Frequently Asked Questions

- Financial
- ESG
- Novartis shares
- ADR Shareholders

Where can I learn more about Novartis financial results?

Our Financial Data section provides links to:

- Annual Results and Quarterly Results, including a five-years results archive
- Novartis SEC Filings
- The Novartis Annual Reporting Suite
- Latest Top 20 Product Sales
- Fixed-Income Securities information
- And monthly information about the Expected Currency Impact on our results

Upcoming releases and more events are listed in our Event Calendar.

How do you calculate your earning per share?

Basic earnings per share (EPS) is calculated by dividing net income attributable to shareholders of Novartis AG by the weighted average number of shares outstanding in a reporting period. This calculation excludes the average number of issued shares purchased by the Group and held as treasury shares.

For diluted EPS, the weighted average number of shares outstanding is adjusted to assume the vesting of all restricted shares, restricted share units, and the conversion of all potentially dilutive shares arising from options on Novartis shares that have been issued.

No options were excluded from the calculation of diluted EPS in 2021, 2020 or 2019, as all options were dilutive in all years.

Per-share information

<table>
<thead>
<tr>
<th>Net income attributable to shareholders of Novartis AG (USD millions)</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Continuing operations</td>
<td>24 021</td>
<td>8 072</td>
<td>7 142</td>
</tr>
<tr>
<td>- Discontinued operations</td>
<td></td>
<td></td>
<td>4 590</td>
</tr>
<tr>
<td>Total</td>
<td>24 021</td>
<td>8 072</td>
<td>11 732</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of shares (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of shares outstanding used in basic earnings per share</td>
</tr>
<tr>
<td>Adjustment for vesting of restricted shares, restricted share units and dilutive shares from options</td>
</tr>
</tbody>
</table>

1/10
Weighted average number of shares in diluted earnings per share

Basic earnings per share (USD)
- Continuing operations 10.71 3.55 3.12
- Discontinued operations 2.00
Total 10.71 3.55 5.12

Diluted earnings per share (USD)
- Continuing operations 10.63 3.52 3.08
- Discontinued operations 1.98
Total 10.63 3.52 5.06

Are there any limitations on voting rights for registered shareholders?

The Company’s Articles of Incorporation state that no person or entity shall be registered with the right to vote for more than 2% of the share capital, as set forth in the commercial register. In particular cases, the Board of Directors may allow exemptions from the limitation for registration in the Novartis Share Register.

According to the Novartis Share Register, shareholders who owned 2% or more of the Company’s capital at December 31, 2021, and were entitled to voting rights on all of their shares, excluding treasury shares held by Novartis AG or its fully owned subsidiaries, were as follows:

<table>
<thead>
<tr>
<th>% holding of share capital</th>
<th>Dec 31, 2021</th>
<th>% holding of share capital</th>
<th>Dec 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emasan AG, Basel</td>
<td>3.7</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>UBS Fund Management (Switzerland) AG, Basel</td>
<td>2.3</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Credit Suisse Funds AG, Zurich</td>
<td>2.1</td>
<td>2.0</td>
<td></td>
</tr>
</tbody>
</table>

What is the exposure to exchange rate risk for Novartis?

We transact our business in many currencies other than the US dollar, our reporting currency. The following table provides an overview of net sales and operating expenses for our continuing operations based on IFRS values for 2021 and 2020, for currencies most important to the Group:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>US dollar (USD)</td>
<td>Net sales 35</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Operating expenses 35</td>
<td>34</td>
</tr>
<tr>
<td>Euro (EUR)</td>
<td>Net sales 29</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Operating expenses 26</td>
<td>27</td>
</tr>
<tr>
<td>Swiss franc (CHF)</td>
<td>Net sales 2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Operating expenses 18</td>
<td>18</td>
</tr>
<tr>
<td>Chinese yuan (CNY)</td>
<td>Net sales 6</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Operating expenses 3</td>
<td>3</td>
</tr>
<tr>
<td>Currency</td>
<td>Net sales</td>
<td>Operating expenses</td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Japanese yen (JPY)</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Canadian dollar (CAD)</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>British pound (GBP)</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Russian ruble (RUB)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Brazilian real (BRL)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Australian dollar (AUD)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other currencies</td>
<td>13</td>
<td>12</td>
</tr>
</tbody>
</table>

Operating expenses in the above table include cost of goods sold, selling, general and administration, research and development, other income and other expense.

