

Ad hoc announcement pursuant to art. 53 SIX Swiss Exchange Listing Rules

MEDIA RELEASE

Sandoz reports fourth quarter 2023 sales and full-year 2023 results

- Strong fourth quarter performance, with net sales¹ of USD 2.5 billion, up 10% in constant currencies (up 11% in USD)
- Full-year 2023 **net sales of USD 9.6 billion**, up 7% in constant currencies (up 6% in USD)
- Strong growth across all three regions and double-digit growth in biosimilars both in the fourth quarter and full year
- Full-year 2023 **core EBITDA margin of 18.1%**, with strong contribution from net sales offset by expected inflation and standalone costs, and foreign exchange headwinds of 1.7 percentage points
- Full-year 2023 EBITDA margin of 9.5%, due to legal settlements, one-time separation costs and rationalization of specific manufacturing sites
- 2024 guidance of mid-single digit net sales growth in constant currencies and core EBITDA margin around 20%

Basel, March 13, 2024 – Sandoz (SIX:SDZ/OTCQX:SDZNY), the global leader in generic and biosimilar medicines, today announced net sales for the fourth quarter and results for the full year ended December 31, 2023. For the fourth quarter, net sales were USD 2.5 billion, an increase of 10% in constant currencies compared to the same quarter of the prior year. For the full year, net sales were USD 9.6 billion, an increase of 7% in constant currencies compared to the prior year and core EBITDA margin of 18.1%.

“2023 was a year of many achievements for Sandoz, thanks to the passion and tireless efforts of our employees worldwide”, said Richard Saynor, Chief Executive Officer of Sandoz. “We launched Hyrimoz[®] (biosimilar adalimumab) in the US, expanded our biosimilar pipeline through a commercialization agreement with Samsung on biosimilar ustekinumab (reference medicine Stelara[®]) and enhanced our generic portfolio with the acquisition of Mycamine[®] (an anti-fungal agent), while becoming an independent public company.”

Mr. Saynor continued: “These achievements came alongside strong financial results, with sales growth in all three regions and double-digit growth in biosimilars for the fourth quarter and full year. Our full-year 2023 core EBITDA margin was 18.1%, in line with our guidance despite foreign exchange headwinds, offering a solid basis for our mid-term ambitions. We have also secured long-term financing with two bond issuances and ended the year with a strong cash balance of USD 1.1 billion, providing optionality for future investments. We have entered 2024 with strong momentum and a deep pipeline of products to create sustainable long-term value for our shareholders and society.”

¹ Net sales in this document refer systematically to net sales to third parties.

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FOURTH QUARTER AND FULL-YEAR 2023 NET SALES RESULTS

Net sales for the fourth quarter were USD 2.5 billion, up 10% in constant currencies, compared to the fourth quarter of 2022. Volume contributed 12 percentage points of growth, partially offset by price erosion of 2 percentage points. All regions showed growth this quarter with solid contribution from generics and strong performance in biosimilars, across new and existing products.

Net sales for the full year were USD 9.6 billion, up 7% in constant currencies compared to 2022. Volume contributed 10 percentage points of growth, partially offset by price erosion of 3 percentage points, a significant reduction compared to 6 percentage points in 2022. Growth was driven by strong demand, product launches and continued performance of Omnitrope[®] and Hyrimoz[®].

Net sales by business

USD millions unless indicated otherwise	Three months ended December 31		Change %		Twelve months ended December 31		Change %	
	2023	2022	USD	cc*	2023	2022	USD	cc
Generics	1 920	1 813	6	6	7 432	7 141	4	5
Biosimilars	623	483	29	26	2 215	1 928	15	15
Net sales to third parties	2 543	2 296	11	10	9 647	9 069	6	7

*Constant currencies

Generics overview

Net sales for the fourth quarter were USD 1.9 billion, up 6% in constant currencies, compared to the fourth quarter of 2022. Growth was driven by volume demand, the acquisition of Mycamine[®], an antifungal agent, the transfer of mature brands from our former parent and price erosion below prior year.

