NOVARTIS | Reimagining Medicine

Novartis First Quarter 2022

Condensed interim financial report – supplementary data

Novartis Global Communications

Novartis First Quarter 2022 Condensed Interim Financial Report – Supplementary Data

Group

Key Figures

		Excluding Roche investment impacts[2]			Reported		
	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc[1]	Q1 2021 USD m	% change USD	% change cc[1]
Net sales to third parties	**12 531**	**12 411**	**1**	**5**	**12 411**	**1**	**5**
Divisional operating income	3 026	2 554	18	26	2 554	18	26
Corporate income and expense, net	-174	-139	-25	-30	-139	-25	-30
Operating income	**2 852**	**2 415**	**18**	**26**	**2 415**	**18**	**26**
As % of net sales	*22.8*	*19.5*			*19.5*		
(Loss)/income from associated companies	-2	0	nm	nm	256	nm	nm
Interest expense	-201	-202	0	-2	-202	0	-2
Other financial income and expense	20	-19	nm	nm	-19	nm	nm
Income taxes	-450	-391	-15	-23	-391	-15	-23
Net income	**2 219**	**1 803**	**23**	**32**	**2 059**	**8**	**15**
Basic earnings per share (USD)	**1.00**	**0.80**	**25**	**34**	**0.91**	**10**	**17**
Net cash flows from operating activities	**1 649**	**1 608**	**3**		**2 130**	**-23**	
Free cash flow [1]	**920**	**1 075**	**-14**		**1 597**	**-42**	
Core [1]							
Core operating income	**4 083**	**3 957**	**3**	**9**	**3 957**	**3**	**9**
As % of net sales	*32.6*	*31.9*			*31.9*		
Core net income	**3 251**	**3 100**	**5**	**11**	**3 413**	**-5**	**0**
Core basic earnings per share (USD)	**1.46**	**1.38**	**6**	**12**	**1.52**	**-4**	**2**

[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 35. Unless otherwise noted, all growth rates in this release refer to same period in prior year.

[2] A reconciliation of 2021 IFRS results and non-IFRS measures core results and free cash flow to exclude the impacts of the 2021 divestment of our Roche investment can be found on page 40 of the Condensed Interim Financial Report. The free cash flow impact represents the dividend received in Q1 2021 from Roche in relation to the distribution of its 2020 net income

nm = not meaningful

Strategy Update

Novartis is a focused medicines company, continuing to build depth in five core therapeutic areas (Cardio-Renal, Immunology, Neuroscience, Oncology and Hematology), strength in technology platforms (Gene Therapy, Cell Therapy, Radioligand Therapy, Targeted Protein Degradation and xRNA), and a balanced geographic footprint. Our confidence to grow in the near-term is driven by potential multi-billion-dollar sales from: *Cosentyx*, *Entresto*, *Kesimpta*, *Zolgensma*, *Kisqali* and *Leqvio*. To fuel further growth through 2030 and beyond, we have 20+ new assets with significant sales potential that could be approved by 2026. The strategic review of Sandoz is progressing; we expect to provide an update, at the latest, by the end of 2022. We remain disciplined and shareholder focused in our capital allocation as we balance investing in our business, through organic investments and value-creating bolt-ons, with returning capital to shareholders via our growing annual dividend and share buybacks. Novartis continued to make significant strides in building trust with society and consistently integrating access strategies into how we research, develop and deliver our medicines; reaching over 55 million patients through various access approaches in 2021. We are committed to net zero emissions across our value chain by 2040. Our culture journey towards an inspired, curious and unbossed organization continues, in order to drive performance and competitiveness in the long-term.

In April, we announced a new organizational structure to accelerate growth, strengthen the pipeline and increase productivity. The Pharmaceuticals and Oncology business units are being integrated into an Innovative Medicines business with separate US and International commercial organizations to increase focus, strengthen competitiveness and drive synergies. A new Strategy & Growth function combining corporate strategy, R&D portfolio strategy and business development is being created to further strengthen the pipeline with high-value medicines across internal and external opportunities. A new Operations unit combining Novartis Technical Operations and Customer & Technology Solutions units aims to generate economies of scale, drive productivity and create a strong technology and operational foundation. With the changes, Novartis expects to deliver SG&A savings of at least USD 1 billion, to be fully embedded by 2024.

Financials

First quarter

Net sales

Net sales were USD 12.5 billion (+1%, +5% cc) in the first quarter driven by volume growth of 11 percentage points, price erosion of 3 percentage points and the negative impact from generic competition of 3 percentage points.

Corporate income and expense, net

Corporate income and expense, which includes the cost of Group management and central services, amounted to an expense of USD 174 million in the first quarter compared to an expense of USD 139 million in the prior year, mainly driven by lower contributions from the Novartis Venture Fund.

Operating income

Operating income was USD 2.9 billion (+18%, +26% cc), mainly due to higher sales, increased productivity and lower impairments, partly offset by higher R&D and M&S investments.

Core operating income was USD 4.1 billion (+3%, +9% cc). Core operating income margin was 32.6% of net sales, increasing by 0.7 percentage points (+1.1 percentage points cc).

Income from associated companies

Income from associated companies decreased from USD 256 million in prior year to a loss of USD 2 million in the first quarter and core income from associated companies decreased from USD 313 million in prior year to a loss of USD 2 million. These decreases were due to the divestment of our investment in Roche that closed in the fourth quarter of 2021.

Interest expense and other financial income/expense

Interest expense amounted to USD 201 million broadly in line with the prior year.

Other financial income and expense amounted to an income of USD 20 million compared to a loss of USD 19 million in the prior year mainly due to higher interest income and currency gains.

Income taxes

The tax rate in the first quarter was 16.9% compared to 16.0% in the prior year. For comparability, excluding Roche Income from associated companies (divested in Q4 2021) , the prior year tax rate would have been 17.8% compared to 16.9% in first quarter 2022. 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 16.9% compared to 16.0% in the prior year. For comparability, excluding Roche Income from associated companies (divested in Q4 2021), the prior year core tax rate would have been 17.3% compared to 16.9% in first quarter 2022. The decrease 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 2.2 billion (+8%, +15% cc), mainly driven by higher operating income, partly offset by the loss of Roche income. Excluding the impact of Roche income, net income grew +32% (cc). EPS was USD 1.00 (+10%, +17% cc), growing faster than net income, benefiting from lower weighted average number of shares outstanding. Excluding the impact of Roche income, EPS grew +34% (cc).

Core net income was USD 3.3 billion (–5%, 0% cc), as growth in core operating income was offset by the loss of Roche core income. Excluding the impact of Roche core income, core net income grew +11% (cc). Core EPS was USD 1.46 (–4%, +2% cc), benefiting from lower weighted average number of shares outstanding. Excluding the impact of Roche core income, core EPS grew +12% (cc).

Free cash flow amounted to USD 0.9 billion (–42% USD), compared to USD 1.6 billion in the prior year quarter, mainly due to the loss of Roche annual dividend (prior year USD 0.5 billion) and unfavorable working capital, partly offset by favorable hedging results. Excluding the impact of Roche annual dividend, free cash flow declined –14% (USD).

Innovative Medicines

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc
Net sales	**10 176**	**10 104**	**1**	**4**
Operating income	**2 607**	**2 242**	**16**	**24**
As % of net sales	*25.6*	*22.2*		
Core operating income	**3 652**	**3 666**	**0**	**5**
As % of net sales	*35.9*	*36.3*		

The below refers to Innovative Medicines organizational structure pre the April 4, 2022 announcement

First quarter

Net sales

Net sales were USD 10.2 billion (+1%, +4% cc) with volume contributing 9 percentage points to growth. Sales growth was mainly driven by *Entresto, Kesimpta, Cosentyx, Xolair, Zolgensma* and *Kisqali*. Generic competition had a negative impact of 3 percentage points mainly due to *Afinitor, Gleevec* and *Exjade*. Pricing had a negative impact of 2 percentage points. Sales in the US were USD 3.7 billion (+3%) and in the rest of the world were USD 6.5 billion (0%, +5% cc).

In the US sales were mainly driven by *Entresto* and *Kesimpta,* partly offset by the impact of generic competition mainly on *Afinitor*. In Europe (USD 3.5 billion, –4%, +5% cc) sales growth was driven by *Entresto* and *Jakavi*. China sales were USD 0.8 billion (+18%, +15% cc) driven by *Cosentyx* and *Entresto*. Emerging Growth Markets grew +4% (+9% cc).

Pharmaceuticals BU sales were USD 6.7 billion (+5%, +9% cc) with continued strong growth from *Entresto* (USD 1.1 billion, +39%, +42% cc), *Kesimpta* (USD 195 million), *Cosentyx* (USD 1.2 billion, +10%, +12% cc), *Xolair* (USD 368 million, +10%, +17% cc) and *Zolgensma* (USD 363 million, +14%, +18% cc), partly offset by increased competition for *Gilenya* and generic impact mainly for *Exforge, DuoTrav/Travatan* and *Azopt*. The USD 49 million from contract manufacturing revenue recognized in Established Medicines contributed approximately 1 percentage point to Pharmaceuticals BU sales growth.

Oncology BU sales were USD 3.5 billion (–7%, –3% cc). Strong performance of *Kisqali* (USD 239 million, +23%, +28% cc), *Jakavi* (USD 389 million, +7%, +14% cc), *Promacta/Revolade* (USD 491 million, +6%, +9% cc) and *Tafinlar+Mekinist* (USD 403 million, +3%, +7% cc), was more than offset by generic competition mainly for *Afinitor/Votubia* (USD 138 million, –46%, –43% cc), *Gleevec/Glivec* (USD 198 million, –27%, –25% cc), *Exjade/Jadenu* (USD 110 million, –28%, –24% cc) and *Sandostatin* (USD 320 million, –11%, –9% cc).

Operating income

Operating income was USD 2.6 billion (+16%, +24% cc), driven by sales growth, productivity measures, lower impairments and restructuring cost, partly offset by higher R&D and M&S investments. Operating income margin was 25.6% of net sales, increasing +3.4 percentage points (+4.1 percentage points in cc).

Core adjustments were USD 1.0 billion, mainly due to amortization, compared to USD 1.4 billion in prior year. Core adjustments decreased compared to prior year mainly due to lower impairments and restructuring costs.

Core operating income was USD 3.7 billion (0%, +5% cc) mainly driven by higher sales and productivity, partly offset by higher R&D and M&S investments. Core operating income margin was 35.9% of net sales, decreasing 0.4 percentage points, (+0.2 percentage points cc due to currency impacts). Core gross margin as a percentage of sales increased by 0.1 percentage point (cc). Core R&D expenses as a percentage of net sales increased by 0.9 percentage points (cc). Core SG&A expenses as a percentage of net sales decreased by 0.7 percentage points (cc). Core Other Income and Expense as a percentage of net sales increased the margin by 0.3 percentage points (cc).

ONCOLOGY BUSINESS UNIT (Q1 UPDATES)

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc
Hematology				
Promacta/Revolade	491	463	6	9
Tasigna	461	515	-10	-7
Jakavi	389	363	7	14
Gleevec/Glivec	198	272	-27	-25
Kymriah	127	151	-16	-13
Exjade/Jadenu	110	153	-28	-24
Adakveo	44	37	19	20
Scemblix	25		nm	nm
Other	75	103	-27	-25
Total Hematology	**1 920**	**2 057**	**-7**	**-3**
Solid Tumor				
Tafinlar + Mekinist [1]	403	393	3	7
Sandostatin	320	358	-11	-9
Kisqali	239	195	23	28
Afinitor/Votubia	138	254	-46	-43
Votrient	129	143	-10	-7
Lutathera	125	122	2	4
Piqray	73	78	-6	-6
Tabrecta	31	17	82	75
Other	146	165	-12	-7
Total Solid Tumor	**1 604**	**1 725**	**-7**	**-4**
Total Novartis Oncology business unit	**3 524**	**3 782**	**-7**	**-3**

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

HEMATOLOGY

Promacta/Revolade (USD 491 million, +6%, +9% cc) showed growth across most regions, driven by increased use in chronic immune thrombocytopenia (ITP) and as first-line treatment for severe aplastic anemia (SAA).

