

February 5, 2009

## Barleben – a shining example of successful locational policy

- *Sandoz Barleben production site, with 1400 employees, is key economic driver in East German state of Saxony-Anhalt*
- *Every job at Barleben site creates considerable additional employment both in region and across Germany*
- *State and regional governments receive total additional tax income of EUR 64 million per year; all subsidies already repaid*
- *Sandoz committed to Germany for as long as health policy framework conditions allow*

**Barleben, February 5, 2009:** A new economic study demonstrates that Barleben, the largest global Sandoz production site, has played an important role in driving the economic transformation of the former East Germany. It shows that the plant, operated by subsidiary Salutas Pharma and now employing more than 1400 people, has grown into a central economic factor in the state of Saxony-Anhalt.

Ulrich Blum, president of the Halle Institute for Economic Research and the author of the study, told a media conference that initial subsidies by the state and federal authorities totaling EUR 81.5 million have already been repaid, and more.

He said the EUR 42.2 million provided by Saxony Anhalt with the support of the European Union were repaid within six years in the form of state taxes – including an assumed interest rate of 6%. The federal investment of EUR 39.3 million was repaid within five years. Said Professor Blum: “That means Salutas has been effectively providing profits to the federal government since 2003 and to the state government since 2005.”

He added that orders for local companies and consumption spending by employees created a further 0.8 jobs in Saxony-Anhalt alone for every full-time job at the plant, or roughly 1.3 additional jobs across Germany as a whole. That resulted in additional tax income for the federal government and other federal states of EUR 44 million thanks to the economic impact of Sandoz in Saxony-Anhalt. In total, the German federal and state system earned direct and indirect income in this way of about EUR 64 million in 2007.

Reiner Haseloff, economics minister for the state of Saxony-Anhalt, told participants: “Salutas Pharma is the proof of our successful locational policy” .

Dr. Haseloff said the Salutas export quota of about 40% of sales had also played a key role in helping to close the balance of payments deficit of the new (eastern German) federal states, and added that his government was proud to host “one of the most modern pharmaceutical production plants in Europe today”.

Wolfgang Späth, Head Marketing and Distribution for Hexal AG, a Sandoz subsidiary and the largest pharmaceutical company in Germany, confirmed the group’s locational commitment to Germany, but added that federal government policies were placing a “particular burden” on the national generics industry. In particular, the linkage of decentralized competitive measures such as rebate contracts with centralized taxation instruments such as reference pricing for medicines and manufacturer-level rebates was resulting in a worrying concentration of demand concentration in the hands of the health insurance funds.

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### **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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