ASBURY AUTOMOTIVE GROUP INC
Form 4
December 09, 2004

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
GIBSON FAMILY PARTNERSHIP LP

(Last) (First) (Middle)

810 MT. MORO ROAD

(Street)

VILLANOVA, PA 19085

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ASBURY AUTOMOTIVE GROUP INC [NYSE: ABG]

3. Date of Earliest Transaction (Month/Day/Year)
12/08/2004

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common stock, par value $0.01 per share	12/08/2004		S		7,000	D	$ 13.5	33,840	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GIBSON FAMILY PARTNERSHIP LP 810 MT. MORO ROAD VILLANOVA, PA 19085		X		

Signatures

Lynne A. Burgess, Attorney-in-Fact	12/09/2004
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. **20. Provisions and Other Non-Current Liabilities (Continued)**

alleges that NPC's alleged misconduct has caused the submission of millions of false claims in violation of state and federal laws. NPC is vigorously contesting the action.

In 2006, NPC received a subpoena seeking certain information regarding the marketing and promotion of *Xolair*. The investigation was prompted by a relator's *qui tam* action. The investigation was closed in 2011, and the federal and various state governments declined to intervene and join in that action, which the relator then dismissed without prejudice. In 2012, approximately six years after her filing of the original *qui tam* action, the relator re-filed her complaint in the USDC for the District of Massachusetts (DMA). In 2014, NPC and Novartis Corporation were served with that complaint, which names NPC, Novartis Corporation and Novartis AG as well as various Roche and Genentech entities as defendants. The action asserts various federal False Claims Act claims, as well as similar claims under the laws of 27 states and the District of Columbia, relating to certain alleged improper marketing practices involving *Xolair*. No government entity has intervened in the current action. Novartis denies the allegations and intends to vigorously contest the action, which is at the earliest stage.

Solodyn® antitrust class actions and FTC investigation

Since July 22, 2013, thirteen class action complaints have been filed against manufacturers of the brand drug Solodyn® and its generic equivalents, including Sandoz Inc. The cases are currently pending in the USDC for the EDPA, the DMA and the District of Arizona. The

plaintiffs purport to represent direct and indirect purchasers of Solodyn® branded products and assert violations of federal and state antitrust laws, including allegations in connection with separate settlements by Medicis with each of the other defendants, including Sandoz Inc., of patent litigation relating to generic Solodyn®. Plaintiffs seek, among other things, unspecified monetary damages and equitable relief. The conduct challenged in these cases is also the subject of a pending investigation by the Federal Trade Commission (FTC) in which Sandoz Inc. has cooperated in providing documents and other information in response to a CID. Sandoz intends to vigorously defend this litigation.

Oriel litigation

A complaint was filed in October 2013 in the Supreme Court-New York County by Shareholder Representative Services LLC, purportedly on its own behalf and in its capacity as representative of former shareholders of Oriel Therapeutics, Inc. (Oriel) against Sandoz Inc. and two affiliates and one current and one former officer of Sandoz AG. Plaintiffs assert various common law and statutory contract, fraud and negligent misrepresentation claims arising out of the Sandoz Inc. purchase of Oriel and seek $335 million in compensatory damages as well as certain recissionary relief and punitive damages. Sandoz denies the allegations and intends to vigorously defend the case.

Consumer class actions

Novartis companies have been the subject of various consumer lawsuits that are brought as proposed class actions but in which class certification has not been decided. For example, four putative class actions were brought in December 2013 and January 2014 against Novartis and its consumer health unit, in California Superior Court, in the USDC for the DNJ, in the USDC for the Eastern District of New York and in the USDC for the Northern District of California, generally claiming that it was a deceptive practice to sell *Excedrin* Migraine at a higher price than *Excedrin* Extra Strength when the two have the same active ingredients, even though the products have different labels and clearly disclose their active ingredients. Between November 2012 and December 2013, four putative consumer fraud class action

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Provisions and Other Non-Current Liabilities (Continued)

litigations were commenced in the Southern District of Illinois, the Eastern District of Missouri and the Southern District of Florida claiming that Alcon (and in two cases Sandoz) and many other manufacturers defendants' eye drop products were deceptively designed so that the drop dosage is more than necessary to be absorbed in the eye or there is too much solution in each bottle for the course of the treatment, leading to wastage and higher costs to patient consumers. These cases are being vigorously defended, both on the merits and with respect to class certification.

Intellectual Property Litigation

Novartis companies are involved in legal proceedings challenging the scope and/or validity of the patents on their products. In addition, Novartis companies are also involved in legal proceedings challenging third party patents and/or defending infringement proceedings relating to third party intellectual property rights. The inherent unpredictability of patent litigation means that there can be no assurances as to the ultimate outcome of these proceedings. A negative result in any such proceeding could potentially adversely affect the ability of the Novartis company concerned to sell its products or require the payment of substantial damages or royalties.

Concluded legal matters

Elidel® product liability litigation

NPC and other Novartis subsidiaries were defendants in more than 20 cases brought in US courts in which plaintiffs claimed to have experienced injuries, mainly various types of cancer, after having been treated with Elidel®, a medicine for atopic dermatitis. These cases were resolved in the second quarter of 2013 for an amount that is not material to Novartis.

WDNY investigation

In 2010, NPC became aware of an investigation by the USAO for the WDNY into informed consent issues relating to clinical trials in China and into marketing practices, including the remuneration of healthcare providers, in connection with a number of Novartis products. NPC cooperated with the investigation which was civil in nature. In the fourth quarter of 2012, Novartis learned that the government was not pursuing further informed consent issues relating to clinical trials in China. The government continued to investigate marketing practices, including marketing practices concerning *Zometa*. In October 2013, the government informed NPC that it no longer was going to pursue this investigation and that the underlying *qui tam* actions were dismissed.

Hormone Replacement Therapy product liability litigation

As of 2013, NPC and other Novartis subsidiaries were defendants, along with various other pharmaceutical companies in the US, in numerous cases brought in the US courts in which plaintiffs claimed to have been injured by hormone replacement therapy products. In October 2013, all cases were resolved on behalf of the Novartis companies for an amount that is not material to Novartis.

EC fentanyl investigation

In 2010, the EC conducted dawn raids at the Dutch and German offices of Sandoz. On October 18, 2011, the EC initiated proceedings against Sandoz BV, Novartis AG, Janssen-Cilag BV and Johnson & Johnson to assess whether contractual arrangements among Janssen-Cilag BV and Sandoz subsidiaries in

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Provisions and Other Non-Current Liabilities (Continued)

the Netherlands may have had the object or effect of hindering the entry of generic fentanyl patches in the Netherlands. On December 10, 2013, the EC issued a decision finding that a 2005 agreement between Janssen-Cilag BV and Sandoz subsidiaries in the Netherlands related to the co-promotion of fentanyl in the Netherlands violated EU competition law and imposed a fine equivalent to $7.4 million on Sandoz BV and Novartis AG.

DMA investigation

In the first quarter of 2013, Novartis Vaccines and Diagnostics, Inc. (NVD) received a subpoena from the USAO for the DMA requesting the production of documents relating to alleged quality issues at NVD's Emeryville and NPC's Vacaville facilities in California in relation to antigens. NVD cooperated with the investigation which was civil and criminal in nature. In January 2014, the USAO decided to close its investigation without criminal charges or civil sanctions.

Summary of Product Liability, Governmental Investigations and Other Legal Matters Provision Movements:

	2013	2012	2011
	$ m	$ m	$ m
January 1	**998**	**1,182**	**1,384**
Impact of business combinations		60	
Cash payments	(373)	(362)	(772)
Releases of provisions	(184)	(262)	(16)
Additions to provisions	499	389	584
Currency translation effects	(16)	(9)	2
December 31	**924**	**998**	**1,182**
Less current portion	(461)	(368)	(405)
Non-current product liabilities, governmental investigations and other legal matters provisions at December 31	**463**	**630**	**777**

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.

21. Current Financial Debt

	2013	2012
	$ m	$ m
Interest-bearing accounts of associates	1,718	1,541
Bank and other financial debt	1,323	1,270
Commercial paper	1,042	963
Current portion of non-current financial debt	2,590	2,009
Fair value of derivative financial instruments	103	162

Total current financial debt	**6,776**	**5,945**

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Current Financial Debt (Continued)

The consolidated balance sheet amounts of current financial debt, other than the current portion of non-current financial debt, approximate the estimated fair value due to the short-term nature of these instruments.

The weighted average interest rate on the bank and other current financial debt (including employee deposits from the compensation of associates employed by Swiss entities) was 2.3% in 2013 and 2.1% in 2012.

22. Provisions and Other Current Liabilities

	2013	2012
	$ m	$ m
Taxes other than income taxes	624	561
Restructuring provisions	174	221
Accrued expenses for goods and services received but not invoiced	553	576
Accruals for royalties	468	452
Provisions for revenue deductions	4,182	4,072
Accruals for compensation and benefits including social security	2,386	2,222
Environmental remediation liabilities	100	119
Deferred income	70	71
Provision for product liabilities, governmental investigations and other legal matters	461	368
Accrued share-based payments	255	262
Contingent considerations	112	
Other payables	1,562	1,519
Total provisions and other current liabilities	**10,947**	**10,443**
Less provisions and other current liabilities of disposal group held for sale	(12)	
Total provisions and other current liabilities, excluding disposal group	**10,935**	**10,443**

Provisions are based upon management's best estimate and adjusted for actual experience. Such adjustments to the historic estimates have not been material.

Provision for Deductions from Revenue

The following table shows the movement of the provision for deductions from revenue:

	2013	2012	2011
	$ m	$ m	$ m
January 1	**4,072**	**3,742**	**3,097**
Impact of business combinations		174	
Additions	13,095	12,150	11,713
Payments/utilizations	(12,762)	(11,938)	(10,749)
Changes in offset against gross trade receivables	(224)	(90)	(227)

Currency translation effects	1	34	(92)
December 31	**4,182**	**4,072**	**3,742**

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Provisions and Other Current Liabilities (Continued)

Restructuring Provision Movements

	$ m
January 1, 2011	**241**
Additions	346
Cash payments	(203)
Releases	(37)
Currency translation effects	2
December 31, 2011	**349**
Additions	281
Cash payments	(299)
Releases	(115)
Currency translation effects	5
December 31, 2012	**221**
Additions	175
Cash payments	(134)
Releases	(47)
Transfer	(42)
Currency translation effects	1
December 31, 2013	**174**

In 2013, additions to provisions of $175 million were mainly related to reorganizations of the Pharmaceuticals research and development activities and the integration of Alcon.

In 2012, additions to provisions of $281 million were incurred in the Pharmaceuticals Division Marketing & Sales organization in conjunction with the anticipation of patent expirations; in Alcon as a result of continuous integration and in Sandoz due to the integration of the acquired company Fougera. Other Group initiatives to further simplify the organization were mainly related to Consumer Health and Sandoz.

In 2011, additions to provisions of $346 million were incurred in the Pharmaceuticals Division in conjunction with the transfer, outsourcing, closure of selected research operations, as well as simplifying and streamlining of certain development and support functions and in Alcon in conjunction with its integration. Other initiatives mainly includes costs incurred in conjunction with the Group-wide review of its manufacturing sites, mainly in Switzerland, United Kingdom, United States, Italy and Puerto Rico.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Provisions and Other Current Liabilities (Continued)

The releases to income in 2013 and 2012 of $47 million and $115 million, respectively, were mainly due to settlement of liabilities at lower amounts than originally anticipated.

	Third party costs[1]		Termination costs		Additions to provision		Number of employees affected	
Restructuring initiatives	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	$ m	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**		
Pharmaceuticals Research & Development	35		25		60		710	
Pharmaceuticals Marketing & Sales organization	2	9	20	181	22	190	380	1,850
Alcon integration	1	1	53	31	54	32	275	320
Fougera integration		3	1	15	1	18	100	140
Various Group initiatives to simplify organizational structure including manufacturing sites	8	13	30	28	38	41	830	150
Total	**46**	**26**	**129**	**255**	**175**	**281**	**2,295**	**2,460**

(1) Third party costs are mainly associated with lease and other obligations due to abandonment of certain facilities.

23. Details to the Consolidated Cash Flow Statements

23.1) Adjustments for Non-Cash Items

	2013	Restated 2012[1]	Restated 2011[1]
	$ m	**$ m**	**$ m**
Taxes	1,443	1,542	1,483
Depreciation, amortization and impairments on			
Property, plant & equipment	1,835	1,743	2,141
Intangible assets	3,090	3,177	3,647
Financial assets	65	34	192
Income from associated companies	(600)	(552)	(528)
Gains on disposal of property, plant & equipment, intangible, financial and other non-current assets, net	(395)	(294)	(518)
Equity-settled compensation expense	730	746	790
Change in provisions and other non-current liabilities	807	857	1,513
Net financial income	775	820	753
Total	**7,750**	**8,073**	**9,473**

(1) Restated to reflect the adoption of revised IAS19 on *Employee Benefits* (see Note 30).

