Sientra, Inc.
Form 424B1
October 29, 2014

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Filed Pursuant to Rule 424(b)(1)
Registration No. 333-198837

PROSPECTUS

5,000,000 Shares

SIENTRA, INC.

Common Stock

$15.00 per share

Sientra, Inc. is offering 5,000,000 shares.

The initial public offering price is $15.00 per share.

This is our initial public offering and no public market currently exists for our shares.

Our common stock has been approved for listing on the NASDAQ Global Select Market under the symbol "SIEN."

This investment involves risk. See "Risk Factors" beginning on page 14.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, and as such, have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

	Per Share	Total

Public offering price	$ 15.00	$ 75,000,000
Underwriting discount[1]	$ 1.05	$ 5,250,000
Proceeds to Sientra, Inc., before expenses	$ 13.95	$ 69,750,000

(1) See "Underwriting" for additional information regarding underwriting compensation.

We have granted to the underwriters an option to purchase up to 750,000 additional shares of common stock from us at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

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

The underwriters expect to deliver the shares of common stock to investors on or about November 3, 2014.

Piper Jaffray **Stifel**

Leerink Partners **William Blair**

The date of this prospectus is October 28, 2014.

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You should rely only on the information contained in this prospectus or any related free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized any other person to provide you with different information. We and the underwriters take no responsibility for, and can provide no assurances as to the reliability of, any information that others may give you. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is only accurate as of the date of this prospectus, regardless of the time or delivery of this prospectus and any sale of our common stock.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to the registration statement of which this prospectus is a part were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreement, and should not be deemed to be a representation, warranty or covenant made to you or for your benefit. Moreover, such representations, warranties or covenants were accurate only as of the date they were made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

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Trademarks

Our trademark portfolio contains five registered U.S. trademarks, including Sientra®, Simplicity is Beauty®, Sientra Simplicity is Beauty®, Anatomical Controlled® and ACX®, and six Canadian trademark applications. This prospectus contains additional trademarks and trade names of others, which are the property of their respective owners. Solely for convenience, the trademarks and trade names in this prospectus are referred to without the ® and symbols, but such references should not be construed as any indicator that we will not assert, to the fullest extent under applicable law, our rights thereto.

Investors Outside of the United States

Neither we nor any of the underwriters have taken any action that would permit this offering or the possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of shares of our common stock and the distribution of this prospectus outside of the United States.

Market and Industry Data and Forecasts

Certain market and industry data and forecasts included in this prospectus were obtained from independent market research, industry publications and surveys, governmental agencies and publicly available information. Industry surveys, publications and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. We believe the data from such third-party sources to be reliable. However, we have not independently verified any of such data and cannot guarantee its accuracy or completeness. Similarly, internal market research and industry forecasts, which we believe to be reliable based upon our management's knowledge of the market and the industry, have not been verified by any independent sources. While we are not aware of any misstatements regarding the market or industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors," "Special Note Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus.

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PROSPECTUS SUMMARY

This prospectus summary provides an overview of certain information appearing elsewhere in this prospectus. This prospectus summary is not complete and does not contain all of the information that you should consider before making a decision to invest in our common stock. You are encouraged to carefully read this entire prospectus, including the information provided under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes, before investing in our common stock. Unless otherwise stated in this prospectus, references to "Sientra," "we," "us," "our" or "the Company" refer to Sientra, Inc.

Overview

We are a medical aesthetics company committed to making a difference in patients' lives by enhancing their body image, growing their self-esteem and restoring their confidence. We were founded to provide greater choice to board-certified plastic surgeons and patients in need of medical aesthetics products. We have developed a broad portfolio of products with technologically differentiated characteristics, supported by independent laboratory testing and strong clinical trial outcomes. We sell our breast implants and breast tissue expanders, or Breast Products, exclusively to board-certified and board-admissible plastic surgeons and tailor our customer service offerings to their specific needs, which we believe helps secure their loyalty and confidence. These advantages have allowed us to increase our market share each year since we entered the market in 2012.

Our primary products are silicone gel breast implants for use in breast augmentation and breast reconstruction procedures, which we offer in over 120 variations of shapes, sizes and textures. Our breast implants are primarily used in elective procedures which are generally performed on a cash-pay basis. Many of our breast implants incorporate one or more differentiated technologies, including a proprietary high-strength, cohesive silicone gel and proprietary texturing branded TRUE Texture. Our breast implants offer a desired balance between strength, shape retention and softness due to the high-strength, cohesive silicone gel used in our manufacturing process. TRUE Texture provides texturing on the implant shell that is designed to reduce the incidence of malposition, rotation and capsular contracture, a complication in which the patient's body creates a scar-tissue capsule around the implant that can tighten and squeeze the implant potentially causing discomfort, pain and even dislocation of the implant. We also offer breast tissue expanders and a range of other aesthetic and specialty products. We do not have any patents or patent applications, but rely on trade secrets, proprietary know-how and regulatory barriers to protect our products and technologies.

Our breast implants were approved by the U.S. Food and Drug Administration, or FDA, in 2012, based on data we collected from our ongoing, long-term clinical trial of our breast implants in 1,788 women across 36 investigational sites in the United States. Our clinical trial is the largest prospective, long-term safety and effectiveness pivotal study of breast implant patients in the United States. The clinical data we collected over a five-year follow-up period demonstrated rupture rates, capsular contracture rates and reoperation rates that were comparable to or better than those of our competitors, based on our competitors' published six-year data. In addition to our pivotal study, our clinical data is supported by our Continued Access Study of 2,497 women in the United States. We have also commissioned a number of bench trials run by independent laboratories that we believe further demonstrate the advantages of our breast implants over those of our competitors.

We sell our Breast Products exclusively to board-certified and board-admissible plastic surgeons, as determined by the American Board of Plastic Surgery, who we refer to as Plastic Surgeons. These surgeons have completed the extensive multi-year plastic surgery residency training required by the American Board of Plastic Surgery. Plastic Surgeons are thought leaders in the medical aesthetics

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industry. According to the American Society of Plastic Surgeons, or ASPS, there are approximately 6,400 board-certified plastic surgeons in the United States. We seek to provide Plastic Surgeons with differentiated services, including enhanced customer service offerings, a ten-year limited warranty that is the best-in-the-industry based on providing patients with the largest cash reimbursement for certain out-of-pocket costs related to revision surgeries in a covered event; a lifetime no-charge implant replacement program for covered ruptures; and our industry-first CapCon Care Program, or C3 Program, through which we offer no-charge replacement implants to breast augmentation patients who experience capsular contracture within the first five years after implantation with our smooth or textured breast implants.

Breast augmentation surgery remains the leading aesthetic surgical procedure by dollars and number of procedures in the United States. Based on the number of procedures reported by either the American Society for Aesthetic Plastic Surgery, or ASAPS, or by ASPS, and our estimates of average selling price, implant mix and implants per procedure, we estimate that the U.S. market for breast implants and breast tissue expanders exceeded $600 million in 2013. Based on data from ASAPS and ASPS, between 1997 and 2013, the number of breast augmentation and breast reconstruction procedures has grown at a compound annual growth rate of approximately 7.3% and 4.4%, respectively.

We commenced sales of our breast implants in the United States in the second quarter of 2012. Our net sales were $35.2 million for the year ended December 31, 2013, as compared to $10.4 million for the year ended December 31, 2012. Our net sales were $21.9 million for the six months ended June 30, 2014, as compared to $17.9 million for the six months ended June 30, 2013. Our net loss was $19.1 million for the year ended December 31, 2013, as compared to $23.4 million for the year ended December 31, 2012. Our net loss was $1.2 million for the six months ended June 30, 2014, as compared to $9.6 million for the six months ended June 30, 2013. Our accumulated deficit as of June 30, 2014 was $129.4 million.

Our Market

The overall market for medical aesthetic procedures is significant, and awareness and acceptance of these procedures is growing in the United States. According to ASAPS, in 2013, consumers in the United States spent approximately $12.4 billion on aesthetic procedures overall, including both surgical and non-invasive cosmetic treatments. Of this amount, more than $7.2 billion was spent on aesthetic surgical procedures.

Breast augmentation surgery remains the leading aesthetic surgical procedure by dollars and number of procedures in the United States. According to ASAPS, over 313,000 primary breast augmentation procedures and 55,000 revision augmentation procedures were performed in the United States in 2013. These procedures provide cosmetic solutions generally to enhance breast size and shape, correct breast asymmetries or help restore fullness after breastfeeding. For breast reconstruction, ASPS estimates that approximately 96,000 procedures were performed in the United States in 2013. These procedures are a surgical solution generally used to restore a breast to near normal shape and appearance following a mastectomy and typically utilize a breast tissue expander prior to implantation of a breast implant. Based on the number of procedures reported by ASAPS and by ASPS, and our estimates of average selling price, implant mix and implants per procedure, we estimate that the U.S. market for breast implants and breast tissue expanders exceeded $600 million in 2013. Based on data from ASAPS and ASPS, between 1997 and 2013, the number of breast augmentation and breast reconstruction procedures has grown at a compound annual growth rate of approximately 7.3% and 4.4%, respectively.

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Our Opportunity

We believe a significant opportunity exists in the U.S. marketplace due to the high barriers to entry in the U.S. breast implant market and the historical lack of product and service innovation for Plastic Surgeons.

For more than 20 years prior to the FDA approval of our breast implants in 2012, only two companies manufactured and distributed breast implants in the United States. We believe that this market concentration is largely a result of the considerable costs and risks associated with the lengthy regulatory approval process required by the FDA, which has created a significant barrier to entry in the U.S. breast implant market. All new breast implants require pre-market approval, or PMA, from the FDA before they may be marketed in the United States. The PMA application process is lengthy and uncertain, and the PMA application must be supported by valid scientific evidence, which typically requires long-term follow-up of a large number of enrolled patients, as well as extensive technical, pre-clinical, clinical and manufacturing data to demonstrate safety and effectiveness. At present, we are not aware of any ongoing clinical studies in the United States for silicone breast implants other than those post-approval studies being performed by us and our two U.S. competitors. We believe that in the near term, it is likely that the companies currently providing silicone breast implants in the United States will continue to be the only companies servicing the U.S. silicone breast implant market.

We believe the rigorous FDA approval process and the existence of only two competitors in the U.S. market have historically contributed to a lack of technological innovation in the U.S. breast implant industry resulting in limited product choices. Until recently, surgeons in the United States were only able to purchase basic round breast implants from our two U.S. competitors, while surgeons outside of the United States were able to purchase technologically-advanced round and anatomically-shaped breast implants.

