

SANDOZ

NOW REACHING OVER 1 BILLION PATIENTS ANNUALLY

20 80 140
YEARS OF
BIOSIMILARS YEARS OF
ANTIBIOTICS YEARS OF
HERITAGE

Pioneering access for patients



Integrated Annual Report 2025

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SANDOZ

NOW REACHING OVER 1 BILLION PATIENTS ANNUALLY

20 YEARS OF
BIOSIMILARS

80 YEARS OF
ANTIBIOTICS

140 YEARS OF
HERITAGE

Our anniversary year

➤ Page 08



Business Report

➤ Page 11



Financial Report

➤ Page 98



See our online version
[Sandoz.com/annual-report](https://sandoz.com/annual-report)

Financial highlights¹

2025 11.1bn

2024 10.4bn

NET SALES

USD 11.1bn

+5% at constant currencies

2025 30%

2024 28%

BIOSIMILARS SHARE OF NET SALES

30%

+200 basis points

2025 21.7%

2024 20.1%

CORE EBITDA MARGIN

21.7%

+160 basis points

2025 3.64

2024 2.71

CORE DILUTED EPS

USD 3.64

+33% at constant currencies

2025 1.5bn

2024 1.1bn

MANAGEMENT FREE CASH FLOW

USD 1.5bn

+USD 435 million

2025 14.5%

2024 12.3%

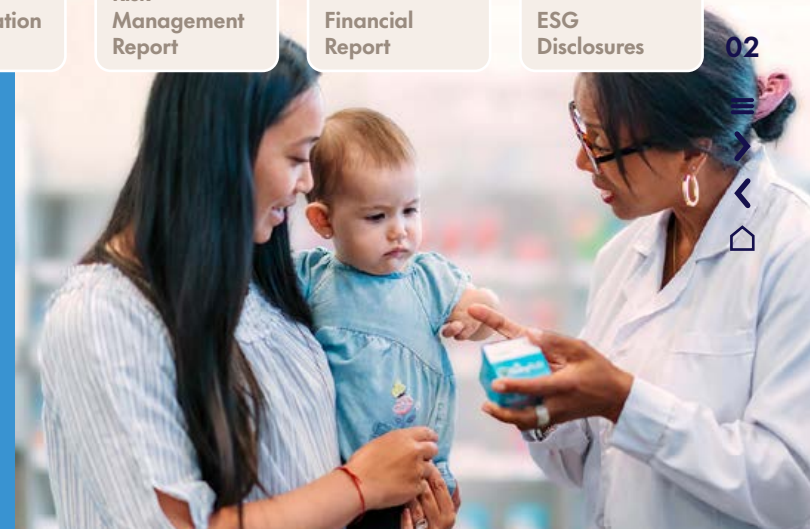
CORE ROIC

14.5%

+220 basis points

➤ Financial Report begins /
Page 98

1. Non-IFRS measures are defined in the Supplementary financial information section, beginning on page 157.



Access and impact highlights²

PATIENTS REACHED

+1bn

Estimated number of patients reached³

HEALTHCARE SYSTEM SAVINGS

USD 26bn

Estimated savings in North America, Europe
and other key markets

SOCIAL IMPACT

USD 400bn

Estimated impact delivered by our key medicines annually

2. For details please see [Sandoz.com/ESG_supplementary_disclosures_2025](https://www.sandoz.com/ESG_supplementary_disclosures_2025)

3. 0.9bn patients treated with our medicines and an estimated 0.2bn patients reached with our active pharmaceutical ingredient sales

At a glance

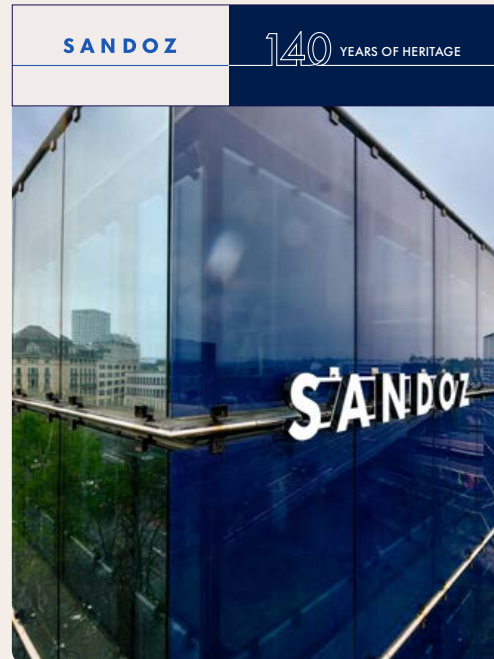
At Sandoz, our Purpose is pioneering access for patients.

Someone you care about needs medicine. Maybe it's a family member. A friend. You. The medicine exists. It works. Only the price puts it out of reach.

This happens every day. And we're here to change that. Sandoz makes the same medicines as Big Pharma for a fraction of the price.

We lead the segment of the healthcare industry – generics and biosimilars – that delivers 80% of the world's medicines at just a fraction of the cost.

Same science. Greater affordability. Better patient access.



Heritage

Our roots go back 140 years. Today we reach over 1 billion patients every year for conditions ranging from infections and autoimmune diseases to cancer. By providing more affordable medicines we create savings for our healthcare systems – USD 26 billion in North America, Europe and other key markets. The social impact of our key medicines is estimated at around USD 400 billion per year (see page 36). Since going independent in 2023, we've grown every quarter with total shareholder return in 2025 of 58.5%.

We're living proof that affordable healthcare works – for patients and society as a whole.

USD 26BN SAVINGS TO HEALTHCARE SYSTEMS IN NORTH AMERICA, EUROPE AND OTHER KEY MARKETS

Strategy

Medicines with projected sales of more than USD 650 billion¹ are coming off patent this coming decade. And we're ready.

Generics are our foundation. Our more than 1,300 medicines serve people who need affordable care most. Generics are broad, reliable and a steady source of revenue for more complex work. Biosimilars – newer versions of sophisticated biologic medicines – require bigger investments but deliver higher returns. We have 13 on the market and many more in development.

USD +1BN COMMITTED TO DEVELOP AND MANUFACTURE BIOSIMILARS

We pioneered biosimilars in 2006 and lead the field today. We're investing more than USD 1 billion to develop and manufacture biosimilars and over USD 200 million for antibiotics manufacturing, all in Europe. We reach nearly every country while understanding local needs, never compromising quality.

But having great medicines means nothing if people can't get them.

➔ **See next page**

USD 200M COMMITTED TO ANTIBIOTICS MANUFACTURING

1. 2025–2034. Calculated as originator sales one year prior to loss of exclusivity (LoE). Analysis based on industry reports, databases and internal evaluations.

At a glance continued



Access

That's why breaking down barriers is a core part of our business. We challenge unfair patent monopolies in courts. We work with regulators to remove unnecessary delays. We advocate for affordable care together with doctors and patient groups, and partner with other companies to expand our pipeline. Every obstacle we remove gets affordable medicines to people sooner.

And to continue making an impact we're always looking ahead.

**+1,300 MEDICINES
SERVING PEOPLE WHO
NEED AFFORDABLE
CARE MOST**



Pipeline

Today's expensive medicines are tomorrow's affordable Sandoz medicines. We have 400 generic medicines in development targeting USD 200 billion in reference medicine sales. Our 27 biosimilar medicines in development target another USD 200 billion. We're the only company with leading size and expertise in both areas. We launched the world's first biosimilar and still lead the growth hormone market. What we've done before, we'll do again.

**Because behind the great science
are great people.**

**+400 MEDICINES IN
DEVELOPMENT**



People

United by our Purpose, our people are proud to pioneer access for patients. We attract the best by showing what real impact looks like, and we retain them by fostering a culture founded on integrity and inclusion, where bold ideas are welcomed and everyone belongs. We grow together – challenging and supporting one another to learn and to lead.

**For those driven to make healthcare fairer
and faster, there's no better place to be.**

**+23,000 EMPLOYEES
BRING OUR PURPOSE TO
LIFE**

**Healthcare costs too much.
We're changing that.
Through careful science,
large-scale manufacturing,
and relentless focus on
patient access, we prove
that affordable doesn't
mean inferior – it means
everyone can achieve the
basic human right of
good health.**

At a glance continued

Achieving leadership at scale



● Europe	USD 5.9bn	54%
● International	USD 2.7bn	24%
● North America	USD 2.4bn	22%

➤ See our regional reviews |
Page 26

COUNTRIES
+100

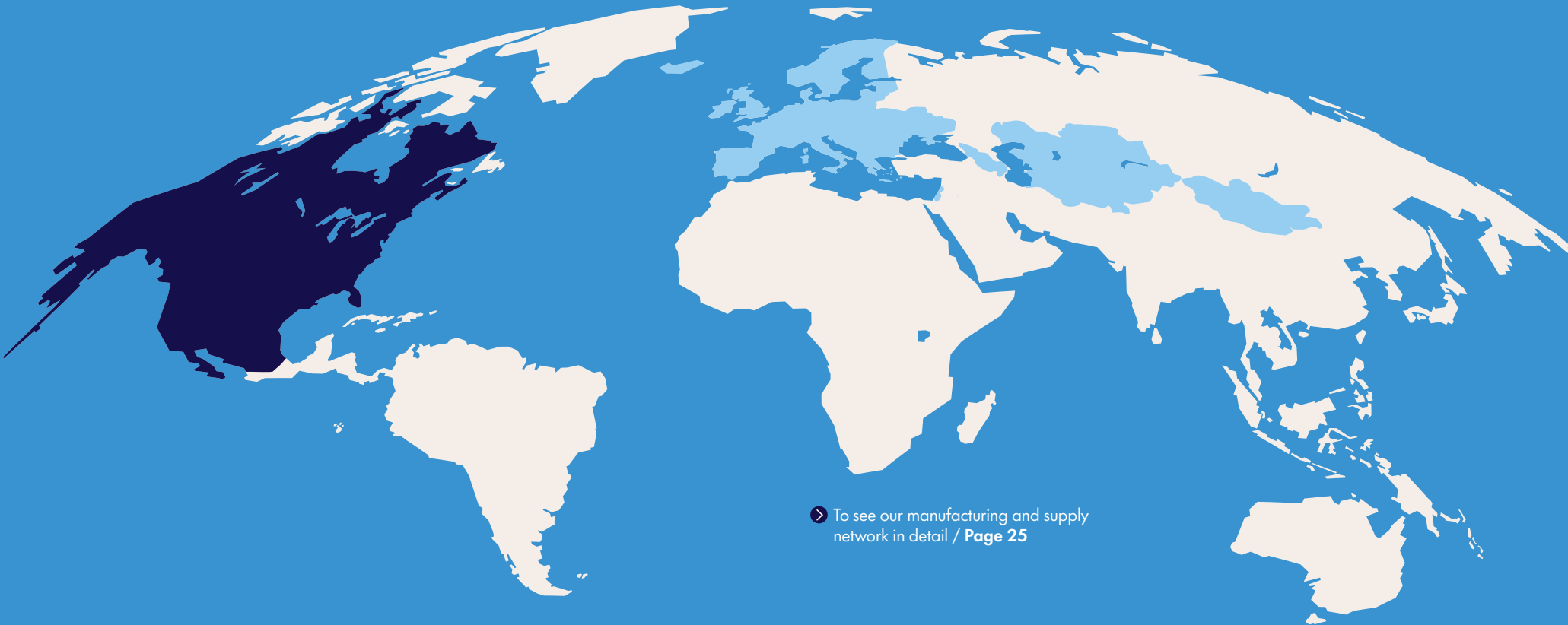
MEDICINES
+1,300

EMPLOYEES
+23,000

OUR GEOGRAPHIC FOOTPRINT

KEY TO MAP

- Europe
- International
- North America



Chairman's letter

In 2025, we advanced our strategy, enhanced capabilities and expanded our reach.



Together, we are building a company that leads with Purpose, delivers with integrity and innovates for impact."

Gilbert Ghostine
Chairman



Dear shareholders

It is my honor to present the 2025 Integrated Annual Report of Sandoz Group AG. This marks our second full year as an independent company, a year in which we continued to deliver on our Purpose: pioneering access for patients.

We operate in a world where access to affordable, high-quality medicine is more essential than ever. Our leadership in generics and biosimilars enables us to meet this need at scale with agility and impact. In 2025, we advanced our strategy, enhanced capabilities and expanded our reach.

Performance: delivering on our commitments

2025 was a year of strong execution and strategic momentum. We achieved net sales of USD 11.1 billion, representing 5% growth at constant currencies. Our core EBITDA margin reached 21.7% and core diluted earnings per share increased to USD 3.64, reflecting disciplined cost management and operational excellence.

Our biosimilars business continued to outperform, growing by 13% at constant currencies, driven by successful launches in the US and Europe. We also secured additional approvals, reinforcing our leadership in high-impact therapeutic areas.

Regulatory environment: progress and opportunity

We are encouraged by meaningful progress in regulatory alignment and the streamlining of approval pathways across key markets. Recent reforms to the biosimilar approval process that eliminate the need for routine comparative efficacy and switching studies reflect a shift we and our partners have long advocated. These advances will reduce complexity and costs, enabling us to provide high-quality, affordable medicine to patients more efficiently and strengthen our industry-leading pipeline, positioning us to capture upcoming biosimilar loss-of-exclusivity opportunities.

➤ Discover more of our history /
Page 08

Chairman's letter continued

Healthcare: shaping access and impact

We reached over 1 billion patients¹ globally and contributed USD 26 billion in healthcare savings across major markets. These outcomes reflect our commitment to access, affordability and quality.

We are actively preparing for the next wave of opportunities, including the USD 300+ billion biosimilar loss-of-exclusivity window opening over the next decade. This represents one of the most significant growth phases in our industry, as numerous biologic medicines will lose patent protection. Our strategy focuses on accelerating development, scaling manufacturing and securing timely market access so patients benefit from affordable, high-quality alternatives. To deliver on this vision, we broke ground on a new biosimilar manufacturing facility in Slovenia and acquired Just-Evotec Biologics EU SAS. These investments will create an end-to-end biologics platform, positioning us to capture a substantial share of this market opportunity.

Advocacy: a trusted industry voice

Over the past year, Sandoz has become a trusted voice in our industry. Since becoming independent, we have actively engaged with decision-makers to highlight challenges in existing frameworks and propose solutions. We work closely with policymakers, regulators, trade bodies, industry partners and stakeholders to remove barriers to access and promote fair competition.

Our priorities include expanding biosimilar adoption, challenging unfair patent practices that delay affordable alternatives and safeguarding access to essential anti-infective medicines. These efforts help shape a healthcare system that delivers quality, affordability and real-world benefits for patients. We will continue to champion policies that improve patient access to affordable and strengthen healthcare systems worldwide.

Governance: strengthening our foundations

At Sandoz, governance is a cornerstone of our identity. We uphold the highest standards of transparency, accountability and ethical leadership. Our Board of Directors plays a central role in guiding strategy, overseeing risk and ensuring compliance.

In 2025, we advanced our ESG roadmap, setting science-based targets aligned with the Paris Agreement and submitting them to the Science Based Targets initiative (SBTi) for validation. We are committed to achieving net-zero emissions by 2050, with interim goals set for 2030 and 2035. Additionally, we are targeting zero water quality impact and zero waste to landfill by 2030.

We are proud of our inclusive culture, with over 50% female representation in both our global workforce and executive management team. Our Human Rights Commitment Statement and ESG-linked executive compensation reflect our dedication to fairness, dignity and sustainability.

Dividend: returning value to shareholders

Reflecting strong performance and confidence in future growth, the Board proposes a dividend of CHF 0.80 per registered share, representing 27% of core net income, subject to your approval. This marks a 33% increase over the prior year and underscores our dedication to delivering attractive returns while investing in long-term value creation.

Thank you: building the future together

As we look ahead, we do so with optimism and resolve. Our strategy is clear, our teams are energized and our Purpose is stronger than ever.

In 2026, Sandoz will celebrate three milestones reflecting our impact and future ambition: 20 years of pioneering biosimilars, 80 years of antibiotics leadership and 140 years of heritage rooted in Switzerland. These milestones mark a legacy of relevance, resilience and reinvention. From developing the world's first biosimilar to ensuring reliable access to lifesaving antibiotics, Sandoz has evolved alongside science and society. This anniversary year reinforces our commitment to improving access to healthcare, now and in the future.

Looking ahead, our 23,000 employees worldwide, our diverse leadership team and our robust pipeline position us strongly for the future. Our priorities are delivering critical medicine at the right cost, advancing affordability and making patient engagement a core focus.

On behalf of the Board, I extend my deepest gratitude to Richard Saynor, our CEO, his executive team and all employees worldwide for their dedication and excellence.

To you, our shareholders, thank you for your continued trust and partnership. Together, we are building a company that leads with Purpose, delivers with integrity and innovates for impact.

Sincerely,



Gilbert Ghostine
Chairman

1. 0.9bn patients treated with our medicines and an estimated 0.2bn patients reached with our active pharmaceutical ingredient sales

Looking forward to 2026: a triple-anniversary year

20 years of biosimilars, 80 years of antibiotics and 140 years of heritage.

In 2026 we celebrate three milestones that tell the story of affordable healthcare:

140 years ago...

...Alfred Kern and Edouard Sandoz established a company that would later evolve into a global leader in affordable medicines.

80 years ago...

...a brewery in Kundl, Austria was turned into a penicillin factory.

20 years ago...

...we launched Omnitrope, the world's first biosimilar, making advanced biologics accessible to more patients worldwide.

These aren't just dates. They're proof points of our Purpose.

In 2026, we celebrate three milestones that tell the story of affordable healthcare.

140 years ago, Alfred Kern and Edouard Sandoz founded a company that would become a global leader in affordable medicines. Eighty years ago, in Kundl, Austria, a brewery was converted into a penicillin factory and 20 years ago we launched Omnitrope®, the world's first biosimilar, making advanced biologics accessible to more patients worldwide.

The focus evolved from making synthetic dyes to producing affordable medicines. By the time the company entered pharmaceutical research in 1917 and launched Calcium Sandoz® in 1929, it was already pioneering the idea that medicines should be accessible to everyone who needs them.

Our journey with antibiotics began in 1946 in Kundl, Austria, amidst a shortage of these critical medicines, on the site of an old brewery.

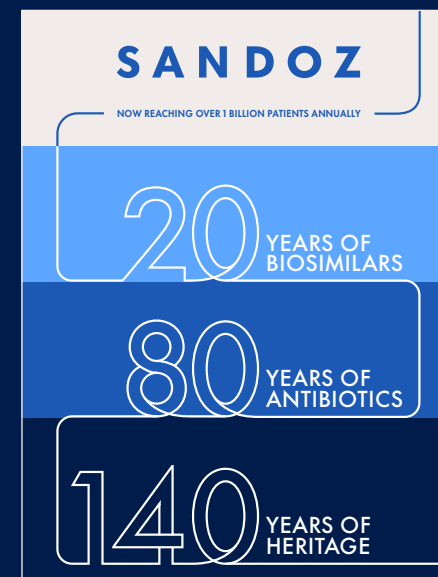
We began production with a small penicillin starter culture brought from France. In 1951, company biologist Ernst Brandl added a disinfectant to prevent contamination. The result was surprising: production increased, and the penicillin could survive stomach acid. This meant it could be taken orally – a breakthrough that changed antibiotic treatment and established Kundl as a global center of expertise, a legacy that continues today.

In 2006, we reached a new milestone. When the European Medicines Agency approved Omnitrope as the world's first biosimilar, and the FDA soon followed, it was more than just a product launch. Omnitrope proved that complex biologic therapies could be made more affordable without compromising quality, safety or efficacy. This breakthrough created an entirely new industry. Today, biosimilars provide access to advanced treatments – often to patients suffering from chronic and debilitating conditions – while saving healthcare systems billions of dollars.

Although we have only been a publicly listed company since 2023, we stand on the shoulders of giants.

We call ourselves the oldest startup in the industry, combining 140 years of heritage with the agility of our new chapter since 2023, built on a legacy of reinvention and relevance. From dyes to antibiotics to biosimilars, one thing is clear: science should accelerate access. The same entrepreneurial spirit that led to lifesaving fermentation technology in 1946 now drives today's biosimilar revolution.

The advance continues while our Purpose remains unchanged: pioneering access for patients. It's our legacy and our future.



Discover more on our website/
Sandoz.com/anniversary

Chief Executive's statement

We will lead the way in making the next 10 years the 'golden decade' of affordable healthcare.



Our 2025 net sales grew 5% to reach USD 11.1 billion. Growth was driven particularly by biosimilars, which now account for 30% of total sales – three years ahead of schedule.”

Richard Saynor
Chief Executive Officer



Dear shareholders

We have now completed two years as the standalone global leader in affordable medicines, successfully delivering on our key financial targets and strategic milestones thanks to a clear and purpose-driven strategy.

I'm proud that we remain consistently on track, and in some cases exceed, the commitments we have made since becoming an independent company.

As the global #1 in biosimilar and generic medicines, which account for 80% of medicines used at just 30% of the total cost, we already have tremendous impact on making healthcare more accessible for all – and the chance to do so much more.

Over the long term, our success will be reflected in our growing social impact as we continue to pioneer access for patients: currently measured by our annual reach of over 1 billion patients¹, the USD 26 billion in savings we generate for healthcare systems and the social impact of our key medicines, estimated at USD 400 billion annually.

Unique positioning for scale, trust and impact

On the financial front, our 2025 net sales grew 5% at constant currencies to reach USD 11.1 billion. Growth was across the board but driven particularly by biosimilars, which now account for 30% of total sales – three years ahead of schedule – thanks to our consistently strong launch execution and ongoing momentum.

Our core EBITDA margin increased by 160 basis points to reach 21.7%, and management free cash flow rose to USD 1.5 billion, up from 1.1 billion the previous year.

Key strategic achievements in 2025 included:

- Breaking ground on a major new biosimilars production center in Brnik, Slovenia, the latest step in a multi-site project to further expand our European biosimilar hub and global market reach, with a total investment of more than USD 1.1 billion
- Completing the acquisition of Just-Evotec Biologics' site and in-house development and manufacturing capabilities in Toulouse, France
- Consistently delivering on our key launch commitments, including six biosimilar launches in 2025 – three of them in Q4 alone

1. 0.9bn patients treated with our medicines and an estimated 0.2bn patients reached with our active pharmaceutical ingredient sales

Chief Executive's statement continued

We continue to deliver top-line momentum and margin expansion.

Today, three pillars define Sandoz global leadership: our global scale, backed by a robust manufacturing and supply network; our unique positioning as the only 'pure-play' biosimilars and generics company, with a reputation for reliable execution; and our leadership team, backed by more than 23,000 committed employees.

Executing with impact

Sandoz today is the global leader for high-quality, affordable biosimilar and generic medicines: a market valued at more than USD 250 billion in sales. In the attractive European market, which is also our home base, we lead the industry.

We continue to deliver top-line momentum and margin expansion, underpinning our mid-term outlook of mid-single digit annual sales growth to 2028 at constant exchange rates, with a core EBITDA margin expansion forecasted to reach 24% to 26% in 2028.

With some 1,300 generic medicines marketed worldwide and a pipeline of more than 400, Sandoz pursues a strategy of focused loss of exclusivity coverage, centered on oral solids and injectables. This is supported by a longer-term focus on the emerging GLP-1 market.

In 2025, our core generics business was driven by recent launches across key markets including iron ferric, rivaroxaban and enoxaparin sodium in Europe.

In biosimilars, our key growth pillar both now and in years to come, we continue to build on our experience as the pioneer and global leader, with a portfolio of 13 molecules in nearly 100 countries and a leading and rapidly-growing pipeline.

Biosimilar growth was driven by a record six launches in 2025, backed by continued strong performance of the base portfolio. We also saw good progress on our leading biosimilar pipeline of 27 molecules.

Getting ready for the 'golden decade'

Of those biologics facing loss of exclusivity in the next seven years, more than 50 currently have no biosimilar planned due to the high cost of clinical development – a key driver of the so-called 'biosimilar void.'

However, ongoing regulatory moves towards streamlining biosimilar development, which have been led by Sandoz from an industry perspective, can help to fill this void and substantially decrease both cost and time to market with zero adverse impact on quality, safety or efficacy.

We are the global leader in an attractive, growing and system-critical market. If we continue to deliver on our promises the way we have to date, we will lead the way in making the next 10 years the 'golden decade' of affordable healthcare.

Thank you, dear shareholders, for your continued confidence in Sandoz. We are determined to continue rewarding it.

Yours sincerely,

Richard Saynor
Chief Executive Officer

Business Report

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Year in review

Our strategic milestones



Our unrelenting focus on top-line growth, profitability and cash generation positions Sandoz well to deliver even more for patients and shareholders.”

Richard Saynor
Chief Executive Officer

A pivotal year

In 2025 we cemented our position as the world’s leading pure-play biosimilar and generics company, driven by strong launch execution.

We’ve seen meaningful progress in the streamlining of review pathways across key markets.

We are fully on track with our new Slovenia facilities to expand our vertically-integrated European biosimilar hub, to which we’ve added the acquisition of Just-Evotec Biologics EU SAS, to create a leading global end-to-end platform to capture significant biosimilars growth opportunities.

Our strong net sales performance was driven by biosimilars growth and generics strength.

We achieved core EBITDA margin expansion through a favorable mix of sales and cost discipline, with strong cash flow generation and management free cash flow of USD 1.5 billion.

With clear capital allocation priorities, we maintained our strong balance sheet and increased the core return on invested capital.



Strong strategic and financial progress

Pipeline	Launches	Development and supply	Financials
• Industry-leading pipeline with 27 biosimilars • Advancing in targeted and high-impact key biologics and therapies • Significant expansion through business development and partnership	• Strong launch execution: Vyost® & Jubbonti® (denosumab) • Pyzchiva® (ustekinumab) • Pyzchiva autoinjector • Afqilir® (afibercept) • Tyruko® (natalizumab)	• New Slovenia facilities to create European biosimilar hub and global market reach • Acquisition of Just-Evotec Biologics EU SAS • Leading vertically integrated platform to capture significant biosimilars growth opportunities	• USD 11.1 billion in net sales • Core EBITDA margin +1.6 ppts to 21.7% • Management free cash flow of USD 1.5 billion (+USD 0.4 billion) • Core ROIC 14.5% (+2.2 ppts) • Dividend proposal of CHF 0.80 per share¹

Purpose and impact highlights²

Driving access and impact	Empowering our people	Championing sustainability	Governing with Integrity
• Over 1 billion patients reached³ in 100+ countries • USD 26 billion in healthcare system savings for North America, Europe and other key markets • ~USD 400 billion estimated social impact	• 40% of Board of Directors, 50% of Executive Committee, and 46% of management are women • Achieved removal of historical salary requests for 100% of new employee offers • Achieved a collective company rating of 4 from Glassdoor vs. the global pharmaceutical industry benchmark of 3.5	• Reduced carbon emissions by 5% at intensity level, with 2% absolute reduction • SBTi commitment letter submitted • Three Sandoz labs have been awarded the My Green Lab certification in 2025; we aim to certify 100% of Sandoz labs by 2027	• Board oversight and risk-based controls for fast, practical decision-making without compromising assurance • 96% Code of Ethics and 95% Anti-Bribery training completion, demonstrating strong integrity awareness

1. Subject to approval at the Annual General Meeting on April 9, 2026

2. For details please see [Sandoz.com/ESG_supplementary_disclosures_2025](https://www.sandoz.com/ESG_supplementary_disclosures_2025)

3. 0.9bn patients treated with our medicines and an estimated 0.2bn patients reached with our active pharmaceutical ingredient sales

Our business model

Sandoz is the global leader in generic and biosimilar medicines, which account for around 80% of medicines worldwide at a fraction of the cost.

What we do

Our business model has three main components: development & regulatory, manufacturing and supply, and commercial.

Development & regulatory (D&R)

We manage our development activity to ensure constant replenishment of our pipeline and to capitalize on new opportunities as they arise.

Reinvestment drives pipeline expansion, ensuring continuous launches.

Our experience and reputation with regulators is key to ensuring timely approval of products prior to commercialization.

STRONG DEVELOPMENT PIPELINE

+400

GENERIC

27

BIOSIMILARS

Discover more about our pipeline |
Page 23 to 24

**Patients and society
are at the heart of
what we do**



Reinvestment drives expanding access

We reinvest ~9%–10% of net sales into D&R

Manufacturing and supply

We maximize resources by finding a strategic balance between our own capabilities and working with partners, allowing us to retain core competencies but also enabling us to make the best use of our capital and other resources.

15

SANDOZ-OWNED LOCATIONS

~700

EXTERNAL SUPPLIERS

Discover more about our network |
Page 25

Commercial

Our global reach across 100+ countries means that we think globally but operate locally, providing us with the flexibility to deliver successfully across a range of markets.

NUMBER OF MEDICINES ON THE MARKET

+1,300

GENERIC

13

BIOSIMILARS

Discover more about our commercial
presence | Page 26 and 31

Continue for our competitive
advantages and the value we create

Our business model continued

Our competitive advantages

These advantages make us the partner of choice in our industry.

Excellence in development

We have a strong track record of end-to-end development and a flexible network to pioneer new technologies.

▶ [Discover more about our pipeline](#) | [Page 23 and 24](#)



Competitive cost manufacturing

While we make medicines more affordable, we never compromise on quality. From development to manufacturing, to our suppliers and beyond, we maintain the highest standards.

▶ [Discover more about manufacturing and supply](#) | [Page 25](#)



Commercial organization

Sandoz is a global leader with the leading market position in Europe, scale in the US and a highly targeted presence in international markets.

▶ [Discover more about our regions](#) | [Page 26](#)



Partnerships

We choose partners who can help us to expand our pipeline and increase access.

▶ [Discover more about our partnerships](#) | [Page 35](#)



Generic mindset

We operate with agility, removing unnecessary complexity by combining the long-term vision of a global leader with the energy, drive and flexibility of a start-up.

▶ [Discover more about our people](#) | [Page 39](#)



The value we create

For shareholders

With our scale and leadership in an attractive market, multiple growth drivers, ambitious margin expansion plans and a strong balance sheet, we offer a compelling investment proposition.

MID-TERM OUTLOOK (2028)¹

ANNUAL DIVIDEND TO REPRESENT

Mid-single digit

PERCENTAGE NET
SALES GROWTH²

~24%–26%

CORE EBITDA MARGIN

30%–40%

OF CORE NET INCOME

For society

By providing medicines at affordable prices, we are creating access for hundreds of millions of patients, driving savings for governments and helping to protect public health.

REACHING A BROADER SET OF STAKEHOLDERS IN 2025³

+1bn

PATIENTS REACHED⁴

26bn

HEALTHCARE SYSTEM
SAVINGS IN NORTH
AMERICA, EUROPE AND
OTHER KEY MARKETS,
IN USD

400bn

ESTIMATED SOCIAL IMPACT
OF OUR KEY PRODUCTS, IN
USD (2023)

▶ [Learn more about how we measure social impact](#) | [Page 36](#)

For the environment

Focusing on sustainability helps us to manage risk, minimize our impact on the environment, increase operational efficiency and protect our reputation.

▶ [Discover more about our ESG strategy](#) | [Page 32](#)

1. Non-IFRS measures are defined in the Supplementary financial information section, beginning on page 157.

2. At constant currencies

3. Non-financial indicator definitions can be found on [Sandoz.com/ESG_supplementary_disclosures_2025](https://www.sandoz.com/ESG_supplementary_disclosures_2025).

4. 0.9bn patients treated with our medicines and an estimated 0.2bn patients reached with our active pharmaceutical ingredient sales

Purpose in action

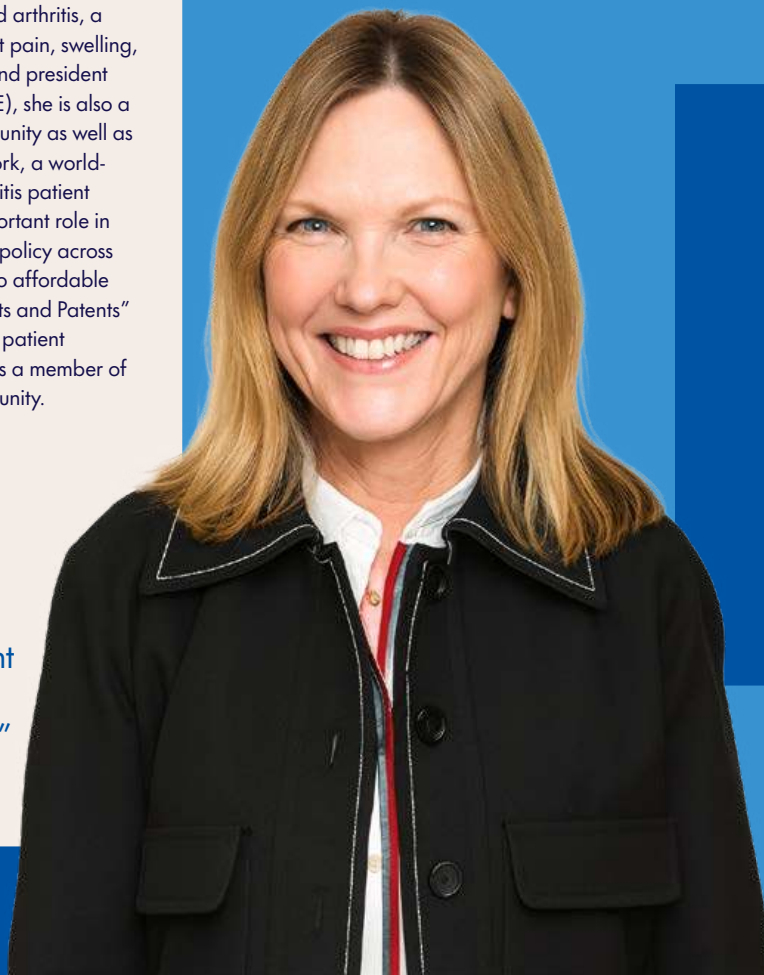
Patients give us perspective on what pioneering access really means for them and their communities.

Cheryl's story

Cheryl Koehn lives with rheumatoid arthritis, a disease which typically causes joint pain, swelling, stiffness and fatigue. As founder and president of Arthritis Consumer Experts (ACE), she is also a leader of Canada's arthritis community as well as secretary for the Global RA Network, a world-wide coalition of rheumatoid arthritis patient organizations. She played an important role in shaping biosimilar reimbursement policy across Canada, which improved access to affordable biologics. She initiated the "Patients and Patents" campaign together with two other patient advocates (see page 38). Cheryl is a member of the Making Access Happen community.

“

There are real-life consequences for patients when access is delayed. From a patient perspective, an act to delay is an act to deny.”



Luis' story

Luis Adrián Quiroz Castillo began fighting and organizing for social justice in his native Mexico from a young age, a commitment that continues today. In 2003, he launched the community-based organization Beneficiaries Living with HIV of the IMSS (DVVIMSS). The organization has achieved significant improvements in healthcare and drug supply in a remarkably short time. Since then, he has dedicated his efforts to strengthening public health systems through innovative mechanisms and methodologies, evolving the mission of the program to address public health challenges across Mexico.

“

We must ensure treatments are available to those in need. Worldwide access to quality biosimilars is one pathway to guarantee greater impact and extending benefits to more people.”



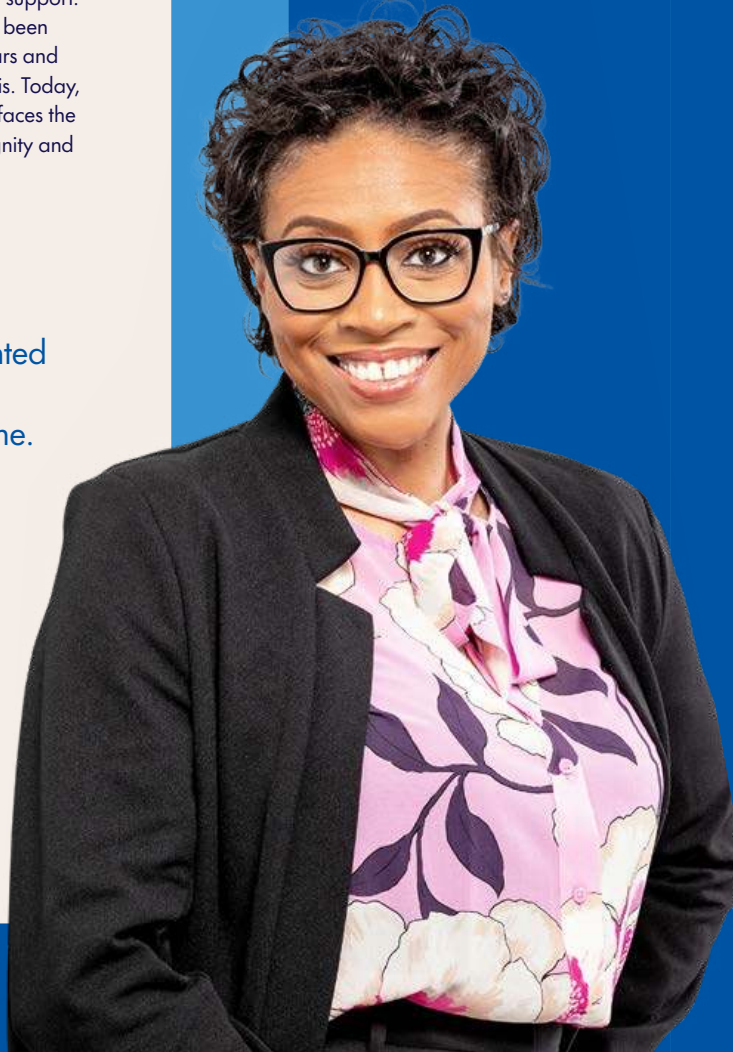
Purpose in action continued

Latonia's story

Latonia Ward was diagnosed with inflammatory bowel disease at 17 but was never given clear information or appropriate treatment options, leaving her feeling unseen and misunderstood. For many years, she endured surgeries, complications and medical trauma without proper support. In 2022, she learned she may have been misdiagnosed for more than 30 years and received a Crohn's disease diagnosis. Today, she advocates to ensure no patient faces the same barriers to understanding, dignity and equitable care.

“

I advocate on behalf of patients who are prevented from receiving the right treatment at the right time. Treatment should be determined by patient need, not insurance rules, postal code or financial status. I advocate so no 17-year-old girl ever has to sit in a waiting room feeling confused, unheard and alone.”



Ivan's story

Ivan Zelenskyi was diagnosed with chronic myeloid leukemia (CML) in 2009 at the age of 34. At that time, the treatment he needed was not available to him. He brought together several thousand patients to advocate for access to essential CML treatments. Since then, Ivan has continued to champion improved access to medicines. Through his work with “Drop of Blood” (КРАПЛІЯ КРОВІ) founded in 2015 in Ukraine, he supports many cancer patients and their families.

“

Generics increase access, but quality and timely delivery are equally important. Price alone doesn't guarantee these. We need to consider the whole picture.”



Our strategy

Consistently driving shareholder and societal value.

Leading the way in
a system-critical market

We operate in the fundamentally attractive and growing generic and biosimilar medicines market, which accounts for 80% of medicines used worldwide at a fraction of the cost. Our positive market fundamentals are driven by a steadily growing and aging global population, increasing market adoption as payers and healthcare systems seek to reduce the cost of medicines, and a pipeline of upcoming patent expiries that is historically unprecedented in size. The biosimilars market continues to grow rapidly, while generics market growth is more gradual, with strong prospects for high-value future opportunities, including the rapidly emerging GLP-1 segment.

Differentiated by scale, scope,
pipeline and commitment

Sandoz is the global leader in the combined generics and biosimilars market, with one of the broadest portfolios in the industry. We reach over 1 billion patients per year² in more than 100 countries.

Our pipeline comprises 27 biosimilars and around 400 generics. This uniquely balanced leadership position, coupled with decades of expertise across the value chain and major ongoing capacity investments across both generics and biosimilars, gives Sandoz the opportunity to drive significant top-line growth and margin expansion over the mid-term. Our core generics business provides substantial opportunities for further steady growth, including expansion into new 'frontiers of growth' such as the market for GLP-1 diabetes and weight-loss medicines, complemented by the rapid growth of our leading biosimilars business.

MARKET SIZE¹

+USD 250bn

10-YEAR CAGR: 10%

PIPELINE

400 27

GENERIC

BIOSIMILARS

1. IQVIA Analytics Link MAT'09 25 in constant currencies at gross price level and using standard IQVIA definitions (generics, early entry generics and biocomparable products), excluding markets with limited or no operations for Sandoz, such as China, India, Pakistan, Indonesia and Bangladesh. Compound annual growth rate (CAGR) is Q2-2026–Q2-2035.

2. 0.9bn patients treated with our medicines and an estimated 0.2bn patients reached with our active pharmaceutical ingredient sales

A three-phase strategy

We are building consistently on our solid foundations, with our strong leadership in home market Europe and strategic leadership ambitions in the key US market, to succeed in the long term. The strategy is evolving in three clear phases:

2025

1

Leveraging our freedom as a standalone company

2026

2

Establishing a world-class generics and biosimilars company

Mid-term growth driven by a combination of increased volume in the base business and launches across generics and biosimilars. Together with the benefit from strong existing infrastructure and customer relationships, this generates attractive cash flow to support future investments.

2027

2028

2029

3

Long-term leadership

Through new portfolio opportunities and technologies we will continue pioneering access for patients and become the most valuable player in generic and biosimilar medicines.

2030

Our strategy continued

Our focus areas.



Optimal positioning

Sandoz is well placed to deliver long-term shareholder and overall societal value due to our leading position in a fundamentally attractive and system-critical global market, as well as our uniquely balanced portfolio and geographic positioning.

Significant upcoming biosimilar launches are set to drive overall net sales as well as an increasingly favorable product mix, and we have multiple levers to deliver margin improvement.

We have a comprehensive and steadily expanding pipeline, a strong balance sheet and we are increasingly recognized as the global partner of choice across the value chain.

UNPRECEDENTED OPPORTUNITY
+USD 650bn
OVER THE NEXT DECADE¹



Measuring business and financial success

Our business success is measured in terms of progress against both strategic milestones, particularly biosimilar approvals and launches, and mid-term financial market commitments on net sales and core EBITDA margin. Sandoz is progressing well on both fronts. Net sales growth will continue to be driven by leveraging our global scale and leadership, while margin expansion will be driven by improving product mix, operational improvements and organizational efficiencies. We expect free cash flow to be driven by core EBITDA margin expansion, increasing EBITDA to cash conversion and working capital optimization. Our strong balance sheet gives us great optionality in our capital allocation strategy, supported by our investment-grade credit profile. Sandoz intends to continue following a disciplined approach to capital allocation to support delivery of long-term growth and attractive shareholder returns.

MID-TERM OUTLOOK (2028)²

Mid-single digit ~24%–26%

NET SALES GROWTH³

CORE EBITDA MARGIN

ANNUAL DIVIDEND TO GROW TO BETWEEN

30%–40%

OF CORE NET INCOME

1. 2026–2035; calculated as originator sales one year prior to loss of exclusivity (LoE); analysis based on industry reports, databases and internal evaluations

2. Non-IFRS measures are defined in the Supplementary financial information section, beginning on page 157.

3. At constant currencies



Generics

Generics are the cornerstone of our business.

Sandoz is the only company with a leading global position in both generics and biosimilars, with each reinforcing the success of the other. Generics provide the commercial infrastructure, customer relationships and stable cash flows that enable investment in innovation, particularly in biosimilars and other complex medicines.

A scalable growth engine

Generics are the cornerstone of our business, accounting for approximately 70% of total sales through a portfolio of more than 1,300 high-quality medicines.

Our current portfolio spans key therapeutic areas including cardiovascular, central nervous system, oncology, infectious diseases, pain and respiratory. We are the global leader in generic antibiotics, with the last major vertically-integrated penicillin production network based in Europe – a strategic asset in an increasingly supply-constrained world.

Our generics business is capital-efficient. It ensures strong market presence across all regions and therapeutic areas, creating substantial synergies in development, regulatory, medical and commercial operations. This makes Sandoz a partner of choice for bringing externally developed generics to market. We offer unmatched geographic scale, commercial excellence and regulatory expertise.

Playing to our strengths

Over the next decade, oral solids represent more than USD 200 billion of the loss of exclusivity opportunity in generics, or more than two-thirds¹. Oral solids technologies are also areas where we have a strong development and manufacturing footprint.

1. 2026–2035; calculated as originator sales one year prior to loss of exclusivity (LoE); analysis based on industry reports, databases and internal evaluations

SANDOZ

80 YEARS OF ANTIBIOTICS



Generics continued

Poised for expansion

The generics market is poised for a new phase of growth, with more than USD 300 billion worth of medicines losing exclusivity over the next decade¹. Sandoz is well-positioned to capture this opportunity, with around 400 medicines in our pipeline covering more than two-thirds of that projected value.

As a global company, we can further maximize value by leveraging our scale. In Germany, for example, we increased volumes of Bisoprolol by more than 40% in 2025, improving the cost of goods sold by more than 10% – a clear demonstration of how scale and operational leverage translate into financial performance.

Important generic launches in 2025 included our iron-sucrose injection in the US, broadening access to affordable treatment for iron-deficiency anemia in patients with chronic kidney disease. We also launched Rivaroxaban in Germany, expanding access to high-quality antithrombotic treatment options with multiple dosage forms.



GLP-1s

GLP-1 receptor agonists are used to treat diabetes, obesity and related conditions. The GLP-1 market is projected to be around USD 100 billion by 2035¹, reaching over 1 billion patients.

We plan to enter the GLP-1 space with a partnered product, allowing us to build regulatory and commercial insights early. This knowledge will inform the development of our internal capabilities as major European and US markets open in the early 2030s. As with our broader generics strategy, we will combine internal innovation with external partnerships to maximize access and impact.



The backbone of modern medicine

Antibiotics, particularly penicillins, are the backbone of modern medicine. They save and protect millions of lives, both treating previously life-threatening infectious diseases and in widespread preventive use (eg, enabling invasive surgery or interventions that affect the immune system, including chemotherapy). Sandoz is the global leader in generic antibiotics and operates the last fully vertically-integrated penicillin production network in Europe.

However, antibiotics today are treated largely as commodities, with one major difference: Producers have to supply at fixed price levels, regardless of changes in the market environment. As a result, overall supply is increasingly concentrated in Asia, where

governments typically provide substantial support for domestic players. This imbalance is one of the key drivers of supply shortages in the Western world and a source of vulnerability to future geopolitical shocks.

To ensure long-term supply stability and reduce the risk of antimicrobial resistance, policymakers need to introduce the systematic use of concepts such as inflation-linked pricing and other criteria that go beyond price, including incentives to protect and promote domestic production, a focus on quality performance, and responsible manufacturing and other ESG factors.

🔗 [For more on how we've approached the issue in Europe | Page 27](#)

1. 2026–2035; calculated as originator sales one year prior to loss of exclusivity (LoE); analysis based on industry reports, databases and internal evaluations

Biosimilars

Sandoz is the global leader in biosimilars.

Our net sales in this category reached USD 3.3 billion in 2025, or 30% of total net sales. We've grown our biosimilars business for 17 straight quarters. This sustained momentum underscores the strength of our biosimilars strategy.

Driving higher margins

Compared to most generics, biosimilars are more complex and time-consuming to develop and manufacture. Once they reach the market, they deliver strong margins and face relatively moderate price erosion. This makes biosimilars a perfect complement to our broad, stable generics base.

We pioneered this market in 2006, when we introduced Omnitrope®, the world's first biosimilar (see page 23). Omnitrope overtook its reference medicine in market share in 2021 and has led the global market for human growth hormone ever since, with a 32% share as of the end of 2025¹. This pioneering launch laid the foundation for our leadership in biosimilars. Today our adalimumab biosimilar, Hyrimoz®, is the leading biosimilar in the US. Pyzchiva®, the biosimilar we launched with our partner Samsung Bioepis, is the leading biosimilar in Europe, with a leadership position in 16 out of 24 markets².

1. IQVIA MIDAS MAT09'25 for 37 key markets; volume in grams; share within biosimilar + originator market
2. IQVIA MIDAS MAT09'25 for 18 key European markets; volume in standard units
3. 2026–2035; calculated as originator sales one year prior to loss of exclusivity (LoE); analysis based on industry reports, databases and internal evaluations

Unprecedented opportunity

The global biosimilars market is expected to achieve unprecedented growth over the next decade, with more than USD 300 billion in biologic medicines coming off patent³. We are well positioned to exploit this unprecedented opportunity. Our industry-leading pipeline now contains 27 candidates.

▶ [For more detail on our in-market portfolio and the pipeline of biosimilars in development | Page 24](#)



SANDOZ

20 YEARS OF BIOSIMILARS

What are biosimilars?

Biologics are essential, life-changing medicines, which in many cases have become the standard of care. Biosimilars can step in to increase patient access and provide more affordable options for healthcare providers.

Biosimilar medicines have the same efficacy and safety as their reference medicine. They are instrumental to expanding patient access to biologic medicines. They are indispensable to the long-term sustainability of healthcare systems as they create competition and support supply of essential medicines at a more affordable price. Biosimilars also help stimulate research and development into next-generation biologics.

Biologic medicines are complex and time-consuming to develop and manufacture. Unlike generic medicines, which are chemically synthesized, biologics are generated from living cells. These essential medicines offer targeted treatment options, for instance by binding to specific targets on the cell surface or in the cell.

Sandoz biosimilar medicines are manufactured using state-of-the-art biological production technologies.

▶ [See how we're approaching the 'golden decade' | Page 23](#)

Biosimilars continued

We are significantly expanding our in-house capabilities in the development and production of biosimilars.

Integrating our biosimilars business

In 2025 we took major steps towards completing our integrated hub for biosimilar development and production. Our activities will continue to be based in Europe – our home base and the world's largest market for biosimilars.

In 2023 we established a Biopharma Technical Development hub in Holzkirchen, Germany, to undertake analytical characterization and clinical bioanalytics. In 2025, we expanded the site to include the first in-house bioassay laboratories at Sandoz. These labs are essential for testing how our biosimilars work – helping us confirm their effectiveness and understand how they interact with the body.

Work is now underway for three new biosimilar sites in Slovenia, a country with deep ties to Sandoz, dating back to our 2002 acquisition of Lek. In Ljubljana we'll focus on improved efficiency for product development. This fully digitally integrated and

highly automated site is scheduled for completion in 2026. In Lendava, also a fully digitally integrated and highly automated site, we'll focus on drug substance production for biosimilars. This site is also scheduled to open in 2026, with planned product commercialization in early 2029. In Brnik, we will establish a digitally integrated and fully automated sterile production and packaging facility for biosimilars, with planned commercialization also in 2029. Our total investment in these sites will reach USD 1.1 billion by 2029, strengthening our European footprint and supporting long-term margin expansion, as well as making us Slovenia's largest foreign investor.

The country provides a stable, cost-competitive environment with excellent transport connections as well as a highly trained workforce. Slovenia is also well-located to fit in with our development hub in Holzkirchen and the state-of-the-art device development center we opened in Cambridge, UK, in 2024.

On top of this we recently acquired the operations of Just-Evotec Biologics EU SAS in Toulouse, France. Having worked with them since 2023, we have consistently recognized the potential of their fully automated and high-throughput continuous technology platform – a flexible, small-scale solution that complements the large-scale production facility we are building in Lendava. The acquisition supports the expansion of our early-stage pipeline.

We will continue to engage with external partners where it makes sense. For example, we secured the successful approval and launch of the first-ever biosimilar for multiple sclerosis, Tyruko®, by working with Polpharma Biologics. We partnered with Samsung Bioepis to bring Pyzchiva® to the EU and US, and in 2025 we signed an agreement with Henlius to commercialize an ipilimumab biosimilar, which treats various forms of cancer.

The unprecedented growth of the global biosimilars market reflects the huge demand, from both patients and healthcare systems, for more affordable alternatives to these critical medicines. We are eager to play our part.



A shorter path

For many years, biosimilars had to demonstrate equivalence to their respective reference medicines through human comparative efficacy ('Phase III') trials. However, advances in analytical science on top of two decades of clinical experience have shown that analytical and clinical pharmacokinetic studies are more capable at detecting relevant differences than Phase III trials. This opportunity to 'streamline' biosimilar development promises to bring more of these affordable life-changing medicines onto the market, and to shift away from costly, time-consuming and scientifically unnecessary Phase III studies.

We are engaging closely with regulatory agencies, who have a critical role in making biosimilar development more efficient, science-led, and beneficial for patients and healthcare systems. In 2025, regulatory agencies including the US Food and Drug Administration (FDA), the European Medicines Agency (EMA) and Health Canada, moved in the right direction on streamlining.

For Sandoz, a streamlined approach supports faster development and the capacity to invest in more biosimilar programs. We have already announced streamlined clinical development for three high-value medicines: our biosimilars to pembrolizumab (oncology), ocrelizumab (multiple sclerosis) and nivolumab (oncology). A science-based pathway can accelerate access and thereby benefit patients, healthcare systems and shareholders.

Biosimilars development and manufacturing



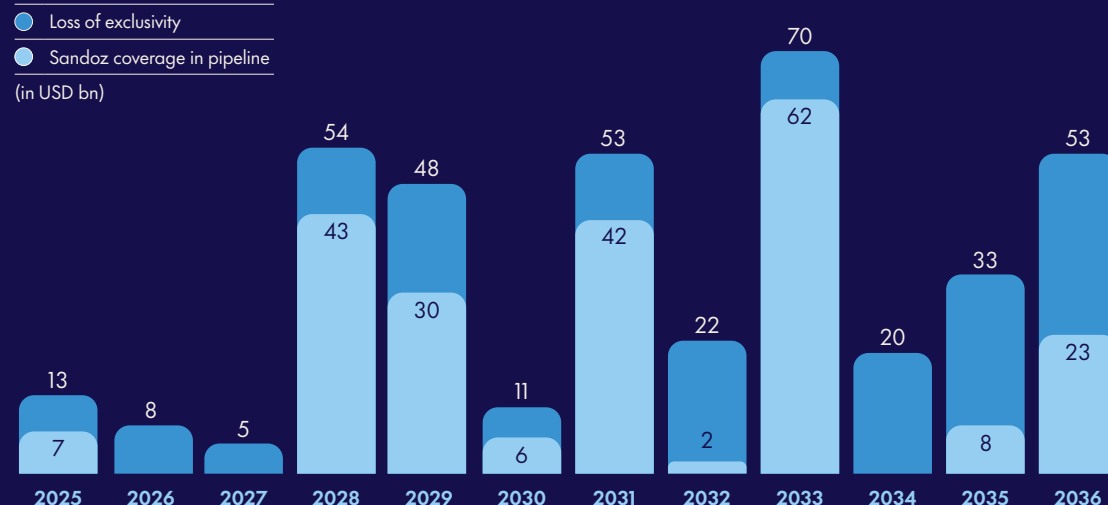
1. **Cambridge:** for biosimilars and small molecules
2. **Ljubljana:** Development center under construction; aseptic operations fully operational

Our biosimilars pipeline

We lead our industry in both the number of assets in development as well as our targeted share of addressable market value.

From eight candidates in 2018, we now have 27 biosimilars in development as of the end of 2025. These 27 candidate molecules target reference medicines with a combined post-loss of exclusivity (LoE) sales value exceeding USD 200 billion¹.

A golden decade of opportunity



More than USD 300 billion worth of branded biologics are coming off patent in the coming decade. We have put ourselves in position to take advantage of this 'golden decade' ahead (see also next page). Our confidence is supported by a proven track record in delivering on our pipeline, our strong commercial capabilities and our deep market knowledge.

1. Calculated as originator sales one year prior to loss of exclusivity (LoE-1). Analysis based on industry reports, databases and internal evaluations.

Find out more about our anniversaries | Page 08

SANDOZ

20 YEARS OF BIOSIMILARS

The world's first biosimilar

Martin remembers when we launched the world's first biosimilar, in 2006: "When the EMA approved Omnitrope®, we weren't just creating a new category of medicine – we established an entire industry. Sandoz proved that complex biologic therapies could be made more affordable without compromising quality, safety or efficacy." Sandoz remains the category leader today, both in biosimilars globally and in human growth hormone with Omnitrope.

“

We weren't just creating a new category of medicine – we established an entire industry.”

Martin Schiestl
Global Head, Regulatory
Policy & Intelligence



Biosimilars timeline – Our marketed medicines¹

2006–2009	2017	2018–2023	2024	2025	Six near-term launches and assets in clinical development	
Omnitrope® (somatotropin) First-ever biosimilar: Launched in Europe in 2006, also available in North America and international markets. Therapeutic area: endocrinology. Binocrit® (epoetin alfa) Launched in Europe in 2007, also available in international markets. Therapeutic area: nephrology, oncology (supportive care). Zarzio®/Zarxio® (filgrastim) Launched in Europe in 2009 and in 2015, it became the first biosimilar approved in the US. Therapeutic area: oncology (supportive care).	Erelzi® (etanercept) Launched in Europe in 2017, also available in Canada and international markets. Approved in the US. Therapeutic area: immunology (rheumatology, dermatology). Rixathon® (rituximab) Launched in Europe in 2017, now available in Europe, Canada and international markets. Therapeutic area: oncology (blood cancers), immunology (rheumatology).	Ziextenzo® (pegfilgrastim) Launched in Europe in 2018, also available in North America and international markets. Therapeutic area: oncology (supportive care). Zessly® (infliximab) Launched in Europe in 2018. Therapeutic area: immunology (rheumatology, gastroenterology, dermatology). Hyrimoz® (adalimumab) Low-concentration formula launched in Europe in 2018, low- and high-concentration formula available in Europe, North America and international markets since 2023. Therapeutic area: immunology (rheumatology, gastroenterology, dermatology).	Tyruko® (natalizumab) Launched in Europe in 2024 and the US in 2025. The first and only approved biosimilar for multiple sclerosis. Therapeutic area: neurology. Pyzchiva® (ustekinumab) Approved in the US in June 2024 and approved in Europe in April 2024. Launched in several major European markets in 2024 and in the US in February 2025. Therapeutic area: immunology (rheumatology, gastroenterology, dermatology). Cimerli® (ranibizumab) In 2024 Sandoz acquired Cimerli®, a treatment for multiple retinal diseases. Its re-launch in the US is expected early 2026. Therapeutic area: ophthalmology.	Wyost® and Jubbonti® (denosumab) First denosumab biosimilars launched in North America and Europe. Therapeutic area: oncology, osteoporosis. Afqlir® (afibercept) Strong target product profile including pre-filled syringe at launch, targeting USD 10 billion in reference medicine sales. Therapeutic area: ophthalmology.	Nivolumab IV in Europe Pembrolizumab IV Pertuzumab Ocrelizumab IV Ipilimumab Atezolizumab	
					Five assets in regulatory review/yet to launch	
					Herwenda® (trastuzumab) Insulin aspart Avzivi® (bevacizumab) Insulin lispro Insulin glargine	
					Seven assets in technical development	
					Daratumumab SC Guselkumab Ocrelizumab SC Trastuzumab deruxtecan Aflibercept 8 mg Dupilumab Risankizumab	
					Nine assets in early development	
					Luspatercept Pembrolizumab SC Nivolumab SC Enfortumab vedotin Lanadelumab Faricimab Efgartigimod alfa Tezepelumab Ravulizumab	

1. As of February 2026.

Our manufacturing and supply network

Our broad production network combines both in-house and partnered capabilities.

