Novartis Second Quarter and Half Year 2024

Condensed Interim Financial Report – Supplementary Data

NOVARTIS | Reimagining Medicine

Novartis Second Quarter and Half Year 2024 Condensed Interim Financial Report – Supplementary Data

Company

Key figures

Second quarter and half year

(USD millions unless indicated otherwise)	**Q2 2024 USD m**	Q2 2023 USD m	% change USD	% change cc[1]	**H1 2024 USD m**	H1 2023 USD m	% change USD	% change cc[1]
Net sales from continuing operations	**12 512**	**11 437**	**9**	**11**	**24 341**	**22 235**	**9**	**11**
Other revenues	360	308	17	17	651	557	17	17
Cost of goods sold	-3 173	-3 342	5	4	-6 269	-6 333	1	1
Gross profit from continuing operations	**9 699**	**8 403**	**15**	**18**	**18 723**	**16 459**	**14**	**16**
Selling, general and administration	-3 091	-3 091	0	-1	-5 931	-5 982	1	0
Research and development	-2 367	-2 304	-3	-4	-4 788	-4 879	2	2
Other income	273	135	102	100	522	1 098	-52	-53
Other expense	-500	-336	-49	-48	-1 139	-1 271	10	11
Operating income from continuing operations	**4 014**	**2 807**	**43**	**47**	**7 387**	**5 425**	**36**	**43**
% of net sales	*32.1*	*24.5*			*30.3*	*24.4*		
Loss from associated companies	-2	-2	0	20	-31	-4	nm	nm
Interest expense	-246	-216	-14	-17	-467	-416	-12	-15
Other financial income and expense	75	85	-12	41	81	189	-57	2
Income before taxes from continuing operations	**3 841**	**2 674**	**44**	**49**	**6 970**	**5 194**	**34**	**43**
Income taxes	-595	-403	-48	-53	-1 036	-773	-34	-43
Net income from continuing operations	**3 246**	**2 271**	**43**	**49**	**5 934**	**4 421**	**34**	**43**
Net income from discontinued operations		46	nm	nm		190	nm	nm
Net income	**3 246**	**2 317**	**nm**	**nm**	**5 934**	**4 611**	**nm**	**nm**
Basic earnings per share from continuing operations (USD)	**1.60**	**1.09**	**47**	**52**	**2.91**	**2.12**	**37**	**47**
Basic earnings per share from discontinued operations (USD)		0.02	nm	nm		0.08	nm	nm
Total basic earnings per share (USD)	**1.60**	**1.11**	**nm**	**nm**	**2.91**	**2.20**	**nm**	**nm**
Net cash flows from operating activities from continuing operations	**4 875**	**3 517**	**39**		**7 140**	**6 369**	**12**	
Non-IFRS measures [1]								
Free cash flow from continuing operations	**4 615**	**3 292**	**40**		**6 653**	**5 976**	**11**	
Core operating income from continuing operations	**4 953**	**4 240**	**17**	**19**	**9 490**	**8 146**	**16**	**21**
% of net sales	*39.6*	*37.1*			*39.0*	*36.6*		
Core net income from continuing operations	**4 008**	**3 502**	**14**	**18**	**7 689**	**6 735**	**14**	**19**
Core basic earnings per share from continuing operations (USD)	**1.97**	**1.69**	**17**	**21**	**3.77**	**3.23**	**17**	**22**

[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 43. Unless otherwise noted, all growth rates in this release refer to same period in prior-year.
nm = not meaningful

Strategy

Our focus

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

Our priorities

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

Financials

Following the September 15, 2023, shareholder approval of the spin-off of Sandoz, Novartis reported its consolidated financial statements as “continuing operations” and “discontinued operations.”

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

While the commentary below focuses on continuing operations, we also provide information on discontinued operations.

Continuing operations

Second quarter

Net sales

Net sales were USD 12.5 billion (+9%, +11% cc) with volume contributing 15 percentage points to growth. Generic competition had a negative impact of 2 percentage points and pricing had a negative impact of 2 percentage points. Sales in the US were USD 5.1 billion (+14%) and in the rest of the world USD 7.4 billion (+6%, +9% cc).

Sales growth was mainly driven by continued strong performance from *Entresto* (USD 1.9 billion, +25%, +28% cc), *Kesimpta* (USD 799 million, +63%, +65% cc), *Cosentyx* (USD 1.5 billion, +20%, +22% cc), *Kisqali* (USD 717 million, +45%, +50% cc), *Leqvio* (USD 182 million, +133%, +134% cc) and *Pluvicto* (USD 345 million, +44%, +44% cc), partly offset by erosion due to generic competition, mainly for *Gilenya* and *Lucentis*, and the *Xiidra* divestment.

In the US (USD 5.1 billion, +14%), sales growth was mainly driven by *Cosentyx, Entresto, Kesimpta, Kisqali* and *Pluvicto,* partly offset by the impact of generic competition on *Gilenya*, and the *Xiidra* divestment. In Europe (USD 3.9 billion, +5%, +6% cc), sales growth was mainly driven by *Kesimpta, Entresto, Kisqali, Pluvicto* and *Leqvio*, partly offset by increased generic competition for *Lucentis* and *Gilenya*. Sales in emerging growth markets were USD 3.3 billion (+12%, +16% cc), including USD 1.1 billion sales from China (+23%, +27% cc).

Operating income

Operating income was USD 4.0 billion (+43%, +47% cc), mainly driven by higher net sales and lower impairments, partly offset by higher R&D investments. Operating income margin was 32.1% of net sales, increasing 7.6

percentage points (+7.9 percentage points in cc). Other revenue as a percentage of sales increased by 0.2 percentage points (+0.1 percentage points cc). Cost of goods sold as a percentage of sales decreased by 3.8 percentage points (+4.1 percentage points cc). R&D expenses as a percentage of net sales decreased by 1.2 percentage points (+1.4 percentage points cc). SG&A expenses as a percentage of net sales decreased by 2.3 percentage points (+2.4 percentage points cc). Other income and expense as a percentage of net sales decreased the margin by 0.1 percentage points (-0.1 percentage points cc).

Core adjustments were USD 0.9 billion, mainly due to amortization, compared to USD 1.4 billion in the prior year. Core adjustments decreased compared to the prior year, mainly due to lower impairments.

Core operating income was USD 5.0 billion (+17%, +19% cc), mainly driven by higher net sales, partly offset by higher R&D investments. Core operating income margin was 39.6% of net sales, increasing 2.5 percentage points (+2.7 percentage points cc). Other revenue as a percentage of sales increased by 0.1 percentage points (cc). Core cost of goods sold as a percentage of sales increased by 0.7 percentage points (cc). Core R&D expenses as a percentage of net sales decreased by 0.5 percentage points (cc). Core SG&A expenses as a percentage of net sales decreased by 2.3 percentage points (cc). Core other income and expense as a percentage of net sales increased the margin by 0.5 percentage points (cc).

Interest expense and other financial income/expense

Interest expense amounted to USD 246 million and other financial income and expense amounted to an income of USD 75 million, both broadly in line with prior-year quarter.

Core other financial income and expense amounted to an income of USD 60 million compared to an income of USD 129 million in the prior-year quarter, mainly due to lower interest income.

Income taxes

The tax rate in the second quarter was 15.5% compared to 15.1% in the prior year. The increase from the prior year was mainly the result of the impact of the enactment of Pillar Two tax legislation in Switzerland, which became effective on January 1, 2024, partially offset by a change in profit mix and the effect of adjusting the current-year tax rate to the estimated full-year tax rate, which was lower than previously estimated.

The core tax rate (core taxes as a percentage of core income before tax) was 15.9% compared to 15.6% in the prior year. The increase from the prior year was mainly the result of the impact of the enactment of Pillar Two tax legislation in Switzerland, which became effective on January 1, 2024, partially offset by a change in profit mix and the effect of adjusting the current-year core tax rate to the estimated full-year core tax rate, which was lower than previously estimated.

Net income, EPS and free cash flow

Net income was USD 3.2 billion (+43%, +49% cc), mainly driven by higher operating income. Basic EPS was USD 1.60 (+47%, +52% cc), benefiting from lower weighted average number of shares outstanding.

Core net income was USD 4.0 billion (+14%, +18% cc), mainly due to higher core operating income. Core EPS was USD 1.97 (+17%, +21% cc), benefiting from lower weighted average number of shares outstanding.

Free cash flow from continuing operations amounted to USD 4.6 billion (+40% USD), compared with USD 3.3 billion in the prior-year quarter, driven by higher net cash flows from operating activities from continuing operations.

First half

Net sales

Net sales were USD 24.3 billion (+9%, +11% cc) with volume contributing 15 percentage points to growth. Generic competition had a negative impact of 2 percentage points and pricing had a negative impact of 2 percentage points. Sales in the US were USD 9.7 billion (+14%) and in the rest of the world USD 14.6 billion (+7%, +10% cc).

Sales growth was mainly driven by continued strong performance from *Entresto* (USD 3.8 billion, +30%, +32% cc), *Kesimpta* (USD 1.4 billion, +64%, +66% cc), *Cosentyx* (USD 2.9 billion, +21%, +23% cc), *Kisqali* (USD 1.3 billion, +48%, +52% cc), *Pluvicto* (USD 655 million, +45%, +45% cc) and *Leqvio* (USD 333 million, +135%, +137% cc), partly offset by erosion due to generic competition, mainly for *Lucentis* and *Gilenya*, and the *Xiidra* divestment.

In the US (USD 9.7 billion, +14%), sales growth was mainly driven by *Entresto, Cosentyx, Kesimpta, Kisqali, Pluvicto* and *Leqvio*, partly offset by the impact of generic competition on *Gilenya,* and the *Xiidra* divestment. In Europe (USD 7.6 billion, +4%, +5% cc), sales growth was mainly driven by *Kesimpta, Entresto, Kisqali, Jakavi* and *Pluvicto,* partly offset by erosion due to generic competition, mainly for *Lucentis* and *Gilenya*. Sales in emerging growth markets were USD 6.7 billion (+14%, +19% cc), including USD 2.1 billion sales from China (+24%, +29% cc).

Operating income

Operating income was USD 7.4 billion (+36%, +43% cc), mainly driven by higher net sales, lower impairments and restructuring charges, partly offset by prior-year one-time income from legal matters. Operating income margin was 30.3% of net sales, increasing 5.9 percentage points (+6.8 percentage points in cc). Other revenue as a percentage of sales increased by 0.2 percentage points (+0.1 percentage points cc). Cost of goods sold as a percentage of sales decreased by 2.7 percentage points (+3.2 percentage points cc). R&D expenses as a percentage of net sales decreased by 2.2 percentage points (+2.6 percentage points cc). SG&A expenses as a percentage of net sales decreased by 2.6 percentage points (+2.7 percentage points cc). Other income and expense as a percentage of net sales decreased the margin by 1.8 percentage points (-1.8 percentage points cc).

Core adjustments were USD 2.1 billion, mainly due to amortization, compared to USD 2.7 billion in the prior year. Core adjustments decreased compared to the prior year, mainly due to lower impairments and restructuring charges, partly offset by prior-year one-time income from legal matters.

Core operating income was USD 9.5 billion (+16%, +21% cc), mainly driven by higher net sales, partly offset by higher R&D investments. Core operating income margin was 39.0% of net sales, increasing 2.4 percentage points (+3.1 percentage points cc). Other revenue as a percentage of sales increased by 0.1 percentage points (cc). Core cost of goods sold as a percentage of sales increased by 0.5 percentage points (cc). Core R&D expenses as a percentage of net sales decreased by 0.7 percentage points (cc). Core SG&A expenses as a percentage of net sales decreased by 2.5 percentage points (cc). Core other income and expense as a percentage of net sales increased the margin by 0.3 percentage points (cc).

Interest expense and other financial income/expense

Interest expense amounted to USD 467 million and was broadly in line with the prior year. Other financial income and expense amounted to an income of USD 81 million compared with an income of USD 189 million in the prior year, mainly due to higher net losses from the impact of IAS Standards 29 “Financial Reporting in Hyperinflationary Economies” and lower interest income, partly offset by realized gains on sale of financial assets.

Core other financial income and expense amounted to an income of USD 156 million compared to an income of USD 247 million in the prior year, mainly due to lower interest income.

Income taxes

The tax rate in the first half was 14.9% compared to 14.9% in the prior year period. The current year tax rate was favorably impacted by the effect of changes in uncertain tax positions. The prior-year tax rate was favorably impacted by the effect of non-taxable income recognized related to a legal matter. Excluding these impacts, the current and prior-year tax rate would have been 16.3% and 15.3% respectively. The increase from the prior year was mainly the result of a change in profit mix and the impact of the enactment of Pillar Two tax legislation in Switzerland, which became effective on January 1, 2024.

The core tax rate (core taxes as a percentage of core income before tax) was 16.2% in the first half and 15.5% in the prior-year period. The increase from the prior year was mainly the result of a change in profit mix and the impact of the enactment of Pillar Two tax legislation in Switzerland, which became effective on January 1, 2024.

Net income, EPS and free cash flow

Net income was USD 5.9 billion (+34%, +43% cc), mainly driven by higher operating income. EPS was USD 2.91 (+37%, +47% cc), benefiting from the lower weighted average number of shares outstanding.

Core net income was USD 7.7 billion (+14%, +19% cc), mainly due to higher core operating income. Core EPS was USD 3.77 (+17%, +22% cc), benefiting from the lower weighted average number of shares outstanding.

Free cash flow from continuing operations amounted to USD 6.7 billion (+11% USD), compared with USD 6.0 billion in the prior-year period, driven by higher net cash flows from operating activities from continuing operations.

PRODUCT COMMENTARY (RELATING TO Q2 PERFORMANCE)

CARDIOVASCULAR, RENAL AND METABOLIC

	Q2 2024 USD m	Q2 2023 USD m	% change USD	% change cc	**H1 2024 USD m**	H1 2023 USD m	% change USD	% change cc
Cardiovascular, renal and metabolic								
Entresto	1 898	1 516	25	28	3 777	2 915	30	32
Leqvio	182	78	133	134	333	142	135	137
Total cardiovascular, renal and metabolic	**2 080**	**1 594**	**30**	**33**	**4 110**	**3 057**	**34**	**37**

Entresto (USD 1 898 million, +25%, +28% cc) sustained robust demand-led growth. In the US and Europe, *Entresto* penetration grew through the continued adoption of guideline-directed medical therapy in heart failure. In China and Japan, *Entresto* volume growth was fueled by heart failure as well as increased penetration in hypertension. In the US, Novartis is in ANDA litigation with generic manufacturers. Novartis has appealed to reverse the negative US district court decision to uphold the validity of its combination patent covering *Entresto* and combinations of sacubitril and valsartan, which expires in 2025 (with pediatric exclusivity). Several generics have received final approval in the US. Any US commercial launch of a generic *Entresto* product prior to the final outcome of Novartis combination patent appeal, or ongoing litigations involving other patents, may be at risk of later litigation developments.

Leqvio (USD 182 million, +133%, +134% cc) launch in the US and other markets is ongoing, delivering a medicine with powerful and consistent LDL-C reduction in two doses per year. Focus remains on increased account and patient adoption, growing customer confidence in acquisition and access, and continuing medical education. *Leqvio* is now approved in 96 countries. Novartis obtained global rights to develop, manufacture and commercialize *Leqvio* under a license and collaboration agreement with Alnylam Pharmaceuticals.

