Novartis Fourth Quarter and Full Year 2023

Condensed financial report – supplementary data

NOVARTIS | Reimagining Medicine

Novartis Fourth Quarter and Full Year 2023 Condensed Financial Report – Supplementary Data

Company

Key figures

Fourth quarter and full year

(USD millions unless indicated otherwise)	**Q4 2023 USD m**	Q4 2022 USD m	% change USD	% change cc[1]	**FY 2023 USD m**	FY 2022 USD m	% change USD	% change cc[1]
Net sales from continuing operations	**11 423**	**10 576**	**8**	**10**	**45 440**	**42 206**	**8**	**10**
Other revenues	353	390	-9	-11	1 220	1 255	-3	-3
Cost of goods sold	-3 022	-3 041	1	3	-12 472	-11 582	-8	-6
Gross profit from continuing operations	**8 754**	**7 925**	**10**	**14**	**34 188**	**31 879**	**7**	**11**
Selling, general and administration	-3 444	-3 183	-8	-8	-12 517	-12 193	-3	-3
Research and development	-2 567	-2 216	-16	-12	-11 371	-9 172	-24	-22
Other income	450	155	190	172	1 772	696	155	147
Other expense	-611	-926	34	36	-2 303	-3 264	29	31
Operating income from continuing operations	**2 582**	**1 755**	**47**	**68**	**9 769**	**7 946**	**23**	**39**
% of net sales	*22.6*	*16.6*			*21.5*	*18.8*		
Loss from associated companies	-6	-3	-100	-66	-13	-11	-18	1
Interest expense	-217	-207	-5	-12	-855	-800	-7	-11
Other financial income and expense	18	24	-25	nm	222	42	nm	nm
Income before taxes from continuing operations	**2 377**	**1 569**	**51**	**74**	**9 123**	**7 177**	**27**	**45**
Income taxes	261	-254	203	219	-551	-1 128	51	44
Net income from continuing operations	**2 638**	**1 315**	**101**	**130**	**8 572**	**6 049**	**42**	**62**
Net income from discontinued operations	5 842	151	nm	nm	6 282	906	nm	nm
Net income	**8 480**	**1 466**	**nm**	**nm**	**14 854**	**6 955**	**nm**	**nm**
Basic earnings per share from continuing operations (USD)	**1.29**	**0.62**	**108**	**140**	**4.13**	**2.77**	**49**	**70**
Basic earnings per share from discontinued operations (USD)	2.85	0.07	nm	nm	3.02	0.42	nm	nm
Total basic earnings per share (USD)	**4.14**	**0.69**	**nm**	**nm**	**7.15**	**3.19**	**nm**	**nm**
Net cash flows from operating activities from continuing operations	**2 547**	**3 768**	**-32**		**14 220**	**13 039**	**9**	
Non-IFRS measures [1]								
Free cash-flow from continuing operations [2]	**2 141**	**3 462**	**-38**		**13 160**	**12 123**	**9**	
Core operating income from continuing operations	**3 821**	**3 645**	**5**	**13**	**16 372**	**14 794**	**11**	**18**
% of net sales	*33.5*	*34.5*			*36.0*	*35.1*		
Core net income from continuing operations	**3 126**	**2 963**	**6**	**11**	**13 446**	**11 946**	**13**	**19**
Core basic earnings per share (USD) from continuing operations	**1.53**	**1.39**	**10**	**16**	**6.47**	**5.48**	**18**	**25**

[1] Constant currencies (cc), core results and free cash flow are non-IFRS measures. An explanation of non-IFRS measures can be found on page 49. Unless otherwise noted, all growth rates in this release refer to same period in prior year.

[2] Effective January 1, 2023, Novartis revised its definition of free cash flow, to define free cash flow as net cash flows from operating activities less purchases of property, plant and equipment. To aid in comparability, the prior year free cash flow amounts have been revised to conform with the new free cash flow definition. See page 49 of the Condensed Financial Report.

nm = not meaningful

Strategy update

Our focus

During 2023, Novartis completed our transformation into a “pure-play” Innovative Medicines business. We have a clear focus on four core therapeutic areas (cardiovascular-renal-metabolic, immunology, neuroscience and oncology), with multiple significant in-market and pipeline assets in each of these areas, that address high disease burden and have substantial growth potential. In addition to two established technology platforms (chemistry and biotherapeutics), three emerging platforms (gene & cell therapy, radioligand therapy and xRNA) are being prioritized for continued investment into new R&D capabilities and manufacturing scale. Geographically, we are focused on growing in our priority geographies – the US, China, Germany and Japan.

Our priorities

Accelerate growth: Renewed attention to deliver high-value medicines (NMEs) and focus on launch excellence, with a rich pipeline across our core therapeutic areas.
Deliver returns: Continuing to embed operational excellence and deliver improved financials. Novartis remains disciplined and shareholder-focused in our approach to capital allocation, with substantial cash generation and a strong capital structure supporting continued flexibility.
Strengthening foundations: Unleashing the power of our people, scaling data science and technology and continuing to build trust with society.

Financials

Following the September 15, 2023, shareholders’ approval of the spin-off of the Sandoz business the Company reported its consolidated financial statements for the current and prior years as “continuing operations” and “discontinued operations.”

Continuing operations include the retained business activities of Novartis, comprising the Innovative Medicines Division and the continuing corporate activities. Discontinued operations include the Sandoz Division and selected portions of corporate activities attributable to Sandoz’s business, as well as certain expenses related to the spin-off.

Following the spin-off of the Sandoz business, Novartis operates as a single global operating segment focused innovative medicines company.

The commentary below focuses on continuing operations. We also provide information on discontinued operations, which mainly includes Sandoz and allocated corporate activities.

Continuing operations

Fourth quarter

Net sales

Net sales were USD 11.4 billion (+8%, +10% cc) with volume contributing 13 percentage points to growth. Generic competition had a negative impact of 3 percentage points and pricing had no impact. Sales in the US were USD 4.8 billion (+13%) and in the rest of the world USD 6.6 billion (+5%, +8% cc).

Sales growth was mainly driven by continued strong performance from *Entresto* (USD 1.6 billion, +27%, +26% cc), *Kisqali* (USD 610 million, +71%, +76% cc), *Kesimpta* (USD 641 million, +74%, +73% cc), *Cosentyx* (USD 1.3 billion, +21%, +21% cc) and *Pluvicto* (USD 273 million, +53%, +53% cc), partly offset by generic competition mainly for *Gilenya* and *Xiidra* divestment.

In the US (USD 4.8 billion, +13%), sales growth was mainly driven by *Entresto, Kisqali, Kesimpta, Cosentyx* and *Pluvicto*, partly offset by *Xiidra* divestment and the impact of generic competition on *Gilenya*. In Europe (USD 3.7 billion, +3%, +2% cc), sales growth was mainly driven by *Kesimpta, Entresto* and *Kisqali*, partly offset by increased generic competition for *Lucentis* and *Gilenya*. Sales in emerging growth markets were USD 2.8 billion (+7%, +18% cc) including 0.8 billion sales from China (+37%, +38% cc).

Operating income

Operating income was USD 2.6 billion (+47%, +68% cc), mainly driven by higher net sales and lower restructuring charges, partly offset by higher SG&A and R&D investments. Operating income margin was 22.6% of net sales, increasing 6.0 percentage points (+8.7 percentage points in cc).

Core adjustments were USD 1.2 billion, mainly due to amortization and impairments, compared to USD 1.9 billion in prior year. Core adjustments decreased compared to prior year, mainly due to lower restructuring charges.

Core operating income was USD 3.8 billion (+5%, +13% cc), mainly driven by higher net sales, partly offset by higher SG&A and R&D investments. Core operating income growth in USD was impacted by negative 2 percentage points from the effect of mid-December currency devaluation in Argentina[1]. Core operating income margin was 33.5% of net sales, decreasing 1.0 percentage point (+1.0 percentage point cc). Other revenue as a percentage of sales increased by 0.1 percentage points (cc). Core cost of goods sold as a percentage of sales decreased by 0.2 percentage points (cc). Core R&D expenses as a percentage of net sales decreased by 1.1 percentage points (cc). Core SG&A expenses as a percentage of net sales decreased by 0.1 percentage point (cc). Core other income and expense as a percentage of net sales decreased the margin by 0.5 percentage points (cc).

Interest expense and other financial income/expense

Interest expense amounted to USD 217 million and other financial income and expense to an income of USD 18 million, both broadly in line with prior year.

Core other financial income and expense amounted to an income of USD 137 million compared to USD 50 million in the prior year, mainly due to lower currency losses.

Income taxes

The tax rate for continuing operations in the fourth quarter was -11.0% compared to 16.2% in the prior year. The current year tax rate was favorably impacted by the effect of tax benefits from the write-down in investments in subsidiaries, non-taxable net gains on unrealized foreign currency results, recognition of deferred tax assets on prior years tax loss carryforwards, other items including impact of tax rate changes, and the effect of adjusting to the full year actual tax rate, which was lower than previously estimated. Excluding these impacts the current year tax rate would have been 14.5%. The decrease from the prior year was mainly the result of a change in profit mix.

The core tax rate for continuing operations (core taxes as a percentage of core income before tax) was 16.3% compared to 15.0% in the prior year. The current and prior year core tax rates were both impacted by the effect of adjusting to the full year actual core tax rate. Excluding these impacts, the current and prior year tax rate would have been 15.7% and 15.6% respectively.

Net income, EPS and free cash flow

Net income was USD 2.6 billion (+101%, +130% cc), mainly driven by higher operating income and non-recurring favorable tax impacts. EPS was USD 1.29 (+108%, +140% cc), growing faster than net income, benefiting from lower weighted average number of shares outstanding.

Core net income was USD 3.1 billion (+6%, +11% cc), mainly due to higher core operating income. Core EPS was USD 1.53 (+10%, +16% cc), growing faster than core net income benefiting from lower weighted average number of shares outstanding.

Free cash flow from continuing operations amounted to USD 2.1 billion (–38% USD), compared with USD 3.5 billion in the prior year quarter driven by lower net cash flows from operating activities.

[1] IFRS Accounting Standards requires for our Argentina subsidiary, as it operates in a hyperinflation economy, to translate for consolidation purposes their full year income statement to our USD presentation currency using the ARS closing rate, and not using the average exchange rate for the period. This results in the 9-months and the Q4 devaluation impact being recognized in Q4.

Full year

Net sales

Net sales were USD 45.4 billion (+8%, +10% cc) with volume contributing 16 percentage points to growth. Generic competition had a negative impact of 4 percentage points and pricing had a negative impact of 2 percentage points. Sales in the US were USD 18.0 billion (+13%) and in the rest of the world USD 27.5 billion (+5%, +8% cc).

Sales growth was mainly driven by continued strong performance from *Entresto* (USD 6.0 billion, +30%, +31% cc), *Kesimpta* (USD 2.2 billion, +99%, +99% cc), *Kisqali* (USD 2.1 billion, +69%, +75% cc), *Pluvicto* (USD 980 million, +262%, +261% cc) and *Scemblix* (USD 413 million, +177%, +179% cc), partly offset by generic competition mainly for *Gilenya*.

In the US (USD 18.0 billion, +13%), sales growth was mainly driven by *Entresto, Pluvicto, Kesimpta, Kisqali, Scemblix* and *Leqvio,* partly offset by the impact of generic competition on *Gilenya*. In Europe (USD 15.0 billion, +4%, +4% cc), sales growth was driven by *Kesimpta, Entresto, Kisqali, Cosentyx* and *Leqvio*, partly offset by increased generic competition for *Lucentis* and *Gilenya*. Sales in emerging growth markets were USD 11.7 billion (+8%, +17% cc), including USD 3.3 billion sales from China (+11%, +17% cc).

Operating income

Operating income was USD 9.8 billion (+23%, +39% cc), mainly driven by higher net sales, lower restructuring charges, and income from legal matters, partly offset by higher impairments and higher SG&A and R&D investments. Operating income margin was 21.5% of net sales, increasing 2.7 percentage points (+5.0 percentage points in cc).

Core adjustments were USD 6.6 billion, mainly due to amortization and impairments, compared to USD 6.8 billion in prior year. Core adjustments decreased compared to prior year, mainly due to lower restructuring charges, other income from legal matters, partly offset by higher impairments.

Core operating income was USD 16.4 billion (+11%, +18% cc), mainly driven by higher net sales, partly offset by higher SG&A and R&D investments. Core operating income margin was 36.0% of net sales, increasing 0.9 percentage points (+2.4 percentage points cc). Other revenue as a percentage of sales decreased by 0.2 percentage points (cc). Core cost of goods sold as a percentage of sales increased by 0.1 percentage points (cc). Core R&D expenses as a percentage of net sales decreased by 1.3 percentage points (cc). Core SG&A expenses as a percentage of net sales decreased by 1.6 percentage points (cc). Core other income and expense as a percentage of net sales decreased the margin by 0.2 percentage points (cc).

Interest expense and other financial income/expense

Interest expense amounted to USD 855 million, broadly in line with prior year.

Other financial income and expense amounted to an income of USD 222 million compared to USD 42 million in the prior year, mainly due to higher interest income partly offset by higher net losses from the impact of IAS 29 “Financial reporting in Hyperinflation Economies.”

Core other financial income and expense amounted to an income of USD 430 million compared to USD 140 million in the prior year, mainly due to higher interest income.

Income taxes

The tax rate was 6.0% compared to 15.7% in the prior year period. The current year tax rate was favorably impacted by the effect of tax benefits from the write-down of investments in subsidiaries, non-taxable net gains on unrealized foreign currency results, recognition of deferred tax assets on prior years tax loss carryforwards, non-taxable income related to legal matters, and other items including impact of tax rate changes. Excluding these impacts, the current year tax rate would have been 15.3% compared with 15.7% in the prior year period. The decrease from the prior year was mainly the result of a change in profit mix.

The core tax rate (core taxes as a percentage of core income before tax) was 15.6% compared to 15.4% in the prior year period. The increase from the prior year was mainly the result of a change in profit mix.

Net income, EPS and free cash flow

Net income was USD 8.6 billion (+42%, +62% cc), mainly driven by higher operating income and non-recurring favorable tax impacts. EPS was USD 4.13 (+49%, +70% cc), growing faster than net income, benefiting from lower weighted average number of shares outstanding.

Core net income was USD 13.4 billion (+13%, +19% cc), mainly due to higher core operating income. Core EPS was USD 6.47 (+18%, +25% cc), growing faster than core net income, benefiting from lower weighted average number of shares outstanding.

Free cash flow from continuing operations amounted to USD 13.2 billion (+9% USD), compared with USD 12.1 billion in 2022 driven by higher net cash flows from operating activities.

PRODUCT COMMENTARY (RELATING TO Q4 PERFORMANCE)

CARDIOVASCULAR, RENAL AND METABOLIC

	Q4 2023 USD m	Q4 2022 USD m	% change USD	% change cc	**FY 2023 USD m**	FY 2022 USD m	% change USD	% change cc
Cardiovascular, renal and metabolic								
Entresto	1 635	1 291	27	26	6 035	4 644	30	31
Leqvio	123	42	193	190	355	112	217	217
Other	1		nm	nm	1		nm	nm
Total cardiovascular, renal and metabolic	**1 759**	**1 333**	**32**	**32**	**6 391**	**4 756**	**34**	**36**

nm = not meaningful

Entresto (USD 1 635 million, +27%, +26% cc) sustained robust demand-led growth. In the US and Europe, *Entresto* penetration grew through the continued adoption of guideline-directed medical therapy in heart failure. In China and Japan, *Entresto* volume growth is fueled by heart failure as well as increased penetration in hypertension. In the US, Novartis is in ANDA litigation with generic manufacturers. Novartis has appealed to reverse the negative US district court decision to uphold the validity of its combination patent covering *Entresto* and combinations of sacubitril and valsartan, which expires in 2025 (with pediatric exclusivity). No generics have tentative or final approval in the US. Any US commercial launch of a generic *Entresto* product prior to the final outcome of Novartis combination patent appeal, or ongoing litigations involving other patents, may be at risk of later litigation developments.

Leqvio (USD 123 million, +193%, +190% cc) launch in the US and other markets is ongoing, with focus on patient on-boarding, removing access hurdles and enhancing medical education. *Leqvio* is now approved in 94 countries. Novartis obtained global rights to develop, manufacture and commercialize *Leqvio* under a license and collaboration agreement with Alnylam Pharmaceuticals.

IMMUNOLOGY

	Q4 2023 USD m	Q4 2022 USD m	% change USD	% change cc	**FY 2023 USD m**	FY 2022 USD m	% change USD	% change cc
Immunology								
Cosentyx	1 303	1 080	21	21	4 980	4 788	4	5
Xolair [1]	378	323	17	16	1 463	1 365	7	9
Ilaris	376	301	25	29	1 355	1 133	20	22
Other						1	nm	nm
Total immunology	**2 057**	**1 704**	**21**	**21**	**7 798**	**7 287**	**7**	**8**

[1] Net sales reflect *Xolair* sales for all indications.
nm = not meaningful

Cosentyx (USD 1 303 million, +21%, +21% cc) US sales grew (+17%) and ex-US sales (+26% cc), benefitting from lower prior year base (including revenue deduction adjustments in the US). US growth was also driven by recent new indication (HS) and formulation (IV) launches in addition to volume growth of base business (PsO, SpA). Ex-US growth was also driven by robust demand led volume growth, including a lower prior year base in China, as well as the hidradenitis suppurativa (HS) indication launch. Since initial approval in 2015, *Cosentyx* has shown sustained efficacy and a robust safety profile, treating more than 1 million patients across six systemic inflammatory conditions. *Cosentyx* is now approved to treat HS in adults in more than 60 countries worldwide, including the EU as of Q2

2023 and the US as of October 2023. FDA approved *Cosentyx* intravenous formulation for the treatment of adults with psoriatic arthritis, ankylosing spondylitis, and non-radiographic axial spondyloarthritis in October 2023.

Xolair (USD 378 million, ex-US +17%, +16% cc) sales grew across all regions. In November 2023, Novartis received EU approval for the six new *Xolair* product configurations, including auto injectors and a new 300 mg strength. Novartis co-promotes *Xolair* with Genentech in the US and shares a portion of revenue as operating income but does not record any US sales.

Ilaris (USD 376 million, +25%, +29% cc) sales grew across all regions. Contributors to growth include strong performance in the Periodic Fever Sydrome (PFS) and Still's disease indications (SJIA/AOSD) in the US, Europe and Japan, as well as in key markets worldwide.

NEUROSCIENCE

	Q4 2023 USD m	Q4 2022 USD m	% change USD	% change cc	**FY 2023 USD m**	FY 2022 USD m	% change USD	% change cc
Neuroscience								
Kesimpta	641	369	74	73	2 171	1 092	99	99
Zolgensma	286	309	-7	-4	1 214	1 370	-11	-9
Mayzent	106	99	7	7	392	357	10	10
Aimovig	69	59	17	14	266	218	22	21
Other						1	nm	nm
Total neuroscience	**1 102**	**836**	**32**	**33**	**4 043**	**3 038**	**33**	**34**

nm = not meaningful

Kesimpta (USD 641 million, +74%, +73% cc) sales grew across all regions driven by increased demand and strong access. *Kesimpta* is a high efficacy B-cell therapy, with a favorable safety and tolerability profile and an at home self-administration for a broad population of RMS patients. *Kesimpta* is now approved in 87 countries with more than 85,000 patients treated.

Zolgensma (USD 286 million, –7%, –4% cc). Established markets are treating mainly incident patients. Sales declined due to fewer incident patient treatments. *Zolgensma* is now approved in 51 countries with more than 3,700 patients treated globally through clinical trials, early access programs and in the commercial setting.

Mayzent (USD 106 million, +7%, +7% cc) sales grew mainly in Europe. Sales continued to grow in patients with multiple sclerosis showing signs of progression despite being on other treatments.

Aimovig (USD 69 million, ex-US, ex-Japan +17%, +14% cc) sales grew mainly in Europe driven by increased demand in migraine prevention. Novartis commercializes *Aimovig* ex-US, ex-Japan, while Amgen retains all rights in the US and in Japan.

ONCOLOGY

	Q4 2023 USD m	Q4 2022 USD m	% change USD	% change cc	**FY 2023 USD m**	FY 2022 USD m	% change USD	% change cc
Oncology								
Promacta/Revolade	563	540	4	4	2 269	2 088	9	10
Kisqali	610	357	71	76	2 080	1 231	69	75
Tafinlar + Mekinist [1]	486	465	5	7	1 922	1 770	9	11
Tasigna	446	475	-6	-6	1 848	1 923	-4	-3
Jakavi	444	388	14	14	1 720	1 561	10	12
Pluvicto	273	179	53	53	980	271	262	261
Lutathera	147	128	15	13	605	471	28	28
Kymriah	120	139	-14	-14	508	536	-5	-5
Piqray/Vijoice	131	112	17	18	505	373	35	37
Scemblix	125	52	140	143	413	149	177	179
Votrient	77	103	-25	-26	390	474	-18	-17
Adakveo	45	51	-12	-11	195	194	1	0
Tabrecta	41	36	14	13	154	133	16	16
Other					1	2	-50	nm
Total oncology	**3 508**	**3 025**	**16**	**17**	**13 590**	**11 176**	**22**	**23**

[1] Majority of sales for *Mekinist* and *Tafinlar* are combination, but both can be used as monotherapy.
nm = not meaningful

Promacta/Revolade (USD 563 million, +4%, +4% cc) sales grew mainly in the US driven by increased use in second-line persistent and chronic immune thrombocytopenia and as first-line and/or second-line treatment for severe aplastic anemia, according to the respective label in the countries.

