on interest payments or other similar income paid by a paying agent within Switzerland to EU resident individuals. The withholding tax is to be withheld at a rate of 20% until June 30, 2011 and at a rate of 35% thereafter. The beneficial owner of the interest payments may be entitled to a tax credit or refund of the withholding if certain conditions are met.

Prospective purchasers of the notes should consult their advisors concerning the impact of the Directive or any law implementing the Directive or complying with it. If any of Novartis Capital Corporation, Novartis AG, any paying agent or any institution where the notes are deposited are required to withhold any amount as a direct or indirect consequence of the EU Savings Tax Directive, we will not be required to pay any additional amounts relating to such withholding. See "Description of Debt Securities Covenants Payment of Additional Amounts" in the accompanying prospectus.

Table of Contents**UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement dated \_\_\_\_\_, 2010, we have agreed to sell to the underwriters named below, for whom Goldman, Sachs & Co., J.P. Morgan Securities Inc., Banc of America Securities LLC, Barclays Capital Inc., Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated are acting as representatives, the following respective principal amounts of the notes:

<b>Underwriter</b>	<b>Principal amount of 2013 Notes</b>	<b>Principal amount of 2015 Notes</b>	<b>Principal amount of 2020 Notes</b>
Goldman, Sachs & Co.	\$	\$	\$
J.P. Morgan Securities Inc			
Banc of America Securities LLC			
Barclays Capital Inc.			
Citigroup Global Markets Inc.			
Morgan Stanley & Co. Incorporated			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

The underwriting agreement provides that the underwriters are obligated to purchase all of the notes if any are purchased. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering of notes may be terminated. The offering of the notes by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The underwriters propose to offer each series of notes initially at the respective price to public listed on the cover page of this prospectus supplement and to other broker-dealers at the applicable price to public less a selling concession of \_\_\_\_\_% of the principal amount per 2013 note, \_\_\_\_\_% of the principal amount per 2015 note and \_\_\_\_\_% of the principal amount per 2020 note. The underwriters and the other broker-dealers may allow a discount of \_\_\_\_\_% of the principal amount per 2013 note, \_\_\_\_\_% of the principal amount per 2015 note and \_\_\_\_\_% of the principal amount per 2020 note on sales to other broker-dealers. After the initial public offering, the underwriters may change the price to public and concession and discount to broker-dealers.

We estimate that our expenses (which consist of, among other fees, SEC registration fees, rating agency fees and expenses, legal fees and expenses, accounting fees and expenses and printing expenses) for this offering, excluding underwriting discounts, will be approximately \$ \_\_\_\_\_. The underwriters have agreed to reimburse us for all of our expenses in connection with this offering.

The notes are a new issue of securities with no established trading market. The notes will not be listed on any securities exchange or interdealer market quotation system. One or more of the underwriters intend to make a secondary market for the notes. However, they are not obligated to do so and may discontinue making a secondary market for the notes at any time without notice. No assurance can be given as to how liquid the trading market for the notes will be.

Each underwriter has agreed that it will not offer or sell, directly or indirectly, any of the notes in any jurisdiction where such offer or sale is not permitted.

We have agreed to indemnify the several underwriters against liabilities under the Securities Act of 1933, as amended (the "Securities Act"), or contribute to payments that the underwriters may be required to make in that respect.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities.

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Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments.

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment involves sales by the underwriters of notes in excess of the principal amount of notes the underwriters are obligated to purchase, which creates a syndicate short position.

Syndicate covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover syndicate short positions.

Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the notes originally sold by such syndicate member are purchased in a stabilizing or a syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

There is no assurance that the underwriters will undertake stabilization action. Such stabilizing, if commenced, may be discontinued at any time and, if begun, must be brought to an end after a limited period. Any stabilization action or over-allotment must be conducted by the underwriters in accordance with all applicable laws and rules.

We expect that delivery of the notes will be made against payment therefor on or about \_\_\_\_\_, 2010, which is the fifth business day after the date hereof. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date hereof or the next following business day will be required, by virtue of the fact that the notes initially will not settle in T+3, to specify an alternative settlement cycle at the time of such trade to prevent a failed settlement and should consult their own adviser.

