

LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is being sent to you as a shareholder(s) of Novartis India Limited. If you require any clarifications about the action to be taken, you should consult your stock broker or investment consultant or the Manager / Registrar to the Offer. In case you have sold your shares in Novartis India Limited, please hand over this Letter of Offer and the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the Member of Stock Exchange through whom the said sale was effected. However, such documents should not be forwarded or transmitted in or into the United States.

**CASH OFFER AT Rs. 351/- (RUPEES THREE HUNDRED AND FIFTY ONE ONLY)
PER FULLY PAID-UP EQUITY SHARE (“Offer Price”)**

Pursuant to The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto (the “Regulations” or the “SEBI (SAST) Regulations”)
TO ACQUIRE

**12,464,710 Fully Paid-Up Equity Shares (the “Shares”) of face value Rs. 5/- each (“Offer”)
representing 39.00% of the Paid-up Equity Share Capital
OF**

Novartis India Limited

*Registered Office: Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018
Tel: +91 22 24958807 Fax: +91 22 24938666*

(the “Target Company”)

BY

Novartis AG


Registered Office: Lichtstrasse 35, CH-4056 Basel, Switzerland

Tel: +41 61 324 1111 Fax: +41 61 324 8001

(the “Acquirer”)

Note:

- The Offer is being made pursuant to and in accordance with the provisions of Regulation 11(1) of the Regulations and subsequent amendments thereto.**
- The Offer is not conditional upon any minimum level of acceptance by the shareholders.
- The Offer is subject to the receipt of the approval of the Reserve Bank of India (“RBI”) under the Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder for the acquisition of Shares by the Acquirer under the Offer. The Acquirer has filed an application for the above-mentioned RBI approval on March 31, 2009. Besides the above, no other approvals are required to acquire Shares tendered pursuant to this Offer. If any other statutory approvals become applicable, the Offer would be subject to such statutory approvals.
- The procedure for acceptance of this Offer is set out in this Letter of Offer. A Form of Acceptance-cum-Acknowledgement and transfer deed (where applicable) along with Form of Withdrawal are enclosed with this Letter of Offer.
- Should the Acquirer decide to revise the Offer Price upward, such upward revision will be made in terms of Regulation 26 of the Regulations not later than May 28, 2009. If there is any upward revision in the Offer Price, the same would be notified by way of a public announcement in the same newspapers in which the Public Announcement (“PA”) appeared. Such revised offer price would be payable to all shareholders who have accepted this Offer and tendered their shares at any time during the term of the Offer to the extent to which their acceptance and tenders have been found valid and accepted by the Acquirer.
- Shareholders who have accepted the Offer by tendering the requisite documents in accordance with the procedures set forth in the PA and this Letter of Offer can withdraw the same up to three (3) working days prior to the date of closure of the Offer viz. June 8, 2009.
- A copy of the PA and a copy of this Letter of Offer (including Form of Acceptance-cum-Acknowledgement and the Form of Withdrawal) would be available on SEBI’s website at www.sebi.gov.in from the Offer opening date viz. May 20, 2009. The Form of Acceptance-cum-Acknowledgement may be downloaded and used to accept the Offer only in jurisdictions where legally permissible. Persons outside India accessing these pages are required to inform themselves of and observe any relevant restrictions.
- This document has not been filed, registered or approved in any jurisdiction outside India. Recipients of this document resident in jurisdictions outside India should inform themselves of and observe any applicable legal requirements.
- The Offer is not being made, directly or indirectly, in or into the United States (meaning the United States of America, its territories and possessions, any State of the United States and the District of Columbia), or by use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telephone and the internet) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States and the Offer cannot be accepted by any such use, means or instrumentality from within the United States.
- There has been no competitive bid to this Offer.**
- All future correspondence, if any, should be addressed to the Registrar to the Offer shown below:

| <i>Manager to the Offer</i> | <i>Registrar to the Offer</i> |
|---|---|
|  DSP Merrill Lynch Limited Mafatlal Centre, 10 th Floor, Nariman Point, Mumbai 400 021 Telephone: +91 22 6632 8000 Facsimile: +91 22 2204 8518 Contact Person: Mr. Abhinandan R. Email: novartis_openoffer@ml.com |  Bigshare Services Private Limited E-2 Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai 400 072 Telephone: +91 22 2847 0652 / +91 22 4043 0200 Facsimile: +91 22 2847 5207 Contact Person: Mr. Ashok Shetty E-mail: openoffer@bigshareonline.com |

OFFER OPENS ON: Wednesday, May 20, 2009

OFFER CLOSES ON: Monday, June 8, 2009

(For Schedule of Major Activities relating to the Offer please refer to the next page)

SCHEDULE OF MAJOR ACTIVITIES RELATING TO THE OFFER:

| Activity | Original Schedule |
|---|--------------------------|
| Public Announcement (“PA”) Date | Friday, March 27, 2009 |
| Last date for a competitive bid | Friday, April 17, 2009 |
| Specified Date (for the purpose of determining the names of shareholders to whom the Letter of Offer would be sent) | Friday, April 24, 2009 |
| Date by which individual Letters of Offer will be dispatched to the shareholders | Friday, May 15, 2009 |
| Offer Opening Date | Wednesday , May 20, 2009 |
| Last date for revising the Offer Price / Purchase of shares otherwise than under the offer | Thursday, May 28, 2009 |
| Last date for withdrawal by shareholders | Wednesday, June 3, 2009 |
| Offer Closing Date | Monday, June 8, 2009 |
| Date by which acceptance / rejection would be intimated and the corresponding payment for the acquired equity shares and / or the share certificates for the rejected / withdrawn equity shares will be dispatched and/or credited to the beneficiary account in case of dematerialized equity shares | Saturday, June 20, 2009 |

All owners (registered or unregistered) of Shares are eligible to participate in the Offer anytime before the closing of the Offer.

RISK FACTORS

Risk factors relating to the Open Offer:

- 1) The Offer is subject to the receipt of the approval of the RBI under the Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder for the acquisition of Shares by the Acquirer under the Offer. The Acquirer has filed an application for the above-mentioned RBI approval on March 31, 2009. There are no other statutory approvals required to implement the Offer, other than the approval mentioned above. If any other statutory approvals become applicable, the Offer would be subject to such statutory approvals. The Acquirer will be entitled not to proceed with the Offer in terms of Regulation 27 of the Regulations in the event any of the statutory approvals are not received by the Acquirer.
- 2) In the event of regulatory approvals not being received in a timely manner or litigation leading to a stay on the Offer, or SEBI instructing that the Offer should not proceed, the Offer process may be delayed beyond the schedule indicated in this Letter of Offer. Consequently, the payment of consideration to the shareholders whose Shares have been accepted in the Offer as well as the return of the Shares not accepted by the Acquirer may be delayed. In case of delay due to non-receipt of statutory approvals, as per Regulation 22(12) of the Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to the willful default or negligence on the part of the Acquirer, grant an extension for the purpose of the completion of the Offer, subject to the Acquirer agreeing to pay to the shareholders interest as may be specified by SEBI for any delay in dispatch of consideration.
- 3) The Shares tendered in the Offer will lie to the credit of the Depository Escrow Account till the completion of the Offer formalities, and the shareholders will not be able to trade such Shares. During such period there may be fluctuations in the market price of the Shares. Accordingly, the Acquirer makes no assurance with respect to the market price of the Shares both during the Offer period and upon the completion of the Offer, and disclaims any responsibility with respect to any decision by any shareholder on whether to participate or not to participate in the Offer.
- 4) In the event of oversubscription in the Offer, the acceptance of the tendered Shares will be on a proportionate basis and will be contingent on the level of oversubscription.

Risk factors relating to the Target Company / Industry:

- 1) The Acquirer does not make any assurance with respect to the continuation of the past trend in the financial performance of the Target Company.
- 2) The Target Company operates in an industry that faces regulatory, pricing and intellectual property risks apart from the normal risk that arises from business competition. Uncertainty on the regulatory front and the possibility of increased price controls being imposed by the government may limit the Target Company's ability to operate optimally in an increasingly competitive market. The Target Company also risks loss of business due to the presence of counterfeits in the market. Recent challenges to patents for innovative drugs in the industry also pose a risk raising concerns regarding protection of intellectual property rights in India.

The risk factors set forth above are not intended to cover a complete analysis of all risks as perceived in relation to the Offer or in association with the Acquirer, but are only indicative. They relate primarily to the Offer and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in the participation by a shareholder in the Offer. The shareholders are advised to consult their stockbroker, investment consultant or tax advisor, if any, for further risks with respect to their participation in the Offer.

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DEFINITIONS/ABBREVIATIONS

| | |
|--|---|
| Acquirer | Novartis AG |
| Novartis Group / Novartis / Group | Consists of the Acquirer and other affiliated companies |
| Board of Directors / Board | Board of Directors of the Target Company |
| BSE | Bombay Stock Exchange Limited |
| CDSL | Central Depository Services Limited |
| CSE | Calcutta Stock Exchange |
| Depository Escrow Account | The depository account called “Escrow Account – Novartis Open Offer”, opened by the Registrar with DSPML at National Securities Depository Limited (NSDL). The DP ID is IN302638 and the beneficiary client ID is 10051682 |
| DP | Depository Participant |
| Eligible Person(s) | All shareholders (registered and unregistered) of the Target Company other than the Acquirer anytime before Offer Closing Date |
| FEMA | Foreign Exchange Management Act, 1999 |
| Letter of Offer | This letter of offer made by the Acquirer and relating to the Offer |
| Manager to the Offer / DSPML | DSP Merrill Lynch Limited |
| NSDL | National Securities Depository Limited |
| Offer | Cash offer being made by the Acquirer to all the shareholders of the Target Company on the terms contained in this Letter of Offer |
| Offer Closing Date | June 8, 2009 |
| Offer Opening Date | May 20, 2009 |
| Offer Price | Rs. 351/- (Rupees Three Hundred And Fifty One only) per Share |
| Press Release | Press Release by Novartis AG dated March 25, 2009 announcing the Offer |
| Public Announcement / PA | The public announcement relating to the Offer made by the Acquirer as appeared in the newspapers on March 27, 2009 |
| Q1 Update | The first quarter financial report of the Novartis Group dated April 23, 2009 |
| RBI | Reserve Bank of India |
| Registrar to the Offer | Bigshare Services Private Limited |
| Regulations | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto |
| SEBI | Securities and Exchange Board of India |
| SEBI Act | Securities and Exchange Board of India Act, 1992 |
| Share(s) | Fully paid-up equity shares of face value Rs. 5/- each of the Target Company |
| Specified Date | Date for the purpose of determining the names of shareholders, as appearing in the Register of Members of the Target Company or the beneficial records of the relevant DPs, to whom the Letter of Offer will be sent. This date has been determined as April 24, 2009 |
| Target Company | Novartis India Limited |

Disclaimer

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE FILING OF THE DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF NOVARTIS INDIA LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE ACQUIRER OR OF THE TARGET COMPANY WHOSE SHARES ARE PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT, WHILE THE ACQUIRER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY, AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MANAGER TO THE OFFER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ACQUIRER DULY DISCHARGES ITS RESPONSIBILITIES ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, DSP MERRILL LYNCH LIMITED, THE MANAGER TO THE OFFER HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED APRIL 1, 2009 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS 1997 AND SUBSEQUENT AMENDMENT(S) THERETO. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

1. Background to the Offer

- 1.1. The Acquirer forms part of the promoter group of the Target Company and holds 16,277,437 equity shares of the Target Company, which is equivalent to 50.93% of the fully paid-up equity share capital as on the date of the PA. The Acquirer, as stated in the Press Release dated March 25, 2009, is making a voluntary open offer (the “Offer” or the “Open Offer”) pursuant to Regulation 11(1) and other applicable provisions of the Regulations to the shareholders of the Target Company to acquire up to 12,464,710 equity shares of Rs. 5/- each of the Target Company (each a “Share” or “Shares”), representing up to 39% of the equity share capital of the Target Company as on March 25, 2009. Upon completion of the Offer, assuming full acceptances of the Offer, the Acquirer will hold 28,742,147 Shares in the Target Company representing 89.93% of the total paid-up voting equity share capital of the Target Company. There are no partly paid Shares in the Target Company or any instruments convertible into Shares of the Target Company at a future date.
- 1.2. The Offer is being made at a price of Rs. 351/- (Rupees Three Hundred And Fifty One only) for each Share, to be paid in cash, in accordance with the provisions of the Regulations and subject to the terms and conditions mentioned in this Letter of Offer.
- 1.3. The Offer is voluntary and in accordance with Regulation 11(1) of the Regulations and has not been triggered by any agreement of the Acquirer with any person for the purpose of acquisition of Shares in the Target Company.
- 1.4. The Target Company was originally incorporated on December 13, 1947 as Ciba Pharma Private Limited. Subsequently, the Target Company has undergone several name changes which are detailed in Paragraph 6.19. The Target Company has been known as Novartis India Limited since 1997 as a result of the amalgamation of Sandoz (India) Ltd and the life sciences businesses of Hindustan Ciba-Geigy Ltd, following the global merger of their ultimate respective holding companies, Sandoz AG and Ciba-Geigy AG. Its registered office is located at Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018. The operations of the Target Company are comprised of four segments: pharmaceuticals, generics, OTC and animal health products. Pharmaceuticals is composed of a portfolio of prescription medicines provided to patients through healthcare professionals. These are mainly products of original research of the Novartis Group. Generics is composed of retail generics pharmaceuticals focused primarily on therapeutic segments, to treat diseases such as tuberculosis, DUB (gynaecology), seasonal allergies, bacterial infections, gastro-intestinal conditions, diabetes and cardiovascular ailments. Animal health is present in the cattle, poultry and aquaculture market segments. Over-The-Counter “OTC” includes vitamins, minerals and nutritional supplements as well as products to treat coughs, colds and allergies.
- 1.5. Neither the Acquirer nor the Target Company nor any of its directors has been prohibited by SEBI from dealing in securities, in terms of direction issued under Section 11B of the SEBI Act or under any of the regulations made thereunder.
- 1.6. The Acquirer does not propose to make any change in the Board of Directors after the Offer except in the ordinary course of business.

2. Details of the Offer

- 2.1. The PA appeared on March 27, 2009 in the following newspapers in accordance with Regulation 15 of the Regulations:

| Newspapers | Language | Edition |
|-------------------|----------|---------|
| Business Standard | English | All |
| Pratahkal | Hindi | All |
| Sakal | Marathi | Mumbai |

A copy of the PA is also available on SEBI website at www.sebi.gov.in

- 2.2. This Offer to all the shareholders of the Target Company, except the Acquirer, is to acquire 12,464,710 fully paid up equity shares of Rs 5/- each of the Target Company, which represents 39.00% of the present fully paid up equity share capital of the Target Company. The Offer Price of Rs. 351/- (Rupees Three Hundred And Fifty One only) per Share applies to all shareholders of the Target Company who tender their Shares and whose Shares are acquired by the Acquirer. There are no partly paid Shares in the Target Company or any instruments convertible into Shares of the Target Company at a future date.
 - 2.3. The Offer Price will be payable in cash, subject to the terms and conditions mentioned in this Letter of Offer.
 - 2.4. The Offer is not conditional upon any minimum level of acceptance. Accordingly, the Acquirer will accept all Shares tendered by the shareholders pursuant to the Offer at the Offer Price subject to the Shares tendered, but not exceeding 12,464,710 Shares. In case the number of Shares tendered exceeds this number, the acceptance will be made on a proportionate basis.
 - 2.5. The Acquirer has not acquired any further Shares in the Target Company after the date of PA and up to the date of this Letter of Offer.
 - 2.6. Any decision for the upward revision in the Offer Price by the Acquirer until the last date of revision (May 28, 2009) or withdrawal of the Offer (June 3, 2009) would be communicated by way of a public announcement in the same newspapers in which the PA had appeared. In case of an upward revision in the Offer Price, the Acquirer would pay the revised price for all the Shares validly tendered at any time during the Offer and accepted under the Offer. The acquisition of Shares, which are validly tendered, by the Acquirer under this Offer will take place on or before June 20, 2009, in accordance with the schedule of events set out in this Letter of Offer and not at any earlier point in time.
 - 2.7. There has been no competitive bid to this Offer as on the date of this Letter of Offer.
 - 2.8. Shares that are subject to any charge, lien or encumbrance are liable to be rejected in the Offer. Applications in respect of Shares that are the subject matter of litigation wherein the shareholders may be prohibited from transferring the Shares during the pendency of such litigation are liable to be rejected if the directions / orders permitting transfer of these Shares are not received together with the Shares tendered under the Offer.
3. **Object of the Offer**
- 3.1. In order to create more flexibility for the Novartis Group's organization in India, the Acquirer wishes to consolidate and enhance its stake in the Target Company.
 - 3.2. The Acquirer will ensure that the public shareholding in the Target Company does not fall below the minimum level of public shareholding required to be maintained by the Target Company pursuant to (i) the listing agreement originally entered into by the Target Company with the BSE dated September 16, 1983 as amended from time to time and (ii) applicable law. See paragraph 5.2 for more details.
4. **Background of the Acquirer**
- 4.1. The Acquirer is a public limited company incorporated in the year 1996 (Registration Number CH-270.3.002.061-2) under the laws of Switzerland as a result of the merger of Sandoz AG and Ciba-Geigy AG. The registered and corporate office is located at Lichtstrasse 35, CH-4056 Basel, Switzerland (Tel: +41 61 324 1111 Fax: +41 61 324 8001).
 - 4.2. The Acquirer is engaged in the research, development, manufacture and marketing of healthcare products. The Acquirer's diverse healthcare portfolio involves global leadership positions in innovative medicines as well as generic medicines, preventive vaccines and diagnostic tools and consumer health products. These businesses are operated worldwide in four operating divisions: Pharmaceuticals, which comprises brand-name patented pharmaceuticals; Vaccines and Diagnostics, which focuses on preventive human vaccines and blood-testing diagnostics; Sandoz, which consists of generic pharmaceuticals; and Consumer Health, which includes over-the-counter ("OTC") medicines, animal health products, and CIBA Vision contact lenses and lens-care products.
 - 4.3. The shares of the Acquirer are listed on the Swiss Stock Exchange ("SIX Swiss Exchange") and its American Depositary Shares ("ADSs") are listed on the New York Stock Exchange. The Acquirer has a total of 2,643,623,000 shares issued on the SIX Swiss Exchange as of March 31, 2009.