IMMUNOLOGY

	Q2 2024 USD m	Q2 2023 USD m	% change USD	% change cc	**H1 2024 USD m**	H1 2023 USD m	% change USD	% change cc
Immunology								
Cosentyx	1 526	1 272	20	22	2 852	2 348	21	23
Xolair [1]	427	362	18	22	826	716	15	18
Ilaris	368	316	16	20	724	644	12	17
Other	1		nm	nm	1		nm	nm
Total immunology	**2 322**	**1 950**	**19**	**22**	**4 403**	**3 708**	**19**	**21**

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

Cosentyx (USD 1 526 million, +20%, +22% cc) sales grew mainly in the US, driven by strong demand for new indication (HS) and formulation (IV) launches, in addition to growth in core indications (PsO, PsA, AS and nr-axSpA). Ex-US performance was driven by robust demand-led growth, including the HS indication launch, partly offset by one-off pricing effects. Since initial approval in 2015, *Cosentyx* has shown sustained efficacy and a robust safety profile, treating more than 1.4 million patients across 8 indications.

Xolair (USD 427 million, ex-US +18%, +22% cc) growth was driven mainly by emerging growth markets and Europe. Novartis co-promotes *Xolair* with Genentech in the US and shares a portion of revenue as operating income but does not record any US sales.

Ilaris (USD 368 million, +16%, +20% cc) sales grew across all regions, led by US and Europe. Contributors to growth include strong performance in the Periodic Fever Syndromes and Still's disease indications.

NEUROSCIENCE

	Q2 2024 USD m	Q2 2023 USD m	% change USD	% change cc	**H1 2024 USD m**	H1 2023 USD m	% change USD	% change cc
Neuroscience								
Kesimpta	799	489	63	65	1 436	873	64	66
Zolgensma	349	311	12	14	644	620	4	6
Aimovig	77	67	15	16	153	128	20	19
Other					1		nm	nm
Total neuroscience	**1 225**	**867**	**41**	**43**	**2 234**	**1 621**	**38**	**39**

nm = not meaningful

Kesimpta (USD 799 million, +63%, +65% cc) sales grew across all regions driven by increased demand and strong access. *Kesimpta* is a high efficacy B-cell therapy, with a favorable safety and tolerability profile and an at-home self-administration for a broad population of RMS patients. *Kesimpta* is now approved in 90 countries with more than 100 thousand patients treated.

Zolgensma (USD 349 million, +12%, +14% cc) sales grew particularly in the US and continues to treat mainly incident patients in established markets. *Zolgensma* is now approved in 55 countries with more than 4 thousand patients treated globally through clinical trials, managed access programs and in the commercial setting.

Aimovig (USD 77 million, ex-US, ex-Japan +15%, +16% cc) sales grew mainly in Europe driven by increased demand for migraine prevention. Novartis commercializes *Aimovig* ex-US and ex-Japan, while Amgen retains all rights in the US and in Japan.

ONCOLOGY

	Q2 2024 USD m	Q2 2023 USD m	% change USD	% change cc	**H1 2024 USD m**	H1 2023 USD m	% change USD	% change cc
Oncology								
Kisqali	717	493	45	50	1 344	908	48	52
Promacta/Revolade	544	583	-7	-5	1 064	1 130	-6	-4
Tafinlar + Mekinist [1]	523	496	5	9	997	954	5	7
Jakavi	471	435	8	13	949	849	12	15
Tasigna	446	476	-6	-4	841	938	-10	-9
Pluvicto	345	240	44	44	655	451	45	45
Lutathera	175	150	17	17	344	299	15	16
Scemblix	164	106	55	56	300	182	65	67
Kymriah	113	129	-12	-11	233	264	-12	-10
Piqray/Vijoice	120	130	-8	-7	229	246	-7	-6
Fabhalta	22		nm	nm	28		nm	nm
Other						1	nm	nm
Total oncology	**3 640**	**3 238**	**12**	**15**	**6 984**	**6 222**	**12**	**14**

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

Kisqali (USD 717 million, +45%, +50% cc) sales grew strongly across all regions, based on increasing recognition of its consistently reported overall survival in HR+/HER2- advanced breast cancer, Category 1 NCCN guidelines recommendation and highest ESMO-Magnitude of Clinical Benefit Scale scores in the CDK4/6 inhibitor class. Novartis is in US ANDA litigation with a generic manufacturer.

Promacta/Revolade (USD 544 million, –7%, –5% cc) sales declined mainly in the US due to higher revenue deductions.

Tafinlar + Mekinist (USD 523 million, +5%, +9% cc) sales grew across all regions driven by demand in BRAF+ adjuvant melanoma, NSCLC and tumor agnostic indications, while maintaining demand in the highly competitive BRAF+ metastatic melanoma market.

Jakavi (USD 471 million, ex-US +8%, +13% cc) sales grew across all regions, driven by strong demand in both myelofibrosis and polycythemia vera indications. Incyte retains all rights to ruxolitinib (Jakafi®) in the US.

Tasigna (USD 446 million, –6%, –4% cc) sales declined across most regions due to lower demand.

Pluvicto (USD 345 million, +44%, +44% cc) sales grew mainly in the US and Europe. *Pluvicto* is the only radioligand therapy approved by the FDA for the treatment of adult patients with progressive, PSMA-positive metastatic castration-resistant prostate cancer, who have already been treated with other anti-cancer treatments (ARPI and taxane-based chemotherapy). *Pluvicto* is now on the market in several EU countries.

Lutathera (USD 175 million, +17%, +17% cc) sales grew across all regions due to increased demand. Following the presentation of Phase III NETTER-2 data at ASCO GI in January, promotion has started in the US, where the 1L population is within the current indication for *Lutathera*. Growth in international markets was mainly driven by Europe and Japan.

Scemblix (USD 164 million, +55%, +56% cc) sales grew across all regions, demonstrating continued high unmet need for effective and tolerable treatment options for CML patients treated with two or more tyrosine kinase inhibitors.

Kymriah (USD 113 million, –12%, –11% cc) sales declined in most markets, partly offset by strong performance in pediatric and young adult patients up to 25 years of age with B-cell acute lymphoblastic leukemia (pALL), and follicular lymphoma indication uptake ex-US.

Piqray/Vijoice (USD 120 million, –8%, –7% cc) sales declined mainly in the US, driven by higher revenue deduction adjustments.

Fabhalta (USD 22 million) continues to show encouraging early launch indicators in the US, as the first oral monotherapy for the treatment of adults with paroxysmal nocturnal hemoglobinuria (PNH).

ESTABLISHED BRANDS

	Q2 2024 USD m	Q2 2023 USD m	% change USD	% change cc	**H1 2024 USD m**	H1 2023 USD m	% change USD	% change cc
Established brands								
Sandostatin Group	313	331	-5	-4	668	660	1	3
Lucentis	275	395	-30	-28	589	811	-27	-26
Exforge Group	178	184	-3	1	370	370	0	3
Gilenya	138	269	-49	-47	313	501	-38	-36
Diovan Group	160	155	3	9	300	313	-4	1
Galvus Group	150	175	-14	-5	299	358	-16	-9
Contract manufacturing	271	339	-20	-19	550	714	-23	-23
Other	1 760	1 940	-9	-10	3 521	3 900	-10	-10
Total established brands	**3 245**	**3 788**	**-14**	**-13**	**6 610**	**7 627**	**-13**	**-12**

***Sandostatin* Group** (USD 313 million, –5%, –4% cc) sales declined mainly in the US due to timing in inventory shipments.

Lucentis (USD 275 million, ex-US –30%, –28% cc) sales declined in Europe, emerging growth markets and Japan, mainly due to competition.

***Exforge* Group** (USD 178 million, –3%, +1% cc) sales were largely stable, driven by growth (cc) in emerging growth markets.

Gilenya (USD 138 million, –49%, –47% cc) sales declined due to generic competition, mainly in the US and Europe.

***Diovan* Group** (USD 160 million, +3%, +9% cc) sales grew mainly in emerging growth markets.

***Galvus* Group** (USD 150 million, –14%, –5% cc) sales declined mainly in Europe.

Discontinued operations

Discontinued operations include the Sandoz generic pharmaceuticals and biosimilars division, certain corporate activities attributable to Sandoz and certain other expenses related to the spin-off of the Sandoz business.

Second quarter

As the Sandoz spin-off was completed on October 3, 2023, there were no operating results in the second quarter of 2024 related to discontinued operations. In the second quarter of 2023, discontinued operations net sales were USD 2.4 billion, operating income amounted to USD 113 million and net income from discontinued operations was USD 46 million. For further details see Note 3 “Significant acquisition of businesses and spin-off of Sandoz business” and Note 11 “Discontinued operations” to the condensed interim consolidated financial statements.

First half

As the Sandoz spin-off was completed on October 3, 2023, there were no operating results in the first half 2024 related to discontinued operations. In the first half 2023, discontinued operations net sales were USD 5.0 billion, operating income amounted to USD 351 million and net income from discontinued operations was USD 190 million. For further details see Note 3 “Significant acquisition of businesses and spin-off of Sandoz business” and Note 11 “Discontinued operations” to the condensed interim consolidated financial statements.

Total Company

Second quarter

Total Company net income was USD 3.2 billion in 2024, compared to USD 2.3 billion in 2023 and basic EPS was USD 1.60 compared to USD 1.11 in the prior-year quarter. Net cash flows from operating activities for total Company amounted to USD 4.9 billion and free cash flow amounted to USD 4.6 billion.

First half

Total Company net income was USD 5.9 billion in 2024, compared to USD 4.6 billion in 2023 and basic EPS was USD 2.91 compared to USD 2.20 in the prior year. Net cash flows from operating activities for total Company amounted to USD 7.1 billion and free cash flow amounted to USD 6.7 billion.

Company Cash Flow and Balance Sheet

Cash flow

Second quarter

Net cash flows from operating activities from continuing operations amounted to USD 4.9 billion, compared with USD 3.5 billion in the prior-year quarter. This increase was mainly driven by higher net income from continuing operations adjusted for non-cash items and other adjustments, including divestment gains, and lower income taxes paid, mainly due to the timing of income tax payments.

In the prior-year quarter, net cash flows from operating activities from discontinued operations amounted to USD 0.1 billion (Q2 2024: nil).

Net cash outflows used in investing activities from continuing operations amounted to USD 3.2 billion, compared with USD 1.0 billion in the prior-year quarter.

The current-year quarter net cash outflows used in investing activities from continuing operations were mainly driven by USD 3.3 billion for acquisitions and divestments of businesses including the acquisition of Mariana Oncology for USD 1.0 billion (USD 1.1 billion, net of cash acquired USD 0.1 billion) and the acquisition of MorphoSys AG for USD 2.3 billion (USD 2.5 billion, net of cash acquired USD 0.2 billion). Cash outflows for purchases of intangible assets amounted to USD 0.5 billion and of property, plant and equipment amounted to USD 0.3 billion. These were partly offset by cash inflows of USD 0.6 billion from the sale of financial assets (including USD 0.6 billion proceeds from the sale of Sandoz Group AG shares by consolidated foundations); and by net proceeds of USD 0.2 billion from the sale of marketable securities, commodities and time deposits.

In the prior-year quarter, net cash outflows used in investing activities from continuing operations of USD 1.0 billion were driven by USD 0.7 billion for the purchases of intangible assets; USD 0.2 billion for purchases of property, plant and equipment; and USD 0.1 billion for acquisitions and divestments of businesses, net.

In the prior-year quarter, net cash outflows used in investing activities from discontinued operations amounted to USD 0.1 billion (Q2 2024: nil).

Net cash outflows used in financing activities from continuing operations amounted to USD 3.2 billion, compared with USD 3.8 billion in the prior-year quarter.

The current-year quarter net cash outflows used in financing activities from continuing operations were mainly driven by the USD 2.4 billion payment (in April 2024 when it was due) of Swiss withholding tax on the dividend payment made in the first quarter 2024. Payments for treasury share transactions resulted in a net cash outflow of USD 1.6 billion and the repayment of a US dollar bond at maturity amounted to USD 2.15 billion. These were partly offset by cash inflows from the issuance of Swiss franc denominated bonds of USD 2.5 billion (notional amount of CHF 2.2 billion) and the net increase in current financial debts of USD 0.6 billion.

In the prior-year quarter, net cash outflows used in financing activities from continuing operations of USD 3.8 billion were driven by USD 3.0 billion for treasury share transactions and USD 0.7 billion from the net decrease in current financial debts.

In the prior-year quarter, net cash inflows from financing activities from discontinued operations amounted to USD 0.1 billion (Q2 2024: nil).

Free cash flow from continuing operations amounted to USD 4.6 billion (+40% USD), compared with USD 3.3 billion in the prior-year quarter, driven by higher net cash flows from operating activities from continuing operations.

For the total Company, net cash flows from operating activities amounted to USD 4.9 billion, compared with USD 3.6 billion in the prior-year quarter and free cash flow amounted to USD 4.6 billion, compared with USD 3.3 billion in the prior-year quarter.

First half

Net cash flows from operating activities from continuing operations amounted to USD 7.1 billion, compared with USD 6.4 billion in the prior-year period. This increase was mainly driven by higher net income from continuing

operations adjusted for non-cash items and other adjustments, including divestment gains, partly offset by unfavorable changes in working capital.

In the prior-year period, net cash flows from operating activities from discontinued operations amounted to USD 0.2 billion (H1 2024: nil).

Net cash outflows used in investing activities from continuing operations amounted to USD 4.1 billion, compared with USD 9.7 billion net cash inflows in the prior-year period.

The current year period, net cash outflows used in investing activities from continuing operations were mainly driven by USD 3.6 billion for acquisitions and divestments of businesses including the acquisition of Mariana Oncology for USD 1.0 billion (USD 1.1 billion, net of cash acquired USD 0.1 billion) and the acquisition of MorphoSys AG for USD 2.3 billion (USD 2.5 billion, net of cash acquired USD 0.2 billion). Cash outflows for purchases of intangible assets amounted to USD 1.4 billion; of property, plant and equipment amounted to USD 0.5 billion; and of financial assets amounted to USD 0.1 billion. These were partly offset by cash inflows of USD 0.7 billion from the sale of financial assets (including USD 0.6 billion proceeds from the sale of Sandoz Group AG shares by consolidated foundations); and by net proceeds of USD 0.7 billion from the sale of marketable securities, commodities and time deposits.

In the prior-year period, net cash inflows from investing activities from continuing operations of USD 9.7 billion were driven by the net proceeds of USD 10.9 billion from the sale of marketable securities, commodities and time deposits; USD 0.3 billion from the sale of intangible assets, financial assets and property, plant and equipment. These cash inflows were partly offset by cash outflows of USD 0.9 billion for purchases of intangible assets; USD 0.4 billion for purchases of property, plant and equipment; and USD 0.1 billion for purchases of financial assets. Acquisitions and divestments of businesses resulted in a net cash outflow of USD 0.1 billion.

In the prior-year period, net cash outflows used in investing activities from discontinued operations amounted to USD 0.2 billion (H1 2024: nil).

Net cash outflows used in financing activities from continuing operations amounted to USD 8.4 billion, compared with USD 12.8 billion in the prior-year period.

The current-year period net cash outflows used in financing activities from continuing operations were mainly driven by USD 7.6 billion for the dividend payment; USD 2.7 billion for net treasury share transactions; and the repayment of a US dollar bond at maturity of USD 2.15 billion. These were partly offset by cash inflows from the issuance of Swiss franc denominated bonds of USD 2.5 billion (notional amount of CHF 2.2 billion) and the net increase in current financial debts of USD 1.8 billion.