## SELLING RESTRICTIONS

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "Relevant Member State"), each underwriter has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or (the "Relevant Implementation Date"), it has not made and will not make

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an offer of notes which are the subject of the offering contemplated by this prospectus supplement to the public in that Relevant Member State other than:

- (a) at any time to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity that has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives of the underwriters; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of notes shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**United Kingdom**

Each underwriter has represented and agreed, and each further underwriter appointed under the notes will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000 (the "FSMA")) received by it in connection with the issue or sale of any securities in circumstances in which section 21(1) of the FSMA does not apply to Novartis Capital Corporation or Novartis AG.
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

**The Grand Duchy of Luxembourg**

In addition to the cases described in the European Economic Area selling restriction in which the underwriters can make an offer of notes to the public in an EEA member state (including the Grand Duchy of Luxembourg) ("Luxembourg"), the underwriters can also make an offer of notes to the public in Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations;

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- (b) at any time, to legal entities which are authorized or regulated to operate in the financial markets (including credit institutions, investment firms, other authorized or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorized or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10 July 2005 on prospectuses for securities implementing the Directive 2003/71/EC (the "Prospectus Directive") into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the *Commission de surveillance du secteur financier* as competent authority in Luxembourg in accordance with the Prospectus Directive.

**Switzerland**

This prospectus supplement and the accompanying prospectus do not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations. The notes will not be listed on the SIX Swiss Exchange and, therefore, this prospectus supplement and the accompanying prospectus may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the notes with a view to distribution. The investors will be individually approached by any underwriter from time to time.

**Hong Kong**

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in this prospectus supplement and the accompanying prospectus being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

**Japan**

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "FIEA") and each underwriter has represented and agreed that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

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**Singapore**

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1) of the SFA and Section 275(1A) of the SFA, respectively, and in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; (3) where the transfer is by operation of law; or (4) pursuant to Section 276(7) of the SFA.

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**LEGAL MATTERS**

Certain matters of U.S. law will be passed upon for us by Allen & Overy LLP and for the underwriters by Shearman & Sterling LLP. Shearman & Sterling LLP has performed legal services for us and our subsidiaries and affiliates.

**EXPERTS**

The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in management's report on internal control over financial reporting) incorporated in this prospectus supplement and the accompanying prospectus by reference to the Annual Report on Form 20-F for the year ended December 31, 2009 have been so incorporated in reliance on the report of PricewaterhouseCoopers AG, Switzerland, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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**PROSPECTUS**

**Novartis Capital Corporation**

**Debt Securities**

Fully and Unconditionally Guaranteed by

**Novartis AG**

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**Novartis Securities Investment Ltd.**

**Debt Securities**

Fully and Unconditionally Guaranteed by

**Novartis AG**

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**Novartis Finance S.A.**

**Debt Securities**

Fully and Unconditionally Guaranteed by

**Novartis AG**

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We may offer debt securities from time to time in one or more series through this prospectus. The debt securities will be issued by one of Novartis AG's finance subsidiaries, Novartis Capital Corporation, Novartis Securities Investment Ltd. or Novartis Finance S.A., and will be fully and unconditionally guaranteed by Novartis AG.

We will provide the specific terms of the debt securities we offer in one or more supplements to this prospectus. You should read this prospectus and any related prospectus supplement carefully before you invest. Our debt securities may be denominated in U.S. dollars or in any other currencies, currency units or composite currencies as we may designate.

We may offer these debt securities through underwriters, agents or dealers or directly to institutional purchasers. The accompanying prospectus supplement will set forth the names of any underwriters or agents and any applicable commissions or discounts. The prospectus supplement will also set forth the proceeds we will receive from any sale of debt securities.

**Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus or any accompanying prospectus supplement is truthful or complete.**



**Any representation to the contrary is a criminal offense.**

The date of this prospectus is September 26, 2008.

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You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of these documents. We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the "SEC," using a "shelf" registration process. Under this shelf process, we may sell any combination of the debt securities described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the debt securities we may offer. Each time we sell securities, we will provide a prospectus supplement, attached to the front of this prospectus, that will contain specific information about the terms of that offering. Those terms may vary from the terms described in this prospectus. As a result, the summary description of the debt securities in this prospectus is subject to, and qualified by reference to, the descriptions of the particular terms of any debt securities contained in any related prospectus supplement. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any related prospectus supplement together with the additional information described under the headings "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference."

This prospectus does not include all of the information contained in the registration statement of which it is a part. We refer you to the registration statement and the related exhibits for a more complete understanding of our debt securities and the shelf registration process.