4.4. The Acquirer is a professionally managed company. Its major shareholders are the Novartis Foundation for Employee Participation, Basel and Emasan AG, Basel which as per the share register and as of March 31, 2009, held 4.6% and 3.3% of the total share capital of the Acquirer respectively. As of March 31, 2009, a total of 87% of the Acquirer's shares that were registered with the Group were held by institutions such as banks, nominees, insurance companies, pension funds, investment funds and other legal entities (including 7.2% of the share capital held by the Acquirer, together with its affiliates, as treasury shares). As of March 31, 2009, a total of 22% of the Acquirer's shares were not entered in the share register.

4.5. Compliance with Chapter II of the Takeover code

The Acquirer has complied with applicable provisions of the Regulations (including Chapter II) / other applicable Regulations under the Securities and Exchange Board of India Act, 1992, as amended (the "SEBI Act") and other statutory requirements, as applicable. Except that the compliance under Regulation 6(1), 6(3), 8(1) and 8(2) was made in terms of SEBI Regularization Scheme 2002.

4.6. Name & Addresses of the Board of Directors of the Acquirer

| Name | Address | Date of Appointment |
|---------------------|---|---------------------|
| Daniel Vasella | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | July 17, 1996 |
| Ulrich Lehner | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | March 21, 2002 |
| Hans-Joerg Rudloff | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | July 17, 1996 |
| William Brody | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | February 24, 2009 |
| Srikant Datar | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | March 4, 2003 |
| Ann Fudge | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | February 26, 2008 |
| Alexandre F. Jetzer | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | July 17, 1996 |
| Pierre Landolt | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | July 17, 1996 |
| Andreas von Planta | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | February 28, 2006 |
| Wendelin Wiedeking | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | March 4, 2003 |
| Marjorie M. Yang | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | March 6, 2007 |
| Rolf M. Zinkernagel | Corporate Secretary, Lichstrasse 35, CH-4056 Basel, Switzerland | April 21, 1999 |

None of the above directors is on the Board of the Target Company.

4.6.1. Details of experience of the Board of Directors of the Acquirer

Daniel Vasella has served as Chief Executive Officer and an executive member of the Board of Directors since the merger that created Novartis in 1996. He was appointed Chairman of the Board of Directors in 1999. Dr. Vasella graduated with an M.D. from the University of Bern, Switzerland, in 1979 and was a practicing physician until he joined Sandoz Pharmaceuticals Corporation in 1988, where he held the position of CEO before the merger.

Ulrich Lehner has been a member of the Board of Directors since 2002. He serves as Vice Chairman, Lead Director and Chairman of the Corporate Governance and Nomination Committee. Ulrich Lehner graduated in business administration and mechanical engineering from the Darmstadt University of Technology in 1975. From 1975 to 1981, he was an auditor with KPMG Deutsche Treuhand-Gesellschaft AG in Dusseldorf. In 1981, he joined Henkel KGaA. After heading the Controlling Department of Fried. Krupp GmbH in Germany from 1983 to 1986, Ulrich Lehner returned to Henkel as Finance Director. From 1991 to 1994, he headed the Management Holding Henkel Asia-Pacific Ltd. in Hong Kong, and from 1995 to

2000, served as Executive Vice President, Finance/Logistics (CFO), of Henkel KGaA. From 2000 to 2008, Ulrich Lehner served as Chairman of the Management Board of Henkel KGaA.

Hans-Joerg Rudloff has been a member of the Board of Directors since 1996. He studied economics at the University of Bern. After graduating in 1965, he joined Credit Suisse in Geneva. He moved to the New York-based investment banking firm of Kidder Peabody Inc. in 1968. He later headed Swiss operations and was elected Chairman of Kidder Peabody International. In 1978, he became a member of the Board of Directors of Kidder Peabody Inc, United States. In 1980, he joined Credit Suisse First Boston, Switzerland, was elected Vice Chairman in 1983 and became Chairman and CEO in 1989. From 1986 to 1990, Hans-Joerg Rudloff was also a member of the executive board of Credit Suisse in Zurich, in charge of all securities and capital-market departments. From 1994 to 1998, Hans-Joerg Rudloff was Chairman of MCBBL in Luxembourg. In 1994, he was appointed to the Board of Directors of Sandoz AG, a predecessor company of Novartis. In 1998, Hans-Joerg Rudloff joined Barclays Capital, United Kingdom, where he is presently Chairman.

William Brody has been a member of the Board of Directors since February 2009. He was President of the Johns Hopkins University in Baltimore, USA until the end of 2008. Before that, he was active in various academic positions such as Professor for Radiology and Electrical Engineering at Stanford University and Professor and Director of the Department of Radiology at the Johns Hopkins University. Prof. Dr. Brody earned his B.S and M.S. degrees in electrical engineering from the Massachusetts Institute of Technology (MIT) before completing his M.D. and Ph.D. at Stanford University.

Srikant Datar has been a member of the Board of Directors since 2003. In 1973, Srikant Datar graduated with distinction in mathematics and economics from the University of Bombay. He is a Chartered Accountant and holds two masters degrees and a Ph.D. from Stanford University. Srikant Datar has worked as an accountant and planner in industry and as a professor at the Carnegie Mellon University, Stanford University and Harvard University in the United States.

Ann Fudge has been a member of the Board of Directors since 2008. Ann Fudge received her B.A. from Simmons College and her M.B.A. from Harvard University Graduate School of Business. She is former Chairman and CEO of Young & Rubicam Brands. Before that, she served as President of the Beverages, Desserts and Post Division of Kraft Foods.

Alexandre F. Jetzer has been a member of the Board of Directors since 1996. Alexandre F. Jetzer graduated with masters degrees in law and economics from the University of Neuchâtel, Switzerland, and is a licensed attorney. From 1967 to 1980, he served as General Secretary of the Swiss Federation of Commerce and Industry. He joined Sandoz in 1980, and in 1981, was appointed as a member of the Sandoz Group Executive Committee in his capacity as Chief Financial Officer. In 1990, he became Head of Management Resources and International Coordination. From 1995 to 1996, he was Chairman and Chief Executive Officer of Sandoz Pharmaceuticals Corporation in East Hanover, New Jersey, and at the same time served as President and CEO of Sandoz Corporation in New York. After the merger to create Novartis in 1996, he was Head of International Coordination, Legal & Taxes and a member of the Executive Committee of Novartis until 1999.

Pierre Landolt has been a member of the Board of Directors since 1996. Pierre Landolt graduated with bachelors degree in law from the University of Paris-Assas. From 1974 to 1976, he worked for Sandoz Brazil SA. Since 1997 Pierre Landolt has been Associate and Chairman of AxialPar Ltda, Brazil, an investment company focused on sustainable development. In 2000, he co-founded EcoCarbone SA, France, a company active in the design and development of carbon-sequestration processes in Asia, Africa, South America and Europe. In 2007, he co-founded Amazentis SA, a start-up company active in the convergence space of medication and nutrition.

Andreas von Planta has been a member of the Board of Directors since 2006. Andreas von Planta holds lic. iur. and Ph.D. degrees from the University of Basel and an LL.M. from Columbia University School of Law, New York. He passed his bar examinations in Basel in 1982. Since 1983, he has been living in Geneva, working for the law firm Lenz & Staehelin where he became a partner in 1988.

Wendelin Wiedeking has been a member of the Board of Directors since 2003. Wendelin Wiedeking graduated in mechanical engineering in 1978 and worked as a scientific assistant in the Machine Tool Laboratory of the Rhine-Westphalian College of Advanced Technology in Aachen, Germany. His professional career began in 1983 as Director's Assistant in the Production and Materials Management area of Dr. Ing. h.c. F. Porsche AG in Stuttgart-Zuffenhausen. In 1988, he moved to Glyco Metall-Werke KG in Wiesbaden as Division Manager, where he advanced by 1990 to the position of Chief Executive Officer and Chairman of the Board of Management of Glyco AG. In 1991, he returned to Porsche AG as Production Director. A year later, the supervisory board appointed him spokesman of the executive board (CEO), and then the role of Chairman in 1993.

Marjorie M. Yang has been a member of the Board of Directors since 2008. Marjorie M. Yang graduated with a B.S. in mathematics from M.I.T. and holds an M.B.A. from Harvard Business School. From 1976 to 1978, she was an associate in Corporate Finance, Mergers and Acquisitions with the First Boston Corporation in New York. In 1979, she returned to Hong Kong and helped create Esquel. She has been Chairman of the Esquel Group since 1995.

Rolf M. Zinkernagel has been a member of the Board of Directors since 1999. He graduated from the University of Basel with an M.D. in 1970. From 1992 to 2008, he was Professor and Director of the Institute of Experimental Immunology at the University of Zurich. Dr. Zinkernagel has received many awards and prizes for his work and contribution to science, the most prestigious being the Nobel Prize for Medicine, which he was awarded in 1996.

4.6.2. Based on confirmation from the Target Company, none of the directors of the Acquirer has acquired any shares in the Target Company during the preceding 12 months of the date of the Public Announcement

4.6.3. **Brief financial statements of the Acquirer on a consolidated basis for the last three years**

| Consolidated Income Statement (A) | 12 month period ending December 31, | | | | | |
|---|-------------------------------------|------------------|---------------|------------------|---------------|------------------|
| | 2006 | | 2007 | | 2008 | |
| | (USD mn) | (Rs. mn) | (USD mn) | (Rs. mn) | (USD mn) | (Rs. mn) |
| Group net sales | 37,020 | 1,676,636 | 39,800 | 1,645,332 | 41,459 | 1,803,881 |
| Other income (B) | 714 | 32,337 | 6,202 | 256,391 | 1,153 | 50,167 |
| Total Group net sales and other income | 37,734 | 1,708,973 | 46,002 | 1,901,723 | 42,612 | 1,854,048 |
| Total other operating expenditure | (27,059) | (1,225,502) | (29,889) | (1,235,611) | (30,453) | (1,325,010) |
| Income before depreciation, amortization, interest expense and taxes | 10,675 | 483,471 | 16,113 | 666,111 | 12,159 | 529,038 |
| Depreciation and amortization | (1,883) | (85,281) | (2,237) | (92,478) | (2,300) | (100,073) |
| Interest expense | (266) | (12,047) | (237) | (9,798) | (290) | (12,618) |
| Income before tax | 8,526 | 386,143 | 13,639 | 563,836 | 9,569 | 416,347 |
| Taxes | (1,324) | (59,964) | (1,671) | (69,079) | (1,336) | (58,129) |
| Group net income | 7,202 | 326,179 | 11,968 | 494,757 | 8,233 | 358,218 |

(A) Including continuing and discontinued operations

(B) Composed of other revenues, financial income, income from associated companies and other income and expenses, net

Source: Based on audited financials from Annual Reports for the years ended December 31, 2006, December 31, 2007 and December 31, 2008

Note - INR amounts have been arrived at using an exchange rate of INR 45.29 per USD, INR 41.34 per USD and INR 43.51 per USD for the years ended December 31, 2006, 2007 and 2008 respectively being the average exchange rate for those periods (Source: Reuters)

| Consolidated Balance Sheet | As on December 31, | | | | | |
|--|--------------------|------------------|---------------|------------------|---------------|------------------|
| | 2006 | | 2007 | | 2008 | |
| | (USD mn) | (Rs. mn) | (USD mn) | (Rs. mn) | (USD mn) | (Rs. mn) |
| Share capital less treasury shares | 850 | 37,621 | 815 | 32,152 | 820 | 39,729 |
| Reserves | 40,261 | 1,781,952 | 48,408 | 1,909,696 | 49,468 | 2,396,725 |
| Equity attributable to Novartis AG shareholders | 41,111 | 1,819,573 | 49,223 | 1,941,847 | 50,288 | 2,436,454 |
| Minority interest | 183 | 8,100 | 173 | 6,825 | 149 | 7,219 |
| Non-current financial debts | 656 | 29,035 | 677 | 26,708 | 2178 | 105,524 |
| Non-current provisions and other liabilities | 4,534 | 200,675 | 4,272 | 168,530 | 5036 | 243,994 |
| Total | 46,484 | 2,057,382 | 54,345 | 2,143,910 | 57,651 | 2,793,191 |
| Property, plant & equipment and intangible assets | 32,175 | 1,424,066 | 33,882 | 1,336,645 | 33,919 | 1,643,376 |
| Investments in associated companies and non-current financial and other assets | 10,526 | 465,881 | 10,573 | 417,105 | 19,076 | 924,232 |
| Net current assets | 5,170 | 228,824 | 10,789 | 425,626 | 4,377 | 212,066 |
| Net deferred tax (liability) / asset | (1,387) | (61,389) | (899) | (35,466) | 279 | 13,518 |
| Total | 46,484 | 2,057,382 | 54,345 | 2,143,910 | 57,651 | 2,793,191 |

Source: Based on audited financials from Annual Reports for the years ended December 31, 2006, December 31, 2007 and December 31, 2008

Note - INR amounts have been arrived at using an exchange rate of INR 44.26 per USD, INR 39.45 per USD and INR 48.45 per USD for the years ended December 31, 2006, 2007 and 2008 respectively being the closing exchange rate for those days (Source: Reuters)

| Other Financial data | As on December 31, | | | | | |
|--|--------------------|-------|---------------|-------|---------------|-------|
| | 2006 | | 2007 | | 2008 | |
| | (USD) | (Rs.) | (USD) | (Rs.) | (USD) | (Rs.) |
| Dividend (%) | 270.0% | | 320.0% | | 400.0% | |
| Earnings per share ⁽³⁾ | 3.06 | 139 | 5.15 | 213 | 3.62 | 158 |
| Return on equity attributable to Novartis AG shareholders ⁽¹⁾ | 17.52% | | 24.31% | | 16.37% | |
| Equity of Novartis AG shareholders per share ⁽²⁾ | 17.51 | 775 | 21.74 | 858 | 22.20 | 1,076 |
| Average number of shares outstanding | 2,345,232,126 | | 2,317,466,535 | | 2,265,536,699 | |

Source: Based on audited financials from Annual Reports for the years ended December 31, 2006, December 31, 2007 and December 31, 2008

(1) Return on equity calculated as Group Net Income/Equity attributable to Novartis AG shareholders as at the end of the year

(2) INR amounts for Equity of Novartis AG shareholders per share have been arrived at using an exchange rate of INR 44.26 per USD, INR 39.45 per USD and INR 48.45 per USD for the years ended December 31, 2006, 2007 and 2008 respectively being the closing exchange rate for those days (Source: Reuters)

(3) INR amounts for Earnings per share have been arrived at using an exchange rate of INR 45.29 per USD, INR 41.34 per USD and INR 43.51 per USD for the years ended December 31, 2006, 2007 and 2008 respectively being the average exchange rate for those periods (Source: Reuters)

4.6.4. The Acquirer, on a consolidated basis, has to observe the laws, government orders and regulations of the country in which its subsidiaries operate. The Group's potential environmental liability is assessed based on a risk assessment and investigation of the various sites identified by the Group as at risk for environmental exposure. The Group's future remediation expenses are affected by a number of uncertainties. These uncertainties include, but are not limited to, the method and extent of remediation, the percentage of material attributable to the Group at the remediation sites relative to that attributable to other parties, and the financial capabilities of the other potentially responsible parties. A number of Group companies are currently involved in administrative proceedings, litigations and investigations arising out of the normal conduct of their business. These litigations include certain legal and product liability claims. Whilst provisions have been made for probable losses that management deems to be reasonable or appropriate there are uncertainties connected with these estimates. Paragraph 4.6.11 contains a more extensive discussion of pending litigation matters. In the opinion of management, however, the outcome of these actions will not materially affect the Group's financial position but could be material to the results of operations or cash flow in a given period.

4.6.5. Reasons for Fall/Rise in Group Net Sales and Net Income

(Note: The percentage change in Group net sales and net income in this section refer to changes in Group net sales and net income in US dollar terms. The Acquirer and its Group for the purposes of paragraph 4.6.5 is referred to as "Group" or "Novartis")

4.6.5.1. 2008 Compared to 2007

Total Group net sales grew by 4% in 2008, while net sales from continuing operations (excluding two non-healthcare businesses divested during 2007) grew 9% to \$41.5 billion from the strong growth of Pharmaceuticals, which grew 10% to \$26.3 billion principally due to robust performances from oncology medicines, sustained expansion of the cardiovascular portfolio and \$2.9 billion of contributions from recently launched products such as *Aclasta/Reclast*, *Tekturna/Rasilez*, *Exforge*, *Exjade*, *Lucentis*, *Exelon Patch*, *Tasigna* and *Xolair*.

In the Sandoz generics division, modest growth was achieved as sales rose 5% to \$7.6 billion as improving performances in many markets were largely offset by a 10% decline in the US on a lack of new product launches in 2008.

In the Consumer Health division, all businesses delivered higher sales in deteriorating market conditions as net sales rose 7% to \$5.8 billion, particularly from CIBA Vision thanks to new contact lens product launches. OTC grew dynamically in emerging markets, but US sales declined due to changes in consumer spending that have affected this industry. Growth in Animal Health came from expansion of the companion animals business.

Total Group net income fell 31% to \$8.2 billion, but this included the 2007 one-time impact of \$5.4 billion of net income and after-tax exceptional gains from the divested non-healthcare businesses. However, net income from continuing operations rose 25% in 2008, and was also up 11% when excluding the after-tax impact of \$788 million of exceptional charges taken in 2007 for corporate environmental provisions and restructuring programs.

4.6.5.2. 2007 Compared to 2006

Total Group net sales rose 8% in 2007, while net sales from continuing operations (excluding two non-healthcare businesses divested during 2007) rose 11% to \$38.1 billion. Net sales in Pharmaceuticals rose 6% to \$24.0 billion on expansion in many geographic regions—particularly Europe, Latin America and key emerging markets. This helped offset a decline in

the US, where net sales fell 8% following the suspension of a medicine and the entry of generic competition for four products.

In the Sandoz generics division, net sales advanced 20% to \$7.2 billion from a dynamic growth in the US and strengthened positions in fast-growing markets, particularly in Eastern Europe.

