SANDOZ

Integrated Annual Report
2024

Pioneering access for patients

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See our online summary report
Sandoz.com/arsummary

Cover image: Chris Rhima (left) and Becah Thompson working at the Sandoz Device Development Centre in Cambridge (UK).

2024 by the numbers

Financial highlights[1]

NET SALES TO THIRD PARTIES[2]

USD10.4bn

+9% in constant currencies

CORE EBITDA MARGIN

20.1%

+200 basis points

MANAGEMENT FREE CASH FLOW

USD1.1bn

+USD 1.0 billion

OPERATING INCOME

USD307m

+5% in constant currencies

CORE DILUTED EPS

USD2.71

+28% in constant currencies

CORE ROIC

12.3%

+250 basis points

Non-financial highlights[3]

PATIENT TREATMENTS PROVIDED

902m

Estimated number of patient treatments provided

SAVINGS DELIVERED TO US AND EUROPEAN HEALTHCARE SYSTEMS

USD19bn

Estimated savings delivered by our key products

SOCIAL IMPACT

USD400bn

Estimated impact delivered by our key products annually[4]

1 Non-IFRS measures are defined in Supplementary financial information, beginning on page 154.

2 Net sales in this document refer systematically to net sales to third parties. In the first nine months of 2023, third-party sales excluded sales to our former parent. Post spin-off, sales to our former parent are reported as third-party sales.

3 For definitions of our non-financial indicators, please see Sandoz.com/ESG_supplementary_disclosures_2024.

4 Estimate from 2023. For details please see Sandoz.com/ESG_supplementary_disclosures_2024.

Chairman's letter

Dear shareholders

I am honored and pleased to introduce our second Integrated Annual Report, marking our first full year as an independent public company.

This milestone represents an important chapter in our journey, built on the foundation of our Purpose: pioneering access for patients.

The biosimilars and generics market continues to be a cornerstone of global healthcare, providing 80% of the world's medicines at approximately 30% of the cost. Our global leadership in this market reflects not only our scale, but also the trust we have earned from patients, healthcare professionals and policymakers around the world.

A transformative year

2024 was a defining year for Sandoz, marked by resilience, remarkable achievements and steady progress, even in the face of challenges such as geopolitical uncertainty. We surpassed USD 10 billion in net sales for the first time and delivered on our promises with a strong core EBITDA of USD 2.1 billion and a margin of 20.1%. These results demonstrate the strength of our portfolio and our commitment to operational excellence, underscoring our ability to deliver on our commitments and drive sustainable growth.

The impact of our medicines was felt around the world, providing more than 900 million treatments in 2024 and contributing approximately USD 19 billion in healthcare savings in the US and Europe alone.

It has been deeply fulfilling to see the growing recognition of Sandoz as a purpose-driven company that delivers high-quality, reliable medicines, generating meaningful value for patients, for society and for you, our shareholders.

Delivering against our Purpose

We have adopted a governance framework that promotes transparency, accountability and robust oversight. The Board of Directors continues to play a central role in guiding the Sandoz strategy and enforcing our culture of compliance.

As Europe's last major vertically-integrated manufacturer of antibiotics and a global leader in anti-infectives, we are committed to expanding access to these important medicines. Following our investment in Austria and the opening of a new facility, we have increased penicillin capacity by 20% compared to 2023 and more than doubled our capacity versus 2021, further strengthening our position as a key provider in the fight against infectious diseases.

We are setting clear, science-based carbon reduction targets in line with the Paris Agreement, and we remain committed to achieving net-zero emissions by 2050. We are also advancing our decarbonization roadmap, setting formal interim targets for 2030 and 2035. Other key commitments include zero water quality impact from manufacturing by 2030 and zero waste to landfill by the same year.

Sandoz is committed to meritocracy, diversity and inclusion, with women representing more than 50% of our global workforce and 50% of our executive team. By linking executive compensation to ESG goals, we ensure accountability and reinforce sustainability as a core pillar of our business. We are committed to fair wages and equal pay, which we monitor on a country-by-country basis. We have also endorsed the Human Rights Commitment Statement, which sets out our commitment to human rights and a living wage.

External agencies have recognized our efforts, with ratings from MSCI, ISS, S&P, and Sustainalytics positioning Sandoz among the top performers in our peer group. These confirm the strength of our governance model and our commitment to achieving meaningful social and environmental impact.

Returning value to shareholders

Reflecting our commitment to creating value for our shareholders, the Board of Directors proposes to increase the dividend by over 30% to CHF 0.60 per registered share, representing about 24% of core net income, subject to approval by the Annual General Meeting on April 15, 2025.

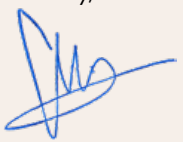
Looking forward with confidence

While remaining humble, we are proud of what has been achieved: our balance sheet is solid, our governance strong, our business sound and our teams are professional, committed and agile.

On behalf of the Board, I extend my deepest gratitude to Richard Saynor and the entire leadership team for their vision, dedication and execution. I would also like to thank our over 23,000 colleagues around the world whose passion and dedication are the foundation of our success.

Finally, I would like to thank you, our shareholders, for your confidence in Sandoz. Together, we are building a company that is not only an industry leader, but also a beacon of responsibility, innovation and purpose. I look forward to continuing our dialogue and sharing in the successes that lie ahead. Together, we will navigate the challenges of today's ever-evolving global landscape. We are very energized by our Purpose, and we are excited and committed to our Vision to become the world's leading and most valued generics and biosimilars company.

Sincerely,



Gilbert Ghostine
Chairman

Chief Executive's statement

A year of consistent delivery, consolidating our promise as a standalone company

Dear shareholders

We have successfully completed our first full year as an independent company, with strong sales growth, clear margin progression to fund our future operations and consistent delivery on our strategic milestones.

This strengthens my confidence that we will also deliver on our mid- and long-term objectives. We have shown that we have what it takes to sustainably lead the way in our system-critical industry, with a clear strategy rooted in our Purpose: pioneering access for patients.

In addition to meeting our financial guidance, key strategic achievements in 2024 included:

- Launching Tyruko® (biosimilar natalizumab) across Europe
- Launching Pyzchiva® (biosimilar ustekinumab) across Europe
- European and US regulatory approval for Wyost®/Jubbonti® (biosimilar denosumab)
- US and European regulatory approval for Enzeevu®/Afqlir® (biosimilar aflibercept)
- Completing the acquisition of Cimerli® (biosimilar ranibizumab) in the US
- Opening a new antibiotic production facility in Austria, increasing capacity by 20%
- Launching key oncology generic paclitaxel in the US

Strong performance for 2024

Net sales for 2024 were up 9% in constant currencies, with growth across all businesses and regions. With continued momentum in Q4 (+9%) we marked our 13th consecutive quarter of growth. Biosimilars showed strong double-digit growth, driven by both launches and the base business. The generics business saw solid demand, with growth accelerating in the second half of the year. The full-year core EBITDA margin of 20.1% was driven by improved product mix and cost leverage. Free cash flow also increased despite required investments in separation and transformation activities.

Looking ahead, we are strongly positioned to capitalize on a huge global market opportunity, with reference medicines worth more than USD 600 billion in sales due to lose exclusivity over the next ten years[1].

Our industry-leading biosimilar pipeline targets an LoE opportunity worth USD 195 billion[1] and is supported by ongoing investments in our development and production network. We plan three further biosimilar launches in 2025 alone, following the recent US launch of Pyzchiva®. Two of those are in the US, where we have moved up from fourth to third in market share, and are strategically positioned to become the biosimilar market leader.

In parallel, we continue to optimize our core generics business, which offers us scale across major therapeutic areas, the ability to leverage strong infrastructure and customer relationships, and cash flow to invest in new technologies. This includes future opportunities such as the rapidly-emerging market for GLP-1 medicines, where we are investing now and preparing for initial market opportunities from 2026 onwards.

Building for the future

By the end of 2024, our stock price – a key indicator of market sentiment – was up more than 40% since trading first opened on October 4, 2023. We are delivering consistently on the commitments we made to the capital markets, maintaining our strong growth momentum and investing in our future.

Now we have a unique opportunity to make our company even more valuable: to patients, to healthcare systems, to customers, to our employees, and to you, our shareholders. We are building our organization of the future, evolving to become simpler, better aligned to our standalone strategy, and even more conscious of how we spend money.

Creating value for all stakeholders

Of the billions of medicines used worldwide each year, the vast majority by volume are generics and biosimilars – but they account for barely a third of the total global medicines bill. At Sandoz, we provide more than 900 million patient treatments annually, leading to USD 19 billion savings per year for healthcare systems in Europe and the US alone, and generating a total social impact estimated at USD 400 billion annually.

We are uniquely positioned for future success, as the only truly global company with a leading position in both generic and biosimilar medicines – and a commitment to continue leading in both.

Last but not least, we have a talented global workforce motivated by our common Purpose and our aspiration to be recognized as the world's leading and most valued affordable healthcare company: recognized for our financial performance, for our scientific, technical and commercial expertise, and for our lasting impact on society.

Thank you, dear shareholders, for your continued trust.

Sincerely,

Richard Saynor
Chief Executive Officer

1 2025–2034. Calculated as originator sales one year prior to loss of exclusivity (LoE); targeted value refers to coverage from Sandoz pipeline. Analysis based on industry reports, databases and internal evaluations.

Sandoz at a glance

At Sandoz, our Purpose is pioneering access for patients.

Our Vision is to be the world's leading and most valued generics and biosimilars company.

From the introduction of Calcium Sandoz in 1929 to the first oral penicillin in 1951, the first recombinant interferon alfa in 1980 and the world's first biosimilar medicine in 2006, our history is full of pioneering achievements that have improved patient access. That same pioneering spirit drives our plans for the future. We strive to be valued as much for how we run our business as for our positive impact on society.

How we do this:

We produce quality generic and biosimilar medicines at scale.

We provide around 1,300 products to 100+ countries. In 2024, that meant we delivered more than 900 million patient treatments. The lower cost of our generics and biosimilars generated about USD 19 billion in direct savings for healthcare systems in the US and Europe alone. Every year, Sandoz generates a total social impact of approximately USD 400 billion worldwide.

At this scale, we can secure approvals across global markets. Our scale also allows us to continually invest in a robust pipeline. Today we're developing more than 450 generic and biosimilar products.

Discover more | **Page 6**

We remove systemic barriers to access.

In addition to developing more affordable versions of high-quality medicines, we do our best to remove the barriers that prevent patients from accessing them. Major barriers include regulatory obstacles, improperly granted patents and even a simple lack of awareness. When we succeed in removing barriers we can lower prices, shorten time to treatment and eliminate shortages.

Discover more | **Page 12**

We partner to accelerate the pace of change.

Some issues that are central to our Purpose require collaboration with other organizations. For example, we engage with patient advocacy groups to understand how we can create more value for them. We are on a number of global working groups that fight antimicrobial resistance. We also work with our suppliers to develop innovative solutions to reduce our carbon footprint.

Discover more | **Page 27**

Our people deliver on our Purpose, sustainably and ethically.

Our people are critical to delivering our Purpose and our Vision, and do it always by applying a strong culture of Compliance and Integrity. We cultivate an inclusive culture in which differences are valued, our practices are equitable, and everyone feels respected.

We're focused on delivering access while protecting the environment and driving down our carbon footprint.

Through strong corporate governance we promote sound risk management, ethical behavior and a relentless dedication to the safety and quality of our products.

Discover more | **Page 37**

The prospects for Sandoz are bright indeed.

We look forward to building on our heritage to drive value for all our stakeholders, including patients, physicians, employees and shareholders. Pride and dedication are evident everywhere in our company, and in the passion and commitment of our employees, who continue to propel us forwards and into our bright future.

Sandoz at a glance continued

We are the only generics and biosimilars company with a leading presence in all three of our regions.

That begins with "home market" Europe, where we combine market leadership and strong growth.

Discover more | **Page 23**

We're strongly positioned in North America, the largest pharmaceutical market in the world.

Discover more | **Page 24**

Region International targets markets where we can leverage our broad global portfolio and pipeline.

Discover more | **Page 26**

Our generics business ranges from simple products such as oral solids to more complex products such as injectables.

We continue to invest across this base business, while preparing for growth in exciting new areas such as glucagon-like peptide-1 receptor agonists (commonly known as GLP-1s).

Discover more | **Page 15**

We have developed our vertically-integrated antibiotics production network – the largest of its kind in Europe – with investments totaling over USD 250 million over the last few years.

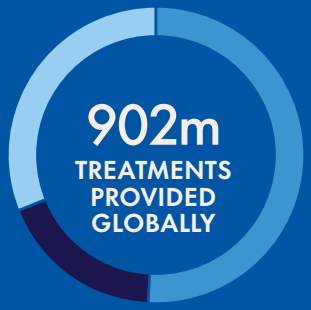
We are the established global leader in generic antibiotics, with 50-plus medicines serving several hundred million patients per year.

We are the global pioneer and leader in biosimilars, with 11 marketed medicines and a rapidly growing pipeline.

In biosimilars, we have committed more than USD 400 million to a new European production plant, and a further USD 100 million-plus to building in-house development capabilities, as well as a range of strategic partnerships.

Our pipeline has tripled in size over the past few years even while we've increased the pace of high-value launches. We look forward to maintaining our pioneering position in this field, with a biosimilar pipeline that today targets reference medicines with sales of approximately USD 195 billion[1], particularly in oncology and auto-immune diseases.

PATIENT TREATMENTS PROVIDED BY REGION[2]



Europe	462m	51%
North America	158m	18%
International	282m	31%

NET SALES BY REGION

Europe	USD 5.4bn	52%
North America	USD 2.4bn	23%
International	USD 2.6bn	25%

See our regional reviews | **Page 23–26**

Sandoz is present in more than **100 countries** with around **23,000** employees producing around **1,300 products.**

1 2025–2034. Calculated as originator sales one year prior to loss of exclusivity (LoE); targeted value refers to coverage from Sandoz pipeline. Analysis based on industry reports, databases and internal evaluations.

2 Calculated based on Sandoz treatments delivered (volumes sold); defined daily dose (according to the WHO); and treatment duration, based on Sandoz medical experts' guidance

Our business model

Sandoz is the leading global company in generic and biosimilar medicines, which account for around 80% of medicines worldwide at 30% of the cost[1].

Our strategy is based on expanding our unique leadership position across both generics and biosimilars by leveraging the close synergies between these two businesses and our global scale.

What we do

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

Development & regulatory (D&R)

We manage our development activity to ensure constant replenishment of our product 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

~450 GENERICS

28 BIOSIMILARS

Patients and society are at the heart of what we do

Manufacturing & 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 SITES

700+ EXTERNAL SITES

Discover more about operational improvements | Page 21

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 PRODUCTS ON THE MARKET

~1,300 GENERICS

11 BIOSIMILARS

Discover more about our commercial presence | Page 5

Reinvestment drives expanding access

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

Continue for our competitive advantages and the value we create

1 Based on IQVIA Midas MAT01'24, generic off-patent drugs which includes generic products, non-categorized products, early entry generic products and biocomparables as categorized by IQVIA.

Our business model continued

Our competitive advantages

We are a uniquely global generics and biosimilars producer.

We offer reliable supply without compromising on quality while delivering at affordable prices under a strong and durable brand.

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

Maximizing opportunity through partnerships

We choose partners such as Polpharma, Samsung Bioepis and Just-Evotec Biologics to create the greatest value from the opportunities ahead.

Discover more about our partnerships | Page 17

Balancing supply and quality with price

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

Discover more about quality | Page 22

Generic mindset

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

Discover more about our people | Page 37

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 GUIDANCE (END OF 2028)

Mid-single digit
Net sales growth[1]

~24%–26%
Core EBITDA margin

Annual dividend to grow to between
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[2]

902m
Estimated patient treatments provided (2024)

19bn
Estimated savings delivered to US and European healthcare systems, in USD (2024)

400bn
Estimated social impact of our key products, in USD (2023)

Discover more about our ESG strategy | Page 28

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 33

1 At constant currencies

2 Non-financial indicator definitions can be found on Sandoz.com/ESG_supplementary_disclosures_2024

2024 in review

Financial performance

Sandoz delivered strong financial results in 2024, underpinned by continued momentum in the biosimilar business and progress in our journey as a standalone company.

NET SALES TO THIRD PARTIES
USD10.4bn
+9% in constant currencies

OPERATING INCOME
USD307m
+5% in constant currencies

CORE EBITDA MARGIN
20.1%
+200 basis points

CORE DILUTED EPS
USD2.71
+28% in constant currencies

MANAGEMENT FREE CASH FLOW
USD1.1bn
+USD 1.0 billion

CORE ROIC
12.3%
+250 basis points

2024
Strategic milestones

JANUARY 31
LAUNCH OF TYRUKO®
(natalizumab) in Germany as first multiple sclerosis biosimilar.

TYRUKO® (natalizumab-sztn) 300 mg/15 mL IV

MARCH 4
ACQUISITION OF CIMERLI®
Completion of acquisition of Cimerli® (biosimilar ranibizumab) from Coherus.

CIMERLI® (ranibizumab-eqrn) injection

MARCH 5
US FDA APPROVAL OF WYOST®/ JUBBONTI®
for first and only denosumab biosimilars.

MARCH 21
OPENING OF NEW ANTIBIOTIC PRODUCTION FACILITY IN AUSTRIA
significantly increasing capacity.

MAY 22
EUROPEAN COMMISSION APPROVAL FOR WYOST®/ JUBBONTI®
(first biosimilar denosumab).

NOVEMBER 15
EUROPEAN COMMISSION APPROVAL FOR AFQLIR®
(biosimilar aflibercept).

AUGUST 12
US FDA APPROVAL FOR ENZEEVU®
(biosimilar aflibercept).

JULY 25
EUROPEAN LAUNCH OF PYZCHIVA®
(biosimilar ustekinumab).

JULY 1
US FDA APPROVAL OF PYZCHIVA®
(biosimilar ustekinumab).

Pyzchiva ustekinumab-ttwe | 90 mg/1 mL

Business Report

Our Purpose in action

As the global leader in generic and biosimilar medicines, Sandoz is an influential voice in expanding patient access.

In 2024 we put that privilege to good use – from creating platforms to gain patient perspectives to advocating for healthcare reforms that facilitate access.

Making Access Happen

In June 2024 we invited 31 patient advocacy leaders to a collaborative initiative in Munich, Germany, called Making Access Happen. We wanted to establish a shared framework for the public policy reforms necessary to ensure efficient, more affordable and sustained access to generic medicines and biosimilars.

The leaders came from 18 countries and represented various disease areas. They agreed that collaboration between patient organizations, healthcare providers, policymakers, pharmaceutical companies and other stakeholders was essential – with six key actions being especially important:

- EDUCATION & AWARENESS PROGRAMS
- MULTI-STAKEHOLDER COLLABORATION
- HARMONIZING GLOBAL STANDARDS
- RESEARCH INITIATIVES
- TRANSPARENT BENEFIT-SHARING MODELS
- MULTI-STAKEHOLDER DIALOGUE & BEST PRACTICE SHARING

Their specific points were set down in the Making Access Happen Consensus Statement, one of the key outcomes of the Forum.

You can learn more about the Forum and read the Making Access Happen Consensus Statement here | Sandoz.com/makingaccesshappen

The Forum was jointly chaired by Zorana Maravic, CEO of Digestive Cancers Europe, Belgium, and Daneen Sekoni, Vice President of Policy & Advocacy at Cancer Support Community, USA.

> "There should not be barriers for anyone to access the medicines they need. As members of the Making Access Happen community, we are excited to work together as coordinated as we can."

Daneen Sekoni
Vice President of Policy & Advocacy at Cancer Support Community, USA

> "This Forum marks an important first step, providing us with a valuable opportunity to enhance patient outcomes by improving access."

Zorana Maravic
CEO of Digestive Cancers Europe, Belgium

Our Purpose in action continued

Patient organizations provide a powerful voice for patients

Patient engagement is helping policymakers understand the perspectives of the patient community as they work to implement better health policies.

Patient organizations educate their communities, empower patients to make informed decisions and play a vital role in enhancing access to medicines.

At Sandoz, patient engagement is about understanding patient needs, perspectives and insights and integrating them into our work in key focus areas to pioneer access for patients.

We have four focus areas in our patient engagement framework:

Access
We collaborate with patient organizations to improve access to medicines.

Insights
We bring patient insights into our work to shape the ways we deliver on the Sandoz purpose.

Biosimilars
We support biosimilars education to improve access to biologic medicines.

Engagement
We support the patient community by amplifying their voices and co-creating programs that address their needs.

PACE Week

Patient and Customer Engagement (PACE) Week
PACE week is an awareness campaign that enables Sandoz employees to engage with patients and customers to better understand their perspectives and needs. In 2024:

5,000 employees across 50 countries engaged in 140 PACE activities in collaboration with 45 patient organizations, reaching over 10,000 patients.

Our Purpose in action continued

We're tackling barriers to access at the structural level.

Supply shortages

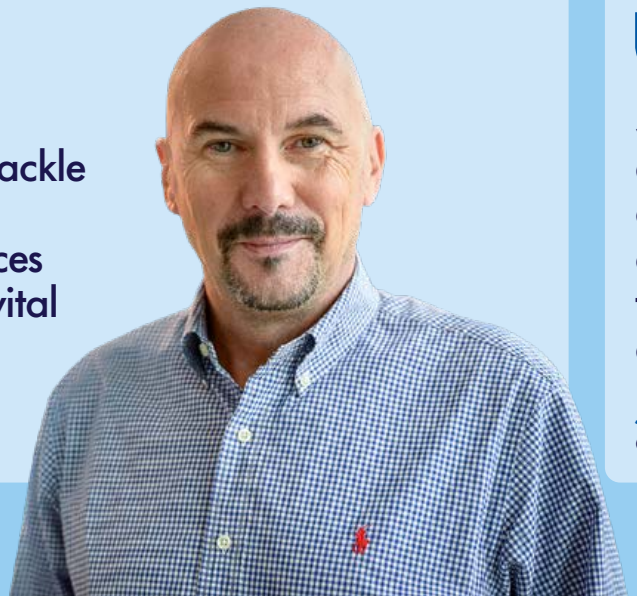
Shortages have become a recurring issue in our "home region" Europe, where more than 90% of medicines on the EU list of critical medicines are generics. They're also one of the most preventable barriers to access.

To fight this problem we joined the Critical Medicines Alliance (CMA) in 2024. The CMA is a consultative body that aims to help EU policymakers solve the problem of shortages in the European Union. Remo Illi (pictured below) and other colleagues are contributing their expertise to find solutions. Rather than adding more reporting and stockpiling requirements, the cure lies in treating the root causes of shortages. Governments need to prioritize better pricing models to secure sustainable supply. Public tenders that put price above all else have increasingly driven players out of the European market. Indeed our facility in Kundl, Austria, is the only major remaining fully-integrated supplier of antibiotics in Europe.

Discover more about Kundl | **Page 36**

"Our top priority is to tackle unsustainable market conditions and practices that hinder access to vital generic medicines."

Remo Illi
Head, Supply Chain Europe



Improving patent regimes

Reducing the number of improperly granted patents – whether through actions at the patent offices and courts, or through advocating for changes to patent systems – accelerates entry of more affordable medicines in our markets across the globe. It's a key activity in advancing our Purpose.

Our record of challenging patents and patent systems has led to savings of billions of dollars for healthcare systems across the globe. For example, our pioneering stance on the Biologics Price Competition and Innovation Act in the US eliminated a potential six-month delay to market for all future biosimilars, representing significant savings and speeding biosimilars entry to the US market.

We are building on that legacy and will continue to commit significant resources to eliminate those patents that improperly delay access to generic and biosimilar medicines.

We consider this an important part of our responsibility as a key player in healthcare systems worldwide. We are also working actively with governments and legislators to shape intellectual property policies for the benefit of healthcare systems and patients. This includes comments on a US Patent Office proposal that would curb abusive patent practices, engagement with the US Federal Trade Commission to highlight how serial patent litigation can lead to drug shortages, and support of the recent European pharmaceutical legislation that would prevent patent linkage, that is, the practice of using administrative procedures outside of the court systems to delay generic and biosimilar launches.

"Shaping the IP environment ensures that patients and healthcare systems don't wait a day longer than necessary for more affordable medicines."

Julia Pike
Global Head of Intellectual Property

Our strategy

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 about 30% 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.

Discover more | Page 15

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. In 2024 we provided 902 million patient treatments in more than 100 countries.

Our pipeline comprises 28 biosimilars and around 450 generics, with several key launches scheduled over the next few years. 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 rapidly-emerging new market for GLP-1 diabetes and weight-loss medicines, complemented by the rapid further growth of our leading biosimilars business.

MARKET SIZE[1]

>USD200bn

10-year CAGR: 8%

PIPELINE

28

Biosimilars

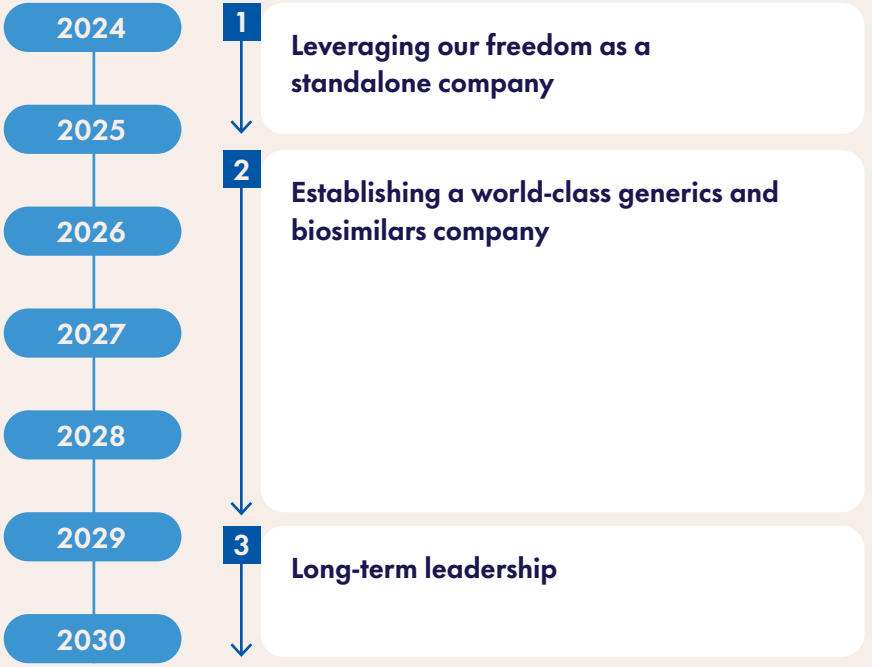
~450

Generics

1 IQVIA Analytics Link MAT'09 24 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 2024–2033.

Three phases

In our second year as a standalone global leader, the Sandoz strategy remains fundamentally unchanged. 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:



Sandoz continues to optimize its product mix, with 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.

Our strategy continued

Our focus areas

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[1]. 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 GUIDANCE (END OF 2028)

Mid-single digit
Net sales growth[1]

~24%–26%
Core EBITDA margin

Annual dividend to grow to between
30%–40%
of core net income

1 In constant currencies.

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

~USD400bn
LoE opportunity post-2028[2]

2 2029–2035. Calculated as originator sales one year prior to loss of exclusivity (LoE). Analysis based on industry reports, databases and internal evaluations.

Trends & market – generics

Generics are our core business, generating over 70% of our net sales through a portfolio of around 1,300 products.

Their safety, efficacy and quality are equal to their originator-owned counterparts while typically being sold at a fraction of the price. This creates real savings for the individuals who need these medicines, and for national healthcare systems facing ever-increasing costs. Generics thus ensure the sustainability of healthcare systems and are the foundation of how we deliver on our Purpose.

Our in-market portfolio of generic medicines covers a range of therapeutic areas such as cardiovascular, central nervous system, oncology, infectious diseases, pain and respiratory. We are the world leader in generic antibiotics and the only company with a large-scale, vertically- integrated antibiotics production network based in Europe.

Discover more | Page 36

The basis of our competitive advantage

Generics are the basis of our competitive advantage. Generics provide commercial infrastructure and customer relationships, require relatively limited capital investment and deliver a stable cash flow. Generics create a financial platform for future investments, not least in biosimilars. They ensure a continued strong market presence in every region, across a range of therapeutic areas and all market archetypes, offering substantial synergies to our biosimilars business in development, medical, regulatory and commercial areas. We are a partner of choice for bringing externally-developed generics to market, offering a unique combination of geographic scale, commercial excellence, a strong and durable brand as well as our regulatory and supply capabilities.

Opportunities for the long term

Over the long term, we see the size of the opportunity in standard generics remaining stable and a significant increase at the more complex end. Over the next 10 years we expect to target nearly USD 200 billion in LoE value[1], with around 450 products in our generics pipeline today. These products range from standard generics – primarily oral solids with relatively lower development cost and technical complexity – to more complex generics including injectables, respiratory, and a variety of other technologies such as liquids, sprays, topicals and transdermal patches. We will also continue to establish development expertise in emerging and highly complex technology areas such as oligonucleotides.

GLP-1s

Glucagon-like peptide-1 receptor agonists, commonly known as GLP-1s, are a significant opportunity for the generics industry, expected to reach USD 150 billion by 2035[2] and over 1 billion patients.

Sandoz has a multi-pronged strategy for GLP-1s addressing an evolving landscape. First, we target launches at market formation in early markets like Canada and Brazil with partnered assets. Second, we will leverage our experience from the early markets to build our presence in the US and Europe as those markets come into view after 2030. This is coupled with a commitment to develop newer GLP-1 assets that are expected to lose exclusivity in the next decade. We will draw on partners as well as in-house expertise to build leadership in this complex therapeutic area.

As with the entire generics business, we are well positioned to combine external and internal resources to maximize access to this important class of medicines.

1 2025–2034. Calculated as originator sales one year prior to loss of exclusivity (LoE); targeted value refers to coverage from Sandoz pipeline. Analysis based on industry reports, databases and internal evaluations.

2 Analysis based on industry reports, databases and internal evaluations.

Trends & market – generics continued

Anti-infectives

Six million people die each year because they can't access antibiotics[1]. We are committed to expanding access to these critical medicines.

We run Europe's last major vertically-integrated antibiotics production network, centered in Kundl, Austria. In 2024, we concluded a USD 200 million expansion in Kundl with the opening of a new antibiotics production facility. As a result, we increased penicillin capacity by 20% compared to 2023 and more than doubled our capacity versus 2021. We've also introduced a new, more environmentally-friendly system for producing active ingredients.

Discover more | **Page 36**

Two significant challenges facing our industry must be overcome to expand access even further.

The first is the regulatory market framework. In most markets, antibiotic manufacturers are required to supply at fixed price levels. This has led inevitably to a shallow market with fragile supply chains. After facing a pandemic followed by record inflation, the global antibiotics market has been particularly volatile in recent years, with unprecedented swings in both supply and demand. In 2024, we saw signs of sustainable recovery.

To ensure that patients maintain predictable access to antibiotics, public and private purchasers must recognize the value of high-quality antibiotic production and must allow prices to adjust, particularly in times of inflation. In addition, we believe some of the policy measures being proposed – most notably stockpiling – will do more harm than good by distorting the market and forcing generics manufacturers to store goods on shelves rather than provide them to patients.

The second challenge is antimicrobial resistance (AMR), which claims more than 1 million lives per year. Fueled by a mix of antibiotic overuse, misuse and underuse, we promote responsible access: getting the right medicine to the right patient at the right time.

For more on how Sandoz is fighting AMR | **Page 31**

1 Source: doi.org/10.1016/S0140-6736(21)02724-0

Trends & market – biosimilars

Sandoz is the global leader in biosimilars.

In 2006 we launched Omnitrope®, the world's first biosimilar.

Since then, we have only intensified our focus, offering more marketed biosimilars today than any other company. In 2024 net sales of biosimilars were USD 2.9 billion, a 30% growth in constant currencies. Our biosimilars are available in more than 90 countries worldwide, including some countries where even the reference biologic is not available. By increasing their availability and affordability, we're democratizing access to these essential, life-changing medicines.

We intend to keep up this pace. Half our overall net sales growth is expected to come from biosimilars over the next five years. Our pipeline now comprises 28 molecules and we are in the process of launching several high-value biosimilar assets. Growth of the overall biosimilars market is expected to be robust, reaching USD 54 billion by 2028 and more than tripling, to USD 176 billion, by 2034[1].

To meet this opportunity, we're investing more than USD 400 million in a new biosimilar production facility in Slovenia, as well as more than USD 100 million in new development capabilities in Slovenia and Germany. Developing this capacity will complement our other key strengths such as technical and analytical development, drug and device combinations, as well as clinical and regulatory experience with complex injectables.

In November 2024, Sandoz opened a state-of-the-art device development center in Cambridge, UK. This new facility will serve as a global hub for developing advanced drug delivery devices and play a key role in expanding access to generics and biosimilars.

We engage with external partners where it makes sense. Successful partnerships in 2024 include our collaboration with Polpharma Biologics, with whom we achieved the successful approval and launch of Tyruko® in the EU. Tyruko® is the first-ever biosimilar for multiple sclerosis. Pyzchiva® was successfully approved in the EU and US in collaboration with Samsung Bioepis. A strategic partnership with Just-Evotec supports our manufacturing diversification and the continued development of our existing and early-stage biosimilar pipeline by providing access to Just-Evotec's highly efficient drug substance development platform and continuous manufacturing technology.

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

1 IQVIA Analytics Link MAT'09 24 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.

Trends & market – biosimilars continued

Explaining 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 an affordable price point.

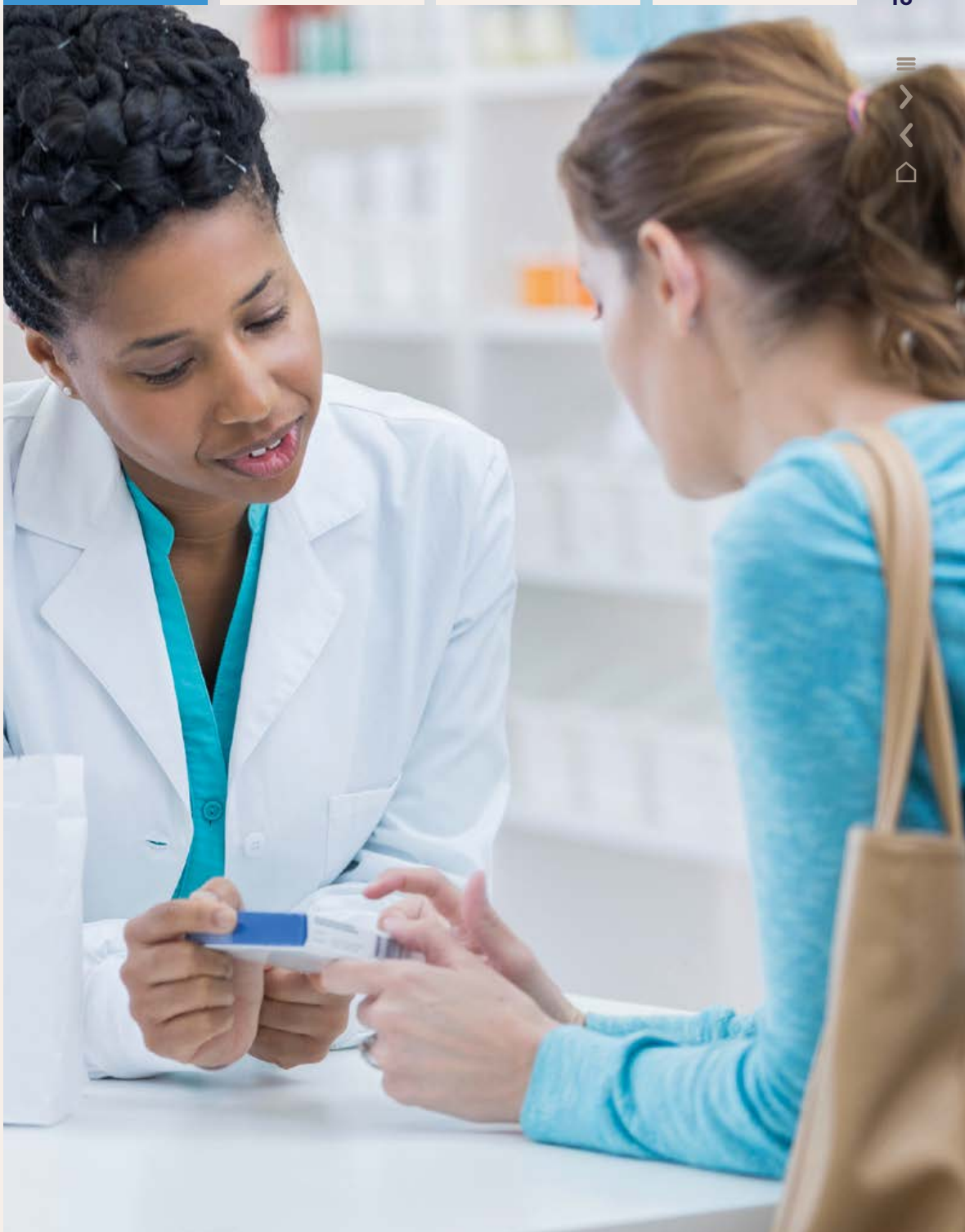
Unlike generic medicines, which are chemically synthesized, biologics are generated from living cells. These essential medicines offer targeted treatment options, for instance by binding to specific targets on the cell surface or in the cell. Biologic medicines are complex and time-consuming to develop and manufacture. As a result, they are more expensive compared to most generics, which are made via chemical synthesis. Sandoz biosimilar medicines are manufactured using state-of-the-art biological production technologies and the same quality standards as their reference biologics[1].

Introduction of biosimilar medicines drives competition, resulting in lower prices, value-added services to support patient care and the healthcare community. Biosimilars also help stimulate research and development into next-generation biologics. Biosimilars are expected to generate USD 290 billion in savings to healthcare systems by 2027[2] globally – a figure that could be even greater if we remove barriers to biosimilar development and marketing.

Biosimilar medicines need the right market conditions to ensure the access and savings that patients and healthcare systems need. Key barriers include the misuse of intellectual property; overburdensome regulatory requirements; as well as pricing, contracting and tendering schemes that stifle competition and sacrifice long-term market sustainability for short-term cost savings.

1 McCamish M, Woollett G. Clinical Pharmacology & Therapeutics. 2012 Mar;91(3):405-17.

2 IQVIA. Available from: Iqvia.com/insights/the-iqvia-institute/reports-and-publications/reports/the-global-use-of-medicines-2023



Our biosimilars pipeline

We have a leading biosimilar pipeline in terms of number of assets and portfolio coverage of the addressable market value.