Net sales for the full year were USD 7.4 billion, up 5% in constant currencies, driven by strong volume demand and recent launches. The first half of the year was particularly strong due to an exceptional cough and cold season and the contribution from apixaban, an anticoagulant medication, in Europe.

Biosimilars overview

Net sales for the fourth quarter were USD 623 million, up 26% in constant currencies, compared to the fourth quarter of 2022. This strong double digit biosimilar growth reflects the launch of Hyrimoz[®] high concentration formulation as well as ongoing strong demand for our first ever biosimilar Omnitrope[®], where we are the market leader, capturing 34% market share².

Net sales for the full year were USD 2.2 billion, up 15% in constant currencies versus prior year, driven by strong contributions from Omnitrope[®] and Hyrimoz[®].

² Based on IQVIA MIDAS Nov'23 rolling 12-month volume data, including originator products (once-daily products only)

Net sales by region

USD millions unless indicated otherwise	Three months ended				Twelve months ended			
	December 31		Change %		December 31		Change %	
	2023	2022	USD	cc	2023	2022	USD	cc
Europe	1 272	1 154	10	4	5 023	4 503	12	9
North America	615	514	20	20	2 129	2 094	2	3
International	656	628	4	14	2 495	2 472	1	9
Net sales to third parties	2 543	2 296	11	10	9 647	9 069	6	7

Europe overview

Net sales for the fourth quarter were USD 1.3 billion, up 4% in constant currencies, compared to the fourth quarter of 2022, primarily due to solid generic volume growth and strong performance of Omnitrope®.

Net sales for the full year were USD 5.0 billion, up 9% in constant currencies versus prior year, driven by sales related to an extraordinary cough and cold season and demand for new generic launches such as apixaban in the first half of the year, and strong performance of our biosimilars.

North America overview

Net sales for the fourth quarter were USD 615 million, up 20% in constant currencies, compared to the fourth quarter of 2022. Growth was driven by the transfer of mature brands from our former parent and strong demand for Omnitrope®. In addition, we started supplying Hyrimoz® to Cordavis, a wholly owned subsidiary launched by CVS Health, during the quarter to sell under their private label and to expand the reach of Hyrimoz® to patients in the US.

Net sales for the full year were USD 2.1 billion, up 3% in constant currencies versus prior year. North America moved from stabilization to growth, driven primarily by strong demand for Omnitrope®, the launch of Hyrimoz® in the US and price erosion lower than in the prior year.

International overview

Net sales for the fourth quarter were USD 656 million, up 14% in constant currencies, compared to the fourth quarter of 2022. This was primarily a result of strong volume growth, new product launches, such as Mycamine®, and strong demand for our biosimilars.

Net sales for the full year were USD 2.5 billion, up 9% in constant currencies versus prior year, driven by strong demand in key markets and growth across the biosimilar portfolio.

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FULL-YEAR KEY OPERATING RESULTS

USD millions unless indicated otherwise	Twelve months ended		Change %	
	December 31		USD	cc
	2023	2022		
Net sales to third parties	9 647	9 069	6	7
Gross profit	4 564	4 378	4	8
Operating income	375	1 239	(70)	(53)
EBITDA	914	1 741	(48)	(37)
Core results				
Core gross profit	4 913	4 726	4	7
<i>% of net sales to third parties</i>	<i>50.9</i>	<i>52.1</i>		
Core operating income	1 488	1 705	(13)	(2)
<i>% of net sales to third parties</i>	<i>15.4</i>	<i>18.8</i>		
Core EBITDA	1 743	1 931	(10)	0
<i>% of net sales to third parties</i>	<i>18.1</i>	<i>21.3</i>		
Core net financial result	(251)	(115)	(118)	(71)
Core income taxes	(284)	(370)	23	9
<i>Core effective tax rate (%)</i>	<i>23</i>	<i>23</i>		
Core net income	953	1 220	(22)	(8)
Core diluted earnings per share (USD)	2.20	2.83	(22)	(8)

Core gross profit amounted to USD 4.9 billion compared to USD 4.7 billion in the prior year, resulting in a core gross profit margin of 50.9% compared to 52.1% in 2022. The favorable contribution from volume and product mix were offset by the impact of higher input costs, and a 1.2 percentage point negative impact from foreign exchange.