We prepare our consolidated financial statements in US dollars. As a result, fluctuations in the exchange rates between the US dollar and other currencies can have a significant effect on both the Group’s results of operations as well as the reported value of our assets, liabilities and cash flows. This in turn may significantly affect reported earnings (both positively and negatively) and the comparability of period-to-period results of operations.

For purposes of our consolidated balance sheets, we translate assets and liabilities denominated in other currencies into US dollars at the prevailing market exchange rates as of the relevant balance sheet date. For purposes of the Group’s consolidated income and cash flow statements, revenue, expense and cash flow items in local currencies are translated into US dollars at average exchange rates prevailing during the relevant period. As a result, even if the amounts or values of these items remain unchanged in the respective local currency, changes in exchange rates have an impact on the amounts or values of these items in our consolidated financial statements.

Because our expenditure in Swiss francs is significantly higher than our revenue in Swiss francs, volatility in the value of the Swiss franc can have a significant impact on the reported value of our earnings, assets and liabilities, and the timing and extent of such volatility can be difficult to predict.

**Top 10 ESG-related questions from shareholders and our responses**

Investor questions in Q3 focused on topics ranging from AMR, impact on our supply chain and climate change.

Last updated: October 27, 2021

**Can you share more detail on your net-zero ambitions?**

- We have already committed to eliminating our own direct carbon emissions before the end of 2025 and becoming carbon-neutral by 2030. Recognizing the impact of climate change on the environment and our responsibility to our stakeholders, we want to increase this ambition even further.
- At our recent ESG Event (Sept. 30), we committed to becoming a net-zero company by 2040. To achieve this, we plan to reduce our scope 1, 2 and 3 emissions by more than 90% and offset the remaining
emissions through carbon sequestration projects which remove CO2 from the atmosphere.

- On carbon offsets, our current science-based target (SBT) requires Novartis to reduce its absolute emissions by at least 35% by 2030 from 2016 baseline. We are committed to this and are evaluating carbon removal initiatives to reach our near and long-term targets.
- We are working with our suppliers to support them in the elimination/lowering of their carbon footprint within their own operations. We held our first supplier summit focused on environmental sustainability earlier this year and published our ‘Green Expectations’ document aimed at our suppliers to have a better understanding of our strategy and how they can partner with us for the long-term.

**What is your approach to managing risks in your supply chain?**

- We have a comprehensive and risk-based approach, which forms the basis of our Third Party Risk Management program (TPRM), rolled out in 2019. The program requires a risk assessment on all third party suppliers before contract initiation.
- All third parties undergo regular screening and monitoring. Our Board of Directors’ Risk and Audit and Compliance Committees are regularly informed about the status of our TPRM system.

**How do you see your ESG metrics evolving?**

- Our success is defined by the metrics that we have set for Novartis access to medicines programs, which include number of low- and middle-income patients reached, people trained or providers impacted.
- Beyond these output metrics, we also define impact by the increased availability of our medicines in health facilities or households, reduced registration timelines in LMICs or positive impact on survival rates. As access to medicines provides us with the opportunity for value creation from a business perspective, we also measure success on business performance metrics such as incremental sales.
- We strive to continually ensure that our investments are creating a positive return for the business. This is why we have developed a comprehensive measurement and evaluation framework applied across Novartis, which we review on a regular basis.

