Novartis announces intention to separate Sandoz business to create a standalone company by way of a 100% spin-off

August 25, 2022 – Investor Relations
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Implementation of the proposals set out in this presentation is subject to certain conditions, including Novartis shareholder approval and applicable Novartis Euroforum and local employee information and/or consultation.
Vas Narasimhan  
Chief Executive Officer

Harry Kirsch  
Chief Financial Officer

Richard Saynor  
Chief Executive Officer  
Sandoz

Samir Shah  
Global Head of  
Investor Relations
Novartis concludes that separation of Sandoz, via 100% spin-off, is in the best interests of shareholders

Expected completion H2 2023

Strategic review conclusion
**Separation** would create two standalone companies which can focus on their respective strategies and succeed in their business segments

**Expected benefits**

**NOVARTIS** *(New-Novartis)*

- Clear investment thesis as an Innovative Medicines business
- Exclusive focus and investment in Innovative Medicines
- Strong position in 5 core TAs, leadership in technology platforms
- Enhanced execution of the pipeline and commercialization
- Improved financial profile and return on capital
- Organizational and operational simplification
- Capital allocation based on its business needs

**SANDOZ** *(Standalone)*

- Clear investment thesis as a Generics and Biosimilars business
- #1 European Generics company¹ and a global leader in Biosimilars
- More effective business strategy for the Gx market
- Greater freedom to operate
- Capital allocation based on its business needs
- Culture fit for the Gx industry, with focus on faster/leaner decision-making and more efficient use of cost base

Limited synergies between Innovative Medicines and Generics; at opposite ends of the biopharma value chain with significant differences in business dynamics

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1. Based on IQVIA MAT 03/2022, gross sales for combined Generics and Biosimilars market
100% spin-off is the preferred separation path, offers transaction certainty, clean exit and is expected to be generally tax neutral.

**Value drivers**

- Novartis shareholders to benefit from potential future upside, for both businesses.
- Provides clarity and focus to Sandoz and Novartis. Supports both transformations.
- Successful Novartis precedents, e.g., Alcon spin-off.

**Other benefits**

- High certainty of achieving a clean exit.
- Expected to be generally tax neutral for Novartis and the majority of our institutional shareholders.
- Immediate full separation and deconsolidation of Sandoz from spin-off.
For New-Novartis, Sandoz separation would further support a focused Innovative Medicines strategy with improved financials

New-Novartis expectations (illustrative only)

- Irrespective of separation, IM expected to grow sales, margin and FCF (% of sales)
- Sandoz spin-off will result in incremental growth for:
  - Core operating income margin
  - FCF (% of sales)
  - Return on invested capital
- New-Novartis remains committed to capital allocation priorities, with growing (CHF) annual dividend
Sandoz would become a unique, “pure-play”, market leader across the Generics and Biosimilars market.

Positioned to seize the attractive off-patent market opportunity.

Sandoz profile
Sandoz is a global leader across the Generics and Biosimilars market

### Generics and Biosimilars gross sales¹
USD billion, Mar 2021 – Mar 2022

<table>
<thead>
<tr>
<th>Company</th>
<th>Generics</th>
<th>Biosimilars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandoz</td>
<td>8.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Company A</td>
<td>11.7</td>
<td>0.4</td>
</tr>
<tr>
<td>Company B</td>
<td>9.8</td>
<td>10.3</td>
</tr>
<tr>
<td>Company C</td>
<td>1.5</td>
<td>4.9</td>
</tr>
<tr>
<td>Company D</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Company E</td>
<td>3.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Company F</td>
<td>2.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Company G</td>
<td>2.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Company H</td>
<td>2.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Company I</td>
<td>2.8</td>
<td>2.8</td>
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</tbody>
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1. Based on IQVIA MAT 03/2022. Notes: Gross sales - Analysis excludes certain sizeable markets with no SDZ Gx operations such as China and India. Market definition consists of Generics and Biosimilars, excl. off-patent originator brands.
Sandoz is uniquely positioned with a strong and balanced presence in both Generics and Biosimilars (65% Gx, 35% Biosimilars)...
...to seize the attractive off-patent market opportunity

Off-patent market size (Gross)
USD billion, forecast¹

**Generics**
- 2017: 210
- 2022: 251
- 2031: 369

**Biosimilars**
- 2017: 4
- 2022: 25
- 2031: 100

Market size 2031
~USD 470bn

Key drivers

- Healthcare policies encouraging Generics/Biosimilars adoption, increasing access, and promoting competition
- LoE for high value Biologics
- Positive shifts in physician attitudes towards Biosimilars

1. Based on IQVIA data for 73 markets covering majority of the market size
Sandoz is well established in the industry, with the portfolio and capabilities to support sustained, strong performance...

