Listing Prospectus dated August 18, 2023
Sandoz Group AG

a stock corporation organized under Swiss law

Listing of up to 431,000,000 registered shares
with a nominal value of CHF 0.05 each

This listing prospectus (the "**Listing Prospectus**") relates to the listing (the "**Listing**") of up to 431,000,000 registered shares of Sandoz Group AG, ("**Sandoz Group AG**" or the "**Company**" and, together with the Company's combined subsidiaries after giving effect to the separation from Novartis AG, "**Sandoz**", the "**Group**", "**we**" or "**us**") on SIX Swiss Exchange Ltd. ("**SIX Swiss Exchange**") according to its International Reporting Standard (the "**International Reporting Standard**"). The registered shares of the Company have a nominal value of CHF 0.05 each (together the "**Shares**" and each a "**Share**").

This Listing takes place in the context of the Spin-off of Sandoz from Novartis AG ("**Novartis**"). See section "*The Spin-Off*" for further information.

The purpose of this Listing Prospectus is solely to have the Shares listed in accordance with the International Reporting Standard. This Listing Prospectus is not an offer Prospectus pursuant to article 35 para. 1 of the Federal Act on Financial Services of June 15, 2018 (Financial Services Act, or "**FinSA**"), but solely a Listing Prospectus for the purpose of the admission of securities to trading in accordance with the same provision. There is no issue, public offering or other placement of Shares in connection with the publication of this Listing Prospectus.

This Listing Prospectus does not constitute an offer to sell, or a solicitation by or on behalf of the Company or Novartis of an offer to purchase or sell, Shares, American Depositary Receipts with Shares underlying them (together the "**ADRs**" and each an "**ADR**") or any securities of Novartis. The Spin-off has not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction in the United States. Neither the U.S. Securities and Exchange Commission (the "**SEC**") nor any U.S. state securities commission has approved or disapproved the Shares or the ADRs or passed comment or opinion upon the accuracy of this Listing Prospectus. Any representation to the contrary is a criminal offense in the United States.

The release, publication or distribution of this Listing Prospectus may be restricted by law in certain jurisdictions. No action has been taken or will be taken by the Company or Novartis that would permit the possession or distribution of this Listing Prospectus in any jurisdiction where action for that purpose is required or doing so is restricted by law. Persons into whose possession this Listing Prospectus may come are required to inform themselves of and observe any such restrictions. Failure to comply with these restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. Neither the Company nor Novartis accepts any responsibility for any violation by any person of any such restrictions. For a description of certain restrictions regarding the sale of the Shares and the resale and transfer of the Shares, see "*Important Information*" and "*Transfer Restrictions*".

Prior to the Listing, there has been no public market for the Shares or the ADRs. Application has been made to, and approval has been given subject to certain conditions by, SIX Exchange Regulation Ltd ("**SIX Exchange Regulation**") to list the Shares on SIX Swiss Exchange in accordance with its International Reporting Standard. The Company expects that the Shares will be listed, and trading in the Shares will commence, on SIX Swiss Exchange on or around October 4, 2023 (the "**First Day of Trading**"), under the ticker symbol "SDZ". The ADRs will trade on the over-the-counter markets in the United States.

The Shares traded on SIX Swiss Exchange in accordance with the International Reporting Standard will be traded in Swiss francs and settle and clear through SIX SIS Ltd. ("**SIS**"). The Shares are issued as uncertificated securities (*Wertrechte*) within the meaning of article 973c of the Swiss Code of Obligations of March 30, 1911, as amended (*Schweizerisches Obligationenrecht* or "**CO**"), and will be held as intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Act on Intermediated Securities of October 3, 2008, as amended (*Bucheffektengesetz* or "**FISA**"). It is expected that delivery of the Shares will be made through the facilities of SIS on or around October 6, 2023 (the "**Closing Date**"). Since the Shares are issued in the form of uncertificated securities, no share certificates will be issued and no share certificates will be available for individual physical delivery. See "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Form of the Shares*".

The ADRs will be negotiable certificates representing ownership of Shares and will be quoted and traded in U.S. dollars on the over-the-counter market in the U.S. One ADR will equal one Share and indirectly have the same voting rights as a Share. The ADRs will not be listed on a U.S. national securities exchange, and the Company will not be subject to the reporting requirements under the U.S. federal securities laws as a result of the ADR program. See sections "*Capital Structure and Shares – Sandoz ADR Program*" and "*Risk Factors – Risks Related to the Spin-off and Ownership of the Company's Shares and ADRs*".

Investing in the Shares involves risks. For a discussion of certain factors that should be considered in deciding whether to invest in the Shares, see section "*Risk Factors*" beginning on page 16.

This Listing Prospectus has been prepared in accordance with the FinSA and has been approved by SIX Exchange Regulation Ltd in its capacity as review body pursuant to article 52 FinSA (in such capacity, the "**Swiss Review Body**") on August 18, 2023.

Listing Agent

UBS AG

The date of this Listing Prospectus is August 18, 2023

IMPORTANT INFORMATION

This Listing Prospectus has been prepared in accordance with the FinSA and implementing regulations for the purposes of listing the Shares on SIX Swiss Exchange in accordance with the International Reporting Standard. This Listing Prospectus is not an offer prospectus pursuant to article 35 para. 1 FinSA, but solely a Listing Prospectus for the purpose of the admission of securities to trading according to the same provision.

There is no issue, public offering or other placement of Shares in connection with the publication of this Listing Prospectus. This Listing Prospectus does not constitute an offer to sell, or a solicitation by or on behalf of the Company or Novartis of an offer to purchase or sell, Shares or any securities of Novartis.

The release, publication or distribution of this Listing Prospectus in certain jurisdictions may be restricted by law and therefore persons into whose possession this Listing Prospectus comes should inform themselves about and observe any such restrictions in relation to the Shares or this Listing Prospectus, including those in the paragraphs that follow. No action has been or will be taken to permit the possession, issue or distribution of this Listing Prospectus in any country or jurisdiction where action for that purpose is required or doing so is restricted by law. Accordingly, neither this Listing Prospectus nor any advertisement may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Failure to comply with these restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. To the fullest extent permitted by law, the Company and its respective representatives, affiliates and advisors disclaim any responsibility or liability for the violation of such requirements by any person. The information contained in this Listing Prospectus has been provided by the Company and by the other sources identified in this Listing Prospectus. No representation or warranty, express or implied, is made by the Listing Agent named in this Listing Prospectus or any of their respective representatives, affiliates, personally liable partners (*persönlich haftende Gesellschafter*), or advisors as to the accuracy or completeness of this information, and nothing contained in this Listing Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future, by the Listing Agent or by its respective representatives, affiliates, personally liable partners (*persönlich haftende Gesellschafter*) or advisors.

In connection with the Listing, the Listing Agent is not acting for anyone other than the Company and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Listing. No person has been authorized to give any information or to make any representations other than those contained in this Listing Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. The Listing Agent will not regard any other person (whether or not a recipient of this Listing Prospectus) as its respective client in relation to the Listing and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for providing advice in relation to the Listing or any transaction or arrangement referred to herein.

In making an investment decision (e.g., to hold the Shares or ADRs received in connection with the Spin-off, to sell the Shares or ADRs so received or to purchase Shares or ADRs after the First Day of Trading), investors must rely on their own investigation of the Company, including the merits and risks involved. The Company does not make any representation to

any investor regarding the legality of an investment in the Shares and ADRs by such investor. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of an investment in the Shares or ADRs.

The Shares are subject to transfer and reselling restrictions in certain jurisdictions. Any acquirer of Shares must comply with all applicable laws and regulations in force in any country or region in which it acquires or resells Shares and must obtain any consent, approval or permission required for acquiring Shares. For further information, please refer to the section entitled "*Transfer Restrictions*".

The information contained in this Listing Prospectus is accurate only as of the date of this Listing Prospectus. Neither the delivery of this Listing Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Sandoz since the date hereof or that the information contained herein is correct as of any time after the date hereof. Any significant new factor or material inaccuracy related to the information included in this Listing Prospectus which is capable of affecting the assessment of the Shares and which arises or is noted between the date of this Listing Prospectus and the First Day of Trading or, as the case may be, the time when trading in the Shares on SIX Swiss Exchange begins, will be announced through electronic media. Notices required under the listing rules of the SIX Exchange Regulation dated 3 November 2022 (the "**Listing Rules**") will be published on the website of the SIX Swiss Exchange (currently: https://www.ser-ag.com/de/resources/notifications-market-participants/official-notices.html#/).

This Listing Prospectus is expected to be complemented by at least one supplement containing, among other things, certain financial information relating to the half-year ending 30 June, 2023, and potentially other updates that may be relevant for investors (the "**Supplement**"). The Supplement will be published once available, but no later than the First Day of Trading. The Supplement will form and integral part of this Listing Prospectus, and prospective investors should read both this Listing Prospectus and the Supplement once available.

UNITED STATES RELATED MATTERS

The Spin-off has not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States. Neither the SEC nor any US federal or state securities commission has registered, approved or disapproved the Shares or the ADRs, or passed comment or opinion upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States. Sandoz will cause JPMorgan, as depositary, to file a Registration Statement on Form F-6 to establish a Level I ADR program.

EUROPEAN UNION

Neither this Listing Prospectus, the Listing, the separation, nor the Spin-off constitutes or forms part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security, including any Shares or any other Sandoz or Novartis securities, in any jurisdiction or any member state of the European Union. In particular, no action has been undertaken, or will be undertaken, in connection with this Listing Prospectus, the Listing, the separation or the Spin-off, to make an offer to the public

of any security, including any Shares or other Sandoz or Novartis securities, in any jurisdiction or any member state of the European Union. This document is not a listing prospectus (or equivalent document) within the meaning of Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended, in particular by Directive 2010/73/EU (including to the extent such Directive has been transposed in any member state of the European Union).

UNITED KINGDOM

This Prospectus is only being distributed to, and is directed only at: (a) persons who are outside the United Kingdom, or (b) persons within the United Kingdom who are (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) high net worth bodies, corporate, unincorporated associations, partnerships, trustees and other persons falling within article 49(2) (a) to (d) of the Order; and (iii) persons to whom it would otherwise be lawful to distribute or direct this Prospectus (all such persons together being referred to as "**Relevant Persons**"). This Prospectus or any of its content is directed only at Relevant Persons and must not be acted or relied on by persons who are not Relevant Persons. Any investment or disinvestment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. As used herein, "United Kingdom" and "UK" mean the United Kingdom of Great Britain and Northern Ireland.

CANADA

The distribution of Shares into Canada is exempt from the requirement that the issuer prepares and files a prospectus under applicable Canadian securities laws. Any resale of Shares acquired by a Canadian investor in this transaction must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the Shares outside of Canada.

AUSTRALIA

This Listing Prospectus is only made available in Australia to persons to whom an offer of securities can be made without disclosure in accordance with applicable exemptions under the Corporations Act 2001 (Cth), as modified by ASIC Instrument 23-0667 ("**Corporations Act**"). This Listing Prospectus is not a prospectus, product disclosure statement or any other form of formal "disclosure document" for the purposes of the Corporations Act. The Company has obtained relief from the Australian Securities and Investments Commission ("**ASIC**") from the requirement to prepare an Australian law compliant prospectus in connection with the Spin-off ("**ASIC Relief**"). Accordingly, this Listing Prospectus has not been prepared to be in compliance with Australian law, including the Corporations Act. The information disclosed in this Listing Prospectus, and this Listing Prospectus, is not required to, and does not, contain all the information that would be required in a disclosure document under the Corporations Act.

This Listing Prospectus has not been, and will not be, lodged with ASIC as a disclosure document for the purpose of the Corporations Act. No Shares which are being listed pursuant to this Listing Prospectus may be offered for sale (or transferred, assigned or otherwise alienated) to investors in Australia for at least 12 months after listing by a person other than Novartis who: (i) controls the Company; (ii) would have been required by subsection 707(2) of the Corporations Act to give disclosure to investors under Part 6D.2 of the Corporations Act but for section 708 or 708A of the Corporations Act; and (iii) did not give disclosure to investors under Part. 6D.2 of the Corporations Act because of section 708 or 708A of the Corporations Act. Each investor acknowledges the above and, by applying for Shares under this Listing Prospectus, that the offer of Shares for resale in Australia within 12 months of their listing may require disclosure to investors under Part 6D.2 of the Corporations Act if items (i)-(iii) above apply to the re-sale, and gives an undertaking to not re-sell those Shares except as otherwise permitted by the terms of the ASIC Relief or the Corporations Act. The Company confirms that this Listing Prospectus is substantially in the same form as the draft Listing Prospectus given to ASIC on August 15, 2023.

The persons referred to in this Listing Prospectus may not hold Australian financial services licenses and may not be licensed to provide financial product advice in relation to the Shares. No "cooling-off" regime will apply to an acquisition of any interest in the Company.

This Listing Prospectus is intended to provide general information only and does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this Listing Prospectus, you should assess whether the acquisition of any interest in the Company is appropriate in light of your own financial circumstances or seek professional advice.

HONG KONG

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. This document is intended for the specified addressee only, you are advised not to share this document to any other person.

SAUDI ARABIA

Nothing in this prospectus constitutes an offer of securities for sale in the Kingdom of Saudi Arabia or any other jurisdiction where it is unlawful to do so. The Prospectus has not, and will not be, registered under the Capital Market Law, issued by Royal Decree No. M/30 dated 02/06/1424H, or any of the implementing regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**KSA Capital Markets Regulations**"). The Prospectus may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever, and, in particular, may not be forwarded to any Saudi Arabian person or Saudi Arabian address. Any forwarding, distribution, or reproduction of the Prospectus, whether in whole or in part, is unauthorized, and failure to comply with this restriction may result in a violation of the KSA Capital Markets Regulations or other applicable securities laws of other jurisdiction.

RESPONSIBILITY STATEMENT

The Company, which is organized as a stock corporation (*Aktiengesellschaft*) in Switzerland, with its registered office at Suurstoffi 14, 6343 Rotkreuz, Switzerland, and legal seat in Risch, Switzerland, assumes responsibility for the information contained in this Listing Prospectus and any supplement (including the Supplement) and has taken all reasonable care to ensure that the information stated herein is true and accurate in all material respects and that there are no material facts or circumstances, the omission of which would make any statement herein misleading, whether of fact or opinion.

AVAILABILITY OF DOCUMENTS

Copies of this Listing Prospectus and any supplement hereto (including the Supplement) are/will be available free of charge in Switzerland for 12 months following the First Day of Trading at UBS AG, Swiss Prospectus Switzerland, P.O. Box, CH-8098 Zurich, Switzerland (telephone: +41 44 239 47 03; fax: +41 44 239 69 14; email: swiss-prospectus@ubs.com). In addition, copies of this Listing Prospectus and any supplement hereto (including the Supplement) are/will be available free of charge in Switzerland from Sandoz Group AG, Suurstoffi 14, 6343 Rotkreuz, Switzerland (email: Investor.relations@sandoz.com). Copies of this Listing Prospectus, can be downloaded from its website at www.sandoz.com/prospectus, and copies of the Company's articles of association (*Statuten*) that will be in effect prior to the First Day of Trading (the "**Articles**") can be downloaded on Sandoz' website shortly before the Spin-off.

Information on the Company's or Novartis' website, any website directly or indirectly linked thereto or any other website mentioned in this Listing Prospectus does not constitute in any way part of this Listing Prospectus and is not incorporated by reference into this Listing Prospectus, and investors should not rely on any such website in making their decision to invest in the Shares.

FORWARD-LOOKING STATEMENTS

This Listing Prospectus contains various forward-looking statements that reflect management's current views with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology or subjective assessments, including the words "aims", "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "goals", "targets", "may", "will", "plans", "continue" or "should" or, in each case, their negative or similar expressions. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places throughout this Listing Prospectus, including, without limitation, in the sections entitled "*Summary*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", and "*Sandoz and its Business*", and include, among other things, statements relating to:

- Sandoz' strategy, outlook and growth prospects, including on a geographical and operational basis;
- The Company's financial targets for the year ending December 31, 2023 and the mid-term;
- The Company's dividend policy;
- The Company's liquidity, capital resources and capital expenditure;
- Sandoz' expectations as to future growth; and
- the competitive environment in which Sandoz operates.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates, are inherently subject to risks and uncertainties, and may involve third parties over whom we have no control, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors, including, among others:

- uncertainties regarding the commercial success of our products and our ability to maintain our position in the markets in which we operate;
- our ability to keep pace with the advances in the highly competitive off-patent medicines industry, including the impact of competitive market entries, new therapies and new business models that may disrupt traditional sales channels;
- the success of our development efforts;
- uncertainties regarding the success of Sandoz' separation and Spin-off from Novartis, including our ability to establish the infrastructure needed to operate as an independent company without significant management distraction or business disruption;

- pricing pressure from changes in third-party payor coverage and reimbursement methodologies and potential regulatory price controls;

- general political, economic and trade conditions, including uncertainties regarding the effects of ongoing instability in various parts of the world;

- consolidation among our distributors and retailers;

- uncertainties regarding actual or potential legal proceedings, including, among others, actual or potential product liability litigation, litigation and investigations regarding sales and marketing practices, intellectual property disputes and government investigations generally;

- potential product recalls or voluntary market withdrawals in connection with adverse events, defects, potential health hazards or unanticipated use of our products;

- regulatory actions or delays or government regulation generally;

- changes in tax laws;

- potential volatility in the price of the Shares and ADRs;

- uncertainties regarding future sales or dispositions of the Shares and ADRs;

- our ability to maintain the efficiency of, and respond to any disruptions to, our supply chain;

- labor shortages or disputes;

- our dependence on and ability to retain qualified personnel, including our executive committee and members of our board of directors;

- natural disasters, epidemics, acts of terrorism and political, economic and other developments outside of our control;

- the impact of fluctuations in foreign exchange rates; and

- other risks, uncertainties and factors inherent in our business as well as factors that are not known to us at this time.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". There can be no guarantee that Sandoz will be able to realize any of the potential strategic benefits or opportunities as a result of the separation and Spin-off. Nor can there be any guarantee that shareholders will achieve any particular level of shareholder returns. Nor can there be any guarantee that Sandoz, or any of its businesses, will be commercially successful in the future, or achieve any particular credit rating or financial results. Nor can we guarantee that the separation and Spin-off will be successful.

The Company, in reliance on article 69(3) FinSA, hereby cautions that any such

prospects, expectations, estimates, plans, strategic aims, vision statements, and projections contained in this Listing Prospectus are not historical in nature but are forward-looking based on information and assumptions the Company considers to be reasonable. Such statements are inherently uncertain and subject to a variety of circumstances, many of which are beyond the Company's control and could cause actual results to differ materially from what the Company anticipates. Due to the uncertainty of future developments, to the fullest extent permitted by applicable law, neither the Company nor the Listing Agent assume any liability in respect to or in connection with such prospects or other forward-looking statements contained herein.

Any forward-looking statements speak only as of the date of this Listing Prospectus. Except as required by the FinSA or other applicable securities laws, neither the Company nor the Listing Agent undertake to update any prospects or forward-looking statements after the date hereof, even if new information, future events or other circumstances have made them incorrect or misleading. Accordingly, investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

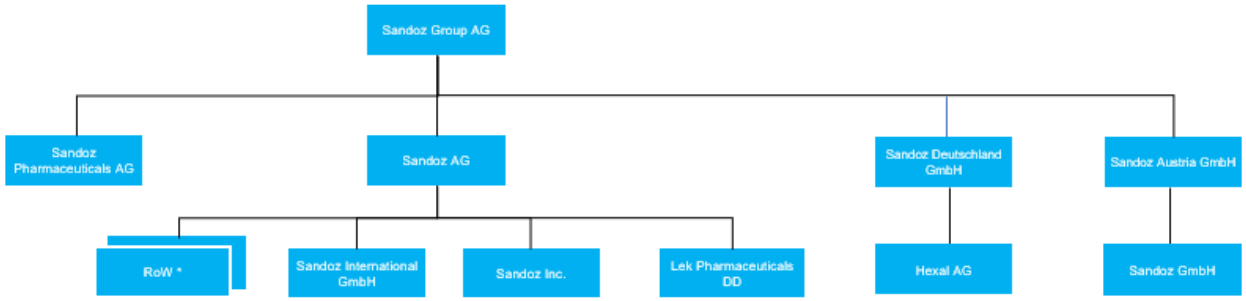
PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Company is a stock corporation (*Aktiengesellschaft*) organized under the laws of Switzerland in accordance with articles 620 ff. CO. The Company was incorporated on January 17, 2022, and has its registered office in Rotkreuz, Switzerland and legal seat in Risch, Switzerland. The Company is registered with the commercial register of the Canton of Zug under the company registration number CHE-433.164.136.

Prior to the Listing, there has been no public market for the Shares.

The Company is expected to have an issued share capital of up to CHF 21,550,000 divided into up to 431,000,000 fully paid-in registered shares (*Namenaktien*) with a nominal value of CHF 0.05 each. Immediately prior to the Listing, the Company is expected to have approximately 72 subsidiaries across 44 jurisdictions. The following diagram provides an overview of the Sandoz' corporate structure as of Completion of the Spin-off:



** Rest of world (RoW) consists of several legal entities not explicitly displayed in this overview.*

Financial Information

This Listing Prospectus contains the following financial information:

- The audited combined financial statements of the Sandoz business as of and for the years ended December 31, 2022, 2021 and 2020 (the "**Sandoz Business Combined Financial Statements**");

- The unaudited pro forma combined financial statements of the Sandoz business as of and for the year ended December 31, 2022 (the "**Sandoz Business Pro Forma Combined Financial Statements**"); and

- The audited statutory financial statements of the Company as of and for the year ended December 31, 2022 ("**Statutory Financial Statements**").

The Sandoz Business Combined Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), are presented in US dollars and have been audited by PricewaterhouseCoopers AG ("**PwC**"). The Statutory Financial Statements were prepared in accordance with the CO, are presented in CHF and have been audited by PwC. The Sandoz

Business Pro Forma Financial Statements have been prepared on the basis described in the notes thereto and are unaudited.

The Sandoz Business Combined Financial Statements reflect the carved-out combined operations of Sandoz for these periods, and the Company believes that they provide a fair representation of the financial position of Sandoz as of December 31, 2022, 2021 and 2020 and its financial performance and cash flows of the business for the years then ended. The Sandoz Business Combined Financial Statements have been presented as a continuation of the Sandoz business as previously conducted by Novartis AG and Sandoz is presented as if the Company had always owned the subsidiaries that form Sandoz.

The historical financial information in the Sandoz Business Combined Financial Statements may not be indicative of Sandoz' future financial performance or necessarily reflect what the actual results of operation, financial position and cash flows would have been had the Company been a separate legal entity operated as a separate, stand-alone publicly traded entity during the periods presented.

The (unaudited) Sandoz Business Pro Forma Combined Financial Statements are based on the Sandoz Business Combined Financial Statements after giving effect to the separation and the Spin-off and applying the estimates, assumptions and adjustments described in the accompanying notes to the (unaudited) Sandoz Business Pro Forma Combined Financial Statements. The historical column in the unaudited pro forma combined income statement for the year ended December 31, 2022 is derived from the combined income statement of the Sandoz Business for the year ended December 31, 2022 included in this Listing Prospectus. The historical column in the unaudited pro forma combined balance sheet is derived from the combined balance sheet of the Sandoz Business as of December 31, 2022 included in this Listing Prospectus. The (unaudited) Sandoz Business Pro Forma Combined Financial Statements have been prepared by Sandoz management for illustrative purposes and are not intended to represent the combined financial position or combined results of operations of Sandoz in future periods or what the financial position or the results of operations of the Sandoz business actually would have been had Sandoz completed the proposed separation and Spin-off during the specified periods or as of the specified date. See also section "*Risk Factors*".

It is expected that the unaudited combined interim financial statements of the Sandoz business as of and for the six months ended June 30, 2023, including comparative figures for the six months ended June 30, 2022 (the "**Sandoz Business Unaudited Combined Interim Financial Statements**") and the unaudited pro forma financial statements of the Sandoz business as of and for the six months ended June 30, 2023 will be included in the Supplement to be published once available.

Non-IFRS Measures as Defined by Sandoz

Sandoz uses certain non-IFRS metrics when measuring performance, especially when measuring current period results against prior periods, including core results, constant currencies and free cash flow. Despite the use of these measures by management in setting goals and measuring Sandoz' performance, these are non-IFRS measures that have no standardized meaning prescribed by IFRS. As a result, such measures have limits in their usefulness to investors. Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS measures) may not be comparable to the calculation of similar measures of other companies. These non-IFRS measures are presented solely to permit investors to more fully understand

how Sandoz' management assesses underlying performance. These non-IFRS measures are not, and should not be viewed as, a substitute for IFRS measures, and should be viewed in conjunction with IFRS financials. As an internal measure of company performance, these non-IFRS measures have limitations, and Sandoz' performance management process is not solely restricted to these metrics.

The definitions of the non-IFRS financial metrics as used by Sandoz in this Listing Prospectus are as follows:

- **Core results:** Sandoz core results – including core EBITDA, core operating income and core net income – exclude fully the amortization and impairment charges of intangible assets, excluding software, net gains and losses on fund investments and equity securities valued at fair value through profit and loss and certain acquisition and divestment-related items. The following items that exceed a threshold of USD 25 million are also excluded: integration- and divestment-related income and expenses; divestment gains and losses; restructuring charges / releases and related items; legal related items; impairments of property, plant and equipment; software and financial assets, and income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a USD 25 million threshold.

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

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

  - In addition to monthly reports containing financial information prepared under IFRS, senior management receives a monthly analysis incorporating these core measures;

  - Annual budgets are prepared for both IFRS and core measures.

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

- **Constant currencies:** Changes in the relative values of non-US currencies to the US dollar can affect Sandoz' financial results and financial position. To provide additional information that may be useful to investors, including changes in sales volume, Sandoz presents information about its net sales and various values relating to operating and net income that are adjusted for such foreign currency effects. Constant currency calculations have the goal of eliminating two exchange rate effects so that an estimate

can be made of underlying changes in the combined income statement excluding the impact of fluctuations in exchanges rates:

- the impact of translating the income statements of combined entities from their non-USD functional currencies to USD;

- the impact of exchange rate movements on the major transactions of combined entities performed in currencies other than their functional currency.

Sandoz calculates constant currency measures by translating the current year's foreign currency values for sales and other income statement items into USD (excluding the IAS 29 "Financial Reporting in Hyperinflationary Economies" adjustments to the local currency income statements of subsidiaries operating in hyperinflationary economies), using the average exchange rates from the prior year and comparing them to the prior year values in USD. Sandoz uses these constant currency measures in evaluating its performance, since they may assist the Company in evaluating its ongoing performance from year to year. However, in performing its evaluation, Sandoz also considers equivalent measures of performance that are not affected by changes in the relative value of currencies.

- **Growth rate calculation**: For ease of understanding, Sandoz uses a sign convention for its growth rates such that a reduction in operating expenses or losses compared to the prior year is considered favorable and hence shown as a positive change (growth).

- **Free cash flow:** Sandoz defines free cash flow as net cash flows from operating activities and cash flow from investing activities associated with the purchase or sale of property, plant and equipment, of intangible assets, of financial assets and of other non-current assets. Excluded from free cash flow are cash flows from investing activities associated with acquisitions and divestments of businesses and of interests in associated companies, purchases and sales of marketable securities, commodities, time deposits and net cash flows from financing activities. Free cash flow is a non-IFRS measure and is not intended to be a substitute measure for net cash flows from operating activities as determined under IFRS. Free cash flow is presented as additional information because management believes it is a useful supplemental indicator of the Sandoz' ability to operate without reliance on additional borrowing or use of existing cash. Free cash flow is a measure of the net cash generated that is available for investment in strategic opportunities, returning to shareholders and for debt repayment. Free cash flow is a non-IFRS measure, which means it should not be interpreted as a measure determined under IFRS.

- **Free cash flow conversion:** Sandoz defines free cash flow conversion as free cash flow divided by EBITDA. This measure represents a company's ability to convert its operating profits into free cash flow (FCF) in a given period.

- **EBITDA**: Sandoz defines earnings before interest, tax, depreciation and amortization (EBITDA) as operating income, excluding depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, and impairments of property, plant and equipment, right-of-use assets and of intangible assets.

- **Net debt:** Sandoz defines net debt as current financial debts and derivative financial instruments plus non-current financial debt less cash and cash equivalents and marketable securities, commodities, time deposits and derivative financial instruments. Net debt is presented as additional information because it sets forth how management monitors net debt or liquidity and management believes it is a useful supplemental indicator of the Sandoz' ability to pay dividends, to meet financial commitments, and to invest in new strategic opportunities, including strengthening its balance sheet. For the table that shows Sandoz' net debt, see section "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources – Cash Flow and Net Debt*".

Reconciliation of Core Results

2022, 2021 and 2020 Reconciliation from IFRS Operating Income to Core Net Income

(USD millions unless indicated otherwise)	**2022**	2021	2020
IFRS operating income	**1 239**	**1 394**	**802**
Amortization of intangible assets	**221**	**235**	**366**
Impairments			
Intangible assets	35	27	144
Property, plant and equipment related to the Group-wide rationalization of manufacturing sites	– 2	8	112
Other property, plant and equipment			2
Total impairment charges	**33**	**35**	**258**
Acquisition or divestment of businesses and related items			
- Expense			22
Total acquisition or divestment of businesses and related items, net			**22**
Other items			
Divestment gains		– 4	– 27
Restructuring and related items			
- Income	– 14	– 37	– 27
- Expense	166	192	250
Legal-related items			
- Income		– 11	
- Expense	56	54	406
Additional income			– 8
Additional expense	4	2	55
Total other items	**212**	**196**	**649**
Total adjustments	**466**	**466**	**1 295**
Core operating income	**1 705**	**1 860**	**2 097**
as % of net sales to third parties	18.8%	19.7%	22.1%
Interest expense	– 89	– 65	– 72
Other financial income and expense	– 48	– 16	– 24
Core adjustments to other financial income and expense	22		
Income taxes, adjusted for above items (core income taxes)	– 370	– 411	– 424
Core net income	**1 220**	**1 368**	**1 577**

2022, 2021 and 2020 Reconciliation from IFRS Results to Core Results

2022 (USD millions)	IFRS results	Amortization of intangible assets[1]	Impair-ments[2]	Acquisition or divestment of businesses and related items	Other items[3]	Core results
Gross profit	**4 378**	**221**	**35**		**92**	**4 726**
Operating income	**1 239**	**221**	**33**		**212**	**1 705**
Income before taxes	**1 102**	**221**	**33**		**234**	**1 590**
Income taxes[4]	– 252					– 370
Net income	**850**					**1 220**
The following are adjustments to arrive at core gross profit						
Cost of goods sold	– 4 928	221	35		92	– 4 580
The following are adjustments to arrive at core operating income						
Selling, general and administration	– 2 127				10	– 2 117
Development and regulatory	– 833		1		1	– 831
Other income	111		– 2		– 15	94
Other expense	– 290		– 1		124	– 167
The following are adjustments to arrive at core income before taxes						
Other financial income and expense	– 48				22	– 26

[1] Amortization of intangible assets: cost of goods sold includes the amortization of acquired rights to currently marketed products and other production-related intangible assets.

[2] Impairments: cost of goods sold and development and regulatory include impairment charges related to intangible assets; other income and other expense include reversals of impairment charges and impairment charges related to property, plant and equipment.

[3] Other items: cost of goods sold, selling, general and administration, development and regulatory, other income and other expense include charges related to the Sandoz strategic review, the Group-wide rationalization of manufacturing sites and other net restructuring charges and related items; other expense also includes legal-related items; cost of goods sold and selling, general and administration include adjustments to provisions and related items; other financial income and expense includes the monetary loss on the restatement of non-monetary items for subsidiaries in hyperinflationary economies.

[4] Taxes on the adjustments between IFRS and core results take into account, for each individual item included in the adjustment, the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions. Due to these factors and the differing applicable tax rates in the various jurisdictions, the tax on the total adjustments of USD 488 million to arrive at the core results before tax amounts to USD 118 million. The average tax rate on the adjustments was 24.2%.

2021 (USD millions)	IFRS results	Amortization of intangible assets[1]	Impair-ments[2]	Acquisition or divestment of businesses and related items	Other items[3]	Core results
Gross profit	4 599	235	18		69	4 921
Operating income	1 394	235	35		196	1 860
Income before taxes	1 313	235	35		196	1 779
Income taxes[4]	– 403					– 411
Net income	910					1 368
The following are adjustments to arrive at core gross profit						
Cost of goods sold	– 5 079	235	18		69	– 4 757
The following are adjustments to arrive at core operating income						
Selling, general and administration	– 2 127				1	– 2 126
Development and regulatory	– 911		9			– 902
Other income	240		– 54		– 52	134
Other expense	– 407		62		178	– 167

[1] Amortization of intangible assets: cost of goods sold includes the amortization of acquired rights to currently marketed products and other production-related intangible assets.

[2] Impairments: cost of goods sold and development and regulatory include impairment charges related to intangible assets; other income and other expense include reversals of impairment charges and impairment charges related to property, plant and equipment.

[3] Other items: cost of goods sold, selling, general and administration, other income and other expense include net restructuring and other charges related to the Group-wide rationalization of manufacturing sites and other restructuring income and charges and related items; other income includes net gains from the divestment of a product; other income and other expense include legal-related items.

[4] Income taxes on the adjustments between IFRS and core results take into account, for each individual item included in the adjustment, the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not

always the case for items arising from legal settlements in certain jurisdictions. Due to these factors and the differing applicable tax rates in the various jurisdictions, the tax on the total adjustments of USD 466 million to arrive at the core results before tax amounts to USD 8 million. The average tax rate on the adjustments is 1.7%.

2020 (USD millions)	IFRS results	Amortization of intangible assets[1]	Impairments[2]	Acquisition or divestment of businesses and related items[3]	Other items[4]	Core results
Gross profit	**4 459**	**366**	**131**	**22**	**129**	**5 107**
Operating income	**802**	**366**	**258**	**22**	**649**	**2 097**
Income before taxes	**706**	**366**	**258**	**22**	**649**	**2 001**
Income taxes[5]	– 242					– 424
Net income	**464**					**1 577**
The following are adjustments to arrive at core gross profit						
Cost of goods sold	– 5 199	366	131	22	129	– 4 551
The following are adjustments to arrive at core operating income						
Selling, general and administration	– 2 132				31	– 2 101
Development and regulatory	– 873		14		– 2	– 861
Other income	167		– 5		– 62	100
Other expense	– 819		119		552	– 148

[1] Amortization of intangible assets: cost of goods sold includes the amortization of acquired rights to currently marketed products and other production-related intangible assets.

[2] Impairments: cost of goods sold and development and regulatory include impairment charges related to intangible assets; other income includes an impairment reversal related to property, plant and equipment; other expense includes impairment charges related to property, plant and equipment.

[3] Acquisition or divestment of businesses and related items, including restructuring and integration charges: cost of goods sold includes net charges related to an acquisition.

[4] Other items: cost of goods sold includes the cumulative amount of the depreciation up to December 31, 2019, recognized with the reclassification of property, plant and equipment out of assets of disposal group held for sale; cost of goods sold, development and regulatory and other expense include restructuring and other charges related to the Group-wide rationalization of manufacturing sites; cost of goods sold, selling, general and administration, other income and other expense include other restructuring income and charges and related items; selling, general and administration also includes expenses related to COVID-19 donations and adjustments to provisions; other income includes net gains from the divestment of a product and adjustments to provisions; other expense includes a legal provision and legal-related items.

[5] Income taxes on the adjustments between IFRS and core results take into account, for each individual item included in the adjustment, the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions. Due to these factors and the differing applicable tax rates in the various jurisdictions, the tax on the total adjustments of USD 1.3 billion to arrive at the core results before tax amounts to USD 182 million. The average tax rate on the adjustments is 14.1%.

2022, 2021 and 2020 Reconciliation from Operating Income to EBITDA to Core EBITDA

2022 (USD millions)	IFRS results	Amortization of intangible assets	Impair-ments	Acquisition or divestment of businesses and related items	Other items	Core results
Operating income	**1 239**	**221**	**33**		**212**	**1 705**
Depreciation of property, plant and equipment	199				– 22	177
Depreciation of the right-of-use-assets	37					37
Amortization of intangible assets	222	– 211				11
Intangible assets directly expensed	10	– 10				–
Impairments of property, plant and equipment, and intangible assets	34		– 33			1
EBITDA	**1 741**	–	–	–	**190**	**1 931**

2021 (USD millions)	IFRS results	Amortization of intangible assets	Impair-ments	Acquisition or divestment of businesses and related items	Other items	Core results
Operating income	**1 394**	**235**	**35**		**196**	**1 860**
Depreciation of property, plant and equipment	210				– 20	190
Depreciation of the right-of-use-assets	43					43
Amortization of intangible assets	236	– 227				9
Intangible assets directly expensed	8	– 8				–
Impairments of property, plant and equipment, and intangible assets	36		– 35			1
EBITDA	**1 927**	**–**	**–**	**–**	**176**	**2 103**

2020 (USD millions)	IFRS results	Amortization of intangible assets	Impair-ments	Acquisition or divestment of businesses and related items	Other items	Core results
Operating income	**802**	**366**	**258**	**22**	**649**	**2 097**
Depreciation of property, plant and equipment	278				– 61	217
Depreciation of the right-of-use-assets	45					45
Amortization of intangible assets	370	– 357				13
Intangible assets directly expensed	9	– 9				–
Impairments of property, plant and equipment, and intangible assets	260		– 258			2
EBITDA	**1 764**	–	–	**22**	**588**	**2 374**

Reconciliation of Core Results to Pro-Forma Core Results 2022

2022 (USD millions unless indicated otherwise)	2022 core results	Pro forma adjustments: Impact of supply chain restructuring	Pro forma adjustments: Interest on third-party financing	Pro forma adjustments: Amortization of financing fees	2022 pro forma core results
Core gross profit	**4,726**	**(75)**	**-**	**-**	**4,651**
Core operating income	1,705	(75)	-	-	1,630
Core net income	**1,220**	**(61)**	**(106)**	**(3)**	**1,050**
Core net income attributable to shareholders of Sandoz	1,218	(61)	(106)	(3)	1,048
Number of Shares					
Weighted average number of Shares outstanding used in basic earnings per Share					436.2
Adjustment for vesting of restricted Shares, restricted Share units and dilutive Shares from options					5.3
Weighted average number of Shares in diluted earnings per Share					441.5
Core basic earnings per Share (USD)					2.40

For additional information, see the (unaudited) Sandoz Pro Forma Combined Financial Statements and the notes thereto appearing elsewhere in this Listing Prospectus.

Currencies

In this Listing Prospectus, references to "CHF" or "Swiss francs" are to the lawful currency of Switzerland, references to "EUR" or "Euro" are to the single currency of the participating member states of the European Union participating in the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time, references to "USD" or "U.S. dollars" are to the lawful currency of the United States of America, and reference to "JPY" or "Yen" are to the lawful currency of Japan.

See section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Effects of Currency Fluctuations*" for additional information on historical exchange rates.

Rounding

Certain figures contained in this Listing Prospectus, including financial information presented in millions or thousands, certain operating data and percentages describing financial information or market shares, have been subject to rounding. Accordingly, in certain instances, the amounts shown as totals in tables or elsewhere may not conform exactly to the arithmetic total of the figures that precede them. In addition, certain percentages in this Listing Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Financial Year

Our financial year ends on December 31 of each calendar year. In this Listing Prospectus, all references to "2022" are to the 12-month period ended December 31, 2022, all references to "2021" are to the 12-month period ended December 31, 2021 and all references to "2020" are to the 12-month period ended December 31, 2020, unless the context otherwise requires.

INDUSTRY AND MARKET DATA

In this Listing Prospectus, the Company relies on and refers to certain information regarding the industry and the markets in which it operates and competes. As a result, this Listing Prospectus contains statistics, data and other information regarding markets, market sizes, market shares, market positions, growth rates, growth potential and other industry data pertaining to Sandoz' business and markets.

Unless indicated otherwise, such information is based on the Company's analysis of multiple internal and third-party sources, including information extracted from market research, governmental and other publicly available information, independent industry publications and information as well as information obtained from third-party data providers (including IQVIA as described in section "*Industry and Market Overview*"), market reports and articles.

The Company confirms that the information extracted from third party sources has been accurately reproduced and, as far as the Company is aware, no facts have been omitted which would render the information provided inaccurate or misleading. Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, however the accuracy and completeness of such information is not guaranteed. Neither the Company nor any of its advisors or the Listing Agent or any of their respective representatives, affiliates, personally liable partners (*persönlich haftende Gesellschafter*) have independently verified any third-party data and cannot assure investors of the accuracy or completeness of such data contained in this Listing Prospectus. Market data and statistics are inherently predictive and subject to uncertainty and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and respondents, including judgments about what types of products and transactions should be included in such research.

This Listing Prospectus also contains estimates of market data and information derived therefrom that cannot be gathered from publications by market research institutions or any other independent sources. Such information is prepared by the Company based on third party sources and its own experience and internal estimates of market conditions. The Company believes that its estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which Sandoz operates as well as its position within the industry. Although the Company believes that its internal market observations are reliable, no assurance can be given that any of these estimates are accurate or correctly reflect its position in the industry, and such estimates have not been verified by any independent sources.

While the Company is not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed herein under "*Forward-Looking Statements*" and "*Risk Factors*" in this Listing Prospectus.

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SUMMARY

The following summary is to be understood as an introduction to this Listing Prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Listing Prospectus. In particular, investors should carefully consider the discussion of certain risks affecting the Company and Sandoz under the section headed "*Risk Factors*" and the financial information included in this Listing Prospectus before making an investment decision. Prospective investors have to base their investment decision on the information as set out in this Listing Prospectus in its entirety and not merely on this summary.

Prospective investors should be aware that pursuant to article 69 FinSA the liability for the information contained in this summary is limited to instances where such information is misleading, inaccurate or inconsistent when read together with the other parts of the Listing Prospectus.

Capitalized terms, which are being used in this summary, but are not defined, have the meaning given to them elsewhere in this Listing Prospectus.

Summary of the Business

Unless the context requires otherwise, the expression "mid-term" used in this section of the summary refers to the period until the end of 2028. As with any projection or forecast, these five-year outlook measures are inherently susceptible to uncertainty and are based on various assumptions that may turn out to be incorrect.

Business Overview

Sandoz serves a clear purpose: to pioneer access for patients. We are a European champion and a global leader in Generics and Biosimilars. The off-patent medicines market in which we operate provides approximately 80% of global medicines at approximately 25% of total medication costs. We serve approximately 500 million patients per year through our global network and our medicines have an estimated annual social impact of more than USD 180 billion[1].

The USD 208 billion global off-patent medicines market is underpinned by attractive long-term socio-economic drivers and is expected to grow at approximately 8% per year on a gross sales basis over the next decade. The off-patent medicines market can be divided into Generics and Biosimilars, which each continue to expand due to a growing and aging population, higher rates of chronic disease, increasing market adoption and geographic expansion as healthcare systems and payors seek to reduce the cost of medicines, and a consistent supply of upcoming Loss of Exclusivities ("**LoEs**") as patents for originator products expire. Together, these drivers are expected to support long-term growth in volumes that will more than offset anticipated erosion in price. There is an estimated total addressable market opportunity of USD 580 billion based on originator LoEs over the 2023-2032 period.

[1] Expressed in GDP contribution through paid and unpaid work as a result of quality-adjusted life-years gained and number of patients reached.

Sandoz benefits from the scale of its product portfolio and its geographic reach. During the year ended December 31, 2022, Sandoz generated USD 9.1 billion of net sales, of which USD 7.1 billion (or 79% of Group net sales) was delivered by our Generics business across oral solids, injectables, inhalers and other dosage forms, while USD 1.9 billion of net sales (or 21% of Group net sales) was delivered by our Biosimilars business. Our product portfolio comprising Generics and Biosimilars covers all major therapeutic areas, including cardiovascular, central nervous system, oncology, anti-infectives, pain and respiratory. On a geographic basis, 50% of our Group net sales were generated in Europe, where we are the number one market participant by gross sales, 27% in international markets, where we are selectively present in highly attractive growth markets, and 23% in North America, where we have stabilized our business in the U.S. and are returning to growth ahead of key upcoming launches. In terms of profitability, Sandoz delivered a core EBITDA of 1.9 billion. Sandoz generated USD 0.8 billion of free cash flow, driven by the underlying profitability of the business, with a decline compared to the prior year driven by inventory build-up post COVID-19 and inventory cost increase due to inflation.

We believe Sandoz is well positioned to succeed in the attractive and growing global Generics and Biosimilars markets and to create substantial value for shareholders by leveraging our existing market leadership in scale and portfolio breadth, brand equity, and delivering on our extensive pipeline of 24 Biosimilar and more than 400 Generic products[2]. We expect to generate mid-single digit net sales growth and to drive margin expansion and cash flow generation over the next five years, while reinvesting back into the business and returning capital to shareholders. We will be supported by our strong balance sheet and investment-grade credit profile.

We have built a strong and diverse management team with broad experience in the Generics and Biosimilars industries, enabled by a global base of more than 22,000 employees[3]. As a newly independent organization focused on Generics and Biosimilars, we aim to further enhance our competitive position in the off-patent medicines industry with optimized and focused capabilities and industry-specific strategies, fueled by our deep sense of purpose and an engaged, entrepreneurial Generics mindset.

Reshaped for Sustainable Growth

Over the last few years, Sandoz has been reshaped for long-term sustainable growth, driven by the measures outlined below:

1. **Built a strong leadership team**: Led by our CEO, Richard Saynor, we have built a diverse management team that brings decades of experience in running complex pharmaceutical businesses including Generics. Together, they have been instrumental in executing our strategy and reshaping Sandoz for continued sustainable growth;

2. **Aligned on our long-term vision**: We have strengthened our culture and mindset to support our vision of becoming the world's leading and most valued Generics

[2] A generic product being defined as a unique combination of international non-proprietary name ("INN") and dosage form.

[3] Estimated number of FTE as of Completion of the Spin-off.

and Biosimilars company. In doing so, we have focused our attention on attracting and retaining the best talent with our strong Sandoz brand, empowering entrepreneurial behavior and leadership and promoting agility, accountability and a passionate drive for execution;

3. **Focused on sales execution and building customer relationships**: Sales execution has been, and remains, at the forefront of our focus. Recently, we have been: (i) prioritizing our growth products, expanding in-market share and bringing new products to market; (ii) investing in assets and capabilities to support our North American business; (iii) executing accretive M&A and BD&L transactions; and (iv) discontinuing activities non-core to our business. These efforts have contributed to Sandoz delivering seven continuous quarters of net sales growth (as per Novartis divisional reporting in constant currencies);

4. **Expanded pipeline investments**: We have significantly strengthened our pipeline potential with targeted investments in complex Generics and high value Biosimilars. We expect around 50% of our launch contribution to net sales to be derived from Biosimilars in the next five years. We have built a diversified pipeline of more than 400 Generic products with an increasing contribution from complex products. In Biosimilars, we have achieved significant progress by nearly tripling the number of products in development over the last five years to 24, which together target over USD 196 billion of originator gross sales. Our four key near-term recent and upcoming Biosimilar launches cover over USD 40 billion in LoE value. Our pipeline across both Generics and Biosimilars has the potential to generate twice the current launch contribution to net sales in the next five years as compared to the prior five years;

5. **Invested in capabilities**: We have significantly invested in strengthening our end-to-end internal development and manufacturing capabilities, especially in Biosimilars to support our pipeline and product portfolio over the longer-term. We recently announced a USD >400 million investment to build a new biologic production plant in Slovenia (with full operational launch planned in late 2026), as well as a separate investment of approximately USD 90 million for a new Sandoz Biosimilar technical development center in Slovenia, and a further initial investment of approximately EUR 25 million to support the expansion of our Biosimilars development center in Germany. We plan to continue making additional investments to complement our existing Biosimilars development and manufacturing capabilities; and

6. **Forged attractive partnerships**: Leveraging the strength of our capabilities, brand and reputation in the off-patent medicines industry, we have established long-term strategic relationships with leading development and commercialization partners, including Polpharma Biologics, Just-Evotec Biologics and Novartis. We believe that our broad development, regulatory and IP expertise, our strong commercial platform across our three regions as well as our track record of forging global partnerships position Sandoz as the partner of choice for global development and commercialization. We plan to continue evaluating strategic partnerships to complement and enhance our internal capabilities and capacity with best-in-class Biosimilars technical and manufacturing capabilities, while securing long-term

Biosimilars manufacturing capacity.

Strategic Levers to Drive Shareholder Value

Sandoz is well positioned to drive sustainable growth and long-term shareholder value through the following six strategic levers:

1. **Attractive market fundamentals**: Sandoz operates in the attractive and growing global off-patent medicines market, which benefits from a growing and aging population, higher rates of chronic disease, increasing market adoption as healthcare systems and payors seek to reduce the cost of medicines, and a consistent supply of upcoming LoEs as patents for originator products expire. Together, these drivers are expected to support long-term growth in volumes that will more than offset anticipated erosion in price;

2. **Leadership and scale**: Sandoz is a global leader in the Generics and Biosimilars markets with one of the broadest portfolios in the industry, reaching approximately 500 million patients every year in more than 100 markets. We believe we are well positioned at scale across both the Generics and Biosimilars markets, providing Sandoz with a balanced risk profile and opportunity to drive significant growth and margin expansion over the mid-term (by 2028). We have an attractive geographic footprint, with the leading market position in the large, stable and profitable European market, have scale but are not over-exposed to the U.S., and have a highly targeted presence in the international markets. We have particular strength in Biosimilars, with a leading position in the majority of the largest European markets and a top four position in the US, and are creating access to Biosimilars in a number of key international markets;

3. **Multiple drivers of sustainable top-line growth**: We are confident that Sandoz is well positioned to continue its success in the Generics and Biosimilars markets with numerous sustainable growth drivers, including (i) our expertise and excellence in product launches and driving market penetration; (ii) our high-value near-term Biosimilars pipeline; (iii) our improving product mix with increasing contribution from Biosimilars and complex Generics; (iv) our use of strategic partnerships to add incremental product and technology opportunities; and (v) the expansion in breadth and depth of our pipeline. We believe these drivers will together deliver mid-single digit net sales growth in the mid-term, with further upside from bolt-on M&A and BD&L activities;

4. **Margin improvement**. As an independent Generics and Biosimilars company, we are rigorously focused on improving our core EBITDA margin over the mid-term. We anticipate margin expansion of circa 200 basis points ("**bps**") from our volume, price and product mix as our portfolio shifts increasingly towards higher value products and expect to benefit from steps to simplify our portfolio. We plan to drive operational improvements in our supply chain through an enhanced network, focused vertical integration, procurement optimization and operational excellence initiatives, expected to contribute circa 350 bps of margin expansion. Following the full separation of Sandoz, we will look to drive organizational efficiencies through a leaner operating model, expecting to add another 150 bps to the overall margin expansion. These initiatives are designed to drive improvements in our core EBITDA margin to 24-26% of sales by 2028 from 18-19% in 2023;

5. **Strong cash flow generation supporting shareholder friendly capital allocation**: We expect free cash flow to more than double by 2028, driven by core EBITDA expansion, increasing EBITDA to cash conversion and working capital optimization. Our strong balance sheet, characterized by a prudent capital structure at Spin-off with a net debt to core EBITDA ratio in the range of 2.0-2.5x provides us with great optionality in our capital allocation strategy, supported by our investment-grade credit profile. Sandoz intends to follow a disciplined approach to capital allocation to support the delivery of long-term growth and attractive shareholder returns. Our first priority will be to re-invest capital into our business to support sustainable organic revenue growth. The second priority will be to return capital to shareholders, primarily through a progressive and largely business performance-related dividend policy. We will also look to deploy capital into value-generating M&A and BD&L opportunities in line with our strategy where it does not constrain our priorities as outlined above; and

6. **Compelling sustainability profile**: Sandoz' sustainability agenda is intrinsically rooted in our purpose of pioneering access for patients and our focus on long-term sustainable growth. As a global company and a leader in our industry, we have a great responsibility and an even greater opportunity to create a positive social impact by delivering on our purpose and strategy. Our sustainability strategy is anchored around four essential pillars where we are currently assessing the impact we can make: (i) delivering access to medicines and strengthening healthcare systems globally; (ii) embedding environmental responsibility in the way we operate; (iii) championing diversity, equity and inclusion across our organization; and (iv) building a strong governance framework to foster best practice reporting and conduct, and to ensure transparency, accountability and ethical behavior.

Summary of the Terms of the Listing

Unless otherwise noted, the following statements relate to the expected capital structure of the Company following the Completion of the Spin-off (as defined herein) and as of the First Day of Trading.

Issuer	Sandoz Group AG. The Company is a stock corporation (*Aktiengesellschaft*) organized under the laws of Switzerland in accordance with articles 620 ff. CO with unlimited duration. The Company is registered with the commercial register of the Canton of Zug under the company registration number CHE-433.164.136. The articles of association in effect at the date of this Listing Prospectus are dated November 24, 2022. They will be replaced by the Articles (further described in section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law*") to enter into effect prior to the First Day of Trading. The Company's legal seat is in Risch, and its registered address (*Domiziladresse*) and head office is at Suurstoffi 14, 6343 Rotkreuz, Switzerland. The Company's Legal Entity Identifier (LEI) is 5493000JWK6XWFEUD320.
Shares	The Shares are fully paid-in registered shares (*Namenaktien*) of the Company with a nominal value of CHF 0.05 each. See section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law*". In connection with the Spin-off, the holders of American Depositary Receipts with Novartis shares underlying them (together, the "**Novartis ADRs**" and each a "**Novartis ADR**") will receive ADRs. See section "*The Spin-off – Background*".
Issued Share Capital	As per the First Day of Trading, the issued share capital will be up to CHF 21,550,000, divided into up to 431,000,000 fully paid-in registered shares (*Namenaktien*) with a nominal value of CHF 0.05 each, assuming the Completion of the Spin-off. See also section "*Capital Structure and Shares*".
Treasury Shares	The number of Shares held in treasury immediately following the Spin-off will depend on the number of issued Novartis shares eligible to receive the dividend-in-kind (Novartis issued shares excluding treasury shares held by Novartis and its subsidiaries) as of the Cum Date. The Company expects the number of Shares held in treasury to be insignificant.

Dividends and Dividend Policy	The Company currently expects that it will pay a regular cash dividend in line with its business performance and reflecting the Company's long-term cash flow and earnings potential while taking into account the maintenance of sufficient financial flexibility and adherence to the Company's capital allocation priorities. The Company intends to pay an annual dividend of approximately 20-30% of Sandoz' core net income increasing to 30-40% over the mid-term (by 2028). The Company expects to pay its first (full-year) dividend in 2024 based on full-year 2023 results and intends to progressively grow its annual dividend in Swiss francs (CHF) on a per share basis over time, if business performance allows. The actual payment of future dividends, if any, and the amounts thereof, will depend upon a number of factors including, but not limited to, the Company's financial condition, earnings, corporate strategy, capital requirements of its operating subsidiaries, covenants, legal requirements, regulatory constraints, industry practice, ability to access capital markets, and other factors deemed relevant by the Company's Board of Directors and shareholders. Accordingly, the Company's Board of Directors may, in its discretion, recommend the payment of a dividend in respect of a given business year. In any case, no dividend is payable other than in accordance with the applicable provisions of Swiss law; see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Dividends*". The declaration, timing and amount, including potential increases, of any dividends to be paid by the Company following the Spin-off, including the anticipated dividend to be paid in 2024, will be subject to the approval of the Company's shareholders at a General Meeting of shareholders. Holders of the Shares on the relevant dividend record dates will be entitled to any future dividends, including any dividends declared in respect of the financial year ending December 31, 2023. Dividends paid on the Shares are generally subject to Swiss federal withholding tax. See section "*Taxation – Swiss Taxation – Swiss Residents – Withholding Tax on Dividends*" for a description of Swiss withholding tax and certain exemptions. Also see "*Dividends and Dividend Policy*".
Voting Rights	Each Share carries one vote. Other than the restrictions on registration in the Share Register as described in section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*", there are

	no voting rights restrictions that apply to registered shareholders. For restrictions regarding ADRs, see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*".
Listing and Trading	Prior to the Listing, the Shares have not been listed on any exchange. Application has been made and approval has been given by SIX Exchange Regulation, subject to certain conditions, to list all Shares on SIX Swiss Exchange in accordance with the International Reporting Standard. The Company expects that the Shares will be listed, and that trading in the Shares will commence, on SIX Swiss Exchange in accordance with the International Reporting Standard on or around October 4, 2023 (i.e., the First Day of Trading) under the ticker symbol "SDZ".
Form of Shares	The Shares are issued as uncertificated securities (*Wertrechte*) within the meaning of article 973c of the CO and will be established as book-entry securities (*Bucheffekten*) within the meaning of the FISA. No share certificate will be issued and no share certificates will be available for individual physical delivery. Shareholders registered in the Company's Share Register may request from the Company a confirmation relating to their shareholding in the Company. See section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Form of the Shares*".
Reasons for the Spin-off and Listing	On August 25, 2022, Novartis announced that its strategic review of the Sandoz Business had concluded that the separation of the Sandoz Business from the remainder of its businesses by way of a 100% spin-off would be in the best interest of Novartis, Sandoz and the Novartis shareholders. At the EGM scheduled to take place on September 15, 2023, shareholders of Novartis will decide on the separation and the Spin-off of the Sandoz Business. We and Novartis believe that the separation and Spin-off will provide a number of benefits to both the Sandoz and the Novartis businesses and to Novartis shareholders, including the following benefits: – Enhanced strategic and management focus: Creation of a leading off-patent medicines company focused on Generics and Biosimilars and further transformation of Novartis into a focused innovative medicines company;

	– Ability to pursue independent growth strategies; – More efficient allocation of capital; – Clearer alignment of incentives with performance objectives; – Distinct investment theses.
Transfer Restrictions	The Shares are subject to certain selling and transfer restrictions as described in sections "*Important Information*" and "*Transfer Restrictions*". For information regarding the transfer of Shares, see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*".
Listing Agent	UBS AG
Law/Jurisdiction	Swiss law/Zurich, Switzerland.
Ticker Symbol	SDZ
Swiss Security Number	124.359.842 (*Valorennummer*)
International Security Identification Number (ISIN)	CH1243598427
Trading Currency	CHF
Listing Prospectus	This Listing Prospectus has been prepared in accordance with the FinSA and has been approved by SIX Exchange Regulation Ltd in its capacity as review body pursuant to article 52 FinSA on August 18, 2023.
Notification/Amendments	Any notices containing or announcing amendments or changes to this Listing Prospectus will be announced via electronic media. Notices required under the Listing Rules will be published in electronic form on the website of the SIX Swiss Exchange (currently: https://www.ser-ag.com/de/resources/notifications-market-participants/official-notices.html#/).

Summary of the Risk Factors

The following is a summary of the risk factors. This list is not exhaustive, and potential investors should read in its entirety the section "Risk Factors" included elsewhere in this Listing Prospectus for a more detailed description of the risks associated with an investment in the Shares.

Risks related to our industry and our business:

- Our financial performance depends on the commercial success of our products and our ability to maintain our position in the markets in which we compete and to build and expand our position in such markets.

- The Generics and Biosimilars markets are highly competitive and if we fail to keep pace with advances in this industry, we may be unable to maintain our position in the markets in which we compete.

- The increase in the number of competitors targeting opportunities in Generics and Biosimilars, and in competitors seeking market exclusivity for generic versions of significant medicinal products, and the related anticipated price erosion, may adversely affect our revenues and profits.

- Operating in a highly competitive environment, changes in regulatory policies across countries may trigger price erosion and, consequently, a decline of our revenues and profits from Generic and Biosimilar products.

- Our development efforts may not succeed in bringing new products to market first, or may fail to do so in a timely and cost-efficient manner, or in a manner sufficient to grow our business, replace lost revenue resulting from industry-wide price erosion or take advantage of new technologies driving efficiencies.

- In the context of our development efforts, Biosimilars carry unique regulatory risks and uncertainties, which could adversely affect our results of operations and financial condition, particularly in the United States, where the market is still at an early formation stage.

- Generics and Biosimilars development and manufacturing is highly regulated, complex, and subject to principles of current good practice requirements (such as good clinical practices, good laboratory practices, good manufacturing practices and good distribution practices) across the product life cycle. Competent authorities tend to rigorously monitor and enforce compliance with the relevant regulations over the respective areas. Failure to comply with these requirements can lead to regulatory actions that can cause supply interruptions, increase our cost of goods and could cause significant liability risks.

- We may be subject to governmental investigations, litigation and penalties if we fail to comply with legal and regulatory requirements and our products could be subject to restrictions or withdrawal from certain markets as well as fines and penalties.

- The process of establishing an independent group could adversely affect our business or cause management distraction or business disruption in the near term.

- Pricing pressure from changes in third-party payor coverage, governmental claw-back claims and reimbursement methodologies and potential regulatory price controls may impact our ability to sell our products at prices necessary to support our current business strategy.

- The unstable global economic and financial environment in many countries and increasing political and social instability may have a material adverse effect on our results of operations due to the global nature of our business.

- Some of our operations are conducted in emerging markets with potentially volatile economic, political, legal and business environments, which could adversely affect our results of operations.

- Russia's invasion of Ukraine, the broader economic consequences of the invasion and related sanctions and similar actions or laws could adversely affect our business activities and customers.

- Ongoing consolidation among distributors, retailers and healthcare provider organizations could increase both the purchasing leverage of key customers and the concentration of credit risk.

- Changes in inventory levels or fluctuations in buying patterns by our distributors and customers may adversely affect our sales and earnings and add to sales variability from quarter to quarter.

- Our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies impacting our business plans.

- Our reliance on external suppliers and business partners, including Novartis, to which we outsource key business functions, such as development and manufacturing, heightens the risks faced by our business.

- In the Biosimilars space, in the initial years after the Spin-off, we will be significantly dependent on the manufacturing and supply of products by Novartis and we will have limited chances to find alternative business partners. As a consequence, we may face certain supply constraints, which may generate both reputational and financial risks for Sandoz in the future.

- We may not successfully complete and integrate strategic acquisitions or commercial partnerships to expand or complement our business.

- When we launch a Generic or Biosimilar, we may become subject to litigation and damage claims from the companies owning the intellectual property rights to the originator product and alleging infringement thereof.

- Importation of products from countries with lower prices to countries with higher prices

may result in lowering the prices we receive for our products and sales of counterfeit versions of our products could harm our business and reputation.

- Investigations and legal proceedings, including product liability or intellectual property lawsuits, may harm our business or otherwise distract our management.

- Failure to comply with laws, legal proceedings and government investigations may have a significant negative effect on our results of operations.

- We may implement product recalls or voluntary market withdrawals of our products, and this could have a material adverse effect upon our business, subject us to regulatory actions, impact regulatory approvals of subsequent products, lead to litigation, and cause a loss of customer confidence in our products.

- Significant disruptions of information technology systems could adversely affect our business.

- A significant data security breach could adversely affect our business and reputation.

- Failure to successfully manage environmental, social and governance matters may have an adverse impact on our business.

- An inability to attract and retain qualified personnel could adversely affect our business.

- Strikes and other labor disputes could adversely affect our business and reputation.

- We face various risks related to pandemics, epidemics or similar widespread public health concerns, the ultimate impact of which is outside our control, and which may materially and adversely affect our operations, cash flows and financial condition.

- Our purchased insurance coverage may not be sufficient to cover all of our property and casualty, business interruption and liability risks.

- If any of numerous key assumptions and estimates in calculating our pension plan obligations turn out to be different from our actual experience, we may be required to substantially increase our contributions to pension plans as well as the amount we pay toward pension-related expenses in the future.

- We are subject to laws and regulations targeting fraud, abuse, antitrust and corruption in the healthcare industry, as well as customs and trade sanctions, the violation of which could adversely affect our business or financial results.

- Legislative and regulatory reforms may impact our ability to develop and commercialize our products.

- We are subject to environmental, health and safety laws and regulations, and may face significant costs or liabilities associated with environmental, health and safety matters.

- We are a multinational business that operates in numerous tax jurisdictions. Changes in tax law or their application in the jurisdictions in which we operate, or successful challenges to our tax positions by tax authorities, could adversely affect our results of operations.

- Intangible and other long-lived assets and goodwill on our books may lead to significant impairment charges in the future.

- Our existing and future debt agreements may limit our flexibility to operate our business or adversely affect our business and liquidity position.

- We may need to obtain additional financing which may not be available or, if it is available, may result in a reduction in the percentage ownership of our then-existing shareholders.

- Failure to maintain satisfactory credit ratings could adversely affect our liquidity, capital position, borrowing costs and access to capital markets.

Risks related to the separation from Novartis:

- As a result of the Spin-off, we may not be in the same beneficial position we were as a subsidiary of Novartis with respect to several aspects, including capital base, infrastructure, status among business partners and established relationships with governments and regulators, or the realization of benefits of the Spin-off may be delayed.

- In our Biosimilars business, we will be dependent on Novartis for technical development and manufacturing after the Spin-off for a significant time, and we may not be able to successfully build a profitable and high-quality stand-alone Biosimilars technical development and manufacturing capability.

- We may not achieve some or all of the expected benefits of the separation and Spin-off, and the separation and Spin-off may adversely affect our business.

- Pursuant to the Separation and Distribution Agreement, we may be required to pay a contractual penalty if there is a material breach of certain restrictive covenants.

- Historically, the Sandoz Business has operated as a division of Novartis and its historical financial information is not necessarily representative of the results the Sandoz Business would have achieved as an independent group and may not be a reliable indicator of our future results.

- Our ability to operate our business effectively may suffer if we do not, quickly and cost effectively, establish our own administrative and support functions necessary to operate as an independent public company. In addition, the transfer of information technology systems from Novartis to Sandoz may be complex, time consuming and costly, and we will be dependent on the ability to access Sandoz-related data, books and records from Novartis.

- The transitional services Novartis has agreed to provide to us may not be sufficient for our needs. In addition, we or Novartis may fail to perform under various transitional

services or transaction agreements that will be executed as part of the separation, or we may fail to have necessary systems and services in place as and when transitional service agreements expire.

- We may experience an interruption in the supply of our products to certain countries as a result of the Group's separation, including the change in name and corporate form of some of the Company's subsidiaries in connection with the separation.

- The separation and Spin-off could result in significant tax liability to Novartis and us, and in certain circumstances, we could be required to indemnify Novartis for material taxes pursuant to indemnification obligations under the Tax Matters Agreement. In addition, the Company will agree to certain restrictions designed to preserve the tax treatment of the separation and Spin-off that may reduce our strategic and operating flexibility.

Risks related to the Spin-off and ownership of the Company's Shares and ADRs:

- The price of the Shares and ADRs after the Spin-off may be volatile.

- Substantial sales of the Shares and/or ADRs may occur following the Spin-off, which could cause the price of the Shares and/or ADRs to decline.

- The combined post-Spin-off value of the Shares or ADRs and Novartis shares or Novartis ADRs may not equal or exceed the aggregate pre-Spin-off value of Novartis shares or Novartis ADRs.

- An active trading market for the Shares may fail to develop or continue after the Spin-off and the market price for the Shares may be volatile following the Spin-off.

- No assurance can be given that the Company will pay or declare dividends.

- The future issuance of equity, or securities that are convertible into equity, by the Company could immediately and substantially dilute shareholders' ownership interest.

- Shareholders outside of Switzerland may not be able to exercise pre-emptive rights in future issuances of equity or other securities that are convertible into equity.

- If analysts do not publish research reports about the Company's business or if they downgrade their recommendation or adjust the target price with regard to the Shares, the price and/or trading volume of the Shares and/or ADRs could decline.

- Shareholders in countries with currencies other than the Swiss franc, including holders of ADRs in the United States, face additional investment risk from currency exchange rate fluctuations in connection with their holding of Shares and/or ADRs.

- Neither the ADRs nor the Shares will be listed on a U.S. national securities exchange, and as a result, a liquid trading market in the U.S. may not develop or be sustained.

- The Company will not be a reporting company under the U.S. federal securities laws and, unlike Novartis, will not be required to make periodic filings with the SEC.

RISK FACTORS

Investing in the Shares involves a high degree of risk. Accordingly, investors should carefully read and consider the risks and uncertainties described below together with all other information in the entire Listing Prospectus, including the discussion of the results of operations and financial condition of Sandoz as set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operation" and the Sandoz Business Combined Financial Statements, the (unaudited) Sandoz Business Pro Forma Combined Financial Statements and the Statutory Financial Statements (as defined in this Listing Prospectus). The risks and uncertainties described below are not the only ones applicable to the Group. Additional risks that are not known to us at this time, or that we currently consider to be immaterial based on our regular risk assessment, and any of the following risk factors, may adversely affect our business, financial condition, results of operations and prospects and may impact our ability to achieve our strategic objectives. In that case, the market price of the Shares could decline and investors could lose all or part of their investment.

The risk warnings set out below do not serve as a substitute for individual advice and information which is tailored to the individual requirements, objectives, experience, knowledge and circumstances of each investor. In addition, investors should be aware that the risks described may combine and thus intensify. The risk information does not purport to be an extensive and comprehensive list of all possible risks associated with an investment in the Shares, and the risks described below are not the only ones the Company and Sandoz are facing. Accordingly, investment decisions should not be made solely on the basis of the risk factors set out below. Only investors who are fully aware of the risks associated with an investment in the Shares and who are financially able to bear any losses that may arise should consider engaging in transactions of this type.

The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their economic consequences or importance. Additional investment considerations not currently known or which are currently deemed immaterial may also adversely impact the Group's business operations. The business, results of operations, financial condition or prospects of the Group could be materially adversely affected by any of these risks.

Risks Related to our Industry and our Business

Our financial performance depends on the commercial success of our products and our ability to maintain our position in the markets in which we compete and to build and expand our position in such markets.

Our financial performance, including our ability to replace revenue and income lost to competition through price erosion – which is usual and common in the generic medicines ("**Generics**", and a generic medicine a "**Generic**") industry – and to grow our business, depends heavily on the commercial success of our products. If any of our major products were to become subject to problems such as changes in medical treatments that led to lower than expected usage rates of our products, quality concerns, pricing and reimbursement cuts, tax changes, supply chain issues or other product shortages, regulatory actions, negative publicity affecting doctor or patient confidence in the product(s), unfavorable guidance from healthcare or other governmental agencies, material product liability litigation, pressure from

new or existing competitive products, or if our products fail to meet patient needs, the adverse impact on our revenue and profit could be significant.

In addition, our revenue and profit could be significantly impacted by the timing and rate of commercial acceptance of our products. Shifts in industry market share can occur in connection with product issues, physician advisories, safety alerts, and publications about our products. In the current environment of managed care, consolidation among healthcare providers and other industry stakeholders such as payors, increased competition and declining reimbursement rates, we are increasingly required to compete on the basis of price.

We also continue to experience pressures due to increased market power of distributors, retailers and healthcare provider organizations (see also "*Risk Factors – Risks Related to our Industry and our Business – Ongoing consolidation among distributors, retailers and healthcare provider organizations could increase both the purchasing leverage of key customers and the concentration of credit risk*"), economic pressures experienced by the end-users of our products, trade disputes among the countries in which we operate or sell our products, and the impact of managed care organizations and other third-party payors for our products. These and other factors may adversely impact market sizes, as well as our position in the markets in which we compete, and the volumes or average selling prices for our products.

Our financial performance further depends on our ability to successfully build and expand our markets. For example, while we currently expect both the Generics and biosimilar medicines ("**Biosimilars**", and a biosimilar medicine a "**Biosimilar**") markets to grow (see section "*Sandoz and its Business – Business Overview*", the size of the markets in which we compete may not increase as expected, we may not be able to regain or gain market share, expand our market penetration or the size of the market for our products, or compete effectively on the basis of price, and the number of procedures in which our products are used may not increase above existing levels. For example, if some of our key antibiotic products became subject to antimicrobial resistance and we were unable to replace them quickly, this could significantly affect our antibiotics sales. Decreases in market sizes or Sandoz' market share and declines in average selling prices or procedural volumes could materially adversely affect our results of operations or financial condition. Furthermore, our failure to expand our markets beyond existing levels could impact our ability to grow in line with or above current industry standards.

The Generics and Biosimilars markets are highly competitive and if we fail to keep pace with advances in this industry, we may be unable to maintain our position in the markets in which we compete.

The Generics and Biosimilars markets are highly competitive. In both of these markets and across all major geographical markets, we face a mixture of competitors and intense competition from competitors' products.

In order to continue to compete effectively, particularly in the Biosimilars market, we must continue to invest in both tangible and intangible assets, incorporate technology into our processes and/or proprietary products, carry out our development activities, obtain regulatory approvals in a timely manner where required, and manufacture and successfully market our products (see also "*Risk Factors – Risks Related to our Industry and our Business – In the Biosimilars space, in the initial years after the Spin-off, we will be significantly dependent on the manufacturing and supply of products by Novartis and we will have limited chances to*

find alternative business partners. As a consequence, we may face certain supply constraints, which may generate both reputational and financial risks for Sandoz in the future"). Additionally, we may experience design, manufacturing, marketing or other difficulties that could delay or prevent our development, introduction or marketing of new products or new versions of its existing products. As a result of such difficulties and delays, our development, manufacturing and commercial expenses may increase and, in turn, our results of operations could suffer. Failure to respond to competitive pressures in a timely manner could have a material adverse effect on our business, financial condition and results of operations.

Development by other companies of new or improved products, processes, or technologies may make our products or proposed products less competitive or obsolete. We may also face competition from providers of alternative medical therapies such as pharmaceutical companies that have the potential to disrupt core elements of our business. Factors affecting competition include, but are not limited to:

- introduction of other Generics manufacturers' products in direct competition with our Generic products;

- introduction of authorized Generic products in direct competition with our products, particularly during exclusivity periods;

- the ability of other Generic product competitors to enter the market simultaneously with or shortly after our launch, diminishing the amount and duration of expected significant profits;

- the risk of rapid genericization and pricing pressure for Biosimilar products;

- consolidation among distribution outlets through mergers and acquisitions and the formation of buying groups, and the creation of new business models within the supply chain;

- the willingness of Generics customers, including wholesale and retail customers, to switch among products of different pharmaceutical manufacturers;

- pricing pressures by competitors and customers, even if price savings are not passed on to consumers;

- a company's reputation as a manufacturer and distributor of quality products;

- a company's level of technical, physical and financial resources, which may be greater than ours;

- a company's level of service (including maintaining sufficient inventory levels for timely deliveries);

- product appearance and labeling; and

- a company's breadth of product offerings.

Furthermore, in an already challenging environment, brand pharmaceutical companies

continue to manage products through marketing and other commercial agreements with payers, pharmacy benefits managers and Generics manufacturers. For example, in the U.S. market, brand companies often sell or license their own generic versions of their products, either directly or through other Generics companies (so-called "authorized Generics"). No significant regulatory approvals are required for authorized Generics, and brand companies do not face any other significant barriers to entry into such market. Brand companies may seek to delay introductions of generic equivalents through a variety of commercial and regulatory tactics. Many pharmaceutical companies increasingly have used state and federal legislative and regulatory means to delay competition in Generics (including Biosimilars). These efforts have included pursuing new patents for existing products to extend patent protection and selling the brand product as their own generic equivalent (an authorized Generic) but also the use of the legislative or regulatory process to have drugs reclassified or rescheduled or other tactics to delay approval of, and competition by, Generic (including Biosimilar) products. In the context of the Spin-off, our arrangements with Novartis impose additional conditions to our launch of certain pipeline authorized Generic products and restrict competition for certain identified products. See "*Risk Factors – Risks Related to the Separation from Novartis*". These actions may increase the costs and risks of our efforts to introduce generic products and may delay or prevent such introduction altogether.

The increase in the number of competitors targeting opportunities in Generics and Biosimilars, and in competitors seeking market exclusivity for generic versions of significant medicinal products, and the related anticipated price erosion, may adversely affect our revenues and profits.

Our ability to achieve continued growth and profitability through sales of Generics is dependent on our continued success in being the first to bring generic versions of originator products with expired patents to market (i.e., before competitors enter the market with generic versions of the same originator product), in challenging and invalidating patents, developing non-infringing products or developing products with increased complexity to provide opportunities with market exclusivity or limited competition. To the extent that we succeed in being the first to market a generic version of a medicinal product, and particularly if we are the only company authorized to sell the Generic product (e.g., during the 180-day period of exclusivity in the U.S. market as provided under the Hatch-Waxman Act as defined further below), our sales, profits and profitability can be substantially increased in the period following the introduction of such product and prior to a competitor's introduction of a Generic product. Even after the exclusivity period ends, there is often continuing benefit from having the first Generic product in the market.

However, the number of Generics manufacturers targeting significant new opportunities for Generics (including with exclusivity, such as under the Hatch-Waxman Act in the U.S.), or which are complex to develop, has increased in recent years. Such increase in the number of competitors not only makes it more difficult to be first to market and obtain the anticipated increase in sales and profits but has also led and is expected to continue to lead to significant price erosion, which may have a material adverse effect on our profitability. Additionally, many of the smaller Generics manufacturers have increased their capabilities, level of sophistication and development resources in recent years. We may hence face competition from products which could render our products less competitive or obsolete. For example, other Generics companies may develop medicines that treat the same indications targeted by our products, and patients and physicians could opt for these medicines over our medicines. If additional competitors enter the market and significantly lower the prices of any competing

products, we would be likely to have to reduce the price of our comparable products. The introduction of these new competing products could also have a negative impact on product sales. In particular, competitive pressures could decrease sales volumes for existing products or decrease prices to respond to competitive pressures, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, the Biosimilars market is also highly competitive and continues to evolve as intellectual property protections for biological products continue to expire across key markets. While we believe that our biologics knowledge and experience provide us with competitive advantages, we anticipate significant competition in the Biosimilars space. Risks related to commercialization of our prospective Biosimilars include the number of competitors, potential for steeper than anticipated price erosion, and intellectual property challenges that may impact timely commercialization. There is also a risk of lower or slower uptake due to various factors that may differ among Biosimilars such as competitive practices, physician hesitancy to prescribe Biosimilars for certain therapeutic areas, and level of financial incentives (payer or government). Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Operating in a highly competitive environment, changes in regulatory policies across countries may trigger price erosion and, consequently, a decline of our revenues and profits from Generic and Biosimilar products.

Our Generics face intense competition. Prices of Generics have historically shown a trend to decline, sometimes dramatically, especially as additional Generics companies (including low-cost Generics producers based in jurisdictions such as China and India) receive approvals and enter the market for a given product and competition intensifies. Consequently, our ability to sustain our sales and profitability across our portfolio over time is affected by the number of companies selling such product, including new market entrants, and the timing of their approvals. In particular, regulatory policy and development in the United States of America including increased funding of the competent authorities have led to more and faster Generics approvals, and consequently increased competition for some of our products. Steps were being taken by the FDA to enhance competition, promote access and lower drug prices and to approve record-breaking numbers of Generics applications. While these FDA initiatives are expected to benefit our Generic product pipeline, they will also benefit competitors that seek to launch products in established Generics markets where we currently offer products. The European Union, on the other hand, will reopen the entire legislative framework for medicines (including, e.g., the 2001 Pharmaceutical Directive, the 2004 European Medicines Agency ("**EMA**") Regulation, the 2000 Orphan Drugs Regulation and the 2006 Pediatric Regulation). The new draft legislation published by the European Commission on April 26, 2023, is part of the EU Pharmaceutical Strategy for Europe, and currently undergoing the ordinary legislative procedure in the European Parliament and Council of the European Union. The new framework is expected to be implemented in the next 3-5 years and may result in changes to the legislative framework based on which our operations are currently designed. Legislative changes may have a negative impact on off-patent market entry if the data and / or market exclusivities regimes are amended so as to favor originator products or new Generics or Biosimilars entrants.

In addition, new laws and proposals could serve to change, directly and indirectly, the United States Drug Price Competition and Patent Term Restoration Act (the "**Hatch-Waxman Act**") and the Biologics Price Competition and Innovation Act ("**BPCIA**"), including the incentives

to develop Generic and Biosimilar products, as well as the ability of Generics manufacturers to accelerate the launch of their new Generic and Biosimilar products. They also could impact the ability of brand manufacturers to protect their investments in the intellectual property associated with their branded specialty and innovative biologic medicinal products. These regulatory developments and other factors may adversely impact market sizes, as well as our position in the markets in which we compete, and the volumes or average selling prices for our products. The exclusivity periods in the United States for new products have also been limited, which reduces the economic benefit of being first-to-file for Generics approvals. Failure to build up an industry-leading performance in the United States on first-to-file opportunities and to develop and commercialize high complexity Generic products could adversely affect our sales and profitability.

Our development efforts may not succeed in bringing new products to market first, or may fail to do so in a timely and cost-efficient manner, or in a manner sufficient to grow our business, replace lost revenue resulting from industry-wide price erosion or take advantage of new technologies driving efficiencies.

Our ability to continue to maintain and grow our business, to replace sales lost due to competition and price erosion, and to bring to market new products in a timely manner depends heavily on the success of our development and regulatory activities, as well as technologies driving efficiencies. Our success relies on our ability to identify and successfully develop cost-effective new products, and to bring such products to market first. To accomplish this, we commit substantial financial, human and capital resources to product development and regulatory, both through our internal dedicated resources and through external investments, alliances, acquisitions and business development and licensing ("**BD&L**") transactions intended to expand or complement our internal development efforts and to take advantage of new technologies to improve efficiencies (see also section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Targets for Full Year Ending December 31, 2023 and Prospects for Medium Term – CAPEX Outlook*"). Still, given the inherent uncertainties in developing and marketing new products, in particular in relation to Biosimilar products, there have been, and in the future may be, instances where product development projects are discontinued for technical, clinical, regulatory or commercial reasons. In spite of our investments, there can be no guarantee that our development activities or external investments, including in new efficiency-enhancing technologies, will produce commercially successful new products that will enable us to replace revenues lost to our competitors and price erosion, or increase revenues to grow our business, or that we will be able to successfully identify and obtain value from our external business development and strategic collaborative efforts.

If we cannot execute timely launches of new products and be the first to market a generic version of a medicine, we may not be able to offset the increasing price erosion on our existing products resulting from pricing pressures and accelerated Generics approvals for competing products. Such unsuccessful or deferred launches can be caused by many factors, including the impact of exclusivity periods, the impact of pandemics (such as the COVID-19 pandemic), delays in regulatory approvals, lack of operational or clinical readiness or patent litigation. Failure to bring products to market first, or delays in executing such planned launches of new Generic products, could have a material adverse effect on our business, financial condition and results of operations. For example, the 180-day market exclusivity period under the U.S. Hatch-Waxman Act is triggered by commercial marketing of the Generic product. However, the exclusivity period can be forfeited if we fail to obtain tentative or final approval of a

product within a specified statutory period or to launch a product following a final unappealable court decision holding the applicable patents to be invalid, unenforceable or not infringed. The Hatch-Waxman Act also contains other forfeiture provisions that may deprive the first "Paragraph IV" filer of exclusivity if certain conditions are met, some of which may be outside our control. Accordingly, we may face the risk that our exclusivity period is forfeited before we are able to commercialize a product, which would have a significant adverse effect on our results of operations.

If we are unable to cost-effectively maintain a flow of successful new first-to-market product launches sufficient to maintain and grow our business, cover any sales erosion due to competition, and take advantage of market opportunities, this could have a material adverse effect on our business, financial condition or results of operations. For a description of the approval processes which must be followed to market our products, see section "*Industry and Market Overview*".

In the context of our development efforts, Biosimilars carry unique regulatory risks and uncertainties, which could adversely affect our results of operations and financial condition, particularly in the United States, where the market is still at an early formation stage.

Generics are typically small molecules, manufactured through a chemical synthesis process, containing the identical active substance as an already approved reference medicine. Biosimilar products, however, are often large molecules manufactured through co-option of complex biological processes; as a result, Biosimilars are biological medicines which are highly similar to another already approved biological reference medicine. Due to the inherent variability and complexity of biologic products, including batch-to-batch differences and variations following manufacturing changes, the development and the regulatory pathway of Biosimilars differ significantly from that of Generics. Before a Biosimilar may be marketed, intensive technical and clinical development work must be performed to demonstrate the biosimilarity of the Biosimilar product to the reference product. The development of a Biosimilar product is much more technically challenging than the development of a standard small-molecule Generic. Biosimilars are engineered to match the reference medicine in quality, safety and efficacy. This is achieved by systematically defining the target range of the reference medicine and then comparing the Biosimilars to the reference medicine at various development stages to confirm biosimilarity and to establish that there are no clinically meaningful differences between the proposed Biosimilars and the reference biologic. Because the purpose of a Biosimilars clinical development program is to confirm biosimilarity and not to establish efficacy and safety de novo, the clinical studies required are less work-intensive and costly than those required for a reference biologic. However, while standard Generics normally do not require clinical studies in patients, regulators worldwide in most cases still require clinical bioequivalence as well as confirmatory safety and efficacy studies in patients for Biosimilar products.

Accordingly, there are unique regulatory risks and uncertainties related to Biosimilars. The testing, approval, safety, effectiveness, manufacturing, labeling and marketing of Biosimilars are subject to regulation by the FDA, the EMA and other regulatory bodies globally. These laws and regulations differ from (and in certain countries may not be as well-established as) those governing innovative pharmaceutical products or the approval of Generic products. In addition, manufacturing Biosimilars, especially in large quantities, is often complex and may require the use of innovative technologies to handle living cells and microorganisms. Any changes to the regulatory framework governing Biosimilars or in our, or our partners', ability

to manufacture an adequate supply of Biosimilars in compliance with regulatory requirements may adversely affect our ability to commercialize the Biosimilars in our portfolio or achieve our targets in relation to the commercial development of the Biosimilars business (see also section "*Risk Factors – Risks Related to our Industry and our Business – Our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies impacting our business plans*" and "*Risk Factors – Risks Related to our Industry and our Business – Generics and Biosimilars manufacturing is highly regulated and complex, and we are, for example, subject to principles of good manufacturing practices and good distribution practices as well as respective controls by competent authorities, which may increase our cost of goods for various reasons and lead to extended supply disruptions and significant liability*").

In the United States, in particular, the Biosimilars market is still in an early stage of development and may encounter economic headwinds during its formation, which is expected to be shaped over the next few years. Due to the lack of pharmacy level substitution for most Biosimilars, we will have to rely on increased promotional activity directed at health care practitioners and contracting strategies with pharmacy benefit managers. They may, however, not be incentivized to switch from originator to Biosimilar products, as a result of which the US Biosimilars market may not grow as expected or at all, which could have a material adverse effect on our business, financial condition or results of operations.

Generics and Biosimilars development and manufacturing is highly regulated, complex, and subject to principles of current good practice requirements (such as good clinical practices, good laboratory practices, good manufacturing practices and good distribution practices) across the product life cycle. Competent authorities tend to rigorously monitor and enforce compliance with the relevant regulations over the respective areas. Failure to comply with these requirements can lead to regulatory actions that can cause supply interruptions, increase our cost of goods and could cause significant liability risks.

The development and manufacturing of medicinal products, like Generics and Biosimilars, is complex and heavily regulated by governmental health authorities around the world, with the goal of ensuring that medicines are of consistent high quality, appropriate for their intended use and meet the requirements of the marketing and/or clinical trial authorizations. Whether our products and the related raw materials are developed or manufactured at our own dedicated facilities or by third parties, we must ensure that sites, facilities and all manufacturing processes and clinical activities comply with current good practices.

Throughout the products' life cycle, several factors – both internal and external – can delay the respective development, approval and commercial supply. Our clinical development might, inter alia, be impacted by a number of external factors such as (i) the inability of the Contract Research Organizations ("**CROs**") to execute clinical trials for any reason; (ii) CROs or other third-party contractors becoming debarred or suspended or otherwise penalized by government or regulatory authorities for violations of good clinical practices ("**GCP**") or other regulatory requirements, in which case we may need to find a substitute contractor, and we may not be able to use some or any of the data produced by such contractors in support of our marketing authorization applications; (iii) inspections of clinical study sites by regulatory authorities, or regulatory violations that require us to undertake corrective action, result in suspension or termination of one or more sites or the imposition of a clinical hold on the entire study, or that prohibit us from using some or all of the data in support of our marketing

applications. For example, a recent investigation into the CRO of one of our partners has identified certain issues which could lead to the withdrawal of marketing authorizations of some of our products (see for more information section "*Sandoz and its Business – Court, Arbitral and Administrative Proceedings – Regulatory and Compliance Litigation*").

In parallel, as manufacturers of pharmaceutical products, we and our suppliers are subject to principles of good manufacturing practice ("**GMP**") and good distribution practice ("**GDP**"). The health authorities in the jurisdictions where we operate rigorously monitor and enforce compliance with the relevant regulations by pharmaceutical companies, and our operations are subject to periodic inspections by the relevant health authorities and other competent regulatory bodies acting in the relevant markets. In recent years, in particular since the COVID-19 pandemic, health authorities have substantially intensified their scrutiny of manufacturers' and clinical facilities' compliance with such requirements.

Following such inspections by health authorities, the relevant regulator may issue public notices listing the conditions that inspectors believe may violate GCP, GMP, GDP or other applicable regulations, demanding corrective and preventive actions to continuously improve adherence to good practices regulations. In particular, failure to comply with the applicable regulations can result in regulatory enforcement actions like warning letters, import bans, GMP certificate seizures, withdrawals of marketing authorizations, injunctions and criminal prosecution, which can cause product recalls or seizure of products, total or partial suspension of production or distribution, suspension of the review of our product applications, fines and other, unanticipated compliance and remediation expenditures as well as reputational harm, reduced sales and loss of market share (see also section "*Sandoz and its Business – Court, Arbitral and Administrative Proceedings – Regulatory and Compliance Litigation*" regarding a recent investigation into a CRO of one of our partners).

Within the broad scope of our business, the production of biologics and Biosimilar products is subject to particularly complex regulations, which in certain countries is still not entirely shaped (see also "*Risk Factors – Risks Related to our Industry and our Business – In the context of our development efforts, Biosimilars carry unique regulatory risks and uncertainties, which could adversely affect our results of operations and financial condition, particularly in the United States, where the market is still at an early formation stage*"). Any significant failure by us or our third-party suppliers to comply with these requirements, even in jurisdictions where these regulations are not fully developed, or the health authorities' expectations, may cause us or our third-party suppliers to shut down production facilities or production lines or halt marketing of certain products. Alternatively, we or our third-party suppliers may be prevented from importing products from one country to another. This could lead to product shortages or to us being unable to supply products to customers and consumers for an extended period of time. Such shortages or shutdowns could lead to significant losses of sales revenue and to potential third-party litigation. In addition, health authorities have in some cases in the industry imposed significant penalties for such failures to comply with regulatory requirements or required companies to enter into settlement agreements imposing additional obligations on such companies (see also section "*Risk Factors – Risks Related to our Industry and our Business – Failure to comply with laws, legal proceedings and government investigations may have a significant negative effect on our results of operations*"). A failure to comply fully with regulatory requirements could also lead to a delay in the approval of new products to be manufactured at the impacted site, or to a withdrawal of the required manufacturing authorizations.

Thus, complex production processes, like those for Biosimilar substances (with potential for significant write-offs which are not covered by third parties, including Novartis), and compliance with regulatory requirements can increase our cost of producing our products, and any significant disruption in the supply of our products could impact our sales, either of which could have a material adverse effect on our business, financial condition or results of operations, as well as our reputation.

We may be subject to governmental investigations, litigation and penalties if we fail to comply with legal and regulatory requirements and our products could be subject to restrictions or withdrawal from certain markets as well as fines and penalties.

The development, registration, testing, manufacturing, sale and marketing of our products are subject to extensive governmental regulation. Government regulation includes inspection of and controls over testing, clinical development, manufacturing, safety and environmental controls, efficacy, labeling, advertising, marketing, promotion, record keeping, tracking, reporting, distributing, import, export, samples, electronic records and electronic signatures. Governmental bodies may also be our customers or reimburse the purchase of our products, and may have unique contractual or statutory rights and remedies as a result (i.e., based on the United States False Claims Act).

Among other things, we are required to comply with applicable adverse event and malfunction reporting requirements for our products. Our advertising and promotional activities are also subject to stringent regulatory rules and oversight. The marketing approvals from the regulators of certain of our products are, or are expected to be, limited to specific uses. We are prohibited from marketing or promoting any unapproved use of our products, referred to as "off-label" use. In addition to promoting our products in a manner consistent with our clearances and approvals, we must have adequate substantiation for the claims it makes for our products. If any of our claims are determined to be false, misleading or deceptive, we could be subject to enforcement action. In addition, unsubstantiated claims or other failures to comply with statutes and regulations administered by regulatory bodies also present a risk of consumer class action or consumer protection litigation and competitor challenges.

Failure to comply with statutes, regulations and other obligations administered by regulatory bodies or failure to adequately respond to any notices of violation or any similar reports (including purported failures which could, for example, be caused by third parties selling our products on an unauthorized basis into certain markets) could result in, among other things, any of the following enforcement actions:

- government investigations;
- warning letters, complete response letters or untitled letters issued by the regulatory body;
- fines, penalties, in rem forfeiture proceedings, debarment, injunctions, consent decrees and criminal prosecution;
- detention of imported products;
- delays in approving, or refusal to approve, our products;

- withdrawal or suspension of approval of our products or those of our third-party suppliers by regulatory bodies (including withdrawal of marketing authorizations);
- product recall or seizure;
- operating restrictions or interruption of production;
- import bans or inability to export to certain foreign countries; and
- seizure of GMP certificates of a site.

If any of these items were to occur, it could result in unanticipated expenditures to address or defend such actions, could harm our reputation and could adversely affect our business, financial condition and results of operations.

The process of establishing an independent group could adversely affect our business or cause management distraction or business disruption in the near term.

Upon Completion of the separation and Spin-off, the Company will be an independent public company. As an independent public company, the Company may not enjoy the same benefits it did as a subsidiary of Novartis, including the strong capital base and financial strength of Novartis and access to the Novartis global information technology infrastructure, as well as certain cost benefits. We expect the transfer of information technology systems from Novartis to us to be complex, time consuming and costly. Further, we will incur costs relating to establishing our own financial, administrative, pharmacovigilance, information technology (including safety databases) and other support functions as well as running and maintaining such functions on a going-forward basis. In addition, the process of establishing such functions may distract our management from focusing on business and strategic opportunities and could result in disruptions to our business.

As a result of our history as a division of Novartis and its consolidated affiliates (the "**Novartis Group**"), we may also be bound by certain long-term agreements with Novartis (e.g., ground and facility lease agreements for some of our production sites) which limit our strategic options to some extent and may negatively impact our profitability. Further, our development efforts – which will highly depend on the delivery of services from Novartis under the Development and Collaboration Agreement (see section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Development and Collaboration Agreement*") may not succeed in the timely bringing of new products to the market. Furthermore, as a subsidiary of Novartis, we may, to a certain extent, have been prevented from pursuing development efforts with respect to Generic or Biosimilar products of Novartis products prior to the Spin-off, while our competitors may already be involved in such activities. This may lead to a commercial and financial disadvantage for Sandoz vis-à-vis our competitors, such as causing us to lose first-mover advantages in certain product launches.

Following the separation and Spin-off, Sandoz and Novartis will be competitors in certain areas of their respective businesses. Notwithstanding the above, Sandoz will be required to enter into a series of agreements with Novartis relating to the separation and the Spin-off, including a Separation and Distribution Agreement, Transitional Services Agreement, a Development and Collaboration Agreement, Manufacturing and Supply Agreements, IP licence

agreements and certain other agreements pursuant to which Sandoz will continue to rely on Novartis for certain key business and administrative support functions for a transitional period. For various reasons, including our anticipated market position after the Spin-off, the transitional services Novartis has agreed to provide to us may not be sufficient to meet our needs or to develop and implement our full strategy as a stand-alone group. Such arrangements are costly, and disputes may arise between Novartis and us in the course of Novartis providing such transitional services to us (see also section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis*").

Further, such separation agreements with Novartis may include certain limitations with respect to the legal remedies available to us. In addition, where we rely on transitional services provided by Novartis under the separation agreements for the operation of our business, our ability to react to changing business needs may be limited and require an amendment of the arrangements with Novartis, which may be subject to Novartis' consent.

The potential loss of benefits and the expected additional costs associated with being a public company independent of Novartis, as well as any conflicts with Novartis relating to the transitional arrangements Sandoz will enter into or any impacts of our future debt arrangements, could have a material adverse effect on our business, financial condition or results of operations. See section "*Risk Factors – Risks Related to the Separation from Novartis*" *and* "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis*" for more detail.

