

# NOVARTIS GROUP CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Income Statements

(for the years ended December 31, 2001 and 2000)

	Notes	2001 CHF millions	2000 CHF millions
<b>Sales</b>	3/4	<b>32 038</b>	<b>35 805</b>
Cost of goods sold		-7 886	-10 242
<b>Gross profit</b>		<b>24 152</b>	<b>25 563</b>
Marketing & distribution		-11 098	-10 945
Research & development	3	-4 189	-4 657
Administration & general overheads		-1 588	-2 078
<b>Operating income</b>	3/4	<b>7 277</b>	<b>7 883</b>
Income from associated companies	11	139	98
Financial income, net	5	1 067	1 091
<b>Income before taxes and minority interests</b>		<b>8 483</b>	<b>9 072</b>
Taxes	6	-1 440	-1 820
<b>Income before minority interests</b>		<b>7 043</b>	<b>7 252</b>
Minority interests		-19	-42
<b>NET INCOME</b>		<b>7 024</b>	<b>7 210</b>
Earnings per share (CHF)	7	2.73	2.75
Diluted earnings per share (CHF)	7	2.72	2.75

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

**Consolidated Balance Sheets**  
(at December 31, 2001 and 2000)

	Notes	2001 CHF millions	2000 CHF millions
<b>ASSETS</b>			
<b>Long-term assets</b>			
Tangible fixed assets	8	9 060	9 030
Intangible assets	9	6 548	5 830
Investments in associated companies	11	6 715	1 531
Deferred taxes	12	3 235	3 265
Other financial assets	13	7 027	5 601
<b>Total long-term assets</b>		<b>32 585</b>	<b>25 257</b>
<b>Current assets</b>			
Inventories	14	4 112	4 122
Trade accounts receivable	15	5 349	5 283
Other current assets	16	2 895	3 011
Marketable securities	10	10 697	11 720
Cash and cash equivalents		11 147	8 803
<b>Total current assets</b>		<b>34 200</b>	<b>32 939</b>
<b>TOTAL ASSETS</b>		<b>66 785</b>	<b>58 196</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	17		
Share capital		1 443	1 443
Treasury shares		-169	-139
Reserves		40 971	35 558
<b>Total equity</b>		<b>42 245</b>	<b>36 862</b>
<b>Minority interests</b>		<b>104</b>	<b>78</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Financial debts	18	2 492	2 283
Deferred taxes	12	3 885	3 488
Other long-term liabilities	19	3 830	3 845
<b>Total long-term liabilities</b>		<b>10 207</b>	<b>9 616</b>
<b>Short-term liabilities</b>			
Trade accounts payable		1 809	1 591
Financial debts	21	5 074	3 779
Other short-term liabilities	22	7 346	6 270
<b>Total short-term liabilities</b>		<b>14 229</b>	<b>11 640</b>
<b>Total liabilities</b>		<b>24 436</b>	<b>21 256</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>66 785</b>	<b>58 196</b>

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

## Novartis Group Consolidated Financial Statements

### Consolidated Cash Flow Statements

(for the years ended December 31, 2001 and 2000)

	Notes	2001 CHF millions	2000 CHF millions
<b>Net income</b>		<b>7 024</b>	<b>7 210</b>
Reversal of non-cash items			
Minority interests		19	42
Taxes		1 440	1 820
Depreciation, amortization and impairments on			
Tangible fixed assets		969	1 196
Intangible assets		780	309
Financial assets		31	--
Income from associated companies		-139	-98
Gains on disposal of tangible and intangible assets		-510	-1
Net financial income		-1 067	-1 091
Interest and other financial receipts		779	1 944
Interest and other financial payments		-391	-1 211
Taxes paid		-1 377	-2 176
<b>Cash flow before working capital and provision changes</b>		<b>7 558</b>	<b>7 944</b>
Restructuring payments and other cash payments out of provisions		-421	-439
Change in net current assets and other operating cash flow items	23	205	107
<b>Cash flow from operating activities</b>		<b>7 342</b>	<b>7 612</b>
Investment in tangible fixed assets		-1 351	-1 353
Proceeds from disposals of tangible fixed assets		275	347
Purchase of intangible and financial assets		-7 552	-3 149
Proceeds from disposals of intangible and financial assets		1 550	471
Acquisition/divestment of subsidiaries	24	-169	-1 371
Acquisition of minorities		-1	--
Proceeds from disposals of marketable securities		2 573	4 839
<b>Cash flow used for investing activities</b>		<b>-4 675</b>	<b>-216</b>
Acquisition of treasury shares		-3 848	-1 165
Proceeds from issue of options on Novartis shares		4 056	--
Change in long-term financial debts		1 258	-124
Change in short-term financial debts		374	-1 402
Dividends paid		-2 194	-2 064
<b>Cash flow used for financing activities</b>		<b>-354</b>	<b>-4 755</b>
Net effect of currency translation on cash and cash equivalents		31	-119
<b>Net change in cash and cash equivalents</b>		<b>2 344</b>	<b>2 522</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>8 803</b>	<b>6 281</b>
<b>Cash and cash equivalents at end of the year</b>		<b>11 147</b>	<b>8 803</b>

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

**Consolidated Statement of Changes in Equity**  
(for the years ended December 31, 2001 and 2000)

(CHF millions)	Notes	Share premium	Retained earnings	Cumulative translation differences	Fair value of deferred cash flow hedges	Total reserves	Share capital	Treasury shares	Total equity
<b>January 1, 2000</b>		<b>2 475</b>	<b>33 455</b>	<b>-27</b>		<b>35 903</b>	<b>1 443</b>	<b>-130</b>	<b>37 216</b>
Dividends to third parties	25a		-2 064			-2 064			-2 064
Transfer of share premium	25b	-2 186	2 186						
Acquisition of treasury shares			-1 156			-1 156		-9	-1 165
Effect of Agribusiness spin-off	25c		-3 655	-109		-3 764			-3 764
Translation effects	25d			-571		-571			-571
Net income			7 210			7 210			7 210
<b>December 31, 2000</b>		<b>289</b>	<b>35 976</b>	<b>-707</b>	<b>--</b>	<b>35 558</b>	<b>1 443</b>	<b>-139</b>	<b>36 862</b>
Fair value adjustments on financial instruments	25e		1 054		-20	1 034			1 034
Dividends to third parties	25a		-2 194			-2 194			-2 194
Acquisition of treasury shares	25 f		-3 825			-3 825		-30	-3 855
Issue of call options on Novartis shares	25g	3 102				3 102			3 102
Issue of put options on Novartis shares	25h	909				909			909
Translation effects	25d			-637		-637			-637
Net income			7 024			7 024			7 024
<b>December 31, 2001</b>		<b>4 300</b>	<b>38 035</b>	<b>-1 344</b>	<b>-20</b>	<b>40 971</b>	<b>1 443</b>	<b>-169</b>	<b>42 245</b>

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