

NOVARTIS AG
Form F-4/A
February 02, 2011

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As filed with the Securities and Exchange Commission on February 2, 2011.

Registration No. 333-171381

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**Amendment No. 1
to
FORM F-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

NOVARTIS AG

(Exact name of co-registrant as specified in its Charter)

Novartis Inc.

(Translation of Registrant's name into English)

Switzerland
(State or other jurisdiction of
incorporation or organization)

2834
(Primary Standard Industrial
Classification Code Number)

N/A
(I.R.S. Employer
Identification Number)

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Switzerland**

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(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale of the securities to the public: **As soon as practicable after the effective date of this registration statement.**

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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The information in this preliminary prospectus is not complete and may be changed. Novartis AG may not sell these securities until the registration statement filed with the Securities and Exchange Commission, in which this prospectus is included, is declared effective. This preliminary 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 of these securities is not permitted.

**Subject to Completion
Preliminary Prospectus, dated February 2, 2011**

Dear Shareholder:

On behalf of the Board of Directors (the "Alcon Board") of Alcon, Inc. ("Alcon"), we would like to invite you to the Annual General Meeting of Alcon Shareholders to be held at _____, 2011 to consider and vote upon, among other items described in the enclosed Notice of Annual General Meeting, a proposal to approve the merger agreement that Alcon signed with Novartis AG ("Novartis") on December 14, 2010. Following completion of the merger of Alcon with and into Novartis under art. 4 para. 1 lit. a of the Swiss Federal Act on Mergers, Demergers, Conversion and Transfer of Assets and Liabilities (the "Swiss Merger Act"), Alcon will become the new eye care division of Novartis.

As defined and described in more detail under "The Merger Agreement and the Merger Merger Consideration" below, in the merger, each common share of Alcon, par value CHF 0.20 per share (an "Alcon share"), will be converted into the right to receive consideration valued at \$168 in accordance with the provisions of the merger agreement, including up to 2.8 shares of Novartis, nominal value CHF 0.50 per share ("Novartis shares"). If 2.8 Novartis shares are valued at less than \$168, each Alcon share will be converted into the right to receive (i) 2.8 Novartis shares, (ii) an additional number of Novartis shares equal to 2.8 multiplied by the lesser of (x) the amount of any cash dividend with respect to one Novartis share declared or paid after the date of the merger agreement and on or prior to completion and (y) the amount by which \$60 exceeds the value of one Novartis share, in each case divided by the value of one Novartis share and (iii) a cash-settled non-transferable put option that, when exercised by the election and exchange agent on the completion date in accordance with the merger agreement, will entitle the holder of such Alcon share to receive an amount in cash equal to the amount by which \$168 exceeds the value of the total number of Novartis shares to be delivered under (i) and (ii) in respect of an Alcon share. You may elect to receive Novartis shares or an equal number of Novartis ADSs. Each Novartis ADS represents one Novartis share. If you make no election and the registered address associated with your Alcon shares is in Switzerland, you will receive Novartis shares, provided that you furnish appropriate account details and transfer instructions to the election and exchange agent by _____ on _____. If you make no election and the registered address associated with your Alcon shares is outside Switzerland or you do not furnish appropriate account details and transfer instructions to the election and exchange agent by _____ on _____, you will receive Novartis ADSs in lieu of Novartis shares. The Novartis share value for the purpose of determining the composition of the Merger Consideration (as defined below under "The Merger Agreement and the Merger Merger Consideration") will be determined in accordance with the provisions of the merger agreement by calculating the daily volume-weighted average Novartis share prices on the SIX Swiss Exchange (the "SIX") for each of the 10 trading days prior to the annual general meeting of Alcon shareholders, by converting such daily volume-weighted average prices from Swiss francs into US dollars at the prevailing US dollar/Swiss franc exchange rate on each such trading day (less, for any such trading day prior to the applicable ex-dividend date, the value in US dollars of any Novartis cash dividend declared or paid after the date of the merger agreement and on or prior to the effective time of the merger) and by using the resulting daily volume-weighted US dollar prices to calculate a volume-weighted average price for the Novartis shares. Novartis will deliver up to an aggregate of approximately _____ Novartis shares to Alcon shareholders in connection with the merger.

The Novartis shares are listed on the SIX under the symbol "NOVN". The Novartis ADSs are listed on the New York Stock Exchange (the "NYSE") under the symbol "NVS". The closing price of a Novartis ADS on the NYSE on _____, 2010, the last practicable date prior to the filing with the Securities and Exchange Commission ("SEC") of the registration statement in which this prospectus is included, was \$ _____. The Alcon shares are currently listed on the NYSE under the symbol "ACL". The Alcon shares will be delisted upon completion of the merger. The closing price of the Alcon shares on the NYSE on _____, 2010 was \$ _____.

The Alcon Board, by actions taken without the participation of two directors who recused themselves (Mr. Kevin Buehler, who recused himself because he has received an employment offer to be Head of the Novartis eye care division after completion of the proposed merger, and Dr. Daniel Vasella, who recused himself because of his status as Chairman of Novartis) and one director who had participated in the unanimous recommendation of the Independent Director Committee of the Alcon Board, has unanimously approved among the directors participating and declared advisable the merger agreement and the transactions contemplated thereby and has determined that the merger agreement and the transactions contemplated thereby are fair to and are advisable and in the best interests of the unaffiliated Alcon shareholders. The Alcon Board reached its conclusion after (i) consultation with its independent legal and financial advisors and (ii) receiving the unanimous recommendation of the Independent Director Committee of the Alcon Board. **The Alcon Board therefore recommends by unanimous decision among directors participating that you vote "FOR" the approval of the merger agreement.**

Approval of the merger agreement requires 2/3 of the votes represented at the annual general meeting of Alcon shareholders. Novartis currently owns approximately 77% of the outstanding Alcon shares and has agreed in the merger agreement, subject to certain conditions, to vote in favor of the approval of the merger agreement.

Approval of the proposed merger also requires 2/3 of the votes represented at a general meeting of shareholders of Novartis, which will be held on _____, 2011.

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This prospectus provides Alcon shareholders with detailed information about the annual general meeting of Alcon shareholders and the merger. You can also obtain information from publicly available documents filed with or furnished to the SEC by Novartis and Alcon. We encourage you to read this entire document carefully. **In particular, you should carefully consider the section entitled "Risk Factors" beginning on page 94.**

We look forward to the successful combination of Alcon and Novartis.

Very sincerely yours,

Alcon, Inc.

/s/ Daniel Vasella

/s/ Elaine Whitbeck

Dr. Daniel Vasella
Chairman

Elaine Whitbeck, Esq.
Corporate Secretary and General Counsel

Neither the SEC nor any state securities regulator has approved or disapproved of the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This prospectus is dated _____ and is expected to first be mailed to Alcon shareholders on _____.

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THIS PROSPECTUS INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT NOVARTIS AND ALCON FROM DOCUMENTS FILED WITH OR FURNISHED TO THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") THAT IS NOT INCLUDED IN OR DELIVERED WITH THIS PROSPECTUS.

YOU CAN OBTAIN ANY OF THE DOCUMENTS FILED WITH OR FURNISHED TO THE SEC BY NOVARTIS OR ALCON, AS THE CASE MAY BE, AT NO COST FROM THE SEC'S WEBSITE AT WWW.SEC.GOV. YOU MAY ALSO REQUEST COPIES OF THESE DOCUMENTS,

INCLUDING DOCUMENTS INCORPORATED BY REFERENCE INTO THIS PROSPECTUS, AT NO COST BY CONTACTING EITHER NOVARTIS OR ALCON, AS THE CASE MAY BE. PLEASE SEE "WHERE YOU CAN FIND MORE INFORMATION" AND "INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE" ON PAGE 161 AND 162, RESPECTIVELY, FOR MORE DETAILS.

IN ORDER TO RECEIVE TIMELY DELIVERY OF THE DOCUMENTS IN ADVANCE OF THE ANNUAL GENERAL MEETING OF ALCON SHAREHOLDERS, YOU SHOULD MAKE YOUR REQUEST TO NOVARTIS OR ALCON, AS THE CASE MAY BE, NO LATER THAN , 2011, OR FIVE TRADING DAYS PRIOR TO THE ANNUAL GENERAL MEETING OF ALCON SHAREHOLDERS.

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**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON _____, 2011**

Notice is hereby given that the annual general meeting of the shareholders of Alcon, Inc., a company organized under the laws of Switzerland ("Alcon"), will be held on _____, 2011, beginning at _____ Central European Time, at _____ for the following purposes, as more fully described in this prospectus:

1. To approve the merger agreement, dated as of December 14, 2010, entered into by and between Alcon and Novartis AG, a company organized under the laws of Switzerland.
2. To approve the 2010 Annual Report and Accounts of Alcon and the 2010 Consolidated Financial Statements of Alcon and Subsidiaries, as set forth in the 2010 Business Report.
3. To grant discharge to the current and former members of the Board of Directors of Alcon for their term of office from January 1, 2010 up to _____, 2011.
4. To re-elect KPMG AG, Zug, Switzerland as Auditors for the period between the annual general meeting of Alcon shareholders and the completion of the merger of Alcon with and into Novartis.
5. To re-elect Dr. Daniel Vasella, Mr. Cary R. Rayment, Mr. Thomas G. Plaskett, Dr. Enrico Vanni and Mr. Norman Walker as members of the Alcon Board for the period between the annual general meeting of Alcon shareholders and the completion of the merger of Alcon with and into Novartis.

You can vote your shares by marking your choices on the enclosed proxy card, and then signing, dating and mailing it in the enclosed envelope or by following the Internet or telephone voting instructions on the proxy card. Using any of these methods, you authorize Alcon as proxy holder to vote your shares as you specified. If you authorize Alcon to vote your shares without giving any instructions, your shares will be voted in accordance with the proposals of the Board of Directors of Alcon (the "Alcon Board") with regard to the agenda items listed on the agenda, including in favor of the approval of the merger agreement. If new proposals (other than those on the agenda) are put forth before the meeting, the Alcon representative will vote your shares in accordance with the position of the Alcon Board. Proxy forms must be sent to Alcon in the enclosed envelope, arriving no later than _____, 2011.

If you are a registered Alcon shareholder, you may also authorize the independent representative, _____, with full rights of substitution, to vote your shares on your behalf. _____'s address is: _____. If you authorize the independent representative to vote your shares without giving instructions, your shares will be voted in accordance with the proposals of the Alcon Board with regard to the agenda items listed on the agenda, including in favor of the approval of the merger agreement. If new proposals (other than those on the agenda) are put forth before the meeting, the independent representative will abstain from voting your shares with regards to any such new proposals. Proxy forms authorizing the independent representative to vote your shares on your behalf must be sent to Alcon in the enclosed envelope or directly to the independent representative, arriving no later than _____, 2011.

Alternatively, if you are a registered Alcon shareholder, you may choose to attend the meeting and vote in person, or appoint a proxy of your choice to vote at the meeting for you. The proxy need not be an Alcon shareholder. If you choose to attend the meeting in person, or appoint a proxy to attend on your behalf, your shares can only be voted at the meeting. To select one of these options,

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please complete the attendance portion of the enclosed proxy card and return it to Alcon in the enclosed envelope, arriving no later than _____, 2011.

If you are a beneficial owner and hold your shares through a broker or custodian, you are requested to instruct your broker or custodian as to how to vote your shares using the instruction form provided to you by such custodian or broker. You may also instruct your broker or custodian to authorize the independent representative to vote your shares. Alternatively, if you wish to vote in person then you need to:

- a) obtain a power of attorney from your broker or other custodian authorizing you to vote the shares held for you by that broker or custodian, and request an admission card using the power of attorney; or
- b) become a registered Alcon shareholder no later than _____, 2011, and request an admission card by that date.

Each Alcon shareholder wishing to attend the meeting in person must present his/her admission card before _____ on _____, 2011, at one of the control offices at the meeting location for validation. Doors open at _____. **Registered Alcon shareholders who have appointed Alcon or the independent representative as a proxy and beneficial owners who have not obtained a power of attorney from their broker or custodian may not attend the meeting in person or send an alternate proxy of their choice to represent them at the meeting.**

Please note that Alcon shareholders who have sold their shares before _____ are not entitled to vote or participate in the meeting.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following are some questions that you may have regarding the merger and brief answers to those questions. Novartis urges you to read carefully the remainder of this document because the information in this section does not provide all the information that might be important to you with respect to the merger. Additional important information is also contained in the documents incorporated by reference into this prospectus. Please see "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference" on page 161 and 162, respectively.

