ANALYSIS OF PROPOSED CONSENT ORDER
TO AID PUBLIC COMMENT
In the Matter of Novartis AG, File No. 051-0106

The Federal Trade Commission (“Commission”) has accepted of the proposed Consent Agreement, Novartis, includ

sules in th4kua6 amp(ment,)Tj26. TD

its generic pharmaceuticals division Sandoz, Inc. (“Sandoz”), would be required to divest to Amide Pharmaceutical, Inc. (“Amide”) the Eon assets necessary to manufacture and market generic desipramine hydrochloride tablets, and the Sandoz assets necessary to manufacture and market orphenadrine citrate ER tablets and rifampin oral capsules in the United States. Sandoz Further, ment,

Amide to market these products until Amide obtains Food and Drug Administration (“FDA”) approval to manufacture the products itself. Further, Novartis is required to provide technology transfer assistance to enable Amide to obtain all necessary FDA approvals as soon as possible.

The proposed Consent Agreement has been placed on the public record for thirty days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will again review the proposed Consent Agreement and the comments received, and will decide whether it should withdraw from the proposed Consent Agreement, modify it, or make final the Decision and Order (“Order”).

Pursuant to an Agreement for Purchase and Sale of Stock dated February 20, 2005, Novartis agreed to purchase 60 million shares of Eon from Santo Holding AG (“Santo”) for $1.72 billion in cash. These shares represent approximately 67% of the outstanding stock of Eon. Further, Novartis has made a definitive agreement, approved by the Eon Board of Directors, to offer to acquire the remaining 31.9 million fully diluted shares of Eon for $31.00 per share cash. The Commission’s iConcern that would result from the acquisition.

Desipramine hydrochloride is a tricyclic antidepressant. The branded desipramine product, Norpramin, does not offer any significant price pressure in the generic desipramine market other than setting a price ceiling that is currently many times higher than the generic pricing level. The brand price is essentially irrelevant with respect to the pricing of generic desipramine tablets. In contrast, the competition between producers of generic desipramine tablets has a direct and substantial effect on generic desipramine pricing. Annual U.S. sales of generic desipramine hydrochloride tablets are reported to be less than $6 million. The U.S. market for the manufacture and sale of generic desipramine hydrochloride tablets is highly

concentrated. Only Novartis and Eon make all six strengths of generic desi

The proposed acquisition would cause significant anticompetitive harm to consumers in the U.S. markets for generic desipramine hydrochloride tablets, generic orphenadrine citrate ER tablets, and generic rifampin oral capsules by eliminating actual, direct, and substantial competition between Novartis and Eon; by increasing the likelihood that Novartis will be able to unilaterally exercise market power; by increasing the likelihood and degree of coordinated interaction between the few remaining competitors; and by increasing the likelihood that consumers will pay higher prices.

The proposed Consent Agreement preserves competition in the generic desipramine hydrochloride tablets, generic orphenadrine citrate ER tablets, and generic rifampin oral capsules markets by requiring that Novartis divest all of the Sandoz orphenadrine citrate ER and rifampin assets and all of Eon's desipramine hydrochloride assets to Amide no later than ten days after the acquisition. Amide, a reputable generic manufacturer, is particularly well-positioned to manufacture and market generic rifampin, because Amide already currently contract manufactures generic rifampin capsules for Novartis. Amide is also well-positioned to obtain FDA approval to manufacture and market generic desipramine hydrochloride and orphenadrine citrate ER in the near future. If the Commission determines that Amide is not an acceptable purchaser, or that the manner of the divestiture is not acceptable, Novartis must rescind the transaction with Amide and divest the assets to a Commission-approved buyer not later than six months from the date the Order becomes final. If Novartis fails to divest within the six months, the Commission may appoint a trustee to divest the desipramine hydrochloride, rifampin, and orphenadrine citrate ER assets.

The proposed remedy contains several provisions designed to ensure the successful divestiture of the desipramine hydrochloride, rifampin, and orphenadrine citrate ER assets to Amide. Novartis must provide various transitional services to enable Amide to compete against Novartis immediately following the divestiture. Novartis is obligated to provide Amide with all inventory of the three divested products and to supply Amide the two products that Amide does not currently manufacture – desipramine hydrochloride and orphenadrine citrate ER – while Amide attempts to obtain FDA approval to manufacture the products for itself in its own facility. Novartis will supply Amide with desipramine hydrochloride for two years, and Amide will have options to extend that supply for two additional one-year periods if Amide is making progress toward approval and needs the additional time to obtain FDA approval. Novartis will supply Amide with orphenadrine citrate ER for3mide e prod