Our heavy investment in our pipeline has led to an increase from eight candidates in 2018 to 24 in 2023. The number of candidates increased to 28 in 2024 despite the recent launches of Tyruko® and Pyzchiva®. These 28 candidate molecules target reference medicines with a total sales value of USD 195 billion[1].

Our biosimilar pipeline will keep growing. We select eligible candidates based on four principles:

Value and scale

Focusing on programs we can launch at loss of exclusivity (LoE) and that span multiple regions for long-lasting impact.

Product profiles

Deliver products with strong product features.

Leveraging footprint

Leverage strong commercial capabilities and existing commercial infrastructure across channels and market archetypes to ensure a successful launch.

Strategic partnerships

Evaluate our pipeline to fully leverage our internal strengths and consider where partnerships make sense.

We aim to retain a strong leadership position as the market develops. This is in line with our goal of democratizing access to biologics – see also | **Page 10–12.** Our confidence is supported by a proven track record in delivering on our pipeline, our strong commercial capabilities and our deep market knowledge.

1 2025–2034. Calculated as originator sales one year prior to loss of exclusivity (LoE); targeted value refers to coverage from Sandoz pipeline. Analysis based on industry reports, databases and internal evaluations.

Our biosimilars pipeline continued

Our marketed products

as of March 2025

2006
Omnitrope® (somatropin)

First-ever biosimilar: Launched in Europe in 2006, also available in North America and international markets. **Therapeutic area:** endocrinology.

2007
Binocrit® (epoetin alfa)

Launched in Europe in 2007, also available in international markets. **Therapeutic area:** oncology (supportive care).

2009
Zarzio® / Zarxio® (filgrastim)

Launched in Europe in 2009 and the US in 2015, also available in international markets. **Therapeutic area:** oncology (supportive care).

2017
Erelzi® (etanercept)

Launched in Europe in 2017, also available in Canada and international markets. Approved in the US. **Therapeutic area:** immunology (rheumatology, dermatology).

2017
Rixathon® (rituximab)

Launched in Europe in 2017, now available in Europe, Canada and international markets. **Therapeutic areas:** oncology (blood cancers), immunology (rheumatology).

2018
Ziextenzo® (pegfilgrastim)

Launched in Europe in 2018, also available in North America and international markets. **Therapeutic area:** oncology (supportive care).

2018 – 2023
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).

2018
Zessly® (infliximab)

Launched in Europe in 2018. **Therapeutic area:** immunology (rheumatology, gastroenterology, dermatology).

2024
Tyruko© (natalizumab)

Launched in Europe in February 2024. Approved in the US, Switzerland and Australia. US launch expected in 2025. The first and only approved biosimilar for multiple sclerosis. **Therapeutic area:** neurology.

2024
Cimerli© (ranibizumab)

In March 2024 Sandoz acquired Cimerli®, a treatment for multiple retinal diseases that was launched in October 2022. The acquisition included a dedicated retina sales and field reimbursement team, strengthening our US ophthalmology portfolio. **Therapeutic area:** ophthalmology.

2024
Pyzchiva© (ustekinumab)

Approved in the US in June 2024 and approved in Europe in April 2024. Launched in several major European markets at market formation, starting July 2024. Launched in the US in February 2025. **Therapeutic area:** immunology (rheumatology, gastroenterology, dermatology).

UPCOMING LAUNCHES

Wyost® and Jubbonti®
(Denosumab)

First and only denosumab biosimilars approved in North America and Europe, targeting USD 7 billion in reference medicine sales globally. A settlement was signed for the US in April 2024 to clear launch by May 31, 2025, or earlier under certain circumstances. Launched in Canada in July 2024. European launch anticipated in Q4 2025. **Therapeutic area:** oncology, osteoporosis.

Afqlir®/Enzeevu™
(aflibercept)

Approved in the US in August 2024 and approved in Europe in November 2024. Strong target product profile including pre-filled syringe at launch, targeting USD 10 billion in reference medicine sales. US launch pending patent litigation. European launch anticipated in Q4 2025. **Therapeutic area:** ophthalmology.

In development

18
IN EARLIER STAGE DEVELOPMENT

3
IN PHASE III CLINICAL TRIALS

7
UNDER REGULATORY REVIEW OR AWAITING LAUNCH
including Wyost®/Jubbonti® and Afqlir®/Enzeevu™

Operational review

We're driving productivity through four key pillars: network design, focused vertical integration, operational excellence and procurement optimization.

These four pillars are owned by Sandoz Technical Operations (STO), the internal business unit with oversight of our manufacturing and supply networks, as well as their supporting functions. They deliver best-in-class quality and supply reliability, with a clear focus on scale, volume and value. STO prioritizes sustainability and affordable access for patients while developing a more efficient supply and manufacturing network, helping to drive expansion of our core EBITDA margin.

Network design

Part of our operational improvements are aimed at increasing asset efficiency, optimizing make-or-buy decisions and supporting our launches.

We met our commitment to reduce our internal network from 18 to 15 sites in 2024 and announced our intention to close our Fougera site in the US. From 400 finished dosage form supplier relationships in 2023, we are now exiting from 100, with an aim to reach 250 by 2028. This will consolidate our spend to fewer and more significant suppliers. We opened a pilot plant in Kalwe, India, to provide greater integration with the Sandoz development organization and better support new product launches, and we intend to create two additional supply points for the US market within our internal network.

Focused vertical integration

In key areas such as biosimilars and anti-infectives, we're investing in vertical integration. In Kundl, Austria, we opened a new finished dosage form (FDF) manufacturing facility to increase our penicillin production capacity from 200 million to 240 million packs (see also | Page 36). We are investing at least USD 400 million in a new state-of-the-art biosimilar manufacturing facility in Lendava, Slovenia, which is expected to be operational by late 2026.

Operational excellence

This lever is about helping us drive higher manufacturing productivity and better asset utilization. Operational excellence is a methodology and tool set that enables our employees to drive more robust processes, end-to-end planning optimization, and throughput time reduction, as well as digitalization and robotization – underpinned by a culture and capabilities that drive innovation and continuous improvement.

In 2024, we significantly improved Overall Asset Efficiency (OAE) across packaging and bulk manufacturing. We also generated considerable yield and productivity savings while simplifying our organization and processes.

We are reducing complexity by standardizing product presentations across the network, harmonizing bulk supply across our supply chain and driving portfolio simplification and harmonization.

Procurement optimization

We are reducing complexity in our supply chain while building long-term, strategic partnerships.

In 2024, we achieved a strong reduction in direct materials and launched our flagship "Sandoz Smart Spending" program to optimize indirect spending across Sandoz. We also launched our "Pioneering Together" program, which will drive closer and more targeted collaboration with our most important strategic partners.

Operational review continued

Quality

We are committed to the quality, safety and efficacy of our products – for patients as well as for society at large.

We offer reliable supply without compromising on quality while delivering medicines at affordable prices under a strong and durable brand.

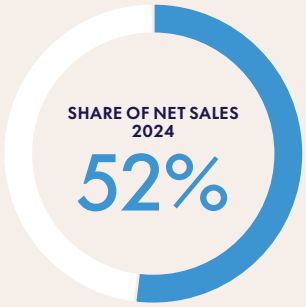
All our facilities, including our development centers, operate under strict regulations from regulatory health authorities, and in compliance with the World Health Organization's Current Good Manufacturing / Laboratory Practices (cGMP and cGLP). All customer complaints regarding product quality are tracked and taken very seriously. As per our procedure we investigate the complaints to identify the root cause and drive corrective and preventive actions if required.

We work closely with the health authorities to provide timely and accurate information to patients. Suppliers and partners are required to adhere to the same high standards that we expect of our own people and processes. We actively monitor our third-party network and partners through audits, incoming product inspection and testing and rigorous quality agreements. Health authorities also demand and review quality standards through coordinated inspections, import authorizations and other monitoring and control mechanisms.

Regional review – Europe

Sandoz is a European champion, present in more than 40 markets.

A strong foundation and brand heritage underpin our unique commercial platform.



2024 NET SALES

USD5.4bn
+6% in constant currencies

MARKET SIZE BASED ON GROSS SALES[1]

USD82bn

EST. MARKET COMPOUND ANNUAL GROWTH RATE BASED ON GROSS SALES, 2024–2033[1]

8.1%

PATIENT TREATMENTS PROVIDED

462m

Region Europe drove USD 5.4 billion in net sales in 2024, with growth of 6% in constant currencies, accounting for 52% of global Sandoz net sales.

Sandoz was the first company to launch a biosimilar in Europe in 2006 and is today the leading biosimilars company with 10 commercialized products, ranking first by volume share in six of those ten products. Our strong in-market portfolio, combined with our strong commercial capabilities, have enabled us to expand our market share over the past three years.

Sandoz has a unique commercial platform with operations in more than 40 countries and a direct sales presence in more than 30 of them.

As a frontrunner in driving market access and policy shaping, we have significant expertise in navigating Europe's complex regulatory environment, securing market access and championing sustainable pricing for our generic and biosimilar products.

Our strong commercial footprint, combined with our leading go-to-market capabilities, covers all important elements of successful commercial execution which also makes us a partner of choice in Europe.

The European biosimilars and generics market is about USD 82 billion and expected to grow by more than 8% annually until 2033. Region Europe is well positioned to continuously deliver sustainable growth in this dynamic market.

Our strong growth in biosimilars continues, led by demand for Omnitrope® and the contribution from the recent launches of Tyruko® (natalizumab) and Pyzchiva® (ustekinumab). Building on our past performance we are confident we will successfully drive value with our upcoming biosimilar launches, which target a combined USD 43 billion in LoE value from 2024 to 2028. Over that same period, our strong generics pipeline targets around USD 40 billion in LoE value to drive further growth.

We will continue to increase the proportion of biosimilars in our European portfolio, leveraging strategic partnerships for new products and technologies to expand the breadth and depth of our pipeline. We will also continuously seek opportunities to selectively invest in incremental mergers & acquisitions.

Finally, we will keep a strong focus on shaping the market environment through targeted policy initiatives to ensure a sustainable long-term framework for the success of this essential industry.

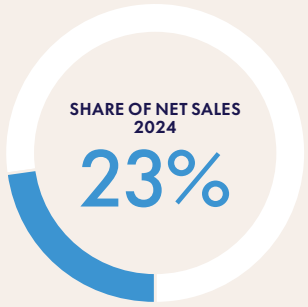
Discover more | Page 12

1 IQVIA Analytics Link MAT'09 24 in constant currencies at gross price level and using standard IQVIA definitions (generics, early entry generics and biocomparable products), excluding Russia.

Regional review – North America

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

These markets delivered USD 2.4 billion in net sales in 2024, a 15% increase in constant currencies compared to 2023.



2024 NET SALES

USD2.4bn

+15% in constant currencies

MARKET SIZE BASED ON GROSS SALES[1]

USD82bn

EST. MARKET COMPOUND ANNUAL GROWTH RATE BASED ON GROSS SALES, 2024–2033[1]

11.4%

PATIENT TREATMENTS PROVIDED

158m

The US is the largest pharmaceutical market in the world, and the most competitive for generic and biosimilar medicine companies, offering substantial opportunities for those with the capabilities to compete in this aggressive space.

Our North America region is focused on generating maximum value from this dynamic market, leveraging our leading biosimilar portfolio while deploying the generics portfolio where it makes sense. The strength of this strategy is clear in our strong 2024 top- and bottom-line growth. This year's growth was largely attributable to biosimilars, where we saw a strong uptake of Hyrimoz®/adalimumab-adaz in the US, while the small molecule portfolio held ground across the region as new launches were not able to compensate for price erosion.

In the US, we aim to launch four key biosimilars, including the first and only natalizumab biosimilar. We have leveraged strategic partnerships to strengthen our pipeline, notably with the approval for Pyzchiva® (ustekinumab) in the US. We announced the approval of Wyost®/Jubbonti® (denosumab) in both the US and Canada, launched in Canada and secured a settlement agreement with US launch dates anticipated for the first half of 2025. Enzeevu™ (aflibercept), which will further expand our leadership in the growing ophthalmology market, is approved in the US and expected to launch subject to the progress and outcome of patent litigations. We are strongly positioned to be among the top performers in each of these expected launches. We are also anticipating generics launches to accelerate in the coming years.

In Canada, we intend to continue the momentum of 10 consecutive years of growth through strong LoE coverage, an extensive generic and biosimilar pipeline, a first-to-market approach and flawless commercial execution. Our portfolio breadth, unwavering customer focus and ability to launch robust patient support programs will help to drive leadership in growth areas such as biosimilars and complex generics.

1 IQVIA Analytics Link MAT'09 24 in constant currencies at gross price level and using standard IQVIA definitions (generics, early entry generics and biocomparable products), for US and Canada.

Regional review – North America continued

With 11 Sandoz biosimilars currently on the market in Canada and a wide portfolio of generics and injectables, we experienced near double-digit growth in 2024. In the hospital market, we successfully led two major injectables tenders for Canadian group purchasing organizations (GPOs) in 2024, maintaining our solid position in this market.

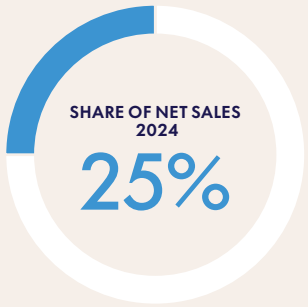
Across North America, we are focused on maintaining our strong customer relationships with key high-value stakeholders including payers, providers, GPOs and distributors. We remain focused on our goal of ensuring access to biosimilars. We offer our customers a comprehensive and high-quality product portfolio, supply reliability, competitive contracting terms, excellent customer service and organizational credibility backed by decades of global biosimilars experience. For some US-marketed products, we offer patient support services focused on access, affordability and adherence, ranging from copay support to nurse-administered injection training. We provide over USD 280 million in financial assistance annually and supported over 115,000 patients in 2024.

In response to rising US healthcare costs, US states and private payers have introduced reimbursement methods and policies that favor the substitution of generic medicines. In addition, US payers and providers are increasingly recognizing the importance of biosimilars in reducing healthcare costs as a lower-cost alternative to existing biologic medicines and have introduced healthcare policies encouraging the development of biosimilar versions of existing biologic drugs.

In 2024 we celebrated the 40th anniversary of the Hatch-Waxman Act, a milestone that paved the way for the modern generics industry, in the US and worldwide. We are using that positive momentum to stay focused on ensuring patients can access the medicines they need, when they need them. We're committed to ongoing conversations with policymakers and continuous education and engagement with advocacy partners. It's clear that public policy leadership and cooperation from all stakeholders is urgently needed to resolve shortages and foster a more resilient, sustainable US generics market.

Regional review – International

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



2024 NET SALES

USD2.6bn

8% growth in constant currencies

MARKET SIZE BASED ON GROSS SALES[1]

USD76bn

EST. MARKET COMPOUND ANNUAL GROWTH RATE BASED ON GROSS SALES, 2024–2033[1]

4.1%

PATIENT TREATMENTS PROVIDED

282m

Sandoz is well positioned to compete across a diverse market domain as a partner of choice, putting our focus where we can have the greatest impact. Region International has a lean organizational structure that offers a harmonized and simplified portfolio. Over the last five years we have delivered strong and consistent net sales growth, doubled the number of first-to-market launches and executed on select inorganic opportunities.

Key Sandoz markets include Australia, Brazil, Japan and Mexico as well as several emerging economies. We strive for a balanced distribution across global regions and among mature and emerging markets. Going forward, we will continue to focus on commercial execution in all our international markets, prioritizing biosimilars and first-to-market, high-value generics launches.

Within Region International, we have implemented a geographic prioritization strategy, streamlining our operations and anchoring our efforts in high-growth, high-return go-to-market models where we can leverage our broad global portfolio and pipeline. 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.

We aim for consistent growth, focusing on first-to-market launches with accelerated regulatory timelines, whenever possible, in key roll-out countries.

In Australia, for example, we grew net sales by 25% in 2024. That success was underpinned by 34 new product launches, 17 of which were through private label.

In Brazil, we increased net sales by 14% in 2024 compared to the previous year, reflecting a growth rate of 18% over the past three years. Between 2021 and 2024, Sandoz Brazil launched 26 generic medicines and three biosimilars. Additionally, we focused on strategic partnerships with Brazilian public laboratories to deliver medicine to the public health system through the Productive Development Partnerships long-term initiative.

We strengthened our presence in Japan's biosimilar market in 2024 after acquiring exclusive rights from Biocon Biologics Ltd to sell, distribute and promote their adalimumab biosimilar (Adalimumab FKB), whose product already had Japanese regulatory approval. This came on top of the increased market share of our somatropin biosimilar as well as strong third-party sales of our rituximab biosimilar through strategic partner Kyowa Kirin K.K.

1 IQVIA Analytics Link MAT'09 24 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.

ESG overview

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

In 2024, we conducted a Double Materiality Assessment (DMA) based on the European Sustainability Reporting Standards (ESRS). This assessment evaluated ESG issues 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. While the assessment results did not shift our existing pillars, they enhanced our focus for 2024 and beyond. Pollution (including AMR), Corporate Culture and Data Privacy & Cybersecurity were identified as new material topics in the 2024 assessment. Going forward, we will center our ESG strategy around the material topics identified here. Reviews are currently underway of policies, actions, metrics and targets in line with requirements of the Corporate Sustainability Reporting Directive (CSRD).

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.

Championing Sustainability

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

Empowering our People

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

Governing with Integrity

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

Material topics[1]

- Impact & Access to Healthcare

- Climate Change
- Pollution (including AMR)
- Supplier Management

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

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

Sustainable Development Goals (SDG) Commitments

Discover more | Page 29

Discover more | Page 33

Discover more | Page 37

Discover more | Page 41

1 For definitions of material topics, see page 174.

ESG in our value chain

Material topics

UPSTREAM

DEVELOPMENT & REGULATORY

Our development activities ensure constant replenishment of our product pipeline. Our engagement with regulators is key in ensuring timely approval of products prior to commercialization.

Procurement

INPUT MATERIALS

We partner with ethical, transparent suppliers to ensure our raw materials are safe, sustainable, and reliable.

TRANSPORTATION

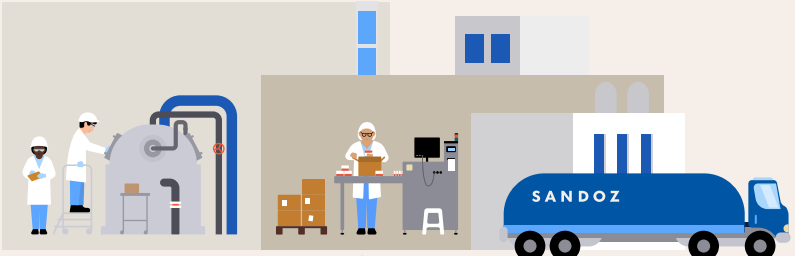
Sustainable logistics ensure efficient transportation of materials, maintaining supply chain integrity and reducing our environmental impact.

- Climate Change
- Health & Safety
- Supplier Management
- Ethics, Corruption & Bribery

Supply chain workforce

We select partners for their capabilities and compliance, ensuring ethical practices and respect for labor and human rights.

OWN OPERATIONS



ENERGY

We optimize energy use and embrace renewables to reduce environmental impact and combat climate change in our production.

- Climate Change

WASTE MANAGEMENT / RECYCLING

This plays an integral role in our manufacturing processes, ensuring that we minimize waste and promote a circular economy as much as possible.

QUALITY ASSURANCE

Strict quality standards are embedded across our value chain. Our technical operations are built on the core elements of quality, safety and sustainability.

- Product Quality & Safety

WATER

We value water, ensuring efficient and responsible use, quality, and waste management following industry best practices.

- Pollution (Incl. AMR)

Manufacturing

BUSINESS PARTNERS

- Data Privacy & Cybersecurity
- Health & Safety
- Corporate Culture
- Ethics, Corruption & Bribery
- Diversity, Equity & Inclusion

Employees

Equally important are the people who power our operations. We foster a pioneering Corporate Culture, prioritize Health & Safety, and champion Diversity, Equity & Inclusion within our teams, creating an environment where employees can thrive.

DOWNSTREAM

Wholesalers/ distributors

Hospitals and pharmacies

Payers

Healthcare practitioners

Patients

- Impact & Access to Healthcare
- Data Privacy & Cybersecurity

Local communities

We go beyond providing affordable, high-quality medicines by minimizing environmental impact and fostering trust and partnerships to make a meaningful difference in the communities we serve.

ESG pillars

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 topic and indicators

Impact & Access to Healthcare

~ 902 million patient treatments provided

~ USD 19 billion US and European healthcare systems savings delivered

SDG contribution:

3 Good Health and Well-Being

8 Decent Work and Economic Growth

ESG pillars – Driving Impact and Access

Producing quality generic and biosimilar medications at scale

We offer a broad portfolio of high-quality medicines that offer the standard of care for conditions that impact most of the world's patients, while increasing the availability and affordability of generic and biosimilar medicines to ensure vital treatments reach more people, faster.

Generic and biosimilar medicines account for around 80% of prescribed treatments worldwide, at a fraction of the cost. This frees up resources to extend the reach of healthcare and strengthens healthcare systems overall.

In 2024, Sandoz provided 902 million patient treatments in more than 100 countries, generating an estimated USD 19 billion in savings to US and European healthcare systems alone. Our total social impact of key products, measured by direct health benefits to patients as well as the benefits of healthier patients to the economy and society more broadly, was estimated at around USD 400 billion globally in 2023. We also have around 450 generic products and 28 biosimilar products in our pipeline, looking toward the next medicines that will benefit patients more affordably.

Expanding access to biosimilars

Despite nearly 20 years of biosimilar availability, the combined biosimilar adoption rate across 30 countries is only 14%. This is despite the fact that biosimilars are expected to generate savings for healthcare systems of more than USD 290 billion by 2027.

This was the finding by Act4Biosimilars, a global Sandoz-founded and sponsored initiative that aims to increase patient access to biologic medicines. Its mission is to increase global biosimilar adoption by at least 30 percentage points in 30+ countries by 2030 – effectively tripling the 14% estimate to at least 44%.

To achieve this goal, Act4Biosimilars promotes a global roadmap that focuses on the four A's of Biosimilars – Acceptability, Accessibility, Approvability and Affordability, and, through its global Action Plan, provides the accompanying steps that local stakeholders can take to increase biosimilar adoption in their countries. The initiative aims to increase global patient access to biologic medicines, providing them the standard of care as early as possible while reducing the burden on healthcare systems.

In October 2024, Act4Biosimilars undertook the first of a series of advocacy interactions focused on the US market. In a roundtable discussion in Washington, DC, Act4Biosimilars gathered expert perspectives on the obstacles limiting biosimilar adoption in the US. Based on the insights from the discussion, the multi-disciplinary Steering Committee leading the initiative will engage with the new US President, members of the healthcare administration, and Congressional leaders to emphasize the critical role biosimilars play in making the US healthcare system more sustainable.

Making medicines more affordable and accessible

We remove barriers to access and promote affordability by leading with first-to-market solutions and advocating for fair pricing and resilient supply.

We know producing medicines doesn't automatically improve health outcomes. So we are focused on promoting the factors that help to accelerate access – whether through education of healthcare providers on prescribing the right drug to the right patient at the right time, or engaging with patient groups to understand specific needs. We also advocate for policies that promote resilient supply, and we fight for fair patent treatment to promote competition and reduce prices.

Access for low- and lower-middle-income countries (LMICs)

We are committed to access as well as broad economic engagement with low- and lower-middle-income countries (LMICs). As of the end of 2024, our presence in LMICs included:

- **~3,000** employees
- **>1,400** suppliers
- **36** countries, with operations in nearly half of LMICs
- **>30** countries where our products reached underserved or disaster-affected populations
- **59%** of the products on the WHO Essential Medicines List (EML)

Discover more about our impact | **Sandoz.com/impact**

ESG pillars – Driving Impact and Access continued

Antibiotics

Responsible access is especially 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, reaching well over 200 million patients a year. We use our expertise and global scale to drive continued access to these critical medicines.

We are focused on finding solutions for two significant industry-wide challenges to responsible access.

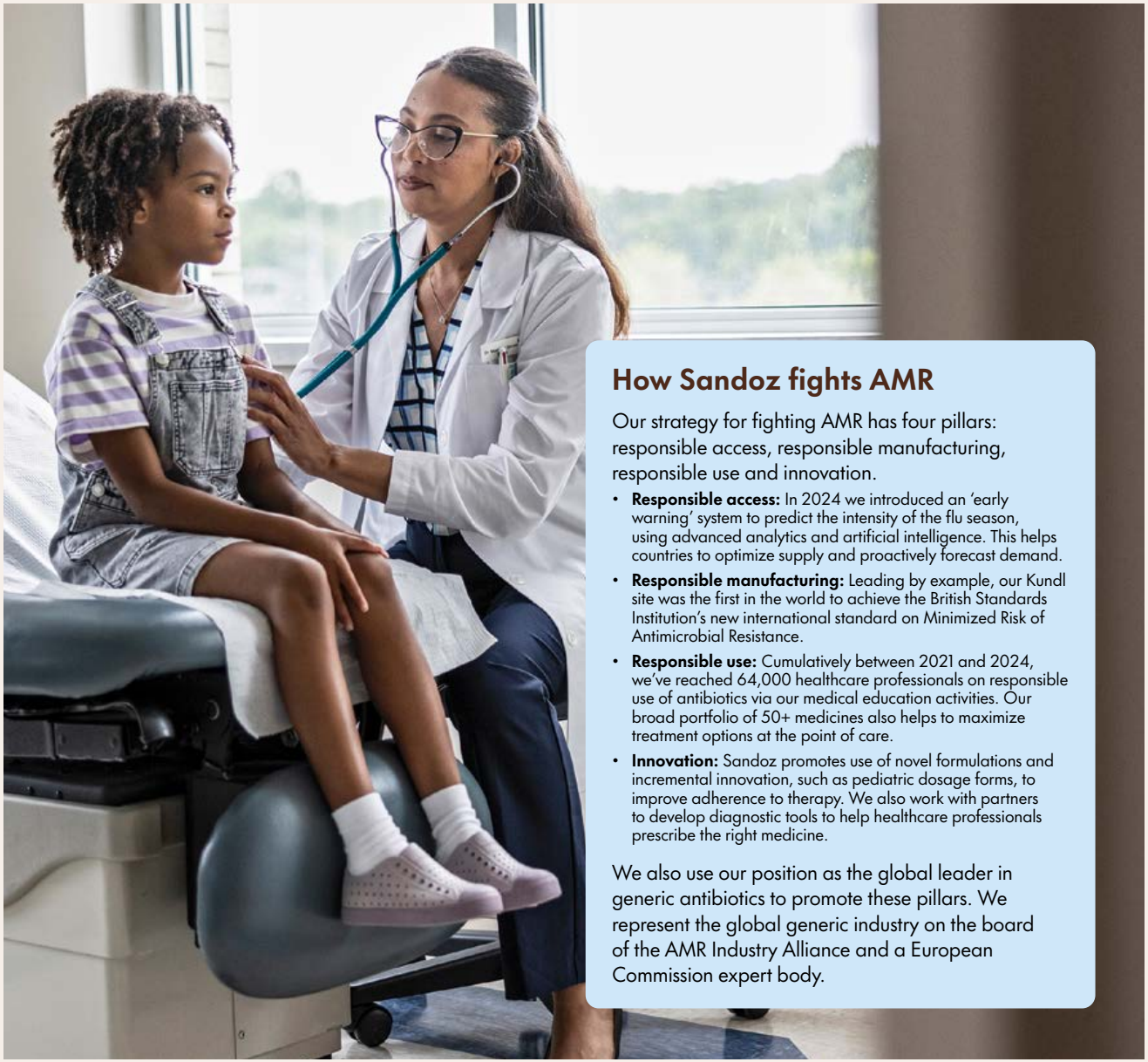
The first is the current market framework. Antibiotics today resemble commodity goods in that prices are typically very low, with buyers paying little attention to other factors.

We advocate for measures 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 that simply divert medicines from where they are needed.

For more on our positions on the market framework for antibiotics | **Page 12**

The second challenge is antimicrobial resistance (AMR), 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[1] – more than malaria and HIV combined – while nearly 6 million people still die every year because of lack of access to the antibiotics they need. To combat AMR we must eliminate antibiotic overuse, misuse and underuse (see right).

1 Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis Murray, Christopher J L et al. The Lancet, Volume 399, Issue 10325, 629–655.



How Sandoz fights AMR

Our strategy for fighting AMR has four pillars: responsible access, responsible manufacturing, responsible use and innovation.

- **Responsible access:** In 2024 we introduced an 'early warning' system to predict the intensity of the flu season, using advanced analytics and artificial intelligence. This helps countries to optimize supply and proactively forecast demand.
- **Responsible manufacturing:** Leading by example, our Kundl site was the first in the world to achieve the British Standards Institution's new international standard on Minimized Risk of Antimicrobial Resistance.
- **Responsible use:** Cumulatively between 2021 and 2024, we've reached 64,000 healthcare professionals on responsible use of antibiotics via our medical education activities. Our broad portfolio of 50+ medicines also helps to maximize treatment options at the point of care.
- **Innovation:** Sandoz promotes use of novel formulations and incremental innovation, such as pediatric dosage forms, to improve adherence to therapy. We also work with partners to develop diagnostic tools to help healthcare professionals prescribe the right medicine.

We also use our position as the global leader in generic antibiotics to promote these pillars. We represent the global generic industry on the board of the AMR Industry Alliance and a European Commission expert body.

ESG pillars – Driving Impact and Access continued

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.

We can't reach all our goals by ourselves. Some issues, such as addressing antimicrobial resistance, require global collaboration between companies, governments, and nonprofits.

We also partner to develop and produce medicines more quickly, so that patients can benefit from the highest standard of care more affordably. For example, we partnered with Polpharma Biologics on the successful approval and launch of the first ever biosimilar for multiple sclerosis, Tyruko®, in the EU. We also partnered with Samsung Bioepis to launch immunology biosimilar Pyzchiva® in the EU and US.

For more information | Page 17

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

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

Reaching underserved markets

Many Sandoz products reach markets that might otherwise have very limited availability. For example, our products are available in nearly half of the world's lower middle-income countries, sometimes in countries where the reference medicines are not (see | Page 30).

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.

We work closely with two leading relief and development organizations that are focused on health, Americares and Direct Relief. Together we supply medicines to meet the medical needs of communities in crises and emergencies. Over the past five years we have donated more than USD 45 million worth of our medicines to support humanitarian and disaster relief efforts around the world.

ESG pillars

Championing Sustainability

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

Material topics, indicators and commitments

Climate Change

GHG reduction targets for Scopes 1, 2 and 3 submitted to SBTi for validation **by January 2026**

Pollution (including AMR)

Water quality: PEC/PNEC ratio for:
- **<1** for manufacturing sites in scope **by 2030**
- **<1** for all API supplier sites in scope **by 2030**

Waste management:
Zero waste to landfill **by 2030**

AMR: All Sandoz sites in scope to obtain BSI AMR certification **by 2030**

Supplier Management

Public commitment under development

SDG contribution:

6 Clean Water and Sanitation

12 Responsible Consumption and Production

13 Climate Action

ESG pillars – Championing Sustainability

Climate change

Playing our part in reducing global emissions is a core business priority, not least because climate change is linked to a series of operational and reputational risks (see | **Page 180**). In January 2024, we submitted a Commitment Letter to the Science Based Targets initiative (SBTi) that confirms our intent to set near-term science-based carbon emissions reduction targets, in line with the Paris Agreement Goals to limit global warming to 1.5 degrees Celsius above pre-industrial levels. We are also committed to achieving net-zero emissions by 2050.

We made solid progress in 2024. We measured and validated our carbon emissions across all scopes, in line with the GHG Protocol. We are also finalizing decarbonization targets for 2030 and 2035 that are aligned with a scenario of 1.5 degrees of global warming. These targets will be submitted to SBTi for validation by January 2026.

We have also developed preliminary plans to reduce Scope 1, 2 and Scope 3 emissions, coupled with strong internal governance to ensure delivery. Our emissions reduction plans are heavily geared towards supply chain decarbonization, as supplier-related emissions account for a majority of our total carbon footprint. As a start, in 2024, we worked with our logistics suppliers to shift some of our shipping from air to sea, reducing shipping costs by USD 3.6 million and CO_2e logistics emissions by 10,000 tonnes. Our executives are incentivized to follow through on our decarbonization plans by including SBTi target validation and achievement in their long-term incentives.

In 2024, our total Scope 1, 2 and 3 emissions were lower than in 2023, driven by an increased share of renewable energy use and reductions in corporate travel. The figure is also lower due to improvements in overall data quality, such as using actual supplier data for logistics emissions.

We are continuously working to improve our operational efficiency, with a focus on emissions reduction in our factories and offices.

We invest in energy-efficient equipment and pursue environmental management certifications at our production sites. Currently nine of our locations are covered by ISO 14001 (environmental

management) and six are covered by ISO 50001 (energy management). In 2024, we launched an energy audit program for our manufacturing sites, and the results will inform our 2030 and 2035 decarbonization plans.

We have also integrated energy-efficiency objectives into our real estate contracts, with our Hyderabad office already achieving platinum LEED certification. Plans are underway to devise a sustainability certification roadmap to further improve efficiency in our real estate portfolio.

Energy efficiency alone will not deliver our ambitious targets. This is why we're continuously seeking to leverage renewable energy. We're using 100% renewable electricity in our manufacturing sites in Austria and Brazil, and increasing the renewable share of the energy we use in India. We are in the final stages of securing renewable power purchase agreements (PPAs) to further decarbonize our European operations.

Pollution (including AMR)

We continuously ensure that our water use, water quality and waste management practices follow industry best practices, such as those indicated by the Pharmaceutical Supply Chain Initiative (PSCI). We have set commitments and objectives and have a solid governance framework – including site audits and senior management oversight – to deliver on our commitments.

Water use and quality

Our net water use, which is the water lost, evaporated, or used in our products (calculated as intake from a water basin minus discharge to the basin with or without treatment), in manufacturing operations is minimal, as the significant majority of our activities do not occur in areas of water stress. Most of our water usage is for cooling at our Kundl facility, where it is discharged back into the river with no transformation.

For more information on Kundl | **Page 36**

With regard to water quality, we perform wastewater analysis on a regular basis to ensure water quality standards are met before the water reaches public wastewater systems. Specifically, we focus on minimizing the risk of discharge of active pharmaceutical ingredients (APIs) into water systems. We track this by measuring the ratio of predicted environmental concentration (PEC) to the predicted no-effect concentration (PNEC), a standard measure of risk of harm from the presence of a given substance in the environment.

We aim to achieve a PEC/PNEC ratio of less than one 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: 84% of our wastewater by volume is compliant with PEC/PNEC<1.

We also have a strong commitment to mitigate antimicrobial resistance (AMR). We have set a commitment to ensure that all antibiotic production sites are certified to the BSI's AMR standard, which is the key industry certification to evidence best practice in AMR. Kundl became the first fully certified site in the Sandoz portfolio in 2024 (see | **Page 36**), while our Pallafols and Lendava sites are currently under assessment.

ESG pillars – Championing Sustainability continued

Waste management

We do not send solid APIs into landfill through our waste streams. 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. In 2024, 75%[1] of our sites in scope are confirmed as zero waste to landfill[2].

We are also ensuring that we comply with relevant regulation in our assets' lifecycle – in the past five years, Sandoz has not been subject to material fines in connection to environmental liabilities.

Circular economy and packaging

We're leveraging circular economy opportunities where possible, looking beyond their obvious positive impact on carbon emissions.

Our primary focus is to foster operational and emissions-reduction efficiencies in our product design and manufacturing processes. Specifically, we're continuously exploring how to reduce materials and introduce more sustainable alternatives and eco-friendly solutions – for example, in product packaging. We introduced a 'Design-to-Sustainable-Value' workstream in 2024, which is already looking into key products with materials and emissions reduction opportunities.

Moreover, and as part of our Product Carbon Footprint analysis, we have identified products where packaging is driving a significant part of our products' lifecycle emissions and we are proactively investigating ways to improve.

Supplier management

Our supply chain is critical to our success in reducing emissions. We choose our partners based on their capabilities and competitiveness, as well as their ability to help us deliver on our sustainability ambitions. We have a supplier engagement strategy that is focused on partnering to identify ways to reduce costs while also reducing emissions.

Our supplier engagement strategy is based on the following pillars:

Integrating ESG requirements into supplier management

Starting from our top suppliers, we are working to ensure that all Sandoz suppliers play a part in driving our ESG mission.

In 2024, we engaged with key suppliers to agree on emissions reduction action plans. We aim to extend the practice to more suppliers in 2025. Currently all supplier contracts include updated ESG requirements.

To read more about how we govern our relationships with our third parties | **Page 42**

Continuously improving internal capability to engage suppliers on ESG

We are devising and delivering fit-for-purpose internal capability projects.

We have kicked off a program of enhancing the sustainability of our supply chain. In 2024, we launched projects such as building our Scope 3 emissions monitoring methodology to identify hotspots for intervention, providing training to category managers, facilitating supplier workshops and ESG business development plans, and launching a 'Design-to-Sustainable-Value' workstream on packaging. We will continue this work in 2025.

Engage in industry partnerships to tackle key ESG topics

We proactively engage with peers and suppliers to work on ESG industry topics that require broader collaboration.

Energize program to decarbonize our supply chain

Sandoz joined Energize, a first-of-its-kind program designed and delivered by Schneider Electric Sustainability Business and endorsed by the Pharmaceutical Supply Chain Initiative (PSCI). It fosters collaboration between leading pharmaceutical companies and their suppliers to mitigate the overall environmental impact of our industry. The program provides suppliers of any size and at any stage of decarbonization with access to sustainability expertise and renewable electricity education at no extra cost – helping them to take concrete steps towards net zero.

As a sponsor of the program, Sandoz offers suppliers access to these resources – supporting them to reduce their Scope 2 greenhouse gas emissions, which in turn will help Sandoz to drive down emissions generated by our supply chain (Scope 3). This supports a key pillar of our environmental commitments in engaging with suppliers to encourage ESG best practices.

In 2024, the first cohort of suppliers joined Energize following our invitation. We hope to run our first joint renewable energy procurement project with suppliers in 2025.

1 75% represents 12 of the 16 sites in scope for our 2024 performance overview.

2 Zero waste to landfill is the percentage waste which ends up in landfill which is less than 1%. It is calculated by taking the total amount of waste which ends up in the landfill / total amount of operational waste x100.

