



CELEBRATING
100

CSL™

Just getting started

CSL Limited
Annual Report
2015–2016

CSL™

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2016

17 August	Annual profit and final dividend announcement
13 September	Shares traded ex-dividend
14 September	Record date for final dividend
7 October	Final dividend paid
12 October	Annual General Meeting
31 December	Half year ends

2017

15 February	Half year profit and interim dividend announcement
15 March	Shares traded ex-dividend
16 March	Record date for interim dividend
13 April	Interim dividend paid
30 June	Year ends
16 August	Annual profit and final dividend announcement
12 September	Shares traded ex-dividend
13 September	Record date for final dividend
13 October	Final dividend paid
18 October	Annual General Meeting
31 December	Half year ends

Annual General Meeting

Thursday 12 October 2016 at 10.00am AEDT
 Function Centre, National Tennis Centre
 Melbourne Park, Batman Avenue
 Melbourne 3000

AGM Live Webcast

The CSL Limited Annual General Meeting will be webcast through CSL's website www.csl.com.au

Log on to the home page of CSL's website and then click on the item called Annual General Meeting webcast.

Share Registry

Computershare Investor Services Pty Limited
 Yarra Falls, 452 Johnston Street
 Abbotsford VIC 3067

Postal Address: GPO Box 2975
 Melbourne VIC 3001

Enquiries within Australia: 1800 646 882
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 Website: www.investorcentre.com

Please see inside back cover for legal notice

Driven by its promise, CSL is a global specialty biotherapeutics company that develops and delivers innovative biotherapies that save lives and help people with life-threatening medical conditions live full lives. Our Values guide us in creating sustainable value for our stakeholders.

Delivering on promises is what we do at CSL. Starting a century ago in Melbourne, Australia, we made a promise to save lives and protect the health of people who were stricken with a range of serious and chronic medical conditions. Today, as a leading global biotherapeutics company, that same promise has never been stronger, conducting business in over 60 countries with more than 16,000 employees who are driven by our deep passion to serve thousands of patients and other stakeholders around the world.

CSL focuses its world-class research and development (R&D), high-quality manufacturing, and patient-centred management to develop and deliver innovative biotherapies and support programs – all to help save lives and treat people with life-threatening medical conditions.

Innovation has been in the DNA of CSL since our beginning in 1916 and continues as the core of everything we do today. Innovation spans all across our organisation - reflected in our 1,100 dedicated R&D experts who focus every day on solving patients' unmet needs, to our unique capability in creating one of the largest and most efficient plasma collection networks in the world, right through to safely and effectively producing medicines.

CSL supports patient, biomedical and local communities by improving access to therapies, advancing scientific knowledge, supporting future medical researchers, and engaging our staff in the support of local communities. We also contribute to humanitarian programs and relief efforts around the world.

CSL's continuing priority is to ensure the ongoing safety and quality of our medicines, while improving access to innovative therapies that make a real and lasting difference to the lives of people who need them. To achieve this, we drive a culture of continuous improvement in quality and compliance and undertake capacity expansion around the world.

CSL also invests in life cycle management and market development for our existing products, and in the development of new product opportunities for the longer term. We understand the unique challenges faced by people stricken with life threatening medical conditions because of our long experience, deep knowledge and dedicated focus on preventing and treating serious diseases. We expect that emerging new innovations and support programs can provide unprecedented opportunities to improve patient wellbeing unlike any other time in history.

CSL's operational excellence, commercial capability, combined with a focused global R&D organisation and proven management, give us the confidence to efficiently identify, successfully develop, and dependably deliver innovations that patients need and want.

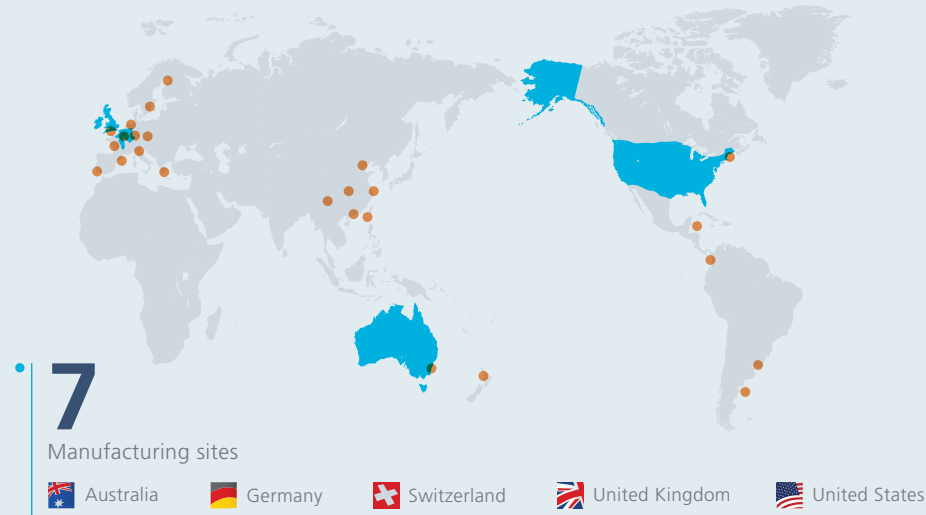
For 100 years, CSL has earned a reputation as a passionate yet responsible organisation which is driven to care for patients and deliver on its commitments. Today, our future has never looked brighter.



30+  Countries
Of operations around the world

6.0+ Billion
In annual revenue

 **16,000+**
Employees around the world



2.3 Billion
In R&D investments in last 5 years
advances exciting pipeline

 **1,100+**
R&D employees

140+ 
Plasma collection centres across
Europe and North America

Our Businesses

CSL Behring

CSL Behring is a global leader in biotherapies with the broadest range of quality products in our industry and substantial markets in North America, Europe, Asia and Australia. Our therapies are indicated for treatment of bleeding disorders including haemophilia and von Willebrand disease, primary and secondary immune deficiencies, hereditary angioedema, neurological disorders and inherited respiratory disease. Our products are also used to prevent haemolytic disease in newborns, for urgent warfarin reversal in patients with acute major bleeding, to prevent infection in solid organ transplant recipients and treat specific infections, and to help victims of trauma, shock and burns.

From our emerging family of recombinant coagulation products that aim to dramatically improve the lives of patients with bleeding disorders, to industry leading immunoglobulin and specialty products that

are shifting treatment paradigms around the world, CSL Behring knows how to meet the needs of these unique populations.

CSL Plasma, a division of CSL Behring, operates one of the world's largest and most efficient plasma collection networks with more than 140 centres in the United States (US) and Europe. With an integrated manufacturing platform and production facilities located in the US, Germany, Switzerland and Australia, we use the most sophisticated production methods available meeting or exceeding stringent international safety and quality standards. Each step of our manufacturing process – from plasma donor to patient – reflects CSL Behring's unyielding commitment to ensuring its products are safe and effective.

Seqirus

Seqirus was established on 31 July 2015 following CSL's acquisition of the Novartis influenza vaccines business and its subsequent integration with bioCSL.

Seqirus is the world's second largest influenza vaccine company and a major partner in the prevention and control of influenza globally. It is a reliable supplier of influenza vaccine for Northern and Southern Hemisphere markets and a transcontinental partner in pandemic preparedness and response.

Seqirus operates state-of-the-art production facilities in the US, the UK and Australia, and manufactures influenza vaccines using both egg-based and cell-based technologies. It has leading R&D capabilities, a broad portfolio of differentiated products and commercial operations in more than 20 countries. Seqirus employs more than 1,900 people.

In Australia and the Asia Pacific region, Seqirus is a leading provider of in-licensed vaccines and specialty pharmaceuticals. It also manufactures and markets diagnostics for immunohaematology laboratories and is the sole supplier of a unique range of

products made in the national interest for the Australian Government, including antivenoms and Q fever vaccine.

Research and Development

CSL continues to invest in the development of protein-based medicines to treat serious human illnesses. Today, most of our licensed medicines are purified from human plasma. CSL has also built the capabilities required to develop new and innovative products using recombinant technology.

Global R&D activities support CSL's existing licensed products and development of new therapies that align with our technical and commercial capabilities in immunoglobulins, specialty products, haemophilia and coagulation therapies and breakthrough medicines.



100 years ago the Commonwealth Serum Laboratories was established to protect the health of a nation. Today CSL is a global biotherapeutics leader, delivering innovative medicines to patients and populations all over the world. We are proud to share our journey and to recognise those who have contributed along the way.

Our past achievements inspire our future with our promise to save and improve lives continuing to drive us. In fact, in many ways, we're just getting started.

1904

Nobel Prize winner Dr Emil von Behring establishes Behringwerke in Marburg, Germany, to produce sera and vaccines.

1915

Due to medicine shortages during WWI, the Commonwealth Government announces it will establish a 'federal serum institute'.

1916

Dr William Penfold is appointed founding Director of the Commonwealth Serum Laboratories, starting his first day of work on 25 April.

1917

The Walter and Eliza Hall Institute of Medical Research (WEHI) provides CSL with free temporary accommodation in Melbourne.

1918

CSL moves to a permanent site in Parkville, where it continues to operate today.

1919

When the Spanish Flu strikes Australia, CSL responds rapidly with three million doses of a mixed bacterial vaccine.

1920

CSL expands its product range to include five sera, 24 vaccines, four tuberculin, plus a range of diagnostic agents.

1922

CSL introduces veterinary products to help protect Australia's agricultural interests.

1923

Soon after the discovery of insulin in Canada, CSL becomes one of only four laboratories in the world licensed to make it.

1925

CSL starts producing sera to prevent and treat infectious diseases.

1927

Dr Penfold leaves CSL and is succeeded as Director by Dr FG Morgan.

1930

After collaborating with WEHI, CSL releases antivenom against the deadly tiger snake.

1934

CSL opens an additional site in Broadmeadows, Melbourne.

1935

An independent research department is established at CSL under Dr Bill Keogh.

CSL manufactures large quantities of a new vaccine developed by the CSIRO to prevent black disease in sheep.

1939

During WWII, CSL becomes an essential provider of blood-typing sera for service personnel and issues millions of doses of preventative medicines for infectious diseases.

1940

Collaborating with Harvard's Dr Edwin Cohn, Chicago-based Armour Laboratories becomes the largest supplier of human albumin to the US military during WWII.

1944

CSL starts production of influenza virus vaccine, supplying one million doses to Australian and British troops.

CSL starts production of penicillin, providing urgent supplies to Australian and US forces. Australia becomes the first country to provide penicillin to civilians.



1946

Behringwerke is the first company in Europe to begin fractionating human blood plasma on an industrial scale.

1949

The Swiss Red Cross establishes Zentrallaboratorium Blutspendedienst (ZLB), in Bern, Switzerland.

1951

The World Health Organisation (WHO) designates CSL as an Influenza Reference Laboratory. ZLB ensures the supply of blood products through the Swiss Red Cross Blood Transfusion Service.

1952

CSL starts fractionation of plasma collected by the Australian Red Cross from voluntary blood donors.

1953

CSL manufactures Triple Antigen vaccine to protect children from diphtheria, tetanus, and whooping cough. Armour Laboratories opens its new plasma fractionating facility in Kankakee, near Chicago.

1954

ZLB issues the world's first plasma protein solution and develops modifications to the Cohn fractionation process.

1956

Dr Morgan retires from CSL and is succeeded by Dr Percival 'Val' Bazeley.

Just a few months after Jonas Salk's US breakthrough, CSL commences large scale production of polio vaccine. The disease is virtually eliminated in Australia within a decade.

1957-1958

CSL responds quickly to protect Australians from the Asian Flu pandemic, producing 1.6 million doses of vaccine.

1961

CSL is incorporated as a Commonwealth Statutory Authority in an attempt to make it become more commercial and profitable.

CSL's Animal Health division develops a five-in-one vaccine that becomes Australia's most popular veterinary product.

CSL starts plasma fractionation for New Zealand, and later for Hong Kong, Malaysia, Singapore and Taiwan.

1966-1967

In a world first, CSL issues Rhesus (D) immunoglobulin for the prevention of haemolytic disease in newborns.

1968-1969

CSL acts quickly to protect Australia during the Hong Kong Flu pandemic, producing five million doses of vaccine.

1973

CSL begins to re-assort influenza strains so they grow better in eggs, providing them to the WHO to share with all flu vaccine manufacturers.

1974

Dr Neville McCarthy from multinational pharmaceutical company, ER Squibb & Co, is appointed as CSL Director.

1979

ZLB, in collaboration with Sandoz AG, Switzerland, launches the world's first purified immunoglobulin product for intravenous infusion.

1980-1981

CSL enters an ongoing partnership with US based Merck & Co to distribute Merck & Co., Inc. vaccines in Australia and NZ. Elusive to scientists for 50 years, a funnel web spider antivenom is finally developed by CSL's Dr Struan Sutherland.

Behringwerke launches HAEMATE®, the world's first pasteurised factor VIII product for the treatment of Haemophilia A.

1983

CSL adds protection against cheesy gland to its popular five-in-one vaccine for sheep, producing the top-selling product GLANVAC®.

1988-1980

The Australian Government approves construction of a world-class plasma fractionation facility on CSL's Broadmeadows site.

CSL launches the unique Q fever vaccine, Q VAX®, protecting Australians who work with animals.

1990

CSL appoints 33 year-old Dr Brian McNamee as the company's CEO.

1991

CSL is corporatised by the Australian Government to build a "great and independent Australian company".

CSL collaborates with Professor Ian Frazer, and later Merck & Co., Inc., to develop the world's first HPV vaccine.



1992

CSL purchases local animal sera supplier, Filtron, for A\$2 million to boost its cell culture business.

The WHO designates CSL as an Influenza Collaborating Centre.

1993

The Australian Government transfers ownership of the partly completed plasma fractionation facility at Broadmeadows to CSL.

1994

CSL debuts on the Australian Securities Exchange with a value of \$299 million and a day one closing share price of A\$2.43*.

* Equivalent of A\$0.81 today following the companies 3-for-1 share split in 2007.

CSL acquires US-based cell culture company JRH Biosciences for A\$27 million; an important first step towards globalisation.

1996

A joint venture is established between Armour Pharmaceuticals and Behringwerke, called Centeon.

1998

CSL acquires US-based Animal Health business Biocor from Bayer for A\$15 million.

1999

Centeon changes its name to Aventis Behring when its parent companies merge to become Aventis.

2000

CSL acquires ZLB from the Swiss Red Cross for A\$930 million; a major step towards global leadership in plasma therapeutics.

Aventis Behring acquires 42 plasma donation centres from US-based Serologicals Corporation, creating the world's largest plasma collection business.

2001

CSL acquires 47 plasma donor centres and testing facilities from US-based Nabi for A\$317 million and creates ZLB Plasma Services.

2004

In a bold move CSL acquires Aventis Behring for A\$1.23 billion, combining it with ZLB operations to create CSL Behring, a global leader in biotherapeutics.

2005

As part of the strategy to reshape the company, CSL divests JRH Biosciences to Sigma-Aldrich for A\$458 million and its Animal Health business to Pfizer for A\$162 million.

2006

CSL acquires Melbourne biotech company Zenyth Therapeutics for A\$104 million, strengthening CSL's pipeline and recombinant protein capabilities.

The FDA approves the world's first HPV vaccine, GARDASIL® which goes on to deliver royalties to CSL of up to A\$100 million each year.

CSL Behring starts construction on a new manufacturing facility in Bern for next generation immunoglobulin products PRIVIGEN® and HIZENTRA®.

2007

CSL's share price breaks through the A\$100 mark and the company undertakes a 3-for-1 share split.

CSL Behring launches category-leading PRIVIGEN®, the first and only liquid intravenous immunoglobulin requiring no refrigeration or reconstitution.

2009

CSL's rapid response to the H1N1 (Swine Flu) pandemic sees Australia become one of the first nations to supply vaccine to its population.

In Knoxville, Tennessee, CSL Behring establishes the world's largest and most advanced plasma testing laboratory.

CSL formally establishes an office in China to support increased demand for albumin and future growth in the region.

As part of pandemic preparedness, the US Government and Novartis announce a new cell-based manufacturing facility for influenza vaccines.

2010

CSL announces a new biotech facility for experimental recombinant therapies and a new plasma manufacturing plant for PRIVIGEN® in Broadmeadows.

CSL commences clinical trials for novel recombinant therapies for people with Haemophilia A and B.

CSL Behring launches HIZENTRA®, the first and only 20% subcutaneous immunoglobulin for patients with primary immune deficiency.

CSL Plasma opens its first 'Centre of the Future' in the US, enhancing the donor experience and improving plasma collection efficiencies.

2012

CSL delivers a US\$1 billion net profit after tax for the first time since listing.

CSL integrates its Broadmeadows operations with CSL Behring and creates a stand-alone vaccines, pharmaceuticals and diagnostics business called bioCSL.



2013

Paul Perreault, CSL Behring President at the time, is named CEO following Dr Brian McNamee's decision to step down after 23 years leading the company.

HIZENTRA® is granted approval in Japan, CSL Behring's first major product approval in Japan since the Aventis Behring acquisition.

2014

CSL Behring's site in Kankakee gets FDA approval for a major plasma manufacturing expansion, which will support future demand for biotherapies.

2015

CSL acquires the Novartis influenza vaccine business for US\$275 million, combining it with bioCSL to create Seqirus, the world's second-largest flu vaccine manufacturer.

CSL's share price exceeds A\$100 per share again, climbing from A\$36.36 in 2007 when CSL undertook a 3-for-1 share split.

Seqirus achieves FDA approval for FLUAD®, the only licensed adjuvanted seasonal influenza vaccine and advances development of quadrivalent flu vaccines.

CSL Behring starts construction of a new large-scale production facility in Lengnau, Switzerland for its novel recombinant therapies.

CSL Behring issues its first exports of PRIVIGEN® from the new Turner manufacturing facility at its Broadmeadows site.

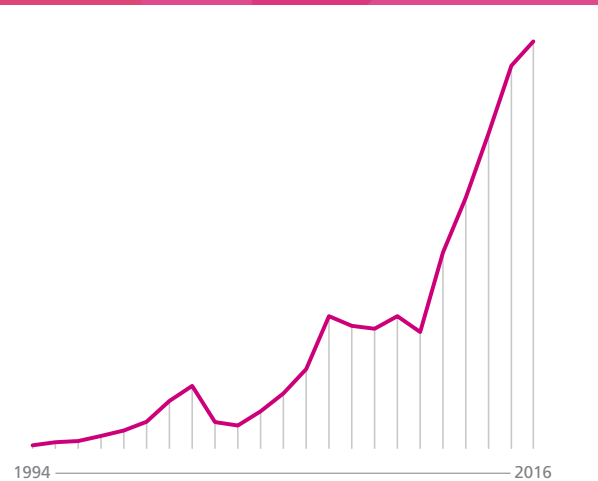
2016

CSL Behring achieves major regulatory milestones for its novel recombinant therapies, starting with the approval of IDELVION®, a long-acting clotting factor for patients with haemophilia B and AFSTYLA®, the first and only single-chain product for haemophilia A.

CSL announces a global hub for research and translational medicine at the Bio21 Institute, University of Melbourne.

CSL begins planning for phase III clinical trials of a novel plasma-derived therapy for acute coronary syndrome.

CSL celebrates its centenary as a A\$50 billion global biotherapeutics leader, employing over 16,000 people in more than 30 countries and serving patients all around the world.



CREATING SHAREHOLDER VALUE

A purchase of A\$1,000 worth of CSL shares when the company listed on the ASX in 1994 would be worth A\$217,039 at 30 June, 2016*. This represents an investment return of 27.6% per annum over the period.

*With dividends reinvested

Business Highlights

CSL delivers another strong performance with double digit growth in all plasma therapy groups. This year we secured approvals and launches for five new products, including our two novel recombinant coagulation products IDELVION[®] and AFSTYLA[®] and three differentiated influenza vaccine products.

CSL's reported net profit after tax was US\$1,242 million for the year ended 30 June 2016. On a constant currency basis[#], net profit after tax was US\$1,357 million.

Our latest share buyback of up to A\$1 billion, together with previous share buybacks, has contributed to a 26% boost to earnings per share.

CSL's total revenue reached US\$6,129 million up 8% on a constant currency basis.

CSL Behring continues to perform well delivering product sales of US\$5,245 million, an increase of 10% on constant currency when compared to the prior comparable period.

CSL Behring's immunoglobulin and speciality product groups both grew by 11% at constant currency. Sales in albumin, driven by ongoing significant demand in China and the US, rose 12% on constant currency, with plasma-derived haemophilia product sales growing by 14%.



Seqirus, the world's second largest influenza vaccine provider in the world, has commenced the transition to quadrivalent influenza vaccines (QIV), achieving US Food and Drug Administration (FDA) approval of FLUCELVAX QUADRIVAENT[™], the world's only licensed QIV that is manufactured using cell-based technology.

R&D investment this year reached US\$614 million. Over the reporting period approval for two of CSL's novel recombinant therapies to treat haemophilia was achieved. IDELVION (Coagulation Factor IX (Recombinant), Albumin Fusion Protein) was approved by the US FDA, the European Medicines Agency (EMA) and Health Canada. AFSTYLA (Antihemophilic Factor (Recombinant), Single Chain) was also approved by the US FDA.

Our R&D group continues to make significant progress in the earlier stage recombinant monoclonal antibody (mAb) projects, such as CSL324 for the possible treatment of inflammatory diseases associated with neutrophil infiltration and CSL362 for the treatment of acute myeloid leukaemia.

Capacity expansion projects to position CSL to meet future demand continue across all major sites in Australia, the US, Switzerland and Germany. In addition, CSL Plasma continues to extend its world leading plasma collection network opening a total of 22 new plasma collection centres across the US and Europe during the year.

[#] Constant currency removes the impact of exchange rate movements to facilitate comparability of operational performance. For further details refer to the Directors' Report on page 55.



Since listing on the Australian Securities Exchange in 1994, we have achieved through to 30 June 2016:

Compound annual growth in net profit of 23%

Compound annual growth in CSL share price of 25%

Compound annual growth in market capitalisation of 26%

Financial Highlights

Dividends

$$\begin{array}{r}
 \text{Interim Unfranked} \\
 \text{dividend of} \\
 \text{\$US } \mathbf{0.58} \\
 \text{per share}
 \end{array}
 +
 \begin{array}{r}
 \text{Final Unfranked} \\
 \text{dividend of} \\
 \text{\$US } \mathbf{0.68} \\
 \text{per share}^{(1)}
 \end{array}
 =
 \begin{array}{r}
 \text{Total Ordinary} \\
 \text{dividends 2015-16} \\
 \text{\$US } \mathbf{1.26} \\
 \text{per share}
 \end{array}$$

Five Year Summary

	2015-16 Constant Currency ⁽²⁾	2015-16 Reported ⁽³⁾	2014-15 Reported	2013-14 Reported	2012-13 Reported	2011-12 Reported
All figures are in US\$ million unless stated otherwise						
Total revenue	6,435	6,129	5,628	5,524	5,130	4,814
Sales revenue	6,210	5,909	5,459	5,335	4,950	4,616
R&D investment	643	614	463	466	427	370
Profit before income tax expense	1,705	1,556	1,714	1,604	1,461	1,270
Net profit	1,357	1,242	1,379	1,307	1,211	1,024
Capital investment		566	414	402	450	309
Total assets at 30 June		7,563	6,401	6,278	5,974	5,901
Total equity at 30 June		2,567	2,746	3,162	3,018	3,477
Net tangible assets per share at 30 June (\$)		3.56	3.92	4.71	4.44	5.15
Weighted average number of shares (million)		462	472	484	499	519
Basic earnings per share (\$)		2.689	2.923	2.701	2.429	1.972
Dividend per share (\$)		1.260	1.240	1.130	1.020	0.865

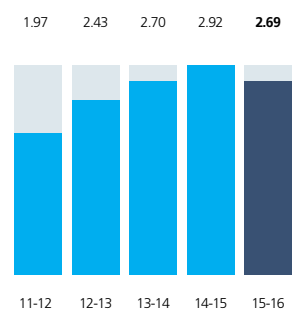
(1) For shareholders with an Australian registered address, dividends will be paid in A\$ at an amount of A\$0.886652 per share (at an exchange rate of A\$1.3039/US\$1.00), and for shareholders with a New Zealand registered address, dividends will be paid in NZD at an amount of NZ\$0.943364 per share (at an exchange rate of NZ\$1.3873/US\$1.00).

(2) Constant currency removes the impact of exchange rate movements to facilitate comparability. For further details please refer to the Directors' Report.

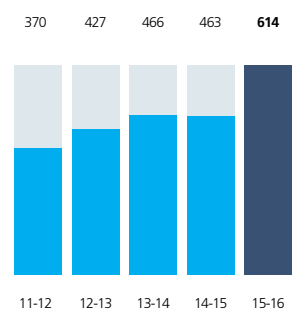
(3) The Group's reported results are in accordance with the Australian Equivalents to International Financial Reporting Standards (A-IFRS).

Our Financial Performance

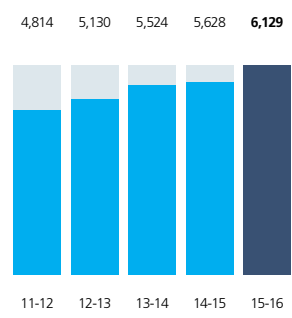
CSL Earnings Per Share (US\$)



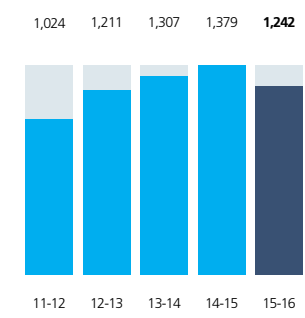
CSL R&D Investment (US\$ millions)



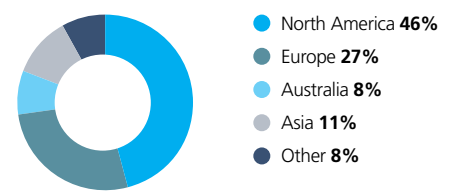
CSL Total Revenue (US\$ millions)



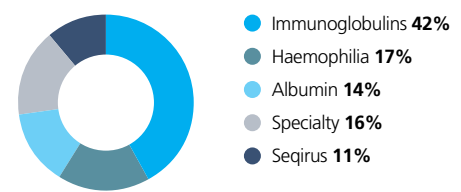
CSL Net Profit (US\$ millions)



CSL Group Sales by Region 2015-16



CSL Group Sales by Major Products 2015-16



Year in Review

On 25 April 1916, the Commonwealth Serum Laboratories was established and set the foundation for the CSL of today. This year we celebrate a distinctive milestone, 100 years serving and protecting the health and wellbeing of millions of people around the world.

We have evolved from an organisation that largely brought international discoveries to Australians – to a company which translates our own early research into commercial therapies for patients around the globe. Our heritage is rich and our future looks bright.

We are now a global biotherapeutics leader, employing more than 16,000 people and providing life-saving and life-changing therapies to people in more than 60 countries.

Take a moment to celebrate with us 100 years of success via our centenary website www.csl100.com.au.



Dividends and Financial Results

CSL's reported net profit after tax was US\$1,242 million for the year ended 30 June 2016. On a constant currency basis, net profit after tax was US\$1,357 million.

On 15 April 2016, CSL shareholders received an interim unfranked dividend of US\$0.58 per share. A final unfranked dividend of US\$0.68 per share will be paid on 7 October 2016. Total ordinary dividends for the year were US\$1.26 per share.

On 12 October 2015, CSL announced an on-market share buyback of up to A\$1 billion which, as of 30 June 2016, was 91% complete with 8.9 million shares repurchased for A\$908.5 million. The benefit to shareholders comes from improved investment return ratios, including earnings per share and return on equity. This latest share buyback together with previous share buybacks has contributed to a 26% boost to earnings per share.

CSL business activities reported here include CSL Behring, Seqirus and our global Research and Development operations.

CSL Behring

CSL Behring delivered an exceptional year, with growth in all product sales groups. Total sales of US\$5.2 billion grew 10% in constant currency over the previous year with sales growth of 11% for immunoglobulins, 12% for albumin, 4% for haemophilia products and 11% in the specialty products portfolio.

Immunoglobulins represent our largest therapy area and contributed product sales of US\$2,457 million, up 11% in constant currency over last year. Intravenous immunoglobulin (IVIG) sales growth was underpinned by solid demand for PRIVIGEN® with sales growth of 7% over the prior comparable period. PRIVIGEN's expanded indication in Europe to include its use in the treatment of chronic inflammatory demyelinating polyneuropathy (CIDP) was a significant contributor to growth in this region, especially in France and the UK. The November launch of PRIVIGEN in Australia also contributed to the brands strong performance as did US sales into the non-acute segment.

Sales of subcutaneous immunoglobulin product, HIZENTRA®, were up 31% at constant currency, led by strong demand in the US and Europe. New patient starts on HIZENTRA and those converting from IVIG were key drivers of growth.

CSL Behring's portfolio of albumin products delivered sales of US\$811 million, an increase of 12% in constant currency terms, driven by ongoing strong global demand. China delivered another strong year of albumin growth supported by our ongoing successful sales penetration into second and third tier cities.

This year we gained approval for two of our novel recombinant therapies to treat haemophilia. IDELVION® (Coagulation Factor IX (Recombinant), Albumin Fusion Protein), our long-acting recombinant albumin fusion protein for treating haemophilia B was approved in the US, the European Union and Canada. IDELVION is the only recombinant factor IX therapy that delivers high-level protection maintaining factor IX activity levels above five percent in most patients over 14-days, resulting in a median annualised spontaneous bleeding rate of zero. Additionally, appropriate patients can go up to 14 days between infusions and achieve excellent bleeding control. The flexibility to reduce their dosing cycle is an important attribute for patients who require a prophylactic regimen but don't want treatment to disrupt their active lives. Additionally, AFSTYLA® (Antihemophilic Factor (Recombinant), Single Chain) was approved in the US and is under review by Europe.



CSL Behring's novel recombinant therapies to treat haemophilia, IDELVION and AFSTYLA, were both approved in the US, with IDELVION also receiving approval in the European Union and Canada.

Year in Review continued

AFSTYLA is the first and only single-chain product for haemophilia A specifically designed for long-lasting protection from bleeds with twice weekly dosing available. Both products are off to a promising start with ongoing approvals in various countries and launches planned in the coming year.

Overall, the haemophilia product franchise increased 4% in constant currency, versus the prior year to US\$1,000 million. Plasma derived haemophilia sales grew 14% following successful tenders for the provision of BERIATE® in Iran and Russia and strong sales in Europe. Solid HUMATE® growth in the US was underpinned by expanded use in surgeries and immune tolerance therapy. A decline in sales of HELIXATE®, CSL's licensed recombinant factor VIII, to a large extent offset the growth in plasma derived therapies as competition intensifies following the launch of a number of new generation recombinant FVIII products including CSL's recently approved AFSTYLA.

Our specialty products grew 11% in constant currency terms to sales of US\$977 million. Sales of KCENTRA® (4 factor prothrombin complex concentrate) in the US were particularly strong following an increased level of promotion and increasing brand awareness. Following marketing authorisation being granted for RESPREEZA® in Europe, this product was launched in Germany, Czech Republic, Slovakia and Spain with plans for rollout in other

European countries in the upcoming year. RESPREEZA is a maintenance treatment for severe Alpha-1 Antitrypsin Deficiency patients and has been shown to slow the progression of hereditary emphysema. Increased awareness and diagnosis of hereditary angioedema (HAE) in Europe saw strong growth of CSL's BERINERT®, C1-esterase inhibitor concentrate.

CSL Behring continues to invest in state-of-the-art manufacturing facilities around the world to meet growing demand for its products, increase efficiency and support its cohesive global manufacturing network.

CSL Behring's new manufacturing operation for the recombinant coagulation products in Lengnau, Switzerland celebrated the laying of its foundation stone in May 2016, and construction on site is making excellent progress. Once operational, the state-of-the-art manufacturing facility will support the commercial production of the company's novel recombinant coagulation family of therapies.

In December, the first shipment of PRIVIGEN was made to the US from the Turner Privigen facility, a new manufacturing facility in Broadmeadows, Australia. Construction of a new albumin production facility at the same site continues. In Bern, Switzerland, and Kankakee, US, we successfully completed construction on our facility to produce clinical products for the phase III study of CSL112, our novel

form of apolipoprotein A-1, currently being investigated to reduce the high risk of early recurrent events following an acute myocardial infarction or heart attack. In Marburg, Germany, CSL Behring is continuing its €180 million, five-year modernisation and capacity expansion activities where a new 4,600-square-metre quality control, filling and packaging facility is nearing completion. In June, the Board endorsed further enhancements in Marburg and approved €245 million for construction of a new base fractionation facility. This state of the art automated facility will increase the company's overall capacity and productivity, and is expected to meet the

needs of patients for many years to come. At the Kankakee, US, site the construction of a significant, new base fractionation plant is also well progressed.

Within CSL Plasma, we continue to expand our fleet of plasma collection centres, opening 22 locations in 2015-2016, bringing our total fleet to more than 140 centres in the US and Europe. As one of the largest and most efficient plasma collection operations in the world, this unparalleled growth gives us confidence we can collect sufficient plasma to stay ahead of demand and assure reliable supply of our products to our patients well into the future.

CSL Behring operator in the PRIVIGEN® buffer plant at Broadmeadows, Australia. In December 2015, the first shipment of PRIVIGEN was made to the US from the state-of-the-art facility at CSL Behring Australia.



Seqirus

On 31 July 2015, CSL acquired the Novartis influenza vaccine business (NVS-IV) and began the process of integrating it with bioCSL to create the world's second largest influenza vaccine company, Seqirus.

In its first year of operation, Seqirus delivered solid performance and achieved a number of significant product milestones. The key near term strategic focus continues to be the execution of a turnaround plan to achieve profitability by financial year 2018.

Following the acquisition of NVS-IV, a full integrated functional leadership team took effect from 9 November, and the combined business began to formally operate as Seqirus. On 27 November, the (then) UK Home Secretary and local member, The Rt Hon Theresa May MP opened Seqirus' new global headquarters in Maidenhead, UK.

The potential to drive growth through geographic expansion of the combined portfolio was a key factor in our decision to acquire NVS-IV. We achieved a number of significant approvals for our differentiated products this year.

On 24 November, the FDA approved FLUAD™, an adjuvanted trivalent influenza vaccine (TIV) for use in adults aged 65 years and older in the US. Manufactured in our Liverpool facility and approved in Europe since 1997, FLUAD is the world's only licensed adjuvanted seasonal influenza vaccine. Adjuvants can help boost the immune response of vaccines in certain populations and potentially reduce the amount of antigen required in each dose.

On 23 May, the FDA approved FLUCELVAX QUADRIVALENT™, a quadrivalent influenza vaccine (QIV) for use in people aged four years and above in the US, replacing the trivalent formulation of the vaccine which was indicated for use in people aged 18 years and above. Manufactured in our Holly Springs facility, FLUCELVAX QUADRIVALENT is the world's only licensed QIV that is manufactured using cell-based technology.

On 15 July, the Therapeutic Goods Administration approved AFLURIA QUAD™ for people aged 18 years and above in Australia. Manufactured in our Parkville facility, AFLURIA QUAD will replace our TIV, FLUVAX®, in the 2017 Southern Hemisphere season. We expect approval for the use of AFLURIA QUAD in the US in the first quarter of financial year 2017.

In addition to supporting the regulatory filings of products approved this year, our R&D group based in Cambridge US and Amsterdam continued to progress clinical programs to support the introduction of our products in other markets as well as the development of a quadrivalent formulation of FLUAD and paediatric indications for both FLUAD and AFLURIA QUAD.

Overall revenue for the period totalled US\$652 million, tempered by the moderate winter in the Northern Hemisphere. The transition to QIVs continues in major markets, however demand for lower-priced TIVs remains reasonably robust.

Seqirus has a strong pandemic and pre-pandemic franchise, with major contracts in the US, UK and Australia. During the period, the business continued to meet its obligations under these contracts, including pandemic readiness and stockpiling. New contracts were signed with Singapore and New Zealand governments and discussions began with the World Health Organisation (WHO) about our capacity to support developing countries in the event of a pandemic.

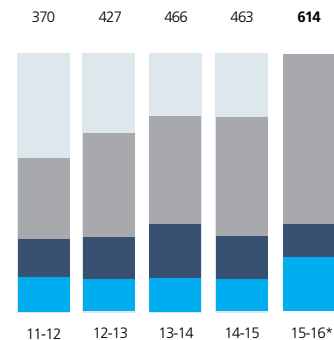
Seqirus' in-licensing division in Australia and New Zealand made a solid contribution to total revenue for the period. There was strong performance across the vaccine portfolio, particularly the shingles vaccine ZOSTAVAX* in the private market, as well as the Human Papilloma Virus (HPV) vaccine GARDASIL*, and the paediatric portfolio in the National Immunisation Program. The immunohematology group also performed well and won a major supply tender with the Australian Red Cross Blood Service.

A further strategic objective for Seqirus is to use our unique capabilities to contribute to public health. In June, at the request of the WHO and Fijian Ministry of Health, Seqirus donated 20,000 doses of influenza vaccine to Fiji to help combat a spike in seasonal influenza. The vaccine was used to protect pregnant women and healthcare workers. Seqirus also continued to support antivenom projects in Papua New Guinea and Myanmar.

*ZOSTAVAX and GARDASIL are trademarks of Merck & Co., Inc.

Year in Review continued

Research and Development Investment (US\$ millions)



- **New Product Development** activities focus on innovative new therapies for life-threatening diseases.
- **Market Development** strategies seek to bring therapies to new markets and new indications.
- **Life Cycle Management** ensures continuous improvement of existing products.

* Includes R&D for CSL Behring and Seqirus.

Research and Development

Global R&D activities support CSL's marketed products and the development of new therapies that align with our technical and commercial capabilities in immunoglobulins, specialty products, haemophilia and coagulation and breakthrough medicines.

Achieving licenses and expanding the medically justified use of therapies in major regulatory jurisdictions is a critical objective of our R&D programs. During the year, major highlights included registration in US and European markets of IDELVION, our long-acting fusion protein linking recombinant coagulation factor IX with recombinant albumin for the treatment of haemophilia B, and registration in the US of AFSTYLA, our novel factor VIII single chain indicated for adolescents and adults with haemophilia A. For more on these milestones see feature on page 32.

RESPREEZA, a highly purified alpha-1 therapy for maintenance treatment to slow the progression of hereditary emphysema in adults with severe alpha-1 antitrypsin deficiency (AATD) was approved in Europe in August 2015. Following successful approval for the biweekly administration and flexible dosing of HIZENTRA subcutaneous immunoglobulin last year in the US and Europe, approval was granted in Australia in April 2016 and a submission for approval was made to New Zealand authorities in May 2016.

CSL has made good progress bringing new and improved products to market and our strong commitment to investment in research and development continues to be reflected in pipeline advances.

In addition to IDELVION and AFSTYLA, advancement of the development of a family of novel recombinant coagulation factor medicines continued during 2015-2016, with solid progress also being made in unlocking the medical significance and value of our specialty plasma-derived products. An international Phase III study has been successfully completed, demonstrating the use of a volume-reduced, subcutaneous formulation of C1-esterase inhibitor concentrate (C1-Inh) for treatment of patients with frequent hereditary angioedema (HAE) attacks.

BERIPLEX[®], 4 factor Prothrombin Complex Concentrate, received Orphan Drug Designation in Japan in March 2016, as a first in class therapy to reverse the effects of vitamin K antagonists (e.g. warfarin) for bleeding related to over-anticoagulation and patients needing urgent surgery.

An R&D priority is the development of new breakthrough medicines such as CSL112, a novel formulation of apolipoprotein A-I (apoA-I). A Phase IIb global placebo controlled, dose ranging study investigating the safety and tolerability of multiple dose administration of CSL112 in 1,200 patients who experienced an acute myocardial infarction or heart attack has been completed with results from this study and an ongoing study in patients with renal impairment expected in late 2016 and throughout 2017.

