

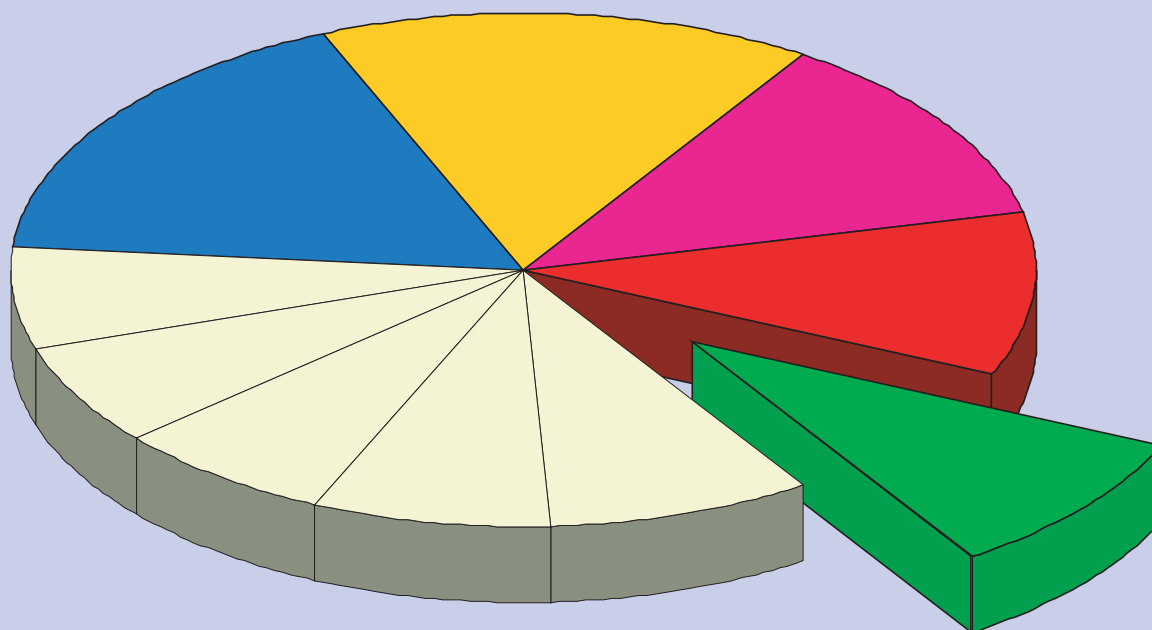
Deal Making Spotlight on Novartis



PharmaVentures
Experts in deals and alliances

DEAL MAKING SPOTLIGHT REPORT

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CONTENTS

SPOTLIGHT OVERVIEW	3
SPOTLIGHT FOCUS	5
Novartis	5
Deal Making Subsidiaries	6
DEAL MAKING	7
Deal Making Overview	7
Financial Information	8
Partnering Companies	9
Interest Areas	9
Licensing Deal Focus	10
R&D Deal Activity	12
Marketing Deal Activity	13
NOVARTIS DEALS 2000-2005	15
FIELD DEFINITIONS	15
Deal Types	15
Product Types	17
Interest Area	18
Company Types	21
NOVARTIS DEALS 2000-2005 CATALOGUE	22
CATALOGUE INDEX	282
Index of Partnering Companies	283
Index of Interest Areas	284
APPENDICES	293
Indications and Interest Areas	294
Novartis articles reprinted from the <i>PharmaDeals</i> ® Review	299
GUIDE TO PHARMADEALS® AGREEMENTS	310