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Details to the Consolidated Cash Flow Statements (Continued)

23.2) Cash flows from Changes in Working Capital and Other Operating Items included in Operating Cash Flow

	2013	2012	2011
	$ m	$ m	$ m
(Increase)/decrease in inventories	(653)	(701)	45
(Increase)/decrease in trade receivables	(411)	369	(732)
Increase in trade payables	502	515	195
Change in other net current assets and other operating cash flow items	(177)	(323)	379
Total	**(739)**	**(140)**	**(113)**

23.3) Cash Flow arising from Acquisitions and Divestments of Businesses

The following is a summary of the cash flow impact of those significant transactions described in Note 2 and other smaller transactions:

	2012 Acquisitions	2011 Acquisitions	2011 Divestments
	$ m	$ m	$ m
Property, plant & equipment	(126)	(66)	16
Currently marketed products	(521)	(101)	
Acquired research & development	(173)	(7)	
Technologies	(371)	(3)	
Software and other intangible assets		(1)	
Financial and other assets including deferred tax assets	(165)	(7)	
Inventories	(88)	(15)	8
Trade receivables and other current assets	(90)	(52)	5
Marketable securities and cash	(167)	(186)	1
Current and non-current financial debts	4		
Trade payables and other liabilities including deferred tax liabilities	747	66	(7)
Net identifiable assets acquired or divested	**(950)**	**(372)**	**23**
Acquired / divested liquidity	167	63	(1)
Non-controlling interest	29	19	
Fair value of previously held equity interests	22		
Sub-total	**(732)**	**(290)**	**22**
Goodwill	(1,026)	(303)	
Deferred consideration (including payment of contingent considerations)	17	2	
Net cash flow	**(1,741)**	**(591)**	**22**

There were no significant acquisitions or divestments which had an impact on the cash flow statement in 2013, however $42 million were paid for contingent considerations regarding acquisitions from previous years.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Details to the Consolidated Cash Flow Statements (Continued)

Notes 2 and 24 provide further information regarding acquisitions and divestments of businesses. All acquisitions were for cash.

24. Acquisitions of Businesses

Assets and Liabilities Arising from Acquisitions

Fair value	**2012**
	$ m
Property, plant & equipment	126
Currently marketed products	521
Acquired research & development	173
Technologies	371
Financial and other assets including deferred tax assets	165
Inventories	88
Trade receivables and other current assets	90
Marketable securities and cash	167
Current and non-current financial debts	(4)
Trade payables and other liabilities including deferred tax liabilities	(747)
Net identifiable assets acquired	**950**
Acquired liquidity	(167)
Non-controlling interest	(29)
Goodwill	1,026
Net assets recognized as a result of business combinations	**1,780**

Note 2 details significant acquisition of businesses. There were no significant acquisitions in 2013. In 2012, goodwill arising out of the acquisitions reflects mainly the value of future products and the acquired assembled workforce.

25. Post-Employment Benefits of Associates

Defined Benefit Plans

In addition to the legally required social security schemes, the Group has numerous independent pension and other post-employment benefit plans. In most cases these plans are externally funded in entities which are legally separate from the Group. For certain Group companies, however, no independent plan assets exist for the pension and other post-employment benefit obligations of associates. In these cases the related unfunded liability is included in the balance sheet. The defined benefit obligations (DBO) of all major pension and other post-employment benefit plans are reappraised annually by independent actuaries. Plan assets are recognized at fair value. The major plans are based in Switzerland, United States, United Kingdom, Germany and Japan, which represent 95% of the Group's total DBO for pension plans. Details of the plans in the two most significant countries of Switzerland and the US are provided below.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Post-Employment Benefits of Associates (Continued)

Swiss-based pension plans represent the most significant portion of the Group's total DBO and plan assets. For the active insured members born on or after January 1, 1956, or having joined the plans after December 31, 2010 the benefits are partially linked to the contributions paid into the plan. Certain features of Swiss pension plans required by law preclude the plans being categorized as defined contribution plans. These factors include a minimum interest guarantee on retirement savings accounts, a pre-determined factor for converting the accumulated savings account balance into a pension and embedded death and disability benefits.

All benefits granted under Swiss pension plans are vested and Swiss legislation prescribes that the employer has to contribute a fixed percentage of an associate's pay to an external pension fund. Additional employer's contributions may be required whenever the plan's statutory funding ratio falls below a certain level. The associate also contributes to the plan. The pension plans are run by separate legal entities, each governed by a Board of Trustees which for the principal plans consists of representatives nominated by Novartis and by the active insured associates. The Boards of Trustees are responsible for the plan design and the asset investment strategy.

The US pension plans represent the second largest component of the Group's total DBO and plan assets. The principal plans (Qualified Plans) are funded whereas plans providing additional benefits for executives (Restoration Plans) are unfunded. Employer contributions are required for Qualified Plans whenever the statutory funding ratio falls below a certain level. Furthermore, associates in the US are covered under other post-employment benefit plans and post-retirement medical plans.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Post-Employment Benefits of Associates (Continued)

The following tables are a summary of the funded and unfunded defined benefit obligation for pension and other post-employment benefit plans of associates at December 31, 2013 and 2012:

	Pension plans		Other post-employment benefit plans	
	2013	Restated 2012[1]	2013	Restated 2012[1]
	$ m	$ m	$ m	$ m
Benefit obligation at January 1	**25,503**	**21,730**	**1,271**	**1,241**
Current service cost	478	395	48	44
Interest cost	580	665	46	48
Past service costs and settlements	(66)	(6)	(73)	(3)
Administrative expenses	18	15		
Remeasurement (gains)/losses arising from changes in financial assumptions	(1,248)	2,175	(131)	(52)
Remeasurement (gains)/losses arising from changes in demographic assumptions	(60)	889	(7)	3
Experience related remeasurement losses/(gains)	160	16	(19)	35
Currency translation effects	442	488	(6)	2
Benefit payments	(1,240)	(1,238)	(60)	(50)
Contributions of associates	221	189		3
Effect of acquisitions, divestments or transfers	13	185		
Benefit obligation at December 31	**24,801**	**25,503**	**1,069**	**1,271**
Fair value of plan assets at January 1	**20,282**	**18,826**	**237**	**222**
Interest income	438	539	8	9
Return on plan assets excluding interest income	850	984	6	18
Currency translation effects	383	408		
Novartis Group contributions	560	497	18	35
Contributions of associates	221	189		3
Settlements	(14)	(2)		
Benefit payments	(1,240)	(1,238)	(60)	(50)
Effect of acquisitions, divestments or transfers	1	79		
Fair value of plan assets at December 31	**21,481**	**20,282**	**209**	**237**
Funded status	**(3,320)**	**(5,221)**	**(860)**	**(1,034)**
Limitation on recognition of fund surplus at January 1	**(21)**	**(51)**		
Change in limitation on recognition of fund surplus	(21)	30		
Interest income on limitation of fund surplus	(3)			

Limitation on recognition of fund surplus at December 31	**(45)**	**(21)**		
Net liability in the balance sheet at December 31	**(3,365)**	**(5,242)**	**(860)**	**(1,034)**

(1) Restated to reflect the adoption of revised IAS19 on *Employee Benefits* (see Note 30)

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Post-Employment Benefits of Associates (Continued)

The reconciliation of the net liability from January 1 to December 31 is as follows:

	Pension plans		Other post-employment benefit plans	
	2013	Restated 2012[1]	2013	Restated 2012[1]
	$ m	$ m	$ m	$ m
Net liability at January 1	**(5,242)**	**(2,955)**	**(1,034)**	**(1,019)**
Current service cost	(478)	(395)	(48)	(44)
Net interest expense	(145)	(126)	(38)	(39)
Administrative expenses	(18)	(15)		
Past service costs and settlements	52	4	73	3
Remeasurements	1,998	(2,096)	163	32
Currency translation effects	(59)	(80)	6	(2)
Novartis Group contributions	560	497	18	35
Effect of acquisitions, divestments or transfers	(12)	(106)		
Change in limitation on recognition of fund surplus	(21)	30		
Net liability at December 31	**(3,365)**	**(5,242)**	**(860)**	**(1,034)**
Amounts recognized in the consolidated balance sheet				
Prepaid benefit cost	42	55		
Accrued benefit liability	(3,407)	(5,297)	(860)	(1,034)

(1) Restated to reflect the adoption of revised IAS19 on *Employee Benefits* (see Note 30)

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Post-Employment Benefits of Associates (Continued)

The following table shows a breakdown of the DBO for pension plans by geography and type of member and the breakdown of plan assets into the geographical locations in which they are held.

	2013 $ m				2012 $ m			
	Switzerland	US	Rest of the World	Total	Switzerland	US	Rest of the World	Total
Benefit obligation at December 31	**16,683**	**3,430**	**4,688**	**24,801**	**17,103**	**3,822**	**4,578**	**25,503**
Thereof unfunded		*685*	*522*	*1,207*		*735*	*547*	*1,282*
Analysed by type of member								
Active	6,617	1,087	1,634	9,338	6,682	1,382	1,641	9,705
Deferred pensioners		757	1,427	2,184		792	1,652	2,444
Pensioners	10,066	1,586	1,627	13,279	10,421	1,648	1,285	13,354
Fair value of plan assets at December 31	**15,873**	**2,460**	**3,148**	**21,481**	**15,042**	**2,203**	**3,037**	**20,282**
Funded Status	**(810)**	**(970)**	**(1,540)**	**(3,320)**	**(2,061)**	**(1,619)**	**(1,541)**	**(5,221)**

The following table shows the principal weighted average actuarial assumptions used for calculating defined benefit plans and other post-employment benefits of associates:

	Pension plans			Other post-employment benefit plans		
	2013	2012	2011	2013	2012	2011
	%	%	%	%	%	%
Weighted average assumptions used to determine benefit obligations at December 31						
Discount rate	2.9%	2.4%	3.2%	4.7%	3.6%	4.3%
Expected rate of pension increase	1.1%	0.9%	0.9%			
Expected rate of salary increase	3.5%	3.3%	3.3%			
Interest on savings account	2.1%	1.6%	2.5%			
Current average life expectancy for a 65-year-old male/female	21/23 years	21/23 years	20/22 years	19/21 years	19/21 years	20/22 years

Changes in the above-mentioned actuarial assumptions can result in significant volatility in the accounting for the Group's pension plans in the consolidated financial statements. This can result in substantial changes in the Group's other comprehensive income, long-term liabilities and prepaid pension assets.

The DBO is significantly impacted by assumptions regarding the rate that is used to discount the actuarially determined post-employment benefit liability. This rate is based on yields of high quality

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Post-Employment Benefits of Associates (Continued)

corporate bonds in the country of the plan. Decreasing corporate bond yields decrease the discount rate, so that the DBO increases and the funded status decreases.

In Switzerland an increase in the DBO due to lower discount rates is slightly offset by lower future benefits expected to be paid on the associate's savings account where the assumption on interest accrued changes in line with the discount rate.

The impact of decreasing interest rates on a plan's assets is more difficult to predict. A significant part of the plan assets is invested in bonds. Bond values usually rise when interest rates decrease and may therefore partially compensate for the decrease in the funded status. Furthermore, pension assets also include significant holdings of equity instruments. Share prices tend to rise when interest rates decrease and therefore often counteract the negative impact of the rising defined benefit obligation on the funded status although correlation of interest rates with equities is not as strong as with bonds, especially in the short term.

The expected rate for pension increases significantly affects the DBO of most plans in Switzerland, Germany and the United Kingdom. Such pension increases also decrease the funded status although there is no strong correlation between the value of the plan assets and pension/inflation increases.

Assumptions regarding life expectancy significantly impact the DBO. An increase in longevity increases the DBO. There is no offsetting impact from the plan assets as no longevity bonds or swaps are held by the pension funds. Generational mortality tables are used where this data is available.

The following table shows the sensitivity of the defined benefit pension obligation to the principal actuarial assumptions for the major plans in Switzerland, United States, United Kingdom, Germany and Japan on an aggregated basis:

	Change in 2013 year end defined benefit pension obligation
	$ m
25 basis point increase in discount rate	(755)
25 basis point decrease in discount rate	799
1 year increase in life expectancy	810
25 basis point increase in rate of pension increase	509
25 basis point decrease in rate of pension increase	(484)
25 basis point increase of interest on savings account	66
25 basis point decrease of interest on savings account	(64)
25 basis point increase in rate of salary increase	61
25 basis point decrease in rate of salary increase	(64)

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Post-Employment Benefits of Associates (Continued)

The healthcare cost trend rate assumptions for other post-employment benefits are as follows:

Healthcare cost trend rate assumptions used	2013	2012	2011
Healthcare cost trend rate assumed for next year	7.0%	7.1%	7.7%
Rate to which the cost trend rate is assumed to decline	5.0%	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2021	2020	2020

The following table shows the weighted average plan asset allocation of funded defined benefit pension plans at December 31, 2013 and 2012:

	Pension plans			
	Long-term target		2013	2012
	%		%	%
Equity securities	15	40	39	29
Debt securities	20	60	32	43
Real estate	5	20	13	13
Alternative investments	0	20	10	9
Cash and other investments	0	15	6	6
Total			**100**	**100**

Cash, as well as most of the equity and debt securities have a quoted market price in an active market. Real estate and alternative investments, which include hedge fund and private equity investments usually do not have a quoted market price.

