

# Deloitte Recap Executive Analysis



<b>Licensor</b>	Incyte	<b>Product</b>	INCB18424 JAK Inhibitor & INCB28060 cMET Inhibitor
<b>Licensee</b>	Novartis	<b>Field</b>	INCB18424 - Hematology & Oncology; INCB28060 - All Indications
<b>Date</b>	11/2009	<b>Territory</b>	INCB18424 - ex-US & INCB28060 - WW

## Pre-Commercial Paymts & Rights

### Upfront Payment

- \$210M to Incyte

### Equity Investments

- None

### R&D Costs

#### Novartis is Responsible for the Following:

- all costs and activities for c-MET after Ph I;
- all costs and development for c-Met Licensed Products worldwide;
- all costs and development for JAK Licensed Products for Hematology & Oncology worldwide ex-US;
- all out-of-pockets for toxicity studies CON;
- all out-of-pockets for clinical trial CON

- Incyte is responsible for costs and development of JAK Licensed Products for Hematology and Oncology in the U.S.

- FTE rates CON

### Milestone Payments

- c-MET dev/reg milestones, all CON
- c-MET sales milestones, all CON
- JAK dev/reg milestones, all CON
- JAK sales milestones, all CON

(Press Release: Up to \$1.1B in aggregate)

### Termination Rights

- Incyte – if Novartis challenges Patents or abandons development
- Novartis – for convenience
- Either – for material breach

### Reversion Rights upon Termination

- All to Incyte

### Change of Control

- Right to terminate the agreement for the other party's change of control

## Commercial Payments & Rights

### License Grant

- Incyte grants Novartis:
- Exclusive license to develop, make, use, and sell c-MET Licensed Products for all indications worldwide
  - Exclusive license to research, develop, make, use, and sell JAK Licensed Products for hematology & oncology worldwide, ex-US

### Booking of Sales / Commercial Rights

- Novartis is responsible for commercialization of c-MET and JAK in respective territories and books all sales

### Sublicense Rights

- Yes, with notice to other party

### Royalty or Profit Split

#### Tiered Royalties on Net Sales

- 3 tiers for c-MET, worldwide, all CON
- 4 tiers for JAK, worldwide ex-US, all CON

(Press Release: Double-digit royalties)

### Royalty Offsets

- For third party license, as necessary, all CON

### Term of Agreement

- Royalties owed as long as product sold in a country, on a country-by-country, product-by-product basis
- Certain royalty terms CON
- Effective until last valid claim to expire

### Accounting

- Net Sales definition based on customary deductions
- Includes a fixed CON% deduction for distribution, warehousing, and bad debt

## Manufacturing Rights

- Manufacturing and supply terms negotiable per pending supply agreement
- If requested, Incyte supplies Product for commercial sale
- Incyte supplies bulk API and packaged Product for clinical use

- Incyte reimbursements CON
- Packaging at Novartis' expense

## Governance & Disputes

- Joint Steering Committee, JSC
- c-MET Joint Development Committee
- JAK Joint Development Committee

#### Novartis decides on:

- c-MET dev & coml disputes;
- JAK dev & coml disputes for ww ex-US

#### Incyte decides on:

- JAK dev & coml disputes for US

## Diligence

- Commercially Reasonable Efforts defined as for those of Novartis' products of similar commercial and scientific potential with respect to market

## Options

- Incyte option to co-develop INCB28060 (c-MET); terms CON
- Incyte option to co-promote c-MET in the first indication marketed in the US; exercisable before CON