References in this prospectus to "Alcon" refer to Alcon, Inc., a company organized under the laws of Switzerland, and, unless the context otherwise requires, to its affiliates (other than Novartis). References in this prospectus to "Novartis" refer to Novartis AG, a company organized under the laws of Switzerland, and, unless the context otherwise requires, to its affiliates (other than Alcon).

Q: Why am I receiving this document and proxy card?

A: You are receiving this document and the enclosed proxy card because, as of the relevant record date, you owned common shares of Alcon, par value CHF 0.20 per share ("Alcon shares"). Alcon has entered into a merger agreement with Novartis pursuant to which, if approved by the Alcon shareholders and the shareholders of Novartis, Alcon will merge with Novartis. This document describes a proposal to approve the merger agreement on which Alcon would like you to vote. This document also gives you information about Alcon and Novartis and other background information so that you can make an informed investment decision.

Q: What will happen to Alcon as a result of the merger?

A: If the merger is completed, Alcon will merge with and into Novartis and will cease to exist as a separate company. Following the completion of the merger, Alcon will become the new eye care division of Novartis.

Q: What will I receive in the merger?

A: As defined and described in more detail below under "The Merger Agreement and the Merger Merger Consideration", in the merger, each Alcon share will be converted into the right to receive consideration valued at \$168 in accordance with the provisions of the merger agreement, including up to 2.8 shares of Novartis, nominal value CHF 0.50 per share ("Novartis shares"). If 2.8 Novartis shares are valued at less than \$168, each Alcon share will be converted into the right to receive (i) 2.8 Novartis shares, (ii) an additional number of Novartis shares equal to 2.8 multiplied by the lesser of (x) the amount of any cash dividend with respect to one Novartis share declared or paid after the date of the merger agreement and on or prior to completion and (y) the amount by which \$60 exceeds the value of one Novartis share, in each case divided by the value of one Novartis share and (iii) a cash-settled non-transferable put option that, when exercised by the election and exchange agent on the completion date in accordance with the merger agreement, will entitle the holder of such Alcon share to receive an amount in cash equal to the amount by which \$168 exceeds the value of the total number of Novartis shares to be delivered under (i) and (ii) in respect of an Alcon share. You may elect to receive Novartis shares or an equal number of Novartis ADSs. Each Novartis ADS represents one Novartis share. If you make no election and the registered address associated with your Alcon shares (which may be the address of a broker or custodian if you hold your shares through a brokerage or custodial account or a book-entry facility) is in Switzerland, you will receive Novartis shares, provided that you furnish appropriate account details and transfer instructions to the election and exchange agent by _____ on _____. If you make no election and the registered address associated with your Alcon shares (which may be the address of a broker or custodian if you hold your shares through a brokerage or custodial account or a book-entry facility such as The Depository Trust Company "DTC") is outside of

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Switzerland or you do not furnish appropriate account details and transfer instructions to the election and exchange agent by _____ on _____, you will receive Novartis ADSs in lieu of Novartis shares. The Novartis share value for the purpose of determining the composition of the Merger Consideration (as defined below under "The Merger Agreement and the Merger Merger Consideration") will be determined in accordance with the provisions of the merger agreement by calculating the daily volume-weighted average Novartis share prices on the SIX Swiss Exchange (the "SIX") for each of the 10 days on which trading occurs on the SIX prior to the annual general meeting of Alcon shareholders, converting such daily volume-weighted average prices from Swiss francs into US dollars at the prevailing US dollar/Swiss franc exchange rate on each such trading day (less, for any such trading day prior to the applicable ex-dividend date, the value in US dollars of any Novartis cash dividend declared or paid after the date of the merger agreement and on or prior to the effective time of the merger) and by using the resulting daily volume-weighted US dollar prices to calculate a volume-weighted average price for the Novartis shares.

The following table illustrates the hypothetical number of Novartis shares or Novartis ADSs and the hypothetical cash amount that shareholders of Alcon would receive under the terms of the merger agreement for each Alcon share based on a range of hypothetical Novartis share values:

Hypothetical Merger Consideration per Alcon Share

Hypothetical Novartis Share Value ⁽¹⁾	Base Number of Novartis Shares / Novartis ADSs ⁽²⁾	Dividend Equivalent Number of Novartis Shares / Novartis ADSs ⁽²⁾⁽³⁾	Total Number of Novartis Shares / Novartis ADSs ⁽³⁾	Put Option Cash Value ⁽⁴⁾
\$ 56.00	2.8000	0.1162 ⁽⁵⁾	2.9162 ⁽⁵⁾	\$ 4.69
\$ 58.00	2.8000	0.0966 ⁽⁵⁾⁽⁶⁾	2.8966 ⁽⁵⁾⁽⁶⁾	\$ 0.00
\$ 60.00	2.8000	0.0000	2.8000	\$ 0.00
\$ 62.00	2.7097	0.0000	2.7097	\$ 0.00

- (1) The "Novartis Share Value" is a volume-weighted average price calculated over a 10 trading day period ending on the last date prior to the annual general meeting of Alcon shareholders. It will be determined in accordance with the provisions of the merger agreement, as described under "The Merger Agreement and the Merger Merger Consideration" below.
- (2) Does not reflect payment of cash consideration in lieu of fractional Novartis shares or Novartis ADSs.
- (3) If the Novartis Share Value is less than \$60, a number of additional Novartis shares will be issued equal to 2.8 times the lesser of (x) the value of any dividends paid on Novartis shares after the date of the merger agreement and prior to completion of the merger or (y) \$60 minus the Novartis Share Value, in each case divided by the Novartis Share Value. Please see "The Merger Agreement and the Merger Merger Consideration" below. For example, if the Novartis Share Value is \$56 and Novartis pays a dividend of \$2.32 prior to completion of the merger, $2.8 \times \$2.32 / \56 , or 0.1162 additional Novartis shares will be issued.
- (4) Upon exercise of cash-settled put options by the election and exchange agent, Alcon shareholders will receive an amount in cash equal to the amount by which \$168 exceeds the value (based on the Novartis Share Value) of the total number of Novartis shares or Novartis ADSs to be delivered for each Alcon share listed under the column "Total Number of Novartis Shares / Novartis ADSs".
- (5) Assumes that Novartis pays a dividend of \$2.32 per Novartis share prior to completion of the merger, the US dollar value of the 2010 Novartis Annual Dividend of CHF 2.20

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proposed by the Novartis board on January 27, 2011, converted into US dollars at a rate of CHF 1.00 = \$1.0566, as quoted by Bloomberg on such date.

(6)

Because in this example \$60 minus the Novartis Share Value is less than the assumed US dollar value of the 2010 Novartis Annual Dividend, the number of dividend equivalent shares is limited to $2.8 \times \$2 / \58 .

The actual Novartis Share Value used to determine the Merger Consideration may be greater than or less than the values expressed in the table above. Please see also "Risk Factors The consideration received by Alcon shareholders may be less than \$168 because the market value of the Novartis shares to be delivered in the merger could fluctuate between the date of the annual general meeting of Alcon shareholders and the completion date of the merger" on page 94.

Q:

What is an American Depositary Share (ADS)?

A:

An American Depositary Share ("ADS") is an ownership interest in the securities of a non-US company deposited at a custodian bank. Each Novartis ADS represents one Novartis share. For a description of the Novartis ADSs, please see "Description of the Novartis American Depositary Shares" beginning on page 150.

Q:

How do I elect whether to receive Novartis shares or Novartis ADSs?

A:

If your Alcon shares are held in registered form, you will receive in a separate mailing an election form, which you should read carefully. You must send your completed and executed election form together with any share certificates, if applicable, as described in the instructions contained in the election form, to elect the form of merger consideration that you will receive.

DO NOT SEND YOUR ELECTION FORM OR YOUR STOCK CERTIFICATES WITH YOUR PROXY. IN ORDER TO BE CONSIDERED VALID, YOUR ELECTION FORM MUST BE RECEIVED BY THE ELECTION AND EXCHANGE AGENT BY _____, ON _____, THE DATE THAT IS FIVE TRADING DAYS PRIOR TO THE DATE OF THE ANNUAL GENERAL MEETING OF ALCON SHAREHOLDERS.

If your Alcon shares are held in a brokerage or other custodial account or through a book-entry facility such as DTC, you may not be able to make an election. In particular, you may automatically receive Novartis ADSs as part of your Merger Consideration if your Alcon shares are held through DTC. You will receive or should seek instructions from the institution holding your Alcon shares, advising you if you will be able to make an election and, if so, of the procedures for making your election and delivering your Alcon shares. Any instructions must be given to your broker or custodian sufficiently in advance of the election deadline for record holders in order to allow your broker or custodian sufficient time to cause the record holder of your Alcon shares to make an election as described above. For more information about the procedure for the exchange of your Alcon shares, please see "The Merger Agreement and the Merger Exchange of Alcon Shares and Option to Receive Novartis ADSs" on page 108.

Q:

Can I still sell my Alcon shares after I have made an election?

A:

It depends. IF YOUR ALCON SHARES ARE REPRESENTED BY A PHYSICAL SHARE CERTIFICATE OR IF YOU HOLD YOUR ALCON SHARES THROUGH A BROKER OR CUSTODIAN, YOU MAY NOT BE ABLE TO SELL YOUR ALCON SHARES AFTER YOU HAVE MADE AN ELECTION AND MAY HAVE TO WAIT UNTIL YOU RECEIVE THE MERGER CONSIDERATION FOR YOUR ALCON SHARES.

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Q: **Can I make one election for some of my Alcon shares and another election for the rest?**

A: No. You may not elect to receive a combination of Novartis shares and Novartis ADSs. You may only do one of the following:

elect to receive Novartis shares for all of the Alcon shares that you hold in an account;

elect to receive Novartis ADSs for all of the Alcon shares that you hold in an account; or

make no election for all of the Alcon shares that you hold in an account.

If your Alcon shares are held in a brokerage or other custodial account or through a book-entry facility such as DTC, you may not be able to make an election. In particular, you may automatically receive Novartis ADSs as part of your Merger Consideration if your Alcon shares are held through DTC. You will receive or should seek instructions from the institution holding your Alcon shares advising you if you will be able to make an election and, if so, of your options and of the procedures for making your election.

Q: **What happens if I don't make an election to receive either Novartis shares or Novartis ADSs?**

A: If you make no election and the registered address associated with your Alcon shares (which may be the address of the broker or custodian if you hold your Alcon shares through a brokerage or a custodial account or a book-entry facility) is in Switzerland, your Alcon shares will be converted into Novartis shares. If you make no election and the registered address associated with your Alcon shares (which may be the address of the broker or custodian if you hold your Alcon shares through a brokerage or a custodial account or a book-entry facility such as DTC) is outside Switzerland, your Alcon shares will be converted into Novartis ADSs. If your Alcon shares are held in a brokerage or other custodial account, consult the broker or custodian associated with such account to determine the registered address associated with your Alcon shares.

Q: **Can I withdraw my election?**

A: NO. YOU MAY NOT WITHDRAW A VALID ELECTION.

Q: **How should I send in my Alcon share certificates?**

A: If your Alcon shares are held in certificated form and you do not make an election, then you must keep your Alcon share certificates until after the closing, when you will receive a letter of transmittal describing how you may exchange your Alcon share certificates for the Merger Consideration. If your Alcon shares are held in certificated form and you do make an election, you will be required to send your Alcon share certificate to the election and exchange agent as described in the instructions on the election form. DO NOT SEND YOUR ALCON SHARE CERTIFICATES OR ELECTION FORM WITH YOUR PROXY CARD. If your Alcon shares are held in a brokerage or other custodial account, you will receive instructions from the entity where your Alcon shares are so held, advising you of the procedures for delivering your Alcon shares.

Q: **If the merger is completed, will my Novartis shares or Novartis ADSs be "listed" for trading?**

A: Yes. The Novartis shares are listed on the SIX under the symbol "NOVN". The Novartis ADSs are listed on the New York Stock Exchange (the "NYSE") under the symbol "NVS".

Q:

When will I receive the Merger Consideration?

A:

Assuming the merger is completed, the election and exchange agent will deliver Novartis shares or Novartis ADSs (depending on your election or according to the registered address associated with your Alcon shares if you make no election) and any cash (upon the exercise of

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the put options or as consideration for fractional Novartis shares or Novartis ADSs), either (i) as promptly as practicable, if you hold your Alcon shares in book-entry form or have previously surrendered your Alcon share certificates in connection with a valid election, or (ii) after receipt by the election and exchange agent of your Alcon share certificate and properly completed letter of transmittal, if you hold your Alcon shares in certificated form and have not previously surrendered your Alcon share certificates in connection with a valid election. For more information about the procedure for the exchange of your Alcon shares, please see "The Merger Agreement and the Merger Exchange of Alcon Shares and Option to Receive Novartis ADSs" on page 108.