The strategic allocation of assets of the different pension plans are determined with the objective of achieving an investment return which, together with the contributions paid by the Group and its associates, is sufficient to maintain reasonable control over the various funding risks of the plans. Based upon the market and economic environments, actual asset allocations may temporarily be permitted to deviate from policy targets. The asset allocation currently includes investments in shares of Novartis AG which totaled at December 31, 2013 19.8 million shares with a market value of $1.6 billion (2012: 19.8 million shares with a market value of $1.2 billion).

The weighted average duration of the defined benefit obligation is 13.8 years (2012: 14.1 years).

The Group's ordinary contribution to the various pension plans are based on the rules of each plan. Additional contributions are made whenever this is required by statute or law; i.e. usually when statutory funding levels fall below pre-determined thresholds. The only significant plans that are foreseen to require additional funding are those in the US and UK.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Post-Employment Benefits of Associates (Continued)

The expected future cash flows in respect of pension and other post-employment benefit plans at December 31, 2013 were as follows:

	Pension plans	Other post-employment benefit plans
	$ m	$ m
Novartis Group contributions		
2014 (estimated)	471	55
Expected future benefit payments		
2014	1,351	55
2015	1,355	58
2016	1,377	61
2017	1,389	64
2018	1,402	67
2019 2023	7,073	369

Defined Contribution Plans

In many subsidiaries, associates are covered by defined contribution plans. Contributions charged to the 2013 consolidated income statement for the defined contribution plans were $351 million (2012: $345 million, 2011: $337 million).

26. Equity-Based Participation Plans of Associates

The expense related to all equity-based participation plans in the 2013 consolidated income statement was $987 million (2012: $1.0 billion, 2011: $1.0 billion) resulting in a total carrying amount for liabilities arising from share-based payment transactions of $255 million (2012: $262 million, 2011: $217 million).

Equity-based participation plans can be separated into the following plans.

Novartis Equity Plan "Select"

The Equity Plan "Select" is a global equity incentive plan under which eligible associates, including Executive Committee members up to 2013, may annually be awarded a grant capped at 200% of target. The equity-based long-term incentive is subject to the achievement of predetermined business and individual performance objectives at grant. No awards are granted for performance ratings below a certain threshold.

The Equity Plan "Select" allows its participants to choose the form of their equity compensation in restricted shares (or, in some jurisdictions, restricted share units (RSUs)), and until 2013, tradable share options, or a combination of both. The vesting period for the plan is three years except for grants prior to 2012 in Switzerland which had a two years vesting period.

In some jurisdictions, RSUs are granted rather than shares. Each RSU is equivalent in value to one Novartis share and is converted into one share at the vesting date. RSUs do not carry any voting or dividend rights, except for the United States where employees receive a dividend equivalent during the

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Equity-Based Participation Plans of Associates (Continued)

vesting period for the 2010 and 2011 grants. Each restricted share is entitled to voting rights and payment of dividends during the vesting period.

Tradable share options expire on their 10th anniversary from grant date. Each tradable share option granted to associates entitles the holder to purchase after vesting (and before the 10th anniversary from grant date) one Novartis share at a stated exercise price that equals the closing market price of the underlying share at the grant date.

The terms and conditions of the Novartis Equity Plan "Select" outside North America are substantially equivalent to the Novartis Equity Plan "Select" for North America. Share options of the Novartis Equity Plan "Select" for North America have only been tradable since 2004.

Novartis Equity Plan "Select" outside North America

The expense recorded in the 2013 consolidated income statement relating to both shares and share options under this plan amounted to $116 million (2012: $122 million, 2011: $158 million). Participants in this plan were granted in 2013 a total of 2.1 million restricted shares and RSUs at CHF 61.70 (2012: 2.4 million restricted shares and RSUs at CHF 54.20).

The following table shows the assumptions on which the valuation of share options granted during the period was based:

	Novartis Equity Plan "Select" outside North America	
	2013	**2012**
Valuation date	January 17, 2013	January 19, 2012
Expiration date	January 17, 2023	January 19, 2022
Closing share price on grant date	CHF 61.70	CHF 54.20
Exercise price	CHF 61.70	CHF 54.20
Implied bid volatility	13.40%	14.85%
Expected dividend yield	4.64%	4.82%
Interest rate	0.94%	0.94%
Market value of option at grant date	CHF 4.28	CHF 4.30

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Equity-Based Participation Plans of Associates (Continued)

The following table shows the activity associated with the share options during the period. The weighted average prices in the table below are translated from Swiss Francs into $ at historical rates for the granted, sold, and forfeited or expired options. The year-end prices are translated using the corresponding year-end rates.

	2013		2012	
	Options (millions)	Weighted average exercise price ($)	Options (millions)	Weighted average exercise price ($)
Options outstanding at January 1	**33.2**	**54.5**	**35.5**	**53.5**
Granted	5.6	66.0	5.4	57.6
Sold	(12.1)	53.6	(6.3)	50.8
Forfeited or expired	(0.3)	60.1	(1.4)	57.5
Outstanding at December 31	**26.4**	**57.3**	**33.2**	**54.5**
Exercisable at December 31	**16.8**	**54.4**	**24.4**	**53.5**

All share options were granted at an exercise price which was equal to the market price of the Group's shares at the grant date. The weighted average exercise price during the period the options were sold in 2013 was $53.57. The weighted average share price at the dates of sale was $74.04.

The following table summarizes information about share options outstanding at December 31, 2013:

	Options outstanding		
Range of exercice prices ($)	Number outstanding (millions)	Average remaining contractual life (years)	Weighted average exercise price ($)
45 49	3.6	4.1	46.9
50 54	5.0	5.0	54.4
55 59	12.3	5.9	57.8
60 65	5.5	9.1	66.0
Total	**26.4**	**6.2**	**57.3**

Novartis Equity Plan "Select" for North America

The expense recorded in the 2013 consolidated income statement relating to both shares and share options under this plan amounted to $329 million (2012: $297 million, 2011: $263 million). Participants in this plan were granted a total of 4.7 million restricted shares and RSUs at $66.07 (2012: 5.1 million restricted shares and RSUs at $58.33).

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Equity-Based Participation Plans of Associates (Continued)

The following table shows the assumptions on which the valuation of share options granted during the period was based:

	Novartis Equity Plan "Select" for North America	
	2013	**2012**
Valuation date	January 17, 2013	January 19, 2012
Expiration date	January 17, 2023	January 19, 2022
Closing ADR price on grant date	$66.07	$58.33
Exercise price	$66.07	$58.33
Implied bid volatility	11.60%	12.20%
Expected dividend yield	4.65%	4.82%
Interest rate	1.96%	2.09%
Market value of option at grant date	$4.37	$4.14

The following table shows the activity associated with the share options during the period:

	2013		**2012**	
	ADR options (millions)	**Weighted average exercise price ($)**	**ADR options (millions)**	**Weighted average exercise price ($)**
Options outstanding at January 1	**56.3**	**55.1**	**58.5**	**52.1**
Granted	18.6	66.1	18.5	58.3
Sold or exercised	(13.3)	52.5	(17.0)	48.3
Forfeited or expired	(2.8)	60.3	(3.7)	56.1
Outstanding at December 31	**58.8**	**58.9**	**56.3**	**55.1**
Exercisable at December 31	**17.8**	**53.2**	**19.0**	**51.9**

All share options were granted at an exercise price which was equal to the market price of the American Depositary Receipts (ADRs) at the grant date. The weighted average exercise price during the period the share options were sold or exercised in 2013 was $52.54. The weighted average share price at the dates of sale or exercise was $70.27.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Equity-Based Participation Plans of Associates (Continued)

The following table summarizes information about ADR options outstanding at December 31, 2013:

	ADR options outstanding		
Range of exercice prices ($)	**Number outstanding (millions)**	**Average remaining contractual life (years)**	**Weighted average exercise price ($)**
45 49	5.3	4.1	46.6
50 54	6.5	5.3	53.9
55 59	29.6	7.0	57.9
65 69	17.4	9.0	66.1
Total	**58.8**	**7.1**	**58.9**

Long-Term Performance Plan

The Long-Term Performance Plan (LTPP) is an equity plan for key executives designed to drive long-term shareholder value creation. The LTPP is offered to selected executives, who are in key positions and have a significant impact on the long-term success of Novartis. It is capped at 200% of target. The rewards are based on rolling three year global performance objectives focused on the Novartis Economic Value Added (NVA) measured annually. The NVA is calculated based on Group operating income adjusted for interest, taxes and cost of capital charge. The performance realization of a plan cycle is obtained right after the end of the third plan year by adding together the annual NVA realizations of all plan years of the plan cycle. The performance ratio for a plan cycle is obtained by dividing the performance realization for the plan cycle with the performance target for the plan cycle, expressing the result as a percentage. The LTPP only allows a payout if the actual NVA exceeds predetermined target thresholds.

At the beginning of every performance period, plan participants are granted RSUs, which are converted into Novartis shares after the performance period.

At the end of the three-year performance period, the Compensation Committee adjusts the number of RSUs earned based on actual performance. RSUs are converted into unrestricted Novartis shares without an additional vesting period. In the United States, awards may also be delivered in cash under the United States deferred compensation plan.

The expense recorded in the 2013 income statement related to this plan amounted to $37 million (2012: $34 million, 2011: $40 million). In 2013, a total of 0.4 million RSUs (2012: 0.4 million RSUs) were granted to 140 key executives participating in this plan.

Other Share Awards

Selected associates may exceptionally receive special awards of restricted shares or RSUs. These special Share Awards provide an opportunity to reward outstanding achievements or exceptional performance and aim at retaining key contributors. They are based on a formal internal selection process, in which the individual performance of each candidate is thoroughly assessed at several management

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Equity-Based Participation Plans of Associates (Continued)

levels. In exceptional circumstances, special equity grants may be rewarded to attract special expertise and new talents into the organization. These grants are consistent with market practice and Novartis' philosophy to attract, retain and motivate best-in-class talents around the world.

Restricted special awards generally have a five-year vesting period. Worldwide 392 associates at different levels in the organization were awarded restricted shares in 2013. The expense recorded for such special share awards in the 2013 consolidated income statement amounted to $50 million (2012: $24 million, 2011: $27 million). During 2013, a total of 0.8 million restricted shares and RSUs (2012: 0.8 million restricted shares and RSUs) were granted to executives and selected associates.

In addition, in 2013, Board members received 0.1 million unrestricted shares with a market value of $5 million as part of their remuneration.

Leveraged Share Savings Plans

A number of associates in certain countries and certain key executives worldwide are encouraged to invest their annual incentive in a share savings plan, which is capped at 200% of target. Under the share savings plan, they will receive their annual incentive awards fully or partially in Novartis shares in lieu of cash. As a reward for their participation in the share savings plan, Novartis matches their investments in shares after a holding period of three or five years.

Novartis currently has three share savings plans:

Worldwide 29 key executives were invited to participate in a leveraged share savings plan based on their performance in 2012. Instead of cash, their annual incentive was elected to be awarded partly or entirely in shares. The elected number of shares were delivered in 2013 and are subject to a holding period of five years. At the end of the holding period, Novartis will match the invested shares at a ratio of 1-to-1 (i.e. one share awarded for each invested share).

In Switzerland, the Employee Share Ownership Plan (ESOP) was available to 13,341 associates in 2012. Participants within this plan may choose to receive the incentive (i) 100% in shares, (ii) 50% in shares and 50% in cash or (iii) 100% in cash. After expiration of a three-year holding period of Novartis shares invested under the ESOP, each participant will receive one free matching share for every two Novartis shares invested. A total of 5,557 associates chose to receive shares under the ESOP for their performance in 2012 and the shares were delivered in 2013.

In the United Kingdom, 2,600 associates can invest up to 5% of their monthly salary in shares (up to a maximum of GBP 125) and also may be invited to invest all or part of their net annual incentive in shares. Two invested shares are matched with one share with a holding period of three years. During 2013, 1,404 participants elected to participate in this plan.

Associates may only participate in one of these plans in any given year.

The expense recorded in the 2013 consolidated income statement related to these plans amounted to $419 million (2012: $459 million, 2011: $429 million). During 2013, a total of 5.7 million shares (2012: 5.7 million shares) were granted to participants of these plans.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Equity-Based Participation Plans of Associates (Continued)

Summary of non-vested share movements

The table below provides a summary of non-vested share movements (restricted shares, RSUs and ADRs) for all plans:

	2013		2012	
	Number of shares in millions	Fair value in $ m	Number of shares in millions	Fair value in $ m
Non-vested shares at January 1	**23.7**	**1,329.7**	**20.8**	**1,180.1**
Granted	14.8	932.2	16.3	935.3
Vested	(13.4)	(776.9)	(12.0)	(701.2)
Forfeited	(2.0)	(114.4)	(1.4)	(84.5)
Non-vested shares at December 31	**23.1**	**1,370.6**	**23.7**	**1,329.7**

Alcon, Inc., Equity Plans granted to associates prior to the merger

The expense recorded in the 2013 consolidated income statement relating to equity-based compensation awards granted to Alcon, Inc., associates prior to the merger on April 8, 2011 amounted to $31 million (2012: $55 million). There were no grants in 2013 and 2012.