Pricing pressure from changes in third-party payor coverage, governmental clawback claims and reimbursement methodologies and potential regulatory price controls may impact our ability to sell our products at prices necessary to support our current business strategy.

The demand and pricing for some of our products could be adversely affected by the increased emphasis managed care organizations, third-party payors and governments continue to place on the delivery of more cost-effective medical therapies, including treatments using Generics. Reductions in the prices for our products or in the increase of rebates paid for sales of our products in response to these trends could reduce our profit margins, which would adversely affect our ability to invest and grow our business.

Governmental programs in the jurisdictions in which we operate that typically reimburse at predetermined fixed rates may also decrease or otherwise limit amounts available through reimbursement. Governmental funding restrictions, legislative proposals and interpretations of policy may negatively impact amounts available through reimbursement. For example, the Inflation Reduction Act of 2022 signed into U.S. law on August 16, 2022, includes several provisions to lower prescription drug costs for people with Medicare and reduce drug spending by the federal government. We are not able to predict whether changes will be made in the availability of reimbursement or the rates prescribed by governmental programs or, if they are made, what effect, or the extent of the effect, they could have on our business. However, governmental rate changes and other similar developments could negatively affect our ability to sell our products at all or at an acceptable price level.

In addition, as a participant in the Medicaid Drug Rebate Program, we pay rebates to U.S. state Medicaid programs for our covered outpatient drugs dispensed to Medicaid beneficiaries

and paid for by a state Medicaid program. There are different rebate formulas for innovator and biologic medicines and Generics, with Generics being subject to a lower rebate. The Center for Medicare & Medicaid Services ("**CMS**"), which administers the Medicaid Drug Rebate Program, has implemented a process, referred to as "narrow exceptions" process, by which certain medicines, although approved by the FDA in a manner usually associated with innovator products, can be treated as a Generic and incur the lower Medicaid rebate. This pathway requires the manufacturer to submit an application to CMS requesting this treatment. We currently have such applications pending with CMS with respect to multiple products and have received initial feedback on some applications with mixed results (see section "*Sandoz and Its Business – Court, Arbitral and Administrative Proceedings – Regulatory and Compliance Litigation – United States Narrow Exceptions Regulatory Proceedings*"). If some or all of these pending applications are ultimately rejected, we could be liable for significant additional Medicaid rebate payments, including possibly for prior periods.

In Europe, there are also trends of increasing regulatory restrictions for the pricing of medicines, or of replacing retail pricing by forced tendering proceedings which accelerates and exacerbates price erosion (see also sections "*Risk Factors – Risks Related to our Industry and our Business – Operating in a highly competitive environment, changes in regulatory policies across countries may trigger price erosion and, consequently, a decline of our revenues and profits from Generic and Biosimilar products*" and "*Industry and Market Overview – Market Overview*" and "*Industry and Market Overview – European Market Regulations and Archetypes*"). The implementation of further government price controls on our products or product categories in the jurisdictions in which we operate, or to which we may intend to expand in the future, could adversely affect the revenue we could obtain from sales of our products.

We expect that additional health care reform measures will be adopted in the future in the countries in which we operate, including those initiatives affecting coverage and reimbursement for our products, any of which could limit the amounts that governments will pay for health care products and services, which could adversely affect the growth of the market for our products or the demand for our products, or result in additional pricing pressures. We cannot predict the effect such reforms or the prospect of our enactment may have on our business, which could have a material adverse impact on our business, financial condition and results of operations.

The unstable global economic and financial environment in many countries and increasing political and social instability may have a material adverse effect on our results of operations due to the global nature of our business.

We have a diversified and broad exposure to regional and commercial markets across the world, selling our products in more than 100 markets worldwide and with direct presence in over 60 markets. In the year ended December 31, 2022, no single market in which we operate generated more than 5% of net sales as a percentage of group sales, apart from the United States (18.1%), Germany (12.9%), France (5.5% and Canada (5.0%). Our results of operations and business are therefore influenced and affected by the global economic and financial environment.

Unpredictable political conditions currently exist in various parts of the world, including a backlash in certain areas against free trade and a related political push towards domestic manufacturing, anti-immigrant sentiment, social unrest, the refugee crisis, terrorism and the risk of further direct conflicts between nations. In addition, the current trade environment is

extremely volatile. Changes in trade policy vis-a-vis countries that we operate in could affect our ability to and/or the cost of doing business in such countries. Collectively, such difficult conditions could, among other things, disturb the international flow of goods and increase the costs and difficulties of international transactions.

Moreover, our business operations are subject to inflation risks and rising prices in our supply chain in general. In particular, in recent months inflation rates in numerous markets, including the United States and Europe, have remained at elevated levels. In the off-patent industry, the effect of inflation is particularly pronounced if coupled with price erosion (see also sections "*Risk Factors – Pricing pressure from changes in third-party payor coverage, governmental claw-back claims and reimbursement methodologies and potential regulatory price controls may impact our ability to sell our products at prices necessary to support our current business strategy*" *and* "*Industry and Market Overview – Key Drivers of the Generics and Biosimilars Markets – Key Drivers*"), which we may not be able to offset. While we aim to improve our productivity rates and pass on increased prices in our supply chain, including as a result of inflation, to our customers and/or third-party payors, it is unlikely that we will be able to pass on all or a significant part of price increases to our customers, which may adversely affect our results of operations and margin.

In addition, local economic conditions may adversely affect the ability of payors, as well as our distributors, customers, suppliers and service providers, to pay for our products, or otherwise to buy necessary inventory or raw materials, and to perform their obligations under agreements with us. Although we make efforts to monitor these third parties' financial condition and their liquidity, our ability to do so is limited, and some of them may become unable to pay their bills in a timely manner, or may even become insolvent, which could negatively impact our business and results of operations. These risks may be elevated with respect to our interactions with fiscally challenged government payors, or with third parties with substantial exposure to such payors. For example, we have significant outstanding receivable balances that are dependent upon either direct or indirect payment by various governmental and non-governmental entities across the world. The ultimate payment of these receivables is dependent on the ability of these governments to maintain liquidity primarily through borrowing capacity. If certain governments are not able to maintain access to liquidity through borrowing capacity, the ultimate payment of their respective portion of outstanding receivables could be at risk, in addition to the potential loss of potential future customers, both of which may impact profits and cash flow. See also section "*Summary – Summary of the Risk Factors – Our reliance on outsourcing key business functions, such as development and manufacturing, to third parties*" below.

Financial market issues may also adversely affect our earnings, the return on our financial investments and the value of some of our assets. Inflation could remain elevated or accelerate, which could lead to higher interest rates, increasing our funding costs and the costs of raising capital (see also section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Factors Affecting Our Business and Results of Operations – Inflation Effects on Business*"). The failure of further global systemically important financial institutions could adversely impact the terms and availability of funding. Uncertainties around future central bank and other economic policies in the United States and EU, as well as high debt levels in certain other countries, could also impact world trade and macroeconomic conditions. Sudden increases in economic, currency or financial market volatility in different countries have also impacted, and may continue to unpredictably impact, our business and results of operations. Changes in exchange rates between the US dollar, our reporting currency, and

other currencies can also result in significant increases or decreases in our reported sales, costs and earnings as expressed in our reporting currency, and in the reported value of our assets, liabilities and cash flows. Despite any measures we may undertake in the future to reduce, or hedge against, foreign currency exchange risks, because a significant portion of our earnings and expenditures are in currencies other than our reporting currency, any such exchange rate volatility may negatively and materially impact our business, results of operations and financial condition, and may impact the reported value of our net sales, earnings, assets and liabilities. The timing and extent of such volatility can be difficult to predict. Further, depending on the movements of particular foreign exchange rates, we may be materially adversely affected at a time when the same currency movements are benefiting some of our competitors.

There is also a risk that countries facing local financial difficulties, including countries experiencing high inflation rates and highly indebted countries facing large capital outflows, may impose controls on the exchange of foreign currency. Such exchange controls could limit our ability to distribute retained earnings from our local affiliates, or to pay intercompany payables due from those countries.

To the extent that economic and financial conditions directly affect consumers, some of our businesses, including the self-pay-system (without social security or health care insurance) and over-the-counter ("**OTC**") products, may be particularly sensitive to declines in consumer spending, as the costs of these products are typically borne by individuals with limited reimbursement from our medical insurance providers or government programs. Accordingly, individuals may be less willing to incur the costs of these private pay or discretionary procedures or purchases in weak or uncertain economic conditions and may elect to forgo such procedures or products or to trade down to more affordable options. This could have a material adverse effect on our business, financial performance and results of operations.

At the same time, significant changes and potential future volatility in the financial markets, in the consumer and business environment, in the competitive landscape and in the global political and security landscape make it increasingly difficult for us to predict our revenues and earnings into the future. As a result, any revenue or earnings guidance or outlook which we elect to give may be overtaken by events, or may otherwise turn out to be inaccurate. Though we will endeavor to give reasonable estimates of future net sales growth and core EBITDA margin at the time if we elect to give such guidance, based on our then-current knowledge and conditions, there is a significant risk that any such guidance or outlook we elect to give will turn out to be, or to have been, incorrect.

Some of our operations are conducted in emerging markets with potentially volatile economic, political, legal and business environments, which could adversely affect our results of operations.

Economic, social and political conditions, laws, practices and local customs vary widely among the countries in which we sell our products, including emerging markets. Our operations in emerging markets, where we expect to increase our first to market launches (see section "*Sandoz and Its Business – Sandoz' Global Presence – Region International*") and which are an important pillar of our strategy (see section "*Sandoz and Its Business – Strategic Levers to Drive Shareholder Value*"), are subject to a number of risks and potential costs, including lower profit margins and economic, political, regulatory and social uncertainty in certain markets. These and other risks may have a material adverse effect on our results of operations

in any particular emerging market and on our business as a whole. For example, some of the emerging markets in which we operate have currencies that fluctuate substantially. If currencies devalue and we cannot offset with price increases, our products may become less profitable. Inflation in emerging markets also can make our products less attractive and/or profitable and increase our exposure to credit risks.

Further, in many emerging markets, average income levels are relatively low, government reimbursement for the cost of healthcare products and services is limited and prices and demand are sensitive to general economic conditions. Competition on price and resulting price erosion may therefore be more pronounced in such emerging markets. The cost base for talent in emerging markets may further be subject to volatility. It is, for example, possible that wages for skilled employees, which have historically been significantly lower than wages in more economically developed countries, may disproportionately increase. In addition, in some of these markets, local manufacturers may be favored over global companies such as Sandoz. These challenges may prevent us from realizing the expected benefits of our investments in such emerging markets, which could have an adverse impact on our business, financial condition and results of operations.

Russia's invasion of Ukraine, the broader economic consequences of the invasion and related sanctions and similar actions or laws could adversely affect our business activities and customers.

We are continuously monitoring the effects of Russia's invasion of Ukraine. Our operations and presence in Russia and Ukraine accounted for 3.7% of total net sales in 2022 (2021: 4.7%). In response to the invasion, we have implemented a package of measures in line with the economic and trade sanctions requirements and which are being kept under review. However, the broader economic consequences of the invasion are currently difficult to predict and geopolitical instability, the imposition of sanctions and other restrictive measures against Russia and any retaliatory actions taken by Russia in response to such measures could adversely affect the global markets and the global geopolitical and economic environment, which could in turn adversely impact our business. Specifically, we face the following risks:

- Our business includes employees based in Russia and Ukraine and revenue deriving from sales in Russia and Ukraine. Although we do not consider that our business in Russia and Ukraine constitutes a material part of the Group's business, the situation remains highly uncertain and we are actively monitoring the situation, the risks to employees and the significant risk of disruption to our operations, including in relation to the importation and distribution of our products in Russia and Ukraine and other countries in the region.

- We generate revenue from sales of our products in Russia in the Russian Ruble, which amounted to 3.1% of revenue in 2022 (2021: 3.9%). The international response to the invasion, including the imposition of international sanctions against Russia, increased the currency volatility and, initially had an adverse effect on the value of the Russian Ruble. We may not be able to offset the effects of potential future devaluation of the Russian Ruble through increased prices of our products. In addition, the imposition of exchange controls may limit our ability to repatriate profits from our operations in Russia.

- In response to the invasion, Switzerland, the United States, the United Kingdom, the

European Union and other countries have imposed economic sanctions on Russia and may adopt increasingly stringent sanctions going forward. We are monitoring changes to applicable global sanctions regimes to ensure we remain in compliance with our obligations, as any failure to comply with the evolving sanctions could present legal and reputational risks, which could, in turn, have a material adverse effect on our business. In addition, there is a risk that Russia's response to the global sanctions regime, as well as additional international sanctions against Russia, creates regulatory uncertainty and presents further compliance challenges for our operations, which might potentially increase compliance costs.

- There may be certain reputational risks associated with our continued presence in the Russian market. Negative publicity surrounding our continued presence and/or supply of products to the general public in Russia could damage our brands and reputation, lead to boycotts of our products (outside of Russia) and/or have consequences on the continuation of operations and/or sales in Russia.

- Our customers in Russia and Ukraine have been negatively affected by the factors described above, which exposes us to increased counterparty risk in relation to these customers and receivables from these customers. The gross trade receivables from these countries on December 31, 2022, amounted to USD 99 million (2021: USD 145 million).

- The Russian government may seize the assets of western companies leaving Russia. While likelihood of such action is not presently clear, if we ceased our activities and/or suspended operations in Russia, there is a risk the Russian government could: (i) nationalize our assets located in Russia; (ii) allow our patents and trademarks to be used within Russia without our consent; and/or (iii) introduce restrictions on, or impose unfavorable terms in respect of, payments made from Russia or relating to assets in Russia.

In addition to the specific implications for our operations in Russia and Ukraine, we may be affected by broader impacts on the global geopolitical and economic environment, including (but not limited to) decreased sales; supply chain, transportation and logistics disruptions; volatility in foreign exchange rates and interest rates; inflationary pressures on raw materials and energy; and heightened cybersecurity threats.

The situation remains highly uncertain and there may be additional risks arising out of or relating to the Russian invasion of Ukraine, and the escalating military conflict in the region, which could also have a material adverse effect on our business, financial condition and results of operations.

Ongoing consolidation among distributors, retailers and healthcare provider organizations could increase both the purchasing leverage of key customers and the concentration of credit risk.

We sell a broad portfolio of products to wholesalers, pharmacies, hospitals and other healthcare outlets. Recent trends have been toward continued consolidation among distributors and retailers of our products. As a result, our customers are gaining additional purchasing leverage, which increases the pricing pressures facing our business. In addition, we may increasingly be impacted by fluctuations in the buying patterns of such customers or if large

customers decided to purchase instead from one of our competitors.

Moreover, we could become exposed to a concentration of credit risk as a result of any ongoing concentration among our customers. If our customers consolidate and one or more of our major customers experienced financial difficulties, the effect on us would be substantially greater than in the past and could include a substantial loss of sales and an inability to collect amounts owed to us. By contrast, if the consolidation of our customers and distributors were to continue, leading to the further increase of their size and purchasing power, we may be challenged to continue to provide consistently high customer service levels for increasing sales volumes. If we fail to provide high levels of service, broad product offerings, competitive prices and timely and complete deliveries, we could lose a substantial amount of our customer base and our profitability, margins and net sales could decrease. This could have a material adverse effect on our business, financial condition and results of operations.

Changes in inventory levels or fluctuations in buying patterns by our distributors and customers may adversely affect our sales and earnings and add to sales variability from quarter to quarter.

We balance the need to maintain inventory levels that are sufficient to ensure competitive lead times against the risk of inventory obsolescence because of changing customer requirements, fluctuating commodity prices, changes to our products, product transfers or the lifecycle of our products. In order to successfully manage our inventories, we must estimate demand from our customers and produce products that substantially correspond to that demand. If we fail to adequately forecast demand for any new or existing product, or fail to determine the optimal product mix for production purposes, we may face production capacity issues in manufacturing sufficient quantities of a given product. In addition, failures in our information technology systems or human error could also lead to inadequate forecasting of our overall demand or product mix.

In addition, due to the lead times necessary to acquire, install and ramp up production of new equipment and product lines, if we fail to adequately forecast the need for additional manufacturing capacity, whether for new or existing products, we may be unable to scale production in a timely manner to meet demand for our products. In addition, the technically complex manufacturing processes required to manufacture many of our products increase the risk of production failures and can increase the cost of producing our goods. Because the production process for many of our products is so complex and sensitive, the cost of production and the chance of production failures and lengthy supply interruptions is increased, which can have a substantial impact on our inventory levels.

Finally, our sales and quarterly growth comparisons, as well as our estimates for required inventory levels, may be affected by fluctuations in the buying patterns of major distributors and customers. These fluctuations may result from seasonality, pricing, large retailers' and distributors' buying decisions or other factors. If we overestimate demand and produce too much of a particular product, we may face a risk of inventory obsolescence, leaving us with inventory that we cannot sell profitably or at all. In addition, we may have to write down such inventory if we are unable to sell such inventory for our recorded value. By contrast, if we underestimate demand and produce insufficient quantities of a product, we could be forced to produce that product at a higher price and forego profitability in order to meet customer demand. For example, if a competitor initiates a recall and there is an unexpected increase in the demand for our products, we may not be able to meet such increased demand.

Insufficient inventory levels may lead to shortages that result in loss of sales opportunities altogether as potential end-customers turn to competitors' products that are readily available. If any of these situations occur frequently or in large volumes or if we are unable to effectively manage our inventory and that of our distribution partners, this could have a material adverse effect on our business, financial condition and results of operations.

Our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies impacting our business plans.

We single-source or rely on limited sources of supply for many components, raw materials and production services. In the first few years after the Spin-off, it is anticipated that we will rely on external suppliers (including Novartis) for a majority of our production volumes. The loss of our significant suppliers or the inability of any such supplier to meet performance and quality specifications, requested quantities or delivery schedules could cause our sales and profitability to decline and have a negative impact on our reputation and customer relations. In addition, a significant price increase from any of our significant suppliers could cause our profitability to decline if we cannot increase our prices to our customers. In order to ensure sufficient supply, we may determine that we need to provide financing to some of our single-source suppliers, which could increase our financial exposure to such suppliers.

In addition, in some cases, we manufacture our products at a single manufacturing facility. In many cases, regulatory approvals of our products are limited to a specific approved manufacturing facility. If we fail to produce enough of a product at a facility, or if our manufacturing process at that facility is disrupted, we may be unable to deliver that product to our customers on a timely basis. Problems may arise during the manufacturing process for a variety of reasons, including technical, labor or other difficulties, equipment malfunction, contamination, failure to follow specific protocols and procedures, destruction of or damage to any facility (as a result of a natural disaster, use and storage of hazardous materials or other events) or other reasons. In the event of a quality issue or a deficiency in our quality control process, we may voluntarily, or our regulators may require us to, close a facility indefinitely. If any such problems arise, we may be unable to purchase substitute products from third-party manufacturers to make up any resulting shortfall in the production of a product, as such third-party manufacturers may only exist in limited numbers or appropriate substitutes may not be available. This is particularly relevant with respect to products for which we represent a substantial portion of the market. A failure to deliver products on a timely basis could, in addition to any financial compensation payable to customers, lead to customer dissatisfaction and damage our reputation. Significant delays in the delivery of our products or a delay in the delivery of a key product could also negatively impact our sales and profitability.

Some of our products are manufactured fully or in part by third parties under a direct contract with us or indirectly under shared contracts with Novartis. Business conditions and regulatory actions may lead to recalls of products manufactured by these companies, may result in delays in shipments of such products or may cause these contractors to abandon their contract manufacturing agreements, which have led in the past and may lead to disputes and related litigation with such partners. Any of these occurrences could have a negative impact on sales and profitability. In addition, we will continue to rely on Novartis for certain manufacturing needs following the Completion of the Spin-off and will for that purpose enter into certain separation agreements with Novartis (see for further details section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and*

Novartis"). A shortage in supply could also cause a failure in our ability to meet our commitments to our customers, as described above. In addition, as an entity separate from and independent of Novartis following the Spin-off, we may encounter situations in which Novartis' and our interests do not align. For instance, in the event of supply shortages, Novartis might prioritize, under the terms of the Manufacturing and Supply Agreement between the parties, the manufacturing of any products which are deemed life-saving products. Should Novartis no longer provide for our manufacturing needs, either sufficiently or at all, we would have to seek alternative sources. Seeking out and securing such alternative sources to meet our manufacturing needs may take time and come at a significant cost to our business (see also "*Risk Factors – Risks Related to our Industry and our Business – The process of establishing an independent group could adversely affect our business or cause management distraction or business disruption in the near term*").

Our reliance on external suppliers and business partners, including Novartis, to which we outsource key business functions, such as development and manufacturing, heightens the risks faced by our business.

We rely on third parties in various aspects of our business, including for the supply of raw materials, active pharmaceutical ingredients, or services. In addition, after the separation we will outsource certain functions, such as the development or manufacturing of certain of our products, to third parties, which may reduce the potential profitability of such products.

Ultimately, if any of these third parties fail to meet their obligations towards us or any of our subsidiaries, our business may be disrupted or we may lose our investment in collaborations and arrangements with third parties and fail to receive their expected benefits. In addition, our suppliers and the companies we outsource key business functions to may not have internal compliance resources comparable to those within our organization. Should any of these third parties fail to carry out their contractual duties or regulatory obligations or fail to comply with the law, including laws relating to export and trade controls, human rights and labor laws, environmental regulations, regulations related to supply chain matters or other laws and regulations, or should they act inappropriately in the course of their performance of services for us, there is a risk that we or any of our subsidiaries could be held responsible for their acts, that our reputation may suffer, and that penalties may be imposed upon us or any of our subsidiaries. Any such failures by third parties could have a material adverse effect on our business, financial condition, results of operations or reputation.

We will, in particular, continue to rely on Novartis for certain key business functions following the Completion of the Spin-off, including certain transitional services that will be covered under the Transitional Services Agreement, certain manufacturing needs that will be covered under the Manufacturing and Supply Agreement, certain D&R needs that will be covered under the Development and Collaboration Agreement and certain transitional distribution services that will be covered under a transitional distribution and services agreement that Sandoz intends to enter into with Novartis. See sections "*Risk Factors – Risks Related to the Separation from Novartis – The transitional services Novartis has agreed to provide to us may not be sufficient for our needs. In addition, we or Novartis may fail to perform under various transitional services or transaction agreements that will be executed as part of the separation, or we may fail to have necessary systems and services in place as and when transitional service agreements expire*" and "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis*". In addition, we outsource the performance of certain key business functions to third parties, and invest a significant

amount of effort and resources into doing so. Such outsourced functions can include development collaborations, clinical trial activities, manufacturing operations, warehousing and distribution activities, certain finance functions, submission of regulatory applications, marketing activities, data management, pharmacovigilance activities and others. In particular, in many developing countries, we heavily rely on third-party distributors and other agents for the sales, marketing and distribution of our products. Similarly, we often obtain the intermediate and raw materials used in the manufacture of our products from third parties located in developing countries. Any failure by such third parties to comply with their contractual duties, regulatory obligations or laws in general could have material adverse effects on our business, financial condition, results of operations or reputation.

In the Biosimilars space, in the initial years after the Spin-off, we will be significantly dependent on the manufacturing and supply of products by Novartis and we will have limited chances to find alternative business partners. As a consequence, we may face certain supply constraints, which may generate both reputational and financial risks for Sandoz in the future.

For a considerable period following the Spin-off, we will be highly dependent on Novartis in relation to the manufacturing and supply of our Biosimilar products. For instance, the ability to deliver the planned volumes of our Biosimilar products will be dependent on the timely execution of certain post-separation operational plans by Novartis, such as product line extensions (for further information about the terms of the supply, please refer to section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements between Sandoz and Novartis – Manufacturing and Supply Agreements*").

In parallel, our ability to find alternative business partners or contractors in biologics manufacturing will be limited in the period after the Spin-off, both because of the large-scale production required to manufacture Biosimilar products, and since technology transfers in this area take, on average, up to 30 months before being completed. In addition, under the Manufacturing and Supply Agreement, such technology transfers will generally require Novartis' prior consent.

In this context, if there is high demand for some of our Biosimilar products, we may need to deal with constraints in relation to the supply of such products, at least until the end of calendar year 2025. Most importantly, if such supply reductions occurred, they could result in us having to withdraw certain of our key Biosimilar products from several markets during the same period. Such withdrawal from established markets may have a detrimental impact on our business strategy and may potentially generate reputational risks – including with governments, patients and customers – for us.

We may not successfully complete and integrate strategic acquisitions or commercial partnerships to expand or complement our business.

As part of our growth strategy, we expect to evaluate and pursue strategic business development and licensing ("**BD&L**") transactions or other mergers and acquisitions ("**M&A**") or commercial partnerships to expand or complement our business. Such ventures may bring new technologies, products or customers to our prominent position in the Generics and Biosimilars industry. However, in the first period after the Spin-off and separation, BD&L and M&A activities may be particularly difficult to implement due to the resources required to successfully complete the separation. Furthermore, in general, suitable acquisition candidates or

commercial partners may not be identified. BD&L and M&A activities can be thwarted by overtures from competitors for the targeted candidates or partners, respectively, governmental regulation (including market concentration limitations and other competition laws) and replacement product developments in our industry. In addition, the financing of any such acquisition may not be available on satisfactory terms. Further, after an acquisition, successful integration of the venture can be complicated by corporate cultural differences, difficulties in retention of key personnel, customers and suppliers, and coordination with other products and processes. Synergies attributable to the acquisition may vary from expectations and we may fail to realize the full benefits anticipated from the acquisition, or to realize these benefits within the expected time frame. Also, acquisitions could divert management's attention from our existing business, result in liabilities being incurred that were not known at the time of acquisition or create tax or accounting issues. If we fail to timely recognize or address these matters or to devote adequate resources to them, we may fail to achieve our growth strategy or otherwise not realize the intended benefits of any acquisition.

When we launch a Generic or Biosimilar, we may become subject to litigation and damage claims from the companies owning the intellectual property rights to the originator product and alleging infringement thereof.

Generics and Biosimilars (together referred to in this paragraph as "Generics") are therapeutically equivalent versions of originator (often called "branded") medicines. We, and other Generics companies, aim to launch generic versions of those originator medicines as soon as possible after the expiration of any relevant valid patent or regulatory exclusivity on that originator medicine. However, it is common that a Generic product will be launched before all of the patents relating to an originator medicine have expired if the generic version of the medicine either does not infringe those patents or those patents are considered invalid. As a result, it is common that originator companies assert their patents against the new Generic product, alleging that it infringes their patent or other intellectual property rights and should be prevented from being launched until those rights expire.

There has been substantial litigation in the pharmaceutical industry with respect to the manufacture, use and sale of Generic products, often in relation to the validity and infringement of patents controlled by originator pharmaceutical companies. While we take great care in ensuring that the launch of a new product does not violate any valid intellectual property rights and seek to refrain from selling products prior to the expiration of their patent protection, patent infringement claims are typical for our industry, and intellectual property infringement claims could be (and have been) brought against us and we may be found to infringe on the intellectual property rights of others (as we have been in certain cases, for example in connection with Pemetrexed).

We have been and are currently involved in certain proceedings regarding patent infringements (see section "*Sandoz and Its Business – Court, Arbitral and Administrative Proceedings – Patent Litigation*"). If we lose such litigation proceedings, the launch of our products could be delayed, or we may owe damages to the originator company in those circumstances where we launched a Generic prior to the final outcome of that litigation. The damages we may owe as a result of such a launch can be significant, as we may owe the originator the profits that they would have earned had it not been for our launch. Given the comparative pricing models between Generics and originator medicines, such damages claims may substantially outweigh any profits we earned as a result of the launch, and therefore could have a material impact on our business. E.g., not prevailing in the natalizumab patent infringement litigation (see

section *"Sandoz and Its Business – Court, Arbitral and Administrative Proceedings – Patent Litigation – Natalizumab Patent Infringement Litigation in the United States*") may cause significant delays and Sandoz to miss sales targets in its strategic business plan. Furthermore, a significant third-party claim could result in management's attention being distracted from current operations. Any of the above could affect our ability to compete or have a material adverse effect on our business, financial condition and results of operations.

Importation of products from countries with lower prices to countries with higher prices may result in lowering the prices we receive for our products and sales of counterfeit versions of our products could harm our business and reputation.

In some countries, our products are subject to competition from lower priced versions of our products and competing products from countries where there are government-imposed price controls or other market dynamics (such as the legal parallel trade within the European Union) that make the products lower priced. Despite government regulations aimed at limiting certain low-quality imports, the volume of imports may continue to rise in certain countries. This importation may adversely affect our profitability in some countries and could become more significant in the future.

In addition, our industry continues to be challenged by the vulnerability of distribution channels to counterfeiting. Reports of increased levels of counterfeiting could materially affect customer confidence in the authentic product and harm our business or lead to litigation. Further, it is possible that adverse events caused by unsafe counterfeit products could mistakenly be attributed to the authentic product. If a product of Sandoz was the subject of counterfeits, we could incur substantial reputational and financial harm.

Investigations and legal proceedings, including product liability or intellectual property lawsuits, may harm our business or otherwise distract our management.

We are from time to time, and may in the future be, subject to various investigations and legal proceedings that arise or may arise, such as proceedings regarding sales and marketing practices, pricing, corruption, health care regulatory, product stewardship, counterfeiting and diversion, trade regulation and embargo legislation, export and trade controls, product liability, commercial disputes, employment and wrongful discharge, business disputes, securities, insider trading, occupational health and safety, environmental, tax audits, cybersecurity, data privacy fraud, nuisance, and intellectual property matters.

We also periodically receive inquiries from antitrust and competition authorities in various jurisdictions and, from time to time, are named as a defendant in antitrust lawsuits. For example, we were the subject of Federal and State government antitrust investigations and are named in ongoing civil lawsuits concerning the pricing of Generics in the United States (see section "*Sandoz and Its Business – Court, Arbitral and Administrative Proceedings – Regulatory and Compliance Litigation*"). See also section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations, Commitments and Contingencies – Provisions and Contingent Liabilities*".

In addition, from time to time, we or one of our Group companies is named as a defendant in product liability lawsuits if our products are alleged to be defective or cause harmful effects and we may in the future incur material liabilities relating to such product liability claims, including claims alleging product defects, problems in manufacturing, storage or

transportation, misleading marketing, promotional activity and/or other commercial practices, and/or alleged failure to warn of product risks. The risk of material product liability litigation is increased in connection with product recalls and voluntary market withdrawals and with any failures to comply with statutes and regulations administered by regulatory bodies, e.g., child resistance packaging standards. There have been Sandoz products that have voluntarily been taken off the market in the past, including Sandoz valsartan, losartan and irbesartan products in the second half of 2018 and the first quarter of 2019, and ranitidine film-coated tablets in the second half of 2019, in each case in line with our quality standards for all of our marketed products; in certain of these cases, product liability claims have also been raised both in alternative dispute resolution fora and in court proceedings. As a result of the Spin-off, we will also inherit existing product liability litigation relating to certain Novartis products previously transferred or to be transferred to Sandoz (see section "*Sandoz and Its Business – Court, Arbitral and Administrative Proceedings – Regulatory and Compliance Litigation – Product Liability Claims*"). Plaintiffs also continue to assert new legal theories to recover alleged personal injury or economic damage arising from the use of our medication, e.g., nuisance or unfair trade practices. The combination of our planned insurance coverage, cash flows and reserves may not be adequate to satisfy damages and settlement for product liability claims that we may incur in the future. Successful product liability claims brought against the Company or any of our subsidiaries or recalls of any of our products could have a material adverse effect on our business, results of operations or our financial condition. Product liability claims and other claims related to our products – regardless of their outcome – could require us to spend significant time and financial resources in litigation, divert management time and attention, require us to pay significant damages, or harm our reputation.

We or one of our Group companies are also from time to time named defendant in intellectual property lawsuits (see above "*Risk Factors – Risks Related to our Industry and our Business – When we launch a Generic or Biosimilar, we may become subject to litigation and damage claims from the companies owning the intellectual property rights to the originator product and alleging infringement thereof*") and lawsuits by competitors for alleged false advertisement and similar allegations.

Substantial, complex or extended litigation could cause us to incur large expenditures, affect our ability to market and distribute our products and distract our management. For example, intellectual property litigation in which the Company or any of our subsidiaries are named as (a) defendant(s) from time to time could result in significant damage awards and injunctions that could prevent the manufacture and sale of the affected products or require us to make significant royalty payments to continue to sell the affected products. Lawsuits by employees, shareholders, customers or competitors, or potential indemnification obligations and limitations of the Company's director and officer liability insurance, could be very costly and substantially disrupt our business. Disputes with such companies or individuals from time to time are not uncommon, and we cannot be sure that we will always be able to resolve such disputes on terms favorable to us.

Even meritless claims could subject us to adverse publicity, hinder us from securing insurance coverage in the future and require us to incur significant legal fees. As a result, significant claims or legal proceedings to which the Company or any of our subsidiaries are a party (or a large volume of insignificant claims in the aggregate) could have a material adverse effect on our business, prospects, financial condition and results of operations.

Failure to comply with laws, legal proceedings and government investigations may

have a significant negative effect on our results of operations.

We are subject to extensive, complex and evolving law and regulations, which can be costly to implement. These regulations govern, among other things, the development, authorization, manufacturing and procurement of contract manufacturing, wholesale distribution and supply, pharmacovigilance and promotion of our products. While the regulations in the European Union and the United States are to a certain extent streamlined, the regulatory environment outside the European Union and the United States is fragmented and varies by country.

We are obliged to comply with the laws of all countries in which we operate and sell products with respect to an extremely wide and growing range of activities. Such legal requirements can vary from country to country and new requirements may be imposed on us from time to time as government and public expectations regarding acceptable corporate behavior change, and enforcement authorities modify interpretations of legal and regulatory provisions and change enforcement priorities. In addition, our employees, independent contractors, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, in violation of such laws and public expectations.

For example, we are faced with increasing pressures, including new laws and regulations from around the world, to be more transparent with respect to how we do business, including regarding our interactions with healthcare professionals and organizations. These laws and regulations include requirements that we disclose payments or other transfers of value made to healthcare professionals and organizations, including by our employees or third parties acting on our behalf, as well as with regard to the prices for our products. We are also subject to certain privacy laws, including Swiss privacy laws and the Regulation (EU) 2016/679 (the EU's "**General Data Protection Regulation**"), which include significant penalties for noncompliance, and acts around supply chain policy (such as the German Supply Chain Act and current and future similar regulations on EU level or in other jurisdictions), which require companies to ensure that certain standards (including with respect to human rights, labor rights or environmental standards) are observed in the context of supply chains, and increasingly include disclosure obligations. See also "*Risk Factors – Risks Related to our Industry and our Business – Failure to successfully manage environmental, social and governance matters may have an adverse impact on our business*". Failure to comply with such laws and regulations around supply chain policy and reporting requirements may lead to fines and expose us to additional litigation risks.

In addition, we have significant activities in a number of developing countries around the world, both through our own employees, and through third parties retained to assist us. The resolution of matters in these markets can be uncertain and subject to many influences, including geopolitical issues, the posture and discretion of relevant local regulatory and law enforcement bodies, and the variability in interpretation of applicable laws and regulations.

Any actual or alleged failure to comply with law or with heightened public expectations could lead to substantial liabilities that may not be covered by insurance, or to other significant losses, and could affect our business, financial position and reputation.

In particular, in recent years, there has been a trend of increasing government investigations, legal proceedings and law enforcement activities against companies and executives operating in our industry, such as in the United States and in countries around the world. For example,

we have been involved (and may still be at the time of the Spin-off) in a large number of civil proceedings relating to the abuse of our opioid products in the United States and Canada alleging that we manufacture, promote, sell and distribute opioids; also, Sandoz, Fougera and other Generics companies have been the subject of federal and state government antitrust investigations and civil antitrust law-suits concerning pricing of Generics in the US and Canada (see "*Sandoz and Its Business – Court, Arbitral and Administrative Proceedings – Regulatory and Compliance Litigation*"). Increasingly, such activities can also involve criminal proceedings, and can retroactively challenge practices previously considered to be acceptable. Such criminal proceedings may be initiated against us or any of our current or former employees. If current or former employees of a Group company are prosecuted, the relevant Group company may become vicariously liable. Even if this is not the case, the prosecution of such employee may adversely impact our reputation and hence affect our business and financial position.

Such proceedings are inherently unpredictable, and large judgments or penalties sometimes occur, or investigations may lead to settlements between Sandoz and government authorities. For example, in 2020 and 2021, we entered into a Deferred Prosecution Agreement ("**DPA**") and a Corporate Integrity Agreement ("**CIA**") to resolve U.S. Federal criminal and civil claims concerning the pricing of Generics in the United States, although other follow-on civil proceedings are ongoing (see section "*Sandoz and Its Business – Court, Arbitral and Administrative Proceedings – Regulatory and Compliance Litigation – Generics Pricing Antitrust Investigations and Civil Actions in the United States and Canada*"). Non-compliance with any such agreement may have severe consequences, including a prolongation of the relevant agreements and significant penalties. We may in the future incur additional judgments or penalties that could involve large cash payments, including the potential repayment of amounts allegedly obtained improperly, and other penalties, including enhanced damages. In addition, such proceedings may affect our reputation, create a risk of potential exclusion from government reimbursement programs in the United States and other countries, and may lead to civil litigation. As a result, having taken into account all relevant factors, we may in the future enter into major settlements of such claims without bringing them to final legal adjudication by courts or other such bodies, despite having potentially significant defenses against them, in order to limit the risks they pose to our business and reputation. Such settlements may require us to pay significant sums of money, and to enter into corporate integrity or similar agreements intended to regulate company behavior for a period of years, which can be costly to operate under.

Any such judgments or settlements and any accruals that we may take with respect to potential judgments or settlements could have a material adverse impact on our business, financial condition or results of operations, as well as on our reputation.

We may implement product recalls or voluntary market withdrawals of our products, and this could have a material adverse effect upon our business, subject us to regulatory actions, impact regulatory approvals of subsequent products, lead to litigation, and cause a loss of customer confidence in our products.

The manufacturing and marketing of Generics and Biosimilars is subject to a number of laws and regulations requiring us to report any untoward medical occurrence associated with our products, even where the causal relationship between such adverse event and the treatment is not confirmed. or. Such adverse events and potential health risks identified in our monitoring efforts of the markets or from ongoing clinical studies may lead to voluntary or mandatory

market actions, including changes to the instructions for using our products, batch recalls or product withdrawals.

Foreign governmental authorities have the authority to require the recall of our commercialized products in the event of material deficiencies or defects in, for example, design, labeling or manufacture, in particular if there is a finding of a reasonable probability that the defect would cause serious adverse health consequences or death.

We may also voluntarily initiate certain field actions, such as a correction or removal of our products in the future as a result of manufacturing errors, design or labeling defects or other deficiencies and issues. Field actions conducted for safety reasons in the European Economic Area ("**EEA**") must be reported to the regulatory authority in each country where the field action occurs. Similarly, if a correction or removal of one of our products is initiated to reduce a health risk posed by the product, or to remedy a violation of U.S. laws caused by the product that may present a risk to health, the correction or removal must be reported to the relevant U.S. authorities.

The occurrence of changes to product labels, recalls or product withdrawals could result in disruptions in the supply chain of our products to our customers, significant costs and adverse publicity, all of which could harm our ability to further market our products.

Market actions such as recalls or withdrawals of our products or a similar competing product manufactured by another manufacturer can lead to a general loss of patient confidence in Sandoz products and could impair sales and subsequent regulatory approvals of other similar products we market and lead to a general loss of customer confidence in our products. A product recall or withdrawal could also lead to a health authority inspection or other regulatory action or to Sandoz being named as a defendant in lawsuits. For example, impurities found in valsartan, losartan and irbesartan products and ranitidine film-coated tablets lead to product recalls and related litigation proceedings (see section "*Sandoz and Its Business – Court, Arbitral and Administrative Proceedings – Product Liability Claims*") and future similar claims brought against us may not be ruled out. See also "*Risk Factors – Risks Related to our Industry and our Business - Investigations and legal proceedings, including product liability or intellectual property lawsuits, may harm our business or otherwise distract our management*".

Significant disruptions of information technology systems could adversely affect our business.

We rely extensively on robust, interdependent information technology systems in order to conduct business, including some systems that are managed by third-party service providers, which will include, over a period of 24 months after the Spin-off, systems provided by Novartis under the Transitional Services Agreement. These systems include, but are not limited to, programs and processes relating to internal and external communications, ordering and managing materials from suppliers, converting materials to finished products, shipping products to customers, processing transactions, summarizing and reporting results of operations, and complying with regulatory, legal or tax requirements. These information technology systems could be damaged or cease to function properly due to the poor performance or failure of third-party service providers, catastrophic events, power outages, network outages, failed upgrades or other similar events. If our or our third party suppliers' business continuity plans do not effectively resolve such issues on a timely basis, we may suffer significant interruptions in conducting our business, which may adversely impact our business, financial condition and

results of operations.

Further, the size and complexity of our information technology systems, and, in some instances, their age, make them potentially vulnerable to external or internal security incidents, breakdowns, malicious intrusions, cybercrimes, including State-sponsored cybercrimes, malware, unauthorized data scraping, misplaced or lost data, programming or human errors, or other similar events. Like many companies, we have experienced certain of these events and expect to continue to experience them in the future and, as the external cyber-attack threats only keep growing, rapidly evolve in sophistication and become more prevalent. Therefore, we are continually increasing our attention to these threats. We assess potential threats and vulnerabilities and make investments seeking to address them, including ongoing monitoring and updating of networks and systems, increasing specialized information security skills, deploying employee security training and updating our security policies. However, because the techniques, tools and tactics used in cyber-attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Therefore, we may not be able to prevent future breakdowns or breaches in our systems and we may not be able to prevent such events from having a material adverse effect on our business, financial condition, results of operations or reputation.

Any theft, loss and/or fraudulent use of customer, employee or proprietary data as a result of a cyber-attack targeting us or one of our third-party service providers could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others. A significant cyber-attack on our information technology systems may lead to substantial interruptions in our business, legal claims and liability, regulatory investigations and penalties, and reputational damage, which could have a material adverse effect on our business, financial condition and results of operations. Further, malfunctions in software or in devices that make significant use of information technology, including our manufacturing equipment, could lead to a risk of harm to patients. While we plan to maintain insurance coverage that is designed to address certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise in the event we experience a cybersecurity incident, data security breach or disruption, unauthorized access or failure of systems.

A significant data security breach could adversely affect our business and reputation.

In the ordinary course of our business, we collect and store sensitive data in our data centers and on our networks, including intellectual property, proprietary business information and personally identifiable information (including of our employees and of our customers, suppliers and business partners). We are subject to laws and regulations governing the collection, use and transmission of personal information, including health information. As the legislative and regulatory landscape for data privacy and protection continues to evolve around the world, there has been an increasing focus on privacy and data protection issues that may affect our business, including Swiss data protection laws, the EU's General Data Protection Regulation ("**GDPR**") and other laws and regulations across our international markets governing the collection, use, disclosure and transmission of data in other jurisdictions. Breaches of our systems or those of our third-party contractors, or other failures to protect such

information, could expose such people's personal information to unauthorized persons. Any such event could give rise to significant potential liability and reputational harm, including potentially substantial monetary penalties. Data security breaches at third parties on whom we rely may also adversely impact our operations. We also make significant efforts to ensure that any international transfers of personal data are done in compliance with applicable law. We have procedures in place to detect and respond to data security incidents. If our efforts to protect the security of personally identifiable information or other sensitive data are unsuccessful, a significant data security breach may result in costly government enforcement actions, for example under the GDPR, private litigation, negative publicity or a reduction in supply of our products, each of which could further result in reputation or brand damage with customers, and our business, financial condition, results of operations or prospects could suffer. In addition, any additional restraints that may be placed on our ability to transfer such data could have a material adverse effect on our business, financial condition, results of operations and reputation. Furthermore, we may be required to expend significant resources beyond those we already invest to further modify or enhance our protective measures, to remediate any damage and to enable the continuity of our business.

Failure to successfully manage environmental, social and governance matters may have an adverse impact on our business.

In addition to financial results, companies are increasingly being judged by performance on a variety of environmental, social and governance ("**ESG**") matters, which can contribute to the long-term sustainability of a company's performance. A variety of organizations measure their performance on ESG topics, and the results of these assessments are widely publicized. ESG performance may have to be publicly disclosed under new legal disclosure requirements on non-financial (including ESG) matters. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures in making their investment decisions. Topics taken into account in such assessments include, among other things, the impact of our business on society and the environment, such as with respect to climate change, the degradation of biodiversity, and inequality in society.

While we will strive to actively manage a broad range of such ESG matters, there can be no certainty that we will manage such issues successfully, or that we will successfully meet society's or investors' rapidly changing and evolving expectations as to our proper role.

Failure to successfully perform on ESG matters may adversely impact our reputation, our ability to recruit and retain talent, our results of operations, and the price of our Shares and ADRs. Moreover, failure to deliver on ESG targets and investor expectations may in the long-term impact our operations and ability to achieve our strategic goals, ultimately resulting in broader negative impacts on the value of our business.

An inability to attract and retain qualified personnel could adversely affect our business.

We rely on key leaders and employees with specialized skillsets who have in depth understanding of the healthcare industry, our strategy, technology, and products for our future growth. However, as a result of the separation from Novartis, we will, at the time of the Spin-off, still be building up our complete workforce required as a stand-alone organization, and we will depend on the ability to timely attract qualified talent at a fast rate, as well as build

the know-how of new hires, which will require additional time and costs over the first period after the Spin-off. No assurance can be given that we will successfully attract the new personnel or retain existing personnel (including key members of our organization) required to continue to expand our business and to successfully execute and implement our business strategy. Further, we may lose qualified talent in connection with the separation and Spin-off, as certain shared service functions have recently been consolidated to operate primarily in certain jurisdictions, and certain employees may be unwilling to transfer from the Novartis Group to us.

The market for talent has become increasingly competitive and this may affect our ability to attract and retain the required level of qualified personnel. Demographic trends, such as an aging workforce, decreasing supply of specialized talent, and reduced global mobility generally lead to an increasingly limited pool of qualified individuals. Laws, regulations and customary practice on executive compensation may restrict our ability to attract and retain the required level of qualified talent as competitors may attempt to recruit them. Sandoz also entered into certain non-solicit arrangements with Novartis which, subject to customary exceptions, prevent Group companies from soliciting certain categories of employees in the Novartis intellectual property department and the Novartis Operations manufacturing organization for a period of two years following the date of the Spin-off and certain employees in the Novartis Technical Research & Development organization for a period of three years following the date of the Spin-off.

As a result, we may be unable to attract and retain qualified individuals in sufficient numbers, which could have an adverse effect on our business, results of operations, and financial condition.

Strikes and other labor disputes could adversely affect our business and reputation.

We employ a large workforce around the world, with a material number of our workforces represented by works councils or unions. Although we consider that we have a strong relationship with our workforce and employee representatives, these relationships could deteriorate in the future, and we could experience strikes, other industrial action or further unionization efforts.

We face various risks related to pandemics, epidemics or similar widespread public health concerns, the ultimate impact of which is outside our control, and which may materially and adversely affect our operations, cash flows and financial condition.

We face various risks related to pandemics, epidemics or similar widespread public health concerns, including the COVID-19 pandemic. A pandemic, epidemic or similar widespread health concern could have, and COVID-19 has had and will continue to have, a variety of impacts on our business, results of operations, cash flows and financial condition, including:

- our ability to continue to maintain and support the health, safety and well-being of our employees, including key employees;

- volatility in the demand for our products, which may be caused by the temporary inability of our consumers to purchase our products due to illness, financial hardship, quarantine, government actions mandating the closure of our distributors or retailers or imposing travel or movement restrictions, or restrictions of access to hospitals and

health care providers, leading to delayed therapeutical treatments, shifts in demand and consumption away from more discretionary products;

- increases in demand for certain of our products requiring us to increase our production capacity or acquire additional capacity at an additional cost and expense, as well as impact anticipated timelines and lead to delays;

- decreases in demand and sales for certain of our key products such as Amoxicillin Clavulanic Acid and other antibiotics due to reduced spread of contagious respiratory illnesses as a result of fewer in-person contacts between people;

- changes in regulatory policy, including restrictions on sales or export of certain products and materials.

- changes in purchasing patterns of our consumers, including the frequency of in-store visits by consumers to retailers and health professionals and a shift to purchasing our products online from e-commerce retailers;

- disruptions to our global supply chain (including the closure of manufacturing and distribution facilities) due to, among other things, the availability of raw and packaging materials or manufacturing components; a decrease on our workforce or in the efficiency of our workforce, including as a result of illness, travel restrictions, absenteeism or governmental regulations; and transportation and logistics challenges, including as a result of port and border closures and governmental restrictions or reduced shipping capacity;

- failure of third parties on which we rely, including our retailers, suppliers, contract manufacturers, logistics providers, customers, commercial banks and external business partners, to meet their obligations to Sandoz, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties;

- significant changes in the economic and political conditions of the markets in which we operate, which could restrict and have restricted our employees' ability to work and travel, could mandate and have mandated or caused the closure or certain distributors or retailers, our offices, shared business service centers and/or operating and manufacturing facilities, or otherwise could prevent or could have prevented us and our third-party partners, suppliers or customers from sufficiently staffing operations, including operations necessary for the manufacture, distribution, sale and support of our products;

- disruptions and volatility in the global capital markets, which may increase the cost of capital and/or adversely impact our access to capital; and/or

- volatility in foreign exchange rates and in raw and packaging materials and logistics costs.

Despite our efforts to manage these impacts, their ultimate effect also depends on factors beyond our knowledge and control, including the duration, severity and geographic scope of an outbreak, such as COVID-19, and the actions taken to contain its spread and mitigate its public health and economic effects.

Our purchased insurance coverage may not be sufficient to cover all of our property and casualty, business interruption and liability risks.

The Generics and Biosimilars businesses involve an inherent risk of product liability and any claims of this type could have an adverse impact on us (see also section "*Risk Factors – Risks Related to our Industry and our Business - Investigations and legal proceedings, including product liability or intellectual property lawsuits, may harm our business or otherwise distract our management*"). Furthermore, we have all the risks of property and casualty, general liability, business interruption and environmental liability exposures that are typical of a public enterprise with manufacturing and marketing activities. In accordance with industry practice and as a result of an assessment of our needed insurance program profile from time to time, we do not plan to be fully insured against all of these risks. Furthermore, not all mentioned risks are insurable, or are only insurable at a disproportionately high cost. Although we currently have and in the future intend to purchase insurance coverage from third parties in an amount that we consider adequate and consistent with industry standards and customer requirements, no assurance can be given that our purchased insurance coverage, assets and internally generated cash flows will be adequate to provide for future liability claims and other such losses as from the Spin-off. Any significant losses from these risks could have a material adverse effect on our business, financial condition or results of operations.

If any of numerous key assumptions and estimates in calculating our pension plan obligations turn out to be different from our actual experience, we may be required to substantially increase our contributions to pension plans as well as the amount we pay toward pension-related expenses in the future.

We sponsor or contribute to pension and other post-employment benefit plans in various forms. These plans cover a significant portion of our employees. While most of our plans are now defined contribution plans, certain of our employees remain under defined benefits plans. For these defined benefits plans, we are required to make significant assumptions and estimates about future events in calculating the present value of expected future plan expenses and liabilities. These include assumptions used to determine the discount rates we apply to estimated future liabilities and rates of future compensation increases. Assumptions and estimates we use may differ materially from the actual results we experience in the future, due to changing market and economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants, among other variables. Any differences between our assumptions and estimates and our actual experience could require us to make additional contributions to our pension funds. Further, additional employer contributions might be required if plan funding falls below the levels required by local rules. Either such event could have a material adverse effect on our business, financial condition or results of operations.

We are subject to laws and regulations targeting fraud, abuse, antitrust and corruption in the healthcare industry, as well as customs and trade sanctions, the violation of which could adversely affect our business or financial results.

Because of our extensive international operations, we could be materially and adversely affected by violations of worldwide anti-bribery and anti-corruption laws and regulations, including those that prohibit companies and their intermediaries from making improper payments to government officials or other third parties for the purpose of obtaining or retaining business, such as the US Foreign Corrupt Practices Act, the UK Bribery Act 2010, and other laws and regulations that prohibit commercial bribery. In addition, in certain jurisdictions, our

engagement with healthcare professionals and other external leaders (e.g., opinion leaders) is subject to applicable restrictions, such as the U.S. federal Anti-Kickback Statute. We cannot provide assurance that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees, external partners or agents. Similarly, due to our international operations, we could be materially and adversely affected by any violations of customs and trade sanctions, as well as antitrust laws or international sanctions laws, which continue to evolve in response to geopolitical events. Violations of these laws, or allegations of such violations, could disrupt our business and materially and adversely affect our reputation and our business, prospects, results of operations and financial condition.

There can be no guarantee that we will always achieve full compliance and a finding that we are in violation of, or out of compliance with, applicable laws or regulations could subject us to civil remedies, including fines, damages, injunctions or product recalls, or criminal sanctions, any of which could materially and adversely affect our business, results of operations and financial condition. Even if a claim is unsuccessful, is without merit or is not fully pursued, the cost of responding to such a claim, including management time and out-of-pocket expenses, and the negative publicity surrounding such assertions regarding our products, processes or business practices could materially and adversely affect our reputation, brand image and our business, prospects, results of operations and financial condition.

Legislative and regulatory reforms may impact our ability to develop and commercialize our products.

The global regulatory environment is increasingly stringent and unpredictable. Any changes or new requirements relating to the regulatory approval process or post-market requirements applicable to our products in any jurisdiction could be costly and onerous to comply with and could have an adverse effect on our business, financial condition and results of operations. Requirements continue to differ significantly among countries. We expect this global regulatory environment to continue to evolve and may become more stringent, which could impact the cost of the time needed to approve, and ultimately, our ability to maintain existing approvals or obtain future approvals for our products.

New legislation and new regulations and interpretations of existing health care statutes and regulations are frequently adopted which could affect our future business. For instance, new regulations in certain countries (including laws related to tenders) and government policies may have the effect to support local manufacturers and disadvantage multinational enterprises and, directly or indirectly, negatively impact our sales and expected sales growth. For example, in 2023, the Unified Patent Court ("**UPC**") is expected to be introduced, which will provide an entirely novel pan-European patent litigation framework, creating new uncertainties for all users of the patent system in Europe. This new system will provide a process to obtain a pan-European injunction in one litigation which may have a material impact on our business. Further, with respect to the impacts of the pricing controls expected to come into effect in the United States as a result of the IRA, please see section "*Risk Factors – Risks Related to our Industry and our Business – Pricing pressure from changes in third-party payor coverage, governmental claw-back claims and reimbursement methodologies and potential regulatory price controls may impact our ability to sell our products at prices necessary to support our current business strategy*".

We are subject to environmental, health and safety laws and regulations, and may face significant costs or liabilities associated with environmental, health and safety

matters.

We are subject to numerous environmental, health and safety laws and regulations, including relating to the discharge of regulated materials into the environment, human health and safety, laboratory procedures and the generation, handling, use, storage, treatment, release and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. Where appropriate, we contract with third parties for the disposal of these hazardous materials and wastes to ensure compliance with applicable laws and regulations. Nevertheless, we cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our generation, handling, use, storage, treatment, release or disposal of hazardous materials or wastes, we could be held liable for any resulting damages, and any liability could materially adversely affect our business, operating results or financial condition. Although we maintain workers' compensation insurance, this insurance may not provide adequate coverage against all potential liabilities. If we fail to comply with applicable environmental, health and safety laws and regulations, we may face significant administrative, civil or criminal fines, penalties or other sanctions. In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations, which have tended to become more stringent over time, including any potential laws and regulations that may be implemented in the future to address global climate change concerns.

In this context, the EU has initiated the "European Green Deal" implementing a comprehensive strategy to transform the EU's economy, aiming to achieve the EU's sustainable development goals. This includes a zero-pollution ambition for the EU economy, mobilizing industry for a clean and circular economy, saving resources and energy throughout various sectors of the EU economy. As a consequence, the EU is currently revising its environmental, health and safety laws, consequently extending producers' responsibilities. The revision of the Urban Waste Water Treatment Directive and other laws directly linked to this, such as the Environmental Quality Standards Directive, the Industrial Emissions Directive and the Groundwater Directive, are setting up extended producer responsibility schemes, energy neutrality targets and reduction of greenhouse gas emissions. Compliance with such current or future environmental, health and safety laws and regulations may result in substantial capital, compliance, operating and maintenance costs and may impair our research, development or production efforts.

We are a multinational business that operates in numerous tax jurisdictions. Changes in tax law or their application in the jurisdictions in which we operate, or successful challenges to our tax positions by tax authorities, could adversely affect our results of operations.

We conduct operations globally, and as such, are subject to taxes in multiple jurisdictions. In the ordinary course of our business, certain judgment and estimation is required in determining our provision of income, sales, value-added and other taxes and duties (including but not limited to stamp duties, custom duties, and excise taxes) as well as employment taxes and social security contributions. Accordingly, there may be various transactions for which the ultimate tax determination or the timing of the tax effect is uncertain.

We are regularly audited, and our tax calculations and interpretation of laws are regularly reviewed by tax authorities. We believe that we operate in compliance with our tax filing

obligations and that our tax estimates are reasonable; however, the final determination of any such tax audits or reviews could differ from our tax provisions and accruals, and any additional tax liabilities resulting from such final determination or any interest or any penalties or any regulatory, administrative or other sanctions relating thereto could have a material adverse effect on our business, results of operations and financial condition.

We may become involved in proceedings with national or regional tax authorities in case different views are taken on our tax positions.

While we attempt to assess in advance the likelihood of adverse judgments or outcomes to these proceedings or claims, it is difficult to predict final outcomes with certainty. If the outcome of such tax proceedings is adverse, this could result in a material adverse effect on our business, results of operations and financial condition.

The tax laws of the jurisdictions in which we operate generally require that the transfer prices between affiliated companies in different jurisdictions be the same as those between unrelated companies dealing at arm's length, and that such prices are supported by contemporaneous documentation. We believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so; however, our transfer pricing procedures are not binding on applicable tax authorities and could be challenged by tax authorities. If such intercompany transactions were to be successfully challenged as not reflecting arm's length transactions, we could be required to adjust such transfer prices and thereby reallocate part of our income to reflect these revised transfer prices, which could result in a higher overall tax liability to us, and possibly interest and penalties.

Additionally, the integrated nature of our worldwide operations can produce conflicting claims from tax authorities in different countries as to the profits to be taxed in the individual countries (including claims of tax residence or permanent establishment). The majority of the jurisdictions in which we operate have double tax treaties with other foreign jurisdictions, which provide a framework for mitigating the impact of double taxation on our revenues and capital gains. However, mechanisms developed to resolve such conflicting claims can be very lengthy and costly, without certainty that a double taxation may be resolved.

In recent years, international tax regulations and initiatives have led to increased focus on tax transparency and international exchange of information between tax authorities. In this context, the Organization for Economic Co-operation and Development ("**OECD**") first introduced its Base Erosion and Profit Shifting ("**BEPS**") Action Plan to address issues relating to aggressive tax planning and cross-border taxation, with a specific focus on transfer pricing. The BEPS project has been further expanded and is organized around a two-pillar approach implementing (i) a new taxing right in market jurisdictions independently of physical presence of the taxpayer in such jurisdiction (Pillar One) and (ii) a global minimum effective tax rate (Pillar Two).

In parallel, the European Commission continues its efforts to prevent EU-wide tax avoidance to ensure that companies pay appropriate taxes in the markets where profits are effectively made and business is effectively performed (with, for example, the entry into force of the Directive (EU) 2018/822 ("**DAC6**") pursuant to which companies are required to report certain cross-border arrangements or transactions which involve at least one EU resident).

Further, on August 16, 2022, the U.S. government enacted the Inflation Reduction Act of

2022 (the "**IRA**"), which includes a 15% corporate alternative minimum tax for certain large corporations and a 1% excise tax on certain share repurchases by U.S. domestic subsidiaries of publicly traded foreign corporations. These provisions are generally effective for tax years beginning after December 31, 2022. If we become subject to additional taxes under the IRA, our financial condition and our operations could be negatively impacted.

We have taken steps to comply with the evolving tax initiatives and will continue to do so. The outcome of certain of these initiatives and their impact on Sandoz as a taxpayer cannot be fully assessed yet.

In general, tax reform initiatives, including with respect to tax base or rate, transfer pricing, intercompany dividends, cross border transactions, controlled corporations, and limitations on tax relief allowed on the interest on intercompany debt as well as a minimum tax according to Pillar Two could increase our compliance and administrative costs and could lead to an increased risk of international and domestic tax disputes, an increase in the effective tax rate and could adversely affect our financial condition.

Intangible and other long-lived assets and goodwill on our books may lead to significant impairment charges in the future.

We carry a significant amount of goodwill and other intangible assets on our combined balance sheet, including, in particular, substantial goodwill obtained through acquisitions, and other intangible assets representing our technologies, currently marketed products and in-process development. As a result, we may incur significant impairment charges in the future if the fair value of the intangible assets and the groupings of cash generating units containing goodwill would be less than their carrying value on our combined balance sheet at any point in time.

We regularly review our long-lived intangible and tangible assets for impairment. Goodwill and acquired development projects not yet ready for use are subject to impairment review at least annually. Other long-lived assets are reviewed for impairment when there is an indication that an impairment may have occurred. As a result, we may incur significant impairment charges in the future in the fair value of such long-lived assets.

For a detailed discussion of how we determine whether an impairment has occurred, what factors could result in an impairment and the impact of impairment charges on our results of operations, see Note 3 – "*Significant accounting policies—Impairment of goodwill and intangible assets*" to the Sandoz Business Combined Financial Statements included elsewhere in this Listing Prospectus.

Our existing and future debt agreements may limit our flexibility to operate our business or adversely affect our business and liquidity position.

In connection with the Spin-off, we expect to incur approximately USD 3.75 billion in total indebtedness (see sections "*Capitalization and Indebtedness*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Description of New Facilities*"). In addition, we may incur additional indebtedness in the future and, if we are unable to raise sufficient debt on acceptable terms, we may be required to agree to less favorable terms than desired, such as higher interest rates or more restrictive covenants (see also "*Risk Factors – Risks Related to our Industry and our Business – The*

unstable global economic and financial environment in many countries and increasing political and social instability may have a material adverse effect on our results of operations due to the global nature of our business" and "*Risk Factors – Risks Related to our Industry and our Business – We may need to obtain additional financing which may not be available or, if it is available, may result in a reduction in the percentage ownership of our then-existing shareholders*"). Our existing and any future debt may require us to dedicate a portion of our cash flows to service interest and principal payments and, if interest rates rise, this amount may increase. Our indebtedness may also increase from time to time in the future for various reasons, including fluctuations in operating results, capital expenditures, as a result of litigation and potential acquisitions.

Any indebtedness we incur could:

- make it difficult for us to satisfy our obligations, including making interest payments on our debt obligations;

- require us to dedicate a portion of our cash flows to payments on our debt, reducing our ability to use our cash flows to fund capital expenditures, BD&L and M&A or other strategic transactions, working capital and other general operational requirements, or to pay dividends to our shareholders or undertake share repurchases;

- limit our flexibility to plan for and react to changes in our business;

- negatively impact our credit rating and increase the cost of servicing our debt, affect our liquidity, capital position and access to capital markets;

- place us at a competitive disadvantage versus some of our competitors that have (in relative terms) less debt than us;

- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates or a downturn in our business or the economy; and

- make it difficult to refinance our existing and expected debt or incur new debt on terms that we would consider to be commercially reasonable, if at all.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition or result of operations or cause a significant decrease in our liquidity and impair our ability to pay amounts due on our indebtedness.

We may need to obtain additional financing which may not be available or, if it is available, may result in a reduction in the percentage ownership of our then-existing shareholders.

We may need to raise additional funds for a variety of reasons, including but not limited to:

- refinance our existing and expected indebtedness;

- develop, expand or enhance our infrastructure and our products and services;

- engage in BD&L, M&A and other strategic transactions;

- fund strategic relationships;
- finance unanticipated working capital requirements (including as a result of litigation);
- respond to competitive pressures; and
- otherwise acquire complementary businesses, technologies, products or services.

Additional debt financing may not be available on terms favorable to us, or at all, including as a result of macroeconomic factors, the actions of central banks and other factors beyond our control. If adequate debt funds are not available or are not available on acceptable terms, our ability to finance unanticipated working capital and cash requirements, fund any potential expansion strategy, take advantage of unanticipated opportunities, develop or enhance technology or services or otherwise respond to competitive pressures could be significantly limited. If the Company raises additional funds by issuing equity or securities convertible into Shares, the percentage ownership of its then-existing shareholders may be reduced, and holders of these securities may have rights, preferences or privileges senior to those of the Company's then-existing shareholders.

Failure to maintain satisfactory credit ratings could adversely affect our liquidity, capital position, borrowing costs and access to capital markets.

We expect that credit rating agencies will routinely evaluate us, and their ratings of our long-term and short-term debt will be based on a number of factors. Once a credit rating is obtained, any downgrade of that rating by a credit rating agency, whether as a result of our actions or factors which are beyond our control, could increase the cost of borrowing under any indebtedness we may incur or require the posting of additional collateral under our derivative contracts. We cannot assure that we will be able to maintain satisfactory credit ratings once established, and any actual or anticipated changes or downgrades in our credit ratings, including any change in outlook or announcement that our ratings are under review for a downgrade, could adversely affect our liquidity, capital position, borrowing costs or access to capital markets.

Risks Related to the Separation from Novartis

As a result of the Spin-off, we may not be in the same beneficial position we were as a subsidiary of Novartis with respect to several aspects, including capital base, infrastructure, status among business partners and established relationships with governments and regulators, or the realization of benefits of the Spin-off may be delayed.

Upon Completion of the Spin-off, we will be an independent public company. As an independent public company, we may not be able to issue debt or equity on terms acceptable to us or at all and we may not be able to attract and retain employees as desired. We also may not fully realize the anticipated benefits of the separation and of being an independent group, or the realization of such benefits may be delayed, if any of the risks identified in this "Risk Factors" section, or other events, were to occur. For example, the transfer to us of certain businesses, including in Chile, Costa Rica, Ecuador, Greece, Hong Kong, Malaysia, Panama, Singapore, Taiwan, Thailand and Vietnam, by Novartis may be delayed due to local operational and other requirements. Although Novartis is expected to pass through to us the risks

and benefits of such businesses until such transfers are completed, the transfers may take longer than expected. In addition, the transfer of the entity in Egypt is subject to regulatory approval which may be delayed or not granted at all. For regulatory reasons, Novartis may be unable to pass the risks and benefits of such entity to us until the relevant approval is obtained. See also section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Separation and Distribution Agreement – Transfer of Assets and Assumption of Liabilities*".

In addition, as part of the Novartis Group, we enjoyed certain benefits, including:

- strong capital base and financial strength;
- access to Novartis global information technology infrastructure;
- preferred status among its partners, employees, customers and suppliers;
- cost savings regarding supply procurement; and
- established relationships with government regulators.

As a separate public company, we will be smaller and less diversified than Novartis, and we may not have access to financial and other resources comparable to those available to Novartis prior to the separation and Spin-off. We cannot fully predict the effect that the Spin-off and the separation will have on our relationship with partners or employees or our relationship with government regulators. We may also be unable to obtain goods, technology and services at prices and on terms as favorable as those available to us prior to the Spin-off. Furthermore, as a less diversified business, we may be more likely to be negatively impacted by changes in global market conditions, regulatory reforms and other industry factors, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

In our Biosimilars business, we will be dependent on Novartis for technical development and manufacturing after the Spin-off for a significant time, and we may not be able to successfully build a profitable and high-quality stand-alone Biosimilars technical development and manufacturing capability.

In connection with the separation and Spin-off, Sandoz will enter into a Development Collaboration Agreement ("**DCA**") as well as a Manufacturing and Supply Agreement ("**MSA**") under which Novartis will respectively support the technical development of certain Sandoz Biosimilar launch assets and pipeline for a period of five years (with a possibility for extension by another two years in certain circumstances) after the Spin-off, and provide the commercial manufacture and supply of in-market Biosimilar products and certain launched pipeline Biosimilar products for the first ten years after the Spin-off. Therefore, this critical area of our business will remain highly dependent on Novartis for a considerable period. In addition, our ability to obtain redress or recourse in case that Novartis fails to perform under these agreements may be limited (see section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis*").

Whilst we continue to assess strategic options, we are taking first steps to build up our own end-to-end technical development as well as manufacturing capabilities in Biosimilars in order

to have the necessary capabilities in place prior to the expiration of the DCA and MSA (see also section "*Sandoz and Its Business – Manufacturing Capabilities and Suppliers – Manufacturing*"). Creating our own organization over the few next years will carry intrinsic risks, including, but not limited to, the processes for both building laboratory and processing facilities for developing and manufacturing cell lines, Biosimilar products and devices, which is highly complex and capital intensive. Furthermore, building a new "fit for purpose" Biosimilars technical development as well as manufacturing organization will present significant challenges in terms of access to and attraction of talents and know-how. We may not be able to adequately develop these capabilities on the anticipated timeframe or at all.

As we shift to a stand-alone model by building new sites and qualifying new suppliers, there will technical and/or be regulatory risks associated with products transfers which may result in approvals or launch delays and consequently may impact products' profitability (see also "*Risk Factors – Risks Related to our Industry and our Business – Generics and Biosimilars manufacturing is highly regulated and complex, and we are, for example, subject to principles of good manufacturing practices and good distribution practices as well as respective controls by competent authorities, which may increase our cost of goods for various reasons and lead to extended supply disruptions and significant liability*").

We may not achieve some or all of the expected benefits of the separation and Spin-off, and the separation and Spin-off may adversely affect our business.

We may not be able to achieve the full strategic and financial benefits expected to result from the separation and Spin-off, or such benefits may be delayed or not occur at all. The separation and Spin-off are expected to provide the following benefits, among others:

- enhanced strategic and management focus;
- ability to pursue independent growth strategies;
- distinct investment thesis;
- more efficient allocation of capital; and
- clearer alignment of incentives with performance objectives.

We may not achieve these and other anticipated benefits for a variety of reasons, including, among others:

- the separation will require significant amounts of management's time and effort, which may divert management's attention from operating and growing our business;
- following the separation and the Spin-off, we may be more susceptible to market fluctuations and other adverse events than if we were still a part of Novartis;
- the costs associated with being an independent public company;
- following the separation and the Spin-off, our business will be less diversified than the Novartis business prior to the separation; and

- the other actions required to separate Sandoz' and Novartis' respective businesses could disrupt our operations.

Furthermore, as a division of the Novartis Group, in the period prior to the Spin-off, we may not have been able to pursue certain business development activities that may otherwise have been considered and were possible for our competitors in the Generics space. This may put us at a disadvantage vis-à-vis our competitors in the initial years after the Spin-off.

In addition, some synergies may be lost in the "authorized Generics" space. Authorized Generics arrangements are where an innovator company authorizes a Generics company to distribute identical, but unbranded generic versions of the innovator company's products. As part of the Novartis Group, Sandoz benefitted by having certain simplified access to innovative medicines products' marketing and regulatory authorization information, and therefore did not need to evaluate alternative options, which could have resulted in complex negotiations with independent innovator companies. As a separate organization, Sandoz may not be able to obtain (or obtain as quickly) similar rights to register and distribute authorized Generics from Novartis, which may adversely affect our business.

According to the authorized Generics agreement with Novartis (the "**RxGx Agreement**") pursuant to which we will continue to be authorized, for a limited time after the separation and Spin-off, to purchase from Novartis supply of, and to commercialize, certain in-market and pipeline Generic products based on Novartis' dossiers of Novartis branded products (the "**RxGx Products**"), we are expressly prohibited from launching pipeline RxGx Products until certain launch conditions (which would not be applicable to other market participants) have been satisfied. See section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Authorized Generics Agreement*". Any delays in satisfying these conditions could adversely impact our ability to be an effective participant in the relevant markets, which could have a material adverse effect on our business, financial condition and results of operations.

If we fail to achieve some or all of the benefits expected to result from the separation and Spin-off, or if such benefits are delayed or if we are not able to launch alternative versions of the RxGx Products prior to expiry of the RxGx Agreement, our business, financial conditions and results of operations could be materially adversely affected.

Pursuant to the Separation and Distribution Agreement, we may be required to pay a contractual penalty if there is a material breach of certain restrictive covenants.

Pursuant to the Separation and Distribution Agreement, we may be required to pay to Novartis a contractual penalty in the event of a material breach of (a) the non-competition, IP challenge/marketing authorization, confidentiality and non-use obligations set forth in the Separation and Distribution Agreement or (b) the restrictions on reverse engineering product-specific cell lines to derive quantitative composition of cell culture media set forth in the Development and Collaboration Agreement and patent and know-how license agreement (see section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Separation and Distribution Agreement*"). The amount of such penalty is equal to the aggregate amount of the sales of each Novartis product which has its sales adversely impacted by the material breach in each country where sales of the relevant Novartis product were adversely impacted in the 12-month period immediately prior to the breach.

The amount of any contractual penalties payable by us in connection with any breach, together with cost of investigating and (subject to customary protections against double recovery) any damages for losses which are not recoverable pursuant to the contractual penalty (including in respect of any losses exceeding the contractual penalty amount), and if appropriate, defending against such claims and resulting management distraction, could have a material adverse effect on our business, financial condition and results of operations.

Historically, the Sandoz Business has operated as a division of Novartis and its historical financial information is not necessarily representative of the results the Sandoz Business would have achieved as an independent group and may not be a reliable indicator of our future results.

Our historical financial statements have been derived (carved-out) from the Novartis consolidated financial statements and accounting records. This carve-out information does not necessarily reflect the financial position, results of operations and cash flows we would have achieved as an independent group during the periods presented, or those that we will achieve in the future.

This is primarily because of the following factors:

- The business of Sandoz did not form a separate legal group of companies in all years presented in our combined financial statements. They include all Sandoz subsidiaries and all Sandoz Business operated within Novartis Group subsidiaries.

- Income taxes attributable to our business were determined using the separate return approach, under which current income taxes, including uncertain tax positions, and deferred income taxes are calculated as if a separate tax return had been prepared in each tax jurisdiction. In various tax jurisdictions, the Sandoz and Novartis businesses operated within the same legal entity and certain Sandoz subsidiaries were part of a Novartis tax group. This required an assumption that the subsidiaries and operations of Sandoz in those tax jurisdictions operated on a standalone basis and constitute separate taxable entities. Actual outcomes and results could differ from these separate tax return estimates, including those estimates and assumptions related to realization of tax benefits within certain Novartis tax groups (see Notes 8 and 12 of the Sandoz Business Combined Financial Statements for additional disclosures on income taxes).

- Our combined financial statements include an allocation and charges of expenses related to certain Novartis functions such as those related to financial reporting and accounting operations, human resources, real estate and facilities services, procurement and information technology. However, the allocations and charges may not be indicative of the actual expense that would have been incurred had the Company operated as an independent, publicly traded company for the periods presented therein.

- Our combined financial statements include an allocation from Novartis of certain corporate-related general and administrative expenses that the Company would incur as a publicly traded company that it has not previously incurred. The allocation of these additional expenses, which are included in the combined financial statements, may not be indicative of the actual expense that would have been incurred had the Company operated as an independent, publicly traded company for the periods presented therein.

- Novartis' technical operations unit managed the production, supply chain and quality of the innovative medicines and the Sandoz division of the Novartis Group. Certain Novartis manufacturing sites perform production services for both the innovative medicines and the Sandoz division of the Novartis Group ("multi-divisional manufacturing sites"). Our combined financial statements include the carrying value of the manufacturing sites where the majority of the production is attributable to Sandoz, even though such sites may not be transferred to Sandoz (the major user). However, the combined financial statements do not include the additional costs, such as mark-ups, relating to such manufacturing sites that will be imposed to Sandoz after the Spin-off under the manufacturing and supply agreements entered into between Sandoz and Novartis. For further details, please refer to the (unaudited) Sandoz Business Pro Forma Combined Financial Statements – Note 1.

- In connection with the separation, we expect to incur one-time costs of approximately USD 0.5-0.6 billion after the Completion of the Spin-off mostly relating to the transfer of information technology systems, manufacturing site infrastructure and marketing authorizations from Novartis to Sandoz. We expect to incur these expenses during the next two to three years.

- As part of Novartis, we historically benefited from discounted pricing with certain suppliers as a result of the buying power of Novartis. As a separate entity, we may not obtain the same level of supplier discounts historically received.

- In connection with the Spin-off, we expect to incur approximately USD 3.75 billion in total indebtedness that replaces existing intercompany debt from Novartis in the amount of approximately USD 2.9 billion (see sections "*Capitalization and Indebtedness*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Description of New Facilities*" as well as the (unaudited) Sandoz Business Pro Forma Combined Financial Statements – Note 2). Such change in indebtedness and the related interest expenses associated with such debt are not reflected in our combined financial statements.

Therefore, our historical financial information may not necessarily be indicative of our future financial position, results of operations or cash flows, and the occurrence of any of the risks discussed in this risk factor, or any other event, could cause our future financial position, results of operations or cash flows to materially differ from our historical financial information.

Our ability to operate our business effectively may suffer if we do not, quickly and cost effectively, establish our own administrative and support functions necessary to operate as an independent public company. In addition, the transfer of information technology systems from Novartis to Sandoz may be complex, time consuming and costly, and we will be dependent on the ability to access Sandoz-related data, books and records from Novartis.

As a division of Novartis, we historically relied on financial (including financial and compliance controls) and certain administrative, operational, legal and other resources of Novartis to operate our business. In particular, Novartis historically provided us with services across the following service domains: quality and pharmacovigilance, human resources operations, pension administration, legal, real estate and facility services, including site security and executive protection, procurement, information technology, information security, commercial and

medical support services and financial reporting and accounting operations.

In connection with our separation from Novartis, we are creating our own financial, administrative, corporate governance and listed company compliance and other support systems, including for the services Novartis had historically provided to us, or expects to contract with third parties to replace Novartis systems that we are not establishing internally. We expect this process to be complex, time consuming and costly. In addition, we are also establishing or expanding our own tax, treasury, internal audit, investor relations, corporate governance and listed company compliance and other corporate functions.

These corporate functions fall beyond the scope of the operational service domains formerly provided by Novartis and will require us to develop new independent corporate functions. We expect to incur one-time costs to replicate, or outsource from other providers, these corporate functions to replace the additional corporate services that Novartis historically provided to Sandoz prior to the separation. Novartis will continue to provide support for certain of our key business functions and provide transitional pension administration arrangements after the Spin-off for an expected period of 24 months pursuant to a Transitional Services Agreement and certain other agreements the Company will enter into with Novartis. Any failure or significant downtime in our own financial, administrative or other support systems or in the Novartis financial, administrative or other support systems during the transitional period in which Novartis provides Sandoz with support could negatively impact our results of operations or prevent us from paying our suppliers and employees, executing business combinations and foreign currency transactions or performing administrative or other services on a timely basis, which could negatively affect our results of operations.

In particular, our day-to-day business operations rely on our and Novartis' information technology systems. Roughly 1,500 applications will be provided by Novartis under the Transitional Services Agreement. These applications and services are essential for all our business areas, including (inter alia) finance, people management and manufacturing. Furthermore, we will receive user specific services around communication and end devices from Novartis and gradually (location by location) transition into our own operations. Information security services (e.g., cyber security) have to be newly created for Sandoz and we will need to have an independent, functioning safety database with complete migration of legacy data from Novartis' host database.

We expect the transfer of information technology systems from Novartis to Sandoz to be complex, time consuming and costly. There is also a risk of data loss in the process of transferring information technology. As a result of our reliance on information technology systems, the cost of such information technology integration and transfer and any such loss of key data could have an adverse effect on our business, financial condition and results of operations. In addition, for a significant period we will be dependent on the ability to access Sandoz-related data, books and records from Novartis. Even though such access is covered under the separation agreements, from a practical and operational perspective the identification, gathering and extraction of the relevant information could be a challenging and time-consuming activity. Failure to access the relevant documentation, or any delay, could have an adverse impact on our business, financial condition and results of operations.

Further, as an independent public company, the Company will incur significant legal, accounting and other expenses that we did not incur as a division of Novartis.

Furthermore, the listing of the Company's Shares on the SIX will require the Company to comply with the SIX listing, reporting and other regulations. Compliance with these regulations will require time and effort from management.

The transitional services Novartis has agreed to provide to us may not be sufficient for our needs. In addition, we or Novartis may fail to perform under various transitional services or transaction agreements that will be executed as part of the separation, or we may fail to have necessary systems and services in place as and when transitional service agreements expire.

In connection with the separation, Sandoz and Novartis intend to enter into a Separation and Distribution Agreement and will enter into various other agreements, including the Transitional Services Agreement, Tax Matters Agreement, Employee Matters Agreement, Manufacturing and Supply Agreements, IP licenses, Development and Collaboration Agreement and other separation-related operational agreements. See section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis*". Certain of these agreements will provide for the performance of key business services by Novartis for our benefit for a period of time after the separation. These services may not be sufficient to meet our needs. In addition, our ability to obtain redress or recourse in case that Novartis fails to perform under certain of these agreements may be limited (see section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis*").

We will rely on Novartis to satisfy our performance and payment obligations under these agreements. If Novartis is unable to satisfy or partially satisfy our obligations under these agreements, including our indemnification obligations, we could incur operational difficulties or losses. If we do not have in place our own systems and services in a timely manner, or if we do not have agreements with other providers of these services once certain transitional agreements expire, we may not be able to operate our business effectively and this may have an adverse effect on our business, financial condition and results of operations. In addition, after the Company's agreements with Novartis expire, we may not be able to obtain these services at as favorable prices or on as favorable terms.

We may experience an interruption in the supply of our products to certain countries as a result of the Group's separation, including the change in name and corporate form of some of the Company's subsidiaries in connection with the separation.

In connection with the separation, some of the Company's (direct or indirect) subsidiaries may undergo a change in corporate form, which would result in a change in the legal name of such entities. To the extent any regulatory registrations, licenses or authorizations, such as marketing authorizations, or the establishment of registrations or clinical trial applications or notifications have been granted to such entities, we may be required to notify regulatory authorities or to update such registrations or authorizations as a result of the name changes. We may also be required to update the labeling of certain of our existing products to reflect the name changes, and we may be prohibited from selling our existing inventory of products that are packaged with old labels. Relabeling our products will be a costly and time-consuming process.

We cannot assure that we will be able to obtain the necessary regulatory approvals to operate and market or sell our products through these entities in all affected jurisdictions or that we

will manage to relabel our products in a timely manner. If we fail to obtain such necessary approvals in any affected jurisdiction or to relabel our products by the later of the effective date of the legal name change or the expiration of any applicable grace period in a given jurisdiction, we may experience an interruption in the supply of our products in such affected jurisdictions until the necessary approvals have been obtained or until our products have been relabeled, which could have a material adverse effect on our business, financial condition and results of operations.

The separation and Spin-off could result in significant tax liability to Novartis and us, and in certain circumstances, we could be required to indemnify Novartis for material taxes pursuant to indemnification obligations under the Tax Matters Agreement. In addition, the Company will agree to certain restrictions designed to preserve the tax treatment of the separation and Spin-off that may reduce our strategic and operating flexibility.

The relevant Swiss tax consequences of the separation and Spin-off have been taken up with the Swiss tax authorities. Novartis has received written confirmations (the "**Swiss Tax Rulings**") from the Swiss Federal Tax Administration and from the tax administrations of the Cantons of Zug and Basel-Stadt addressing the relevant Swiss tax consequences of the separation and Spin-off as described in the Swiss Tax Rulings. Certain tax attributes or latent tax positions may transfer to the Company and Swiss group companies in the course of tax neutral restructurings.

In addition, Novartis has received a private letter ruling from the U.S. Internal Revenue Service (the "**IRS**", and such ruling, the "**IRS Ruling**") and expects to obtain a written opinion of Cravath, Swaine & Moore LLP, counsel to Novartis (the "**Tax Opinion**") to the effect that the Spin-off should qualify for nonrecognition of gain or loss to Novartis and its shareholders under Section 355 of the U.S. Internal Revenue Code of 1986, as amended.

The Swiss Tax Rulings and the IRS Ruling (together, the "**Tax Rulings**") are, and the Tax Opinion will be, based on certain representations as to factual matters from, and certain covenants by, Novartis and the Company. Neither the Tax Rulings nor the Tax Opinion will be able to be relied on if any of the assumptions, representations or covenants are incorrect, incomplete or inaccurate or are violated in any material respect. The Tax Opinion and the Tax Rulings will not be binding in any court, and no assurance can be given that the relevant tax authorities or any court will not take a contrary position.

If the separation and/or Spin-off were determined not to qualify for the treatments described in the Tax Rulings and Tax Opinion, or if any conditions in the Tax Rulings or Tax Opinion are not observed, then the Company and its group entities could suffer adverse Swiss stamp duty and capital tax and Novartis could suffer Swiss and U.S. income, withholding and capital gains tax consequences and, under certain circumstances, the Company could have an indemnification obligation to Novartis with respect to some or all of the resulting tax to Novartis under the tax matters agreement (the "**Tax Matters Agreement**") the Company intends to enter into with Novartis, as described in section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Tax Matters Agreement*".

In addition, under the Tax Matters Agreement, the Company will agree to certain restrictions designed to preserve the expected tax neutral nature of the separation and the Spin-off for

Swiss tax and U.S. federal income tax purposes. These restrictions may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that might be beneficial and could discourage or delay strategic transactions that the Company's shareholders may consider favorable. See section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Tax Matters Agreement*" for more information.

Risks Related to the Spin-off and Ownership of the Company's Shares and ADRs

The price of the Shares and ADRs after the Spin-off may be volatile.

The price of the Shares and ADRs after the Spin-off may be volatile and may fluctuate due to factors including:

- the success of our products and our ability to maintain our position in our markets;
- market conditions in the Generics and Biosimilars markets;
- the success of our development efforts in bringing generic versions of medicinal products to market;
- available manufacturing capabilities, capacities, manufacturing cost structure and reliability of supply
- changes in third-party payor coverage and reimbursement methodologies;
- general economic, industry and market conditions;
- the maintenance of our relationships with healthcare providers;
- certain inventory management risks;
- our reliance on outsourcing key business functions, such as development and manufacturing, to third parties;
- our ability to attract and retain qualified personnel;
- regulatory or legal developments (including healthcare reform) in our main markets;
- changes in tax laws;
- future sales or dispositions of the Shares or ADRs;
- securities or industry analysts issuing opinions adverse to the Company;
- other developments affecting us, our industry or our competitors; and
- the other factors described in this "Risk Factors" section.

The market price for the Shares and ADRs may be volatile. This market volatility, as well as

general economic, market or political conditions, could reduce the market price of the Shares and ADRs despite the Company's operating performance.

Substantial sales of the Shares and/or ADRs may occur following the Spin-off, which could cause the price of the Shares and/or ADRs to decline.

Novartis shareholders or Novartis ADR holders receiving Shares or ADRs in the Spin-off may sell those Shares or ADRs immediately in the public market. It is likely that some Novartis shareholders, including some of its larger shareholders, will sell their Shares and/or ADRs received in the Spin-off. This can be due to the Company's business profile, its market capitalization as an independent company or other features that do not fit their investment objectives, or these investors consider holding Shares and/or ADRs to be impractical or difficult due to listing, tax or other considerations. In the case of index funds that track indices that the Company is not part of, these funds will be forced to sell their Shares and/or ADRs. The sales of significant amounts of the Shares or ADRs, or the perception in the market that this will occur, may decrease the market price of the Shares and/or ADRs immediately after the Spin-off.

The combined post-Spin-off value of the Shares or ADRs and Novartis shares or Novartis ADRs may not equal or exceed the aggregate pre-Spin-off value of Novartis shares or Novartis ADRs.

After the Spin-off, Novartis shares will continue to be listed and traded on the SIX and Novartis ADRs will continue to be listed and traded on the NYSE. The Shares will be traded under the symbol "SDZ" on the SIX and the ADRs are expected to be quoted on the over-the-counter market and not to be traded on a U.S. national securities exchange. As a result of the Spin-off, Novartis expects the trading prices of Novartis shares and Novartis ADRs at market opening on October 4, 2023 to be lower than the trading prices at market close on October 3, 2023, because the trading prices will no longer reflect the value of the Sandoz Business. No assurance can be given that the aggregate market value of the Novartis shares or Novartis ADRs and the Shares or ADRs following the Spin-off will be higher than, equal to or lower than the market value of Novartis shares or Novartis ADRs if the Spin-off had not occurred. This means, for example, that the combined trading prices of one Novartis share or Novartis ADR and one-fifth of a Share or ADR after markets open on October 4, 2023 (representing the number of Shares or ADRs to be received per every one Novartis share or Novartis ADR in the distribution) may be equal to, greater than or less than the trading price of one Novartis share or Novartis ADR before October 4, 2023. In addition, following the close of business on October 3, 2023 but before the commencement of trading on October 4, 2023, the Novartis shares and Novartis ADRs will reflect an ownership interest solely in Novartis and will not include the right to receive any Shares or ADRs in the Spin-off, but may not yet accurately reflect the value of such Novartis shares or Novartis ADRs excluding the Sandoz Business.

An active trading market for the Shares may fail to develop or continue after the Spin-off and the market price for the Shares may be volatile following the Spin-off.

Although the Shares are expected to be listed pursuant to the International Reporting Standard of SIX Swiss Exchange, there is no guarantee that active trading in the Shares will develop and/or continue after the Spin-off. If no active trading in the Shares develops or continues after the Listing, there could be a material adverse effect on the liquidity and market price of the Shares. The market price for the Shares could also be negatively influenced by adverse

developments affecting the general economic or investment climate. In addition, geopolitical factors such as war or acts of terrorism may indirectly adversely affect the market price of the Shares (see also section "*Risk Factors – Risks Related to our Industry and our Business – Russia's invasion of Ukraine, the broader economic consequences of the invasion and related sanctions and similar actions or laws could adversely affect our business activities and customers*"). If an active trading market for the Shares fails to develop and continue after the Spin-off, the market price for the Shares may decrease.

No assurance can be given that the Company will pay or declare dividends.

Although we currently expect that the Company will pay a regular full-year cash dividend beginning in 2024 equivalent to approximately 20-30% of full-year 2023 core net income, increasing to 30-40% over the mid-term (by 2028), no assurance can be given that the Company will pay or declare dividends in the future. The Company's Board may, in its discretion, recommend the payment of a dividend in respect of a given business year. In addition, the declaration, timing, and amount of any dividends to be paid by the Company following the Spin-off will be subject to the approval of the Company's shareholders at the relevant annual General Meeting of shareholders. The determination of the Company's Board as to whether to recommend a dividend and the approval of any such proposed dividend by the Company's shareholders will depend upon many factors, including our financial condition, earnings, corporate strategy, capital requirements of the Company's operating subsidiaries, covenants, legal requirements and other factors deemed relevant by the Company's Board and shareholders. See section "*Dividends and Dividend Policy – Dividend Policy*" for more information.

The future issuance of equity, or securities that are convertible into equity, by the Company could immediately and substantially dilute shareholders' ownership interest.

The Company may choose to raise additional capital in the future, depending on market conditions or strategic considerations. To the extent that additional capital is raised through the issuance of equity or other securities that are convertible into equity of the Company (if any), the issuance of these securities may, either immediately or at some point post issuance, dilute the proportional holding of the Shares and ADRs by investors, and the terms may include liquidation or other preferences that adversely affect your rights as a shareholder.

In the future, shareholders' percentage ownership in the Company may be diluted because of equity issuances from acquisitions, capital markets transactions or otherwise, including equity awards that the Company will be granting to its directors, officers and employees and a capital band that the Company has for purposes of its employee participation plans. The Company's employees will have rights to purchase or receive Shares after the distribution as a result of the conversion of their Novartis equity awards into equity awards of the Company and the grant of equity awards of the Company, including restricted share units and performance share units, in each case, in order to preserve the aggregate value of the equity awards held by the Company's employees immediately prior to the Spin-off. See section "*Board of Directors and Executive Committee – Compensation of Members of the Board of Directors and the Executive Committee*" for further detail on the awards that are expected to be granted in connection with the Spin-off. It is anticipated that the Human Capital & ESG Committee of the Company's Board of Directors will grant additional equity awards to the Company's employees and directors after the Spin-off, from time to time, under the Company's employee benefits plans (see section "*Board of Directors and Executive Committee – Compensation of*

Members of the Board of Directors and the Executive Committee"). New shares for such awards may be issued under the capital band that is currently limited to 5% of the issued share capital at the date of the Spin-off (see section "*Capital Structure and Shares – Capital Structure – Capital Band*"), or treasury shares may be used to satisfy such awards. These additional awards will have a dilutive effect on the Company's earnings per Share, which could adversely affect the market price of its Shares and ADRs.

Shareholders outside of Switzerland may not be able to exercise pre-emptive rights in future issuances of equity or other securities that are convertible into equity.

Under Swiss law, shareholders may receive certain pre-emptive rights to subscribe on a pro-rata basis to issuances of equity or other securities that are convertible into equity. Due to laws and regulations in their respective jurisdictions, however, non-Swiss shareholders may not be able to exercise such rights unless the Company takes action to register or otherwise qualify the rights offering under the laws of that jurisdiction. In particular, shareholders in the U.S. may not be entitled to exercise these rights, unless the offer and sale of either the Shares and ADRs and any other securities is registered under the U.S. Securities Act, or the Shares and ADRs and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. No assurance can be given that the Company would take any action to register or otherwise qualify the offering of subscription rights or Shares and ADRs under the law of any jurisdiction where the offering of such rights is restricted. If shareholders in such jurisdictions were unable to exercise their subscription rights, their ownership interest in the Company would be diluted.

If analysts do not publish research reports about the Company's business or if they downgrade their recommendation or adjust the target price with regard to the Shares, the price and/or trading volume of the Shares and/or ADRs could decline.

The trading market for the Shares and ADRs will likely be influenced by the equity research and reports that industry or security analysts publish about the Company and Sandoz or its industry after the Listing. Security analysts form their own view of the Company. The Company does not control or have any influence on them. If one or more of the analysts who cover the Company downgrade their recommendation with regard to the Shares, the price of the Shares and ADRs may decline. In addition, if one or more of these analysts cease coverage of the Company or fail to regularly publish reports on the Company, the Company could lose visibility in the market, which could, in turn, cause the trading volume in the Shares and ADRs and/or the price of the Shares and ADRs to decline.

Shareholders in countries with currencies other than the Swiss franc, including holders of ADRs in the United States, face additional investment risk from currency exchange rate fluctuations in connection with their holding of Shares and/or ADRs.

The Shares will be quoted only in Swiss francs and any future payments of dividends on the Shares will be denominated in Swiss francs. The ADRs will be quoted only in U.S. dollars and future payments on the ADRs are expected to be converted into U.S. dollars by the Sandoz Depositary. The foreign currency equivalent of any dividend paid on the Shares or received in connection with any sale of the Shares, including the U.S. dollar equivalent paid or received on the ADRs, could be adversely affected by the depreciation of the Swiss franc against the U.S. dollar or such other currency.

Neither the ADRs nor the Shares will be listed on a U.S. national securities exchange, and as a result, a liquid trading market in the U.S. may not develop or be sustained.

Since the ADRs will be issued under a Level I ADR program, they will not be listed on a U.S. national securities exchange and will only be quoted and traded on the U.S. over-the-counter market, unlike the Novartis ADRs which trade on the New York Stock Exchange. As a result, a liquid trading market for the ADRs may not develop or be sustained, and holders may have difficulty selling their ADRs. Holders of ADRs may decide to sell or otherwise dispose of their ADRs shortly after the Spin-off and might accept lower prices for their ADRs which they would not accept if the ADRs were listed on a national securities exchange in the United States. This may cause erratic trading activity and affect the market price of the ADRs. Furthermore, the Shares will be listed on the SIX Swiss Exchange and not on a U.S. national securities exchange. As a result, holders of the Shares will be required to make trades on the SIX Swiss Exchange, which may be more difficult for certain investors to access.

The Company will not be a reporting company under the U.S. federal securities laws and, unlike Novartis, will not be required to make periodic filings with the SEC.

