

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

## MEDIA RELEASE

# Sandoz reports second-quarter sales and half-year 2024 results

- Strong double-digit growth in biosimilars of 29% from existing portfolio and recent launches
- Second-quarter net sales<sup>1</sup> of USD 2.6 billion, up 9% in constant currencies (up 7% in USD)
- Half-year net sales of USD 5.0 billion, up 7% in constant currencies (up 6% in USD)
- Half-year core EBITDA margin<sup>2</sup> of 17.5%, a strong 210 basis point improvement versus H2 2023, driven by favorable biosimilars mix; within H1, margin expanded quarter-over-quarter
- Half-year 2024 EBITDA margin of 11.4%, due to one-time separation and transformation costs, and rationalization of specific manufacturing sites
- Net sales growth guidance increased to mid- to high-single digit in constant currencies (from mid-single digit) and reinforced confidence in core EBITDA margin of around 20%
- Executive Committee appointments: Rebecca Guntern as Chief Commercial Officer, and Christophe Delenta as President Europe, both effective September 1, 2024

**Basel, August 8, 2024** – Sandoz (SIX:SDZ/OTCQX:SDZNY), the global leader in generic and biosimilar medicines, today announced net sales for the second quarter and results for the half year ended June 30, 2024. For the second quarter, net sales were USD 2.6 billion, an increase of 9% in constant currencies compared to the same quarter of the prior year. For the half year, net sales were USD 5.0 billion, an increase of 7% in constant currencies compared to the prior year and core EBITDA margin was 17.5%.

Richard Saynor, Chief Executive Officer of Sandoz, said: “We are executing on our strategy, meeting key milestones in our biosimilar business and progressing on our journey as a standalone company. In recent months, we saw strong uptake of Hyrimoz® in the US, received approval for Pyzchiva® (ustekinumab) and Wyost®/Jubbonti® (denosumab) in the US and Europe and secured a settlement agreement in the US with launch dates in the first half of 2025. We also advanced our separation and transformation programs, and broke ground on our new biosimilar manufacturing facility in Slovenia.

“These strategic achievements came alongside solid financial results, as demonstrated by strong double-digit growth in biosimilars and a positive contribution by all three regions for the second quarter and half year. Our half-year 2024 core EBITDA margin was 17.5%, a strong 210 basis points improvement compared to the second half of 2023, primarily from recent biosimilars launches. We expect momentum in our business to continue in the second half of the year, with margin expansion coming from favorable product mix, leveraging expenses on growing topline, and contribution from our transformation program.”

<sup>1</sup> Net sales in this document refer systematically to net sales to third parties. In the first half of 2023, third party sales excluded sales to our former parent. Post separation, sales to our former parent were reclassified as third-party sales.

<sup>2</sup> An explanation of non-IFRS measures can be found in the Supplementary financial information of the Half-Year Report 2024.

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## EXECUTIVE COMMITTEE APPOINTMENTS

Going into the second half of 2024, Sandoz is announcing some senior leadership changes. Pierre Bourdage, Sandoz Chief Commercial Officer and a member of the Executive Committee, is unfortunately stepping down from his role for personal health reasons.

The company has appointed Rebecca Guntern, currently President Europe and a member of the Executive Committee, as the new Chief Commercial Officer effective September 1, 2024. A Swiss national, Rebecca is a seasoned commercial leader, who has been with Sandoz for almost two decades. She has successfully led the European organization across more than 40 countries since 2020. Under her tenure, the company's leading position in Europe has further strengthened, particularly in biosimilars.

Drawing on a strong bench of internal leaders, Christophe Delenta will succeed Rebecca Guntern as President Europe and become a member of the Executive Committee, also effective September 1, 2024. A French national, Christophe is currently Cluster Head within the Sandoz Europe region, overseeing the business in major EU markets such as France, Italy and Spain. He has more than 25 years of experience as a leader in pharmaceuticals, the last eight years of which were with Sandoz. Looking back on a successful career in a broad range of commercial roles, Christophe has worked in Europe, Africa, the United States and Latin America, in both generic and originator companies.

Richard Saynor, Chief Executive Officer of Sandoz, said: "We would like to thank Pierre for his leadership and everything he has done for Sandoz for many years. Please join me in wishing him the very best, and in congratulating Rebecca and Christophe on their appointments."