At the completion of the merger of Alcon, Inc., into Novartis on April 8, 2011, all awards outstanding under the Alcon equity plans were converted into awards based upon Novartis shares with a conversion factor of 3.0727 as defined in the Merger Agreement.

Share options and share-settled appreciation rights

Share options entitle the recipient to purchase Novartis shares at the closing market price of the former Alcon, Inc., share on the day of grant divided by the conversion factor.

Share-settled appreciation rights (SSAR) entitle the participant to receive, in the form of Novartis shares, the difference between the values of the former Alcon, Inc., share at the date of grant, converted into Novartis shares using the conversion factor, and the Novartis share price at the date of exercise.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Equity-Based Participation Plans of Associates (Continued)

The following table shows the activity associated with the converted Novartis share options and SSARs during 2013 and 2012:

	Number of options (millions)	Weighted average exercise price ($)	Number of SSARs (millions)	Weighted average exercise price ($)
Outstanding at January 1, 2012	**4.5**	**23.5**	**8.4**	**34.2**
Exercised	(2.5)	20.9	(4.6)	31.9
Outstanding at December 31, 2012	**2.0**	**26.7**	**3.8**	**36.3**
Exercisable at December 31, 2012	**1.9**	**26.7**	**3.8**	**36.3**
Outstanding at January 1, 2013	**2.0**	**26.7**	**3.8**	**36.3**
Exercised	(0.8)	25.1	(0.7)	36.6
Outstanding at December 31, 2013	**1.2**	**27.7**	**3.1**	**36.3**
Exercisable at December 31, 2013	**1.2**	**27.7**	**3.1**	**36.3**

Restricted share units

Restricted Share Units (RSUs) entitle the recipient to receive a specified number of Novartis shares on the date of vesting. RSUs will vest and become transferable upon satisfaction of the conditions set forth in the restricted share unit award agreements, generally three years following the grant date. The compensation expense is recognized over the required service period, generally three years following the day of grant. Holders of RSUs have no voting rights and receive dividend equivalents prior to vesting.

At December 31, 2013, there were 1.5 million Novartis RSUs outstanding with a fair value of $124 million.

27. Transactions with Related Parties and a Closely Affiliated Person

Genentech/Roche

Novartis has two agreements with Genentech, Inc., USA, a subsidiary of Roche Holding AG which is indirectly included in the consolidated financial statements using equity accounting since Novartis holds 33.3% of the outstanding voting shares of Roche.

Lucentis

Novartis has licensed the exclusive rights to develop and market *Lucentis* outside the United States for indications related to diseases of the eye. As part of this agreement, Novartis paid Genentech/Roche an initial milestone and shared the cost for the subsequent development by making additional milestone payments upon the achievement of certain clinical development points and product approval. Novartis also pays royalties on the net sales of *Lucentis* products outside the United States. In 2013, *Lucentis* sales of $2.4 billion (2012: $2.4 billion, 2011: $2.0 billion) have been recognized by Novartis.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Transactions with Related Parties and a Closely Affiliated Person (Continued)

Xolair

In February 2004, Novartis Pharma AG, Genentech, Inc., and Tanox, Inc., finalized a three-party collaboration to govern the development and commercialization of certain anti-IgE antibodies including *Xolair* and TNX-901. Under this agreement, all three parties co-developed *Xolair*. On August 2, 2007, Genentech, Inc. completed the acquisition of Tanox, Inc. and has taken over its rights and obligations. Novartis and Genentech/Roche are co-promoting *Xolair* in the United States where Genentech/Roche records all sales. Novartis records sales outside of the United States.

Novartis markets *Xolair* and records all sales and related costs outside the United States as well as co-promotion costs in the United States. Genentech/Roche and Novartis share the resulting profits from sales in the United States, Europe and other countries, according to agreed profit-sharing percentages. In 2013, Novartis recognized total sales of *Xolair* of $613 million (2012: $504 million, 2011: $478 million) including sales to them for the United States market.

The net expense for royalties, cost sharing and profit sharing arising out of the *Lucentis* and *Xolair* agreements with Genentech/Roche totaled $570 million in 2013 (2012: $514 million, 2011: $396 million).

Furthermore, Novartis has several patent license, supply and distribution agreements with Roche. Novartis entities held no Roche bonds at December 31, 2013 (2012: $20 million, 2011: $20 million).

Executive Officer and Non-Executive Director Compensation

During 2013, there were 12 Executive Committee members and Permanent Attendees ("Executive Officers"), including those who stepped down during the year (12 members in 2012 also including those who stepped down, 12 members in 2011 also including those who stepped down).

The total compensation for members of the Executive Committee and the 15 Non-Executive Directors (12 in 2012, 11 in 2011) using the Group's accounting policies for equity-based compensation and pension benefits was as follows:

	Executive Officers			Non-Executive Directors			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
	$ m	$ m	$ m	$ m	$ m	$ m	$ m	$ m	$ m
Benefits other than equity-based amounts	16.0	14.2	13.7	8.6	8.1	11.7	24.6	22.3	25.4
Post-employment benefits	1.9	2.1	1.9	1.4	0.2	0.2	3.3	2.3	2.1
Termination benefits	4.0	2.2	5.1				4.0	2.2	5.1
Equity-based compensation	46.5	54.5	53.3	5.7	16.4	28.2	52.2	70.9	81.5
Total	**68.4**	**73.0**	**74.0**	**15.7**	**24.7**	**40.1**	**84.1**	**97.7**	**114.1**

The annual incentive award, which is fully included in equity-based compensation even when paid out in cash, is granted in January in the year following the reporting period.

The above table excludes amounts for any grants made to any of the current Executive Officers and non-Executive Directors by Alcon, Inc., prior to its merger into Novartis AG on April 8, 2011, since these were granted by this company's independent Compensation Committee.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Transactions with Related Parties and a Closely Affiliated Person (Continued)

During 2012, a non-executive director exercised an option and acquired Group assets at fair market values, based on independent external valuation reports, of CHF 11.6 million (approximately $12.0 million).

2013 Transactions with the Company's former Chairman, Dr. Daniel Vasella

The Group considers that its former chairman, Dr. Vasella was a related party for the purposes of disclosure in these consolidated financial statements up to the expiration of his Board membership and Chairmanship at the Group's Annual General Meeting held on February 22, 2013. Compensation in Dr. Vasella's capacity as Board member and Chairman up to the end of his terms in February 2013 are included in the above Executive Officer and Non-Executive Director Compensation table. For the period thereafter, Novartis is voluntarily disclosing transactions with Dr. Vasella as a "closely affiliated person".

During 2013, Novartis agreed with Dr. Vasella to cancel his non-compete agreement with Novartis and all related conditional compensation following his term as Chairman. Accordingly, a provision of CHF 72 million related to this agreement, accrued in prior periods, was reversed in 2013. This amount is not reflected in the above Executive Officer and Non-Executive Director Compensation table.

Since the 2013 AGM, when he stepped down, Dr. Vasella has provided certain transitional services, including select board mandates with subsidiaries of the Group, to support the ad-interim Chairman and the new Chairman. For his services during this transition period, from the AGM on February 22, 2013 to October 31, 2013, Dr. Vasella received cash compensation of CHF 2.7 million, and 31,724 unrestricted shares on October 31, 2013 (market value of the shares at the time of delivery was CHF 2.2 million). During the same period, Novartis reimbursed the cost of Dr. Vasella's professional legal and financial advice amounting to CHF 161,983, and the cost of terminating his life insurance, amounting to CHF 60,166. For this period, a total amount of CHF 5.1 million was paid to him.

Dr. Vasella has subsequently been available to Novartis, at the CEO's request and discretion, to provide coaching to high potential Novartis associates and speeches at key Novartis events. This agreement became effective on November 1, 2013 and will last until the end of 2016. Dr. Vasella will be compensated at a rate of $25,000 per day, with an annual guaranteed minimum fee of $250,000 for each of the calendar years 2014, 2015 and 2016. During November and December 2013, Dr. Vasella did not provide any coaching to associates and did not receive any compensation for this period.

Given the decision of Novartis not to build the Novartis Corporate Learning Center in Risch, Zug, Switzerland, Dr. Vasella has an option to acquire the respective real estate from a consolidated entity for a price corresponding to the average of two independent external evaluation reports. Novartis considers this transaction as not financially material.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Commitments and Contingencies

Leasing Commitments

The Group has entered into various fixed term operational leases, mainly for cars and real estate. As of December 31, 2013 the Group's commitments with respect to these leases, including estimated payment dates, were as follows:

	2013
	$ m
2014	336
2015	225
2016	159
2017	109
2018	84
Thereafter	1,969
Total	**2,882**
Expense of current year	**384**

Research & Development Commitments

The Group has entered into long-term research agreements with various institutions which provide for potential milestone payments and other payments by Novartis that may be capitalized. As of December 31, 2013 the Group's commitments to make payments under those agreements, and their estimated timing, were as follows:

	Unconditional commitments	Potential milestone payments	Total 2013
	$ m	$ m	$ m
2014	131	326	457
2015	78	333	411
2016	45	164	209
2017	37	199	236
2018	27	324	351
Thereafter	32	535	567
Total	**350**	**1,881**	**2,231**

Other Commitments

The Novartis Group entered into various purchase commitments for services and materials as well as for equipment in the ordinary course of business. These commitments are generally entered into at current market prices and reflect normal business operations.

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Commitments and Contingencies (Continued)

Contingencies

Group companies have to observe the laws, government orders and regulations of the country in which they operate.

The Group's potential environmental remediation liability is assessed based on a risk assessment and investigation of the various sites identified by the Group as at risk for environmental remediation exposure. The Group's future remediation expenses are affected by a number of uncertainties. These uncertainties include, but are not limited to, the method and extent of remediation, the percentage of material attributable to the Group at the remediation sites relative to that attributable to other parties, and the financial capabilities of the other potentially responsible parties.

A number of Group companies are currently involved in administrative proceedings, litigations and investigations arising out of the normal conduct of their business. These litigations include product liabilities, governmental investigations and other legal matters. Whilst provisions have been made for probable losses that management deems to be reasonable or appropriate there are uncertainties connected with these estimates.

Note 20 contains a more extensive discussion of these matters.

In the opinion of management, however, the outcome of these actions will not materially affect the Group's financial position but could be material to the results of operations or cash flow in a given period.

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures

Balance Sheet Disclosures	**Note**	**2013[1]**	**2012[1]**
		$ m	**$ m**
Cash and cash equivalents	16	**6,687**	**5,552**
Financial assets measured at fair value through other comprehensive income			
Available-for-sale marketable securities			
Debt securities	16	323	1,084
Equity securities	16	47	68
Fund investments	16	11	23
Total available-for-sale marketable securities		**381**	**1,175**
Available-for-sale long-term financial investments			
Equity securities	13	824	661
Fund investments	13	52	13
Total available-for-sale long-term financial investments		**876**	**674**
Total financial assets measured at fair value through other comprehensive income		**1,257**	**1,849**
Financial assets measured at amortized costs			
Trade receivables and other current assets (excluding pre-payments)[2]	15/17	12,620	12,533
Accrued interest on debt securities and time deposits	16	5	12
Time deposits with original maturity more than 90 days	16	1,931	1,240
Long-term loans and receivables, advances, security deposits[2]	13	647	443
Total financial assets measured at amortized costs		**15,203**	**14,228**
Financial assets measured at fair value through the consolidated income statement			
Derivative financial instruments	16	121	140
Total financial assets measured at fair value through the consolidated income statement		**121**	**140**
Total financial assets		**23,268**	**21,769**

Financial liabilities measured at amortized costs			
Current financial debt			
Interest bearing accounts of associates	21	1,718	1,541
Bank and other financial debt	21	1,323	1,270
Commercial paper	21	1,042	963
Currrent portion of non-current debt	21	2,590	2,009
Total current financial debt		**6,673**	**5,783**
Non-current financial debt			
Straight bonds	19	12,909	14,783
Liabilities to banks and other financial institutions	19	919	1,004
Finance lease obligations	19	4	3
Current portion of non-current debt	19	(2,590)	(2,009)
Total non-current financial debt		**11,242**	**13,781**
Trade payables[2]		**6,148**	**5,593**
Total financial liabilites measured at amortized costs		**24,063**	**25,157**
Financial liabilities measured at fair value through the consolidated income statement			
Contingent consideration	20/22	572	573
Derivative financial instruments	21	103	162
Total financial liabilities measured at fair value through the consolidated income statement		**675**	**735**
Total financial liabilities		**24,738**	**25,892**

(1) Except for straight bonds (see Note 19) the carrying amount is a reasonable approximation of fair value.

