



2017/2018 Results for Continuing Operations

April 24, 2019

Introduction

- On February 28, 2019, at the Annual General Meeting of Shareholders, Novartis AG shareholders approved the spin-off of the Alcon eye care division.
- In order to comply with International Financial Reporting Standards (IFRS), Novartis has separated the Group's financial statements for the current and prior period into continuing and discontinued operations.
- Continuing operations include the activities and operations of the Innovative Medicines Division and the Sandoz Division (including the US generic oral solids and dermatology portfolio), and the continuing Corporate activities.
- Discontinued operations include the activities and operational results from Alcon eye care devices business and certain Corporate activities attributable to the Alcon business prior to the spin-off.
- In line with IFRS requirements, from February 28, 2019, the 2019 Discontinued operations' results exclude amortization and depreciation charges related to their assets.
- Refer to Notes 2, 3, 9 and 10 of the first quarter 2019 Condensed Interim Financial Report – Supplemental data for further information.

<https://www.novartis.com/investors/financial-data/quarterly-results>

Novartis 2017/2018 IFRS results from continuing operations

Continuing operations

	FY 2017	Q1 2018	Q2 2018	H1 2018	Q3 2018	9M 2018	Q4 2018	FY 2018
Net sales to third parties	42,338	10 915	11 339	22 254	11 016	33 270	11 481	44 751
Sales to other segments ¹	43	13	20	33	28	61	21	82
Net sales	42,381	10 928	11 359	22 287	11 044	33 331	11 502	44 833
Other revenues	1,023	235	294	529	342	871	395	1 266
Cost of goods sold	-13,633	-3 451	-3 558	-7 009	-3 463	-10 472	-4 038	-14 510
Gross profit	29,771	7 712	8 095	15 807	7 923	23 730	7 859	31 589
Selling, general and administration	-12,465	-3 284	-3 495	-6 779	-3 261	-10 040	-3 677	-13 717
Research and development	-8,389	-1 982	-2 126	-4 108	-2 147	-6 255	-2 234	-8 489
Other income	1,922	388	481	869	596	1 465	164	1 629
Other expense	-2,137	- 463	- 524	- 987	- 872	-1 859	- 750	-2 609
Operating income	8,702	2 371	2 431	4 802	2 239	7 041	1 362	8 403
as % of net sales	20.6%	21.7%	21.4%	21.6%	20.3%	21.2%	11.9%	18.8%
Income from associated companies	1,108	152	5 932	6 084	213	6 297	141	6 438
Interest expense	-750	- 218	- 237	- 455	- 229	- 684	- 248	- 932
Other financial income and expense	42	35	45	80	28	108	78	186
Income before taxes	9,102	2 340	8 171	10 511	2 251	12 762	1 333	14 095
Taxes	-1,603	- 370	- 443	- 813	- 369	-1 182	- 113	-1 295
Net income	7,499	1 970	7 728	9 698	1 882	11 580	1 220	12 800
Attributable to:								
Shareholders of Novartis AG	7,499	1 967	7 728	9 695	1 881	11 576	1 221	12 797
Non-controlling interests		3		3	1	4	- 1	3
Average number of shares outstanding - Basic (million)	2,346	2 326	2 327	2 326	2 315	2 322	2 310	2 319
Basic earnings per share (USD)	3.20	0.85	3.32	4.17	0.81	4.99	0.53	5.52

¹ Inter-segmental sales to the Alcon Division - discontinued operations

Novartis 2017/2018 core results from continuing operations

Continuing operations

Continuing operations	FY 2017	Q1 2018	Q2 2018	H1 2018	Q3 2018	9M 2018	Q4 2018	FY 2018
Core gross profit	32,374	8,410	8,820	17,230	8,657	25,887	8,999	34,886
Core operating income	11,714	2,980	3,207	6,187	3,258	9,445	3,112	12,557
Core income before taxes	12,341	3,172	3,246	6,418	3,350	9,768	3,156	12,924
Taxes	-1,867	-488	-511	-999	-530	-1,529	-475	-2,004
Core net income	10,474	2,684	2,735	5,419	2,820	8,239	2,681	10,920
Core basic earnings per share (USD)	4.46	1.15	1.18	2.33	1.22	3.55	1.16	4.71
The following are adjustments to arrive at core gross profit								
Cost of goods sold	2,603	698	725	1,423	734	2,157	1,140	3,297
The following are adjustments to arrive at core operating income								
Selling, general and administration	-3	6	3	9	15	24	3	27
Research and development	581	-7	75	68	209	277	58	335
Other income	-1,174	-299	-310	-609	-452	-1,061	-10	-1,071
Other expense	1,005	211	283	494	513	1,007	559	1,566
The following are adjustments to arrive at core income before taxes								
Income from associated companies	227	223	-5,701	-5,478	80	-5,398	73	-5,325