Core EBITDA was USD 1.7 billion versus 1.9 billion in the prior year, resulting in a core EBITDA margin of 18.1% compared to 21.3% in 2022. Contribution from higher sales were more than offset by higher input costs as expected, investments in sales and marketing to support our new product launches, standalone costs of 1.3 percentage points, and a 1.7 percentage point negative impact from foreign exchange.

EBITDA was USD 914 million versus 1.7 billion in the prior year. Core adjustments for EBITDA in 2023 were USD 829 million compared to USD 190 million in 2022, driven by legal costs of USD 576 million, separation costs of USD 155 million and rationalization of manufacturing sites and other of USD 98 million. Legal costs included the settlement agreement with the class of direct purchaser plaintiffs in the US multidistrict antitrust litigation that was announced on February 29, 2024. As a new public company, this settlement underscores our commitment to integrity and sound governance and is an encouraging step toward putting allegations of legacy conduct behind us.

Core net financial result was an expense of USD 251 million compared to an expense of USD 115 million in 2022. The increase was primarily a result of interest expenses related to financing from our former parent prior to the spin-off, financing facilities put in place at the separation and the bond issues in the fourth quarter.

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The core effective tax rate was 23%, in line with prior year.

Core net income was USD 1.0 billion compared to USD 1.2 billion in 2022 mainly driven by lower core EBITDA and higher interest expense, partly offset by lower income tax. Core diluted earnings per share was USD 2.20 with a weighted average number of shares of 431.2 million.

NET CASH FLOW, WORKING CAPITAL AND NET DEBT

Total cash and cash equivalents increased to USD 1.1 billion on December 31, 2023, compared to USD 0.1 billion on December 31, 2022. The increase resulted from the opening cash at separation, combined with the net proceeds from the fourth quarter bond issues after refinancing of the bridge loan.

The company generated net cash flows from operating activities of USD 0.4 billion, compared with USD 1.2 billion in the prior year, driven primarily by an increase in net working capital, separation costs, a legal settlement and manufacturing optimization. The increase in net working capital was primarily due to an increase in inventory of USD 0.6 billion to USD 2.7 billion, with USD 0.2 billion supporting the strong topline growth of the business, USD 0.2 billion from higher input costs and USD 0.2 billion due to the transfer of inventories from our former parent at the separation and additional quantities to ensure operational continuity post spin.

Net CAPEX was USD 586 million, compared with USD 386 million in the prior year. This increase is mainly due to the acquisitions of intangible assets such as Mycamine[®] and investments in development and manufacturing sites in Germany and Slovenia.

Free cash flow amounted to a negative USD 234 million, compared with USD 832 million in the prior year, due primarily to lower cash flow from operating activities and higher net CAPEX.

Immediately prior to the separation and spin-off from its former parent, Sandoz entered into a credit facility agreement. This borrowing arrangement consisted of an unsecured bridge facility for USD 2.6 billion, multiple term loans for USD 0.8 billion and a revolving credit facility for USD 1.25 billion. The company received investment grade credit ratings from Moody's and S&P of Baa2 and BBB, respectively, placing the company in a strong position.

Post spin, the company successfully issued both CHF senior notes of CHF 750 million and EUR senior notes of EUR 2.0 billion with maturities ranging from 2026 to 2033. Proceeds were used to refinance the bridge facility and for general corporate purposes. As of December 31, 2023, Sandoz maturity profile is well balanced with an average maturity of non-current financial debt of approximately 5 years. As a result, the weighted average interest rate on total non-current financial debt was 3.9% in 2023.

Net debt remained largely constant at USD 3.1 billion on December 31, 2023, compared to USD 3.0 billion on December 31, 2022, corresponding to a net debt to core EBITDA ratio of 1.8x.

