

Frequently Asked Questions

Tab:

Financial

Where can I learn more about Novartis financial results?

Our [Financial Data](#) ^[1] section provides links to:

- [Annual Results](#) ^[2] and [Quarterly Results](#) ^[3], including a five-years results archive
- [Novartis SEC Filings](#) ^[4]
- [The Novartis Annual Reporting Suite](#) ^[5]
- [Latest Top 20 Product Sales](#) ^[6]
- [Fixed-Income Securities information](#) ^[7]
- And monthly information about the [Expected Currency Impact](#) ^[8] on our results

Upcoming releases and more events are listed in our [Event Calendar](#) ^[9].

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 2020, 2019 or 2018, as all options were dilutive in all years.

Per-share information

	2020	2019	2018
Net income attributable to shareholders of Novartis AG (USD millions)			

	2020	2019	2018
- Continuing operations	8 072	7 412	12 797
- Discontinued operations		4 590	-186
Total	8 072	11 732	12 611
Number of shares (in millions)			
Weighted average number of shares outstanding used in basic earnings per share	2 277	2 291	2 319
Adjustment for vesting of restricted shares, restricted share units and dilutive shares from options	19	28	25
Weighted average number of shares in diluted earnings per share	2 296	2 319	2 344
Basic earnings per share (USD)			
- Continuing operations	3.55	3.12	5.52
- Discontinued operations		2.00	-0.08
Total	3.55	5.12	5.44
Diluted earnings per share (USD)			
- Continuing operations	3.52	3.08	5.46
- Discontinued operations		1.98	-0.08
Total	3.52	5.06	5.38

[Learn more about share ownership](#) ^[10]

When does the fiscal year end for Novartis?

Novartis uses the 12-month calendar year, ending December 31, as its fiscal year.

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, 2020, 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:

	% holding of share capital Dec 31, 2020	% holding of share capital Dec 31, 2019
Emasan AG, Basel	3.6	3.5
UBS Fund Management (Switzerland) AG, Basel	2.3	2.1
Credit Suisse Funds AG, Zurich	2.0	<2.0
Novartis Foundation for Employee Participation, Basel	<2.0	2.1

Where can I find historical financial information about Novartis?

You can review quarterly and full-year historical financial information in the [Financial Data](#) ^[1] and [Event Calendar](#) ^[9] sections.

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 provides an overview of net sales and operating expenses for our continuing operations based on IFRS values for 2020 and 2019, for currencies most important to the Group:

Currency		2020 %	2019 %
US dollar (USD)	Net sales	36	37
	Operating expenses	34	36
Euro (EUR)	Net sales	29	28
	Operating expenses	27	26
Swiss franc (CHF)	Net sales	2	2
	Operating expenses	18	16
Japanese yen (JPY)	Net sales	6	6
	Operating expenses	3	3

Chinese yuan (CNY)	Net sales	5	5
	Operating expenses	3	4
Canadian dollar (CAD)	Net sales	3	3
	Operating expenses	1	2
British pound (GBP)	Net sales	2	2
	Operating expenses	3	2
Brazilian real (BRL)	Net sales	2	2
	Operating expenses	1	1
Russian ruble (RUB)	Net sales	2	2
	Operating expenses	1	1
Australian dollar (AUD)	Net sales	1	1
	Operating expenses	1	1
Other currencies	Net sales	12	12
	Operating expenses	8	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.

There is also a risk that certain countries could devalue their currency. If this occurs, it could impact the effective prices we would be able to charge for our products and also have an adverse impact on both our consolidated income statement and balance sheet.

How can I get a copy of your Annual Report?

You can find detailed information about the 2020 Annual Report on our [Annual Reporting Suite](#) ^[5] page.

ESG ^[11]

Top 10 ESG-related questions from shareholders and our responses

Last updated: April 28, 2021

Any reflections from the 2021 AGM?

- We actively engaged with our shareholders and proxy advisors in Q1, ahead of the AGM and listened to your concerns regarding board term limits, board independence and gender diversity.
- This is why the Board recently appointed Enrio Vanni as Lead Independent Director, in addition to his role as Vice Chairman effective 1 January 2021. The Board is focused on achieving further gender diversity and aims to increase the number of women on the board by 2022.
- The introduction of the 12-year term limit for our Board Members was very well received and considered as a step into the right direction.

How do you calculate the social impact of your medicines?

- Novartis started measuring and valuing Social, Environmental and Economic (SEE) impacts in 2015. Impact valuation metrics are based on material topics identified through Novartis' materiality assessment.
- As a medicines company, the social impact of our medicines is significant for Novartis. The social impact calculation takes into account the health benefits of Novartis medicines in terms of Quality Adjusted Life Years (QALYs) gained and the number of patients reached.
- The valuation of the impact expresses the GDP contribution (through both paid and unpaid work) as a result of people becoming healthier. Further detail on our social impact of medicines calculation can be found [here](#) ^[12].
- A more comprehensive explanation is found in the WifoR Institute's 'meta-study on the social impact of innovative medicines', which can be found [here](#) ^[13].