Significant progress has also been made in the earlier stage recombinant monoclonal antibody (mAb) projects. A first in human study to evaluate the use of a human antibody (CSL324) that neutralises G-CSF activity for the treatment of inflammatory diseases associated with neutrophil infiltration was recently commenced following the successful completion of non-human primate and other studies that demonstrated CSL324 to be safe and well tolerated. Other advances include the continuation of a Phase II study for CSL362 (anti-IL-3R mAb) in acute myeloid leukaemia and the commencement of an exploratory study to evaluate the use of CSL362 in systemic lupus erythematosus (an autoimmune disease) by our partner Janssen Biotech Inc.

Investment in R&D remains an important driver for CSL's future growth. We have a high quality and potentially valuable portfolio of projects in various stages of development. We continue to make a balanced investment in the life cycle management and market development of existing products that bring short to mid-term commercial benefits, and we make strategic investments in longer term, higher risk and high opportunity new product development activities.

Corporate Responsibility

In December 2015, CSL published its seventh Corporate Responsibility (CR) Report, detailing our performance across key sustainability topics. Our performance and interactions with stakeholders is guided by our long-held values and Code of Responsible Business Practice. A full version of the report is available on our website, www.csl.com.au/corporate-responsibility.

Over the reporting year, CSL's Global CR Committee concluded our second global materiality assessment. The Committee is comprised of senior executive members from Quality & Business Services, Finance, Legal & Risk Management, Research

& Development, Human Resources, Commercial Operations, Manufacturing, Health & Safety and Public Affairs. This critical process helps to identify sustainability aspects most important to our business and stakeholders with the view to identifying strengths and opportunities. Results of the assessment will be published in late 2016.

In October 2015, following its implementation of a water scoring methodology across all companies for the first time, CSL achieved a B- (the healthcare and water global 500 average) for its submission to CDP Water – an investor led initiative to drive transparency and continuous improvement in water management. CSL was one of 14 Australian companies who participated in the initiative.

In addition, in January 2016, CSL was once again recognised for strong environmental, social and governance (ESG) performance with a listing on the FTSE4Good Index Series. The globally recognised index is designed to measure the ESG performance of companies assisting investors with investment decisions.

Our People

Our people's expertise and commitment are the very foundation on which CSL's continued success in bringing innovative and life-saving products to patients has been built. At CSL, we offer our people a workplace that provides challenging career opportunities and a work environment that supports their wellbeing and changing needs during their career with CSL.

Over the reporting period, we are proud to note that we have received a number of employer awards. CSL Behring Bern received the Swiss Employer of the Year in the large company category (1,000+ employees), CSL Behring Marburg was awarded the most Family Friendly Company in the region, CSL Plasma was awarded the 2015 Employer of the Year from the Education Corporation of America, and CSL Italy was voted a Great Place to Work.



Sandra Ruckstuhl, Head of Communications at Bern, and Uwe Jocham, at that time SVP and GM Bern and Lengnau, in receipt of the Swiss Employer of the Year Award.

This year, the growth of the company has provided opportunities for development and career advancement for current staff. In addition, it has allowed us to attract top talent from outside. These activities continue to build our pipeline for future growth. We continue to also use international moves for business needs and staff development.

Our growing and complex international business, along with an expanding workforce, demands consistent and effective management of all data and information related to the employment of our people. CSL successfully implemented the first phase of a new Global Human Resource Information System to provide improved access to data and reporting capabilities and, for employees and managers, the ability to access information directly. During the upcoming financial year, we will continue to expand the capabilities of this system.

CSL is proud of its strong diversity position which has been achieved through the fostering of a highly inclusive culture. We understand that it is critical to continually listen to our leaders and employees to ensure that this enviable position is not compromised. In 2015-2016, we have focused ensuring we have a strong employee value proposition that will not only retain our current talent but support us in attracting new talent.

In respect of gender diversity, CSL's excellent track record in terms of the comparatively high representation of women at all levels of management was achieved again during this financial year. More information on CSL's diversity position and a report on our measurable diversity objectives can be found in the Corporate Governance Statement (see page 46) and is available on our website at www.csl.com.au.

Our Thanks

With an unwavering focus on our promise to patients – to deliver life-saving and life-improving therapies that help many thousands of people live full lives – it is our dedicated management and employees that drive our performance.


Your Board of Directors recognises and appreciates their commitment and contribution in achieving our obligations to stakeholders and most importantly the patients who depend on our products for their quality of life.



John Shine AO
Chairman




Paul Perreault
Chief Executive Officer
and Managing Director



CSL's long-held values guide our performance and interactions with stakeholders

Customer Focus:

We are passionate about meeting the needs of our customers

Innovation:

We seek better ways of doing things

Integrity:

We are ethical and honest at all times

Collaboration:

We work together to achieve better results

Superior Performance:

We strive to be the best at what we do

CSL Behring has been at the forefront of biotherapeutics research and development for more than 100 years. We trace our roots to Emil von Behring, the first Nobel Prize recipient in physiology and medicine. CSL Behring and the collective group of CSL businesses have a heritage of outstanding contributions to medicine and human health.

Throughout the years our passion and commitment to delivering on our promise to save and improve the lives of people with rare and serious diseases has remained strong. We are proud of our history, and we're excited about the future because we are just getting started. Our ability to innovate and deliver lifesaving products for patients with unmet medical needs around the world continues to grow in response to the demand for our products.

Today, we are one of the largest and fastest growing protein biotherapeutics businesses in the world with more than 14,000 employees and conducting business in more than 60 countries. We offer

the broadest range of quality plasma-derived and recombinant therapies in the protein biotherapeutics industry, and have substantial markets in North America, Europe, Asia and Australia.

Our products are used around the world to treat the following conditions:

- immune disorders;
- bleeding disorders;
- hereditary angioedema;
- inherited respiratory disease; and
- neurological disorders.

We focus on patients

The people who trust and rely on our products come first in everything we do. We are keenly aware that our therapies are essential to their health and well-being, and we bring that sense of purpose to work every day. We are passionate about meeting the needs of our customers, which begins with listening to them and their healthcare providers.

We work with patient groups, plasma donors, researchers, physicians, nurses, pharmacists and home healthcare companies to achieve better results. This includes promoting quality care, improving patient access to care, expanding educational and outreach efforts, and affecting public healthcare policy.

Recognised and respected by patient organisations worldwide

We strive to be the best at what we do, and we are proud that our pioneering work in developing therapies to treat rare and serious conditions has received recognition from patient organisations worldwide.

This includes the National Hemophilia Foundation's (NHF) 2015 Corporate Leadership Award, the 2012 EURORDIS (European Organization for Rare Diseases) Award, and the 2011 Corporate Award from the National Organization of Rare Disorders.

The thousands of talented employees at CSL Behring who share our vision, values and passion for saving lives are the engine that drives our superior performance.



Broadest range of therapies to treat rare diseases

CSL Behring is a global leader in immunoglobulins (Ig). Our portfolio of innovative medicines includes a wide range of recombinant and plasma-derived products for treating bleeding disorders, and our specialty products treat hereditary angioedema and inherited respiratory disease.

CSL Behring also manufactures critical care products that are used in cardiac surgery and organ transplantation, and to treat trauma, shock, burns and acquired bleeding. They are also used to reverse the effects of warfarin and to prevent haemolytic disease of the newborn.

World-class R&D: unlocking the promise of proteins

Innovation has been in our DNA since 1916 and continues at the core of everything we do today. Our integrated R&D global organisation is driven by an experienced team of research experts who work collaboratively at worldwide locations. They continually explore new innovations to unlock the promise of biotherapies. Their contributions to medicine and human health have been possible because we continually grow our investment in R&D.

Major therapeutic products marketed by CSL Behring

HAEMATOLOGY

Recombinant Therapies

Factor VIII Single Chain

- Afstyla®

Recombinant Factor IX Albumin Fusion Protein

- Idelvion®

Factor VIII

- Helixate® FS
- Helixate® NexGen
- Iblias®

Plasma-derived Therapies

Factor VIII and von Willebrand Factor

- Beriate®
- Monoclate P®
- Humate P®
- Haemate P®
- Voncento®
- Biostate®

Factor IX

- Berinin® P
- Mononine®

Factor I (Fibrinogen)

- Haemocomplettan® P / RiaSTAP®

Factor X

- Factor X P Behring®

Plasma-derived Factor XIII

- Corifact® / Fibrogammin® P / Cluvot®

Other Products

- Stimat®
- Octostim*

SPECIALTY CARE

C1-Esterase Inhibitor

- Berinert®

Prothrombin Complex Concentrates

- Beriplex® P/N / Confidex® / Kcentra®

Fibrinogen Concentrate

- Haemocomplettan® P

Albumin Management

- Albuminar®
- Alburex® / AlbuRx®
- Human Albumin Behring®
- Humanalbumin®

Plasma-derived Antithrombin III concentrate

- Kybernin® P

Other Products

Wound healing therapies are used to facilitate healing.

- Beriplast® P Combi-Set
- Fibrogammin® P
- Tachocomb*

PULMONOLOGY

- Respreeza® / Zemaira®

IMMUNODEFICIENCY DISEASES

Intravenous Immunoglobulins

- Privigen®
- Carimune® NF
- Sandoglobulin® / Sanglopor®

Subcutaneous Immunoglobulins

- Hizentra®

Specific Immunoglobulin

- Beriglobin® P
- Berirab® P
- Hepatitis B Immunoglobulin P Behring®
- Rhophylac®
- Tetagam® P
- Varicellon® P
- Cytogam®

Product availability varies from country to country, depending on registration status.

For more information about these products, see www.cslbehring.com

* Octostim is a trademark of Ferring GmbH

* Tachocomb is a trademark of Nycomed

Enhancing patients' access to care through global advocacy

Patients around the world with rare and serious diseases share the same challenges, including the need to build community, share information and overcome the isolation that so many of them experience. CSL Behring's global advocacy initiatives work to partner with patient organisations to address these areas and strive to increase awareness, diagnosis and treatment of rare diseases.

Our worldwide advocacy initiatives also rely on building stakeholder relationships with governments and key opinion leaders. We engage with stakeholders in helping to inform and shape public policy that serves patients' needs and further enables biopharmaceutical innovation and supply.

ACCESS TO CARE

Of all our advocacy efforts, none is more important than enhancing patient access to care. We work assiduously to advance policies that help ensure patients can access their therapies in a timely manner, and payers appropriately cover the cost of treatment.

In the US, there has been a trend of increasing cost sharing for patients and other access impediments (like formularies and step therapy) to levels that can impede needed access and treatment. In Europe, CSL Behring is working for timely patient access to therapies after a product has been licensed. In all jurisdictions, it is critical for authorities to recognise the importance and special nature of therapies for rare and serious conditions and to have access policies in place that reflect that.

CSL Behring's advocacy initiatives rely on building stakeholder relationships with governments, patient groups and key opinion leaders. We also have active memberships and leadership roles in trade associations that work to advance positive policies including BIO and EuropaBio.

Key in these efforts is achieving understanding and focus on the value of therapies to patients, their families and society, not simply their cost. At CSL Behring, we have embarked on an effort to share that information with our employees as well as external decision makers. All of these initiatives are helping to maintain an environment that is conducive to patient care, commercial operations and innovation.

PATIENT ADVOCACY GROUPS

We have collaborative relationships with patient advocacy groups around the world such as the European Organisation for Rare Diseases and the National Organization for Rare Disorders. On regional and market levels, we support numerous patient groups.

An example of this is the Primary Immunodeficiency League in Hong Kong, which we support in organising patient activities and educational programs. In the Nordic Region we contribute to summer educational programs for young people with bleeding disorders and primary immune deficiency from Sweden, Norway, Finland and Denmark. These are just a few of the many patient advocacy programs that we support worldwide.

In the US, the Gettin' in the GameSM program has been hugely successful in helping children with bleeding disorders exercise, play sports, learn more about their disease and share their experiences with others facing similar challenges.

CSL marked World Hemophilia Day 2016 by contributing more than 1.5 million international units (IUs) of treatments for haemophilia A and/or von Willebrand Disease. The contribution is a part of CSL Behring's three-year promise to provide more than 10 million IUs of specialty biotherapeutics to World Federation of Hemophilia to treat haemophilia in the developing world.

For more than a century, we have earned a reputation as a passionate yet responsible organisation driven to care for patients and keep our word, a reputation that is reflected in our advocacy initiatives worldwide.



Major biotherapies produced by CSL Behring in Australia

COAGULATION DISORDERS

Coagulation therapies are used to treat bleeding disorders such as haemophilia and von Willebrand disease.

- Biostate® / Aleviate® / Voncento® (human coagulation factor VIII/von Willebrand factor)
- MonoFIX®-VF (human coagulation factor IX)
- Prothrombinex®-VF (human prothrombin complex)

CRITICAL CARE CONDITIONS

Critical care products are used in fluid resuscitation, for replacement of albumin, and to treat specific factor deficiencies.

- Albumex® (human albumin)
- Thrombotrol®-VF (human antithrombin III)

IMMUNE DISORDERS AND IMMUNE THERAPY

Immunoglobulins are used to treat immunodeficiency, modify the function of the immune system, and for protection against specific infections.

- Intragam® P (6% liquid intravenous immunoglobulin for intravenous administration)
- Intragam® 10 NF (10% liquid intravenous immunoglobulin for intravenous administration)
- Evogam® (16% liquid intravenous immunoglobulin for subcutaneous administration)
- Normal Immunoglobulin-VF (human normal immunoglobulin)
- Rh(D) Immunoglobulin-VF (human Rh (D) immunoglobulin)
- CMV Immunoglobulin-VF (human cytomegalovirus immunoglobulin)
- Hepatitis B Immunoglobulin-VF (human hepatitis B immunoglobulin)
- Zoster Immunoglobulin-VF (human zoster immunoglobulin)
- Tetanus Immunoglobulin-VF (human tetanus immunoglobulin)

TOLL FRACTIONATION

In Australia, CSL Behring performs plasma fractionation for the National Blood Authority, a role pivotal to Australia's policy of self-sufficiency. CSL Behring is also the national plasma fractionator of New Zealand, Hong Kong, Malaysia, Singapore and Taiwan.

Biotherapies distributed by CSL Behring in Australia

PRIVIGEN®

(10% liquid intravenous immunoglobulin)

HIZENTRA®

(20% liquid subcutaneous immunoglobulin)

RHOPHYLAC®

(human Rh (D) immunoglobulin, for IV use)

RIASTAP®

(fibrinogen concentrate)

BERINERT®

(C1 esterase inhibitor)

FIBROGAMMIN®

(human coagulation factor XIII)

SPECIAL ACCESS SCHEME

Under Australia's Special Access Scheme, CSL Behring distributes several additional life-saving, plasma products for the treatment of rare conditions.



CSL Behring continued

Delivering on our promise through global expansion

CSL Behring's promise to save lives and protect the health of people stricken with a broad range of serious and chronic medical conditions means more than developing new therapies, it also means ensuring that we make our therapies available to people who need them most around the globe. For us, this means continuing to expand our presence by commencing operations in new markets. CSL Behring conducts business in more than 60 countries.

Two markets that hold significant potential for CSL Behring are Russia and China.



CEO Paul Perreault, GM Russia and CIS Anna Drozdova, and VP and GM Intercontinental Commercial Operations Markus Staempfli at the opening of the branch office in Moscow.

RUSSIA

We established a presence in Russia earlier this year and we are now licensed to market seven products. Today the greatest demand in Russia is for factor VIII to treat haemophilia A. In addition, CSL Behring was the first biotherapeutics company to introduce von Willebrand factor in Russia – a significant accomplishment that resulted in the Russian government including HAEMATE® under the state coverage program.

Immune deficiency is also a therapeutic area of need, with low per capita use of immunoglobulin (Ig) in Russia. CSL Behring launched PRIVIGEN® this year and is now working to build awareness and increase the diagnosis of primary immune deficiency.

CHINA

In China, where we are currently licensed to sell three albumin brands, sales have doubled in the past three years. The demand for our albumin products, which are used for volume replacement therapies and treatments of liver disease, burn and trauma, continues to grow. CSL Behring is the market leader in albumin in China.

To support future growth in China, we are looking beyond albumin and exploring how we can reach patients with our recombinant factor products as well as other biotherapies in the next five to ten years.

Other countries also represent significant opportunity for us to bring our products to patients in need.

CHILE AND TURKEY

While Chile is a much smaller market than Russia or China, CSL Behring is establishing a presence and has recently begun licensing products. To date, our biggest success story is the introduction of HIZENTRA®, our Ig therapy which can be subcutaneously administered. When hospitals and healthcare centres may be hundreds of miles apart, the ability to dose in one's home is transformational.

CSL Behring is also expanding in Turkey, where BERINERT® will represent a significant innovation that is changing people's lives as we continue to deliver on our promise to patients, partners and investors.

POLAND

It is estimated that as many as 75% of people in Poland with an immune deficiency may be undiagnosed. CSL Behring established a direct presence in Poland in 2012. In the last four years we significantly increased sales of PRIVIGEN and are now a market leader in immunoglobulins.

We are also one of the major companies in Poland in sales of coagulation factor

therapies, and there is opportunity for our growing portfolio of recombinant products. In Poland, early diagnosis for bleeding disorders is much higher than for immune deficiencies, at a level comparable to the rest of Europe.

One of our major achievements this year was obtaining reimbursement for BERINERT, which is used to treat hereditary angioedema. This was a significant challenge because there is a single national state-owned health fund in Poland.

There is much that remains to be done to educate patients and doctors in Poland about early diagnosis. For example, RHOPHYLAC® use in pregnant women is low, and CSL Behring has introduced programs to educate gynaecologists about the product and its use. In addition, we are still developing the HIZENTRA market, aided by a new policy that allows patients to take home a three-month supply from the hospital.

The power of a team can move mountains

Climbing a mountain is challenging enough, but when the hiker has Alpha-1 Antitrypsin deficiency (Alpha-1), it's a whole other story. This rare genetic condition can result in serious lung disease and patients often suffer from shortness of breath, wheezing, chronic bronchitis and asthma.

Last August, Dee Meisner (in yellow in photo third from right), a police officer from Cocoa, Florida and an Alpha-1 patient, tackled Mt. Rainier, the highest peak in the state of Washington in the US. Despite Dee's condition, which leaves her with only 50% lung capacity, she has made a personal commitment to increase awareness of Alpha-1 by hiking mountains. This was her second attempt on Mount Rainier, after falling just short of her goal last year. This

year's trek was different for two reasons. Dee dedicated this hike to her brother, Steve, who also suffered from Alpha-1 and passed away just six months before the climb. In addition, she had the power of a team behind her.

Dee was accompanied by Tim Grams, an experienced hiker and one of CSL Behring's Gettin' In the GameSM athletes who has haemophilia A. Dee and Tim were joined by 15 CSL Behring employees who were chosen at random to join "Team CSL" on the full-day, nine-mile round-trip hike. The 13-hour hike included steep angles, packed snow and quick-changing weather, but Dee's determination was infectious and the encouragement of her team members motivated her to press on to Camp Muir.

She explains, "I really didn't know if I was going to make it. I began to cry, but as I looked at my team I knew then there was no turning back. They cheered me on, step by step, ignoring their own physical exhaustion. With our team song, "The Fight," playing faintly from a mobile phone and soft words of encouragement beside me, "you got this Dee, just a little more to go," I no longer felt my bodily discomfort or shortage of oxygen. What I felt was the warmth and love of a team of people from here and there. People who didn't know me prior to this expedition, or realise that the work they do at CSL Behring has already enabled me to climb mountains in my life."



New father and outdoor adventurer inspires others

Tim Grams lives with his wife, Abby, and newborn daughter in Morrison, Colorado. Living in Colorado, outdoor adventures are an important part of his life.

"I enjoy being in the open-air – mountain biking, hiking, and skiing," Tim said. "Whatever I'm doing I need to be challenged, pushing boundaries."

One challenge Tim has faced throughout his life is severe haemophilia A. Primarily affecting males, haemophilia A is congenital and characterised by deficient or defective factor VIII. People with haemophilia A may

experience prolonged or spontaneous bleeding, especially into the muscles, joints or internal organs.

"Both of my grand uncles had severe haemophilia, so my brother and I were diagnosed as infants," Tim said. "While haemophilia impacted a lot of my life growing up, I did not let it hold me back from doing what I love."

A former high school and college swimming champion – Tim is a member of CSL Behring's Gettin' in the GameSM program

in the US. Through this program he shares his story with kids to educate them about overcoming adversity and the importance of remaining active when living with a bleeding disorder.

"I hope people with bleeding disorders have big dreams and realise they can still accomplish their goals despite their disorder," added Tim. "Because of treatment advancements, such as CSL Behring's AFSTYLA[®] (Antihemophilic Factor (Recombinant), Single Chain) and innovative programs I feel that our future is bright."

CSL Behring continued

CSL Plasma

Since beginning its program of expansion in 2011, CSL Plasma has grown to become one of the largest plasma collection networks in the world, providing human plasma to CSL Behring for the manufacture and distribution of plasma protein biotherapeutics. Its expanded laboratory and logistics operations have increased CSL Plasma's testing and storage capacity to meet the growing need for plasma-derived therapies.

CSL Plasma has collection centres throughout the US, Germany and now Hungary, with plasma testing laboratories and logistics centres in US and Germany.

The Global and US headquarters of CSL Plasma is located in Boca Raton, Florida, with the European (EU) headquarters located in Marburg, Germany. Within the US and Germany, logistics centres are located in Indianapolis, Indiana (US), Mesquite, Texas (US) and Schwalmstadt, Germany, while the plasma testing laboratories are located in Knoxville, Tennessee (US) and Goettingen, Germany.

In a highly regulated industry, CSL Behring and CSL Plasma use the most sophisticated systems and continue to explore avenues of innovation.

US States and European cities with CSL Plasma collection centres



US Headquarters
Boca Raton, Florida

US Testing Laboratory
Knoxville, Tennessee

US Logistics Centres
Indianapolis, Indiana
Mesquite, Texas

EU Headquarters
Marburg, Germany

EU Testing Laboratory
Goettingen, Germany

EU Logistics Centre
Schwalmstadt, Germany

Brothers with XLA don't let it define them

Jane Chauvin is a busy mother who has three active boys. While the boys enjoy outdoor sports and appear to be healthy, each suffers from Primary Immunodeficiency (PI). The boys also have been diagnosed with X-Linked Agammaglobulinemia or XLA.

XLA is an inherited immunodeficiency disease in which patients lack the ability to produce antibodies, the proteins that make up the gamma globulin or immunoglobulin fraction of blood plasma. According to the US based Immune Deficiency Foundation, patients with XLA are prone to develop infections because they lack antibodies. The infections frequently occur at or near the surfaces of mucus membranes, such as the middle ear (otitis), sinuses (sinusitis) and lungs (pneumonia or bronchitis), but in some instances infections can involve the bloodstream or internal organs as well. Gastrointestinal infections can also be a problem with abdominal pain, diarrhea and poor growth or loss of serum proteins like gamma globulin.

The Chauvin boys with XLA include John, who is the oldest. He is 11 and is a rising sixth grader. Next, Connor is age eight and will be entering the third grade the next school year. The youngest, James, is five-years-old and will be a first grader in the near future.

It was the Chauvin's first son, John, who was first diagnosed. According to Jane, "Prior to John's diagnosis we never heard of a Primary Immunodeficiency. It wasn't discovered until

he was 10 months old. We knew something was wrong. John suffered numerous and successive ear infections with two different ear tube placements. Ultimately, he endured five days in the hospital with a bad case of pneumonia. John was always the happy, quiet, eat-everything-in-sight baby, but one who was constantly suffering these ear infections, nasal discharge, and even a spontaneous ruptured eardrum. It was all very strange and frightening."

Fortunately, help arrived. "We credit an ears, nose and throat (ENT) specialist along with our pediatrician in finding out what was really wrong with John. They put their heads together to find an answer for our baby. These doctors recognised there must be a deeper issue causing John's problems that was beyond the scope of their specialty areas," she adds. Finally the diagnosis was received and a plan for treatment discussed with Jane and her husband Charlie. Jane says, "Hearing your beautiful baby has a disorder requiring lifelong treatment is shocking. However, now we know how 'normal' life can be with the proper diagnosis and treatment."

When Connor and James were born, it did not take a year to diagnose them. Jane explains, "Since the disorder is genetic, we were able to test Connor and James at three weeks of age. Both received their first intravenous immunoglobulin (IVIg) infusion at six weeks of age."

She points out that IVIg has made an incredible difference in the health and well-being of her sons. Jane says, "In the last ten years, we have had perhaps two or three ear infections among all three boys. Sinus infections are still pretty frequent, at least three a year per child, as the IVIg does not provide much protection for mucosal membranes. Prophylactic antibiotics are standard for us during the winter months."

Jane adds that she and her husband are very open with their friends, family and community about the medical issues their boys face. "We encourage our sons to live their life despite their disorder. All three are especially active in sports. We have soccer in the fall, basketball in the winter, baseball in the spring, and swimming in the summer. As one might imagine, we are one busy family but PI doesn't manage us, we manage it. People who have only recently met us are quite surprised to hear of the medical issues since John, Connor and James act and look like every healthy child. We do not treat them as though they have a disability; this is not a crutch for them. It's simply THEIR normal."

As Jane thinks about her sons and the need for plasma-based therapies, she states, "Plasma donation is essential to the continued health of our children. Some 50 years ago all three of our incredible children would have been dead by the age of five. Without plasma donors, they wouldn't be here. Today, my family thanks CSL for all you do."



Brothers John, Connor and James at hospital receiving their IVIg treatment for their Primary Immunodeficiency.

Seqirus

While Seqirus was established just one year ago, it has a rich pedigree in influenza vaccine research, development and manufacture. As part of CSL, its involvement with influenza dates right back to the Spanish flu pandemic of 1918. The experience left an indelible mark on the organisation and has now led to the creation of a new global force in the prevention and control of influenza.

Towards the end of World War I, a deadly form of influenza began to spread around the world and threatened Australian shores. The fledgling CSL swung into action, producing three million doses of a mixed bacterial vaccine to help protect the nation. The pandemic took the lives of 12,000 Australians, but the death toll could have been far worse.

During the 1930s influenza was found to be caused by a virus, and with World War II looming, the race began to develop a new vaccine. In 1942, CSL produced one million doses of the new virus vaccine using the egg-based method pioneered by the Australian virologist, Macfarlane Burnet. Seasonal production began thereafter, and in 1952, CSL was asked to assist the World Health Organization (WHO) with global surveillance of the ever-changing virus.

Regular production of influenza vaccine meant that CSL was in a constant state of pandemic readiness for Australia. This capability was

tested with great effect during the Asian Flu Pandemic in 1957 and the Hong Kong Flu Pandemic in 1968/69. The following year the company was invited to join a new committee to advise the Australian Government on the correct flu strains to put in the vaccine each season.

In 1973, CSL scientists began adapting flu strains so they would grow better in eggs and shared the resulting 'seeds' with all flu manufacturers via the WHO. Through the 70s and 80s, the company began to supply flu vaccine to other Southern Hemisphere countries. In 1992, CSL's capabilities were further recognised when it was designated a WHO influenza collaborating centre.

After privatisation in 1994, CSL set its sights on Northern Hemisphere markets. It initially supplied bulk antigen to other manufacturers before securing approval of its own seasonal flu vaccine brands in Europe and the US during the mid-to-late 2000s. Around this

time, the US Government and Novartis agreed to build a large facility in North Carolina to manufacture flu vaccine using emerging cell-based technology as part of pandemic preparedness plans.

When the Swine Flu Pandemic was declared in 2009, CSL was one of the first in the world to develop and roll-out a pandemic vaccine to global markets. The following year its seasonal flu vaccine was associated with unexpected reactions in children in Australia, which after extensive scientific investigations led CSL to change its standard manufacturing process. During this time, CSL created bioCSL to focus solely on its important legacy activities, in particular flu vaccines.

While bioCSL continued to live up to its reputation of early, reliable supply of flu vaccines to global markets, it lacked global scale and questions arose around its sustainability. But the company wasn't ready to give up on the flu expertise it had developed over the past century. It also

had important pandemic preparedness responsibilities to consider. A strategic acquisition was the solution.

In 2015, CSL acquired the Novartis influenza vaccine (NVS-IV) business and combined it with bioCSL to create Seqirus, now the world's second largest flu vaccine company. The combined business has three manufacturing plants, one of which uses a novel cell culture technology, a differentiated product portfolio, global commercial reach, major pandemic contracts and a late stage product development pipeline.

With a century of experience in flu, and the combined strength of the bioCSL and NVS-IV assets and capabilities, Seqirus is well positioned for global leadership. The prospect of new technologies and growth opportunities in complementary spaces only add to the potential. While its rich heritage will continue to be a guiding light for the business, it's now time for Seqirus to write its very own history.

100 years of flu



1916

CSL is established to protect Australians from disease threats and later locates its production facilities in Parkville, Melbourne.

1918-19

The Spanish flu pandemic spreads around the world killing millions of people. CSL acts to protect Australia by producing three million doses of a mixed bacterial vaccine.

1933

British researchers discover that a virus, not bacteria, is the cause of influenza.

1942

CSL produces influenza virus vaccine for the first time, supplying one million doses to Australian and British armed forces. It protects against two strains of the flu virus.

1951

CSL becomes a WHO Influenza Reference Laboratory to assist with surveillance of the ever-changing virus in the Southern Hemisphere.

1957

The Asian flu pandemic causes around two million deaths worldwide. CSL acts quickly to produce 1.6 million doses of vaccine to protect Australians.

1968

CSL introduces virus splitting technology in the production of its flu vaccines, greatly improving the quality of the product.

1968-69

Hong Kong flu spreads across the world, resulting in 1 million deaths. CSL produces 5 million doses of vaccine, helping to lessen the impact in Australia.

1970

An influenza committee is established in Australia to recommend the strains to be included in the vaccine annually. CSL is represented on the committee.

1973

CSL begins to adapt flu strains so they grow better eggs. The resulting strains are shared with all flu vaccine manufacturers via the WHO.

1978

CSL transitions its seasonal flu vaccine from a bivalent (two strains) to a trivalent (three strains) vaccine.

1992

CSL is designated as a WHO Influenza Collaborating Centre, strengthening its role in the global flu network.

2002

CSL supplies bulk antigen to flu vaccine to producers in the Northern Hemisphere, resulting in year round production.

2007

The FDA approves CSL's seasonal flu vaccine, AFLURIA® in the US market. The vaccine is also licensed in Germany.

2009

The H1N1 (Swine Flu) pandemic is declared. CSL is one of the first to produce a vaccine, supplying doses to Australia, the US and several other countries.

To enhance pandemic readiness, Novartis and the US Government open a state-of-the art facility in the US to manufacture flu vaccines using cell-culture technology.

2010

CSL's seasonal flu vaccine, FLUVAX®, is associated with unexpected reactions in children in Australia. Extensive investigations lead CSL to manufacturing changes.

2011

The new Novartis facility in the US produces its first batches of cell-culture influenza vaccine for the US Government; a H5N1 pandemic vaccine for stockpiling.

2012

CSL reorganises its Australian businesses and creates bioCSL to focus on vaccines and pharmaceuticals.

The FDA approves Novartis' cell culture-based trivalent influenza vaccine, FLUCELVAX™ for use in the US, the only licensed seasonal flu vaccine of its type in the world.

The WHO begins to recommend a fourth strain for inclusion in seasonal flu vaccines as industry prepares for the phased introduction of quadrivalent formulations.

2015

bioCSL acquires the rights to commercialise an intravenous treatment for acute complicated influenza, RAPIVAB™.

CSL acquires the Novartis influenza vaccine business and combines it with bioCSL to create Seqirus, the second largest flu vaccine company in the world.

The FDA approves Seqirus' adjuvanted trivalent flu vaccine FLUAD™ for use in the US, the only licensed seasonal flu vaccine of its type in the world.

2016

The FDA approves Seqirus' cell-based quadrivalent flu vaccine, FLUCELVAX QUADRIVALENT™ for use in the US, the only licensed product of its type in the world.

The Therapeutic Goods Administration and the FDA approve Seqirus' egg-based four-strained flu vaccine, AFLURIA QUAD™ for use in Australia and the US respectively, providing a broad portfolio of differentiated portfolio.

Seqirus is first to ship seasonal influenza vaccines to the US market for the 2016/17 flu season, demonstrating the company's commitment to early, reliable supply.

Seqirus continued

Major vaccines, pharmaceutical and diagnostic products marketed by Seqirus

INFLUENZA PRODUCTS

Seqirus markets a comprehensive portfolio of influenza products in various countries around the world:

Seasonal influenza products

Afluria® ^	Trivalent influenza vaccine
Aggripal® ^^	Trivalent influenza vaccine, egg-based
Fluvirin®	Trivalent influenza vaccine, egg-based
Fluad™	Adjuvanted trivalent influenza vaccine, egg-based
Flucelvax QIV™	Quadrivalent influenza vaccine, cell-based
RapiVab™*	Intravenous influenza antiviral

Pre-pandemic influenza vaccines

Foclivia®	H5N1 influenza vaccine, egg-based
Aflunov®	H5N1 influenza vaccine, egg-based

^ Also registered as *Enzira®*, *Fluvax®* and *Nilgrip®* in various different markets

^^ Also registered as *Begripal®*, *Fluazur®*, *Sandovac®*, *Agriflu®* in various different markets

PANDEMIC VACCINES

Panvax® & Panvax® Junior	H1N1 influenza vaccine, egg-based
Panvax® & Panvax® Junior	H5N1 adjuvanted influenza vaccine, egg-based
Focetria	H1N1 influenza vaccine, egg-based
Celtura	H1N1 influenza vaccine, cell-based

VACCINES & PHARMACEUTICALS

Seqirus also markets a broad range of vaccines and pharmaceuticals in both Australia and New Zealand:

Vaccine	For the prevention of
ADT® Booster	Diphtheria and Tetanus
Dukoral*	Cholera
Gardasil*	Cervical cancer and genital warts
H-B-Vax* II	Hepatitis B infection
Jespect*	Japanese encephalitis
Menjugate*	Meningococcal C disease
Menveo*	Meningococcal (A, C W-135,Y)
M-M-R*II	Measles, mumps and rubella
Pneumovax* 23	Pneumococcal infection
ProQuad*	Measles, mumps, rubella and varicella
Rabipur*	Rabies infection
RotaTeq*	Rotavirus-induced gastroenteritis
Vaqta*	Hepatitis A infection
Varivax*	Varicella
Vivotif Oral*	Typhoid infection
Zostavax*	Shingles and Post Herpetic Neuralgia

Pharmaceuticals

Pharmaceuticals	For the treatment of:
Acarizax*	Allergies and Asthma
BenPen*	Bacterial infections
Burinex*	Oedema
Caldolor*	Pain and fever
Copaxone*	Multiple Sclerosis
Flomaxtra*	Benign prostatic hyperplasia
Fucidin*	Bacterial infections
Modavigil*	Excessive daytime sleepiness in narcolepsy
Palexia*	Moderate to severe chronic pain
Tramal*	Moderate to severe pain
Vesicare*	Overactive Bladder Syndrome
Versatis*	Post Herpetic Neuralgia
Tetrabenazine*	Movement disorders

Additional products are also marketed in New Zealand only, details of which can be found at www.seqirus.com.nz.

PRODUCTS OF NATIONAL SIGNIFICANCE

Seqirus manufactures and distributes a range of uniquely Australian products in the national interest under contract with the Commonwealth Department of Health.

Antivenoms

For treatment of envenomation from land snakes:

- Black snake antivenom
- Brown snake antivenom
- Death adder antivenom
- Taipan antivenom
- Tiger snake antivenom
- Polyvalent antivenom

For the treatment of envenomation from spiders:

- Funnel web spider antivenom
- Red back spider antivenom

For the treatment of envenomation from marine animals:

- Box jelly fish antivenom
- Sea Snake antivenom
- Stone fish antivenom

Vaccines

- Q-Vax® for the prevention of Q fever
- Q-Vax® Skin Test for the detection of Q fever antibodies

DIAGNOSTIC PRODUCTS

Seqirus develops, manufactures and markets in vitro diagnostic products for immunohaematology and snake venom detection.

- Reagent Red Blood Cells
- Monoclonal Reagents
- Supplementary Reagents
- Snake Venom Detection Products (used to detect venom in snakebite victims and indicate the appropriate monovalent antivenom for treatment).

TRADEMARKS

® Registered trademark of CSL Limited or its affiliates

* Trademarks of companies other than CSL and referred to on this page are listed below:

Astellas	Flomaxtra Vesicare	Novartis	Menjugate Menveo Rabipur
BioCryst	RapiVab	PaxVax	Vivotif Oral
Cumberland Pharmaceuticals Inc.	Caldolor	Sandoz	BenPen
Grunenthal GmbH	Tramal Palexia Versatis	Teva	Copaxone Modavigil
Leo Pharmaceutical Products Limited AS	Burinex Fucidin	Valeant	Tetrabenazine
Merck & Co. Inc.	Gardasil H-B-Vax II M-M-R II Pneumovax ProQuad RotaTeq Vaqta Varivax Zostavax	Valneva	Jespect Dukoral

CSL has been committed to saving lives and improving the quality of life for people with bleeding disorders for over a century. We remain a world leader in innovative coagulation medicines and technologies. Our medicines are used to treat patients who are deficient in some of their natural blood proteins making them vulnerable to crippling and life threatening bleeding.

Innovation in coagulation medicines

Our portfolio includes more than a dozen coagulation products used for the treatment of haemophilia A, haemophilia B and the most inherited bleeding disorder in the world, von Willebrand disease (vWD). Many of these therapies are derived from human plasma. We have also now developed new recombinant products which offer patients more efficacious and convenient treatment options. CSL's recombinant factor development pipeline is built on its strength in protein research and development and scientific expertise in bleeding disorders, coupled with a long-standing commitment to the bleeding community.

CSL's centenary year is marked with two special milestones. IDELVION® is the first product and AFSTYLA® the second from our innovative recombinant factor development program to receive US FDA approval during 2016 adding to our growing portfolio of bleeding disorder products.

In March 2016, the FDA approved IDELVION - CSL's novel, long-acting albumin fusion protein linking recombinant coagulation factor IX with recombinant albumin for the treatment of haemophilia B.

The approval of IDELVION is based on results from the PROLONG-9FP clinical development program. PROLONG-9FP includes Phase I through Phase III open-label, multicentre studies evaluating the safety and efficacy of IDELVION in children and adults (ages 1 to 61 years) with haemophilia B (factor IX levels $\leq 2\%$). Data from PROLONG-9FP were recently published in the American Society of Hematology's publication Blood.

IDELVION is approved for children and adults with haemophilia B for routine prophylaxis to prevent or reduce the frequency of bleeding episodes; on-demand control and prevention of bleeding episodes; and the perioperative management of bleeding (around the time of surgery). It is the first and only haemophilia



AFSTYLA[®]
Antihemophilic Factor
(Recombinant), Single Chain



IDELVION[®]
Coagulation Factor IX (Recombinant), Albumin Fusion Protein

B therapy that delivers high-level protection with up to 14-day dosing intervals. This dosing interval has been achieved while maintaining high levels of factor IX activity, above five percent over a prolonged period of time. This provides excellent bleeding control, and reduces the monthly number of units needed for prophylaxis therapy thereby potentiating improvement of quality of life.

IDELVION was also approved by Health Canada in March and the European Union in May. Additionally, regulatory authorities in Australia, Switzerland and Japan are currently reviewing our license applications for IDELVION. We look forward to bringing this innovative treatment option to haemophilia B patients in these markets in the coming months and years.