We have production sites in **15 different locations**, with a big manufacturing footprint across Europe. These locations are certified by major health authorities like the European Medicines Agency, the US Food and Drug Administration and others.

While we strive to make medicines affordable, we never compromise on **quality or safety** – all while caring for **our people and our planet**.

- Biosimilars
- Generics
- Anti-infectives

Fougera, Long Island, USA
(Closing announced in 2024)

Cambe, Brazil

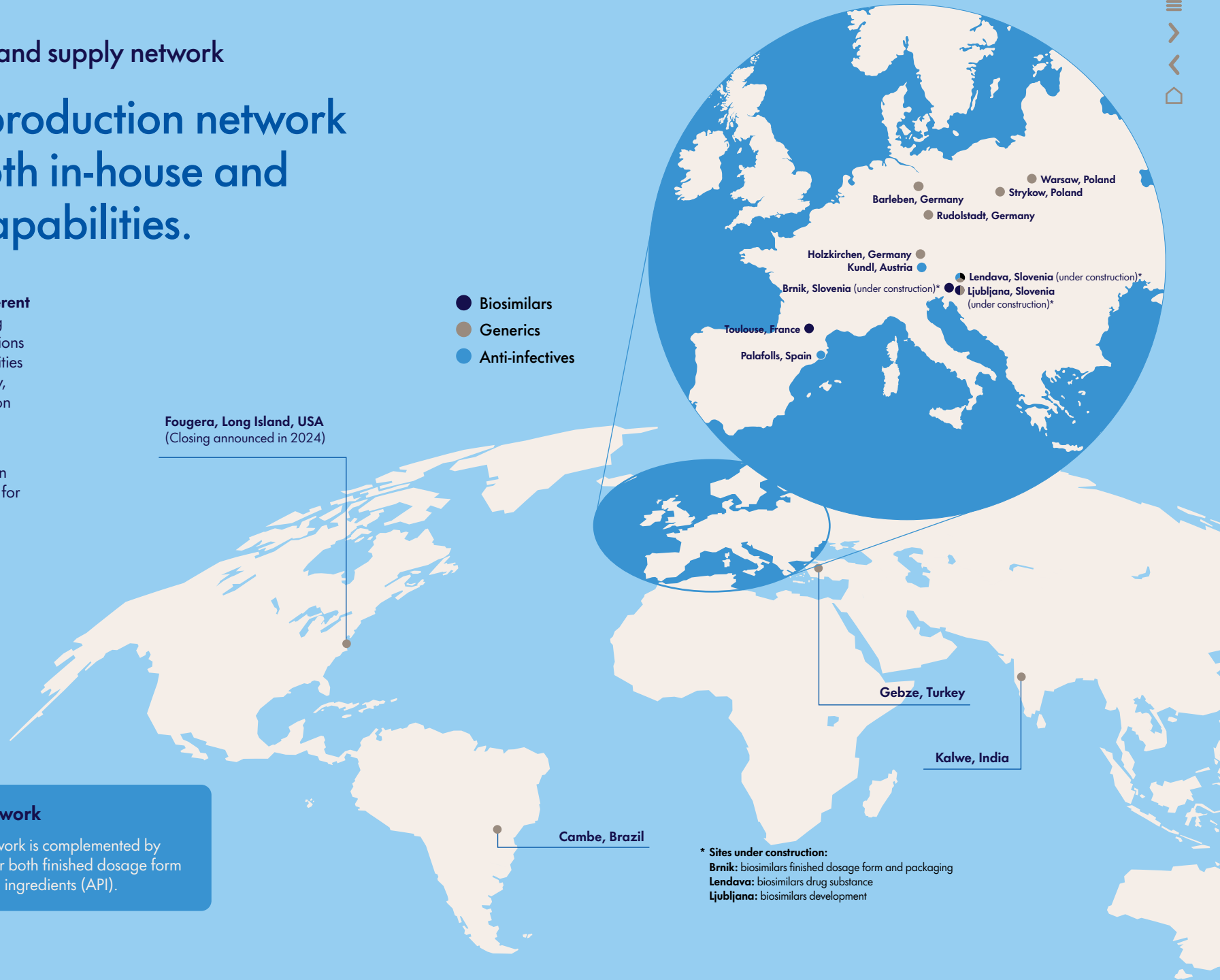
Gebze, Turkey

Kalwe, India

Our external supplier network

Our in-house manufacturing network is complemented by around 700 external suppliers for both finished dosage form (FDF) and active pharmaceutical ingredients (API).

*** Sites under construction:**
Brnik: biosimilars finished dosage form and packaging
Lendava: biosimilars drug substance
Ljubljana: biosimilars development



Regional review – Europe

In 2025, Europe delivered USD 5.9 billion in net sales, growing 6% at constant currencies and contributing 54% of net sales globally. This performance reflects our strong execution and leadership in both generics and biosimilars.

SHARE OF NET SALES

54%

2025 NET SALES

USD 5.9bn

6% growth at constant currencies

SAVINGS TO HEALTHCARE SYSTEMS

USD 10bn



Sandoz remains the leading biosimilars company in Europe, with 12 commercialized products and volume leadership in six of them¹. Our expanding market share is driven by a differentiated portfolio and strong commercial capabilities.

With operations in over 40 countries, Europe benefits from a broad and scalable commercial platform. Our ability to navigate complex regulatory environments and secure sustainable market access positions us as a trusted partner across the region.

The European generics and biosimilars market, valued at USD 94 billion, is projected to grow at 7.9% annually through the next 10 years². We are well positioned to capture this growth.

In 2025 we acquired the biosimilar development and manufacturing facility of Just-Evotec Biologics EU SAS, based in Toulouse, France. The acquisition is fully in line with our strategy to reinforce in-house biosimilar capabilities, while creating additional strategic flexibility (see also page 22). The acquisition complements our other investments in biomanufacturing in the heart of Europe, marking another important pillar in building our own independent manufacturing network – one that enhances our control, resilience and agility across the global supply chain. As the global leader in biosimilars, we are investing to meet rapidly growing patient demand, committing more than USD 1 billion to significantly expand our biosimilar manufacturing capacity across the region.



1. IQVIA MIDAS MAT09'25 for 18 key European markets; volume in standard units

2. IQVIA Analytics Link MAT'09 25 in constant currencies at gross price level and using standard IQVIA definitions (generics, early entry generics and biocomparable products), excluding Russia; compound annual growth rate is Q2-2026–Q2-2035

Regional review – Europe continued

MARKET SIZE BASED ON GROSS SALES¹**USD 94bn**EST. MARKET COMPOUND ANNUAL GROWTH
RATE BASED ON GROSS SALES, 2026–2035**7.9%**

In the generics business, our strong 2025 increase in volumes and market share was driven especially by retail launches in Germany and the Nordics. Recent biosimilar launches, including Afqir® and Wyost® and Jubbonti®, complement our leading biosimilar portfolio. Over the past five years we have steadily increased our leading generics and biosimilars market share.

We are increasing the share of biosimilars in our portfolio through strategic partnerships and targeted investments in innovation. Selective mergers and acquisitions (M&A) remain a key lever to enhance capabilities and accelerate growth. Looking ahead, we will continue shaping the policy environment to support long-term sustainability and patient access, reinforcing our leadership in Europe's essential generics and biosimilars sector.

Securing Europe's antibiotic independence

In 2026 we celebrate 80 years since a former brewery in Kundl, Austria, became the birthplace of Europe's antibiotics industry. Today as then, antibiotics are the backbone of modern medicine – directly saving millions of lives every year while enabling medical interventions from hip transplants to chemotherapy.

But today, Europe faces a critical vulnerability: more than 80% of key antibiotic ingredients are sourced from Asia. In an era of increasingly fragile supply chains and marked geopolitical tension, this dependency threatens patient care and undermines efforts to combat antimicrobial resistance. When antibiotics run short, treatments are delayed, avoidable harm occurs and healthcare systems come under unsustainable pressure.

That's why, in 2025, we joined forces with leading stakeholders across Europe and globally to promote joint measures to safeguard antibiotic supply and strengthen strategic independence. Our Kundl site – Europe's last major fully integrated production facility for penicillins, still the leading category of antibiotic worldwide – is at the heart of this effort, ensuring access for millions of patients and reinforcing resilience in the face of global uncertainty.

We are proud to champion responsible access and security for patients in Europe and around the world. Because medicine security is health security.



For details on our position regarding antibiotic independence | [Sandoz.com/Alpbach](https://www.sandoz.com/Alpbach)



1. IQVIA Analytics Link MAT'09 25 in constant currencies at gross price level and using standard IQVIA definitions (generics, early entry generics and biocomparable products), excluding Russia; compound annual growth rate is Q2-2026–Q2-2035

Regional review – International

The International region is directly present in over 20 markets and serves another 30 markets via its distribution model.

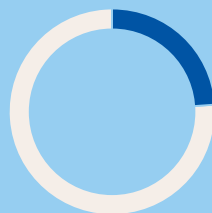
SHARE OF NET SALES

24%

2025 NET SALES

USD 2.7bn

7% growth at constant currencies



International has a lean organizational structure that offers a harmonized and simplified portfolio, focusing on markets where we can have the greatest impact.

We constantly evaluate whether to maintain a direct commercial presence in our markets based on patient need, market size, projected growth and value creation potential. Over the past five years, this disciplined approach has enabled the International region to achieve consistent net sales growth while executing on select inorganic opportunities and doubling the number of first-to-market launches.

Anchored by our key markets Australia, Brazil and Japan, we are present across a broad mix of mature and emerging markets. We focus on commercial execution and prioritize biosimilars and first-to-market, high-value generics launches. Excluding China, we are the leader in biosimilars in the International region.

In Australia, our focus on executing the biosimilar pipeline is delivering strong results. In 2025, we launched three biosimilars – denosumab, etanercept, adalimumab HCF – helping to support our 30% growth in this category for the region¹ (see next page). In addition, the aflibercept approval in 2025 supports our ambition to be the leader in biosimilars in Australia and expands patient access in an additional therapeutic area. We also introduced 20 new generic medicines, reinforcing our market leadership position in that segment.

1. IQVIA Analytics Link MAT'09 24 vs. MAT'09 25 in constant currencies at gross price level and using standard IQVIA definitions (biocomparable products)



Regional review – International continued

In Brazil, we delivered strong 11% growth compared to 2024, driven by strategic commercial execution and portfolio expansion. Biosimilar performance continued to strengthen compared to the prior year – +38% in values and +42% in volumes – with notable contributions from adalimumab and Omnitrope® in rheumatology and pediatric endocrinology. We also passed key regulatory milestones in Brazil, including the approval of denosumab and ustekinumab biosimilars, reinforcing our commitment to expanding patient access. The Partnership Development Program (PDP) approval for natalizumab also marks a significant advance in local collaboration and innovation.

We're also stepping up our presence in the biosimilar market in Japan, acquiring exclusive rights from Biocon Biologics Ltd to sell, distribute and promote their adalimumab biosimilar (adalimumab FKB), a product that already has regulatory approval. This came on top of the increased market share of our somatropin biosimilar as well as strong sales of our rituximab biosimilar through strategic partner Kyowa Kirin KK.



MARKET SIZE BASED ON GROSS SALES¹

USD 86bn

EST. MARKET COMPOUND ANNUAL GROWTH
RATE BASED ON GROSS SALES, 2026–2035¹

4.8%



Driving biosimilar access in Australia

In 2025, Sandoz became the first company to bring denosumab biosimilars to Australian patients. After a difficult path to securing all regulatory approvals, we executed a commercial launch immediately after patent expiry in July 2025, despite originator litigation. This bold move reflects our unwavering commitment to expanding patient access.

Our biosimilars, Jubbonti® and Wyost®, are now listed on the Pharmaceutical Benefits Scheme (PBS), projected to save the PBS approximately AUD 70 million annually – before a single prescription is dispensed. These savings will help sustain healthcare budgets and enable reinvestment in patient care. Beyond PBS, we introduced an innovative access program for patients who fall outside reimbursement

criteria, reducing out-of-pocket costs that previously reached AUD 250–300 per dose.

This success was powered by a newly built commercial organization, engaging over 9,000 general practitioners pre-launch and partnering closely with pharmacies nationwide. On day one, Jubbonti achieved over 50% substitution in first-line pharmacies, translating into more than AUD 1.7 million in net sales even before PBS listing.

By combining regulatory excellence, commercial agility and patient-focused programs, Sandoz is setting a new standard for biosimilar access – delivering value for healthcare systems and improving lives.

1. IQVIA Analytics Link MAT'09 25 in constant currencies at gross price level and using standard IQVIA definitions (generics, early entry generics and biocomparable products), including Russia and excluding markets with limited or no operations for Sandoz, such as China, India, Pakistan, Indonesia and Bangladesh; compound annual growth rate is Q2-2026–Q2-2035

Regional review – North America

Sandoz is focused on becoming the leading North American biosimilar company.

SHARE OF NET SALES

22%

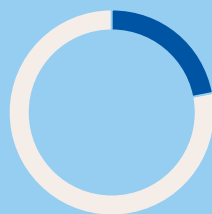
2025 NET SALES

USD 2.4bn

0% growth at constant currencies

SAVINGS TO HEALTHCARE SYSTEMS

USD 13bn



In 2025, we made a significant impact on healthcare across the US and Canada, generating USD 13 billion in savings for both healthcare systems. Net sales for the region were USD 2.4 billion.

Our success reflects our commitment to expanding access for patients in foundational generic and critical biosimilar medicines in such therapeutic areas as immunology, oncology and neurology. First, we expanded our US biosimilar portfolio by launching Pyzchiva® (ustekinumab), Wyost®/Jubbonti® (denosumab) and Tyruko® (natalizumab) – the first and only biosimilar for multiple sclerosis in the US. We generated strong in-market performance from adalimumab (Hyrimoz®) and saw good early uptake for denosumab. In September, we resolved patent litigation related to our aflibercept biosimilar, clearing the path for the launch of Enzeevu™ by the end of 2026. The generics business also performed well, with strong paclitaxel performance in the US adding to our already strong generics foundation.

Canada achieved strong performance in 2025, supported by the exceptional performance of our denosumab biosimilar. We will look forward to reaching a new milestone in generics when we enter the glucagon-like peptide (GLP-1) market in Canada with semaglutide.

Clearing the way for expanded biosimilars use in the US

In 2025, the FDA issued draft guidance that could transform biosimilar development. As described in the draft guidance, advanced analytics and pharmacokinetic clinical studies are often sufficient to demonstrate biosimilarity without the need to

conduct large, comparative efficacy trials, potentially cutting costs and shortening development timelines while maintaining FDA's stringent standards for quality, safety and effectiveness (see also page 22).

Equally important are the FDA's plans to no longer require 'switching studies' – clinical trials where patients alternate between a biosimilar and its reference product. These studies were originally intended to support the designation of 'interchangeable,' which allows pharmacy-level substitution under state laws. Research and experience have shown that switching does not affect safety or effectiveness, making this extra study unnecessary. Both actions would remove some of the complexity that has inhibited development of biosimilar medicines to date, improving patient access to biosimilars.

We introduced the first biosimilar to the US – Zarxio®, in 2015. Since then, biosimilars have saved the US healthcare system an estimated USD 56 billion, and USD 20 billion in 2025 alone. We applaud the FDA for seeking to increase development efficiencies while maintaining rigorous approval standards, supporting a more sustainable US healthcare system.

For Sandoz, these are meaningful developments that not only will impact our development strategy but also will support our broader Purpose of pioneering access for patients.

As an industry leader we have been equally committed to advocacy and leadership in 2025, especially within the Association for Accessible Medicines (AAM), for which Keren Haruvi, President, Sandoz North America, has served as Chair for the last two years. The AAM provides an important platform for convening policy leaders and healthcare advocates to address chronic disease and drug affordability.



Regional review – North America continued

MARKET SIZE BASED ON GROSS SALES¹**USD 85bn**EST. MARKET COMPOUND ANNUAL GROWTH
RATE BASED ON GROSS SALES, 2026–2035¹**14.4%****A platform for growth**

In the US, 90% of prescriptions are filled by generics or biosimilars – at just 12% of total prescription drug spending. Sandoz remains focused on increasing access and driving value in this space by delivering clinically equivalent, affordable medicines across both biosimilar and generics platforms. We offer a high-quality portfolio, reliable supply, competitive contracting and patient support services, and remain focused on strong customer relationships with payers, providers, group purchasing organizations and distributors.

Help for people living with MS

In November 2025 we launched Tyruko® in the US. Tyruko is the first natalizumab biosimilar for multiple sclerosis (MS), a disease affecting more than one million Americans.

Leslie Ritter, Vice President of Healthcare Access for the National MS Society, noted the importance of the Tyruko launch: “For people living with multiple sclerosis, cost and access to care remain significant barriers. The availability of a biosimilar is an important step forward in making medications more affordable.”

Alongside Glatopa®, Tyruko reinforces our leadership in MS and our ambition to be the #1 company in biosimilars in North America. It also builds on a decade of biosimilar

innovation in the region, beginning with Zarxio®, the very first FDA-approved biosimilar, in 2015.

Our ability to offer a biosimilar natalizumab is underpinned by the global commercialization agreement we reached with Polpharma Biologics in 2019. Under the agreement, Polpharma is responsible for development, manufacturing and supply. We retain the exclusive global license to commercialize and distribute it. In addition to the US, Tyruko is now available in 14 European countries – further evidence of how we work in partnerships and leverage our global strength to expand access to the latest biologic medicines.

1. IQVIA Analytics Link MAT'09 25 in constant currencies at gross price level and using standard IQVIA definitions (generics, early entry generics and biocomparable products); for US and Canada; compound annual growth rate is Q2-2026–Q2-2035

ESG overview

Driving impact and access to healthcare is at the core of what we do. Empowering our people, championing sustainability and governing with integrity help us to advance our Purpose and integrate it into our strategy.

We believe that focusing on material ESG topics supports our corporate strategy and contributes to superior performance that benefits shareholders. In 2024, we conducted a Double Materiality Assessment (DMA) in accordance with European Sustainability Reporting Standards (ESRS). It evaluated ESG material topics that affect our business and that can also positively or negatively impact society. The DMA reinforced the alignment of our ESG pillars with our Board-approved strategic priorities. In 2025, we reassessed these topics and confirmed no changes to material topics were needed¹.



Driving Impact and Access

Pioneering access to generic and biosimilar medicines worldwide is central to what we do. We produce quality medicines at scale, making them more accessible and affordable while partnering to accelerate the pace of change.

Material topics

- Impact and Access to Healthcare



Empowering our People

People are central to our Purpose of pioneering access for patients. We aim to foster and develop exceptional talent and an inclusive pioneering culture.

Material topics

- Diversity, Equity & Inclusion
- Corporate Culture
- Health & Safety



Championing Sustainability

We prioritize environmental sustainability, driving down our carbon footprint and preserving natural resources.

Material topics

- Climate Change
- Pollution, Water and AMR
- Supplier Management



Governing with Integrity

We promote strong corporate governance that drives sound risk management, ethical behavior and safe high-quality products.

Material topics

- Ethics, Corruption & Bribery
- Product Quality & Safety
- Data Privacy & Cybersecurity



1. For details and methodology see our 2024 Integrated Annual Report, pages 173–174.

ESG commitments and progress toward our goals¹

Our commitment	Target year	Target status	Progress 2025
Driving Impact and Access			
Impact and Access to Healthcare			
Achieve mid-single digit net sales growth (at constant currencies) ²	2025	Completed	Achieved in 2025 with net sales growth of 5% at constant currencies versus 2024.
Increase the number of Sandoz biosimilars patient treatments to 1.9m ²	2025	Completed	Achieved in 2025 with around 2 million biosimilar patient treatments.
Empowering our People			
Diversity, Equity & Inclusion			
100% of employees covered by annual pay equity studies by 2025	2025	Completed	We achieved this target in 2024. All new hires in 2025 were also covered. We will continue to maintain this target annually.
100% of employees covered by annual living wage studies by 2025	2025	Completed	We achieved this target in 2024. All new hires in 2025 were also covered. We will continue to maintain this target annually.
Provide external and internal pay transparency for employees by 2027 ²	2027	On Track	33% of employees were covered by external and 29% of employees were covered by internal pay transparency.
Removal of historical salary requests for 100% of new employee offers by 2025	2025	Completed	100% of markets did not include a historical salary comparison for offers.
Health & Safety			
Achieve "days away from work" rate of < 0.32 by 2025	2025	Completed	Achieved 0.19 in 2025.
Achieve "injury and illness" rate of < 0.55 by 2025	2025	Completed	Achieved 0.25 in 2025.

1. For details please see [Sandoz.com/ESG_supplementary_disclosures_2025](https://www.sandoz.com/ESG_supplementary_disclosures_2025)

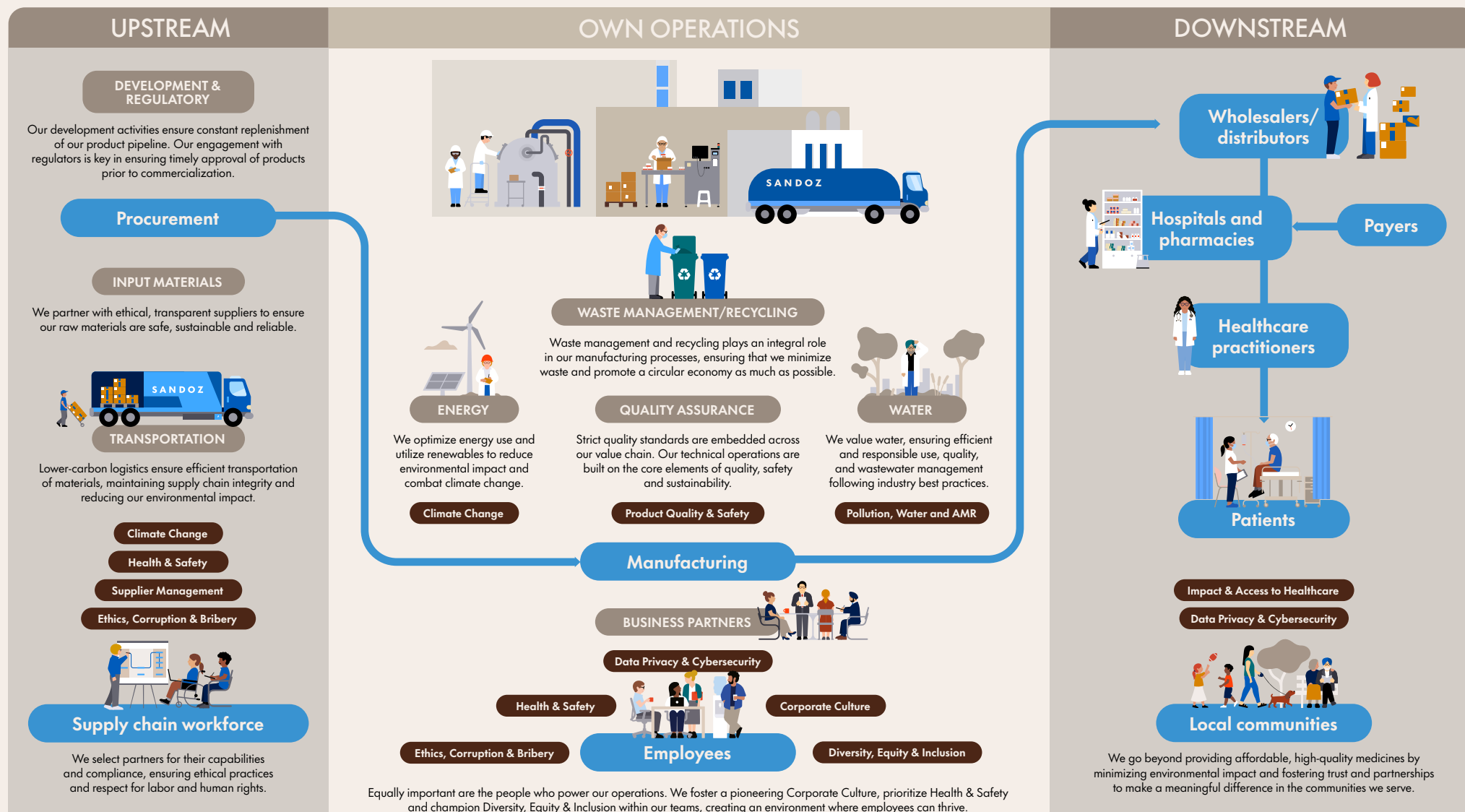
2. Targets connected to executive compensation plans (see Compensation Report for more details, beginning on page 69).

Our commitment	Target year	Target status	Progress 2025
Championing Sustainability			
Climate Change			
Submit our global decarbonization targets to SBTi for validation before January 2026 ²	2026	On Track	We submitted our decarbonization targets for validation in November 2025.
Reduce greenhouse gas emissions in line with our Net Zero 2050 commitment and related submitted SBTi commitment ²	2030/ 2035	On Track	We reduced Scope 1 emissions by 18%, Scope 2 emissions by 15% and Scope 3 emissions by 1% in 2025.
100% Sandoz labs in scope achieve and maintain My Green Lab certification by the end of 2027	2027	On Track	We started this program in 2025. Three labs achieved My Green Lab certification before the end of the year.
Pollution, Water and AMR			
100% of Sandoz sites in scope achieve compliance with Pharmaceuticals in Environment (PiE) requirements for all APIs	2030	On Track	88% of our sites comply with PiE requirements.
100% of Sandoz Tier-1 API suppliers achieve compliance with PiE requirements	2030	On Track	86% of suppliers comply with PiE requirements.
AMR: 100% of Sandoz sites in scope to obtain BSI-AMR certification by 2030	2030	On Track	One of three Sandoz sites in scope (Kundl) certified.
100% of Sandoz sites in scope achieve zero waste to landfill by 2030	2030	On Track	94% of our sites achieved zero waste to landfill.
Governing with Integrity			
Ethics, Corruption & Bribery			
95% of employees complete anti-bribery and anti-corruption (ABAC) training by 2025	Annual	Completed	95% of employees completed anti-bribery and anti-corruption (ABAC) training in 2025.

ESG in our value chain

Material topics

Our focus on ESG in our value chain meets the needs of our stakeholders, including customers who reward and require sustainable practices; regulators who expect that our operations do not negatively impact communities or the environment; doctors and pharmacists who want fit-for-purpose drug delivery devices and packaging that are good for patients and the environment; investors who want to know we're good long-term stewards of capital; and our own employees, who want to know that they work for a company with a positive impact.



ESG strategic pillars – Driving Impact and Access



Driving Impact and Access

Pioneering access to generic and biosimilar medicines worldwide is central to what we do. We produce quality medicines at scale, making them more accessible and affordable while partnering to accelerate the pace of change.

Material topics

- Impact and Access to Healthcare



Producing quality generic and biosimilar medications at scale

We are the world's leading provider of generic and biosimilar medicines, an industry which accounts for around 80% of prescribed treatments worldwide at a fraction of the cost. By providing less expensive alternatives to their reference medicines, generics and biosimilars provide earlier and broader access for patients, and they free up resources for healthcare systems. Many patients access the latest standard of care only once they have access to a generic or biosimilar.

IN 2025, SANDOZ REACHED

+1bn patients¹

IN MORE THAN

100 countries

GENERATING AN ESTIMATED

USD 26bn in savings

for healthcare systems in North America, Europe and other key markets.

The total social impact of our key products is around USD 400 billion globally. We continue to expand our pipeline with around 400 generic and 27 biosimilar products in development to provide patients with the next generation of affordable and accessible medicines.



Driving safer and broader access to antibiotics

Responsible access is important for anti-infectives, and for antibiotics in particular. Antibiotics are the backbone of modern medicine. Today antibiotics save millions of lives, both directly by treating infectious diseases, as well as in preventive use, for example by enabling routine medical interventions, such as surgery, to more complex procedures, like chemotherapy.

Sandoz is the leading global provider of generic antibiotics. We offer more than 50 antibiotics worldwide, including many of those on the WHO Essential Medicines List. We use our expertise and global scale to drive continued access to these critical medicines.

Partnering to accelerate the pace of change

Through strategic partnerships, we work to close the health equity gap and champion greater access to care for patients worldwide. We lead the way in promoting better health and product stewardship, especially for critical medicines like antibiotics. Some issues, such as addressing antimicrobial resistance, require global collaboration between companies, governments and nonprofits.

We partner with a range of organizations and belong to a number of industry organizations, including:

- AMR Industry Alliance
- Antimicrobial Resistance One Health Network
- Association for Accessible Medicines
- Business Council for the United Nations
- Business for Social Responsibility
- Critical Medicines Alliance
- International Generics and Biosimilar Medicines Association
- Medicines for Europe
- NCD Alliance
- Pharmaceutical Supply Chain Initiative

1. 0.9bn patients treated with our medicines and an estimated 0.2bn patients reached with our active pharmaceutical ingredient sales

Driving Impact and Access continued

How we measure social impact of our key medicines

Sandoz medicines contribute to individual, economic and social wellbeing. The social impact estimates this added value in monetary terms.

Health benefits

At Sandoz, we provide treatments to millions of patients across a wide range of indications and countries. We measure the impact of this through quality-adjusted life years (QALYs), where one QALY represents one year of perfect health – enabling full participation in both paid and unpaid work.¹

Socioeconomic benefits

Activity gains, both in terms of paid and unpaid work, coupled with the positive impact of the reduced disease burden, are reflected as financial socioeconomic benefits. For every QALY delivered there is an average economic benefit of USD 80,000.



RESULTING IN
~USD 400 billion
Social impact delivered
by Sandoz key
medicines annually

Economic ripple effect

Healthier people consume more products and services, creating additional value.

Social impact goes beyond Gross Domestic Product (GDP) measures



Better health enables people and caregivers to return to work, improving household stability and economic activity. Healthier patients also contribute more in terms of unpaid work, household tasks, caregiving and volunteering.

1. For full details and methodology see ESG supplementary disclosures.

Driving Impact and Access continued

Reaching underserved markets

We are committed to access as well as broad economic engagement with low- and middle-income countries (LMICs). As of the end of 2025, our presence in LMICs included:

~3,400

EMPLOYEES

+40

COUNTRIES WHERE OUR PRODUCTS
REACHED UNDERSERVED OR
DISASTER-AFFECTED POPULATIONS

62%

OF THE PRODUCTS ON THE WHO
ESSENTIAL MEDICINES LIST (EML)

~30

LMICS WITH SANDOZ OPERATIONS

We improve access to medicine in LMICs by lowering prices, facilitating licenses and access to market information (eg disclosure of prices, sale and quantities delivered to public and private sectors in developing countries), not enforcing patents and training healthcare professionals. Our essential medicines have reached underserved and disaster-affected populations in more than 40 LMICs, helping to strengthen health systems where our help is needed most. We continue to work closely with leading health-focused relief and development organizations, including Americares, Direct Relief, and International Health Partners by providing charitable donations of medicines. Guided by WHO standards, we supply products that meet the medical needs of communities in crises and emergency situations.

Significant access gaps also exist in high-income countries. We work to address those, too. In the US, for example, we make certain Sandoz medicines available through the federal Patient Assistance Program, which provides access for patients experiencing financial hardship, or for those who cannot afford the medications they need due to limited (or no) prescription coverage. Equitable access is a core part of the Sandoz strategy, guiding our commitment to deliver high-quality medicines at fair and sustainable prices across diverse healthcare systems.

Advocacy that drives access

We support policies that align with our Purpose: pioneering access for patients.

Fighting patent abuse

In the EU, originators deliberately prevent generic and biosimilars from obtaining timely patent certainty by sequentially re-filing patents for the same invention. This strategy is known as divisional patents. In the US, originators re-litigate the same product by withholding patents or obtaining new patents for the same invention, often referred to as serial patent litigation. Both tactics create market uncertainty that has a negative impact on generic/biosimilar competition.

As the world's leading global generic and biosimilar company, Sandoz is working with patent offices, courts, patient and industry associations, payers, governments, healthcare systems and partners worldwide to support timely access to affordable medicines while still encouraging pharmaceutical innovation.

Our record of challenging patents and patent systems has expanded access for millions of patients and led to savings of billions of dollars for healthcare systems across the globe.

Expanding access to biosimilars

Biosimilars already generate tremendous savings for healthcare systems worldwide. Their impact could be much greater.

We founded Act4Biosimilars to promote a global roadmap that focuses on the four As of Biosimilars – Acceptability, Accessibility, Approvability and Affordability. Through its global Action Plan, Act4Biosimilars provides the blueprint for local stakeholders to increase biosimilar adoption in

their countries. The initiative aims to expand the use of biosimilar medicines, help lower healthcare costs and improve outcomes for patients globally.

In 2025, after a series of advocacy interactions following a roundtable discussion in 2024 focused on the US market, members of the Act4Biosimilars Steering Committee delivered a detailed policy letter to the US administration. It highlighted the barriers and opportunities to improve biosimilar adoption and supported discussions with key US policy leaders about the urgent need for policies that support broader biosimilar adoption. These advocacy discussions will continue in the US and will extend to other markets in the future.

Improving the market conditions for antibiotics

We advocate market reforms to support supply security of antibiotics, such as inflation-linked pricing and tenders with criteria that go beyond price, while avoiding policy measures that have unintended negative consequences, such as mandatory stockpiling requirements.

Without such measures, antibiotics can be treated like commodity goods, in that prices are typically very low, with buyers paying little attention to other factors. Of nearly 8 million deaths caused by bacterial infections globally every year, nearly 3 million can be attributed to lack of access to the appropriate medicine.

Driving Impact and Access continued

Amplifying the patient voice

Patients are deeply affected by challenges in accessing medicines, which is why we make patient engagement such a priority. Together with their representative organizations, we can raise awareness of the patient community and amplify patient voices, helping to shape policies that benefit them (see also previous page). We also integrate their insights into our work, to ensure our medicines and services better meet patient needs.

One of our main activities is the Making Access Happen Forum, which brought together almost 40 patient organizations from around the world. This is up from 31 when we started the Forum in June 2024.

We also try to give all employees a chance to engage with patients and customers to better understand their needs through an activity called Patient and Customer Engagement (PACE) Week. More than 40 countries participated in 2025, with 6,000 employees engaging in 130 activities and connecting with 35 patient organizations.

Making Access Happen

In June 2024 we invited 31 patient advocacy leaders to a collaborative initiative in Munich, Germany, called Making Access Happen. Our aim was to establish a community that focuses on patient involvement in policy reforms necessary to improve access to medicines through generics and biosimilars.

The 2025 Forum added nine more patient organizations to this community, which collaborates to improve access to medicines. One of their key initiatives was the "Patients and Patents" campaign, which was co-developed by Arthritis Consumer Experts (ACE) Canada, the Crohn's and Colitis Foundation in US and the Australian Patient Advocacy Alliance. The initiative raises awareness about the significant impact patents have on innovation, access and people's lives.



At the start, the Patients and Patents campaign is a partnership between three like-minded patient organizations that represent hundreds of thousands of people in Australia, the United States and Canada. But the goal is to have many patient organizations around the world get involved in the campaign because the issue of patent manipulation touches every patient's life at some point or another in their health journey."

Deidre Mackechnie
Executive Officer, Australian Patient
Advocacy Alliance, Australia



The Patients and Patents campaign is a grassroots movement that aims to highlight real-life consequences for patients when access to more affordable generics and biosimilar biologics are delayed. From a patient perspective, an act to delay is an act to deny."

Cheryl Koehn
President, Arthritis Consumer Experts
(ACE), Canada



The Patients and Patents campaign aims to bridge knowledge gaps among patients, patient organizations and grassroots groups regarding pharmaceutical patent law. Knowledge is power, and through education, we aim to activate these powerful voices to influence policy changes that address patent manipulation so that much-needed therapies reach our communities sooner."

Laura Wingate
Chief Education, Support and Advocacy
Officer, Crohn's & Colitis Foundation,
USA



ESG strategic pillars – Empowering our People



Empowering our People

People are central to our Purpose of pioneering access for patients. We aim to foster and develop exceptional talent and an inclusive pioneering culture.

Material topics

- Diversity, Equity & Inclusion
- Corporate Culture
- Health & Safety



Culture at Sandoz

Our pioneering culture is a big part of both what makes our organization a great place to work and how we deliver our strategy to fulfil our Purpose. It is founded on inclusion and integrity, with the intention that we can all be at our best.

Becoming an independent company in October 2023 was a pivotal moment for Sandoz that started us on an exciting journey of transformation and growth. Together, we are shaping the future of Sandoz and that ultimately comes down to one thing: our people.

Our people are our greatest strength. They are the driving force that will shape our future and impact millions of lives. We are committed to delivering a consistent employee experience. Our success is reflected in our scores on the employer rating website Glassdoor, where our collective company rating is 4 versus the global pharmaceutical industry benchmark of 3.5.

The Culture and Inclusion Office conducts a bi-annual employee engagement survey. Our latest survey, completed in October 2025, shows consistently higher participation over the past two years, from 66% in May 2024 to 78% in October 2025, a 12-point increase across four consecutive surveys. Strong engagement reflects our employees' commitment to shaping our culture and reinforces our focus on building an inclusive, purpose-driven workplace where every voice matters.

Our Values

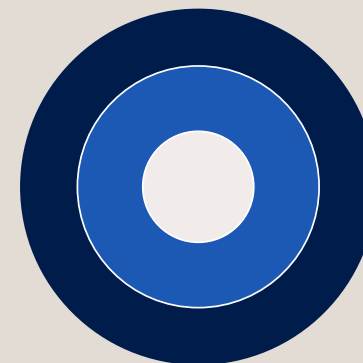
Created by colleagues and global leaders, our Values guide us and encourage us to be our best, doing all we can to drive business growth and access to medicine for millions of patients.

Our Sandoz Way

Along with our Values, our principles create the Sandoz Way.

By working the Sandoz Way we are able to:

- Clarify what is expected of us to drive execution of the Sandoz strategy and our success.
- Provide a common framework for focused, purposeful personal growth.
- Help ensure we hire, promote and reward the right behaviors.



Our culture brings everything into alignment and fosters a strong sense of belonging: patient access, the promising path of our company and the growth of each individual. It's deeply rooted in our culture that everyone's contribution matters. In this spirit, Sandoz offers great opportunities to grow. I've had incredible opportunities to take on new challenges and develop key skills for my career."

Olga Calvo

Global Head Tax Reporting, Compliance and Governance



Empowering our People continued

Inclusion at Sandoz

At Sandoz, we aim to create a safe and inclusive environment where everyone feels valued, respected and heard. Part of living our inclusive culture includes meritocracy: creating an environment where individuals are recognized and rewarded based on their abilities and achievements. As an employer, we aim for fairness and non-discrimination. All employees are trained in preventing discrimination and harassment, and in fostering inclusion in the workplace.

People are central to our work of pioneering access for patients. Diverse teams bring broader perspectives, drive innovation and help us better serve patients. This approach is fundamental to our success. Inclusion is a key enabler of our culture and performance, ensuring everyone can contribute and thrive: "Diverse in thought, unified in creation."



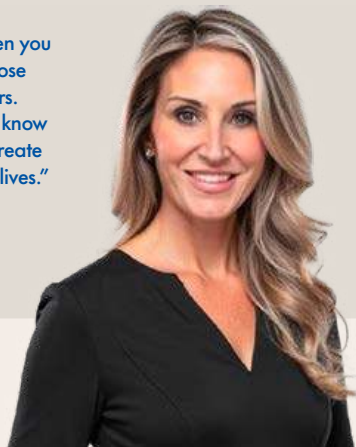
When I joined Sandoz, I was inspired by something one of my interviewers said: 'Sandoz thrives on curiosity and initiative. When you raise your hand for experience, doors open.' Nine years later, those words still resonate. At Sandoz, curiosity and initiative open doors. Our culture empowers people to grow and innovate because we know that when talent thrives, patients benefit. Every opportunity we create for our people helps patients everywhere to live better, healthier lives."

Kristin Passalacqua

US Commercial Head, Immunology and Specialty

Our focus areas include:

- Inclusive hiring practices that allow us to engage with top talent from various backgrounds, capabilities, industries, perspectives and skillsets
- Rewards commitments to bias-free pay, pay equity, living wage and pay transparency
- Communities of Belonging (see right) or Employee Resource Groups for all employees
- Educational, cultural and historical observances that celebrate diversity, recognize historical contributions and promote awareness
- Mental health and wellbeing support and resources
- Reverse mentoring programs
- Supporting our ambitions on LGBTQI+, Gender and Disability topics by partnering with organizations such as Stonewall, the International Labour Organization (ILO) and the Healthcare Businesswomen Association



Our Communities of Belonging (CoBs)

Communities of Belonging (CoBs) are employee-led communities with common interests, experiences and perspectives. Driven by inspired and passionate colleagues, each CoB is sponsored by a Sandoz Leader, all of whom are helping to deliver on our commitments and overall business objectives.

Each of us has a unique story that shapes who we are and how we see the world. When we are free to share our stories, we can understand, empathize and learn from one another. It's a great opportunity to generate new ideas and drive innovation. We want to build a workplace that reflects the patients we serve.

Rewards and recognition

We strive to attract, engage and develop top talent. Our rewards framework is designed to recognize and reward collective achievements and individual contributions to the overall company performance.

In 2026 we will launch OurShare, our new all-employee share program. Designed to be inclusive and equitable, OurShare will offer a free annual share grant to nearly 100% of our employees, regardless of their income. The grant amount will be linked to company performance, reinforcing our commitment to shared success and future growth.

Sandoz Rewards Commitments

We are committed to providing fair and competitive compensation and ensuring wages are above living wage levels, eliminating bias, promoting pay transparency and ensuring total rewards equity. To implement these commitments, all employees are covered by annual pay equity and living wage studies. Historical salary information is no longer part of the offer process for new joiners. We will provide external and internal pay transparency to employees by the end of 2027.

Our Sandoz Rewards Commitments process is designed to strengthen our employee value proposition, attract and retain talent, and drive sustainable growth.

All employees are part of annual pay equity studies

Pay equity studies check for statistical differences in pay. If we find someone is paid less than their peers, we investigate why, and if there is no clear and acceptable reason, then a correction is made.

Internal and external pay transparency

Employees and managers have the same data when discussing pay to support a more meaningful discussion. We are aiming to make this standard across Sandoz by the end of 2027.

All employees are part of annual living wage studies and are paid above the local living wage

Employees are reviewed to be paid above the local living wage, and corrections are made where needed.

Removing references to historical salary when making job offers

Referring to an applicant's historical pay when setting their new pay can perpetuate bias. As of March 2025, all countries have removed historical salary from the job offer process.

Empowering our People continued

Learning and development

Learning and development is another priority, where our focus is on continuous development, feedback and recognition.

At Sandoz, learning is central to our strategy of driving sustainable growth and innovation. Our workforce of over 23,000 employees receive comprehensive training on standard operating procedures (SOPs), compliance policies and health authority requirements, ensuring the highest standards of quality and safety. Beyond compliance, we provide free access to language courses and a portfolio of 10,000+ online programs from world-class providers, complemented by on-the-job learning and communities of practice.

Managers are a key focus, as they amplify organizational impact. We are developing a People Manager Capability Program to strengthen leadership across our 3,000+ people managers. Targeted learning initiatives across functions, such as the Senior Female Talent Program, Healthcare Businesswomen Association Global Ambassador Program, and country director onboarding, further advance diversity and leadership excellence.

Learning opportunities extend to all employees, including part-time staff and contractors through self-paced resources and structured programs. In 2025, we invested approximately USD 935 per FTE in learning, reinforcing our commitment to continuous growth.

These initiatives not only enhance individual capability but also strengthen organizational resilience, enabling Sandoz to adapt, innovate and deliver better outcomes for patients globally.

We strategically focus on attracting, developing and retaining early-career talent through partnerships with schools, universities and research institutions. Our programs include internships, trainee initiatives, apprenticeships, thesis collaborations and other initiatives designed to build a strong pipeline of future talent.



Sandoz has been pivotal in shaping my journey as a strategic scientific leader. Through several diverse cross-functional roles, Sandoz has enabled my growth across the pharmaceutical value chain. The organization entrusted me with leading transformative initiatives, which broadened my strategic thinking and global outlook. Leadership workshops further enhanced my mentoring and coaching skills, enabling stronger team development."

Praveen Chappa
Group Head, Analytical
Development



Performance management

Our performance management approach empowers employees and teams to deliver impact through clear objectives, continuous feedback and regular check-ins. Performance is defined by not only what we achieve through outcome-focused objectives but also how we achieve it, guided by the Sandoz Way, anchored by our Values and grounded in our Code of Ethics.

We aim to strengthen business performance while enabling employees to bring their best every day. Throughout the year, managers and peers provide timely, constructive feedback, with check-ins recommended at least quarterly to reflect on progress and prepare for year-end conversations. Employees are recognized for their accomplishments, with an emphasis on collaboration, contributing to others' success and achieving more together. We believe that development and growth is most effective when it is employee-led, manager-enabled and organization-supported. We offer tools to create actionable development plans that help our employees drive their career aspirations.

Shaping leadership

Becoming an independent company gave us a fresh opportunity to reshape our leadership culture. Guided by the Sandoz Way, we have built targeted, future-focused development programs aligned with our Values and business priorities. We launched new programs tailored to our needs, which include immersive experiences for General Managers, Site and Development Heads, CEO-led mentoring to strengthen C-suite succession, and programs to advance women into senior leadership. Our globally designed New Leader Program is now established, with a Leader of Leader Program launching in 2026.

This year, four cohorts graduated through three flagship programs, alongside over 250 graduates on the New Leader Program. Twenty-two percent of female graduates from our flagship programs moved into more senior or expanded roles, through promotions or career transitions, demonstrating the early impact of our investment in building a diverse, purpose-driven leadership pipeline. By developing leaders who are passionate about our Purpose, we are shaping a company that truly pioneers access for patients.



Empowering our People continued

Employee wellbeing

The health and wellbeing of our employees is a natural extension of our Purpose, including mental health. We offer our employees a range of benefits, which vary between countries but generally include pension, risk insurance, health and welfare plans, parental leave and wellbeing benefits. We also offer global support for mental health. We empower our managers to provide flexibility to our employees in working onsite and remotely whenever feasible.



Becoming a parent is life-changing. It's a journey of discovery, adjustment and building a new family dynamic. For me, having the chance to take 14 weeks of parental leave at Sandoz will always make a difference. Looking back, I can't imagine missing those first precious weeks at home, moments to support my wife and daughter. What makes Sandoz special is that parental leave isn't just offered, it's truly embraced. Seeing how colleagues and leaders live the balance between family and work inspired me to do the same."

Max Schuhmann
Manager, Employee
Relations & Labor
Law, Germany



Employee concerns

We establish channels for open communication, from regular feedback sessions to formal conflict resolution processes. Additionally, Sandoz has implemented employee counseling services for personal or work-related issues. Transparent communication about our policies, changes and decisions also helps to address concerns. We engage in a meaningful social dialogue with employee representative bodies in accordance with local law and regulations. Listening to and acting on employee feedback helps us create a safe and inclusive workplace.

Whistleblowing

We maintain an integrity line, called SpeakUp, where employees and third parties can safely and, if desired, anonymously report potential misconduct. SpeakUp is managed by our People & Organization function and guarantees that all concerns will be acted upon with the highest ethical standards. Employees can also contact any manager or their People & Organization, Corporate Security, Privacy or Legal & Compliance representative to share a concern. Reports are reviewed by the Sandoz SpeakUp Office, which will determine further actions, including referral for investigation or review. Investigations are fact-based, confidential and impartial.

Every half year, the SpeakUp Office prepares a report which summarizes the misconduct reports received during the respective six-month period. Such reports are subsequently reviewed by the Audit, Risk and Compliance Committee. We do not tolerate retaliation in any form. Any form of retaliation reported will be investigated and remediated with the strongest measures.

Health, Safety and Environment

At Sandoz, Health, Safety and Environment (HSE) is everyone's responsibility. Our HSE policy applies to all Sandoz operations, employees and contractors. The Sandoz CEO holds ultimate responsibility for our HSE practices and policies, while our Global Head of HSE oversees their implementation. We actively engage our value chain partners, suppliers and contractors to uphold responsible practices in HSE, aligned with our organizational goals. All our sites operate under established Environmental Management Systems (EMS) in alignment with recognized standards. We provide comprehensive health and safety training to all employees to ensure a safe and compliant workplace.

At Sandoz our HSE approach is designed to go beyond compliance, placing care for people and the planet at the heart of everything we do. Our approach is simplified for impact, with five principles for everyone to follow.

1

Build a strong HSE foundation

We go beyond compliance. We aim to lead. Through world-class training, clear expectations and consistent procedures, we set the standard in safety and sustainability by complying with applicable local and global laws and regulations.

2

Foster a people-first culture

We empower and expect everyone to take care of themselves and each other – whether at a site, at home or on the road. To start every task safely, to follow our expectations and to stop work if an unsafe condition arises. For colleagues who drive as part of their role, safe driving is a vital responsibility and an essential part of our safety culture.

3

Protect our environment

We reduce waste, cut emissions and minimize pollution that would help us achieve net-zero emissions by 2050 – working toward a cleaner, healthier future for generations to come.

4

Drive continuous improvement

We use a systematic problem-solving approach to monitor and improve performance and learn from every experience, making tomorrow better than today.

5

Communicate clearly

We standardize processes and share expectations. Transparency and accountability will help us all stay aligned, informed and safe.

ESG strategic pillars – Championing Sustainability



Championing Sustainability

We prioritize environmental sustainability, driving down our carbon footprint and preserving natural resources.

Material topics

- Climate Change
- Pollution, Water and AMR
- Supplier Management



Climate Change

Reducing global emissions is a core business priority as a lever for cost savings, value creation and risk management. We are committed to achieving net-zero emissions by 2050. We measure and validate our carbon emissions across all scopes, in line with the Greenhouse Gas (GHG) Protocol, and we are consistently improving our carbon accounting methodology. In 2025 we reduced Scope 1 emissions by 18%, Scope 2 emissions by 15% and Scope 3 emissions by 1%, all compared to 2024.

My Green Lab

In 2025 we launched a collaboration with My Green Lab, a leader in accelerating sustainability in scientific research, aiming to achieve their certification in our European laboratories. By the end of the year, three labs were certified at the "Green" level – the highest available score.

The My Green Lab certification process shows what our labs are doing well along with opportunities to reduce emissions and costs. This could include very simple actions like installing motion sensor lights and replacing inefficient freezers, to more complex initiatives such as moving away from paper to a fully digital lab.

We plan to continue the My Green Lab program in 2026 and beyond. We have set a target to achieve 100% certification of labs in scope before the end of 2027.



Setting science-based targets

In line with our commitment to the Science Based Targets initiative (SBTi) in January 2024, we have now submitted our near-term greenhouse gas (GHG) reduction targets across all scopes to SBTi and awaiting validation. SBTi validation will confirm that these targets are aligned with a scenario of 1.5 degrees Celsius of global warming above pre-industrial levels.

We will be announcing these targets when validation is received.

We are doing our part to limit global warming in line with the Paris Agreement goals and remain firm in our previously stated commitment to reach net-zero emissions by 2050.

Championing Sustainability continued

Our blueprint for sustainability



Our decarbonization roadmap focuses on activities that reduce emissions in addition to costs, as well as those that meet the near-term and mid-term demands of our customers and regulators.

- 1 **Improving energy efficiency across our operations**
- 2 **Increasing renewable energy share in our operations**
- 3 **Optimizing and decarbonizing logistics**
- 4 **Packaging and materials innovation and circularity**
- 5 **Creating supplier partnerships**

This builds on the progress that we have already made in our first years as an independent company, including reducing overall emissions by 3% between 2023 and 2025.

1 **Improving energy efficiency across our operations**

The first step toward limiting our emissions is ensuring that we operate efficiently. In 2025 we conducted seven energy audits, and we will use information gathered to continue to improve efficiency over time.

We're also focused on sustainability in our new facilities. Our new biosimilars site in Lendava, Slovenia (see page 22), gives us the opportunity to build efficiency in from the start. We are planning rooftop solar, heat recovery systems, harvesting of rainwater and state-of-the-art building insulation. We are also installing a five-megawatt gas turbine that can switch between natural gas, biogas or hydrogen to produce steam, electricity and hot water. We have integrated energy-efficiency objectives into our real estate contracts. We have been awarded LEED certification in Hyderabad, Madrid, Canada (Saint-Hubert) and Bulgaria (Sofia); BREEM certification in Prague, Brussels, Lisbon and Paris; and WELL certifications in Madrid and Hyderabad. Paris has also received HQE and R2S certifications.

Currently, out of 16 sites, eight are covered by ISO 14001 (environmental management) and six are covered by ISO 50001 (energy management).

2 **Increasing renewable energy share in our operations**

In addition to increasing energy efficiency, we also aim to increase the share of renewable energy we use to power our operations. This is our most cost-effective short-term opportunity to decarbonize.

The share of renewable electricity by consumption reached around 40% in 2025. Our facilities in Austria and Brazil use 100% renewable electricity, and India uses 65% solar. Through our partnership with Elawan Energy (see box below), we aim to reach nearly 90% coverage by renewable electricity in Europe by 2027. We have also installed on-site solar in Germany, Poland and Turkey to replace some of the energy we formerly bought from local grids.

Renewable energy partnerships in Europe

In August 2025, Sandoz signed a 10-year virtual power purchase agreement (vPPA) with Elawan Energy, a global player in the renewable energy sector, for new-build solar projects in Valladolid, Castilla y León, Spain. Under the agreement, we will jointly develop new solar projects with a total installed capacity of 150 megawatts. When it becomes operational in 2027, the partnership is expected to meet nearly 90% of electricity demand in Europe, where most of our operations are located.

3 **Optimizing and decarbonizing logistics**

In 2025 we switched an additional 10% of our volume from air to sea, which has a double bottom-line benefit to both costs and emissions. We are also continuing to work on route optimization and using more alternative fuels.

4 **Packaging and materials innovation and circularity**

We can reduce material waste, GHG emissions, and costs through sustainable packaging. For example, by redesigning packaging to be smaller and lighter weight for one medicine, Omeprazole, we delivered a 63% reduction of GHG emissions and delivered cost savings of more than USD 500,000. More than 80 additional packaging formats are under analysis for similar opportunities. This helps our bottom line, and it is also responsive to customer demands: pharmacists who want smaller boxes, patients who want less packaging and wholesalers who want lighter products.

5 **Creating supplier partnerships**

Supplier emissions account for more than 60% of our total emissions and more than 70% of our indirect emissions. In 2025, we joined six of our suppliers in an agreement to secure a new European virtual PPA to power our joint operations with green electricity (see left).

Championing Sustainability continued

Pollution, Water and AMR

Pollution

We continuously ensure that our water use, water quality and waste management practices follow industry best practices. We have set commitments and objectives and have a solid governance framework – including site audits, external certifications and senior management oversight – to make sure we follow through.

Waste management

We do not send solid active pharmaceutical ingredients (API) or any hazardous waste to landfill. For non-hazardous waste, we prioritize alternative waste routes (such as recycling or incineration for energy recovery) over landfill, and we have a commitment to sending zero waste to landfill by 2030. Ninety-four percent of our sites, accounting for 99% of our waste in 2025, have already met this goal.

We also ensure compliance with relevant regulation over our assets' lifecycle – in the years since our spin-off in 2023, Sandoz has not been subject to material fines in connection to environmental liabilities.



Water use and quality

We have minimal net water use in our manufacturing operations. None of our production sites are in areas under water stress. We continuously monitor the provision of water, sanitation and hygiene (WASH) services to all workers. We perform wastewater analysis on a regular basis to ensure water quality standards are met before water reaches public wastewater systems.

We focus on minimizing the risk of discharge of API. We track this by ensuring compliance with Pharmaceuticals in Environment (PiE) requirements, a standard measure of risk of harm from the presence of a given substance in the environment.

We aim to achieve compliance with PiE requirements for all manufacturing sites in scope by the end of 2030. Long-term incentives for our executives are tied to achieving this goal, and we have made good progress so far: 85% of our wastewater by volume is compliant with this goal today. We have also set a target for all of our API Tier-1 manufacturing sites to achieve a compliance with PiE requirements by 2030.

We have a strong commitment to mitigate antimicrobial resistance (AMR) and aim to ensure that all antibiotic production sites are certified to the BSI's AMR standard, the key industry certification of best practice in AMR. Kundl became the first fully certified site in the Sandoz portfolio in 2024. Our Pallafols and Lendava sites are currently under assessment.

Antimicrobial resistance

Antimicrobial resistance (AMR) is a natural phenomenon that occurs when bacteria (or other microbes) evolve to resist antimicrobial medicines. More than 1 million people die annually as a direct result of AMR – more than malaria and HIV combined. To combat AMR, we must eliminate antibiotic overuse, misuse and underuse, with the right medicine reaching the right patient at the right time.



We support a range of national and international activities, both public and private, to fight AMR. In Poland we sponsor the National Reference Centre for the Diagnostics of Central Nervous System Bacterial Infections (KOROUN) surveillance program, which is conducted by the National Medicines Institute of Poland, evaluating community-acquired respiratory tract infections coming from different regions of the country. The findings, including resistance trends, are shared through publications and the program's website. We partner with Element/JMI Labs, a global lab testing provider, to monitor resistance to micafungin, an antifungal medicine used to treat serious Candida infections. This involves the analysis of 700 samples each year and provides detailed reports that support regulatory work and contributes to the SENTRY Antimicrobial Surveillance Program. We're part of innovative research projects like the EU-funded DRAIGON consortium, which uses AI and genomics to predict resistance and support better treatment decisions. Finally, we work closely with global partners on policy initiatives including the AMR Industry Alliance, WHO/EU Novel Medicines Platform, European Commission One Health expert network, and EU-JAMRAI-2.



Find out more about antimicrobial resistance
| [Sandoz.com/AMR](https://www.sandoz.com/AMR)

Championing Sustainability continued

SANDOZ

80 YEARS OF ANTIBIOTICS

Stephanie Jedner, PhD, is the site head at Kundl, the site where our penicillin era began in 1946. She has overseen many of the location's recent milestones, including reaching the world's first BSI-AMR certification, as well as its expansion in 2024, to its current capacity of 240 million packs per year. Despite these accomplishments, she maintains a balanced/ambitious outlook – looking to the past, and also to the future. "We're standing on the site that made oral antibiotics possible, in 1951, which revolutionized the field. Today Kundl is the last vertically integrated penicillin manufacturer in Europe. It's a great honor to take this legacy forward – and I look forward to many more achievements ahead."

Stephanie Jedner
Head of Site,
Kundl



Supplier Management

Sandoz applies ESG principles throughout our value chain, which includes upstream activities, our own operations and downstream activities.

▶ [For an overview of our value chain | Page 34](#)

Around 75% of our total emissions come from suppliers. We select partners based on their capabilities, competitiveness and commitment to our sustainability objectives. To strengthen collaboration, we segment suppliers by strategic relevance and sustainability maturity, enabling a targeted engagement strategy focused on innovation, resilience, cost competitiveness and emissions reduction.