Tasigna (USD 461 million, –10%, –7% cc) sales declined in Emerging Growth Markets due to tender related volatility.

Jakavi (USD 389 million, +7%, +14% cc) growth was driven by strong demand in the myelofibrosis and polycythemia vera indications. Regulatory filings based on the REACH2 and REACH3 trials in steroid-resistant/dependent graft-versus-host disease (GvHD) are under review. In March 2022, CHMP has adopted a positive opinion recommending approval of *Jakavi* for the treatment of patients aged 12 years and older with acute graft versus host disease or chronic graft versus host disease who have inadequate response to corticosteroids or other systemic therapies.

Gleevec/Glivec (USD 198 million, –27%, –25% cc) declined due to increased generic competition.

Kymriah (USD 127 million, –16%, –13% cc) sales declined in the US and Europe due to lower demand in both regions. Coverage continued to expand, with more than 370 qualified treatment centers in 30 countries having coverage for at least one indication.

Exjade/Jadenu (USD 110 million, –28%, –24% cc) declined due to pressure from generic competition.

Adakveo (USD 44 million, +19%, +20% cc) continued to progress well worldwide with establishing access in new markets and reaching over 7,000 patients to date.

Scemblix (USD 25 million) launched in Q4 2021. Strong uptake demonstrating the high unmet need in CML.

SOLID TUMORS

Tafinlar + Mekinist (USD 403 million, +3%, +7% cc) sales grew in the US, Emerging Growth Markets and Japan. Growth was driven by demand in BRAF+ adjuvant melanoma and NSCLC indications, while maintaining demand in the highly competitive metastatic melanoma market. *Tafinlar + Mekinist* is approved in over 80 countries and remains the worldwide targeted therapy leader in BRAF+ melanoma.

Sandostatin (USD 320 million, –11%, –9% cc) declined across most markets due to ongoing competitive pressure, including generics impact.

Kisqali (USD 239 million, +23%, +28% cc) grew across all geographies due to demand based on the longest overall survival benefit reported in HR+/HER2- advanced breast cancer. It is the only CDK4/6 inhibitor with proven OS benefit across all three Phase III trials of the MONALEESA program with different endocrine therapy partners regardless of menopausal status or line of therapy. *Kisqali* is approved in 97 countries. Novartis is in US ANDA litigation with generic manufacturers.

Afinitor/Votubia (USD 138 million, –46%, –43% cc) declined across all geographies, mainly in the US, driven by generic competition.

Votrient (USD 129 million, –10%, –7% cc) declined due to increased competition.

Lutathera (USD 125 million, +2%, +4% cc) sales grew in all regions with almost 500 centers now actively treating patients globally.

Piqray (USD 73 million, –6%, –6% cc) sales declined mainly driven by lower new patient starts in the US. *Piqray* is the first and only therapy specifically developed for the approximately 40% of HR+/HER2- advanced breast cancer patients who have a PIK3CA mutation, which is associated with poor prognosis. *Piqray* is approved in more than 70 countries.

Tabrecta (USD 31 million, +82%, +75% cc) US launch continues to progress well. *Tabrecta* is the first and only therapy approved by the US FDA to specifically target metastatic NSCLC with a mutation that leads to MET exon 14 skipping (METex14), as detected by an FDA-approved test using tissue and blood. *Tabrecta* is approved in 12 countries.

PHARMACEUTICAL BUSINESS UNIT (Q1 UPDATES)

IMMUNOLOGY, HEPATOLOGY AND DERMATOLOGY

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc
Immunology, Hepatology and Dermatology				
Cosentyx	1 159	1 053	10	12
Ilaris	285	256	11	18
Other	1		nm	nm
Total Immunology, Hepatology and Dermatology	**1 445**	**1 309**	**10**	**13**

Xolair sales for all indications are reported in the Respiratory and Allergy franchise
nm = not meaningful

Cosentyx (USD 1.2 billion, +10%, +12% cc) driven by demand-led volume growth in the US and Europe, with accelerating growth in other international markets. *Cosentyx* has now treated over 700,000 children and adults worldwide since launch, and is now approved in 5 indications across rheumatology and dermatology.

Ilaris (USD 285 million, +11%, +18% cc) strong sales were driven by continued growth across all regions. Contributors to continuing growth include adult-onset Still's disease, together with the other adult rheumatology indications in the US and Europe, as well as strong performance for the Periodic Fevers Syndrome indications in Japan.

NEUROSCIENCE

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc
Neuroscience				
Gilenya	605	707	-14	-11
Zolgensma	363	319	14	18
Kesimpta	195	50	nm	nm
Mayzent	79	55	44	47
Aimovig	54	47	15	22
Other	9	12	-25	-36
Total Neuroscience	**1 305**	**1 190**	**10**	**13**

nm = not meaningful

Gilenya (USD 605 million, –14%, –11% cc) sales declined due to increased competition. Novartis is in litigation in the US on our dosing regimen and method of treatment patents, and in Europe regarding our forthcoming dosing regimen patent, with manufacturers of generic and other tablet forms.

Zolgensma (USD 363 million, +14%, +18% cc) growth was driven by expanding access in Europe and Emerging Growth Markets. *Zolgensma* is now approved in 43 countries.

Kesimpta (USD 195 million) strong sales growth was driven mainly by the US launch due to strong access and increased demand based on a favorable risk-benefit profile. *Kesimpta* is a targeted B-cell therapy that can deliver powerful and sustained high efficacy, with a favorable safety and tolerability profile and the flexibility of an at home self-administration for a broad population of RMS patients. *Kesimpta* is now approved in 69 countries.

Mayzent (USD 79 million, +44%, +47% cc) continued to grow in MS patients showing signs of progression despite being on other treatments. *Mayzent* is the first and only oral disease modifying therapy (DMT) studied and proven to delay disease progression in a broad SPMS patient population. *Mayzent* is now approved in 71 countries.

Aimovig[1] (USD 54 million, ex-US, ex-Japan +15%, +22% cc). Effective January 1, 2022, Novartis and Amgen reached an agreement to settle all remaining claims in the litigation. *Aimovig* is approved in 76 countries and reimbursed in 30 markets, and has been prescribed to over 669,000 patients worldwide in the post-trial setting.

CARDIOVASCULAR, RENAL AND METABOLISM

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc
Cardiovascular, Renal and Metabolism				
Entresto	1 093	789	39	42
Leqvio	14	1	nm	nm
Total Cardiovascular, Renal and Metabolism	**1 107**	**790**	**40**	**43**

nm = not meaningful

Entresto (USD 1.1 billion, +39%, +42% cc) sustained strong growth with increased patient share across most markets, driven by demand in HF patients. In the US, *Entresto* is indicated for heart failure patients with left ventricular ejection fraction (LVEF) below normal. In China, *Entresto* is included in the National Reimbursement Drug List for both HFrEF and Hypertension. In the US, Novartis is in ANDA litigation with generic manufacturers.

Leqvio (USD 14 million) launch in the US and in other markets is ongoing, with focus on patient on-boarding, removing access hurdles and driving urgency to treat. *Leqvio* is the first and only small interfering RNA (siRNA) therapy to lower low-density lipoprotein cholesterol approved in the US and was successfully launched in January 2022. *Leqvio* is now approved in more than 55 countries, with most awaiting reimbursement. Novartis has obtained global rights to develop, manufacture and commercialize *Leqvio* under a license and collaboration agreement with Alnylam Pharmaceuticals.

OPHTHALMOLOGY

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc
Ophthalmology				
Lucentis	520	545	-5	0
Xiidra	107	108	-1	-2
Beovu	48	39	23	29
Other	312	399	-22	-18
Total Ophthalmology	**987**	**1 091**	**-10**	**-5**

Lucentis (USD 520 million, –5%, 0% cc) sales were in line (cc) with prior year.

Xiidra (USD 107 million, –1%, –2% cc) grew in the US benefiting from increased brand awareness but was more than offset by decline in Emerging Growth Markets. Novartis is in ANDA litigation with generic manufacturers.

Beovu (USD 48 million, +23%, +29% cc) sales grew mainly in Europe, Emerging Growth Markets and Japan following continued geographic expansion. This quarter, *Beovu* received EU approval for diabetic macular edema (DME).

Other ophthalmology products declined mainly due to generic impacts in the US, primarily for *Travatan* and *Azopt*, and in Japan for Olopatadine.

RESPIRATORY AND ALLERGY

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc
Respiratory and Allergy				
Xolair	368	335	10	17
Ultibro Group	132	149	-11	-6
Enerzair Group	14	4	nm	nm
Other	6	5	20	9
Total Respiratory and Allergy	**520**	**493**	**5**	**13**

Xolair sales for all indications are reported in the Respiratory and Allergy franchise
nm = not meaningful

Xolair (USD 368 million, +10%, +17% cc) continued growth, driven by increasing demand in severe allergic asthma and chronic spontaneous urticaria indications, with nominal contribution from the nasal polyps indication. 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.

Ultibro **Group** (USD 132 million, –11%, –6% cc) sales declined mainly in Europe due to competition. *Ultibro* Group consists of *Ultibro Breezhaler*, *Seebri Breezhaler* and *Onbrez Breezhaler*.

Enerzair **Group** (USD 14 million) consists of *Enerzair Breezhaler* and *Atectura Breezhaler*, to date they have been launched in 28 markets including Germany, Japan, UK, France, Australia and Canada.

ESTABLISHED MEDICINES

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc
Established Medicines				
Galvus Group	216	262	-18	-10
Exforge Group	200	254	-21	-19
Diovan Group	191	214	-11	-8
Zortress/Certican	90	107	-16	-10
Voltaren/Cataflam	85	86	-1	5
Neoral/Sandimmun(e)	82	94	-13	-8
Contract manufacturing	49		nm	nm
Other	375	432	-13	-10
Total Established Medicines	**1 288**	**1 449**	**-11**	**-6**

nm = not meaningful

***Galvus* Group** (USD 216 million, –18%, –10% cc) declined mainly due to the co-promotion agreement in Japan.

***Exforge* Group** (USD 200 million, –21%, –19% cc) declined mainly due to generic competition and the impact of Volume-Based Procurement in China.

***Diovan* Group** (USD 191 million, –11%, –8% cc) declined mainly due to generic competition and the impact of Volume-Based Procurement in China.

Zortress/Certican (USD 90 million, –16%, –10% cc) declined mainly in the US.

Voltaren/Cataflam (USD 85 million, –1%, +5% cc) grew in Emerging Growth Markets.

Neoral/Sandimmun(e) (USD 82 million, –13%, –8% cc) declined across most markets.

1 Novartis returns its *Aimovig* US rights to Amgen which is now exclusively commercializing *Aimovig* in the US. Novartis' ex-US rights remain unaffected and Novartis will continue to commercialize *Aimovig* in the rest of the world, with the exception of Japan. Amgen will no longer pay royalties to Novartis on sales of *Aimovig* in the US, and the parties' cost sharing for commercialization of *Aimovig* in the US ceases. The parties will continue to share development expenses worldwide in accordance with the relevant agreements. Other terms of the settlement are confidential.

Sandoz

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc
Net sales	**2 355**	**2 307**	**2**	**8**
Operating income	**419**	**312**	**34**	**42**
As % of net sales	*17.8*	*13.5*		
Core operating income	**538**	**445**	**21**	**26**
As % of net sales	*22.8*	*19.3*		

First quarter

Net sales

Sandoz net sales were USD 2.4 billion (+2%, +8% cc), with volume contributing 16 percentage points to growth. Pricing had a negative impact of 8 percentage points. Ex US sales grew by +10% in cc. Underlying topline growth benefited from a lower prior year comparison, which was most notable for the cough and cold season, as business dynamics continued to normalize from COVID impacts.

Sales in Europe were USD 1.3 billion (0%, +9% cc), in the US USD 436 million (–2%), in Asia / Africa / Australasia USD 409 million (+4%, +8% cc) and in Canada and Latin America USD 253 million (+21%, +21% cc) driven by volume increases and tender wins.

Retail sales were USD 1.8 billion (+5%, +11% cc), growing across all regions. Total Anti-Infectives sales were USD 269 million (+2%, +6% cc).