The Company will not be required to be a reporting company under the U.S. federal securities laws and will not make the same periodic filings with the SEC that Novartis currently makes. As a result, the Company will not be required to provide the same level of disclosure to U.S. holders of ADRs and Shares that Novartis is required to provide. It may therefore be more difficult for holders to obtain information about Sandoz. The Company will be required to make periodic reports and ad-hoc announcements under Swiss law and holders will be required to visit the Company's website to obtain our financial information and other public disclosure (see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Communications to and Inspection Rights of Shareholders*"). This disclosure may not be in the same form or provide the same information as would be found in the periodic filings of U.S. reporting companies made pursuant to the U.S. federal securities laws. As a result, it may be more difficult for holders to obtain relevant information in order to make investment decisions regarding their Sandoz securities.

THE SPIN-OFF

Background

On August 25, 2022, Novartis announced its intention to separate the Sandoz business from Novartis. On July 18, 2023, Novartis further announced its intention to seek shareholder approval for the spin-off of its Sandoz business (the "**Spin-off**") in an extraordinary general meeting of shareholders (the "**Novartis EGM**"), following the complete legal and structural separation of the Sandoz division into an independent company (referred to as the "**Sandoz Business**"), and that the separation would be effected through a pro rata distribution of the shares of an existing entity, Sandoz Group AG, which was formed in January 2022 to hold the assets and liabilities that constitute the Sandoz Business.

At the Novartis EGM to be held on September 15, 2023, the Novartis shareholders will be asked to decide on the distribution of the Shares held by Novartis to holders of Novartis shares on the terms described in this Listing Prospectus and to transfer the remaining Shares to the Company to be held in treasury. At the same EGM, the Novartis shareholders will be asked to approve the reduction of Novartis' share capital by CHF 22 774 777.52, corresponding to a nominal amount of CHF 0.01 per Novartis share. The capital decrease in the amount corresponding to the issued share capital of the Company will have the effect that the distribution to the holders of Novartis shares as part of the Spin-off will not be subject to (i) Swiss withholding tax at the level of Novartis at a rate of 35% (respectively 53.8% if grossed-up, i.e., if the relevant withholding tax is not charged to the Novartis shareholders); and (ii) Swiss federal, cantonal and communal income tax at the level of Swiss resident individuals holding their Novartis shares as private assets.

Following the decision on the Spin-off at the Novartis EGM to be held on September 15, 2023, we expect the following timeline of steps for the Spin-off and listing. This timeline is indicative, depends, among other things, on all conditions to the Spin-off (see section "*The Spin-off – Conditions to the Spin-off*") to be met within the currently expected timeframe, and may therefore be subject to change:

On October 4, 2023, referred to as the "**Ex Date**" for the Spin-off, each Novartis shareholder will receive 1 Share for every 5 Novartis shares, and each Novartis ADR holder will receive 1 ADR per 5 Novartis ADRs, that they hold or acquired and did not sell or otherwise dispose of prior to the close of business on October 3, 2023, referred to as the "**Cum Date**" for the Spin-off, and the Shares will begin trading on the SIX separately from Novartis shares, and the ADRs will start to be quoted on the over-the-counter market separately from Novartis ADRs on or shortly after October 4, 2023. Novartis shareholders will not receive fractional Shares and will instead receive cash upon the sale of the aggregated fractional Shares in lieu of fractional Shares that they would have received after application of the distribution ratio (see section "*The Spin-Off – When and How the Shares and ADRs Will Be Distributed – Treatment of Fractional Shares or ADRs*"). Holders of Novartis shares or Novartis ADRs will not be required to make any payment, surrender or exchange Novartis shares or Novartis ADRs or take any other action to receive Shares or ADRs in the Spin-off, except as otherwise described below with respect to holders of Novartis physical share certificates (see section "*The Spin-Off – When and How the Shares and ADRs Will Be Distributed*"). The distribution of the Shares and ADRs as described in this Listing Prospectus is subject to the satisfaction, or waiver by the Novartis Board, of certain conditions. For a more detailed description of these conditions, see "Conditions to the Spin-off" below.

The Company will become a separate public company, independent of Novartis, on October 4, 2023, the Ex Date for the Spin-off, and the Shares will commence trading on the SIX at market open on the Ex Date (9:00 AM Central European Time) (referred to as the "**Completion**"). There will not be any "when-issued" trading of the Shares or "ex-distribution" trading of Novartis shares or Novartis ADRs prior to the Spin-off.

Reasons for the Spin-Off

On August 25, 2022, Novartis announced that its strategic review of the Sandoz Business had concluded that the separation of the Sandoz Business from the remainder of its businesses, by way of a 100% spin-off, would be in the best interest of Novartis and its shareholders. On July 18, 2023, Novartis further announced that the Novartis Board intended to seek shareholder approval for the Spin-off at the Novartis EGM. We and Novartis believe that the separation and the Spin-off will provide a number of benefits to both the Sandoz and the Novartis businesses and to Novartis shareholders. A wide variety of factors were considered by Novartis and the Novartis Board in their evaluation of the proposed separation and the Spin-off, including the following potential benefits:

- *Enhanced strategic and management focus.* The Spin-off will allow Sandoz and Novartis to more effectively pursue their distinct strategic, operating and financial priorities, enable the management of both companies to focus on opportunities for long-term growth and profitability as well as maximize their respective impact;

    - *Creation of a leading off-patent medicines company focused on Generics and Biosimilars.* The Spin-off will allow Sandoz to become an organization with an enhanced focus and a business strategy more tailored for the off-patent market. Sandoz will also be able to operate with decision-making wholly focused on its business, create a distinct Generics culture, make a more efficient use of the cost base and adapt more quickly to market and customer demands, including the ability to pursue a more suitable IP litigation strategy for an off-patent medicines company focused on Generics and Biosimilars, particularly in must-win first to market opportunities;

    - *Further transformation of Novartis into a focused innovative medicines company.* The Spin-off of Sandoz further supports Novartis' transformational path to becoming a 'pure-play' innovative medicines company, focused around five core attractive therapeutic areas, key technology platforms, and the US markets, with the aim to increase value per new molecular entity from its deep pipeline;

- *Ability to pursue independent growth strategies.* The Spin-off will allow Sandoz and Novartis to pursue independent growth strategies. In particular, it will enable Sandoz to strengthen its key platforms and invest in the key strategic areas of Biosimilars and Generics;

- *More efficient allocation of capital.* The Spin-off will allow Sandoz and Novartis to allocate capital pursuant to their respective investment priorities and implement a capital structure commensurate with their respective cash flows and growth profiles. Both companies will have direct and independent access to capital markets without having to compete with each other for investment capital;

- *Clearer alignment of incentives with performance objectives.* The Spin-off will facilitate tying compensation and incentive arrangements for employees more directly to the performance of the respective businesses, and may enhance employee attraction and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives; and

- *Distinct investment thesis*. The Spin-off will allow Sandoz and Novartis to define a more focused investment thesis for their respective businesses and separate financial prospects based on their distinct identities, including the merits, performance and future prospects of their respective businesses. Sandoz will have a clear investment thesis as a Generics and Biosimilars business, and Novartis as an innovative medicines business. The separation will thereby provide investors with two distinct and targeted investment opportunities.

Neither we nor Novartis can assure that, following the separation and Spin-off, any of the benefits described above or otherwise in this Listing Prospectus will be realized to the extent or at the time anticipated or at all. See also "*Risk Factors*".

Novartis and the Novartis Board also considered a number of potentially negative factors in their evaluation of the potential separation and Spin-off, including the following:

- *Disruptions to the business as a result of the separation.* The actions required to fully separate the respective businesses of Sandoz and Novartis could disrupt both Sandoz' and Novartis' operations;

- *Increased significance of certain costs and liabilities and impact of certain stranded costs.* Certain costs and liabilities that were otherwise less significant to Novartis as a whole will be more significant for Sandoz as an independent group. In addition, the separation will give rise to certain stranded costs at Novartis relating to employees and infrastructure that previously supported the Sandoz division;

- *One-time costs of the separation and Spin-off.* As a division of Novartis, Sandoz historically relied on financial and certain operational, administrative, legal and other resources of Novartis to operate its business. Following the separation, Sandoz will no longer benefit from these synergies and will incur costs in connection with the transition to the Company being an independent public company that may include one-time accounting, tax, treasury, legal, and other professional service costs, recruiting and relocation costs associated with hiring key senior management personnel new to Sandoz, and costs to separate information systems;

- *Inability to realize anticipated benefits of the separation and Spin-off.* Sandoz may not achieve the benefits of the separation and Spin-off for a variety of reasons, including, among others, the following: (i) the separation and Spin-off will require significant amounts of management's time and effort, which may divert management's attention from operating and growing the Sandoz Business; (ii) following the Spin-off, Sandoz may be more susceptible to market fluctuations and other adverse events than if it were still a part of Novartis; (iii) the costs associated with Sandoz being an independent group; (iv) following the separation, the Sandoz Business will be less diversified than the Novartis business prior to the separation; and (v) any other actions required to separate the respective businesses of Sandoz and Novartis could disrupt Sandoz'

operations; and

- *Covenants and obligations of Sandoz pursuant to the Separation and Distribution Agreement, the Tax Matters Agreement and other agreements entered into in connection with the separation.* Sandoz is and will be subject to numerous covenants and obligations arising out of agreements entered into in connection with the separation, including non-compete provisions and contractual penalties. For example, under the Tax Matters Agreement, the Company will agree to covenants and indemnification obligations designed to preserve the tax-neutral nature of the Spin-off. These covenants and indemnification obligations may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that might be beneficial (see also sections "*Risk Factors – Risks Related to the Separation from Novartis*" and "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis*").

Novartis and the Novartis Board believe that the potential benefits of the separation and Spin-off outweigh these factors. However, the completion of the Spin-off remains subject to the satisfaction, or waiver, by the Novartis Board, of a number of conditions. See "Conditions to the Spin-off" below for additional detail.

When and How the Shares and ADRs Will Be Distributed[4]

Novartis will distribute to holders of Novartis shares and Novartis ADRs, as a pro rata dividend, 1 Share for every 5 Novartis Shares or 1 ADR for every 5 Novartis ADRs such holders hold or have acquired and do not sell or otherwise dispose of prior to the close of business on October 3, 2023, the Cum Date for the Spin-off. The actual number of Shares and ADRs that will be distributed will depend on the number of Novartis shares eligible to receive the dividend-in-kind (Novartis issued shares excluding treasury shares held by Novartis and its subsidiaries) and Novartis ADRs issued and outstanding as of the Cum Date. An application will be made to list the Shares on the SIX under the ticker symbol "SDZ". Subject to official notice of issuance, the Shares will trade and settle under the International Security Identification Number (ISIN) CH1243598427 and Swiss Security Number 124.359.842. The ADRs will be quoted on the over-the-counter market and will not be traded on a U.S. national securities exchange.

UBS AG ("**UBS**"), as the settlement agent, in coordination with SIX SIS and the Novartis Share Registry, will arrange for the distribution of the Shares to holders of Novartis shares, and JPMorgan Chase Bank, N.A. ("**JPMorgan**"), as the Novartis ADR depositary, will arrange for the distribution of ADRs to the holders of Novartis ADRs. For purposes of and following the Spin-off, Computershare Switzerland Ltd will serve as the Company's Share registrar.

The last day of trading of Novartis shares and Novartis ADRs including the right to receive Shares or ADRs will be October 3, 2023, the Cum Date. In order to be entitled to receive the distribution of the Shares or ADRs in the Spin-off, a Novartis shareholder or holder of Novartis ADRs must hold or have acquired and not sold or otherwise disposed of their Novartis shares or Novartis ADRs prior to the close of business on the Cum Date. This means that if a Novartis shareholder or holder of Novartis ADRs sells all of his/her/its Novartis shares or Novartis ADRs

[4] The following dates are current estimations and the earliest possible scenario. The dates may change, in which case Novartis would publish updated information as it becomes available.

before the close of business on the Cum Date, such person will not be entitled to receive Shares or ADRs in the distribution. However, if a Novartis shareholder or holder of Novartis ADRs sells or otherwise disposes of his/her/its Novartis shares or Novartis ADRs after the close of business on the Cum Date, such person will still be entitled to receive Shares or ADRs in the distribution. Investors acquiring or selling Novartis shares or Novartis ADRs on or around the Cum Date in over-the-counter or other transactions not effected on the SIX or the NYSE should ensure such transaction take into account the treatment of the Shares and ADRs to be distributed in respect of such Novartis shares or Novartis ADRs in the Spin-off. Please contact your bank or broker for further information if you intend to engage in any such transaction.

Holders of Novartis ADRs who do not wish to receive ADRs in the Spin-off (but wish to receive Shares) will need to cancel their Novartis ADRs sufficiently in advance of the effective date of the Spin-off to become a direct Novartis shareholder prior to the Cum Date. The cancellation of Novartis ADRs, the distribution of ADRs and the distribution of cash in-lieu of fractional entitlements to ADRs are subject to customary depository fees. See also section "*The Spin-Off – When and How the Shares and ADRs Will Be Distributed – If You Hold Novartis ADRs*".

Depending on a shareholder's bank or broker and whether such person holds Novartis shares or Novartis ADRs, it is expected that the Shares or ADRs will be credited to a shareholder's applicable securities account either on or shortly after the Ex Date or, for certain Novartis ADR holders, at the close of business on the Cum Date, and that such shareholder will be able to commence trading his/her/its Shares on the SIX in CHF, or holder of ADRs trade his/her/its ADRs in USD. See also section "*The Spin-Off – Listing and Trading of the Shares*".

In the event there are any changes to the First Day of Trading, the Cum Date or the Ex Date, or new material information relating to our business, financial position or results of operations, including our financial performance for the six months ended June 30, 2023, or the distribution of the Shares and ADRs becomes available, the Company will publish any such changes in a prospectus supplement in accordance with art. 56 FinSA.

Novartis shareholders and Novartis ADR holders are not asked to take any further action in connection with the Spin-off, except as described below with respect to Novartis physical share certificate holders. Shareholders are also not asked to make any payment or surrender or exchange any Novartis shares or Novartis ADRs for Shares or ADRs. However, for any shareholders holding physical share certificates (*Heimverwahrer*), please see section "*The Spin-Off – When and How the Shares and ADRs Will Be Distributed – If You Hold Novartis Shares*" below. The number of outstanding Novartis shares and Novartis ADRs will not change as a result of the Spin-off.

If You Hold Novartis Shares

If you hold or have acquired and do not sell or otherwise dispose of your Novartis shares prior to the close of business on October 3, 2023, the Cum Date, the Shares that you are entitled to receive in the Spin-off are expected to be distributed to you as described below.

Holders of Novartis shares held in book-entry form with a bank or broker. If you hold your Novartis shares in book-entry form through a bank or broker, your bank or broker is expected to credit your custody account with the whole number of Shares you are entitled to receive in the Spin-off on or shortly after October 4, 2023, the Ex Date, at which time you should be

able to commence trading the Shares you are allotted. Please contact your bank or broker for further information about your account and when you will be able to begin trading your Shares. On October 5, 2023 (the "**Record Date**"), the SIX SIS will, for purposes of the distribution, confirm the holdings of SIX SIS participant custodian banks that held Novartis shares as of the close of business on the Record Date. The allocation of the Company's book-entry Shares to the accounts of SIX SIS participants is expected to settle on October 6, 2023, within the SIX SIS system. However, notwithstanding these later dates, it is expected that Novartis will provide an irrevocable instruction with respect to the settlement of Shares that will permit SIX SIS participants to credit the distribution of the Shares in the accounts of Novartis shareholders on October 4, 2023, as described above.

Holders of Novartis physical share certificates (Heimverwahrer). All registered Novartis shareholders holding physical share certificates who have previously provided a valid mailing address to Novartis have been sent a notice with instructions on how to receive Shares in the Spin-off. If you hold Novartis physical share certificates and provide your response to the notice by September 19, 2023 (the date Novartis receives your response) by either (1) electing to convert your Novartis physical share certificates into book-entry shares; or (2) providing separate custody account details for the booking of the Shares to be distributed in the Spin-off, your bank or broker is expected to credit the relevant account with the Shares you are entitled to receive in the Spin-off on or shortly after October 4, 2023, the Ex Date, at which time you should be able to commence trading the Shares you are allotted. Please contact your bank or broker for further information about your custody account. If you did not receive such a notice from Novartis, please contact the Novartis Share Registry by telephone at +41 61 324 7204 or by email at share.registry@novartis.com.

If you are a Novartis shareholder holding physical share certificates (*Heimverwahrer*) and Novartis has not received full and correct details of your securities account by September 19, 2023, in accordance with the instructions in the notice provided to you, you will not receive Shares in the Spin-off. In lieu of receiving Shares, UBS, as the settlement agent, will sell the Shares you are entitled to receive in the Spin-off and Novartis will pay the aggregate net cash proceeds of such sale to you on or around October 12, 2023, if you have previously provided valid payment details to Novartis. The right to receive these cash proceeds expires five years after the Ex Date.

If You Hold Novartis ADRs

If you hold or have acquired and do not sell or otherwise dispose of your Novartis ADRs prior to the close of business on October 3, 2023, the Cum Date, the ADRs that you are entitled to receive in the distribution are expected to be credited and issued to your custody account at or after the close of business on the Cum Date. The ADRs will not be listed on a U.S. national securities exchange and will only be quoted and traded on the U.S. over-the-counter markets, where they will start to be transferable on October 4, 2023, the Ex Date, as described below. However, we urge you to contact your custodian bank or broker for further information. Liquidity on the over-the-counter markets, especially initially following the closing of the Spin-off, may be limited. See section "*Risk Factors – Risks Related to the Spin-off and Ownership of the Company's Shares and ADRs – Neither the ADRs nor the Shares will be listed on a U.S. national securities exchange, and as a result, a liquid trading market in the U.S. may not develop or be sustained*".

The Novartis ADR depositary, JPMorgan, will confirm, for purposes of the distribution, the

holders of Novartis ADRs as of September 25, 2023, the ADR entitlement record date. For this purpose, September 21, 2023 is the last date on which holders of Novartis ADRs can convert their Novartis ADRs into Novartis shares before Completion of the Spin-off and vice versa. September 21, 2023, is also the last date for Novartis ADR holders to directly register or de-register their ADRs with JPMorgan before the Completion of the Spin-off. Holders of Novartis ADRs will again be able to convert their Novartis ADRs into Novartis shares and to directly register or de-register their Novartis ADRs with JPMorgan, beginning October 6, 2023.

From September 22, 2023 and up to and including the Cum Date, Novartis ADRs will trade with "due bills" representing the entitlement to receive ADRs in the Spin-off. A Sandoz "due bill" is an instrument employed for the purpose of evidencing the obligation of a seller of Novartis ADRs during this time period to deliver such entitlement to a subsequent purchaser. There will not be any "ex-distribution" trading of Novartis ADRs before October 4, 2023, the Ex Date. This means that any Novartis ADR purchased or sold on the NYSE prior to and up to and including the Cum Date will include the right to receive ADRs.

Holders of Novartis ADRs in street accounts. Holders of Novartis ADRs that are held in street accounts and that are not sold or otherwise disposed of prior to the close of business on October 3, 2023, the Cum Date, are expected to be able to transfer the ADRs which they are allotted in the Spin-off on or after October 4, 2023 through their intermediary or broker. The allocation of the ADRs to book-entry accounts of holders of ADRs will settle via the DTC system into the custody accounts of custodian banks or brokers that are direct participants in the DTC system on October 6, 2023. Holders should consult with their intermediary or broker concerning the date as of which they can expect to begin transferring their ADRs.

ADR registered holders. For holders of Novartis ADRs that are registered with the Novartis ADR depositary, JPMorgan, and that are not sold or otherwise disposed of prior to the close of business on the Cum Date, the Novartis ADR depositary will distribute a confirmation of the uncertificated holdings of ADRs to such holders in paper mail form and such holders are expected to be able to commence trading the ADRs which they are allotted in the Spin off-on or after October 4, 2023.

Number of Shares or ADRs You Will Receive

You will receive 1 Share for every 5 Novartis shares or 1 ADR for every 5 Novartis ADRs you hold or have acquired and do not sell or otherwise dispose of prior to the close of business on the Cum Date.

Treatment of Fractional Shares or ADRs

The settlement and distribution agents as well as the ADR depositary will not distribute any fractional Shares or ADRs in connection with the Spin-off. Instead, UBS, as the settlement agent, will aggregate all fractional Shares that Novartis shareholders would otherwise have been entitled to receive and that have been notified to UBS by the Novartis Share Registry or the relevant deposit banks through SIX SIS into whole Shares and sell the whole Shares in the open market at prevailing market prices. JPMorgan, as Novartis' ADR depositary, will aggregate all fractional ADRs that Novartis ADR holders would otherwise have been entitled to receive into whole ADRs and sell the whole ADRs in the open market at prevailing market prices.

The aggregate net cash proceeds of such sales, net of brokerage fees, ADR depositary fees and other costs and expenses, will be distributed pro rata to the relevant holders that would otherwise have been entitled to receive the fractional Shares or ADRs (based on the fractional Share or ADR each such holder would otherwise be entitled to receive). UBS will not include fractional Shares held by custodian banks that do not report their fractional Shares to a SIX SIS participant, either directly or through another custodian bank, in the aggregate pool of fractional Shares it will sell in the open market on behalf of Novartis shareholders entitled to receive a fractional Share. In the case of fractional Shares held in the custody of custodian banks that do not report their fractional Shares to a SIX SIS participant, each such custodian bank is expected to sell the fractional Shares in its custody and pay the aggregate cash proceeds of the sales, net of brokerage fees and other costs, pro rata to the relevant holders in CHF, and net of any required withholding for taxes applicable to each holder.

The Company anticipates that UBS, as the settlement agent, will make these payments on or around October 12, 2023. UBS will, in its sole discretion, without any influence by Novartis or Sandoz, determine when, how and at what price to sell the whole Shares. UBS is not an affiliate of either Novartis or Sandoz.

JPMorgan will send to each registered holder of Novartis ADRs entitled to a fractional ADR a cash payment in lieu of that holder's fractional ADR on or around October 12, 2023. If you hold your Novartis ADRs through the facilities of the DTC or otherwise through a bank, broker or other nominee, your custodian, bank, broker or nominee will receive, on your behalf, your pro rata share of the aggregate net cash proceeds of the sales of fractional ADRs. No interest will be paid on any cash you receive in lieu of a fractional ADR. The cash you receive in lieu of a fractional ADR will generally be taxable to you for U.S. federal income tax purposes and may, in certain circumstances, be taxable to you for Swiss income tax purposes. See sections "*The Spin-Off – Material U.S. Federal Income Tax Consequences of the Spin-off*" and "*The Spin-Off – Material Swiss Tax Consequences of the Spin-off*" below for more information.

Registration in the Sandoz Share Register

After the Spin-off, each Share will be entitled to one vote at the General Meeting of the Company's shareholders. However, voting rights may only be exercised for Shares registered in the Sandoz share register on the record date for the relevant General Meeting (see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – General Meetings of Shareholders*") and subject to the registration restriction as per the Company's Articles (see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*"). The Company's shareholders should contact their bank or broker for more information on how to register and vote their Shares following the Spin-off. Novartis shareholders registered in the Novartis share register will not automatically be registered in the Company's share register, but to facilitate prompt registration following the Spin-off, the Company will receive data from the Novartis share register. In case you do not want the Company to receive your data from the Novartis share register, please contact the Novartis Share Registry during regular Swiss business hours by telephone at +41 61 324 7204 or by email at share.registry@novartis.com.

Holders of ADRs will be entitled to exercise their voting rights of Sandoz ADRs based on the Sandoz ADR Deposit Agreement (see section "*Capital Structure and Shares – Sandoz ADR Program*"). JPMorgan Chase Bank, N.A., as the Sandoz ADR depositary (the "**Sandoz ADR**

Depositary") will send a notice of meeting and proxy forms to such holders at the request of the Company.

Results of the Spin-off

After the Spin-off, the Company will be an independent publicly traded company. Immediately following the Spin-off, the Company expects to have up to 431,000,000 Shares outstanding based on the number of Novartis shares eligible to receive the dividend-in-kind (Novartis issued shares excluding treasury shares held by Novartis and its subsidiaries) as of June 30, 2023, an estimated number of Novartis shares delivered under equity participation plans and share buybacks between June 30, 2023 and the Completion of the Spin-off, the application of the distribution ratio, and the number of Shares transferred by Novartis to the Company as treasury shares. The actual number of Shares that Novartis will distribute in the Spin-off will depend on the actual number of Novartis shares eligible to receive the dividend-in-kind (Novartis issued shares excluding treasury shares held by Novartis and its subsidiaries) on the Cum Date. The Spin-off will not affect the number of outstanding Novartis shares or ADRs or any rights of holders of any outstanding Novartis shares or ADRs, although the trading price of Novartis shares and Novartis ADRs immediately following the Spin-off is expected to be lower than immediately prior to the Spin-off because the trading price of Novartis shares and Novartis ADRs will no longer reflect the value of the Sandoz Business. In addition, following the close of business on the Cum Date but before the commencement of trading on the Ex Date, Novartis shares and Novartis ADRs will trade without the entitlement to receive the distribution of Shares and ADRs in the Spin-off and will reflect an ownership interest solely in Novartis, but may not yet accurately reflect the value of such Novartis shares or Novartis ADRs excluding the Sandoz Business.

Shortly before the Spin-off, the Sandoz Business and Sandoz subsidiaries will be transferred to Sandoz entities such that Sandoz will hold, directly or indirectly, the business formerly constituting Novartis' Sandoz business, comprising its Generics and Biosimilars operations. Some of these Internal Transactions (as defined below in section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Separation and Distribution Agreement*") will occur after the date of this Listing Prospectus. These Internal Transactions will generate other capital reserves (which do not qualify as capital contribution reserves for Swiss tax purposes) on the Company's stand-alone balance sheet which are currently expected to amount to approximately CHF 2.5 billion.

In addition, prior to the Completion of the Spin-off, Sandoz intends to enter into a Separation and Distribution Agreement and several other agreements with Novartis to effect the separation and provide a framework for the ongoing relationship between Sandoz and Novartis following Completion of the Spin-off. In addition to governing the relationships between Sandoz and Novartis subsequent to Completion of the Spin-off, these agreements will provide for the separation of the assets, employees, liabilities and obligations (including investments, property and employee benefits and tax liabilities) that constitute the Sandoz Business, and provide for the provision of services between Novartis and Sandoz, in order to allow each business to operate separately as well as to support business continuity following the Spin-off. These arrangements are described in greater detail under section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis*".

Listing and Trading of the Shares

As of the date of this Listing Prospectus, the Company is a wholly owned subsidiary of Novartis. Accordingly, no public market for the Shares currently exists. The Company intends to list its Shares on the SIX under the symbol "SDZ", and its ADRs will be quoted and traded on the over-the-counter market in the U.S. The Company anticipates that there will not be trading of its Shares or ADRs on a "when-issued" basis and that trading will commence on the Ex Date. See section "*Listing*" for further details.

Neither Sandoz nor Novartis can assure investors as to the trading price of Novartis shares or Novartis ADRs or of Shares or ADRs after the Spin-off, or as to whether the combined trading prices of the Shares or ADRs and the Novartis shares or Novartis ADRs after the Spin-off will be less than, equal to or greater than the trading prices of Novartis shares or Novartis ADRs prior to the Spin-off. As a result of the Spin-off, Novartis expects the trading prices of Novartis shares and Novartis ADRs at market open on October 4, 2023 to be lower than the trading prices at market close on October 3, 2023, because the trading prices will no longer reflect the value of the Sandoz Business. See section "*Risk Factors – Risks Related to the Spin-off and Ownership of the Company's Shares and ADRs*" for more detail.

Subject to any procedural requirements for certain types of transfers and certain restrictions on registration in the Share Register according to the Company's Articles, the Shares and ADRs distributed to Novartis shareholders and holders of Novartis ADRs will be freely transferable, except for ADRs received by individuals who are the Company's affiliates. See section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*". Individuals who may be considered the Company's affiliates after the Spin-off include individuals who control, are controlled by or are under common control with the Company, as those terms generally are interpreted for U.S. federal securities law purposes. These individuals may include some or all of the Company's directors and executive officers. Individuals who are the Company's affiliates will be permitted to sell their ADRs only pursuant to an effective registration statement under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act, such as those afforded by Section 4(a)(1) of the U.S. Securities Act or Rule 144 thereunder. Sandoz is intending that its ADRs will trade on the OTCQX market.

Conditions to the Spin-off

It is expected that the separation and the Spin-off (subject to the Spin-off distribution being approved at the Novartis EGM) will be effective on the Ex Date, provided that the following conditions shall have been satisfied or waived by Novartis:

- the Shares shall have been admitted to listing on the SIX as from the Ex Date (subject to technical deliverables only);

- the Company shall have established a Level I ADR program with respect to the Shares (the "**Sandoz ADR Program**") to enable distribution of ADRs to holders of Novartis ADRs issued pursuant to the deposit agreement among Novartis, JPMorgan, and all holders and beneficial owners from time to time of Novartis ADRs;

- the SEC shall have declared effective the registration statement on Form F-6 filed by

the Sandoz ADR Depositary, on behalf of the legal entity created by the deposit agreement for the Sandoz ADR Program, and the Company, with the SEC pursuant to the Securities Act for the registration of the Sandoz ADRs ("**Sandoz ADR Registration Statement**"), no stop order suspending the effectiveness of this Sandoz ADR Registration Statement shall be in effect and no proceedings for that purpose shall be pending before or threatened by the SEC;

- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the Spin-off shall be in effect, and no other event outside the control of Novartis shall have occurred or failed to occur that prevents the consummation of the Spin-off (including, but not limited to, Novartis not being able to complete the Internal Transactions due to elements outside of its reasonable control); and

- no other events or developments shall have occurred prior to the Ex Date that, in the judgment of the Novartis Board, would result in the Spin-off having a material adverse effect (including, but not limited to, material adverse tax consequences or risks) on Novartis or its shareholders.

Sandoz is not aware of any material approvals that it must obtain and are still outstanding (except that certain procedural conditions must be complied with for such approvals to become effective) in connection with the Spin-off.

Material Swiss Tax Consequences of the Spin-off

Consequences to Swiss Holders of Novartis Shares

This summary is limited to holders of Novartis shares that are Swiss Holders, as defined below. A "Swiss Holder" is a beneficial owner of Novartis shares that is:

- a Swiss tax resident individual who holds Novartis shares as private assets;

- a Swiss tax resident individual or a non-Swiss tax resident individual who is subject to Swiss income tax for reasons other than residency, who holds Novartis shares as business assets or qualifies as a professional securities dealer for Swiss tax purposes; or

- a legal entity tax resident in Switzerland or a non-Swiss tax resident legal entity who holds Novartis shares as part of a Swiss permanent establishment or fixed place of business.

This summary does not discuss all tax considerations that may be relevant to shareholders in light of their particular circumstances, nor does it address the consequences for shareholders subject to special treatment under Swiss tax laws, including but not limited to:

- tax-exempt entities;

- banks, financial institutions or insurance companies;

- persons who acquired Novartis shares pursuant to an employment share plan or otherwise as compensation; or

- persons who own Novartis shares through partnerships or other pass-through entities.

This summary does not address any non-Swiss tax consequences or non-income tax consequences (such as estate, gift, inheritance, capital or wealth taxes).

YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE SWISS AND FOREIGN TAX CONSEQUENCES OF THE DISTRIBUTION.

General

The following statements are based on the requirement of the continuing effectiveness and validity of the Swiss Tax Rulings, each to the effect that the Spin-off qualifies as a tax-neutral transaction.

If the Spin-off qualifies as a tax-neutral transaction, and subject to the qualifications and limitations set forth herein (including the capital reduction described above under section "*The Spin-Off – Background*" and the discussion further below in this section relating to the receipt of cash in lieu of fractional Shares), for Swiss tax purposes no gain or loss should be recognized by, or be includible in the income of, a Swiss Holder as a result of the distribution, provided that Swiss Holders who hold Novartis shares as business assets accurately maintain the tax and book values of their Novartis shares and the Shares. This means that for Swiss Holders who hold Novartis shares as business assets, the aggregate tax basis of the Novartis shares and the Company's Shares immediately after the distribution should be the same as the aggregate tax basis of the Novartis shares held immediately before the distribution, allocated between the Novartis shares and the Company's Shares.

If a Swiss Holder that holds Novartis shares as business assets is classified as a "professional securities dealer" or is a legal entity and receives cash in lieu of a fractional Share, such Swiss Holder will generally recognize a capital gain or loss measured by the difference between the cash received for such fractional Share and the Swiss Holder's tax basis in that fractional Share. The same Swiss income tax treatment applies to Swiss Holders of Novartis physical share certificates (*Heimverwahrer*) held as business assets who receive cash due to non-response by September 19, 2023.

If a Swiss Holder who holds Novartis shares as private assets receives cash in lieu of fractional Shares, the receipt of such cash will be tax-free to the holder. The same Swiss income tax treatment applies to Swiss Holders of Novartis physical share certificates (*Heimverwahrer*) held as private assets who receive cash due to non-response by September 19, 2023. See also section "*The Spin-Off – When and How the Shares and ADRs Will Be Distributed – If You Hold Novartis Shares*".

Novartis has received the Swiss Tax Rulings which cover the relevant Swiss tax aspects of the separation and Spin-off. The Swiss Tax Rulings rely upon certain facts, assumptions, representations and undertakings from Sandoz and Novartis regarding the past and future conduct of Sandoz' and Novartis' businesses and other matters. If any of the facts, assumptions, representations or undertakings described therein are incorrect or incomplete or not otherwise satisfied, Novartis may not be able to rely upon the Swiss Tax Rulings. Accordingly, notwithstanding the Swiss Tax Rulings, no assurance can be given that the relevant Swiss tax authorities will not assert, or that a court would not sustain, a position contrary to one or more of the conclusions set forth above.

Material U.S. Federal Income Tax Consequences of the Spin-off

Consequences to U.S. Holders of Novartis Shares

The following is a summary of the material U.S. federal income tax consequences to holders of Novartis shares or Novartis ADRs in connection with the distribution. For purposes of the following discussion, any reference to Novartis shares includes Novartis ADRs. This summary is based on the Code, Treasury Regulations promulgated thereunder and judicial and administrative interpretations thereof, in each case as in effect as of the date of this Listing Prospectus and all of which are subject to change at any time, possibly with retroactive effect. Any such change could affect the tax consequences described below.

This summary is limited to holders of Novartis shares that are U.S. Holders, as defined immediately below, that hold their Novartis shares as a capital asset. A "U.S. Holder" is a beneficial owner of Novartis shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (ii) in the case of a trust that was treated as a domestic trust under law in effect before 1997, a valid election is in place under applicable Treasury Regulations.

This summary does not discuss all tax considerations that may be relevant to shareholders in light of their particular circumstances, nor does it address the consequences to shareholders subject to special treatment under the U.S. federal income tax laws, such as:

- dealers or traders in securities or currencies;
- tax-exempt entities;
- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- persons who acquired Novartis shares pursuant to the exercise of employee stock options or otherwise as compensation;
- shareholders who own, or are deemed to own, 10% or more, by voting power or value, of Novartis equity;
- shareholders owning Novartis shares as part of a position in a straddle or as part of a

hedging, conversion or other risk reduction transaction for U.S. federal income tax purposes;

- certain former citizens or long-term residents of the United States;

- shareholders who are subject to the alternative minimum tax;

- persons who own Novartis shares through partnerships or other pass-through entities; or

- persons who hold Novartis shares through a tax-qualified retirement plan.

This summary does not address any U.S. state or local or foreign tax consequences or any estate, gift or other non-income tax consequences.

If a partnership, or any other entity treated as a partnership for U.S. federal income tax purposes, holds Novartis shares, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership is urged to consult its own tax advisor as to its tax consequences.

Novartis has received the IRS Ruling and expects to receive the Tax Opinion, described below, which will each rely upon certain facts, assumptions, representations and undertakings from Sandoz and Novartis regarding the past and future conduct of Sandoz' and Novartis' businesses and other matters. If any of the facts, assumptions, representations or undertakings described therein are incorrect or not otherwise satisfied, Novartis may not be able to rely upon the IRS Ruling or the Tax Opinion. Accordingly, notwithstanding the Tax Opinion and the IRS Ruling, no assurance can be given that the IRS will not assert, or that a court would not sustain, a position contrary to one or more of the conclusions set forth below.

YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES OF THE DISTRIBUTION.

General

Novartis has received the IRS Ruling and expects to receive the Tax Opinion providing, in each case, that the distribution should qualify for nonrecognition of gain or loss under Section 355 of the Code. As a result:

- no gain or loss should be recognized by, or be includible in the income of, a U.S. Holder as a result of the distribution;

- the aggregate tax basis of the Novartis shares and the Company's Shares held by each U.S. Holder immediately after the distribution should be the same as the aggregate tax basis of the Novartis shares held by the U.S. Holder immediately before the distribution, allocated between the Novartis shares and the Company's Shares in proportion to their relative fair market values on the date of the distribution; and

- the holding period of the Company's Shares received by each U.S. Holder should include the holding period of its Novartis shares.

Generally, if a Novartis shareholder holds different blocks of Novartis shares (generally Novartis shares purchased or acquired on different dates or at different prices), a U.S. Holder must perform the tax basis allocation described above with respect to each block and will have a holding period in the Company's Shares determined with respect to the holding period of such block. A U.S. Holder that receives cash in lieu of a fractional Share as part of the distribution (see section "*The Spin-off – When and How the Shares and ADRs Will Be Distributed – Treatment of Fractional Shares or ADRs*") will be treated as though it first received a distribution of the fractional Share in the distribution and then sold it for the amount of cash actually received. The U.S. Holder will generally recognize a capital gain or loss measured by the difference between the cash received for such fractional Share and the U.S. Holder's tax basis in that fractional Share, as determined above. Such capital gain or loss will be a long-term capital gain or loss if the U.S. Holder's holding period for the Novartis shares is more than one year on the date of the distribution. Certain U.S. Holders are eligible for reduced rates of taxation on their long-term capital gains.

A U.S. Holder of Novartis physical share certificates (*Heimverwahrer*) who receives cash due to non-response by September 19, 2023 will be treated as if the U.S. Holder received the Company's Shares with respect to its physical share certificates in the distribution and then sold such Shares for the cash actually received. The deemed receipt and sale of the Company's Shares for cash will be subject to the same treatment as the receipt of cash in lieu of a fractional Share for U.S. federal income tax purposes as described above.

Backup Withholding

Payments of cash in lieu of a fractional Share and cash payments to a U.S. Holder of Novartis physical share certificates (*Heimverwahrer*) who receives cash due to non-response by September 19, 2023 may, under certain circumstances, be subject to "backup withholding", unless the U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with the requirements of the backup withholding rules. Corporations will generally be exempt from backup withholding, but may be required to provide a certification to establish their entitlement to the exemption. Backup withholding is not an additional tax, and it may be refunded or credited against a U.S. Holder's U.S. federal income tax liability if the required information is timely supplied to the IRS.

Information Reporting

Treasury Regulations require each Novartis shareholder that, immediately before the distribution, owned 5% or more (by vote or value) of the total outstanding stock of Novartis to attach to such shareholder's U.S. federal income tax return for the year in which the distribution occurs a statement setting forth certain information related to the distribution.

Consequences to Novartis and the Indemnification Obligation

The following is a summary of the material tax consequences to Novartis in connection with the Spin-off that may be relevant to holders of Novartis shares.

As discussed above, the Spin-off will be preceded by several internal restructuring steps to separate the Sandoz Business from Novartis. Novartis has received the Tax Rulings and expects to receive the Tax Opinion providing that the spin-off and certain internal restructuring steps taken prior to the Spin-off should qualify for nonrecognition of gain or loss for U.S.

federal income tax purposes or preserve the tax-neutral nature for Swiss tax purposes, as applicable. In addition, the Swiss Tax Rulings provide that no Swiss withholding tax or stamp duty should apply to the distribution of Shares as part of the Spin-off. The Tax Opinion and IRS Ruling are subject to the qualifications and limitations set forth above under "*Consequences to U.S. Holders of Novartis Shares*". Additionally, as discussed below in section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Tax Matters Agreement*", the Company intends to enter into the Tax Matters Agreement with Novartis, which inter alia will restrict the Company from taking certain actions that could affect the qualification of the Spin-off and certain internal restructuring steps taken prior to the Spin-off for nonrecognition of gain or loss or as tax neutral, as applicable.

Notwithstanding the foregoing, if it were determined that the Spin-off or certain internal restructuring steps taken prior to the Spin-off that were intended to qualify for nonrecognition of gain or loss or as tax neutral, as applicable, did not so qualify, the Company could be required to indemnify Novartis for taxes resulting therefrom. This could occur if, notwithstanding our intentions, the Company takes or fails to take any action it is prohibited from taking or required to take by the terms of the Tax Matters Agreement to preserve the intended tax treatment of the transaction, a representation or covenant the Company made that serves as the basis for the Tax Opinion or the Tax Rulings is determined to be false or as a result of the application of legal rules that depend in part on facts outside the Company's control. The Company's indemnification obligations to Novartis in these circumstances are set forth in the Tax Matters Agreement discussed below in section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Tax Matters Agreement*". If the Company is required to indemnify Novartis, it may be subject to substantial liabilities that could materially adversely affect Sandoz' financial position.

DIVIDENDS AND DIVIDEND POLICY

Dividend Policy

The Company currently expects that it will pay an annual regular cash dividend in line with its business performance and reflecting the Company's long-term cash flow and earnings potential while taking into account the maintenance of sufficient financial flexibility and adherence to the Company's capital allocation priorities. The Company intends to pay an annual dividend of approximately 20-30% of Sandoz' core net income, increasing to 30-40% over the mid-term (by 2028). The Company expects to pay its first full-year dividend in 2024 based on full-year 2023 results and intends to progressively grow its annual dividend in Swiss francs (CHF) on a per share basis over time if business performance allows.

The actual payment of future dividends, if any, and the amounts thereof, will depend upon a number of factors including, but not limited to, the Company's financial condition, earnings, corporate strategy, capital requirements of its operating subsidiaries, covenants, legal requirements, regulatory constraints, industry practice, ability to access capital markets, and other factors deemed relevant by the Company's Board and shareholders. Accordingly, the Company's Board may, in its discretion, recommend the payment of a dividend in respect of a given business year. In any case, no dividend is payable other than in accordance with the applicable provisions of Swiss law; see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Dividends*". The declaration, timing, and amount, including potential increases, of any dividends to be paid by the Company following the Spin-off, including the anticipated dividend to be paid in 2024, will be subject to the approval of the Company's shareholders at a general meeting of shareholders.

No assurances can be given that in any given year a dividend will be proposed or declared. See section "*Risk Factors – Risks Related to the Spin-off and Ownership of the Company's Shares and ADRs – No assurance can be given that the Company will pay or declare dividends*".

Entitlement to Dividends and Other Distributions

Holders of the Shares on the relevant dividend record date will be entitled to any future dividends, including any dividends declared in respect of the financial year ending December 31, 2023. Dividends paid on the Shares are generally subject to Swiss Federal withholding tax (see section "*Taxation – Swiss Taxation – Swiss Residents – Withholding Tax on Dividends*" for a description of Swiss withholding tax and certain exemptions.

The payment of dividends is subject to certain requirements, see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Dividends*".

Dividends and Distribution History

Since the formation of the Company, which became effective as of the date of the registration of the Company in the Swiss Commercial Register on January 17, 2022, the Company has not paid any dividends.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our combined capitalization and indebtedness on (i) an actual basis, based on provisional, unaudited figures as of June 30, 2023, and (ii) an adjusted basis, to give effect to the pro forma adjustments set forth in the unaudited Sandoz Business Pro Forma Combined Financial Statements.

The "as adjusted" information below is not necessarily indicative of what our capitalization and indebtedness would have been had the separation and related transactions been completed as of June 30, 2023. The following table should be read in conjunction with section "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", the Sandoz Business Combined Financial Statements and the notes thereto, as well as the (unaudited) Sandoz Business Pro Forma Combined Financial Statements and the notes thereto, included elsewhere in this Listing Prospectus.

	As of June 30, 2023		
(USD millions)	**Actual**	**Adjustments**	**As Adjusted[6]**
Cash and cash equivalents[1]	127	543	670
Debt [2]			
Net financial liabilities to Novartis Group[3]	3 663	(3 663)	0
Current financial debt[4]	173	136	309
of which guaranteed / secured			0
Non-current financial debt[4]	37	3 404	3 441
of which guaranteed / secured			0
Equity[5]			
Share capital, par value CHF 0.05 per share	0	24	24
Reserves	0	8 382	8 382
Invested capital	8 459	(8 459)	
Total Capitalization	12 332	(176)	12 156

Notes:

(1) In connection with the separation and the Spin-off, we expect to have approximately USD 0.7 billion in cash and cash equivalents immediately following the Spin-off, reflecting expected liquidity needs of Sandoz as a standalone company. The expected adjustment of approximately USD 0.5 billion corresponds to receipt of cash of approximately USD 3.5 billion from the USD 3.75 billion drawn down as described in note (2) net of the actual financial debts of approximately USD 0.2 billion, minus approximately USD 3.0 billion used for the settlements of financing transactions of Sandoz with Novartis as part of the Internal Transactions. The cash settlement amount is based on the estimated amount payable to Novartis at the date of the Spin-off.

(2) In connection with the separation and the Spin-off, we expect to incur approximately USD 3.75 billion in total indebtedness. This includes (i) approximately USD 2.58 billion (or the equivalent in EUR) in a bridge loan, (ii) USD 0.75 billion (or the equivalent in EUR) in term loans (the bridge loan and term loans being long-term), and (ii) approximately USD 0.42 billion (or the equivalent in various currencies) of borrowings under a number of local bilateral facilities in different countries, out of which approximately USD 0.11 billion are long-term loans. Negotiations of the related financing agreements are still ongoing and the final terms agreed to may differ to those used for purposes of capitalization and indebtedness information. The bridge loan is planned to be due for refinancing not later than September 2025 and the term loans between September 2026 and September 2028. The total expected indebtedness is based upon management's assumption about Sandoz' expected credit rating. See also section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Description of New Facilities*".

(3) Net financial liabilities to Novartis Group are calculated based on the sum of other financial receivables from Novartis Group and other financial liabilities to Novartis Group and will be settled through the Internal Transactions (as described in section "*Major Shareholders and Related Party Transactions – Related Party Transactions –*

Agreements Between Sandoz and Novartis").

(4) Current and non-current financial debt excludes finance lease liabilities.

(5) As of the date of the Spin-off, the Novartis investment in the Novartis AG Sandoz business will be redesignated as Sandoz shareholders' equity and will be allocated between share capital, treasury Shares and reserves, based on the number of Shares outstanding as of the date of the Spin-off, which we assume to be 431,000,000 shares. The number and value of Sandoz treasury Shares are expected to be insignificant.

(6) The "as adjusted" information is not necessarily indicative of what our capitalization and indebtedness would have been had the separation and related transactions been completed as of June 30, 2023.

As of the date of this Listing Prospectus, there have been no changes to the "actual" information set forth in the table above, other than (i) as a result of ongoing normal operating activities, such as changes in cash and cash equivalents and results of operations of the Group, (ii) as otherwise discussed in this Listing Prospectus, and (iii) any changes that would not have a material adverse effect on the Group.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The following selected financial information and other data should be read together with the Sandoz Business Combined Financial Statements and related notes and the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" appearing elsewhere in this Listing Prospectus. The selected income statement data for the years ended December 31, 2022, 2021, and 2020 and the selected balance sheet data as of December 31, 2022, 2021, and 2020 are derived from the Sandoz Business Combined Financial Statements and related notes appearing elsewhere in this Listing Prospectus.

The selected financial data in this section are not intended to replace the Sandoz Business Combined Financial Statements or the Statutory Financial Statements and the related notes. The historical results could differ from those that would have resulted if the Company operated autonomously or as an entity independent from Novartis in the periods for which historical financial data is presented below, and such results are not necessarily indicative of the results that may be expected in the future.

For additional details regarding the preparation or Sandoz' combined financial statements, please see "*Note 2 – Basis of Preparation*" to the Sandoz Business Combined Financial Statements appearing elsewhere in this Prospectus. The Sandoz Business Combined Financial Statements have been prepared in accordance with IFRS. They should be read in conjunction with the information included in section "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" appearing elsewhere in this Listing Prospectus.

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Year ended Dec, 31, 2020
Net sales to third parties	**9 069**	**9 443**	**9 468**
Sales to Novartis Group	207	176	158
Net sales	**9 276**	**9 619**	**9 626**
Gross profit	**4 378**	**4 599**	**4 459**
Operating income	**1 239**	**1 394**	**802**
% of net sales to third parties	13.7	14.8	8.5
Income before taxes	**1 102**	**1 313**	**706**
Income taxes	– 252	– 403	– 242
Net income	**850**	**910**	**464**
Attributable to:			
Novartis AG	*848*	*908*	*462*
Non-controlling interests	*2*	*2*	*2*

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Year ended Dec, 31, 2020
EBITDA	**1 741**	**1 927**	**1 764**
EBITDA margin (as % of net sales to third parties)	19.2	20.4	18.6
Core EBITDA	**1 931**	**2 103**	**2 374**
Core EBITDA margin (as % of net sales to third parties)	21.3	22.3	25.1
Core operating income	**1 705**	**1 860**	**2 097**
Core operating income margin (as % of net sales to third parties)	18.8	19.7	22.1
Free cash flow	**832**	**1 025**	**814**

(USD millions)	**Dec 31, 2022**	Dec 31, 2021	Dec, 31, 2020
Total assets	**17 557**	**17 542**	**17 946**
Total liabilities	**8 797**	**9 379**	**10 223**
Invested capital	**8 760**	**8 163**	**7 723**
Net debt	**2 980**	**3 879**	**4 520**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations should be read in conjunction with the section "*Presentation of Financial and Other Information*", the Statutory Financial Statements and the Sandoz Business Combined Financial Statements as of and for the years ending on December 31, 2022, 2021 and 2020, including the respective notes thereto, as included in this Listing Prospectus. The Sandoz Business Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board and are presented in U.S. dollars.

The following discussion of our results of operations also makes reference to certain non-IFRS financial measures. Investors should bear in mind that these non-IFRS financial measures may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of Sandoz' operating results as reported under IFRS. See section "*Presentation of Financial and Other Information – Non-IFRS Measures as Defined by Sandoz*".

The below discussion and analysis of our financial condition and results of operations contain forward-looking statements that involve risks and uncertainties. Our actual performance and results, as well as the timing of certain future events described below, are based on assumptions about our business and may differ materially from those anticipated in the forward-looking statements as a result of certain factors, including those set forth in the sections "*Forward-looking Statements*" and "*Risk Factors*" and elsewhere in this Listing Prospectus. In addition, certain industry issues also affect the financial condition and results of operations, as described in "*Industry and Market Overview*".

Unless the context requires otherwise, the expression "mid-term" used in this section refers to the period until the end of 2028. As with any projection or forecast, these five-year outlook measures are inherently susceptible to uncertainty and are based on various assumptions that may turn out to be incorrect.

Overview

Sandoz is a multinational group of companies specializing in the development, manufacturing and marketing of Generics and Biosimilars. We are a global leader in Generics and Biosimilars and sell products in over 100 countries.

The generics business refers to the development, manufacturing and marketing of active ingredients and finished dosage forms of small molecule pharmaceuticals to third parties across a broad range of therapeutic areas, as well as finished dosage forms of anti-infectives sold to third parties. It also includes the manufacturing and supply of active pharmaceutical ingredients and intermediates, mainly antibiotics, for internal use (i.e., production of Generics by Sandoz) and for sale to third-party customers. In Biosimilars, we develop, manufacture and market protein-based and other biological products, including Biosimilars. While many drug manufacturers prioritize either Generics or Biosimilars, we have both businesses well-developed.

During the year ended December 31, 2022, Sandoz generated USD 9.1 billion of net sales, of which generic pharmaceuticals generated USD 7.1 billion of net sales (or 79% of Sandoz net sales) across oral solids, injectables, inhalers and other dosage forms, and Biosimilars generated USD 1.9 billion of net sales (or 21% of Sandoz net sales). These products cover major therapeutic areas, including cardiovascular, central nervous system, oncology, anti-infectives, pain, autoimmune and respiratory.

Sandoz has operated as the Generics and Biosimilars division of the Novartis Group since 2003. On August 25, 2022, Novartis announced its intention to separate the Sandoz division into a new publicly traded stand-alone company, by way of a 100% spin-off. This separation is subject to certain preparatory steps such as the completion of a legal entity reorganization, the receipt of regulatory approvals and finalization of the manufacturing and supply agreements between Sandoz and Novartis and the set-up of a separate independent organization (see section "*The Spin-Off*").

Basis of Preparation of the Combined Financial Statements

The Sandoz Business Combined Financial Statements included in this Listing Prospectus have been prepared in accordance with the basis of preparation described in "Note 2 – Basis of preparation" thereto, a summary of which is included below, and with the accounting policies described in "Note 3 – Significant accounting policies" thereto.

Sandoz did not publish standalone financial statements in the past. As a result, the accompanying Sandoz Business Combined Financial Statements have been derived from the Novartis Group accounting records that were prepared in accordance with IFRS.

As it is the first time that the Company applies IFRS on a standalone basis, for the purpose of the preparation of the Sandoz Business Combined Financial Statements, IFRS 1 — First-time Adoption of International Financial Reporting Standards was required to be applied. As a result, the Sandoz Business Combined Financial Statements include the January 1, 2020 combined balance sheet (the opening statement of financial position). Also included are three years of combined balance sheets as of December 31, 2022, 2021 and 2020, together with the related note disclosures. As the Sandoz Business applied IFRS as a division of the Novartis Group, the various reconciliations disclosures of IFRS 1 are not applicable.

IFRS does not provide specific principles or guidance for the preparation of combined financial statements for carve-out financial statements, and accordingly in preparing the Sandoz Business Combined Financial Statements, certain accounting and allocation conventions commonly used in practice for the preparation of carve-out financial statements were applied. The assets and liabilities included in the combined balance sheets were measured at the carrying amounts recorded in Novartis Group consolidated financial statements.

As the Sandoz Business Combined Financial Statements have been derived from the Novartis Group accounts, the reference date used for determining adjusting post balance sheet events is the date that the Novartis accounts were approved for issuance. Any post balance sheet events that occurred post the approval date of the Novartis accounts are accounted for in the period in which they occurred. Any material events that occurred post the January 31, 2023 approval date of the 2022 Novartis consolidated financial statements are disclosed in "*Note 27 – Events subsequent to the December 31, 2022 combined balance sheet*".

The business of Sandoz did not form a separate legal group of companies in all years presented. The accompanying Sandoz Business Combined Financial Statements were prepared on a standalone basis and are derived (carved-out) from Novartis' consolidated financial statements and accounting records of the Novartis Group. They include all Sandoz subsidiaries and all Sandoz business operated within Novartis Group subsidiaries. Entities included in the Sandoz Business Combined Financial Statements are also referred to as "subsidiaries".

The preparation of carve-out financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the year that affect the reported amounts of assets and liabilities as well as expenses. Actual outcomes and results could differ from those estimates and assumptions. A detailed description of significant estimates and assumptions applied by management in the preparation of these combined financial statements can be found in the Sandoz Business Combined Financial Statements, *"— Note 2. Basis of preparation"*.

Although the Sandoz Business Combined Financial Statements reflect management's best estimate of all historical costs related to Sandoz, this may not necessarily reflect what the results of operations, financial position, or cash flows would have been had Sandoz been a separate standalone entity, nor the future results of Sandoz as it will exist upon completion of the planned separation, as described in the Sandoz Business Combined Financial Statements, "*Note 1 – Description of business and scope of combination*". See also section "*Risk Factors – Risks Related to the Separation from Novartis – Historically, the Sandoz Business has operated as a division of Novartis and its historical financial information is not necessarily representative of the results the Sandoz Business would have achieved as an independent group and may not be a reliable indicator of our future results*".

Key Factors Affecting Our Business and Results of Operations

The comparability of the year-on-year results of our operations for the Group can be significantly affected by acquisitions and divestments. As part of our long-term strategy to focus Sandoz as a leading off-patent medicines company, we announced and/or completed several acquisitions during 2022, 2021 and 2020. A detailed description of significant transactions in 2021 and 2020, can be found in section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Comparability of Year-on-Year Results of Operations*" and "*Note 4 – Significant Transactions*" to the Sandoz Business Combined Financial Statements included elsewhere in this Listing Prospectus.

Our business and results of operations have been, and are expected to continue to be, affected by certain key factors including general industry and technology trends, level of deductions from net sales (revenue deductions), foreign exchange rate effects, inflation effect, COVID-19 and our ability to deliver improvements in operating efficiency, among other factors. Each of the identified key factors is discussed in more detail below.

Industry and Technology Trends

Supportive demographic trends: the ageing of the population globally is expected to continue to be one of the main growth engines for Generics and Biosimilars, supporting strong demand as a result of higher medical requirements for an ageing population.

Increasing market adoption of Generics and Biosimilars: growing attention from policymakers

as well as positive shifts among physicians encouraging access to more affordable healthcare solutions are among the key drivers of Generics and Biosimilars penetration.

Exclusivity losses: the significant number of potential upcoming losses of exclusivity ("**LoEs**") is expected to further fuel market growth. On the other hand, innovator companies continue to invest in patent strategies to protect their product portfolios and limit the impact of Generics competitors. This adds unpredictability and risk for future development programs.

Expected consistent price erosion: given the competitive nature of the Generics industry in a low-cost manufacturing environment with competitive pricing, often set by governments and regulators focused on year-on-year price decreases, annual price erosion is an industry-wide challenge that Generics manufacturers continue to face today, particularly in the US. This is driven by factors including customer consolidation and growing competition from other manufacturers of Generics. These factors led to high price erosion and pressure on Generics sales, constraining growth in the US market (which accounted for 18.1% of our net sales in 2022).

Biosimilars and Generics have different patterns of price erosion. Biosimilars have a larger molecular size and more complex structure compared to small molecule Generics, adding cost and complexity to their development and manufacturing. Biosimilars development may take six to nine years and cost USD 100-300 million per candidate compared with the cost of USD 1-2 million and approximately two years of development of a simple small molecule Generic. This difference in the development costs leads to less price discount from the originators for Biosimilars at LoEs compared with Generics and hence higher sales margins. However, with the increase in competition, price erosion for Biosimilars can be quite significant and can lead to margin erosion in the longer run. See also section "*Industry and Market Overview*" for more information.

New Launches

New launches are the lifeblood of the Generics industry. The other two factors driving sales are price and volume, but launches are what ultimately drive incremental revenue over time. Launch preparations can also negatively impact the bottom line in the short term before increased sales compensate and also drive the bottom line.

Seasonality

A large proportion of the Sandoz portfolio is relatively immune to seasonal demand changes over the course of the year. The main exception is the cough and cold sector, mainly comprising anti-infectives and certain OTC products, where demand can be substantially affected by factors such as the severity of the cough and cold season.

Regulatory Developments

Generics companies, like all pharmaceutical companies, are subject to substantial regulatory requirements. New legislation or changes in the existing legislation can therefore have a significant impact on financial results, with details varying from case to case. A recent example of a significant regulatory change is the introduction of the Inflation Reduction Act in the US, different aspects of which could potentially impact the future of our business in both positive and negative ways (see also section "*Risk Factors – Risks Related to our Industry and our Business – We are a multinational business that operates in numerous tax jurisdictions.*

Changes in tax law or their application in the jurisdictions in which we operate, or successful challenges to our tax positions by tax authorities, could adversely affect our results of operations").

Deductions from Net Sales

As is typical in the pharmaceutical industry, the consideration we receive in exchange for goods and services may be fixed or variable. The most common elements of variable consideration are primarily composed of rebates and discounts granted to wholesalers, retailers, government agencies, government supported healthcare systems, private health systems, pharmacy benefit managers, managed healthcare organizations and other customers. Variable consideration is recognized when it is highly probable that a significant reversal will not occur. These elements of variable consideration represent estimates of the related obligations, requiring the use of judgment when estimating the effect of these considerations for a reporting period.

Sales and provisions for revenue deductions are adjusted periodically to reflect experience and to reflect actual amounts as rebates, refunds, discounts and returns are processed. There is often a time lag between recording of revenue deductions and the final accounting for them. The provision represents estimates of the related obligations, requiring the use of judgment when estimating the effect of these revenue deductions.

Foreign Exchange Rate Effects

While Sandoz' presentation currency is the US dollar, we generate a substantial portion of our net sales and expenses in currencies other than the US dollar due to our international operations (78% of net sales and 76% of operating expenses in non-USD currencies in 2022). Thus, our results of operations are affected (both positively and negatively) by fluctuations in exchange rates among those different currencies. See also section "*Liquidity and Capital Resources – Effects of currency fluctuations*" for more information.

Inflation Effects on Business

In 2022, inflation rates in numerous markets, including Europe and the United States, rose substantially and remain at elevated levels in 2023. The impact of inflation resulted in a more than 10% increase in the cost of sales in 2022 and was mainly driven by the higher input costs, primarily due to an increase in energy, transportation, and commodity prices, which impacted not only our costs but also the costs of our suppliers.

In the off-patent medicines industry, the effect of inflation is particularly pronounced if coupled with price erosion, which creates pressure on business profitability. On top of this, inflation has led to higher interest rates, and hence a higher cost of capital. These factors combined pose a major risk of increased costs of production and distribution as they can affect the commercial viability of generic medicines, with European drugmakers already warning that they may stop making some generic medicines.

COVID-19

The global COVID-19 pandemic has directly impacted our business and operations since January 2020, when the World Health Organization ("**WHO**") declared the COVID-19 outbreak a

public health emergency of international concern.

On the one hand, it impacted the demand for certain Sandoz products. For instance, demand for antibiotics increased in the first months of the COVID-19 outbreak, dropped significantly afterwards, and recovered starting at the end of 2021. Volatility in patient demand as well as supply chain delays impacted customer purchasing patterns which in turn influenced the phasing of sales over this period. In 2020 and 2021, the COVID-19 disruption to hospitals and practices of health care professionals limited patient access to the treatment from our Generics business. This was coupled with a historically mild cough and cold season, attributable to measures taken to manage the pandemic. The situation started to normalize in the second half of 2021. Overall, despite the macro headwinds, Sandoz managed to (i) maintain continuous supply of our medicines to provide access to patients as a priority, (ii) maintain stock at high levels to reduce any potential disruptions, and (iii) keep investing in a long-term pipeline, ensuring our robust outlook.

On the other hand, the COVID-19 pandemic generally revealed the world economy's dependence on production sites located in various countries and resulted in supply bottlenecks that drew attention to specific deficits in pandemic-readiness of Western countries. As a consequence, we adjusted our operating footprint and believe we are operating in markets in which demand for our products and services appear to be positively affected by the lessons learned from the COVID-19 pandemic. Moreover, the COVID-19 pandemic accelerated several global megatrends, such as digitalization in the healthcare industry. Moreover, the COVID-19 pandemic led to a decrease in travel expenses as well as lower expenses for marketing and sales in 2020 and 2021 as various activities were carried out remotely. The situation started normalizing in 2022.

Improvements in Operational Efficiency

Sandoz has implemented a number of initiatives to drive operational excellence and efficiency which generated approximately USD 0.5 billion of net savings over the 2020 – 2022 period. Manufacturing productivity contributed more than half of the savings from operational improvements and cost saving initiatives, while the rest came from procurement initiatives, in particular within Biosimilars. In 2022, the net productivity was more than offset by the impacts of rising inflation, whereas in previous years, productivity was the main driver of COGS reduction.

Important Financial and Operational Terms and Concepts

Net Sales to Third Parties

Revenue on the sale of Sandoz products and services, which is recorded as "Net sales to third parties", is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, substantially all of which is at the point in time of shipment to or receipt of the products by the customer or when the services are performed.

Cost of Goods Sold (COGS)

Cost of goods sold ("COGS") includes all costs directly and indirectly related to production, purchase and bringing products to their final selling condition. This includes cost of materials,

labor and overhead expenses necessary to acquire and convert purchased materials and supplies into finished goods. COGS also includes royalties on certain licensed products, inspection costs, freight charges and amortization of marketable products.

Inventories

Inventory includes finished products, work in progress, raw materials and consumables. Inventory is valued at the lower of acquisition or production cost determined on a first-in, first-out basis and net realizable value. This value is used for the "Cost of goods sold" in the combined income statement. Unsaleable inventory is fully written off in the combined income statement under "Cost of goods sold".

Development & Regulatory (D&R) Costs

Sandoz conducts development and regulatory ("**D&R**") activities to create and obtain regulatory approvals for new products, develop new applications for existing products and enhance existing products. This includes direct D&R expenses as well as expenses incurred for D&R services from third parties. D&R costs are expensed as incurred or capitalized as assets if capitalization criteria are met. The majority of D&R costs are expensed to the income statement.

Selling, General and Administrative (SG&A) Costs

Selling, general and administrative costs ("**SG&A**") primarily include costs associated with the promotion, selling, marketing, distribution, office facilities and other administrative and corporate costs.

Other Income and Expenses (OI&E)

Other income and expenses ("**OI&E**") are those items that do not relate to other functions.

Results of Operations

In evaluating Sandoz' performance, we consider not only the IFRS results, but also certain non-IFRS measures, including various core results, free cash flow, constant currency results, EBITDA and net debt. These measures assist us in evaluating our underlying performance from period to period and we believe this additional information is useful to investors in understanding the performance of our business. A reconciliation between the non-IFRS measures presented below and the most directly comparable IFRS measures is shown in section "*Presentation of Financial and Other Information*". Sandoz' core results, free cash flow, constant currencies, EBITDA, net debt and other non-IFRS measures are also explained in more detail in section "*Presentation of Financial and Other Information*" and are not intended to be substitutes for the equivalent measures of financial performance prepared in accordance with IFRS. These measures may differ from similarly titled non-IFRS measures of other companies.

For ease of understanding, we use a sign convention for growth rates such that a reduction in operating expenses or losses compared to the prior year is considered favorable and hence shown as a positive change (growth).

Financial Year Ending December 31, 2022 Compared to the Financial Year Ending December 31, 2021

Sandoz Overview Financial Year 2022 Compared to 2021

In 2022, we observed a return to normal business dynamics after the global COVID-19 pandemic. Generics experienced positive momentum in regions Europe and International while Biosimilars volume expanded across all regions. Inflation rates rose substantially in numerous markets, including Europe and the United States, which translated to higher input costs, primarily due to an increase in energy, transportation and commodity prices. These effects were partly offset by operational improvements.

The following table sets forth our key measures for the financial years ending December 31, 2022 and 2021.

For an explanation of non-IFRS measures and reconciliation tables, see section "*Presentation of Financial and Other Information – Non-IFRS measures as defined by Sandoz*".

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Change in USD %	Change in constant currencies %
Net sales to third parties	**9 069**	**9 443**	**– 4**	**4**
Core EBITDA	**1 931**	**2 103**	**– 8**	**– 1**
Free cash flow	**832**	**1 025**	**– 19**	

Net sales to third parties in 2022 were USD 9.1 billion (-4%, +4% constant currency growth ("**cc**")), driven by positive momentum in the Generics business in Regions Europe and International including a strong cough and cold season and a return towards normal business dynamics in the first half of the year, as well as from an expansion of the Biosimilars volume across regions.

Core EBITDA was USD 1.9 billion (-8%, -1% cc) impacted by input cost inflation, marketing and sales investments to drive topline and additional ongoing spend from M&A integration offset by the contribution from higher sales.

Free cash flow amounted to USD 0.8 billion compared to USD 1.0 billion in 2021 with the decrease mainly attributable to the working capital impacts from inventory build-up post COVID-19 and from inventory cost increase due to inflation.

The following table sets forth our results of operations for the financial years ending December 31, 2022 and 2021:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Change in USD %	Change in constant currencies %
Net sales to third parties	**9 069**	**9 443**	**– 4**	**4**
Sales to Novartis Group	207	176	18	25
Net sales	**9 276**	**9 619**	**– 4**	**5**
Other revenues	30	59	– 49	– 41
Cost of goods sold	– 4 928	– 5 079	3	– 6
Gross profit	**4 378**	**4 599**	**– 5**	**3**
Selling, general and administration	– 2 127	– 2 127	0	– 9
Development and regulatory	– 833	– 911	9	2

Other income	111	240	– 54	– 54
Other expense	– 290	– 407	29	25
Operating income	**1 239**	**1 394**	**– 11**	**– 4**
% of net sales to third parties	13.7	14.8		
Interest expense	– 89	– 65	– 37	– 42
Other financial income and expense	– 48	– 16	– 200	– 79
Income before taxes	**1 102**	**1 313**	**– 16**	**– 7**
Income taxes	– 252	– 403	37	31
Net income	**850**	**910**	**– 7**	**3**
Attributable to Novartis AG	*848*	*908*	*– 7*	*3*
Non-controlling interests	*2*	*2*	*0*	*0*

Net Sales

Sandoz net sales to third parties were USD 9.1 billion (–4%, +4% cc) with volume contributing 10 percentage points to growth. Pricing had a negative impact of minus 6 percentage points versus minus 9 percentage points in 2021 which was mainly a result of Omnitrope® off contract sales at favorable pricing in 2020. The total FX impact of -8% was primarily due to -11% Euro depreciation against the USD.

Generics net sales were USD 7.1 billion (-5%, +3% cc), with the increase on a constant currency basis driven by momentum in regions Europe and International including a strong recovery of demand post COVID-19 in the first half of the year and a more severe cough and cold season. Volume contributed 8 percentage points to Generics sales and pricing had a negative impact of minus 5 percentage points. Biosimilars net sales were USD 1.9 billion (-1%, +9% cc), driven by volume expansion across all regions. Volume contributed 19 percentage points to Biosimilars sales and pricing had a negative impact of minus 10 percentage points.

The following table sets forth our net sales for the years ending December 31, 2022 and 2021 by business:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Change in USD %	Change in constant currencies %
Generics	7 141	7 498	– 5	3
Biosimilars	1 928	1 945	– 1	9
Total Sandoz	**9 069**	**9 443**	**– 4**	**4**

In assessing our operations, we also monitor the development of our net sales by region based on the location of the customer as invoiced. Sales in Europe were USD 4.5 billion (–6%, +6% cc), in North America USD 2.1 billion (-3%, –2% cc) and in International USD 2.5 billion (-1%, +7% cc). Sales grew on a constant currency basis +6% excluding US, driven by volume increases and tender wins. North America performance stabilized, and previous annual declines were significantly reduced.

The following table sets forth our net sales for the years ending December 31, 2022 and 2021 by region:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Change in USD %	Change in constant currencies %
Europe	4 503	4 790	– 6	6
North America	2 094	2 151	– 3	– 2
International	2 472	2 502	– 1	7
Total Sandoz	**9 069**	**9 443**	**– 4**	**4**

Cost of Goods Sold

Cost of goods sold was USD 4.9 billion (+3%, -6% cc), with the increase on a constant currency basis driven by higher sales and the impact of inflation on input costs offset in part by operational improvements, inventory cost increase due to inflation.

Gross Profit and Core Gross Profit

Gross profit was USD 4.4 billion (-5%, +3% cc) with the increase on a constant currency basis driven mainly by higher sales offset by the impact of inflation on input costs. Gross margin as a percent of sales was 48.3%, decreasing by 0.4 percentage points, due to inflationary impacts on inputs costs.

Core adjustments for gross profit in 2022 were USD 348 million, which were in line with core adjustments in 2021 (USD 322 million). Core adjustments were mainly driven by the amortization of acquired rights to currently marketed products and other production-related intangible assets. A summary of core adjustments is provided in section "*Presentation of Financial and Other Information – Reconciliation of Core Results*".

The following table sets forth our core gross profit for the years ending December 31, 2022 and 2021:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Change in USD %	Change in constant currencies %
Net sales to third parties	**9 069**	**9 443**	**– 4**	**4**
Sales to Novartis Group	207	176	18	25
Net sales	**9 276**	**9 619**	**– 4**	**5**
Core other revenues	30	59	– 49	– 41
Core cost of goods sold	– 4 580	– 4 757	4	– 5
Core gross profit	**4 726**	**4 921**	**– 4**	**4**
As % of net sales to third parties	52.1	52.1		

Selling, General and Administrative Expenses

SG&A expenses totaled USD 2.1 billion (0%, -9% cc), with the increase driven by marketing & sales investments to drive sales growth, the normalization of marketing and sales activity post COVID-19, higher warehousing and distribution costs and spend from the integration of GSK's cephalosporin antibiotics business.

Development & Regulatory

Development & regulatory expense was USD 0.8 billion (+9%, +2% cc), and decreased compared with the prior year driven by operational excellence savings in our standard Generics pipeline.

Operating Income and Core Operating Income

Operating income was USD 1.2 billion (–11%, –4% cc), with the decline on a constant currency basis mainly due to inflationary impacts on input costs and increased marketing & sales expenditures to drive higher sales and additional spend from M&A integration, partly offset by the contribution from higher sales. Operating income margin was 13.7% of net sales,

decreasing 1.1 percentage points (-1.2 percentage point cc).

Core adjustments were USD 466 million, including USD 221 million of amortization. Prior year core adjustments were USD 466 million, including USD 235 million of amortization. A summary of core adjustments is provided in section "*Presentation of Financial and Other Information – Reconciliation of Core Results*".

Core operating income was USD 1.7 billion (–8%, –2% cc), with the decline mainly due to the reasons stated above. Core operating margin was 18.8% of net sales, decreasing by 0.9 percentage points (-1.2 percentage points cc).

Core gross margin as a percentage of net sales to third parties decreased by 0.3 percentage points (cc), due to inflationary impacts on input costs. Core D&R expenses as a percentage of net sales decreased by 0.5 percentage points (cc). Core SG&A expenses increased by 0.8 percentage points (cc) mainly from marketing and sales investments and from spend on M&A integration. Core other income and expense decreased the margin by 0.6 percentage points (cc) mainly due to an increase in expenses from statutory healthcare cost containment measures in Europe.

The following table sets forth our core operating income for the years ending December 31, 2022 and 2021:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Change in USD %	Change in constant currencies %
Core gross profit	**4 726**	**4 921**	**– 4**	**4**
Core selling, general and administration	– 2 117	– 2 126	0	– 8
Core development and regulatory	– 831	– 902	8	1
Core other income	94	134	– 30	– 29
Core other expense	– 167	– 167	0	– 5
Core operating income	**1 705**	**1 860**	**– 8**	**– 2**
As % of net sales to third parties	18.8	19.7		

EBITDA and Core EBITDA

EBITDA was USD 1.7 billion, (-10%, -3% cc) with the decrease mainly from lower operating income for the reasons stated above.

The following table provides an overview of the EBITDA for the years ending December 31, 2022 and 2021:

(USD millions unless otherwise indicated)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Change in USD %	Change in constant currencies %
Operating income	**1 239**	**1 394**	**– 11**	**– 4**
Depreciation of property, plant and equipment	199	210	– 5	5
Depreciation of the right-of-use-assets	37	43	– 14	– 6
Amortization of intangible assets	222	236	– 6	0
Intangible assets directly expensed	10	8	25	36
Impairments of property, plant and equipment, and intangible assets[1]	34	36	– 6	1
EBITDA	**1 741**	**1 927**	**– 10**	**– 3**
As % of net sales to third parties	19.2	20.4		

[1] There were no impairments of right-of-use assets in 2022 and 2021.

Core EBITDA was USD 1.9 billion (-8%, -1% cc) with the decrease mainly from lower core

operating income. An explanation of non-IFRS measures and further details are provided in section "*Presentation of Financial and other Information – Reconciliation of Core Results – 2022, 2021 and 2020 reconciliation from Operating Income to EBITDA to Core EBITDA*".

The following table provides an overview of the core EBITDA for the years ending December 31, 2022 and 2021:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Change in USD %	Change in constant currencies %
Core operating income	**1 705**	**1 860**	**– 8**	**– 2**
Core depreciation of property, plant and equipment	177	190	– 7	4
Core depreciation of the right-of-use-assets	37	43	– 14	– 6
Core amortization of intangibles	11	9	22	26
Core impairments of property, plant and equipment, and intangible assets[1]	1	1	0	0
Core EBITDA	**1 931**	**2 103**	**– 8**	**– 1**
As % of net sales to third parties	21.3	22.3		

[1] There were no impairments of right-of-use assets in 2022 and 2021.

Core EBITDA as a percentage of net sales was 21.3% and decreased by 0.9 percentage points cc from the factors described below. Foreign exchange rates had a positive impact of 0.2 percentage points due to the appreciation of the US Dollar against the Swiss franc. Gains from volume / price were 0.2 percentage points. Operational improvements including procurement savings and conversion cost decreases had a positive impact of 0.8 percentage points. Input cost inflation had a negative impact of minus 1.2 percentage points. Investments in marketing and sales activity linked to higher sales and ongoing spend from M&A integration together had a negative impact of minus 0.8 percentage points.

Net Income and Core Net Income

Net income was USD 850 million compared to USD 910 million in the prior year, with the decrease in operating income partially offset by lower income taxes.

Interest expense increased due to higher interest rates. Other financial income and expenses were broadly in line with prior year.

The tax rate was 22.9% compared to 30.7 % in the prior year. In the current year, the tax rate was favorably impacted by a deferred tax balance remeasurement following a change in tax rate, prior period adjustments and uncertain tax positions. The prior year rate was negatively impacted by increases in uncertain tax positions offset by tax benefits relating to the prior period.

Excluding these impacts, the current year rate would have been 25.4% compared to 23.9% in the prior year. The increase from the prior year was mainly the result of a change in profit mix.

The following table sets forth our net income for the years ending December 31, 2022 and 2021:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Change in USD %	Change in constant currencies %
Operating income	**1 239**	**1 394**	**– 11**	**– 4**
Interest expense	– 89	– 65	– 37	– 42
Other financial income and expense	– 48	– 16	– 200	– 79
Income before taxes	**1 102**	**1 313**	**– 16**	**– 7**
Income taxes	– 252	– 403	37	31
Net income	**850**	**910**	**– 7**	**3**
Attributable to Novartis AG	*848*	*908*	*– 7*	*3*
Non-controlling interests	*2*	*2*	*0*	*0*

Core net income was USD 1.2 billion (-11%, -4% cc).

Core interest expense was USD 89 million and core other financial income and expenses were broadly in line with the prior year.

The core tax rate (core taxes as a percentage of core income before tax) was 23.3% compared to 23.1% in the prior year. The increase from the prior year was mainly the result of a change in profit mix.

The following table sets forth our core net income for the years ending December 31, 2022 and 2021:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2022**	Year ended Dec 31, 2021	Change in USD %	Change in constant currencies %
Core operating income	**1 705**	**1 860**	**– 8**	**– 2**
Core interest expense	– 89	– 65	– 37	– 42
Core other financial income and expense	– 26	– 16	– 63	– 79
Core income before taxes	**1 590**	**1 779**	**– 11**	**– 4**
Core income taxes	– 370	– 411	10	4
Core net income	**1 220**	**1 368**	**– 11**	**– 4**

Financial Year Ending December 31, 2021 Compared to the Financial Year Ending December 31, 2020

Sandoz Overview Financial Year 2021 Compared to 2020

In 2021, the business continued to be impacted by the COVID-19 disruption to hospitals and health care professional practices, which limited patient access to treatments for our Generics business, particularly in the first half of the year. Parts of our Generics business were also impacted by the tail end of a historically weak cough and cold season, likely attributable to measures taken to manage the pandemic. COVID-19 impacts were more moderate in the second half of the year, during which marketing & sales activity also normalized.

The following table sets forth our key measures for the financial years ending December 31, 2021 and 2020.

For an explanation of non-IFRS measures and reconciliation tables, see "*Presentation of*

Financial and Other Information – Non-IFRS measures as defined by Sandoz".

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2021**	Year ended Dec 31, 2020	Change in USD %	Change in constant currencies %
Net sales to third parties	**9 443**	**9 468**	**0**	**– 2**
Core EBITDA	**2 103**	**2 374**	**– 11**	**– 14**
Free cash flow	**1 025**	**814**	**26**	

Net sales to third parties were USD 9.4 billion (0%, –2% cc), with the decrease on a constant currency basis driven by the Generics business. Generics sales decreased mainly from softer demand and exceptional sales impacts from COVID 19-related customer de-stocking and off contract sales in the prior year.

Core EBITDA was USD 2.1 billion (-11%, -14% cc) due to lower sales, negative price effect on gross margin and increased development and regulatory investments.

Free cash flow amounted to USD 1.0 billion compared to USD 0.8 billion in 2020 as favorable changes in working capital were partly offset by a decline in operating income adjusted for non-cash items.

The following table sets forth our results of operations for the years ending December 31, 2021 and 2020:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2021**	Year ended Dec 31, 2020	Change in USD %	Change in constant currencies %
Net sales to third parties	**9 443**	**9 468**	**0**	**– 2**
Sales to Novartis Group	176	158	11	8
Net sales	**9 619**	**9 626**	**0**	**– 2**
Other revenues	59	32	84	82
Cost of goods sold	– 5 079	– 5 199	2	4
Gross profit	**4 599**	**4 459**	**3**	**1**
Selling, general and administration	– 2 127	– 2 132	0	2
Development and regulatory	– 911	– 873	– 4	– 2
Other income	240	167	44	47
Other expense	– 407	– 819	50	52
Operating income	**1 394**	**802**	**74**	**68**
% of net sales to third parties	14.8	8.5		
Interest expense	– 65	– 72	10	6
Other financial income and expense	– 16	– 24	33	32
Income before taxes	**1 313**	**706**	**86**	**79**
Income taxes	– 403	– 242	– 67	– 60
Net income	**910**	**464**	**96**	**89**
Attributable to Novartis AG	*908*	*462*	*97*	*89*
Non-controlling interests	*2*	*2*	*0*	*0*

Net Sales

Net sales to third parties were USD 9.4 billion (0%, –2% cc). Volume increased by 7 percentage points from growth in the Biosimilars business, partly offset by the impact of softer Generics demand, with a mild cough and cold season in the first half. Volume growth was more than offset by a negative price effect of minus 9 percentage points mainly due to increasing competition and the impact of lower off-contract sales in the US.

Generics sales were USD 7.5 billion (–2%, -4% cc), declining due to softer Generics demand and exceptional sales impacts from COVID 19-related customer de-stocking and lower off-contract sales in the US.

Biosimilars sales grew to USD 1.9 billion (+9%, +6% cc), driven by continued volume growth in Europe and International, partly offset by exceptional sales impacts from lower off contract sales in the US.

The following table sets forth our net sales for the years ending December 31, 2021 and 2020 by business:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2021**	Year ended Dec 31, 2020	Change in USD %	Change in constant currencies %
Generics	7 498	7 677	– 2	– 4
Biosimilars	1 945	1 791	9	6
Total	**9 443**	**9 468**	**0**	**– 2**

Sales in Europe were USD 4.8 billion (+1%, –2% cc), in North America USD 2.2 billion (–13%, -14% cc) and in International USD 2.5 billion (+10%, +10% cc). Sales in Europe declined on a constant currency basis due to the impact of COVID-19 on the Generics business. The sales decline in North America was due to lower US off-contract sales and the negative price effect in the Generics business, especially oral solids, which were additionally impacted by partnership terminations.

The following table sets forth our net sales for the years ending December 31, 2021 and 2020 by region:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2021**	Year ended Dec 31, 2020	Change in USD %	Change in constant currencies %
Europe	4 790	4 728	1	– 2
North America	2 151	2 464	– 13	– 14
International	2 502	2 276	10	10
Total Sandoz	**9 443**	**9 468**	**0**	**– 2**

Cost of Goods Sold

Cost of goods sold was USD 5.1 billion (+2%, +4% cc) with the decrease driven by operational efficiencies including procurement savings and conversion cost decreases.

Gross Profit and Core Gross Profit

Gross Profit was USD 4.6 billion (+3%, +1% cc) as lower sales including unfavorable price effects in the US were offset by improvement in operational efficiencies. Gross margin as a percent of sales was 48.7%.

Core adjustments for gross profit in 2021 were USD 322 million compared to USD 648 million in 2020. Higher core adjustments in 2020 were driven by the cumulative amount of depreciation, amortization and impairments recorded following the termination of the agreement with Aurobindo (see section "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Factors Affecting Comparability of Year-on-Year Results of Operations – Significant Transactions in 2020*"). A summary of core adjustments is provided in section

"*Presentation of Financial and Other Information – Reconciliation of Core Results*".

The following table sets forth our core gross profit for the years ending December 31, 2021 and 2020:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2021**	Year ended Dec 31, 2020	Change in USD %	Change in constant currencies %
Net sales to third parties	**9 443**	**9 468**	**0**	**– 2**
Sales to Novartis Group	176	158	11	8
Net sales	**9 619**	**9 626**	**0**	**– 2**
Core other revenues	59	32	84	82
Core cost of goods sold	– 4 757	– 4 551	– 5	– 3
Core gross profit	**4 921**	**5 107**	**– 4**	**– 6**
As % of net sales to third parties	52.1	53.9		

Selling, General & Administrative Expenses

SG&A expense totaled USD 2.1 billion (0%, +2% cc). While the second half of the year was characterized by a partial return to normal marketing and sales activity following the peak of the COVID-19 pandemic, SG&A expenses decreased versus the prior year due to the adoption of new ways of working, which reduced spend for travel, meetings and promotional activities.

Development and Regulatory

D&R expense was USD 0.9 billion (-4%, -2% cc), with the increase mainly from higher Biosimilars pipeline investments.

Operating Income and Core Operating Income

Operating income was USD 1.4 billion (+74%, +68% cc), mainly driven by lower legal settlements, lower impairments and lower amortization partly offset by lower core operating income. Operating income margin was 14.8% of net sales, increasing by 6.3 percentage points (+6.2 percentage point cc).

Core adjustments were USD 466 million, including USD 235 million of amortization. The previous year's core adjustments were USD 1.3 billion. The change in core adjustments compared to prior year was driven by lower legal settlements, lower impairments and lower amortization following the termination of the agreement with Aurobindo (see section "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Factors Affecting Comparability of Year-on-Year Results of Operations – Significant Transactions in 2020*"). A summary of core adjustments is provided in section "*Presentation of Financial and Other Information – Reconciliation of Core Results*".

Core operating income was USD 1.9 billion (–11%, –14% cc), declining from negative price effect on gross margin and from lower sales. Core operating income profit was 19.7% of net sales, decreasing 2.4 percentage points (-2.6 percentage points cc) versus the prior year.

Core gross margin as a percentage of net sales to third parties decreased by 1.9 percentage points (cc), mainly due to unfavorable price effects. Core D&R expenses as a percentage of net sales increased by 0.4 percentage points (cc) driven by biopharmaceutical pipeline

investments. Core SG&A expenses increased by 0.4 percentage points (cc) mainly due to lower sales. Core other income & expenses increased the margin by 0.1 percentage points (cc).

The following table sets forth our core operating income for the years ending December 31, 2021 and 2020:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2021**	Year ended Dec 31, 2020	Change in USD %	Change in constant currencies %
Core gross profit	**4 921**	**5 107**	**– 4**	**– 6**
Core selling, general and administration	– 2 126	– 2 101	– 1	1
Core development and regulatory	– 902	– 861	– 5	– 3
Core other income	134	100	34	37
Core other expense	– 167	– 148	– 13	– 11
Core operating income	**1 860**	**2 097**	**– 11**	**– 14**
As % of net sales to third parties	19.7	22.1		

EBITDA and Core EBITDA

EBITDA was USD 1.9 billion (+9%, +6% cc), driven by lower legal settlements and effects from the termination of the agreement with Aurobindo (see section "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Factors Affecting Comparability of Year-on-Year Results of Operations – Significant Transactions in 2020*"), partly offset by lower sales and negative price effect on gross margin.

The following table provides an overview of the EBITDA for the years ending December 31, 2021 and 2020:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2021**	Year ended Dec 31, 2020	Change in USD %	Change in constant currencies %
Operating income	**1 394**	**802**	**74**	**68**
Depreciation of property, plant and equipment	210	278	– 24	– 26
Depreciation of the right-of-use-assets	43	45	– 4	– 5
Amortization of intangible assets	236	370	– 36	– 38
Intangible assets directly expensed	8	9	– 11	– 10
Impairments of property, plant and equipment, and intangible assets[1]	36	260	– 86	– 88
EBITDA	**1 927**	**1 764**	**9**	**6**
As % of net sales to third parties	20.4	18.6		

[1] There were no impairments of right-of-use assets in 2021 and 2020.

Core EBITDA was USD 2.1 billion (–11%, –14% cc), due to lower sales, negative price effect on gross margin and increased development and regulatory investments.

The following table provides an overview of core EBITDA for the years ending December 31, 2021 and 2020:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2021**	Year ended Dec 31, 2020	Change in USD %	Change in constant currencies %
Core operating income	**1 860**	**2 097**	**– 11**	**– 14**
Core depreciation of property, plant and equipment	190	217	– 12	– 15
Core depreciation of the right-of-use-assets	43	45	– 4	– 5
Core amortization of intangibles	9	13	– 31	– 28
Core impairments of property, plant and equipment[1]	1	2	– 50	– 91
Core EBITDA	**2 103**	**2 374**	**– 11**	**– 14**
As % of net sales to third parties	22.3	25.1		

[1] There were no impairments of right-of-use assets in 2021 and 2020.

Net Income and Core Net Income

Net income was USD 910 million compared to USD 464 million in the prior year benefiting from higher operating income.

Interest expense and other financial income and expenses were broadly in line with prior year.

The tax rate was 30.7% compared to 34.3% in the prior year. In 2021, the tax rate was negatively impacted by increases in uncertain tax positions offset by tax benefits relating to the prior period. The prior year's rate was negatively impacted by increases in uncertain tax positions and non-deductible fines.

Excluding these impacts, the 2021 year's rate would have been 23.9% compared to 15.9% in the prior year. The increase from the prior year was mainly the result of a change in profit mix.

The following table sets forth our net income for the years ending December 31, 2021 and 2020:

(USD millions)	**Year ended Dec 31, 2021**	Year ended Dec 31, 2020	Change in USD %	Change in constant currencies %
Operating income	**1 394**	**802**	**74**	**68**
Interest expense	– 65	– 72	10	6
Other financial income and expense	– 16	– 24	33	32
Income before taxes	**1 313**	**706**	**86**	**79**
Income taxes	– 403	– 242	– 67	– 60
Net income	**910**	**464**	**96**	**89**
Attributable to Novartis AG	*908*	*462*	*97*	*89*
Non-controlling interests	*2*	*2*	*0*	*0*

Core net income was USD 1.4 billion (–13%, –16% cc).

The core tax rate (core taxes as a percentage of core income before tax) was 23.1% compared to 21.2% in the prior year. The increase from prior year was mainly the result of a change in profit mix.

Core interest expense and core other financial income and expenses were broadly in line with

prior year.

The following table sets forth our core net income for the years ending December 31, 2021 and 2020:

(USD millions unless indicated otherwise)	**Year ended Dec 31, 2021**	Year ended Dec 31, 2020	Change in USD %	Change in constant currencies %
Core operating income	**1 860**	**2 097**	**– 11**	**– 14**
Core interest expense	– 65	– 72	10	6
Core other financial income and expense	– 16	– 24	33	32
Core income before taxes	**1 779**	**2 001**	**– 11**	**– 14**
Core income taxes	– 411	– 424	3	6
Core net income	**1 368**	**1 577**	**– 13**	**– 16**

Factors Affecting Comparability of Year-on-Year Results of Operations

The comparability of the year-on-year results of our operations for Sandoz can be significantly affected by acquisitions and divestments. As part of our long-term strategy, we announced and/or completed several acquisitions and divestments during the period covered by the Sandoz Business Combined Financial Statements.

A detailed description of significant transactions for 2021 and 2020 can be found in "*Note 4. Significant transactions*" of the Sandoz Business Combined Financial Statements, and a detailed description of significant transactions subsequent to 2022 can be found in "*Note 27. Events subsequent to the December 31, 2022 combined balance sheet date*" of the Sandoz Business Combined Financial Statements.

Significant Transactions Subsequent to 2022

Acquisition of Mycamine product rights

On January 24, 2023, Sandoz signed an agreement to acquire worldwide product rights for a leading systemic antifungal agent Mycamine (micafungin sodium, Funguard in Japan) from Astellas. Astellas reported Mycamine sales of JPY 18.9 billion (USD 135 million) for the year ending March 31, 2022. Closing is anticipated in the course of H2 2023, subject to standard conditions and regulatory approvals.

Partnership with Just-Evotec Biologics

In May 2023, we signed a long-term collaboration agreement with Just-Evotec Biologics to develop and manufacture multiple Biosimilars.

Significant Transactions in 2022

There were no significant transactions in 2022.

Significant Transactions in 2021

Acquisition of GSK's cephalosporin antibiotics business

On February 10, 2021, Sandoz entered into an agreement with GlaxoSmithKline plc ("**GSK**")

for the acquisition of GSK's cephalosporin antibiotics business. The deal was closed in October 2021. Under the agreement, Sandoz acquired the global rights to three established brands (Zinnat®, Zinacef® and Fortum®) in more than 100 markets. In 2020, the three brands had combined sales of approximately USD 140 million in the relevant markets. The agreement excluded the rights in the US, Australia and Germany to certain of those brands, which were previously divested by GSK, and the rights in India, Pakistan, Egypt, Japan (to certain of the brands) and China, which will be retained by GSK.

Significant Transactions in 2020

Acquisition of the Japanese business of Aspen Global Incorporated

On November 11, 2019, Sandoz entered into an agreement for the acquisition of the Japanese business of Aspen Global Incorporated ("**AGI**"), a wholly owned subsidiary of Aspen Pharmacare Holdings Limited. Under the agreement, Sandoz acquired the shares in Aspen Japan K.K. and associated assets held by AGI. The transaction closed on January 31, 2020.

Aspen's portfolio in Japan consisted of off-patent medicines with a focus on anesthetics and specialty brands. Full-year sales for the fiscal year ending in 2019 were EUR 130 million. The acquisition expanded Sandoz' presence in the third-largest worldwide Generics marketplace.

Retention of US dermatology business and generic US oral solids portfolio, previously planned to be divested

On September 6, 2018, Novartis announced that it entered into a stock and asset purchase agreement with Aurobindo Pharma USA Inc. ("**Aurobindo**") for the sale of selected portions of its Sandoz US portfolio, specifically the Sandoz US dermatology business and generic oral solids portfolio. The closing was conditional on obtaining regulatory approval.

In March 2020, Novartis took the decision to retain the Sandoz US generic oral solids and dermatology businesses, and on April 2, 2020, Novartis entered into a mutual agreement with Aurobindo to terminate the transaction. The decision was taken as approval from the US Federal Trade Commission for the transaction was not obtained within the agreed timelines. The planned transaction resulted in partnership terminations, primarily impacting oral solids in the US Generics business.

During the period between signing of the transaction and the termination of the disposal, due to the nature of a disposal process, the business was constrained from making significant strategic decisions and larger strategic investments. As a result, growth and market share were impacted to a certain extent. Following the termination of the transaction, the decision was taken by Novartis to retain this business with a renewed emphasis on increasing management focus and capital deployment to achieve growth ambitions and improve margins.

Committed and Ongoing Investments

Sandoz recently announced (i) on March 9, 2023, a USD 400 million investment net of subsidies over the next three years to build a new biologic production plant in Slovenia, with full operational launch planned in 2026; as well as (ii) on May 9, 2023, the expansion of a Biosimilar development center in Germany with an initial investment of approximately USD 25 million, and (iii) a planned investment of approximately USD 90 million for a new Sandoz

Biosimilars technical development center in Slovenia.

Significant accounting policies

A detailed description of significant accounting policies can be found in "*Note 3. Significant accounting policies*" of the Sandoz Business Combined Financial Statements.

Liquidity and Capital Resources

Overview

In connection with the separation and the Spin-off, Sandoz expects to have approximately USD 0.7 billion in cash and cash equivalents immediately following the Spin-off, reflecting expected liquidity needs of Sandoz as a standalone company. In addition, Sandoz expects to have access to USD 1.25 billion (or the equivalent in various currencies) five-year committed revolving credit facility, which is planned to be undrawn at the time of the Spin-off. Sandoz expects to incur approximately USD 3.75 billion in total indebtedness. This includes (i) approximately USD 2.58 billion (or the equivalent in EUR) in a bridge loan, (ii) USD 0.75 billion (or the equivalent in EUR) in term loans (the bridge loan and the term loans being long-term), and (iii) approximately USD 0.42 billion (or the equivalent in various currencies) of borrowings under a number of local bilateral facilities in different countries, out of which approximately USD 0.11 billion are long-term loans. Negotiations of the related financing agreements are still ongoing. The bridge loan is planned to be due for refinancing not later than September 2025 and the term loans between September 2026 and September 2028 (see also section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Description of New Facilities*" below).