In 2025, we changed certain procurement processes to help achieve our ESG targets:

- We are now segmenting suppliers based on their carbon footprint to focus efforts where they matter most.
- We have introduced mandatory ESG criteria for all suppliers, covering carbon reduction commitments, data disclosure and sustainability practices.
- We are collaborating with our most strategic suppliers to develop joint decarbonization roadmaps, including low-emission materials and solutions.
- We will launch a Supplier Sustainability Engagement Program in 2026, supporting key partners on their decarbonization journeys and recognizing strong performers.

We are also ensuring that the procurement organization can integrate ESG in category strategies, supplier negotiation and action plans. In 2025, we:

- Launched an ESG Procurement Champions network to connect colleagues globally and embed sustainability into every stage of procurement. Our champions drive awareness and share best practices, creating a community that accelerates progress toward our ESG goals.
- Piloted Scope 3 emissions training to equip procurement teams with practical tools and methods for reducing emissions across the value chain.
- Built internal capability for decarbonization, ensuring our teams can integrate sustainability into sourcing decisions.



Partnering to reduce costs and emissions from packaging

The "Pioneering Together" initiative is designed to strengthen our engagement with strategic supply partners to drive innovation, embed sustainable practices and reduce costs. One of our key early engagements is with Amcor plc, a global leader in packaging solutions. Together, Sandoz and Amcor are reducing packaging size, optimizing package printing and evaluating new materials. Our joint goal is to reduce the carbon footprint of all Amcor products sold to Sandoz, which contributes to reducing our Scope 3 emissions.

ESG strategic pillars – Governing with Integrity



Governing with Integrity

We promote strong corporate governance that drives sound risk management, ethical behavior and safe high-quality products.

Material topics

- Ethics, Corruption & Bribery
- Product Quality & Safety
- Data Privacy & Cybersecurity



Ethics, corruption and bribery

The Board's Audit, Risk and Compliance Committee (ARCC) holds responsibility for managing and overseeing ethics and corporate integrity matters. This structure ensures independent and high-level oversight of our ethical commitments, solidifying our dedication to upholding the highest standards across our operations.

The Sandoz Code of Ethics serves as our guiding compass, reflecting our commitment to excellence in patient care, societal impact and internal collaboration. It assists employees in navigating complex situations, ensuring that they uphold the highest ethical standards for the benefit of patients, society and colleagues. Our CORE framework replaces the previous Professional Practices Policy (P3), providing clearer, simplified guidance for ethical business conduct and professional interactions, tailored to our needs as a generics and biosimilars company.

Training on our Code of Ethics is mandatory for all employees, both part-time and full-time, and is repeated annually. In 2025, 95% of our

employees completed anti-bribery and anti-corruption training (ABAC), and we aim to keep that figure to at least 95% of employees annually¹. Ninety-six percent completed training on our Code of Ethics. We maintain an anonymous whistleblowing service, SpeakUp, that is open to employees as well as third parties for any case of potential misconduct.

Our commitment to ethics extends to our relationships with third parties. Our Third-Party Code outlines stringent ethical standards that we expect from suppliers and business partners. Through our Third-Party Risk Management (TPRM) framework, we strive to create a network of partners who share our commitment to compliance, quality and sustainable business practices. Our management process enables us to assess risk areas and determine appropriate remediation activities.

Sandoz is a member of the Pharmaceutical Supply Chain Initiative, and our TPRM framework is consistent with the Principles of Responsible Supply Chain Management.

Human and labor rights

Our commitment to human rights underscores our dedication to responsible business practices that respect the dignity and rights of all individuals. We strive to prevent and mitigate potential adverse human rights impacts across our operations and within our value chain.

Our human rights strategy has three pillars:

Governance

Implement a system of controls that allows us to manage risks

Due diligence

Assess, prevent, mitigate and report on adverse impacts of human rights

Engagement

Partner with peers and suppliers to advance best practices in the industry

Sandoz is committed to respecting our employees' rights to collectively organize, raise their concerns and represent their interests. We respect the right of employees to freely form trade unions, seek representation and join workers' councils of their choice, without fear of retaliation or discrimination. We respect the right of our employees to engage in collective bargaining to negotiate and secure fair terms and conditions of employment.

Our Board of Directors' endorsement of the Human Rights Commitment Statement exemplifies our commitment to upholding human rights. The Sandoz General Counsel and Chief Compliance Officer are responsible for implementing this commitment.

1. Some deviation from 100% is unavoidable due to employee turnover, parental leave, long-term sickness and other causes.



Governing with Integrity continued

Patient safety and product quality

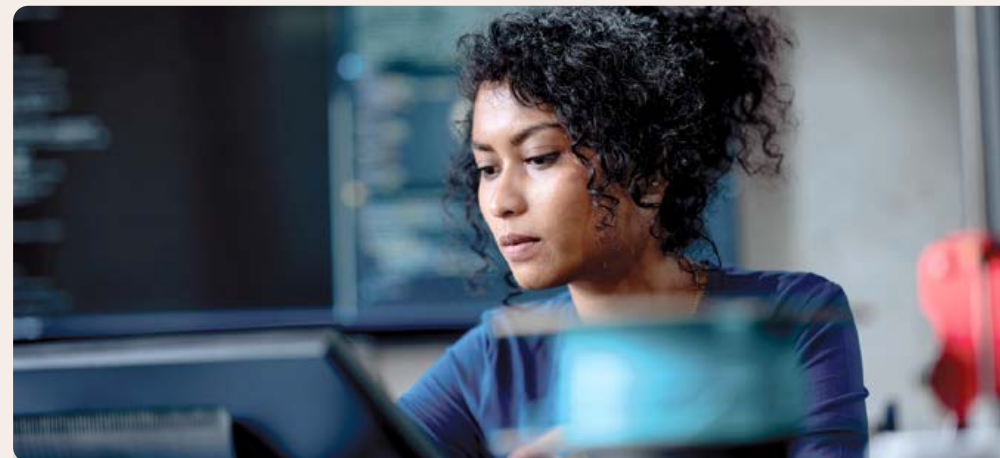
Patient safety and product quality are at the heart of everything we do. Every medicine we deliver undergoes rigorous controls across the entire lifecycle – from sourcing raw materials to manufacturing, testing and distribution. Our global Quality Management System (QMS) ensures compliance with international standards and regulatory requirements, including Good Manufacturing Practice (GMP), Good Clinical Practice (GCP), Good Distribution Practice (GDP) and Good Pharmacovigilance Practice (GVP), ISO certifications and International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) standards.

We operate a network of state-of-the-art Quality Control laboratories worldwide, certified by local and international authorities such as the US FDA and EMA. These facilities are staffed by highly trained professionals and equipped to perform advanced analytical testing. For specialized needs, we partner with qualified external laboratories under strict oversight to maintain consistency and reliability.

Quality is embedded in our supply chain through robust governance and supplier qualification processes. All third-party partners must meet stringent GMP standards and undergo regular audits to confirm compliance. All Sandoz employees in technical operations are continuously trained to maintain the skills and knowledge needed to manufacture medicine safely, compliantly and effectively.

We maintain proactive systems to monitor product performance and safety, including pharmacovigilance and complaint management. In the rare event of a quality or safety issue, we follow clear escalation protocols, conduct root-cause investigations and coordinate with health authorities to take swift corrective action.

Through these measures, Sandoz demonstrates its unwavering commitment to delivering high-quality, safe and effective medicines – every dose, every time. In 2025, 100% of our GMP, GCP, GDP and GVP inspections resulted in no findings with business impact.



Data privacy, cybersecurity and artificial intelligence

Subject matter experts guide and monitor our compliance with laws covering data privacy, artificial intelligence and cybersecurity. These topics also fall within our Enterprise Risk Management program, ensuring that any identified risks are documented, and mitigation plans are put in place.

Data privacy: We are committed to data privacy. Our robust global program ensures that we handle responsibly the personal data of partners, employees, patients, and any other personal data that we collect in the course of doing business.

Cybersecurity: Our cybersecurity program is governed by robust internal policies and includes consistent training and education for our employees. Our practices enable us to continually manage cybersecurity risks and to respond appropriately to evolving threats.

Artificial intelligence (AI): We are aware of the ethical and societal implications of AI and strive to use AI in a way that is fair, transparent and does not harm individuals or groups. This includes understanding bias in AI and how to mitigate it by completing full assessments on the use, deployment or development of AI in Sandoz.

Third parties: Our entire supply chain is managed and protected through our Third-Party Code, ensuring compliance across Data Privacy, AI and Cybersecurity including cyber/data incident reporting.

Corporate Governance Report

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Corporate Governance framework

Sandoz is committed to an effective corporate governance framework that supports its sustainable development and ensures long-term value creation.

The principles and rules behind this commitment are described in a number of corporate documents, in particular the Articles of Incorporation, the Organizational Regulations, the Code of Ethics and various internal policies: [Sandoz.com/corporate-governance](https://sandoz.com/corporate-governance). This Corporate Governance Report has been established in compliance with all relevant Swiss legal requirements regarding corporate governance, including the SIX Swiss Exchange's Directive on Information relating to Corporate Governance and the standards established in the Swiss Code of Best Practice for Corporate Governance.

ESG governance

The Board of Directors holds ultimate responsibility for the Group's ESG strategy. It has assigned the oversight of the Group's strategy and governance on ESG, and review of the related targets, to its Human Capital and ESG Committee. The Board's Audit, Risk and Compliance Committee is responsible for overseeing ethics and corporate integrity matters and holds responsibility for overseeing the assurance process of non-financial data and KPIs.

This structure ensures independent and high-level oversight of the Group's ethical commitments, solidifying its dedication to upholding the highest standards across its operations.

Management oversight of the Group's sustainability agenda is led by the CEO, in cooperation with the other members of the Executive Committee. Moreover, a management-level ESG Council guides ESG decision-making within the Group.

➔ [For further details | Page 47](#)

General Meeting of Shareholders

- Approves the management report, the consolidated financial statement and the reporting on non-financial matters
- Decides on appropriation of available earnings and dividend
- Approves compensation of the Board of Directors and the Executive Committee
- Elects Board members, Board Chair and members of the Human Capital and ESG Committee
- Elects Independent Proxy and External Auditor
- Adopts and modifies the Company's Articles of Incorporation

➔ [For further details | Page 64](#)

External Auditor

Provides opinion on:

- Compliance of the Group's financial statements with applicable standards and law
- Compliance of the Compensation Report with applicable law
- Existence of internal control over financial reporting

Provides limited assurance on selected KPIs regarding the Company's non-financial reporting in accordance with applicable law.

➔ [For further details | Page 67](#)

Board of Directors

Audit, Risk and
Compliance
Committee

Human Capital
and
ESG Committee

Science, Innovation
and Development
Committee

- Supervises and provides overall strategic direction for the business
- Specifies the Group's sustainable interests
- Ensures the fundamental harmonization of strategy and risks
- Defines and implements the Group's corporate governance
- Appoints and oversees the CEO and the members of the Executive Committee
- Approves major transactions and investments

➔ [For further details | Pages 54–59](#)

Executive Committee

- Responsible for the operational management of Sandoz

➔ [For further details | Pages 60–62](#)

Group structure and shareholders

The Sandoz heritage goes back to the formation of the small chemicals company Kern & Sandoz in 1886.

In 1996, Sandoz and Ciba-Geigy merged to create Novartis AG. Sandoz was eventually re-established as the umbrella brand for the generic and biosimilar medicines business of Novartis and was spun off from Novartis effective October 4, 2023, when the shares of Sandoz Group AG began trading on the SIX Swiss Exchange. 2026 will be a special year for Sandoz since it marks 20 years of biosimilars, 80 years of antibiotics and 140 years of heritage.

Today, Sandoz is a multinational group of companies specialized in the development, manufacturing and marketing of high-quality biosimilar and generic medicines. All business and functional activities are managed globally on a vertically integrated basis.

Listed companies

Sandoz Group AG, the Group's holding company, is a company organized under the laws of Switzerland and registered in the Canton of Basel-Stadt. Its registered office is located at Centralbahnstrasse 4, 4051 Basel, Switzerland.

Market capitalization as of December 31, 2025: CHF 25 billion.

Non-listed Group companies

The principal subsidiaries of the Group are shown in Note 34 to the consolidated financial statements which can be found on | [Page 153](#).

Significant shareholders

The major shareholders of Sandoz Group AG as of December 31, 2025 are listed in the table below.

Shareholder	% holding of share capital as of December 31, 2025
UBS Fund Management (Switzerland) AG, Basel ¹	6.36%
BlackRock, Inc., New York ¹	6.04%
Sandoz – Fondation de Famille, Vaduz Through Emasan AG, Basel	4.15%
Swisscanto Fondsleitung AG, Zurich ¹	3.00%

1. Not or only partially registered in the share register

→ This is based on notifications on the SIX Swiss Exchange online notification platform | www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html

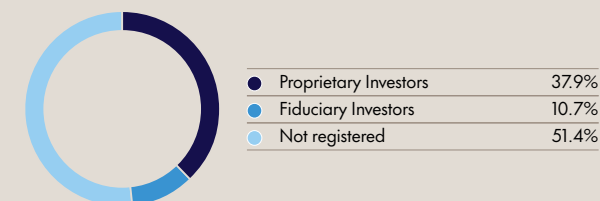
Cross-shareholdings

The Group does not have and has not entered into any cross-shareholdings with other companies relating to equity or voting rights.

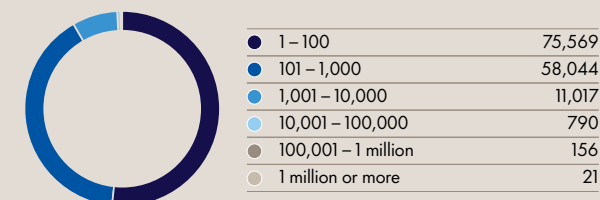
Shareholder structure

As of December 31, 2025, Sandoz Group AG had 145,597 registered shareholders.

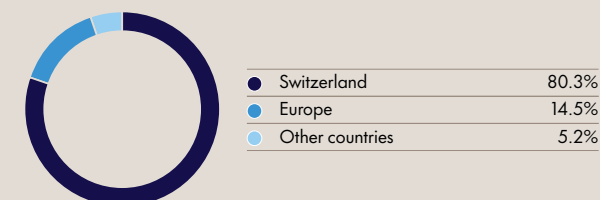
COMPOSITION OF SHAREHOLDER BODY by category of investors



DISTRIBUTION OF REGISTERED SHARES by size of shareholding



by region



Capital structure

On December 31, 2025, the share capital of Sandoz Group AG was composed of 440,000,000 registered shares, fully paid in, each with a nominal value of CHF 0.05.

Shares are listed on the SIX Swiss Exchange (ISIN: CH1243598427, symbol: SDZ). Sandoz also maintains a sponsored Level I ADR (American Depositary Receipts) program. The ADRs are quoted and traded in US dollars on the over-the-counter market in the US (CUSIP: 799926100, symbol: SDZNY). One ADR equals one Sandoz share and indirectly has the same voting rights. The ADRs are not listed on any US national securities exchange. Sandoz Group AG is not subject to the reporting requirements of US federal securities laws as a result of the Sandoz ADR program. On December 31, 2025, the Company held 7,307,383 own shares in treasury.

Capital band

According to Article 5 of the Company's Articles of Incorporation, the Board of Directors is authorized to increase the share capital at any time until April 15, 2030 by one or more increases of the share capital from CHF 22,000,000 (lower limit), corresponding to 440,000,000 registered shares with a par value of CHF 0.05 each up to CHF 24,200,000, corresponding to 484,000,000 registered shares with a par value of CHF 0.05 each (upper limit).

The Board of Directors shall determine the number of shares, the issue price, the type of contributions (including cash contributions, contributions in kind, set-off and conversion of reserves or of profit carried forward into share capital), the date of issue, the conditions for the exercise of pre-emptive rights and the commencement of dividend entitlement. The Board of Directors may issue new shares by means of a firm underwriting by a bank or another third party and a subsequent offer to the existing shareholders. The Board of Directors is authorized to limit or exclude the trading of pre-emptive rights. The Board of Directors may allow pre-emptive rights that have not been exercised to lapse or place them or the shares for which pre-emptive rights have been granted but not exercised at market conditions or otherwise use them in the interests of the Company.

For a share capital increase within the capital band, the Board of Directors is authorized to withdraw or limit the pre-emptive rights of the shareholders and to allocate pre-emptive rights to individual shareholders, the Company or third parties for purposes of:

- Acquiring companies, parts thereof or participations, for the financing or refinancing of such transactions, or for the financing or refinancing of new products, intellectual property or licenses by or for investment projects undertaken by the Company or any of its group companies; or
- Broadening the shareholder constituency of the Company for purposes of the participation of strategic or financing partners or investors, or in connection with the listing of new shares on domestic or foreign stock exchanges; or

- Raising capital in a fast and flexible manner, which would not or only hardly be achievable or on significantly less favorable terms without the exclusion of subscription rights of existing shareholders; or
- For the participation of members of the Board of Directors, members of the Executive Committee, employees, contractors, consultants or other persons performing services for the benefit of the Company or any of its group companies; or
- In case of other important reasons in the sense of Article 652b of the Swiss Code of Obligations.

If the share capital increases due to a conditional capital increase in accordance with Article 5a or Article 5b of the Articles of Incorporation, the upper and lower limits of the capital band shall increase in accordance with the extent of the increase in the share capital. The Board of Directors shall adjust the limits in the Articles of Incorporation.

The new registered shares issued in the Capital Band are subject to the transfer restrictions of Article 6 of the Articles of Incorporation.

 The Articles of Incorporation can be found at | [Sandoz.com/corporate-governance](https://www.sandoz.com/corporate-governance)

Conditional capital

Conditional capital for equity-linked financing instruments

According to Article 5a of the Articles of Incorporation, the Company's share capital may be increased by the voluntary or mandatory exercise of convertible or option rights to acquire registered shares, or by fulfilling obligations to acquire registered shares that are or have been granted to or assumed by shareholders or third parties alone or in connection with bonds, debentures or similar instruments, including loans, or other financing instruments of the Company or group companies (hereinafter collectively referred to as "Equity-Linked Financing Instruments"), by the issuance of a maximum of 44,000,000 registered shares to be fully paid up with a par value of CHF 0.05 each, up to a maximum of CHF 2,200,000.

Capital structure continued

The subscription right of shareholders is excluded.

The Board of Directors is authorized to restrict or exclude the advance subscription rights of shareholders when issuing Equity-Linked Financing Instruments in connection with:

- The financing (including refinancing) of the acquisition of companies, parts of companies, participations or new investment projects of the Company; or
- The issue on national or international capital markets or the issue to one or more strategic or financial investors.

Insofar as the advance subscription rights are excluded:

- The Equity-Linked Financing Instruments must be placed at market conditions;
- The exercise period of conversion rights shall be set at a maximum of twenty years and that of option rights at a maximum of ten years from the date of issue; and
- The conversion or exercise price or the method of calculating such price for the new shares shall be determined in accordance with market conditions and practice at the time of the issue of the Equity-Linked Financing Instruments or the issuance of new shares.

The declaration on the exercise of conversion or option rights based on Article 5a of the Articles of Incorporation shall be made in a form that permits written proof and shall refer to Article 5a of the Articles of Incorporation.

The new registered shares issued from the conditional capital are subject to the transfer restrictions of Article 6 of the Articles of Incorporation.

Conditional capital for employee participation

According to Article 5b of the Articles of Incorporation, the share capital of the Company shall be increased by a maximum amount of CHF 1,100,000 by issuing a maximum of 22,000,000 fully paid-up registered shares with a nominal value of CHF 0.05 each by exercising purchase rights granted to the members of the Board of Directors, the members of the Executive Committee, employees, contractors, consultants or other persons providing services to the Company or one of its group companies in accordance with one or more participation plans. The issuance of shares or rights shall be made in accordance with one or more plans, regulations or resolutions to be issued by the Board of Directors. The shareholders' subscription and advance subscription rights are excluded for this conditional capital increase.

The declaration on the exercise of conversion or option rights based on Article 5b of the Articles of Incorporation shall be made in a form that permits written proof and shall refer to Article 5b of the Articles of Incorporation.

The new registered shares issued from the conditional capital are subject to the transfer restrictions of article 6 of the Articles of Incorporation.

According to Article 5c of the Articles of Incorporation, the total number of new registered shares issued (i) under the capital band pursuant to Article 5, excluding the subscription rights of shareholders, and (ii) from the conditional capital pursuant to Article 5a, excluding the advance subscription rights of shareholders, shall not exceed 10% of the share capital at the time of the capital increase until April 15, 2030.

Changes in capital

Notwithstanding the provisions regarding capital band and conditional capital set forth in the Company's Articles of Incorporation and described in the previous sections, no changes in share capital occurred in 2025. For changes in share capital that incurred in 2024, please refer to Note 21 to the consolidated financial statements on [Page 129](#).

Shares, participation certificates, dividend-right certificates

Shares are issued as uncertificated securities (in the sense of the Swiss Code of Obligations) and as book entry securities (in terms of the Swiss Act on Intermediated Securities). All shares have equal voting rights and carry equal entitlements to dividends. No participation certificates or dividend-right certificates have been issued.

Limitations on transferability

There are no restrictions on the transferability of the shares. For registration restrictions, please refer to section "Shareholders' participation rights – Voting rights, restrictions and representation" on [Page 64](#).

Convertible bonds and options

Sandoz Group AG has not issued convertible or exchangeable bonds, warrants, options or other securities granting rights to shares.

Board of Directors

As of December 31, 2025, the Board of Directors of Sandoz Group AG was composed of the following individuals:

Gilbert Ghostine (Board Chair)	Graeme Pitkethly
Karen J. Huebscher (Vice-Chair)	Michael Rechsteiner
Shamiram R. Feinglass	Urs Riedener
Mathai Mammen	Aarti Shah
	Yannis Skoufalos
	Maria Varsellona

Independence

All Board members are non-executive and independent, pursuant to applicable corporate governance rules and Sandoz independence criteria, as outlined in Appendix II to the Organizational Regulations.

Discover more | [Sandoz.com/corporate-governance](https://www.sandoz.com/corporate-governance)

The Human Capital and ESG Committee annually submits to the full Board a proposal concerning the determination of the independent status of all Board members, considering all relevant facts and circumstances of which it is aware, including annual self-certification by each Board member.

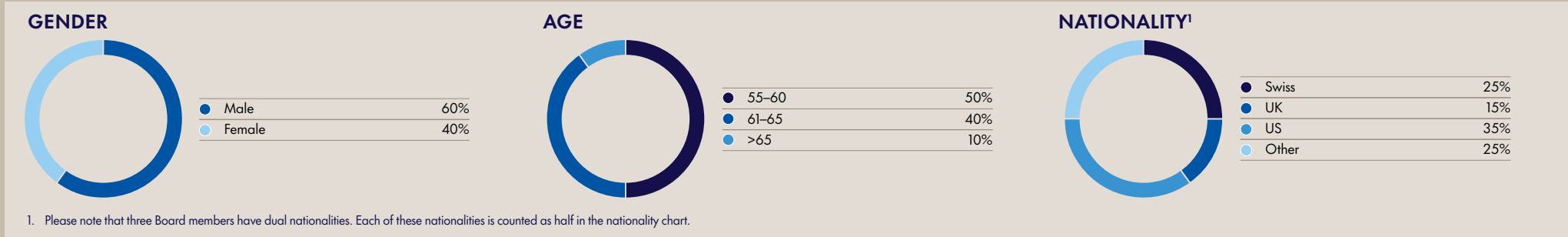
Composition

The composition of the Sandoz Board is well balanced in terms of gender and age diversity, and consists of experienced business leaders with varied geographic, cultural and professional backgrounds. This diversity reflects our ambition to foster inclusive leadership and global perspectives that drive innovation and sustainable growth.

Competencies

Our Board members offer the core experience, skills and knowledge as shown below. This diverse skill set is in line with the Company's Purpose to pioneer access for patients and will be regularly reassessed by the Human Capital and ESG Committee.

	CEO	International Markets	Life Science Industry	Supply Chain / Operations Network	Finance / Audit / Risk	Regulatory / Legal / Compliance	Technology / Information Security	Human Capital / Health & Safety	M&A / Transformation	ESG
Gilbert Ghostine	✓	✓				✓		✓	✓	✓
Karen J. Huebscher	✓	✓	✓		✓		✓		✓	
Shamiram R. Feinglass			✓	✓		✓		✓	✓	
Mathai Mammen	✓		✓	✓	✓		✓		✓	
Graeme Pitkethly		✓		✓	✓	✓			✓	✓
Michael Rechsteiner	✓	✓			✓		✓	✓		✓
Urs Riedener	✓	✓				✓		✓	✓	✓
Aarti Shah		✓	✓				✓	✓	✓	
Yannis Skoufalos		✓		✓				✓	✓	✓
Maria Varsellona		✓			✓	✓		✓	✓	✓



Board of Directors *continued*

Elections and term of office

Board members (including the Board Chair) and the members of the Human Capital and ESG Committee shall be elected individually at the Annual General Meeting of Shareholders for a term of office lasting until the next Annual General Meeting of Shareholders.

According to Article 22, paragraph 3 of the Articles of Incorporation, a member shall not serve on the Board for more than 10 years or beyond the age of 70. The Board may, in special circumstances and if deemed in the best interest of the Company, propose exceptions to this rule and submit them to the General Meeting of Shareholders for approval.

Number of permitted activities outside the Group

According to Article 36 of the Articles of Incorporation, the following limitations on mandates apply:

- No Board member may hold more than six additional mandates in other companies, of which no more than four mandates shall be in other listed companies. Board chairs of other listed companies count as two mandates.
- The following mandates are not subject to these limitations:
 - Mandates in companies which are controlled by the Company.
 - Mandates which a Board member holds at the request of the Company or companies controlled by it. No Board member shall hold more than five such mandates.

 The Articles of Incorporation can be found at | [Sandoz.com/corporate-governance](https://sandoz.com/corporate-governance)

Internal organizational structure

Allocation of tasks within the Board

The Board is responsible for the ultimate direction of the Group.

It is responsible for the overall direction and oversight of management and holds the ultimate decision-making authority for all matters which are not reserved to the authority of the General Meeting of Shareholders or to other executive bodies of the Company by law, the Articles of Incorporation or the Organizational Regulations.

The tasks and duties of the Board, as well as those of the Board Chair, the Vice-Chair and the Lead Independent Director, are set out in Articles 12, 19, 20 and 21 of the Organizational Regulations.

 The Organizational Regulations can be found at | [Sandoz.com/corporate-governance](https://sandoz.com/corporate-governance)

The Board has delegated certain duties and responsibilities to the following three committees: Audit, Risk and Compliance Committee; Human Capital and ESG Committee; and Science, Innovation and Development Committee. Each committee is led by a Board-elected committee chair, as set out in the Organizational Regulations and further described below in section “Committees of the Board.” These committees enable the Board to work in an efficient and effective manner, ensuring a thorough review and discussion of issues, while giving the Board more time for deliberation and decision-making.

Working methods of the Board and its committees

The Board meets at the invitation of the Board Chair as often as may be required. This includes regular meetings and additional special meetings to deal with ad hoc matters. Board committees typically meet the day before the meetings of the full Board at the invitation of the respective committee chair. Board meetings are held as virtual, hybrid and physical meetings. Participants join physically when possible.

The number of Board and Board committee meetings held in 2025 and the attendance record are outlined in the table “Attendance at Board and Board committee meetings” on the following page.

Board of Directors continued

Regular Board meetings lasted one full day. Audit, Risk and Compliance Committee meetings lasted on average three hours and 30 minutes, Human Capital and ESG Committee meetings on average two hours, and Science, Innovation and Development Committee meetings on average two hours and 30 minutes. Ad hoc Board and Committee meetings lasted between 20 and 40 minutes.

The Board Chair attended all Board committee meetings as a guest. In addition, several members of the Executive Committee and the senior management attended some of the Board and Board committee meetings at the invitation of the respective chairperson.

Attendance at Board and Board committee meetings

	Board	Audit, Risk and Compliance Committee	Human Capital and ESG Committee	Science, Innovation and Development Committee	Overall Attendance
Total meetings	8	6	7	6	
Gilbert Ghostine (Board Chair)	8/8	6/6 (as guest)	7/7 (as guest)	6/6 (as guest)	100%
Karen J. Huebscher (Vice-Chair)	8/8	5/6		6/6	95%
Shamiram R. Feinglass	8/8			6/6	100%
Mathai Mammen	8/8			6/6	100%
Graeme Pitkethly	8/8	6/6			100%
Michael Rechsteiner	7/8	4/6	6/7		81%
Urs Riedener	8/8		7/7		100%
Aarti Shah	8/8		7/7	6/6	100%
Yannis Skoufalos	8/8		7/7	6/6	100%
Maria Varsellona	8/8	5/6	7/7		95%

Self-assessment

The Board conducts an annual self-assessment to evaluate its performance and the performance of the Chair and the Board committees. This assessment will cover topics including Board composition, purpose, scope and responsibilities, processes and governance, meetings and pre-reading materials as well as team effectiveness, leadership and culture. Periodically, the evaluation will be accompanied by an external expert. The Board currently envisages conducting an external assessment in 2026 or 2027.

In Q1 2025, each Board member provided a detailed assessment by questionnaire on the performance and effectiveness of the Board and the Board Chair, and on his/her committee memberships, which constituted the basis for a quantitative and qualitative review led by the Chair. In addition, as in the previous year, all Board members provided their feedback during an individual conversation with the Chair. Also, the Board, without its Chair, discussed the performance of the Chair. Further, the Board committee evaluations were discussed by the respective committees, and the results shared with the full Board.

This year's self-assessment focused on enhancing process efficiency and on the prioritization of topics of strategic relevance for the Group. Among other things, the Board decided to hold dedicated sessions on the transformational impact of digital technologies, artificial intelligence, and cybersecurity including adequate crisis management.

Training and development

The Chairman ensures, in alignment with the Human Capital and ESG Committee, that new Board members are provided with an onboarding program and existing Board members receive appropriate ongoing training including periodic refreshers on their duties in relation to the Company's Insider Trading and Management Transactions Policy. The Board consults external experts on specific topics where necessary. Moreover, the Company offers each Board member, once during their tenure, the opportunity to participate in a dedicated program on Board governance, performance and effectiveness at an internationally renowned governance institute.

During 2025, the Board held several dedicated sessions focusing on the transformational impact of digital technologies and engaged and interacted with internal specialists and external experts. The first focus in this regard was placed on cybersecurity and the role of the Board including adequate crisis management procedures. The second focus was on the potential impact of artificial intelligence and AI-based technologies on the healthcare sector in general, and the biosimilars and generics industry in particular.

In addition, individual Board members with expertise in the respective areas participated in dedicated visits to the Group's key development and manufacturing sites, both existing and under development.

Board of Directors continued

Committees of the Board

The Board has an Audit, Risk and Compliance Committee (ARCC), a Human Capital and ESG Committee (HC & ESGC) and a Science, Innovation and Development Committee (SIDC), each consisting of no fewer than three Board members with relevant qualifications, expertise and skills. In addition to these permanent Board committees, the Board may establish ad hoc committees.

The members of the HC & ESGC are elected individually by the shareholders at the Annual General Meeting of Shareholders for a term of office lasting until completion of the next Annual General Meeting of Shareholders. If there are vacancies at the HC & ESGC, the Board shall appoint substitutes for the remaining term of office. The members and chairpersons of both the ARCC and the SIDC are appointed by the full Board.

The ARCC assists the Board in overseeing the Group’s financial statements, accounting matters, financial solvency and stability, as well as compliance with legal and regulatory requirements. It also monitors the internal and external auditors, supervises the Group’s risk management system and reviews its risk portfolio and related actions implemented by management.

The HC & ESGC supports the Board in fulfilling its responsibilities related to the Group’s human capital management as well as to its corporate governance and corporate social responsibility strategies. This includes proposing Board members for election at the AGM, selecting Executive Committee members and reviewing the succession pipeline and capabilities of the Executive Committee. It further includes defining the Group’s compensation philosophy and strategy, determining Board and Executive Committee compensation and overseeing the remuneration policy for the wider employee population. In addition, the HC & ESGC oversees the governance of the Group and defines its strategy regarding corporate governance, environmental stewardship, sustainability and corporate social responsibility.

The SIDC assists the Board in its oversight of matters relating to the product pipeline, in particular through business development, innovation and investments in product development and emerging technologies. The SIDC also oversees compliance in the areas of regulatory affairs, quality assurance and pharmacovigilance.

The detailed tasks of each of these committees and their roles and responsibilities are set forth in the Board Charter, which is attached to the Organizational Regulations.

As of December 31, 2025, the composition of the Board committees was as follows:

	Audit, Risk and Compliance Committee	Human Capital and ESG Committee	Science, Innovation and Development Committee
Gilbert Ghostine			
Karen J. Huebscher ¹	✓		✓ (Chair)
Shamiram R. Feinglass			✓
Mathai Mammen			✓
Graeme Pitkethly ¹	✓ (Chair)		
Michael Rechsteiner	✓	✓	
Urs Riedener		✓ (Chair)	
Aarti Shah		✓	✓
Yannis Skoufalos		✓	✓
Maria Varsellona	✓	✓	

1. Qualified Financial Expert

Definition of areas of responsibility

The Board has delegated responsibility for the management and oversight of the operational business to the Chief Executive Officer (CEO) and the Executive Committee. The responsibilities of the CEO and the Executive Committee are specified in Articles 22 and 24 of the Organizational Regulations.

 The Organizational Regulations can be found at | [Sandoz.com/corporate-governance](https://www.sandoz.com/corporate-governance)

Board of Directors continued

A diverse and independent Board.

**Gilbert Ghostine**

Board Chair since 2023

Nationality: Lebanese/Canadian

Year of birth: 1960

Gilbert Ghostine is an accomplished, purpose-driven business leader with four decades of global experience in B2C and B2B industries. He is known for driving sustainable, profitable growth in both public and private companies and for successfully leading complex M&A transactions.

As chief executive officer of Firmenich from 2014 to 2023, Gilbert Ghostine led the company through a period of strategic transformation, culminating in its merger with DSM to create a global leader in beauty, nutrition and wellbeing. Earlier in his career, he spent two decades at Diageo in senior leadership roles across four continents, gaining deep expertise in consumer goods and global markets.

Gilbert Ghostine holds a master's degree in business administration from Saint Joseph University, Lebanon, and completed the Advanced Management Program at Harvard Business School. He serves on the board of directors of the French listed company Danone, where he is a member of the audit and CSR committees, and on the board of directors of Four Seasons Hotels and Resorts, based in Canada, where he chairs the remuneration and nomination committee. In December 2025, it was announced that Gilbert Ghostine will be proposed for election to the board of directors and as chair of the Swiss listed company SGS SA at the annual general meeting in March 2026.

**Karen J. Huebscher, Ph.D.**

Board member & Vice-Chair since 2023

Nationality: Swiss/UK

Year of birth: 1963

Karen J. Huebscher, Ph.D., is the former chief executive officer of Solvias Group, a Swiss contract research firm, which she led between 2014 and 2021. Before, Karen J. Huebscher founded a start-up and held senior leadership roles at Novartis, including global head investor relations from 2000 to 2006, head of mergers & acquisitions and executive committee member, as well as site head for the vaccines and diagnostics division between 2006 and 2011. She also built the biosimilars commercial team for a multinational manufacturer, and at Solvias, the company developed a core expertise in complete analytical testing packages for biosimilar product filings.

Karen J. Huebscher holds a doctorate in natural sciences from ETH Zurich and a master's degree in business administration from IMD. She is a member of the board of directors of BBI Solutions, a UK-based diagnostic reagents company, of Ivoclair Group, a company active in oral health based in Liechtenstein, and a member of the foundation board at IMD Business School. From 2012 until April 2025, Karen J. Huebscher was a member of the board of directors and, from 2024, vice-chair of the Swiss listed company Tecan Group.

**Shamiram R. Feinglass, M.D.**

Board member since 2023

Nationality: US

Year of birth: 1967

Shamiram R. Feinglass, M.D., MPH, is a physician and former corporate executive and government leader. Currently, she is a managing director at Manatt Health, a multidisciplinary professional services firm advising clients in the healthcare sector based in the US. Between 2014 and 2022, Shamiram R. Feinglass was chief medical officer for diagnostics and life sciences and vice president, global medical affairs and policy, diagnostics and life sciences at DanaHER. Prior to that, she led global medical and regulatory affairs at Zimmer, Inc. (2009–2013), and was a Commander in the United States Public Health Service and Senior Medical Officer at the Centers for Medicare and Medicaid Services (2002–2008). Shamiram R. Feinglass is a member of the board of directors of Elucid, a medical technology company based in the US, and, since November 2025, serves as a member of the board of directors of Noze, Inc., based in Canada.

Shamiram R. Feinglass holds an AB from Smith College and a doctor of medicine (MD) from Emory University School of Medicine as well as a master of public health from Emory University School of Public Health, US.

**Mathai Mammen, M.D., Ph.D.**

Board member since 2024

Nationality: US

Year of birth: 1967

Mathai Mammen, M.D., Ph.D., is currently chief executive officer and chairman at Parabilis Medicines (formerly FogPharma), a non-listed biopharmaceutical company based in the US, focused on development stage cancer programs. Previously, he was a member of the executive committee at Johnson & Johnson, where he ran pharmaceuticals, research and development ("R&D"). During his tenure, he spearheaded a successful evolution of Janssen's R&D, one of the largest R&D organizations in the world. Prior to that, Mathai Mammen served as senior vice president at Merck and at Theravance, Inc. He is a member of the board of directors of Xaira Therapeutics and of Kelonia Therapeutics, both based in the US, and acts as senior executive advisor to other companies. From 2017 to October 2024, he was a member of the board of directors of 10xGenomics.

Mathai Mammen holds an M.D. from the Harvard Medical School (HMS) and Massachusetts Institute of Technology (MIT) and a Ph.D. in chemistry from Harvard University.

**Graeme Pitkethly**

Board member since 2024

Nationality: UK

Year of birth: 1966

Graeme Pitkethly was chief financial officer (CFO) and a member of the board of directors of Unilever plc until December 2023. He joined Unilever in 2002 and, prior to his appointment as CFO, was responsible for its UK and Ireland business. He also held several senior financial and commercial roles within Unilever and spent the earlier part of his career at PwC and in senior corporate finance roles in the telecommunications industry. Graeme Pitkethly serves as a member of the board of directors of the listed company Pearson plc, where he is vice-chair of the board and chair of the audit committee, and is an advisor to Watershed Technology, Inc., a US-based company providing sustainability reporting solutions. Since March 2025, he serves as a member of the board of directors and chairs the audit committee of Verisure plc, a provider of professionally monitored security solutions headquartered in Geneva, and is a trustee of the Leverhulme Trust as well as a member of the Trust's investment committee.

Graeme Pitkethly is a chartered accountant, with a bachelor's degree in applied chemistry.

Board of Directors continued

**Michael Rechsteiner**

Board member since 2024

Nationality: Swiss

Year of birth: 1963

Michael Rechsteiner has been a member of the board of directors of the listed company Swisscom since April 2019 and has served as chairman of the board since March 2021. Previously, he served as chief executive officer of Gas Power Europe and as chairman of the executive board of General Electric (Switzerland) and had managerial responsibility for GE Power Services Europe (2017–2021). Prior to this, Michael Rechsteiner held several roles at Alstom Power, including chief executive officer and senior vice president with the overall management of the global service business. Between 2003 and 2007, he served as chief operating officer of former textile machinery manufacturer Sultex.

Michael Rechsteiner holds a master of science in mechanical engineering from the Zurich Federal Institute of Technology and a master of business administration from the University of St. Gallen. He serves as a member of the board of trustees of ETH Foundation and was a member of the board and of the board committee of economiesuisse from 2021 until September 2025.

**Urs Riedener**

Board member since 2023

Nationality: Swiss

Year of birth: 1965

Urs Riedener was chief executive officer (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.

Urs Riedener holds a master's degree in marketing and trade from the University of St. Gallen. He serves as chairman of the board of the Swiss listed company Emmi Group AG and chairs its personnel and compensation committee. He is a member of the advisory board and a limited partner of Schwarz Unternehmenstreuhand KG, Germany, and serves as a member of the board of directors of the Swiss listed company Bystronic AG, where he chairs the compensation and nomination committee. Since April 2025, Urs Riedener is also a member of the board of directors of the Swiss listed company SIG Group AG and serves on the association board of the Swiss nonprofit organization "Tischlein deck dich". In December 2025, it was announced that Urs Riedener will not stand for re-election as a member of the board of directors of Bystronic AG at the annual general meeting in April 2026.

**Aarti Shah, Ph.D.**

Board member since 2023

Nationality: US

Year of birth: 1964

Aarti Shah, Ph.D., was chief information and digital officer and senior vice president of Eli Lilly and Company between 2016 and 2021, a US-headquartered pharmaceutical company. She held other business and functional roles of increasing responsibility over her successful 27-year career with Eli Lilly and Company, including a global brand development leader role between 2013 and 2016.

Aarti Shah holds a doctorate in applied statistics from the University of California at Riverside, US. Since 2020, she is a member of the board of directors and a member of the audit and the compensation committees of the listed company NVIDIA Corporation and serves as a member of the board of trustees of Northwestern Mutual, where she is a member of the audit and the distribution & technology committees. In addition, she serves as a trustee and secretary of the nonprofit organization Shrimad Rajchandra Mission Dharampur USA and is a member of the board of governors of the nonprofit organization St. Jude Children's Research Hospital & ALSAC and a member of the strategic planning committee of Global St. Jude.

**Yannis Skoufalos**

Board member since 2023

Nationality: Greek/US

Year of birth: 1957

Yannis Skoufalos has extensive global operational experience and a unique track record in supply chain management spanning over two decades. He served as supply chain officer of Blue Triton between 2021 and 2022. Between 2011 and 2019, Yannis Skoufalos was global product supply officer of Procter & Gamble, a US-headquartered consumer goods company. Throughout his successful 35-year career with Procter & Gamble, he also held other supply chain roles of increasing responsibility, including sustainability within the supply network. He holds a master of science degree in food engineering and a bachelor of science degree in chemical engineering from the University of Leeds, UK.

Yannis Skoufalos is a member of the board of directors of Sustana Group, a recycled paper fiber company privately held by Blackstone, and a senior advisor to Blackstone on supply network matters. Since July 2025, he serves as an advisor to the UK listed company Sulnox Group and is a member of the advisory board of Altana. From 2023 until March 2025, Yannis Skoufalos was a member of the board of directors of the listed company Aimia Inc., and from November 2024 until March 2025 served as an advisor to Oasis Management Company.

**Maria Varsellona**

Board member since 2023

Nationality: Italian

Year of birth: 1970

Maria Varsellona has been chief legal officer and company secretary of Unilever, a listed consumer goods company headquartered in the UK, since 2022. Between 2019 and 2022 she was general counsel and company secretary of Swiss-headquartered industrial company ABB. From 2014 to 2019, she was chief legal officer of Finland-headquartered telecom company Nokia, as well as president of Nokia Technologies (2018–2019) and vice-chair of Nokia Shanghai Bell (2016–2018). She has also been general counsel of Switzerland-headquartered Tetra Pak and held senior roles in General Electric's oil and gas business. In February 2026, it was announced that Maria Varsellona will step down as chief legal officer of Unilever as of February 28, 2026 and join Rolls-Royce as chief legal officer effective March 1, 2026.

Maria Varsellona 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 and 2020 and on the board of ABB India between 2020 and 2022.

Executive Committee

As of December 31, 2025, the Sandoz Executive Committee was composed of the following individuals:

Richard Saynor	Chief Executive Officer
Claire D’Abreu-Hayling	Chief Scientific Officer
Christophe Delenta	President Europe
Glenn A. Gerecke	Chief Manufacturing and Supply Officer
Rebecca Guntern	Chief Commercial Officer
Keren Haruvi	President North America
Tripti Jha	Chief People Officer
Ingrid Sollerer	General Counsel and Chief Compliance Officer
Remco Steenberg	Chief Financial Officer
Peter Stenico	President International

Number of permitted activities outside Sandoz Group

According to Article 36 of the Articles of Incorporation, the following limitations on mandates apply:

- No member of the Executive Committee may hold more than one additional mandate in another company. Members of the Executive Committee are not allowed to hold mandates as chairs of the board of directors of other listed companies.
- The following mandates are not subject to these limitations:
 - Mandates in companies which are controlled by the Company.
 - Mandates which a member of the Executive Committee holds at the request of the Company or companies controlled by it. No member of the Executive Committee shall hold more than five such mandates.

The Articles of Incorporation can be found at | [Sandoz.com/corporate-governance](https://www.sandoz.com/corporate-governance)

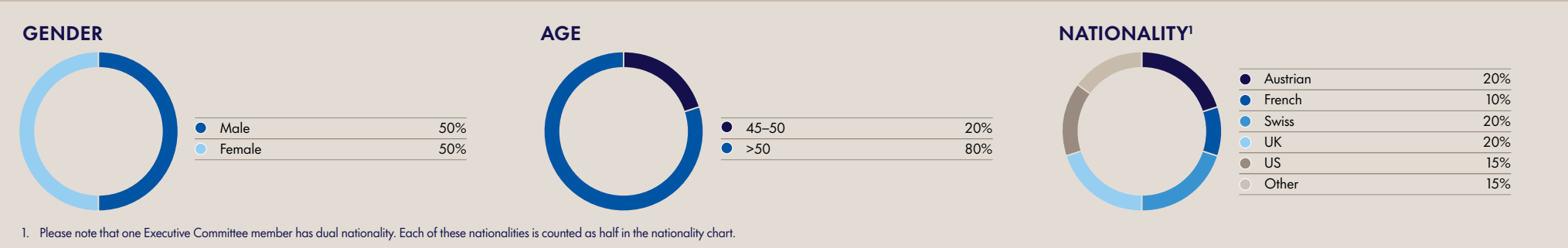
Management contracts

The Board and the Executive Committee have not delegated any managerial powers to persons or legal entities outside the Group.

Changes to the Executive Committee in 2025

Peter Stenico, former Global Platform Head Biosimilars and Country President Austria, was appointed President Region International effective March 1, 2025, succeeding Francisco Ballester who retired from his position as of February 28, 2025.

The biography of Francisco Ballester can be found in the 2024 Integrated Annual Report on page 54 at | [Sandoz.com/financials](https://www.sandoz.com/financials)



Executive Committee continued

An Executive Committee focused on delivering results on our strategic objectives.

**Richard Saynor**

Chief Executive Officer since 2019

Nationality: UK

Year of birth: 1967

Richard Saynor has led Sandoz since 2019, offering a proven track record as a senior leader in both innovation-driven and generics/biosimilars pharmaceutical companies. Prior to joining Sandoz, he was senior vice president for classic & established products, commercial & digital platforms at GSK. Previously he served in several commercial senior leadership roles at Sandoz. Richard Saynor is a pharmacist by training and began his pharmaceutical business career as a sales representative at G.D. Searle in the UK. He earned his bachelor's degree in pharmacy from the University of Bradford, UK. Richard Saynor currently serves as the inaugural chair of the CEO Advisory Committee of the International Generics & Biosimilars Association (IGBA).

**Christophe Delenta**

President Europe since 2024

Nationality: French

Year of birth: 1971

Christophe Delenta was appointed President Europe and is a member of the Executive Committee effective September 1, 2024. Previously he was serving as cluster head within the Sandoz Europe region, overseeing the business in major EU markets such as France, Italy and Spain. Christophe Delenta has more than 25 years of experience as a leader in the pharmaceutical industry and has worked for other leading companies such as Sanofi and Eli Lilly before joining Sandoz in 2016 as Country Head for France. Looking back on a successful career in a broad range of commercial roles, he has worked in Europe, Africa, the United States and Latin America, for both generic and originator companies. Christophe Delenta holds a pharmaceutical doctor's degree from the René Descartes University in Paris and a master's degree in marketing from the Chatenay Malabry University in the Paris area.

**Claire D'Abreu-Hayling**

Chief Scientific Officer since 2022

Nationality: UK

Year of birth: 1964

Claire D'Abreu-Hayling has over 30 years of experience as a pharmaceutical executive working in drug product development and global research and development. She is responsible for the global product development network including infrastructure strategy, development capabilities, scientific pipeline execution and talent management across both 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 early in her career. Claire D'Abreu-Hayling earned a bachelor of science degree in chemistry from the University of the West Indies in Trinidad & Tobago, as well as a master of science degree in pharmaceutical analysis and quality control from the University of London. She is a member of the board of directors of Black Phoenix Enterprise Ltd. in the UK.

**Glenn A. Gerecke**

Chief Manufacturing and Supply Officer since 2022

Nationality: US

Year of birth: 1959

Glenn A. Gerecke is responsible for 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. Glenn A. Gerecke 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 for more than 35 years. He holds a bachelor of science degree in chemical engineering from Worcester Polytechnic Institute, as well as master's degrees in business and management from the University of Massachusetts and Worcester Polytechnic Institute, respectively, and a doctorate in business from Capella University in the US.

**Rebecca Guntern**

Chief Commercial Officer since 2024

Nationality: Swiss

Year of birth: 1972

Rebecca Guntern has been appointed Chief Commercial Officer effective September 1, 2024. Previously, she led the European commercial organization across more than 40 countries since 2020. She is a senior business leader with over 25 years of international experience in the pharmaceutical and healthcare industry. She joined Sandoz in 2007 as Head of Sales and has held positions of increasing leadership responsibility since then. Prior to joining Sandoz, Rebecca Guntern worked for other leading pharmaceutical companies such as Roche and Merck Sharpe & Dohme.

Rebecca Guntern is a regular contributor to industry discussions and initiatives in areas such as biosimilars, supply chain solutions, regulatory and economic policies, and served as vice president of Medicines for Europe (MfE) until December 2024. She is a member of the board of directors of the listed Swiss company BKW AG, where she chairs the nomination and compensation committee. Rebecca Guntern holds a master's degree in pharmacy from the University of Basel as well as a bachelor's degree in business administration.

Executive Committee continued

**Keren Haruvi**

President North America since 2021

Nationality: Israeli/American

Year of birth: 1980

Keren Haruvi leads the 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. She brings over 20 years of experience in the pharmaceutical industry across regions, marked by success in leading major M&A deals, enterprise innovations and complex market strategies for large-scale, sustainable growth. Keren Haruvi holds a master's degree of business administration (finance) from Bar-Ilan University and bachelor's degrees in both economics and chemistry from Tel Aviv University. She is the chair and a board member of the Association of Accessible Medicines.

**Tripti Jha**

Chief People Officer since 2023

Nationality: Swiss

Year of birth: 1977

Tripti Jha was named Chief People Officer in May 2023, having worked most recently as chief talent and transformation officer at Novartis. She brings over 20 years of experience and a proven track record in driving impactful human resources strategy, developing People & Organization culture. She also has extensive experience of working with executive committees and boards of directors. Previously, she held various senior, global and country or site-level positions within the Novartis group. Prior to joining Novartis, she worked with CARE, a leading humanitarian global organization on improving access to healthcare for underserved and underprivileged sections of the society. Tripti Jha graduated with a master of arts degree in social work from Tata Institute of Social Sciences, India, and served as president of the Students' Union at Miranda House, University of Delhi.

**Ingrid Sollerer**

Group General Counsel since 2019 and Chief Compliance Officer since 2023

Nationality: Austrian

Year of birth: 1974

Ingrid Sollerer has been responsible for the Company's legal affairs since 2019 and has additionally taken over the leadership of the Sandoz Global Ethics, Risk and Compliance (ERC) organization on December 1, 2023. 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. Ingrid Sollerer 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 is the chair of the foundation board of Stiftung Menschen für Menschen Karlheinz Böhm's Äthiopienhilfe, an organization providing aid for self-development in Ethiopia.

**Remco Steenbergen**

Chief Financial Officer since July 2024

Nationality: Dutch

Year of birth: 1968

Remco Steenbergen has been Chief Financial Officer (CFO) since July 1, 2024. He joined Sandoz from Deutsche Lufthansa AG, where he served as group CFO from January 2021 to May 2024. Before joining Lufthansa, he was group CFO at Barry Callebaut, based in Switzerland, from 2018 until 2020. Prior to that, Remco Steenbergen worked in multiple executive business and finance roles for Philips (1998–2018) and KPMG (1986–1998) in Europe, Asia and the US.

Remco Steenbergen was a member of the Board of Directors of Sandoz Group AG from August 2023 to April 30, 2024. He holds a post-doctorate in accountancy from Erasmus University Rotterdam in the Netherlands and a master's degree in business administration from IMD Business School in Switzerland.

**Peter Stenico**

President International since March 1, 2025

Nationality: Austrian

Year of birth: 1971

Peter Stenico has been President International since March 1, 2025. Previously, he was Global Head Biosimilars, where he led the global biosimilar strategy and activities. Prior to that role, he held the position of Country Head and General Manager in Germany and is also the former chair of the German Generics Association, Pro Generika. Peter Stenico joined Sandoz in 2002 and, over the past two decades, has gained broad generics and biosimilar industry experience through various roles covering strategy, mergers & acquisitions, and commercial operations on local, regional and global levels.

Peter Stenico studied economics at the Universities of Innsbruck (Austria) and Leuven (Belgium) and obtained an MBA at SDA Bocconi Milan (Italy).

Compensation, shareholdings and loans

Detailed information on the compensation of the Board and Executive Committee members can be found in the Compensation Report on | **Page 69**.

The compensation and equity holdings of the Board and the Executive Committee and their related parties are disclosed in the Compensation Report on | **Pages 78 and 81** for the members of the Executive Committee and on | **Pages 85 and 86** for the Board members.

The principles applicable to performance-related pay and to the allocation of equity securities, convertible rights and options are defined in Articles 33 and 34 of the Articles of Incorporation.

The rules with respect to the additional amount of compensation for members of the Executive Committee appointed after the approval of the aggregate amount of compensation at the General Meeting of Shareholders are set out in Article 32 of the Articles of Incorporation.

According to Article 37 of the Articles of Incorporation, no loans or credits shall be granted to the members of the Board or the Executive Committee.

The rules on the vote on compensation at the Annual General Meeting of Shareholders are set out in Article 31 of the Articles of Incorporation.

 The Articles of Incorporation can be found at | [Sandoz.com/corporate-governance](https://sandoz.com/corporate-governance).

Shareholders' participation rights

Shareholder engagement

Shareholder engagement is fundamental to our commitment to governance and transparency, and the feedback we receive during these engagements helps us create long-term and sustainable value.

Sandoz conducts regular outreach to investors throughout the year. While the Board Chair, CEO and CFO, together with Investor Relations, are accountable for ensuring effective shareholder engagement, other senior managers from within and outside the Executive Committee also participate in these meetings.

Voting rights, restrictions and representation

Shareholders have the right to vote and to execute all other rights as granted under Swiss law and the Articles of Incorporation (see, in particular, Articles 17 and 18 of the Articles of Incorporation).

Each share registered with the right to vote entitles the holder to one vote at General Meetings.

Article 6, paragraph 2 of the Articles of Incorporation provides that to be registered with voting rights, a shareholder must declare that he or she acquired the shares in his or her own name and for his or her own account. According to Article 6, paragraph 3 of the Articles of Incorporation, the Board may register nominees with the right to vote. The share register is an internal, non-public register subject to statutory confidentiality and data privacy.

Article 6, paragraph 2 of the Articles of Incorporation provides that no shareholder shall be registered with the right to vote for more than 5% of the registered share capital. Given that shareholder representation at general meetings has traditionally been comparatively low in Switzerland, Sandoz Group AG considers registration restrictions necessary to prevent a minority shareholder from dominating a General Meeting. The Board may, upon request, grant an exemption. Considerations include whether the shareholder supports the Company's goal of creating sustainable value and has a long-term investment horizon. An exemption is in force for JP Morgan Chase Bank, N.A., New York, acting as ADR depository for Sandoz Group AG.

Article 6, paragraph 3 of the Articles of Incorporation provides that the Board may register nominees with the right to vote in the share register to the extent of up to 0.5% of the registered share capital as set forth in the commercial register. Registered shares held by a nominee that exceed this limit may be registered in the shareholders' 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.

According to Article 6, paragraph 4 of the Articles of Incorporation, corporate bodies and partnerships or other groups or persons or joint owners who are interrelated to one another or who act in concert to circumvent registration restrictions are treated as one person or nominee for the purposes of the restrictions on registration.

The registration restrictions may be changed by resolution of the General Meeting, with approval of at least two-thirds of the votes represented at the meeting.

 The Articles of Incorporation can be found at | [Sandoz.com/corporate-governance](https://sandoz.com/corporate-governance).

General meetings of shareholders

The Annual General Meeting of Shareholders (AGM) must be held within six months after the closing of the financial year of the Company (December 31). According to Article 14 of the Articles of Incorporation, the Board may provide that shareholders who cannot be present at the AGM may exercise their rights electronically. An extraordinary General Meeting of Shareholders may be requested by the Board or shareholders representing at least 5% of the share capital.

Invitation and voting instructions

Registered shareholders will receive personal invitations to the General Meetings along with a registration/proxy form at least 20 days before the date of the meeting. By returning the registration/proxy form, shareholders can order an admission card for the AGM or appoint a representative of choice by means of a written proxy or the Independent Proxy to vote their shares on their behalf.

If the Independent Proxy is appointed, shareholders can also give voting instructions on alternative or additional motions related to the agenda items either (i) following the recommendations of the Board for such alternative or additional motions, or (ii) opposing such alternative or additional motions. They can also abstain from voting.

ADR holders

ADR holders have the rights enumerated in the deposit agreement, such as the right to give voting instructions and to receive dividends. The ADR depository of Sandoz Group AG – JP Morgan Chase Bank, N.A., New York – 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 Sandoz Group AG. Each ADR represents one share. ADR holders exercise their voting rights by instructing the depository to exercise their voting rights.

Agenda

Shareholders representing shares with an aggregate nominal value of at least 0.5% of the registered share capital may request that an item be included in an AGM agenda. Such requests must be made in writing at least 45 days before the meeting, specifying the requested item and proposal. If an explanatory statement is to be included in the notice of meeting, it must be submitted within the same deadline and formulated in a short, clear and concise manner.

Shareholders' participation rights continued

Entries in the share register

The relevant date determining the right of shareholders to participate in the AGM based on entries in the Company's share register is set by the Board and announced in the invitation to the AGM.

Powers

According to Article 19 of the Articles of Incorporation, the following powers are vested exclusively in the AGM:

- Adoption and amendment of the Articles of Incorporation
- Election and removal of the Board members, the Board Chair, the members of the Human Capital & ESG Committee, the Independent Proxy and the Auditors
- Approval of the management report, the consolidated financial statements and the report on non-financial matters
- Approval of the financial statements and decision on the appropriation of 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)
- Approval of the aggregate amounts of compensation of the Board of Directors and the Executive Committee in accordance with Article 31 of the Articles of Incorporation
- Granting of discharge to the members of the Board and the Executive Committee
- Delisting of the shares of Sandoz Group AG
- Decision on matters that are reserved by law or by the Articles of Incorporation to the AGM

Statutory quorums

The General Meeting passes resolutions and elections with an absolute majority of the votes represented at the meeting. However, under Article 20 of the Articles of Incorporation, an approval of two-thirds of the votes represented at the meeting is required for:

- Alteration of the purpose of Sandoz Group AG
- Consolidation of shares, unless the approval of all affected shareholders is required
- Increase of the share capital out of equity, against contributions in kind or by way of set off against a receivable and the grant of special rights
- Restriction or suspension of subscription rights
- Introduction of a conditional capital or a capital band
- Implementation of restrictions on the transfer of registered shares, and the removal of such restrictions
- Creation of shares with increased voting powers
- Change of the currency of the share capital
- Introduction of the deciding vote for the chair at the AGM
- Introduction of a provision in the Articles of Incorporation allowing the AGM to be held abroad
- Delisting of the shares of Sandoz Group AG
- Change of location of the registered office of Sandoz Group AG
- Introduction of an arbitration clause in the Articles of Incorporation
- Merger, split or transformation of Sandoz Group AG under the Merger Act (subject to mandatory provisions)
- Dissolution of Sandoz Group AG

 The Articles of Incorporation can be found at | [Sandoz.com/corporate-governance](https://www.sandoz.com/corporate-governance).