(2) 2013 excluding financial assets and liabilities of disposal group held for sale

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

Derivative Financial Instruments

The following tables show the contract or underlying principal amounts and fair values of derivative financial instruments analyzed by type of contract at December 31, 2013 and 2012. Contract or underlying principal amounts indicate the volume of business outstanding at the consolidated balance sheet date and do not represent amounts at risk. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31, 2013 and 2012.

	Contract or underlying principal amount		Positive fair values		Negative fair values	
	2013	2012	2013	2012	2013	2012
	$ m	$ m	$ m	$ m	$ m	$ m
Currency related instruments						
Forward foreign exchange rate contracts	10,137	10,517	117	120	(100)	(160)
Over-the-Counter currency options	2,427	2,644	4	20	(3)	(1)
Total of currency related instruments	**12,564**	**13,161**	**121**	**140**	**(103)**	**(161)**
Interest rate related instruments						
Interest rate swaps		33				(1)
Total of interest rate related instruments		**33**				**(1)**
Total derivative financial instruments included in marketable securities and in current financial debts	**12,564**	**13,194**	**121**	**140**	**(103)**	**(162)**

The following table shows by currency contract or underlying principal amount the derivative financial instruments at December 31, 2013 and 2012:

December 31, 2013	EUR	$	JPY	Other	Total
	$ m	$ m	$ m	$ m	$ m
Currency related instruments					
Forward foreign exchange rate contracts	3,727	3,802	230	2,378	10,137
Over-the-Counter currency options	827	1,600			2,427
Total of currency related instruments	**4,554**	**5,402**	**230**	**2,378**	**12,564**

Total derivative financial instruments	**4,554**	**5,402**	**230**	**2,378**	**12,564**

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

December 31, 2012	EUR	$	JPY	Other	Total
	$ m	$ m	$ m	$ m	$ m
Currency related instruments					
Forward foreign exchange rate contracts	3,760	3,169	704	2,884	10,517
Over-the-Counter currency options		2,125		519	2,644
Total of currency related instruments	**3,760**	**5,294**	**704**	**3,403**	**13,161**
Interest rate related instruments					
Interest rate swaps				33	33
Total of interest rate related instruments				**33**	**33**
Total derivative financial instruments	**3,760**	**5,294**	**704**	**3,436**	**13,194**

Derivative financial instruments effective for hedge accounting purposes

At the end of 2013 and 2012 there were no open hedging instruments for anticipated transactions.

Fair value by hierarchy

As required by IFRS, financial assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. There are three hierarchical levels, based on an increasing amount of subjectivity associated with the inputs to derive fair valuation for these assets and liabilities, which are as follows:

The types of assets carried at Level 1 fair value are equity and debt securities listed in active markets.

The assets generally included in Level 2 fair value hierarchy are foreign exchange and interest rate derivatives and certain debt securities. Foreign exchange derivatives and interest rate derivatives are valued using corroborated market data. The liabilities generally included in this fair value hierarchy consist of foreign exchange and interest rate derivatives.

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

Level 3 inputs are unobservable for the asset or liability. The assets generally included in this fair value hierarchy are various investments in hedge funds and unquoted equity security investments. Contingent consideration carried at fair value is included in this category.

2013	Level 1	Level 2	Level 3	Valued at amortized cost	Total
	$ m	$ m	$ m	$ m	$ m
Available-for-sale marketable securities					
Debt securities	294	29			323
Equity securities	21		26		47
Fund investments			11		11
Total available-for-sale marketable securities	**315**	**29**	**37**		**381**
Time deposits with original maturity more than 90 days				1,931	1,931
Derivative financial instruments		121			121
Accrued interest on debt securities				5	5
Total marketable securities, time deposits and derivative financial instruments	**315**	**150**	**37**	**1,936**	**2,438**
Financial investments and long-term loans					
Available-for-sale financial investments	458		366		824
Fund investments			52		52
Long-term loans and receivables, advances, security deposits[(1)]				647	647
Total financial investments and long-term loans	**458**		**418**	**647**	**1,523**
Financial liabilities					
Contingent consideration			(572)		(572)
Derivative financial instruments		(103)			(103)
Total financial liabilities at fair value		**(103)**	**(572)**		**(675)**

(1) excluding financial assets of disposal group held for sale of $7 million

Explanation of Responses:

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

2012	Level 1	Level 2	Level 3	Valued at amortized cost	Total
	$ m	$ m	$ m	$ m	$ m
Available-for-sale marketable securities					
Debt securities	1,056	28			1,084
Equity securities	45		23		68
Fund investments			23		23
Total available-for-sale marketable securities	**1,101**	**28**	**46**		**1,175**
Time deposits with original maturity more than 90 days				1,240	1,240
Derivative financial instruments		140			140
Accrued interest on debt securities				12	12
Total marketable securities, time deposits and derivative financial instruments	**1,101**	**168**	**46**	**1,252**	**2,567**
Financial investments and long-term loans					
Available-for-sale financial investments	302		359		661
Fund investments			13		13
Long-term loans and receivables, advances, security deposits				443	443
Total financial investments and long-term loans	**302**		**372**	**443**	**1,117**
Financial liabilities					
Contingent consideration			(573)		(573)
Derivative financial instruments		(162)			(162)
Total financial liabilities at fair value		**(162)**	**(573)**		**(735)**

The analysis above includes all financial instruments including those measured at amortized cost or at cost.

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29. Financial Instruments Additional Disclosures (Continued)

The change in carrying values associated with Level 3 financial instruments using significant unobservable inputs during the year ended December 31 are set forth below:

2013	Equity securities	Fund investments	Available-for-sale financial investments	Contingent consideration
	$ m	$ m	$ m	$ m
January 1	**23**	**36**	**359**	**573**
Fair value gains recognized in the consolidated income statement		3	32	(39)
Fair value losses (including impairments and amortizations) recognized in the consolidated income statement			(52)	81
Gains recognized in the consolidated statement of comprehensive income	3	4	25	
Purchases		7	86	
Payments				(43)
Proceeds from sales		(21)	(80)	
At equity investments reclassified due to loss of significant influence		33		
Reclassification			(6)	
Currency translation effects		1	2	
December 31	**26**	**63**	**366**	**572**
Total of gains and impairments, net recognized in the consolidated income statement for assets and liabilities held at December 31, 2013		3	(20)	42

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

2012	Equity securities	Fund investments	Available-for-sale financial investments	Contingent consideration
	$ m	$ m	$ m	$ m
January 1	**20**	**44**	**331**	**482**
Impact of business combinations				41
Fair value gains recognized in the consolidated income statement			101	(61)
Fair value losses (including impairments and amortizations) recognized in the consolidated income statement		(1)	(29)	114
Gains/(losses) recognized in the consolidated statement of comprehensive income	2	2	(13)	
Purchases	1		99	
Payments				(75)
Proceeds from sales		(10)	(150)	
At equity investments reclassified due to loss of significant influence			9	
Reclassification			8	72
Currency translation effects		1	3	
December 31	**23**	**36**	**359**	**573**
Total of gains and impairments, net recognized in the consolidated income statement for assets and liabilities held at December 31, 2012		(1)	72	53

No significant transfers from one level to the other occurred during the reporting period. Gains and losses associated with Level 3 available-for-sale marketable securities are recorded in the consolidated income statement under "Other financial income and expense" and gains and losses associated with Level 3 available-for-sale financial investments are recorded in the consolidated income statement under "Other expense" or "Other income", respectively.

If the pricing parameters for the Level 3 input were to change for equity securities and fund investments by 5% and for available-for-sale financial investments by 10% positively or negatively, respectively, this would change the amounts recorded in the consolidated statement of comprehensive income by $4 million or $37 million, respectively (2012: $3 million and $36 million).

For the determination of the fair value of a contingent consideration various unobservable inputs are used. A change in these inputs might result in a significantly higher or lower fair value measurement. The significance and usage of these inputs may vary amongst the existing contingent considerations due to differences in the triggering events for payments or in the nature of the asset the contingent consideration relates to. Amongst others, the probability of success, sales forecast and assumptions regarding the timing and different scenarios of triggering events are used. The inputs are interrelated.

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29. Financial Instruments Additional Disclosures (Continued)

Nature and extent of risks arising from financial instruments

Market Risk

Novartis is exposed to market risk, primarily related to foreign currency exchange rates, interest rates and the market value of the investments of liquid funds. The Group actively monitors and seeks to reduce, where it deems it appropriate to do so, fluctuations in these exposures. It is the Group's policy and practice to enter into a variety of derivative financial instruments to manage the volatility of these exposures and to enhance the yield on the investment of liquid funds. It does not enter any financial transactions containing a risk that cannot be quantified at the time the transaction is concluded. In addition, it does not sell short assets it does not have, or does not know it will have, in the future. The Group only sells existing assets or enters into transactions and future transactions (in the case of anticipatory hedges) that it confidently expects it will have in the future, based on past experience. In the case of liquid funds, the Group writes call options on assets it has or it writes put options on positions it wants to acquire and has the liquidity to acquire. The Group expects that any loss in value for these instruments generally would be offset by increases in the value of the underlying transactions.

Foreign currency Exchange Rate Risk

The Group uses the $ as its reporting currency. As a result, the Group is exposed to foreign currency exchange movements, primarily in European, Japanese and other Asian and Latin American currencies. Consequently, it enters into various contracts that reflect the changes in the value of foreign currency exchange rates to preserve the value of assets, commitments and anticipated transactions. Novartis also uses forward contracts and foreign currency option contracts to hedge certain anticipated net revenues in foreign currencies.

Net investments in subsidiaries in foreign countries are long-term investments. Their fair value changes through movements of foreign currency exchange rates. The Group only hedges the net investments in foreign subsidiaries in exceptional cases.

The Group is exposed to a potential adverse devaluation risk on its intercompany funding and total investment in certain subsidiaries operating in countries with exchange control. The most significant country in this respect is Venezuela, where the Group has approximately $220 million of cash in the country, which is only slowly being approved for remittance outside the country. As a result the Group is exposed to a potential income statement financial result devaluation loss on its total intercompany balances with subsidiaries in Venezuela and related net investments, which at December 31, 2013 amounted to approximately $340 million and $35 million, respectively. The Group used the official exchange rate as published by CADIVI (Venezuelan Commission for the Administration of Foreign Currency) of VEF 4.3/$ until the devaluation on February 8, 2013 and VEF 6.3/$ since then for the consolidation of the financial statements of the Venezuelan subsidiaries.

Commodity Price Risk

The Group has only a very limited exposure to price risk related to anticipated purchases of certain commodities used as raw materials by the Group's businesses. A change in those prices may alter the gross margin of a specific business, but generally by not more than 10% of the margin and thus below the Group's risk management tolerance levels. Accordingly, the Group does not enter into significant

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29. Financial Instruments Additional Disclosures (Continued)

commodity futures, forward and option contracts to manage fluctuations in prices of anticipated purchases.

Interest Rate Risk

The Group addresses its net exposure to interest rate risk mainly through the ratio of its fixed rate financial debt to variable rate financial debt contained in its total financial debt portfolio. To manage this mix, Novartis may enter into interest rate swap agreements, in which it exchanges periodic payments based on a notional amount and agreed upon fixed and variable interest rates.

Equity Risk

The Group may purchase equities as investments of its liquid funds. As a policy, it limits its holdings in an unrelated company to less than 5% of its liquid funds. Potential investments are thoroughly analyzed. Call options are written on equities that the Group owns, and put options are written on equities which the Group wants to buy and for which cash is available.

Credit Risk

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk the Group periodically assesses the financial reliability of customers, taking into account their financial position, past experience and other factors. Individual risk limits are set accordingly.

The Group's largest customer accounts for approximately 10% of net sales and the second and third largest customers account for 9% and 7% of net sales (2012: 10%, 9% and 8% respectively). No other customer accounts for 5% or more of net sales, in either year.

The highest amounts of trade receivables outstanding were for these same three customers. They amounted to 9%, 7% and 5%, respectively, of the Group's trade receivables at December 31, 2013. There is no other significant concentration of credit risk (2012: 8%, 7% and 6% respectively).

Counterparty Risk

Counterparty risk encompasses issuer risk on marketable securities, settlement risk on derivative and money market contracts and credit risk on cash and time deposits. Issuer risk is reduced by only buying securities which are at least AA- rated. Settlement and credit risk is reduced by the policy of entering into transactions with counterparties that are usually at least AA- rated banks or financial institutions. For short-term investments less than six months the counterparty must be at least A-1/P-1/F-1 rated. Exposure to these risks is closely monitored and kept within predetermined parameters. Novartis has policies that limit the amount of credit exposure to any financial institution. The limits are regularly assessed and determined based upon credit analysis including financial statement and capital adequacy ratio reviews. In addition, reverse repurchasing agreements are contracted.

The Group's cash and cash equivalents are held with major regulated financial institutions, the three largest ones hold approximately 21.8%, 18.4% and 8.9%, respectively (2012: 19.8%, 15.5% and 10.9%, respectively).

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

The Group does not expect any losses from non-performance by these counterparties and does not have any significant grouping of exposures to financial sector or country risk.