Global sales of Biopharmaceuticals (biosimilars, biopharmaceutical contract manufacturing and *Glatopa*) grew to USD 515 million (+1%, +7% cc).

Operating income

Operating income was USD 419 million (+34%, +42% cc), mainly driven by higher sales and improved gross margin. Operating income margin was 17.8% of net sales, increasing by 4.3 percentage points (4.3 percentage points cc) compared to prior year, benefiting from a lower prior year comparison as business dynamics continued to normalize from COVID impacts.

Core adjustments were USD 119 million, including USD 58 million of amortization. Prior year core adjustments were USD 133 million. The change in core adjustments compared to prior year was driven by lower impairments and legal settlements partly offset by higher impacts from manufacturing footprint changes and financial impacts / assets write-offs provisions in Ukraine.

Core operating income was USD 538 million (+21%, +26% cc), benefiting from a lower prior year comparison as business dynamics continued to normalize from COVID impacts. Core operating margin was 22.8% of net sales, increasing by 3.5 percentage points (+3.3 percentage points cc). Core gross margin as a percentage of sales increased by 1.9 percentage points (cc), due to product and geographic mix. Core R&D expenses as a percentage of net sales decreased by 0.5 percentage points (cc). Core SG&A expenses decreased by 0.3 percentage points (cc). Core Other Income and Expense increased the margin by 0.6 percentage points (cc) driven by higher divestment income.

Group Cash Flow and Balance Sheet

Cash Flow

First quarter

Net cash flows from operating activities amounted to USD 1.6 billion, compared to USD 2.1 billion in the prior year quarter. This decrease was mainly due to lower dividends from associated companies, as the prior year quarter included the dividends received (USD 0.5 billion) from our investment in Roche, which was divested in the fourth quarter of 2021. Unfavorable changes in working capital were mostly offset by higher net income adjusted for non-cash items and other adjustments, including divestment gains and favorable hedging results.

Net cash inflows from investing activities from continuing operations amounted to USD 9.4 billion, compared to USD 0.8 billion in the prior year quarter.

The current year quarter cash inflows were driven by USD 10.9 billion net proceeds from the sale of marketable securities, commodities and time deposits; and USD 0.2 billion from the sale of intangible assets, financial assets and property, plant and equipment. These cash inflows were partly offset by USD 0.8 billion cash outflows for acquisitions and divestments of businesses, net (primarily the acquisition of Gyroscope Therapeutics Holdings plc); and USD 0.9 billion for purchases of intangible assets, property, plant and equipment and of financial assets.

In the prior year quarter, net cash inflows from investing activities from continuing operations of USD 0.8 billion were mainly driven by USD 1.5 billion net proceeds from the sale of marketable securities, commodities and time deposits, partly offset by USD 0.6 billion for purchases of intangible assets (including the upfront payment to in-license tislelizumab from an affiliate of BeiGene, Ltd).

Net cash outflows used in financing activities from continuing operations amounted to USD 9.5 billion, compared to USD 8.5 billion in the prior year quarter.

The current year quarter cash outflows were driven by USD 7.5 billion for the dividend payment; USD 2.4 billion for net treasury share transactions and USD 0.1 billion payments for lease liabilities. These cash outflows were partly offset by cash inflows of USD 0.5 billion from the net increase in current financial debts.

In the prior year quarter, net cash outflows used in financing activities from continuing operations of USD 8.5 billion were mainly driven by USD 7.4 billion for the dividend payment; USD 1.9 billion for net treasury share transactions and USD 1.5 billion for the repayment of a bond denominated in euro (notional amount of EUR 1.25 billion) at maturity. These cash outflows were partly offset by cash inflows of USD 2.3 billion from the net increase in current financial debts.

Free cash flow amounted to USD 0.9 billion (–42% USD), compared to USD 1.6 billion in the prior year quarter, mainly due to the loss of Roche annual dividend (prior year USD 0.5 billion) and unfavorable working capital, partly offset by favorable hedging results. Excluding the impact of Roche annual dividend, free cash flow declined –14% (USD).

Balance sheet

Assets

Total non-current assets of USD 88.0 billion at March 31, 2022 increased by USD 1.9 billion compared to December 31, 2021.

Intangible assets other than goodwill increased by USD 0.7 billion as net additions (primarily the acquisition of Gyroscope Therapeutics Holdings plc) were partially offset by amortization and unfavorable currency translation adjustments.

Other non-current assets increased by USD 1.7 billion mainly due to an increase in the prepaid benefit costs of USD 1.7 billion resulting from the changes in discount rates used to calculate the actuarial defined benefit obligations, partly offset by actuarial losses from valuation impact on plan assets.

These increases were partly offset by a decrease in property, plant and equipment of USD 0.2 billion as net additions were more than offset by depreciation and unfavorable currency translation adjustments and a decrease in financial assets of USD 0.3 billion, driven by value adjustments.

Goodwill, investments in associated companies, deferred tax assets and right of use assets were broadly in line with December 31, 2021.

Total current assets of USD 37.2 billion at March 31, 2022 decreased by USD 8.5 billion compared to December 31, 2021.

Marketable securities, commodities, time deposits and derivative financial instruments decreased by USD 11.0 billion mainly due to the dividend payment and the purchases of treasury shares.

This decrease was only partly offset by increases in cash and cash equivalents of USD 1.4 billion, trade receivables of USD 0.4 billion and inventories and other current assets of USD 0.3 billion respectively.

Income tax receivables were broadly in line with December 31, 2021.

Liabilities

Total non-current liabilities of USD 33.7 billion were broadly in line with December 31, 2021.

Deferred tax liabilities increased by USD 0.3 billion, largely due to the impact of acquisitions. This increase was offset by a decrease in provisions and other non-current liabilities of USD 0.2 billion mainly driven by a decrease in defined benefit plans, due to changes in discount rates used to calculate the actuarial defined benefit obligations, partly offset by actuarial losses from valuation impact on plan assets.

Financial debts and lease liabilities were broadly in line with December 31, 2021.

Total current liabilities of USD 29.8 billion decreased by USD 0.4 billion compared to December 31, 2021.

Provisions and other current liabilities decreased by USD 0.5 billion largely due to a decrease of USD 0.6 billion in other deferred short term employee benefits. Trade payables decreased by USD 0.5 billion.

Current financial debts and derivative financial instruments increased by USD 0.4 billion and current income tax liabilities increased by USD 0.2 billion.

Current lease liabilities were broadly in line with December 31, 2021.

Equity

The Group`s equity decreased by USD 6.1 billion to USD 61.7 billion at March 31, 2022 compared to December 31, 2021.

This decrease was mainly due to the cash-dividend payment of USD 7.5 billion, purchase of treasury shares of USD 2.8 billion, unfavorable currency translation differences of USD 0.3 billion and net unfavorable fair value adjustments on financial instruments of USD 0.2 billion. This was partially offset by the net income of USD 2.2 billion, net actuarial gains of USD 1.9 billion, equity-based compensation of USD 0.2 billion, decrease of the treasury share repurchase obligation of USD 0.2 billion and the exercise of options and employee transactions of USD 0.1 billion.

Net debt and debt/equity ratio

The Group's liquidity amounted to USD 18.8 billion at March 31, 2022, compared to USD 28.3 billion at December 31, 2021. Total non-current and current financial debts, including derivatives, amounted to USD 29.5 billion at March 31, 2022, compared to USD 29.2 billion at December 31, 2021.

The debt/equity ratio increased to 0.48:1 at March 31, 2022, compared to 0.43:1 at December 31, 2021. As of March 31, 2022 the net debt was USD 10.7 billion, compared to USD 0.9 billion at December 31, 2021.

Innovation Review

Benefiting from our continued focus on innovation, Novartis has one of the industry's most innovative and inventive pipelines with more than 160 projects in clinical development.

Selected Innovative Medicines approvals: US, EU and Japan in Q1

Product	Active ingredient/ Descriptor	Indication	Region
Pluvicto	^{177}Lu-PSMA-617	Metastatic castration-resistant prostate cancer, post-taxane	US – Mar
Vijoice	alpelisib	PIK3CA-related overgrowth spectrum	US – Apr
Scemblix	asciminib	3L Chronic myeloid leukemia	JP – Mar
Beovu	VEGF inhibitor	Diabetic macular edema	EU – Mar

Selected Innovative Medicines projects awaiting regulatory decisions

		Completed submissions			
Product	**Indication**	**US**	**EU**	**Japan**	**News update**
Cosentyx	JPsA & ERA	Approved	Q2 2021		
Cosentyx	*Cosentyx* 300mg auto-injector and pre-filled syringe	Q4 2020	Approved	Q3 2021	
Jakavi	Acute graft-versus-host disease (GvHD)		Q1 2021	Q1 2021	– US filing by Incyte – EU/EEA CHMP Positive opinion
	Chronic GvHD		Q1 2021	Q1 2021	– US filing by Incyte – EU/EEA CHMP Positive opinion
ABL001 (asciminib)	3L Chronic myeloid leukemia	Approved	Q2 2021	Approved	– JP approval
Beovu	Diabetic macular edema	Q3 2021	Approved	Q3 2021	– EU approval
Pluvicto	Metastatic castration-resistant prostate cancer, post-taxane	Approved	Q4 2021		– US approval
VDT482 (tislelizumab)	2L Esophageal cancer (ESCC)	Q3 2021	Q1 2022		– MAA submitted in EU
	NSCLC		Q1 2022		– MAA submitted in EU
Kymriah	Relapsed/refractory follicular lymphoma	Q3 2021	Q3 2021	Q4 2021	– FDA priority review – EU/EEA CHMP Positive opinion
SKO136 (ensovibep)	Corona virus infection	Q1 2022			– FDA emergency use application

Selected Innovative Medicines pipeline projects

Compound/ product	Potential indication/ Disease area	First planned submissions	Current Phase	News update
ABL001 (asciminib)	1L Chronic myeloid leukemia	2025	3	
ACZ885 (canakinumab)	Adjuvant NSCLC	2023	3	
Aimovig	Migraine, pediatrics	≥2026	3	
AVXS-101 (OAV101)	Spinal muscular atrophy (IT formulation)	2025	3	– Pivotal confirmatory study initiated
Beovu	Diabetic retinopathy	2025	3	
Piqray	Triple negative breast cancer	2023	3	
	Human epidermal growth factor receptor 2-positive (HER2+) advanced breast cancer	2025	3	
	Ovarian cancer	2023	3	
CFZ533 (iscalimab)	Liver transplantation	≥2026	2	
	Sjögren's syndrome	≥2026	2	
Coartem	Malaria, uncomplicated (<5 kg patients)	2024	3	– Submission planned in Switzerland

Compound/ product	Potential indication/ Disease area	First planned submissions	Current Phase	News update
Cosentyx	Ankylosing spondylitis head-to-head study versus Sandoz biosimilar *Hyrimoz* (adalimumab)		3	– Study for publication only
	Hidradenitis suppurativa	2022	3	
	Giant cell arteritis	2024	3	
	Lichen planus	2025	2	
	Lupus nephritis	≥2026	3	
	Psoriatic arthritis (IV formulation)	2022	3	
	Ankylosing spondylitis (IV formulation)	2023	3	
CPK850	Retinitis pigmentosa	≥2026	2	
CSJ117	Asthma	≥2026	2	
JDQ443	Non-small cell lung cancer, 2/3L	2024	3	– Ph3 to be initiated in H2 2022
	Non-small cell lung cancer (combos)	≥2026	2	
KAE609 (cipargamin)	Malaria, uncomplicated	≥2026	2	
	Malaria, severe	≥2026	2	
KAF156 (ganaplacide)	Malaria, uncomplicated	≥2026	2	
Kisqali + endocrine therapy	Hormone receptor-positive (HR+)/human epidermal growth factor receptor 2-negative (HER2-) early breast cancer (adjuvant)	2023	3	
Leqvio	Secondary prevention of cardiovascular events in patients with elevated levels of LDL-C	≥2026	3	
LJN452 (tropifexor + licogliflozin)	Nonalcoholic steatohepatitis	≥2026	2	
LMI070 (branaplam)	Huntington's disease	≥2026	2	– FDA Orphan Drug designation – FDA Fast Track designation
LNA043	Osteoarthritis	≥2026	2	– FDA Fast Track designation
LNP023 (iptacopan)	Paroxysmal nocturnal hemoglobinuria	2023	3	– FDA, EU Orphan Drug designation – FDA Breakthrough Therapy designation – Enrollment completed
	IgA nephropathy	2023	3	– EU Orphan Drug designation
	C3 glomerulopathy	2023	3	– EU Orphan Drug designation – EU PRIME designation – FDA Rare Pediatric designation – China Breakthrough Therapy designation granted
	Membranous nephropathy	≥2026	2	
	Atypical haemolytic uraemic syndrome	2025	3	
LOU064 (remibrutinib)	Chronic spontaneous urticaria	2024	3	
	Multiple sclerosis	2025	3	
	Sjögren's syndrome	≥2026	2	
Lutathera	Gastroenteropancreatic neuroendocrine tumors, 1st line in G2/3 tumors	2023	3	
Pluvicto	Metastatic castration-resistant prostate cancer pre-taxane	2023	3	
	Metastatic hormone sensitive prostate cancer	2024	3	
^{177}Lu-NeoB	Multiple solid tumors	≥2026	1	
LXE408	Visceral leishmaniasis	≥2026	2	
MBG453 (sabatolimab)	Myelodysplastic syndrome	2022/2023	3	– FDA Fast Track designation – EU Orphan Drug designation
	Unfit acute myeloid leukemia	2024	2	
MIJ821	Depression	≥2026	2	
NIS793	1L Pancreatic cancer	2025	3	– FDA Orphan Drug designation
PPY988	Geographic atrophy	≥2026	2	– Gyroscope acquisition

