

# Regulations for the Novartis Direct Share Purchase Plan

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**Novartis International AG**

CH-4002 Basel

Switzerland

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Every term used in these Regulations and forms, such as “Participant”, “Shareholder”, etc. shall apply to the female as well as to the male.



## 1 **What is the Novartis Direct Share Purchase Plan?**

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Novartis International AG, Basel (referred to as “Novartis”), offers you the opportunity to participate in the Novartis Direct Share Purchase Plan. The Direct Share Purchase Plan enables you to acquire Novartis Registered Shares and to hold them free of charge in a Share Deposit Account. You may increase your holding by an uncomplicated and inexpensive procedure, by investing up to CHF 200,000 per calendar year in additional Novartis Shares and/or applying dividends from Novartis AG for the acquisition of further Novartis Shares. The request for entry of your Novartis Shares in the Novartis Share Register will be acted on automatically through the Direct Share Purchase Plan.

The Direct Share Purchase Plan is operated by Novartis in co-operation with S A G SIS Aktienregister AG (referred to as “S A G”). You will maintain contact mainly with S A G, which administers the Direct Share Purchase Plan as the Administrator on behalf of Novartis. The Direct Share Purchase Plan replaces the existing S A G Share Deposit Plan, which ceased to have effect on 1 September 2004.

### 1.1 **Who may participate in the Direct Share Purchase Plan?**

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The Direct Share Purchase Plan is essentially open to all investors who are already or wish to become Novartis shareholders. The Direct Share Purchase Plan will suit you if you are interested in a long-term investment into Novartis Shares and possibly in extending continuously your holding of Novartis Shares. The Share Purchase Plan is not appropriate for investors who acquire or dispose of Novartis Shares without delay so as to take advantage of short-term price fluctuations.

Natural persons (private individuals), as well as legal persons (e.g. joint stock companies) may participate in the Direct Share Purchase Plan, provided no statutory regulations preclude such participation. Each Participant may open no more than one Novartis Share Deposit Account. Several persons may not open a Novartis Share Deposit Account together (Joint Share Deposit Account). The Direct Share Purchase Plan is open solely to Participants residing outside the USA. In the USA, however, Novartis operates a program for Novartis American Depositary Shares (referred to as “ADS”), the Novartis U.S. Direct Share Purchase Plan, which is similar to the Direct Share Purchase Plan.

Under these Regulations, you will be regarded as a Participant as soon as you have been approved in the Direct Share Purchase Plan by Novartis.

## 1.2 With whom is the Agreement concluded?

You enter into an Agreement with Novartis (Novartis International AG). This Agreement will be effective upon approval of your application to participate in the Novartis Direct Share Purchase Plan. Novartis has delegated the administration of its tasks arising out of the Agreement to S A G. These Regulations govern your Agreement with Novartis.

Should you have any questions on issues relating to the administration, please contact S A G at:

Novartis Direct Share Purchase Plan

c/o S A G SIS Aktienregister AG

Postfach

CH-4609 Olten

Telephone: +41 62 311 61 99

Telefax: +41 62 311 61 98

Internet: [www.sag.ch/dspp/novartis](http://www.sag.ch/dspp/novartis)

## 1.3 Which shares are eligible for the Direct Share Purchase Plan?

The Direct Share Purchase Plan extends solely to Novartis Registered Shares (Securities Number 1200526, ISIN Number CH0012005267). You cannot acquire any other securities through the Direct Share Purchase Plan (for example, no other shares and no options or ADS on Novartis Shares) or deposit them in your Novartis Share Deposit Account under the Direct Share Purchase Plan.

## 1.4 What is the period of the Agreement for participation in the Direct Share Purchase Plan?

Your Agreement with Novartis will run for an indefinite period. The Agreement will not lapse, either through the loss of legal capacity or through death or bankruptcy of the Participant. You or Novartis may terminate the Agreement in writing at any time without notice.