Our Competitive Strengths

We believe that we are well positioned to take advantage of opportunities afforded by current market dynamics. By focusing on products with technologically differentiated characteristics, demonstrating strong clinical data, offering more product choice and providing services tailored specifically to the needs of Plastic Surgeons, we believe we can continue to enhance our position in the breast implant market. Our competitive strengths include:

Differentiated silicone gel and texturing technologies. We incorporate differentiated technologies into our breast implants, including a proprietary high-strength, cohesive silicone gel and proprietary texturing branded TRUE Texture. Our breast implants offer a desired balance between strength, shape retention and softness due to the high-strength, cohesive silicone gel used in our manufacturing process. In addition, TRUE Texture technology provides texturing on the implant shell that is designed to reduce the incidence of malposition, rotation and capsular contracture. We do not have any patents or patent applications, but rely on trade secrets, proprietary know-how and regulatory barriers to protect our products and technologies.

Strong clinical trial outcomes. Our clinical trial results demonstrate the safety and effectiveness of our breast implants. Our breast implants were approved by the FDA based on data we collected from our ongoing, long-term clinical trial of our breast implants in 1,788 women across 36 investigational sites in the United States. The clinical data we collected over a five-year follow-up period demonstrated rupture rates, capsular contracture rates and reoperation rates that were comparable to or better than those of our competitors, based on our competitors' published six-year data.

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Innovative services that deliver an improved customer experience. Our customer service offerings are intended to accommodate and anticipate the needs of Plastic Surgeons so that they can focus on providing better services to their patients. We provide a ten-year limited warranty that is the best-in-the-industry based on providing patients with the largest cash reimbursement for certain out-of-pocket costs related to revision surgeries in a covered event; a lifetime no-charge implant replacement program for covered ruptures; and our industry-first C3 Program through which we offer no-charge replacement implants to breast augmentation patients who experience capsular contracture within the first five years after implantation with our smooth or textured breast implants. We also offer specialized educational initiatives and a streamlined ordering, shipping and billing process.

Board-certified plastic surgeon focus. We sell our Breast Products exclusively to board-certified and board-admissible plastic surgeons who are thought leaders in the medical aesthetics industry. We address the specific needs of Plastic Surgeons through continued product innovation, expansion of our product portfolio and enhanced customer service offerings. We believe that securing the loyalty and confidence of Plastic Surgeons is essential to our success and that our association with Plastic Surgeons enhances our credibility and aligns with our focus on making a difference in patients' lives.

Proven and experienced leadership team. We have a highly experienced management team at both the corporate and operational levels with significant experience in the medical aesthetics industry. Members of our senior management team collectively have more than 125 years of medical aesthetics industry experience.

Our Strategy

Our objective is to become a leading provider of differentiated medical aesthetic products and services tailored to meet the needs of Plastic Surgeons, allowing us to deliver on our commitment to enhance and make a difference in patients' lives. We are currently focused on growing the breast implant and breast tissue expander markets and our share of them in the United States, and intend to leverage our capabilities into new or complementary aesthetic products or technologies and new geographic markets or market segments. To achieve our objective, we are pursuing the following business strategies:

Create awareness of our differentiated technologies, products and services with Plastic Surgeons and consumers. To date, we have focused most of our marketing efforts on Plastic Surgeons to promote and create awareness of the benefits of our products. We believe that investing in expanded marketing initiatives will have a positive impact on our business. We offer educational initiatives exclusively to Plastic Surgeons through our Sientra Education Forum. We also plan to expand our recent initiative to educate consumers considering breast augmentation or breast reconstruction about our technologies, products and services to drive adoption of our products.

Enhance our sales capabilities and marketing programs to drive adoption of our products. We intend to increase our direct sales capabilities through the hiring of additional, experienced sales representatives and support staff. We believe that continued expansion of our sales team will allow us to broaden our market reach and educate a broader group of Plastic Surgeons on the benefits of our products.

Invest in clinical studies and peer reviewed articles with key opinion leaders. We intend to continue to invest in clinical studies in order to provide published peer reviewed articles that support the clinical benefits of our products and technologies over those of our competitors. We believe our relationship with Plastic Surgeons and our continued focus on providing differentiated products and services will allow us to leverage our existing capabilities to increase our share of the breast implant market specifically and the medical aesthetics market generally.

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Broaden our product portfolio and launch new products and services. We plan to continue to develop products that address the unmet needs of Plastic Surgeons and patients by leveraging our innovative technologies in combination with our regulatory and product development expertise. We have a number of new Breast Products under development with different characteristics and configurations. We believe these expanded product choices will allow Plastic Surgeons to potentially achieve better outcomes for their patients.

Expand to new markets. We are pursuing regulatory approval for our breast implants in Canada and intend to expand into the Canadian market upon receipt of such approval. We regularly evaluate additional expansion opportunities and in the future may also expand our business to cover new markets and geographic territories.

Selectively pursue acquisitions. We may selectively pursue domestic and international acquisitions of businesses or technologies that may allow us to leverage our relationships with Plastic Surgeons and our existing commercial infrastructure to provide us with new or complementary products or technologies, and allow us to compete in new geographic markets or market segments or to increase our market share.

Recent Developments

Our financial results for the three and nine months ended September 30, 2014 are not yet finalized. However, the following information reflects our preliminary expectations with respect to such results based on information currently available to management.

We expect to report that our net sales for the three months ended September 30, 2014 will be between approximately $10.3 million and $10.6 million, representing an increase of 29% to 33%, as compared to approximately $8.0 million for the three months ended September 30, 2013. Additionally, we expect to report that our net sales for the nine months ended September 30, 2014 will be between approximately $32.3 million and $32.6 million, representing an increase of 24% to 26%, as compared to approximately $25.9 million for the nine months ended September 30, 2013. These estimated increases in our net sales from the same periods in the prior year are primarily driven by sales of our Breast Products in the United States resulting from increased commercialization activities, including the expansion of our sales organization, increased marketing activities and greater familiarity with our products and customer service offerings by Plastic Surgeons. As of September 30, 2014, our sales organization included 42 employees, as compared to 36 employees as of September 30, 2013.

We expect to report that our cost of goods sold for the three months ended September 30, 2014 will be between approximately $2.8 million and $3.0 million, as compared to approximately $2.0 million for the three months ended September 30, 2013. Additionally, we expect to report that our cost of goods sold for the nine months ended September 30, 2014 will be between approximately $8.3 million and $8.5 million, as compared to approximately $6.4 million for the nine months ended September 30, 2013. These estimated increases in our cost of goods sold from the same periods in the prior year are primarily due to an increase in sales volume. Our gross margin for the three and nine months ended September 30, 2014 is expected to decrease, as compared to the same periods in the prior year, primarily due to manufacturing price increases, targeted pricing programs and an increase in overhead related to warehouse operations.

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We expect to report that our operating expenses for the three months ended September 30, 2014 will be between approximately $8.5 million and $8.8 million, as compared to approximately $12.2 million for the three months ended September 30, 2013. Additionally, we expect to report that our operating expenses for the nine months ended September 30, 2014 will be between approximately $27.7 million and $28.0 million, as compared to approximately $35.0 million for the nine months ended September 30, 2013. These estimated decreases in our operating expenses from the same periods in the prior year are primarily due to a decrease in expenses related to the Mentor litigation and the Grader Street arbitration, partially offset by an increase in employee related expense for the sales department, an increase in marketing costs and expenses related to the federal excise tax and accounting costs.

We expect to report that other (expense) income, net for the three months ended September 30, 2014 will be approximately ($0.7) million, as compared to approximately ($0.3) million for the three months ended September 30, 2013. Additionally, we expect to report that other (expense) income, net for the nine months ended September 30, 2014 will be approximately $0.7 million, as compared to approximately ($0.7) million for the nine months ended September 30, 2013. Other (expense) income, net for the three months ended September 30, 2014 is primarily associated with interest expense on our term loans. Other (expense) income, net for the nine months ended September 30, 2014 is primarily associated with income from recovery of costs associated with the Mentor litigation of approximately $2.4 million, partially offset by interest expense on our terms loans of approximately $1.5 million. Other (expense) income, net for the three and nine months ended September 30, 2013 was primarily associated with interest expense on our term loans.

These preliminary estimates are the responsibility of management, reflect management's estimates based solely upon information available to it as of the date of this prospectus and are not a comprehensive statement of our financial results for the three and nine months ended September 30, 2014 and 2013. In addition, our independent registered public accounting firm, KPMG LLP, has not audited, reviewed or performed any procedures with respect to these preliminary financial estimates or the accounting treatment thereof and does not express an opinion or any other form of assurance with respect thereto. We expect to complete our unaudited financial statements for the quarter ended September 30, 2014 subsequent to the completion of this offering. It is possible that we or our independent registered public accounting firm may identify items that require us to make adjustments to the financial information set forth above and those changes could be material.

The ranges for the preliminary estimated financial results described above constitute forward-looking statements. Actual results may vary materially from the information contained in these forward-looking statements based on a number of factors, including those discussed under the heading "Risk Factors" and "Special Note Regarding Forward-Looking Statements." Accordingly, you should not place undue reliance upon this preliminary information. The preliminary information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus.

Risks Related to Our Business and Our Industry

Our business is subject to numerous risks and uncertainties of which you should be aware before you decide to invest in our common stock. These risks may prevent us from achieving our business objectives, and may adversely affect our business, financial condition, results of operations and

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prospects. These risks are discussed in greater detail in the section entitled "Risk Factors" beginning on page 14 of this prospectus, including the following:

- we have incurred significant net operating losses since inception and cannot assure you that we will achieve profitability;
- our future profitability depends on the success of our Breast Products;
- we rely on a foreign, sole source, third-party to manufacture and supply our silicone gel breast implants, tissue expanders and other products;
- there are inherent risks in contracting with manufacturers located outside of the United States such as in Brazil;
- various factors outside our direct control may adversely affect manufacturing and supply of our breast implants, tissue expanders and other products;
- we have a limited operating history and may face difficulties encountered by companies early in their commercialization in competitive and rapidly evolving markets;
- if we fail to compete effectively against our competitors, many of whom have greater resources than we have, our net sales and operating results may be negatively affected;
- pricing pressure from customers and our competitors may impact our ability to sell our products at prices necessary to support our current business strategies;
- the long-term (defined as 10 years or more) safety of our products has not fully been established and our breast implants are currently under study in our PMA and post-approval studies, which could reveal unanticipated complications;
- we are subject to extensive federal and state regulation, and if we fail to comply with applicable regulations, we could suffer severe criminal or civil sanctions or be required to restructure our operations, any of which could adversely affect our business, financial condition and operating results;
- if our intellectual property rights do not adequately protect our products or technologies, others could compete against us more directly, which would hurt our profitability;
- any negative publicity concerning our products could harm our business and reputation and negatively impact our financial results; and
- other factors set forth under "Risk Factors" in this prospectus.