**How are ESG targets linked to executive remuneration?**

- Please see pages 98 - 104 of the [2020 Annual Report](#) for further details of Executive compensation.
- Our CEO’s annual incentive is measured according to a balanced scorecard (this includes a 60% weighting on financial metrics and 40% on strategic objectives). The CEO has ambitious strategic objectives across 5 pillars, two of which are related to ESG matters. These include the themes of ‘People and Culture’ and ‘Building Trust with Society’.
- Our ECN leaders have a mandate to drive access to medicines, and have annual targets related to access metrics. These targets are an element of the 40% targets of the ECN scorecard, which are non-financial targets.

**What is your approach on AMR?**

AMR represents a growing threat to the sustainable use of antibiotics. We focus on anti-AMR efforts where we can make a difference, to reduce need, unintentional exposure and optimize the use of medicines. Our programs include:

- Sandoz is the world’s leading provider of generic antibiotics, which make up 80% of the antibiotics market, and is committed to innovation and delivering access. We recently announced plans for a joint
investment of more than EUR150mn in Kundl, Austria to help secure the future of antibiotics manufacturing in Europe.

- Company-wide targets on water quality to minimize impact on environment. This includes our commitment to have no water quality impacts from manufacturing effluent by 2025. (Priority 1 suppliers include 100% of antibiotic suppliers).
- Membership of the AMR Industry Alliance, which publishes a list of recommended antibacterial targets. We are also part of the Responsible Antibiotics Manufacturing Platform (RAMP), managed by the Stockholm International Water Institute.
- We are a founding member of the $1bn AMR Action Fund, established to invest in cross-industry antibacterial R&D. As part of this partnership, we aim to accelerate antibiotic development and bring 2-4 new antibiotics to patients by 2030.
- Through Sandoz, we work with a range of HCPs worldwide to promote appropriate choice and use of antibiotics in the context of specific local needs. Examples include smart-phone technology (MedShr) and engagement with healthcare workers in developing countries.

**How do you balance return on investment with ESG initiatives?**

- Novartis believes that purpose and values are aligned with financial performance. Our Board of Directors and ECN are committed to our long-term vision that culture and having a positive impact on society will deliver long-term sustainable growth. ESG is important to us because it:
  - Reduces risk
  - Increases our impact
  - Is the right thing to do
  - There is also growing evidence that a focus on material factors provides superior financial returns (see here)
- An example of how ESG is incorporated in our commercial efforts: we launched our Sub-Saharan Africa strategy in 2019. It is delivering a sustainable and profitable business to reach underserved populations. Our patient reach is +29% in H1 2021 (vs H1 2020) and our net sales are +22% in H1 2021 (vs H1 2020).

**How do you ensure diversity in Clinical Trials?**

- Diversity in clinical trials is integral to our operations. Our focus is on enhancing diversity in our clinical trials, which is embedded in our Code of Ethics and our Access Principles. It is a core component of our commitment to patients and caregivers as we reimagine medicine, work to improve access and address healthcare inequity.
- In mid-2021, we wrote on our efforts, which include evaluating diversity & inclusion principles for 100% of Phase 3 studies with US participation starting in H2 2021 (with the goal to increase this across our global trials). Further information is here.
- Other efforts include working with policymakers to support advocacy work with local authorities, expanding engagement with clinical sites/investigators to include areas where diverse patients with particular diseases may be located and working with patient groups, medical institutions and communities to develop investigators of color and recruit broader patient populations.

**What is your commitment to gender balance?**

- Novartis has committed to achieving gender balance in management by 2023. We are on track to reach this target. As of June 2021, we have 46% of women in middle management, 39% in senior management and 35% in executive management.
As part of our efforts to attract female talent, we have implemented gender neutral parental leave globally (minimum of 14 weeks as of January 2021), regularly monitor our efforts at monthly talent reviews and introduced diversity-focused hiring practices. This includes diverse candidates slates.

We have also committed to closing the gender pay gap by 2023. To help prevent pay differences, Novartis is eliminating the use of historic salary data (already implemented across 75% of global hiring by end of 2020). In 2021, we have introduced pay transparency in 16 countries to enable our associates to compare salaries to external benchmarks.

How has your governance on ESG evolved?