Q: **Will I receive fractional interests in Novartis shares or Novartis ADSs?**

A: You will not receive fractional Novartis shares or fractional Novartis ADSs in connection with the merger if your Alcon shares are registered in your name. You will receive cash consideration to the extent you are entitled to fractions of Novartis shares or Novartis ADSs in exchange for your Alcon shares. Your fractional entitlement to Novartis shares or Novartis ADSs will be combined with those of the other Alcon shareholders and subsequently be sold on your behalf and on behalf of such other Alcon shareholders on the SIX, in the case of Novartis shares, or on the NYSE, in the case of Novartis ADSs. The sale of such fractional entitlements will occur within three trading days after the completion of the merger. You will receive cash consideration corresponding to the proceeds of the sale of your fractional entitlement to a Novartis share or Novartis ADS.

If you are a beneficial owner and your Alcon shares are held in "street name" by a broker or custodian, you should consult with your broker or custodian as to whether or not you may receive fractional interests in Novartis shares or Novartis ADSs.

Q: **Will I have to pay brokerage commissions?**

A: You will not have to pay brokerage commissions as a result of the exchange of your Alcon shares for Novartis shares or Novartis ADSs in the merger if your Alcon shares are registered in your name in the Alcon share register. If your Alcon shares are held through a bank or broker or a custodian linked to a stock exchange, you should consult with them as to whether or not they charge any transaction fee or service charges in connection with the merger.

Q: **Are Alcon shareholders able to exercise appraisal rights?**

A: Yes, if your Alcon shares are registered in your name, you can exercise your appraisal rights under Article 105 of the Swiss Merger Act by filing a suit against Novartis with a Swiss civil court either in the Swiss Canton of Zug (the place of incorporation of Alcon) or in the Swiss Canton of Basel-Stadt (the place of incorporation of Novartis). The suit must be filed within two months after the merger has been published in the Swiss Official Gazette of Commerce. If you vote in favor of the approval of the merger agreement, you may not be able to file the suit. If such a suit is filed, the court will determine the amount of compensation, if any, and such court's determination will be binding on or benefit all Alcon shareholders. The filing of an appraisal suit does not prevent completion of the merger.

If you are a beneficial owner and your Alcon shares are held in "street name" by a broker or custodian, you should consult with your broker or custodian. For more information about appraisal rights, please see "Special Factors Appraisal Rights" on page 91.

Q: **What are the consequences of voting against the merger in connection with the exercise of appraisal rights?**

A: None. Voting against the merger will have no negative consequences with respect to the exercise of appraisal rights by those Alcon shareholders voting against the merger. Alcon

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shareholders voting against the merger may file an appraisal suit against Novartis, but will receive the Merger Consideration for their Alcon shares at the same time as any other Alcon shareholders, irrespective of whether or not they exercise their appraisal rights under Article 105 of the Swiss Merger Act as described above.

Q: **When is the merger expected to be completed?**

A: The merger is currently expected to be completed in the first half of 2011; however, the merger will not be completed before the merger agreement is approved by 2/3 of the votes represented at the annual general meeting of Alcon shareholders as described in this prospectus and by 2/3 of the votes represented at an extraordinary general meeting of shareholders of Novartis to be held on _____, 2011 and certain other conditions specified in the merger agreement are satisfied. Novartis currently owns approximately 77% of the outstanding Alcon shares and has agreed in the merger agreement, subject to certain conditions, to vote in favor of the approval of the merger agreement.

Q: **What are the Swiss and US federal income tax consequences of the merger to Alcon shareholders?**

A: The characterization of the merger from a US federal income tax perspective is not clear. The question essentially turns on whether the acquisition by Novartis from Nestlé of its initial 25% non-controlling interest in Alcon in 2008 and the subsequent acquisition of a 52% controlling majority interest in Alcon on August 25, 2010 for cash should be integrated with the merger as part of a single plan. If the transactions were integrated then there would not be sufficient "continuity of interest", and the merger could not qualify as a tax-free reorganization under Section 368(a) of the US Internal Revenue Code of 1986, as amended (the "Code"). Novartis acquired both its initial 25% interest in Alcon and the 52% controlling interest pursuant to a Purchase and Option Agreement (as defined below) between Novartis and Nestlé. As described in more detail under "Special Factors Background of the Merger", Novartis acquired the 52% controlling interest in Alcon following exercise by Novartis, at the earliest possible date, of its call option under the Purchase and Option Agreement. The Purchase and Option Agreement also granted Nestlé an option to put its remaining 52% controlling interest in Alcon to Novartis, subject to the terms of the Purchase and Option Agreement. These facts, among other things, support integrating the acquisition transactions from a tax perspective. On the other hand, the acquisition by Novartis of the initial 25% interest in Alcon occurred in 2008, and there was no legal requirement that either Novartis or Nestlé exercise their respective options under the Purchase and Option Agreement. This could support an argument that the initial 25% interest of Novartis in Alcon should be treated as "old and cold". If it was so treated, that 25% interest, together with the Novartis shares to be delivered to the non-controlling minority Alcon shareholders in connection with the merger, should satisfy the "continuity of interest" requirement, and the merger should then qualify as a tax-free reorganization. While the matter is not free from doubt, Novartis intends to treat the merger as a taxable transaction.

From a Swiss tax perspective, although the merger has no direct tax consequences on the merging companies, the merger will result in a gain in nominal value, corresponding to the excess of the aggregate nominal value of Novartis shares issued to Alcon shareholders over the aggregate nominal value of the Alcon shares tendered. In the merger agreement, Novartis has agreed to pay and bear the Swiss withholding tax on such gain in nominal value. Payments made under the put option, if any, are also subject to Swiss withholding tax.

Because the tax consequences of the merger will depend in part on your particular facts and circumstances, you should consult your own tax advisor regarding the appropriate characterization of the merger and the specific tax consequences to you. For more information

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on the material US federal income tax consequences and the material Swiss income tax consequences of the merger, including information with respect to the possible availability of a refund of withholding taxes paid and related tax reclaim services provided by Globe Tax Services, Inc., please see "Special Factors Tax Considerations" beginning on page 84.

Q: **What is the purpose of the discharge resolution?**

A: Under Swiss statutory law, the Alcon Board may seek discharge from the Alcon shareholders. If discharge is granted, the corporation and those Alcon shareholders who have voted in favor of discharge cannot assert any claims based on Swiss corporation law for directors' liability with respect to matters then known to the Alcon shareholders. The right to assert liability claims still exists, however, with respect to matters not known to the Alcon shareholders on the date on which discharge was granted. In other words, all Alcon shareholders whether or not they voted in favor of discharge can still assert claims against former directors if additional facts come to light (as a result of subsequent audits or otherwise) after the granting of discharge.

The Alcon Board proposes that discharge be granted to the current and former members of the Alcon Board for their term of office from January 1, 2010 up to _____, 2011 (the last date on which Alcon shareholders may give voting instructions for the annual general meeting of Alcon shareholders).

Q: **Who can vote?**

A: Alcon shareholders who are registered in the Alcon share register on _____, 2011, will receive the proxy and admission form (including the voting material) directly from the share registrar of Alcon. Beneficial owners of shares and Alcon shareholders registered in the Alcon share register as of _____, 2011, are entitled to vote and may participate in the annual general meeting of Alcon shareholders unless they sell their Alcon shares before _____. Persons who have ACQUIRED shares after _____, 2011, but on or before _____, 2011, will receive the proxy and admission form (including the voting material) shortly before the meeting. Alcon shareholders who have acquired Alcon shares after that date may not attend the annual general meeting of Alcon shareholders. Alcon shareholders who have SOLD their Alcon shares before _____ are not entitled to vote or participate in the annual general meeting of Alcon shareholders.

Q: **How can I vote?**

A: You can vote your Alcon shares by marking your choices on the enclosed proxy card, and then signing, dating and mailing it in the enclosed envelope or by following the Internet or telephone voting instructions on the proxy card. Using any of these methods, you authorize Alcon to vote your Alcon shares as you specified. If you authorize Alcon to vote your Alcon shares without giving any instructions, your Alcon shares will be voted in accordance with the proposals of the Alcon Board with regard to the agenda items listed on the agenda for the annual general meeting of Alcon shareholders included in this prospectus, including in favor of the approval of the merger agreement. If new proposals (other than those on the agenda) are put forth before the annual general meeting of Alcon shareholders, the Alcon representative will vote your Alcon shares in accordance with the position of the Alcon Board. Proxy forms must be sent to Alcon in the enclosed envelope, arriving no later than _____, 2011.

If you are a registered Alcon shareholder, you may also authorize the independent representative, _____, with full rights of substitution, to vote your Alcon shares on your behalf. _____'s address is: _____. If you authorize the independent representative to vote your Alcon shares without giving instructions, your Alcon shares will be voted in accordance with the proposals of the Alcon Board with regard to the agenda items listed on the agenda for the annual general meeting of Alcon shareholders included in this prospectus, including in favor of

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the approval of the merger agreement. If new proposals (other than those on the agenda) are put forth before the annual general meeting of Alcon shareholders, the independent representative will abstain from voting your Alcon shares with regard to any such new proposals. Proxy forms authorizing the independent representative to vote your Alcon shares on your behalf must be sent to Alcon in the enclosed envelope or directly to the independent representative, arriving no later than _____, 2011.

If you are a registered Alcon shareholder, you may also choose to attend the annual general meeting of Alcon shareholders and vote in person, or appoint a proxy of your choice to vote at the meeting for you. The proxy need not be an Alcon shareholder. If you choose to attend the annual general meeting of Alcon shareholders in person, or appoint a proxy to attend on your behalf, your Alcon shares can only be voted at the annual general meeting of Alcon shareholders. To select one of these options, please complete the attendance portion of the enclosed proxy card and return it to Alcon in the enclosed envelope, arriving no later than _____, 2011.

Q: **If my Alcon shares are held in "street name" by my broker, will my broker vote my Alcon shares for me?**

A: If you are a beneficial owner and your Alcon shares are held in "street name" by a broker or custodian, you will receive or should seek instructions from the broker or custodian holding your Alcon shares concerning how to instruct your broker or custodian as to how to vote your Alcon shares. You may also instruct your broker or custodian to authorize the independent representative to vote your Alcon shares. Alternatively, if you wish to vote in person then you need to:

obtain a power of attorney from your broker or other custodian authorizing you to vote the Alcon shares held for you by that broker or custodian, and request an admission card using the power of attorney; or

become a registered Alcon shareholder no later than _____, 2011, and request an admission card by that date.

Q: **What does it mean if I get more than one proxy card?**

A: It means you have multiple accounts at the transfer agent and/or with brokers. Please sign and return all proxy cards or vote all your Alcon shares online or by telephone to ensure that all your Alcon shares are voted.

Q: **How can I attend the annual general meeting of Alcon shareholders in person?**

A: The annual general meeting of Alcon shareholders will be held on _____, 2011, beginning at _____ Central European Time, at _____. If you wish to attend the annual general meeting of Alcon shareholders in person you must present your admission card before _____ on _____, 2011, at one of the control offices at the meeting location for validation. Doors open at _____.

REGISTERED ALCON SHAREHOLDERS WHO HAVE APPOINTED ALCON OR THE INDEPENDENT REPRESENTATIVE AS A PROXY AND BENEFICIAL OWNERS WHO HAVE NOT OBTAINED A POWER OF ATTORNEY FROM THEIR BROKER OR CUSTODIAN MAY NOT ATTEND THE ANNUAL GENERAL MEETING OF ALCON SHAREHOLDERS IN PERSON OR SEND AN ALTERNATE PROXY OF THEIR CHOICE TO REPRESENT THEM AT THE ANNUAL GENERAL MEETING OF ALCON SHAREHOLDERS.

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Q: **What happens if I do not indicate my preference for or against approval of the merger agreement?**

A: If you submit a proxy without specifying the manner in which you would like your Alcon shares to be voted, your Alcon shares will be voted in accordance with the proposal of the Alcon Board.

If you submit your proxy and specify to abstain from voting on the approval of the merger agreement by marking the respective box on the proxy, your instruction will have the same effect as a vote "AGAINST" the approval of the merger agreement.

Q: **What happens if I do not return a proxy card or otherwise vote?**

A: If you do not submit your proxy or instruct your broker or custodian to vote your Alcon shares, and you do not vote in person at the annual general meeting of Alcon shareholders, your Alcon shares will be left unvoted.

If your Alcon shares are held in "street name" by a broker or custodian, your broker or custodian will leave your Alcon shares unvoted unless you provide instructions on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your Alcon shares. This ensures that your Alcon shares will be voted at the annual general meeting of Alcon shareholders.