## SECOND QUARTER AND HALF-YEAR 2024 NET SALES RESULTS

Net sales for the second quarter were USD 2.6 billion, up 9% in constant currencies, compared to the second quarter of 2023. Volume contributed nine percentage points of growth, with no impact from price erosion. Biosimilars were a key driver of growth in the quarter, while generics remained in line with the strong prior year sales.

Net sales for the first half of 2024 were USD 5.0 billion, up 7% in constant currencies compared to prior year. Volume contributed nine percentage points of growth. This was partially offset by price erosion of two percentage points, a significant reduction compared to four percentage points in the prior year. The growth was primarily driven by biosimilars, with strong demand for both the base business and new in-market organic and acquired products in the US.

### Net sales by business

USD millions unless indicated otherwise	Three months ended		Change %		Six months ended		Change %	
	June 30				June 30			
	2024	2023	USD	cc*	2024	2023	USD	cc
Generics	1 835	1 850	-1	1	3 704	3 718	0	1
Biosimilars	720	533	35	37	1 343	1 049	28	29
<b>Net sales to third parties</b>	<b>2 555</b>	<b>2 383</b>	<b>7</b>	<b>9</b>	<b>5 047</b>	<b>4 767</b>	<b>6</b>	<b>7</b>

\*constant currencies

## Generics overview

Net sales for the second quarter were USD 1.8 billion, up 1% in constant currencies, compared to the second quarter of 2023. Net sales for the first half were USD 3.7 billion, up 1% in constant currencies versus prior year.

The momentum continued in the International region, aided by demand for the antifungal agent Mycamine®. Europe remained stable despite strong prior year comparisons. These include the strong sales of apixaban in the first half of 2023 which was withdrawn in the Netherlands following a court decision in August 2023, and an exceptional cough and cold season last year. Launches in North America are planned in the second half of the year, with the relative phasing impacting growth in the first half.

## Biosimilars overview

Net sales for the second quarter were USD 720 million, up 37% in constant currencies, compared to the second quarter of 2023. Net sales for the first half were USD 1.3 billion, up 29% in constant currencies versus prior year.

The strong double-digit biosimilars growth reflects the uptake of Hyrimoz® (adalimumab) in the US, the acquisition of Cimerli® (ranibizumab), the continued strong demand for our first-ever biosimilar, Omnitrope® (somatropin) and the launch of Tyruko® (natalizumab) in Europe.

## Net sales by region

USD millions unless indicated otherwise	Three months ended		Change %		Six months ended		Change %	
	June 30				June 30			
	2024	2023	USD	cc	2024	2023	USD	cc
Europe	1 308	1 277	2	3	2 634	2 547	3	3
North America	620	508	22	23	1 144	1 004	14	14
International	627	598	5	9	1 269	1 216	4	10
<b>Net sales to third parties</b>	<b>2 555</b>	<b>2 383</b>	<b>7</b>	<b>9</b>	<b>5 047</b>	<b>4 767</b>	<b>6</b>	<b>7</b>

## Europe overview

Net sales for the second quarter were USD 1.3 billion, up 3% in constant currencies, compared to the second quarter of 2023. Net sales for the first half were USD 2.6 billion, up 3% in constant currencies versus prior year.

Strong growth in biosimilars continues, led by demand for Omnitrope® and the contribution from the recent launch of Tyruko®. This was partly offset by a stable generics business due to a strong prior year comparison. This includes the withdrawal of apixaban and an exceptional cough and cold season.

## North America overview

Net sales for the second quarter were USD 620 million, up 23% in constant currencies, compared to the second quarter of 2023. Net sales for the first half were USD 1.1 billion, up 14% in constant currencies versus prior year.

Growth was driven by the ongoing uptake of Hyrimoz® in the US and the acquisition of Cimerli®. This was partly offset by a decline in generics sales due to the timing of new launches in the US, which are planned in the second half of 2024.

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## International overview

Net sales for the second quarter were USD 627 million, up 9% in constant currencies, compared to the second quarter of 2023. Net sales for the first half were USD 1.3 billion, up 10% in constant currencies versus prior year.

This was primarily a result of strong volume growth across both generics and biosimilars, the acquisition of Mycamine® in the prior year and favorable price dynamics, partly offset by the divestment of the Chinese business in the second quarter.