ESG pillars – Championing Sustainability continued

Kundl

In 2023 we opened our expanded production facility for penicillin, the leading category of antibiotics worldwide, through a joint investment with the Austrian government. The expansion not only strengthened Europe's supply of antibiotics, but it does so in a sustainable way – minimizing CO_2 emissions and water use. Antibiotics are the backbone of modern medicine – and the Kundl plant is a testament to the resilience of European manufacturing. Sandoz has the only major remaining vertically integrated production network for penicillin in Europe.

The investment in Kundl strengthens our industrial presence in Europe. It also reinforces our commitment to environmental responsibility and reaffirms our determination to be the world's leading and most valued biosimilars and generics company.

Sustainability

Since 2014, electricity in Kundl has come exclusively from renewable energy sources. In 2024, 95% came from hydropower, and the rest mainly from wind energy and photovoltaics.

Energy-saving measures are always a top priority. A cooperation with Graz University of Technology to improve fermenter geometry led to energy savings in penicillin fermentation equivalent to the annual demand of 1,135 households.

Tyrolean milk for penicillin production

Since spring 2024, lactose (milk sugar), a by-product of cheese production, has been increasingly used as an efficient alternative to other sugar sources for penicillin production. A dedicated tank for lactose solution was installed at the site.

This has had sustainability benefits for Sandoz and the wider value chain:

- Strengthening regional supply while diversifying sources
- Minimizing transportation routes and CO_2 emissions
- Promoting circularity of the local economy

Minimal water consumption and wastewater load

The cooling water for active ingredient production at Kundl comes from on-site wells, mostly located on the Inn River. Consumption-reducing measures, such as re-use of cooling water, have long been established in Kundl.

In 2023 we successfully implemented a fourth stage of wastewater treatment that almost completely eliminates organic pollutants from our production wastewater.

Fertilizer instead of waste

Large quantities of fungal mycelium are produced during penicillin production. This nutrient-rich biomass can be collected, dried, and granulated as bio-fertilizer, as we've done in Kundl since 1981. Biosol® and Biosol® Forte (from biomass of the in-house sewage treatment plant) are distributed worldwide for everything from apple cultivation in South Tyrol, vineyards in Italy, olive trees in Greece, or for grass in wildfire areas in California.

Recognition and certifications

In 2023, Kundl became the first Sandoz site to meet the BSI's (British Standards Institution) international standard on Minimized Risk of AMR, demonstrating Sandoz leadership in responsible production.

The certification offers independent third-party verification of the measures in place to ensure proper control of waste streams containing APIs and drug products. It also addresses other forms of environmental contamination, including waste management, wastewater management, air quality, and the flow of materials and personnel. We aim to secure the BSI's AMR certification for all relevant products and sites by the end of 2030.

Kundl also has six additional certifications: ISO 14001, 45001, 50001, EMAS, AMR, and Responsible Care. It received a Gold standard sustainability rating from EcoVadis in 2024 and was awarded the Environmental Management award from the Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology. By voluntarily participating in these certifications, we commit to improving the environment, safety, and health, regardless of legal requirements.

Investments in Kundl have reduced our ecological footprint

4,000
FEWER TONNES OF WASTE GENERATED ANNUALLY

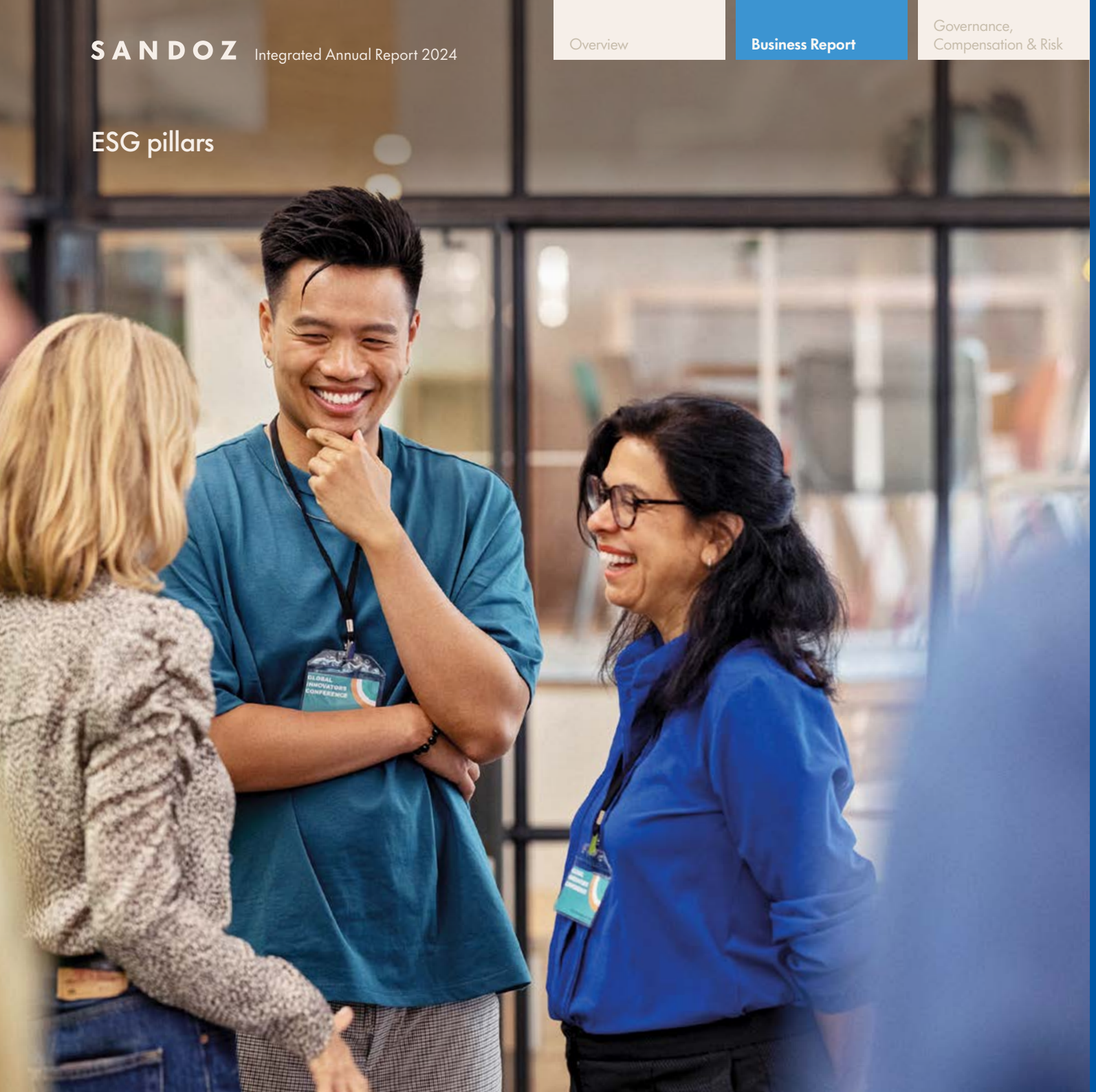
8,000
FEWER TONNES OF CO_2 EMITTED PER YEAR

40,000
MWH LESS ENERGY CONSUMED PER YEAR

150,000
FEWER M^3 WATER CONSUMED ANNUALLY

300,000
FEWER ROAD KILOMETERS PER YEAR

ESG pillars



Empowering our People

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

Material topics, indicators and commitments

Diversity, Equity & Inclusion

All employees covered by annual pay equity studies **by end of 2025**
All employees covered by annual living wage studies **by end of 2025**
Provide external and internal pay transparency for employees **by end of 2027**
Removal of historical salary for offers **by end of 2025**

Corporate Culture

Public commitment under development

Health & Safety

Lost time injury and illness rate **<0.32[1] by end of 2025**
Total recordable case rate **<0.55[1] by end of 2025**

SDG contribution:

5 Gender Equality

10 Reduced Inequalities

1 Sandoz employees and third-party personnel, per 200,000 hours worked.

ESG pillars – Empowering our People

People are central to our work of pioneering access to patients, and we champion diversity, equity and inclusion among our roughly 23,000 employees supporting 100+ countries worldwide.

Diversity, Equity & Inclusion

Our pioneering culture is founded on inclusion and integrity. It aims to ensure that differences are valued and that everyone is respected and heard. We do not tolerate discrimination, harassment, abuse of authority, retaliation, bullying or workplace incivility.

We are thrilled that in our organization women are well represented on our Board of Directors (40%) and Executive Committee (50%). Diversity, Equity & Inclusion (DEI) targets focused on increasing women's representation in senior leadership roles are included in the Long-Term Incentive Plan for senior leadership at Sandoz. We believe DEI includes paying all of our employees fairly and investing in development and performance management across the business.

Sandoz Rewards Commitments

At Sandoz, we believe in fostering an inclusive and equitable workplace where every employee is valued, respected and rewarded fairly. The evidence is in our Sandoz Rewards Commitments, a set of industry-leading fair rewards practices which reflect our core values and pioneering culture.

We are committed to providing fair and competitive compensation and ensuring wages are at or above living wage levels, eliminating bias, promoting pay transparency, ensuring total rewards equity. To implement this commitment, we had set a target to cover all employees by annual pay equity and living wage studies by the end of 2025, and this has been achieved one year ahead of schedule. We have committed to provide external and internal pay transparency to employees by the end of 2027. Finally, we have committed to remove the request of historical salary information from potential employees in the offer process by the end of 2025.

Learning and development

Learning and development is another priority, where our focus is on continuous development, feedback and recognition. We believe that development and growth is most effective when it is employee-led, manager-enabled, and organization-supported. We provide free access to language courses and a portfolio of more than 5,000 online courses from world-class providers to our workforce. Employees of all levels can also benefit from on-the-job training and communities of belonging.

Managers are a special focus group. They are multipliers of employee development and impact. For first-time managers, we offer the New Leader Program, which enables new managers to lead themselves, others and the business from the very start of their journey as leaders. All managers can continue to access an internal 'one-stop shop' for further resources on our intranet while their teams are equipped with ample resources, internally referred to as Team boosters, aimed to support effectiveness and team-building journeys. Teams and organizations, including part-time employees and contractors, are offered opportunities in the form of self-paced resources and programs that promote continuous growth and development. We run a program for women leaders at Sandoz, as well as a program for new country directors. Finally, we support a graduate trainee and apprenticeship program across some markets.

Our employees are regularly trained on standard operating procedures (SOPs), guidelines and compliance policies, as well as on new requirements from health authorities. Function leads regularly monitor the regulatory and compliance of training status and report status to management.

> "Sandoz gave me the time to study for an MBA, supported my progress through promotions and mentoring, and even supported me on a secondment in Europe. Our flexible hybrid working approach has also helped me maintain a healthy work-life balance. I'm motivated to succeed, and Sandoz is giving me all the support I need to do it."

Camila Dias
Planning & Demand Manager,
Cambé, Brazil

ESG pillars – Empowering our People continued

Our Sandoz Rewards Commitments process, and its underlying initiatives, represents industry-leading fair rewards practices that will strengthen our employee value proposition, helping to attract and retain top talent, and driving sustainable growth and long-term success for both our employees and our organization. Our long-term goal is to reach gender balance in senior leadership by 2030, targeting 50% for each gender with a buffer zone of 45%–55% for either gender. With a view to achieving this goal, we have incorporated targets on gender representation in senior leadership targets into our Long-Term Performance Plan for executives at Sandoz. We're using our established hiring practices and talent development strategies to meet these goals. We also keep organizational leaders updated on progress through regular reporting.

Performance management

Our performance management approach is based on individual and team objectives, frequent check-ins and continuous feedback. The aim is to continually improve business performance while helping our employees and teams bring their best and drive impact. Peers as well as managers provide regular, timely and constructive feedback.

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. As part of performance management, we are offering tools to create actionable development plans to help our employees drive their career aspirations.

Developing our future leaders

We aim to develop strong leaders and build solid succession plans. This is supported through ongoing and periodic talent reviews that identify and sometimes accelerate successors' readiness to fill senior positions. We track the share of positions filled with internal candidates to measure our success. Thirty-one percent of open positions were filled by internal candidates in 2024.

Pioneering culture

At Sandoz our pioneering culture is driven by inclusion, creating a foundation for exceptional performance that benefits patients, customers, partners and employees. It is underpinned by our four Values that define how we deliver our strategy, achieve our Vision, and realize our Purpose. Our goal is to create an inclusive work environment in which every employee feels heard, seen and respected, enabling every employee to be at their best to drive innovation and performance. This includes a focus on employee wellbeing and ensuring we can address employee concerns.

We actively listen to our employees via our biannual Culture and Engagement Survey. Based on the insights shared we are working to build the Sandoz of the future.

See our Values | Page 40

Employee wellbeing

The health and wellbeing of our employees is vitally important. It's a natural extension of our Purpose. Sandoz aims to achieve a holistic approach to wellbeing, including mental and physical health. We offer our employees a range of benefits, which vary between countries but generally include comprehensive health insurance and wellbeing benefits. We also offer global support for mental health and coping with emotional strain.

We empower our managers to provide flexibility to our employees in working onsite and remotely whenever feasible. This promotes teamwork, inclusion, belonging and personal growth as well as happiness and productivity. Through our pioneering culture, shaped by our Values, we seek to create an environment where everyone thrives.

Transforming to improve organizational efficiencies

We are committed to improve organizational efficiency. To support this, we embarked on a multi-year transformation program to simplify our structure and ensure our business operations are globally fit-for-purpose. Despite these essential changes, we remain steadfast in our commitment to employee wellbeing, focusing on mental health, career development and work-life balance.

Employee concerns

We establish channels for open communication, from regular feedback sessions to formal conflict resolution processes. Additionally, Sandoz has implemented employee counseling services to provide support 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. We aim to create a culture of trust. 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 and 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 Board of Directors.

We do not tolerate retaliation in any form. Any form of retaliation reported will be investigated and remediated with the strongest measures.

ESG pillars – Empowering our People continued

Sandoz Values

Our Values are the result of co-creation across our business: beginning with input from all employees via our culture and engagement survey, pressure-tested by leaders, then signed off by the Sandoz Leadership Team. These Values distill how we act when we're at our best, doing all we can to drive business growth and access for patients.

Team up to break barriers

Work together to drive access.

Collaboration is more important than ever in our new organizational setup. To make sure patients get the vital treatments they need, we must work together to drive access.

Be as ambitious as our Purpose

Be bold to make change happen.

We want to change the status quo and find new ways to pioneer access for patients, and thereby expand the role Sandoz plays as a leader in its industry. We must be bold to make change happen.

Lead by example

Commit to making a difference.

Our future is ours to shape. We must make our Purpose personal, take accountability and commit to making a difference for patients and for our company.

Open minds open doors

Create new opportunities.

We must be open-minded – open to ideas, open to possibilities, open to change – to create new opportunities for patients, for our business, and for ourselves and our teams.

Discover more about our people and culture | **Sandoz.com/people-and-culture**

Health, Safety and Environment

Safe workplace conditions are constantly monitored through our internal Health, Safety, and Environment (HSE) management system, which covers all our sites and all the people who work in them – Sandoz employees and third-party personnel. In 2024, our lost-time injury and illness rate was 0.32 (2023: 0.34) for our employees and 0.33 (2023: 0.46) for third-party personnel, which is an improvement from the previous year. Additionally, we reduced our total recordable case rates to 0.39 (2023: 0.51) for our employees and to 0.33 (2023: 0.46) for third-party personnel.

Our commitment for 2025 is to have a lost-time injury and illness rate of less than 0.32[1] and to keep our total recordable case rate to less than 0.55[1]. Beyond safeguarding the health and safety of our workforce, we also strive to enhance productivity, reduce operational disruptions, and minimize associated costs.

At Sandoz, HSE is based on the following three principles:

Prevent:

our people are trained to prevent harm. We identify and mitigate HSE risks.

Promote:

we share ideas and use technology to promote better HSE practices.

Protect:

we protect our people, our patients, our communities and our environment.

More policies are available on | **Sandoz.com/policy**

For information on our risk-based measures | **Page 87**

1 Sandoz employees and third-party personnel, per 200,000 hours worked.

ESG pillars

Governing with Integrity

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

For more information on our corporate governance framework, leadership, compensation, and other issues | **Page 44**

Material topics, indicators and commitments

Ethics, Corruption & Bribery

95% of employees complete anti-bribery and anti-corruption training annually **by end of 2025**

Product Quality & Safety

Public commitment under development

Data Privacy & Cybersecurity

Public commitment under development

SDG contribution:

16 Peace, Justice and Strong Institutions

ESG pillars – Governing with Integrity

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 and is repeated annually. From 2025, we aim to have at least 95% of our employees complete anti-bribery and anti-corruption training annually. 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 the TPRM is consistent with the Principles of Responsible Supply Chain Management.

To read more about how we are partnering with our suppliers to achieve our sustainability ambitions | **Page 35**

Product quality and safety

While we make medicines more affordable, we never compromise on quality. We expect third parties to ensure they also maintain the highest standards of quality.

For more information on quality | **Page 22**

Sandoz.com/manufacturing-quality-and-supply

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. We assign accountability to the Sandoz General Counsel and Chief Compliance Officer for implementing this commitment.

For more on our positions on human rights, please visit | **Sandoz.com/human-rights**

To see our UK and Australia Joint Modern Slavery Statement | **Sandoz.com/ukaustraliaslaverystatement**

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: Our commitment to data privacy and the implementation of a robust global program continued this year to ensure we are handling personal data of our business partners, employees, patients, and any personal data we collect while doing business is handled responsibly.

Cybersecurity: Our cybersecurity program enables us to conform with all applicable regulations and standards in order to safeguard our assets and data from cyber 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

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**. 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 Chief Executive Officer, 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 50

General Meeting of Shareholders

- Approves operating and financial review, financial statements and non-financial reporting
- 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 57

Board of Directors

- 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 47–52

Audit, Risk and Compliance Committee

Human Capital and ESG Committee

Science, Innovation and Development Committee

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 60

Executive Committee

- Responsible for the operational management of Sandoz

For further details | Pages 53–55

Group structure and shareholders

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

In 1996, or just 110 years later, 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.

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 Zug. Its registered office is located at Suurstoffi 14, 6343 Rotkreuz, Switzerland, and the operational headquarters of the Group are domiciled in Basel, Switzerland.

Market capitalization as of December 31, 2024: CHF 16 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 150**.

Significant shareholders

The major shareholders of Sandoz Group AG as of December 31, 2024 are listed in the table below.

Shareholder	% holding of share capital as of December 31, 2024
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**

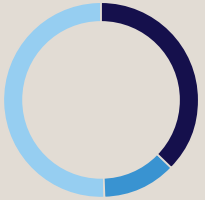
Cross-shareholdings

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

Shareholder structure

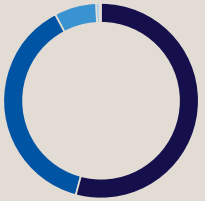
As of December 31, 2024, Sandoz Group AG had 157,641 registered shareholders.

COMPOSITION OF SHAREHOLDER BODY
by category of investors



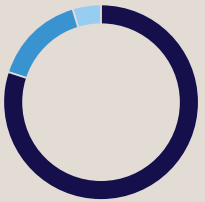
Proprietary Investors	37.4%
Fiduciary Investors	12.2%
Not registered	50.4%

DISTRIBUTION OF REGISTERED SHARES
by size of shareholding



1 – 100	85,520
101 – 1,000	59,959
1,001 – 10,000	11,182
10,001 – 100,000	814
100,001 – 1 million	143
1 million or more	23

by region



Switzerland	80.2%
Europe	15.2%
Other countries	4.6%

Capital structure

On December 31, 2024, 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, 2024, the Company held 9,298,340 own shares in treasury.

Capital band and conditional capital

The Board of Directors is authorized at any time until September 18, 2028, to conduct one or more increases of the share capital within the upper limit of CHF 22,627,500, corresponding to 452,550,000 registered shares with a par value of CHF 0.05 each (the "Capital Band"), for the purpose of issuing shares to directors, employees or advisors of the Company or companies controlled by it in connection with any type of share-based participation or incentive plans, schemes or arrangements ("Employee Participation Plans"). The Board of Directors is not authorized to decrease the share capital within the Capital Band. The Board of Directors shall determine the number of shares to be issued, the type of payment required for subscription, the date of issue and the commencement of dividend entitlement. The shares issued shall be fully paid in.

Existing shareholders' subscription rights shall be excluded. The Board of Directors is authorized to allocate the shares to be issued as it deems appropriate (including to any company controlled by it or any third party involved in the administration of Employee Participation Plans) to fulfil or cover existing or future obligations to deliver shares under an Employee Participation Plan.

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

The Articles of Incorporation can be found at | **Sandoz.com/corporate-governance**

The Board of Directors made use of its authorization to conduct an increase of the share capital within the Capital Band as outlined above and created an additional 9,000,000 shares for the purpose of granting share-based participation or incentive plans to directors or employees. The share increase became effective on November 5, 2024.

No conditional capital exists as of December 31, 2024.

Changes in capital

For changes in share capital that occurred in 2024, in particular the increase of the share capital within the Capital Band as described in the previous section, please refer to Note 21 to the Consolidated Financial Statements on | **Page 124**.

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 57**.

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, 2024, the Board of Directors of Sandoz Group AG was composed of the following individuals:

Gilbert Ghostine (Board Chair)
Karen J. Huebscher (Vice-Chair)
Shamiram R. Feinglass
Mathai Mammen
Graeme Pitkethly
Michael Rechsteiner
Urs Riedener
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

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

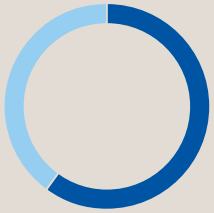
The composition of the Sandoz Board is well balanced in terms of gender and age diversity and consists of experienced business leaders with varied geographic, cultural and professional backgrounds.

Competencies

Our Board members offer the 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 re-assessed by the Human Capital and ESG Committee.

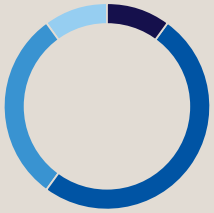
	CEO	International Markets	Life Science Industry	Supply Chain / Operations Network	Finance / Audit / Risk	Regulatory / Legal / Compliance	Technology / Information Security	Human Capital / Health & Safety	M&A / Transformation	ESG
Gilbert Ghostine	✓	✓				✓		✓	✓	✓
Karen J. Huebscher	✓	✓	✓		✓		✓		✓	
Shamiram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

GENDER



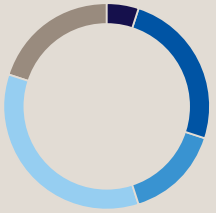
Male	60%
Female	40%

AGE



<55	10%
55–60	50%
61–65	30%
>65	10%

NATIONALITY[1]



Canadian	5%
Swiss	25%
UK	15%
US	35%
Other	20%

1 Please note that three Board members have dual nationalities. Each of these nationalities is counted as a half in the nationality chart.

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**

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**

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 2024 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 and ad hoc Board meetings between 30 minutes and two hours. Audit, Risk and Compliance Committee meetings lasted on average two 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.

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	9	7	7	4	
Gilbert Ghostine (Board Chair)	9/9	7/7 (as guest)	7/7 (as guest)	4/4 (as guest)	100%
Karen J. Huebscher (Vice-Chair)	7/9	7/7		4/4	90%
Shamiram R. Feinglass	9/9			4/4	100%
Mathai Mammen[1]	5/5			3/3	100%
Graeme Pitkethly[1]	5/5	4/4			100%
Michael Rechsteiner[1]	3/5	4/4	4/4		85%
Urs Riedener	9/9		7/7		100%
François-Xavier Roger[2]	4/4	3/3		1/1	100%
Aarti Shah	7/9		6/7	4/4	85%
Yannis Skoufalos[3]	9/9		7/7	3/3	100%
Remco Steenbergen[4]	4/4	2/3	0/3		60%
Maria Varsellona	9/9	7/7	7/7		100%

1 Member of the Board since April 30, 2024

2 Member of the Board until March 31, 2024

3 Member of the Science, Innovation and Development Committee since April 30, 2024

4 Member of the Board until April 30, 2024. Remco Steenbergen did not attend the Human Capital and ESG Committee meetings in Q1 2024 preceeding his appointment as CFO and member of the Executive Committee

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 is accompanied by an external expert.

In Q1 2024, each Board member provided individual feedback on the performance and effectiveness of the Board and the Board Chair, and on his/her committee memberships, which constituted the basis for a qualitative review led by 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. Any suggestions were recorded and actions agreed upon, and a follow-up review was conducted in Q4 2024.

Training

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.

In 2024, in addition to other educational sessions, the Board members attended the following trainings in particular:

- An introduction to product development combined with a guided tour of the Company's laboratories in Holzkirchen (Germany)
- A half-day science session containing a deep dive into biosimilars and covering topics such as quality management, complex products and manufacturing of steriles
- A half-day session on team development and Board effectiveness
- An educational session on adverse events reporting obligations in the pharmaceutical industry and the role of pharmacovigilance
- Updates on the Group's transformation of digital technologies (including cybersecurity risks and artificial intelligence)

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 tasks of each of these committees are set forth in their respective charters, which are attached to the Organizational Regulations.

As of December 31, 2024, 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 the 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**

Changes to the Board of Directors in 2024

Mathai Mammen, Graeme Pitkethly and Michael Rechsteiner were elected as new Board members at the Annual General Meeting on April 30, 2024. Francois- Xavier Roger, Board member since 2023, stepped down from the Board of Directors as of March 31, 2024, and Remco Steenbergen, Board member since 2023, did not stand for re-election at the 2024 Annual General Meeting due to his appointment as Chief Financial Officer and member of the Sandoz Executive Committee effective July 1, 2024. The biographies of the former members of the Board of Directors can be found in the 2023 Integrated Annual Report on pages 78 and 79 available at | **Sandoz.com/financials**

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 nearly 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 well-being. 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 serves on the board of directors of the listed company Danone, where he is a member of the audit and CSR committees, and on the board of directors at Four Seasons Hotels and Resorts, where he chairs the remuneration and nomination committee. 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.

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. Since 2012, she has served as board member of Tecan Group, a Swiss listed company, serves as its vice-chair since April 2024 and is a member of the audit and the nomination and governance committees. She is also a board member of BBI Solutions, a UK-based diagnostic reagents company, of Ivoclar Group, a company active in oral health based in Liechtenstein, and a member of the foundation board at IMD Business School.

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. Since July 2024, 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). Since November 2024, she serves as a member of the board of directors of Elucid, a medical technology company based in the US.

Shamiram 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 April 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 April 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 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 since November 2024, 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, 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 April 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 is a member of the board and of the board committee of economiesuisse and serves as a member of the board of trustees of ETH Foundation since March 2024. He 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.

Urs Riedener

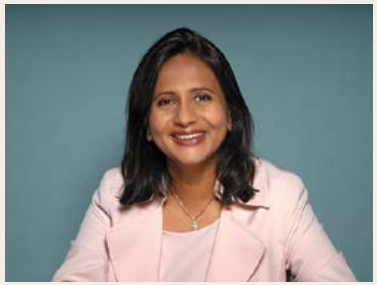
Board member since 2023

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 listed company Emmi Group AG and chairs its personnel and compensation committee. He is also a member of the advisory board of Schwarz Group, Germany, and since November 2024 a limited partner of Schwarz Unternehmenstreuhand KG, Germany, and serves as a member of the board of directors of the listed company Bystronic AG, Switzerland, where he chairs the compensation and nomination committee.



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, 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 committee 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 for the non-profit organization Shrimad Rajchandra Mission Dharampur USA and is a member of the board of governors of the non-profit organization St. Jude Children's Research Hospital since July 2024.

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 serves on the board of directors of Aimia Inc, a listed company focused on long-term investments in public and private companies. He is also a member of the board of directors of Sustana Group, a recycled paper fiber company privately held by Blackstone, a senior advisor to Blackstone on supply network matters and, since November 2024, serves as an advisor to Oasis Management Company, an international investment firm.

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.

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, 2024, the Sandoz Executive Committee was composed of the following individuals:

Richard Saynor	Chief Executive Officer
Francisco Ballester[1]	President International
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 Steenbergen	Chief Financial Officer

1 As announced on February 3, 2025, Francisco Ballester will retire as President International and member of the Executive Committee and will be succeeded by Peter Stenico effective March 1, 2025. The biography of Peter Stenico can be found at Sandoz.com/leadership.

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

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 2024

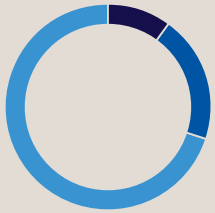
Remco Steenbergen became Chief Financial Officer effective July 1, 2024, succeeding Colin Bond who retired from his position as of June 30, 2024. Pierre Bourdage, Chief Commercial Officer since 2022, stepped down from his role as of August 31, 2024. Rebecca Guntern, President Europe since 2020 and a member of the Executive Committee since 2023, was appointed Chief Commercial Officer effective September 1, 2024. Christophe Delenta, Head Cluster Europe since 2023, was appointed President Europe and became a member of the Executive Committee effective September 1, 2024.

The biographies of the former members of the Executive Committee can be found in the 2023 Integrated Annual Report on pages 81 and 82 and at | Sandoz.com/financials.

GENDER

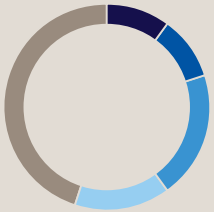
Male	50%
Female	50%

AGE



<45	10%
45–50	20%
>50	70%

NATIONALITY[1]



French	10%
Swiss	10%
UK	20%
US	15%
Other	45%

1 Please note that one Executive Committee member has dual nationality. These nationalities are counted as a half in the nationality chart.

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).

Francisco Ballester

President International since 2019

Nationality: Spanish/US

Year of birth: 1961

Francisco Ballester has managed Region International since 2019. He is responsible for driving business growth and access for patients in markets outside of North America and Europe while developing the highly diverse talent in the region. He served previously as president of the Latin America region as well as general manager of Novartis Pharma in Spain, where he built a high-performance culture that resulted in the company's recognition as Spain's best place to work. Francisco Ballester earned a bachelor of science degree in pharmacy from the University of Valencia, followed by a master's degree in business administration from the Universitat Politècnica de Valencia. He is a member of the Health Management and Policy Advisory Council of the Miami Herbert Business School and has been an advisor to Ocubio, an US-based company active in the field of ocular therapies, since March 2025.

Christophe Delenta

President Europe since September 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.

Executive Committee continued

Rebecca Guntern

Chief Commercial Officer since September 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.

Keren Haruvi

President North America since 2021

Nationality: Israeli

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: Indian

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 and 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 Böhms 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.

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 62.

The compensation and equity holdings of the Board and the Executive Committee and their related parties are disclosed in the Compensation Report on | **Page 71** for the members of the Executive Committee and on | **Page 77** 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.**

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 depositary 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.**

General meetings of shareholders

The Annual General Meeting of Shareholders (AGM) must be held within six months after the close 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 depositary 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 depositary 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.**

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 87**.

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. 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 and 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 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.

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 2024, all internal audits were performed in accordance with the audit plan approved by the Audit, Risk and Compliance Committee. Internal Audit conducted 47 reviews in areas such as commercial, manufacturing, 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 2025 has been approved by the Audit, Risk and Compliance Committee in October 2024.

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. 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

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, 2024 and 2023 are as follows:

(USD millions)	2024	2023
Audit services		
KPMG fees[1]	7.3	7.5
Other audit firm fees[2]	0.3	0.4
Audit-related services		
KPMG fees	0.1	0.3
Other audit firm fees	0.1	–
Total	**7.8**	**8.2**

1 During the first nine months of 2023, KPMG performed an audit of selected Sandoz entities as part of the Novartis Group. Those costs amounted to USD 2.6 million.

2 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 2024, the ARCC held seven meetings, five 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, 2024. 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 publishes reports bi-annually, in the form of a Half-Year Report and an Integrated Annual Report. Its Half-Year Report provides information on the Group's financial results for the first six months of the year. Its Integrated Annual Report provides information on the Group's financial and non-financial results and operations. Additionally, Sandoz reports net sales quarterly and issues press releases on material developments related to its business as per applicable regulations.

An overview of the information regarding non-financial reporting can be found on | **Page 171**.

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 manages the Group's interactions with the financial community. Sandoz observes a quiet period between the first day of each quarter up to, and including, the first trading day after the release of the Integrated Annual and Half-Year Reports and the three-month and nine-month sales results. In this period, Investor Relations shall only hold meetings on an exceptional basis and to cover previously disclosed information only.

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

Contact information
Sandoz.com/contact

Blackout periods

According to the Group's Global Insider Trading and Management Transactions Policy, employees who have access to material non-public information on a regular basis are designated as Permanent Insiders and are restricted from trading in Sandoz Group AG securities during Blackout Periods. 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 2024, the following blackout periods applied:

- January 1, until (and including) March 13
- April 1, until (and including) May 7
- July 1, until (and including) August 8
- October 1, until (and including) October 30

Compensation Report

Shareholder letter from the Chair of the Human Capital & ESG Committee

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 the year ended December 31, 2024. This is our first full year Compensation Report, which is compliant with Swiss law.

The Compensation Report covering the period from October 4 (spin date) to December 31, 2023, received strong support and was approved by 88% of shareholders at the 2024 AGM. I would like to thank shareholders that provided helpful feedback as the HC & ESGC designed and finalized its compensation framework and disclosure approach for Sandoz.

2024 in summary

At the beginning of 2024, the Board set targets for the first time under the Annual Incentive and Long-Term Performance Plan. The targets were set to reward the delivery of the Sandoz investment case that was presented to shareholders in advance of Sandoz's spin off from its former parent company.

Sandoz delivered strong results in its first full year as an independent company. Sales grew by 9% in constant currencies, reflecting the double-digit performance in North America and strong growth in the Europe and International regions. The Core EBITDA margin grew to 20.1%. The shift of the portfolio mix in favor of biosimilars has been accelerated by the launches of Hyrimoz®, Pyzchiva®, and Tyruko®. Shareholders saw a 37% increase in the share price in 2024, alongside a total return of 39%. This success was reflected in the CEO's Annual Incentive payout of 160% of target and payout for Keep Whole and Refill LTPP Awards relating to the 2022-24 performance cycle of 145% of target – more details are in sections 2.4.2 and 2.4.3 of this report. The first Sandoz LTPP award for the 2024–2026 performance cycle vests in February 2027.

As outlined elsewhere in this Integrated Annual Report, Remco Steenbergen was recruited externally to replace Colin Bond as Chief Financial Officer during 2024. The Committee's compensation-related decisions associated with this transition were consistent with Sandoz policy and, where relevant, contractual terms, incentive plan rules and the Swiss Code of Obligations. As a result of leaving his former employer, he forfeited compensation, which Sandoz replaced on a like-for-like or more stringent basis to the forfeited entitlements. Full details are outlined in section 2.3.1 of this report.

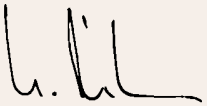
The Committee decided to enhance disclosure in this Compensation Report to include targets under the 2024 Annual Incentive of the CEO and other Executive Committee members, and targets under the spin-off related Keep Whole and Refill LTPP Awards for the 15 month performance period ending on December 31, 2024. Detailed information on the CEO's 2024 strategic objectives is also disclosed.

2025 Executive Committee compensation framework

The Board and the HC & ESGC reviewed the Company's rewards framework to determine that it continues to be relevant and aligned to the business strategy. The Annual Incentive plan design was determined to be appropriate given the Company's continued focus on increasing profitability and revenue while ensuring a healthy cash flow. The Board decided to replace the financial metric "Core EBITDA margin" by "Core Return on Invested Capital (ROIC)" for the 2025-2027 LTPP to eliminate the overlap of Core EBITDA margin in the Annual Incentive and Long-Term Performance Plan (LTPP). This change will provide a clearer assessment of how effectively resources are being utilized to generate value and was supported by shareholders at investor governance roadshows in late 2024. Further details are provided later in this report.

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 2025 AGM.

Yours sincerely,



Urs Riedener
Chair of the Human Capital & ESG Committee

1. 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.

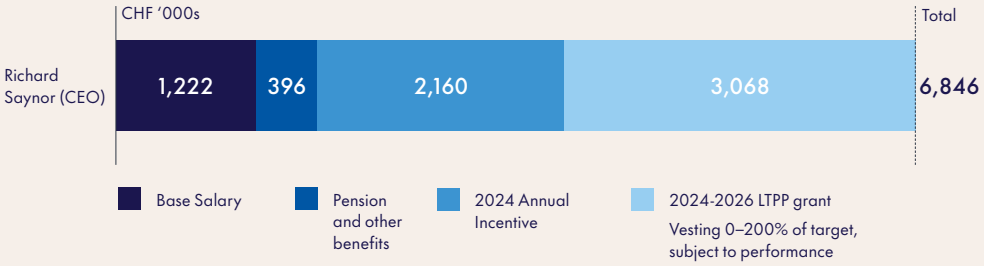
Exhibit 1.1: Structure of Executive Committee compensation

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	Rewards achievement of short-term financial and ESG objectives related to the business strategy. CEO also has strategic objectives
	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

2024 CEO compensation

The exhibit below presents the 2024 CEO compensation. The Annual Incentive shown is for the 2024 performance year. The Long-Term Performance Plan (LTPP) is the value of the conditional awards granted in 2024 subject to performance conditions and continued employment over the vesting period of 2024 to 2026.

Exhibit 1.2: 2024 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 the 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

		Additional fees						
AGM 2024-25 fees CHF	Fee for Board membership	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.

2024 Board compensation

The table below presents the total compensation earned by the members of the Board of Directors during 2024.

Exhibit 1.4: 2024 Board compensation

Board of Directors fees CHF	Fees in cash	Fees in shares	Other payments [1]	Total in 2024
Total fees	1,233,000	1,886,166	46,303	3,165,469

1 Other payments includes mandatory social security contributions for all members of the Board of Directors. It includes also mandatory contributions to the Swiss minimum legally required pension plan for the Board Chair.

2. Executive Committee compensation

2.1 Compensation philosophy and principles for the Executive Committee

2.1.1 Compensation philosophy

Sandoz's ambition is to be the world's leading biosimilars and generics 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 Sandoz's 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, scale of global operations, number of employees and market capitalization).

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.

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 relevance, and the Board decided no changes were required for 2024.