## **2 How do you open a Novartis Share Deposit Account?**

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### **2.1 You make an application to participate in the Direct Share Purchase Plan**

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In order to open a Novartis Share Deposit Account, you need to submit an application to participate in the Novartis Direct Share Purchase Plan by completing the form “Application to participate in the Novartis Direct Share Purchase Plan”, signing and submitting it to S A G by mail. You may find the appropriate form on the Novartis homepage ([www.novartis.com/investors](http://www.novartis.com/investors)) or on the S A G homepage ([www.sag.ch/dspp/novartis](http://www.sag.ch/dspp/novartis)). You may also order the form from S A G (at the address provided in Section 1.2).

Should the information provided in the above-mentioned form change, you must notify these changes in writing at the address provided in Section 1.2.

In addition, you are requested to provide certain information (e.g. statement of identification) in order to enable Novartis to comply with the statutory requirements for the prevention of money-laundering. The documents and information you must produce in this regard are listed in Section 2.2, below.

You must have a bank or post office account at the time of opening your Share Deposit Account and for the entire duration of your participation in the Direct Share Purchase Plan, so that your instructions may be carried out.

After your Novartis Share Deposit Account has been opened, you will receive a confirmation from S A G. The confirmation will include your personal Deposit Account number.

### **2.2 What precautions you must take to comply with the legislation for the prevention of money-laundering**

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Novartis and S A G are subject to certain obligations under the legislation for the prevention of money-laundering (e.g. identification of the Participant). In connection with the Direct Share Purchase Plan S A G will deal with these obligations.

In this respect, you are required to identify yourself adequately and to issue a statement that you are the beneficial owner to the Novartis Shares held in the Novartis Share Deposit Account. Upon request, you must produce further evidence and provide further information. We reserve the right,

where necessary, to further inquire into your financial background. The procedure of the identification depends on whether you participate in the Direct Share Purchase Plan as a natural person or a legal entity. Further details may be obtained from the form “Application to Participate in the Novartis Direct Share Purchase Plan” and in the “Directives for the Novartis Direct Share Purchase Plan”.

On submission of the “Application to Participate in the Novartis Direct Share Purchase Plan”, you authorise Novartis to obtain further information, including from third parties, insofar as this appears necessary to comply with the statutory provisions.

### 2.3 You authorise Novartis and S A G to exchange and transmit your data to the Securities Dealer and within the Novartis Group

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You authorise Novartis and S A G to mutually exchange your data, to transmit your data to the Securities Dealer who is in charge of acquiring and selling Novartis Shares, and to exchange your data within the Novartis Group.

### 2.4 You authorise the entry in the Share Register

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By submitting the application, you authorise S A G to register your Novartis Shares, which you hold in the Novartis Share Deposit Account, in your name in the Novartis Share Register.

### 2.5 You undertake to act in your own name and for your own account

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By submitting your application, you undertake to acquire, hold and dispose of the Novartis Shares under the Direct Share Purchase Plan in your own name and for your own account and not in a fiduciary capacity for a third party.

### 2.6 You issue a transfer authorisation and a declaration of assignment in favour of Novartis and S A G

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By submitting the application, you authorise Novartis and S A G to endorse and assign the Novartis Shares currently deposited in your Novartis Share Deposit Account (and those deposited in the future) in your name in the event of subsequent sale. This authorisation shall not expire upon death or

loss of legal capacity of the person conferring the authorisation. Participation in the Direct Share Purchase Plan is not possible without this transfer authorisation.

## **2.7 Novartis reserves the right to decline your application to participate in the Novartis Direct Share Purchase Plan**

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Novartis reserves the right to decline your application to participate in the Novartis Direct Share Purchase Plan. Your application will, however, be accepted, if it has not been declined in writing within 20 days after receipt by S A G. For compliance with this deadline, the date of the posting of the rejection notice by S A G is relevant. If your application has been declined (because, for example, it was incomplete or you have not met the requirements for entry in the Share Register), S A G will send the rejection notice to the address provided in the application form. If the application form does not contain your address, your application will be regarded as rejected without further notification.

