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# ASX Announcement

**For immediate release**

27 October 2014

## CSL to acquire Novartis influenza vaccine business

CSL Limited (ASX:CSL; USOTC:CSLLY) today announced that it has agreed to acquire Novartis' global influenza vaccine business for US$275 million. The business will be combined with CSL's subsidiary, bioCSL.

Combining bioCSL's existing influenza vaccine operations with the Novartis business will create the number two global player in the US$4 billion global influenza vaccine industry, with manufacturing plants in the US, UK, Germany and Australia, a diversified product portfolio and strong pre-pandemic and pandemic franchises in its major centres of operation.

The combined business will have a strong growth profile and is expected to achieve sales approaching US$1 billion per annum over the next 3 to 5 years.

The Novartis influenza vaccine business is one of the largest in the world, with net sales in the 12 months to 31 December 2013 of US$527 million. The business has state-of-the-art manufacturing facilities and a diversified, late stage product pipeline.

CSL Managing Director and Chief Executive Officer, Mr Paul Perreault, today said, "The Novartis influenza vaccine business provides bioCSL with a global leadership position in an attractive sector we understand intimately. It will transform bioCSL by giving it first class facilities and global scale as well as product and geographic diversity.

"CSL has demonstrated its ability to make the most of specialist pharmaceutical acquisitions in areas we know well and this transaction has the potential to create a global platform for bioCSL that is comparable in many aspects to our global protein science business".

Final settlement of the transaction is expected to occur in the second half of calendar year 2015, subject to regulatory approval.

Acquisition synergies are estimated to reach US$75 million per annum by fiscal year 2020. Integration costs are estimated at $US100 million, accruing predominantly in fiscal year 2016.

The acquisition is expected to be funded through surplus cash and is not expected to impact the share buy-back program announced at the Company's Annual General Meeting in October 2014.

**Media and analyst briefings**
CSL's Chief Executive Officer, Mr Paul Perreault will host the following briefings today (AEDT):

**10.15am media conference call**

| | |
|---|---|
| Australia: | 1800 908 299 |
| International: | +612 9007 8048 |
| Conference ID No: | 854967 |

**11.00am analyst conference call**

| | |
|---|---|
| Australia: | 1800 908 299 |
| International: | +612 9007 8048 |
| Conference ID No: | 290247 |

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# Acquisition of Novartis' Influenza Vaccines Business

**27th October 2014**

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# Acquisition of Novartis' influenza vaccines business for US$275 million

- Attractive opportunity to create leading global position
- Scale economies, product differentiation and pandemic preparedness contracts to drive sales growth and robust margins
- State-of-the-art facilities with substantial capacity to support growth
- Significant value creation potential for CSL and enhanced strategic optionality for bioCSL

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# Combined business well placed for growth

- #2 position in global influenza vaccine industry
- Combined influenza vaccine sales expected to approach US$1 billion in 3 to 5 years
- Well positioned for growth following recent significant investment
  - ✓ State-of-the-art facilities in Holly Springs, US and Liverpool, UK
  - ✓ Diversified, late stage pipeline
- Significant pandemic preparedness contracts, including US and UK
- Synergies estimated at US$75 million pa by FY20

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# Influenza vaccine industry dynamics

- US$4 billion global industry for seasonal influenza vaccine
- In typical year:
  - 5-20% of the global population contract influenza
  - 3-5 million cases of severe illness
  - 300,000-500,000 deaths
- Industry currently shifting from TIV to QIV
- Governments increasingly focused on local production for pandemic preparedness

# Current bioCSL influenza business transforming

- Anticipate FY15 Northern Hemisphere sales of ~22 million doses vs 18 million doses in FY14
- Established commercial infrastructure in US, achieving 45% volume growth in FY15
- FDA approval of first needle-free delivery system for inactivated influenza vaccine
- New product registrations in Europe
- Commenced clinical trials for QIV
- Focusing on speed to market and operational efficiencies

# Differentiated product portfolio

Fluad™

- Differentiated, adjuvanted influenza vaccine
- Currently registered outside US for 65yr+
- Manufactured in Liverpool, UK

FLUCELVAX® Influenza Virus Vaccine

- Cell-culture influenza vaccine
- Currently registered for 18yr+
- Holly Springs, US, licensed for seasonal production in 2014

afluria® INFLUENZA VACCINE

Fluvax®

- Existing bioCSL influenza vaccine
- Currently indicated for 5yr+
- Manufactured in Parkville, Australia

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# Key R&D Programs Well Advanced

Fluad™

TIV — Filing
- Filing in 2014

FLUCELVAX
Influenza Virus Vaccine

TIV — Phase III
- PIII completing 2014
- Expand age (18yr+ to 4yr+)

aQIV — Phase III
- Adjuvanted QIV
- Filing in 2015+

QIVc — Phase III
- Cell culture QIV
- Filing in 2015+

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afluria
INFLUENZA VACCINE

Fluvax®

QIV — Phase III
- Age 18yr+
- Filing 2015

QIV — Phase III
- Age 5yr+
- Filing 2016

QIV — Phase III
- Age 6mo+
- Filing 2017

bioCSL Product (green) | Novartis Product (blue)