Exhibit 2.1.2: Executive Committee compensation peer groups

Europe (Primary peer group)	US (Secondary peer group)
Alcon SA	Amgen Inc
Beiersdorf AG	Bausch Health Companies Inc
Danone SA	Baxter International Inc
Essity AB	Biogen Inc
Fresenius Medical Care AG	Catalent Inc
Givaudan SA	Colgate-Palmolive Company
Glanbia plc	ICON Public Ltd
GSK plc	Newell Brands Inc
Haleon plc	Organon & Co
Hikma Pharmaceuticals plc	Perrigo Company plc
Ipsen Pharma SA	The Clorox Company
Jazz Pharmaceuticals plc	Viatris Inc
Lonza Group AG	Zoetis Inc
Merck KgaA	
Smith & Nephew plc	
UCB SA	
Teva Pharmaceutical Industries Ltd	

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 other employees in the same market. Risk insurances and other benefits depend on local practice	Not applicable
Annual Incentive	Rewards achievement of annual financial and ESG goals from the business plan	Cash	Target Annual Incentive is determined as a percentage of base salary (see below). Actual payout is based on performance, between 0%–200% of target	Annual financial and ESG objectives. CEO also has strategic objectives
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 (see below). 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.

The table below 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, 2024.

Exhibit 2.2.1.2: 2024 Executive Committee pay ratios

	Fixed vs. variable compensation at target payout		Fixed vs. variable compensation at maximum payout	
Members of the Executive Committee	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 2024 Annual Incentive and LTPP 2024-2026 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

Annual Incentive awards are provided to members of the Executive Committee. The payout of the Annual Incentive award for Executive Committee members depends on the level of achievement of Company annual financial and ESG objectives related to the business strategy. The CEO also has strategic objectives. The awards are offered on an annual basis and are payable in the year following the performance period.

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

Exhibit 2.2.3.1: 2024 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 patients treated with Sandoz biosimilars	10%

The overall performance assessment of the CEO is based on achievements of Group financial and ESG performance metrics, and individual strategic objectives set by the Board.

The overall performance assessments of the other members of the Executive Committee are based on achievements of Group financial and ESG performance metrics, and on their individual contributions to overall Company performance, including role modelling of Sandoz Values and culture.

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 the following ranges:

Exhibit 2.2.3.2: 2024 Annual Incentive payout ranges

Final assessment	Payout (% of target Annual Incentive)
Outstanding	170%–200% (cap)
Exceeds expectations	130%–160%
Meets expectations	90%–120%
Below expectations	0%–90%

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: 2024 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[1]

1 Increase in upper limit of the range due to appointment of the new CFO. Range for other members of the Executive Committee remained unchanged versus the prior year.

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 will depend 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 and is subject to continued employment. PSUs carry dividend equivalents that are paid in shares at the time of vesting of the LTPP award.

The CEO and CFO will be 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. The LTPP metrics for the 2024–2026 performance cycle are as follows.

Exhibit 2.2.4.1: 2024-2026 LTPP performance metrics

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 and Inclusion	20%

ESG criteria are divided into two categories: 10% on Environmental Sustainability and 10% on Diversity, Equity and Inclusion. Environmental Sustainability targets include objectives related to decarbonization and the environmental impact of production on water systems at our manufacturing sites. Diversity, Equity and Inclusion performance will be assessed based on the improvement of representation of women in senior leadership, which includes approximately 520 leaders.

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

Exhibit 2.2.4.2: 2024 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[1]

1 Increase in upper limit of the range due to appointment of the new CFO. Range for other members of the Executive Committee remained unchanged versus the prior year.

For each LTPP cycle, the potential payments in shares resulting from achievement against applicable objectives is 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, full accelerated vesting of LTPP awards (either based on the performance to date, or, if unavailable, at target level) is applied.

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 2024 Joining and leaving members in the Executive Committee

2.3.1 Appointments and internal changes

Remco Steenbergen, Chief Financial Officer

Remco Steenbergen was a Board member until the 2024 AGM, at which he did not stand for re-election. He was appointed as the Chief Financial Officer and member of the Executive Committee as of July 1, 2024. His compensation as a Board member is included in the 2024 Board Fees Table (exhibit 3.3.1), and his compensation as CFO is included in the 2024 Executive Committee Compensation Table (exhibit 2.4.1).

Remco Steenbergen's global business and financial expertise as well as his proven track record as CFO of leading global public organizations are key to enable Sandoz to deliver growth, margin expansion and sustainable attractive shareholder returns.

As a result of leaving his previous employer to join Sandoz, Remco Steenbergen forfeited compensation, including the cash bonus for financial year 2024, all outstanding long-term incentive (LTI) awards granted since 2021, contributions to the defined benefit occupational pension plan with guaranteed minimum payment, as well as other executive benefits. In line with the Sandoz policy on buyout awards (refer to section 2.2.7), and in accordance with the Swiss Code of Obligations permitting compensation to offset a verifiable financial disadvantage, the Board of Directors decided to provide for a one-off buyout award for forfeited entitlements, except for the executive benefits. At the time of designing the buyout award, the HC & ESGC ensured a strong alignment with shareholder interests by focusing on long-term and equity compensation elements, while granting a buyout award of equivalent commercial value of the forfeited entitlements. The structure of the buyout award mirrors the vesting schedules of the forfeited compensation at the former employer ("like-for-like") and is mostly delivered in form of equity, thus its value depends on the evolution of the Sandoz share price. Further, the entire buyout award is subject to malus and clawback provisions that allow the Board of Directors to reduce or forfeit any unpaid or unvested compensation element (malus) or to recover any paid or vested compensation (clawback) in case of violation of law or conflict with internal management standards, including Company and accounting policies. The buyout award is structured as follows:

Cash

The forfeited cash bonus for the pro-rata period January – June 2024 was replaced on a like-for-like basis at target level with a CHF 407,000 cash payment (equivalent commercial value).

Equity

Forfeited elements at former employer	Value or number of units forfeited	Number of units granted[1]	Replacement value (CHF)	Vesting year	Vesting conditions	Comments
LTI 2021–2024 LTI 2022–2025 LTI 2023–2026	138,714 PSUs 157,143 PSUs 149,738 PSUs	39,290 PSUs 44,510 PSUs 42,410 PSUs	1,274,961 1,444,350 1,376,205	2025 2026 2027	Prior employer performance LTPP 2023–2025 metrics LTPP 2024–2026 metrics and continued employment applies for all buyout grants	• Replacement on like-for-like basis • Vesting date mirrors vesting date of forfeited award • For the first cycle, as Remco Steenbergen worked at his former employer for 3.5 out of 4 years of the performance period, the HC & ESGC decided the payout of the former employer will apply • For the second and third cycles, Sandoz performance conditions will apply
Defined benefit pension scheme with guaranteed minimum payout	CHF 400,000 per annum CHF 1,600,000 over 4-year period	49,306 RSUs	1,600,000	50% 2027 50% 2029	Continued employment and share price evolution	Replacement on like-for-like basis with the following additionally stringent conditions: • No minimum guaranteed amount as value can go up or down depending on share price evolution • Longer vesting period than the benefit replaced • Partial compensation for a limited period • Stricter vehicle, as Board can apply malus and clawback if required
Total in equity		**175,516**	**5,695,516**			

1 Number of Sandoz equity units was calculated based on the average closing share price of both the former employer and of Sandoz over the same 3-month time period during offer discussion.

Other benefits

Remco Steenbergen was eligible for other contractual benefits at his previous employer. While recognizing that the value of these benefits is considerable and that Sandoz offers no equivalent, the HC & ESGC decided not to provide any compensation for those.

The full grant value of the buyout award is disclosed in the compensation table in this Compensation Report and is covered within the aggregate compensation amount approved by the shareholders for the Executive Committee for financial year 2024. Use of the supplementary amount defined in the Articles of Incorporation of Sandoz for the compensation of members of the Executive Committee who are appointed after the shareholder vote on the aggregate compensation amount was not required.

Rebecca Guntern, Chief Commercial Officer

Rebecca Guntern, the former President Europe, changed role within the Executive Committee and was appointed Chief Commercial Officer effective September 1, 2024.

Christophe Delenta, President Europe

Christophe Delenta was promoted internally as President Europe and joined the Executive Committee effective September 1, 2024.

2.3.2 Departures

Colin Bond

Colin Bond, previously the Chief Financial Officer, retires from the Company on January 31, 2025, in line with the statutory and Swiss contractual retirement age in Switzerland (65 years). To ensure a successful transition to a new CFO, he stepped down from the Executive Committee on July 1, 2024. All payments made to Colin Bond from his step-down date until his retirement date 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 during the seven-month period up to retirement. 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 step-down date.

Pierre Bourdage

Pierre Bourdage, previously Chief Commercial Officer, decided to step down from his role and the Executive Committee due to personal health reasons on August 31, 2024. His employment contract is subject to a one-year notice period, which will end on September 1, 2025. All payments made to Pierre Bourdage during his notice period are in line with his employment contract and 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 pension and insurance plans, and other local benefits up to the expiry of the contract and end of employment. No severance payments were or will be made.

Outstanding equity grants 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 step-down date.

2.4 2024 Compensation for the Executive Committee

2.4.1 2024 Executive Committee compensation

The aggregate compensation paid or promised to the members of the Executive Committee during the financial year 2024 was CHF 37,082,699 as set out in exhibit 2.4.1 2024 Executive Committee compensation. This amount is within the budget approved by the single shareholder of Sandoz prior to spin-off.

The table below includes for the Executive Committee the Annual Base Salary paid in 2024, Annual Incentive paid in cash for the 2024 performance year, grant value of Performance Share Units for LTPP granted in 2024 for the 2024-2026 performance cycle (vesting subject to performance conditions with payout range 0–200%), pension and other benefits.

Exhibit 2.4.1: 2024 Executive Committee compensation

	Fixed compensation		Variable compensation		Additional compensation		Total 2024	Ratio	Total in 2023 (Oct 4–Dec 31)
	Annual Base Salary	Retirement, insurance benefits [1,2]	Annual Incentive 2024	LTPP awards 2024–2026 [3]	Other benefits [4]	Buyout [5]	Total compensation [6]	Fixed / Variable compensation [7]	Total compensation [8]
Executive Compensation CHF	Amount in cash	Amount value	Amount in cash	PSU value at grant	Amount	Amount	Amount	%	Amount
Richard Saynor (CEO)	1,222,500	176,334	2,159,520	3,067,521	220,044	–	6,845,919	21% / 79%	899,864
Remco Steenbergen (CFO, highest paid, from July 1, 2024)	485,000	86,221	731,475	1,616,659	5,070	6,102,494	9,026,919	25% / 75%	–
Aggregate amount of other Executive Committee members [9]	5,247,046	1,598,844	6,246,311	7,386,224	731,436	–	21,209,861	33% / 67%	3,763,975
Total	**6,954,546**	**1,861,399**	**9,137,306**	**12,070,404**	**956,550**	**6,102,494**	**37,082,699**	**30% / 70%**	**4,663,839**

All numbers disclosed in this table were audited.

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

2 Includes CHF 63,153 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 1,384,640.

3 Value of Performance Share Units (PSUs) at grant. The first Sandoz LTPP award was granted on Feb 28, 2024 for the performance period 2024-2026 at the closing market price of CHF 27.57. For Remco Steenbergen, the LTPP grant was made on Jul 1, 2024 at the closing market price of CHF 32.45. He received a prorated grant 30/36 months to reflect his time as Executive Committee member over the full performance cycle.

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 In line with the Company's buyout policy, Remco Steenbergen received buyout awards of CHF 407,000 in cash, 126,210 PSUs, and 49,306 RSUs, which will vest between 2025 and 2029. PSUs and RSUs are valued based on the share price of CHF 32.45 on date of grant Jul 1, 2024.

6 Payments to Executive Committee members were made in CHF, USD, CAD, and EUR. The exchange rates were: 1 USD to 0.880 CHF, 1 CAD to 0.643 CHF, 1 EUR to 0.953 CHF (average annual exchange rates 2024).

7 Fixed compensation includes base salary, retirement and insurance benefits. Variable compensation includes the actual 2024 Annual Incentive paid and LTPP 2024-2026 awards granted at target level. The ratios shown are on an annualized basis.

8 2023 compensation amount shown is only for the period from Oct 4, 2023 to Dec 31, 2023.

9 Includes the compensation of two members (Colin Bond, Pierre Bourdage) who stepped down during the financial year 2024.

The total compensation for 2023 shown in exhibit 2.4.1 covers the period from October 4, 2023 (date of spin-off) to December 31, 2023, in line with Swiss law, totaling the compensation paid for 89 days. For details, please refer to the 2023 Integrated Annual Report.

2.4.2 2024 Annual Incentive awards

CEO Annual Incentive

At the beginning of 2024, 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: 2024 CEO Annual Incentive

Assessment of Group performance on financial and ESG targets

Metrics	Weight	Achievements			Board Assessment
Financial metrics		**Threshold**	**Target**	**Maximum**	
Net sales % growth (in constant currencies)	30%		**6.8%**		Exceeded expectations
Core EBITDA margin (as reported)	30%		**20.2%**		Met expectations
Free cash flow (in USD billion)	30%		**-0.169**		Outstanding
ESG Access: Number of patients treated with Sandoz biosimilars – in '000	10%		**959**		Met expectations

Assessment of CEO's achievements against strategic objectives

Performance Management	• Led the company through its first full year of independent operations, delivering a strong financial performance and an increased valuation of the company: 37% share-price growth during the year and a 39% total shareholder return. Sandoz's market capitalization increased from USD 14 billion to USD 18 billion in 2024 • Delivered growth in all key financial metrics, including operating income (+5% in constant currencies, cc), core diluted EPS (+28% in cc) and core return on invested capital (+250 basis points) • Exceptional growth in North America (+15% in cc) and continued strong performances in Europe (+6% in cc) and International (+8% in cc), respectively, reflecting the increase in biosimilar sales (+30% in cc)	Exceeded expectations
Strategic Reframing	• Following the spin-off, successfully repositioned Sandoz as a high-performing standalone biosimilars & generics leader • Focused development and investments to replenish and expand the pipeline, ensuring continuous launches • Shift of portfolio mix to accretive biosimilars, with market share increasing from 23% in 2023 to 28% in 2024, driven by the recent launches of Hyrimoz®, Pyzchiva®, and Tyruko® • Acquisition of Cimerli® led to further biosimilars growth and pipeline advancement • Strong execution of supply-network strategy; met commitment to reduce internal network from 18 to 15 sites in 2024	
Organizational Building	• Strengthened leadership team with a balance of experienced external talent and internal promotions • Market-leading gender balance maintained in Executive Committee • Strong Employer Value Proposition evidenced by employees' engagement ahead of pharma benchmark (Peakon 2024)	

Final assessment and payout

The Board made a final assessment that the CEO exceeded expectations and approved a final payout factor of 160% within the applicable range of 130%–160% resulting in a payout of CHF 2,159,520.

Other members of the Executive Committee

The CEO made recommendations for payout of Annual Incentive of 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 2024 Annual Incentive.

For the Executive Committee members (excluding the CEO), the Annual Incentive payouts ranged from 100% to 170% within the range of 0–200% of target.

2.4.3 2022-2024 Keep Whole and Refill LTPP Awards

Vesting of Sandoz LTPP in 2025

There was no vesting of Sandoz LTPP in 2025, 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 2025

If employed in January 2022 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 2022–2024.

At the spin-date, they received a Keep Whole Award[1]. At the same time, 21 of the 36 months of the awards remained in previous parent company equity (not disclosed in this report), and the other portion equivalent to 15/36 was forfeited. The forfeited equity was refilled in Sandoz equity awards, called Refill Awards[1] with a performance period of 15 months.

In October 2023, the Sandoz Board of Directors set performance conditions that were applicable to the Keep Whole Awards and Refill Awards. These awards vested in February 2025.

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 average of the Sandoz 2023 and 2024 performance factors to the vesting of the Keep Whole and Refill Awards. 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 factor for 2024 included three equally weighted financial metrics: Net Sales % growth, Core EBITDA margin and free cash flow. Performance per metric is outlined below.

Exhibit 2.4.3.1: 2024 Performance Factor for Keep Whole and Refill Awards vesting

Performance Metric	Weight	Target	Board Assessment
Net sales % growth (in constant currencies)	33%	6.8%	Exceeded expectations
Core EBITDA margin (as reported)	33%	20.2%	Met expectations
Free cash flow (in USD billion)	33%	-0.169	Outstanding
Performance Factor 2024 (range 0%–200%)			**145%**

The final payout for the Keep Whole and Refill Awards is calculated as below:

Exhibit 2.4.3.2: 2022-2024 Keep Whole and Refill Awards vesting (15/36 months cycle)

Performance Factor	Weight	Weighted payout
2023 Performance Factor	3/36 months	144% (as disclosed in 2023 Compensation Report)
2024 Performance Factor	12/36 months	145%
Final payout factor (range 0%–200%)		**145%**

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 15 months, paid in unrestricted Sandoz shares.

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

During the 2024 financial year there were no former members of the Executive Committee and therefore no payments were made.

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, 2024, the total number of shares or American Depositary Receipts (Level I ADR) owned by each of the members 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).

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, 2024	Total as at Dec. 31, 2023
Richard Saynor Chief Executive Officer	10,839	1,606	190,146	202,591	91,023
Remco Steenbergen Chief Financial Officer	2,917	49,306	176,030	228,253	na
Ingrid Sollerer General Counsel and Chief Compliance Officer	27,096	5,551	49,597	82,244	53,394
Tripti Jha Chief People Officer	3,793	14,128	58,845	76,766	47,792
Claire D'Abreu-Hayling Chief Scientific Officer	2,866	262	46,409	49,537	20,168
Glenn A. Gerecke Chief Manufacturing and Supply Officer	861	12,183	39,736	52,780	28,254
Christophe Delenta President Europe	4,088	9,049	20,000	33,137	na
Keren Haruvi President North America	2,694	2,243	58,113	63,050	36,997
Francisco Ballester President International	11,243	577	50,292	62,112	35,160
Rebecca Guntern Chief Commercial Officer	12,539	5,702	84,842	103,083	59,940
Sub-Total	**78,936**	**100,607**	**774,010**	**953,553**	**372,728**
Executive Committee member who stepped down in 2024					
Colin Bond	199	206	33,461	33,866	27,314
Pierre Bourdage	1,633	3,729	29,671	35,033	26,195
Sub-Total	**1,832**	**3,935**	**63,132**	**68,899**	**53,509**
Total	**80,768**	**104,542**	**837,142**	**1,022,452**	**426,237**

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, 2023 is shown in exhibit 2.5 for comparison. For details, please refer to the 2023 Integrated Annual Report.

2.6 Executive Committee compensation framework from January 2025

To ensure alignment with future strategic business objectives, external peer groups, and best practices in compensation design for Sandoz executives, the Board and the HC & ESGC reviewed the compensation structure and systems applicable to the CEO and the members of the Executive Committee, with particular attention to the performance metrics of the incentive plans.

At the time of separation from the parent company, Sandoz committed to margin expansion. While this continues to be a focus area for the Company, the Board determined that the metrics across short-term and long-term incentive plans should cover a more comprehensive evaluation of the Company's financial health and align with long-term value creation. The Board concluded that replacing Core EBITDA margin in the Long-Term Incentive Plan with Core Return on Invested Capital (ROIC) will eliminate the overlap of Core EBITDA margin in the Annual Incentive and Long-Term Performance Plan (LTPP) and will provide a clearer assessment of how effectively resources are being utilized to generate value. Feedback received during the investor governance meetings in late 2024 indicated that shareholders are supportive of this change.

The Annual Incentive plan remains unchanged, with Core EBITDA margin continuing to be used as a performance metric.

The LTPP metrics for the 2025–2027 performance cycle will be as follows:

Exhibit 2.6: 2025–2027 LTPP Performance metrics

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) [1]	20%
ESG	Environmental Sustainability and Diversity, Equity and Inclusion	20%

1 Includes biosimilars and peptides to reflect the strategic importance of these modalities to the future of the Sandoz business.

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 relevant benchmarks are from the following comparator companies.

Exhibit 3.1.1.1: Peer group for Board compensation

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

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 (e.g., 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 2024-25 fees (CHF)	
Board Chair fee	850,000
Board membership fee	200,000

Additional fees (CHF):[1]	Vice-Chair	Committee Chair	Committee member
Vice-Chair	50,000		
Audit, Risk and Compliance Committee		60,000	40,000
Human Capital and 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 (e.g., 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 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.

3.2 Departing and joining members of the Board of Directors

New members appointed and elected

Mathai Mammen, Graeme Pitkethly and Michael Rechsteiner were elected to the Board of Directors at the 2024 AGM. Their Board fees were payable from the 2024 AGM and are disclosed in exhibit 3.3.1.

For more details refer to the Corporate Governance Report on | Page 43.

Members departing

Remco Steenbergen did not stand for re-election as a member of the Board at the 2024 AGM as he was appointed as CFO and member of the Sandoz Executive Committee. His Board fee paid up to the 2024 AGM is disclosed in exhibit 3.3.1.

François-Xavier Roger stepped down as a Board member effective March 31, 2024 to pursue a new executive responsibility at a competitor company. His Board fee was paid until March 31, 2024 and provided in exhibit 3.3.1.

3.3 2024 Compensation for the Board of Directors

3.3.1 Fees of members of the Board of Directors

The audited table below sets out the compensation earned by the members of the Board of Directors in the period from January 1, 2024, to December 31, 2024.

The Board of Directors' fees are payable for services from the 2024 AGM to the 2025 AGM. However, the 2024 Compensation Report covers the payments earned during 2024. The compensation disclosed in exhibit 3.3.1 represents the fees earned for services from January to April 2024, i.e., of the previous term, and the fees earned for services from May to December 2024 of the term 2024 AGM to 2025 AGM, being the current term.

Exhibit 3.3.1: 2024 Board fees

Board compensation CHF		Fees earned in 2024				in 2023
Board Member	**Board Function[1]**	**Fees in cash**	**Fees in shares[2]**	**Other payments[3]**	**Total earned 2024**	**Total earned 2023 (Oct 4 – Dec 31)[4]**
Gilbert Ghostine	Board Chair	425,000	425,000	11,993	**861,993**	**234,883**
Karen J. Huebscher	Vice-Chair Chair of the SIDC Member of the ARCC	170,000	170,000	4,675	**344,675**	**96,757**
Urs Riedener	Chair of the HC & ESGC	41,667	208,333	4,675	**254,675**	**65,813**
Shamiram Feinglass	Member of the SIDC	115,000	115,000	–	**230,000**	**62,292**
Aarti Shah	Member of the HC & ESGC Member of the SIDC	130,000	130,000	–	**260,000**	**70,417**
Yannis Skoufalos	Member of the HC & ESGC Member of the SIDC	117,333	132,667	–	**250,000**	**61,333**
Maria Varsellona	Member of the ARCC Member of the HC & ESGC	135,000	135,000	7,805	**277,805**	**80,873**
Mathai Mammen	Member of the SIDC	–	153,333	–	**153,333**	**na**
Michael Rechsteiner	Member of the ARCC Member of the HC & ESGC	54,000	126,000	4,675	**184,675**	**na**
Graeme Pitkethly	Chair of the ARCC	–	173,333	7,805	**181,138**	**na**
Sub-Total		**1,188,000**	**1,768,666**	**41,628**	**2,998,294**	**672,367**
Board members who stepped down at the 2024 AGM or earlier						
François-Xavier Roger		–	72,500	4,675	**77,175**	**76,343**
Remco Steenbergen		45,000	45,000	–	**90,000**	**73,125**
Sub-Total		**45,000**	**117,500**	**4,675**	**167,175**	**149,468**
Total		**1,233,000**	**1,886,166**	**46,303**	**3,165,469**	**821,835**

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 01/01/2024 to 12/31/2024. The amounts shown represent the gross fees in shares of each Board member for the respective service period. The first share instalment was on Mar 25, 2024, with share price CHF 26.99. The second share instalment was on Sep 2, 2024, with share price CHF 36.75.

3 Includes CHF 46,303 mandatory contributions paid by Sandoz to governmental social security systems for all members of the Board of Directors and also mandatory contributions to the Swiss minimum legally required pension plan for the Board Chair. This amount is out of total Sandoz contributions of CHF 152,174, and provides the right to the maximum future insured government pension benefit.

4 2023 total earned fees, including the accrued portion of the value of shares for the period 10/04/2023 to 12/31/2023.

The fees paid up to the 2024 AGM remained within the budget approved for the term from spin-off date to the 2024 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 2025 up to the 2025 AGM will be within the maximum aggregated budget of CHF 3,400,000 prospectively approved by shareholders at the 2024 AGM.

The total fees earned in 2023 shown in exhibit 3.3.1 covers the period from October 4, 2023 (date of spin-off) to December 31, 2023, in line with Swiss law, totaling the compensation paid for 89 days. For details, please refer to the 2023 Integrated Annual Report

3.3.2 Payments to former members of the Board of Directors

During the period January 1, 2024, to December 31,2024, there were no former members of the Board of Directors and therefore no payments were made.

3.4 Shareholdings of members of the Board of Directors

As at December 31, 2024, 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.

Exhibit 3.4: Shareholdings of members of the Board

Board member	Function[1]	Shares At Dec 31, 2024[2]	Shares At Dec 31, 2023[2]
Gilbert Ghostine	Board Chair	53,467	38,500
Karen J. Huebscher	Vice-Chair, Chair of the SIDC, Member of the ARCC	13,528	7,750
Urs Riedener	Chair of the HC & ESGC	7,877	186
Shamiram R. Feinglass	Member of the SIDC	3,037	–
Aarti Shah	Member of the HC & ESGC, Member of the SIDC	3,433	–
Yannis Skoufalos	Member of the HC & ESGC, Member of the SIDC	14,919	–
Maria Varsellona	Member of the ARCC, Member of the HC & ESGC	3,565	–
Mathai Mammen	Member of the SIDC	2,346	na
Michael Rechsteiner	Member of the ARCC, Member of the HC & ESGC	2,571	na
Graeme Pitkethly	Chair of the ARCC	2,523	na
Sub-Total		**107,266**	**46,436**
Board members who stepped down at the 2024 AGM or earlier			
François-Xavier Roger		na	–
Remco Steenbergen		na	–
Sub-Total		**na**	**–**
Total		**107,266**	**46,436**

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, 2023, is shown in exhibit 3.4 for comparison. For details, please refer to the 2023 Integrated Annual Report.

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 nine 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 2024 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 2024 AGM to the 2025 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 2024 Compensation Report will be subject to a consultative vote at the 2025 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 of the maximum aggregate amount of compensation for: (i) the Board of Directors, payable for the upcoming term of office (i.e., 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, 2024 (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
Remco Steenbergen[1]	**2024**	
	na	na
	2023	
	Chief Financial Officer, member of the management board	Deutsche Lufthansa AG, Cologne, Germany
	Member of the board of directors	Lufthansa Technik AG, Hamburg, Germany[2]
	Chair of the board of directors	Airplus AG, Neu-Isenburg, Germany[2]
	Member of the board of directors	Swiss International Airlines AG, Kloten, Switzerland[2]
Francisco Ballester[3]	**2024 and 2023**	
	Member of the Health Management and Policy Advisory Council	Miami Herbert Business School, Coral Gables FL, USA
Claire D'Abreu-Hayling	**2024**	
	Director	Black Phoenix Enterprise Ltd, London, UK
	Trustee	Elim College Limited, Malvern, UK
	2023	
	Director	Black Phoenix Enterprise Ltd, London, UK
Rebecca Guntern[4]	**2024**	
	Member of the board of directors, and chair of the compensation committee	BKW AG, Berne, Switzerland
	2023	
	Member of the board of directors, and chair of the compensation committee	BKW AG, Berne, Switzerland
	Vice-president	Medicines for Europe, Brussels, Belgium
Keren Haruvi	**2024**	
	Chair and a member of the board of directors	Association of Accessible Medicines, Washington DC, USA
	Venture advisor	Israel Biotech Fund, Israel
	2023	
	Chair and a member of the board of directors	Association of Accessible Medicines, Washington DC, USA

Name	Role	Organization
Departing members		
Colin Bond	**2024**	
	Member of the board of directors	BioPharma Credit plc, London, UK
	Member of the board of directors	Formycon AG, Planegg, Germany
	Member of the board of directors	Agomab Therapeutics NV, Antwerpen, Belgium
	2023	
	Member of the board of directors	BioPharma Credit plc, London, UK

The information in this table was audited.

1 Remco Steenbergen stepped down from the following roles at the time of joining Sandoz: 1) CFO, member of the management board of Deutsche Lufthansa AG, Cologne, Germany; 2) Member of the supervisory board of directors of Lufthansa Technik AG, Hamburg, Germany; 3) Chairman of the supervisory board of directors of Airplus AG, Neu-Isenburg, Germany; 4) Member of the board of directors of Swiss International Airlines AG, Kloten, Switzerland.

2 Companies are owned by Deutsche Lufthansa AG.

3 Francisco Ballester will take up a new role as advisory consultant at Ocubio effective Mar, 2025. As announced on Feb 3, 2025, Francisco Ballester will step down as President International and member of the Executive Committee at Sandoz, effective Mar 1, 2025.

4 Rebecca Guntern stepped down as Vice-president of the board of directors of Medicines for Europe, Brussels, Belgium on Dec 10, 2024.

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, 2024 (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
Gilbert Ghostine	**2024 and 2023**	
	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.	**2024**	
	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
	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
	2023	
	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, chair of the audit committee, member of the nomination and governance committee	Tecan Group AG, Männedorf, Switzerland
Shamiram R. Feinglass, M.D.	**2024**	
	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
	Co-chair of mental health roundtable and senior fellow	Health Evolution, San Francisco, CA, USA
	Managing director	Manatt Health, Los Angeles, CA, USA
	2023	
	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
	Co-chair of mental health roundtable and senior fellow	Health Evolution, San Francisco, CA, USA
Mathai Mammen, M.D., Ph.D.[1] (appointed at 2024 AGM)	**2024**	
	Member of the board	Xaira Therapeutics, Inc., San Francisco, CA, USA
	Advisor	Foresite Capital, Larkspur, CA, USA
	Advisor	General Atlantic, New York, USA
	Member of the board	Kelonia Therapeutics, Boston, MA, USA
	CEO and chairman	Parabilis Medicines (formerly FogPharma) Cambridge, MA, USA
Graeme Pitkethly[2] (appointed at 2024 AGM)	**2024**	
	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 renumeration 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

Name	Role	Organization
Michael Rechsteiner	**2024**	
(appointed at 2024 AGM)	Chairman of the board	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
Aarti Shah, Ph.D.	**2024**	
	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 tech committee	Northwestern Mutual, Milwaukee, WI, USA
	Advisor	L&T Technology Services (LTTS), Vadodara, India
	CIO advisory board member	Deloitte, New York, USA
	Advisor	World 50 Group Inc., Atlanta, GA, USA
	Trustee	Shrimad Rajchandra Mission Dharampur (formerly Shrimad Rajchandra Love and Care), USA
	Member of the board of governors	St. Jude's Children Research Hospital, Memphis, Tennessee, USA
	2023	
	Member of the board of directors, member of the audit committee,	NVIDIA Corporation, Santa Clara, CA, USA
	Member of the board of trustees, member of the audit committee, member of the distribution and tech committee	Northwestern Mutual, Milwaukee, WI, USA
	Advisor, consultant	ZS Associates Group Inc., Evanstone, IL, USA
	Advisor	L&T Technology Services (LTTS), Vadodara, India
	Trustee	Shrimad Rajchandra Mission Dharampur (formerly Shrimad Rajchandra Love and Care), USA
	Advisor	World 50 Group Inc., Atlanta, GA, USA

Name	Role	Organization
Urs Riedener	**2024**	
	Member of the board of directors, chair of the compensation and nomination committee	Bystronic AG, Zurich, Switzerland
	Chairman of the board, 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 board	Institute for Marketing and Customer Insights, University of St. Gallen, St. Gallen, Switzerland
	2023	
	Member of the board of directors, chair of the compensation and nomination committee	Bystronic AG, Zurich, Switzerland
	Chairman of the board, 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	Schwarz Unternehmenstreuhand KG, Neckarsulm, Germany
	Member of the executive committee	Institute for Marketing and Customer Insights, University of St. Gallen, St. Gallen, Switzerland

Name	Role	Organization
Yannis Skoufalos	**2024**	
	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	Oasis Management Company, Hong Kong
	2023	
	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
Maria Varsellona	**2024 and 2023**	
	Chief legal officer and group secretary	Unilever plc, London, UK
Board members who stepped down at the 2024 AGM or earlier		
Remco Steenbergen	**2024**	
	na	na
	2023	
	Chief Financial Officer, member of the management board	Deutsche Lufthansa AG, Cologne, Germany
	Member of the board of directors	Lufthansa Technik AG, Hamburg, Germany[3]
	Chair of the board of directors	Airplus AG, Neu-Isenburg, Germany[3]
	Member of the board of directors	Swiss International Airlines AG, Kloten, Switzerland[3]
François-Xavier Roger	**2024 and 2023**	
	Chief Financial Officer	Nestlé SA, Vevey, Switzerland
	Chair of the board of directors	Nestlé Ventures, Vevey, Switzerland[4]
	Chair of the board of directors	Nutrition Wellness Venture, Vevey, Switzerland[4]

The information in this table was audited.

1 Mathai Mammen stepped down as member of the board of directors of 10x Genomics, CA, USA in Oct, 2024.

2 Graeme will take up a new role as member of the board of directors and chair of the audit committee of Verisure effective Mar, 2025.

3 Companies are owned by Deutsche Lufthansa AG.

4 Legal entities are owned by Nestlé SA.

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 2024, and there were no outstanding loans on December 31, 2024.

During the period from January 1, 2024, to December 31, 2024, 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 a person or an entity that is related to Sandoz:

- A person or a close member of that person's family is related to a reporting entity if that person has control, joint, control, or significant influence over the entity or is a member of its key management personnel. Board of Directors (BoD) and Executive Committee (EC) members are considered key management personnel, and thus BOD and EC members and their close family members are identified as related parties of Sandoz.
- An entity is related to Sandoz, if among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of Sandoz, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party. Identification of controlling / joint-control investments (50% or more) of the BOD and EC members and their close family members should be identified as related parties of Sandoz pursuant to specific guidance in IAS 24.

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**

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 2024 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, Risch

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 2024. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables marked "audited" on pages 71, 74, 77, 78 and pages 80 to 83 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 4 March 2025

KPMG AG, Grosspeteranlage 5, CH-4002 Basel

Risk Management Report

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 to the Audit, Risk & Compliance Committee and Senior Leadership Team and disclosed in summary form in the Integrated Annual Report, ensuring transparency and accountability.

Last year's Enterprise Risk Management (ERM) assessment marked the first ERM cycle for Sandoz as a stand-alone company. Intertwined with the spin-off, it was aimed at defining a corporate risk profile that provides a transparent and representative overview of the risk portfolio that can impact the achievement of strategic objectives. The ERM 2024 builds on last year's outcomes.

In this report, we describe what we believe to be the most significant risks that have been confirmed throughout the ERM 2024 cycle, including both threats and opportunities, and that relate to future uncertainty over a three- to five-year horizon. 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 on | **Page 173**.

Risks

1 Expand leadership in biosimilars and accelerate growth

Opportunity to expand biosimilars portfolio and accelerate inorganic growth.

2 Pipeline competitiveness and product development

Failure to deliver a competitive pipeline and inability to achieve predicted growth. Inability to increase shift to complex generics. Ineffective optimization of complex in-market portfolio.

3 STO strategy and transformation

Failure to execute operational excellence strategy, achieve cost competitiveness, optimize supply & procurement network and vertically integrate biosimilars supply.

4 Technology

Catastrophic loss of IT/OT assets due to cyber-attacks and/or protracted dependency on third party (former parent) support during the transitional service agreement (TSA) period.

5 Geopolitics, macroeconomics and natural disasters

Macroeconomic and geopolitical developments (e.g. rising tensions, changes in tariffs) affecting business. Increasing natural and climate-related disasters impacting our assets, employees and operations.

6 People and organization

Inability to attract, engage and retain skilled focused talent groups. Failure to achieve intended organizational transformation and cultural change.

7 Product supply and quality

Disruptions in supply chain and inability to maintain continuity of product supply. Failure to meet evolving quality regulations (e.g. nitrosamines).

8 Legal, regulatory, ethics and compliance

Challenges to meet evolving regulatory requirements and non-compliance with laws and regulations. Inability to detect and mitigate risks including issues arising from third-party business relationships.

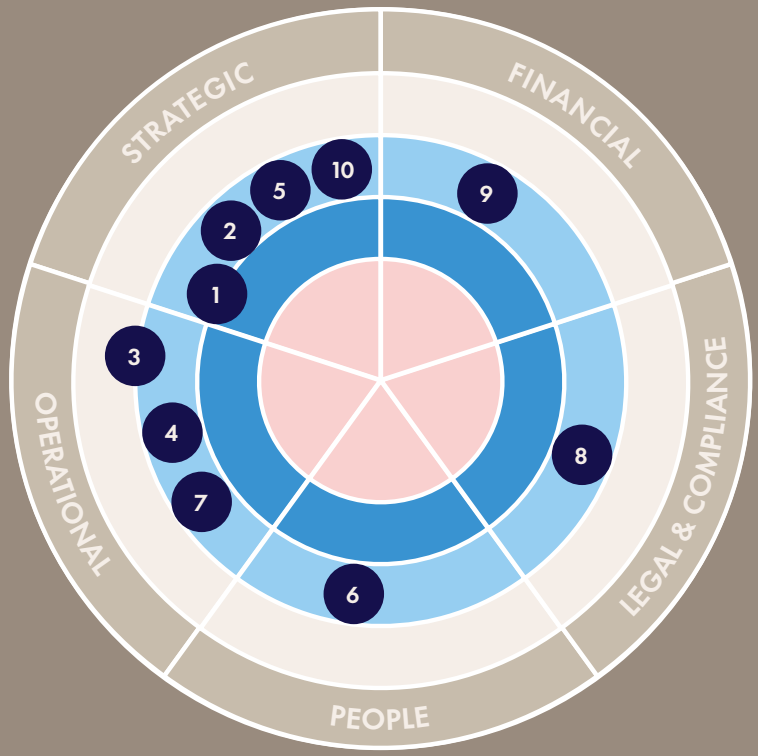
9 Finance

Inability to achieve planned margin expansion, insufficient insurance coverage for property, business interruption and liability risks, inadequate fraud controls.

10 Expectations of customers, investors and other stakeholders

Inability to meet commitments and evolving expectations on environmental, social and governance (ESG) matters, including the achievement of access to medicines objectives.