In May 2016, the second of our developed recombinant factors was approved by the FDA - AFSTYLA, a novel long-lasting recombinant factor VIII single-chain therapy for adults and children with haemophilia A. AFSTYLA is the first and only single-chain

product for haemophilia A that is specifically designed for increased molecular stability and duration of action, thereby providing long-lasting protection from bleeds with two to three times weekly dosing. Once activated, AFSTYLA is identical to natural factor VIII.

AFSTYLA is indicated in adults and children with haemophilia A for routine prophylaxis to reduce the frequency of bleeding episodes; on-demand treatment and control of bleeding episodes; and the perioperative management of bleeding. The approval of AFSTYLA is based on results from the AFFINITY clinical development program. AFFINITY includes two pivotal and one extension open-label multi-centre studies evaluating the safety and efficacy of AFSTYLA in children, adolescents and adults with haemophilia A.

Together, these two therapies lead the way for our industry-leading portfolio of coagulation therapies and exemplify CSL's commitment to save lives and improve the quality of life for people with bleeding disorders around the world.



Research and Development Strategy

Immunoglobulins

Products such as HIZENTRA® and PRIVIGEN®.

Direction: Maintain leadership position through focus on improved patient convenience, yield improvements, expanded labels, new formulation science and specialty Igs.

Breakthrough Medicines

Protein-based therapies such as anti IL-3R antibody (CSL362) and reconstituted High Density Lipoprotein (CSL112).

Direction: Develop new protein-based therapies for significant unmet medical needs and multiple indications.

Haemophilia Products

Plasma-derived products such as HAEMATE P® and recombinant coagulation factors such as IDELVION® and AFSTYLA®.

Direction: Support and enhance plasma products and develop a novel recombinant portfolio with a focus on scientific and product innovation and patient benefit.

Specialty Products

For acquired and perioperative bleeding such as BERIPLEX® and RIASTAP®, and BERINERT®, CORIFACT® and ZEMAIRA®, for certain types of deficiencies.

Direction: Leverage our high quality, broad specialty plasma products portfolio through new markets, novel indications and new modes of administration.

Research and Development continued



CSL centenary fellowships

R&D represents both the past and the future of CSL. CSL believes Australia's medical research community is world-class and a rich source of potential discoveries to address the world's unmet medical needs. With CSL's global R&D hub based in Australia and in honour of CSL's 100th anniversary, CEO and Managing Director, Paul Perreault, announced at the CSL Centenary Gala event held in Melbourne in April 2016, the establishment of a new flagship A\$25 million fellowship program for early stage and translational research in Australia.

The fellowships pay tribute to CSL's origins by supporting Australia's scientific community. Their intent is to foster excellence in Australian medical research by supporting mid-career Australian scientists to pursue world class research in Australian academic institutions.

The CSL Centenary Fellowships are high-value awards - amongst the highest offered in Australia - available to outstanding Australian researchers who seek to consolidate their career and undertake research in an Australian academic institution. Two five-year fellowships will be awarded each calendar year, for 10 years. The total value of each award will be A\$1.25 million.

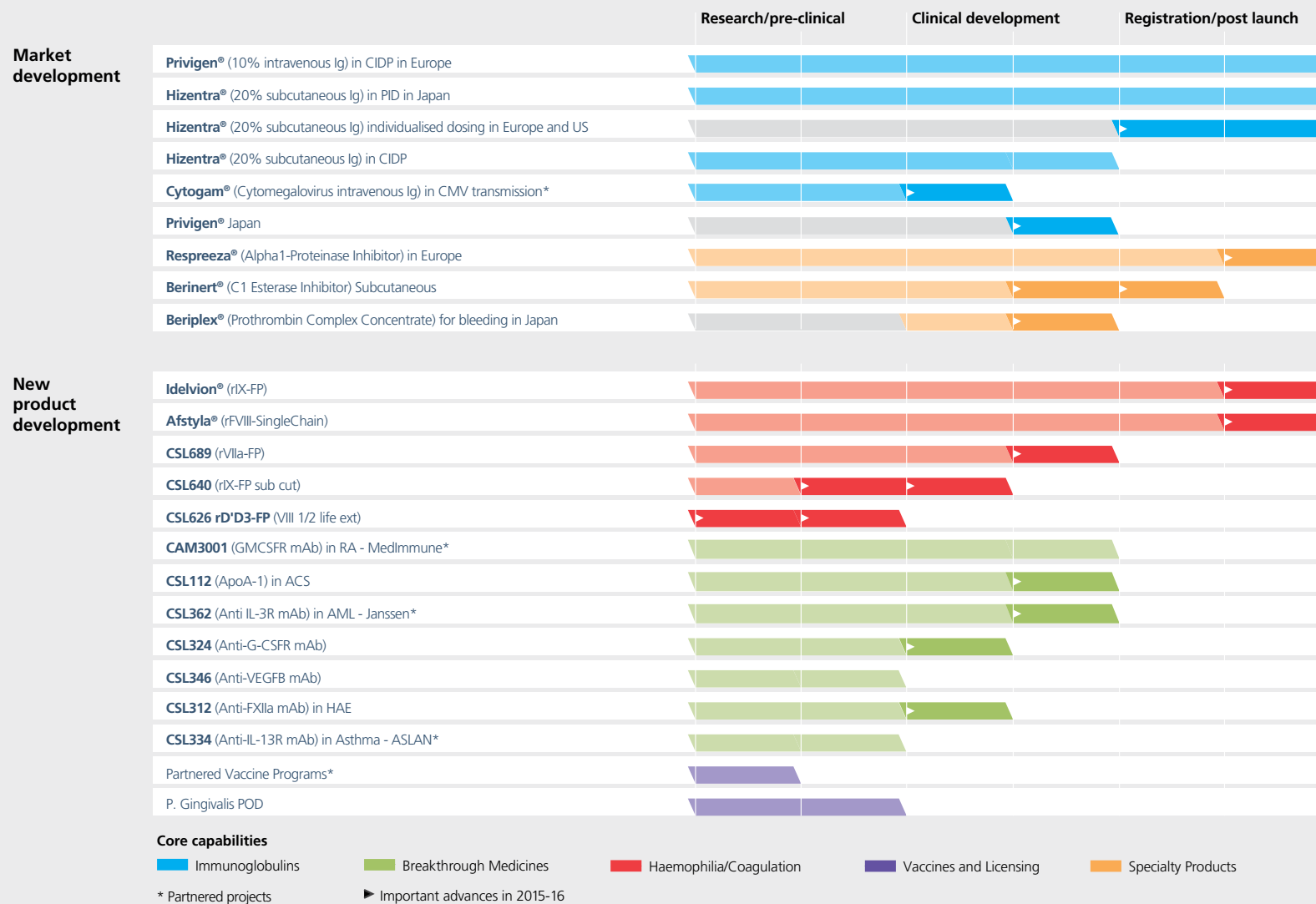
The fellowships are primarily awarded for discovery and translational research with a focus on rare and serious diseases, immunology and inflammation.

The fellowships are overseen by a five person Selection Committee, comprising three independent members: Professor Ashley Dunn; Professor Carola Vinuesa; and Professor Stephen Jane, and two CSL representatives: Dr Andrew Nash and Dr Andrea Douglas.

Applications for the first two CSL Centenary Fellowships opened on 1 June 2016. Fellows will be announced in October for commencement 1 January 2017.



CSL's Global Research and Development Pipeline Achievements 2015-16



CSL's pipeline also includes life cycle management projects which address regulatory post marketing commitments, pathogen safety, capacity expansions, yield improvements and new packages and sizes.

Directors



John Shine AO

BSc (Hons), PhD, DSc, FAA, FRCPA, FAHMS - (Age 70)
Pharmaceutical Industry and Medicine
(resident in New South Wales)
Independent: Yes

Chairman

Professor John Shine AO was appointed to the CSL Board in June 2006 and became Chairman in October 2011. He is Professor of Molecular Biology and Professor of Medicine at the University of NSW, and a Director of many scientific research and medical bodies throughout Australia. Professor Shine is President of the Museum of Applied Arts and Science (Powerhouse Museum and Sydney Observatory) and was formerly Executive Director of the Garvan Institute of Medical Research. He was also formerly Chairman of the National Health and Medical Research Council and a Member of the Prime Minister's Science, Engineering and Innovation Council. In November 2010, Professor Shine was awarded the 2010 Prime Minister's Prize for Science.

Professor Shine is Chairman of the Nomination Committee and a member of the Innovation and Development Committee.



Paul Perreault

BA Psychology – (Age 59)
International Pharmaceutical industry
(resident in Pennsylvania, US)
Independent: No

Chief Executive Officer and Managing Director

Mr Paul Perreault was appointed to the CSL Board in February 2013 and was appointed as the Chief Executive Officer and Managing Director in July 2013. He joined a CSL predecessor company in 1997 and has held senior roles in sales, marketing and operations with his most recent prior position being President, CSL Behring. Mr Perreault has also worked in senior leadership roles with Wyeth, Centeon, Aventis Bioservices and Aventis Behring. He was previously Chairman of the Global Board for the Plasma Protein Therapeutics Association. Mr Perreault has had more than 30 years' experience in the global healthcare industry.

Mr Perreault is a member of the Innovation and Development Committee.



John Akehurst

MA (Oxon), FIMechE – (Age 67)
Engineering and Management
(resident in Western Australia)
Independent: Yes

Mr John Akehurst was appointed to the CSL Board in April 2004. He had 30 years' executive experience in the international hydrocarbon industry, including seven years as Managing Director and CEO of Woodside Petroleum Ltd. Mr Akehurst is a member of the Board of the Reserve Bank of Australia and is a Director of Origin Energy Limited, and Transform Exploration Pty Ltd. He was formerly Chairman of Alinta Limited and of Coogee Resources Limited and is a former Director of Oil Search Limited. Mr Akehurst is Chairman of the National Centre for Asbestos Related Diseases and the Fortitude Foundation.

Mr Akehurst is Chairman of the Human Resources and Remuneration Committee and a member of the Nomination Committee.



David Anstice

BEC – (Age 68)
International Pharmaceutical Industry
(resident in Pennsylvania, US)
Independent: Yes

Mr David Anstice was appointed to the CSL Board in September 2008. He was a longtime member of the Board of Directors and Executive Committee of the US Biotechnology Industry Organisation, and has over 45 years' experience in the global pharmaceutical industry. Until his retirement in August 2008, Mr Anstice was for many years a senior executive of Merck & Co., Inc., serving at various times as President of Human Health for US/Canada/Latin America, Europe and Asia, and at retirement was an Executive Vice President. He is a Director of Alkermes Plc, Dublin, Ireland, and a Director of the United States Studies Centre at the University of Sydney.

Mr Anstice is a member of the Human Resources and Remuneration Committee, the Innovation and Development Committee and the Nomination Committee.



Bruce Brook

BCom, BAcc, FCA, MAICD – (Age 61)
Finance and Management
(resident in Victoria)
Independent: Yes

Mr Bruce Brook was appointed to the CSL Board in August 2011. He is currently Chairman of Programmed Maintenance Services Limited and a Director of Newmont Mining Corporation. Mr Brook has previously been Chairman of Energy Developments Limited and a Director of Boart Longyear Limited, Lihir Gold Limited and Consolidated Minerals Limited. During his executive career, he was Chief Financial Officer of WMC Resources Limited and prior to that the Deputy Chief Financial Officer of the ANZ Banking Group.

Mr Brook is Chairman of the Audit and Risk Management Committee and a member of the Nomination Committee.



Megan Clark AC

BSc (Hons) PhD – (Age 58)
Science, Engineering and Management
(resident in Victoria)

Independent: Yes

Dr Megan Clark AC was appointed to the CSL Board in February 2016. She is currently a Director of Rio Tinto and a member of the Australian advisory board of the Bank of America Merrill Lynch. Dr Clark was Chief Executive of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) from 2009 to 2014. Prior to CSIRO, she was a Director at NM Rothschild and Sons (Australia) and was Vice President Technology and subsequently Vice President Health, Safety and Environment at BHP Billiton from 2003 to 2008.

Dr Clark is a member of the Innovation and Development Committee and the Nomination Committee.



Marie McDonald

BSc (Hons), LLB (Hons) – (Age 60)
Law (resident in Victoria)

Independent: Yes

Ms Marie McDonald was appointed to the CSL Board in August 2013. For many years she has practised in company and commercial law and she was a partner of Ashurst (formerly Blake Dawson) until July 2014. Ms McDonald was Chair of the Corporations Committee of the Business Law Section of the Law Council of Australia from 2012 to 2013, having previously been the Deputy Chair, and was also a member of the Australian Takeovers Panel from 2001 to 2010.

Ms McDonald is a member of the Audit and Risk Management Committee and the Nomination Committee.



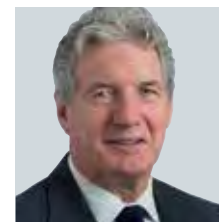
Christine O'Reilly

BBus – (Age 55)
Finance and Infrastructure
(resident in Victoria)

Independent: Yes

Ms Christine O'Reilly was appointed to the CSL Board in February 2011. She is a Director of the Transurban Group, Energy Australia, Medibank Private Limited, Baker IDI and Deputy Chair of Care Australia. Ms O'Reilly has in excess of 30 years financial and operational business experience in domestic and off-shore organisations. During her executive career, she was Co- Head of Unlisted Infrastructure Investments at Colonial First State Global Asset Management and prior to that was the Chief Executive Officer of the GasNet Australia Group.

Ms O'Reilly is a member of the Audit and Risk Management Committee, the Human Resources and Remuneration Committee, and the Nomination Committee.



Maurice Renshaw

BPharm – (Age 68)
International Pharmaceutical Industry
(resident in New South Wales)

Independent: Yes

Mr Maurice Renshaw was appointed to the CSL Board in July 2004. Formerly, he was Vice President of Pfizer Inc, USA, Executive Vice President, Pfizer Global Consumer Group and President of Pfizer's Global Consumer Healthcare Division. Prior to his positions in Pfizer, Mr Renshaw was Vice President of Warner Lambert Co. and President of Parke-Davis USA. He has had more than 35 years' experience in the global pharmaceutical industry with responsibility for R&D, Regulatory, Manufacturing, Finance, Marketing and General Management across Europe, the US and Asia including Japan and China.

Mr Renshaw is Chairman of the Innovation and Development Committee and a member of the Nomination Committee.



Tadataka "Tachi" Yamada KBE

MD, BA - (Age 71)
International Pharmaceutical Industry
and Medicine
(resident in Washington, US)

Independent: Yes

Dr Tadataka Yamada was appointed to the Board in September 2016. He is presently a Venture Partner at Frazier Healthcare Partners, a leading provider of growth capital to healthcare companies, a position that he has held since 2015. Prior to this, he was the Chief Medical and Scientific Officer at Takeda Pharmaceuticals, as well as a member of the Board. Prior to Takeda, Dr Yamada was President of the Bill & Melinda Gates Foundation Global Health Program and prior to that was Chairman of Research and Development at GlaxoSmithKline. He currently serves as a director of Agilent Technologies, Inc. and the Clinton Health Access Initiative and a member of the Council of the National Academy of Medicine. Dr Yamada is also a Fellow of the Imperial College of Medicine, a Master of the American College of Physicians, a Fellow of the Royal College of Physicians.

Dr Yamada is a member of the Innovation and Development Committee and the Nomination Committee.



Edward Bailey

LLB, BCom, FGIA – (Age 50)

Company Secretary

Global Leadership Group



Paul Perreault

BA (Psychology) – (Age 59)

Chief Executive Officer and Managing Director

Paul was appointed to the CSL Board in February 2013 and was appointed as the Chief Executive Officer and Managing Director in July 2013. He joined a CSL predecessor company in 1997 and has held senior roles in sales, marketing and operations with his most recent prior position being President, CSL Behring. Paul has also worked in senior leadership roles with Wyeth, Centeon, Aventis Bioservices and Aventis Behring. He was previously Chairman of the Global Board for the Plasma Protein Therapeutics Association. Paul has had more than 30 years' experience in the global healthcare industry.



Gordon Naylor

BEng (Hons), DipCompSc, MBA, CPA – (Age 53)

President, Seqirus

Chief Financial Officer (until 31 December 2015)

Gordon was appointed Chief Financial Officer in 2010. He joined CSL in 1987 and has held many operational and corporate roles in different parts of the CSL Group. In April 2015, Gordon was appointed to a new position as President of CSL's global influenza business. Previously, Gordon was based in the US and responsible for CSL Behring's global supply chain, the supply of plasma for CSL Behring and CSL's global information systems.



David Lamont

BCom, ACA – (Age 51)

Chief Financial Officer (from 1 January 2016)

David was appointed as Chief Financial Officer in January 2016. As Chief Financial Officer, he is responsible for managing the financial aspects of CSL's strategy which includes financial planning and reporting, capital management, tax, treasury and investor relations. Immediately prior to joining CSL, he was the Chief Financial Officer and an Executive Director at MMG since 2010. Prior to this, David served as CFO for several leading multi-national public companies across a range of industries since 1999 – including MMG Limited, Oz Minerals Limited, PaperlinX Limited, BHP Billiton's energy & coal and carbon steel materials divisions, and Incitec Pivot Limited. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants (Australia).



Andrew Cuthbertson AO

BMedSci, MBBS, PhD, FTSE, FAHMS – (Age 61)

Chief Scientific Officer and R&D Director

Andrew was appointed as Chief Scientific Officer and R&D Director in 2000. He is responsible for CSL's global Research and Development operations. Andrew joined CSL in 1997 as Director of Research. He trained in medicine and science at the University of Melbourne, the Walter and Eliza Hall Institute, the Howard Florey Institute and the National Institutes of Health in the US. Andrew was then a Senior Scientist at Genentech, Inc. in San Francisco.



Greg Boss

JD, BS (Hons) – (Age 55)

Executive Vice President, Legal and CSL Group General Counsel

Greg was appointed Group General Counsel in 2009 and is responsible for worldwide legal operations for all CSL Group companies. He joined CSL in 2001, serving as General Counsel for what became the CSL Behring business. In addition to his legal role, Greg is also responsible for overseeing Risk Management and Compliance for the Group as well as global Communications and Public Affairs. Prior to joining CSL, Greg was Vice President and Senior Counsel for CB Richard Ellis International, after working ten years in private legal practice.



Karen Etchberger

PhD – (Age 58)

Executive Vice President, Quality and Business Services

Karen was appointed as Executive Vice President, Quality and Business Services in April 2013 with responsibility for quality, information, technology, logistics, sourcing, enterprise excellence and environment, health and safety. Prior to that, she was Executive Vice President, Plasma, Supply Chain and Information Technology. Karen joined CSL as a Product Manager at JRH Biosciences in 1991 and progressed through a number of positions in technical services, quality management and research and development. Prior to joining CSL, she was Director of Developmental Research at Endotech Corporation.



Bob Repella

BSc (Pharmacy), MBA – (Age 57)

Executive Vice President, Global Commercial Operations

Bob was appointed as Executive Vice President, Global Commercial Operations in July 2014 with responsibility for a variety of global functions including sales, marketing, commercial development, medical affairs and public policy. Prior to joining CSL, he held senior management roles at a number of pharmaceutical companies including Cephalon and Wyeth. Bob has over 30 years of commercial experience including biotech and specialty markets.



Laurie Reed

BS (Finance), MS (Organisational Development) – (Age 52)

Senior Vice President, Human Resources

Laurie was appointed as Senior Vice President, Human Resources in March 2014 and is responsible for leading Human Resources (HR) practices and objectives that focus on talent development, reward systems, culture development and an employee-oriented, high performance culture at the CSL Group of Companies. She previously served as the Head of Human Resources for CSL Behring. Laurie has more than 20 years of HR experience in both the regional banking industry in the US as well as in the pharmaceutical industry globally.



Val Romberg

BSc (Chemistry) – (Age 58)

Executive Vice President, Manufacturing and Planning

Val was appointed as Executive Vice President Manufacturing and Planning in January 2015. In 1998 he joined Centeon, a predecessor company of CSL Behring, and has held a broad range of management and R&D positions in the US and Switzerland. During his R&D tenure, CSL Behring had more than 25 product or indication approvals in the US, Europe and Japan. Prior to his current position, Val was Senior Vice President, Global Plasma R&D.



Alan Wills

BA (Zoology), MBA – (Age 52)

Senior Vice President, Strategy and Business Development

Alan was appointed as Senior Vice President, Strategy and Business Development in February 2015. He is responsible for strategy, portfolio management and business development activities at CSL Behring. Prior to joining CSL, Alan was Executive Vice President, Corporate Development at Auxilium Pharmaceuticals. He was previously head of corporate strategy for Bristol-Myers Squibb and Pfizer, and has worked in strategy and business development roles at United Healthcare and Stanford Medical Center. Alan began his career with the Boston Consulting Group.

Share Information

CSL Limited

**Issued Capital Ordinary Shares:
456,649,152 as at 30 June 2016**

Details of Incorporation

CSL's activities were carried on within the Commonwealth Department of Health until the Commonwealth Serum Laboratories Commission was formed as a statutory corporation under the *Commonwealth Serum Laboratories Act 1961* (Cth) [the CSL Act] on 2 November 1961. On 1 April 1991, the Corporation was converted to a public company limited by shares under the Corporations Law of the Australian Capital Territory and it was renamed Commonwealth Serum Laboratories Limited. These changes were brought into effect by the *Commonwealth Serum Laboratories (Conversion into Public Company) Act 1990* (Cth). On 7 October 1991, the name was changed to CSL Limited. The Commonwealth divested all of its shares by public float on 3 June 1994.

The *CSL Sale Act 1993* (Cth) amends the CSL Act to impose certain restrictions on the voting rights of persons having significant foreign shareholdings, and certain restrictions on CSL itself. CSL ordinary shares have been traded on the Australian Securities Exchange (ASX) since 30 May 1994. Melbourne is the Home Exchange.

In June 2014, CSL commenced a sponsored Level 1 American Depository Receipts (ADR) program with the Bank of New York Mellon. The sponsored ADR program replaced the unsponsored ADR programs that have previously operated with CSL's involvement.

The ADR are tradeable via licensed US brokers in the ordinary course of trading in the Over-The-Counter (OTC) market in the US. Particulars for the sponsored ADR program are: US Exchange – OTC and DR Ticker Symbol – CSLLY.

Substantial Shareholders

As at 30 June 2016, Commonwealth Bank of Australia and its subsidiaries was a substantial shareholder in CSL.

Voting Rights

At a general meeting, subject to restrictions imposed on significant foreign shareholdings and some other minor exceptions, on a show of hands each shareholder present has one vote. On a poll, each shareholder present has one vote for each fully paid share held in person or by proxy.

In accordance with the CSL Act, CSL's Constitution provides that the votes attaching to significant foreign shareholdings are not to be counted when they pertain to the appointment, removal or replacement of more than one-third of the directors of CSL who hold office at any particular time. A significant foreign shareholding is one where a foreign person has a relevant interest in 5% or more of CSL's voting shares.

Significant Foreign Shareholdings

As at 30 June 2016, there were no significant foreign shareholdings in CSL.

Distribution of Shareholdings as at 30 June 2016

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	108,520	31,961,432	7.00
1,001 - 5,000	24,239	56,086,670	12.28
5,001 - 10,000	4,093	28,254,092	6.19
10,001 - 100,000	1,731	31,292,807	6.85
100,001 and over	64	309,054,151	67.68
Total shareholders and shares on issue	138,647	456,649,152	100

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum A\$500.00 parcel at A\$112.18 per unit	5	457	750

Share Registry for CSL is overseen by Computershare. Shareholders with enquiries should go to www.investorcentre.com where most common questions can be answered by virtual agent "Penny". There is an option to contact the Share Registry by email if the virtual agent cannot provide the answer. Alternatively, shareholders may telephone or write to the Share Registry at the below address.

Separate shareholdings may be consolidated by advising the Share Registry in writing or by completing a Request to Consolidate Holdings form which can be found online at www.investorcentre.com.

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Postal Address:
GPO Box 2975 Melbourne VIC 3001

Enquiries within Australia:
1800 646 882

Enquiries outside Australia:
61 3 9415 4178

Investor enquiries online:
www.investorcentre.com/contact

Website:
www.investorcentre.com

Change of address should be notified to the Share Registry online via the Investor Centre at www.investorcentre.com, by telephone or in writing without delay. Shareholders who are broker sponsored on the CHESS sub-register must notify their sponsoring broker of a change of address.

Direct payment of dividends into a nominated account is mandatory for shareholders with a registered address in Australia or New Zealand. All shareholders are encouraged to use this option by providing a payment instruction online via the Investor Centre at www.investorcentre.com or by obtaining a direct credit form from the Share Registry or by advising the Share Registry in writing with particulars.

CSL now offers shareholders the opportunity to receive dividend payments in US dollars by direct credit to a US bank account. This option is available for the 2016 final dividend payment (payment date 7 October 2016). Shareholders who wish to avail themselves of this payment option for the 2016 final dividend payment must provide their valid US bank account details to the Share Registry by the dividend record date of 14 September 2016.

The Annual Report is produced for your information. The default option is an online Annual Report via CSL's website www.csl.com.au. If you opted to continue to receive a printed copy and you receive more

than one or you wish to be removed from the mailing list for the Annual Report, please advise the Share Registry. You will continue to receive Notices of Meeting and Proxy forms.

The Annual General Meeting will be held at the Function Centre, National Tennis Centre, Melbourne Park, Batman Avenue, Melbourne at 10:00am AEDT on Thursday 12 October 2016. There is a public car park adjacent to the Function Centre which will be available to shareholders at no charge.

Shareholders as at 30 June 2016

	Shareholders	Shares
Australian Capital Territory	2,263	2,310,237
New South Wales	40,710	192,595,187
Northern Territory	324	268,615
Queensland	15,754	15,738,773
South Australia	7,086	9,506,034
Tasmania	1,543	1,482,907
Victoria	43,733	217,303,266
Western Australia	20,579	11,947,838
International Shareholders	6,655	5,496,295
Total shareholders and shares on issue	138,647	456,649,152

Shareholder Information continued

CSL's Twenty Largest Shareholders as at 30 June 2016

Shareholder	Shares	% Total Shares
1 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	123,511,997	27.05
2 J P MORGAN NOMINEES AUSTRALIA LIMITED	71,444,109	15.65
3 NATIONAL NOMINEES LIMITED	44,523,907	9.75
4 CITICORP NOMINEES PTY LIMITED	25,634,429	5.61
5 BNP PARIBAS NOMS PTY LTD	10,257,064	2.25
6 CITICORP NOMINEES PTY LIMITED	5,550,968	1.22
7 BNP PARIBAS NOMINEES PTY LTD	3,995,877	0.88
8 RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,301,048	0.50
9 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,647,652	0.36
10 AMP LIFE LIMITED	1,509,022	0.33
11 AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,495,000	0.33
12 MUTUAL TRUST PTY LTD	1,151,376	0.25
13 ARGO INVESTMENTS LIMITED	1,051,952	0.23
14 CUSTODIAL SERVICES LIMITED	980,947	0.21
15 D W S NOMINEES PTY LTD	793,090	0.17
16 NAVIGATOR AUSTRALIA LTD	781,253	0.17
17 DIVERSIFIED UNITED INVESTMENT LTD	600,000	0.13
18 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	598,041	0.13
19 MILTON CORPORATION LIMITED	592,198	0.13
20 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	549,810	0.12
Top 20 holders of ordinary fully paid shares	298,969,740	65.47
Remaining holders balance	157,679,412	34.53
Total shares on issue	456,649,152	100

In addition, as at 30 June 2016, a substantial shareholder notice has been received from:

Commonwealth Bank of Australia and its subsidiaries



This statement outlines CSL's principal corporate governance practices in place during the financial year ended 30 June 2016. This statement has been approved by the Board. Copies of all governance documents referred to in this statement can be found in the 'Corporate Governance' section of CSL's website at www.csl.com.au/about/governance.htm.

The Board and management maintain high standards of corporate governance as part of their commitment to maximise shareholder value through effective strategic planning, risk management, transparency and corporate responsibility.

The Board and management remain committed to continuing to review CSL's corporate governance practices in response to changes in market conditions or recognised best practices, including the implementation of any changes to the ASX Corporate Governance Principles and Recommendations or ASX Listing Rules.

Throughout the year ended 30 June 2016, the Board believes that CSL's corporate governance practices have complied with the recommendations contained in the 3rd edition of the ASX Corporate Governance Council's '*Corporate Governance Principles and Recommendations*', released in March 2014 (the **ASX Corporate Governance Principles and Recommendations**). The following table indicates where they are dealt with in this statement.

ASX Corporate Governance Principles and Recommendations	Section reference in this statement
Principle 1 – Lay solid foundations for management and oversight	1, 2
Principle 2 – Structure the Board to add value	1, 4
Principle 3 – Act ethically and responsibly	3
Principle 4 – Safeguard integrity in corporate reporting	4, 5
Principle 5 – Make timely and balanced disclosure	4, 6
Principle 6 – Respect the rights of security holders	6
Principle 7 – Recognise and manage risk	4, 5
Principle 8 – Remunerate fairly and responsibly	4, 7

1. THE BOARD OF DIRECTORS

Relevant governance documents:

- Board Charter
- Nomination Committee Charter

1.1 Role of the Board

The Board has a formal charter documenting its membership, operating procedures and the allocation of responsibilities between the Board and management.

The Board is responsible for oversight of the management of CSL and providing strategic direction. It monitors operational and financial performance, human resources policies and practices and approves CSL's budgets and business plans. It is also responsible for overseeing CSL's risk management, financial reporting and compliance framework.

The Board has delegated the day-to-day management of CSL, and the implementation of approved business plans and strategies, to the Managing Director, who in turn may further delegate to senior management. In addition, a detailed authorisations policy sets out the decision-making powers which may be exercised at various levels of management.

In addition, the Board has delegated specific authority to five Board Committees that assist it in discharging its responsibilities by examining various issues and making recommendations to the Board. A description of each committee and their responsibilities from time to time is set out in section 4 of this statement. The

Board also delegates specific responsibilities to ad hoc committees from time to time.

CSL has entered into a written agreement with each director and senior executive setting out the terms of their appointment, including their respective roles and responsibilities.

The Company Secretary is responsible to the Board for ensuring that Board and committee procedures are complied with and advising the Board and its committees on governance matters. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. All directors have access to the Company Secretary for advice and services. The Board approves any appointment or removal of the Company Secretary.

Directors are entitled to access independent professional advice at CSL's expense to assist them in fulfilling their responsibilities. To do so, a director must first obtain the approval of the Chairman. The director should inform the Chairman of the reason for seeking the advice, the name of the person from whom the advice is to be sought, and the estimated cost of the advice. Professional advice obtained in this way is made available to the whole Board.

Details of Board meetings held during the year and individual directors' attendance at these meetings can be found on page 54 of the Directors' Report attached to the financial report.

Corporate Governance continued

1.2 Board Composition

Throughout the year there were between eight and nine directors on the Board. Each director, their length of service and their status as an independent or non-independent director is set out below.

1.3 Director Independence

The Board considers that an independent director is a director who is independent of management and free of any interest, position, association or relationship that could, or could reasonably be perceived to, materially interfere with the exercise of their unfettered and independent judgement.

Information about any such interests or relationships, including any related financial or other details, is assessed by the Board to determine whether the interest, position, association or relationship could, or could reasonably be perceived to, materially interfere with the exercise of a director's unfettered and independent judgement. As part of this process, the Board takes into account each of the factors relevant to assessing the independence of a director set out in

the ASX Corporate Governance Principles and Recommendations, and other facts, information and circumstances that the Board considers relevant.

In determining whether an interest or relationship is considered to interfere with a director's independence, the Board has regard to the materiality of the interest or relationship. For this purpose, the Board adopts a conservative approach to materiality consistent with Australian accounting standards.

The Board Charter sets guidelines as to the desired length of service of non-executive directors. However, fixed tenure limits for non-executive directors have not been set. Tenure remains a matter for the Board's discretion on a case-by-case basis.

The Board assesses the independence of new directors upon appointment, and also makes an annual assessment of each non-executive director to determine whether it considers the director to be independent.

The Board has determined that all of its non-executive directors are independent, and were independent for the duration of the reporting period. Accordingly, a majority of the directors on the Board are independent.

Director	Length of Service (as at 30 June 2016)	Independent/Non-Independent
Professor John Shine AO	10 years	Independent, non-executive director
Mr Paul Perreault	3 years, 5 months	Non-independent, executive director
Mr John Akehurst	12 years, 2 months	Independent, non-executive director
Mr David Anstice	7 years, 9 months	Independent, non-executive director
Mr Bruce Brook	4 years, 10 months	Independent, non-executive director
Dr Megan Clark AC	0 years, 5 months	Independent, non-executive director
Ms Marie McDonald	2 years, 10 months	Independent, non-executive director
Ms Christine O'Reilly	5 years, 5 months	Independent, non-executive director
Mr Maurice Renshaw	11 years, 11 months	Independent, non-executive director

The relevant skills, expertise, qualifications and experience of each of the directors are set out in the directors' profiles on pages 36 and 37 of this Report.

The Chairman of the Board, Professor John Shine, is an independent, non-executive director. The responsibilities of the Chairman are described in the Board Charter. The roles of the Chairman and the Managing Director are exercised by separate individuals.

1.4 Nomination and Appointment of Directors

One new director, Dr Megan Clark, was appointed to the Board during the financial year. Each of Mr David Anstice and Mr Maurice Renshaw were re-elected as directors at the 2015 Annual General Meeting.

Prior to the expiry of a director's current term of office, the Board reviews that director's performance.

In addition, before a director is nominated for election or re-election, it is CSL's policy to ask directors to acknowledge to the Board that they have sufficient time to meet CSL's expectations of them. The Board requires that all of its members devote the time necessary to ensure that their contribution to CSL is of the highest possible quality. The Board Charter sets out procedures relating to the removal of a director whose contribution is found not to be effective.

In the case of long-serving non-executive Directors who are standing for re-election at an AGM but who intend to retire from the Board within their next term, this intention to retire will be clearly disclosed in the AGM notice of meeting.

Before a person is appointed as a director, or put forward to shareholders as a candidate for election as a director, CSL undertakes appropriate checks in respect of that person, which include checks as to the person's character, experience, education, criminal record and bankruptcy history.

CSL provides its shareholders with all material information (that is in CSL's possession) relevant to a decision on whether or not to elect or re-elect a director (including any material adverse information revealed by the above checks).

1.5 Induction of New Directors and Ongoing Development

CSL provides an induction program to assist new directors to gain an understanding of:

- CSL's financial, strategic, operational and risk management position;
- the culture and values of CSL;
- the rights, duties and responsibilities of the directors;
- the roles and responsibilities of senior executives;
- the role of the Board committees;
- meeting arrangements; and
- director interaction with each other, senior executives and other stakeholders.

In addition to the briefing papers, agenda and related information regularly supplied to directors, the Board has an ongoing professional development and education program designed to give directors further insight into the operation of CSL's business, and to provide opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively. The program includes education on key developments in respect of CSL and the industry and environment within which it operates. As part of this program, directors have the opportunity to visit CSL's facilities, including all major operating sites in the US, Europe and Australia, and to attend meetings and information sessions with CSL's local management and employees.

1.6 Knowledge, Skills and Experience

The Board is looking to maintain an appropriate mix of skills and diversity in the membership of the Board. This includes diversity of skills, experience and background in the pharmaceutical industry, international business, finance and accounting and management, as well as gender diversity.

The following Board skills matrix describes the combined capabilities of the Board across a range of general and specialist areas. The Board considers that collectively the directors have the appropriate range of skills and experience necessary to direct CSL's businesses and achieve CSL's strategic objectives.

Board Skills Matrix	Board Representation
General Experience	
Managing and Leading Success in business at a senior level in a successful career.	9
Global Experience Senior executive or equivalent exposure to a range of political, cultural, regulatory and business environments.	9
Business/Commercial Senior executive or equivalent experience in business/commerce in a large business enterprise.	9
Strategy Track record of developing and implementing successful strategies.	9
Governance Commitment to high standards of governance, including experience with a large business enterprise which is subject to rigorous governance standards.	9
Specialist Experience	
Industry-specific knowledge Senior executive experience in a large biopharmaceutical, pharmaceutical or medical organisation.	4
Finance/Legal/Risk management Board audit/risk management membership or senior executive or equivalent experience in financial accounting and reporting, corporate finance, internal financial controls or the provision of legal services to large business enterprises.	7
Marketing Senior executive experience in marketing and a detailed understanding of the Group's corporate objective to create long-term value through the provision of innovative products.	4
Capital Projects Experience in an industry with projects involving large-scale capital outlays and long term investment horizons.	8
Health, Safety & Environment Experience related to workplace health, safety, environment and social responsibility within a large business enterprise.	8
Remuneration Board remuneration committee membership or senior executive or equivalent experience relating to remuneration, including incentive programs.	8
Government Affairs Experience in liaising with government and experience with public and regulatory policy.	8
R&D/Product Development Experience in research and development or product development with a large biopharmaceutical, pharmaceutical or medical organisation.	5
Manufacturing/Quality Experience in manufacturing or quality operations with a large biopharmaceutical, pharmaceutical or medical organisation.	4

Corporate Governance continued

2. DIVERSITY

Relevant governance documents:

- Diversity Policy
- Code of Responsible Business Practice

2.1 Diversity at CSL

CSL promotes an inclusive culture, providing it with a competitive advantage especially when attracting and retaining top talent. People serve as the foundation for CSL's business success. CSL remains committed to further building on its inclusive culture and our people's capabilities to help ensure strong financial performance and sustainable business growth.

CSL's inclusive culture benefits CSL, work teams, our people and the stakeholders that it serves around the world. Each employee contributes a unique set of capabilities, experiences and characteristics. All forms of diversity (including but not limited to gender, age, ethnicity and cultural background) are valued throughout CSL.

CSL has a Diversity Policy, which confirms the importance of diversity and inclusiveness to CSL and describes how CSL incorporates diversity into its business practices.

2.2 Gender Diversity at CSL

CSL has continued to advance its strong gender diversity position during 2015-2016, ensuring that top talent is attracted to and retained within its workforce.

The respective proportions of women and men on the Board, in senior executive positions (Vice President level and above), other management roles and across the whole organisation as at 31 December 2015* are set out below:

As a 'relevant employer' and as required by the *Workplace Gender Equality Act 2012*, CSL lodged its most recent 'Gender Equality Indicators' (as defined in and published under that Act), which can be accessed through the WGEA website.

The Board and executive team will continue to monitor the percentage of females in senior leadership positions and will seek to maintain the level of female participation at or above 30% for senior executive positions and at or above 40% for other management roles. It is encouraging to note that these levels, which have been achieved for each financial year since (and including) 2012-2013, were achieved again for the current financial year.

2.3 Report on measurable objectives for 2015-2016:

The Diversity Policy includes requirements for the Board to set measurable objectives for achieving, among other things, gender diversity and to assess annually both the objectives and CSL's process towards achieving those objectives.

In CSL's 2015 Annual Report, CSL announced three measurable objectives for achieving gender diversity to be undertaken in the 2015-2016 financial year. The Board is pleased to report that all objectives were met:

- **Education Support: In at least 2 of our 4 major regions (Australia, Germany, Switzerland and US), CSL will implement programs and hold information forums through schools and universities to attract women to potential careers in science, manufacturing and the range of opportunities in the biomedical field and in CSL.**

In all four of CSL's major regions, CSL has conducted programs at the tertiary and undergraduate levels to introduce current students to the benefits of studying programs focused on science and manufacturing. In CSL's Switzerland and

Germany locations, multiple apprenticeships are provided by CSL in these fields. In the US, partnerships with universities exist in CSL's Kankakee and Boca Rotan locations. These partnerships provide both intern and job opportunities for students. The Broadmeadows facility in Australia successfully implemented a graduate program where newly graduated university students complete multiple six-month rotations prior to having the opportunity to be placed within CSL.

