

Novartis Pharmaceuticals Corporation finalizes settlement agreement resolving civil suit filed by the U.S. Attorney's Office for the Southern District of New York

Nov 20, 2015

- Novartis Pharmaceuticals Corporation (NPC) has agreed to certain provisions relating to specialty pharmacies as part of an addendum to its existing corporate integrity agreement (CIA), which will be extended for five years
- New CIA obligations will provide greater clarity on working with specialty pharmacies in support of patient care
- Today's agreement with the government and anticipated agreements with the states includes previously-disclosed total payments of \$390M and resolves all related federal and state civil claims on these matters

EAST HANOVER, N.J., November 20, 2015 – Novartis Pharmaceuticals Corporation (NPC), a U.S. subsidiary of Novartis AG, has finalized the settlement in principle, which was previously disclosed, to resolve a civil suit filed by the U.S. Attorney's Office for the Southern District of New York related to NPC's interactions with specialty pharmacies for the drugs Exjade[®] and Myfortic[®]. NPC is still in the process of finalizing its previously-disclosed settlement in principle with various states which filed similar civil suits related to Exjade. Today's agreement, and the anticipated agreements with the states, resolves all related federal and state civil claims on these matters, including the litigation brought by the qui tam relator David Kester, which concerned Exjade and Myfortic, as well as TOBI[®], Tasigna[®] and Gleevec[®].

In line with the Company's prior disclosure on October 27, 2015, the final settlement agreement announced today includes total payments of \$390 million to the federal government and state Medicaid programs to resolve allegations related to conduct dating to 2004.

NPC has agreed to certain obligations relating to the company's interactions with specialty pharmacies in an addendum to its existing corporate integrity agreement (CIA) with the Office of Inspector General (OIG) of the U.S. Department of Health and Human Services, which will be extended for five years. We believe this resolution and the new CIA obligations will provide greater clarity as we continue to work with independent specialty pharmacies in support of patient care.

Specialty pharmacies offer a number of services that help patients understand and comply with the medicine and treatment plans prescribed by their physicians. NPC works with specialty pharmacies consistent with the Company's commitment to improve and extend patient lives, as well as to ensure patients receive appropriate and adequate support and resources related to their treatment.

NPC will implement the agreed upon controls to ensure appropriate support for patients, and compliance with all Federal Healthcare program requirements related to its interactions with specialty pharmacies. These

controls include enhancing policies and procedures at NPC for specialty pharmacy service arrangements and contracts, training for NPC associates, as well as strengthened monitoring and tracking processes to ensure that services are provided in a compliant manner. NPC will provide its contracted specialty pharmacies with a clear understanding of the Novartis Code of Conduct and training on the policies that guide our activities to help ensure compliance with Federal Healthcare program requirements. The Company will also provide a comprehensive annual report to the government on our continued compliance with these and other CIA obligations. These additional protocols are consistent with our sustained focus on ethics and compliance policies throughout our operations and steps we have already taken in this important area.

NPC is committed to high standards of ethical business conduct and has a comprehensive compliance program in place to help ensure we consistently act in a responsible manner.

Disclaimer

This press release contains expressed or implied forward-looking statements, including statements that can be identified by terminology such as “will,” “in the process,” “anticipated,” “believe,” “commitment,” “focus,” “committed,” or similar expressions. You should not place undue reliance on these statements. Such forward-looking statements are based on the current beliefs and expectations of management regarding future events, and are subject to significant known and unknown risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those set forth in the forward-looking statements. There can be no guarantee that the agreements with the states will be finalized on time and in the form expected. Neither can there be any guarantee regarding the impact of the revised and extended CIA on our business and results going forward, including our business with specialty pharmacies. Nor can there be any guarantee regarding the outcome of any other pending cases, or the potential that there will not be other similar cases in the future. In particular, management’s expectations could be affected by, among other things, the uncertainties inherent in legal proceedings, and other risks and factors referred to in the Risk Factors section of Novartis AG's current Form 20-F on file with the US Securities and Exchange Commission. Novartis is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

About Novartis

Novartis Pharmaceuticals Corporation researches, develops, manufactures and markets innovative medicines aimed at improving patients’ lives. We offer a broad range of medicines for cancer, cardiovascular disease, endocrine disease, inflammatory disease, infectious disease, neurological disease, organ transplantation, psychiatric disease, respiratory disease and skin conditions. The company's mission is to improve people's lives by pioneering novel healthcare solutions.

Located in East Hanover, New Jersey, Novartis Pharmaceuticals Corporation is an affiliate of Novartis AG, which provides innovative healthcare solutions that address the evolving needs of patients and societies. Headquartered in Basel, Switzerland, Novartis offers a diversified portfolio to best meet these needs: innovative medicines, eye care and cost-saving generic pharmaceuticals. Novartis is the only global company with leading positions in these areas. In 2014, the Group achieved net sales of USD 58.0 billion, while R&D throughout the Group amounted to approximately USD 9.9 billion (USD 9.6 billion excluding impairment and amortization charges). Novartis Group companies employ approximately 120,000 full-time-equivalent associates. Novartis products are available in more than 180 countries around the world. For more information, please visit <http://www.novartis.com>.

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