Compound/ product	Potential indication/ Disease area	First planned submissions	Current Phase	News update
QBW251 (icenticaftor)	Chronic obstructive pulmonary disease	2025	2	– Readout imminent
QGE031 (ligelizumab)	Chronic spontaneous urticaria		3	– No submission planned
	Chronic inducible urticaria		3	– No submission planned
	Food allergy	2025	3	
SAF312 (libvatrep)	Chronic ocular surface pain	≥2026	2	
TQJ230 (pelacarsen)	Secondary prevention of cardiovascular events in patients with elevated levels of lipoprotein(a)	2025	3	– Enrollment ongoing – FDA Fast Track designation – China Breakthrough Therapy designation
UNR844	Presbyopia	2024	2	
VAY736 (ianalumab)	Auto-immune hepatitis	≥2026	2	
	Sjögren's syndrome	≥2026	2	– FDA Fast Track designation
	Lupus Nephritis	≥2026	3	– Ph3 to be initiated in 2022
	Systemic lupus erythematosus	≥2026	2	
VDT482 (tislelizumab)	1L Nasopharyngeal carcinoma	2022	3	– FDA Orphan designation granted
	1L Gastric cancer	2023	3	– Study met primary OS endpoint in PD-L1 high
	1L ESCC	2023	3	
	Localized ESCC	2023	3	
	1L Hepatocellular carcinoma	2023	3	
	1L Small cell lung cancer	2024	3	
	1L Urothelial cell carcinoma	≥2026	3	– New date due to revised plan
	Adj/Neo adj. NSCLC	≥2026	3	
VPM087 (gevokizumab)	Colorectal cancer, 1st line	≥2026	1	
Xolair	Food allergy	2023	3	
YTB323	2L Diffuse large B-cell lymphoma	2025	3	– Ph3 to be initiated in 2022 – Operational delay in start of study

Selected Sandoz approvals and pipeline projects

Project/ Compound	Potential indication/ Disease area	News update
GP2411 (denosumab)	Osteoporosis (same as originator)	– In Ph3
SOK583 (aflibercept)	Ophthalmology (same as originator)	– In Ph3
Insulin glargine, lispro, aspart	Diabetes	– Collaboration with Gan & Lee
Natalizumab	Multiple sclerosis and Crohn's disease	– Collaboration Polpharma Biologics
Trastuzumab	HER2-positive cancer tumors	– Collaboration EirGenix – In registration
Bevacizumab	Solid tumors	– Collaboration Bio-Thera Solutions

Condensed Interim Consolidated Financial Statements

Consolidated income statements

First quarter (unaudited)

(USD millions unless indicated otherwise)	Note	**Q1 2022**	Q1 2021
Net sales to third parties	9	**12 531**	**12 411**
Other revenues	9	283	283
Cost of goods sold		-3 856	-4 039
Gross profit		**8 958**	**8 655**
Selling, general and administration		-3 512	-3 529
Research and development		-2 320	-2 351
Other income		226	339
Other expense		-500	-699
Operating income		**2 852**	**2 415**
(Loss)/income from associated companies	3	-2	256
Interest expense		-201	-202
Other financial income and expense		20	-19
Income before taxes		**2 669**	**2 450**
Income taxes		-450	-391
Net income		**2 219**	**2 059**
Attributable to:			
Shareholders of Novartis AG		*2 222*	*2 059*
Non-controlling interests		*-3*	*0*
Weighted average number of shares outstanding – Basic (million)		2 225	2 252
Basic earnings per share (USD) [1]		**1.00**	**0.91**
Weighted average number of shares outstanding – Diluted (million)		2 237	2 265
Diluted earnings per share (USD) [1]		**0.99**	**0.91**

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

Consolidated statements of comprehensive income

First quarter (unaudited)

(USD millions)	**Q1 2022**	Q1 2021
Net income	**2 219**	**2 059**
Other comprehensive income		
Items that are or may be recycled into the consolidated income statement		
Novartis share of other comprehensive income recognized by associated companies, net of taxes		-71
Net investment hedge, net of taxes	25	105
Currency translation effects, net of taxes	-270	-2 156
Total of items that are or may be recycled	-245	-2 122
Items that will never be recycled into the consolidated income statement		
Actuarial gains from defined benefit plans, net of taxes	1 867	1 098
Fair value adjustments on equity securities, net of taxes	-180	149
Total of items that will never be recycled	1 687	1 247
Total comprehensive income	**3 661**	**1 184**
Attributable to:		
Shareholders of Novartis AG	*3 664*	*1 186*
Non-controlling interests	*-3*	*-2*

Consolidated balance sheets

(USD millions)	Note	**Mar 31, 2022 (unaudited)**	Dec 31, 2021 (audited)
Assets			
Non-current assets			
Property, plant and equipment	9	11 347	11 545
Right-of-use assets		1 514	1 561
Goodwill	9	29 636	29 595
Intangible assets other than goodwill	9	34 853	34 182
Investments in associated companies	3	195	205
Deferred tax assets		3 865	3 743
Financial assets		2 711	3 036
Other non-current assets		3 861	2 210
Total non-current assets		**87 982**	**86 077**
Current assets			
Inventories		6 997	6 666
Trade receivables		8 409	8 005
Income tax receivables		269	278
Marketable securities, commodities, time deposits and derivative financial instruments		4 962	15 922
Cash and cash equivalents		13 852	12 407
Other current assets		2 747	2 440
Total current assets		**37 236**	**45 718**
Total assets		**125 218**	**131 795**
Equity and liabilities			
Equity			
Share capital		901	901
Treasury shares		-60	-48
Reserves		60 699	66 802
Equity attributable to Novartis AG shareholders		**61 540**	**67 655**
Non-controlling interests		164	167
Total equity		**61 704**	**67 822**
Liabilities			
Non-current liabilities			
Financial debts		22 796	22 902
Lease liabilities		1 577	1 621
Deferred tax liabilities		3 384	3 070
Provisions and other non-current liabilities		5 950	6 172
Total non-current liabilities		**33 707**	**33 765**
Current liabilities			
Trade payables		5 083	5 553
Financial debts and derivative financial instruments		6 696	6 295
Lease liabilities		272	275
Current income tax liabilities		2 578	2 415
Provisions and other current liabilities		15 178	15 670
Total current liabilities		**29 807**	**30 208**
Total liabilities		**63 514**	**63 973**
Total equity and liabilities		**125 218**	**131 795**

Consolidated statements of changes in equity

First 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 January 1, 2022		**901**	**-48**	**70 989**	**-4 187**	**67 655**	**167**	**67 822**
Net income				2 222		2 222	-3	2 219
Other comprehensive income					1 442	1 442		1 442
Total comprehensive income				**2 222**	**1 442**	**3 664**	**-3**	**3 661**
Dividends				-7 506		-7 506		-7 506
Purchase of treasury shares			-17	-2 790		-2 807		-2 807
Exercise of options and employee transactions			1	92		93		93
Equity-based compensation			4	229		233		233
Shares delivered to Alcon employees as a result of the Alcon spin-off			0	5		5		5
Taxes on treasury share transactions				10		10		10
Decrease of treasury share repurchase obligation under a share buyback trading plan	4.1			170		170		170
Fair value adjustments on financial assets sold				7	-7			
Other movements	4.2			23		23		23
Total of other equity movements			**-12**	**-9 760**	**-7**	**-9 779**		**-9 779**
Total equity at March 31, 2022		**901**	**-60**	**63 451**	**-2 752**	**61 540**	**164**	**61 704**

(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, 2021		**913**	**-53**	**57 157**	**-1 419**	**56 598**	**68**	**56 666**
Net income				2 059		2 059	0	2 059
Other comprehensive income				-71	-802	-873	-2	-875
Total comprehensive income				**1 988**	**-802**	**1 186**	**-2**	**1 184**
Dividends				-7 368		-7 368		-7 368
Purchase of treasury shares			-12	-1 881		-1 893		-1 893
Exercise of options and employee transactions			0	42		42		42
Equity-based compensation			5	153		158		158
Shares delivered to Alcon employees as a result of the Alcon spin-off			0	17		17		17
Taxes on treasury share transactions				1		1		1
Decrease of treasury share repurchase obligation under a share buyback trading plan	4.1			1 769		1 769		1 769
Fair value adjustments on financial assets sold				154	-154			
Fair value adjustments related to divestments				3	-3			
Other movements	4.2			13		13		13
Total of other equity movements			**-7**	**-7 097**	**-157**	**-7 261**		**-7 261**
Total equity at March 31, 2021		**913**	**-60**	**52 048**	**-2 378**	**50 523**	**66**	**50 589**

Consolidated statements of cash flows

First quarter (unaudited)

(USD millions)	Note	**Q1 2022**	Q1 2021
Net income		**2 219**	**2 059**
Adjustments to reconcile net income to net cash flows from operating activities			
Reversal of non-cash items and other adjustments	6.1	2 353	2 366
Dividends received from associated companies and others			522
Interest received		17	4
Interest paid		-110	-112
Other financial payments		-30	-283
Income taxes paid		-633	-735
Net cash flows from operating activities before working capital and provision changes		**3 816**	**3 821**
Payments out of provisions and other net cash movements in non-current liabilities		-156	-217
Change in net current assets and other operating cash flow items		-2 011	-1 474
Net cash flows from operating activities		**1 649**	**2 130**
Purchases of property, plant and equipment		-257	-246
Proceeds from sale of property, plant and equipment		33	66
Purchases of intangible assets		-602	-612
Proceeds from sale of intangible assets		66	83
Purchases of financial assets		-35	-36
Proceeds from sale of financial assets		66	224
Purchases of other non-current assets			-12
Divestments and acquisitions of interests in associated companies, net		-18	-2
Acquisitions and divestments of businesses, net	6.2	-821	-209
Purchases of marketable securities, commodities and time deposits		-4 221	-50
Proceeds from sale of marketable securities, commodities and time deposits		15 154	1 579
Net cash flows from investing activities from continuing operations		**9 365**	**785**
Net cash flows used in investing activities from discontinued operations			-5
Net cash flows from investing activities		**9 365**	**780**
Dividends paid to shareholders of Novartis AG		-7 506	-7 368
Acquisitions of treasury shares		-2 542	-1 922
Proceeds from exercised options and other treasury share transactions, net		94	30
Increase in non-current financial debts		3	
Repayments of non-current financial debts			-1 466
Change in current financial debts		478	2 301
Payments of lease liabilities		-77	-80
Other financing cash flows, net		22	-24
Net cash flows used in financing activities from continuing operations		**-9 528**	**-8 529**
Net cash flows used in financing activities from discontinued operations			-11
Net cash flows used in financing activities		**-9 528**	**-8 540**
Net change in cash and cash equivalents before effect of exchange rate changes		**1 486**	**-5 630**
Effect of exchange rate changes on cash and cash equivalents		-41	-227
Net change in cash and cash equivalents		**1 445**	**-5 857**
Cash and cash equivalents at January 1		12 407	9 658
Cash and cash equivalents at March 31		**13 852**	**3 801**

Notes to the Condensed Interim Consolidated Financial Statements for the three-month period ended March 31, 2022 (unaudited)

1. Basis of preparation

These Condensed Interim Consolidated Financial Statements for the three-month interim period ended March 31, 2022, were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and accounting policies set out in the 2021 Annual Report published on February 2, 2022.