LIST OF FIGURES

Figure 1	3
The proportion of the total annual revenues of the top 10 global pharmaceutical companies in 2004 generated by each company.	
Figure 2	4
The total number of deals made each year between 2000 and 2005 by Novartis compared to the average number of deals made by the top 10 global pharmaceutical companies.	
Figure 3	7
Deal making activities of Novartis between 2000 and 2005.	
Figure 4	7
Percentage of deals made by Novartis between 2000 and 2005 involving each deal type.	
Figure 5	8
Comparison of the total potential deal values based on deal type.	
Figure 6	8
Comparison of deal structure financial components based on deal type.	
Figure 7	9
Proportion of partnering companies by size and type.	
Figure 8	9
Number of deals involving each therapy interest area.	
Figure 9	10
Number of deals involving each technology interest area.	
Figure 10	11
In- and out-licensing deals by product area.	
Figure 11	11
In- and out-licensing deals by phase of product development.	
Figure 12	11
Number of licensing deals by therapy interest area.	
Figure 13	12
Number of licensing deals by technology interest area.	
Figure 14	12
Number of R&D deals by therapy interest area.	
Figure 15	13
Number of R&D deals by technology interest area.	
Figure 16	13
Proportion of marketing deals by territory.	
Figure 17	14
Number of marketing deals by therapy interest area.	

SPOTLIGHT OVERVIEW

The PharmaDeals® Deal Making Spotlight Reports catalogue every healthcare deal and alliance entered into by five of the top ten pharmaceutical companies – **Novartis, Johnson & Johnson, Pfizer, GlaxoSmithKline** and **sanofi-aventis** – between 2000 and 2005 (*Figure 1*). These deals are listed in chronological order and are also indexed according to therapy area and partnering company enabling you to identify easily deals that may relate to your company's strategy. In the case of companies which were formed as the result of major mergers between 2000 and 2005, the deals of the predecessor companies are included to illustrate the companies' pre- and post-merger deal making activity. The deals made by these companies' subsidiaries are also included within the parent company's overall deals.

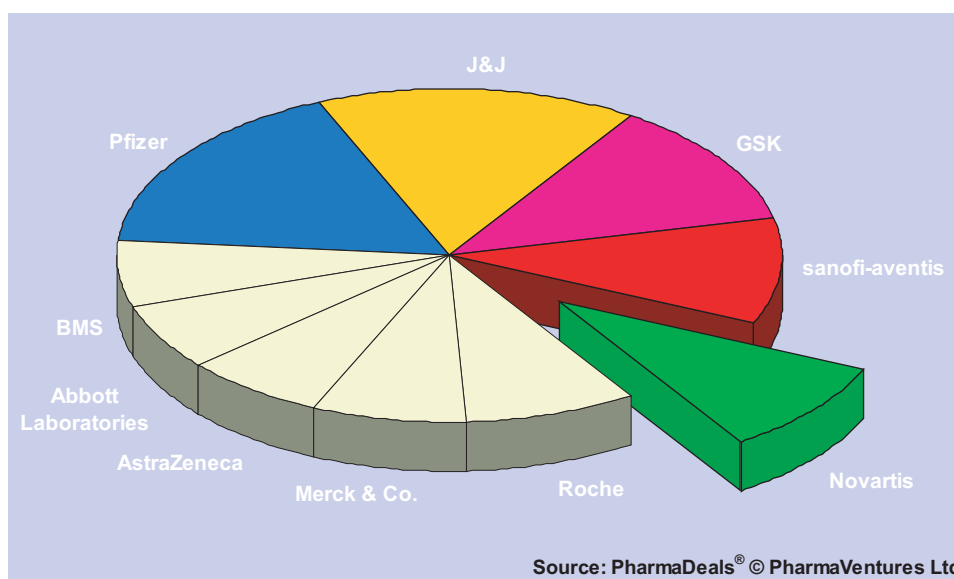


Figure 1 - The proportion of the total annual revenues of the top 10 global pharmaceutical companies in 2004 generated by each company.

Big pharma companies are often the partner of choice for a smaller pharmaceutical or biotechnology company, not least because of the financially lucrative deals that the larger companies can offer. Indeed, during 2005, seven of the top ten licensing or co-development deals (in terms of total potential value) involved one of the five companies featured in the Spotlight Reports big pharma series. With such financial power, combined with a desire to bolster their development pipeline, big pharma companies are relatively promiscuous in their deal making (*Figure 2*). These reports will be useful to companies that are looking to collaborate with one of these five companies. By examining equivalent deals in these reports, you will also be able to benchmark your deal with any potential big pharma partner.