Corporate Information

We were incorporated in Delaware in August 2003 as Juliet Medical, Inc. and changed our name to Sientra, Inc. in April 2007. Our principal executive offices are located at 420 South Fairview Avenue, Suite 200, Santa Barbara, California 93117 and our telephone number is (805) 562-3500. Our website is *www.sientra.com*. The information on our website or accessible through our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website or accessible through our website to be a part of this prospectus or in deciding whether to purchase our common stock.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting

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requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- we are permitted to present only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus;
- we are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements in our periodic reports, proxy statements and registration statements; and
- we are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions until the last day of the fiscal year following the fifth anniversary of the completion of this offering. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, our annual gross revenue equals or exceeds $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

We may choose to take advantage of some but not all of these reduced burdens. We have taken advantage of reduced reporting requirements in this prospectus. Accordingly, the information contained herein may be different from the information you receive from our competitors that are public companies, or other public companies in which you have made an investment.

In addition, the JOBS Act provides that an emerging growth company may take advantage of an extended transition period for complying with new or revised accounting standards. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

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The Offering

Shares of common stock offered by us	5,000,000 shares.
Shares of common stock to be outstanding immediately after this offering	14,152,275 shares (or 14,902,275 shares if the underwriters exercise in full their option to purchase additional shares).
Option to purchase additional shares	We have granted the underwriters an option to purchase up to 750,000 additional shares of common stock from us. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately $66.8 million, or $77.2 million if the underwriters exercise in full their option to purchase additional shares, after deducting the underwriting discount and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to expand our sales force and marketing programs, to fund research and development activities and for working capital and other general corporate purposes. We may also use a portion of the net proceeds to acquire or invest in complementary products, technologies or businesses; however, we currently have no agreements or commitments to complete any such transaction. For additional information, see "Use of Proceeds."
Risk factors	Investing in our common stock involves risks. See the section entitled "Risk Factors" beginning on page 14 of this prospectus and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

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Directed share program	At our request, the underwriters have reserved for sale at the initial public offering price up to 250,000 shares of common stock, or approximately 5% of the shares offered by this prospectus, for our employees, directors and other persons associated with us. Any directed shares purchased by our executive officers, directors, principal stockholders and employees will be subject to the 180-day lock-up restriction described in the "Underwriting" section of this prospectus. Any participants in the directed share program that have not entered into a 180-day contractual lock-up agreement with the underwriters will not be subject to any lock-up arrangements with any underwriter with respect to the directed shares sold to them. The number of shares of common stock available for sale to the general public in the offering will be reduced by the number of shares sold pursuant to the directed share program. Any directed shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. The directed share program will be arranged through Stifel, Nicolaus & Company, Incorporated.
NASDAQ Global Select Market symbol	"SIEN."

The number of shares of our common stock to be outstanding immediately after this offering is based upon 9,152,275 shares of common stock outstanding as of June 30, 2014, and excludes:

- 47,710 shares of common stock issuable upon exercise of outstanding warrants as of June 30, 2014, at a weighted average exercise price of $14.671 per share;
- 1,566,670 shares of common stock issuable upon exercise of outstanding options to purchase shares of common stock under our 2007 Equity Incentive Plan, or the 2007 Plan, at a weighted average exercise price of $3.49 per share;
- 69,266 shares of common stock issuable upon exercise of outstanding options granted on July 22, 2014 to purchase shares of common stock under the 2007 Plan at an exercise price of $13.26 per share;
- 1,027,500 shares of common stock reserved for future grant or issuance under our 2014 Equity Incentive Plan, or the 2014 Plan, which became effective upon the execution and delivery of the underwriting agreement for this offering; and
- 255,500 shares of common stock reserved for future grant or issuance under our 2014 Employee Stock Purchase Plan, or the ESPP, which became effective upon the execution and delivery of the underwriting agreement for this offering.

Except as otherwise indicated or the context otherwise requires, the information in this prospectus assumes:

- no exercise of the underwriters' option to purchase additional shares;
- the filing and effectiveness of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws upon the closing of this offering;

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no exercise of the outstanding warrants or options described above;

the automatic conversion of all outstanding shares of our preferred stock as of June 30, 2014 into an aggregate of 8,942,930 shares of our common stock in connection with the closing of this offering, as consented to by the requisite holders of our preferred stock; and

a 1 for 2.75 reverse stock split of our common stock effected on October 17, 2014.

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Summary Financial Data

The following tables set forth our summary financial data for the periods and as of the dates indicated. We derived the summary statement of operations data presented below for the years ended December 31, 2012 and 2013 from our audited financial statements included elsewhere in this prospectus. We derived the summary statement of operations data presented below for the six months ended June 30, 2013 and 2014 and the summary balance sheet data as of June 30, 2014 from our unaudited financial statements included elsewhere in this prospectus. In the opinion of management, the unaudited financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of our results for those periods. Our historical results are not necessarily indicative of future operating results and our interim results are not necessarily indicative of results for a full year or any future period.

You should read the summary financial data presented below in conjunction with the information included under the headings "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus.

	Year Ended December 31,		Six Months Ended June 30,	
	2012	2013	2013	2014
			(Unaudited)	
	(In thousands, except per share and share amounts)			
Statement of operations data:				
Net sales	$ 10,447	$ 35,171	$ 17,940	$ 21,947
Cost of goods sold	2,352	8,592	4,384	5,455
Gross profit	8,095	26,579	13,556	16,492
Operating expenses:				
Sales and marketing	17,919	22,229	10,797	11,863
Research and development	3,670	4,479	2,166	2,305
General and administrative	9,938	18,078	9,768	4,908
Total operating expenses	31,527	44,786	22,731	19,076
Loss from operations	(23,432)	(18,207)	(9,175)	(2,584)
Other (expense) income, net:				
Interest expense		(872)	(380)	(842)
Other (expense) income, net	(1)	(46)	(20)	2,264
Total other (expense) income, net	(1)	(918)	(400)	1,422
Loss before income taxes	(23,433)	(19,125)	(9,575)	(1,162)
Income taxes				

Net loss	$ (23,433)	$ (19,125)	$ (9,575)	$ (1,162)
Per share data:				
Basic and diluted net loss per share attributable to common stockholders[1]	$ (85.01)	$ (82.25)	$ (36.98)	$ (5.58)
Weighted average outstanding common shares used for net loss per share attributable to common stockholders:				
Basic and diluted[1]	275,642	232,512	258,928	208,294
Pro forma net loss per share:				
Basic and diluted (unaudited)[1]		$ (2.08)		$ (0.13)
Weighted average outstanding common shares used in computing pro forma net loss per share attributable to common stockholders:				
Basic and diluted (unaudited)[1]		9,175,442		9,151,224

(1) See Notes 3(d) and 3(u) to our financial statements appearing elsewhere in this prospectus for an explanation of the method used to calculate the basic and diluted net loss per share and pro forma net loss per share and the number of shares used in the computation of the per share amounts.

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	As of June 30, 2014 (Unaudited) (In thousands)		
	Actual	Pro Forma[1]	Pro Forma As Adjusted[2]
Balance sheet data (at end of period):			
Cash and cash equivalents	$ 21,637	$ 21,637	$ 88,387
Working capital	33,773	33,773	100,523
Total assets	63,397	63,397	130,147
Long-term debt	25,177	25,177	25,177
Convertible preferred stock	150,456		
Total stockholders' (deficit) equity	(127,627)	22,829	89,579

(1) Pro forma amounts reflect the automatic conversion of all our outstanding shares of preferred stock as of June 30, 2014 into an aggregate of 8,942,930 shares of our common stock in connection with the closing of this offering, as consented to by the requisite holders of our preferred stock.

(2) Pro forma as adjusted amounts further adjust the pro forma amounts to reflect the sale of 5,000,000 shares of our common stock in this offering at the initial public offering price of $15.00 per share, after deducting the underwriting discount and commissions and estimated offering expenses payable by us.

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RISK FACTORS

An investment in our common stock involves risks. You should consider carefully the risks described below, together with all of the other information included in this prospectus, including our financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before investing in our common stock. If any of the events contemplated in following risks actually occur, our business, financial condition, operating results and prospects could suffer. In that case, the trading price of our common stock may decline and you might lose all or part of your investment.

Risks Relating to Our Business and Our Industry

We have incurred significant net operating losses since inception and cannot assure you that we will achieve profitability.

Since our inception, we have incurred significant net operating losses. As of June 30, 2014, we had an accumulated deficit of $129.4 million. To date, we have financed our operations primarily through sales of preferred stock, borrowings under our term loans and, since 2012, sales of our products. We have devoted substantially all of our resources to the acquisition and clinical development of our products, the commercial launch of our products, the development of a sales and marketing team and the assembly of a management team to manage our business.

We commenced sales of our breast implants in the second quarter of 2012. For the year ended December 31, 2013, our gross profit was $26.6 million. However, although we have achieved a positive gross profit, we still operate at a substantial net loss. The extent of our future net operating losses and the timing of profitability are uncertain, especially in light of the recent commercialization of our silicone gel breast implants, which makes forecasting our sales more difficult. We will need to generate significant sales to achieve profitability, and we might not be able to do so. Even if we do generate significant sales, we might not be able to achieve, sustain or increase profitability on a quarterly or annual basis in the future. If our sales grow more slowly than we have forecasted, or if our operating expenses exceed our forecasts, our financial performance and results of operations will be adversely affected.

Our future profitability depends on the success of our Breast Products.

Sales of our Breast Products accounted for 98% and 97% of our net sales for the year ended December 31, 2013 and for the six months ended June 30, 2014, respectively. We expect our net sales to continue to be based primarily on sales of our Breast Products. Any product liability lawsuits, introduction of competitive products by our competitors and other third parties, the loss of market acceptance of our Breast Products, adverse rulings by regulatory authorities, adverse publicity or other adverse events relating to us or our Breast Products may significantly impact our sales and profitability, which would adversely affect our business, financial condition and results of operations.

We rely on a foreign, sole source, third-party to manufacture and supply our silicone gel breast implants, tissue expanders and other products.

We rely on Silimed Industria de Implantes Ltda. (formerly, Silimed-Silicone e Instrumental Medico-Cirugio e Hospitalar Ltda.), or Silimed, our sole source, third-party manufacturer located in Brazil, to manufacture and supply our silicone gel breast implants, tissue expanders and other products, and Silimed relies on Applied Silicone Corporation, or ASC, its sole source, third-party supplier of medical-grade silicone based in Santa Paula, California. If ASC becomes unable or willing to supply medical-grade silicone to Silimed or if Silimed becomes unable or unwilling to manufacture and supply our silicone gel breast implants, tissue expanders and other products, we will not be able to replace ASC

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or Silimed quickly, and we have not qualified another silicone supplier nor another manufacturer to source our implants in that event. Even if we were able to identify a replacement manufacturer or silicone supplier, either would have to be qualified with the FDA, which is an expensive and time-consuming process during which we may experience a supply interruption. As a result, our financial position and results of operations may be adversely affected. There can also be no guarantee that ASC or Silimed will be able to meet our demand to produce sufficient quantities of medical-grade silicone or our products in a timely manner. Furthermore, our current contract with Silimed expires in 2017, and there can be no assurance that Silimed will agree to continue to manufacture and supply our products after the expiration of our contract, which would have a material adverse effect on our business, financial condition and results of operations.