Your application to participate in the Novartis Direct Share Purchase Plan will only be approved if you submit the application form completed and with all enclosures. You may obtain further information as to the required enclosures in Sections 2.1 and 2.2.

The Articles of Incorporation of Novartis provide for certain conditions for entry in the Novartis Share Register. Upon receipt of your application, S A G will consult the Novartis Share Register in order to verify whether you meet the requirements for entry. Should you not meet these requirements, your application to participate in the Novartis Direct Share Purchase Plan will be declined (within 20 days).

## **3 How do you deposit your Novartis Shares in your Novartis Share Deposit Account?**

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### **3.1 You have your Novartis Shares deposited at your bank**

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If you hold your Novartis Shares at your bank in book entry form or in an open deposit account and you wish to transfer these Novartis Shares to your Novartis Share Deposit Account, you instruct your bank to transfer the registered shares to S A G for deposit in your previously opened Novartis Share Deposit Account (or to deliver the Shares to S A G for mailing to your Novartis Share Deposit Account).

If the shares held by your bank have not yet been registered in your name in the Novartis Share Register, you must instruct your bank to have these shares entered into the Share Register before transfer. If you do not comply with the conditions for entry in the Share Register, your Novartis Shares cannot be deposited in your Novartis Share Deposit Account.

You will find the form “Order to a Bank to deliver Novartis Shares from a Deposit Account” on the Novartis homepage ([www.novartis.com/investors](http://www.novartis.com/investors)) or on the S A G homepage ([www.sag.ch/dspp/novartis](http://www.sag.ch/dspp/novartis)). You may also order the form from S A G (at the address stated in Section 1.2).

### **3.2 You hold Novartis Shares in the form of share certificates**

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If you keep your Novartis Shares at your home or in a bank safe in the form of share certificates, you should deliver the share certificates endorsed in blank to S A G by registered mail, with instructions to deposit the shares in your Novartis Share Deposit Account. If these Novartis Shares are not yet registered in the Share Register, you must submit a statement of your legal title of acquiring the shares (for example, an endorsement to you on the certificate, a declaration of assignment, a certificate of inheritance, etc.). If you do not comply with these conditions for entry in the Share Register, your Novartis Shares cannot be deposited in your Share Deposit Account. If you have not yet opened a Novartis Share Deposit Account under the Direct Share Purchase Plan, you may submit your share certificates, endorsed in blank (as described above), together with the application to participate in the Novartis Direct Share Purchase Plan (and the other documents, see Section 2).

### **3.3 You will receive confirmation upon receipt of your shares in your Novartis Share Deposit Account**

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Receipt of your shares in the Novartis Share Deposit Account will be confirmed by S A G.

## **4 How do you acquire new Novartis Shares through the Direct Share Purchase Plan?**

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After you have opened a Novartis Share Deposit Account, you will have the opportunity to acquire Novartis Shares through the Direct Share Purchase Plan.

#### 4.1 Minimum investment of CHF 500 per Purchase Order

The minimum amount of a single Purchase Order is CHF 500.

#### 4.2 Maximum investment of CHF 200,000 per year

Your investment in Novartis Shares under the Direct Share Purchase Plan may not exceed CHF 200,000 per calendar year. This investment limit of CHF 200,000 is calculated according to the amount you will be investing in additional Novartis Shares. Net dividends (dividends less withholding tax) and similar distributions (on your deposited Novartis Shares), which are immediately re-invested in Novartis Shares, are not taken into consideration in calculating the investment limit. Likewise, Novartis Shares, which you acquire outside the Direct Share Purchase Plan and then bring into the Direct Share Purchase Plan (as described in Section 3), are not taken into account. By this means, you may invest more than CHF 200,000 per annum in Novartis Shares and hold these Shares in your Novartis Share Deposit Account, provided you acquire the Novartis Shares in excess of CHF 200,000 per annum outside the Plan and transfer them to your Novartis Share Deposit Account, as described in Section 3.

If you issue a Purchase Order that exceeds the investment limit, your Order will be executed only up to the investment limit. S A G will then refund the exceeding amount.