- **Talent Access: The hiring manager must ensure a balanced slate of candidates for review for all Vice President level and above positions, to ensure there is no gender, age, race or other unconscious bias in the selection process.**

CSL has focused on ensuring that a broad slate of qualified talent is presented to hiring managers. During 2015-2016, CSL hired a total of 10 roles at the Vice President (VP) and above, with four (4) of these 10 hires being female.

- **Data Analytics/Workforce Planning: Through implementation of a new Global Human Resources Information System, provide leaders with access to data that will help them understand current employee demographic and talent data and forecasting for future requirements. Enable line managers to understand their organisation and key gender and age based metrics through the implementation of interactive and accessible reporting tools. Develop a suite of standard reports with key gender and age based metrics.**

Board



● Male 67%
● Female 33%

Senior Executive



● Male 69%
● Female 31%

Management



● Male 56%
● Female 44%

Employees



● Male 43%
● Female 57%

* The data does not include employees who joined CSL as part of the Novartis influenza vaccine business acquisition. The Board data is current as at 30 June 2016.

CSL successfully implemented a new Global Human Resources Information System that significantly expanded the access to data for employees and managers in May 2016. Specifically, managers are able to use a CSL-customized dashboard and reporting capabilities to better understand staff demographics, time of service, education, experience and other key data points. With this information, managers will be better equipped to understand their organisation and the impact of development and hiring decisions. This system provides the foundation from which more robust workforce planning and talent development programs can be launched.

2.4 Measurable objectives supporting Gender diversity for 2016-2017

The Board has set the following measurable objectives for the financial year commencing 1 July 2016. These objectives will continue to build on successes that CSL has demonstrated. CSL will report against these measurable objectives in its 2017 Annual Report.

- **Supporting Science Education for Females** – CSL is committed to enhancing students' knowledge of careers in science, manufacturing and biomedicine as a way to increase graduates in these educational specialties. CSL will engage students prior to meaningful milestones in their education to encourage them to choose careers focused in science, manufacturing and biomedicine. This will be accomplished by identifying local secondary schools in all major markets for CSL (Australia, Germany, Switzerland, UK and US) and partnering with those schools to bring students on-site at CSL locations and participate in programs where the students can experience the types of jobs available within science, manufacturing

and biomedicine. Each major market will hold at least two (2) of these programs. We will measure the impact of these programs by targeting specific programs at chosen locations and attendee response ratings.

- **Ensuring a diverse pool of candidates for opens roles** – An inclusive culture requires that hiring practices surface the best and brightest talent. In 2016-2017, CSL will broaden its commitment to ensuring we are accessing the best and brightest talent in the market without bias. Hiring managers must ensure a representative candidate pool of diverse and qualified candidates for review for all Senior Director level and above positions, to ensure there is no gender, age, race or other unconscious bias in the selection process.
- **Improve Selected Diversity Measures chosen from Employee Opinion Survey** – The mindsets, behaviours and decisions of leadership significantly impact the extent to which CSL achieves its strategic and financial objectives. CSL's culture is based on its Core Values and requires protection and advancement through steadfast focus from senior executives as we grow, hire and promote new leaders. This focus requires ensuring that our workforce is diverse in terms of gender, age, ethnicity, socio-economic status, sexual orientation, profession and education. For 2016-2017, CSL will strengthen its culture by defining the leadership mindsets and behaviours that are central to a values-based culture where diverse people and perspectives are important. We will measure the effectiveness of our culture through our Employee Opinion Survey and create team-based action plans to address continuous improvement opportunities.

3. CORPORATE RESPONSIBILITY

Relevant governance documents:

- **Code of Responsible Business Practice**
- **Anti-Bribery and Anti-Corruption Policy**

CSL's approach to Corporate Responsibility is guided by the CSL group values, the Code of Responsible Business Practice (the Code) and related policies.

3.1 Group Values

CSL has developed a set of values (Group Values) common to the diverse business units that form the CSL Group. The Group Values, endorsed by the Board, serve as the foundation for every day decision-making. These values are superior performance, innovation, integrity, collaboration and customer focus.

3.2 Code of Responsible Business Practice

CSL first established a Code in December 2008, with the current version of the Code being adopted by the Board to take effect from 1 July 2013. Based upon the Group Values and other guiding principles, the Code outlines CSL's commitment to responsible business practices and ethical standards. The Code sets out the rights and obligations that all directors, senior executives and employees have in the conduct of CSL's business, including in relation to business integrity, safety and quality of products and maintaining a safe and fair workplace. CSL also expects that its contractors and suppliers will observe the principles set out in the Code.

The Code has been distributed to all directors, senior executives and employees and a training program has been implemented across the CSL Group.

3.3 Internal Whistleblower Policy

In accordance with the Code, CSL is committed to ensuring that employees, contractors, suppliers and partners are able to raise concerns regarding any illegal conduct or malpractice and to have such concerns properly investigated. This commitment is implemented through CSL's internal Whistleblower Policy, which sets out the mechanism by which employees, contractors, suppliers and partners can confidently, and anonymously if they wish, voice such concerns in a responsible manner without being subject to victimisation, harassment or discriminatory treatment.

3.4 Anti-Bribery and Anti-Corruption

The Code provides a high level policy statement on preventing bribery and inducements. In addition, the Board has adopted an Anti-Bribery and Anti-Corruption Policy. This Policy builds on the policy statement in the Code and also supports the considerable amount of work being undertaken in many areas of CSL's operations to ensure that CSL is acting with integrity (one of CSL's core values) at all times.

CSL has established training programs for relevant employees across the CSL Group to raise awareness of CSL's 'zero tolerance' approach to bribery and corrupt business practices at any level within CSL's global operations.

Corporate Governance continued

4. OPERATION OF THE BOARD

Relevant governance documents:

- Board Charter
- Nomination Committee Charter
- Audit and Risk Management Committee Charter
- Human Resources and Remuneration Committee Charter
- Innovation and Development Committee Charter
- Securities and Market Disclosure Committee Charter

4.1 Board Committees

As described above, CSL has established five Board committees, being:

- the Nomination Committee;
- the Audit and Risk Management Committee;
- the Human Resources and Remuneration Committee;
- the Innovation and Development Committee; and
- the Securities and Market Disclosure Committee.

Each Committee is governed by a formal Charter setting out its composition, functions and responsibilities. Each Committee's Charter is approved by the Board.

Details of each Committee meeting held during the year and individual directors' attendance at these meetings can be found on page 54 of the Directors' Report attached to the financial report.

A high level description of each committee and their responsibilities is set out below.

In addition, the Board may establish ad-hoc Committees to oversee specific activities. In the year ending 30 June 2016, the Board established a Capital Structuring Committee to oversee the US\$500 million (or equivalent in foreign currency) private placement offering in the US and the re-financing of bank debt facilities of US\$1.25 billion. The Capital Structuring Committee comprised Mr Bruce Brook (Chair), Ms Marie McDonald and Ms Christine O'Reilly and met on three occasions during the year.

4.2 Remuneration of Directors and Senior Executives

CSL is committed to ensuring that it has competitive remuneration and human resources policies and practices that offer appropriate and fair rewards and incentives to directors and employees in the countries in which they are employed. CSL also seeks to align the interests of senior management and shareholders.

Details regarding the Human Resources and Remuneration Committee charter, and CSL's remuneration policies and practices are set out in the Remuneration Report on pages 64 to 79 of the Directors' Report attached to the financial report.

The Remuneration Report includes details of the remuneration of directors (executive and non-executive) and other key management personnel of the CSL Group, details of CSL's short-term incentive plans, and details of CSL's long-term incentive plans.

4.3 Performance Evaluation

The Nomination Committee meets annually to review the performance of the Board, individual directors and the Board committees.

The Nomination Committee's review process includes seeking relevant feedback from all directors and executive management, by way of a questionnaire that is circulated to those persons, with their responses then collated and provided to the Nomination Committee.

The effectiveness of the Board and its committees is assessed against the roles and responsibilities set out in the Board Charter and each Committee Charter. Matters considered in the evaluation include:

- the conduct of Board and Committee meetings, including the effectiveness of discussion and debate at those meetings;
- the effectiveness of the Board's and Committees' processes and relationship with management;
- the timeliness and quality of meeting agendas, Board and Committee papers and secretariat support; and
- the composition of the Board and each Committee, focussing on the skills, experience, expertise and diversity of the Board necessary to enable it to oversee the delivery of CSL's objectives and strategy.

The Chairman also holds discussions with individual directors to facilitate peer review.

As a result of the Nomination Committee's most recent annual review, the Nomination Committee suggested a number of actions for improvement. Actions agreed by the Board in response were documented and subsequently actioned by the Board.

The Nomination Committee is responsible for periodically evaluating the performance of the Managing Director, who in turn evaluates the performance of all other senior executives and makes recommendations in respect of their remuneration. These evaluations are based on specific criteria, including CSL's business performance, whether the long term strategic objectives are being achieved and the achievement of individual performance objectives.

These performance evaluations took place in accordance with the processes described above during the last financial year.

Committee	Members	Composition	Key Responsibilities
Nomination Committee	Prof John Shine (Chair) Mr John Akehurst Mr David Anstice Mr Bruce Brook Dr Megan Clark Ms Marie McDonald Ms Christine O'Reilly Mr Maurice Renshaw	<ul style="list-style-type: none"> All of the independent, non-executive directors. Chaired by Board Chairman. In the absence of Board Chairman, chaired by another independent, non-executive director elected by the members present. 	<ul style="list-style-type: none"> Reviewing the membership of the Board and ensuring appropriate mix of skills, experience, expertise and diversity to enable the Board to oversee the delivery of CSL's objectives and strategy. Reviewing the membership of Board Committees. Conducting annual performance reviews of the Board, individual directors and Board Committees. Settling and following the procedure for the selection of new directors for nomination.
Audit and Risk Management Committee	Mr Bruce Brook (Chair) Ms Marie McDonald Ms Christine O'Reilly	<ul style="list-style-type: none"> Between three to five directors, all of whom are non-executive directors, and one of whom should have financial expertise. Majority of members will be independent directors. An independent Chair who is not Chair of the Board. In the absence of Committee Chair, chaired by another independent, non-executive director elected by the members present. 	<ul style="list-style-type: none"> Overseeing and reviewing CSL's financial and risk management systems, compliance systems and internal control framework (as set out in CSL's Risk Framework). Overseeing CSL's system of financial reporting with a view to safeguarding its integrity. Monitoring the activities and effectiveness of both internal and external audit functions. Reviewing CSL's global health, safety and environmental performance.
Human Resources and Remuneration Committee	Mr John Akehurst (Chair) Mr David Anstice Ms Christine O'Reilly	<ul style="list-style-type: none"> At least three non-executive directors. Members will be independent directors. Chaired by an independent director. In the absence of Committee Chair, chaired by another independent, non-executive director elected by the members present. 	<ul style="list-style-type: none"> Assisting the Board in fulfilling its responsibilities with respect to human resources and remuneration matters. Overseeing the establishment of and regular review of CSL's diversity policy. Reviewing and recommending to the board the design of any share, performance option, performance rights, retention and deferred cash incentive plans including performance measures and any amendments to such schemes or plans.
Innovation and Development Committee	Mr Maurice Renshaw (Chair) Prof John Shine Mr Paul Perrault Dr Megan Clark Mr David Anstice	<ul style="list-style-type: none"> At least three directors, being at least two non-executive directors and the Managing Director. Chaired by an independent, non-executive director. In the absence of Committee Chair, chaired by another independent, non-executive director elected by the members present. CSL's Chief Scientific Officer is a required attendee of committee meetings. 	<ul style="list-style-type: none"> Overseeing CSL's technology, research and product development opportunities. Ensuring relevant investments are undertaken in ways that are most likely to create long term value for shareholders. Monitoring the strategic direction of CSL's technology, research and product development programs. Providing guidance on issues and priorities, additions to the research and development pipeline and significant development milestones. Overseeing the management of risk associated with the research and development projects.
Securities and Market Disclosure Committee	Prof John Shine (Chair) Mr Paul Perrault	<ul style="list-style-type: none"> A minimum of any two directors, one of whom must be an independent director. Chaired by Board Chairman. In the absence of Board Chairman, chaired by another non-executive director elected by the non-executive directors present. 	<ul style="list-style-type: none"> Assists CSL in complying with reporting and disclosure obligations under the Corporations Act and ASX Listing Rules, including continuous disclosure obligations and trading halts. Approving the allotment and issue, and registration of transfers, of CSL shares. Overseeing compliance with other formalities which may be urgently required in relation to matters affecting CSL's share capital.

Corporate Governance continued

5. RISK MANAGEMENT AND FINANCIAL REPORTING

Relevant governance documents:

- Audit and Risk Management Committee Charter
- Corporate Responsibility Report
- Code of Responsible Business Practice

5.1 Role of the Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in overseeing the integrity of financial reporting, the effectiveness of risk management and compliance systems and internal control framework and the external and internal audit functions.

The Audit and Risk Management Committee has (in conjunction with management) reported to the Board as to CSL's effective management of its material business risks in respect of the financial year ended 30 June 2016.

Senior executives and internal and external auditors frequently attend meetings on invitation by the Audit and Risk Management Committee. The Audit and Risk Management Committee holds regular meetings with both the internal and external auditors without management or executive directors present. Any director who is not a member of the Audit and Risk Management Committee may attend any meeting of the committee in an ex-officio capacity.

5.2 Risk Framework

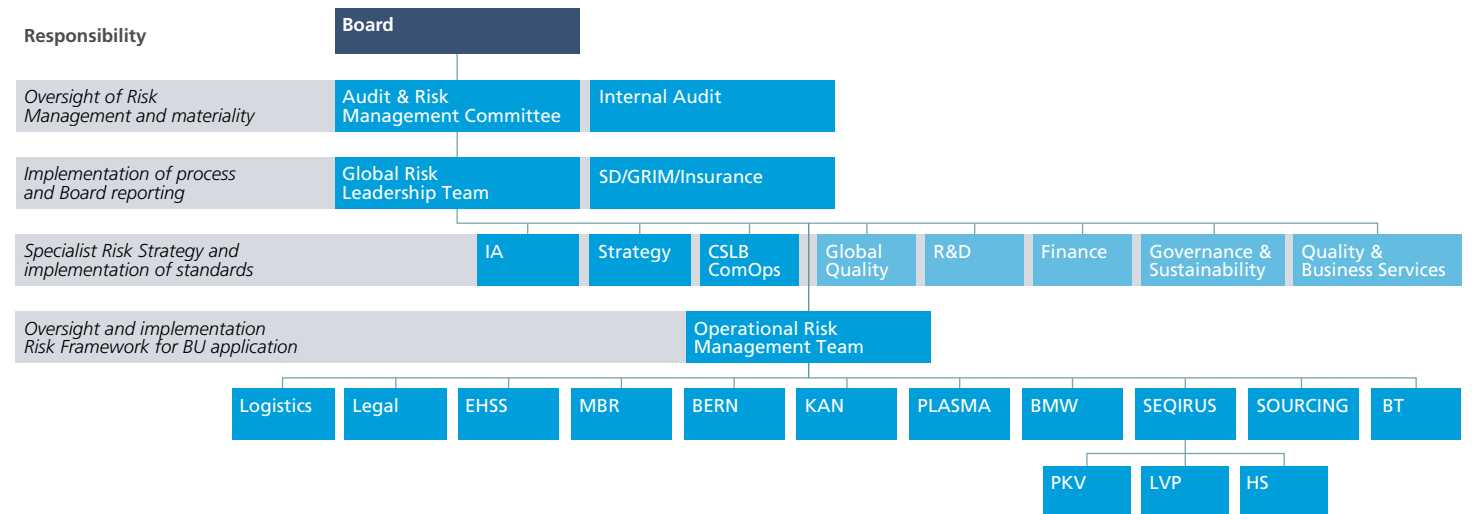
CSL has adopted and follows a detailed and structured Risk Framework to ensure that risks in the CSL Group are identified, evaluated, monitored and managed. This Risk Framework sets out the risk management processes and internal compliance and control systems, the roles and responsibilities for different levels of management, the matrix of risk impact and likelihood for assessing risk and risk management reporting requirements.

The risk management processes and internal compliance and control systems are made up of various CSL policies, processes, practices and procedures, which have been established by management and/or the Board to provide reasonable assurance that:

- established corporate and business strategies are implemented, and objectives are achieved;
- any material exposure to risk is identified and adequately monitored and managed;
- significant financial, managerial and operating information is accurate, relevant, timely and reliable; and
- there is an adequate level of compliance with policies, standards, procedures and applicable laws and regulations.

As part of the Risk Framework, an Operational Risk Management Team of responsible executives reports to a Global Risk Leadership Team which in turn reports to the Audit and Risk Management Committee, including as to the effectiveness of CSL's management of material risks. These teams are responsible for

implementing, coordinating and facilitating the risk management process across the CSL Group. This includes quantifying and monitoring certain business risks identified and evaluated as part of the risk management process, including those relating to operating systems, the environment, health and safety, product quality, physical assets, security, disaster recovery, insurance and compliance. Each manufacturing site and each major function in the Group has its own Risk Management Committee which reports to the Operational Risk Management Team on a quarterly basis. The CSL Group also has a Global Risk and Insurance Manager who is responsible for monitoring and coordinating the implementation of the Risk Framework throughout the CSL Group. The governance and oversight of risk management as described above is illustrated below.



The oversight of risk management associated with research and development projects is one of the responsibilities of the Innovation and Development Committee (see above). The research and development operations have a number of management committees that report into the Innovation and Development Committee.

The oversight of the management of risks which are not the subject of the Risk Framework or associated with research and development projects, such as strategic and reputational risk, is a responsibility of the Board.

Risk assessment and management policies are reviewed periodically, including by the CSL Group's internal audit function.

5.3 Sustainability Risks

In the course of CSL's business operations, CSL is exposed to a variety of risks that are inherent to the pharmaceutical industry, and in particular the plasma therapies industry. Key business/industry risks are tabled in section 5 of the Director's Report (see pages 56 to 59 of this Report) and key financial risks are tabled in Note 11 to the Financial Statements (see pages 100 to 105 of this Report).

In addition, further detail regarding CSL's ongoing efforts to operate ethically and responsibly in respect of sustainability are set out in CSL's annual Corporate Responsibility Report.

5.4 External Auditor

One of the chief functions of the Audit and Risk Management Committee is to review and monitor the performance and independence of the external auditor. CSL's external auditor for the financial year was Ernst & Young, who were appointed by shareholders at the 2002 Annual General Meeting.

The Audit and Risk Management Committee has established a policy in relation to the engagement of the external auditor for non-audit services so as to ensure the independence of the external auditor.

The signing partner for the external auditor is normally to be rotated at least every five years, and the auditor is required to make an independence declaration annually. CSL notes that, in accordance with the requirements of the Corporations Act, the Board and the Audit and Risk Management Committee approved Mr Glenn Carmody to act as the signing partner for Ernst & Young for a sixth year in 2015-2016 (as a result of some changes in personnel at Ernst & Young which directly affected the transition plans for the replacement of Ernst & Young's signing partner). Mr Rodney Piltz has been approved to act as the signing partner for Ernst & Young for the 2016-2017 financial year.

The external auditor attends each Annual General Meeting and is available to answer questions from shareholders relevant to the audit and the preparation and content of the auditor's report.

5.5 Internal Auditor

Another important function of the Audit and Risk Management Committee is to review and monitor the performance of CSL's internal audit operation. CSL's internal auditor for the financial year was PricewaterhouseCoopers.

The role of CSL's internal audit function is to provide independent and objective assurance to the Audit and Risk Management Committee and executive management regarding the effectiveness of CSL's risk management processes (including the state of any material risks) and internal compliance and control systems.

As noted above in section 5.2, the internal compliance and control systems are made up of various CSL policies, processes, practices and procedures.

An internal audit plan is prepared by the internal auditor, and reviewed and approved by the Audit and Risk Management Committee on an annual basis (for the upcoming financial year). The internal audit plan seeks to cover, over a rolling basis, all significant activities of CSL, including its controlled entities and their operations.

In addition, CSL's internal auditor may be requested to perform investigative reviews on suspected fraudulent activities or Whistleblower complaints. In line with CSL's Whistleblower Policy, any complaint made against the Managing Director, any member of CSL's Global Leadership Group or any regional Whistleblower reports co-ordinator, must be investigated by CSL's internal auditor, and the internal auditor's written report in respect of that investigation must be provided directly to the Audit and Risk Management Committee.

5.6 Integrity in Financial Reporting and Regulatory Compliance

The Board is committed to ensuring the integrity and quality of its financial reporting, risk management and compliance and control systems.

Prior to giving their directors' declaration in respect of the annual and half-year financial statements, the Board requires the Managing Director and the Chief Financial Officer to sign written declarations to the Board that, in their opinion:

- the financial statements and associated notes comply with IFRS Accounting Standards as required by the Corporations Act, the Corporations Regulations and the CSL Group Accounting Policies;
- the financial statements and associated notes give a true and fair view of the financial position as at the relevant balance date and performance of CSL for the relevant period then ended as required by the Corporations Act;
- that CSL's financial records for the relevant period have been properly maintained in accordance with the Corporations Act; and
- they have established and maintained an adequate risk management and internal compliance and control system to facilitate the preparation of a reliable financial report and the maintenance of the financial records, which, in all material respects, implements the policies adopted by the Board, and the statements made above are based on that system, which is operating effectively.

These written declarations were received by the Board prior to its approval of the financial statements for the financial year ended 30 June 2016.

Corporate Governance continued

6. MARKET DISCLOSURE

Relevant governance documents:

- Communications and External Disclosure Policy

6.1 Communications and External Disclosure

CSL has a Communications and External Disclosure Policy. This policy operates in conjunction with CSL's more detailed internal continuous disclosure policy. Together, these policies are designed to facilitate CSL's compliance with its obligations under the ASX Listing Rules and the Corporations Act by:

- providing guidance as to the types of information that may require disclosure, including examples of practical application of the rules;
- providing practical guidance for dealing with market analysts and the media;
- identifying the correct channels for passing on potentially market-sensitive information as soon as it comes to hand;
- establishing regular occasions at which senior executives and directors are actively prompted to consider whether there is any potentially market-sensitive information which may require disclosure; and
- allocating responsibility for approving the substance and form of any public disclosure and communications with investors.

6.2 Shareholder Communication

In addition to its formal disclosure obligations under the ASX Listing Rules and the Corporations Act, the Board uses a number of additional means of communicating with shareholders and investors. These include:

- the half-year and annual report and Shareholder Review;
- posting media releases, public announcements, notices of general meetings and voting results, and other investor related information on CSL's website; and
- annual general meetings, including webcasting which permits shareholders worldwide to view proceedings.

CSL has a dedicated Governance page on CSL's website (see www.csl.com.au/about/governance.htm), which supplements the communication to shareholders in the annual report regarding CSL's corporate governance policies and practices. The Communications and External Disclosure Policy outlines the ways in which CSL seeks to communicate and interact with shareholders, facilitate and encourage participation at shareholder meetings and how shareholders may elect to receive electronic communications from, and communicate electronically to, CSL.

To ensure that shareholders and other stakeholders have a full understanding of CSL's performance and strategies, CSL will convene a number of analyst briefings and investor presentations and roadshows each year. These updates provide an opportunity for analysts and investors to speak directly with senior management and ask questions.

The Board is committed to monitoring ongoing developments that may enhance communication with shareholders, including technological developments, regulatory changes and the continuing development of 'best practice' in the market, and to implementing changes to CSL's communications strategies whenever reasonably practicable to reflect any such developments.

7. SECURITIES DEALING

Relevant governance documents:

- Securities Dealing Policy

By promoting director and employee ownership of shares, the Board hopes to encourage directors and employees to become long-term holders of CSL securities, aligning their interests with those of CSL. CSL, and its equity-based remuneration scheme, do not condone short-term or speculative trading in CSL securities by directors and employees, nor do they permit directors or employees to enter into any price protection arrangements with third parties to hedge such securities or margin loan arrangements in relation to CSL securities.

CSL has a comprehensive securities dealing policy which applies to all directors and employees. The policy aims to inform directors and employees of the law relating to insider trading, and provide them with practical guidance for avoiding unlawful transactions in CSL securities.

A copy of CSL's Securities Dealing Policy has been lodged with the ASX in accordance with Listing Rule 12.9.



John Shine AO
Chairman

17 August 2016

CSL Limited
Financial Report
2015–2016

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Directors' Report

The Board of Directors of CSL Limited (**CSL**) has pleasure in presenting their report on the consolidated entity for the year ended 30 June 2016.

1. Directors

The following persons were Directors of CSL during the whole of the year and up to the date of this report:

Professor J Shine AO (Chairman)

Mr P R Perreault (Chief Executive Officer and Managing Director)

Mr J H Akehurst

Mr D W Anstice

Mr B R Brook

Ms M E McDonald

Ms C E O'Reilly

Mr M A Renshaw

Dr M E Clark AC was appointed as a Director on 16 February 2016 and continues in office as at the date of this report.

Particulars of the directors' qualifications, independence, experience, all directorships of public listed companies held for the past three years, special responsibilities, ages and the period for which each has been a director are set out in the Directors' Profiles section of the Annual Report and on CSL's website, www.csl.com.

2. Company Secretaries

Mr E H C Bailey, B.Com/LLB, FGIA, was appointed to the position of Company Secretary on 1 January 2009 and continues in office at the date of this report. Mr Bailey joined CSL in 2000 and had occupied the role of Assistant Company Secretary from 2001. Before joining CSL, Mr Bailey was a Senior Associate with Arthur Robinson & Hedderwicks. On 16 August 2011, Mr J A G Levy, CPA, was appointed as Assistant Company Secretary. Mr Levy has held a number of senior finance positions within the CSL Group since joining CSL in 1989.

3. Directors' Attendances at Meetings

The table below shows the number of directors' meetings held (including meetings of Board Committees) and number of meetings attended by each of the directors of CSL during the year. In addition, a Capital Structuring Committee was set up to oversee the up to US\$500 million (or equivalent in foreign currency) private placement offering in the US and the re-financing of existing and new debt facilities of up to US\$1.25 billion. The Capital Structuring Committee comprised Mr B R Brook (Chair), Ms M E McDonald and Ms C E O'Reilly and met on three occasions during the year. The directors also visited various of the CSL Group's operations inside and outside Australia and met with local management.

	Board of Directors		Audit & Risk Management Committee		Securities & Market Disclosure Committee	Human Resources & Remuneration Committee		Innovation & Development Committee		Nomination Committee	
	A	B	A	B	A	A	B	A	B	A	B
J Shine	8	8	3 ¹		12	6 ¹		4	4	9	9
J H Akehurst	7	8				8	8	3 ¹		7	9
D W Anstice	8	8			2	6	8	3	4	7	9
B R Brook	8	8	5	5		3 ¹		4 ¹		9	9
M E Clark	3 ²	2						1	1	4 ²	3
M McDonald	8	8	5	5		3 ¹		4 ¹		9	9
P R Perreault	8	8	5 ²		13	8 ²		4	4		
C E O'Reilly	8	8	5	5		8	8	3 ¹		9	9
M A Renshaw	8	8				2 ¹		4	4	9	9

¹ Attended for at least part in ex officio capacity

² Attended for at least part by invitation

A Number of meetings (including meetings of Board Committees) attended during the period.

B Maximum number of meetings that could have been attended during the period.

4. Principal Activities

The principal activities of the consolidated entity during the financial year were the research, development, manufacture, marketing and distribution of biopharmaceutical and allied products.

5. Operating and Financial Review and Future Prospects

(a) Financial Review

The CSL Group announced a net profit after tax of US\$1,242.4 million for the twelve months ended 30 June 2016, down 10% when compared to the prior comparable period. Underlying Net Profit after Tax at constant currency^{1,2} grew 5.2% when compared to the prior comparable period. Sales Revenue was US\$5,909.5 million, up 8.6% on an underlying constant currency basis when compared to the prior comparable period, with research and development expenditure of US\$613.8 million. Cash flow from operations was US\$1,178.6 million.

(b) Operating Review

CSL Behring product sales of US\$5,245 million increased 10% at constant currency when compared to the prior comparable period.

Immunoglobulin product sales of US\$2,457 million grew 11% at constant currency.

The key growth driver has been Hizentra®, CSL Behring's subcutaneous immunoglobulin product where demand has been strong in both the US and Europe. Hizentra® grew sales 31% at constant currency. New patient starts, selective partnering in the Specialty Pharmacy segment and the increase in home treatment contributed to the strong performance.

Demand for intravenous immunoglobulin has also been solid led by Privigen®, which delivered sales growth of 7% at constant currency. In the US, market share was maintained in the highly competitive hospital setting. In Europe, Privigen® saw strong growth, especially in France and UK, driven by Privigen's® expanded indication to include its use in the treatment of

chronic inflammatory demyelinating polyneuropathy (CIDP). The introduction of IG IsoLo®, a manufacturing step to reduce isoagglutinin levels which contributes to further improving the product safety profile, has been well received. In Australia, Privigen® was introduced into the market following a successful tender with Australia's National Blood Authority.

Haemophilia product sales of US\$1,000 million grew 4% at constant currency. Plasma derived haemophilia sales grew 14% at constant currency. This increase was largely driven by solid demand for Beriate®, led by Poland and Germany and successful tenders in Russia and Iran. Strong demand for Humate® in the US also contributed.

The strong growth in plasma derived therapies was offset to a large extent by the decline in sales of Helixate®, CSL's licensed recombinant factor VIII product. Competition in this market continues to increase with the launch of new generation recombinant FVIII products including CSL's recently approved Afstylia®.

¹ **Constant currency** removes the impact of exchange rate movements to facilitate comparability of operational performance for the Group. This is done in three parts: a) by converting the current year net profit of entities in the group that have reporting currencies other than US Dollars, at the rates that were applicable to the prior comparable period (**translation currency effect**); b) by restating material transactions booked by the group that are impacted by exchange rate movements at the rate that would have applied to the transaction if it had occurred in the prior comparable period (**transaction currency effect**); and c) by adjusting for current year foreign currency gains and losses (**foreign currency effect**). The sum of translation currency effect, transaction currency effect and foreign currency effect is the amount by which reported net profit is adjusted to calculate the result at constant currency.

Summary NPAT

Reported net profit after tax	US\$1,242.4m
Translation currency effect (a)	US\$85.5m
Transaction currency effect (b)	US\$(7.7m)
Foreign Currency losses (c)	US\$37.2m
Constant currency net profit after tax *	US\$1,357.4m

a) Translation currency effect NPAT \$85.5m

Average Exchange rates used for calculation in major currencies (twelve months to June 16/June 15) were as follows: USD/EUR (0.90/0.82); USD/CHF (0.98/0.94).

b) Transaction Currency Effect (\$7.7m)

Transaction currency effect is calculated by reference to the applicable prior year exchange rates. The calculation takes into account the timing of sales both internally within the CSL Group (ie from a manufacturer to a distributor) and externally (ie to the final customer) and the relevant exchange rates applicable to each transaction.

c) Foreign currency effect NPAT \$37.2m

Foreign currency losses during the period as recorded in the financial statements.

* Constant currency net profit after tax and sales have not been audited or reviewed in accordance with Australian Auditing Standards.

² Underlying Net Profit after Tax at constant currency

At the time of the 2015 results CSL provided guidance to the market excluding the Novartis Influenza business (NVS-IV) that was acquired by the Group on 31 July 2015. Guidance to the market was presented excluding the anticipated financial performance of NVS-IV given the uncertainty around that performance at the time of the publication of the 2015 results.

There are three elements that bridge the constant currency result noted above to the Underlying Net Profit after Tax at constant currency:

a) Operational Performance NVS-IV NPAT (\$205.5m)

Operational performance of the NVS-IV business – the business recorded a Net Loss after Tax of \$205.5m

b) One off items NPAT (\$86.6m)

One off items comprise acquisition and integration costs that were incurred during the year. Acquisition costs include professional fees and travel. Integration costs are those costs incurred in bringing the acquired business into the CSL Group, these include salary costs, professional fees and travel. Together acquisition and integration costs are \$86.6m after tax – these costs have been charged to the income statement of the Group.

c) Gain on acquisition NPAT \$176.1m

The acquisition gave rise to a gain as the fair value of net assets acquired was greater than the consideration paid. Full details of the gain are included in the financial statements in Note 1b.

Constant currency net profit after tax *	US\$1,357.4m
Operational performance of NVS-IV (a)	US\$205.5m
One-off items (b)	US\$86.6m
Gain on acquisition (c)	US\$(176.1m)
FY16 underlying constant currency NPAT	US\$1,473.4m

Summary Sales

Reported sales	US\$5,909.5m
Currency effect	US\$300.1m
Constant currency sales (Group)	US\$6,209.6m
NVS-IV sales	US\$283.8m
Underlying FY16 Sales	US\$5,925.8m

Directors' Report continued

Specialty products sales of US\$977 million grew 11% at constant currency. Sales of Kcentra® (4 factor pro-thrombin complex concentrate) in the US were strong driven by our fully established sales force and greater brand awareness.

Beriner® (C1-esterase inhibitor concentrate) was another solid contributor. Beriner is used for the treatment of acute attacks in patients with hereditary angioedema (HAE). Beriner® has seen strong growth in Europe due to the increased awareness and diagnosis of HAE.

Respreeza® (Alpha-1 Proteinase Inhibitor) was launched in a number of European countries following the granting of marketing authorisation. Respreeza® is a maintenance treatment for severe Alpha-1 Antitrypsin Deficiency patients and has been shown to slow the progression of emphysema. Following the initial launch, Respreeza will be rolled out more broadly in Europe this year.

Albumin sales of US\$811 million rose 12% at constant currency, driven by ongoing significant global demand particularly in China and the US. In China, demand for albumin is exceptionally strong and is expected to continue. CSL is well positioned with a broad portfolio of products and an extensive distribution network that is focused on the fast growing second and third tier cities in China.

Seqirus sales of US\$652 million reflect 11 months of sales since the acquisition of Novartis' influenza vaccines business on 31 July 2015. Sales of influenza vaccine were adversely impacted by a mild influenza season in the northern hemisphere. The Seqirus business turnaround program remains on track.

CSL Intellectual Property revenue of US\$123 million declined 10% at constant currency. The prior comparable period included a payment from CSL's licensee Janssen Biotech Inc. to develop and commercialise CSL362, a product used to treat patients with acute myeloid leukaemia.

Set out below is a summary of the key information disclosed to the Australian Securities Exchange (ASX) during the period under review:

- On 28 July 2015, CSL announced that the US FDA had accepted a Biologics License Application for its recombinant FVIII;

- On 3 August 2015, CSL announced the closing of the acquisition of the Novartis' global influenza vaccine business for US\$275 million;
- On 12 August 2015, CSL announced its full year results for the year ending 30 June 2015;
- On 9 October 2015, CSL announced the closing of the US\$500 million (or its foreign currency equivalent) private placement offering in the US;
- On 9 October 2015, CSL announced Mr David Lamont had been appointed as the new Chief Financial Officer of CSL;
- On 15 October 2015, CSL announced its intention to conduct an on-market buyback of up to A\$1 billion;
- On 10 December 2015, CSL announced its Research and Development Day briefing to Analysts;
- On 21 December 2015, CSL announced that it had put in place new debt facilities up to US\$1.25 billion;
- On 16 February 2016, CSL announced its half year results for the half year ending 31 December 2015;
- On 7 March 2016, CSL announced that Idelvion® (rFIX-FP) had been approved by the US FDA;
- On 12 May 2016, CSL announced that Idelvion® (rFIX-FP) had been approved by the European Commission;
- On 24 May 2016, CSL announced that Flucelvac Quadrivalent™ (Influenza Vaccine) had been approved by the US FDA;
- On 26 May 2016, CSL announced that Afstyla® (rFVIII-Single Chain) had been approved by the US FDA.

Full details of all information disclosed to the ASX during the period under review can be obtained from the ASX website (www.asx.com.au).

(c) Future Prospects (including Key Risks)

In the medium term CSL expects to continue to grow through developing differentiated plasma-derived and recombinant products, receiving royalty flows from the exploitation of the Human Papillomavirus Vaccine by Merck & Co, Inc, and the commercialisation of CSL's technology. Over the longer term

CSL intends to develop new products which are protected by its own intellectual property and which are high margin human health medicines marketed and sold by CSL's global operations.

This is underpinned by CSL's research and development strategy that comprises four main areas:

- Immunoglobulins – support and enhance the current portfolio with improved patient convenience, yield improvements, expanded labels and new formulation science;
- Haemophilia Products – support and enhance the current portfolio with new plasma-derived products, recombinant coagulation factors and coagulation research;
- Speciality Products – expand the use of speciality plasma-derived products through new markets, novel indications and new modes of administration; and
- Breakthrough Medicines – develop new protein-based therapies for significant unmet medical needs and multiple indications.

Further comments on likely developments and expected results of certain aspects of the operations of the consolidated entity and on the business strategies and prospects for future financial years of the consolidated entity, are contained in the Year in Review in the Annual Report and in section 5 (b) of this Directors' Report. Additional information of this nature can be found on CSL's website, www.csl.com.au. Any further information of this nature has been omitted as it would unreasonably prejudice the interests of CSL to refer further to such matters.

In the course of CSL's business operations, CSL is exposed to a variety of risks that are inherent to the pharmaceutical industry, and in particular the plasma therapies industry. The following details some of the key business risks that could affect CSL's business and operations but are not the only risks CSL faces. Key financial risks are set out in Note 11 to the Financial Statements. Other risks besides those detailed below or in the Financial Statements could also adversely affect CSL's business and operations, and key business risks below should not be considered an exhaustive list of potential risks that may affect CSL.

Description of Key Risk

Key Risk Management

Healthcare Industry Risk

- CSL faces competition from pharmaceutical companies and biotechnology companies. The introduction of new competitive products or follow-on biologics by our competitors, may impact our ability to access fast-growing/strategic markets, and may result in reduced product sales and lower prices. In addition, industry wide shifts in demand for our products may affect our business and operations.
 - Accessing fast-growing or strategic markets and executing on value-creating business development deals are key growth opportunities for CSL. If these activities are unsuccessful our business and financial performance could be adversely affected.
 - CSL operates in many countries and changes in the regulatory framework under which we operate in these countries, particularly with regard to the reimbursement of healthcare expenses, could have a negative impact on our business and results of operations.
- Along with regular reviews of key markets and geographies of strategic value and potential, CSL monitors our competitive markets to understand what new competitive products may be emerging and the ongoing demand for our products. We ensure a diverse product pipeline with a focus on product lifecycle development, and seek to ensure that the pricing of our products remains competitive.
 - CSL identifies and assesses new business development and market expansion opportunities that align with our long term strategic objectives. Broader input from a variety of functions is engaged when opportunities reach specific points in the due diligence process, to ensure appropriate evaluation, integration and business continuity in operations should we enter fast-growing strategic markets or make an acquisition.
 - CSL seeks to understand the current and emerging regulatory frameworks and looks to adapt, where possible, our product development to meet any changes or additional requirements. Internal audit processes and government liaison activities also serve to identify areas of regulatory compliance needs.

Manufacturing & Supply Risk

- The manufacture of CSL's products, in accordance with regulatory requirements, is a complex process including fractionation, purification, filling and finishing. Any challenges experienced in the continuity of this process, and/or the quality of supply, could have a negative impact on our business results.
 - CSL depends on a limited group of companies that supply our raw materials and supply and maintain our equipment. If there is a material interruption to the supply or quality of a critical raw material or finished product, this could disrupt production or our commercial operations. If the equipment should malfunction or suffer damage, the repair or replacement of the machinery may require substantial time and cost, which could disrupt production and other operations.
 - CSL also depends on plasma donors for the supply of plasma. Ineffective management of donors has the potential to impact supply and may also have reputational consequences.
- CSL has a robust management process to ensure that any process is well is maintained through our strategy to operate large, long-life and efficient manufacturing facilities. This includes adoption of, and compliance with, a broad suite of internationally recognised standards (GxP) including Good Manufacturing Practice (GMP).
 - CSL seeks to maintain appropriate levels of inventory and safety stock and ensures that, where practicable, we have alternative supply arrangements in place. We have a robust preventative maintenance program and access to remedial maintenance when necessary. We undertake quality audits of suppliers and maintain and review business continuity plans which can be actioned in the event of any significant event.
 - CSL responsibly sources plasma from donors, complying with voluntary and regulatory standards. The donor experience is closely monitored to ensure the comfort, health and safety of donors.