Changes of control and defense measures

The Articles of Incorporation of Sandoz Group AG do not contain provisions for opting out or opting up. There are no change-of-control clauses included in agreements and schemes benefiting members of the Board of Directors or the Executive Committee or other management members.

Management of information and monitoring tools of the Board of Directors

Information and control instruments vis-à-vis the Executive Committee

The Board's information and control instruments vis-à-vis the Executive Committee include a steady flow of information from senior management, monthly financial reports, a comprehensive and integrated risk management framework, and the independent evaluation of the Group's risk management and internal control system by the Internal Audit function.

Risk management

The Board has ultimate oversight of the Enterprise Risk Management system and regularly reviews the most significant risks and how these risks are managed. In doing so, the Board is supported by its committees. Furthermore, the Internal Audit function provides an independent evaluation of risk management. Further information can be found on [Page 94](#).

Enterprise Risk Management (ERM) framework

The Legal & Compliance function provides an integrated framework to obtain a holistic view of the Group's most significant risks and mitigation actions, under the leadership of the General Counsel and Chief Compliance Officer. To enhance independence and oversight, the Chief Integrity Officer holds a dotted reporting line to the chair of the Audit, Risk and Compliance Committee. The ERM process within Legal & Compliance is coordinated by the Chief Integrity Officer, in consultation with a dedicated ERM team and the respective risk owners. It aims to identify risks that may have a material impact on strategic objectives and to develop and monitor corresponding mitigation plans along the enterprise value chain, such as:

- Manufacturing and supply chain topics
- Product development and portfolio
- Financial compliance and management aspects, such as tax, treasury and insurance
- Compliance, regulatory and legal aspects
- Technology and information security matters
- Commercial execution, such as marketing and selling practices
- Health, safety and environmental aspects
- People & Organization aspects
- External factors, such as the social, geopolitical and economic environment

Internal Control

The integrity and efficiency of internal controls are considered the pillars of safeguarding the Group's assets, reputation and sustainability. Internal Control aims to provide the Board with reasonable assurance on the reliability of the financial reporting and statements, compliance with laws and regulations and the protection of assets. Internal Control coordinates an annual attestation process; the outcome is presented to the Audit, Risk and Compliance Committee.

SpeakUp Office

Sandoz maintains a corporate whistleblower program, called "SpeakUp," through which employees and third parties can report potential misconduct. The SpeakUp process is managed by the People & Organization function. Reports are reviewed by the SpeakUp Office, which will determine further actions, including referral for investigation or review. Investigations are fact-based, confidential and impartial. Sandoz guarantees non-retaliation to employees participating in SpeakUp investigations. Investigative findings are evaluated to implement remedial measures and continuously improve the processes within the Group. Twice a year, or whenever deemed necessary, the Board receives updates regarding SpeakUp cases as an integrated part of the Ethics & Compliance update to the Audit, Risk and Compliance Committee. To enhance independence and oversight, the Head of SpeakUp holds a dotted reporting line to the chair of the Audit, Risk and Compliance Committee.

Internal Audit

The purpose of Internal Audit is to assist the Board and management in discharging their governance responsibilities by providing independent assurance and advice on the effectiveness, efficiency and adequacy of processes and controls that support Sandoz in achieving its objectives, managing its major risks and ensuring compliance with applicable policies, laws and regulations.

In 2025, all internal audits were performed in accordance with the audit plan approved by the Audit, Risk and Compliance Committee. Internal Audit conducted 64 reviews in areas such as finance, commercial, operations, development, information technology, corporate functions and internal control. All reviews were conducted in accordance with the international standards for the professional practice of internal auditing. The audit plan for 2026 has been approved by the Audit, Risk and Compliance Committee in December 2025.

Auditors

Duration of the mandate and term of office of the Lead Auditor

On behalf of the Board, the Audit, Risk and Compliance Committee (ARCC) selects and nominates the external Auditor for election at the AGM.

KPMG commenced its auditing mandate for Sandoz Group AG in 2023 and was re-elected for the financial year 2025 by the AGM on April 15, 2025. Marc Ziegler, Auditor in charge, and Stéphane Nusbaumer, Group Engagement Partner, started their roles in 2023. In accordance with the Company’s Organizational Regulations, the ARCC, together with KPMG, will ensure that the auditing partners will rotate at least every five years.

Audit and audit-related services

The ARCC monitors and pre-approves the fees paid to the external Auditor for all audit and non-audit services. It has developed and approved a policy outlining the engagement of the independent auditor firm to ensure that the independence of the external Auditor is maintained.

 The policy can be downloaded at | [Sandoz.com/corporate-governance](https://sandoz.com/corporate-governance)

All other services are pre-approved by the ARCC on a case-by-case basis.

The fees for audit and audit-related services related to the years ended December 31, 2025 and 2024 are as follows:

(USD millions)	2025	2024
Audit services		
KPMG fees	8.5	7.3
Other audit firm fees ¹	0.2	0.3
Audit-related services		
KPMG fees	0.4	0.1
Other audit firm fees	0.0	0.1
Total	9.1	7.8

1. Due to certain limitations, a few Sandoz Group entities are not audited by KPMG.

Audit services include work performed to issue opinions on consolidated financial statements and parent company financial statements of Sandoz Group AG, to issue opinions related to the existence of the Group’s internal control over financial reporting, and to provide reports on local statutory financial statements.

Information instruments to the Board and the ARCC

The ARCC, acting on behalf of the Board, is responsible for overseeing the activities of the external Auditor. In 2025, the ARCC held six meetings, all of which were attended by the external Auditor. Furthermore, the Auditor in charge met several times with the chair of the ARCC during the reporting period.

The ARCC recommended to the Board to approve the audited consolidated financial statements and the separate parent company financial statements of Sandoz Group AG for the year ended December 31, 2025. The Board proposed the acceptance of these financial statements for approval by the shareholders at the next AGM.

The ARCC annually evaluates the qualifications, performance and independence of the external Auditor, including considering whether the external Auditors’ quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the external Auditor’s independence, considering the opinions of management and Internal Audit. Based on this, the ARCC once a year determines whether the external Auditor should be proposed to the shareholders for re-election at the next AGM.

The ARCC obtains and reviews a report from the external Auditor at least annually regarding (1) the external Auditor’s internal quality-control procedures; (2) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; (3) any steps taken to deal with any such issues; and (4) all relationships between the external Auditor and the Group.

The ARCC discusses with the external Auditor the results of their audits, any unusual items or disclosures contained in the audits and the matters required by standards enacted or declared applicable by the Swiss Federal Audit Oversight Authority (FAOA) and requests a formal written statement from the external Auditor documenting such discussion.

Information policy

Sandoz is committed to open and transparent communication with the financial community, patients, suppliers and other key stakeholders. The Group disseminates information about material developments related to its business in a broad and timely manner that complies with the rules of the SIX Swiss Exchange and any other applicable regulations.

Sandoz communicates consistently through a structured reporting cadence. The Group publishes a Half-Year Report and an Integrated Annual Report, providing stakeholders with comprehensive insights into its financial performance and business activities. The Half-Year Report covers financial results for the first six months, while the Integrated Annual Report includes both financial and non-financial disclosures. In addition, Sandoz reports net sales on a quarterly basis and issues press releases on material developments in accordance with applicable regulations.

➔ An overview of the information regarding non-financial reporting can be found on | [Page 174](#).

🌐 An archive containing financial results and other relevant releases, as well as all related materials, is available at | [Sandoz.com/financials](#).

Investor Relations

Investor Relations serves as the primary interface between Sandoz and the financial community. To ensure fair and consistent communication, Sandoz observes a quiet period starting on the first day of each quarter and lasting until the first trading day following the publication of its Integrated Annual Report, Half-Year Report and quarterly sales updates. During this time, Investor Relations limits meetings to exceptional cases and restricts discussions to previously disclosed information.

🌐 More information is available at | [Sandoz.com/investors](#).

Website information

Company website
[Sandoz.com](#)

Corporate Governance
[Sandoz.com/corporate-governance](#)

Annual General Meeting of Shareholders
[Sandoz.com/agm](#)

Corporate calendar
[Sandoz.com/corporate-calendar](#)

Financial data
[Sandoz.com/financials](#)

Media releases
[Sandoz.com/media-releases](#)

Ad hoc notices distribution
[Sandoz.com/media-release-subscription](#)
[Sandoz.com/media-releases](#)

Blackout periods

According to the Group's Global Insider Trading and Management Transactions Policy, any employee shall not trade in Sandoz securities while being in possession of material non-public information. Employees who have access to material non-public information on a regular basis are designated as Permanent Insiders and are restricted from trading Sandoz Group AG securities during Blackout Periods. Employees who temporarily have access to material non-public information on a project-related or role-related basis (so-called Temporary Insiders) are restricted from trading Sandoz securities for as long as they have access to such information. Respective insider lists are managed through a dedicated system.

Blackout Periods commence on the first trading day of each quarter and end at the beginning of the first trading day after the subsequent release of the quarterly topline, half-year and/or annual results.

Limited exceptions as to trading may apply as set forth in the Group's Global Insider Trading and Management Transactions Policy.

In 2025, the following Blackout Periods applied:

- January 1, until (and including) March 5
- April 1, until (and including) April 30
- July 1, until (and including) August 7
- October 1, until (and including) October 30

Compensation Report

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Shareholder letter from Urs Riedener, Chair of the Human Capital & ESG Committee



Dear Shareholders,

On behalf of the Board and the Human Capital & ESG Committee (HC & ESGC) of Sandoz, I am pleased to present the Compensation Report for 2025.

I would like to thank you for your strong support at the 2025 Annual General Meeting (AGM), where the 2024 Compensation Report was supported by 86% of shareholders.

2025 in summary

Sandoz delivered a very strong performance in 2025. Net sales growth amounted to 5% at constant currencies (CC). Europe and International grew by 6% and 7% at CC respectively, while North America net sales were stable. Numerous biosimilar launches in key markets were successfully executed, including Wyost® & Jubbonti® (denosumab) and Pyzchiva® (ustekinumab). These launches, along with portfolio growth and geographic expansion, underpinned double-digit growth in biosimilars and core EBITDA margin enhancement. In October, core EBITDA margin guidance for the year was upgraded, reflecting a favorable mix of sales and cost discipline. Sandoz reached over one billion patients globally and delivered savings of USD 26 billion to healthcare systems in North America, Europe and other key markets.

2025 was our second full year of operating as an independent public company, during which shareholders saw a share price

increase of 56%, and a total shareholder return of 58.5%. Since the spin-off from its former parent company in October 2023, Sandoz market capitalization has more than doubled.

This performance was reflected in the CEO's Annual Incentive payout of 180% of target and vesting of Keep Whole and Refill LTPP Awards relating to the 2023-25 performance cycle at 145% of target – more details are in sections 2.4.2 and 2.4.3 of this report.

I extend my gratitude to all Sandoz employees, whose hard work, dedication, and commitment made 2025 a resounding success. Their impact is reflected in all we have achieved.

In 2025, the Board approved the introduction of an all-employee share program linked to business performance, which will come into effect from 2026. Designed to be inclusive and equitable, it provides company shares to almost 100% of our employees regardless of their disposable income to personally invest, ensuring everyone can participate and benefit from our shared success and future growth.

During the first half of 2025, in order to ensure regulatory compliance in the countries where Sandoz operates, including where Sandoz supplies medicines directly to government health systems, the Board decided to remove the performance metric related to the "improvement of female representation in senior leadership" in the 2024-2026 and 2025-2027 LTPP cycles and redistributed its weight across remaining metrics, to avoid introducing new metrics and targets mid-cycle. Details are provided in section 2.2.4. Plan participants are not expected to be materially advantaged or disadvantaged by this change and no material impact on overall vesting levels is anticipated. Sandoz remains committed to fostering an inclusive and equitable workplace where every employee is valued, respected and rewarded fairly.

2026 Executive Committee compensation framework

The Board and the HC & ESGC reviewed the Company's compensation framework to ensure it remains aligned to Sandoz future business objectives.

The Annual Incentive ESG Access metric "number of patient treatments with Sandoz biosimilars" will be replaced with "annual patient-access expansion", measured through volume growth, a simpler metric designed to drive patient access across the entire portfolio.

For the 2026-2028 LTPP cycle, the pay transparency metric used in the 2025-2027 LTPP will not be retained as the organization is on track to deliver this objective. The 5% weight will be redistributed to the innovation category, increasing its weight from 15% to 20%, reinforcing the focus on growth in biosimilars and peptides.

While conducting the CEO's annual compensation review, the Board considered his sustained multi-year strong performance, the exceptional shareholder return generated in 2025 and since the spin-off, and the record number of biosimilar launches in 2025. It was further noted that, over the last three compensation cycles, his target compensation had fallen below the median of the primary peer group of European-headquartered companies. To recognize his sustained strong performance and improve competitive positioning versus the market, the Board approved an adjustment to the CEO's Target LTPP award, from 250% to 280% of Annual Base Salary. This is the first increase in the CEO's target variable compensation since the spin-off and is fully contingent on achieving the long-term company performance targets set by the Board.

I am deeply grateful to all our shareholders for their trust and investment in Sandoz. I welcome any further feedback and look forward to your support at the 2026 AGM.

Yours sincerely,

Urs Riedener

Chair of the Human Capital & ESG Committee

1. 2025 Executive Committee and Board compensation at a glance

Summary of compensation arrangements for the Executive Committee

Framework

The compensation of the members of the Executive Committee consists of fixed and variable compensation. Details are set out in the table below:

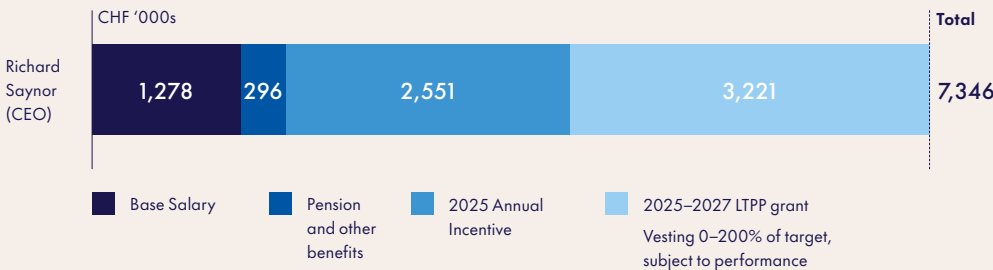
Exhibit 1.1: Structure of Executive Committee compensation

Structure	Component	Purpose
Fixed compensation and benefits	Annual Base Salary	Reflects the individual’s responsibility, skills and experience
	Pension and other benefits	Provides appropriate savings for retirement, risk insurance and other benefits applicable in the local market
Variable compensation linked to performance	Annual Incentive (Cash)	Rewards achievement of short-term financial and ESG objectives, as well as strategic objectives for the CEO and individual contribution to Group performance for the other members
	Long-Term Performance Plan (Performance Share Units)	Drives long-term alignment with shareholder value; equity-based and subject to achievement of long-term performance conditions

2025 CEO compensation

The exhibit below presents the 2025 CEO compensation. The Annual Incentive shown is for the 2025 performance year. The Long-Term Performance Plan (LTPP) is the value of the conditional awards granted in 2025 subject to performance conditions and continued employment over the vesting period of 2025 to 2027.

Exhibit 1.2: 2025 CEO compensation



Summary of compensation arrangements for the Board of Directors

Framework

The compensation of the members of the Board of Directors consists of fixed fees only, with no variable incentive components. Fees comprise a fixed fee for Board of Directors membership. Additional fixed fee(s) are payable to the Vice-Chair as well as to the chairs and members of Board committees. The Board Chair and other members of the Board receive at least 50% of their fees in the form of unrestricted ordinary Sandoz shares, to allow them to build and retain a significant shareholding in Sandoz, following Sandoz share ownership guidelines. They may choose to receive more than 50% of their fees in Sandoz shares. The fees in shares are delivered in two installments in arrears, with the remainder in cash paid in four installments in arrears. The Board fees are paid in Swiss francs (see details in section 3.1 Compensation Policy for the Board of Directors).

Exhibit 1.3: Structure of Board compensation

AGM 2025–26 fees gross, in CHF	Fee for Board membership	Additional fees						
		Vice-Chair	Chair ARCC ¹	Chair HC & ESGC ¹	Chair SIDC ¹	Member ARCC ¹	Member HC & ESGC ¹	Member SIDC ¹
Board Chair	850,000	–	–	–	–	–	–	–
Other members of the Board	200,000	50,000	60,000	50,000	50,000	40,000	30,000	30,000

¹ Board Committees: “ARCC” Audit, Risk and Compliance Committee; “HC & ESGC” Human Capital & ESG Committee; “SIDC” Science, Innovation and Development Committee.

2025 Board compensation

The table below presents the total compensation earned by the members of the Board of Directors during 2025.

Exhibit 1.4: 2025 Board compensation

Board of Directors fees gross, in CHF	Fees in cash	Fees in shares	Other payments ¹	Total in 2025
Total fees	1,149,500	2,070,500	37,244	3,257,244

¹ Other payments include mandatory social security contributions for members of the Board of Directors. They include also mandatory contributions to the Swiss pension plan (legal minimum) for the Board Chair, until age 65.

2. Executive Committee compensation

2.1 Compensation philosophy and principles for the Executive Committee

2.1.1 Compensation philosophy

The ambition of Sandoz is to be the world’s leading generics and biosimilars company. The total rewards packages allow Sandoz to attract and retain top talent in a highly competitive market. Compensation is aligned to the business performance objectives and Values. The compensation framework encourages entrepreneurship while deterring excessive risk-taking that might achieve short-term financial gain while undermining the long-term health of the Company.

Compensation principles

Competitive Total Rewards	Sandoz provides competitive compensation and benefits required to compete for top talent. Benefits are competitive to local market practice and include retirement, insurance and social benefits as well as local perquisites. The elements of Total Rewards are aligned to Company strategy and culture.
Pay for Performance	All employees have variable pay linked to Company and individual performance. Executive Committee members receive a significant proportion of their pay as variable compensation that is linked to Company performance.
Ethics and Values	Business results are achieved through ethical practices, reflected also in the Sandoz Values and the Code of Ethics. Malus and clawback apply where incentive compensation is earned in a manner contravening the law, internal policies or guidelines.
Shareholder Alignment	Executive Committee members receive the highest proportion of their pay in Sandoz equity to align with shareholder interests. They must meet minimum share ownership requirements (see section 2.2.8 Share ownership guidelines).

2.1.2 Benchmarking Executive Committee compensation

Sandoz requires top executive talent with deep expertise, the requisite competencies and proven performance within the healthcare industry (generics, biosimilars, pharma, consumer health). Significant competition exists for top global executive talent in our sector, particularly in the US, which is an important source of talent and a strategic growth market.

The HC & ESGC and Board refer mainly to two peer groups of companies. The primary peer group comprises European headquartered companies, where the pay of Executive Committee roles is targeted at the median to 75th percentile, considering global talent competition. For roles that are based in the US or have a strong US focus, the HC & ESGC considers a secondary peer group of US-headquartered companies to ensure competitiveness. This secondary group is also used for broader global referencing of compensation competitiveness.

The primary and secondary peer groups selected by the Board include companies in competing industry groups (generics, biosimilars, pharma, other healthcare) and some broader consumer

goods companies. While the companies vary in size, peer groups are chosen ensuring Sandoz is close to median in size and scale against the group when assessed against a broad basket of metrics (revenue, market capitalization, scale of global operations, number of employees, industry and competitors for talent).

As a further reference point to complement the two peer groups, the HC & ESGC also has access to compensation data from a broad European pan-sector set of companies of a similar size and scale to Sandoz.

Only regular annual total target compensation of peers is included for benchmarking purposes, and any one-off payments are removed. Benchmarking data is just one point of reference for the HC & ESGC and Board, to ensure pay remains competitive. They also consider the pay of the wider workforce, in particular when determining increases for the Executive Committee.

The peer groups are reviewed annually to ensure continued relevance based on the criteria outlined above. As part of this review, the Board approved the following changes to the peer groups effective as of the 2026 compensation cycle.

In the primary peer group of European-headquartered companies, the Board approved the addition of Galderma, a healthcare entrant to the SMIM which listed on the SIX exchange in 2024, recognizing it as a close industry peer of comparable size.

In the secondary peer group of US-headquartered companies, the Board approved the removal of Catalent Inc. following its delisting. To enhance alignment with company size and industry focus, the Board also decided to replace household goods companies Colgate-Palmolive, Newell Brands, and The Clorox Company with more relevant peers from closely related industries such as the healthcare industry, including generics and over-the-counter medicine manufacturers, where we see competition for talent. The newly added companies are Amneal Pharmaceuticals, Edwards Lifesciences, IQVIA, Kenvue, and Regeneron Pharmaceuticals.

These peer group adjustments position Sandoz closer to the median of the two peer groups in terms of revenue, market capitalization, and number of employees, thereby offering more representative and industry-aligned executive compensation peer groups.

Exhibit 2.1.2: Executive Committee compensation peer groups

Europe (Primary peer group)	
Alcon SA	
Beiersdorf AG	
Danone SA	
Essity AB	
Fresenius Medical Care AG	
Galderma Group AG ¹	
Givaudan SA	
Glanbia plc	
GSK plc	
Haleon plc	
Hikma Pharmaceuticals plc	
Ipsen Pharma SA	
Jazz Pharmaceuticals plc	
Lonza Group AG	
Merck KgaA	
Smith & Nephew plc	
Teva Pharmaceutical Industries Ltd	
UCB SA	

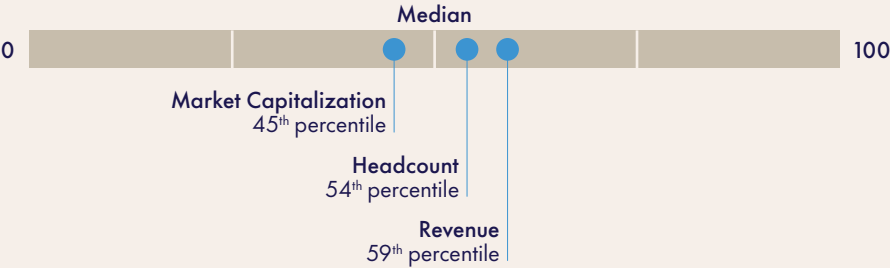
1 Added from 2026 onwards.

US (Secondary peer group) ¹	
Amgen Inc	
Amneal Pharmaceuticals Inc ²	
Bausch Health Companies Inc	
Baxter International Inc	
Biogen Inc	
Edwards Lifesciences Corp ²	
ICON Public Ltd	
IQVIA Holdings Inc ²	
Kenvue Inc ²	
Organon & Co	
Perrigo Company plc	
Regeneron Pharmaceuticals Inc ²	
Viatris Inc	
Zoetis Inc	

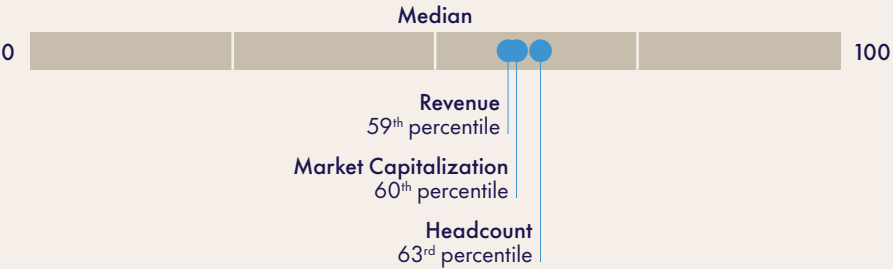
1 Excluded from 2026 onwards: Catalent Inc., Colgate-Palmolive, Newell Brands, and The Clorox Company.

2 Added from 2026 onwards.

EU Peer Group: Sandoz Percentile Positioning



US Peer Group: Sandoz Percentile Positioning



2.2 Compensation framework for the Executive Committee

2.2.1 Compensation overview

The compensation of the members of the Executive Committee consists of fixed and variable compensation elements. Fixed compensation comprises the base salary as well as participation in local benefit programs. Variable compensation comprises annual and long-term incentive awards, which are granted on an annual basis. Details are set out in the following table.

Exhibit 2.2.1.1: Structure of Executive Committee compensation

	Purpose	Vehicle	Target opportunity	Performance metrics
Annual Base Salary	Reflects the individual's responsibility, skills and experience	Cash	Not applicable	Not applicable. However, increases take into account individual performance and development in role
Pension and other benefits	Provides retirement savings, risk insurances and other benefits	Tailored to local market practices and regulations	Retirement benefit provisions are consistent with those for other employees in the same market. Risk insurances and other benefits depend on local practice	Not applicable
Annual Incentive	Rewards achievement of short-term objectives based on the business plan	Cash	Target Annual Incentive is determined as a percentage of base salary. Actual payout is based on performance, between 0%–200% of target	Annual financial and ESG objectives, as well as strategic objectives for the CEO
Long-Term Performance Plan (LTPP)	Ensures long-term alignment with shareholder value and accountability for long-term financial success	Equity	Target LTPP award is determined as a percentage of base salary. Actual vesting is based on performance, between 0%–200% of target	Three-year performance period with metrics related to financial, innovation and ESG objectives, cliff vesting at expiry of performance period

The overall balance between fixed and variable components of the compensation of the Executive Committee reflects the Company's strong focus on performance and ensures alignment with shareholders' long-term interests.

Exhibit 2.2.1.2 shows the ratios of fixed and variable compensation of the CEO and other members of the Executive Committee, both at target and maximum opportunity. The ratios shown are on an

annualized basis assuming the target and maximum compensation based on fixed and variable compensation as on December 31, 2025.

Exhibit 2.2.1.2: 2025 Executive Committee pay ratios

Members of the Executive Committee	Fixed vs. variable compensation at target payout		Fixed vs. variable compensation at maximum payout	
	Fixed compensation ¹	Variable compensation ²	Fixed compensation ¹	Variable compensation ²
Chief Executive Officer	22%	78%	12%	88%
Other nine members (range)	25%–31%	69%–75%	14%–19%	81%–86%

¹ Includes base salary, excludes retirement, insurance, and other benefits.

² Includes the 2025 Annual Incentive and LTPP 2025–2027 awards.

2.2.2 Fixed compensation elements and benefits

The Annual Base Salary is a fixed compensation element. It is reviewed annually considering the market value of the role and benchmark information of peer companies as well as individual development of the incumbents in their roles, their performance, macroeconomic conditions and other relevant factors.

The members of the Executive Committee are enrolled in local benefit plans for retirement income savings, insurance for disability and loss of life. These plans are in line with local legislation and market practice.

2.2.3 Annual Incentive

Executive Committee members participate in the Annual Incentive plan. The awards are offered on an annual basis and are payable in the year following the performance period. The payout of the Annual Incentive awards for Executive Committee members ranges from 0% to 200% of target and depends on the level of achievement of Company annual financial and ESG objectives related to the business strategy. The overall performance assessment also considers achievement of individual strategic objectives set by the Board for the CEO and individual contributions to overall Company performance for other members of the Executive Committee, including role modelling of Sandoz Values and culture.

While setting the targets for the 2025 Executive Committee Annual Incentive, the Board approved a simplification of the ESG Access metric to ensure consistency of definition and calculation methodology with the assured Key Performance Indicator disclosed under ESG reporting in the Integrated Annual Report. "Number of patients treated with Sandoz biosimilars" was updated to "Number of patient treatments with Sandoz biosimilars".

The Executive Committee Annual Incentive is based on the following Company financial and ESG metrics:

Exhibit 2.2.3.1: 2025 Annual Incentive award performance metrics

Performance metrics	Weight
Net sales % growth (in constant currencies)	30%
Core EBITDA margin (as reported)	30%
Free cash flow (reported USD)	30%
ESG Access: Number of patient treatments with Sandoz Biosimilars	10%

The Board for the CEO and the HC & ESGC for the other members of the Executive Committee make the final assessment of performance and payout, within payout ranges defined per performance category. For 2025, the Board approved simplification of the previous Annual Incentive payout matrix, reducing from four to three performance categories and realigning the applicable payout ranges as below:

Exhibit 2.2.3.2: 2025 Annual Incentive payout ranges

Final assessment	Payout (% of target Annual Incentive)
Exceeds expectations	130%–200% (cap)
Meets expectations	90%–130%
Below expectations	0%–70%

The Annual Incentive target values for members of the Executive Committee as part of their compensation packages are as follows:

Exhibit 2.2.3.3: 2025 Target Annual Incentive awards

Position	Target Annual Incentive (payout based on performance between 0%–200% of target, capped)
Chief Executive Officer	110% of Annual Base Salary
Other nine members of the Executive Committee	80%–100% of Annual Base Salary

For each Annual Incentive cycle, the calculated payments resulting from achievements against applicable objectives are reviewed by the HC & ESGC (and for the CEO, by the Board) and an assessment is made as to whether they are a fair reflection of the performance of the Company and the individual. If appropriate, payments may be adjusted downward (including to zero) or, in unusual circumstances, upward (but subject to the overall plan limits set out above, with the rationale disclosed to shareholders).

2.2.4 Long-Term Performance Plan

Under the Long-Term Performance Plan (LTPP) members of the Executive Committee as well as senior leaders are eligible to receive a target number of Performance Share Units (PSUs) on the date of grant. These PSUs are contingent rights to receive, at the end of a three-year cliff-vesting period (at the vesting date), a certain number of shares, which may be higher or lower than the target number of PSUs contingent upon performance achievements.

The target value of the PSUs granted as a percentage of salary depends on the level of responsibility of the executive. The actual number of shares that will eventually be received at vesting will depend on the extent that pre-determined performance conditions have been met, ranging between 0%–200% of target. PSUs carry dividend equivalents that are paid in shares at the time of vesting of the LTPP award.

The CEO and CFO are required to hold the shares vesting under the LTPP (net of applicable tax and social security withholdings) for a minimum of two years after the vesting date.

The LTPP includes financial, innovation and ESG performance metrics that align with the strategic long-term objectives of Sandoz.

To ensure regulatory compliance in the countries where Sandoz operates, including where Sandoz supplies medicines directly to government health systems, the Board approved the removal of the performance metric “improvement of female representation in senior leadership” in the 2025-2027 and 2024-2026 LTPP cycles and redistributed its weight across remaining metrics, to avoid introducing new metrics and targets mid-cycle.

Plan participants are not expected to be materially advantaged or disadvantaged by this change and no material impact on overall vesting levels is anticipated. Sandoz remains committed to fostering an inclusive and equitable workplace where every employee is valued, respected and rewarded fairly.

Environmental Sustainability targets are related to decarbonization in line with the 2027 Climate Transition Plan (CTP). Pay Transparency progress is measured based on the percentage of employees who receive information about how their compensation compares to peers, both internally and externally. Enabling this involves a series of successful deliverables including tailoring internal processes to incorporate this information, setting up technology to deliver it, discussions with Works Councils in applicable countries, and educating managers and employees.

The previously disclosed and updated performance metrics and weights are set out in exhibits 2.2.4.1 and 2.2.4.2:

Exhibit 2.2.4.1: 2025–2027 LTPP performance metrics

Previously disclosed

LTPP Performance metrics		Weight
Financial performance	Core ROIC (3-year average)	30%
	Core EPS (cumulative 3-year target)	30%
Innovation	% Sales from biosimilars/peptides 2027 (as reported, endpoint after 3 years)	20%
ESG	Environmental Sustainability and Diversity, Equity & Inclusion ¹	20%

¹ Includes 10% weight related to decarbonization, 5% related to improvement of female representation in senior leadership and 5% related to percentage headcount covered under pay transparency in 2027.

Updated

Removed metric “improvement of female representation in senior leadership”, redistributed weight across other metrics, increased emphasis on financial performance

LTPP Performance metrics		Weight
Financial performance	Core ROIC (3-year average)	35%
	Core EPS (cumulative 3-year target)	35%
Innovation	% Sales from biosimilars/peptides 2027 (as reported, endpoint after 3 years)	15%
ESG	Environmental Sustainability and Diversity, Equity & Inclusion ¹	15%

¹ Includes 10% weight related to decarbonization and 5% related to percentage headcount covered under pay transparency in 2027.

For the 2024–2026 LTPP cycle, the previously disclosed and updated performance metrics and weights for LTPP 2024–2026 are given below:

Exhibit 2.2.4.2: 2024–2026 LTPP performance metrics

Previously disclosed

LTPP Performance metrics		Weight
Financial performance	Core EBITDA margin (as reported, end point after 3 years)	30%
	Core EPS (cumulative 3-year target)	30%
Innovation	% Sales from Biosimilars (as reported, end point after 3 years)	20%
ESG	Environmental Sustainability and Diversity, Equity & Inclusion ¹	20%

¹ Includes 10% weight on environmental sustainability targets and 10% related to improvement of female representation in senior leadership.

Updated

Removed metric “improvement of female representation in senior leadership”, redistributed weight across remaining metrics

LTPP Performance metrics		Weight
Financial performance	Core EBITDA margin (as reported, end point after 3 years)	32.5%
	Core EPS (cumulative 3-year target)	32.5%
Innovation	% Sales from Biosimilars (as reported, end point after 3 years)	22.5%
ESG	Environmental Sustainability	12.5%

The LTPP target values for members of the Executive Committee as part of their compensation packages are as follows:

Exhibit 2.2.4.3: 2025 Target LTPP awards

Position	Target LTPP Awards (Vesting based on performance, 0%–200% of target, capped)
Chief Executive Officer	250% of Annual Base Salary
Other nine members of the Executive Committee	140%–200% of Annual Base Salary

For each LTPP cycle, the potential payments in shares resulting from achievement against applicable objectives are reviewed by the HC & ESGC and the Board. Before payments are made, an assessment is made as to whether the achievements are a fair reflection of the performance of the Company.

2.2.5 Malus and clawback conditions

Any incentive compensation payable to Executive Committee members is 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 laws – to reduce or forfeit any unpaid or unvested incentive compensation (malus), or to recover incentive compensation that has been paid or has vested in the past (clawback). This applies in cases where the payout has resulted from a violation of laws or conflicts with internal management standards, including Company and accounting policies. These rules apply to both the Annual Incentive and LTPP awards.

2.2.6 Employment terms and conditions

All Executive Committee members have a 12-month notice period during which they are entitled to their contractual base salary, pro rata Annual Incentive, retirement, insurance and other local benefits. No new LTPP grants are made during the notice period.

Members of the Executive Committee may be relocated or assigned to other countries for business purposes. These executives receive relocation support, international benefits, tax equalization and perquisites that are in line with the Company’s policies for international mobility and transfers.

For Executive Committee members that leave due to voluntary resignation or termination by the Company for misconduct or poor performance, all variable compensation elements (Annual Incentive and unvested LTPP awards) are forfeited.

For Executive Committee members that are determined by the HC & ESGC (for the CEO by the Board) to be “good leavers”, for example in cases of retirement, termination by the Company for reasons other than performance or conduct and change of control, the Annual Incentives are prorated for the period of employment and payable at the end of the notice period or upon leaving the Company. In the same events, unvested LTPP awards are released on the original payment or vesting date with no acceleration; however, they are prorated for the period of employment and subject to an assessment of the applicable performance conditions.

All LTPP awards are subject to forfeiture if a good leaver joins a competitor company as defined in the applicable plan rules, before the original vesting date.

In the case of death or long-term disability, LTPP awards granted at least one year prior will vest in full on an accelerated basis, using performance to date or, if unavailable, at target. Awards granted less than one year prior will vest on a prorated basis.

In line with the prohibitions on certain types of compensation arrangements outlined in the Swiss Code of Obligations, Executive Committee members are not entitled to any severance payments.

2.2.7 Buyout awards

In order to recruit external talent required for the Executive Committee, the HC & ESGC may decide to replace compensation (including outstanding equity awards) or benefit entitlements that are forfeited when an executive leaves the previous employer to join Sandoz. The buyout is either at or below its commercial value and made on a like-for-like or more stringent basis to the forfeited entitlement, provided in either cash or equity, usually with an equal or longer vesting or blocking period, subject to performance conditions if applicable, continued employment, and malus and clawback provisions. Use of replacement awards is consistent with market practice and ensures Sandoz is able to attract high-quality external talent.

2.2.8 Share ownership guidelines

Executive Committee members are expected to build and retain a significant shareholding in Sandoz to align their interests with those of other shareholders. The minimum requirements are as follows:

Exhibit 2.2.8: Executive Committee minimum share ownership guidelines

Position	Minimum ownership requirement	Timeframe
Chief Executive Officer	3x Annual Base Salary	Within 5 years of appointment
Other members of the Executive Committee	2x Annual Base Salary	Within 5 years of appointment

Unvested PSUs, which are still subject to performance conditions, do not count towards the minimum share ownership requirement.

Executive Committee members must retain all Sandoz shares received from the Company until the minimum ownership level is met (net of applicable taxes). The CEO and the CFO are required to hold the shares received under the LTPP for a minimum of two years after the vesting date.

2.3 2025 Joining and leaving members in the Executive Committee

2.3.1 Appointments

Peter Stenico, President International

Peter Stenico was promoted internally as President International and joined the Executive Committee effective March 1, 2025.

2.3.2 Departures

Francisco Ballester

Francisco Ballester, previously President International, stepped down from the Executive Committee on March 1, 2025. All payments made to Francisco Ballester from his step-down date until his separation date February 28, 2026, are in line with his employment contract, incentive plan rules and the Swiss Code of Obligations. In line with our policy on Executive Employment terms (see Section 2.2.6), he is entitled to his contractual base salary, pro rata Annual Incentive, continued contributions to the pension and insurance plan, and other local benefits till the separation date. No severance payments were or will be made.

Outstanding equity awards will vest on a pro-rata basis as per the original vesting schedule and in accordance with the relevant plan rules. These awards will continue to be subject to performance conditions as well as malus and clawback provisions. No new LTPP grants are made after the stepdown date.

2.4 2025 Compensation for the Executive Committee

2.4.1 2025 Executive Committee compensation

The aggregate compensation paid or promised to the members of the Executive Committee during the financial year 2025 was CHF 32,848,241 as set out in exhibit 2.4.1. This amount is within the approved budget of CHF 45,235,000 by the shareholders of Sandoz.

Total Executive Committee compensation in 2025 decreased by 11% compared to 2024. 2024 included one-off replacement awards for the externally hired CFO to compensate for financial losses incurred upon leaving his previous employer. The decrease was partially offset by compensation increases for certain Executive Committee members in line with market, performance or role expansion.

The table below includes Executive Committee Annual Base Salary paid in 2025, Annual Incentive paid in cash for the 2025 performance year, grant value of Performance Share Units for LTPP granted in 2025 for the 2025–2027 performance cycle (vesting subject to performance conditions with payout range 0–200%), pension and other benefits.

Exhibit 2.4.1: 2025 Executive Committee compensation

	Fixed compensation		Variable compensation		Additional compensation	Total 2025	Ratio	Total in 2024
	Annual Base Salary	Retirement, insurance benefits ^{1, 2}	Annual Incentive 2025	LTPP awards 2025–2027 ³	Other benefits ⁴	Total compensation ⁵	Fixed/Variable compensation ⁶	Total compensation
Executive Compensation gross, in CHF	Amount in cash	Amount value	Amount in cash	PSU value at grant	Amount	Amount	%	Amount
Richard Saynor (CEO, highest paid)	1,278,125	178,354	2,550,933	3,220,888	117,525	7,345,825	20%/80%	6,845,919 ⁸
Aggregate amount of other Executive Committee members ⁷	6,043,702	1,639,075	7,959,816	9,131,203	728,620	25,502,416	30%/70%	30,236,780
Total	7,321,827	1,817,429	10,510,749	12,352,091	846,145	32,848,241	28%/72%	37,082,699

All numbers disclosed in this table were audited.

¹ Includes actual contributions paid to the relevant Company benefit plan.

² Includes CHF 61,431 in mandatory contributions paid by Sandoz to governmental social security systems for all Executive Committee members, which provide a right to the maximum future benefit. This amount is out of total employer contributions of CHF 2,000,670.

³ Value of Performance Share Units (PSUs) at grant. The annual Sandoz LTPP award was granted on February 19, 2025 for the performance period 2025–2027 at the closing market price of CHF 42.26.

⁴ Includes the value of Company-provided perquisites, benefits-in-kind, government-mandated family allowance and tax support. For members of the Executive Committee who were relocated or assigned to other countries, benefits are paid in line with company policies applicable to other employees, including relocation, schooling, family support, housing, tax and social security gross-ups and equalization.

⁵ Payments to Executive Committee members were made in CHF, USD and EUR. The exchange rates were: 1 USD to 0.832 CHF, 1 EUR to 0.937 CHF (average annual exchange rates 2025).

⁶ Fixed compensation includes base salary, retirement and insurance benefits. Variable compensation includes the actual 2025 Annual Incentive paid and LTPP 2025–2027 awards granted at target level. The ratios shown are on an annualized basis.

⁷ Includes the compensation of one member (Francisco Ballester) who stepped down during the financial year 2025.

⁸ The amount of CHF 6,845,919 refers to Richard Saynor's 2024 compensation. In 2024, due to a one-off buyout, the highest paid member of the Executive Committee that year was the newly appointed CFO, Remco Steenberg. As disclosed in detail in the 2024 Compensation Report, his total compensation for the year was CHF 9,026,919.

The total compensation for 2024 shown in exhibit 2.4.1 covers the period from January 1, 2024 to December 31, 2024, in line with Swiss law. Further details can be found on page 71 of the 2024 Integrated Annual Report.

2.4.2 2025 Annual Incentive awards

CEO Annual Incentive

At the beginning of 2025, the Board of Directors set the targets under the four Annual Incentive metrics applicable to the CEO and the other members of the Executive Committee. The Board also set strategic objectives applicable only to the CEO. The table below outlines the CEO's performance against the Annual Incentive targets.

Exhibit 2.4.2: 2025 CEO Annual Incentive

Assessment of Group performance on financial and ESG targets

Metrics	Weight	Achievements			Board Assessment
		Threshold	Target	Maximum	
Net sales % growth (in constant currencies)	30%		6.2%		Between threshold and target
Core EBITDA margin (as reported)	30%		21.3%		Between target and maximum
Free cash flow (in USD billion)	30%		0.573		Exceeded maximum
ESG Access: Number of patient treatments with Sandoz Biosimilars – in '000	10%		1'915		Exceeded maximum

Assessment of CEO's achievements against strategic objectives

Performance Management	- Delivered exceptional increase in company value with a one-year share price growth of 56%, and a total share price growth of more than 140% since the spin-off in October 2023, outpacing peers and the major market indices. This above-market performance was also reflected in a 58.5% total shareholder return and increase in market capitalization from USD 18 billion in 2024 to USD 32 billion in 2025. - Improved sales mix, with biosimilars reaching 30% of net sales, three years ahead of the investment case that was presented to shareholders in advance of the spin-off, supported by successful high impact biosimilar launches including Wyost® and Jubbonti® (denosumab), Pyzchiva® (ustekinumab), Tyruko® (natalizumab) and Afqlir® (afibercept) in 2025.	Exceeded expectations
Strategic Reframing	- Reinforced in-house biosimilar capabilities with establishment of an end-to-end biosimilars development and supply European hub in Slovenia and strategic acquisition of Just-Evotec Biologics EU SAS, to capitalize on biosimilar market opportunities. - Advanced biosimilars pipeline, with eight additional assets in early development, bringing the total biosimilars assets in the development pipeline to 27. - Positioned Sandoz as voice of the industry for affordable medicines through engagement with investors, policymakers and top-tier media outlets towards policy shaping and reputation building. Led the dialogue to expand US-patient access to biosimilars, and to advance Europe's antibiotic independence through advocacy for sustainable supply.	
Organizational Building	- Organization transformation ahead of schedule, delivering simpler ways of working, technology modernization and margin gains. Simplified external supply network and exited 99% of technology Transitional Service Agreements with prior parent company. - Drove strong employer value proposition, evidenced by employee engagement ahead of the pharma benchmark (Peakon 2025) & external Glassdoor ratings. - Delivered access to over 1 billion patients in more than 100 countries and generated USD 26 billion in savings for healthcare systems in North America, Europe, and other key markets. Submitted SBTi targets ahead of expected timeline. Achieved ESG ratings in line or ahead of peers from key agencies, including ISS and MSCI.	

Final assessment and payout

The Board evaluated holistically the performance of the CEO against his financial and strategic objectives. Based on his overall value creation for Sandoz – including positioning of the company and building trust internally and externally resulting in market-leading shareholder value creation in 2025, continuing the outstanding performance since the spin-off, and delivering record biosimilar launches that position Sandoz to capitalize on the unprecedented loss of exclusivity opportunity over the next decade – the Board approved a final payout of 180% of target within the applicable range of Exceeds expectations (130%–200%), resulting in a payout of CHF 2,550,933.

Other members of the Executive Committee

The CEO made Annual Incentive payout recommendations for the members of the Executive Committee based on Company performance against the financial and ESG metrics and considering their individual contribution to overall Company performance, including role modeling of Sandoz Values and culture. The Board Chair, and the HC & ESGC reviewed these recommendations carefully and the HC & ESGC decided on the payouts of the 2025 Annual Incentive.

For the Executive Committee members (excluding the CEO), the Annual Incentive payouts ranged from 107% to 180% within the range of 0–200% of target.

2.4.3 2023–2025 Keep Whole and Refill LTPP Awards

Vesting of Sandoz LTPP in 2026

There was no vesting of Sandoz LTPP in 2026, as the first Sandoz LTPP was granted in February 2024 for the 2024–2026 performance cycle.

When the first Sandoz LTPP awards for performance cycle 2024–2026 vest, achievements and the payout factor will be retrospectively disclosed.

Vesting of Keep Whole and Refill Awards in 2026

If employed in January 2023 while Sandoz was a division of its previous parent company (and if eligible at that time), certain employees, including some Executive Committee members prior to their appointment to the Sandoz Executive Committee, received a performance-based Long-Term Incentive award in PSUs for the performance period 2023–2025.

At the spin-date, they received a Keep Whole Award¹. At the same time, 9 of the 36 months of the awards remained in previous parent company equity (not disclosed in this report), and the other portion equivalent to 27/36 was forfeited. The forfeited equity was refilled in Sandoz equity awards, called Refill Awards¹ with a performance period of 27 months.

In October 2023, the Sandoz Board of Directors set performance conditions that were applicable to the Keep Whole Awards and Refill Awards. To keep business focus on financial targets from the Sandoz business plan that were set in the ordinary course of business, the Board of Directors decided to apply the weighted average of the Sandoz 2023, 2024 and 2025 performance factors to the vesting of the Keep Whole and Refill Awards. These awards vested in February 2026.

The prorated Keep Whole and Refill Awards in PSUs of the CEO and of any other members of the Executive Committee (if applicable) vested at 145% of target (within a range of 0–200%), plus dividend equivalents accrued over the 27 months, paid in unrestricted Sandoz shares. The final payout for these Keep Whole and Refill Awards is calculated as presented in Exhibit 2.4.3.1:

Exhibit 2.4.3.1: 2023–2025 Keep Whole and Refill Awards vesting (27/36 months cycle)

Performance Factor	Weight	Weighted payout
2023 Performance Factor	3 months	144% as disclosed in 2023 Compensation Report
2024 Performance Factor	12 months	145% as disclosed in 2024 Compensation Report
2025 Performance Factor	12 months	144%
Final payout factor (range 0%–200%)		145%

The performance factor for 2023 was based on targets that were set while Sandoz was a division of Novartis. The targets were set across four equally weighted financial metrics: Net Sales, Core Operating Income, Free Cash Flow, Core Operating Margin.

The performance factors for 2024 and 2025 included three equally weighted financial metrics: Net Sales % growth, Core EBITDA margin and Free Cash Flow. Performance per metric is outlined below for 2025. 2024 performance details can be found on page 73 of the 2024 Integrated Annual Report.

Exhibit 2.4.3.2: 2025 Performance Factor for Keep Whole and Refill Awards vesting

Performance Metric	Weight	Target	Board Assessment
Net sales % growth (in constant currencies)	33%	6.2%	Between threshold and target
Core EBITDA margin (as reported)	33%	21.3%	Between target and maximum
Free cash flow (in USD billion)	33%	0.573	Exceeded maximum
2025 Performance Factor (range 0%–200%)			144%

2.4.4 Payments to former members of the Executive Committee (audited)

All payments made to the two former members of the Executive Committee during the reporting period were in line with the terms of their employment contracts, the applicable incentive plan rules, the Company’s Policy on Executive Employment Terms (see Section 2.2.6), and the provisions of the Swiss Code of Obligations.

The total remuneration paid to the two former Executive Committee members amounted to CHF 1,112,297 during the reporting period. Pierre Bourdage was the highest-paid former member during the reporting period and received a total remuneration of CHF 944,030, in accordance with Company policy and applicable plan rules.

Further details regarding the separation terms can be found on page 70 of the 2024 Integrated Annual Report.

¹ Please refer to the Sandoz 2023 Integrated Annual Report (pages 98–99) for details of the Sandoz Equity Restoration Plan (including a detailed description of Keep Whole and Refill Awards).

2.5 Shareholdings of members of the Executive Committee

As at December 31, 2025, the total number of shares or American Depositary Receipts (Level I ADR) owned by each member of the Executive Committee and “related parties” (see Section 4.4 for an understanding of “related parties”) is set out in the table below:

Exhibit 2.5: Shareholdings of members of the Executive Committee

Executive Committee member	Vested shares and ADRs ¹	Unvested RSUs ²	Unvested PSUs ³	Total as at Dec. 31, 2025	Total as at Dec. 31, 2024
Richard Saynor Chief Executive Officer	42,316	1,103	235,923	279,342	202,591
Remco Steenberg Chief Financial Officer	47,953	49,306	183,152	280,411	228,253
Ingrid Sollerer General Counsel and Chief Compliance Officer	42,813	–	60,538	103,351	82,244
Tripti Jha Chief People Officer	7,982	10,603	70,019	88,604	76,766
Claire D’Abreu-Hayling Chief Scientific Officer	7,645	217	59,654	67,516	49,537
Glenn A. Gerecke Chief Manufacturing and Supply Officer	10,668	39	52,435	63,142	52,780
Christophe Delenta President Europe	10,740	8,916	34,496	54,152	33,137
Keren Haruvi President North America	12,226	298	76,256	88,780	63,050
Peter Stenico President International (from March 1, 2025)	1,354	3,795	23,193	28,342	n/a
Rebecca Guntern Chief Commercial Officer	41,304	377	96,347	138,028	103,083
Sub-Total	225,001	74,654	892,013	1,191,668	891,441
Executive Committee member who stepped down in 2025					
Francisco Ballester	22,686	276	40,697	63,659	62,112
Sub-Total	22,686	276	40,697	63,659	62,112
Total	247,687	74,930	932,710	1,255,327	953,553

All numbers disclosed in this table were audited.

¹ Ordinary Sandoz shares listed at the Swiss Stock Exchange SIX and Level I ADR (OTC-quoted in the US) held by the members of the Executive Committee and “related parties”.

² The numbers of unvested RSUs also include unvested Keep Whole and Refill Awards received at spin-off.

³ The numbers represent the unvested, granted PSUs. The numbers of PSUs at vesting and converted to shares may be lower or higher depending on the payout of the awards.

The balance of holdings in Sandoz shares as of December 31, 2024 is shown in exhibit 2.5 for comparison. For details, please refer to page 74 of the 2024 Integrated Annual Report.

2.6 Executive Committee compensation framework from January 2026

Following its annual review of the Executive Committee compensation framework, the Board approved the following changes, to ensure continued alignment with future business objectives.

2.6.1 2026 Annual Incentive

2.6.1.1 2026 Annual Incentive award performance metric

The ESG Access metric “Number of patient treatments with Sandoz biosimilars” will be replaced with “Annual patient access expansion”, measured through volume growth across biosimilars and generics, a simpler metric designed to drive Patient Access across the entire portfolio. The metric is assured and transparently disclosed in this Annual Report.

2.6.2 2026–2028 LTPP

2.6.2.1 2026–2028 LTPP performance metric

For the 2026–2028 LTPP cycle, the pay transparency metric was removed as the organization is on track to deliver this objective. The 5% weight has been redistributed to the innovation category, increasing its weight from 15% to 20%, reinforcing driving growth in biosimilars and peptides.

Exhibit 2.6.2.1 2026–2028 LTPP performance metrics

LTPP Performance metrics	Weight
Financial performance	Core ROIC (3-year average)
	Core diluted EPS (cumulative 3-year target)
Innovation	% Sales from biosimilars and peptides 2028 (as reported, endpoint after 3 years)
ESG	SBTi decarbonization target: Reduction by 2028 as per Climate Transition Plan (CTP)

2.6.2.2 CEO’s Target LTPP award from 2026

While conducting the CEO’s annual compensation review, the Board considered the CEO’s sustained multi-year strong performance, the exceptional shareholder return generated in 2025 and since the spin-off, and the record number of strategic biosimilar product launches in 2025. It was further noted that over the last three compensation cycles his target compensation had fallen below the median of the primary peer group of European headquartered companies. To recognize his sustained strong performance, improve competitive positioning versus market and support long-term retention, the Board approved an adjustment to the CEO’s Target LTPP award from 250% to 280% of Annual Base Salary, within the established pay for performance framework. This is the first increase in the CEO’s target variable compensation since the spin-off and is fully contingent on achieving the long-term company performance targets set by the Board.

As shown in Exhibit 2.6.2.2, no changes were made to the Target LTPP award range for the other members of the Executive Committee. No changes were made to the Target Annual Incentive award ranges for either the CEO or the other Executive Committee members.

Exhibit 2.6.2.2 2026 Target LTPP awards

Position	Target LTPP Awards (Vesting based on performance, 0%–200% of target, capped)
Chief Executive Officer	280% of Annual Base Salary
Other nine members of the Executive Committee	140%–200% of Annual Base Salary

3. Board of Directors compensation

3.1. Compensation policy for the Board of Directors

3.1.1 Fees

Based on proposals from the HC & ESGC, the Board of Directors sets the level of compensation for its Chair and the other members of the Board. The levels are in line with relevant benchmarks of compensation in other companies, specifically of Swiss multinational companies of broadly comparable size represented in the Swiss Market Index (SMI) as well as the Swiss Market Index Mid (SMIM) reflecting the Swiss legal and governance environment. The Board reviewed the compensation benchmarking peer group for the upcoming term of office. Effective the 2026 AGM, the Board approved the addition of Galderma as it is considered a close comparator in terms of industry and company size. The updated peer group is given below:

Exhibit 3.1.1.1: Peer group for Board compensation

ABB	Adecco	Alcon
Barry Callebaut	Clariant	Galderma ¹
Geberit	Givaudan	Holcim
Kühne + Nagel	Lonza	Richemont
Schindler	SGS	Sika
Sonova	Straumann	Swatch
Swisscom		

¹ Added from 2026 onwards.

The compensation of the members of the Board of Directors consists of fixed fees only, with no variable pay elements, incentives and no financial instruments (eg, share options). Fees comprise a fixed fee for Board of Directors membership, and additional fixed fee(s) for the Vice-Chair as well as the chairs and members of Board committees.

The Board Chair's time commitment to his role and his responsibilities are considerably higher than other members of the Board of Directors. This is reflected in the Board Chair fee for a term of office. On the other hand, the Board Chair does not receive any separate compensation for work or participation in Board Committees.

The Company does not offer its employee retirement or insurance pension plans to members of the Board of Directors or pay contributions to such plans. Where the Company is required by law in specific cases, to provide mandatory retirement and insurance benefits, a separate basic plan is offered with contributions up to regulatory limits.

Exhibit 3.1.1.2: Structure of Board compensation

AGM 2025–26 fees gross, in CHF

Board Chair fee	850,000
Board membership fee	200,000

Additional fees gross, in CHF:¹

	Vice-Chair	Committee Chair	Committee member
Vice-Chair	50,000		
Audit, Risk and Compliance Committee		60,000	40,000
Human Capital & ESG Committee		50,000	30,000
Science, Innovation and Development Committee		50,000	30,000

¹ The Board Chair does not receive additional fees for participation in any of the Board committees.

The Board Chair and the other members of the Board receive at least 50% of their total fees in the form of unrestricted ordinary Sandoz shares based on the market value on the day the shares are granted. In a term of office from the AGM in one year to the next the shares are delivered in two instalments in arrears. All members of the Board may choose to receive more than 50% of their fees in Sandoz shares. The remaining fees are paid in cash in four instalments in arrears.

Sandoz pays mandatory Company contributions to the governmental social security systems where applicable. Members of the Board bear the cost of their own mandatory employee social security contributions, if any.

Members of the Board are reimbursed for normal business expenses (eg, transport, hotels, meals during business travel when attending Board meetings), based on the Company's travel and expense policy.

The Board of Directors compensation policy does not provide for any severance or termination-related payments.

3.1.2 Share ownership guidelines

Board members are expected to build and retain a significant shareholding in Sandoz shares, to align their interests with those of other shareholders. The minimum requirements are as follows:

Exhibit 3.1.2: Board minimum share ownership guidelines

Position	Minimum ownership requirement	Timeframe
Board Chair	1x Board Chair fee	Within four years of joining the Board of Directors
Other Board members	1x Board membership fee	Within four years of joining the Board of Directors

Board members must retain all Sandoz shares received from the Company until the minimum ownership requirement is met (net of applicable taxes).

Members of the Board of Directors are required to maintain their minimum ownership requirement during their full tenure, and for a year after leaving the Board of Directors.

3.2 Departing and joining members of the Board of Directors

There were no departing or joining members of the Board of Directors during 2025.

3.3 2025 Compensation for the Board of Directors

3.3.1 Fees of members of the Board of Directors

The audited table in exhibit 3.3.1 sets out the compensation earned by the members of the Board of Directors in the period from January 1, 2025, to December 31, 2025.

The Board of Directors’ fees are payable for services from the 2025 AGM to the 2026 AGM. However, the 2025 Compensation Report covers the payments earned during 2025. The compensation disclosed in exhibit 3.3.1 represents the fees earned for services from January to April 2025, ie, of the previous term, and the fees earned for services from May to December 2025 of the term 2025 AGM to 2026 AGM, being the current term.