Risk heat map



Risk likelihood

Rare Unlikely Possible Likely Almost certain

Risks – detailed view

Risk	What is the risk?	Examples of how we are managing the risk
1 **Expand leadership in biosimilars and accelerate growth**	This risk relates 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.	• 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
2 **Pipeline competitiveness and product development**	In addition to biosimilars (see above), our ability to achieve projected growth and meet our financial targets depends on having a competitive pipeline of products and a successful allocation of resources and funding to develop such a pipeline in a timely manner.	• Close monitoring of the biosimilars Master Service Agreement (MSA)/Development Collaboration Agreement (DCA) with former parent and the collaboration agreement with Evotec • Close monitoring of pipeline execution, taking into account risk/reward and ensuring effective budget allocation in line with strategic objectives • Governance and performance management in place to increase volume and success rate with dossier submissions with a focus on must-win markets and key projects • Continuous risk management enhancements in the global product development
3 **Sandoz Technical Operations strategy and transformation**	This risk encompasses the potential failure to achieve the projected margin improvement due to a lack of success in implementing our operational excellence strategy, achieving cost competitiveness and/or optimizing our supply and procurement network, as well as the vertical integration of our biosimilar supply chain.	• 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
4 **Technology**	This risk considers potential catastrophic loss of IT due to cyber incidents that could compromise the security (availability, confidentiality, and integrity) of the critical IT/OT systems, and the data they hold within our network or that of a third party. Such an attack could affect our ability to manufacture and/or move products, which could have a material impact on our market value and reputation. In addition, prolonged reliance on third parties (e.g. Novartis) could potentially increase TSA costs, our ability to support M&A deals and impact operational stability due to technology migration.	• 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 identify and manage any vulnerabilities • Mitigate threats to the Sandoz environment through internal awareness campaigns, training, and phishing simulations • Maintain continuous vigilance through regular vulnerability scanning, threat detection activities, penetration testing, and security incident and event monitoring, to ensure that all security events are closely monitored and addressed in a timely manner

Risks – detailed view continued

Risk	What is the risk?	Examples of how we are managing the risk
5 Geopolitics, macroeconomics & natural disasters	This risk involves 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).	• Business Continuity and Sandoz Emergency Management task force in place for our associates and operations in conflict areas. Proactive management of Trade Sanctions risks and trade sanctions risk governance • Business Continuity and Emergency planning roadmap for anticipated emerging risks
6 People & organization	This risk covers 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.	• Sandoz corporate reputation strategy (including strong employer value proposition) and 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
7 Product supply & quality	This risk relates to disruptions in our supply chain that could result in either an inability to maintain continuity of product supply and/or an inability to meet evolving quality regulations.	• Long-term supply planning to ensure demand & supply alignment • Sales and Operations Planning (S&OP) process for biosimilars to ensure coordination between Sandoz Technical Operations (STO), External Supply Operations (ESO), and regions • 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 • ESO to manage and execute Master Service Agreement with former parent company
8 Legal, regulatory, ethics and compliance	These risks involve the complexities of meeting evolving regulatory requirements and maintaining compliance with laws and regulations. We also consider our ability to identify and mitigate risks arising from the conduct of third parties.	• Effective operating model in legal and compliance, aligned with required governance standards and the necessary resources and skills, to provide high-quality integrated assurance across the value chain • Robust Third-Party Risk Management (TPRM) framework and governance to manage risks, protect supply chain continuity and meet regulatory requirements • Monitor changes in law and regulatory requirements, consistently review and update risk assessments, global policies, frameworks and ways of working as needed
9 Finance	This risk covers the major threats to achieving our planned margin expansion. It also considers insufficient insurance coverage for property, business interruption and liability risks, foreign exchange risks as well as controls on fraud.	• Run structure and process improvement projects across the organization to achieve the strategic objectives and the respective planned EBITDA margin • 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.

Risks – detailed view continued

Risk

10 Expectations of customers, investors and other stakeholders

What is the risk?

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.

Examples of how are we managing the risk

- Sandoz ESG strategy in place and regularly updated to align with relevant ESG governance frameworks and regulations; and ensure focus on the areas that are most material to the financial health of the business, including access, environment, governance, and people
- Continuous gap analysis of evolving ESG and non-financial reporting regulations to mitigate potential risk of non-compliance with ESG-related disclosure requirements by identifying necessary changes in ESG reporting and performance management
- Supporting infrastructure and team of subject matter experts to achieve ESG strategic objectives

Financial Report

Performance overview

Sandoz delivered strong financial results in 2024, underpinned by continued momentum in the biosimilar business and progress in our journey as a standalone company.

NET SALES TO THIRD PARTIES
USD10.4bn
+9% in constant currencies

CORE EBITDA MARGIN
20.1%
+200 basis points

MANAGEMENT FREE CASH FLOW
USD1.1bn
+USD 1.0 billion

OPERATING INCOME
USD307m
+5% in constant currencies

CORE DILUTED EPS
USD2.71
+28% in constant currencies

CORE ROIC
12.3%
+250 basis points

The following table sets forth our key financial measures for the years ending December 31, 2024 and 2023:

(USD millions unless indicated otherwise)	2024	2023	Change in USD	Change in %	Change in cc % [1]
Net sales to third parties	**10,357**	**9,647**	**710**	**7**	**9**
EBITDA	**820**	**914**	**(94)**	**(10)**	**(1)**
Core EBITDA	**2,080**	**1,743**	**337**	**19**	**24**
Core EBITDA margin (%)	**20.1**	**18.1**			
Operating income	**307**	**375**	**(68)**	**(18)**	**5**
Core operating income	**1,821**	**1,488**	**333**	**22**	**28**
Net income	**1**	**80**	**(79)**	**(99)**	**(109)**
Core net income	**1,176**	**953**	**223**	**23**	**28**
Diluted earnings per share (USD)	**0.00**	**0.18**	**(0.18)**	**(100)**	**(110)**
Core diluted earnings per share (USD)	**2.71**	**2.20**	**0.51**	**23**	**28**
Free cash flow	**98**	**(234)**	**332**		
Management free cash flow	**1,112**	**99**	**1,013**		
Net debt	**3,329**	**3,115**	**214**		
Net debt to core EBITDA ratio	**1.6x**	**1.8x**			
Core ROIC (%)	**12.3**	**9.8**			

1 In constant currencies.

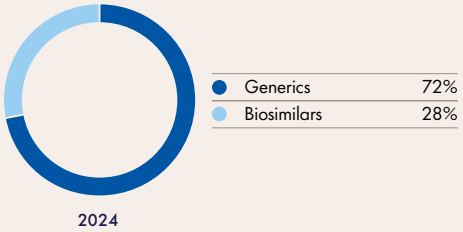
An explanation of non-IFRS measures as defined by Sandoz, including core EBITDA, core net income, core diluted earnings per share, free cash flow, management free cash flow, net debt and the reconciliation of core results can be found in the section "Supplementary financial information."

Our financial performance

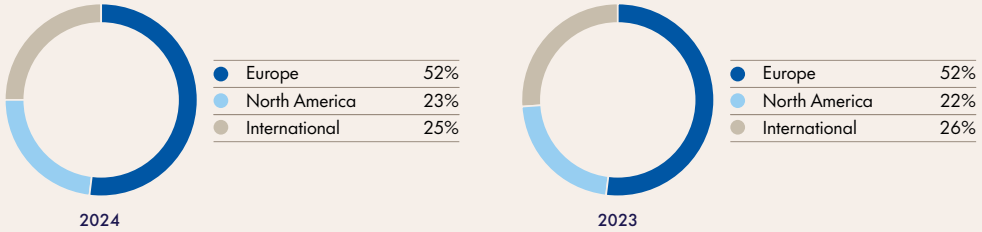
Net sales

Net sales were USD 10.4 billion, up 9% in cc (constant currencies) versus prior year. Volume contributed 10 percentage points of growth, partly offset by price erosion of one percentage point. The growth in sales primarily reflected the strong double-digit performance in biosimilars, continued demand in the base business, new launches in the US and Europe, as well as the acquisition of Cimerli® in the US.

Net sales by business



Net sales by region[1]



(USD millions unless indicated otherwise)	2024	2023	Change in %	Change in cc %
Generics	7,504	7,432	1	2
Biosimilars	2,853	2,215	29	30
Total net sales to third parties	**10,357**	**9,647**	**7**	**9**

Net sales of generics were USD 7.5 billion, up 2% in cc versus prior year. Growth in Europe accelerated in the second half of the year, mainly driven by recent launches. Strong momentum also continued in the International region, reflecting favorable pricing dynamics and demand for antifungal agent Mycamine®, partly offset by the divestment in the year of the Sandoz Chinese business. The decline in North America generics sales was due to price erosion on the mature products portfolio in the US, partly offset by new launches in the fourth quarter in the US.

Net sales of biosimilars were USD 2.9 billion, up 30% in cc versus prior year. The biosimilars share of total net sales increased from 23% in 2023 to 28% in 2024. The strong double-digit biosimilars growth reflects the uptake of Hyrimoz® in the US through the private-label agreement with Cordavis as well as the Sandoz Hyrimoz® and unbranded adalimumab-adaz. In addition, the acquisition of Cimerli®, the continued strong demand for the first-ever biosimilar, Omnitrope® (somatropin), and the launches of Tyruko® and Pyzchiva® in Europe all contributed to the strong performance.

(USD millions unless indicated otherwise)	2024	2023	Change in %	Change in cc %
Europe	5,363	5,023	7	6
North America	2,437	2,129	14	15
International	2,557	2,495	2	8
Total net sales to third parties	**10,357**	**9,647**	**7**	**9**

Net sales in Europe were USD 5.4 billion, up 6% in cc versus prior year. Strong growth in biosimilars continued, led by demand for Omnitrope® and the contribution from the recent launch of Tyruko® and Pyzchiva®. Generics momentum accelerated in the second half of the year, driven by recent launches.

Net sales in North America were USD 2.4 billion, up 15% in cc versus prior year. Growth was driven by biosimilars with the ongoing uptake of Hyrimoz® in the US, the acquisition of Cimerli®, market share gains for Omnitrope® in the US, and the launch of Wyost®/Jubbonti® in Canada. In generics, price erosion on the mature portfolio in the US was partly offset by new launches in the fourth quarter, including paclitaxel.

Net sales in International were USD 2.6 billion, up 8% in cc versus prior year. This was primarily a result of strong volume growth across both generics and biosimilars, the contribution from the acquisition of Mycamine® in the prior year, favorable price dynamics and recent launches, partly offset by the divestment of the Chinese business in the second quarter.

1 Net sales to third parties by location of customer.

Operating results

(USD millions unless indicated otherwise)	2024	2023	Change in %	Change in cc %
Gross profit	4,926	4,564	8	10
EBITDA	**820**	**914**	**(10)**	**(1)**
Operating income	**307**	**375**	**(18)**	**5**
Core gross profit	5,253	4,913	7	9
Core gross profit margin (%)	*50.7*	*50.9*		
Core EBITDA	**2,080**	**1,743**	**19**	**24**
Core EBITDA margin (%)	**20.1**	**18.1**		
Core operating income	**1,821**	**1,488**	**22**	**28**

Core gross profit amounted to USD 5.3 billion compared to USD 4.9 billion in the prior year, resulting in a core gross profit margin of 50.7% compared to 50.9% in 2023. The favorable product mix from strong double-digit biosimilars growth and operational improvements was offset by price erosion and inflation on cost of goods sold, which impacted the results in the first half of 2024.

Core EBITDA was USD 2.1 billion versus USD 1.7 billion in the prior year, resulting in a core EBITDA margin of 20.1% compared to 18.1% in 2023. The strong increase was driven by leveraging expenses from a growing topline and initial savings from our transformation program.

EBITDA was USD 820 million versus USD 914 million in the prior year. Core adjustments for EBITDA in 2024 were USD 1.3 billion compared to USD 829 million in 2023. These were mainly driven by separation costs of USD 348 million, transformation costs of USD 233 million and costs of rationalization of internal manufacturing sites of USD 78 million. In addition, adjustments for legal costs of USD 598 million were driven by the legacy US generic antitrust class action litigation.

Transformation costs are related to the Sandoz transformation program started in the first half of 2024. This multi-year program aims to simplify our organizational structure to create fit-for-purpose business operations globally. Separation costs are defined as costs incurred relating to the spin-off from the former parent. The manufacturing sites' rationalization program aims to ensure optimal capacity utilization across our internal network. From 2023 to the end of 2024, we reduced the number of internal manufacturing facilities from 18 to 15, and plan an additional closure in 2026.

Non-operating results

(USD millions unless indicated otherwise)	2024	2023	Change in %	Change in cc %
Net financial result	(318)	(245)	(30)	(41)
Income taxes	12	(50)	nm	nm
Effective tax rate (%)	*109.1*	*38.5*		
Net income	**1**	**80**	**(99)**	**(109)**
Diluted earnings per share (USD)	**0.00**	**0.18**	**(100)**	**(110)**
Core net financial result	(325)	(251)	(29)	(41)
Core income taxes	(320)	(284)	(13)	(17)
Core effective tax rate (%)	*21.4*	*23.0*		
Core net income	**1,176**	**953**	**23**	**28**
Core diluted earnings per share (USD)	**2.71**	**2.20**	**23**	**28**

nm = not meaningful

The core net financial result was an expense of USD 325 million compared to an expense of USD 251 million in 2023. The increase was primarily a result of our new standalone financing structure following the spin-off from our former parent and net currency result.

The core effective tax rate was 21.4% compared to 23.0% in the prior year, mainly driven by the geographical allocation of pre-tax income and losses.

Core net income was USD 1.2 billion, compared to USD 953 million in the prior year, mainly driven by a higher core operating income, partly offset by a higher core net financial result and core income taxes.

Core diluted earnings per share were USD 2.71, compared to USD 2.20 in the prior year. The weighted average number of shares diluted was 434.0 million in 2024 versus 431.2 million in 2023.

Cash flows

(USD millions)	2024	2023	Change in USD
Net cash flows from operating activities	656	362	294
Cash flows used for net CAPEX	(554)	(586)	32
Free cash flow	**98**	**(234)**	**332**
Management free cash flow	**1,112**	**99**	**1,013**

The Group generated net cash flows from operating activities of USD 656 million, compared with USD 362 million in the prior year. This was driven by working capital enhancements through improvements in receivables and a lower rate of increase in inventories following the spin-off from our former parent, partly offset by two deposited settlement amounts relating to US government generic pricing antitrust investigations.

Cash flows used for capital expenditures (CAPEX) were USD 554 million compared to USD 586 million in the prior year. This includes investments in our new biosimilars facility in Slovenia and new development capabilities in Slovenia and Germany, as well as separation-related investments in facilities and technology. These investments are mainly focused on meeting growing demand for our current and future biosimilars and include a new biosimilar production plant in Lendava, Slovenia, and investments in our antibiotics network in Kundl, Austria.

Free cash flow was USD 98 million compared to negative USD 234 million in the prior year. The improvement was mainly due to net cash flows from operating activities.

Management free cash flow, defined as free cash flow adjusted for one-off items, was USD 1.1 billion, a USD 1.0 billion improvement compared to USD 99 million in the prior year. The increase was mainly driven by a higher core EBITDA and improvement in net working capital.

Capital resources

Condensed consolidated balance sheet

(USD millions)	December 31, 2024	December 31, 2023	Change in USD
Property, plant and equipment	1,695	1,585	110
Intangible assets including goodwill	8,944	9,151	(207)
Inventories	2,800	2,700	100
Trade receivables	2,205	2,615	(410)
Cash and cash equivalents	1,191	1,109	82
Other current assets	1,281	736	545
Other assets	1,791	1,534	257
Total assets	**19,907**	**19,430**	**477**
Non-current financial debts	4,390	3,975	415
Current financial debts and derivative financial instruments	145	284	(139)
Trade payables	1,519	1,593	(74)
Current provisions and other current liabilities	4,075	3,160	915
Other liabilities	1,614	1,764	(150)
Total liabilities	**11,743**	**10,776**	**967**
Total equity	**8,164**	**8,654**	**(490)**

Property, plant and equipment increased by USD 110 million, as net additions relating to the investments mainly in Slovenia, Germany and Austria were partly offset by depreciation and unfavorable currency translation effects.

Intangible assets including goodwill decreased by USD 207 million, as the impact from the acquisition of Cimerli®, and additions to intangible assets were more than offset by amortization charges and unfavorable currency translation effects.

Inventories increased by USD 100 million, mainly driven by the build-up for product launches and higher sales.

Trade receivables decreased by USD 410 million, mainly driven by factoring of receivables, partly offset by the impact of higher sales.

Cash and cash equivalents increased by USD 82 million, mainly driven by net proceeds from the issuance of the senior fixed rate note and net cash flows from operating activities, partly offset by the first dividend payment of USD 215 million and the Cimerli® acquisition of USD 188 million.

Other current assets increased by USD 545 million, mainly due to the deposited settlement amount of USD 508 million relating to US government generic pricing antitrust investigations.

Non-current financial debts increased by USD 415 million, mainly as a result of the issuance of a EUR senior fixed rate note in September 2024 of EUR 600 million (USD 660 million), partly offset by favorable currency translation effects.

Current financial debts and derivative financial instruments decreased by USD 139 million mainly due to repayments of local debt facilities.

Provisions and other current liabilities increased by USD 915 million, mainly as a result of additions to provisions for restructuring, product liability, governmental investigations and other legal matters.

The Group's equity decreased by USD 490 million. Net income of USD 1 million for the year was primarily offset by the dividend payment of USD 212 million and unfavorable currency translation differences of USD 323 million.

(USD millions unless indicated otherwise)	December 31, 2024	December 31, 2023	Change in USD
Net working capital	3,486	3,722	(236)
Net debt	**3,329**	**3,115**	**214**
Net debt to core EBITDA ratio	**1.6x**	**1.8x**	
Core ROIC (%)	**12.3**	**9.8**	

As the result of the movements mentioned above, our net working capital decreased by USD 236 million.

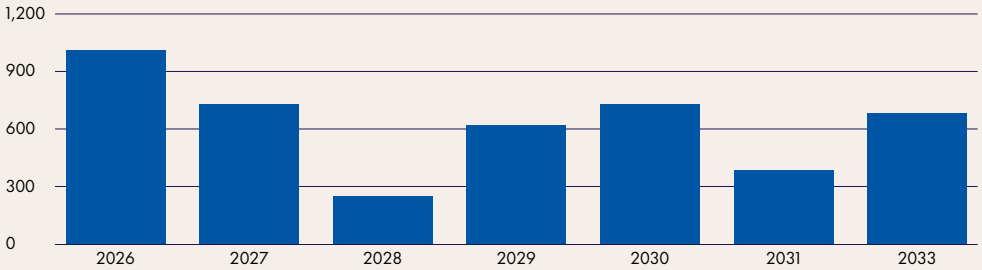
Net debt increased to USD 3.3 billion compared to USD 3.1 billion on December 31, 2023, while net debt to core EBITDA ratio decreased to 1.6x from 1.8x in 2023, reflecting the strong growth in core EBITDA in 2024.

Core ROIC was 12.3% versus 9.8% in the prior year, driven mainly by strong growth in core operating income.

Maturity profile

As of December 31, 2024, the maturity profile of our debt remained largely unchanged compared to December 31, 2023, and continues to be well-balanced with an average maturity of non-current financial debt of approximately five years and a fixed/floating rate of total financial debt of 78% and 22%, respectively. The weighted average of the interest rates on our total gross financial debt for 2024 was 5%.

Non-current financial debt 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 mix. As of December 31, 2024, 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, placing the Group in a strong position.

Shareholders' return

Sandoz is listed on the SIX Swiss Exchange under the stock symbol SDZ.

	December 31, 2024	December 31, 2023
Number of shares outstanding (in millions)	430.7	429.9
Registered share price (CHF)	37.17	27.06
Market capitalization (CHF billions)	16	12
Market capitalization (USD billions)[1]	18	14

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

In 2024, the share price of Sandoz increased by 37%, to CHF 37.17. The lowest closing price was CHF 25.48 and the highest closing price was CHF 40.62.

	2024	2023
Total shareholder return (%)[1]	39.4	9.9

1 Source: Bloomberg

In 2024, Sandoz achieved its financial targets by executing on its strategy and succeeded in creating value for shareholders, with a total shareholder return of 39.4%. A dividend of CHF 0.45 per share in respect of the 2023 financial year was approved by the Annual General Meeting on April 30, 2024.

Consolidated financial statements of the Group

Consolidated income statement

For the years ended December 31, 2024 and 2023

(USD millions unless indicated otherwise)	Note	2024	2023
Net sales to third parties	6	**10,357**	**9,647**
Sales to former parent	30	–	302
Net sales		**10,357**	**9,949**
Other revenues	6	27	30
Cost of goods sold		(5,458)	(5,415)
Gross profit		**4,926**	**4,564**
Selling, general and administration		(2,433)	(2,389)
Development and regulatory		(932)	(926)
Other income		215	94
Other expense	7	(1,469)	(968)
Operating income		**307**	**375**
Interest expense	8	(251)	(202)
Other financial income and expense	8	(67)	(43)
(Loss)/ income before taxes		**(11)**	**130**
Income taxes	9	12	(50)
Net income		**1**	**80**
Attributable to:			
Shareholders of Sandoz Group AG		*0*	*77*
Non-controlling interests		*1*	*3*
Basic earnings per share (USD)	10	0.00	0.18
Diluted earnings per share (USD)	10	0.00	0.18

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

Consolidated statement of comprehensive income

For the years ended December 31, 2024 and 2023

(USD millions)	2024	2023
Net income	**1**	**80**
Other comprehensive income		
Items that are or may be recycled into the consolidated income statement:		
Currency translation effects, net of taxes[1]	(323)	766
Cash flow hedge, net of taxes[1]	2	–
Fair value adjustments on debt securities, net of taxes[1]	–	(1)
Total of items that are or may be recycled	(321)	765
Items that will never be recycled into the consolidated income statement:		
Actuarial losses from defined benefit plans, net of taxes[2]	(10)	(30)
Total of items that will never be recycled	(10)	(30)
Total other comprehensive income	**(331)**	**735**
Total comprehensive income	**(330)**	**815**
Attributable to:		
Shareholders of Sandoz Group AG	*(331)*	*812*
Non-controlling interests	*1*	*3*

1 Taxes of USD nil (2023: USD nil)

2 Taxes of USD nil (2023: USD 6 million)

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

Consolidated balance sheet

At December 31, 2024 and 2023

(USD millions)	Note	2024	2023
Assets			
Property, plant and equipment	11	1,695	1,585
Right-of-use assets	12	293	265
Goodwill	13	7,469	7,589
Intangible assets other than goodwill	13	1,475	1,562
Deferred tax assets	14	954	716
Financial assets	15	60	41
Other non-current assets	15	160	100
Total non-current assets		**12,106**	**11,858**
Inventories	16	2,800	2,700
Trade receivables	17	2,205	2,615
Income tax receivables	18	309	321
Derivative financial instruments	19	15	35
Cash and cash equivalents	19	1,191	1,109
Other current assets	20	1,281	736
Total current assets without assets held for sale		**7,801**	**7,516**
Assets held for sale	4	–	56
Total current assets		**7,801**	**7,572**
Total assets		**19,907**	**19,430**

(USD millions)	Note	2024	2023
Liabilities			
Financial debts	22	4,390	3,975
Lease liabilities	12	276	255
Deferred tax liabilities	14	259	252
Provisions and other non-current liabilities	23	511	596
Total non-current liabilities		**5,436**	**5,078**
Trade payables		1,519	1,593
Financial debts and derivative financial instruments	24	145	284
Lease liabilities	12	58	54
Current income tax liabilities	18	510	572
Provisions and other current liabilities	25	4,075	3,160
Total current liabilities without liabilities held for sale		**6,307**	**5,663**
Liabilities held for sale	4	–	35
Total current liabilities		**6,307**	**5,698**
Total liabilities		**11,743**	**10,776**
Equity			
Share capital	21	25	24
Treasury shares	21	(1)	0
Reserves		8,139	8,621
Equity attributable to the shareholders of Sandoz Group AG		**8,163**	**8,645**
Non-controlling interests		1	9
Total equity		**8,164**	**8,654**
Total liabilities and equity		**19,907**	**19,430**

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

Consolidated statement of changes in equity

For the years ended December 31, 2024 and 2023

(USD millions)	Note	Share capital	Treasury shares	Invested capital	Reserves: Retained earnings	Reserves: Total value adjustments [2]	Equity attributable to Sandoz Group AG shareholders	Non-controlling interests	Total equity
Total invested capital at January 1, 2023		**–**	**–**	**8,920**	**–**	**(172)**	**8,748**	**12**	**8,760**
Net income/(loss)		–	–	197	(120)	–	77	3	80
Other comprehensive income		–	–	–	–	735	735	–	735
Total comprehensive income		**–**	**–**	**197**	**(120)**	**735**	**812**	**3**	**815**
Movements of financing provided by former parent	26.4	–	–	330	–	–	330	–	330
Other transactions with former parent [1]		–	–	(1,250)	–	–	(1,250)	–	(1,250)
Distribution by former parent of share capital and reserves	21	24	0	(8,186)	8,162	–	–	–	–
Equity-based compensation		–	–	–	26	–	26	–	26
Hyperinflation accounting impacts		–	–	(11)	(10)	–	(21)	–	(21)
Changes in non-controlling interests		–	–	–	–	–	–	(6)	(6)
Total of other equity movements		**24**	**0**	**(9,117)**	**8,178**	**–**	**(915)**	**(6)**	**(921)**
Total equity at December 31, 2023		**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**

1 Other transactions with former parent represents the movements in invested capital resulting from the preparation of the financial statements in accordance with the basis of presentation described in Note 2.

2 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, 2024 and 2023

(USD millions)	Note	2024	2023
Net income		**1**	**80**
Adjustments to reconcile net income to net cash flows from operating activities			
Reversal of non-cash items and other adjustments	26.1	1,609	1,474
Interest received		41	29
Interest paid		(205)	(160)
Other financial receipts		–	14
Other financial payments		(42)	(44)
Income taxes paid		(265)	(245)
Net cash flows from operating activities before net working capital and provision changes		**1,139**	**1,148**
Payments out of provisions and other net cash movements in non-current liabilities		(118)	(123)
Cash flows used for changes in net working capital and other operating items	26.2	(365)	(663)
Net cash flows from operating activities		**656**	**362**
Purchases of property, plant and equipment		(404)	(364)
Proceeds from sale of property, plant and equipment		26	34
Purchases of intangible assets		(192)	(261)
Proceeds from sale of intangible assets		16	5
Purchases of financial assets		(4)	(5)
Proceeds from sale of financial assets		1	2
Purchases of other non-current assets		(1)	(7)
Acquisitions and divestments of businesses, net	26.3	(182)	(18)
Net cash flows used in investing activities		**(740)**	**(614)**

(USD millions)	Note	2024	2023
Cash flows used in financing activities with former parent, net	26.4	–	(2,670)
Dividends paid to shareholders of Sandoz Group AG		(215)	–
Purchases of treasury shares		(12)	–
Proceeds from issuance of non-current financial debts	26.5	748	6,449
Repayments of non-current financial debts	26.5	(78)	(2,627)
Change in current financial debts	26.5	(110)	121
Payments of lease liabilities	26.5	(60)	(42)
Impact of change in ownership of consolidated entities		(30)	–
Other financing cash flows, net		(1)	11
Net cash flows from financing activities		**242**	**1,242**
Net change in cash and cash equivalents before effect of foreign currency translation		**158**	**990**
Effect of foreign currency translation		(76)	45
Net change in cash and cash equivalents		**82**	**1,035**
Cash and cash equivalents at January 1		1,109	74
Cash and cash equivalents at December 31		**1,191**	**1,109**

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

Principal currency translation rates

For the years 2024 and 2023

	Average for year			Year-end		
(USD per unit)	2024	2023	Change in %	2024	2023	Change in %
Euro (EUR)	1.082	1.082	0	1.041	1.107	(6)
Canadian dollar (CAD)	0.730	0.741	(1)	0.696	0.755	(8)
Swiss franc (CHF)	1.136	1.113	2	1.107	1.189	(7)
Polish zloty (PLN)	0.251	0.238	5	0.244	0.255	(4)
British pound (GBP)	1.278	1.243	3	1.256	1.275	(1)

Notes to the Sandoz Group consolidated financial statements

1. Description of business

Sandoz Group AG, Risch, 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.

At the Extraordinary General Meeting of Novartis AG shareholders held on September 15, 2023, Novartis AG ("Novartis Group", "Novartis" or "former parent") shareholders approved the proposed 100% spin-off of Sandoz through the distribution of a dividend in kind of Sandoz shares to Novartis shareholders, and of Sandoz American Depository Receipts (ADR) to Novartis ADR holders.

On October 4, 2023, Sandoz became an independent publicly traded company through a pro rata distribution by Novartis of 100% of the then outstanding shares of Sandoz to Novartis shareholders (the "spin-off"). Each Novartis shareholder and Novartis ADR holder received one share of Sandoz and one Sandoz ADR for every five shares of Novartis share and Novartis ADR held at the close of business on October 3, 2023, respectively. On October 4, 2023, Sandoz shares began trading under the stock symbol "SDZ" on the SIX Swiss Exchange.

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.

Following spin-off, Sandoz constitutes a legal group of consolidated companies and the financial statements are prepared on a consolidated basis. The consolidated financial statements of Sandoz comprise of consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2024 and 2023.

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.

Financial impacts reported in time periods prior to spin-off

The 2023 full year presented includes the time period up to October 4, 2023, during which period, prior to the spin-off, the business of Sandoz did not form a separate legal group of companies. Financial impacts reported during this period were presented on a standalone basis and were derived (carved out) from Novartis AG's consolidated financial statements and accounting records of the Novartis Group, that were prepared in accordance with IFRS Accounting Standards, as issued by the IASB.

IFRS Accounting Standards does not provide specific principles or guidance for the preparation of carve-out financial statements, and accordingly for the presentation of financial impacts during this period certain accounting and allocation conventions commonly used in practice for the preparation of carve-out financial statements were applied.

The financial statements prior to spin-off include the revenue, expenses, assets and liabilities within Novartis subsidiaries that are attributable to the Sandoz business and exclude the revenue, expenses, assets and liabilities within Sandoz subsidiaries not attributable to the Sandoz business.

Goodwill related to Sandoz has been included in these financial statements based on the allocation of goodwill in the Novartis Group accounts. The amount included has been adjusted using the relative fair value approach for businesses that have been retained by Novartis.

Up until the spin-off, liabilities and expenses relating to incentives in the form of Novartis AG shares that are provided to employees of Sandoz under the share award scheme of the Novartis Group have been included in the financial statements. Concurrent with the spin-off, such awards were settled in shares of Novartis, in proportion to the amount of the vesting period completed. The remaining unvested Novartis awards were replaced and restored with Sandoz awards as governed by the Sandoz equity restoration plan with terms and vesting schedules substantially similar to the replaced Novartis awards.

Effective July 1, 2023, the multi-divisional production sites were legally restructured to separate the manufacturing activities of Sandoz and Novartis. This, in some countries, also included a change in allocation of production capacities and activities between Sandoz and Novartis, resulting in a net asset transfer from Sandoz to Novartis and the implementation of supply agreements between the two businesses.

For the period in 2023 prior to the spin-off, income taxes attributable to the Sandoz business were determined using the separate tax return approach, under which current income taxes, including uncertain tax positions, and deferred income taxes are calculated as if a separate tax return had been prepared in each tax jurisdiction. In various tax jurisdictions, Sandoz and Novartis businesses operated within the same legal entity prior to the spin-off and certain Sandoz subsidiaries were part of a Novartis tax group. This required an assumption that the subsidiaries and operations of Sandoz in those tax jurisdictions operated on a standalone basis and constituted separate taxable entities. Actual outcomes and results could differ from these separate tax return estimates, including those estimates and assumptions related to the realization of tax benefits within these Novartis tax groups. The surviving legal entity approach has been used for the uncertain tax positions in the financial statements prior to spin-off.

The invested capital of Sandoz in the financial statements prior to spin-off represents the excess of total assets over total liabilities. As the Sandoz business did not constitute a separate group of legal entities, invested capital is presented with no separate presentation of share capital. In addition to the items described above, invested capital was impacted by the following:

- Currency translation adjustments of Sandoz legal entities were included in the financial statements. For Sandoz business operating within Novartis Group legal entities, over which Sandoz has control, currency translations were allocated between the Sandoz business and the Novartis business by applying allocation keys based on net assets of each respective business, and the portion allocated to the Sandoz business included in the financial statements.
- Other transactions with Novartis Group as shown on the statements of changes in invested capital represents the movements in invested capital resulting from the preparation of the financial statements in accordance with the basis of presentation described in this Note 2.
- Movements of financing provided to Novartis Group as shown on the statement of changes in invested capital and on the cash flow statement primarily represent the net contributions from Sandoz to Novartis Group.
- Certain loans from Novartis Group were excluded liabilities as they were equity loans in nature or were subject to an equity recapitalization and were recognized directly in invested capital.
- Dividend and other equity transactions between Sandoz and Novartis Group were recognized directly in invested capital.

Upon spin-off, Sandoz invested capital has been allocated to share capital, and retained earnings to constitute the equity of the Group.

Prior to the spin-off, the financial statements include charges and allocation of expenses related to certain Novartis business support functions and Novartis corporate general and administration functions. Sandoz considers the charges and allocation methodology and results to be reasonable. However, the charges and allocations may not be indicative of the actual expense that would have been incurred had Sandoz operated as an independent, publicly traded company for the periods prior to the spin-off. The following is a brief description of the nature of these charges and allocations:

- Human resources operations, real estate and facility services, including site security and executive protection, procurement, information technology, commercial and medical support services and financial reporting and accounting operations.
- Areas of corporate governance, including board of directors, corporate responsibility and other corporate functions, such as tax, corporate governance and listed company compliance, investor relations, internal audit, treasury, communications functions and the net interest on the net defined benefit liability that were not charged or allocated to the Sandoz business in the past.

Following the spin-off, the consolidated financial statements no longer include any allocations from Novartis.

Agreements entered between Sandoz and Novartis in connection with the spin-off govern the relationship between the parties following the spin-off and provide for the allocation of various assets, liabilities, rights and obligations. These agreements also include arrangements for transition services to be provided on a temporary basis between the parties.

Where the legal completion of local transfer of assets and liabilities from the former parent has been delayed, Transitional Distribution Services Agreements (TDSA) were put in place between Sandoz and Novartis to ensure continuity of trade. Such agreements also govern economic benefits that are transferred between the parties and will accrue to the party in control of the trade. Such benefits to be received or paid by Sandoz are included in "Other current assets" and "Provisions and other current liabilities", respectively. In cases where Novartis is providing such services, but the Group remains the principal in the trade, the relevant sales, profits, related assets and liabilities have been recognized in the results. Alternatively, where the Group is performing activities on behalf of the former parent as agent, the relevant sales, profits, related assets and liabilities have not been recognized in the results. Such activities are of a temporary nature and result from the spin-off.

As from spin-off date, Novartis is considered a third party to all transactions with Sandoz.

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. This reflects the fact that the cash flows and transactions of these entities are primarily denominated in this currency.

For subsidiaries not operating in hyperinflationary economies, the subsidiary's results, financial position and cash flows that do not have USD as their functional currency are translated into USD using the following exchange rates:

- Income, expense and cash flows for each month using the average exchange rate, with the US dollar values for each month being aggregated during the year
- Balance sheet using year-end exchange rates
- Resulting exchange rate differences are recognized in other comprehensive income

For subsidiaries operating in hyperinflationary economies, the impact of the restatement of the non-monetary assets and liabilities with the general price index at the beginning of the period is recorded in retained earnings in equity. The subsequent gains or losses 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.

Non-current assets held for sale or held for distribution to owners

Non-current assets are accounted for as assets held for sale or as related to discontinued operations when their carrying amount is to be recovered principally through a sale transaction or distribution to owners and a sale or distribution to owners is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and any resulting impairment is recognized. Assets of a disposal group held for sale are not depreciated or amortized. The prior year consolidated balance sheet is not restated.

If in a subsequent period, the criteria for classification as held for sale are no longer met, the recoverable amount of assets and liabilities are reclassified out of assets held for sale into the respective balance sheet lines and the prior year consolidated balance sheet is not restated. The cumulative amount of depreciation and amortization not recorded since the date of their classification as assets held for sale, and any required adjustments to the recoverable amounts of assets are recognized in the consolidated income statement.

Acquisition of assets and businesses

Assets separately acquired are recorded at cost, which includes the purchase price and any directly attributable costs for bringing the asset into the condition to operate as intended. Expected costs for obligations to dismantle and remove property, plant and equipment and restore the site when it is no longer used are included in their cost.

Acquired businesses are accounted for by applying the acquisition method unless the optional concentration test is applied. The optional concentration test allows for an election on a transaction-by-transaction basis to account for the acquired business as an asset separately acquired when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The acquisition method requires that the assets acquired and liabilities assumed be recorded at their respective fair values on the date the 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 generic 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. Options are valued based on a modified Black-Scholes model using volatility and exercise prices as major observable 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 effected. 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 to third parties" 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 health systems, pharmacy benefit managers, managed healthcare organizations, purchasing organizations and other direct and indirect customers, as well as chargebacks are provisioned and recorded as revenue deductions at the time the related revenues are recorded, or when the incentives are offered. These rebates and discounts, applied using provision rates, are estimated based on the terms and conditions in the individual states, plans and customer agreements, historical experience, product sales and growth rate, population growth, product pricing including inflation impacts, the mix of contracts and products, the level of inventory in the distribution channel, regulations, contracts, channels and payers, as appropriate to the individual rebate and discount arrangements.
- Cash discounts are offered to customers to encourage prompt payment and are provisioned and recorded as revenue deductions at the time the related sales are recorded.
- Shelf stock adjustments are generally granted to customers to cover the inventory held by them at the time a price decline becomes effective. Revenue deduction provisions for shelf stock adjustments are recorded when the price decline is anticipated, based on the impact of the price decline on the customer's estimated inventory levels.
- Sales returns provisions are recognized and recorded as revenue deductions when there is historical experience of the 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 to third parties and provisions for revenue deductions are adjusted periodically to reflect experience and to reflect actual amounts as rebates, refunds, discounts and returns are processed. There is often a time lag between recording of revenue deductions and the final accounting for them. The provision represents estimates of the related obligations, requiring the use of judgment when estimating the effect of these revenue deductions. 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 royalties and milestones. Royalty income is generated from the out-licensing of intellectual property when Sandoz retains an interest in the intellectual property through a license. Royalty income earned from a license is recognized when the underlying sales have occurred. Milestone income is recognized at the point in time when it is highly probable that the relevant milestone event criteria are met, and the risk of reversal of revenue recognition is remote. "Other revenue" also includes revenue from profit-sharing and activities such as manufacturing or other services rendered, to the extent such revenue is not recorded under net sales to third parties and is recognized when control transfers to the third party and our performance obligations are satisfied.

Development 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.