In the Consumer Health division, strong performances from OTC and Animal Health underpinned the 11% increase in net sales to \$5.4 billion, driven by the increased focus on strategic brands, new product launches and expansion in emerging markets and Japan. CIBA Vision net sales were higher, supported by a resumption of contact lens and lens-care product deliveries in 2007 following shortages in 2006.

Total Group net income rose 66% to \$12.0 billion, due mainly to the net income and significant after-tax divestment gains of \$5.4 billion from non-healthcare businesses that were sold during 2007. However, net income from continuing operations declined 4% to \$6.5 billion, due mainly to the impact of the two exceptional charges taken in 2007 that amounted to \$788 million after tax.

4.6.6. Significant accounting policies of the Acquirer

Accounting policies

The Acquirer and its Group's (for the purposes of paragraph 4.6.6 "Group" or "Novartis") consolidated financial statements comply with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). They are prepared in accordance with the historical cost convention except for items that are required to be accounted for at fair value.

The preparation of financial statements requires management to make estimates and other judgments that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Scope of consolidation

The consolidated financial statements include all companies that the Acquirer directly or indirectly controls (generally more than 50% of voting interest). Special purpose entities, irrespective of their legal structure, are consolidated in instances where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from their activities.

Investments in associated companies (defined as investments in companies in which Novartis holds between 20% and 50% of voting shares or over which it otherwise has significant influence) and joint ventures are accounted for using the equity method. In these situations, the Group records its share of the associated company's net income and equity. The share of results attributed to Novartis from these associated companies is included in the income statement line "Income from associated companies" and is calculated after the deduction of related taxes and minority interests.

Principles of consolidation

The annual closing date of the individual financial statements is December 31.

The purchase method of accounting is used to account for business combinations by the Group in transactions where Novartis takes control of another entity. The cost of an acquisition is measured as the fair value of the transferred assets as well as incurred or assumed liabilities at the date of exchange, plus costs directly attributable to the acquisition. Identifiable acquired assets as well as assumed liabilities and contingent liabilities obtained in a business combination are measured initially at their full fair values as of the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable acquired net assets is recorded as goodwill. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or until the date of disposal.

Inter-company income and expenses, including unrealized profits from internal Novartis transactions and inter-company receivables and payables, are eliminated.

Foreign currencies

The consolidated financial statements of Novartis are expressed in US dollars (\$). The functional currency of certain Swiss and foreign finance companies used for preparing the financial statements is \$ instead of the respective local currencies. This reflects the fact that the cash flows and transactions of these entities are primarily denominated in \$. Generally, the respective local currency is used as the functional currency for other entities. In the respective entity financial statements, monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the balance sheet date. Transactions are recorded using the approximate exchange rate at the time of the transaction. All resulting foreign exchange transaction gains and losses are recognized in the entity's income statement.

Income, expense and cash flows of the consolidated entities have been translated into \$ using the average of monthly exchange rates during the year. Balance sheets are translated using year-end exchange rates. Translation differences arising from movements in exchange rates used to translate equity and long-term inter-company financing transactions relating to net investments in a foreign entity, retained earnings and other equity components and net income for the year are allocated directly to the cumulative translation effects included in the fair value adjustments in the consolidated statement of recognized income and

expense. Translation gains and losses accumulated in the consolidated statement of recognized income and expense are included in the income statement when the foreign operation is completely or partially liquidated or is sold.

Derivative financial instruments and hedging

Derivative financial instruments are initially recognized in the balance sheet at fair value, and they are re-measured to their current fair value at the end of each subsequent period.

The method of recognizing the resulting gain or loss is dependent on whether a derivative contract is designed to hedge a specific risk and qualifies for hedge accounting. The purpose of hedge accounting is to match the impact of the hedged item and the hedging instrument in the income statement. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. At the inception of a transaction, the Group documents the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities, to specific firm commitments or to forecasted transactions. The Group also documents its assessment, both at the inception of a hedge and on an ongoing basis, as to whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. On the date a derivative contract is effective, the Group designates derivatives that qualify as hedges for accounting purposes as either a) a hedge of the fair value of a recognized asset or liability (fair value hedge), or b) a hedge of a forecasted transaction or firm commitment (cash flow hedge) or c) a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are fair value hedges and that are highly effective are recognized in the income statement along with any changes in the fair value of the hedged asset or liability attributable to the hedged risk. Any gain or loss on the hedging instrument relating to the effective portion of changes in the fair value of derivatives in cash flow hedges are recognized in the consolidated statement of recognized income and expense. Gains or losses relating to the ineffective portion are recognized immediately in the income statement. In determining whether the impact of a cash flow hedge can be deferred in the consolidated statement of recognized income and expense, management assesses the probability of the forecasted transaction occurring. Amounts are only deferred when management judges the forecasted transaction to be highly probable. Where a forecasted transaction or firm commitment relating to a non-financial asset or non-financial liability is hedged, the gains or losses previously recorded in the consolidated statement of recognized income and expense are included in the initial measurement of the asset or liability. Otherwise, amounts recorded in the consolidated statement of recognized income and expense are transferred to the income statement and classified as income or expense in the same period in which the forecasted transaction affects the income statement.

Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges. All foreign exchange gains or losses arising on translation are included in cumulative translation effects and recognized in the consolidated statement of recognized income and expense. Gains and losses accumulated in this statement are included in the income statement when the foreign operation is completely or partially liquidated or is sold.

Certain derivative instruments, while providing effective economic hedges under the Group's policies, do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for cash flow hedge accounting are recognized immediately in the financial result in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the consolidated statement of recognized income and expense at that time is recognized in the income statement when the committed or forecasted transaction is ultimately recognized in the income statement. However, if a forecasted or committed transaction is no longer expected to occur, the cumulative gain or loss recognized in the consolidated statement of recognized income and expense is immediately transferred to the income statement.

Property, plant & equipment

Land is valued at acquisition cost, less accumulated impairment, if any.

Prepayments for long-term leasehold land agreements are amortized over the life of the lease. Other items of property, plant & equipment are valued at acquisition cost or production cost and are depreciated on a straight-line basis to the income statement over the following estimated useful lives:

Buildings20 to 40 years

Other property, plant & equipment:

—Machinery and equipment7 to 20 years

—Furniture and vehicles5 to 10 years

—Computer hardware3 to 7 years

Additional costs that enhance the future economic benefit of property, plant & equipment are capitalized. Borrowing costs associated with the construction of property, plant & equipment are not capitalized.

Property, plant & equipment is reviewed for impairment whenever events or changes in circumstances indicate that the balance sheet carrying amount may not be recoverable. Property, plant & equipment that

are financed by leases giving Novartis substantially all risks and rewards of ownership are capitalized at the lower of the fair value of the leased asset or the present value of minimum lease payments at the inception of the lease. These are depreciated in the same manner as other assets over the shorter of the lease term or their useful life. Leases in which a significant portion of the ownership risks and rewards are retained by the lessor, are classified as operating leases. These are charged to the income statement over the life of the lease, generally, on a straight-line basis.

Intangible assets

Goodwill

The excess of the purchase price over the fair value of net identifiable assets acquired in a business combination is recorded as goodwill in the balance sheet and is denominated in the local currency of the related acquisition. Goodwill is allocated to an appropriate cash-generating unit which is the smallest group of assets that generates cash inflows. These units are largely independent of the cash inflows from other assets or group of assets. All goodwill is considered to have an indefinite life and is tested for impairment at least annually. Goodwill is tested for impairment at the level at which it is monitored with any goodwill impairment charge recorded under Other Income and Expense, net in the consolidated income statement.

When evaluating goodwill for a potential impairment, the Group estimates the recoverable amount based on the "fair value less costs to sell" of the cash-generating unit containing the goodwill. The Group uses the estimated future cash flows a market participant could generate from the cash-generating unit. In certain circumstances, its "value in use" to the Group, is estimated if this value is higher than the "fair value less costs to sell". If the carrying amount exceeds the recoverable amount, an impairment loss for the difference is recognized. Considerable management judgment is required to estimate discounted future cash flows and appropriate discount rates. Accordingly, actual cash flows and values could vary significantly from forecasted cash flows and related values derived using discounting techniques.

Other intangible assets

All identifiable intangible assets acquired in a business combination are recognized at their fair value. Furthermore, all acquired Research & Development ("R&D") assets, including upfront and milestone payments on licensed or acquired compounds, are capitalized as intangible assets, even if uncertainties exist as to whether the R&D projects will ultimately be successful in producing a commercial product.

All Novartis intangible assets are allocated to cash-generating units and amortized over their estimated useful life once they are available for use. In-Process Research & Development ("IPR&D") is the only class of separately identified intangible assets that is not amortized, but IPR&D is tested for impairment on an annual basis or when facts and circumstances warrant an impairment test. Any impairment charge is recorded in the income statement under "Research & Development expenses." Once a project included in IPR&D has been successfully developed and is available for use, it is amortized over its useful life in the income statement under "Cost of Goods Sold," where any related impairment charges are also recorded.

The useful lives assigned to acquired intangible assets are based on the period over which they are expected to generate economic benefits, commencing in the year in which they first generate sales or are used in development. Acquired intangible assets are amortized on a straight-line basis over the following periods:

Trademarks Over their estimated economic or legal life with a maximum of 20 years

Product and marketing rights . . . 5 to 20 years

Core development technologies . Over their estimated useful life, typically 15 to 30 years

Software 3 years

Others 3 to 5 years

Amortization of trademarks, product and marketing rights is charged in the income statement to "Cost of Goods Sold" over their useful lives. Core development technologies, which represent identified and separable acquired know-how used in the development process, is amortized in the income statement under "Cost of Goods Sold" or "Research & Development." Any impairment charges are recorded in the income statement in the same functional cost lines as the related amortization charges.

Intangible assets other than IPR&D are reviewed for impairment whenever facts and circumstances indicate their carrying value may not be recoverable. When evaluating an intangible asset for a potential impairment, the Group estimates the recoverable amount based on the intangible asset's "fair value less costs to sell" using the estimated future cash flows a market participant could generate with that asset or, in certain circumstances, the "value in use" of the intangible asset to the Group, whichever is higher. If the carrying amount of the asset exceeds the recoverable amount, an impairment loss for the difference is recognized. For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash-generating units. Considerable management judgment is necessary to estimate discounted future cash flows and appropriate discount rates. Accordingly, actual cash flows and values could vary significantly from forecasted cash flows and related values derived using discounting techniques.

Financial assets

Investments in debt and equity securities are initially recorded at fair value on the trade date, and subsequently carried at fair value. The fair values of quoted investments are based on current market prices. If the market for a financial asset is not active or no market is available, fair values are established using

valuation techniques. These include the use of data from the most recent arm's length transactions, such as new financing rounds or partial disposals; reference to other instruments that are substantially the same; a discounted cash flow analysis; and other pricing models that make maximum use of market data and rely as little as possible on entity-specific information. Exchange rate gains and losses on loans are recorded in the income statement. All other changes in the fair value of financial assets are deferred as a fair value adjustment in the consolidated statement of recognized income and expense and recycled to the income statement when the asset is sold. Impairments in value are immediately expensed.

Loans are carried at amortized cost, less any allowances for uncollectable amounts. Novartis uses the equity method to account for investments in associated companies (defined as investments in companies that correspond to holdings of between 20% and 50% of voting shares or over which Novartis otherwise has significant influence).

Novartis considers investments in associated companies for impairment testing whenever there is a quoted share price and when this has a fair value less than the carrying value per share for the investment. For unquoted investments in associated companies recent financial information is taken into account to assess whether impairment testing is necessary. Where there is an indicator that separately identified assets of the associated company other than its implicit goodwill might be impaired, an impairment test is performed. Any impairment charge is recorded in the income statement under "Income from associated companies".

If the balance sheet carrying amount of the asset exceeds the higher of its value in use or fair value less costs to sell, an impairment loss is recognized for the difference. Value in use is defined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit. For investments in associated companies, Novartis typically uses the Discounted Cash Flow method ("DCF"). The discounted cash flow method is based on a forecast of all expected future net cash flows generated by the business utilizing external and Novartis internal projections. As an alternative methodology the Discounted Dividend Method ("DDM") may be used. The DDM is the value of all future dividends plus the residual value of the investment less costs of disposal. These cash flows, which reflect the risks and uncertainties associated with the investment, are discounted at an appropriate rate to net present value.

Inventories

Purchased products are valued at acquisition cost while own-manufactured products are valued at manufacturing cost including related production expenses. In the balance sheet, inventory is valued at historical cost determined on a first-in first-out basis, and this value is used for the Cost of Goods Sold in the income statement. Provisions are made for inventories with a lower market value or which are slow-moving. If it becomes apparent that such inventory can be reused, provisions are reversed with inventory being revalued up to the lower of its estimated market value or original cost. Inventory produced ahead of regulatory approval is provided for with the provision being released on obtaining approval. Unsaleable inventory is fully written off.

Trade Receivables

Trade receivables are initially recognized at fair value which represent the invoiced amounts, less adjustments for estimated revenue deductions such as rebates, chargebacks and cash discounts. Doubtful trade receivables provisions are established based upon the difference between the recognized value and the estimated net collectible amount with the estimated loss recognized in the income statement within Marketing & Sales expenses. When a trade receivable becomes uncollectible, it is written off against the doubtful trade receivables provisions.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. This position is readily convertible to known amounts of cash. Bank overdrafts are presented within other bank and financial debt within current financial debts on the balance sheet.

Marketable securities

Marketable securities consist of equity and debt securities which are principally traded in liquid markets. The Group has classified all its marketable securities as available-for-sale, as they are not acquired to generate profit from short-term fluctuations in price. All purchases and sales of marketable securities are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Marketable securities are initially recorded at their acquired fair value and subsequently carried at fair value. Exchange rate gains and losses on debt securities are recorded in the income statement. All other changes in the fair value of unhedged securities are deferred as a fair value adjustment in the consolidated statement of recognized income and expense and recycled to the income statement when the asset is sold or impaired. Where hedge accounting is applied, the change in fair value of effectively hedged securities is recorded in the income statement where it offsets the gains or losses of the hedging derivative. Unrealized losses on impaired marketable securities are included as a reduction of financial income in the income statement. A security is assessed for impairment when its market value at the balance sheet date is less than initial cost reduced by any previously recognized impairment.

Repurchase agreements

Underlying securities related to repurchase agreements are included within marketable securities. Repurchase financing agreements for sold but agreed to be repurchased securities are recognized gross and included in short-term financial debts. Income and expenses are recorded net in interest income.

Taxes

Taxes on income are provided in the same periods as the revenues and expenses to which they relate. Deferred taxes are determined using the comprehensive liability method and are calculated on the temporary differences that arise between the tax base of an asset or liability and its carrying value in the subsidiary's balance sheet prepared for consolidation purposes, except for those temporary differences related to investments in subsidiaries and associated companies, where the timing of their reversal can be controlled and it is probable that the difference will not reverse in the foreseeable future. Furthermore, withholding or other taxes on eventual distribution of subsidiaries' retained earnings are only taken into account where a dividend has been planned since generally the retained earnings are reinvested. Deferred tax assets or liabilities, measured at the tax rates that are expected to apply in the period of tax settlement or realization by the applicable entity, are included in the consolidated balance sheet as either a non-current asset or liability, with changes in the year recorded in the income statement in tax expense or in the consolidated statement of recognized income and expense, if they relate to an item directly recorded in this statement. Deferred tax assets on an entity's taxable loss are recognized to the extent future taxable profits will probably be available against which they can be utilized.

Defined benefit pension plans, other post-employment benefits and other non-current benefits of associates

Defined benefit pension plans

The liability in respect of defined benefit pension plans is the defined benefit obligation calculated annually by independent actuaries using the projected unit credit method. The defined benefit obligation is measured as the present value of the estimated future payments required to settle the obligation that is attributable to the service of associates in the current and prior periods. The charge for such pension plans, represented by the net periodic pension cost, is included in the personnel expenses of the various functions where the associates are employed. Plan assets are recorded at their fair value. Unvested past service costs arising from amendments to pension plans are charged or credited to income over the associates' remaining vesting period. Vested past service costs, including such costs for retired associates are immediately recognized in the income statement. Gains or losses arising from plan curtailments or settlements are accounted for at the time they occur. Any net pension asset is limited to the present value of future economic benefits available to the Group in the form of refunds from the plan or expected reductions in future contributions to the plan.

The effects of changes in actuarial assumptions and experience adjustments on the value of assets and liabilities of defined benefit plans are immediately recognized in the balance sheet with a corresponding movement in the consolidated statement of recognized income and expense.

Other post-employment benefits

Certain subsidiaries provide healthcare and insurance benefits for a portion of their retired associates and their eligible dependents. The cost of these benefits is actuarially determined and accrued over the service lives of the related associates and included in the personnel expenses of the various functions where the associates are located. The related obligation is recognized in non-current liabilities.

Other non-current benefits of associates

Other non-current benefits of associates represent amounts due to associates under deferred compensation arrangements mandated by certain jurisdictions in which the Group conducts its operations. Benefit costs are recognized on an accrual basis in the personnel expenses of the various functions where the associates are located. The related obligation is recognized in other non-current liabilities.

Equity-based compensation

The fair value of Novartis shares, Novartis ADSs and related options granted to associates as compensation is recognized as an expense over the related vesting or service period. The market maker calculates the fair value of the options at the grant date using the trinomial valuation method, which is a variant of the lattice binomial approach. Shares and ADSs are valued using the market value on the grant date. The amounts for shares and options are charged to income over the relevant vesting or service periods, adjusted to reflect actual and expected levels of vesting. The charge for equity-based compensation is included in the personnel expenses of the various functions where the associates are located.