Cash Flow and Net Debt

The following tables summarize Sandoz' cash flows and net debt for the years ending December 31, 2022, 2021 and 2020:

(USD millions)	2022	2021	2020
Net cash flows from operating activities	1 223	1 354	1 098
Net cash flows used in investing activities	– 430	– 691	– 548
Net cash flows used in financing activities	– 769	– 657	– 547
Effect of exchange rate changes on cash and cash equivalents	10	– 5	3
Net change in cash and cash equivalents	**34**	**1**	**6**
Change in other net financial liabilities/receivables to/from Novartis Group	905	648	– 849
Change in current and non-current financial debts and derivative financial instruments	– 40	– 8	8
Change in net debt	**899**	**641**	**– 835**
Net debt at January 1	– 3 879	– 4 520	– 3 685
Net debt at December 31	**– 2 980**	**– 3 879**	**– 4 520**

(USD millions)	2022	2021	2020
Non-current financial debts	– 30	– 17	
Other net financial liabilities/receivables to/from Novartis Group	– 2 839	– 3 744	– 4 392
Current financial debts and derivative financial instruments	– 185	– 158	– 167
Total financial debts	**– 3 054**	**– 3 919**	**– 4 559**
Less liquidity			
Cash and cash equivalents	74	40	39
Total liquidity	**74**	**40**	**39**
Net debt at December 31	**– 2 980**	**– 3 879**	**– 4 520**

Financial Year 2022 Compared to 2021

Net cash flows from operating activities amounted to USD 1.2 billion compared to USD 1.4 billion in 2021. This decrease was mainly attributable to an inventory increase due to the strong growth in net sales and inflation.

Net cash outflows used in investing activities amounted to USD 0.4 billion compared to USD 0.7 billion in 2021 mainly due to higher cash outflow for purchases of property, plant and equipment and acquisitions and divestments of businesses, namely the acquisition of the cephalosporin antibiotics business from GSK in 2021 (see section "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Factors Affecting Comparability of Year-on-Year Results of Operations – Significant Transactions in 2021*").

Net cash outflows used in financing activities amounted to USD 0.8 billion compared with USD 0.7 billion in 2021 due to changes in other financial receivables and liabilities to the Novartis Group.

Financial Year 2021 Compared to 2020

Net cash flows from operating activities amounted to USD 1.4 billion compared to USD 1.1 billion in 2020. This increase was mainly due to favorable changes in working capital, partly offset by lower net income adjusted for non-cash items.

Net cash outflows used in investing activities amounted to USD 0.7 billion compared to USD 0.5 billion in 2020, mainly due to higher cash outflow for purchases of property, plant and equipment and acquisitions and divestments of businesses.

Net cash outflows used in financing activities amounted to USD 0.7 billion compared to USD 0.5 billion in 2020 mainly due to increased net financing outflows to the Novartis Group.

Free Cash Flow

The table below sets out a summary of our free cash flow for the financial years ending December 31, 2022, 2021 and 2020:

(USD millions)	2022	2021	2020
Operating income	**1 239**	**1 394**	**802**
Adjustments for non-cash items			
Depreciation, amortization and impairments	492	525	953
Change in provisions and other non-current liabilities	99	95	485
Other	– 22	– 34	– 29
Operating income adjusted for non-cash items	**1 808**	**1 980**	**2 211**
Interest received	8	5	3
Interest and other financial payments	– 119	– 83	– 97
Income taxes paid	– 273	– 485	– 295
Payments out of provisions and other net cash movements in non-current liabilities	– 165	– 395	– 444
Change in inventory and trade receivables less trade payables	– 325	218	– 93
Change in other net current assets and other operating cash flow items	289	114	– 187
Net cash flows from operating activities	**1 223**	**1 354**	**1 098**
Purchases of property, plant and equipment	– 278	– 313	– 226
Proceeds from sale of property, plant and equipment	9	28	6
Purchases of intangible assets	– 149	– 103	– 100
Proceeds from sale of intangible assets	32	62	41
Purchases of financial assets	– 6	– 3	– 2
Proceeds from sale of financial assets	1	2	1
Purchases of other non-current assets		– 2	– 4
Free cash flow	**832**	**1 025**	**814**

Financial Year 2022 Compared to 2021

Free cash flow amounted to USD 0.8 billion compared to USD 1.0 billion in 2021. This decrease is due to working capital impacts driven by higher sales and increased inventory values due to post COVID-19 buildup and inflation and marketing and sales investments in future growth on operating income.

Financial Year 2021 Compared to 2020

Free cash flow amounted to USD 1.0 billion compared to USD 0.8 billion in 2020 with the increase driven by high inventory levels at the end of 2020 due to lower demand during the COVID-19 pandemic, partly offset by a decline in operating income adjusted for non-cash items including increase in the legal provisions, as well as higher depreciation and amortization following the termination of the agreement with Aurobindo in 2020.

Condensed Combined Balance Sheets

The table below sets out a summary of the combined balance sheets as of December 31, 2022, 2021 and 2020 and as of January 1, 2020:

(USD millions)	**Dec 31, 2022**	Dec 31, 2021	Dec 31, 2020	Jan 1, 2020
Assets				
Property, plant and equipment	1 791	1 803	1 909	1 785
Right-of-use assets	113	130	166	136
Goodwill	7 437	7 683	7 923	7 433
Intangible assets other than goodwill	1 454	1 581	1 538	1 124
Deferred tax assets	713	717	708	597
Financial assets and other non-current assets	73	63	59	66
Total non-current assets	**11 581**	**11 977**	**12 303**	**11 141**
Inventories	2 124	2 006	2 350	1 877
Trade receivables	2 207	2 110	2 160	2 263
Receivables and other financial receivables from Novartis Group	1 103	982	636	772
Other current assets and income tax receivables	468	427	458	496
Cash and cash equivalents	74	40	39	33
Assets of disposal group held for sale				841
Total current assets	**5 976**	**5 565**	**5 643**	**6 282**
Total assets	**17 557**	**17 542**	**17 946**	**17 423**
Invested capital and liabilities				
Invested capital	**8 760**	**8 163**	**7 723**	**8 046**
Liabilities				
Financial debts	30	17		
Lease liabilities	88	103	132	110
Deferred tax liabilities	286	294	328	318
Provisions and other non-current liabilities	479	600	611	522
Total non-current liabilities	**883**	**1 014**	**1 071**	**950**
Trade payables	1 100	1 014	943	1 041
Financial debts and derivative financial instruments	185	158	167	175
Liabilities and other financial liabilities to Novartis Group	4 108	4 788	5 104	4 453
Lease liabilities	31	34	39	32
Provisions and other current liabilities and current income tax liabilities	2 490	2 371	2 899	2 695
Liabilities of disposal group held for sale				31
Total current liabilities	**7 914**	**8 365**	**9 152**	**8 427**
Total liabilities	**8 797**	**9 379**	**10 223**	**9 377**
Total invested capital and liabilities	**17 557**	**17 542**	**17 946**	**17 423**

Assets

Total non-current assets of USD 11.6 billion on December 31, 2022 decreased by USD 0.4 billion compared to December 31, 2021. Property, plant and equipment was in line with the prior year, as net additions were offset by depreciation and unfavorable currency translation adjustments. Goodwill resulting from past acquisitions decreased by USD 0.2 billion, mainly due to unfavorable currency translation adjustments. Intangible assets other than goodwill decreased by USD 0.1 billion, as additions were more than offset by amortization. Right of use assets, deferred tax and financial assets and other non-current assets were broadly in line with December 31, 2021.

Total current assets of USD 6.0 billion at December 31, 2022 increased by USD 0.4 billion compared to December 31, 2021.

Inventories increased by USD 0.1 billion due to commercial operations and manufacturing inventories. Receivables and other financial receivables from Novartis Group increased by USD 0.1 billion and contain interest and non-interest-bearing loans and receivables to Novartis.

Cash and cash equivalents, trade receivables and other current assets and income tax receivables were broadly in line with December 31, 2021.

We consider our provisions for doubtful trade receivables to be adequate. We particularly monitor the level of trade receivables in countries deemed to have an elevated credit risk. We consider macroeconomic environment, historical experience, country and political risk, in addition to other relevant information when assessing risk. These risk factors are monitored regularly to determine any adjustments in risk classification. A significant part of past due trade receivables from elevated credit risk countries are due from local governments or from government-funded entities. Deteriorating credit and economic conditions as well as other factors in these elevated credit risk countries have resulted in, and may continue to result in, an increase in the average length of time that it takes to collect these trade receivables and may require Sandoz to re-evaluate the expected credit loss amount of these trade receivables in future periods. At December 31, 2022, amounts past due for more than one year are not significant in elevated credit risk countries. For a table showing an overview of the aging analysis of total trade receivables and the total amount of the provision for doubtful trade receivables as of December 31, 2022, 2021 and 2020 see the Sandoz Business Combined Financial Statements, "— *Note 15. Trade receivables*".

There is also a risk that certain countries could devalue their currency. Currency exposures are described in more detail in section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Effects of currency fluctuations*".

Liabilities

Total non-current liabilities of USD 0.9 billion decreased by USD 0.1 billion compared to December 31, 2021. Provisions and other non-current liabilities decreased by USD 0.1 billion. Non-current financial debts, non-current lease liabilities and deferred tax liabilities were broadly in line with December 31, 2021.

Total current liabilities of USD 7.9 billion decreased by USD 0.5 billion compared to December 31, 2021. Liabilities and other financial liabilities to Novartis Group which contain interest and non-interest bearing loans and payables to Novartis decreased by USD 0.7 billion. Provisions and other current liabilities and current income tax liabilities increased by USD 0.1 billion. Trade payables, financial debts and derivative financial instruments, current lease liabilities and provisions and other current liabilities and current income tax liabilities were broadly in line with December 31, 2021.

In our key countries, Switzerland and the United States, assessments have been agreed by the tax authorities up to 2019 in Switzerland and up to 2014 in the United States.

Sandoz believes that its total provisions are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, the Company may incur additional costs beyond the amounts provided. Management believes that

such additional amounts, if any, would not be material to Sandoz' financial condition but could be material to the results of operations or cash flows in a given period.

Material Short- and Long-Term Cash Obligations

Sandoz intends to fund development and regulatory, property, plant and equipment and intangible asset purchase commitments with internally generated resources, and the acquisition of business commitment through available cash and short- and long-term borrowings.

The table below sets out a summary of Sandoz' material short- and long-term cash obligations as at 31 December 2022 and excluding repayment and interest payment obligations in connection with the debt facilities described in sub-sections "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources –Overview*" above and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Description of New Facilities*" below:

		Payments due by period			
(USD millions)	Total	Less than 1 year	2–3 years	4–5 years	After 5 years
Non-current financial debt, including current portion	215	185		30	
Lease liabilities, non-current and current portion	119	31	46	25	17
Interest on lease liabilities, non-current and current portion	13	3	3	2	5
Commitments for leases not yet commenced	11	9	2		
Unfunded pensions and other post-employment benefit plans	151	10	17	19	105
Development and regulatory potential milestone commitments	522	114	181	23	204
Contingent consideration liabilities	101	16	65	6	14
Property, plant and equipment purchase commitments	136	107	14	15	
Total contractual cash obligations	**1 268**	**475**	**328**	**120**	**345**

Description of New Facilities

In connection with the separation and Spin-off, Sandoz expects to incur approximately USD 3.75 billion in total indebtedness. This includes (i) approximately USD 2.58 billion (or the equivalent in EUR) in a bridge loan, (ii) approximately USD 0.75 billion (or the equivalent in EUR) in term loans (the bridge loan and the term loan being long-term), and (iii) approximately USD 0.42 billion (or the equivalent in various currencies) of borrowings under a number of local bilateral facilities in different countries, out of which approximately USD 0.11 billion are long-term loans. Negotiations of the related financing agreements are still ongoing. The bridge loan is planned to be due for refinancing not later than September 2025 and the term loans between September 2026 and September 2028. Based on Sandoz' envisaged financing strategy, current market conditions, reference rates and anticipated credit ratings, among other factors, the weighted average annual interest rate on a stand-alone basis is expected to be approximately 5.7%. The actual interest rate and term of any indebtedness may vary from these assumptions and will depend upon the final debt structure that Sandoz implements, as well as market conditions at that time and will likely be higher than interest rates that Novartis is able to obtain. In addition, Sandoz expects to have access to USD 1.25 billion (or the equivalent in various currencies) five-year committed revolving credit facility, which is planned to be undrawn at the time of the Spin-off.

Effects of Currency Fluctuations

We transact our business in many currencies other than the U.S. dollar, our presentation currency.

The following table provides an overview of net sales and operating expenses for our continuing operations based on IFRS values for 2022, 2021 and 2020, for currencies most important to Sandoz:

	2022		2021		2020	
Currency	Net sales to third parties %	Operating expenses %[1]	Net sales to third parties %	Operating expenses %[1]	Net sales to third parties %	Operating expenses %[1]
U.S. dollar (USD)	22	24	21	23	24	31
Euro (EUR)	37	41	40	44	39	41
Swiss franc (CHF)	3	13	3	13	4	10
Japanese yen (JPY)	3	2	4	3	4	2
Chinese yuan (CNY)	2	1	2	1	2	1
Canadian dollar (CAD)	5	3	5	3	4	2
British pound (GBP)	4	2	3	1	2	1
Brazilian real (BRL)	2	1	1	1	2	1
Russian ruble (RUB)	3	1	4	1	4	1
Australian dollar (AUD)	2	1	2	1	2	1
Other currencies	17	11	15	9	13	9

[1] Operating expenses include cost of goods sold; selling, general and administration; development and regulatory; other income and other expense.

We prepare our combined financial statements in U.S. dollars. As a result, fluctuations in exchange rates between the U.S. dollar and other currencies can have a significant effect on both the Company’s results of operations as well as the reported value of our assets, liabilities and cash flows. This in turn may significantly affect reported earnings (both positively and negatively) and the comparability of period-to-period results of operations.

For purposes of our combined balance sheets, we translate assets and liabilities denominated in other currencies into U.S. dollars at the prevailing market exchange rates as of the relevant balance sheet date. For purposes of the Company's combined income and cash flow statements, revenue, expense and cash flow items in local currencies are translated into U.S. dollars at average exchange rates prevailing during the relevant period. As a result, even if the amounts or values of these items remain unchanged in the respective local currency, changes in exchange rates have an impact on the amounts or values of these items in our combined financial statements.

Because our expenditure in Swiss francs is significantly higher than our revenue in Swiss francs, volatility in the value of the Swiss franc can have a significant impact on the reported value of our earnings, assets and liabilities, and the timing and extent of such volatility can be difficult to predict.

Sandoz manages its global currency exposure by engaging in hedging transactions where management deems appropriate, after taking into account the natural hedging afforded by our global business activity.

The following table sets forth the foreign exchange rates of the U.S. dollar against key currencies used for foreign currency translation when preparing Sandoz' combined financial statements:

	Average for year			Year-end		
USD per unit	**2022**	2021	Change in %	**2022**	2021	Change in %
Australian dollar (AUD)	0.695	0.752	– 8	0.678	0.726	– 7
Brazilian real (BRL)	0.194	0.186	4	0.189	0.180	5
Canadian dollar (CAD)	0.769	0.798	– 4	0.738	0.785	– 6
Swiss franc (CHF)	1.048	1.094	– 4	1.081	1.093	– 1
Chinese yuan (CNY)	0.149	0.155	– 4	0.144	0.157	– 8
Euro (EUR)	1.054	1.183	– 11	1.065	1.131	– 6
British pound (GBP)	1.237	1.376	– 10	1.207	1.351	– 11
Japanese yen (JPY (100))	0.766	0.912	– 16	0.757	0.868	– 13
Russian ruble (RUB (100))	1.481	1.357	9	1.380	1.336	3

	Average for year			Year-end		
USD per unit	**2021**	2020	Change in %	**2021**	2020	Change in %
Australian dollar (AUD)	0.752	0.690	9	0.726	0.771	– 6
Brazilian real (BRL)	0.186	0.196	– 5	0.180	0.193	– 7
Canadian dollar (CAD)	0.798	0.746	7	0.785	0.784	0
Swiss franc (CHF)	1.094	1.066	3	1.093	1.135	– 4
Chinese yuan (CNY)	0.155	0.145	7	0.157	0.153	3
Euro (EUR)	1.183	1.141	4	1.131	1.229	– 8
British pound (GBP)	1.376	1.283	7	1.351	1.365	– 1
Japanese yen (JPY (100))	0.912	0.937	– 3	0.868	0.970	– 11
Russian ruble (RUB (100))	1.357	1.389	– 2	1.336	1.337	0

The following table provides a summary of the currency impact on Sandoz' key figures due to their conversion into U.S. dollars, Sandoz' reporting currency. For additional information on the constant currency calculation ("cc"), see section "*Presentation of Financial and Other Information – Non-IFRS Measures as Defined by Sandoz – Currencies*".

	Change in USD % 2022	Change in constant currencies % 2022	Percentage point currency impact 2022	Change in USD % 2021	Change in constant currencies % 2021	Percentage point currency impact 2021
Net sales to third parties	– 4	4	– 8	0	– 2	2
Operating income	– 11	– 4	– 7	74	68	6
Net income	– 7	3	– 10	96	89	7
Core operating income	– 8	– 2	– 6	– 11	– 14	3
Core net income	– 11	– 4	– 7	– 13	– 16	3

Contractual Obligations, Commitments and Contingencies

Financial Liabilities towards Banks

Interest-bearing financial liabilities include bank overdrafts, loans with banks and lease liabilities for local operational purposes across the world. They are recognized at their amortized

cost. Borrowing costs are recognized in the income statement using the effective interest method.

Derivative Instruments

Sandoz was part of Novartis' central treasury management systems. Sandoz did not itself engage in derivative financial instruments. These were done by the Novartis treasury on an enterprise-wide basis.

Derivative instruments such as forward contracts and foreign currency options to manage the global currency exposure are recognized in profit or loss in the financial result. See also section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Factors Affecting Our Business and Results of Operations – Foreign Exchange Rate Effects*".

A detailed description of financial instruments can be found in "*Note 26. Financial instruments – additional disclosures*" of the Sandoz Business Combined Financial Statements.

Provisions and Contingent Liabilities

A detailed table of provisions and contingent liabilities can be found in "*Note 18. Provisions and other non-current liabilities*", "*Note 19. Provisions and other current liabilities*" and "*Note 25. Commitments and contingencies*" of the Sandoz Business Combined Financial Statements.

Off-balance Sheet Arrangements

Other than as disclosed in Notes 9, 10 and 25 to the Sandoz Business Combined Financial Statements included elsewhere in this Listing Prospectus, we did not have any material off-balance sheet arrangements as of December 2022 and 2021.

Business Interruptions

During the periods under review, we have not experienced any material interruption in our business operations.

No Material Change, Recent Developments

Other than as disclosed in the Sandoz Business Pro Forma Financial Information, no material changes in the assets and liabilities, financial position and results of operations of the Company or Sandoz have occurred since December 31, 2022. With respect to certain remaining claims, see section "*Sandoz and its Business – Court, Arbitral and Administrative Proceedings*".

Financial Targets for Full Year Ending December 31, 2023 and Prospects for Medium Term

The key principal assumptions and estimates made by the Company's management in preparing the financial targets are presented below; however, the list is not exhaustive and it is possible that one or more of the assumptions or estimates will fail to materialize or prove to be incorrect. Our actual results of operations could also

deviate materially from the financial targets as a result of other factors, including, but not limited to, those described under "*Risk Factors*" and "*Forward-looking Statements*".

In preparing our financial targets, we have generally assumed that, in particular, there will be no changes in existing political, legal, fiscal, market or economic conditions or in applicable legislation, regulations or rules (including, but not limited to, tax laws, accounting policies and accounting treatments) or movements in foreign exchange rates, which, individually or in the aggregate, would be material to our results of operations and that we will not become party to any litigation or administrative proceeding that might have a material impact on us or of which we are currently unaware. Certain of the assumptions on which we have based our financial targets include the following:

- We assume consistent volume growth across geographies and businesses, especially driven by Biosimilars.
- We assume that pricing effects for Generics, typically negative for the industry, will be in line with historical trends in 2023 and in the mid-term.
- We assume that pricing effects for Biosimilars will remain in line with historical averages.
- We assume a broad base of launches in our Generics business with more than 400 products over the near and mid-term and 4 key potential launches for our Biosimilars business prior to 2028.
- We will be able to access a skilled workforce to support our growth.
- We assume our M&A and BD&L activities will continue to be consistent with past practice.
- We will not experience material operational, financial or IT disruptions in executing our growth strategy.
- We will not experience material supply chain disruptions (e.g., supplier bankruptcy), and conditions of our supply chain will not further deteriorate (see "*Risk Factors – Risks related to our Industry and our Business – Our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies impacting our business plans*").
- We will build up a Biosimilars manufacturing and in-house Biosimilars labs, both starting in 2023.
- Replacement CAPEX will be in line with historical averages and supplemented by Expansion CAPEX that will deliver additional volume growth over the next five years.
- We will continue to be able to comply with applicable regulatory standards and laws.

In preparing our financial targets, we have also made certain assumptions regarding external factors beyond our control, including the following:

- The overall markets we serve will continue to develop as described in section "*Industry and Market Overview*", including the growing global demand for Generics and Biosimilars.
- We expect no significant exogenous impacts from an additional global pandemic of the same scale as COVID-19.
- The competitive landscape will remain stable.
- The economic environments in the markets and industries we serve will not develop in a negative manner that could have a material impact on our results of operations.
- We assume the high level of inflation in 2023 will revert over time to the normalized mid-single digit level that Sandoz has experienced historically.
- We assume that foreign exchange rates will remain stable and in line with 2023 rates and will not significantly fluctuate from year to year.
- The current regulatory laws landscape will not materially change.
- Tax laws will not change dramatically to our disadvantage.
- We will not become subject to litigation and administrative proceedings which could have a material adverse impact on us.

The guidance below includes those financial targets for which we expect to provide guidance on a recurring basis following the listing. Unless otherwise mentioned, references to "mid-term" are references to the end of the medium-term period beyond 2023 of four to five years.

Net Sales Growth

For the current financial year 2023 and for the mid-term, we expect net sales growth of mid-single digit. Key drivers over the mid-term are the return to growth in the US, continued momentum in Europe and International, and Biosimilars launches. Four major Biosimilars launches are anticipated in the coming months starting with adalimumab HCF, followed by natalizumab, denosumab and aflibercept. In total, we have 24 Biosimilar and more than 400 Generics products in our pipeline.

Core EBITDA % Margin

For the current financial year 2023, we expect a core EBITDA % margin in the range of 18% to 19%. Core EBITDA for 2023 reflects the impacts of inflation and standalone costs to operate independently, including arms' length mark-ups for supply from Novartis.

In the mid-term, we expect core EBITDA % margin in the range of 24-26%. Mid-term margin expansion will be driven by operational leverage from strong sales growth across all

geographies, product mix improvement from Biosimilars and complex Generics launches and operational improvements and organizational efficiencies from being a focused, independent off-patent medicines company.

Dividends

We aim to provide a recurring and sustainable dividend to shareholders. We expect to pay our first full-year annual dividend in 2024 based on full-year 2023 results. For the financial year 2023, we expect dividends as a percent of core Net Income of between 20% and 30%, increasing to 30-40% over the mid-term (2028). Further information including a list of factors on which payment of future dividends will depend is provided in the section "*Dividends and Dividend Policy*".

Additionally, in the context of the Spin-off, we have provided a series of metrics related to our financial outlook.

CAPEX Outlook

For the current financial year, Sandoz expects to spend around USD 0.4 billion on capital expenditures ("**Capex**"). Thereof, approximately 20% relates to separation Capex and approximately 20% to Biosimilars manufacturing and development capacity. The remainder is mostly allocated to normal replacement and capacity enhancement Capex in Generics. Over the mid-term, including 2023, Sandoz expects to spend around USD 2.3 billion on Capex. Biosimilars requiring approximately 25% of the amount, 50% for replacement Capex and expansion Capex in Generics making up the remaining 25% to create and maintain the required capacity for the 30% volume expansion planned over the period.

Separation costs

Excluding the separation Capex, we anticipate USD 0.5-0.6 billion of cost over the next three years of which USD 0.2 billion is planned to be spent in 2023.

Average Cash Conversion

For the financial year 2022, average cash conversion, defined as free cash flow as a percentage of EBITDA, amounted to 48%. In the mid-term, we expect average cash conversion to increase to approximately 70%.

Investors are strongly urged not to place undue reliance on any of the statements set forth above. Investors are also urged to review the sections "*Forward-looking Statements*" and "*Risk Factors*" when considering the statements made above. The prospective financial information and financial targets included in this section is unaudited.

INDUSTRY AND MARKET OVERVIEW

This section includes market and industry data and forecasts and statements regarding Sandoz' position in the relevant markets. Unless otherwise indicated, information on market size, share and other data contained in this section is based on the Company's analysis of the following third-party sources:

- IQVIA Forecast Link at Q4 (Jan-Dec) 2022 release with 5 years historical and 10 years forecasted estimates of real-world activity in 65 markets (excluding Algeria, Bangladesh, China, India, Indonesia, Morocco and West Africa) in ex-manufacturing price level in constant currency USD; "gross price" is interchangeable with ex-manufacturing price;

- IQVIA MIDAS® at Q4 (Jan-Dec) 2022 data release presenting estimates of real-world activity in 29 European markets;

- IQVIA MIDAS® at Q4 (Jan-Dec) 2022 data release presenting estimates of real-world activity in USA; and

- IQVIA MIDAS® at Q4 (Jan-Dec) 2022 data release presenting estimates of real-world activity in Canadian market

  (in each case copyright IQVIA, all rights reserved).

Certain of the statements made in this section are based on Sandoz' own proprietary information, insights, opinions or estimates, and not on any third-party or independent source; these statements contain words such as "believes", "expects", "considers" or "estimates", and as such do not purport to cite or summarize any third party or independent source and should not be read this way. The forward-looking statements in this section are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments that may be inaccurate. See section "*Risk Factors*" and "*Forward-looking Statements*".

Unless the context requires otherwise, the expression "mid-term" used in this section refers to the period until the end of 2028. As with any projection or forecast, these five-year outlook measures are inherently susceptible to uncertainty and are based on various assumptions that may turn out to be incorrect.

Market Overview

Prescription medicines play a critical role in society, preventing and treating diseases, improving health and wellbeing, and often transforming the quality of patients' lives. While innovation drives medical advances, Generics and Biosimilars play an equally important role by increasing access to and affordability of critical therapies and by substantially reducing mortality and disease burden.

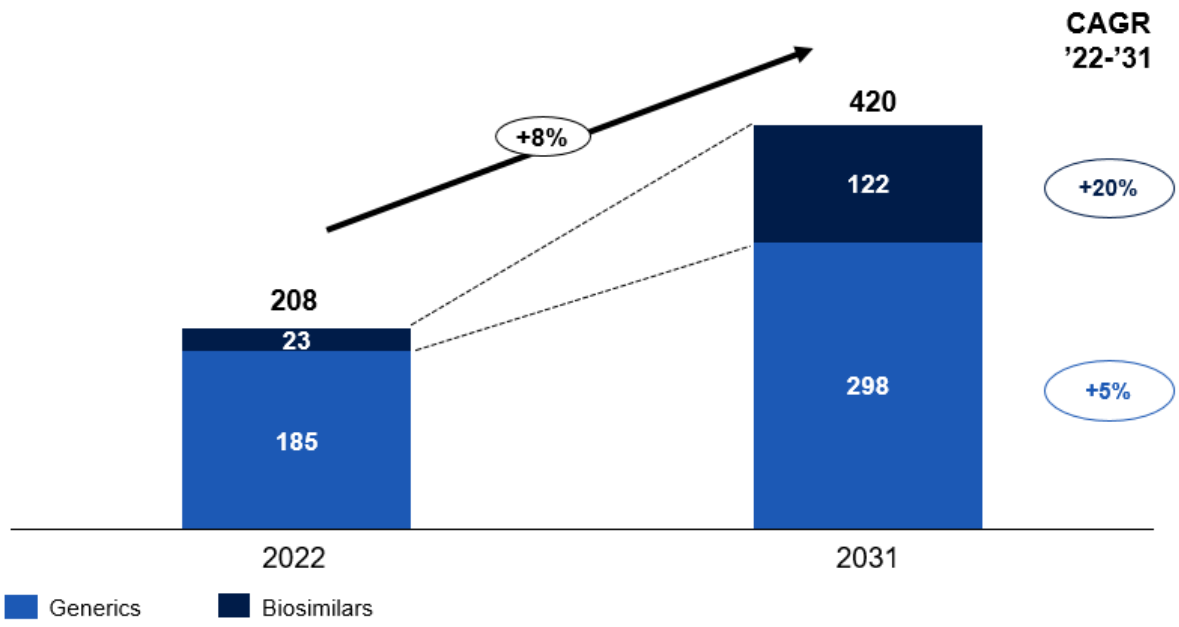
The innovative and off-patent medicines markets have both grown rapidly in recent decades, with the acceleration of the former directly driving the growth of the latter. With pharmaceutical innovation accelerating throughout the 20th century, there are over 20,000 prescription drug products available today according to the U.S. Food and Drug Administration ("**FDA**"). As patent protection on prescription medicines expires, the products typically become subject to Generics competition, meaning that other manufacturers enter the market at significantly

lower and competitive prices.

The off-patent medicines market, which includes Generics and Biosimilars, is estimated to be worth approximately USD 208 billion of gross sales (prior to discounts, rebates and deductions) for the year ended December 31, 2022, and is projected to grow at approximately 8% over the course of the next decade. This market plays a critical role in modern healthcare systems, accounting for approximately 80% of prescription volumes worldwide at approximately 25% of total medication costs. As a result, it substantially increases access to treatments, while simultaneously enabling savings that contribute to the financial sustainability of healthcare systems as well as to the overall economic wellbeing of individuals and societies. For example, an estimated USD 373 billion and EUR 100 billion of savings are generated through off-patent medicines every year in the U.S. and Europe, respectively. The overall social impact of these medicines in terms of improved patient quality of life years is estimated to be even greater.

Off-patent market size (2022-2031)[1]:

Gross sales, in USD bn



[1] Based on IQVIA Analytics Link at LCUSD for 66 markets covering the great majority of the market MAT12-2022 at EX-MNF price in LCUSD; excluding Algeria, China, India, Indonesia, Morocco, Pakistan, Puerto Rico and West Africa.

The healthcare needs of patients around the world continue to evolve, driven by factors including a growing and aging population, the increasing prevalence of chronic diseases, and ongoing advances in both pharmaceutical treatment options and overall access to affordable healthcare solutions and evolving healthcare standards. These trends result in steady increases in healthcare budgets, which have been rising consistently as a share of gross domestic product ("**GDP**") in all countries. For example, as a percentage of GDP, U.S. healthcare spending rose from 13.3% in 2000 to 17.6% in 2019 and reached 18.3% in 2021, while in the European Union, healthcare spending as a percentage of GDP rose from 8.4% in 2000 to 10.9% in 2020, with strong increases witnessed in all major European markets. As a result, policymakers are continuously working to increase access while managing costs in order to

keep healthcare systems sustainable. These cost controls are significant drivers of the continued volume growth in the off-patent medicines market, generating savings that can in turn increase access to innovative drugs.

Whereas the growth of the innovative prescription medicines industry is driven primarily by patent-protected innovation, the growth of the off-patent medicines industry is driven primarily by the Loss of Exclusivity ("**LoE**") of innovative medicines as they lose their patent protection and by increased access to these medicines for healthcare providers globally. As the innovative medicines market continues to expand, so do available opportunities for off-patent manufacturers indirectly. This trend is likely to continue as long as demand for accessible and affordable medicines continues to grow, driven by underlying demographic and socio-economic factors. Meanwhile, the increase in value and overall volume of the Generics market is partially offset by price erosion, impacted by competition as more Generics manufacturers enter the market, and by national regulators and governments, who typically set initial prices with the intention to lower them over time.

Two other factors that shape the environment for off-patent manufacturers are (i) the high degree of regulation of the market, and (ii) the extent to which market dynamics are still determined by country-specific characteristics. The two are often closely connected as different national regulatory systems and timelines (i.e., for LoE of the same medicine) have historically resulted in an off-patent market that is geographically fragmented with a mix of local, regional and global players with varying levels of quality, channel reach and portfolio coverage.

The off-patent medicines market globally is also characterized by a range of market archetypes, with large and diverse eco-systems featuring multiple stakeholders such as healthcare policymakers, regulatory authorities, payers, healthcare professionals, and, most importantly, patients. These archetypes include (i) *tender markets*, where a formal and competitive process is managed through central payers such as governments, insurance companies and wholesalers, (ii) *substitution markets*, where pharmacists are allowed to substitute brand-name drugs with Generics, if available, and (iii) *share of voice markets*, where physicians have greater discretion prescribing branded medicines or Generics dispensed to patients. A country could have multiple pharmaceutical distribution channels, such as national or regional tender channels, and hospital, retail or digital channels through which medicines reach the patient.

To summarize, the off-patent medicines market continues to evolve in multiple aspects. The market continues to demonstrate robust and durable growth, driven by strong underlying demand and a steady flow of patent expiries, including for high-value complex Generics (Generics that have hard-to-make active ingredients, formulations, dosage forms, or routes of administration, or are complex drug-device combination products) and Biosimilars. However, there are relatively few global off-patent medicines manufacturers today who have the scale, capabilities, and cost-competitiveness to succeed in this attractive but complex market.

The Generics Market

Generics are therapeutically equivalent versions of marketed branded prescription pharmaceuticals in terms of dosage form, safety, strength, route of administration, quality, performance characteristics, and intended use. Such drug products generally become available once the patents and other exclusivities on their branded original forms expire. A non-proprietary

name for a drug product is also known as a generic name.

Generics tend to be made available at substantially lower cost (in many cases at an estimated 80-85% discount according to the FDA) than their originator-owned brand counterparts because Generics applicants do not have to repeat animal and clinical (human) studies that would have been required for a new therapy drug. However, all Generics are required to show bioequivalence, i.e., to demonstrate the same quality, safety and effectiveness as their reference (innovator) medicines and are considered to be fully substitutable with them.

The global Generics market was estimated to be worth approximately USD 185 billion for the year ended December 31, 2022, and is projected to grow at a CAGR of approximately 5% over the course of the next decade.

The Biosimilars Market

Biosimilars are lower-cost alternatives to existing and off-patent biological medical products, and are synthesized from living organisms, tissues or cells. Such products are designed to have no clinically meaningful differences in the safety and efficacy profile compared to their reference medicines, as a result of which they are considered to be interchangeable with them. They thus offer affordable opportunities for healthcare systems to expand patient access to biologic therapeutics, which are typically very expensive, thereby relieving pressured healthcare budgets.

Biosimilars have a larger molecular size and more complex structure compared to small molecule Generics, adding cost and complexity to their development and manufacturing. Biosimilars development may take six to nine years and cost USD 100-300 million per candidate. A simple small molecule Generic, by contrast, can cost as little as USD 1-2 million and take approximately two years to develop. Biosimilars, albeit still a relatively new segment within the off-patent medicines industry, are typically priced at an initial list price discount of approximately 10-30% to the originator. Discount levels between each class of Biosimilars vary, primarily due to the different competitive landscapes.

Over the past decade, Biosimilars development has steadily gained traction, initially shaped by the regulatory framework developed by the European Medicines Agency ("**EMA**"), which in 2003 introduced a dedicated route for the approval of Biosimilars and in 2006 approved the first Biosimilar, human growth hormone Omnitrope® (developed by Sandoz). Since then, the EU has approved the highest number of Biosimilars worldwide, paving the way for the adoption and development of Biosimilars globally.

After a slower initial uptake compared to Europe, Biosimilars have rapidly gained share in the U.S. across multiple product categories in recent years with over 40 Biosimilars across 11 molecules now approved in the U.S. Similarly to Europe, the U.S. Biosimilars market is expected to grow significantly over the next few years, with more than 70 key biologic products potentially set to lose exclusivity within the next decade (35 over the next five years), including the blockbusters adalimumab (Humira®, LoE in 2023), pembrolizumab (Keytruda®, LoE in 2029), aflibercept (Eylea®, LoE in 2024) and ustekinumab (Stelara®, LoE in 2024). Key global Biosimilars manufacturers currently include large biopharma companies with biologics expertise and Generics businesses (such as Sandoz, Pfizer and Teva), large biologics focused manufacturers (such as Amgen, Celltrion and Samsung Biologics), and traditional specialty pharmaceutical companies.

Outside of Europe and the U.S., Biosimilar products have also shown a significant increase in market share across a wide range of product categories in many different countries worldwide. Approval pathways for Biosimilar products are largely based on those established in Europe, the U.S. and Canada. Selected countries that have shown rapid adoption and increased market share of Biosimilars include Japan, Australia and Brazil, among others.

The global Biosimilars market was estimated to be worth approximately USD 23 billion for the year ended December 31, 2022, and is projected to grow at a CAGR of 20% over the course of the next decade, driven by patent expiries for currently marketed and patent protected biologic treatments. High development costs and longer development timelines have kept competition relatively low, making the Biosimilars market comparatively attractive for developers with the resources and expertise to enter and compete in this space, when compared to simple Generics.

Key Drivers of the Generics and Biosimilars Markets

The off-patent medicines market continues to evolve, with a number of key drivers and headwinds, including, but not limited to:

Key Drivers

- Supportive demographic trends: Globally the population continues to grow, with the segment aged 65 and over growing faster than all other age groups. According to data from *The 2022 Revision of World Population Prospects*, one in six people in the world will be over age 65 by 2050, rising from one in ten people in 2022, with one in four people living in Europe and North America potentially aged 65 or over. The aging of the population globally is expected to continue to be one of the main growth drivers for the Generics and Biosimilars markets, supporting strong demand as a result of higher medical requirements for the elderly population.

- Challenged healthcare systems: Due to the rapid shift in demographics, contributing to an increasing incidence of chronic diseases, government agencies and private payers have been actively engaged in efforts to control healthcare costs by implementing policies to promote the utilization of lower-cost equivalents of branded pharmaceutical products among consumers, physicians, and pharmacists. According to the Association for Accessible Medicines, the use of lower-cost medications in the U.S. has saved USD 373 billion for patients, consumers, employers, and taxpayers since 2015, with more than USD 13 billion in savings already generated by Biosimilars. Global savings from Biosimilars are expected to have a significant impact on national medicine spending through 2026, with incremental savings from Biosimilars forecast to reach a cumulative USD 215 billion globally from 2021 to 2026.

- Growing value of loss of exclusivities: The significant number of potential upcoming LoEs is expected to further fuel market growth. With several high-value medicines losing patents, the impact of exclusivity losses is forecast to increase to over USD 260 billion between 2023-2027 for both small and large molecules.

- Increasing market adoption of Generics and Biosimilars: The growing attention from policymakers, as well as the positive shifts among physicians encouraging access to more affordable healthcare solutions, are some of the key drivers of Generics and

Biosimilars penetration, with volume penetration now reaching 91% of all prescriptions in the U.S., compared to 88% in 2015. In many other countries, including those with historically low penetration, rising healthcare costs and challenged healthcare systems are driving increased use of lower-cost equivalents of branded pharmaceutical products.

- Shifting share towards Biosimilars: In particular, Biosimilars have been gaining momentum as they become an increasingly important component of healthcare systems worldwide due to their efficacy for treating serious and complicated disease. In the U.S., over 40 Biosimilars are now available to patients and at least 48 more are expected to launch in 2023 and 2024.

- Innovation of more complex Generics: Recent years have also seen an increased focus on developing more complex formulations of Generics (e.g., injectables, respiratory, ophthalmics), making it more challenging in some instances for Generics companies to enter and compete.

Key Headwinds

- Consistent price erosion: Generics businesses operate in a market characterized by very high product volumes sold at low prices. Given the competitive nature of the Generics industry, annual price erosion is an industry-wide challenge. This is exacerbated by actions of and negotiations with large buyer groups, governments and regulators, who are focused on driving year-on-year price decreases, and further impacted by market entrants from low-cost countries. Diversification in geographic and portfolio mix along with new product launches are often used to mitigate the effects in impacted markets and regions.

- Patent landscape changes including extensions: Innovator companies continue to invest in patent strategies to prolong the intellectual property protection around their prescription product portfolios and limit the impact of Generics competitors. These strategies are wide ranging and can include measures to extend the exclusivity of their marketing authorizations on a regional or global basis, preventing the approval and commercialization of generic or biosimilar alternatives to the original patented product (known as "patent linkage") or seeking to prevent third parties from purchasing Generics or Biosimilars.

European Market Regulations and Archetypes

In the European Union, marketing authorizations for a Generic product can be granted either by the European Commission, based on a positive recommendation by the EMA Committee for Medicinal Products for Human Use ("**CHMP**") under the centralized procedure, or by a single member state under the national or decentralized procedure.

- Centralized procedure: Under this EU-wide authorization procedure, pharmaceutical companies submit a single marketing authorization application to the EMA. This allows the marketing authorization holder to market the medicine throughout the EU on the basis of a single marketing authorization.

- National/decentralized procedure: Each EU member has its own national authorization

procedure. When a manufacturer requests marketing authorization in several EU member states for a medicine that is outside the scope of the centralized procedures, it may either engage in a mutual-recognition procedure, whereby a marketing authorization granted in one member state can be recognized in other EU countries, or a decentralized procedure, whereby a medicine that has not yet been authorized in the EU can be simultaneously authorized in several EU member states.

While the majority of new, innovative medicines in the EU region are evaluated by the EMA and authorized by the European Commission, most Generics are still assessed and authorized at a national level.

Biosimilars are approved according to the same standards of pharmaceutical quality, safety and efficacy that apply to all biological medicines. The EMA is responsible for evaluating applications to market Biosimilars in the European Union. The approval of Biosimilars in Europe follows a process similar to that for Generics but must be approved through a centralized procedure.

Despite the disparity in country-specific policies, European markets share many similarities in their approach towards Generics, and can be viewed broadly under three main market archetypes:

- Tender markets*:* Tendering is a formal and competitive procurement process through which payers (i.e., governments, insurance companies or customers such as wholesalers, hospitals and pharmacies) negotiate the lowest price on behalf of their members or constituents. The tendering process is based on predetermined criteria, including but not limited to price, product quality and supply guarantees, with the aim of encouraging competition between potential suppliers and thus reducing prices. Examples of European markets promoting competitive mechanisms such as tendering or price negotiation are Germany, the Netherlands and the UK;

- Substitution markets: In most European countries, pharmacists are allowed to substitute brand-name drugs with Generics, if available. Some European countries such as Denmark, Finland, Spain, Sweden and Italy, have made Generic substitution mandatory, with many encouraging the use of Generics in order to increase efficiency in healthcare and control pharmaceutical spending. Examples of other European markets where a majority of the brand name prescriptions are substituted by the pharmacies are Switzerland and France; and

- Share of Voice markets*:* In some Eastern European countries, physicians have greater discretion around prescribing medicines dispensed to the patients. In these markets, manufacturers educate physicians through their commercial sales teams on drug efficacy, availability, quality standards, and other important attributes. While rules and regulations exist to incentivize Generics prescription, there is still a high share of prescribers that use brand name prescriptions and there is limited substitution of these prescriptions at the pharmacy level. Examples of European markets that demonstrate these characteristics are Poland, Romania and Austria.

U.S. Market Regulations

In the U.S., FDA approval is required for the commercialization of any new pharmaceutical,

including Generic products. In 1984, the Drug Price Competition and Patent Term Restoration Act (the "**Hatch-Waxman Act**") established an abbreviated pathway for obtaining FDA approval for generic versions of brand-name drugs. This act created a standardized approach for Generics manufacturers to file an Abbreviated New Drug Application ("**ANDA**") and to receive FDA approval for Generic products. The Hatch-Waxman Act includes provisions that involve patents and exclusivities related to new drug applications, as well as 180-day exclusivity for certain ANDA applicants. An ANDA is generally permitted to be filed four years after initial approval of the reference product and generally cannot be fully approved by the FDA until any regulatory exclusivity of the reference product has expired.

The approval of a Biosimilar in the U.S. requires the submission of a biologics license application ("**BLA**") via the abbreviated 351(k) pathway (novel biologics are approved via the 351(a) pathway), a policy established through the Biologics Price Competition and Innovation Act ("**BPCIA**") in March 2010. Under the BPCIA, a Biosimilar must be highly similar with no clinically meaningful differences compared to the reference medicine. Per the 351(k) pathway, any approval of a Biosimilar product requires a comparative clinical study or studies (including the assessment of immunogenicity and pharmacokinetics or pharmacodynamics) that are sufficient to confirm safety, purity, and potency in one or more appropriate conditions of use for which the reference product is licensed.

In response to rising healthcare costs, the U.S. states and private medical care providers have introduced reimbursement schemes and policies that favor the substitution of Generics instead of more expensive branded pharmaceuticals, including Generics substitution statutes, which all U.S. states have now implemented. In addition, the U.S. payers and providers are increasingly recognizing the importance of Biosimilars in reducing healthcare costs as a lower-cost alternative to existing biologic medicines and have introduced healthcare policies encouraging the development of biosimilar versions of existing biologic drugs. Ongoing reforms are giving rise to new vertically integrated Biosimilars pure-players, adding new competition to a market predominantly served by 3 large biopharmaceutical companies that together have approximately 70% market share. This has led to significant price erosion over the last five years, driven by those with the ability to leverage deeper portfolios with greater economies of scale. Additional price erosion is expected as a result of the introduction of interchangeable biological products, a class of Biosimilars described in the BPCIA.

International Market Regulations and Archetypes

Markets outside the U.S. and Europe are also subject to a variety of individual national regulatory requirements and regulations. Such regulations may be similar or, in some cases, stricter than those applicable in the U.S. and Europe. Although specific national regulations vary by country, the vast majority of countries have now established a structured regulatory pathway and framework to enable and promote the use of Generics and Biosimilars in their national market and are increasingly engaging in long-term relationships with manufacturers to accelerate the penetration of off-patent medicines.

Broadly, international markets are structured in a similar manner to the archetypes observed in European markets (see section above "*Industry and Market Overview – European Market Regulations and Archetypes*"):

- Tender markets: Examples of international markets promoting competitive mechanisms such as tendering or price negotiation are China, Singapore, New Zealand, Hong

Kong, Egypt, Saudi Arabia and Central American countries;

- Substitution markets: Examples of international markets where the majority of brand name prescriptions are substituted by pharmacies are Japan, Australia and Brazil; and

- Share of Voice markets: Some emerging markets, such as Mexico, Turkey and South Africa, are characterized by physicians' discretion to prescribe Generics, with little influence from payers or governments.

Characterized by favorable demographic trends (such as the aging population and the growing middle class), increasing penetration of Generics and Biosimilars, and improving healthcare coverage, international markets include some of the largest markets in the world and offer many opportunities for global Generics and Biosimilars manufacturers to seek higher returns on their investments by leveraging their international infrastructure and global portfolio to capture incremental growth opportunities.

SANDOZ AND ITS BUSINESS

For the avoidance of doubt, this section must be read in conjunction with all other parts of the prospectus, including, without limitation, the sections "Forward-looking Statements" and "Risk Factors", which describe, among other things, potential risks associated with Sandoz' business.

Unless the context requires otherwise, the expression "mid-term" used in this section refers to the period until the end of 2028. As with any projection or forecast, these five-year outlook measures are inherently susceptible to uncertainty and are based on various assumptions that may turn out to be incorrect.

Sandoz' Heritage

Sandoz' history began in 1886 with the formation of Kern & Sandoz, a small chemicals company. By 1917, the company had established its first pharmaceutical department and in 1929, Calcium Sandoz was introduced, laying the foundation for modern calcium therapy. After the Second World War, in 1951, a predecessor company (Biochemie) in Austria introduced the first oral penicillin in Europe, with its fermentation-based technology paving the way for Sandoz to pioneer the new field of Biosimilars with the first ever Biosimilar launched in Europe in 2006. Novartis was created in 1996 through the merger of Sandoz and Ciba-Geigy, discontinuing both legacy pharmaceutical brands. In 2003, following the acquisition of the Slovenian pharmaceutical company Lek in 2002 by Novartis, Sandoz was re-established as the umbrella brand for the entire Novartis off-patent medicines business. Sandoz was then reinforced in 2005 by the acquisitions of German market leader Hexal and Eon Labs in the U.S. to create a global leader in Generics. Through the 2000-2010 decade, Sandoz demonstrated its leadership, introducing the world's first Biosimilar, Omnitrope®, in 2006, and the first blockbuster Generic in the U.S. in 2010 (enoxaparin). The business has subsequently been further strengthened by selected business development activities and product and company acquisitions; for example, the acquisition of Aspen's Japanese operations in 2020 and GSK's cephalosporin business in 2021. In 2022, Novartis announced its intention to separate the Sandoz division to form a fully independent company focused on Generics and Biosimilars. Most recently, we announced more than USD 500 million investments in total into new Biosimilars capabilities in Slovenia and Germany and signed a strategic Biosimilars partnership with Just–Evotec Biologics to further strengthen the foundations of our business. The Sandoz brand today is synonymous with Generics and Biosimilars leadership.

Business Overview

Sandoz serves a clear purpose: to pioneer access for patients. We are a European champion and a global leader in Generics and Biosimilars. The off-patent medicines market in which we operate provides approximately 80% of global medicines at approximately 25% of total medication costs. We serve approximately 500 million patients per year through our global network and our medicines have an estimated annual social impact of more than USD 180 billion[5].

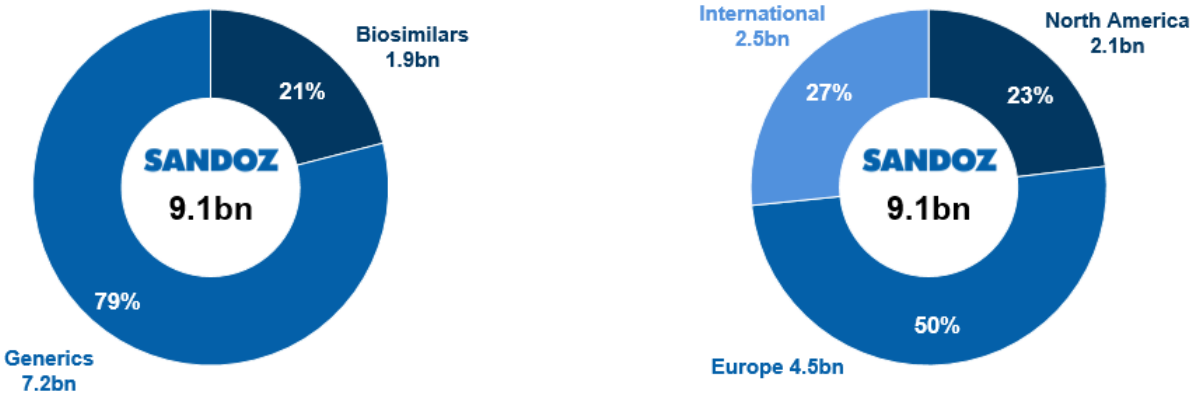
[5] Expressed in GDP contribution through paid and unpaid work as a result of quality-adjusted life-years gained and number of patients reached.

The USD 208 billion global off-patent medicines market is underpinned by attractive long-term socio-economic drivers and is expected to grow at approximately 8% per year on a gross sales basis over the next decade. The off-patent medicines market can be divided into Generics and Biosimilars, which each continue to expand due to a growing and aging population, higher rates of chronic disease, increasing market adoption and geographic expansion as healthcare systems and payors seek to reduce the cost of medicines, and a consistent supply of upcoming Loss of Exclusivities ("**LoEs**") as patents for originator products expire. Together, these drivers are expected to support long-term growth in volumes that will more than offset anticipated erosion in price. There is an estimated total addressable market opportunity of USD 580 billion based on originator LoEs over the 2023-2032 period.

Sandoz benefits from the scale of its product portfolio and its geographic reach. During the year ended December 31, 2022, Sandoz generated USD 9.1 billion of net sales, of which USD 7.1 billion (or 79% of Group net sales) was delivered by our Generics business across oral solids, injectables, inhalers and other dosage forms, while USD 1.9 billion of net sales (or 21% of Group net sales) was delivered by our Biosimilars business. Our product portfolio comprising Generics and Biosimilars covers all major therapeutic areas, including cardiovascular, central nervous system, oncology, anti-infectives, pain and respiratory. On a geographic basis, 50% of our Group net sales were generated in Europe, where we are the number one market participant by gross sales, 27% in international markets, where we are selectively present in highly attractive growth markets, and 23% in North America, where we have stabilized our business in the U.S. and are returning to growth ahead of key upcoming launches. In terms of profitability, Sandoz delivered a core EBITDA of 1.9 billion. Sandoz generated USD 0.8 billion of free cash flow, with a decline compared to the prior year driven by inventory build-up post COVID-19 and inventory cost increase due to inflation.

Net sales by business and by region:

FY 2022, in USD



We believe Sandoz is well positioned to succeed in the attractive and growing global Generics and Biosimilars markets and to create substantial value for shareholders by leveraging our existing market leadership in scale and portfolio breadth, brand equity, and delivering on our extensive pipeline of 24 Biosimilar and more than 400 Generic products[6]. We expect to

[6] A generic product being defined as a unique combination of international non-proprietary name ("INN") and dosage form.

generate mid-single digit net sales growth and to drive margin expansion and cash flow generation over the next five years, while reinvesting back into the business and returning capital to shareholders. We will be supported by our strong balance sheet and investment-grade credit profile.

We have built a strong and diverse management team (see also section "*Board of Directors and Executive Committee – The Executive Committee*" with broad experience in the Generics and Biosimilars industries, enabled by a global base of more than 22,000 employees[7]. As a newly independent organization focused on Generics and Biosimilars, we aim to further enhance our competitive position in the off-patent medicines industry with optimized and focused capabilities and industry-specific strategies, fueled by our deep sense of purpose and an engaged, entrepreneurial Generics mindset.

Reshaped for Sustainable Growth

Over the last few years, Sandoz has been reshaped for long-term sustainable growth, driven by the measures outlined below:

1. **Built a strong leadership team**: Led by our CEO, Richard Saynor, we have built a diverse management team that brings decades of experience in running complex pharmaceutical businesses including Generics. Together, they have been instrumental in executing our strategy and reshaping Sandoz for continued sustainable growth;

2. **Aligned on our long-term vision**: We have strengthened our culture and mindset to support our vision of becoming the world's leading and most valued Generics and Biosimilars company. In doing so, we have focused our attention on attracting and retaining the best talent with our strong Sandoz brand, empowering entrepreneurial behavior and leadership and promoting agility, accountability and a passionate drive for execution;

3. **Focused on sales execution and building customer relationships**: Sales execution has been, and remains, at the forefront of our focus. Recently, we have been: (i) prioritizing our growth products, expanding in-market share and bringing new products to market; (ii) investing in assets and capabilities to support our North American business; (iii) executing accretive M&A and Business Development & Licensing ("**BD&L**") transactions; and (iv) discontinuing activities non-core to our business. These efforts have contributed to Sandoz delivering seven continuous quarters of net sales growth (as per Novartis divisional reporting in constant currencies);

4. **Expanded pipeline investments**: We have significantly strengthened our pipeline potential with targeted investments in complex Generics and high value Biosimilars. We expect around 50% of our launch contribution to net sales to be derived from Biosimilars in the next five years. We have built a diversified pipeline of more than 400 Generic products with an increasing contribution from complex products. In Biosimilars, we have achieved significant progress by nearly tripling

[7] Estimated number of FTE as of Completion of the Spin-off.

the number of products in development over the last five years to 24, which together target over USD 196 billion of originator gross sales. Our four key near-term recent and upcoming Biosimilars launches cover over USD 40 billion in LoE value. Our pipeline across both Generics and Biosimilars has the potential to generate twice the current launch contribution to net sales in the next five years as compared to the prior five years;

5. **Invested in capabilities**: We have significantly invested in strengthening our end-to-end internal development and manufacturing capabilities, especially in Biosimilars, to support our pipeline and product portfolio over the longer-term. We recently announced a USD >400 million investment to build a new biologic production plant in Slovenia (with full operational launch planned in late 2026), a separate investment of approximately USD 90 million for a new Sandoz Biosimilars technical development center in Slovenia, and a further initial investment of approximately EUR 25 million to support the expansion of our Biosimilars development center in Germany. We plan to continue making additional investments to complement our existing Biosimilars development and manufacturing capabilities; and

6. **Forged attractive partnerships**: Leveraging the strength of our capabilities, brand and reputation in the off-patent medicines industry, we have established long-term strategic relationships with leading development and commercialization partners, including Polpharma Biologics, Just-Evotec Biologics and Novartis. We believe that our broad development, regulatory and IP expertise, our strong commercial platform across our three regions as well as our track record of forging global partnerships position Sandoz as the partner of choice for global development and commercialization. We plan to continue evaluating strategic partnerships to complement and enhance our internal capabilities and capacity with best-in-class Biosimilars technical and manufacturing capabilities, while securing long-term Biosimilars manufacturing capacity.

Strategic Levers to Drive Shareholder Value

Sandoz is well positioned to drive sustainable growth and long-term shareholder value through the following six strategic levers:

1. **Attractive market fundamentals**: Sandoz operates in the attractive and growing global off-patent medicines market, which benefits from a growing and aging population, higher rates of chronic disease, increasing market adoption as healthcare systems and payors seek to reduce the cost of medicines, and a consistent supply of upcoming LoEs as patents for originator products expire. Together, these drivers are expected to support long-term growth in volumes that will more than offset anticipated erosion in price;

2. **Leadership and scale**: Sandoz is a global leader in the Generics and Biosimilars markets with one of the broadest portfolios in the industry, reaching approximately 500 million patients every year in more than 100 markets. We believe we are well positioned at scale across both the Generics and Biosimilars markets, providing Sandoz with a balanced risk profile and opportunity to drive significant growth and margin expansion over the mid-term (by 2028). We have an attractive geographic footprint, with the leading market position in the large, stable and profitable European market,

have scale but are not over-exposed to the U.S., and have a highly targeted presence in the international markets. We have particular strength in Biosimilars, with a leading position in the majority of the largest European markets and a top four position in the U.S., and are creating access to Biosimilars in a number of key international markets;

3. **Multiple drivers of sustainable top-line growth**: We are confident that Sandoz is well positioned to continue its success in the Generics and Biosimilars markets with numerous sustainable growth drivers, including (i) our expertise and excellence in product launches and driving market penetration; (ii) our high-value near-term Biosimilars pipeline; (iii) our improving product mix with increasing contribution from Biosimilars and complex Generics; (iv) our use of strategic partnerships to add incremental product and technology opportunities; and (v) the expansion in breadth and depth of our pipeline. We believe these drivers will together deliver mid-single digit net sales growth in the mid-term, with further upside from bolt-on M&A and BD&L activities;

4. **Margin improvement**. As an independent Generics and Biosimilars company, we are rigorously focused on improving our core EBITDA margin over the mid-term. We anticipate margin expansion of circa 200 basis points ("**bps**") from our volume, price and product mix as our portfolio shifts increasingly towards higher value products and expect to benefit from steps to simplify our portfolio. We plan to drive operational improvements in our supply chain through an enhanced network, focused vertical integration, procurement optimization and operational excellence initiatives, expected to contribute circa 350 bps of margin expansion. Following the full separation of Sandoz, we will look to drive organizational efficiencies through a leaner operating model, expected to add another 150 bps to the overall margin expansion. These initiatives are designed to drive improvements in our core EBITDA margin to 24-26% of sales by 2028 from 18-19% in 2023;

5. **Strong cash flow generation supporting shareholder friendly capital allocation**: We expect free cash flow to more than double by 2028, driven by core EBITDA expansion, increasing EBITDA to cash conversion and working capital optimization. Our strong balance sheet, characterized by a prudent capital structure at Spin-off with a net debt to core EBITDA ratio in the range of 2.0-2.5x provides us with great optionality in our capital allocation strategy, supported by our investment-grade credit profile. Sandoz intends to follow a disciplined approach to capital allocation to support the delivery of long-term growth and attractive shareholder returns. Our first priority will be to re-invest capital into our business to support sustainable organic revenue growth. The second priority will be to return capital to shareholders, primarily through a progressive and largely business performance-related dividend policy. We will also look to deploy capital into value-generating M&A and BD&L opportunities in line with our strategy where it does not constrain our priorities as outlined above; and

6. **Compelling sustainability profile**: Sandoz' sustainability agenda is intrinsically rooted in our purpose of pioneering access for patients and our focus on long-term sustainable growth. As a global company and a leader in our industry, we have a great responsibility and an even greater opportunity to create a positive social impact by delivering on our purpose and strategy. Our sustainability strategy is anchored around four essential pillars where we are currently assessing the impact we can make: (i) delivering access to medicines and strengthening healthcare systems globally; (ii)

embedding environmental responsibility in the way we operate; (iii) championing diversity, equity and inclusion across our organization; and (iv) building a strong governance framework to foster best practice reporting and conduct, and to ensure transparency, accountability and ethical behavior.

Sandoz' Markets

Sandoz operates in two markets, *Generics* and *Biosimilars*, which combine to form the off-patent medicines market. While many drug manufacturers prioritize either one of the two off-patent medicine markets, we are well positioned with a significant presence in both. We thus offer a balanced risk/return profile and have a deep understanding of the development of the related product portfolio, and our patients and customers in different market archetypes. This creates substantial synergies in commercial execution (channels, people and culture) where we can leverage our scale and market understanding. As a result, we are able to be highly competitive across the full spectrum of the USD 208 billion off-patent medicines market, which is set to grow at a CAGR of approximately 8% over the course of the next decade.

Our Generics Business

In our *Generics* business, we develop, manufacture and market small-molecule pharmaceuticals, and manufacture and supply active pharmaceutical ingredients and intermediates to third parties globally. This business recorded net sales of USD 7.1 billion during the year ended December 31, 2022.

Reaching approximately 500 million patients across the world and backed by a range of state-of-the-art technologies, formulations and devices, our global portfolio comprises approximately 1,500 products, ranging from standard oral solids to complex Generics, such as injectables and respiratory inhalers. These products cover the major therapeutic areas, including the cardiovascular, central nervous system, oncology, anti-infectives, pain and respiratory. We have one of the broadest portfolios in the industry.

Oral Solids

Oral solid dosage forms (e.g., tablets and capsules) continue to be the predominant mode of delivery in pharmaceutical markets, accounting for approximately 60% of the global Generics market[8]. This market segment was estimated to be worth approximately USD 125 billion for the year ended December 31, 2022, and is projected to grow at a CAGR of 6% reaching USD 217 billion by 2031, supported by multiple anticipated high-value LoEs in key therapeutic areas such as oncology, cardiovascular/blood and diabetes. Although Generics penetration and competitive pressures are higher than in other segments of the Generics market, the majority of anticipated LoEs are in oral solids and therefore we believe it is imperative to continue to invest and win in this segment. Leveraging our scale across geographies as well as our strong development, manufacturing and supply network, we believe that our significant presence in oral solids provides us with a strong competitive advantage versus our competitors and allows us to capture growth opportunities generated from the upcoming LoEs in oral solids.

[8] By gross sales.

Injectables

The Generic injectables market segment is the second largest by value and was estimated to be worth approximately USD 30 billion for the year ended December 31, 2022, accounting for approximately 16% of the global Generics market. This market segment is projected to grow at a single-digit CAGR to reach USD 41 billion by 2031. Due to complex manufacturing and development capabilities required, we have developed strong volume-based operations in Generic injectables with a total capacity of 142 million bulk units and 22 million packs, complementing our Biosimilars business and commercial channels. We intend to utilize our position and economies of scale to maximize the potential of our marketed products as well as our pipeline. We also intend to further grow our presence by investing into more complex injectables, mainly through strategic partnerships, where we see meaningful opportunities for incremental differentiation that would deliver sustainable growth, with the majority of the long-term potential LoE value being in this area, such as long-acting injectables, peptides and oligonucleotides.

Respiratory

The Generic respiratory inhalers market segment is still nascent and was estimated to be worth approximately USD 11 billion for the year ended December 31, 2022. Driven by the rising prevalence of asthma and chronic obstructive pulmonary disease, as well as anticipated major LoEs over the next decade, this market segment is expected to grow at a single-digit CAGR, reaching USD 14 billion by 2031. The respiratory segment has historically seen limited Generics entries as a result of its high-risk/high-return profile and entry challenges. We believe that our robust pipeline and capabilities, boosted by the acquisition of respiratory device specialist Coalesce in March 2022, will position us better in capturing significant value from the anticipated upcoming LoEs and drive sustainable, profitable growth.

Generics Pipeline

Looking ahead, we currently have more than 400 Generic products in our pipeline, targeting USD 145 billion of global brand gross sales across our core platforms, with approximately 45% of the products in development in the pre-submission stage and the rest in post-submission. Focused on the most significant segments within Generics, approximately two-thirds of our pipeline is focused on standard Generics and one-third on complex Generics.

Our Biosimilars Business

Our *Biosimilars* business is a global leader with a total of eight approved and marketed products, and an extensive pipeline of 24 biologic products. Sandoz' Biosimilars have been used in clinical practice for over 15 years and are available in more than 90 countries worldwide. The business recorded net sales of USD 1.9 billion during the year ended December 31, 2022.

The Sandoz Biosimilar product portfolio includes the following products:

Biosimilars	Indication area(s)	Approved regions	Launch
Omnitrope® (somatropin)	Endocrinology	Europe, NA and International	**2006** Europe (Germany) **2007** Europe (France, UK, Spain, Italy, Austria) NA (US*) International (Australia)
Erelzi® (etanercept)	Immunology (rheumatology, dermatology)	Europe, NA and International	**2017** Europe (Germany, France, UK, Spain, Sweden, Poland) NA (Canada) **2020** International (Brazil)
Binocrit® (epoetin alfa)	Oncology (supportive cancer care)	Europe and International	**2007** Europe (Germany) **2011** International (Malaysia)
Zarzio® / Zarxio® (filgrastim)	Oncology (supportive cancer care)	Europe, NA and International	**2009** Europe (Germany, France, UK, Spain, Poland, Austria) **2012** International (New Zealand) **2015** NA (US)
Ziextenzo® (pegfilgrastim)	Oncology (supportive cancer care)	Europe, NA and International	**2018** Europe (Germany) **2019** NA (US) **2020** International (Australia)
Rixathon® (rituximab)	Oncology (blood cancers), immunology (rheumatology)	Europe, NA (Canada) and International	**2017** Europe (Germany, Netherlands, UK, Norway) International (Japan) **2020** NA (Canada)
Hyrimoz® (adalimumab)	Immunology (rheumatology, gastroenterology, dermatology)	Europe, NA and International	**2018** Europe (Germany, Netherlands, UK, Denmark) **2020** International (Brazil) **2021** NA (Canada)
Zessly® (infliximab)	Immunology (rheumatology, gastroenterology, dermatology)	Europe	**2018** Europe (Germany)

* Omnitrope®, the first Biosimilar ex-U.S., was approved as a 505b2 Generic in the U.S. in 2006, prior to the introduction of the U.S. Biosimilars legislation (U.S. approval was based on the same data package that received European Biosimilars approval).

We have a proven track record from development to launch and commercialization in Biosimilars, starting with our development of Omnitrope® (somatropin), which was Europe's first-ever approved Biosimilar in 2006, as well as Japan and Canada's first in 2009. In 2015,

Sandoz also opened the U.S. Biosimilars market with the approval of Zarxio® (filgrastim).

We continue to develop and seek to launch high value Biosimilars for patients worldwide, had recently approved by the FDA and the EMA Hyrimoz® (adalimumab HCF) and filed Tyruko® (natalizumab) with both the FDA and the EMA in July 2022, with anticipated launches in the coming months. We anticipate a total of a further 4 internal and more than 4 external submissions to EMA / FDA between 2023 and 2025.

We currently have two internal assets in late-stage development: The first is GP2411 (denosumab) for which the FDA confirmed file acceptance for our Biologics License Application ("**BLA**") in February 2023 and EMA in May 2023. The second is SOK583A1 (aflibercept), which we anticipate launching in the next two to three years both in the EU and in the U.S. Sandoz does not disclose internal Biosimilars projects in earlier stages of development.

Sandoz key recent and upcoming Biosimilars launches:

Targeted brand	Therapeutic areas	Originator net sales targeted[1]	Key Highlights	Current Status
Humira® (adalimumab[2])	Immunology	ca. USD 21 billion	High Concentration Formulation (HCF), proven supply reliability, #1 EU position	EMA and FDA approved Launched in the U.S. in July 2023
Tysabri® (natalizumab)	Neurology/ Immunology	ca. USD 2 billion	First and potentially only Biosimilar to market	Submitted in the U.S. and EU[3]
Prolia®/Xgeva® (denosumab)	Bone diseases / Oncology	ca. USD 7 billion	Most advanced industry program, market expansion opportunity in osteoporosis	Submitted in the EU, U.S. and Canada
Eylea® (aflibercept)	Ophthalmology	ca. USD 11 billion	Strong target product profile, including prefilled syringe at launch	Positive results of phase III announced

[1] Originator sale covered based on Company analysis using Evaluate Pharma; at full year prior to the expected market formation year.

[2] Only pertains to adalimumab high concentration formulation (HCF).

[3] On July 24, 2023, the Committee for Medicinal Products for Human Use (CHMP) of the EMA has adopted a positive opinion regarding the marketing authorization for natalizumab developed by Polpharma Biologics.

Another pillar of our strategy is to seek innovation through partnerships, which contribute approximately one third of the number of assets in the pipeline and include Bio-Thera Solutions in the development of BAT 1706 (bevacizumab); Polpharma Biologics in the development of a natalizumab Biosimilar[9]; EirGenix, Inc, for the development of a trastuzumab Biosimilar; Gan & Lee for the development of glargine, lispro and aspart insulin Biosimilars; and with Biocon (asset(s) undisclosed). Under these agreements, our partners usually maintain responsibilities for the development, manufacturing and supply of the proposed Biosimilars, whereas Sandoz will commercialize the medicines globally, through an exclusive license.

On top of the above, we recently announced our multi-year partnership with Just-Evotec

[9] Polpharma Biologics is the development and manufacturing lead for natalizumab, with Sandoz being the exclusive commercialization license holder.

Biologics for the development and subsequent manufacturing of multiple Biosimilars. This partnership also allows Sandoz to gain access to a proprietary AI-driven technology platform with advanced continuous manufacturing, enabling us to deliver assets at lower operational costs and expands our pipeline. According to the terms of the agreement, Just-Evotec Biologics will be responsible for operational execution of agreed development strategy for reference product characterization, cell line development, drug substance process development and formulation development, including clinical supply and process performance qualification.

We believe the strategy components outlined above will position us to continue playing a key leadership role in this rapidly growing and highly attractive market, over the next decade and beyond.

Sandoz' Global Presence

Sandoz operates in three key geographic regions: Europe, North America and International. Roughly half of Sandoz' net sales are generated in Europe, where we are the number one off-patent medicines company by gross sales with a leading footprint, portfolio and pipeline. Europe acts as our foundation, hosting the majority of our corporate functions, development capabilities and manufacturing. North America, in particular the U.S., continues to be an important market, where we are stabilizing our business ahead of key launches. We are leading in those segments where we compete, and we look to benefit further from our four high-value upcoming Biosimilars launches. Region International provides opportunities in selected markets with high-growth / high-return potential where we will continue to target attractive markets, leveraging our portfolio globally, supplemented by regional M&A and BD&L activities.

Region Europe

We are the largest Generics and Biosimilars company in Europe, with an estimated share of 11% in the overall market, estimated at USD 65 billion of gross sales growing at 8% over the next decade, and hold market leadership in three out of the top five European markets[10]. We are the number one participant in the Biosimilars market with a 27% share and the number two participant in the Generics market with an 8% share. Our European operations recorded USD 4.5 billion of net sales during the year ended December 31, 2022, or 50% of Sandoz' total net sales, with Generics and Biosimilars representing 73% and 27% of Region Europe net sales, respectively. We have a powerful commercial platform and distribution network with operations in more than 40 countries, including a direct sales presence in more than 33 countries, and approximately 3,600 FTE in the commercial organization, of which approximately 2,500 are field force FTE (as of June 30, 2023) across the region covering all major European countries and market archetypes. We are leading in approximately 80% of markets we operate in and have doubled the market share gap to our closest competitor in the region in the last three years.

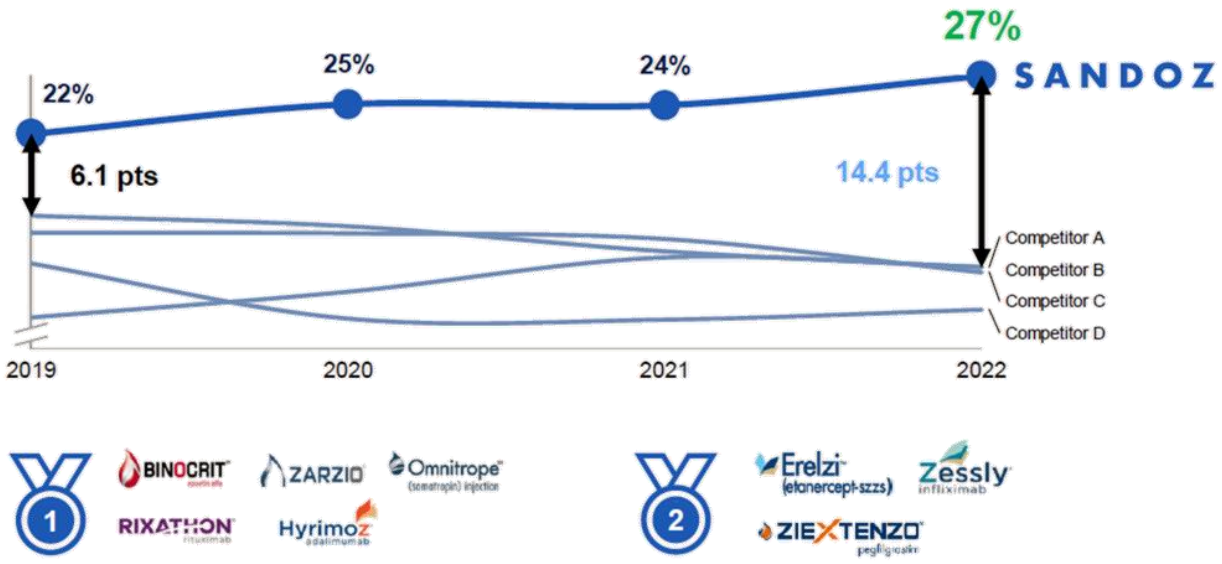
Our competitive advantage in Europe is built on our strong commercial footprint, leading portfolio breadth across therapeutic areas (including over 900 products and covering approximately 98% of top-100 international non-proprietary names, "**INNs**"), launch excellence and market proximity, with deep customer understanding allowing us to deliver affinity at scale across all market archetypes. We believe that our strong commercial platform combined with

[10] The top five European markets include Germany, France, UK, Italy and Spain.

our complete product portfolio and go-to-market capabilities will continue to be the key driver of our competitive advantage, positioning Sandoz as the clear commercial partner across Europe.

As a frontrunner in driving market access and policy shaping, we have gained significant expertise and knowledge in navigating complex regulatory environments and securing favorable reimbursement and market access for our Generic and Biosimilar products. Sandoz launch excellence is exemplified by our coverage of approximately 84% of LoEs over the last five years, with around 70% of INNs launched being first-to-market. Our commercial execution is equally strong, with leading pricing and contracting capabilities, leveraging a strong retail pharmacy network access and a number one position in face-to-face Share of Voice promotion, with a leading Net Promoter Score ("**NPS**") for both general practitioners and specialists. Over the past three years (2019-2022), we have outperformed the combined Generics and Biosimilars markets, growing at a three-year CAGR of 11% versus 7% for the combined market on a gross sales basis, doubling the gap to our closest competitor. In Biosimilars, Sandoz is the leading company with eight products commercialized and is ranked number one by volume share in five out of those eight products[11], with double the share of our closest competitor. Our leading position in launched products and pipeline of four upcoming launches (adalimumab HCF, natalizumab, denosumab and aflibercept) is supported by our strong commercial capabilities including pricing and contracting excellence, exemplified by our highly successful tender win rate of over 80%[12], which has driven an increase in our share in Biosimilars from 22% to 27% over the 2019 -2022 period.

Region Europe | Sandoz Biosimilars share evolution (2019-2022)[1]:



[1] Based on Company analysis using data from IQVIA MIDAS MAT 12-2022 data in LCUSD at gross price; Biocomparable market defined by IQVIA, EU excluding Russia.

In Generics, Sandoz has a strong presence across all market archetypes. Our broad LoE coverage over the next five years is supported by our proven track record of LoE launches as

[11] Based on Company analysis using IQVIA MAT12'22 MIDAS, volume based; excludes parallel import corporations.
[12] Number of tenders won as a percent of total number of tenders bid, FY 2022.

well as our ability to leverage our strong commercial platform. In OTC, we have leading brands across a variety of therapeutic areas, including cold & flu, gastroenterology and dermatology, underpinned by high brand awareness, which continues to benefit from targeted investments.

We aim to build on this leadership position to drive future growth in Europe, leveraging our scale, commercial platform, and market proximity to generate sustainable growth. To drive our future growth, we will: (i) build on our in-market portfolio by leveraging our strong commercial platform and market understanding; (ii) maximize upcoming launches of our extensive pipeline, with four upcoming Biosimilars launches targeting USD 4 billion of originator sales and a Generics pipeline primed at USD 19 billion of originator sales; (iii) maintain a high share of complex portfolio sales and improve product mix; (iv) leverage strategic partnerships on new products and technologies; and (v) expand the breadth and depth of our pipeline by maintaining a broad INN coverage and adding new Biosimilar assets. We will also continuously seek to selectively invest in incremental regional M&A and BD&L opportunities across all businesses.

Region North America

Region North America comprises two very different markets, the U.S. and Canada, which totaled USD 2.1 billion in net sales during the year ended December 31, 2022, or 23% of Sandoz total net sales, with Generics and Biosimilars representing 80% and 20% of Region North America net sales, respectively. Sandoz is the fourth largest Generics and Biosimilars company in the U.S. (and the second in Canada) by gross sales, with an estimated share of 4% (and 10% in Canada) in the overall market, estimated at USD 75 billion of gross sales growing at 10% over the next decade. As of June 30, 2023, we employed approximately 250 FTE, thereof over 100 field force employees, in the commercial organization dedicated to the region.

Sandoz has an established and growing position in the U.S. Biosimilars market, supported by robust commercial capabilities built on a deep market knowledge acquired over 25 years of experience in the development and commercialization of Biosimilars. We are also the number two Biosimilars player in the Canadian market. We are confident that our focus on sales execution, centered around our strong launch excellence, our high-value near-term Biosimilars pipeline of four major upcoming potential opportunities, our drive to invest in expanding pipeline portfolio breadth and depth, including improvements on product mix, as well as our strategic partnerships, will allow us to drive long-term growth.

Our primary U.S. customers are retail and hospital group purchasing organizations ("**GPO**"), Generics distributors and retail wholesalers:

- *U.S. Retail:* We market our products primarily through retail GPOs and independent regional distributors. Continued consolidation among wholesalers and retailers of Sandoz products has increased our customers' purchasing power. Our key customers include Clarus One, Red Oak and WBAD. We have developed and strived to maintain outstanding relationships with our retail customers and continue to establish strategic partnerships with key wholesalers. We believe that maintaining strong relationships with our customers is a critical success factor in our industry and, as such, we are continuously improving our commercial efforts to provide customers with a comprehensive and high-quality product portfolio, supply reliability, competitive contracting terms and excellent customer service.

- *U.S. Hospitals:* We supply Generic injectables and Biosimilars to end-customers (i.e., hospitals and clinics) and distributors. Generic injectables are primarily made available to institutional customers via GPO negotiated contract pricing and by wholesaler and distributor provided product fulfilment. Biosimilars used in institutional settings rely on pull-throughs at the hospital and clinic level after securing strong payer coverage. We serve these institutional customers through our field sales force. We believe that our large injectables portfolio, strong brand reputation, supply reliability, and longstanding relationships with key accounts across the value chain provide us with a competitive advantage. We have entered into long-term agreements with prominent GPOs, including HPG, Premier and Vizient, enabling us to further develop our strong hospital presence.

As we expand our Biosimilars presence in the U.S., payers / pharmacy benefit managers (PBM) will play a more significant role in enabling patient access to affordable Biosimilars. We work closely with payers / PBMs, including Emisar/OptumRx, Ascent/ESI, and Zinc/CVS Caremark to ensure that our Biosimilars garner the appropriate coverage on formularies.

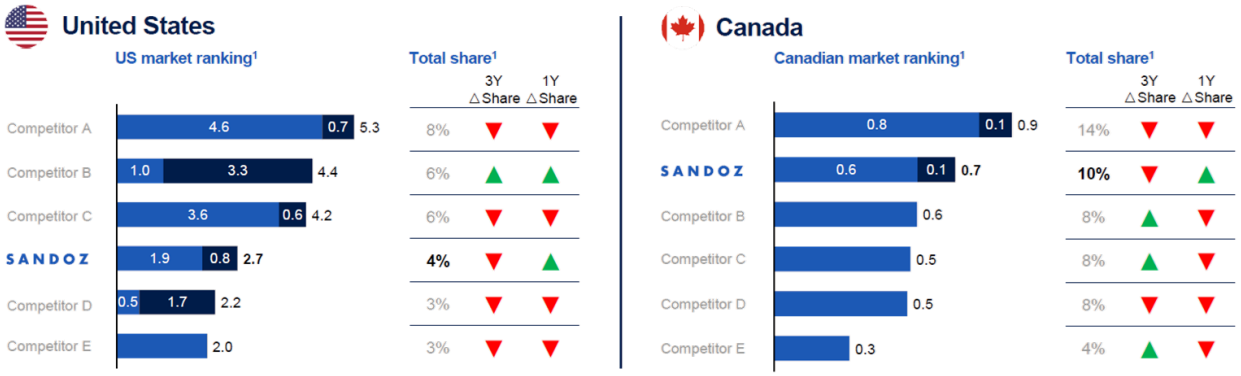
Building on our customer relationships is a key part of our success in Region North America, and we remain more focused than ever on doing so today. However, additional focus has been required due to a period of underperformance driven by macro headwinds and internal decisions.

In September 2018, Novartis decided to sell the Sandoz U.S. Generic oral solids and dermatology businesses to Aurobindo. The transaction was subsequently terminated in April 2020 and Novartis decided to retain this business going forward. The divestment process created certain limitations and constraints on this business between the signing of the Aurobindo transaction and its termination. Sandoz was left with limited strategic flexibility during this period in addition to the termination of certain partnerships.

Following this period of underperformance, where we also witnessed high price erosion, loss of partners and lack of portfolio investments, Sandoz has taken steps to stabilize and return its North American business to growth ahead of key upcoming launches. These include (i) further refining our product approach and launch excellence of our portfolio, improving our in-market performance, value-driven IP litigation strategies that can open the market earlier and strengthening our regulatory capabilities; (ii) building relationships and growing share with key, high-value customers, leveraging our 100% Biosimilars supply reliability since 2015 as well as our continued pricing, sales and contracting excellence; and (iii) strengthening our pipeline investment to address U.S. opportunities, targeting high-value U.S. Biosimilars and complex Generics. Our strategy has proven successful so far with early achievements of doubling our first-to-file submissions in one year over 2021-2022 and opening new opportunities through IP litigation (e.g., pirfenidone). As the most recent step to strengthen our product pipeline in the key U.S. Generics market, we signed in May 2023 a distribution and collaboration agreement with Adalvo, one of the leading B2B global pharmaceutical companies, for exclusive Sandoz rights to commercialize six Generic products in the U.S. across key therapeutic areas, including antifungal/antibiotic, oncology and pulmonary. Slated for near- to mid-term launches beginning in 2024, with four out of six anticipated to be first-to-market, these products target a total addressable market size of approximatively USD 3 billion.

We are now the fourth largest market player in the U.S.[13], with 4% share in gross sales and one of the few companies growing in a declining market in 2022. We are the number two market leader in Canada with 7 consecutive years of net sales growth across the hospital, retail, and physician channels. In 2022, Sandoz was the only company of the top five players that managed to increase its market share.

Region North America | Sandoz shares in the U.S. and Canada:



[1] Ranking by value in gross sales based on Company analysis using data from IQVIA MIDAS MAT 12-2022 data in LCUSD at gross price, excluding ATC J7, K, T and V, NFC V and Z; Biocomparable, Early Entry Generics and Generics as defined by IQVIA; arrows represent share change vs. 2019 and 2021, respectively.

We believe we are well positioned to launch the next wave of Biosimilars equipped with our strong commercial expertise, dedicated resources, and long-term supply reliability. We also have a longstanding legacy in pioneering value-driving litigation strategies to accelerate time to market and drive early adoption. Going forward, we will look to (i) continue to focus on the execution of our priority products and launches, rebuilding relationships with high-value customers; (ii) maximize our recent and upcoming launches, in particular our high-value near-term Biosimilars pipeline (adalimumab HFC, natalizumab, denosumab and aflibercept); (iii) improve our product mix of complex Generics and Biosimilars to approximately 70% of the portfolio in the next five years (vs. approximately 55% today); (iv) leverage strategic partnerships to optimize our commercial platform and assets; and (v) expand the breadth and depth of our pipeline, reinvesting in U.S.-specific opportunities and prioritizing Biosimilars and complex Generics.

In Canada, we intend to continue the momentum of 7 consecutive years of growth through strong LoE coverage, an extensive Generics and Biosimilars pipeline, a first-to-market approach, and impeccable commercial execution. Our portfolio breadth, unwavering customer focus, and our ability to launch robust patient support programs enable us to maintain our leadership in growth areas such as Biosimilars and complex Generics.

Region International

In Region International, we serve over 50 markets outside of Europe and North America, with a direct commercial presence in 21 attractive countries across developed and emerging economies in Latin America, Asia, Africa and Australasia. We target a USD 68 billion market by gross sales, that is expected to grow at a CAGR of 5% over the next decade. Region

[13] By gross sales.

International recorded net sales of USD 2.5 billion during the year ended December 31, 2022, or 27% of Sandoz' total net sales, with Generics and Biosimilars representing 88% and 12% of Region International net sales, respectively. Built on a lean commercial hub organizational structure with a harmonized and simplified portfolio, this region has experienced strong and consistent high single-digit net sales growth over the last three years, doubling first-to-market launches and executing selective inorganic opportunities. Our infrastructure is supported by a dedicated base of approximately 3,400 FTE, thereof over 2,700 field force employees (as of June 30, 2023) in the commercial organization.

Within Region International, we have implemented a geographical prioritization strategy, streamlining our operations and anchoring our efforts in high-return, high-growth go-to-market models, strategically choosing the markets in which we can leverage our global Generics and Biosimilars portfolios and pipeline. As the most recent step to continue streamlining our operations and concentrate our efforts on the key targeted geographies, we have recently decided to reduce our direct commercial presence from 26 to 21 markets, by transitioning to a distribution model in five key markets. We are constantly evaluating whether to maintain a direct commercial presence in our markets based on the following criteria: (i) patient need; (ii) market size; (iii) projected growth; and (iv) value creation potential. We aim to deliver consistent growth, focusing on first-to-market launches with accelerated regulatory timelines, whenever possible, in key global roll-out countries. Our ability to leverage and maximize the value of our portfolio globally can be exemplified by our recent achievements in sizeable countries like Australia and Brazil. In Australia, where we launched approximately 210 in-market Generic and six Biosimilar products, we maximized the global portfolio with focus on first-to-market opportunities, expanded key accounts and successfully launched Biosimilars to drive 15% net sales growth over 2020-2022; and in Brazil, we shifted our focus from pharmacy sales to branded Generics, antibiotics and Biosimilars launches through a 10-year partnership with the government to drive 16% of net sales growth over 2020-2022, with approximately 90 in-market Generic and five Biosimilar products launched.

We strive for a balanced distribution of our business in the main global regions and between established and emerging markets to further strengthen our resilience in the event of adverse domestic conditions in Europe and North America. As such, our presence in Region International allows us to hedge our exposure to higher-risk, higher-return markets, as well as currency volatilities, supporting sustainable revenue growth. Within these markets, we intend to leverage and maximize the value of both our pipeline and portfolio globally to drive growth with low incremental launch costs, complemented by regional inorganic growth opportunities.

Region International has been recently strengthened by selective product and company acquisitions, including Aspen's Japanese operations in 2020 and GSK's cephalosporin business in 2021, which enhanced our presence in Japan and in global antibiotics respectively:

- Aspen's Japanese operations in 2020: Aspen's portfolio in Japan consisted of off-patent branded medicines with a focus on anesthetics and specialty brands. Closed on January 31, 2020, the acquisition strengthened Sandoz' commercial presence in Japan, the third largest off-patent medicines marketplace, while increasing Sandoz' access to the hospital channel;

- GSK's cephalosporin business in 2021: Closed in October 2021, this acquisition allowed Sandoz to gain rights to three established brands (Zinnat, Zinacef and Fortum) in more than 100 markets, further reinforcing our leading global position in antibiotics and

branded Generics. In line with our vertically integrated antibiotics manufacturing strategy, we intend to leverage our global antibiotics production centered on our lead production site in Kundl (Austria) to manufacture Zinnat.

Going forward, we will look to (i) continue to focus on commercial execution in our more than 50 markets; (ii) maximize our upcoming launches, prioritizing first-to-market Generics and Biosimilars; (iii) improve our product mix of branded products and Biosimilars; (iv) leverage strategic partnerships to increase our distribution network; and (v) expand the breadth and depth of our pipeline globally and identify further regional inorganic opportunities.

Product Development Capabilities

Pipeline development and value maximization are key to our long-term strategy of bringing sustainable growth. In order to perpetuate this in the most efficient manner and maximize our pipeline value, we have built a strategic framework and operating process across our development, regulatory and manufacturing functions, structured around six key pillars: (i) operating review (governance framework, KPIs and stage-gates); (ii) technical lens (development and manufacturing); (iii) scenario evaluation (IP and innovator lifecycle); (iv) strategic aim (Biosimilars leadership and strength and discipline in Generics); (v) selection frame (LoE timing and competition, and portfolio and investment mix); and (vi) commercial lens (channel and geography, and target product profile). Due to the long-term nature of development often needed ahead of launching an off-patent medicine, we are constantly evaluating new technologies of currently on-patent products, even those with material patent life, so as to best position Sandoz and its capabilities over the long-term.

In parallel, we employ a measured approach to mitigate IP risk, including launching products "at risk" before resolving all potential patent issues. Our well-established processes and tools enable Sandoz to continuously monitor the risk and benefit ratio, ensuring that we only embrace IP risk that is fully aligned with our strategic objectives. As we transition into an independent off-patent medicines company, we plan to continue relying on our robust and rigorous approach to managing IP risk, while adopting some more innovative IP litigation strategies and actively engaging in public advocacy on IP issues.

We believe we have a strong basis to continue delivering our pipeline, supported by our breadth of capabilities, with a strong track record and a flexible development and manufacturing network to pioneer new technologies.

Overview of Sandoz Development and Regulatory (D&R)

Our development and regulatory ("**D&R**") activities are centralized under one global development organization with overall responsibility for our extensive Generics and Biosimilars pipeline. Our expertise spans the entire D&R process with end-to-end development capabilities including Generics and Biosimilars analytical development, expertise, bioequivalence and clinical studies execution as well as management of strategic active pharmaceutical ingredients ("**API**") sourcing, manufacturing to enable clinical trials and regulatory support. We employ approximately 2,400 researchers and regulatory and clinical experts (out of which approximately 1,700 are in the central organization and approximately 700 in local/country organizations), with a team of more than 950 FTE in our regulatory function, out of which approximately 700 (as of June 30, 2023) are global FTE, i.e., collaboratively working across our different D&R sites around the world. We also have six technology-focused development

D&R centers, including five centers of excellence supporting the development centers with expertise in (i) polymorphism; (ii) extractables and leachables; (iii) nitrosamines and mutagenic impurities; (iv) in vitro-in vivo correlation; and (v) Biosimilars analytics.

The following table sets forth our development centers:

Location	Key capabilities
Ljubljana (Slovenia)	Biosimilars, oral solids, complex injectables, nasals, ophthalmics
Hyderabad (India)	Oral solids
Cambridge (UK)	Device technology development
Kundl (Austria)	Biosimilars, oral solids, injectables, anti-infectives
Holzkirchen (Germany)	Biosimilars and transdermal technology
Rudolstadt (Germany)	Inhalation technology

We aspire to innovate in order to continue pioneering access for patients, covering all major growth therapeutic areas in Generics and Biosimilars. Our D&R function seeks to deliver new products across all our markets and to evaluate opportunities to expand the scope of our existing portfolio. With strong capabilities across our four core technology platforms – Biosimilars, oral solids, injectables and respiratory – we have built a very strong foundation to deliver high value Generics and Biosimilars to patients. Leveraging our extensive experience and deep understanding of the regulatory and IP environment, the Sandoz regulatory team is actively shaping the regulatory landscape through advocacy and scientific discussions with all critical industry associations, committees, and regulatory bodies (including the FDA and the European Commission). In our regulatory consultations, we seek scientific guidance on complex products, discuss in-silico clinical development for biostudy waivers as well as guidelines on analytical similarity and efficacy studies.

Committed to sustainable long-term growth, we continue to make significant investments in our D&R of approximately USD 570 million per year historically, representing on average 6%[14] of net sales for activities directly related to development of new products. Whilst our overall D&R spend has remained relatively consistent over recent years, we have made year-on-year operational excellence savings in our standard Generics pipeline and reallocated investments into our Biosimilars and complex Generics development pipeline, leveraging synergistic capabilities between complex Generics and Biosimilars. This reflects our future strategy and focus on high-value, high-growth product launches.

We are also committed to investing in the long-term capabilities of our function, in particular to support our future Biosimilars growth. We recently announced an investment of approximately EUR 25 million in the expansion of a Biosimilars development center in Holzkirchen, Germany, transforming an office building into a state-of-the-art laboratory facility by late 2023. As a result of the investment, Holzkirchen will become one of the primary technical

[14] Based on the standard methodology used by generics companies to report their D&R spend, which excludes indirect D&R costs (i.e., activities supporting development and maintenance of in-market products). When using Novartis methodology (including indirect D&R costs), the reported D&R spend is at approximately USD 800 million per year historically, representing on average 9% of net sales.

locations for Biosimilars development at Sandoz, bringing together state-of-the-art laboratories and analytical expertise at one site, with strong biopharma technical development capabilities. In addition, we recently announced an investment of approximately USD 90 million to build a new Sandoz technical development center in Ljubljana, Slovenia. These investments complement Sandoz' recently announced multi-year partnership with Just-Evotec Biologics (see also section "*Sandoz and its Business – Product Development Capabilities – D&R Strategic Partnerships*", which allows us to expand our technical capabilities and strengthen our future pipeline.

In connection with the separation and Spin-off, Sandoz will enter into a Development and Collaboration Agreement ("**DCA**") with Novartis to support the development of Sandoz Biosimilar launch assets and pipeline over the next five years, with the possibility to extend by mutual consent for an additional two years. These agreements are discussed in greater detail in section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements between Sandoz and Novartis*". In addition, we have recently announced several investments at key European facilities related to the build-up of our own technical development in Biosimilars over time.

Generics Development

Our Generics D&R capabilities span both standard and complex Generics. Standard Generics represent approximately two-thirds of projects in our Generics pipeline today by targeted originator sales, are defined by relatively lower development and technical complexity, and primarily comprise oral solids. Complex Generics represent approximately one-third of projects in our pipeline today and include injectables, respiratory, and a variety of other technologies such as liquids, sprays, topicals and transdermal patches. Sandoz continues to identify and establish development expertise in emerging highly complex technology areas such as oligonucleotides and liposomal products.

We have a strong and proven track record in Generics, as demonstrated by significant achievements across our regional businesses:

- In **Europe**, we consistently achieve a high level of approximately 120 unique product submissions per year. In 2022, we accomplished a total of 280 launches[15], including approximately 160 product launches where approximately 80% were first-to-market or on the day of loss of exclusivity ("**Day 1**");

- In **North America**, we doubled our first-to-file submissions in the U.S. in 2022 compared to the prior year. In 2022, approximately one-third of our product launches in the U.S. was first-to-market; and

- In **International**, we achieved over 130 product submissions in 2022, holding a consistent high number while accelerating the regulatory timeline in key global roll-out countries. We also achieved 140 product launches in 2022, 80% on time, with approximately 25% of launches being first-to-market or at Day 1.