In the prior-year period, net cash outflows used in financing activities from continuing operations of USD 12.8 billion were mainly driven by USD 7.3 billion for the dividend payment and USD 5.7 billion for net treasury share transactions. These cash outflows were partly offset by cash inflows of USD 0.3 billion from the net increase in current financial debts.

In the prior-year period, net cash outflows used in financing activities from discontinued operations amounted to USD 0.1 billion (H1 2024: nil).

Free cash flow from continuing operations amounted to USD 6.7 billion (+11% USD), compared with USD 6.0 billion in the prior-year period driven by higher net cash flows from operating activities from continuing operations.

For the total Company, net cash flows from operating activities amounted to USD 7.1 billion, compared with USD 6.5 billion in the prior-year period and free cash flow amounted to USD 6.7 billion, compared with USD 6.0 billion in the prior-year period.

Balance sheet

Assets

Total non-current assets of USD 71.8 billion increased by USD 2.3 billion compared to December 31, 2023.

Intangible assets other than goodwill increased by USD 0.9 billion mainly due the impact of the Mariana Oncology and MorphoSys business acquisitions, partially offset by amortization, impairments and unfavorable currency translation adjustments.

Goodwill increased by USD 1.9 billion mainly due the impact of the Mariana Oncology and MorphoSys business acquisitions, partially offset by unfavorable currency translation adjustments.

Financial assets decreased by USD 0.6 billion mainly due to the sale of Sandoz AG shares by consolidated foundations. Property, plant and equipment decreased by USD 0.3 billion mainly as depreciation charges and unfavorable currency translation adjustments more than offset additions.

Other non-current assets increased by USD 0.5 billion due to the MorphoSys business acquisition. Deferred tax assets, right-of-use assets and investments in associated companies were broadly in line with December 31, 2023.

Total current assets of USD 25.7 billion decreased by USD 4.8 billion compared to December 31, 2023.

Cash and cash equivalents decreased by USD 5.5 billion mainly as cash generated through operating activities was more than offset by the USD 7.6 billion net dividend payment, USD 3.6 billion for the Mariana Oncology and MorphoSys business acquisitions, USD 1.4 billion for investments in intangible assets, and USD 2.7 billion for purchases of treasury shares, partly offset by USD 2.1 billion net proceeds from changes in financial debts.

Marketable securities, commodities, time deposits and derivative financial instruments decreased by USD 0.5 billion, mainly due to the net sales of marketable securities, commodities and time deposits and fair value adjustments on derivative financial instruments.

Trade receivables increased by USD 1.1 billion, mainly driven by the increase in net sales. Other current assets increased by USD 0.4 billion. Inventories and income tax receivables were broadly in line with December 31, 2023.

Liabilities

Total non-current liabilities of USD 28.0 billion increased by USD 1.2 billion compared to December 31, 2023.

Non-current financial debts increased by USD 1.2 billion mainly due to the issuance of Swiss franc denominated bonds of USD 2.5 billion (notional amount of CHF 2.2 billion) and financial debts acquired through the MorphoSys business acquisition of USD 0.6 billion, partly offset by the reclassification of USD 1.6 billion from non-current to current financial debts of a USD denominated bond with notional amount of USD 1.0 billion maturing in 2025 and a CHF denominated bond of notional amount of CHF 0.5 billion maturing in 2025 and favorable currency impacts.

Non-current lease liabilities, deferred tax liabilities and provisions and other non-current liabilities were broadly in line with December 31, 2023.

Total current liabilities of USD 27.6 billion increased by USD 1.2 billion compared to December 31, 2023.

Current financial debts and derivative financial instruments increased by USD 1.4 billion compared to December 31, 2023, mainly due to the issuance of commercial paper notes under the US commercial paper programs, the impact of the MorphoSys business acquisition of USD 0.3 billion, and the reclassification of USD 1.6 billion from non-current to current financial debts of a USD denominated bond with notional amount of USD 1.0 billion maturing in 2025 and a CHF denominated bond of notional amount of CHF 0.5 billion maturing in 2025, partly offset by the repayment of a US dollar bond at maturity of USD 2.15 billion.

Trade payables decreased by USD 0.8 billion. Provisions and other current liabilities increased by USD 0.6 billion mainly driven by the increase in provisions for deductions from revenue, partly offset by reductions in accruals for compensation and benefits, including social security, and restructuring provisions. Current income tax liabilities and current lease liabilities were broadly in line with December 31, 2023.

Equity

The Company's equity decreased by USD 4.8 billion to USD 41.9 billion compared to December 31, 2023. This decrease was mainly driven by the net income of USD 5.9 billion and favorable impact from equity-based compensation of USD 0.6 billion being more than offset by the cash-dividend to Novartis AG shareholders of USD 7.6 billion, the purchase of treasury shares of USD 2.8 billion and unfavorable currency translation differences of USD 1.4 billion.

Net debt and debt/equity ratio

The Company's liquidity amounted to USD 8.4 billion as at June 30, 2024, compared with USD 14.4 billion as at December 31, 2023. Total non-current and current financial debts, including derivatives, amounted to USD 27.2 billion as at June 30, 2024, compared with USD 24.6 billion as at December 31, 2023.

The debt/equity ratio increased to 0.65:1 as at June 30, 2024, compared with 0.53:1 as at December 31, 2023. The net debt increased to USD 18.8 billion as at June 30, 2024, compared with USD 10.2 billion as at December 31, 2023.

Innovation Review

Novartis continues to focus its R&D portfolio prioritizing high value medicines with transformative potential for patients. We now focus on ~100 projects in clinical development.

Selected Innovative Medicines approvals

Product	Active ingredient/ Descriptor	Indication	Region
Fabhalta	iptacopan	Paroxysmal nocturnal hemoglobinuria	EU, Japan and China
Lutathera	^{177}Lu-oxodotreotide	Pediatric GEP-NETs	US

Selected Innovative Medicines projects awaiting regulatory decisions

		Completed submissions			
Product	**Indication**	**US**	**EU**	**Japan**	**News update**
Kisqali	Hormone receptor-positive / human epidermal growth factor receptor 2-negative early breast cancer (adjuvant)	Q4 2023	Q3 2023		
Scemblix	1L chronic myeloid leukemia	Q2 2024			– US submission and Breakthrough Therapy designation granted – Ph3 data presented at ASCO congress
Fabhalta	IgA nephropathy	Q1 2024			– US submission, priority review granted
Atrasentan	IgA nephropathy	Q2 2024			– US submission – Ph3 data presented at ERA congress
Lutathera	Gastroenteropancreatic neuroendocrine tumors, 1L in G2/3 tumors		Q2 2024		
Coartem	Malaria (<5kg patients)				– Submission using MAGHP procedure in Switzerland to facilitate rapid approvals in developing countries

Selected Innovative Medicines pipeline projects

Compound/ product	Potential indication/ Disease area	First planned submissions	Current Phase	News update
Aimovig	Migraine, pediatrics	≥2027	3	
AVXS-101 (OAV101)	Spinal muscular atrophy (IT formulation)	2025	3	
Beovu	Diabetic retinopathy	2025	3	
CFZ533 (iscalimab)	Sjögren's syndrome	≥2027	2	
Cosentyx	Giant cell arteritis	2025	3	
	Polymyalgia rheumatica	2026	3	
	Rotator cuff tendinopathy		3	– Project discontinued to prioritize other key programs in portfolio
DAK539 (pelabresib)	Myelofibrosis		3	– Morphosys aquisition
FUB523 (zigakibart)	IgA nephropathy	≥2027	3	
JDQ443 (opnurasib)	Non-small cell lung cancer (mono/combos)		3	– Project discontinued to prioritize other key programs in portfolio
KAE609 (cipargamin)	Malaria, uncomplicated	≥2027	2	
	Malaria, severe	≥2027	2	
KLU156 (ganaplacide + lumefantrine)	Malaria, uncomplicated	2026	3	– FDA Orphan Drug designation – FDA Fast Track designation
Leqvio	Secondary prevention of cardiovascular events in patients with elevated levels of LDL-C	≥2027	3	
	Primary prevention CVRR	≥2027	3	
LNA043	Osteoarthritis	≥2027	2	– FDA Fast Track designation

Compound/ product	Potential indication/ Disease area	First planned submissions	Current Phase	News update
LNP023 (iptacopan)	C3 glomerulopathy	2024	3	– EU Orphan Drug designation – EU PRIME designation – FDA Rare Pediatric designation – China Breakthrough Therapy designation – FDA Breakthrough Therapy designation – Ph3 data presented at ERA congress
	IC-MPGN	≥2027	3	
	Atypical haemolytic uraemic syndrome	≥2027	3	
	Myasthenia gravis	≥2027	3	– Ph3 started
LOU064 (remibrutinib)	Chronic spontaneous urticaria	2025	3	– Updated CMC package, filing now anticipated in 2025 – Ph3 52-week data presented at EAACI
	Multiple sclerosis	≥2027	3	
	CINDU	≥2027	3	
^{177}Lu-NeoB	Multiple solid tumors	≥2027	1	
LXE408	Visceral leishmaniasis	≥2027	2	
Pluvicto	Metastatic castration-resistant prostate cancer, pre-taxane	2024	3	
	Metastatic hormone sensitive prostate cancer	2025	3	– Event-driven trial
	Oligometastatic prostate cancer	≥2027	3	
QGE031 (ligelizumab)	Food allergy	≥2027	3	
TQJ230 (pelacarsen)	Secondary prevention of cardiovascular events in patients with elevated levels of lipoprotein(a)	2025	3	– FDA Fast Track designation – China Breakthrough Therapy designation
VAY736 (ianalumab)	Auto-immune hepatitis	≥2027	2	– FDA Fast Track designation
	Sjögren's syndrome	2026	3	– FDA Fast Track designation
	Lupus nephritis	≥2027	3	
	Systemic lupus erythematosus	≥2027	3	
	1L immune thrombocytopenia	≥2027	3	– Adjusted submission timeline due to slower recruitment progress
	2L immune thrombocytopenia	≥2027	3	– Adjusted submission timeline due to slower recruitment progress
	Warm autoimmune hemolytic anemia	≥2027	3	– Adjusted submission timeline due to slower recruitment progress
Vijoyce	Lymphatic malformations	≥2027	3	– US, EU Orphan Drug designation
XXB750	Hypertension	≥2027	2	
YTB323	Severe refractory lupus nephritis / Systemic lupus erythematosus	≥2027	2	
	1L high-risk large B-cell lymphoma	≥2027	2	

Condensed Interim Consolidated Financial Statements

Consolidated income statements

Second quarter (unaudited)

(USD millions unless indicated otherwise)	Note	**Q2 2024**	Q2 2023
Net sales from continuing operations	9	**12 512**	**11 437**
Other revenues	9	360	308
Cost of goods sold		-3 173	-3 342
Gross profit from continuing operations		**9 699**	**8 403**
Selling, general and administration		-3 091	-3 091
Research and development		-2 367	-2 304
Other income		273	135
Other expense		-500	-336
Operating income from continuing operations		**4 014**	**2 807**
Loss from associated companies		-2	-2
Interest expense		-246	-216
Other financial income and expense		75	85
Income before taxes from continuing operations		**3 841**	**2 674**
Income taxes		-595	-403
Net income from continuing operations		**3 246**	**2 271**
Net income from discontinued operations	11		46
Net income		**3 246**	**2 317**
Attributable to:			
Shareholders of Novartis AG		*3 246*	*2 316*
Non-controlling interests		*0*	*1*
Weighted average number of shares outstanding – Basic (million)		2 033	2 083
Basic earnings per share from continuing operations (USD) [1]		*1.60*	*1.09*
Basic earnings per share from discontinued operations (USD) [1]			*0.02*
Total basic earnings per share (USD) [1]		**1.60**	**1.11**
Weighted average number of shares outstanding – Diluted (million)		2 046	2 095
Diluted earnings per share from continuing operations (USD) [1]		*1.59*	*1.09*
Diluted earnings per share from discontinued operations (USD) [1]			*0.02*
Total diluted earnings per share (USD) [1]		**1.59**	**1.11**

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

Consolidated income statements

First half (unaudited)

(USD millions unless indicated otherwise)	Note	**H1 2024**	H1 2023
Net sales from continuing operations	9	**24 341**	**22 235**
Other revenues	9	651	557
Cost of goods sold		-6 269	-6 333
Gross profit from continuing operations		**18 723**	**16 459**
Selling, general and administration		-5 931	-5 982
Research and development		-4 788	-4 879
Other income		522	1 098
Other expense		-1 139	-1 271
Operating income from continuing operations		**7 387**	**5 425**
Loss from associated companies		-31	-4
Interest expense		-467	-416
Other financial income and expense		81	189
Income before taxes from continuing operations		**6 970**	**5 194**
Income taxes		-1 036	-773
Net income from continuing operations		**5 934**	**4 421**
Net income from discontinued operations	11		190
Net income		**5 934**	**4 611**
Attributable to:			
Shareholders of Novartis AG		*5 934*	*4 609*
Non-controlling interests		*0*	*2*
Weighted average number of shares outstanding – Basic (million)		2 038	2 097
Basic earnings per share from continuing operations (USD) [1]		*2.91*	*2.12*
Basic earnings per share from discontinued operations (USD) [1]			*0.08*
Total basic earnings per share (USD) [1]		**2.91**	**2.20**
Weighted average number of shares outstanding – Diluted (million)		2 052	2 109
Diluted earnings per share from continuing operations (USD) [1]		*2.89*	*2.10*
Diluted earnings per share from discontinued operations (USD) [1]			*0.09*
Total diluted earnings per share (USD) [1]		**2.89**	**2.19**

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

Consolidated statements of comprehensive income

Second quarter (unaudited)

(USD millions)	**Q2 2024**	Q2 2023
Net income	**3 246**	**2 317**
Other comprehensive income		
Items that are or may be recycled into the consolidated income statement		
Net investment hedge, net of taxes	14	6
Currency translation effects, net of taxes	40	216
Total of items that are or may be recycled	54	222
Items that will never be recycled into the consolidated income statement		
Actuarial gains/(losses) from defined benefit plans, net of taxes	57	-1
Fair value adjustments on equity securities, net of taxes	94	-2
Total of items that will never be recycled	151	-3
Total other comprehensive income	**205**	**219**
Total comprehensive income	**3 451**	**2 536**
Total comprehensive income for the period attributable to:		
Shareholders of Novartis AG	*3 453*	*2 535*
Continuing operations	3 453	2 502
Discontinued operations		33
Non-controlling interests	*-2*	*1*

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

First half (unaudited)

(USD millions)	**H1 2024**	H1 2023
Net income	**5 934**	**4 611**
Other comprehensive income		
Items that are or may be recycled into the consolidated income statement		
Net investment hedge, net of taxes	51	-29
Currency translation effects, net of taxes	-1 364	522
Total of items that are or may be recycled	-1 313	493
Items that will never be recycled into the consolidated income statement		
Actuarial gains/(losses) from defined benefit plans, net of taxes	136	-59
Fair value adjustments on equity securities, net of taxes	119	-46
Total of items that will never be recycled	255	-105
Total other comprehensive income	**-1 058**	**388**
Total comprehensive income	**4 876**	**4 999**
Total comprehensive income for the period attributable to:		
Shareholders of Novartis AG	*4 880*	*4 996*
Continuing operations	4 880	4 761
Discontinued operations		235
Non-controlling interests	*-4*	*3*