Exhibit 3.3.1: 2025 Board fees

Board compensation gross, in CHF

Board Member	Board Function ¹	Fees earned in 2025			in 2024	
		Fees in cash	Fees in shares ²	Other payments ³	Total earned 2025	Total earned 2024
Gilbert Ghostine	Board Chair	425,000	425,000	6,307	856,307	861,993
Karen J. Huebscher	Vice-Chair Chair of the SIDC Member of the ARCC	170,000	170,000	4,808	344,808	344,675
Urs Riedener	Chair of the HC & ESGC	62,500	187,500	4,808	254,808	254,675
Shamiram R. Feinglass	Member of the SIDC	115,000	115,000	–	230,000	230,000
Aarti Shah	Member of the HC & ESGC Member of the SIDC	130,000	130,000	–	260,000	260,000
Yannis Skoufalos	Member of the HC & ESGC Member of the SIDC	130,000	130,000	–	260,000	250,000
Maria Varsellona	Member of the ARCC Member of the HC & ESGC	45,000	225,000	8,256	278,256	277,805
Mathai Mammen	Member of the SIDC	–	230,000	–	230,000	153,333
Michael Rechsteiner	Member of the ARCC Member of the HC & ESGC	72,000	198,000	4,808	274,808	184,675
Graeme Pitkethly	Chair of the ARCC	–	260,000	8,256	268,256	181,138
Sub-Total		1,149,500	2,070,500	37,244	3,257,244	2,998,294
Board members who⁴ stepped down at the 2024 AGM or earlier		–	–	–	–	167,175
Sub-Total		–	–	–	–	167,175
Total		1,149,500	2,070,500	37,244	3,257,244	3,165,469

All numbers disclosed in this table were audited.

¹ ARCC: Audit, Risk and Compliance Committee; HC & ESGC: Human Capital & ESG Committee; SIDC: Science, Innovation and Development Committee.

² The value of fees in shares reported in this column represents the total fees earned in shares for the period January 1, 2025 to December 31, 2025. The amounts shown represent the gross fees in shares of each Board member for the respective service period. The first share instalment was on February 3, 2025, with share price CHF 42.40. The second share instalment was on September 1, 2025, with share price CHF 50.20.

³ Includes CHF 37,244 mandatory contributions paid by Sandoz to governmental social security systems for members of the Board of Directors and also mandatory contributions to the Swiss pension plan (legal minimum) for the Board Chair. This amount is out of total Sandoz contributions of CHF 171,653, and provides the right to the maximum future insured government pension benefit.

⁴ Includes compensation earned by François-Xavier Roger and Remco Steenbergen, who stepped down from the Board of Directors at the 2024 AGM or earlier.

The fees paid up to the 2025 AGM remained within the budget approved at the 2024 AGM for the term from the 2024 AGM to the 2025 AGM.

The total of fees paid for services to the Board within the period of the current term covered in this report and the remainder of fees payable to members of the Board of Directors for services in 2026 up to the 2026 AGM will be within the maximum aggregated budget of CHF 3,400,000 prospectively approved by shareholders at the 2025 AGM. While Board fees remained stable over 2024 and 2025, the small increase in total Board compensation in 2025 is primarily due to the number of Board members that served for the full financial year and change in committee composition.

The total fees earned in 2024 shown in exhibit 3.3.1 covers the period from January 1, 2024, to December 31, 2024. Further details can be found on page 77 of the 2024 Integrated Annual Report.

3.3.2 Payments to former members of the Board of Directors

No payments were made to any former members of the Board of Directors for the reporting period.

3.4 Shareholdings of members of the Board of Directors

As at December 31, 2025, the total number of shares owned by each of the members of the Board of Directors and "related parties" (see Section 4.4 for an understanding of "related parties") is set out in the table below. All members of the Board of Directors have met their shareholding requirement ahead of the required timeframe.

Exhibit 3.4: Shareholdings of members of the Board

Board member	Function ¹	Shares At Dec 31, 2025 ²	Shares At Dec 31, 2024
Gilbert Ghostine	Board Chair	62,711	53,467
Karen J. Huebscher	Vice-Chair, Chair of the SIDC, Member of the ARCC	24,155	13,528
Urs Riedener	Chair of the HC & ESGC	11,955	7,877
Shamiram R. Feinglass	Member of the SIDC	4,913	3,037
Aarti Shah	Member of the HC & ESGC, Member of the SIDC	5,553	3,433
Yannis Skoufalos	Member of the HC & ESGC, Member of the SIDC	17,039	14,919
Maria Varsellona	Member of the ARCC, Member of the HC & ESGC	6,726	3,565
Mathai Mammen	Member of the SIDC	6,098	2,346
Michael Rechsteiner	Member of the ARCC, Member of the HC & ESGC	6,815	2,571
Graeme Pitkethly	Chair of the ARCC	6,607	2,523
Total		152,572	107,266

All numbers disclosed in this table were audited.

¹ ARCC: Audit, Risk and Compliance Committee; HC & ESGC: Human Capital & ESG Committee; SIDC: Science, Innovation and Development Committee.

² Ordinary Sandoz shares listed at the Swiss Stock Exchange SIX held by the Board member and "related parties" (no Level I ADRs quoted in the US were held).

The balance of holdings in Sandoz shares as of December 31, 2024, is shown in exhibit 3.4 for comparison. For details, please refer to page 78 of the 2024 Integrated Annual Report.

3.5 Board compensation framework for the 2026 AGM to 2027 AGM

3.5.1 Structure of Board compensation

When conducting its periodic review and benchmarking of its fees, the Board has noted that for the last three terms of service, the fees for certain board roles have lagged behind market. No changes to fees have been proposed until now, as Sandoz was still establishing itself as an independent and successful generics and biosimilars company.

For the 2026 AGM to 2027 AGM term, the Board has approved increases to the following Board roles:

- Board Chair fee from CHF 850,000 to CHF 900,000
- Board Membership fee from CHF 200,000 to CHF 205,000
- Committee Chairs of the HC & ESGC and SIDC from CHF 50,000 to CHF 60,000

These increases take into account both the market data and the time commitment and responsibilities associated with the different roles.

Fee adjustments will increase the maximum aggregate compensation for the Board of Directors by 3% and will be submitted for shareholder approval at the 2026 AGM.

The Board fees applicable from the 2026-2027 AGM term are as follows:

AGM 2026-27 fees gross, in CHF

Board Chair fee	900,000
Board membership fee	205,000

Additional fees gross, in CHF:¹

	Vice-Chair	Committee Chair	Committee member
Vice-Chair	50,000		
Audit, Risk and Compliance Committee		60,000	40,000
Human Capital & ESG Committee		60,000	30,000
Science, Innovation and Development Committee		60,000	30,000

¹ The Board Chair does not receive additional fees for participation in any of the Board committees.

4. Compensation governance

4.1 Human Capital & ESG Committee

The Board of Directors determines the overall compensation philosophy and principles and is responsible for approving all compensation payable to the members of the Board of Directors and the CEO.

The HC & ESGC supports the Board of Directors with respect to rewards topics by:

- Recommending the compensation philosophy and principles for the members of the Board and the Executive Committee.
- Preparing the proposals to the general meeting of shareholders regarding the prospective compensation budgets for the Board of Directors and the Executive Committee.
- Preparing the Compensation Report.
- Determining the fixed and variable compensation of members of the Executive Committee other than the CEO.

Approval and authority levels on compensation matters are as follows:

Exhibit 4.1: Authority levels

	CEO	Board Chair	HC & ESGC	Board of Directors	General meeting of shareholders
Compensation principles and policies			Propose	Approve	
Maximum aggregate compensation of the Board of Directors			Propose	Endorse	Approve (binding vote)
Maximum aggregate compensation of the Executive Committee			Propose	Endorse	Approve (binding vote)
Individual compensation of Board Chair and other members of the Board of Directors			Propose	Approve	
CEO compensation		Propose	Review	Approve	
Individual compensation of other members of the Executive Committee	Propose	Review	Approve		
Compensation Report			Propose	Approve	Advisory vote

The HC & ESGC meets at least four times a year. It comprises fully independent members of the Board of Directors. During 2025 the HC & ESGC held seven meetings. The Board Chair, CEO, Chief People Officer and other members of management may attend HC & ESGC meetings as guests by invitation as required. However, no executive is present when their own compensation is discussed. The Chair of the HC & ESGC provides an update to the Board of Directors on decisions made with respect to matters discussed by the Committee including decisions regarding the compensation of

the other nine members of the Executive Committee (excluding the CEO, whose compensation is decided by the Board).

During the period from 2025 AGM to the 2026 AGM, the members of the HC & ESGC were: Urs Riedener (Chair), Aarti Shah, Yannis Skoufalos, Michael Rechsteiner and Maria Varsellona. The HC & ESGC received independent compensation advice from Deloitte. The independent advisor from Deloitte, including their team that advised and supported the HC & ESGC, are not responsible or rewarded for work beyond such support provided to the HC & ESGC and the People & Organization function on executive compensation.

4.2 Shareholders' say-on-pay

This 2025 Compensation Report will be subject to an advisory vote at the 2026 AGM.

In line with Swiss law and the Articles of Incorporation, the Board of Directors will annually submit to the General Meeting of shareholders for vote and approval, the maximum aggregate amount of compensation for: (i) the Board of Directors, payable for the upcoming term of office (ie, in the period from one AGM to the next), and separately, (ii) the maximum aggregate amount of compensation for the Executive Committee, payable in the following financial year. Given the variable nature of a significant portion of compensation of the Executive Committee, the proposed maximum aggregate amount will typically be higher than the compensation paid or awarded.

The Compensation Report of any future financial year will be subject to a non-binding advisory vote of shareholders at the next AGM.

4.3 External mandates

Members of the Executive Committee

The external mandates of the members of the Executive Committee in other companies or organizations as at December 31, 2025 (according to the Swiss Code of Obligations, Art. 734e, activities in other companies) are as follows:

Exhibit 4.3.1: Activities of the members of the Executive Committee

Name	Role	Organization	2025	2024
Christophe Delenta ¹				
Claire D’Abreu-Hayling ²	Director	Black Phoenix Enterprise Ltd, London, UK	•	•
Rebecca Guntern	Member of the board of directors, and chair of the human resources and compensation committee	BKW AG, Berne, Switzerland	•	•
Keren Haruvi	Chair and a member of the board of directors	Association of Accessible Medicines, Washington DC, USA	•	•
	Venture advisor	Israel Biotech Fund, Israel	•	•
Departing members				
Francisco Ballester ³	Member of the Health Management and Policy Advisory Council	Miami Herbert Business School, Coral Gables FL, USA	•	•
	Chief Executive Officer	Ocubio	•	

The information in this table was audited.

1 Christophe Delenta took up a new role as Vice-President at Medicines for Europe (MFE) effective January 2026.
2 The disclosure of the mandate as Trustee in Elim College Limited, Malvern, UK has been discontinued as the mandate does not hold an economic purpose.
3 Francisco Ballester took up a new role as Chief Executive Officer at Ocubio effective March 2025. As announced on February 3, 2025, Francisco Ballester stepped down as President International and member of the Executive Committee at Sandoz, effective March 1, 2025.

Members of the Board of Directors

The external mandates of the members of the Board of Directors in other companies or organizations as at December 31, 2025 (according to the Swiss Code of Obligations, Art. 734e, activities in other companies) are as follows:

Exhibit 4.3.2: Activities of the members of the Board of Directors

Name	Role	Organization	2025	2024
Gilbert Ghostine	Member of the board of directors, member of the audit committee, member of the CSR committee	Danone SA, Paris, France	•	•
	Member of the board of directors, chair of the nomination and remuneration committee	Four Seasons Hotels and Resorts, Toronto, Canada	•	•
Karen J. Huebscher, Ph.D. ¹	Member of the board of directors	BBI Solutions, Crumlin, UK	•	•
	Founder and managing director	Fibula Medical AG, Sarnen, Switzerland	•	•
	Member of the foundation board	IMD Business School, Lausanne, Switzerland	•	•
	Member of the board of directors, vice-chair of the board of directors, member of the audit committee, member of the nomination and governance committee	Tecan Group AG, Männedorf, Switzerland		•
	Member of the board of directors	Ivoclar Group, Schaan, Liechtenstein	•	•
Shamiram R. Feinglass, M.D. ²	Member of the advisory research board	Association of American Medical Colleges, Washington DC, USA		•
	Member of the research and innovation committee	Children's National Medical Center, Washington DC, USA		•
	Member and advisor of the global network	The Aspen Institute, Washington DC, USA	•	•
	Member of the board of directors	Elucid, Boston, MA, USA	•	•
	Member of the board of directors	Noze, Montreal, Canada	•	
	Co-chair of mental health roundtable and senior fellow	Health Evolution, San Francisco, CA, USA	•	•
Mathai Mammen, M.D., Ph.D.	Managing director	Manatt Health, Los Angeles, CA, USA	•	•
	Member of the board of directors	Xaira Therapeutics, Inc., San Francisco, CA, USA	•	•
	Advisor	Foresite Capital, Larkspur, CA, USA	•	•
	Advisor	General Atlantic, New York, USA	•	•
	Member of the board of directors	Kelonia Therapeutics, Boston, MA, USA	•	•
Graeme Pitkethly ³	CEO and chairman	Parabilis Medicines (formerly FogPharma) Cambridge, MA, USA	•	•
	Member of the board of directors, vice-chair of the board of directors, senior independent director, chair of the audit committee, member of risk and reputation committee, member of the nomination & governance committee	Pearson plc, London, UK	•	•
	Member of the advisory board	Strathclyde University Center for Sustainable Development, Glasgow, UK	•	•
	Trustee, member of the investment committee	Leverhulme Trust, London, UK	•	•
	Advisor	Watershed Technology, Inc., Boston, MA, USA	•	•
Michael Rechsteiner ⁴	Member of the board of directors, chair of the audit committee	Verisure plc, Versoix, Switzerland	•	
	Chairman of the board of directors	Swisscom, Berne, Switzerland	•	•
	Member of the board of trustees	ETH Zurich Foundation, Zurich, Switzerland	•	•
	Member of the board, member of the board committee (Vorstandsausschuss)	economiesuisse, Zurich, Switzerland		•

Name	Role	Organization	2025	2024
Aarti Shah, Ph.D.	Member of the board of directors, member of the audit committee, member of the compensation committee	NVIDIA Corporation, Santa Clara, CA, USA	•	•
	Member of the board of trustees, member of the audit committee, member of the distribution and technology committee	Northwestern Mutual, Milwaukee, WI, USA	•	•
	Advisor, member of client advisory council	L&T Technology Services (LTTs), Vadodara, India	•	•
	Advisor, member of the CIO advisory board	Deloitte, New York, USA	•	•
	Advisor	World 50 Group Inc., Atlanta, GA, USA	•	•
	Trustee and secretary	Shrimad Rajchandra Mission Dharampur (formerly Shrimad Rajchandra Love and Care), USA	•	•
	Member of strategic planning committee	Global St. Jude, Memphis, Tennessee, USA	•	
	Member of the board of governors	St. Jude’s Children Research Hospital & ALSAC, Memphis, Tennessee, USA	•	•
Urs Riedener ⁵	Member of the board of directors, chair of the compensation and nomination committee	Bystronic AG, Zurich, Switzerland	•	•
	Member of the board of directors	SIG Group AG, Neuhausen am Rheinfall, Switzerland	•	
	Chairman of the board of directors, chair of the personnel and compensation committee, chair of the agricultural council	Emmi Group AG, Lucerne, Switzerland	•	•
	Member of the foundation board	Emmi Pension Fund, Lucerne, Switzerland	•	•
	Member of the advisory board and limited partner	Schwarz Unternehmenstreuhand KG, Neckarsulm, Germany	•	•
	Member of the advisory boards	Institute for Marketing and Customer Insights, Institute for Strategy & Management, University of St. Gallen, St. Gallen, Switzerland	•	•
Yannis Skoufalos ⁶	Member of the board of directors	Aimia Inc, Montreal, Canada		•
	Senior advisor on supply network matters	Blackstone Inc, New York, USA	•	•
	Member of the board of directors	Sustana Group, Maryland, Ohio, Wisconsin, USA	•	•
	Founder and managing director	Yannis Skoufalos Strategic Solution LLC, Bay Harbour Island, FL, USA		•
	Advisor	Sulnox Group, London, UK	•	
	Member of the advisory board	Altana AG, North Rhine-Westphalia, Germany	•	
	Advisor	Oasis Management Company, Hong Kong		•
Maria Varsellona ⁷	Chief legal officer and group secretary	Unilever plc, London, UK	•	•

The information in this table was audited.

1 Karen J. Huebscher stepped down from her board of directors and committee roles at Tecan Group in April 2025.

2 Shamiram R. Feinglass stepped down as member of the advisory research board at Association American Medical Colleges in May 2025 and as member of the research and innovation committee at Children’s National Medical Center in June 2025. Additionally, she took up a new role as member of the board of directors at Noze in November 2025.

3 Graeme Pitkethly took up a new role as member of the board of directors and chair of the audit committee of Verisure plc effective March 2025.

4 Michael Rechtsteiner stepped down as member of the board and member of the board committee at economiesuisse in September 2025.

5 Urs Riedener was elected as a member of the board of directors at SIG Group AG in April 2025.

6 Yannis Skoufalos stepped down from his roles as advisor at Oasis Management Company and as member of the board of directors at Aimia in March 2025. Additionally, Yannis Skoufalos Strategic Solution LLC was liquidated as of June 2025. He took up new roles as advisor at Sulnox Group and member of the advisory board at Altana in July 2025.

7 Maria Varsellona stepped down as Chief legal officer and group secretary at Unilever plc in February 2026. She will take up a new role as Chief legal officer at Rolls-Royce in March 2026.

4.4 Loans and other payments (audited)

Sandoz does not allow loans to be granted to current or former members of the Executive Committee or to their “related parties”. Likewise, no loans may be granted to current or former members of the Board of Directors or to their “related parties”. As such, no loans were granted in 2025, and there were no outstanding loans on December 31, 2025.

During the period from January 1, 2025, to December 31, 2025, no other payments or waivers of claims other than those set out in the relevant tables (including their footnotes) contained in this Compensation Report were made to current or former members of the Executive Committee or to current or former members of the Board of Directors, or to any of their “related parties”.

For an understanding of the statements above, “related party” is defined as:

- i) a domestic partner,
- ii) individuals living in the same household and,
- iii) legal entities, partnerships and fiduciary institutions, if the individuals:
 - Hold a management position within that entity,
 - Control the company directly or indirectly,
 - Are a beneficiary of this company or institution.

4.5 Articles of Incorporation

The Articles of Incorporation of Sandoz Group AG include provisions with respect to the compensation of the Board of Directors and the Executive Committee as follows:

- The General Meeting of Shareholders’ approval of compensation paid to members of the Board and the Executive Committee is set forth in Article 31.
- The additional amount for compensation payable to one or more members who become members of the Executive Committee during a compensation period for which the General Meeting of Shareholders has already approved the compensation of the Executive Committee is set forth in Article 32.
- The general compensation structure and principles, including the allocation of equity securities, financial instruments or similar units, are set forth in Article 33.
- The variable compensation of members of the Executive Committee based on performance metrics is set forth in Article 34.
- The agreements with members of the Board of Directors and employment agreements with members of the Executive Committee are set forth in Article 35.
- The rules with respect to mandates of members of the Board of Directors and the Executive Committee in other companies are set forth in Article 36.
- The rules with respect to loans or credits granted to members of the Board and the Executive Committee are set forth in Article 37.

 The Articles of Incorporation are available on | [Sandoz.com/corporate-governance](https://www.sandoz.com/corporate-governance)

4.6 References

The Sandoz Compensation Report is written in accordance with Articles 734a to 734e of the Swiss Code of Obligations, and section 5 of the Annex to the Directive on Corporate Governance (DCG) of the SIX Swiss Exchange.

The report also takes into account the best practice expectations of investors and the Swiss Code of Best Practice for Corporate Governance issued by the Swiss Business Federation *economiesuisse*.

4.7 Notes to the Group’s audited financial statements

The total expense related to compensation and benefits paid, granted, or promised to members of the Board of Directors and the Executive Committee in the financial year 2025 are set out in the Group’s audited financial statements, Note 30. Transactions with related parties, paragraph “Compensation of members of the Executive Committee and non-executive Directors”. The expense follows measurement and disclosure rules according to the Company’s accounting policies and International Financial Reporting Standards (IFRS).

It should be noted that the compensation and benefits disclosed in this report are not aligned with those disclosed in Note 30 to the financial statements due to the different regulations that apply in each case and the different reporting periods and standards.

Audit report for the Compensation Report



Report of the statutory auditor

To the General Meeting of Sandoz Group AG, Basel

Report on the Audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of Sandoz Group AG (the Company) for the year ended 31 December 2025. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the sections and tables marked "audited" on pages 78, 80, 81, 85, 86 and 88 to 91 of the Remuneration Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the accompanying Remuneration Report complies 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 Remuneration Report" 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. We have also 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked "audited" in the Remuneration Report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Remuneration Report

The Board of Directors is responsible for the preparation of a Remuneration Report 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 a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's Responsibilities for the Audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is 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 this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, 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.

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.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Stéphane Nusbaumer
Licensed Audit Expert

Basel, 24 February 2026

Risk Management Report

94	Risk management
95	Risks

Risk management

At Sandoz we aim to address evolving global uncertainties and risks to fulfil our Purpose and meet our strategic objectives.



We take an Enterprise Risk Management (ERM) approach to recognize, understand and manage risks so that we can minimize potential impact of threats and capitalize on opportunities.

Enterprise Risk Management at Sandoz is an ongoing process that continuously monitors the risk dynamic and implementation of action plans to address material risks. A detailed risk report is presented annually to the Senior Leadership Team (SLT) and submitted to the Audit, Risk and Compliance Committee (ARCC) in the last quarter of each year. We make this summary available to the public in our Integrated Annual Report to ensure transparency and accountability in risk management practices.

In this report, we describe what we believe to be the most significant risks that have been confirmed through the ERM 2025 cycle, including both threats and opportunities, and that relate to future uncertainty over a three- to five-year horizon. All material risks documented during the annual review cycle are classified and consolidated into the top ten risk categories, forming the Risk Portfolio for disclosure purposes. These risks have been prioritized based on their potential impact and likelihood and are the focus of management's attention to ensure the organization's resilience and success.

Our business, as well as our reputation, financial condition, results of operations, and share price, could be materially adversely affected by any of these risks, as well as other risks and uncertainties not currently known to us or not currently considered material.

In parallel we are committed to evaluating issues that can positively or negatively impact society through a double materiality assessment based on the European Sustainability Reporting Standards. Details on the methodology and approach are available in the 2024 Integrated Annual Report, pages 173–174.

Risks

Risk category

1 Expand leadership in biosimilars and accelerate growth

What are the risks?

These risks relate to factors that may limit our ability to achieve our strategic goal of becoming a leader in biosimilars by acquiring the assets to expand our biosimilar business further, whether developed in-house, through partnerships or M&A. It also considers technology and capacity constraints in our ability to manufacture them. Inflation and price erosion are also seen as key drivers of this risk.

2 Pipeline competitiveness and product development

These risks reflect our reliance on maintaining a competitive product pipeline to achieve our objectives and growth projections. Success depends on the effective allocation of resources and the organizational capabilities to develop such a pipeline in a timely manner.

3 Sandoz Technical Operations strategy and transformation

These risks encompass the potential failure to achieve the projected margin improvement due to a lack of success in implementing our technical operations strategy, achieving cost competitiveness and/or optimizing our supply and procurement network, as well as the vertical integration of our biosimilar supply chain.

4 Technology

These risks consider that a cyber incident could result in significant systems failure, compromising the availability, confidentiality and integrity of critical IT and OT systems, along with their associated data – whether within our network or that of a third party. Such an event could impact our ability to manufacture or distribute products, potentially causing material harm to our market value and reputation. In addition, prolonged reliance on third parties (former parent) could potentially increase costs and impact operational stability due to delays in migration, unsuccessful separation efforts, and/or insufficient support for strategic M&A deals.

Examples of how we are managing these risks

- Focus on early in-licensing through balanced strategic partnerships
- Expand internal and external production capacity incl. contracting with Contract Manufacturing Organizations (CMOs)
- Optimize pre-launch and in-market portfolio value through product commercialization strategies, product manufacturing strategies, cost of goods sold (COGS) competitiveness and complexity reduction
- Monitor M&A opportunities that are aligned with strategic priorities
- Close monitoring of the biosimilars Master Service Agreement (MSA)/Development Collaboration Agreement (DCA) with the former parent company
- Solid pipeline selection framework in place, considering risk/reward and ensuring effective budget allocation in line with strategic objectives
- Governance and end-to-end performance management in place to monitor pipeline execution with a focus on must-win markets and key projects
- Continuous risk management in global product development
- Deliver value through operational excellence and improvements, including internal and external network optimization, direct spend optimization and vertical integration in anti-infectives and biosimilars
- Strong governance to manage relationship with former parent company
- Monitor strategic project execution and third-party cost (TPC) improvements against the plan, following established governance
- Operate a cybersecurity control framework that is aligned with industry standards such as ISO and the National Institute of Standards and Technology (NIST). This includes security controls and active monitoring across our factory environments to ensure that we proactively identify and manage any vulnerabilities
- Build cyber resilience through internal awareness initiatives campaigns, employee training and phishing simulations designed to reduce exposure to threats
- Maintain continuous vigilance through regular vulnerability scanning, threat detection activities, penetration testing and incident response protocols to ensure timely identification and resolution

Risks continued

Risk category

5 Geopolitics, macroeconomics and natural disasters

What are the risks?

These risks involve various macroeconomic and geopolitical factors, such as escalating tensions and new trade policies (including changes in tariffs), that might affect our business, along with increasing natural and climate-related disasters (see also Task Force on Climate-related Financial Disclosures).

6 People & Organization

These risks cover the inability to attract, engage and retain skilled focused talent groups as well as failure to achieve intended organizational transformation and cultural change to drive performance for standalone Sandoz.

7 Product supply and quality

These risks relate to disruptions in the supply chain that could result in an inability to maintain continuity of product supply, a failure to meet evolving quality regulations, and ultimately, negative consequences for patient outcomes.

8 Legal, regulatory, ethics and compliance

These risks encompass non-compliance with evolving regulatory requirements and applicable law, and lack of preparedness for operational threats.

Examples of how we are managing these risks

- Business Continuity and Crisis Management task force in place for our employees and operations in conflict areas
- Business continuity and crisis planning roadmap for anticipated emerging risks
- Proactive management of trade sanctions risks and trade sanctions risk governance
- Direct engagement with government officials, complemented by collective advocacy through industry associations, to promote sustainable generic and biosimilar markets
- Sandoz corporate reputation strategy, which includes a strong employer value proposition, as well as active brand/reputation management in critical markets and employee segments
- Global survey to measure, assess and track changes in the drivers of employee engagement over time
- Effective employee development strategies and high-quality solutions for leadership development
- Comprehensive organizational talent review process and succession planning for critical roles
- Long-term supply planning to ensure demand and supply alignment
- Sales and Operations Planning (S&OP) process improvements
- Continuous demand monitoring and capacity outlook considering key lifecycle activities and emerging supply risks
- Close monitoring of evolving regulatory requirements and implementation of remediation activities
- Effective operating model in Legal and Compliance, established in line with required governance standards and resource/skill requirements to provide robust assurance across the value chain
- Monitor evolving regulatory requirements, consistently update assessments, and reinforce them with strong governance, effective training, policies and frameworks to manage and mitigate risks and ensure compliance
- Corporate security measures, including physical access controls and personnel security protocols

Risks continued

Risk category

9 Finance

What are the risks?

These risks include insufficient insurance coverage for property, business interruption and liability, as well as foreign exchange risks.

10 Expectations of customers, investors and other stakeholders

These risks concern our own commitments on Environmental, Social and Governance (ESG) matters, including our goals of expanding access to medicines and operating sustainably, as well as the evolving expectations in this regard of customers, regulators, investors, analysts, employees and society at large. Uncertainty surrounding the cost burden of the Urban Waste Water Treatment Directive on the pharmaceutical sector is also seen as a contributing factor.

Examples of how are we managing these risks

- Adapt to the insurance market and define a strategy for risk mitigation and a business continuity plan for key processes with high liability risk. We are also evaluating captive structure options.
- Sandoz has an ESG strategy in place that is regularly updated to align with relevant ESG governance frameworks and regulations, ensuring a focus on the areas most material to the financial health of the business, including access, environment, governance and people (detailed information is covered in the Task Force on Climate-related Financial Disclosures report and other ESG-related disclosures).
- Continuous gap analysis of evolving ESG and non-financial reporting regulations is conducted to mitigate the potential risk of non-compliance with ESG-related disclosure requirements, by identifying necessary changes in the ESG reporting and performance management process.
- A supporting infrastructure and a team of subject matter experts are in place to achieve ESG strategic objectives.

Financial Report

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Financial highlights



NET SALES

USD11.1bn

+5% at constant currencies



BIOSIMILARS SHARE OF NET SALES

30%

+200 basis points



CORE EBITDA MARGIN

21.7%

+160 basis points



CORE DILUTED EPS

USD3.64

+33% at constant currencies



MANAGEMENT FREE CASH FLOW

USD1.5bn

+USD 435 million



CORE ROIC

14.5%

+220 basis points



Performance overview

Sandoz delivers strong results in 2025, fueled by industry-leading pipeline and strategic launches

The following table sets forth our key financial measures for the years ended December 31, 2025 and 2024:

(USD millions unless indicated otherwise)	2025	2024	Change USD	Change %	Change CC% ¹
Net sales	11,086	10,357	729	7	5
EBITDA	1,980	820	1,160	141	140
Core EBITDA	2,405	2,080	325	16	14
Core EBITDA margin (%)	21.7	20.1			
Operating income	1,425	307	1,118	364	369
Core operating income	2,094	1,821	273	15	13
Net income	914	1	913	nm	nm
Core net income	1,589	1,176	413	35	33
Diluted earnings per share (USD)	2.09	0.00	2.09	nm	nm
Core diluted earnings per share (USD)	3.64	2.71	0.93	34	33
Free cash flow	874	98	776		
Management free cash flow	1,547	1,112	435		
Net debt	3,563	3,329	234		
Net debt to core EBITDA ratio	1.5x	1.6x			
Core ROIC (%)	14.5	12.3			

¹ Constant currencies

nm = not meaningful

An explanation of non-IFRS measures as defined by Sandoz, including core EBITDA, core net income, core diluted earnings per share, free cash flow, management free cash flow, net debt, constant currencies (CC), comparable growth rate (CGR) and the reconciliation of core results can be found in the section 'Supplementary financial information.'

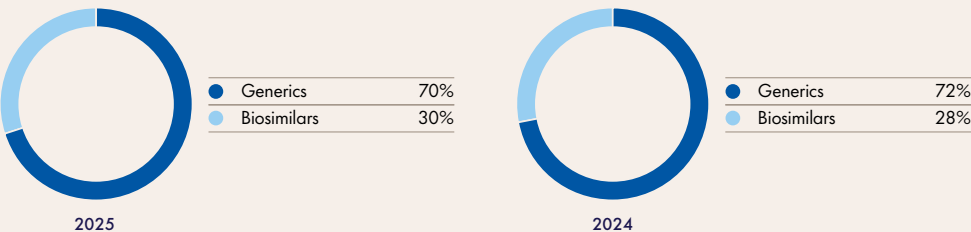


Our financial performance

Net sales

Net sales amounted to USD 11.1 billion, reflecting growth of 5% at constant currencies (CC) and 6% at comparable growth rate (CGR). Volumes grew by 8%, partly offset by price erosion of 3%. Net-sales growth was primarily driven by the strong performance of biosimilars, which continued to benefit from an extensive pipeline and launch program.

Net sales by business

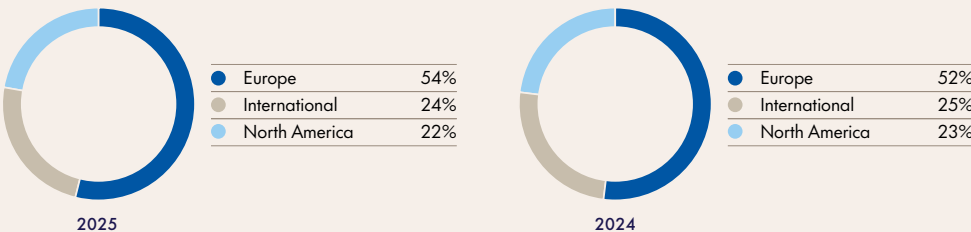


(USD millions unless indicated otherwise)	2025	2024	Change %	Change CC%	Change CGR %
Generics	7,794	7,504	4	2	2
Biosimilars	3,292	2,853	15	13	18
Total net sales	11,086	10,357	7	5	6

Net sales of generics amounted to USD 7.8 billion, reflecting growth of 2% at CC and CGR. Generics represented 70% of net sales in the year (FY 2024: 72%). The increase in net sales of generics in Europe of 2% at CC and CGR was driven by the impact of launches in 2024 and 2025. International net sales of generics grew by 2% at CC and by 4% at CGR, after adjusting for the 2024 divestment of the Sandoz business in China; sales benefited from continued price increases and launches. In North America, net sales of generics were stable at CC and CGR, with the impact of strong levels of competition offset by the impact of the successful Q4 2024 US launch of paclitaxel, as well as a good performance in Canada.

Net sales of biosimilars amounted to USD 3.3 billion, reflecting growth of 13% at CC and 18% at CGR; biosimilars represented 30% of total net sales (FY 2024: 28%). Strong Europe biosimilars net-sales growth of 14% at CC and CGR reflected several good performances, including Pyzchiva®, Binocrit® (epoetin alfa) and Hyrimoz® (adalimumab). Afqlir®, Wyost® & Jubbonti® were launched in Europe in Q4 2025. International biosimilar net-sales growth of 30% at CC and CGR reflected strong contributions from Omnitrope® (somatropin) and Hyrimoz. Wyost & Jubbonti were launched in Q3 2025 in the International region. North America biosimilar net sales grew by 2% at CC and by 19% at CGR, with the difference reflecting the withdrawal of Cimerli® (ranibizumab) in Q1 2025. The strong underlying performance was partly a result of the successful launch of Wyost & Jubbonti in Q2 2025. Tyruko® was launched in the US in Q4 2025.

Net sales by region¹



(USD millions unless indicated otherwise)	2025	2024	Change %	Change CC%	Change CGR %
Europe	5,936	5,363	11	6	6
International	2,713	2,557	6	7	9
North America	2,437	2,437	0	0	5
Total net sales	11,086	10,357	7	5	6

Net sales in Europe in the year amounted to USD 5.9 billion, reflecting growth of 6% at CC and CGR. Europe net sales of generics increased by 2% at CC and CGR, with biosimilars up by 14% at CC and CGR. Notable growth included that from Pyzchiva, Binocrit and Hyrimoz.

Net sales in International in the year amounted to USD 2.7 billion, with growth of 7% at CC and 9% at CGR. International net sales of generics grew by 2% at CC and by 4% at CGR, with biosimilars up by 30% at CC and CGR. The performance was supported by strong sales of Omnitrope and Hyrimoz.

Net sales in North America in the year amounted to USD 2.4 billion, reflecting a stable performance at CC. Growth at CGR, namely excluding the impact of the acquisition of Cimerli, amounted to 5%. Generics net sales in the year were stable at CC and CGR, with the effects of strong levels of competition offset by the impact of the successful 2024 US launch of paclitaxel, as well as a good performance in Canada. North America biosimilar net sales grew by 2% at CC and by 19% at CGR. The table of net sales by region and by business can be found in the section ‘Supplementary financial information.’

¹ Net sales by location of customer

Operating results

(USD millions unless indicated otherwise)	2025	2024	Change %	Change CC%
Gross profit	5,284	4,926	7	5
EBITDA	1,980	820	141	140
Operating income	1,425	307	364	369
Core gross profit	5,613	5,253	7	5
Core gross profit margin (%)	50.6	50.7		
Core EBITDA	2,405	2,080	16	14
Core EBITDA margin (%)	21.7	20.1		
Core operating income	2,094	1,821	15	13

Core gross profit amounted to USD 5.6 billion (FY 2024: USD 5.3 billion), resulting in a core gross-profit margin of 50.6% (FY 2024: 50.7%). A favorable mix of sales, reflecting double-digit biosimilars growth, and operational improvements was offset by the impacts of inflation on the cost of goods sold and price erosion.

Core EBITDA was USD 2.4 billion (FY 2024: USD 2.1 billion), resulting in a core EBITDA margin of 21.7% (FY 2024: 20.1%). The increase in the margin was partly driven by the impacts of cost discipline on selling, general & administrative expenses and favorable other income and expenses, partly offset by growth in development & regulatory investment.

EBITDA was USD 2.0 billion (FY 2024: USD 820 million). Core adjustments of EBITDA in the year were USD 425 million (FY 2024: USD 1.3 billion). These adjustments primarily reflected separation costs of USD 336 million, costs of the rationalization of internal manufacturing sites of USD 92 million, software-implementation cost-accounting impacts of USD 43 million and favorable effects from adjustments for legal costs of USD 58 million.

Non-operating results

(USD millions unless indicated otherwise)	2025	2024	Change %	Change CC%
Net financial result	(218)	(318)	31	36
Income taxes	(293)	12	nm	nm
Effective tax rate (%)	24.3	109.1		
Net income	914	1	nm	nm
Diluted earnings per share (USD)	2.09	0.00	nm	nm
Core net financial result	(219)	(325)	33	36
Core income taxes	(286)	(320)	11	12
Core effective tax rate (%)	15.3	21.4		
Core net income	1,589	1,176	35	33
Core diluted earnings per share (USD)	3.64	2.71	34	33

nm = not meaningful

The core net financial result was an expense of USD 219 million (FY 2024: expense of USD 325 million). The decline reflected an improved net-currency result, as well as lower net interest expenses mainly driven by the repayment of EUR and USD term loans and local debt.

The core effective tax rate was 15.3% (FY 2024: 21.4%), a reflection of changes in the mix of profit, adjustments to provisions for uncertain tax positions and the reorganization of the intellectual-property structure within the Group.

Core net income of USD 1.6 billion (FY 2024: USD 1.2 billion) primarily reflected an increase in core operating income, and a decline in the core net financial result and in core income taxes.

Core diluted earnings per share of USD 3.64 (FY 2024: USD 2.71) benefited from an increase in core net income. The weighted average number of shares diluted was 436.8 million as of December 31, 2025, versus 434.0 million as of December, 31 2024.

Cash flows

(USD millions)	2025	2024	Change USD
Net cash flows from operating activities	1,594	656	938
Cash flows used for net CAPEX	(711)	(554)	(157)
Free cash flow	874	98	776
Management free cash flow	1,547	1,112	435

Sandoz generated net cash flows from operating activities of USD 1.6 billion (FY 2024: USD 656 million). This was mainly driven by an increase in operating income and stable net working-capital levels versus December 31, 2024.

Cash flows used for capital expenditures were USD 711 million (FY 2024: USD 554 million), reflecting an increase in purchases of property, plant & equipment and intangible assets. This included the Group's ongoing investments in Slovenia, namely a new biosimilar drug-substance production center in Lendava, a biosimilar-development center in Ljubljana and a new production plant in Brnik. It also included separation-related investments in facilities and technology.

Free cash flow amounted to USD 874 million (FY 2024: USD 98 million). The improvement was mainly due to increased net cash flows from operating activities, partly offset by the growth in cash flows used for net capital expenditures.

Management free cash flow, defined as free cash flow adjusted for one-off items, amounted to USD 1.5 billion (FY 2024: USD 1.1 billion). The performance was primarily a result of the growth in core EBITDA.

Capital resources

Condensed consolidated balance sheet

(USD millions)	December 31, 2025	December 31, 2024	Change USD
Property, plant and equipment	2,430	1,695	735
Intangible assets including goodwill	9,881	8,944	937
Inventories	2,845	2,800	45
Trade receivables	2,508	2,205	303
Cash and cash equivalents	1,739	1,191	548
Other current assets	709	1,281	(572)
Other assets	1,920	1,791	129
Total assets	22,032	19,907	2,125
Non-current financial debts and derivative financial instruments	4,700	4,390	310
Current financial debts and derivative financial instruments	614	145	469
Trade payables	1,850	1,519	331
Current provisions and other current liabilities	3,713	4,075	(362)
Other liabilities	1,770	1,614	156
Total liabilities	12,647	11,743	904
Total equity	9,385	8,164	1,221

Property, plant and equipment increased by USD 735 million, as additions relating to investments mainly in Slovenia and Austria, the impact of the acquisition of Just-Evotec Biologics EU SAS, and currency-translation effects were partially offset by depreciation.

Intangible assets including goodwill increased by USD 937 million, mainly driven by additions including a technology acquisition from Just-Evotec Biologics, Inc., currency-translation effects, and the impact of the acquisition of Just-Evotec Biologics EU SAS, partly offset by amortization and impairments.

Total inventories increased by USD 45 million, with lower levels of inventory more than offset by currency-translation effects. Trade receivables increased by USD 303 million, primarily reflecting currency-translation effects.

Cash and cash equivalents increased by USD 548 million, as cash generated from operating activities and proceeds from the issuance of non-current financial debts were partly offset by the repayment of term loans, the annual dividend payment, purchases of property, plant & equipment, purchases of intangible assets and the acquisition of Just-Evotec Biologics EU SAS.

Other current assets decreased by USD 572 million, primarily due to the utilization of two deposited settlement amounts of a total of USD 472 million related to government generic pricing antitrust investigations, antitrust class actions in the United States as well as the utilization of the deposited settlement amount of USD 99.5 million related to opioid litigations in the United States.

Other assets remained in line with prior year.

Non-current financial debts and derivative financial instruments increased by USD 310 million, a reflection of the issuance of three bonds in the first half of 2025 totaling EUR 500 million and CHF 400 million, respectively and currency-translation effects. This was partly offset by the repayment of USD 750 million equivalent in USD and EUR term loans, as well as the reclassification of USD 0.5 billion from non-current to current financial debts of a CHF-denominated bond, maturing in 2026.

Current financial debts and derivative financial instruments increased by USD 469 million, primarily a result of the reclassification of USD 0.5 billion from non-current to current financial debts.

Trade payables were up by USD 331 million, primarily reflecting currency-translation effects.

Current provisions and other current liabilities decreased by USD 362 million, mainly driven by a reduction in legal provisions due to the disbursement of USD 472 million from the qualified settlement funds related to government generic pricing antitrust investigations, antitrust class actions in the United States and the disbursement of USD 99.5 million related to opioid litigation in the United States. This decrease was partially offset by currency-translation effects.

Other liabilities remained in line with prior year.

The Group's equity increased by USD 1.2 billion. Net income of USD 914 million, currency-translation effects of USD 522 million and the impact from equity-based compensation of USD 107 million were partly offset by the dividend payment of USD 318 million.

(USD millions)	December 31, 2025	December 31, 2024	Change USD
Net working capital	3,503	3,486	17
Net debt	3,563	3,329	234
Net debt to core EBITDA ratio	1.5x	1.6x	
Core ROIC (%)	14.5	12.3	

Net working capital remained broadly stable year-on-year, despite strong sales growth.

Net debt increased to USD 3.6 billion compared to USD 3.3 billion on December 31, 2024 mainly driven by currency-translation effects of USD 442 million. Excluding these effects, net debt amounted to USD 3.1 billion.

An increase in core ROIC to 14.5% (FY 2024: 12.3%) was a result of strong growth in core operating income and a lower core effective tax rate.

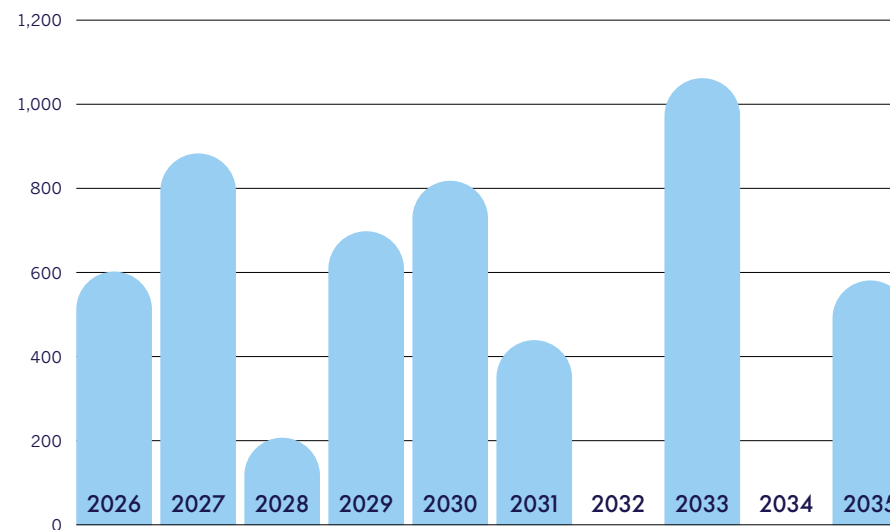
Debt repayment and bond issuances

On March 31, 2025, Sandoz fully repaid USD 750 million equivalent in USD and EUR term loans that were put in place in September 2023, prior to the spin-off from its former parent. The term loan repayment was fully funded from the proceeds of three bond transactions earlier that month (a three-year CHF 165 million bond, an eight-year CHF 235 million bond and a ten-year EUR 500 million bond). A new multi-currency revolving credit facility (RCF) of USD 2.0 billion was entered into with a five-year maturity with an option to extend twice by another year. This replaces the unutilized USD 1.25 billion RCF in place since the spin-off. As of December 31, 2025, the RCF remained undrawn.

Maturity profile

As of December 31, 2025, the maturity profile of the Group's financial debts continues to be robust and well-balanced, extending debt maturities to 2035, with an average maturity of non-current financial debts of approximately five years.

TOTAL FINANCIAL DEBTS INCLUDING CURRENT PORTION BY MATURITY (USD MILLIONS)



Credit profile

Sandoz aims to retain a solid investment grade credit profile and to balance interest and refinancing risks, demonstrated by a strong balance sheet and well-diversified funding profile. As of December 31, 2025, the long-term credit rating for the Group is Baa2 (stable outlook) with Moody's Investors Service and BBB (stable outlook) with S&P Global Ratings.

Shareholders' return

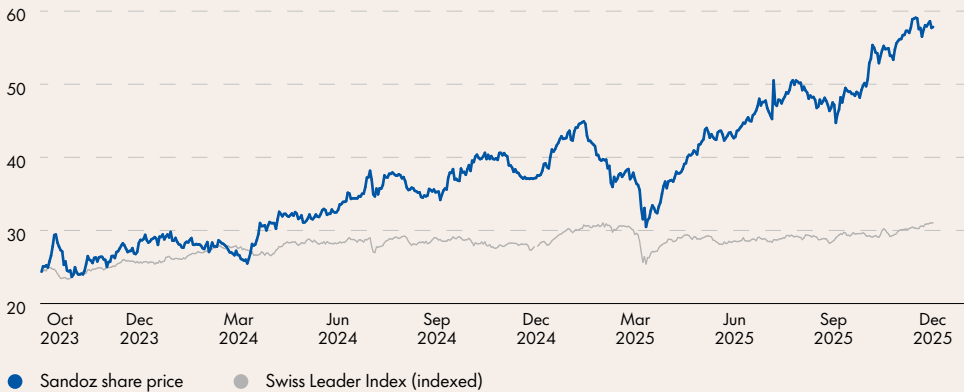
Sandoz is listed on the SIX Swiss Exchange under the stock symbol SDZ.

	December 31, 2025	December 31, 2024
Number of shares outstanding (in millions)	432.7	430.7
Registered share price (CHF)	57.84	37.17
Market capitalization (CHF billions)	25	16
Market capitalization (USD billions) ¹	32	18

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

Sandoz share price development

Sandoz share price (in CHF)



During 2025, the share price of Sandoz increased by 56%, to CHF 57.84. The lowest closing price was CHF 30.48 and the highest closing price was CHF 59.10.

	2025	2024
Total shareholder return (%) ¹	58.5	39.4

¹ Source: Bloomberg

In 2025, Sandoz achieved its financial targets by executing on its strategy and succeeded in creating value for shareholders, with a total shareholder return of 58.5%.

Dividend payment (in CHF)

2025 (proposed)	0.80
2024	0.60
2023	0.45

A dividend of CHF 0.60 per share in respect to the 2024 financial year was approved by the Annual General Meeting on April 15, 2025. A dividend proposal of CHF 0.80 per share in respect to the 2025 financial year, representing 27% of core net income, is subject to approval at the Annual General Meeting on April 9, 2026.



Consolidated financial statements of the Group

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Consolidated income statement

For the years ended December 31, 2025 and 2024

(USD millions unless indicated otherwise)	Note	2025	2024
Net sales	6	11,086	10,357
Other revenues	6	71	27
Cost of goods sold		(5,873)	(5,458)
Gross profit		5,284	4,926
Selling, general and administration		(2,529)	(2,433)
Development and regulatory		(1,050)	(932)
Other income		353	215
Other expense	7	(633)	(1,469)
Operating income		1,425	307
Interest expense	8	(220)	(251)
Other financial income and expense	8	2	(67)
Income/(loss) before taxes		1,207	(11)
Income taxes	9	(293)	12
Net income		914	1
<i>Attributable to:</i>			
Shareholders of Sandoz Group AG		914	0
Non-controlling interests		0	1
Basic earnings per share (USD)	10	2.12	0.00
Diluted earnings per share (USD)	10	2.09	0.00

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

Consolidated statement of comprehensive income

For the years ended December 31, 2025 and 2024

(USD millions)	2025	2024
Net income	914	1
Other comprehensive income		
Items that are or may be recycled into the consolidated income statement:		
Currency translation effects, net of taxes ¹	522	(323)
Cash flow hedge, net of taxes ²	(1)	2
Total of items that are or may be recycled	521	(321)
Items that will never be recycled into the consolidated income statement:		
Actuarial losses from defined benefit plans, net of taxes ³	(16)	(10)
Total of items that will never be recycled	(16)	(10)
Total other comprehensive income	505	(331)
Total comprehensive income	1,419	(330)
<i>Attributable to:</i>		
Shareholders of Sandoz Group AG	1,419	(331)
Non-controlling interests	0	1

¹ Taxes of USD 17 million (2024: USD nil)

² Taxes of USD nil (2024: USD nil)

³ Taxes of USD 1 million (2024: USD nil)

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

Consolidated balance sheet

At December 31, 2025 and 2024

(USD millions)	Note	2025	2024
Assets			
Property, plant and equipment	11	2,430	1,695
Right-of-use assets	12	350	293
Goodwill	13	8,014	7,469
Intangible assets other than goodwill	13	1,867	1,475
Deferred tax assets	14	924	954
Financial assets	15	55	60
Other non-current assets	15	227	160
Total non-current assets		13,867	12,106
Inventories	16	2,845	2,800
Trade receivables	17	2,508	2,205
Income tax receivables	18	352	309
Derivative financial instruments	19	12	15
Cash and cash equivalents	19	1,739	1,191
Other current assets	20	709	1,281
Total current assets		8,165	7,801
Total assets		22,032	19,907

(USD millions)	Note	2025	2024
Liabilities			
Non-current financial debts and derivative financial instruments	22	4,700	4,390
Lease liabilities	12	315	276
Deferred tax liabilities	14	207	259
Provisions and other non-current liabilities	23	530	511
Total non-current liabilities		5,752	5,436
Trade payables		1,850	1,519
Current financial debts and derivative financial instruments	24	614	145
Lease liabilities	12	70	58
Current income tax liabilities	18	648	510
Provisions and other current liabilities	25	3,713	4,075
Total current liabilities		6,895	6,307
Total liabilities		12,647	11,743
Equity			
Share capital	21	25	25
Treasury shares	21	(1)	(1)
Reserves		9,360	8,139
Equity attributable to the shareholders of Sandoz Group AG		9,384	8,163
Non-controlling interests		1	1
Total equity		9,385	8,164
Total liabilities and equity		22,032	19,907

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

Consolidated statement of changes in equity

For the years ended December 31, 2025 and 2024

(USD millions)	Note	Share capital	Treasury shares	Retained earnings	Reserves		Equity attributable to Sandoz Group AG shareholders	Non-controlling interests	Total equity
					Total value adjustments ¹				
Total equity at January 1, 2024		24	0	8,058	563		8,645	9	8,654
Net income		–	–	0	–		0	1	1
Other comprehensive income		–	–	1	(332)		(331)	–	(331)
Total comprehensive income		–	–	1	(332)		(331)	1	(330)
Dividends	21.1	–	–	(212)	–		(212)	–	(212)
Purchases of treasury shares		–	0	(12)	–		(12)	–	(12)
Impact of tax remeasurements		–	–	(2)	–		(2)	–	(2)
Equity-based compensation		–	0	82	–		82	–	82
Share capital increase	21.2	1	(1)	–	–		–	–	–
Impact of change in ownership of consolidated entities	21.3	–	–	(21)	–		(21)	(9)	(30)
Hyperinflation accounting impacts		–	–	14	–		14	–	14
Total of other equity movements		1	(1)	(151)	–		(151)	(9)	(160)
Total equity at December 31, 2024		25	(1)	7,908	231		8,163	1	8,164
Net income		–	–	914	–		914	0	914
Other comprehensive income		–	–	–	505		505	–	505
Total comprehensive income		–	–	914	505		1,419	0	1,419
Dividends	21.1	–	–	(318)	–		(318)	–	(318)
Equity-based compensation		–	0	107	–		107	–	107
Hyperinflation accounting impacts		–	–	13	–		13	–	13
Cumulative remeasurement of defined benefit plans		–	–	(4)	4		–	–	–
Total of other equity movements		–	0	(202)	4		(198)	–	(198)
Total equity at December 31, 2025		25	(1)	8,620	740		9,384	1	9,385

¹ Total value adjustments include other comprehensive income impacts.

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

Consolidated statement of cash flows

For the years ended December 31, 2025 and 2024

(USD millions)	Note	2025	2024
Net income		914	1
<i>Adjustments to reconcile net income to net cash flows from operating activities</i>			
Reversal of non-cash items and other adjustments	26.1	1,103	1,609
Interest received		46	41
Interest paid		(186)	(205)
Other financial receipts		17	–
Other financial payments		(44)	(42)
Income taxes paid		(224)	(265)
Net cash flows from operating activities before net working capital and provision changes		1,626	1,139
Payments out of provisions and other net cash movements in non-current liabilities		(895)	(118)
Cash flows from/(used for) changes in net working capital and other operating items	26.2	863	(365)
Net cash flows from operating activities		1,594	656
Purchases of property, plant and equipment		(493)	(404)
Receipt of asset-related government grants		40	–
Proceeds from sale of property, plant and equipment		7	26
Purchases of intangible assets		(291)	(192)
Proceeds from sale of intangible assets		26	16
Purchases of financial assets		(4)	(4)
Proceeds from sale of financial assets		2	1
Purchases of other non-current assets		(7)	(1)
Acquisitions and divestments of businesses, net	26.3	(260)	(182)
Net cash flows used in investing activities		(980)	(740)

(USD millions)	Note	2025	2024
Dividends paid to shareholders of Sandoz Group AG		(315)	(215)
Purchases of treasury shares		–	(12)
Proceeds from issuance of non-current financial debts	26.4	991	748
Repayments of non-current financial debts	26.4	(759)	(78)
Change in current financial debts	26.4	(38)	(110)
Payments of lease liabilities	26.4	(72)	(60)
Impact of change in ownership of consolidated entities		–	(30)
Other financing cash flows, net		(4)	(1)
Net cash flows (used in)/from financing activities		(197)	242
Net change in cash and cash equivalents before effect of foreign currency translation		417	158
Effect of foreign currency translation		131	(76)
Net change in cash and cash equivalents		548	82
Cash and cash equivalents at January 1		1,191	1,109
Cash and cash equivalents at December 31		1,739	1,191

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

Principal currency translation rates

For the years 2025 and 2024

(USD per unit)	Average for year			Year-end		
	2025	2024	Change in %	2025	2024	Change in %
Euro (EUR)	1.129	1.082	4	1.174	1.041	13
Canadian dollar (CAD)	0.715	0.730	(2)	0.730	0.696	5
Swiss franc (CHF)	1.205	1.136	6	1.261	1.107	14
Polish zloty (PLN)	0.266	0.251	6	0.278	0.244	14
British pound (GBP)	1.318	1.278	3	1.346	1.256	7

Notes to the Sandoz Group consolidated financial statements

1. Description of business

Sandoz Group AG, Basel (Risch until April 2025), Switzerland and the subsidiaries it controls (collectively "Sandoz" or the "Group") is a multinational group of companies specializing in the development, manufacturing and marketing of generics and biosimilars. The principal subsidiaries controlled by Sandoz are disclosed in Note 34.

2. Basis of preparation

The accompanying consolidated financial statements present our historical financial position, results of operations, comprehensive income and cash flows in accordance with International Financial Reporting Standards® (IFRS) Accounting Standards as issued by the International Accounting Standards Board® (IASB), including the basis of preparation as described in this Note and with the material accounting policies as described in Note 3 to these consolidated financial statements.

The consolidated financial statements of Sandoz comprise of consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2025 and 2024.

The preparation of consolidated 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 revenues and expenses. Actual outcomes and results could differ from those estimates and assumptions.

Due to rounding, amounts may not add up precisely to the totals provided.

3. Material accounting policies

Scope of consolidation

The consolidated financial statements include all entities over which Sandoz Group AG, directly or indirectly, has control (generally as a result of owning more than 50% of the entity's voting interest). Consolidated entities are also referred to as "subsidiaries."

In cases where Sandoz does not fully own a subsidiary, it has elected to value any remaining outstanding non-controlling interest at the time of acquiring control of the subsidiary at its proportionate share of the fair value of the net identified assets.

The Group's financial year-end is December 31, which is also the annual closing date of the individual entities' financial statements incorporated into the consolidated financial statements.

Foreign currencies

The consolidated financial statements of the Group 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.

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 from the net monetary position are recorded in "Other financial income and expense" in the consolidated income statement. This gain or loss on the net monetary position is derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of comprehensive income and the adjustment of index-linked assets and liabilities.

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 Group 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 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 consolidated 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	5 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 Group assesses whether the contract contains a lease. For property leases, the Group elected to apply the practical expedient from IFRS 16 for the buildings asset class and accounts for each lease component and any associated non-lease component as a single lease component.

The Group 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 Group 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 assesses as reasonably certain to be exercised by the Group. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, the Group's incremental borrowing rate for the asset subject to the lease in the relevant market.

The Group 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 Group, 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.

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 a group of cash-generating units (CGU), that is expected to benefit from the synergies of the combination, and which is usually represented by the single operating segment. Goodwill is tested for impairment annually at the level of this group of CGUs, and any impairment charges are recorded under "Other expense" in the consolidated income statement.

Intangible assets available for use

The Group 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 intellectual property (IP), patents, distribution rights and product trade names. Intangibles in this category include rights to currently marketed products, which, in the generics industry are typically perpetual rights, as these are not limited by patent expiry. We consider such perpetual product rights to continue to have potential future economic benefits for Sandoz beyond their economic useful life, either through divestment or future use, and are therefore not systematically retired from the balance sheet due to passage of time. 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 consolidated 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 15 years	"Cost of goods sold"
Technologies	10 to 20 years	"Cost of goods sold" or "Development and regulatory"
Other (including software)	3 to 12 years	In the relevant functional expense

The Group has no indefinite useful life intangible assets other than goodwill.

