

Novartis India announces H1 2014-15 Results; Divests Animal Health Business to Eli Lilly

Nov 07, 2014

At a meeting held in Mumbai today, the Board of Directors of Novartis India Limited (the "Board") approved results for the half year ended 30 September 2014. During the period under review, Novartis India Limited (the "Company") recorded Total Income from Operations of Rs 4435 million.

During the half year under review, the core business of the Company, Pharmaceuticals, recorded Total Income from Operations of Rs 3059 million as against Rs 3000 million in the previous corresponding half year. The Company's Generics business registered Total Income from Operations of Rs 258 million as against Rs 290 million in the previous corresponding period. The Animal Health business registered Total Income from Operations of Rs 469 million as against Rs 546 million in the previous corresponding period. The OTC business recorded Total Income from Operations of Rs 650 million as against Rs 534 million in the previous comparable half year.

During the half year under review the Company recorded a Loss from Operations of Rs 51 million as compared to Loss from Operations of Rs 98 million during the corresponding period of the previous year. The Company registered Net Profit after Other Income of Rs 284 million as against Rs 594 million in the previous corresponding period.

The Company has filed a Writ Petition on 8 May 2014 before the Hon'ble Oelhi High Court challenging the move of the National Pharmaceuticals Pricing Authority ("NPPA") to include Voveran 50 GE tablets, marketed by the Company under price control in terms of the Drug Price Control Order 2013. The Hon'ble Delhi High Court issued a notice to NPPA on 16 May 2014 directing it to file its response to the Writ Petition filed by the Company.

During the pendency of the Writ Petition, NPPA issued a Show Cause Notice dated 24 September 2014 to the Company alleging over charge on sales of Voveran 50 GE tablets, to which the Company responded. The Company has now received a Demand Notice from NPPA on 31 October 2014 directing that Rs 281.8 million (including interest) be paid by 15 November 2014. This demand is being contested following due process of law.

Transfer of Novartis India Limited's (the "Company") Animal Health Division

As part of its global portfolio transformation, Novartis AG, Basel, Switzerland ("Novartis AG") agreed on 22 April 2014 to divest its global Animal Health business to Eli Lilly and Company, USA ("Lilly"). Closing of this global transaction is subject to receipt of all applicable anti-trust and regulatory approvals, as well as the satisfaction or waiver (as applicable) of various other conditions.

In connection with this global transaction, the Board considered on 7 November 2014 the disposal by the Company of its Animal Health Division (the "Animal Health Division") to Elanco India Private Limited (or another affiliate of Lilly) (the "Animal Health Transaction").

Factors considered by the Board in its consideration of the Animal Health Transaction included, but were not limited to, the prospects for the Company's Animal Health business in India following the divestment of

Novartis AG's global Animal Health business, including all of Novartis AG's major Animal Health patents, trade-marks and R&D assets; the valuation for the transfer of the Animal Health Division, which has been affirmed in a report provided by an independent valuer and the fairness of which has been confirmed in separate opinions from two leading merchant bankers; and the enhanced ability of the Board, the Company's management and all retained employees to focus on and drive forward the growth of the Company's retained businesses.

Based on these factors, as well as various other matters considered by the Board, and taking into account the independent valuation report and the two separate fairness opinions referred to above, and the recommendation of the Audit Committee of the Board, the Board approved on 7 November 2014 the transfer of the Animal Health Division as a going concern by way of a 'slump sale' to Elanco India Private Limited (or another affiliate of Lilly) for a consideration of INR866.8 million, on or before 22 July 2015, subject to the receipt of all applicable legal and regulatory approvals, consents, permissions and sanctions as may be necessary from concerned authorities, as well as closing of the global Animal Health transaction between Novartis and Lilly.

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Media contacts

Svetlana Pinto

+91-22-24951074 (direct)

+91-98210 54884 (mobile)

Email: svetlana.pinto@novartis.com

Liana Albuquerque

+91 22 24939403 (direct)

+91 98214 36458 (mobile)

Email: liana.albuquerque@novartis.com

This media release contains forward-looking statements that can be identified by words such as "going forward," "projected," "expected," "would," "will," "can," "looking ahead," "future," "strategy," "planned," "committed," "subject to," "anticipated," "potential," "potentially," "strategic," or similar terms, or by express or implied discussions regarding the potential completion of the transactions referred to above or regarding potential future sales or earnings of the businesses involved in those transactions, or of the Novartis India Limited and/or Novartis AG group of companies, and regarding any potential strategic benefits or opportunities as a result of the transactions referred to above. You should not place undue reliance on these statements. Such forward-looking statements are based on the current beliefs and expectations of management regarding future events, and are subject to significant known and unknown risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those set forth in the forward-looking statements. There can be no guarantee that the transactions referred to above will be completed in the expected form or within the expected time frame or at all. Nor can there be any guarantee that Novartis India Limited or Novartis AG will be able to realize any of the potential strategic benefits or opportunities as a result of the transactions referred to above. Nor can there be any guarantee that Novartis AG, Novartis India Limited or any of their respective businesses involved in the transactions referred to above will achieve any particular future financial results in the future. In particular, management's expectations could be affected by, among other things, unexpected regulatory actions or delays or government regulation generally, including an unexpected failure to obtain necessary government or regulatory approvals for the transactions, or unexpected delays in obtaining such approvals; the potential that the strategic benefits or opportunities expected from the transactions may not be realized or may take longer to realize than expected; the uncertainties inherent in predicting shareholder returns or Credit ratings; the uncertainties inherent in research and development, including unexpected clinical trial results and additional analysis of existing clinical data; Novartis AG's and Novartis India Limited's, as relevant, ability to obtain or maintain proprietary intellectual property protection; global trends toward health care cost containment,

including ongoing pricing pressures; general economic and industry conditions. Novartis India Limited is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

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- <mailto:svetlana.pinto@novartis.com>
- <mailto:liana.albuquerque@novartis.com>