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

Consolidated balance sheets

(USD millions)	**Jun 30, 2024 (unaudited)**	Dec 31, 2023 (audited)
Assets		
Non-current assets		
Property, plant and equipment	9 254	9 514
Right-of-use assets	1 368	1 410
Goodwill	25 234	23 341
Intangible assets other than goodwill	27 775	26 879
Investments in associated companies	103	205
Deferred tax assets	4 400	4 309
Financial assets	2 023	2 607
Other non-current assets	1 655	1 199
Total non-current assets	**71 812**	**69 464**
Current assets		
Inventories	5 747	5 913
Trade receivables	8 228	7 107
Income tax receivables	252	426
Marketable securities, commodities, time deposits and derivative financial instruments	532	1 035
Cash and cash equivalents	7 903	13 393
Other current assets	3 031	2 607
Total current assets	**25 693**	**30 481**
Total assets	**97 505**	**99 945**
Equity and liabilities		
Equity		
Share capital	793	825
Treasury shares	-25	-41
Reserves	40 965	45 883
Equity attributable to Novartis AG shareholders	**41 733**	**46 667**
Non-controlling interests	169	83
Total equity	**41 902**	**46 750**
Liabilities		
Non-current liabilities		
Financial debts	19 663	18 436
Lease liabilities	1 560	1 598
Deferred tax liabilities	2 456	2 248
Provisions and other non-current liabilities	4 312	4 523
Total non-current liabilities	**27 991**	**26 805**
Current liabilities		
Trade payables	4 146	4 926
Financial debts and derivative financial instruments	7 532	6 175
Lease liabilities	232	230
Current income tax liabilities	1 919	1 893
Provisions and other current liabilities	13 783	13 166
Total current liabilities	**27 612**	**26 390**
Total liabilities	**55 603**	**53 195**
Total equity and liabilities	**97 505**	**99 945**

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

Consolidated statements of changes in equity

Second 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 April 1, 2024		**793**	**-17**	**43 834**	**-4 935**	**39 675**	**81**	**39 756**
Net income				3 246		3 246	0	3 246
Other comprehensive income					207	207	-2	205
Total comprehensive income				**3 246**	**207**	**3 453**	**-2**	**3 451**
Purchase of treasury shares			-9	-1 663		-1 672		-1 672
Exercise of options and employee transactions				-1		-1		-1
Equity-based compensation			1	267		268		268
Shares delivered to Sandoz employees as a result of the Sandoz spin-off				2		2		2
Taxes on treasury share transactions				-12		-12		-12
Fair value adjustments on financial assets sold				143	-143			
Impact of change in ownership of consolidated entities				-28		-28	90	62
Other movements	4.3			48		48		48
Total of other equity movements			**-8**	**-1 244**	**-143**	**-1 395**	**90**	**-1 305**
Total equity at June 30, 2024		**793**	**-25**	**45 836**	**-4 871**	**41 733**	**169**	**41 902**

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

(USD millions)	Note	Share capital	Treasury shares	Reserves: Retained earnings	Reserves: Total value adjustments	Issued share capital and reserves attributable to Novartis shareholders	Non-controlling interests	Total equity
Total equity at April 1, 2023		**842**	**-36**	**56 089**	**-4 836**	**52 059**	**83**	**52 142**
Net income				2 316		2 316	1	2 317
Other comprehensive income					219	219	0	219
Total comprehensive income				**2 316**	**219**	**2 535**	**1**	**2 536**
Purchase of treasury shares			-17	-2 994		-3 011		-3 011
Equity-based compensation			1	241		242		242
Fair value adjustments on financial assets sold				8	-8			
Other movements	4.3			22		22		22
Total of other equity movements			**-16**	**-2 723**	**-8**	**-2 747**		**-2 747**
Total equity at June 30, 2023		**842**	**-52**	**55 682**	**-4 625**	**51 847**	**84**	**51 931**

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

Consolidated statements of changes in equity

First half (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, 2024		**825**	**-41**	**49 649**	**-3 766**	**46 667**	**83**	**46 750**
Net income				5 934		5 934	0	5 934
Other comprehensive income					-1 054	-1 054	-4	-1 058
Total comprehensive income				**5 934**	**-1 054**	**4 880**	**-4**	**4 876**
Dividends	4.1			-7 624		-7 624		-7 624
Purchase of treasury shares			-15	-2 798		-2 813		-2 813
Reduction of share capital	4.2	-32	26	6				
Exercise of options and employee transactions				-35		-35		-35
Equity-based compensation			5	547		552		552
Shares delivered to Sandoz employees as a result of the Sandoz spin-off				12		12		12
Taxes on treasury share transactions				8		8		8
Fair value adjustments on financial assets sold				51	-51			
Impact of change in ownership of consolidated entities				-28		-28	90	62
Other movements	4.3			114		114		114
Total of other equity movements		**-32**	**16**	**-9 747**	**-51**	**-9 814**	**90**	**-9 724**
Total equity at June 30, 2024		**793**	**-25**	**45 836**	**-4 871**	**41 733**	**169**	**41 902**

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

(USD millions)	Note	Share capital	Treasury shares	Reserves: Retained earnings	Reserves: Total value adjustments	Issued share capital and reserves attributable to Novartis shareholders	Non-controlling interests	Total equity
Total equity at January 1, 2023		**890**	**-92**	**63 540**	**-4 996**	**59 342**	**81**	**59 423**
Net income				4 609		4 609	2	4 611
Other comprehensive income					387	387	1	388
Total comprehensive income				**4 609**	**387**	**4 996**	**3**	**4 999**
Dividends				-7 255		-7 255		-7 255
Purchase of treasury shares			-35	-5 853		-5 888		-5 888
Reduction of share capital		-48	68	-20				
Exercise of options and employee transactions			2	151		153		153
Equity-based compensation			5	428		433		433
Taxes on treasury share transactions				8		8		8
Fair value adjustments on financial assets sold				16	-16			
Other movements	4.3			58		58		58
Total of other equity movements		**-48**	**40**	**-12 467**	**-16**	**-12 491**		**-12 491**
Total equity at June 30, 2023		**842**	**-52**	**55 682**	**-4 625**	**51 847**	**84**	**51 931**

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

Consolidated statements of cash flows

Second quarter (unaudited)

(USD millions)	Note	**Q2 2024**	Q2 2023
Net income from continuing operations		**3 246**	**2 271**
Adjustments to reconcile net income from continuing operations to net cash flows from operating activities from continuing operations			
Reversal of non-cash items and other adjustments	6.1	2 400	2 567
Dividends received from associated companies and others		1	
Interest received		71	117
Interest paid		-255	-220
Change in other financial receipts			-53
Change in other financial payments		-65	-4
Income taxes paid	6.2	-473	-973
Net cash flows from operating activities from continuing operations before working capital and provision changes		**4 925**	**3 705**
Payments out of provisions and other net cash movements in non-current liabilities		-288	-243
Change in net current assets and other operating cash flow items	6.3	238	55
Net cash flows from operating activities from continuing operations		**4 875**	**3 517**
Net cash flows from operating activities from discontinued operations			59
Total net cash flows from operating activities		**4 875**	**3 576**
Purchases of property, plant and equipment		-260	-225
Proceeds from sale of property, plant and equipment		37	4
Purchases of intangible assets		-468	-673
Proceeds from sale of intangible assets		20	
Purchases of financial assets		-45	-26
Proceeds from sale of financial assets		647	47
Divestments and acquisitions of interests in associated companies, net		-12	-2
Acquisitions and divestments of businesses, net	6.4	-3 319	-84
Purchases of marketable securities, commodities and time deposits		-237	-4
Proceeds from sale of marketable securities, commodities and time deposits		430	3
Net cash flows used in investing activities from continuing operations		**-3 207**	**-960**
Net cash flows used in investing activities from discontinued operations			-93
Total net cash flows used in investing activities		**-3 207**	**-1 053**
Dividends paid to shareholders of Novartis AG	4.1	-2 417	
Purchases of treasury shares		-1 616	-2 957
Proceeds from exercised options and other treasury share transactions, net		25	
Increase in non-current financial debts		2 473	
Repayments of the current portion of non-current financial debts		-2 150	
Change in current financial debts		569	-709
Payments of lease liabilities		-59	-65
Payments from changes in ownership interests in consolidated subsidiaries		-47	
Other financing cash flows, net		22	-35
Net cash flows used in financing activities from continuing operations		**-3 200**	**-3 766**
Net cash flows from financing activities from discontinued operations			129
Total net cash flows used in financing activities		**-3 200**	**-3 637**
Net change in cash and cash equivalents before effect of exchange rate changes		**-1 532**	**-1 114**
Effect of exchange rate changes on cash and cash equivalents		-34	-1
Net change in cash and cash equivalents		**-1 566**	**-1 115**
Cash and cash equivalents at April 1		9 469	12 000
Cash and cash equivalents at June 30		**7 903**	**10 885**

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

Consolidated statements of cash flows

First half (unaudited)

(USD millions)	Note	**H1 2024**	H1 2023
Net income from continuing operations		**5 934**	**4 421**
Adjustments to reconcile net income from continuing operations to net cash flows from operating activities from continuing operations			
Reversal of non-cash items and other adjustments	6.1	4 897	5 249
Dividends received from associated companies and others		1	1
Interest received		235	373
Interest paid		-402	-335
Other financial receipts			27
Other financial payments		-94	-10
Income taxes paid	6.2	-1 049	-1 268
Net cash flows from operating activities from continuing operations before working capital and provision changes		**9 522**	**8 458**
Payments out of provisions and other net cash movements in non-current liabilities		-631	-926
Change in net current assets and other operating cash flow items	6.3	-1 751	-1 163
Net cash flows from operating activities from continuing operations		**7 140**	**6 369**
Net cash flows from operating activities from discontinued operations			164
Total net cash flows from operating activities		**7 140**	**6 533**
Purchases of property, plant and equipment		-487	-393
Proceeds from sale of property, plant and equipment		38	22
Purchases of intangible assets		-1 397	-894
Proceeds from sale of intangible assets		20	130
Purchases of financial assets		-92	-66
Proceeds from sale of financial assets		710	110
Divestments and acquisitions of interests in associated companies, net		4	-5
Acquisitions and divestments of businesses, net	6.4	-3 598	-107
Purchases of marketable securities, commodities and time deposits		-240	-69
Proceeds from sale of marketable securities, commodities and time deposits		936	11 017
Net cash flows (used in)/from investing activities from continuing operations		**-4 106**	**9 745**
Net cash flows used in investing activities from discontinued operations			-177
Total net cash flows (used in)/from investing activities		**-4 106**	**9 568**
Dividends paid to shareholders of Novartis AG	4.1	-7 624	-7 255
Purchases of treasury shares		-2 715	-5 843
Proceeds from exercised options and other treasury share transactions, net		25	159
Increase in non-current financial debts		2 473	
Repayments of the current portion of non-current financial debts		-2 150	
Change in current financial debts		1 789	290
Payments of lease liabilities		-126	-131
Payments from changes in ownership interests in consolidated subsidiaries		-47	
Other financing cash flows, net		11	18
Net cash flows used in financing activities from continuing operations		**-8 364**	**-12 762**
Net cash flows used in financing activities from discontinued operations			-77
Total net cash flows used in financing activities		**-8 364**	**-12 839**
Net change in cash and cash equivalents before effect of exchange rate changes		**-5 330**	**3 262**
Effect of exchange rate changes on cash and cash equivalents		-160	106
Net change in cash and cash equivalents		**-5 490**	**3 368**
Cash and cash equivalents at January 1		13 393	7 517
Cash and cash equivalents at June 30		**7 903**	**10 885**

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

Notes to the Condensed Interim Consolidated Financial Statements for the three month and six month period ended June 30, 2024 (unaudited)

1. Basis of preparation

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS®) Accounting Standards as issued by the International Accounting Standards Board. They are prepared in accordance with the historical cost convention, except for items that are required to be accounted for at fair value. These Condensed Interim Consolidated Financial Statements for the three month and six month period ended June 30, 2024, were prepared in accordance with International Accounting Standards (IAS®) Standards 34 Interim Financial Reporting and accounting policies set out in the 2023 Annual Report published on January 31, 2024.

At the Novartis AG Extraordinary General Meeting, held on September 15, 2023, our shareholders approved the spin-off of the Sandoz business. Following the shareholder approval IFRS Accounting Standards required the Sandoz Division and selected portions of corporate activities attributable to Sandoz's business, as well as certain expenses related to the spin-off (the "Sandoz business") to be reported as discontinued operations in the consolidated financial statements. As a result, the Sandoz business has been presented as discontinued operations in the condensed interim consolidated financial statements. This requires the three month and six month period ended June 30, 2023, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows to present separately continuing operations from discontinued operations.

For further information and disclosures, refer to Note 3 and Note 11.

2. Accounting policies

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

The preparation of financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the period, which affect the reported amounts of revenues, expenses, assets, liabilities and contingent amounts.

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

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

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

Status of adoption of significant new or amended IFRS standards or interpretations

No new IFRS Accounting Standards were adopted by the Company in 2024. In addition, new IFRS Accounting Standards amendments or interpretations that became effective in 2024 did not have a material impact on the Company's consolidated financial statements.

Based on the Company's assessment, there are no IFRS Accounting Standards, amendments or interpretations not yet effective in 2024 that would be expected to have a material impact on the Company's consolidated financial statements.

In the second quarter of 2024, the following new IFRS Accounting Standard, which is not yet effective, was issued by the International Accounting Standards Board:

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements was issued by the International Accounting Standards Board in April 2024. IFRS 18 is effective on January 1, 2027, and is required to be applied retrospectively to comparative periods presented, with early adoption permitted. IFRS 18, upon adoption replaces IAS Standards 1 – Presentation of Financial Statements.

IFRS 18 sets out new requirements focused on improving financial reporting by:

- requiring additional defined structure to the statement of profit or loss (i.e. consolidated statement of income), to reduce diversity in the reporting, by requiring five categories (operating, investing, financing, income taxes and discontinued operations) and defined subtotals and totals (operating income, income before financing, income taxes and net income),
- requiring disclosures in the notes to the financial statements about management-defined performance measures (i.e. non-IFRS measures), and
- adding new principles for aggregation and disaggregation of information in the primary financial statements and notes.

IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss', due to the classification of certain income and expense items between the five categories of the consolidated income statement. It might also change what an entity reports as operating activities, investing activities and financing activities within the statement of cash flows, due to the change in classification of certain cash flow items between these three categories of the cash flows statement. Novartis is currently assessing the impact of adopting IFRS 18.

3. Significant acquisitions of businesses and spin-off of Sandoz business

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

Significant acquisitions of businesses – 2024

Acquisition of Mariana Oncology

On May 2, 2024, Novartis acquired Mariana Oncology, a preclinical-stage US based biotechnology company focused on developing novel radioligand therapies (RLTs) with a portfolio of RLT programs across a range of solid tumor indications.

The purchase price consisted of a cash payment of USD 1.1 billion and potential additional milestones of up to USD 0.8 billion, which the Mariana Oncology shareholders are eligible to receive upon the achievement of specified milestones.

The fair value of the total purchase consideration was USD 1.3 billion, consisting of a cash payment of USD 1.1 billion and the fair value of contingent consideration of USD 0.2 billion. The preliminary purchase price allocation resulted in net identifiable assets of USD 0.7 billion, consisting primarily of IPR&D intangible assets of USD 0.3 billion, other intangible assets (scientific infrastructure) of USD 0.4 billion, cash and cash equivalents of USD 0.1 billion and net deferred tax liabilities of USD 0.1 billion. Goodwill amounted to USD 0.6 billion.