#### 4.3 How do you issue a Purchase Order?

You issue a Purchase Order by instructing your bank in a FATF country<sup>1</sup> to transfer the amount you wish to invest in Novartis Shares to the Novartis Collective Account (referred to as “Investment Account”) with the Securities Dealer. All Purchase Orders are collected in the Investment Account. It is used exclusively for payments in connection with the acquisition of Novartis Shares. You will be provided with the details of this Investment Account when you receive confirmation of the opening of the Share Deposit Account. Your remittance will be regarded as an Order for the acquisition of Novartis Shares.

<sup>1</sup> FATF = Financial Action Task Force. FATF countries are: Argentina, Australia, Austria, Bahrain, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong (China), Iceland, Ireland, Italy, Japan, Kuwait, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, Oman, Portugal, Qatar, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Turkey, United Kingdom, United Arab Emirates, United States of America. See also the FATF homepage: [http://www.fatf-gafi.org/Members\\_en.htm](http://www.fatf-gafi.org/Members_en.htm).

When transferring money to the Novartis Collective Account, you must give your name as the Principal. You must also state the purpose of your remittance (*“Purchase of Novartis Shares”*) and your individual Deposit Account number. A remittance must amount to at least CHF 500. You may also give your Bank a standing order to transfer a certain sum regularly (at least CHF 500 per transfer) to the Novartis Investment Account.

Your Purchase Orders will be executed in Swiss Francs. If you transfer an amount in another currency, the Securities Dealer will convert your money into Swiss Francs at the usual banking rate.

#### 4.4 How will your Purchase Orders be executed?

Purchase Orders within the Direct Share Purchase Plan are restricted to cash transactions without price limits (orders to buy at best).

S A G shall ensure that Purchase Orders which are issued no later than 3.00 p.m. Swiss Time on Mondays and 3.00 p.m. Swiss Time on Wednesdays, and which reflect amounts received in the Investment Account, will be transmitted to the Securities Dealer for execution by 11.00 a.m. Swiss Time the following trading day, provided the relevant conditions (see Section 2) have been met on the date the Order was issued and the Order was properly issued (see Section 4.3). On the day S A G transmits the Purchase Orders (normally Tuesday and Thursday), the Securities Dealer will acquire Novartis Shares at the value of the investment amount received. You cannot influence the exact time of acquisition of Novartis Shares. Your Order will be settled on the basis of the daily average price for the consolidated Purchase Order. You have no claim for the interest for the period from the transfer of the money to the acquisition of Novartis Shares.

For the remaining portion of the transferred amount that is smaller than the respective purchase price of one Novartis share, a corresponding proportionate right to a Novartis share will be booked into your Novartis Share Deposit Account (a fraction of a Novartis Share; see Section 8.1).

The acquired Novartis Shares will be entered into the Novartis Share Register and booked to your Novartis Share Deposit Account. S A G will send you a deposit account receipt and purchase note.

## 4.5 Your dividends will be directly reinvested in new Novartis Shares

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The Direct Share Purchase Plan is designed so that net distributable dividends on your Novartis Shares will be reinvested in additional Novartis Shares unless you instruct otherwise. The acquisition of Novartis Shares is described above in Sections 4.3 and 4.4.

You may indicate when opening your Novartis Share Deposit Account (or at a later date) that you do not wish the net dividends on your Novartis Shares to be automatically reinvested but prefer that they be paid out. In this case, S A G will ensure that the net dividends to which you are entitled are credited to the account you designated when opening your Novartis Share Deposit Account.

You will receive notice of the acquisition of Novartis Shares by mail. If your net dividends are not automatically reinvested, you will receive a dividend notice. In both cases, the notice will be regarded as a record for the refund of withholding taxes.

## 5 How will your Novartis Share Deposit Account be operated?

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### 5.1 Your Novartis Share Deposit Account will be operated electronically

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Your Novartis Shares will be managed by S A G in uncertificated form, i.e. electronically. You have the right to require delivery of your shares in the form of a physical non-returnable certificate at any time (see Section 6.4). In this case, you will have to safeguard your Novartis Shares yourself, and sales of Novartis Shares through the Direct Share Purchase Plan will not be possible.