DIVIDEND

The Board of Directors is recommending a dividend of CHF 0.45 per share representing 24% of core net income in line with our guidance. Shareholders will vote on this proposal at the Annual General Meeting on April 30, 2024.

GUIDANCE 2024

For full-year 2024, the company expects net sales to grow mid-single digit in constant currencies versus prior year, and core EBITDA margin around 20%.

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MID-TERM GUIDANCE 2028

The company is reaffirming its mid-term guidance to 2028. The company expects net sales to grow annually by mid-single digit in constant currencies and core EBITDA margin in the range of 24% to 26%. Dividend is expected to be 30% to 40% of full-year core net income.

ANNUAL REPORT

The company published its 2023 integrated Annual Report today, which can be found at [Integrated Annual Report](#).

KEY LINKS

[Webcast](#) – Live at 9am CET

[Analyst Call Presentation](#)

[Analyst Consensus](#)

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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 are as follows:

Core results

Sandoz core results – including core EBITDA, core operating income, core net income and core earnings per share – exclude fully:

- The amortization and impairment charges of intangible assets other than software;
- Net gains and losses on fund investments and equity securities valued at fair value through profit and loss;
- Certain acquisition and divestment- related items;
- Tax liabilities for uncertain tax positions.

The following items that exceed a threshold of USD 25 million are also excluded:

- Integration- and divestment- related income and expenses;
- Divestment gains and losses;
- Restructuring charges/releases and related items;
- Legal related items;
- Impairments of property, plant and equipment, software and financial assets;
- And income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a USD 25 million threshold. 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;
- 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

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amortization/impairments of purchased intangible assets, impairments to property, plant and equipment and restructurings and related items.

Constant currencies

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

- The impact of translating the income statements of consolidated entities from their non-USD functional currencies to USD;
- 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, tax, 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 the percentage of core EBITDA over 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

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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.

Net working capital

Sandoz defines net working capital as inventory 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. Sandoz presents net CAPEX as a positive number.

Net debt

Sandoz defines net debt as non-current financial debt 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. For the table that shows Sandoz net debt, see “Note 32. Financial instruments – additional disclosures” in the consolidated financial statements of the Integrated Annual Report.

Currencies

References to “CHF” or “Swiss francs” are to the lawful currency of Switzerland, references to “EUR” or “euro” are to the single currency of the participating member states of the European Union participating in the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time, references to “USD” or “U.S. dollars” are to the lawful currency of the United States of America, and reference to “JPY” or “yen” are to the lawful currency of Japan.

Rounding

Certain figures contained in the press release, 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 reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Financial year

Our financial year ends on December 31 of each calendar year. In this press release, all references to “2023” are to the 12-month period ended December 31, 2023, and all references to “2022” are to the 12-month period ended December 31, 2022, unless the context otherwise requires.

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ABOUT SANDOZ

Sandoz (SIX: SDZ; OTCQX: SDZNY) is the global leader in generic and biosimilar medicines, with a growth strategy driven by its Purpose: pioneering access for patients. More than 20,000 people of more than 100 nationalities work together to ensure 800 million patient treatments are provided by Sandoz, generating substantial global healthcare savings and an even larger social impact. Its leading portfolio of approximately 1500 products addresses diseases from the common cold to cancer. Headquartered in Basel, Switzerland, Sandoz traces its heritage back to 1886. Its history of breakthroughs includes Calcium Sandoz in 1929, the world's first oral penicillin in 1951, and the first biosimilar in 2006.

DISCLAIMER

This Media Release contains forward-looking statements, which offer no guarantee with regard to future performance. These statements are made on the basis of management's views and assumptions regarding future events and business performance at the time the statements are made. They are subject to risks and uncertainties including, but not confined to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside of the control of Sandoz. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual outcomes may vary materially from those forecasted or expected. Each forward-looking statement speaks only as of the date of the particular statement, and Sandoz undertakes no obligation to publicly update or revise any forward-looking statements, except as required by law.