Kisqali (USD 610 million, +71%, +76% cc) sales grew strongly across all regions, based on increasing recognition of its consistently reported overall survival in HR+/HER2- advanced breast cancer. Positive, statistically significant interim and final efficacy results of the iDFS analysis of the early breast cancer pivotal Phase III trial NATALEE were presented at ASCO and SABCS 2023. Additional QOL information presented at ESMO demonstrated that the addition of ribociclib to endocrine therapy did not compromise the QOL of patients. Submissions for approval in early breast cancer were completed in August to EMA and in December to the FDA. Submissions to other regulatory authorities are ongoing. Novartis is in US ANDA litigation with a generic manufacturer.

Tafinlar + Mekinist (USD 486 million, +5%, +7% cc) sales grew mainly in the US and emerging growth markets, partly offset by decline in Europe. Sales growth was driven by demand in BRAF+ adjuvant melanoma and NSCLC indications, while maintaining demand in the highly competitive BRAF+ metastatic melanoma market. In addition, the tumor agnostic indication contributed to growth in the US. Sales in Europe declined mainly due to immune-oncology competition in 1L metastatic setting.

Tasigna (USD 446 million, –6%, –6% cc) sales declined driven by lower demand in Europe.

Jakavi (USD 444 million, ex-US +14%, +14% cc) sales grew in emerging growth markets, Europe and Japan, driven by strong demand in both myelofibrosis and polycythemia vera indications. Incyte retains all rights to ruxolitinib (Jakafi®) in the US.

Pluvicto (USD 273 million, +53%, +53% cc) saw continued sales growth in the US. *Pluvicto* is the first and only radioligand therapy approved by the FDA for the treatment of adult patients with progressive, PSMA-positive metastatic castration-resistant prostate cancer, who have already been treated with other anticancer treatments (ARPI and taxane-based chemotherapy). Data from the Phase III PSMAfore trial was presented at ESMO. *Pluvicto* met its primary endpoint with a clinically meaningful and statistically significant benefit in radiographic progression-free survival (rPFS) in patients with prostate-specific membrane antigen (PSMA)-positive metastatic castration-resistant prostate cancer (mCRPC) after treatment with androgen receptor pathway inhibitor (ARPI) therapy, compared to a change in ARPI. In January 2024, Novartis received approval from the FDA for commercial manufacturing of *Pluvicto* at state-of-the-art radioligand therapy (RLT) manufacturing facility in Indianapolis.

Lutathera (USD 147 million, +15%, +13% cc) sales grew across all regions due to increased demand. The Phase III NETTER-2 trial with *Lutathera* met its primary endpoint, showing *Lutathera* is the first radioligand therapy (RLT) to demonstrate clinically meaningful benefit in a first line setting.

Kymriah (USD 120 million, –14%, –14% cc) sales declined mainly in the US and Europe, partly offset by growth in follicular lymphoma indication launch across markets.

Piqray/Vijoice (USD 131 million, +17%, +18% cc) sales grew mainly in the US. In addition to PIK3CA-related overgrowth spectrum (PROS), *Piqray* is the first therapy specifically developed for the approximately 40% of HR+/HER2- advanced breast cancer patients who have a PIK3CA mutation, associated with a worse prognosis.

Scemblix (USD 125 million, +140%, +143% cc) sales grew across all regions, demonstrating the high unmet need for effective and tolerable treatment options for CML patients, who have been treated with 2 or more tyrosine kinase inhibitors. *Scemblix* has now been approved in more than 60 countries for Philadelphia chromosome positive (Ph+) CML patients in chronic phase treated with 2 or more TKIs. In January 2024, Novartis announced that the ASC4FIRST trial met both primary endpoints, with clinically meaningful and statistically significant results vs. standard-of-care TKIs in newly diagnosed Ph+CML-CP patients while demonstrating a favorable safety and tolerability profile. Data will be presented at an upcoming medical conference and submitted to regulatory authorities in 2024.

Votrient (USD 77 million, –25%, –26% cc) sales declined due to increased competition, especially from immune-oncology agents in metastatic renal cell carcinoma.

Adakveo (USD 45 million, –12%, –11% cc) sales declined due to withdrawal in Europe. *Adakveo* remains approved for use by the FDA for the reduction in frequency of vasoocclusive crises (pain crises) in adults and pediatric patients aged 16 years or older with sickle cell disease.

Tabrecta (USD 41 million, +14%, +13% cc) sales grew mainly in the US. *Tabrecta* is the first therapy approved by the FDA to specifically target metastatic NSCLC with a mutation that leads to MET exon 14 (METex14) skipping in any line of treatment. Novartis obtained global rights to develop, manufacture and commercialize *Tabrecta* under a license and collaboration agreement with Incyte Corporation.

ESTABLISHED BRANDS

	Q4 2023 USD m	Q4 2022 USD m	% change USD	% change cc	**FY 2023 USD m**	FY 2022 USD m	% change USD	% change cc
Established brands								
Lucentis	301	398	-24	-25	1 475	1 874	-21	-20
Sandostatin	316	305	4	5	1 314	1 238	6	8
Gilenya	154	346	-55	-55	925	2 013	-54	-54
Exforge Group	156	159	-2	-1	713	743	-4	-1
Galvus Group	153	209	-27	-17	692	859	-19	-11
Diovan Group	147	142	4	6	613	652	-6	-1
Gleevec/Glivec	128	175	-27	-25	561	745	-25	-22
Afinitor/Votubia	97	106	-8	-7	408	512	-20	-18
Contract manufacturing [1]	302	313	-4	-5	1 490	1 200	24	22
Other [1]	1 243	1 525	-18	-11	5 427	6 113	-11	-6
Total established brands [1]	**2 997**	**3 678**	**-19**	**-15**	**13 618**	**15 949**	**-15**	**-12**

[1] Effective January 1, 2023, the discontinued operations Sandoz business transferred to Novartis continuing operations its bio-technology manufacturing services to other companies' activities (included in Contract manufacturing) and the *Coartem* brand (included in Other). The financial information of the Novartis continuing operations and discontinued operations were adapted accordingly in 2022 and 2021, in compliance with IFRS Accounting Standards. See Note 10 for additional information.

Lucentis (USD 301 million, ex-US –24%, –25% cc) sales declined in Europe, emerging growth markets and Japan, mainly due to competition.

Sandostatin (USD 316 million, +4%, +5% cc) sales grew in emerging growth markets and Europe mainly due to temporary generic supply shortages, partly offset by decline in the US.

Gilenya (USD 154 million, –55%, –55% cc) sales declined due to generic competition mainly in the US and Europe. Novartis is in litigation against a generic manufacturer on the method of treatment patent in the US, and against generic manufacturers on the dosing regimen patent in Europe.

***Exforge* Group** (USD 156 million, –2%, –1% cc) sales declined mainly in Europe.

***Galvus* Group** (USD 153 million, –27%, –17% cc) sales declined mainly in Europe.

***Diovan* Group** (USD 147 million, +4%, +6% cc) sales grew in emerging growth markets.

Gleevec/Glivec (USD 128 million, –27%, –25% cc) sales declined due to increased generic competition.

Afinitor/Votubia (USD 97 million, –8%, –7% cc) sales declined mainly in Europe and emerging growth markets driven by generic competition.

Discontinued operations

Discontinued operations include the Sandoz generic pharmaceuticals and biosimilars division, certain corporate activities attributable to Sandoz prior to the spin-off up to the distribution date of October 3, 2023, and certain other expenses related to the spin-off. Included in 2023 is also the IFRS Accounting Standards non-cash, non-taxable net gain on the distribution of Sandoz Group AG to Novartis AG shareholders of USD 5.9 billion, representing mainly the excess amount of the IFRS Accounting Standards distribution liability, which is the estimated fair value of the Sandoz business distributed to Novartis AG shareholders, over the then carrying value of Sandoz business net assets. There were no operating results for the fourth quarter 2023 following the distribution date. The prior year includes the results for the full period.

Fourth quarter

Net income from discontinued operations amounted to USD 5.8 billion, driven by the IFRS Accounting Standards non-cash, non-taxable, net gain on distribution of Sandoz Group AG to Novartis AG shareholders of USD 5.9 billion, compared to USD 151 million in prior year.

Full year

Discontinued operations net sales in 2023 were USD 7.4 billion, compared to USD 9.4 billion in 2022 and operating income amounted to USD 265 million compared to USD 1.3 billion in 2022.

Net income from discontinued operations in 2023 amounted to USD 6.3 billion, compared to USD 906 million in 2022, driven by the IFRS Accounting Standards non-cash, non-taxable, net gain on distribution of Sandoz Group AG to Novartis AG shareholders, which amounted to USD 5.9 billion.

Total Company

Fourth quarter

Total Company net income was USD 8.5 billion in 2023, compared to USD 1.5 billion in 2022 and basic EPS was USD 4.14 compared to USD 0.69 in prior year, driven by the IFRS Accounting Standards non-cash, non-taxable, net gain on distribution of Sandoz Group AG to Novartis AG shareholders of USD 5.9 billion. Net cash flows from operating activities for total Company amounted to USD 2.5 billion and free cash flow amounted to USD 2.1 billion.

Full year

Total Company, net income amounted to USD 14.9 billion in 2023, compared to USD 7.0 billion in 2022, and basic earnings per share was USD 7.15 compared to USD 3.19 in prior year, driven by the IFRS Accounting Standards non-cash, non-taxable, net gain on distribution of Sandoz Group AG to Novartis AG shareholders of USD 5.9 billion. Net cash flows from operating activities for the total Company amounted to USD 14.5 billion, and free cash flow amounted to USD 13.2 billion.

Company Cash Flow and Balance Sheet

Cash flow

Fourth quarter

Net cash flows from operating activities from continuing operations amounted to USD 2.5 billion, compared with USD 3.8 billion in the prior year quarter. This decrease was driven by higher net income from continuing operations adjusted for non-cash items and other adjustments, including divestment gains being more than offset by unfavorable changes in working capital and higher income taxes paid, mainly due to the timing of income tax payments.

Net cash flows from operating activities from discontinued operations decrease of USD 0.3 billion was due to the distribution (spin-off) of the Sandoz business on October 3, 2023.

Net cash outflows used in investing activities from continuing operations amounted to USD 1.0 billion, compared with USD 1.3 billion in the prior year quarter.

The current year quarter net cash outflows used in investing activities from continuing operations were mainly driven by USD 0.5 billion for net purchases of marketable securities, commodities and time deposits; USD 0.4 billion for purchases of property, plant and equipment; and USD 0.4 billion for purchases of intangible assets. These cash outflows were partly offset by cash inflows of USD 0.2 billion from the sale of property, plant and equipment (including proceeds from the sale and leaseback of real estate); and USD 0.1 billion from the sale of financial assets.

In the prior year quarter, net cash outflows used in investing activities from continuing operations of USD 1.3 billion were driven by USD 0.9 billion for net purchases of marketable securities, commodities and time deposits; USD 0.3 billion for purchases of property, plant and equipment; and USD 0.2 billion for purchases of intangible assets. These cash outflows were partly offset by cash inflows of USD 0.1 billion from the sale of intangible assets.

The current year quarter net cash outflows used in investing activities from discontinued operations amounted to USD 0.7 billion, compared with USD 0.1 billion in the prior year quarter. The current year quarter mainly includes the cash outflow of USD 0.7 billion due to the derecognition of cash and cash equivalents of the Sandoz business, following the distribution (spin-off) on October 3, 2023.

Net cash outflows used in financing activities from continuing operations amounted to USD 0.5 billion, compared with USD 4.1 billion in the prior year quarter.

The current year quarter net cash outflows used in financing activities from continuing operations were mainly driven by USD 1.3 billion for net treasury share transactions; and USD 0.1 billion payments of lease liabilities. These cash outflows were partly offset by cash inflows of USD 0.7 billion from the net increase in current financial debts and other net financing cash inflows of USD 0.2 billion.

In the prior year quarter, net cash outflows used in financing activities from continuing operations of USD 4.1 billion were mainly driven by USD 2.7 billion for net treasury share transactions; and USD 1.2 billion from the net decrease in current financial debts. Payments of lease liabilities and other financing cash flows resulted in a net cash outflow of USD 0.2 billion.

The current year quarter net cash outflows used in financing activities from discontinued operations amounted to USD 0.1 billion, compared with USD 0.1 billion net cash inflows in the prior year quarter.

Free cash flow from continuing operations amounted to USD 2.1 billion (–38% USD), compared with USD 3.5 billion in the prior year quarter driven by lower net cash flows from operating activities from continuing operations.

For the total Company, net cash flows from operating activities amounted to USD 2.5 billion, compared with USD 4.1 billion in the prior year quarter and free cash flow amounted to USD 2.1 billion, compared with USD 3.7 billion in the prior year quarter.

Full year

Net cash flows from operating activities from continuing operations amounted to USD 14.2 billion, compared with USD 13.0 billion in 2022. This increase was mainly driven by higher net income from continuing operations adjusted for non-cash items and other adjustments, including divestment gains, which were partly offset by higher income taxes paid, mainly due to the timing of payments.

Net cash flows from operating activities from discontinued operations amounted to USD 0.2 billion, compared with USD 1.2 billion in 2022. This decrease was mainly driven by lower net income from discontinued operations adjusted for non-cash items and other adjustments, including divestment gains and the distribution (spin-off) of the Sandoz business on October 3, 2023.

Net cash inflows from investing activities from continuing operations amounted to USD 6.7 billion, compared with USD 1.9 billion in 2022.

The current year net cash inflows from investing activities from continuing operations were driven by net proceeds of USD 10.6 billion from the sale of marketable securities, commodities and time deposits; USD 2.0 billion from the sale of intangible assets (including USD 1.75 billion cash proceeds from the divestment of the 'front of eye' ophthalmology assets to Bausch + Lomb); USD 0.3 billion from the sale of financial assets; and USD 0.2 billion from the sale of property, plant and equipment (including proceeds from the sale and leaseback of real estate). These cash inflows were partly offset by cash outflows of USD 3.6 billion for acquisitions and divestments of businesses, net (including the acquisition of Chinook Therapeutics, Inc. for USD 3.1 billion, net of cash acquired USD 0.1 billion, and the acquisition of DTx Pharma Inc. for USD 0.5 billion, net of cash acquired USD 0.1 billion); USD 1.7 billion for purchases of intangible assets; USD 1.1 billion for purchases of property, plant and equipment; and USD 0.1 billion for purchases of financial assets.

In 2022, net cash inflows from investing activities from continuing operations of USD 1.9 billion were mainly driven by net proceeds of USD 4.7 billion from the sale of marketable securities, commodities and time deposits; and USD 0.5 billion from the sale of intangible assets, financial assets and property, plant and equipment. These cash inflows were partly offset by cash outflows of USD 1.3 billion for purchases of intangible assets; USD 0.9 billion for purchases of property, plant and equipment; USD 0.1 billion for purchases of financial assets; and USD 0.8 billion for acquisitions and divestments of businesses, net (primarily the acquisition of Gyroscope Therapeutics Holdings plc for USD 0.8 billion).

Net cash outflows used in investing activities from discontinued operations amounted to USD 1.1 billion, compared with USD 0.4 billion in 2022. The current year mainly includes the cash outflow of USD 0.7 billion due to the derecognition of cash and cash equivalents of the Sandoz business, following the distribution (spin-off) on October 3, 2023.

Net cash outflows used in financing activities from continuing operations amounted to USD 17.6 billion, compared with USD 20.7 billion in 2022.

The current year net cash outflows used in financing activities from continuing operations were mainly driven by USD 8.6 billion for net treasury share transactions; USD 7.3 billion for the dividend payment; USD 2.2 billion for the repayment of two EUR denominated bonds (notional amounts of EUR 1.25 billion and of EUR 0.75 billion) at maturity. Payments of lease liabilities amounted to USD 0.3 billion. These cash outflows were partly offset by cash inflows of USD 0.5 billion from the net increase in current financial debts.

In 2022, net cash outflows used in financing activities from continuing operations of USD 20.7 billion were mainly driven by USD 10.6 billion for net treasury share transactions; USD 7.5 billion for the dividend payment; USD 2.5 billion in aggregate for the repayment of two US dollar bonds; and USD 0.3 billion payments of lease liabilities. These cash outflows were partly offset by cash inflows of USD 0.3 billion from the net increase in current financial debts.

The current year net cash inflows from financing activities from discontinued operations of USD 3.3 billion were mainly driven by USD 3.6 billion cash inflows from bank borrowings (including the USD 3.3 billion Sandoz business borrowings from a group of banks on September 28, 2023) in connection with the distribution (spin-off) of the Sandoz business to Novartis AG shareholders, partly offset by transaction cost payments of USD 0.2 billion. Net cash inflows from financing activities from discontinued operations in 2022 were USD 119 million.

Free cash flow from continuing operations amounted to USD 13.2 billion (+9% USD), compared with USD 12.1 billion in 2022 driven by higher net cash flows from operating activities from continuing operations.

For the total Company, net cash flows from operating activities amounted to USD 14.5 billion, compared with USD 14.2 billion in 2022 and free cash flow amounted to USD 13.2 billion, compared with USD 13.0 billion in 2022.

Balance sheet

There has been a significant change to the December 31, 2023 consolidated balance sheet resulting from the presentation of the Sandoz business as a discontinued operations. This follows the September 15, 2023 shareholders' approval to spin-off of Sandoz business through a dividend in kind distribution to the Novartis AG shareholders (for further details see Note 1, Note 2 and Note 3).

The December 31, 2022 consolidated balance sheet includes the assets and liabilities of the Sandoz business. The December 31, 2023 consolidated balance sheet excludes the assets and liabilities of the Sandoz business in the individual lines, due to the derecognition of the Sandoz business at the date of the October 3, 2023 distribution (spin-off).

The consolidated balance sheet discussion and analysis that follows excludes the impacts of the derecognition of the Sandoz business assets and liabilities at the date of the distribution (spin-off). For information on the assets and liabilities of the Sandoz business derecognized at October 3, 2023, the distribution (spin-off) date, see Note 13.

Assets

Total non-current assets of USD 69.5 billion increased by USD 0.5 billion compared to December 31, 2022, excluding the impact of the derecognition of the Sandoz business non-current assets related to discontinued operations.

Intangible assets other than goodwill decreased by USD 3.3 billion mainly due to amortization and impairments and the divestment of the 'front of eye' ophthalmology assets, partially offset by the impact of acquisitions, including Chinook Therapeutics, Inc. and of DTx Pharma Inc., additions, and favorable currency translation adjustments.

Goodwill increased by USD 1.5 billion mainly due to the acquisition of Chinook Therapeutics, Inc and DTx Pharma Inc.

Deferred tax assets increased by USD 1.3 billion mainly due to higher deferred tax assets on intangible assets, inventory and tax loss carryforwards. Property, plant and equipment increased by USD 0.6 billion mainly as additions and favorable currency translation adjustments exceeded depreciation charge and disposals. Right-of-use assets, investments in associated companies, financial assets, and other non-current assets were broadly in line with December 31, 2022.

Total current assets of USD 30.5 billion decreased by USD 1.7 billion compared to December 31, 2022, excluding the impact of the derecognition of the Sandoz business non-current assets related to discontinued operations.

Cash and cash equivalents, marketable securities, commodities, time deposits and derivative financial instruments decreased by USD 4.4 billion mainly due to the dividend payment, and net purchases of treasury shares and intangible assets, partially offset by the cash generated through operating activities.

Inventories increased by USD 0.9 billion. Trade receivables increased by USD 1.3 billion, mainly due to the increase in net sales. Other current assets and income tax receivables were broadly in line with December 31, 2022

Liabilities

Total non-current liabilities of USD 26.8 billion decreased by USD 1.7 billion compared to December 31, 2022, excluding the impact of the derecognition of the Sandoz business non-current liabilities related to discontinued operations.

Non-current financial debts decreased by USD 1.8 billion mainly due to the reclassification of USD 2.1 billion from non-current to current financial debts of a USD denominated bond with notional amount of USD 2.2 billion maturing in 2024.

Non-current lease liabilities, deferred tax liabilities and provisions and other non-current liabilities were broadly in line with December 31, 2022.

Total current liabilities of USD 26.4 billion increased by USD 1.5 billion compared to December 31, 2022 excluding the impact of the derecognition of the Sandoz business non-current liabilities related to discontinued operations.

Current financial debts and derivative financial instruments were broadly in line with December 31, 2022, as the repayment of a 0.5% coupon bond with a notional amount of EUR 750 million and a 0.125% coupon bond with a

notional amount of EUR 1.25 billion was largely offset by the reclassification of USD 2.1 billion from non-current to current financial debts of a USD denominated bond with notional amount of USD 2.2 billion maturing in 2024.

Provisions and other current liabilities increased by USD 0.6 billion, mainly driven by an increase of the provisions for deductions from revenue. Trade payables increased by USD 0.9 billion. Current income tax liabilities and current lease liabilities were broadly in line with December 31, 2022.