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

Acquisition of MorphoSys AG

On February 5, 2024, Novartis entered into an agreement to acquire MorphoSys AG (MorphoSys), a Germany-based, global biopharmaceutical company developing innovative medicines in oncology. The acquisition of MorphoSys adds to our oncology pipeline pelabresib, a late-stage BET inhibitor for myelofibrosis and tulmimetostat, an early-stage investigational dual inhibitor of EZH2 and EZH1 for solid tumors or lymphomasis.

On April 11, 2024, Novartis, through a subsidiary, commenced a voluntary public takeover offer (the "Offer") to acquire all outstanding shares of MorphoSys for EUR 68 per share, representing a total consideration of approximately EUR 2.6 billion in cash on a fully diluted basis. The settlement of the Offer was conditional on a minimum acceptance threshold of 65 percent of MorphoSys outstanding shares.

Novartis purchased during the Offer acceptance period MorphoSys shares on the market for a total amount of EUR 0.3 billion (USD 0.3 billion). The closing conditions of the Offer, including the minimum acceptance threshold of 65 percent were fulfilled by the end of the Offer acceptance period, and the acquisition of MorphoSys closed on May 23, 2024, with the settlement payment amounting to EUR 1.7 billion (USD 1.9 billion) to the MorphoSys shareholders for their tendered shares. Subsequent to May 23, 2024, Novartis acquired additional MorphoSys outstanding shares through the Germany statutory two-week extension period of the Offer (ending on May 30, 2024) for EUR 0.3 billion (USD 0.3 billion). As a result, as at May 30, 2024, Novartis held 89.7 percent of the

total outstanding share capital of MorphoSys. Total cash paid for the MorphoSys shares purchased by Novartis through to the end of the statutory two-week extension period of the Offer amounted to EUR 2.3 billion (USD 2.5 billion). Non-controlling interests represented 10.3 percent of MorphoSys outstanding shares amounting to USD 0.1 billion and were recognized in equity.

In June 2024, Novartis purchased outside the Offer an additional 1.7 percent of MorphoSys shares for EUR 44 million (USD 47 million). As a result, at June 30, 2024, non-controlling interests in equity were reduced by USD 17 million and Novartis held approximately 91.4 percent of outstanding MorphoSys shares and non-controlling interests represented approximately 8.6 percent of the outstanding MorphoSys shares.

On July 4, 2024, Novartis filed a public delisting purchase offer to delist the MorphoSys shares admitted to trading on regulated markets and acquire all MorphoSys AG shares and ADS not held directly by Novartis.

The purchase price allocation is preliminary pending primarily the outcome of Novartis analysis of certain clinical trial data readouts that became available prior to the closing date. The fair value of the total purchase consideration for the 89.7 percent stake was USD 2.5 billion (including cash acquired). The preliminary purchase price allocation resulted in net identifiable assets of USD 1.0 billion, consisting primarily of IPR&D intangible assets of USD 1.1 billion, financial investments and other receivables of USD 0.6 billion, marketable securities of USD 0.4 billion, cash and cash equivalents of USD 0.2 billion, financial debt to third parties of USD 0.9 billion, net deferred tax liabilities of USD 0.1 billion, and other net liabilities of USD 0.2 billion. Non-controlling interests amounted USD 0.1 billion, which were recognized at the non-controlling interest's proportionate share of MorphoSys identifiable net assets. Goodwill amounted to USD 1.6 billion. The finalization of the preliminary purchase price allocation may lead to a change to the allocation between the identifiable assets, mainly intangible assets – IPR&D and net deferred taxes, and goodwill.

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

Significant acquisitions of businesses – 2023

Acquisition of DTx Pharma Inc.

In the second quarter of 2023, Novartis entered into an agreement to acquire all outstanding shares of DTx Pharma Inc. (DTx), a US based, pre-clinical stage biotechnology company focused on leveraging its proprietary FALCON platform to develop siRNA therapies for neuroscience indications. DTx's lead program, DTx-1252 targets the root cause of CMT1A—the overexpression of PMP22, a protein that causes the myelin sheath that supports and insulates nerves in the peripheral nervous system to function abnormally. The transaction also includes two additional pre-clinical programs for other neuroscience indications. The transaction closed on July 14, 2023.

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

The fair value of the total purchase consideration was USD 0.6 billion. The amount consisted of a cash payment of USD 0.6 billion and the fair value of contingent consideration of USD 30 million, which DTx shareholders are eligible to receive upon the achievement of specified milestones. The purchase price allocation resulted in net identifiable assets of USD 0.4 billion, consisting primarily of IPR&D intangible assets of USD 0.4 billion, cash of USD 0.1 billion and net deferred tax liabilities of USD 0.1 billion. Goodwill amounted to USD 0.2 billion.

The 2023 results of operations since the date of acquisition were not material.

Acquisition of Chinook Therapeutics, Inc.

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

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

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

The 2023 results of operations since the date of acquisition were not material.

Fair value of assets and liabilities arising from acquisitions of businesses

The following table presents the fair value of the assets and liabilities acquired through acquisitions of business and the total purchase consideration for the first half of 2024, and for the year ended December 31, 2023:

(USD millions)	Jun 30, 2024	Dec 31, 2023
Property, plant and equipment	23	18
Right-of-use assets	32	16
In-process research and development	1 746	2 931
Other intangible assets [1]	419	15
Deferred tax assets	315	34
Non-current financial and other assets	421	164
Trade receivable and financial and other current assets	658	183
Cash and cash equivalents	236	226
Deferred tax liabilities	-600	-474
Current and non-current financial debts	-905	
Current and non-current lease liabilities	-41	-51
Trade payables and other liabilities	-289	-231
Net identifiable assets acquired	**2 015**	**2 831**
Non-controlling interests	-108	
Goodwill	2 198	1 094
Total purchase consideration for acquisitions of businesses	**4 105**	**3 925**

[1] Other intangible assets represent technologies (scientific infrastructure).

The significant business acquisitions in the first half of 2024 were of MorphoSys and Mariana Oncology, both in the second quarter of 2024. The goodwill arising out of the first half of 2024 acquisitions is not tax deductible and it is attributable to the synergies, accounting for deferred tax liabilities on acquired assets, and the assembled workforce, and in addition for MorphoSys the relief from royalties.

In 2023, the significant business acquisitions were the acquisition of DTx Pharma and Chinook Therapeutics. There were no significant acquisitions of businesses in the first half of 2023. The goodwill arising out of these acquisitions is attributable to the synergies, the accounting for deferred tax liabilities on the acquired assets and the assembled workforce. In 2023, no goodwill was tax deductible.

Spin-off of Sandoz business – 2023

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

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

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

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

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

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

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

The total non-taxable, non-cash gain recognized at the Distribution date of the spin-off of the Sandoz

business amounted to USD 5.9 billion, which consists of:

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

For additional disclosures on discontinued operations, refer to Note 11.

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	**2024**	2023	**H1 2024**	H1 2023
Balance at beginning of year		**2 044.0**	**2 119.6**	**46 667**	**59 342**
Shares acquired to be canceled		-26.7	-61.3	-2 698	-5 767
Other share purchases		-1.1	-1.3	-115	-121
Exercise of options and employee transactions		0.0	2.8	-35	153
Equity-based compensation		8.3	8.5	552	433
Shares delivered to Sandoz employees as a result of the Sandoz spin-off		0.1		12	
Taxes on treasury share transactions				8	8
Dividends	4.1			-7 624	-7 255
Net income of the period attributable to shareholders of Novartis AG				5 934	4 609
Other comprehensive income attributable to shareholders of Novartis AG				-1 054	387
Impact of change in ownership of consolidated entities				-28	
Other movements	4.3			114	58
Balance at June 30		**2 024.6**	**2 068.3**	**41 733**	**51 847**

4.1. The gross dividend to shareholders of Novartis AG amounted to USD 7.6 billion. The net dividend payment to Novartis AG shareholders paid in March 2024 amounted to USD 5.2 billion. The USD 2.4 billion Swiss withholding tax on the gross dividend was paid at its due date in April 2024.

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

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

In July 2023, Novartis entered into a new irrevocable, non-discretionary arrangement with a bank to repurchase Novartis shares on the second trading line under its new up-to USD 15.0 billion share buyback.

In June 2024, Novartis amended the arrangement to repurchase an additional 8.7 million Novartis shares on the second trading line to mitigate deliveries under employee participation programs. Novartis is able to cancel this arrangement but may be subject to a 90-day waiting period under certain conditions. As of June 30, 2024, and December 31, 2023, these waiting period conditions were not applicable and as a result, there was no requirement to record a liability under this arrangement as of June 30, 2024, and December 31, 2023.

4.3. Other movements include, for subsidiaries in hyper-inflationary economies, the impact of the application of IAS Standards 29 “Financial Reporting in Hyperinflationary Economies.”

5. Financial instruments

Fair value by hierarchy

The following table illustrates the three hierarchical levels for valuing financial instruments at fair value as of June 30, 2024, and December 31, 2023. For additional information on the hierarchies and other matters, please refer to the Consolidated Financial Statements in the 2023 Annual Report, published on January 31, 2024.

	Level 1		Level 2		Level 3		Total	
(USD millions)	**Jun 30, 2024**	Dec 31, 2023	**Jun 30, 2024**	Dec 31, 2023	**Jun 30, 2024**	Dec 31, 2023	**Jun 30, 2024**	Dec 31, 2023
Financial assets								
Cash and cash equivalents								
Debt securities	50	50					50	50
Total cash and cash equivalents at fair value	**50**	**50**					**50**	**50**
Marketable securities								
Fund investments	405						405	
Derivative financial instruments			60	355			60	355
Total marketable securities and derivative financial instruments at fair value	**405**		**60**	**355**			**465**	**355**
Current contingent consideration receivables					**90**	**65**	**90**	**65**
Current fund investments and equity securities	**34**	**94**			**22**	**31**	**56**	**125**
Long-term financial investments								
Debt and equity securities	275	796	7	20	642	616	924	1 432
Fund investments	12	7			191	183	203	190
Non-current contingent consideration receivables					501	553	501	553
Total long-term financial investments at fair value	**287**	**803**	**7**	**20**	**1 334**	**1 352**	**1 628**	**2 175**
Associated companies at fair value through profit or loss					**101**	**101**	**101**	**101**
Financial liabilities								
Current contingent consideration liabilities					-154	-14	-154	-14
Current other financial liabilities						-88		-88
Derivative financial instruments			-54	-91			-54	-91
Total current financial liabilities at fair value			**-54**	**-91**	**-154**	**-102**	**-208**	**-193**
Non-current contingent consideration liabilities					**-546**	**-389**	**-546**	**-389**

In the first half of 2024, there was one transfer of equity securities from Level 3 to Level 1 for USD 3 million due to Initial Public Offering.

The fair value of straight bonds amounted to USD 19.4 billion at June 30, 2024 (USD 19.2 billion at December 31, 2023) compared with the carrying amount of USD 21.1 billion at June 30, 2024 (USD 20.6 billion at December 31, 2023). 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 at fair value of USD 1.6 billion at June 30, 2024 (USD 2.2 billion at December 31, 2023) is included in the line “Financial assets” of the consolidated balance sheets.

The carrying amount of financial assets included in the line current fund investments and equity securities of USD 56 million at June 30, 2024 (USD 125 million at December 31, 2023) is included in the line “Other current assets” of the consolidated balance sheets. The carrying amount of non-current contingent consideration liabilities of USD 0.5 billion at June 30, 2024 (USD 0.4 billion at December 31, 2023) is included in the line “Provisions and other non-current liabilities” of the consolidated balance sheets.

In the second quarter of 2024, consolidated foundations investments in Sandoz AG shares with a fair value of USD 449 million were sold, and the USD 144 million gain on disposal was transferred from other

comprehensive income to retained earnings. The fair value of the investment in Sandoz Group AG amounted to USD 61 million at June 30, 2024 (December 31, 2023: USD 595 million) and was sold in the first days of July 2024.

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

6. Details to the consolidated statements of cash flows

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

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

(USD millions)	**Q2 2024**	Q2 2023
Depreciation, amortization and impairments on:		
Property, plant and equipment	228	213
Right-of-use assets	61	68
Intangible assets	873	1 427
Financial assets [1]	-22	29
Change in provisions and other non-current liabilities	204	-53
Losses on disposal on property, plant and equipment; intangible assets; other non-current assets; and other adjustments on financial assets and other non-current assets, net	72	86
Equity-settled compensation expense	257	222
Loss from associated companies	2	2
Income taxes	595	403
Net financial expense	171	131
Other	-41	39
Total	**2 400**	**2 567**

[1] Includes fair value changes

(USD millions)	**H1 2024**	H1 2023
Depreciation, amortization and impairments on:		
Property, plant and equipment	447	465
Right-of-use assets	124	133
Intangible assets	1 905	2 980
Financial assets [1]	6	75
Change in provisions and other non-current liabilities	367	362
Losses/(gains) on disposal on property, plant and equipment; intangible assets; other non-current assets; and other adjustments on financial assets and other non-current assets, net	142	-216
Equity-settled compensation expense	517	412
Loss from associated companies	31	4
Income taxes	1 036	773
Net financial expense	386	227
Other	-64	34
Total	**4 897**	**5 249**

[1] Includes fair value changes

6.2. Total amount of income taxes paid

In the first half of 2024, the total amount of income taxes paid by continuing operations was USD 1 049 million (Q2 2024: USD 473 million), and nil by discontinued operations (Q2 2024: nil). In the first half of 2024, the total amount of income taxes paid by the Company was USD 1 049 million (Q2 2024: USD 473 million).

In the first half of 2023, the total amount of income taxes paid by continuing operations was USD 1 268 million (Q2 2023: USD 973 million), and by discontinued operations was USD 110 million (Q2 2023: USD 57 million), which was included within "Net cash flows from operating activities from discontinued operations". In the first half of 2023, the total amount of income taxes paid by the Company was USD 1 378 million (Q2 2023: USD 1 030 million).

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

(USD millions)	**Q2 2024**	Q2 2023	**H1 2024**	H1 2023
Increase in inventories	-18	-185	-146	-546
Increase in trade receivables	-501	-447	-1 421	-1 147
(Decrease)/increase in trade payables	-142	73	-551	99
Change in other current and non-current assets	-105	9	-377	-100
Change in other current liabilities	1 004	605	744	531
Total	**238**	**55**	**-1 751**	**-1 163**

6.4. Cash flows arising from acquisitions and divestments of businesses, net from continuing operations

The following table is a summary of the cash flow impact of acquisitions and divestments of businesses.

(USD millions)	**Q2 2024**	Q2 2023	**H1 2024**	H1 2023
Total purchase consideration for acquisitions of businesses	**-3 807**	**0**	**-4 105**	**0**
Acquired cash and cash equivalents	234		236	
Contingent consideration payable, net	233		280	-10
Payments (incl. prepayments), deferred consideration and other adjustments, net	47	-100	55	-100
Cash flows used for acquisitions of businesses [1]	**-3 293**	**-100**	**-3 534**	**-110**
Cash flows (used for)/from divestments of businesses, net [2]	**-26**	**16**	**-64**	**3**
Cash flows used for acquisitions and divestments of businesses, net	**-3 319**	**-84**	**-3 598**	**-107**

[1] The second quarter and the first half of 2024 include the payments for purchases of MorphoSys shares by Novartis during the Offer period totaling EUR 0.3 billion (USD 0.3 billion), see Note 3 for further information.