A brief historical section puts each company's current position into perspective and describes some of the significant events that have led to its current global market presence. Each deal contained in the report lists the date the deal was agreed, the companies involved in the deal, the type of deal (licensing, manufacture/supply etc.) and the therapy or interest area relevant to the deal. A full description of the deal terms between the two companies gives you all the information required to understand a deal at a glance. Where possible, full financial details of

the deal are described, including information such as upfront payments, potential milestone payments and the royalties agreed between the parties. Furthermore, significant updates, such as the achievement of a milestone payment, the re-negotiation of deal terms or the termination of a deal, are all included within each deal listing allowing you to gauge the progression and success of these alliances.

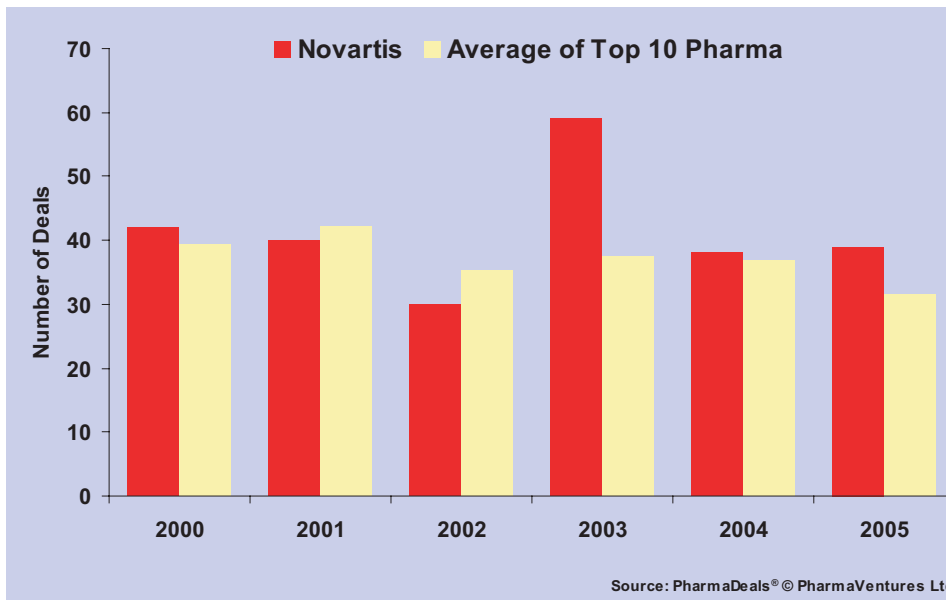


Figure 2 - The total number of deals made each year between 2000 and 2005 by Novartis compared to the average number of deals made by the top 10 global pharmaceutical companies.

Analysis of the information within the Deal Making Spotlight Reports has been performed by PharmaVentures Business Analysts, providing you with 17 graphs detailing useful at-a-glance information such as number of deals per therapy area, which phase of development the company has been most involved for in- or out-licensing and what type of deals the company has entered into each year between 2000 and 2005. These graphs are also included as separate files to use in your own presentations and analysis.

The Deal Making Spotlight Reports are enhanced by limited access to PharmaDeals Agreements allowing online browsing of all the records contained within each report. This will allow you to exploit fully the PharmaDeals Agreements management tool to search for deals according to key words, partnering companies, drug names and phases of development. These deals can be exported to a spreadsheet allowing data manipulation or presentation as required. Furthermore, deals accessible online are kept fully up-to-date, allowing you to keep track of the progress of these deals at any time in the future, meaning that the information within the Deal Making Spotlight Reports will never be out of date.

Partnering Company:

Novartis AG

Principal Company:

HEXAL AG

Date:

21/02/2005

Deal No.:

19463

Financial Value (if stated):

US\$5681 M

Deal Type:

Business acquisition

Merger

Interest Area:

Pharmaceuticals - general

Product Brand Name:**Novartis Announces Completion of Hexal Acquisition and Integrates the Company with Sandoz**

Novartis has signed a definitive merger agreement to acquire 100% of HEXAL, a privately held German generics company with a strong European presence. At the same time Novartis has signed a merger agreement to acquire from Santo Holding (Deutschland) a 67.7% stake (65.4% fully diluted) in Eon Labs, a fast-growing US generics company (and subsidiary of Novartis) that has a strategic partnership with HEXAL; in addition, pursuant to approval of the merger agreement by Eon, Novartis will launch a tender offer to acquire the remaining 31.9 million fully diluted public shares (34.6%) in Eon Labs for US\$31.00 per share (Deal no. **19460**). Excluding the additional tender offer by Novartis for Eon public shares, the two mergers/acquisitions are for a total of 5.65 B euros (US\$7.38 B) in cash, and Novartis will pay an estimated 4.35 B euros (US\$5.68 B) in cash for HEXAL.