Equity

The Company's equity decreased by USD 12.7 billion to USD 46.8 billion compared to December 31, 2022.

This decrease was mainly due to the dividend in kind to effect the distribution (spin-off) of Sandoz Group AG to the Novartis AG shareholders' of USD 14.0 billion, the cash-dividend payment of USD 7.3 billion and the purchase of treasury shares of USD 8.5 billion. This was partially offset by the net income of USD 14.9 billion, and equity-based compensation of USD 0.9 billion.

Net debt and debt/equity ratio

The Company's liquidity amounted to USD 14.4 billion as at December 31, 2023, compared with USD 18.9 billion as at December 31, 2022. Total non-current and current financial debts, including derivatives, amounted to USD 24.6 billion as at December 31, 2023, compared with USD 26.2 billion as at December 31, 2022.

The debt/equity ratio increased to 0.53:1 as at December 31, 2023, compared with 0.44:1 as at December 31, 2022. The net debt increased to USD 10.2 billion as at December 31, 2023, compared with USD 7.2 billion as at December 31, 2022.

Innovation Review

Novartis continues to focus its R&D portfolio prioritizing high value medicines with transformative potential for patients. We now focus on ~110 projects in clinical development.

Selected Innovative Medicines approvals

Product	Active ingredient/ Descriptor	Indication	Region
Fabhalta	iptacopan	Paroxysmal nocturnal hemoglobinuria	US
Cosentyx	secukinumab	Hidradenitis suppurativa	US

Selected Innovative Medicines projects awaiting regulatory decisions

		Completed submissions			
Product	**Indication**	**US**	**EU**	**Japan**	**News update**
Kisqali	Hormone receptor-positive / human epidermal growth factor receptor 2-negative early breast cancer (adjuvant)	Q4 2023	Q3 2023		– US filing
LNP023 (iptacopan)	Paroxysmal nocturnal hemoglobinuria	Approved	Q2 2023	Q3 2023	– US approval
Xolair	Food allergy	Q4 2023			– Genentech submission

Selected Innovative Medicines pipeline projects

Compound/ product	Potential indication/ Disease area	First planned submissions	Current Phase	News update
Aimovig	Migraine, pediatrics	≥2027	3	
AVXS-101 (OAV101)	Spinal muscular atrophy (IT formulation)	2025	3	
Beovu	Diabetic retinopathy	2025	3	
CFZ533 (iscalimab)	Sjögren's syndrome	≥2027	2	
Coartem	Malaria, uncomplicated (<5 kg patients)	2024	3	– Submission will use the MAGHP procedure in Switzerland to facilitate rapid approvals in the developing countries who are included in the MAGHP procedure
Cosentyx	Giant cell arteritis	2025	3	
	Polymyalgia rheumatica	2026	3	
	Rotator cuff tendinopathy	≥2027	3	
EXV811 (atrasentan)	IgA nephropathy	2024	3	– Ph3 ALIGN met its primary endpoint
FUB523 (zigakibart)	IgA nephropathy	≥2027	3	
JDQ443 (opnurasib)	Non-small cell lung cancer (mono/combos)	≥2027	3	–Asset submission plan revised following strategy update
KAE609 (cipargamin)	Malaria, uncomplicated	≥2027	2	
	Malaria, severe	≥2027	2	
KLU156 (ganaplacide + lumefantrine)	Malaria, uncomplicated	2026	3	– FDA Orphan Drug designation – FDA Fast Track designation
Leqvio	Secondary prevention of cardiovascular events in patients with elevated levels of LDL-C	≥2027	3	
	Primary prevention CVRR	≥2027	3	
LNA043	Osteoarthritis	≥2027	2	– FDA Fast Track designation

Compound/ product	Potential indication/ Disease area	First planned submissions	Current Phase	News update
LNP023 (iptacopan)	IgA nephropathy	2024	3	– EU Orphan Drug designation – Ph3 APPLAUSE-IgAN met its primary endpoint
	C3 glomerulopathy	2024	3	– EU Orphan Drug designation – EU PRIME designation – FDA Rare Pediatric designation – China Breakthrough Therapy designation – FDA Breakthrough Therapy designation – Ph3 APPEAR-C3G study met its primary endpoint
	IC-MPGN	≥2027	3	
	Atypical haemolytic uraemic syndrome	≥2027	3	
LOU064 (remibrutinib)	Chronic spontaneous urticaria	2024	3	
	Multiple sclerosis	≥2027	3	
	CINDU	≥2027	3	
	Sjögren's syndrome		2	– Further development will not be pursued to prioritize other key programs in portfolio
Lutathera	Gastroenteropancreatic neuroendocrine tumors, 1L in G2/3 tumors	2024	3	
^{177}Lu-NeoB	Multiple solid tumors	≥2027	1	
LXE408	Visceral leishmaniasis	≥2027	2	
MBG453 (sabatolimab)	Myelodysplastic syndrome		3	– Ph3 STIMULUS MDS2 did not meet primary endpoint; Program discontinued to prioritize other key programs in portfolio
	Unfit acute myeloid leukemia		2	
Pluvicto	Metastatic castration-resistant prostate cancer pre-taxane	2024	3	
	Metastatic hormone sensitive prostate cancer	2025	3	– Event driven trial endpoint
	Oligometastatic prostate cancer	≥2027	3	
QGE031 (ligelizumab)	Food allergy	≥2027	3	
Scemblix	1L Chronic myeloid leukemia	2024	3	– Ph3 ASC4FIRST met both primary endpoints
TQJ230 (pelacarsen)	Secondary prevention of cardiovascular events in patients with elevated levels of lipoprotein(a)	2025	3	– FDA Fast Track designation – China Breakthrough Therapy designation
VAY736 (ianalumab)	Auto-immune hepatitis	≥2027	2	
	Sjögren's syndrome	2026	3	– FDA Fast Track designation
	Lupus nephritis	≥2027	3	
	Systemic lupus erythematosus	≥2027	3	
	1L Immune thrombocytopenia	2026	3	
	2L Immune thrombocytopenia	2026	3	
	warm Autoimmune hemolytic anemia	2026	3	
Vijoyce	Lymphatic malformations	≥2027	3	– US, EU Orphan Drug designation granted – Ph3 Study EPIK-L1 recruiting
XXB750	Hypertension	≥2027	2	
YTB323	sr Lupus nephritis / Systemic lupus erythematosus	≥2027	2	
	1L High-risk large B-cell lymphoma	≥2027	2	

Condensed Consolidated Financial Statements

Consolidated income statements

Fourth quarter (unaudited)

(USD millions unless indicated otherwise)	Note	**Q4 2023**	Q4 2022
Net sales from continuing operations	11	**11 423**	**10 576**
Other revenues	11	353	390
Cost of goods sold		-3 022	-3 041
Gross profit from continuing operations		**8 754**	**7 925**
Selling, general and administration		-3 444	-3 183
Research and development		-2 567	-2 216
Other income		450	155
Other expense		-611	-926
Operating income from continuing operations		**2 582**	**1 755**
Loss from associated companies		-6	-3
Interest expense		-217	-207
Other financial income and expense		18	24
Income before taxes from continuing operations		**2 377**	**1 569**
Income taxes		261	-254
Net income from continuing operations		**2 638**	**1 315**
Net (loss)/income from discontinued operations before gain on distribution of Sandoz Group AG to Novartis AG shareholders	13	-18	151
Gain on distribution of Sandoz Group AG to Novartis AG shareholders	3, 13	5 860	
Net income from discontinued operations		**5 842**	**151**
Net income		**8 480**	**1 466**
Attributable to:			
Shareholders of Novartis AG		*8 480*	*1 466*
Non-controlling interests		*0*	*0*
Weighted average number of shares outstanding – Basic (million)		2 050	2 135
Basic earnings per share from continuing operations (USD) [1]		*1.29*	*0.62*
Basic earnings per share from discontinued operations (USD) [1]		*2.85*	*0.07*
Total basic earnings per share (USD) [1]		**4.14**	**0.69**
Weighted average number of shares outstanding – Diluted (million)		2 065	2 150
Diluted earnings per share from continuing operations (USD) [1]		*1.28*	*0.61*
Diluted earnings per share from discontinued operations (USD) [1]		*2.83*	*0.07*
Total diluted earnings per share (USD) [1]		**4.11**	**0.68**

[1] Earnings per share (EPS) is calculated on the amount of net income attributable to shareholders of Novartis AG.
The accompanying Notes form an integral part of the condensed consolidated financial statements

Consolidated income statements

Full year (audited)

(USD millions unless indicated otherwise)	Note	**FY 2023**	FY 2022
Net sales from continuing operations	11	**45 440**	**42 206**
Other revenues	11	1 220	1 255
Cost of goods sold		-12 472	-11 582
Gross profit from continuing operations		**34 188**	**31 879**
Selling, general and administration		-12 517	-12 193
Research and development		-11 371	-9 172
Other income		1 772	696
Other expense		-2 303	-3 264
Operating income from continuing operations		**9 769**	**7 946**
Loss from associated companies		-13	-11
Interest expense		-855	-800
Other financial income and expense		222	42
Income before taxes from continuing operations		**9 123**	**7 177**
Income taxes		-551	-1 128
Net income from continuing operations		**8 572**	**6 049**
Net income from discontinued operations before gain on distribution of Sandoz Group AG to Novartis AG shareholders	13	422	906
Gain on distribution of Sandoz Group AG to Novartis AG shareholders	3, 13	5 860	
Net income from discontinued operations		**6 282**	**906**
Net income		**14 854**	**6 955**
Attributable to:			
Shareholders of Novartis AG		*14 850*	*6 955*
Non-controlling interests		*4*	*0*
Weighted average number of shares outstanding – Basic (million)		2 077	2 181
Basic earnings per share from continuing operations (USD) [1]		*4.13*	*2.77*
Basic earnings per share from discontinued operations (USD) [1]		*3.02*	*0.42*
Total basic earnings per share (USD) [1]		**7.15**	**3.19**
Weighted average number of shares outstanding – Diluted (million)		2 092	2 197
Diluted earnings per share from continuing operations (USD) [1]		*4.10*	*2.75*
Diluted earnings per share from discontinued operations (USD) [1]		*3.00*	*0.42*
Total diluted earnings per share (USD) [1]		**7.10**	**3.17**

[1] Earnings per share (EPS) is calculated on the amount of net income attributable to shareholders of Novartis AG.
The accompanying Notes form an integral part of the condensed consolidated financial statements

Consolidated statements of comprehensive income

Fourth quarter (unaudited)

(USD millions)	**Q4 2023**	Q4 2022
Net income	**8 480**	**1 466**
Other comprehensive income		
Items that are or may be recycled into the consolidated income statement		
Net investment hedge, net of taxes	-59	-118
Currency translation effects, net of taxes	1 320	1 652
Total of items that are or may be recycled	1 261	1 534
Items that will never be recycled into the consolidated income statement		
Actuarial gains/(losses) from defined benefit plans, net of taxes	-217	-1 920
Fair value adjustments on equity securities, net of taxes	56	-97
Total of items that will never be recycled	-161	-2 017
Total comprehensive income	**9 580**	**983**
Total comprehensive income for the year attributable to:		
Shareholders of Novartis AG	*9 578*	*980*
Continuing operations	4 062	630
Discontinued operations	5 516	350
Non-controlling interests	*2*	*3*

The accompanying Notes form an integral part of the condensed consolidated financial statements

Full year (audited)

(USD millions)	**FY 2023**	FY 2022
Net income	**14 854**	**6 955**
Other comprehensive income		
Items that are or may be recycled into the consolidated income statement		
Net investment hedge, net of taxes	-50	91
Currency translation effects, net of taxes	1 375	-450
Total of items that are or may be recycled	1 325	-359
Items that will never be recycled into the consolidated income statement		
Actuarial gains from defined benefit plans, net of taxes	-160	-103
Fair value adjustments on equity securities, net of taxes	37	-382
Total of items that will never be recycled	-123	-485
Total comprehensive income	**16 056**	**6 111**
Total comprehensive income for the year attributable to:		
Shareholders of Novartis AG	*16 050*	*6 116*
Continuing operations	10 115	5 181
Discontinued operations	5 935	935
Non-controlling interests	*6*	*-5*

The accompanying Notes form an integral part of the condensed consolidated financial statements

Consolidated balance sheets

(USD millions)	Note	**Dec 31, 2023 (audited)**	Dec 31, 2022 (audited)
Assets			
Non-current assets			
Property, plant and equipment		9 514	10 764
Right-of-use assets		1 410	1 431
Goodwill		23 341	29 301
Intangible assets other than goodwill		26 879	31 644
Investments in associated companies		205	143
Deferred tax assets		4 309	3 739
Financial assets		2 607	2 411
Other non-current assets		1 199	1 110
Total non-current assets		**69 464**	**80 543**
Current assets			
Inventories		5 913	7 175
Trade receivables		7 107	8 066
Income tax receivables		426	268
Marketable securities, commodities, time deposits and derivative financial instruments		1 035	11 413
Cash and cash equivalents		13 393	7 517
Other current assets		2 607	2 471
Total current assets		**30 481**	**36 910**
Total assets		**99 945**	**117 453**
Equity and liabilities			
Equity			
Share capital		825	890
Treasury shares		-41	-92
Reserves		45 883	58 544
Equity attributable to Novartis AG shareholders		**46 667**	**59 342**
Non-controlling interests		83	81
Total equity		**46 750**	**59 423**
Liabilities			
Non-current liabilities			
Financial debts		18 436	20 244
Lease liabilities		1 598	1 538
Deferred tax liabilities		2 248	2 686
Provisions and other non-current liabilities		4 523	4 906
Total non-current liabilities		**26 805**	**29 374**
Current liabilities			
Trade payables		4 926	5 146
Financial debts and derivative financial instruments		6 175	5 931
Lease liabilities		230	251
Current income tax liabilities		1 893	2 533
Provisions and other current liabilities		13 166	14 795
Total current liabilities		**26 390**	**28 656**
Total liabilities		**53 195**	**58 030**
Total equity and liabilities		**99 945**	**117 453**

The accompanying Notes form an integral part of the condensed consolidated financial statements

Consolidated statements of changes in equity

Fourth quarter (unaudited)

(USD millions)	Note	Share capital	Treasury shares	Reserves: Retained earnings	Reserves: Total value adjustments	Issued share capital and reserves attributable to Novartis shareholders	Non-controlling interests	Total equity
Total equity at September 30, 2023		**825**	**-32**	**42 333**	**-4 962**	**38 164**	**81**	**38 245**
Net income				8 480		8 480	0	8 480
Other comprehensive income					1 098	1 098	2	1 100
Total comprehensive income				**8 480**	**1 098**	**9 578**	**2**	**9 580**
Purchase of treasury shares			-10	-1 223		-1 233		-1 233
Exercise of options and employee transactions	4.2			-5		-5		-5
Equity-based compensation			1	249		250		250
Shares delivered to Sandoz employees as a result of the Sandoz spin-off				30		30		30
Taxes on treasury share transactions				3		3		3
Transaction costs, net of taxes	4.4			-140		-140		-140
Fair value adjustments on financial assets sold				-69	69			
Value adjustments related to divestments				-29	29			
Other movements	4.5			20		20		20
Total of other equity movements			**-9**	**-1 164**	**98**	**-1 075**		**-1 075**
Total equity at December 31, 2023		**825**	**-41**	**49 649**	**-3 766**	**46 667**	**83**	**46 750**

The accompanying Notes form an integral part of the condensed consolidated financial statements

(USD millions)	Note	Share capital	Treasury shares	Reserves: Retained earnings	Reserves: Total value adjustments	Issued share capital and reserves attributable to Novartis shareholders	Non-controlling interests	Total equity
Total equity at October 1, 2022		**890**	**-70**	**64 543**	**-4 543**	**60 820**	**78**	**60 898**
Net income				1 466		1 466	0	1 466
Other comprehensive income					-486	-486	3	-483
Total comprehensive income				**1 466**	**-486**	**980**	**3**	**983**
Purchase of treasury shares			-22	-2 685		-2 707		-2 707
Exercise of options and employee transactions	4.2			-1		-1		-1
Equity-based compensation			0	203		203		203
Taxes on treasury share transactions				2		2		2
Fair value adjustments on financial assets sold				1	-1			
Value adjustments related to divestments				-34	34			
Other movements	4.5			45		45		45
Total of other equity movements			**-22**	**-2 469**	**33**	**-2 458**		**-2 458**
Total equity at December 31, 2022		**890**	**-92**	**63 540**	**-4 996**	**59 342**	**81**	**59 423**

The accompanying Notes form an integral part of the condensed consolidated financial statements

Consolidated statements of changes in equity

Full year (audited)

(USD millions)	Note	Share capital	Treasury shares	Reserves: Retained earnings	Reserves: Total value adjustments	Issued share capital and reserves attributable to Novartis shareholders	Non-controlling interests	Total equity
Total equity at January 1, 2023		**890**	**-92**	**63 540**	**-4 996**	**59 342**	**81**	**59 423**
Net income				14 850		14 850	4	14 854
Other comprehensive income					1 200	1 200	2	1 202
Total comprehensive income				**14 850**	**1 200**	**16 050**	**6**	**16 056**
Dividends				-7 255		-7 255		-7 255
Dividend in kind to effect the spin-off of Sandoz Group AG	3			-13 962		-13 962		-13 962
Purchase of treasury shares			-51	-8 466		-8 517		-8 517
Reduction of share capital	4.1	-65	94	-29				
Exercise of options and employee transactions	4.2		2	144		146		146
Equity-based compensation			6	898		904		904
Shares delivered to Sandoz employees as a result of the Sandoz spin-off				30		30		30
Taxes on treasury share transactions				14		14		14
Transaction costs, net of taxes	4.4			-214		-214		-214
Changes in non-controlling interests							-4	-4
Fair value adjustments on financial assets sold				-1	1			
Value adjustments related to divestments				-29	29			
Other movements	4.5			129		129		129
Total of other equity movements		**-65**	**51**	**-28 741**	**30**	**-28 725**	**-4**	**-28 729**
Total equity at December 31, 2023		**825**	**-41**	**49 649**	**-3 766**	**46 667**	**83**	**46 750**

The accompanying Notes form an integral part of the condensed consolidated financial statements

(USD millions)	Note	Share capital	Treasury shares	Reserves: Retained earnings	Reserves: Total value adjustments	Issued share capital and reserves attributable to Novartis shareholders	Non-controlling interests	Total equity
Total equity at January 1, 2022		**901**	**-48**	**70 989**	**-4 187**	**67 655**	**167**	**67 822**
Net income				6 955		6 955	0	6 955
Other comprehensive income					-839	-839	-5	-844
Total comprehensive income				**6 955**	**-839**	**6 116**	**-5**	**6 111**
Dividends				-7 506		-7 506		-7 506
Purchase of treasury shares			-66	-10 844		-10 910		-10 910
Reduction of share capital	4.1	-11	15	-4				
Exercise of options and employee transactions	4.2		1	87		88		88
Equity-based compensation			6	848		854		854
Shares delivered to Alcon employees as a result of the Alcon spin-off			0	5		5		5
Taxes on treasury share transactions				14		14		14
Decrease of treasury share repurchase obligation under a share buyback trading plan	4.3			2 809		2 809		2 809
Changes in non-controlling interests							-81	-81
Fair value adjustments on financial assets sold				4	-4			
Value adjustments related to divestments				-34	34			
Other movements	4.5			217		217		217
Total of other equity movements		**-11**	**-44**	**-14 404**	**30**	**-14 429**	**-81**	**-14 510**
Total equity at December 31, 2022		**890**	**-92**	**63 540**	**-4 996**	**59 342**	**81**	**59 423**

The accompanying Notes form an integral part of the condensed consolidated financial statements

Consolidated statements of cash flows

Fourth quarter (unaudited)

(USD millions)	Note	**Q4 2023**	Q4 2022
Net income from continuing operations		**2 638**	**1 315**
Adjustments to reconcile net income from continuing operations to net cash flows from operating activities from continuing operations			
Reversal of non-cash items and other adjustments	7.1	1 791	2 756
Interest received		163	133
Interest paid		-238	-212
Change in other financial receipts		26	-18
Change in other financial payments		-3	-5
Income taxes paid	7.2	-1 093	-334
Net cash flows from operating activities from continuing operations before working capital and provision changes		**3 284**	**3 635**
Payments out of provisions and other net cash movements in non-current liabilities		-353	-323
Change in net current assets and other operating cash flow items	7.3	-384	456
Net cash flows from operating activities from continuing operations		**2 547**	**3 768**
Net cash flows from operating activities from discontinued operations			343
Total net cash flows from operating activities		**2 547**	**4 111**
Purchases of property, plant and equipment		-406	-306
Proceeds from sale of property, plant and equipment		164	102
Purchases of intangible assets		-377	-192
Proceeds from sale of intangible assets		2	
Purchases of financial assets		-29	-29
Proceeds from sale of financial assets		147	12
Acquisitions and divestments of interests in associated companies, net		-3	-2
Acquisitions and divestments of businesses, net	7.4	-8	-7
Purchases of marketable securities, commodities and time deposits		-544	-10 548
Proceeds from sale of marketable securities, commodities and time deposits		32	9 651
Net cash flows used in investing activities from continuing operations		**-1 022**	**-1 319**
Net cash flows used in investing activities from discontinued operations	13	-738	-148
Total net cash flows used in investing activities		**-1 760**	**-1 467**
Purchases of treasury shares		-1 251	-2 678
Proceeds from exercised options and other treasury share transactions, net		-5	
Change in current financial debts		674	-1 196
Payments of lease liabilities		-64	-64
Other financing cash flows, net		150	-161
Net cash flows used in financing activities from continuing operations		**-496**	**-4 099**
Net cash flows (used in)/from financing activities from discontinued operations	13	-111	105
Total net cash flows used in financing activities		**-607**	**-3 994**
Net change in cash and cash equivalents before effect of exchange rate changes		**180**	**-1 350**
Cash and cash equivalents from discontinued operations at September 30, 2023		648	
Effect of exchange rate changes on cash and cash equivalents		160	141
Net change in cash and cash equivalents		**988**	**-1 209**
Cash and cash equivalents at October 1		12 405	8 726
Cash and cash equivalents at December 31		**13 393**	**7 517**