Revenue recognition

Revenue is recognized when there is persuasive evidence that a sales arrangement exists, title and risks and rewards for the products are transferred to the customer, the price is fixed and determinable and collectability is reasonably assured. Provisions for rebates and discounts granted to government agencies, wholesalers, retail pharmacies, managed care and other customers are recorded as a reduction of revenue at the time the related revenues are recorded or when the incentives are offered. They are calculated on the basis of historical experience and the specific terms in the individual agreements. Provisions for refunds granted to healthcare providers under innovative pay for performance agreements are recorded as a reduction of revenue at the time the related revenues are recorded. They are calculated on the basis of historical experience and clinical data for the product as well as the specific terms in the individual agreements. In cases where historical experience and clinical data are not sufficient for a reliable estimation of the outcome, revenue recognition is deferred. Cash discounts are offered to customers to encourage prompt payment and are recorded as revenue deductions. Wholesaler shelf-inventory adjustments are granted to customers based on the existing inventory of a product at the time of decreases in the invoice or

contract price of a product or at the point of sale if a price decline is reasonably estimable. In the Vaccines and Diagnostics Division, where there is a historical experience of Novartis agreeing to customer returns, Novartis records a provision for estimated sales returns by applying historical experience of customer returns to the amounts invoiced and the amount of returned products to be destroyed versus products that can be placed back in inventory for resale. Where shipments are made on a sale or return basis, without sufficient historical experience for estimating sales returns, revenue is only recorded when there is evidence of consumption. Provisions for revenue deductions are adjusted to actual amounts as rebates, discounts and returns are processed.

Research & development

Internal R&D expenses and also payments made to clinical research organizations for contracted research are fully charged to the income statement. The Group considers that regulatory and other uncertainties inherent in the development of new products preclude the capitalization of these development costs.

Initial upfront payments and subsequent milestone payments made in the course of collaborations and alliances are capitalized once the required criteria are met and are amortized once a saleable product results out of the R&D activity or over the R&D activity period if the intellectual property associated with the intangible asset is utilized in R&D activity. Expenses for R&D contracts with external parties that do not qualify for capitalization are recognized in the income statement based on their percentage of completion.

Laboratory buildings and equipment included in property, plant & equipment are depreciated in the income statement over their estimated useful lives. Also, acquired core development technologies included in intangible assets are amortized in the income statement over their estimated useful lives.

Government grants

Government grants are deferred and recognized in the income statement over the period necessary to match them with the related costs which they are intended to compensate.

Contingencies

Novartis records provisions for contingencies when it is judged probable that a liability has been incurred and the amount can be reliably estimated. These provisions are adjusted periodically as assessments change or additional information becomes available.

Cost of future expenditures do not usually reflect any insurance or other claims or recoveries, as Novartis only recognizes insurance or other recoveries at such time the amount is reliably estimable and collection is virtually certain.

Product liabilities

Provisions are made for present product liability obligations resulting from past sales including related legal and other fees and expenses. The provision is actuarially determined taking into consideration such factors as past experience, amount and number of claims reported and estimates of claims incurred but not yet reported. Individually significant cases are provided for when probable and reliably estimable.

Legal liabilities

Provisions are made for anticipated settlement costs where a reliable estimate can be made of the probable outcome of legal or other disputes against the Group. In addition, provisions are made for legal and other fees and expenses arising from claims affecting Novartis.

Environmental liabilities

Novartis is exposed to environmental liabilities relating to its past operations, principally in respect to remediation costs. Provisions for remediation costs are made when expenditure on remedial work is probable and the cost can be reliably estimated. These remediation costs are calculated at the net present value of expected cash outflows including anticipated inflation, discounted at a rate based on the market yields for high quality corporate bonds. The increase in provisions due to the passage of time and the effect of changes in the discount rates are included in interest expense.

Restructuring charges

Restructuring charges are accrued against operating income in the period in which management has committed to a plan, the liability has raised the valid expectation in those affected and the amount can be reliably estimated. The Group recognizes the costs for terminating the employment contracts of associates when it is demonstrably committed to either terminating employment according to a detailed formal plan without possibility of withdrawal or when it is committed to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Restructuring charges or releases of provisions are included in Other Income & Expense in the income statement.

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

Treasury shares

Treasury shares are deducted from equity at their nominal value of CHF 0.50 per share. Differences between this amount and the amount paid for acquiring, or received for disposing of, treasury shares are recorded in retained earnings.

Status of adoption of significant new or amended IFRS standards or interpretations

The following new or amended IFRS standards or interpretations which, based on a Novartis analysis, are the only ones of significance to the Group, have not yet been adopted but need to be adopted by January 1, 2009: IAS 1 "Presentation of Financial Statements", IAS 23 "Borrowing Costs" and IFRS 8 "Operating Segments". The Group does not expect that they will have a significant impact on the Group's consolidated financial statements. Novartis only intends to adopt the revised IFRS 3 "Business Combinations" from January 1, 2010. Management is currently evaluating the potential impact that this standard will have on the Group's consolidated financial statements.

4.6.7. Disclosure of earlier acquisitions made by the Acquirer in the Target Company

| Date | Particulars | No. of shares acquired/sold | Capital as on date of acquisition/sale | Resultant shareholding % | Status of Compliance with the Regulations |
|---|--|-----------------------------|--|--------------------------|---|
| October 29, -1997 | Allotment of shares post merger of Sandoz India Ltd with Hindustan Ciba Geigy Ltd. through a court approved scheme of amalgamation | 13,324,650 | 31,861,624 | 41.82% | Complied With |
| December 4, 1998 | Acquisition of shares from Ciba India Private Ltd. for effectuating a reorganization pursuant to a scheme of reconstruction. | 2,921,800 | 31,861,624 | 50.99% | Complied With |
| September 1, -2001 | Allotment of shares post merger of Ciba CKD Biochem with Novartis India Ltd. through a court-approved Scheme of Arrangement | 30,987 | 31,960,797 | 50.93% | Complied With |
| Net holding of the Acquirer as on date of PA | | 16,277,437 | 31,960,797 | 50.93% | |

4.6.8. Details of major acquisitions and divestments

The following are the details of the acquisitions and divestments made by the Acquirer and its Group (for the purposes of paragraph 4.6.8 "Group" or "Novartis") as at December 31, 2008:

2008

Novartis entered into an agreement to acquire the pulmonary business unit of Nektar Therapeutics Inc. for \$115 million.

Novartis acquired 90.3% of the shares of Speedel Holdings AG, a Swiss-based pharmaceuticals company for approximately \$888 million. Novartis now holds more than 99.8% of the shares of Speedel Holdings AG.

Novartis gained rights to PTZ601, a promising hospital antibiotic in clinical development, through the full acquisition of Protez Pharmaceuticals for \$102 million in total and potential future payments of an additional \$300 million contingent upon the future success of PTZ601.

Novartis entered into an agreement with Nestlé S.A. under which Novartis obtained the right to acquire majority ownership in Alcon Inc., a world leader in eye care, including pharmaceutical, surgical and consumer products, in two steps. In the first step, completed in July 2008, Novartis acquired a 24.8% stake in Alcon from Nestlé for \$10.4 billion. The optional second step provides Novartis the right to buy, and Nestlé the right to sell, the remaining 52% stake in Alcon held by Nestlé between January 2010 and July 2011 for up to approximately \$28 billion.

2007

Novartis completed the sale of its Gerber Infant Products Business Unit to Nestlé for approximately \$5.5 billion.

Novartis completed the sale of its Medical Nutrition Business Unit to Nestlé for approximately \$2.5 billion, which had been announced in December 2006.

2006

Novartis agreed to acquire the Japanese animal health business of Sankyo Lifetech Co., Ltd.

Novartis acquired 100% of NeuTec Pharma plc, a UK biopharmaceuticals company specializing in hospital anti-infectives, for \$606 million.

Novartis completed the acquisition of all remaining shares of Chiron Corporation that it did not already own for approximately \$5.7 billion.

Novartis completed the sale of its Nutrition & Santé business to ABN AMRO Capital France for \$211 million. The transaction was announced in November 2005.

4.6.9. Date of Registration of Current and Previous company names

The Acquirer's name has been Novartis AG since its incorporation in 1996.

4.6.10. Corporate Governance

The Acquirer applies the Swiss Code of Best Practice for Corporate Governance. The Acquirer has incorporated these corporate governance standards into the Articles of Incorporation and the Regulations of the Board of Directors, its Committees and the Executive Committee of the Acquirer.

The Corporate Governance and Nomination Committee regularly reviews these standards and principles in light of prevailing best practices and makes recommendations for improvements of the corporate governance framework of the Acquirer for consideration by the full board of directors.

Additional corporate governance information can be found on the Novartis website: www.novartis.com/investors/en/corporate_governance. Printed copies of the Novartis Articles of Incorporation, Regulations of the Board and Charters of Board Committees can be obtained by writing to: Novartis AG, Attn: Corporate Secretary, CH-4056 Basel, Switzerland.

4.6.11. Pending litigation matters of the Novartis Group as at December 31, 2008 and to the extent relevant updated by the Q1 Update

A number of Novartis subsidiaries (for the purposes of paragraph 4.6.11 “Group” or “Novartis”) are, and will likely continue to be, subject to various legal proceedings that arise from time to time, including product liability, commercial, employment and wrongful discharge, antitrust, securities, sales and marketing practices, health and safety, environmental and tax litigation claims, government investigations and intellectual property disputes. As a result, the Group may become subject to substantial liabilities that may not be covered by insurance. While Novartis does not believe that any of these legal proceedings will have a material adverse effect on its financial position, litigation is inherently unpredictable and large verdicts sometimes occur.

Below is a summary of selected legal proceedings to which Novartis or its subsidiaries were party as at December 31, 2008 and to the extent relevant updated by the Q1 Update:

Governmental investigations

The US Attorney’s Office for the Eastern District of Pennsylvania served an administrative subpoena pursuant to the Health Insurance Portability and Accountability Act on a Novartis subsidiary in 2005. Novartis is cooperating with parallel civil and criminal investigations of the US Attorney’s Office into allegations of potential off-label promotion of *Trileptal*. Settlement discussions covering both civil and criminal investigations have commenced. However, at this time, given the nature of the discussions to date, Novartis is unable to assess with any reasonable certainty the likely outcome of these discussions.

Q1 Update: The US Attorney’s Office for the Eastern District of Pennsylvania served an administrative subpoena pursuant to the Health Insurance Portability and Accountability Act on a Novartis subsidiary in 2005. Novartis is cooperating with parallel civil and criminal investigations of the US Attorney’s Office into allegations of potential off-label promotion of the epilepsy therapy *Trileptal*. Settlement discussions covering civil and criminal investigations have commenced. However, at this time, given the nature of the discussions to date, Novartis is unable to assess with any reasonable certainty the likely outcome of these discussions.

Product liability matters

Hormone Replacement Therapy Litigation

Novartis subsidiaries are defendants, along with various other pharmaceutical companies, in approximately 108 cases brought by approximately 112 plaintiffs claiming to have been injured by hormone replacement therapy products. Discovery is underway in these cases.

SMON (Subacute Myelo Optico Neuropathy)

In 1996 a subsidiary of Ciba-Geigy, one of the predecessor companies of Novartis, together with two other pharmaceutical companies, settled certain product liability issues relating to sales of its product *Clioquinol* in Japan. Under the settlement, a Novartis subsidiary is required to pay certain future healthcare costs of the claimants.

Zometa/Aredia litigation

Novartis subsidiaries are defendants in approximately 570 cases brought in US courts. Plaintiffs claim to have experienced osteonecrosis of the jaw after having been treated with *Zometa* or *Aredia*. All purported class actions have been dismissed. Discovery is continuing in these cases.

Q1 Update: Novartis subsidiaries are defendants in approximately 605 cases brought in US courts. Plaintiffs claim to have experienced osteonecrosis of the jaw after having been treated with *Zometa* or *Aredia*, which are used in treating cancer that has spread to the bones. All purported class actions have been dismissed.

Q1 Update:

Zelnorm

Novartis subsidiaries are defendants in approximately 140 cases brought in US courts. Plaintiffs claim to have experienced cardiovascular injuries after having been treated with *Zelnorm*, a treatment for irritable bowel syndrome and chronic constipation. A purported national class action was filed against a Novartis subsidiary in Canada. A statement to defend was filed in this action.

Intellectual property matters

Contact lenses

In October 2005 Rembrandt Vision Technologies, L.P. filed a patent infringement lawsuit against CIBA Vision in the Federal Court in Texas. Rembrandt asserts that CIBA Vision's *O2OPTIX* and *Night & Day* lenses infringe Rembrandt's US patent no. 5,712,327. Rembrandt seeks substantial past damages and a future royalty on *O2OPTIX* and *Night & Day* sales and may seek an injunction against *O2OPTIX*.

Q1 Update: On April 17, 2009, CIBA Vision entered into an agreement with Rembrandt Vision Technologies, granting CIBA Vision a license under Rembrandt's US Patent No. 5,712,327. As a result, the patent infringement suit filed by Rembrandt against CIBA Vision in October 2005 in a federal court in Texas is resolved, including all financial claims of Rembrandt for past and future commercialization of CIBA Vision's silicon hydrogel lenses.

Several lawsuits are pending relating to the Nicolson patents, which protect the silicone hydrogel contact lens technology used in the CIBA Vision products *Night & Day* and *O2OPTIX*. Johnson & Johnson filed suits seeking declaration that their Oasys[®] and Advance[®] products do not infringe CIBA Vision's silicone hydrogel patents. The trial on the Johnson & Johnson Oasys[®] product in the US is scheduled to begin in March 2009. Novartis has also filed infringement suits based on these patent rights in the United Kingdom, the Netherlands, Germany, France, Italy and Ireland. A hearing regarding the validity and infringement of the patent was held in the Netherlands on June 13, 2008, and in France on November 24, 2008.

Q1 Update: Johnson & Johnson (J&J) filed suits seeking declaration that their Oasys[®] and Advance[®] products do not infringe CIBA Vision's silicone hydrogel patents (Jump patents). CIBA Vision filed counter-claims for infringement of its Jump patents. The trial on the Johnson & Johnson Oasys[®] product in the US began at the end of March 2009. Novartis has also filed infringement suits based on these patent rights in several European countries, including France, Germany, the Netherlands, Ireland, Italy, and the United Kingdom. In February, the court in the Netherlands, and in March, the court in France issued rulings holding that CIBA Vision's patents were valid and infringed by J&J's sales of Oasys[®] products. J&J appealed the ruling in the Netherlands, while the ruling in France is still subject to appeal.

A lawsuit filed by CooperVision against CIBA Vision in 2006 was settled in 2007, with CIBA Vision licensing its Nicolson patents to CooperVision against payment of a royalty on US net sales of CooperVision's Biofinity[®] contact lenses until 2014 and on net sales outside of the US until 2016. CIBA Vision also receives a continuing royalty from Bausch & Lomb on the same Nicolson patents for the sales of Bausch & Lomb's Purevision[®] products. Both the CooperVision and the Bausch & Lomb royalties could cease if the Nicolson patents were declared invalid as part of the litigation with Johnson & Johnson.

Lotrel

A number of generic companies have challenged the patent on high-dose and low-dose *Lotrel*. Novartis filed infringement lawsuits against these generic manufacturers to enforce Novartis' rights under its patent. In 2007 Teva launched its generic version of low-dose *Lotrel* "at-risk." Novartis' request to grant a preliminary injunction against Teva was denied. The trial against Teva is expected in 2010.

Q1 Update: A number of generic companies have challenged a patent valid in the US until 2017 for so-called "high-dose" and "low-dose" formulations of *Lotrel*, a single-pill combination high blood pressure medicine. Novartis filed infringement lawsuits against these manufacturers to enforce the intellectual property rights of Novartis. In 2007, Teva launched "at risk" its low-dose generic versions of *Lotrel*. A request by Novartis to grant a preliminary injunction was denied. The trial against Teva is expected in the second half of 2010. Separately, Novartis and Par/Kali have settled disputes on high-dose and low-dose versions of *Lotrel*.

Famvir

Famvir, a therapy for viral infections, is the subject of patent litigation in the US. The active ingredient is covered by a compound patent that expires in 2010 in the US. Novartis initiated litigation against Teva and Roxane for infringement of the compound patent and methods of use. Teva launched its generic version "at risk." The request of Novartis to grant a preliminary injunction against Teva was denied. Roxane has been added as co-defendant to the Teva litigation. A court date for the trial has not been scheduled yet.

Q1 Update: *Famvir*, a therapy for viral infections, is the subject of patent litigation in the US. The active ingredient of this medicine is covered by a compound patent that expires in 2010 in the US. Novartis initiated litigation against Teva and Roxane for infringement of patents covering the compound and method of use. Teva launched "at risk" its generic version in 2007, and a request by Novartis to grant a preliminary injunction was denied. In February 2009, the judge denied Teva's motion for summary judgment of the invalidity based on obviousness. Since the patent was not held invalid at this stage of the litigation, the case will continue to a full trial on its merits. A court date for the trial has not yet been scheduled. Roxane has also been added as co-defendant to the Teva litigation.

Other matters

Average wholesale price litigation

Claims have been brought against various pharmaceutical companies, including Novartis subsidiaries, alleging that they have fraudulently overstated the Average Wholesale Price and “best price”, which are, or have been, used by the US federal and state governments in the calculation of, respectively, Medicare reimbursements and Medicaid rebates. Discovery is ongoing in certain of these cases. Novartis has made motions to dismiss the complaint or for summary judgment in other cases. A Novartis subsidiary was defendant in a trial in Alabama in 2008. The jury rendered a verdict against the Novartis subsidiary and imposed compensatory damages in the amount of \$33 million. No punitive damages were awarded. The Novartis subsidiary has appealed the verdict.

Q1 Update: Claims have been brought against various pharmaceutical companies, including Novartis subsidiaries, alleging that they have fraudulently overstated the Average Wholesale Price and “best price”, which are, or have been, used by the US federal and state governments in the calculation of, respectively, Medicare reimbursements and Medicaid rebates. Discovery is ongoing in certain of these cases. Motions have been made to dismiss the complaint or for summary judgment in other cases. Novartis Pharmaceuticals Corp. was defendant in a trial in Alabama in 2008. The jury rendered a verdict against the Novartis subsidiary and imposed compensatory damages in the amount of USD 33 million. No punitive damages were awarded. The Novartis subsidiary has appealed the verdict. In a separate trial that took place in Alabama in February 2009, the jury rendered a verdict against a Sandoz subsidiary and awarded compensatory damages of USD28 million and punitive damages of USD50 million. The Novartis subsidiary will appeal the verdict.