In addition, our reliance on Silimed involves a number of other risks, including, among other things, that:

- our products may not be manufactured in accordance with agreed upon specifications or in compliance with regulatory requirements, or its manufacturing facilities may not be able to maintain compliance with regulatory requirements, which could negatively affect the safety or efficacy of our products or cause delays in shipments of our products;
- we may not be able to timely respond to unanticipated changes in customer orders, and if orders do not match forecasts, we may have excess or inadequate inventory of materials and components;
- we may be subject to price fluctuations when a supply contract is renegotiated or if our existing contract is not renewed;
- our agreement with Silimed does not permit us to sell the products we obtain from Silimed in any country other than the United States and Canada;
- we, Silimed or ASC may lose access to critical services and components, resulting in an interruption in the manufacture or shipment of our products;
- Silimed may not be able to find an alternate supplier in a timely manner if the medical-grade silicone becomes unavailable from ASC or we may not be able to find an alternate supplier in a timely manner if the products become unavailable from Silimed;
- we may be required to obtain regulatory approvals related to any change in our supply chain;
- ASC may wish to discontinue manufacturing and supplying products to Silimed for risk management reasons;
- Silimed may wish to discontinue manufacturing and supplying products to us for risk management reasons; and
- Silimed or ASC may encounter financial or other hardships unrelated to our demand for products, which could inhibit its ability to fulfill our orders and meet our requirements.

If any of these risks materialize, it could significantly increase our costs, our ability to generate net sales would be impaired, market acceptance of our products could be adversely affected and customers may instead purchase or use our competitors' products, which could materially adversely affect our business, financial condition and results of operations.

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There are inherent risks in contracting with manufacturers located outside of the United States such as in Brazil.

Silimed is our sole source, third-party manufacturer and its manufacturing plant is located in Brazil. There are inherent risks in contracting with manufacturers located outside of the United States such as in Brazil, including the risks of economic change, recession, labor strikes or disruptions, political turmoil, new or changing tariffs or trade barriers, new or different restrictions on importing or exporting, civil unrest, infrastructure failure, cultural differences in doing business, lack of contract enforceability, lack of protection for intellectual property, war and terrorism. If any of these risks were to materialize, we and Silimed would both be materially adversely affected and our business, financial condition and results of operations would suffer.

Various factors outside our direct control may adversely affect manufacturing and supply of our breast implants, tissue expanders and other products.

Manufacturing and supply of our breast implants, tissue expanders and other products is technically challenging. Changes that our manufacturer may make outside the purview of our direct control can have an impact on our processes, on quality and the successful delivery of products to Plastic Surgeons. Mistakes and mishandling are not uncommon and can affect production and supply. Some of these risks include:

- failure of our manufacturer to follow Good Manufacturing Practices, or cGMP, requirements or mishandling of our products while in production or in preparation for transit;
- transportation and import and export risk, particularly given the global nature of our supply chain;
- delays in analytical results or failure of analytical techniques that we depend on for quality control and release of products;
- natural disasters, labor disputes, financial distress, lack of raw material supply, issues with facilities and equipment or other forms of disruption to business operations affecting our manufacturer or its suppliers; and
- latent defects that may become apparent after products have been released and which may result in a recall of such products.

If any of these risks were to materialize, our ability to provide our products to customers on a timely basis would be adversely impacted.

We have a limited operating history and may face difficulties encountered by companies early in their commercialization in competitive and rapidly evolving markets.

We commenced operations in 2007 and began commercializing silicone gel breast implants in the second quarter of 2012. Accordingly, we have a limited operating history upon which to evaluate our business and forecast our future net sales and operating results. In assessing our business prospects, you should consider the various risks and difficulties frequently encountered by companies early in their commercialization in competitive markets, particularly companies that develop and sell medical devices. These risks include our ability to:

- implement and execute our business strategy;
- expand and improve the productivity of our sales force and marketing programs to grow sales of our existing and proposed products;

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increase awareness of our brand and build loyalty among Plastic Surgeons;

manage expanding operations;

respond effectively to competitive pressures and developments;

enhance our existing products and develop new products;

obtain regulatory clearance or approval to enhance our existing products and commercialize new products;

obtain and maintain adequate levels of coverage and reimbursement for our products;

perform clinical trials with respect to our existing products and any new products; and

attract, retain and motivate qualified personnel in various areas of our business.

Due to our limited operating history, we may not have the institutional knowledge or experience to be able to effectively address these and other risks that we may face. In addition, we may not be able to develop insights into trends that could emerge and negatively affect our business and may fail to respond effectively to those trends. As a result of these or other risks, we may not be able to execute key components of our business strategy, and our business, financial condition and operating results may suffer.

If we fail to compete effectively against our competitors, many of whom have greater resources than we have, our net sales and operating results may be negatively affected.

Our industry is intensely competitive and subject to rapid change from the introduction of new products, technologies and other activities of industry participants. Our competitors, Mentor Worldwide, LLC, or Mentor, a division of Johnson & Johnson, and Allergan, Inc., or Allergan, are well-capitalized pharmaceutical companies that have been the market leaders for many years and have the majority share of the breast implant market in the United States. These competitors also enjoy several competitive advantages over us, including:

greater financial and human resources for sales, marketing and product development;

established relationships with health care providers and third-party payors;

established reputations and name recognition among health care providers and other key opinion leaders in the plastic surgery industry;

in some cases, an established base of long-time customers;

products supported by long-term clinical data;

larger and more established distribution networks;

greater ability to cross-sell products; and

more experience in conducting research and development, manufacturing, performing clinical trials and obtaining regulatory approval or clearance.

If we fail to compete effectively against our competitors, our net sales and operating results may be negatively affected.

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Pricing pressure from customers and our competitors may impact our ability to sell our products at prices necessary to support our current business strategies.

Our 2012 entry into the U.S. breast implant market represented a significant expansion of the breast implant choices and technologies available in the United States. As a result of our entry into the U.S. breast implant market, our competitors intensified competitive pricing pressure for traditional round-shaped breast implants. If we are not successful in convincing customers or third-party payors of the differentiation of the gel technology used in our implants and selection of shapes and products as compared to our competitors' products, third-party payors may not cover or adequately reimburse our products and customers may choose our competitors' products. Additionally, as more competitors introduce anatomically-shaped products that compete with ours, we may face additional pricing pressure that will impact our future results.

The long-term safety of our products has not fully been established and our breast implants are currently under study in our PMA and post-approval studies, which could reveal unanticipated complications.

We currently market our silicone gel breast implants in the United States. These products have received pre-market approval from the FDA. However, there could still be unanticipated complications or unforeseen health consequences of being implanted with our silicone gel breast implants over the long-term (defined as 10 years or more). Additionally, we compare our five-year data to our competitors' six-year data in some cases in this prospectus, and our longer term data may change due to an increase in such complications or consequences over time. Further, future studies or clinical experience may indicate that treatment with our products is not differentiated to treatment with competitive products. Such results could slow the adoption of our products and significantly reduce our sales, which could prevent us from achieving our forecasted sales targets or achieving or sustaining profitability. Moreover, if long-term results and experience indicate that our products cause unexpected or serious complications, we could be subject to mandatory product recalls, suspension or withdrawal of FDA clearance or approval and significant legal liability.

Any negative publicity concerning our products could harm our business and reputation and negatively impact our financial results.

The responses of potential patients, physicians, the news media, legislative and regulatory bodies and others to information about complications or alleged complications of our products could result in negative publicity and could materially reduce market acceptance of our products. These responses or any investigations and potential resulting negative publicity may have a material adverse effect on our business and reputation and negatively impact our financial condition, results of operations or the market price of our common stock. In addition, significant negative publicity could result in an increased number of product liability claims against us.

If we are unable to train Plastic Surgeons on the safe and appropriate use of our products, we may be unable to achieve our expected growth.

An important part of our sales process includes the ability to educate Plastic Surgeons about the availability of anatomically-shaped breast implants and train Plastic Surgeons on the safe and appropriate use of our products. If we become unable to attract potential new Plastic Surgeon customers to our education and training programs, we may be unable to achieve our expected growth.

There is a learning process involved for Plastic Surgeons to become proficient in the use of our anatomically-shaped products. It is critical to the success of our commercialization efforts to train a sufficient number of Plastic Surgeons and provide them with adequate instruction in the appropriate use of our products via preceptorships and additional demonstration surgeries. This training process

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may take longer than expected and may therefore affect our ability to increase sales. Following completion of training, we rely on the trained Plastic Surgeons to advocate the benefits of our products in the marketplace. Convincing Plastic Surgeons to dedicate the time and energy necessary for adequate training is challenging, and we cannot assure you that we will be successful in these efforts. If Plastic Surgeons are not properly trained, they may misuse or ineffectively use our products. This may also result in, among other things, unsatisfactory patient outcomes, patient injury, negative publicity or lawsuits against us, any of which could have an adverse effect on our business and reputation.

We are required to maintain high levels of inventory, which could consume a significant amount of our resources and reduce our cash flows.

We need to maintain substantial levels of inventory to protect ourselves from supply interruptions, provide our customers with a wide range of shapes and sizes of our breast implants, and account for the high return rates we experience as Plastic Surgeons typically order our products in multiple sizes for a single surgery and then return what they do not use. As a result of our substantial inventory levels, we are subject to the risk that a substantial portion of our inventory becomes obsolete, which could have a material adverse effect on our earnings and cash flows due to the resulting costs associated with the inventory impairment charges and costs required to replace such inventory.

If we are unable to continue to enhance our existing Breast Products and develop and market new products that respond to customer needs and preferences and achieve market acceptance, we may experience a decrease in demand for our products and our business could suffer.

We may not be able to compete effectively with our competitors, and ultimately satisfy the needs and preferences of our customers, unless we can continue to enhance existing products and develop and market new innovative products. Product development requires the investment of significant financial, technological and other resources. Product improvements and new product introductions also require significant planning, design, development and testing at the technological, product and manufacturing process levels and we may not be able to timely develop product improvements or new products. Our competitors' new products may beat our products to market, be more effective with new features, obtain better market acceptance or render our products obsolete. Any new or modified products that we develop may not receive clearance or approval from the FDA, or achieve market acceptance or otherwise generate any meaningful sales or profits for us relative to our expectations based on, among other things, existing and anticipated investments in manufacturing capacity and commitments to fund advertising, marketing, promotional programs and research and development.