Q: **What shareholder approvals are required to approve the merger agreement?**

A: Approval of the merger agreement requires 2/3 of the votes represented at the annual general meeting of Alcon shareholders. Novartis currently owns approximately 77% of the outstanding Alcon shares and has agreed in the merger agreement, subject to certain conditions, to vote in favor of the approval of the merger agreement. Therefore, Novartis holds the voting power necessary to approve the merger agreement at the Alcon level without the support of any other Alcon shareholder.

In addition, the merger agreement must also be approved by 2/3 of the votes represented at an extraordinary meeting of the shareholders of Novartis to be held on _____, 2011.

Q: **Does the Alcon Board recommend the approval of the merger agreement?**

A: Yes. The Alcon Board, by actions taken without the participation of two directors who recused themselves (Mr. Kevin Buehler, who recused himself because he has received an employment offer to be Head of the Novartis eye care division after completion of the proposed merger, and Dr. Daniel Vasella, who recused himself because of his status as Chairman of Novartis) and one director who had participated in the unanimous recommendation of the Independent Director Committee of the Alcon Board (the "Independent Director Committee"), has carefully considered the proposed merger and unanimously recommends that you vote in favor of the merger agreement.

For additional information regarding the factors and reasons considered by the Alcon Board and the board of directors of Novartis (the "Novartis Board") in approving the merger, the manner in which the Alcon Board and the Novartis Board made their decision, including the decision of certain members of the Alcon Board to abstain from voting and the interest of certain directors and their affiliates in the merger, please see "Special Factors" beginning on page 34.

Q: **What do I need to do now?**

A: VOTING: You are urged to carefully read this prospectus, including its annexes and the documents incorporated by reference into this prospectus. You may also want to review the

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documents referenced under "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference" on page and , respectively, and consult with your accounting, legal and tax advisors. Once you have considered all relevant information, you are encouraged to vote by proxy so that your Alcon shares are represented at the annual general meeting of Alcon shareholders. You can vote your Alcon shares by marking your choices on the enclosed proxy card, and then signing, dating and mailing it in the enclosed envelope or by following the Internet or telephone voting instructions on the proxy card.

You should return your proxy card or vote online or by telephone whether or not you plan to attend the annual general meeting of Alcon Shareholders. If you plan to attend, you may revoke your proxy at any time before it is voted and vote in person if you wish.

If you hold your Alcon shares in "street name" through a broker or custodian, you must instruct your broker or custodian as to how to vote your Alcon shares using the instructions provided to you by your broker or custodian.

ELECTION: If you are a registered Alcon shareholder, you will receive in a separate mailing an election form. To make an election as to whether you would like to receive Novartis shares or Novartis ADSs, you must send in your completed election form together with any share certificates, if applicable, to the election and exchange agent by , on , the date that is five trading days prior to the date of the annual meeting of Alcon shareholders. If your Alcon shares are held in a brokerage or custodial account or through a book-entry facility such as DTC, you may not be able to make an election. In particular, you may automatically receive Novartis ADSs as part of your Merger Consideration if your Alcon shares are held through DTC. You will receive or should seek instructions from the institution holding your Alcon shares, advising you if you will be able to make an election and, if so, of the procedures for making your election and delivering your Alcon shares. **DO NOT SEND YOUR ELECTION FORM OR YOUR SHARE CERTIFICATES WITH YOUR PROXY.**

Q: Can I change my vote after I have mailed my signed proxy?

A: Yes, you can change your vote at any time before , 2011, the last date on which Alcon shareholders may give voting instructions for the annual general meeting of Alcon shareholders. Your final instructions must arrive at the address indicated below on that date. You can send a written notice stating that you would like to revoke your proxy, or you can complete and submit a new proxy bearing a later date. If you choose either of these two methods, you must submit your notice of revocation or your new proxy to Alcon at . If you give proxy instructions by telephone or the Internet, these instructions must be given no later than 11:59 p.m. Eastern Time on , 2011. Finally, you can attend the annual general meeting of Alcon shareholders and vote in person. Attendance at the annual general meeting of Alcon shareholders will not in and of itself constitute revocation of a proxy. **PLEASE NOTE THAT IF YOU HAVE APPOINTED ALCON OR THE INDEPENDENT REPRESENTATIVE AS A PROXY AND IF YOU HAVE NOT REVOKED SUCH PROXY YOU MAY NOT ATTEND THE ANNUAL GENERAL MEETING OF ALCON SHAREHOLDERS IN PERSON OR SEND A PROXY OF YOUR CHOICE TO THE ANNUAL GENERAL MEETING OF ALCON SHAREHOLDERS.**

Q: Who can help answer my questions?

A: If you have any further questions about the merger or if you need additional copies of this prospectus or the enclosed proxy card, you can contact:

Alcon Laboratories, Inc.
Investor Relations
6201 South Freeway, MCT7-5

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Fort Worth, Texas 76134-2099
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Tel: +1 800 400 8599
E-mail: investor.relations@alconlabs.com

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Investor Relations
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East Hanover, NJ 07936
USA
Tel: +1 212 307 1122
Fax: +1 212 830 2405
E-mail: investor.relations@novartis.com

Q: **Where can I find more information about the companies?**

A: You can find more information about Novartis and Alcon in the documents described under "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference" on page 161 and 162, respectively.

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SUMMARY

This summary highlights selected information from this prospectus and may not contain all the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this entire prospectus and the other documents to which Novartis refers you, including in particular the copies of the merger agreement, the opinion of Credit Suisse AG ("Credit Suisse"), the opinion of Greenhill & Co., LLC ("Greenhill") and the opinion of Lazard Frères & Co. LLC ("Lazard") that are attached to this prospectus and incorporated by reference into this prospectus. Please see also "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference" on page 161 and 162, respectively. Novartis has included page references parenthetically to direct you to a more complete description of many of the topics presented in this summary.

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, the predecessor companies of Novartis, Ciba-Geigy and Sandoz, merged into this new entity, creating Novartis. Novartis is domiciled in and governed by the laws of Switzerland. Its registered office is located at Lichtstrasse 35, 4056 Basel, Switzerland, and its telephone number is +41 61 324 1111.

Novartis AG is 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 and provides healthcare solutions that address the evolving needs of patients and societies worldwide. Its broad portfolio includes innovative medicines, preventive vaccines and diagnostic tools, generic pharmaceuticals and consumer health products.

The Novartis Group's 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)

The Novartis shares are listed in Switzerland on the SIX under the symbol "NOVN" and the Novartis ADSs are listed on the NYSE under the symbol "NVS". Novartis employed 119,418 full-time equivalent associates, including 16,700 Alcon associates, as of December 31, 2010 and has operations in approximately 140 countries around the world.

Alcon, Inc.

The entity that is now Alcon, Inc. was originally incorporated in Switzerland in 1971 as Société Fromagère Nestlé S.A., and, after a change of its name to Alcon Universal S.A. in 1978, was registered in the Commercial Register of the Canton of Zug on March 13, 1992. Effective on December 21, 2001, Alcon changed its name to Alcon, Inc. Alcon's principal executive offices are located at Bösch 69, P.O. Box 62, 6331, Hünenberg, Switzerland, and its telephone number is +41 41 785 8888. Alcon's principal United States offices are located at 6201 South Freeway, Fort Worth, Texas 76134-2099. The telephone number at those offices is +1 817 293 0450 and the fax number is +1 817 568 7111.

Alcon is a research and development driven, global medical specialty company predominantly focused on eye care. Alcon develops, manufactures and markets pharmaceuticals, surgical equipment

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and devices and consumer eye care products to treat primarily diseases and disorders of the eye. Alcon's broad range of products represents one of the strongest portfolios in the ophthalmic industry.

The Alcon shares are listed on the NYSE under the symbol "ACL". Alcon employed approximately 16,700 full-time employees as of December 31, 2010. Currently, Alcon's products are sold in over 180 countries.

Risk Factors (page 94)

An investment in Novartis shares or Novartis ADSs involves risks, some of which are related to the merger. In considering the proposed merger, you should carefully consider the information about these risks set forth under "Risk Factors" beginning on page 94, together with the other information included or incorporated by reference in this prospectus.

The Annual General Meeting of Alcon Shareholders (page 98)

Alcon will hold an annual general meeting of Alcon shareholders on _____, 2011, beginning at _____ Central European Time. The purposes of the annual general meeting of Alcon shareholders are:

1. To approve the merger agreement, dated as of December 14, 2010, entered into by and between Alcon and Novartis.
2. To approve the 2010 Annual Report and Accounts of Alcon and the 2010 Consolidated Financial Statements of Alcon and Subsidiaries, as set forth in the 2010 Business Report.
3. To grant discharge to the current and former members of the Alcon Board for their term of office from January 1, 2010 up to _____, 2011.
4. To re-elect KPMG AG, Zug, Switzerland as Auditors for the period between the annual general meeting of Alcon shareholders and the completion of the merger of Alcon with and into Novartis.
5. To re-elect Dr. Daniel Vasella, Mr. Cary R. Rayment, Mr. Thomas G. Plaskett, Dr. Enrico Vanni and Mr. Norman Walker as members of the Alcon Board for the period between the annual general meeting of Alcon shareholders and the completion of the merger of Alcon with and into Novartis.

Item 1

The Alcon Board, by actions taken without the participation of two directors who recused themselves (Mr. Kevin Buehler, who recused himself because he has received an employment offer to be Head of the Novartis eye care division after completion of the proposed merger, and Dr. Daniel Vasella, who recused himself because of his status as Chairman of Novartis) and one director who had participated in the unanimous recommendation of the Independent Director Committee, has unanimously approved the merger and unanimously recommends that Alcon shareholders vote "FOR" the approval of the merger agreement.

Item 2

The Alcon Board proposes that the 2010 Annual Report and Accounts of Alcon and the 2010 Consolidated Financial Statements of Alcon and Subsidiaries, as set forth in the 2010 Business Report, be approved.

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Item 3

The Alcon Board proposes that discharge be granted to the current and former members of the Alcon Board for their term of office from January 1, 2010 up to _____, 2011, the last date on which Alcon shareholders may give voting instructions for the annual general meeting of Alcon shareholders.

Item 4

The Alcon Board proposes that KPMG AG, Zug, Switzerland ("KPMG AG"), be re-elected as Auditors for the period between the annual general meeting of Alcon shareholders and the completion of the merger of Alcon with and into Novartis.

Item 5

The Alcon Board proposes that each of Dr. Daniel Vasella, Mr. Cary R. Rayment, Mr. Thomas G. Plaskett, Dr. Enrico Vanni and Mr. Norman Walker be re-elected to the Alcon Board for the period between the annual general meeting of Alcon shareholders and the completion of the merger of Alcon with and into Novartis.

Vote Required; Voting Agreements; Novartis Ownership

Approval of the merger agreement requires 2/3 of the votes represented at the annual general meeting of Alcon shareholders. Novartis currently owns approximately 77% of the outstanding Alcon shares and has agreed in the merger agreement, subject to certain conditions, to vote in favor of the approval of the merger agreement and the grant of discharge. Approval of the Alcon 2010 Business Report, approval of the discharge, re-election of KPMG AG as Auditors and re-election of the members of the Alcon Board require a majority of the votes represented at the annual general meeting of Alcon shareholders.

Alcon Shareholders Entitled to Vote; Admission Cards/Voting Material

Alcon shareholders who are registered in the Alcon share register on _____, 2011, will receive the proxy and admission form (including the voting material) directly from the Alcon share registrar. Beneficial owners of Alcon shares held by a broker or custodian will receive an instruction form from their broker or custodian with directions on how to instruct the broker or custodian to vote their Alcon shares. Beneficial owners who wish to attend the annual general meeting of Alcon shareholders in person are requested to obtain a power of attorney from their broker or custodian that authorizes them to vote the Alcon shares held for them by the broker or custodian, and to request an admission card using the power of attorney.

Beneficial owners of Alcon shares and shareholders registered in the Alcon share register as of _____, 2011, are entitled to vote and may participate in the annual meeting of Alcon shareholders unless they sell their Alcon shares before the annual general meeting of Alcon shareholders takes place. Each Alcon share carries one vote. As of _____, there were _____ Alcon shares outstanding and entitled to be voted upon at the annual general meeting of Alcon shareholders.

Persons who have **acquired** Alcon shares after _____, 2011, but on or before _____, 2011, will receive the proxy and admission form (including the voting material) shortly before the annual general meeting of Alcon shareholders. Alcon shareholders who have acquired Alcon shares after _____, 2011 may not attend the annual general meeting of Alcon shareholders. Alcon shareholders who have **sold** their Alcon shares before _____ are not entitled to vote or participate in the annual general meeting of Alcon shareholders.