The accompanying Notes form an integral part of the condensed consolidated financial statements

Consolidated statements of cash flows

Full year (audited)

(USD millions)	Note	**FY 2023**	FY 2022
Net income from continuing operations		**8 572**	**6 049**
Adjustments to reconcile net income from continuing operations to net cash flows from operating activities from continuing operations			
Reversal of non-cash items and other adjustments	7.1	10 369	10 631
Dividends received from associated companies and others		2	1
Interest received		645	252
Interest paid		-751	-667
Other financial receipts		90	71
Other financial payments		-17	-26
Income taxes paid	7.2	-2 787	-1 702
Net cash flows from operating activities from continuing operations before working capital and provision changes		**16 123**	**14 609**
Payments out of provisions and other net cash movements in non-current liabilities		-1 534	-774
Change in net current assets and other operating cash flow items	7.3	-369	-796
Net cash flows from operating activities from continuing operations		**14 220**	**13 039**
Net cash flows from operating activities from discontinued operations		238	1 197
Total net cash flows from operating activities		**14 458**	**14 236**
Purchases of property, plant and equipment		-1 060	-916
Proceeds from sale of property, plant and equipment		237	158
Purchases of intangible assets		-1 693	-1 323
Proceeds from sale of intangible assets		1 955	170
Purchases of financial assets		-106	-115
Proceeds from sale of financial assets		348	133
Purchases of other non-current assets			-1
Acquisitions and divestments of interests in associated companies, net		-11	-24
Acquisitions and divestments of businesses, net	7.4	-3 558	-840
Purchases of marketable securities, commodities and time deposits		-641	-34 695
Proceeds from sale of marketable securities, commodities and time deposits		11 248	39 357
Net cash flows from investing activities from continuing operations		**6 719**	**1 904**
Net cash flows used in investing activities from discontinued operations	13	-1 123	-436
Total net cash flows from investing activities		**5 596**	**1 468**
Dividends paid to shareholders of Novartis AG		-7 255	-7 506
Purchases of treasury shares		-8 719	-10 652
Proceeds from exercised options and other treasury share transactions, net		153	100
Repayments of the current portion of non-current financial debts		-2 223	-2 575
Change in current financial debts		546	252
Payments of lease liabilities		-258	-262
Other financing cash flows, net		192	-38
Net cash flows used in financing activities from continuing operations		**-17 564**	**-20 681**
Net cash flows from financing activities from discontinued operations	13	3 286	119
Total net cash flows used in financing activities		**-14 278**	**-20 562**
Net change in cash and cash equivalents before effect of exchange rate changes		**5 776**	**-4 858**
Effect of exchange rate changes on cash and cash equivalents		100	-32
Net change in cash and cash equivalents		**5 876**	**-4 890**
Cash and cash equivalents at January 1		7 517	12 407
Cash and cash equivalents at December 31		**13 393**	**7 517**

The accompanying Notes form an integral part of the condensed consolidated financial statements

Notes to the Condensed Consolidated Financial Statements for the three month interim period (unaudited) and year ended December 31, 2023 (audited)

1. Basis of preparation

The consolidated financial statements of the Company are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. They are prepared in accordance with the historical cost convention, except for items that are required to be accounted for at fair value. These Condensed Consolidated Financial Statements for the three month and year ended December 31, 2023, were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and accounting policies set out in the 2023 Annual Report published on January 31, 2024.

At the Novartis AG Extraordinary General Meeting, held on September 15, 2023, our shareholders approved the spin-off of the Sandoz business. Following the shareholder approval IFRS Accounting Standards require the Sandoz Division and selected portions of corporate activities attributable to Sandoz's business, as well as certain expenses related to the spin-off (the "Sandoz business") to be reported as discontinued operations in the consolidated financial statements. As a result, the Sandoz business has been presented as discontinued operations in the consolidated financial statements. This requires the three months and year ended December 31, 2023 consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows to present separately continuing operations from discontinued operations, with comparative amounts in the prior years restated on a consistent basis. There is no requirement for the restatement of the December 31, 2022 consolidated balance sheet related to the assets and liabilities of the Sandoz business that were derecognized in 2023 as at the October 3, 2023 distribution date. For further information and disclosures, refer to Note 2, Note 3, and Note 13.

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2. Selected critical accounting policies

The Company's principal accounting policies are set out in Note 1 to the Consolidated Financial Statements in the 2023 Annual Report and conform with IFRS Accounting Standards as issued by the IASB.

The preparation of financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the period, which affect the reported amounts of revenues, expenses, assets, liabilities, including the distribution liability and the non-cash, non-taxable gain recognized in connection with the distribution of Sandoz Group AG to Novartis AG shareholders, and contingent amounts.

Estimates are based on historical experience and other assumptions that are considered reasonable under the given circumstances and are regularly monitored. Actual outcomes and results could differ from those estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised.

As disclosed in the 2023 Annual Report, goodwill, and acquired In-Process Research & Development projects are reviewed for impairment at least annually and these, as well as all other investments in intangible assets, are reviewed for impairment whenever an event or decision occurs that raises concern about their balance sheet carrying value. The amount of goodwill and other intangible assets on the Company's consolidated balance sheet has risen significantly in recent years, primarily from acquisitions. Impairment testing may lead to potentially significant impairment charges in the future that could have a materially adverse impact on the Company's results of operations and financial condition.

The Company's activities are not subject to significant seasonal fluctuations.

Distribution of Sandoz Group AG to Novartis AG shareholders

At the Extraordinary General Meeting (EGM) of Novartis AG shareholders, held on September 15, 2023, the Novartis AG shareholders approved a special distribution by way of a dividend in kind to effect the spin-off of Sandoz Group AG.

The September 15, 2023, shareholder approval for the spin-off required the Sandoz Division and selected portions of corporate activities attributable to Sandoz's business, as well as certain expenses related to the spin-off (the "Sandoz business") to be reported as discontinued operations.

The shareholder approval on September 15, 2023, for the spin-off the Sandoz business, required the recognition of a distribution liability at the fair value of the

Sandoz business. Novartis policy is to measure the distribution liability at the fair value of the Sandoz business net assets taken as a whole. The distribution liability was recognized through a reduction in retained earnings. It was required to be adjusted at each balance sheet date for changes in its estimated fair value, up to the date of the distribution to shareholders through retained earnings. Any resulting impairment of the business assets to be distributed would have been recognized in the consolidated income statements in "Other expense" of discontinued operations, at the date of initial recognition of the distribution liability or at subsequent dates resulting from changes of the distribution liability valuation.

At the October 4, 2023, distribution settlement date, the resulting gain, which is measured as the excess amount of the distribution liability over the then-carrying value of the net assets of the business distributed, was recognized on the line "Gain on distribution of Sandoz Group AG to Novartis AG shareholders" within the income statement of discontinued operations.

The recognition of the distribution liability required the use of valuation techniques for the purposes of impairment testing of the Sandoz business' assets to be distributed and for the measurement of the fair value of the distribution liability. These valuations required the use of management assumptions and estimates related to the Sandoz business' future cash flows, market multiples, opening share price of Sandoz Group AG on the first day of trading its shares on the SIX Swiss Exchange, to estimate day one market value, and control premiums to apply in estimating the Sandoz business fair value. These fair value measurements are classified as "Level 3" in the fair value hierarchy. The section "—Goodwill and intangible assets other than goodwill" in Note 1 to the Consolidated Financial Statements in the Annual Report 2023 provides additional information on key assumptions that are highly sensitive in the estimation of fair values using valuation techniques.

Transaction costs that are directly attributable to the Distribution (spin-off) of the Sandoz business to Novartis AG shareholders by way of a dividend in kind, and that would otherwise have been avoided, were accounted for as a deduction from equity (within retained earnings). Prior to the recognition of the distribution liability, these costs were recorded as prepaid expenses in the consolidated balance sheet.

For additional disclosures, refer to Note 3 and Note 13.

3. Significant transactions

The Company applied the acquisition method of accounting for businesses acquired, and did not elect to apply the optional concentration test to account for acquired business as an asset separately acquired.

Significant transactions 2023

Completion of the spin-off of the Sandoz business through a dividend in kind distribution to Novartis AG shareholders

On July 18, 2023, Novartis announced that its Board of Directors had unanimously endorsed the proposed separation of the Sandoz business to create an independent company by way of a spin-off and to seek shareholder approval for the spin-off of the Sandoz business into a separately traded standalone company, following the complete structural separation of the Sandoz business into a standalone company (the Sandoz business or Sandoz Group AG) and subject to the satisfaction of certain conditions and Novartis AG shareholders' approval.

At the EGM held on September 15, 2023, Novartis AG shareholders approved a special distribution by way of a dividend in kind to effect the spin-off of Sandoz Group AG, subject to the completion of certain conditions precedent to the distribution. Upon shareholder approval, the Sandoz business was reported as discontinued operations and the distribution liability was recognized at its fair value, which exceeded the carrying value of the Sandoz business net assets.

The conditions precedent to the spin-off were met and on October 3, 2023 the spin-off of the Sandoz business was effected by way of a distribution of a dividend in kind of Sandoz Group AG shares to Novartis AG shareholders and American Depositary Receipt (ADR) holders (the Distribution). Through the Distribution, each Novartis AG shareholder received 1 Sandoz Group AG share for every 5 Novartis AG shares and each Novartis ADR holder received 1 Sandoz ADR for every 5 Novartis ADR that they held at the close of business on October 3, 2023. As of October 4, 2023, the shares of Sandoz Group AG have been listed on the SIX Swiss Exchange (SIX) under the stock symbol "SDZ".

On September 18, 2023, the Sandoz business entered into financing arrangements with a group of banks under which on September 28, 2023, it borrowed a total amount of USD 3.3 billion. These borrowings consisted of a bridge loan in EUR (EUR 2.4 billion) and term loans in EUR (EUR 0.2 billion) and USD (USD 0.5 billion). In addition, the Sandoz business borrowed approximately USD 0.4 billion under a number of local bilateral facilities in different countries. This resulted in a total gross debt of USD 3.7 billion. These outstanding borrowings of the Sandoz business legal entities were recognized in the September 30, 2023 consolidated balance sheet within Liabilities related to discontinued operations and within financing activities cash flows from discontinued operations. Prior to the Distribution on October 3, 2023, Sandoz business legal entities paid approximately USD 3.3 billion in cash to Novartis and its affiliates through a series of intercompany transactions.

At the Distribution date on October 3, 2023, the dividend in kind distribution liability to effect the Distribution (spin-off) of the Sandoz business amounted to USD 14.0 billion, measured by reference to the October 4, 2023 opening Sandoz Group AG share price and applying a control premium. The dividend in kind distribution liability was recorded as a reduction to equity (retained earnings) and remained in excess of the then carrying value of the Sandoz business net assets, which amounted to USD 8.6 billion (see Note 13).

Certain consolidated foundations own Novartis AG dividend-bearing shares that restricts their availability for use by Novartis. These Novartis AG shares are accounted for as treasury shares. Through the Distribution, these foundations received Sandoz Group AG shares representing an approximate 4.31% equity interest in Sandoz Group AG. Upon the loss of control of Sandoz Group AG through the Distribution on October 3, 2023, the financial investment in Sandoz Group AG was recognized at its initial fair value based on the opening traded share price of Sandoz Group AG on October 4, 2023 (a Level 1 hierarchy valuation). At initial recognition, on October 4, 2023, the Sandoz Group AG financial investment had a fair value of USD 0.5 billion, and was reported in the fourth quarter of 2023 on the consolidated balance sheet as a financial asset. Management has designated this investment at fair value through other comprehensive income.

The total non-taxable, non-cash gain recognized at the Distribution date of the spin-off of the Sandoz business amounted to USD 5.9 billion, which consists of:

(USD millions)	Oct 3, 2023
Net assets derecognized[1]	-8 647
Derecognition of distribution liability	13 962
Difference between net assets and distribution liability	**5 315**
Recognition of Sandoz Group AG shares obtained through consolidated foundations	492
Currency translation gains recycled into the consolidated income statement	357
Transaction costs and other items recognized in the consolidated income statement	-304
Gain on distribution of Sandoz Group AG to Novartis AG shareholders	**5 860**

[1] See Note 13 for additional information.

For additional disclosures on discontinued operations, refer to Note 13.

Acquisition of DTx Pharma Inc.

In the second quarter of 2023, Novartis entered into an agreement to acquire all outstanding shares of DTx Pharma Inc. (DTx), a San-Diego, California US based, pre-clinical stage biotechnology company focused on leveraging its proprietary FALCON platform to develop siRNA therapies for neuroscience indications. DTx's lead program, DTx-1252 targets the root cause of CMT1A—the overexpression of PMP22, a protein that causes the myelin sheath that supports and insulates nerves in the peripheral nervous system to function abnormally. The

transaction also includes two additional pre-clinical programs for other neuroscience indications. The transaction closed on July 14, 2023.

The purchase price consisted of a cash payment of USD 0.6 billion and potential additional milestones of up to USD 0.5 billion, which the DTx shareholders are eligible to receive upon the achievement of specified milestones.

The fair value of the total purchase consideration was USD 0.6 billion. The amount consisted of a cash payment of USD 0.6 billion and the fair value of contingent consideration of USD 309 million, which DTx shareholders are eligible to receive upon the achievement of specified milestones. The purchase price allocation resulted in net identifiable assets of USD 0.4 billion, consisting primarily of IPR&D intangible assets of USD 0.4 billion, cash of USD 0.1 billion and net deferred tax liabilities of 0.1 billion. Goodwill amounted to USD 0.2 billion.

The results of operations since the date of acquisition were not material.

Acquisition of Chinook Therapeutics, Inc.

On June 12, 2023, Novartis entered into an agreement to acquire all outstanding shares of Chinook Therapeutics, Inc. (Chinook Therapeutics), a Seattle, Washington based clinical stage biopharmaceutical company with two late-stage medicines in development for rare, severe chronic kidney diseases. The acquisition closed on August 11, 2023.

The purchase price consisted of a cash payment of USD 3.2 billion and potential additional payments of up to USD 0.3 billion, which Chinook Therapeutics shareholders are eligible to receive upon the achievement of specified milestones.

The fair value of the total purchase consideration was USD 3.3 billion. The amount consisted of an upfront cash payment of USD 3.2 billion and the fair value of contingent consideration of USD 0.1 billion, which Chinook Therapeutics shareholders are eligible to receive upon achievement of specified milestones. The purchase price allocation resulted in net identifiable assets of USD 2.4 billion, consisting primarily of IPR&D intangible assets of USD 2.5 billion, net deferred tax liabilities of USD 0.4 billion and other net assets of USD 0.3 billion, including cash of USD 0.1 billion. Goodwill amounted to USD 0.9 billion.

The results of operations since the date of acquisition were not material.

Significant transactions in 2022

Acquisition of Gyroscope Therapeutics Holdings plc

On December 22, 2021, Novartis entered into an agreement to acquire all outstanding shares of Gyroscope Therapeutics Holdings plc (Gyroscope), a UK-based ocular gene therapy company. Gyroscope focuses on the discovery and development of gene therapy treatments for retinal indications. The purchase price consisted of a cash payment of USD 0.8 billion, subject to certain customary purchase price adjustments, and potential additional milestone payments of up to USD 0.7 billion, which Gyroscope shareholders are eligible to receive upon achievement of specified milestones. The acquisition closed on February 17, 2022.

The fair value of the total purchase consideration was USD 1.0 billion. The amount consisted of an upfront cash payment of USD 0.8 billion (including customary purchase price adjustments) and the fair value of contingent consideration of USD 0.2 billion, which Gyroscope shareholders are eligible to receive upon achievement of specified milestones. The purchase price allocation resulted in net identifiable assets of USD 0.9 billion, consisting primarily of IPR&D intangible assets of USD 1.1 billion and net deferred tax liabilities of USD 0.2 billion. Goodwill amounted to USD 0.1 billion.

The 2022 results of operations since the date of acquisition were not material.

4. Summary of equity attributable to Novartis AG shareholders

	Note	Number of outstanding shares (in millions) 2023	2022	Issued share capital and reserves attributable to Novartis AG shareholders (in USD millions) FY 2023	FY 2022
Balance at beginning of year		**2 119.6**	**2 234.9**	**59 342**	**67 655**
Shares acquired to be canceled		-87.5	-126.2	-8 369	-10 787
Other share purchases		-1.6	-1.4	-148	-123
Exercise of options and employee transactions	4.2	2.8	1.9	146	88
Equity-based compensation		10.4	10.4	904	854
Shares delivered to Alcon employees as a result of the Alcon spin-off			0.0		5
Shares delivered to Sandoz employees as a result of the Sandoz spin-off		0.3		30	
Taxes on treasury share transactions				14	14
Decrease of treasury share repurchase obligation under a share buyback trading plan	4.3				2 809
Transaction costs, net of taxes	4.4			-214	
Dividends				-7 255	-7 506
Dividend in kind	3			-13 962	
Net income of the period attributable to shareholders of Novartis AG				14 850	6 955
Other comprehensive income attributable to shareholders of Novartis AG				1 200	-839
Other movements	4.5			129	217
Balance at December 31		**2 044.0**	**2 119.6**	**46 667**	**59 342**

4.1. In 2023 Novartis AG reduced its share capital by canceling the 126.2 million of shares that were repurchased on the SIX Swiss Exchange second trading line during the previous year.

In addition, in connection with the Distribution (spin-off) of Sandoz business, Novartis AG shareholders approved at the 2023 EGM held on September 15, 2023, a decrease in Novartis AG share capital in the amount of CHF 22.8 million (USD 17.1 million). The capital decrease resulted in a reduction of the nominal value of the Novartis AG shares by CHF 0.01 from CHF 0.50 per share to CHF 0.49 per share.

In 2022 Novartis AG reduced its share capital by canceling 30.7 million of shares that were repurchased on the SIX Swiss Exchange second trading line during the previous year.

4.2. At December 31, 2022, the market maker held 3 million written call options, originally issued as part of the share-based compensation for employees, that had not yet been exercised. The weighted average exercise price of these options at December 31, 2022, was USD 66.07, and they had contractual lives of 10 years, with remaining lives less than one year. In the first quarter of 2023, the market maker exercised 3 million written call options and as a result there are no written call option outstanding at December 31, 2023.

4.3. In December 2021, Novartis entered into an irrevocable, non-discretionary arrangement with a bank to repurchase Novartis shares on the second trading line under its up-to USD 15.0 billion share buyback. The arrangement was updated in July 2022, December 2022, and May 2023, and concluded in June 2023.

In June 2023, Novartis entered into an irrevocable, non-discretionary arrangement with a bank to repurchase 11.7 million Novartis shares on the second trading line, which concluded in July 2023.

In July 2023, Novartis entered into a new irrevocable, non-discretionary arrangement with a bank to repurchase Novartis shares on the second trading line under its new up-to USD 15.0 billion share buyback. Novartis is able to cancel this arrangement but may be subject to a 90-day waiting period under certain conditions. As of December 31, 2023, these waiting period conditions were not applicable and as a result, there was no requirement to record a liability under this arrangement as of December, 31 2023.

4.4. Transaction costs in 2023 of USD 214 million, net of tax of USD 29 million, that are directly attributable to the Distribution (spin-off) of Sandoz business to Novartis AG shareholders and that would otherwise have been avoided, are recorded as a deduction from equity (retained earnings). See Note 2.

4.5. Other movements include, for subsidiaries in hyperinflationary economies, the impact of the application of IAS 29 “Financial reporting in Hyperinflation Economies”.

5. Income taxes

The Company applies the IFRS Accounting Standards exception to not recognize or disclose information about deferred tax assets and deferred tax liabilities related to countries that have enacted tax legislation that comply with the Organization for Economic Cooperation and Development (OECD) Pillar Two income taxes.

