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></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income attributable to shareholders of Novartis AG (USD millions)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<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>4 590</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24 021</td>
<td>8 072</td>
<td>11 732</td>
</tr>
<tr>
<td><strong>Number of shares (in millions)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of shares outstanding used in basic earnings per share</td>
<td>2 243</td>
<td>2 277</td>
<td>2 291</td>
</tr>
<tr>
<td>Adjustment for vesting of restricted shares, restricted share units and dilutive shares from options</td>
<td>17</td>
<td>19</td>
<td>28</td>
</tr>
</tbody>
</table>
Weighted average number of shares in diluted earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share (USD)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Continuing operations</td>
<td>10.71</td>
<td>3.55</td>
<td>3.12</td>
</tr>
<tr>
<td>- Discontinued operations</td>
<td>2.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.71</strong></td>
<td><strong>3.55</strong></td>
<td><strong>5.12</strong></td>
</tr>
<tr>
<td>Diluted earnings per share (USD)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Continuing operations</td>
<td>10.63</td>
<td>3.52</td>
<td>3.08</td>
</tr>
<tr>
<td>- Discontinued operations</td>
<td>1.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.63</strong></td>
<td><strong>3.52</strong></td>
<td><strong>5.06</strong></td>
</tr>
</tbody>
</table>

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 Dec 31, 2021</th>
<th>% holding of share capital Dec 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emasan AG, Basel</td>
<td>3.7</td>
</tr>
<tr>
<td>UBS Fund Management (Switzerland) AG, Basel</td>
<td>2.3</td>
</tr>
<tr>
<td>Credit Suisse Funds AG, Zurich</td>
<td>2.1</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>US dollar (USD)</td>
<td>Net sales</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Operating expenses</td>
<td>35</td>
</tr>
<tr>
<td>Euro (EUR)</td>
<td>Net sales</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Operating expenses</td>
<td>26</td>
</tr>
<tr>
<td>Swiss franc (CHF)</td>
<td>Net sales</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Operating expenses</td>
<td>18</td>
</tr>
<tr>
<td>Chinese yuan (CNY)</td>
<td>Net sales</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Operating expenses</td>
<td>3</td>
</tr>
</tbody>
</table>
Japanese yen (JPY)  
Net sales 5  
Operating expenses 3  

Canadian dollar (CAD)  
Net sales 3  
Operating expenses 2  

British pound (GBP)  
Net sales 3  
Operating expenses 2  

Russian ruble (RUB)  
Net sales 2  
Operating expenses 1  

Brazilian real (BRL)  
Net sales 1  
Operating expenses 1  

Australian dollar (AUD)  
Net sales 1  
Operating expenses 1  

Other currencies  
Net sales 13  
Operating expenses 8  

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

Last updated: July 20, 2022

Of the total number of patients reached: how much is Sandoz?

Impact of potential Sandoz separation to your programs (Access, AMR)

Out of 760m patients reached, approximately 500m are reached through Sandoz – but considering that generics have a different impact from a complex pharmaceutical drug we do not measure impact this way.

Novartis has commenced a strategic review of Sandoz, ranging from retaining the business to separation,
while ensuring the continued success of Sandoz and the benefit for patients, and also with a view of maximizing value for shareholders.

The focus of our access efforts is on innovative medicines, while selected generic medicines are being used strategically.

**Can you talk about your efforts on clinical trial diversity? What is the business rationale?**

- Diverse, inclusive trials are critical to ensuring that we understand how those patients who are most likely to be treated for a disease or condition will respond to a medicine.
- We have an obligation to address health disparities through our R&D. To make sure all patients can benefit from our medicines, we must understand how these medicines work in diverse populations, especially in groups that have been historically underrepresented in clinical trials.
- We published our target: evaluating D&I principles for 100% of Ph3 studies with US participation starting H2 2021. Our approach focuses on addressing the root causes of health inequities:
  1. One of the barriers to diverse patient recruitment is a lack of diverse clinical trial investigators.
  2. Build trust with underserved communities by creating more diversity in the entire health research ecosystem.
  3. Realizing that health equity can - and should not be - the job of any one individual, organization, or agency. The participation and inclusion of companies beyond pharma/biotech is also vital.
  4. Technology and social interventions present a great opportunity to bridge knowledge and trust gaps.

More details can be found on page 3 of our July ESG update.

**You’ve talked a lot about the importance of psychological safety to drive an ethical culture – can you explain?**

- Psychological safety is a concept whereby team members feel they can safely express themselves at work.
- To explore this issue, Novartis developed a research paper entitled *Fostering Ethical Conduct Through Psychological Safety*, which was published in the MIT Sloan Review.
- The paper analyzed 38,000 responses to the Novartis 2021 global survey of employees. The research found that employees’ psychological safety is directly related to their willingness to report unethical behaviors, across countries, culture, seniority, and functions, with line managers playing a key role in fostering an ethical culture. It also highlighted that it is critical that when misconduct happens, there is a strong ethical climate for surfacing information so that leaders can respond quickly and appropriately.