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 2024

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures

The Group has evaluated its existing structured payable arrangements for the recently issued qualitative and quantitative disclosure requirements of supplier finance arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures effective for annual periods beginning January 1, 2024. The amendments had no material impact on the Group's consolidated financial statements. Required disclosures in line with the amendment are included in the Notes to the consolidated financial statements.

There are no other new IFRS Accounting Standards, amendments or interpretations that became effective in 2024 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 2024 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 (i.e. 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 currently working to identify all impacts the new standard will have on the consolidated financial statements and notes to the 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 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 of the Group amounted to USD 115 million. The results of operations were not material.

Significant transactions in 2023

Completion of spin-off from Novartis

The spin-off was effected on October 4, 2023 as described in Note 1. Prior to the spin-off, on September 28, 2023, Sandoz borrowed USD 3.3 billion against a bridge facility (USD 2.6 billion) and term loans (USD 0.8 billion) in USD and EUR currencies and secured a revolving credit facility of USD 1.25 billion. The open financial receivables and liabilities positions with the former parent were settled through this third-party financing.

On November 17, 2023, Sandoz refinanced the USD 2.6 billion bridge facility through the issuance of CHF and EUR senior fixed rate notes. These notes consisted of CHF notes for an aggregate total of CHF 0.8 billion issued by Sandoz Group AG with maturities in 2026 to 2031 and EUR notes of an aggregate total of EUR 2.0 billion issued by Sandoz Finance B.V. with maturities ranging from 2027 to 2033. The total notional amount of the CHF and EUR notes was USD 3.0 billion, and the remaining net proceeds are retained for general corporate purposes.

Development and commercialization agreement with Samsung Bioepis

On September 11, 2023, Sandoz entered into a development and commercialization agreement with Samsung Bioepis. The agreement provides Sandoz with the exclusive rights to commercialize biosimilar ustekinumab in Europe and North America. The total consideration payable by Sandoz amounts to USD 125 million which includes USD 45 million of upfront payment that was paid in 2023 and up to USD 80 million potential payments subject to regulatory and commercialization milestones.

Legal restructuring of multi-divisional production sites

Effective July 1, 2023, the multi-divisional production sites were legally restructured to separate the manufacturing activities of Sandoz and Novartis, resulting in a net asset transfer from Sandoz to Novartis and the implementation of supply agreements between the two businesses.

The financial statements until June 30, 2023 included the net assets of these multi-divisional production sites based on a major user concept, reflecting the economic usage in the period.

This restructuring resulted in a reduction of Sandoz total assets and total liabilities and invested capital of USD 350 million. The reduction in total assets comprised a net decrease in property, plant and equipment of USD 487 million made up of a transfer from Sandoz of USD 6 million and a distribution out of USD 482 million, right-of-use assets increased by USD 88 million, other financial assets increased by USD 6 million, inventories increased by a net USD 50 million which comprised USD 110 million being transferred from Novartis and USD 60 million being transferred out, other current assets of USD 7 million were also transferred out. The reduction to total invested capital and liabilities comprised a reduction of USD 601 million to invested capital, an increase of USD 121 million to lease liabilities (USD 7 million short-term) and USD 130 million payables to Novartis.

In preparation of this site restructuring, assets held by Sandoz on June 30, 2023 and transferred to Novartis on July 1, 2023, were reclassified as assets held for distribution to shareholders as at June 30, 2023 in accordance with IFRS 5 as this was the date that the criteria for reclassification were met. The disposal group, assets classified as held for distribution to shareholders, consisted of the following:

(USD millions)	June 30, 2023
Assets held for distribution to shareholders	
Property, plant and equipment	482
Inventories	60
Other current assets	7
Total	**549**

There were no cumulative income or expenses included in the income statement or statement of other comprehensive income relating to the disposal group.

Mycamine® product rights acquisition

On January 23, 2023, Sandoz entered into an asset purchase agreement with Astellas Pharma Inc. to acquire worldwide product rights for systemic antifungal agent Mycamine®. The transaction closed on August 28, 2023. Under the terms of the agreement Sandoz made an upfront payment of USD 64 million on closing and will pay potential sales-based milestone payments totaling USD 35 million as these become due. The transaction was accounted for as asset purchase upon closing.

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 to third parties by business information

(USD millions)	2024	2023
Generics	7,504	7,432
Biosimilars	2,853	2,215
Total net sales to third parties	**10,357**	**9,647**

Geographic information

The following table shows countries that accounted for more than 10% of at least one of net sales to third parties or total of selected non-current assets as well as the net sales to third parties by region for the years ended December 31, 2024 and 2023:

	Net sales to third parties[1]				Total of selected non-current assets[2]			
(USD millions)	2024	%	2023	%	2024	%	2023	%
Country								
Switzerland	441	4	363	4	1,752	16	1,805	16
United States	1,893	18	1,617	17	3,617	33	3,510	32
Germany	1,310	13	1,240	13	2,144	19	2,225	20
Other	6,713	65	6,427	66	3,559	32	3,543	32
Total Sandoz	**10,357**	**100**	**9,647**	**100**	**11,072**	**100**	**11,083**	**100**
Region								
Europe	5,363	52	5,023	52				
North America	2,437	23	2,129	22				
International	2,557	25	2,495	26				
Total Sandoz	**10,357**	**100**	**9,647**	**100**				

1 Net sales to third parties 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, 2024 and 2023, one customer accounted for more than 10% of net sales to third parties and represented 11% (2023: 12%) of total Sandoz net sales to third parties.

Other revenues

(USD millions)	2024	2023
Royalty income	16	18
Milestone income	1	4
Other[1]	10	8
Total other revenues	**27**	**30**

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 1.5 billion in 2024 compared to USD 1.0 billion in the previous year. The increase versus prior year is mainly driven by higher separation costs and restructuring expenses in the current year. Legal provisions and related costs remained in line with prior year. 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)	2024	2023
Interest expense[1]	(231)	(190)
Interest expense on lease liabilities	(15)	(8)
Expense arising from discounting long-term liabilities	(6)	(7)
Capitalized borrowing costs[2]	1	3
Total interest expense	**(251)**	**(202)**

1 In 2023, interest expense includes expenses incurred on financing facilities, of which bridge facility, term loans and notes, and financial liabilities from former parent. For further information on interest expense of the Group from former parent, see Note 30.

2 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)	2024	2023
Interest income[1]	43	31
Monetary gain/(loss) from hyperinflation accounting	4	(10)
Financial expense	(22)	(3)
Currency result, net	(92)	(61)
Total other financial income and expense	**(67)**	**(43)**

1 In 2023, interest income includes interest of the Group from former parent, see Note 30.

9. Income taxes

The significant components of income tax expense are as follows:

(USD millions)	2024	2023
Current income tax expense	(222)	(93)
Deferred tax income	234	43
Income tax benefit/(expense)	**12**	**(50)**

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. In 2024 the Group is reporting a pre-tax loss driven by the US generic antitrust class action litigation. Isolating the impact of this one-timer, 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:

	2024 (USD millions)	2024 (%)[1]	2023 (USD millions)	2023 (%)
Applicable tax charge/rate	**2**	**22.0**	**(47)**	**36.2**
Effect of taxes on non-deductible expenses[2]	(60)	nm	(29)	22.3
Effect of tax-exempt income	9	nm	2	(1.5)
Effect of tax incentives	23	nm	18	(13.8)
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	1	nm	11	(8.5)
Effect of tax rate change on current and deferred tax assets and liabilities	13	nm	–	–
Effect of changes in estimates related to prior years	21	nm	1	(0.8)
Effect of Global minimum tax	(5)	nm	–	–
Effect of other items	9	nm	(6)	4.6
Effective tax charge/rate	**12**	**109.1**	**(50)**	**38.5**

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 loss position of the Group and therefore only the full amount is shown.

2 The increase in non-deductible expenses versus prior year is mainly driven by the partial non-deductibility of the provision recognized for the US generic antitrust class action litigation.

nm = not meaningful

The utilization of tax-loss carry-forwards lowered the tax charge by USD 19 million in 2024 and by USD 0.6 million in 2023.

The Group became subject to the Global minimum top-up tax under Pillar Two tax legislation from January 1, 2024 and is liable for additional current taxes in relation to its operations in Slovenia, Ireland and Turkey. Pillar Two laws were enacted and in force in FY 2024 in various jurisdictions in which the Group operates, including Switzerland that in December 2023 partially implemented Pillar Two, whereby effective from January 1, 2024, a 15% minimum taxation will be assessed on Pillar Two qualifying profits earned by companies domiciled in Switzerland (Qualified Domestic Minimum Top-Up Tax). 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. The Federal Council of Switzerland issued a decision to introduce Pillar Two Income Inclusion Rule with effect from January 1, 2025. The Group estimates that the impact of these changes to tax legislation would not be material to our consolidated financial position, income statement and cash flows.

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, 2024, the weighted average number of shares outstanding was 430.2 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, using the treasury share method.

For the year ended December 31, 2024, the weighted average number of dilutive shares outstanding was 3.8 million, which includes the potential conversion of 5.7 million unvested equity-based awards. There were 0.1 million anti-dilutive shares excluded from the computation of diluted EPS for the period.

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.

	2024	2023
Net income attributable to shareholders of Sandoz Group AG (USD millions)	**0**	**77**
Number of shares (in millions)		
Weighted average number of shares outstanding used in basic earnings per share	430.2	429.9
Adjustment for vesting of Restricted Stock, Restricted Stock Units and Performance-based Restricted Stock Units	3.8	1.3
Weighted average number of shares in diluted earnings per share	**434.0**	**431.2**
Basic earnings per share (USD)	0.00	0.18
Diluted earnings per share (USD)	0.00	0.18

11. Property, plant and equipment

The following table summarizes the movements of property, plant and equipment during 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.

The following table summarizes the movements of property, plant and equipment during 2023:

(USD millions)	Land	Buildings	Construction in progress	Machinery and other equipment	Total
At January 1, 2023					
Cost	99	1,403	381	3,084	4,967
Accumulated depreciation and impairment	(1)	(791)	(29)	(2,355)	(3,176)
Net book value	**98**	**612**	**352**	**729**	**1,791**
At January 1, 2023	**98**	**612**	**352**	**729**	**1,791**
Transfer to assets held for sale	–	(1)	–	–	(1)
Transfers with former parent[1]	(46)	(189)	(72)	(140)	(447)
Reclassifications[2]	–	40	(157)	117	–
Additions	10	19	279	61	369
Disposals and derecognitions	–	–	–	(9)	(9)
Depreciation charge	–	(44)	–	(145)	(189)
Impairment charge	–	–	(4)	(2)	(6)
Reversal of impairment charge	–	1	1	–	2
Currency translation effects	5	22	16	32	75
At December 31, 2023	**67**	**460**	**415**	**643**	**1,585**
At December 31, 2023					
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**
Commitments for purchases of property, plant and equipment[3]					197
Capitalized borrowing costs					3

1 Transfers with former parent are transfers of assets between the Group and the former parent in the ordinary course of business and accounted for at the IFRS carrying value of the respective asset. Of the total net transfers, USD 482 million relates to the legal restructuring of multi-divisional production sites. See Note 4.

2 Reclassifications between various asset categories due to completion of buildings, machinery and other equipment under construction.

3 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)	2024	2023
At January 1	**265**	**113**
Additions[1]	122	215
Depreciation charge	(65)	(49)
Impairment charge	–	(9)
Reversal of impairment charge	2	–
Lease contract terminations[2]	(11)	(9)
Currency translation effects	(20)	4
At December 31	**293**	**265**

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.

In 2023, of the total additions, USD 88 million relates to the legal restructuring of multi-divisional production sites. See Note 4.

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, 2024 and 2023, and the depreciation charge for the years 2024 and 2023, by underlying class of asset:

(USD millions)	December 31, 2024 carrying value	Depreciation charge 2024	December 31, 2023 carrying value	Depreciation charge 2023
Land	15	–	2	–
Buildings	204	37	196	28
Vehicles	37	20	28	16
Machinery and equipment, and other assets	37	8	39	5
Total right-of-use assets	**293**	**65**	**265**	**49**

The following table shows the lease liabilities by maturity at December 31, 2024 and 2023:

(USD millions)	Lease liabilities 2024	Lease liabilities undiscounted 2024	Lease liabilities 2023	Lease liabilities undiscounted 2023
Less than one year	58	71	54	63
Between one and two years	50	62	45	54
Between two and three years	37	45	39	46
Between three and four years	24	31	29	35
Between four and five years	15	22	19	24
After five years	150	256	123	209
Total lease liabilities	**334**	**487**	**309**	**431**
Less current portion of lease liabilities	(58)	(71)	(54)	(63)
Non-current portion of lease liabilities	**276**	**416**	**255**	**368**
Commitments for leases not yet commenced		**4**		**–**

At December 31, 2024 and 2023, there were no material future cash outflows, including extension options, excluded from the measurement of lease liabilities. In 2024 and 2023, there were no material sale-and-leaseback transactions. In 2023, as a result of the legal restructuring of multi-divisional production sites, the lease liabilities increased by USD 121 million, see Note 4.

Non-enforceable extension options of up to 20 years have not been included within the measurement of our leases for December 31, 2024 and 2023. The undiscounted cash flows of such extension options, based upon current contractual terms, are USD 137 million.

The following table provides additional disclosures related to right-of-use assets and lease liabilities for 2024 and 2023:

(USD millions)	2024	2023
Interest expense on lease liabilities[1]	15	8
Total cash outflows for leases	75	50
Thereof:		
Payments of interest[2]	15	8
Payments of lease liabilities	60	42

1 The average interest rate is 4.7% (2023: 3.7%).

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 2024:

	Goodwill	Intangible assets other than goodwill				
(USD millions)	Total	In-process research and development	Technologies	Currently marketed products	Other intangible assets	Total
At January 1, 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 and products are launched.

The following table summarizes the movements of goodwill and intangible assets in 2023:

	Goodwill	Intangible assets other than goodwill				
(USD millions)	Total	In-process research and development	Technologies	Currently marketed products	Other intangible assets	Total
At January 1, 2023						
Cost	7,682	302	1,001	7,915	278	9,496
Accumulated amortization and impairment	(245)	(67)	(894)	(6,893)	(188)	(8,042)
Net book value	**7,437**	**235**	**107**	**1,022**	**90**	**1,454**
At January 1, 2023	**7,437**	**235**	**107**	**1,022**	**90**	**1,454**
Transfer to assets held for sale[1]	(23)	–	–	(1)	–	(1)
Reclassifications[2]	–	(97)	–	97	–	–
Additions	–	66	4	126	64	260
Amortization charge	–	–	(31)	(179)	(20)	(230)
Impairment charge[3]	–	(10)	–	(34)	–	(44)
Currency translation effects	175	20	3	89	11	123
At December 31, 2023	**7,589**	**214**	**83**	**1,120**	**145**	**1,562**
At December 31, 2023						
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**

1 Transfer to assets held for sale relates to the China business divestment and portfolio agreement. See Note 4.

2 Reclassification between in-process research and development and currently marketed products as a result of product launches of acquired in-process research and development.

3 Includes an impairment of USD 34 million related to currently marketed products in Japan and USD 10 million related to in-licensing deals.

As at December 31, 2024, 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). As at December 31, 2024, the carrying value and remaining amortization period for the Cephalosporin portfolio is USD 208 million and seven years, respectively (2023: USD 265 million and eight years), for the mature oncology portfolio is USD 183 million and four years, respectively (2023: USD 258 million and five years) and for the biosimilar ustekinumab asset is USD 99 million and ten years, respectively (this asset was not included in this category in 2023).

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:

	2024	2023
Terminal growth rate	1.0%	1.0%
Discount rate (post-tax)	7.2%	8.0%

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

(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**

(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, 2023	27	43	36	321	13	326	766
Gross deferred tax liabilities at January 1, 2023	(83)	(161)	–	(9)	–	(86)	(339)
Net deferred tax balance at January 1, 2023	**(56)**	**(118)**	**36**	**312**	**13**	**240**	**427**
At January 1, 2023	**(56)**	**(118)**	**36**	**312**	**13**	**240**	**427**
Credited/(charged) to income	(5)	9	5	(1)	24	11	43
Charged/(credited) to equity	26	(5)	(12)	(2)	3	(5)	5
Credited to other comprehensive income	5	–	6	–	–	3	14
Other movements	(4)	(8)	1	–	(1)	(13)	(25)
Net deferred tax balance at December 31, 2023	**(34)**	**(122)**	**36**	**309**	**39**	**236**	**464**
Gross deferred tax assets at December 31, 2023	28	69	36	334	39	366	872
Gross deferred tax liabilities at December 31, 2023	(62)	(191)	–	(25)	–	(130)	(408)
Net deferred tax balance at December 31, 2023	**(34)**	**(122)**	**36**	**309**	**39**	**236**	**464**
After offsetting the following amount of deferred tax assets and liabilities within the same tax jurisdiction, the balance amounts to:							157
Deferred tax assets at December 31, 2023							716
Deferred tax liabilities at December 31, 2023							(252)
Net deferred tax balance at December 31, 2023							**464**

A deferred tax liability in the amount of USD 9 million has been 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 417 million in 2024 (2023: USD 444 million).

The Sandoz US subsidiaries net deferred tax assets amounted to USD 438 million at December 31, 2024 (2023: USD 226 million). Management assessed the available positive and negative evidence, including, among others, (i) cumulative loss incurred over the three-year period ended December 31, 2024 (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 (Hyrimoz® and paclitaxel), (v) the expected transition in the next few years of the US subsidiaries operational business model into a limited risk distributor model that will provide a stable profit on sales and (vi) the fact that under the US tax legislation losses can be carried forward indefinitely. 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, 2024 net deferred tax asset of USD 438 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:

	2024			2023		
(USD millions)	Unrecognized	Recognized	Total 2024	Unrecognized	Recognized	Total 2023
One year	10	–	10	7	–	7
Two years	14	–	14	10	–	10
Three years	23	–	23	14	–	14
Four years	8	–	8	23	–	23
Five years[1]	1,971	–	1,971	20	–	20
More than five years	319	360	679	414	320	734
Not subject to expiry[2]	76	553	629	67	57	124
Total	**2,421**	**913**	**3,334**	**555**	**377**	**932**

1 The increase in the 2024 balance of unrecognized tax-loss carry-forwards versus prior year is mainly due to the impact of losses generated by the expected closure of a subsidiary in the US.

2 The balance of recognized tax-loss carry-forward versus prior year is impacted by the US generic antitrust class action litigation.

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)	2024	2023
Debt securities and long-term derivative assets	24	21
Other long-term receivables	16	6
Contingent consideration receivables	9	–
Long-term loans, advances and security deposits	11	14
Total financial assets	**60**	**41**

Other non-current assets

(USD millions)	2024	2023
Deferred compensation plans	19	16
Prepaid post-employment benefit plans[1]	1	2
Other non-current assets[2]	140	82
Total other non-current assets	**160**	**100**

1 Note 28 provides additional disclosures related to post-employment benefits.

2 Other non-current assets include a prepayment of USD 58 million related to the collaboration agreement with Just Evotec Biologics, Inc. (2023: USD 41 million).

16. Inventories

(USD millions)	2024	2023
Raw material, consumables	192	209
Work in progress	972	988
Finished products	1,959	1,864
Inventory provisions	(323)	(361)
Total inventories, net	**2,800**	**2,700**

Inventories expensed through "Cost of goods sold" amounted to USD 4.8 billion (2023: USD 4.8 billion). Inventory write-down provisions during the year amounted to an expense of USD 311 million (2023: USD 318 million) and reversals of write-down provisions amounted to an income of USD 63 million (2023: USD 65 million). Both are included in "Cost of goods sold".

17. Trade receivables

(USD millions)	2024	2023
Total gross trade receivables[1]	2,226	2,640
Provisions for doubtful trade receivables	(21)	(25)
Total trade receivables, net	**2,205**	**2,615**

1 The decrease in trade receivables at December 31, 2024 versus prior year is mainly driven by the implementation of factoring arrangements.

The following table summarizes the movement in the provisions for doubtful trade receivables:

(USD millions)	2024	2023
At January 1	**(25)**	**(16)**
Provisions for doubtful trade receivables charged to the consolidated income statement	(20)	(21)
Utilization of provisions for doubtful trade receivables	1	2
Reversal of provisions for doubtful trade receivables credited to the consolidated income statement	20	11
Currency translation effects	3	(1)
At December 31	**(21)**	**(25)**

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)	2024	2023
Not overdue	2,048	2,426
Past due for not more than one month	90	109
Past due for more than one month but less than three months	28	46
Past due for more than three months but less than six months	20	32
Past due for more than six months but less than one year	16	19
Past due for more than one year	24	8
Provisions for doubtful trade receivables	(21)	(25)
Total trade receivables, net	**2,205**	**2,615**

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, 2024, 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)	2024	2023
US dollar (USD)	665	978
Euro (EUR)	599	681
Canadian dollar (CAD)	80	93
Russian ruble (RUB)	78	88
Brazilian real (BRL)	74	68
Polish zloty (PLN)	73	70
Romanian leu (RON)	65	50
British pound (GBP)	58	58
Swiss franc (CHF)	56	74
Australian dollar (AUD)	45	81
Other currencies	412	374
Total trade receivables, net	**2,205**	**2,615**

18. Income tax receivables and current income tax liabilities

Income tax receivables of USD 309 million and current income tax liabilities of USD 510 million at December 31, 2024 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)	2024	2023
Derivative financial instruments	15	35
Total derivative financial instruments	**15**	**35**

Cash and cash equivalents

(USD millions)	2024	2023
Current accounts	688	560
Time deposits and short-term investments with original maturity less than 90 days	503	549
Total cash and cash equivalents	**1,191**	**1,109**

20. Other current assets

(USD millions)	2024	2023
VAT receivables	113	182
Withholding tax recoverable	6	2
Prepaid expenses	221	135
Contingent consideration receivables	1	–
Other receivables and current assets[1]	940	417
Total other current assets	**1,281**	**736**

1 The increase in other receivables and current assets at December 31, 2024 versus prior year is mainly driven by two deposited settlement amounts of USD 233 million and USD 275 million, related to the government generic pricing antitrust investigations, antitrust class actions in the United States (see Note 23 for further details). At December 31, 2023, other receivables and current assets included the deposited settlement amount of USD 99.5 million related to the opioid litigations in the United States (see Note 23 for further details) and various receivables from Novartis related to the separation agreements.

21. Equity

The following table shows the movement in the share capital:

(USD millions)	January 1, 2023	Movement in the year	December 31, 2023	Movement in the year	December 31, 2024
Share capital[1]	–	24.0	24.0	1.0	25.0
Treasury shares	–	(0.1)	(0.1)	(1.0)	(1.1)
Outstanding share capital	**–**	**23.9**	**23.9**	**–**	**23.9**

1 On October 4, 2023, the date of the spin-off, 431.0 million shares of the Group's common stock were distributed to Novartis shareholders and Novartis ADR holders. As of the date of the spin-off, the Novartis investment in the Novartis AG Sandoz business was redesignated as Sandoz shareholders' equity and was allocated between share capital, treasury shares and reserves.

At December 31, 2024, the authorised 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 (2023: 431.0 million shares) with a nominal value of CHF 0.05 each. A capital band with an upper limit of CHF 22.6 million exists, corresponding to 452.6 million registered shares with a nominal value of CHF 0.05 each. No conditional capital exists at December 31, 2024.

The following table shows the movement in the shares:

	2024			2023		
Number of outstanding shares (in millions)	Total Sandoz shares	Total treasury shares	Total outstanding shares	Total Sandoz shares	Total treasury shares	Total outstanding shares
At January 1	**431.0**	**(1.1)**	**429.9**	**–**	**–**	**–**
Distribution by former parent of share capital	–	–	–	431.0	–	431.0
Distribution by former parent of treasury shares	–	–	–	–	(1.1)	(1.1)
Share capital increase	9.0	(9.0)	–	–	–	–
Purchases of treasury shares	–	(0.4)	(0.4)	–	–	–
Equity-based compensation	–	1.2	1.2	–	–	–
Total movements	**9.0**	**(8.2)**	**0.8**	**431.0**	**(1.1)**	**429.9**
At December 31	**440.0**	**(9.3)**	**430.7**	**431.0**	**(1.1)**	**429.9**

21.1 On April 30, 2024, the Annual General Meeting approved the distribution of a dividend of CHF 0.45 per share in respect of the 2023 financial year. The distribution to holders of outstanding shares totaled 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 The 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 2024, net cumulative currency translation losses of USD 4 million were recycled through the income statement as a result of the divestment and liquidation of subsidiaries (2023: nil).

22. Non-current financial debts

(USD millions)	2024	2023
Notes	3,521	3,090
Liabilities to banks and other financial institutions	869	885
Revolving credit facility	–	–
Total non-current financial debts	**4,390**	**3,975**

All notes 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 note 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 78% at December 31, 2024 (2023: 73%). The weighted average interest rate on total non-current financial debts in 2024 was 4.2% (2023: 3.9%). Note 32 contains a maturity table of the Group's future contractual interest payment commitments. The revolving credit facility of USD 1.25 billion remained undrawn as of December 31, 2024 and 2023.

The Group has obtained an uncommitted guarantee facility from a bank in the amount of CHF 50 million as of December 31, 2024 (2023: CHF 50 million).

The following table provides a breakdown of notes:

Coupon	Currency	Notional amount (millions)	Issuance year	Maturity year	Issuer	Issue price	2024 (USD millions)	2023 (USD millions)
2.125%	CHF	400	2023	2026	Sandoz Group AG, Switzerland	100.014%	442	473
2.600%	CHF	350	2023	2031	Sandoz Group AG, Switzerland	100.125%	386	415
3.970%	EUR	700	2023	2027	Sandoz Finance B.V., Netherlands	99.990%	726	771
4.220%	EUR	700	2023	2030	Sandoz Finance B.V., Netherlands	99.966%	726	771
4.500%	EUR	600	2023	2033	Sandoz Finance B.V., Netherlands	99.945%	622	660
3.250%	EUR	600	2024	2029	Sandoz Finance B.V., Netherlands	99.461%	619	–
Total notes							**3,521**	**3,090**

The following tables provide a breakdown of total non-current financial debts by maturity and currency:

Breakdown by maturity

(USD millions)	2024	2023
2026	1,005	1,068
2027	726	792
2028	249	269
2029	619	–
After 2029	1,791	1,846
Total non-current financial debts	**4,390**	**3,975**

Breakdown by currency

(USD millions)	2024	2023
Euro (EUR)	2,999	2,467
Swiss franc (CHF)	828	888
US dollar (USD)	499	499
Others	64	121
Total non-current financial debts	**4,390**	**3,975**

The following table shows the comparison of balance sheet carrying value and fair value of notes:

(USD millions)	2024 Carrying amount	2024 Fair value	2023 Carrying amount	2023 Fair value
Notes	3,521	3,695	3,090	3,226
Total notes	**3,521**	**3,695**	**3,090**	**3,226**

The fair values of notes 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)	2024	2023
Accrued liability for employee benefits:		
Defined benefit pension plans[1]	186	189
Other long-term employee benefits and deferred compensation	66	54
Other post-employment benefits[1]	18	17
Environmental remediation provisions	47	50
Provisions for product liabilities, governmental investigations and other legal matters[2]	69	132
Contingent consideration	40	93
Other non-current liabilities	85	61
Total provisions and other non-current liabilities	**511**	**596**

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)	2024	2023
At January 1	**54**	**53**
Cash payments	–	(1)
Currency translation effects	(3)	2
At December 31	**51**	**54**
Less current provisions	(4)	(4)
Non-current environmental remediation provisions at December 31	**47**	**50**

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, 2024 is currently projected as follows:

(USD millions)	Expected cash outflows
Due within two years	18
Due later than two years, but within five years	20
Due later than five years, but within 10 years	9
Due after 10 years	4
Total environmental remediation provisions	**51**

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.

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 2024.

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. Sandoz will have no role in the fund distribution process 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.

Explanatory proceedings by Polish Competition Authority with potential antitrust investigation in Poland

On August 22, 2023, Sandoz Polska Sp. Z.o.o. received a request for information within explanatory proceedings to determine whether, in connection with the distribution of products containing somatropin, applicable antitrust provisions might be violated that would justify the initiation of an antimonopoly investigation. Violations of such antitrust provisions are sanctioned with material fines or penalties, among other things. Although we believe that we are not in violation of applicable antitrust laws, an adverse outcome of such anti-monopoly investigation, including related fines and penalties, could have a material adverse effect on our financial condition and results of operations.

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 Fougera 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 Fougera 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 company'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. The hearing for final approval of the settlement is currently scheduled for H1 2025. Pursuant to the terms of the settlement, the amount of the settlement may be reduced if a certain amount of putative class members timely opt 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.

On December 16, 2024, Sandoz Inc. and Fougera 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 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. The settlement is subject to court approval in 2025. The settlement does not include an admission of liability by Sandoz Inc. and Fougera Pharmaceuticals Inc.

On January 15, 2025, Sandoz Inc. entered into an agreement with the State of Florida to settle its claims pending in the USDC for the District of Connecticut. Pursuant to that agreement, Sandoz paid the State of Florida USD 10 million in Q1 2025 in exchange for a full release of all claims asserted by the State. The settlement does not include an admission of liability.

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.

Sandoz has recorded an increase in provision of USD 540 million in 2024 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 Fougera Pharmaceuticals Inc. have been named in a class action in Ontario Canada alleging price fixing in the Canadian generic pharmaceutical market. The claims are being vigorously contested.

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 litigation

Taxotere® (docetaxel)

Sandoz is a defendant in more than 3,100 US product liability actions involving docetaxel, an oncology product, many of which have been transferred to a multidistrict litigation in the USDC Eastern District of Louisiana. The complaints allege misleading marketing and that Sanofi, as innovator, and several 505(b)(2) NDA holders (including Sandoz) failed to warn of the risk of permanent alopecia/hair loss. Cases have also been filed against Sandoz Inc. in New Jersey state court. In 2018 the Mississippi Attorney General filed an action in Mississippi state court against all taxotere/docetaxel manufacturers seeking damages under the state's Consumer Protection Act for allegedly misleading marketing. As of 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's 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 has appealed the decision, and a hearing before the Court of Appeals for the Federal Circuit is scheduled in Q2 2025.

Apixaban Patent Infringement Litigation in the Netherlands

Sandoz and Teva together challenged the validity of a patent regarding apixaban in the United Kingdom (UK), while Teva had commenced proceedings to revoke the equivalent patent in the Netherlands. After revoking the patent in the first instance in the UK in April 2022, Sandoz notified Bristol Myers Squibb (BMS), the patent owner, of its intention to launch in May 2022. In response, BMS requested a preliminary injunction to stop that launch, which was rejected by the Dutch court in May 2022. BMS did not appeal that decision. As a result, Sandoz launched its apixaban product in the Netherlands. BMS then initiated patent infringement proceedings against Sandoz, and Sandoz counterclaimed to revoke the compound patent. On March 26, 2023, after the Enlarged Board of the European Patent Office had issued a decision (called "G2/21") on the legal principle underlying the validity challenge, BMS applied for a second preliminary injunction against Sandoz and against a potential new market entrant. This was dismissed in May 2023, whereby the judge confirmed that the G2/21 decision did not change the reasoning in the May 2022 decision rejecting the first preliminary claim. This time, BMS appealed the decision seeking a speedy decision. On August 15, 2023, the Dutch Court of Appeals overturned that decision and enjoined Sandoz and all other generics companies from selling apixaban in the Netherlands. On October 30, 2024, the first instance court upheld the validity of the patent, in both Sandoz and Teva's proceedings. Sandoz has appealed.

Summary of product liability, governmental investigations and other legal matters provision movements

(USD millions)	2024	2023
At January 1	**637**	**109**
Cash payments	(29)	(1)
Releases of provisions	(14)	(7)
Additions to provisions	562	535
Currency translation effects	(10)	1
At December 31	**1,146**	**637**
Less current provisions	(1,077)	(505)
Non-current product liabilities, governmental investigations and other legal matters provisions at December 31	**69**	**132**

In 2024, there were USD 562 million additions to the provisions for legal matters.

Prior to the spin-off, the Group was part of the Novartis Group internal insurance scheme which covers certain costs related to product liability and other legal matters and continues to provide coverage for such matters where coverage was confirmed by the insurer prior to spin-off. The provision for such matters, at each balance sheet date, is included in the provisions in the table above with a corresponding receivable from Novartis Group recorded within other current assets, in these financial statements, for claims where coverage has been confirmed by the insurer. The amounts are determined on the basis of external actuarial valuation.

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)	2024	2023
Bank and other financial debts[1]	129	269
Derivative financial instruments	16	15
Total current financial debts and derivative financial instruments	**145**	**284**

1 Weighted average interest rate 16.9% (2023: 15.6%).

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)	2024	2023
Taxes other than income taxes	134	121
Restructuring provisions	216	55
Accrued expenses for goods and services received but not invoiced	290	266
Accruals for royalties	23	16
Accrued interests on financial debts	57	29
Provisions for deductions from revenue	1,722	1,620
Accruals for compensation and benefits, including social security	434	420
Environmental remediation provisions	4	4
Deferred income	4	8
Provisions for product liabilities, governmental investigations and other legal matters[1]	1,077	505
Accrued share-based payments[2]	8	1
Other payables	106	115
Total provisions and other current liabilities	**4,075**	**3,160**

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)	2024	2023
At January 1	**1,620**	**1,415**
Payments/utilizations	(7,736)	(7,658)
Adjustments of prior years charged to income statement	(32)	(54)
Current year income statement charge	8,055	7,773
Change in provisions offset against gross trade receivables	(97)	145
Transfer to liabilites held for sale	–	(10)
Currency translation effects	(88)	9
At December 31	**1,722**	**1,620**

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)	2024	2023
At January 1	**55**	**51**
Additions	206	43
Cash payments	(40)	(36)
Releases	(3)	(7)
Transfers	–	1
Currency translation effects	(2)	3
At December 31	**216**	**55**

In 2024, additions to provisions of USD 206 million 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.

In 2023, additions to provisions were mainly related to initiatives to realign the Group's organizational structures to improve competitiveness. These initiatives included restructuring of its international and global service functions and in-country commercial organizations.

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)	2024	2023
Depreciation, amortization and impairments on:		
Property, plant and equipment	180	193
Right-of-use assets	63	58
Intangible assets	259	274
Change in provisions and other non-current liabilities	776	639
Gains on disposal and other adjustments on property, plant and equipment; intangible assets; financial assets; and other non-current assets, net	(56)	(10)
Equity-settled compensation expense	88	25
Income taxes	(12)	50
Net financial expense	318	245
Other	(7)	–
Total	**1,609**	**1,474**

In 2024, there were USD 19 million (2023: USD 4 million) additions to intangible assets with deferred payments.

26.2) Cash flows used for changes in net working capital and other operating items included in the net cash flows from operating activities

(USD millions)	2024	2023
Cash flows from/(used for) changes in net working capital:		
Increase in inventories	(277)	(578)
Decrease/(increase) in trade receivables	256	(393)
Increase in trade payables	25	508
Total cash flows from/(used for) changes in net working capital	4	(463)
Cash flows from/(used for) other operating items:		
Decrease in receivables from former parent	–	91
Decrease in payables from former parent	–	(257)
Change in other current and non-current assets	(661)	(375)
Change in other current liabilities	314	373
Other adjustments, net	(22)	(32)
Total cash flows used for other operating items	(369)	(200)
Total cash flows used for changes in net working capital and other operating items	**(365)**	**(663)**

26.3) Cash flows arising from acquisitions and divestments of businesses, net

The following table is a summary of the cash flow impact of acquisitions and divestments of businesses:

(USD millions)	Note	2024	2023
Net assets recognized as a result of acquisitions of businesses	27	(188)	–
Contingent consideration payables, net		–	(16)
Cash flows used for acquisitions of businesses		**(188)**	**(16)**
Cash flows from/(used for) divestments of businesses, net[1]		6	(2)
Cash flows used for acquisitions and divestments of businesses, net		**(182)**	**(18)**

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.

In 2023, USD 2 million represented the net cash outflows for divestments in previous years.

Notes 4 and 27 provide further information regarding significant acquisitions and divestments of businesses. All acquisitions were for cash.

26.4) Net cash flows used in financing activities with former parent included in net cash flows used in financing activities

(USD millions)	Note	2024	2023
Change in other financial receivables to former parent	26.5	–	1,057
Change in other financial liabilities from former parent	26.5	–	(4,057)
Movements of financing provided to former parent[1]		–	330
Cash flows used in financing activities with former parent, net		**–**	**(2,670)**

1 In 2023, movements represents cash flow relevant adjustments to invested capital of former parent and net effects of foreign currency translations on financial receivables and liabilities with former parent.

26.5) Reconciliation of liabilities arising from financing activities

(USD millions)	Financial liabilities			
	Non-current financial debts	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 cost	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**

(USD millions)	Financial assets	Financial liabilities				
	Other financial receivables from former parent	Non-current financial debts	Current financial debts and derivative financial instruments	Other financial liabilities to former parent	Non-current lease liabilities	Current lease liabilities
At January 1, 2023	**1,012**	**30**	**185**	**3,851**	**88**	**31**
Proceeds from issuance of non-current financial debts, net of transaction cost	–	6,449	–	–	–	–
Repayments of non-current financial debts	–	(2,627)	–	–	–	–
Change in current financial debts	–	–	121	–	–	–
Change in other financial receivables from former parent	(1,057)	–	–	–	–	–
Change in other financial liabilities to former parent	–	–	–	(4,057)	–	–
Payments of lease liabilities	–	–	–	–	–	(42)
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities	–	–	–	–	–	(8)
New, modified and terminated leases, net	–	–	–	–	201	27
Changes in lease interest and other changes, net	–	5	13	–	(5)	8
Currency translation effects	45	118	(35)	206	7	2
Reclassification from non-current to current, net	–	–	–	–	(36)	36
At December 31, 2023	**–**	**3,975**	**284**	**–**	**255**	**54**

26.6) 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 derecognised 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. The Group applied the transitional relief available under supplier finance arrangements – Amendments to IAS 7 and IFRS 7 and has not provided comparative information in the first year of adoption.

(USD millions unless indicated otherwise)	2024
Carrying amount of financial liabilities	
Presented within trade payables	50
– of which suppliers have received payment from the bank	23
Range of payment due dates (days after invoice date)	
Trade payables subject to supplier finance arrangements	90–120
Comparable trade payables	45–120

27. Acquisitions of businesses

Fair value of assets and liabilities arising from acquisitions of businesses:

(USD millions)	2024
Intangible assets	13
Inventories	19
Other current assets	9
Other current liabilities	(1)
Net identifiable assets acquired	**40**
Goodwill	148
Net assets recognized as a result of acquisitions of businesses	**188**

Note 4 details significant acquisitions of businesses, specifically the acquisition of the Cimerli® business in 2024. There were no business acquisitions in 2023.