Chiron/Fluvirin

The former Chiron Corporation, which Novartis acquired during 2006, was the subject of a number of legal proceedings arising out of Chiron’s inability to deliver its *Fluvirin* influenza vaccine to the US market for the 2004/05 flu season, including class-action lawsuits alleging breaches of securities laws and shareholder derivative lawsuits alleging breaches of fiduciary duties. The securities fraud class actions were settled in April 2006. On January 6, 2009, the US District Court for the Northern District of California issued an order approving the settlement. The decision is subject to appeal.

Q1 Update: The former Chiron Corporation, which Novartis acquired during 2006, was the subject of a number of legal proceedings arising out of Chiron’s inability to deliver its Fluvirin influenza vaccine to the US market for the 2004/05 flu season, including class-action lawsuits alleging breaches of securities laws and shareholder derivative lawsuits alleging breaches of fiduciary duties. The securities fraud class actions were settled in April 2006. On January 6, 2009, the US District Court for the Northern District of California issued an order approving the settlement. The decision is final.

Gender discrimination

Certain female pharmaceutical sales representatives brought a lawsuit in Federal Court in New York against, among others, several US Novartis subsidiaries, alleging that they were discriminated against because of their gender. The district court granted, in part, plaintiffs’ motion for class certification against one of the US Novartis subsidiaries. The court dismissed all other US Novartis subsidiaries from the case. Discovery is ongoing and trial is scheduled for late 2009.

Wage and hour litigation

A group of pharmaceutical sales representatives filed suit in State Court in California and in Federal Court in New York against US Novartis subsidiaries alleging that the companies violated wage and hour laws by misclassifying the sales representatives as “exempt” employees, and by failing to pay overtime compensation. The lawsuits were consolidated and certified as a class action. In January 2009 the Court found that the sales representatives are not entitled to overtime pay under the federal Fair Labor Standards Act and corresponding state wage and hour laws. This judgment is subject to appeal.

Q1 Update: A group of pharmaceutical sales representatives filed suit in a State Court in California and in a Federal Court in New York against US Novartis subsidiaries alleging that the companies violated wage and hour laws by misclassifying the sales representatives as “exempt” employees, and by failing to pay overtime compensation. The lawsuits were consolidated and certified as a class action. In January 2009, the Court found the sales representatives are not entitled to overtime pay under the federal Fair Labor Standards Act and corresponding state wage and hour laws. Plaintiffs have appealed the judgment.

4.6.12. Shareholding Pattern of the Company as on the date of the PA

The Acquirer’s major shareholders are Novartis Foundation for Employee Participation, Basel and Emasan AG, Basel which as per the share register and as of March 31, 2009, held 4.6% and 3.3% of the total share capital of the Acquirer, respectively. As of March 31, 2009, a total of 87% of the Acquirer’s shares that were registered with the Group were held by institutions such as banks, nominees, insurance companies, pension funds, investment funds and other legal entities (including 7.2% of the share capital held by the Acquirer, together with its affiliates, as treasury shares). As of March 31, 2009, a total of 22% of the Acquirer’s shares were not entered in the share register. The Acquirer has not been notified of any material changes in the shareholding pattern since March 31, 2009.

4.6.13. Name and details of Compliance Officer

Paul Dan Ostergaard, Head Corporate Integrity and Compliance, Lichtstrasse 35, CH-4056 Basel, Switzerland.

4.7. Future plans / strategies of the Acquirer with regard to the Target Company

- 4.7.1. In order to create more flexibility for the Novartis Group's organization in India, the Acquirer wishes to consolidate and enhance its stake in the Target Company.
- 4.7.2. The Acquirer will ensure that the public shareholding in the Target Company does not fall below the minimum level of public shareholding required to be maintained under the listing agreement entered into by the Target Company with the BSE.
- 4.7.3. The Acquirer currently has no plans to sell, dispose of or otherwise encumber any material assets of the Target Company in the next two years, except to the extent required in the ordinary course of business of the Target Company. Further, during this period, the Acquirer undertakes not to sell, dispose of or otherwise encumber any substantial assets of the Target Company, except with the prior approval of the shareholders of the Target Company.

5. Option in terms of Regulation 21(2)

- 5.1. The Target Company was listed in 1983 at an IPO size of 21.5% of post issue capital.
- 5.2. In the financial year ending March 31, 2008, the number of outstanding listed Shares of the Target Company was in excess of twenty million and its market capitalization in respect of such Shares as computed in accordance with Clause 40A of the listing agreement read with the SEBI circular bearing reference number SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2006 was in excess of Rs. 10,000 million. Accordingly, the Target Company was required to maintain a minimum public shareholding of 10% for the financial year ending March 31, 2009. The Target Company will be required to maintain a minimum public shareholding of 25% for the financial year ending March 31, 2010 (in accordance with Clause 40A of the listing agreement read with the SEBI circular bearing reference number SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2006). The minimum public threshold of the Target Company is to be calculated and could be re-set every year in accordance with the methodology prescribed in Clause 40A of the listing agreement described herein. In the event that the public shareholding of the Target Company falls below the then relevant minimum threshold prescribed by law at any stage, whether pursuant to the acquisition of Shares under the Offer, or otherwise, the Acquirer will take such necessary steps to facilitate compliance of the Target Company with the relevant provisions of the listing agreements with the stock exchanges and other applicable laws within the timeframe specified therein which may be a period not exceeding one year and such other extensions of the specified timeframe as the stock exchanges may grant at their discretion. The Acquirer has not at this time taken any decision on the manner in which it will comply with the requirements of the listing agreement in relation to the minimum public threshold, in the event that the public shareholding of the Target Company falls below the then relevant minimum public threshold prescribed by law at any stage, whether pursuant to the acquisition of Shares under the Offer, or otherwise..
- 5.3. The Acquirer may consider delisting the Target Company within the next 3 years.

6. Background of the Target Company

- 6.1. The Corporate and Registered Office of the Target Company is at Sandoz House, Shivsagar Estate, Dr Annie Besant Road, Worli, Mumbai 400 018. (Tel: +91 22 24958807 Fax: +91 22 24938666).

6.2. Brief History and Major Areas of operation

- 6.2.1. The Target Company was originally incorporated on December 13, 1947 as Ciba Pharma Private Limited. Subsequently, the Target Company has undergone several name changes which are detailed in Paragraph 6.19. The Target Company has been known as Novartis India Limited since 1997 as a result of the amalgamation of Sandoz (India) Ltd and Hindustan Ciba-Geigy Ltd, following the global merger of their ultimate respective holding companies, Sandoz AG and Ciba-Geigy AG.

The operations of the Target Company are currently comprised of four segments: pharmaceuticals, generics, OTC and animal health products. The pharmaceuticals segment comprises a portfolio of prescription medicines, which are provided to patients through healthcare professionals. These are mainly products of original research of the Novartis Group. The generics segment comprises retail generics products. The business unit primarily focuses on the therapeutic segments, such as anti-tuberculosis, anti-DUB (gynaecology), anti-histamines, anti-biotics, and anti-ulcerants, anti-diabetes and cardiovascular. The animal health segment is present in the cattle, poultry and aquaculture market segments. The OTC segment includes the vitamins, minerals and nutritional supplements and cough, cold and allergy market segments.

6.3. Share capital structure of the Target Company

| | No. of Shares/voting rights | % of shares/voting rights |
|---------------------------------------|-----------------------------|---------------------------|
| Fully Paid up Equity Shares | 31,960,797 | 100 |
| Partly Paid up Equity Shares | Nil | Not Applicable |
| Total Paid up Equity Shares | 31,960,797 | 100 |
| Total Voting Rights in Target Company | 31,960,797 | 100 |

Source: Novartis India Limited

6.4. Build up of the current capital structure since listing

| Date of Allotment | Equity Shares issued | | Cumulative paid-up capital (No. of Shares) | Mode of Allotment | Identity of allottees | Status of Compliance with Regulations |
|--------------------|---|--------|--|--|-----------------------|---------------------------------------|
| | No. | %age | | | | |
| September 23, 1983 | 381,400 of Rs 100/- each | 21.54% | 1,770,775 | Allotment made on IPO | Public | Complied |
| January 16, 1991 | 885,387 equity shares of Rs 100/- each | 33.33% | 2,656,162 | Bonus shares issued in the ratio of one equity share for every two equity shares held in the company | Promoter & Public | Complied |
| October 29, 1997 | 5,300,00 4# equity shares of Rs 10/- each | 16.63% | 31,861,624 | Allotment of shares to Shareholders of Sandoz India post merger of Sandoz India Ltd with Hindustan Ciba Geigy Ltd. and split in the face value of shares of Hindustan Ciba Geigy Ltd. from Rs. 100 per share to Rs. 10 per share through a court approved scheme of amalgamation | Promoter & Public | Complied |
| September 1, 2001 | 99,173 equity shares of Rs 5/- each* | 0.31% | 31,960,797 | Allotment of shares post merger of Ciba CKD Biochem with Novartis India Ltd. through a court-approved Scheme of Arrangement | Promoter & Public | Complied |

Source: Novartis India Limited

Note:

As the scheme of Amalgamation was retrospectively effective from April 1, 1996 these shares were deemed to have been allotted from April 1, 1996.

* The Order referred to in point no 3 above also provided for reduction in the face value of company's share from Rs 10/per share to Rs 5/ per share. This change was effective from April 1, 2000

- 6.5. There has been no suspension of trading in shares of the Target Company.
- 6.6. All the Shares of the Target Company are listed on the BSE and the CSE.
- 6.7. The Target Company has complied with applicable provisions of the Regulations (including Chapter II) / other applicable Regulations under the SEBI Act and other statutory requirements, as applicable. Except that the compliance under Regulation 6(2), 6(4) and 8(3) was made in terms of SEBI Regularization Scheme 2002.
- 6.8. Except for the penalty as part of the SEBI Regularization Scheme 2002 imposed by SEBI on the Target Company, there is no other punitive action imposed by SEBI on the Target Company as on the date of the Letter of Offer.
- 6.9. The Target Company has no outstanding convertible instruments.
- 6.10. The Target Company has conformed to the listing requirements at all times.

6.11. Composition of the Board of Directors of the Target Company as on the date of PA

| S.No. | Name/Designation | Representing | Qualification | Date of Appointment |
|-------|--|-----------------|--|---|
| 1 | Mr. C. Snook Chairman (Non-Executive) – Representative of the Acquirer on the Board | Non-Independent | B. E. Mechanical | August 1, 2008 |
| 2 | Mr. R. Shahani Vice-Chairman & Managing Director | Non-Independent | B. E. Mechanical, PG Business Management | Originally appointed on November 1, 2002 |
| 3 | Mr. J. Hiremath | Independent | C.A England & Wales, Owner President Management Program, Harvard | Originally appointed on January 28, 2006 |
| 4 | Dr. R. Mehrotra | Independent | Ph. D – Management, Masters-Management, P.G.- Electrical & Mechanical Engineering | Originally appointed on May 30, 2000 |

Source: Novartis India Limited

- 6.12. As on the date of the PA there were no directors of the Acquirer on the Board of Directors.

6.13. **Details of experience of the Board of Directors of the Target Company**

Mr. C. Snook has over 30 years of experience in the pharmaceutical industry. He started his career as a Medical Representative in the United Kingdom, and later as Export Manager with Roche Pharmaceuticals. He established the OTC Business Unit and his experience in Roche also included leadership positions in Asia. Mr Snook joined Novartis in 2000 as Region Head of Novartis' Asia Pacific, MNS operations. Later he achieved higher positions like General Manager, Japan and South Korea for the Novartis Consumer Health Division, Head of OTC Asia Pacific Region and in 2007 assumed operational responsibility for the newly created Middle East/ Africa & South Eastern Europe Region based in Dubai.

Mr. R.Shahani is a Technocrat turned Management Graduate. He has made significant contribution in consolidating the Company's Pharmaceuticals business during the critical integration phase pre and post formation of the Target Company. As President of OPPI, he has been actively involved in lobbying for a strong Product Patent law in the country and Data Protection and liberalization of the price control mechanism for Pharmaceuticals. He has also strongly canvassed for deterrent legislation against counterfeit drugs.

Mr. J.Hiremath is a Chartered Accountant from England and has completed the 'Owner President Management Program' at Harvard University, Boston, USA. He has worked with Hindustan Lever Ltd as Finance Manager from 1971 to 1974. In addition to being the Vice Chairman & Managing Director of Hikal Ltd, he is Vice President of the Indian Chemical Council. He also represents Hikal on the board of National Safety Council of India. Mr Hiremath was nominated finalist for the Ernst & Young Entrepreneur of the year in 2000. In April 2005, he was awarded the prestigious ChemTech Award for 'Business Leader of the Year - Chemicals'.

Dr.R.Mehrotra is an Electrical and Mechanical Engineer with a Masters and Doctorate in Management and a rich experience in various functions. He has recently retired from the United Nations International Labour Office (ILO) as Senior Specialist on Employers' activities for South Asia.

6.14. **Details of acquisitions and divestments during last three years involving the Target Company**

Apart from the divestment of the Target Company's Mahad plant which was effective from April 1, 2005, the Target Company has not been involved in any acquisitions or divestments during the financial years ended March 31, 2006, 2007 and 2008.

On January 28, 2005, the Board of Directors proposed the sale of the Rifampicin bulk drug business (forming part of its Generics business segment) with its facility situated at Mahad, Maharashtra, on a going concern basis to Sandoz Private Limited for a consideration of Rs.307.70 million. This consideration was to be suitably adjusted to represent any change in Net Asset Value on the date of transaction. Shareholders of the Target Company have approved the proposal and the sale which was effective from April 1, 2005, was completed on April 30, 2005 for a consideration of Rs.350.52 million resulting in a profit of Rs.25.61 million.

6.15. **Brief audited financial statements of the Target Company for the last three years and interim financials for last three quarters**

| Profit & Loss statement | 12 month period ending March 31, | | |
|-------------------------|----------------------------------|------------|------------|
| | 2006 | 2007 | 2008 |
| | (Rs. mn) | (Rs. mn) | (Rs. mn) |
| Net Sales | 5,259 | 5,422 | 5,535 |
| Other Income | 660 | 501 | 589 |
| Total Income | 5,919 | 5,923 | 6,124 |
| Total Expenditure | 4,398 | 4,537 | 4,546 |
| PBDIT | 1,521 | 1,386 | 1,578 |
| Depreciation | 6 | 27 | 29 |
| Interest | 26 | 6 | 6 |
| PBT | 1,489 | 1,353 | 1,543 |
| Provision for Tax | 410 | 468 | 571 |
| PAT | 1,079 | 885 | 972 |

Source: Annual Reports for the years ended March 31, 2006, March 31, 2007 and March 31, 2008

Interim Financials for the last three quarters ending June 30, 2008; September 30, 2008 and December 31, 2008:

| Profit & Loss statement | 3 month period ending | | |
|-------------------------------|-----------------------|--------------------|-------------------|
| | June 30, 2008 | September 30, 2008 | December 31, 2008 |
| | (Rs. mn) | (Rs. mn) | (Rs. mn) |
| Income from operations | 1,557 | 1,600 | 1,599 |
| Other Income | 114 | 130 | 149 |
| Total Income | 1,671 | 1,731 | 1,748 |
| Total Expenditure | 1,196 | 1,217 | 1,330 |
| PBDIT | 475 | 513 | 418 |
| Depreciation | 7 | 7 | 7 |

| Profit & Loss statement | 3 month period ending | | |
|-------------------------|-----------------------|--------------------|-------------------|
| | June 30, 2008 | September 30, 2008 | December 31, 2008 |
| | (Rs. mn) | (Rs. mn) | (Rs. mn) |
| Interest | 1 | 1 | 5 |
| PBT | 468 | 506 | 407 |
| Provision for Tax | 171 | 214 | 165 |
| PAT | 296 | 292 | 242 |

Source: Interim Unaudited Financials on June 30, 2008, September 30, 2008 and December 30, 2008 as filed with the BSE

| Balance Sheet | As on March 31, | | |
|---|-----------------|--------------|--------------|
| | 2006 | 2007 | 2008 |
| | (Rs. mn) | (Rs. mn) | (Rs. mn) |
| Sources of Funds | | | |
| Paid up Share Capital | 160 | 160 | 160 |
| Reserves and Surplus (excluding revaluation reserves) | 3,216 | 3,726 | 4,324 |
| Net Worth | 3,376 | 3,886 | 4,484 |
| Secured Loans | 24 | 45 | 8 |
| Unsecured Loans | 39 | 47 | 4 |
| Total | 3,439 | 3,978 | 4,497 |
| Uses of Funds | | | |
| Net Fixed Assets | 101 | 97 | 94 |
| Investments | 71 | 38 | 220 |
| Net Current Assets | 3,160 | 3,711 | 4,055 |
| Deferred tax assets | 108 | 132 | 128 |
| Total | 3,439 | 3,978 | 4,497 |
| Other Financial Data | | | |
| Dividend (%) | 300% | 200% | 200% |
| Earnings per Share (Rs.) | 33.76 | 27.71 | 30.42 |
| Return on Net Worth (%) | 35% | 24% | 23% |
| Book Value Per Share (Rs.) | 105.63 | 121.58 | 140.30 |

Source: Annual Reports for the years ended March 31, 2006, March 31, 2007 and March 31, 2008

| Buildup of Net Worth | | Share Capital | Reserves | Total |
|---------------------------------------|---|---------------|--------------|--------------|
| | | (Rs. Mn) | (Rs. Mn) | (Rs. Mn) |
| Total equity at March 31, 2006 | | 160 | 3,216 | 3,376 |
| Add: | Net Profit for the year | | 885 | 885 |
| Less: | Dividends | | (364) | (364) |
| Less: | Additional Liability for Employee Benefits on adoption of revised Accounting Standard | | (11) | (11) |
| Total equity at March 31, 2007 | | 160 | 3,726 | 3,886 |
| Add: | Net Profit for the year | | 972 | 972 |
| Less: | Dividends | | (374) | (374) |
| Total equity at March 31, 2008 | | 160 | 4,324 | 4,484 |

6.16. Reasons for fall/ rise in total income and Profit after tax

Total Income for the year ended March 31, 2008 grew by 3%, reflecting competitive pressures in the business segments and also partly the impact of price control in the pharmaceuticals business. The profit after tax for the year ended March 31, 2008 registered an increase of about 10% over the previous year due to improved margins mainly on account of favourable exchange rates and lower advertising and sales promotion expenses and higher other income.