Can you provide more detail on your participation in the Value Balancing Alliance?

- Novartis is a founding member of the Value Balancing Alliance (VBA), consisting of multinational companies, representing different industries and sectors. Since August 2019, the alliance has been working together to standardize impact valuation. The first set of proposed standards was published in March 2021.
- The VBA recently received a grant from the EU Commission, which aims to include the standardized environmental impact as part of the EU Green Deal. In April, the VBA and the World Economic Forum (Stakeholder Capitalism Metrics) released a joint statement, stating that both organizations share a common objective: systematic integration of stakeholder capitalism.
- By standardizing impact valuation, VBA seeks to contribute to a wider adoption of this practice globally. The VBA is also currently working on a process to reflect the dependencies on nature, social and human capital.

What is your approach to risk management?

- Our continued success depends on our ability to detect and manage risk. In 2019, we created a new function for risk and resilience to establish a comprehensive and integrated risk management framework that is coordinated among risk functions and business units.
- The process resulted in a single holistic view of risks across the company, known as the Novartis Risk Compass, which summarizes the key risks across four important dimensions: strategic, operational, emerging and awareness risks.
- More information on our Enterprise Risk Management approach and the Novartis Risk Compass, including our top risks in 2020 can be found [here](#) ^[14].

Can you share your stance on anti-microbial resistance?

- As a leading healthcare company, we are aware of the challenges associated with anti-microbial resistance (AMR). We believe in the need for a balanced approach to combatting AMR, working closely with other stakeholders across the four pillars of our global response strategy:
- **Access:** We believe that lack of timely access to appropriate treatments is a strong contributing factor to the spread of AMR. We want to do our part to ensure that essential antibiotics are readily available. Sandoz, the leading provider of generic antibiotics announced plans in 2020 to further invest in antibiotic production in Europe.
- **Innovation:** We believe that R&D will have a critical role in AMR. In 2020, Novartis became a founding member of the \$1bn AMR Action Fund, to invest in cross-industry antimicrobial R&D. This partnership between pharmaceutical companies, philanthropic & multilateral organizations and development banks aims to strengthen and accelerate antibiotic development and bring 2 – 4 new antibiotics to patients by 2030.
- **Responsible use:** We aim to safeguard and maximize the efficacy of our medicines. Sandoz works with global HCPs to promote appropriate choice and use of antibiotics in the context of local needs. For example, Sandoz is involved in an ongoing research project with ARES Genetics to develop patient-focused molecular diagnostic solutions to help physicians select the most appropriate antibiotic therapies on a case-by-case basis.
- **Manufacturing:** We have developed a comprehensive environmental risk-management approach to manage our manufacturing sites and suppliers, which is integrated into our audit protocol. We aim to minimize the environmental impact of wastewater and solid

waste from antibacterial manufacturing. Novartis sets discharge limits for antibacterials manufactured at its sites, based on predicted no-effect concentrations (PNECs) to limited AMR, as recommended by the AMR Industry Alliance.

- We expect third-party suppliers of antibacterial APIs and drug products to follow the same standards and limits set.

How do you integrate human rights into your supply chain?

- Novartis is committed to the protection of human rights and core labor standards as set out by the International Labor Organization and as a signatory of the UN Global Compact. We updated our Third-Party Code in November 2020 to strengthen and clarify the human rights expectations of our suppliers.
- We published our [human rights guidelines](#) ^[15] in 2003, and are currently in our second year as Co-Chair of the Pharmaceuticals Supply Chain Initiative (PSCI) Human Rights and Labor Subcommittee. Human rights are monitored regularly by the Trust & Reputation committee, chaired by our CEO and embedded into executive remuneration.
- Since 2019, we have redesigned our human rights assessment program to include direct engagement with suppliers, communities, and civil society as part of our commitment to engage more regularly with suppliers at a local level. More recently, we have also launched pilot projects across Novartis to build capability with our key suppliers and to mitigate labor rights risks (modern slavery, etc.). We expect to engage further markets in 2021. More detail can be found [here](#) ^[16].

How does Artificial Intelligence support your ESG objectives?

- We recently published the [Novartis Principles for the Ethical use of Artificial Intelligence \(AI\)](#) ^[17]. We believe that any development, application or use of AI systems should be governed within ethical principles, which are fully aligned to the Novartis Code of Ethics principles and commitments.
- Novartis is committed to enforcing human-centric design in the deployment and use of AI systems. As part of this, we will strive to design, develop and operate AI algorithms based on inclusive and representative data to eliminate possible biases and known discriminatory aspects such as race, gender, ethnicity, sexual orientation and political/religious beliefs.
- We aim to minimize the environmental impact of our activities, supported by AI systems. In the short-term we will partner with sustainable technology platforms and in the long-term, we will assess how AI can be used to reduce our carbon footprint.

Can you share your commitments on racial equity in the US?