As used in this prospectus, the term "finance subsidiaries" refers to Novartis Capital Corporation, a Delaware corporation, Novartis Securities Investment Ltd., a limited liability company incorporated under the laws of Bermuda and Novartis Finance S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg. Any debt securities issued by one of the finance subsidiaries will be fully and unconditionally guaranteed by Novartis AG, a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Switzerland. The term "guarantor" refers to Novartis AG. Unless the context requires otherwise, the terms "we," "our" and "us" refer to Novartis AG and its consolidated subsidiaries.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual reports with and furnish other reports and information to the SEC. You may read and copy any document we file with or furnish to the SEC at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain documents we file with or furnish to the SEC on the SEC website at [www.sec.gov](http://www.sec.gov). The address of the SEC's internet site is provided solely for the information of prospective investors and is not intended to be an active link. Please visit this website or call the SEC at 1-800-732-0330 for further information about its public reference room. Reports and other information concerning our business may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to "incorporate by reference" the information we file with or furnish to the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we later file with or furnish to the SEC and that is incorporated by reference will automatically update and supersede information in this prospectus and information previously incorporated by reference herein.

Each document incorporated by reference is current only as of the date of such document, and the incorporation by reference of such documents is not intended to create any implication that there has been no change in our affairs since the date of the relevant document or that the information contained in such document is current as of any time subsequent to its date. Any statement contained

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in such incorporated documents is deemed to be modified or superseded for the purpose of this prospectus to the extent that a subsequent statement contained in another document we incorporate by reference at a later date modifies or supersedes that statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We hereby incorporate by reference into this prospectus the documents listed below. Unless otherwise noted, all of the documents listed below have the SEC file number 001-15024:

Annual Report on Form 20-F for the year ended December 31, 2007;

Report on Form 6-K furnished to the SEC on May 30, 2008 with the amended and restated articles of incorporation of Novartis AG; and

Each of the following documents that we file with or furnish to the SEC after the date of this prospectus from now until we terminate the offering of securities under this prospectus and the registration statement:

Reports filed under Section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, as amended, and

Reports filed or furnished on Form 6-K that indicate that they are incorporated by reference in this prospectus.

You may obtain copies of these documents in the manner described above. You may also request copies of these documents (excluding exhibits) at no cost by contacting us as follows:

Novartis International AG  
Investor Relations  
P.O. Box  
CH - 4002 Basel  
Switzerland  
Tel: +41 61 324 79 44  
Fax: +41 61 324 84 44  
E-mail:  
investor.relations@novartis.com

Novartis Finance Corporation  
Investor Relations  
608 Fifth Avenue  
New York, NY 10020  
USA  
Tel: +1 212 307 1122  
Fax: +1 212 830 2405  
E-mail:  
investor.relations@novartis.com  
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**PRESENTATION OF FINANCIAL INFORMATION**

We present our consolidated financial statements in U.S. dollars and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. When we refer to "\$," we mean U.S. dollars. Except where noted, all financial information is presented in accordance with IFRS.

**FORWARD-LOOKING STATEMENTS**

This prospectus and the information incorporated by reference in this prospectus include certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You should not place undue reliance on these statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements can be identified by the use of forward-looking terminology such as "will," "believes," "intends," "plans," or "expects," 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, or potential future sales or earnings of Novartis AG, its subsidiaries or any of our divisions or business units; or by discussions of strategy, plans, expectations or intentions. Such forward-looking statements reflect our current views regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such 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 existing products in any market, or that such products will achieve any particular revenue levels. Nor can there be any guarantee that the Novartis Group, or any of its divisions or business units, will achieve any particular financial results. In particular, management's expectations could be affected by, among other things, uncertainties involved in the development of new pharmaceutical products; unexpected clinical trial results, including additional analysis of existing clinical data or unexpected new clinical data; unexpected regulatory actions or delays or government regulation generally; our ability to obtain or maintain patent or other proprietary intellectual property protection, including the uncertainties involved in the US litigation process; competition in general; government, industry, and general public pricing and other political pressures; and the impact that the foregoing factors could have on the values attributed to the assets and liabilities of Novartis AG and its subsidiaries as recorded on our consolidated balance sheet. Some of these factors are discussed in more detail in our Annual Report on Form 20-F for the year ended December 31, 2007, including under "Item 3.D. Risk Factors," "Item 4. Information on the Company," and "Item 5. Operating and Financial Review and Prospects." Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this prospectus or in the documents incorporated herein by reference as anticipated, believed, estimated or expected. The information in this prospectus, any applicable prospectus supplement and any document incorporated herein by reference is current only as of the date of such and we do not intend, and do not assume any obligation, to update any information or forward-looking statements included in any such documents.