We are currently advancing more than 400 Generic products in development, targeting

[15] Number of launches defined as unique combination of molecule, dosage form and country.

approximately USD 145 billion of global brand gross sales (peak gross sales one year prior to LoE over the next decade) across our core technology platforms, with approximately 45% of the products in development in pre-submission stage and 55% in post-submission stage. For every molecule we develop, we file marketing authorizations per country for specific products with defined dosages and strengths.

Leveraging our strong regulatory footprint across the globe and core development capabilities in all phases of the development and regulatory process (such as formulation development, clinical studies, regulatory expertise and device design) from the molecules we develop, we achieve a highly efficient development throughput, exemplified by our best-in-class 73% on-time filing rate, and have demonstrated success in both standard and complex Generics with approximatively 180 unique Generic products launched in the last 5 years.

Selected recent Generics launches:

Biosimilars Development

With over 25 years of experience in Biosimilars, we have a proven track record from development to launch, starting with our development of Omnitrope® (somatropin), which was Europe's first ever approved Biosimilar in 2006, as well as Japan and Canada's first in 2009. In 2015, Sandoz also opened the U.S. Biosimilars market with the approval of Zarxio® (filgrastim). To date, we have marketed 8 Biosimilars in more than 90 countries across immunology, oncology and endocrinology, setting a strong foundation for future execution. Benefiting from an extensive track record, exemplified by our 100% success rate in bringing Biosimilar molecules from the clinical stage to market in Europe, we have built world-class expertise in the development and launch of Biosimilars, spanning the entire Biosimilars development and launch process, including development, regulatory and IP litigation strategy.

During the 2020-2022 period, we initiated eight Biosimilar development projects in the areas of immunology, neuroscience, hematology, and oncology. During this time, we received three U.S. and/or EU approvals for products already on the market (two approvals in the U.S. and one in the EU). We have also nearly tripled the size of our high value Biosimilars pipeline in the last five years to 24 Biosimilar products, targeting more than USD 196 billion of originator sales, where roughly two-thirds of the value is in highly attractive oncology and immunology indications. Our pipeline strategy is focused on (i) targeting major upcoming LOEs; (ii) prioritizing first-to-market or exclusive opportunities; (iii) therapeutic areas that leverage our strong commercial footprint; and (iv) assessing lifecycle and intellectual property opportunities. Nine of our Biosimilars in the pipeline are in clinical and regulatory stages, with four upcoming approvals and launches.

Overall, across Generics and Biosimilars, our next-five-years pipeline potential is nearly double what it was in the past five years, with a mix-shift towards Biosimilars and complex Generics. We expect an additional USD 3 billion of net sales over the next five years, with 49% of those sales expected to come from our Biosimilars pipeline. Within the anticipated contribution to net sales from our Generics pipeline of more than 400 products, 35% of the launch sales will come from complex Generics in the next five years. These highlight our reshaped focus on developing a more complex and valuable pipeline. Our 2022 launch sales from our pipeline launched in the period 2018-2022 contributed USD 1.6 billion of launch sales, of which 31% was from Biosimilars, while 31% of the contribution from 190 Generics launches came from complex forms.

D&R Strategic Partnerships

In addition to our in-house D&R capabilities, we pursue a balanced approach to acquisition, licensing and collaboration deals to strategically complement our development capabilities and capacities. Historically, a material share of the sales of our product launches has come from products developed by our external development partners.

As the most recent step to strengthen the Sandoz foundation as an independent off-patent medicines company, we signed in May 2023 a multi-year partnership with Just-Evotec Biologics to develop and manufacture multiple Biosimilars, supporting the expansion of our overall, and the continued development of our early-stage, Biosimilars pipeline. This partnership also allows Sandoz to gain access to a proprietary AI-driven technology platform with advanced continuous manufacturing, enabling us to deliver assets at lower operational costs. According to the terms of the deal, Just-Evotec Biologics will receive a double-digit-million upfront and future payments dependent on successful development progress of USD 640 million as well as additional payments dependent on progress into commercial manufacturing and exercising the option for the non-exclusive in-licensing of Just-Evotec Biologics' proprietary technology by Sandoz.

For Biosimilars, Novartis is and will remain a strategic partner for Sandoz over the near to mid-term for technical development and other selected activities.

Manufacturing Capabilities and Suppliers

Manufacturing

Committed to ensuring the uninterrupted and cost-effective supply of high-quality products in an efficient, timely and consistent manner in accordance with our own strict quality and compliance standards, we are leveraging a high-quality global manufacturing network with capacities across all our core technology platforms (Biosimilars, oral solids, injectables, and respiratory), comprising both in-house and third-party sites.

We employ over 9,000 FTE (as of June 30, 2023) to manufacture products at 18 sites, including 13 manufacturing sites in Europe, leveraging a vertically integrated anti-infectives network and strong capabilities in oral solids with the capacity to provide reliable and flexible supply to our patients across all our key markets. All our manufacturing plants are compliant with Current Good Manufacturing Practices ("**cGMP**") and have received satisfactory outcomes following inspection from health authorities, with most of them (11 of 18) being U.S. FDA approved. 1.7 billion packs of more than 800 molecules were distributed from our sites

in 2022, utilizing around 700 external supply sites for finished dosage forms and API.

The manufacturing of our products is complex and heavily regulated by governmental health authorities around the world, including the FDA and EMA. In addition to regulatory requirements, many of our products involve technically complex manufacturing processes or require highly specialized raw materials. We have implemented a global quality system featuring the highest quality standards, as exemplified by our regulatory inspection success rate (100%[16]) achieved in 160 health authorities' inspections realized in the last four years, and the absence of serious injuries and fatalities in the last five years. We maintain state-of-the-art processes throughout our entire manufacturing network with quality as a priority and require our suppliers to adhere to the same high standards that we expect of our own people and processes.

Over the last five years, we have worked on optimizing our global network of manufacturing sites, adjusting our production capacity to match our changing product mix and streamlining Sandoz' network design to ensure optimal capacity utilization, high volume and cost efficiency. As of December 31, 2022, we have closed or sold seven manufacturing sites since 2017, rationalizing our internal manufacturing footprint from 25 to 18 sites, at the same time creating dedicated regional production sites where most facilities typically specialize in one of our key technologies.

The following table sets forth our manufacturing sites:

Location	Size (sq.m.)	Owned/leased	Major activity
Barleben / Osterweddingen (Germany)	119,860	Owned	Oral solids and cytotoxic dermatology
Rudolstadt (Germany)	24,217	Owned	Dry powder inhalers and metered dose inhalers
Holzkirchen (Germany)	13,918	Owned	Patches
Kundl API (Austria)	479,532	Partly leased from Novartis, partly owned	Anti-infectives, API
Kundl FDF (Austria)			Anti-infectives, oral solids and sterile FDF
Palafolls (Spain)	7,243	Owned	Anti-infectives, sterile API
Les Franqueses (Spain)*	24,857	Owned	Anti-infectives, API
Lendava API (Slovenia)	43,938 (Lendava)	Owned (Lendava), leased from Novartis (Menges)	Anti-infectives, API
Lendava FDF/Menges (Slovenia)	4,000 (Menges)		Oral solids, FDF and probiotics (Menges)
Ljubljana Aseptics (Slovenia)	11,300	Partly leased from Novartis, partly owned	Oral liquids, nasal sprays and steriles, FDF
Prevalje (Slovenia)*	10,400	Owned	Anti-infectives, FDF
Strykow (Poland)	47,577	Owned	Oral solids
Warsaw (Poland)	11,000	Owned	Oral solids
Gebze (Turkey)	33,971	Owned	Oral solids

[16] 100% success rate implies no major findings during inspections.

Hicksville / Melville (U.S.)	25,240	Owned	Dermatology
Wilson (U.S.)*	33,874	Owned	Oral solids and controlled substances
Cambe (Brazil)	33,485	Owned	Oral solids, cytotoxic, controlled substances and anti-infectives
Kalwe (India)	50,012	Owned	Oral solids (incl. oncology)
Lendava (Slovenia) – Launch of the site in 2026	*37,400 (estimated)*	*Owned*	*Biosimilars*

**The site will be closed*

As we separate from Novartis, a focus area where we intend to bolster our end-to-end internal capabilities is in Biosimilars manufacturing. We intend to invest approximately USD 400 million net of subsidies over the next three years to build a new biologics production plant in Lendava, Slovenia, with full operations planned for launch in late 2026. Equipped with the latest technology and equipment, this new biologic production site will feature end-to-end Biosimilars production capabilities, including (i) cell bank management, storage and production; (ii) large-scale drug substance manufacturing; (iii) warehousing and cryogenic storage; as well as (iv) pilot-scale plant using digital twin modeling. It will also include advanced laboratory capabilities such as a manufacturing science and technology laboratory, and quality control.

In addition to our own manufacturing network, we also partner with an extensive contract manufacturing organization ("**CMO**") network to complement and enhance our internal capabilities and capacity, leveraging our partners' strengths to broaden our technical capabilities, to increase our supply resilience and flexibility as well as to reduce supply risk. Key partners include Alcon, Aenova, Delpharm, Fareva and Hermes. We are constantly reviewing our partner portfolio by selectively assessing potential strategic partnerships, including BD&L opportunities, in order to better adapt our manufacturing network to meet our end-to-end needs and those of our patients and customers.

In connection with the separation and Spin-off, Sandoz will enter into a Manufacturing and Supply Agreement ("**MSA**") with Novartis to secure a reliable and flexible supply of both small molecules for Generics and large molecules for Biosimilars, while building up in-house capabilities. This agreement is discussed in greater detail in section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements between Sandoz and Novartis*". Under this agreement, Sandoz is securing access to a leading manufacturing network with reliable capacities and end-to-end manufacturing capabilities, including manufacturing, quality assurance as well as packaging and shipping. For small molecules, where this makes economic sense, a significant portion of this volume is already in transfer to Sandoz sites while the remaining part of the portfolio will be transferred to one or more third-party CMOs or will remain with Novartis. For large molecules, the MSA will remain in place until Sandoz has executed its plans related to the build-up of the internal manufacturing network for both active pharmaceutical ingredients ("**API**") and finished products. The relationship will be managed through the Sandoz External Supply Organization.

The Sandoz portfolio also covers more than half of global antibiotic classes, including fermentation-derived antibiotics (such as penicillins, cephalosporins and macrolides), allowing us to serve a broad majority of today's antibiotic needs. We are committed to shaping an

environment that sustains the effectiveness of all antibiotics and are investing to ensure the sustainability of our vertically integrated, European-based production network. We recently announced investments of over EUR 250 million[17] at our Kundl (Austria) and Palafolls (Spain) sites to support increased global demand for essential antibiotics. With new production lines operationally scheduled for launch in 2024 (Kundl site) and in 2025 (Palafolls site), this investment will increase large-scale manufacturing capacity for amoxicillin and other key penicillin products, reinforcing Sandoz' position as a trusted source of antibiotics in Europe.

We believe we have a strong foundation with our manufacturing today. Over the last five years, we have had zero serious injuries and fatalities, approximately 160 health authorities' inspections with a 100% success rate[18] in 2019-2022, and approximately 90% of products delivered to customers on time and in full. As we separate from Novartis, we plan to undertake major operational improvements that will allow us to continue to enhance the productivity and cost competitiveness of our manufacturing sites. These initiatives are expected to generate mid-single digit core EBITDA margin expansion over the mid-term, delivering approximately 350 bps core EBITDA margin improvement from 2023 to 2028:

- **Enhanced network design** to ensure optimal capacity utilization. We have identified significant opportunities to further rationalize our internal and external production network by reducing our number of internal manufacturing facilities to 15 by 2025 and decreasing our external manufacturing sites for finished products by 50% by 2028. This will allow Sandoz to (i) increase asset efficiency; (ii) improve capital allocation; (iii) optimize make-or-buy decisions; (iv) invest in and modernize cost efficient sites; (v) concentrate external spend; and (vi) support our launch strategy;

- **Focused vertical integration**, in particular establishing vertically integrated Biosimilars and antibiotics supply chains through strategic investments (most recently Lendava, Kundl and Palafolls);

- **Operational excellence** to increase manufacturing productivity. Building on our strong operational base, we plan to continue to drive future improvements, focusing on (i) maximizing asset utilization, through minimizing equipment downtime, de-bottlenecking, network consolidation, and portfolio harmonization and simplification (i.e., reducing the number of SKUs; and (ii) improving processes and driving efficiencies, through manufacturing process robustness, campaign and end-to-end planning optimization, digitalization and robotization, and throughput time reduction; and

- **Procurement optimization** to focus on long-term partnerships and scale. Specifically, we aim to drive procurement optimization by implementing several accelerated transformation initiatives, including (i) leveraging Sandoz scale by consolidating the supplier base and leveraging strategic partnerships, contract renegotiation, driving API and direct material substitution and optimizing indirect services; (ii) reducing complexity through the rationalization and simplification of our product portfolio and of our internal business processes, the improvement of internal demand management and the utilization of advanced data, analytics and digital tools; and (iii) improving our procurement organization by consolidating the procurement teams and appointing a

[17] Includes EUR 50 million Austrian federal government grant.
[18] 100% success rate implies no major findings during inspections.

global head of procurement, as well as expediting exit from Novartis dependency. We believe these changes have the potential to deliver approximately 200 bps core EBITDA margin improvement over the mid-term.

Our strategic investments are designed to create a fully optimized network across Generics and Biosimilars that will provide us with improved cost-competitiveness, expanded manufacturing capabilities and capacities, and dedicated in-house Biosimilars capabilities, which will position Sandoz for long term operational and supply excellence as an independent Generics and Biosimilars company.

Suppliers

Our consistent supply-chain reliability provides customers through 10 million order lines with 1.7 billion packs per year, delivered approximately 90% on time and in full. We carefully select our suppliers based on their capabilities, competitiveness, quality and our manufacturing requirements including high Health, Safety and Environment ("**HSE**") as well as environmental, social and governance ("**ESG**") standards. Supply resilience, flexibility and reliability are key criteria for Sandoz.

We purchase raw materials from a number of third-party suppliers who have been subject to rigorous selection and approval procedures, in accordance with applicable regulations, international standards and our own internal directives. Where possible, we maintain multiple supply sources so that the business is not dependent on a single or a limited number of suppliers. However, our ability to do so may at times be limited by regulatory or other requirements. When we rely upon a sole source or limited sources of supply for certain materials, we try to maintain a sufficient inventory level consistent with conservative practice and take other steps necessary to ensure supply resilience, including, but not limited to, the monitoring of any market developments that could negatively impact the supply of essential materials.

Human Capital

Our People and Culture

At Sandoz, we firmly believe that having a diverse workforce with an inclusive culture is central to drive performance. Our Sandoz values enable this culture to bring out the best in each individual. They are our greatest strength, and we believe it is imperative that we are in a position to attract, develop and retain talent on an ongoing basis in today's highly competitive talent market.

Sandoz operates a highly skilled and experienced workforce, with extensive knowledge in Generics and Biosimilars. Our large employee base includes over 22,000 employees in more than 100 countries around the world.

The table below sets forth the breakdown of the total number of our full-time equivalent employees ("**FTE**") by main category of activity as of June 30, 2023. Prior to Completion of the Spin-off, FTE numbers are not comparable due to shared roles with our parent company Novartis, particularly in the areas of manufacturing and supply.

Activity	# FTE (no. of)
Development and Regulatory	2,480
G&A	2,860
Manufacturing and Supply	9,135
Regional Commercial Operations	7,263
Grand Total	**21,738**

We continuously monitor our employee turnover as an important indicator for the effectiveness of our recruitment, talent engagement, development and retention strategies. During the separation, we will be monitoring our turnover rates even more closely to manage the risk of compounded effects in addition to the current labor market dynamics and the increased external competition for talent observed globally.

In order to manage our human capital, our experienced human resources organization partners with our business leaders to provide strategies and programs for a skilled and engaged workforce.

Learning and Development

We invest in employee learning and development at Sandoz in order to create business value through increased associate performance. At the same time, our solutions benefit employees by providing resources to grow their professional abilities, develop leadership skills and achieve their career aspirations whilst ensuring compliance with the regulatory requirements. We offer a range of learning resources to support employees of all levels in developing skills and contributing to our strategy.

We focus on succession planning through talent review processes that identify and accelerate successors' readiness to fill senior positions across Sandoz. In order to measure our success at promoting talent from inside our organization, we track the proportion of positions filled with internal candidates and other related statistics.

Sandoz Employee Benefits

At Sandoz, we believe in the power of our people and their contribution towards our ambition to become the world's leading and most valued Generics and Biosimilars company.

We care for employees by offering programs that add value to their lives and support a rewarding career. We provide a range of benefits, which vary between countries based on local market practice but generally include comprehensive health, life and accident insurance, well-being and retirement benefits, vacation policies as well as a global recognition program. In addition, we ensure that our employees are rewarded and recognized for their individual and collective impact and contributions to produce better outcomes for our people, patients and shareholders.

Our total reward strategy contributes to the Sandoz culture across our entire organization, which, combined with our strong brand recognition and market leadership, favorably positions

us to attract and retain a talented workforce.

Intellectual Property

Sandoz licenses a number of patents – primarily in the context of settling patent disputes – but no individual license represents a material dependency for the company. For risks related to intellectual property rights please see section "*Risk Factors – Risks Related to our Industry and our Business – When we launch a Generic or Biosimilar, we may become subject to litigation and damage claims from the companies owning the intellectual property rights to the originator product and alleging infringement thereof*".

Our Commitment to Sustainability

Environmental sustainability, social responsibility and corporate governance are core to our overall strategy and the way we operate. We are committed to building an actionable sustainability strategy deeply ingrained in our purpose of pioneering access for patients. It is an integral component of our growth strategy and is anchored in all of our day-to-day business operations.

We aim to conduct business responsibly with a sustainability strategy anchored around four essential pillars:

(1) Delivering access to affordable medicines and strengthening healthcare systems globally

We are committed to delivering access to affordable medicines, strengthening healthcare systems and lowering barriers that prevent patients from accessing the treatments they need. Reaching approximately 500 million patients every year, our medicines have an estimated annual social impact of more than USD 180 billion[19]. In addition to driving patient access, our broad portfolio of affordable medicines helps to ensure the financial sustainability of healthcare systems, with over 17 billion of savings delivered to the U.S. and EU. We are also actively pioneering access by shaping the healthcare environment itself through our participation in critical industry associations and committees, as well as partnerships with regulatory bodies. Such collaborations include Medicines for Europe and the International Generic and Biosimilar Medicines Association.

As a global leader in Biosimilars with a total of eight products marketed in more than 90 countries worldwide, we have been a pioneer in creating the Biosimilars landscape since our launch of the world's first Biosimilar. Our commitment to democratizing access to biologics is further underscored by our extensive pipeline of 24 products.

Our commitment to sustainability is also demonstrated by our large selection of antibiotics, covering more than half of global antibiotic classes and by a strong focus on ensuring appropriate access: the right medicine for the right patient at the right time. Focused on the two key categories of antibiotics, penicillins and cephalosporins, our comprehensive antibiotic portfolio includes more than 50 products, serving a broad majority of today's antibiotic needs and allowing healthcare professionals responsible for care ("**HCPs**") to provide patients with

[19] WIFOR Company analysis in 2021 covered 92 medicines in 126 countries.

the right treatments at the right time. We also play a significant role in the fight against antimicrobial resistance ("**AMR**") through our dedicated program (for instance, we have reached and trained more than 40,000 HCPs over the past 2 years). AMR is an unprecedented and growing global health challenge that is estimated to be directly responsible for nearly 1.3 million deaths annually. We are committed to ensuring responsible manufacturing of, access to and use of antibiotics. We recently announced investments of over EUR 250 million to support increased global demand for essential antibiotics with the last large-scale vertically integrated production network based in Europe.

(2) Incorporating environmental sustainability in the way we operate, driving down our carbon footprint and preserving natural resources

Building on our efforts to address climate change, environmental sustainability is also a core component of our environmental, social and governance ("**ESG**") strategy. We are committed to reducing our carbon footprint, preserving natural resources and embedding environmental responsibility in the way we operate. Our approach focuses on three broad strategic pillars: (i) decarbonization by leveraging green energy sources and facilitating improvements in our operations; (ii) preservation of natural resources by adopting responsible water and waste management and embedding sustainability and green design into our products; and (iii) promotion of sustainability throughout our supply chain, by proactively engaging with our suppliers to promote sustainability across our value chain.

In the last five years, we have achieved significant progress. We decreased our greenhouse gas emissions (scope 1 and scope 2 emissions) by 49%, our water consumption by 42%, as well as the total waste disposal amount by 59%.[20]

(3) Championing diversity, equity and inclusion (DE&I)

Diversity, equity and inclusion ("**DE&I**") are essential to our ability to grow our business responsibly. We believe that a diverse and inclusive workplace fosters innovation and creativity, and we strongly believe that our large employee base of more than 22,000 in more than 100 markets is what makes Sandoz what it is today.

We foster an inclusive environment where differences are valued, practices are equitable, and everyone is respected and feels that they belong. Gender equality is a key element of our DE&I strategy, and we are committed to achieving gender balance (currently, 47% of management is female). Additionally, our culture is our collective character and makes Sandoz a great place to work with best-in-class engagement scores amongst our employees, positioning us above the global benchmark at more than 70% participation rate every quarter. We also aim to promote our diverse, equitable and inclusive environment through employee resource groups ("**ERGs**") bringing together employees with shared characteristics and life experiences. These ERGs foster opportunities for networking, mentoring, collaboration, community outreach, career development, leadership training and cultural exchanges. Currently, our ERGs include groups for women, African Americans, Latins, Asians, individuals with disabilities, LGBTQ+ and parents, for example. We are also believers in retaining and upskilling talent, with on average of more than 40 hours of training provided per employee in 2022,

[20] Novartis in Society Integrated Report 2022. Combined achievements vs. 2016 baseline, based on combined Novartis and Sandoz data.

helping build skills for both current and future roles. Sandoz received a higher than industry average Glassdoor "overall rating" and 86% of employees on Glassdoor said that they would recommend Sandoz to a friend.

We are, in particular, actively committed to:

- pay equity, fairness and transparency;
- maintaining gender balance in management and beyond; and
- continuing to build an environment focused on collaboration, inclusive leadership and innovation.

(4) Building strong corporate governance

We have a strong corporate governance framework designed to foster best practice reporting and conduct, and to ensure transparency, accountability and ethical behavior. We believe that strong corporate governance is essential to preserving the trust of our stakeholders and we are committed to upholding the highest standards.

Our governance structure, led by an independent, experienced and diversified Board of Directors, and based on clear operational processes and policies, is designed to serve the needs of our business and to promote a culture of accountability across our organization, while ensuring long-term value creation to our shareholders. We believe that sustaining a culture of compliance, ethics, accountability and transparency requires the active engagement and participation of our Board of Directors and management.

We are building a robust code of ethics, including clear commitments to anti-bribery and corruption, with an integrated enterprise risk management ("**ERM**") across the value chain. We believe our strong business ethics provides a strong cultural foundation, enabling our people to do what is right.

Court, Arbitral and Administrative Proceedings

We are from time to time subject to claims and various court, arbitral and administrative proceedings arising in the ordinary course of business, including product liability or intellectual property disputes. In addition, we are from time to time subject to audits and investigations, some of which may in the future result in proceedings being instituted against us. Other than as set out below, we have not within the last twelve months been and are not currently, party to or aware of any pending or threatened court, arbitral or administrative proceedings which, if adversely decided, may have a material adverse effect on our business, results of operations or financial condition.

Regulatory and Compliance Litigation

Opioid Litigations in the United States and Canada

Sandoz entities are named as defendants in opioids litigation in the U.S. and Canada. In the U.S., Sandoz is named in more than 600 complaints filed in multidistrict litigation ("**MDL**") in U.S. federal court in the Eastern District of Ohio, as well as approximately 45 lawsuits filed

outside the MDL in state and federal courts. The plaintiffs are various United States political subdivisions (including certain cities, counties, states, other governmental agencies and tribes), school districts, hospitals and third-party payors, and they seek civil damages under various state law grounds, including consumer protection and nuisance, allegedly arising from the manufacture, promotion, sale and distribution of opioids. Sandoz is engaged in advanced settlement discussions with a group of plaintiffs. In Canada, Sandoz has been named in six class actions initiated by the provinces of British Columbia, Ontario, Alberta, Saskatchewan, and Québec. The claims are being vigorously contested.

Generics Pricing Antitrust Investigations and Civil Actions in the United States and Canada

Sandoz Inc. and Fougera Pharmaceuticals Inc., along with other Generics companies, has been subject of Federal and State government antitrust investigations and civil antitrust lawsuits concerning pricing of Generics in the United States.

In 2020 and 2021, Sandoz Inc. paid a total of USD 380 million and entered into a Deferred Prosecution Agreement ("**DPA**"), a settlement agreement and a Corporate Integrity Agreement ("**CIA**") to resolve Federal criminal and civil claims. The DPA concluded in March 2023 and Sandoz Inc. fulfilled its obligations thereunder.

Since 2017, the Connecticut Attorney General has been leading an investigation and litigation proceedings brought by a group of States and Territories in the United States. Since 2016, various payors and purchasers have filed over 90 civil and class actions against Sandoz Inc., Fougera Pharmaceuticals Inc. and others, alleging both drug-specific and industry-wide conspiracies to fix prices and allocate markets. These were consolidated in a multi-district litigation which is pending in the United States District Court for the Eastern District of Pennsylvania ("**Pennsylvania MDL**"). Three complaints transferred to the Pennsylvania MDL are filed by the States taking part in the investigation lead by the Connecticut Attorney General. In addition to the Pennsylvania MDL, three cases were filed in Pennsylvania Court of Common Pleas. These cases have been stayed pending the proceedings in the Pennsylvania MDL.

In Canada, a single individual filed a class action in Ontario on behalf of a class of purchasers of Generics for purchases from 2012 to present against Sandoz Canada Inc., Sandoz Inc., Fougera Pharmaceuticals Inc. and other Generics companies. The plaintiff has applied to amend the action to name Novartis Pharmaceuticals Canada as a defendant. The allegations in the complaint largely mirror those in the Pennsylvania MDL.

United States ex rel. Adventist Health System West False Claims Act Litigation

Sandoz Inc. is a named defendant in a False Claims Act case captioned United States ex rel. Adventist Health System West et al. v. AbbVie Inc. et al. filed in the United States District Court for the Central District of California. Section 340B of the Public Health Service Act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to certain health care organizations that care for uninsured and low-income patients. The complaint alleges each of the defendant companies failed to comply with a 340B program pricing requirement that the 340B Ceiling Price be no more than USD 0.01 when the Unit Rebate Amount equals Average Manufacturer Price. Ceiling Price, Unit Rebate Amount, and Average Manufacturer Price are defined in the complaint. The United States has declined to intervene in the case.

Hughes v. Abbvie Corp., et al. Price Fixing Litigation

An intended class action complaint has been filed in Canada federal court alleging agreements contrary to Canada's Competition Act involving the alleged delayed entry of adalimumab Biosimilars into the Canadian market. The named defendants purportedly include certain Sandoz entities; no Sandoz entities have received formal service of process. The proposed class includes all residents of Canada, except excluded persons, who were prescribed and/or advised by a medical practitioner to use Humira® for the treatment of a medical condition since as early as May 8, 2018 and up to and including the date of certification.

European Referral Procedure against Clinical Research Organization

In July 2023, the European Medicines Agency ("**EMA**") started a referral procedure to assess the conduct of the Indian clinical research organization ("**CRO**") Synapse Labs Pvt. Ltd due to serious concerns raised by the Spanish Agency of Medicines and Medical Devices (AEMPS) about the validity and reliability of study data generated by this CRO. Seven of Sandoz' small molecule in-market products licensed from one of its partners, along with many other products marketed by other pharmaceutical companies, rely on bioequivalence studies performed by this CRO. The EMA's Committee for Medicinal Products for Human Use ("**CHMP**") will review the available data to determine if any action is necessary to protect public health. The recommendation of the CHMP is expected by December 2023 at the earliest. The European Commission will then issue a binding decision based on the recommendation of the CHMP which might oblige the EU member states to temporarily suspend marketing authorizations related to the affected products in the respective countries – until the marketing authorizations holders are able to register new bioequivalence studies – or recall the relevant products. In order to mitigate potential consequences in case of a negative decision by the Commission, our partners are currently repeating the required bioequivalence studies with a different CRO and Sandoz expects to be able to submit the new data for registration by Q1/2024.

United States Narrow Exceptions Regulatory Proceedings

Sandoz Inc. participates in the US Medicaid Drug Rebate Program and pays rebates on its sales to state Medicaid programs for covered outpatient drugs dispensed to Medicaid beneficiaries and paid for by a state Medicaid program. Participating manufacturers pay higher rebates for innovator drugs than for non-innovator generic drugs. The Centers for Medicare & Medicaid Services ("**CMS**") of the US Department of Health and Human Services administers the Medicaid Drug Rebate Program. CMS has implemented an application process by which a manufacturer may seek to have a drug that was approved by FDA as an innovator drug to be classified as a non-innovator drug for which lower rebates may be paid. These applications are commonly known as requests for "narrow exceptions". If a narrow exception application is denied, or if a non-innovator drug is reclassified as an innovator drug, the applicant may become liable for additional Medicaid rebate payments.

Sandoz Inc. has submitted numerous applications to CMS seeking narrow exceptions, with mixed results. Sandoz Inc. has sought reconsideration of adverse results and these matters are pending. For applications that are denied, Sandoz Inc. may commence proceedings to challenge CMS' decision as arbitrary and capricious. For any applications that are ultimately and finally rejected, Sandoz Inc. may incur liability for higher rebates for current and past periods for the product at issue. That liability may include rebates for historical periods when the drug was classified as a non-innovator drug, effectively extending back to the date of the

drug's initial approval potentially without constraint by a statute of limitations.

Product Liability Claims

Industry-wide recalls of Valsartan-, Losartan-, Irbesartan- and Ranitidine-containing medicines in the United States, Canada and Europe

Due to impurities found in Valsartan, Losartan, and Irbesartan batches sourced from an external supplier, a number of Sandoz Valsartan, Losartan and Irbesartan batches were recalled across a number of markets as a precautionary measure in 2018 and, for Irbesartan, in 2019. Individual claims in the United States, Canada, Austria, Germany, Spain, France, Hungary, Italy, the Netherlands, as well as Poland, a purported class action in the U.S. and several putative class actions in Canada are pending against Sandoz entities and other pharmaceutical companies in connection with these recalls alleging injury from carcinogenic impurities in Valsartan-, Losartan-, or Irbesartan-containing drug products.

Similarly, as part of industry-wide recalls of Ranitidine-containing medicines, Sandoz has recalled several batches of its Ranitidine-containing medicines across a number of markets as a precautionary measure. In connection with these recalls, claims have been brought against Sandoz entities and other pharmaceutical companies in Australia, the United States, Canada, Germany and North Macedonia alleging injury from alleged carcinogenic impurities in Ranitidine-containing drug products. One genuine steps letter for a putative class action was served in Australia. In the United States, thousands of personal claims were consolidated in a multi-district litigation, along with two class action proceedings (one seeking medical monitoring for a class and the other seeking economic relief for purchasers). The court in the multi-district litigation has issued and is issuing defense judgments except for the putative economic loss class action, which has been dismissed. In addition, cases are pending in State courts in Delaware (against brand manufacturers), California, Illinois, New York and Pennsylvania, as well as two public nuisance cases filed by the State of New Mexico and the City of Baltimore, the latter of which was dismissed. In Canada, four putative class actions and more than 40 individual cases are pending.

Zoledronic Acid in the United States

There is litigation pending against Sandoz Inc. (as successor to Novartis entities) and other pharmaceutical manufacturers alleging atypical femur fracture ("**AFF**"). Approximately 24 cases, concerning Reclast are pending against Sandoz in consolidated proceedings in the New Jersey Federal Court District Court, New Jersey State Court and the California State Court. These proceedings are primarily focused on a competitor's product being subject to thousands of AFF claims. The proceedings are currently suspended, as the parties are waiting for the claimants' appeal on the New Jersey Federal District Court's preemption ruling which effectively disposed of all cases against the competitor.

One additional AFF case concerning Zometa is currently pending.

Ondansetron (Zofran®) in Canada

In 2015, Novartis acquired Zofran® from GlaxoSmithKline ("**GSK**"). In the same year, a motion to authorize a class action lawsuit was filed in Quebec (Canada) against GSK and Novartis, related to alleged birth defects, miscarriage or stillbirth after ingesting Zofran® (or the

Generic) during pregnancy. Plaintiffs seek compensatory, punitive damages and disgorgement of revenues from the sale of Zofran®. Similar motions to authorize a class action were also filed in Ontario, British Columbia, and Alberta. Novartis later transferred Ondansetron, which was sold under the brand Zofran®, to Sandoz with all related risks and benefits. Therefore, Ondansetron (Zofran®) will be part of Sandoz' business after the Spin-off, including all associated outstanding claims and liabilities. In October 2021, the Ontario plaintiff served its motion record for certification of the Ontario class action. Whereas GSK is the primary defendant, Sandoz Canada Inc. has also been named in the case.

Taxotere® (Docetaxel) Litigation in the United States

Approximately 3,100 product liability complaints were filed against Sandoz Inc. and other manufacturers concerning Taxotere® (docetaxel), an oncology product. The complaints allege that the innovator and several Generics manufacturers failed to warn of the risk of permanent alopecia/hair loss. The cases were transferred to a multi-district litigation in the United States District Court for the Eastern District of Louisiana.

In 2018, the Mississippi Attorney General filed an action in Mississippi State Court against all Taxotere®/Docetaxel manufacturers, including Sandoz Inc. seeking damages under the State's Consumer Protection Act for allegedly misleading marketing.

In January 2022, a new multi-district litigation was created for claims related to alleged eye injuries caused by the use of Taxotere®. As with the alopecia multi-district litigation, defendants are the innovator and several Generics manufacturers, including Sandoz Inc.

Amiodarone Litigation in the United States

Sandoz Inc. is named in product liability cases alleging serious injuries or death resulting from the ingestion of Amiodarone (a cardiac drug of last resort). Eon Labs, Inc. (a Sandoz subsidiary) is also named as a defendant in some cases. Plaintiffs allege that the defendants engaged in off-label promotion, failed to warn of certain risks, and failed to include medication guides when the product was distributed. Sandoz Inc. has successfully defended most cases, and only one case (involving several claimants) remains pending.

Commercial Disputes

Treprostinil Damages Case in the United States

In 2019, Sandoz Inc., together with its marketing partner, initiated proceedings against two competitors asserting violations of Federal antitrust and State laws on unfair trade, as well as breach of a patent settlement agreement, by restricting the use of cartridges needed to administer subcutaneous injections to only the branded drug and not any generic Treprostinil. In 2020, a settlement was reached with one defendant. The case for antitrust and unfair trade claims against the remaining defendant has been dismissed and Sandoz Inc. was awarded a summary judgment in its favor on the claim for breach of the patent settlement agreement entered into with the defendant. A trial for damages due to Sandoz Inc. is yet to be scheduled.

Pegfilgrastim False-Advertising Action in the United States

In 2022, Sandoz Inc. filed a false-advertising action against Amgen Inc. in the United States

District Court for the Central District of California. Sandoz Inc. alleged that Amgen Inc. engaged in a national marketing campaign stating that pegfilgrastim prefilled syringe products are less effective and less safe than Amgen Inc.'s pegfilgrastim on-body devise marketed as Neulasta® Onpro®. The case was resolved in August 2023.

Patent Litigation

Bimatoprost Patent Infringement Litigation in the United States

In 2011, Sandoz Inc. was sued for infringement of two patent families after having filed its Abbreviated New Drug Application ("**ANDA**") for a generic of Allergan's (now AbbVie's) Latisse® (bimatoprost 0.03% topical solution) in December 2010. Sandoz Inc. has successfully defended these claims and, after having obtained regulatory approval from the United States FDA, launched its generic product in December 2016.

In July 2017, Sandoz Inc. was sued for the fourth time by the same plaintiffs on a related patent, alleging that Sandoz infringes the patent and seeking recovery of lost profits. Sandoz maintains that the patent is invalid, and that AbbVie's damages claim is overstated. A jury trial concluded on March 31, 2023. The jury upheld the patent, found that the patent was infringed, and ordered Sandoz to pay USD 39 million in damages, plus interest. Sandoz will appeal the decision.

Escitalopram Administrative Action and Infringement in Australia

Sandoz Australia Pty Ltd ("**Sandoz Australia**") was sued for patent infringement in connection with a generic escitalopram product launched in 2009, based on a retroactive patent term extension covering the period from June 2009 to December 2012. Plaintiffs were awarded USD 18.5 million in damages (AUD 28.3 million) Sandoz Australia's appeal was partially successful and the case is currently pending in the court of first instance.

Separately, Sandoz Australia has brought proceedings for a statutory license at the Australian Patent Office ("**APO**") under the patent that was subject of the litigation described in the previous paragraph. In April 2019, the APO awarded a royalty-free license to Sandoz Australia; an appeal is currently pending. A success in these statutory license proceedings could reduce or remove Sandoz Australia's liability to pay damages for patent infringement.

Natalizumab Patent Infringement Litigation in the United States

In 2022, Sandoz Inc. filed a Biologics License Application ("**BLA**") for a Biosimilar of natalizumab and shared its BLA with the patent owner, Biogen, in order to trigger the statutory patent resolution process for Biosimilars. In response, the patent owner sued Sandoz Inc. and its partner alleging infringements of 28 patents; the dispute has since been narrowed down to 17 patents. Five of those patents were asserted against Sandoz in a preliminary injunction application. On June 20, 2023, the court denied Biogen's motion for a preliminary injunction. Biogen did not appeal that decision. The hearing on the merits is scheduled for a hearing before a jury in May 2025. The product in dispute has a significant role in our strategy (see section "*Sandoz and Its Business – Strategic Levers to Drive Shareholder Value*"). If Sandoz Inc. is not successful in the proceedings the expected future sales related to this product may not materialize as currently anticipated.

Denosumab Patent Infringement Litigation in the United States

In December 2022, Sandoz Inc. filed a Biologics License Application ("**BLA**") for a Biosimilar of Amgen's Prolia and Xgeva (denosumab). Shortly thereafter, Sandoz shared its BLA with Amgen in order to trigger the statutory patent resolution process for Biosimilars. On May 1, 2023, Amgen sued Sandoz Inc. and certain affiliates in the District of New Jersey, alleging infringement of 21 patents. Amgen is seeking a preliminary injunction to prevent Sandoz from launching; that hearing is scheduled for November 2023. Sandoz expects approval of its denosumab Biosimilar from December 2023.

The product in dispute has a significant role in our strategy (see section "*Sandoz and Its Business – Strategic Levers to Drive Shareholder Value*"). If Sandoz Inc. is not successful in the proceedings, its launch may be delayed beyond our current expectations.

Pirfenidone Patent Infringement Litigation in the United States

In July 2023, Roche/Genentech initiated patent infringement proceedings against Sandoz Inc. and Lek Pharmaceuticals at the District Court of New Jersey regarding sales of our pirfenidone tablets. In the complaint, Roche alleges willful patent infringement and seeks to recover damages. The litigation is directed only to pirfenidone tablets – Sandoz launched both capsules and tablets.

Previously, in October 2018, Sandoz Inc. had filed ANDAs seeking approval of both a Generic tablet and capsule version of ESBRIET, Roche/Genentech's pirfenidone product, as did several other Generics companies. Genentech commenced litigation against all of those companies, including Sandoz Inc., in January 2019. The patent that Genentech is asserting against Sandoz in this new litigation was granted in January 2019, but was never raised by Genentech in the over three years of litigation with Sandoz regarding pirfenidone that followed. In December 2022, that October 2018 litigation was finally resolved in Sandoz' favor.

Apixaban Patent Infringement Litigation in the Netherlands

Sandoz and Teva together challenged the validity of a patent regarding apixaban in the United Kingdom ("**UK**"), while Teva had commenced proceedings to revoke the equivalent patent in the Netherlands. After revoking the patent in the first instance in the UK in April 2022, Sandoz notified Bristol Meyers Squibb ("**BMS**"), the patent owner, of its intention to launch in May 2022. In response, BMS requested a preliminary injunction against Sandoz B.V. to stop that launch, which was rejected by the Dutch court in May 2022. BMS did not appeal that decision. As a result, Sandoz launched its apixaban product in the Netherlands. BMS then initiated patent infringement proceedings against Sandoz entities, which counterclaimed to revoke the compound patent.

Relatedly, on March 26, 2023, after the Enlarged Board of the European Patent Office had issued a decision (called "**G2/21**") on the legal principle underlying the validity challenge, BMS applied for a second patent infringement against Sandoz entities and against a potential new market entrant. This was dismissed in May 2023, whereby the judge confirmed that the G2/21 decision did not change the reasoning in the May 2022 decision rejecting the first patent infringement claim. This time, BMS appealed the decision seeking a speedy decision. On August 15, 2023, the Dutch Court of Appeals overturned that decision and enjoined Sandoz and all other Generics companies from selling apixaban in the Netherlands.

The proceedings on the merits will be heard on October 13, 2023, with a decision expected between December 2023 and Q1 2024.

Insurance

We maintain a combination of global and local insurance coverage in relation to a number of risks associated with our business activity, including directors and officers' insurance, transport insurance, general liability and clinical trial insurance, product liability insurance and property and business interruption insurance, each with customary coverage caps, deductibles and exclusions. Our objective is to minimize the risk of financial loss at a reasonable cost, and we believe our insurance coverage is appropriate for our operations. Our insurance coverage is examined annually and the need for additional insurances is reviewed with our insurance brokers on an ongoing basis in order to reflect changing business needs and risks.

In the last five years, Sandoz has made several insurance claims which are not material in aggregate under certain of its global insurance policies (including under general/products liability insurance, clinical trial insurance, transport insurance and directors and officers' insurance). However, there can be no guarantee that we will not incur losses or suffer claims beyond the policy limits, or outside the relevant coverage, of our insurance policies. See section "*Risk Factors – Risks Related to our Industry and our Business – Our purchased insurance coverage may not be sufficient to cover all of our property and casualty, business interruption and liability risks*".

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The information below describes the beneficial ownership of the Shares prior to and immediately after Completion of the Spin-off by each person or entity that the Company knows beneficially owns or immediately following the Spin-off will own (based on the assumptions described below), and that is expected to have to be disclosed based on art. 120 ff. of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015 ("**FinMIA**").

The Share amounts are based on such person's ownership of Novartis shares on August 17, 2023, according to ownership disclosure notifications received by Novartis, including as published on the website of SIX Exchange Regulation, giving effect to a distribution ratio of 1 Share for every 5 Novartis shares and 1 ADR for every 5 Novartis ADRs. Any derivative holdings other than ADRs reported to Novartis have been disregarded as they will not entitle their respective holders to receive Shares in the Spin-off. Any changes in major shareholdings of Novartis between August 17, 2023 and Completion of the Spin-off are expected to also affect ownership in the Company accordingly.

Immediately following the Spin-off, the Company estimates that up to 431,000,000 Shares will be issued and outstanding based on the number of Novartis shares eligible to receive the dividend-in-kind (Novartis issued shares excluding treasury shares held by Novartis and its subsidiaries) as of June 30, 2023, an estimated number of Novartis shares delivered under equity participation plans and share buybacks between June 30, 2023, and the Completion of the Spin-off, and the application of the distribution ratio. The actual number of Shares that Novartis will distribute in the Spin-off will depend on the actual number of Novartis shares eligible to receive the dividend-in-kind (Novartis issued shares excluding treasury shares held by Novartis and its subsidiaries) on the Cum Date.

To the extent our directors, officers and employees own Novartis shares or Novartis ADRs as of the close of business on the Cum Date, they will participate in the Spin-off on the same terms as other holders of Novartis shares or Novartis ADRs.

Except as otherwise noted, each person or entity identified below (including nominees) has sole voting and investment or dispositive power with respect to the securities they hold. The Company's major shareholders do not have different voting rights from other shareholders.

Prior to the Spin-off, 100% of the Company's issued share capital is owned by Novartis.

Immediately following the Spin-off, based on the aforementioned estimate of up to 431,000,000 Shares issued and outstanding immediately following the Spin-off, the Company expects the following shareholders (other than nominees) to hold 3% or more of its total voting rights:

Shareholder	Shares expected to be held	Voting rights expected to be exercised at own discretion[1]	% of voting rights
Blackrock, Inc., New York, NY[2, 3]	19,889,754	4,474,362	5.65
Emasan AG, Basel, Switzerland[4]	18,130,402	-	4.21
Novartis AG, Basel, Switzerland[5]	18,524,209	-	4.30

(1) Additional voting rights expected to be exercised at own discretion within the meaning of art. 120 para. 3 FinMIA. For purposes of this Listing Prospectus, we assumed, without verification and except in relation to Novartis, that the number of such voting rights relating to the Shares corresponds to the number of voting rights to be exercised at own discretion within the meaning of art. 120 para. 3 FinMIA relating to Novartis shares, as disclosed in the respective disclosure notifications by each shareholder.

(2) Pursuant to the disclosure notification dated January 4, 2022 related to Novartis shares and received by Novartis. For further details please refer to the notification available under https://www.ser-ag.com. Changes in the shareholding which have not been notified by a disclosure notification are not reflected.

(3) In addition, Blackrock, Inc. holds various contracts for difference ("**CFDs**") relating to Novartis shares totaling 0.01% of the voting rights in Novartis. For the purposes of this Listing Prospectus, we cannot assess whether these contracts contain an adjustment clause for corporate events such as a spin-off or whether new CDFs will be entered into between these parties, and accordingly, these CFDs have not been reflected in the table above.

(4) Pursuant to the disclosure notification dated November 30, 2011 related to Novartis shares and received by Novartis, Emasan AG is 100% owned by Sandoz-Foundation de Famille, Vaduz, Liechtenstein. The beneficial owners of the stake held through Emasan AG are the members of the Conseil de Famille of the Sandoz-Foundation de Famille, which is composed of the following persons: Pierre Landolt, Brazil; François Landolt, Pully, Switzerland; Jean Léonard de Meuron, Geneva, Switzerland; and Christian Landolt, Great Britain. Changes in the shareholding which have not been notified by a disclosure notification are not reflected.

(5) No dividends will be declared on, and hence no Shares distributed for, treasury shares of Novartis held by Novartis or its fully owned subsidiaries, with the exception of the Novartis Foundations (as defined below). Immediately following the Spin-off, Novartis is expected to hold 4.30% of the Shares indirectly through the Novartis Foundation for Employee Participation, the Novartis Foundation for Management Training, the Novartis Foundation for People and the Environment and the Novartis Research Foundation, all with registered office in Basel, Switzerland (the "**Novartis Foundations**"). The Novartis Foundations are special purpose entities that were founded by, but are legally independent entities from, a predecessor company of Novartis. The Novartis Foundations will hold Shares immediately following the Spin-off due to their ownership of Novartis shares. Novartis does not hold any participation or economic interest in any of the Novartis Foundations. However, due to Novartis' power to nominate the members of the boards of the Novartis Foundations, the Shares held by the Novartis Foundations are deemed as Shares indirectly held by Novartis for accounting purposes and shareholder disclosure under art. 120 FinMIA. It is planned that the Novartis Foundations will sell the Shares they receive as a result of the Spin-off within five years of their receipt.

According to the information available to the Company, other than as disclosed above, none of the shareholders expected to be major shareholders of the Company will hold any purchase position or sale positions (financial instruments) within the meaning of art. 15 of the Financial Market Infrastructure Ordinance of December 31, 20215, enacted by the Swiss Financial Market Supervisory Authority FINMA ("**FMIO-FINMA**"), as of the date of the Spin-off.

For the purposes of the Sandoz ADR Program, the Company granted an exemption from the registration restriction in its Articles to the Sandoz ADR Depositary (see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*" for further information on the registration restriction, and section "*Capital Structure and Shares – Sandoz ADR Program*" for further information on the exemption granted).

Related Party Transactions

The following section describes the material transactions and other legal relationships that exist between Sandoz companies and related parties as of the date of this Listing Prospectus.

During each of the financial years ended on December 31, 2022, 2021 and 2020, and other than as set out below or other than as reflected in the Sandoz Business Combined Financial Statements, the (unaudited) Sandoz Business Pro Forma Combined Financial Statements and the Statutory Financial Statements included elsewhere in this Prospectus, there were, to the best of our knowledge, no material transactions with related parties outside of the organization's normal course of business or that are unusual in form or in substance and that involve material obligations which remain outstanding following the separation and Spin-off.

Agreements Between Sandoz and Novartis

Shortly before the Spin-off, the Sandoz Business and Sandoz subsidiaries will be transferred to Sandoz entities such that Sandoz will hold, directly or indirectly, the business formerly constituting Novartis' Sandoz business, comprising its Generics and Biosimilars operations. Some of these Internal Transactions (as defined below in section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Separation and Distribution Agreement*") will occur after the date of this Listing Prospectus. See section "*The Spin-off – Results of the Spin-off*" for more information.

Following the separation and the Spin-off, Sandoz and Novartis will operate separately, each as an independent public company. However, Sandoz and Novartis will have an ongoing relationship following Completion of the Spin-off. Prior to the Completion of the Spin-off, Sandoz intends to enter into a Separation and Distribution Agreement and several other agreements with Novartis to effect the separation and provide a framework for this ongoing relationship. In addition to governing the relationships between Sandoz and Novartis subsequent to Completion of the Spin-off, these agreements will provide for the separation of the assets, employees, liabilities and obligations (including investments, property and employee benefits and tax liabilities) that constitute the Sandoz Business, and provide for the provision of services between Novartis and Sandoz, in order to allow each business to operate separately as well as to support business continuity following the Spin-off. In addition to the Separation and Distribution Agreement (which contains many of the key provisions related to Sandoz' separation from Novartis, the distribution of the Shares to holders of Novartis shares and the establishment of a Level I ADR program), these agreements include:

- a tax matters agreement;
- an employee matters agreement;
- manufacturing and supply agreements;
- a development and collaboration agreement;
- an authorized Generics agreement;
- a transitional services agreement;

- certain IP agreements; and

- a third party claims and investigations management agreement.

The summaries below set forth the material terms of the agreements that we believe are most significant. These summaries are qualified in their entireties by reference to the full text of the applicable agreements.

The terms of the agreements described below that will be in effect following the Spin-off may be subject to certain changes prior to the Spin-off date, as Sandoz and Novartis finalize the operational details of the Spin-off. We do not expect such changes to be material.

In addition, Sandoz intends to enter into other agreements with Novartis prior to the Completion of the Spin-off that are ancillary to the agreements referred to above. These agreements include agreements relating to information sharing and access rights, data protection, transfer of marketing authorizations, certain manufacturing quality control and pharmacovigilance matters, certain real estate lease agreements in respect of manufacturing and office facilities and certain transitional distribution and other services matters, including certain distribution and promotional services, and certain manufacturing-related services which will be provided on a long-term basis matching the term of the Forward and Reverse MSAs.

Separation and Distribution Agreement

Sandoz intends to enter into a Separation and Distribution Agreement with Novartis prior to Completion of the Spin-off. The Separation and Distribution Agreement will set forth the principal actions to be taken in connection with the separation and the Spin-off.

Transfer of Assets and Assumption of Liabilities

The Separation and Distribution Agreement sets out the terms and conditions governing the transfer of assets to, and assumption of liabilities by, each of Sandoz and Novartis as part of the internal transactions to be effected prior to the distribution (the "**Internal Transactions**"), so that, as at the time of the distribution, each of Sandoz and Novartis (i) holds the assets which, in the case of Sandoz, relate to the Sandoz Business and, in the case of Novartis, relate to the businesses retained by Novartis, and (ii) retains or assumes (as applicable) liabilities, including pending and future claims, which relate to such business (whether arising prior to, at or after the date of execution of the Separation and Distribution Agreement).

The Separation and Distribution Agreement will provide for when and how such transfers, assumptions and assignments will occur (or have occurred, to the extent that such transfers, assumptions and assignments have already occurred prior to the parties' entry into the Separation and Distribution Agreement). The Separation and Distribution Agreement will further set forth the basis on which certain assets will continue to be held by the relevant transferor, subject to applicable laws, for the account, risk and economic benefit of, and the cost of, the relevant transferee. Such assets include:

- individual or collective assets (or any part thereof), the transfer of which is subject to a third-party consent that has not been obtained by the date on which implementation of the separation occurs in the relevant jurisdiction;

- certain tenders for the supply of Sandoz or Novartis products which cannot be transferred from Novartis or Sandoz to the other party for regulatory or other reasons; and

- the Sandoz Business in Chile, Costa Rica, Ecuador, Greece, Hong Kong, Malaysia, Panama, Singapore, Taiwan, Thailand and Vietnam and the Novartis Business in Poland, if the transfer thereof cannot, for regulatory or operational reasons, occur prior to the Completion of the Spin-off.

Regulatory approval in respect of the transfer of the Sandoz entity in Egypt is currently pending. If, at the time of entry into the Separation and Distribution Agreement, any such approvals are not expected prior to the Completion of the Spin-off, the Separation and Distribution Agreement will also set forth the basis on which the relevant entities will continue to be held by the relevant transferor, subject to applicable laws, for the account, risk and economic benefit of, and the cost of, the relevant transferee.

Conditions

The Separation and Distribution Agreement will also provide that several conditions must be satisfied, or waived by Novartis, before the Spin-off can occur. For further information about these conditions, see "*The Spin-off – Conditions to the Spin-off*".

The Distribution

The Separation and Distribution Agreement will govern the rights and obligations of the parties with respect to the distribution and certain actions that must occur prior to the distribution. Novartis will have sole and absolute discretion to determine whether, when and on what terms to proceed with all or part of the distribution.

Intercompany Arrangements

All agreements, arrangements, commitments and understandings, including most intercompany accounts payable or accounts receivable, between Sandoz, on the one hand, and Novartis, on the other hand, will be terminated effective as of Completion of the Spin-off and separation, except specified agreements and arrangements that are intended to survive Completion of the Spin-off and separation that are either transactional in nature or on arms' length terms.

Representations and Warranties

Sandoz and Novartis will each provide a warranty as to their respective capacity to enter into the Separation and Distribution Agreement. Except as expressly set forth in the Separation and Distribution Agreement or any ancillary agreement, neither Sandoz nor Novartis will make any representation or warranty as to the assets, business or liabilities transferred or assumed as part of the separation, or as to the legal sufficiency of any assignment, document or instrument delivered to convey title to any asset or thing of value to be transferred in connection with the separation. Except as expressly set forth in the Separation and Distribution Agreement and certain other ancillary agreements, all assets will be transferred on an "as is", "where is" basis.

Indemnification

Sandoz and Novartis will each agree to indemnify the other and each of the other's directors, officers, managers, members, agents and employees against certain liabilities incurred in connection with the Spin-off and Sandoz' and Novartis' respective businesses (subject to certain exceptions). The amount of either Novartis' or Sandoz' indemnification obligations will be reduced by any insurance proceeds the party being indemnified receives and is subject to customary protections against double recovery.

Release of Claims

Sandoz and Novartis will each agree to release, to the fullest extent permitted by applicable law, the other and its affiliates, successors and assigns, and all persons that prior to Completion of the Spin-off have been the other's shareholders, directors, officers, managers, members, agents or employees, and their respective heirs, executors, administrators, successors and assigns, from any claims against any of them that arise out of or relate to their respective businesses.

Restrictive Covenants

The Separation and Distribution Agreement will include certain covenants which will restrict us for a period of three years following the date of the Spin-off as follows:

- Sandoz and the Group will be subject to restrictions relating to the research, development or commercialization of products that contain the same active ingredient as a limited number of Novartis products. The above restriction does not apply (i) if the research and development in relation to such products is carried out by representatives of Sandoz who have not received or obtained certain non-public information relating to the corresponding Novartis product and without the benefit of such non-public information, or (ii) if such products are commercialized in a country in which the relevant patents or other regulatory-based exclusivities have become invalid or expired; and

- Sandoz shall not, and shall procure that its affiliates, sub-licensees or other third party contracting parties acting on its behalf do not, undertake any activity relating to filing or sponsoring a marketing authorization application anywhere in the world requesting approval, or launching a Biosimilar or Generic of a Novartis product, prior to the expiration of any applicable Novartis patent or regulatory-based exclusivity, or relating to a potential or actual challenge of any Novartis patent or regulatory exclusivity, other than in each case where such activity is carried out by representatives of Sandoz who have not received or obtained certain non-public information relating to the corresponding Novartis products and without the benefit of such non-public information.

Confidentiality and non-use obligations

For an unlimited period of time following the date of the Spin-off:

- Sandoz shall hold in strict confidence any non-public information concerning the Novartis business that is either in Sandoz' possession or furnished by the Novartis Group or its representatives at any time pursuant to the separation agreements; and

- Sandoz shall not use any non-public information concerning the Novartis business for any purpose except as permitted pursuant to the separation agreements.

The obligations of confidentiality and non-use by Sandoz of Novartis information are subject to customary exceptions for obligations of this nature.

Contractual Penalty

Sandoz may be required to pay a contractual penalty if there is a material breach by the Group of the non-competition or IP challenge/marketing authorization restrictions described above, its confidentiality and non-use obligations in the Separation and Distribution Agreement or the restrictions on reverse engineering product-specific cell lines to derive quantitative composition of cell culture media in the Development and Collaboration Agreement and patent and know-how license agreement. The duration of the contractual penalty follows the duration of the respective obligation which is intended to be protected. The amount of such penalty is equal to the aggregate amount of the sales of each Novartis product which has its sales adversely impacted by the material breach in each country where sales of the relevant Novartis product were adversely impacted in the 12-month period immediately prior to the breach. Subject to customary protections against double recovery, Novartis may also be entitled to damages to the extent of any losses which are not recoverable pursuant to the contractual penalty (including in respect of any losses exceeding the contractual penalty amount) for a breach of the relevant provisions.

Term / Termination

Prior to the Completion of the Spin-off, Novartis will have the unilateral right to terminate or to modify the terms of the Separation and Distribution Agreement. Neither Sandoz nor Novartis may rescind the Separation and Distribution Agreement in any circumstances whatsoever following the Completion of the Spin-off.

Other matters governed by the Separation and Distribution Agreement

Other matters governed by the Separation and Distribution Agreement include, without limitation, a wrong pockets mechanic, insurance arrangements, mutual assistance and information sharing after Completion of the Spin-off, treatment and replacement of credit support, and transfer of and post-separation access to certain books and records.

Tax Matters Agreement

Sandoz intends to enter into a Tax Matters Agreement with Novartis prior to Completion of the Spin-off. The Tax Matters Agreement will impose certain restrictions on Sandoz designed to preserve the tax-neutral treatment of the Spin-off. For U.S. tax purposes, this includes restrictions on share transfers, business combinations, sales of assets and similar transactions and shall apply for a period of up to two years following the Spin-off. From a Swiss tax perspective, such restrictions will require Sandoz to maintain a holding activity in Switzerland following the Spin-off. In any case, Sandoz will be able to engage in an otherwise restricted action if it obtains appropriate advice from counsel or an advance tax ruling from a competent tax authority as to the impact of any transaction on the tax neutrality of the Spin-off. However, Sandoz' indemnification obligation to Novartis, as discussed below, is still applicable in circumstances in which Sandoz is permitted to engage in an otherwise restricted action.

The Tax Matters Agreement will provide that Sandoz will indemnify Novartis if Sandoz breaches a representation or covenant that serves as the basis for the Tax Opinion or the Tax Rulings or Sandoz' taking, or failure to take, certain actions, results in the failure of the Spin-off or certain internal restructuring steps to qualify for tax-neutral treatment under Swiss tax or U.S. federal income tax laws, as applicable.

The Tax Matters Agreement will also provide that Sandoz will be liable for any taxes accruing in the ordinary course of business of Novartis and its subsidiaries before the Spin-off if they are attributable to entities which are transferred or allocated to the Sandoz Group as part of the Spin-off. Novartis will be liable for any other taxes accruing before the Spin-off in the ordinary course of business, to the extent not attributed to Sandoz. Sandoz will generally be liable for any taxes accruing in the ordinary course of business after the Spin-off which are attributable to entities which form part of or will be part of the Sandoz Group following the Spin-off, including entities for which the transfer to the Sandoz Group is delayed after the Spin-off. Novartis will generally be liable for any other taxes accruing in the ordinary course of business after the Spin-off which are attributable to entities which are part of or will be part of the Novartis Group following the Spin-off, with the exception of Sandoz entities which are still part of the Novartis Group after the Spin-off due to a delayed transfer to the Sandoz Group.

Employee Matters Agreement

Sandoz intends to enter into an Employee Matters Agreement with Novartis prior to Completion of the Spin-off. The Employee Matters Agreement will set forth Sandoz' agreements with Novartis regarding the identification of the employees to be transferred to and retained by each of Sandoz and Novartis as part of the operational separation prior to the Spin-off, as well as the allocation of liabilities and responsibilities with respect to certain employee matters. The Employee Matters Agreement will set out the regime for the following key aspects:

Allocation of employment liabilities

Subject to certain exceptions, the general principle for the allocation of employment and service-related liabilities will be that (i) Sandoz will assume all such liabilities relating to (1) Sandoz employees who worked wholly or mainly in the Sandoz Business as of the date of the Spin-off, and (2) former employees of the Novartis Group who worked wholly or mainly in the Sandoz Business immediately prior to the termination of their employment ("**former Sandoz employees**") and (ii) Novartis will retain all such liabilities relating to all other current and former employees of the Novartis Group, in each case, regardless of when such liabilities arise.

Terms and conditions of Sandoz employees

For a period of 12 months following the date of the Spin-off, Sandoz will provide each current Sandoz employee with the same basic salary and contractual benefits that are substantially comparable, taken as a whole, to the contractual benefits received immediately prior to the date of the Spin-off (including long-term employee benefits but excluding equity plans and share-based incentive schemes). For the same period, the overall employment terms (whether contractual or otherwise) will not be changed in a materially detrimental way. If the employment of any Sandoz employee is terminated by reason of redundancy within a period of 12 months following the date of the Spin-off, Sandoz will provide severance benefits that

are no less favorable than those that would have been provided immediately prior to the date of the Spin-off.

Employee benefit and cash bonus plans

Sandoz employees will generally, as of the date of the Spin-off, be eligible to participate in Sandoz employee benefit plans and cash bonus plans that are the same as, or comparable to, those that apply to them prior to the date of the Spin-off.

Share-based incentive schemes

Awards granted under share-based incentive schemes will be treated as follows:

- Holders of unvested awards in the form of restricted Novartis shares will receive the dividend in-kind resulting from the Spin-off.

- Holders of unvested RSUs and PSUs will not receive the dividend in-kind resulting from the Spin-off, and such awards will be treated as described in the section entitled "*Board of Directors and Executive Committee – Compensation of Members of the Board of Directors and the Executive Committee – Equity-Based Employee Participation Plans – Sandoz' Equity Restoration Plan*". In addition, subject to certain exceptions, Sandoz will establish – and employees will be eligible to participate in – new Sandoz equity plans in relation to the Shares following the Spin-off.

Restrictions on post Spin-off employee employment and engagement

- Subject to certain exceptions, Novartis will not, and will undertake to procure that each member of the Novartis Group will not, for a period of two years following the Spin-off, directly or indirectly: (i) solicit or induce certain senior Sandoz employees to become employed or engaged by any member of the Novartis Group; or (ii) knowingly induce or encourage such employees to no longer be employed or engaged by Sandoz.

- Subject to certain exceptions, Sandoz will not, and will undertake to procure that each member of the Sandoz Group will not, directly or indirectly: (i) for a period of two years following the Spin-off, solicit or induce certain senior Novartis employees working in specific teams within the intellectual property department to become employed or engaged by any member of the Sandoz Group; (ii) for a period of two years following the Spin-off, solicit or induce listed senior Novartis employees working in the large molecules and small molecules manufacturing organizations and certain related functions of Novartis operations to become employed or engaged by any member of the Sandoz Group; (iii) for a period of three years following the Spin-off, solicit or induce certain senior Novartis Technical Research & Development ("TRD") employees to become employed or engaged by any member of the Sandoz group; or (iv) knowingly induce or encourage such employees to no longer be employed or engaged by Novartis.

Long-term employee benefits

As of the date of the Spin-off, subject to certain exceptions, Sandoz will generally assume sponsorship of and responsibility for any standalone long-term employee benefit

arrangements relating to Sandoz employees and former Sandoz employees. Further, subject to certain exceptions, the accrued (past service) liabilities relating to the Sandoz employees and former Sandoz employees under Novartis Group-wide plans providing retirement, disability or death, old-age part-time retirements or jubilee benefits, will transfer to Sandoz. It is anticipated that, subject to certain exceptions, Sandoz employees will be permitted to continue to participate in the relevant Novartis Group-wide plan for a transitional period after Completion of the Spin-off and prior to the transfer of such liabilities.

Manufacturing and Supply Agreements

Sandoz intends to enter into manufacturing and supply agreements with Novartis prior to the Completion of the Spin-off. Those manufacturing and supply agreements will set forth Sandoz' arrangements with Novartis pursuant to which Sandoz and Novartis will each manufacture, label, package and/or supply (as applicable for each product) products for the other and conduct relevant quality control, assurance and testing activities for the other in relation to the manufacture and supply of applicable products (the "**Forward and Reverse MSAs**"). The terms of the Forward and Reverse MSAs, including terms relating to pricing, will be based on the prevailing cost of manufacturing and material-handling as determined in accordance with Novartis' and Sandoz' (as applicable) cost calculation and allocation rules and methodologies in force at the relevant time, with mutually agreed mark-ups, reconciliation and adjustment mechanisms and take-or-pay volume terms.

The terms of the Forward and Reverse MSAs are on substantially equivalent terms. The Forward and Reverse MSAs contain customary provisions for the planned transfer of manufacturing technology and know-how and processes to the other party (or potentially other manufacturers with the supplier party's consent as per agreed criteria) for most products for the benefit of the relevant purchasing party. Subject to earlier termination rights, the Forward MSA has an initial term of up to ten years and the Reverse MSA has an initial term of up to seven years, each depending on the relevant product category, with certain rights to extend the term further for certain product categories either by mutual agreement or, in some cases, by the relevant purchaser party serving notice. The Forward and Reverse MSAs contain customary fault-based termination triggers (such as an insolvency related event, a material breach (which, if curable, remains uncured) or persistent breach) and either Party may terminate on a product-by-product basis for regulatory reasons (including the revocation of a marketing authorization) or for other customary health and safety or technical issues. In addition, Novartis may terminate on a product-by-product basis if Sandoz is affected by a change of control during the term of the Forward MSA in which circumstances Novartis and Sandoz will use commercially reasonable efforts to enable the transfer-out of the terminated products in accordance with mutually agreed technical transfer rights.

The Forward and Reverse MSAs also contain certain long-term capacity and purchase reservation commitments for periods of up to 36 months for certain products and technologies, with corresponding take-or-pay obligations. The Forward MSA also contains certain exclusive supply obligations on Novartis as the respective manufacturing entity in relation to large molecule products.

The manufacturing and supply obligations will generally be performed under the Forward and Reverse MSAs on the basis of total product cost, as determined in accordance with Novartis' and Sandoz' (as applicable) cost calculation and allocation rules and methodologies in force at the relevant time, plus a margin with a reconciliation adjustment during the year to be

agreed to reflect actual increases or decreases of total product cost. Products supplied under the Forward MSA will be supplied on a toll manufacturing basis wherever possible.

Subject to certain limitations and exceptions, the liability of each of Novartis and Sandoz under the Forward MSA shall be capped, in aggregate, at USD 40 million per contract year. Novartis' liability, as supplier, is also subject to separate sub-caps of USD 10 million per contract year for write-offs and USD 10 million per contract year to reimburse costs and expenses that Sandoz incurs as a result of Novartis' delivery failures. Under the Reverse MSA, the same limitations and exceptions shall apply and the liability of each of Sandoz and Novartis shall be capped, in aggregate, at USD 10 million per contract year. Similar to the Forward MSA, Sandoz' liability, as supplier, will also be subject to sub-caps set at USD 2.5 million per contract year for write-offs and USD 2.5 million per contract year for delivery failures.

Transitional Services Agreement

Prior to Completion of the Spin-off, we intend to separate certain shared business functions with the objective of ensuring that we are operationally independent from Novartis for those business functions from the date of the Spin-off. Sandoz also intends to enter into a Transitional Services Agreement with Novartis prior to Completion of the Spin-off pursuant to which Sandoz and Novartis will, to the extent that shared business functions have not been separated prior to the Spin-off, each provide to the other various services and support on a transitional basis until such time as Sandoz (or Novartis in the case of services Sandoz will provide to Novartis) has developed the capability to provide the relevant services and support itself or has appointed a third party provider to provide those services and support.

The Transitional Services Agreement will set forth the agreement with Novartis regarding the provision of these transitional services and support. The Transitional Services Agreement will be two-way and reciprocal. Services and support will be provided on substantially the same basis as equivalent services were provided during the 12 months prior to the Spin-off. The charges for the services will be on a cost-plus basis (with a mark-up to reflect the management and administrative cost of providing the services). The services will generally, with only a few exceptions, commence on the date of the Spin-off. The services are intended to terminate within 24 months of the date of the Spin-off. Each party will have standard termination rights in respect of the whole Transitional Services Agreement for unremedied material breach or insolvency. If the service recipient divests the business in relation to which services are being provided, the service provider will be entitled to terminate the Transitional Services Agreement with respect to the (parts of the) services relating to the divested business unless the service provider and service recipient have mutually agreed on passing on the relevant services to the acquirer of the (parts of the) divested business (with consent to such agreement not to be unreasonably withheld).

Subject to certain limitations and exceptions, the liability of each of Sandoz and Novartis as service provider under the Transitional Services Agreement shall be capped, for all claims in each 12 month period of the agreement, for each specific service function at 100 percent of the service charges for that service function payable to the service provider in that 12 month period. This cap shall not apply to sums or benefits recovered by the service provider from a delegee or subcontractor of the service provider (including a third party supplier) that will be passed on to the service recipient proportionally.

The services and support to be provided by Novartis to Sandoz will include: Information

technology including information security, human resources, regulatory, and quality services, non-strategic corporate services and financial reporting and accounting services.

IP Arrangements

Assignment of each party's intellectual property rights

We intend to enter into assignment agreements with Novartis prior to, or with effect from, Completion of the Spin-off, under which:

- Novartis will assign and transfer to Sandoz certain intellectual property rights owned by the Novartis Group solely related to Sandoz products, other than certain products internally transferred to Sandoz prior to the Spin-off; and

- Sandoz will assign and transfer to Novartis: (i) certain intellectual property rights owned by Sandoz solely related to Novartis products; and (ii) certain intellectual property rights owned by Sandoz which are currently used within both the Sandoz Business and the other businesses of Novartis.

Perpetual shared patents and know-how license agreements

In connection with any patents and know-how that are owned by Sandoz or Novartis, and which are currently or anticipated to be used by both Sandoz and Novartis in their respective businesses following the Completion of the Spin-off, Sandoz intends to enter into reciprocal licenses with Novartis under which Sandoz and Novartis will each be granted the right to continue to use those patents and know-how in connection with their respective businesses. The licenses shall be on a non-exclusive, perpetual and royalty-free basis. The licenses will contain standard termination rights for material breach or insolvency.

Transitional trademark license agreements

Sandoz has agreed with Novartis that they will each phase out their respective use of a limited number of corporate and product marks that will be owned by the other party following Completion of the Spin-off. Sandoz intends to enter into reciprocal transitional trademark license agreements with Novartis under which each party will grant the other a royalty-free, worldwide (except as otherwise agreed), non-exclusive (except in relation to a limited number of trademarks which, for registration purposes, combine the Sandoz house mark with one or more Novartis house marks, which are to be licensed to Sandoz exclusively) license to use certain corporate and product trademarks following the Spin-off on substantially the same basis as currently used. Each license will permit the licensee to continue using the licensed trademarks for a transitional period to provide the licensee with sufficient time to rebrand and/or phase out its use of the licensed trademarks, subject in most cases to a longstop date of two or three years. A limited number of product trademarks are to be licensed to Sandoz on a long-term basis. The licenses will contain standard termination rights for material breach (which, if curable, remains uncured) or insolvency.

Trademark co-existence agreement

In addition, Sandoz intends to enter into a long-term co-existence agreement for a minimum term of 50 years with Novartis regulating their respective use of (i) certain trademarks for or

containing "NOV" or "SAN", including, for example, SANDIMMUNE and NOVICRIT; and (ii) a certain number of other trademarks owned by Sandoz or Novartis which are similar to marks owned by the other, with the objective of enabling each party to continue using those established brands within its business while mitigating any potential customer confusion in connection with their respective use of them and addressing certain related trademark formalities, including in connection with the registration of new trademark applications.

Development and Collaboration Agreement

Sandoz intends to enter into a Development and Collaboration Agreement ("**DCA**") with Novartis pursuant to which Novartis will provide certain Biosimilars development services to Sandoz to enable Sandoz to continue development and manufacturing activities (including clinical and other non-commercial supply) for approximately 10 in-market Biosimilar products and 20 pipeline Biosimilar products, including support of certain existing and future life cycle management activities and other projects. The DCA will have an initial term of five years with the possibility to extend by mutual consent for an additional two years. The DCA includes mechanics to wind down the services provided and transfer out the Biosimilars projects to Sandoz or its designated Contract Development and Manufacturing Organizations ("**CDMOs**"), subject to certain limitations, including relating to the volume of services terminated for convenience in any 12-months period, the eligibility of designated CDMOs during a defined period of time, and the technology to be transferred by Novartis.

Novartis will use commercially reasonable efforts to perform the DCA services in accordance with the timelines, costs and resources agreed by the parties, but does not guarantee success or specific results. Sandoz will own any new intellectual property rights arising under the DCA that are exclusively related to its Biosimilars projects, and Novartis will own all other new intellectual property rights. However, Novartis will grant to Sandoz a non-exclusive license under such new intellectual property rights, effective as of the Spin-off, limited to projects and products in scope of the DCA.

Each party will have termination rights for unremedied material breach or insolvency. Novartis will have the right to terminate the DCA in its entirety upon a change of control of Sandoz, in which case Novartis and Sandoz will use commercially reasonable efforts to enable the transfer-out of ongoing projects in accordance with the DCA.

Subject to certain limitations and exceptions (including with respect to a breach of confidentiality), neither Party shall be liable for lost profits or other consequential damages. Further, subject to certain limitations and exceptions, the liability of Novartis as service provider under the DCA shall be capped at USD 1 million per claim and at USD 5 million in the aggregate per year, except in relation to a breach of Novartis' obligations of confidentiality or Novartis' fraud, gross negligence and willful misconduct, in which case Novartis' liability shall be uncapped. Sandoz' liability shall be uncapped.

Authorized Generics Agreement

Sandoz intends to enter into an authorized Generics agreement ("**RxGx Agreement**") with Novartis pursuant to which Sandoz will be authorized to purchase from Novartis supply of, and to commercialize, certain in-market and pipeline Generic products, the development, registration and manufacture of which are based on Novartis' dossiers of Novartis branded products ("**RxGx Products**") in specified countries outside of the United States. The RxGx

Agreement is intended to provide a bridging period following Completion of the Spin-off during which Sandoz can file new marketing authorizations for generic versions of the Novartis branded products which are not based on Novartis' dossier. The RxGx Agreement will have an initial term of three years with Sandoz having the right to extend for one additional year on a product-by-product basis (provided there has been no change of control of Sandoz). All RxGx Products purchased by Sandoz pursuant to the RxGx Agreement will be supplied under the MSA, subject to specific pricing mechanisms agreed in the RxGx Agreement.

The RxGx Agreement will contain launch conditions that Sandoz will be required to satisfy before it has the right to launch a pipeline RxGx Product in a specific country, including all relevant Novartis patents covering the branded product in a country having expired or been declared invalid; all other forms of exclusivity covering the branded product in such country having expired or been declared invalid; and at least two generic versions of the Novartis branded product having been launched by at least two distinct, unaffiliated third parties in such country, and there being no pending legal actions by Novartis or its affiliates to enjoin such generic versions from the market. If Sandoz launches such a pipeline RxGx Product despite the launch conditions not being satisfied, Novartis will have the right to terminate the RxGx Agreement in its entirety. Novartis will retain ownership of all underlying intellectual property in the RxGx Products, including manufacturing know-how.

Third Party Claims and Investigations Management Agreement

Sandoz intends to enter into a Third Party Claims and Investigations Management Agreement ("**CMA**") with Novartis. The CMA will provide for the management of third party claims and investigations arising in relation to Sandoz' and Novartis' respective businesses before or after the separation in compliance with applicable laws. The CMA will apply to all such third party claims and investigations other than those managed pursuant to the Tax Matters Agreement. This will include obligations on Sandoz and Novartis to notify each other of relevant third party claims and investigations, on certain conditions, and to cooperate to manage them efficiently.

Third party claims

The CMA will set out the process for determining which party should have the conduct of claims brought by third parties that may constitute a Novartis liability, a Sandoz liability or a combination thereof under the terms of the Separation and Distribution Agreement. In general, a party with liability for a third party claim under the Separation and Distribution Agreement should, wherever possible, take conduct of that matter, in accordance with applicable laws. The CMA will allow the party with liability for a third party claim (or part of a claim) to exercise appropriate control over the management of the claim. The CMA will also set out the parties' rights and obligations in relation to, any third party claim (or part of a claim) where liability has not yet been determined under the Separation and Distribution Agreement. In such circumstances, unless otherwise agreed, conduct of the claim remains with the party against which the claim (or part of the claim) has been brought, subject to certain restrictions on such party's ability to settle or take certain other actions with respect to such claim without the other party’s prior agreement. To the extent feasible, Sandoz and Novartis intend to agree in advance which party shall bear liability for, and shall have control of, any ongoing, pending or threatened material claims relating to the Sandoz Business that Sandoz or Novartis is aware of at the time the CMA is entered into.

Investigations

The CMA will contain notification and related obligations in relation to investigations that may give rise to liability or lead to reputational damage for the other party arising from an act, omission or circumstance before Completion of the Spin-off, or that involve allegations of unlawful pre-separation conduct of any present employee of the other party or other relevant persons. The CMA will also provide for further cooperation in relation to matters notified to, or investigations involving, a governmental entity, where the matter or investigation could involve liability for the other party. These provisions are subject to applicable laws and the requirements of any relevant governmental entity.

Cash Extraction and Repayment of Intercompany Debt

In connection with the separation and Spin-off and prior to the Spin-off, Sandoz intends to pay to Novartis approximately USD 2.7 billion in cash, mainly related to the repayment of certain intercompany indebtedness owed by Sandoz and its subsidiaries to Novartis and its affiliates. We expect to fund such cash payment with the proceeds from USD 3.75 billion in total debt financing that Sandoz anticipates arranging prior to the Spin-off. See section "*Capitalization and Indebtedness*" for more information.

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

The Board of Directors

Election and Term of Office

The Company's Articles provide that the Company's board of directors (*Verwaltungsrat*) (the "**Board of Directors**") is composed of between seven and ten members including the chairperson of the Board of Directors (the "**Board Chair**"). As of the date of this Listing Prospectus, the Board of Directors consists of nine members, including the Board Chair.

Members of the Board of Directors, the Board Chair and the members of the Human Capital & ESG Committee (the "**HC & ESGC**") (who must also be members of the Board of Directors) are elected individually by the General Meeting and may only be removed by the General Meeting. In the event that the HC & ESGC will be composed of fewer than three members, the Board of Directors appoints new member(s) of the HC & ESGC, as appropriate, for the remaining term of office.

Members of the Board of Directors, the Board Chair and members of the HC & ESGC are elected for a one-year term ending upon completion of the annual General Meeting following their election. According to the Articles, re-election is possible, but no member shall serve on the Board of Directors for more than ten years or beyond the age of 70.

Organizational Regulations

In accordance with the Articles, the Board of Directors will adopt rules governing, among other things, the Board of Directors' decision-making and delegation process. Such rules describe the duties, tasks, composition and procedures of the Board of Directors. The Board of Directors enacted such rules with effect as of the First Day of Trading (the "**Organizational Regulations**").

Powers and Duties

The Board of Directors is responsible for the ultimate direction of the Company. Such responsibility includes the duty to select carefully, to instruct properly and to supervise diligently the CEO and the other members of the Executive Committee.

The Board of Directors' non-transferable and inalienable duties include: (i) the ultimate direction of the Company and the issuing of the necessary directives; (ii) determining the organization of the Company; (iii) determining the principles of accounting, financial controlling and financial planning; (iv) appointing and removing the persons entrusted with the management and representation of the Company; (v) the ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with the law, the Articles, regulations and directives; (vi) the preparation of the annual report, consisting of the management report (*Lagebericht*) and the consolidated accounts, the compensation report (*Vergütungsbericht*) and the report on non-financial matters (ESG report) and other reports which must be approved by the Board of Directors, (vii) the preparation of General Meetings and the implementation of their resolutions; (viii) the filing of a request for a moratorium and the notification to the court in the event of over-indebtedness; (ix) the adoption of resolutions concerning the implementation of changes in the share capital to the

extent such power is vested in the Board of Directors, as well as resolutions concerning the confirmation of changes in the share capital and the respective amendments to the Articles; and (x) all other non-transferable and inalienable duties and powers of the Board of Directors foreseen by the law, e.g., pursuant to the Swiss Federal Merger Act (*Fusionsgesetz*, SR 221.301).

In accordance with article 27 of the Articles in connection with articles 13 and 24 of the Organizational Regulations, the Board of Directors has delegated the operational management (*Geschäftsführung*) of the Company, within the limits permitted by and subject to the powers and duties remaining with the Board of Directors pursuant to the Organizational Regulations, to the Executive Committee. The Board of Directors remains entitled to resolve on any matters which are not delegated to or reserved for the General Meeting or another executive body of the Company by law, the Articles or the Organizational Regulations. Additionally, the Board of Directors remains responsible for the central decisions of the investment policy. Further, the Board of Directors may, at any time on a case-by-case basis according to the general reservation of powers provided in the Organizational Regulations, intervene in the tasks and powers of an executive body subordinated to it and resolve on the relevant matter itself.

Composition

At the extraordinary General Meeting of the Company held on August 17, 2023 with Novartis as the Company's sole shareholder, the members of the Board of Directors that is currently effective, and will remain in effect following the Spin-off, were elected. At the same EGM, the directors of the previous board of directors, consisting of employees of Novartis (given that the Company is currently still part of the Novartis Group), were granted discharge for the term from their election at the extraordinary General Meeting of March 22, 2023 until the extraordinary General Meeting of August 17, 2023.

This section introduces the newly elected members of the Board of Directors of the Company with a term of office until the annual General Meeting 2024.

The members of the Board of Directors are non-executive directors. Each of the members of the Board of Directors is independent within the meaning of the Swiss Code of Best Practice.

Name	Function	Committee Membership	First Elected
Gilbert Ghostine	Board Chair	None	March 2023
Dr. Karen J. Huebscher	Vice-Chair	*ad interim* Chair of the Science, Innovation & Development Committee and member of the Audit, Risk & Compliance Committee	August 2023
François-Xavier Roger	Non-executive member	Chair of the Audit, Risk & Compliance Committee and member of the Science, Innovation & Development Committee	August 2023
Urs Riedener	Non-executive member	Chair of the Human Capital & ESG Committee	August 2023
Dr. Shamiram R. Feinglass	Non-executive member	Member of the Science, Innovation & Development Committee	August 2023

Aarti Shah, PhD	Non-executive member	Member of the Science, Innovation & Development Committee and of the Human Capital & ESG Committee	August 2023
Yannis Skoufalos	Non-executive member	Member of the Human Capital & ESG Committee	August 2023
Remco Steenbergen	Non-executive member	Member of the Human Capital & ESG Committee and of the Audit, Risk & Compliance Committee	August 2023
Maria Varsellona	Non-executive member	Member of the Human Capital & ESG Committee and of the Audit, Risk & Compliance Committee	August 2023

A short description of each member's business experience, education and activities is set out below:

Gilbert Ghostine, former CEO of Geneva-based Firmenich between 2014 and May 2023, until its merger with DSM in May 2023 the world's leading beauty, nutrition and wellbeing company. He is an experienced business leader with a track record of growing and transforming businesses in competitive industries. He held executive and senior leadership positions at Firmenich and Diageo in a career spanning three decades. He currently serves on the board of directors at Danone, where he is a member of the audit and CSR committees, and on the board of directors at Four Seasons Hotels & Resorts, where he chairs the Remuneration and Nomination Committee. He holds a master's degree in Business Administration from Saint Joseph University, Lebanon and completed Harvard Business School's Advanced Management Program. Gilbert will be the Chair of the Board of Directors.

Dr. Karen J. Huebscher, former CEO of Solvias Group, a Swiss contract research firm, which she led between 2014 and 2021, selling it to private equity in 2020. Before joining Solvias Group, Karen founded a start-up and held various senior leadership roles at Novartis, including global head investor relations from 2000 to 2006, head M&A and executive committee member, as well as site head for the Vaccines & Diagnostics division between 2006 and 2011. Karen holds a PhD in Natural Sciences from ETH Zurich, and an MBA from IMD, both in Switzerland. Since 2012, she serves as board member and currently as chair of the audit committee of Tecan Group, a Swiss listed company. She is also a board member at BBI Solutions, a UK based diagnostic reagents and a Novo Holdings company. In addition, Karen is a member of the foundation board at IMD business school. Karen will be Vice Chair of the Board of Directors as well as the ad interim Chair of its Science, Innovation & Development Committee.

François-Xavier Roger, Chief Financial Officer of Nestlé S.A., the world's largest food company, since 2015. Before joining Nestlé, he served as CFO at Takeda Pharmaceuticals, one of the largest publicly listed companies in Japan, between 2013 and 2015, and CFO at Millicom, a NASDAQ listed global mobile phone operator based in Luxembourg, between 2008 and 2013. François-Xavier also worked in finance roles for global food company Danone in Asia and Paris and spent 14 years with predecessor companies of what today is Sanofi, one of the leading companies in the global pharmaceutical industry. He also served on the boards of directors at Takeda Pharmaceuticals between 2013 and 2015 and at Britannia Industries, India, between 2000 and 2008. He will be Chair of the Audit, Risk & Compliance Committee of Sandoz.

Urs Riedener, was CEO of the Swiss consumer goods company Emmi Group between 2008 and 2022. Before joining Emmi Group as CEO, he was a member of the executive board and head of the marketing department at Migros-Genossenschafts-Bund. He holds a Master degree in Marketing and Trade from the University of St. Gallen (HSG), Switzerland. Urs also serves as president of the board of Emmi Group, member of the advisory board at Schwarz Group, Germany, and a board member of Bystronic AG, Switzerland. Urs will be Chair of the Human Capital & ESG Committee of Sandoz.

Dr. Shamiram R. Feinglass, MD, MPH was most recently Chief Medical Officer for Diagnostics & Life Sciences and Vice President Global Medical Affairs and Policy, Diagnostics & Life Sciences at Danaher, a global science and technology company. Shamiram holds an AB from Smith College and Doctor of Medicine as well as a Master of Public Health, both from Emory University, USA. She also serves as board member of the research and innovation advisory board at Children's National Medical Center and is a fellow of the Aspen Institute Global Leadership Network, both in the US.

Aarti Shah, PhD former Chief Information and Digital Officer & Senior Vice President at Eli Lilly and Company between 2016 and 2021, a US-headquartered pharmaceutical company with approximately USD 28.5 billion in revenue in 2022. She held other business and functional roles of increasing responsibility over her 27 years of a successful career with Lilly, including a global brand development leader role between 2013-2016. Aarti holds a PhD in Applied Statistics from the University of California at Riverside, USA. She serves as a board member at both NVIDIA Corporation and Northwestern Mutual, both since 2020, and serves as a trustee for the non-profit organization Shrimad Rajchandra Love and Care USA.

Yannis Skoufalos, former Global Product Supply Officer at Procter & Gamble between 2011 and 2019, a US-headquartered consumer goods company with approximately USD 80 billion in net sales for the fiscal year 2022. He held other supply chain roles of increasing responsibility over his 35 years' successful international career with Procter & Gamble and served under three different CEOs. Most recently, he was Supply Chain Officer for Blue Triton, a privately held company between 2021 and 2022. Yannis also served as board member of Pinnacle Company until it was sold to Conagra in October 2018, and as member of the board of advisors to Blume Global Supply Chain Software (ongoing) and Blue Yonder Supply Chain Software (until 2021) as well as Symbotic Warehouse AI Company (until 2021). He holds a Master of Science in Food Engineering and a Bachelor of Science in Chemical Engineering from the University of Leeds, UK. Yannis also currently serves on the board of directors of Hostess Brands, a public company in the US, where he also is a member of the talent and compensation, nominating and governance committees. Yannis also serves on the board of directors of Sustana, a recycled paper fiber company which is a privately held company of Blackstone, and acts as a senior advisor to Blackstone on supply network matters on a part time basis.

Remco Steenbergen, Group Chief Financial Officer of Deutsche Lufthansa AG since 2021, the largest airline group in Europe with approximately EUR 33 billion of sales in 2022. Before joining Lufthansa, he served as Group CFO at Barry Callebaut based in Switzerland from 2018 through 2020 and held several board mandates in wholly-owned subsidiaries of Barry Callebaut. Prior to that, he worked in multiple executive business and finance roles for Philips and KPMG in the Netherlands, the United Kingdom, Taiwan, Belgium, Ireland, and the United States. In addition to being the Group CFO of Deutsche Lufthansa AG, Remco also serves on the board of several wholly-owned subsidiaries of Deutsche Lufthansa AG. He holds a Post-Doctorate in Accountancy from the Erasmus University Rotterdam, Netherlands, and a Master

in Business Administration from IMD Business School in Switzerland.

Maria Varsellona, Chief Legal Officer and Company Secretary at Unilever since 2022, a UK-headquartered consumer goods company with approximately EUR 60 billion in turnover (2022). Between 2019 and 2022 she served as general counsel and company secretary of the Switzerland-headquartered industrial company ABB. Prior, she served as Chief Legal Officer of Finland-headquartered telecom company Nokia, as well as president of Nokia Technologies and vice-chair or Nokia Shanghai Beill. She has also served as general counsel of Switzerland-headquartered Tetra Pak and held senior roles at General Electric's oil and gas business. Maria holds a Juris Doctor degree from the University of Palermo, Italy. She served as a non-executive director on the board of Nordea Bank between 2016-2020 and on the board of ABB India between 2020 and 2022.

The business address for each of the members of the Board of Directors is c/o Sandoz Group AG, Suurstoffi 14, 6343 Rotkreuz, Switzerland. The term of office of each of the members of the Board of Directors is the closing of the annual General Meeting to be held in 2024.

No Convictions or Legal Proceedings

None of the members of the Board of Directors is or has during the past five years been subject to any convictions for finance or business-related crimes or to legal proceedings (excluding traffic violations) by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Board Committees

The Board of Directors will have three permanent committees: the Human Capital and ESG Committee (the "**HC & ESGC**"), the Audit, Risk and Compliance Committee (the "**ARCC**") and the Science, Innovation and Development Committee (the "**SIDC**") (together, the "**Board Committees**").

Human Capital & ESG Committee

According to article 29 of the Articles, the HC & ESGC will be composed of between three and five members of the Board of Directors. The members of the HC & ESGC are each elected annually and individually by the annual General Meeting. Their term of office ends at the close of the next annual General Meeting. Re-election is possible.

If there are vacancies in the HC & ESGC, the Board of Directors may appoint substitute members from among its members for the remaining term of office until the closing of the next annual General Meeting.

The HC & ESGC will have the powers and duties of the compensation committee as provided by Swiss law, as well as the powers and duties as provided in the Articles and in the Organizational Regulations. The HC & ESGC will also support the Board of Directors in the fulfilment of its duties in the areas of planning of nominations and staffing decisions on top management level, the preparation of all relevant decisions of the Board of Directors in relation to the nomination of the members of the Board of Directors, the CEO and the other members of the Executive Committee as well as submission of proposals and recommendations to the Board of Directors and corporate governance matters.

The primary powers and duties of the HC & ESGC will include:

- Designing, reviewing and recommending to the Board of Directors compensation policies and programs;

- Advising the Board of Directors on the compensation of the members of the Board of Directors and the CEO;

- Deciding on the compensation of Executive Committee members (except for the CEO);

- Preparing the annual compensation report and submitting it to the Board of Directors for approval;

- Identifying candidates for election as members of the Board of Directors;

- Assessing existing members of the Board of Directors and recommending to the Board of Directors whether they should stand for re-election;

- Preparing and reviewing the succession plan for the CEO;

- Advising the Board of Directors on the governance of Sandoz and its strategy regarding environmental, stewardship, sustainability and corporate social responsibility ("**ESG Matters**"), and assisting the Board of Directors in monitoring compliance by the Group with legal and regulatory requirements on ESG Matters.

Moreover, the HC & ESGC will have the following powers and duties:

- Supporting the Board of Directors in preparing proposals to the General Meeting regarding the compensation of the members of the Board of Directors and the Executive Committee;

- Proposing to the Board of Directors the contractual terms (if any) and compensation of the members of the Board of Directors, including the Board Chair, and the CEO, and determine (after consulting with the CEO), the terms of employment, promotion or termination of the other members of the Executive Committee (except for the CEO);

- Developing the terms of and administer the Group's long-term incentive / equity compensation plans, including the weightings, payout curves and caps for the chosen performance measures;

- Determining the critical performance measures (financial, strategic and operational) that inform how well the Group and its business units are performing in relation to the business strategy for incorporation into the incentive plans, as well as any measures relating to ESG matters;

- Periodically reviewing and proposing to the Board of Directors for approval a peer group of companies for executive compensation comparisons;

- At the start of each performance period, approving the target total direct compensation levels and mix of compensation for Executive Committee members and direct reports

to the Board Chair, and at the end of each performance period, taking into consideration the Board of Directors' evaluation of the Group and business unit performance against targets established at the beginning of the performance cycle, approving the performance results under the incentive plans, evaluating individual performance, approving the amount of compensation earned by Executive Committee members and recommending the amount of compensation earned by the CEO to the Board of Directors for approval;

- Reviewing on a regular basis the Articles, with a view to good corporate governance and fostering shareholders' rights;

- Reviewing on a regular basis the composition and size of the Board of Directors and the Board Committees;

- Reviewing annually the independence status of each member of the Board of Directors; and

- Reviewing directorships and agreements of members of the Board of Directors for conflicts of interest, and dealing with conflicts of interest.

The HC & ESGC regularly invites the CEO and may invite other members of the Executive Committee or, subject to prior notification of the responsible member of the Executive Committee, members of management to its meetings as it may deem desirable or appropriate. However, the CEO or other members of the Executive Committee may not be present when the HC & ESGC reviews the compensation or other aspects of the employment of the respective person. The Board Chair or the chair of the HC & ESGC may not be present when the HC & ESGC reviews the compensation of the respective person.

The following persons were elected at the extraordinary General Meeting held on August 17, 2023 (with Novartis as sole shareholder of the Company), as initial members of the HC & ESGC with effect as of the First Day of Trading: Urs Riedener (expected committee chair), Aarti Shah, Yannis Skoufalos, Remco Steenbergen and Maria Varsellona.

Audit, Risk and Compliance Committee

The ARCC will be composed of at least three members of the Board of Directors. The members of the ARCC and the chair are appointed annually by the Board of Directors. In doing so, the Board of Directors will aim to appoint non-executive and independent (within the meaning of the Swiss Code of Best Practice for Corporate Governance of February 2023, published by economiesuisse (the "**Swiss Code of Best Practice**")) members of the Board of Directors. Furthermore, all members of the ARCC must be financially literate and at least one member should have accounting and related financial management expertise. The term of office of the ARCC members ends at the closing of the next annual General Meeting. Re-appointment is possible.

The ARCC will support the Board of Directors in the fulfilment of its duties in the areas of financial controls (supervision of internal and external auditing, monitoring of financial reporting), risk management as well as supervision of persons entrusted with the management of the Company (internal control system).