Liquidity Risk

Liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price. Group Treasury is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. Novartis manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of financing in order to maintain flexibility. Management monitors the Group's net debt or liquidity position through rolling forecasts on the basis of expected cash flows.

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

The following table sets forth how management monitors net debt or liquidity based on details of the remaining contractual maturities of current financial assets and liabilities excluding trade receivables and payables and contingent considerations at December 31, 2013 and 2012:

December 31, 2013	Due or due within one month $ m	Due later than one month but less than three months $ m	Due later than three months but less than one year $ m	Due later than one year but less than five years $ m	Due after five years $ m	Total $ m
Current assets						
Marketable securities and time deposits	12	1,933	101	179	87	2,312
Commodities	97					97
Derivative financial instruments and accrued interest	26	97	3			126
Cash and cash equivalents	6,187	500				6,687
Total current financial assets	**6,322**	**2,530**	**104**	**179**	**87**	**9,222**
Non-current liabilities						
Financial debt				(5,201)	(6,041)	(11,242)
Financial debt undiscounted				*(5,212)*	*(6,087)*	*(11,299)*
Total non-current financial debt				**(5,201)**	**(6,041)**	**(11,242)**
Current liabilities						
Financial debt	(2,896)	(2,270)	(1,507)			(6,673)
Financial debt undiscounted	*(2,896)*	*(2,270)*	*(1,507)*			*(6,673)*
Derivative financial instruments	(44)	(37)	(22)			(103)
Total current financial debt	**(2,940)**	**(2,307)**	**(1,529)**			**(6,776)**
Net debt	**3,382**	**223**	**(1,425)**	**(5,022)**	**(5,954)**	**(8,796)**

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

December 31, 2012	Due or due within one month $ m	Due later than one month but less than three months $ m	Due later than three months but less than one year $ m	Due later than one year but less than five years $ m	Due after five years $ m	Total $ m
Current assets						
Marketable securities and time deposits		1,240	26	543	606	2,415
Derivative financial instruments and accrued interest	36	106	10			152
Cash and cash equivalents	3,852	1,700				5,552
Total current financial assets	**3,888**	**3,046**	**36**	**543**	**606**	**8,119**
Non-current liabilities						
Financial debt				(7,829)	(5,952)	(13,781)
Financial debt undiscounted				*(7,848)*	*(6,002)*	*(13,850)*
Total non-current financial debt				**(7,829)**	**(5,952)**	**(13,781)**
Current liabilities						
Financial debt	(2,607)	(764)	(2,412)			(5,783)
Financial debt undiscounted	*(2,607)*	*(764)*	*(2,413)*			*(5,784)*
Derivative financial instruments	(60)	(54)	(48)			(162)
Total current financial debt	**(2,667)**	**(818)**	**(2,460)**			**(5,945)**
Net debt	**1,221**	**2,228**	**(2,424)**	**(7,286)**	**(5,346)**	**(11,607)**

The consolidated balance sheet amounts of financial liabilities included in the above analysis are not materially different to the contractual amounts due on maturity. The positive and negative fair values on derivative financial instruments represent the net contractual amounts to be

exchanged at maturity.

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

The Group's contractual undiscounted potential cash flows from derivative financial instruments to be settled on a gross basis are as follows:

December 31, 2013	Due or due within one month $ m	Due later than one month but less than three months $ m	Due later than three months but less than one year $ m	Total $ m
Derivative financial instruments and accrued interest on derivative financial instruments				
Potential outflows in various currencies from financial derivative liabilities	(3,648)	(6,007)	(2,476)	(12,131)
Potential inflows in various currencies from financial derivative assets	3,627	5,989	2,417	12,033

December 31, 2012	Due or due within one month $ m	Due later than one month but less than three months $ m	Due later than three months but less than one year $ m	Total $ m
Derivative financial instruments and accrued interest on derivative financial instruments				
Potential outflows in various currencies from financial derivative liabilities	(3,483)	(3,691)	(2,330)	(9,504)
Potential inflows in various currencies from financial derivative assets	3,458	3,714	2,285	9,457

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

Other contractual liabilities which are not part of management's monitoring of the net debt or liquidity consist of the following items:

December 31, 2013	Due later than one month but less than three months	Due later than three months but less than one year	Due later than one year but less than five years	Due after five years	Total
	$ m	$ m	$ m	$ m	$ m
Contractual interest on non-current liabilities	(236)	(236)	(1,146)	(830)	(2,448)
Trade payables[(1)]	(6,148)				(6,148)

(1) excluding trade payables of disposal group held for sale of $38 million

December 31, 2012	Due later than one month but less than three months	Due later than three months but less than one year	Due later than one year but less than five years	Due after five years	Total
	$ m	$ m	$ m	$ m	$ m
Contractual interest on non-current liabilities	(236)	(275)	(1,368)	(1,082)	(2,961)
Trade payables	(5,593)				(5,593)

Capital Risk Management

Novartis strives to maintain a strong credit rating. In managing its capital, Novartis focuses on maintaining a strong balance sheet. Moody's rated the Group as Aa3 for long-term maturities and P-1 for short-term maturities and Standard & Poor's had a rating of AA- for long-term and A-1+ for short-term maturities. Fitch had a long-term rating of AA and a short-term rating of F1+.

The Group's debt/equity ratio improved slightly to 0.24:1 at December 31, 2013 compared to 0.28:1 at the beginning of the year.

Value at Risk

The Group uses a value at risk (VAR) computation to estimate the potential ten-day loss in the fair value of its financial instruments.

A ten-day period is used because of an assumption that not all positions could be undone in one day given the size of the positions. Apart from contingent consideration, finance lease obligations, and long-term loans and receivables, advances and security deposits the VAR computation includes all

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29. Financial Instruments Additional Disclosures (Continued)

financial assets and financial liabilities as set forth above in this Note. Trade payables and receivables are considered only to the extent they comprise a foreign currency exposure. In addition, commodities are included in the computation.

The VAR estimates are made assuming normal market conditions, using a 95% confidence interval. The Group uses a "Delta Normal" model to determine the observed inter-relationships between movements in interest rates, stock markets and various currencies. These inter-relationships are determined by observing interest rate, stock market movements and forward foreign currency rate movements over a sixty-day period for the calculation of VAR amounts.

The estimated potential ten-day loss in pre-tax income from the Group's foreign currency instruments, the estimated potential ten-day loss of its equity holdings, and the estimated potential
ten-day loss in fair value of its interest rate sensitive instruments (primarily financial debt and investments of liquid funds under normal market conditions) as calculated in the VAR model are the following:

	2013	2012
	$ m	$ m
All financial instruments	195	183
Analyzed by components:		
Instruments sensitive to foreign currency exchange rates	131	61
Instruments sensitive to equity market movements	27	40
Instruments sensitive to interest rates	93	86

The average, high, and low VAR amounts are as follows:

2013	Average	High	Low
	$ m	$ m	$ m
All financial instruments	188	238	150
Analyzed by components:			
Instruments sensitive to foreign currency exchange rates	156	244	115
Instruments sensitive to equity market movements	39	56	24
Instruments sensitive to interest rates	115	195	68

2012	Average	High	Low
	$ m	$ m	$ m
All financial instruments	262	351	183
Analyzed by components:			
Instruments sensitive to foreign currency exchange rates	141	255	61
Instruments sensitive to equity market movements	41	59	30
Instruments sensitive to interest rates	93	129	57

The VAR computation is a risk analysis tool designed to statistically estimate the maximum potential ten day loss from adverse movements in foreign currency exchange rates, equity prices and interest rates under normal market conditions. The computation does not purport to represent actual losses in fair value on earnings to be incurred by the Group, nor does it consider the effect of favorable changes in market rates. The Group cannot predict actual future movements in such market rates and it does not

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Financial Instruments Additional Disclosures (Continued)

claim that these VAR results are indicative of future movements in such market rates or to be representative of any actual impact that future changes in market rates may have on the Group's future results of operations or financial position.

In addition to these VAR analyses, the Group uses stress testing techniques that aim to reflect a worst case scenario on the marketable securities which are monitored by Group Treasury. For these calculations, the Group uses the six-months period with the worst performance observed over the past twenty years in each category. For 2013 and 2012, the worst case loss scenario was calculated as follows:

	2013	2012
	$ m	$ m
All financial instruments	24	284
Analyzed by components:		
Instruments sensitive to foreign currency exchange rates	7	212
Instruments sensitive to equity market movements	12	26
Instruments sensitive to interest rates	5	46

In the Group's risk analysis, Novartis considered this worst case scenario acceptable as it could reduce income, but would not endanger the solvency or the investment grade credit standing of the Group.

30. Restatement Information

Impact of Introducing Revised Accounting Standard on Employee Benefits in 2013

The Group introduced the revised IFRS accounting standard IAS 19 on *Employee Benefits*, on January 1, 2013. The principal impact of this is that the return on pension plan assets and the interest calculated on the defined benefit obligations now use the same interest rate reflecting the current market yield of high-quality corporate bonds. Previously the return on plan assets was calculated based on the higher long-term expected return on assets, so the adoption of the new accounting standard increases the annual cost of post-employment benefits included in Corporate Other Expense. It has also been required to restate for the amortization of previously unrecognized past service credits. As required by the new standard, the Group's 2012 and 2011 consolidated financial statements have been retrospectively restated to reflect these changes. For the full year 2012, the impact of these restatements is an additional expense of $318 million before tax ($235 million after tax), offset by an adjustment of the actuarial losses recognized in consolidated comprehensive income and for the full year 2011, an additional expense of $218 million before tax ($173 million after tax), offset by an adjustment of the actuarial losses recognized in consolidated comprehensive income.

Furthermore, the revised IAS 19 requires the immediate recognition of past service costs in the consolidated income statement, which were previously only recognized upon vesting. Due to the required retroactive implementation of revised IAS 19, Novartis has restated its December 31, 2010/January 1, 2011, December 31, 2011 and December 31, 2012 consolidated balance sheets so that past service credits of $35 million, $77 million and $69 million, respectively net were recognized against other non-current liabilities with a corresponding increase in consolidated equity. The related tax impact amounted to $13 million, $28 million and $25 million, respectively.

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Restatement Information (Continued)

Extract of Restated 2012 and 2011 Consolidated Income Statement Information

	Published 2012	Adjustment	Restated 2012	Published 2011	Adjustment	Restated 2011
	$ m	$ m	$ m	$ m	$ m	$ m
Other income	1,187	(138)	1,049	1,354	(162)	1,192
Other expense	(1,859)	(180)	(2,039)	(3,116)	(56)	(3,172)
Operating income	**11,511**	**(318)**	**11,193**	**10,998**	**(218)**	**10,780**
Income before taxes	**11,243**	**(318)**	**10,925**	**10,773**	**(218)**	**10,555**
Taxes	(1,625)	83	(1,542)	(1,528)	45	(1,483)
Net income	**9,618**	**(235)**	**9,383**	**9,245**	**(173)**	**9,072**
Attributable to:						
Shareholders of Novartis AG	*9,505*	*(235)*	*9,270*	*9,113*	*(173)*	*8,940*
Non-controlling interests	*113*		*113*	*132*		*132*
Basic earnings per share ($)	3.93	(0.10)	3.83	3.83	(0.08)	3.75
Diluted earnings per share ($)	3.89	(0.10)	3.79	3.78	(0.08)	3.70

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Restatement Information (Continued)

Extract of Restated December 31, 2012, 2011 and 2010 Consolidated Balance Sheet Information

	Published 2012	Adjustment	Restated 2012	Published 2011	Adjustment	Restated 2011	Published 2010	Adjustment	Restated 2010
	$ m	$ m	$ m	$ m	$ m	$ m	$ m	$ m	$ m
Assets									
Non-current assets									
Deferred tax assets	7,390	(25)	7,365	5,857	(28)	5,829	5,240	(13)	5,227
Total non-current assets	**96,212**	**(25)**	**96,187**	**93,412**	**(28)**	**93,384**	**96,633**	**(13)**	**96,620**
Current assets									
Total assets	**124,216**	**(25)**	**124,191**	**117,496**	**(28)**	**117,468**	**123,318**	**(13)**	**123,305**
Equity and liabilities									
Equity									
Reserves	68,184	44	68,228	64,949	49	64,998	62,364	22	62,386
Issued share capital and reserves attributable to Novartis AG shareholders	**69,093**	**44**	**69,137**	**65,844**	**49**	**65,893**	**63,196**	**22**	**63,218**
Total equity	**69,219**	**44**	**69,263**	**65,940**	**49**	**65,989**	**69,769**	**22**	**69,791**
Liabilities									
Non-current liabilities									
Provisions and other non-current liabilities	9,879	(69)	9,810	7,792	(77)	7,715	6,842	(35)	6,807
Total non-current liabilities	**30,946**	**(69)**	**30,877**	**28,408**	**(77)**	**28,331**	**28,891**	**(35)**	**28,856**
Total liabilities	**54,997**	**(69)**	**54,928**	**51,556**	**(77)**	**51,479**	**53,549**	**(35)**	**53,514**
Total equity and liabilities	**124,216**	**(25)**	**124,191**	**117,496**	**(28)**	**117,468**	**123,318**	**(13)**	**123,305**

No restated December 31, 2011 consolidated balance sheet has been presented in the primary consolidated financial statements as the adjustments are immaterial to this consolidated balance sheet.