If changes in the economy and consumer spending, preferences and trends reduce consumer demand for our products, our sales and profitability would suffer.

We are subject to the risks arising from adverse changes in general economic and market conditions. Certain elective procedures, such as breast augmentation and body contouring, are typically not covered by insurance. Adverse changes in the economy may cause consumers to reassess their spending choices and reduce the demand for these surgeries and could have an adverse effect on consumer spending. This shift could have an adverse effect on our net sales. Furthermore, consumer preferences and trends may shift due to a variety of factors, including changes in demographic and social trends, public health initiatives and product innovations, which may reduce consumer demand for our products.

Any disruption at our facilities could adversely affect our business and operating results.

Our principal offices are located in Santa Barbara, California. Substantially all of our operations are conducted at this location, including customer and technical support, development and management and administrative functions. In addition, substantially all of our inventory of finished goods is held at

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a second location in Santa Barbara, California. Despite our efforts to safeguard our facilities, including acquiring insurance, adopting health and safety protocols and utilizing off-site storage of computer data, vandalism, terrorism or a natural or other disaster, such as an earthquake, fire or flood, could damage or destroy our inventory of finished goods, cause substantial delays in our operations, result in the loss of key information and cause us to incur additional expenses. Our insurance may not cover our losses in any particular case. In addition, regardless of the level of insurance coverage, damage to our facilities may have a material adverse effect on our business, financial condition and operating results.

If there are significant disruptions in our information technology systems, our business, financial condition and operating results could be adversely affected.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage sales and marketing data, accounting and financial functions, inventory, product development tasks, clinical data, and customer service and technical support functions. Our information technology systems are vulnerable to damage or interruption from earthquakes, fires, floods and other natural disasters, terrorist attacks, computer viruses or hackers, power losses, and computer system or data network failures. In addition, a variety of our software systems are cloud-based data management applications hosted by third-party service providers whose security and information technology systems are subject to similar risks.

The failure of our or our service providers' information technology could disrupt our entire operation or result in decreased sales, increased overhead costs and product shortages, all of which could have a material adverse effect on our reputation, business, financial condition and operating results.

We may be adversely affected by earthquakes or other natural disasters and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our corporate headquarters and other facilities are located in Santa Barbara, California, which in the past has experienced both severe earthquakes and wildfires. We do not carry earthquake insurance. Earthquakes, wildfires or other natural disasters could severely disrupt our operations, and have a material adverse effect on our business, results of operations, financial condition and prospects.

If a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that damaged critical infrastructure, such as our enterprise financial systems or manufacturing resource planning and enterprise quality systems, or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place currently are limited and are unlikely to prove adequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which, particularly when taken together with our lack of earthquake insurance, could have a material adverse effect on our business.

Failure to obtain hospital or group purchasing organization contracts could have a material adverse effect on our financial condition and operating results.

A portion of our net sales is derived from sales to hospitals. Many hospital customers, through the contracting process, limit the number of breast implant suppliers that may sell to their institution. Hospitals may choose to contract with our competitors who have a broader range of products that can be used in a wider variety of procedures or our competitors may actively position their broader product portfolios against us during the hospital contracting process. Any limitations on the number of hospitals to which we can sell our products may significantly restrict our ability to grow.

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In addition, contracts with hospitals and group purchasing organizations, or GPOs, often have complex insurance and indemnification requirements, which may not be beneficial to us, or we may not be able to successfully negotiate contracts with a substantial number of hospitals and GPOs at all, which could adversely affect our business, financial condition and results of operations.

Our business could suffer if we lose the services of key personnel or are unable to attract and retain additional qualified personnel.

We are dependent upon the continued services of key personnel, including members of our executive management team who have extensive experience in our industry. The loss of any one of these individuals could disrupt our operations or our strategic plans. Additionally, our future success will depend on, among other things, our ability to continue to hire and retain the necessary qualified sales, marketing and managerial personnel, for whom we compete with numerous other companies, academic institutions and organizations. The loss of key personnel or our inability to attract or retain other qualified personnel could have a material adverse effect on our business, results of operations and financial condition.

We will need to increase the size of our organization, and we may experience difficulties in managing growth.

As of September 30, 2014, we had approximately 93 full-time employees. Our management and personnel, and the systems and facilities we currently have in place, may not be adequate to support future growth. Effectively executing our growth strategy requires that we increase net sales through sales and marketing activities, recruit and retain additional employees and continue to improve our operational, financial and management controls, reporting systems and procedures. If we are not able to effectively expand our organization in these ways, we may not be able to successfully execute our growth strategy, and our business, financial condition and results of operations may suffer.

We may not realize the benefits of partnerships with other companies, acquisitions of complementary products or technologies or other strategic alternatives.

From time to time, we may consider opportunities to partner with or acquire other businesses, products or technologies that may enhance our product platform or technology, expand the breadth of our markets or customer base or advance our business strategies. Potential partnerships or acquisitions involve numerous risks, including:

- integration of the acquired products or technologies with our existing business;
- maintenance of uniform standards, procedures, controls and policies;
- unanticipated costs associated with partnerships or acquisitions;
- diversion of management's attention from our existing business;
- uncertainties associated with entering new markets in which we have limited or no experience; and
- increased legal and accounting costs relating to the partnerships or acquisitions or compliance with regulatory matters.

We currently have no commitments with respect to any partnership or acquisition. We do not know if we will be able to identify partnerships or acquisitions we deem suitable, whether we will be able to successfully complete any such partnerships or acquisitions on favorable terms or at all, or whether we will be able to successfully integrate any partnered or acquired products or technologies. Our potential

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inability to integrate any partnered or acquired products or technologies effectively or realize anticipated synergies may adversely affect our business, financial condition and results of operations.

Risks Related to Our Financial Results and Need for Financing

Our quarterly net sales and operating results are unpredictable and may fluctuate significantly from quarter to quarter due to factors outside our control, which could adversely affect our business, results of operations and the trading price of our common stock.

Our net sales and operating results may vary significantly from quarter to quarter and year to year due to a number of factors, many of which are outside of our control and any of which may cause our stock price to fluctuate. Our net sales and results of operations will be affected by numerous factors, including:

- the impact of the buying patterns of patients and seasonal cycles in consumer spending;
- our ability to drive increased sales of anatomically-shaped breast implants products;
- our ability to establish and maintain an effective and dedicated sales organization;
- pricing pressure applicable to our products, including adverse third-party coverage and reimbursement outcomes;

nt-family:times;">**Six Months Ended June 30, Year Ended**
December 31, 2008 2007 2007 2006 2005 2004[1] 2003[1] 31.5 29.0 21.4 21.7 17.7 18.2 18.9

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

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

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NOVARTIS AG

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

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

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

- Pharmaceuticals (brand-name patented pharmaceuticals)
- Vaccines and Diagnostics (human vaccines and molecular diagnostics)
- Sandoz (generic pharmaceuticals)
- Consumer Health (over-the-counter medicines, animal health medicines, and contact lenses and lens-care products)

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

NOVARTIS CAPITAL CORPORATION

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

NOVARTIS SECURITIES INVESTMENT LTD.

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

NOVARTIS FINANCE S.A.

Novartis Finance S.A. is a finance subsidiary indirectly owned 100% by Novartis AG and was incorporated as a public limited liability company (*société anonyme*) under the laws of Luxembourg on July 25, 2008. It exists for the purpose of issuing debt securities, the proceeds of which will be invested by it in marketable securities or advanced to, or otherwise

invested in, subsidiaries or affiliates of Novartis AG. The registered office of Novartis Finance S.A. is located at 20, rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg, and its telephone number is +352 26 29 42 01. It is registered with the Luxembourg trade and companies register under number B. 141.096.

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LEGAL OWNERSHIP OF DEBT SECURITIES

"Street Name" and Other Indirect Holders

We generally will not recognize investors who hold debt securities in accounts at banks or brokers as legal holders of those debt securities. Holding securities in accounts at banks or brokers is called holding in "street name." If an investor holds debt securities in street name, we recognize only the bank or broker or the financial institution the bank or broker uses to hold the debt securities. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the debt securities, either because they agree to do so in their customer agreements or because they are legally required to do so. If you hold debt securities in street name, you should check with your own institution to find out:

- how it handles payments and notices with respect to securities;
- whether it imposes fees or charges;
- how it would handle voting if ever required;
- how and when you should notify it to exercise on your behalf any rights or options that may exist under the debt securities;
- whether and how you can instruct it to send you securities registered in your own name so you can be a direct holder as described below; and
- how it would pursue rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests.

Registered Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, extend only to persons who are registered as holders of debt securities. As noted above, we do not have obligations to you if you hold in street name or through other indirect means, either because you choose to hold debt securities in that manner or because the debt securities are issued in the form of global securities as described below. For example, once we make payment to the registered holder, we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

Global Securities

A global security is a special type of indirectly held security. If we choose to issue debt securities in the form of global securities, the ultimate beneficial owners of the debt securities will be indirect holders. We do this by requiring that the global security be registered in the name of a financial institution we select and by requiring that the debt securities represented by the global security not be registered in the name of any other holder except in the special situations described below. The financial institution that acts as the sole registered holder of the global security is called the depositary. Any person wishing to own a debt security may do so indirectly through an account with a broker, bank or other financial institution that in turn has an account with the depositary. The prospectus supplement will indicate whether your series of debt securities will be issued only as global securities.

Transfers of debt securities represented by the global security will be made only on the records of the depositary or its nominee by transferring such debt securities from the account of one broker, bank or financial institution to the account of another broker, bank or financial institution. These transfers are made electronically only and are also known as book-entry transfers. Securities in global form are sometimes also referred to as being in book-entry form.

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As an indirect holder, your rights relating to a global security will be governed by the account rules of your broker, bank or financial institution and of the depositary, as well as general laws relating to securities transfers. We will not recognize you as a holder of debt securities and instead will deal only with the depositary that holds the global security.

You should be aware that if debt securities are issued only in the form of a global security:

- you cannot have debt securities registered in your own name;
- you cannot receive physical certificates for your interest in the debt securities, subject to certain exceptions;
- you will be a street name holder and must look to your own broker, bank or financial institution for payments on the debt securities and protection of your legal rights relating to the debt securities;
- you may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own securities in the form of physical certificates;
- the depositary's policies will govern payments, transfers, exchanges and other matters relating to your indirect interest in the global security. We and the trustee will have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in the global security. We and the trustee also will not supervise the depositary in any way; and
- the depositary will require that indirect interests in the global security be purchased or sold within its system using same-day funds for settlement.