The total income for the year ended March 31, 2007 registered a marginal increase of 0.1% over the previous year's total income mainly due to higher competitive pressures in most business segments during the year, commencing of provisioning for sales returns based on detailed evaluation by the business segments and some one time income in the previous year. The profit after tax for the year ended March 31, 2007 fell by 18% over the previous year's net profit mainly due to lower income and significantly higher Advertising and Sales Promotion spend.

6.17. Pre and post offer shareholding pattern

| Shareholder Category | Shareholding/Voting rights prior to Offer (as on March 20, 2009) | | Shares/Voting rights to be acquired in the Offer (assuming full acceptances) | | Shareholder/Voting rights after the Offer (assuming full acceptances) | |
|--|--|---------------|--|--------------|---|---------------|
| | (A) | | (B) | | (A+B) | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| (a) Promoters other than Acquirer | Nil | | | | | |
| Total (1)(a) | Nil | | | | | |
| Acquirer | 16,277,437 | 50.93 | 12,464,710 | 39.00 | 28,742,147 | 89.93 |
| Total (2) | 16,277,437 | 50.93 | 12,464,710 | 39.00 | 28,742,147 | 89.93 |
| 3. Public (other than Acquirer) | | | | | | |
| Institutions | | | | | | |
| <i>Mutual Funds, UTI, Banks, Financial Institutions, Insurance Companies</i> | 2,027,153 | 6.34 | | | | |
| <i>FII/foreign mutual funds</i> | 3,886,540 | 12.16 | | | | |
| <i>Sub Total</i> | 510,393 | 1.60 | | | | |
| Indian Public | 6,424,086 | 20.10 | | | | |
| Others | 8,125,451 | 25.42 | | | | |
| <i>Private Corporate Bodies NRIs/OCBs</i> | | | | | 3,218,650 | 10.07 |
| <i>Trust</i> | 939,777 | 2.94 | | | | |
| <i>Foreign Nationals</i> | 192,888 | 0.60 | | | | |
| <i>Balance with NSDL/CDSL</i> | 1,064 | | | | | |
| <i>Sub-Total</i> | 94 | | | | | |
| | 9,259,274 | 28.97 | | | | |
| Total (3) | 15,683,360 | 49.07 | | | 3,218,650 | 10.07 |
| TOTAL (1 to 3) | 31,960,797 | 100.00 | | | 31,960,797 | 100.00 |

The total number of shareholders of the Target as on March 20, 2009 is 49,520 (excluding the Acquirer).

6.18. The provisions of Corporate Governance have been duly complied with and there is no material litigation pending against the Target except as disclosed in the contingent liabilities.

| Sr. No. | Nature of contingent liability | As on March 31, 2008 (Rs. mn) |
|---------|--|-------------------------------|
| 1 | Claims against the company not acknowledged as debts – Income tax | 427 |
| 2 | Sales tax matters | 738 |
| 3 | Service tax matter | - |
| 4 | Excise matters | 6 |
| 5 | Claims from a third party manufacturer in respect of Excise matter | 26 |
| 6 | Claim for penalty under the Foreign Exchange Management Act, 1999 | 7 |
| 7 | Claims from Consumers | 2 |
| 8 | Others | 4 |
| 9 | Uncalled liability on partly paid share in Hill Properties Limited | - |
| | Total | 1,211 |

Source: Annual Report for the year ended March 31, 2008

6.19. Change of name since incorporation / listing

| Date | Old Name | New Name |
|------------------|---------------------------|---------------------------|
| January 5, 1961 | Ciba Pharma Private Ltd. | Ciba of India Ltd.. |
| March 22, 1974 | Ciba of India Ltd. | Ciba-Geigy of India Ltd. |
| January 1, 1983 | Ciba-Geigy of India Ltd. | Hindustan Ciba-Geigy Ltd. |
| October 21, 1997 | Hindustan Ciba-Geigy Ltd. | Novartis India Ltd. |

6.20. Name and details of the Compliance Officer

Mr H. K. Maniar

General Counsel, Company Secretary & Head Investor Relations
Novartis India Limited
Sandoz House, Shivsagar Estate,
Dr Annie Besant Road,
Worli, Mumbai 400 018
Tel: +91 22 2495 8807
Fax: +91 22 24938666
Email: hemang.maniar@novartis.com

7. Offer Price and Financial Arrangements

7.1. Justification of Offer Price

- 7.1.1. The Shares of the Target Company are listed on the BSE and the CSE. Based on the information available the annualized trading turnover in the Shares of the Target Company on the BSE based on trading volume during the period September 1, 2008 to February 28, 2009 (six calendar months preceding the month in which the PA is made) is as given below:

| Shares Traded (September 1, 2008 to February 28, 2009) | Total Shares Listed | Trading Turnover (Annualized) (% of total Shares listed) |
|--|---------------------|---|
| 565,912 | 31,960,797 | 3.54% |

The annualized trading turnover in the Shares of the Target Company on the BSE is less than 5% of the total number of listed Shares and therefore the Shares are deemed to be infrequently traded on the BSE in terms of the explanation (i) of Regulation 20(5) of the Regulations.

- 7.1.2. The Offer Price of Rs. 351/-, is justified in terms of Regulation 20(5) of the Regulations in view of the following:
- 7.1.3. This Offer is a voluntary open offer and is made pursuant to Regulation 11(1) of the Regulations and not pursuant to any agreement entered into by the Acquirer with any person to acquire any Shares in the Target Company and therefore there is no negotiated price.
- 7.1.4. The Acquirer has not acquired any Shares during the 26-week period prior to the date of the PA.
- 7.1.5. Other Parameters: The financial parameters based on the audited financials for the year ended March 31, 2008 of the Target Company are as follows:

| Parameter | |
|--|----------|
| Return on net worth ⁽¹⁾ | 21.7% |
| Book value per Share ⁽²⁾ | Rs 140.3 |
| Earning per Share ⁽³⁾ | Rs 30.4 |
| Price earning multiple on FY08 EPS (based on Offer Price) | 11.5x |
| Price earning multiple on Trailing Twelve months EPS (based on Offer Price) ⁽⁴⁾ | 10.7x |
| Industry Price earning multiple ⁽⁵⁾ | 9.5x |

(1) Return on net worth calculated as profit after tax/net worth as at the end of the year

(2) Book value per Share calculated as net worth/number of outstanding Shares as at the end of the year

(3) Earning per Share (EPS) calculated as net profit attributable to equity holders/weighted average number of basic Shares

(4) Calculation based on Trailing Twelve months EPS of Rs. 32.7 from Capital Markets dated March 09-22, 2009

(5) Source: Capital Markets dated March 09-22, 2009; Industry: Pharmaceuticals – Multinational; Median multiple excluding Glaxo Pharma as ratios are highly distortive, hence not comparable

- 7.1.6. Mr. Rajen C Shah, Chartered Accountant, (Membership no. 47731), of Rajen C Shah & Company, has certified the fair value of the Shares of the Target Company as Rs. 243.73 per Share as on March 26, 2009 based on the methodology suggested in the judgment of the Supreme Court of India in Hindustan Lever Employees' Union v. Hindustan Lever Limited and others [(1995) 83 CompLJ 30 SC].

7.1.7. Additional Parameters:

7.1.7.1. As described in the following table, the Offer Price represents a significant premium to the prevailing market price and the enterprise value (the methodology followed to arrive at enterprise value is given below in paragraph 7.1.7.3) of Novartis India prior to the Press Release

| Parameter ⁽¹⁾ | Price (Rs.) | Premium to Market | |
|--|-------------|-------------------|---------------|
| | | Price | Premium to EV |
| Price 1 Day prior to Press Release | 275.6 | 27.4% | 47.8% |
| Average Price 30 Days prior to Press Release | 258.9 | 35.6% | 65.2% |

(1) Parameters are based on Calendar Days

(2) EV stands for Enterprise Value

7.1.7.2. The average daily traded volume for the three months and six months prior to the date of the Press Release was 5,510 and 5,419 shares respectively

7.1.7.3. The methodology followed to arrive at enterprise value

| Particular | (Rs. mn) |
|---|--------------|
| Offer Price (Rs/Share) | 351 |
| Number of Shares as at March 20, 2009 | 31,960,797 |
| Implied Market Capitalization | 11,218 |
| (+) Debt as at March 31, 2008 | 13 |
| (-) Cash as at March 31, 2008 | 152 |
| (-) Investments as at March 31, 2008 | 220 |
| (-) Inter Corporate Deposits as at March 31, 2008 | 3,402 |
| Enterprise Value | 7,456 |

7.2. Financing Arrangements

- 7.2.1. The total financial resources required under the Offer, assuming full acceptance, will be Rs. 4,375,113,210 (Rupees Four Billion Three Hundred and Seventy Five Million One Hundred and Thirteen Thousand Two Hundred and Ten only) (the “**Maximum Consideration**”).
- 7.2.2. The Acquirer has adequate resources to meet the financial requirements of the Offer in terms of the Regulations and has made firm financial arrangements to meet its obligations in full under the Offer. For this purpose the Acquirer intends to utilize cash and cash equivalents on hand. As per its latest Annual Report dated December 31, 2008, the Acquirer, has consolidated cash and cash equivalents amounting to US\$ 2,038 million.
- 7.2.3. By way of security for performance of the Acquirer’s obligations under the Regulations, the Bank Guarantee has been issued by Bank of America NA (Express Towers, Nariman Point, Mumbai 400 020), on behalf of the Acquirer in favour of the Manager to the Offer which is valid up to and including September 25, 2009 for an amount up to Rs. 4,376,000,000 (Rupees Four Billion Three Hundred and Seventy-Six Million only) being in excess of the amount required under Regulation 28(2) of the Regulations, i.e. 25% of the first Rs. 1,000 million and 10% thereafter and representing the total amount of the Maximum Consideration. The Acquirer has agreed to maintain the minimum amount as stipulated in the Regulations at all times.
- 7.2.4. Further, by way of security for performance of its obligations under the SEBI (SAST) Regulations, the Acquirer has deposited in an escrow account with Bank of America NA (Express Towers, Nariman Point, Mumbai 400 020) (the “**Escrow Account**”), an amount of Rs. 44,000,000 (Rupees Forty-Four Million only) in cash (the “**Cash Deposit**”). The Cash Deposit represents an amount in excess of 1% of the Maximum Consideration in accordance with Regulation 28 of the SEBI (SAST) Regulations. DSPML, as Manager to the Offer, has been duly authorized by the Acquirer to realize the value of the Escrow Account in terms of the Regulations.
- 7.2.5. PricewaterhouseCoopers AG (PricewaterhouseCoopers AG, St Jakobs-Strasse 25, CH-4052 Basel, Switzerland, Tel: +41 (58) 792 5100), who are the statutory auditors for the Acquirer, have via their letter dated March 25, 2009 certified that nothing has come to their attention that the Acquirer would not have sufficient funds to fulfill its obligations arising under this Offer.
- 7.2.6. The Acquirer has via a certificate dated March 26, 2009 given an undertaking to the Manager to the Offer to meet its financial obligations under the Offer.

7.2.7. Based on the above, the Manager to the Offer is satisfied about the ability of the Acquirer to implement the Offer in accordance with the Regulations as firm financial arrangements are in place to fulfill the obligations under the Regulations.

8. Statutory Approvals

- 8.1. The Offer is subject to the receipt of the approval of the RBI under the Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder for the acquisition of Shares by the Acquirer under the Offer.
- 8.2. As at the date of this letter, no other statutory or regulatory approvals are required to implement this Offer or acquire the Shares tendered pursuant to this Offer, other than the approval mentioned above. If any other statutory approvals become applicable, the Offer would be subject to such statutory approvals. The Acquirer will have a right not to proceed with the Offer in terms of Regulation 27 of the Regulations in the event any other statutory approval(s) is not received by the Acquirer. Subject to the receipt of statutory and other approvals, the Acquirer shall complete all procedures relating to the Offer including dispatch of consideration or provide instructions to the clearing system for payment of consideration through the Electronic Clearing service (“ECS”), Direct Credit, Real Time Gross Settlement (“RTGS”), National Electronic Fund Transfer (“NEFT”) (together, “**Electronic Mode**”) on or before June 20, 2009 to those shareholders whose share certificates and/or other documents are found valid and in order and are approved for acquisition by the Acquirer. In case of delay due to the non-receipt of statutory approvals, as per Regulation 22(12) of the Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to the willful default or negligence of the Acquirer or failure of the Acquirer to diligently pursue the applications for such approvals, grant an extension for the purpose of completion of this Offer, subject to the Acquirer agreeing to pay to the shareholders interest as may be specified by SEBI for any delay in dispatch of consideration or providing instructions to the clearing system for payment of consideration through Electronic Mode beyond June 20, 2009.
- 8.3. However, if the delay occurs on account of the willful default or negligence of the Acquirer in obtaining the requisite approvals the amount held in the Escrow accounts shall be subject to forfeiture and be dealt with in the manner provided in Regulation 28(12) of the Regulations.
- 8.4. The Acquirer does not require any approvals from financial institutions or banks for the Offer.

9. Terms and Conditions of the Offer

- 9.1. The Letter of Offer together with a Form of Acceptance-cum-Acknowledgement and Form of Withdrawal will be mailed on or before Friday, May 15, 2009 to all shareholders of the Target Company whose names appear in the Register of Members of the Target Company and the beneficial owners of the Shares, whose names appear on the beneficial records of the respective depositories, in each case at the close of business hours on Friday, April 24, 2009 (the “**Specified Date**”). Neither the Letter of Offer nor the Form of Acceptance-cum-Acknowledgement will be sent into the United States. Accidental omission to dispatch this Letter of Offer, non-receipt or delayed receipt of this Letter of Offer will not invalidate this Offer in any way,
- 9.2. The Offer shall open on Wednesday, May 20, 2009, the Offer Opening Date, and will remain open until Monday, June 8, 2009, the Offer Closing Date.
- 9.3. Shareholders holding Shares in physical form: Shareholders holding Shares in physical form who wish to accept this Offer and tender their Shares will be required to send the Form of Acceptance-cum-Acknowledgement, original share certificate(s) and duly signed transfer deed(s) to the Registrar to the Offer, Bigshare Services Private Limited, (Address: E-2 Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai 400 072 India Tel: +91 22 2847 0652 / +91 22 4043 0200 Fax: +91 22 2847 5207 E-mail: openoffer@bigshareonline.com Contact Person: Mr. Ashok Shetty) either by hand delivery on weekdays or by registered post, on or before the close of the Offer, i.e. no later than Monday, June 8, 2009 so as to reach the Registrar on or before the close of business hours, i.e. no later than 5 pm in accordance with the instructions to be specified in the Letter of Offer and in the Form of Acceptance-cum-Acknowledgement.
- 9.4. The Registrar to the Offer has opened the Depository Escrow Account with DSP Merrill Lynch Limited at NSDL. The DP ID is IN302638 and the Client ID is 10051682.
- 9.5. Shareholders holding Shares in dematerialized form: Beneficial owners who wish to accept this Offer and tender their Shares will be required to send their Form of Acceptance-cum-Acknowledgement to the Registrar to the Offer in accordance with the instructions specified in the Letter of Offer and the Form of Acceptance-cum-Acknowledgement, along with a photocopy of the delivery instructions in “Off-market” mode or counterfoil of the delivery instructions in “Off-market” mode, in favor of Escrow Account – Novartis India Open Offer duly acknowledged by their respective DP. Shareholders having their beneficiary account in **CDSL** will in addition have to use an inter-depository delivery instruction slip.
- 9.6. Shareholders who have sent their Shares for dematerialization need to ensure that the process of getting their Shares dematerialized is completed well in time so that the credit in the special depository account is received on

or before the date of closure of the Offer Closing Date (i.e., no later than Monday, June 8, 2009), else their application would be rejected.

- 9.7. All owners (registered or unregistered) of Shares are eligible to participate in the Offer any time before the closure of the Offer. Unregistered owners can send their application in writing to the Registrar to the Offer on a plain paper stating the Name, Address, number of Shares held, number of Shares offered, Distinctive numbers, Folio number, together with the original share certificate(s), valid transfer deed(s) and the original contract note(s) issued by the broker through whom they acquired their Shares so as to reach the Registrar to the Offer on or before the close of the Offer, i.e. no later than Monday, June 8, 2009. No indemnity is required from the unregistered owners.
- 9.8. There are no locked in shares in the Target Company.