In December 2021, the OECD issued model rules for a new global minimum tax framework (Pillar Two). Novartis is within the scope of the OECD Pillar Two model rules. A number of governments in countries in which Novartis operates are in the process of enacting or have enacted tax legislation to comply with Pillar Two. Of the major countries in which we operate, only the enactment of Pillar Two tax legislation in Switzerland is expected to have an impact to our income tax provision as from 2024. In December 2023, Switzerland decided to partially implement Pillar Two, whereby effective from January 1, 2024, a 15% minimum taxation will be assessed on Pillar Two qualifying profits earned by companies domiciled in Switzerland (Qualified Domestic Minimum Top-Up Tax). This Qualified Domestic Minimum Top-Up Tax will not be applied to the Pillar Two qualifying profits earned by a company's affiliates domiciled in tax jurisdictions outside of Switzerland. The timing of implementation and the specific provisions of any further Pillar Two tax regulations in Switzerland remains subject to further assessments at both the Federal and Cantonal levels. The Company estimates that the impact of these changes to tax legislation in the respective countries that have (substantively) enacted Pillar Two tax legislation in 2023 would not be material to our consolidated financial position, income statement and cash flows.

6. Financial instruments

Fair value by hierarchy

The following table illustrates the three hierarchical levels for valuing financial instruments at fair value as of December 31, 2023, and December 31, 2022. For additional information on the hierarchies and other matters, please refer to the Consolidated Financial Statements in the 2023 Annual Report, published on January 31, 2024.

	Level 1		Level 2		Level 3		Total	
(USD millions)	**Dec 31, 2023**	Dec 31, 2022	**Dec 31, 2023**	Dec 31, 2022	**Dec 31, 2023**	Dec 31, 2022	**Dec 31, 2023**	Dec 31, 2022
Financial assets								
Cash and cash equivalents								
Debt securities	50						50	
Total cash and cash equivalents at fair value	**50**						**50**	
Marketable securities								
Debt securities				9				9
Derivative financial instruments			355	204			355	204
Total marketable securities and derivative financial instruments at fair value			**355**	**213**			**355**	**213**
Current contingent consideration receivables					**65**	**43**	**65**	**43**
Current fund investments and equity securities	**94**				**31**		**125**	
Long-term financial investments								
Debt and equity securities	796	473	20	10	616	699	1 432	1 182
Fund investments	7	20			183	261	190	281
Non-current contingent consideration receivables					553	607	553	607
Total long-term financial investments at fair value	**803**	**493**	**20**	**10**	**1 352**	**1 567**	**2 175**	**2 070**
Associated companies at fair value through profit or loss					**101**	**129**	**101**	**129**
Financial liabilities								
Current contingent consideration liabilities					-14	-131	-14	-131
Current other financial liabilities					-88		-88	
Derivative financial instruments			-91	-55			-91	-55
Total current financial liabilities at fair value			**-91**	**-55**	**-102**	**-131**	**-193**	**-186**
Non-current contingent consideration liabilities					-389	-704	-389	-704
Non-current other financial liabilities						-232		-232
Total non-current financial liabilities at fair value					**-389**	**-936**	**-389**	**-936**

In 2023, there were three transfers of equity securities from Level 3 to Level 1 for USD 63 million mainly due to Initial Public Offering.

The fair value of straight bonds amounted to USD 19.2 billion at December 31, 2023 (USD 20.3 billion at December 31, 2022) compared with the carrying amount of USD 20.6 billion at December 31, 2023 (USD 22.3 billion at December 31, 2022). For all other financial assets and liabilities, the carrying amount is a reasonable approximation of the fair value.

The carrying amount of financial assets included in the line total long-term financial investments of USD 2.2 billion at December 31, 2023 (USD 2.1 billion at December 31, 2022) is included in the line "Financial assets" of the consolidated balance sheets. The carrying amount of financial assets included in the line current financial investments – equity securities of USD 125 million at December 31, 2023 (nil at December 31, 2022) is included in the line "Other current assets" of the consolidated balance sheets. The carrying amount of non-current contingent consideration liabilities and non-current other financial liabilities included in the line total non-current financial liabilities at fair value of USD 0.4 billion at December 31, 2023 (USD 0.9 billion at December 31, 2022) is included in the line "Provisions and other non-current liabilities" of the consolidated balance sheet.

The Company's exposure to financial risks has not changed significantly during the period and there have been no major changes to the risk management department or in any risk management policies.

7. Details to the consolidated statements of cash flows

7.1. Non-cash items and other adjustments from continuing operations

The following table shows the reversal of non-cash items and other adjustments in the consolidated statements of cash flows.

(USD millions)	**Q4 2023**	Q4 2022
Depreciation, amortization and impairments on:		
Property, plant and equipment	246	349
Right-of-use assets	66	70
Intangible assets	1 276	1 403
Financial assets [1]	37	-28
Change in provisions and other non-current liabilities	-171	483
Losses/(gains) on disposal and other adjustments on property, plant and equipment; intangible assets; financial assets; and other non-current assets, net	101	-127
Equity-settled compensation expense	248	189
Loss from associated companies	6	3
Income taxes	-261	254
Net financial expense	199	183
Other	44	-23
Total	**1 791**	**2 756**

[1] Includes fair value changes

(USD millions)	**FY 2023**	FY 2022
Depreciation, amortization and impairments on:		
Property, plant and equipment	1 006	1 374
Right-of-use assets	263	270
Intangible assets	7 008	5 061
Financial assets [1]	106	260
Change in provisions and other non-current liabilities	61	1 318
Gains on disposal and other adjustments on property, plant and equipment; intangible assets; financial assets; and other non-current assets, net	-180	-308
Equity-settled compensation expense	865	791
Loss from associated companies	13	11
Income taxes	551	1 128
Net financial expense	633	758
Other	43	-32
Total	**10 369**	**10 631**

[1] Includes fair value changes

In the fourth quarter of 2023 and 2022, there were no additions to intangible assets with deferred payments.

In the fourth quarter of 2023, there were USD 183 million (Q4 2022: USD 50 million) additions to right-of-use assets recognized.

In 2023, other than through business combinations, there were no additions to intangible assets with deferred payments (2022: USD 635 million).

In 2023, there were USD 421 million (2022: USD 216 million) additions to right-of-use assets recognized.

7.2. Total amount of income taxes paid

In 2023, the total amount of income taxes paid by continuing operations was USD 2 787 million (Q4 2023: USD 1 093 million) and by discontinued operations was USD 162 million (Q4 2023: nil), which was included within "Net cash flows from operating activities from discontinued operations." In 2023, the total amount of income taxes paid by the Company was USD 2 949 million (Q4 2023: USD 1 093 million).

In 2022, the total amount of income taxes paid by continuing operations was USD 1 702 million (Q4 2022: USD 334 million) and by discontinued operations was USD 273 million (Q4 2022: USD 82 million), which was included within "Net cash flows from operating activities from discontinued operations." In 2022, the total amount of income taxes paid by the Company was USD 1 975 million (Q4 2022: USD 416 million).

7.3. Cash flows from changes in working capital and other operating items included in the net cash flows from operating activities from continuing operations

(USD millions)	**Q4 2023**	Q4 2022	**FY 2023**	FY 2022
(Increase)/decrease in inventories	33	-46	-546	-560
(Increase)/decrease in trade receivables	-240	428	-1 504	-397
Increase/(decrease) in trade payables	564	144	479	-181
Change in other current and non-current assets	-41	2	-125	-84
Change in other current liabilities	-700	-72	1 327	426
Total	**-384**	**456**	**-369**	**-796**

7.4. Cash flows arising from acquisitions and divestments of businesses, net

The following table is a summary of the cash flow impact of acquisitions and divestments of businesses. The most significant transactions are described in Note 3.

(USD millions)	**Q4 2023**	Q4 2022	**FY 2023**	FY 2022
Net assets recognized as a result of acquisitions of businesses	**-3**		**-3 699**	**-1 077**
Fair value of previously held equity interests	-1	-1	26	21
Contingent consideration payable, net	-7		146	224
Payments, deferred consideration and other adjustments, net	5	-1	-34	0
Cash flows used for acquisitions of businesses	**-6**	**-2**	**-3 561**	**-832**
Cash flows (used for)/from divestments of businesses, net [1]	**-2**	**-5**	**3**	**-8**
Cash flows used for acquisitions and divestments of businesses, net	**-8**	**-7**	**-3 558**	**-840**

[1] In 2023, USD 3 million (Q4 2023: USD 2 million net cash outflows) represented the net cash inflows from divestments in prior years.
In 2022, USD 8 million (Q4 2022: USD 5 million) net cash outflows from divestments of businesses included USD 20 million (Q4 2022: nil) reduction to cash and cash equivalents due to the derecognized cash and cash equivalents following a loss of control of a company upon expiry of an option to purchase the company, partly offset by USD 12 million net cash inflows (Q4 2022: USD 5 million net cash outflows) from business divestments in 2022 and in prior years.
In 2022, the net identifiable assets of divested businesses amounted to USD 139 million (Q4 2022: USD 33 million), comprised of non-current assets of USD 127 million (Q4 2022: USD 14 million), current assets of USD 70 million (Q4 2022: USD 48 million), including USD 62 million (Q4 2022: USD 42 million) cash and cash equivalents and of non-current and current liabilities of USD 58 million (Q4 2022: USD 29 million). The deferred sale price receivable and other adjustments amounted to USD 19 million (Q4 2022: USD 19 million).

Note 3 and Note 8 provide further information regarding acquisitions and divestments of businesses. All acquisitions were for cash.

8. Acquisitions of businesses

Fair value of assets and liabilities arising from acquisitions of businesses:

(USD millions)	**FY 2023**	FY 2022
Property, plant and equipment	18	13
Right-of-use assets	16	12
Acquired research and development	2 931	1 209
Other intangible assets	15	
Deferred tax assets	34	56
Non-current financial and other assets	164	
Trade receivable and financial and other current assets	183	5
Cash and cash equivalents	226	89
Deferred tax liabilities	-474	-300
Current and non-current lease liabilities	-51	-12
Trade payables and other liabilities	-231	-67
Net identifiable assets acquired	**2 831**	**1 005**
Acquired cash and cash equivalents	-226	-89
Goodwill	1 094	161
Net assets recognized as a result of acquisitions of businesses [1]	**3 699**	**1 077**

[1] All net assets recognized relate to business combinations of continuing operations.

Note 3 details significant acquisitions of businesses, specifically the acquisition of DTx Pharma and Chinook Therapeutics in the third quarter of 2023, and of Gyroscope in 2022. The goodwill arising out of the acquisitions was mainly attributable to synergies, the accounting for deferred tax liabilities on acquired assets and the assembled workforce. None of the goodwill was tax deductible.

9. Legal proceedings update

A number of Novartis companies are, and will likely continue to be, subject to various legal proceedings, including litigations, arbitrations and governmental investigations, that arise from time to time. Legal proceedings are inherently unpredictable. As a result, the Company may become subject to substantial liabilities that may not be covered by insurance and may in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations or cash flow. Note 20 to the Consolidated Financial Statements in our 2022 Annual Report and 2022 Form 20-F contains a summary as of the date of these reports of significant legal proceedings to which Novartis or its subsidiaries were a party. The following is a summary as of January 30, 2024, of significant developments in those proceedings, as well as any new significant proceedings commenced since the date of the 2022 Annual Report and 2022 Form 20-F.

Investigations and related litigations

Lucentis/Avastin® matters

In connection with an investigation into whether Novartis entities, F. Hoffmann-La Roche AG, Genentech Inc. and Roche S.p.A. colluded to artificially preserve the market positions of Avastin® and Lucentis, in 2014 the Italian Competition Authority (ICA) imposed a fine equivalent to USD 125 million on the Novartis entities. Novartis paid the fine, subject to the right to later claim recoupment, and appealed before the Consiglio di Stato (CdS). In 2014 and 2015, the Italian Ministry of Health and the Lombardia region sent letters with payment requests for a total equivalent of approximately USD 1.3 billion in damages from Novartis and Roche entities based on these allegations. In 2019, the CdS upheld the ICA decision and fine. Following that CdS decision, several additional Italian regions and hospitals sent letters claiming damages for an aggregate amount of approximately USD 330 million. None of these claims have been asserted in legal proceedings. Novartis filed a revocation action before the CdS in 2019 and a further appeal before the Supreme Court in 2020. Respectively in October 2021 and May 2023, the Supreme Court and the CdS rejected Novartis's actions.

The ICA decision is now final.

In 2019, the French Competition Authority (FCA) issued a Statement of Objections against Novartis entities, alleging anti-competitive practices on the French market for anti-vascular endothelial growth factor treatments for wet age-related macular degeneration from 2008 to 2013. In 2020, the FCA issued a decision

finding that the Novartis entities had infringed competition law by abusing a dominant position and imposing a fine equivalent to approximately USD 452 million. Novartis paid the fine, again subject to recoupment, and appealed the FCA's decision. In February 2023, the Paris Court of Appeal (Court) overturned the FCA's decision which triggered the reimbursement of the originally paid fine (recorded as "Other income" in the Company's consolidated income statement), and, in March 2023, the FCA appealed the Court's decision. Novartis is the subject of similar investigations and proceedings involving the competition authority in Greece and is currently in an appeal process in Turkey. Novartis continues to vigorously contest all claims in both countries. A similar matter involving the competition authority in Belgium is concluded. Novartis is also challenging policies and regulations allowing off-label/unlicensed use and reimbursement for economic reasons in Turkey.

Greece Investigation
The Greek authorities are investigating legacy allegations of potentially inappropriate economic benefits to healthcare providers, government officials and others in Greece. These authorities include the Greek Coordinating Body for Inspection and Control, and the Greek Body of Prosecution of Financial Crime (SDOE), from which the Company received a summons in 2018 and 2020. Novartis has cooperated in these investigations. In 2021, SDOE imposed on Novartis Hellas a fine equivalent to approximately USD 1.2 million; Novartis Hellas appealed the fine and, in September 2023, the Court overturned the decision and fine. The Greek State filed an appeal. In 2022, the Greek State served a civil lawsuit on Novartis Hellas, seeking approximately USD 225 million for moral damages allegedly arising from the conduct that was the subject of the Company's 2020 settlement with the US Department of Justice (DOJ) regarding allegations of inappropriate economic benefits in Greece that was disclosed in the 2020 Annual Report and the 2020 Form 20-F. The claims are being vigorously contested.

Inflation Reduction Act (IRA) litigation
In 2023, following the U.S. government's selection of Entresto for the first round of the IRA's "Medicare Drug Price Negotiation Program," NPC filed a complaint in the U.S. District Court (USDC) for the District of New Jersey on the grounds that those drug price-setting provisions are unconstitutional under the First, Fifth and Eighth Amendments to the U.S. Constitution.

U.S. Government Foreign Corrupt Practices Act (FCPA) investigations – Concluded matter
As previously disclosed in Note 20 to the Consolidated Financial Statements in our 2020 Annual Report, Novartis reached settlements with the DOJ and the US Securities and Exchange Commission (SEC) that resolved all FCPA investigations into historical conduct by Novartis and its subsidiaries. To resolve the DOJ investigation, Novartis Hellas S.A.C.I. entered into a deferred prosecution agreement (DPA) with the DOJ. To resolve the SEC investigation, Novartis AG reached an agreement that resulted in an Order issued by the SEC. The DPA and the Order each contained certain reporting and compliance obligations for a three-year term, which ended on June 26, 2023. On December 21, 2023, the court formally dismissed the Information filed against Novartis Hellas S.A.C.I. at the request of the DOJ. This matter is now concluded.

Antitrust class actions

Exforge
Since 2018, Novartis Group companies as well as other pharmaceutical companies have been sued by various direct and indirect purchasers of *Exforge* in multiple US individual and putative class action complaints. They claim that Novartis made a reverse payment in the form of an agreement not to launch an authorized generic, alleging violations of federal antitrust law and state antitrust, consumer protection and common laws, and seeking damages as well as injunctive relief. The cases were consolidated in the S.D.N.Y. In 2022, Novartis agreed to a settlement in principle to pay USD 245 million to resolve these cases. In Q1 2023 Novartis paid USD 245 million to fund the required trust accounts. Certain of these settlements were subject to court approval, a process that was completed in October 2023, which means the matters are finally disposed of and completed.

Discontinued operations

On October 4, 2023, the separation and spin-off of the Sandoz business was completed (see Note 2). Pursuant to the Separation and Distribution Agreement between Novartis and Sandoz entered into in connection with that separation and spin-off, Sandoz and Novartis agreed, subject to certain limitations, exclusions and conditions, that Sandoz would retain or assume (as applicable) liabilities, including pending and future claims, which relate to the spun-off Sandoz business (whether arising prior to, at or after the date of execution of the Separation and Distribution Agreement), including the matters described below (the description of which was accurate as at the time of the spin-off). Additionally, pursuant to the Separation and Distribution Agreement, Sandoz has agreed to indemnify Novartis and each of its directors, officers, managers, members, agents and employees against liabilities incurred in connection with the spun-off Sandoz business, including the matters described below.

Government generic pricing antitrust investigations, antitrust class actions in the United States
Since 2016, Sandoz Inc. has been part of an investigation into alleged price fixing and market allocation of generic drugs in the United States. In 2020, Sandoz Inc. reached a resolution with the DOJ Antitrust Division, pursuant to which Sandoz Inc. paid USD 195 million and entered into a deferred prosecution agreement (DPA). The Sandoz Inc. resolution related to instances of misconduct at the Company between 2013 and 2015 with regard to certain generic drugs sold in the United States. The term of the DPA concluded in March 2023 and the underlying matter has been dismissed. Sandoz Inc. also finalized a resolution with the DOJ Civil Division and in 2021 paid USD 185 million to settle related claims arising under the False Claims Act, and entered into a corporate integrity agreement with the Office of Inspector

General (OIG) of the US Department of Health and Human Services (HHS). This resolved all federal government matters related to price fixing allegations.

Since the third quarter of 2016, Sandoz Inc. and Fougera Pharmaceuticals Inc. have been sued alongside other generic pharmaceutical companies in numerous related individual and putative class action complaints by direct and indirect private purchasers and by over 50 US states and territories, represented by their respective Attorneys General. Plaintiffs claim that defendants, including Sandoz Inc., engaged in price fixing and market allocation of generic drugs in the United States, and seek damages and injunctive relief. The litigation includes complaints alleging product-specific conspiracies, as well as complaints alleging the existence of an overarching industry conspiracy, and assert claims for damages and penalties under federal and state antitrust and consumer protection acts. The cases have been consolidated for pretrial purposes in the USDC for the Eastern District of Pennsylvania, and as at the date of the spin-off of Sandoz the claims are being vigorously contested by Sandoz.

Government opioid litigation in the United States and Canada relating to Sandoz products

Sandoz and Novartis entities are named as defendants in opioids litigation in the US and Canada. In the US, Sandoz is named in more than 600 complaints filed in multidistrict litigation (MDL) in US federal court in the Northern District of Ohio and 149 of those cases also name Novartis AG and/or NPC. In addition to the MDL, fewer than 10 lawsuits have been filed against Sandoz and, in certain cases, certain Novartis entities in US state and federal courts. The plaintiffs are various US political subdivisions (including certain cities, counties, states, other governmental agencies and tribes), school districts, hospitals and third-party payors, and they seek civil damages under various state law grounds, including consumer protection and nuisance, allegedly arising from the manufacture, promotion, sale and distribution of opioids. On August 31, 2023, Sandoz entered into a settlement for the opioids litigation in the US. Under the settlement, Sandoz will pay USD 100 million into a qualified settlement fund administered by a third party within 30 days of the time when 85% of plaintiffs who filed cases against Sandoz agree to participate in the settlement. The deadline for plaintiffs to elect to participate in the settlement is January 31, 2024, although that date can be extended.

In Canada, Sandoz has been named in 6 class actions initiated in the provinces of British Columbia, Ontario, Alberta, Saskatchewan, and Québec. As at the date of the spin-off of Sandoz the claims are being vigorously contested by Sandoz.

In addition to the matters described above, there have been other non-material developments in the other legal matters described in Note 20 to the Consolidated Financial Statements contained in our 2022 Annual Report and 2022 Form 20-F.

Novartis believes that its total provisions for investigations, product liability, arbitration and other legal matters are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities, there can be no assurance that additional liabilities and costs will not be incurred beyond the amounts provided.

10. Operating segment

Prior to the September 15, 2023, shareholders' approval of the spin-off of the Sandoz business (refer to Note 1, Note 2 and Note 3 for additional information), the businesses of Novartis were divided operationally on a worldwide basis into two identified reporting segments: Innovative Medicines Division and the Sandoz Division. In addition, we separately reported Corporate activities.

Following the September 15, 2023, shareholders' approval of the spin-off of the Sandoz business, the Company reported its consolidated financial statements for the current and prior years as "continuing operations" and "discontinued operations" (see Note 1, Note 2 and Note 3).

Continuing operations include the retained business activities of Novartis, comprising the innovative medicines business (previously the Innovative Medicines Division) and the continuing corporate activities.

Discontinued operations include the Sandoz generic pharmaceuticals and biosimilars business (the Sandoz Division) and certain corporate activities attributable to Sandoz's business, as well as certain expenses related to the spin-off. Included in 2023 is also the IFRS Accounting Standards non-cash, non-taxable net gain on the Distribution of Sandoz Group AG to Novartis AG shareholders. For further details and disclosures on discontinued operations, refer to Note 2, Note 3 and Note 13.

Effective January 1, 2023, the Sandoz business bio-technology manufacturing services to other companies' activities and the *Coartem* brand were transferred to the Novartis continuing operations. The financial information of the Novartis continuing operations and discontinued operations were accordingly adapted in 2023 and prior years, in compliance with IFRS Accounting Standards. This restatement had no impact on the reported financial results and consolidated balance sheet of the total Company.