Research and Development/Commercialisation Risk

- Our future success depends significantly on our ability to continue to successfully develop new products. The success of such development efforts involves great challenge and uncertainty. To achieve this, we must conduct, at our own expense, early stage research and clinical trials to demonstrate proof of concept and the safety and efficacy of the product candidates. Clinical trials are expensive, difficult to design and implement, can take multiple years to complete and are uncertain as to outcome.
 - Commercialisation requires effective transition of research and development activities to business operations.
- CSL seeks to ensure that our development programs, including our early stage research and clinical trials, are undertaken responsibly and ethically within an appropriate governance framework that includes multiple decision points where the science and commercialisation opportunities are robustly analysed and risk-assessed.
 - CSL undertakes extensive advance planning and transitioning work to ensure research and development activities and technologies are effectively transitioned to business operations. We also actively source partners/subcontractors, where necessary, to ensure business continuity in product development or general operations.

Business Combination Risk

- Potential business combinations could require significant management attention and prove difficult to integrate with CSL's business.
 - CSL may not realise the anticipated benefits, or it may take longer to do so than anticipated, from any business combination we may undertake in the future and any benefits we do realise may not justify the acquisition price.
- CSL takes a disciplined approach to acquisitions. We focus on strategically aligned opportunities, including those where we can derive synergies through our substantial existing knowledge and expertise. We also seek to ensure that a detailed review and assessment of potential business combinations occurs prior to any acquisition.
 - CSL seeks to ensure that integration activities are well planned and executed, leveraging our existing capabilities and knowledge base, as well as those of highly qualified and reputable advisors.

Description of Key Risk	Key Risk Management
<p>Information Security, including Cybersecurity</p> <ul style="list-style-type: none"> • Most of CSL's operations are computer-based and information technology (IT) systems are essential to maintaining effective operations. • CSL's IT Systems are exposed to risks of complete or partial failure of IT systems or data centre infrastructure, the inadequacy of internal or third-party IT systems due to, amongst other things, failure to keep pace with industry developments and the capacity of existing systems to effectively address growth, unauthorised access and integration of existing operations. 	<ul style="list-style-type: none"> • CSL has developed numerous security controls for our IT systems and data centre infrastructure that are based on our understanding of known threats and best practice industry knowledge. We continually reassess the appropriateness of, and seek to continuously improve, these controls in light of the evolving nature of such threats, and through regular training and awareness campaigns ensure our employees can respond appropriately to relevant threats. • CSL employs robust IT Disaster Recovery planning, as well as Business Continuity planning to mitigate operational interruptions. We also seeks to continuously improve, update and implement new IT systems, in part to assist us to satisfy regulator demands, ensure information security, enhance the manufacture and supply of our products and integration of our operations.
<p>Intellectual Property Risk</p> <ul style="list-style-type: none"> • CSL relies on an ability to obtain and maintain protection for our intellectual property (IP) in the countries in which we operate. • CSL's products or product candidates may infringe, or be accused of infringing, on one or more claims of an issued patent, or may fall within the scope of one or more claims in a published patent application that may be subsequently issued and to which we do not hold a licence or other rights. 	<ul style="list-style-type: none"> • CSL seeks appropriate patent and trademark protection and manages any specifically identified IP risks. Along with dedicated IP personnel to manage IP opportunity and risk, we use specialist advisors by jurisdiction to inform this approach. • CSL ensures that our projects, products and related activities include an appropriate assessment of any third party IP profile and our IP profile.
<p>Personnel Risk</p> <ul style="list-style-type: none"> • Providing a safe and rewarding work environment for CSL's employees is critical to our sustainability. • CSL is dependent on the principal members of our executive and scientific teams. The loss of the services of any of these persons might impede the achievement of our research, development, operational and commercialization objectives. 	<ul style="list-style-type: none"> • CSL has in place a robust workplace health and safety management system in line with industry best practice. Incident prevention, monitoring and reporting, along with early injury intervention, assist in mitigating risks to employee health and safety. • CSL seeks to ensure that our remuneration and retention arrangements are competitive in the employment markets in which we operate. We have plans and processes in place to develop our future leaders, such as succession planning and talent development.
<p>Unexpected Side Effects Risk</p> <ul style="list-style-type: none"> • As for all pharmaceutical products, the use of CSL's products can produce undesirable or unintended side effects or adverse reactions (referred to cumulatively as "adverse events"). The occurrence of adverse events for a particular product or shipment may result in a loss, and could have a negative impact on our business and reputation, as well as results of operations. 	<ul style="list-style-type: none"> • CSL seeks to maintain processes and procedures that meet good pharmacovigilance practice standards. We ensure that our product information is up to date and contains all relevant information to assist healthcare practitioners to appropriately use our products.
<p>Market Practice Risk</p> <ul style="list-style-type: none"> • CSL's marketplace is diverse and complex, presenting many opportunities and challenges. Breach of regulations, local or international law, or industry codes of conduct, may subject us to financial penalty and reputational damage. Such instances may invite further regulation that may negatively affect our ability to market therapies. 	<ul style="list-style-type: none"> • CSL ensures our employees, contractors and suppliers are aware of our expectations in relation to their interaction with stakeholders. We undertake relevant training and monitoring of our Code of Responsible Business Practice. We undertake internal audits of functions, processes and activities across our operating geographies.

CSL has adopted and follows a detailed and structured Risk Framework to ensure that risks in the CSL Group are identified, evaluated, monitored and managed. This Risk Framework sets out the risk management processes and internal compliance and control systems, the roles and responsibilities for different levels of management, the risk tolerance of CSL, the matrix of risk impact and likelihood for assessing risk and risk management reporting requirements.

The risk management processes and internal compliance and control systems are made up of various CSL policies, processes, practices and procedures, which have been established by management and/or the Board to provide reasonable assurance that:

- established corporate and business strategies are implemented, and objectives are achieved;
- any material exposure to risk is identified and adequately monitored and managed;
- significant financial, managerial and operating information is accurate, relevant, timely and reliable; and
- there is an adequate level of compliance with policies, standards, procedures and applicable laws and regulations.

Further details of CSL's risk management framework are contained in CSL's corporate governance statement.

6. Dividends

The following dividends have been paid or determined since the end of the preceding financial year:

2014-2015 An interim dividend of US\$0.58 per share, unfranked, was paid on 10 April 2015. CSL's Directors determined a final dividend of US\$0.66 per ordinary share, unfranked, for the year ended 30 June 2015 that was paid on 2 October 2015.

2015-2016 An interim dividend of US\$0.58 per share, unfranked, was paid on 15 April 2016. CSL's Directors have determined a final dividend of US\$0.68 per ordinary share, unfranked, for the year ended 30 June 2016.

In accordance with determinations by the Directors, CSL's dividend reinvestment plan remains suspended.

Total dividends for the 2015-2016 year are:

	On Ordinary shares US\$m
Interim dividend paid on 15 April 2016	285.6
Final dividend payable on 7 October 2016	310.5

7. Significant changes in the State of Affairs

On 15 October 2015, CSL announced its intention to conduct a further on-market buyback of up to A\$1 billion, representing approximately 2% of shares then on issue. Up to 30 June 2016, CSL purchased 8,913,732 shares under this announced buyback, returning A\$908.5 million to shareholders. From 1 July 2016 to 11 July 2016, an additional 143,412 shares were purchased, bringing the total returned to shareholders to A\$924.5 million. Since 11 July 2016 up to 16 August 2016, no further shares have been bought back.

On 3 August 2015, CSL announced that it had on 31 July 2015 closed the acquisition of the Novartis' global influenza vaccine business for US\$275 million. The business has been combined with CSL's subsidiary bioCSL to create the number two player in the global influenza vaccine industry, with manufacturing operations in the US, UK, Germany and Australia.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year not otherwise disclosed in this report or the financial statements.

8. Significant events after year end

Other than as disclosed in the financial statements, the Directors are not aware of any other matter of circumstance which has arisen since the end of the financial year which has significantly affected or may significantly affect the operations of the consolidated entity, results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

9. Environment, Health, Safety & Sustainability Performance

CSL has an Environment, Health, Safety and Sustainability (EHS2) Strategic Plan which ensures its facilities operate to internationally recognised standards. This strategy includes compliance with government regulations and commitments to continuously improve the health and safety of the workforce as well as minimising the impact of operations on the environment. CSL utilises an overall integrated management systems approach with several manufacturing sites maintaining individual certifications to relevant external Environment, Occupational Health and Safety, and Energy management systems which include: the EU Eco-Management and Audit Scheme (EMAS); ISO 14001 Environmental Management Systems; AS/NZ4801 & OHSAS 18001 Occupational Health and Safety Management Systems; and the ISO 50001 Energy Management Systems.

The Global Total Recordable Incident Rate continues to demonstrate an improving trend in performance. Our Australian operations maintain a Tier 3 status in regards to CSL Limited's self-insurance licence as granted by the Safety, Rehabilitation and Compensation Commission

No environmental breaches have been notified by the Environment Protection Authority in Victoria, Australia or by any other equivalent Australian interstate or foreign government agency in relation to CSL's Australian, European, North American or Asia Pacific operations during the year ended 30 June 2016. Non-compliances with requirements for wastewater quality discharged to the sewer system from both the Broadmeadows and Parkville, Australian sites identified during the year have subsequently been resolved to the satisfaction of the relevant water authorities.

Environmental obligations and waste discharge quotas are regulated under applicable Australian and foreign laws. Environmental performance is monitored and subjected from time to time to government agency audits and site inspections. The EHS2 function continues to refine standards, processes and data collection systems to ensure we are well prepared for new regulatory requirements.

As part of compliance and continuous improvement in regulatory and voluntary environmental performance, CSL continues to report on key environmental issues including energy consumption, emissions, water use and management of waste as part of CSL's annual Corporate Responsibility Report and submission to the Carbon Disclosure Project. CSL has met its reporting obligations under the *Australian Government's National Greenhouse and Energy Reporting Act (2007)* and Victorian Government's Industrial Waste Management Policy (National Pollutant Inventory).

Globally, EHS2 continues to evaluate potential risks to CSL and its operations associated with climate change. To date, studies indicate that climate change, and measures introduced or announced by various governments to address climate change, do not pose a significant risk or financial impact to CSL in the short to medium term. Climate change risks and control measures continue to be monitored to ensure compliance to new and emerging regulatory requirements.

Further details related to Environment, Health, Safety and Sustainability performance can be found in CSL's sustainability report, *Our Corporate Responsibility*, available on CSL's website, www.csl.com.au.

10. Directors' Shareholdings and Interests

At the date of this report, the interests of the directors who held office at 30 June 2016 in the shares, options and performance rights of CSL are set out in the Remuneration Report – Tables 10 and 14 for executive Key Management Personnel (KMP) and Table 15 for Non-Executive Directors. It is contrary to Board policy for KMP to limit exposure to risk in relation to these securities. From time to time the Company Secretary makes inquiries of KMP as to their compliance with this policy.

11. Directors' Interests in Contracts

Section 13 of this Report sets out particulars of the Directors Deed entered into by CSL with each director in relation to access to Board papers, indemnity and insurance.

12. Performance Rights and Options

As at the date of this report, the number of unissued ordinary shares in CSL under options and under performance rights are set out in Note 18 of the Financial Statements.

Holders of options or performance rights do not have any right, by virtue of the options or performance rights, to participate in any share issue by CSL or any other body corporate or in any interest issued by any registered managed investment scheme.

The number of options and performance rights exercised during the financial year and the exercise price paid to acquire fully paid ordinary shares in CSL is set out in Note 18 of the Financial Statements. Since the end of the financial year, 18,586 shares were issued under CSL's Performance Rights Plan.

13. Indemnification of Directors and Officers

During the financial year, the insurance and indemnity arrangements discussed below were in place concerning directors and officers of the consolidated entity:

CSL has entered into a Director's Deed with each director regarding access to Board papers, indemnity and insurance. Each deed provides:

- (a) an ongoing and unlimited indemnity to the relevant director against liability incurred by that director in or arising out of the conduct of the business of CSL or of a subsidiary (as defined in the *Corporations Act 2001*) or in or arising out of the discharge of the duties of that director. The indemnity is given to the extent permitted by law and to the extent and for the amount that the relevant director is not otherwise entitled to be, and is not actually, indemnified by another person or out of the assets of a corporation, where the liability is incurred in or arising out of the conduct of the business of that corporation or in the discharge of the duties of the director in relation to that corporation;
- (b) that CSL will purchase and annually renew a liability insurance program which covers all past, present and future directors and officers against liability for acts and omissions in their respective capacity on behalf of CSL. Coverage will be maintained for a minimum of seven years following the cessation of office for each director appointment for acts or omissions during their time served; and
- (c) the relevant director with a right of access to Board papers relating to the director's period of appointment as a director for a period of seven years following that director's cessation of office. Access is permitted where the director is, or may be, defending legal proceedings or appearing before an inquiry or hearing of a government agency or an external administrator, where the proceedings, inquiry or hearing relates to an act or omission of the director in performing the director's duties to CSL during the director's period of appointment.

In addition to the Director's Deeds, Rule 95 of CSL's constitution requires CSL to indemnify each "officer" of CSL and of each wholly owned subsidiary of CSL out of the assets of CSL "to the relevant extent" against any liability incurred by the officer in the conduct of the business of CSL or in the conduct of the business of such wholly owned subsidiary of CSL or in the discharge of the duties of the officer unless incurred in circumstances which the Board resolves do not justify indemnification.

For this purpose, "officer" includes a director, executive officer, secretary, agent, auditor or other officer of CSL. The indemnity only applies to the extent CSL is not precluded by law from doing so, and to the extent that the officer is not otherwise entitled to be or is actually indemnified by another person, including under any insurance policy, or out of the assets of a corporation, where the liability is incurred in or arising out of the conduct of the business of that corporation or in the discharge of the duties of the officer in relation to that corporation.

CSL paid insurance premiums of US\$796,734 in respect of a contract insuring each individual director of CSL and each full time executive officer, director and secretary of CSL and its controlled entities, against certain liabilities and expenses (including liability for certain legal costs) arising as a result of work performed in their respective capacities, to the extent permitted by law.

14. Indemnification of auditors

To the extent permitted by law, CSL has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

15. Auditor independence and non-audit services

CSL may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with CSL and/or the consolidated entity are important.

Details of the amounts paid or payable to the entity's auditor, Ernst & Young, for non-audit services provided during the year are set out below. The directors, in accordance with the advice received from the Audit and Risk Management Committee, are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for CSL, acting as an advocate for CSL or jointly sharing economic risks and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* accompanies this Report.

Ernst & Young and its related practices received or are due to receive the following amounts for the provision of non-audit services in respect to the year ended 30 June 2016:

	US\$
Due diligence and completion audits	–
Compliance and other services	607,405
Total fee paid for non-audit services	607,405

The signing partner for the auditor is normally to be rotated at least every five years, and the auditor is required to make an independence declaration annually. CSL notes that, in accordance with the requirements of the Corporations Act, the Board and the Audit and Risk Management Committee approved Mr Glenn Carmody to act as the signing partner for Ernst & Young for a sixth year in 2015-16 (as a result of some changes in personnel at Ernst & Young which directly affected the transition plans for the replacement of Ernst & Young's signing partner). Mr Rodney Piltz has been approved to act as the signing partner for Ernst & Young for the 2016-2017 financial year.

16. Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$100,000 (where rounding is applicable) unless specifically stated otherwise under the relief available to CSL under ASIC Corporations Instrument 2016/19. CSL is an entity to which the Instrument applies.



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Auditor's Independence Declaration to the Directors of CSL Limited

As lead auditor for the audit of CSL Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CSL Limited and the entities it controlled during the financial year.

Ernst & Young

Glenn Carmody
Partner
17 August 2016

17. Remuneration Report

Dear Shareholder,

Sustained value creation for shareholders requires focus on both short and long term objectives. Within CSL, this includes the immediate challenges of the efficient running of a complex global supply chain which manufactures and delivers life saving products to customers in over 30 countries and the planning and execution of sophisticated research programs with very long lead times to bring new products into the portfolio on an ongoing basis in the future. For success, teamwork is essential. Our remuneration framework is designed to support shareholder value creation by recognising and rewarding individual and team performance in achieving CSL's annual business plans and longer term strategic goals.

We aim to provide remuneration which is fair, equitable and market competitive in the countries in which we operate in order to attract and retain highly talented people. We believe that the remuneration outcomes for our executive Key Management Personnel (KMP), and the fees paid to our Non-Executive Directors, reflect this in 2016.

There have been no fundamental changes to executive KMP remuneration framework in 2016 and details of this framework are provided in the body of this report. The Board is confident that our current remuneration framework is well aligned with our strategy and aligns the remuneration interests of our executive KMP and shareholders.

Remuneration key messages

- As shown in the Operating and Financial Review, 2016 was a year of solid performance for CSL with business growth in our key markets outpacing our competitors';
- To maintain fixed remuneration alignment with market benchmarks, an average increase of 5% was applied to executive KMP fixed remuneration;
- The targets set for the financial component of Short Term Incentive (STI) awards, related to growth in Net Profit after Tax (NPAT) and Revenue at constant currency. For 2016, performance at constant currency as reported in section 5 of the Directors' Report, shows NPAT growth was 5.2% against a guidance of 5%, and Revenue was 8.2% against a guidance of 7%. These measures excluded the results for the Novartis Influenza business (NVS-IV) given the uncertainty of the transaction at the time scorecards were set;
- In 2016, the Board has decided to no longer require mandatory deferral of a portion of STI. This will bring us more in line with the remuneration practices of our global peers. Details are provided on page 67 of this Report;
- The Earnings per Share (EPS) measurement period for long term incentives (LTI) issued in 2011 (50% of Tranche 2) and 2012 (50% of Tranche 1) ended during the year, with strong EPS growth leading to 100% vesting of the awards; the relative Total Shareholder Return measurement period for long term incentives issued in 2011 (50% of Tranche 2) and 2012 (50% of Tranche 1) ended during the year, with 100% vesting of the 2011 award and 0% vesting of 2012 award. The 2012 award will be retested in 2017;
- Awards were made under our LTI and Executive Deferred Incentive Plan in line with our remuneration framework; and
- As disclosed in our 2015 Annual Report, CSL Board and Committee fees were increased by 3% effective 1 July 2015.

We welcome feedback on this Report and our remuneration practices.



John Akehurst
Chairman
Human Resources and Remuneration Committee



John Shine AO
Chairman
CSL Limited

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1 Introduction

This Report describes CSL's remuneration framework and details the remuneration outcomes for the 2016 financial year.

This Report sets out remuneration information for Key Management Personnel (KMP) which includes Non-Executive Directors (NEDs), the Executive Director (i.e. the Chief Executive Officer (CEO) and Managing Director) and those key executives who have authority and responsibility for planning, directing and controlling the major activities of CSL during the financial year (executive KMP). Within our executive KMP, there is a sub-set of executives called the Strategic Leadership Group (SLG). Mr Paul Perreault, Dr Andrew Cuthbertson, Mr David Lamont, Mr Gordon Naylor, Mr Robert Repella and Mr Val Romberg were executive KMP members of the SLG for the 2016 financial year.

How remuneration information has been measured is explained in detail in section 5.1 of the Report.

Independent audit of the report

The Remuneration Report has been audited by Ernst & Young. Please see page 121 of the Financial Statements for Ernst & Young's report.

Changes in KMP

- Dr Megan Clark AC was appointed as a NED effective 16 February 2016;
- Mr Gordon Naylor, previously Chief Financial Officer (CFO), was appointed President for Seqirus (the combined bioCSL/Novartis Influenza business) and remains an executive KMP; and
- Mr David Lamont was appointed CFO to replace Mr Naylor, effective 4 January 2016.

2 Executive Remuneration

2.1 Framework

CSL's executive remuneration framework reflects the global nature of the research, manufacturing and commercial activities which the Company undertakes and the many markets in which we operate. Our international footprint requires global leadership and, with executives based in different countries, it is essential that as well as achieving their individual objectives, they work closely together to achieve shared outcomes. Our executive reward seeks to be locally competitive for our employees in different geographies and functional groups, while achieving internal fairness and driving team work. The direct link between the Company's long term strategy, business plans and individual performance objectives and the mix of short and long term incentives ensures that executive remuneration and sustained shareholder value creation are closely linked.

In summary, CSL's remuneration framework is designed to:

- Align rewards to business outcomes that create value for shareholders;
- Provide fair and equitable rewards that are competitive in each of our global employment markets;
- Drive a high performance culture by rewarding the achievement of strategic and business objectives;
- Encourage collaboration;
- Ensure an appropriate pay mix to balance our focus on both short term and longer term performance; and
- Attract, retain and motivate high calibre employees in a competitive industry.

Remuneration framework

The diagram below provides a snapshot of our framework and the way in which each element of remuneration has been structured to support our remuneration objectives.

	Remuneration Element	How it is set	Performance conditions	Vesting period	Objective
Fixed	Fixed remuneration (FR) (comprising salary, superannuation and non-monetary benefits)	Reviewed annually by the Board	None	None	<ul style="list-style-type: none"> - Determined based on the scope, complexity and responsibility of role ensuring internal consistency; - Set at competitive levels, to attract, retain and engage key talent; and - Regularly compared against external benchmarks.
Performance	Short term incentive (STI) (cash 'at risk' component awarded for performance over a 12 month period)	% of Fixed Remuneration (see section 2.3.1 for executive KMP)	Targets for <ul style="list-style-type: none"> - Financial performance; - Business performance; and - Individual performance 	None	<ul style="list-style-type: none"> - Rewards performance that creates value for shareholders; - Drives a high performance culture; - Threshold financial targets must be met for an award to be granted; - Business targets focus on overall financial performance and encourage collaboration between divisions; and - Individual targets focus on leadership within the business and functionally focused targets.
Long term performance	Long Term Incentive (LTI) (equity related 'at risk' component) <ul style="list-style-type: none"> - Performance Rights - Performance Options 	% of Fixed Remuneration (see section 2.4.1 for list by executive KMP) Number of Performance Options and Performance Rights calculated based on independent valuation	Performance Rights <ul style="list-style-type: none"> - Relative Total Shareholder Return (RTSR); - Earnings Per Share growth (EPSg) targets; and - Individual performance targets Performance Options <ul style="list-style-type: none"> - Share price appreciation from grant date; and - Individual performance targets 	Three years and nine months ⁵	Performance Rights <ul style="list-style-type: none"> - Link remuneration to long term shareholder value, including shareholder returns and consistent profitable growth. Performance Options <ul style="list-style-type: none"> - Provided to executive KMP to align with typical local remuneration structures; and - Increase the proportion of remuneration linked to long term share price growth and consistent achievement of individual performance metrics.
	Executive Deferred Incentive Plan (EDIP)	% of Fixed Remuneration (see section 2.5.1 for list by executive KMP) Converted into Notional Shares at grant date	<ul style="list-style-type: none"> - Continued employment (retention) - Individual performance targets 	Three years	<ul style="list-style-type: none"> - Common discretionary award scheme in which all senior managers in CSL are eligible to participate (much broader than executive KMP); - Award intended to attract talent and encourage retention; - Requires the consistent achievement of individual performance metrics; and - Value of the award is linked to the share price, further encouraging a focus on long term shareholder value.

⁵ The vesting period is from the date of grant to test date. The performance period is four years.

How the framework is applied

To meet our objectives, the remuneration of executive KMP is structured with:

- A high proportion of variable (i.e. 'at risk') remuneration compared to fixed components;
- Short and long term 'at risk' components, with long term incentives generally given greater weighting in the total remuneration mix; and
- The opportunity to achieve additional rewards if targets are exceeded in both STI and LTI.

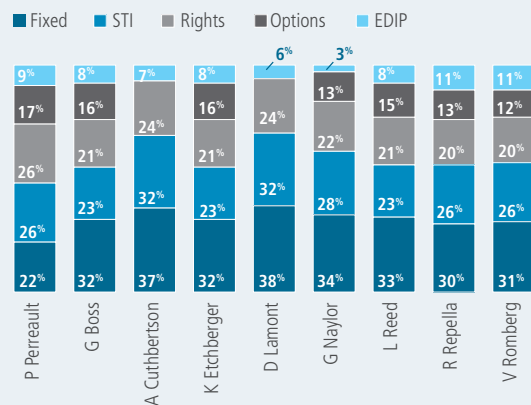
The focus on 'at risk' elements reinforces the strong link to shareholder value and has been used to align the executive KMP's total target remuneration to the markets where CSL operates and the executive KMP is based.

Each executive KMP's remuneration is structured to reflect both their role and their geographic location. The components of total target remuneration (on award) for each executive are shown in the following chart. Note that the subsequent 'take-home' amounts will depend on individual and company performance over the short and long term.

In 2016 Mr Lamont was awarded both commencement benefits and a 2016 award under the LTI and EDIP programs. Performance Rights were granted under the 2015 and 2016 LTI programs of 15,278 and 12,266 respectively. Notional Shares were granted under the EDIP with 7,400 Notional Shares vesting on 30 September 2016, 10,500 Notional Shares vesting on 30 September 2017 and 2,010 Notional Shares vesting on 30 September 2018.

The details of Mr Lamont's components of total target reward and both LTI and EDIP as a percentage of fixed remuneration displayed in the tables and graphs ahead, reflect the awards related to the 2016 year as a serving employee and exclude Mr Lamont's commencement benefits.

Components of total target reward



The maximum potential of 'at risk' components are described in the table below.

Executive	Total 'At Risk'	STI	LTI
P Perreault	82%	34%	48%
G Boss	72%	30%	42%
A Cuthbertson	69%	40%	29%
K Etchberger	72%	30%	42%
D Lamont	68%	40%	28%
G Naylor	71%	36%	35%
L Reed	71%	30%	41%
R Repella	74%	34%	40%
V Romberg	73%	34%	39%

Benchmarking

CSL benchmarks executive KMP remuneration against the local market in which it competes to attract and retain talent. When benchmarking, consideration is given to size and responsibilities of the specific job role, the norm for the mix of remuneration components and the quantum of total remuneration in that market. Market data for executive KMP based in Australia utilises benchmarks from the ASX Top 30. Benchmarks for most other executive KMP are based on peer data from international biomedical and pharmaceutical companies obtained from a number of market surveys, including the Radford Global Life Sciences Survey.

2.2 Fixed Remuneration (FR)

How it is determined

FR comprises base salary, superannuation and non-monetary benefits. Reviewed on an annual basis by the Board with the assistance of external consultants, FR is determined based on the scope, complexity and responsibility of the role and benchmarking against similar roles in the local external market. Internal relativities, qualifications and experience are also considered.

Outcome in 2016

In 2016, all executive KMP received an increase to their FR, reflecting either a change in role or to maintain their FR at market competitive levels. The average increase across this group was 5%.

2.3 Short Term Incentives (STI)

2.3.1 Summary

The STI for the financial year ended June 2016 is awarded to executive KMP after the full year performance review (September 2016). It is a cash bonus.

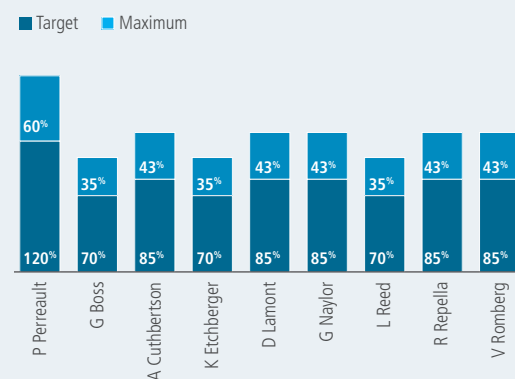
In 2016 mandatory deferral of STI for the SLG has been removed. Were an executive KMP to commit any act of fraud, defalcation, gross misconduct, dishonesty or have been in breach of their obligations, or in the event of a material misstatement of financials or other significant discovery which, had it been known at the time of the award, would have made a difference to the offer or quantum of the award, the Board in its absolute discretion may adjust or forfeit any incentive award, including LTI and EDIP. The Board may also reduce, including to zero, the STI outcome for the future performance year.

The Board believes that this change will bring CSL more in line with the remuneration practices of its global peers and that the mechanisms described above are appropriate to protect CSL.

How potential awards are determined

Target and maximum potential STI awards are defined as a percentage of FR for each executive KMP. These percentages are shown in the chart below. In each case, the maximum STI percentage is 150% of target.

Potential maximum STI as a percentage of fixed remuneration



2.3.2 STI performance targets

Personal and group performance metrics derived from the Company's business plan are set for each executive KMP at the start of the financial year. These targets are set by the Board for the CEO and by the CEO in conjunction with the Human Resources and Remuneration Committee (HRRC) for all other executive KMP. All targets are approved by the Board. A summary of these targets, their weightings, the rationale for their selection and information on performance in the 2016 year is shown on the following page.

In 2016, the financial performance targets have been set as follows:

NPAT: At a target of 5% growth in NPAT at constant currency (excluding the NVS-IV business given the uncertainty of the transaction at the time scorecards were set), 100% of the NPAT component of financial performance will vest. Maximum vesting of 150% will occur where growth at constant currency is 5% above target. Threshold vesting of 50% of the potential award will occur where NPAT growth at constant currency is 4% below target. There is no vesting of the award if performance is below threshold and there is straight line vesting between the threshold and target and target and maximum.

Revenue: Revenue growth of 7% at constant currency has been set as the target which would result in 100% vesting of the Revenue component of financial performance. Similar to NPAT, there is no vesting of the Revenue component of financial performance where Revenue growth does not meet threshold. 50% vesting will occur where threshold Revenue at constant currency is 4% below target with the maximum of 150% vesting at growth of 6% above target at constant currency. There is straight line vesting between the threshold and target and target and maximum.

2016 STI performance targets and achievements

Performance hurdle/weighting	What is it?	Why is it important?	Achievements
Financial performance - CEO: 40% Executive KMP: 30% G Naylor: 30%	CEO - Net Profit after Tax (NPAT); and Executive KMP and G Naylor - Revenue and NPAT.	<ul style="list-style-type: none"> - Top line growth is the foundation of long term sustainability and evidences our competitive advantage; - Ensuring such growth is profitable aligns employee and shareholder objectives; and - Measurement at constant currency encourages our executive KMP to focus on factors within their control. 	<ul style="list-style-type: none"> - NPAT US\$1,242.4m - Total Revenue US\$6,129.2m - The financial performance outcomes resulted in a STI outcome of 44.17% for Mr Perreault, 33.06% for executive KMP excluding Mr Repella, and 32.99% for Mr Repella; and - Discussed in more detail in the Operating and Financial Review.
Business performance – CEO: 30% Executive KMP: 20% G Naylor: N/A	<ul style="list-style-type: none"> (i) Research and development (R&D) investment and achievement of key research milestones; and (ii) Operational targets representing key outcomes supporting achievement of CSL's long-term strategy. 	<ul style="list-style-type: none"> - Setting all executive KMP targets related to overall business performance encourages teamwork and collaboration; and - Our focus is on R&D and operational efficiency as these are fundamental to CSL's success. 	<ul style="list-style-type: none"> - Approvals received for Idelvion® (rFIX-FP) in the US and Europe, Afstyla® (rFVIII-SC) approved in US and Respreeza® approved in Europe; - Strong manufacturing performance, including the opening of 22 new plasma collection centres (20 in the US and 2 in Hungary); approval of the Turner Privigen Facility, Broadmeadows, Melbourne, including distribution of the first IgIV products from the facility; and ground breaking for CSL's recombinant manufacturing facility in Lengnau, Switzerland; - Successful system upgrades in our Human Resources and Operations groups; and - Additional details are discussed in the Operating and Financial Review.
Individual performance – CEO: 30% Executive KMP: 50% G Naylor: 70%	Targets based on individual responsibilities across the following categories: <ul style="list-style-type: none"> (i) Divisional performance; (ii) Achievement of strategic objectives; (iii) Improvement in operations, risk management, compliance, health and safety and quality; and (iv) Leadership performance. 	<ul style="list-style-type: none"> - Individual performance targets enable us to align executive KMP incentives to the strategic priorities most relevant to that individual's role; and - Encourage the right behaviours within the organisation, including teamwork and collaboration; and - Balances performance in areas that do not have a direct impact on financial outcomes. 	A broad range of successful strategic initiatives were achieved during the year, including: <ul style="list-style-type: none"> - Solid performance across the business, as shown in the segment analysis in the financial statements; - Successful debt raising and private placement take up during the year; - Seqirus, the number two global influenza vaccines manufacturer, successfully formed and successful approval of Flud® by US FDA; - Significant progress in market access, including the opening of a Country Office in Russia, operations expansion, and HR systems implementation; and - Diversity and health and safety targets met or exceeded.

STI award mechanism

For each executive KMP, awards are structured as follows: if the performance outcome for a particular metric falls below a minimum threshold, there is a zero contribution to STI from this component; if the threshold is exceeded but target not achieved, a proportional award is made; if target is achieved, 100% of STI for this component is awarded; and if target is exceeded, up to a maximum of 150% of the target award may be granted. The Board retains ultimate discretion with respect to all STI awards.

2.3.3 Outcome in 2016

The STI awarded to each executive KMP is set out below. The table also shows each executive KMP's performance across the three performance hurdles and the relative weighting of each.

Executive	STI Award Cash ⁶	% of maximum	Financial Performance	Business Performance	Individual Performance
P Perreault	2,472,413	78%	40%	30%	30%
G Boss	420,309	68%	30%	20%	50%
A Cuthbertson	609,215	74%	30%	20%	50%
K Etechberger	389,697	69%	30%	20%	50%
D Lamont⁷	386,517	69%	30%	20%	50%
G Naylor	794,217	63%	30%		70%
L Reed	304,328	66%	30%	20%	50%
R Repella	633,779	80%	30%	20%	50%
V Romberg	537,891	69%	30%	20%	50%

Below threshold Between threshold and target
 Between target and maximum Maximum

⁶ The Australian Dollar (AUD), British pound (GBP) and Swiss franc (CHF) awards during the year ended 30 June 2016 have been converted to US Dollars (USD) at an average rate for the year.

⁷ The STI payment for D Lamont reflects payment for the period as executive KMP being 4 January 2016 to 30 June 2016.

2.4 Long Term Incentives

2.4.1 Summary of the plan

Long term incentives (LTI) are in the form of either Performance Rights or Performance Options and are granted in October (Mr Lamont's award was granted on his commencement in January 2016). Each Performance Right and Performance Option is to acquire one share in the Company. An executive KMP must pay an exercise price when electing to exercise the Performance Options (being the five day Volume Weighted Average Price from 24 – 30 September 2015 of A\$89.52). There is no payment on the exercise of Performance Rights.

Performance Rights are issued in tranches with hurdles based on relative Total Shareholder Return (rTSR), measured against a cohort of global Pharmaceutical and Biotechnology companies (listed in section 5.5.2) and growth in Earnings per Share (EPSg). These performance hurdles were chosen as the Board believes they reflect performance and relative wealth creation and therefore provide a direct link between executive KMP reward and shareholder return. Performance Options only have value where the share price on exercise exceeds the exercise price.

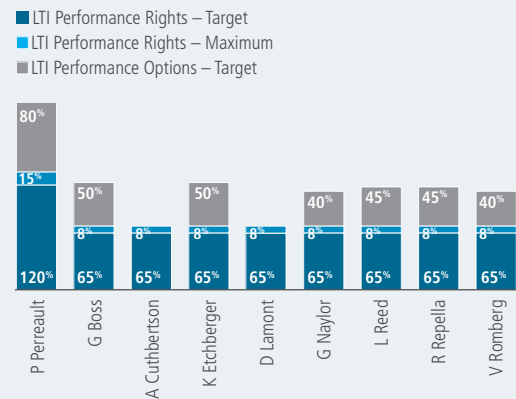
They have the following key features:

Feature	Performance Rights	Performance Options
Performance Period	A four year performance period applies.	
Performance Hurdle	<p>Tranche 1: Vesting of tranche 1 is subject to CSL's rTSR performance hurdle.</p> <p>Tranche 2: Vesting of tranche 2 is subject to CSL achieving its "Target" EPSg performance hurdles.</p> <p>Tranche 3: Vesting of tranche 3 is subject to CSL achieving its "Upside" EPSg performance hurdles.</p> <p>The executive KMP must also meet their performance expectations as defined in their work plan.</p>	<p>Share price growth hurdle (exercise price) of A\$89.52 for the awards granted in 2016.</p> <p>In addition an executive KMP must meet their performance expectations as defined in their work plan or the grant is forfeited.</p>
Vesting Schedule	<p>For those Performance Rights in Tranche 1 (subject to the rTSR Performance Measure):</p> <ul style="list-style-type: none"> - No Performance Rights will vest if CSL's TSR performance is less than the 50th percentile; - If performance is at the 50th percentile, then 50% of the Performance Rights will vest; and - An additional 2% of Performance Rights will vest for each one percentile increase above the 50th percentile up to the 75th percentile at which 100% will vest. <p>For those Performance Rights in Tranche 2 (subject to the "Target" EPSg Performance Measure):</p> <ul style="list-style-type: none"> - No vesting if CSL's EPSg is less than 8%; and - Vesting for the EPSg "Target" Performance Rights will occur on a straight line scale from 35% vesting where EPSg is at 8% through to 100% where EPSg is at 13%. <p>For those Performance Rights in Tranche 3 (subject to the EPSg "Upside" Performance Measure):</p> <ul style="list-style-type: none"> - Vesting will occur on a straight line scale from 0% vesting at EPSg of 13% through to 100% at 15%. 	<p>If the performance hurdle is met the award will vest 100%.</p>
Retesting	There is no retesting of LTI awarded under the current scheme (grants from 2014 onward).	
Cessation of Employment	A "good leaver" (such as retirement) will retain a pro-rata number of Performance Options and Performance Rights based on time elapsed since the grant date, held subject to original terms and conditions including test date. Vested Performance Options and Performance Rights have an expiry date of six months from vesting. For other leavers, Performance Options and Performance Rights lapse on cessation of employment.	
Dividends	No dividends are paid on unvested LTI awards.	

How potential awards are determined

LTI is set as a proportion of FR, with the relative proportions for each executive KMP shown in the chart below. Note that the Board has flexibility in the amount awarded up to these levels. For Performance Rights, Tranches 1 and 2 represent Target (each 50% of the Target award) and Tranche 3 Maximum (Maximum is 25% of Tranche 2).

LTI as a percentage of fixed remuneration



To determine the number of Performance Options or Performance Rights to issue, CSL engages an external provider (PricewaterhouseCoopers) to assess the fair value of the awards. The proportion of FR earned for each element of the LTI is divided by the calculated fair value to determine the number of awards. The number and fair value (as determined by accounting standards) of Performance Rights and Performance Options awarded to executive KMP in 2016 is shown in section 2.4.3.

Use of Performance Options

Performance Options form part of LTI for executive KMP based on market benchmarks. It is market practice outside of Australia that a higher proportion of the total remuneration package be “at risk” and related to share price performance. Performance Options are widely used for this purpose and CSL is aligned with this practice. This is not the case in Australia and so Performance Options are not currently included in the LTI mix for Australian based executive KMP.

CSL currently has a capital management strategy to improve the efficiency of the balance sheet through buybacks. This strategy has been in place each year since 2010 and has entailed buying back approximately A\$900m of CSL shares on an annual basis. Therefore the EPS growth target upon which executive KMP are rewarded is based off a year that included the impact of the buyback and will require a four year annual compound growth rate to be achieved. We have not adjusted the EPS growth target in any year that the buyback has been undertaken.