10. Procedure for Acceptance and Settlement

10.1. The Form of Acceptance-cum-Acknowledgement and the relevant documents can be submitted at the following centres either by hand delivery (between 10.00 a.m. and 5:00 p.m. on all working days and between 10:00 am and 1:00 pm on Saturdays) or by registered post, as specified below, on or before the Offer Closing Date:

| Sr. No. | Center | Address | Contact Person | Tel. No. | Fax. No. | Mode of Delivery |
|---------|------------------|--|----------------------|--------------------------------|---------------|---------------------------------------|
| 1 | Mumbai | Bigshare Services Pvt Limited, E2 Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (East), Mumbai 400 072 | Mr. Babu Raphael | 022 4043 0200 | 022 2847 5207 | Post/ Courier/ Hand Delivery |
| 2 | Pune | Bigshare Services Pvt Limited C/o Bral Express 734, 1st Floor, Sadashiv Peth, Kunte Road, Dandekar Ram Mandir Bldg, Pune – 411 030 | Mr. Vishnu Sharma | 097646 57015 | | Hand Delivery |
| 3 | Hyderabad | Bigshare Services Pvt Limited, G10, Amrutha Ville, Opp. Yashoda Hospital, Somajiguda, Raj Bhawan Road, Hyderabad 500 082 | Mr. G S Dharama Veer | 040 2337 4967 | 040 2337 0295 | Hand Delivery |
| 4 | Kolkata | Bigshare Services Pvt Ltd, C/o Maheshwari Datamatics Pvt Limited, 2nd Floor, 6, Mangoe Lane(Surendra Mohan Ghosh Sarani), Kolkata - 700 001 | Mr. Raj Gopal | 033 2243 5029 | 033 2248 4787 | Hand Delivery |
| 5 | Ahmedabad | Bigshare Services Pvt Ltd, C/o Sridivya Consultancy, 101, Shatdal Complex, Opp. Bata Show Room, Ashram Road, Ahmedabad - 380 009 | Mr. Balasubramaniam | 079 6522 0996 / 98981 76213 | | Hand Delivery |
| 6 | Baroda | 45, Tashkant Society Near Dave Dip Shopping Complex Nizampura Baroda – 390 002 | Mr. Sanjay Sutar | 0265 277 5420 / 98254 50718 | | Hand Delivery |
| 7 | Surat | 2nd Floor, Garden View Near Raymond Show Room Opp. Rangupwan, Makkaipul Surat | Mr. Akil Saiyed | 0261 247 2314 / 98251 71771 | | Hand Delivery |
| 8 | Chennai | Bigshare Services Pvt Ltd, C/o Skystock Financial Services, 7/A, Laxman Nagar, East Main Road, Chennai - 600 082 | Mr. B Srinivasan | 044 2671 2611/ 96001 10024 | 044 2671 2611 | Hand Delivery |
| 9 | Bangalore | Bigshare Services Pvt Ltd, C/o Skystock Financial Services, # 74, 1st Floor, Keshava Krupa, Jaya Nagar, 4th Block, Bangalore - 560 011 | Mr. Umashankar | 080 4121 1374/ 98451 58104 | | Hand Delivery |
| 10 | New Delhi | Bigshare Services Pvt Ltd, C/o Sterling Services, T-1895, Upper Ridge Road Karol Bagh New Delhi -110 005 | Mr. Sridhar | 93137 96360 / 93125 46905 | | Hand Delivery |

| Sr. No. | Center | Address | Contact Person | Tel. No. | Fax. No. | Mode of Delivery |
|---------|--------|--|---------------------|-------------------------------|---------------|------------------|
| 11 | Jaipur | Bigshare Services Pvt Ltd, C/o Maloo Finance & Invest, 103 & 110, First Floor, Bri Anukampa, Opp. BSNL Office, Ashok Marg C Scheme, Jaipur 302 001 | Mr. Ramesh Maloo | 0141 236 0570/ 98290 06801 | 014 1236 0572 | Hand Delivery |

- 10.2. All owners (registered or unregistered) of Shares are eligible to participate in the Offer any time before the closure of the Offer. Unregistered owners can send their application in writing to the Registrar to the Offer on a plain paper stating the Name, Address, number of Shares held, number of Shares offered, Distinctive numbers, Folio number, together with the original share certificate(s), valid transfer deed(s) and the original contract note(s) issued by the broker through whom they acquired their Shares so as to reach the Registrar to the Offer on or before the close of the Offer, i.e. no later than Monday, June 8, 2009. No indemnity is required from the unregistered owners.
- 10.3. In case of non-receipt of the Letter of Offer, the eligible persons may send their consent to the Registrar to the Offer, on a plain paper stating the Name, Address, number of Shares held, Distinctive numbers, Folio number, number of Shares offered along with documents as mentioned above so as to reach the Registrar to the Offer on or before the close of the Offer, i.e. no later than Monday, June 8, 2009, or in case of beneficial owners, they may send the application in writing to the Registrar, on a plain paper stating the name, address, number of Shares held, number of Shares offered, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP, in favour of Escrow Account – Novartis India Open Offer, so as to reach the Registrar to the Offer, on or before the close of the Offer, i.e. no later than Monday, June 8, 2009.
- 10.4. Shareholders can also download the Letter of Offer and Form of Acceptance-cum-Acknowledgement placed on the SEBI web site at www.sebi.gov.in and send in their acceptance by filling the same.
- 10.5. The share certificate(s), share transfer deed(s) and the Form of Acceptance-cum-Acknowledgement should be sent only to the Registrar to the Offer and not to the Manager to the Offer, Acquirer or the Target Company.
- 10.6. In accordance with Regulation 22(5A) of the Regulations, shareholders who have accepted the Offer by tendering the requisite documents in terms of the PA and this Letter of Offer can withdraw the same up to three (3) working days prior to the Offer Closing Date. The withdrawal option can be exercised by submitting the documents as per the instructions below, so as to reach the Registrar to the Offer at any of the collection centers mentioned above as per the mode of delivery indicated therein on or before Wednesday, June 3, 2009.
- The withdrawal option can be exercised by submitting the Form of Withdrawal, enclosed with the Letter of Offer.
 - In case of non-receipt of Form of Withdrawal, the withdrawal option can be exercised by making a plain paper application along with the following details:
 - In respect of physical Shares: names, address, distinctive numbers, folio number, number of Shares tendered.
 - In respect of dematerialized Shares: name, address, number of Shares tendered, DP name, DP ID, beneficiary account number, photocopy of the delivery instructions in "Off Market" mode duly acknowledged by the DP.
 - Shareholders can also download the Form of Withdrawal placed on the SEBI website at www.sebi.gov.in and send in their withdrawal by filling the same.
 - Partial withdrawal of tendered Shares can be done only by the registered shareholders / beneficial owners. In case of partial withdrawal, the earlier Form of Acceptance-cum-Acknowledgement will stand revised to that effect.
 - In case of partial withdrawal, valid share transfer deed(s) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with the Target Company and duly witnessed at the appropriate place.
 - In case of partial withdrawal of Shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from the Target Company.
 - The Form of Withdrawal should be sent only to the Registrar to the Offer.
- 10.7. The Registrar to the Offer will hold in trust the Shares /share certificates, Shares lying in credit of the special depository account and the transfer form(s), until the Acquirer completes its obligations under the Offer in accordance with the Regulations.

- 10.8. If the aggregate of the valid responses to the Offer exceeds the Offer size, then the Acquirer shall accept the valid applications received on a proportionate basis in accordance with Regulation 21(6) of the Regulations. The Shares are compulsorily traded in dematerialized form; hence minimum acceptance will be one Share.
- 10.9. Unaccepted Share certificates, transfer forms and other documents, if any, will be returned by registered post at the shareholders'/ unregistered owners' sole risk to the sole / first shareholder. Unaccepted Shares held in dematerialized form will be credited back to the beneficial owners' depository account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance-cum-Acknowledgement.
- 10.10. Compliance with tax and other regulatory requirements:
- 10.10.1. While tendering Shares under the Offer, non-resident Indians (“NRI”), Overseas Corporate Bodies (“OCB”) and other non-resident shareholders will be required to submit RBI's approval (specific or general) that they would have obtained for acquiring the Shares of the Target Company. In the event that the previous RBI approvals are not submitted, Acquirer reserves the right to reject such tendered Shares.
- 10.10.2. While tendering their Shares under the Offer, NRIs, OCBs and other non-resident shareholders will be required to submit a No Objection Certificate (“NOC”) or Tax Clearance Certificate (“TCC”) or Certificate for Deduction of Tax at Lower Rate from the Income-tax authorities under the Income-tax Act, 1961 indicating the amount of tax to be deducted by the Acquirer before remitting the consideration, failing which the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act, 1961, on the entire consideration amount payable to such shareholder.
- 10.10.3. As per the provisions of Section 196D (2) of the Income Tax Act, 1961, no deduction of tax at source will be made from any income by way of capital gains arising from the transfer of securities referred to in Section 115AD of the Income Tax Act, 1961 to a Foreign Institutional Investor as defined in Section 115AD of the Income Tax Act, 1961. However, the interest payment for delay in payment of consideration, if any, will not be governed by this provision. For interest payments, if any, NRIs, OCBs and other non-resident shareholders will be required to submit an NOC or TCC or Certificate for Deduction of Tax at Lower Rate from the Income-tax authorities under the Income-tax Act, 1961 indicating the amount of tax to be deducted by Acquirer before remitting the consideration, failing which Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act, 1961, on the entire consideration amount payable to such shareholder.
- In case of resident shareholders, tax will be deducted on the interest component exceeding Rs. 5,000/- at the applicable current prevailing rates. If the resident shareholder requires that no tax is to be deducted or tax is to be deducted at a lower rate than the prescribed rate, such shareholders will be required to submit an NOC or TCC or Certificate for Deduction of Tax at Lower Rate from the Income-tax authorities under the Income-tax Act, 1961 indicating the amount of tax to be deducted by Acquirer or a self-declaration in Form 15G or Form 15H as may be applicable. Shareholders eligible to receive interest component exceeding Rs. 5,000/- would be required to submit their Permanent Account Number for Income Tax purposes. Clauses relating to payment of interest will become applicable only if the Acquirer becomes liable to pay interest for delay in release of purchase consideration.
- 10.11. Payment to those shareholders whose share certificates and / or other documents are found valid and in order and are approved by the Acquirer will be through Electronic Mode as detailed below or by way of a crossed account payee cheque / demand draft / pay order. The decision regarding the acquisition (in part or full), or rejection of, the Shares tendered pursuant to this Offer and (i) any corresponding payment for the acquired Shares and / or (ii) share certificates for any rejected Shares or Shares withdrawn, will be dispatched to the shareholders by registered post or by ordinary post as the case may be [*], at the shareholder's sole risk. Shares held in dematerialized form to the extent not acquired or Shares withdrawn will be credited back to the respective beneficiary account with their respective DPs as per the details furnished by the beneficial owners in the Form of Acceptance-cum- Acknowledgement.

[*] Dispatches involving payment of a value in excess of Rs. 1,500/- will be made by registered post at the shareholder's sole risk. All other dispatches will be made by ordinary post at the shareholder's sole risk.

10.11.1. Payment of Consideration through Electronic Mode:

Credit for the consideration will be paid to the shareholders who have tendered Shares in the Offer by Electronic Mode or crossed account payee cheques / pay orders/ demand drafts.

The payment of consideration, if any, would be done through various modes as given hereunder:

- **ECS:** Payment of consideration would be done through ECS for applicants having an account at the following 15 cities which have ECS centres managed by the Reserve Bank of India:
 - Ahmedabad
 - Bangalore
 - Bhubneshwar
 - Chandigarh
 - Chennai
 - Guwahati
 - Hyderabad
 - Jaipur
 - Kanpur
 - Kolkata
 - Mumbai
 - Nagpur
 - New Delhi
 - Patna
 - Thiruvananthapuram
 - Kanpur

This mode of payment of consideration would be subject to availability of complete bank account details in the Form of Acceptance-cum-Acknowledgement.

- **Direct Credit:** Applicants having bank accounts with the same bank through which payment consideration shall be made shall also be eligible to receive consideration through direct credit in their respective bank accounts as mentioned in the Form of Acceptance-cum-Acknowledgement.
- **RTGS:** Applicants having a bank account at any of the above mentioned centres and whose payment consideration exceeds Rs. 1 lakh, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive consideration through RTGS are required to provide the Indian Financial System Code (“**IFSC**”) code in the Form of Acceptance-cum-Acknowledgement. In the event the same is not provided, payment consideration shall be made through other electronic modes or by cheques, pay orders or demand drafts payable.
- **NEFT:** Payment of consideration shall be undertaken through NEFT wherever the shareholders bank has been assigned the IFSC, which can be linked to a Magnetic Ink Character Recognition (“**MICR**”), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of consideration, duly mapped with MICR numbers. Wherever the shareholder has registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of consideration will be made to the applicants through this method. The process flow in respect of consideration by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- For all other applicants, including those applicants whose payment consideration is not credited by ECS / Direct credit due to technical errors or incomplete / incorrect bank account details, payment consideration will be dispatched by registered post or by ordinary post as the case may be [*], at the shareholder’s sole risk. Such payment consideration will be made by cheques, pay orders or demand drafts payable at par at places where the address of the shareholder is registered.

[*] Dispatches involving payment of a value in excess of Rs. 1,500/- will be made by registered post at the shareholder’s sole risk. All other dispatches will be made by ordinary post at the shareholder’s sole risk.

In case payment consideration is rejected through the ECS / Direct credit facility, the Registrar to the Offer would endeavor to dispatch the payment consideration within three (3) working days of such rejection.

The bank account details for ECS / Direct Credit / RTGS / NEFT will be directly taken from the depositories’ database or from the details as mentioned by the shareholders in the Form of Acceptance-cum-Acknowledgement.

- 10.12. All cheques / demand drafts / pay orders will be drawn in the name of the first holder, in case of joint holder(s). In case of unregistered owners of Shares, payment will be made in the name of the person stated in the contract note. It will be desirable if the shareholders provide bank account details in the Form of Acceptance-cum-Acknowledgement for incorporation in the cheque / demand draft / pay order.
- 10.13. The Acquirer reserves the right to withdraw the Offer pursuant to Regulation 27 of the Regulations. Any such withdrawal will be notified in the form of a public announcement in the same newspapers in which the PA appeared.

11. Documents for Inspection

- 11.1. The following documents are regarded as material documents and are available for inspection at the office of DSP Merrill Lynch Limited, Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021 from 10.30 am to 3.00 pm on any day except Saturdays, Sundays, and Public / Bank Holidays until the Offer Closing Date
 - 11.1.1.Extract from the Commercial Register (Certification of Incorporation) and Articles of Association of the Acquirer
 - 11.1.2.Letter from PricewaterhouseCoopers AG dated March 25, 2009, certifying that nothing has come to their attention that suggests that the Acquirer would not have adequate financial resources to fulfill its obligations arising out of the Offer
 - 11.1.3.Annual reports of the Target Company for the years ending March 31, 2006, 2007, 2008 and Interim financials for the 3 month period ending June 30, 2008, September 30, 2008 and December 31, 2008 as filed with the BSE
 - 11.1.4.Annual reports of the Acquirer for the years ending December 31, 2006, 2007 and 2008
 - 11.1.5.Copy of the Bank Guarantee issued by Bank of America dated March 26, 2009 for INR Rs. 4,376 million
 - 11.1.6.Copy of the letter dated March 26, 2009 from Bank of America confirming the amount of Rupees 44 million kept in the Escrow account
 - 11.1.7.Statement showing status of compliance with the provisions of Chapter II of the Regulations by the Target Company
 - 11.1.8.Statement showing status of compliance with the provisions of Chapter II of the Regulations by the Acquirer
 - 11.1.9.Copy of the PA dated March 27, 2009

12. Declaration by the Acquirer

- 12.1. The Acquirer accepts full responsibility for the information contained in this Letter of Offer. The Acquirer is liable for ensuring compliance with the Regulations.

Place: Mumbai
Date: May 14, 2009

The persons signing the Letter of Offer are duly and legally authorized by the Acquirer to sign the Letter of Offer.

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
(Please send this form with enclosures to the Registrar to the Offer at its address given overleaf)

FORM OF ACCEPTANCE CUM ACKNOWLEDGEMENT

From:
Name:
Status: Resident / Non-resident
Full Address

| |
|-----------------------------------|
| OFFER |
| Opens on: Wednesday, May 20, 2009 |
| Closes on: Monday, June 8, 2009 |

Tel No. Fax No. E-mail:

To,
Bigshare Services Private Limited
E-2 Ansa Industrial Estate, Sakivihar Road,
Saki Naka, Andheri (East),
Mumbai 400 072
Telephone: +91 22 2847 0652 / +91 22 4043 0200
Facsimile: +91 22 2847 5207
E-mail: openoffer@bigshareonline.com

Cash offer at Rs. 351/- per equity share ("Offer Price") to acquire 12,464,710 fully paid-up equity shares ("Offer") representing 39.00% of the equity share capital of Novartis India Limited.

Dear Sir,

I/We refer to the Letter of Offer dated May 14, 2009 constituting an offer to acquire the equity shares held by me/us in Novartis India Limited. Capitalized terms used but not defined herein have the meaning ascribed to them in the Letter of Offer.
I/We, the undersigned, have read the Letter of Offer and understood its contents including the terms and conditions mentioned therein.

For equity shares held in physical form

I/We hold equity shares in the physical form, accept the Offer and enclose the original share certificate(s) and duly signed transfer deed(s) in respect of my/our equity shares as detailed below:

| Sr. No. | Ledger Folio No. | Certificate No. | Distinctive Nos. | No. of equity shares |
|-------------------------------|------------------|-----------------|------------------|----------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| Total Number of equity shares | | | | |

(In case of insufficient space, please use additional sheet and authenticate the same)

I/We confirm that the Offer is hereby accepted by me/us and that the equity shares which are being tendered herewith by me/us under this Offer are free from liens, charges and encumbrances of any kind whatsoever.

I/We note and understand that the original share certificate(s) and valid share transfer deed will be held in trust by the Registrars to the Offer until the time the Acquirer make payment of the Offer Price as mentioned in the Letter of Offer.

I/We also note and understand that the Acquirer will pay the consideration only after documents are found valid and approved by the Acquirer.

For equity shares held in dematerialised form

I/We hold equity shares in dematerialised form, accept the Offer and enclose a photocopy of the delivery instructions duly acknowledged by the DP in respect of my/our equity shares as detailed below:

| DP Name | DP ID | Client ID | Name of the Beneficiary | No. of equity Shares |
|---------|-------|-----------|-------------------------|----------------------|
| | | | | |

Acknowledgement Receipt – Novartis India Limited Open Offer

| |
|---|
| Received from Mr./Ms./M/s _____ |
| Form of Acceptance cum Acknowledgement for Novartis Open Offer as per details below:- |
| Folio No. _____ No. of Certificates Enclosed _____ Certificate No. _____ |
| Total No. of equity shares enclosed _____ Copy of Delivery Instruction to DP _____ <i>(Delete whichever is not applicable)</i> |
| Date of Receipt: _____ |
| Stamp of collection center: _____ Signature of Official: _____ |

I/We have done an off market transaction for crediting the equity shares to the “Escrow Account – Novartis India Open Offer” whose particulars are:

DP ID **IN302638**

Client ID **10051682**

We note and understand that the equity shares would remain in the said account i.e. “Escrow Account – Novartis India Open Offer” until the Acquirer makes payment of the Offer Price as mentioned in the Letter of Offer.

If my/our equity shares are held in a beneficiary account with CDSL, I/we enclose a copy of the 'Inter Depository Instruction' for the transfer of my/our equity shares to the Depository Escrow Account.