Special Situations

In a few special situations described below, the global security will terminate and the indirect interests in it will be exchanged for registered debt securities represented by physical certificates. After that exchange, the choice of whether to hold debt securities in registered form or in street name will be up to you. You must consult your broker, bank or financial institution to find out how to have your interests in debt securities transferred to your name, so that you will be a registered holder.

Unless we specify otherwise in the prospectus supplement, the special situations for termination of a global security are:

- when the depositary notifies us that it is unwilling or unable to continue as depositary and we do not or cannot appoint a successor depositary within 90 days;
- the depositary ceases to be a clearing agency registered under the Exchange Act and we do not appoint a successor depositary within 90 days;
- an event of default has occurred and is continuing and beneficial owners representing a majority in principal amount of the applicable series of debt securities have advised the depositary to cease acting as the depositary; or
- we decide we do not want to have the debt securities of that series represented by a global security.

The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. When a global security terminates, the depositary (and not us or the trustee) is responsible for deciding the names of the institutions that will be the initial registered holders.

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The Term "Holder" as Used in this Prospectus and Elsewhere

In the descriptions of the debt securities included in this prospectus and any prospectus supplement, when we refer to the "holder" of a given debt security as being entitled to certain rights or payments, or being permitted to take certain actions, we are in all cases referring to the registered holder of the debt security.

While you would be the registered holder if you held a certificated security registered in your name, it is likely that the holder will actually be either the broker, bank or other financial institution where you have your street name account, or, in the case of a global security, the depositary. If you are an indirect holder, you will need to coordinate with the institution through which you hold your interest in a debt security in order to determine how the provisions involving holders described in this prospectus and any prospectus supplement will actually apply to you. For example, if the debt security in which you hold a beneficial interest in street name can be repaid at the option of the holder, you cannot exercise the option yourself by following the procedures described in the prospectus supplement. Instead, you would need to cause the institution through which you hold your interest to take those actions on your behalf. Your institution may have procedures and deadlines different from or additional to those described in the prospectus supplement relating to the debt security.

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DESCRIPTION OF DEBT SECURITIES

This section describes the general terms that will apply to any debt securities that we may offer pursuant to this prospectus. The specific terms of any offered debt securities, and the extent to which the general terms described in this section apply to those debt securities, will be described in the related prospectus supplement at the time of the offer.

General

As used in this prospectus, "debt securities" means the debentures, notes, bonds, guarantees and other evidences of indebtedness that one of our finance subsidiaries issues, Novartis AG fully and unconditionally guarantees and the trustee authenticates and delivers under the indenture. The debt securities will be direct unsecured obligations of the relevant finance subsidiary and will rank equally and ratably without preference among themselves and at least equally with all of the other unsecured and unsubordinated indebtedness of the relevant finance subsidiary. The guarantees will be direct unsecured obligations of Novartis AG and will rank equally and ratably without preference among Novartis AG and at least equally with all other unsecured and unsubordinated guarantees and indebtedness of Novartis AG.

The debt securities will be issued in one or more series under an indenture to be entered into among the Novartis finance subsidiaries, HSBC Bank USA, National Association, as trustee, and Novartis AG, as guarantor. The indenture will be qualified under the Trust Indenture Act of 1939, as amended.

This prospectus briefly outlines the provisions of the indenture. The terms of the indenture will include both those stated in the indenture and those made part of the indenture by the Trust Indenture Act. The indenture has been filed as an exhibit to the registration statement of which this prospectus forms a part, and you should read the indenture for provisions that may be important to you.

The indenture does not contain any covenants or other provisions designed to protect holders of the debt securities against a reduction in the creditworthiness of Novartis AG or the finance subsidiaries in the event of a highly leveraged transaction or that would prohibit other transactions that might adversely affect holders of the debt securities.

Issuances in Series

The indenture does not limit the amount of debt securities that may be issued. The debt securities may be issued in one or more series with the same or various maturities, at a price of 100% of their principal amount or at a premium or a discount. Not all debt securities of any one series need be issued at the same time, and, unless otherwise provided, any series may be reopened, without the consents of the holders of debt securities of that series, for issuances of additional debt securities of that series. Except in the limited circumstances described below under " Covenants Limitation on Liens," the debt securities will not be secured by any property or assets of Novartis AG or the finance subsidiaries.

The terms of any authorized series of debt securities will be described in a prospectus supplement. These terms will include some or all of the following:

- the title, aggregate principal amount and denominations of the debt securities;
- the date or dates on which principal will be payable;
- the percentage of the principal amount at which the debt securities will be issued and whether the debt securities will be "original issue discount" securities for U.S. federal income tax purposes. If original issue discount debt securities are issued (generally, securities that are issued

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- at a substantial discount below their principal amount), the special U.S. federal income tax and other considerations of a purchase of original issue discount debt securities will be described;
- the rate or rates, which may be fixed or variable, at which the debt securities will bear interest;
- the interest payment dates;
- any optional or mandatory redemption terms;
- whether any sinking fund is required;
- the currency in which the debt securities will be denominated or principal, premium or interest will be payable, if other than U.S. dollars;
- whether the debt securities are to be issued as individual certificates to each holder or in the form of global certificates held by a depositary on behalf of beneficial owners;
- information describing any book-entry features;
- the names and duties of any co-trustees, depositaries, authenticating agents, paying agents, transfer agents or registrars for any series;
- the applicability of the defeasance and covenant defeasance provisions described in this prospectus, or any modifications of those provisions;
- any deletions from, modifications of or additions to the events of default or covenants with respect to the debt securities; and
- any other terms, conditions, rights or preferences of the debt securities.

The prospectus supplement relating to any series of debt securities may add to or change statements contained in this prospectus. The prospectus supplement may also include, if applicable, a discussion of certain U.S. federal income tax, Swiss income tax, Bermuda tax and Luxembourg withholding tax considerations.

Novartis Guarantees

Debt securities issued by the finance subsidiaries will be fully and unconditionally guaranteed by Novartis AG. If for any reason the applicable finance subsidiary does not make any required payment in respect of its debt securities when due, whether on the normal due date, on acceleration, redemption or otherwise, Novartis AG will cause the payment to be made to or to the order of the trustee. The holder of a guaranteed debt security will be entitled to payment under the applicable guarantee of Novartis AG without taking any action whatsoever against the relevant finance subsidiary.

Payment and Transfer

The debt securities will be issued only as registered securities, which means that the name of the holder will be entered in a register that will be kept by the trustee or another agent appointed by us. Unless stated otherwise in a prospectus supplement, and except as described under " Book-Entry System" below, payments of principal, interest and additional amounts, if any, will be made at the office of the paying agent or agents named in the prospectus supplement or by check mailed to registered holders at the address appearing in the register.

Unless other procedures are described in a prospectus supplement and except as described under " Book-Entry System" below, you will be able to transfer registered debt securities at the office of the transfer agent or agents named in the prospectus supplement. You may also exchange registered debt securities at the office of the transfer agent for an equal aggregate principal amount of registered

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debt securities of the same series having the same maturity date, interest rate and other terms as long as the debt securities are issued in authorized denominations.

Neither we nor the trustee will impose any service charge for any transfer or exchange of a debt security; however, we may ask you to pay any taxes or other governmental charges in connection with a transfer or exchange of debt securities.

Consolidation, Merger or Sale

Novartis AG and the finance subsidiaries have agreed in the indenture not to consolidate with or merge with or into any other person or convey or transfer all or substantially all of their respective properties and assets to any person (except that the finance subsidiaries may merge with or into Novartis AG and Novartis AG may merge with or into the finance subsidiaries), unless:

Novartis AG or the applicable finance subsidiary, as the case may be, is the continuing person, or the successor expressly assumes by supplemental indenture their respective obligations under the indenture;

the continuing person is organized and validly existing under the laws of (i) if the continuing person is a successor to the relevant finance subsidiary, the jurisdiction of organization of such finance subsidiary or Switzerland, (ii) if the continuing person is a successor to Novartis AG, the United States or Switzerland or (iii) in any case, a jurisdiction that is a member country of the Organization for Economic Cooperation and Development (or any successor) and, if it is not organized and validly existing under the laws of (x) in the case of the applicable finance subsidiary, the jurisdiction of organization of such finance subsidiary, (y) in the case of Novartis AG, the United States or (z) in any case, Switzerland, the continuing person agrees by supplemental indenture to be bound by a covenant comparable to that described below under " Covenants Payment of Additional Amounts" with respect to taxes imposed in the continuing person's jurisdiction of organization (in which case the continuing person will benefit from a redemption option comparable to that described below under " Optional Redemption for Tax Reasons" in the event of changes in taxes in that jurisdiction after the date of the consolidation, merger or sale);

immediately after the transaction, no default under the debt securities has occurred and is continuing; and

Novartis AG or the relevant finance subsidiary, as applicable, delivers to the trustee an officer's certificate and, if neither Novartis AG nor the relevant finance subsidiary, as applicable, is the continuing person, an opinion of counsel, in each case stating, among other things, that the transaction and the supplemental indenture, if required, comply with these provisions and the indenture.

Covenants

Payment of Additional Amounts

Payments made by us under or with respect to the debt securities will be free and clear of and without withholding or deduction for or on account of any and all present or future taxes, duties, assessments or governmental charges of any nature imposed, levied, collected, withheld or assessed by or on behalf of (i) the government of Switzerland or of any political subdivision of Switzerland or by any authority or agency therein or thereof having the power to tax, (ii) the government of the jurisdiction of organization of the applicable finance subsidiary or any political subdivision or territory or possession of such jurisdiction or by any authority or agency therein or thereof having the power to tax or (iii) the government of any jurisdiction from or through which a payment on the debt securities or the guarantee is made or any political subdivision or territory or possession of such jurisdiction or by

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any authority or agency therein or thereof having power to tax (each of clauses (i), (ii) and (iii), a "Relevant Taxing Jurisdiction"), which we refer to collectively as "Taxes," unless we are required to withhold or deduct Taxes by law.

If we are required to withhold or deduct any amount for or on account of Taxes from any payment made with respect to the debt securities, we will pay such additional amounts as may be necessary so that the net amount received by each holder (including additional amounts) after such withholding or deduction will not be less than the amount the holder would have received if the Taxes had not been withheld or deducted; *provided* that no additional amounts will be payable with respect to Taxes:

- that would not have been imposed but for the existence of any present or former connection between such holder or beneficial owner of the debt securities (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, trust, partnership or corporation) and a Relevant Taxing Jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or treated as a resident thereof or domiciled thereof or a national thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein;

- that are estate, inheritance, gift, sales, transfer, personal property, wealth or similar taxes, duties, assessments or other governmental charges;

- payable other than by withholding from payments of principal of or interest on the debt securities;

- that would not have been imposed but for the failure of the applicable recipient of such payment to make a declaration of non-residence or other similar claim for exemption to the relevant tax authority or comply with any certification, identification, information, documentation or other reporting requirement to the extent such compliance is required by applicable law or administrative practice or an applicable treaty as a precondition to exemption from, or reduction in, the rate of deduction or withholding of such Taxes;

- that are imposed on a payment to an individual on a residual entity and are required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive;

- that would not have been imposed but for the presentation of a debt security (where presentation is required) for payment on a date more than 30 days after the date on which such payment first became due and payable or the date on which payment thereof was duly provided for, whichever occurred later;

- to the extent the amount of Tax could have be reduced by presentation for payment of the relevant debt securities to a paying agent other than the paying agent to which the presentation was made; or

- any combination of the foregoing items;

nor shall additional amounts be paid with respect to any payment of the principal of or interest on any debt security to any such holder who is a fiduciary or a partnership or a beneficial owner who is other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to such additional amounts had it been the holder of the debt security.