### 5.2 There are no peculiarities in the exercise of your voting rights

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You may exercise your voting right as usual. If you wish to authorise Novartis or an independent proxy agent to vote for you at a Shareholders' Meeting, you should submit the Proxy Form, sent to you along with the invitation to the Shareholders' Meeting, to the Novartis Share Register or the independent proxy agent within the period set in the invitation. You cannot give a general proxy in favour of Novartis.

### 5.3 You will receive a Novartis Share Deposit Account statement each year and notice of each account transaction

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As a general rule, S A G will send you a statement of the balance of your Novartis Share Deposit Account at the end of each year. You may ask S A G in writing to issue an additional Novartis Share Deposit Account statement at any time. For this you will be charged a special transaction fee (see Section 7.2).

You will be given written notice of every Deposit Account transaction (deposits and withdrawals). The notification will show the Novartis Shares deposited and withdrawn.

### 5.4 What administrative actions do you have to undertake yourself?

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Identity papers that embody subscription, option and property rights will be sent to you directly. With the exception of the dividend credit, you will be responsible for safeguarding the rights associated with the deposited Novartis Shares and taking the necessary precautions in particular in exercising or selling subscription rights through a Bank.

## 6 How do you reduce the balance of Novartis Shares in your Novartis Share Deposit Account?

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### 6.1 You commission Novartis to sell your Novartis Shares on the stock market through S A G

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You may instruct Novartis (through S A G) to sell your deposited Novartis Shares (or part of the Shares) on the stock market. For this purpose, you need only send the “Sale Order” form to S A G (by mail or fax). You will find the form on the Novartis homepage ([www.novartis.com/investors](http://www.novartis.com/investors)), on the S A G homepage ([www.sag.ch/dspp/novartis](http://www.sag.ch/dspp/novartis)) or you may obtain it from S A G (through the address given in Section 1.2).

Sale Orders within the Direct Share Purchase Plan will be restricted to cash transactions without a price limit (orders to sell at best).

S A G ensures that Sale Orders submitted no later than 7.30 a.m., 10.00 a.m., or 3.00 p.m. Swiss Time will be transmitted to the appropriate Securities Dealer within the next trading hour.

The Securities Dealer will sell the Novartis Shares on receipt of the Sale Order. You cannot influence the exact time the Novartis Shares are sold. Your order will be settled on the basis of the average daily market price for the consolidated Sale Order. The net sale proceeds, that is, the proceeds after deduction of brokerage fees, transaction fees, stock market charges and the contribution to expenses required by S A G, will be credited to your Bank or Post Office Account. The net sale proceeds will be credited in accordance with the usages of the Swiss Stock Exchange, whereas additional value days may occur, due to your account instructions. Possible loss of interest must be borne by you.

As soon as your Novartis Shares have been sold, you will receive a sales statement from S A G.

## 6.2 You transfer Novartis Shares to a Deposit Account at a Bank

On payment of a contribution to expenses (see Section 7.2), you may issue a written Delivery Order to Novartis to transfer your Novartis Shares (or part of the Shares) to a Deposit Account at a Bank (through S A G). You must legally sign this Delivery Order and state how many shares should be delivered to which Bank (address of the Custodian Bank and Deposit Account number).

S A G will then ensure transfer of the Novartis Shares to the designated Deposit Account. When depositing at a Bank, it should be noted that payment of dividends and similar distributions and performance of the usual administrative actions will be handled exclusively by this Bank.

## 6.3 You transfer your Novartis Shares to another Participant

You may transfer your Novartis Shares (or part of the Shares) to another Participant. You must therefore give Novartis written authorisation to do so (by mail or fax) (through S A G). You must legally sign your order and state the number of Shares, the Deposit Account number, and the name and address of the Participant you wish to benefit.