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The Merger Agreement and the Merger (page 104)

On December 14, 2010, Novartis and Alcon entered into the merger agreement, which provides for the merger of Alcon with and into Novartis, with Novartis continuing as the surviving corporation. A copy of the merger agreement is attached as Annex A to this prospectus. You are encouraged to read the entire merger agreement carefully because it is the principal legal document governing the merger.

Novartis Reasons for the Merger (page 48)

The purpose of the merger is for Novartis to acquire the remaining outstanding Alcon shares that Novartis does not currently own. In unanimously approving the merger agreement and the merger, in addition to those discussed below, Novartis considered a variety of factors in favor of the merger. Among other things, Novartis believes that:

Alcon strategically complements the healthcare portfolio of Novartis, adding the additional growth platform of eye care.

The eye care sector offers significant growth opportunities underpinned by the increasing unmet needs of emerging markets and an aging population. The Alcon and Novartis eye care portfolios address a broad range of these unmet needs.

Novartis and Alcon have complementary pharmaceutical portfolios for diseases in the front and back areas of the eye as well as strong global brands in lens care. Alcon is a global leader in ophthalmic surgical products while Novartis has a broad contact lens portfolio and advanced eye care technologies and an early pipeline of innovative ophthalmic medicines.

The merger is expected to provide a number of opportunities for Novartis and Alcon to create greater value for shareholders:

offer a more compelling product portfolio for patients around the world;

capitalize on strengthened R&D capabilities;

accelerate expansion into high-growth regions;

benefit from co-promotion opportunities; and

leverage combined and increased purchasing volume.

Alcon and Novartis have attractive global activities in eye care, each offering their own competitive positions in highly complementary segments. Aligning these strengths will result in offering even more products that make a difference for patients around the world. The new eye care division that Novartis intends to establish following completion of the merger will have enhanced opportunities to accelerate expansion in high-growth regions, generate greater value from combined product portfolios and capitalize on strengthened R&D capabilities.

Annual cost synergies following completion of full ownership are anticipated to be \$300 million.

The Novartis Board has unanimously approved and declared advisable the merger agreement and the transactions contemplated thereby and has determined that the merger agreement and the transactions contemplated thereby are fair to and are advisable and in the best interests of the shareholders of Novartis.

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Opinion of Credit Suisse (page 49)

Credit Suisse rendered its oral opinion, subsequently confirmed by delivery of its written opinion, dated December 14, 2010, to the Novartis Board, to the effect that, as of December 14, 2010 and based upon and subject to the factors and assumptions set forth in the written opinion, the Merger Consideration was fair to Novartis from a financial point of view. A copy of the full text of Credit Suisse's written opinion is attached to this document as Annex B. You are encouraged to read this opinion carefully in its entirety.

Credit Suisse provided its opinion for the information of the Novartis Board in connection with its consideration of the merger, and Credit Suisse's opinion does not constitute advice or a recommendation to any shareholder of any party as to how such shareholder should vote or act on any matter relating to the merger or otherwise. Credit Suisse's opinion addresses only the fairness, from a financial point of view, to Novartis of the Merger Consideration and does not address any other aspect or implication of the merger, including, without limitation, the structure or implementation of the merger or the structure of the Merger Consideration, or any other agreement, arrangement or understanding entered into in connection with the merger or otherwise, including, without limitation, the fairness of the amount or nature of, or any other aspect relating to, any compensation to any officers, directors or employees of any party to the merger, or class of such persons, relative to the Merger Consideration or otherwise.

Alcon Reasons for the Merger; Recommendation of the Alcon Board as to Fairness of the Merger (page 59)

In reaching its decision to approve the merger agreement and the merger, the Alcon Board consulted with Alcon's management and legal and financial advisors regarding strategic, legal, operational and financial aspects of the transaction and received the unanimous recommendation of the Independent Director Committee. In the course of reaching its unanimous decision among directors participating to approve the merger agreement, the Alcon Board considered a variety of factors in favor of approving the merger agreement and the merger. Among other things, Alcon believes:

The merger agreement and the merger are fair and are advisable and in the best interests of the unaffiliated Alcon shareholders.

The merger will allow the unaffiliated Alcon shareholders to participate in future synergies resulting from the merger while holding shares in a company that is not controlled by a single shareholder.

The merger will end the speculation caused by the existing ownership structure regarding Novartis acquiring the Minority Shares (as defined below), which has been a distraction to the business and the employees of Alcon.

The merger will create a stronger eye care business with broader commercial reach and enhanced capabilities to develop more new and innovative eye care products that address unmet clinical needs in eye care.

The merger is expected to yield a number of benefits to Alcon and its employees and customers, including:

increased commercial capability to accelerate sales growth and support for Alcon's customers;

expanded ability to develop innovative eye care products that reach the market faster;

greater patient and market access to advanced technologies;

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enhanced product development and branding opportunities in contact lenses and solutions; and

cost efficiencies that can be reinvested in research and other growth opportunities.

The merger will allow Alcon to benefit from the global commercial capabilities of Novartis across multiple healthcare product categories. This includes reimbursement and market access capabilities that can be leveraged to accelerate Alcon's growth around the world, such as enhanced market access for advanced technology intraocular lenses in Europe. Alcon and Novartis together will also be better positioned to capture growth and market share in numerous geographic markets, especially in emerging markets where there is high growth potential.

The new eye care division that Novartis proposes to create following completion of the merger will combine Alcon's in-depth scientific knowledge of eye disease and clinical experience with the broad-based research capabilities and resources of Novartis. This will allow for an expanded commitment to research and development activities in eye care with the goal of increasing new product discovery and development productivity to generate differentiated products to sustain and accelerate growth. This is expected to translate into more new products for eye care professionals and their patients and increased opportunities for market penetration in key market segments.

Following completion of the merger, the combined company will be better positioned to capitalize on commercial opportunities to develop and brand contact lenses collaboratively with contact lens solutions with the goal of capturing new patients and increasing the number of patients that use contact lenses to correct their vision.

The Alcon Board, by actions taken without the participation of two directors who recused themselves (Mr. Kevin Buehler, who recused himself because he has received an employment offer to be Head of the Novartis eye care division after completion of the proposed merger, and Dr. Daniel Vasella, who recused himself because of his status as Chairman of Novartis) and one director who had participated in the unanimous recommendation of the Independent Director Committee, and after receiving the unanimous recommendation of the Independent Director Committee, has approved and declared advisable the merger agreement and the transactions contemplated thereby and has determined that the merger agreement and the transactions contemplated thereby are fair to and are advisable and in the best interests of the unaffiliated Alcon shareholders, in each case, by a unanimous decision of the directors participating. The Independent Director Committee and the Alcon Board each reached their conclusion after consultation with their own respective independent legal and financial advisors. The Alcon Board therefore recommends by unanimous decision among directors participating that you vote "FOR" the approval of the merger agreement.

For additional information regarding the factors and reasons considered by the Alcon Board and the Novartis Board in approving the merger, the manner in which the Alcon Board and the Novartis Board made their decision, including the decisions of certain members of the Alcon Board to abstain from voting and the interest of certain directors and their affiliates in the merger, please see "Special Factors" beginning on page 34.

Opinions of Alcon's Financial Advisors

Opinion of Lazard Frères & Co. LLC (page 63)

In connection with the merger, on December 14, 2010, Alcon's investment banker, Lazard, rendered its oral opinion to Alcon's board of directors, subsequently confirmed in writing, that, as of such date, and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth therein, the Merger Consideration (as defined in the merger agreement) to be paid

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to holders of Alcon shares (other than Alcon, Novartis and their respective affiliates) in the merger was fair, from a financial point of view, to such holders.

The full text of Lazard's written opinion, dated December 14, 2010, which sets forth the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Lazard in connection with its opinion is attached to this prospectus as Annex C and is incorporated into this prospectus by reference. We encourage you to read Lazard's opinion, and the section "Special Factors Opinion of Lazard Frères & Co. LLC" beginning on page 63, carefully and in its entirety. Lazard's opinion was directed to Alcon's board of directors for the information and assistance of Alcon's board of directors in connection with its evaluation of the merger and only addressed the fairness, from a financial point of view, to the holders of Alcon shares (other than Alcon, Novartis and their respective affiliates) of the Merger Consideration to be paid to such holders in the merger as of the date of Lazard's opinion. Lazard's opinion did not address any other aspect of the merger and was not intended to and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the merger or any matter relating thereto.

Opinion of Greenhill (page 73)

On December 14, 2010, Greenhill rendered its oral opinion to the Independent Director Committee, subsequently confirmed in writing, that, as of such date and based upon and subject to the limitations and assumptions set forth therein, the Merger Consideration to be received by the holders of the Alcon shares (other than Novartis) pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The full text of Greenhill's written opinion dated December 14, 2010, which contains the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D to this prospectus. We encourage you to read Greenhill's opinion, and the section "Special Factors Opinion of Greenhill" beginning on page 73, carefully and in its entirety. The summary of Greenhill's opinion in this prospectus is qualified in its entirety by reference to the full text of the opinion. Greenhill's written opinion was addressed to the Independent Director Committee for the information of the Independent Director Committee in connection with its consideration of the merger agreement, and it was not a recommendation to the Independent Director Committee as to whether it should approve the merger or the merger agreement, nor does it constitute a recommendation as to whether the Alcon shareholders should approve the merger agreement or take any other action with respect to the merger at any meeting of the shareholders convened in connection with the merger. Greenhill was not requested to opine as to, and its opinion did not in any manner address, Alcon's underlying business decision to proceed with or effect the merger.

Merger Consideration (page 104)

As defined and described in more detail under "The Merger Agreement and the Merger Merger Consideration" below, in the merger, each Alcon share will be converted into the right to receive consideration valued at \$168 in accordance with the provisions of the merger agreement, including up to 2.8 Novartis shares. If 2.8 Novartis shares are valued at less than \$168, each Alcon share will be converted into the right to receive (i) 2.8 Novartis shares, (ii) an additional number of Novartis shares equal to 2.8 multiplied by the lesser of (x) the amount of any cash dividend with respect to one Novartis share declared or paid after the date of the merger agreement and on or prior to completion and (y) the amount by which \$60 exceeds the value of one Novartis share, in each case divided by the value of one Novartis share and (iii) a cash-settled non-transferable put option that, when exercised by the election and exchange agent on the completion date in accordance with the merger agreement, will entitle the holder of such Alcon share to receive an amount in cash equal to the amount by which \$168 exceeds the value of the total number of Novartis shares to be delivered

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under (i) and (ii) in respect of an Alcon share. Alcon shareholders may elect to receive Novartis shares or an equal number of Novartis ADSs. Each Novartis ADS represents one Novartis share. Each Novartis ADS represents one Novartis share. Alcon shareholders who make no election and whose registered address (which may be the address of a broker or custodian if the relevant Alcon shares are held through a brokerage or custodial account or a book-entry facility) is in Switzerland will receive Novartis shares, provided that such Alcon shareholders furnish appropriate account details and transfer instructions to the election and exchange agent by _____ on _____. Alcon shareholders who make no election and whose registered address (which may be the address of a broker or custodian if such Alcon shares are held through a brokerage or custodial account or a book-entry facility such as DTC) is outside Switzerland or for which the election and exchange agent has not received appropriate account details or transfer instructions by _____ on _____, will receive Novartis ADSs in lieu of Novartis shares. The Novartis share value for the purpose of determining the composition of the Merger Consideration will be determined in accordance with the provisions of the merger agreement by calculating the daily volume-weighted average Novartis share prices on the SIX for each of the 10 trading days prior to the annual general meeting of Alcon shareholders, by converting such daily volume-weighted average prices from Swiss francs into US dollars at the prevailing US dollar/Swiss franc exchange rate on each such trading day (less, for any such trading day prior to the applicable ex-dividend date, the value in US dollars of any Novartis cash dividend declared or paid after the date of the merger agreement and on or prior to the effective time of the merger) and by using the resulting daily volume-weighted US dollar prices to calculate a volume-weighted average price for the Novartis shares. Alcon shareholders will receive cash for any fractional Novartis shares or Novartis ADSs that they would otherwise receive in the merger. Novartis anticipates that, following the merger, Alcon shareholders (other than Novartis) will own approximately _____% of Novartis on a fully diluted basis.

Conditions to the Completion of the Merger (page 114)

Novartis and Alcon are obligated to complete the merger only if the following conditions are satisfied:

approval of the merger agreement and all related resolutions at the meetings of shareholders of Alcon and Novartis;

the registration statement on Form F-4 containing this prospectus shall have been declared effective under the Securities Act of 1933, as amended (the "Securities Act") and the SEC has not taken any action to suspend effectiveness;

the SIX and the NYSE have approved the listing of the Novartis shares and the Novartis ADSs, respectively, issued in connection with the merger; and

no order or injunction has been issued by any governmental authority or a competent court that (i) prohibits the consummation of the merger and (ii) is enforceable in Switzerland.