2.4.2 Overview of performance in the year

The performance measures for the LTI Plan, namely Earnings per Share growth (EPSg) and relative Total Shareholder Return (rTSR) provide a direct link between executive KMP reward and the long term creation of shareholder wealth. The table below illustrates CSL's share price at the beginning and end of the relevant year and dividend payments over the past five years in Australian Dollars, along with Earnings per Share in US Dollars over the same period.

Financial Year	Dividends Paid during the year (A\$)	Share Price 1 July (A\$)	Share Price 30 June (A\$)	EPS (US\$)
2016	1.71	86.47	112.18	2.689
2015	1.39	66.55	86.47	2.923
2014	1.15	61.58	66.55	2.701
2013	0.95	39.42	61.58	2.429
2012	0.81	33.06	39.42	1.972

Compound growth for Performance Right vesting purposes are as follows:

Year of Grant	Test Currency	Compound EPS Growth to end of financial year			
		2013	2014	2015	2016*
2012	USD	23.2%	17.0%	14.0%	8.1%
2013	USD		11.2%	9.7%	3.4%
2014	USD			8.2%	-0.2%
2015	USD				-8.0%

* The amounts in this column have been updated, due to a transcription error, from the version of the Remuneration Report lodged with the ASX on 17 August 2016.

Vesting outcomes in 2016

For awards measured in 2016 (i.e. those vesting this year) rTSR and EPSg outcomes are shown below. Indicative rTSR measurements of unvested awards are provided in section 5.5.4.

Performance Options				
Grant Date	Vesting Outcome	Exercise Price (A\$)	Annual EPS growth	Relative TSR Percentile Ranking
5 October 2011	EPSg - 100% vested	29.34	19%	N/A
	rTSR - 100% vested		N/A	95%
Performance Rights				
Grant Date	Vesting Outcome	Exercise Price (A\$)	Annual EPS growth	Relative TSR Percentile Ranking
5 October 2011	EPSg - 100% vested	-	19%	N/A
	rTSR - 100% vested		N/A	95%
1 October 2012	EPSg - 100% vested	-	14%	N/A
	rTSR - 0% vested		N/A	Below MSCI Gross Pharmaceutical Index

2.4.3 Awards granted and vested in 2016

The table below summarises the number and fair value of awards granted and vested in the 2016 year for each executive KMP and is presented in US Dollars. Mr D Lamont received two grants of Performance Rights on commencement of employment. The first award reflects the grant made to executive KMP in October 2014 and the second grant the October 2015 grant. The LTI target for Mr Lamont was 65% of fixed remuneration for each award.

Executive	Granted in 2016 ⁸				Vested in 2016			
	Performance Rights		Performance Options		Performance Rights		Performance Options	
	Number	Value ⁹	Number	Value ¹⁰	Number	Value ¹¹	Number	Value ¹¹
Current executive KMP								
P Perreault	47,138	2,455,877	147,911	1,455,389	15,255	992,172	9,310	406,569
G Boss	8,536	444,721	30,909	304,133	7,460	485,192	4,730	206,560
A Cuthbertson	9,098	474,007	-	-	12,195	793,152	7,600	331,893
K Etchberger	7,801	406,435	28,245	277,920	5,720	372,024	3,610	157,649
D Lamont	27,544	1,761,150	-	-	-	-	-	-
G Naylor	14,748	768,365	42,717	420,319	15,200	988,594	9,460	413,120
L Reed	6,415	334,219	20,907	205,717	-	-	-	-
R Repella	9,098	474,007	29,649	291,735	-	-	-	-
V Romberg	9,056	471,820	26,233	258,123	4,700	305,684	2,870	125,333

⁸ The Performance Rights and Performance Options had a grant date of 1 October 2015 and a vesting date of August 2019. Mr Lamont's grants were made in January 2016.

⁹ The number of Performance Rights is calculated based on an assessment of the fair market value of the instruments in accordance with the accounting standards (refer to Note 18 in the Financial Statements). The fair value of each Performance Right granted was Tranche 1: A\$60.92; Tranches 2 and 3: A\$83.12 for all executive KMP excluding D Lamont. For D Lamont the fair values were Tranche 1 (2014 award): A\$79.58; Tranche 1 (2015 award): A\$75.97; Tranches 2 and 3 (2014 award): A\$99.69 and Tranches 2 and 3 (2015 award): A\$97.73.

¹⁰ The number of Options is calculated based on an assessment of the fair market value of the instruments in accordance with the accounting standards (refer to Note 18 in the Financial Statements). The fair value of each Performance Option granted was A\$13.51.

¹¹ Performance Options (less exercise price) and Performance Rights vested during the year, multiplied by the share price at the date of vesting. The AUD value was converted to USD at an average exchange rate for the year.

2.5 Executive Deferred Incentive Plan (EDIP)

2.5.1 Summary of the plan

The EDIP is our Group-wide incentive scheme for senior management, with approximately 1,900 employees eligible to participate. The plan is designed to attract key talent and encourage retention, through its three year vesting period (subject to the same 'good leaver' provisions as the LTI). The award also links participant's outcomes to shareholder returns via share price growth through the use of Notional Shares (participants receive the cash equivalent of those shares value at the vesting date, based on a five day weighted average of the CSL share price at that time). In addition the employee must continue to meet their performance expectations as defined in their work plan through the vesting period or the grant is forfeited.

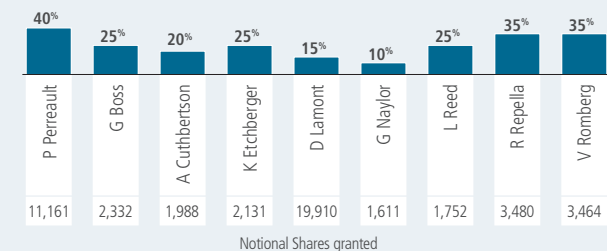
The EDIP is used in our executive KMP framework as a discretionary award where there is additional retention risk or a gap between that executive KMP's remuneration and local market benchmarks (particularly in relation to the mix of LTI).

How potential awards are determined

EDIP awards are at the absolute discretion of the Board, but are typically awarded as a proportion of FR. The proportion of FR and the number of Notional Shares it represented that were awarded in 2016 is set out below. The Notional Shares were granted on 1 October 2015 with a 30 September 2018 vesting date and were calculated using a weighted average share price (WASP) of A\$89.52. For Mr Lamont, Notional Shares were granted in January 2016 and the average WASP was A\$76.09.

2016 EDIP grant details

■ EDIP target as a percentage of fixed remuneration



2.6 Statutory Remuneration Disclosure - Executive KMP Remuneration

See section 5.1 for more information on the measurement of executive KMP remuneration. All amounts are presented in US Dollars.

Executive	Year ¹²	Short term benefits				Post-employment	Other long term		Share Based Payments ¹³			Total	% of remuneration performance related
		Salary and fees	Cash bonus	Cash sign on	Non-monetary	Superannuation	LSL	Deferred STI ¹⁴	Performance Rights	Performance Options	EDIP ¹⁵		
P Perreault CEO & Managing Director	2016	1,855,579	2,472,413	-	56,327	18,550	-	635,425	1,222,419	687,485	1,221,451	8,169,649	76%
	2015	1,771,920	1,139,000	-	45,660	18,550	-	639,633	829,501	201,991	1,160,222	5,806,477	68%
G Boss EVP Legal & Group General Counsel	2016	585,362	420,309	-	35,134	18,499	-	-	295,106	149,182	291,407	1,794,999	64%
	2015	564,041	397,889	-	19,287	22,768	-	-	274,113	51,595	337,185	1,666,878	64%
A Cuthbertson Chief Scientific Officer	2016	679,995	609,215	-	29,944	25,491	25,527	261,546	407,762	-	90,865	2,130,345	64%
	2015	718,337	410,552	-	-	29,339	17,965	335,684	429,031	16,877	30,720	1,988,505	61%
K Etchberger EVP Quality & Business Services	2016	524,359	389,697	-	38,739	16,783	-	-	258,138	133,307	220,410	1,581,433	63%
	2015	492,308	350,000	-	19,513	15,500	-	-	227,902	44,053	228,748	1,378,024	62%
D Lamont ¹⁶ Chief Financial Officer	2016	467,025	386,517	436,993	14,747	12,746	10,733	-	251,002	-	1,232,906	2,812,669	67%
	2015	-	-	-	-	-	-	-	-	-	-	-	-
G Naylor President, Seqirus	2016	1,001,918	794,217	-	104,019	25,491	95,676	324,667	541,470	299,150	74,079	3,260,687	62%
	2015	851,059	504,296	-	11,814	29,339	17,339	407,892	532,471	20,920	25,024	2,400,154	62%
L Reed ¹⁷ SVP Human Resources	2016	449,633	304,328	-	21,330	19,950	-	-	131,962	103,322	167,902	1,198,427	59%
	2015	398,790	240,000	-	11,963	20,136	-	-	52,344	28,635	211,533	963,401	55%
R Repella EVP Commercial Operations	2016	628,474	633,779	-	47,683	18,505	-	59,093	300,546	151,610	231,893	2,071,583	66%
	2015	613,869	341,700	-	19,167	34,883	-	42,075	202,561	42,951	215,597	1,512,803	56%
V Romberg EVP Manufacturing Operations & Planning	2016	597,959	537,891	-	331,277	21,332	-	33,354	165,644	110,480	166,082	1,964,020	52%
	2015	282,316	149,677	-	50,008	15,768	-	21,238	106,024	27,172	80,809	733,012	53%
M Sontrop ¹⁸ EVP Manufacturing Operations & Planning	2016	-	-	-	-	-	-	-	-	-	-	-	-
	2015	329,852	156,476	-	48,844	(9,638)	5,924	70,882	119,172	7,363	230,204	959,079	61%

¹² The AUD, GBP and CHF compensation paid during the years ended 30 June 2015 and 30 June 2016 have been converted to USD at an average exchange rate for the year. Both the amount of remuneration and any movement in comparison to prior years may be influenced by changes in the AUD/USD, GBP/USD and CHF/USD exchange rates.

¹³ The Performance Rights and Performance Options have been valued using a combination of the Binomial and Black Scholes option valuation methodologies including Monte Carlo simulation as at the grant date adjusted for the probability of hurdles being achieved. This valuation was undertaken by PricewaterhouseCoopers. The amounts disclosed have been determined by allocating the value of the Performance Options and Performance Rights evenly over the period from grant date to vesting date in accordance with applicable accounting standards. As a result, the current year includes Performance Options and Performance Rights that were granted in prior years.

¹⁴ The fair value of the deferred incentive (STI deferral) has been measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.

¹⁵ The fair value of the EDIP cash settled deferred payment has been measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.

¹⁶ D Lamont was executive KMP for the period 4 January 2016 to 30 June 2016.

¹⁷ L Reed was reported in 2015 as L Cowan.

¹⁸ M Sontrop was the former EVP Manufacturing Operations & Planning and retired from this role 31 December 2014.

3 Non-Executive Director Remuneration

3.1 Framework

Feature	Description
Strategy objective	CSL's NED remuneration strategy is designed to enable CSL to attract and retain suitably qualified directors with appropriate experience and expertise and remunerate them appropriately for their Board responsibilities and activities on Board committees.
Aggregate fees approved by shareholders	The current fee pool for NEDs of A\$3,000,000 was approved by shareholders on 15 October 2014 and has applied from 1 July 2014. The annual total of NED fees including superannuation contributions is within this agreed limit. NEDs may be reimbursed for reasonable expenses incurred by them in the course of discharging their duties and this reimbursement is not included within this limit.
Remuneration reviews	The Board reviews NED fees on an annual basis in line with general industry practice. Fees are set with reference to the responsibilities and time commitments expected of NEDs along with consideration to the level of fees paid to NEDs of comparable companies.
Independence of NEDs	To ensure independence and impartiality is maintained, NEDs do not receive any performance related remuneration.
NED Share Plan	NEDs participate in the Non-Executive Directors' Share Plan (the NED Share Plan) approved by shareholders at the 2002 Annual General Meeting (AGM), as amended. The NED Share Plan requires that each NED takes at least 20% of their after-tax director's base fee (excluding superannuation guarantee contributions) in the form of shares in CSL Limited. Shares are purchased by NEDs on-market at prevailing share prices, twice yearly, after the announcement of CSL's half and full year results.
Post-Employment Benefits	Superannuation contributions are made in accordance with legislation and are included in the reported base fee. NEDs are not entitled to any compensation on cessation of appointment.
Employment Contracts	There are no specific employment contracts with NEDs. NEDs are appointed under a letter of appointment and are subject to ordinary election and rotation requirements as stipulated in the ASX Listing Rules and CSL Limited's constitution.

3.2 Non-Executive Director Fees

The table below provides details of current Board and committee fees from 1 July 2015. Committee fees are not payable to the Chairman and to members of the Nomination and Securities & Market Disclosure Committees.

Board Chairman Base Fee	A\$680,000
Board NED Base Fee	A\$205,000

Committee Fees	Committee Chair	Committee Member
Audit & Risk Management	A\$52,000	A\$27,000
Human Resources & Remuneration	A\$52,000	A\$27,000
Innovation & Development	A\$52,000	A\$27,000

In 2016, following an external review by KPMG of fees paid by ASX Top 25 companies of similar market capitalisation and consideration of eight Global Biopharmaceutical companies of similar market capitalisation, the Board determined to increase NED fees for the 2017 financial year. From 1 July 2016 the Board Chairman fee will increase to A\$700,000 and the Board NED base fee to A\$212,000; Committee Chair fees will increase to A\$54,000 and Committee Member fees to A\$28,000. The review indicated that CSL's committee fee structure varies when compared with many companies in so far as CSL has elected to pay the same fees for each of the three remunerated committees recognising their equal importance and impact. CSL targets Board and committee fees at market midpoint based on market capitalisation. At the 2016 AGM, shareholders will be asked to approve an increase to the Non-Executive Director pool from A\$3,000,000 to A\$4,000,000 to, amongst other things, allow for Board succession opportunities.

Directors' Report continued

3.3 Statutory Remuneration Disclosure – Non-Executive Director Remuneration

See section 5.1 for more information on the measurement of KMP remuneration. All amounts are presented in US Dollars.

Non-Executive Director	Year ¹⁹	Short term benefits	Post-employment		Total
		Cash salary and fees ²⁰	Superannuation	Retirement benefits	
J Shine Chairman	2016	469,767	25,491	-	495,258
	2015	489,206	29,339	-	518,545
J Akehurst Non-Executive Director	2016	173,117	14,062	-	187,179
	2015	186,191	15,745	-	201,936
D Anstice Non-Executive Director	2016	172,270	16,366	-	188,636
	2015	184,416	17,520	-	201,936
B Brook Non-Executive Director	2016	173,117	14,062	-	187,179
	2015	186,191	15,745	-	201,936
M Clarke Non-Executive Director	2016	57,866	5,497	-	63,363
	2015	-	-	-	-
M McDonald Non-Executive Director	2016	154,311	14,660	-	168,971
	2015	168,187	15,978	-	184,165
C O'Reilly Non-Executive Director	2016	174,573	14,062	-	188,635
	2015	186,191	15,745	-	201,936
M Renshaw Non-Executive Director	2016	170,940	16,239	-	187,179
	2015	184,417	17,520	-	201,937

¹⁹ The AUD compensation paid during the years ended 30 June 2015 and 30 June 2016 have been converted to USD at an average exchange rate for the year. Both the amount of remuneration and any movement in comparison to prior years may be influenced by changes in the AUD/USD exchange rates.

²⁰ As disclosed in the section titled "Non-Executive Director Remuneration", NEDs participate in the NED Share Plan under which NEDs are required to take at least 20% of their after-tax base fees (excluding superannuation guarantee contributions) in the form of shares in the Company which are purchased on-market at prevailing share prices. The value of this remuneration element is included in cash, salary and fees.

4 Remuneration Governance**4.1 Human Resource and Remuneration Committee (HRRC)**

Remuneration for CSL is overseen by the Human Resources and Remuneration Committee (HRRC) of the Board. The HRRC is responsible for reviewing and making recommendations to the Board with regard to:

- Executive remuneration design and approval of awards to the CEO and executive KMP;
- Senior executive succession planning;
- The design and implementation of any incentive plan (including equity based arrangements);
- The remuneration and other benefits applicable to NEDs; and
- The CSL diversity policy and measurable objectives for achieving gender diversity.

Full responsibilities of the HRRC are outlined in its Charter, which is reviewed annually. The Charter is available on CSL's website at <http://www.csl.com.au/about/governance.htm>

The HRRC comprises three independent NEDs: Mr John Akehurst (Chairman), Mr David Anstice and Ms Christine O'Reilly. The HRRC may invite the Chairman of the Board, members of the management team and external advisers to attend its meetings.

HRRC Activities

During 2016, the HRRC met on eight occasions, with remuneration and talent matters key agenda items for discussion. The Committee's activities included:

- Annual review of the remuneration structure and policy;
- Appointment of external remuneration consultants;
- Review of senior executive appointments and remuneration arrangements;

- Review of STI and LTI arrangements, and reward outcomes for key senior executives;
- Review of the CSL diversity report and gender pay review and progress against diversity objectives;
- Review of talent and succession planning for senior executives;
- Review of the Human Resource strategy and key achievements;
- Review of NED remuneration; and
- Review of the HRRC Charter.

4.2 Use of external remuneration consultants

The Board and the HRRC engage the services of independent consultants for the provision of market remuneration data and to advise on the remuneration of executive KMP and NEDs.

In 2016, KPMG was selected as a Remuneration Consultant to provide advice in respect to the market competitiveness of CSL's NED fees. KPMG was commissioned and instructed by the Chairman of the HRRC.

Aon Hewitt was engaged to provide benchmarking data in respect of all executive KMP and to provide information on global pharmaceutical and biopharmaceutical market remuneration practice, trends and data. The engagement of, and provision of instructions to Aon Hewitt was undertaken by the Chairman of the HRRC.

The terms of engagement with our Remuneration Consultants required a declaration of independence from the executive KMP and NEDs to whom their recommendations related, to be provided with their report to ensure that the HRRC and Board may be satisfied the remuneration advice and recommendations were made free from undue influence from CSL's executive KMP and NEDs.

Neither KPMG or Aon Hewitt made any 'remuneration recommendations' as defined in the *Corporations Act 2001* during the 2016 financial year.

5 Additional Information

5.1 How remuneration is measured

Remuneration of KMP is measured based on the requirements of Australian Accounting Standards and the *Corporations Act 2001*. These requirements measure remuneration based on when the service is performed for the company, rather than when the benefit is received by the executive. This is readily comparable with other companies but presents some elements of remuneration based on their value when awarded, rather than the value (if any) that the executive actually receives.

Examples of how this impacts upon CSL's remuneration disclosures are as follows:

- For 2014 and 2015, 33% of STI awards for the SLG are deferred into Notional Shares for three years. These are recognised as an expense over four years, being the year of the award and the three year deferral period. While the number of Notional Shares is determined based on the share price when granted, because they are eventually settled in cash the amount expensed each year changes as the share price moves. These changes can increase or decrease remuneration in a given year and may be significant if there are large movements in the share price. This is also the case for Notional Shares issued under the EDIP, which are recognised over a three year period;
- Performance rights issued under the LTI scheme are recognised over their respective performance period based on their market value on the day they are granted to the executive. The value attributed to each performance right at the time they are granted incorporates the risk that the performance targets may not be met and may be significantly different to the value of the rights if and when they vest to the executive. The accounting value of these rights is set on the day they are granted and is not revisited; and

- In some circumstances, amounts are recorded as LTI remuneration when no shares vest to the executive and in other cases there can be negative remuneration from LTIs in a given year if performance or service conditions are not met.

In addition, remuneration amounts are presented in US Dollars, consistent with the rest of the Report. Remuneration levels are set and remuneration is paid in the currency of the country in which the executive is based. In addition, CSL shares are traded in Australian Dollars, so all share based incentives are determined in Australian Dollars. Changes in exchange rates can therefore lead to fluctuations in remuneration.

5.2 Contractual requirements

Contractual provisions for executive KMP

The CEO and executive KMP are employed on individual service contracts that outline the terms of their employment, which include:

Duration of contract	Notice Period Employee	Notice Period CSL*	Termination Payment
No Fixed Term	Six months	Six months	12 months

*CSL may also terminate at any time without notice for serious misconduct and/or breach of contract.

Clawback / Cancellation / Reduction

Were an executive KMP to commit any act of fraud, defalcation, gross misconduct, dishonesty or have been in breach of their obligations, or in the event of a material misstatement of financials or other significant discovery which, had it been known at the time of the award, would have made a difference to the offer or quantum of the award, the Board in its absolute discretion may adjust or forfeit any incentive award, including LTI and EDIP. The Board may also reduce, including to zero, the STI outcome for the future performance year. In the event of CSL being faced with a material misstatement or similar situation the Board's response and the actions taken will be detailed in the Remuneration Report.

Change of Control Provisions

In the event of a change of control, the Board, in its absolute discretion, may determine that some or all of the awards made under the LTI Plan and the EDIP vest having regard to the performance of CSL during the vesting period to the date of the change of control event. Vesting may occur at the date of the change of control event or an earlier vesting date as determined by the Board.

Securities Dealing

The CSL Group Securities Dealing Policy prohibits employees from using price protection arrangements (e.g. hedging) in respect of CSL securities, or allowing them to be used. The Policy also provides that no CSL securities can be used in connection with a margin loan. Upon vesting of an award an employee may only deal in their CSL securities in accordance with the Policy. A breach of the Policy may result in disciplinary action. A copy of the Policy is available on the CSL Limited website at <http://www.csl.com.au/about/governance.htm>.

5.3 Shareholdings

It is the expectation of the Board that all NEDs and executive KMP hold CSL Limited shares. The Board encourages all NEDs and executive KMP to accumulate significant holdings over time subject to individual circumstances. No minimum for the number of shares held is specified.

Executive KMP Shareholdings

Executive	Balance at 1 July 2015	Shares acquired on exercise of Performance Options during year	Shares acquired on exercise of Performance Rights during year	(Shares Sold) / Purchased	Balance at 30 June 2016
P Perreault	36,071	9,310	15,255	(18,965)	41,671
G Boss	7,367	18,820	7,460	(26,182)	7,465
A Cuthbertson	111,948	7,600	12,195	(17,600)	114,143
K Etchberger	22,087	29,640	5,720	(50,509)	6,938
D Lamont ²¹	775	-	-	-	775
G Naylor	37,865	47,320	-	(69,846)	15,339
L Reed	-	-	-	-	-
R Repella	-	-	-	-	-
V Romberg ²²	592	-	-	108	700

²¹ The opening balance for D Lamont is 4 January 2016 being the date D Lamont became executive KMP.

²² Restated opening balance to include related party holdings.

Non-executive Director Shareholdings

Non-executive Director	Balance at 1 July 2015	(Shares sold) / purchased	Balance at 30 June 2016
J Shine	9,387	664	10,051
J Akehurst	31,532	204	31,736
D Anstice	10,864	2,254	13,118
B Brook	4,300	202	4,502
M Clark ²³	-	524	524
M McDonald	1,003	1,213	2,216
C O'Reilly	2,670	202	2,872
M Renshaw	8,788	202	8,990

²³ The opening balance for M Clark is 16 February 2016 being the date M Clark became a NED.

There have been no movements in shareholdings of executive KMP or NEDs between 30 June 2016 and the date of this Report.

5.4 Other transactions with Executive KMP and Non-executive Directors

There have been no loans made to executive KMP or NEDs during 2016. Executive KMP, NEDs and their related entities have conducted the following transactions with CSL. These transactions occur as part of a normal supplier relationship on 'arm's length' terms.

- Corporate accounts with CityLink, operated by Transurban Group of which Ms Christine O'Reilly is a Director;
- CSL has entered into a number of contracts with Monash University, including collaborative research agreements, of which Dr Megan Clark is a member of the Council of Monash University;
- Supply of commercial energy from Origin Energy Limited of which Mr John Akehurst is a Director; and
- Labour hire contracts with Skilled, a business operated by Programmed Maintenance Services Limited, of which Mr Bruce Brook is a Director.

During 2016, CSL completed two on-market purchases of shares for the purposes of Non-Executive Directors' Share Plan. A total of 1,954 shares were purchased during the reporting period and the average price paid per share was A\$91.93.

5.5 Further information on Performance Rights and Performance Options

5.5.1 Cap on Issue of Equity to Employees

The Performance Rights Plan Rules, governing the LTI Plan, approved by shareholders at the 2003 AGM require that, at any point in time, the aggregate number of CSL shares that:

- have previously been issued to employees under the Company's employee equity plans and which remain subject to the rules of the relevant plan (e.g. a disposal restriction); and
- would be issued if all outstanding share options under such plans (whether or not vested at the time) were to be exercised, must not exceed 7.5% of the total number of CSL shares on issue at that time.

As at 30 June 2016, the aggregate number of CSL shares under a) and b) above was 0.55% of the total number of CSL shares on issue.

In addition, to satisfy a condition of the exemption granted by the Australian Securities and Investments Commission from certain prospectus and licensing laws, CSL must ensure that, at the time of each offer of shares or share options under an employee equity plan, the aggregate number of CSL shares which are:

- the subject of outstanding offers of shares or share options to, or outstanding share options held by employees in Australia; and
- issued to employees in Australia under the Company's equity plans in the five year period preceding the offer, in each case, after disregarding offers to or holdings of exempt offer recipients, must not exceed 10% of the total number of CSL shares on issue at the time of the offer.

5.5.2 Total Shareholder Return calculations for unvested Performance Rights

Shown below is CSL's indicative Total Shareholder Return (TSR) performance over the relevant performance periods up to 30 June 2016 for as yet unvested Performance Rights. Vesting is solely dependent on the formal relative TSR calculations undertaken at the relevant test dates, with these calculations for information purposes only.

Relative TSR Performance from Grant Date to 30 June 2016 – Selected Peer Group

Performance Rights Issue	Peer Group	Indicative Relative TSR Percentile Ranking
October 2014	Selected global Pharmaceutical and Biotechnology companies	76.1%
October 2015	Selected global Pharmaceutical and Biotechnology companies	86.2%

Relative TSR Performance from Grant Date to 30 June 2016 – MSCI Gross Pharmaceutical Index ("Index")

Performance Rights Issue	Index TSR Outcome	CSL TSR Outcome
October 2012	65.7%	86.9%
October 2013	28.7%	43.9%

Members of the Selected Peer Group for 2016 Grant (1 October 2015 award)

AbbVie; Acadia; Actelion; Alexion; Alkermes; Alnylam; Amgen; Astellas; AstraZeneca; Bayer; Biogen; Biomarin; Bristol-Myers-Squibb; BTG; Celgene; Celldex; Chugai; Daiichi; Daiinippon Sumitomo; Eisai; Eli Lilly; Endo; Gilead; Grifols; GlaxoSmithKline; Incyte; Innoviva; Ipsen; Ionis Pharmaceuticals; Jazz; Johnson & Johnson; Kyowa; Meda; Medivation; Merck; Merck KGaA; Mesoblast; Mitsubishi-Tanabe; Morphosys; Novartis; Novo Nordisk; Ono Pharmaceutical; Orion; Pfizer; Regeneron; Roche; Sanofi; Sawai Pharmaceutical; Seattle Genetics; Shionogi; Shire; Swedish Orphan; Takeda; Teijin; UCB; United Therapeutics; Valeant; and Vertex.

5.5.3 Unvested LTI schemes of previous years

Terms and conditions of Options and Performance Rights granted in 2014 and 2015

Grant Date ²⁴	Instrument	Tranche	Value per Instrument at Grant Date (A\$) ²⁵	Exercise Price (A\$)	First Test Date	Exercise Period	Expiry Date
1 October 2014	Rights	1	47.69	-	1 July 2018	August 2018 – 30 September 2019	30 September 2019
1 October 2014	Rights	2 & 3	68.64	-	1 July 2018	August 2018 – 30 September 2019	30 September 2019
1 October 2014	Options	1	12.29	73.93	1 July 2018	August 2018 – 30 September 2019	30 September 2019
1 October 2015	Rights	1	60.92	-	1 July 2019	August 2019 – 30 September 2020	30 September 2020
1 October 2015	Rights	2 & 3	83.12	-	1 July 2019	August 2019 – 30 September 2020	30 September 2020
1 October 2015	Options	1	13.51	89.52	1 July 2019	August 2019 – 30 September 2020	30 September 2020

²⁴ For D Lamont the 2014 and 2015 Performance Rights awards were granted January 2016.

²⁵ For D Lamont the fair values for the 2014 award were Tranche 1 A\$79.58 and Tranches 2 and 3 A\$99.69. The fair values for the 2015 award were Tranche 1 A\$75.97 and Tranches 2 and 3 A\$97.73.

Key Characteristics of prior financial year Performance Option and Performance Right grants

Feature	2008 – 2010	2011 - 2012	2013 – 2014	2015
Instrument	60% Performance Options and 40% Performance Rights	20% Performance Options and 80% Performance Rights	Performance Rights	Performance Options and Performance Rights
Tranches	Three tranches: T1 - 25% of grant, T2 - 35% and T3 - 40%	Two tranches: T1 - 50% of grant and T2 - 50%		One tranche of Performance Options and three tranches of Performance Rights
Performance Period	T1 – 2 years, T2 – 3 years; T3 – 4 years	T1 – 3 years and T2 – 4 years		4 years
Performance Hurdle	Performance Options - EPSg	50% - EPSg 50% - rTSR		Performance Options - Individual performance targets Performance Rights T1 – rTSR and T2 and T3 - EPSg
Peer Group	Selected ASX Top 100	Selected ASX Top 100	MSCI Gross Pharmaceutical Index	Selected global Pharmaceutical and Biotechnology companies
Vesting Schedule	EPSg 10% or above – 100% vesting rTSR at or above 50th percentile – 100% vesting	EPSg 10% or above - 100% vesting rTSR below 50th percentile - 0% vesting rTSR at 50th percentile - 50% vesting rTSR between 50th and 75th percentile - Straight line vesting from 50% to 100% rTSR ≥ 75th percentile - 100%	EPSg < 8% – 0% vesting EPSg 8% to 12% - Straight line vesting from 50% to 100% EPSg 12% or above – 100% vesting rTSR at or below performance of Index – 0% vesting rTSR exceeds performance of Index – 100%	Consistent with section 2.4.1
Retesting Opportunities	T1 – 3 retests, T2 – 2 retests and T3 – 1 retest	1 retest per tranche, after an additional 12 months		No retest

5.5.4 Performance Rights and Performance Options Holdings

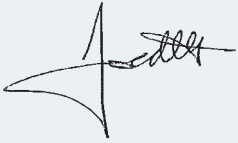
Executive	Instrument	Balance at 1 July 2015	Number Granted	Number Exercised	Number Lapsed / Forfeited	Balance at 30 June 2016	Number Vested during year	Balance at 30 June 2016		Value of LTI Exercised during year (US\$) ²⁶	Average Price Paid per Share
								Vested	Unvested		
P Perreault	Options	104,138	147,911	9,310	-	242,739	9,310	-	242,739	412,672	29.34
	Rights	88,040	47,138	15,255	-	119,923	15,255	-	119,923	1,002,171	-
G Boss	Options	39,957	30,909	18,820	-	52,046	4,730	-	52,046	972,594	31.40
	Rights	29,029	8,536	7,460	-	30,105	7,460	-	30,105	506,194	-
A Cuthbertson	Options	7,600	-	7,600	-	-	7,600	-	-	354,090	29.34
	Rights	45,568	9,098	12,195	-	42,471	12,195	-	42,471	821,041	-
K Etchberger	Options	48,233	28,245	29,640	-	46,838	3,610	-	46,838	1,429,098	32.37
	Rights	24,004	7,801	5,720	-	26,085	5,720	-	26,085	411,476	-
D Lamont ²⁷	Options	-	-	-	-	-	-	-	-	-	-
	Rights	-	27,544	-	-	27,544	-	-	27,544	-	-
G Naylor	Options	80,960	42,717	47,320	-	76,357	9,460	33,640	42,717	2,393,716	35.80
	Rights	89,441	14,748	2,992	-	101,197	15,200	45,060	56,137	239,705	-
L Reed	Options	14,875	20,907	-	-	35,782	-	-	35,782	-	-
	Rights	5,819	6,415	-	-	12,234	-	-	12,234	-	-
R Repella	Options	22,312	29,649	-	-	51,961	-	-	51,961	-	-
	Rights	17,144	9,098	-	-	26,242	-	-	26,242	-	-
V Romberg	Options	22,579	26,233	-	-	48,812	2,870	2,870	45,942	-	-
	Rights	18,780	9,056	-	-	27,836	4,700	4,700	23,136	-	-

²⁶ The value at exercise date has been determined by the share price at the close of business on exercise date less the Performance Option/Performance Right exercise price (if any) multiplied by the number of Performance Options/Performance Rights exercised during 2016. The AUD value was converted to USD at an average exchange rate for the year.

²⁷ The opening balance for D Lamont is at 4 January 2016 being the date D Lamont became executive KMP.

Directors' Report continued

This report has been made in accordance with a resolution of directors.



John Shine AO
Chairman



Paul Perreault
Chief Executive Officer
and Managing Director

Melbourne
17 August 2016

This report has been made in accordance with a resolution of directors.

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Consolidated Statement of Comprehensive Income for the year ended 30 June 2016

	Notes	Consolidated Entity	
		2016 US\$m	2015 US\$m
Continuing operations			
Sales revenue	2	5,909.5	5,458.6
Cost of sales		(3,034.8)	(2,605.9)
Gross profit		2,874.7	2,852.7
Other revenue	2	219.7	169.4
Research and development expenses	6	(613.8)	(462.7)
Selling and marketing expenses		(620.9)	(498.3)
General and administration expenses		(408.3)	(287.5)
Finance costs	2	(71.6)	(59.6)
Gain on acquisition	1b	176.1	-
Profit before income tax expense		1,555.9	1,714.0
Income tax expense	3	(313.5)	(335.0)
Net profit for the period		1,242.4	1,379.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations, net of hedges on foreign investments	12	(126.9)	(444.1)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit plans, net of tax		(71.9)	(64.3)
Total of other comprehensive income/(expenses)		(198.8)	(508.4)
Total comprehensive income for the period		1,043.6	870.6
Earnings per share (based on net profit for the period)			
		US\$	US\$
Basic earnings per share	10	2.689	2.923
Diluted earnings per share	10	2.683	2.914

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet as at 30 June 2016

	Notes	Consolidated Entity	
		2016 US\$m	2015 US\$m
CURRENT ASSETS			
Cash and cash equivalents	14	556.6	556.8
Trade and other receivables	15	1,107.2	1,003.7
Inventories	4	2,152.0	1,755.6
Current tax assets		1.6	20.4
Other financial assets		0.6	2.6
Total Current Assets		3,818.0	3,339.1
NON-CURRENT ASSETS			
Other receivables	15	15.6	11.2
Other financial assets		2.9	0.5
Property, plant and equipment	8	2,389.6	1,841.3
Deferred tax assets	3	389.0	274.4
Intangible assets	7	942.6	926.9
Retirement benefit assets	18	5.0	7.6
Total Non-Current Assets		3,744.7	3,061.9
TOTAL ASSETS		7,562.7	6,401.0
CURRENT LIABILITIES			
Trade and other payables	15	996.1	700.8
Interest-bearing liabilities	11	62.3	3.2
Current tax liabilities		207.3	143.9
Provisions	16	99.6	84.3
Deferred government grants	9	3.1	2.1
Derivative financial instruments		6.0	1.8
Total Current Liabilities		1,374.4	936.1
NON-CURRENT LIABILITIES			
Other non-current liabilities	15	18.8	17.2
Interest-bearing liabilities	11	3,081.0	2,277.7
Deferred tax liabilities	3	119.2	138.2
Provisions	16	40.5	31.9
Deferred government grants	9	35.0	31.9
Retirement benefit liabilities	18	326.6	221.1
Total Non-Current Liabilities		3,621.1	2,718.0
TOTAL LIABILITIES		4,995.5	3,654.1
NET ASSETS		2,567.2	2,746.9
EQUITY			
Contributed equity	12	(4,213.0)	(3,560.4)
Reserves	12	187.9	306.5
Retained earnings	19	6,592.3	6,000.8
TOTAL EQUITY		2,567.2	2,746.9

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the year ended 30 June 2016

Consolidated Entity	Contributed Equity US\$m		Foreign currency translation reserve US\$m		Share based payment reserve US\$m		Retained earnings US\$m		Total US\$m	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
As at the beginning of the year	(3,560.4)	(2,797.8)	155.4	599.5	151.1	138.8	6,000.8	5,221.5	2,746.9	3,162.0
Profit for the period	-	-	-	-	-	-	1,242.4	1,379.0	1,242.4	1,379.0
Other comprehensive income	-	-	(126.9)	(444.1)	-	-	(71.9)	(64.3)	(198.8)	(508.4)
Total comprehensive income for the full year									1,043.6	870.6
Transactions with owners in their capacity as owners										
Share based payments	-	-	-	-	8.3	12.3	-	-	8.3	12.3
Dividends	-	-	-	-	-	-	(579.0)	(535.4)	(579.0)	(535.4)
Share buy back	(670.0)	(798.6)	-	-	-	-	-	-	(670.0)	(798.6)
Share issues										
- Employee share scheme	17.4	36.0	-	-	-	-	-	-	17.4	36.0
As at the end of the year	(4,213.0)	(3,560.4)	28.5	155.4	159.4	151.1	6,592.3	6,000.8	2,567.2	2,746.9

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows for the year ended 30 June 2016

	Consolidated Entity	
	2016 US\$m	2015 US\$m
Cash flows from Operating Activities		
Receipts from customers (inclusive of goods and services tax)	5,982.7	5,640.6
Payments to suppliers and employees (inclusive of goods and services tax)	(4,417.0)	(3,957.0)
	1,565.7	1,683.6
Income taxes paid	(326.2)	(281.0)
Interest received	14.1	15.0
Borrowing costs	(75.0)	(54.0)
Net cash inflow from operating activities	1,178.6	1,363.6
Cash flows from Investing Activities		
Proceeds from sale of property, plant and equipment	0.1	0.3
Payments for property, plant and equipment	(495.1)	(347.8)
Payments for intangible assets	(70.6)	(66.0)
Payments for business acquisition (Net of cash acquired)	(244.6)	-
Receipts from other financial assets	0.1	0.2
Net cash outflow from investing activities	(810.1)	(413.3)
Cash flows from Financing Activities		
Proceeds from issue of shares	17.4	34.7
Dividends paid	(579.0)	(535.4)
Proceeds from borrowings	1,564.3	494.2
Repayment of borrowings	(716.9)	(3.0)
Payment for shares bought back	(648.2)	(818.6)
Net cash outflow from financing activities	(362.4)	(828.1)
Net increase (decrease) in cash and cash equivalents	6.1	122.2
Cash and cash equivalents at the beginning of the financial year	555.5	606.3
Exchange rate variations on foreign cash and cash equivalent balances	(6.3)	(173.0)
Cash and cash equivalents at the end of the financial year	555.3	555.5

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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About this Report

Notes to the financial statements:

Corporate information

CSL Limited (CSL) is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange. This financial report covers the financial statements for the consolidated entity consisting of CSL and its subsidiaries (together referred to as the Group). The financial report was authorised for issue in accordance with a resolution of directors on 17 August 2016.

A description of the nature of the Group's operations and its principal activities is included in the directors' report.

a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, International Financial Reporting Standards (IFRS) and the Corporations Act 2001. It presents information on a historical cost basis, except for financial assets and liabilities (including derivative instruments), which have been measured at fair value. Amounts have been rounded off to the nearest hundred thousand dollars.