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. Some of the plans have, as of December 31, 2024, not yet been fully separated from the former parent, primarily in Switzerland. 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. Unfunded plans represent a balance sheet risk which is driven by changes in discount rate and inflation (indexation). The pension plan is also subject to risks associated with longevity since it provides lifelong monthly pension payments. The major plans are based in Switzerland, the United States, Germany and Austria, which represent 87% of the Group's total DBO for pension plans.

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. The pension plans are run by separate legal entities, each governed by a board of trustees that – for the principal plans – consists of representatives nominated by the employer and the active insured employees. The boards of trustees are responsible for the plan design and asset investment strategy.

United States

The principal plan (Qualified Plan) is funded, whereas plans providing additional benefits for executives (Restoration Plans) are unfunded. Employer contributions are required for Qualified Plans whenever the statutory funding ratio falls below a certain level. The plans are closed to new members and frozen (allowing no future accruals).

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.

Germany

The major pension arrangements in Germany are governed by the Occupational Pensions Act (BetrAVG) and represent the third largest component of Sandoz total pension DBO and total plan assets. 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.

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, 2024 and 2023:

	Pension plans		Other post-employment benefit plans	
(USD millions)	2024	2023	2024	2023
Benefit obligation at January 1	**648**	**530**	**17**	**25**
Current service cost	26	20	–	–
Interest cost	23	23	1	1
Past service costs and settlements	(4)	(3)	–	(9)
Administrative expenses	1	1	–	–
Remeasurement (gains)/losses arising from changes in financial assumptions[1]	(2)	24	–	1
Remeasurement (gains)/losses arising from changes in demographic assumptions	–	(2)	1	–
Experience-related remeasurement (gains)/losses	(3)	15	1	1
Currency translation effects	(29)	20	(1)	(1)
Benefit payments	(34)	(11)	(1)	(1)
Contributions of employees	12	9	–	–
Effect of acquisitions, divestments or transfers[2]	–	22	–	–
Benefit obligation at December 31	**638**	**648**	**18**	**17**
Fair value of plan assets at January 1	**462**	**386**	**–**	**–**
Interest income	15	16	–	–
Return on plan assets excluding interest income	(12)	(2)	–	–
Currency translation effects	(20)	18	–	–
Sandoz contributions	31	30	1	1
Contributions of employees	12	9	–	–
Settlements	–	(4)	–	–
Benefit payments	(34)	(11)	(1)	(1)
Effect of acquisitions, divestments or transfers[2]	–	20	–	–
Fair value of plan assets at December 31	**454**	**462**	**–**	**–**
Funded status	**(184)**	**(186)**	**(18)**	**(17)**
Limitation on recognition of fund surplus at January 1	**(1)**	**(6)**	**–**	**–**
Change in limitation on recognition of fund surplus (incl. exchange rate differences)	–	5	–	–
Limitation on recognition of fund surplus at December 31	**(1)**	**(1)**	**–**	**–**
Net liability in the balance sheet at December 31	**(185)**	**(187)**	**(18)**	**(17)**

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 Effect on benefit obligation/plan assets based on constructive obligations resulting from the spin-off transaction.

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

	Pension plans		Other post-employment benefit plans	
(USD millions)	2024	2023	2024	2023
Net liability at January 1	**(187)**	**(150)**	**(17)**	**(25)**
Current service cost	(26)	(20)	–	–
Net interest expense	(8)	(7)	(1)	(1)
Administrative expenses	(1)	(1)	–	–
Past service costs and settlements	4	(1)	–	9
Remeasurements	(7)	(39)	(2)	(2)
Currency translation effects	9	(2)	1	1
Sandoz contributions	31	30	1	1
Effect of acquisitions, divestments or transfers	–	(2)	–	–
Change in limitation on recognition of fund surplus	–	5	–	–
Net liability at December 31	**(185)**	**(187)**	**(18)**	**(17)**
Amounts recognized in the consolidated balance sheet				
Prepaid benefit cost	1	2	–	–
Accrued benefit liability	(186)	(189)	(18)	(17)

The following tables show a breakdown of the DBO for major pension plans by geography and type of member, and the breakdown of plan assets into the geographical locations in which they are held:

	2024					
(USD millions)	Switzerland	United States	Germany	Austria	Rest of the world	Total
Benefit obligation at December 31	**189**	**175**	**106**	**84**	**84**	**638**
Thereof unfunded	–	*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)**

	2023					
(USD millions)	Switzerland	United States	Germany	Austria	Rest of the world	Total
Benefit obligation at December 31	**174**	**185**	**104**	**92**	**93**	**648**
Thereof unfunded	–	*13*	*4*	*92*	*36*	*145*
By type of member						
Active	174	18	55	36	83	366
Deferred pensioners	–	57	44	–	6	107
Pensioners	–	110	5	56	4	175
Fair value of plan assets at December 31	**168**	**148**	**95**	**–**	**51**	**462**
Funded status	**(6)**	**(37)**	**(9)**	**(92)**	**(42)**	**(186)**

The following table shows a breakdown of the DBO for other post-employment benefit plans by geography and type of member, and the breakdown of plan assets into the geographical locations in which they are held:

	2024			2023		
(USD millions)	United States	Rest of the world	Total	United States	Rest of the world	Total
Benefit obligation at December 31	**14**	**4**	**18**	**15**	**2**	**17**
Thereof unfunded	*14*	*4*	*18*	*15*	*2*	*17*
By type of member						
Active	2	2	4	2	1	3
Pensioners	12	2	14	13	1	14
Fair value of plan assets at December 31	**–**	**–**	**–**	**–**	**–**	**–**
Funded status	**(14)**	**(4)**	**(18)**	**(15)**	**(2)**	**(17)**

The following table shows the principal weighted average actuarial assumptions for the major plans in Switzerland, the United States, Germany and Austria used for calculating defined benefit plans and other post-employment benefits of employees:

	Pension plans		Other post-employment benefit plans	
	2024	2023	2024	2023
Weighted average assumptions used to determine benefit obligations at December 31[1]				
Discount rate	3.2%	3.2%	6.1%	5.1%
Expected rate of pension increase	1.8%	0.8%		
Expected rate of salary increase	2.4%	2.7%		
Interest on savings account	1.3%	1.3%		
Current average life expectancy for a 65-year-old male in years	22	22	20	21
Current average life expectancy for a 65-year-old female in years	24	24	22	23

1 Assumptions are weighted based on ending benefit obligation of the period, assumptions are only considered where applicable.

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 in Switzerland, the United States, Germany and Austria on an aggregated basis:

(USD millions)	Change in 2024 year-end defined benefit pension obligation	Change in 2023 year-end defined benefit pension obligation
25 basis point increase in discount rate	(15)	(14)
25 basis point decrease in discount rate	16	15
One-year increase in life expectancy	5	6
25 basis point increase in rate of pension increase	4	4
25 basis point decrease in rate of pension increase	(1)	(1)
25 basis point increase of interest on savings account	2	2
25 basis point decrease of interest on savings account	(2)	(2)
25 basis point increase in rate of salary increase	4	2
25 basis point decrease in rate of salary increase	(3)	(1)

The healthcare cost trend rate assumptions used for the other post-employment benefits of the United States are as follows:

	2024	2023
Healthcare cost trend rate assumed for next year	6.8%	6.5%
Rate to which the cost trend rate is assumed to decline	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2033	2031

The following table shows the weighted average plan asset allocation of major funded defined benefit pension plans at December 31, 2024 and 2023:

	Pension plans			
	Long-term target minimum	Long-term target maximum	2024	2023
Equity securities	10%	30%	20%	21%
Debt securities	30%	50%	37%	27%
Real estate	–	10%	10%	8%
Alternative investments	–	10%	7%	14%
Cash and other investments[1]	20%	30%	26%	30%
Total			**100%**	**100%**

1 Including insurance contracts for Germany.

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 14.0 years (2023: 13.9 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 (i.e., 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, 2024, are as follows:

(USD millions)	Pension plans	Other post-employment benefit plans
Sandoz contributions		
2025 (estimated)	25	–
Expected future benefit payments		
2025	40	1
2026	39	1
2027	33	1
2028	34	1
2029	36	1
2030–2034	228	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)	2024	2023
Contributions for defined contribution plans	46	40

The Group's total personnel costs amounted to USD 2.5 billion in 2024 (2023: USD 2.2 billion).

29. Equity-based participation plans for employees

For the years ended December 31, 2024 and 2023, the expense related to all equity-based participation plans and the liabilities arising from equity-based payment transactions were as follows:

(USD millions)	2024	2023
Expense related to equity-based participation plans	88	83
Liabilities from cash-settled equity-based compensation plans	8	1

As of December 31, 2024, the Group had USD 78 million of total unrecognized compensation expense that will be recognized over the weighted average period of two years.

Sandoz replacement awards and Sandoz equity-based incentive plans

Concurrent with the spin-off, certain outstanding Novartis awards granted to Sandoz employees under Novartis equity-based incentive plans vested in Novartis equity on a pro rata basis, in proportion to the amount of the vesting period completed. The remaining unvested Novartis awards were replaced and restored with Sandoz awards as governed by the Sandoz equity restoration principle with terms and vesting schedules substantially similar to the replaced Novartis awards.

The pro rata vesting of Novartis awards and replacement of forfeited unvested Novartis awards with Sandoz awards represents a modification under IFRS 2, Share-based Payment. Sandoz measured the fair value of the awards immediately prior to and subsequent to the modification and concluded that no significant incremental fair value was provided to employees. Accordingly, Sandoz continues to recognize as an expense the amount of unrecognized compensation cost of the original awards over the remaining vesting periods. Sandoz issued 3.5 million of unvested units in connection with the modification at the time of the spin-off which were restored under the Long-Term Incentive Plan (LTIP) or Deferred Share Bonus Plan (DSBP) plan rules.

The replacement awards consist primarily of RSUs, PSUs and RS, and vest over a period consistent with the original vesting schedule of the awards which they replaced.

In addition to the replacement awards, Sandoz grants additional equity-based awards under the newly established Sandoz incentive plans in the form of RSUs, PSUs and RS that will settle in Sandoz shares upon vesting.

As of December 31, 2024 Sandoz had the following share-based compensation arrangements:

Long-Term Incentive Plan – Select – Restricted Stock Units and Restricted Stock

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 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. For the periods prior to the spin-off, Sandoz employees participated in the former parent's "Select" plan. The Group's LTIP plan is substantially similar to and replaced the former parent plan.

Long-Term Incentive Plan – Long-Term Performance Plan – Performance-based Restricted Stock Units

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 and 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. For the periods prior to the spin-off, Sandoz employees participated in the former parent's Long-Term Performance Plan (LTPP), which was substantially similar to the Sandoz LTIP performance program.

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (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 incentive plans

As of December 31, 2024, there were 6.2 million unvested equity-based Sandoz awards outstanding.

The below table summarizes unvested awards movement for all Sandoz equity-based incentive plans at December 31, 2024 and 2023:

	2024					
	LTIP – Select		LTIP – LTPP		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**	–
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)**	**–**
Restricted Stock	(24)	25.6	–	–	–	–
Restricted Stock Units	(343)	19.3	–	–	(3)	–
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**	**–**

	2023					
	LTIP – Select		LTIP – LTPP		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
Replacement awards issued at spin-off[1]	**2,840**	**22.1**	**643**	**22.9**	**13**	**–**
Granted	**60**	**26.5**	–	–	–	–
Restricted Stock	59	26.6	–	–	–	–
Restricted Stock Units	1	23.1	–	–	–	–
Vested	**(1)**	**11.5**	**–**	**–**	**–**	**–**
Restricted Stock	0	26.9	–	–	–	–
Restricted Stock Units	(1)	10.9	–	–	–	–
Forfeited	**(38)**	**22.3**	**–**	**–**	**–**	**–**
Restricted Stock	(1)	26.8	–	–	–	–
Restricted Stock Units	(37)	22.1	–	–	–	–
Unvested awards at December 31	**2,861**	**22.3**	**643**	**22.9**	**13**	**–**

1 Based on estimated fair value per share at the time of spin-off.

30. Transactions with related parties

Prior to the spin-off, the Sandoz business was a segment of Novartis such that transactions with Novartis were considered related party transactions. In connection with the spin-off, Sandoz entered into a separation and distribution agreement as well as various other agreements governing relationships with Novartis going forward, including manufacturing and supply, transitional services, tax matters, employee matters, patent and know-how license and brand license agreements. Information included in this Note with respect to Novartis is strictly limited to related party transactions with Novartis prior to the spin-off on October 4, 2023. Upon spin-off, Novartis ceased to be a related party of the Group.

Transactions with Novartis (up to the spin-off)

Transactions from trading activities, i.e., from activities related to product sales invoiced and services invoiced between other Novartis Group subsidiaries and the Sandoz business, have not been eliminated in the consolidated financial statements.

Trade and other receivables from Novartis Group and trade and other payables to Novartis Group are at standard commercial trading terms and conditions.

Other financial receivables from Novartis Group have been classified as current assets and the weighted average interest rate was 2.5% in 2023.

Other financial liabilities to Novartis Group have been classified as current liabilities and the weighted average interest rate was 2.2% in 2023.

The following table shows the amounts and balances for the year 2023:

(USD millions)	2023[1]
Sales from the Group to former parent	302
Purchases of the Group from former parent	753
Interest expense of the Group to former parent	102
Interest income of the Group from former parent	23
Trade and other receivables from former parent	96
Trade and other payables to former parent	214

1 As of October 4, 2023.

In addition, service charges, corporate overhead and other allocations from Novartis, included in the Sandoz results, amounted to USD 242 million in 2023. See also Note 2.

Compensation of members of the Executive Committee and non-executive Directors

The 2024 compensation of the Executive Committee includes 12 members. As of December 31, 2024, the Sandoz Executive Committee consists of ten active members. In 2024, two members stepped down from the Executive Committee, however their compensation is included for the full financial year.

During 2024, there was an increase in the total IFRS compensation expense for members of the Executive Committee compared to 2023. The higher amount of equity-based compensation is partially offset by the lower amount of cash and other compensation. The increase of equity-based compensation is due to the first Sandoz LTPP awards for the 2024-2026 performance cycle. The total cash and other compensation expense in 2024 is lower than in 2023. This is mainly due to lower international assignment benefit costs in 2024.

As of December 31, 2024, the Sandoz Board of Directors consists of ten active non-executive members compared to nine active non-executive members as of December 31, 2023.

During 2024, there was an increase in the IFRS compensation expense for the members of the Board of Directors compared to 2023. The increase is primarily due to the period of compensation covered in 2023. The Board of Directors was formed at the spin-off date in October 2023 and the total compensation expense of the non-executive members of the Board was for compensation paid over a period of approximately three months. The fee structure and levels have remained unchanged from 2023 to 2024.

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 2024 Compensation Report.

	Members of the Executive Committee[1]		Non-executive Directors[2]		Total	
(USD millions)	2024	2023	2024	2023	2024	2023
Cash and other compensation	26	29	2	1	28	30
Post-employment benefits	2	1	–	–	2	1
Equity-based compensation	13	8	2	–	15	8
Total	**41**	**38**	**4**	**1**	**45**	**39**

1 Up to the spin-off, Members of the Executive Committee were known as Executive Officers.

2 Non-executive Directors are effective from October 4, 2023.

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.

As of December 31, 2024, 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)	2024
2025	144
2026	81
2027	25
2028	27
2029	9
Thereafter	232
Total	**518**

On July 2, 2024, Sandoz entered into an amendment to the long-term collaboration agreement with Just – Evotec Biologics, Inc ("Just") to acquire technology license rights and to reserve certain development and manufacturing capacities in Just facilities. Total payments resulting from this amendment amount up to USD 50 million, with expected payments of USD 13 million in 2025, USD 12 million in 2026 and USD 25 million later than 2029.

On July 29, 2024, Sandoz entered into a license and collaboration agreement with Alteogen Inc. to co-develop a certain variant of recombinant human hyaluronidase for use as a biosimilar technology platform. On December 31, 2024, the remaining potential development and commercial milestone payments amount up to USD 135 million and will be paid as they become due.

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, 2024, the Group has USD 298 million of commitments related to the purchases of property, plant and equipment. The most significant commitments are related to a new biosimilar production plant in Lendava, Slovenia and investments in the Sandoz antibiotics network in Kundl, Austria.

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, cyber security and data privacy. Further, when one government or regulatory authority undertakes an investigation, it is not uncommon for other governments or regulators to undertake investigations regarding the same or similar matters. Responding to such investigations is costly and requires an increasing amount of management's time and attention. In addition, such investigations may affect our reputation, create a risk of potential exclusion from government reimbursement programs in the United States and other countries, and lead to (or arise from) litigation. These factors have contributed to decisions by the 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.

Note 23 contains additional information on these matters.

A number of companies are involved in legal proceedings concerning intellectual property rights. The inherent unpredictability of such proceedings means that there can be no assurances as to their ultimate outcome. A negative result in any such proceeding could potentially adversely affect the ability of certain Sandoz companies to sell their products or require the payment of substantial damages or royalties.

In the opinion of management, however, the outcome of these actions will not materially affect the 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 environmental provisions.

32. Financial instruments – additional disclosures

The following tables show the carrying values of financial instruments by measurement category as of December 31, 2024 and 2023. The carrying values are equal to, or a reasonable approximation of, the fair values.

		2024			
(USD millions)	Note	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	–	–	–
Notes	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.

		2023			
(USD millions)	Note	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	1,109	–	–	–
Derivative financial instruments	19	–	–	35	–
Trade receivables	17	2,615	–	–	–
Income tax receivables[1]		281	–	–	–
Other receivables and current assets		401	–	–	–
Long-term financial investments – debt securities	15	–	21	–	–
Long-term loans, advances, security deposits and other long-term receivables	15	20	–	–	–
Total financial assets		**4,426**	**21**	**35**	**–**
Bank and other short-term financial debts	24	269	–	–	–
Notes	22	3,090	–	–	–
Long-term liabilities to banks and other financial institutions	22	885	–	–	–
Trade payables		1,593	–	–	–
Contingent consideration liabilities	23	–	–	93	–
Derivative financial instruments	24	–	–	15	–
Lease liabilities	12	–	–	–	309
Provisions and other current liabilities		31	–	–	–
Total financial liabilities		**5,868**	**–**	**108**	**309**

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, 2024 and 2023. 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 are determined by reference to market prices or standard pricing models that use observable market inputs at December 31, 2024 and 2023.

	Contract or underlying principal amount		Positive fair values		Negative fair values	
(USD millions)	2024	2023	2024	2023	2024	2023
Forward foreign exchange rate contracts	2,164	2,359	15	35	(16)	(15)
Cross-currency interest rate swap	260	–	3	–	–	–
Total derivative financial instruments	**2,424**	**2,359**	**18**	**35**	**(16)**	**(15)**

The following tables show a breakdown by currency of the contract or underlying principal amount of derivative financial instruments at December 31, 2024 and 2023:

	2024			
(USD millions)	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**

	2023			
(USD millions)	EUR	USD	Other	Total
Forward foreign exchange rate contracts	773	1,466	120	2,359
Total derivative financial instruments	**773**	**1,466**	**120**	**2,359**

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 documents 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)	2024
Cross-currency interest rate swap	
Notional amount (EUR)	250
Maturity date	17.11.2026
Hedge ratio	1:1
Change in fair value since January 1	3
Change in fair value of hedged item	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. The assets and liabilities carried at Level 2 fair value hierarchy are derivative financial instruments and a long-term derivative asset. 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 carried at fair value are included in this category.

	2024			
(USD millions)	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)**

	2023			
(USD millions)	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and long-term derivative assets	21	–	–	21
Derivative financial instruments	–	35	–	35
Total financial assets at fair value	**21**	**35**	**–**	**56**
Financial liabilities				
Contingent consideration liabilities	–	–	(93)	(93)
Derivative financial instruments	–	(15)	–	(15)
Total financial liabilities at fair value	**–**	**(15)**	**(93)**	**(108)**

The change in carrying values associated with the Level 3 contingent consideration receivables and liabilities during the year ended December 31, 2024 and 2023 is set forth below:

	Contingent consideration receivables		Contingent consideration liabilities	
(USD millions)	2024	2023	2024	2023
At January 1	**–**	**–**	**(93)**	**(101)**
Fair value gains and other adjustments recognized in the consolidated income statement	–	–	58	8
Fair value losses and other adjustments recognized in the consolidated income statement	–	–	–	(8)
Additions	10	–	–	–
Cash receipts and payments	–	–	–	16
Currency translation effects	–	–	(5)	(8)
At December 31	**10**	**–**	**(40)**	**(93)**
Total of fair value gains and losses recognized in the consolidated income statement for assets and liabilities held at December 31	–	–	58	–

During 2024, there was no transfer of levels relating to long-term financial investments and derivative financial instruments (2023: 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 2024 consolidated income statement by USD 2 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 rate.

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. 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, 2024 and 2023:

	2024					
(USD millions)	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
Financial debts – undiscounted	*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
Financial debts – undiscounted	–	–	–	*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**

	2023					
(USD millions)	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	87	11	171	–	–	269
Financial debts – undiscounted	*87*	*11*	*171*	–	–	*269*
Derivative financial instruments	11	3	1	–	–	15
Total current financial debts	**98**	**14**	**172**	**–**	**–**	**284**
Non-current liabilities						
Financial debts	–	–	–	2,129	1,846	3,975
Financial debts – undiscounted	–	–	–	*2,138*	*1,854*	*3,992*
Total non-current financial debts	**–**	**–**	**–**	**2,129**	**1,846**	**3,975**
Current assets						
Derivative financial instruments	(33)	(2)	–	–	–	(35)
Cash and cash equivalents	(1,109)	–	–	–	–	(1,109)
Total current financial assets	**(1,142)**	**(2)**	**–**	**–**	**–**	**(1,144)**
Net debt	**(1,044)**	**12**	**172**	**2,129**	**1,846**	**3,115**

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:

	2024			
(USD millions)	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

	2023			
(USD millions)	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	(1,857)	(348)	(60)	(2,265)
Potential inflows in various currencies – from financial derivative assets	1,877	347	59	2,283

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

	2024				
(USD millions)	Due within three months	Due later than three months but less than one year	Due later than one year but less than five years	Due after five years	Total
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.

	2023				
(USD millions)	Due within three months	Due later than three months but less than one year	Due later than one year but less than five years	Due after five years	Total
Contractual interest on non-current liabilities	24	103	556	277	960
Lease liabilities[1]	18	36	132	123	309
Trade payables	1,583	10	–	–	1,593
Contingent consideration liabilities[2]	–	–	79	14	93

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 strives to retain a solid investment grade credit profile and aims to balance interest and refinancing risks, demonstrated by a strong balance sheet and well-diversified funding mix. As of December 31, 2024, 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, placing the Group in a strong position (Unchanged from 2023).

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, 2024 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 15 million on a post-hedge basis (2023: USD 6 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, 2024.

As of December 31, 2024, a hypothetical 1% increase/(decrease) in interest rates, with all other assumptions held constant, would result in approximately USD 10 million (2023: USD 12 million) of higher/(lower) interest expenses on a post-hedge basis. The majority of our outstanding financial debts are notes with fixed interest rates and are therefore not affected by movements in interest rates.

33. Events subsequent to the December 31, 2024 consolidated balance sheet date

Dividend proposal for 2024 and approval of the Group's 2024 consolidated financial statements

On March 4, 2025, the Sandoz Group AG Board of Directors proposed the acceptance of the 2024 consolidated financial statements of the Sandoz Group for approval by the Annual General Meeting on April 15, 2025.

Furthermore, also on March 4, 2025 the Board proposed a dividend of CHF 0.60 per share to be approved at the Annual General Meeting on April 15, 2025.

If approved, total dividend payments would amount to approximately USD 286 million, using the CHF/USD December 31, 2024, exchange rate.

34. Principal Group subsidiaries

The following tables list the Sandoz legal entities with total assets or net sales to third parties in excess of USD 5 million included in the consolidated financial statements at and for the year ended December 31, 2024.

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, 2024			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 GmbH	Unterach am Attersee	EUR	1.0 m	100%
Belgium				
Sandoz NV	Vilvoorde	EUR	19.2 m	100%
Brazil				
Sandoz do Brasil Indústria Farmacêutica Ltda.	Cambé	BRL	190.0 m	100%
Canada				
Sandoz Canada Inc.	Boucherville	CAD	779,284	100%
Chile				
Sandoz Chile SpA	Santiago	CLP	2,912.6 m	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%
France				
Sandoz S.A.S.	Levallois-Perret	EUR	5.4 m	100%
Germany				
Sandoz Deutschland GmbH	Nuremberg	EUR	155.5 m	100%
Sandoz International GmbH	Holzkirchen	EUR	100,000	100%
1 A Pharma GmbH	Holzkirchen	EUR	26,000	100%
HEXAL AG	Holzkirchen	EUR	93.7 m	100%
Salutas Pharma GmbH	Barleben	EUR	42.1 m	100%
Aeropharm GmbH	Rudolstadt	EUR	26,000	100%
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	8.0 m	100%
Mexico				
Sandoz, S.A. de C.V.	Mexico City	MXN	468.2 m	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, 2024			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				
JSC Sandoz	Moscow	RUB	57.4 m	100%
Saudi Arabia				
Sandoz Ltd	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	183.0 m	100%
Spain				
Sandoz Farmacéutica S.A.	Madrid	EUR	270,450	100%
Sandoz Industrial Products, S.A.	Barcelona	EUR	9.3 m	100%
Bexal Farmacéutica S.A.	Madrid	EUR	1.0 m	100%
Switzerland				
Sandoz AG	Basel	CHF	5.0 m	100%
DiaMo Narcotics GmbH	Thun	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	100.0 m	100%

As at December 31, 2024			Share capital[1]	Equity interest
Turkey				
Sandoz Ilaç Sanayi ve Ticaret A.S.	Istanbul	TRY	880.0 m	99.99%
Sandoz Grup Saglik Ürünleri Ilaçlari Sanayi ve Ticaret A.S.	Gebze	TRY	2,817.0 m	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	Frimley	GBP	2.0 m	100%
United States of America				
Sandoz Inc.	Princeton, NJ	USD	1	100%
Fougera Pharmaceuticals Inc.	Melville, NY	USD	1	100%
Eon Labs, Inc.	Princeton, NJ	USD	1	100%
Sandoz Ophthalmology LLC	Wilmington, DE	USD	–	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 to third parties 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

KPMG

Statutory Auditor's Report

To the General Meeting of Sandoz Group AG, Risch

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 balance sheet as at 31 December 2024, the consolidated income statement, the consolidated statement of comprehensive income, 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 100 to 151) give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, 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, together with the requirements of the Swiss audit profession, 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), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

KPMG

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 refer to the following:
— Note 3 Material accounting policies section 'Trade receivables' and 'Revenue recognition' pages 109 and 110
— Note 25 'Provisions and other current liabilities' page 130

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, 4 March 2025

KPMG AG, Grosspeteranlage 5, CH-4002 Basel

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;
- Certain acquisition and divestment-related items;
- Tax liabilities for 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 exchanges rates:

- The impact of translating the income statements of consolidated entities from their non-USD functional currencies to USD;
- 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).

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 to third parties. It is an indicator to measure 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 plus current financial debts and derivative financial instruments, net of cash and cash equivalents and marketable securities, commodities, time deposits and derivative financial instruments. Net debt is presented as additional information because it sets forth how management monitors net debt or liquidity and management believes it is a useful supplemental indicator of the Sandoz ability to pay dividends, to meet financial commitments, and to invest in new strategic opportunities, including strengthening its balance sheet.

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 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 to third parties by region and by business

The following table presents net sales to third parties by region[1] and by business for the half-years ended June 30, 2024 and 2023:

(USD millions unless indicated otherwise)		H1 2024	H1 2023	Change in %	Change in cc %
Europe	Generics	1,881	1,870	1	0
	Biosimilars	753	677	11	11
	Total	**2,634**	**2,547**	**3**	**3**
North America	Generics	768	825	(7)	(7)
	Biosimilars	376	179	110	110
	Total	**1,144**	**1,004**	**14**	**14**
International	Generics	1,055	1,023	3	9
	Biosimilars	214	193	11	18
	Total	**1,269**	**1,216**	**4**	**10**
Total net sales to third parties		**5,047**	**4,767**	**6**	**7**
Thereof:					
Total generics		**3,704**	**3,718**	**0**	**1**
Total biosimilars		**1,343**	**1,049**	**28**	**29**

The following table presents net sales to third parties by region[1] and by business for the half-years ended December 31, 2024 and 2023:

(USD millions unless indicated otherwise)		H2 2024	H2 2023	Change in %	Change in cc %
Europe	Generics	1,888	1,774	6	6
	Biosimilars	841	702	20	19
	Total	**2,729**	**2,476**	**10**	**10**
North America	Generics	854	850	0	1
	Biosimilars	439	275	60	60
	Total	**1,293**	**1,125**	**15**	**16**
International	Generics	1,058	1,090	(3)	3
	Biosimilars	230	189	22	30
	Total	**1,288**	**1,279**	**1**	**7**
Total net sales to third parties		**5,310**	**4,880**	**9**	**10**
Thereof:					
Total generics		**3,800**	**3,714**	**2**	**4**
Total biosimilars		**1,510**	**1,166**	**30**	**31**

The following table presents net sales to third parties by region[1] and by business for the years ended December 31, 2024 and 2023:

(USD millions unless indicated otherwise)		2024	2023	Change in %	Change in cc %
Europe	Generics	3,769	3,644	3	3
	Biosimilars	1,594	1,379	16	15
	Total	**5,363**	**5,023**	**7**	**6**
North America	Generics	1,622	1,675	(3)	(3)
	Biosimilars	815	454	80	80
	Total	**2,437**	**2,129**	**14**	**15**
International	Generics	2,113	2,113	–	6
	Biosimilars	444	382	16	24
	Total	**2,557**	**2,495**	**2**	**8**
Total net sales to third parties		**10,357**	**9,647**	**7**	**9**
Thereof:					
Total generics		**7,504**	**7,432**	**1**	**2**
Total biosimilars		**2,853**	**2,215**	**29**	**30**

1 Net sales to third parties by location of customer.

Reconciliation of non-IFRS measures

Reconciliation from IFRS results to core results

(USD millions unless indicated otherwise)	2024 IFRS results	Amortization of intangible assets [1]	Impairments [2]	Acquisition or divestment 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%.

(USD millions unless indicated otherwise)	2023 IFRS results	Amortization of intangible assets [1]	Impairments [2]	Acquisition or divestment of businesses and related items	Other items [3]	2023 Core results
Net sales	**9,949**	**–**	**–**	**–**	**–**	**9,949**
Other revenues	30	–	–	–	–	30
Cost of goods sold	(5,415)	222	34	–	93	(5,066)
Gross profit	**4,564**	**222**	**34**	**–**	**93**	**4,913**
Selling, general and administration	(2,389)	–	–	–	29	(2,360)
Development and regulatory	(926)	–	10	–	1	(915)
Other income	94	–	(1)	–	(9)	84
Other expense	(968)	–	–	–	734	(234)
Operating income [4]	**375**	**222**	**43**	**–**	**848**	**1,488**
Interest expense	(202)	–	–	–	–	(202)
Other financial income and expense	(43)	–	–	–	(6)	(49)
Income before taxes	**130**	**222**	**43**	**–**	**842**	**1,237**
Income taxes [5]	(50)					(284)
Net income	**80**					**953**
Basic earnings per share (USD)	0.18					2.21
Diluted earnings per share (USD)	0.18					2.20

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; other income includes a reversal of impairment charges related to property, plant and equipment.

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

4 For further breakdown of core adjustments by category, refer to table Reconciliation from IFRS operating income to core net income.

5 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 1.1 billion to arrive at the core results before tax amounts to USD 234 million. The average tax rate on the adjustments was 21.1%.

Reconciliation from IFRS operating income to core net income

(USD millions unless indicated otherwise)	2024	2023
IFRS operating income	**307**	**375**
Amortization of intangible assets	**233**	**222**
Impairments		
Intangible assets	7	44
Property, plant and equipment related to the Group-wide rationalization of manufacturing sites	1	(1)
Total impairment charges, net	**8**	**43**
Acquisition or divestment of businesses and related items		
- Income	(36)	–
- Expense	22	–
Total acquisition or divestment of businesses and related items, net	**(14)**	**–**
Other items		
Restructuring and related items		
- Income	(11)	(8)
- Expense	335	132
Legal-related items		
- Income	(3)	–
- Expense	601	576
Separation costs	348	155
Additional income	(58)	(7)
Additional expense	75	–
Total other items	**1,287**	**848**
Total adjustments	**1,514**	**1,113**
Core operating income	**1,821**	**1,488**
% of net sales to third parties	*17.6*	*15.4*
Net financial result	(318)	(245)
Core adjustments to net financial result	(7)	(6)
Income taxes, adjusted for above items (core income taxes)	(320)	(284)
Core net income	**1,176**	**953**

Reconciliation from operating income to EBITDA to core EBITDA

(USD millions)	2024 IFRS results	Amortization of intangible assets	Impairments	Acquisition or divestment 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**

(USD millions)	2023 IFRS results	Amortization of intangible assets	Impairments	Acquisition or divestment of businesses and related items	Other items	2023 Core results
Operating income	**375**	**222**	**43**	**–**	**848**	**1,488**
Depreciation of property, plant and equipment	189	–	–	–	(19)	170
Depreciation of the right-of-use assets	49	–	–	–	–	49
Amortization of intangible assets	230	(208)	–	–	–	22
Intangible assets directly expensed	14	(14)	–	–	–	–
Impairments of property, plant and equipment, right-of-use assets and intangible assets, net	57	–	(43)	–	–	14
EBITDA	**914**	**–**	**–**	**–**	**829**	**1,743**

Reconciliation of free cash flow and management free cash flow

(USD millions)	2024	2023
Operating income	**307**	**375**
Adjustments for non-cash items		
Depreciation, amortization and impairments	502	525
Change in provisions and other non-current liabilities	776	639
Other	25	15
Operating income adjusted for non-cash items	**1,610**	**1,554**
Interest and other financial receipts	41	43
Interest and other financial payments	(247)	(204)
Income taxes paid	(265)	(245)
Payments out of provisions and other net cash movements in non-current liabilities	(118)	(123)
Cash flows from changes in net working capital	4	(463)
Cash flows from changes in other operating items	(369)	(200)
Net cash flows from operating activities	**656**	**362**
Cash flows used for net CAPEX	(554)	(586)
Purchases of financial assets	(4)	(5)
Proceeds from sale of financial assets	1	2
Purchases of other non-current assets	(1)	(7)
Free cash flow	**98**	**(234)**
Payments for legal settlements, fees and expenses	29	1
Payments from restructuring provisions	40	36
Separation costs	348	155
Separation-related CAPEX	89	41
Other payments and receipts[1]	508	100
Management free cash flow	**1,112**	**99**

1 In 2024, other payments and receipts include two deposited settlement amounts of USD 233 million and USD 275 million, related to the government generic pricing antitrust investigations, antitrust class actions in the United States. In 2023, other payments and receipts include the deposited settlement amount of USD 99.5 million relating to the opioid litigations in the United States.

Reconciliation of cash flows used in net CAPEX

(USD millions)	2024	2023
Purchases of property, plant and equipment	(404)	(364)
Purchases of intangible assets	(192)	(261)
Cash flows used for purchases of property, plant and equipment and intangible assets	**(596)**	**(625)**
Proceeds from sale of property, plant and equipment	26	34
Proceeds from sale of intangible assets	16	5
Cash flows from sale of property, plant and equipment and intangible assets	**42**	**39**
Cash flows used for net CAPEX	**(554)**	**(586)**

Reconciliation of net debt

(USD millions)	December 31, 2024	December 31, 2023
Non-current financial debts	4,390	3,975
Current financial debts and derivative financial instruments	145	284
Total financial debts	**4,535**	**4,259**
Cash and cash equivalents	(1,191)	(1,109)
Derivative financial instruments	(15)	(35)
Total current financial assets	**(1,206)**	**(1,144)**
Net debt	**3,329**	**3,115**

Reconciliation of net working capital

(USD millions)	December 31, 2024	December 31, 2023
Inventories	2,800	2,700
Trade receivables	2,205	2,615
Trade payables	(1,519)	(1,593)
Net working capital	**3,486**	**3,722**

Reconciliation of core return on invested capital (Core ROIC)

(USD millions unless indicated otherwise)	2024	2023
Core operating income	1,821	1,488
Core effective tax rate (%)	*21.4*	*23.0*
Core operating profit after tax	**1,431**	**1,146**
Total equity	8,164	8,654
Net debt	3,329	3,115
Assets held for sale	–	(56)
Liabilities held for sale	–	35
Invested capital	**11,493**	**11,748**
Average invested capital	**11,621**	**11,744**
Core ROIC (%)	**12.3**	**9.8**

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 2024 and 2023 for the currencies most important to Sandoz:

	2024		2023	
Currency	Net sales to third parties %	Operating expenses [1] %	Net sales to third parties %	Operating expenses [1] %
US dollar (USD)	22	17	20	24
Euro (EUR)	37	53	38	44
Canadian dollar (CAD)	6	3	6	3
Swiss franc (CHF)	4	11	3	11
Polish zloty (PLN)	3	2	3	2
British pound (GBP)	3	1	4	1
Other currencies	25	13	26	15

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

Income statement

For years ended December 31, 2024 and 2023

(CHF thousands)	Note	2024	2023
Income from investments in Group subsidiaries		256,168	250,000
License income		9,812	4,588
Other income	3.1	25,108	5,475
Total income		**291,088**	**260,063**
General and administration	3.2	(17,080)	(2,559)
Amortization of intangible assets	3.3	(636)	(214)
Total expense		**(17,716)**	**(2,773)**
Operating income		**273,372**	**257,290**
Financial income	3.4	35,636	11,159
Financial expense	3.4	(22,198)	(10,973)
Income before taxes		**286,810**	**257,476**
Direct taxes		1,155	(1,419)
Net income		**287,965**	**256,057**

Balance sheet

At December 31, 2024 and 2023

(CHF thousands)	Note	December 31, 2024	December 31, 2023
Assets			
Cash and cash equivalents		5	110
Interest-bearing current assets			
Group subsidiaries	3.6	354,398	13,365
Other current receivables			
Group subsidiaries		8,635	259,305
Third parties		3,868	6
Accrued income		4,380	8,590
Total current assets		**371,286**	**281,376**
Interest-bearing non-current assets			
Group subsidiaries	3.6	750,000	750,000
Investments			
Group subsidiaries	3.5	2,766,750	2,759,750
Intangible assets	3.3	2,557	3,193
Total non-current assets		**3,519,307**	**3,512,943**
Total assets		**3,890,593**	**3,794,319**

(CHF thousands)	Note	December 31, 2024	December 31, 2023
Liabilities and equity			
Other current liabilities			
Group subsidiaries		2,901	1,415
Third parties		76	–
Accrued expenses		5,560	5,560
Total current liabilities		**8,537**	**6,975**
Interest-bearing non-current liabilities			
Notes	3.7	750,000	750,000
Total non-current liabilities		**750,000**	**750,000**
Equity			
Share capital	3.8	22,000	21,550
Legal capital reserves			
Other capital reserves	3.9	2,759,750	2,759,750
Legal retained earnings			
Legal retained earnings reserves		4,310	–
Reserves for treasury shares	3.10	9,743	4,979
Treasury shares held by Sandoz Group AG	3.10	–	(43)
Available earnings			
Retained earnings carried forward		48,288	(4,949)
Net income		287,965	256,057
Total equity		**3,132,056**	**3,037,344**
Total liabilities and equity		**3,890,593**	**3,794,319**

Notes to the financial statements of Sandoz Group AG

1. Introduction

The financial statements of Sandoz Group AG (the "Company"), with registered office in Risch, were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations, "SCO").