Its primary duties and responsibilities will include:

- Supervising external auditors, and selecting and nominating external auditors for election at the annual General Meeting;
- Overseeing internal auditors;
- Overseeing accounting principles, financial controls, and compliance with accounting and internal control standards;
- Overseeing internal control and compliance processes and procedures;
- Overseeing compliance with laws, and external and internal regulations (other than the ones relating to ESG Matters, quality assurance and patient safety);
- Ensuring that Sandoz has implemented an appropriate and effective risk management system and process;
- Ensuring that all necessary steps are taken to foster a culture of risk-adjusted decision-making without constraining reasonable risk-taking and innovation;
- Approving guidelines and reviewing policies and processes; and
- Reviewing with management, internal auditors and external auditors the identification, prioritization and management of risks, the accountabilities and roles of the functions involved in risk management, the risk portfolio, and the related actions implemented by management.

The initial members of the ARCC after Completion of the Spin-off are expected to be François-Xavier Roger (committee chair), Karen Huebscher, Remco Steenbergen and Maria Varsellona.

Science, Innovation and Development Committee

The SIDC will be composed of at least three members of the Board of Directors. The members of the SIDC and the chair are appointed annually by the Board of Directors. In doing so, the Board of Directors aims to appoint non-executive and independent (within the meaning of the Swiss Code of Best Practice) members of the Board of Directors. The term of office of the SIDC members ends at the closing of the next annual General Meeting. Re-appointment is possible.

The SIDC will support the Board of Directors in the fulfilment of its duties in the oversight of matters relating to business development, innovation and investments in development and emerging technologies.

Its primary duties and responsibilities will include:

- Providing counsel and know-how to the Board of Directors and management in the area of technology, application of technology and new business models;
- Reviewing and making recommendations to the Board of Directors on internal and

external investments in innovation (e.g., potential acquisitions, alliances, collaborations and equity investments);

- Assisting the Board of Directors with oversight and evaluation of management's development and implementation of Sandoz technology and innovation strategies and its alignment with Sandoz' overall strategy and objectives;

- Staying updated and informing the Board of Directors on a periodic basis about emerging scientific trends, development and regulatory programs and opportunities and activities critical to the success of Sandoz' product development pipeline;

- Reviewing, evaluating and advising the Board of Directors regarding the quality, direction and competitiveness of the innovation pipeline;

- Reviewing and discussing significant emerging science and technology issues and trends; and

- Reviewing updates with regards to quality assurance and patient safety twice a year.

The initial members of the SICD after Completion of the Spin-off are expected to be Karen Huebscher (committee chair), Shamiram Feinglass, François-Xavier Roger, Aarti Shah.

The Executive Committee

Upon its election in August 2023, the Board of Directors appointed the members of the executive committee of the Company (the "**Executive Committee**"), which will be in effect as of the First Day of Trading.

The Board of Directors will delegate the operational management (*Geschäftsführung*) of the Company and Sandoz entirely to the Executive Committee within the limits permitted by law and subject to the powers and duties remaining with the Board of Directors pursuant to the Organizational Regulations.

Within the operational management delegated to the Executive Committee pursuant to the Organizational Regulations, the Executive Committee is responsible for the Company's and Sandoz' daily business operations. The CEO leads the Executive Committee and represents the Company and Sandoz, in coordination with the Board Chair, in line with the law, the Articles, the Organizational Regulations as well as the strategies, policies and guidelines set by the Board of Directors. The Executive Committee is responsible for the implementation of resolutions of the Board of Directors and the supervision of all management levels at the Company. In case of matters requiring approval by the Board of Directors as a matter of law, the Articles or the Organizational Regulations, the Executive Committee submits corresponding proposals to the Board of Directors or to one of the Board Committees.

The CEO and the other members of the Executive Committee are appointed and dismissed by the Board of Directors. The Board of Directors is supported by the HC & ESGC which prepares all relevant decisions of the Board of Directors in relation to the nomination of the CEO and the other members of the Executive Committee and submits proposals and recommendations

to the Board of Directors.

Composition

The table below sets forth the name, function and year of appointment of each member of the Executive Committee as of the date of this Listing Prospectus. A short description of each member's business experience, education and activities is set out below.

Name	Function	In function as of	Year in which joined Sandoz
Richard Saynor	Chief Executive Officer (CEO)	2019	2019 (as CEO), previously 2005-2010
Colin Bond	Chief Financial Officer (CFO)	2022	2022
Pierre Bourdage	Chief Commercial Officer (CCO)	2022	2018
Claire D'Abreu Hayling	Chief Scientific Officer	2022	2021
Glenn A. Gerecke	Chief Manufacturing and Supply Officer	2022	2022
Tripti Jha	Chief People Officer	2023	2023 (formerly Novartis)
Ingrid Sollerer	Group General Counsel	2019	1998 (Novartis 2001 – 2007 and 2016-2019)
Rebecca Guntern	President Europe	2020	2007
Francisco Ballester	President International	2019	2012 (formerly Novartis)
Keren Haruvi	President North America	2021	2021 (formerly Novartis)

The business address for each of the members of the Executive Committee is c/o Sandoz Group AG, Suurstoffi 14, 6343 Rotkreuz, Switzerland.

Richard Saynor (Chief Executive Officer) is a proven CEO with a wealth of experience in the pharmaceutical industry, with both innovation-driven and Generics / Biosimilars companies. He was appointed CEO of Sandoz in 2019. Prior to joining Sandoz as CEO, he served as senior vice president for Classic & Established Products, Commercial & Digital Platforms at GSK. He had previously served in several commercial senior leadership roles at Sandoz. He is a pharmacist by training and began his pharma business career as a sales representative at G.D. Searle in the UK. He currently serves as the inaugural chair of the CEO Advisory Committee of the International Generics & Biosimilars Association (IGBA).

Colin Bond (Chief Financial Officer) has been CFO of Sandoz since May 1, 2022. Before joining Sandoz, he was CFO at Vifor Pharma from May 2016 to January 2022, and from 2010 to 2016 he was CFO of Evotec AG. During his early career, he worked as auditor and management consultant for Proctor & Gamble, AA and PwC. He is a fellow of the Institute of Chartered Accountants in England and Wales and member of the Royal Pharmaceutical Society of Great

Britain. He has a Bachelor of Science in Pharmacy and a Master of Business Administration from London Business School. He is a board member of BioPharma PLC and previously served as a board member of Siegfried Holding AG from 2013 to 2023.

Pierre Bourdage (Chief Commercial Officer) has leadership responsibility for the overall Sandoz pipeline strategy and choices, BD&L priorities and decisions, and end-to-end new product value delivery. Prior to assuming this role in 2022, he served as Global Head of Sandoz Biopharmaceuticals. He has more than 20 years' experience at Novartis Pharmaceuticals, Alcon and Sandoz, across multiple geographies and in substantially different leadership roles. He holds a Bachelor of Commerce from Concordia University, Montreal, has participated in a number of executive development programs and was awarded a Post Graduate Certificate in Leadership Capability, with distinction, from Glasgow Caledonian University.

Claire D'Abreu-Hayling (Chief Scientific Officer) has over 30 years' experience as a pharmaceutical executive with a deep knowledge of drug product development and global research and development processes. In her role, which she holds since 2022, she is responsible for the global product development network including infrastructure strategy, development capabilities, scientific pipeline execution and talent management across both small molecule Generics and Biosimilars. Prior to assuming her current role, she held the position of Head of Product Development. Before Sandoz, she spent 15 years in senior roles at Teva Pharmaceuticals in the UK. She also worked with Sanofi and GSK during the early stages of her career. Before embarking on her career in the pharmaceutical industry, Claire earned a Bachelor of Science in Chemistry degree from the University of the West Indies in Trinidad & Tobago, later earning a Master of Science in Pharmaceutical Analysis and Quality Control from the University of London.

Glenn A. Gerecke (Chief Manufacturing and Supply Officer) is responsible for operational functions across all of Sandoz' manufacturing, supply chain and distribution around the world. He joined Sandoz in 2022, having previously held senior operational roles at Phlow Corporation, Teva Pharmaceuticals, and Bristol Myers Squibb. Over the past 35+ years, Glenn has led shop floor and manufacturing support teams, multiple-technology manufacturing sites, regional manufacturing operations, as well as global engineering/facilities and human resources organizations. Glenn holds a Bachelor of Science in Chemical Engineering from Worcester Polytechnic Institute, as well as Master degrees in Business and Management from the University of Massachusetts and Worcester Polytechnic Institute, respectively, and a PhD in Business with from Capella University.

Tripti Jha (Chief People Officer) joined Sandoz on May 1, 2023, as Chief People Officer. Prior to that, she served at Novartis since 2004, most recently as Chief Talent and Transformation Officer for Novartis Group. She brings over 20 years of experience in human resources in the healthcare sector, including extensive experience working with the executive committee and board of directors of Novartis. She also oversaw a large part of the People & Organization function, leading a team of 2,000 human resources associates. Previously, she held various senior, global and country or site-level positions within Novartis Pharmaceuticals, Novartis Business Services and Novartis Group. Prior to joining Novartis, she worked with CARE - a leading humanitarian global organization with a purpose to fight poverty and achieve social justice by empowering women and girls. She graduated with a Master of Arts in social work from Tata Institute of Social Sciences, Mumbai, India and also served as the President of Students Union at Miranda House, University of Delhi.

Ingrid Sollerer (Group General Counsel) is responsible for all aspects of legal affairs across the company since 2019. She joined Novartis in Austria in 1998, followed by seven years in the Novartis Group M&A and Antitrust teams in Basel. She joined Sandoz in 2007, heading Legal for Europe, Africa, and the Middle East, and taking on global legal responsibility for anti-infectives, oncology injectables, and biopharmaceuticals. In 2016 she joined Novartis Oncology in the US as Global Head Legal Oncology Strategy and Business Development, and Cell & Gene. She holds a Doctorate in Law from Leopold-Franzens University in Innsbruck, Austria, and has completed courses in finance from the Harvard Business School and in Healthcare Systems from the Harvard T.H. Chan School of Public Health. She also chairs the Board of Stiftung Menschen für Menschen Karlheinz Böhms Äthiopienhilfe, an organization providing aid for self-development in Ethiopia.

Rebecca Guntern (President Europe) is responsible for the development and execution of the Europe-wide business strategy across more than 40 countries since 2020. As a trained pharmacist, she is a regular contributor to industry discussions and initiatives, driving debate and reform in areas such as Biosimilars, supply chain solutions, regulatory and economic policies and empowering women in business. She was recently appointed as Vice-President of Medicines for Europe, which represents pharmaceutical companies supplying medicines across Europe. Prior to joining Sandoz in 2007, she worked with other leading pharmaceutical companies such as Roche and Merck Sharpe & Dohme. Her achievements within Sandoz are underscored by the company receiving certification as a Top Employer in Europe on a number of occasions. She holds a Masters degree in Pharmacy from the University of Basel.

Francisco Ballester (President International) manages the company's international region since 2019. He is responsible for driving business growth and access for patients in markets outside of North America and Europe while developing the highly diverse talent in the region. He served previously as President in the Latin America region as well as General Manager of Novartis Pharma in Spain, where he helped build a high-performance culture that resulted in the company being recognized as the best place to work in Spain. He earned a Bachelor of Science in Pharmacy degree at the University of Valencia, followed by a Master of Business Administration degree from the Universitat Politècnica de Valencia.

Keren Haruvi (President North America) leads the Sandoz commercial and country organization in the United States as well as Canada. Prior to joining Sandoz in 2021, she served as Global Head of M&A at Novartis International AG. She brings over 20 years of experience in the pharmaceutical industry across regions, marked by success leading major M&A deals, enterprise innovations, and complex market strategies for large-scale, sustainable growth. She holds a Master of Business Administration (Finance) from Bar-Ilan University and Bachelor degrees in both Economics and Chemistry from Tel Aviv University. She is vice chair and a board member of the Association of Accessible Medicines.

No Convictions or Legal Proceedings

None of the members of the Executive Committee is or has during the past five years been subject to any convictions for finance or business-related crimes or to legal proceedings (excluding traffic violations) by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Compensation of Members of the Board of Directors and the Executive Committee

Legal Framework

The Company is subject to the rules on compensation according to articles 734 ff. of the Swiss Code of Obligations (the "**CO**") and, as of the First Day of Trading, the Company will be subject to the Directive on Information relating to Corporate Governance (including its annex and commentary) issued by SIX Exchange Regulation ("**Corporate Governance Directive**").

Shareholder Voting on Compensation

Principles

The CO contains a "say on pay" approval mechanism for the compensation of the members of the Board of Directors and the Executive Committee pursuant to which the General Meeting must vote on such compensation on an annual basis (see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Compensation Rules – Shareholder Approval of Compensation for Board of Directors, Executive Committee and Advisory Board*").

In accordance therewith, article 31 of the Articles provides that each year, the General Meeting of the Company's shareholders must vote separately on

- the maximum aggregate compensation of the Board of Directors for the period until the next annual General Meeting (binding vote);
- the maximum aggregate compensation of the Executive Committee paid, promised or granted for the following financial year (binding vote);
- the compensation report (advisory vote).

The Board of Directors may submit for approval by the General Meeting additional proposals relating to the same or different periods.

If the General Meeting rejects a proposal for the total compensation of the Board of Directors and/or the Executive Committee, the decision on how to proceed resides with the Board of Directors. The options for the Board of Directors are to either convene an extraordinary General Meeting to submit a new compensation proposal, or to determine the compensation for the corresponding period on an interim basis and pay compensation subject to the subsequent approval at the next annual General Meeting.

Further, if the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover the compensation of one or more members who become members of the Executive Committee during a compensation period for which the General Meeting has already approved the compensation of the Executive Committee, the Company or companies controlled by it shall be authorized to pay or grant to such member(s) an additional amount during the compensation period(s) already approved. The total additional amount for each relevant compensation period for which approval by the General Meeting has already been obtained shall not exceed (in full and not *pro rata temporis*) 40% of the aggregate amount of compensation of the Executive Committee last approved by the General

Meeting per compensation period (see article 32 of the Articles).

Compensation Amounts Approved at 2023 Extraordinary General Meeting

On the occasion of the extraordinary General Meeting held on August 17, 2023, Novartis, as the Company's sole shareholder, approved with effect from the First Day of Trading

- a maximum aggregate compensation for the members of its Board of Directors in the total amount of CHF 1,989,000 for the period until the closing of the annual General Meeting to take place in 2024;

- a maximum aggregate compensation for the members of the Executive Committee in the total amount of CHF 25,435,000 for the period until December 31, 2023;

- a maximum aggregate compensation for the members of the Executive Committee of CHF 43,805,000 for the financial year 2024.

Compensation Governance

The CO requires the Company to set forth in its articles of association the principles for the determination of the compensation of the Board of Directors and the Executive Committee. These principles are included in article 33 of the Articles (see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Compensation Rules*" for more information).

Within the framework of article 33 of the Articles and as outlined in the Organizational Regulations, the Board of Directors is responsible for determining the Group's compensation strategy and of the principles, structure and design of the compensation plans for the Executive Committee, the long-term incentive/equity plans, the compensation of the members of the Board of Directors and the CEO to be presented to the shareholders, and the terms of employment of the CEO, as well as the financial, strategic and operational targets of the Group and the business units, including the evaluation of target achievement.

To the extent permitted by Swiss law and the Articles, the Board of Directors has delegated certain authorities to the HC & ESGC. The HC & ESGC's powers and duties are described in the Organizational Regulations (see also section "*Board of Directors and Executive Committee – The Board of Directors – Board Committees – Human Capital & ESG Committee*").

Following the Spin-off, the expected governance related to compensation decisions will be as outlined in the table below:

	CEO	**Board Chair**	**HC & ESGC**	**Board of Directors**	**General Meeting**
Compensation principles and policies			Propose	Approve	
Maximum aggregate compensation of the Board of Directors			Propose	Review	Approve (binding vote)
Maximum aggregate compensation of the Executive Committee			Propose	Review	Approve (binding vote)

Individual compensation of Board Chair and other members of the Board of Directors			Propose	Approve	
CEO remuneration		Propose	Review	Approve	
Individual remuneration of members of the Executive Committee	Propose		Approve		
Remuneration report			Propose	Approve	Advisory vote

Compensation Disclosure Framework

The CO also contains compensation disclosure rules. Pursuant to these rules, the Company is required to prepare an annual compensation report. The compensation report includes, among other things, the individual and aggregate compensation of the members of the Board of Directors and the aggregate compensation of the members of the Executive Committee, as well as the amount for the highest paid member of the Executive Committee.

Pursuant to the Corporate Governance Directive, the Company is also required to disclose basic principles and elements of compensation and shareholding programs for both current and former members of the Board of Directors and the Executive Committee, as well as a description of the respective authorities and procedures for its determination.

The CO generally prohibits certain types of compensation payments to members of the Board and Executive Committee, see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Compensation Rules – Severance Pay, Advance Payments and Transaction Bonuses*".

Remuneration of the Board of Directors

The expected compensation arrangements for members of the Board of Directors following the Spin-off until the annual General Meeting 2024 are described below.

Compensation Principles and Benchmarking

In line with market practice in Switzerland, Novartis, as the sole shareholder of the Company prior to the Spin-off, has determined to set compensation for the members of the Board of Directors at a level that allows for the attraction of high-caliber talent with global experience. The compensation for members of the Board of Directors comprises fixed compensation elements only. They shall receive no company contributions to any company pension plan, no performance-related elements and no financial instruments (e.g., options), underscoring their focus on corporate strategy, supervision and governance.

The levels of compensation set for the Board Chair and the other members of the Board of Directors are in line with relevant benchmark companies, which include other Swiss-based multinational companies of comparable size represented in the Swiss Market Index as well as the Swiss Market Index Mid, specifically: ABB, Adecco, Alcon, Barry Callebaut, Clariant, Geberit, Givaudan, Holcim, Kuehne + Nagel, Lonza, Richemont, Schindler, SGS, Sika, Sonova, Straumann, Swatch and Swisscom.

The Board of Directors will review the compensation of the members of the Board of Directors,

including the Board Chair, each year based on a proposal by the HC & ESGC and on advice from its independent advisor, including relevant benchmarking information, prior to proposing such compensation for binding shareholder approval.

2023 Fee Rates for the Board of Directors

The expected fee rates for the period from the First Day of Trading until the annual General Meeting 2024 are included in the table below:

CHF 000s	**First Day of Trading until AGM 2024 annual fee**
Board Chair[1]	850,000
Board membership	200,000
Vice-Chair	50,000
Chair of the Audit, Risk and Compliance Committee	60,000
Chair of the following committees: - Human Capital & ESG Committee - Science, Innovation and Development Committee	50,000
Membership in the Audit, Risk and Compliance Committee	40,000
Membership in the following committees: - Human Capital & ESG Committee - Science, Innovation and Development Committee	30,000

[1] The Board Chair will receive no additional board membership or committee fees.

Other Policies Applicable to the Board of Directors

Other policies applicable to the compensation of the Board Chair and other members of the Board of Directors include the following:

- At least 50% of compensation will be granted in unrestricted Shares in one installment in arrears six months after the Spin-off (with the level adjusted to reflect any period that is less than a full 12 months). The Shares will be delivered at their market value on the day the Shares are granted. Members of the Board of Directors may choose to receive more than 50% of their compensation in Shares.

- The remaining compensation will be delivered in cash, paid in two installments in arrears (with the level adjusted to reflect any period that is less than the full 12 months).

- Members of the Board of Directors will bear the full cost of any mandatory employee social security contributions, if any. They do not receive performance-based compensation, share options, pension or other employee benefits.

- Members of the Board of Directors are reimbursed for travel expenses for business travel, based on the Company's travel and expense policy.

Fees Paid for Services to Prepare the Spin-Off

The following fees will be paid in 2023, around the date of the Spin-off, to members of the Board of Directors for their work to prepare the Spin-off. Should the Spin-off not take place for any reason, the fees will be still paid:

Sandoz Board Chair

Gilbert Ghostine is engaged as "Sandoz Board Chair Designate" under a mandate agreement by Novartis from March 1, 2023, until the date of Spin-off. He was appointed as the Sandoz Board Chair Designate in March 2023 for the purpose of preparing the Spin-off. For the period from March 1, 2023, until the Spin-off, he receives compensation of CHF 33,333 per month for services provided to Novartis provided to prepare the Spin-off. Those services include:

- Participating in the recruitment and onboarding of the future members of the Sandoz Board of Directors;
- Providing support and coaching to the Sandoz CEO Designate;
- Preparing for approval of the future strategy and objectives of the future independent Sandoz;
- Holding meetings with the Novartis Board Chair, Novartis Board members, Novartis CEO and other Novartis executives to prepare the Spin-off;
- Holding the first meetings with the future Sandoz Board of Directors to prepare the Spin-off;
- Providing additional advice and input into decisions regarding preparation of the Spin-off;
- Representing Sandoz vis-à-vis investors and capital markets; and
- Reviewing and approving material related to the Spin-off, including this Listing Prospectus.

Other members of the Board of Directors

The Novartis Board approved the following pre-spin fees for the other members of the Sandoz Board of Directors, excluding the Board Chair, for their work to prepare the Spin-off including:

- Onboarding and getting to know the Sandoz business, including the financials;
- Reviewing the short-term and long-term strategy;
- Setting up the governance of the future Board of Directors and the Board Committees;
- Reviewing and approving material related to the Spin-off, including this Listing Prospectus; and

- Meetings with management in their areas of expertise.

The fees are differentiated between the members of the Board of Directors and future members of the Board Committees, based on the expected workload.

CHF 000s	**Fees per person in total until the First Day of Trading**
Future Chair of the Audit, Risk and Compliance Committee	25 000
Future Chairs of the following committees: - Human Capital & ESG Committee - Science, Innovation and Development Committee	20 000
Other members of the Board of Directors	15 000

Members of the Board of Directors also received reimbursement of travel expenses incurred in the normal course of Sandoz' business in line with the expense policy of Novartis.

These fees are not part of the maximum aggregate compensation for the Company's Board of Directors as approved by the extraordinary General Meeting held on August 17, 2023, and covering the period as from the Spin-off, since they are for work performed prior to the First Day of Trading (see section "*Board of Directors and Executive Committee – Compensation of Members of the Board of Directors and the Executive Committee – Shareholder Voting on Compensation – Compensation Amounts Approved at 2023 Extraordinary General Meeting*").

Additional Disclosures Related to the Board of Directors

Agreements regarding compensation with members of the Board of Directors. According to article 35 of the Articles, the Company may enter into agreements with members of the Board of Directors relating to their compensation for a term not exceeding the term of office of the respective members. With respect to the term of members of the Board of Directors, see section "*Board of Directors and Executive Committee – The Board of Directors – Election and Term of Office*".

Share ownership requirements. The Board Chair is required to build up a shareholding in the Company equal to a minimum of 1x total annual compensation, and other members of the Board of Directors are required to build up a shareholding of at least 1x basic board membership fee within four years after joining the Board of Directors. Members of the Board of Directors are prohibited from hedging or pledging their ownership positions in Shares that are part of their guideline share ownership requirement. Members of the Board of Directors are required to maintain their minimum ownership requirement for a year after leaving the Board of Directors.

Restrictions on the purchase and sale of shares. In the event that the minimum ownership level is not met before the measurement date, the members of the Board of Directors shall retain all Company's equity received from the Company (net of the applicable taxes). Upon satisfaction of the appropriate share ownership requirement, such sale restrictions shall no longer apply.

Members of the Board of Directors are subject to the Sandoz global insider trading policy, which prohibits the purchase and sale of Shares when in possession of material non-public information.

Loans. Members of the Board of Directors are not permitted to receive loans or credits.

Mandates outside the Company. According to article 36 of the Articles, no member of the Board of Directors may hold more than six additional mandates in other companies, of which no more than four additional mandates shall be in other listed companies. Chairs of the board of directors of other listed companies count as two mandates. Each of these mandates shall be subject to approval by the Board of Directors.

Mandates in different legal entities under common control or owned by the same beneficial owner shall be deemed to constitute a single mandate.

Mandates in companies which are controlled by the Company and mandates which a member of the Board of Directors holds at the request of the Company or companies controlled by it are not subject to these limitations, whereas no member of the Board of Directors shall hold more than five such mandates.

Remuneration of the Executive Committee

The expected 2023 compensation arrangements for members of the Executive Committee following the Spin-off are described below.

Compensation Principles

Sandoz operates in the Generics and Biosimilars industry and is an organization of a different scale and geographic footprint compared to Novartis. After the Spin-off, the Board of Directors and its HC & ESGC will define the future compensation system of the Company, according to the business strategy and needs of the Company.

The compensation of the members of the Executive Committee comprises fixed and variable compensation elements. The fixed compensation consists of a base salary and may include other compensation elements and benefits. The variable compensation consists of a variable annual incentive as well as a variable long-term incentive payable between 0-200% of the target incentive depending on the achievement of the performance targets set by the Board of Directors.

Executive Committee Compensation Framework

Annual Base Salary. From the month in which the Spin-off occurs, it is expected that base salaries approved for the members of the Executive Committee will apply, taking into account, where applicable, the increased responsibilities associated with running an independent, publicly listed company as opposed to a division within Novartis. These amounts have been approved by the Novartis Board but may be subject to change by the Board of Directors following the Spin-off. They will remain within the budget approved by Novartis, as the sole shareholder of the Company, in line with the CO.

Pension and Benefits. Following the Spin-off, it is expected that, in line with what is provided

to other employees, the pension and benefits provided to the members of the Executive Committee will continue to be based on country practices and regulations. The Company will operate both defined benefit and defined contribution pension plans. The Company may provide other benefits, such as a company car, tax and financial planning advice and insurance benefits, according to local market practice. The future members of the Executive Committee who are required to relocate internationally may also receive additional benefits (including tax equalization), in line with our global mobility policies.

Annual Incentive. The CEO's annual incentive for the full 2023 financial year is based on the structure applicable to the Novartis executive committee. He has a balanced scorecard with 60% weighting on Sandoz' annual financial targets (comprising net sales, operating income and free cash flow as a percentage of sales) set by the Novartis Board in January 2023, and 40% weighting on strategic objectives. Performance against these financial targets and strategic objectives will be assessed by the Board of Directors following closure of the 2023 financial year.

The other Executive Committee members' annual incentives for the full financial year are based on the structure applicable to Novartis employees below the executive committee level. The target incentive is adjusted by a multiplier based on achievement of Sandoz annual financial targets set by the Novartis Board in January 2023, and a multiplier based on individual performance. Performance against the financial targets and individual performance will be recommended by the CEO and assessed by the Board of Directors following closure of the 2023 financial year.

As of the date of the Spin-off, the Executive Committee members' annual incentive targets as a percentage of base salary will be increased to reflect the promotion to the Executive Committee level of an independent Swiss publicly listed company. This is consistent with the treatment of any employee who is promoted mid-year. These target percentages have been approved by the Novartis Board but may be subject to change by the Sandoz Board of Directors following the Spin-off. The new target percentages will be applicable pro-rata for the remainder of 2023, following the Spin-off. There will be no payout from Novartis at the date of the Spin-off.

At the end of 2023, based on the assessment of performance by the Board of Directors, the HC & ESGC will, based on a recommendation from the CEO, determine the payouts for the Executive Committee members, excluding the CEO. The Board of Directors, based on a recommendation from the HC & ESGC, will determine the payout for the CEO.

Payouts for the 2023 financial year will be governed by the Sandoz annual incentive plan as approved by the Novartis Board prior to the Spin-off and will be delivered in cash. The Sandoz Board of Directors may decide to change the Annual Incentive plan applicable to the Executive Committee members for the 2024 financial year.

Long-Term Incentive. The Executive Committee members have been granted PSUs under the long-term performance plan ("**LTPP**") of Novartis in January 2023, for the performance cycle 2023-2025.

This cycle 2023-2025, along with the other two ongoing cycles of long-term incentives (performance cycles 2021-2023 and 2022-2024), will vest on their respective normal vesting date, subject to Novartis' performance. At the date of the Spin-off, the grants will be reduced

on a pro-rata basis for time employed in the Novartis Group across the 36 months between grant and vest. The remainder will be forfeited and will be treated under the Sandoz Equity Restoration Plan as described below.

In 2024, the Executive Committee members will be granted PSUs under the LTPP described below for the 2024-2026 performance cycle (see section "*Board of Directors and Executive Committee – Compensation of Members of the Board of Directors and the Executive Committee – Equity-Based Employee Participation Plans*").

Clawback and Malus Rules

Any incentive compensation paid to Executive Committee members will be subject to malus and clawback rules. This means that the Board of Directors for the CEO, and the HC & ESGC for the other Executive Committee members, may decide – subject to applicable law – to retain any unpaid or unvested incentive compensation (malus), or to recover incentive compensation that has been paid or vested in the past (clawback). This will apply in cases where the payout has resulted from a violation of laws or conflicts with internal management standards, including Company and accounting policies. This principle will apply to both the short-term annual incentive and long-term incentive plans.

Additional Disclosures Related to the Executive Committee

Agreements regarding compensation with members of the Executive Committee. According to article 35 of the Articles, the Company may enter into agreements with members of the Executive Committee for a fixed term not exceeding one year or for an indefinite period of time with a notice period not exceeding twelve months.

Term of employment. Members of the Executive Committee are subject to employment contracts in their country of employment, in line with applicable laws and regulations. Employment contracts are applicable for an indeterminant period of time, with a notice period not exceeding twelve months.

Share ownership guidelines. The CEO is expected to build up a shareholding in the Company equal to 3x annual base salary and the other members of the Executive Committee are expected to build up a shareholding in the Company equal to 2x annual base salary within five years of hire or promotion. In addition, the CEO and CFO are required to hold the equity vesting under the LTPP, net of applicable tax and social security withholdings (granted from 2024) for a minimum of two years after the vesting date.

Restrictions on the sale of shares. In the event that the minimum ownership level is not met before the measurement date, the Executive Committee members shall retain all Company's equity received from the Company (net of the applicable taxes). Upon satisfaction of the appropriate share ownership requirement, such sale restrictions shall no longer apply.

Executive Committee members are subject to the Sandoz global insider trading policy, which prohibits the purchase and sale of Shares when in possession of material non-public information.

Loans. Members of the Executive Committee are not permitted to receive loans or credits.

Mandates outside the Company. No member of the Executive Committee may hold more than one additional mandate in another public company. Each mandate is subject to approval by the Board of Directors. Members of the Executive Committee are not allowed to hold mandates as chairs of the board of directors of other listed companies.

Mandates in different legal entities under common control or owned by the same beneficial owner shall be deemed to constitute a single mandate.

Mandates in companies which are controlled by the Company and mandates which a member of the Executive Committee holds at the request of the Company or companies controlled by it are not subject to these limitations, whereas no member of the Executive Committee shall hold more than five such mandates.

Equity-Based Employee Participation Plans

This section aims to provide an overview of the equity-based employee participation plans the Company intends to operate after the Spin-off. The plan rules for the anticipated equity-plans have been approved by the Novartis Board but may be subject to change by the Sandoz Board of Directors following the Spin-off.

Sandoz' Equity Restoration Plan

When the Spin-off occurs, Novartis equity awards, including RSUs and PSUs, held by Sandoz employees will be devalued because they (1) do not participate in the distribution and (2) in the case of certain awards, will be subject to "good leaver" provisions that will result in the proration of the award, and forfeiture of a portion. Therefore, to compensate for this lost value, the Company will grant the following equity awards to Sandoz employees, including the members of the Executive Committee:

- "**Keep Whole Awards**", which will have a value equivalent to the value of the dividend in-kind resulting from the Spin-off that each award held immediately prior to the Spin-off would have received if it was a Novartis share;

- "**Refill Awards**", which will have a value equivalent to the portion of the Novartis award forfeited, if any, as a result of the proration at the time of the Spin-off.

Keep Whole Awards will be granted using the equity instrument that is the most closely aligned to the underlying Novartis award (i.e., PSUs or RSUs) and will vest on a substantially similar schedule as the schedule that applied to the underlying Novartis award, which is typically within three years from the date of this Listing Prospectus.

Refill Awards will be granted using the equity instrument that is the most closely aligned to the underlying Novartis award (i.e., PSUs or RSUs), meaning Sandoz employees who hold Novartis RS awards for which Refill Awards are granted may have the Refill Awards delivered in the form of RSUs. Refill Awards will vest on a substantially similar schedule as the schedule that applied to the underlying Novartis award, which is typically within three years from the date of this Listing Prospectus.

The vesting of Keep Whole Awards and Refill Awards related to Novartis PSU Awards will be subject to performance conditions. In order to allow autonomy for the Sandoz Board of

Directors to decide on performance metrics relevant to the long-term performance of Sandoz, these metrics are not set by the Novartis board of directors prior to the Spin-off. The Sandoz Board of Directors will decide on the metrics shortly after the Spin-off and will disclose them in the 2023 annual compensation report, which will be subject to an advisory shareholder vote.

The Keep Whole Awards and Refill Awards are intended to ensure that the Company's employees are not materially advantaged or materially disadvantaged by the Spin-off relative to Novartis shareholders. These awards do not represent an increase in compensation.

Leaver conditions for special share awards are as follows:

- PSU Awards have the same vesting conditions for leavers as outlined under Long-Term Performance Plan (described below);

- RSU Awards have the same vesting conditions for leavers as outlined under Sandoz Equity Award plan (described below).

Long-Term Performance Plan ("LTPP")

The Company intends to operate a LTPP for the CEO and other members of the Executive Committee, as well as members of the senior management. The first grants will be made in 2024 for the 2024-2026 performance cycle. Under the LTPP, participants will be granted a target number of PSUs at the beginning of every performance period, which will be converted into unrestricted Shares after the performance period. The anticipated performance and vesting period is three years. The actual payout will depend on the achievement of the performance targets set by the Board of Directors and ranges between 0% and 200% of the granted amount. PSUs granted under the LTPP will not carry voting rights, but will carry dividend equivalents that will be paid in unrestricted Shares at the end of the performance period.

Vesting conditions for leavers will be as follows:

- Where a participant leaves the Company due to voluntary resignation, or termination by the Company for poor performance or misconduct, the entire award is forfeited.

- Where a participant leaves the Company due to retirement, termination by the Company (for reasons other than performance or conduct) and change of control, awards are released on the original blocking end date. There is no accelerated vesting. All awards are subject to forfeiture in the event that a leaver joins a competitor company as defined in the applicable plan rules, before the end of the three-year blocking date, starting from the date of grant. In all cases, with the exception of the fulfilment of retirement conditions for senior management excluding members of the Executive Committee, the award is reduced pro-rata for time spent in the Company over the 36-month vesting period.

- Where a participant leaves the Company due to death, or long-term disability, full accelerated vesting is applied.

Sandoz Equity Award Plan

The "Sandoz Equity Award" plan is a global equity incentive plan under which employees at specified management levels may be awarded a RSU grant subject to a three-year vesting period. The CEO and other Executive Committee members, as well as members of the senior management participating in the LTPP are not eligible to participate in the "Sandoz Equity Award" plan.

Vesting conditions for leavers will be as follows:

- Where a participant leaves the Company due to voluntary resignation, or termination by the Company for poor performance or misconduct, the entire award is forfeited.

- Where a participant leaves the Company due to retirement, termination by the Company (for reasons other than performance or conduct), change of control, death or long-term disability, accelerated vesting is applied. In the case of termination by the Company (for reasons other than performance or conduct) or change of control, the award is reduced pro-rata for time spent in the Company over the 36-month vesting period.

Special Share Awards

Selected employees may exceptionally receive special share awards of RSUs. These special share awards will provide an opportunity to reward outstanding achievements or exceptional performance and aim to retain key contributors. The budget for special share awards will be limited and approved by the Board of Directors. Selection of participants will follow a formal internal nomination process and governance, through which the rationale for the exceptional award will be thoroughly assessed. Special share awards will have a vesting period of at least three years. In exceptional circumstances, special share awards may be awarded to attract special expertise and new talents to the organization.

Externally recruited Executive Committee members will only be eligible for special awards that are "buy-outs" to replace equity forfeited with their former employer. The buy-out equity will be provided on a like-for-like basis as the forfeited equity, at the same value with the same vesting period, and with or without a performance conditions.

Vesting conditions for leavers will be as follows:

- PSU Awards will have the same leaver conditions as outlined under LTPP (described above);

- RSU Awards will have the same leaver conditions as outlined under Sandoz Equity Award plan (described above).

Shares, ADRs and Options Held by the Members of the Board of Directors and the Executive Committee

As of the date of this Listing Prospectus, none of the members of the Board of Directors or the Executive Committee own Shares or Share options.

The table below shows the number of Novartis shares and ADRs, as well as unvested units, held by the Chair (in office as of March 2023), the other members of the Board of Directors (each in office as of August 2023) and of the Executive Committee (each expected to be in office at the latest as of the First Day of Trading) as of the date of this Listing Prospectus. None of the members of the Board of Directors and the Executive Committee holds any options to acquire Novartis shares.

Novartis shares, ADRs and unvested units held by members of the Board of Directors as of the date of this Listing Prospectus

Individual[(1)]	**Vested shares and ADRs[(2)]**	**Unvested units[(3)]**
Gilbert Ghostine	0	0
Dr. Karen J. Huebscher	0	0
François-Xavier Roger	0	0
Urs Riedener	930	0
Dr. Shamiram R. Feinglass	0	0
Aarti Shah, PhD	0	0
Yannis Skoufalos	145	0
Remco Steenbergen	0	0
Maria Varsellona	0	0
Total	1 075	0

Novartis shares, ADRs and unvested units held by members of the Executive Committee as of the date of this Listing Prospectus

Individual[(1)]	**Vested shares and ADRs[(2)]**	**Unvested units[(3)]**
Richard Saynor	6 584	66 928
Aggregate of the 9 other members of the 2023 Executive Committee	90 676	194 906
Total	97 260	261 834

(1) Each individual beneficially owns less than 1% of the total outstanding Novartis shares and Novartis ADRs.
(2) To the extent the members of the Board of Directors or the Executive Committee own vested Novartis shares or Novartis ADRs as of the close of business on the Cum Date (expected to be October 4, 2023), they will participate in the Spin-off on the same terms as other holders of Novartis shares or Novartis ADRs.
(3) Performance-based awards are valued at target. For the treatment of unvested units please see section "*Major Shareholders and Related Party Transactions – Related Party Transactions – Agreements Between Sandoz and Novartis – Employee Matters Agreement – Share-based incentive schemes*".

CAPITAL STRUCTURE AND SHARES

This summary contains certain information in relation to the share capital of the Company and the Shares, as well as a brief description of certain significant provisions of the Articles and Swiss law which are applicable to the Company as from the First Day of Trading. This summary is not a summary of all the significant provisions of the Articles, the Organizational Regulations or of Swiss law and does not purport to be complete. This description is qualified in its entirety by the Articles, the Organizational Regulations, the relevant excerpt from the commercial register and its underlying documents, as well as the laws of Switzerland in effect on the date of this Listing Prospectus.

Unless otherwise noted, the summary below is based on the Company's capital structure and the versions of the Articles, Organizational Regulations and other internal regulations that are expected to be in effect prior to the First Day of Trading. Changes to our Articles or Organizational Regulations, some of which may be material, may be made prior to the Spin-off.

Capital Structure

Issued Share Capital

Immediately following the Spin-off, the Company's issued share capital will be up to CHF 21,550,000, divided into up to 431,000,000 fully paid-in registered shares (*Namenaktien*) with a nominal value of CHF 0.05 each.

Changes in Share Capital

Set out below is a description of the changes in the Company's share capital since the incorporation of the Company:

- The Company was incorporated on January 17, 2022 and registered with the commercial register of the Canton of Basel City on January 20, 2022 (date of publication in the Swiss Official Gazette of Commerce) with an initial capital of CHF 100,000, divided into 100,000 registered shares with a nominal value of CHF 1.00 each.

- On December 5, 2022, the registered seat of the Company was moved from Basel to Risch and the Company's shares were split into 2,000,000 registered shares with a nominal value of CHF 0.05 each. Therefore, the Company was deleted from the commercial register of the Canton of Basel City and registered with the commercial register of the Canton of Zug on December 8, 2022 (date of publication in the Swiss Official Gazette of Commerce) with a share capital of CHF 100,000, divided into 2,000,000 registered shares with a nominal value of CHF 0.05 each.

- It is planned that in September 2023, the Company's extraordinary General Meeting (with Novartis as its sole shareholder) will resolve, among other things, on (i) the introduction of a capital band (see section "*Capital Structure and Shares – Capital Structure – Capital Band*"); and (ii) an ordinary capital increase in the amount of up to CHF 21,450,000 through the issuance of up to 429,000,000 registered shares with a nominal value of CHF 0.05 each, resulting in a new issued share capital of up to CHF 21,550,000, divided into up to 431,000,000 fully paid-in registered shares with a

nominal value of CHF 0.05 each. These changes will be registered with the commercial register of the Canton of Zug prior to the Completion of the Spin-off.

Conditional Share Capital

The Articles do not provide for any conditional share capital.

Capital Band

According to the Articles, the Board of Directors is authorized at any time until August 16, 2028 to conduct one or more increases of the share capital within the upper limit of 5% of the issued share capital, by issuing the corresponding number of registered shares with a par value of CHF 0.05 each (the "**Capital Band**"), for the purpose of issuing shares to directors, employees or advisors of the Company or companies controlled by it in connection with any type of share-based participation or incentive plans, schemes or arrangements ("**Employee Participation Plans**"). The Board of Directors is not authorized to decrease the share capital within the Capital Band.

In case of a capital increase based on the capital band, the Board of Directors determines:

- the number of shares to be issued;
- the type of payment required for subscription;
- the date of issue; and
- the commencement of the dividend entitlement.

All shares so issued shall be fully paid in, and existing shareholders' subscription rights are excluded. The Board of Directors is authorized to allocate the shares to the issued as it deems appropriate (including to any company controlled by it or third party involved in the administration of Employee Participation Plans) to fulfill or cover existing or future obligations to deliver shares under an Employee Participation Plan. The new registered shares issued in the Capital Band are subject to the transfer restrictions of the Articles (see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*").

Outstanding Bonds, Conversion and Option Rights

Immediately following the Spin-off, the Company will not have any outstanding bonds, convertible bonds, similar debt instruments convertible into or option rights in the Company's securities.

Participation Certificates and Profit-Sharing Certificates

Immediately following the Spin-off, the Company will not have either participation certificates (*Partizipationsscheine*) or profit-sharing certificates (*Genussscheine*) outstanding.

Treasury Shares

The number of Shares held in treasury immediately following the Spin-off will depend on the total number of Novartis shares eligible to receive the dividend-in-kind (Novartis issued shares excluding treasury shares held by Novartis and its fully owned subsidiaries) as of the Cum Date. The Company expects the number of Shares held in treasury to be insignificant. If the number of issued Shares (being up to 431,000,000 Shares) exceeds the number of Novartis shares eligible to receive the dividend-in-kind (Novartis issued shares excluding treasury shares held by Novartis and its fully owned subsidiaries), after the application of the distribution ratio, as of the Cum Date, Novartis will contribute such Shares to the Company in connection with the separation prior to the Spin-off and the Company will hold such Shares in treasury at the time of the Spin-off.

Cross-Shareholding

The Company does not have any cross-shareholdings exceeding 5% of the capital or voting rights on either side.

Description of Shares, Articles and Certain Provisions of Swiss Law

The following is a summary of certain provisions of the Company's Articles, the Organizational Regulations of the Board of Directors and of Swiss law, particularly, the Swiss CO, in each case expected to be in effect immediately following the Spin-off. This is not a summary of all the significant provisions of the Articles, the Organizational Regulations or of Swiss law and does not purport to be complete. This description is qualified in its entirety by reference to the Articles and the Organizational Regulations and to Swiss law. Changes to the Articles and/or Organizational Regulations, some of which may be material, may be made prior to the Spin-off.

The Shares

The Shares will be registered shares with a nominal value of CHF 0.05 each and fully paid-in. Each Share will carry one vote at General Meetings of the Company's shareholders. The Shares will rank *pari passu* with each other in all respects, including entitlement to dividends, to a share in the liquidation proceeds in case of liquidation of the Company and to pre-emptive rights.

Voting rights and any rights related thereto may only be exercised for Shares registered in the Company's Share Register on the record date for the applicable General Meeting. Please see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*" for further information in this respect.

Form of the Shares

The Shares will be issued as uncertificated securities within the meaning of article 973c CO (*Wertrechte*). In accordance with article 973c CO, the Company will maintain a register of uncertificated securities (*Wertrechtebuch*). The Shares will be registered as book-entry securities (*Bucheffekten*) within the meaning of the FISA via the settlement system operated by SIX SIS, which provides services for the clearing, settlement and custody of Swiss and

international securities, in order to issue them in book-entry form. SIX SIS will credit these shares to SIX SIS participants, which in turn may credit them further to other custodians or clients. Under Swiss law, investors may hold shares in a custody account with a custodian to which such shares will be credited. It is generally not possible for shareholders (except for certain financial institutions) to hold direct accounts or to otherwise be directly registered with SIX SIS. In addition, the SIX SIS main register and the accounts of participants in the SIX SIS settlement system are different and separate from the share register of the Company. Investors holding Shares in this form may generally be registered as shareholders in the Company's Share Register if they so wish.

Shareholders registered in the Company's Share Register may request a statement of their registered Shares at any time. Shareholders do not have a right to the printing and delivery of share certificates. The Company may, however, print and deliver share certificates at any time at its option.

Certain Shares will be held by the Sandoz ADR Depositary as underlying for the ADRs. See section "*Capital Structure and Shares – Sandoz ADR Program*" for more details.

Transfer of Shares, Registration in the Share Register and Registration Restrictions

Transfer of Shares

As long as the Shares are in uncertificated form (*Wertrechte*) and registered as book-entry securities (*Bucheffekten*), any disposition of such Shares (including any transfer of title or the creation of a usufruct or a pledge) may be effected solely by entries reflecting such disposition in applicable securities accounts in accordance with applicable law, without the prerequisite to be notified to the Company; any disposition of such Shares by way of assignment without a corresponding entry in a securities account will be excluded and will not be recognized. In addition, art. 685f of the CO requires that off-exchange acquisitions are only effective if the acquirer applies for registration in the Company's share register.

Under the Swiss CO, any disposition of uncertificated shares (including any transfer of title or the creation of a usufruct or a pledge) must be effected by way of a written declaration of assignment and requires, as a condition for its validity, notice to be given to the Company, for which the Company may prescribe the use of applicable forms.

Share Register and Registration Restrictions

The Company will maintain a share register (*Aktienbuch*) (the "**Share Register**") in which the owners, usufructuaries and nominees of the Shares are registered with name, first name, domicile, address and nationality (in case of legal entities the registered office). In relation to the Company, only those shareholders, usufructuaries or nominees registered in the Share Register will be recognized as shareholders, usufructuaries or nominees. Voting rights may only be exercised for Shares registered in the Share Register. In order to do so, the shareholder must file a share registration form with the Company, setting forth the shareholder's information listed above. If the shareholder has not filed the form on time, such shareholder may not vote at, or participate in, General Meetings. Shareholders should contact their bank or broker if they wish to register their Shares.

Upon such request (by filing the required form), acquirers of Shares are registered in the

Share Register as shareholders with the right to vote, provided that they declare explicitly to have acquired the Shares in their own name and for their own account. In particular, Shares are not deemed to have been acquired on the shareholder's own account if the shareholder has entered (or enters) into an agreement on the return or redemption of the relevant Shares or if the shareholders does not (or not anymore) bear the economic risk associated with the Shares in another way.

According to the Articles and subject to the restrictions described in the preceding paragraph, no person or entity shall be registered with the right to vote for more than 5% of the registered share capital as set forth in the commercial register. This restriction of registration also applies to persons who hold some or all of their Shares through nominees. Nominees within the meaning of the Articles are persons who do not explicitly declare in the request for registration to hold the Shares for their own account and with whom the Board of Directors has entered into a corresponding agreement ("**Nominees**").

The Board of Directors may register Nominees with the right to vote in the Share Register for up to 0.5% of the registered share capital as set forth in the commercial register. Shares held by a Nominee that exceed this limit may be registered in the Share Register if the Nominee discloses the names, addresses and the number of Shares of the persons for whose account it holds 0.5% or more of the registered share capital as set forth in the commercial register.

As regards any Shares above such thresholds, the acquirer of such Shares will be entered in the Share Register as a shareholder, usufructuary or Nominee without voting rights. Corporate bodies and partnerships or other groups of persons or joint owners who are interrelated to one another through capital ownership, voting rights, uniform management or otherwise linked as well as individuals or corporate bodies and partnerships who act in concert to circumvent the above-mentioned registration restrictions shall be treated as one single person or Nominee. These registration restrictions also apply to Shares acquired or subscribed by the exercise of subscription, option or conversion rights.

The Board of Directors may, in particular cases, allow exemptions from the limitation for registration in the Share Register or the regulation concerning nominees.

The Board of Directors granted such exemption to the Sandoz ADR Depositary for the purposes of the Sandoz ADR Program (see section "*Capital Structure and Shares – Sandoz ADR Program*").

Cancellation of Share Register Entries

After hearing the registered shareholder or Nominee, the Board of Directors may delete entries in the Share Register retroactively as of the date of the entry, if the registration has been made on the basis of false information. It may give the relevant shareholder or Nominee in advance the opportunity to be heard. The relevant shareholder or Nominee is to be informed without delay about the deletion.

General Meetings of Shareholders

Convocation of Meetings

Under Swiss law and article 10 of the Articles, an annual general meeting of shareholders

("**General Meeting**") must be held each year within six months after the end of the financial year. Extraordinary meetings of shareholders may be convened when required.

Pursuant to article 12 of the Articles, General Meetings are convened by the Board of Directors at least 20 days before the date of the meeting by way of a notice appearing once in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt)*. Registered shareholders may also be informed by regular mail to the addresses entered in the Share Register, by email or in any other form that the Board of Directors deems appropriate.

In addition, one or several shareholders that represent at least 5% of the share capital may also request to convene a General Meeting. In this case, the Board of Directors has to convene the meeting within 60 days. Shareholders representing at least 0.5% of the share capital or of the voting rights may request items to be put on the agenda provided the request is submitted to the Board of Directors at least 45 calendar days in advance of the relevant General Meeting. Convocation requests and requests for inclusion of agenda items need to be submitted to the Board of Directors in written form, indicating the agenda items and proposals. The Articles do not prescribe that a particular quorum of shareholders is required for General Meetings of shareholders to be validly held.

No resolutions may be passed on motions concerning agenda items for which no proper notice was given; except for motions to convene an extraordinary General Meeting or to initiate a special audit upon a shareholders' request. No prior notice is required to submit motions relating to items already on the agenda and to discuss matters on which no resolution is to be taken.

The General Meetings will be chaired by the Board Chair, or in his or her absence, by the vice-chair or by another member of the Board of Directors as appointed by the Board of Directors.

Representation of Shareholders

Each shareholder may have his/her/its Shares represented in the General Meeting by him-/her-/itself, by a legal representative, by a representative of his/her/its choice (by means of a written proxy) who does not need to be a shareholder, or by the independent proxy. The General Meeting annually elects an independent proxy for a term of office lasting until completion of the next annual General Meeting. Re-election is possible. If the Company does not have an independent proxy, the Board of Directors shall appoint the independent proxy for the next General Meeting.

Powers and Duties

The General Meeting is the supreme corporate body of the Company. It has the following inalienable powers (see also article 19 of the Articles): (i) adopting and amending the Articles; (ii) electing and removing the members of the Board of Directors, the Board Chair, the members of the HC & ESGC, the independent proxy and the statutory auditors; (iii) approving the management report, the consolidated financial statements and the Company financial statements, as well as the report on non-financial matters (if required); (iv) deciding on the appropriation of the available earnings shown on the balance sheet, in particular with regard to dividends (including any repayment of the statutory capital reserves and the approval of interim dividends and the interim financial statements required for such purpose); (v) approving of the aggregate amounts of compensation of the members of the Board of Directors and

the Executive Committee; (vi) discharging the members of the Board of Directors and the Executive Committee from their responsibility for the conduct of business in the previous financial year; (vii) deciding on the delisting of the Shares or other equity instruments of the Company; and (viii) deciding on all other matters for which it is competent by law or under the Articles.

Quorum and Majority Requirements at General Meetings

Except where the law or the Articles provide otherwise, the General Meeting passes its resolutions and performs elections with the absolute majority of the votes validly represented. As a result, abstentions have the effect of votes against proposals. Resolutions are taken and elections conducted either on a show of hands or by electronic voting, unless the General Meeting decides for, or the Board Chair orders, a secret ballot.

According to article 20 of the Articles, a "supermajority", i.e., a resolution of the General Meeting passed with at least two thirds of the votes represented at the meeting is required for:

- the alteration of the purpose of the Company;
- a consolidation of Shares, unless the approval of all affected shareholders is required;
- a capital increase out of the Company's equity, against contributions in kind (*Sacheinlage*) or by way of set-off against a receivable (*Verrechnung*) and the grant of special rights (*besondere Vorteile*);
- a restriction or suspension of subscription rights;
- an introduction of conditional capital or a capital band (*Kapitalband*);
- an introduction of restrictions on the transfer of registered shares and the removal of such restrictions;
- the creation of shares with privileged voting powers;
- a change of currency of the share capital;
- the introduction of the deciding vote for the Board Chair at the General Meetings;
- a provision in the Articles allowing to hold the General Meetings abroad;
- the delisting of the Shares of the Company;
- the change of location of the registered office of the Company;
- the inclusion of arbitral clauses in the Articles;
- resolving the merger, de-merger or conversion of the Company according to the Swiss Federal Act on Mergers, Demergers, Transformations and the Transfer of Assets of 3 October 2003, as amended (the "**Swiss Merger Act**") (subject to mandatory law);

and

- the dissolution of the Company.

Provisions of the Articles which require higher majorities for the passing of certain resolutions than provided by law can only be adopted and removed with that same proposed majority.

Hybrid and Virtual Shareholders' Meetings

The Articles allow the Board of Directors to decide that shareholders who cannot be present at the venue of the General Meeting may exercise their rights through electronic means.

The Board of Directors may also order that the General Meeting be held electronically without a venue (as per article 14 of the Articles). The Company does not intend to hold its General Meetings in a virtual format; this option is included to provide flexibility in exceptional circumstances only. If a virtual General Meeting shall be held, the Company will establish and disclose clear procedures. The Board of Directors will ensure that shareholders will have the same rights during a virtual General Meeting as in a traditional physical General Meeting.

Communications to and Inspection Rights of Shareholders

Official publications of the Company are made in the Swiss Official Gazette of Commerce (SOGC) (*Schweizerisches Handelsamtsblatt*) (currently: https://www.shab.ch). The Board of Directors may designate additional means of publication.

Notices to the shareholders are made by official publications of the Company. Notices to shareholders may also be made by regular mail or e-mail to the addresses recorded in the Share Register or in any other form that the Board of Directors deems appropriate.

The annual report and the auditors' report shall be made available to the shareholders at the latest 20 calendar days prior to the annual General Meeting. If the documents are not available electronically, each shareholder may demand an immediate delivery of these documents. The notice to the shareholders must refer to this right.

Under Swiss law, a shareholder may also, upon request submitted to the Company, inspect the minutes of General Meetings. In addition, the resolutions and results of elections, including the numbers of votes (ratios), must be made available electronically to the shareholders within 15 days of the General Meeting.

At General Meetings, shareholders may further request information from the Board of Directors regarding the business and operations of the Company and may request information from the Company's auditors regarding the performance and results of their examination of the Company's financial statements. The Company may refuse to provide certain requested information to a shareholder if, in its opinion, the disclosure of the requested information would reveal confidential business secrets or infringe other protected interests. Such refusal must be justified in writing.

Shareholders holding in aggregate at least 5% of the nominal share capital or of the votes have the right to inspect at any time company ledgers and files. Furthermore, the Board of Directors needs to grant the inspection request within four months after receipt of such

request. Denial of the request needs to be justified in writing. In case an inspection or information request is denied by the Board of Directors, shareholders may request the order of an inspection or information right by the court within 30 days.

Notices required under the Listing Rules will be published in electronic form on the website of SIX (currently https://www.ser-ag.com/de/resources/notifications-market-participants/official-notices.html#/).

Shareholders' Right to Bring Derivative Actions

Under the Swiss CO, an individual shareholder may bring an action in the shareholder's own name, but for the benefit of the Company, against the Company's directors, officers or liquidators, which seek to allow the Company to recover any damages it has suffered due to the intentional or negligent breach by such directors, officers or liquidators of their duties.

Dividends

Swiss law requires that the Company retain at least 5% of its annual net profit as statutory earnings reserves for so long as these reserves amount to less than 20% of its paid-in nominal share capital. Swiss law and the Articles permit the Company to accrue additional reserves.

Under the Swiss CO, the Company may only pay dividends out of balance sheet profits, out of reserves created for this purpose or out of free reserves. In any event, any proposal by the Board of Directors to declare a dividend will depend on the Company's financial condition, earnings, corporate strategy, capital requirements of its operating subsidiaries, covenants, legal requirements and other factors deemed relevant by the Board of Directors and shareholders, including tax and other legal considerations. See also section "*Dividends and Dividend Policy*".

Under Swiss law, dividends are proposed by the board of directors and require the approval of the general meeting of shareholders. The Company's auditors must also confirm that the dividend proposal conforms with the Swiss CO and the Articles. The Board of Directors intends to propose a dividend once each year beginning in 2024 with respect to 2023 (see section "*Dividends and Dividend Policy*").

To the extent approved, dividends are usually due and payable shortly after the shareholders have passed a resolution approving the payment. Dividends that have not been claimed within five years after the due date accrue to the Company and are allocated to the statutory earnings reserves.

For a description of certain tax considerations, including withholding taxes, in relation to dividend payments, see section "*Taxation– Swiss Taxation – Swiss Residents – Withholding Tax on Dividends*".

Pre-Emptive Rights and Advance Subscription Rights

Swiss law provides that any share issue, whether for cash or non-cash consideration, is subject to the prior approval at a general meeting of shareholders. Shareholders are granted certain pre-emptive rights (*Bezugsrechte*) to subscribe for new issues of shares and advance subscription rights (*Vorwegzeichnungsrechte*) to subscribe for warrants, convertible bonds,

or similar debt instrument with option rights in proportion to the nominal amount of shares held. Pursuant to the Articles, generally, a resolution adopted at a General Meeting by a majority of two-thirds of the votes represented at the meeting is required to restrict or suspend pre-emptive rights. In addition, according to article 5 of the Articles, existing shareholders' subscription rights are excluded for capital increases within the capital band (see also "*Capital Structure and Shares – Capital Structure – Capital Band*").

Rights of Shareholders in the Company's Liquidation

Under Swiss law, a company may be dissolved at any time by way of liquidation, or in the case of a merger with the Swiss Merger Act (*Fusionsgesetz*, SR 221.301), based on a resolution of a general meeting of shareholders, which must be passed by a majority of two-thirds of the votes represented at the general meeting and the absolute majority of the nominal values of the shares represented at the meeting.

Dissolution and liquidation by court order is also possible if, among other things, (a) the Company becomes bankrupt or (b) shareholders holding at least 10% of the Company's share capital or voting rights so request for important reasons. Under Swiss law, any net proceeds arising out of a liquidation (after settlement of all the claims of the Company's creditors) are distributed in proportion to the paid-up nominal value of shares held. These proceeds are subject to Swiss federal withholding tax, except if paid out of share capital or reserves from qualifying capital contributions (*Reserven aus Kapitaleinlagen*).

Ownership of Shares by Non-Swiss Persons

Except for the limitations described under section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*" applicable to all holders of Shares and subject to the restrictions set forth under section "*Transfer Restrictions*", persons who are neither nationals of, nor resident in, Switzerland may (under Swiss law and the Articles) freely hold, vote and transfer Shares in the same manner as Swiss residents or nationals.

Repurchase of Own Shares

Swiss law limits the right of a company to hold or repurchase its own shares. The Company and its subsidiaries may purchase Shares only if and to the extent that (i) the Company has freely distributable reserves in the amount of the purchase price; and (ii) the aggregate nominal value of all Shares held by the Company and its subsidiaries does not exceed 10% of the Company's registered share capital. However, it is accepted that a company may repurchase its own shares beyond the statutory limit of 10% if the repurchased shares are clearly earmarked for cancellation and such repurchase has been approved by the shareholders. Furthermore, according to Swiss accounting rules, the Company is required to recognize a minus position for own Shares acquired by the Company or, if its subsidiaries acquire Shares, create a special reserve on its balance sheet in each case in the amount of the purchase price of the acquired Shares.

Shares held by the Company or its subsidiaries do not carry any voting rights at General Meetings, but are entitled to the economic benefits, including dividends, pre-emptive rights (*Bezugsrechte*) in share capital increases and advance subscription rights (*Vorwegzeichnungsrechte*) in the case of issuance of debt instruments with option rights, applicable to the

Shares generally.

Under the Swiss CO, the Company may not cancel treasury shares without the approval of a capital reduction by the General Meeting.

In addition, selective share repurchases are only permitted under certain circumstances; in particular, publicly announced repurchases of listed shares are subject to certain restrictions promulgated by the Swiss Takeover Board (*Übernahmekommission*), the regulatory body for takeover bids in Switzerland, under the FinMIA and its implementing ordinances. Within these limitations, as is customary for Swiss companies, the Company may purchase and sell its own Shares from time to time in order to meet imbalances of supply and demand, to provide liquidity, and to even out variances in the market price of the Shares.

Ordinary Capital Increase, Conditional Share Capital and Capital Band

Under Swiss law, the share capital of a company may be increased in consideration for contributions in cash by a resolution passed at a shareholders' meeting by an absolute majority of the votes cast at the meeting. An increase in share capital in consideration out of equity, against contributions in kind or by way of set-off against a receivable or the grant of special rights, or a share capital increase involving the exclusion of the pre-emptive rights (*Bezugsrechte*) of the shareholders requires an affirmative resolution passed by a majority of two-thirds of the votes represented (in person or by proxy) at the General Meeting.

Furthermore, under the CO, the shareholders of a company may empower its board of directors, by passing a resolution in the manner described in the preceding sentence, to issue shares of a specific aggregate nominal amount, in each case of up to a maximum of 50% of the existing share capital, in the form of conditional share capital (*bedingtes Kapital*) for the purpose of issuing shares, inter alia, (i) to grant conversion rights or warrants to holders of convertible bonds, or (ii) to grant rights to employees of a company or affiliated companies to subscribe for new shares. The General Meeting may also resolve a capital band (*Kapitalband*), which authorizes the board of directors at any time within a maximum of five years to increase or decrease the share capital by a maximum amount of 50% of the current share capital (see also section "*Capital Structure and Shares – Capital Structure – Capital Band*").

Disclosure of Principal Shareholders

Pursuant to the applicable provisions of the FinMIA and its implementing ordinances, persons who directly, indirectly or in concert with other parties acquire or dispose of shares or purchase or sell rights relating to shares, and thereby, directly, indirectly or in concert with other parties reach, exceed or fall below a threshold of 3, 5, 10, 15, 20, 25, 33 $^{1}/_{3}$, 50 or 66 $^{2}/_{3}$% of the Company's voting rights (whether exercisable or not) must notify the Company and SIX Swiss Exchange of such transactions in writing within four trading days. This also applies to anyone who has discretionary power to exercise voting rights associated with the Shares. The Company must then publish the notification through the SIX Swiss Exchange platform within two trading days. For purposes of calculating whether a threshold has been reached or crossed, shares, delegated voting rights and acquisition rights or obligations (the "**Purchase Positions**") and disposal rights or obligations (the "**Sale Positions**") may not be netted. Rather, the Purchase Positions and the Sale Positions need to be accounted for separately and may each trigger disclosure obligations if the respective positions reach one of the thresholds. In addition, actual share ownership and delegated voting rights need to be reported

separately if either reaches one of the thresholds.

An additional disclosure obligation exists under the CO which requires us to disclose, once a year in the notes to the financial statements published in our annual report, the identity of all our shareholders (or related groups of shareholders) that hold a participation exceeding 5% of all voting rights.

For a list of the Company's principal shareholders immediately upon Completion of the Spin-off, see section "*Major Shareholders and Related Party Transactions – Major Shareholders*".

Mandatory Bid Rules

Pursuant to the applicable provisions of the FinMIA, if a person acquires shares of a Swiss listed company, whether directly or indirectly or acting in concert with third parties, which, when added to the shares already held by such person, exceed the threshold of 33 $^{1}/_{3}$% of the voting rights (whether exercisable or not) of such company, that person must submit a tender offer to acquire all of listed shares of the relevant company. A company's articles of incorporation may provide that the relevant provisions of FinMIA do not apply ("opting-out"), or raise the relevant threshold to up to 49% of the company's voting rights ("opting-up"). The Articles do not contain an opting-out or opting-up.

Furthermore, the Swiss Takeover Board or the Swiss Financial Market Supervisory Authority ("**FINMA**") may grant exemptions from the mandatory offer rules in certain circumstances. Also, there is no obligation to make a public tender offer under the FinMIA and its implementing ordinances if the voting rights in question are acquired as a result of a gift, succession or partition of an estate, a transfer based upon matrimonial property law or execution proceedings. However, any such acquisitions have to be notified to the Swiss Takeover Board.

Cancellation of Remaining Equity Securities and Squeeze-out Merger

Under the FinMIA, any offeror that has submitted a tender offer for the shares of a listed Swiss target company (such as the Company) and that, as a result of such offer, holds more than 98% of the voting rights of that target company may petition the court to cancel the remaining shares. The petition must be filed against the target company within three months after the expiration of the offer period and the remaining shareholders may join in the proceedings. If the court orders the cancellation of the remaining shares, the target company will reissue the shares and deliver such shares to the offeror against performance of the offer for the benefit of the holders of the cancelled securities.

Under the Swiss Merger Act (*Fusionsgesetz*, SR 221.301), shareholders of the transferring company may be offered a merger consideration that does not include shares in the surviving company (e.g., cash or shares of another company) if at least 90% of the shareholders of the transferring company entitled to vote give their consent.

Conflicts of Interest

Under Swiss law, the members of the Board of Directors and of the Executive Committee must notify the Board of Directors immediately and fully of conflicts of interests affecting them, and the Board of Directors shall take the necessary measures to safeguard the interests of the Company. In addition, the CO contains a provision which requires directors and senior

management to safeguard the interests of the company and imposes a duty of loyalty and a duty of care on its directors and officers. The directors and officers are personally liable to a company for breach of these provisions. Swiss law also contains a provision under which payments made to a shareholder or a director or any person associated with them other than on at arm's length terms must be repaid to the company if such shareholder or director was acting in bad faith. Furthermore, pursuant to the CO, if, in connection with the conclusion of a contract, a company is represented by the person with whom it is concluding the contract, such contract must be in writing. This requirement does not apply to contracts relating to daily business matters if the value of the company's performance obligations under the contract does not exceed CHF 1,000.

The Organizational Regulations provide, inter alia, for rules on conflicts of interest. Pursuant to art. 4 of the Organizational Regulations, members of the Board of Directors or the Executive Committee and any other executive body shall arrange their personal and business affairs so as to avoid an actual or apparent conflict with the interests of the Company. In case of a conflict of interest, the conflicted persons must disclose such conflict of interest and the conflicted persons have to abstain from participating in decisions and resolutions on matters which affect, or reasonably might affect, their own interests or the interests of individuals or entities close to them. However, they may participate in the respective discussions. If members of the Board of Directors, the Executive Committee or another executive body are in a position of permanent conflict of interest or any other non-solvable situation that hinders them in carrying out their duties to the full, they shall offer their resignation.

The Corporate Governance Directive of SIX Exchange Regulation also addresses conflict of interest issues. See section "*SIX Swiss Exchange – Corporate Governance Directive and the Swiss Code of Best Practice*".

Pursuant to the SIX Swiss Exchange Directive on Disclosure of Management Transactions (*Richtlinie betreffend Offenlegung von Management-Transaktionen*), members of the board of directors and of the management of a company listed on the SIX Swiss Exchange are required to report, inter alia, transactions they carried out directly or indirectly in shares, call and put options and conversion and similar rights with respect to shares to the company. See "*SIX Swiss Exchange – Directive on the Disclosure of Management Transactions*". The Company has adopted corresponding internal rules and regulations.

Foreign Investment and Exchange Control Regulations in Switzerland

Other than in connection with government sanctions imposed on certain persons from the Republic of Iraq, Myanmar (Burma), Zimbabwe, Sudan, the Democratic Republic of Congo, Belarus, the Democratic People's Republic of Korea (North Korea), Lebanon, the Islamic Republic of Iran, Somalia, Guinea, Libya, Syria, Guinea-Bissau, the Central African Republic, Yemen, Burundi, the Republic of South Sudan, the Republic of Mali, Venezuela, Nicaragua, persons and organizations with connections to Usama Bin Laden, the "Al-Qaeda" group or the Taliban, certain persons in connection with the assassination of Rafik Hariri and certain measures in connection with the situation in Ukraine there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

Compensation Rules

The CO contains rules with respect to compensation of the Board of Directors and the Executive Committee.

Severance Pay, Advance Payments and Transaction Bonuses

The CO prohibits certain types of compensation arrangements with members of a Swiss listed company's board of directors, executive committee and advisory board (if any) (see art. 735c CO). The prohibitions include contractual severance payments, post-employment non-compete undertakings that exceed the average compensation of the last three years or that are not commercially justified, compensation paid in connection with a former service of a member that is not market-standard, sign-on bonuses that do not compensate for a measurable financial disadvantage, compensation paid in advance, and provisions (fixed bonuses) for a takeover or a transfer of a company or parts of it. Furthermore, notice periods in employment agreements for more than one year and long-term employment contracts for a fixed duration of more than one year are prohibited. Also, certain forms of compensation or payments (e.g., loans, variable compensation) are only allowed if they are provided for in the articles of association).

Shareholder Approval of Compensation for Board of Directors, Executive Committee and Advisory Board

The CO requires that the general meetings of shareholders of Swiss public companies vote on the compensation of the board of directors, executive committee and advisory board (if any). The Articles specify the details of this vote, as described under "*Board of Directors and Executive Committee – Compensation of Members of the Board of Directors and the Executive Committee*".

Compensation Report

The CO requires a company's board of directors to prepare an annual written compensation report. The disclosure relates to compensation, loans and credits directly or indirectly awarded by the company during the most recently ended business year to members of the board of directors, executive committee and advisory board (if any) and, to the extent they are not market-standard, to former members of (and related parties of such former members of) the board of directors, executive committee and advisory board. Also, the external mandates of members of the board of directors, executive committee and advisory board (if any) must be disclosed in the compensation report.

General Compensation Principles

Article 33 of the Articles further specifies the general compensation principles with respect to the members of the Board of Directors and the Executive Committee.

In particular, the compensation of the non-executive members of the Board of Directors comprises fixed compensation elements only. Non-executive members of the Board of Directors shall receive no company contributions to any pension plan, no performance-related elements and no financial instruments such as options.

The Compensation of the Executive Committee comprise fixed and variable compensation elements. Fixed compensation includes the base salary and may comprise other compensation elements and benefits. Variable compensation may comprise short-term and long-term compensation elements.

Compensation (to non-executive members of the Board of Directors and to members of the Executive Committee) may be paid or granted in the form of cash, shares or other benefits or in kind. Compensation to members of the Executive Committee may also be paid or granted in the form of financial instruments or similar units. Compensation may be paid by the Company or companies controlled by it. The Board of Directors determines that valuation of each compensation element on the basis of the principles that apply to the establishment of the compensation report.

For more information on the specific compensation of the members of the Board of Directors and the Executive Committee see section "*Board of Directors and Executive Committee – Compensation of Members of the Board of Directors and the Executive Committee*".

Gender Representation

According to the CO, unless each gender is represented by at least thirty percent of the members of the board of directors and by at least twenty percent of the members of the Executive Committee the compensation report must, as of 2026 with respect to the board of directors and as of 2031 with respect to the executive committee, state the reasons why gender representation is not as prescribed and indicate measures to promote the less represented gender (article 734f CO).

Limitations of Certain Forms of Proxies, Independent Proxy

The CO also prohibits the representation of shareholders by corporate proxies (i.e., officers or other company representatives) as well as the institutional representation of shareholders by custodians. The provisions of the CO further provide that the board of directors must ensure that the shareholders are able to electronically grant proxies and instruct the independent proxy on both (i) the agenda items included in the invitation to the general meeting of shareholders and (ii) new motions which were not disclosed in the invitation to the general meeting of shareholders. The independent proxy is obliged to exercise the voting rights granted by shareholders only in accordance with shareholder instructions. The independent proxy must treat the shareholder instructions confidentially until the shareholders' meeting, except that it may, no earlier than three days before the shareholders' meeting, report the instructions in aggregated form to the company.

Sandoz ADR Program

The ADRs will be negotiable certificates representing ownership in the Company and will be quoted and traded in U.S. dollars on the over-the-counter market in the U.S. One ADR will equal one Share and have indirectly the same voting rights. Dividends payable on ADRs, if any, will be equivalent to dividends paid on the Shares and will be converted into U.S. dollars by the depositary bank for payment to ADR holders as provided in the deposit agreement for the Sandoz ADR Program. The ADRs will not be listed on a U.S. national securities exchange, and the Company will not be subject to the reporting requirements under the U.S. federal securities laws as a result of the ADR Program. JPMorgan will serve as the depositary for the

ADRs (the "**Sandoz ADR Depositary**"). The Sandoz ADR Depositary will maintain the register of the ADR holders, serve as transfer agent, distribute dividends, facilitate proxy voting process and exercise voting rights on behalf of ADR holders. The contact information for the Sandoz ADR Depositary is set forth below.

JPMorgan Chase Bank, N.A.
383 Madison Avenue, Floor 11
New York, New York, 10179
Attention: Depositary Receipts Group
E-mail Address: DR_Global_CSM@jpmorgan.com

ADR holders have the rights enumerated in the deposit agreement among the Company, the Sandoz ADR Depositary and all holders and beneficial owners from time to time of Sandoz ADRs issued thereunder (the "**Sandoz ADR Deposit Agreement**"), such as the right to give voting instructions and to receive dividends. The Sandoz ADR Depositary holds the Shares underlying the ADRs and is registered as a shareholder in the Company's share register. An ADR is not a share, and an ADR holder is not a shareholder of the Company. Each ADR represents one Share. ADR holders exercise their voting rights by instructing the Sandoz ADR Depositary to exercise their voting rights.

Under the Sandoz ADR Deposit Agreement, the Board of Directors agreed to exempt the Sandoz ADR Depositary (but no individual holder of ADRs) from the registration restriction as per the Articles (see section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*") in respect of the Shares deposited in connection with the Sandoz ADR Program up to a limit of 20% of the Company's share capital at any time entered in the commercial register. The Board of Directors will review and may increase this 20% limitation if the Sandoz ADR Depositary reaches 19.5% of the Company's share capital at any time entered into the commercial register. In the event the 20% limitation is not increased, the Company may refuse to recognize the voting rights of any ADR holder regardless of the holder's individual percentage share ownership or whether the ADR holder has complied with any disclosure requirements. This limitation shall not apply to any rights other than voting (and the rights connected therewith), such as rights relating to dividends or transfer.

SIX SWISS EXCHANGE

General information

As of the date on which the listing of the Shares on SIX Swiss Exchange in accordance with the International Reporting Standard becomes effective, and for so long as any Shares remain listed on SIX Swiss Exchange, the Company will be subject to the Listing Rules and any additional regulations enacted by SIX Exchange Regulation.

A listing in accordance with the International Reporting Standard requires, inter alia, that (i) the articles of association of the issuer comply with applicable law, (ii) the operating and financial track record of the issuer extends over a period of at least three years, (iii) the issuer's consolidated equity capital amounts to at least CHF 25 million, (iv) at the time of the listing, at least 20% of the issuer's outstanding securities in the same category are in public ownership and the capitalization of those securities in public ownership amounts to a minimum of CHF 25 million, (v) the issuer reports according to a recognized accounting standard and (vi) the securities must have been validly issued at the time of listing.

General Rules on Securities Trading

Trading on SIX Swiss Exchange occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading in equity securities begins each business day at 9:00 am (Central European Time ("**CET**") or Central European Summer Time ("**CEST**") (as applicable)) and continues until 5:20 pm CET or CEST (as applicable), at which time the closing auction starts and continues until 5:30 pm CET or CEST (as applicable), with a random close of trading within two minutes). Following the closing auction, "Trading-At-Last" (TAL) provides investors with on book trading at the official closing price until 5:40 CET or CEST (as applicable). After the close of exchange trading, new orders can be entered or deleted until 10:00 pm CET or CEST (as applicable). From 6:00 am CET or CEST (as applicable) new entries and enquiries can be made until 9:00 am CET or CEST (as applicable). The system is not available between 10:00 pm and 6:00 am CET or CEST (as applicable). For the opening phase (starting at 9:00 am CET or CEST (as applicable)), the system closes the order book and starts opening procedures, it establishes the opening prices and determines orders to be executed according to the matching rules. Closing auctions are held to determine the daily closing price for all equity securities traded on SIX Swiss Exchange. At the start of the closing auction, the status of all equity order books changes from permanent trading to auction. The auction itself consists of a pre-opening period and the actual auction according to rules that are similar to the opening procedure.

Transactions take place through the automatic matching of orders. Each valid order of at least a round lot is entered and listed according to the price limit. A round lot of the shares is expected to consist of one share. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that, if several orders are listed at the same price, they are executed according to the time of entry. SIX Swiss Exchange may provide for a duty to trade on SIX Swiss Exchange in individual market segments. There is no duty to trade on the order book with SIX Swiss Exchange for equity securities trade in the Blue Chip Shares or Mid-/ Small-Cap Shares segment. Members of SIX Swiss Exchange must observe the principle of best execution for any off-exchange transaction during the trading period. Transactions in shares effected by or through members of SIX Swiss Exchange are subject to a stock exchange levy. This levy includes the reporting fee and

is payable per trade and participant. The fee is defined individually for each trading segment.

Banks and broker-dealers doing business in Switzerland are required to report all transactions in listed securities traded on SIX Swiss Exchange. For transactions effected via the exchange system reporting, reporting occurs automatically. Off-order book transactions during trading hours must be reported to SIX Swiss Exchange within one minute. Transaction information is collected, processed and immediately distributed by SIX Swiss Exchange. Transactions outside trading hours must be reported no later than the next opening. SIX Swiss Exchange distributes a comprehensive range of information through various publications, including in particular the Swiss Market Feed. The Swiss Market Feed supplies SIX Swiss Exchange data in real time to all subscribers, as well as to other information providers such as SIX Financial Information Ltd. and Reuters.

A quotation may be suspended by SIX Swiss Exchange if large price fluctuations are observed, or if important, price-sensitive information is about to be disclosed, or in other situations that might endanger fair and orderly trading. Surveillance and monitoring is the responsibility of SIX Swiss Exchange as the organizer of the market. The aim of such self-regulation is to ensure transparency, fair trading and an orderly market.

Clearing, Payment and Settlement

Clearing and settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date.

Corporate Governance Directive and the Swiss Code of Best Practice

In Switzerland, two sets of rules are relevant with respect to corporate governance, specifically the Corporate Governance Directive and the Swiss Code of Best Practice.

The Corporate Governance Directive is binding on all Swiss companies whose equity securities have their primary or main listing on SIX Swiss Exchange. The Corporate Governance Directive requires issuers to disclose important information on the management and control mechanisms at the highest corporate level or to give specific reasons why this information is not disclosed.

The Swiss Code of Best Practice was established by economiesuisse, the largest umbrella organization representing Swiss businesses. The Swiss Code of Best Practice is non-binding and provides recommendations for good corporate standards in line with international business practices on a comply-or-explain basis. A revised version of the Swiss Code of Best Practice was published in February 2023.

Directive on the Disclosure of Management Transactions

The Listing Rules, and specifically the SIX Directive on the Disclosure of Management Transactions of March 20, 2018 (the "**DMT**"), require issuers whose equity securities have their primary listing on SIX Swiss Exchange to ensure that members of their board of directors and senior management disclose transactions they have made in the securities of their own company. Under the DMT, the relevant individuals must disclose any such transaction to the issuer, and the issuer must forward such information to SIX Swiss Exchange. Such transactions

are subsequently published on a "no names basis" on SIX Swiss Exchange's website.

Ad-hoc Publicity

Under the Listing Rules, the Company will, with effect as of the First Day of Trading, be required to publish facts that are, with respect to the price of the Shares or other securities issued by the Company, price-sensitive and that have arisen in the sphere of the Company's business activities. Facts that are not known publicly and that, from an ex-ante perspective, are capable of leading to a significant price change are classified as price-sensitive. Price-sensitive facts may include, but are not limited to, financial figures and reports, changes in key employee positions, mergers, takeovers, spin-offs, restructuring operations, changes in capital, takeover bids, changes in business operations (e.g., new sales partners, new and significant products, withdrawal or recall or a significant product, etc.), information on trading results (e.g., significant changes in earnings such as profit decrease/increase or profit warning, cessation of dividends, etc.), significant changes to the shareholder structure and financial restructuring.

The Company must decide on a case-by-case basis whether or not a fact is price-sensitive (except with regards to annual and interim financial reports, which must always be published by way of an ad-hoc announcement). As a rule, the Company will be required to disclose any price-sensitive fact immediately as soon as it has become aware of its material elements. Disclosure needs to be made to SIX Exchange Regulation (90 minutes ahead of time if published during trading hours), to no less than two electronic information systems widely used by professional market participants (such as Bloomberg, Reuters or SIX Financial Information), to no less than two Swiss newspapers of national importance and, upon request, to all interested parties.

LISTING

Issued Share Capital

Immediately following the Spin-off, the Company's issued share capital will be up to CHF 21,550,000, divided into up to 431,000,000 fully paid-in registered shares (*Namenaktien*) with a nominal value of CHF 0.05 each.

Listing and Trading

As of the date of this Listing Prospectus, the Company is a wholly-owned subsidiary of Novartis. Accordingly, no public market for the Shares currently exists. The Company intends to list the Shares on SIX under the symbol "SDZ". As such, the Shares will be able to be traded and transferred across applicable borders without the need for conversion.

Application has been made and approval has been given by SIX Exchange Regulation, subject to certain conditions, to list all Shares on SIX Swiss Exchange in accordance with the International Reporting Standard.

The Company expects that the Shares will be listed, and that trading in the Shares will commence, on SIX Swiss Exchange in accordance with the International Reporting Standard on or around October 4, 2023 (i.e., the First Day of Trading) under the ticker symbol "SDZ". The ticker symbol, Swiss Security Number, International Security Identification Number and trading currency of the Shares are as follows:

Swiss Security Number (*Valorennummer*): 124.359.842

International Security Identification Number (ISIN): CH1243598427

The ticker symbol for the Shares: SDZ

Trading currency: CHF

Listing Details

The Shares will be distributed by way of a dividend in kind as part of the Spin-off. The Shares do not have a price history.

Form of Shares

All Shares will be issued in uncertificated form and be registered in the main register with SIX SIS. See also section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Form of the Shares*".

Certain Shares will be held by the Sandoz ADR Depositary as underlying for the ADRs. See section "*Capital Structure and Shares – Sandoz ADR Program*" for more details.

Voting Rights

Each Share carries one vote. Regarding transfers of Shares and registration restrictions, see

section "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Transfer of Shares, Registration in the Share Register and Registration Restrictions*".

Notification/Amendments or Changes

Any notices containing or announcing amendments or changes to the terms of this Listing Prospectus will be announced via electronic media. Notices required under the Listing Rules will be published in electronic form on the website of the SER (currently: https://www.ser-ag.com/de/resources/notifications-market-participants/official-notices.html#/). Changes so notified will be deemed to constitute an amendment of or supplement to this Listing Prospectus.

Dividends

Holders of Shares will be entitled to dividends and other distributions, if any, for the financial year ending December 31, 2023 and for all subsequent financial years (provided that they are the holder of record of the relevant Shares as of the relevant record date). For further information, see sections "*Capital Structure and Shares – Description of Shares, Articles and Certain Provisions of Swiss Law – Dividends*" and "*Dividends and Dividend Policy*". For information on Swiss federal withholding tax applicable to dividends and certain other distributions, see section "*Taxation – Swiss Taxation – Swiss Residents – Withholding Tax on Dividends*".

Listing Agent

UBS AG is acting as recognized representative of the Company for the listing of the Shares on SIX Swiss Exchange in accordance with the International Reporting Standard within the meaning of article 58a of the Listing Rules.

Sandoz ADR Program

The Company intends to sponsor a Level I ADR program for its ADRs distributed in the Spin-off. The ADRs will be negotiable certificates representing ownership of Shares and will be quoted and traded in U.S. dollars on the over-the-counter market in the U.S. One ADR will equal one Share and have indirectly the same voting rights, subject to the provisions of the ADR Deposit Agreement. The ADRs will not be listed on a U.S. national securities exchange, and Sandoz will not be subject to the reporting requirements under the U.S. federal securities laws as a result of the ADR program. See sections "*Capital Structure and Shares – Sandoz ADR Program*" and "*Risk Factors – Risks Related to the Spin-off and Ownership of the Company's Shares and ADRs*".

TRANSFER RESTRICTIONS

United States

The Spin-off has not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States.

Shareholders of the Company and/or holders of the Company's ADRs who are residents of the United States are advised that the ADRs have not been and will not be registered under the U.S. Exchange Act of 1934 (the "U.S. Exchange Act"). The Company expects to obtain an exemption from the registration and reporting requirements of Section 12(g) of the U.S. Exchange Act in reliance on Rule 12g3-2(b) thereunder.

The Company intends to sponsor a Level I ADR program for its ADRs distributed in the Spin-off. There has been no public market in the United States for the Company's securities and an active trading market in the United States may never develop or be sustained. Sandoz will cause JPMorgan, as depositary, to file a Registration Statement on Form F-6 to establish a Level I ADR program.

Shareholders and/or holders of the Company's Shares and the ADRs who are affiliates (within the meaning of Rule 144 under the U.S. Securities Act) of Novartis and the Company before the Spin-off or are affiliates of Novartis or the Company after the Spin-off will be subject to timing, manner of sale and volume restrictions on the sale of the Company's securities received in connection with the Spin-off under Rule 144 under the U.S. Securities Act.

Canada

The distribution of Shares into Canada is exempt from the requirement that the issuer prepares and files a prospectus under applicable Canadian securities laws. Any resale of Shares acquired by a Canadian investor in this transaction must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the shares outside of Canada.

Australia

This Listing Prospectus is only made available in Australia to persons to whom an offer of securities can be made without disclosure in accordance with applicable exemptions under the Corporations Act. This Listing Prospectus is not a prospectus, product disclosure statement or any other form of formal "disclosure document" for the purposes of the Corporations Act. The Company has obtained ASIC Relief from the requirement to prepare an Australian law compliant prospectus in connection with the Spin-off. Accordingly, this Listing Prospectus has not been prepared to be in compliance with Australian law, including the Corporations Act. The information disclosed in this Listing Prospectus, and this Listing Prospectus, is not required to, and does not, contain all the information that would be required in a disclosure document under the Corporations Act.

This Listing Prospectus has not been, and will not be, lodged with ASIC as a disclosure document for the purpose of the Corporations Act. No Shares which are being listed pursuant to this Listing Prospectus may be offered for sale (or transferred, assigned or otherwise alienated) to investors in Australia within 12 months after listing by a person other than Novartis who: (i) controls the Company; (ii) would have been required by subsection 707(2) of the Corporations Act to give disclosure to investors under Part 6D.2 of the Corporations Act but for section 708 or 708A of the Corporations Act; and (iii) did not give disclosure to investors under Part. 6D.2 of the Corporations Act because of section 708 or 708A of the Corporations Act. Each investor acknowledges the above and, by applying for Shares under this Listing Prospectus, that the offer of Shares for resale in Australia within 12 months of their listing may require disclosure to investors under Part 6D.2 of the Corporations Act if items (i)-(iii) above apply to the re-sale, and gives an undertaking to not re-sell those Shares except as otherwise permitted by the terms of the ASIC Relief or the Corporations Act. The Company confirms that this Listing Prospectus is substantially in the same form as the draft Listing Prospectus given to ASIC on August 15, 2023.

The persons referred to in this Listing Prospectus may not hold Australian financial services licenses and may not be licensed to provide financial product advice in relation to the Shares. No "cooling-off" regime will apply to an acquisition of any interest in the Company.

This Listing Prospectus is intended to provide general information only and does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this Listing Prospectus, you should assess whether the acquisition of any interest in the Company is appropriate in light of your own financial circumstances or seek professional advice.

TAXATION

The taxation discussion set forth below is intended only as a descriptive summary and does not purport to be a complete analysis or listing of all potential tax effects relevant to the ownership or disposition of the Shares. The statements of U.S. and Swiss tax laws set forth below are based on the laws and regulations in force as of the date of this Listing Prospectus, including the current Convention Between the United States and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income, entered into force on December 19, 1997 (the "**Treaty**"), and the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations, rulings, judicial decisions and administrative pronouncements, and may be subject to any changes in U.S. and Swiss law, and in any double taxation convention or treaty between the United States and Switzerland occurring after that date, which changes may have retroactive effect.

Swiss Taxation

The following is a brief summary of certain tax consequences relating to owning and disposing of Shares based on the Swiss tax laws and regulations and regulatory practices in force on the date of this Listing Prospectus. Tax consequences are subject to changes in applicable law (or subject to changes in interpretation), including changes that could have a retroactive effect. This is not a complete summary of the potential Swiss tax effects relevant to the Shares nor does the summary take into account or discuss the tax laws of any jurisdiction other than Switzerland. For example, this summary does not address estate, gift, inheritance, capital or wealth taxes. It also does not take into account investors' individual circumstances. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to any particular investor.

YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO ACQUIRING, OWNING AND DISPOSING OF THE SHARES.

Swiss Residents

Withholding Tax on Dividends

Dividends that the Company pays and any similar cash or in-kind distributions it may make to a holder of its Shares (including distributions of liquidation proceeds in excess of the nominal value, stock dividends and, under certain circumstances, proceeds from repurchases of shares by the Company in excess of the nominal value) are generally subject to a Swiss federal withholding tax (the "**Withholding Tax**") at a current rate of 35%. The Company is required to withhold this Withholding Tax from the gross distribution and to pay the Withholding Tax to the Swiss Federal Tax Administration. The Withholding Tax is refundable in full to Swiss residents who are the beneficial owners of the taxable distribution at the time it is resolved and duly report the gross distribution received on their personal tax return or in their financial statements for tax purposes, as the case may be. Under certain circumstances distributions out of capital contribution reserves made by shareholders after December 31, 1996 are exempt from Withholding Tax.

In that respect it should, however, be noted that Swiss listed companies are required to fund dividends out of taxable reserves in an amount at least equivalent to capital contribution reserves, meaning that dividends distributed will be subject to Withholding Tax on

at least half of their total amount.

Swiss Issuance Stamp Duty

Switzerland levies a one-time Issuance Stamp Duty (*Emissionsabgabe*) on the issuance of corporate equity capital by Swiss companies. A 1% Swiss Issuance Stamp Duty applies to capital contributions received for the issuance of corporate shares, non-voting shares, participation rights, as well as informal capital contributions in cash or in kind for no consideration. The issuing company is required to make the relevant payment to the Swiss Federal Tax Administration.

Swiss Transfer Stamp Duty upon Transfer of Securities

The sale of the Shares, whether by Swiss resident or Non-resident Holders, may be subject to federal securities Transfer Stamp Duty (*Umsatzabgabe*) of 0.15%, calculated on the gross sale proceeds, if the sale occurs through or with a Swiss bank or other Swiss securities dealer (*Effektenhändler*), as defined in the Swiss Federal Stamp Duty Act. The Transfer Stamp Duty has to be paid by the securities dealer and may be charged to the parties in a taxable transaction who are not securities dealers. In addition to this Transfer Stamp Duty, the sale of shares by or through a member of the SIX may be subject to a minor stock exchange levy.

Income Tax on Dividends

A Swiss Holder who holds shares as private assets ("**Swiss Resident Private Shareholder**") is required to report the receipt of dividends and similar distributions (including stock dividends and liquidation surplus) in its individual income tax returns and is subject to Swiss federal, cantonal and communal income tax on any net taxable income for the relevant tax period.

A Swiss Holder who is Swiss resident for tax purposes, a non-Swiss individual who is subject to Swiss income tax for reasons other than residency and a legal entity tax resident in Switzerland, in each case that holds shares as business assets, and a non-Swiss tax resident legal entity that holds Shares as part of a Swiss permanent establishment or fixed place of business (each, a "**Swiss Resident Commercial Shareholder**") is required to recognize dividends and similar distributions (including stock dividends and liquidation surplus) on shares in its income statement for the relevant taxation period and is subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings for such taxation period. The same tax treatment also applies to a Swiss Holder who, for income tax purposes, is classified as a "professional securities dealer" for reasons of, inter alia, frequent dealing, or leveraged investments, in shares and other securities. Swiss Resident Commercial Shareholders, who are corporate taxpayers, may be eligible for a participation deduction (*Beteiligungsabzug*) in respect of dividends if the Shares held by them as part of a Swiss business have an aggregate market value of at least CHF 1 million.

Taxes upon Disposition of Shares

Capital gains realized on the sale or other disposal of Shares held by a Swiss Resident Private Shareholder are generally not subject to any federal, cantonal or communal

income taxation. However, gains realized upon a repurchase of Shares by the Company may be characterized as taxable dividend income if certain conditions are met. Capital gains realized on shares held by a Swiss Resident Commercial Shareholder are, in general, included in the taxable income of such person.

Residents of Other Countries

Recipients of dividends and similar distributions on the Shares who are neither residents of Switzerland for tax purposes nor holding shares as part of a business conducted through a permanent establishment situated in Switzerland ("**Non-resident Holders**") are not subject to Swiss income tax in respect of such distributions. Moreover, gains realized by such recipients upon the disposal of the Shares are not subject to Swiss income tax.

Non-resident Holders of Shares are, however, subject to the Withholding Tax on dividends and similar distributions mentioned above and under certain circumstances to the Transfer Stamp Duty described above. Such Non-resident Holders may be entitled to a partial refund of the Withholding Tax if the country in which they reside has entered into a bilateral treaty for the avoidance of double taxation with Switzerland. Non-resident Holders should be aware that the procedures for claiming treaty refunds (and the time frame required for obtaining a refund) may differ from country to country. Non-resident Holders should consult their own tax advisors regarding the receipt, ownership, purchase, sale or other dispositions of Shares and the procedures for claiming a refund of the Withholding Tax.

A Non-resident Holder of Shares will not be liable for any Swiss taxes other than the Withholding Tax described above and, if the transfer occurs through or with a Swiss bank or other Swiss securities dealer, the Transfer Stamp Duty described above. If, however, the Shares of Non-resident Holders can be attributed to a permanent establishment or a fixed place of business maintained by such person within Switzerland during the relevant tax year, the Shares may be subject to Swiss income tax in respect of income and gains realized on the Shares and such person may qualify for a full refund of the Withholding Tax based on Swiss tax law.

Residents of the United States

Non-resident Holders who are residents of the United States for purposes of the Treaty are eligible for a reduced withholding tax rate on dividends equal to 15% of the dividend, provided that such holders qualify for benefits under the Treaty and do not conduct business through a permanent establishment or fixed base in Switzerland to which the Shares are attributable. Such holders should consult their own tax advisors regarding their eligibility to claim the reduced rate and the procedures for claiming a refund of the amount of the Withholding Tax levied in excess of the 15% Treaty rate.

International Automatic Exchange of Information in Tax Matters

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement, which is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of automatic exchange of information (the "**AEOI**"). The Federal Act on the International Automatic Exchange of

Information in Tax Matters (the "**AEOI Act**") entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have been, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of specialty (i.e., the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection. The United States is not a treaty state.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland has begun to collect data in respect of financial assets (including shares) held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state from, depending on the effective date of the respective agreement, 2017 or 2018, as the case may be, and has begun to exchange such data in 2018 or 2019, as the case may be.

U.S. Federal Income Taxation

The following is a general discussion of the material U.S. federal income tax consequences of the ownership and disposition of the Shares that may be relevant to you if you are a U.S. Holder (as defined in "*The Spin-Off – Material U.S. Federal Income Tax Consequences of the Spin-off – General*"). This discussion does not address all tax consequences that may be relevant to you in light of your particular circumstances, nor does it address the consequences to shareholders subject to special treatment under the U.S. federal income tax laws, such as those described in section "*The Spin-Off – Material U.S. Federal Income Tax Consequences of the Spin-off – General*". This discussion is based on the Code, Treasury Regulations promulgated under the Code and judicial and administrative interpretations thereof, in each case as in effect as of the date of this Listing Prospectus and all of which are subject to change at any time, possibly with retroactive effect. Any such change could affect the tax consequences described below.