31. Events Subsequent to the December 31, 2013 Consolidated Balance Sheet Date

Dividend proposal for 2013 and approval of the Group's 2013 consolidated financial statements

On January 28, 2014, the Novartis AG Board of Directors proposed the acceptance of the 2013 consolidated financial statements of the Novartis Group for approval by the Annual General Meeting on February 25, 2014. Furthermore, also on January 28, 2014, the Board proposed a dividend of CHF 2.45 per share to be approved at the Annual General Meeting on February 25, 2014. If approved, total dividend payments would amount to approximately $6.8 billion (2012: $6.1 billion).

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Events Subsequent to the December 31, 2013 Consolidated Balance Sheet Date (Continued)

Divestment of Vaccines and Diagnostics' blood transfusion unit

On January 9, 2014, Novartis completed the divestment of its blood transfusion diagnostics unit to the Spanish company, Grifols S.A., for $1.7 billion in cash. The estimated pre-tax gain on this transaction, subject to finalization of the accounting, will be approximately $0.9 billion.

Restructuring Announcements

During January 2014, the Pharmaceuticals Division announced plans to change the size and structure of the US Primary Care Business Unit, a shift of positions within Switzerland and announced the closure of a production facility in Suffern, New York, US.

We anticipate that these three initiatives in the US and Switzerland will contribute to an exceptional charge of approximately $150 million being recorded in the first quarter of 2014.

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Principal Group Subsidiaries and Associated Companies

As at December 31, 2013		Share/paid-in capital[1]	Equity interest %				
Argentina							
Novartis Argentina S.A., Buenos Aires	ARS	231.3 m	100		*		/*\
Alcon Laboratorios Argentina S.A., Buenos Aires	ARS	80.0 m	100		*		
Sandoz S.A., Buenos Aires	ARS	182.7 m	100		*		
Australia							
Novartis Australia Pty Ltd., North Ryde, NSW	AUD	11.0 m	100	/*/			
Novartis Pharmaceuticals Australia Pty Ltd., North Ryde, NSW	AUD	3.8 m	100		*		/*\
Alcon Laboratories (Australia) Pty Ltd., Frenchs Forest, NSW	AUD	2.6 m	100		*		
Sandoz Pty Ltd., North Ryde, NSW	AUD	11.6 m	100		*		
Novartis Consumer Health Australasia Pty Ltd., Melbourne, Victoria	AUD	7.6 m	100		*	*/	
Novartis Animal Health Australasia Pty Ltd., North Ryde, NSW	AUD	3.0 m	100		*		/*\
Austria							
Novartis Austria GmbH, Vienna	EUR	1.0 m	100	/*/			
Novartis Pharma GmbH, Vienna	EUR	1.1 m	100		*		
Sandoz GmbH, Kundl	EUR	32.7 m	100	/*/	*	*/	/*\
EBEWE Pharma Ges.m.b.H Nfg., Unterach am Attersee	EUR	1.0 m	100		*	*/	/*\
Bangladesh							
Novartis (Bangladesh) Limited, Dhaka	BDT	162.5 m	60		*	*/	
Belgium							
N.V. Novartis Pharma S.A., Vilvoorde	EUR	7.1 m	100		*		
S.A. Alcon-Couvreur N.V., Puurs	EUR	360.6 m	100		*	*/	
N.V. Alcon S.A., Vilvoorde	EUR	141,856	100		*		
N.V. Sandoz S.A., Vilvoorde	EUR	19.2 m	100		*		
N.V. Novartis Consumer Health S.A., Vilvoorde	EUR	4.3 m	100		*		
Bermuda							
Triangle International Reinsurance Ltd., Hamilton	CHF	1.0 m	100	/*/			
Novartis Securities Investment Ltd., Hamilton	CHF	30,000	100	/*/			
Novartis International Pharmaceutical Ltd., Hamilton	CHF	20,000	100	/*/	*	*/	/*\
Trinity River Insurance Co.Ltd., Hamilton	$	370,000	100	/*/			
Brazil							
Novartis Biociências S.A., São Paulo	BRL	265.0 m	100		*	*/	
Sandoz do Brasil Indústria Farmacêutica Ltda., Cambé, PR	BRL	190.0 m	100		*	*/	/*\
Novartis Saúde Animal Ltda., São Paulo	BRL	50.7 m	100		*	*/	
Canada							
Novartis Pharmaceuticals Canada Inc., Dorval/ Quebec	CAD	0[2]	100		*		/*\
Alcon Canada Inc., Mississauga, Ontario	CAD	0[2]	100		*		
CIBA Vision Canada Inc., Mississauga, Ontario	CAD	1	100		*	*/	
Sandoz Canada Inc., Boucherville, Quebec	CAD	76.8 m	100		*	*/	/*\
Novartis Consumer Health Canada Inc., Mississauga, Ontario	CAD	2	100		*		
Novartis Animal Health Canada Inc., Charlottetown, Prince Edward Island	CAD	2	100		*		/*\

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Principal Group Subsidiaries and Associated Companies (Continued)

As at December 31, 2013		Share/paid-in capital[1]	Equity interest %				
Chile							
Novartis Chile S.A., Santiago de Chile	CLP	2.0 bn	100		*		
Alcon Laboratorios Chile Limitada, Santiago de Chile	CLP	2.0 bn	100		*		
China							
Beijing Novartis Pharma Co., Ltd., Beijing	$	30.0 m	100		*	*/	
Novartis Pharmaceuticals (HK) Limited, Hong Kong	HKD	200	100		*		
China Novartis Institutes for BioMedical Research Co. Ltd., Shanghai	$	133.0 m	100				/*\
Suzhou Novartis Pharma Technology Co. Ltd., Changshu	$	97.4 m	100			*/	
Shanghai Novartis Trading Ltd., Shanghai	$	2.5 m	100		*		
Alcon Hong Kong Limited, Hong Kong	HKD	77,000	100		*		
Alcon (China) Ophthalmic Product Co., Ltd., Beijing	$	2.2 m	100		*		
Sandoz (China) Pharmaceutical Co., Ltd., Zhongshan	$	22.0 m	100		*	*/	
Novartis Vaccines and Diagnostics (HK) Ltd., Hong Kong	HKD	80.0 m	100		*	*/	
Zhejiang Tianyuan Bio-Pharmaceutical Co., Ltd., Hangzhou	CNY	46.8 m	85		*	*/	
Shanghai Novartis Animal Health Co., Ltd., Shanghai	CHF	21.6 m	100		*	*/	
Colombia							
Novartis de Colombia S.A., Santafé de Bogotá	COP	7.9 bn	100		*	*/	
Laboratorios Alcon de Colombia S.A., Santafé de Bogotá	COP	20.9 m	100		*		
Croatia							
Sandoz d.o.o., Zagreb	HRK	25.6 m	100		*		
Czech Republic							
Novartis s.r.o., Prague	CZK	51.5 m	100		*		
Sandoz s.r.o., Prague	CZK	44.7 m	100		*		
Denmark							
Novartis Healthcare A/S, Copenhagen	DKK	14.0 m	100		*		
Sandoz A/S, Copenhagen	DKK	8.0 m	100		*		
Ecuador							
Novartis Ecuador S.A., Quito	$	4.0 m	100		*		
Egypt							
Novartis Pharma S.A.E., Cairo	EGP	33.8 m	99		*	*/	
Sandoz Egypt Pharma S.A.E., New Cairo	EGP	250,000	100		*		
Finland							
Novartis Finland Oy, Espoo	EUR	459,000	100		*		
Alcon Finland Oy, Vantaa	EUR	84,094	100		*		
France							
Novartis Groupe France S.A., Rueil-Malmaison	EUR	103.0 m	100	/*/			
Novartis Pharma S.A.S., Rueil-Malmaison	EUR	43.4 m	100		*	*/	/*\
Laboratoires Alcon S.A., Rueil-Malmaison	EUR	12.9 m	100		*	*/	
Sandoz S.A.S., Levallois-Perret	EUR	5.4 m	100		*		
Novartis Vaccines and Diagnostics S.A.S., Suresnes	EUR	1.5 m	100		*		
Novartis Santé Familiale S.A.S., Rueil-Malmaison	EUR	21.9 m	100		*	*/	
Novartis Santé Animale S.A.S., Rueil-Malmaison	EUR	900,000	100		*	*/	

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Principal Group Subsidiaries and Associated Companies (Continued)

As at December 31, 2013		Share/paid-in capital[1]	Equity interest %	Activities		
Germany						
Novartis Deutschland GmbH, Wehr	EUR	155.5 m	100	/*/		
Novartis Pharma GmbH, Nuremberg	EUR	25.6 m	100	*		/*\
Novartis Pharma Produktions GmbH, Wehr	EUR	2.0 m	100		*/	
Alcon Pharma GmbH, Freiburg	EUR	512,000	100	*		
WaveLight GmbH, Erlangen	EUR	6.6 m	100	*		
CIBA Vision GmbH, Grosswallstadt	EUR	15.4 m	100	*	*/	/*\
Sandoz International GmbH, Holzkirchen	EUR	100,000	100	/*/		
Sandoz Pharmaceuticals GmbH, Holzkirchen	EUR	5.1 m	100	*		
Sandoz Industrial Products GmbH, Frankfurt a. M.	EUR	2.6 m	100	*	*/	
1 A Pharma GmbH, Oberhaching	EUR	26,000	100	*		
Salutas Pharma GmbH, Barleben	EUR	42.1 m	100	*	*/	
Hexal AG, Holzkirchen	EUR	93.7 m	100	/*/	*	*/ /*\
Novartis Vaccines and Diagnostics GmbH, Marburg	EUR	5.0 m	100	*	*/	/*\
Novartis Vaccines Vertriebs GmbH, Holzkirchen	EUR	26,000	100	*		
Novartis Consumer Health GmbH, Munich	EUR	14.6 m	100	*	*/	/*\
Novartis Tiergesundheit GmbH, Munich	EUR	256,000	100	*		
LTS Lohmann Therapie-Systeme AG, Andernach	EUR	31.2 m	43	/*/		
Gibraltar						
Novista Insurance Limited, Gibraltar	CHF	130.0 m	100	/*/		
Greece						
Novartis (Hellas) S.A.C.I., Metamorphosis/Athens	EUR	23.4 m	100	*		
Alcon Laboratories Hellas Commercial & Industrial S.A., Maroussi/Athens	EUR	5.7 m	100	*		
Hungary						
Novartis Hungary Healthcare Limited Liability Company, Budapest	HUF	545.6 m	100	*		
Sandoz Hungary Limited Liability Company, Budapest	HUF	883.0 m	100	*		
India						
Novartis India Limited, Mumbai	INR	159.8 m	75	*		
Novartis Healthcare Private Limited, Mumbai	INR	60.0 m	100	*		
Alcon Laboratories (India) Private Limited, Bangalore	INR	1.1 bn	100	*		
Sandoz Private Limited, Mumbai	INR	32.0 m	100	*	*/	
Indonesia						
PT Novartis Indonesia, Jakarta	IDR	7.7 bn	100	*	*/	
PT CIBA Vision Batam, Batam	IDR	11.9 bn	100		*/	
Ireland						
Novartis Ireland Limited, Dublin	EUR	25,000	100	*		
Novartis Ringaskiddy Limited, Ringaskiddy, County Cork	EUR	2.0 m	100		*/	
Alcon Laboratories Ireland Limited, Cork City	EUR	541,251	100		*/	
Italy						
Novartis Farma S.p.A., Origgio	EUR	18.2 m	100	/*/	*	*/ /*\
Alcon Italia S.p.A., Milan	EUR	3.7 m	100	*		
Sandoz S.p.A., Origgio	EUR	679,900	100	*		
Sandoz Industrial Products S.p.A., Rovereto	EUR	2.6 m	100		*/	
Novartis Vaccines and Diagnostics S.r.l., Siena	EUR	41.6 m	100	*	*/	/*\
Novartis Consumer Health S.p.A., Origgio	EUR	2.9 m	100	*		

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Principal Group Subsidiaries and Associated Companies (Continued)