## HALF-YEAR KEY OPERATING AND NON-OPERATING RESULTS

USD millions unless indicated otherwise	Six months ended June 30		Change %	
	2024	2023	USD	cc
Net sales to third parties	5 047	4 767	6	7
Gross profit	2 380	2 374	0	3
Operating income	332	462	(28)	(17)
EBITDA	576	720	(20)	(13)
Net income	151	236	(36)	(26)
<b>Core results</b>				
Core gross profit	2 544	2 537	0	2
<i>% of net sales to third parties</i>	<i>50.4</i>	<i>53.2</i>		
Core operating income	763	870	(12)	(7)
<i>% of net sales to third parties</i>	<i>15.1</i>	<i>18.3</i>		
Core EBITDA	885	992	(11)	(6)
<i>% of net sales to third parties</i>	<i>17.5</i>	<i>20.8</i>		
Core net income	484	591	(18)	(13)
Core diluted earnings per share (USD)	1.12	1.37	(18)	(13)

Core gross profit in the first half of 2024 was USD 2.5 billion, in line with prior year. Core gross profit margin was 50.4% compared to 53.2% in the first half of 2023. The favorable product mix from strong double-digit biosimilars growth partly offset price erosion and the inflation on cost of goods sold, which impacted results as of the second half of 2023. On a sequential basis, core gross profit margin improved by 170 basis points versus the second half of 2023, driven by favorable product mix from strong double-digit biosimilars growth.

Core EBITDA in the first half of 2024 was USD 885 million versus USD 992 million in the prior year. Core EBITDA margin was 17.5% compared to 20.8% in the first half of 2023, driven by lower core gross profit margin. On a sequential basis, core EBITDA margin improved by 210 basis points compared to the second half of 2023, driven by favorable product mix from strong double-digit biosimilars growth. For the same reason, within H1, the margin expanded quarter-over-quarter.

EBITDA in the first half of 2024 was USD 576 million versus USD 720 million in the prior year. Core adjustments for EBITDA in the first half of 2024 were USD 309 million compared to USD 272 million in the prior year, driven primarily by transformation costs of USD 140 million, separation costs of USD 118 million and rationalization of specific manufacturing sites of USD 42 million.

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Core net income was USD 484 million compared to USD 591 million in the prior year, mainly driven by lower core EBITDA and higher interest expense, partly offset by lower income tax. As a result, core diluted earnings per share was USD 1.12, compared to USD 1.37 in the prior year. The weighted average number of shares was 432.2 million in the first half of 2024.

## NET CASH FLOW, NET WORKING CAPITAL AND NET DEBT

The company generated net cash flows from operating activities of USD 229 million, an improvement compared to USD 85 million in the prior year.

Capital expenditures were USD 205 million, compared to USD 169 million in the prior year. This includes investments in our new biosimilars facility in Slovenia and our antibiotics facility in Austria, as well as separation-related investments in facilities and technology.

Management free cash flow, defined as free cash flow adjusted for one-off items, was USD 237 million, an improvement compared to USD 1 million in the prior year. Free cash flow was USD 21 million, an improvement compared to negative USD 86 million in the prior year.

Lower operating income was offset by a lower rate of increase of inventory following the spin-off from our former parent, and other working capital and operating items remaining stable despite strong topline growth.

Net working capital of USD 3.9 billion increased by USD 173 million compared to December 31, 2023, primarily due to an increase in inventory driven by the build-up for product launches, and higher sales.

Total cash and cash equivalents decreased to USD 0.7 billion on June 30, 2024, compared to USD 1.1 billion on December 31, 2023. Net cash flows from operating activities were more than offset by our first dividend payment of USD 215 million and the Cimerli® acquisition of USD 188 million.

As a result of the above, net debt increased to USD 3.4 billion on June 30, 2024, compared to USD 3.1 billion on December 31, 2023.

## GUIDANCE 2024

On the back of favorable business momentum and accelerated growth in United States biosimilars, the company is increasing its full year 2024 net sales guidance to mid- to high-single digit growth in constant currencies versus prior year (from mid-single digit) and is confirming its core EBITDA margin of around 20%.

## HALF-YEAR REPORT

The company published its Half-Year Report 2024 today, which can be found on the Sandoz [website](#).