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Limitation on Liens

In the indenture we have agreed, for so long as any debt securities are outstanding, that neither the relevant finance subsidiary nor Novartis AG will create or have outstanding any lien upon the whole or any part of its assets, present or future (including any uncalled capital), in order to secure any existing or future relevant indebtedness (as this term is defined below) or to secure any guarantee or indemnity in respect thereof without in any such case at the same time securing the debt securities equally and ratably with such relevant indebtedness (or any guarantee or indemnity in respect thereof) or creating such other security approved by the relevant finance subsidiary and/or Novartis AG (as the case may be) and the holders of a majority in principal amount of all affected series of debt securities, voting as one class.

The restrictions on liens will not apply to:

- liens arising by operation of law; and
- liens on the assets of any person existing at the time such person is merged with or into or consolidated with Novartis AG.

For purposes of the limitation on liens covenant, the term "relevant indebtedness" means any loan or other indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other securities that are or are capable of being quoted, listed or traded on any stock exchange or in any securities market or over-the-counter market. For purposes of the limitation on liens covenant, "assets" refers to assets of the relevant finance subsidiary and Novartis AG, respectively, and does not include the assets of their respective subsidiaries.

Additional Covenants

We may be subject to additional covenants, including restrictive covenants in respect of a particular series of debt securities. Such additional covenants will be set forth in the applicable prospectus supplement and, to the extent necessary, in the supplemental indenture or board resolution relating to that series of debt securities.

Optional Redemption for Tax Reasons

The relevant finance subsidiary may redeem any series of debt securities in whole but not in part at any time, on giving not less than 30 nor more than 60 days' notice of such redemption, at a redemption price equal to the principal amount plus accrued interest, if any, to the date fixed for redemption (except in the case of discounted debt securities, which may be redeemed at the redemption price specified by the terms of each series of such debt securities), if:

- the relevant finance subsidiary determines that, as a result of any change in or amendment to the laws or any regulations or rulings promulgated thereunder of a Relevant Taxing Jurisdiction, or any change in the application or official interpretation of such laws, regulations or rulings, or any change in the application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which any such jurisdiction is a party, which change, execution or amendment becomes effective on or after the issue date or such other date specified in the debt securities of that series:
- the relevant finance subsidiary would be required to pay additional amounts (as described under " Covenants Payment of Additional Amounts" above) with respect to that series of debt securities on the next succeeding interest payment date and the payment of such additional amounts cannot be avoided by the use of reasonable measures available to us; or
- withholding tax has been or would be required to be withheld with respect to interest income received or receivable by the applicable finance subsidiary directly from the guarantor (or any

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affiliate) and such withholding tax obligation cannot be avoided by the use of reasonable measures available to the applicable finance subsidiary or the guarantor (or any affiliate); or

the relevant finance subsidiary determines, based upon an opinion of independent counsel selected by the relevant finance subsidiary that, as a result of any action taken by any legislative body of, taxing authority of, or any action brought in a court of competent jurisdiction in, a Relevant Taxing Jurisdiction (whether or not such action was taken or brought with respect to Novartis AG or the applicable finance subsidiary, as the case may be), which action is taken or brought on or after the issue date or such other date specified in the debt securities of that series, there is a substantial probability that the circumstances described above would exist; *provided*, *however*, that no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the relevant finance subsidiary would be obligated to pay such additional amounts.

We will also pay to each holder, or make available for payment to each such holder, on the redemption date any additional amounts resulting from the payment of such redemption price. Prior to the publication of any notice of redemption, we will deliver to the trustee:

an officer's certificate stating that the relevant finance subsidiary is entitled to effect a redemption and setting forth a statement of facts showing that the conditions precedent of the right so to redeem have occurred; or

an opinion of counsel to the effect that the conditions specified above have been satisfied.

Any notice of redemption will be irrevocable once the relevant finance subsidiary delivers the officer's certificate to the trustee.

Events of Default

Unless otherwise specified in a prospectus supplement, an event of default with respect to a series of debt securities means any one of the following events:

default in payment of the principal (or premium, if any) of any debt security of that series when due (including as a sinking fund installment), and the continuance of that default for more than two business days;

default in payment of interest on, or any additional amounts payable in respect of, any debt security of that series when due and payable, and the continuance of that default for 30 days;

default in performing any other covenant in the indenture with regard to that series for 90 days after the receipt of written notice from the trustee or from the holders of 25% in principal amount of the debt securities of that series;

(i) any indebtedness of, or guaranteed by, the relevant finance subsidiary or Novartis AG is not paid at its stated maturity or (as the case may be) within any originally applicable grace period; or (ii) any such indebtedness, or guarantee, of the relevant finance subsidiary or Novartis AG (as the case may be) becomes due and payable prior to its stated maturity by reason of an event of default; *provided* that (x) the amount of indebtedness referred to in clauses (i) and/or (ii) above individually or in the aggregate exceeds $150,000,000 (or its equivalent in any other currency or currencies); and (y) there shall not be deemed to be a default (i) where the relevant finance subsidiary or Novartis AG in good faith claims a right of set-off or otherwise contests its obligations to pay or (ii) if such acceleration is annulled or such payment or repayment is made within 10 days after the receipt of written notice from the trustee or from the holders of 25% in principal amount of the debt securities of that series;

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an encumbrancer or a receiver or a person with similar functions appointed for execution (in Switzerland a *Sachwalter* or *Konkursverwalter* and in Luxembourg, a *commissaire*, *juge-commissaire*, *liquidateur* or *curateur*) taking possession of the whole or any substantial part of the assets or undertaking of the relevant finance subsidiary or Novartis AG or a distress, execution or other process being levied or enforced upon or sued out against a substantial part of the property or assets of the relevant finance subsidiary or Novartis AG and not being paid, discharged, removed or stayed within 30 days;

the relevant finance subsidiary or Novartis AG stopping payment or ceasing business (except in each case in circumstances previously approved by the holders of a majority in principal (or, if any debt securities are original issue discount securities, such portion of the principal of such debt securities of such series as may then be accelerated pursuant to the terms of such debt securities) of the outstanding debt securities of all series affected (all such series voting as one class));

the relevant finance subsidiary becoming bankrupt or insolvent or entering into a moratorium or making a general assignment for the benefit of its creditors including, in relation to Novartis Finance S.A., bankruptcy (*faillite*), insolvency, its voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), and composition with creditors (*concordat préventif de faillite*);

Novartis AG becoming bankrupt or insolvent (or is obliged to notify the court of its financial situation in accordance with Article 725 (2) of the Swiss Code of Obligations) or entering into a moratorium (*Stundung*) or making arrangements with its creditors (*Nachlassvertrag*);

an order being made or a resolution passed for the winding-up or dissolution of the relevant finance subsidiary or Novartis AG except a winding-up or dissolution, the terms of such winding-up or dissolution having previously been approved by the holders of a majority in principal (or, if any debt securities are original issue discount securities, such portion of the principal of such debt securities of such series as may then be accelerated pursuant to the terms of such debt securities) of the outstanding debt securities of all series affected (all such series voting as one class);

if the guarantee with respect to the relevant series of debt securities ceases to be, or is claimed by Novartis AG not to be, in full force and effect; or

any other event of default provided with respect to that particular series of debt securities.

For purposes of the definition of "event of default," the term "indebtedness" means any indebtedness for monies borrowed or raised including, without limitation, any debenture, note, bond or like security.

Any additional or different events of default applicable to a particular series of debt securities will be described in the prospectus supplement relating to such series.

An event of default with respect to a particular series of debt securities will not necessarily constitute an event of default with respect to any other series of debt securities.

The trustee may withhold notice to the holders of debt securities of any default (except in the payment of principal, premium or interest) if it, in good faith, considers such withholding of notice to be in the best interests of the holders. A default is any event which is an event of default described above or would be an event of default but for the giving of notice or the passage of time.

If an event of default occurs and continues, the trustee or the holders of the aggregate principal amount of the debt securities specified below may require us to repay immediately, or accelerate:

the entire principal of the debt securities of such series; or

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if the debt securities are original issue discount securities, such portion of the principal as may be described in the applicable prospectus supplement.

If the event of default occurs because of a default in a payment of principal or interest on the debt securities of any series, then the trustee or the holders of at least 25% of the aggregate principal amount of debt securities of that series can accelerate that series of debt securities. If the event of default occurs because of a failure to perform any other covenant in the indenture or any covenant for the benefit of one or more, but not all, of the series of debt securities, then the trustee or the holders of at least 25% of the aggregate principal amount of debt securities of all series affected, voting as one class, can accelerate all of the affected series of debt securities. If the event of default occurs because of bankruptcy proceedings, then all of the debt securities under the indenture will be accelerated automatically. Therefore, except in the case of a default on a payment of principal or interest on the debt securities of your series or a default due to our bankruptcy or insolvency, it is possible that you may not be able to accelerate the debt securities of your series because of the failure of holders of other series to take action.

The holders of a majority of the aggregate principal amount of the debt securities of all affected series, voting as one class, can rescind this accelerated payment requirement or waive any past default or event of default or allow noncompliance with any provision of the indenture. However, they cannot waive a default in payment of principal of, premium, if any, or interest on any of the debt securities when due otherwise than as a result of acceleration.

After an event of default, the trustee must exercise the same degree of care a prudent person would exercise under the circumstances in the conduct of her or his own affairs. Subject to these requirements, the trustee is not obligated to exercise any of its rights or powers under the indenture at the request, order or direction of any holders, unless the holders offer the trustee reasonable indemnity. If they provide this reasonable indemnity, the holders of a majority in principal amount of all affected series of debt securities, voting as one class, may direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any power conferred upon the trustee, for any series of debt securities. However, the trustee may refuse to follow any direction that conflicts with law or the indenture or is unduly prejudicial to the rights of other holders.