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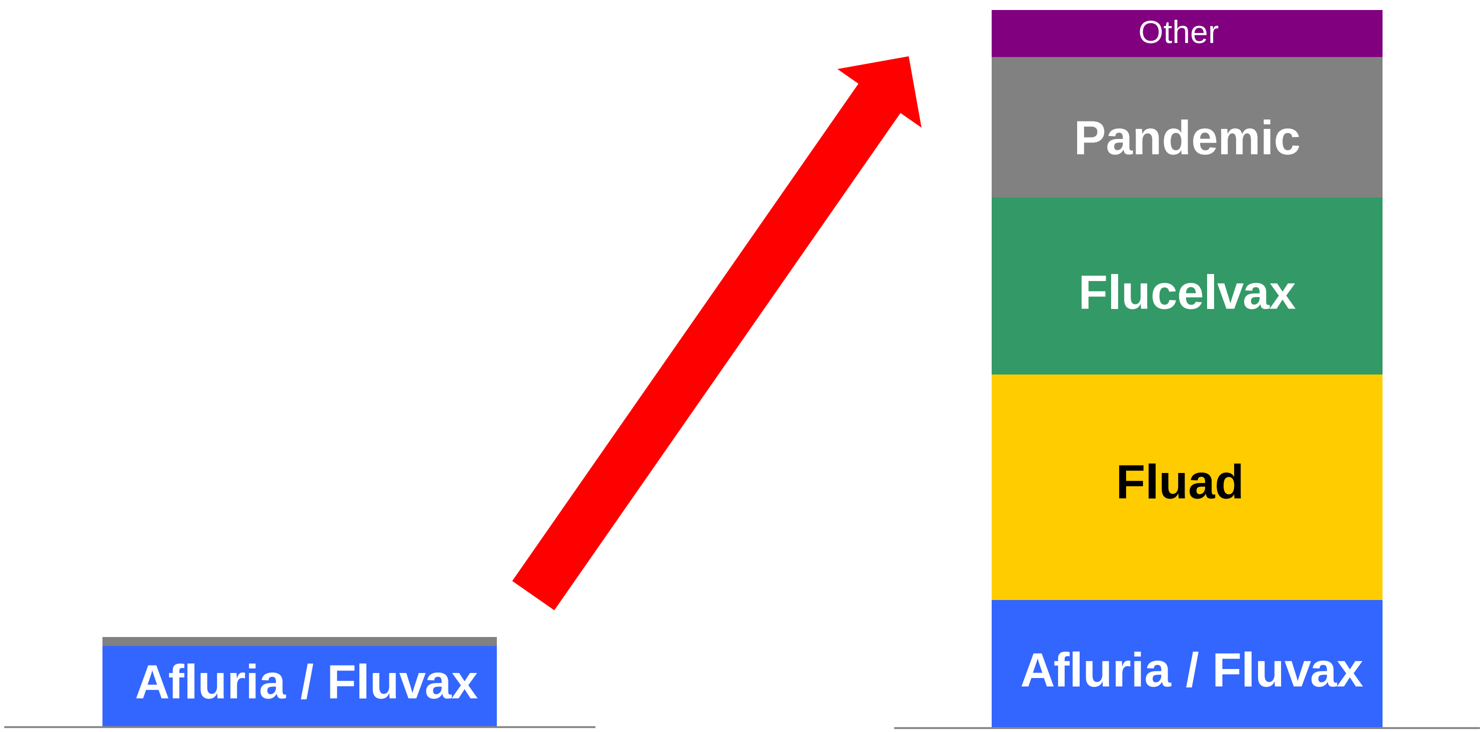
# Medium term product portfolio expansion

**bioCSL standalone revenue**

**bioCSL + Novartis influenza revenue in 3-5 years**



# Addition of state-of-the-art cell culture and egg based manufacturing capabilities


*Holly Springs, US*

*Liverpool, UK*

**Overall Network**

- Pandemic and seasonal capacity
- State-of-the-art facilities

**Holly Springs, US**

- Cell culture production, first major advancement in influenza production in over 40 years
- Result of joint partnership with US Department of Health and Human Services
- Capacity of 50m seasonal doses

**Liverpool, UK**

- Egg-based production
- UK's only injectable flu vaccine facility
- Capacity of 40m seasonal doses

**Marburg, Germany**

- Vaccine-sparing MF59 vaccine adjuvant, shown to enhance immune response

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# Key Novartis influenza vaccine business financials

| Key P&L Items 12 Months to 31 Dec 2013 | |
|---|---|
| Net Sales | US$527 million |
| R&D | US$144 million |
| EBITDA[(1)] | (US$138 million) |

| Key Balance Sheet Items as at 31 Dec 2013 | |
|---|---|
| PP&E | US$687 million |
| Inventory | US$90 million |

(1) Equivalent to operating income before depreciation and amortisation

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# Financial impacts

- Fair value of net assets acquired expected to exceed consideration, resulting in a one-off accounting gain
- Financial impacts
  - Including accounting gain on acquisition, accretive in FY16
  - Accretive within 2-3 years
  - Synergies of US$75 million per annum by FY20
  - Integration costs of US$100 million predominantly in FY16
- Funding
  - Funding through surplus cash
  - No impact on A$950 million buyback announced at AGM
  - Acquisition expected to close during second half of CY15
  - Transaction costs in FY15

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