## KEY LINKS

[Webcast](#) – Live at 9am CET

[Analyst Call Presentation](#)

[Analyst Consensus](#)

## 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.

This media release includes non-IFRS financial measures as defined by Sandoz. An explanation of non-IFRS measures can be found in the Supplementary financial information of the Half-Year Report 2024.

## 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 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 1,500 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 world's first biosimilar in 2006. In 2023, Sandoz recorded sales of USD 9.6 billion.

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## SUPPORTING FINANCIAL INFORMATION

### Quarterly sales

#### H1 2024

USD millions unless indicated otherwise	Q1 2024	Change %		Q2 2024	Change %	
		USD	cc		USD	cc
Generics	1 869	0	1	1 835	(1)	1
Biosimilars	623	21	21	720	35	37
<b>Net sales to third parties</b>	<b>2 492</b>	<b>5</b>	<b>6</b>	<b>2 555</b>	<b>7</b>	<b>9</b>

Europe	1 326	4	2	1 308	2	3
North America	524	6	6	620	22	23
International	642	4	12	627	5	9
<b>Net sales to third parties</b>	<b>2 492</b>	<b>5</b>	<b>6</b>	<b>2 555</b>	<b>7</b>	<b>9</b>

#### 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
<b>Net sales to third parties</b>	<b>2 384</b>	<b>4</b>	<b>9</b>	<b>2 383</b>	<b>5</b>	<b>8</b>	<b>2 337</b>	<b>6</b>	<b>4</b>	<b>2 543</b>	<b>11</b>	<b>10</b>

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
<b>Net sales to third parties</b>	<b>2 384</b>	<b>4</b>	<b>9</b>	<b>2 383</b>	<b>5</b>	<b>8</b>	<b>2 337</b>	<b>6</b>	<b>4</b>	<b>2 543</b>	<b>11</b>	<b>10</b>

## Reconciliation of core results

### Reconciliation from IFRS results to core results

H1 2024

USD millions unless indicated otherwise	IFRS results	Amortization of intangible assets <sup>1</sup>	Impairments <sup>2</sup>	Acquisition or divestment of businesses and related items <sup>3</sup>	Other items <sup>4</sup>	Core results
<b>Net sales</b>	<b>5 047</b>	–	–	–	–	<b>5 047</b>
Other revenues	15	–	–	–	–	15
Cost of goods sold	(2 682)	114	–	11	39	(2 518)
<b>Gross profit</b>	<b>2 380</b>	<b>114</b>	–	<b>11</b>	<b>39</b>	<b>2 544</b>
Selling, general and administration	(1 246)	–	–	–	13	(1 233)
Development and regulatory	(489)	–	1	–	1	(487)
Other income	81	–	–	(30)	(5)	46
Other expense	(394)	–	1	3	283	(107)
<b>Operating income<sup>5</sup></b>	<b>332</b>	<b>114</b>	<b>2</b>	<b>( 16)</b>	<b>331</b>	<b>763</b>
Interest expense	(126)	–	–	–	–	(126)
Other financial income and expense	(2)	–	–	–	(12)	(14)
<b>Income before taxes</b>	<b>204</b>	<b>114</b>	<b>2</b>	<b>( 16)</b>	<b>319</b>	<b>623</b>
Income taxes <sup>6</sup>	(53)	–	–	–	–	(139)
<b>Net income</b>	<b>151</b>	–	–	–	–	<b>484</b>
Basic earnings per share (USD)	0.35	–	–	–	–	1.12
Diluted earnings per share (USD)	0.35	–	–	–	–	1.12

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

<sup>2</sup> Impairments: development and regulatory and other expense include impairment charges related to intangible assets and property, plant and equipment.

<sup>3</sup> 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.

<sup>4</sup> Other items: costs of goods sold and other expense include the Group-wide rationalization of manufacturing sites; costs 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, other income 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 financial income and expense includes the monetary loss on the restatement of non-monetary items for subsidiaries in hyperinflationary economies.

<sup>5</sup> For further breakdown of core adjustments by category, refer to table Reconciliation from IFRS operating income to core net income.

<sup>6</sup> 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 419 million to arrive at the core results before tax amounts to USD 86 million. The average tax rate on the adjustments was 20.5%.

Further reconciliations of core results are available in the Supplementary financial information of the Half-Year Report 2024, which can be found on the Sandoz [website](#).