2. Selected critical accounting policies

The Group's principal accounting policies are set out in Note 1 to the Consolidated Financial Statements in the 2021 Annual Report and conform with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The preparation of interim 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 and contingent amounts.

Estimates are based on historical experience and other assumptions that are considered reasonable under the given circumstances and are continually 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 2021 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 Group'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 Group's results of operations and financial condition.

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

3. Significant transactions

The Group 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 in 2022

Innovative Medicines – acquisition of Gyroscope Therapeutics Holdings plc

On December 22, 2021, Novartis entered into an agreement to acquire 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 purchase price adjustments, and potential additional milestone payments of up to USD 0.7 billion, 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 payment of USD 0.8 billion (including customary purchase price adjustments) and the fair value of contingent consideration of USD 0.2 billion. The preliminary purchase price allocation resulted in net identifiable assets of approximately USD 0.9 billion, consisting primarily of

intangible assets of approximately USD 1.1 billion and net deferred tax liabilities of approximately USD 0.2 billion. Goodwill amounted to approximately USD 0.1 billion.

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

Significant transactions in 2021

Sandoz – acquisition of GSK's cephalosporin antibiotics business

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 will be 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.

Corporate – divestment of the investment in Roche Holding AG

On November 3, 2021, Novartis entered into a Share Repurchase Agreement with Roche Holding AG under which Novartis agreed to sell 53.3 million (approximately 33.3%) bearer shares of Roche Holding AG voting shares in a bilateral transaction to Roche Holding AG for a total consideration of USD 20.7 billion. As a result, Novartis discontinued the use of equity method accounting starting from November 3, 2021.

The transaction closed on December 6, 2021. Novartis realized a gain of USD 14.6 billion, recorded in income from associated companies.

4. Summary of equity attributable to Novartis AG shareholders

		Number of outstanding shares (in millions)		Issued share capital and reserves attributable to Novartis AG shareholders (in USD millions)	
	Note	**2022**	2021	**Q1 2022**	Q1 2021
Balance at beginning of year		**2 234.9**	**2 256.8**	**67 655**	**56 598**
Shares acquired to be canceled		-31.2	-19.6	-2 706	-1 768
Other share purchases		-1.1	-1.4	-101	-125
Exercise of options and employee transactions		1.9	0.6	93	42
Equity-based compensation		8.1	8.6	233	158
Shares delivered to Alcon employees as a result of the Alcon spin-off		0.0	0.1	5	17
Taxes on treasury share transactions				10	1
Decrease of treasury share repurchase obligation under a share buyback trading plan	4.1			170	1 769
Dividends				-7 506	-7 368
Net income of the period attributable to shareholders of Novartis AG				2 222	2 059
Other comprehensive income attributable to shareholders of Novartis AG				1 442	-873
Other movements	4.2			23	13
Balance at March 31		**2 212.6**	**2 245.1**	**61 540**	**50 523**

4.1. 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. Novartis is able to cancel this arrangement but would be subject to a 90-day waiting period as at the reporting date. The

commitment under this arrangement therefore reflects the obligated purchases by the bank under such trading plan over a 90-day period, or if shorter, until the maturity date of such trading plan.

The liability under this arrangement amounted to USD 2.6 billion as of March 31, 2022.

4.2. Other movements include, for subsidiaries in hyperinflationary economies, the impact of the revaluation of the equity balances of the current year.

5. Financial instruments

Fair value by hierarchy

The following table illustrates the three hierarchical levels for valuing financial instruments at fair value as of March 31, 2022, and December 31, 2021. For additional information on the hierarchies and other matters, please refer to the Consolidated Financial Statements in the 2021 Annual Report, published on February 2, 2022.

	Level 1		Level 2		Level 3		Total	
(USD millions)	**Mar 31, 2022**	Dec 31, 2021	**Mar 31, 2022**	Dec 31, 2021	**Mar 31, 2022**	Dec 31, 2021	**Mar 31, 2022**	Dec 31, 2021
Financial assets								
Cash and cash equivalents								
Debt securities		2 010						2 010
Total cash and cash equivalents		**2 010**						**2 010**
Marketable securities								
Debt securities		2 719	10	22			10	2 741
Derivative financial instruments			93	105			93	105
Total marketable securities and derivative financial instruments		**2 719**	**103**	**127**			**103**	**2 846**
Current contingent consideration receivables					**41**		**41**	
Long-term financial investments								
Debt and equity securities	721	1 080	11		667	617	1 399	1 697
Fund investments	22	28			313	338	335	366
Non-current contingent consideration receivables					609	641	609	641
Total long-term financial investments	**743**	**1 108**	**11**		**1 589**	**1 596**	**2 343**	**2 704**
Associated companies at fair value through profit or loss					**182**	**192**	**182**	**192**
Financial liabilities								
Current contingent consideration liabilities					-170	-119	-170	-119
Derivative financial instruments			-66	-68			-66	-68
Total current financial liabilities at fair value			**-66**	**-68**	**-170**	**-119**	**-236**	**-187**
Non-current contingent consideration liabilities					-1 084	-956	-1 084	-956
Other financial liabilities					-242	-19	-242	-19
Total non-current financial liabilities at fair value					**-1 326**	**-975**	**-1 326**	**-975**

There were no transfers across levels in the quarter.

The fair value of straight bonds amounted to USD 25.3 billion at March 31, 2022 (USD 27.1 billion at December 31, 2021) compared to the carrying amount of USD 25.2 billion at March 31, 2022 (USD 25.3 billion at December 31, 2021). 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 2.3 billion at March 31, 2022 (USD 2.7 billion at December 31, 2021) is included in the line "Financial assets" of the consolidated balance sheets. The carrying amount of non-current contingent consideration liabilities and other financial liabilities included in the line total non-current financial liabilities at fair value of USD 1.3 billion at March 31, 2022 (USD 1.0 billion at December 31, 2021) is included in the line "Provisions and other non-current liabilities" of the consolidated balance sheet.

The Group'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.

6. Details to the consolidated statements of cash flows

6.1. Non-cash items

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

(USD millions)	**Q1 2022**	Q1 2021
Depreciation, amortization and impairments on:		
Property, plant and equipment	314	434
Right-of-use assets	78	80
Intangible assets	1 013	1 183
Financial assets [1]	102	-101
Change in provisions and other non-current liabilities	88	277
Gains on disposal and other adjustments on property, plant and equipment; intangible assets; financial assets; and other non-current assets, net	-78	-46
Equity-settled compensation expense	203	183
Loss/(income) from associated companies	2	-256
Income taxes	450	391
Net financial expense	181	221
Total	**2 353**	**2 366**

[1] Includes fair value adjustments

In the first quarter of 2022, USD 0.3 billion (Q1 2021: nil) additions to intangible assets other than goodwill were acquired with deferred payments and USD 43 million (Q1 2021: USD 61 million) additions to right-of-use assets were recognized.

6.2. 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)	**Q1 2022**	Q1 2021
Net assets recognized as a result of acquisitions of businesses	**-979**	**-229**
Fair value of previously held equity interests		20
Contingent consideration payable, net	181	0
Payments, deferred consideration and other adjustments, net	-25	-2
Cash flows used for acquisitions of businesses	**-823**	**-211**
Cash flows from divestments of businesses, net [1]	**2**	**2**
Cash flows used for acquisitions and divestments of businesses, net	**-821**	**-209**

[1] In the first quarter of 2022, USD 2 million included net cash flows from business divestments in the current year quarter and from divestments in previous years. The net identifiable assets of the current year quarter divested business amounted to USD 34 million, comprised of non-current assets of USD 5 million; net current assets of USD 29 million, including USD 9 million cash and cash equivalents. The deferred sale price receivable and other adjustments amounted to USD 25 million.
In the first quarter of 2021, USD 2 million represented the net cash inflows from divestments in previous years.

Notes 3 and 7 provide further information regarding acquisitions and divestments of businesses. All acquisitions were for cash.

7. Acquisitions of businesses

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

(USD millions)	**Q1 2022**	Q1 2021
Property, plant and equipment	13	
Right-of-use assets	12	
Acquired research and development	1 105	139
Deferred tax assets	51	12
Other current assets	5	
Cash and cash equivalents	70	6
Deferred tax liabilities	-276	-31
Current and non-current lease liabilities	-12	
Trade payables and other liabilities	-67	-3
Net identifiable assets acquired	**901**	**123**
Acquired cash and cash equivalents	-70	-6
Goodwill	148	112
Net assets recognized as a result of acquisitions of businesses	**979**	**229**

Note 3 details significant acquisitions of businesses, specifically, the acquisition of Gyroscope in the first quarter of 2022. There were no significant acquisitions of businesses in the first quarter of 2021. The goodwill arising out of the Gyroscope acquisition is mainly attributable to the accounting for deferred tax liabilities on acquired assets and the assembled workforce. The goodwill for the first quarter of 2021 acquisition relates to buyer specific synergies and the assembled workforce. In the first quarter of 2022, no goodwill (Q1 2021: nil) is tax deductible.

8. 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 Group 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 2021 Annual Report and 2021 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 April 25, 2022, of significant developments in those proceedings, as well as any new significant proceedings commenced since the date of the 2021 Annual Report and 2021 Form 20-F.

Investigations and related litigations

340B Drug Pricing Program investigation

In February 2021, Novartis Pharmaceuticals Corporation (NPC) received a civil investigative subpoena from the Office of the Attorney General of the State of Vermont. The subpoena requests the production of documents and information concerning NPC's participation in the 340B Drug Pricing Program in Vermont. NPC provided documents and information to the Office of the Attorney General. In May 2021, NPC received a notification from the US Health Resources and Services Administration (HRSA) which stated that HRSA believes NPC's contract pharmacy policy violates the 340B statute and threatened potential enforcement action. NPC subsequently sued HRSA in the U.S. District Court ("USDC") for the District of Columbia to challenge HRSA's determination and to enjoin HRSA from taking action with respect to NPC's contract pharmacy policy. HRSA then referred the matter regarding NPC's contract pharmacy policy to OIG, which could result in the imposition of civil monetary penalties on NPC. In November 2021, the USDC issued a decision rejecting HRSA's interpretation of the 340B statute, vacated the violation notification and remanded the matter to HRSA. HRSA has filed an appeal. In December 2021, Emory University Hospital Midtown filed an Administrative Dispute Resolution Proceeding (ADR) against NPC, seeking the return of alleged overcharges resulting from NPC's contract pharmacy policy. The parties are awaiting assignment to an ADR panel.

Product liability litigation

Taxotere® (docetaxel)
Sandoz is a defendant in more than 3 000 US product liability actions involving Taxotere® (docetaxel), an oncology product, many of which have been transferred to a multidistrict litigation in the Eastern District of Louisiana. The complaints allege misleading marketing and that Sanofi, as innovator, and several 505(b)(2) NDA holders (including Sandoz) failed to warn of the risk of permanent alopecia/hair loss. In 2022, a new multidistrict litigation was created in the Eastern District of Louisiana for claims related to alleged eye injuries. The claims are being vigorously contested.

In addition to the matters described above, there have been other developments in the other legal matters described in Note 20 to the Consolidated Financial Statements contained in our 2021 Annual Report and 2021 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.

9. Segmentation of key figures

The businesses of Novartis are divided operationally on a worldwide basis into two identified reporting segments, Innovative Medicines and Sandoz. In addition, we separately report Corporate activities.

Reporting segments are presented in a manner consistent with the internal reporting to the chief operating decision-maker which is the Executive Committee of Novartis. The reporting segments are managed separately because they each research, develop, manufacture, distribute and sell distinct products that require differing marketing strategies.