Persons who are subject to U.S. taxation are strongly urged to consult their own tax advisers as to the overall non-U.S. and U.S. federal, state and local tax consequences of the ownership and disposition of the Shares.

Dividends

The gross amount of distributions on the Shares (including any amounts withheld in respect of Withholding Tax) will be taxable as dividends to the extent paid out of the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. You should expect that the full amount of a distribution will generally be treated as a taxable dividend. Such dividends (including Withholding Tax, if any) will be includable in your gross income as ordinary income on the day actually or constructively received by you and will generally not be eligible for the dividends received deduction allowed to corporations under the Code.

Dividend income in respect of the Shares will constitute income from sources outside the United States for U.S. foreign tax credit purposes. Subject to the limitations and conditions provided in the Code, U.S. Holders generally may claim as a credit against their

U.S. federal income tax liability any Withholding Tax withheld from a dividend. The rules governing the foreign tax credit are complex. Each U.S. Holder is urged to consult its own tax advisor concerning whether, and to what extent, a foreign tax credit will be available with respect to dividends received from us.

In general, a U.S. Holder will be required to determine the amount of any dividend paid in Swiss francs, including the amount of any Withholding Tax imposed thereon, by translating the Swiss francs into U.S. dollars at the spot rate on the date the dividend is actually or constructively received by a U.S. Holder, regardless of whether the Swiss francs are in fact converted into U.S. dollars. If a U.S. Holder converts the Swiss francs so received into U.S. dollars on the date of receipt, the U.S. Holder generally should not recognize foreign currency gain or loss on such conversion. If a U.S. Holder does not convert the Swiss francs so received into U.S. dollars on the date of receipt, the U.S. Holder will have a tax basis in the Swiss francs equal to the U.S. dollar value on such date. Any foreign currency gain or loss that a U.S. Holder recognizes on a subsequent conversion or other disposition of the Swiss francs generally will be treated as U.S. source ordinary income or loss.

For a non-corporate U.S. Holder, the U.S. dollar amount of any dividends paid that constitute qualified dividend income is generally taxable at the applicable preferential long-term capital gain rate, provided that the U.S. Holder meets certain holding period and other requirements. The Company currently believes that dividends paid with respect to its shares will constitute qualified dividend income for U.S. federal income tax purposes.

Sale or Other Taxable Disposition

Upon a sale or other taxable disposition of the Shares, U.S. Holders generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of the amount realized on the disposition and the U.S. Holder's tax basis (determined in U.S. dollars) in the Shares. This capital gain or loss generally will be U.S. source gain or loss and will be treated as long-term capital gain or loss if the holding period in the shares exceeds one year. In the case of a non-corporate U.S. Holder, any long-term capital gain generally will be subject to U.S. federal income tax at preferential rates. The deductibility of capital losses is subject to limitations under the Code.

A U.S. Holder that receives foreign currency from a sale or disposition of Shares generally will realize an amount equal to the U.S. dollar value of the foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognize foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to the U.S. dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Medicare Tax

Certain U.S. Holders who are individuals, estates, or trusts are required to pay a 3.8% Medicare surtax on all or part of such holder's "net investment income", which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the Shares, subject to certain limitations and exceptions. Prospective investors should consult their own tax advisors regarding the effect, if any, of this surtax on their ownership and disposition of the Shares.

U.S. Information Reporting and Backup Withholding

Dividend payments with respect to the Shares and proceeds from the sale, exchange or other disposition of shares received in the United States or through U.S.-related financial intermediaries, may be subject to information reporting to the IRS and possible U.S. backup withholding. Certain exempt recipients (such as corporations) are not subject to these information reporting and backup withholding requirements. Backup withholding will not apply to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. Any U.S. Holders required to establish their exempt status generally must provide a properly-executed IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder’s U.S. federal income tax liability, and a U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

GENERAL INFORMATION

Legal form, Jurisdiction, Incorporation, Name, Register, Duration, Registered Address, Head Office

The Company is a stock corporation (*Aktiengesellschaft*) organized under the laws of Switzerland in accordance with articles 620 ff. CO with unlimited duration.

The Company is registered with the commercial register of the Canton of Zug under the company registration number CHE-433.164.136. The articles of association in effect at the date of this Listing Prospectus are dated November 24, 2022, and the Articles that will be in effect as of the First Day of Trading are envisaged to be adopted and registered in September 2023.

The Company's registered address (*Domiziladresse*) and head office is at is at Suurstoffi 14, 6343 Rotkreuz, Switzerland, and its legal seat is in Risch, Switzerland. The Company's Legal Entity Identifier (LEI) is 5493000JWK6XWFEUD320.

Corporate Purpose and Financial Year

The Company's purpose, as set out in article 2 of the Articles, is as follows:

> "*[1] The Company strives to pioneer access for patients to healthcare, in particular generic and biosimilar medicines. For this purpose, the Company acquires, manages and sells participations and intellectual property in the healthcare and medical device industries and conducts all business activities that are directly or indirectly connected with this purpose in Switzerland and abroad.*
>
> *[2] The Company may acquire, sell, mortgage or manage participations in other companies, intellectual property, real estate and may establish branches and subsidiaries in Switzerland and abroad.*
>
> *[3] In pursuing its purpose, the Company strives to become the world's leading and most valued generics and biosimilars company.*"

Auditors

The Company's statutory external auditors are PricewaterhouseCoopers AG (CHE-393.441.652), St. Jakobs-Strasse 25, Postfach, 4002 Basel, Switzerland. The current auditor in charge is Claudia Benz. The Company's auditors are subject to the supervision of the Swiss Federal Audit Oversight Authority (*Revisionsaufsichtsbehörde*, RAB).

According to the Articles, the external auditors are elected (or re-elected, as the case may be) at each annual General Meeting for a term of office until the completion of the following annual General Meeting.

It is planned that at an extraordinary General Meeting of the Company shortly before the Spin-off, KPMG AG (CHE-154.017.048), Grosspeteranlage 5, 4052 Basel, Switzerland, will be elected as new auditor as of the First Day of Trading. The auditor was selected in a fair, non-discriminatory, transparent and balanced tender process. Key criteria for the

selection included the auditor's independence from the Company, expertise, experience, and footprint to audit a company with our global scale and complexity of operations.

Independent Proxy

Pursuant to the CO and the Company's Articles, the annual General Meeting elects the independent voting rights representative for a term ending at the conclusion of the next annual General Meeting. Re-election is possible.

At the Company's extraordinary General Meeting held on August 17, 2023, Advoro Zürich AG, Bellerivestrasse 21, 8008 Zurich, Switzerland was elected as the independent proxy with effect as of the First Day of Trading and for a term ending at the conclusion of the next annual General Meeting.

Notices

According to the Articles, to the extent that personal notification is not mandated by law, all communications from the Company to its shareholders are validly made by publication in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) (currently: https://www.shab.ch). Registered shareholders may also be informed by regular mail to the addresses entered in the Share Register, by email or in any other form that the Board of Directors deems appropriate.

Any notices containing or announcing amendments or changes to the terms of this Listing Prospectus will be announced through electronic media. Notices required under the Listing Rules will be published on the website of SER (currently: https://www.ser-ag.com/de/resources/notifications-market-participants/official-notices. html#/).

Information Policy

The Company releases its annual financial results in the form of an annual report. Its annual report is published in print and electronic form within four months of the December 31 balance sheet date. In addition, results for the first half of each financial year are released in electronic form within three months of the June 30 balance sheet date. The Company's annual report and half-year results will be announced via press releases and media and investor conferences in person or virtually.

From the First Day of Trading, copies of all information and documents pertaining to press releases, media conferences, investor updates and presentations at analyst and investor presentation conferences can be downloaded from the Company's website at www.sandoz.com or obtained from the Company upon request at Sandoz Group AG, Investor Relations, Suurstoffi 14, 6343 Rotkreuz, Switzerland (email: investor.relations@sandoz.com).

Weblinks

The Company's website: www.sandoz.com

As of the First Day of Trading, the following weblinks will be available:

Email distribution list (push system):	https://www.sandoz.com/media-release-subscription
Ad hoc messages (pull system):	https://www.sandoz.com/media-releases
Financial Reports:	https://www.sandoz.com/financial-reports
Corporate Calendar:	https://www.sandoz.com/corporate-calendar

Security Numbers, Ticker Symbol and Trading Currency

The security numbers, ticker symbol and trading currency for the Shares are as follows: Swiss Security Number (*Valorennummer*):	124.359.842
International Security Identification Number (ISIN):	CH1243598427
Ticker symbol for the Shares:	SDZ
Trading currency	CHF

Listing Agent

UBS AG is acting as recognized representative of the Company for the listing of the Shares on SIX Swiss Exchange in accordance with the International Reporting Standard within the meaning of article 58a of the Listing Rules.

Applicable Law and Jurisdiction

This Listing Prospectus is governed by Swiss law. Any disputes arising under or in connection with this Listing Prospectus shall be settled by the competent courts in Zurich, Canton of Zurich, Switzerland.

INDEX TO FINANCIAL STATEMENTS

Audited combined financial statements of the Novartis AG Sandoz business as of and for the years ended December 31, 2022, 2021 and 2020

Audited financial statements of Sandoz Group AG as of and for the year ended December 31, 2022

Independent auditor's report

to the Board of Directors of Sandoz Group AG

Risch

Opinion

On your instructions, we have audited the combined financial statements of the Novartis AG Sandoz business (as defined in Note 1. "Description of business and scope of combination" to the combined financial statements, also referred to as the "Company"), which comprise the combined income statements and combined statements of comprehensive income for the year ended 31 December 2022, 2021 and 2020, the combined balance sheets as at 31 December 2022, 2021 and 2020, and the combined statements of changes in invested capital and combined statements of cash flows for the years then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the combined financial statements (pages F-4 - F-60) give a true and fair view of the financial position of the Novartis AG Sandoz business as at 31 December 2022, 2021 and 2020 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the combined financial statements" section of our report. We are independent of the Company in accordance with the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting and restriction on use

We draw attention to the fact that, as described in Note 2 "Basis of preparation" to the combined financial statements, the Company has not operated as a separate entity. These combined financial statements are, therefore, not necessarily indicative of results that would have occurred if the Company had been a separate stand-alone entity during the years presented or of future results of the combined businesses.

The combined financial statements are prepared for the purpose of the initial listing Sandoz Group AG's shares on the SIX Swiss Exchange. As a result, the combined financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of these matters.

Responsibilities of Management and the Board of Directors for the combined financial statements

Management is responsible for the preparation of the combined financial statements that give a true and fair view in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

PricewaterhouseCoopers AG, St. Jakobs-Strasse 25, Postfach, 4002 Basel, Switzerland
Telefon: +41 58 792 51 00, www.pwc.ch

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISAs and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers AG

Claudia Benz
Licensed audit expert

Dr. Michael Abresch
Licensed audit expert

Basel, 17 August 2023

Novartis AG Sandoz business combined financial statements

Combined income statements

(For the years ended December 31, 2022, 2021 and 2020)

(USD millions unless indicated otherwise)	Note	2022	2021	2020
Net sales to third parties	6	**9 069**	**9 443**	**9 468**
Sales to Novartis Group	24	207	176	158
Net sales		**9 276**	**9 619**	**9 626**
Other revenues	6	30	59	32
Cost of goods sold		– 4 928	– 5 079	– 5 199
Gross profit		**4 378**	**4 599**	**4 459**
Selling, general and administration		– 2 127	– 2 127	– 2 132
Development and regulatory		– 833	– 911	– 873
Other income		111	240	167
Other expense		– 290	– 407	– 819
Operating income		**1 239**	**1 394**	**802**
Interest expense	7	– 89	– 65	– 72
Other financial income and expense	7	– 48	– 16	– 24
Income before taxes		**1 102**	**1 313**	**706**
Income taxes	8	– 252	– 403	– 242
Net income		**850**	**910**	**464**
Attributable to:				
Novartis AG		*848*	*908*	*462*
Non-controlling interests		*2*	*2*	*2*

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

Combined statements of comprehensive income

(For the years ended December 31, 2022, 2021 and 2020)

(USD millions)	Note	2022	2021	2020
Net income		**850**	**910**	**464**
Other comprehensive income				
Items that are or may be recycled into the combined income statement				
Currency translation effects, net of taxes of USD nil in 2022, USD nil in 2021 and USD nil in 2020		– 143	– 294	163
Items that will never be recycled into the combined income statement				
Actuarial gains/(losses) from defined benefit plans, net of taxes of USD -18 million in 2022, USD -8 million in 2021 and USD 1 million in 2020		75	30	– 5
Total comprehensive income		**782**	**646**	**622**
Attributable to:				
Novartis AG		*780*	*644*	*620*
Non-controlling interests		*2*	*2*	*2*

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

Combined balance sheets

(At December 31, 2022, 2021, 2020 and January 1, 2020)

(USD millions)	Note	**December 31, 2022**	December 31, 2021	December 31, 2020	January 1, 2020
Assets					
Non-current assets					
Property, plant and equipment	9	1 791	1 803	1 909	1 785
Right-of-use assets	10	113	130	166	136
Goodwill	11	7 437	7 683	7 923	7 433
Intangible assets other than goodwill	11	1 454	1 581	1 538	1 124
Deferred tax assets	12	713	717	708	597
Financial assets	13	33	32	30	30
Other non-current assets	13	40	31	29	36
Total non-current assets		**11 581**	**11 977**	**12 303**	**11 141**
Current assets					
Inventories	14	2 124	2 006	2 350	1 877
Trade receivables	15	2 207	2 110	2 160	2 263
Receivables from Novartis Group	24	91	97	75	115
Income tax receivables		28	33	33	12
Other financial receivables from Novartis Group	24	1 012	885	561	657
Cash and cash equivalents		74	40	39	33
Other current assets	16	440	394	425	484
Total current assets without disposal group		**5 976**	**5 565**	**5 643**	**5 441**
Assets of disposal group held for sale	4				841
Total current assets		**5 976**	**5 565**	**5 643**	**6 282**
Total assets		**17 557**	**17 542**	**17 946**	**17 423**
Invested capital and liabilities					
Invested capital		**8 760**	**8 163**	**7 723**	**8 046**
Liabilities					
Non-current liabilities					
Financial debts	17	30	17		
Lease liabilities	10	88	103	132	110
Deferred tax liabilities	12	286	294	328	318
Provisions and other non-current liabilities	18	479	600	611	522
Total non-current liabilities		**883**	**1 014**	**1 071**	**950**
Current liabilities					
Trade payables		1 100	1 014	943	1 041
Payables to Novartis Group	24	257	159	151	253
Financial debts and derivative financial instruments	17	185	158	167	175
Other financial liabilities to Novartis Group	24	3 851	4 629	4 953	4 200
Lease liabilities	10	31	34	39	32
Current income tax liabilities		231	200	452	338
Provisions and other current liabilities	19	2 259	2 171	2 447	2 357
Total current liabilities without disposal group		**7 914**	**8 365**	**9 152**	**8 396**
Liabilities of disposal group held for sale	4				31
Total current liabilities		**7 914**	**8 365**	**9 152**	**8 427**
Total liabilities		**8 797**	**9 379**	**10 223**	**9 377**
Total Invested capital and liabilities		**17 557**	**17 542**	**17 946**	**17 423**

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

Combined statements of changes in invested capital

(For the years ended December 31, 2022, 2021 and 2020)

(USD millions)	Retained earnings	Actuarial gains/(losses) from defined benefit plans, net of taxes	Currency translation effects, net of taxes	Total value adjustments	Invested capital attributable to Novartis AG	Non-controlling interests	Total invested capital
Invested capital at January 1, 2020	**8 038**	**– 134**	**136**	**2**	**8 040**	**6**	**8 046**
Net income	462				462	2	464
Other comprehensive income		– 5	163	158	158		158
Total comprehensive income	**462**	**– 5**	**163**	**158**	**620**	**2**	**622**
Movements of financing provided to Novartis Group	– 1 018				– 1 018		– 1 018
Other transactions with Novartis Group	73				73		73
Total of other movements	**– 945**				**– 945**		**– 945**
Total invested capital at December 31, 2020	**7 555**	**– 139**	**299**	**160**	**7 715**	**8**	**7 723**
Net income	908				908	2	910
Other comprehensive income		30	– 294	– 264	– 264		– 264
Total comprehensive income	**908**	**30**	**– 294**	**– 264**	**644**	**2**	**646**
Movements of financing provided by Novartis Group	– 345				– 345		– 345
Other transactions with Novartis Group	139				139		139
Total of other movements	**– 206**				**– 206**		**– 206**
Total invested capital at December 31, 2021	**8 257**	**– 109**	**5**	**– 104**	**8 153**	**10**	**8 163**
Net income	848				848	2	850
Other comprehensive income		75	– 143	– 68	– 68		– 68
Total comprehensive income	**848**	**75**	**– 143**	**– 68**	**780**	**2**	**782**
Movements of financing provided by Novartis Group	– 132				– 132		– 132
Hyperinflation accounting impacts	48				48		48
Other transactions with Novartis Group	– 101				– 101		– 101
Total of other movements	**– 185**				**– 185**		**– 185**
Total invested capital at December 31, 2022	**8 920**	**– 34**	**– 138**	**– 172**	**8 748**	**12**	**8 760**

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

Combined statements of cash flows

(For the years ended December 31, 2022, 2021 and 2020)

(USD millions)	Note	2022	2021	2020
Net income		**850**	**910**	**464**
Adjustments to reconcile net income to net cash flows from operating activities				
Reversal of non-cash items and other adjustments	20.1	958	1 070	1 747
Interest received		8	5	3
Interest paid		– 80	– 62	– 70
Other financial payments		– 39	– 21	– 27
Income taxes paid		– 273	– 485	– 295
Net cash flows from operating activities before working capital and provision changes		**1 424**	**1 417**	**1 822**
Payments out of provisions and other net cash movements in non-current liabilities		– 165	– 395	– 444
Change in net current assets and other operating cash flow items	20.2	– 36	332	– 280
Net cash flows from operating activities		**1 223**	**1 354**	**1 098**
Purchases of property, plant and equipment		– 278	– 313	– 226
Proceeds from sale of property, plant and equipment		9	28	6
Purchases of intangible assets		– 149	– 103	– 100
Proceeds from sale of intangible assets		32	62	41
Purchases of financial assets		– 6	– 3	– 2
Proceeds from sale of financial assets		1	2	1
Purchases of other non-current assets			– 2	– 4
Acquisitions and divestments of businesses, net	20.3	– 39	– 362	– 264
Net cash flows used in investing activities		**– 430**	**– 691**	**– 548**
Cash flows used in financing activities with Novartis Group, net	20.4	– 791	– 653	– 486
Increase in non-current financial debts	20.5	16	16	
Change in current financial debts	20.5	43	23	– 18
Payments of lease liabilities	20.5	– 37	– 43	– 43
Net cash flows used in financing activities		**– 769**	**– 657**	**– 547**
Net change in cash and cash equivalents before effect of exchange rate changes		**24**	**6**	**3**
Effect of exchange rate changes on cash and cash equivalents		10	– 5	3
Net change in cash and cash equivalents		**34**	**1**	**6**
Cash and cash equivalents at January 1		40	39	33
Cash and cash equivalents at December 31		**74**	**40**	**39**

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

Notes to the Novartis AG Sandoz business combined financial statements

1. Description of business and scope of combination

These combined financial statements comprise the Novartis AG (Novartis Group or Novartis) Sandoz business (Sandoz or the Company). Sandoz is a multinational group of companies operating in the off-patent medicines segment and specializes in the development, manufacturing and marketing of generic pharmaceuticals and biosimilars.

The combined financial statements have been prepared for the separation of the Sandoz business from the Novartis Group through a Spin-off to the Novartis shareholders and the intended listing on the SIX Swiss exchange. This separation is subject to certain conditions precedent Novartis shareholder approval in line with Swiss corporate law, no order prohibiting (and no other event outside the control of Novartis preventing) the Spin-off and no material adverse change.

The combined financial statements of the Novartis AG Sandoz business reflect the assets, liabilities, results and cash flows of the Sandoz legal entities and Novartis legal entities, over which Novartis directly or indirectly has control (generally as a result of Novartis owning more than 50% of the entity's voting interest), to the extent they are related to the Sandoz business.

As a result, the Novartis AG Sandoz business does not currently constitute a separate group of legal entities.

The combined financial statements of the Sandoz business comprise its combined income statements, combined statements of comprehensive income, combined balance sheets, the combined statements of changes in invested capital and combined statements of cash flows for the three years ended December 31, 2022, 2021 and 2020.

The country of operation and percentage ownership of the legal entities included in the combined financial statements are disclosed in Note 28.

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2. Basis of preparation

The combined financial statements have been prepared in accordance with the basis of preparation as described in this Note 2 and with the accounting policies as described in Note 3.

The company did not publish standalone financial statements in the past. As a result, these combined financial statements have been derived from the Novartis Group accounting records, that were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

As it is the first time that the Company applies IFRS on a standalone basis, for the purpose of the preparation of these standalone combined financial statements, IFRS 1 — First-time Adoption of International Financial Reporting Standards was required to be applied. As a result, the combined financial statements include the January 1, 2020 combined balance sheet (the opening statement of financial position). Also included are, three years of combined balance sheets as of December 31, 2022, 2021 and 2020, together with the related note disclosures. As the Sandoz business applied IFRS as a division of the Novartis Group, the various reconciliations disclosures of IFRS 1 are not applicable.

IFRS does not provide specific principles or guidance for the preparation of combined financial statements for carve-out financial statements, and accordingly in preparing the combined financial statements certain accounting and allocation conventions commonly used in practice for the preparation of carve-out financial statements were applied. The assets and liabilities included in the combined balance sheets were measured at the carrying amounts recorded in Novartis Group consolidated financial statements.

As these combined financial statements have been derived from the Novartis Group accounts, the reference date used for determining adjusting post balance sheet events is the date that the Novartis accounts were approved for issuance. Any post balance sheet events that occurred post the approval date of the Novartis accounts are accounted for in the period in which they occurred. Any material events that occurred post the January 31, 2023 approval date of the 2022 Novartis consolidated financial statements are disclosed in Note 27.

The business of Sandoz did not form a separate legal group of companies in all years presented. The accompanying combined financial statements were prepared on a standalone basis and are derived (carved-out) from Novartis AG's consolidated financial statements and accounting records of the Novartis Group. They include all Sandoz subsidiaries and all Sandoz business operated within Novartis Group subsidiaries. Entities included in the combined financial statements are also referred to as "subsidiaries."

The preparation of carve-out financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during

the year that affect the reported amounts of assets and liabilities as well as expenses. Actual outcomes and results could differ from those estimates and assumptions.

The following paragraphs describe the significant estimates and assumptions applied by management in the preparation of these combined financial statements.

These combined financial statements include the revenue, expenses, assets and liabilities within Novartis subsidiaries that are attributable to the Sandoz business and exclude the revenue, expenses, assets and liabilities within Sandoz subsidiaries not attributable to the Sandoz business.

These combined financial statements exclude, in all years presented, the assets, liabilities and results of operations of the biotechnology manufacturing services to other companies' activities and the Coartem brand that effective as of January 1, 2023, in connection with a Novartis Group business reorganization, were transferred to the Innovative Medicines Division of Novartis; previously this business was part of the Sandoz Division within the Novartis Group.

Goodwill related to the Company has been included in the combined financial statements based on the allocation of goodwill in the Novartis Group accounts. The amount included in the combined financial statements has been adjusted using the relative fair value approach for businesses that have been retained by Novartis.

The combined financial statements include intangible assets and property, plant and equipment and the related charges which are specific to the Company or where the Company is deemed the major user.

Right of use assets where the Company is the major user have been included in the combined financial statements together with the related lease liabilities, interest expenses and amortization.

Liabilities and expenses relating to incentives in the form of Novartis AG shares that are provided to employees of the Company under the share award scheme of the Novartis Group have been included in the combined financial statements.

Legal proceedings attributable to the Sandoz business to which the Company or its subsidiaries are a party have been reflected in the combined financial statements and related disclosures.

Novartis Operations (formally Novartis Technical Operations) managed the production, supply chain and quality of Innovative Medicines Division and the Sandoz Division of the Novartis Group. Certain Novartis manufacturing sites perform production services for both the Sandoz and Innovative Medicines Divisions of Novartis Group (''multi-divisional manufacturing sites''). These combined financial statements include the carrying value of the manufacturing sites where the majority of the production is attributable to Sandoz (the major user). The inventory, sales and production costs of these multi-divisional manufacturing sites that is attributable to the products of the Sandoz and Innovative Medicines Divisions of Novartis Group were accounted for and reported separately by the Sandoz and Innovative Medicines Divisions of Novartis Group within Novartis Group accounting systems. The supply chains of the Sandoz and Innovative Medicines Divisions of Novartis Group each manage separately the distribution of their respective products produced in these multi-divisional manufacturing sites. As a result, there was no requirement for inter-divisional trading arrangements between the Sandoz and Innovative Medicines Divisions of Novartis Group for the products produced in these multi-divisional manufacturing sites. Manufacturing costs attributable to the Sandoz business' products produced in these multi-divisional manufacturing sites were recognized in these combined financial statements at cost of production.

These combined financial statements include the attribution of certain assets and liabilities that were historically held at the Novartis corporate level that are specifically identifiable or attributable to the Company on a standalone basis and were recognized on the combined balance sheets through retained earnings in invested capital. The most significant of which were defined benefit plans, current and deferred income taxes, financial debts, and financial investments.

Novartis manages its global currency exposure by engaging in hedging transactions where management deems appropriate. The income and expenses related to these hedging transactions have been allocated to the Company based on the estimated currency exposure of the Company's operations and are recorded to other financial income and expense in the combined income statements and recognized directly through retained earnings in invested capital.

Novartis uses a centralized approach to cash management and financing of operations. The majority of the Company's subsidiaries are party to Novartis cash pooling arrangements with several financial institutions to maximize the availability of cash for general operating and investing purposes. Under these cash pooling arrangements, cash balances were swept by Novartis regularly from the Company's bank accounts. The net position with the Novartis cash pooling accounts at the end of each reporting period were reflected in combined balance sheet in ''Other financial receivables from Novartis Group'' or ''Other financial liabilities to Novartis Group''. Financing transactions between Novartis and the Company that were specifically related to the operation of the Company's business, were reflected in combined balance sheet in ''Other financial receivable from Novartis Group'' or ''Other financial liabilities to Novartis Group''. The related interest income and expense attributable to these financial receivables from Novartis Group and financial liabilities to Novartis Group are recognized in the combined income statements in the line interest income and interest expense, respectively. The funding structure reflected in these combined financial statements is not necessarily representative of the financing that would have been reported if the Company operated on a standalone basis during the periods presented, nor is it indicative of the financing structure that may arise in the future.

Novartis third-party debt and the related interest expense were not allocated to the Company when the Company's subsidiaries were not the legal obligor of the debt and when Novartis borrowings were not directly attributable to the Company's business. These combined financial statements include third-party debt and the related interest expense when the Company's subsidiar-

ies were the legal obligor of the debt and when the borrowings were directly attributable to the Company's business. See Note 17.

The Company's employees participate in defined benefit pension and other postretirement plans sponsored by Novartis, in some countries these are single employer plans dedicated to the Sandoz business employees and in other countries these are plans where employees of Sandoz and employees of the Novartis Group are participants. The net defined benefit and other postretirement plan liabilities and pension costs attributable to Sandoz were calculated based on the employees of the Company and pensioners of transferring legal entities and were included in these combined financial statements, to the extent that the corresponding pension obligations and plan assets under those plans are expected to transfer to the Company under the planned separation of Sandoz, see Note 1. See Note 22 for additional disclosure on post-employment benefits for employees.

Income taxes attributable to the Sandoz business were determined using the separate tax return approach, under which current income taxes, including uncertain tax positions, and deferred income taxes are calculated as if a separate tax return had been prepared in each tax jurisdiction. In various tax jurisdictions, Sandoz and Novartis businesses operated within the same legal entity and certain Sandoz subsidiaries were part of a Novartis tax group. This required an assumption that the subsidiaries and operations of the Company in those tax jurisdictions operated on a standalone basis and constitute separate taxable entities. Actual outcomes and results could differ from these separate tax return estimates, including those estimates and assumptions related to realization of tax benefits within these Novartis tax groups. Uncertain tax positions have been included in the Combined Carve-Out Financial Statements based on the separate return method for the Combined Statement of Income. See Note 8 and Note 12 for additional disclosures on income taxes. The surviving legal entity approach has been used for the uncertain tax positions in the Combined Balance Sheet. Under the surviving legal entity approach (Combined Balance Sheet) the uncertain tax positions have been reported in the event they affect deferred tax assets and/or reflect potential income tax liabilities that would be legally retained by surviving Sandoz legal entities.

The Company's invested capital in these combined financial statements represents the excess of total assets over total liabilities. As the Sandoz business does not currently constitute a separate group of legal entities invested capital is presented with no separate presentation of share capital in the combined financial statements. In addition to the items described above, invested capital was impacted by the following:

- Currency translation adjustments of Sandoz legal entities were included in the combined financial statements. For Sandoz business operating within Novartis Group legal entities, over which the Company has control, currency translations were allocated between Sandoz business and the Novartis business by applying allocation keys based on net assets of each respective business, and the portion allocated to the Sandoz business included in the combined financial statements.
- Other transactions with Novartis Group as shown on the combined statements of changes in invested capital represents the movements in invested capital resulting from the preparation of the combined financial statements in accordance with the basis of presentation described in this Note 2.
- Movements of financing provided to Novartis Group as shown on the combined statements of changes in invested capital and on the combined cash flow statements primarily represent the net contributions from Sandoz to Novartis Group.
- Certain loans from Novartis Group were excluded liabilities as they were equity loans in nature or were subject to an equity recapitalization and were recognized directly to retained earnings in invested capital.
- Dividend and other equity transactions between the Company and Novartis were recognized directly to retained earnings in invested capital.

These combined financial statements include charges and allocation of expenses related to certain Novartis business support functions coming from Novartis Operations (formally the Customer & Technology Solutions (CTS) and before CTS formerly Novartis Business Services) and Novartis corporate general and administration functions. The Company considers the charges and allocation methodology and results to be reasonable for all periods presented. However, the charges and allocations may not be indicative of the actual expense that would have been incurred had the Company operated as an independent, publicly traded company for all periods presented. These services include:

- Human resources operations, real estate and facility services, including site security and executive protection, procurement, information technology, commercial and medical support services and financial reporting and accounting operations.
- Areas of corporate governance, including board of directors, corporate responsibility and other corporate functions, such as tax, corporate governance and listed company compliance, investor relations, internal audit, treasury, communications functions and the net interest on the net defined benefit liability that were not charged or allocated to the Sandoz business in the past.

These combined financial statements include a consistent and reasonable allocation of these costs and net interest on the net defined benefit liability, based on reasonable assumptions and estimates. The cost allocations were based on the direct and indirect costs incurred to provide the respective services. When specific identification was not practicable, a proportional cost allocation method was used, primarily based on sales, or headcount. See Note 24 for additional disclosures.

Although, the combined financial statements reflect management's best estimate of all historical costs related to the Company, this may however not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Company been a separate standalone entity, nor the future results of the Com-

pany as it will exist upon completion of the planned separation, as described in Note 1.

3. Significant accounting policies

The combined financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They are prepared in accordance with the historical cost convention, except for items that are required to be accounted for at fair value. All intercompany transactions and accounts within the Company were eliminated.

The Company's financial year-end is December 31, which is also the annual closing date of the individual entities' financial statements incorporated into the Company's combined financial statements; refer to Note 1 for additional information on the scope of combination and Note 2 for additional information on the principles of combination for these combined financial statements.

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

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

Listed below are accounting policies of significance to the Company or, in cases where IFRS provides alternatives, the option adopted by the Company.

Foreign currencies

The combined financial statements of the Company are presented in US dollars (USD). The functional currency of a subsidiary is generally the local currency of that respective entity. The functional currency used for the reporting of certain Swiss and foreign finance entities is USD instead of their respective local currencies. This reflects the fact that the cash flows and transactions of these entities are primarily denominated in this currency.

For subsidiaries not operating in hyperinflationary economies, the subsidiary's results, financial position and cash flows that do not have USD as their functional currency are translated into USD using the following exchange rates:

- Income, expense and cash flows for each month using the average exchange rate, with the US dollar values for each month being aggregated during the year
- Balance sheet using year-end exchange rates
- Resulting exchange rate differences are recognized in other comprehensive income

For subsidiaries operating in hyperinflationary economies, the impact of the restatement of the non-monetary assets and liabilities with the general price index at the beginning of the period is recorded in retained earnings in equity. The subsequent gains or losses resulting from the restatement of non-monetary assets are recorded in "Other financial income and expense" in the combined income statement.

Non-current assets held for sale

Non-current assets are accounted for as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and any resulting impairment is recognized. Assets of a disposal group held for sale are not depreciated or amortized. The prior year consolidated balance sheet is not restated. If in a subsequent period, the criteria for classification as held for sale are no longer met, the recoverable amount of assets and liabilities are reclassified out of assets held for sale into the respective balance sheet lines and the prior year consolidated balance sheet is not restated. The cumulative amount of depreciation and amortization not recorded since the date of their classification as assets held for sale, and any required adjustments to the recoverable amounts of assets are recognized in the consolidated income statement.

Acquisition of assets and businesses

Assets separately acquired are recorded at cost, which includes the purchase price and any directly attributable costs for bringing the asset into the condition to operate as intended. Expected costs for obligations to dismantle and remove property, plant and equipment and restore the site when it is no longer used are included in their cost.

Acquired businesses are accounted for by applying the acquisition method, unless the optional concentration test is applied. The optional concentration test allows for an election on a transaction-by-transaction basis to account for the acquired business as an asset separately acquired when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The acquisition method requires that the assets acquired and liabilities assumed be recorded at their respective fair values on the date the Company obtains

control. The excess of the fair value of the total purchase consideration transferred over the fair value of the acquired assets and assumed liabilities is recognized as goodwill. The valuations are based on information available at the acquisition date. Acquisition related costs are expensed as incurred.

The application of the acquisition method requires certain estimates and assumptions to be made, especially concerning the fair values of the acquired intangible assets, inventories, property, plant and equipment and the liabilities assumed at the acquisition date, and the useful lives of the intangible assets and property, plant and equipment. Estimates of fair value require the use of valuation techniques. These valuations require the use of management assumptions and estimates, including the value of comparable assets in the market, amount and timing of future cash flows, outcomes and costs of research and development activities, probability of obtaining regulatory approval, long-term sales forecasts, actions of competitors, discount rates and terminal growth rates. The section "—Impairment of goodwill and intangible assets" in this Note 3 provides additional information on key assumptions that are highly sensitive in the estimation of fair values using valuation techniques.

Property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis in the combined income statement over the estimated useful life of the individual asset. Freehold land is not depreciated. The related depreciation expense is included in the costs of the functions using the asset.

Property, plant and equipment is assessed for impairment whenever there is an indication that the balance sheet carrying amount may not be recoverable using cash flow projections over the useful life.

The following table shows the estimated useful life by major categories for property, plant and equipment:

	Useful life
Buildings	20 to 40 years
Machinery and other equipment	
Machinery and equipment	7 to 20 years
Furniture and vehicles	5 to 10 years
Computer hardware	3 to 7 years

Government grants obtained for construction activities, including any related equipment, are deducted from the gross acquisition cost to arrive at the balance sheet carrying value of the related assets.

Leases and right-of-use assets

As lessee, at inception and upon the modification of a contract the Company assesses whether the contract contains a lease. The Company elected to allocate the consideration in the contract to the lease and non-lease components on the basis of the relative standalone price of each component.

The Company recognizes a right-of-use asset and a corresponding lease liability for all arrangements in which it is a lessee, except for leases with a term of 12 months or less (short-term leases) and low-value leases. For these short-term and low-value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the future lease payments as from the commencement date of the lease to the end of the lease term. The lease term includes the period of any lease extension that management assess as reasonably certain to be exercised by the Company. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, the Company's incremental borrowing rate for the asset subject to the lease in the relevant market.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a change to the lease terms or expected payments under the lease, or a modification that is not accounted for as a separate lease.

The portion of the lease payments attributable to the repayment of lease liabilities is recognized in cash flows used in financing activities, and the portion attributable to the payment of interest is included in cash flows from operating activities.

Right-of-use assets are initially recognized on the balance sheet at cost, which comprises the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease, any lease incentive received, and any initial direct costs incurred by the Company, and expected costs for obligations to dismantle and remove right-of-use assets when they are no longer used.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are assessed for impairment whenever there is an indication that the balance sheet carrying amount may not be recoverable using cash flow projections for the useful life.

In arrangements where the Company is the lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. Leases that transfer substantially all of the risk and rewards incidental to ownership of the underlying asset to the counterparty (the lessee) are accounted for as finance leases. Leases that do not transfer substantially all of the risks and rewards of ownership are accounted for as operating leases. Operating lease payments received are recognized on a straight-line basis over the lease term in the combined income statement in "other income."

Goodwill and intangible assets

Goodwill

Goodwill arises on applying the acquisition method on the acquisition of a business and is the excess of the fair value of the consideration transferred to acquire the

business over the underlying fair value of the net identified assets acquired. It is allocated to groups of cash-generating units (CGU), that are expected to benefit from the synergies of the combination, and which are usually represented by the single operating segment. Goodwill is tested for impairment annually at the level of these groups of CGUs, and any impairment charges are recorded under "Other expense" in the combined income statement.

Intangible assets available for use

The Company has the following classes of available for use intangible assets: currently marketed products; technologies and other intangible assets (including software).

Currently marketed products represent the composite value of acquired intellectual property (IP), patents, distribution rights and product trade names.

Technologies represent identified and separable acquired know-how used in the research, development and production processes.

Significant investments in internally developed and acquired computer software are capitalized and included in the "Other" category, and amortized once available for use.

Intangible assets available for use with a definite useful life are amortized over their estimated useful lives on a straight-line basis and are evaluated for potential impairment whenever facts and circumstances indicate that their carrying value may not be recoverable.

The following table shows the estimated useful life by major categories for intangible assets available for use and the line in the combined income statement in which the amortization and any potential impairment charge is recognized:

	Useful life	Income statement line for amortization and impairment charges
Currently marketed products	5 to 20 years	"Cost of goods sold"
Technologies	10 to 20 years	"Cost of goods sold" or "Research and development"
Other (including software)	3 to 12 years	In the relevant functional expense

Intangible assets not yet available for use

Acquired research and development intangible assets that have not yet obtained marketing approval are recognized as in-process research and development (IPR&D).

IPR&D is not amortized, but is evaluated for potential impairment on an annual basis or when facts and circumstances warrant. Any impairment charge is recorded in the combined income statement under "Development and regulatory." Once a project included in IPR&D has received marketing approval from a regulatory authority, it is transferred to the "Currently marketed products" category.

Impairment of goodwill and intangible assets

An asset, a CGU or a grouping of CGUs is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use. Usually, the Company applies the fair value less costs of disposal method for its impairment assessment. In most cases, no directly observable market inputs are available to measure the fair value less costs of disposal. Therefore, an estimate is derived indirectly and is based on net present value techniques utilizing post-tax cash flows and discount rates. In the limited cases where the value-in-use method would be applied, net present value techniques would be applied using pre-tax cash flows and discount rates.

Fair value less costs of disposal reflects estimates of assumptions that market participants would be expected to use when pricing the asset or CGU, and for this purpose, management considers the range of economic conditions that are expected to exist over the remaining useful life of the asset. These valuations are classified as 'Level 3' in the fair value hierarchy.

The estimates used in calculating the net present values are highly sensitive and depend on assumptions specific to the nature of the Company's activities with regard to:

- Amount and timing of projected future cash flows
- Sales forecasts
- Actions of competitors (launch of competing products, marketing initiatives, etc.)
- Sales erosion rates, and timing of the entry of other generic competition
- Outcome of development and registration activities (bioequivalence, results of clinical trials, etc.)
- Amount and timing of projected costs to develop IPR&D into commercially viable products
- Profit margins
- Probability of obtaining regulatory approval
- Future tax rate
- Appropriate terminal growth rate
- Appropriate discount rate

Generally, for intangible assets with a definite useful life, the Company uses cash flow projections for the whole useful life of these assets. For goodwill, the Company generally utilizes cash flow projections for a three-year period based on management forecasts, with a terminal value based on cash flow projections usually in line with inflation rates for later periods.

Probability-weighted scenarios are typically used.

Discount rates used consider the Company's estimated weighted average cost of capital, adjusted for specific asset, country and currency risks associated with cash flow projections, to approximate the discount rate that market participants would use to value the asset.

Due to the above factors, actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using discounting techniques.

Cash and cash equivalents

Cash and cash equivalents include cash in the Company's subsidiaries bank accounts. There were no cash equivalents at December 31, 2022, 2021 and 2020, which are highly liquid investments with original maturities of three months or less, which are convertible to know amounts of cash. Bank overdrafts are presented within current financial debts on the combined balance sheet.

Financial assets

Financial investments in debt securities are valued at fair value through other comprehensive income with subsequent recycling into the combined income statement, as they meet both the "solely payment of principal and interest" and the business model criteria. Unrealized gains and losses, except exchange gains and losses, are recorded as a fair value adjustment in the combined statement of comprehensive income. They are recognized in the combined income statement when the debt instrument is sold, at which time the gain is transferred to "Other income and expense". Exchange gains and losses related to debt instruments are immediately recognized in the combined income statement in "Other financial income and expense."

Other non-current financial assets, such as loans and long-term receivables from customers, advances and other deposits, are valued at amortized cost, which reflects the time value of money less any allowances for expected credit losses.

The Company assesses on a forward-looking basis the expected credit losses associated with its debt securities valued at fair value through other comprehensive income. Impairments on debt securities are recorded in "Other income and expense."

For other financial assets valued at amortized cost, impairments, which are based on their expected credit losses, and exchange rate losses are included in "Other expense" in the combined income statement. Exchange rate gains and interest income, using the effective interest rate method, are included in "Other income" or "Other financial income" in the combined income statement, depending on the nature of the item.

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at fair value and are remeasured to their current fair value at the end of each subsequent reporting period. The valuation of a forward exchange rate contract is based on the discounted cash flow model, using interest rate curves and forward rates at the reporting date as observable inputs.

The Company enters into certain derivative financial instruments for the purpose of hedging to reduce the volatility in the Company's performance due to the exposure to various business-related risks. The risk mitigation is obtained because the derivative's value or cash flows are expected, wholly or partly, to offset changes in the value or cash flows of the recognized assets or liabilities. The overall strategy is aiming to mitigate the currency and interest rate risk of positions that are contractually agreed, and to partially mitigate the exposure risk of selected anticipated transactions.

The derivative financial instruments do not meet the criteria to qualify for hedge accounting or are not designated in a hedge relationship. Changes in the fair value of the derivative instruments are recognized immediately in "Other financial income and expense" in the combined income statement.

Inventories

Inventory is valued at the lower of acquisition or production cost determined on a first-in, first-out basis and net realizable value. This value is used for the "Cost of goods sold" in the combined income statement. Unsaleable inventory is fully written off in the combined income statement under "Cost of goods sold."

Trade receivables

Trade receivables are initially recognized at their invoiced amounts, including any related sales taxes less adjustments for estimated revenue deductions such as rebates, chargebacks and cash discounts.

Provisions for doubtful trade receivables are established using a forward-looking expected credit loss model (ECL), which includes possible default events on the trade receivables over the entire holding period of the trade receivable. These provisions represent the difference between the trade receivable's carrying amount in the combined balance sheet and the estimated collectible amount. Charges for doubtful trade receivables are recorded as marketing and selling costs recognized in the combined income statement within "Selling, general and administration" expenses.

Legal and environmental liabilities

The Company and its subsidiaries are subject to contingencies arising in the ordinary course of business, such as patent litigation, environmental remediation liabilities and other product-related and commercial litigation, and governmental investigations and proceedings. A provision is recorded when there is a probable outflow of resources for which a reliable estimate can be made of the outcome of the legal or other disputes against the subsidiary.

Contingent consideration

In an acquisition of a business, it is necessary to recognize contingent future amounts due to previous owners, representing contractually defined potential amounts as a liability. Usually for the Company, these are linked to milestone or royalty payments related to certain assets and are recognized as a financial liability at fair value, which is then remeasured at each subsequent reporting date. These estimations typically depend on factors such as technical milestones or market performance, and are

adjusted for the probability of their likelihood of payment, and are appropriately discounted to reflect the impact of time.

Changes in the fair value of contingent consideration liabilities in subsequent periods are recognized in the combined income statement in "Cost of goods sold" for currently marketed products and in "Development and regulatory" for IPR&D.

The effect of unwinding the discount over time is recognized in "Interest expense" in the combined income statement.

Defined benefit pension plans and other post-employment benefits

The liability in respect of defined benefit pension plans and other post-employment benefits is the defined benefit obligation calculated annually by independent actuaries using the projected unit credit method. The current service cost for such post-employment benefit plans is included in the personnel expenses of the various functions in which employees are employed, while the net interest on the net defined benefit liability or asset is recognized as "Other expense" or "Other income."

Revenue recognition

Revenue on the sale of the Company's products and services, which is recorded as "Net sales to third parties" in the combined income statement, is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, substantially all of which is at the point in time of shipment to or receipt of the products by the customer or when the services are performed. If contracts contain customer acceptance provisions, revenue is recognized upon the satisfaction of the acceptance criteria. If a contract contains more than one performance obligation, the consideration is allocated based on the standalone selling price of each performance obligation. The amount of revenue recognized is based on the consideration the Company expects to receive in exchange for its goods and services, when it is highly probable that a significant reversal will not occur.

The consideration the Company receives in exchange for its goods or services may be fixed or variable. Variable consideration is recognized when it is highly probable that a significant reversal will not occur. The most common elements of variable consideration are listed below.

- Rebates and discounts granted to wholesalers, retailers, government agencies (including US Medicaid and US Federal Medicare programs), government supported healthcare systems, private health systems, pharmacy benefit managers, managed healthcare organizations, purchasing organizations and other direct and indirect customers, as well as chargebacks are provisioned and recorded as revenue deductions at the time the related revenues are recorded, or when the incentives are offered. These rebates and discounts, applied using provision rates, are estimated based on the terms and conditions in the individual states, plans and customer agreements, historical experience, product sales and growth rate, population growth, product pricing including inflation impacts, the mix of contracts and products, the level of inventory in the distribution channel, regulations, contracts, channels and payers, as appropriate to the individual rebate and discount arrangements.
- Cash discounts are offered to customers to encourage prompt payment and are provisioned and recorded as revenue deductions at the time the related sales are recorded.
- Shelf stock adjustments are generally granted to customers to cover the inventory held by them at the time a price decline becomes effective. Revenue deduction provisions for shelf stock adjustments are recorded when the price decline is anticipated, based on the impact of the price decline on the customer's estimated inventory levels.
- Sales returns provisions are recognized and recorded as revenue deductions when there is historical experience of the Company agreeing to customer returns and the Company can reasonably estimate expected future returns. In doing so, the estimated rate of return is applied, determined on the basis of historical experience of customer returns and considering any other relevant factors. This is applied to the amounts invoiced, also considering the amount of returned products to be destroyed versus products that can be placed back in inventory for resale. Where shipments are made on a resale or return basis, without sufficient historical experience for estimating sales returns, revenue is only recorded when there is evidence of consumption or when the right of return has expired.

Net sales to third parties and provisions for revenue deductions are adjusted periodically to reflect experience and to reflect actual amounts as rebates, refunds, discounts and returns are processed. There is often a time lag between recording of revenue deductions and the final accounting for them. The provision represents estimates of the related obligations, requiring the use of judgment when estimating the effect of these revenue deductions.

"Other revenue" includes income from royalty and milestone income from the out-licensing of intellectual property when Sandoz retains an interest in the intellectual property through a license. Royalty income earned from a license is recognized when the underlying sales have occurred. Milestone income is recognized at the point in time when it is highly probable that the relevant milestone event criteria are met, and the risk of reversal of revenue recognition is remote. "Other revenue" also includes revenue from activities such as manufacturing or other services rendered, to the extent such revenue is not recorded under net sales to third parties, and is recognized when control transfers to the third party and our performance obligations are satisfied.

Development, regulatory and research

Internal development, registration and research costs are fully charged to "Development and regulatory" in the combined income statement in the period in which they are incurred. The Company considers that regulatory and other uncertainties inherent in the development of new products preclude the capitalization of internal development expenses as an intangible asset until marketing approval from a regulatory authority is obtained in a major market such as the United States, the European Union, Switzerland or Japan.

Payments made to third parties, such as contract research and development organizations in compensation for subcontracted research and development that are deemed not to transfer intellectual property to the Company are expensed as internal development and research expenses in the period in which they are incurred. Such payments are only capitalized if they meet the criteria for recognition of an internally generated intangible asset, usually when marketing approval has been received from a regulatory authority in a major market.

Payments made to third parties to in-license or acquire intellectual property rights, compounds and products, including initial upfront and subsequent milestone payments, are capitalized, as are payments for other assets, such as technologies to be used in research and development activities. If additional payments are made to the originator company to continue performing research and development activities, an evaluation is made as to the nature of the payments. Such additional payments will be expensed if they are deemed to be compensation for subcontracted research and development services not resulting in an additional transfer of intellectual property rights to the Company. Such additional payments will be capitalized if they are deemed to be compensation for the transfer to the Company of additional intellectual property developed at the risk of the originator company. Subsequent internal research and development costs in relation to IPR&D and other assets are expensed, since the technical feasibility of the internal research and development activity can only be demonstrated by the receipt of marketing approval for a related product from a regulatory authority in a major market.

Costs for post approval studies performed to support the continued registration of a marketed product are recognized as marketing expenses. Costs for activities that are required by regulatory authorities as a condition for obtaining marketing approval in a major market are capitalized and recognized as currently marketed products.

Inventory produced ahead of regulatory approval is capitalized if approval is virtually certain, in other cases fully provisioned under "Cost of goods sold" in the combined income statement, as its ultimate use cannot be assured. If this inventory can be subsequently sold, the provision is released to "Cost of goods sold" in the combined income statement, when approval is virtually certain by the appropriate regulatory authority.

Share-based compensation

Incentives in the form of Novartis AG shares are provided to employees of Sandoz under the share award schemes of Novartis.

Vested Novartis AG shares and Novartis AG American Depositary Receipts (ADRs) that are granted as compensation are valued at their market value on the grant date and are immediately expensed in the combined income statement.

The fair values of unvested restricted of Novartis AG shares (RSs), restricted share units (RSUs) and performance share units (PSUs) in Novartis AG shares and ADRs granted to employees as compensation are recognized as an expense over the related vesting period. The expense recorded in the combined income statement is included in the personnel expenses of the various functions in which the employees are employed.

Unvested restricted shares, restricted ADRs and RSUs are only conditional on the provision of services by the plan participant during the vesting period. They are valued at fair value on the grant date. As RSUs do not entitle the holder to dividends, the fair value is based on the Novartis AG share price at the grant date adjusted for the net present value of the dividends expected to be paid during the holding period. The fair value of these grants, after making adjustments for assumptions related to forfeiture during the vesting period, is expensed on a straight-line basis over the respective vesting period.

PSUs are subject to the achievement of certain performance criteria during the vesting period and require plan participants to provide services during this period. The following paragraphs provide an overview of the accounting policies for the share-based compensation plans that grant PSUs.

For PSUs that are subject to performance criteria based on Novartis internal performance metrics and that are conditional on the provision of service by plan participants during the vesting period, the expense is recognized on a straight-line basis over the vesting period, and is determined based on assumptions concerning the expected performance against the internal performance metrics throughout the vesting period. The assumptions are based on Novartis's targets for those performance metrics, and the expected forfeitures due to plan participants not meeting their service conditions. The assumptions are periodically adjusted over the vesting period. Any change in estimates for past services is recorded immediately as an expense or income in the combined income statement, and amounts for the remaining vesting period are expensed on a straight-line basis. As a result, at the end of the vesting period, the charge during the entire vesting period represents the amount that will finally vest. The number of equity instruments that finally vest is determined at the vesting date.

For PSUs that are subject to performance criteria based on variables that can be observed in the market, which for Novartis plans is the Novartis total shareholder return (TSR) relative to a specific peer group of companies over the vesting period, and that are conditional on the provision of services by the plan participants during the vesting period, the expense is recognized on a straight-line basis over the vesting period, and is deter-

mined based on the total fair value of the grant over the vesting period. IFRS requires that these variables that can be observed in the market are taken into account in determining the fair value of the PSUs at the grant date. Novartis determined the fair value of these PSUs at the date of grant using a Monte Carlo simulation model. Adjustments to the number of equity instruments granted are only made if a plan participant does not fulfill the service conditions.

For PSUs granted under plans that are subject to both performance criteria based on Novartis internal performance metrics and Novartis TSR relative to a specific peer group of companies over the vesting period and that are conditional on the provision of service by plan participants during the vesting period, the expense is recognized on a straight-line basis over the vesting period, and is determined based on a bifurcation into the components based on the performance criteria related to Novartis internal performance metrics and TSR, as described in the paragraphs above.

Measuring the fair values of PSUs granted that include TSR performance criteria requires use of estimates. The Monte Carlo simulation used to determine the fair value of the PSUs TSR performance criteria requires the probability of factors related to uncertain future events; the term of the award; the grant price of underlying shares or ADRs; expected volatilities; the expected correlation matrix of the underlying equity instruments with those of the peer group of companies; and the risk-free interest rate as input parameters.

If a plan participant leaves Novartis for reasons other than retirement, disability or death, then unvested restricted shares, restricted ADRs, RSUs and PSUs are forfeited, unless determined otherwise by the provision of the plan rules or by the Compensation Committee of the Novartis AG Board of Directors, for example, in connection with a reorganization or divestment, including through a Spin-off.

Government grants

Grants from governments or similar organizations are recognized at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants received to compensate costs are deferred and recognized in the combined income statement over the period necessary to match them against the related costs that they are intended to compensate.

The accounting policy for property, plant and equipment describes the treatment of any related grants.

Restructuring charges

Restructuring provisions are recognized for the direct expenditures arising from the restructuring, where the plans are sufficiently detailed and where appropriate communication to those affected has been made.

Charges to increase restructuring provisions are included in “Other expense” in the combined income statements.

Healthcare contributions

Healthcare cost contribution levies and fees under governmental programs that require the Company to contribute to a country’s healthcare costs, other than programs described in “Revenue recognition” in this Note 3, are recognized in “Other expense” in the combined income statement. Provisions for healthcare cost contributions are adjusted to the actual amounts levied. The provision represents estimates of the related obligations, requiring the use of judgment when estimating the effect of these healthcare cost contributions.

Income taxes

Income taxes comprise current income taxes and deferred income taxes and are recognized in the same periods as the revenues and expenses to which they relate. Income taxes include interest and penalties incurred during the period, insofar as they are considered an income tax. Income taxes related to items recognized directly to other comprehensive income or to equity are recognized together with the corresponding item, to which the income tax is attributable, directly in other comprehensive income or in equity.

Deferred income taxes are determined using the comprehensive liability method and are calculated on the temporary differences that arise between the tax base of an asset or liability and its carrying value for financial reporting purposes, except for those temporary differences related to investments in subsidiaries, where the timing of their reversal can be controlled and it is probable that the difference will not reverse in the foreseeable future. Since the retained earnings are reinvested, withholding or other taxes on eventual distribution of a subsidiary’s retained earnings are only recognized when a dividend is declared or has been planned. Furthermore, deferred income taxes are recognized for the net tax effects of net operating loss carryforwards and tax credits.

The carrying amount of deferred tax assets is reduced to the extent that it is not probable that sufficient taxable profits will be available to enable all or part of the asset to be recovered. In evaluating our ability to recover our deferred tax assets in the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations.

The estimated amounts for current and deferred tax assets or liabilities, including amounts related to any uncertain tax positions, are based on applicable tax law and regulations in the various tax jurisdictions, in which the Company operates, which are subject to interpretations based on currently known facts and circumstances.

Tax returns are based on an interpretation of tax laws and regulations, and reflect estimates based on these judgments and interpretations. The tax returns are subject to examination by the competent taxing authorities, which may result in an assessment being made requiring payments of additional tax, interest or penalties.

The calculation of income tax assets and liabilities involves dealing with uncertainties in the application of

complex tax laws and regulations in a multitude of jurisdictions across our global operations and applying management estimates and judgements related to the ability to recover deferred tax assets in the jurisdiction from which they arise. As a result, inherent uncertainties exist in the estimates of the tax positions. Tax liabilities for uncertain tax provisions are recognized on the combined balance sheets within current income tax liabilities.

Impact of new IFRS standards, amendments and interpretations in 2022

There were no new IFRS standards adopted by the Company in 2022. In addition, new IFRS amendments or interpretations that became effective in 2022 did not have a material impact to the Company's combined financial statements.

Based on the Company's assessment, there are no IFRS standards, amendments or interpretations not yet effective in 2022 that would be expected to have a material impact on the Company's combined financial statements.

Impact of adopting significant new IFRS standard in 2021

The following new IFRS standard has been adopted by the Company from January 1, 2021:

Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Benchmark Reform Amendments)
Interest Benchmark Reform Amendments became effective from January 1, 2021. These amendments address issues that might affect financial reporting when an existing interest rate benchmark (i.e. Interbank offered rate – IBOR) is replaced with an alternative benchmark interest rate. The effects of interest rate benchmark reform on the Company's financial instruments and risk management strategies did not have a material impact on the Company's combined financial statements and are not expected to have a significant impact in future periods.

Impact of adopting significant new IFRS standard in 2020

The following new IFRS standard has been adopted by the Company from January 1, 2020:

IFRS 3 Business Combinations amendments
The IASB issued amendments to IFRS 3 Business Combinations that revised the definition of a business, which assist entities with the evaluation of when an asset or group of assets acquired should be considered a business. This amended standard has been applied to transactions entered into on or after January 1, 2020. The amended standard allows an entity to apply an optional concentration test, on a transaction-by-transaction basis, to evaluate whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If this optional concentration test is met, the set of activities and assets is determined not to be a business. The adoption of this amended standard on January 1, 2020, did not have a significant impact on our combined financial statements and is not expected to have a significant impact in future periods. However, this will depend on the facts and circumstances of future transactions and if the Company decides to apply the optional concentration test in the assessment of whether an acquired set of activities and assets is or is not a business.

4. Significant transactions

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

Significant transactions in 2022

There were no significant transactions in 2022.

Significant transactions in 2021

Acquisition of GSK's cephalosporin antibiotics business
On February 10, 2021, the Company entered into an agreement with certain subsidiaries of GlaxoSmithKline plc (GSK) for the acquisition of the GSK's cephalosporin antibiotics business.

Under the agreement, Sandoz acquired the global rights to three established brands (Zinnat®, Zinacef® and Fortum®) in more than 100 markets. It excluded the rights in the US, Australia and Germany to certain of those brands, which were previously divested by GSK, and the rights in India, Pakistan, Egypt, Japan (to certain of the brands) and China, which will be retained by GSK. The transaction closed on October 8, 2021.

The purchase price consisted of a USD 350 million upfront payment paid at closing and potential milestone payments up to USD 150 million, which GSK will be eligible to receive upon the achievement of certain annual sales milestones for the portfolio.

The fair value of the total purchase consideration was USD 415 million. The amount consisted of a payment of

USD 351 million, including purchase price adjustments, and the fair value of contingent consideration of USD 64 million, which GSK is eligible to receive upon the achievement of specified milestones. The purchase price allocation resulted in net identifiable assets of USD 308 million, consisting of USD 292 million intangible assets and USD 16 million deferred tax assets. Goodwill amounted to USD 107 million.

The 2021 results of operations since the date of acquisition are not material.

Significant transactions in 2020

Acquisition of the Japanese business of Aspen Global Incorporated

On November 11, 2019, the Company entered into an agreement for the acquisition of the Japanese business of Aspen Global Incorporated (AGI), a wholly owned subsidiary of Aspen Pharmacare Holdings Limited. Under the agreement, Sandoz acquired the shares in Aspen Japan K.K. and associated assets held by AGI. The transaction closed on January 31, 2020.

Aspen's portfolio in Japan consisted of off-patent medicines with a focus on anesthetics and specialty brands. The acquisition will enable Sandoz to expand its presence in the third-largest worldwide generics marketplace.

The purchase price consisted of EUR 274 million (USD 303 million) upfront payment, less customary purchase price adjustment of EUR 27 million (USD 30 million), plus potential milestone payments of up to EUR 70 million (USD 77 million), which AGI is eligible to receive upon the achievement of specified milestones.

The fair value of the total purchase consideration was EUR 294 million (USD 324 million). The amount consisted of a cash payment of EUR 247 million (USD 273 million) and the fair value of contingent consideration of EUR 47 million (USD 51 million), which AGI is eligible to receive upon the achievement of specified milestones. The purchase price allocation resulted in net identifiable assets of USD 238 million, consisting of USD 196 million intangible assets, USD 26 million other net assets and USD 16 million net deferred tax assets. Goodwill amounted to USD 86 million.

The 2020 results of operations since the date of acquisition were not material.

Retention of US dermatology business and generic US oral solids portfolio, previously planned to be divested

On September 6, 2018, Novartis announced that it entered into a stock and asset purchase agreement (SAPA) with Aurobindo Pharma USA Inc. (Aurobindo) for the sale of selected portions of its Sandoz US portfolio, specifically the Sandoz US dermatology business and generic US oral solids portfolio, for USD 0.8 billion in cash and potential earnouts. The closing was conditional on obtaining regulatory approval.

In March 2020, Novartis took the decision to retain the Sandoz US generic oral solids and dermatology businesses and on April 2, 2020 entered into a mutual agreement with Aurobindo to terminate the transaction. The decision was taken as approval from the US Federal Trade Commission for the transaction was not obtained within the agreed timelines.

The cumulative amount of the depreciation on property, plant and equipment (USD 38 million) and amortization on intangible assets (USD 102 million) not recorded in the combined income statement since the date of classification as held for sale was recognized in the combined income statement in the first quarter of 2020. In addition, an impairment of currently marketed products of USD 42 million was recognized in the first quarter of 2020 combined income statement.

As at March 31, 2020, the assets and liabilities of the Sandoz US generic oral solids and dermatology businesses were reclassified out of assets and liabilities of disposal group held for sale. The prior year balance sheet was not required to be restated.

In the Company's combined balance sheet at January 1, 2020, the assets and liabilities classified as disposal group assets and liabilities held for sale consisted of the following:

(USD millions)	January 1, 2020
Assets of disposal group classified as held for sale	
Property, plant and equipment	169
Intangible assets other than goodwill	475
Deferred tax assets	11
Other non-current assets	2
Inventories	181
Other current assets	3
Total	**841**

(USD millions)	January 1, 2020
Liabilities of disposal group classified as held for sale	
Deferred tax liabilities	2
Provisions and other non-current liabilities	4
Provisions and other current liabilities	25
Total	**31**

There were no cumulative income or expenses included in the other comprehensive income relating to the disposal group.

5. Operating segment

Sandoz is a multinational group of companies operating in the off-patent medicines segment and specializes in the development, manufacturing and marketing of generic pharmaceuticals and biosimilars.

Sandoz is engaged in a single business activity consisting of developing, manufacturing and marketing off-patented generic and biosimilar medicines and operates as a single operating segment. All of these business and functional activities are managed globally on a vertically integrated basis.

The Sandoz Executive Committee (SEC), established and chaired by the CEO, is the governance body through which the CEO exercises the authority delegated to the CEO from the Company's Board of Directors for the management, development and performance of Sandoz as a whole. It is considered that the SEC is Sandoz's Chief Operating Decision Making body as the SEC is responsible for allocating resources and assessing the performance of the operating segment of the Company. The SEC leads an end to end organizational setup reflecting a holistic and integrated Sandoz value chain. This comprises four related stages: define, develop, deliver and support.

This is principally driven by the management of the commercial operations, development, research, registration, manufacturing and supply and enabling functions. All significant operating and resource allocation decisions are undertaken by the SEC. While members of the SEC have responsibility for implementation of decisions in their respective areas, operating decision making is at the SEC level as a whole. Where necessary, these are implemented through cross-functional sub-committees that consider the Company-wide impact of a decision.

The ability of the Company to develop, produce, deliver and commercialize a wide range of off-patented medicine products is central to the SEC decision-making process. In assessing performance, the SEC reviews financial information on an integrated basis for the Company as a whole, substantially in the form of, and on the same basis as, the Company's IFRS Financial Statements.

Resources, in particular capital expenditure, in-licensing, and research, development and registration, are allocated on a company-wide basis.

6. Revenues and geographic information

The following table presents net sales to third parties for the years December 31, 2022, 2021 and 2020:

	2022 USD m	2021 USD m	Change (2022 to 2021) USD %	2020 USD m	Change (2021 to 2020) USD %
Generics	7 141	7 498	– 5	7 677	– 2
Biosimilars	1 928	1 945	– 1	1 791	9
Net sales to third parties	**9 069**	**9 443**	**– 4**	**9 468**	**0**

Geographic information

The following table shows countries that accounted for more than 5% of at least one of net sales to third parties or total of selected non-current asset as well as the net sales to third parties by region for the years ended December 31, 2022, 2021 and 2020:

	Net sales[1]						Total of selected non-current assets[2]					
(USD millions)	**2022**	**%**	2021	%	2020	%	**2022**	**%**	2021	%	2020	%
Country												
Switzerland	288	3	285	3	276	3	1 529	14	1 537	14	1 212	11
United States	1 639	18	1 703	18	2 062	22	3 541	33	3 581	32	3 713	33
Germany	1 174	13	1 281	14	1 329	14	2 131	20	2 264	20	2 470	22
Austria	131	1	138	1	137	1	693	6	666	6	612	5
Italy	384	4	430	5	413	4	281	3	298	3	320	3
France	503	6	566	6	585	6	15		18		21	
Canada	455	5	448	5	402	4	13		15		17	
Other	4 495	50	4 592	49	4 264	45	2 612	24	2 825	25	3 178	26
Company	**9 069**	**100**	**9 443**	**100**	**9 468**	**100**	**10 815**	**100**	**11 204**	**100**	**11 543**	**100**
Region												
Europe	4 503	50	4 790	51	4 728	50						
North America	2 094	23	2 151	23	2 464	26						
International	2 472	27	2 502	26	2 276	24						
Company	**9 069**	**100**	**9 443**	**100**	**9 468**	**100**						

[1] Net sales to third party by location of customer

[2] Total of selected non-current assets comprise total of property, plant and equipment; right-of-use assets; goodwill; intangible assets and other non-current assets

Information about major customers

The Company's largest, second-largest and third-largest customers account for approximately 10%, 9% and 8% of net sales to third parties, respectively (2021: 9%, 11% and 8%, respectively; 2020: 8%, 12% and 9%, respectively).

The highest amounts of trade receivables outstanding were for these same three customers and amounted to approximately 8%, 15% and 16%, respectively, of the trade receivables at December 31, 2022 (2021: 6%, 15% and 13%, respectively; 2020: 5%, 15% and 16%, respectively).

Other revenues

(USD millions)	**2022**	2021	2020
Royalty income	18	24	25
Milestone income	3	28	1
Other [1]	9	7	6
Total other revenues	**30**	**59**	**32**

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

7. Interest expense and other financial income and expense

Interest expense

(USD millions)	2022	2021	2020
Interest expense	– 79	– 58	– 65
Interest expense on lease liabilities	– 3	– 4	– 5
Expense arising from discounting long-term liabilities	– 10	– 5	– 3
Capitalized borrowing costs [1]	3	2	1
Total interest expense	**– 89**	**– 65**	**– 72**

[1] Capitalized borrowing costs represent the portion of interest expense that was capitalized to property, plant and equipment, see Note 9.

Other financial income and expense

(USD millions)	2022	2021	2020
Interest income	8	5	3
Monetary loss from hyperinflation accounting	– 18		
Financial expense	– 6	– 5	– 5
Currency result, net	– 32	– 16	– 22
Total other financial income and expense	**– 48**	**– 16**	**– 24**

8. Income taxes

The significant components of income tax expense are as follows:

(USD millions)	2022	2021	2020
Current income tax expense	– 282	– 418	– 339
Deferred tax income	30	15	97
Income tax expense	**– 252**	**– 403**	**– 242**

Analysis of tax rate

Sandoz has a substantial business presence in many countries and is therefore subject to income taxes in different tax jurisdictions. This leads to differences in income and expense items that are non-taxable or non-deductible (permanent differences) or are taxed at different statutory tax rates in those tax jurisdictions. As a result, there is a difference between the applicable tax rate and effective tax rate.

The applicable tax rate changes from year to year due to changes in the mix of the Company's pre-tax income and changes in statutory tax rates since it is calculated as the weighted average tax rate based on the pre-tax income of each subsidiary. The 2020 applicable tax rate is lower than 2021 and 2022 mainly due to the profit mix impact of the non-deductible expenditure related to the resolution of a legal matter in the US.

The main elements contributing to the difference between the Company's overall applicable tax rate and the effective tax rate are shown in the following table:

(As a percentage)	2022	2021	2020
Applicable tax rate	24.8	23.8	13.2
Effect of disallowed expenditures [1]	2.9	1.8	14.5
Effect of utilization of tax losses brought forward from prior periods	0.0	– 0.3	0.0
Effect of income taxed at reduced rates	– 0.1	0.0	– 0.1
Effect of income not subject to tax	– 0.1	– 0.2	– 0.2
Effect of tax credits and allowances	– 1.8	– 1.4	– 0.8
Effect of tax rate change on current and deferred tax assets and liabilities	– 0.8	0.2	– 0.2
Effect of derecognition and reversals of derecognition of deferred tax assets	0.3	0.0	0.6
Effect of prior-year items	– 0.7	– 0.8	0.0
Effect of changes in uncertain tax positions	– 1.0	7.6	8.0
Effect of other items	– 0.6	0.0	– 0.7
Effective tax rate	**22.9**	**30.7**	**34.3**

[1] 2020 includes the effect of non-deductible expenditure (10.4%) related to the resolution of a legal matter in the US. (See Note 18 for further information)

The effective tax rate fluctuates based primarily on, among other factors, changes in pre-tax income between countries with varying statutory tax rates, effect of disallowed expenditures, effect of tax credits and allowances, effect of prior-year items, effect of derecognition and reversals of derecognition of deferred tax assets, changes in uncertain tax positions and changes in tax laws. The table above provides the details of the significant items that impact the comparability of the effective tax rate between years.

The utilization of tax-loss carry-forwards lowered the tax charge by USD 0.1 million in 2022, by USD 3.9 million in 2021, and by USD 0.1 million in 2020.

The total tax expense for 2020, 2021 and 2022 includes tax benefits for losses realized by the US Sandoz operations that were realized by the Novartis tax group of which these entities were included.

9. Property, plant and equipment

The following table summarizes the movements of property, plant and equipment during 2022:

(USD millions)	Land	Buildings	Construction in progress	Machinery and other equipment	Total
At January 1, 2022					
Cost	107	1 503	300	3 205	5 115
Accumulated depreciation and impairment	– 3	– 824	– 17	– 2 468	– 3 312
Net book value	**104**	**679**	**283**	**737**	**1 803**
At January 1, 2022	**104**	**679**	**283**	**737**	**1 803**
Transfers with Novartis Group [1]	– 3	– 18	3	32	14
Reclassifications [2]		36	– 126	90	
Additions	3	19	209	53	284
Disposals and derecognitions	– 3	– 10	– 1	– 18	– 32
Depreciation charge		– 56		– 143	– 199
Impairment charge	– 1			– 1	– 2
Reversal of impairment charge	1			2	3
Currency translation effects	– 3	– 38	– 16	– 23	– 80
December 31, 2022	**98**	**612**	**352**	**729**	**1 791**
December 31, 2022					
Cost	99	1 403	381	3 084	4 967
Accumulated depreciation and impairment	– 1	– 791	– 29	– 2 355	– 3 176
Net book value	**98**	**612**	**352**	**729**	**1 791**
Commitments for purchases of property, plant and equipment					**136**
Capitalized borrowing costs					**3**

[1] Transfers with Novartis Group are transfers of assets between the Company and Novartis Group in the ordinary course of business and accounted for at the IFRS carrying value of the respective asset.

[2] Reclassifications between various asset categories due to completion of plant and other equipment under construction

The following table summarizes the movements of property, plant and equipment during 2021:

(USD millions)	Land	Buildings	Construction in progress	Machinery and other equipment	Total
January 1, 2021					
Cost	125	1 672	274	3 583	5 654
Accumulated depreciation and impairment	– 2	– 921	– 69	– 2 753	– 3 745
Net book value	**123**	**751**	**205**	**830**	**1 909**
At January 1, 2021	**123**	**751**	**205**	**830**	**1 909**
Transfers with Novartis Group [1]	– 1	– 27	– 19	– 12	– 59
Reclassifications [2]		26	– 110	84	
Additions		21	253	73	347
Disposals and derecognitions	– 8	– 6	– 6	– 7	– 27
Depreciation charge		– 76		– 134	– 210
Impairment charge [3]	– 3	– 7	– 17	– 39	– 66
Reversal of impairment charge [3]		57		1	58
Currency translation effects	– 7	– 60	– 23	– 59	– 149
December 31, 2021	**104**	**679**	**283**	**737**	**1 803**
December 31, 2021					
Cost	107	1 503	300	3 205	5 115
Accumulated depreciation and impairment	– 3	– 824	– 17	– 2 468	– 3 312
Net book value	**104**	**679**	**283**	**737**	**1 803**
Commitments for purchases of property, plant and equipment					**125**
Capitalized borrowing costs					**2**

[1] Transfers with Novartis Group are transfers of assets between the Company and Novartis Group in the ordinary course of business and accounted for at the IFRS carrying value of the respective asset.
[2] Reclassifications between various asset categories due to completion of plant and other equipment under construction
[3] Includes impairments and impairment reversals related to closures of manufacturing sites under the Novartis Group-wide rationalization of manufacturing sites initiative

The following table summarizes the movements of property, plant and equipment during 2020:

(USD millions)	Land	Buildings	Construction in progress	Machinery and other equipment	Total
January 1, 2020					
Cost	104	1 396	168	3 134	4 802
Accumulated depreciation and impairment	– 1	– 648	– 55	– 2 313	– 3 017
Net book value	**103**	**748**	**113**	**821**	**1 785**
At January 1, 2020	**103**	**748**	**113**	**821**	**1 785**
Impact of business combinations	2	12		5	19
Cost of assets reclassified out of assets of disposal group held for sale [1]	11	59	32	67	169
Transfers with Novartis Group [2]	1	– 5	13	– 9	
Reclassifications [3]		30	– 93	63	
Additions		33	136	58	227
Disposals and derecognitions	– 2	– 5		– 8	– 15
Depreciation charge		– 89		– 189	– 278
Impairment charge [4]	– 1	– 80	– 7	– 33	– 121
Reversal of impairment charge				5	5
Currency translation effects	9	48	11	50	118
December 31, 2020	**123**	**751**	**205**	**830**	**1 909**
December 31, 2020					
Cost	125	1 672	274	3 583	5 654
Accumulated depreciation and impairment	– 2	– 921	– 69	– 2 753	– 3 745
Net book value	**123**	**751**	**205**	**830**	**1 909**
Commitments for purchases of property, plant and equipment					**133**
Capitalized borrowing costs					**1**

[1] Note 4 provides additional disclosures related to the reclassification out of assets of the disposal group held for sale.
[2] Transfers with Novartis Group are transfers of assets between the Company and Novartis Group in the ordinary course of business and accounted for at the IFRS carrying value of the respective asset.
[3] Reclassifications between various asset categories due to completion of plant and other equipment under construction
[4] Includes impairments related to closures of manufacturing sites under the Novartis Group-wide rationalization of manufacturing sites initiative

10. Right-of-use assets and lease liabilities

The following table summarizes the movements of the right-of-use assets:

(USD millions)	2022	2021	2020
Right-of-use assets at January 1	**130**	**166**	**136**
Impact of acquisitions of businesses			2
Additions	32	27	73
Depreciation charge	– 37	– 43	– 45
Lease contract terminations [1]	– 7	– 9	– 8
Currency translation effects	– 5	– 11	8
Total right-of-use assets at December 31 [2]	**113**	**130**	**166**

[1] Lease contract terminations also includes modifications to existing leases that result in reductions to the right-of-use assets, and reductions due to sub-leasing.
[2] No impairment charge was recorded in 2022 (2021: nil, 2020: nil).

The following table shows the right-of-use assets carrying value and depreciation charge at December 31, 2022, 2021 and 2020, by underlying class of asset:

(USD millions)	December 31, 2022 carrying value	Depreciation charge 2022	December 31, 2021 carrying value	Depreciation charge 2021	December 31, 2020 carrying value	Depreciation charge 2020
Land	2	0	3	0	3	0
Buildings	81	19	99	22	124	23
Vehicles	17	14	19	17	25	17
Machinery and equipment, and other assets	13	4	9	4	14	5
Total right-of-use assets	**113**	**37**	**130**	**43**	**166**	**45**

The following table shows the lease liabilities by maturity at December 31, 2022, 2021 and 2020:

(USD millions)	Lease liabilities 2022	Lease liabilities undiscounted 2022	Lease liabilities 2021	Lease liabilities undiscounted 2021	Lease liabilities 2020	Lease liabilities undiscounted 2020
Less than one year	31	34	34	37	39	43
Between one and two years	25	27	26	28	31	34
Between two and three years	21	22	20	22	25	26
Between three and four years	16	17	17	18	19	21
Between four and five years	9	10	13	14	17	17
After five years	17	22	27	31	40	45
Total lease liabilities	**119**	**132**	**137**	**150**	**171**	**186**
Less current portion of lease liabilities	– 31	– 34	– 34	– 37	– 39	– 43
Non-current portion of lease liabilities	**88**	**98**	**103**	**113**	**132**	**143**
Commitments for leases not yet commenced		**11**				

At December 31, 2022, 2021 and 2020, there were no material future cash outflows, including extension options, excluded from the measurement of lease liabilities. At December 31, 2021 and 2020, there were no commitments for leases not yet commenced. In 2022, 2021 and 2020, there were no material sale and lease-back transactions and no material variable, short-term or low-value leases.

Non-enforceable extension options of up to 10 years have not been included within the measurement of one of our leases for December 31, 2022, 2021 and 2020. The undiscounted cash flows of such extension options, based upon current contractual terms, are USD 55 million.

The following table provides additional disclosures related to right-of-use assets and lease liabilities for 2022, 2021 and 2020:

(USD millions)	2022	2021	2020
Interest expense on lease liabilities [1]	3	4	5
Total cash outflows for leases	40	47	48
Thereof:			
Payments of interest [2]	*3*	4	*5*
Payments of lease liabilities	*37*	43	*43*

[1] The weighted average interest rate is 2.7% (2021: 2.4%, 2020: 2.9%).
[2] Included within total net cash flows from operating activities.

11. Goodwill and intangible assets

The following table summarizes the movements of goodwill and intangible assets in 2022:

	Goodwill	Intangible assets other than goodwill				
(USD millions)	Total	In-process research and development	Technologies	Currently marketed products	Other intangible assets	Total
At January 1, 2022						
Cost	7 938	252	1 045	8 045	268	9 610
Accumulated depreciation and impairment	– 255	– 66	– 883	– 6 873	– 207	– 8 029
Net book value	**7 683**	**186**	**162**	**1 172**	**61**	**1 581**
January 1, 2022	**7 683**	**186**	**162**	**1 172**	**61**	**1 581**
Reclassifications [1]		– 4		4		
Additions		56		66	41	163
Transfers, disposals and derecognitions [2]				– 1	– 1	– 2
Amortization charge			– 33	– 178	– 11	– 222
Impairment charge [3]		– 1	– 15	– 19		– 35
Currency translation effects	– 246	– 2	– 7	– 22		– 31
December 31, 2022	**7 437**	**235**	**107**	**1 022**	**90**	**1 454**
December 31, 2022						
Cost	7 682	302	1 001	7 915	278	9 496
Accumulated depreciation and impairment	– 245	– 67	– 894	– 6 893	– 188	– 8 042
Net book value	**7 437**	**235**	**107**	**1 022**	**90**	**1 454**

[1] Reclassifications between various asset categories as a result of product launches of acquired in-process research and development
[2] Derecognition of assets that are no longer being used or developed and are not considered to have a significant disposal value or other alternative use
[3] Includes an impairment of USD 15 million related to the write-down of Fougera core technology, USD 10 million related to Fougera currently marketed products and USD 9 million relating to Naldemedine currently marketed products in Japan.

The following table summarizes the movements of goodwill and intangible assets in 2021:

	Goodwill	Intangible assets other than goodwill				
(USD millions)	Total	In-process research and development	Technologies	Currently marketed products	Other intangible assets	Total
January 1, 2021						
Cost	8 193	217	1 094	8 393	254	9 958
Accumulated depreciation and impairment	– 270	– 65	– 867	– 7 275	– 213	– 8 420
Net book value	**7 923**	**152**	**227**	**1 118**	**41**	**1 538**
January 1, 2021	**7 923**	**152**	**227**	**1 118**	**41**	**1 538**
Impact of acquisitions of businesses	107			292		292
Reclassifications [1]		– 4		4		
Additions		49		18	35	102
Transfers, disposals and derecognitions [2]				– 42	– 1	– 43
Amortization charge			– 39	– 188	– 9	– 236
Impairment charge [3]		– 6	– 17	– 1	– 4	– 28
Currency translation effects	– 347	– 5	– 9	– 29	– 1	– 44
December 31, 2021	**7 683**	**186**	**162**	**1 172**	**61**	**1 581**
December 31, 2021						
Cost	7 938	252	1 045	8 045	268	9 610
Accumulated depreciation and impairment	– 255	– 66	– 883	– 6 873	– 207	– 8 029
Net book value	**7 683**	**186**	**162**	**1 172**	**61**	**1 581**

[1] Reclassification between in-process research and development and currently marketed products as a result of product launches of acquired in-process research and development.

[2] Derecognition of assets that are no longer being used or developed and are not considered to have a significant disposal value or other alternative use

[3] Includes an impairment of USD 17 million related to the write-down of Fougera core technology

The following table summarizes the movements of goodwill and intangible assets in 2020:

	Goodwill	Intangible assets other than goodwill				
(USD millions)	Total	In-process research and development	Technologies	Currently marketed products	Other intangible assets	Total
January 1, 2020						
Cost	7 675	486	860	6 566	208	8 120
Accumulated depreciation and impairment	– 242	– 401	– 705	– 5 709	– 181	– 6 996
Net book value	**7 433**	**85**	**155**	**857**	**27**	**1 124**
January 1, 2020	**7 433**	**85**	**155**	**857**	**27**	**1 124**
Impact of acquisitions of businesses	91	30		196		226
Cost of assets reclassified out of assets of disposal group held for sale [1]		8	169	296	1	474
Reclassifications [2]		– 4		4		
Additions		33		45	27	105
Amortization charge			– 70	– 282	– 18	– 370
Impairment charge [3]		– 14	– 40	– 91	1	– 144
Currency translation effects	399	14	13	93	3	123
December 31, 2020	**7 923**	**152**	**227**	**1 118**	**41**	**1 538**
December 31, 2020						
Cost	8 193	217	1 094	8 393	254	9 958
Accumulated depreciation and impairment	– 270	– 65	– 867	– 7 275	– 213	– 8 420
Net book value	**7 923**	**152**	**227**	**1 118**	**41**	**1 538**

[1] Note 4 provides additional disclosures related to the reclassification out of assets of the disposal group held for sale.
[2] Reclassification between in-process research and development and currently marketed products as a result of product launches of acquired in-process research and development.
[3] Includes an impairment of USD 40 million related to the write-down of Fougera core technology, USD 45 million Fougera currently marketed products and USD 39 million related to Kerydn currently marketed products

As at December 31, 2022, the most significant intangible assets within the currently marketed products category are the Mature oncology brands portfolio (Novartis acquisition of GlaxoSmithKline (GSK) portfolio in 2015), the Cephalosporin portfolio (the Company's acquisition of GSK's cephalosporin antibiotics business in 2021) and the Aspen portfolio (the Company's acquisition of the Japanese portfolio of Aspen Global Incorporated). As at December 31, 2022, the carrying value and remaining amortization period for the Mature oncology portfolio is USD 291 million and 6 years, respectively (2021: USD 351 million and 7 years, respectively; 2020: USD 424 million and 8 years, respectively), for the Cephalosporin portfolio USD 256 million and 9 years, respectively (2021: USD 289 million and 10 years, respectively), and for the Aspen portfolio USD 145 million and 8 years, respectively (2021: USD 168 million and 9 years, respectively, 2020: USD 196 million and 10 years).

Goodwill is allocated to the single operating segment of the Company, which comprise a group of smaller cash-generating units. The valuation method of the recoverable amount of the goodwill is based on the fair value less costs of disposal.

The following assumptions are used in the calculations:

(As a percentage)	2022	2021	2020
Terminal growth rate	1.0	1.5	1.5
Discount rate (post-tax)	8.0	6.5	6.5

The discount rates consider the Company's weighted average cost of capital, adjusted to approximate the weighted average cost of capital of a comparable market participant.

The fair value less costs of disposal, for the valuation of goodwill, is reviewed for the impact of reasonably possible changes in key assumptions. In particular, we considered an increase in the discount rate, a decrease in the terminal growth rate, and certain negative impacts on the forecasted cash flows. These reasonably possible changes in key assumptions did not indicate an impairment.

"Note 3. Significant accounting policies—Impairment of goodwill and intangible assets" provides additional disclosures on how the Company performs goodwill and intangible asset impairment testing.

12. Deferred tax assets and liabilities

(USD millions)	Property, plant and equipment	Intangible assets	Pensions and other benefit obligations of employees	Inventories	Tax loss carry-forwards	Other assets, provisions and accruals	Total
Gross deferred tax assets at January 1, 2022	**26**	**23**	**60**	**352**	**15**	**308**	**784**
Gross deferred tax liabilities at January 1, 2022	**– 80**	**– 161**	**– 2**	**– 7**		**– 111**	**– 361**
Net deferred tax balance at January 1, 2022	**– 54**	**– 138**	**58**	**345**	**15**	**197**	**423**
At January 1, 2022	**– 54**	**– 138**	**58**	**345**	**15**	**197**	**423**
Credited/(charged) to income	– 1	13	2	– 32		48	30
Charged to equity		– 1				– 1	– 2
Credited/(charged) to other comprehensive income			– 23			1	– 22
Other movements	– 1	8	– 1	– 1	– 2	– 5	– 2
Net deferred tax balance at December 31, 2022	**– 56**	**– 118**	**36**	**312**	**13**	**240**	**427**
Gross deferred tax assets at December 31, 2022	27	43	36	321	13	326	766
Gross deferred tax liabilities at December 31, 2022	– 83	– 161		– 9		– 86	– 339
Net deferred tax balance at December 31, 2022	**– 56**	**– 118**	**36**	**312**	**13**	**240**	**427**
After offsetting the following amount of deferred tax assets and liabilities within the same tax jurisdiction, the balance amounts to:							53
Deferred tax assets at December 31, 2022							713
Deferred tax liabilities at December 31, 2022							– 286
Net deferred tax balance at December 31, 2022							**427**

Gross deferred tax assets at January 1, 2021	**29**	**42**	**65**	**416**	**10**	**254**	**816**
Gross deferred tax liabilities at January 1, 2021	**– 92**	**– 181**	**– 1**	**– 15**		**– 147**	**– 436**
Net deferred tax balance at January 1, 2021	**– 63**	**– 139**	**64**	**401**	**10**	**107**	**380**
At January 1, 2021	**– 63**	**– 139**	**64**	**401**	**10**	**107**	**380**
Credited/(charged) to income	1	– 27	1	– 52		92	15
Charged to equity					7		7
Credited/(charged) to other comprehensive income			– 4				– 4
Impact of acquisitions of businesses		16					16
Other movements	8	12	– 3	– 4	– 2	– 2	9
Net deferred tax balance at December 31, 2021	**– 54**	**– 138**	**58**	**345**	**15**	**197**	**423**
Gross deferred tax assets at December 31, 2021	26	23	60	352	15	308	784
Gross deferred tax liabilities at December 31, 2021	– 80	– 161	– 2	– 7		– 111	– 361
Net deferred tax balance at December 31, 2021	**– 54**	**– 138**	**58**	**345**	**15**	**197**	**423**
After offsetting the following amount of deferred tax assets and liabilities within the same tax jurisdiction, the balance amounts to:							67
Deferred tax assets at December 31, 2021							717
Deferred tax liabilities at December 31, 2021							– 294
Net deferred tax balance at December 31, 2021							**423**

(USD millions)	Property, plant and equipment	Intangible assets	Pensions and other benefit obligations of employees	Inventories	Tax loss carry-forwards	Other assets, provisions and accruals	Total
Gross deferred tax assets at January 1, 2020	**21**	**31**	**63**	**344**	**6**	**269**	**734**
Gross deferred tax liabilities at January 1, 2020	**– 104**	**– 243**	**– 1**	**– 4**		**– 103**	**– 455**
Net deferred tax balance at January 1, 2020	**– 83**	**– 212**	**62**	**340**	**6**	**166**	**279**
At January 1, 2020	**– 83**	**– 212**	**62**	**340**	**6**	**166**	**279**
Credited/(charged) to income	25	76	– 2	58		– 60	97
Charged to equity	5		– 1		3		7
Charged to other comprehensive income			1				1
Impact of acquisitions of businesses		11		– 3		3	11
Other movements	– 10	– 14	4	6	1	– 2	– 15
Net deferred tax balance at December 31, 2020	**– 63**	**– 139**	**64**	**401**	**10**	**107**	**380**
Gross deferred tax assets at December 31, 2020	29	42	65	416	10	254	816
Gross deferred tax liabilities at December 31, 2020	– 92	– 181	– 1	– 15		– 147	– 436
Net deferred tax balance at December 31, 2020	**– 63**	**– 139**	**64**	**401**	**10**	**107**	**380**

After offsetting the following amount of deferred tax assets and liabilities within the same tax jurisdiction, the balance amounts to:	108
Deferred tax assets at December 31, 2020	708
Deferred tax liabilities at December 31, 2020	– 328
Net deferred tax balance at December 31, 2020	**380**

Deferred tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the remittance of earnings of foreign subsidiaries, as the Company has the ability to control any future reversal and the unremitted earnings are retained in the foreign subsidiaries for reinvestment. The total unremitted earnings retained for reinvestment in the Company's foreign subsidiaries that would be subject to withholding tax or other taxes if remitted to the Company are estimated at approximately USD 0.3 billion in 2022 (2021: USD 0.4 billion, 2020: USD 0.3 billion).

The gross value of tax-loss carry-forwards that have or have not been recognized as deferred tax assets, with their expiry dates, is as follows:

(USD millions)	Unrecognized	Recognized	**2022 total**
One year	11	0	11
Two years	7	3	10
Three years	10	0	10
Four years	13	0	13
Five years	23	0	23
More than five years	577	52	629
Not subject to expiry	77	19	96
Total	**718**	**74**	**792**

(USD millions)	Unrecognized	Recognized	2021 total
One year	1	4	5
Two years	7	3	10
Three years	7	–	7
Four years	10	–	10
Five years	13	6	19
More than five years	548	50	598
Not subject to expiry	58	11	69
Total	**644**	**74**	**718**

(USD millions)	Unrecognized	Recognized	2020 total
One year	15		15
Two years		5	5
Three years		6	6
Four years			–
Five years		7	7
More than five years	620	50	670
Not subject to expiry	26	6	32
Total	**661**	**74**	**735**

Deferred tax assets related to taxable losses and deductible temporary difference of the Company's subsidiaries are recognized to the extent it is considered probable that future taxable profits will be available against which such losses can be utilized in the foreseeable future.

In 2022 and most recent prior years, the Sandoz US subsidiaries had taxable losses that were realized by the Company through the inclusion of the Sandoz US subsidiaries in the Novartis Group's US consolidated tax return filings. The corresponding tax benefit realized by Sandoz US subsidiaries was recognized in the combined

income statement in “income taxes” through invested capital. In 2023, Sandoz US operations will continue to be included in the Novartis Group’s US consolidated tax return filings through to approximately two weeks before the Spin-off date of the Sandoz business from Novartis Group (see Note 1). The Sandoz US subsidiaries net deferred tax assets amounted to USD 314 million at December 31, 2022 (2021: USD 304 million and 2020: USD 310 million).

Management assessed the available positive and negative evidence to estimate whether it is probable that sufficient future taxable profits will be generated by the Company’s US subsidiaries operations in the periods subsequent to their exclusion from the Novartis Group’s US consolidated tax return filings, (being the period post the Spin-off of the Sandoz business from the Novartis Group – see Note 1) to continue to recognize the December 31, 2022 US subsidiaries net deferred tax assets. As part of the deferred tax recovery assessment the company examined all positive and negative evidence including among others (i) cumulative loss incurred over the three-year period ended December 31, 2022 (ii) the most recent forecast approved by management, (iii) the high likelihood that the factors that have contributed to past and cumulative (taxable) losses in its US subsidiaries operations will not recur and therefore are not considered indicative for the future profitability of the US subsidiaries operations, (iv) expected near term biosimilar launches, supported by the first quarter 2023 approval from the US FDA for biosimilar Hyrimoz® (adalimumab-adaz), (v) the expected transition in the next few years of the US subsidiaries operational business model into a limited risk distributor model that will provide a stable profit on sales and (vi) the fact that under the US tax legislation losses can be carried forward indefinitely. In performing the assessment, management assessed at which point in time its earnings projections should no longer be considered in the recoverability analysis, as taxable profits are no longer probable. Because management intends to transition the US subsidiaries operational business model into a limited risk distributor model that will provide a stable profit on sales there is no necessity to limit earnings projections in time because under such an operating model reasonably reliable estimates of future profits can be assessed. Based on the available positive and negative evidence assessed, management concluded that it is probable that sufficient taxable profits will be generate by its US subsidiaries operations in future years to recover the December 31, 2022 net deferred tax asset of USD 314 million.

13. Financial and other non-current assets

Financial assets

(USD millions)	**2022**	2021	2020
Debt securities	15	19	21
Other long-term receivables	7	4	1
Long-term loans, advances and security deposits	11	9	8
Total financial assets	**33**	**32**	**30**

Other non-current assets

(USD millions)	**2022**	2021	2020
Deferred compensation plans	19	23	21
Prepaid post-employment benefit plans	1	1	1
Other non-current assets	20	7	7
Total other non-current assets	**40**	**31**	**29**

14. Inventories

(USD millions)	**2022**	2021	2020
Raw material, consumables	172	149	169
Work in progress	637	500	751
Finished products	1 315	1 357	1 430
Total inventories	**2 124**	**2 006**	**2 350**

The following table shows the amount of inventory recognized as an expense in “Cost of goods sold” in the combined income statements:

(USD billions)	**2022**	2021	2020
Cost of goods sold	– 4.4	– 4.4	– 4.2

The following table shows the recognized amount of inventory provision and reversals of inventory provision recorded in the combined income statements:

(USD millions)	**2022**	2021	2020
Inventory provisions	– 260	– 296	– 345
Reversals of inventory provisions	40	63	71

The reversals mainly result from the release of products initially requiring additional quality control inspections and from the reassessment of inventory values manufactured prior to regulatory approval but for which approval was subsequently received.

15. Trade receivables

(USD millions)	**2022**	2021	2020
Total gross trade receivables	2 223	2 133	2 191
Provisions for doubtful trade receivables	– 16	– 23	– 31
Total trade receivables, net	**2 207**	**2 110**	**2 160**

The following table summarizes the movement in the provision for doubtful trade receivables:

(USD millions)	**2022**	2021	2020
January 1	**– 23**	**– 31**	**– 31**
Provisions for doubtful trade receivables charged to the combined income statement	– 8	– 9	– 18
Utilization of provisions for doubtful trade receivables	2	3	7
Reversal of provisions for doubtful trade receivables credited to the combined income statement	12	10	12
Currency translation effects	1	4	– 1
December 31	**– 16**	**– 23**	**– 31**

The following table shows the trade receivables that are not overdue as specified in the payment terms and conditions established with the Company's customers, as well as an analysis of overdue amounts and related provisions for doubtful trade receivables:

(USD millions)	**2022**	2021	2020
Not overdue	2 099	1 996	2 000
Past due for not more than one month	89	77	70
Past due for more than one month but less than three months	13	18	31
Past due for more than three months but less than six months	9	20	32
Past due for more than six months but less than one year		7	16
Past due for more than one year	13	15	42
Provisions for doubtful trade receivables	– 16	– 23	– 31
Total trade receivables, net	**2 207**	**2 110**	**2 160**

Trade receivable balances represent amounts due from our customers, which are mainly drug wholesalers, retailers, private health systems, government agencies, managed care providers, pharmacies and government-supported healthcare systems. We particularly monitor the level of trade receivables in countries deemed to have an elevated credit risk. We consider macroeconomic environment, historical experience, country and political risk, in addition to other relevant information when assessing risk. These risk factors are monitored regularly to determine any adjustments in risk classification. A significant part of the past due trade receivables from elevated credit risk countries are due from local governments or from government-funded entities. Deteriorating credit and economic conditions as well as other factors in these elevated credit risk countries have resulted in, and may continue to result in, an increase in the average length of time that it takes to collect these trade receivables, and may require the Company to re-evaluate the expected credit loss amount of these trade receivables in future periods. At December 31, 2022, amounts past due for more than one year are not significant in elevated credit risk countries.