Intangible assets not yet available for use

The IPR&D asset class comprises all intangible assets that are in the research and development phase, including acquired and internally generated intangible assets.

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 consolidated income statement under "Development and regulatory." Once a project included in IPR&D reaches the end of its development phase, 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 Group 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 Group's activities with regards 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 competition
- Outcome of development and registration activities (bioequivalence, results of clinical trials, etc.)
- Profit margins

- Appropriate terminal growth rate
- Appropriate discount rate

Generally, for intangible assets with a definite useful life, the Group uses cash flow projections for the whole useful life of these assets. For goodwill, the Group utilizes cash flow projections for a five-year period with a terminal value based on cash flow projections usually in line with inflation rates for later periods. These projections are based on the five-year strategic plan of the Group. We believe that utilizing the forecasting period used by Sandoz management for planning purposes ensures that the financial impacts of the Group's strategy and plans are properly reflected in the valuation of the business for goodwill testing purposes.

Probability-weighted scenarios are typically used. Discount rates used consider the Group'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 on hand, deposits held at call with financial institutions, and other short-term and highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are usually presented within current financial debts on the consolidated balance sheets except in cases where a right of offset has been agreed with a bank which then allows for presentation on a net basis.

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. Virtual power purchase agreements are valued based on a modified Black-Scholes model using the volume of generated power and the price curves of the respective electricity market as major unobservable inputs.

The Group enters into certain derivative financial instruments for the purpose of hedging to reduce the volatility in the Group'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.

When a derivative is designated as a cash flow hedging instrument, the Group formally documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective as well as the strategy for undertaking the hedge.

Documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

In the case of a qualifying cash flow hedge instrument, the gains and losses on the derivative are deferred in other comprehensive income to the extent of the effectiveness of the hedge until the hedged item is recognized in earnings. The gain or loss relating to the ineffective portion of the hedge is recognized immediately in the consolidated income statement.

If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in the hedging reserve are immediately reclassified to the consolidated income statement.

Derivatives that are not designated as hedging instruments are reported at fair value with derivative gains and losses recognized in "Other financial income and expense" in the consolidated 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 consolidated income statement. Unsaleable inventory is fully written off in the consolidated 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 and the estimated collectible amount. Charges for doubtful trade receivables are recorded as marketing and selling costs recognized in the consolidated income statement within "Selling, general and administration" expenses.

The Group also holds a portfolio of trade receivables under a business model where the objective of the business model is achieved by both collecting contractual cash flows and selling the trade receivables under factoring arrangements. Such trade receivables are measured at fair value through other comprehensive income.

Legal and environmental liabilities

The Group 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 Sandoz has a present obligation as a result of a past event and 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 Group, 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 "Operating income" in the consolidated income statement.

The effect of unwinding the discount over time is recognized in "Interest expense" in the consolidated 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."

Treasury shares

Treasury shares are initially recognized at cost and deducted from consolidated equity at their nominal value of CHF 0.05 per share. Purchases and sales of treasury shares are initially recorded at fair value on their trade date, which is different from the settlement date, when the transaction is ultimately effective. Differences between the nominal amount and the transaction price on purchases or sales of treasury shares with third parties, or the value of services received for the shares allocated to employees as part of share-based compensation arrangements, are recorded in "Retained earnings" in the consolidated statement of changes in equity.

Revenue recognition

Revenue on the sale of the Group's products and services, which is recorded as "Net sales" in the consolidated 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 Group 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 Group 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 healthcare 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 Group agreeing to customer returns and the Group 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 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. In exercising judgment, management makes use of analysis of historic actual data where this is considered as a good indicator of expected claims, and continuously monitors the level of deductions versus actual claims processed.

"Other revenue" includes income from profit-sharing, royalties and milestones. Profit-sharing and royalty income is generated from the out-licensing of intellectual property when Sandoz retains an interest in the intellectual property through a license. Such 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 and is recognized when control transfers to the third party and our performance obligations are satisfied.

Development and regulatory

Internal development and registration costs are charged to "Development and regulatory" in the consolidated income statement in the period in which they are incurred. The Group considers that

regulatory and other uncertainties inherent in the development of new products generally preclude the capitalization of internal development expenses as an intangible asset until a Marketing Authorization Application for a product is filed with a regulatory authority, after which point the Group assesses if criteria for capitalization for subsequent internal development and registration costs are met. In cases when recognition criteria are met, intangible assets are capitalized and amortized on a straight-line basis over their useful economic lives as the product becomes available for use.

Management is evaluating the significance of a more streamlined biosimilars approval process by the regulatory authorities and its impacts on the Group's assessment of technical feasibility of biosimilar projects. This is expected to lead to an earlier point in time when the criteria for capitalization of development and registration costs of biosimilar products are generally met. The impacts from such change in assessment will be reflected prospectively in the 2026 financial statements.

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 Group, are expensed as internal development and regulatory 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.

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 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 development services not resulting in an additional transfer of intellectual property rights to the Group. Such additional payments will be capitalized if they are deemed to be compensation for the transfer to the Group of additional intellectual property developed at the risk of the originator company.

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 consolidated 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 consolidated income statement, when approval is virtually certain by the appropriate regulatory authority.

Share-based compensation

Each of the periods presented include expense related to incentive compensation provided to eligible Sandoz employees in the form of equity-settled or cash-settled awards, including Restricted Stock Units (RSUs), Performance-based Restricted Stock Units (PSUs) and Restricted Stock (RS). The Group expenses the fair values of RSUs, PSUs and RS granted to employees as compensation over the related vesting periods within the various functions where the employees are employed, after adjusting for assumptions related to forfeiture during the vesting period.

Unvested RS 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 share price at the grant date adjusted for the net present value of the dividends expected to be paid during the holding period.

PSUs granted under Sandoz plans are subject to the achievement of certain performance criteria during the vesting period and require plan participants to provide services during this period. The performance criteria are based solely on internal performance metrics and are conditional on the provision of service by plan participants during the vesting period, and therefore 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 Sandoz 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 consolidated 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.

If a plan participant leaves for reasons other than retirement, disability or death, then unvested RS, RSUs and PSUs are forfeited, unless determined otherwise by the provision of the plan rules or by the Human Capital and ESG Committee of the Sandoz Group 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 Group will comply with all attached conditions. Government grants received to compensate costs are deferred and recognized in the consolidated 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 consolidated income statement.

Healthcare contributions

Healthcare cost contribution levies and fees under governmental programs that require the Group to contribute to a country's healthcare costs, other than programs described in "Revenue recognition" in this Note, are recognized in "Other expense" in the consolidated 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 in the balance sheet prepared for purposes of these consolidated financial statements, 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 Group 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 judgments 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 consolidated balance sheets within current income tax liabilities.

Earnings per share

Basic earnings per share is based on the weighted average number of registered shares outstanding. Diluted earnings per share is based on the weighted average number of registered shares outstanding and all dilutive potential registered shares outstanding.

Impact of new IFRS Accounting Standards, amendments and interpretations in 2025

There are no new IFRS Accounting Standards, amendments or interpretations that became effective in 2025 that had a material impact on the Group's consolidated financial statements.

Status of adoption of significant new or amended IFRS Accounting Standards or interpretations in 2025 not yet effective

IFRS 18 Presentation and Disclosure in Financial Statements

Upon adoption, IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard is required to be applied retrospectively to comparative periods presented and introduces the following key new requirements:

- Present specified categories and defined subtotals in the statement of profit or loss
- Provide disclosures on management-defined performance measures (ie, non IFRS-measures) in the Notes to the financial statements
- Improve aggregation and disaggregation of information in the primary financial statements and Notes

The Group is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for management-defined performance measures. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other."

Based on the Group's assessment, other than IFRS 18 Presentation and Disclosure in Financial Statements, there were no significant new or amended IFRS Accounting Standards or interpretations in 2025 not yet effective that would have a material impact on the Group's consolidated financial statements.

4. Significant transactions

The Group 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 2025

Acquisition of Just-Evotec Biologics EU SAS

On November 4, 2025, Sandoz entered into an agreement to acquire all shares of Just-Evotec Biologics EU SAS (JEB SAS) from Evotec SE. JEB SAS will provide Sandoz with expansion of own capabilities for the development and manufacturing of biosimilars. The acquisition closed on December 5, 2025, and was classified as a business combination. The preliminary purchase price consisted of an upfront cash payment of USD 263 million. The fair value of the total purchase consideration equals the cash purchase price. The preliminary purchase price allocation resulted in net identifiable assets of USD 226 million, consisting primarily of property, plant and equipment of USD 228 million for which an independent valuation has not yet been finalized. Goodwill amounted

to USD 37 million and is not tax deductible. Goodwill is the excess of the consideration transferred over the net assets recognized and represents the expected effects of expansion of biosimilars in-house development and manufacturing capabilities. The results of JEB SAS operations since the date of acquisition were not material.

Technology acquisition from Just-Evotec Biologics, Inc.

On December 5, 2025, Sandoz signed an agreement to obtain a license to Just-Evotec Biologics, Inc., continuous manufacturing technology. The license covers an unlimited number of molecules, with up to 10 subject to royalty payments. Under the terms of the agreement, the total cash consideration for the license was USD 133 million, of which USD 58 million was paid upon signing.

Management applied judgment in assessing whether the acquisition of this license was part of the acquisition of JEB SAS. The Group concluded that the acquisition of this license was primarily for its own benefit, and not part of the exchange for the acquiree under the definition of a business combination under IFRS 3. Accordingly, the transaction was reported as a separate asset purchase transaction.

Significant transactions in 2024

China business divestment and portfolio agreement

On December 3, 2023, Sandoz entered into an agreement with Aspen Global Inc. (Aspen) to swap the Sandoz China legal entity with Aspen's surgical anesthesia portfolio for hospital administration in Europe and a cash component. As consideration for the transaction, Aspen paid USD 76 million, with additional future payments up to USD 20 million contingent on the sales performance of the pipeline products. For the anesthesia portfolio, Sandoz paid USD 50 million to Aspen, with an additional future payment of USD 10 million contingent on the sales performance of the anesthetic products. The transaction closed on April 30, 2024, and was classified as a business divestment. Sandoz realized a pre-tax gain on divestment of USD 36 million recorded in "Other income." Upon closing, all cash components were paid, with the contingent payments potentially due in the future.

Acquisition of the Cimerli® business

On January 22, 2024, Sandoz entered into an agreement to acquire the US business related to biosimilar ranibizumab Cimerli® from Coherus BioSciences, Inc. Cimerli® is an FDA approved biosimilar to reference product Lucentis® (ranibizumab injection) indicated for the treatment of multiple retinal diseases. The acquisition closed on March 1, 2024, and was classified as a business combination. The purchase price consisted of an upfront cash payment of USD 170 million and a customary purchase price adjustment of USD 18 million.

The purchase price allocation resulted in net identifiable assets of USD 40 million, consisting primarily of currently marketed product intangible assets of USD 13 million and inventories of USD 19 million. Goodwill amounted to USD 148 million.

Goodwill is the excess of the consideration transferred over the net assets recognized and represents the expected revenue synergies with Sandoz pipeline Ophthalmology platform and assembled workforce. Goodwill recognized as a result of acquisition will be deducted for tax purposes.

Since the date of acquisition, contribution of the Cimerli® business to the consolidated net sales in 2024 of the Group amounted to USD 115 million. The results of operations since the date of acquisition were not material.

5. Operating segment

Sandoz is a multinational group of companies operating in the generic and biosimilar medicines segment and specializes in the development, manufacturing and marketing of generics and biosimilars.

Sandoz is engaged in a single business activity consisting of developing, manufacturing and marketing 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 Executive Committee (EC) is responsible for overseeing the business operations of Sandoz, including financial performance and fulfilment of the Group's Purpose, strategic priorities and targets. It is considered that the EC is the Sandoz Chief Operating Decision Making body as it is responsible for allocating resources and assessing the performance of the operating segment of the Group.

The ability of the Group to develop, produce, deliver and commercialize a wide range of generic and biosimilar medicine products is central to the EC decision-making process. In assessing performance, the EC reviews financial information on an integrated basis for the Group as a whole, substantially in the form of, and on the same basis as, the Group's IFRS financial statements.

Resources, in particular capital expenditure, in-licensing, development and regulatory, are allocated on a Group-wide basis.

6. Revenues and geographic information

Net sales by business information

(USD millions)	2025	2024
Generics	7,794	7,504
Biosimilars	3,292	2,853
Total net sales	11,086	10,357

Geographic information

The following table shows countries that accounted for more than 10% of at least one of net sales or total of selected non-current assets as well as the net sales by region for the years ended December 31, 2025 and 2024:

(USD millions unless indicated otherwise)	Net sales ¹				Total of selected non-current assets ²			
	2025	%	2024	%	2025	%	2024	%
Country								
Switzerland	494	4	441	4	2,226	17	1,752	16
United States	1,832	17	1,893	18	3,607	28	3,617	33
Germany	1,418	13	1,310	13	2,448	19	2,144	19
Other	7,342	66	6,713	65	4,583	36	3,559	32
Total Sandoz	11,086	100	10,357	100	12,864	100	11,072	100
Region								
Europe	5,936	54	5,363	52				
International	2,713	24	2,557	25				
North America	2,437	22	2,437	23				
Total Sandoz	11,086	100	10,357	100				

¹ Net sales 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 other than goodwill and other non-current assets, excluding post-employment benefit assets.

Information about major customers

At December 31, 2025 and 2024, one customer accounted for more than 10% of net sales and represented 12% (2024: 11%) of total Sandoz net sales.

Other revenues

(USD millions)	2025	2024
Profit-sharing income	30	2
Royalty income	28	16
Milestone income	7	1
Other ¹	6	8
Total other revenues	71	27

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. Other expense

Other expense includes litigation and settlement costs, additions to provisions and product liability, governmental investigations and other legal matters, related legal expenses, additions to restructuring provisions and certain integration and separation costs related to the spin-off. Other expense amounted to USD 633 million in 2025 compared to USD 1.5 billion in the previous year. The decrease versus prior year is primarily driven by lower additions to legal provisions and related costs, lower restructuring expenses and lower separation costs. See Note 25 for the restructuring provisions movements and Note 23 for product liability, governmental investigations and other legal matters provision movements.

8. Interest expense and other financial income and expense

Interest expense

(USD millions)	2025	2024
Interest expense	(201)	(231)
Interest expense on lease liabilities	(18)	(15)
Expense arising from discounting long-term liabilities	(4)	(6)
Capitalized borrowing costs ¹	3	1
Total interest expense	(220)	(251)

¹ Capitalized borrowing costs represent the portion of interest expense that was capitalized to property, plant and equipment, see Note 11.

Other financial income and expense

(USD millions)	2025	2024
Interest income	47	43
Monetary (loss)/gain from hyperinflation accounting	(12)	4
Financial expense	(43)	(22)
Currency result, net	10	(92)
Total other financial income and expense	2	(67)

9. Income taxes

The significant components of income tax expense are as follows:

(USD millions)	2025	2024
Current income tax expense	(317)	(222)
Deferred tax income	24	234
Income tax (expense)/benefit	(293)	12

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 Group'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 applicable tax rate of the Group is representative of a weighted average of tax rates in the main jurisdictions in which the Group operates.

The main elements contributing to the difference between the Group's overall applicable tax rate and the effective tax rate are shown in the following table:

(USD millions unless indicated otherwise)	2025	%	2024	% ¹
Applicable tax charge/rate	(279)	23.1	2	22.0
Effect of taxes on non-deductible expenses	(25)	2.1	(60)	nm
Effect of tax-exempt income	2	(0.2)	9	nm
Effect of tax incentives	29	(2.4)	23	nm
Effect of current year tax losses and tax credits for which no deferred tax asset is recognized	–	–	(1)	nm
Changes to recognition of tax losses and temporary differences ²	(28)	2.3	1	nm
Effect of tax rate change on current and deferred tax assets and liabilities	(4)	0.4	13	nm
Effect of changes in estimates related to prior years ³	42	(3.5)	21	nm
Effect of Global minimum tax	(3)	0.3	(5)	nm
Effect of other items ⁴	(27)	2.2	9	nm
Effective tax charge/rate	(293)	24.3	12	109.1

¹ The effect of the significant items contributing to the difference between applicable and effective tax rate are not meaningful due to the pre-tax position of the Group and therefore only the full amount is shown.

² Includes the effect of non-recognition of prior year's state tax-losses carry-forward in the United States. See Note 14 for further details.

³ Mostly driven by the United States.

⁴ Includes the effect of provisions for uncertain tax positions.

nm = not meaningful

The utilization of tax-loss carry-forwards lowered the tax charge by USD 1 million in 2025 and by USD 19 million in 2024.

The Basel-Stadt cantonal tax rate change, effective January 1, 2026, will increase the cantonal tax rate from 6.5% to 8.5% for profits above CHF 50 million. The blended Swiss cantonal and federal tax rate will increase from 13.04% to a maximum of 14.53%, impacting the Group's Basel-Stadt domiciled subsidiaries. The changes in rate enacted in 2025 in Basel and in other jurisdictions in which the Group operates, required a revaluation of deferred tax assets and liabilities with no material impact to the Group's effective tax rate.

The Group has become fully subject to the Global minimum top-up tax under Pillar Two tax legislation from January 1, 2025, following Income Inclusion Rule implementation in Switzerland. Consequently, a 15% minimum taxation will be assessed on Pillar Two qualifying profits earned by companies in every jurisdiction in which the Group has a taxable presence. The impact of these changes to tax legislation are not material to our consolidated financial position, income statement and cash flows. The Group is liable for additional Pillar Two current taxes, mostly driven by its operations in Slovenia.

The Group has applied temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for them as a current tax when they are incurred.

10. Earnings per share

Basic earnings per share (EPS) is calculated by dividing net income attributable to the shareholders of Sandoz Group AG for the period by the weighted average number of registered shares outstanding during the period. This calculation excludes the average number of issued shares held by the Group as treasury shares. For the year ended December 31, 2025, the weighted average number of shares outstanding was 432.0 million shares.

Diluted EPS is computed based on the weighted average number of registered shares outstanding for the year plus the dilutive effect of shares granted as part of the Group's equity-based incentive plans, as described in Note 29.

For the year ended December 31, 2025, the weighted average number of dilutive shares outstanding was 4.8 million. There were no antidilutive shares excluded from the computation of diluted EPS in 2025, as all were dilutive.

The average market value of the Group's shares for the purposes of calculating the potentially dilutive effects of unvested equity-based awards was based on quoted market prices for the period that the unvested awards were outstanding.

	2025	2024
Net income attributable to shareholders of Sandoz Group AG (USD millions)	914	0
Number of shares (in millions)		
Weighted average number of shares outstanding used in basic earnings per share	432.0	430.2
Adjustment for vesting of Restricted Stock, Restricted Stock Units and Performance-based Restricted Stock Units	4.8	3.8
Weighted average number of shares in diluted earnings per share	436.8	434.0
Basic earnings per share (USD)	2.12	0.00
Diluted earnings per share (USD)	2.09	0.00

11. Property, plant and equipment

The following table summarizes the movements of property, plant and equipment in 2025:

(USD millions)	Land	Buildings	Construction in progress	Machinery and other equipment	Total
At January 1, 2025					
Cost	65	960	449	2,480	3,954
Accumulated depreciation and impairment	(2)	(489)	(9)	(1,759)	(2,259)
Net book value	63	471	440	721	1,695
At January 1, 2025	63	471	440	721	1,695
Impact of acquisitions of businesses	3	67	140	18	228
Reclassifications ¹	–	39	(198)	159	–
Additions ²	44	26	347	99	516
Disposals and derecognitions	(1)	(5)	–	(3)	(9)
Depreciation charge	–	(36)	–	(163)	(199)
Impairment charge	–	(1)	(2)	(1)	(4)
Reversal of impairment charge	–	–	1	–	1
Currency translation effects	10	49	61	82	202
At December 31, 2025	119	610	789	912	2,430
At December 31, 2025					
Cost	121	1,175	799	2,989	5,084
Accumulated depreciation and impairment	(2)	(565)	(10)	(2,077)	(2,654)
Net book value	119	610	789	912	2,430
Commitments for purchases of property, plant and equipment ³					386
Capitalized borrowing costs					3

¹ Reclassifications between various asset categories due to completion of buildings, machinery and other equipment under construction.

² Additions include mainly investments in Slovenia and Austria.

³ For further disclosures on commitments for purchases of property, plant and equipment, see Note 31.

The following table summarizes the movements of property, plant and equipment in 2024:

(USD millions)	Land	Buildings	Construction in progress	Machinery and other equipment	Total
At January 1, 2024					
Cost	69	1,011	432	2,518	4,030
Accumulated depreciation and impairment	(2)	(551)	(17)	(1,875)	(2,445)
Net book value	67	460	415	643	1,585
At January 1, 2024	67	460	415	643	1,585
Reclassifications ¹	–	52	(215)	163	–
Additions	–	35	276	86	397
Disposals and derecognitions	(1)	(16)	–	(5)	(22)
Depreciation charge	–	(34)	–	(141)	(175)
Impairment charge	–	–	(1)	(4)	(5)
Currency translation effects	(3)	(26)	(35)	(21)	(85)
At December 31, 2024	63	471	440	721	1,695
At December 31, 2024					
Cost	65	960	449	2,480	3,954
Accumulated depreciation and impairment	(2)	(489)	(9)	(1,759)	(2,259)
Net book value	63	471	440	721	1,695
Commitments for purchases of property, plant and equipment ²					298
Capitalized borrowing costs					1

¹ Reclassifications between various asset categories due to completion of buildings, machinery and other equipment under construction.

² For further disclosures on commitments for purchases of property, plant and equipment, see Note 31.

12. Right-of-use assets and lease liabilities

The following table summarizes the movements of the right-of-use assets:

(USD millions)	2025	2024
At January 1	293	265
Additions ¹	118	122
Depreciation charge	(77)	(65)
Reversal of impairment charge	–	2
Lease contract terminations ²	(16)	(11)
Currency translation effects	32	(20)
At December 31	350	293

¹ In 2024, of the total additions, USD 31 million relates to the application of the practical expedient from IFRS 16 applied to non-lease components, which the Group has elected as an accounting policy choice.

² Lease contract terminations also includes modifications to existing leases that result in reductions to the right-of-use assets.

The following table shows the right-of-use assets carrying value at December 31, 2025 and 2024, and the depreciation charge for the years 2025 and 2024, by underlying class of asset:

(USD millions)	December 31, 2025 carrying value	Depreciation charge 2025	December 31, 2024 carrying value	Depreciation charge 2024
Land	11	1	15	–
Buildings	247	39	204	37
Vehicles	44	25	37	20
Machinery and equipment, and other assets	48	12	37	8
Total right-of-use assets	350	77	293	65

The following table shows the lease liabilities by maturity at December 31, 2025 and 2024:

(USD millions)	Lease liabilities 2025	Lease liabilities undiscounted 2025	Lease liabilities 2024	Lease liabilities undiscounted 2024
Less than one year	70	86	58	71
Between one and two years	54	67	50	62
Between two and three years	33	44	37	45
Between three and four years	22	31	24	31
Between four and five years	20	28	15	22
After five years	186	308	150	256
Total lease liabilities	385	564	334	487
Less current portion of lease liabilities	(70)	(86)	(58)	(71)
Non-current portion of lease liabilities	315	478	276	416
Commitments for leases not yet commenced		1		4

At December 31, 2025 and 2024, there were no material future cash outflows, including extension options, excluded from the measurement of lease liabilities. In 2025 and 2024, there were no material sale-and-leaseback transactions.

Potential future undiscounted cash outflows arising from non-enforceable extension options of up to 20 years in the amount of USD 137 million were not included in the measurement of lease liabilities at December 31, 2025 (2024: USD 137 million).

The following table provides additional disclosures related to right-of-use assets and lease liabilities for 2025 and 2024:

(USD millions)	2025	2024
Interest expense on lease liabilities ¹	18	15
Total cash outflows for leases	89	75
<i>Thereof:</i>		
<i>Payments of interest²</i>	17	15
<i>Payments of lease liabilities</i>	72	60

¹ The average interest rate is 5.0% (2024: 4.7%).

² Included within total net cash flows from operating activities.

13. Goodwill and intangible assets

The following table summarizes the movements of goodwill and intangible assets in 2025:

(USD millions)	Goodwill	Intangible assets other than goodwill				Total
	Total	In-process research and development ³	Technologies	Currently marketed products	Other intangible assets	
At January 1, 2025						
Cost	7,710	283	978	10,031	413	11,705
Accumulated amortization and impairment	(241)	(62)	(923)	(9,011)	(234)	(10,230)
Net book value	7,469	221	55	1,020	179	1,475
At January 1, 2025	7,469	221	55	1,020	179	1,475
Impact of acquisitions of businesses	37	–	6	–	4	10
Reclassifications ¹	–	(95)	–	95	–	–
Additions ²	–	65	144	71	173	453
Amortization charge	–	–	(12)	(192)	(44)	(248)
Impairment charge	–	(1)	–	(17)	–	(18)
Currency translation effects	508	29	9	133	24	195
At December 31, 2025	8,014	219	202	1,110	336	1,867
At December 31, 2025						
Cost	8,279	276	1,207	10,791	616	12,890
Accumulated amortization and impairment	(265)	(57)	(1,005)	(9,681)	(280)	(11,023)
Net book value	8,014	219	202	1,110	336	1,867

¹ Reclassification between in-process research and development and currently marketed products when in-process development projects are completed.

² In 2025, additions mainly include a technology acquisition from Just-Evotec Biologics, Inc. (see Note 3), capitalization of software intangibles and milestone payments related to acquired technology and product rights.

³ Includes internally generated intangible assets. At January 1, 2025, the net book value of internally generated assets was USD 33 million. During the year, total additions represented USD 27 million and reclassification to currently marketed products was USD 60 million. At December 31, 2025, the net book value was nil.

The following table summarizes the movements of goodwill and intangible assets in 2024:

(USD millions)	Goodwill	Intangible assets other than goodwill				Total
	Total	In-process research and development ²	Technologies	Currently marketed products	Other intangible assets	
At January 1, 2024						
Cost	7,842	283	1,031	10,250	359	11,923
Accumulated amortization and impairment	(253)	(69)	(948)	(9,130)	(214)	(10,361)
Net book value	7,589	214	83	1,120	145	1,562
At January 1, 2024	7,589	214	83	1,120	145	1,562
Impact of acquisitions of businesses	148	–	–	13	–	13
Reclassifications ¹	–	(47)	–	47	–	–
Additions	–	66	–	115	72	253
Amortization charge	–	–	(25)	(197)	(30)	(252)
Impairment charge	–	(1)	–	(8)	–	(9)
Reversal of impairment charge	–	2	–	–	–	2
Currency translation effects	(268)	(13)	(3)	(70)	(8)	(94)
At December 31, 2024	7,469	221	55	1,020	179	1,475
At December 31, 2024						
Cost	7,710	283	978	10,031	413	11,705
Accumulated amortization and impairment	(241)	(62)	(923)	(9,011)	(234)	(10,230)
Net book value	7,469	221	55	1,020	179	1,475

¹ Reclassification between in-process research and development and currently marketed products when in-process development projects are completed.

² Includes internally generated intangible assets. At January 1, 2024, the net book value of internally generated assets was nil. During the year, total additions represented USD 33 million. At December 31, 2024, the net book value was USD 33 million.

As at December 31, 2025, the most significant intangible assets within the currently marketed products category are the Cephalosporin portfolio (the Sandoz acquisition of GlaxoSmithKline (GSK)'s cephalosporin antibiotics business in 2021), the mature oncology brands portfolio (Novartis acquisition of GSK portfolio in 2015) and the biosimilar ustekinumab asset (related to the development and commercialization agreement with Samsung Bioepis in 2023). The most significant intangible asset within the technologies category is the continuous manufacturing technology license (technology acquisition from Just-Evotec Biologics, Inc. in 2025).

As at December 31, 2025, the carrying value and remaining amortization period for the Cephalosporin portfolio is USD 202 million and six years, respectively (2024: USD 208 million and seven years), for the mature oncology portfolio is USD 143 million and three years, respectively (2024: USD 183 million and four years) and for the biosimilar ustekinumab asset is USD 121 million and nine years, respectively (2024: USD 99 million and 10 years). The carrying value and remaining amortization period for the continuous manufacturing technology license is USD 136 million and 15 years.

Goodwill is allocated to the single operating segment of the Group, which comprises 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:

	2025	2024
Terminal growth rate	1.0%	1.0%
Discount rate (post-tax)	7.6%	7.2%

The discount rates consider the Group'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.

The material accounting policy "Impairment of goodwill and intangible assets" in Note 3 provides additional disclosures on how the Group performs goodwill and intangible asset impairment testing.

14. Deferred tax assets and liabilities

The following table summarizes balances and movements of deferred tax assets and liabilities in 2025:

(USD millions)	Property, plant and equipment	Intangible assets	Pensions and other benefit obligations of employees	Inventories	Tax loss carry- forward	Other assets, provisions and accruals	Total
Gross deferred tax assets at January 1, 2025	25	62	38	389	140	405	1,059
Gross deferred tax liabilities at January 1, 2025	(59)	(191)	–	(15)	–	(99)	(364)
Net deferred tax balance at January 1, 2025	(34)	(129)	38	374	140	306	695
At January 1, 2025	(34)	(129)	38	374	140	306	695
Impact of acquisitions of businesses	16	–	–	–	–	(2)	14
Credited/(charged) to income	5	53	(8)	–	(10)	(16)	24
Credited to other comprehensive income	–	–	1	–	–	–	1
Other movements	(12)	(19)	3	3	2	6	(17)
Net deferred tax balance at December 31, 2025	(25)	(95)	34	377	132	294	717
Gross deferred tax assets at December 31, 2025	24	39	34	394	132	408	1,031
Gross deferred tax liabilities at December 31, 2025	(49)	(134)	–	(17)	–	(114)	(314)
Net deferred tax balance at December 31, 2025	(25)	(95)	34	377	132	294	717
After offsetting the following amount of deferred tax assets and liabilities within the same tax jurisdiction, the balance amounts to:							107
Deferred tax assets at December 31, 2025							924
Deferred tax liabilities at December 31, 2025							(207)
Net deferred tax balance at December 31, 2025							717

The following table summarizes balances and movements of deferred tax assets and liabilities in 2024:

(USD millions)	Property, plant and equipment	Intangible assets	Pensions and other benefit obligations of employees	Inventories	Tax loss carry- forward	Other assets, provisions and accruals	Total
Gross deferred tax assets at January 1, 2024	28	69	36	334	39	366	872
Gross deferred tax liabilities at January 1, 2024	(62)	(191)	–	(25)	–	(130)	(408)
Net deferred tax balance at January 1, 2024	(34)	(122)	36	309	39	236	464
At January 1, 2024	(34)	(122)	36	309	39	236	464
Credited/(charged) to income	(11)	30	4	70	104	37	234
Charged/(credited) to equity	9	(48)	–	–	–	37	(2)
Credited to other comprehensive income	–	–	–	–	–	–	–
Other movements	2	11	(2)	(5)	(3)	(4)	(1)
Net deferred tax balance at December 31, 2024	(34)	(129)	38	374	140	306	695
Gross deferred tax assets at December 31, 2024	25	62	38	389	140	405	1,059
Gross deferred tax liabilities at December 31, 2024	(59)	(191)	–	(15)	–	(99)	(364)
Net deferred tax balance at December 31, 2024	(34)	(129)	38	374	140	306	695
After offsetting the following amount of deferred tax assets and liabilities within the same tax jurisdiction, the balance amounts to:							105
Deferred tax assets at December 31, 2024							954
Deferred tax liabilities at December 31, 2024							(259)
Net deferred tax balance at December 31, 2024							695

A deferred tax liability with ending balance of USD 12 million is recognized for the expected withholding tax on future dividends from a foreign subsidiary. Other than that, no deferred tax liabilities have been recognized for the withholding tax and other taxes that would be payable on the remittance of earnings of foreign subsidiaries, as the Group has the ability to control any future remittance of earnings of foreign subsidiaries and the unremitted earnings are retained in the foreign subsidiaries for reinvestment. The total unremitted earnings retained for reinvestment in the Group's foreign subsidiaries that would be subject to withholding tax or other taxes if remitted to the Group are estimated at approximately USD 500 million in 2025 (2024: USD 417 million).

The Sandoz US subsidiaries net deferred tax assets amounted to USD 392 million at December 31, 2025 (2024: USD 438 million). Management assessed the available positive and negative evidence, including, among others, (i) cumulative loss incurred over the three-year period ended December 31, 2025, (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) recent product launches (Wyost[®], Jubbonti[®], Pyzchiva[®], Hyrimoz[®] amongst others), (v) the fact that under the US tax legislation losses can be carried forward indefinitely and (vi) the acceleration of the transition of the US subsidiaries operational business model into a limited risk distributor (LRD) as a result of the transfer of part of the IP portfolio to Sandoz AG that is expected to provide stability on profit on sales model to an LRD as a result of the transfer. Based on the available positive and negative evidence assessed, management concluded that it is probable that sufficient taxable profits will be generated by its US subsidiaries operations in future years to recover the December 31, 2025 net deferred tax asset of USD 392 million.

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)	2025			2024		
	Unrecognized	Recognized	Total	Unrecognized	Recognized	Total
One year	–	–	–	10	–	10
Two years	5	0	5	14	–	14
Three years	1	0	1	23	–	23
Four years	14	–	14	8	–	8
Five years ¹	3	1	4	1,971	–	1,971
More than five years ¹	1,801	9	1,810	319	360	679
Not subject to expiry ¹	2,298	561	2,859	76	553	629
Total²	4,122	571	4,693	2,421	913	3,334

¹ In 2025, the losses generated by the worthless stock deduction taken in 2024 on the closure of Eon Labs Inc. were reclassified from capital to ordinary losses therefore resulting in federal and state net operating loss generation, which impacts the statute of limitations. Unrecognized tax-loss carry-forwards also include historical operating losses from the recently acquired subsidiary Just-Evotec Biologics EU SAS.

² At December 31, 2025, the US total recognized tax-loss carry-forwards are federal losses taxed at 21%; USD 1.9 billion of the unrecognized tax-loss carry-forwards relate to federal losses and the remaining USD 2 billion relate to losses in various state jurisdictions with lower statutory tax rates.

Deferred tax assets related to taxable losses and deductible temporary differences of the Group'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.

15. Financial and other non-current assets

Financial assets

(USD millions)	2025	2024
Debt securities and long-term derivative assets	22	24
Other long-term receivables	10	16
Contingent consideration receivables	8	9
Long-term loans, advances and security deposits	15	11
Total financial assets	55	60

Other non-current assets

(USD millions)	2025	2024
Deferred compensation plans	23	19
Prepaid post-employment benefit plans ¹	1	1
Other non-current assets ²	203	140
Total other non-current assets	227	160

¹ Note 28 provides additional disclosures related to post-employment benefits.

² The increase in other non-current assets at December 31, 2025 versus prior year is driven by prepayments for several development service arrangements.

In 2024, other non-current assets included a prepayment of USD 58 million related to the collaboration agreement with Just-Evotec Biologics, Inc.

16. Inventories

(USD millions)	2025	2024
Raw material, consumables	204	192
Work in progress	956	972
Finished products	2,033	1,959
Inventory provisions	(348)	(323)
Total inventories, net	2,845	2,800

Inventories expensed through "Cost of goods sold" amounted to USD 5.1 billion (2024: USD 4.8 billion). Inventory write-down provisions during the year amounted to an expense of USD 277 million (2024: USD 311 million) and reversals of write-down provisions amounted to an income of USD 58 million (2024: USD 63 million). Both are included in "Cost of goods sold."

17. Trade receivables

(USD millions)	2025	2024
Total gross trade receivables	2,530	2,226
Provisions for doubtful trade receivables	(22)	(21)
Total trade receivables, net	2,508	2,205

The following table summarizes the movement in the provisions for doubtful trade receivables:

(USD millions)	2025	2024
At January 1	(21)	(25)
Provisions for doubtful trade receivables charged to the consolidated income statement	(13)	(20)
Utilization of provisions for doubtful trade receivables	3	1
Reversal of provisions for doubtful trade receivables credited to the consolidated income statement	13	20
Currency translation effects	(4)	3
At December 31	(22)	(21)

The following table shows the trade receivables that are not overdue as specified in the payment terms and conditions established with the Group's customers, as well as an analysis of overdue amounts and related provisions for doubtful trade receivables:

(USD millions)	2025	2024
Not overdue	2,374	2,048
Past due for not more than one month	62	90
Past due for more than one month but less than three months	29	28
Past due for more than three months but less than six months	29	20
Past due for more than six months but less than one year	13	16
Past due for more than one year	23	24
Provisions for doubtful trade receivables	(22)	(21)
Total trade receivables, net	2,508	2,205

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 Group to re-evaluate the expected credit loss amount of these

trade receivables in future periods. At December 31, 2025, 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)	2025	2024
US dollar (USD)	823	665
Euro (EUR)	615	599
Canadian dollar (CAD)	84	80
British pound (GBP)	73	58
Swiss franc (CHF)	68	56
Polish zloty (PLN)	59	73
Other currencies	786	674
Total trade receivables, net	2,508	2,205

18. Income tax receivables and current income tax liabilities

Income tax receivables of USD 352 million and current income tax liabilities of USD 648 million at December 31, 2025 include liabilities and recoverable amounts related to the Tax Matter Agreements with Novartis. See Note 32 for further details on income tax receivables.

Sandoz Group AG and Novartis AG entered into a Tax Matters Agreement governing the allocation of tax liabilities arising prior, as a result of and subsequent to the spin-off. As of October 4, 2023, entities of Sandoz Group will act as a primary obligor to the tax authorities for which Sandoz Group shall be identified and hold harmless by Novartis Group.

19. Derivative financial instruments and cash and cash equivalents

Derivative financial instruments

(USD millions)	2025	2024
Derivative financial instruments	12	15
Total derivative financial instruments	12	15

Cash and cash equivalents

(USD millions)	2025	2024
Current accounts	857	688
Time deposits and short-term investments with original maturity less than three months	882	503
Total cash and cash equivalents	1,739	1,191

20. Other current assets

(USD millions)	2025	2024
VAT receivables	136	113
Withholding tax recoverable	7	6
Prepaid expenses	303	221
Contingent consideration receivables	1	1
Other receivables and current assets ¹	262	940
Total other current assets	709	1,281

¹ The decrease in other receivables and current assets at December 31, 2025 versus prior year is mainly driven by the utilization of two deposited settlement amounts of a total of USD 472 million, related to government generic pricing antitrust investigations, antitrust class actions in the United States and the utilization of the deposited settlement amount of USD 99.5 million related to opioid litigations in the United States (see Note 23 for further details).

21. Equity

The following table shows the movement in the share capital:

(USD millions)	January 1, 2024	Movement in the year	December 31, 2024	Movement in the year	December 31, 2025
Share capital	24.0	1.0	25.0	–	25.0
Treasury shares	(0.1)	(1.0)	(1.1)	0.1	(1.0)
Outstanding share capital	23.9	–	23.9	0.1	24.0

At December 31, 2025, the authorized and issued share capital of Sandoz Group AG, which is the Group's parent company, of CHF 22.0 million (USD 25.0 million) consisted of 440.0 million shares (2024: 440.0 million shares) with a nominal value of CHF 0.05 each. A capital band with an upper limit of CHF 24.2 million exists, corresponding to 484.0 million registered shares with a nominal value of CHF 0.05 each. In 2025, Sandoz Group AG introduced conditional capital to support equity-linked financing instruments and employee participation plans. Up to 66.0 million registered shares may be issued to fulfill obligations under financing arrangements and participation programs.

The following table shows the movement in the shares:

	2025			2024		
	Total Sandoz shares	Total treasury shares	Total outstanding shares	Total Sandoz shares	Total treasury shares	Total outstanding shares
Number of outstanding shares (in millions)						
At January 1	440.0	(9.3)	430.7	431.0	(1.1)	429.9
Share capital increase	–	–	–	9.0	(9.0)	–
Purchases of treasury shares	–	–	–	–	(0.4)	(0.4)
Equity-based compensation	–	2.0	2.0	–	1.2	1.2
Total movements	–	2.0	2.0	9.0	(8.2)	0.8
At December 31	440.0	(7.3)	432.7	440.0	(9.3)	430.7

21.1 On April 15, 2025, the Annual General Meeting approved the distribution of a dividend of CHF 0.60 per share in respect of the 2024 financial year (2024: CHF 0.45). The distribution to holders of outstanding shares totaled USD 318 million (2024: USD 212 million), which was recorded against retained earnings.

21.2 On November 4, 2024, the share capital increased within the capital band in the amount of CHF 450,000 to CHF 22,000,000 by issuing 9,000,000 fully paid-in registered shares with a nominal value of CHF 0.05 each and at an issue price of CHF 0.05 each.

21.3 Impact of change in ownership of consolidated entities represents the excess of the amount paid to non-controlling interest over their carrying value and equity allocation to non-controlling interest due to change in ownership percentage.

21.4 In 2025, net cumulative currency translation losses of nil (2024: USD 4 million) were recycled through the income statement as a result of the divestment and liquidation of subsidiaries.

22. Non-current financial debts and derivative financial instruments

(USD millions)	2025	2024
Bonds	5,070	3,521
Liabilities to banks and other financial institutions	129	869
Derivative financial instruments	5	–
Revolving credit facility	–	–
Total, including current portion of non-current financial debts	5,204	4,390
Less current portion of non-current financial debts	(504)	–
Total non-current financial debts and derivative financial instruments	4,700	4,390

All bonds and loans are initially recorded at the amount of proceeds received, net of transaction costs. They are subsequently carried at amortized cost, with the difference between the proceeds, net of transaction costs and the amount due on redemption being recognized as a charge to the consolidated income statement over the period of the relevant bonds and loans. Financial debts contain only general default covenants. The Group is in compliance with these covenants.

The percentage of fixed rate financial debts to total financial debts was 95% at December 31, 2025 (2024: 78%). The weighted average interest rate on total non-current financial debts in 2025 was 3.4% (2024: 4.2%). Note 32 contains a maturity table of the Group's future contractual interest payment commitments.

In 2025, a new multi-currency revolving credit facility (RCF) of USD 2.0 billion was entered into with a five-year maturity, with an option to extend twice by another year. This replaced the unutilized USD 1.25 billion RCF in place since the spin-off. As of December 31, 2025, the RCF remained undrawn.

The Group has an uncommitted guarantee facility from a bank in the amount of CHF 50 million as of December 31, 2025 (2024: CHF 50 million).

The following table provides a breakdown of bonds:

Coupon	Currency	Notional amount (millions)	Issuance year	Maturity year	Issuer	Issue price	2025 (USD millions)	2024 (USD millions)
2.125%	CHF	400	2023	2026	Sandoz Group AG, Switzerland	100.014%	504	442
2.600%	CHF	350	2023	2031	Sandoz Group AG, Switzerland	100.125%	440	386
3.970%	EUR	700	2023	2027	Sandoz Finance B.V., Netherlands	99.990%	820	726
4.220%	EUR	700	2023	2030	Sandoz Finance B.V., Netherlands	99.966%	819	726
4.500%	EUR	600	2023	2033	Sandoz Finance B.V., Netherlands	99.945%	701	622
3.250%	EUR	600	2024	2029	Sandoz Finance B.V., Netherlands	99.461%	699	619
1.250%	CHF	165	2025	2028	Sandoz Group AG, Switzerland	100.345%	208	–
1.750%	CHF	235	2025	2033	Sandoz Group AG, Switzerland	100.744%	297	–
4.000%	EUR	500	2025	2035	Sandoz Finance B.V., Netherlands	99.402%	582	–
Total bonds							5,070	3,521

On March 13, 2025, Sandoz issued a three-year CHF 165 million and an eight-year CHF 235 million bond, with annual coupons of 1.25% and 1.75%, respectively. On March 17, 2025, Sandoz issued a single-tranche EUR 500 million bond with a tenor of 10 years and an annual coupon of 4.0%. On March 31, 2025, Sandoz fully repaid USD 750 million equivalent in USD and EUR term loans that were put in place in September 2023, prior to the spin-off from its former parent.

The following tables provide a breakdown of total non-current financial debts, including current portion by maturity and currency:

Breakdown by maturity

(USD millions)	2025	2024
2026	504	1,005
2027	884	726
2028	208	249
2029	699	619
2030	819	726
After 2030	2,090	1,065
Total non-current financial debts, including current portion	5,204	4,390

Breakdown by currency

(USD millions)	2025	2024
Euro (EUR)	3,691	2,999
Swiss franc (CHF)	1,449	828
US dollar (USD)	–	499
Other currencies	64	64
Total non-current financial debts, including current portion	5,204	4,390

The following table shows the comparison of balance sheet carrying value and fair value of bonds:

(USD millions)	2025 Carrying amount	2025 Fair value	2024 Carrying amount	2024 Fair value
Bonds	5,070	5,245	3,521	3,695
Total bonds	5,070	5,245	3,521	3,695

The fair values of bonds are determined by quoted market prices (classified as Level 1). Liabilities to banks and other financial institutions are recorded at carrying amounts, which are a reasonable approximation of the fair values.

23. Provisions and other non-current liabilities

(USD millions)	2025	2024
Accrued liability for employee benefits:		
Defined benefit pension plans ¹	207	186
Other long-term employee benefits and deferred compensation	77	66
Other post-employment benefits ¹	16	18
Environmental remediation provisions	48	47
Provisions for product liabilities, governmental investigations and other legal matters ²	45	69
Contingent consideration	20	40
Other non-current liabilities	117	85
Total provisions and other non-current liabilities	530	511

¹ Note 28 provides additional disclosures related to post-employment benefits.

² Further sections of Note 23 provide additional disclosures related to legal provision.

The Group believes that its total provisions are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, the Group may incur additional costs beyond the amounts provided. Management believes that such additional amounts, if any, would not be material to the Group'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)	2025	2024
At January 1	51	54
Cash payments	(1)	–
Currency translation effects	6	(3)
At December 31	56	51
Less current provisions	(8)	(4)
Non-current environmental remediation provisions at December 31	48	47

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, 2025 is currently projected as follows:

(USD millions)	Expected cash outflows
Due within two years	26
Due later than two years, but within five years	21
Due later than five years, but within 10 years	2
Due after 10 years	7
Total environmental remediation provisions	56

Provisions for product liabilities, governmental investigations and other legal matters

The Group has established provisions for governmental investigations and other legal matters where a potential cash outflow is probable, and the Group can make a reliable estimate of the amount of the outflow. These provisions represent the Group's current best estimate of the total financial impact 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 Group has not established provisions for potential damage awards and settlements for certain additional legal claims against its subsidiaries if the Group 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 Group 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 Group are either wholly or partially unspecified, or wholly or partially unquantifiable at present; the Group 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 Group 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 Group 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 Group was able to make a reliable estimate of the possible loss or the range of possible loss, but the Group believes that publication of such information on a case-by-case basis would seriously prejudice the Group'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.

On top of above, Sandoz conducts regular materiality assessments to fulfill its disclosure obligations. According to the most recent assessment, the previously disclosed matter "Explanatory proceedings by Polish Competition Authority with potential antitrust investigation in Poland" has been removed from this report, as it does not fulfill the materiality criteria for disclosure.

Note 31 contains additional information on contingencies.

Summary of significant legal proceedings

The following is a summary of significant legal proceedings to which the Group or its subsidiaries are currently a party or were a party and that concluded in 2025.

Investigations and related litigations

Opioid litigations in the United States and Canada

Sandoz entities are named as defendants in opioid litigations in the US and Canada. In the US, Sandoz is named in more than 600 complaints filed in multidistrict litigation (MDL) 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 and representatives of the plaintiffs have entered into a conditional settlement which will become effective only when, among other things, at least 85% of the plaintiffs elect to participate in the settlement. On November 30, 2023, the MDL court entered an order directing the creation of a qualified settlement fund administered by a court appointed settlement referee. In December 2023, Sandoz deposited the settlement amount of USD 99.5 million into the qualified settlement fund, and those funds will be distributed to plaintiffs pursuant to court orders after the settlement becomes effective. In Q4 2025, the settlement became effective as to claims brought by tribes and the municipal plaintiffs, and the cases were dismissed. Sandoz has no responsibility for

disbursement of the qualified settlement fund balance and is released from further claims from the participating plaintiffs. Sandoz expressly does not admit liability or wrongdoing.

In Canada, Sandoz has been named in class actions initiated by the provinces of British Columbia, Ontario, Alberta, Saskatchewan, Manitoba and Québec. The claims are being vigorously contested.

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 regards 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 Fougere Pharmaceuticals Inc. have been sued alongside other generic 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. The Connecticut Attorney General filed three cases on behalf of the Attorneys General for certain US states and territories, the District of Columbia and Puerto Rico, seeking damages for violation of antitrust laws. The three cases were transferred from the USDC for the Eastern District of Pennsylvania to the USDC for the District of Connecticut. The cases are being vigorously contested.

In February 2024, Sandoz Inc. and its subsidiary Fougere Pharmaceuticals Inc. entered into a settlement agreement with the class of direct purchaser plaintiffs in the multidistrict litigation. Under the terms of the agreement, Sandoz Inc. will pay USD 265 million in exchange for a full release of all claims asserted against it in the direct purchaser class action by the settlement class members. The amount of the settlement was included in the Group's 2023 financial results. On June 26, 2024,

the court issued a preliminary approval of the settlement and payment of the settlement funds into a qualified settlement fund was deposited on July 31, 2024. Pursuant to the terms of the settlement, the amount of the settlement may be reduced as certain putative class members opted not to participate in the settlement. Accordingly, in Q4 2024 the amount of the settlement was reduced by USD 32 million and that amount was returned to Sandoz Inc. On March 17, 2025, the court issued its final approval of the settlement which concludes the claims brought by the direct purchaser plaintiffs against Sandoz Inc. and Fougere Pharmaceuticals Inc. Sandoz has no responsibility for disbursement of the qualified settlement fund balance.

On December 16, 2024, Sandoz Inc. and Fougere Pharmaceuticals Inc. entered into an agreement with the end payer purchaser class to settle their claims pending in the multidistrict litigation. Pursuant to that agreement, Sandoz Inc. deposited USD 275 million into a qualified settlement fund and will receive a full release of all claims asserted by the class upon the court's final approval of the settlement. Up to USD 45 million of that settlement payment may be refunded to Sandoz Inc. in the event class members opt out of the settlement. Accordingly, in Q3 and Q4 2025, the amount of the settlement was reduced by USD 36 million and that amount was returned to Sandoz Inc. On September 26, 2025, the court issued its final approval of the settlement which concludes the claims brought by the end payer plaintiffs against Sandoz Inc. and Fougere Pharmaceuticals Inc. Sandoz has no responsibility for disbursement of the qualified settlement fund balance. Neither the direct purchaser nor end payer settlements include an admission of liability by Sandoz Inc. and Fougere Pharmaceuticals Inc.

During 2025, Sandoz has reached settlements with additional states (Florida, South Carolina, Montana, Georgia and Utah) for amounts that are not material. Following these settlements, there remain claims brought by certain other US states and territories as well as the indirect reseller plaintiff class and individual plaintiffs in the multidistrict litigation. In addition to Sandoz Inc. and Fougere Pharmaceuticals Inc., other entities of the Group were served with complaints in certain of the same proceedings. The above had no impact on the provisions Sandoz has recorded for these matters. As the litigation progresses, Sandoz will continue to assess the overall situation and will adjust the provision as appropriate.

Sandoz Inc., Sandoz Canada Inc. and Fougere 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.

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. The CMS has implemented an application process by which a manufacturer may seek to have a drug that was approved by the 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 the 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 the 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 litigations

Taxotere® (docetaxel)

Sandoz has been 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 USDC Eastern District of Louisiana. The complaints alleged 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. As of December, 31, 2025, all remaining cases have been dismissed with no finding of liability.

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 June 2024, the Mississippi Attorney General has agreed to voluntarily dismiss the action as to Sandoz and certain other defendants.

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. The claims are being vigorously contested and remain pending.

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. 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 Zhejiang Huahai Pharmaceutical Co. Ltd (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 motion for summary judgment on the breach of contract claim.

In May 2024, the court conducted an evidentiary trial to determine the amount of damages to be recovered by Sandoz for breach of contract. On November 1, 2024, the court issued an order awarding Sandoz lost profit damages of USD 62 million, prejudgment interest of USD 9 million, and post judgment interest at the statutory rate. Both Sandoz and UTC filed timely appeals of the final judgment.

Bimatoprost

Sandoz filed its Abbreviated New Drug Application (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 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 appealed to the US Court of Appeals for the Federal Circuit and a decision in Sandoz favor was rendered on November 18, 2025. On January 20, 2026, AbbVie filed a petition for rehearing, and we await the appellate court's decision on that petition.

Summary of product liability, governmental investigations and other legal matters provision movements

(USD millions)	2025	2024
At January 1	1,146	637
Cash payments and settlements ¹	(663)	(29)
Releases of provisions	(146)	(14)
Additions to provisions	13	562
Currency translation effects	13	(10)
At December 31	363	1,146
Less current provisions	(318)	(1,077)
Non-current product liabilities, governmental investigations and other legal matters provisions at December 31	45	69

¹ In 2025, this movement includes the disbursements of USD 472 million from the qualified settlement funds related to the government generic pricing antitrust investigations, antitrust class actions in the United States and the disbursement of USD 99.5 million related to the opioid litigations in the United States.

The Group 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.

24. Current financial debts and derivative financial instruments

(USD millions)	2025	2024
Bank and other financial debts ¹	99	129
Current portion of non-current financial debts	504	–
Derivative financial instruments	11	16
Total current financial debts and derivative financial instruments	614	145

¹ Weighted average interest rate 3.2% (2024: 16.9%).

The carrying amounts of current financial debts approximate the estimated fair value due to the short-term nature of these instruments.

25. Provisions and other current liabilities

(USD millions)	2025	2024
Taxes other than income taxes	152	134
Restructuring provisions	122	216
Accrued expenses for goods and services received but not invoiced	362	290
Accruals for royalties	17	23
Accrued interests on financial debts	87	57
Provisions for deductions from revenue	1,952	1,722
Accruals for compensation and benefits, including social security	482	434
Environmental remediation provisions	8	4
Deferred income	13	4
Provisions for product liabilities, governmental investigations and other legal matters ¹	318	1,077
Accrued share-based payments ²	3	8
Other payables	197	106
Total provisions and other current liabilities	3,713	4,075

¹ Note 23 provides additional disclosures related to legal provisions.

² Note 29 provides additional disclosures related to equity-based participation plans for employees.

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)	2025	2024
At January 1	1,722	1,620
Payments/utilizations	(8,510)	(7,736)
Adjustments of prior years charged to income statement	(29)	(32)
Current year income statement charge	8,584	8,055
Change in provisions offset against gross trade receivables	56	(97)
Currency translation effects	129	(88)
At December 31	1,952	1,722

The provisions for deductions from revenue include specific healthcare plans, 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

The following table shows the movement of the restructuring provisions:

(USD millions)	2025	2024
At January 1	216	55
Additions	39	206
Cash payments	(128)	(40)
Releases	(27)	(3)
Currency translation effects	22	(2)
At December 31	122	216

In 2025 and 2024, additions to provisions were mainly related to the transformation program started in 2024 to improve organizational efficiency. This multi-year program includes simplification of our organizational structure to create fit-for-purpose business operations globally.

26. Details to the consolidated statement of cash flows

26.1) Non-cash items and other adjustments

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

(USD millions)	2025	2024
Depreciation, amortization and impairments on:		
Property, plant and equipment	202	180
Right-of-use assets	77	63
Intangible assets	266	259
Change in provisions and other non-current liabilities	(25)	776
Gains on disposal and other adjustments on property, plant and equipment; intangible assets; financial assets; and other non-current assets, net	(22)	(56)
Equity-settled compensation expense	102	88
Income taxes	293	(12)
Net financial expense	218	318
Other	(8)	(7)
Total	1,103	1,609

26.2) Cash flows from/(used for) changes in net working capital and other operating items

(USD millions)	2025	2024
Cash flows from/(used for) changes in net working capital:		
Decrease/(increase) in inventories	227	(277)
(Increase)/decrease in trade receivables	(103)	256
Increase in trade payables	28	25
Total cash flows from changes in net working capital	152	4
Cash flows from/(used for) other operating items:		
Change in other current and non-current assets	590	(661)
Change in other current liabilities	113	314
Other adjustments, net	8	(22)
Total cash flows from/(used for) other operating items	711	(369)
Total cash flows from/(used for) changes in net working capital and other operating items	863	(365)

26.3) Cash flows from acquisitions and divestments of businesses, net

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

(USD millions)	Note	2025	2024
Total purchase consideration transferred	27	(263)	(188)
Acquired cash and cash equivalents		3	–
Cash flows used for acquisitions of businesses		(260)	(188)
Cash flows from divestments of businesses, net ¹		–	6
Cash flows used for acquisitions and divestments of businesses, net		(260)	(182)

¹ In 2024, the divestment of a business resulted in a net cash inflow of USD 6 million. The net assets and liabilities of the divested business amounted to USD 33 million, comprised of non-current assets of USD 34 million, current assets of USD 49 million, including USD 20 million of cash and cash equivalents, non-current liabilities of USD 2 million and current liabilities of USD 48 million.

Notes 4 and 27 provide further information regarding significant acquisitions and divestments of businesses. All acquisitions were for cash.

26.4) Reconciliation of liabilities arising from financing activities

(USD millions)	Financial liabilities			
	Non-current financial debts and derivative financial instruments	Current financial debts and derivative financial instruments	Non-current lease liabilities	Current lease liabilities
At January 1, 2025	4,390	145	276	58
Proceeds from issuance of non-current financial debts, net of transaction costs	991	–	–	–
Repayments of non-current financial debts	(759)	–	–	–
Change in current financial debts	–	(38)	–	–
Payments of lease liabilities	–	–	–	(72)
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities	–	–	–	(17)
New, modified and terminated leases, net	–	–	76	13
Impact of acquisitions of businesses	–	8	–	–
Changes in fair values, lease interest and other changes, net	7	(7)	–	18
Amortization of bonds discount	4	–	–	–
Currency translation effects	571	2	28	5
Reclassification from non-current to current, net	(504)	504	(65)	65
At December 31, 2025	4,700	614	315	70

(USD millions)	Financial liabilities			
	Non-current financial debts and derivative financial instruments	Current financial debts and derivative financial instruments	Non-current lease liabilities	Current lease liabilities
At January 1, 2024	3,975	284	255	54
Proceeds from issuance of non-current financial debts, net of transaction costs	748	–	–	–
Repayments of non-current financial debts	(78)	–	–	–
Change in current financial debts	–	(110)	–	–
Payments of lease liabilities	–	–	–	(60)
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities	–	–	–	(15)
New, modified and terminated leases, net	–	–	89	15
Changes in fair values, lease interest and other changes, net	1	3	–	15
Amortization of bonds discount	3	–	–	–
Currency translation effects	(259)	(32)	(15)	(4)
Reclassification from non-current to current, net	–	–	(53)	53
At December 31, 2024	4,390	145	276	58

26.5) Supplier finance arrangements

The Group participates in a supplier finance arrangement (SFA) whereby the Group has entered into a payment processing agreement with a financial institution. Under this agreement, the financial institution acts as our paying agent with respect to trade payables due to certain suppliers. Participating suppliers may, at their sole discretion, elect to receive payment for our payment obligations, prior to their original scheduled due dates, at a discounted price from the participating financial institution. The Group is not party to the agreements between the participating financial institution and the suppliers in connection with the program, and our rights and obligations to our suppliers are not impacted.