We have strengthened our ESG governance in Novartis over the last 12 months:

- New Chief Sustainability Officer, focused on environmental sustainability
- We have several committees at ECN and Board-level, which include the Governance, Nomination & Corporate Responsibilities Committee (GNCRC), the Trust & Reputation Committee and regularly discuss ESG matters.
- ESG Council which ensures integration of ESG within units, and co-creates ESG strategy
- ESG Management Office which is responsible for strengthening cross-functional coordination and is responsible for ESG strategy
- We are also working on delivering integrating reporting in line with external disclosure standards and setting up a non-financial reporting system & governance for auditable ESG data.

On COVID-19, can you discuss your collaborations?

- The importance of collaboration has been validated by COVID-19. We have several collaborations to support on research and supply.
- On research: we have a collaboration with Molecular Partners to develop two DARPin® therapies designed for potential use against future pandemics.
- On Manufacturing capacity: we have signed an agreement with BioNTech to leverage our manufacturing capacity to increase the supply of mRNA vaccine (our site will fill vials of 75mn doses).
- We also announced that we will manufacture the mRNA and bulk drug product of CureVac's CVnCoV vaccine for up to 50mn doses by the end of 2021.

What is the new cost basis of my Novartis and Alcon shares following the spin-off of Alcon from Novartis?

Information about allocation of tax basis for U.S. holders may be found in the Form 8937: Basis of Securities (PDF 0.1 MB). With regard to non-U.S. holders, please note that the allocation of tax basis for Novartis and Alcon shares following the spin-off depend on the applicable local tax provisions and each shareholder’s individual circumstances. Accordingly, all shareholders and ADR holders are asked to consult their own tax advisor regarding the tax basis allocation calculations.

What are the income tax implications to Canadian shareholders due to the Alcon spin-off?

The following documents include the Finance Canada and Canada Revenue Agency comfort letter, Canada income tax guidelines and tax election letters related to the Alcon Spin-off for Canadian resident shareholders:
Where are Novartis shares traded?

Novartis shares are listed and traded on the SIX Swiss Exchange (Valor No. 001200526, ISIN CH0012005267, symbol: NOVN) as well as on the NYSE in the form of American Depositary Receipts (ADR) (Valor No. 567514, ISIN US66987V1098, symbol: NVS).

What are the ticker symbols for Novartis?

<table>
<thead>
<tr>
<th>Shares</th>
<th>SIX (Reuters / Bloomberg)</th>
<th>NOVN.S / NOVN SW</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADRs</td>
<td>NYSE (Reuters / Bloomberg)</td>
<td>NVS / NVS US</td>
</tr>
</tbody>
</table>

What is an ADR/ADS?

ADR stands for American Depositary Receipt. ADS stands for American Depositary Share. An ADR is a receipt for a number of shares of a foreign-based corporation held by a US depositary bank, entitling the ADR holder to all dividends and capital gains.

What is the number of outstanding shares in Novartis?

Key Novartis share data

Calculated on the weighted average number of shares outstanding

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued shares</td>
<td>2 434 420 920</td>
<td>2 467 060 920</td>
<td>2 527 374 820</td>
</tr>
<tr>
<td>Treasury shares¹</td>
<td>199 480 972</td>
<td>210 238 872</td>
<td>262 366 332</td>
</tr>
<tr>
<td>Outstanding shares at December 31</td>
<td>2 234 939 948</td>
<td>2 256 822 048</td>
<td>2 265 008 488</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding</td>
<td>2 242 601 173</td>
<td>2 277 041 940</td>
<td>2 290 792 782</td>
</tr>
</tbody>
</table>

1. Approximately 102 million treasury shares (2020: 103 million; 2019: 118 million) are held in Novartis entities that restrict their availability for use.

What is the number of outstanding ADRs in Novartis?

Key data on ADRs issued in the US
1. The depositary, JPMorgan Chase Bank, N.A., holds one Novartis AG share for every ADR issued.

**When is your dividend going to be paid?**

The dividend payment date has been set for March 10, 2022.