The Company's continuing operations is engaged in the research, development, manufacturing, distribution, and commercialization and sale of innovative medicines, with a focus on the core therapeutic areas: cardiovascular, renal and metabolic; immunology; neuroscience; oncology; and established brands.

Following the spin-off of the Sandoz business, on October 3, 2023, Novartis operates as a single global operating segment innovative medicines company that is engaged in the research, development,

manufacturing, distribution and commercialization and sale of innovative medicines. The Company's research, development manufacturing and supply of products and functional activities are managed globally on a vertically integrated basis. Commercial efforts that coordinate marketing, sales and distribution of these products are organized by geographic region, therapeutic area and established brands.

The Executive Committee of Novartis (ECN), chaired by the CEO, is the governance body responsible for allocating resources and assessing the business performance of the operating segment of the Company on a global basis and is the chief operating decision-maker (CODM) for the Company.

The determination of a single operating segment is consistent with the financial information regularly reviewed by the CODM for purposes of assessing performance and allocating resources.

See Note 11 for revenues and geographic information disclosures.

11. Revenues and geographic information

Net sales

Net sales information

Net sales from continuing operations comprise the following:

(USD millions)	**Q4 2023**	Q4 2022	**FY 2023**	FY 2022
Net sales to third parties from continuing operations	**11 423**	**10 379**	**44 635**	**41 385**
Sales to discontinued operations		197	805	821
Net sales from continuing operations	**11 423**	**10 576**	**45 440**	**42 206**

Net sales from continuing operations by region[1]

Fourth quarter

	Q4 2023 USD m	Q4 2022 USD m	% change USD	% change cc[2]	**Q4 2023 % of total**	Q4 2022 % of total
US	4 763	4 218	13	13	42	40
Europe	3 716	3 595	3	2	33	34
Asia/Africa/Australasia	2 231	2 034	10	13	20	19
Canada and Latin America	713	729	-2	22	5	7
Total	**11 423**	**10 576**	**8**	**10**	**100**	**100**
Of which in established markets	8 655	7 985	8	7	76	76
Of which in emerging growth markets	2 768	2 591	7	18	24	24

[1] Net sales from continuing operations by location of customer. Emerging growth markets comprise all markets other than the established markets of the US, Canada, Western Europe, Japan, Australia and New Zealand. Novartis definition of Western Europe includes Austria, Belgium, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 49.

Net sales from continuing operations by region[1]

Full year

	FY 2023 USD m	FY 2022 USD m	% change USD	% change cc[2]	**FY 2023 % of total**	FY 2022 % of total
US	17 959	15 935	13	13	40	38
Europe	14 997	14 371	4	4	33	34
Asia/Africa/Australasia	9 308	8 978	4	10	20	21
Canada and Latin America	3 176	2 922	9	20	7	7
Total	**45 440**	**42 206**	**8**	**10**	**100**	**100**
Of which in established markets	33 725	31 386	7	7	74	74
Of which in emerging growth markets	11 715	10 820	8	17	26	26

[1] Net sales from continuing operations by location of customer. Emerging growth markets comprise all markets other than the established markets of the US, Canada, Western Europe, Japan, Australia and New Zealand. Novartis definition of Western Europe includes Austria, Belgium, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 49.

Net sales from continuing operations by core therapeutic area and established brands

Fourth quarter

	Q4 2023 USD m	Q4 2022 USD m[1]	% change USD	% change cc[2]
Cardiovascular, renal and metabolic				
Entresto	1 635	1 291	27	26
Leqvio	123	42	193	190
Other	1		nm	nm
Total cardiovascular, renal and metabolic	**1 759**	**1 333**	**32**	**32**
Immunology				
Cosentyx	1 303	1 080	21	21
Xolair[3]	378	323	17	16
Ilaris	376	301	25	29
Total immunology	**2 057**	**1 704**	**21**	**21**
Neuroscience				
Kesimpta	641	369	74	73
Zolgensma	286	309	-7	-4
Mayzent	106	99	7	7
Aimovig	69	59	17	14
Total neuroscience	**1 102**	**836**	**32**	**33**
Oncology				
Promacta/Revolade	563	540	4	4
Kisqali	610	357	71	76
Tafinlar + Mekinist	486	465	5	7
Tasigna	446	475	-6	-6
Jakavi	444	388	14	14
Pluvicto	273	179	53	53
Lutathera	147	128	15	13
Kymriah	120	139	-14	-14
Piqray/Vijoice	131	112	17	18
Scemblix	125	52	140	143
Votrient	77	103	-25	-26
Adakveo	45	51	-12	-11
Tabrecta	41	36	14	13
Total oncology	**3 508**	**3 025**	**16**	**17**
Total promoted brands	**8 426**	**6 898**	**22**	**23**
Established brands				
Lucentis	301	398	-24	-25
Sandostatin	316	305	4	5
Gilenya	154	346	-55	-55
Exforge Group	156	159	-2	-1
Galvus Group	153	209	-27	-17
Diovan Group	147	142	4	6
Gleevec/Glivec	128	175	-27	-25
Afinitor/Votubia	97	106	-8	-7
Contract manufacturing[4]	302	313	-4	-5
Other[4]	1 243	1 525	-18	-11
Total established brands[4]	**2 997**	**3 678**	**-19**	**-15**
Total net sales from continuing operations	**11 423**	**10 576**	**8**	**10**

[1] In Q1 2023 *Lucentis* was reclassified from other promoted brands to established brands and *Gilenya* was reclassified from neuroscience to established brands. These reclassifications have been reflected in Q3 2022.

[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 49.

[3] Net sales to from continuing operations reflect *Xolair* sales for all indications.

[4] Effective January 1, 2023, the discontinued operations Sandoz business transferred to Novartis continuing operations its bio-technology manufacturing services to other companies' activities (included in Contract manufacturing) and the *Coartem* brand (included in Other). The financial information of the Novartis continuing operations and discontinued operations were adapted accordingly in 2022 and 2021, in compliance with IFRS Accounting Standards. See Note 10 for additional information.

nm = not meaningful

Net sales from continuing operations by core therapeutic area and established brands

Full year

	FY 2023 USD m	FY 2022 USD m[1]	% change USD	% change cc[2]
Cardiovascular, renal and metabolic				
Entresto	6 035	4 644	30	31
Leqvio	355	112	217	217
Other	1		nm	nm
Total cardiovascular, renal and metabolic	**6 391**	**4 756**	**34**	**36**
Immunology				
Cosentyx	4 980	4 788	4	5
Xolair[3]	1 463	1 365	7	9
Ilaris	1 355	1 133	20	22
Other		1	nm	nm
Total immunology	**7 798**	**7 287**	**7**	**8**
Neuroscience				
Kesimpta	2 171	1 092	99	99
Zolgensma	1 214	1 370	-11	-9
Mayzent	392	357	10	10
Aimovig	266	218	22	21
Other		1	nm	nm
Total neuroscience	**4 043**	**3 038**	**33**	**34**
Oncology				
Promacta/Revolade	2 269	2 088	9	10
Kisqali	2 080	1 231	69	75
Tafinlar + Mekinist	1 922	1 770	9	11
Tasigna	1 848	1 923	-4	-3
Jakavi	1 720	1 561	10	12
Pluvicto	980	271	262	261
Lutathera	605	471	28	28
Kymriah	508	536	-5	-5
Piqray/Vijoice	505	373	35	37
Scemblix	413	149	177	179
Votrient	390	474	-18	-17
Adakveo	195	194	1	0
Tabrecta	154	133	16	16
Other	1	2	-50	nm
Total oncology	**13 590**	**11 176**	**22**	**23**
Total promoted brands	**31 822**	**26 257**	**21**	**23**
Established brands				
Lucentis	1 475	1 874	-21	-20
Sandostatin	1 314	1 238	6	8
Gilenya	925	2 013	-54	-54
Exforge Group	713	743	-4	-1
Galvus Group	692	859	-19	-11
Diovan Group	613	652	-6	-1
Gleevec/Glivec	561	745	-25	-22
Afinitor/Votubia	408	512	-20	-18
Contract manufacturing[4]	1 490	1 200	24	22
Other[4]	5 427	6 113	-11	-6
Total established brands[4]	**13 618**	**15 949**	**-15**	**-12**
Total net sales from continuing operations	**45 440**	**42 206**	**8**	**10**

[1] In Q1 2023 *Lucentis* was reclassified from other promoted brands to established brands and *Gilenya* was reclassified from neuroscience to established brands.These reclassifications have been reflected in 9M 2022.

[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 49.

[3] Net sales from continuing operations reflect *Xolair* sales for all indications.

[4] Effective January 1, 2023, the discontinued operations Sandoz business transferred to Novartis continuing operations its bio-technology manufacturing services to other companies' activities (included in Contract manufacturing) and the *Coartem* brand (included in Other). The financial information of the Novartis continuing operations and discontinued operations were adapted accordingly in 2022 and 2021, in compliance with IFRS Accounting Standards. See Note 10 for additional information.

nm = not meaningful

Net sales from continuing operations of the top 20 brands in 2023

Fourth quarter

			US		Rest of world			Total		
Brands	**Brand classification by therapeutic area or established brands**	**Key indications**	USD m	% change USD/cc[1]	USD m	% change USD	% change cc[1]	USD m	% change USD	% change cc[1]
Entresto	Cardiovascular, renal and metabolic	Chronic heart failure, hypertension	880	27	755	26	26	1 635	27	26
Cosentyx	Immunology	Psoriasis (PsO), ankylosing spondylitis (AS), psoriatic arthritis (PsA), non-radiographic axial spondyloarthritis (nr-axSPA), hidradenitis suppurativa (HS)	741	17	562	26	26	1 303	21	21
Promacta/Revolade	Oncology	Immune thrombocytopenia (ITP), severe aplastic anemia (SAA)	301	7	262	2	1	563	4	4
Kesimpta	Neuroscience	Relapsing-remitting multiple sclerosis (RRMS)	453	48	188	198	193	641	74	73
Kisqali	Oncology	HR+/HER2- metastatic breast cancer	332	123	278	34	42	610	71	76
Tafinlar + Mekinist	Oncology	BRAF V600+ metastatic adjuvant melanoma, advanced non-small cell lung cancer (NSCLC), tumor agnostic with BRAF mutation indication	200	14	286	-1	2	486	5	7
Tasigna	Oncology	Chronic myeloid leukemia (CML)	220	-1	226	-10	-10	446	-6	-6
Jakavi	Oncology	Myelofibrosis (MF), polycytomia vera (PV), graft-versus-host disease (GvHD)			444	14	14	444	14	14
Lucentis[2]	Established brands	Age-related macular degeneration (AMD), diabetic macular edema (DME), retinal vein occlusion (RVO)			301	-24	-25	301	-24	-25
Xolair[3]	Immunology	Severe allergic asthma (SAA), chronic spontaneous urticaria (CSU), nasal polyps			378	17	16	378	17	16
Ilaris	Immunology	Auto-inflammatory (CAPS, TRAPS, HIDS/MKD, FMF, SJIA, AOSD, gout)	200	21	176	29	38	376	25	29
Sandostatin	Established brands	Carcinoid tumors, acromegaly	199	-2	117	15	18	316	4	5
Zolgensma	Neuroscience	Spinal muscular atrophy (SMA)	90	-9	196	-7	-1	286	-7	-4
Pluvicto	Oncology	PSMA-positive mCRPC patients post-ARPI, post-Taxane	251	48	22	144	140	273	53	53
Gilenya[2]	Established brands	Relapsing multiple sclerosis (RMS)	55	-71	99	-37	-35	154	-55	-55
Exforge Group	Established brands	Hypertension	2	0	154	-2	-1	156	-2	-1
Galvus Group	Established brands	Type 2 diabetes			153	-27	-17	153	-27	-17
Diovan Group	Established brands	Hypertension	14	-18	133	6	10	147	4	6
Lutathera	Oncology	GEP-NETs gastroenteropancreatic neuroendocrine tumors	103	12	44	22	15	147	15	13
Gleevec/Glivec	Established brands	Chronic myeloid leukemia (CML), gastrointestinal stromal tumors (GIST)	32	-35	96	-24	-20	128	-27	-25
Top 20 brands total			**4 073**	**18**	**4 870**	**8**	**10**	**8 943**	**13**	**14**
Rest of portfolio[4]			690	-10	1 790	-4	2	2 480	-6	-2
Total net sales from continuing operations[4]			**4 763**	**13**	**6 660**	**5**	**8**	**11 423**	**8**	**10**

[1] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 49.

[2] In the first quarter of 2023 *Lucentis* was reclassified from other promoted brands to established brands and *Gilenya* was reclassified from neuroscience to established brands.

[3] Net sales reflect *Xolair* sales for all indications.

[4] Effective January 1, 2023, the discontinued operations Sandoz business bio-technology manufacturing services to other companies' activities and the *Coartem* brand were transferred to the Novartis continuing operations. The financial information of the Novartis continuing operations and discontinued operations were adapted accordingly in 2022, in compliance with IFRS Accounting Standards. See Note 10.

nm = not meaningful

Net sales from continuing operations of the top 20 brands in 2023

Full year

			US		Rest of world			Total		
Brands	**Brand classification by therapeutic area or established brands**	**Key indications**	USD m	% change USD/cc[1]	USD m	% change USD	% change cc[1]	USD m	% change USD	% change cc[1]
Entresto	Cardiovascular, renal and metabolic	Chronic heart failure, hypertension	3 067	30	2 968	30	32	6 035	30	31
Cosentyx	Immunology	Psoriasis (PsO), ankylosing spondylitis (AS), psoriatic arthritis (PsA), non-radiographic axial spondyloarthritis (nr-axSPA), hidradenitis suppurativa (HS)	2 636	-5	2 344	16	19	4 980	4	5
Promacta/Revolade	Oncology	Immune thrombocytopenia (ITP), severe aplastic anemia (SAA)	1 205	11	1 064	6	8	2 269	9	10
Kesimpta	Neuroscience	Relapsing-remitting multiple sclerosis (RRMS)	1 528	66	643	276	272	2 171	99	99
Kisqali	Oncology	HR+/HER2- metastatic breast cancer	1 032	119	1 048	38	47	2 080	69	75
Tafinlar + Mekinist	Oncology	BRAF V600+ metastatic adjuvant melanoma, advanced non-small cell lung cancer (NSCLC), tumor agnostic with BRAF mutation indication	791	17	1 131	4	8	1 922	9	11
Tasigna	Oncology	Chronic myeloid leukemia (CML)	884	1	964	-8	-5	1 848	-4	-3
Jakavi	Oncology	Myelofibrosis (MF), polycytomia vera (PV), graft-versus-host disease (GvHD)			1 720	10	12	1 720	10	12
Lucentis[2]	Established brands	Age-related macular degeneration (AMD), diabetic macular edema (DME), retinal vein occlusion (RVO)			1 475	-21	-20	1 475	-21	-20
Xolair[3]	Immunology	Severe allergic asthma (SAA), chronic spontaneous urticaria (CSU), nasal polyps			1 463	7	9	1 463	7	9
Ilaris	Immunology	Auto-inflammatory (CAPS, TRAPS, HIDS/MKD, FMF, SJIA, AOSD, gout)	686	20	669	19	24	1 355	20	22
Sandostatin	Established brands	Carcinoid tumors, acromegaly	829	4	485	11	15	1 314	6	8
Zolgensma	Neuroscience	Spinal muscular atrophy (SMA)	372	-14	842	-10	-7	1 214	-11	-9
Pluvicto	Oncology	PSMA-positive mCRPC patients post-ARPI, post-Taxane	921	265	59	211	195	980	262	261
Gilenya[2]	Established brands	Relapsing multiple sclerosis (RMS)	359	-69	566	-34	-33	925	-54	-54
Exforge Group	Established brands	Hypertension	13	-7	700	-4	-1	713	-4	-1
Galvus Group	Established brands	Type 2 diabetes			692	-19	-11	692	-19	-11
Diovan Group	Established brands	Hypertension	52	-5	561	-6	-1	613	-6	-1
Lutathera	Oncology	GEP-NETs gastroenteropancreatic neuroendocrine tumors	427	29	178	27	26	605	28	28
Gleevec/Glivec	Established brands	Chronic myeloid leukemia (CML), gastrointestinal stromal tumors (GIST)	150	-27	411	-24	-20	561	-25	-22
Top 20 brands total			**14 952**	**15**	**19 983**	**6**	**9**	**34 935**	**10**	**12**
Rest of portfolio[4]			3 007	1	7 498	1	5	10 505	1	4
Total net sales from continuing operations[4]			**17 959**	**13**	**27 481**	**5**	**8**	**45 440**	**8**	**10**

[1] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 49.

[2] In the first quarter of 2023 *Lucentis* was reclassified from other promoted brands to established brands and *Gilenya* was reclassified from neuroscience to established brands.

[3] Net sales reflect *Xolair* sales for all indications.

[4] Effective January 1, 2023, the discontinued operations Sandoz business bio-technology manufacturing services to other companies' activities and the *Coartem* brand were transferred to the Novartis continuing operations. The financial information of the Novartis continuing operations and discontinued operations were adapted accordingly in 2022, in compliance with IFRS Accounting Standards. See Note 10.

nm = not meaningful

Other revenues

(USD millions)	**Q4 2023**	Q4 2022	**FY 2023**	FY 2022
Profit sharing income	245	247	941	921
Royalty income	24	14	87	35
Milestone income	10	98	45	145
Other [1]	74	31	147	154
Total other revenues	**353**	**390**	**1 220**	**1 255**

[1] Other includes revenue from activities such as manufacturing or other services rendered, to the extent such revenue is not recorded under net sales.

12. Other interim disclosures

Restructuring provisions movements

(USD millions)	**Q4 2023**	Q4 2022	**FY 2023**	FY 2022
Balance at beginning of period	**809**	**903**	**1 131**	**345**
Provisions related to discontinued operations [1]			-51	
Additions to provisions [2]	135	517	658	1 368
Cash payments [3]	-171	-237	-816	-468
Releases of provisions [4]	-78	-7	-193	-42
Transfers [5]	-14	-52	-57	-53
Currency translation effects	22	7	31	-19
Balance at closing of period	**703**	**1 131**	**703**	**1 131**

[1] Notes 2, 3 and 13 provide information related to discontinued operations.
[2] Additions to provisions charged to the consolidated income statement from continuing operations were USD 512 million in Q4 2022 and USD 1.3 billion in FY 2022.
[3] Cash-payments from continuing operations were USD 224 million in Q4 2022 and USD 421 million in FY 2022
[4] Releases of provisions credited to the consolidated income statement from continuing operations were USD 8 million in Q4 2022 and USD 33 million in FY 2022.
[5] Transfers from continuing operations were USD 51 million in Q4 2022 and USD 53 million in FY 2022.

In 2023, additions to provisions of USD 658 million (Q4: USD 135 million) mainly related to the continuation of the initiative announced in April 2022, to implement a new streamlined organizational model designed to support innovation, growth and productivity.

In 2022, additions to provisions of USD 1.4 billion (Q4: USD 517 million) mainly related to the initiative announced in April 2022, to implement a new streamlined organizational model designed to support innovation, growth and productivity, as well as, to the continuation of the 2021 restructuring initiatives.

Property, plant and equipment, Right-of-use assets and Intangible assets

The following table shows additional disclosures related to property, plant and equipment, right-of-use assets and intangible assets for continuing operations:

(USD millions)	**Q4 2023**	Q4 2022	**FY 2023**	FY 2022
Property, plant and equipment impairment charges	-21	-91	-106	-411
Property, plant and equipment impairment reversal	5	1	16	4
Property, plant and equipment depreciation charge	-230	-259	-916	-967
Property, plant and equipment additions	417	305	1 065	930
Right-of-use assets impairment charges	-2	-3	-4	-3
Right-of-use assets depreciation charge	-64	-67	-259	-267
Right-of-use assets additions	183	50	421	216
Intangible assets impairment charges [1]	-383	-443	-3 048	-1 301
Intangible assets amortization charge	-893	-960	-3 960	-3 760
Intangible assets additions	543	284	1 576	1 930

[1] FY 2023 intangible assets impairment charges include the write-down of IPR&D on the cessation of clinical development programs, including the clinical development programs PPY988 (USD 1.0 billion), which was acquired with the 2022 acquistion of Gyroscope Therapeutics Holdings plc (See Note 3), VDT482 (USD 0.4 billion) and MBG453 (USD 0.3 billion), and the clinical research program NIZ985 (USD 0.3 billion); as well as the write-down of a currently marketed product by USD 0.3 billion to reflect reduction in its recoverable amount.
FY 2022 intangible assets impairment charges include the write-down of IPR&D on the cessation of clinical development programs, including UNR844 (USD 0.6 billion).

In full year and fourth quarter 2023, there were no reversals of prior-year impairment charges on intangible assets and right-of-use assets.

Financial debt

In the third quarter of 2023, Novartis repaid the 0.5% coupon bond with a notional amount of EUR 750 million issued in 2018 by Novartis Finance SA, Luxembourg, in accordance with its terms.