## 6.4 You request delivery of your Novartis Shares in the form of share certificates

On payment of a contribution to expenses (see Section 7.2), you may request that Novartis deliver your deposited Novartis Shares (or part of the Shares) (through S A G) in the form of a non-returnable certificate. This

Delivery Order must be issued in writing (by mail or fax) and legally signed, stating the exact number of Novartis Shares to be delivered.

## **6.5 When will your Novartis Share Deposit Account be closed?**

If you terminate the Agreement, your Novartis Shares will be provided to you in accordance with your instructions, subject to payment of a contribution to expenses (see Section 7.2). If Novartis terminates the Agreement, Novartis shall be entitled to send the deposited Novartis Shares to you at the address you have given in the form of a non-returnable certificate.

If you remove all Novartis Shares from your Novartis Share Deposit Account (see Section 6), S A G shall pay you any remaining fraction in cash and close your Novartis Share Deposit Account. The procedure under Section 2 shall apply in the event of re-opening.

## **7 What does participation in the Direct Share Purchase Plan cost?**

### **7.1 Participation in the Direct Share Purchase Plan is essentially free of charge to you**

Participation in the Direct Share Purchase Plan is essentially free of charge to you. No charges will be made to you for opening and maintaining your Novartis Share Deposit Account (preparing the annual account statement, notice of receipt, dividend statements and dividend credits). Neither will you be charged with any brokerage fees for the acquisition of Novartis Shares.

### **7.2 You will have to pay certain charges, fees and expenses**

When opening your Novartis Share Deposit Account, costs will, in certain circumstances, arise, which you have to bear yourself. These are costs in excess of customary expenditures that arise in connection with precautions to prevent money-laundering (expenses for identification, see Section 2.2, above).

Transfer duty and stock exchange charges, due upon the acquisition and sale of Novartis Shares, will also be charged to you. Upon sale of your Novartis Shares you will also be charged with the brokerage fee. These costs will be deducted from your money transfer and/or the proceeds of sales

transactions. Any bank charges (particularly bank expenses arising from the delivery of Novartis Shares, the dividend credit, the purchase or sale of subscription or option rights, general charges for payment transactions and foreign exchange transactions, etc.) will also be charged to you.

When Novartis Shares are delivered from your Novartis Share Deposit Account (or when it is closed) or if you request an additional account statement, Novartis will charge a contribution to expenses. You must settle this contribution to expenses in advance by payment to Novartis (through S A G). On a sale of deposited Novartis Shares, Novartis also requires a contribution to expenses. This will, however, be deducted directly from the sale proceeds.

The current contributions to expenses are set forth in the Directives for the Novartis Direct Share Purchase Plan, which may be found on the Novartis homepage ([www.novartis.com/investors](http://www.novartis.com/investors)) or on the S A G homepage ([www.sag.ch/dspp/novartis](http://www.sag.ch/dspp/novartis)). You may also order it from S A G (at the address indicated in Section 1.2).

Novartis may make reasonable changes to contributions to expenses at any time, effective as of the following calendar month. Such changes will be published on both homepages. In addition, you will be notified in writing of any change in contributions to expenses.

If Novartis incurs extraordinary expenses in connection with the maintenance of your Novartis Share Deposit Account or the execution of your instructions, for which Novartis is not responsible, Novartis may charge this expenditure to you.

## **8 What else do you need to know?**

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### **8.1 Fractions of Novartis Shares**

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A fraction is a portion of a Novartis Share (for example, 0.25 Novartis Shares). Fractions of Novartis Shares can arise if the amount you have transferred for the purpose of acquiring Novartis Shares does not exactly correspond to a round number of Novartis Shares. Your Novartis Share Deposit Account will then be credited with a portion of a Novartis Share (a so-called fraction), i.e. the remaining balance that is insufficient to acquire a whole Novartis Share. If several fractions result from several purchases, they will be added together.

You have a proportionate right to dividends for fractions. But you have no further shareholders' rights, particularly no voting rights. You cannot require delivery or sale of a fraction in accordance with Section 6. However, you may transfer your fraction to another Participant in the Direct Share Purchase Plan, together with whole Novartis Shares. If you remove all Novartis Shares from your Novartis Share Deposit Account in accordance with Section 6, S A G shall pay you any remaining fractions in cash and close your Novartis Share Deposit Account. Fractions will not be entered into the Share Register. The fraction will be shown on the statement of your Novartis Share Deposit Account.