As at December 31, 2013		Share/paid-in capital[1]	Equity interest %				
Japan							
Novartis Holding Japan K.K., Tokyo	JPY	10.0 m	100	/*/			
Novartis Pharma K.K., Tokyo	JPY	6.0 bn	100		*		/*\
Alcon Japan Ltd., Tokyo	JPY	500.0 m	100		*		
CIBA Vision K.K., Tokyo	JPY	100.0 m	100		*		
Sandoz K.K., Tokyo	JPY	100.0 m	100		*	*/	/*\
Novartis Animal Health K.K., Tokyo	JPY	50.0 m	100		*		/*\
Luxembourg							
Novartis Investments S.à r.l., Luxembourg-Ville	$	2.6 bn	100	/*/			
Novartis Finance S.A., Luxembourg-Ville	$	100,000	100	/*/			
Malaysia							
Novartis Corporation (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	3.3 m	100		*		
Alcon Laboratories (Malaysia) Sdn. Bhd., Petaling Jaya	MYR	1.0 m	100		*		
CIBA Vision Johor Sdn. Bhd., Gelang Patah	MYR	5.0 m	100			*/	
Mexico							
Novartis Farmacéutica, S.A. de C.V., Mexico City	MXN	205.0 m	100		*	*/	
Alcon Laboratorios, S.A. de C.V., Mexico City	MXN	5.9 m	100		*	*/	
Sandoz S.A. de C.V., Mexico City	MXN	468.2 m	100		*	*/	
Netherlands							
Novartis Netherlands B.V., Arnhem	EUR	1.4 m	100	/*/			
Novartis Pharma B.V., Arnhem	EUR	4.5 m	100		*		
Alcon Nederland B.V., Breda	EUR	18,151	100		*		
Sandoz B.V., Almere	EUR	907,570	100		*	*/	
Novartis Consumer Health B.V., Breda	EUR	23,830	100		*	*/	
New Zealand							
Novartis New Zealand Ltd., Auckland	NZD	820,000	100		*		
Norway							
Novartis Norge AS, Oslo	NOK	1.5 m	100		*		
Pakistan							
Novartis Pharma (Pakistan) Limited, Karachi	PKR	1.8 bn	100		*	*/	
Panama							
Novartis Pharma (Logistics), Inc., Ciudad de Panama	$	10,000	100		*		
Peru							
Novartis Biosciences Peru S.A., Lima	PEN	6.1 m	100		*		
Philippines							
Novartis Healthcare Philippines, Inc., Makati/Manila	PHP	298.8 m	100		*		
Sandoz Philippines Corporation, Manila	PHP	30.0 m	100		*	*/	
Poland							
Novartis Poland Sp. z o.o., Warszawa	PLN	44.2 m	100		*		
Alcon Polska Sp. z o.o., Warszawa	PLN	750,000	100		*		
Sandoz Polska Sp. z o.o., Warszawa	PLN	25.6 m	100		*		
Lek S.A., Strykow	PLN	11.4 m	100		*	*/	

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32. Principal Group Subsidiaries and Associated Companies (Continued)

As at December 31, 2013		Share/paid-in capital[1]	Equity interest %		Activities		
Portugal							
Novartis Portugal SGPS Lda., Sintra	EUR	500,000	100	/*/			
Novartis Farma Produtos Farmacêuticos S.A., Sintra	EUR	2.4 m	100		*		
Alcon Portugal-Produtos e Equipamentos Oftalmologicos Lda., Paco d'Arcos	EUR	4.5 m	100		*		
Sandoz Pharmaceutica Lta., Sintra	EUR	5.0 m	100		*		
Novartis Consumer Health Produtos Farmacêuticos e Nutrição Lda., Sintra	EUR	100,000	100		*		
Puerto Rico							
Ex-Lax, Inc., Humacao	$	10,000	100			*/	
Alcon (Puerto Rico) Inc., Catano	$	15.5	100		*		
Romania							
Sandoz S.R.L., Targu-Mures	RON	105.2 m	100		*	*/	
Russian Federation							
Novartis Pharma LLC, Moscow	RUB	20.0 m	100		*		
Alcon Farmacevtika LLC, Moscow	RUB	44.1 m	100		*		
ZAO Sandoz, Moscow	RUB	57.4 m	100		*		
Novartis Neva LLC, St. Petersburg	RUB	500.0 m	100			*/	
Novartis Consumer Health LLC, Moscow	RUB	80.0 m	100		*		
Saudi Arabia							
Saudi Pharmaceutical Distribution Co. Ltd., Riyadh	SAR	26.8 m	75		*		
Singapore							
Novartis (Singapore) Pte Ltd., Singapore	SGD	100,000	100		*		
Novartis Singapore Pharmaceutical Manufacturing Pte Ltd., Singapore	SGD	45.0 m	100			*/	
Novartis Asia Pacific Pharmaceuticals Pte Ltd., Singapore	SGD	39.0 m	100		*		
Novartis Institute for Tropical Diseases Pte Ltd., Singapore	SGD	2,004	100				/*\
Alcon Singapore Manufacturing Pte Ltd., Singapore	SGD	101,000	100			*/	
CIBA Vision Asian Manufacturing and Logistics Pte Ltd., Singapore	SGD	1.0 m	100			*/	
Slovakia							
Novartis Slovakia s.r.o., Bratislava	EUR	2.0 m	100		*		
Slovenia							
Lek Pharmaceuticals d.d., Ljubljana	EUR	48.4 m	100	/*/	*	*/	/*\
Sandoz Pharmaceuticals d.d., Ljubljana	EUR	1.5 m	100		*		
South Africa							
Novartis South Africa (Pty) Ltd., Kempton Park	ZAR	86.3 m	100		*		
Alcon Laboratories (South Africa) (Pty) Ltd., Bryanston, Gauteng	ZAR	201,820	100		*		
Sandoz South Africa (Pty) Ltd., Kempton Park	ZAR	3.0 m	100		*	*/	
South Korea							
Novartis Korea Ltd., Seoul	KRW	24.5 bn	99		*		
Alcon Korea Ltd., Seoul	KRW	33.8 bn	100		*		

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Principal Group Subsidiaries and Associated Companies (Continued)

As at December 31, 2013		Share/paid-in capital[1]	Equity interest %		Activities		
Spain							
Novartis Farmacéutica, S.A., Barcelona	EUR	63.0 m	100	/*/	*	*/	
Alcon Cusi S.A., El Masnou	EUR	11.6 m	100		*	*/	
Sandoz Farmacéutica, S.A., Madrid	EUR	270,450	100		*		
Sandoz Industrial Products, S.A., Les Franqueses del Vallés/Barcelona	EUR	9.3 m	100		*	*/	/*\
Novartis Vaccines and Diagnostics, S.L., Barcelona	EUR	675,450	100		*		
Novartis Consumer Health, S.A., Barcelona	EUR	876,919	100		*		
Sweden							
Novartis Sverige Participations AB, Täby/Stockholm	SEK	1.0 m	100	/*/			
Novartis Sverige AB, Täby/Stockholm	SEK	5.0 m	100		*		
Alcon Sverige AB, Bromma	SEK	100,000	100		*		
CIBA Vision Nordic AB, Askim/Göteborg	SEK	2.5 m	100		*		
Switzerland							
Novartis International AG, Basel	CHF	10.0 m	100	/*/			
Novartis Holding AG, Basel	CHF	100.2 m	100	/*/			
Novartis Research Foundation, Basel	CHF	29.3 m	100	/*/			
Novartis Foundation for Management Development, Basel	CHF	100,000	100	/*/			
Novartis Foundation for Employee Participation, Basel	CHF	100,000	100	/*/			
Novartis Sanierungsstiftung, Basel	CHF	2.0 m	100	/*/			
Novartis Pharma AG, Basel	CHF	350.0 m	100	/*/	*	*/	/*\
Novartis Pharma Services AG, Basel	CHF	20.0 m	100		*		
Novartis Pharma Schweizerhalle AG, Schweizerhalle	CHF	18.9 m	100			*/	
Novartis Pharma Stein AG, Stein	CHF	251,000	100			*/	/*\
Novartis Pharma Schweiz AG, Rotkreuz	CHF	5.0 m	100		*		/*\
Alcon Switzerland SA, Rotkreuz	CHF	100,000	100		*		
Alcon Pharmaceuticals Ltd., Fribourg	CHF	200,000	100	/*/	*		
ESBATech, a Novartis Company GmbH, Schlieren	CHF	14.0 m	100				/*\
Sandoz AG, Basel	CHF	5.0 m	100	/*/	*		/*\
Sandoz Pharmaceuticals AG, Rotkreuz	CHF	100,000	100		*		
Novartis Vaccines and Diagnostics AG, Basel	CHF	800,000	100	/*/			/*\
Novartis Vaccines and Diagnostics Services AG, Basel	CHF	100,000	100	/*/		*/	
Novartis Consumer Health S.A., Prangins	CHF	30.0 m	100	/*/	*	*/	/*\
Novartis Consumer Health Schweiz AG, Rotkreuz	CHF	250,000	100		*		
Novartis Animal Health AG, Basel	CHF	101,000	100	/*/	*	*/	/*\
Novartis Centre de Recherche Santé Animale S.A., St. Aubin	CHF	250,000	100				/*\
Roche Holding AG, Basel	CHF	160.0 m	33/6[3]	/*/			
Taiwan							
Novartis (Taiwan) Co., Ltd., Taipei	TWD	170.0 m	100		*	*/	
Thailand							
Novartis (Thailand) Limited, Bangkok	THB	230.0 m	100		*		
Alcon Laboratories (Thailand) Ltd., Bangkok	THB	205.1 m	100		*		
Turkey							
Novartis Saglik, Gida ve Tarim Ürünleri Sanayi ve Ticaret A.S., Istanbul	TRY	98.0 m	100		*	*/	
Alcon Laboratuvarlari Ticaret A.S., Istanbul	TRY	25.2 m	100		*		
Sandoz Ilaç Sanayi ve Ticaret A.S., Istanbul	TRY	165.2 m	100		*	*/	

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Principal Group Subsidiaries and Associated Companies (Continued)

As at December 31, 2013		Share/paid-in capital[1]	Equity interest %		Activities		
United Kingdom							
Novartis UK Limited, Frimley/Camberley	GBP	25.5 m	100	/*/			
Novartis Pharmaceuticals UK Limited, Frimley/ Camberley	GBP	5.4 m	100		*	*/	/*\
Novartis Grimsby Limited, Frimley/Camberley	GBP	230 m	100			*/	
Alcon Eye Care (UK) Limited, Frimley/Camberley	GBP	550,000	100		*		
Sandoz Limited, Frimley/Camberley	GBP	2.0 m	100		*		
Novartis Vaccines and Diagnostics Limited, Frimley/Camberley	GBP	100	100		*	*/	
Novartis Consumer Health UK Limited, Horsham	GBP	25,000	100		*	*/	
Novartis Animal Health UK Limited, Frimley/ Camberley	GBP	100,000	100		*		/*\
United States of America							
Novartis Corporation, East Hanover, NJ	$	72.2 m	100	/*/			
Novartis Finance Corporation, New York, NY	$	1,002	100	/*/			
Novartis Capital Corporation, New York, NY	$	1	100	/*/			
Novartis Pharmaceuticals Corporation, East Hanover, NJ	$	5.2 m	100		*	*/	/*\
Novartis Institutes for BioMedical Research, Inc., Cambridge, MA	$	1	100				/*\
Novartis Institute for Functional Genomics, Inc., San Diego, CA	$	21,000	100				/*\
Genoptix, Inc., Carlsbad, CA	$	1	100		*		/*\
Alcon Laboratories, Inc., Fort Worth, TX	$	1,000	100	/*/	*	*/	
Alcon Refractive Horizons, LLC, Fort Worth, TX	$	10	100			*/	
Alcon Research, Ltd., Fort Worth, TX	$	12.5	100			*/	/*\
Alcon LenSx, Inc., Alisio Viejo, CA	$	100	100			*/	
CIBA Vision Corporation, Duluth, GA	$	301.3 m	100	/*/	*	*/	/*\
Sandoz Inc., Princeton, NJ	$	25,000	100		*	*/	/*\
Fougera Pharmaceuticals, Inc., Melville, NY	$	1	100		*		/*\
Eon Labs, Inc., Princeton, NJ	$	1	100		*	*/	
Falcon Pharmaceuticals, Ltd., Forth Worth, TX	$	10	100		*		
Novartis Vaccines and Diagnostics, Inc., Cambridge, MA	$	3.0	100		*	*/	/*\
Novartis Consumer Health, Inc., Parsippany, NJ	$	0[2]	100		*	*/	/*\
Novartis Animal Health US, Inc., Greensboro, NC	$	100	100		*	*/	/*\
Idenix Pharmaceuticals, Inc., Cambridge, MA	$	134,001	25	/*/			
Venezuela							
Novartis de Venezuela, S.A., Caracas	VEF	1.4 m	100		*		
Alcon Pharmaceutical, C.A., Caracas	VEF	5.5 m	100		*		

In addition, the Group is represented by subsidiaries and associated companies in the following countries: Algeria, Bosnia/Herzegovina, Bulgaria, Dominican Republic, Guatemala, the Former Yugoslav Republic of Macedonia, Morocco, Ukraine and Uruguay.

(1) Share/paid-in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.

(2) shares without par value

(3) Approximately 33% of voting shares; approximately 6% of total net income and equity attributable to Novartis

m = million; bn = billion

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Principal Group Subsidiaries and Associated Companies (Continued)

The following describe the various types of entities within the Group:

/*/ **Holding/Finance:** This entity is a holding company and/or performs finance functions for the Group.
* **Sales:** This entity performs sales and marketing activities for the Group.
*/ **Production:** This entity performs manufacturing and/or production activities for the Group.
/*\ **Research:** This entity performs research and development activities for the Group.