The acquisition of all of the outstanding shares of HEXAL includes the acquisition of shares held directly and indirectly by Thomas Strüngmann, PhD, the Chairman of the Board of Directors of Eon Labs and an indirect significant shareholder of Santo Holding.

Both Eon and HEXAL will be merged with Novartis' Sandoz unit; based on global revenues, this will create the world's leading generics company (see Deal no. **19460**). Headquartered in Holzkirchen, Germany, HEXAL is a privately held generics manufacturer holding the No. 2 position in generics in Germany, the second largest generics market, and a significant presence in other key markets. Sustaining recent annual percentage sales growth rates in the high teens, HEXAL achieved sales of US\$1.65 B in 2004. Altogether, HEXAL employs approximately 7000 people in over 40 countries. In the past 3 years, the company has launched 121 products, including highly successful versions of the cholesterol-lowering drug simvastatin (Zocor®), and is preparing to launch the pain treatment fentanyl (Duragesic®) based on its proprietary transdermal patch drug-delivery technology.

Update, 08/04/2005:

Novartis has made submissions to European and US regulatory authorities seeking approval to acquire the generic pharmaceutical companies HEXAL of Germany and Eon Labs of the US.

Update, 27/05/2005:

Novartis has received approval from the EC to acquire HEXAL.

Update, 07/06/2005:

Novartis completed its acquisition of the generic pharmaceutical company Hexal on 6 June 2005.

Partnering Company:

Meda AB

Principal Company:

Novartis AG

Date:

20/01/2005

Deal No.:

19589

Financial Value (if stated):

US\$135 M

Deal Type:Product Acquisition
Rights**Interest Area:**

Cardiovascular

Product Brand Name:Cibacen®
Cibadrex®**Meda Acquires Product from Novartis**

Meda has signed an agreement with the Swiss pharmaceutical company Novartis regarding the acquisition of Novartis' pharmaceuticals Cibacen® (benazepril) and Cibadrex®. These products are used for the treatment of hypertension and fit well into Meda's prioritised cardiovascular therapeutic area.

Hypertension is one of the most common diseases and it affects 15-20% of the European population between 40 and 70 years of age. Cibacen® is an ACE-inhibitor, a well-tested type of pharmaceutical that has an important role in the treatment of hypertension. Cibacen® is a prodrug, which after hydrolysis into the active substance benazeprilat, blocks the conversion of angiotensin I into angiotensin II, a substance that causes contraction of blood vessels. This causes vascular dilatation and a lowered blood pressure. Cibadrex® contains the same substance as Cibacen® with the addition of a diuretic, hydrochlorothiazide, and thus combines the advantages of the two compounds for patients who need a more potent treatment.

The acquisition price for Cibacen® and Cibadrex® amounts to US\$135 M (SEK930 M) in total. Payment will occur on 20 January 2005 but Meda will receive revenue from the products as of 1 January 2005. The transaction will be financed by bank loan and a guaranteed issue of shares of SEK562 M with preferential rights for Meda's shareholders.

The products are registered in several countries globally, including the US. Following the transaction, the exclusive rights to existing trade marks, pharmaceutical registrations and patents in most markets in Europe will be transferred to Meda. The existing patents comprise substance, manufacturing and formulation patents and, depending on market, the patent protection will expire between the years 2005 and 2010. A patent application for product development of the base substance (using a different type of salt) will also be transferred to Meda.

The acquisition price has been adjusted for the phase when generic competition may enter the market for the two products.

In connection with the acquisition, the Board of Directors of Meda have resolved, subject to the approval of an Extraordinary General Meeting, a new share issue in the amount of SEK562 M. The share issue will be carried out with preferential rights for the existing shareholders of Meda. The total proceeds from the share issue will be approximately SEK547 M after deduction of issue costs.