I/We authorise the Acquirer:

1. To acquire the equity shares so tendered by me/us in acceptance of the Offer in terms of and subject to the Letter of Offer.
2. To the extent that the equity shares tendered by me/us are not acquired (in terms of and subject to the Letter of Offer), to return to me/us share certificate(s) and in the case of dematerialised equity shares to credit such equity shares to my/our depository account, in each case at my/our sole risk and specifying the reasons thereof.
3. If the equity shares so tendered are withdrawn by me/us (in terms of and subject to the Letter of Offer), to return to me/us share certificate(s) and in the case of dematerialised equity shares to credit such equity shares to my/our depository account, in each case at my/our sole risk.

I/We authorise the Acquirer or the Manager to the Offer or the Registrar to the Offer to send by Registered post / ordinary post (as described in the Letter of Offer) the crossed account payee cheque / demand draft / pay order as purchase consideration to the sole/first holder at the address mentioned below:

Yours faithfully
Signed and delivered

| | 1 st Shareholder | 2 nd Shareholder | 3 rd Shareholder |
|--|-----------------------------|-----------------------------|-----------------------------|
| Full Name | | | |
| PAN/GIR No. allotted under Income Tax Act 1961 | | | |
| Signature | | | |

Note: In case of joint holdings, all shareholders must sign. A body corporate must affix its company stamp.

Place:
Date:

In order to avoid fraudulent encashment of cheque / demand draft/pay order in transit, the applicants are requested to provide details of bank account of the sole/first shareholder and the crossed account payee cheque / demand draft/pay order will be drawn accordingly. Please indicate the preferred mode of receiving the payment consideration. (Please tick)

1. Electronic mode _____

2. Physical mode _____

| | |
|-------------------------------------|--|
| Name of Bank | |
| Branch Address | |
| Type of Account | |
| Account Number | |
| 9 digit MICR code | |
| IFSC Code (for RTGS/NEFT transfers) | |

All future correspondence, if any, should be addressed to Registrar to the Offer at the following address:

Bigshare Services Private Limited
E-2 Ansa Industrial Estate, Sakivihar Road,
Saki Naka, Andheri (East),
Mumbai 400 072
Telephone: +91 22 2847 0652 / +91 22 4043 0200
Facsimile: +91 22 2847 5207
Contact Person: Mr. Ashok Shetty
E-mail: openoffer@bigshareonline.com

INSTRUCTIONS

1. In the case of demat shares, the shareholders are advised to ensure that their shares are credited in favour of the special depository account, before the closure of the Offer. The Form of Acceptance-cum-Acknowledgement of such demat shares not credited in favour of the special depository account, before the closure of the Offer will be rejected.

2. Shareholders should enclose the following:-

- i. **Shareholders holding Shares in dematerialized form:-**

Beneficial owners should enclose

- Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein, as per the records of the Depository Participant (DP).
- Photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP.
- For each Delivery Instruction, the beneficial owner should submit separate Form of Acceptance-cum-Acknowledgement.

In case of non-receipt of the aforesaid documents, but receipt of the shares in the special depository account, the Offer shall be deemed to be accepted.

- ii. **Shareholders holding Shares in physical form:-**

Registered Shareholders should enclose:

- Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the share certificates.
- **Original Share Certificate(s).**
- **Valid Share transfer deed(s)** duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with **Novartis India Limited** and duly witnessed at the appropriate place. A blank Share Transfer form is enclosed along with this Letter of Offer.

In case of registered shareholder, non-receipt of the aforesaid documents, but receipt of the share certificates alongwith the duly completed transfer form, the Offer shall be deemed to be accepted.

Unregistered owners should enclose:

- **Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein.**
- **Original Share Certificate(s).**
- **Original broker contract note.**
- **Valid Share transfer deed(s) as received from the market.**

The details of buyer should be left blank failing which the same will be invalid under the Offer. The details of the Acquirer as buyer will be filled by the Acquirer upon verification of the Form of Acceptance-cum-Acknowledgement and the same being found valid. All other requirements for valid transfer will be preconditions for valid acceptance.

3. The share certificate(s), share transfer deed(s) and the Form of Acceptance-cum-Acknowledgement should be sent **only** to the Registrar to the Offer and **not** to the Manager to the Offer or the Acquirer or **Novartis India Limited**.
4. **Shareholders having their beneficiary account in CDSL have to use "INTER DEPOSITORY DELIVERY INSTRUCTION SLIP" for the purpose of crediting their shares in the favour of the special depository account with NSDL.**
5. **Non resident shareholders should enclose a copy of the permission received from RBI for the equity shares held by them in Novartis India Limited. If, the shares are held under General Permission of RBI the non resident shareholder should state that the shares are held under General Permission and whether on repatriable basis or non repatriable basis.**
6. **Non resident shareholders should enclose No Objection certificate/ Tax Clearance certificate from the Income Tax Authorities under Income-Tax Act, 1961, indicating the tax to be deducted by the Acquirer before remittance of consideration otherwise tax will deducted at maximum marginal rate as may be applicable to the category of the shareholder on the consideration payable by the Acquirer.**

Details of Collection Centers of the Registrar

| Sr. No. | Center | Address | Contact Person | Tel. No. | Fax. No. | Mode of Delivery |
|---------|------------------|---|-------------------------|--------------------------------|---------------|---------------------------------|
| 1 | Mumbai | Bigshare Services Pvt Limited, E2 Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (East), Mumbai 400 072 | Mr. Babu Raphael | 022 4043 0200 | 022 2847 5207 | Post/ Courier/ Hand Delivery |
| 2 | Pune | Bigshare Services Pvt Limited C/o Bral Express 734, 1st Floor, Sadashiv Peth, Kunte Road, Dandekar Ram Mandir Bldg, Pune – 411 030 | Mr. Vishnu Sharma | 097646 57015 | | Hand Delivery |
| 3 | Hyderabad | Bigshare Services Pvt Limited, G10, Amrutha Ville, Opp. Yashoda Hospital, Somajiguda, Raj Bhawan Road, Hyderabad 500 082 | Mr. G S Dharama Veer | 040 2337 4967 | 040 2337 0295 | Hand Delivery |
| 4 | Kolkata | Bigshare Services Pvt Ltd, C/o Maheshwari Datamatics Pvt Limited, 2nd Floor, 6, Mangoe Lane(Surendra Mohan Ghosh Sarani), Kolkata - 700 001 | Mr. Raj Gopal | 033 2243 5029 | 033 2248 4787 | Hand Delivery |
| 5 | Ahmedabad | Bigshare Services Pvt Ltd, C/o Srividya Consultancy, 101, Shatdal Complex, Opp. Bata Show Room, Ashram Road, Ahmedabad - 380 009 | Mr. Balasubramaniam | 079 6522 0996 / 98981 76213 | | Hand Delivery |
| 6 | Baroda | 45, Tashkant Society Near Dave Dip Shopping Complex Nizampura Baroda – 390 002 | Mr. Sanjay Sutar | 0265 277 5420 / 98254 50718 | | Hand Delivery |
| 7 | Surat | 2nd Floor, Garden View Near Raymond Show Room Opp. Rangupwan, Makkaipul Surat | Mr. Akil Saiyed | 0261 247 2314 / 98251 71771 | | Hand Delivery |
| 8 | Chennai | Bigshare Services Pvt Ltd, C/o Skystock Financial Services, 7/A, Laxman Nagar, East Main Road, Chennai - 600 082 | Mr. B Srinivasan | 044 2671 2611/ 96001 10024 | 044 2671 2611 | Hand Delivery |
| 9 | Bangalore | Bigshare Services Pvt Ltd, C/o Skystock Financial Services, # 74, 1st Floor, Keshava Krupa, Jaya Nagar, 4th Block, Bangalore - 560 011 | Mr. Umashankar | 080 4121 1374/ 98451 58104 | | Hand Delivery |
| 10 | New Delhi | Bigshare Services Pvt Ltd, C/o Sterling Services, T-1895, Upper Ridge Road Karol Bagh New Delhi -110 005 | Mr. Sridhar | 93137 96360 / 93125 46905 | | Hand Delivery |
| 11 | Jaipur | Bigshare Services Pvt Ltd, C/o Maloo Finance & Invest, 103 & 110, First Floor, Bri Anukampa, Opp. BSNL Office, Ashok Marg C Scheme, Jaipur 302 001 | Mr. Ramesh Maloo | 0141 236 0570/ 98290 06801 | 014 1236 0572 | Hand Delivery |

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
(Please send this form with enclosures to the Registrar to the Offer at its address given overleaf)

FORM OF WITHDRAWAL

From:

Name:

Status: Resident / Non-resident

Full Address

OFFER

Opens on: Wednesday, May 20, 2009

Last date of Withdrawal: Wednesday,
June 3, 2009

To,

Bigshare Services Private Limited

E-2 Ansa Industrial Estate, Sakivihar Road,

Saki Naka, Andheri (East),

Mumbai 400 072

Telephone: +91 22 2847 0652 / +91 22 4043 0200

Facsimile: +91 22 2847 5207

E-mail: openoffer@bigshareonline.com

Cash offer at Rs. 351/- per equity share ("Offer Price") to acquire 12,464,710 fully paid-up equity shares ("Offer") representing 39.00% of the equity share capital of Novartis India Limited.

Dear Sir,

I/We refer to the Letter of Offer dated May 14, 2009 constituting an offer to acquire the equity shares held by me/us in Novartis India Limited. Capitalised terms used but not defined herein have the meaning ascribed to them in the Letter of Offer.

I/We, the undersigned, have read the Letter of Offer and understood its contents including the terms and conditions mentioned therein.

I/We hereby consent unconditionally and irrevocably to withdraw my/our equity shares from the Offer and I/We further authorize the Acquirer to return to me/us, the tendered Share Certificate(s)/share(s) at my/our sole risk.

I/We note that upon withdrawal of my/our equity shares from the Offer, no claim or liability shall lie against the Acquirer/Manager to the Offer/Registrar to the Offer.

I/We note that this Form of Withdrawal should reach the Registrar to the Offer on or before the last date of withdrawal i.e. June 3, 2009.

I/We note that the Acquirer/Manager to the Offer/Registrar to the Offer shall not be liable for any postal delay/loss in transit of the equity shares held in physical form and also for the non-receipt of equity shares held in the dematerialized form in the DP account due to inaccurate/incomplete particulars/instructions.

I/We also note and understand that the Acquirer will return the original share certificate(s), share transfer deed(s)/equity shares in dematerialized form only on completion of verification of the documents, signatures and beneficiary position as available with the depositories from time to time.

For equity shares held in physical form

The particulars of tendered original share certificate(s) and duly signed transfer deed(s) are detailed below:

| Sr. No. | Ledger Folio No. | Certificate No. | Distinctive Nos. | No. of equity shares |
|-------------------------------|------------------|-----------------|------------------|----------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| Total Number of equity shares | | | | |

(In case of insufficient space, please use additional sheet and authenticate the same)

Acknowledgement Receipt – Novartis India Limited Open Offer

Received from Mr./Ms./M/s _____
Form of Withdrawal for Novartis India Limited Offer as per details below:-

Copy of depository instruction slip from DP ID _____ Client ID _____

Copy of acknowledgement slip issued when depositing dematerialized equity shares

Copy of acknowledgement slip issued when depositing physical equity

Date of Receipt: _____

Stamp of collection center:

Signature of Official:

For equity shares held in dematerialised form

I/We hold equity shares in dematerialized form and had executed an off-market transaction for crediting the equity shares to the “**Escrow Account – Novartis India Open Offer**”. Please find enclosed a photocopy of the depository delivery instruction(s) duly acknowledged by the DP. The particulars of the account from which my/our equity shares have been tendered are as follows:

| DP Name | DP ID | Client ID | Name of the Beneficiary | No. of equity Shares |
|---------|-------|-----------|-------------------------|----------------------|
| | | | | |

I/We note that the equity shares will be credited back only to that depository account, from which the equity shares have been tendered and necessary standing instructions have been issued in this regard.

I/We confirm that the particulars given above are true and correct.

In case of dematerialized equity shares, I/We confirm that the signatures have been verified by the DP as per their records and that the same have been duly attested.

Yours Faithfully,
Signed and delivered

| | 1 st Shareholder | 2 nd Shareholder | 3 rd Shareholder |
|--|-----------------------------|-----------------------------|-----------------------------|
| Full Name | | | |
| PAN/GIR No. allotted under Income Tax Act 1961 | | | |
| Signature | | | |

Note: In case of joint holdings, all shareholders must sign. A body corporate must affix its company stamp.

Place:

Date:

All future correspondence, if any, should be addressed to Registrar to the Offer at the following address:

Bigshare Services Private Limited
E-2 Ansa Industrial Estate, Sakivihar Road,
Saki Naka, Andheri (East),
Mumbai 400 072
Telephone: +91 22 2847 0652 / +91 22 4043 0200
Facsimile: +91 22 2847 5207
Contact Person: Mr. Ashok Shetty
E-mail: openoffer@bigshareonline.com

INSTRUCTIONS

1. **Shareholders are advised to ensure that the Form of Withdrawal should reach the Registrar to the Offer at any of the Collection Centers mentioned in the Letter of Offer as per the mode of delivery indicated therein on or before the last date of withdrawal i.e no later than 4.00 pm on June 3, 2009.**
2. Shareholders should enclose the following:-
 - i. **Shareholders holding Shares in dematerialized form:-**

Beneficial owners should enclose:

 - Duly signed and completed Form of Withdrawal.
 - Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
 - Photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction (TIFD) in "Off-market" mode, duly acknowledged by the DP.
 - ii. **Shareholders holding Shares in physical form:-**

Registered Shareholders should enclose:

 - Duly signed and completed Form of Withdrawal.
 - Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
 - In case of partial withdrawal, Valid Share transfer deed(s) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with Novartis India Limited and duly witnessed at the appropriate place.

Unregistered owners should enclose:

 - Duly signed and completed Form of Withdrawal.
 - Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
3. The withdrawal of Shares will be available only for the share certificates/the Shares that have been received by the Registrar to the Offer/ special depository account.
4. The intimation of returned Shares to the shareholders will be at the address as per the records of the Target / Depository as the case may be.
5. The Form of Withdrawal should be sent only to the Registrar to the Offer.
6. In case of partial withdrawal of Shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from the Target. The facility of partial withdrawal is available only to registered shareholders.
7. Shareholders holding Shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.
8. The Form of Withdrawal and other related documents should be submitted at any of the collection centers of **Bigshare Services Private Limited** stated overleaf.
9. Applicants who cannot hand deliver their documents at the collection centers, may send their documents only by Registered Post, at their own risk, to the Registrar to the Offer at Bigshare Services Private Limited, (*Address: E-2 Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai 400 072 India Tel: +91 22 2847 0652 / +91 22 4043 0200 Fax: +91 22 2847 5207 E-mail: openoffer@bigshareonline.com Contact Person: Mr. Ashok Shetty*) so as to reach the Registrar on or before the last date of withdrawal i.e. **no later than 4.00 pm on June 3, 2009.**

Details of Collection Centers of the Registrar

| Sr. No. | Center | Address | Contact Person | Tel. No. | Fax. No. | Mode of Delivery |
|---------|------------------|---|-------------------------|--------------------------------|---------------|---------------------------------|
| 1 | Mumbai | Bigshare Services Pvt Limited, E2 Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (East), Mumbai 400 072 | Mr. Babu Raphael | 022 4043 0200 | 022 2847 5207 | Post/ Courier/ Hand Delivery |
| 2 | Pune | Bigshare Services Pvt Limited C/o Bral Express 734, 1st Floor, Sadashiv Peth, Kunte Road, Dandekar Ram Mandir Bldg, Pune – 411 030 | Mr. Vishnu Sharma | 097646 57015 | | Hand Delivery |
| 3 | Hyderabad | Bigshare Services Pvt Limited, G10, Amrutha Ville, Opp. Yashoda Hospital, Somajiguda, Raj Bhawan Road, Hyderabad 500 082 | Mr. G S Dharama Veer | 040 2337 4967 | 040 2337 0295 | Hand Delivery |
| 4 | Kolkata | Bigshare Services Pvt Ltd, C/o Maheshwari Datamatics Pvt Limited, 2nd Floor, 6, Mangoe Lane(Surendra Mohan Ghosh Sarani), Kolkata - 700 001 | Mr. Raj Gopal | 033 2243 5029 | 033 2248 4787 | Hand Delivery |
| 5 | Ahmedabad | Bigshare Services Pvt Ltd, C/o Srividya Consultancy, 101, Shatdal Complex, Opp. Bata Show Room, Ashram Road, Ahmedabad - 380 009 | Mr. Balasubramaniam | 079 6522 0996 / 98981 76213 | | Hand Delivery |
| 6 | Baroda | 45, Tashkant Society Near Dave Dip Shopping Complex Nizampura Baroda – 390 002 | Mr. Sanjay Sutar | 0265 277 5420 / 98254 50718 | | Hand Delivery |
| 7 | Surat | 2nd Floor, Garden View Near Raymond Show Room Opp. Rangupwan, Makkaipul Surat | Mr. Akil Saiyed | 0261 247 2314 / 98251 71771 | | Hand Delivery |
| 8 | Chennai | Bigshare Services Pvt Ltd, C/o Skystock Financial Services, 7/A, Laxman Nagar, East Main Road, Chennai - 600 082 | Mr. B Srinivasan | 044 2671 2611/ 96001 10024 | 044 2671 2611 | Hand Delivery |
| 9 | Bangalore | Bigshare Services Pvt Ltd, C/o Skystock Financial Services, # 74, 1st Floor, Keshava Krupa, Jaya Nagar, 4th Block, Bangalore - 560 011 | Mr. Umashankar | 080 4121 1374/ 98451 58104 | | Hand Delivery |
| 10 | New Delhi | Bigshare Services Pvt Ltd, C/o Sterling Services, T-1895, Upper Ridge Road Karol Bagh New Delhi -110 005 | Mr. Sridhar | 93137 96360 / 93125 46905 | | Hand Delivery |
| 11 | Jaipur | Bigshare Services Pvt Ltd, C/o Maloo Finance & Invest, 103 & 110, First Floor, Bri Anukampa, Opp. BSNL Office, Ashok Marg C Scheme, Jaipur 302 001 | Mr. Ramesh Maloo | 0141 236 0570/ 98290 06801 | 014 1236 0572 | Hand Delivery |