The report is presented in US Dollars, because this currency is the pharmaceutical industry standard currency for reporting purposes. It is the predominant currency of the Group's worldwide sales and operating expenses.

b. Principles of consolidation

The consolidated financial statements comprise the financial statements of CSL and its subsidiaries as at 30 June 2016. CSL has control of its subsidiaries when it is exposed to, and has the rights to, variable returns from its involvement with those entities and when it has the ability to affect those returns. A list of significant controlled entities (subsidiaries) at year-end is contained in Note 17. During the year ended 30 June 2016 CSL assumed control of entities acquired as part of the acquisition of the Novartis Influenza business. Details of the acquisition are contained in Note 1b.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as the parent company.

In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full. The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated as it is controlled by the Group.

Notes to the financial statements for the year ended 30 June 2016 continued

c. Foreign currency

While the presentation currency of the Group is US dollars, entities in the Group may have other functional currencies, reflecting the currency of the primary economic environment in which the relevant entity operates. The parent entity, CSL Limited, has a functional currency of Australian dollars.

If an entity in the Group has undertaken transactions in foreign currency, these transactions are translated into that entity's functional currency using the exchange rates prevailing at the dates of the transactions. Where the functional currency of a subsidiary is not US dollars, the subsidiary's assets and liabilities are translated on consolidation to US dollars using the exchange rates prevailing at the reporting date, and its profit and loss is translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income and in the foreign currency translation reserve in equity.

d. Other accounting policies

Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

e. Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and estimates of future events. Material judgements and estimates are found in the following notes:

Note 1b:	Business Combination	Page 88
Note 3:	Tax	Page 92
Note 4:	Inventories	Page 93
Note 5:	People Costs	Page 94
Note 7:	Intangible Assets	Page 97
Note 15:	Trade Receivables & Payables	Page 109

f. The notes to the financial statements

The notes to these financial statements have been organised into logical groupings to help users find and understand the information they need. Where possible, related information has been provided in the same place. More detailed information (for example, valuation methodologies and certain reconciliations) has been placed at the rear of the document and cross-referenced where necessary. CSL has also reviewed the notes for materiality and relevance and provided additional information where it is helpful to an understanding of the Group's performance.

g. Significant changes in the current reporting period

There were no changes in accounting policy during the year ended 30 June 2016, nor did the introduction of new accounting standards lead to any change in measurement or disclosure in these financial statements. See Note 24 for details of new accounting standards introduced this financial year.

Our Current Performance

Note 1: Segment Information and Business Combinations

The Group's segments represent strategic business units that offer different products and operate in different industries and markets. They are consistent with the way the CEO (who is the chief operating decision-maker) monitors and assesses business performance in order to make decisions about resource allocation. Performance assessment is based on EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation). These measures are different from the profit or loss reported in the consolidated financial statements which is shown after net interest and tax expense. This is because decisions that affect net interest expense and tax expense are made at the Group level. It is not considered appropriate to measure segment performance at the net profit after tax level.

The Group's operating segments are:

- CSL Behring – manufactures, markets, and develops plasma therapies (plasma products and recombinants).
- Seqirus – manufactures and distributes non-plasma biotherapeutic products. The Seqirus segment is the combination of the previously disclosed bioCSL segment and the acquired Novartis influenza business which are now managed as a single business.
- CSL Intellectual Property – revenue and associated expenses from the licensing of intellectual property generated by the Group to unrelated third parties, and research and development expenses on projects where the Group has yet to determine the ultimate commercialisation strategy.

	CSL Behring US\$m		Seqirus US\$m		CSL Intellectual Property US\$m		Intersegment Elimination US\$m		Consolidated Entity US\$m	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Sales to external customers	5,257.4	5,046.7	652.1	411.9	-	-	-	-	5,909.5	5,458.6
Other revenue / Other income (excl interest income)	2.4	2.3	79.4	13.4	122.9	136.9	-	-	204.7	152.6
Total segment revenue	5,259.8	5,049.0	731.5	425.3	122.9	136.9	-	-	6,114.2	5,611.2
Interest income									13.9	15.6
Unallocated revenue/income									1.1	1.2
Consolidated revenue									6,129.2	5,628.0
Segment EBIT	1,802.6	1,776.5	(335.7)	15.5	27.9	41.1	-	-	1,494.8	1,833.1
Unallocated revenue/income less unallocated costs									(57.3)	(75.1)
Consolidated EBIT									1,437.5	1,758.0
Gain on Business Acquisition									176.1	-
Interest income									13.9	15.6
Finance costs									(71.6)	(59.6)
Consolidated profit before tax									1,555.9	1,714.0
Income tax expense									(313.5)	(335.0)
Consolidated net profit after tax									1,242.4	1,379.0
Amortisation	27.0	24.2	9.4	0.8	-	-	-	-	36.4	25.0
Depreciation	145.9	131.8	23.0	6.2	6.3	7.1	-	-	175.2	145.1
Segment EBITDA	1,975.5	1,932.5	(303.3)	22.5	34.2	48.2	-	-	1,706.4	2,003.2
Unallocated revenue/income less unallocated costs									(57.3)	(75.1)
Unallocated depreciation and amortisation									8.7	11.2
Consolidated EBITDA									1,657.8	1,939.3
Segment assets	6,763.4	6,089.0	1,129.9	366.5	25.6	23.5	(100.9)	(42.2)	7,818.0	6,436.8
Other unallocated assets									1,968.9	1,259.8
Elimination of amounts between operating segments and unallocated									(2,224.2)	(1,295.6)
Total assets									7,562.7	6,401.0
Segment liabilities	2,505.6	2,320.0	1,035.8	106.2	3.8	3.5	(100.9)	(42.2)	3,444.3	2,387.5
Other unallocated liabilities									3,775.4	2,562.2
Elimination of amounts between operating segments and unallocated									(2,224.2)	(1,295.6)
Total liabilities									4,995.5	3,654.1
Other information – capital expenditure excluding Business Acquisition										
Payments for property, plant and equipment	449.2	321.8	38.2	8.5	4.1	7.8	-	-	491.5	338.1
Unallocated payments for property, plant and equipment									3.6	9.7
Payments for intangibles	56.7	32.3	13.9	33.7	-	-	-	-	70.6	66.0
Total capital expenditure excluding Business Acquisition									565.7	413.8

Notes to the financial statements for the year ended 30 June 2016 continued

Inter-segment sales

Inter-segment sales are carried out on an arm's length basis and reflect current market prices.

Geographical areas of operation

The Group operates predominantly in Australia, the USA, Germany, Switzerland and the UK. The rest of the Group's operations are spread across many countries and are collectively disclosed as 'Rest of World'.

Geographic areas	Australia US\$m		United States US\$m		Germany US\$m		Switzerland US\$m		UK US\$m		Rest of world US\$m		Total US\$m	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External sales revenue	513.6	553.5	2,407.8	2,135.5	680.4	739.0	200.7	163.7	274.7	198.1	1,832.3	1,668.8	5,909.5	5,458.6
Property, plant, equipment and intangible assets	541.1	535.5	1,203.9	825.8	377.8	340.2	1,020.0	1,024.7	179.3	33.9	10.1	8.1	3,332.2	2,768.2

Note 1b: Business Combination

On 31 July 2015 CSL completed the acquisition of Novartis' global influenza vaccine business. The acquiring entity was Seqirus Inc. (a 100% owned subsidiary of CSL Limited) for the US business and Seqirus UK Limited (a 100% owned subsidiary of CSL Limited) for the business excluding the US. The acquired business has been combined with CSL's existing influenza business to create Seqirus, one of the top influenza businesses globally.

The acquirer has assumed control of 100% of the acquired business with effect from 31 July 2015. The transaction involved the acquisition of shares in a number of entities and assets for the remaining parts of the business. Certain entities are subject to a delayed legal close for employee and/or regulatory reasons however CSL exercises control over those business and is exposed to, and has the ability to affect, the variable returns associated with its involvement with those entities.

The consideration was paid 100% in cash and there is no contingent consideration in this transaction.

The fair value of assets and liabilities acquired are:

Asset Class	US\$m
Cash	35.9
Trade and other receivables	81.7
Inventory	193.8
Land	7.8
Buildings	48.6
Plant & equipment	227.8
Intangible assets	31.6
Deferred tax assets	22.6
Other non-current assets	2.6
Trade creditors & accruals	(183.7)
Non-current liabilities	(12.1)
Fair Value of Net Assets Acquired	456.6
Consideration paid	280.5
Gain on acquisition	176.1

Since the publication of the CSL Group half year accounts for the period ended 31 December 2015 a number of changes have been made to the asset allocation in the acquisition balance sheet.

The total fair value of the acquired business at \$456.6m and the gain on acquisition at \$176.1m are unchanged.

The changes in asset allocation are a \$3.6m increase in the fair value of inventory; a reallocation between land (reduced from \$45m to \$7.8m), buildings (\$48.6m) and plant & equipment (increased from \$210.1m to 227.8m); a reduction in deferred tax assets from \$49.8m to \$22.6m; a decrease in other current assets of \$0.2m; and an increase in trade creditors and accruals of \$5.3m.

These changes were required because additional information was available that permitted an improved allocation between asset classes.

The gain on acquisition arises due to the bargain purchase nature of the transaction. Novartis had previously announced the sale of their entire vaccine business to GSK, a competitor in the influenza business. Under the arrangement, Novartis had a put option to sell the influenza vaccine business to GSK for \$250m. We believe that competition regulators were unlikely to approve the acquisition of the influenza business by GSK and as a result Novartis conducted a separate sale process for the influenza business. CSL was able to negotiate a purchase price below the fair value of the business in light of Novartis' intention to fully exit vaccines.

The gain is recognised in the Statement of Comprehensive Income. The gain on acquisition is the difference between the fair value of net assets acquired and the consideration paid or payable. Fair value has been determined by generating a long term financial model of the acquired business and discounting the resultant cash flows to a present value using an appropriate discount rate. The construction of such a model requires the exercise of considerable judgement in areas such as future sales volume and price, cost of sales, operating expenses and levels of working capital and capital expenditure. In determining an appropriate discount rate consideration has been given to the different risk profile of the acquired business when compared to the broader CSL business and a higher discount rate than historically applied to the Group's impairment tests has been used to reflect a higher level of risk. The model was also used to allocate fair value to asset classes and geographies.

The acquired business has contributed \$344m of revenue and \$306.6m of net losses after tax, excluding the gain on acquisition, in the period from 31 July 2015 to 30 June 2016. Due to the seasonal nature of the influenza business it is not practicable to reliably estimate the revenue and profitability for the month of July 2015 and we have been unable to obtain this information from the vendor.

Note 2: Revenue and Expenses

Revenue	2016 US\$m	2015 US\$m
Sales	5,909.5	5,458.6
Royalties	119.9	106.8
Finance revenue	13.9	15.6
Licence revenue	3.1	29.6
Pandemic facility reservation fees	68.7	7.5
Other	14.1	9.9
Total revenue from continuing operations	6,129.2	5,628.0

Recognition and measurement of revenue

Revenue is recognised and measured at the fair value of the consideration that has been or will be received. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that the future economic benefits will flow to the Group.

Further information about each source of revenue and the criteria for recognition follows.

Sales: Revenue earned (net of returns, discounts and allowances) from the sale of products. Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Royalties: Income received or receivable from licensees of CSL intellectual property, where the amount payable is based on sales of product, is recognised as it accrues which is when the Group has a legally enforceable claim.

Finance revenue: Income from cash deposits is recognised as it accrues.

Licence revenue: Milestone income received or receivable from licensees of CSL intellectual property is recognised as it accrues.

Pandemic facility reservation fees: Income received from governments in return for access to influenza manufacturing facilities in the event of a pandemic. Contracts are time based and revenue is accrued progressively over the life of the relevant contract.

Other: Rent, proceeds from sale of fixed assets and other income is recognised as it accrues.

Expenses	2016 US\$m	2015 US\$m
Finance costs	71.6	59.6
Depreciation and amortisation of fixed assets	183.7	156.2
Amortisation of intangibles	36.6	25.1
Total depreciation and amortisation expense	220.3	181.3
Write-down of inventory to net realisable value	57.3	57.1
Rental expenses relating to operating leases	47.4	40.7
Employee benefits expense	1,454.3	1,247.6
Net foreign exchange loss	47.5	32.0

Recognition and measurement of expenses

Finance costs: Includes interest expense and borrowing costs. These are recognised as an expense when incurred, except where finance costs are directly attributable to the acquisition or construction of a qualifying asset. In this case they are capitalised as part of the cost of the asset. Interest-bearing liabilities and borrowings are stated at amortised cost. Any difference between the borrowing proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the borrowings' period using the effective interest method.

Depreciation and amortisation: Refer to Note 8 for details on depreciation and amortisation of fixed assets and Note 7 for details on amortisation of intangibles.

Write-down of inventory to net realisable value: Included in Cost of Sales in the Statement of Comprehensive Income. Refer to Note 4 for details of inventories.

Employee benefits expense: Refer to Note 5 for further details.

Rental expenses relating to operating leases: Operating leases are leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Notes to the financial statements for the year ended 30 June 2016 continued

Goods and Services Tax and other foreign equivalents (GST)

Revenues, expenses and assets are recognised net of GST, except where GST is not recoverable from a taxation authority, in which case it is recognised as part of an asset's cost of acquisition or as part of the expense.

Note 3: Tax

	2016 US\$m	2015 US\$m
a. Income tax expense recognised in the statement of comprehensive income		
Current tax expense		
Current year	419.5	344.6
Deferred tax expense		
Origination and reversal of temporary differences	(98.5)	16.3
Total deferred tax expense/(recovery)	(98.5)	16.3
Over provided in prior years	(7.5)	(25.9)
Income tax expense	313.5	335.0
b. Reconciliation between tax expense and pre-tax net profit		
The reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	1,555.9	1,714.0
Income tax calculated at 30% (2015: 30%)	466.8	514.2
Effects of different rates of tax on overseas income	(98.5)	(152.4)
Research and development	(15.7)	(13.6)
Over provision in prior year	(7.5)	(25.9)
Intercompany restructuring	12.0	-
Non taxable gain on acquisition	(52.8)	-
Other non-deductible expenses	9.2	12.7
Income tax expense	313.5	335.0
c. Income tax recognised directly in equity		
Deferred tax benefit		
Share-based payments	0.9	(5.3)
Income tax (expense)/benefit recognised in equity	0.9	(5.3)

	2016 US\$m	2015 US\$m
d. Deferred tax assets and liabilities		
Deferred tax asset	389.0	274.4
Deferred tax liability	(119.2)	(138.2)
Net deferred tax asset	269.8	136.2
Deferred tax balances reflect temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Inventories	114.6	87.0
Property, plant and equipment	(82.5)	(83.9)
Intangible assets	(102.4)	(85.3)
Trade and other payables	18.5	17.0
Recognised carry forward tax losses ^a	155.6	48.9
Retirement liabilities, net	53.5	29.2
Research and development offsets	10.2	15.3
Trade and other receivables	(2.2)	7.5
Other assets	10.0	(3.9)
Other liabilities and provisions	80.4	84.3
Tax bases not in net assets – share-based payments	(1.4)	5.0
	254.3	121.1
Amounts recognised in equity		
Share-based payments	15.5	15.1
Net deferred tax asset	269.8	136.2
e. Movement in temporary differences during the year		
Opening balance	136.2	171.4
Acquired through business acquisition	22.6	-
Credited/(charged) to profit before tax	98.5	(16.3)
Credited/(charged) to other comprehensive income	15.7	13.7
Credited to equity	0.9	(5.3)
Currency translation difference	(4.1)	(27.3)
Closing balance	269.8	136.2
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised for the following items:		
Tax losses with no expiry date ^b	0.4	0.4

^a Deferred tax assets in respect of carry forward tax losses are principally recorded in CSL entities in Switzerland and the UK (prior year: Switzerland) and are recognised as it is probable that future taxable profit will be available in those entities to utilise the losses.

^b Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available for utilisation in the entities that have recorded these losses.

Notes to the financial statements for the year ended 30 June 2016 continued

Current taxes

Current tax assets and liabilities are the amount expected to be recovered from (or paid to) tax authorities, under the tax rates and laws in each jurisdiction. These include any rates or laws that are enacted or substantively enacted as at the balance sheet date.

Deferred taxes

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, carried forward unused tax assets and unused tax losses, only if it is probable that taxable profit will be available to utilise them.

The carrying amount of deferred income tax assets is reviewed at the reporting date. If it is no longer probable that taxable profit will be available to utilise them, they are reduced accordingly.

Deferred tax is measured using tax rates and laws that are enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set-off current tax assets against current tax liabilities and if they relate to the same taxable entity or group and the same taxation authority.

Income taxes attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or in equity, and not in the income statement.

CSL Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group effective from 1 July 2003.

Key Judgements and Estimates - Tax

Management regularly assesses the risk of uncertain tax positions, and recognition and recoverability of deferred tax assets. To do this requires judgements about the application of income tax legislation in jurisdictions in which the Group operates and the future operating performance of entities with carry forward losses. These judgements and assumptions, which include matters such as the availability and timing of tax deductions and the application of the arm's length principle to related party transactions, are subject to risk and uncertainty. Changes in circumstances may alter expectations and affect the carrying amount of deferred tax assets and liabilities. Any resulting adjustment to the carrying value of a deferred tax item will be recorded as a credit or charge to the statement of comprehensive income.

Note 4: Inventories

	2016 US\$m	2015 US\$m
Raw materials	550.5	486.2
Work in progress	816.9	546.1
Finished products	784.6	723.3
Total inventories	2,152.0	1,755.6

Raw Materials

Raw materials comprise collected and purchased plasma, chemicals, filters and other inputs to production that will be further processed into saleable products but have yet to be allocated to manufacturing.

Work in Progress

Work in progress comprises all inventory items that are currently in use in manufacturing and intermediate products such as pastes generated from the initial stages of the plasma production process.

Finished Products

Finished products comprise material that is ready for sale and has passed all quality control tests.

Inventories generally have expiry dates and the Group provides for product that is short dated. Expiry dates for raw material are no longer relevant once the materials are used in production. At this stage the relevant expiry date is that applicable to the resultant intermediate or finished product.

Inventories are carried at the lower of cost or net realisable value. Cost includes direct material and labour and an appropriate proportion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity.

Net realisable value is the estimated revenue that can be earned from the sale of a product less the estimated costs of both completion and selling. The Group assesses net realisable value of plasma derived products on a basket of products basis given their joint product nature.

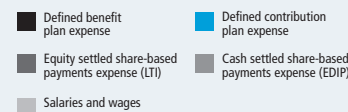
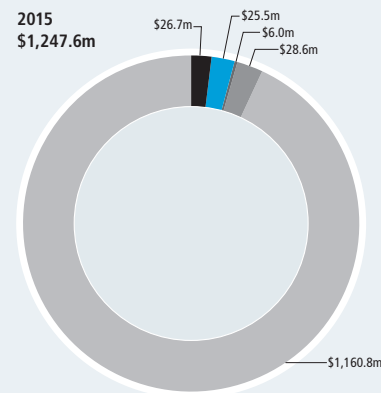
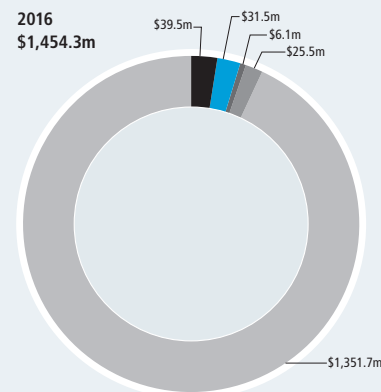
Key judgements and estimates - Inventory

Various factors affect the assessment of recoverability of the carrying value of inventory, including regulatory approvals and future demand for the Group's products. These factors are taken into account in determining the appropriate level of provisioning for inventory.

Note 5: People Costs

a. Employee benefits

Employee benefits include salaries and wages, annual leave and long-service leave, defined benefit and defined contribution plans and share-based payments incentive awards.



Salaries and wages

Wages and salaries include non-monetary benefits, annual leave and long service leave. These are recognised and presented in different ways in the financial statements:

- The liability for annual leave and the portion of long service leave expected to be paid within twelve months is measured at the amount expected to be paid.
- The liability for long service leave and annual leave expected to be paid after one year is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.
- The liability for annual leave and the portion of long service leave that has vested at the reporting date is included in the current provision for employee benefits.
- The portion of long service leave that has not vested at the reporting date is included in the non-current provision for employee benefits.

Notes to the financial statements for the year ended 30 June 2016 continued

Defined benefit plans

	2016 US\$m	2015 US\$m
Expenses/(gains) recognised in the statement of comprehensive income are as follows:		
Current service costs	27.7	25.4
Net Interest cost	3.8	1.6
Past service costs	8.0	(0.3)
Total included in employee benefits expense	39.5	26.7

Defined benefit pension plans provide either a defined lump sum or ongoing pension benefits for employees upon retirement, based on years of service and final average salary.

Liabilities or assets in relation to these plans are recognised in the balance sheet, measured as the present value of the obligation less the fair value of the pension fund's assets at that date.

Present value is based on expected future payments to the reporting date, calculated by independent actuaries using the projected unit credit method. Past service costs are recognised in income on the earlier of the date of plan amendments or curtailment, and the date that the Group recognises restructuring related costs.

Detailed information about the Group's defined benefit plans is in Note 18.

Key judgements and estimates - People Costs

The determination of certain employee benefit liabilities requires an estimation of future employee service periods and salary levels and the timing of benefit payments. These assessments are made based on past experience and anticipated future trends. The expected future payments are discounted using the rate applicable to high quality corporate bonds. Discount rates are matched to the expected payment dates of the liabilities.

Defined contribution plans

The Group makes contributions to various defined contribution pension plans and the Group's obligation is limited to these contributions. The amount recognised as an expense for the year ended 30 June 2016 was \$31.5m (2015: \$25.5m).

Equity settled share-based payments expense

Share-based payments expenses arise from plans that award long-term incentives.

Detailed information about the terms and conditions of the share-based payments arrangements is presented in Note 18.

Outstanding share-based payment equity instruments

The number and weighted average exercise price for each share-based payment scheme outstanding is as follows. All schemes are settled by physical delivery of shares except for instruments granted to good leavers from 2012 onwards which may be settled in cash at the discretion of the company.

	Options		Performance Rights		Global Employee Share Plan (GESP) [#]		Total
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	
Outstanding at the beginning of the year	705,322	A\$40.80	756,517	A\$0.00	75,882	A\$73.50	1,537,721
Granted during the year	348,594	A\$89.52	231,312	A\$0.00	152,189	A\$82.83	732,095
Exercised during the year	373,364	A\$33.12	165,446	A\$0.00	150,842	A\$77.57	689,652
Cash settled during the year	-	-	29,281	A\$0.00	-	-	29,281
Forfeited during the year	2,408	A\$32.04	19,998	A\$0.00	-	-	22,406
GESP True-up [#]	-	-	-	-	(1,499)	A\$73.50	(1,499)
Closing balance at the end of the year	678,144	A\$74.27	773,104	A\$0.00	75,730	A\$87.81	1,526,978
Exercisable at the end of the year	125,546	A\$32.46	84,779	A\$0.00			210,325

[#] The exercise price at which GESP plan shares are issued is calculated at a 15% discount to the lower of the ASX market price on the first and last dates of the contribution period. Accordingly the exercise price and the final number of shares to be issued is not yet known (and may differ from the assumptions and fair values disclosed above). The number of shares which may ultimately be issued from entitlements granted on 1 March 2016 has been estimated based on information available as at 30 June 2016.

The share price at the dates of exercise (expressed as a weighted average) by equity instrument type, is as follows:

	2016	2015
Options	A\$101.87	A\$79.18
Performance Rights	A\$98.02	A\$78.58
GESP	A\$97.37	A\$83.50

Cash-settled share-based payments expense

On 1 October 2015, 257,850 notional shares were granted to employees under the Executive Deferred Incentive Plan (EDIP) (October 2014: 268,760). The notional shares will generate a cash payment to participants in three years' time, provided they are still employed by the company and receive a satisfactory performance review over that period. On 1 January, 1 March

and 1 April 2016, additional notional shares were granted of 29,048, 67,782 and 10,309, respectively. These notional shares will generate a cash payment to participants based on a prorated vesting period from the respective grant dates and must comply with the employment and performance criteria previously noted. The amount of the cash payment will be determined by reference to the CSL share price immediately before the award maturity date.

The October 2012 EDIP grant vested during the period ended 30 June 2016 and an amount of \$22.8m was paid to employees (2015: \$33.8m). The carrying amount of the liability at 30 June 2016 attributable to the 2013, 2014 and 2015 grants is \$42.3m (2015: \$39.7m) measured at fair value. Fair value is determined by reference to the CSL share price at reporting date, adjusted for expected future dividends that will be paid between reporting date and vesting date.

b. Key management personnel disclosures

The remuneration of Directors and key management personnel is disclosed in section 17 of the Directors' Report and has been audited.

Total compensation for key management personnel

	2016 US\$	2015 US\$
Total of short term remuneration elements	14,454,863	9,938,338
Total of post-employment elements	177,347	176,645
Total of other long term elements	1,446,020	1,558,632
Total of share-based payments	8,905,582	5,734,718
Total of all remuneration elements	24,983,812	17,408,333

Our Future

Note 6: Research & Development

The Group conducts research and development activities to support future development of products to serve our patient communities, to enhance our existing products and to develop new therapies.

All costs associated with these activities are expensed as incurred as uncertainty exists up until the point of regulatory approval as to whether a research and development project will be successful. At the point of approval the total cost of development has largely been incurred.

For the year ended 30 June 2016, the research costs, net of recoveries, were \$613.8m (2015: \$462.7m). Further information about the Group's research and development activities can be found on the CSL website.

Note 7: Intangible Assets

Year	Goodwill US\$m		Intellectual property US\$m		Software US\$m		Intangible capital work in progress US\$m		Total US\$m	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Cost	674.3	705.3	383.3	365.7	169.6	124.5	51.0	37.6	1,278.2	1,233.1
Accumulated amortisation	-	-	(246.0)	(233.8)	(89.6)	(72.4)	-	-	(335.6)	(306.2)
Net carrying amount	674.3	705.3	137.3	131.9	80.0	52.1	51.0	37.6	942.6	926.9
Movement										
Net carrying amount at the beginning of the year	705.3	731.1	131.9	118.7	52.1	47.2	37.6	27.1	926.9	924.1
Additions	-	-	4.9	33.7	1.9	0.3	61.7	30.4	68.5	64.4
Business acquisition	-	-	31.6	-	-	-	-	-	31.6	-
Transfers from intangible capital work in progress	-	-	-	(3.1)	45.4	20.0	(45.4)	(16.9)	-	-
Transfers to/from property, plant and equipment	-	-	-	-	-	0.2	(0.2)	1.2	(0.2)	1.4
Disposals	-	-	-	-	(0.7)	-	-	-	(0.7)	-
Amortisation for the year ¹	-	-	(18.0)	(10.3)	(18.6)	(14.8)	-	-	(36.6)	(25.1)
Currency translation differences	(31.0)	(25.8)	(13.1)	(7.1)	(0.1)	(0.8)	(2.7)	(4.2)	(46.9)	(37.9)
Net carrying amount at the end of the year	674.3	705.3	137.3	131.9	80.0	52.1	51.0	37.6	942.6	926.9

¹ The amortisation charge is recognised in general and administration expenses in the statement of comprehensive income.

Goodwill

Any excess of the fair value of the purchase consideration of an acquired business over the fair value of the identifiable net assets (minus incidental expenses) is recorded as goodwill.

Goodwill is allocated to each of the cash-generating units (the business unit which represents the lowest level within the Group at which goodwill is monitored) expected to benefit from the combination. The aggregate carrying amounts of goodwill allocated to each business unit are as follows:

	2016 \$m	2015 \$m
CSL Behring	665.4	696.0
CSL Intellectual Property	8.9	9.3
Closing balance of goodwill as at 30 June	674.3	705.3

Goodwill is not amortised, but is measured at cost less any accumulated impairment losses. Impairment occurs when a business unit's recoverable amount falls below the carrying value of its net assets.

The results of the impairment test show that each business unit's recoverable amount exceeds the carrying value of its net assets, inclusive of goodwill. Consequently, there is no goodwill impairment as at 30 June 2016.

A change in assumptions significant enough to lead to impairment is not considered a reasonable possibility.

Intellectual property

Intellectual property acquired separately or in a business combination is initially measured at cost, which is its fair value at the date of acquisition. Following initial recognition, it is carried at cost less any amortisation and impairment.

Intellectual property with a fair value of \$31.6m was acquired with the Novartis Influenza vaccines business. This intellectual property relates to an adjuvant technology that is used in the production of Seqirus' adjuvanted influenza vaccine and is also licensed to a third party. All intellectual property has a finite life.

Software

Costs incurred in developing or acquiring software, licences or systems that will contribute future financial benefits are capitalised. These include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 10 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, where the Group has the intention and ability to use the asset.

Recognition and measurement

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life of the asset. The amortisation period and method is reviewed at each financial year end at a minimum.

Intangible assets with indefinite useful lives are not amortised. The useful life of these intangibles is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

Impairment of intangible assets

Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired.

An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

Key judgements and estimates

The impairment assessment process requires management to make significant judgements. Determining whether goodwill has been impaired requires an estimation of the recoverable amount of the cash generating units using a discounted cash flow methodology. This calculation uses cash flow projections based on operating budgets and a three-year strategic business plan, after which a terminal value, based on management's view of the longer term growth profile of the business is applied. Cash flows have been discounted using an implied pre-tax discount rate of 8.9% (2015: 8.0%) which is calculated with reference to external analyst views, long-term government bond rates and the company's pre-tax cost of debt. In the context of intangible assets of indefinite life, this requires an estimation of the discounted net cash inflows that may be generated through the use or sale of the intangible asset. The determination of cash flows over the life of an asset requires judgement in assessing the future demand for the Group's products, any changes in the price and cost of those products and of other costs incurred by the Group.

Note 8: Property, Plant and Equipment

	Land US\$m		Buildings US\$m		Leasehold improvements US\$m		Plant and equipment US\$m		Leased property, plant and equipment US\$m		Capital work in progress US\$m		Total US\$m	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Cost	26.4	19.6	502.2	409.3	223.3	185.6	2,354.7	1,937.9	33.8	32.5	621.2	502.1	3,761.6	3,087.0
Accumulated depreciation / amortization	-	-	(131.0)	(117.9)	(59.1)	(48.6)	(1,163.5)	(1,062.2)	(18.4)	(17.0)	-	-	(1,372.0)	(1,245.7)
Net carrying amount	26.4	19.6	371.2	291.4	164.2	137.0	1,191.2	875.7	15.4	15.5	621.2	502.1	2,389.6	1,841.3
Movement														
Net carrying amount at the start of the year	19.6	23.9	291.4	219.7	137.0	114.8	875.7	792.7	15.5	17.4	502.1	662.5	1,841.3	1,831.0
Transferred from capital work in progress	-	-	55.1	110.7	36.4	36.5	266.0	289.5	-	-	(357.5)	(436.7)	-	-
Business Acquisition	7.8	-	48.6	-	-	-	227.8	-	-	-	-	-	284.2	-
Other Additions	-	-	0.7	2.5	2.3	0.2	11.3	7.1	3.2	2.9	493.8	353.3	511.3	366.0
Disposals	-	-	(0.1)	(0.5)	(0.4)	(1.4)	(28.1)	(48.5)	(1.8)	(3.9)	(0.4)	(2.6)	(30.8)	(56.9)
Transferred to/from intangibles	-	-	-	-	-	-	-	(0.2)	-	-	0.2	(1.2)	0.2	(1.4)
Depreciation / amortisation for the year	-	-	(17.1)	(14.5)	(11.0)	(11.9)	(153.0)	(127.3)	(2.6)	(2.5)	-	-	(183.7)	(156.2)
Accumulated depreciation / amortisation on disposals	-	-	0.1	0.5	0.4	1.4	25.8	45.7	1.2	3.1	-	-	27.5	50.7
Currency translation differences	(1.0)	(4.3)	(7.5)	(27.0)	(0.5)	(2.6)	(34.3)	(83.3)	(0.1)	(1.5)	(17.0)	(73.2)	(60.4)	(191.9)
Net carrying amount at the end of the year	26.4	19.6	371.2	291.4	164.2	137.0	1,191.2	875.7	15.4	15.5	621.2	502.1	2,389.6	1,841.3

Property, plant and equipment

Land, buildings, capital work in progress and plant and equipment assets are recorded at historical cost less, where applicable, depreciation and amortisation.

Depreciation is on a straight-line basis over the estimated useful life of the asset.

Buildings 5 – 40 years

Plant and equipment 3 – 15 years

Leasehold improvements 5 – 10 years

Assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. Items of property, plant and equipment are derecognised upon disposal or when no further economic benefits are expected from their use or disposal.

Impairment testing for property, plant and equipment occurs if an impairment trigger is identified. No impairment triggers have been identified in the current year.

Gains and losses on disposals of items of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income when realised.

40% of the Holly Springs facility, acquired with the Novartis Influenza business, is legally owned by the US Government. Full legal title will transfer to CSL on the completion of the Final Closeout Technical Report, expected in the next three to five years. CSL has full control of the asset and 100% of the value of the facility is included in the consolidated financial statements.

Assets under Finance Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. A finance lease is capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are

included in interest bearing liabilities and borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term.

Leasehold improvements

The cost of improvements to leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Note 9: Deferred Government Grants

	2016 \$m	2015 \$m
Current deferred income	3.1	2.1
Non-current deferred income	35.0	31.9
Total deferred government grants	38.1	34.0

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to an expense item are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the expenses that they are intended to compensate. Government grants received for which there are no future related costs are recognised in the statement of comprehensive income immediately. Government grants relating to the purchase of property, plant and equipment are included in current and non-current liabilities as deferred income and are released to the statement of comprehensive income on a straight line basis over the expected useful lives of the related assets.

Returns, Risk & Capital Management

Note 10: Shareholder Returns

Dividends

Dividends are paid from the retained earnings and profits of CSL Limited, as the parent entity of the Group. (See Note 19 for the Group's retained earnings). During the year, the parent entity reported profits of A\$814.2m (2015: A\$1,251.9m). The parent entity's retained earnings as at 30 June 2016 were A\$4,956.7m (2015: A\$4,877.6m). During the financial year A\$791.5m (the equivalent of US\$579.0m) was distributed to shareholders by way of a dividend, with a further A\$403.2m (the equivalent of US\$310.5m) being determined as a dividend payable subsequent to the balance date.

	FY2016 US\$m	FY2015 US\$m
Dividend paid		
Paid: Final ordinary dividend of US\$0.66 per share, unfranked, paid on 2 October 2015 for FY15 (prior year: US\$0.60 per share, unfranked paid on 3 October 2014 for FY14)	293.4	268.5
Paid: Interim ordinary dividend of US\$0.58 per share, unfranked, paid on 15 April 2016 for FY16 (prior year: US\$0.58 per share, unfranked paid on 10 April 2015 for FY15)	285.6	266.9
Total paid	579.0	535.4
Dividend determined, but not paid at year end:	310.5	306.8
Final ordinary dividend of US\$0.68 per share, unfranked, expected to be paid on 7 October 2016 for FY16, based on shares on issue at reporting date. The aggregate amount of the proposed dividend will depend on actual number of shares on issue at dividend record date (prior year: US\$0.66 per share, unfranked paid on 3 October 2015 for FY15)		

The distribution in respect of the 2016 financial year represents a US\$1.26 dividend paid for FY2016 on each ordinary share held. These dividends are approximately 46.9% of the Group's basic earnings per share ("EPS") of US\$2.689.

Earnings per Share

CSL's basic and diluted EPS are calculated using the Group's net profit for the financial year of US\$1,242.4m (2015: US\$1,379.0m).

	2016	2015
Basic EPS	US\$2.689	US\$2.923
Weighted average number of ordinary shares	461,999,573	471,817,239
Diluted EPS	US\$2.683	US\$2.914
Adjusted weighted average number of ordinary shares, represented by:	463,117,064	473,165,225
Weighted average ordinary shares	461,999,573	471,817,239
Plus:		
Employee share schemes ²	1,117,491	1,347,986

² Subsequent to 30 June 2016, 18,586 shares were issued, as required under the Employee Performance Rights Plan. There have been no other ordinary shares issued since the reporting date and before the completion of this financial report.

Diluted EPS differs from Basic EPS as the calculation takes into account potential ordinary shares arising from employee share schemes operated by the Group.

On-market Share Buyback

During the year, the Group carried out an on-market share buyback of up to A\$1b as an element of its capital management program. As at 30 June 2016, shares to a value of A\$908.5m have been purchased.

The on-market buyback was chosen as the most effective method to return capital to shareholders after consideration of the various alternatives. The on-market buyback provides the Group with maximum flexibility and allows shareholders to choose whether to participate through normal equity market processes.

The Group's contributed equity includes the Share Buyback Reserve of (US\$4,213.0m) (2015: (US\$3,560.4m)). The Group's ordinary share contributed equity has been reduced to nil from previous share buybacks.

Notes to the financial statements for the year ended 30 June 2016 continued

Contributed Equity

The following table illustrates the movement in the Group's contributed equity³.

	2016		2015	
	Number of shares	US\$m	Number of shares	US\$m
Opening balance at 1 July	464,832,827	(3,560.4)	474,788,269	(2,797.8)
Shares issued to employees (see also Note 18):				
Performance Options Plan	373,364	9.0	995,207	28.8
Performance Rights Plan (for nil consideration)	165,446	-	274,782	-
Global Employee Share Plan (GESp)	150,842	8.4	135,962	7.2
Share buy-back, inclusive of cost	(8,913,732)	(670.0)	(11,361,393)	(798.6)
Closing balance	456,608,747	(4,213.0)	464,832,827	(3,560.4)

³ Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Where the Group reacquires its own shares, for example as a result of a share buy-back, those shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid to acquire the shares, including any directly attributable transaction costs net of income taxes, is recognised directly as a reduction in equity.

Note 11: Financial Risk Management

CSL holds financial instruments that arise from the Group's need to access financing, from the Group's operational activities and as part of the Group's risk management activities.

The Group is exposed to financial risks associated with its financial instruments. Financial instruments comprise cash and cash equivalents, receivables, payables, bank loans and overdrafts, unsecured notes, lease liabilities and derivative instruments.

The primary risks these give rise to are:

- Foreign exchange risk.
- Interest rate risk.
- Credit risk.
- Funding and liquidity risk.
- Capital management risk.

These risks, and the strategies used to mitigate them, are outlined below.

