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
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
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

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

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

- Existing bioCSL influenza vaccine
- Currently indicated for 5yr+
- Manufactured in Parkville, Australia
<table>
<thead>
<tr>
<th>Program</th>
<th>Status</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluad™ TIV</td>
<td>Filing</td>
<td>Filing in 2014</td>
</tr>
<tr>
<td>FLUCELVAX™</td>
<td>Phase III</td>
<td>PIII completing 2014, Expand age (18yr+ to 4yr+)</td>
</tr>
<tr>
<td>aQIV</td>
<td>Phase III</td>
<td>Adjuvanted QIV, Filing in 2015+</td>
</tr>
<tr>
<td>QIVc</td>
<td>Phase III</td>
<td>Cell culture QIV, Filing in 2015+</td>
</tr>
<tr>
<td>QIV</td>
<td>Phase III</td>
<td>Age 18yr+, Filing 2015</td>
</tr>
<tr>
<td>QIV</td>
<td>Phase III</td>
<td>Age 5yr+, Filing 2016</td>
</tr>
<tr>
<td>QIV</td>
<td>Phase III</td>
<td>Age 6mo+, Filing 2017</td>
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</tbody>
</table>

bioCSL Product
Novartis Product
Medium term product portfolio expansion

bioCSL standalone revenue

bioCSL + Novartis influenza revenue in 3-5 years

Afluria / Fluvax

Pandemic

Flucelvax

Fluad

Afluria / Fluvax
Addition of state-of-the-art cell culture and egg based manufacturing capabilities

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
### Key P&L Items
**12 Months to 31 Dec 2013**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>US$527 million</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>US$144 million</td>
</tr>
<tr>
<td>EBITDA(^1)</td>
<td>(US$138 million)</td>
</tr>
</tbody>
</table>

### Key Balance Sheet Items
**as at 31 Dec 2013**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PP&amp;E</td>
<td>US$687 million</td>
</tr>
<tr>
<td>Inventory</td>
<td>US$90 million</td>
</tr>
</tbody>
</table>

\(^1\) Equivalent to operating income before depreciation and amortisation
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