Table of Contents**USE OF PROCEEDS**

Unless we tell you otherwise in a prospectus supplement, we will use the net proceeds from the sale of the debt securities described in this prospectus for general corporate purposes outside of Switzerland.

**RATIOS OF EARNINGS TO FIXED CHARGES**

The following table sets forth our consolidated ratio of earnings to fixed charges for each of the periods indicated using financial information extracted, where applicable, from our IFRS consolidated financial statements.

<b>Six Months Ended</b>		<b>Year Ended December 31,</b>				
<b>June 30,</b>		<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004<sup>1</sup></b>	<b>2003<sup>1</sup></b>
<b>2008</b>	<b>2007</b>					
31.5	29.0	21.4	21.7	17.7	18.2	18.9

(1)

We adopted a number of new International Financial Reporting Standards from January 1, 2005, not all of which required retrospective application. Data for 2004 and 2003 is therefore not comparable with 2007, 2006 and 2005.

For purposes of determining the ratio of earnings to fixed charges, earnings have been calculated by adding (i) income from continuing operations before taxes (after eliminating our share of results from associated companies), (ii) fixed charges and (iii) dividends from associated companies. Fixed charges are defined as the total of (i) interest expense and (ii) an estimate of the interest within rental expense.

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**NOVARTIS AG**

Novartis AG was incorporated on February 29, 1996 under the laws of Switzerland as a stock corporation (*Aktiengesellschaft*). On December 20, 1996, our predecessor companies, Ciba-Geigy AG and Sandoz AG, merged into this new entity, creating the Novartis Group. Novartis AG is domiciled in and governed by the laws of Switzerland. Its registered office is located at Novartis AG, Lichtstrasse 35, CH-4056 Basel, Switzerland, and its telephone number is +41 61 324 1111.

Novartis AG is organized as a holding company which owns, directly or indirectly, 100% of all significant operating companies of the Novartis Group. The Novartis Group is a multinational group of companies specializing in the research, development, manufacturing and marketing of innovative healthcare products and provides healthcare solutions that address the evolving needs of patients and societies worldwide with a broad portfolio that includes innovative medicines, preventive vaccines and diagnostic tools, generic pharmaceuticals and consumer health products.

Our businesses are divided on a worldwide basis into the following four operating divisions:

Pharmaceuticals (brand-name patented pharmaceuticals)

Vaccines and Diagnostics (human vaccines and molecular diagnostics)

Sandoz (generic pharmaceuticals)

Consumer Health (over-the-counter medicines, animal health medicines, and contact lenses and lens-care products)

Our shares are listed in Switzerland on the SWX Swiss Exchange under the symbol "NOVN" and our American Depositary Shares are listed on the New York Stock Exchange under the symbol "NVS." We employed approximately 98,200 full-time equivalent associates as of December 31, 2007 and have operations in approximately 140 countries around the world.

**NOVARTIS CAPITAL CORPORATION**

Novartis Capital Corporation is a finance subsidiary indirectly owned 100% by Novartis AG and was incorporated as a corporation under the laws of Delaware on July 23, 2008. It exists for the purpose of issuing debt securities, the proceeds of which will be invested by it in marketable securities or advanced to, or otherwise invested in, subsidiaries or affiliates of Novartis AG. The principal office of Novartis Capital Corporation is located at 608 Fifth Avenue, New York, New York 10020, USA, and its telephone number is +1 212 307 1122.

**NOVARTIS SECURITIES INVESTMENT LTD.**

Novartis Securities Investment Ltd. is a finance subsidiary indirectly owned 100% by Novartis AG and was incorporated as a limited liability company under the laws of Bermuda on September 25, 2001 for an indefinite duration. It exists for the purpose of issuing debt securities, the proceeds of which will be invested by it in marketable securities or advanced to, or otherwise invested in, subsidiaries or affiliates of Novartis AG. The principal office of Novartis Securities Investment Ltd. is located at 131 Front Street, Hamilton, HM12, Bermuda, and its telephone number is +1 441 296 8025.

**NOVARTIS FINANCE S.A.**