

Novartis Group consolidated financial statements

Consolidated income statements

(For the years ended December 31, 2018, 2017 and 2016)

(USD millions unless indicated otherwise)

	Note	2018	2017	2016
Net sales to third parties	3	51 900	49 109	48 518
Other revenues	3	1 266	1 026	918
Cost of goods sold		- 18 407	- 17 175	- 17 520
Gross profit		34 759	32 960	31 916
Selling, general and administration		- 16 471	- 14 997	- 14 192
Research and development		- 9 074	- 8 972	- 9 039
Other income		1 690	1 969	1 927
Other expense		- 2 735	- 2 331	- 2 344
Operating income		8 169	8 629	8 268
Income from associated companies	4	6 438	1 108	703
Interest expense	5	- 957	- 777	- 707
Other financial income and expense	5	185	39	- 447
Income before taxes		13 835	8 999	7 817
Taxes	6	- 1 221	- 1 296	- 1 119
Net income		12 614	7 703	6 698
<i>Attributable to:</i>				
Shareholders of Novartis AG		12 611	7 703	6 712
Non-controlling interests		3	0	- 14
Basic earnings per share (USD)	7	5.44	3.28	2.82
Diluted earnings per share (USD)	7	5.38	3.25	2.80

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

Consolidated balance sheets

(At December 31, 2018 and 2017)

(USD millions)	Note	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	9	15 696	16 464
Goodwill	10	35 294	31 750
Intangible assets other than goodwill	10	38 719	29 997
Investments in associated companies	4	8 352	15 370
Deferred tax assets	11	8 699	8 229
Financial assets	12	2 345	2 243
Other non-current assets	12	895	818
Total non-current assets		110 000	104 871
Current assets			
Inventories	13	6 956	6 867
Trade receivables	14	8 727	8 600
Income tax receivables		248	202
Marketable securities, commodities, time deposits and derivative financial instruments	15	2 693	625
Cash and cash equivalents	15	13 271	8 860
Other current assets	16	2 861	3 054
Total current assets without disposal group		34 756	28 208
Assets of disposal group held for sale	2	807	
Total current assets		35 563	28 208
Total assets		145 563	133 079
Equity and liabilities			
Equity			
Share capital	17	944	969
Treasury shares	17	- 69	- 100
Reserves		77 739	73 299
Issued share capital and reserves attributable to Novartis AG shareholders		78 614	74 168
Non-controlling interests		78	59
Total equity		78 692	74 227
Liabilities			
Non-current liabilities			
Financial debts	18	22 470	23 224
Deferred tax liabilities	11	7 475	5 168
Provisions and other non-current liabilities	19	7 319	7 057
Total non-current liabilities		37 264	35 449
Current liabilities			
Trade payables		5 556	5 169
Financial debts and derivative financial instruments	20	9 678	5 308
Current income tax liabilities		2 038	1 723
Provisions and other current liabilities	21	12 284	11 203
Total current liabilities without disposal group		29 556	23 403
Liabilities of disposal group held for sale	2	51	
Total current liabilities		29 607	23 403
Total liabilities		66 871	58 852
Total equity and liabilities		145 563	133 079

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

Consolidated statements of cash flows

(For the years ended December 31, 2018, 2017 and 2016)

(USD millions)	Note	2018	2017	2016
Net income		12 614	7 703	6 698
<i>Adjustments to reconcile net income to net cash flows from operating activities</i>				
Reversal of non-cash items and other adjustments	22.1	3 171	7 058	8 437
Dividends received from associated companies and others		719	987	899
Interest received		243	97	43
Interest paid		- 826	- 708	- 723
Other financial receipts		218		
Other financial payments		- 32	- 272	- 155
Taxes paid ¹		- 1 670	- 1 611	- 2 111
Net cash flows from operating activities before working capital and provision changes		14 437	13 254	13 088
Payments out of provisions and other net cash movements in non-current liabilities		- 664	- 877	- 1 536
Change in net current assets and other operating cash flow items	22.2	499	244	- 77
Net cash flows from operating activities		14 272	12 621	11 475
Purchase of property, plant and equipment		- 1 773	- 1 696	- 1 862
Proceeds from sales of property, plant and equipment		102	92	161
Purchase of intangible assets		- 1 582	- 1 050	- 1 017
Proceeds from sales of intangible assets		823	640	847
Purchase of financial assets		- 262	- 468	- 247
Proceeds from sales of financial assets		167	330	247
Purchase of other non-current assets		- 39	- 42	- 149
Proceeds from sales of other non-current assets		9	1	
Divestments and acquisitions of interests in associated companies, net ¹	22.3	12 854	29	
Acquisitions and divestments of businesses, net	22.4	- 13 922	- 784	- 765
Purchase of marketable securities and commodities		- 2 440	- 580	- 530
Proceeds from sales of marketable securities and commodities		472	549	622
Net cash flows used in investing activities from continuing operations		- 5 591	- 2 979	- 2 693
Net cash flows used in investing activities from discontinued operations ¹	22.5		- 140	- 748
Total net cash flows used in investing activities		- 5 591	- 3 119	- 3 441
Dividends paid to shareholders of Novartis AG		- 6 966	- 6 495	- 6 475
Acquisition of treasury shares		- 2 036	- 5 490	- 1 109
Proceeds from exercise options and other treasury share transactions		700	252	214
Increase in non-current financial debts	22.6	2 856	4 933	1 935
Repayment of non-current financial debts	22.6	- 366	- 188	- 1 696
Change in current financial debts	22.6	1 681	- 755	1 816
Impact of change in ownership of consolidated entities		- 19	0	- 6
Transaction costs payments ²		- 57		
Dividends paid to non-controlling interests and other financing cash flows		- 37	10	7
Net cash flows used in financing activities		- 4 244	- 7 733	- 5 314
Effect of exchange rate changes on cash and cash equivalents		- 26	84	- 387
Net change in cash and cash equivalents		4 411	1 853	2 333
Cash and cash equivalents at January 1		8 860	7 007	4 674
Cash and cash equivalents at December 31		13 271	8 860	7 007

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

¹ In 2018, the total net tax payment amounted to USD 1 809 million, of which USD 139 million is included in the line "Divestments and acquisitions of interests in associated companies, net."

In 2016, the total net tax payment amounted to USD 2 299 million, of which USD 188 million was included in the cash flows used in investing activities from discontinued operations.

² Transaction costs payments directly attributable to the pending transaction of the distribution (spin-off) of the Alcon Division to Novartis AG shareholders (see Note 1)