In the third quarter of 2023, Novartis repaid the 0.125% coupon bond with a notional amount of EUR 1.25 billion issued in 2016 by Novartis Finance SA, Luxembourg, in accordance with its terms.

Other commitments

The Company has entered into various purchase commitments for services and materials as well as for equipment in the ordinary course of business. These commitments are generally entered into at current market prices and reflect normal business operations. The Company routinely acquires businesses and interests in intellectual property focused on key disease areas and indications that the Company expects to be growth drivers in the future. The Company has commitments through to the date the consolidated financial statements were approved for publication (see Note 14), totaling USD 3.8 billion (of which USD 3.4 billion may become payable in 2024) related to the acquisition of businesses and interests in intellectual property, the majority of which is subject to the satisfaction of conditions precedent in the arrangements.

13. Discontinued operations

Discontinued operations include the operational results from the Sandoz generic pharmaceuticals and biosimilars division and certain corporate activities attributable to the Sandoz business, as well as certain other expenses related to the spin-off. Included in 2023 is also the IFRS Accounting Standards no-cash, non-taxable net gain on the distribution of Sandoz Group AG to Novartis AG shareholders (refer to Notes 2 and 3 for further details).

The Sandoz business operates in the off-patent medicines segment and specializes in the development, manufacturing, and marketing of generic pharmaceuticals and biosimilars. The Sandoz business is organized globally into two franchises: Generics and Biosimilars.

Net income from discontinued operations

(USD millions unless indicated otherwise)	Q4 2023	Q4 2022	FY 2023[1]	FY 2022
Net sales to third parties from discontinued operations		**2 311**	**7 128**	**9 160**
Sales to continuing operations		63	300	212
Net sales from discontinued operations		**2 374**	**7 428**	**9 372**
Other revenues		7	19	28
Cost from goods sold		-1 292	-4 044	-4 937
Gross profit from discontinued operations		**1 089**	**3 403**	**4 463**
Selling, general and administration		-564	-1 728	-2 060
Research and development		-226	-671	-824
Other income		13	56	109
Other expense		-118	-795	-437
Operating income from discontinued operations		**194**	**265**	**1 251**
as % from net sales		8.2%	3.6%	13.3%
Income from associated companies			2	2
Interest expense		-12	-33	-37
Other financial income and expense		-10	-20	-22
Income before taxes from discontinued operations		**172**	**214**	**1 194**
Income taxes[2]	-18	-21	208	-288
Net income from discontinued operations before gain on distribution from Sandoz Group AG to Novartis AG shareholders	**-18**	**151**	**422**	**906**
Gain on distribution from Sandoz Group AG to Novartis AG shareholders[3]	5 860		5 860	
Net income from discontinued operations	**5 842**	**151**	**6 282**	**906**

[1] The net income from discontinued operations for 2023 is for the period from January 1, 2023, to the October 3, 2023, Distribution date.

[2] The tax rate in 2023 was impacted by non-recurring items such as tax benefits arising from intercompany transactions to effect the spin-off of the Sandoz business, net decreases in uncertain tax positions of the Sandoz business and the favorable settlement of a tax matter related to the Alcon business, which was spun-off in 2019. Excluding these impacts, the tax rate would have been 31.2% in 2023, compared to 24.1% in 2022. The tax rate in 2023 is higher than 2022 primarily due to a change in profit mix between years. The tax expense in the fourth quarter 2023 mainly arose from transactions to effect the spin-off of the Sandoz business.

[3] See Note 3 for further details on the non-taxable, non-cash gain on distribution of Sandoz Group AG to Novartis AG shareholders.

Net assets derecognized

The following table presents the Sandoz business net assets derecognized as at October 3, 2023 Distribution (spin-off) date:

(USD millions)	Oct 3, 2023
Property, plant and equipment	1 447
Right-of-use assets	133
Goodwill	7 424
Intangible assets other than goodwill	1 481
Deferred tax assets	624
Financial assets, investments in associated companies and other non-current assets	142
Inventories	2 565
Trade receivables and other current assets	2 935
Cash and cash equivalents	686
Deferred tax liabilities	-270
Current and non-current lease liabilities	-139
Current and non-current financial debts	-3 691
Trade payables, provisions, current income tax liabilities and other liabilities	-4 690
Net assets derecognized	**8 647**

Supplemental disclosures related to discontinued operations

Significant transactions in 2021

On February 10, 2021, Sandoz entered into an agreement with certain subsidiaries of GlaxoSmithKline plc (GSK) for the acquisition of the GSK's cephalosporin antibiotics business.

Under the agreement, Sandoz acquired the global rights to three established brands (Zinnat®, Zinacef® and Fortum®) in more than 100 markets. It excluded the rights in the US, Australia and Germany to certain of those brands, which were previously divested by GSK, and the rights in India, Pakistan, Egypt, Japan (to certain of the brands) and China, which will be retained by GSK. The transaction closed on October 8, 2021.

The purchase price consisted of a USD 350 million upfront payment paid at closing and potential milestone payments up to USD 150 million, which GSK is eligible to receive upon the achievement of certain annual sales milestones for the portfolio.

The fair value of the total purchase consideration was USD 415 million. The amount consisted of a payment of USD 351 million, including purchase price adjustments, and the fair value of contingent consideration of USD 64 million, which GSK is eligible to receive upon the achievement of specified milestones. The purchase price allocation resulted in net identifiable assets of USD 308 million, consisting of USD 292 million intangible assets and USD 16 million deferred tax assets. Goodwill amounted to USD 107 million.

The 2021 results of operations since the date of acquisition were not material.

Net income from discontinued operations

Included in net income from discontinued operations are:

(USD millions unless indicated otherwise)	Q4 2023	Q4 2022	FY 2023[1]	FY 2022
Interest income			2	2
Depreciation of property, plant and equipment		-49	-144	-196
Depreciation of right-of-use assets		-8	-32	-33
Amortization of intangible assets		-54	-171	-222
Impairment charges on property, plant and equipment		-2	-5	-3
Impairment charges on right-of-use assets		1	-8	
Impairment charges on intangible assets		-14	-44	-25
Impairment reversals of property, plant and equipment			1	3
Additions to restructuring provisions		-5	-27	-40
Equity-based compensation expense related to Novartis equity-based participation plans		-20	-60	-66

[1] 2023 amounts are for the period from January 1, 2023, to the October 3, 2023, Distribution date.

In 2023 and 2022, there were no reversals of impairment charges on right-of-use assets or on intangible assets of discontinued operations.

Balance sheet

The following shows for discontinued operations the additions to property, plant and equipment, right-of-use assets and to goodwill and intangible assets:

(USD millions)	**Q4 2023**	Q4 2022	**FY 2023**[1]	FY 2022
Additions to property, plant and equipment		75	245	289
Additions to right-of-use assets		11	66	32
Additions to goodwill and intangible assets		60	221	163

[1] The additions for 2023 are for the period from January 1, 2023, to the October 3, 2023, Distribution date.

Financial debt

Sandoz business entered into financing agreements with a group of banks under which it borrowed on September 28, 2023 a total amount of USD 3.3 billion. See Note 3 for further disclosures.

Net cash flows used in investing activities from discontinued operations

Net cash flows used in investing activities from discontinued operations include the investing activities of the Sandoz business.

In 2023, other cash flows used in investing activities, net includes cash outflows of USD 22 million (Q4 2023: nil) for the acquisitions and divestments of business, net (2022: USD 39 million, Q4 2022: USD 2 million).

(USD millions)	**Q4 2023**	Q4 2022	**FY 2023**	FY 2022
Payments out of provisions for transaction costs attributable to the spin-off of the Sandoz business	-52		-52	
Derecognized cash and cash equivalents attributable to the spin-off of the Sandoz business	-686		-686	
Other cash flows used in investing activities, net		-148	-385	-436
Net cash flows used in investing activities from discontinued operations	**-738**	**-148**	**-1 123**	**-436**

Net cash flows from financing activities from discontinued operations

In 2023, the net cash inflows from financing activities from discontinued operations of USD 3.3 billion (2022: USD 119 million, Q4 2023: USD 111 million net cash outflows, Q4 2022: USD 105 million) were mainly driven by USD 3.6 billion cash inflows from bank borrowings (including the USD 3.3 billion Sandoz business borrowings from a group of banks on September 28, 2023, Q4 2023: nil) in connection with the Distribution (spin-off) of the Sandoz business to Novartis AG shareholders, partly offset by transaction cost payments of USD 0.2 billion (2022: nil, Q4 2023: USD 0.1 billion, Q4 2022: nil) directly attributable to the Distribution (spin-off) of the Sandoz business (see Note 3).

For additional information related to the October 3, 2023 distribution (spin-off) of the Sandoz business to Novartis AG shareholders, effected through a dividend in kind distribution of Sandoz Group AG shares to Novartis AG shareholders and ADR holders, refer to Note 2 and Note 3.

14. Events subsequent to the December 31, 2023, consolidated balance sheet

Dividend proposal for 2023 and approval of Novartis 2023 consolidated financial statements
On January 30, 2024, the Novartis AG Board of Directors proposed the acceptance of the 2023 consolidated financial statements of Novartis for approval by the Annual General Meeting on March 5, 2024. Furthermore, also on January 30, 2024, the Board proposed a dividend of CHF 3.30 per share to be approved at the Annual General Meeting on March 5, 2024. If approved, the total dividend payments would amount to approximately USD 8.0 billion (2022: USD 7.3 billion), using the CHF/USD December 31, 2023, exchange rate.

Supplementary information (unaudited)

Non-IFRS disclosures

Novartis uses certain non-IFRS Accounting Standards metrics when measuring performance, especially when measuring current-year results against prior periods, including core results, constant currencies and free cash flow. These are referred to by Novartis as non-IFRS measures.

Despite the use of these measures by management in setting goals and measuring the Company's performance, these are non-IFRS measures that have no standardized meaning prescribed by IFRS Accounting Standards. As a result, such measures have limits in their usefulness to investors.

Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS Accounting Standards measures) may not be comparable to the calculation of similar measures of other companies. These non-IFRS measures are presented solely to permit investors to more fully understand how the Company's management assesses underlying performance. These non-IFRS measures are not, and should not be viewed as, a substitute for IFRS Accounting Standards measures and should be viewed in conjunction with the consolidated financial statements presented in accordance with IFRS Accounting Standards.

As an internal measure of Company performance, these non-IFRS measures have limitations, and the Company's performance management process is not solely restricted to these metrics.

Core results

The Company's core results – including core operating income, core net income and core earnings per share – exclude fully the amortization and impairment charges of intangible assets, excluding software, net gains and losses on fund investments and equity securities valued at fair value through profit and loss, impact of IAS 29 "Financial reporting in Hyperinflation Economies" to other financial income and expense, and certain acquisition- and divestment-related items. The following items that exceed a threshold of USD 25 million are also excluded: integration- and divestment-related income and expenses; divestment gains and losses; restructuring charges/releases and related items; legal-related items; impairments of property, plant and equipment, software, and financial assets, and income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a USD 25 million threshold.

Novartis believes that investor understanding of the Company's performance is enhanced by disclosing core measures of performance since, core measures exclude items that can vary significantly from year to year, they enable better comparison of business performance across years. For this same reason, Novartis uses these core measures in addition to IFRS Accounting Standards and other measures as important factors in assessing the Company's performance.

The following are examples of how these core measures are utilized:

- In addition to monthly reports containing financial information prepared in accordance with IFRS Accounting Standards, senior management receives a monthly analysis incorporating these non-IFRS core measures.
- Annual budgets are prepared for both IFRS Accounting Standards and non-IFRS core measures.

As an internal measure of Company performance, the core results measures have limitations, and the Company's performance management process is not solely restricted to these metrics. A limitation of the core results measures is that they provide a view of the Company's operations without including all events during a period, such as the effects of an acquisition, divestment, or amortization/impairments of purchased intangible assets, impairments to property, plant and equipment and restructurings and related items.

Constant currencies

Changes in the relative values of non-US currencies to the US dollar can affect the Company's financial results and financial position. To provide additional information that may be useful to investors, including changes in sales volume, we present information about our net sales and various values relating to operating and net income that are adjusted for such foreign currency effects.

Constant currency calculations have the goal of eliminating two exchange rate effects so that an estimate can be made of underlying changes in the consolidated income statement excluding the impact of fluctuations in exchanges rates:

- The impact of translating the income statements of consolidated entities from their non-USD functional currencies to USD
- The impact of exchange rate movements on the major transactions of consolidated entities performed in currencies other than their functional currency.

We calculate constant currency measures by translating the current year's foreign currency values for sales and other income statement items into USD (excluding the IAS 29 "Financial Reporting in Hyperinflationary Economies" adjustments to the local currency income statements of subsidiaries operating in hyperinflationary economies), using the average exchange rates from the prior year and comparing them to the prior year values in USD.

We use these constant currency measures in evaluating the Company's performance, since they may assist us in evaluating our ongoing performance from year to year. However, in performing our evaluation, we also consider equivalent measures of performance that are not affected by changes in the relative value of currencies.

Growth rate calculation

For ease of understanding, Novartis uses a sign convention for its growth rates such that a reduction in

operating expenses or losses compared with the prior year is shown as a positive growth.

Free cash flow

Effective January 1, 2023, Novartis revised its definition of free cash flow, to define free cash flow as net cash flows from operating activities less purchases of property, plant and equipment. This new definition provides a simpler performance measure focusing on core operating activities, and also excludes items that can vary significantly from year to year, thereby enabling better comparison of business performance across years. The prior year free cash flow amounts have been revised to conform with the new free cash flow definition to aid in comparability.

Free cash flow is a non-IFRS measure and is not intended to be a substitute measure for net cash flows from operating activities as determined under IFRS Accounting Standards. Free cash flow is presented as additional information because management believes it is a useful supplemental indicator of the Company's ability to operate without reliance on additional borrowing or use of existing cash. Free cash flow is a measure of the net cash generated that is available for investment in strategic opportunities, returning to shareholders and for debt repayment. Free cash flow is a non-IFRS measure, which means it should not be interpreted as a measure determined under IFRS Accounting Standards.

Additional information

Net debt

Novartis calculates net debt as current financial debts and derivative financial instruments plus non-current financial debts less cash and cash equivalents and marketable securities, commodities, time deposits and derivative financial instruments.

Net debt is presented as additional information because it sets forth how management monitors net debt or liquidity and management believes it is a useful supplemental indicator of the Company's ability to pay dividends, to meet financial commitments, and to invest in new strategic opportunities, including strengthening its balance sheet.

See page 59 for additional disclosures related to net debt.

CORE RESULTS – Reconciliation from IFRS Accounting Standards results to non-IFRS measure core results – Total Company

(USD millions unless indicated otherwise)	**Q4 2023**	Q4 2022	**FY 2023**	FY 2022
IFRS Accounting Standards operating income from continuing operations	**2 582**	**1 755**	**9 769**	**7 946**
Amortization of intangible assets	**834**	**910**	**3 730**	**3 585**
Impairments				
Intangible assets	380	438	3 044	1 293
Property, plant and equipment related to the company-wide rationalization of manufacturing sites	2	-23	5	286
Other property, plant and equipment	6	84	39	85
Total impairment charges	**388**	**499**	**3 088**	**1 664**
Acquisition or divestment of businesses and related items				
- Income	-110	-1	-174	-4
- Expense	126	1	149	8
Total acquisition or divestment of businesses and related items, net	**16**		**-25**	**4**
Other items				
Divestment gains	-3	-27	-225	-166
Financial assets – fair value adjustments	36	-28	105	260
Restructuring and related items				
- Income	-75	-5	-229	-34
- Expense	229	668	1 180	1 856
Legal-related items				
- Income	-124		-608	-51
- Expense	35	244	66	364
Additional income	-163	-401	-602	-698
Additional expense	66	30	123	64
Total other items	**1**	**481**	**-190**	**1 595**
Total adjustments	**1 239**	**1 890**	**6 603**	**6 848**
Core operating income from continuing operations	**3 821**	**3 645**	**16 372**	**14 794**
as % of net sales	*33.5%*	*34.5%*	*36.0%*	*35.1%*
(Loss)/income from associated companies	-6	-3	-13	-11
Interest expense	-217	-207	-855	-800
Other financial income and expense	18	24	222	42
Core adjustments to other financial income and expense	119	26	208	98
Income taxes, adjusted for above items (core income taxes)	-609	-522	-2 488	-2 177
Core net income from continuing operations	**3 126**	**2 963**	**13 446**	**11 946**
Core net income from discontinued operations [1]		288	889	1 406
Core net income	**3 126**	**3 251**	**14 335**	**13 352**
Core net income attributable to shareholders of Novartis AG	**3 126**	**3 251**	**14 331**	**13 352**
Core basic EPS from continuing operations (USD) [2]	**1.53**	**1.39**	**6.47**	**5.48**
Core basic EPS from discontinued operations (USD) [1, 2]		0.13	0.43	0.64
Core basic EPS (USD) [2]	**1.53**	**1.52**	**6.90**	**6.12**

[1] For details on discontinued operations reconciliation from IFRS Accounting Standards net income to core net income, please refer to page 54.

[2] Core earnings per share (EPS) is calculated by dividing core net income attributable to shareholders of Novartis AG by the weighted average number of shares used in the basic EPS calculation outstanding in a reporting period.

CORE RESULTS – Reconciliation from IFRS Accounting Standards results to non-IFRS measure core results – Total Company

Fourth quarter

(USD millions unless indicated otherwise)	Q4 2023 IFRS Accounting Standards results	Amortization of intangible assets[1]	Impairments[2]	Acquisition or divestment of businesses and related items[3]	Other items[4]	Q4 2023 Core results	Q4 2022 Core results
Gross profit from continuing operations	**8 754**	**790**			**35**	**9 579**	**8 908**
Operating income from continuing operations	**2 582**	**834**	**388**	**16**	**1**	**3 821**	**3 645**
Income before taxes from continuing operations	**2 377**	**834**	**388**	**16**	**120**	**3 735**	**3 485**
Income taxes[5]	261					-609	-522
Net income from continuing operations	**2 638**					**3 126**	**2 963**
Net income from discontinued operations[6]	5 842						288
Net income	**8 480**					**3 126**	**3 251**
Basic EPS from continuing operations (USD)[7]	**1.29**					**1.53**	**1.39**
Basic EPS from discontinued operations (USD)[6, 7]	2.85						0.13
Basic EPS (USD)[7]	**4.14**					**1.53**	**1.52**
The following are adjustments to arrive at core gross profit from continuing operations							
Cost of goods sold	-3 022	790			35	-2 197	-1 972
The following are adjustments to arrive at core operating income from continuing operations							
Research and development	-2 567	44	381	14	-103	-2 231	-2 094
Other income	450			-110	-267	73	82
Other expense	-611		7	112	336	-156	-111
The following are adjustments to arrive at core income before taxes from continuing operations							
Other financial income and expense	18				119	137	50

[1] Amortization of intangible assets: cost of goods sold includes the amortization of acquired rights to currently marketed products and other production-related intangible assets; research and development includes the amortization of acquired rights to technologies

[2] Impairments: research and development include net impairment charges related to intangible assets; other expense includes net impairment charges related to property, plant and equipment

[3] Acquisition or divestment of businesses and related items, including restructuring and integration charges: research and development inculde restructuring and integration cost charges; other income and other expense include transitional service-fee income and expenses related to the Sandoz distribution and integration costs charges

[4] Other items: cost of goods sold, selling, general and administration, research and development, other income and other expense include restructuring income and charges related to the initiative to implement a new streamlined organizational model, the Group-wide rationalization of manufacturing sites and other net restructuring charges and related items; research and development and cost of goods sold also include contingent consideration adjustments; other income and other expense include fair value adjustments, divestment gains and losses on financial assets, legal related items, curtailment gains and adjustments to environmental provisions; other expenses also includes a fair value adjustment on a contingent receivable and other costs and items; other financial income and expense includes the impact of IAS 29 “Financial reporting in Hyperinflation Economies” for subsidiaries operating in hyperinflation economies and foreign exchange losses

[5] Taxes on the adjustments between IFRS Accounting Standards and core results, for each item included in the adjustment, take into account the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions. Adjustments related to income from associated companies are recorded net of any related tax effect. Due to these factors and the differing effective tax rates in the various jurisdictions, the tax on the total adjustments of USD 1.4 billion to arrive at the core results before tax amounts to USD 870 million and the average tax rate on the adjustments was 64.1%.

[6] For details on discontinued operations reconciliation from IFRS Accounting Standards net income to core net income refer to page 54.

[7] Earnings per share (EPS) is calculated on the amount of net income attributable to shareholders of Novartis AG.

