



# ASX Announcement

**For immediate release**

21 June 2019

## **UPDATE ON CSL's FY20 TRANSITION TO OWN DISTRIBUTOR MODEL IN CHINA**

At the Company's Half Year results announcement in February this year, CSL advised it would transition to its own Good Supply Practice (GSP) License in China in FY20. This license enables CSL to own and sell products in the domestic Chinese market.

To assist understanding of this change, the Company today provides an estimate of the 'one-off' financial effects for the Group on FY20.

### **INVESTMENT IN THE FUTURE**

CSL has been importing albumin into China for more than 30 years and is now the largest supplier of imported human albumin. In FY18 CSL's albumin sales into this market were over \$500 million.

Albumin is currently distributed via a third party with sales recorded when product leaves the Company's manufacturing facilities in the USA and Europe. A multi-month supply chain process then ensues involving the physical shipment of product to China, quality release by Chinese authorities, maintenance of contingency stock and final distribution to the end customer – hospitals and pharmacies.

After transitioning to the Company's own GSP distributor, product sales will be recorded at a later point in the cycle; that is when the product leaves CSL's own GSP distributor in China. This change will not have any impact on the availability of albumin to patients.

The direct trading business model enhances CSL's ability to serve patients more effectively in the Chinese market. The license elevates CSL to Tier 1 distributor status affording the Company a number of benefits, including improved participation in the value chain, removing reliance on third parties and importantly allowing CSL to work directly with clinicians. It is also an important step towards CSL's ability to broaden its product offering and aligns our distribution model with other major markets.



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## ESTIMATED 'ONE-OFF' FINANCIAL EFFECT ON THE GROUP <sup>1</sup>

The transition to CSL's own GSP distributor will create a 'one-off' financial effect in FY20. Expectations for key financial line items include -

- Lower reported albumin sales of approximately \$340 - \$370 million
- Profit effect in line with historical CSL Behring margins
- A more modest impact on cashflow as the Company continues to collect outstanding receivables from existing distributors. In addition, the cash collection cycle will improve under the new model

Annual sales of albumin in China are expected to return to a more normalised level in FY21, following completion of the transition.

## FURTHER INFORMATION

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<sup>1</sup> *Forward looking statement disclaimer. This announcement includes estimated predictions that are forward-looking. They represent CSL's current judgment on what the future holds and are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place undue reliance on these forward-looking statements, CSL does not obligate itself to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events.*