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SUPPORTING FINANCIAL INFORMATION

Quarterly sales

FY 2023

USD millions unless indicated otherwise	Q1 2023	Change %		Q2 2023	Change %		Q3 2023	Change %		Q4 2023	Change %	
		USD	cc		USD	cc		USD	cc		USD	cc
Generics	1 868	2	6	1 850	4	6	1 794	5	4	1 920	6	6
Biosimilars	516	11	17	533	13	14	543	7	4	623	29	26
Net sales to third parties	2 384	4	9	2 383	5	8	2 337	6	4	2 543	11	10
Europe	1 270	10	16	1 277	14	12	1 204	11	3	1 272	10	4
North America	496	(5)	(3)	508	(4)	(2)	510	(4)	(3)	615	20	20
International	618	(1)	4	598	(3)	8	623	3	12	656	4	14
Net sales to third parties	2 384	4	9	2 383	5	8	2 337	6	4	2 543	11	10

FY 2022

USD millions unless indicated otherwise	Q1 2022	Change %		Q2 2022	Change %		Q3 2022	Change %		Q4 2022	Change %	
		USD	cc		USD	cc		USD	cc		USD	cc
Generics	1 834	3	9	1 787	(4)	4	1 707	(9)	1	1 813	(8)	(1)
Biosimilars	465	2	7	473	(2)	8	507	3	15	483	(5)	4
Net sales to third parties	2 299	3	8	2 260	(4)	4	2 214	(6)	4	2 296	(8)	0
Europe	1 151	2	9	1 118	(7)	5	1 080	(11)	5	1 154	(8)	4
North America	521	0	0	528	(2)	(1)	531	0	1	514	(8)	(6)
International	627	6	14	614	2	9	603	(4)	5	628	(7)	(1)
Net sales to third parties	2 299	3	8	2 260	(4)	4	2 214	(6)	4	2 296	(8)	0

Reconciliation of core results

Reconciliation from IFRS results to core results

FY 2023

USD millions unless indicated otherwise	Amortization of				Core results
	IFRS results	intangible assets ¹	Impairments ²	Other items ³	
Gross profit	4 564	222	34	93	4 913
Operating income⁴	375	222	43	848	1 488
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

The following are adjustments to arrive at core gross profit

Cost of goods sold	(5 415)	222	34	93	(5 066)
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The following are adjustments to arrive at core operating income

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)

The following are adjustments to arrive at core income before taxes

Other financial income and expense	(43)	–	–	(6)	(49)
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¹ Amortization of intangible assets: cost of goods sold includes the amortization of acquired rights to currently marketed products and other production-related intangible assets.

² Impairments: cost of goods sold and development and regulatory include impairment charges related to intangible assets; other income includes 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 loss 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%.

FY 2022

USD millions unless indicated otherwise	Amortization of				Core results
	IFRS results	intangible assets ¹	Impairments ²	Other items ³	
Gross profit	4 378	221	35	92	4 726
Operating income⁴	1 239	221	33	212	1 705
Income before taxes	1 102	221	33	234	1 590
Income taxes ⁵	(252)				(370)
Net income	850				1 220
Basic earnings per share (USD)	1.97				2.83
Diluted earnings per share (USD)	1.97				2.83

The following are adjustments to arrive at core gross profit

Cost of goods sold	(4 928)	221	35	92	(4 580)
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The following are adjustments to arrive at core operating income

Selling, general and administration	(2 127)	–	–	10	(2 117)
Development and regulatory	(833)	–	1	1	(831)
Other income	111	–	(2)	(15)	94
Other expense	(290)	–	(1)	124	(167)

The following are adjustments to arrive at core income before taxes

Other financial income and expense	(48)	–	–	22	(26)
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¹ Amortization of intangible assets: cost of goods sold includes the amortization of acquired rights to currently marketed products and other production-related intangible assets.

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

³ Other items: cost of goods sold, selling, general and administration, development and regulatory, other income and other expense include 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 and selling, general and administration include adjustments to provisions and related items; other financial income and expense includes the monetary loss on the restatement of non-monetary items for subsidiaries in hyperinflationary economies.