CORE RESULTS – Reconciliation from IFRS Accounting Standards results to non-IFRS measure core results – Total Company

Full year

(USD millions unless indicated otherwise)	FY 2023 IFRS Accounting Standards results	Amortization of intangible assets[1]	Impairments[2]	Acquisition or divestment of businesses and related items[3]	Other items[4]	FY 2023 Core results	FY 2022 Core results
Gross profit from continuing operations	**34 188**	**3 319**	**310**		**142**	**37 959**	**35 591**
Operating income from continuing operations	**9 769**	**3 730**	**3 088**	**-25**	**-190**	**16 372**	**14 794**
Income before taxes from continuing operations	**9 123**	**3 730**	**3 088**	**-25**	**18**	**15 934**	**14 123**
Income taxes[5]	-551					-2 488	-2 177
Net income from continuing operations	**8 572**					**13 446**	**11 946**
Net income from discontinued operations[6]	6 282					889	1 406
Net income	**14 854**					**14 335**	**13 352**
Basic EPS from continuing operations (USD)[7]	**4.13**					**6.47**	**5.48**
Basic EPS from discontinued operations (USD)[7]	3.02					0.43	0.64
Basic EPS (USD)[7]	**7.15**					**6.90**	**6.12**
The following are adjustments to arrive at core gross profit from continuing operations							
Cost of goods sold	-12 472	3 319	310		142	-8 701	-7 784
The following are adjustments to arrive at core operating income from continuing operations							
Selling, general and administration	-12 517				28	-12 489	-12 143
Research and development	-11 371	411	2 737	32	-409	-8 600	-8 267
Other income	1 772		-10	-174	-1 196	392	291
Other expense	-2 303		51	117	1 245	-890	-678
The following are adjustments to arrive at core income before taxes from continuing operations							
Other financial income and expense	222				208	430	140

[1] Amortization of intangible assets: cost of goods sold includes the amortization of acquired rights to currently marketed products and other production-related intangible assets; research and development includes the amortization of acquired rights to technologies

[2] Impairments: cost of goods sold, research and development, other income and other expense include net impairment charges related to intangible assets; other income and other expense includes also net impairment charges related to property, plant and equipment

[3] Acquisition or divestment of businesses and related items, including restructuring and integration charges: research and development include restructuring and integration cost charges; other income includes a favorable stamp duties tax settlement related to a prior periods acquisition; other income and other expense include also transitional service-fee income and expenses related to the Sandoz distribution, restructuring and integration costs charges and reversals

[4] Other items: cost of goods sold, selling, general and administration, research and development, other income and other expense include restructuring income and charges related to the initiative to implement a new streamlined organizational model, the company-wide rationalization of manufacturing sites and other net restructuring charges and related items; cost of goods sold and research and development also include contingent consideration adjustments; cost of goods sold and selling, general and administration includes also adjustments to provisions; research and development also include a write-off of prepaid expenses for a terminated development project; other income and other expense include fair value adjustments, divestment gains, losses and gains on financial assets, legal related items, adjustments to environmental provisions; other income includes also gains from the divestment of products and curtailment gains; other expenses also includes a fair value adjustment on a contingent receivable and other costs and items; other financial income and expense includes the impact of IAS 29 "Financial reporting in Hyperinflation Economies" for subsidiaries operating in hyperinflation economies and foreign exchange losses

[5] Taxes on the adjustments between IFRS Accounting Standards and core results, for each item included in the adjustment, take into account the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions. Adjustments related to income from associated companies are recorded net of any related tax effect. Due to these factors and the differing effective tax rates in the various jurisdictions, the tax on the total adjustments of USD 6.8 billion to arrive at the core results before tax amounts to USD 1.9 billion and the average tax rate on the adjustments was 28.4%.

[6] For details on discontinued operations reconciliation from IFRS Accounting Standards net ncome to core net income refer to page 55.

[7] Earnings per share (EPS) is calculated on the amount of net income attributable to shareholders of Novartis AG.

CORE RESULTS – Reconciliation from IFRS Accounting Standards results to non-IFRS measure core results – Discontinued operations

Fourth quarter

(USD millions unless indicated otherwise)	Q4 2023 IFRS Accounting Standards results	Amortization of intangible assets	Impairments	Acquisition or divestment of businesses and related items	Other items	Q4 2023 Core results	Q4 2022 Core results
Gross profit from discontinued operations							**1 178**
Operating income from discontinued operations							**385**
Income before taxes from discontinued operations							**377**
Income taxes [1]	-18						**-89**
Net income from discontinued operations before gain on distribution of Sandoz Group AG to Novartis AG shareholders	**-18**						**288**
Gain on distribution of Sandoz Group AG to Novartis AG shareholders	5 860			-5 860			
Net income from discontinued operations	**5 842**						**288**
Basic EPS from discontinued operations (USD) [2]	**2.85**						**0.13**

[1] Taxes on the adjustments between IFRS and core results, for each item included in the adjustment, take into account the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions. Adjustments related to income from associated companies are recorded net of any related tax effect.

[2] Earnings per share (EPS) is calculated on the amount of net income attributable to shareholders of Novartis AG.

CORE RESULTS – Reconciliation from IFRS Accounting Standards results to non-IFRS measure core results – Discontinued operations

Full year

(USD millions unless indicated otherwise)	FY 2023 IFRS Accounting Standards results	Amortization of intangible assets[1]	Impairments[2]	Acquisition or divestment of businesses and related items	Other items[3]	FY 2023 Core results	FY 2022 Core results
Gross profit from discontinued operations	**3 403**	**165**	**34**		**57**	**3 659**	**4 801**
Operating income from discontinued operations	**265**	**165**	**43**		**712**	**1 185**	**1 871**
Income before taxes from discontinued operations	**214**	**165**	**43**		**718**	**1 140**	**1 837**
Income taxes[4]	208					-251	-431
Net income from discontinued operations before gain on distribution of Sandoz Group AG to Novartis AG shareholders	**422**					**889**	**1 406**
Gain on distribution of Sandoz Group AG to Novartis AG shareholders	5 860			-5 860			
Net income from discontinued operations	**6 282**					**889**	**1 406**
Basic EPS from discontinued operations (USD)[5]	**3.02**					**0.43**	**0.64**
The following are adjustments to arrive at core gross profit from discontinued operations							
Cost of goods sold	-4 044	165	34		57	-3 788	-4 599
The following are adjustments to arrive at core operating income from discontinued operations							
Selling, general and administration	-1 728				25	-1 703	-2 047
Research and development	-671		10			-661	-821
Other income	56		-1		-24	31	93
Other expense	-795				654	-141	-155
The following are adjustments to arrive at core income before taxes from discontinued operations							
Other financial income and expense	-20				6	-14	1

[1] Amortization of intangible assets: cost of goods sold includes the amortization of acquired rights to currently marketed products and other production-related intangible assets

[2] Impairments: cost of goods sold and research and development include impairment charges related to intangible assets; other income includes a reversal of impairment charges related to property, plant and equipment

[3] Other items: cost of goods sold, selling, general and administration, other income and other expense include charges related to the Sandoz distribution, the company-wide rationalization of manufacturing sites and other net restructuring charges and related items; cost of goods sold and selling, general and administration also include adjustments to provisions; other expense includes legal-related items; other financial income and expense includes the impact of IAS 29 "Financial reporting in Hyperinflation Economies" for subsidiaries operating in hyperinflation economies

[4] Taxes on the adjustments between IFRS Accounting Standards and core results, for each item included in the adjustment, take into account the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions. Adjustments related to income from associated companies are recorded net of any related tax effect. Due to these factors and the differing effective tax rates in the various jurisdictions, the tax on the total adjustments of USD 926 million to arrive at the core results before tax amounts to USD 459 million and the average tax rate on the adjustments was 49.5%.

[5] Earnings per share (EPS) is calculated on the amount of net income attributable to shareholders of Novartis AG.

Free cash flow

The following table is a reconciliation of the three major categories of the IFRS Accounting Standards consolidated statements of cash flows to the non-IFRS measure free cash flow:

Fourth quarter

(USD millions)	Q4 2023 IFRS Accounting Standards cash flow	Adjustments	Free cash flow	Q4 2022 IFRS Accounting Standards cash flow	Adjustments[1]	Revised Free cash flow[1]
Net cash flows from operating activities from continuing operations	**2 547**		**2 547**	**3 768**		**3 768**
Net cash flows from operating activities from discontinued operations				343		343
Total net cash flows from operating activities	**2 547**		**2 547**	**4 111**		**4 111**
Net cash flows used in investing activities from continuing operations	**-1 022**	**616**	**-406**	**-1 319**	1 013	**-306**
Net cash flows used in investing activities from discontinued operations	-738	738	0	-148	56	-92
Total net cash flows used in investing activities[2]	**-1 760**	**1 354**	**-406**	**-1 467**	1 069	**-398**
Net cash flows used in financing activities from continuing operations	**-496**	**496**	**0**	**-4 099**	4 099	**0**
Net cash flows from financing activities (used in)/from discontinued operations	-111	111	0	105	-105	0
Total net cash flows used in financing activities[3]	**-607**	**607**	**0**	**-3 994**	3 994	**0**
Non-IFRS measure free cash flow from continuing operations[1]			**2 141**			**3 462**
Non-IFRS measure free cash flow from discontinued operations[1]						251
Total non-IFRS measure free cash flow[1]			**2 141**			**3 713**

[1] To aid in comparability, the prior year adjustments and free cash flow amounts have been revised to conform with the new free cash flow definition that was effective as of January 1, 2023.

[2] With the exception of purchases of property, plant and equipment, all net cash flows from investing activities from continuing operations and from discontinued operations are excluded from the free cash flow.

[3] Net cash flows (used in)/from financing activities from continuing operations and from discontinued operations are excluded from the free cash flow.

Free cash flow

Full year

(USD millions)	FY 2023 IFRS Accounting Standards cash flow	FY 2023 Adjustments	FY 2023 Free cash flow	FY 2022 IFRS Accounting Standards cash flow	FY 2022 Adjustments[1]	FY 2022 Revised Free cash flow[1]
Net cash flows from operating activities from continuing operations	**14 220**		**14 220**	**13 039**		**13 039**
Net cash flows from operating activities from discontinued operations	238		238	1 197		1 197
Total net cash flows from operating activities	**14 458**		**14 458**	**14 236**		**14 236**
Net cash flows from/(used in) investing activities from continuing operations	**6 719**	**-7 779**	**-1 060**	**1 904**	-2 820	**-916**
Net cash flows used in investing activities from discontinued operations	-1 123	904	-219	-436	154	-282
Total net cash flows from/(used in) investing activities[2]	**5 596**	**-6 875**	**-1 279**	**1 468**	-2 666	**-1 198**
Net cash flows used in financing activities from continuing operations	**-17 564**	**17 564**	**0**	**-20 681**	20 681	**0**
Net cash flows from financing activities from discontinued operations	3 286	-3 286	0	119	-119	0
Total net cash flows used in financing activities[3]	**-14 278**	**14 278**	**0**	**-20 562**	20 562	**0**
Non-IFRS measure free cash flow from continuing operations[1]			**13 160**			**12 123**
Non-IFRS measure free cash flow from discontinued operations[1]			19			915
Total non-IFRS measure free cash flow[1]			**13 179**			**13 038**

[1] To aid in comparability, the prior year adjustments and free cash flow amounts have been revised to conform with the new free cash flow definition that was effective as of January 1, 2023.

[2] With the exception of purchases of property, plant and equipment, all net cash flows from/(used in) investing activities from continuing operations and from discontinued operations are excluded from the free cash flow.

[3] Net cash flows (used in)/from financing activities from continuing operations and from discontinued operations are excluded from the free cash flow.

The following table is a summary of the non-IFRS measure free cash flow:

Fourth quarter

(USD millions)	**Q4 2023**	Q4 2022
Operating income from continuing operations	**2 582**	**1 755**
Adjustments for non-cash items		
Depreciation, amortization and impairments	1 625	1 794
Change in provisions and other non-current liabilities	-171	483
Other	393	39
Operating income adjusted for non-cash items from continuing operations	**4 429**	**4 071**
Interest received and change in other financial receipts	189	115
Interest paid and change in other financial payments	-241	-217
Income taxes paid	-1 093	-334
Payments out of provisions and other net cash movements in non-current liabilities	-353	-323
Change in inventories and trade receivables less trade payables	357	526
Change in other net current assets and other operating cash flow items	-741	-70
Net cash flows from operating activities from continuing operations	**2 547**	**3 768**
Purchases of property, plant and equipment	-406	-306
Non-IFRS measure free cash flow from continuing operations [1]	**2 141**	**3 462**
Non-IFRS measure free cash flow from discontinued operations [1, 2]		251
Total non-IFRS measure free cash flow [1]	**2 141**	**3 713**

[1] To aid in comparability, the prior year free cash flow amounts have been revised to conform with the new free cash flow definition that was effective as of January 1, 2023
[2] In the fourth quarter of 2022 the free cash flow from discontinued operations was a cash inflow of USD 251 million consisting of USD 343 million net cash inflows from operating activities from discontinued operations, less purchases of property, plant and equipment by discontinued operations of USD 92 million.

Full year

(USD millions)	**FY 2023**	FY 2022
Operating income from continuing operations	**9 769**	**7 946**
Adjustments for non-cash items		
Depreciation, amortization and impairments	8 383	6 965
Change in provisions and other non-current liabilities	61	1 318
Other	728	451
Operating income adjusted for non-cash items from continuing operations	**18 941**	**16 680**
Dividends received from associated companies and others	2	1
Interest received and other financial receipts	735	323
Interest paid and other financial payments	-768	-693
Income taxes paid	-2 787	-1 702
Payments out of provisions and other net cash movements in non-current liabilities	-1 534	-774
Change in inventories and trade receivables less trade payables	-1 571	-1 138
Change in other net current assets and other operating cash flow items	1 202	342
Net cash flows from operating activities from continuing operations	**14 220**	**13 039**
Purchases of property, plant and equipment	-1 060	-916
Non-IFRS measure free cash flow from continuing operations [1]	**13 160**	**12 123**
Non-IFRS measure free cash flow from discontinued operations [1, 2]	19	915
Total non-IFRS measure free cash flow [1]	**13 179**	**13 038**

[1] To aid in comparability, the prior year free cash flow amounts have been revised to conform with the new free cash flow definition that was effective as of January 1, 2023
[2] In 2023, the free cash flow from discontinued operations was a cash inflow of USD 19 million (2022: USD 915 million) consisting of USD 238 million (2022: USD 1 197 million) net cash inflows from operating activities from discontinued operations, less purchases of property, plant and equipment by discontinued operations of USD 219 million (2022: USD 282 million).

Additional information

Net debt

Condensed consolidated changes in net debt

Fourth quarter

(USD millions)	**Q4 2023**	Q4 2022
Net change in cash and cash equivalents	**988**	**-1 209**
Change in marketable securities, commodities, time deposits, financial debts and derivatives financial instruments	-340	1 648
Change in net debt	**648**	**439**
Net debt at October 1	-10 831	-7 684
Net debt at December 31	**-10 183**	**-7 245**

Full year

(USD millions)	**FY 2023**	FY 2022
Net change in cash and cash equivalents	**5 876**	**-4 890**
Change in marketable securities, commodities, time deposits, financial debts and derivatives financial instruments	-8 814	-1 487
Change in net debt	**-2 938**	**-6 377**
Net debt at January 1	-7 245	-868
Net debt at December 31	**-10 183**	**-7 245**

Components of net debt

(USD millions)	**Dec 31, 2023**	Dec 31, 2022
Non-current financial debts	-18 436	-20 244
Current financial debts and derivative financial instruments	-6 175	-5 931
Total financial debts	**-24 611**	**-26 175**
Less liquidity		
Cash and cash equivalents	13 393	7 517
Marketable securities, commodities, time deposits and derivative financial instruments	1 035	11 413
Total liquidity	**14 428**	**18 930**
Net debt at end of period	**-10 183**	**-7 245**

Share information

	Dec 31, 2023	Dec 31, 2022
Number of shares outstanding	**2 044 033 986**	2 119 609 057
Registered share price (CHF)	**84.87**	83.59
ADR price (USD)	**100.97**	90.72
Market capitalization (USD billions) [1]	**206.3**	191.5
Market capitalization (CHF billions) [1]	**173.5**	177.2

[1] Market capitalization is calculated based on the number of shares outstanding (excluding treasury shares). Market capitalization in USD is based on the market capitalization in CHF converted at the quarter end CHF/USD exchange rate.

Effects of currency fluctuations

Principal currency translation rates

(USD per unit)	**Average rates Q4 2023**	Average rates Q4 2022	**Average rates FY 2023**	Average rates FY 2022	**Period-end rates Dec 31, 2023**	Period-end rates Dec 31, 2022
1 CHF	1.127	1.038	1.113	1.048	1.189	1.081
1 CNY	0.138	0.141	0.141	0.149	0.141	0.144
1 EUR	1.076	1.020	1.082	1.054	1.107	1.065
1 GBP	1.241	1.173	1.243	1.237	1.275	1.207
100 JPY	0.676	0.708	0.713	0.766	0.707	0.757
100 RUB	1.079	1.589	1.185	1.481	1.111	1.380

Currency impact on key figures

The following table provides a summary of the currency impact on key Company figures due to their conversion into US dollars, the Company's reporting currency, of the financial data from entities reporting in non-US dollars. Constant currency (cc) calculations apply the exchange rates of the prior year period to the current period financial data for entities reporting in non-US dollars.

Fourth quarter

	Change in USD % Q4 2023	**Change in constant currencies % Q4 2023**	**Percentage point currency impact Q4 2023**
Net sales from continuing operations	8	10	-2
Operating income from continuing operations	47	68	-21
Net income from continuing operations	101	130	-29
Basic earnings per share (USD) from continuing operations	108	140	-32
Core operating income from continuing operations	5	13	-8
Core net income from continuing operations	6	11	-5
Core basic earnings per share (USD) from continuing operations	10	16	-6

Full year

	Change in USD % FY 2023	**Change in constant currencies % FY 2023**	**Percentage point currency impact FY 2023**
Net sales from continuing operations	8	10	-2
Operating income from continuing operations	23	39	-16
Net income from continuing operations	42	62	-20
Basic earnings per share (USD) from continuing operations	49	70	-21
Core operating income from continuing operations	11	18	-7
Core net income from continuing operations	13	19	-6
Core basic earnings per share (USD) from continuing operations	18	25	-7

Disclaimer

This press release contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, that can generally be identified by words such as "may," "continue," "ongoing," "grow," "launch," "expect," "deliver," "transformation," "focus," "address," "accelerate," "remain," "scaling," "guidance," "outlook," "long-term," "driven," "priority," "potential," "can," "will," "propose," or similar expressions, or by express or implied discussions regarding potential new products, potential new indications for existing products, potential product launches, or regarding potential future revenues from any such products; or regarding results of ongoing clinical trials; or regarding ongoing or future share repurchases; or regarding potential future, pending or announced transactions; regarding potential future sales or earnings; or by discussions of strategy, plans, expectations or intentions, including discussions regarding our continued investment into new R&D capabilities and manufacturing; or regarding our capital structure; or regarding the consequences of the spin-off of Sandoz and our transformation into a "pure-play" innovative medicines company. Such forward-looking statements are based on the current beliefs and expectations of management regarding future events and are subject to significant known and unknown risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those set forth in the forward-looking statements. You should not place undue reliance on these statements. In particular, our expectations could be affected by, among other things: uncertainties regarding the success of key products, commercial priorities and strategy; uncertainties in the research and development of new products, including clinical trial results and additional analysis of existing clinical data; uncertainties regarding the use of new and disruptive technologies, including artificial intelligence; global trends toward healthcare cost containment, including ongoing government, payer and general public pricing and reimbursement pressures and requirements for increased pricing transparency; uncertainties regarding our ability to realize the strategic benefits, operational efficiencies or opportunities expected from our external business opportunities; our ability to realize the intended benefits of our separation of Sandoz into a new publicly traded standalone company; our ability to obtain or maintain proprietary intellectual property protection, including the ultimate extent of the impact on Novartis of the loss of patent protection and exclusivity on key products; uncertainties in the development or adoption of potentially transformational digital technologies and business models; uncertainties surrounding the implementation of our new IT projects and systems; uncertainties regarding potential significant breaches of information security or disruptions of our information technology systems; uncertainties regarding actual or potential legal proceedings, including regulatory actions or delays or government regulation related to the products and pipeline products described in this press release; safety, quality, data integrity, or manufacturing issues; our performance on and ability to comply with environmental, social and governance measures and requirements; major political, macroeconomic and business developments, including impact of the war in certain parts of the world; uncertainties regarding future global exchange rates; uncertainties regarding future demand for our products; and other risks and factors referred to in Novartis AG's current Form 20-F on file with the US Securities and Exchange Commission. Novartis is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

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About Novartis

Novartis is an innovative medicines company. Every day, we work to reimagine medicine to improve and extend people's lives so that patients, healthcare professionals and societies are empowered in the face of serious disease. Our medicines reach more than 250 million people worldwide.

Reimagine medicine with us: Visit us at https://www.novartis.com and connect with us on LinkedIn, Facebook, X/Twitter and Instagram.

Novartis will conduct a conference call with investors to discuss this news release today at 14:00 Central European time and 8:00 Eastern Time. A simultaneous webcast of the call for investors and other interested parties may be accessed by visiting the Novartis website. A replay will be available after the live webcast by visiting https://www.novartis.com/investors/event-calendar.

Additional information is provided on our business and pipeline of selected compounds in late stage development. A copy of today's earnings call presentation can be found at https://www.novartis.com/investors/event-calendar.

Important dates

March 5, 2024	Annual General Meeting
April 23, 2024	First quarter 2024 results
May 15-16, 2024	Meet Novartis Management 2024 (Cambridge, MA, USA)
July 18, 2024	Second quarter & Half year 2024 results
October 29, 2024	Third quarter & Nine months 2024 results