The Executive Committee of Novartis is responsible for allocating resources and assessing the performance of the reporting segments.

The reporting segments are as follows:

Innovative Medicines researches, develops, manufactures, distributes and sells patented prescription medicines. The Innovative Medicines Division was organized into two global business units: Novartis Oncology and Novartis Pharmaceuticals. Novartis Oncology consisted of the global business franchises Hematology and Solid Tumor, and Novartis Pharmaceuticals consisted of the global business franchises Immunology, Hepatology and Dermatology; Neuroscience; Ophthalmology; Cardiovascular, Renal and Metabolism; Respiratory and Allergy; and Established Medicines. Following the announcement of April 4, 2022, the Innovative Medicines Division will be organized in two commercial organizations: Innovative Medicines US and Innovative Medicines International.

Sandoz develops, manufactures and markets finished dosage form medicines as well as intermediary products including active pharmaceutical ingredients. Sandoz is organized globally into three franchises: Retail Generics, Anti-Infectives and Biopharmaceuticals. In Retail Generics, Sandoz develops, manufactures and markets active ingredients and finished dosage forms of small molecule pharmaceuticals to third parties across a broad range of therapeutic areas, as well as finished dosage form of anti-infectives sold to third parties. In Anti-Infectives, Sandoz manufactures and supplies active pharmaceutical ingredients and intermediates, mainly antibiotics, for the Retail Generics business franchise and for sale to third-party companies. In Biopharmaceuticals, Sandoz develops, manufactures and markets protein- or other biotechnology-based products, including biosimilars, and provides biotechnology manufacturing services to other companies.

Corporate includes the costs of the Group headquarters and those of corporate coordination functions in major countries, and items that are not specific to one segment.

Our divisions are supported by Novartis Institutes for BioMedical Research, Global Drug Development, Novartis Technical Operations (NTO) and Customer & Technology Solutions (CTS). Following the announcement of April 4, 2022, a new Operations unit was formed combining NTO and CTS.

Further details are provided in Note 3 to the Consolidated Financial Statements of the 2021 Annual Report.

Segmentation – Consolidated income statements

First quarter

	Innovative Medicines		Sandoz		Corporate (including eliminations)[1]		Group	
(USD millions)	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021
Net sales to third parties	**10 176**	**10 104**	**2 355**	**2 307**			**12 531**	**12 411**
Sales to other segments	228	228	47	53	-275	-281		
Net sales	**10 404**	**10 332**	**2 402**	**2 360**	**-275**	**-281**	**12 531**	**12 411**
Other revenues	274	270	6	9	3	4	283	283
Cost of goods sold	-2 912	-3 064	-1 250	-1 266	306	291	-3 856	-4 039
Gross profit	**7 766**	**7 538**	**1 158**	**1 103**	**34**	**14**	**8 958**	**8 655**
Selling, general and administration	-2 880	-2 906	-514	-502	-118	-121	-3 512	-3 529
Research and development	-2 112	-2 137	-208	-214			-2 320	-2 351
Other income	145	206	48	43	33	90	226	339
Other expense	-312	-459	-65	-118	-123	-122	-500	-699
Operating income	**2 607**	**2 242**	**419**	**312**	**-174**	**-139**	**2 852**	**2 415**
as % of net sales	*25.6%*	*22.2%*	*17.8%*	*13.5%*			*22.8%*	*19.5%*
(Loss)/income from associated companies					-2	256	-2	256
Interest expense							-201	-202
Other financial income and expense							20	-19
Income before taxes							**2 669**	**2 450**
Income taxes							-450	-391
Net income							**2 219**	**2 059**

[1] Eliminations mainly relate to the elimination of sales to other segments and the corresponding cost of goods sold.

Segmentation – Additional consolidated balance sheets and income statements disclosure

	Innovative Medicines		Sandoz		Corporate (including eliminations)		Group	
(USD millions)	**Mar 31, 2022**	Dec 31, 2021	**Mar 31, 2022**	Dec 31, 2021	**Mar 31, 2022**	Dec 31, 2021	**Mar 31, 2022**	Dec 31, 2021
Total assets	**80 199**	**79 220**	**16 260**	**16 192**	**28 759**	**36 383**	**125 218**	**131 795**
Total liabilities	**-15 306**	**-15 929**	**-3 581**	**-3 632**	**-44 627**	**-44 412**	**-63 514**	**-63 973**
Total equity							**61 704**	**67 822**
Net debt[1]					10 678	868	10 678	868
Net operating assets	**64 893**	**63 291**	**12 679**	**12 560**	**-5 190**	**-7 161**	**72 382**	**68 690**
Included in net operating assets are:								
Property, plant and equipment	9 020	9 168	1 859	1 901	468	476	11 347	11 545
Goodwill	21 650	21 562	7 979	8 026	7	7	29 636	29 595
Intangible assets other than goodwill	33 031	32 357	1 551	1 577	271	248	34 853	34 182

[1] See page 41 for additional disclosures related to net debt.

The following table shows the property, plant and equipment impairment charges and reversals, the right-of-use assets impairment charges and the intangible assets impairment charges:

First quarter

	Innovative Medicines		Sandoz		Corporate		Group	
(USD millions)	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021
Property, plant and equipment impairment charges	-22	-114	-1	-20			**-23**	**-134**
Property, plant and equipment impairment reversals	2	2	1	1			**3**	**3**
Right-of-use assets impaiment charges			-1				**-1**	
Intangible assets impairment charges[1]	-37	-201		-1			**-37**	**-202**

[1] First quarter of 2021 includes an impairment of USD 201 million related to the write-down of IPR&D related to cessation of clinical development program GTX312.

In the first quarter of 2022, there were no reversals of prior-year impairment charges on intangible assets (Q1 2021: nil) and right-of-use assets (Q1 2021: nil).

Segmentation – Net sales by region[1]

First quarter

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc[2]	**Q1 2022 % of total**	Q1 2021 % of total
Innovative Medicines						
Europe	3 507	3 649	-4	5	34	36
US	3 647	3 543	3	3	36	35
Asia/Africa/Australasia	2 324	2 282	2	5	23	23
Canada and Latin America	698	630	11	12	7	6
Total	**10 176**	**10 104**	**1**	**4**	**100**	**100**
Of which in Established Markets	7 523	7 565	-1	3	74	75
Of which in Emerging Growth Markets	2 653	2 539	4	9	26	25
Sandoz						
Europe	1 257	1 258	0	9	53	55
US	436	447	-2	-2	19	19
Asia/Africa/Australasia	409	393	4	8	17	17
Canada and Latin America	253	209	21	21	11	9
Total	**2 355**	**2 307**	**2**	**8**	**100**	**100**
Of which in Established Markets	1 623	1 655	-2	3	69	72
Of which in Emerging Growth Markets	732	652	12	20	31	28
Group						
Europe	4 764	4 907	-3	6	38	40
US	4 083	3 990	2	2	33	32
Asia/Africa/Australasia	2 733	2 675	2	5	22	22
Canada and Latin America	951	839	13	15	7	6
Total	**12 531**	**12 411**	**1**	**5**	**100**	**100**
Of which in Established Markets	9 146	9 220	-1	3	73	74
Of which in Emerging Growth Markets	3 385	3 191	6	12	27	26

[1] Net sales to third parties 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.

[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 35.

Segmentation – Net sales by business franchise

Innovative Medicines Division net sales by business franchise

First quarter

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc[2]
Hematology				
Promacta/Revolade	491	463	6	9
Tasigna	461	515	-10	-7
Jakavi	389	363	7	14
Gleevec/Glivec	198	272	-27	-25
Kymriah	127	151	-16	-13
Exjade/Jadenu	110	153	-28	-24
Adakveo	44	37	19	20
Scemblix	25		nm	nm
Other	75	103	-27	-25
Total Hematology	**1 920**	**2 057**	**-7**	**-3**
Solid Tumor				
Tafinlar + Mekinist	403	393	3	7
Sandostatin	320	358	-11	-9
Kisqali	239	195	23	28
Afinitor/Votubia	138	254	-46	-43
Votrient	129	143	-10	-7
Lutathera	125	122	2	4
Piqray	73	78	-6	-6
Tabrecta	31	17	82	75
Other	146	165	-12	-7
Total Solid Tumor	**1 604**	**1 725**	**-7**	**-4**
Total Novartis Oncology business unit	**3 524**	**3 782**	**-7**	**-3**
Immunology, Hepatology and Dermatology				
Cosentyx	1 159	1 053	10	12
Ilaris	285	256	11	18
Other	1		nm	nm
Total Immunology, Hepatology and Dermatology	**1 445**	**1 309**	**10**	**13**
Neuroscience				
Gilenya	605	707	-14	-11
Zolgensma	363	319	14	18
Kesimpta	195	50	nm	nm
Mayzent	79	55	44	47
Aimovig	54	47	15	22
Other	9	12	-25	-36
Total Neuroscience	**1 305**	**1 190**	**10**	**13**
Cardiovascular, Renal and Metabolism				
Entresto	1 093	789	39	42
Leqvio	14	1	nm	nm
Total Cardiovascular, Renal and Metabolism	**1 107**	**790**	**40**	**43**
Ophthalmology				
Lucentis	520	545	-5	0
Xiidra	107	108	-1	-2
Beovu	48	39	23	29
Other	312	399	-22	-18
Total Ophthalmology	**987**	**1 091**	**-10**	**-5**
Respiratory and Allergy				
Xolair[1]	368	335	10	17
Ultibro Group	132	149	-11	-6
Enerzair Group	14	4	nm	nm
Other	6	5	20	9
Total Respiratory and Allergy	**520**	**493**	**5**	**13**
Established Medicines				
Galvus Group	216	262	-18	-10
Exforge Group	200	254	-21	-19
Diovan Group	191	214	-11	-8
Zortress/Certican	90	107	-16	-10
Voltaren/Cataflam	85	86	-1	5
Neoral/Sandimmun(e)	82	94	-13	-8
Contract manufacturing	49		nm	nm
Other	375	432	-13	-10
Total Established Medicines	**1 288**	**1 449**	**-11**	**-6**
Total Novartis Pharmaceuticals business unit	**6 652**	**6 322**	**5**	**9**
Total division net sales	**10 176**	**10 104**	**1**	**4**

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

[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 35.

nm = not meaningful

Net sales of the top 20 Innovative Medicines Division products in 2022

First quarter

			US		Rest of world			**Total**		
Brands	**Business franchise**	**Key indication**	USD m	% change USD/cc[2]	USD m	% change USD	% change cc[2]	USD m	% change USD	% change cc[2]
Cosentyx	Immunology, Hepatology and Dermatology	Psoriasis, ankylosing spondylitis, psoriatic arthritis and non-radiographic axial spondyloarthritis	659	2	500	23	28	1 159	10	12
Entresto	Cardiovascular, Renal and Metabolism	Chronic heart failure	542	42	551	35	42	1 093	39	42
Gilenya	Neuroscience	Relapsing multiple sclerosis	306	-14	299	-15	-9	605	-14	-11
Lucentis	Ophthalmology	Age-related macular degeneration			520	-5	0	520	-5	0
Promacta/Revolade	Hematology	Immune thrombocytopenia (ITP), severe aplastic anemia (SAA)	247	12	244	0	7	491	6	9
Tasigna	Hematology	Chronic myeloid leukemia	202	-4	259	-15	-10	461	-10	-7
Tafinlar + Mekinist	Solid Tumor	BRAF V600+ metastatic and adjuvant melanoma; advanced non-small cell lung cancer (NSCLC)	154	10	249	-2	5	403	3	7
Jakavi	Hematology	Myelofibrosis (MF), polycythemia vera (PV)			389	7	14	389	7	14
Xolair[1]	Respiratory and Allergy	Severe allergic asthma (SAA), chronic spontaneous urticaria (CSU) and nasal polyps			368	10	17	368	10	17
Zolgensma	Neuroscience	Spinal muscular atrophy (SMA)	113	-5	250	25	32	363	14	18
Sandostatin	Solid Tumor	Carcinoid tumors and acromegaly	200	-6	120	-18	-14	320	-11	-9
Ilaris	Immunology, Hepatology and Dermatology	Auto-inflammatory (CAPS, TRAPS, HIDS/MKD, FMF, SJIA, AOSD and gout)	126	18	159	7	18	285	11	18
Kisqali	Solid Tumor	HR+/HER2- metastatic breast cancer	79	11	160	29	37	239	23	28
Galvus Group	Established Medicines	Type 2 diabetes			216	-18	-10	216	-18	-10
Exforge Group	Established Medicines	Hypertension	4	33	196	-22	-19	200	-21	-19
Gleevec/Glivec	Hematology	Chronic myeloid leukemia and GIST	50	-32	148	-25	-23	198	-27	-25
Kesimpta	Neuroscience	Relapsing remitting multiple sclerosis	172	nm	23	nm	nm	195	nm	nm
Diovan Group	Established Medicines	Hypertension	13	-35	178	-8	-5	191	-11	-8
Afinitor/Votubia	Solid Tumor	Breast cancer/TSC	47	-69	91	-12	-6	138	-46	-43
Ultibro Group	Respiratory and Allergy	Chronic obstructive pulmonary disease (COPD)			132	-11	-6	132	-11	-6
Top 20 products total			**2 914**	**6**	**5 052**	**1**	**7**	**7 966**	**3**	**7**
Rest of portfolio			733	-7	1 477	-6	-1	2 210	-6	-3
Total division sales			**3 647**	**3**	**6 529**	**0**	**5**	**10 176**	**1**	**4**

