

1988 FAR EAST REGION 
PRELIMINARY MARKETING PLAN

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1
NARRATIVE

FAR EAST REGION

1985 BUDGET

Cutter

1985 ASSUMPTIONS

- 1. 1985 plasma product FMC's will be as budgeted.
- 2. Cutter and Iven Cheong Hong Ltd. will win the PPF portion of the 1984/85 Hong Kong GSD fraction V tender.
- 3. Cutter will have a shortage of fraction V products during 1985.
- 4. Cutter will have excess supply of Koate, Konyne and ISG during 1985.
- 5. AIDS will not become a major issue amongst Asian hematologists during 1985.

I & E EFFECT

1984 variances between budgeted and actual FMC amounted to a \$339,000 reduction in division margin for the profit center. It is conceivable that cost variances in 1985 could cause a maximum \$500,000 reduction in division margin.

We estimate 16% of the estimated 37,500 vials of Plasmapate will be delivered in the fourth quarter of 1984. The remaining 31,500 vials will be delivered in 1985 contributing \$938,000 in sales and \$223,000 in gross profits.

This will drive our prices up and our unit sales down. In Taiwan, we will not win a \$1,200,000 albumin tender. In other markets, we will lose an estimated \$350,000 in potential sales. If we run short of 100 ml albumin for Korea, we will lose another \$300,000 in sales.

If these products are not available in excess quantities during 1985, we might have to increase prices and decrease sales. Sales could be reduced by as much as \$410,000 and profits could be reduced \$95,000.

Hysteria over AIDS could reduce our Koate and Konyne sales by as much as \$400,000 and our gross profits by as much as \$110,000.

1985 BUDGET

NARRATIVE

FAR EAST REGION

Cutter

1984 ASSUMPTIONS

1. The U.S. Dollar will continue its strength versus most Asian and European currencies in 1984 providing price advantages for our European competitors but it will not encourage further appreciation in value against currencies of major Far East markets of more than 10%.

2. There will be no major recalls of important Cutter products which affect the Far East in 1984.

3. Fraction V products from Cutter will again be plentiful in 1984.

4. The AIDS issue will not destroy our Koate business in the Far East except for New Zealand where at least 50% of sales are expected to be lost in 1984.

5. We will win the albumin portion of the 1984 Hong Kong fraction V tender.

6. Cutter plasma products will be available in adequate quantities to allow budgeted sales during 1984.

OUTCOME AS OF 8/84

The dollar has remained strong. European competitors have continued to gain increased shares of Asian plasma product markets.

Thus far, we have had no major recalls.

Lack of 100 ml Plasbumin-25, March through May, resulted in a loss of \$125,000 in firm orders from Korean buyers. Scarcity of Fraction V products in second half of 1984 has necessitated higher prices to distributors and reduced sales.

Koate sales to New Zealand have virtually ceased. In Asia, the AIDS issue has not become a major problem for Cutter.

Cutter won the albumin contract in Hong Kong. It expires 9/84.

Aside from the \$125,000 of sales lost from lack of 100 ml albumin for Korea, product shortages have not damaged sales.

No. 620-20 Konyne 500 i/u Sales History and Budget

| | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>1984E</u> | <u>1985B</u> |
|----------|-------------|-------------|-------------|-------------|--------------|--------------|
| \$ Sales | 30,000 | 40,000 | 58,000 | 78,874 | 76,000 | 90,000 |
| Units | 655 | 769 | 1,100 | 1,500 | 1,800 | 2,000 |
| ASP | 46.57 | 52.13 | 52.19 | 52.55 | 42.50 | 45.00 |

No. 650-20 Koate 250 i/u Sales History and Budget

| | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>1984E</u> | <u>1985B</u> |
|----------|-------------|-------------|-------------|-------------|--------------|--------------|
| \$ Sales | 193,000 | 293,000 | 315,017 | 289,000 | 373,000 | 447,000 |
| Units | 7,100 | 12,500 | 13,900 | 11,600 | 16,000 | 19,000 |
| ASP | 27.25 | 23.42 | 22.83 | 24.97 | 23.30 | 23.50 |

Koate Sales to New Zealand over the period 1980-84 have completely diminished, thus taking some luster from the above growth figures:

New Zealand Koate Sales

| <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>1984E</u> | <u>1985B</u> |
|-------------|-------------|-------------|-------------|--------------|--------------|
| \$74,000 | \$62,000 | \$25,000 | \$8,000 | 0 | 0 |

In New Zealand, Cutter products were largely displaced by new concentrates made in Auckland and products supplied on a reciprocal agreement with Commonwealth Serum Laboratories. What Koate business Cutter had left in New Zealand as of 1982 was terminated when AIDS became an issue there.

AIDS has not become a major issue in Asia. Perhaps it is because the region has so many other health hazards

of greater, more common concern. The hepatitis risk of American-made concentrates is not of such great concern in a region where hepatitis B is so prevalent. In Taiwan, for instance, where 16% of the population are carriers of Hepatitis B, a hemophiliac is apt to suffer as much risk routinely using cryoprecipitate or blood as with American-made concentrates. With these considerations in mind, we have no immediate plans to introduce Koate-HT or Konyne-HT.

If we see need for a heat-treated product in the Far East, we will react to the demand swiftly. Otherwise, we will try to continue to dominate the markets with low-cost standard Koate and Konyne.

In each Far East country, Cutter gives constant attention to maintaining close ties with leading hematologists who are national leaders in hemophilia care. Each year, our list of such contacts is expanded and updated. Because English language is common amongst Asian medical specialists, most domestic sales aids developed by Cutter for the American market can be used in the Far East. Slide programs, exercise programs, Echo magazines, pamphlets, brochures, etc. from Cutter Biological will continue to be used as important tools in the development of sales.