[2] In the first half of 2024, USD 64 million (Q2 2024: USD 26 million) represented the net cash outflows from divestments in prior years.
In the first half of 2023, USD 3 million (Q2 2023: USD 16 million) represented the net cash inflows from divestments from the 2023 periods and prior years.

Note 3 provides further information regarding significant acquisitions and divestments of businesses. All acquisitions were for cash.

7. Legal proceedings update

A number of Novartis companies are, and will likely continue to be, subject to various legal proceedings, including litigations, arbitrations and governmental investigations, that arise from time to time. Legal proceedings are inherently unpredictable. As a result, the Company may become subject to substantial liabilities that may not be covered by insurance and may in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations or cash flow. Note 21 to the Consolidated Financial Statements in our 2023 Annual Report and 2023 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 July 17, 2024, of significant developments in those proceedings, as well as any new significant proceedings commenced since the date of the 2023 Annual Report and 2023 Form 20-F.

Investigations and related litigations

340B Drug Pricing Program investigations
In 2021, Novartis Pharmaceuticals Corporation (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 the Office of Inspector General of the US Department of Health and Human Services, which could result in the imposition of civil monetary penalties on NPC. The USDC issued a decision rejecting HRSA's interpretation of the 340B statute, vacating the violation notification and remanding the matter to HRSA. HRSA appealed, and the United States Court of Appeals for the DC Circuit heard argument on the case in 2022. In May 2024, the Court of Appeals for the DC Circuit issued a decision rejecting HRSA's interpretation of the 340B statute and upholding NPC's current contract pharmacy policy. HRSA has 90 days from the decision to determine whether to seek review from the US Supreme Court or the decision will be final. In addition, NPC has brought litigation challenging a number of state statutes purporting to add further requirements under the 340B program as to the use of contract pharmacies in those states.

In addition to the matters described above, there have been other non-material developments in the other legal matters described in Note 21 to the Consolidated Financial Statements contained in our 2023 Annual Report and 2023 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.

8. Operating segment

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

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

Discontinued operations include the Sandoz generic pharmaceuticals and biosimilars business (the Sandoz Division) and certain corporate activities attributable to Sandoz's business, as well as certain expenses related to the spin-off. Included in fourth quarter of 2023 is also the IFRS Accounting Standards non-cash, non-taxable net gain on the Distribution of Sandoz Group AG to Novartis AG shareholders. For further details and disclosures on discontinued operations, refer to Note 3 and Note 11.

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

Following the spin-off of the Sandoz business, on October 3, 2023, Novartis operates as a single global operating segment innovative medicines company that is engaged in the research, development, manufacturing, distribution and commercialization and sale of innovative medicines. The Company's research, development, manufacturing and supply of products and functional activities are managed globally on a vertically integrated basis. Commercial efforts that coordinate marketing, sales and distribution of these products are organized by geographic region, therapeutic area and established brands.

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

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

See Note 9 for revenues and geographic information disclosures.

9. Revenues and geographic information

Net sales

Net sales information

Net sales from continuing operations comprise the following:

(USD millions)	**Q2 2024**	Q2 2023	**H1 2024**	H1 2023
Net sales to third parties from continuing operations	**12 512**	**11 231**	**24 341**	**21 776**
Sales to discontinued operations		206		459
Net sales from continuing operations	**12 512**	**11 437**	**24 341**	**22 235**

Net sales from continuing operations by region[1]

Second quarter

	Q2 2024 USD m	Q2 2023 USD m	% change USD	% change cc[2]	**Q2 2024 % of total**	Q2 2023 % of total
US	5 146	4 498	14	14	41	39
Europe	3 867	3 688	5	6	31	32
Asia/Africa/Australasia	2 594	2 425	7	13	21	21
Canada and Latin America	905	826	10	15	7	8
Total	**12 512**	**11 437**	**9**	**11**	**100**	**100**
Of which in established markets	9 162	8 456	8	10	73	74
Of which in emerging growth markets	3 350	2 981	12	16	27	26

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

[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 43.

First half

	H1 2024 USD m	H1 2023 USD m	% change USD	% change cc[2]	**H1 2024 % of total**	H1 2023 % of total
US	9 734	8 548	14	14	40	38
Europe	7 631	7 351	4	5	31	33
Asia/Africa/Australasia	5 174	4 728	9	15	21	21
Canada and Latin America	1 802	1 608	12	15	8	8
Total	**24 341**	**22 235**	**9**	**11**	**100**	**100**
Of which in established markets	17 650	16 351	8	9	73	74
Of which in emerging growth markets	6 691	5 884	14	19	27	26

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

[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 43.

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

Second quarter

	Q2 2024 USD m	Q2 2023 USD m[1]	% change USD	% change cc[2]
Cardiovascular, renal and metabolic				
Entresto	1 898	1 516	25	28
Leqvio	182	78	133	134
Total cardiovascular, renal and metabolic	**2 080**	**1 594**	**30**	**33**
Immunology				
Cosentyx	1 526	1 272	20	22
Xolair[3]	427	362	18	22
Ilaris	368	316	16	20
Other	1		nm	nm
Total immunology	**2 322**	**1 950**	**19**	**22**
Neuroscience				
Kesimpta	799	489	63	65
Zolgensma	349	311	12	14
Aimovig	77	67	15	16
Total neuroscience	**1 225**	**867**	**41**	**43**
Oncology				
Kisqali	717	493	45	50
Promacta/Revolade	544	583	-7	-5
Tafinlar + Mekinist	523	496	5	9
Jakavi	471	435	8	13
Tasigna	446	476	-6	-4
Pluvicto	345	240	44	44
Lutathera	175	150	17	17
Scemblix	164	106	55	56
Kymriah	113	129	-12	-11
Piqray/Vijoice	120	130	-8	-7
Fabhalta	22		nm	nm
Total oncology	**3 640**	**3 238**	**12**	**15**
Total promoted brands	**9 267**	**7 649**	**21**	**24**
Established brands				
Sandostatin Group	313	331	-5	-4
Lucentis	275	395	-30	-28
Exforge Group	178	184	-3	1
Gilenya	138	269	-49	-47
Diovan Group	160	155	3	9
Galvus Group	150	175	-14	-5
Contract manufacturing	271	339	-20	-19
Other	1 760	1 940	-9	-10
Total established brands	**3 245**	**3 788**	**-14**	**-13**
Total net sales from continuing operations	**12 512**	**11 437**	**9**	**11**

[1] Reclassified to conform with 2024 presentation of brands by therapeutic area and established brands.
[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 43.
[3] Net sales from continuing operations reflect *Xolair* sales for all indications.

nm = not meaningful

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

First half

	H1 2024 USD m	H1 2023 USD m[1]	% change USD	% change cc[2]
Cardiovascular, renal and metabolic				
Entresto	3 777	2 915	30	32
Leqvio	333	142	135	137
Total cardiovascular, renal and metabolic	**4 110**	**3 057**	**34**	**37**
Immunology				
Cosentyx	2 852	2 348	21	23
Xolair[3]	826	716	15	18
Ilaris	724	644	12	17
Other	1		nm	nm
Total immunology	**4 403**	**3 708**	**19**	**21**
Neuroscience				
Kesimpta	1 436	873	64	66
Zolgensma	644	620	4	6
Aimovig	153	128	20	19
Other	1		nm	nm
Total neuroscience	**2 234**	**1 621**	**38**	**39**
Oncology				
Kisqali	1 344	908	48	52
Promacta/Revolade	1 064	1 130	-6	-4
Tafinlar + Mekinist	997	954	5	7
Jakavi	949	849	12	15
Tasigna	841	938	-10	-9
Pluvicto	655	451	45	45
Lutathera	344	299	15	16
Scemblix	300	182	65	67
Kymriah	233	264	-12	-10
Piqray/Vijoice	229	246	-7	-6
Fabhalta	28		nm	nm
Other		1	nm	nm
Total oncology	**6 984**	**6 222**	**12**	**14**
Total promoted brands	**17 731**	**14 608**	**21**	**23**
Established brands				
Sandostatin Group	668	660	1	3
Lucentis	589	811	-27	-26
Exforge Group	370	370	0	3
Gilenya	313	501	-38	-36
Diovan Group	300	313	-4	1
Galvus Group	299	358	-16	-9
Contract manufacturing	550	714	-23	-23
Other	3 521	3 900	-10	-10
Total established brands	**6 610**	**7 627**	**-13**	**-12**
Total net sales from continuing operations	**24 341**	**22 235**	**9**	**11**

[1] Reclassified to conform with 2024 presentation of brands by therapeutic area and established brands.
[2] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 43.
[3] Net sales from continuing operations reflect *Xolair* sales for all indications.

nm = not meaningful

Net sales from continuing operations of the top 20 brands in 2024

Second quarter

			US		Rest of world			Total		
Brands	**Brand classification by therapeutic area or established brands**	**Key indications**	USD m	% change USD/cc[1]	USD m	% change USD	% change cc[1]	USD m	% change USD	% change cc[1]
Entresto	Cardiovascular, renal and metabolic	Chronic heart failure, hypertension	947	25	951	25	30	1 898	25	28
Cosentyx	Immunology	Psoriasis (PsO), ankylosing spondylitis (AS), psoriatic arthritis (PsA), non-radiographic axial spondyloarthritis (nr-axSPA), hidradenitis suppurativa (HS)	868	34	658	6	10	1 526	20	22
Kesimpta	Neuroscience	Relapsing-remitting multiple sclerosis (RRMS)	555	49	244	110	118	799	63	65
Kisqali	Oncology	HR+/HER2- metastatic breast cancer	375	67	342	27	35	717	45	50
Promacta/Revolade	Oncology	Immune thrombocytopenia (ITP), severe aplastic anemia (SAA)	283	-10	261	-3	1	544	-7	-5
Tafinlar + Mekinist	Oncology	BRAF V600+ metastatic adjuvant melanoma, advanced non-small cell lung cancer (NSCLC), tumor agnostic with BRAF mutation indication	202	3	321	7	13	523	5	9
Jakavi	Oncology	Myelofibrosis (MF), polycytomia vera (PV), graft-versus-host disease (GvHD)			471	8	13	471	8	13
Tasigna	Oncology	Chronic myeloid leukemia (CML)	230	-1	216	-11	-7	446	-6	-4
Xolair[2]	Immunology	Severe allergic asthma (SAA), chronic spontaneous urticaria (CSU), nasal polyps			427	18	22	427	18	22
Ilaris	Immunology	Auto-inflammatory (CAPS, TRAPS, HIDS/MKD, FMF, SJIA, AOSD, gout)	194	19	174	14	22	368	16	20
Sandostatin Group	Established brands	Carcinoid tumors, acromegaly	187	-8	126	-2	3	313	-5	-4
Pluvicto	Oncology	PSMA-positive mCRPC patients post-ARPI, post-Taxane	295	30	50	285	274	345	44	44
Zolgensma	Neuroscience	Spinal muscular atrophy (SMA)	134	60	215	-5	-3	349	12	14
Lucentis	Established brands	Age-related macular degeneration (AMD), diabetic macular edema (DME), retinal vein occlusion (RVO)			275	-30	-28	275	-30	-28
Exforge Group	Established brands	Hypertension	1	-75	177	-2	2	178	-3	1
Lutathera	Oncology	GEP-NETs gastroenteropancreatic neuroendocrine tumors	124	17	51	16	19	175	17	17
Leqvio	Cardiovascular, renal and metabolic	Atherosclerotic cardiovascular disease (ASCVD)	94	114	88	159	165	182	133	134
Gilenya	Established brands	Relapsing multiple sclerosis (RMS)	30	-71	108	-35	-31	138	-49	-47
Scemblix	Oncology	Philadelphia chromosome-positive chronic myeloid leukemia (Ph+ CML)	105	35	59	111	112	164	55	56
Diovan Group	Established brands	Hypertension	6	-50	154	8	15	160	3	9
Top 20 brands total			**4 630**	**23**	**5 368**	**10**	**14**	**9 998**	**15**	**18**
Rest of portfolio			516	-29	1 998	-3	-3	2 514	-10	-10
Total net sales from continuing operations			**5 146**	**14**	**7 366**	**6**	**9**	**12 512**	**9**	**11**

[1] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 43.

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

Net sales from continuing operations of the top 20 brands in 2024

First half

			US		Rest of world			Total		
Brands	**Brand classification by therapeutic area or established brands**	**Key indications**	USD m	% change USD/cc[1]	USD m	% change USD	% change cc[1]	USD m	% change USD	% change cc[1]
Entresto	Cardiovascular, renal and metabolic	Chronic heart failure, hypertension	1 895	30	1 882	29	34	3 777	30	32
Cosentyx	Immunology	Psoriasis (PsO), ankylosing spondylitis (AS), psoriatic arthritis (PsA), non-radiographic axial spondyloarthritis (nr-axSPA), hidradenitis suppurativa (HS)	1 529	30	1 323	13	16	2 852	21	23
Kesimpta	Neuroscience	Relapsing-remitting multiple sclerosis (RRMS)	970	45	466	127	133	1 436	64	66
Kisqali	Oncology	HR+/HER2- metastatic breast cancer	688	69	656	31	37	1 344	48	52
Promacta/Revolade	Oncology	Immune thrombocytopenia (ITP), severe aplastic anemia (SAA)	549	-7	515	-5	-1	1 064	-6	-4
Tafinlar + Mekinist	Oncology	BRAF V600+ metastatic adjuvant melanoma, advanced non-small cell lung cancer (NSCLC), tumor agnostic with BRAF mutation indication	386	-1	611	8	13	997	5	7
Jakavi	Oncology	Myelofibrosis (MF), polycytomia vera (PV), graft-versus-host disease (GvHD)			949	12	15	949	12	15
Tasigna	Oncology	Chronic myeloid leukemia (CML)	404	-9	437	-12	-9	841	-10	-9
Xolair[2]	Immunology	Severe allergic asthma (SAA), chronic spontaneous urticaria (CSU), nasal polyps			826	15	18	826	15	18
Ilaris	Immunology	Auto-inflammatory (CAPS, TRAPS, HIDS/MKD, FMF, SJIA, AOSD, gout)	360	18	364	7	16	724	12	17
Sandostatin Group	Established brands	Carcinoid tumors, acromegaly	426	3	242	-2	2	668	1	3
Pluvicto	Oncology	PSMA-positive mCRPC patients post-ARPI, post-Taxane	576	33	79	nm	nm	655	45	45
Zolgensma	Neuroscience	Spinal muscular atrophy (SMA)	238	23	406	-5	-3	644	4	6
Lucentis	Established brands	Age-related macular degeneration (AMD), diabetic macular edema (DME), retinal vein occlusion (RVO)			589	-27	-26	589	-27	-26
Exforge Group	Established brands	Hypertension	5	-38	365	1	4	370	0	3
Lutathera	Oncology	GEP-NETs gastroenteropancreatic neuroendocrine tumors	241	15	103	16	17	344	15	16
Leqvio	Cardiovascular, renal and metabolic	Atherosclerotic cardiovascular disease (ASCVD)	168	107	165	170	175	333	135	137
Gilenya	Established brands	Relapsing multiple sclerosis (RMS)	82	-55	231	-27	-25	313	-38	-36
Scemblix	Oncology	Philadelphia chromosome-positive chronic myeloid leukemia (Ph+ CML)	193	39	107	149	154	300	65	67
Diovan Group	Established brands	Hypertension	15	-44	285	0	5	300	-4	1
Top 20 brands total			**8 725**	**22**	**10 601**	**12**	**15**	**19 326**	**16**	**18**
Rest of portfolio			1 009	-29	4 006	-4	-3	5 015	-11	-10
Total net sales from continuing operations			**9 734**	**14**	**14 607**	**7**	**10**	**24 341**	**9**	**11**

[1] Constant currencies (cc) is a non-IFRS measure. A definition of non-IFRS measures used by Novartis can be found starting on page 43.