Novartis and Alcon cannot assure you that all of the conditions to completing the merger will be satisfied or waived.

Termination of the Merger Agreement (page 114)

Either Novartis (by decision of the Novartis Board) or Alcon (by decision of the Alcon Board) may terminate the merger agreement if the conditions described under "The Merger Agreement and the Merger Conditions to the Completion of the Merger" on page 114 have not been satisfied by October 1, 2011, other than as a result of the fault of the party seeking termination.

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Fees and Expenses/Costs (page 115)

Novartis and Alcon shall bear their own costs (such as attorneys' and bankers' fees). Costs that are jointly incurred (such as the fees of Ernst & Young, as the joint auditor in connection with the Audit Report required in connection with the merger) will be evenly divided.

Appraisal Rights (page 91)

Alcon shareholders whose Alcon shares are registered in their names can exercise appraisal rights under Article 105 of the Swiss Merger Act by filing a suit against Novartis with a Swiss civil court either in the Swiss Canton of Zug (the place of incorporation of Alcon) or in the Swiss Canton of Basel-Stadt (the place of incorporation of Novartis). The suit must be filed within two months after the merger has been published in the Swiss Official Gazette of Commerce. Alcon shareholders who vote in favor of the approval of the merger agreement may not be able to file the suit. If such a suit is filed, the court will determine the amount of compensation, if any, and such court's determination will be binding on or benefit all Alcon shareholders. The filing of an appraisal suit does not prevent completion of the merger. Beneficial owners whose Alcon shares are held in "street name" should consult with their broker or custodian.

Interests of Alcon's Directors and Executive Officers in the Merger (page 138)

In considering the recommendation of the Alcon Board that you vote for the approval of the merger agreement, you should be aware that members of the Alcon Board and the Alcon executive officers have agreements and arrangements that provide them with interests in the merger that may differ from, or be in addition to, the interests of other Alcon shareholders. These interests include the vesting of certain equity awards upon the change of control that occurred in connection with the Second Stage Acquisition (as defined in "Special Factors Background of the Merger" beginning on page) or upon certain terminations following such change of control, the conversion of equity awards into Novartis equity awards upon completion of the merger, the payment of severance benefits upon certain terminations of employment following the merger, and the vesting and payment of certain deferred compensation and retirement benefits. The Alcon Board was aware of these agreements and arrangements during its deliberations of the merits of the merger and in determining to recommend that you vote to approve the merger agreement.

Regulatory Filings and Approvals Necessary to Complete the Merger (page 115)

No further regulatory filings or approvals will be required for the completion of the merger.

Litigation (page 92)

Beginning on January 7, 2010, shareholder class action complaints relating to the January 3, 2010 proposal of Novartis to enter into a merger with Alcon were filed against Novartis and others, including in certain cases Alcon and certain members of the Alcon Board, by minority shareholders of Alcon. Nine actions were filed in the United States District Courts in New York and Texas, and four actions were filed in various Texas state courts. One of the federal actions was dismissed voluntarily, and the remaining eight actions were consolidated in the United States District Court for the Southern District of New York. On May 24, 2010, that court dismissed the consolidated action based on the doctrine of *forum non conveniens*. On July 14, 2010, plaintiffs appealed the dismissal to the United States Court of Appeals for the Second Circuit. On January 5, 2011, plaintiffs-appellants moved to dismiss the appeal on grounds of mootness. The Second Circuit granted that motion for voluntary dismissal on January 6, 2011. On April 15, 2010, the actions pending in Texas state courts were consolidated in the District Court of Dallas County for pre-trial proceedings by the Texas Multidistrict Litigation Panel. On November 17, 2010, the court dismissed the consolidated Texas state court actions

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based on *forum non conveniens* without prejudice to re-filing in Switzerland. On December 17, 2010, plaintiffs appealed the dismissal to the Texas Fifth District Court of Appeals.

Financing of the Merger (page 93)

The obligation of Novartis to complete the merger is not conditioned upon its ability to obtain financing for the merger. Novartis estimates that the total amount of funds necessary to fund the cash-settled put option component of the Merger Consideration will be approximately \$1 billion, based on the market price of Novartis shares on the date of announcement of the merger. The actual amount of funds required (if any) will depend on the value of Novartis shares during the relevant measurement period as determined in accordance with the provisions of the merger agreement. Please see "The Merger Agreement and the Merger Merger Consideration" beginning on page 23.

Accounting Treatment (page 84)

Novartis prepares its consolidated financial statements using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Novartis previously acquired approximately 77% of Alcon shares and therefore fully consolidates Alcon. In accordance with IFRS, the merger will be treated as a separate acquisition of the remaining non-controlling interests in Alcon that Novartis does not currently own and therefore will be accounted for as an equity transaction.

As described in more detail under "The Merger Agreement and the Merger Merger Consideration" beginning on page 23, Novartis will pay consideration valued at \$168 per Alcon share for each Alcon share outstanding at the effective time of the merger (other than Alcon shares owned by Novartis). Based on an estimated maximum number of Alcon shares outstanding at the effective time of the merger (other than Alcon shares owned by Novartis), Novartis therefore expects to deliver total Merger Consideration valued at approximately \$12.9 billion to the non-controlling minority Alcon shareholders in connection with the merger. In accordance with IFRS, Novartis has recorded the value of the outstanding non-controlling interests at December 31, 2010 at approximately \$6.5 billion. Based on this value, Novartis will therefore record the resulting excess of the value of the Merger Consideration of approximately \$6.4 billion over the value ascribed to the outstanding non-controlling interests as a corresponding reduction in the consolidated equity of Novartis. This reduction in consolidated equity will be offset by an increase in consolidated equity in an amount equal to the market value at the effective time of the merger of the Novartis shares or Novartis ADSs that Novartis will deliver as part of the Merger Consideration. To the extent Novartis will be required to also pay cash as part of the Merger Consideration (upon exercise of the put option), there will be no such offsetting increase in the consolidated equity of Novartis, which will be potentially reduced by an amount equal to such payments, if any.

For more detail on the accounting treatment of the merger, please see "Unaudited IFRS Pro Forma Condensed Combined Income Statement Notes to the Unaudited IFRS Pro Forma Condensed Combined Income Statement 4. Adjustments arising from the merger" on page 128.

Tax Considerations (page 84)

The characterization of the merger from a US federal income tax perspective is not clear. The question essentially turns on whether the acquisition by Novartis from Nestlé of its initial 25% non-controlling interest in Alcon in 2008 and the subsequent acquisition of a 52% controlling majority interest in Alcon on August 25, 2010 for cash should be integrated with the merger as part of a single plan. If the transactions were integrated then there would not be sufficient "continuity of interest", and the merger could not qualify as a tax-free reorganization under Section 368(a) of the Code. Novartis acquired both its initial 25% interest in Alcon and the 52% controlling interest pursuant to a Purchase

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and Option Agreement (as defined below) between Novartis and Nestlé. As described in more detail under "Special Factors Background of the Merger", Novartis acquired the 52% controlling interest in Alcon following exercise by Novartis, at the earliest possible date, of its call option under the Purchase and Option Agreement. The Purchase and Option Agreement also granted Nestlé an option to put its remaining 52% controlling interest in Alcon to Novartis, subject to the terms of the Purchase and Option Agreement. These facts, among other things, support integrating the acquisition transactions from a tax perspective. On the other hand, the acquisition by Novartis of the initial 25% interest in Alcon by Novartis occurred in 2008 and there was no legal requirement that either Novartis or Nestlé exercise their respective options under the Purchase and Option Agreement. This could support an argument that the initial 25% interest of Novartis in Alcon should be treated as "old and cold". If it was so treated, that 25% interest, together with the Novartis shares to be delivered to the non-controlling minority Alcon shareholders in connection with the merger, should satisfy the "continuity of interest" requirement, and the merger should then qualify as a tax-free reorganization. While the matter is not free from doubt, Novartis intends to treat the merger as a taxable transaction.

From a Swiss tax perspective, although the merger has no direct tax consequences on the merging companies, the merger will result in a gain in nominal value, corresponding to the excess of the aggregate nominal value of Novartis shares issued to Alcon shareholders over the aggregate nominal value of the Alcon shares tendered. In the merger agreement, Novartis has agreed to pay and bear the Swiss withholding tax on such gain in nominal value. In addition, payments made under the put option, if any, are also subject to Swiss withholding tax.

Because the tax consequences of the merger will depend in part on your particular facts and circumstances, you should consult your own tax advisor regarding the appropriate characterization of the merger and the specific tax consequences to you. For more information on the material US federal income tax consequences and the material Swiss income tax consequences of the merger, including information with respect to the possible availability of a refund of withholding taxes paid and related tax reclaim services provided by Globe Tax Services, Inc., please see "Special Factors Tax Considerations" beginning on page 84.

Comparison of Rights of Novartis and Alcon Shareholders (page 160)

As described in more detail under "The Merger Agreement and the Merger Merger Consideration" below, as a result of the merger, your Alcon shares will be converted into the right to receive Novartis shares or Novartis ADSs as well as cash (upon exercise of the put option, if applicable, or as consideration for fractional Novartis shares or Novartis ADSs). While both Novartis and Alcon are companies organized under the laws of Switzerland, and accordingly their shareholder rights are both governed by Swiss law, there are certain differences between the rights of Alcon shareholders and the rights of holders of Novartis shares or Novartis ADSs, due to differences between the Articles of Association and Articles of Incorporation of Alcon and Novartis, respectively. For a discussion of these differences, please see "Comparison of Rights of Novartis and Alcon Shareholders" beginning on page 160. For descriptions of the rights of holders of Novartis shares and Novartis ADSs, please see "Description of the Novartis Shares" and "Description of the Novartis American Depositary Shares" beginning on page 146 and 150, respectively.

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Selected Historical Financial Data

The following financial information is being provided to you to aid you in your analysis of the financial aspects of the proposed merger. The selected historical consolidated financial data of Novartis and Alcon for the years ended December 31, 2010, 2009, 2008, 2007 and 2006 have been derived from the respective audited historical consolidated financial statements of Novartis and Alcon. Each company's audited historical consolidated financial statements for the years ended December 31, 2010, 2009 and 2008 are incorporated by reference into this prospectus.

This information is only a summary, and you should read it in conjunction with the audited historical consolidated financial statements of Novartis and Alcon and the related notes contained in the annual reports and the other information that each of Novartis and Alcon have previously filed with or furnished to the SEC and which is incorporated in this prospectus by reference, including the audited consolidated financial statements of Alcon for the year ended December 31, 2010 contained in the Report on Form 6-K of Alcon furnished to the SEC on February 2, 2011. See "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference" on page 161 and 162, respectively.

The selected historical consolidated financial data for Novartis has been prepared in accordance with IFRS as issued by the IASB. The selected historical consolidated financial data for Alcon has been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP"). US GAAP differs in a number of significant respects from IFRS. For a general discussion of the relevant significant differences between US GAAP and IFRS, please see "Summary of Relevant Significant Differences between US GAAP and IFRS" on page 131.

Table of Contents**Selected IFRS Historical Consolidated Financial Data of Novartis**

The following table sets forth the selected IFRS historical consolidated financial data of Novartis for each of the years in the five-year period ended December 31, 2010.

IFRS	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(\$ millions, except per share information)				
INCOME STATEMENT DATA					
Net sales from continuing operations	50,624	44,267	41,459	38,072	34,393
Gross profit from continuing operations	37,073	32,924	31,145	27,915	25,694
Operating income from continuing operations	11,526	9,982	8,964	6,781	7,642
Income from associated companies	804	293	441	412	264
Financial income	64	198	384	531	354
Interest expense	(692)	(551)	(290)	(237)	(266)
Income before taxes from continuing operations	11,702	9,922	9,499	7,487	7,994
Taxes	(1,733)	(1,468)	(1,336)	(947)	(1,169)
Net income from continuing operations	9,969	8,454	8,163	6,540	6,825
Net income from discontinued operations			70	5,428	377
Group net income	9,969	8,454	8,233	11,968	7,202
Attributable to:					
Shareholders of Novartis AG	9,794	8,400	8,195	11,946	7,175
Non-controlling interests	175	54	38	22	27
Basic earnings per share (\$):					
Continuing operations	4.28	3.70	3.59	2.81	2.90
Discontinued operations			0.03	2.34	0.16
Total	4.28	3.70	3.62	5.15	3.06
Diluted earnings per share (\$):					
Continuing operations	4.26	3.69	3.56	2.80	2.88
Discontinued operations			0.03	2.33	0.16
Total	4.26	3.69	3.59	5.13	3.04
Cash dividends (\$ millions) ⁽¹⁾	4,486	3,941	3,345	2,598	2,049
Cash dividends per share (CHF) ⁽²⁾	2.20	2.10	2.00	1.60	1.35

(1) Cash dividends represent cash payments in the applicable year that relate to earnings of the previous year.

