

Novartis India announces results for the quarter and year ended March 31, 2015

May 27, 2015

At a meeting held in Mumbai today, the Board of Novartis India Limited approved results for the quarter and financial year ended March 31, 2015 and recommended dividend of Rs 10 per equity share of Rs 5 each.

During the quarter ended March 31, 2015, Total Income from Operations was Rs 207.6 crore in comparison to Rs 200.6 crore recorded in the previous corresponding quarter. Our core business, Pharmaceuticals, recorded Total Income from Operations of Rs 144.4 crore in comparison to Rs 137.7 crore in the previous corresponding quarter. The Generics business recorded Total Income from Operations of Rs 10.0 crore as against Rs 7.4 crore in the previous corresponding quarter. OTC business registered Total Income from Operations of Rs 28.6 crore as against Rs 34.5 crore in the previous corresponding period. The Animal Health business registered Total Income from Operations of Rs 24.6 crore during the period under review in comparison to Rs 21.0 crore in the previous corresponding quarter.

During the quarter under review Profit from Ordinary Activities before Tax was Rs 52.9 crore as against Rs 32.3 crore in the previous corresponding period while profit after tax stood at Rs 51.9 crore as against Rs 23.9 crore in the previous corresponding period.

During 2014 -15, Total Income from Operations stood at Rs 873.4 crore in comparison to Rs 862.2 crore recorded in the previous corresponding period. During the year under review, our core business Pharmaceuticals registered Total Income from Operations of Rs 599.9 crore in comparison to Rs 580.6 crore in the previous corresponding period. The Generics business recorded Total Income from Operations of Rs 48.4 crore as against Rs 52.4 crore in the previous corresponding period. The OTC business registered Total Income from Operations of Rs 129.4 crore as against Rs 125.5 crore in the previous corresponding period. The Animal Health business recorded Total Income from Operations of Rs 95.7 crore during the period under review while it registered Rs 103.7 crore in the prior corresponding period.

During the year under review Profit from Ordinary Activities before Tax stood at Rs 99.6 crore as against Rs 89.9 crore in the corresponding previous year while profit after tax stood at Rs 79.1 crore as against Rs 98.5 crore in the previous corresponding period.

Transactions with GSK and Lilly:

On April 22, 2014, Novartis AG, Basel, Switzerland (Novartis) entered into the following agreements with GlaxoSmithKline plc, UK (GSK) and Eli Lilly and Company, USA (Lilly):

(a) Combination of Novartis OTC with GSK Consumer Healthcare in a Joint Venture

Novartis and GSK have agreed to create a consumer healthcare business through a Joint Venture between Novartis OTC and GSK Consumer Healthcare. The transaction, except in respect of the Company's OTC Division, closed on March 1, 2015.

In connection with the divestment of the Novartis OTC business to GSK, the Board of Directors (Board) of Novartis India Limited (Company) in its meeting held on January 13, 2015 approved the slump sale of the

Company's OTC Division to GlaxoSmithKline Consumer Private Limited (GSK CPL), a private unlisted company incorporated under the Companies Act, 2013 (or another affiliate of GSK) for a consideration of Rs 109.7 crore. Closing of this slump sale is subject to the receipt of all applicable legal and regulatory approvals, consents, permissions and sanctions as may be necessary from concerned authorities.

(b) Divestment of Novartis Animal Health business to Lilly

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

In connection with the Global Animal Health Transaction, the Board of Directors of Novartis India Limited (the "Company") considered and approved on November 7, 2014, the transfer of the Company's Animal Health Division as a going concern by way of a 'slump sale' to Elanco India Private Limited ("Elanco India"), or another affiliate of Lilly, for a consideration of Rs 86.7 crore, on or before July 22, 2015, subject to the receipt of 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 (the "Animal Health Transaction"). The Global Animal Health Transaction closed globally (but not with respect to India, as explained below) on January 1, 2015.

Closing of the Animal Health Transaction in India is conditional upon the receipt by Elanco India of the written approval of the Foreign Investment and Promotion Board, Government of India (the "FIPB"). Further to the FIPB's response to Elanco India's application that it would not approve the Animal Health Transaction due to the existence of the restrictions on competition explained below, and at Elanco India's request the Company and Elanco India have executed a letter which records the parties' agreement that, the terms of the Global Animal Health Transaction agreed between Novartis AG and Lilly restricting the competition by the Novartis AG group of companies in connection with animal health activities, will not apply with respect to the Company vis-a-vis Elanco India in India (the "Non-Compete Amendment Letter"). The Non-Compete Amendment Letter will be submitted by Elanco India to the FIPB, together with a representation against the FIPB's non-approval of Elanco India's application for the Animal Health Transaction. The Company will continue to cooperate with Elanco India, to the extent necessary, and monitor the FIPB process in this matter and will provide further updates if and when required.

The consideration to be received by the Company in relation to the slump sales of the Animal Health Division to Elanco India Private Limited (or another affiliate of Lilly) and the OTC Division to GSK CPL (or another affiliate of GSK) totalling to Rs 196.4 crore has not been accounted in the results for twelve months ended March 31, 2015 because the transactions are subject to the receipt of all applicable legal and regulatory approvals, consents, permissions and sanctions as may be necessary from concerned authorities. Costs incurred by the Company in relation to the transactions have been shown under Extraordinary Items.

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