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

nm = not meaningful

Other revenues

(USD millions)	**Q2 2024**	Q2 2023	**H1 2024**	H1 2023
Profit sharing income	268	246	482	445
Royalty income	5	19	24	41
Milestone income	14	25	20	28
Other [1]	73	18	125	43
Total other revenues	**360**	**308**	**651**	**557**

[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. Other interim disclosures

Property, plant and equipment, right-of-use assets and intangible assets

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

(USD millions)	**Q2 2024**	Q2 2023	**H1 2024**	H1 2023
Property, plant and equipment impairment charges	-9	-31	-10	-58
Property, plant and equipment impairment reversal		39		48
Property, plant and equipment depreciation charge	-219	-222	-437	-455
Right-of-use assets depreciation charge	-61	-68	-124	-133
Intangible assets impairment charges [1]	-37	-454	-194	-927
Intangible assets amortization charge	-836	-974	-1 711	-2 053

[1] The first half of 2023 includes an impairment of USD 0.3 billion due to the write-down of IPR&D related to cessation of clinical development program NIZ985. The second quarter and first half of 2023 include an impairment of USD 0.3 billion for the write-down of a currently marketed product to reflect reduction in recoverable amount.

In the first half of 2024 and 2023, there were no impairment charges and no reversals of impairment charges on right-of-use assets, as well as no reversals of impairment charges on intangible assets.

The following table shows the additions to property, plant and equipment, right-of-use assets and intangible assets for continuing operations excluding the impact of business acquisitions, which are disclosed in Note 3:

(USD millions)	**Q2 2024**	Q2 2023	**H1 2024**	H1 2023
Additions to property, plant and equipment	283	211	506	388
Additions to right-of-use assets	69	49	97	192
Additions to intangible assets other than goodwill	512	521	1 175	716

Financial debt

Novartis issued the following straight bonds during the second quarter of 2024:

Coupon	Currency	Notional amount (millions)	Maturity year	Issuer	Issue price	**Carrying value June 30, 2024 (USD millions)**
1.600%	CHF	650	2027	Novartis AG, Basel, Switzerland	100.138%	723
1.650%	CHF	435	2031	Novartis AG, Basel, Switzerland	100.148%	483
1.750%	CHF	645	2034	Novartis AG, Basel, Switzerland	100.229%	717
1.850%	CHF	280	2040	Novartis AG, Basel, Switzerland	100.268%	311
1.850%	CHF	190	2049	Novartis AG, Basel, Switzerland	100.149%	211

In the second quarter of 2024, Novartis repaid the 3.4% coupon bond with a notional amount of USD 2.15 billion issued in 2014 by Novartis Capital Corporation, USA, in accordance with its terms.

In May 2024, Novartis replaced its existing USD 6.0 billion credit facility with a syndicate of banks (which was undrawn at its replacement date and December 31, 2023 and had a maturity date of September 2025) with a new USD 6.0 billion credit facility with a syndicate of banks. This credit facility is intended to be used as a backstop for the US commercial paper program. This facility matures in May 2029, and was undrawn as at June 30, 2024.

Research and development commitments

The Company has entered into long-term research and development agreements with various institutions related to intangible assets. These agreements provide for potential milestone payments by Novartis, which are dependent on successful clinical development, or meeting specified sales targets, or other conditions that are specified in the agreements.

As of June 30, 2024, the amount and estimated timing of the Company's commitments to make payments under those agreements, which are shown without risk adjustment and on an undiscounted basis, were as follows:

(USD millions)	**2024**
2024	226
2025	209
2026	460
2027	396
2028	566
2029	487
Thereafter	4 855
Total	**7 199**

Significant pending transaction

In July 2024, Novartis entered into a long-term research and development agreement which did not close as of July 17, 2024. This agreement provides for potential milestones payments by Novartis that may be capitalized and royalties. Based on their estimated timing, the payments for this transaction are expected to amount to USD 0.1 billion in 2024, USD 0.1 billion in 2026, USD 0.1 billion in 2028, USD 0.1 billion in 2029 and USD 1.0 billion thereafter.

11. Discontinued operations

Discontinued operations included the operational results from the Sandoz generic pharmaceuticals and biosimilars division and certain corporate activities attributable to the Sandoz business, as well as certain other expenses related to the spin-off (refer to Note 3 for further details).

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

As the Sandoz business spin-off was completed on October 3, 2023, there were no operating results in the first half of 2024.

Net income from discontinued operations

(USD millions unless indicated otherwise)	Q2 2023	H1 2023
Net sales to third parties from discontinued operations	**2 391**	**4 799**
Sales to continuing operations	58	153
Net sales from discontinued operations	**2 449**	**4 952**
Other revenues	6	12
Cost from goods sold	-1 263	-2 551
Gross profit from discontinued operations	**1 192**	**2 413**
Selling, general and administration	-595	-1 147
Research and development	-222	-441
Other income	21	28
Other expense	-283	-502
Operating income from discontinued operations	**113**	**351**
Income from associated companies		1
Interest expense	-8	-19
Other financial income and expense	-10	-18
Income before taxes from discontinued operations	**95**	**315**
Income taxes [1]	-49	-125
Net income from discontinued operations	**46**	**190**

[1] The tax rate in the second quarter of 2023 and in the first half of 2023 was impacted by non-recurring items such as net increases in uncertain tax positions of the Sandoz business and non-deductible expenses recognized related to a legal matter. Excluding these impacts, the tax rate would have been 31.5% in the second quarter of 2023 and 28.6% in the first half of 2023.

Supplemental disclosures related to discontinued operations

Net income from discontinued operations

Included in net income from discontinued operations were:

(USD millions unless indicated otherwise)	Q2 2023	H1 2023
Interest income		1
Depreciation of property, plant and equipment	-48	-99
Depreciation of right-of-use assets	-10	-18
Amortization of intangible assets	-56	-111
Impairment charges on property, plant and equipment	-1	-2
Impairment charges on intangible assets	-1	-13
Impairment reversals of property, plant and equipment	1	1
Additions to restructuring provisions	-11	-16
Equity-based compensation expense related to Novartis equity-based participation plans	-18	-36

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

Other information

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

(USD millions)	Q2 2023	H1 2023
Additions to property, plant and equipment	82	160
Additions to right-of-use assets	24	33
Additions to goodwill and intangible assets	35	56

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

12. Events subsequent to the June 30, 2024, consolidated balance sheet

Significant pending transaction

On July 4, 2024, Novartis filed a public delisting purchase offer to delist the MorphoSys shares admitted to trading on regulated markets and acquire all MorphoSys AG shares and ADS not held directly by Novartis. For disclosure of the MorphoSys business acquisition, see Note 3.

In July 2024, Novartis entered into a long-term research and development agreement, which did not close as of July 17, 2024. See Note 10 for further information.

Supplementary information (unaudited)

Non-IFRS measures as defined by Novartis

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

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

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

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

Core results

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

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

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

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

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

Constant currencies

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

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

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

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

We use these constant currency measures in evaluating the Company's performance, since they may assist us in evaluating our ongoing performance from year to year. However, in performing our evaluation,

we also consider equivalent measures of performance that are not affected by changes in the relative value of currencies.

Growth rate calculation
For ease of understanding, Novartis uses a sign convention for its growth rates such that a reduction in operating expenses or losses compared with the prior year is shown as a positive growth.

Free cash flow
Novartis defines free cash flow as net cash flows from operating activities less purchases of property, plant and equipment. This definition provides a performance measure focusing on core operating activities and excludes items that can vary significantly from year to year, thereby enabling better comparison of business performance across years.

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

Additional information

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

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

See page 52 for additional disclosures related to net debt.

Reconciliation from IFRS Accounting Standards results to non-IFRS measure core results

The following tables provide an overview of the reconciliation from IFRS Accounting Standards results to non-IFRS measure core results:

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

(USD millions unless indicated otherwise)	**Q2 2024**	Q2 2023	**H1 2024**	H1 2023
IFRS Accounting Standards operating income from continuing operations	**4 014**	**2 807**	**7 387**	**5 425**
Amortization of intangible assets	**768**	**914**	**1 575**	**1 941**
Impairments				
Intangible assets	37	453	194	926
Property, plant and equipment related to the company-wide rationalization of manufacturing sites		-36		-43
Other property, plant and equipment	6	22	6	22
Total impairment charges	**43**	**439**	**200**	**905**
Acquisition or divestment of businesses and related items				
- Income	-103	-59	-215	-63
- Expense	110	1	230	3
Total acquisition or divestment of businesses and related items, net	**7**	**-58**	**15**	**-60**
Other items				
Divestment gains	-7	-6	-19	-132
Financial assets – fair value adjustments	-22	29	6	75
Restructuring and related items				
- Income	-23	-64	-81	-95
- Expense	167	145	258	795
Legal-related items				
- Income				-484
- Expense		2	50	31
Additional income	-3	25	-15	-270
Additional expense	9	7	114	15
Total other items	**121**	**138**	**313**	**-65**
Total adjustments	**939**	**1 433**	**2 103**	**2 721**
Core operating income from continuing operations	**4 953**	**4 240**	**9 490**	**8 146**
as % of net sales	*39.6%*	*37.1%*	*39.0%*	*36.6%*
Loss from associated companies	-2	-2	-31	-4
Core adjustments to loss from associated companies, net of tax			26	
Interest expense	-246	-216	-467	-416
Other financial income and expense	75	85	81	189
Core adjustments to other financial income and expense	-15	44	75	58
Income taxes, adjusted for above items (core income taxes)	-757	-649	-1 485	-1 238
Core net income from continuing operations	**4 008**	**3 502**	**7 689**	**6 735**
Core net income from discontinued operations [1]		309		690
Core net income	**4 008**	**3 811**	**7 689**	**7 425**
Core net income attributable to shareholders of Novartis AG	**4 008**	**3 810**	**7 689**	**7 423**
Core basic EPS from continuing operations (USD) [2]	**1.97**	**1.69**	**3.77**	**3.23**
Core basic EPS from discontinued operations (USD) [1, 2]		0.14		0.31
Core basic EPS (USD) [2]	**1.97**	**1.83**	**3.77**	**3.54**

[1] For details on discontinued operations core results refer to page 48.

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

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

Second quarter

(USD millions unless indicated otherwise)	Q2 2024 IFRS Accounting Standards results	Amortization of intangible assets[1]	Impairments[2]	Acquisition or divestment of businesses and related items[3]	Other items[4]	Q2 2024 Core results	Q2 2023 Core results
Gross profit from continuing operations	**9 699**	**724**			**4**	**10 427**	**9 591**
Operating income from continuing operations	**4 014**	**768**	**43**	**7**	**121**	**4 953**	**4 240**
Income before taxes from continuing operations	**3 841**	**768**	**43**	**7**	**106**	**4 765**	**4 151**
Income taxes[5]	-595	-145	-5	-3	-9	-757	-649
Net income from continuing operations	**3 246**					**4 008**	**3 502**
Net income from discontinued operations[6]							309
Net income	**3 246**					**4 008**	**3 811**
Basic EPS from continuing operations (USD)[7]	**1.60**					**1.97**	**1.69**
Basic EPS from discontinued operations (USD)[6, 7]							0.14
Basic EPS (USD)[7]	**1.60**					**1.97**	**1.83**
The following are adjustments to arrive at core gross profit from continuing operations							
Cost of goods sold	-3 173	724			4	-2 445	-2 154
The following are adjustments to arrive at core operating income from continuing operations							
Selling, general and administration	-3 091				1	-3 090	-3 088
Research and development	-2 367	44	37	10		-2 276	-2 129
Other income	273			-103	-69	101	36
Other expense	-500		6	100	185	-209	-170
The following are adjustments to arrive at core income before taxes from continuing operations							
Other financial income and expense	75				-15	60	129

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

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

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

[4] Other items: cost of goods sold, selling, general and administration, and other income and other expense include restructuring income and charges related to the initiative to implement a new streamlined organizational model, the company-wide rationalization of manufacturing sites and other net restructuring charges and related items; other income and other expense includes fair value adjustments; other income also includes divestment gains; other financial income and expense includes the impact of IAS Standards 29 "Financial Reporting in Hyperinflationary Economies" for subsidiaries operating in hyperinflationary economies, currency devaluation losses and an adjustment related to the gain on sale of financial assets.

[5] Taxes on the adjustments between IFRS Accounting Standards and core results, for each item included in the adjustment, take into account the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions. Due to these factors and the differing effective tax rates in the various jurisdictions, the tax on the total adjustments of USD 0.9 billion to arrive at the core results before tax amounts to USD 162 million. The average tax rate on the total adjustments was 17.5% since the quarterly core tax charge of 15.9% has been applied to the pre-tax income of the period.

[6] For details on discontinued operations core results refer to page 48.

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

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

First half

(USD millions unless indicated otherwise)	H1 2024 IFRS Accounting Standards results	Amortization of intangible assets[1]	Impairments[2]	Acquisition or divestment of businesses and related items[3]	Other items[4]	H1 2024 Core results	H1 2023 Core results
Gross profit from continuing operations	**18 723**	**1 497**			**9**	**20 229**	**18 591**
Operating income from continuing operations	**7 387**	**1 575**	**200**	**15**	**313**	**9 490**	**8 146**
Income before taxes from continuing operations	**6 970**	**1 575**	**200**	**15**	**414**	**9 174**	**7 973**
Income taxes[5]	-1 036	-295	-26	-5	-123	-1 485	-1 238
Net income from continuing operations	**5 934**					**7 689**	**6 735**
Net income from discontinued operations[6]							690
Net income	**5 934**					**7 689**	**7 425**
Basic EPS from continuing operations (USD)[7]	**2.91**					**3.77**	**3.23**
Basic EPS from discontinued operations (USD)[7]							0.31
Basic EPS (USD)[7]	**2.91**					**3.77**	**3.54**
The following are adjustments to arrive at core gross profit from continuing operations							
Cost of goods sold	-6 269	1 497			9	-4 763	-4 201
The following are adjustments to arrive at core operating income from continuing operations							
Selling, general and administration	-5 931				1	-5 930	-5 952
Research and development	-4 788	78	194	21	16	-4 479	-4 182
Other income	522			-215	-151	156	140
Other expense	-1 139		6	209	438	-486	-451
The following are adjustments to arrive at core income before taxes from continuing operations							
Loss from associated companies	-31				26	-5	-4
Other financial income and expense	81				75	156	247

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

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

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

[4] Other items: cost of goods sold, selling, general and administration, and other income and other expense includes restructuring income and charges related to the initiative to implement a new streamlined organizational model, the company-wide rationalization of manufacturing sites and other net restructuring charges and related items; research and development includes contingent consideration adjustments; other income and other expense includes fair value adjustments; other income also includes divestment gains; other expense includes legal related items and a fair value adjustment on a contingent receivable and other costs and items; loss from associated companies includes a divestment adjustment related to the sale of an investment in associated companies; other financial income and expense includes the impact of IAS Standards 29 "Financial Reporting in Hyperinflationary Economies" for subsidiaries operating in hyperinflationary economies, currency devaluation losses, an adjustment related to the gain on sale of financial assets and release of provisions for interests on tax matters.