⁴ 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 488 million to arrive at the core results before tax amounts to USD 118 million. The average tax rate on the adjustments was 24%.

Reconciliation from IFRS operating income to core net income

USD millions unless indicated otherwise	Twelve months ended	
	December 31	
	2023	2022
IFRS operating income	375	1 239
Amortization of intangible assets	222	221
Impairments		
Intangible assets	44	35
Property, plant and equipment related to the Group-wide rationalization of manufacturing sites	(1)	(2)
Total impairment charges	43	33
Other items		
Restructuring and related items		
- Income	(8)	(14)
- Expense	132	154
Legal-related items		
- Expense	576	56
Separation costs	155	16
Additional income	(7)	–
Total other items	848	212
Total adjustments	1 113	466
Core operating income	1 488	1 705
<i>% of net sales to third parties</i>	<i>15.4</i>	<i>18.8</i>
Net financial result	(245)	(137)
Core adjustments to net financial result	(6)	22
Income taxes, adjusted for above items (core income taxes)	(284)	(370)
Core net income	953	1 220

Reconciliation from operating income to EBITDA to core EBITDA

FY 2023

USD millions	Amortization of				Core results
	IFRS results	intangible assets	Impairments	Other items	
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	57	–	(43)	–	14
EBITDA	914	–	–	829	1 743

FY 2022

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

¹ There were no impairments of right-of-use assets in 2022.

Reconciliation of free cash flow

USD millions	Twelve months ended	
	December 31	
	2023	2022
Operating income	375	1 239
Adjustments for non-cash items		
Depreciation, amortization and impairments	525	492
Change in provisions and other non-current liabilities	639	99
Other	15	(22)
Operating income adjusted for non-cash items	1 554	1 808
Interest and other financial receipts	43	8
Interest and other financial payments	(204)	(119)
Income taxes paid	(245)	(273)
Payments out of provisions and other net cash movements in non-current liabilities	(123)	(165)
Change in inventory and trade receivables less trade payables	(463)	(325)
Change in other net current assets and other operating cash flow items	(200)	289
Net cash flows from operating activities	362	1 223
Purchases of property, plant and equipment	(364)	(278)
Proceeds from sale of property, plant and equipment	34	9
Purchases of intangible assets	(261)	(149)
Proceeds from sale of intangible assets	5	32
Purchases of financial assets	(5)	(6)
Proceeds from sale of financial assets	2	1
Purchases of other non-current assets	(7)	–
Free cash flow	(234)	832

Reconciliation of net working capital

USD millions	December 31	
	2023	2022
Inventories	2 700	2 124
Trade receivable	2 615	2 207
Receivables from former parent	–	91
Total trade receivables	2 615	2 298
Trade payables	(1 593)	(1 100)
Payables to former parent	–	(257)
Less total trade payables	(1 593)	(1 357)
Net working capital	3 722	3 065

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Reconciliation of net CAPEX

USD millions	December 31	
	2023	2022
Purchases of property, plant and equipment	364	278
Purchases of intangible assets	261	149
Total purchases of property, plant and equipment and intangible assets	625	427
Proceeds from sale of property, plant and equipment	(34)	(9)
Proceeds from sale of intangible assets	(5)	(32)
Less total proceeds from sale of property, plant and equipment and intangible assets	(39)	(41)
Net CAPEX	586	386

Liquidity, financial debt and net debt

USD millions unless indicated otherwise	December 31		Change
	2023	2022	USD
Non-current financial debt	3 975	30	3 945
Other net financial liabilities/receivables to/from former parent	–	2 839	(2 839)
Current financial debts and derivative financial instruments	284	185	99
Total financial debts	4 259	3 054	1 205
Cash and cash equivalents	(1 109)	(74)	(1 035)
Derivative financial instruments	(35)	–	(35)
Less total liquidity	(1 144)	(74)	(1 070)
Net debt	3 115	2 980	135
Net debt to core EBITDA ratio	1.8x	1.5x	