Novartis 2017 IFRS results from continuing operations by Segment

Continuing operations FY 2017

	Innovative Medicines	Sandoz	Corporate (including eliminations)	Group
Net sales to third parties	32 278	10 060		42 338
Sales to other segments ¹	668	118	- 743	43
Net sales	32 946	10 178	- 743	42 381
Other revenues	898	37	88	1 023
Cost of goods sold	-8 650	-5 800	817	-13 633
Gross profit	25 194	4 415	162	29 771
Selling, general and administration	-9 887	-2 126	- 452	-12 465
Research and development	-7 615	- 774		-8 389
Other income	1 027	204	691	1 922
Other expense	-1 124	- 351	- 662	-2 137
Operating income	7 595	1 368	- 261	8 702
<i>as % of net sales</i>	<i>23.5%</i>	<i>13.6%</i>		<i>20.6%</i>
Income from associated companies	- 1	23	1 086	1 108
Interest expense				- 750
Other financial income and expense				42
Income before taxes				9 102
Taxes				-1 603
Net income				7 499
Attributable to:				
Shareholders of Novartis AG				7 499
Non-controlling interests				
Average number of shares outstanding - Basic (million)				2 346
Basic earnings per share (USD)				3.20

¹ Total Group amount is the inter-segmental sales to the Alcon Division - discontinued operations



Novartis Q1 2018 IFRS results from continuing operations by Segment

Continuing operations Q1 2018

	Innovative Medicines	Sandoz	Corporate	Group
Net sales to third parties	8 398	2 517		10 915
Sales to other segments ¹	168	57	- 212	13
Net sales	8 566	2 574	- 212	10 928
Other revenues	223	4	8	235
Cost of goods sold	-2 273	-1 398	220	-3 451
Gross profit	6 516	1 180	16	7 712
Selling, general and administration	-2 555	- 602	- 127	-3 284
Research and development	-1 783	- 199		-1 982
Other income	211	113	64	388
Other expense	- 254	- 83	- 126	- 463
Operating income	2 135	409	- 173	2 371
as % of net sales	25.4%	16.2%		21.7%
Income from associated companies			152	152
Interest expense				- 218
Other financial income and expense				35
Income before taxes				2 340
Taxes				- 370
Net income				1 970
Attributable to:				
Shareholders of Novartis AG				1 967
Non-controlling interests				3
Average number of shares outstanding - Basic (million)				2 326
Basic earnings per share (USD)				0.85

¹ Total Group amount is the inter-segmental sales to the Alcon Division - discontinued operations



Novartis Q2/H1 2018 IFRS results from continuing operations by Segment

Continuing operations Q2 2018

	Innovative Medicines	Sandoz	Corporate (including eliminations)	Group
Net sales to third parties	8 876	2 463		11 339
Sales to other segments ¹	177	34	- 191	20
Net sales	9 053	2 497	- 191	11 359
Other revenues	285	6	3	294
Cost of goods sold	-2 359	-1 404	205	-3 558
Gross profit	6 979	1 099	17	8 095
Selling, general and administration	-2 778	- 593	- 124	-3 495
Research and development	-1 931	- 195		-2 126
Other income	297	127	57	481
Other expense	- 315	- 110	- 99	- 524
Operating income	2 252	328	- 149	2 431
<i>as % of net sales</i>	25.4%	13.3%		21.4%
Income from associated companies		4	5 928	5 932
Interest expense				- 237
Other financial income and expense				45
Income before taxes				8 171
Taxes				- 443
Net income				7 728
Attributable to:				
Shareholders of Novartis AG				7 728
Non-controlling interests				
Average number of shares outstanding - Basic (million)				2 327
Basic earnings per share (USD)				3.32

¹ Total Group amount is the inter-segmental sales to the Alcon Division - discontinued operations

Continuing operations H1 2018

	Innovative Medicines	Sandoz	Corporate (including eliminations)	Group
Net sales to third parties	17 274	4 980		22 254
Sales to other segments ¹	345	91	- 403	33
Net sales	17 619	5 071	- 403	22 287
Other revenues	508	10	11	529
Cost of goods sold	-4 632	-2 802	425	-7 009
Gross profit	13 495	2 279	33	15 807
Selling, general and administration	-5 333	-1 195	- 251	-6 779
Research and development	-3 714	- 394		-4 108
Other income	508	240	121	869
Other expense	- 569	- 193	- 225	- 987
Operating income	4 387	737	- 322	4 802
<i>as % of net sales</i>	25.4%	14.8%		21.6%
Income from associated companies		4	6 080	6 084
Interest expense				- 455
Other financial income and expense				80
Income before taxes				10 511
Taxes				- 813
Net income				9 698
Attributable to:				
Shareholders of Novartis AG				9 695
Non-controlling interests				3
Average number of shares outstanding - Basic (million)				2 326
Basic earnings per share (USD)				4.17

¹ Total Group amount is the inter-segmental sales to the Alcon Division - discontinued operations