[5] Taxes on the adjustments between IFRS Accounting Standards and core results, for each item included in the adjustment, take into account the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions. Adjustments related to income from associated companies are recorded net of any related tax effect. Due to these factors and the differing effective tax rates in the various jurisdictions, the tax on the total adjustments of USD 2.2 billion to arrive at the core results before tax amounts to USD 449 million. The average tax rate on the total adjustments was 20.4% since the estimated full year core tax charge of 16.2% has been applied to the pre-tax income of the period.

[6] For details on discontinued operations core results refer to page 48.

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

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

Second quarter

(USD millions unless indicated otherwise)	Q2 2023 Core results
Gross profit from discontinued operations	**1 265**
Operating income from discontinued operations	**428**
Income before taxes from discontinued operations	**404**
Income taxes	-95
Net income from discontinued operations	**309**
Basic EPS from discontinued operations (USD) [1]	**0.14**
The following are adjustments to arrive at core gross profit from discontinued operations	
Cost of goods sold	-1 538
The following are adjustments to arrive at core operating income from discontinued operations	
Selling, general and administration	-585
Research and development	-220
Other expense	-32
The following are adjustments to arrive at core income before taxes from discontinued operations	
Other financial income and expense	-16

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

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

First half

(USD millions unless indicated otherwise)	H1 2023 Core results
Gross profit from discontinued operations	**2 572**
Operating income from discontinued operations	**935**
Income before taxes from discontinued operations	**900**
Income taxes	-210
Net income from discontinued operations	**690**
Basic EPS from discontinued operations (USD) [1]	**0.31**
The following are adjustments to arrive at core gross profit from discontinued operations	
Cost of goods sold	-2 392
The following are adjustments to arrive at core operating income from discontinued operations	
Selling, general and administration	-1 122
Research and development	-439
Other income	5
Other expense	-81
The following are adjustments to arrive at core income before taxes from discontinued operations	
Other financial income and expense	-17

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

Free cash flow

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

Second quarter

(USD millions)	Q2 2024 IFRS Accounting Standards cash flow	Adjustments	Free cash flow	Q2 2023 IFRS Accounting Standards cash flow	Adjustments	Free cash flow
Net cash flows from operating activities from continuing operations	**4 875**		**4 875**	**3 517**		**3 517**
Net cash flows from operating activities from discontinued operations				59		59
Total net cash flows from operating activities	**4 875**		**4 875**	**3 576**		**3 576**
Net cash flows used in investing activities from continuing operations	**-3 207**	**2 947**	**-260**	**-960**	**735**	**-225**
Net cash flows used in investing activities from discontinued operations				-93	17	-76
Total net cash flows used in investing activities [1]	**-3 207**	**2 947**	**-260**	**-1 053**	**752**	**-301**
Net cash flows used in financing activities from continuing operations	**-3 200**	**3 200**	**0**	**-3 766**	**3 766**	**0**
Net cash flows from financing activities from discontinued operations				129	-129	0
Total net cash flows used in financing activities [2]	**-3 200**	**3 200**	**0**	**-3 637**	**3 637**	**0**
Non-IFRS measure free cash flow from continuing operations			**4 615**			**3 292**
Non-IFRS measure free cash flow from discontinued operations						-17
Total non-IFRS measure free cash flow			**4 615**			**3 275**

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

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

Free cash flow

First half

(USD millions)	H1 2024 IFRS Accounting Standards cash flow	Adjustments	Free cash flow	H1 2023 IFRS Accounting Standards cash flow	Adjustments	Free cash flow
Net cash flows from operating activities from continuing operations	**7 140**		**7 140**	**6 369**		**6 369**
Net cash flows from operating activities from discontinued operations				164		164
Total net cash flows from operating activities	**7 140**		**7 140**	**6 533**		**6 533**
Net cash flows (used in)/from investing activities from continuing operations	**-4 106**	**3 619**	**-487**	**9 745**	-10 138	**-393**
Net cash flows used in investing activities from discontinued operations				-177	32	-145
Total net cash flows (used in)/from investing activities [1]	**-4 106**	**3 619**	**-487**	**9 568**	-10 106	**-538**
Net cash flows used in financing activities from continuing operations	**-8 364**	**8 364**	**0**	**-12 762**	12 762	**0**
Net cash flows used in financing activities from discontinued operations				-77	77	0
Total net cash flows used in financing activities [2]	**-8 364**	**8 364**	**0**	**-12 839**	12 839	**0**
Non-IFRS measure free cash flow from continuing operations			**6 653**			**5 976**
Non-IFRS measure free cash flow from discontinued operations						19
Total non-IFRS measure free cash flow			**6 653**			**5 995**

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

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

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

Second quarter

(USD millions)	**Q2 2024**	Q2 2023
Operating income from continuing operations	**4 014**	**2 807**
Adjustments for non-cash items		
Depreciation, amortization and impairments	1 140	1 737
Change in provisions and other non-current liabilities	204	-53
Other	288	347
Operating income adjusted for non-cash items from continuing operations	**5 646**	**4 838**
Dividends received from associated companies and others	1	
Interest received and change in other financial receipts	71	64
Interest paid and change in other financial payments	-320	-224
Income taxes paid	-473	-973
Payments out of provisions and other net cash movements in non-current liabilities	-288	-243
Change in inventories and trade receivables less trade payables	-661	-559
Change in other net current assets and other operating cash flow items	899	614
Net cash flows from operating activities from continuing operations	**4 875**	**3 517**
Purchases of property, plant and equipment	-260	-225
Non-IFRS measure free cash flow from continuing operations	**4 615**	**3 292**
Non-IFRS measure free cash flow from discontinued operations [1]		-17
Total non-IFRS measure free cash flow	**4 615**	**3 275**

[1] In the second quarter of 2023 the free cash flow from discontinued operations was a cash outflow of USD 17 million consisting of USD 59 million net cash inflows from operating activities from discontinued operations, less purchases of property, plant and equipment by discontinued operations of USD 76 million.

First half

(USD millions)	**H1 2024**	H1 2023
Operating income from continuing operations	**7 387**	**5 425**
Adjustments for non-cash items		
Depreciation, amortization and impairments	2 482	3 653
Change in provisions and other non-current liabilities	367	362
Other	595	230
Operating income adjusted for non-cash items from continuing operations	**10 831**	**9 670**
Dividends received from associated companies and others	1	1
Interest received and other financial receipts	235	400
Interest paid and other financial payments	-496	-345
Income taxes paid	-1 049	-1 268
Payments out of provisions and other net cash movements in non-current liabilities	-631	-926
Change in inventories and trade receivables less trade payables	-2 118	-1 594
Change in other net current assets and other operating cash flow items	367	431
Net cash flows from operating activities from continuing operations	**7 140**	**6 369**
Purchases of property, plant and equipment	-487	-393
Non-IFRS measure free cash flow from continuing operations	**6 653**	**5 976**
Non-IFRS measure free cash flow from discontinued operations [1]		19
Total non-IFRS measure free cash flow	**6 653**	**5 995**

[1] In the first half of 2023, the free cash flow from discontinued operations was a cash inflow of USD 19 million consisting of USD 164 million net cash inflows from operating activities from discontinued operations, less purchases of property, plant and equipment by discontinued operations of USD 145 million.

Additional information

Net debt

Condensed consolidated changes in net debt

Second quarter

(USD millions)	**Q2 2024**	Q2 2023
Net change in cash and cash equivalents	**-1 566**	**-1 115**
Change in marketable securities, commodities, time deposits, financial debts and derivatives financial instruments	-1 358	845
Change in net debt	**-2 924**	**-270**
Net debt at April 1	-15 836	-15 104
Net debt at June 30	**-18 760**	**-15 374**

First half

(USD millions)	**H1 2024**	H1 2023
Net change in cash and cash equivalents	**-5 490**	**3 368**
Change in marketable securities, commodities, time deposits, financial debts and derivatives financial instruments	-3 087	-11 497
Change in net debt	**-8 577**	**-8 129**
Net debt at January 1	-10 183	-7 245
Net debt at June 30	**-18 760**	**-15 374**

Components of net debt

(USD millions)	**Jun 30, 2024**	Dec 31, 2023	Jun 30, 2023
Non-current financial debts	-19 663	-18 436	-18 259
Current financial debts and derivative financial instruments	-7 532	-6 175	-8 289
Total financial debts	**-27 195**	**-24 611**	**-26 548**
Less liquidity			
Cash and cash equivalents	7 903	13 393	10 885
Marketable securities, commodities, time deposits and derivative financial instruments	532	1 035	289
Total liquidity	**8 435**	**14 428**	**11 174**
Net debt at end of period	**-18 760**	**-10 183**	**-15 374**

Share information

	Jun 30, 2024	Jun 30, 2023
Number of shares outstanding	**2 024 579 175**	2 068 263 550
Registered share price (CHF)	**96.17**	90.00
ADR price (USD)	**106.46**	100.91
Market capitalization (USD billions) [1]	**216.5**	207.0
Market capitalization (CHF billions) [1]	**194.7**	186.1

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

Effects of currency fluctuations

Principal currency translation rates

(USD per unit)	**Average rates Q2 2024**	Average rates Q2 2023	**Average rates H1 2024**	Average rates H1 2023	**Period-end rates Jun 30, 2024**	Period-end rates Jun 30, 2023
1 CHF	1.106	1.113	1.125	1.097	1.112	1.112
1 CNY	0.138	0.143	0.138	0.144	0.137	0.138
1 EUR	1.077	1.089	1.081	1.081	1.070	1.086
1 GBP	1.262	1.252	1.265	1.233	1.264	1.262
100 JPY	0.642	0.729	0.658	0.742	0.621	0.692
100 RUB	1.102	1.230	1.101	1.300	1.156	1.133

Currency impact on key figures

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

Second quarter

	Change in USD % Q2 2024	**Change in constant currencies % Q2 2024**	**Percentage point currency impact Q2 2024**
Net sales from continuing operations	9	11	-2
Operating income from continuing operations	43	47	-4
Net income from continuing operations	43	49	-6
Basic earnings per share (USD) from continuing operations	47	52	-5
Core operating income from continuing operations	17	19	-2
Core net income from continuing operations	14	18	-4
Core basic earnings per share (USD) from continuing operations	17	21	-4

First half

	Change in USD % H1 2024	**Change in constant currencies % H1 2024**	**Percentage point currency impact H1 2024**
Net sales from continuing operations	9	11	-2
Operating income from continuing operations	36	43	-7
Net income from continuing operations	34	43	-9
Basic earnings per share (USD) from continuing operations	37	47	-10
Core operating income from continuing operations	16	21	-5
Core net income from continuing operations	14	19	-5
Core basic earnings per share (USD) from continuing operations	17	22	-5

Disclaimer

This press release contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, that can generally be identified by words such as “may,” “will,” “continue,” “ongoing,” “grow,” “launch,” “expect,” “deliver,” “focus,” “address,” “accelerate,” “deliver,” “remain,” “scaling,” “guidance,” “outlook,” “long-term,” “priority,” “potential,” “can,” “trajectory” or similar expressions, or by express or implied discussions regarding potential new products, potential new indications for existing products, potential product launches, or regarding potential future revenues from any such products; or regarding results of ongoing clinical trials; or regarding potential future, pending or announced transactions, including completion of the acquisition of MorphoSys AG; regarding potential future sales or earnings; or by discussions of strategy, plans, expectations or intentions, including discussions regarding our continued investment into new R&D capabilities and manufacturing; or regarding our capital structure; or regarding the consequences of the spin-off of Sandoz and our transformation into a “pure-play” innovative medicines company. Such forward-looking statements are based on the current beliefs and expectations of management regarding future events and are subject to significant known and unknown risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those set forth in the forward-looking statements. You should not place undue reliance on these statements. There can be no guarantee that the investigational or approved products described in this press release will be submitted or approved for sale or for any additional indications or labeling in any market, or at any particular time. Nor can there be any guarantee that such products will be commercially successful in the future. Neither can there be any guarantee expected benefits or synergies from the transactions described in this press release will be achieved in the expected timeframe, or at all. In particular, our expectations could be affected by, among other things: uncertainties regarding the success of key products, commercial priorities and strategy; uncertainties in the research and development of new products, including clinical trial results and additional analysis of existing clinical data; uncertainties regarding the use of new and disruptive technologies, including artificial intelligence; global trends toward healthcare cost containment, including ongoing government, payer and general public pricing and reimbursement pressures and requirements for increased pricing transparency; uncertainties regarding our ability to realize the strategic benefits, operational efficiencies or opportunities expected from our external business opportunities; our ability to realize the intended benefits of our separation of Sandoz into a new publicly traded standalone company; our ability to obtain or maintain proprietary intellectual property protection, including the ultimate extent of the impact on Novartis of the loss of patent protection and exclusivity on key products; uncertainties in the development or adoption of potentially transformational digital technologies and business models; uncertainties surrounding the implementation of our new IT projects and systems; uncertainties regarding potential significant breaches of information security or disruptions of our information technology systems; uncertainties regarding actual or potential legal proceedings, including regulatory actions or delays or government regulation related to the products and pipeline products described in this press release; safety, quality, data integrity, or manufacturing issues; our performance on and ability to comply with environmental, social and governance measures and requirements; major political, macroeconomic and business developments, including impact of the war in certain parts of the world; uncertainties regarding future global exchange rates; uncertainties regarding future demand for our products; and other risks and factors referred to in Novartis AG’s most recently filed Form 20-F and in subsequent reports filed with, or furnished to, the US Securities and Exchange Commission. Novartis is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

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This communication is neither an offer to purchase nor a solicitation of an offer to sell shares of MorphoSys. The final terms and further provisions regarding the delisting purchase offer are available in the offer document published by Novartis BidCo AG (formerly known as Novartis data42 AG) (the “Bidder”). The offer document has been approved by the BaFin and has been filed with the U.S. Securities and Exchange Commission (the “SEC”). The solicitation and offer to buy shares of MorphoSys is only being made pursuant the offer document. In connection with the Offer, the Bidder and Novartis AG have filed Tender Offer Statement on Schedule TO with the SEC (together with the offer document, an Offer to Purchase including the means to tender and other related documents, the “Offer Documents”), the management board and supervisory board of MorphoSys have issued a joint reasoned statement in accordance with sec. 27 of the German Securities Acquisition and Takeover Act and MorphoSys has filed a Solicitation/Recommendation Statement on Schedule 14D-9 with the SEC (together with the joint reasoned statement, the “Recommendation Statements”). THE MORPHOSYS SHAREHOLDERS AND OTHER INVESTORS ARE URGED TO READ THE OFFER DOCUMENTS AND THE RECOMMENDATION STATEMENTS BECAUSE THEY CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER. The Offer Documents and the Recommendation Statements have been distributed to all stockholders of MorphoSys in accordance with German and U.S. securities laws. The Tender Offer Statement on Schedule TO and the Solicitation/Recommendation Statement on Schedule 14D-9 are available for free at the SEC’s website at www.sec.gov. Additional copies may be obtained for free by contacting the Bidder or MorphoSys. Free copies of these materials and certain other offering documents are available on the Bidder’s website at www.novartis.com/investors/morphosys-acquisition or by contacting the Bidder’s investor relations department at +41 61 324 7944.

About Novartis

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

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

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

Detailed financial results accompanying this press release are included in the condensed interim financial report at the link below. Additional information is provided on our business and pipeline of selected compounds in late-stage development. A copy of today's earnings call presentation can be found at https://www.novartis.com/investors/event-calendar.

Important dates

October 29, 2024	Third quarter & nine months 2024 results
November 20-21, 2024	Meet Novartis Management 2024 (London, UK)
January 31, 2025	Fourth quarter & full year 2024 results