Total trade receivables include amounts denominated in the following major currencies:

(USD millions)	**2022**	2021	2020
US dollar (USD)	868	779	818
Euro (EUR)	509	474	520
Russian ruble (RUB)	99	132	124
Japanese yen (JPY)	57	68	69
British pound (GBP)	49	47	51
Chinese yuan (CNY)	3	12	17
Australian dollar (AUD)	41	40	46
Canadian dollar (CAD)	85	64	54
Brazilian real (BRL)	52	35	39
Swiss franc (CHF)	39	38	33
Other currencies	405	421	389
Total trade receivables, net	**2 207**	**2 110**	**2 160**

16. Other current assets

(USD millions)	2022	2021	2020
VAT receivable	157	150	145
Withholding tax recoverable	1	3	5
Prepaid expenses	134	121	130
Other receivables and current assets	148	120	145
Total other current assets	**440**	**394**	**425**

17. Non-current and current financial debt and derivative financial instruments

Non-current financial debt

Non-current financial debt are liabilities to banks and other financial institution denominated in INR with staggered maturities up to 2028 and an average interest rate of 5.5%.

Current financial debt

(USD millions)	2022	2021	2020
Bank and other financial debt [1]	184	157	166
Derivative financial instruments	1	1	1
Total current financial debt and derivative financial instruments	**185**	**158**	**167**

[1] Weighted average interest rate 15.2% (2021: 9.7%, 2020: 7.2%)

18. Provisions and other non-current liabilities

(USD millions)	2022	2021	2020
Accrued liability for employee benefits:			
Defined benefit pension plans [1]	151	244	294
Other long-term employee benefits and deferred compensation	61	55	57
Other post-employment benefits [1]	25	31	32
Environmental remediation provisions	47	54	61
Provisions for product liabilities, governmental investigations and other legal matters	87	93	82
Contingent consideration [2]	85	98	53
Other non-current liabilities	23	25	32
Total provisions and other non-current liabilities	**479**	**600**	**611**

[1] Note 22 provides additional disclosures related to post-employment benefits.
[2] Note 26 provides additional disclosures related to contingent consideration.

The Company believes that its total provisions are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, the Company may incur additional costs beyond the amounts provided. Management believes that such additional amounts, if any, would not be material to the Company's financial condition but could be material to the results of operations or cash flows in a given period.

Environmental remediation provisions

The following table shows the movements in the environmental liability provisions:

(USD millions)	2022	2021	2020
January 1	**57**	**62**	**61**
Cash payments	– 1		
Currency translation effects	– 3	– 5	1
December 31	**53**	**57**	**62**
Less current provision	– 6	– 3	– 1
Non-current environmental remediation provisions at December 31 [1]	**47**	**54**	**61**

[1] There were no additions or releases of environmental provisions in 2022, 2021 and 2020

The significant components of the environmental remediation provisions consist of costs to sufficiently clean and refurbish contaminated sites to the extent necessary and to continue surveillance at sites where the environmental remediation exposure is less significant.

The environmental provisions are related to the remediation activities in Spain. The provisions are reassessed periodically and adjusted as necessary.

The expected timing of the related cash outflows as of December 31, 2022, is currently projected as follows:

(USD millions)	Expected cash outflows
Due within two years	9
Due later than two years, but within five years	30
Due later than five years, but within 10 years	10
Due after 10 years	4
Total environmental remediation liability provisions	**53**

Provisions for product liabilities, governmental investigations and other legal matters

The Company has established provisions for governmental investigations and other legal matters where a potential cash outflow is probable and the Company can make a reliable estimate of the amount of the outflow. These provisions represent the Company's current best estimate of the total financial effect for the matters described below and for other less significant matters. Potential cash outflows reflected in a provision might be fully or partially offset by insurance or other third party recoveries in certain circumstances.

The Company has not established provisions for potential damage awards for certain additional legal claims against its subsidiaries if the Company currently believes that a payment is either not probable or cannot be reliably estimated. These not-provisioned-for matters include individual product liability cases and certain other legal matters. Plaintiffs' have alleged claims in these matters and the Company does not believe that information about the amount sought by plaintiffs, if that is known, would be meaningful with respect to those legal proceedings. This is due to a number of factors, including, but not limited to, the stage of proceedings, the entitlement of parties to appeal a decision and clarity as to theories of liability, damages and governing law. Therefore, it is not practicable to provide information about the potential financial impact of these matters. In addition, in some of these matters there are claims for punitive or multiple (treble) damages, civil penalties and disgorgement of profits that in the view of the Company are either wholly or partially unspecified, or wholly or partially unquantifiable at present; the Company believes that information about these amounts claimed by plaintiffs generally is not meaningful for purposes of determining a reliable estimate of a loss that is probable or more than remote.

A number of other legal matters are in such early stages or the issues presented are such that the Company has not made any provisions since it cannot currently estimate either a potential outcome or the amount of any potential losses. For these reasons, among others, the Company generally is unable to make a reliable estimate of possible loss with respect to such cases. It is therefore not practicable to provide information about the potential financial impact of those cases.

There might also be cases for which the Company was able to make a reliable estimate of the possible loss or the range of possible loss, but the Company believes that publication of such information on a case-by-case basis would seriously prejudice the Company's position in ongoing legal proceedings or in any related settlement discussions. Accordingly, in such cases, information has been disclosed with respect to the nature of the contingency, but no disclosure is provided as to an estimate of the possible loss or range of possible loss.

Note 25 contains additional information on contingencies.

Summary of significant legal proceedings

The following is a summary of significant legal proceedings to which the Company or its subsidiaries are currently a party, or were a party and that concluded in 2022.

Investigations and related litigations

Government generic pricing antitrust investigations, antitrust class actions

Since 2016, Sandoz Inc. has received a grand jury subpoena and a civil investigative demand and interrogatories from the Antitrust and Civil Divisions of the US Department of Justice (DOJ), and a subpoena and interrogatories from the Attorney General of the State of Connecticut in connection with those agencies' investigations into alleged price fixing and market allocation of generic drugs in the United States as well as alleged federal False Claims Act (FCA) violations. In 2020, Sandoz Inc. reached a resolution with the DOJ Antitrust Division, pursuant to which Sandoz Inc. paid USD 195 million and entered into a deferred prosecution agreement (DPA). The Sandoz Inc. resolution related to instances of misconduct at the company between 2013 and 2015 with regard to certain generic drugs sold in the United States. Under the terms of that agreement, Sandoz Inc. will continue to take steps

to enhance its compliance program, employee training and monitoring, and will continue to cooperate with the US government's ongoing investigation into the generic pharmaceutical industry. The term of the DPA has concluded and the charging document was dismissed with prejudice on March 23, 2023. Sandoz Inc. also finalized a resolution with the DOJ Civil Division and in 2021 paid USD 185 million plus interest from the date of the agreement in principle, to settle related claims arising under the FCA, and entered into a corporate integrity agreement with the Office of Inspector General (OIG) of the US Department of Health and Human Services (HHS). This resolution with the DOJ resolves all federal government matters related to price fixing allegations.

Since the third quarter of 2016, Sandoz Inc. and Fougera Pharmaceuticals Inc. have been sued alongside other generic pharmaceutical companies in numerous individual and putative class action complaints by direct and indirect private purchasers and by more than 50 US states and territories, represented by their respective Attorneys General. Plaintiffs claim that defendants, including Sandoz Inc., engaged in price fixing and market allocation of generic drugs in the United States, and seek damages and injunctive relief. The litigation includes complaints alleging product-specific conspiracies, as well as complaints alleging the existence of an overarching industry conspiracy and assert claims for damages and penalties under federal and state antitrust and consumer protection acts. The majority of the cases have been consolidated for pretrial purposes in the United States District Court (USDC) for the Eastern District of Pennsylvania, and the claims are being vigorously contested. Cases not consolidated into the multi-district litigation are stayed.

Sandoz Inc., Sandoz Canada Inc., and Fougera Pharmaceuticals Inc. have been named in a class action in Ontario Canada alleging price fixing in the Canadian generic pharmaceutical market. The claims are being vigorously contested.

Government opioid litigation

Sandoz entities are named as defendants opioids litigation in the US and Canada. In the US, Sandoz is named in more than 600 complaints filed in multidistrict litigation in US federal court in the Eastern District of Ohio, as well as approximately 45 lawsuits filed outside the MDL in state and federal courts. The plaintiffs are various United States political subdivisions (including certain cities, counties, states, other governmental agencies and tribes), school districts, hospitals and third-party payors, and they seek civil damages under various state law grounds, including consumer protection and nuisance, allegedly arising from the manufacture, promotion, sale and distribution of opioids. Sandoz is engaged in advanced settlement discussions with a group of plaintiffs.

In Canada, Sandoz has been named in 6 class actions initiated by the provinces of British Columbia, Ontario, Alberta, Saskatchewan, and Québec. The claims are being vigorously contested.

United States Narrow Exceptions Regulatory Proceedings

Sandoz Inc. participates in the US Medicaid Drug Rebate Program and pays rebates on its sales to state Medicaid programs for covered outpatient drugs dispensed to Medicaid beneficiaries and paid for by a state Medicaid program. Participating manufacturers pay higher rebates for innovator drugs than for non-innovator generic drugs. The Centers for Medicare & Medicaid Services ("CMS") of the US Department of Health and Human Services administers the Medicaid Drug Rebate Program. CMS has implemented an application process by which a manufacturer may seek to have a drug that was approved by FDA as an innovator drug to be classified as a non-innovator drug for which lower rebates may be paid. These applications are commonly known as requests for "narrow exceptions". If a narrow exception application is denied, or if a non-innovator drug is reclassified as an innovator drug, the applicant may become liable for additional Medicaid rebate payments.

Sandoz Inc. has submitted numerous applications to CMS seeking narrow exceptions, with mixed results. Sandoz Inc. has sought reconsideration of adverse results and these matters are pending. For applications that are denied, Sandoz Inc. may commence proceedings to challenge CMS' decision as arbitrary and capricious. For any applications that are ultimately and finally rejected, Sandoz Inc. may incur liability for higher rebates for current and past periods for the product at issue. That liability may include rebates for historical periods when the drug was classified as a non-innovator drug, effectively extending back to the date of the drug's initial approval potentially without constraint by a statute of limitations.

Product liability litigation

Taxotere® (docetaxel)

Sandoz is a defendant in more than 3,100 US product liability actions involving docetaxel, an oncology product, many of which have been transferred to a multidistrict litigation in the Eastern District of Louisiana. The complaints allege misleading marketing and that Sanofi, as innovator, and several 505(b)(2) NDA holders (including Sandoz) failed to warn of the risk of permanent alopecia/hair loss. Cases have also been filed against Sandoz Inc. in New Jersey state court. In 2018 the Mississippi Attorney General filed an action in Mississippi state court against all taxotere/docetaxel manufacturers seeking damages under the state's Consumer Protection Act for allegedly misleading marketing. In January 2022, a new multidistrict litigation was created in the Eastern District of Louisiana for claims related to alleged eye injuries caused by the use of docetaxel, including approximately 40 cases filed naming Sandoz. The claims are being vigorously contested.

Amiodarone

Sandoz entities are named in one multi-plaintiff US product liability case in New Jersey federal court involving amiodarone, a cardiac drug indicated to treat life-threatening arrhythmias that have not responded to other treatment. The complaint alleges failure to warn, off-label promotion, and failure to include medication guides to pharmacies. The claims are being vigorously contested.

Sartans and ranitidine

Since 2018, claims have been brought against Sandoz and other pharmaceutical companies alleging injury from

carcinogenic impurities found in valsartan and valsartan/HCT film-coated tablets and/or losartan marketed or manufactured by Sandoz. These claims include several putative class actions in Canada. Claims have also been brought alleging injury from carcinogenic impurities in ranitidine-containing medicines. These claims also include several putative class actions in Canada, a multidistrict litigation in Florida and individual cases in US State courts. All of these claims are being vigorously contested. In 2020, Sandoz terminated its supply agreement with Huahai and initiated arbitration proceedings, claiming damages and indemnification in connection with the supply of these drugs to Sandoz. The arbitration proceedings are continuing.

Reclast

An affiliate of Sandoz is a defendant in more than 20 US product liability actions involving *Reclast* and alleging atypical femur fracture injuries, all of which are in New Jersey state or federal court and in California state court, coordinated with claims against other bisphosphonate manufacturers. The claims are being vigorously contested.

Other matters

Treprostinil litigation

In 2019, Sandoz and its marketing partner RareGen LLC (RareGen) sued United Technologies Corporation (UTC) and Smiths Medical ASD, Inc. (Smiths) in New Jersey federal court asserting federal antitrust and state law unfair trade claims, and Sandoz separately sued UTC asserting breach of a 2015 patent settlement agreement, with all of the claims relating to conduct restricting the use of cartridges necessary for administering subcutaneous injections to only the branded drug and not any generic Treprostinil. In November 2020, Sandoz and RareGen settled with Smiths. In March 2022, the court granted UTC's motion for summary judgment and dismissed the federal antitrust and state unfair trade claims and granted Sandoz's motion for summary judgment on the breach of contract claim. Sandoz will proceed to a damages trial against UTC on the breach of contract claim.

Bimatoprost

Sandoz filed its ANDA for a generic of Allergan's Latisse® (bimatoprost) in December 2010. In 2011, Sandoz was first sued for patent infringement of two patent families after having filed its Abbreviated New Drug Application ("ANDA") for a generic of Allergan's (now AbbVie's) Latisse® (bimatoprost 0.03% topical solution) in December 2010. Sandoz successfully defended against these claims in three separate litigations and after obtaining FDA approval, Sandoz launched its generic product in December 2016. In July 2017 Sandoz was sued for the fourth time, on a related patent by the same plaintiffs, seeking recovery of their lost profits. A jury trial concluded on March 31, 2023. The jury found that the patent was not invalid, and infringed, and ordered Sandoz to pay damages in the amount of USD 39 million, plus interest. Sandoz intends to appeal the decision. A provision of USD 51 million has been recorded in the first half-year of 2023.

Apixaban Patent Infringement Litigation in the Netherlands

Sandoz and Teva together challenged the validity of a patent regarding apixaban in the United Kingdom ("UK"), while Teva had commenced proceedings to revoke the equivalent patent in the Netherlands. After revoking the patent in the first instance in the UK in April 2022, Sandoz notified Bristol Meyers Squibb ("BMS"), the patent owner, of its intention to launch in May 2022. In response, BMS requested a preliminary injunction to stop that launch, which was rejected by the Dutch court in May 2022. BMS did not appeal that decision. As a result, Sandoz launched its apixaban product in the Netherlands. BMS then initiated patent infringement proceedings against Sandoz, and Sandoz counterclaimed to revoke the compound patent.

Relatedly, on March 26, 2023, after the Enlarged Board of the European Patent Office had issued a decision (called "G2/21") on the legal principle underlying the validity challenge, BMS applied for a second patent infringement against Sandoz and against a potential new market entrant. This was dismissed in May 2023, whereby the judge confirmed that the G2/21 decision did not change the reasoning in the May 2022 decision rejecting the first patent infringement claim. This time, BMS appealed the decision seeking a speedy decision. On August 15, 2023, the Dutch Court of Appeals overturned that decision and enjoined Sandoz and all other Generics companies from selling apixaban in the Netherlands.

The proceedings on the merits will be heard on October 13, 2023, with a decision expected between December 2023 and Q1 2024.

Ziextenzo® Lanham Act litigation

In 2022, Sandoz Inc. filed a false advertising action against Amgen Inc. in the United States District Court for the Central District of California. Sandoz alleges Amgen engaged in an advertising campaign that falsely states pegfilgrastim prefilled syringe products are less effective and less safe than Amgen's pegfilgrastim on-body device marketed as Neulasta® Onpro®. Sandoz seeks damages and injunctive relief.

Summary of product liability, governmental investigations and other legal matters provision movements

(USD millions)	2022	2021	2020
January 1	**125**	**320**	**216**
Cash payments	– 38	– 228	– 283
Releases of provisions	– 4	– 26	– 9
Additions to provisions	39	58	393
Currency translation effects	– 13	1	3
December 31, 2022, 2021 and 2020	**109**	**125**	**320**
Less current portion	– 22	– 32	– 238
Non-current product liabilities, governmental investigations and other legal matters provisions at December 31	**87**	**93**	**82**

In 2023, there were USD 185 million additions to the provisions for legal matters including USD 51 million for the bimatoprost matter.

The company is part of the Novartis Group internal insurance scheme which covers certain costs related to product liability and other legal matters. The actuarial reserve for such matters, at each balance sheet date, is included in the provisions in the table above with a corresponding receivable from Novartis Group recorded within Receivables from Novartis Group, on the Combined balance sheet, for claims where coverage has been confirmed by the insurer.

The Company 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.

19. Provisions and other current liabilities

(USD millions)	**2022**	2021	2020
Taxes other than income taxes	118	105	101
Restructuring provisions	51	71	128
Accrued expenses for goods and services received but not invoiced	171	138	155
Accruals for royalties	15	22	29
Accrued interests on financial debt	2	2	3
Provisions for deductions from revenue	1 415	1 312	1 244
Accruals for compensation and benefits, including social security	342	352	390
Environmental remediation liabilities	6	3	1
Deferred income	3	4	4
Provisions for product liabilities, governmental investigations and other legal matters [1]	22	32	238
Accrued share-based payments [2]	17	12	9
Contingent considerations [3]	16	17	25
Other payables	81	101	120
Total provisions and other current liabilities	**2 259**	**2 171**	**2 447**

[1] Note 18 provides additional disclosures related to legal provisions.
[2] Note 23 provides additional disclosures related to equity-based participation plans for employees.
[3] Note 26 provides additional disclosures related to contingent considerations.

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

Provisions for deductions from revenue

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

(USD millions)	2022	2021	2020
January 1	**1 312**	**1 244**	**1 326**
Effect of currency translation, business combinations	– 22	– 55	58
Payments/utilizations	– 7 576	– 7 363	– 7 651
Adjustments of prior years charged to income statement [1]	– 109	3	– 6
Current year income statement charge	7 839	7 326	7 422
Change in provisions offset against gross trade receivables	– 29	157	95
December 31	**1 415**	**1 312**	**1 244**

[1] 2022 relates to the release of revenue deductions in the US and Germany due to lower than expected claims

The provisions for deductions from revenue include specific healthcare plans and program rebates as well as non-healthcare plans and program-related rebates, returns and other deductions. The provisions for deductions from revenue are adjusted to reflect experience and to reflect actual amounts as rebates, refunds, discounts and returns are processed. The provision represents estimates of the related obligations, requiring the use of judgment when estimating the effect of these deductions from revenue.

Restructuring provisions movements

(USD millions)	2022	2021	2020
January 1	**71**	**128**	**119**
Additions	40	62	97
Cash payments	– 46	– 85	– 66
Releases	– 9	– 25	– 29
Currency translation effects	– 5	– 9	7
December 31	**51**	**71**	**128**

In 2022, 2021 and 2020, additions to provisions were mainly related to initiatives to realign the Company's organizational structures to improve competitiveness. These initiatives included restructuring of its international and global service functions and in-country commercial organizations, as well as the closure of its development center in Holzkirchen, Germany.

20. Details to the combined statements of cash flows

20.1) Non-cash items and other adjustments

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

(USD millions)	2022	2021	2020
Depreciation, amortization and impairments on:			
Property, plant and equipment	198	218	394
Right-of-use assets	37	43	45
Intangible assets	257	264	514
Change in provisions and other non-current liabilities	99	95	485
Gains on disposal and other adjustments on property, plant and equipment; intangible assets; financial assets; and other non-current assets, net	– 24	– 34	– 29
Income taxes	252	403	242
Net financial expense	137	81	96
Other	2		
Total	**958**	**1 070**	**1 747**

In 2022, there were no additions to intangible assets with deferred payments. In 2021 and 2020, other than through business combinations, there were also no additions to intangible assets with deferred payments. In 2022, there were USD 32 million (2021: USD 27 million; 2020: USD 73 million) additions to right-of-use assets recognized.

20.2) Cash flows from changes in working capital and other operating items included in the net cash flows from operating activities

(USD millions)	**2022**	2021	2020
(Increase)/decrease in inventories	– 272	177	– 106
(Increase)/decrease in trade receivables	– 184	– 52	169
Increase/(decrease) in trade payables	131	93	– 156
Decrease/(increase) in receivables from Novartis Group	6	– 22	40
Increase/(decrease) in payables from Novartis Group	98	8	– 102
Change in other current and non-current assets	– 103	– 21	25
Change in other current liabilities	288	149	– 150
Total	**– 36**	**332**	**– 280**

20.3) Cash flows arising from acquisitions and divestments of businesses, net

The following table is a summary of the cash flow impact of acquisitions and divestments of businesses. The most significant transactions are described in Note 4.

(USD millions)	Note	**2022**	2021	2020
Net assets recognized as a result of acquisitions of businesses	21		**– 415**	**– 395**
Contingent consideration payables, net		– 19	41	64
Deferred consideration and other adjustments, net		– 13		59
Cash flows used for acquisitions of businesses		**– 32**	**– 374**	**– 272**
Cash flows (used for)/from divestments of businesses, net [1]		**– 7**	**12**	**8**
Cash flows used for acquisitions and divestments of businesses, net		**– 39**	**– 362**	**– 264**

[1] In 2022, USD 7 million represented the net cash outflows for divestments in previous years, and a business divestment in 2022.
In 2022, the net identifiable assets of the divested business amounted to USD 34 million, comprised of non-current assets of USD 5 million, current assets of USD 43 million, including USD 9 million cash and cash equivalents and of USD 14 million current liabilities. Deferred sales price receivables and other adjustments amounted to USD 22 million.
In 2021, USD 12 million included USD 2 million cash outflows for a divestment in 2019, and a USD 14 million net cash inflow from a business divestment in 2021, comprised of an intangible asset.
In 2020, USD 8 million represented net cash inflows, including a deferred sales price receivable from a divestment in 2019.

Notes 4 and 21 provide further information regarding acquisitions of businesses. All acquisitions were for cash.

20.4) Net cash flows used in financing activities with Novartis Group included in net cash flows used in financing activities

(USD millions)	Note	**2022**	2021	2020
Change in other financial receivables from Novartis Group	20.5	– 135	– 359	135
Change in other financial liabilities to Novartis Group	20.5	– 524	51	397
Movements of financing provided by/(to) Novartis Group		– 132	– 345	– 1 018
Cash flows used in financing activities with Novartis Group, net		**– 791**	**– 653**	**– 486**

20.5) Reconciliation of liabilities arising from financing activities

(USD millions)	Financial assets	Financial liabilities				
	Other financial receivables from Novartis Group	Non-current financial debts	Current financial debts and derivative financial instruments	Other financial liabilities to Novartis Group	Non-current lease liabilities	Current lease liabilities
January 1, 2022	**885**	**17**	**158**	**4 629**	**103**	**34**
Increase in non-current financial debts		16				
Change in current financial debts			43			
Change in other financial receivables from Novartis Group	135					
Change in other financial liabilities to Novartis Group				– 524		
Payments of lease liabilities						– 37
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities						– 3
New, modified and terminated leases, net					19	7
Changes in lease interest and other changes, net						3
Currency translation effects	– 8	– 3	– 16	– 254	– 6	– 1
Reclassification from non-current to current, net					– 28	28
December 31, 2022	**1 012**	**30**	**185**	**3 851**	**88**	**31**

(USD millions)	Financial assets	Financial liabilities				
	Other financial receivables from Novartis Group	Non-current financial debts	Current financial debts and derivative financial instruments	Other financial liabilities to Novartis Group	Non-current lease liabilities	Current lease liabilities
January 1, 2021	**561**		**167**	**4 953**	**132**	**39**
Increase in non-current financial debts		16				
Change in current financial debts			23			
Change in other financial receivables from Novartis Group	359					
Change in other financial liabilities to Novartis Group				51		
Payments of lease liabilities						– 43
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities						– 4
New, modified and terminated leases, net					12	4
Changes in lease interest and other changes, net						4
Currency translation effects	– 35	1	– 32	– 375	– 6	– 1
Reclassification from non-current to current, net					– 35	35
December 31, 2021	**885**	**17**	**158**	**4 629**	**103**	**34**

(USD millions)	Financial assets	Financial liabilities				
	Other financial receivables from Novartis Group	Non-current financial debts	Current financial debts and derivative financial instruments	Other financial liabilities to Novartis Group	Non-current lease liabilities	Current lease liabilities
January 1, 2020	**657**		**175**	**4 200**	**110**	**32**
Change in current financial debts			– 18			
Change in other financial receivables from Novartis Group	– 135					
Change in other financial liabilities to Novartis Group				397		
Payments of lease liabilities						– 43
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities						– 5
New, modified and terminated leases, net					50	13
Impact of acquisitions of businesses			32		1	1
Changes in lease interest and other changes, net						5
Currency translation effects	39		– 22	356	6	1
Reclassification from non-current to current, net					– 35	35
December 31, 2020	**561**		**167**	**4 953**	**132**	**39**

21. Acquisitions of businesses

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

(USD millions)	**2022**	2021	2020
Property, plant and equipment			19
Right-of-use assets			2
Currently marketed products		292	196
Acquired research and development			30
Deferred tax assets		16	20
Other non-current assets			1
Inventories			84
Trade receivables and other current assets			35
Cash and cash equivalents			7
Deferred tax liabilities			– 9
Current financial debts			– 32
Current and non-current lease liabilities			– 2
Trade payables and other liabilities			– 40
Net identifiable assets acquired	**0**	**308**	**311**
Acquired cash and cash equivalents			– 7
Goodwill		107	91
Net assets recognized as a result of acquisitions of businesses	**0**	**415**	**395**

Note 4 details significant acquisitions of businesses. There were no acquisitions of businesses in 2022. In 2021 there was the acquisition of the cephalosporin antibiotics business from GSK, and in 2020 the acquisition of the Japanese business of AGI. The goodwill arising out of these acquisitions is attributable to the buyer-specific synergies and the assembled workforce. Goodwill of USD 107 million in 2021 (2020: USD 74 million) is tax deductible. The acquisition of the Japanese business of AGI included receivables with a fair value of USD 27 million. This value was equal to the gross contractual amounts receivable.

22. Post-employment benefits for employees

Defined benefit plans

In addition to the legally required social security schemes, the Company has independent pension and other post-employment benefit plans and participates in plans of the Novartis Group. In most cases, these plans are externally funded in entities that are legally separate from Sandoz and the Novartis Group. For certain Company subsidiaries, however, no independent plan assets exist for the pension and other post-employment benefit obligations of employees. In these cases, the related unfunded liability is included in the balance sheet. The defined benefit obligations (DBOs) 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, the United States, Germany and Austria, which represent 87% of the Company's total DBO for pension plans. Details of the plans in the two most significant countries, Switzerland and the United States, which represent 57% of the Company's total DBO for post-employment benefit plans, are provided below.

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

In December 2020, the Board of Trustees of the Novartis Swiss Pension Fund agreed to adjust the annuity conversion rate at retirement with effect from January 1, 2022. This amendment did not affect existing pensioners, and its impact on existing plan participants will be mitigated by way of defined compensatory measures. This amendment resulted in a net pre-tax curtailment gain of USD 2 million (CHF 1.9 million) recognized in 2020.

The United States pension plans represent the second-largest component of the Company'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, in certain countries, employees are covered under other post-employment benefit plans and post-retirement medical plans.

In the US, other post-employment benefit plans consist primarily of post-employment healthcare benefits, which have been closed to new members since 2015. Part of the costs of these plans is reimbursable under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. There is no statutory funding requirement for these plans. The Company is funding these plans to the extent that it is tax efficient.

The following tables are a summary of the funded and unfunded defined benefit obligation for pension and other post-employment benefit plans of employees at December 31, 2022, 2021 and 2020:

	Pension plans			Other post-employment benefit plans		
(USD millions)	**2022**	**2021**	2020	**2022**	**2021**	2020
Benefit obligation at January 1	**671**	**698**	**607**	**31**	**32**	**30**
Current service cost	22	25	24	1		
Interest cost	11	10	11	1	1	1
Past service costs and settlements		– 1	– 3			
Administrative expenses	1	1	1			
Remeasurement (gains)/losses arising from changes in financial assumptions [1]	– 140	– 19	29	– 6	– 1	2
Remeasurement (gains)/losses arising from changes in demographic assumptions	– 1		– 2			
Experience-related remeasurement losses/(gains)	– 1		– 3			
Currency translation effects	– 20	– 30	35			
Benefit payments	– 20	– 22	– 21	– 2	– 1	– 1
Contributions of employees	7	8	6			
Effect of acquisitions, divestments or transfers		1	14			
Benefit obligation at December 31	**530**	**671**	**698**	**25**	**31**	**32**
Fair value of plan assets at January 1	**429**	**405**	**339**			
Interest income	7	6	7			
Return on plan assets excluding interest income	– 50	19	20			
Currency translation effects	– 8	– 13	16			
Company contributions	21	25	24	2	1	1
Contributions of employees	7	8	6			
Settlements						
Benefit payments	– 20	– 22	– 21	– 2	– 1	– 1
Effect of acquisitions, divestments or transfers		1	14			
Fair value of plan assets at December 31	**386**	**429**	**405**			
Funded status	**– 144**	**– 242**	**– 293**	**– 25**	**– 31**	**– 32**
Limitation on recognition of fund surplus at January 1	**– 1**					
Change in limitation on recognition of fund surplus (incl. exchange rate differences)	– 5	– 1				
Interest income on limitation of fund surplus						
Limitation on recognition of fund surplus at December 31 [2]	**– 6**	**– 1**				
Net liability in the balance sheet at December 31	**– 150**	**– 243**	**– 293**	**– 25**	**– 31**	**– 32**

[1] The remeasurement gains arising from changes in financial assumptions is driven mainly by changes in the actuarial discount rates used to determine the benefit obligation.

[2] As of December 31, 2022, the most significant pension plans where the asset ceiling was required to be applied were in Switzerland and amounted to USD 5 million.

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

	Pension plans			Other post-employment benefit plans		
(USD millions)	**2022**	**2021**	2020	**2022**	**2021**	2020
Net liability at January 1	**– 243**	**– 293**	**– 268**	**– 31**	**– 32**	**– 30**
Current service cost	– 22	– 25	– 24	– 1		
Net interest expense	– 4	– 4	– 4	– 1	– 1	– 1
Administrative expenses	– 1	– 1	– 1			
Past service costs and settlements		1	3			
Remeasurements	92	38	– 4	6	1	– 2
Currency translation effects	12	17	– 19			
Company contributions	21	25	24	2	1	1
Effect of acquisitions, divestments or transfers						
Change in limitation on recognition of fund surplus	– 5	– 1				
Net liability at December 31	**– 150**	**– 243**	**– 293**	**– 25**	**– 31**	**– 32**
Amounts recognized in the consolidated balance sheet						
Prepaid benefit cost	1	1	1			
Accrued benefit liability	– 151	– 244	– 294	– 25	– 31	– 32

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:

			2022	
(USD millions)	Switzerland	United States	Rest of the world	Total
Benefit obligation at December 31	**115**	**177**	**238**	**530**
Thereof unfunded		*13*	*113*	*126*
By type of member				
Active	115	20	127	262
Deferred pensioners		57	47	104
Pensioners		100	64	164
Fair value of plan assets at December 31	**121**	**151**	**114**	**386**
Funded status	**6**	**– 26**	**– 124**	**– 144**

			2021				2020	
(USD millions)	Switzerland	United States	Rest of the world	Total	Switzerland	United States	Rest of the world	Total
Benefit obligation at December 31	**144**	**236**	**291**	**671**	**143**	**247**	**308**	**698**
Thereof unfunded		*16*	*151*	*167*		*18*	*167*	*185*
By type of member								
Active	144	27	143	314	143	28	149	320
Deferred pensioners		76	56	132		80	57	137
Pensioners		133	92	225		139	102	241
Fair value of plan assets at December 31	**121**	**189**	**119**	**429**	**106**	**182**	**117**	**405**
Funded status	**– 23**	**– 47**	**– 172**	**– 242**	**– 37**	**– 65**	**– 191**	**– 293**

The following table shows a breakdown of the DBO for other post-employment benefit plans by geography and type of member, and the breakdown of plan assets into the geographical locations in which they are held:

	2022			2021			2020		
(USD millions)	United States	Rest of the world	Total	United States	Rest of the world	Total	United States	Rest of the world	Total
Benefit obligation at December 31	**22**	**3**	**25**	**29**	**2**	**31**	**30**	**2**	**32**
Thereof unfunded	*22*	*3*	*25*	*29*	*2*	*31*	*30*	*2*	*32*
By type of member									
Active	1	1	2	2	1	3	2	1	3
Deferred pensioners	7		7	9		9	9		9
Pensioners	14	2	16	18	1	19	19	1	20
Fair value of plan assets at December 31									
Funded status	**– 22**	**– 3**	**– 25**	**– 29**	**– 2**	**– 31**	**– 30**	**– 2**	**– 32**

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

	Pension plans			Other post-employment benefit plans		
	2022	2021	2020	**2022**	2021	2020
Weighted average assumptions used to determine benefit obligations at December 31						
Discount rate	4.0%	1.5%	1.3%	5.7%	2.9%	2.6%
Expected rate of pension increase	0.5%	0.4%	0.4%			
Expected rate of salary increase	3.1%	2.8%	2.7%			
Interest on savings account	2.2%	0.5%	0.1%			
Current average life expectancy for a 65-year-old male in years	22	22	22	21	21	21
Current average life expectancy for a 65-year-old female in years	24	24	24	23	23	22

Changes in the aforementioned actuarial assumptions can result in significant volatility in the accounting for the Company's pension plans in the combined financial statements. This can result in substantial changes in the Company'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 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 employee'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 the correlation of interest rates with equities is not as strong as with bonds, especially in the short term).

The expected rate for pension increases affects the DBO of most plans in Switzerland and Germany. 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.

In 2022 the mortality assumptions used for the pension plans in Switzerland were based on BVG 2020 tables with future improvements based on the BVG generational model. In US for the Pension and Postretirement Medical Benefit Plans, the Society of Actuaries Pre-2012 mortality tables with generational improvements based on Scale MP-2021 are used.

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

(USD millions)	Change in 2022 year-end defined benefit pension obligation
25 basis point increase in discount rate	– 11
25 basis point decrease in discount rate	12
One-year increase in life expectancy	9
25 basis point increase in rate of pension increase	3
25 basis point decrease in rate of pension increase	
25 basis point increase of interest on savings account	1
25 basis point decrease of interest on savings account	– 1
25 basis point increase in rate of salary increase	1
25 basis point decrease in rate of salary increase	– 1

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

	2022	2021	2020
Healthcare cost trend rate assumed for next year	6.5%	6.0%	6.3%
Rate to which the cost trend rate is assumed to decline	4.5%	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2031	2028	2028

The following table shows the weighted average plan asset allocation of funded defined benefit pension plans at December 31, 2022, 2021and 2020:

	Pension plans				
(as a percentage)	Long-term target minimum	Long-term target maximum	**2022**	2021	2020
Equity securities	15	40	23	26	27
Debt securities	20	60	25	26	26
Real estate	5	30	8	7	6
Alternative investments	0	20	16	15	6
Cash and other investments	0	15	28	26	35
Total			**100**	**100**	**100**

Cash and 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, private equity, infrastructure and commodity investments, usually have a quoted market price or a regularly updated net asset value.

The strategic allocation of assets of the different pension plans is determined with the objective of achieving an investment return that, together with the contributions paid by the Company and its employees, 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 weighted average duration of the defined benefit obligation is 10.4 years (2021: 13.5, 2020: 13.9 years).

The Company's ordinary contribution to the various pension plans is 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 predetermined thresholds). The only significant plan that foresees to require additional funding is in Germany.

The expected future cash flows in respect of pension and other post-employment benefit plans at December 31, 2022, were as follows:

(USD millions)	Pension plans	Other post-employment benefit plans
Company contributions		
2023 (estimated)	24	
Expected future benefit payments		
2023	26	2
2024	25	2
2025	27	2
2026	29	2
2027	30	2
2028–2032	171	8

Defined contribution plans

In many subsidiaries, employees are covered by defined contribution plans. Contributions charged to the combined income statement for the defined contribution plans were:

(USD millions)	**2022**	2021	2020
Contributions for defined contribution plans continuing operations	37	39	35

The Company's total personnel costs amounted to USD 1.8 billion in 2022 (USD 2.0 billion in 2021 and USD 2.0 billion in 2020).

23. Equity-based participation plans for employees

The Company's employees participated in Novartis Group equity-based participation plans. The expense related to all equity-based participation plans and the liabilities arising from equity-based payment transactions were as follows:

(USD millions)	**2022**	2021	2020
Expense related to equity-based participation plans	66	69	68
Liabilities arising from equity-based participation plans	17	12	9

The below disclosure covers the Novartis Group equity-based participation plans in which Sandoz employees participated. Those can be separated into the following plans:

Annual Incentive

The Annual Incentive for the Novartis AG Sandoz business CEO is paid 50% in cash and 50% in Novartis AG restricted shares (RSs) or restricted share units (RSUs). For the Company's employees who were Novartis Top Leaders (NTLs), the Annual Incentive is paid 70% in cash and 30% in RSs or RSUs. Both the Novartis AG Sandoz business CEO and NTLs can opt to invest up to the maximum cash portion of their Annual Incentive to receive further RSs or RSUs. Any cash is paid out during March in the year following the end of the performance period, and the shares are granted during January in the year following the end of the performance period.

Employee share savings plans

Novartis operates employee share savings and purchase in certain countries. The most significant is described below:

In Switzerland, Employee Share Ownership Plan (ESOP) participants may choose to receive their Annual 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 for Novartis shares invested under the ESOP, participants will receive one matching share for every two invested shares. Employees eligible for the equity plan "Select" are not eligible to receive ESOP matching shares. The Sandoz CEO, who was an Executive Committee member of Novartis Group, and Company employees who were NTLs of the Novartis Group are not eligible to participate in the plan.

Novartis Employee share purchase plan

In 2022 Novartis started to grant shares under the Employee Share Purchase Plan. The plan enables employees to voluntarily purchase Novartis AG shares at a discounted price. While the plan is global in scope, the first phase covers: North America (the US, Puerto Rico and Canada). The shares are not subject to a vesting period.

Novartis equity plan "Select"

The equity plan "Select" is a global equity incentive plan under which eligible employees may annually be awarded a grant subject to a three-year, and for selected units a four-year, staggered vesting period. No awards are granted for performance ratings below a certain threshold. The Sandoz CEO, who was an Executive Committee member of Novartis Group, and Company employees who were NTLs of the Novartis Group are not eligible for participation in the equity plan "Select".

The equity plan "Select" currently allows participants in Switzerland to choose the form of their equity compensation in RSs or RSUs. In all other jurisdictions, RSs or RSUs are granted unilaterally. Until 2013, participants could also choose to receive part or the entire grant in the form of tradable share options.

Tradable share options expire on their 10th anniversary from the grant date. Each tradable share option entitles the holder to purchase after vesting (and before the 10th anniversary from the grant date) one Novartis share at a stated exercise price that equals the closing market price of the underlying share at the grant date. As the exercise price does not reflect the decrease in the Novartis AG share due to the Novartis Group's 2019 Spin-off of its Alcon business, one-fifth of an Alcon Inc. share was awarded to the option holder upon exercise.

Options under Novartis equity plan "Select" outside North America

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 USD at historical rates.

	2022		2021		2020	
	Options (thousand)	Weighted average exercise price (USD)	Options (thousand)	Weighted average exercise price (USD)	Options (thousand)	Weighted average exercise price (USD)
Options outstanding at January 1	**52.2**	**64.1**	**93.0**	**61.2**	**134.0**	**59.7**
Sold or expired	– 41.8	63.6	– 40.8	57.5	– 41.0	56.4
Outstanding at December 31	**10.4**	**66.0**	**52.2**	**64.1**	**93.0**	**61.2**
Exercisable at December 31	**10.4**	**66.0**	**52.2**	**64.1**	**93.0**	**61.2**

All share options were granted at an exercise price that was equal to the closing market price of the Novartis AG shares at the grant date. The weighted average share price at the dates of sale or exercise was USD 81.9.

Options under Novartis equity plan "Select" for North America

The following table shows the activity associated with the Novartis AG ADR options during the period:

	2022		2021		2020	
	ADR options (thousands)	Weighted average exercise price (USD)	ADR options (thousands)	Weighted average exercise price (USD)	ADR options (thousands)	Weighted average exercise price (USD)
Options outstanding at January 1	**73.0**	**64.0**	**108.8**	**62.7**	**144.6**	**61.7**
Sold or exercised	– 54.5	63.3	– 35.8	60.0	– 35.8	58.5
Outstanding at December 31	**18.5**	**66.1**	**73.0**	**64.0**	**108.8**	**62.7**
Exercisable at December 31	**18.5**	**66.1**	**73.0**	**64.0**	**108.8**	**62.7**

All Novartis AG ADR options were granted at an exercise price that was equal to the closing market price of the Novartis AG ADRs at the grant date. The weighted average Novartis AG ADR price at the dates of sale or exercise was USD 88.6.

Long-Term Performance Plan

The Long-Term Performance Plan (LTPP) is an equity plan for the Sandoz CEO, who was a member of the Executive Committee of Novartis, and Company employees that were NTLs of the Novartis Group and employees of Sandoz and Novartis Group legal entities with specific targets.

Participants are granted a target number of performance share units (PSUs) at the beginning of every performance period, which are converted into unrestricted Novartis AG shares after the performance period. The actual payout depends on the achievement of the performance measures and ranges between 0% and 200% of the granted amount. PSUs granted under the LTPP do not carry voting rights, but do carry dividend equivalents that are paid in unrestricted Novartis shares at the end of the performance period.

The LTPP awards are subject to a three-year performance and vesting period. Until 2018, the performance criteria were based on Novartis internal performance metrics. Starting in 2019, following the combination of the two LTPP and LTRPP, for new grants the performance criteria are based on both Novartis internal performance metrics and variables that can be observed in the market, which is the ranking of the Novartis total shareholder return (TSR) relative to a global healthcare peer group of 14 other companies, over rolling three-year performance periods.

TSR for Novartis and the peer companies is calculated as the change in the Company's share price, which is translated to USD at the relevant exchange rate, including the reinvestment return of dividends, over the three-year performance period. The calculation is based on Bloomberg standard published TSR data, which is publicly available. The position of Novartis in the peer group determines the payout range based on a payout matrix.

Long-Term Relative Performance Plan

The LTRPP is an equity plan for the Sandoz CEO, who was a member of the Executive Committee of Novartis, and Company employees that were NTLs of the Novartis Group. The last grant under this plan was made in 2018. The LTRPP performance criteria are based on variables that can be observed in the market, which is the ranking of the Novartis TSR relative to a global healthcare peer group of 14 other companies, over rolling three-year performance periods. The TSR for Novartis and the peer companies is calculated as described in the LTPP section above.

Other share awards

Selected employees may exceptionally receive Special Share Awards of RSs or RSUs. These Special Share Awards provide an opportunity to reward outstanding achievements or exceptional performance, and aim to retain key contributors. They are based on a formal internal selection process, through which the individual performance of each candidate is thoroughly assessed at several management levels. Special Share Awards have a minimum three-year vesting period. In exceptional circumstances, Special Share Awards may be awarded to attract special expertise and new talents to the organization. The Sandoz CEO is generally not eligible for special awards. Only if a CEO was externally recruited he or she would be eligible for special awards that are "buyouts" in the case that it is to replace equity forfeited with their former employer. The equity is provided on a like-for-like basis as the forfeited equity, at the same value with the same vesting period, and with or without a performance condition.

Summary of share grants

The table below provides a summary of share grants (RSs, RSUs and PSUs) for all plans:

	2022		2021		2020	
	Number of shares in thousands	Weighted average fair value at grant date in USD	Number of shares in thousands	Weighted average fair value at grant date in USD	Number of shares in thousands	Weighted average fair value at grant date in USD
Annual Incentive						
– RSU	23.0	74.8	21.5	86.9	20.2	86.8
– Restricted shares	3.4	85.0	2.5	97.0	2.2	96.0
– Shares	2.4	85.0	2.5	96.9	3.3	95.5
Share savings plans						
– RSU	7.8	75.0	6.9	86.9	7.2	87.0
– Shares	22.5	85.0	21.4	97.0	23.1	96.0
Novartis Employee share purchase plan	35.8	83.2				
Select North America (RSU)	198.2	75.1	151.8	86.8	127.3	86.2
Select outside North America						
– RSU	258.7	75.0	211.5	86.8	166.2	87.0
– Restricted shares	57.9	85.0	43.8	97.0	35.9	95.9
Long-Term Performance Plan (PSU)	155.1	81.9	122.2	90.6	93.2	85.6
Long-Term Relative Performance Plan [1]					4.2	0.0
Other share awards						
– RSU	36.8	74.4	44.1	81.7	21.1	80.3
– Restricted shares	14.4	88.6	0.9	93.7	4.0	85.3

[1] LTRPP grants in 2020 represent incremental payouts based on performance criteria under the plan

24. Transactions with related parties

The Company has not historically operated as a standalone business and has various relationships with Novartis whereby Novartis provides services to the Company (see Notes 1 and 2).

Transactions with Novartis

Transactions from trading activities, i.e. from activities related to product sales invoiced and services invoiced between other Novartis Group subsidiaries and the Company's business, have not been eliminated in the combined financial statements. The following table shows the amounts and balances for the years 2022, 2021 and 2020:

(USD millions)	**2022**	2021	2020
Sales from the Company to Novartis Group	207	176	158
Purchases of the Company from Novartis Group	743	721	728
Trade and other receivables from Novartis Group as of December 31	91	97	75
Trade and other payables to Novartis Group as of December 31	257	159	151
Other financial receivables from Novartis Group as of December 31	1 012	885	561
Other financial liabilities to Novartis Group as of December 31	3 851	4 629	4 953

Trade and other receivables from Novartis Group and trade and other payables to Novartis Group are at standard commercial trading terms and conditions.

Other financial receivables from Novartis Group have been classified as current assets and the weighted average interest rate was 0.5% in 2022 (0.2% in 2021 and 0.1% in 2020).

Other financial liabilities to Novartis Group have been classified as current liabilities and the weighted average interest rate was 1.0% in 2022 (0.7% in 2021 and 0.8% in 2020).

In connection with the planned separation and Spin-off, Sandoz and its subsidiaries will settle all related party financial liabilities and receivable balances they have with Novartis and its subsidiaries and certain internal financing transactions with Novartis. This will be accomplished through a series of internal transactions between Novartis and Sandoz and the expected incurrence of USD 3.75 billion in total third-party indebtedness. This includes approximately USD 2.58 billion (or the equivalent in EUR) in a bridge loan, approximately USD 0.75 billion (or the equivalent in EUR) in term loans (the bridge loan and the term loan being long-term), and approximately USD 0.42 billion (or the equivalent in various currencies) of borrowings under a number of local bilateral facilities in different countries, out of which USD 0.11 billion are long-term loans. The bridge loan is planned to be due for refinancing not later than September 2025 and the term loans between September 2026 and September 2028.

Certain Novartis manufacturing sites perform production services for both the Sandoz and Innovative Medicines Divisions of Novartis Group ("multi-divisional manufacturing sites"). These combined financial statements include the carrying value of the manufacturing sites where the majority of the production is attributable to Sandoz (the major user), see Note 2 for additional information.

Effective in July 1, 2023, these multi-divisional manufacturing sites were legally restructured to separate the manufacturing activities of Sandoz and Novartis, resulting in a net asset transfer from Sandoz to Novartis and manufacturing and supply agreements between Novartis and Sandoz. As described in Note 2, these combined financial statements include the net assets of these multi-divisional production sites based on a major user concept, reflecting the economic usage in the period. In connection with the July 1, 2023 restructuring of the multi-divisional production sites, the respective net assets of these multi-divisional manufacturing sites have been legally separated between Sandoz and Novartis. This results in a reduction of total assets and total liabilities and invested capital of USD 327 million. The reduction in total assets was comprised of a reduction of USD 457 million to property, plant & equipment, increase of USD 88 million related to right-of-use assets, increase of USD 6 million in financial assets and USD 48 million relating to inventories and reduction of USD 13 million relating to other assets. The reduction to total invested capital and liabilities was comprised of a reduction of USD 578 million to invested capital and an increase of USD 121 million to lease liabilities (USD 7 million short-term) and of USD 130 million payables to Novartis.

Service charges, corporate overhead and other allocations from Novartis

Novartis Group provides the Company certain services from the Novartis Operations unit, the shared service organization of Novartis Group, across the following service domains: human resources operations, real estate and facility services, including site security and executive protection, procurement, information technology, commercial and medical support services and financial reporting and accounting operations. The combined financial statements include the appropriate costs related to the services rendered, which were allocated to the Sandoz business at the costs of the services rendered in accordance with the Novartis Group historical practices.

Certain general and administrative costs of Novartis Group were not charged or allocated to the Sandoz business in the past. For the purpose of these combined financial statements, such costs have been allocated based on reasonable assumptions and estimates, based on the direct and indirect costs incurred to provide the respective service. When specific identification was not

practicable, a proportional cost method was used, primarily based on sales, or headcount.

These Novartis Operations unit charges, corporate overhead and other allocations amounted to USD 359 million in 2022, USD 407 million 2021 and USD 404 million in 2020.

Management believes that the net charges and methods used for allocations to the Company have been performed on a reasonable basis and reflect the services received by the Company and the cost incurred on behalf of the Company. Although the combined financial statements reflect management's best estimate of all historical costs related to the Company, this may however not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Company been a separate entity, nor the future results of the Company as it will exist upon completion of the planned Spin-off (see Note 1 and 2).

During 2023, Sandoz formed its own business and corporate support functions, including its own service organization. In this regard, certain activities and Novartis Group employees performing those activities are in the process of being transferred from Novartis Group to Sandoz, in preparation for the planned Spin-off of the Sandoz business (see Note 1).

Executive officers

The following table shows the Company's key management personnel, who were members of the Sandoz Executive Committee (2022: 16 members, 2021: 15 members, and 2020: 13 members including those who stepped down) compensation information.

(USD millions)	**2022**	2021	2020
Cash and other compensation	17	14	24
Post-employment benefits	1	1	1
Equity-based compensation	11	9	7
Total	**29**	**24**	**32**

During 2022, there was an increase in the IFRS compensation expense for executive officers compared to 2021, driven by the one-time impact of leaving executive committee members and a retention award.

During 2021, there was a decrease in the IFRS compensation expense for executive officers compared to 2020, mainly driven by the one-time impact for former executive committee members in 2020.

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.

25. Commitments and contingencies

Development commitments

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

As of December 31, 2022, the amount and estimated timing of the Company`s commitments to make payments under those agreements, which are shown without risk adjustment and on an undiscounted basis, were as follows:

(USD millions)	**2022**
2023	114
2024	109
2025	72
2026	7
2027	16
Thereafter	204
Total	**522**

In addition, in August 2022, the Company entered into a Share and Asset Purchase Agreement for the acquisition of product rights and the acquisition of shares in a Swiss holding company. Pursuant to the agreed terms of the transaction, the Company will pay a cash consideration of USD 40 million on closing. Completion of the transaction is conditional upon certain customary conditions precedent being fulfilled and is expected to occur in the second half of 2023.

In January 2023 the Company entered into an asset purchase agreement to acquire worldwide product rights for Mycamine® (micafungin sodium) from Astellas. Pursuant to the agreed terms of the transaction, the Company expects to pay a cash consideration of USD 65 million on closing. The transaction is expected to close in the second half of 2023.

In May 2023, the Company entered into a long-term collaboration agreement for development and manufacturing of biosimilar products. Based on their estimated timing, payments for the research and development services are expected to amount to USD 90 million in 2023, USD 140 million in 2024, USD 100 million in 2025, USD 130 million in 2026, USD 110 million in 2027, USD 230 million later than 2027, for a total of USD 800 million

Other commitments

The Company has 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. For disclosure

of property, plant and equipment purchase commitments, see Note 9.

Guarantees issued

The Company has issued guarantees to third parties in the ordinary course of business, mostly for tax, customs or other governmental agencies.

Contingent liabilities

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

A number of Sandoz companies are, and will likely continue to be, subject to various legal proceedings and investigations that arise from time to time, including proceedings regarding product liability; sales and marketing practices; commercial disputes; employment and wrongful discharge; and antitrust, securities, health and safety, environmental, tax, international trade, privacy and intellectual property matters. As a result, the Company may become subject to substantial liabilities that may not be covered by insurance and that could affect our business, financial position and reputation. While the Company does not believe that any of these legal proceedings will have a material adverse effect on its financial position, litigation is inherently unpredictable and large judgments sometimes occur. As a consequence, the Company may in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations or cash flow.

Governments and regulatory authorities around the world have been stepping up their compliance and law enforcement activities in recent years in key areas, including marketing practices, pricing, corruption, trade restrictions, embargo legislation, insider trading, antitrust, cyber security and data privacy. Further, when one government or regulatory authority undertakes an investigation, it is not uncommon for other governments or regulators to undertake investigations regarding the same or similar matters. Responding to such investigations is costly and requires an increasing amount of management's time and attention. In addition, such investigations may affect our reputation, create a risk of potential exclusion from government reimbursement programs in the United States and other countries, and lead to (or arise from) litigation. These factors have contributed to decisions by the Company and other companies in the healthcare industry, when deemed in their interest, to enter into settlement agreements with governmental authorities around the world prior to any formal decision by the authorities or a court. These government settlements have involved and may in the future involve large cash payments, sometimes in the hundreds of millions of dollars or more, including the potential repayment of amounts allegedly obtained improperly and other penalties, including treble damages. In addition, settlements of antitrust cases often require companies to enter into corporate integrity agreements, which are intended to regulate company behavior for a period of years. Our affiliate Sandoz Inc. is party to such an agreement, which will expire in 2026. Also, matters underlying governmental investigations and settlements may be the subject of separate private litigation.

While provisions have been made for probable losses, which management deems to be reasonable or appropriate, there are uncertainties connected with these estimates.

Note 18 contains additional information on these matters.

A number of companies are involved in legal proceedings concerning intellectual property rights. The inherent unpredictability of such proceedings means that there can be no assurances as to their ultimate outcome. A negative result in any such proceeding could potentially adversely affect the ability of certain Sandoz companies to sell their products, or require the payment of substantial damages or royalties.

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

The Company's potential environmental remediation liability is assessed based on a risk assessment and investigation of the various sites identified by the Company as at risk for environmental remediation exposure. The Company'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 Company at the remediation sites relative to that attributable to other parties, and the financial capabilities of the other potentially responsible parties.

Note 18 contains additional information on environmental liabilities.

26. Financial instruments – additional disclosures

The following tables show the carrying values of financial instruments by measurement categories as of December 31, 2022, 2021 and 2020. The carrying values are equal to, or a reasonable approximation of, the fair values.

		2022			
(USD millions)	Note	Financial instruments at amortized costs	Financial instruments at fair value through other comprehensive income	Financial instruments at fair value through the combined income statement	Other financial liabilities
Cash and cash equivalents		74			
Trade receivables	15	2 207			
Receivables from Novartis Group	24	91			
Other financial receivables from Novartis Group	24	1 012			
Other receivables and current assets	16	148			
Long-term financial investments – debt securities	13		15		
Long-term loans, advances, security deposits and other long-term receivables	13	18			
Total financial assets		**3 550**	**15**		
Bank and other short-term financial debt	17	184			
Long-term liabilities to banks and other financial institutions	17	30			
Other financial liabilities to Novartis Group	24	3 851			
Trade payables		1 100			
Payables to Novartis Group	24	257			
Contingent consideration liabilities (see Note 18/19)				101	
Derivative financial instruments	17			1	
Lease liabilities	10				119
Total financial liabilities		**5 422**		**102**	**119**

		2021			
(USD millions)	Note	Financial instruments at amortized costs	Financial instruments at fair value through other comprehensive income	Financial instruments at fair value through the combined income statement	Other financial liabilities
Cash and cash equivalents		40			
Trade receivables	15	2 110			
Receivables from Novartis Group	24	97			
Other financial receivables from Novartis Group	24	885			
Other receivables and current assets	16	120			
Long-term financial investments – debt securities	13		19		
Long-term loans, advances, security deposits and other long-term receivables	13	13			
Total financial assets		**3 265**	**19**		
Bank and other short-term financial debt	17	157			
Long-term liabilities to banks and other financial institutions	17	17			
Other financial liabilities to Novartis Group	24	4 629			
Trade payables		1 014			
Payables to Novartis Group	24	159			
Contingent consideration liabilities (see Note 18/19)				115	
Derivative financial instruments	17			1	
Lease liabilities	10				137
Total financial liabilities		**5 976**		**116**	**137**

(USD millions)	Note	2020 Financial instruments at amortized costs	Financial instruments at fair value through other comprehensive income	Financial instruments at fair value through the combined income statement	Other financial liabilities
Cash and cash equivalents		39			
Trade receivables	15	2 160			
Receivables from Novartis Group	24	75			
Other financial receivables from Novartis Group	24	561			
Other receivables and current assets	16	145			
Long-term financial investments – debt securities	13		21		
Long-term loans, advances, security deposits and other long-term receivables	13	9			
Total financial assets		**2 989**	**21**		
Bank and other short-term financial debt	17	166			
Other financial liabilities to Novartis Group	24	4 953			
Trade payables		943			
Payables to Novartis Group	24	151			
Contingent consideration liabilities (see Note 18/19)				78	
Derivative financial instruments	17			1	
Lease liabilities	10				171
Total financial liabilities		**6 213**		**79**	**171**

Derivative financial instruments effective for hedge accounting purposes

At the end of 2022, 2021 and 2022, 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 combined 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 increasing subjectivity associated with the inputs to derive fair valuation for these assets and liabilities, which are as follows:

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

The liabilities included in Level 2 fair value hierarchy are foreign exchange derivatives. Foreign exchange derivatives are valued using corroborated market data.

Level 3 inputs are unobservable for the asset or liability. Contingent consideration carried at fair value is included in this category.

(USD millions)	2022 Level 1	Level 2	Level 3	Total
Financial assets				
Long-term financial investments – Debt securities	15			15
Financial liabilities				
Contingent consideration payables			– 101	– 101
Derivative financial instruments		– 1		– 1
Total financial liabilities at fair value		**– 1**	**– 101**	**– 102**

	2021			
(USD millions)	Level 1	Level 2	Level 3	Total
Financial assets				
Long-term financial investments – Debt securities	19			19
Financial liabilities				
Contingent consideration payables			– 115	– 115
Derivative financial instruments		– 1		– 1
Total financial liabilities at fair value		**– 1**	**– 115**	**– 116**

	2020			
(USD millions)	Level 1	Level 2	Level 3	Total
Financial assets				
Long-term financial investments – Debt securities	21			21
Financial liabilities				
Contingent consideration payables			– 78	– 78
Derivative financial instruments		– 1		– 1
Total financial liabilities at fair value		**– 1**	**– 78**	**– 79**

The change in carrying values associated with the Level 3 contingent consideration liabilities during the year ended December 31 are set forth below:

(USD millions)	**2022**	2021	2020
January 1	**– 115**	**– 78**	**– 4**
Fair value gains and other adjustments recognized in the combined income statement	1	6	
Fair value losses and other adjustments recognized in the combined income statement	– 8	– 5	– 4
Fair value adjustments recognized in the combined statement of comprehensive income, including currency translation effects	2	1	– 8
Purchases		– 64	– 64
Cash payments	19	25	2
December 31	**– 101**	**– 115**	**– 78**
Total of fair value gains and losses recognized in the combined income statement for liabilities held at December 31	– 7	1	– 4

To determine 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 inputs used are, among others, the probability of success, sales forecast and assumptions regarding the discount rate and timing and different scenarios of triggering events. The inputs are interrelated. The significance and usage of these inputs to each contingent consideration may vary due to differences in the timing and triggering events for payments or in the nature of the asset related to the contingent consideration.

If the most significant parameters for the Level 3 input were to change by 10% positively or negatively, or where the probability of success (POS) is the most significant input parameter, 10% were added or deducted from the applied probability of success, for contingent consideration liabilities, this would change the amounts recorded in the 2022 combined income statement by USD 13 million.

Nature and extent of risks arising from financial instruments

Market risk

Market risk in general comprises currency risk, interest rate risk and price risk, such as commodity and equity prices. The Company is exposed to market risk, primarily related to foreign currency exchange rates, interest rates and the market value of the investments. The Novartis Group Central treasury function provides the company services to mitigate its market risks. It is the Novartis Group's policy and practice to enter into a variety of derivative financial instruments to manage the volatility of these exposures. It does not enter into 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 Company 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.

Foreign currency exchange rate risk

The Company uses the US dollar as its reporting currency. As a result, the Company is exposed to foreign currency exchange movements, primarily in European, Canadian and emerging market currencies. Fluctuations in the exchange rates between the US dollar and other currencies can have a significant effect on both the Company's results of operations, including reported sales and earnings, as well as on the reported value of our assets, liabilities and cash flows. This, in turn, may significantly affect the comparability of period-to-period results of operations. As of December 31, 2022 and 2021, a hypothetical 5% increase or decrease in the foreign currency exchange rates against the US dollar, assuming all other variables remain constant, would not have impacted the Company's consolidated income statement significantly.

There is also a risk that certain countries could devalue their currency. If this occurs, it could impact the effective prices we would be able to charge for our products and also have an adverse impact on both our combined income statement and balance sheet.

Subsidiaries whose functional currencies have experienced a cumulative inflation rate of more than 100% over the past three years apply the principles of IAS 29 "Financial reporting in Hyperinflationary Economies." The hyperinflationary economies in which the Company operates are Argentina and Turkey. Argentina was hyperinflationary for all periods presented and Turkey became hyperinflationary effective May 1, 2022, requiring retroactive implementation of hyperinflation accounting as of January 1, 2022. The impacts of applying IAS 29 were not significant in all years presented.

Novartis provides the company services to mitigate its currency risks. Novartis manages its global currency exposure by engaging in hedging transactions where management deems appropriate. Novartis may enter 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 options to hedge.

The income and expenses related to these hedging transactions have been allocated to the company based on estimated currency exposure of the company and are recorded to other financial income and expense in the combined income statements and recognized directly through retained earnings in the invested capital.

Commodity price risk

The Company has only a very limited exposure to price risk related to anticipated purchases of certain commodities used as raw materials by the Company's subsidiaries. A change in those prices may alter the gross margin of a specific subsidiary, but generally by not more than 10% of the margin and thus below the Company's risk management tolerance levels. Accordingly, the Company does not enter into significant commodity futures, forward or option contracts to manage fluctuations in prices of anticipated purchases.

Interest rate risk

The Company's exposure to cash flow interest rate risks arises mainly from bank overdrafts and short-term financial debts at variable rates. Novartis provides the company services to mitigate its interest rate risks.

Based on exposures in 2022 and 2021, a hypothetical 100-basis point increase (decrease) in interest rates would not have resulted in a material increase (decrease) of cash flows attributable to such bank overdrafts and short-term financial debts.

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 Company periodically assesses country and customer credit risk, assigns individual credit limits, and takes actions to mitigate credit risk where appropriate.

The provisions for expected credit losses for customers are based on a forward-looking expected credit loss, which includes possible default events on the trade receivables over the entire holding period of the trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics (such as private versus public receivables) and days past due. In determining the expected credit loss rates, the Company considers current and forward-looking macroeconomic factors that may affect the ability of the customers to settle the receivables, and historical loss rates for each category of customers.

The Company's largest, second-largest and third-largest customers account for approximately 10%, 9% and 8% of net sales to third parties, respectively (2021: 9%, 11% and 8%, respectively; 2020: 8%, 12% and 9%, respectively).

The highest amounts of trade receivables outstanding were for these same three customers and amounted to approximately 8%, 15% and 16%, respectively, of the trade receivables at December 31, 2022 (2021: 6%, 15% and 13%, respectively, 2020: 5%, 15% and 16%, respectively).

Liquidity risk

Liquidity risk is defined as the risk that the Company could not be able to settle or meet its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Novartis Group central treasury function is responsible for liquidity, funding and settlement management. In addition, liquidity and funding risks, and related processes and policies, are overseen by management. The Company manages its liquidity risk on a consolidated basis according to business needs and tax, capital or regulatory considerations, if applicable, through numerous sources of financing in order to maintain flexibility.

For details on the net other financial liabilities to Novartis and on the third-party indebtedness Sandoz expects to incur in connection with the separation and Spin-off, see Note 24.

Certain countries have legal or economic restrictions on the ability of subsidiaries to transfer funds to the Com-

pany in the form of cash dividends, loans or advances, but these restrictions do not have an impact on the ability of the Company to meet its cash obligations.

The following table sets forth the expected maturity of contingent consideration liabilities as of December 31, 2022:

(USD millions)	Due within 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
Contingent consideration liabilities	16		71	14	101

27. Events subsequent to the December 31, 2022 combined balance sheet date

Material events that occurred post the January 31, 2023 approval date of the 2022 Novartis consolidated financial statements

Legal matters
In 2023, there were USD 185 million additions to the provisions for legal matters including the bimatoprost matter where on March 31 2023 a jury found that the Company had breached a patent relating to Allergan's Latisse product and awarded damages. The Company will appeal the decision.

On August 15, 2023, the Dutch Court of Appeals overturned a favorable decision regarding the validity of the Bristol Meyers Squibb patent regarding Apixaban and enjoined Sandoz and all other Generics companies from selling apixaban in the Netherlands.

For additional information see Note 18.

Significant transactions
In January 2023 the Company entered an agreement to acquire worldwide product rights for Mycamine® (micafungin sodium) from Astellas. The transaction is expected to close in the second half of 2023. For additional information see Note 25.

In May 2023, the Company entered into a long-term collaboration agreement for development and manufacturing of biosimilar products. For additional information see Note 25.

Legal site restructuring in Austria, Slovenia and Romania
On July 1st, 2023, the multi-divisional manufacturing sites were legally separated. For additional information see Note 24.

Approval of the Sandoz business combined financial statements
On August 17, 2023, the Sandoz Group AG Board of Directors approved these combined financial statements.

28. Principal Company subsidiaries

The following table lists the principal Sandoz legal entities (subsidiaries) with total assets or net sales to third parties in excess of USD 5 million as at December 31, 2022 included in the combined financial statements. The equity interest percentage shown in the table represents the share in voting rights in those legal entities.

As at December 31, 2022		Share capital[1]	Equity interest
Algeria			
Société par actions SANDOZ, Algiers	DZD	650.0 m	100%
Australia			
Sandoz Pty Ltd, Macquarie Park, NSW	AUD	11.6 m	100%
Austria			
Novartis Austria GmbH, Vienna	EUR	1.0 m	100%
Sandoz GmbH, Kundl	EUR	32.7 m	100%
Hexal Pharma GmbH, Vienna	EUR	799 401	100%
1 A Pharma GmbH, Vienna	EUR	49 781	100%
EBEWE Pharma Ges.m.b.H Nfg. KG, Unterach am Attersee	EUR	1.0 m	100%
Belgium			
Sandoz NV, Vilvoorde	EUR	19.2 m	100%
Brazil			
Sandoz do Brasil Indústria Farmacêutica Ltda., Cambé, PR	BRL	190.0 m	100%
Canada			
Sandoz Canada Inc., Boucherville, Quebec	CAD	80.8 m	100%
China			
Sandoz (China) Pharmaceutical Co., Ltd., Zhongshan	USD	57.6 m	100%
Croatia			
Sandoz d.o.o. farmaceutska industrija, Zagreb	HRK	25.6 m	100%
Czech Republic			
Sandoz s.r.o., Prague	CZK	44.7 m	100%
Denmark			
Sandoz A/S, Copenhagen	DKK	12.0 m	100%
Egypt			
Sandoz Egypt Pharma S.A.E., New Cairo City	EGP	250 000	100%
France			
Sandoz S.A.S., Levallois-Perret	EUR	5.4 m	100%
Germany			
Sandoz Deutschland GmbH, Nuremberg	EUR	155.5 m	100%
Sandoz International GmbH, Holzkirchen	EUR	100 000	100%
1 A Pharma GmbH, Holzkirchen	EUR	26 000	100%
HEXAL AG, Holzkirchen	EUR	93.7 m	100%
Salutas Pharma GmbH, Barleben	EUR	42.1 m	100%
Aeropharm GmbH, Rudolstadt	EUR	26 000	100%
Hungary			
Sandoz Hungary Limited Liability Company, Budapest	HUF	883.0 m	100%
India			
Sandoz Private Limited, Mumbai	INR	32.0 m	100%
Ireland			
Rowex Limited, Cork	EUR	10	50%
Italy			
Sandoz S.p.A., Origgio	EUR	1.7 m	100%
Japan			
Sandoz K.K., Tokyo	JPY	100.0 m	100%
Sandoz Pharma K.K., Tokyo	JPY	100.0 m	100%
Mexico			
Sandoz, S.A. de C.V., Mexico City	MXN	468.2 m	100%

As at December 31, 2022		Share capital[1]	Equity interest
Netherlands			
Sandoz B.V., Almere	EUR	907 560	100%
North Macedonia			
Lek Skopje DOOEL, Skopje	MKD	167.7 m	100%
Philippines			
Sandoz Philippines Corporation, Makati City	PHP	30.0 m	100%
Poland			
Sandoz Polska Sp. z o.o., Warsaw	PLN	25.6 m	100%
Lek S.A., Strykow	PLN	11.4 m	100%
Portugal			
Sandoz Farmacêutica, Lda., Porto Salvo	EUR	499 900	100%
Russian Federation			
JSC Sandoz, Moscow	RUB	57.4 m	100%
Slovenia			
Sandoz Pharmaceuticals d.d., Ljubljana	EUR	1.5 m	100%
Lek Pharmaceuticals d.d., Ljubljana	EUR	48.4 m	100%
South Africa			
Sandoz South Africa (Pty) Ltd, Midrand	ZAR	3.0 m	100%
Spain			
Sandoz Farmacéutica S.A., Madrid	EUR	270 450	100%
Sandoz Industrial Products S.A., Les Franqueses del Vallés / Barcelona	EUR	9.3 m	100%
Bexal Farmacéutica S.A., Madrid	EUR	1.0 m	100%
Switzerland			
Sandoz AG, Basel	CHF	5.0 m	100%
Sandoz Pharmaceuticals AG, Risch	CHF	100 000	100%
Turkey			
Sandoz Ilaç Sanayi ve Ticaret A.S., Istanbul	TRY	880.0 m	99.99%
Sandoz Grup Saglik Ürünleri Ilaçlari Sanayi ve Ticaret A.S., Gebze – Kocaeli	TRY	96.0 m	100%
Ukraine			
Sandoz Ukraine LLC, Kyiv	UAH	8.0 m	100%
United Kingdom			
Sandoz Limited, Frimley / Camberley	GBP	2.0 m	100%
Coalesce Product Development Limited, Cambridge, Cambs	GBP	6.0 m	100%
United States of America			
Sandoz Inc., Princeton, NJ	USD	25 000	100%
Oriel Therapeutics, Inc., Durham, NC	USD	50.0 m	100%
Fougera Pharmaceuticals Inc., Melville, NY	USD	1	100%
Eon Labs, Inc., Princeton, NJ	USD	1	100%

In addition, the Company is represented by subsidiaries with total assets or net sales to third parties below USD 5 million in the following countries: Bosnia and Herzegovina, Cameroon, Ghana, Ivory Coast, Kenya, Morocco, Nigeria, Peru, Saudi Arabia, Senegal and United Arab Emirates.

[1] Share capital may not reflect the taxable share capital and does not include any paid-in surplus.

The following table lists the principal Novartis legal entities containing assets, liabilities and results of operations attributable to the Sandoz business with total assets or net sales to third parties in excess of USD 5 million as at December 31, 2022 included in the combined financial statements.

As at December 31, 2022
Argentina
Novartis Argentina S.A., Buenos Aires
Bangladesh
Novartis (Bangladesh) Limited, Gazipur
Brazil
Novartis Biociências S.A., São Paulo
Canada
Novartis Pharmaceuticals Canada Inc., Dorval, Quebec
Chile
Novartis Chile S.A., Santiago de Chile
China
Novartis Pharmaceuticals (HK) Limited, Hong Kong
Shanghai Novartis Trading Ltd., Shanghai
Colombia
Novartis de Colombia S.A., Santafé de Bogotá
Dominican Republic
Novartis Caribe, S.A., Santo Domingo
Ecuador
Novartis Ecuador S.A., Quito
Egypt
Novartis Pharma S.A.E., Cairo
Greece
Novartis (Hellas) S.A.C.I., Metamorphosis / Athens
India
Novartis Healthcare Private Limited, Mumbai
Indonesia
PT. Novartis Indonesia, Jakarta
Israel
Novartis Israel Ltd., Tel Aviv
Malaysia
Novartis Corporation (Malaysia) Sdn. Bhd., Petaling Jaya
New Zealand
Novartis New Zealand Ltd, Auckland
Pakistan
Novartis Pharma (Pakistan) Limited, Karachi
Panama
Novartis Pharma (Logistics), Inc., Panama City

As at December 31, 2022
Romania
Sandoz S.R.L., Targu-Mures
Russian Federation
Novartis Neva LLC, St. Petersburg
Singapore
Novartis (Singapore) Pte Ltd., Singapore
Novartis Asia Pacific Pharmaceuticals Pte Ltd, Singapore
South Korea
Sandoz Korea Ltd., Seoul
Switzerland
Novartis Pharma AG, Basel
Novartis Pharma Services AG, Basel
Novartis Pharma Schweiz AG, Risch
Novartis Innovative Therapies AG, Risch
Taiwan
Novartis (Taiwan) Co., Ltd., Taipei
Thailand
Novartis (Thailand) Limited, Bangkok
United Kingdom
Novartis Pharmaceuticals UK Limited, London
United States of America
Novartis Services, Inc., East Hanover, NJ
Novartis Pharmaceuticals Corporation, East Hanover, NJ
Vietnam
Novartis Vietnam Company Limited, Ho Chi Minh City

Report of the statutory auditor

to the General Meeting of Sandoz Group AG

Risch

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sandoz Group AG (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the period from 20 January 2022 to 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

PricewaterhouseCoopers AG, St. Jakobs-Strasse 25, Postfach, 4002 Basel, Switzerland
Telefon: +41 58 792 51 00, www.pwc.ch

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Claudia Benz

Licensed audit expert
Auditor in charge

Vincent Pichard

Basel, 28 March 2023

Enclosure:

- Financial statements (balance sheet, income statement and notes)

Financial Report

Statutory Financial Statements and Appropriation of Available Earnings

Sandoz Group AG, Risch

December 31, 2022

NOVARTIS

Table of content

Financial statements

Balance sheets

(At December 31, 2022 and January 20, 2022)

(CHF)	Notes	31.12.2022	20.01.2022
ASSETS			
Current assets			
Cash and cash equivalents	3.1	100 000	100 000
Total current assets		**100 000**	**100 000**
Non-current assets			
Total non-current assets			
Total assets		**100 000**	**100 000**

(CHF)	Notes	31.12.2022	20.01.2022
EQUITY AND LIABILITIES			
Current liabilities			
Accrued expenses	3.2	22 500	
Current provisions	3.3	361	
Total current liabilities		**22 861**	
Non-current liabilities			
Total non-current liabilities			
Equity			
Share capital		100 000	100 000
Net result of the financial year		– 22 861	
Total shareholders equity		**77 139**	**100 000**
Total shareholders equity and liabilities		**100 000**	**100 000**

Income statement

(For the period from January 20, 2022 to December 31, 2022)

(CHF)	Notes	from 20.01.2022 to 31.12.2022
Other operating expenses	3.4	– 22 500
Earnings before interest and taxes		**– 22 500**
Direct taxes		– 361
Net result of the financial year		**– 22 861**

Notes to the financial statements

1. General statements

The financial statements of Sandoz Group AG (the "Company"), with registered office in Risch, comply with the requirements of the Swiss Code of Obligations (SCO).

The Company was founded on January 20, 2022 and is a subsidiary of Novartis AG, presenting consolidated financial statements according to the International Financial Reporting Standards (IFRS). Accordingly, these financial statements and notes do not include additional disclosures, cash flow statement and management report.

The purpose of the Company is to acquire, manage and sell shares and intellectual property in the health and medical device industry and all transactions that are directly or indirectly related to this purpose.

Declaration of full-time equivalents (FTE) employees
The Company has no employees.

2. In the financial statements applied accounting principles and basis of valuation

Significant positions are accounted for and valued as described hereafter.

Cash and cash equivalents
Cash and cash equivalents are valued at nominal value.

Other operating expenses
Other operating expenses are expensed as and when incurred.

3. Annotations to the financial statements

3.1 Cash and cash equivalents

(CHF)	31.12.2022	20.01.2022
Cash in bank	100 000	100 000
Total	**100 000**	**100 000**

3.2 Accrued expenses

(CHF)	31.12.2022	20.01.2022
Other accrued expenses	22 500	
Total	**22 500**	

3.3 Current provisions

(CHF)	31.12.2022	20.01.2022
Provisions in relation to direct tax	361	
Total	**361**	

3.4 Other operating expenses

(CHF)	from 20.01.2022 to 31.12.2022
Audit fees	– 22 500
Total	**– 22 500**

4. Other information required by law

4.1 Guarantees and off-balance sheet liabilities

There are no guarantees or any other off-balance sheet liabilities of the Company to third parties as per December 31, 2022.

4.2 Liabilities to pension institution

There are no liabilities to pension institution as per December 31, 2022.

4.3 Leasing liabilities

There are no leasing liabilities as per December 31, 2022.

4.4 Significant events after the balance sheet date

There are no significant events after the balance sheet date.

Appropriation of available Earnings

(CHF)	31.12.2022
Retained earnings carried forward	
Balance at the beginning of the period	
Net result of the financial year	– 22 861
Loss available to the ordinary general meeting	**– 22 861**
Motion of the board of directors on the allocation of loss carried forward available	
Loss available to the ordinary general meeting	– 22 861
Loss carried forward	**– 22 861**

ANNEX P

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements of the Novartis AG Sandoz business consist of the unaudited pro forma combined income statement for the year ended December 31, 2022, the unaudited pro forma combined balance sheet as of December 31, 2022, and notes, which have been derived from our historical combined financial statements included elsewhere in this Prospectus.

The unaudited pro forma combined financial statements reflect adjustments to our historical financial results in connection with the Spin-off. The unaudited pro forma combined income statement gives effect to the Spin-off as if the Spin-off had occurred on January 1, 2022, the beginning of our most recently completed fiscal year. The unaudited pro forma combined balance sheet gives effect to the Spin-off as if the Spin-off occurred as of December 31, 2022, the last date of our most recently completed fiscal year.

The unaudited pro forma combined financial statements have been prepared to reflect adjustments to our historical combined financial statements that are: (i) factually supportable, (ii) directly attributable to the Spin-off, and (iii) with respect to the unaudited pro forma combined income statement, expected to have a continuing impact on Sandoz following the completion of the Spin-off. However, such adjustments are subject to change based on the finalization of the terms of the Spin-off and related transaction agreements.

The unaudited pro forma combined financial statements have been adjusted to give effect to the following transactions (collectively, the "**Pro Forma Transactions**"):

- certain going-forward contract manufacturing arrangements that have been entered or will be entered into between Sandoz and Novartis related to multi divisional production sites;

- the legal restructuring of assets and liabilities relating to the multi divisional production sites;

- the legal restructuring of shareholdings in Novartis-owned legal entities, which will be owned by Sandoz at the date of the Spin-off, and Sandoz-owned legal entities, which will be owned by Novartis at the date of the Spin-off ("**Legal Participation Restructuring**");

- the capitalization of Sandoz through the contribution by Novartis of its investments in the Sandoz business and the distribution of the Sandoz Group AG Shares to Novartis AG shareholders;

- the capitalization of Sandoz through the incurrence of third-party debt by Sandoz and the transfer of a portion of the net proceeds of such debt incurred by Sandoz to Novartis; and

- the settlement of outstanding related party financing between Sandoz and its subsidiaries and Novartis and its subsidiaries and certain internal financing transactions with Novartis.

The unaudited pro forma combined financial statements do not include adjustments with non-

recurring impact on the income statement, in particular not the one-time costs of approximately USD 0.5-0.6 billion we expect to incur in connection with the Spin-off and mostly relating to the transfer of information technology systems, manufacturing site infrastructure and marketing authorizations from Novartis to Sandoz.

The unaudited pro forma combined financial statements should be read together with our historical Sandoz Business Combined Financial Statements and the related notes, as well as sections "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Factors Affecting Our Business and Results of Operations*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations*" and "*Major Shareholders and Related Party Transactions – Related Party Transactions*" appearing elsewhere in this Listing Prospectus.

The unaudited pro forma combined financial statements are provided for illustrative and informational purposes only and are not intended to represent what the results of operations or financial position would have been had the Spin-off and the Pro Forma Transactions been completed and implemented, as applicable, on the dates assumed. The assumptions used, and pro forma adjustments derived from such assumptions, are based on currently available information and we believe such assumptions to be reasonable under the circumstances. Where applicable, the tax impact has been estimated based on the blended tax rate for the period, as included in the Sandoz Business Combined Financial Statements. The unaudited pro forma combined financial statements also may not be indicative of our future results of operations or financial position as an independent public company.

NOVARTIS AG SANDOZ BUSINESS
UNAUDITED PRO FORMA COMBINED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

(USD millions unless indicated otherwise)	Historical reported	Pro forma adjustments: Impact of supply chain restructuring[1]	Pro forma adjustments: Interest on third party financing[2]	Pro forma adjustments: Amortization of financing fee[2]	Pro forma total
Net sales to third parties	**9,069**	**-**	**-**	**-**	**9,069**
Sales to Novartis Group	207	(154)	-	-	53
Net sales	**9,276**	**(154)**	**-**	**-**	**9,122**
Other revenues	30	-	-	-	30
Cost of goods sold	(4,928)	80	-	-	(4,848)
Gross profit	**4,378**	**(75)**	**-**	**-**	**4,303**
Selling, general & administration	(2,127)	-	-	-	(2,127)
Research & development	(833)	-	-	-	(833)
Other income	111	-	-	-	111
Other expense	(290)	-	-	-	(290)
Operating income	**1,239**	**(75)**	**-**	**-**	**1,164**
Interest income / expense	(89)	(4)	(133)	-	(226)
Other financial income and expense	(48)	-	(8)	(4)	(60)
Income before taxes	**1,102**	**(79)**	**(141)**	**(4)**	**878**
Taxes	(252)	18	35	1	(199)
Net income	**850**	**(61)**	**(106)**	**(3)**	**680**
Net income attributable to shareholders	848	(61)	(106)	(3)	677
Number of Shares[3]					
Weighted average number of Shares outstanding used in basic earnings per Share					436.2
Adjustment for vesting of restricted Shares, restricted Share units and dilutive Shares from options					5.3
Weighted average number of Shares in diluted earnings per Share					441.5
Basic earnings per Share (USD)					1.55
Diluted earnings per Share (USD)					1.53

The accompanying Notes form an integral part of the unaudited pro forma combined financial statements.

NOVARTIS AG SANDOZ BUSINESS
UNAUDITED PRO FORMA COMBINED BALANCE SHEET AS OF DECEMBER 31, 2022

		Pro forma adjustments							
(USD millions)	Historical reported	Legal site re-structuring[1]	Third party financing[2]	Legal participation restructuring[4]	Settlement of financial balances and other internal financing trans-actions with Novartis[5]	Settlement of financing transactions with Novartis[6]	Indemnifica-tion for uncertain tax positions[7]	Equity allocation[8]	Pro forma total
Assets									
Non-current assets									
Property, plant & equipment	1,791	(457)	-	-	-	-	-	-	1,334
Right-of-use assets	113	88	-	-	-	-	-	-	201
Goodwill	7,437	-	-	-	-	-	-	-	7,437
Intangible assets other than goodwill	1,454	-	-	-	-	-	-	-	1,454
Deferred tax assets	713	-	-	-	-	-	-	-	713
Financial assets	33	6	-	-	-	-	-	-	39
Other non-current assets	40	-	-	-	-	-	-	-	40
Total non-current assets	**11,581**	**(363)**	**-**	**-**	**-**	**-**	**-**	**-**	**11,218**
Current assets									
Inventories	2,124	48	-	-	-	-	-	-	2,172
Trade receivables	2,207	-	-	-	-	-	-	-	2,207
Receivables from Novartis Group	91	-	-	-	-	-	68	-	159
Income tax receivables	28	-	-	-	-	-	-	-	28
Other financial receivables from Novartis Group	1,012	-	-	1,275	(2,287)	-	-	-	-
Cash and cash equivalents	74	-	3,535	-	-	(2,939)	-	-	670
Other current assets	440	(13)	8	-	-	-	-	-	435
Total current assets	**5,976**	**35**	**3,543**	**1,275**	**(2,287)**	**(2,939)**	**68**	**-**	**5,672**
Total assets	**17,557**	**(327)**	**3,543**	**1,275**	**(2,287)**	**(2,939)**	**68**	**-**	**16,890**
Invested capital and liabilities									
Share capital (par value per Share: 0.05 CHF)	-	-	-	-	-	-	-	23	23
Reserves	-	-	-	-	-	-	-	7,945	7,945
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	-	**7,968**	**7,968**
Invested capital	8,760	(578)	8	(53)	2,892	(2,939)	(121)	(7,968)	-
Liabilities									
Non-current liabilities									
Financial debts	30	-	3,411	-	-	-	-	-	3,441
Lease liabilities	88	114	-	-	-	-	-	-	202
Deferred tax liabilities	286	-	-	-	-	-	-	-	286
Provisions and other non-current liabilities	479	-	-	-	-	-	-	-	479
Total non-current liabilities	**883**	**114**	**3,411**	**-**	**-**	**-**	**-**	**-**	**4,409**
Current liabilities									
Trade payables	1,100	-	-	-	-	-	-	-	1,100
Payables to Novartis Group	257	130	-	-	-	-	190	-	576
Financial debts	185	-	124	-	-	-	-	-	309
Other financial liabilities to Novartis Group	3,851	-	-	1,328	(5,179)	-	-	-	-
Lease liabilities	31	7	-	-	-	-	-	-	38
Current income tax liabilities	231	-	-	-	-	-	-	-	231
Provisions and other current liabilities	2,259	-	-	-	-	-	-	-	2,259
Total current liabilities	**7,914**	**136**	**124**	**1,328**	**(5,179)**	**-**	**190**	**-**	**4,513**
Total liabilities	**8,797**	**251**	**3,535**	**1,328**	**(5,179)**	**-**	**190**	**-**	**8,922**
Total invested capital and liabilities	**17,557**	**(327)**	**3,543**	**1,275**	**(2,287)**	**(2,939)**	**68**	**-**	**16,890**

The accompanying notes form an integral part of the unaudited pro forma combined financial statements.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The unaudited pro forma combined income statement for the year ended December 31, 2022 and the unaudited pro forma combined balance sheet as of December 31, 2022 include the following adjustments:

(1) Effective July 1, 2023, multi-divisional production sites have been restructured to legally separate the net assets and manufacturing activities between those attributable to the Sandoz business and the Innovative Medicines division of Novartis. As a result, contract manufacturing arrangements have been or will be entered into between Sandoz and Novartis on an arm's length basis. The annual pro forma sales by Sandoz to Novartis are estimated to be USD 53 million, based on actual volumes manufactured in sites which will either move to Sandoz or are already within the Sandoz business. This is a decrease of USD 154 million compared to the combined financial statements. The reduction of cost of goods sold related to these sales is USD 135 million. The pro forma annual purchases by Sandoz of products produced by Novartis are USD 798 million based on 2022 volumes purchased at the mark-ups included in the new contract manufacturing arrangements, an increase of USD 55 million compared to the costs included in the combined financial statements. These two adjustments result in an overall decrease of USD 80 million in the pro forma cost of goods sold.

The historical combined financial statements of the Sandoz business show net assets of these multi-divisional production sites based on a major user concept reflecting the economic usage in the period. In connection with the July 1, 2023 restructuring of the multi-divisional production sites, the respective net assets of these multi-divisional manufacturing sites have been legally separated between Sandoz and Novartis. The pro forma reduction of USD 599 million relating to property, plant & equipment, increase of USD 48 million relating to inventories and reduction of USD 13 million relating to other assets reflects the difference between the attribution to the Sandoz business based on the major user concept and the respective amounts attributable to Sandoz business through the July 1, 2023 legal separation of the multi-divisional manufacturing sites. As part of the legal separation of these multi-divisional manufacturing sites, Sandoz will purchase certain assets from Novartis following the legal separation. An adjustment of USD 143 million relating to property, plant & equipment and USD 130 million relating to payables to Novartis is included in the pro forma combined financial statements to reflect the purchase of certain buildings from Novartis. The USD 143 million increase offsets the USD 599 million resulting in an overall decrease of USD 457 million in the pro forma property, plant & equipment.

In addition, Sandoz will lease a further USD 88 million of assets with an associated leasing liability of USD 121 million (USD 114 million long-term and USD 7 million short-term). As the legal separation is effective July 1, 2023, while the Sandoz business is still part of Novartis, the right-of-use assets are measured at the net book value for all leases effective pre-separation, while the leasing liability is measured at the net present value of the future lease payments. The incremental borrowing rate used to measure the lease liability is based on the Novartis Group which may differ from the incremental borrowing rate of Sandoz as an independent entity. The difference between the

right-of-use assets and leasing liability is recorded through equity. The income statement has been adjusted for the interest expenses of USD 4 million relating to these leases, but no adjustment has been made for depreciation, as this is included within the standard costing in the Sandoz Business Combined Financial Statements.

(2) In connection with the separation and the Spin-off, we expect to incur USD 3.75 billion in total indebtedness. This includes (i) approximately USD 2.58 billion (or the equivalent in EUR) in a bridge loan, (ii) USD 0.75 billion (or the equivalent in EUR) in term loans (the bridge loan and term loans being long-term), and (iii) approximately USD 0.42 billion (or the equivalent in various currencies) of borrowings under a number of local bilateral facilities in different countries, out of which approximately USD 0.11 billion are long-term loans. Negotiations of the related financing agreements are still ongoing and the final terms agreed to may differ to those used for purposes of the pro forma financial statements. The bridge loan is planned to be due for refinancing not later than September 2025 and the term loans between September 2026 and September 2028.

For additional information relating to the new facilities, see also section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Description of New Facilities*" of this Listing Prospectus.

The unaudited pro forma combined financial statements reflect USD 212 million of the expected interest expense related to the USD 3.75 billion of total indebtedness that we expect to incur prior to the Spin-off (as described above), and commitment fees on the expected undrawn portion of the revolving credit facility of USD 1.25 billion. In addition, the unaudited pro forma combined financial statements reflect the amortization of financing fees of USD 4 million related to the expected entry into the new credit facilities agreement. (See also section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Description of New Facilities*" of this Listing Prospectus). The unaudited pro forma combined financial statements do not reflect the impact of any potential future refinancing of the new credit facilities agreement. The total expected indebtedness is based upon management's assumption about Sandoz' expected credit rating.

With respect to the third-party borrowings that we expect to incur, we have assumed interest expenses based on the expected prevailing interest rates and our expected debt structure immediately prior to the Spin-off. In particular, we determined the assumed approximate weighted average annual interest expense rate on the expected indebtedness to be 5.7% based on current market conditions, including Sandoz' expected credit rating, the prevailing 3-month Euro Interbank Offered Rate ("EURIBOR") and the prevailing Term Secured Overnight Financing Rate ("Term SOFR") and assumptions about the currency denomination of the bridge loan and term loans, among others. Interest expense related to the local bilateral credit facilities is estimated based on management's estimates and expectations about the borrowing rates in the respective local regions. The actual interest expense may vary from these assumptions and will depend upon market conditions prior to and after the Spin-off. In addition, the actual interest rates and term of any incurred indebtedness will depend upon the final debt structure that we execute prior to the Spin-off. In particular, the expected future refinancing of the bridge facility through the proposed issuance of longer-term indebtedness might increase our overall future weighted annual interest rate.

The following table shows the pro forma interest expense:

		Pro forma adjustments		
(USD millions)	Historical reported	Interest on third-party financing	Interest on leasing	Pro forma total
Interest expense	**(79)**	**(133)**		(212)
Interest expense on lease liabilities	(3)		(4)	(8)
Expense arising from discounting long-term liabilities	(9)			(9)
Capitalized borrowing costs	3			3
Total interest expense	**(89)**	**(133)**	**(4)**	**(226)**

Each 1% change in the estimated weighted average annual interest rate would cause our pro forma interest expense to change by approximately USD 37.5 million on an annual basis.

The pro forma income tax adjustments were determined using the statutory tax rate in effect in 2022, in the respective tax jurisdictions of the legal entities that will incur the debt. This results in a blended tax rate of 25%.

(3) For basic earnings per Share, we assumed that the number of outstanding Shares is 436,200,000, corresponding to the weighted average number of Novartis shares outstanding during 2022, adjusted for the Sandoz distribution ratio as this approach gives weight to the Sandoz Share activity during the period.

The weighted average number of Shares used to compute diluted earnings per Share is based on the weighted average number of basic Shares adjusted for the diluted effects of the incremental Shares associated with the stock-based awards granted to our employees under the Novartis compensation plans (including restricted stock units, performance shares and stock options), to the extent that inclusion was dilutive. Following the Spin-off, Sandoz will issue Share-based awards to certain Sandoz employees to replace awards granted under Novartis compensation plans. The dilutive impact of these replacement awards is estimated using the distribution ratio, and the actual number of replacement awards granted may differ.

(4) In preparation of the Spin-off, a restructuring of shareholdings in legal entities is required to achieve the targeted perimeter at the date of the Spin-off. Thereby, Novartis-owned legal entities, which will be owned by Sandoz at the date of the Spin-off, and Sandoz-owned legal entities, which will be owned by Novartis at the date of the Spin-off, have been transferred in 2023. This restructuring has not been completed and is expected to continue until the date of the Spin-off.

(5) In connection with the separation and the Spin-off, Sandoz and its subsidiaries will settle all related party financing balances they have with Novartis and its subsidiaries and certain internal financing transactions with Novartis to complete the Internal Transactions.

(6) In connection with the separation capitalization plan discussed in Note 2 above, Sandoz is expected to settle approximately USD 2.9 billion of financing transactions with Novartis as part of the Internal Transactions. The cash settlement amount is based on

the estimated amount payable to Novartis at the date of the Spin-off. See "Note 2. Basis of preparation" to our Sandoz Business Combined Financial Statements appearing elsewhere in this Listing Prospectus.

(7) Uncertain tax positions have been included in the Sandoz Business Combined Financial Statements based on the separate return method for the Sandoz Business Combined Statement of Income. The surviving legal entity approach has been used for the uncertain tax positions in the Sandoz Business Combined Balance Sheet. Under the surviving legal entity approach (Sandoz Business Combined Balance Sheet), the uncertain tax positions have been reported in the event that they affect deferred tax assets and/or reflect potential income tax liabilities that would be legally retained by surviving Sandoz legal entities. As a consequence of this, as part of the Spin-off, Novartis and Sandoz will enter into indemnification agreements (see section "Major Shareholders and Related Party Transactions – Related Party Transactions" of this Listing Prospectus).

(8) As of the date of the Spin-off, the Novartis investment in the Novartis AG Sandoz business will be redesignated as Sandoz shareholders' equity and will be allocated between share capital, treasury Shares and reserves, based on the number of Shares outstanding as of the date of the Spin-off, which we assume to be 431,000,000 shares. The number and value of Sandoz treasury Shares are expected to be insignificant.

THE COMPANY

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6343 Rotkreuz
Switzerland

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Bahnhofstrasse 45
8001 Zurich
Switzerland

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