Novartis Q3/9M 2018 IFRS results from continuing operations by Segment

Continuing operations Q3 2018

	Innovative Medicines	Sandoz	Corporate (including eliminations)	Group
Net sales to third parties	8 596	2 420		11 016
Sales to other segments ¹	206	49	- 227	28
Net sales	8 802	2 469	- 227	11 044
Other revenues	299	38	5	342
Cost of goods sold	-2 341	-1 364	242	-3 463
Gross profit	6 760	1 143	20	7 923
Selling, general and administration	-2 614	- 534	- 113	-3 261
Research and development	-1 951	- 196		-2 147
Other income	354	186	56	596
Other expense	- 365	- 241	- 266	- 872
Operating income	2 184	358	- 303	2 239
<i>as % of net sales</i>	<i>25.4%</i>	<i>14.8%</i>		<i>20.3%</i>
Income from associated companies		1	212	213
Interest expense				- 229
Other financial income and expense				28
Income before taxes				2 251
Taxes				- 369
Net income				1 882
Attributable to:				
Shareholders of Novartis AG				1 881
Non-controlling interests				1
Average number of shares outstanding - Basic (million)				2 315
Basic earnings per share (USD)				0.81

¹ Total Group amount is the inter-segmental sales to the Alcon Division - discontinued operations

Continuing operations 9M 2018

	Innovative Medicines	Sandoz	Corporate (including eliminations)	Group
Net sales to third parties	25 870	7 400		33 270
Sales to other segments ¹	551	140	- 630	61
Net sales	26 421	7 540	- 630	33 331
Other revenues	807	48	16	871
Cost of goods sold	-6 973	-4 166	667	-10 472
Gross profit	20 255	3 422	53	23 730
Selling, general and administration	-7 947	-1 729	- 364	-10 040
Research and development	-5 665	- 590		-6 255
Other income	862	426	177	1 465
Other expense	- 934	- 434	- 491	-1 859
Operating income	6 571	1 095	- 625	7 041
<i>as % of net sales</i>	<i>25.4%</i>	<i>14.8%</i>		<i>21.2%</i>
Income from associated companies		5	6 292	6 297
Interest expense				- 684
Other financial income and expense				108
Income before taxes				12 762
Taxes				-1 182
Net income				11 580
Attributable to:				
Shareholders of Novartis AG				11 576
Non-controlling interests				4
Average number of shares outstanding - Basic (million)				2 322
Basic earnings per share (USD)				4.99

¹ Total Group amount is the inter-segmental sales to the Alcon Division - discontinued operations

Novartis Q4/FY 2018 IFRS results from continuing operations by Segment

Continuing operations Q4 2018

	Innovative Medicines	Sandoz	Corporate (including eliminations)	Group
Net sales to third parties	9 022	2 459		11 481
Sales to other segments ¹	190	37	- 206	21
Net sales	9 212	2 496	- 206	11 502
Other revenues	381	14		395
Cost of goods sold	-2 897	-1 364	223	-4 038
Gross profit	6 696	1 146	17	7 859
Selling, general and administration	-2 960	- 576	- 141	-3 677
Research and development	-2 010	- 224		-2 234
Other income	115	79	- 30	164
Other expense	- 541	- 188	- 21	- 750
Operating income	1 300	237	- 175	1 362
as % of net sales	14.4%	9.6%		11.9%
Income from associated companies	1		140	141
Interest expense				- 248
Other financial income and expense				78
Income before taxes				1 333
Taxes				- 113
Net income				1 220
Attributable to:				
Shareholders of Novartis AG				1 221
Non-controlling interests				- 1
Average number of shares outstanding - Basic (million)				2 310
Basic earnings per share (USD)				0.53

¹ Total Group amount is the inter-segmental sales to the Alcon Division - discontinued operations

Continuing operations FY 2018

	Innovative Medicines	Sandoz	Corporate (including eliminations)	Group
Net sales to third parties	34 892	9 859		44 751
Sales to other segments ¹	741	177	- 836	82
Net sales	35 633	10 036	- 836	44 833
Other revenues	1 188	62	16	1 266
Cost of goods sold	-9 870	-5 530	890	-14 510
Gross profit	26 951	4 568	70	31 589
Selling, general and administration	-10 907	-2 305	- 505	-13 717
Research and development	-7 675	- 814		-8 489
Other income	977	505	147	1 629
Other expense	-1 475	- 622	- 512	-2 609
Operating income	7 871	1 332	- 800	8 403
as % of net sales	22.6%	13.5%		18.8%
Income from associated companies	1	5	6 432	6 438
Interest expense				- 932
Other financial income and expense				186
Income before taxes				14 095
Taxes				-1 295
Net income				12 800
Attributable to:				
Shareholders of Novartis AG				12 797
Non-controlling interests				3
Average number of shares outstanding - Basic (million)				2 319
Basic earnings per share (USD)				5.52

¹ Total Group amount is the inter-segmental sales to the Alcon Division - discontinued operations