(2) Cash dividends per share represent dividends declared in the following year that relate to earnings of the applicable year.

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IFRS	As at December 31,				
	2010	2009	2008	2007	2006
	(\$ millions, except share information)				
BALANCE SHEET DATA					
Cash, cash equivalents and marketable securities & derivative financial instruments	8,134	17,449	6,117	13,201	7,955
Inventories	6,093	5,830	5,792	5,455	4,498
Other current assets	12,458	10,412	8,972	8,774	8,215
Non-current assets	96,633	61,814	57,418	48,022	46,604
Assets held for sale related to discontinued operations					736
Total assets	123,318	95,505	78,299	75,452	68,008
Trade accounts payable	4,788	4,012	3,395	3,018	2,487
Other current liabilities	19,870	15,458	13,109	13,623	13,540
Non-current liabilities	28,891	18,573	11,358	9,415	10,480
Liabilities related to discontinued operations					207
Total liabilities	53,549	38,043	27,862	26,056	26,714
Issued share capital and reserves attributable to shareholders of Novartis AG	63,196	57,387	50,288	49,223	41,111
Non-controlling interests	6,573	75	149	173	183
Total equity	69,769	57,462	50,437	49,396	41,294
Total liabilities and equity	123,318	95,505	78,299	75,452	68,008
Net assets	69,769	57,462	50,437	49,396	41,294
Outstanding share capital	832	825	820	815	850
Total outstanding shares (millions)	2,289	2,274	2,265	2,264	2,348

Table of Contents**Selected US GAAP Historical Consolidated Financial Data of Alcon**

The following table sets forth the selected US GAAP historical consolidated financial data of Alcon for each of the years in the five-year period ended December 31, 2010.

US GAAP	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(\$ millions, except per share information)				
INCOME STATEMENT DATA					
Sales	7,179	6,499	6,294	5,599	4,897
Gross profit	5,504	4,885	4,822	4,201	3,682
Operating income	2,475	2,261	2,213	1,883	1,572
Interest income	29	46	76	69	74
Interest expense	(9)	(16)	(51)	(50)	(43)
Other, net	32	22	(155)	27	14
Earnings before income taxes	2,527	2,313	2,083	1,929	1,617
Income taxes	(317)	(306)	(36)	(343)	(269)
Net earnings	2,210	2,007	2,047	1,586	1,348
Basic earnings per common share (\$)	7.34	6.72	6.86	5.32	4.43
Diluted earnings per common share (\$)	7.27	6.66	6.79	5.25	4.37
Dividends paid on common shares (\$ millions) ⁽¹⁾	1,037	1,048	750	613	417
Dividends paid per common share (\$) ⁽²⁾	3.44	3.50	2.50	2.04	1.38
Dividends paid per common share (CHF) ⁽²⁾	3.95	3.95	2.63	2.50	1.68

(1) Dividends paid on common shares represent cash payments in the applicable year that relate to earnings of the previous year.

(2) Consistent with Alcon's past disclosure practice, dividends paid per common share represent dividends paid in the applicable year that relate to earnings of the previous year. Novartis, however, discloses dividends declared in the following year that relate to earnings of the applicable year.

US GAAP	As at December 31,				
	2010	2009	2008	2007	2006
	(\$ millions, except share information)				
BALANCE SHEET DATA					
Cash, cash equivalents and short-term investments	3,414	3,486	3,013	2,804	1,810
Inventories	693	626	574	549	474
Other current assets	1,962	1,721	1,632	1,472	1,178
Non-current assets	4,004	2,853	2,332	2,191	1,965
Total assets	10,073	8,686	7,551	7,016	5,427
Accounts payable	370	321	199	209	169
Other current liabilities	1,421	1,654	1,991	2,653	1,832
Non-current liabilities	1,030	806	670	779	512
Total liabilities	2,821	2,781	2,860	3,641	2,513
Equity attributable to shareholders of Alcon, Inc.	7,252	5,905	4,691	3,375	2,914
Total equity	7,252	5,905	4,691	3,375	2,914

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Total liabilities and equity	10,073	8,686	7,551	7,016	5,427
Net assets	7,252	5,905	4,691	3,375	2,914
Outstanding share capital	42	41	41	41	41
Total outstanding shares (millions)	302	300	299	298	301

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Table of Contents**Selected Unaudited IFRS Pro Forma Condensed Combined Income Statement Data**

The following selected unaudited IFRS pro forma condensed combined income statement data for the year ended December 31, 2010, has been derived from the unaudited IFRS pro forma condensed combined income statement presented beginning on page 116.

IFRS	Year Ended December 31, 2010 Pro Forma Combined (\$ millions, except per share information)
INCOME STATEMENT DATA	
Net sales	55,371
Gross profit	39,230
Operating income	12,011
Income from associated companies	371
Financial income	78
Interest expense	(806)
Income before taxes	11,654
Taxes	(1,860)
Net income	9,794
Attributable to:	
Shareholders of Novartis AG	9,714
Non-controlling interests	80
Basic earnings per share (\$)	3.91
Diluted earnings per share (\$)	3.86

Table of Contents**Historical and Pro Forma Per Share Data**

The following table presents, for the year ended December 31, 2010, selected historical per share data of Novartis and Alcon, as well as similar information reflecting the combination of Novartis and Alcon as if the acquisition of the 52% interest in Alcon, resulting in the change of majority ownership, and the proposed merger had occurred on January 1, 2010 and as a result was effective for the period presented, which we refer to as "pro forma combined" information. The pro forma combined Alcon equivalent per share data presented below is calculated by multiplying the pro forma combined amounts for the combined company by an exchange ratio of 2.8 Novartis shares or Novartis ADSs for each Alcon share.

The pro forma combined information is provided for informational purposes only and is not necessarily an indication of the results that would have been achieved had the proposed merger been completed as of the date indicated or that may be achieved by the combined company in the future. The selected comparative per share information of Novartis and Alcon set forth below has been derived from the respective audited historical consolidated financial statements of Novartis and Alcon for the year ended December 31, 2010. You should read the information in this section along with the respective audited historical consolidated financial statements and accompanying notes of Novartis and Alcon for the year ended December 31, 2010, which are included in the documents described under "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference" on pages 161 and 162, respectively. You should also read the unaudited IFRS pro forma condensed combined income statement information and accompanying discussion and notes included in this prospectus beginning on page 116.

The audited historical consolidated financial statements for Alcon have been prepared in accordance with US GAAP. US GAAP differs in a number of significant respects from IFRS. For a general discussion of the relevant significant differences between US GAAP and IFRS, please see "Summary of Relevant Significant Differences between US GAAP and IFRS" beginning on page 131.

The historical consolidated financial statements for Novartis, the unaudited IFRS pro forma combined income statement information and the hypothetical Alcon equivalent information have been prepared, where applicable, in accordance with IFRS as adopted by Novartis.

	Year Ended
	December 31, 2010
Basic earnings per share / ADS	
Novartis historical (IFRS)	\$ 4.28
Alcon historical (US GAAP)	\$ 7.34
Pro forma combined (IFRS)	\$ 3.91
Pro forma combined (IFRS) Alcon equivalent ⁽¹⁾	\$ 10.95
Diluted earnings per share / ADS	
Novartis historical (IFRS)	\$ 4.26
Alcon historical (US GAAP)	\$ 7.27
Pro forma combined (IFRS)	\$ 3.86
Pro forma combined (IFRS) Alcon equivalent ⁽¹⁾	\$ 10.81
Dividends per share / ADS	
Novartis historical	CHF 2.20
Alcon historical	CHF 3.95
Pro forma combined ⁽²⁾	CHF 2.20
Pro forma combined Alcon equivalent ⁽¹⁾	CHF 6.16
Book value per share / ADS at period end	
Novartis historical (IFRS)	\$ 27.60
Alcon historical (US GAAP)	\$ 24.01
Pro forma combined (IFRS)	\$
Pro forma combined (IFRS) Alcon equivalent ⁽¹⁾	\$

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- (1) Alcon equivalent figures represent Novartis pro forma combined figures multiplied by 2.8, which is the maximum number of Novartis shares per Alcon share (assuming that the Dividend Adjustment Factor is inapplicable) that Novartis will deliver to Alcon shareholders in connection with the merger.
- (2) For purposes of determining the pro forma combined dividend per share, Novartis assumed that its dividend policy would not change because of the merger. As a result, the pro forma combined dividend per share amounts are identical to the Novartis historical dividend per share amounts.

Table of Contents**Comparative Market Price and Dividend Information**

The Novartis shares are listed on the SIX under the symbol "NOVN". The Novartis ADSs are listed on the NYSE under the symbol "NVS". The Alcon shares are currently listed on the NYSE under the symbol "ACL".

The table below sets forth, for the periods indicated, the per share high and low closing sales prices for the Novartis shares, the Novartis ADSs, and the Alcon shares as well as any dividends paid by Novartis or Alcon in the relevant periods. The share price data for Novartis shares were taken from the SIX and the share price data for Novartis ADSs and Alcon shares were taken from Bloomberg. Unless otherwise noted, cash dividends paid by Novartis were translated into US dollars at the Reuters Market System Rate on the payment date. Cash dividends paid by Alcon were translated into US dollars at the exchange rate at 11:00 a.m. two days prior to the payment date as published by the New York Federal Reserve Bank for payments prior to December 31, 2008, and by Citibank as its benchmark rate for payments thereafter.

	Novartis shares (in CHF)			Novartis ADSs (in \$)			Alcon shares (in \$ for shares)		
	High	Low	Dividend	High	Low	Dividend	High	Low	Dividend
Annual information for the past five years									
2006	76.80	64.20	1.35	61.24	51.90	1.09	138.12	93.24	1.38
2007	74.60	58.05	1.60	59.70	51.60	1.53	153.91	109.80	2.04
2008	65.45	46.14	2.00	61.06	43.85	1.72	175.47	67.98	2.53
2009	56.90	39.64	2.10	56.16	33.96	2.04	166.00	76.34	3.64
2010	60.25	50.55	2.20 ⁽¹⁾	59.77	43.78	2.32 ⁽²⁾	170.18	135.00	N/A
Quarterly information for the past two years and subsequent quarters 2009, quarter ended									
March 31	54.05	39.64	N/A	49.62	33.96	N/A	95.14	76.34	N/A
June 30	45.48	41.50	N/A	42.22	35.42	N/A	117.74	86.28	N/A
September 30	51.85	42.56	N/A	50.38	39.22	N/A	143.53	112.50	N/A
December 31	56.90	51.20	N/A	56.16	49.50	N/A	166.00	136.23	N/A
2010, quarter ended									
March 31	60.25	53.50	N/A	55.52	51.91	N/A	163.27	152.51	N/A
June 30	56.90	50.75	N/A	53.83	43.78	N/A	161.38	135.00	N/A
September 30	56.90	50.55	N/A	58.09	47.85	N/A	168.21	148.54	N/A
December 31	57.35	53.10	N/A	59.77	53.41	N/A	170.18	157.25	N/A
Monthly information for the most recent six months									
August 2010	53.85	51.60	N/A	52.49	49.70	N/A	162.20	155.90	N/A
September 2010	56.90	53.70	N/A	58.09	53.00	N/A	168.21	162.98	N/A
October 2010	57.35	55.50	N/A	59.77	57.05	N/A	170.18	166.60	N/A
November 2010	57.30	53.25	N/A	59.05	53.41	N/A	168.00	157.25	N/A
December 2010	56.80	53.10	N/A	59.17	54.50	N/A	164.10	160.38	N/A
January 2011	55.80	52.55	N/A	59.24	55.86	N/A	163.70	162.28	N/A

(1) 2010 Novartis Annual Dividend of CHF 2.20 approved by the Novartis Board and announced on January 27, 2011.

(2) Assumes that Novartis pays a dividend of \$2.32 per Novartis share prior to completion of the merger, the US dollar value of the 2010 Novartis Annual Dividend of CHF 2.20 approved by the Novartis board and announced on January 27, 2011, converted into US dollars at a rate of CHF 1.00 = \$1.0566, as quoted by Bloomberg on such date.

Fluctuations in the exchange rate between the Swiss franc and the US dollar will affect any comparisons of Swiss Novartis share prices and US Novartis ADS prices.