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. Intangible assets are reviewed for impairment on an annual basis. If necessary, an impairment is recognized.

Notes

Notes are valued at nominal value. Any note premium is accrued over the duration of the note 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 note.

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)	2024	2023
Gain from disposals of shares to subsidiaries for share-based compensation plans	20,588	5,001
Guarantee fees	4,520	474
Total other income	**25,108**	**5,475**

3.2 General and administration

(CHF thousands)	2024	2023
Board and management fees	(10,615)	(2,012)
Others	(6,465)	(547)
Total general and administration	**(17,080)**	**(2,559)**

3.3 Intangible assets

(CHF thousands)	2024	2023
Gross value		
January 1	**3,407**	**–**
Additions	–	3,407
December 31	**3,407**	**3,407**
Accumulated amortization		
January 1	**(214)**	**–**
Amortization	(636)	(214)
December 31	**(850)**	**(214)**
Net book value	**2,557**	**3,193**

3.4 Financial income and expense

	2024		2023	
(CHF thousands)	Income	Expense	Income	Expense
Interest	27,599	(17,675)	2,781	(2,111)
Foreign exchange	8,037	(3,341)	8,376	(8,676)
Others	–	(1,182)	2	(186)
Total financial income and expense	**35,636**	**(22,198)**	**11,159**	**(10,973)**

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 Notes

Notes

Coupon	Currency	Nominal amount CHF thousands	Issuance year	Maturity year	Issuer	Issue price	2024 CHF thousands	2023 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
Total							**750,000**	**750,000**

Comparison of balance sheet and fair value

(CHF thousands)	2024 Balance sheet	2024 Fair value	2023 Balance sheet	2023 Fair value
Notes	750,000	796,744	750,000	779,475
Total	**750,000**	**796,744**	**750,000**	**779,475**

3.8 Share capital

	2024		2023	
	Number of shares	Share capital CHF thousands	Number of shares	Share capital CHF thousands
January 1	**431,000,000**	**21,550**	**2,000,000**	**100**
Capital increase	9,000,000	450	429,000,000	21,450
December 31	**440,000,000**	**22,000**	**431,000,000**	**21,550**

The share capital of Sandoz Group AG consists of registered shares with a nominal value of CHF 0.05 each.

Sandoz Group AG with an initial share capital of CHF 100,000 was incorporated on January 20, 2022. On September 8, 2023, share capital was increased by 429,000,000 shares up to CHF 21,550,000.

According to the capital band in place, the Board of Directors is authorized at any time until September 18, 2028, to conduct one or more increases of the share capital within the upper limit of CHF 22,627,500, corresponding to 452,550,000 registered shares with a par value of CHF 0.05 each, for the purpose of issuing shares to directors, employees or advisors of the Company or its subsidiaries in connection with any type of share-based participation or incentive plans, schemes or arrangements ("Employee Participation Plans"). The Board of Directors is not authorized to decrease the share capital within the capital band.

The Board of Directors made use of its authorization to conduct an increase of the share capital within the capital band as outlined above and created additional 9,000,000 shares for the purpose of granting share-based participation or incentive plans to directors or employees. The capital increase became effective on November 4, 2024.

No conditional capital exists as of December 31, 2024.

3.9 Other capital reserves

(CHF thousands)	2024	2023
January 1	**2,759,750**	**–**
Contributions in kind	–	2,759,750
December 31	**2,759,750**	**2,759,750**

In 2023, Sandoz Group AG got several investments as contributions in kind from former parent, recorded against other capital reserves.

3.10 Treasury shares

	2024		2023	
Treasury shares held by subsidiaries	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
January 1	**211,768**	**4,979**	**–**	**–**
Shares purchased	1,208,986	32,066	213,167	5,012
Capital increase	9,000,000	450	–	–
Shares used for share-based compensation plans	(1,122,414)	(27,752)	(1,399)	(33)
December 31	**9,298,340**	**9,743**	**211,768**	**4,979**

Treasury shares held by Sandoz Group AG	2024 Number of shares	2024 Treasury shares held by Sandoz Group AG CHF thousands	2023 Number of shares	2023 Treasury shares held by Sandoz Group AG CHF thousands
January 1	**858,986**	**43**	**–**	**–**
Shares received as contribution in kind	–	–	1,072,153	54
Shares sold to subsidiaries for share-based compensation plans	(858,986)	(43)	(213,167)	(11)
December 31	**–**	**–**	**858,986**	**43**

Total treasury shares	2024 Number of shares	2024 Total treasury shares CHF thousands	2023 Number of shares	2023 Total treasury shares CHF thousands
January 1	**1,070,754**	**5,022**	**–**	**–**
Total shares transactions	8,227,586	4,721	1,070,754	5,022
December 31	**9,298,340**	**9,743**	**1,070,754**	**5,022**

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 purchases of treasury shares during 2024. 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 2024, 57,506 shares were granted to Board of Directors members with an average share price of CHF 30.94 (2023: none), 570,005 shares were granted to Executive Committee members with an average share price of CHF 29.50 (2023: 385,584 shares with an average share price of CHF 24.35), and 3,123,710 shares were granted to employees with an average share price of CHF 27.95 (2023: 3,170,463 shares with an average share price of CHF 24.34).

3.11 Contingent liabilities

	December 31, 2024 CHF thousands	December 31, 2023 CHF thousands
Guarantees in favor of subsidiaries to cover notes – total maximum amount CHF 2,446,020 thousands (2023: CHF 1,861,992 thousands)	2,446,020	1,861,992
Other guarantees in favor of subsidiaries to cover credit facilities – total maximum amount CHF 2,110,842 thousands (2023: CHF 1,814,804 thousands)	787,148	763,117
Total contingent liabilities	**3,233,168**	**2,625,109**

Sandoz Group AG is guarantor for the notes 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 Registration, voting restrictions and major shareholders

The Company's articles of incorporation state that no person or entity shall be registered with the right to vote for more than 5% of the share capital, as set forth in the commercial register. In particular cases, the Board of Directors may allow exemptions from the limitation for registration in the Sandoz share register.

The major shareholders of Sandoz Group AG as of December 31, 2024 and 2023 are listed in the table below, which is based on notifications on the SIX Swiss Exchange online notification platform: www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html.

	% holding of share capital December 31, 2024	% holding of share capital December 31, 2023
Shareholders registered for their own account		
UBS Fund Management (Switzerland) AG, Basel	6.36%	3.24%
BlackRock, Inc., New York	6.04%	6.04%
Sandoz – Foundation de Famille Vaduz Through Emasan AG, Basel	4.15%	4.15%
Swisscanto Fondsleitung AG, Zurich	3.00%	0.00%
Novartis AG, Basel	–	4.30%

3.13 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.

Board member	December 31, 2024 Number of shares	December 31, 2023 Number of shares
Gilbert Ghostine	53,467	38,500
Karen J. Huebscher	13,528	7,750
Shamiram R. Feinglass	3,037	–
Mathai Mammen	2,346	–
Graeme Pikethly	2,523	–
Michael Rechsteiner	2,571	–
Urs Riedener	7,877	186
Arti Shah	3,433	–
Yannis Skoufalos	14,919	–
Maria Varsellona	3,565	–

Board members who stepped down during 2024

Board member	December 31, 2024 Number of shares	December 31, 2023 Number of shares
François-Xavier Roger	–	–
Remco Steenbergen	–	–

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 base salary	Within 5 years of appointment
Other members of the Executive Committee	2x 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).

Executive Committee member	Vested shares and ADRs	Unvested shares and other equity rights	Total as at December 31, 2024	Total as at December 31, 2023
Richard Saynor	10,839	191,752	202,591	91,023
Francisco Ballester	11,243	50,869	62,112	35,160
Claire D'Abreu-Hayling	2,866	46,671	49,537	20,168
Christophe Delenta	4,088	29,049	33,137	–
Glenn A. Gerecke	861	51,919	52,780	28,254
Rebecca Guntern	12,539	90,544	103,083	59,940
Keren Haruvi	2,694	60,356	63,050	36,997
Tripti Jha	3,793	72,973	76,766	47,792
Ingrid Sollerer	27,096	55,148	82,244	53,394
Remco Steenbergen	2,917	225,336	228,253	–

Executive Committee members who stepped down during 2024

Executive Committee member	Vested shares and ADRs	Unvested shares and other equity rights	Total as at December 31, 2024	Total as at December 31, 2023
Colin Bond	199	33,667	33,866	27,314
Pierre Bourdage	1,633	33,400	35,033	26,195

3.14 Events subsequent to the December 31, 2024 balance sheet date

Dividend proposal for 2024 and approval of the financial statements 2024 of Sandoz Group AG

On March 4, 2025, the Sandoz Group AG Board of Directors proposed the acceptance of the financial statements 2024 of the Sandoz Group AG for approval by the Annual General Meeting on April 15, 2025.

Furthermore, also on March 4, 2025, the Board proposed a dividend of CHF 0.60 per share to be approved at the Annual General Meeting on April 15, 2025.

If approved, total dividend payments would amount to approximately CHF 258.4 million.

Appropriation of available earnings

(CHF)	2024
Retained earnings carried forward	
Balance at the beginning of the period	251,107,793
Allocation to legal retained earnings reserves	(4,310,000)
Distribution of dividend to shareholders	(193,745,570)
Change in retained earnings due to treasury shares	(4,763,800)
Net income	287,964,771
Retained earnings available for distribution at the end of the year	**336,253,194**
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	336,253,194
Allocation to legal retained earnings reserves	(90,000)
Distribution of dividend to shareholders[1]	(258,420,996)
Retained earnings carried forward	**77,742,198**

1 Payment of a gross dividend (before taxes and duties) of CHF 0.60 on 430.7 million dividend bearing shares 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

KPMG

Statutory Auditor's Report

To the General Meeting of Sandoz Group AG, Risch

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Sandoz Group AG (the Company), which comprise the balance sheet as at 31 December 2024, 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 162 to 168) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

KPMG

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 article 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, 4 March 2025

KPMG AG, Grosspeteranlage 5, CH-4002 Basel

ESG Additional Disclosures:

Performance Indicators, Standards & Assurance

ESG reporting standards and assurance

Basis for reporting

This section provides important considerations for key Environmental, Social and Governance (ESG) performance indicators for 2024.

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).

Our Swiss CO Article 964b Compliance Index can be found on | **Page 179**.

Please see | **Pages 180–184** for our TCFD disclosures.

Currently, we are in transition to comply with the Corporate Sustainability Reporting Directive (CSRD). During 2024, we conducted a Double Materiality Assessment (DMA) in line with European Sustainability Reporting Standards (ESRS). Further information on our DMA methodology is in the following section.

All Sandoz entities are within the scope of the Environmental, Social and Governance indicators and metrics included in this section. Annual performance data relates to the Sandoz financial year.

Environmental data for 2024 contains estimates where the actual data is not available at the time of publication. The 2023 estimated data has been updated with actuals for this report. No material variances have been identified.

Data on financial performance, e.g. net sales to third parties, has been taken from our Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards® (IFRS) Accounting Standards. Sandoz financial data is presented in US dollars (USD).

Due to natural rounding, the amounts shown as totals in tables may not conform exactly to the arithmetic total of the figures that precede them.

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_2024**.

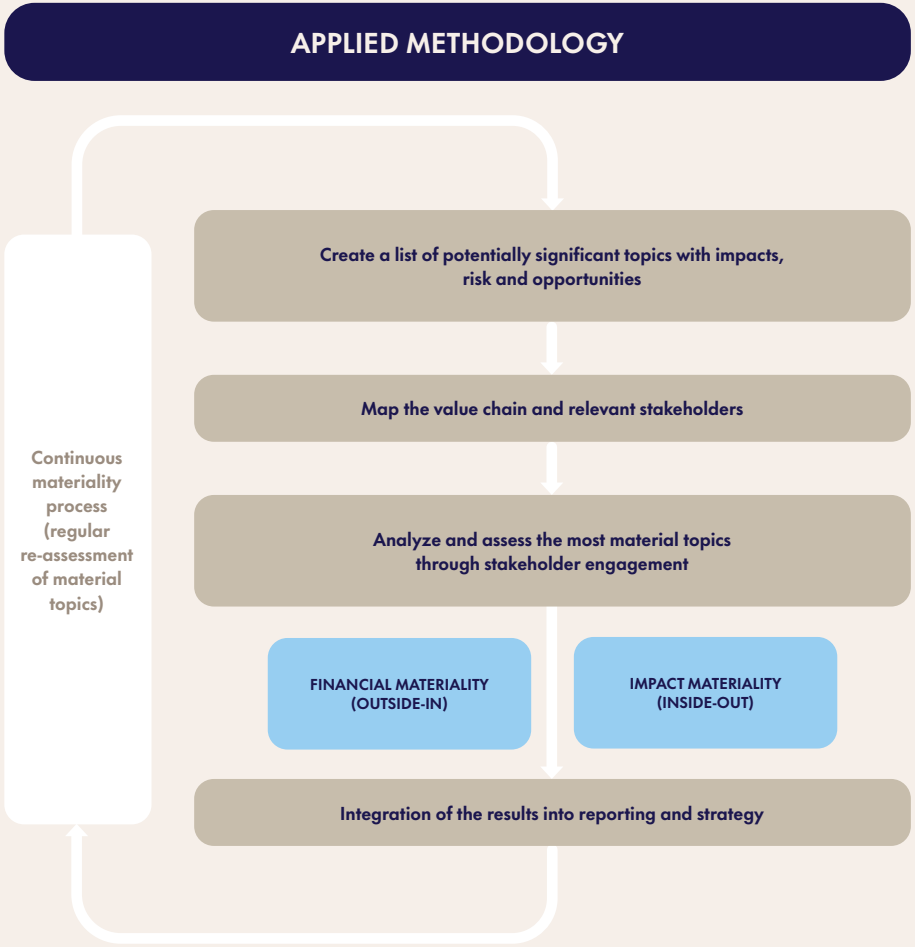
Verification/assurance

KPMG AG provided limited assurance in accordance with ISAE 3000 (Revised) and ISAE 3410 on our ESG performance indicators marked with "√" on | **Pages 175–178** and on our compliance with Article 964b of the Swiss CO, including the Task Force on Climate-related Financial Disclosures (TCFD).

KPMG's independent assurance report is on | **Pages 185–186**.

Double materiality assessment methodology

In 2024, we conducted a Group double materiality assessment (DMA) in line with European Sustainability Reporting Standards (ESRS) guidelines. We used a four-step approach, and the materiality assessment was led by the ESG Group function.



Step 1

The first step of the assessment was to develop a list of potentially material topics, with the ESRS-provided longlist of sustainability topics as a starting point. This list was further supplemented with company-specific topics. We also drew on data from our previous materiality assessment and benchmarked against our peers. We considered the expectations of regulators, rating agencies and other stakeholders, as well as taking into account our own strategic priorities.

Step 2

We identified relevant stakeholders who could help us assess materiality across our value chain.

Step 3

We gathered qualitative and quantitative data to assess the 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. Criteria were rated on a scale from 1-5, with thresholds defined by our existing risk management framework, among other sources.

Some stakeholders were represented by internal subject matter experts who have a good overview of their interests and views.

Step 4

The fourth stage included the integration of results and ranking of topics from the assessment. The board approved the threshold of topics considered material for Sandoz. The DMA results have been integrated into our ESG strategy and will shape our ESG performance efforts, forming the foundation for our alignment with the Corporate Sustainability Reporting Directive (CSRD). The Enterprise Risk Management function collaborated on the double materiality assessment to embed ESG risks into the internal risk framework. To ensure ESRS implementation and CSRD readiness, we are finalizing our policies, action plans, targets, and related metrics.

Double materiality assessment methodology continued

Material topics:

Material topic	Definition
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.
Supplier management	Supplier management refers to behaviors and relationships with our suppliers that support transparent and sustainable business practices.
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	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.
Diversity, equity and 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 and 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.
Ethics, corruption and bribery	Corruption and bribery refers to the prevention and detection of cases of unethical business conduct.
Data privacy and 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 our own computer systems, networks, and data from potential cyberthreats.
Product quality and safety	Product quality and safety refers to the safety of patients and end-users.

ESG performance indicators and data

Impact and Access

Performance indicators	2024	2023	Assurance Scope 2024
Impact and Access			
Patient treatments provided (millions)	902	831	✓
Patient treatments provided in LMICs (millions)	41	38	
Healthcare systems savings in US and Europe (USD billions) [1]	19	18	✓
Social impact delivered (USD billions) [2]	396	396	
Health Care Professionals (HCPs) reached (thousands, 2021-2024) [3]	64	51	
WHO EML Sandoz addressable portfolio coverage (%) [4]	59	53	✓

1 US healthcare system savings are based on the Association for Accessible Medicines Savings Report 2024, which utilizes 2023 savings data. To ensure a like-for-like comparison, Sandoz 2023 market share was applied in 2024.

2 In 2024 we maintain the 2023 social impact of key medicines figure, as there are no significant changes to the methodology or scope.

3 The number represents HCPs reached through stewardship initiatives for antibiotics. 2023 data includes period 2021 to 2023.

4 The WHO EML addressable portfolio coverage is calculated based on the molecules depicted in the WHO EML (as retrieved from WHO website in December 2024).

Environmental Sustainability

Performance indicators	2024	2023	Assurance Scope 2024
Energy Use (million GJ)			
Energy use on-site and purchased	3.0	2.8	✓
Energy generated on-site from renewable energy sources	0.0	0.0	
Energy intensity based on net sales to third parties (mGJ/ USD billions)	0.3	0.3	
Greenhouse Gas (GHG) Emissions (1000 tCO_2e)			
Scope 1 emissions	82.1	86.2	✓
Combustion and process	56.0	58.5	
Vehicles	26.1	27.6	
Scope 2 emissions from purchased energy (market- based)	157.6	122.3	✓
Scope 2 emissions from purchased energy (location- based)	130.3	129.3	✓
Scope 1 and Scope 2 GHG Emissions	239.6	208.5	✓
Scope 1 and Scope 2 emissions intensity based on net sales to third parties (1000 tCO_2e/ USD billions)	23.1	21.6	
Scope 3 emissions [5]	1,748.8	2,051.7	✓
Purchased goods and services	1,209.0	1,480.0	
Capital goods	48.8	44.7	
Fuel and energy-related activities	48.9	64.6	
Upstream transportation and distribution	165.8	181.9	
Waste generated in operations	8.0	20.8	
Business travel	11.1	15.7	
Employee commuting	26.7	0.0	
Downstream transportation and distribution	3.0	0.0	
Processing of sold products	3.5	0.0	
Use of sold products	155.6	243.9	
End-of-life treatment of sold products	68.5	0.0	
Scope 1, Scope 2 and Scope 3 emissions	1,988.5	2,260.1	✓
VOCs (metric tons) [6]			
Nonhalogenated volatile organic compounds	217.0	252.0	✓

5 Change between 2023 and 2024 attributed to methodology enhancement and business changes following Novartis spin-off. The categorization of this indicator has been updated in 2024 by adding 4 new categories that were not included in 2023 disclosure. 4 categories have been assessed not material for Sandoz in 2024. For more details per category please refer to the Reporting Criteria on Sandoz.com/ESG_supplementary_disclosures_2024.

6 The change from the previous year's 2023 disclosed values is due to the correction of the methodology applied and a time-lag in the calculation process at one site after the report was published in 2023.

ESG performance indicators and data continued

Environmental Sustainability

Performance indicators	2024	2023	Assurance Scope 2024
Water (million m³)			
Water withdrawal	18.1	16.4	✓
Water discharged	18.1	16.3	✓
Discharged directly to aquatic environment	15.3	13.9	✓
Water consumption[7]	2.8	2.4	✓
Water Quality PEC/PNEC compliance			
Sites that fulfil PEC/PNEC <1.0 for all APIs (%)[8]	82	71	
Waste Management (1000t)			
Operational waste generated	60.8	59.4	✓
Nonhazardous waste	49.9	48.4	
Hazardous waste	10.9	11.0	
Waste recycled	48.3	48.2	✓
Nonhazardous waste recycled	42.8	43.0	
Hazardous waste recycled	5.4	5.2	
Waste not-recycled	12.6	11.2	✓
Nonhazardous waste not-recycled	7.1	5.4	
Incineration	1.4	1.2	
Landfilling	5.6	4.2	
Other disposal options	0.1	0.1	
Hazardous waste not-recycled	5.5	5.8	
Incineration	4.8	5.1	
Landfilling	0.0	0.0	
Other disposal options	0.7	0.7	

7 Water discharged via treatment and water lost.

8 In 2024, fourteen manufacturing sites compliant out of seventeen in scope for our 2024 performance review.

People

Performance indicators	2024	2023	Assurance Scope 2024
People and Organization			
Headcount	23,406	23,848	✓
Full-time equivalent positions[9]	22,049	22,545	✓
New employee hires	3,531	3,564	
Turnover: Voluntary / Overall (%)	6/15	6/12	✓
Internal / External hires (%)	31/69	38/62	
Annual learning hours per employee	40	40	✓
Representation of nationalities: Overall / Management	109/89	109/79	✓
Gender Representation (% female/% male)[10]			
Headcount	52/48	53/47	✓
Hires	52/48	52/48	
Promotions	56/44	49/51	
Overall turnover[11]	15/16	13/11	
Board of Directors	40/60	44/56	✓
Executive Committee of Sandoz	50/50	50/50	✓
Sandoz Top Leaders	32/68	39/61	✓
Senior management	37/63	37/63	✓
Middle management	47/53	48/52	
Overall management	45/55	46/54	✓
Entry-level positions	46/54	46/54	
Revenue-producing roles	57/43	57/43	✓
STEM roles[12]	43/57	44/56	✓

9 The data source for the "Full-time equivalents metric" has been updated in 2024.

10 Of people who disclosed gender.

11 Values provided are the % of totals.

12 STEM roles defined as the sum of the following Sandoz job families: R&D, Technical Operations, Information Technology and Technology Transformation.

ESG performance indicators and data continued

People

Performance indicators	2024	2023	Assurance Scope 2024
Gender Representation by contract type (% female/% male)			
Permanent	53/47	53/47	✓
Temporary	52/48	51/49	✓
Full-time	49/51	49/51	✓
Part-time	84/16	85/15	✓
Gender Representation by age group (% female/% male)			
Employees aged < 30	54/46	55/45	✓
Employees aged 30-50	53/47	53/47	✓
Employees aged >50	50/50	50/50	✓
Our Sandoz Rewards Commitments (%) [13]			
Headcount covered by annual pay equity studies	100	98	
Headcount covered by annual living wage studies [14]	100	100	
Mean pay gap [15]	6	4	
Median pay gap [14,15]	(3)	(5)	
Recruitment without using historical salary	84	59	
Headcount covered by external pay transparency	33	24	
Headcount covered by internal pay transparency [14]	27	9	

13 For all indicators in this category, 2024 data was as of December 31, 2024 where as 2023 data was as of October 31, 2023.

14 New indicator established in 2024.

15 Positive % is in favor of men (higher mean/median pay for men vs. women) while a negative % is in favor of women (higher mean/median pay for women vs. men). The above data indicates that median salary for women is higher than that of men, mean salary for men is higher than that of women. Mean pay gap is a more volatile figure than the median and can change based on number of men and women in senior roles.

People

Performance indicators	2024	2023	Assurance Scope 2024
Health and Safety [16]			
Lost-time injury and illness rate: Sandoz employees	0.32	0.34	✓
Lost-time injury and illness rate: Third-party personnel	0.33	0.46	✓
Total recordable case rate: Sandoz employees	0.39	0.51	✓
Total recordable case rate: Third-party personnel	0.33	0.46	✓
Fatalities: Sandoz employees	0	0	✓
Fatalities: Third-party personnel	0	0	✓
Grievance Indicators: SpeakUp Office – Number of central cases			
Central investigations	85	90	✓
Central allegations	107	127	✓
Central allegations substantiated	61	99	✓
Total Central Allegations Substantiated per Category [17]			
Bribery or kickbacks	0	0	
Conflict of interest	3	0	
Data privacy	4	21	
Discrimination	2	1	
Employee relations	8	10	
Fraud and asset misappropriation	0	0	
Health and safety	0	0	
Human and labor rights	1	0	
Improper professional practices	1	2	
Quality assurance and data integrity	7	3	
Retaliation	1	4	
Sexual harassment	3	3	
Technological compliance or data loss	26	49	
Other [17]	5	6	

16 The change from the previous year's 2023 disclosed values is due to reclassification of accidents after the report was published. 2023 data represents only the last quarter (Q4) 2023 after spin-off from Novartis. Unit of measure is "per 200,000 hours worked" for "Lost time injury and illness rates" and "Recordable case rates".

17 The categorization in this section has been updated.

ESG performance indicators and data continued

Governance

Performance indicators	2024	2023	Assurance Scope 2024
Product Quality and Patient Safety			
Audits executed [18]	501	654	✓
GMP, GDP inspections [19]	59	51	✓
GMP, GDP inspections without findings having business impact (%)	98	100	✓
US FDA inspections (GMP, GDP, GVP)	5	2	✓
US FDA inspections (GMP, GDP, GVP) finished with warning letter	0	0	✓
GVP inspections [20]	10	0	✓
GVP inspections without findings having business impact (%) [20]	100	100	✓
Recalls [21]	20	16	✓
Class I recalls	0	2	
Class II recalls	15	14	
US FDA (US Market) recalls	0	1	✓
Third Party Risk Management (TPRM)			
Suppliers risk-assessed [22]	3,739	2,568	✓
Suppliers Assessed by Risk Area			
Anti-bribery	2,250	697	
Animal welfare	132	13	
Health, safety and environment	998	114	
Information security and data privacy	1,354	877	
Labor rights	1,698	1,358	

18 In 2024 Sandoz adopted the audit needs to the new Sandoz portfolio; the risk-based approach was introduced during the planning process.

19 In 2024, two GMP/GDP inspections included PV activities, with no business impact reported.

20 The Pharmacovigilance (PV) system was integrated within Novartis pre spin-off, therefore the data was combined. Post spin-off in 2023 there were no inspections of the Sandoz Pharmacovigilance system.

21 More categories are included in total than are provided in below split.

22 In 2023 all shared suppliers with the former parent were assessed by the former parent.

Governance

Performance indicators	2024	2023	Assurance Scope 2024
TPRM actions taken			
Suppliers audited	36	34	✓
Suppliers with remediation action agreed	174	89	✓
Supplier engagements stopped due to risk assessment outcomes	1	3	✓
Code of Ethics			
Employees trained and certified (%)	96	95	✓
Human and Labor Rights			
Nonconforming cases [23]	25	195	✓

23 2024 data is based on a new metric for the number of non-conforming cases identified in internal operations and external Third-Party engagements. 2023 data refers to 2023 metric "Non-compliance cases" as disclosed in 2023 Annual Report.

Article 964b: Swiss Civil 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 Civil Code of Obligations.	
Description of the business model	Our business model Value chain	**Page 6–7** **Page 28**
Our approach to non-financial matters, including material ESG issues[1]:		
Environmental concerns • Climate change • Supplier management • Pollution (incl. AMR)	Championing Sustainability	**Page 33–36**
Employee concerns • Diversity, equity & inclusion • Corporate culture • Health and Safety	Empowering our People	**Page 37–40**
Social concerns • Access to healthcare	Driving Impact and Access	**Page 29–32**
Combating corruption and corporate governance • Ethics, corruption & bribery • Product quality and safety • Data privacy & cybersecurity	Governing with Integrity	**Page 41–42**
Respect for human rights[2]	Human and labor rights	**Page 42**
Implementation and effectiveness on measures	ESG governance	**Page 44**
Material risks	Risk Management Report	**Page 86–91, 180–184**
Performance indicators	ESG performance indicators and data	**Page 175–178**
Basis of preparation of the report	Basis for reporting	**Page 172**

1 Our comprehensive list of policies are available on Sandoz.com/policies. For more details on our material ESG issues and the methodology used to define them, see pages 173–174.

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.

Task Force on Climate-related Financial Disclosures (TCFD)

Physical and transition climate risks

1. Scope and definitions

In our 2023 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 this 2024 report focused on confirming these risks (or updating where relevant) and reporting in more detail 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. 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.

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 global average 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, i.e., ESG strategy and communications, risk, finance, procurement and supply chain, and technical operations. For 2024, we confirmed the risk scoring from 2023; we did not observe material changes versus the previous year. This year's focus was on developing 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. In future disclosures we will extend mitigation actions to cover more of our value chain. We have also included one additional risk under 'transitional risks' as we see an upwards trend in requirements stemming from Net Zero Healthcare Systems.

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. We will continue to strengthen our disclosure on climate-related risks and opportunities in 2025.

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	All regions will experience varying levels of increases in heatwaves and maximum temperatures. Heatwaves could increase by up to twice their current intensity in some areas. This could lead to reduced revenues and higher costs from disruptions in operations in the affected areas. The largest potential increases are expected to occur in the following countries: **2030:** Panama, Ecuador, Denmark, India **2050:** Panama, Ecuador, China, Egypt, Israel	• All manufacturing sites are equipped with Business Continuity Plans (BCP) and trained BC coordinators. • BCPs are updated and exercised annually and governed by Sandoz internal controls. • Our Business Continuity Management teams conducted an annual exercise to evaluate scenarios threatening our manufacturing sites (e.g., reduction of water, wildfire). None of our sites are expected to exceed the heat extreme thresholds • For weather extremes and wildfires, the risk exposure is expected to remain, though wildfire exposure risk is expected to increase in Spain. This is reflected in the risk score for 2050. • For cold extremes, the risk is expected to decrease over time, which is also reflected in the risk score for 2050.
Water extreme	Acute and chronic	Water stress, riverine floods, coastal floods, total precipitation, and longer dry spells	High/high	The magnitude of extreme water events is expected to increase globally. However, the risk of riverine flooding is projected to decrease as water resources become scarcer while other risks continue to increase. The largest increases are expected to occur in the following countries: **2030:** India, Kazakhstan, Israel, United Arab Emirates, Italy, the Netherlands **2050:** India, Macedonia, Israel, Kazakhstan, United Arab Emirates, Italy, the Netherlands	
Wildfire	Acute	Extreme fire days and fire season length	Low/medium	Extreme fire conditions are anticipated to increase for most locations. The largest increases are expected in the following countries: **2030:** Macedonia, Turkey, Romania, South Africa **2050:** South Africa, Romania, Macedonia, Spain	
Cold extreme	Acute	Frost days, ice days and lower temperatures	High/low	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. The most significant impact from extreme cold will likely be in the following countries: **2030:** Austria, Romania, Slovenia, Russia, Ukraine, Poland **2050:** Russia, Romania, Ukraine, Latvia	

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	Emerging carbon pricing policies may result in additional expenses for Sandoz direct operations. Sandoz is potentially exposed to pass-through costs within the supply chain (e.g., transportation, distribution, production), which may increase the cost of doing business.	Low/medium	• Carbon pricing exposure and potential for increased operational costs related to fuel and electricity consumption • Reduction in Scope 2 emissions due to country-level grid decarbonization • Increased transportation and shipping costs, passed on by suppliers • Compliance and reporting requirements	• Implement Sandoz decarbonization strategy and set greenhouse gas reduction targets and commitments by end of January 2026 • Switch to renewable resources • Implement energy efficiency measures and new manufacturing technologies • Monitor regulatory and market developments in carbon pricing to inform the ESG strategy
Energy price volatility	Market	Energy costs and policies create a risk and an opportunity for Sandoz. Mandates and regulations of the energy markets affect our choice of energy sources, ultimately impacting cost of operations and cost of goods sold, as well as our ability to meet decarbonization targets.	Low/medium	• Increased operational costs due to fuel and electricity consumption • Increased transportation and shipping costs passed on by suppliers	• Increase use of renewable energy sources bringing efficiency and carbon reduction; implement renewable energy projects to optimize costs • Optimize energy demand in manufacturing processes and reduce waste heat • Focus on Sandoz utilities purchasing strategy bringing budget certainty and protecting the upside price risks in a volatile market while allowing optimization of energy portfolio costs
Emerging policies and regulatory changes	Policy and legal	Evolving environmental regulations may lead to changes in the approval processes for pharmaceutical products, potentially affecting time-to-market and requiring Sandoz to adapt to new regulatory standards.	Medium/high	• Write-offs, assets impairment, and early retirement of existing assets due to policy changes • Increased operating costs (e.g., higher compliance costs, increased insurance premiums) • Increased costs resulting from fines and legal action • Increased talent and legal counsel costs	• Conduct annual environmental compliance assessments at relevant sites, taking into account regional and global regulations to identify emerging requirements. If compliance gaps are identified, Sandoz documents them and takes measures to close them. • Maintain an internal control framework to track regulations and ensure compliance

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 adoption of low-carbon technologies may introduce technical complexities, uncertainties and higher upfront costs which may lead to lower profit margins affecting our financial performance.	Low/medium	• Sandoz might face risks of increasing capital investment to install facilities for new technologies (e.g., in-house power generation, storage batteries) due to the prevalence of clean energy technologies. • Decarbonization requirements may increase capital expenditures while failure to decarbonize may threaten the company's license to operate in certain countries. • Sandoz may be forced to engage with new suppliers due to stricter climate regulations to adhere to environmentally friendly practices.	• Engage in continuous review of changes in procurement legislation in tender markets attributed to net-zero policies (incl. quarterly touchpoints with the tender community to validate any potential changes in procurement practices) • Create unified templates with ESG questions • Map out net-zero country questions from contract authorities • Establish consolidated and unified model responses to support countries to project externally our mission and commitment to net-zero emissions
Reputational 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	• If Sandoz actions do not keep pace with expectations, we may experience higher turnover or lower employee loyalty. • Perception that Sandoz is not responsive to sustainability trends could impact the company's ability to attract investment, complete repairs, or maintain good relationships with customers • Establish a global reputation strategy driven by the company's Trust & Reputation Council and managed by Global Corporate Affairs	• Be proactive in our work to build awareness and trust as the world's leading and most valued biosimilars and generics company, and in how we manage reputational risks that could impact our reputation and license to operate • Prioritize and act on reputation factors that are important to our stakeholders • Take a robust approach to monitoring these activities

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. • 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 44**
	Management's role	• The ESG strategy team has assigned ownership of climate-related topics (e.g. emissions reduction, renewable electricity procurement and supplier engagement) and regularly monitors and manages progress. • The ERM team has assigned risk owners for each climate-related topic (e.g. natural disaster resilience) with clear responsibilities up to Sandoz Leadership Team (SLT) level.	**Page 44**
Strategy	Identification of climate-related risks and opportunities	• We have included climate-related risks and opportunities in both the DMA (in the form of impacts, risks and opportunities, or IROs) and TCFD assessments (in the form of physical and transition 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.	**Page 173–174, 180–183**
	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.	**Page 180–183**
	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 the overall business strategy.	**Page 33**
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.	**Page 87–91, 180–183**
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.	**Page 33, 175–176**

Limited assurance report on selected quantitative and qualitative sustainability information

KPMG

Independent limited assurance report on selected sustainability information in Sandoz Group AG's Integrated Annual Report 2024

To the Board of Directors of Sandoz Group AG, Risch

Opinion
We have undertaken a limited assurance engagement on Sandoz Group AG's (hereinafter «Sandoz») for the following selected Sustainability Information in the Sandoz Integrated Annual Report for the year ended December 31, 2024 (hereinafter "Sustainability Information"):

- The ESG Performance Indicators included in the tables starting on page 175 of the Sandoz Integrated Annual Report 2024 and marked as 'Assurance Scope 2024'.
- 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", as included in the 964b : Swiss Civil Code of obligations – Compliance index on page 179 and the TCFD strategic alignment table on page 184 of the Sandoz Integrated Annual Report 2024.

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 2024" available on: https://www.sandoz.com/ESG_supplementary_disclosures_2024

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.
Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Sandoz Integrated Annual Report 2024 or any other information linked to from the Sustainability Information or from the Sandoz Integrated Annual Report 2024, 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.

KPMG

Sandoz's 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, article 964b of the Swiss Code of Obligations, 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 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB) and in respect of greenhouse gas emissions, with the International Standard on Assurance Engagements (ISAE 3410) *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board.

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;

KPMG

— 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;

— Checking that the Sandoz Integrated Annual Report 2024 contains the information required by article 964b para. 1 and 2 CO to understand the business performance, the business results, the state of the undertaking and the effects of its activity on environmental matters, social matters, employee-related matters, respect for human rights and combating bribery and corruption, as well disclosures on environmental matters as required by article 964b para. 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 2024.

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, 4 March 2025

KPMG AG, Grosspeteranlage 5, CH-4002 Basel

Image credits

Peter Ginter: cover and pages 14, 16, 17, 19, 21 (left), 22, 30 (left)
Florian Jaenicke: pages 51, 52, 54, 55
Geri Krischker: pages 3, 12 (left), 34, 51 (Mammen), 52 (Rechsteiner and Shah), 54 (Saynor, Delenta)
Pascal Landert: page 55 (Steenbergen)
Chris Lewis: page 12 (right)
Sebastian Stiphout: pages 21 (right), 35 (right)

Illustrations by **Stephen Cheetham**

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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.

This Integrated Annual Report is not intended to be and shall not be deemed to be an invitation or inducement to invest in or otherwise deal in any Sandoz securities or in any other investment, nor to provide or constitute any advice or recommendation in connection with any investment decision, nor to constitute an offer to provide products or services in any jurisdiction in which Sandoz is not permitted to do so under any applicable law or regulation.

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