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

[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 35.

nm = not meaningful

Sandoz Division net sales by business franchise

First quarter

	Q1 2022 USD m	Q1 2021 USD m	% change USD	% change cc[2]
Retail Generics [1]	1 768	1 679	5	11
Biopharmaceuticals	515	511	1	7
Anti-Infectives [1]	72	117	-38	-37
Total division net sales	**2 355**	**2 307**	**2**	**8**

[1] Sandoz total anti-infectives net sales amounted to USD 269 million (Q1 2021: USD 263 million), of which USD 197 million (Q1 2021: USD 146 million) is sold through the Retail Generics business franchise and USD 72 million (Q1 2021: USD 117 million) is sold to other third-party companies through the Anti-Infectives business franchise.
[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 35.

The product portfolio of Sandoz is widely spread in 2022 and 2021.

Segmentation – Other revenue

First quarter

	Innovative Medicines		**Sandoz**		**Corporate**		**Group**	
(USD millions)	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021
Profit sharing income	205	191					205	191
Royalty income	3	23	5	6	3	4	11	33
Milestone income	19	39		1			19	40
Other [1]	47	17	1	2			48	19
Total other revenues	**274**	**270**	**6**	**9**	**3**	**4**	**283**	**283**

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

10. Events subsequent to the March 31, 2022, consolidated balance sheet date

Bond repayment
On April 19, 2022, Novartis repaid a USD 1 billion bond, in advance of its maturity date of May 17, 2022, at no additional cost.

Supplementary information (unaudited)

Non-IFRS disclosures

Novartis uses certain non-IFRS metrics when measuring performance, especially when measuring current-year results against prior periods, including core results, constant currencies, free cash flow and net debt.

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

Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS 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 Group's management assesses underlying performance. These non-IFRS measures are not, and should not be viewed as, a substitute for IFRS measures.

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

Core results

The Group'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, 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, 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 Group'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 and other measures as important factors in assessing the Group's performance.

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

- In addition to monthly reports containing financial information prepared under International Financial Reporting Standards (IFRS), senior management receives a monthly analysis incorporating these core measures.
- Annual budgets are prepared for both IFRS and core measures.

As an internal measure of Group performance, the core results measures have limitations, and the Group'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 Group'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 Group'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, 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 Group'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 to the prior year is shown as a positive growth.

Free cash flow

Novartis defines free cash flow as net cash flows from operating activities and cash flows from investing activities associated with purchases and sales of property, plant and equipment, of intangible assets, of financial assets and of other non-current assets. Excluded from free cash flow are cash flows from investing activities associated with acquisitions and divestments of businesses and of interests in associated companies, purchases and sales of marketable securities, commodities,

time deposits and net cash flows from financing activities.

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. Free cash flow is presented as additional information because management believes it is a useful supplemental indicator of the Group'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.

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 a non-IFRS measure, which means it should not be interpreted as a measure determined under IFRS. Net debt is presented as additional information because management believes it is a useful supplemental indicator of the Group's ability to pay dividends, to meet financial commitments, and to invest in new strategic opportunities, including strengthening its balance sheet.

CORE RESULTS – Reconciliation from IFRS results to core results – Group

First quarter

	Innovative Medicines		Sandoz		Corporate		Group	
(USD millions unless indicated otherwise)	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021	**Q1 2022**	Q1 2021
IFRS operating income	**2 607**	**2 242**	**419**	**312**	**-174**	**-139**	**2 852**	**2 415**
Amortization of intangible assets	**878**	**889**	**58**	**64**			**936**	**953**
Impairments								
Intangible assets	37	201		1			37	202
Property, plant and equipment related to the Group-wide rationalization of manufacturing sites	17	112		19			17	131
Other property, plant and equipment								
Total impairment charges	**54**	**313**		**20**			**54**	**333**
Acquisition or divestment of businesses and related items								
- Income		-1			-2	-5	-2	-6
- Expense		1				9		10
Total acquisition or divestment of businesses and related items, net					**-2**	**4**	**-2**	**4**
Other items								
Divestment gains		-9		-4	-18	-32	-18	-45
Financial assets – fair value adjustments	32	-107			70	6	102	-101
Restructuring and related items								
- Income	-4	-12	-6	-1			-10	-13
- Expense	143	310	46	29	17	4	206	343
Legal-related items								
- Income	-51			-11			-51	-11
- Expense		1	6	37			6	38
Additional income	-15	-18	-2	-1			-17	-19
Additional expense	8	57	17			3	25	60
Total other items	**113**	**222**	**61**	**49**	**69**	**-19**	**243**	**252**
Total adjustments	**1 045**	**1 424**	**119**	**133**	**67**	**-15**	**1 231**	**1 542**
Core operating income	**3 652**	**3 666**	**538**	**445**	**-107**	**-154**	**4 083**	**3 957**
as % of net sales	*35.9%*	*36.3%*	*22.8%*	*19.3%*			*32.6%*	*31.9%*
(Loss)/income from associated companies					-2	256	-2	256
Core adjustments to income from associated companies, net of tax						57		57
Interest expense							-201	-202
Other financial income and expense							20	-19
Core adjustments to other financial income and expense							12	14
Income taxes, adjusted for above items (core income taxes)							-661	-650
Core net income							**3 251**	**3 413**
Core net income attributable to shareholders of Novartis AG							**3 254**	**3 413**
Core basic EPS (USD) [1]							**1.46**	**1.52**

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

CORE RESULTS – Reconciliation from IFRS results to core results – Group

First quarter

(USD millions unless indicated otherwise)	Q1 2022 IFRS results	Amortization of intangible assets[1]	Impairments[2]	Acquisition or divestment of businesses and related items[3]	Other items[4]	Q1 2022 Core results	Q1 2021 Core results
Gross profit	**8 958**	**901**			**101**	**9 960**	**9 787**
Operating income	**2 852**	**936**	**54**	**-2**	**243**	**4 083**	**3 957**
Income before taxes	**2 669**	**936**	**54**	**-2**	**255**	**3 912**	**4 063**
Income taxes[5]	-450					-661	-650
Net income	**2 219**					**3 251**	**3 413**
Basic EPS (USD)[6]	**1.00**					**1.46**	**1.52**
The following are adjustments to arrive at core gross profit							
Cost of goods sold	-3 856	901			101	-2 854	-2 907
The following are adjustments to arrive at core operating income							
Selling, general and administration	-3 512				14	-3 498	-3 520
Research and development	-2 320	35	37		-8	-2 256	-2 127
Other income	226		-1	-2	-96	127	86
Other expense	-500		18		232	-250	-269
The following are adjustments to arrive at core income before taxes							
Other financial income and expense	20				12	32	-5

[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 for technologies

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

[3] Acquisition or divestment of businesses and related items, including restructuring and integration charges: other income includes adjustments to portfolio transformation provisions

[4] Other items: cost of goods sold, other income and other expense include net restructuring and other charges related to the Group-wide rationalization of manufacturing sites; cost of goods sold, selling, general and administration, other income and other expense include other restructuring income and charges and related items; cost of goods sold and selling, general and administration also include adjustments to provisions and related items; cost of goods sold and research and development include contingent consideration adjustments; other income and other expense include fair value adjustments and divestment gains and losses on financial assets; other income also includes legal-related items and a curtailment gain; other expense includes a change in an accrual and legal-related items; other financial income and expense includes a charge related to the monetary loss due to hyperinflation in Argentina and a revaluation impact of a financial liability incurred through the Alcon distribution

[5] Taxes on the adjustments between IFRS and core results take into account, for each individual item included in the adjustment, 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. Due to these factors and the differing effective tax rates in the various jurisdictions, the tax on the total adjustments of USD 1.2 billion to arrive at the core results before tax amounts to USD 211 million. The average tax rate on the adjustments is 17.0% since the estimated full year core tax charge of 16.9% has been applied to the pre-tax income of the period.

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

CORE RESULTS – Reconciliation from IFRS results to core results – Innovative Medicines

First quarter

(USD millions)	Q1 2022 IFRS results	Amortization of intangible assets[1]	Impairments[2]	Acquisition or divestment of businesses and related items	Other items[3]	Q1 2022 Core results	Q1 2021 Core results
Gross profit	**7 766**	**843**			**73**	**8 682**	**8 600**
Operating income	**2 607**	**878**	**54**		**113**	**3 652**	**3 666**
The following are adjustments to arrive at core gross profit							
Cost of goods sold	-2 912	843			73	-1 996	-2 002
The following are adjustments to arrive at core operating income							
Selling, general and administration	-2 880				3	-2 877	-2 896
Research and development	-2 112	35	37		-8	-2 048	-1 914
Other income	145		-1		-62	82	56
Other expense	-312		18		107	-187	-180

[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 for technologies

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

[3] Other items: cost of goods sold and other expense include net restructuring and other charges related to the Group-wide rationalization of manufacturing sites; cost of goods sold, selling, general and administration, other income and other expense include other restructuring income and charges and related items; cost of goods sold and selling, general and administration also include adjustments to provisions and related items; cost of goods sold and research and development include contingent consideration adjustments; other income and other expense include fair value adjustments on financial assets; other income also includes legal-related items and a curtailment gain; other expense includes a change in an accrual

CORE RESULTS – Reconciliation from IFRS results to core results – Sandoz

First quarter

(USD millions)	Q1 2022 IFRS results	Amortization of intangible assets[1]	Impairments	Acquisition or divestment of businesses and related items	Other items[2]	Q1 2022 Core results	Q1 2021 Core results
Gross profit	**1 158**	**58**			**28**	**1 244**	**1 173**
Operating income	**419**	**58**			**61**	**538**	**445**
The following are adjustments to arrive at core gross profit							
Cost of goods sold	-1 250	58			28	-1 164	-1 196
The following are adjustments to arrive at core operating income							
Selling, general and administration	-514				10	-504	-503
Other income	48				-6	42	27
Other expense	-65				29	-36	-39

[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] Other items: cost of goods sold, other income and other expense include net restructuring and other charges related to the Group-wide rationalization of manufacturing sites; selling, general and administration includes adjustments to provisions and related items; other income and other expense include other restructuring income and charges and related items; other expense also includes legal-related items

CORE RESULTS – Reconciliation from IFRS results to core results – Corporate

First quarter

(USD millions)	Q1 2022 IFRS results	Amortization of intangible assets	Impairments	Acquisition or divestment of businesses and related items[1]	Other items[2]	Q1 2022 Core results	Q1 2021 Core results
Gross profit	**34**					**34**	**14**
Operating loss	**-174**			**-2**	**69**	**-107**	**-154**
The following are adjustments to arrive at core operating loss							
Selling, general and administration	-118				1	-117	-121
Other income	33			-2	-28	3	3
Other expense	-123				96	-27	-50

[1] Acquisition or divestment of businesses and related items, including restructuring and integration charges: other income includes adjustments to portfolio transformation provisions
[2] Other items: selling, general and administration and other expense include restructuring charges and related items; other income and other expense include fair value adjustments and divestment gains and losses on financial assets

Reconciliation of 2021 IFRS results and non-IFRS measures core results and free cash flow to exclude the impacts of the 2021 divestment of our Roche investment

To enhance investor understanding of the Group's performance in comparison with the prior year, we presented the 2021 IFRS results and non-IFRS measures core results and free cash flow excluding the impacts related to our Roche investment, due to its divestment in the fourth quarter of 2021.