**What is the dividend history for Novartis shares?**

Shareholders approved the 25th consecutive dividend increase to CHF 3.10 (+3.3%) per share for 2021 at the Annual General Meeting on March 04, 2022.

Learn more about dividend information

**What is the amount and timing of the next dividend payment?**

The Annual General Meeting of shareholders held on March 4, 2022 approved a gross dividend (before taxes and duties) of CHF 3.10 per dividend-bearing share of CHF 0.50 nominal value.

The last trading day with entitlement to receive the dividend is March 7, 2022.

As from March 8, 2022 the shares will be traded ex-dividend. This dividend will be paid as of March 10, 2022 (the Swiss payment date).

**Is the dividend on the Novartis ordinary share and the Novartis ADR the same?**

Yes, however, since ADR holders will receive their dividend in US dollars, the amount received will be impacted by currency exchange rates, as well as by a handling fee (historically, $0.01 per share) associated with the ADR dividend. An estimate of the amount of the US dollar dividend for the ADR will be calculated on the day of the dividend announcement based on that day’s exchange rates. The actual exchange rate will be determined once all funds are received and exchanged by J.P. Morgan, the depositary bank.

Since 2019, Novartis’s dividend to ADR holders will be paid in two stages. The first payment will be equal to 65% of the payout, payable one week after Swiss payment date. Those holders reclaiming withholding tax will receive a second payment once the reclaim process is completed.

**Will the rate recently announced for the ADRs change between now and the ADR payment date?**

Yes, the preliminary announcement only provides an estimated rate based on a current FX rate. The actual rate will be determined when the Swiss Francs are converted to US dollars on the Swiss payment date once all the funds are received by J.P. Morgan, the Depositary.
Will the entire dividend amount be converted into US dollars on the Swiss payment date of March 10, 2022?

On the Swiss payment date only 65% of the dividend is received. This amount will be converted into US dollars and paid on the ADR payment date of March 17, 2022.

When will the remainder of the funds be converted and paid to the ADR holders?

The remainder of the funds due to ADR holders will be converted only after a tax reclaim has been completed and once any such reclaimed funds have been received by J.P. Morgan from the Swiss Tax Authorities. Once the funds are received and converted into US dollars a payment will be made shortly thereafter to any ADR holders entitled thereto. From previous years, we can expect tax reclaim funds to be distributed to ADR holders six to seven weeks after the Swiss payment date.

Why can’t J.P. Morgan receive all of the funds on the Swiss payment date?

The Swiss Tax Authorities require that a tax reclaim be completed prior to each payment for any amounts due above and beyond the non-treaty amount. Investors must certify and elect their entitlement and provide necessary disclosure documentation as required by the treaty between the US and Switzerland based upon their tax status.

Why does it take so long to get the reclaim funds back from the Swiss Tax Authorities?

Holders of ADRs entitled to receive the dividend are not able to elect until after the ADR record date which is just one (1) day prior to the Swiss payment date. Eligible holders of ADRs are given 10 days to complete and submit their election. Once any reclaims are submitted to the Swiss Tax Authorities it takes approximately 15 days for such authorities to process the reclaim.

Will another announcement be made once the tax reclaim funds are received?

No, the funds will be converted and paid to the holders.

How does the tax reclaim process work?

There is a process for banks and brokers within Depositary Trust Company to elect their clients’ correct tax status electronically and to provide documentation on behalf of their clients. J.P. Morgan elects on behalf of registered holders based upon their tax status. Please contact J.P. Morgan / Goal Group Recoveries, Inc., New York at +1 212 248 9130 for further questions.

Source URL: https://www.novartis.com/investors/shareholder-information/frequently-asked-questions
List of links present in page

- https://www.novartis.com/investors/shareholder-information/frequently-asked-questions
- #financial-28206
- #esg-28211
- #novartis-shares-28221
- #adr-shareholders-28331
- https://www.novartis.com/investors/financial-data/annual-results
- https://www.novartis.com/investors/event-calendar