## 8.2 Power of disposition over your Novartis Share Deposit Account

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Until written revocation, only those persons of whom the Company was notified in the application to open a Deposit Account and/or in an authorisation shall have power of disposition over the Account.

S A G shall conscientiously check your signature and the signatures of persons authorised by you. There is, however, no obligation for further examination of identity. There shall be no liability for the consequences of falsification or defects in proofs of identity, which are not recognised despite use of the customary care.

## 8.3 Liability

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Novartis shall be liable only for losses Novartis itself or its delegates cause intentionally or through gross negligence. If loss occurs through non-execution or delayed execution of orders, Novartis shall be liable only for the loss of interest, unless, in an individual case, you expressly drew attention to an imminent danger in writing.

You will have to bear any loss arising from the use of mail, telephone, telex, e-mail, other means of communication or any transportation company (i.e. loss, delay, misunderstandings, garbling or duplications), unless these losses have been caused by gross negligence on the part of Novartis and/or its delegates.

## 8.4 Communication by S A G

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Written communication by S A G will be directed to the address given in the Application to Participate in the Novartis Direct Share Purchase Plan (or

the last address you provided to S A G). Notices sent in this manner shall be deemed effective. The date on the copies or on the list of dispatches in the possession of S A G shall be recognised as the dispatch time.

## 8.5 Transmission of information

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Novartis shall keep business communications confidential. This duty of confidentiality shall not apply to transactions between Novartis and S A G and the Securities Dealer. S A G, in particular, is as required by law authorised to disclose information as to your identity and beneficial ownership to the Securities Dealer. The duty of confidentiality shall not apply whenever disclosure is necessary to safeguard legitimate interests of Novartis.

## 8.6 Procedure on inheritance

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The Agreement shall not terminate upon death of the Participant. The executor of the will (or another person recognised under Swiss law as exercising an equivalent function), who identifies himself adequately, may dispose of the Deposit Account balance of the deceased Participant. If there is no executor, the heirs, who identify themselves with a certificate of inheritance (or an equivalent document recognised under Swiss law), may jointly dispose of the Participant's Novartis Deposit Account or appoint a representative and give him power of attorney.

Should you inherit Novartis Shares deposited under the Novartis Direct Share Purchase Plan, you are requested to provide S A G with the information required on the form "Application to Participate in the Novartis Direct Share Purchase Plan" as soon as possible.

## 8.7 Setting off claims

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Even if a claim by Novartis is not yet due or is denominated in another currency, Novartis may set this claim off against a claim you may have against Novartis.

## 8.8 Transition to the Novartis Direct Share Purchase Plan

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The present Novartis Direct Share Purchase Plan replaces the existing S A G Share Deposit Plan. Your Novartis Shares held under the old Share Deposit Plan will be transferred to the Novartis Direct Share Purchase Plan after written notification. You may then dispose of your Novartis Shares in accordance with the present Regulations, which will apply to the Novartis Share Deposit Account.

## 8.9 Amendment of these Regulations

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Novartis reserves the right to amend the present Regulations, including the forms, at any time. Each amendment of these Regulations will be published on the Novartis homepage and S A G homepage and you will also receive written notice thereof. The new version of the Regulations will be deemed as approved, if you do not reject it within one month after publication. If you reject the changes to the Regulations, Novartis reserves the right to terminate the Agreement in accordance with Section 1.4.

## 8.10 Definitive language for the Agreement

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Only the German version of the Regulations is legally binding. You may also obtain these Regulations from S A G in French and in English.

## 8.11 Applicable law and place of jurisdiction

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The Agreement between you and Novartis is subject to Swiss substantive law.

Subject to applicable mandatory laws, the place of jurisdiction for all disputes arising from or in connection with the Agreement between you and Novartis shall be Basel.