The following tables provide a reconciliation of our 2021 published IFRS results and non-IFRS measures core results and free cash flow to the 2021 results, excluding the impacts related to our Roche investment, due to its divestment.

	Q1 2021		
(USD million unless indicated otherwise)	Results as published	Our Roche investment impacts	Results excluding impacts from the divestment of our Roche investment
Operating income	**2 415**		**2 415**
Income from associated companies	256	-256	0
Interest expense and other financial income and expense	-221		-221
Income before tax	**2 450**	**-256**	**2 194**
Income taxes	-391		-391
Net income	**2 059**	**-256**	**1 803**
Earnings per share (USD)	**0.91**	**-0.11**	**0.80**
Effective tax rate [1]	*16.0%*		*17.8%*
Core operating income	**3 957**		**3 957**
Core income from associated companies	313	-313	0
Core interest expense and core other financial income and expense	-207		-207
Core income before tax	**4 063**	**-313**	**3 750**
Core income taxes	-650		-650
Core net income	3 413	-313	3 100
Core earnings per share (USD)	**1.52**	**-0.14**	**1.38**
Core effective tax rate [2]	*16.0%*		*17.3%*
Free cash flow [3]	**1 597**	**-522**	**1 075**

[1] Effective tax rate is calculated as Income taxes divided by Income before tax.
[2] Core effective tax rate is calculated as Core income taxes divided by Core income before tax.
[3] The free cash flow impact represents the dividend received in Q1 2021 from Roche in relation to the distribution of its 2020 net income.

(USD million)	Free cash flow as published	Q1 2021 Dividends received from Roche in relation to the distribution of its 2020 net income[1]	Free cash flow excluding dividends received from Roche
Operating income	**2 415**		**2 415**
Adjustments for non-cash items	2 010		2 010
Operating income adjusted for non-cash items	**4 425**		**4 425**
Dividends received from associated companies and others	522	-522	0
Interest and other financial payments, net	-391		-391
Income taxes paid	-735		-735
Other operating cash flow items, net	-1 691		-1 691
Net cash flows from operating activities	**2 130**	**-522**	**1 608**
Net purchases of property, plant and equipment, intangible assets, financial assets and other non-current assets	-533		-533
Free cash flow	**1 597**	**-522**	**1 075**

[1] In 2021, the dividend received from Roche in relation to the distribution of its 2020 net income was received in Q1 2021.

The following table provides a summary of the percentage point impact from excluding the effect of the divestment of our investment in Roche (in Q4 2021) on the USD and constant currencies % change on key Group figures.

	In USD			In constant currencies		
	% change as published Q1 2022	% change excluding impacts from the divestment of our Roche investment Q1 2022	Percentage point impact Q1 2022	% change as published Q1 2022	% change excluding impacts from the divestment of our Roche investment Q1 2022	Percentage point impact Q1 2022
Net income	8	23	-15	15	32	-17
Basic earnings per share (USD)	10	25	-15	17	34	-17
Free cash flow	-42	-14	-28			
Core net income	-5	5	-10	0	11	-11
Core basic earnings per share (USD)	-4	6	-10	2	12	-10

Net debt

Condensed consolidated changes in net debt

First quarter

(USD millions)	Q1 2022	Q1 2021
Net change in cash and cash equivalents	**1 445**	**-5 857**
Change in marketable securities, commodities, time deposits, financial debts and derivatives financial instruments	-11 255	-1 497
Change in net debt	**-9 810**	**-7 354**
Net debt at January 1	-868	-24 481
Net debt at March 31	**-10 678**	**-31 835**

Components of net debt

(USD millions)	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Non-current financial debts	-22 796	-22 902	-25 747
Current financial debts and derivative financial instruments	-6 696	-6 295	-10 165
Total financial debts	**-29 492**	**-29 197**	**-35 912**
Less liquidity			
Cash and cash equivalents	13 852	12 407	3 801
Marketable securities, commodities, time deposits and derivative financial instruments	4 962	15 922	276
Total liquidity	**18 814**	**28 329**	**4 077**
Net debt at end of period	**-10 678**	**-868**	**-31 835**

Share information

	Mar 31, 2022	Mar 31, 2021
Number of shares outstanding	**2 212 584 901**	2 245 088 809
Registered share price (CHF)	**81.25**	80.77
ADR price (USD)	**87.75**	85.48
Market capitalization (USD billions) [1]	**194.7**	192.4
Market capitalization (CHF billions) [1]	**179.8**	181.3

[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.

Free cash flow

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

First quarter

	Q1 2022			Q1 2021		
(USD millions)	IFRS cash flow	Adjustments	Free cash flow	IFRS cash flow	Adjustments	Free cash flow
Net cash flows from operating activities	**1 649**		**1 649**	**2 130**		**2 130**
Net cash flows from investing activities from continuing operations [1]	**9 365**	**-10 094**	**-729**	**785**	**-1 318**	**-533**
Net cash flows used in investing activities from discontinued operations [2]				-5	5	0
Net cash flows from investing activities	**9 365**	**-10 094**	**-729**	**780**	**-1 313**	**-533**
Net cash flows used in financing activities from continuing operations [3]	**-9 528**	**9 528**	**0**	**-8 529**	**8 529**	0
Net cash flows used in financing activities from discontinued operations [2]				-11	11	0
Net cash flows used in financing activities	**-9 528**	**9 528**	**0**	**-8 540**	**8 540**	**0**
Free cash flow			**920**			**1 597**

[1] Excluded from the free cash flow are cash flows from investing activities associated with acquisitions and divestments of businesses and of interest in associated companies, purchases and sales of marketable securities, commodities and time deposits.

[2] Net cash flows used in investing activities from discontinued operations are activities associated with acquisitions and divestments of businesses which are excluded from the free cash flow. Net cash flows used in financing activities from discontinued operations are excluded from free cash flow. Free cash flow from discontinued operations in the first quarter of 2022 and 2021 was nil.

[3] Net cash flows used in financing activities from continuing operations are excluded from the free cash flow.

The following table is a summary of the free cash flow:

First quarter

(USD millions)	**Q1 2022**	Q1 2021
Operating income	**2 852**	**2 415**
Adjustments for non-cash items		
Depreciation, amortization and impairments	1 507	1 596
Change in provisions and other non-current liabilities	88	277
Other	125	137
Operating income adjusted for non-cash items	**4 572**	**4 425**
Dividends received from associated companies and others		522
Interest received	17	4
Interest and other financial payments	-140	-395
Income taxes paid	-633	-735
Payments out of provisions and other net cash movements in non-current liabilities	-156	-217
Change in inventories and trade receivables less trade payables	-1 064	-743
Change in other net current assets and other operating cash flow items	-947	-731
Net cash flows from operating activities	**1 649**	**2 130**
Purchases of property, plant and equipment	-257	-246
Proceeds from sale of property, plant and equipment	33	66
Purchases of intangible assets	-602	-612
Proceeds from sale of intangible assets	66	83
Purchases of financial assets	-35	-36
Proceeds from sale of financial assets	66	224
Purchases of other non-current assets		-12
Free cash flow	**920**	**1 597**

Effects of currency fluctuations

Principal currency translation rates

(USD per unit)	**Average rates Q1 2022**	Average rates Q1 2021	**Period-end rates Mar 31, 2022**	Period-end rates Mar 31, 2021
1 CHF	1.083	1.106	1.083	1.061
1 CNY	0.158	0.154	0.158	0.152
1 EUR	1.123	1.206	1.117	1.173
1 GBP	1.342	1.378	1.314	1.375
100 JPY	0.861	0.944	0.823	0.903
100 RUB	1.163	1.344	1.202	1.320

Currency impact on key figures

The following table provides a summary of the currency impact on key Group figures due to their conversion into US dollars, the Group'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.

First quarter

	Change in USD % Q1 2022	**Change in constant currencies % Q1 2022**	**Percentage point currency impact Q1 2022**	Change in USD % Q1 2021	Change in constant currencies % Q1 2021	Percentage point currency impact Q1 2021
Total Group						
Net sales to third parties	1	5	-4	1	-2	3
Operating income	18	26	-8	-12	-14	2
Net income	8	15	-7	-5	-7	2
Basic earnings per share (USD)	10	17	-7	-5	-6	1
Core operating income	3	9	-6	-5	-8	3
Core net income	-5	0	-5	-4	-6	2
Core basic earnings per share (USD)	-4	2	-6	-3	-5	2
Innovative Medicines						
Net sales to third parties	1	4	-3	4	0	4
Operating income	16	24	-8	-19	-20	1
Core operating income	0	5	-5	2	-1	3
Sandoz						
Net sales to third parties	2	8	-6	-9	-13	4
Operating income	34	42	-8	nm	nm	nm
Core operating income	21	26	-5	-34	-35	1
Corporate						
Operating loss	-25	-30	5	nm	nm	nm
Core operating loss	31	27	4	-50	-45	-5

nm = not meaningful

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 “growth,” “confidence,” “confident,” “outlook,” “accelerate,” “guidance,” “launch,” “focus,” “progressing,” “continue,” “continuing,” “continued,” “continues,” “driven,” “long-term,” “remains,” “enhancing,” “unlocking,” “potential,” “driving,” “to build,” “confidence,” “to fuel,” “can,” ongoing,” “progressing,” “expect,” “expects,” “expected,” “to provide,” “committed,” “could,” “would,” “to leverage,” “outlook,” “estimated,” “pipeline,” “priority,” “transformative,” “will,” “integrating,” “accelerating,” 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 potential future, pending or announced transactions, regarding potential future sales or earnings of the Group or any of its divisions; or by discussions of strategy, plans, expectations or intentions; or regarding the Group’s liquidity or cash flow positions and its ability to meet its ongoing financial obligations and operational needs; or regarding the strategic review of Sandoz; or regarding our commitment to net zero emissions across our value chain by 2040; or regarding our new organizational structure. 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: liquidity or cash flow disruptions affecting our ability to meet our ongoing financial obligations and to support our ongoing business activities; the potential that the strategic benefits, synergies or opportunities expected from our new organizational structure may not be realized or may be more difficult or take longer to realize than expected; the impact of a partial or complete failure of the return to normal global healthcare systems, including prescription dynamics; 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 potential significant breaches of data security or data privacy, or disruptions of our information technology systems; regulatory actions or delays or government regulation generally, including potential regulatory actions or delays with respect to the development of the products described in this press release; the uncertainties in the research and development of new healthcare products, including clinical trial results and additional analysis of existing clinical data; 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; safety, quality, data integrity, or manufacturing issues; uncertainties involved in the development or adoption of potentially transformational technologies and business models; uncertainties regarding actual or potential legal proceedings, investigations or disputes; our performance on environmental, social and governance measures; general political, economic and business conditions, including the effects of and efforts to mitigate pandemic diseases such as COVID-19; 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.

About Novartis

Novartis is reimagining medicine to improve and extend people's lives. As a leading global medicines company, we use innovative science and digital technologies to create transformative treatments in areas of great medical need. In our quest to find new medicines, we consistently rank among the world's top companies investing in research and development. Novartis products reach nearly 800 million people globally and we are finding innovative ways to expand access to our latest treatments. About 110,000 people of more than 140 nationalities work at Novartis around the world. Find out more at https://www.novartis.com.

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 Novartis divisions and pipeline of selected compounds in late stage development and a copy of today's earnings call presentation can be found at https://www.novartis.com/investors/event-calendar.

Important dates

July 19, 2022	Second quarter & Half year 2022 results
September 21/22, 2022	Meet Novartis Management (starts at 1800 CET in Basel on September 21)
October 25, 2022	Third quarter & Nine months 2022 results