The Group has not derecognized the original trade payables relating to the SFA because neither a legal release was obtained nor was the original liability substantially modified on entering into the arrangement. The Group includes the outstanding payment obligations subject to the program within trade payables as the payment processing agreement does not change the nature of the transaction. The associated payments are included in operating activities within the consolidated statements of cash flows.

There were no significant non-cash changes in the carrying amount of financial liabilities subject to SFAs.

(USD millions unless indicated otherwise)	2025	2024
Carrying amount of financial liabilities		
Presented within trade payables	66	50
– of which suppliers have received payment from the bank	55	23
Range of payment due dates (days after invoice date)		
Trade payables subject to supplier finance arrangements	75–120	90–120
Comparable trade payables	45–90	45–120

27. Acquisitions of businesses

Fair value of assets and liabilities arising from acquisitions of businesses:

(USD millions)	2025	2024
Property, plant and equipment	228	–
Intangible assets other than goodwill	10	13
Deferred tax assets	16	–
Inventories	2	19
Cash and cash equivalents	3	–
Other current assets	17	9
Deferred tax liabilities	(2)	–
Trade payables	(11)	–
Current financial debts	(8)	–
Other liabilities	(29)	(1)
Net identifiable assets acquired	226	40
Goodwill	37	148
Total purchase consideration transferred	263	188

Note 4 details significant acquisitions of businesses, specifically the acquisition of Just-Evotec Biologics EU SAS in 2025, and the acquisition of the Cimerli® business in 2024.

28. Post-employment benefits for employees

Defined benefit plans

In addition to the legally required social security schemes, the Group has independent pension and other post-employment benefit plans. In certain countries, employees are covered under other post-employment benefit plans and post-retirement medical plans. In most cases, these plans are externally funded in entities that are legally separate from Sandoz. For certain Group 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. All plans, especially the unfunded, represent a balance sheet risk which is driven by changes in discount rate and inflation (indexation). The pension plans are also subject to risks associated with longevity since it provides lifelong monthly pension payments.

The major plans are based in Switzerland, Germany and Austria, which represent 81% of the Group's total DBO for pension plans.

Change in presentation in 2025 of major pension plans

In 2025, the Group terminated the qualified pension plans in the United States. As part of the termination, a one-time cash contribution of USD 34 million was made by Sandoz and a one-time settlement loss of USD 5 million was recognized in the income statement. The plan was settled to beneficiaries through lump-sum payments and annuity purchases. Following the termination, the remaining defined benefit plans in the US are no longer significant in the context of the Group's total defined benefit obligations. Accordingly, in 2025, the US is no longer presented as a separate major plan; the remaining US balances of defined benefit plans are included within the breakdown of "Rest of the world" and no major plans are separately disclosed under other post-employment benefits (OPEB). Comparative information continues to disclose the prior plans, in which Switzerland, the US, Germany and Austria were disclosed as defined in 2024.

Switzerland

All benefits granted under Swiss-based pension plans are vested, and Swiss legislation (the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG)) 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.

In 2025, the Swiss pension plan was legally separated through a partial liquidation from the former parent's pension fund, and its assets were transferred into two collective plans. These pension plans are managed by collective foundations, with the Group represented through Pension Committees comprising both employee and employer representatives. Previously, under the former parent, the pension plans were run by separate legal entities, each governed by a board of trustees that – for the principal plans – consisted of representatives nominated by the employer and the active insured employees. The boards of trustees were responsible for the plan design and asset investment strategy.

Germany

The major pension arrangements in Germany are governed by the Occupational Pensions Act (BetrAVG). The plans are partly funded by a Contractual Trust arrangement or direct insurances. The employer is responsible for contributing the premiums to the insurances and paying certain benefits when they fall due. A portion of the plans include a guaranteed pension increase which is not insured – these benefits are accounted for as a defined benefit liability. For some participants the benefits are based on final salary and length of employment, and for others the benefit is earned each year based on the current salary in the year of service.

Austria

For Austria, Sandoz provides an occupational pension plan (Pensionsregelung der Biochemie Gesellschaft m.b.H.), which is of defined benefit nature. The plan is a final salary plan where the benefit is dependent on service time and final salary. There is also a termination indemnity plan of defined benefit nature. This plan is based on statutory requirements in Austria (Angestelltengesetz). The termination indemnity means that the plan pays out a lump sum at termination, the size of which is dependent on service time and salary. There are no funding requirements associated with the plans.

United States

The principal plan (qualified plan), now settled and removed from the balance sheet during 2025, was historically funded. The other 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. Since the qualified plans are now settled, contributions to plan assets are no longer relevant for Sandoz in the US.

In the US, these benefits consist primarily of post-retirement 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 following table is a summary of the funded and unfunded defined benefit obligation for pension and other post-employment benefit plans of employees at December 31, 2025 and 2024:

(USD millions)	Pension plans		Other post-employment benefit plans (OPEB)	
	2025	2024	2025	2024
Benefit obligation at January 1	638	648	18	17
Current service cost	29	26	–	–
Interest cost	23	23	1	1
Past service costs and settlements	13	(4)	–	–
Administrative expenses	0	1	–	–
Remeasurement losses/(gains) arising from changes in financial assumptions ¹	1	(2)	1	–
Remeasurement (gains)/losses arising from changes in demographic assumptions	(8)	–	–	1
Experience-related remeasurement losses/(gains) ²	45	(3)	(2)	1
Currency translation effects	54	(29)	(1)	(1)
Benefit payments	(44)	(34)	(1)	(1)
Contributions of employees	15	12	–	–
Settlements ³	(171)	–	–	–
Effect of acquisitions, divestments or transfers	3	–	–	–
Benefit obligation at December 31	598	638	16	18
Fair value of plan assets at January 1	454	462	–	–
Interest income	15	15	–	–
Return on plan assets excluding interest income	19	(12)	–	–
Currency translation effects	37	(20)	–	–
Sandoz contributions ⁴	68	31	1	1
Contributions of employees	15	12	–	–
Benefit payments	(44)	(34)	(1)	(1)
Settlements ³	(174)	–	–	–
Effect of acquisitions, divestments or transfers	3	–	–	–
Fair value of plan assets at December 31	393	454	–	–
Funded status	(205)	(184)	(16)	(18)
Limitation on recognition of fund surplus at January 1	(1)	(1)	–	–
Change in limitation on recognition of fund surplus (incl. exchange rate differences)	–	–	–	–
Limitation on recognition of fund surplus at December 31	(1)	(1)	–	–
Net liability in the balance sheet at December 31	(206)	(185)	(16)	(18)

¹ The remeasurement gains and losses arising from changes in financial assumptions is driven mainly by changes in the actuarial discount rates used to determine the benefit obligation.

² In 2025, experience-related remeasurement losses include the partial liquidation impact from the separation of the Swiss pension plan from the former parent's pension fund.

³ In 2025, settlements include the US plan termination settlement to beneficiaries through lump-sum payments and annuity purchases.

⁴ In 2025, Sandoz contributions include a one-time cash contribution of USD 34 million related to the termination of the US pension plans.

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

(USD millions)	Pension plans		OPEB	
	2025	2024	2025	2024
Net liability at January 1	(185)	(187)	(18)	(17)
Current service cost	(29)	(26)	–	–
Net interest expense	(8)	(8)	(1)	(1)
Administrative expenses	0	(1)	–	–
Past service costs and settlements	(16)	4	–	–
Remeasurements	(19)	(7)	1	(2)
Currency translation effects	(17)	9	1	1
Sandoz contributions	68	31	1	1
Net liability at December 31	(206)	(185)	(16)	(18)
Amounts recognized in the consolidated balance sheet				
Prepaid benefit cost	1	1	–	–
Accrued benefit liability	(207)	(186)	(16)	(18)

The following tables show a breakdown of the DBO for major pension plans and 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.

(USD millions)	2025				
	Pension plans				
	Switzerland	Germany	Austria	Rest of the world	Total
Benefit obligation at December 31	268	130	87	113	598
<i>Thereof unfunded</i>	–	3	86	51	140
By type of member					
Active	256	75	35	92	458
Deferred pensioners	–	51	–	7	58
Pensioners	12	4	52	14	82
Fair value of plan assets at December 31	225	121	–	47	393
Funded status	(43)	(9)	(87)	(66)	(205)

(USD millions)	2024					
	Pension plans					
	Switzerland	United States	Germany	Austria	Rest of the world	Total
Benefit obligation at December 31	189	175	106	84	84	638
<i>Thereof unfunded</i>	–	12	3	84	40	139
By type of member						
Active	186	17	60	34	74	371
Deferred pensioners	–	50	41	–	6	97
Pensioners	3	108	5	50	4	170
Fair value of plan assets at December 31	173	145	98	–	38	454
Funded status	(16)	(30)	(8)	(84)	(46)	(184)

(USD millions)	2024		
	OPEB		
	United States	Rest of the world	Total
Benefit obligation at December 31	14	4	18
<i>Thereof unfunded</i>	14	4	18
By type of member			
Active	2	2	4
Pensioners	12	2	14
Fair value of plan assets at December 31	–	–	–
Funded status	(14)	(4)	(18)

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

	Pension plans ²		OPEB ³
	2025	2024	2024
Weighted average assumptions used to determine benefit obligations at December 31 ¹			
Discount rate	2.4%	3.2%	6.1%
Expected rate of pension increase	0.5%	1.8%	–
Expected rate of salary increase	1.9%	2.4%	–
Interest on savings account	2.7%	1.3%	–
Current average life expectancy for a 65-year-old male in years	22	22	20
Current average life expectancy for a 65-year-old female in years	24	24	22

¹ Assumptions are weighted based on ending benefit obligation of the period, assumptions are only considered where applicable.

² In 2025, major plans include Switzerland, Germany and Austria. In 2024, major plans include US, Switzerland, Germany and Austria.

³ In 2024, the table represents only the US plan.

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

The DBO is significantly impacted by the discount rate applied to calculate the present value of the post-employment liability. This rate is based on yields of high-quality corporate bonds denominated in the same currency as the liability. For plans in countries with no deep market for corporate bonds, government bonds can be used instead. Decreasing corporate bond yields will increase the DBO and reduce funded status.

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 tend to increase 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.

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 or 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 with improvements are used where this data is available.

The following table shows the sensitivity of the defined benefit pension obligation to the principal actuarial assumptions for the major plans on an aggregated basis:

(USD millions)	Change in 2025 year-end defined benefit pension obligation ¹	Change in 2024 year-end defined benefit pension obligation ¹
25 basis point increase in discount rate	(12)	(15)
25 basis point decrease in discount rate	13	16
One-year increase in life expectancy	6	5
25 basis point increase in rate of pension increase	6	4
25 basis point decrease in rate of pension increase	(1)	(1)
25 basis point increase of interest on savings account	5	2
25 basis point decrease of interest on savings account	(4)	(2)
25 basis point increase in rate of salary increase	2	4
25 basis point decrease in rate of salary increase	(1)	(3)

¹ In 2025, major plans include Switzerland, Germany and Austria. In 2024, major plans include US, Switzerland, Germany and Austria.

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

	2024 ¹
Healthcare cost trend rate assumed for next year	6.8%
Rate to which the cost trend rate is assumed to decline	4.5%
Year that the rate reaches the ultimate trend rate	2033

¹ In 2024, the table represents only the US plan.

The following table shows the weighted average plan asset allocation of major funded defined benefit pension plans at December 31, 2025 and 2024:

	Pension plans		2025 ²	2024 ²
	Long-term target minimum	Long-term target maximum		
Equity securities	20%	40%	32%	20%
Debt securities	–	20%	10%	37%
Real estate	–	30%	15%	10%
Alternative investments	–	20%	7%	7%
Cash and other investments ¹	30%	50%	36%	26%
Total			100%	100%

¹ Including insurance contracts for Germany.

² In 2025, major plans include Switzerland, Germany and Austria. In 2024, major plans include US, Switzerland, Germany and Austria.

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 Group 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 14.7 years (2024: 14.0 years).

The Group'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 (ie, usually when statutory funding levels fall below predetermined thresholds).

The expected future cash flows in respect of pension and other post-employment benefit plans within 10 years at December 31, 2025, are as follows:

(USD millions)	Pension plans	OPEB
Sandoz contributions		
2026 (estimated)	29	1
Expected future benefit payments		
2026	29	1
2027	25	1
2028	27	1
2029	28	1
2030	30	1
2031–2035	182	7

Defined contribution plans

In many subsidiaries, employees are covered by defined contribution plans. Contributions charged to the consolidated income statement for the defined contribution plans were:

(USD millions)	2025	2024
Contributions for defined contribution plans	49	46

The Group's total personnel costs amounted to USD 2.5 billion in 2025 (2024: USD 2.5 billion).

29. Equity-based participation plans for employees

For the years ended December 31, 2025 and 2024, the expense related to all equity-based participation plans and the liabilities arising from cash-settled equity-based participation plans were as follows:

(USD millions)	2025	2024
Expense related to equity-based participation plans	102	88
Liabilities from cash-settled equity-based compensation plans	3	8

As of December 31, 2025, the Group had USD 72 million of total unrecognized compensation expense that will be recognized over the weighted average period of two years.

As of December 31, 2025 Sandoz had the following share-based compensation arrangements:

Long-Term Incentive Plan (LTIP) – Select – Restricted Stock Units (RSUs) and Restricted Stock (RS)

The equity plan “Select” is a global equity incentive plan, under which certain eligible executives and management personnel may be awarded grants in the form of RSUs and RS.

The awards granted starting from 2024 vest on a staggered schedule whereby one-third of the total awards vest on every anniversary of the award and are generally forfeited if the employment relationship with Sandoz terminates prior to vesting. Recipients of RSU awards do not have any shareholder rights, such as voting or dividend rights, until the shares are delivered. Sandoz employees receiving grants of RS are entitled to non-forfeitable dividend rights that may be declared and paid over the vesting period.

Long-Term Incentive Plan (LTIP) – Long-Term Performance Plan (LTPP) – Performance-based Restricted Stock Units (PSUs)

The Sandoz CEO and Executives participate in the Sandoz long-term performance program. Participants are granted PSUs where each convert to one unrestricted Sandoz share at vesting, subject to the achievement of performance measures. PSUs awarded to plan participants are granted at target incentive ranges from 35% to 250% of base compensation and vest over a three-year period. The payout between 0% and 200% of target is dependent upon performance metrics, which are determined at the onset of the performance period by the Board of Directors. The Sandoz Board of Directors and the Human Capital & ESG Committee assess the performance against the defined measures and approve the final payout. PSUs granted under the performance plan do not carry voting rights but do carry dividend equivalents that are paid in Sandoz shares at vesting.

Deferred Share Bonus Plan (DSBP)

The DSBP covers Senior Management members of the former parent company that transferred to Sandoz. Under the former parent’s plan, a portion of the Annual Incentive of Senior Management members was deferred as equity in Novartis restricted shares or restricted share units. Participants were able to opt to invest up to the maximum cash portion of their Annual Incentive to receive further RS or RSUs. Sandoz has set up this plan to rule the Keep Whole units for Novartis awards in the form of RSUs. Upon vesting of the restored awards the plan will be discontinued. The Sandoz Annual Incentive will be paid fully in cash in the month of March in the year following the performance period.

Summary of Sandoz unvested equity-based compensation plans

As of December 31, 2025, there were 6.0 million unvested equity-based Sandoz awards outstanding.

The below tables summarize unvested awards movement for all Sandoz equity-based participation plans at December 31, 2025 and 2024:

	2025					
	LTIP – Select		LTIP – LTTP		DSBP	
	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
Unvested awards at January 1	4,357	26.4	1,787	29.3	10	0
Granted	1,300	45.3	949	44.9	–	–
Restricted Stock	168	46.7	–	–	–	–
Restricted Stock Units	1,132	45.1	–	–	–	–
Performance-based Restricted Stock Units	–	–	949	44.9	–	–
Vested	(1,638)	25.8	(359)	22.5	(4)	0
Restricted Stock	(166)	29.7	–	–	–	–
Restricted Stock Units	(1,472)	25.4	–	–	(4)	0
Performance-based Restricted Stock Units	–	–	(359)	22.5	–	–
Forfeited	(272)	31.3	(86)	36.8	–	–
Restricted Stock	(33)	31.7	–	–	–	–
Restricted Stock Units	(239)	31.2	–	–	–	–
Performance-based Restricted Stock Units	–	–	(86)	36.8	–	–
Unvested awards at December 31	3,747	33.5	2,291	36.0	6	0

	2024					
	LTIP – Select		LTIP – LTTP		DSBP	
	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
Unvested awards at January 1	2,861	22.3	643	22.9	13	0
Granted	2,137	30.8	1,319	31.7	–	–
Restricted Stock	221	31.4	–	–	–	–
Restricted Stock Units	1,916	30.8	–	–	–	–
Performance-based Restricted Stock Units	–	–	1,319	31.7	–	–
Vested	(367)	19.7	(66)	15.6	(3)	0
Restricted Stock	(24)	25.6	–	–	–	–
Restricted Stock Units	(343)	19.3	–	–	(3)	0
Performance-based Restricted Stock Units	–	–	(66)	15.6	–	–
Forfeited	(274)	26.6	(109)	30.0	–	–
Restricted Stock	(31)	28.0	–	–	–	–
Restricted Stock Units	(243)	26.5	–	–	–	–
Performance-based Restricted Stock Units	–	–	(109)	30.0	–	–
Unvested awards at December 31	4,357	26.4	1,787	29.3	10	0

30. Transactions with related parties

Compensation of members of the Executive Committee and non-executive Directors

The 2025 compensation of the Executive Committee included 13 members. As of December 31, 2025, the Sandoz Executive Committee consisted of 10 active members, unchanged from December 31, 2024. In 2025, one member stepped down from the Executive Committee, however their full compensation is included for the financial year. The 2025 figures also include a portion of compensation for two former members who stepped down in 2024. While key compensation components were recognized in 2024 in accordance with IFRS standards, remaining compensation elements were incurred in 2025.

In 2025, there was an increase in the total IFRS compensation expense for members of the Executive Committee compared to 2024. The increase in total cash and other compensation expense is driven by compensation increases for certain Executive Committee members. The increase in equity-based compensation is primarily attributable to the Sandoz LTPP awards for the 2025–2027 performance cycle.

As of December 31, 2025, the Sandoz Board of Directors consisted of 10 active non-executive members, unchanged from December 31, 2024. IFRS compensation remained in line with prior year.

The disclosures of compensation paid or promised to members of the Board of Directors and the Executive Committee, as required by the Swiss Code of Obligations, are set forth in the 2025 Compensation Report.

(USD millions)	Members of the Executive Committee		Non-executive Directors		Total	
	2025	2024	2025	2024	2025	2024
Cash and other compensation	27	26	2	2	29	28
Post-employment benefits	3	2	–	–	3	2
Equity-based compensation	17	13	2	2	19	15
Total	47	41	4	4	51	45

31. Commitments and contingent liabilities

Development commitments

The Group has entered into long-term development agreements with various institutions related to intangible assets and other commitments. These arrangements provide for potential milestone payments by the Group, which are dependent on successful clinical development, or meeting specified sales targets, or other conditions which are specified in the agreements. In 2025, Sandoz entered into the following major agreements.

On April 29, 2025, Sandoz entered into a global collaboration license agreement with Shanghai Henlius Biotech, Inc. (Henlius) to commercialize a biosimilar of leading oncology therapy, ipilimumab. Henlius is to develop and manufacture and Sandoz to register and commercialize the product after expiry of relevant patents across global markets. The agreement is milestone-based for a total consideration of up to USD 301 million, including an upfront payment of USD 31 million paid in June 2025.

On November 12, 2025, Sandoz entered into a global license agreement with EirGenix Inc. to commercialize breast cancer biosimilar pertuzumab. On December 31, 2025, the remaining potential development and commercial milestone payments amount up to USD 140 million and will be paid as they become due.

On December 5, 2025, Sandoz signed an agreement to obtain a license to Just-Evotec Biologics, Inc., continuous manufacturing technology. The license covers an unlimited number of molecules, with up to 10 subject to royalty payments. Under the terms of the agreement, the total cash consideration for the license was USD 133 million, of which USD 58 million was paid upon signing.

As of December 31, 2025, the amount and estimated timing of the Group's commitments to make payments under agreements related to intangible assets, which are shown without risk adjustment and on an undiscounted basis, were as follows:

(USD millions)	2025
2026	94
2027	102
2028	116
2029	72
2030	76
Thereafter	165
Total	625

Other commitments

The Group 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.

As of December 31, 2025, the Group has USD 386 million of commitments related to the purchases of property, plant and equipment. The most significant commitments are related to new biosimilar production facilities in Slovenia.

Guarantees issued

The Group 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, antitrust, securities, health and safety, environmental, tax, international trade, privacy and intellectual property matters. As a result, the Group 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 Group 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 Group 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, cybersecurity 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 Group 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 subsidiary 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.

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 Group's financial position but could be material to the results of operations or cash flow in a given period.

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

Note 23 contains additional information on these matters.

32. Financial instruments – additional disclosures

The following tables show the carrying values of financial instruments by measurement category as of December 31, 2025 and 2024. The carrying values are equal to, or a reasonable approximation of, the fair values.

(USD millions)	Note	2025			
		Financial instruments at amortized costs	Financial instruments at fair value through other comprehensive income	Financial instruments at fair value through the consolidated income statement	Other financial liabilities at amortized cost
Cash and cash equivalents	19	1,739	–	–	–
Derivative financial instruments	19	–	5	7	–
Trade receivables	17	2,153	355	–	–
Income tax receivables ¹		313	–	–	–
Other receivables and current assets		255	–	–	–
Long-term financial investments – debt securities and long-term derivative assets	15	–	22	–	–
Contingent consideration receivables	15/20	–	–	9	–
Long-term loans, advances, security deposits and other long-term receivables	15	25	–	–	–
Total financial assets		4,485	382	16	–
Bank and other short-term financial debts	24	99	–	–	–
Bonds	22	5,070	–	–	–
Long-term liabilities to banks and other financial institutions	22	129	–	–	–
Trade payables		1,850	–	–	–
Contingent consideration liabilities	23	–	–	20	–
Derivative financial instruments	22/24	–	–	16	–
Lease liabilities	12	–	–	–	385
Total financial liabilities		7,148	–	36	385

¹ Income tax receivables represents the recoverable amounts related to the indemnification as per Tax Matter Agreements with Novartis. See Note 18.

(USD millions)	Note	2024			
		Financial instruments at amortized costs	Financial instruments at fair value through other comprehensive income	Financial instruments at fair value through the consolidated income statement	Other financial liabilities at amortized cost
Cash and cash equivalents	19	1,191	–	–	–
Derivative financial instruments	19	–	–	15	–
Trade receivables	17	2,157	48	–	–
Income tax receivables ¹		274	–	–	–
Other receivables and current assets		912	–	–	–
Long-term financial investments – debt securities and long-term derivative assets	15	–	24	–	–
Contingent consideration receivables	15/20	–	–	10	–
Long-term loans, advances, security deposits and other long-term receivables	15	27	–	–	–
Total financial assets		4,561	72	25	–
Bank and other short-term financial debts	24	129	–	–	–
Bonds	22	3,521	–	–	–
Long-term liabilities to banks and other financial institutions	22	869	–	–	–
Trade payables		1,519	–	–	–
Contingent consideration liabilities	23	–	–	40	–
Derivative financial instruments	24	–	–	16	–
Lease liabilities	12	–	–	–	334
Provisions and other current liabilities		1	–	–	–
Total financial liabilities		6,039	–	56	334

¹ Income tax receivables represents the recoverable amounts related to the indemnification as per Tax Matter Agreements with Novartis. See Note 18.

Derivative financial instruments

The following tables show the contract or underlying principal amounts and fair values of derivative financial instruments analyzed by type of contract at December 31, 2025 and 2024. Contract or underlying principal amounts indicate the gross volume of business outstanding at the consolidated balance sheet date and do not represent amounts at risk. The fair values for forward foreign exchange rate contracts and cross-currency interest rate swaps are determined by reference to market prices or standard pricing models that use observable market inputs at December 31, 2025 and 2024.

In 2025, Sandoz entered into a 10-year virtual power purchase agreement. The exception for own-use contract under IFRS 9 cannot be applied as the contract does not meet hedge accounting criteria. As a result, the contract is recognized as a derivative at fair value through profit and loss, with any changes in fair value recorded directly in the income statement.

(USD millions)	Contract or underlying principal amount		Positive fair values		Negative fair values	
	2025	2024	2025	2024	2025	2024
Forward foreign exchange rate contracts	3,087	2,164	7	15	(11)	(16)
Cross-currency interest rate swap	293	260	5	3	–	–
Virtual power purchase agreement	–	–	–	–	(5)	–
Total derivative financial instruments	3,380	2,424	12	18	(16)	(16)

The following tables show a breakdown by currency of the contract or underlying principal amount of derivative financial instruments at December 31, 2025 and 2024:

(USD millions)	2025			
	EUR	USD	Other	Total
Forward foreign exchange rate contracts	1,370	1,605	112	3,087
Cross-currency interest rate swap	293	–	–	293
Total derivative financial instruments	1,663	1,605	112	3,380

(USD millions)	2024			
	EUR	USD	Other	Total
Forward foreign exchange rate contracts	542	1,445	177	2,164
Cross-currency interest rate swap	260	–	–	260
Total derivative financial instruments	802	1,445	177	2,424

Cash flow hedges

During 2024, the Group entered into a cross-currency interest rate swap, which has been designated as a cash flow hedge. This cash flow hedge intends to hedge the risk arising from EUR foreign currency exchange movements which stem from intra-group loan principal settlements.

At the inception of the hedge relationship, the Group documented the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Ineffectiveness is recognized on hedges where the cumulative change in the designated component value of the hedging instrument exceeds, on an absolute basis, the change in value of the hedged item attributable to the hedged risk. Ineffectiveness may arise if there is a difference in the principal terms of the hedging instrument and designated hedged risk, from credit valuation of the hedging instrument or timing of the transaction changes from what was originally estimated.

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

(USD millions unless indicated otherwise)	2025	2024
Cross-currency interest rate swap		
Notional amount (EUR millions)	250	250
Maturity date	November 17, 2026	November 17, 2026
Hedge ratio	1:1	1:1
Change in fair value since January 1	2	3
Change in fair value of hedged item	3	1

Fair value by hierarchy

As required by IFRS Accounting Standards, financial assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. There are three hierarchical levels, based on 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 hierarchy are debt securities listed in active markets and investments in money market funds valued using quoted market prices. The assets and liabilities carried at Level 2 fair value hierarchy are derivative financial instruments and long-term derivative assets. These are valued using corroborated market data. Further included in Level 2 fair value hierarchy are trade receivables under factoring arrangements with a hold to collect and sell business model. These are carried at fair value based on invoiced amount. Level 3 inputs are unobservable for the asset or liability. Contingent considerations and virtual power purchase agreements carried at fair value are included in this category.

(USD millions)	2025			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and long-term derivative assets	22	–	–	22
Trade receivables	–	355	–	355
Contingent consideration receivables	–	–	9	9
Derivative financial instruments	–	12	–	12
Total financial assets at fair value	22	367	9	398
Financial liabilities				
Contingent consideration liabilities	–	–	(20)	(20)
Derivative financial instruments	–	(11)	(5)	(16)
Total financial liabilities at fair value	–	(11)	(25)	(36)

(USD millions)	2024			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and long-term derivative assets	21	3	–	24
Trade receivables	–	48	–	48
Contingent consideration receivables	–	–	10	10
Derivative financial instruments	–	15	–	15
Total financial assets at fair value	21	66	10	97
Financial liabilities				
Contingent consideration liabilities	–	–	(40)	(40)
Derivative financial instruments	–	(16)	–	(16)
Total financial liabilities at fair value	–	(16)	(40)	(56)

The change in carrying values associated with the Level 3 contingent consideration receivables and liabilities during the year ended December 31, 2025 and 2024 is set forth below:

(USD millions)	Contingent consideration receivables		Contingent consideration liabilities	
	2025	2024	2025	2024
At January 1	10	–	(40)	(93)
Fair value gains and other adjustments recognized in the consolidated income statement	1	–	25	58
Fair value losses and other adjustments recognized in the consolidated income statement	(1)	–	(4)	–
Additions	–	10	–	–
Cash receipts and payments	0	–	–	–
Currency translation effects	(1)	–	(1)	(5)
At December 31	9	10	(20)	(40)
Total of fair value gains and losses recognized in the consolidated income statement for assets and liabilities held at December 31	–	–	21	58

During 2025, there were no transfer of levels relating to long-term financial investments and derivative financial instruments (2024: USD nil).

Realized gains and losses associated with Level 3 long-term financial investments measured at fair value through the consolidated income statement are recorded in the consolidated income statement under “Other income” or “Other expense”, respectively.

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, 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 and receivables, this would change the amounts recorded in the 2025 consolidated income statement by USD 3 million, and USD 1 million, respectively.

Nature and extent of risks arising from financial instruments

Market risk

The Group is exposed to market risk, primarily related to foreign currency exchange and interest rates. Sandoz actively monitors and seeks to reduce, where it deems it appropriate to do so, fluctuations in these exposures. It is the Group's policy and practice to enter into a variety of derivative financial instruments to manage the volatility of these exposures. 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 Group only sells existing assets or enters into transactions and future transactions (in the case of anticipatory hedges) that it confidently expects it will have in the future, based on past experience.

Foreign currency exchange rate risk

The Group uses the US dollar as its reporting currency. As a result, the Group is exposed to foreign currency exchange movements, primarily in European, Canadian, emerging market currencies, as well as in the Swiss franc. Fluctuations in the exchange rates between the US dollar and other currencies can have a significant effect on both the Group'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. Sandoz manages its global currency exposure by engaging in hedging transactions where deemed appropriate. Sandoz 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. Sandoz uses forward contracts and swaps and may enter into foreign currency option contracts to hedge.

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 economy in which the Group operates is Turkey. The impacts of applying IAS 29 were not significant in all years presented.

Interest rate risk

The Group's exposure to cash flow interest rate risks arises mainly from financial debts at floating rates which may cause variations in financial expenses. The Group is also exposed to the movement of interest rates and credit markets for its future refinancing, which may result in a lower or a higher cost of financing.

Sandoz addresses the exposure through the management of the fixed/floating ratio of financial debts. To manage this mix, the Group may enter into interest rate swap agreements, in which it exchanges periodic payments based on notional amounts and agreed-upon fixed and floating interest rates.

Credit risk

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, the Group periodically assesses 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 Group 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.

Counterparty risk

Counterparty risk encompasses issuer risk on marketable securities and money market instruments, credit risk on cash, time deposits, derivatives and settlement risk for different instruments. Counterparty credit risk and settlement risk are reduced by a policy of entering into transactions with counterparties that feature a strong credit rating. Exposure to these risks is closely monitored and kept within predetermined parameters.

The Group's cash and cash equivalents are held with major regulated financial institutions and investment instruments with a high credit rating profile. The Group does not expect any losses from non-performance by these counterparties and does not have any significant grouping of exposures to financial sector or country risk.

Liquidity risk

Liquidity risk is defined as the risk of the Group's inability to settle or meet its obligations. Group Treasury is responsible for liquidity, funding and settlement management. In addition, liquidity and funding risks, as well as related processes and policies, are overseen by management.

The Group manages its liquidity risk on a consolidated basis according to business needs, tax, capital, or regulatory considerations, if applicable, through numerous sources of financing in order to maintain flexibility.

Certain countries have legal or economic restrictions on the ability of subsidiaries to transfer funds to the Group in the form of cash dividends, loans, or advances, but these restrictions do not have an impact on the ability of the Group to meet its cash obligations. Management monitors the Group's net debt or liquidity position through rolling forecasts on the basis of expected cash flows.

The following tables set forth how management monitors net debt or liquidity based on details of the remaining contractual maturities of selected financial assets and liabilities as at December 31, 2025 and 2024:

(USD millions)	2025					
	Due within one month	Due later than one month but less than three months	Due later than three months but less than one year	Due later than one year but less than five years	Due after five years	Total
Current liabilities						
Financial debts	24	–	579	–	–	603
<i>Financial debts – undiscounted</i>	24	–	580	–	–	604
Derivative financial instruments	7	1	3	–	–	11
Total current financial debts	31	1	582	–	–	614
Non-current liabilities						
Financial debts	–	–	–	2,610	2,085	4,695
Financial debts – undiscounted	–	–	–	2,620	2,093	4,713
Derivative financial instruments	–	–	–	–	5	5
Total non-current financial debts	–	–	–	2,610	2,090	4,700
Current assets						
Derivative financial instruments	(6)	(6)	–	–	–	(12)
Cash and cash equivalents	(1,513)	(226)	–	–	–	(1,739)
Total current financial assets	(1,519)	(232)	–	–	–	(1,751)
Net debt	(1,488)	(231)	582	2,610	2,090	3,563

(USD millions)	2024					
	Due within one month	Due later than one month but less than three months	Due later than three months but less than one year	Due later than one year but less than five years	Due after five years	Total
Current liabilities						
Financial debts	37	7	85	–	–	129
<i>Financial debts – undiscounted</i>	37	7	85	–	–	129
Derivative financial instruments	12	4	–	–	–	16
Total current financial debts	49	11	85	–	–	145
Non-current liabilities						
Financial debts	–	–	–	2,599	1,791	4,390
<i>Financial debts – undiscounted</i>	–	–	–	2,610	1,798	4,408
Total non-current financial debts	–	–	–	2,599	1,791	4,390
Current assets						
Derivative financial instruments	(10)	(5)	–	–	–	(15)
Cash and cash equivalents	(1,080)	(111)	–	–	–	(1,191)
Total current financial assets	(1,090)	(116)	–	–	–	(1,206)
Net debt	(1,041)	(105)	85	2,599	1,791	3,329

The carrying amounts of financial liabilities do not materially differ from the contractual amounts due at maturity. The positive and negative fair values on derivative financial instruments represent the net contractual amounts to be exchanged at maturity.

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

(USD millions)	2025			
	Due within one month	Due later than one month but less than three months	Due later than three months but less than one year	Total
Derivative financial instruments and accrued interest on derivative financial instruments				
Potential outflows in various currencies – from financial derivative liabilities	(2,284)	(358)	(250)	(2,892)
Potential inflows in various currencies – from financial derivative assets	2,283	355	248	2,886

(USD millions)	2024			
	Due within one month	Due later than one month but less than three months	Due later than three months but less than one year	Total
Derivative financial instruments and accrued interest on derivative financial instruments				
Potential outflows in various currencies – from financial derivative liabilities	(1,336)	(701)	(8)	(2,045)
Potential inflows in various currencies – from financial derivative assets	1,333	700	6	2,039

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

(USD millions)	2025				
	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
Contractual interest on non-current financial debts, including current portion	–	177	557	264	998
Lease liabilities ¹	21	49	129	186	385
Trade payables	1,645	205	–	–	1,850
Contingent consideration liabilities ²	–	–	–	20	20

(USD millions)	2024				
	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
Contractual interest on non-current financial debts	9	158	508	189	864
Lease liabilities ¹	19	39	126	150	334
Trade payables	1,399	120	–	–	1,519
Contingent consideration liabilities ²	–	–	23	17	40

¹ Note 12 provides additional disclosures related to maturity of lease liabilities.

² Note 23 provides additional disclosures related to contingent consideration liabilities.

¹ Note 12 provides additional disclosures related to maturity of lease liabilities.

² Note 23 provides additional disclosures related to contingent consideration liabilities.

Capital risk management

Sandoz aims to retain a solid investment grade credit profile and to balance interest and refinancing risks, demonstrated by a strong balance sheet and well-diversified funding profile. As of December 31, 2025, the long-term credit rating for the Group is Baa2 (stable outlook) with Moody's Investors Service and BBB (stable outlook) with S&P Global Ratings (unchanged from 2024).

Sensitivity analysis

The Group uses sensitivity analysis disclosures to provide quantitative information about market risks to which it is exposed. The sensitivity analysis disclosures are in line with the Group's financial risk management policy and are based on a one-parameter risk model that considers a one-factor linear relationship between risk factors and exposures. They consider aggregated risk exposures arising from the most significant risk factors such as currency and interest rate risk.

The disclosures below quantify the potential impact on the Group's consolidated financial statements as a result of hypothetical market movements in foreign currency exchange and interest rates. The range of variables chosen reflects management's view of changes that are reasonably possible over a one-year period.

Foreign currency exchange rate sensitivity

The Group uses the US dollar as its reporting currency. As a result, the Group is exposed to foreign currency exchange movements, primarily in European, Canadian and emerging market currencies, as well as in the Swiss franc.

A strengthening/(weakening) of the US dollar against these currencies as of December 31, 2025 would have affected the measurement of monetary financial assets and liabilities in these foreign currencies. This analysis assumes that all other variables remain constant. A hypothetical 10% increase/(decrease) in the foreign currency exchange rates against the US dollar would decrease/(increase) the net currency result by approximately USD 9 million on a post-hedge basis (2024: USD 15 million).

Interest rate sensitivity

The sensitivity analysis has been determined based on the exposure to cash flow interest rate risks mainly from non-current financial debts at a variable rate on a post-hedge basis as of December 31, 2025.

As of December 31, 2025, a hypothetical 1% increase/(decrease) in interest rates, with all other assumptions held constant, would result in approximately USD 3 million (2024: USD 10 million) of higher/(lower) interest expenses on a post-hedge basis. The majority of our outstanding financial debts are bonds with fixed interest rates and are therefore not affected by movements in interest rates.

33. Events subsequent to the December 31, 2025 consolidated balance sheet date

Dividend proposal for 2025 and approval of the Group's 2025 consolidated financial statements

On February 24, 2026, the Sandoz Group AG Board of Directors proposed the acceptance of the 2025 consolidated financial statements of the Sandoz Group for approval by the Annual General Meeting on April 9, 2026.

Furthermore, also on February 24, 2026, the Board proposed a dividend of CHF 0.80 per share to be approved at the Annual General Meeting on April 9, 2026.

If approved, total dividend payments would amount to approximately USD 437 million, using the CHF/USD December 31, 2025 exchange rate.

34. Principal Group subsidiaries

The following tables list the Sandoz legal entities with total assets or net sales in excess of USD 5 million included in the consolidated financial statements at and for the year ended December 31, 2025.

The equity interest percentage shown in the table represents Sandoz share in voting rights in those entities. Unless otherwise stated, each entity has share capital consisting of equity held directly by the Group or another of its consolidated subsidiaries.

As at December 31, 2025			Share capital ¹	Equity interest
Algeria				
Société par actions SANDOZ	Algiers	DZD	650.0 m	100%
Australia				
Sandoz Pty Ltd	Sydney	AUD	126.6 m	100%
Austria				
Sandoz 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	Diegem	EUR	19.2 m	100%
Brazil				
Sandoz do Brasil Indústria Farmacêutica Ltda.	Cambé	BRL	317.3 m	100%
Canada				
Sandoz Canada Inc.	Saint-Hubert	CAD	779,284	100%
Chile				
Sandoz Chile SpA	Santiago	CLP	2.9 bn	100%
Croatia				
Sandoz d.o.o. farmaceutska industrija	Zagreb	EUR	3.4 m	100%
Czech Republic				
Sandoz s.r.o.	Prague	CZK	44.7 m	100%
Denmark				
Sandoz A/S	Copenhagen	DKK	12.0 m	100%
Ecuador				
Sandoz Ecuador S.A.	Quito	USD	2.0 m	100%
Egypt				
Sandoz Egypt Pharma S.A.E.	New Cairo City	EGP	334.3 m	100%

As at December 31, 2025

			Share capital ¹	Equity interest
France				
Sandoz SAS	Levallois-Perret	EUR	5.4 m	100%
Just-Evotec Biologics EU SAS	Toulouse	EUR	194.0 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%
Greece				
Sandoz Hellas Single Member Société Anonyme	Marousi	EUR	3.0 m	100%
Hong Kong				
Sandoz Hong Kong Limited	Hong Kong	HKD	16.0 m	100%
Hungary				
SANDOZ Hungária Kereskedelmi Kft.	Budapest	HUF	4.0 m	100%
India				
Sandoz Private Limited	Mumbai	INR	32.0 m	100%
Ireland				
Rowex Limited	Cork	EUR	10	100%
Italy				
Sandoz S.p.A.	Milan	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%
Malaysia				
Sandoz Products Malaysia SDN. BHD.	Kuala Lumpur	MYR	46.2 m	100%
Mexico				
Sandoz, S.A. de C.V.	Mexico City	MXN	1.1 bn	100%
Netherlands				
Sandoz B.V.	Almere	EUR	907,570	100%
Sandoz Finance B.V.	Almere	EUR	1	100%
North Macedonia				
Lek Skopje DOOEL	Skopje	MKD	167.7 m	100%
Panama				
Sandoz Pharmaceuticals Panama S.A.	Colón	USD	10,000	100%

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

m = million; bn = billion

As at December 31, 2025

			Share capital ¹	Equity interest
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	500,000	100%
Romania				
Sandoz Pharmaceuticals S.R.L.	Bucharest	RON	86.0 m	100%
Russian Federation				
Sandoz JSC	Moscow	RUB	57.4 m	100%
Saudi Arabia				
Sandoz Limited Trading Company	Riyadh	SAR	30.0 m	100%
Singapore				
Sandoz Singapore Pte. Ltd.	Singapore	SGD	100,000	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	326.0 m	100%
Spain				
Sandoz Farmacêutica S.A.	Madrid	EUR	270,450	100%
Sandoz Industrial Products, S.A.	Barcelona	EUR	9.3 m	100%
Bexal Farmacêutica S.A.	Madrid	EUR	1.0 m	100%
Switzerland				
Sandoz AG	Basel	CHF	5.0 m	100%
DiaMo Narcotics GmbH	Basel	CHF	20,000	100%
Sandoz Pharmaceuticals AG	Risch	CHF	100,000	100%
Taiwan				
Sandoz Pharmaceutical Taiwan Co., Ltd.	Taipei	TWD	60.0 m	100%
Thailand				
Sandoz (Thailand) Limited	Bangkok	THB	300.0 m	100%

As at December 31, 2025

Turkey				
Sandoz İlaç Sanayi ve Ticaret A.S.	Istanbul	TRY	879.9 m	99.99%
Sandoz Grup Sağlık Ürünleri İlaçları Sanayi ve Ticaret A.S.	Gebze	TRY	2.8 bn	100%
Ukraine				
Sandoz Ukraine LLC	Kyiv	UAH	8.0 m	100%
United Arab Emirates				
Sandoz Middle East LLC	Dubai	AED	100,000	100%
United Kingdom				
Sandoz Limited	Bracknell	GBP	2.0 m	100%
United States of America				
Sandoz Inc.	Princeton, NJ	USD	1	100%
Fougera Pharmaceuticals LLC.	Melville, NY	USD	1	100%
Vietnam				
Sandoz Vietnam Company Limited	Ho Chi Minh City	VND	205.8 bn	100%

In addition, the Group is represented by subsidiaries with total assets or net sales below USD 5 million in the following countries: Bosnia and Herzegovina, China, Israel, Kazakhstan and New Zealand.

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

m = million; bn = billion

Audit report for the consolidated financial statements of the Group



Statutory Auditor's Report

To the General Meeting of Sandoz Group AG, Basel
Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Sandoz Group AG and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet as at 31 December 2025, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 107 to 154) give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for Opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) 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 Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession that are relevant to audits of the financial statements of public interest entities, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of financial statements of public interest entities. We have also 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.

Key Audit Matters



REVENUE RECOGNITION – VARIABLE CONSIDERATION

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



REVENUE RECOGNITION – VARIABLE CONSIDERATION

Key Audit Matter

Variable consideration is common in the pharmaceutical industry for determining the transaction price because sales agreements frequently contain clauses for rebates, discounts and chargebacks.

Management is required to make estimations in respect of revenue recognition, particularly regarding the anticipated levels of rebates, discounts and chargebacks that will affect Sandoz's revenue. The underlying contractual agreements are customer specific and complex. Rebates, discounts and chargebacks are recorded by Sandoz as credit notes against trade receivables or as 'Provisions for deductions from revenue' which rolls up into the financial statement caption 'Provisions and other current liabilities'.

As a consequence of management's judgment in estimating the variable consideration and its impact on the financial statements, we identified the recognition of variable consideration as a key audit matter.

Our response

The following are the primary procedures we performed to address this key audit matter:

- We obtained an understanding of the revenue recognition process and evaluated the design and implementation of the relevant key controls relating to variable consideration;
- For a sample of rebates, discounts and chargebacks throughout the year, we evaluated the claims against the contractual terms of the arrangements;
- We verified the accuracy of credit notes and provisions by developing an independent expectation or testing management's process for the key data and assumptions of the estimate; and,
- We assessed the historical accuracy of Sandoz' estimates in previous years and the effect of any adjustments to prior year's credit notes and provisions in the current year's results.

For further information on Revenue recognition – variable consideration refer to the following:

- Note 3 Material Accounting policies section "Trade receivables" and "Revenue Recognition" pages 115 and 116.
- Note 25 "Provisions and other current liabilities" page 134

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements of the company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, ISA 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 consolidated financial statements.

As part of an audit in accordance with Swiss law, ISA 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group 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.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Stéphane Nusbaumer
Licensed Audit Expert

Basel, 24 February 2026

KPMG AG, Grosspeteranlage 5, CH-4002 Basel

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Supplementary financial information (unaudited)

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 Accounting Standards. As a result, such measures have limits in their usefulness to investors. Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS 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 Group 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 Integrated Annual Report are as follows:

Core results

Sandoz core results – including core EBITDA, core operating income, core net income and core earnings per share – exclude fully:

- Amortization and impairment charges of intangible assets other than software;
- Software implementation cost accounting impacts;
- Certain acquisition- and divestment-related items;
- Tax liabilities for specific uncertain tax positions; and
- Impact of IAS 29 Financial Reporting in Hyperinflationary Economies to other financial income and expense.

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;
- 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; and
- Income tax impacts of such items are also excluded from core measures.

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; and
- 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 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 consolidated income statement excluding the impact of fluctuations in exchange rates:

- The impact of translating the income statements of consolidated entities from their non-USD functional currencies to USD; and
- The impact of exchange rate movements on the major transactions of consolidated 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 Group 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).

Comparable growth rate

Sandoz defines comparable growth rate (CGR) as the growth rate of net sales at constant currencies excluding the effects of material acquisitions and divestments. In the case of divestments, the net sales are excluded for the corresponding period. Similarly, for acquisitions, the relevant net sales are excluded for the corresponding period. Material acquisitions and divestments are transactions in scope of significant transactions in our Consolidated financial statements.

Sandoz believes the presentation of CGR is meaningful for management and investors to evaluate the performance of the business over time.

Net financial result

Sandoz defines net financial result as interest expense and other financial income and expense.

EBITDA

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

Core EBITDA margin

Sandoz defines core EBITDA margin as core EBITDA as a percentage of net sales. It is an indicator of the profitability of the Group.

Free cash flow

Sandoz defines free cash flow as net cash flows from operating activities and cash flows 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.

Management free cash flow

Sandoz defines management free cash flow as free cash flow excluding payments from legal and restructuring related items, and the impact from separation costs and related CAPEX in the period, that are also excluded from core results. Other payments and receipts impacting free cash flow that management deems exceptional may also be excluded.

Net working capital

Sandoz defines net working capital as inventories and trade receivables, net of trade payables.

Net CAPEX

Sandoz defines net CAPEX as cash outflows from purchases of property, plant and equipment and intangible assets, net of proceeds from sale of property, plant and equipment and intangible assets.

Net debt

Sandoz defines net debt as non-current financial debts and derivative financial instruments plus current financial debts and derivative financial instruments, net of cash and cash equivalents, 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. 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.

Core return on invested capital (Core ROIC)

Sandoz defines core return on invested capital as core operating income after application of the core tax rate, divided by the average of invested capital. The average is calculated by adding the invested capital at the beginning of the period to that at the end of the period and dividing the sum by two. Invested capital consists of total equity and net debt, adjusted for net assets and liabilities held for sale. It is an indicator of the Group's ability to generate returns on its investments.

Rounding

Certain figures contained in the Integrated Annual Report, including financial information presented in billions, 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 Integrated Annual Report 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.

Net sales by region and by business

The following table presents net sales by region¹ and by business for the half-years ended June 30, 2025, and 2024:

(USD millions unless indicated otherwise)		H1 2025	H1 2024	Change %	Change CC%	Change CGR %
Europe	Generics	1,941	1,881	3	2	2
	Biosimilars	891	753	18	17	17
	Total	2,832	2,634	8	6	6
International	Generics	1,019	1,055	(3)	(1)	3
	Biosimilars	265	214	24	30	30
	Total	1,284	1,269	1	5	8
North America	Generics	776	768	1	2	2
	Biosimilars	340	376	(10)	(9)	9
	Total	1,116	1,144	(2)	(1)	4
Total net sales		5,232	5,047	4	4	6
<i>Thereof:</i>						
Total generics		3,736	3,704	1	1	2
Total biosimilars		1,496	1,343	11	12	17

The following table presents net sales by region¹ and by business for the half-years ended December 31, 2025, and 2024:

(USD millions unless indicated otherwise)		H2 2025	H2 2024	Change %	Change CC%	Change CGR %
Europe	Generics	2,095	1,888	11	3	3
	Biosimilars	1,009	841	20	11	11
	Total	3,104	2,729	14	6	6
International	Generics	1,135	1,058	7	5	5
	Biosimilars	294	230	28	30	30
	Total	1,429	1,288	11	9	9
North America	Generics	828	854	(3)	(3)	(3)
	Biosimilars	493	439	12	12	27
	Total	1,321	1,293	2	2	6
Total net sales		5,854	5,310	10	6	7
<i>Thereof:</i>						
Total generics		4,058	3,800	7	2	2
Total biosimilars		1,796	1,510	19	14	18

The following table presents net sales by region¹ and by business for the years ended December 31, 2025, and 2024:

(USD millions unless indicated otherwise)		2025	2024	Change %	Change CC%	Change CGR %
Europe	Generics	4,036	3,769	7	2	2
	Biosimilars	1,900	1,594	19	14	14
	Total	5,936	5,363	11	6	6
International	Generics	2,154	2,113	2	2	4
	Biosimilars	559	444	26	30	30
	Total	2,713	2,557	6	7	9
North America	Generics	1,604	1,622	(1)	0	0
	Biosimilars	833	815	2	2	19
	Total	2,437	2,437	0	0	5
Total net sales		11,086	10,357	7	5	6
<i>Thereof:</i>						
Total generics		7,794	7,504	4	2	2
Total biosimilars		3,292	2,853	15	13	18

¹ Net sales by location of customer

Reconciliation of non-IFRS measures

Reconciliation from IFRS results to core results

(USD millions unless indicated otherwise)	2025 IFRS results	Amorti- zation of intangible assets ¹	Impair- ments ²	Acquisition or divest- ment of businesses and related items ³	Other items ⁴	2025 Core results
Net sales	11,086	–	–	–	–	11,086
Other revenues	71	–	–	–	–	71
Cost of goods sold	(5,873)	214	16	–	99	(5,544)
Gross profit	5,284	214	16	–	99	5,613
Selling, general and administration	(2,529)	–	–	–	67	(2,462)
Development and regulatory	(1,050)	–	2	–	2	(1,046)
Other income	353	–	–	(10)	(200)	143
Other expense	(633)	–	–	12	467	(154)
Operating income ⁵	1,425	214	18	2	435	2,094
Interest expense	(220)	–	–	–	–	(220)
Other financial income and expense	2	–	–	–	(1)	1
Income before taxes	1,207	214	18	2	434	1,875
Income taxes ⁶	(293)					(286)
Net income	914					1,589
Basic earnings per share (USD)	2.12					3.68
Diluted earnings per share (USD)	2.09					3.64

¹ Amortization of intangible assets: cost of goods sold includes the amortization of 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.

³ Acquisition or divestment of businesses and related items: other income includes a release related to the China business divestment; other expense includes costs related to the Just-Evotec Biologics EU SAS acquisition.

⁴ Other items: cost of goods sold, other income and other expense include the Group-wide rationalization of manufacturing sites; cost of goods sold, selling general and administration, development and regulatory, other income and other expense include the separation costs related to the spin-off; cost of goods sold, selling general and administration, development and regulatory, other income and other expense include the costs related to the transformation program and other restructuring charges; other income and other expense include legal-related charges and adjustments to contingent consideration; selling, general and administration includes software implementation cost accounting impacts; other expense includes an onerous contract adjustment; other financial income and expense includes the net monetary impacts on the restatement of non-monetary items for subsidiaries in hyperinflationary economies.

⁵ For further breakdown of core adjustments by category, refer to table 'Reconciliation from IFRS operating income to core net income'.

⁶ 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 and uncertain tax positions 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 668 million to arrive at the core results before tax amounts to USD -7 million. The average tax rate on the adjustments was not meaningful.

(USD millions unless indicated otherwise)	2024 IFRS results	Amorti- zation of intangible assets ¹	Impair- ments ²	Acquisition or divest- ment of businesses and related items ³	Other items ⁴	2024 Core results
Net sales	10,357	–	–	–	–	10,357
Other revenues	27	–	–	–	–	27
Cost of goods sold	(5,458)	233	8	7	79	(5,131)
Gross profit	4,926	233	8	7	79	5,253
Selling, general and administration	(2,433)	–	–	–	23	(2,410)
Development and regulatory	(932)	–	(1)	–	2	(931)
Other income	215	–	–	(36)	(73)	106
Other expense	(1,469)	–	1	15	1,256	(197)
Operating income ⁵	307	233	8	(14)	1,287	1,821
Interest expense	(251)	–	–	–	–	(251)
Other financial income and expense	(67)	–	–	–	(7)	(74)
(Loss)/ income before taxes	(11)	233	8	(14)	1,280	1,496
Income taxes ⁶	12					(320)
Net income	1					1,176
Basic earnings per share (USD)	0.00					2.73
Diluted earnings per share (USD)	0.00					2.71

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

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

³ Acquisition or divestment of businesses and related items: cost of goods sold, other income and other expense include the gain from the China business divestment and portfolio agreement and expenses related to the acquisition of the Cimerli business.

⁴ Other items: cost of goods sold, other income and other expense include the Group-wide rationalization of manufacturing sites; cost of goods sold, selling general and administration, development and regulatory and other expense include the separation costs related to the spin-off; selling general and administration, development and regulatory and other expense include the costs related to the transformation program and other restructuring charges; other income and other expense also include legal-related items; other expense includes fees for contract terminations costs; other income includes the adjustment to the fair value of the contingent consideration; other financial income and expense includes the monetary gain on the restatement of non-monetary items for subsidiaries in hyperinflationary economies.

⁵ For further breakdown of core adjustments by category, refer to table 'Reconciliation from IFRS operating income to core net income'.

⁶ 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 1.5 billion to arrive at the core results before tax amounts to USD 332 million. The average tax rate on the adjustments was 22.0%.

Reconciliation from IFRS operating income to core net income

(USD millions unless indicated otherwise)	2025	2024
IFRS operating income	1,425	307
Amortization of intangible assets	214	233
Impairments		
Intangible assets	18	7
Property, plant and equipment related to the Group-wide rationalization of manufacturing sites	–	1
Total impairment charges, net	18	8
Acquisition or divestment of businesses and related items		
– Income	(10)	(36)
– Expense	12	22
Total acquisition or divestment of businesses and related items, net	2	(14)
Other items		
Restructuring and related items		
– Income	(26)	(11)
– Expense	156	335
Legal-related items		
– Income	(115)	(3)
– Expense	57	601
Separation costs	336	348
Software implementation cost accounting impacts ¹	43	–
Additional income	(29)	(58)
Additional expense	13	75
Total other items	435	1,287
Total adjustments	669	1,514
Core operating income	2,094	1,821
% of net sales	18.9	17.6
Net financial result	(218)	(318)
Core adjustments to net financial result	(1)	(7)
Income taxes, adjusted for above items (core income taxes)	(286)	(320)
Core net income	1,589	1,176

¹ Software-as-a-service implementation costs do not qualify for capitalization.

Reconciliation from operating income to EBITDA to core EBITDA

(USD millions)	2025 IFRS results	Amorti- zation of intangible assets	Impair- ments	Acquisition or divest- ment of businesses and related items	Other items	2025 Core results
Operating income	1,425	214	18	2	435	2,094
Depreciation of property, plant and equipment	199	–	–	–	(12)	187
Depreciation of the right-of-use assets	77	–	–	–	–	77
Amortization of intangible assets	248	(204)	–	–	–	44
Intangible assets directly expensed	10	(10)	–	–	–	–
Impairments of property, plant and equipment, right-of-use assets and intangible assets, net	21	–	(18)	–	–	3
EBITDA	1,980	–	–	2	423	2,405

(USD millions)	2024 IFRS results	Amorti- zation of intangible assets	Impair- ments	Acquisition or divest- ment of businesses and related items	Other items	2024 Core results
Operating income	307	233	8	(14)	1,287	1,821
Depreciation of property, plant and equipment	175	–	–	–	(13)	162
Depreciation of the right-of-use assets	65	–	–	–	–	65
Amortization of intangible assets	252	(222)	–	–	–	30
Intangible assets directly expensed	11	(11)	–	–	–	–
Impairments of property, plant and equipment, right-of-use assets and intangible assets, net	10	–	(8)	–	–	2
EBITDA	820	–	–	(14)	1,274	2,080

Reconciliation of free cash flow and management free cash flow

(USD millions)	2025	2024
Operating income	1,425	307
Adjustments for non-cash items		
Depreciation, amortization and impairments	545	502
Change in provisions and other non-current liabilities	(25)	776
Other	72	25
Operating income adjusted for non-cash items	2,017	1,610
Interest and other financial receipts	63	41
Interest and other financial payments	(230)	(247)
Income taxes paid	(224)	(265)
Payments out of provisions and other net cash movements in non-current liabilities	(895)	(118)
Cash flows from changes in net working capital	152	4
Cash flows from changes in other operating items	711	(369)
Net cash flows from operating activities	1,594	656
Cash flows used for net CAPEX	(711)	(554)
Purchases of financial assets	(4)	(4)
Proceeds from sale of financial assets	2	1
Purchases of other non-current assets	(7)	(1)
Free cash flow	874	98
Payments for legal settlements, fees and expenses	663	29
Payments from restructuring provisions	128	40
Separation costs	336	348
Separation-related CAPEX	90	89
Other payments and receipts ¹	(544)	508
Management free cash flow	1,547	1,112

¹ In 2025, other payments and receipts include the disbursements from qualified settlement funds relating to government generic pricing antitrust investigations, antitrust class actions, opioid litigations in the United States, and the payment for a technology acquisition from Just-Evotec Biologics, Inc.

In 2024, other payments and receipts included two deposited settlement amounts of USD 233 million and USD 275 million, related to government generic pricing antitrust investigations, antitrust class actions in the United States.