### Portfolio

<table>
<thead>
<tr>
<th>Biosimilars</th>
<th>Small molecules</th>
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<tbody>
<tr>
<td></td>
<td>Oral solids</td>
</tr>
<tr>
<td></td>
<td>Anti-infectives</td>
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<tr>
<td></td>
<td>Steriles</td>
</tr>
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<td></td>
<td>Respiratory</td>
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</table>

### Fit for purpose

- Strong commercial engine
- First-to-market launches
- Cost competitiveness
- Reliable & flexible supply

### People & culture

- Strong management
- Gx setup & mindset
- Engaged organization

### Growth

| Biosimilars | A leading market position
<table>
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<tr>
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<tbody>
<tr>
<td>Small molecules</td>
<td>Broad and expanding pipeline of 15+ assets driving the next wave of growth</td>
</tr>
<tr>
<td></td>
<td>High LoE coverage with 350+ Small molecules in development</td>
</tr>
<tr>
<td></td>
<td>Organic growth supported by bolt-on M&amp;A</td>
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</tbody>
</table>

### Competitiveness

- **Footprint**: Market “intimacy” at scale. Unique customer, channel and payer understanding across markets
- **Gross margin**: Gx Technical Operations network optimization Positive mix from higher Biosimilars share
- **Operational costs**: Setting up a lean standalone organization
...as demonstrated in H1’22, allowing for FY guidance upgrade benefitting from return towards normal business dynamics

H1 sales – total USD 4.7bn (+6%)¹

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales (USD bn)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>2.5</td>
<td>+7</td>
</tr>
<tr>
<td>ROW</td>
<td>1.3</td>
<td>+11</td>
</tr>
<tr>
<td>US</td>
<td>0.9</td>
<td>-2</td>
</tr>
</tbody>
</table>

Accelerating leadership in Europe

Sandoz is a market leader – EU #1; US #4²

2022 FY guidance increased to
- Sales to grow low single digit
- Core OpInc to be broadly in line with PY

Solid pipeline to drive growth
- 15+ Biosimilar assets, targeting USD 80bn originator sales (2030)
- FDA/EMA file acceptance for adalimumab HCF and natalizumab
- Broad LoE coverage in Small molecules

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HCF – High concentration formulation. LoE – Loss of Exclusivity
1. Reported H1’22 Earnings. 2. Based on IQVIA MAT 03/2022, gross sales for combined Generics and Biosimilars market
H1 2023
▪ IR Roadshows / Capital Markets Day
▪ Sandoz future financial targets

H2 2023
Planned spin-off completion

Transaction details
Targeting an investment grade credit rating for Sandoz, with any future dividends incremental to New-Novartis dividend

Transaction summary

**Transaction details**
- 100% spin-off of new Sandoz shares to existing Novartis shareholders
- SIX Swiss Exchange listing and US ADR program
- Generally tax neutral transaction expected for Novartis
- Incorporated and headquartered in Switzerland

**Financial profile**
- Investment grade credit rating to be established to deliver on plans for growth and attractive dividends
- Dividend policy details to be provided in due course (incremental to Novartis dividend, which will not be rebased)

**Timing**
- Spin-off completion planned for H2 2023
- Further details to be announced in due time, e.g. proposed distribution ratio of spin-off, BoD

**Transaction conditions**
- General market conditions
- Consultation with works councils and employee representatives (as required)
- Receipt of favorable tax rulings and opinions
- Final Novartis AG BoD and shareholder approval (EGM)
- No assurance regarding ultimate timing/completion of the transaction
Proposed primary listing on the SIX Swiss Exchange; with ADR program

**SIX Swiss Exchange**

**Natural listing location** given Sandoz headquarters in Switzerland and legacy of the brand

Enables **maximum** number of Novartis **shareholders to remain invested**

Access to a large pool of Swiss and international investors with **ample liquidity and market depth**

**ADR program offers flexibility** to our US investor base and employee share participation
Sandoz spin-off is the final step in the Novartis journey from a conglomerate to a company...

...fully focused on Innovative Medicines (IM)...

Conclusion
### Conclusion

#### Scale & growth
- Strong position in five core therapeutic areas, leadership in technology platforms
- 6 key in-market brands

#### Innovation
- Up to 20 potential USD billion+ assets with approval by 2027
- Increased focus on high-value assets

#### Commercial engine
- EU #1\(^1\), US aiming top 5
- Focused on driving synergies and leveraging global scale

#### Financials
- Strong financial profile with improved core margin, FCF (% of sales) and ROIC
- Shareholder friendly capital allocation

#### Management team
- Experienced management team focused on future growth, supported by a new organizational model

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1. Based on 2021 IQVIA sales data for EU5
Sandoz offers a **unique value proposition** to investors...

...as a “**pure-play**”, **market leader** across the Generics and Biosimilars market

<table>
<thead>
<tr>
<th>Scale &amp; growth</th>
<th>A global leader in Generics &amp; Biosimilars, with global capabilities, presence and scale</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Off-patent market to grow to USD 470bn, driven by USD 500bn+ total originator sales LoE by 2031</td>
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<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Small molecules and Biosimilars expertise</th>
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<tbody>
<tr>
<td></td>
<td>15+ Biosimilar molecules</td>
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<tr>
<td></td>
<td>350+ Small molecules</td>
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<tr>
<th>Commercial engine</th>
<th>Proven commercial organization; EU #1, US #4¹</th>
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<tr>
<td></td>
<td>Intimate understanding of customers</td>
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<tr>
<th>Financials</th>
<th>Robust financial outlook and solid capital structure to support capital allocation flexibility</th>
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<td>Committed to lean and efficient operations</td>
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| Management team   | Strong management team supported by an experienced and engaged organization |

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1. Based on IQVIA MAT 03/2022, gross sales for combined Generics and Biosimilars market
Opportunity to meet Novartis management, including Sandoz, at MNM

Meet Novartis Management
September 21 - 22, 2022

<table>
<thead>
<tr>
<th>Group</th>
<th>R&amp;D</th>
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<tbody>
<tr>
<td>IM International</td>
<td>Sandoz</td>
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<tr>
<td>IM US</td>
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