No holder will be entitled to pursue any remedy with respect to the indenture unless the trustee fails to act for 60 days after it is given:

notice of default by that holder;

a written request to enforce the indenture by the holders of not less than 25% in principal amount of all outstanding debt securities of any affected series; and

an indemnity to the trustee, satisfactory to the trustee;

and during this 60-day period the holders of a majority in principal amount of all outstanding debt securities of such affected series do not give a direction to the trustee that is inconsistent with the enforcement request. These provisions will not prevent any holder of debt securities from enforcing payment of the principal of (and premium, if any) and interest on the debt securities at the relevant due dates.

If an event of default with respect to a series of debt securities occurs and is continuing, the trustee will mail to the holders of those debt securities a notice of the event of default within 90 days after it occurs. However, except in the case of a default in any payment in respect of a series of debt securities, the trustee shall be protected in withholding notice of an event of default if it determines in good faith that this is in the interests of the holders of the relevant debt securities.

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Modification of the Indenture

In general, our rights and obligations and those of the holders under the indenture may be modified if the holders of a majority in aggregate principal amount of the outstanding debt securities of each series affected by the modification consent to such modification. However, the indenture provides that, unless each affected holder agrees, an amendment cannot:

- make any adverse change to any payment term of a debt security such as extending the maturity date, extending the date on which we have to pay interest or make a sinking fund payment, reducing the interest rate, reducing the amount of principal or additional amounts payable, changing the currency in which we have to make any payment of principal, premium or interest, modifying any redemption or repurchase right, or right to convert or exchange any debt security, to the detriment of the holder and impairing any right of a holder to bring suit for payment;

- waive any payment default;

- reduce the percentage of the aggregate principal amount of debt securities needed to make any amendment to the indenture or to waive any covenant or default; or

- make any other change to the amendment provisions of the indenture.

However, if we and the trustee agree, the indenture may be amended without notifying any holders or seeking their consent if the amendment does not materially and adversely affect any holder. We and the trustee are permitted to make modifications and amendments to the indenture without the consent of any holder of debt securities for any of the following purposes:

- to cure any ambiguity, defect or inconsistency in the indenture;

- to comply with sections of the indenture governing when Novartis AG or the relevant finance subsidiary may merge;

- to comply with any requirements of the SEC in connection with the qualification of the indenture under the Trust Indenture Act;

- to evidence and provide for the acceptance by a successor trustee of appointment under the indenture with respect to the debt securities of any or all series;

- to establish the form or forms or terms of the debt securities of any series or of the coupons appertaining to such debt securities as permitted under the indenture;

- to provide for uncertificated debt securities and to make all appropriate changes for such purpose;

- to provide for a further guarantee from a third party on outstanding debt securities of any series and the debt securities of any series that may be issued under the indenture;

- to change or eliminate any provision of the indenture; *provided* that any such change or elimination will become effective only when there are no outstanding debt securities of any series created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision;

to supplement any of the provisions of the indenture to such extent as will be necessary to permit or facilitate the defeasance and discharge of any series of debt securities pursuant to the indenture; *provided* that any such action will not adversely affect the interests of the holders of such or any other series of debt securities in any material respect; or

to make any change that does not materially and adversely affect the rights of any holder of the debt securities.

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The provisions of articles 86 to 94-8 of the Luxembourg act dated August 10, 1915 on commercial companies, as amended, will not apply to any debt securities issued by Novartis Finance S.A.

Defeasance

The term defeasance means discharge from some or all of the obligations under the indenture. If we deposit with the trustee sufficient cash or government securities to pay the principal, interest, any premium and any other sums due to the stated maturity date or a redemption date of the debt securities of a particular series, then at our option:

- we will be discharged from our respective obligations with respect to the debt Securities of such series; or
- we will no longer be under any obligation to comply with the restrictive covenants, if any, contained in the indenture and any supplemental indenture or board resolution with respect to the debt securities of such series, and the events of default relating to failures to comply with covenants will no longer apply to us.

If this happens, the holders of the debt securities of the affected series will not be entitled to the benefits of the indenture except for registration of transfer and exchange of debt securities and replacement of lost, stolen or mutilated debt securities. Instead, the holders will only be able to rely on the deposited funds or obligations for payment.

The relevant finance subsidiary must deliver to the trustee an opinion of counsel to the effect that the deposit and related defeasance would not cause the holders of the debt securities to recognize income, gain or loss for U.S. federal income tax purposes. The relevant finance subsidiary may, in lieu of an opinion of counsel, deliver a ruling to such effect received from or published by the U.S. Internal Revenue Service.

Book-Entry System

Debt securities may be issued under a book-entry system in the form of one or more global securities. The global securities will be registered in the name of a depositary or its nominee and deposited with that depositary or its custodian. Unless stated otherwise in the prospectus supplement, The Depository Trust Company, New York, New York, or DTC, will be the depositary if a depositary is used.

DTC has advised us as follows:

- DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act;
- DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions, such as through transfers and pledges, among its participants in such securities through electronic book-entry changes to accounts of its participants, thereby eliminating the need for physical movement of securities certificates;
- DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC; and

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access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Following the issuance of a global security in registered form, the depositary will credit the accounts of its participants with the debt securities upon our instructions. Only persons who hold directly or indirectly through financial institutions that are participants in the depositary can hold beneficial interests in the global securities. Since the laws of some jurisdictions require certain types of purchasers to take physical delivery of such securities in definitive form, you may encounter difficulties in your ability to own, transfer or pledge beneficial interests in a global security.

So long as the depositary or its nominee is the registered owner of a global security, we and the trustee will treat the depositary as the sole owner or holder of the debt securities for purposes of the indenture. Therefore, except as set forth below, you will not be entitled to have debt securities registered in your name or to receive physical delivery of certificates representing the debt securities. Accordingly, you will have to rely on the procedures of the depositary and the participant in the depositary through whom you hold your beneficial interest in order to exercise any rights of a holder under the indenture. We understand that under existing practices, the depositary would act upon the instructions of a participant or authorize that participant to take any action that a holder is entitled to take.

We will make all payments of principal, interest and additional amounts, if any, on the debt securities to the depositary. It is expected that the depositary will then credit participants' accounts proportionately with these payments on the payment date and that the participants will in turn credit their customers' accounts in accordance with their customary practices. Neither we nor the trustee will be responsible for making any payments to participants or customers of participants or for maintaining any records relating to the holdings of participants and their customers, and you will have to rely on the procedures of the depositary and its participants.

Global securities are generally not transferable. Physical certificates will be issued to beneficial owners in lieu of a global security only in the special situations described under the heading "Legal Ownership of Debt Securities Global Securities Special Situations."

Information Concerning the Trustee

HSBC Bank USA, National Association will be the trustee. The trustee will be required to perform only those duties that are specifically set forth in the indenture, except when a default has occurred and is continuing with respect to the debt securities. After a default, the trustee must exercise the same degree of care that a prudent person would exercise under the circumstances in the conduct of her or his own affairs. Subject to these requirements, the trustee will be under no obligation to exercise any of the powers vested in it by the indenture at the request of any holder of debt securities unless the holder offers the trustee reasonable indemnity against the costs, expenses and liabilities that might be incurred by exercising those powers.

Governing Law

The debt securities, the related guarantees and the indenture will be governed by and construed in accordance with the laws of the State of New York.

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TAX CONSIDERATIONS

The applicable prospectus supplement will describe certain tax considerations in connection with the acquisition, ownership and disposal of debt securities.

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PLAN OF DISTRIBUTION

We may sell our securities through agents, underwriters, dealers or directly to purchasers.

Our agents may solicit offers to purchase our securities.

We will name any agent involved in offering or selling our securities, and any commissions that we will pay to the agent, in our prospectus supplement.

Unless we indicate otherwise in our prospectus supplement, our agents will act on a best efforts basis for the period of their appointment.

Our agents may be deemed to be underwriters under the Securities Act of any of our securities that they offer or sell.

We may use an underwriter or underwriters in the offer or sale of our securities.

If we use an underwriter or underwriters, we will execute an underwriting agreement with the underwriter or underwriters at the time that we reach an agreement for the sale of our securities.

We will include the names of the specific managing underwriter or underwriters, as well as any other underwriters, and the terms of the transactions, including the compensation the underwriters and dealers will receive, in our prospectus supplement.

The underwriters will use our prospectus supplement to sell our securities.

If we use an underwriter or underwriters, the underwriter or underwriters will acquire our securities for their own account and may resell our securities in one or more transactions, including negotiated transactions. These sales will be made at a fixed price or at varying prices determined at the time of the sale.

We may use one or more dealers to sell our securities.

If we use a dealer, we, as principal, will sell our securities to the dealer.

The dealer will then sell our securities to the public at varying prices that the dealer will determine at the time it sells our securities.

We will include the name of the dealer and the terms of our transactions with the dealer in our prospectus supplement.

We may solicit directly offers to purchase our securities, and we may directly sell our securities to institutional or other investors. We will describe the terms of our direct sales in our prospectus supplement.

We may indemnify agents, underwriters and dealers against certain liabilities, including liabilities under the Securities Act. Our agents, underwriters and dealers, or their affiliates, may be customers of, engage in transactions with or perform services for, us or our subsidiaries and affiliates in the ordinary course of business.

We may authorize our agents and underwriters to solicit offers by certain institutions to purchase our securities at the public offering price under delayed delivery contracts.

If we use delayed delivery contracts, we will disclose that we are using them in the prospectus supplement and will tell you when we will demand payment and delivery of the securities under the delayed delivery contracts.

These delayed delivery contracts will be subject only to the conditions that we set forth in the prospectus supplement.

We will indicate in our prospectus supplements the commission that underwriters and agents soliciting purchases of our securities under delayed delivery contracts will be entitled to receive.

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LEGAL MATTERS

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

EXPERTS

The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in management's report on internal control over financial reporting) incorporated in this prospectus by reference to the Annual Report on Form 20-F for the year ended December 31, 2007 have been so incorporated in reliance on the report of PricewaterhouseCoopers AG, Switzerland, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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LIMITATIONS ON ENFORCEMENT OF U.S. LAWS

Because Novartis AG is a Swiss company headquartered in Switzerland, many of our directors and executive officers (as well as certain directors, managers and executive officers of the finance subsidiaries), and certain experts named in this prospectus, reside outside the United States. As a result, it may be difficult for you to serve legal process on us or our directors and executive officers (as well as certain directors, managers and executive officers of the finance subsidiaries) or have any of them appear in a U.S. court. In addition, U.S. investors may find it difficult in a lawsuit based on the civil liability provisions of the U.S. federal securities laws to enforce in U.S. courts or outside the U.S. judgments obtained against those persons in U.S. courts, to enforce in U.S. courts judgments obtained against those persons in courts in jurisdictions outside the U.S., or to enforce against those persons in Switzerland, whether in original actions or in actions for the enforcement of judgments of U.S. courts, civil liabilities based solely upon the U.S. federal securities laws.