Reconciliation of cash flows used for net CAPEX

(USD millions)	2025	2024
Purchases of property, plant and equipment	(493)	(404)
Receipt of asset-related government grants	40	–
Purchases of intangible assets	(291)	(192)
Cash flows used for purchases of property, plant and equipment and intangible assets	(744)	(596)
Proceeds from sale of property, plant and equipment	7	26
Proceeds from sale of intangible assets	26	16
Cash flows from sale of property, plant and equipment and intangible assets	33	42
Cash flows used for net CAPEX	(711)	(554)

Reconciliation of net debt

(USD millions)	December 31, 2025	December 31, 2024
Non-current financial debts and derivative financial instruments	4,700	4,390
Current financial debts and derivative financial instruments	614	145
Total financial debts	5,314	4,535
Derivative financial instruments	(12)	(15)
Cash and cash equivalents	(1,739)	(1,191)
Total current financial assets	(1,751)	(1,206)
Net debt	3,563	3,329

Reconciliation of net working capital

(USD millions)	December 31, 2025	December 31, 2024
Inventories	2,845	2,800
Trade receivables	2,508	2,205
Trade payables	(1,850)	(1,519)
Net working capital	3,503	3,486

Reconciliation of core return on invested capital (Core ROIC)

(USD millions unless indicated otherwise)	2025	2024
Core operating income	2,094	1,821
Core effective tax rate (%)	15.3	21.4
Core operating profit after tax	1,774	1,431
Total equity	9,385	8,164
Net debt	3,563	3,329
Invested capital	12,948	11,493
Average invested capital	12,221	11,621
Core ROIC (%)	14.5	12.3

Effects of currency fluctuations

We transact our business in many currencies other than the US dollar, our presentation currency.

The following table provides an overview of net sales and operating expenses for our operations based on IFRS values for the years ended December 31, 2025, and 2024 for the currencies most important to Sandoz:

Currency	2025		2024	
	Net sales %	Operating expenses ¹ %	Net sales %	Operating expenses ¹ %
US dollar (USD)	20	22	22	17
Euro (EUR)	39	50	37	53
Canadian dollar (CAD)	6	2	6	3
Swiss franc (CHF)	4	10	4	11
Polish zloty (PLN)	3	2	3	2
British pound (GBP)	3	2	3	1
Other currencies	25	12	25	13

¹ Operating expenses include cost of goods sold, selling, general and administration, development and regulatory, other income and other expense.

Financial statements of Sandoz Group AG

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Income statement

For years ended December 31, 2025 and 2024

(CHF thousands)	Note	2025	2024
Income from investments in Group subsidiaries		370,506	256,168
License income		853	9,812
Other income	3.1	4,555	25,108
Total income		375,914	291,088
General and administration	3.2	(23,723)	(17,080)
Amortization of intangible assets	3.3	(636)	(636)
Total expense		(24,359)	(17,716)
Operating income		351,555	273,372
Financial income	3.4	40,567	35,636
Financial expense	3.4	(54,318)	(22,198)
Income before taxes		337,804	286,810
Direct taxes		(1,901)	1,155
Net income		335,903	287,965

Balance sheet

At December 31, 2025 and 2024

(CHF thousands)	Note	December 31, 2025	December 31, 2024
Assets			
Cash and cash equivalents		8	5
Interest-bearing current assets			
Group subsidiaries	3.6	831,277	354,398
Other current receivables			
Group subsidiaries		23,568	8,635
Third parties		213	3,868
Accrued income		6,650	4,380
Total current assets		861,716	371,286
Interest-bearing non-current assets			
Bonds	3.6	750,000	750,000
Investments			
Group subsidiaries	3.5	2,759,750	2,766,750
Intangible assets	3.3	1,921	2,557
Total non-current assets		3,511,671	3,519,307
Total assets		4,373,387	3,890,593

(CHF thousands)	Note	December 31, 2025	December 31, 2024
Liabilities and equity			
Interest-bearing current liabilities			
Bonds	3.7	400,000	–
Other current liabilities			
Group subsidiaries		3,047	2,901
Third parties		1,541	76
Accrued expenses		10,277	5,560
Total current liabilities		414,865	8,537
Interest-bearing non-current liabilities			
Bonds	3.7	750,000	750,000
Total non-current liabilities		750,000	750,000
Equity			
Share capital	3.8	22,000	22,000
Legal capital reserves			
Other capital reserves	3.9	2,759,750	2,759,750
Legal retained earnings			
Legal retained earnings reserves		4,400	4,310
Reserves for treasury shares	3.10	1,332	9,743
Available earnings			
Retained earnings carried forward		85,137	48,288
Net income		335,903	287,965
Total equity		3,208,522	3,132,056
Total liabilities and equity		4,373,387	3,890,593

Notes to the financial statements of Sandoz Group AG

1. Introduction

The financial statements of Sandoz Group AG (the "Company"), with registered office in Basel (Risch until April 2025), were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations, "SCO"). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Sandoz Group AG is presenting its consolidated financial statements according to IFRS. Therefore, Sandoz Group AG has applied the exemption included in article 961d paragraph 1 SCO, and has not prepared additional disclosures, a separate cash flow statement and a management report for SCO purposes.

Sandoz Group AG has no employees.

2. Accounting policies

Financial income and expense

Realized exchange gains and losses as well as unrealized exchange losses arising from the conversion of the balance sheet positions in foreign currencies are recorded as financial income or financial expense. Unrealized exchange gains are provided for.

Financial income and expense also include interest income and expense, as well as other financial costs like bank fees.

Interest-bearing assets

Interest-bearing assets are valued at acquisition cost less any impairment of value.

Investments

Investments are initially recognized at cost. Investments in Sandoz subsidiaries are assessed annually and, in case of an impairment, adjusted to their recoverable amount within their category.

Intangible assets

Intangible assets are capitalized and amortized over a period of three to five years using the straight-line method. Intangible assets are reviewed for impairment on an annual basis. If necessary, an impairment is recognized.

Bonds

Bonds are valued at nominal value. Any note premium is accrued over the duration of the bond so that at maturity, the balance sheet amount will equal the amount that is due to be paid.

Related transaction costs are capitalized and amortized over the maturity period of the corresponding bond.

Accrued expenses

Accrued expenses are related to received goods and services not invoiced yet.

3. Information on income statement and balance sheet items

3.1 Other income

(CHF thousands)	2025	2024
Gain from disposals of shares to subsidiaries for share-based compensation plans	–	20,588
Guarantee fees	4,555	4,520
Total other income	4,555	25,108

3.2 General and administration

(CHF thousands)	2025	2024
Board and management fees	(17,659)	(10,615)
Others	(6,064)	(6,465)
Total general and administration	(23,723)	(17,080)

3.3 Intangible assets

(CHF thousands)	2025	2024
Gross value		
January 1	3,407	3,407
Additions	–	–
December 31	3,407	3,407
Accumulated amortization		
January 1	(850)	(214)
Amortization charge	(636)	(636)
December 31	(1,486)	(850)
Net book value	1,921	2,557

3.4 Financial income and expense

	2025		2024	
(CHF thousands)	Income	Expense	Income	Expense
Interest	37,211	(22,390)	27,599	(17,675)
Foreign exchange	3,356	(27,898)	8,037	(3,341)
Others	–	(4,029)	–	(1,182)
Total financial income and expense	40,567	(54,318)	35,636	(22,198)

3.5 Investments

The principal direct and indirect subsidiaries and other holdings of Sandoz Group AG are shown in Note 34 to the consolidated financial statements.

3.6 Interest-bearing current and non-current assets and liabilities

Interest-bearing current assets and liabilities with Group subsidiaries contain intragroup arrangements under which the Company grants or receives credits that are available on demand.

Interest-bearing non-current assets with Group subsidiaries include financing arrangements and loans to direct or indirect subsidiaries of Sandoz Group AG.

3.7 Bonds

Bonds

Coupon	Currency	Nominal amount thousands	Issuance year	Maturity year	Issuer	Issue price	2025 CHF thousands	2024 CHF thousands
2.125%	CHF	400,000	2023	2026	Sandoz Group AG	100.014%	400,000	400,000
2.600%	CHF	350,000	2023	2031	Sandoz Group AG	100.125%	350,000	350,000
1.250%	CHF	165,000	2025	2028	Sandoz Group AG	100.345%	165,000	–
1.750%	CHF	235,000	2025	2033	Sandoz Group AG	100.744%	235,000	–
Total		1,150,000					1,150,000	750,000

On March 13, 2025, Sandoz Group AG issued a three-year CHF 165 million and an eight-year CHF 235 million bond, with annual coupons of 1.25% and 1.75% respectively.

Comparison of balance sheet and fair value

(CHF thousands)	2025 Balance sheet	2025 Fair value	2024 Balance sheet	2024 Fair value
Bonds	1,150,000	1,192,000	750,000	797,000

3.8 Share capital

	2025		2024	
	Number of shares	Share capital CHF thousands	Number of shares	Share capital CHF thousands
January 1	440,000,000	22,000	431,000,000	21,550
Capital increase	–	–	9,000,000	450
December 31	440,000,000	22,000	440,000,000	22,000

The share capital of Sandoz Group AG consists of registered shares with a nominal value of CHF 0.05 each.

Capital band

According to the Articles of Incorporation, the Board of Directors is authorized to increase the share capital at any time until April 15, 2030 by one or more increases of the share capital from CHF 22,000,000 (lower limit), corresponding to 440,000,000 registered shares with a par value of CHF 0.05 each up to CHF 24,200,000 corresponding to 484,000,000 registered shares with a nominal value of CHF 0.05 each (upper limit).

Conditional capital

According to the Articles of Incorporation, the Company's share capital may be increased by the issuance of a maximum of 44,000,000 registered shares to be fully paid up with a par value of CHF 0.05 each, up to a maximum of CHF 2,200,000 for equity-linked financial instruments.

In addition, the share capital of the Company may be increased by a maximum amount of CHF 1,100,000 by issuing a maximum of 22,000,000 fully paid-up registered shares with a nominal value of CHF 0.05 each for one or more employee participation plans.

3.9 Other capital reserves

In 2023, Sandoz Group AG got several investments as contributions in kind from former parent, recorded against other capital reserves.

3.10 Treasury shares

	2025		2024	
	Number of shares	Legal reserves for treasury shares held by subsidiaries CHF thousands	Number of shares	Legal reserves for treasury shares held by subsidiaries CHF thousands
Treasury shares held by subsidiaries				
January 1	9,298,340	9,743	211,768	4,979
Shares purchased	–	–	1,208,986	32,066
Capital increase	–	–	9,000,000	450
Shares used for share-based compensation plans	(1,990,957)	(8,411)	(1,122,414)	(27,752)
December 31	7,307,383	1,332	9,298,340	9,743

	2025		2024	
	Number of shares	Treasury shares held by Sandoz Group AG CHF thousands	Number of shares	Treasury shares held by Sandoz Group AG CHF thousands
Treasury shares held by Sandoz Group AG				
January 1	–	–	858,986	43
Shares sold to subsidiaries for share-based compensation plans	–	–	(858,986)	(43)
December 31	–	–	–	–
	2025		2024	
	Number of shares	Total treasury shares CHF thousands	Number of shares	Total treasury shares CHF thousands
Total treasury shares				
January 1	9,298,340	9,743	1,070,754	5,022
Total shares transactions	(1,990,957)	(8,411)	8,227,586	4,721
December 31	7,307,383	1,332	9,298,340	9,743

Sandoz Group AG has met the legal requirements for legal reserves under articles 659 and subsequent and 663b.10 SCO for the treasury shares.

There were no transactions related to treasury shares during 2025. All treasury shares owned by Sandoz Group AG by year-end 2023 were sold during 2024 to subsidiaries for the purpose of share-based compensation plans.

In 2025, the Group granted 38,376 shares to Board of Directors members with an average price of CHF 46.09 (2024: 57,506 with an average price of CHF 30.94), 388,371 shares to Executive Committee members with an average price of CHF 42.26 (2024: 570,005 shares with an average price of CHF 29.50) and 1,834,015 shares to employees with an average price of CHF 42.24 (2024: 3,123,710 with an average price of CHF 27.95).

3.11 Contingent liabilities

	December 31, 2025 CHF thousands	December 31, 2024 CHF thousands
Guarantees in favor of subsidiaries to cover bonds – total maximum amount CHF 2,886,215 thousands (2024: CHF 2,446,020 thousands)	2,886,215	2,446,020
Other guarantees in favor of subsidiaries to cover credit facilities – total maximum amount CHF 2,102,478 thousands (2024: CHF 2,110,842 thousands)	101,867	787,148
Total contingent liabilities	2,988,082	3,233,168

Sandoz Group AG is guarantor for the bonds issued in euros by Sandoz Finance B.V. and credit facilities granted by banks to several subsidiaries.

Sandoz Group AG is part of the Swiss Sandoz value-added tax (VAT) group and therefore jointly liable for existing and future VAT claims from the Swiss Federal Tax Administration.

3.12 Equity instrument disclosures for the Board of Directors and Executive Committee members

Share ownership requirements for Board members

Board members are expected to build and retain a significant shareholding in Sandoz shares, to align their interests with those of other shareholders. The minimum requirements are as follows:

Position	Minimum ownership guidelines	Timeframe
Board Chair	1x Board Chair fee	Within four years of joining the Board of Directors
Other Board members	1x Board membership fee	Within four years of joining the Board of Directors

Board members must retain all Sandoz shares received from the Company until the minimum ownership level is met (net of the applicable taxes). Members of the Board of Directors are required to maintain their minimum ownership requirement during their full tenure, and for a year after leaving the Board of Directors.

As at December 31, 2025, the total number of shares owned by each of the members of the Board of Directors is set out in the table below. All members of the Board of Directors have met their shareholding requirement ahead of the required timeframe.

Board member	December 31, 2025 Number of shares	December 31, 2024 Number of shares
Gilbert Ghostine	62,711	53,467
Karen J. Huebscher	24,155	13,528
Shamiram R. Feinglass	4,913	3,037
Mathai Mammen	6,098	2,346
Graeme Pitkethly	6,607	2,523
Michael Rechsteiner	6,815	2,571
Urs Riedener	11,955	7,877
Aarti Shah	5,553	3,433
Yannis Skoufalos	17,039	14,919
Maria Varsellona	6,726	3,565

Share ownership requirements for Executive Committee members

Executive Committee members are expected to build and retain a significant shareholding in Sandoz to align their interests with those of other shareholders. The minimum requirement is as follows:

Position	Minimum ownership guidelines	Timeframe
Chief Executive Officer	3x annual base salary	Within 5 years of appointment
Other members of the Executive Committee	2x annual base salary	Within 5 years of appointment

Unvested PSUs, which are still subject to performance conditions, do not count towards the minimum share ownership requirement. Executive Committee members must retain all Sandoz shares received from the Company until the minimum ownership level is met (net of applicable taxes). The CEO and the CFO are required to hold the shares received under the LTPP for a minimum of two years after the vesting date.

As at December 31, 2025, the total number of shares owned by each of the members of the Executive Committees is set out in the table below.

Executive Committee member	Vested shares and ADRs	Unvested shares and other equity rights	Total as at December 31, 2025	Total as at December 31, 2024
Richard Saynor	42,316	237,026	279,342	202,591
Claire D'Abreu-Hayling	7,645	59,871	67,516	49,537
Christophe Delenta	10,740	43,412	54,152	33,137
Glenn A. Gerecke	10,668	52,474	63,142	52,780
Rebecca Guntern	41,304	96,724	138,028	103,083
Keren Haruvi	12,226	76,554	88,780	63,050
Tripti Jha	7,982	80,622	88,604	76,766
Ingrid Sollerer	42,813	60,538	103,351	82,244
Remco Steenberg	47,953	232,458	280,411	228,253
Peter Stenico	1,354	26,988	28,342	–

Executive Committee members who stepped down during 2025

Executive Committee member	Vested shares and ADRs	Unvested shares and other equity rights	Total as at December 31, 2025	Total as at December 31, 2024
Francisco Ballester	22,686	40,973	63,659	62,112

3.13 Events subsequent to the December 31, 2025 balance sheet date

Dividend proposal for 2025 and approval of the financial statements 2025 of Sandoz Group AG

On February 24, 2026, the Sandoz Group AG Board of Directors proposed the acceptance of the financial statements 2025 of the Sandoz Group AG for approval by the Annual General Meeting on April 9, 2026.

Furthermore, also on February 24, 2026, the Board proposed a dividend of CHF 0.80 per share to be approved at the Annual General Meeting on April 9, 2026.

If approved, total dividend payments would amount to approximately CHF 346.2 million.

Appropriation of available earnings

(CHF)	2025
Retained earnings carried forward	
Balance at the beginning of the period	336,253,194
Allocation to legal retained earnings reserves	(90,000)
Distribution of dividend to shareholders	(259,437,724)
Change in retained earnings due to treasury shares	8,411,321
Net income	335,902,611
Retained earnings available for distribution at the end of the year	421,039,402
Motion of the Board of Directors on the retained earnings available for distribution for the end of the year	
Retained earnings available for distribution at the end of the year	421,039,402
Distribution of dividend to shareholders ¹	(346,154,094)
Retained earnings carried forward	74,885,308

¹ Payment of a gross dividend (before taxes and duties) of CHF 0.80 on every dividend bearing share with a nominal value of CHF 0.05. No dividend is declared on treasury shares held by Sandoz Group AG or its direct or indirect fully owned subsidiaries.

Audit report for the financial statements of Sandoz Group AG



Statutory Auditor's Report

To the General Meeting of Sandoz Group AG, Basel
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 2025, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 165 to 170) 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 that are relevant to audits of the financial statements of public interest entities. We have also 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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.
- 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.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters



that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 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.

Based on our audit in accordance with Art. 728a para. 1 item 2 CO, we confirm that the proposal of the Board of Directors complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Stéphane Nusbaumer
Licensed Audit Expert

Basel, 24 February 2026

ESG Disclosures

175	ESG reporting standards and assurance
177	ESG performance indicators
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183	Task Force on Climate-related Financial Disclosures (TCFD)
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ESG reporting standards and assurance

Basis for reporting

This section provides detailed information for Environmental, Social and Governance (ESG) performance indicators for 2025.

The ESG-related content of the Integrated Annual Report has been prepared in accordance with Article 964b of the Swiss Code of Obligations (CO), and in alignment with recommendations and standards issued by the Integrated Reporting Framework, the Sustainability Accounting Standards Board® (SASB), the Global Reporting Initiative (GRI), the Greenhouse Gas (GHG) protocol, and the Task Force on Climate-related Financial Disclosures (TCFD) as required by the Swiss Ordinance on Climate Disclosures.

→ Our Swiss CO Article 964b Compliance Index can be found on | [Page 182](#).

→ Please see | [Pages 183–187](#) for our TCFD disclosures.

We are currently in the process of aligning our ESG reporting with the European Sustainability Reporting Standards (ESRS) to meet the European Union's Corporate Sustainability Reporting Directive (CSRD) requirements when applicable.

The ESG indicators follow the same reporting boundaries as the consolidated financial statements presented in the Integrated Annual Report 2025. Our ESG reporting boundary for ESG data collection excludes our recent acquisition, Just-Evotec Biologics EU SAS, acquired on December 5, 2025.

Environmental data for 2025 contains estimates where actual data was not available at the time of publication. The 2024 estimated data has been updated with actuals for this report and no material variances have been identified. In addition, certain prior year figures have been restated due to changes in methodology or correction of reporting errors. The update also reflects the application of the latest emission factors, aligned with the most recent data submitted as part of our Science Based Targets initiative (SBTi) commitment.

Data on financial performance, eg, net sales, has been taken from our consolidated financial statements prepared in accordance with the International Financial Reporting Standards® (IFRS). The consolidated financial statements of the Group are presented in US dollars (USD).

Due to rounding, amounts may not add up precisely to the totals provided.

🌐 Details of how our reporting aligns with GRI, our SASB index and an overview of definitions and methodologies for ESG performance indicators can be found on | [Sandoz.com/ESG_supplementary_disclosures_2025](https://sandoz.com/ESG_supplementary_disclosures_2025).

Assurance

KPMG AG has provided limited assurance in accordance with ISAE 3000 (revised) and ISAE 3410 on our ESG performance indicators marked with "✓" on | [Pages 177–181](#) and on our compliance with Article 964b of the Swiss CO, including the TCFD.

→ KPMG's independent assurance report is on | [Pages 188–189](#).

Sandoz ESG material topics

In 2024, we conducted a Double Materiality Assessment (DMA) in accordance with European Sustainability Reporting Standards (ESRS). This assessment identified our ESG material topics in the ways society and the environment affect our performance as well as how Sandoz impacts society and the environment. The DMA confirms the alignment of our ESG pillars with our Board-approved strategic priorities.

The DMA followed a structured four-step approach:

- 1. Identification of topics:** We developed a comprehensive list of potentially material topics using ESRS guidelines as a starting point, supplemented by company-specific topics, peer benchmarking, and considered the expectations of regulators, rating agencies and other stakeholders, as well as considered our own strategic priorities.
- 2. Stakeholder engagement:** We identified relevant stakeholders who could help us assess materiality across our value chain.
- 3. Impact and risk assessment:** We combined qualitative and quantitative data to assess Impacts, Risks and Opportunities (IROs) of our material topics by engaging with stakeholders. Internal subject matter experts helped us evaluate these IROs. These quantitative assessments were supplemented with qualitative data from interviews with senior leadership, Board members and affected stakeholders.
- Scoring:** In line with ESRS requirements, stakeholders assessed the impact materiality (inside-out) of the topics, using the ESRS defined criteria of scale, scope, irremediability and likelihood across different time horizons. Stakeholders also assessed the financial materiality (outside-in) by evaluating the potential financial effect and likelihood.
- 4. Integration into strategy:** Results were approved by the Board and embedded into our ESG strategy and will shape our ESG performance efforts, forming the foundation for our alignment with the CSRD.

In 2025, we conducted an annual review of our DMA performed in 2024 to confirm the continued relevance of our identified material topics. No significant changes were identified that would alter the scope of our reporting for the current financial year.

Sandoz ESG material topics continued

Based on the DMA conducted, Sandoz has identified the following material topics.

ESG pillars	Material topic	Definition
Driving Impact and Access	Impact and Access to Healthcare	Access to healthcare refers to the social inclusion of patients and end-users to ensure equal access to products. Impact refers to the wider impacts of medicine, and our ability to use the business to contribute to a healthier, more productive world.
Empowering our People	Diversity, Equity & Inclusion	Diversity and inclusion, including equal treatment, refers to the degree to which we ensure equality, equal treatment and equal opportunity (including pay, development and learning) for all people in the workforce.
	Corporate Culture	Corporate culture expresses our goals through values and beliefs. It guides our activities through shared assumptions and group norms such as values or mission statements or a Code of Ethics.
	Health & Safety	Health and safety refers to our approach to identifying and managing any potential risks to the health and safety of our own workforce and workers in the value chain.
Championing Sustainability	Climate Change	Climate change considers “adaptation”, “mitigation” and “energy”. “Climate change adaptation” refers to efforts undergone to adjust to actual and expected climate change and its impacts. “Climate change mitigation” refers to efforts undergone to reduce GHG emissions. “Energy” refers to the switch to renewable energy and overall energy efficiency.
	Pollution, Water and AMR	Pollution refers to the direct or indirect introduction of pollutants into the air, soil or water which may be harmful to human health or the environment. In this context it examines the prevention, control and reduction of such pollution, including its impact on Antimicrobial Resistance (AMR) due to the potential discharge of Active Pharmaceutical Ingredients (APIs) or other chemicals into water systems.
	Supplier Management	Supplier management refers to behaviors and relationships with our suppliers that support transparent and sustainable business practices.
Governing with Integrity	Ethics, Corruption & Bribery	Corruption and bribery refers to the prevention and detection of cases of unethical business conduct.
	Product Quality & Safety	Product quality and safety refers to the safety of patients and end-users.
	Data Privacy & Cybersecurity	Data privacy refers to the protection and handling of data related to our own workforce and the information related to patients/ end-users. Cybersecurity refers to the protection of our own computer systems, networks, and data from potential cyberthreats.

ESG performance indicators

Driving Impact and Access

Performance indicators	2025	2024	Assurance scope 2025
Impact and Access			
Patients treated (millions) ¹	873	902	✓
Patients treated in Low and Middle-Income Countries (LMICs) (millions) ²	40	41	
Healthcare system savings in North America, Europe and other key markets (USD billions) ³	26	19	✓
Social impact delivered (USD billions, as of 2023) ⁴	396	396	
World Health Organization Essential Medicines List (WHO EML) Sandoz addressable portfolio coverage (%)	62	59	✓

- 1 In 2025, the name of the metric previously referred to as "Patient treatments provided" has changed to "Patients treated". Our active pharmaceutical ingredient (API) sales reached an estimated additional 0.2 billion patients not included in the above "Patients treated" number.
- 2 In 2025, the name of the metric previously referred to as "Patient treatments provided in LMICs" has changed to "Patients treated in LMICs".
- 3 In 2025, Canada, Japan, Australia and the Netherlands have been included in the scope of the metric. Prior year reported figures have not been restated to reflect the inclusion of these additional markets. The healthcare system savings attributable to the newly added countries amount to USD 6 billion.
- 4 In 2025 and 2024, the 2023 social impact delivered figure has been maintained as there were no significant changes in methodology or scope of calculations.

Empowering our People

Performance indicators	2025	2024	Assurance scope 2025
People & Organization			
Headcount	23,567	23,406	✓
Full-Time Equivalent (FTE) positions	22,356	22,049	✓
New employee hires ⁵	4,131	3,531	
Turnover: voluntary/overall (%)	7/13	6/15	✓
Internal/external hires (%)	33/67	31/69	
Annual learning hours per employee	28	40	✓
Representation of nationalities: overall/management	111/88	109/89	✓
Gender representation (% female/% male)⁶			
Overall headcount	53/47	52/48	✓
Hires	53/47	52/48	
Promotions	53/47	56/44	
Overall turnover ⁷	13/12	15/16	
Board of Directors	40/60	40/60	✓
Executive Committee of Sandoz	50/50	50/50	✓
Overall management	46/54	45/55	✓
Sandoz top leaders	33/67	32/68	✓
Senior management	38/62	37/63	✓
Middle management	47/53	47/53	
Entry-level positions	46/54	46/54	
Revenue-producing roles	58/42	57/43	✓
Science, Technology, Engineering & Mathematics (STEM) roles ⁸	44/56	43/57	✓

⁵ Metric includes both internal and external candidates.

⁶ Metric does not include employees preferring not to disclose their gender.

⁷ Values provided are the % of totals.

⁸ STEM roles defined as the sum of the following Sandoz job families: R&D, Technical Operations, Information Technology and Technology Transformation.

ESG performance indicators continued

Empowering our People

Performance indicators	2025	2024	Assurance scope 2025
Gender representation by contract type (% female/% male)⁹			
Permanent	53/47	53/47	✓
Temporary	53/47	52/48	✓
Full-time	49/51	49/51	✓
Part-time	84/16	84/16	✓
Gender representation by age group (% female/% male)⁹			
Employees aged < 30	53/47	54/46	✓
Employees aged 30–50	53/47	53/47	✓
Employees aged >50	50/50	50/50	✓
Our Sandoz rewards commitments (%)			
Headcount covered by annual pay equity studies	100	100	
Headcount covered by annual living wage studies	100	100	
Mean pay gap	4	6	
Median pay gap	(4)	(3)	
Recruitment without using historical salary	100	84	✓
Headcount covered by external pay transparency	33	33	✓
Headcount covered by internal pay transparency	29	27	✓

⁹ Metric does not include employees preferring not to disclose their gender.

Empowering our People

Performance indicators	2025	2024	Assurance scope 2025
Health and safety			
Days away from work rate: Sandoz employees ¹⁰	0.18	0.32	✓
Days away from work rate: third-party personnel ^{10, 11}	0.29	0.39	✓
Injury and illness rate: Sandoz employees ¹⁰	0.24	0.39	✓
Injury and illness rate: third-party personnel ^{10, 11}	0.35	0.39	✓
Fatalities: Sandoz employees	0	0	✓
Fatalities: third-party personnel	0	0	✓
Grievance indicators: SpeakUp office			
Central investigations	83	85	✓
Central allegations	115	107	✓
Central allegations substantiated	42	61	✓
Total central cases substantiated per category			
Bribery or kickbacks	0	0	
Conflict of interest	1	3	
Data privacy	2	4	
Discrimination	0	2	
Employee relations	16	8	
Fraud and asset misappropriation	1	0	
Health and safety	0	0	
Human and labor rights	0	1	
CORE matters and CORE-related bribery ¹²	0	1	
Quality assurance and data integrity	2	7	
Retaliation	0	1	
Sexual harassment	2	3	
Technological compliance or data loss	9	26	
Other	9	5	

¹⁰ In 2025, the name of the metrics previously referred to as “Total recordable case rate” and “Lost-time injury and illness rate” have changed to “Injury and illness rate” and “Days away from work rate”, respectively. In 2024, total Sandoz “Injury and illness rate” was 0.39 and “Days away from work rate” was 0.32. In 2025, total Sandoz “Injury and illness rate” is 0.25 and “Days away from work rate” is 0.19.

¹¹ The 2024 value has been restated to reflect a revised classification.

¹² In 2025, the name of the metric previously referred to as “Improper professional practices” has changed to “CORE matters and CORE-related bribery”.

ESG performance indicators continued

Championing Sustainability

Performance indicators	2025	2024	Assurance scope 2025
Energy use (million GJ)			
Energy use on-site and purchased	2.8	3.0	✓
Energy intensity based on net sales (mGJ/USD billions)	0.2	0.3	
Energy generated on-site from renewable energy sources	0.0	0.0	
Greenhouse Gas (GHG) emissions (1,000 tCO₂e)			
Scope 1 emissions	60.3	73.5	✓
Combustion and process	39.2	49.3	
Vehicles	21.1	24.2	
Scope 2 emissions from purchased energy (market-based)	121.9	142.8	✓
Scope 2 emissions from purchased energy (location-based)	135.8	138.6	✓
Scope 1 and Scope 2 emissions	182.2	216.2	✓
Scope 1 and Scope 2 emissions intensity based on net sales (1,000 tCO ₂ e/USD billions)	16.4	20.9	
Scope 3 emissions ¹³	2,012.8	2,028.4	✓
Purchased goods and services ¹³	1,449.7	1,506.5	
Capital goods	76.4	54.6	
Fuel and energy-related activities	46.7	48.1	
Upstream transportation and distribution	122.9	121.9	
Waste generated in operations	4.9	7.1	
Business travel	14.5	10.4	
Employee commuting	28.7	29.1	
Downstream transportation and distribution	3.0	3.0	
Processing of sold products	5.5	3.4	
Use of sold products	214.4	195.1	
End-of-life treatment of sold products	46.2	49.2	
Scope 1, Scope 2 and Scope 3 emissions	2,195.0	2,244.6	✓

¹³ The 2024 data has been restated as described in our Basis for reporting. Additionally, the total purchased goods and services for 2024 was restated from 1,209.0 to 1,506.5 as the omission of a supplier was identified during an internal review. Consequently, the total Scope 3 emissions was restated from 1,748.8 to 2,028.4.

Championing Sustainability

Performance indicators	2025	2024	Assurance scope 2025
Volatile Organic Compounds (VOCs) (metric tons)			
Nonhalogenated VOCs	176.7	193.5	
Water (million m³)			
Water consumption ¹⁴	0.4	0.5	✓
Water intensity based on net sales (million m ³ /USD billions)	0.04	n.a.	
Water withdrawal	17.0	18.3	✓
Water discharged ¹⁴	16.6	17.8	✓
Discharged directly to aquatic environment	14.5	15.5	✓
Discharged after treatment	2.2	n.a.	✓
Water reused and recycled	3.9	n.a.	
Wastewater quality compliance on Pharmaceuticals in Environment (PiE) (%)			
Sandoz manufacturing sites that are PiE compliant for all APIs ¹⁵	88	82	✓
Tier-1 API suppliers manufacturing sites that are PiE compliant for all APIs	86	n.a.	✓

n.a. = not available

¹⁴ In 2025, the methodology for reporting water consumption and discharge has been adjusted. Water consumption is a net amount of water consumed during the production process. 2024 data has been recalculated using the revised methodology.

¹⁵ In 2025, 15 manufacturing sites are compliant out of 17 in the scope of the metric.

ESG performance indicators continued

Championing Sustainability

Performance indicators	2025	2024	Assurance scope 2025
Waste management (1,000 t)			
Operational waste generated	53.1	60.3	✓
Nonhazardous waste	44.3	49.8	
Hazardous waste	8.7	10.5	
Waste recycled	44.9	47.9	✓
Nonhazardous waste recycled	41.0	42.6	
Hazardous waste recycled	3.9	5.3	
Waste not recycled	8.2	12.4	✓
Nonhazardous waste not recycled	3.4	7.2	
Incineration	1.8	1.9	
Of which incineration with energy recovery	0.2	n.a.	
Landfilling	1.5	5.2	✓
Other disposal options	0.0	0.1	
Hazardous waste not recycled	4.8	5.2	
Incineration	4.2	4.5	
Of which incineration with energy recovery	2.0	n.a.	
Landfilling	0.0	0.0	✓
Other disposal options	0.7	0.7	
Zero waste to landfill (%)	94	n.a.	✓

n.a. = not available

Governing with Integrity

Performance indicators	2025	2024	Assurance scope 2025
Product quality and patient safety			
Audits executed	704	501	✓
Good Manufacturing Practices (GMP), Good Distribution Practices (GDP) inspections	50	59	✓
GMP, GDP inspections without findings having business impact (%)	100	98	✓
US FDA inspections (GMP, GDP, GVP)	1	5	✓
US FDA inspections (GMP, GDP, GVP) finished with warning letter	0	0	✓
Good Pharmacovigilance Practices (GVP) inspections	8	10	✓
GVP inspections without findings having business impact (%)	100	100	✓
Recalls ¹⁶	10	20	✓
Class I recalls	1	0	
Class II recalls	5	15	
US FDA (US market) recalls	3	0	✓
Third Party Risk Management (TPRM)			
Suppliers risk-assessed ¹⁷	967	3,739	✓
Suppliers assessed by risk area			
Anti-bribery	90	2,250	
Animal welfare	3	132	
Health, safety and environment	243	998	
Information security and data privacy	287	1,354	
Labor rights	175	1,698	
Business continuity management	22	n.a.	

n.a. = not available

¹⁶ More categories are included in total than are provided in below split.¹⁷ In 2025, a change in policy affected the number of suppliers assessed by applying a risk-based approach including adjusted thresholds.

ESG performance indicators continued

Governing with Integrity

Performance indicators	2025	2024	Assurance scope 2025
TPRM actions taken			
Suppliers audited on-site	31	36	✓
Total suppliers with remediation action agreed	103	174	✓
Supplier engagements stopped due to risk assessment outcomes	0	1	✓
Human and labor rights			
Nonconforming cases	1	25	✓
Code of Ethics			
Employees trained and certified (%)	96	96	✓
Anti-bribery and anti-corruption			
Employees trained and certified (%)	95	n.a.	✓

n.a. = not available

Article 964b: Swiss Code of Obligations – compliance index

We are committed to upholding the principles and requirements outlined in Article 964b of the Swiss Code of Obligations (CO). The following index outlines sections in the Integrated Annual Report related to non-financial matters and forms the focal point for the vote during the Annual General Meeting.

Disclosure title	Sections	Reference
The report on non-financial matters	The Integrated Annual Report (IAR) includes the report on non-financial matters in terms of Article 964b of the Swiss Code of Obligations.	
Description of the business model	Our business model Value chain	Page 13–14 Page 34
Our approach to non-financial matters, including material ESG issues¹:		
Social concerns • Impact and Access to Healthcare	Driving Impact and Access	Page 35–38
Employee concerns • Diversity, Equity & Inclusion • Corporate Culture • Health & Safety	Empowering our People	Page 39–42
Environmental concerns • Climate Change • Pollution, Water and AMR • Supplier Management	Championing Sustainability	Page 43–46
Combating corruption and corporate governance • Ethics, Corruption & Bribery • Product Quality & Safety • Data Privacy & Cybersecurity	Governing with Integrity	Page 47–48
Respect for human rights²	Human and Labor Rights	Page 47
Implementation and effectiveness on measures	ESG Governance	Page 50
Material risks	Risk Management Report Task Force on Climate-related Financial Disclosures (TCFD)	Page 93–97, 183–187
Performance indicators	ESG Performance Indicators	Page 177–181
Basis of preparation of the report	Basis for Reporting	Page 175

¹ Our comprehensive list of policies are available on [Sandoz.com/policies](https://www.sandoz.com/policies). For more details on our material ESG issues and the methodology used to define them, see pages 175–176.

² Our human rights program and due diligence activities are aligned with international human rights standards, the UNGPs, the ILO Standards, the OECD Guidelines for Multinational Enterprises and the OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. To learn more please visit [Sandoz.com/human-rights](https://www.sandoz.com/human-rights).

Task Force on Climate-related Financial Disclosures (TCFD)

Physical and transition climate risks

1. Scope and definitions

In the 2024 Integrated Annual Report, we reported on climate-related risks and opportunities as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). The analysis in the 2025 report focused on confirming these risks (or updating where relevant) and further enhancing the disclosure of the mitigation actions in place to manage them. Potential risks and opportunities were assessed across different climate scenarios and time horizons as outlined in the Representative Concentration Pathways (RCP) and the Shared Socioeconomic Pathways (SSP). We considered two climate scenarios, namely scenario RCP 2.6, which aligns with the Paris Agreement, and RCP 8.5, which considers a business-as-usual trend for the transitional and physical risks respectively – see details below. This analysis follows the Intergovernmental Panel on Climate Change (IPCC) and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We considered time horizons to 2030 and to 2050.

We report in line with Article 964b Swiss CO and the Ordinance on Climate Reporting effective January 1, 2024. According to Article 4, Paragraph 2, our report must be published in formats readable by both humans and machines. In order to comply with this ordinance, the TCFD report is made available in PDF format as part of the Integrated Annual Report on our website.

1.1. Scenario RCP 2.6

GHG emissions will decline more than twofold by 2050, with a 1.5–2.0°C rise in average global temperature by 2100 and the achievement of carbon neutrality by 2080. This scenario ensures the achievement of the Paris Agreement. Under this scenario, the world develops along the lines of a green, low-carbon and electrified economic model at an accelerated pace, focusing on slowing down the growth of resource consumption. Resource and energy intensity are declining rapidly in all sectors because of decisive measures taken by developed and developing countries to achieve climate neutrality. In addition to reducing GHG emissions, carbon capture technologies are in development for hard-to-abate sectors.

1.2. Scenario RCP 8.5

GHG emissions will continue to grow through 2100, with an increase in the average global temperature of 4.0°C by 2100. Global development patterns remain unchanged. Economic development is achieved through intensive growth, which entails increased consumption of materials and energy and exploitation of natural resources. Some countries introduce decarbonization measures, but this is insufficient to reduce the global economy's resource and energy intensity. GHG emissions continue to rise throughout the century.

2. Our approach

In 2023, we conducted a screening study to investigate our physical risks at 70 of the most critical Sandoz sites, including a financial quantification of the risks identified based on asset value and net revenue for our 28 most critical sites. We defined materiality thresholds and calculated each site's vulnerability level for the physical risks analyzed. Furthermore, we qualitatively assessed Sandoz transitional risks and opportunities, including the participation of multiple business functions, ie, ESG strategy and communications, business continuity, risk, finance, procurement and supply chain, and technical operations.

For 2025, we confirmed that the previously disclosed risks (2023 assessment as updated and refreshed in 2024) are still relevant for Sandoz; we did not observe material changes versus the previous year's assessment. This year's focus was on refreshing risk descriptions and scope (ie, material sites in our operations) and reporting risk mitigation plans in more detail, including specific actions to address each risk with dedicated responsibilities. Mitigation actions disclosed this year are primarily focused on Sandoz operations.

We will continue to strengthen our disclosure on climate-related risks and opportunities in 2026. Specifically, we will further enhance our risk identification approach including use of latest available technologies in the market and we will extend risks and mitigation actions to cover more of our value chain.

Please note that the following table depicts gross risks, not net risks. These risks and their risk ratings are presented in their entirety, without accounting for any mitigating strategies or actions that Sandoz may already be taking. The identification of the gross risks below will serve as a basis for identifying, evaluating and developing climate-related mitigation strategies to manage potential impacts to the business going forward. Through proactive risk management efforts, we strive to minimize the likelihood and impact of these risks and enhance our overall resilience. See more on our governance and strategic alignment with climate risks on the table on page 50.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Physical risks (RCP 8.5)

Risk	Risk category	Description	Rating 2030/2050	Potential impact	Mitigation measures
Heat extreme	Acute and chronic	Maximum temperatures and heatwaves	Low/low	Impact and outlook: Heatwaves are projected to increase in frequency, intensity and duration, raising health risks, operational disruptions and energy costs. Countries affected: Algeria, Brazil, Ecuador, India, Mexico (2030 outlook) and China, Ecuador, Saudi Arabia, Thailand (2050 outlook).	- We have strengthened our Business Continuity and Crisis Management framework, aligning with industry and regulatory standards. - Our Global Security Operations Center and Corporate Security continuously monitor risks across Sandoz, in close coordination with Business Continuity and Crisis Management teams. - All manufacturing sites maintain Business Continuity Plans and trained teams; annual lifecycle includes exercises simulating high-risk scenarios (eg, wildfires). - Our Crisis Management teams operate at country and global levels and are regularly trained for extreme events. In 2025, four natural catastrophes were managed with no material impact. - We operate under a continuous improvement mindset through post-event reviews and lessons learned. - External risk audits are conducted by the external insurance provider to validate local mitigation and continuity plans.
Water extreme	Acute and chronic	Water stress, riverine floods, coastal floods, total precipitation and longer dry spells	High/medium	Impact and outlook: Climate change is amplifying floods and droughts, creating recurring patterns of extreme flooding and prolonged droughts within the same region. Riverine floods remain material hazards with significant impacts in operations, while prolonged droughts may result in emergency water saving measures which could potentially affect operations in the future. In 2025, Sandoz did not have any material operations in areas of water stress. However, we recognize that in the future water stress areas may include areas that are currently not considered as vulnerable to water scarcity, such as Germany, Austria or France. Moreover, we understand the ripple effect that water scarcity can have in our suppliers, people and communities. Countries affected: High risk of flooding in Germany and Slovenia, elevated risks in Austria, Italy, Netherlands, Thailand, Vietnam. Droughts and water scarcity high risk in India, Spain, UAE and Saudi Arabia.	
Wildfire	Acute	Extreme fire days and fire season length	Low/medium	Impact and outlook: Extreme fire conditions are increasing, often linked to droughts. According to the UN Environmental Development, wildfire frequency is expected to rise by 30% by 2050 and 50% by 2100. Long-term impacts can include health risks, poor air quality, operational disruptions, high economic and environmental costs. Countries affected (2050 outlook): Brazil, Greece, Italy, Portugal, South Africa, Spain, the United States of America.	
Cold extreme	Acute	Frost days, ice days and lower temperatures	High/low	Impact and outlook: Globally, the risk of extreme cold is expected to decrease. However, certain regions will continue to be impacted by extreme cold in the near term. Countries affected: The most significant impact from extreme cold will likely be in Austria, Poland, Romania, Russia, Slovenia, Ukraine (2030 outlook) and Romania, Russia, Ukraine (2050 outlook).	

Task Force on Climate-related Financial Disclosures (TCFD) continued

Transition risks (RCP 2.6)

Risk	Risk category	Description	Rating 2030/2050	Potential impact	Mitigation measures
Carbon pricing and taxes	Policy and legal	Global governments are increasingly implementing stricter carbon pricing policies mainly through emissions trading systems and carbon taxes. This may result in additional direct operating and capital costs for us and exposure to pass-through costs within the value chain.	Low/medium	- Increased complexity in the carbon pricing regulatory landscape may raise compliance risk and create potential spill-over effects on our reputation. - Carbon pricing exposure and potential for increased operational costs related to fuel and electricity consumption. - Higher transportation and shipping costs passed on by suppliers. - Changes in country-level energy mix (eg, markets reversing toward fossil fuels) over which we have limited control may affect our emissions profile and progress towards climate targets and stakeholder expectations.	- We have implemented a decarbonization strategy and set greenhouse gas reduction targets and commitments in line with SBTi requirements and the latest science-aligned recommendations. - We reduce and, where possible, avoid direct exposure to carbon by: - Increasing the share of renewable electricity in our operations. - Implementing energy efficiency measures and adopting new manufacturing technologies. - We conduct bi-annual monitoring of carbon pricing regulatory framework developments to inform our decarbonization strategy and plans through robust governance mechanisms.
Energy price volatility	Market	Energy price volatility remains a significant risk for us, driven by geopolitical tensions, supply chain disruptions and fluctuating demand in global energy markets. These dynamics affect electricity and fuel costs, influence operational expenses, cost of goods sold and the predictability of our financial planning. Volatility also impacts on our ability to secure stable energy contracts and meet environmental sustainability targets.	Low/medium	- Unpredictable increases in operational costs due to sudden spikes in fuel and electricity prices. - Higher transportation and shipping costs passed on by suppliers. - Budget uncertainty and potential margin erosion resulting from volatile energy markets. - Increased complexity in achieving cost optimization and decarbonization goals under fluctuating conditions.	- We devise and deliver a utilities purchasing strategy to ensure budget certainty, manage price volatility and optimize energy costs. - We expand renewable energy adoption through power purchase agreements and on-site generation to stabilize long-term costs and reduce reliance on volatile fossil fuel markets. - We implement energy efficiency initiatives in manufacturing and logistics to lower overall consumption and reduce sensitivity to price fluctuations.
Emerging policies and regulatory changes	Policy and legal	Evolving environmental regulations may lead to new or enhanced compliance requirements, changes in the approval processes for pharmaceutical products or new procurement requirements, potentially affecting time-to-market and requiring us to adapt to new regulatory and procurement standards.	Medium/high	- Increased operating costs (eg, higher compliance costs, increased insurance premiums). - Tender losses, write-offs, asset impairment and early retirement of existing assets due to policy changes. - Increased costs resulting from fines and legal action. - Increased risk for obtaining and retaining talent due to non-compliance impact on employer branding.	- We maintain a company-wide internal control framework to track regulations and ensure compliance. - We conduct annual environmental compliance assessments at site and local level, considering regional and global regulations to identify emerging requirements. - We promptly identify, document and close potential gaps to maintain compliance and reduce risk.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Transition risks (RCP 2.6)

Risk	Risk category	Description	Rating 2030/2050	Potential impact	Mitigation measures
Net-zero healthcare systems	Reputation	The transition to low-carbon healthcare systems continues to accelerate, driven by regulatory requirements and procurement practices integrating ESG criteria. While this shift supports our long-term sustainability goals, it introduces technical complexities and potential cost pressures (such as increased capital investment for compliance with specific tender requirements, such as product-level information or environmental certification).	Medium/medium	- Increased capital expenditures to comply with evolving tender requirements, such as providing detailed product-level environmental information or obtaining third-party environmental certifications. - Failure to decarbonize may threaten the company's license to operate in certain countries and reduce competitiveness. - Engagement with new suppliers may become necessary due to stricter climate regulations requiring adherence to environmentally friendly practices.	- We have a public net zero commitment by 2050 in place, with science-based near-term targets for Scope 1, 2 and 3 (SBTi targets submitted for validation). - We continuously review changes in procurement requirements in tender markets linked to net zero policies through frequent alignment between sustainability and commercial teams, monitoring and integrating potential changes into procurement practices and our broader sustainability strategy. - We engage with customers, particularly healthcare systems' sustainability and procurement teams, to understand requirements and collaborate, or even co-shape, future expectations where possible. - We establish platforms to consolidate and update model responses to better address procurement requirements. - We ensure value chain requirements cascade into supplier agreements and leverage programs like Energize to support supplier decarbonization.
Reputation-al impacts	Reputation	Stakeholder perception of Sandoz commitment to sustainable and ethical healthcare practices may influence our reputation and patient trust, affecting market share and brand value.	Low/medium	- Higher turnover or lower employee loyalty if our actions do not keep pace with stakeholder expectations. - Perception of insufficient responsiveness to sustainability trends could impact our ability to attract investment, complete repairs, or maintain strong customer relationships. - Need to establish a global reputation strategy driven by our Trust & Reputation Council and managed by Global Corporate Affairs.	- We proactively build awareness and trust as the world's leading and most valued biosimilars and generics company, while managing reputational risks that could impact our license to operate. - We prioritize and act on reputation factors that matter most to our stakeholders. - We take a robust approach to monitoring these activities to ensure transparency and responsiveness.

Task Force on Climate-related Financial Disclosures (TCFD) continued

TCFD strategic alignment table

Theme	Recommended Disclosures	Description	Reference
Governance	Board oversight	- The Board of Directors approved the ESG strategy which is aligned with TCFD. - The Board of Directors and the Human Capital and ESG Committee (HC & ESGC) oversees and has approved our Double Materiality Assessment (DMA), which includes climate change as a material topic. - Our Sustainability Scorecard, which includes progress and actions on public and internal climate change KPIs is part of quarterly HC & ESGC updates. - The Audit, Risk and Compliance Committee (ARCC) oversees our enterprise risk management (ERM) process, which takes climate-related risks into account. - The General Counsel and Chief Compliance Officer represents the company's overall risk approach to the Board.	Page 50
	Management's role	- The ESG strategy team has assigned ownership of climate-related topics (eg, climate change, pollution, supplier ESG management) and regularly monitors and manages progress through the Sustainability Scorecard. - As part of our material topics and ERM alignment process, the ERM team has assigned risk owners for each climate-related topic (eg, natural disaster resilience) with clear responsibilities up to Sandoz Leadership Team (SLT) level.	Page 50
Strategy	Identification of climate-related risks and opportunities	- We have included climate-related risks and opportunities in both the DMA and TCFD assessments (in the form of physical and transitional risks and opportunities). - Both frameworks help integrate climate risk into our business strategy: the DMA through setting focus topics with respective KPIs and accompanying management and reporting processes; the TCFD by setting risk mitigation measures and related action plans. - Material topics are also part of the bottom-up ERM process, through proactive flagging to stakeholders for consideration.	Page 175–176, 183–186
	Scenario analysis	- We analyzed climate risk under a scenario of concerted climate change mitigation (RCP 2.6) as well as no mitigation (RCP 8.5) over 2030- and 2050-time horizons, in accordance with Intergovernmental Panel on Climate Change (IPCC) and the IFRS-TCFD (International Financial Reporting Standards – Task Force on Climate-related Financial Disclosures) recommendations. - We identified physical risks and transition risks and quantified the financial impact of the physical risks. - We confirmed that the scientific evidence remains unchanged and does not warrant revisiting our choice of scenarios.	Page 183–186
	Impact on business strategy	We are decarbonizing our operations as part of our strategy to mitigate climate risk. Our short-, medium- and long-term decarbonization targets and objectives impact on the overall business strategy.	Page 43–46
Risk management	Risk identification, assessment, integration and mitigation	- We follow the TCFD framework to assess and prioritize climate-related risks. We ensure we apply the TCFD requirements as a standalone process regardless of any integration of climate-related risks in the ERM process. - Climate risks are integrated into our ERM process. We identify risk owners, action plan owners and mitigation measures as part of the ERM process (bottom-up process, through proactive flagging to stakeholders for consideration).	Page 93–97, 183–186
Metrics and targets	Targets used to manage climate-related risks, opportunities and performance	Targets and metrics are reviewed on an ongoing basis and environmental indicators are tracked through the Sustainability Scorecard and associated governance structures to review, manage and stay on track.	Page 33, 179–180

Limited assurance report on selected sustainability information



Independent limited assurance report on
selected sustainability information in Sandoz
Group AG's Integrated Annual Report 2025

To the Board of Directors of Sandoz Group AG, Basel

Opinion

We have conducted a limited assurance engagement on Sandoz Group AG (hereinafter "Sandoz") for the following selected Sustainability Information in the Sandoz Integrated Annual Report for the year ended December 31, 2025 (hereinafter "Sustainability Information"):

- The ESG Performance Indicators included in the tables starting on page 177 of the Sandoz Integrated Annual Report 2025 and marked as 'Assurance Scope 2025'.
- Non-financial disclosures, prepared in accordance with article 964b of the Swiss Code of Obligation including climate disclosures based on the recommendations of the "Task Force on Climate-related Financial Disclosures" (TCFD), as included in the 964b : Swiss Code of obligations – Compliance index on page 182 and the TCFD strategic alignment table on page 187 of the Sandoz Integrated Annual Report 2025.

Understanding how Sandoz has prepared the Sustainability Information

Sandoz prepared the Sustainability Information using the following criteria (hereinafter referred to as the "Sustainability Reporting Criteria"):

- For ESG Performance Indicators - internally developed criteria as outlined in the document "Supplementary ESG Disclosures 2025" available on: https://www.sandoz.com/ESG_supplementary_disclosures_2025

Consequently, the Sustainability Information needs to be read and understood together with the Sustainability Reporting Criteria.

Our Limited Assurance Conclusion

Based on the procedures we have performed as described under the 'Summary of the work we performed as the basis for our assurance conclusion' and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information is not prepared, in all material respects, in accordance with the Sustainability Reporting Criteria.

We do not express an assurance conclusion on information in respect of earlier periods or future looking information included in the Sandoz Integrated Annual Report 2025, or any other information linked to from the Sustainability Information or from the Sandoz Integrated Annual report 2025, including any images, audio files or embedded videos.



Inherent Limitations in Preparing the Sustainability Information

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur in disclosures of the Sustainability Information and not be detected. Our engagement is not designed to detect all internal control weaknesses in the preparation of the Sustainability Information because the engagement was not performed on a continuous basis throughout the period and the audit procedures performed were on a test basis.

Sandoz Responsibilities

The Board of Directors of Sandoz is responsible for:

- selecting or establishing suitable criteria for preparing the Sustainability Information, taking into account applicable law and regulations related to reporting the Sustainability Information;
- the preparation of the sustainability information in accordance with the Sustainability Reporting Criteria, Art. 964b of the Swiss Code of Obligation, as well as the Swiss Ordinance on Climate Disclosure; and
- designing, implementing and maintaining internal control over information relevant to the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our independent conclusion to the Board of Directors of Sandoz.

As we are engaged to form an independent conclusion on the Sustainability Information as prepared by the Board of Directors, we are not permitted to be involved in the preparation of the Sustainability Information as doing so may compromise our independence.

Professional Standards Applied

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)* and in respect of greenhouse gas emissions, with the International Standard on Assurance Engagements 3410 *Assurance Engagements on Greenhouse Gas Statements (ISAE 3410)*, issued by the International Auditing and Assurance Standards Board (IAASB).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent and multidisciplinary team including assurance practitioners and sustainability experts. We remain solely responsible for our assurance conclusion.



Summary of the Work we Performed as the Basis for our Assurance Conclusion

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Sustainability Information is likely to arise. The procedures we performed were based on our professional judgment. Carrying out our limited assurance engagement on the Sustainability Information included, among others:

- assessment of the design and implementation of systems, processes and internal controls for determining, processing and monitoring sustainability performance data, including the consolidation of data;
- inquiries of employees responsible for the determination and consolidation as well as the implementation of internal control procedures regarding the selected disclosures;
- inspection of selected internal and external documents to determine whether quantitative and qualitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- assessment of the data collection, validation and reporting processes as well as the reliability of the reported data on a test basis and through testing of selected calculations;
- analytical assessment of the data and trends of the quantitative disclosures included in the scope of the limited assurance engagement;
- assessment that the Sandoz Integrated Annual Report 2025 contains all the information required by Art. 964b(1) and (2) CO, including a description of the company's business performance, financial results, position and the impact of its activities on environmental, social and employee matters, respect for human rights and the fight against corruption, as well as disclosures on environmental matters as required by article 964b (2) CO to contain the information laid out in article 3 of the Ordinance on Climate Disclosures to understand in particular governance, strategy, risk management and key figures and targets in relation to climate; and
- assessment of the consistency of the disclosures applicable to Sandoz with the other disclosures and key figures and of the overall presentation of the disclosures through critical reading of the Sandoz Integrated Annual Report 2025.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

KPMG AG

Stéphane Nusbaumer
Licensed Audit Expert

Axel Pfeiffer
Licensed Audit Expert

Basel, 24 February 2026

KPMG AG, Grosspeteranlage 5, CH-4002 Basel
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Credits

Images

Luis Adrián Quiroz Castillo: page 15 (right)

Peter Ginter: pages 4 (middle), 18, 20 (right), 21, 46 (right)

Florian Jaenicke: pages 6, 61 (D'Abreu-Hayling, Gerecke, Guntern), 62 (Haruvi, Jha, Sollerer)

Cheryl Koehn: page 15 (left), 38 (center)

Geri Krischker: pages 9, 12, 44, 58, 59, 61 (Saynor, Delenta), 62 (Stenico)

Pascal Landert: page 62 (Steenbergen)

Deirdre Mackechnie: page 38 (left)

Daniel Schvarcz: pages 19, 48 (left)

Sebastian Stiphout: page 4 (right)

Latonia Ward: page 16 (left)

Laura Wingate: page 38 (right)

Ivan Zelenskyi: page 16 (right)

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Forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements and illustration do not directly relate to a fact, but rather provide current expectations of future events based on certain assumptions. Forward-looking statements can be identified by words or phrases such as "potential," "expected," "will," "planned," "pipeline," "outlook," "may," "could," "would," "anticipate," "seek," or similar expressions. Such forward-looking statements are based on the current beliefs and expectations of management regarding future events and are subject to significant known and unknown risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those set forth in the forward-looking statements. In particular, our expectations could be affected by, among other things:

Uncertainties regarding the success of key products and commercial priorities;

Uncertainties in the research and development of new healthcare products, including clinical trial results and additional analysis of existing clinical data;

Safety, quality, data integrity or manufacturing issues;

Uncertainties in the development or adoption of potentially transformational digital technologies and business models;

- Uncertainties regarding potential significant breaches of information security or disruptions of our information technology systems;
- Uncertainties surrounding the implementation of IT projects;
- Our performance on environmental, social and governance matters;
- Our reliance on outsourcing key business functions to third parties;

- Uncertainties regarding actual or potential legal proceedings, including, among others, litigation and other legal disputes with respect to product liability litigation, litigation and investigations regarding sales and marketing practices and government investigations generally;
- Our ability to attract, integrate and retain key personnel and qualified individuals;
- Regulatory actions or delays or government regulation generally, including potential regulatory actions or delays with respect to the development of the products described in this Integrated Annual Report;
- Our ability to comply with data privacy laws and regulations, and uncertainties regarding potential significant breaches of data privacy;
- Our ability to adapt to major geopolitical and macroeconomic developments, including the effects of and efforts to mitigate pandemic diseases, and the impact of any crises and wars;
- Uncertainties involved in predicting shareholder returns;
- Uncertainties regarding the effects of recent and anticipated future changes in tax laws and their application to Sandoz; or
- Uncertainties regarding future global exchange rates.

Investors are cautioned that all forward-looking statements involve risks and uncertainty. Sandoz undertakes no obligation to publicly update or revise any forward-looking statements.

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