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The following table presents the last reported closing sale price per share of the Novartis shares on the SIX and of the Novartis ADSs and Alcon shares on the NYSE (i) on December 31, 2009, the last full trading day prior to the public announcement by Novartis of its intention to acquire a majority stake in Alcon from Nestlé, (ii) on December 14, 2010, the last full trading day prior to the public announcement by Novartis and Alcon of the execution of the merger agreement, and (iii) January 31, 2011, the last trading day for which this information could be calculated prior to the filing of this prospectus.

	Novartis shares (CHF)	Novartis ADSs ⁽²⁾ (\$)	Alcon shares (\$)	Equivalent ⁽³⁾ Value per Alcon share Per Novartis share (\$)
December 31, 2009 ⁽¹⁾	56.50	54.43	164.35	168.00
December 14, 2010	53.60	55.83	162.43	168.00
January 31, 2011	52.55	55.86	162.86	168.00

- (1) The Novartis share price is as of December 30, 2009, as Novartis shares did not trade on December 31, 2009 due to a Swiss market holiday.
- (2) Each Novartis ADS represents one Novartis share.
- (3) Because the Merger Consideration includes a cash-settled non-transferable put option that, when exercised by the Exchange Agent in accordance with the merger agreement, will entitle Alcon shareholders to receive an amount in cash equal to the amount by which \$168 exceeds the value of the total number of Novartis shares to be delivered in accordance with the merger agreement, the equivalent value as determined under the merger agreement of the Merger Consideration per Alcon share is \$168 notwithstanding the Novartis share price.

Alcon shareholders will not receive the Merger Consideration until the proposed merger is completed, which may be a substantial period of time after the annual general meeting of Alcon shareholders to which this prospectus relates. There can be no assurance as to the trading prices of the Novartis shares or Novartis ADSs at the time of the closing of the proposed merger. The market prices of Novartis shares, Novartis ADSs and Alcon shares and the US dollar/Swiss franc exchange rate are likely to fluctuate prior to consummation of the merger and cannot be predicted. Novartis urges you to obtain current market information regarding Novartis shares, Novartis ADSs, Alcon shares and the US dollar/Swiss franc exchange rate.

Exchange Rates

The following table shows, for the years and dates indicated, certain information concerning the rate of exchange of US dollar per Swiss franc based on exchange rate information found on Reuters Market System. The exchange rate in effect on January 31, 2011, as found on Reuters Market System, was CHF 1.00 = \$1.06.

Year ended December 31,

(\$ per CHF)	Period End	Average ⁽¹⁾	Low	High
2006	0.82	0.80	0.76	0.84
2007	0.88	0.83	0.80	0.91
2008	0.94	0.93	0.82	1.02
2009	0.97	0.92	0.84	1.00
2010	1.07	0.96	0.86	1.07

Month end,	Low	High
August 2010	0.94	0.99
September 2010	0.98	1.02
October 2010	1.01	1.05
November 2010	1.00	1.04
December 2010	1.00	1.07
January 2011	1.03	1.07

- (1) Represents the average of the exchange rates on the last day of each full month during the year.

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SPECIAL FACTORS

Background of the Merger

On April 6, 2008, Novartis and Nestlé S.A. ("Nestlé") entered into a Purchase and Option Agreement (the "Purchase and Option Agreement"), under which Novartis agreed to purchase approximately 25% of the then outstanding Alcon shares from Nestlé and obtained the right to acquire the remainder of Nestlé's majority stake in Alcon. Subject to, and in accordance with, the terms and conditions of the Purchase and Option Agreement, Nestlé agreed to sell to Novartis, and Novartis agreed to purchase, 74,061,237 Alcon shares (the "First Stage Shares" and the acquisition of such First Stage Shares, the "First Stage Acquisition") from Nestlé for an aggregate purchase price of \$10,603,962,009, or \$143.18 per Alcon share, minus an amount equal to any dividends paid or declared by Alcon with respect to the First Stage Shares between April 6, 2008 and completion of the First Stage Acquisition. On May 22, 2008, Alcon paid a dividend of CHF 2.63 per Alcon share, which resulted in an aggregate purchase price of \$10,416,238,992. On July 7, 2008, Novartis acquired the First Stage Shares and became a minority Alcon shareholder with approximately 25% of the then outstanding Alcon shares, while Nestlé remained Alcon's majority shareholder with 156,076,263 Alcon shares, or approximately 52% of the then outstanding Alcon shares.

The Purchase and Option Agreement also contained put and call option rights with regard to all the remaining Alcon shares owned by Nestlé at the time of the exercise of the options (the "Second Stage Shares"). Either party had the right to exercise its option right on any business day between January 1, 2010 and July 31, 2011 as follows: (i) Novartis had the right to exercise a call option (the "Novartis Call Option") to acquire all but 4,088,485 of the Second Stage Shares at a fixed price of \$181.00 per Alcon share and 4,088,485 Alcon shares at the First Stage Acquisition purchase price of \$143.18 per Alcon share, and (ii) Nestlé had the right to exercise a put option (the "Nestlé Put Option") to sell all but 4,088,485 of the Second Stage Shares to Novartis at the lesser of (x) \$181.00 per Alcon share or (y) a 20.47% premium above the volume-weighted average market price of Alcon shares during the week preceding the exercise date of the Nestlé Put Option, with the balance of 4,088,485 Alcon shares to be sold at the First Stage Acquisition purchase price of \$143.18 per Alcon share ("Second Stage Acquisition"). The Second Stage Acquisition purchase price was to be adjusted to reflect any extraordinary dividends (as defined in the Purchase and Option Agreement) paid after April 6, 2008. Under the Purchase and Option Agreement, Novartis and Nestlé also agreed not to sell or buy any Alcon shares until the completion of the Second Stage Acquisition. The First Stage Acquisition and the Second Stage Acquisition were subject to customary closing conditions and regulatory approvals. In addition, the First Stage Acquisition was conditioned on the election of two additional members to the Alcon Board, with one of the additional members to be nominated by Novartis and one to be nominated by Nestlé. At the annual general meeting of Alcon shareholders held on May 6, 2008, Mr. James Singh, executive vice president and chief financial officer of Nestlé, and Dr. Daniel Vasella, chairman of the Novartis Board, were elected to the Alcon Board for a three-year term of office.

The Purchase and Option Agreement is attached as Exhibit 4.5 to Novartis AG's Annual Report on Form 20 F for the year ended December 31, 2008, as filed with the SEC on January 28, 2009, and incorporated herein by reference. The discussion of the Purchase and Option Agreement above is qualified in its entirety by reference to the full text of Purchase and Option Agreement.

In December 2008, the Alcon Board established the Independent Director Committee as a standing committee of the Alcon Board consisting solely of three independent directors to serve as a disinterested body with respect to transactions that relate to Alcon, to Alcon shares or to related party transactions involving one or more major shareholders of Alcon, with a view to protect the interests of both Alcon and the minority Alcon shareholders (the "Minority Shareholders").

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On December 1, 2009, the Novartis Board discussed the investment of Novartis in Alcon and certain strategic options in light of the fact that the Novartis Call Option would become exercisable (and Novartis could become subject to the Nestlé Put Option) in January 2010.

On January 2, 2010, the Novartis Board approved the exercise of the Novartis Call Option and the proposal to acquire the remaining approximately 23% of the Alcon shares being publicly traded (the "Minority Shares") via an all-share direct merger under the Swiss Merger Act with an exchange ratio of 2.8 Novartis shares for every Alcon share. On January 3, 2010, Novartis exercised the Novartis Call Option to acquire the Second Stage Shares. Pursuant to the Purchase and Option Agreement, the Second Stage Acquisition was subject to customary closing conditions and regulatory approvals and to the election of five new members to the Alcon Board to be nominated by Novartis, replacing the current board members nominated by Nestlé. Following completion of the Second Stage Acquisition, Novartis would own approximately 77% of the outstanding Alcon shares.

The Novartis Call Option was exercised on the earliest date possible under the terms of the Purchase and Option Agreement, the date on which both the Novartis Call Option and the Nestlé Put Option became exercisable. Novartis believed that the occasion of the exercise of the Novartis Call Option was the most opportune time to seek full ownership of Alcon, as otherwise the situation would result in unending speculation and uncertainty as to whether or when Novartis would move to acquire the Minority Shares. Novartis believed this speculation would benefit no one.

Accordingly, Novartis had come to the view that the existing ownership structure of Alcon with Minority Shares being publicly traded was suboptimal for Alcon's business and employees and the Minority Shareholders. In addition, 100% ownership would provide incremental operational efficiency and simplicity, capital markets and customer clarity and elimination of the duplicative costs associated with Alcon remaining a public reporting company. After careful consideration, the Novartis Board concluded that it was in the best interest of all stakeholders – the shareholders of Alcon and Novartis, their employees and the patients who benefit from their products – for Novartis to simplify Alcon's ownership structure by making a proposal to acquire the Minority Shares by way of an all-share direct merger of Alcon into Novartis under the Swiss Merger Act.

Novartis chose an all-share direct merger of Alcon into Novartis under the Swiss Merger Act as the best method of acquiring the entire minority interest in Alcon at the same time as it decided to exercise the Novartis Call Option and propose to acquire the Minority Shares. Novartis elected to proceed with an all-share direct merger because, given that it had paid or would be paying a total of more than \$39 billion in cash to Nestlé in connection with the First Stage Acquisition and the Second Stage Acquisition, Novartis wanted to use equity as consideration in order to enable Novartis to maintain its credit rating, preserve its financial foundation and provide strategic flexibility for future growth.

The decision to propose an exchange ratio of 2.8 Novartis shares for every Alcon share was made after considering a variety of valuation methodologies and data points, including the weighted average price of \$168 per share that Novartis would be paying Nestlé for its entire 77% stake after giving effect to the exercise of the Novartis Call Option, an analysis of what the "unaffected" market price of Alcon would have been in the absence of takeover speculation, incremental cost synergies provided by the merger, an analysis of the premia paid to unaffected market prices in certain precedent transactions and the economic interests of the shareholders of Novartis. The Novartis Board did not consider proposing an exchange ratio greater than 2.8.

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On January 3, 2010, Novartis delivered the following letter to Mr. Cary Rayment, then Chairman of the Alcon Board (the "January 3 Proposal"):

*Board of Directors
Alcon Inc.
Bösch 69
CH-6331 Hünenberg
Switzerland*

*Attention: Mr. Cary Rayment,
Chairman of the Board*

January 3, 2010

Dear Cary,

I am now able to confirm that Nestlé and Novartis have formally agreed to complete the agreement we reached in April 2008, whereby Novartis will exercise its call option to acquire Nestlé's remaining 52% stake in Alcon and bring our total interest to 77%.

First, I want to express how delighted I am that Novartis will increase its ownership position in Alcon and can welcome you to our company as a majority-owned subsidiary. This will end a period of uncertainty for all stakeholders. Alcon will quickly become an important contributor to our strategic portfolio focused on growth-oriented healthcare businesses.

My colleagues and I have long admired what Alcon has achieved to become a trusted leader in ophthalmics through your consistent focus on the eye care needs of patients. I personally believe Alcon can become an even stronger business by drawing on the global operations, expertise and resources of Novartis, especially our research capabilities.

The Novartis Board of Directors has discussed the position of the Alcon minority shareholders. Although we believe more than USD 200 million of the USD 300 million in total potential pre-tax annual cost synergies are available through our 77% majority ownership, our view is that the existing ownership structure is suboptimal for the business, employees and minority shareholders. Retaining a minority stake means it will take longer to achieve the full potential of our

combined operations. This situation will remain a distraction, resulting in unending speculation as to whether or when Novartis will move to acquire the minority stake. In the end, this benefits no one.

Our proposal

After careful consideration, the Novartis Board of Directors believes it is in the best interest of all stakeholders – the shareholders of Alcon and Novartis, their employees and the patients who benefit from their products – for Novartis to simplify Alcon's ownership structure by making a proposal to acquire the remaining 23% minority stake.

To attain full ownership, we propose an all-share direct merger of Alcon into Novartis AG under the Swiss Merger Act. Novartis proposes a fixed exchange ratio of 2.80 Novartis shares for each outstanding Alcon share. Alcon's shareholders would have the choice of receiving Novartis American Depositary Shares (ADSs) as merger consideration. Providing equity as consideration to Alcon's minority shareholders enables Novartis to maintain its strong credit rating, preserving its firm financial foundation and providing strategic flexibility for future growth.

Based on the Novartis closing share price of CHF 56.50 on December 30, 2009 (last trading day before this letter) and an exchange rate of CHF 1.04 = USD 1.00, our proposal represents an implied price per Alcon share of USD 153. This amounts to a 12% premium to our determination of Alcon's unaffected publicly-traded share price.

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