- Novartis is committed to building and expanding access to healthcare in the United States. We have recently published our [Novartis in Society US report](#) ^[18], which details our initiatives in corporate responsibility.
- The US Foundation has provided funding to the NAACP Empowerment Programs for core healthy equity programming. The Foundation has also announced a longer-term commitment of \$15 million to address health equity, with a focus on the lack of diversity in clinical trials.
- Since 2019, the US Foundation has provided more than \$12 million to programs and

related initiatives. One of our signature partnerships has been with the Institute for Healthcare Improvement, in support of the 'Pursuing Equity' initiative, which brings together healthcare organizations to determine and share solutions to drive change within the healthcare system.

Can you share the ESG experience of the Novartis Board?

- ESG remains a strategic priority for the Novartis Board of Directors. Our board members are engaged in three committees that oversee ESG issues (Governance, Nomination and Corporate Responsibility Committee, Risk Committee, Audit and Compliance Committee).
- Several of our board members have direct ESG experience, as noted on [our website](#) ^[19].
- The Board and its committees conduct an annual self-assessment, in partnership with external consultants in order to ensure that board responsibilities, individual skills and processes remain both effective and current.

Do you have any plans to increase diversity at ECN level?

- Diversity remains important to Novartis, and we consider it a key factor to our long-term success and responsibilities to shareholders.
- In March 2021, Novartis announced the appointment of Karen L. Hale as Chief Legal Officer. Ms. Hale will report to our CEO, Vas Narasimhan and will be a member of the Executive Committee (ECN) effective May 15, 2021. Ms. Hale brings over 20 years of global legal and compliance experience in the pharmaceutical industry, joining from AbbVie where she served as Vice President, Deputy General Counsel. Ms. Hale will be based in Basel, Switzerland and succeeds Shannon Klinger. Tom Kendris will continue as Chief Legal Officer ad interim until May.

Novartis shares ^[20]

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 \(PDF 0.1 MB\)](#) ^[21]. 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 \(PDF 0.1 MB\)](#) [22]

[Canada Income Tax Alcon Spin-off FAQ- French \(PDF 0.1 MB\)](#) [23]

[Department of Finance Canada Comfort Letter \(PDF 0.1 MB\)](#) [24]

[Download the Canada and Quebec Tax Election Example Letters \(ZIP 0.1 MB\)](#) [25]

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?

Shares	SIX (Reuters / Bloomberg)	NOVN.S / NOVN SW
ADRs	NYSE (Reuters / Bloomberg)	NVS / NVS US

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

	2020	2019	2018
Issued shares	2 467 060 920	2 527 374 820	2 550 624 820
Treasury shares ¹	210?238?872	262?366?332	239?453?391
Outstanding shares at December 31	2?256?822?048	2?265?008?488	2?311?171?429
Weighted average number of shares outstanding	2?277?041?940	2?290?792?782	2?319?322?369

1. Approximately 103 million treasury shares (2019: 118 million; 2018: 122 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

	2020	2019	2018
Year-end ADR price (USD)	94.43	94.69	85.81
Number of ADRs outstanding ¹	288 755 853	315 073 094	338 641 387

1. The depository, JPMorgan Chase Bank, N.A., holds one Novartis AG share for every ADR issued.

What is the date of your Annual General Meeting?

The Annual General Meeting of Novartis AG took place on March 02, 2021 in Basel, Switzerland.

[Visit the Annual General Meeting section](#) ^[26]

When is your dividend going to be paid?

The dividend payment date has been set for March 08, 2021.

What is the dividend history for Novartis shares?

Shareholders approved the 24th consecutive dividend increase to CHF 3.00 (+1.7%) per share for 2020 at the Annual General Meeting on March 02, 2021.

[Learn more about dividend information](#) ^[27]

Where can I find historical data for Novartis shares?

You may use the interactive [Share Monitor](#) ^[28] under our Share Data & Analysis section to find the closing share price on a specific day.

How can I obtain the minutes of your Annual General Meeting?

A summary in German of our Annual General Meeting (AGM) 2021 is available in our [Annual General Meeting](#) ^[26] section.

ADR Shareholders ^[29]

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

The Annual General Meeting of shareholders held on March 2, 2021 approved a gross dividend (before taxes and duties) of CHF 3.00 per dividend-bearing share of CHF 0.50 nominal value.

The last trading day with entitlement to receive the dividend is March 3, 2021.

As from March 4, 2021 the shares will be traded ex-dividend. This dividend will be paid as of March 8, 2021 (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 8, 2021?

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 15, 2021.

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.

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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.

Services ^[30]

How can I obtain SEC documents, such as the 10-K or 20-F?

Because Novartis is a Swiss firm, we do not file some SEC documents (e.g., Forms 10-K and 10-Q). Instead, our results are reported to the SEC in the Form 20-F.

[View or download the 20-F report](#) ^[5]

How can I get information on your key pharmaceutical products?

An overview of our key products is available in our [Product Portfolio](#) [31] section.

How can I get information on the dates Novartis will report sales and earnings?

Please check the Novartis investor relations reporting dates in our [Event Calendar](#) [9].

Can I subscribe to receive Novartis news automatically?

We have a subscription form online where you can register to receive information. Each time something new is published on the investor relations section of our website, you will receive an alert by e-mail.

[Subscribe to our news](#) [32]

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