**How are you engaging with suppliers on ESG?**

- Novartis is engaging with preferred suppliers on environmental topics, to raise awareness and provide basic information, advice and training.
- For new suppliers, Novartis has developed the Novartis Green Expectations from Suppliers, to which all new suppliers must adhere by demonstrating their commitment to sustainability and its alignment with Novartis.
- Novartis continues to implement a range of D&I initiatives with suppliers with the objective to have
enhanced D&I principles in all third-party risk management, procurement and supply chain practices by 2023.

Can you talk about your approach to patient safety and quality?

- Quality is a key priority throughout the product life cycle, in line with our 2021 materiality assessment – from clinical, manufacturing, and pharmacovigilance.
- We maintain a robust quality management system with harmonized processes and procedures providing integrated medical safety evaluations and benefit-risk assessments as well as monitoring the quality and safety of in-market and investigational products.
- To maintain compliance with our quality and safety standards and to support the continuous improvement of our Quality Management Systems, Novartis has a robust and independent audit program that covers the product lifecycle - in 2021, >1,400 audits were conducted including ~1,300 supplier audits.

Can you talk about the financial sustainability of your access programs?

- Our approach to access has evolved over the past 2 decades as we strive for more sustained impact: we have pivoted from donation programs towards partnerships which are integrated into our core business. Our access thinking goes beyond affordability - The Novartis Access Principles (launched in 2018) include R&D and health system strengthening activities to ensure long-term sustainable impact.
- Most of our access programs relating to innovative therapies are either accretive or self-sustaining. In 2019, we announced our novel approach to reach more patients in Sub-Saharan Africa (SSA) across our portfolio, focused on driving access to medicines, in addition to traditional business metrics, such as profits and margins. Our SSA sub-unit is delivering a sustainable and profitable model to reach underserved populations.

Any updates to the Greek controversy?

- In June 2020, Novartis reached a resolution with US authorities that resolved under US law certain legacy compliance issues in Greece dating as far back as 2009.
- The US resolution contained no allegations relating to any bribery of Greek politicians, which was consistent with what the company found in its own internal investigation.
- In the years since that conduct occurred, Novartis has implemented a state of the art approach to ethics, risk, and compliance and has remained committed to Greece and to providing access to treatments to Greek patients in need.
- The Greek State last month filed a civil claim for “moral damages,” seeking €214 million based on the legacy conduct outlined in the resolution reached with the US authorities. The lawsuit was only recently served upon Novartis Hellas and we are in the process of carefully evaluating it.
- The company maintains the right to defend itself under Greek law.

Are you aligned with SBTi Net Zero guidance?

- Yes. Novartis already has an interim science-based target that was approved in 2018 which is in line with the 1.5°C climate ambition. In September 2021 Novartis committed to achieve net zero by 2040 and in May 2022 we committed to align this target with the Science Based Target Initiative (SBTi) Standard which was published in October 2021. We now have until May 2024 to have our Net Zero target validated.
Recent energy inflationary pressures: what is the impact to your climate strategy? Particularly on your vPPAs?

- Inflationary cost pressures in energy support the execution of our existing climate strategy. Our first priority is to reduce our demand for energy through business transformation and investment in technology. The remaining energy demand will be met through renewable sources. Rising energy costs have created some new opportunities such as trigeneration technology using green gas which are currently being explored.
- Our existing vPPAs have a financial mechanism which protects Novartis against rising and falling energy costs.

Comments on regulatory developments by SEC and EU?

- We are actively assessing the proposed regulations to determine how our existing reporting could be enhanced and the potential opportunities for Novartis.
- We believe that we are well positioned to respond to emerging ESG regulations, particularly with our integrated reporting approach. We will continue to enhance our ESG disclosures and adapt to emerging ESG reporting standards such as those being prepared by the International Sustainability Standards Board (ISSB). Our integrated annual report is prepared in accordance with the GRI and SASB Standards. We also report in line with TCFD and against the UN SDGs through our UN Global Compact Communication of Progress.

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:

Canada Income Tax Alcon Spin-off FAQ - English (PDF 0.1 MB)
Canada Income Tax Alcon Spin-off FAQ- French (PDF 0.1 MB)
Department of Finance Canada Comfort Letter (PDF 0.1 MB)
Download the Canada and Quebec Tax Election Example Letters (ZIP 0.1 MB)
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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-end ADR price (USD)</td>
<td>87.47</td>
<td>94.43</td>
<td>94.69</td>
</tr>
<tr>
<td>Number of ADRs outstanding¹</td>
<td>269 891 321</td>
<td>288 755 853</td>
<td>315 073 094</td>
</tr>
</tbody>
</table>

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?

7/10
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.

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