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## Study highlights Sandoz as “jewel in German industrial crown”

- *Company HQ is strategic driving-force for economic growth in Bavaria*
- *"Leverage" creates further jobs for suppliers and service providers*
- *Company looks to politicians to create framework conditions for future success*

**Holzkirchen, July 15, 2009:** A new economic study shows that the global Sandoz headquarters in Holzkirchen represents a strategic driving force for economic growth in the federal state of Bavaria, with positive knock-on effects for the whole of Germany.

The author, Professor Ulrich Blum, President of the Halle Institute for Economic Research, told a news conference in Holzkirchen that Sandoz – which employs about 1 300 people at its headquarters out of a total of more than 23 000 worldwide – was also directly responsible for the creation of about 2 000 additional jobs in Bavaria alone.

He added: “Sandoz is a jewel in Germany’s industrial crown and should be held in high esteem, particularly in these difficult economic times.”

The study estimates that the “leverage effect” of one job at Sandoz generates an additional 1.6 jobs outside the company in Bavaria, or 2.6 nationwide. Across Germany, that equates to approximately 3 300 additional jobs in absolute terms.

In addition to the “leverage” effect on employment, Sandoz also generates knock-on or “accelerator” effects through its direct spending. In 2008, the company spent roughly EUR 264 million in the region and EUR 326 million nationwide on services, supply and disposal operations, wages, salaries, taxes and benefit-related deductions.

This resulted in economic “value added” for Bavaria of approximately EUR 140 million, or about EUR 243 million nationwide. This direct effect produced an additional knock-on effect for suppliers and service firms totaling approximately EUR 156 million for Bavaria and EUR 349 million nationwide.

Professor Blum added that the Bavarian state government receives EUR 79 million per year in the form of taxes and levies, comprising EUR 37.1 million in direct company payments and EUR 41.9 million generated by the knock-on effects. At the federal level, the volume of taxes generated directly and indirectly is approximately EUR 175.9 million.

The head of Sandoz Group Germany, Helmut Fabry, referred to the "threefold benefits" of company operations: "First, we are a key economic driver for Bavaria and for Germany; second, as the largest producer of pharmaceuticals, we ensure a top-quality supply of medicines; third, with our reasonably priced drugs, we help the German healthcare system to achieve significant cost savings."

However, Mr. Fabry warned that the growing collective buyer power of major health insurers – particularly market leader AOK – were enabling them to secure contract discounts that "could not be justified in economic terms". Moreover, by concluding "exclusive" contracts, they were blocking access to markets for other vendors. He pointed out that the same regional politicians who had supported Sandoz in establishing its global headquarters in Holzkirchen four years ago had also supported federal legislation paving the way for such "discount" contracts. Said Mr. Fabry: "This new study should make it clear to the politicians exactly what is at stake."

#### **About Sandoz**

Sandoz, a Division of the Novartis group, is a global leader in the field of generic pharmaceuticals, offering a wide array of high-quality, affordable products that are no longer protected by patents. Sandoz has a portfolio of approximately 1000 compounds and sells its products in more than 130 countries. Key product groups include antibiotics, treatments for central nervous system disorders, gastrointestinal medicines, cardiovascular treatments and hormone therapies. Sandoz develops, produces and markets these medicines along with pharmaceutical and biotechnological active substances and anti-infectives. In addition to strong organic growth in recent years, Sandoz has made a series of acquisitions including Lek (Slovenia), Sabex (Canada), Hexal (Germany) and Eon Labs (US). In 2008, Sandoz employed around 23,000 people worldwide and posted sales of USD 7.6 billion.

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