	Source of Risk	Risk Mitigation
a. Foreign exchange risk	The Group is exposed to foreign exchange risk because of its international operations. These risks relate to future commercial transactions, assets and liabilities denominated in other currencies and net investments in foreign operations.	Where possible CSL takes advantage of natural hedging (i.e., the existence of payables and receivables in the same currency). Where this is not possible, CSL's policy is to hedge contractual commitments denominated in a foreign currency by entering into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at predetermined exchange rates.
b. Interest rate risk	The Group is exposed to interest rate risk through its primary financial assets and liabilities.	The Group mitigates interest rate risk on borrowings primarily by entering into fixed rate arrangements, which are not subject to interest rate movements in the ordinary course. If necessary, CSL also hedges interest rate risk using derivative instruments. As at 30 June 2016, no derivative financial instruments hedging interest rate risk were outstanding (2015: Nil).
c. Credit risk	The Group is exposed to credit risk from financial instruments contracts and trade and other receivables. The maximum exposure to credit risk at reporting date is the carrying amount, net of any provision for impairment, of each financial asset in the balance sheet.	<p>The Group mitigates credit risk from financial instruments contracts by only entering into transactions with counterparties who have sound credit ratings and with whom the Group has a signed netting agreement. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.</p> <p>The Group minimises the credit risk associated with trade and other debtors by undertaking transactions with a large number of customers in various countries. Creditworthiness of customers is reviewed prior to granting credit, using trade references and credit reference agencies.</p>
d. Funding and liquidity risk	<p>The Group is exposed to funding and liquidity risk from operations and from external borrowing.</p> <p>One type of this risk is credit spread risk, which is the risk that in refinancing its debt, CSL may be exposed to an increased credit spread.</p> <p>Another type of this risk is liquidity risk, which is the risk of not being able to refinance debt obligations or meet other cash outflow obligations when required.</p> <p>Liquidity and re-financing risks are not significant for the Group, as CSL has a prudent gearing level and strong cash flows.</p>	<p>The Group mitigates funding and liquidity risks by ensuring that:</p> <ul style="list-style-type: none"> • The Group has sufficient funds on hand to achieve its working capital and investment objectives • The Group focusses on improving operational cash flow and maintaining a strong balance sheet • Short-term liquidity, long-term liquidity and crisis liquidity requirements are effectively managed, minimising the cost of funding and maximising the return on any surplus funds through efficient cash management • It has adequate flexibility in financing to balance short-term liquidity requirements and long-term core funding and minimise refinancing risk
e. Capital Risk Management	The Group's objectives when managing capital are to safeguard its ability to continue as a going concern while providing returns to shareholders and benefits to other stakeholders. Capital is defined as the amount subscribed by shareholders to the Company's ordinary shares and amounts advanced by debt providers to any Group entity.	<p>The Group aims to maintain a capital structure, which reflects the use of a prudent level of debt funding. The aim is to reduce the Group's cost of capital without adversely affecting the credit margins applied to the Group's debt funding.</p> <p>Each year the Directors determine the dividend taking into account factors such as profitability and liquidity.</p> <p>The Directors propose a share buyback consistent with the aim of maintaining an efficient balance sheet, and with the ability to cease a buyback at any point should circumstances such as liquidity conditions change. Refer to Note 10 for details of share buybacks.</p>

Notes to the financial statements for the year ended 30 June 2016 continued

Risk management approach

The Group uses sensitivity analysis (together with other methods) to measure the extent of financial risks and decide if they need to be mitigated.

If so, the Group's policy is to use derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to support its objective of achieving financial targets while seeking to protect future financial security.

The aim is to reduce the impact of short-term fluctuations in currency or interest rates on the Group's earnings.

Derivatives are exclusively used for this purpose and not as trading or other speculative instruments.

a. Foreign exchange risk

The objective is to match the contracts with committed future cash flows from sales and purchases in foreign currencies to protect the Group against exchange rate movements. Contracts to buy and sell foreign currencies are also entered into from time to time to offset purchase and sale obligations.

The Group reduces its foreign exchange risk on net investments in foreign operations by denominating external borrowings in currencies that match the currencies of its foreign investments.

Due to the international nature of the Group's operations, it incurs foreign exchange risk in most group entities. In order to manage the stand alone financial results of group entities, these entities enter into forward exchange contracts with financial institutions. Many of the exposures managed in this way arise from inter-company transactions which eliminate on consolidation.

The total value of forward exchange contracts in place at reporting date is \$1.3bn (2015: \$0.9bn). These contracts are entered into with a rolling monthly maturity thereby mitigating significant fair value risk. The contracts are placed with financial institutions and expose the Group to counterparty credit risk. This risk is managed by only dealing with financial institutions with counterparties with sound credit ratings and by imposing caps on the exposure to any single counterparty.

Sensitivity analysis – USD values

Profit after tax – sensitivity to general movement of 1%

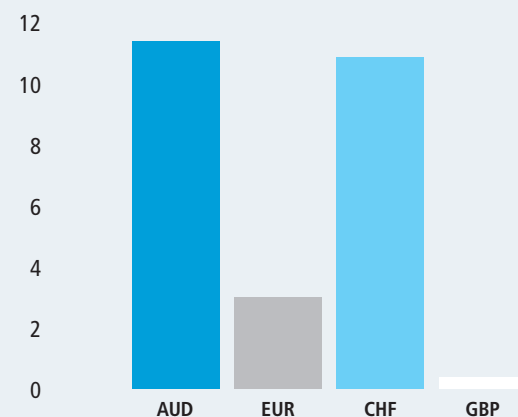
A movement of 1% in the USD exchange rate against AUD, EUR, CHF and GBP would not generate a material impact to profit after tax.

Equity – sensitivity to general movement of 1%

Any change in equity is recorded in the Foreign Currency Translation Reserve.

FX Sensitivity Analysis on Equity

US\$m



This calculation is based on changing the actual exchange rate of US Dollars to AUD, EUR, CHF and GBP as at 30 June 2016 by 1% and applying these adjusted rates to the net assets (excluding investments in subsidiaries) of the foreign currency denominated financial statements of various Group entities.

b. Interest rate risk

At 30 June 2016, it is estimated that a general movement of one percentage point in the interest rates applicable to investments of cash and cash equivalents would have changed the Group's profit after tax by approximately \$3.9m. This calculation is based on applying a 1% movement to the total of the Group's cash and cash equivalents at year end.

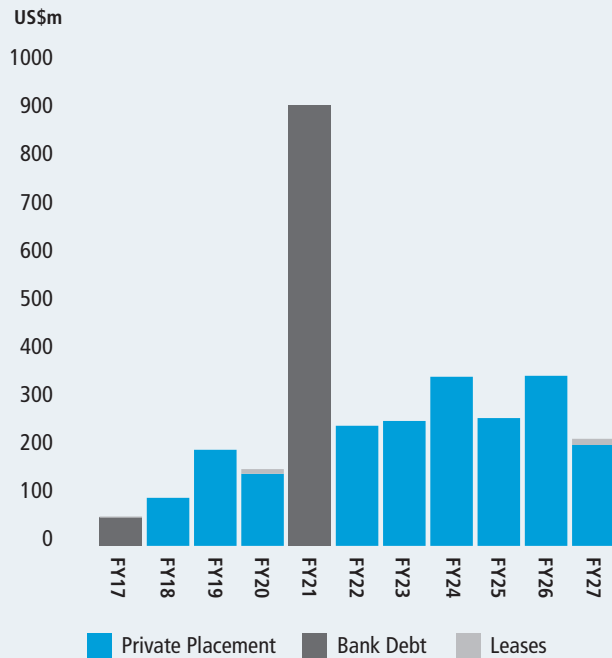
At 30 June 2016, it is estimated that a general movement of one percentage point in the interest rates applicable to floating rate unsecured bank loans would have changed the Group's profit after tax by approximately \$6.8m. This calculation is based on applying a 1% movement to the total of the Group's floating rate unsecured bank loans at year end.

As at 30 June 2016, the Group had the following bank facilities, unsecured notes and finance leases:

- Three revolving committed bank facilities totalling \$1,317.4m. Of these facilities \$58.5m mature in November 2016 and the balance matures in December 2020. Interest on the facilities is paid quarterly in arrears at a variable rate. As at the reporting date the Group had \$342.4m in undrawn funds available under these facilities;
- US\$1,350m of Senior Unsecured Notes in the US Private Placement market. The notes mature in March 2018 (US\$100m), November 2018 (US\$200m), March 2020 (US\$150m), November 2021 (US\$250m), March 2023 (US\$150m), November 2023 (US\$200m), March 2025 (US\$100m), October 2025 (\$100m) and November 2026 (US\$100m). The weighted average interest rate on the notes is fixed at 3.43%;
- EUR350m of Senior Unsecured Notes in the US Private Placement market. The Notes mature in November 2022 (EUR100m), November 2024 (EUR150m) and November 2026 (EUR100m). The weighted average interest rate on the notes is fixed at 1.90%;
- CHF400m of Senior Unsecured Notes in the US Private Placement market. The notes mature in October 2023 (CHF150m) and October 2025 (CHF250m). The weighted average interest rate on the notes is fixed at 0.88%; and
- Finance leases with an average lease term of 8 years (2015: 9 years). The weighted average discount rate implicit in the leases is 4.85% (2015: 4.93%). The Group's lease liabilities are secured by leased assets of \$15.4 million (2015: \$15.5m). In the event of default, leased assets revert to the lessor.

The Group is in compliance with all debt covenants. The maturity profile of the Group's debt is shown in the following chart.

Maturity Profile of Debt by Facility



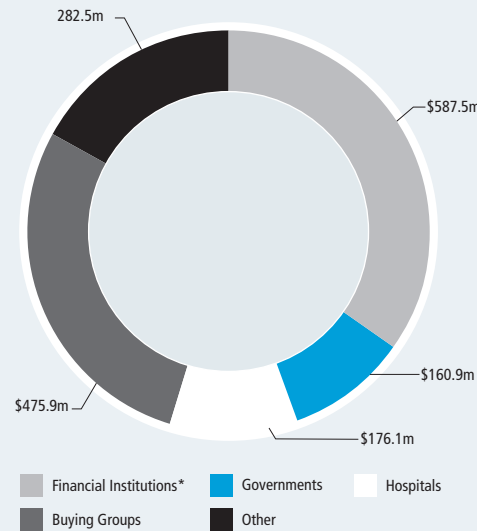
c. Credit Risk

The Group only invests its cash and cash equivalent financial assets with financial institutions having a credit rating of at least 'A' or better, as assessed by independent rating agencies.

	Floating rate ⁴ US\$m		Non-interest bearing US\$m		Total US\$m		Average Closing interest Rate %	
	2016	2015	2016	2015	2016	2015	2016	2015
Financial Assets								
Cash and cash equivalents	556.6	556.8	-	-	556.6	556.8	0.8%	1.6%
Trade and other receivables	-	-	1,122.8	1,015.0	1,122.8	1,015.0	-	-
Other financial assets	-	-	3.5	3.2	3.5	3.2	-	-
	556.6	556.8	1,126.3	1,018.2	1,682.9	1,575.0		

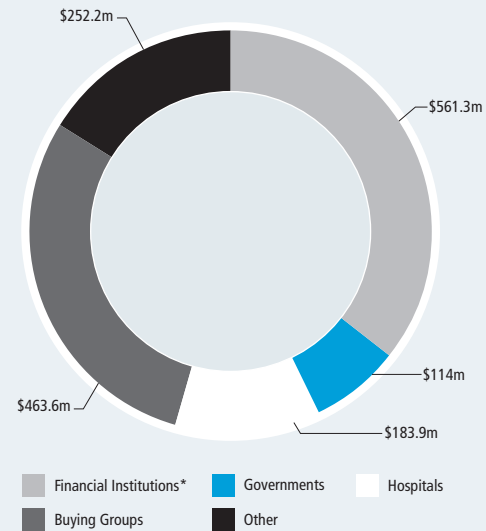
⁴ Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date. All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months.

Credit Quality of Financial Assets (30 June 2016)



* US\$556.6m of the assets held with financial institutions are held as cash or cash equivalents. All financial assets held with non-financial institutions of US\$1,122.8m are trade and other receivables.

Credit Quality of Financial Assets (30 June 2015)



* US\$556.8m of the assets held with financial institutions were held as cash or cash equivalents. All financial assets held with non-financial institutions of US\$1,015.0m were trade and other receivables.

Notes to the financial statements for the year ended 30 June 2016 continued

Financial assets are considered impaired where there is evidence that the Group will not be able to collect all amounts due according to the original trade and other receivable terms. Factors considered when determining if a financial asset is impaired include ageing and timing of expected receipts and the credit worthiness of counterparties. Where required, a provision for impairment is created for the difference between the financial asset's carrying amount and the present value of estimated future receipts. The Group's trading terms do not generally include the requirement for customers to provide collateral as security for financial assets.

The Group has not renegotiated any material collection/repayment terms of any financial assets in the current financial year.

Government or government-backed entities (such as hospitals) often account for a significant proportion of trade receivables. As a result, the Group carries receivables from a number of Southern European governments. The credit risk associated with trading in these countries is considered on a country-by-country basis and the Group's trading strategy is adjusted accordingly. The factors taken into account in determining the credit risk of a particular country include recent trading experience, current economic and political conditions and the likelihood of continuing support from agencies such as the European Central Bank. An analysis of trade receivables that are past due and, where required, the associated provision for impairment, is as follows. All other financial assets are less than 30 days overdue.

	Trade Receivables					
	Gross		Provision		Net	
	2016 US\$m	2015 US\$m	2016 US\$m	2015 US\$m	2016 US\$m	2015 US\$m
Trade receivables:						
current	809.9	772.5	1.6	4.8	808.3	767.7
less than 30 days overdue	46.8	46.7	2.2	1.2	44.6	45.5
between 30 and 90 days overdue	31.8	41.2	0.9	1.2	30.9	40.0
more than 90 days overdue	70.3	55.5	26.4	17.7	43.9	37.8
	958.8	915.9	31.1	24.9	927.7	891.0

d. Funding and liquidity risk

The following table analyses the Group's financial liabilities.

Interest-bearing liabilities and borrowings	2016 US\$m	2015 US\$m
<i>Current</i>		
Bank overdrafts – Unsecured	1.3	1.3
Bank Borrowings – Unsecured	58.5	-
Lease liability – Secured	2.5	1.9
	62.3	3.2
<i>Non-current</i>		
Bank loans – Unsecured	916.5	617.0
Senior Unsecured Notes	2,142.2	1,637.9
Lease liability – Secured	22.3	22.8
	3,081.0	2,277.7

Interest-bearing liabilities and borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing liabilities and borrowings are stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The following table categorises the financial liabilities into relevant maturity periods, taking into account the remaining period at the reporting date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet.

	Contractual payments due						Total US\$m		Average interest Rate %	
	1 year or less US\$m		Between 1 year and 5 years US\$m		Over 5 years US\$m					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Trade and other payables (non-interest bearing)	996.1	700.8	18.8	17.2	-	-	1,014.9	718.0	-	-
Bank loans – unsecured (floating rates)	68.6	6.5	951.1	620.2	-	-	1,019.7	626.7	1.1%	1.1%
Bank overdraft – unsecured (floating rates)	1.3	1.3	-	-	-	-	1.3	1.3	0.0%	0.0%
Senior unsecured notes (fixed rates)	57.2	50.1	652.2	636.2	1,824.4	1,329.4	2,533.8	2,015.7	2.7%	3.1%
Lease liabilities (fixed rates)	3.9	3.3	14.0	14.1	19.4	20.4	37.3	37.8	4.8%	4.9%
Other financial liabilities (non-interest bearing)	6.0	1.8	-	-	-	-	6.0	1.8	-	-
	1,133.1	763.8	1,636.1	1,287.7	1,843.8	1,349.8	4,613.0	3,401.3		

Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date. All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months.

Fair value of financial assets and financial liabilities

The carrying value of financial assets and liabilities is materially the same as the fair value. The following methods and assumptions were used to determine the net fair values of financial assets and liabilities.

Cash

The carrying value of cash equals fair value, due to the liquid nature of cash.

Trade and other receivables/payables

The carrying value of trade and other receivables/payables with a remaining life of less than one year is deemed to be equal to its fair value.

Derivatives

Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value at reporting date. The gain or loss on re-measurement is recognised in the statement of comprehensive income. The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Interest bearing liabilities

Fair value is calculated based on the discounted expected principal and interest cash flows, using rates currently available for debt of similar terms, credit risk and remaining maturities.

The Group also has external loans payable that have been designated as a hedge of its investment in foreign subsidiaries (known as a net investment hedge).

An effective hedge is one that meets certain criteria. Gains or losses on the net investment hedge that relate to the effective portion of the hedge are recognised in equity. Gains or losses relating to the ineffective portion, if any, are recognised in the consolidated statement of comprehensive income.

Valuation of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the method used:

- Level 1: Items traded with quoted prices in active markets for identical liabilities
- Level 2: Items with significantly observable inputs other than quoted prices in active markets
- Level 3: Items with unobservable inputs (not based on observable market data)

All derivatives are classified as level 2 financial liabilities.

There were no transfers between Level 1 and 2 during the year.

Note 12: Equity and Reserves

a. Contributed Equity

	2016 US\$m	2015 US\$m
Ordinary shares issued and fully paid	-	-
Share buy-back reserve	(4,213.0)	(3,560.4)
Total contributed equity	(4,213.0)	(3,560.4)

Ordinary shares receive dividends as declared and, in the event of winding up the company, participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the company.

Due to share buy-backs being undertaken at higher prices than the original subscription prices, the balance for ordinary share contributed equity has been reduced to nil, and a reserve created to reflect the excess value of shares bought over the original amount of subscribed capital. Refer to Note 10 for further information about on-market share buy-backs.

Information relating to employee performance option plans and GESP, including details of shares issued under the scheme, is set out in Note 5.

b. Reserves

Movement in reserves	Share-based payments reserve ⁽ⁱ⁾ US\$m		Foreign currency translation reserve ⁽ⁱⁱ⁾ US\$m		Total US\$m	
	2016	2015	2016	2015	2016	2015
Opening balance	151.1	138.8	155.4	599.5	306.5	738.3
Share-based payments expense	5.7	6.0	-	-	5.7	6.0
Deferred tax on share-based payments	2.6	6.3	-	-	2.6	6.3
Net exchange gains / (losses) on translation of foreign subsidiaries, net of hedge	-	-	(126.9)	(444.1)	(126.9)	(444.1)
Closing balance	159.4	151.1	28.5	155.4	187.9	306.5

Nature and purpose of reserves

i. Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options, performance rights and GESP rights issued to employees.

ii. Foreign currency translation reserve

Where the functional currency of a subsidiary is not US dollars, its assets and liabilities are translated on consolidation to US dollars using the exchange rates prevailing at the reporting date, and its profit and loss is translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income and in the foreign currency translation reserve in equity. Exchange differences arising from borrowings designated as hedges of net investments in foreign entities are also included in this reserve.

Note 13: Commitments and Contingencies⁴

a. Commitments

Operating leases entered into relate predominantly to leased land and rental properties. The leases have varying terms and renewal rights. Rental payments under the leases are predominantly fixed, but generally contain inflation escalation clauses.

Finance leases entered into relate predominantly to leased plant and equipment. The leases have varying terms but lease payments are generally fixed for the life of the agreement. In some instances, at the end of the lease term the Group has the option to purchase the equipment.

No operating or finance lease contains restrictions on financing or other leasing activities.

Commitments in relation to non-cancellable operating leases, finance leases and capital expenditure contracted but not provided for in the financial statements are payable as follows:

	Operating Leases US\$m		Finance Leases US\$m		Capital Commitments US\$m		Total US\$m	
	2016	2015	2016	2015	2016	2015	2016	2015
Not later than one year	46.4	40.4	3.3	2.8	222.8	135.6	272.5	178.8
Later than one year but not later than five years	163.9	131.9	10.3	9.7	7.9	10.9	182.1	152.5
Later than five years	363.9	316.9	17.7	19.6	-	-	381.6	336.5
Sub-total	574.2	489.2	31.3	32.1	230.7	146.5	836.2	667.8
Future finance charges	-	-	(6.5)	(7.4)	-	-	(6.5)	(7.4)
Total	574.2	489.2	24.8	24.7	230.7	146.5	829.7	660.4

⁴ Commitments and contingencies are disclosed net of the amount of GST (or equivalent) recoverable from, or payable to, a taxation authority

The present value of finance lease liabilities is as follows:

	2016 US\$m	2015 US\$m
Not later than one year	2.5	1.9
Later than one year but not later than five years	7.4	6.7
Later than five years	14.9	16.1
Total	24.8	24.7

b. Contingent assets and liabilities

Litigation

The Group is involved in litigation in the ordinary course of business.

Efficiency of Operation

Note 14: Cash and Cash Equivalents, Cash Flows

	2016 US\$m	2015 US\$m
Reconciliation of cash and cash equivalents		
Cash at bank and on hand	442.0	186.8
Cash deposits	114.6	370.0
Less bank overdrafts	(1.3)	(1.3)
Total cash and cash equivalents	555.3	555.5
Reconciliation of Profit after tax to Cash Flows from Operations		
Profit after tax	1,242.4	1,379.0
Non-cash items in profit after tax:		
Depreciation, amortisation and impairment charges	220.3	181.3
(Gain)/loss on disposal of property, plant and equipment	2.3	0.7
Gain on acquisition	(176.1)	
Share-based payments expense	6.1	6.0
Changes in assets and liabilities:		
Increase in trade and other receivables	(45.3)	(127.3)
(Increase) in inventories	(216.5)	(272.2)
(Increase)/decrease in retirement benefit assets	2.3	(0.3)
(Increase)/decrease in net tax assets	(12.7)	54.0
Increase in trade and other payables	116.0	53.7
Increase in deferred government grants	4.5	-
Increase in provisions	19.7	-
Increase in retirement benefit liabilities	15.6	88.7
Net cash inflow from operating activities	1,178.6	1,363.6
Non-cash financing activities		
Acquisition of plant and equipment by means of finance leases	3.2	2.9

Cash, cash equivalents and bank overdrafts

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. They are made up of:

- Cash on hand.
- At call deposits with banks or financial institutions.
- Investments in money market instruments with original maturities of six months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the cash flow statement, cash at the end of the financial year is net of bank overdraft amounts.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from or payable to a taxation authority are presented as part of operating cash flows.

Note 15: Trade Receivables and Payables

a. Trade and other receivables

	2016 US\$	2015 US\$
<i>Current</i>		
Trade receivables	958.8	915.9
Less: Provision for impairment loss	(31.1)	(24.9)
	927.7	891.0
Sundry receivables	115.0	67.5
Prepayments	64.5	45.2
Carrying amount of current trade and other receivables	1,107.2	1,003.7
<i>Non-Current</i>		
Related parties - Loans to employees	-	0.1
Long term deposits/other receivables	15.6	11.1
Carrying amount of non-current other receivables⁵	15.6	11.2

⁵ The carrying amount disclosed above is a reasonable approximation of fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable disclosed above. Refer to Note 11 for more information on the risk management policy of the Group and the credit quality of trade receivables.

Trade and other receivables are initially recorded at fair value and are generally due for settlement within 30 to 60 days from date of invoice. Collectability is regularly reviewed at an operating unit level. Debts which are known to be uncollectible are written off when identified. A provision for impairment loss is recognised when there is objective evidence that all amounts due may not be fully recovered. The provision amount is the difference between the receivable's carrying amount and the present value of estimated future cash flows that may ultimately be recovered. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. When a trade receivable for which a provision for impairment has been recognised becomes uncollectible in a subsequent period, it is written off against the provision.

Other current receivables are recognised and carried at the nominal amount due. Non-current receivables are recognised and carried at amortised cost. They are non-interest bearing and have various repayment terms.

As at 30 June 2016, the Group had made provision for impairment of \$31.1m (2015: \$24.9m).

	2016 US\$m	2015 US\$m
Opening balance at 1 July	24.9	47.1
Additional allowance/ (utilised/written back)	6.4	(15.1)
Currency translation differences	(0.2)	(7.1)
Closing balance at 30 June	31.1	24.9

Non-trade receivables do not include any impaired or overdue amounts and it is expected they will be received when due. The Group does not hold any collateral in respect to other receivable balances.

Key judgements and estimates

In applying the Group's accounting policy to trade and other receivables with governments and related entities in South Eastern Europe as set out in Note 11, significant judgement is involved in first assessing whether or not trade or other receivable amounts are impaired and thereafter in assessing the extent of impairment. Matters considered include recent trading experience, current economic and political conditions and the likelihood of continuing support from agencies such as the European Central Bank.

Notes to the financial statements for the year ended 30 June 2016 continued

b. Trade and other payables

	2016 US\$m	2015 US\$m
<i>Current</i>		
Trade payables	303.5	257.8
Accruals and other payables	669.1	420.6
Share-based payments (EDIP)	23.5	22.4
Carrying amount of current trade and other payables	996.1	700.8
<i>Non-current</i>		
Accruals and other payables	0.1	-
Share-based payments (EDIP)	18.7	17.2
Carrying amount of non-current other payables	18.8	17.2

Trade and other payables represent amounts reflected at notional amounts owed to suppliers for goods and services provided to the Group prior to the end of the financial year that are unpaid. Trade and other payables are non-interest bearing and have various repayment terms but are usually paid within 30 to 60 days of recognition.

Receivables and payables include the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, taxation authorities is included in other receivables or payables in the balance sheet.

Note 16: Provisions

	Employee benefits US\$m		Other US\$m		Total US\$m	
	2016	2015	2016	2015	2016	2015
Current	99.0	82.5	0.6	1.8	99.6	84.3
Non-current	32.1	31.5	8.4	0.4	40.5	31.9

Other provisions are recognised when all three of the following conditions are met:

- The Group has a present legal or constructive obligation arising from past transactions or events.
- It is probable that an outflow of resources will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions recognised reflect management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows required to settle the obligation at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Detailed information about the employee benefits is presented in Note 5.

Other Notes

Note 17: Related Party Transactions

Ultimate controlling entity

The ultimate controlling entity is CSL Limited, otherwise described as the parent company.

Related party transactions

The parent company entered into the following transactions during the year with related parties in the Group.

Wholly owned subsidiaries

- Loans were advanced and repayments received on the long term intercompany accounts.
- Interest was charged on outstanding intercompany loan account balances.
- Sales and purchases of products.
- Licensing of intellectual property.
- Provision of marketing services by controlled entities.
- Management fees were received from a controlled entity.
- Management fees were paid to a controlled entity.

The transactions were undertaken on commercial terms and conditions.

Payment for intercompany transactions is through intercompany loan accounts and may be subject to extended payment terms.

Ownership interests in related parties

All transactions with subsidiaries have been eliminated on consolidation.

Subsidiaries

The following table lists the Group's material subsidiaries.

Subsidiaries

The following table lists the Group's material subsidiaries.

Company	Country of Incorporation	Percentage owned	
		2016 %	2015 %
CSL Limited	Australia		
<i>Subsidiaries of CSL Limited:</i>			
CSL Behring (Australia) Pty Ltd	Australia	100	100
CSL Behring LLC	USA	100	100
CSL Plasma Inc	USA	100	100
CSL Behring GmbH	Germany	100	100
CSL Behring AG	Switzerland	100	100
CSL Behring Recombinant Facility AG	Switzerland	100	100
Seqirus UK Limited	UK	100	100
Seqirus Pty Ltd	Australia	100	100
Seqirus Vaccines Limited	UK	100	-
Seqirus Inc	USA	100	-

Key management personnel transactions with the Group

The following transactions with key management personnel and their related entities have occurred during the financial year. These transactions occur as part of a normal supplier or partner relationship on "arm's length" terms:

Corporate accounts with CityLink, operated by Transurban Group of which Ms Christine O'Reilly is a director.

A number of contracts with Monash University, including collaborative research agreements, of which Dr Megan Clark is a member of the Council of Monash University.

Supply of commercial energy from Origin Energy Limited of which Mr John Akehurst is a Director.

Labour hire contracts with Skilled, a business operated by Programmed Maintenance Services Limited of which Mr Bruce Brook is a Director.

Note 18: Detailed Information – People Costs

The Group sponsors a range of defined benefit pension plans that provide either a lump sum or ongoing pension benefit for its worldwide employees upon retirement. Entities of the Group who operate defined benefit plans contribute to the respective plans in accordance with the Trust Deeds, following the receipt of actuarial advice.

The surplus/deficit for each defined benefit plan operated by the Group is as follows:

Pension Plan	June 2016 \$m			June 2015 \$m		
	Plan Assets	Accrued benefit	Plan surplus/ (deficit)	Plan Assets	Accrued benefit	Plan surplus/ (deficit)
CSL Pension Plan (Australia) - provides a lump sum benefit upon exit	27.5	(22.5)	5.0	29.7	(22.1)	7.6
CSL Behring AG Pension Plan (Switzerland) - provides an ongoing pension	439.8	(562.1)	(122.3)	434.2	(489.5)	(55.3)
CSL Behring Union Pension Plan (USA) - provides an ongoing pension	54.8	(70.5)	(15.7)	61.2	(74.4)	(13.2)
CSL Behring GmbH Supplementary Pension Plan (Germany) – provides an ongoing pension	-	(156.3)	(156.3)	-	(127.4)	(127.4)
Seqirus GmbH Pension Plan (Germany) - provides an ongoing pension	-	(2.6)	(2.6)	-	(1.9)	(1.9)
CSL Behring KG Pension Plan (Germany) - provides an ongoing pension	-	(11.8)	(11.8)	-	(9.2)	(9.2)
CSL Plasma GmbH Pension Plan (Germany) - provides an ongoing pension	-	(0.3)	(0.3)	-	(0.2)	(0.2)
CSL Behring KK Retirement Allowance Plan (Japan) - provides a lump sum benefit upon exit	-	(15.4)	(15.4)	-	(11.9)	(11.9)
CSL Behring S.A. Pension Plan (France) - provides a lump sum benefit upon exit	-	(0.9)	(0.9)	-	(0.8)	(0.8)
CSL Behring S.p.A Pension Plan (Italy) - provides a lump sum benefit upon exit	-	(1.3)	(1.3)	-	(1.2)	(1.2)
Total	522.1	(843.7)	(321.6)	525.1	(738.6)	(213.5)

In addition to the plans listed above, CSL Behring GmbH and Seqirus GmbH employees are members of multi-employer plans administered by an unrelated third party. CSL Behring GmbH, Seqirus GmbH and their employees make contributions to the plans and receive pension entitlements on retirement. Participating employers may have to make additional contributions in the event that the plans have insufficient assets to meet their obligations. However, there is insufficient information available to determine this amount on an employer by employer basis. The contributions made by CSL Behring GmbH and Seqirus GmbH are determined by the Plan Actuary and are designed to be sufficient to meet the obligations of the plans based on actuarial assumptions. Contributions made by CSL Behring GmbH and Seqirus GmbH are expensed in the year in which they are made.

Notes to the financial statements for the year ended 30 June 2016 continued

Movements in Accrued benefits and assets

During the financial year the value of accrued benefits increased by \$105.1m. The increase is attributable to three main factors:

- Service cost charged to the profit and loss of \$49.9m. This amount represents the increased benefit entitlement of members, arising from an additional year of service and salary increases, which are taken into account in the calculation of the accrued benefit. The amount includes past service costs of \$8.0m resulting from a change in benefit design in one Group plan.
- Actuarial adjustments, due to lower discount rates at the end of the year than originally anticipated by the actuary, generated an increase in accrued benefits of \$71.9m. These adjustments do not affect the profit and loss as they are recorded in Other Comprehensive Income.
- Foreign currency movements had a \$6.3m favourable impact on the value of accrued benefits, this movement is taken to the Foreign Currency Translation Reserve.
- Offsetting these increases were benefits of \$18.3m that were paid by plans during the year.

In the prior year the value of accrued benefits increased by \$71.5m. Contributing factors were Service costs (\$40.6m), actuarial adjustments (\$90.5m), offset by favourable currency movements (\$50.4m) and benefit payments (\$16.8m).

Plan assets reduced by \$3.0m during the financial year. The decrease is attributable to the following factors:

- Investment returns increased plan assets by \$4.1m.
- Contributions made by employer and employee increased plan assets by \$26.3m.
- Offsetting these increases were benefits paid by the plans of \$14.2m.
- The balance of the movement is largely caused by unfavourable foreign currency movements of \$18.8m which are taken directly to the Foreign Currency Translation Reserve.

In the prior year plan the value of plan assets increased by \$13.0m. Contributing factors were employer and employee contributions (\$24.6m), investment returns earned on plan assets (\$24.5m), offset by benefits paid by the plans (\$13.2m) and unfavourable currency movements (\$22.7m).

	2016 %	2015 %
The principal actuarial assumptions, expressed as weighted averages, at the reporting date are:		
Discount rate	0.8%	1.7%
Future salary increases	2.2%	2.2%
Future pension increases	0.4%	0.4%

Plan Assets

	2016 \$m	2015 \$m
The major categories of total plan assets are as follows:		
Cash	44.0	35.1
Instruments quoted in active markets:		
Equity Instruments	184.8	200.0
Bonds	221.3	213.9
Unquoted investments – property	71.1	71.4
Other assets	0.9	4.7
Total Plan assets	522.1	525.1

The variable with the most significant impact on the defined benefit obligation is the discount rate applied in the calculation of accrued benefits. A decrease in the average discount rate applied to the calculation of accrued benefits of 0.25% would increase the defined benefit obligation by \$34.5m. An increase in the average discount rate of 0.25% would reduce the defined benefit obligation by \$33.3m.

The defined benefit obligation will be discharged over an extended period as members exit the plans. The plan actuaries have estimated that the following payments will be required to satisfy the obligation. The actual payments will depend on the pattern of employee exits from the Group's plans.

Year ended 30 June 2017	\$18.3m (2015: \$18.7m)
Between two and five years	\$83.6m (2015: \$83.6m)
Between five and ten years	\$129.8m (2015: \$128.7m)
Beyond ten years	\$611.8m (2015: \$507.6m)

b. Share-based payments – equity settled

Share-based long term incentives (LTI) issued between October 2012 and October 2013

LTI grants in October 2011 were made up of performance rights and performance options. Changes were made to the plan in October 2012 so that LTI grants would subsequently be made up of solely performance rights. The hurdles for this and future grants were to be set and measured in US dollars in line with the Group's presentation currency. Subject to performance hurdles being satisfied, 50% of the LTI award will vest after three years, with the remaining 50% vesting after the fourth anniversary of the award date.

Other changes included an adjustment to graduated vesting for the compound EPS hurdle and moving to measuring relative TSR by comparison with an international index of Pharma and Biotech companies, rather than using an ASX comparator group.

Share-based long term incentives (LTI) issued in October 2014 and October 2015

LTI grants in October 2014 reintroduced performance options for Executive KMP based outside Australia and changes were made to the vesting period and to performance hurdles. Performance Rights and Performance Options grants made in 2014 and 2015 will vest over a three year, nine month year period with no re-test. The EPS growth test has been retained but now has a wider sliding scale with 100% vesting occurring at a 13% compound annual growth rate (previously 12%) and the potential for additional vesting on the achievement of stretch EPS growth targets has been introduced. The relative TSR test is against a cohort of global pharmaceutical and biotechnology companies and progressive vesting has been reintroduced with 50% vesting where CSL's performance is at the 50th percentile rising to 100% vesting at the 75th percentile. Performance Options also vest over a three year, nine month period and have no performance hurdles. The options only have value when the share price on exercise exceeds the exercise price. The company does not provide loans to fund the exercise of options.

Global Employee Share Plan (GESP)

The Global Employee Share Plan (GESP) allows employees to make contributions from after tax salary up to a maximum of A\$3,000 per six month contribution period. The employees receive the shares at a 15% discount to the applicable market rate, as quoted on the ASX on the first day or the last day of the six-month contribution period, whichever is lower.

Recognition and measurement

The fair value of options or rights is recognised as an employee benefit expense with a corresponding increase in equity. Fair value is independently measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or rights. Fair value is independently determined using a combination of the Binomial and Black Scholes valuation methodologies, including Monte Carlo simulation, taking into account the terms and conditions on which the options and rights were granted. The fair value of the options granted excludes the impact of any non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest.

At each reporting date, the number of options and rights that are expected to vest is revised. The employee benefit expense recognised each period takes into account the most recent estimate of the number of options and rights that are expected to vest. No expense is recognised for options and rights that do not ultimately vest, except where vesting is conditional upon a market condition and that market condition is not met.

Notes to the financial statements for the year ended 30 June 2016 continued

Valuation assumptions and fair values of equity instruments granted

The model inputs for performance rights, options and GESP awards granted during the year ended 30 June 2016 included:

	Fair Value ⁶	Share Price	Exercise Price	Expected volatility ⁷	Life assumption	Expected dividend yield	Risk free interest rate
	A\$	A\$	A\$				
Performance Rights (by grant date)							
1 October 2015 – Tranche 1	\$60.92	\$89.52	Nil	20.0%	3.75 years	2.0%	1.94%
1 October 2015 – Tranche 2 & Tranche 3	\$83.12	\$89.52	Nil	20.0%	3.75 years	2.0%	1.94%
1 January 2016 – Tranche 1	\$79.58	\$104.74	Nil	20.0%	2.5 years	2.0%	2.01%
1 January 2016 – Tranche 2 & Tranche 3	\$99.69	\$104.74	Nil	20.0%	2.5 years	2.0%	2.01%
1 January 2016 – Tranche 1	\$75.97	\$104.74	Nil	20.0%	3.5 years	2.0%	2.09%
1 January 2016 – Tranche 2 & Tranche 3	\$97.73	\$104.74	Nil	20.0%	3.5 years	2.0%	2.09%
Performance Options (by grant date)							
1 October 2015	\$13.51	\$89.52	\$89.52	20.0%	3.75 years	2.0%	1.94%
GESP (by grant date)⁸							
1 September 2015	\$14.62	\$91.87	\$77.25	20.0%	6 months	2.0%	1.87%
1 March 2016	\$24.83	\$102.72	\$77.89	20.0%	6 months	2.0%	1.93%

⁶ Options and rights granted are subject to a service condition. Since October 2010, grants of performance rights and options have both a market vesting condition TSR hurdle and a non market vesting condition EPS hurdle.

⁷ The expected volatility is based on the historic volatility (calculated based on the remaining life assumption of each equity instrument), adjusted for any expected changes.

⁸ The fair value of GESP equity instruments is estimated based on the assumptions prevailing on the grant date. In accordance with the terms and conditions of the GESP plan, shares are issued at a 15% discount to the lower of the ASX market price on the first and last dates of the contribution period.

c. Share-based payments – cash settled

The notional shares under the Executive Deferred Incentive Plan generate a cash payment to participants in three years' time, or in limited instances over a prorated period (see Note 5), provided they are still employed by the company and receive a satisfactory performance review over that period. The amount of the cash payment will be determined by reference to the CSL share price immediately before the award maturity date.

Recognition and measurement

The fair value of the cash-settled notional shares is measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period. The ultimate cost of these transactions will be equal to the fair value at settlement date. The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is carried out as follows:

- At each reporting date between grant and settlement, the fair value of the award is determined.
- During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- All changes in the liability are recognised in employee benefits expense for the period.
- The fair value of the liability is determined by reference to the CSL Limited share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.
- The following table lists the inputs to the valuation models used during the year for EDIP purposes.

Grant date	2016		2015	
	Fair value of grants at reporting date	Dividend yield (%)	Fair value of grants at reporting date	Dividend yield %
October 2012	-	-	A\$86.15	1.5%
October 2013	A\$108.21	2.0%	A\$84.88	1.5%
October 2014	A\$106.09	2.0%	A\$83.62	1.5%
October 2015	A\$104.01	2.0%	-	-
January 2016	A\$104.01	2.0%	-	-
March 2016	A\$104.01	2.0%	-	-
April 2016	A\$104.01	2.0%	-	-

Note 19: Detailed Information – Shareholder Returns

Note	Consolidated Entity	
	2016 US\$m	2015 US\$m
Retained earnings		
Opening balance at 1 July	6,000.8	5,221.5
Net profit for the year	1,242.4	1,379.0
Dividends	(579.0)	(535.4)
Actuarial gain/(loss) on defined benefit plans	(87.6)	(78.0)
Deferred tax on actuarial gain/(loss) on defined benefit plans	15.7	13.7
Closing balance at 30 June	6,592.3	6,000.8
Performance Options Plan		
Options exercised under Performance Option plans as follows		
nil issued at A\$35.46 (2015: 59,313 issued at A\$35.46)	-	1.9
59,213 issued at A\$37.91 (2015: 52,040 issued at A\$37.91)	1.6	1.7
190,050 issued at A\$33.68 (2015: 712,752 issued at A\$33.68)	4.7	20.6
21,320 issued at A\$33.45 (2015: 75,327 issued at A\$33.45)	0.5	2.2
102,781 issued at A\$29.34 (2015: 95,775 issued at A\$29.34)	2.2	2.4
	9.0	28.8
Global Employee Share Plan (GESP)		
Shares issued to employees under Global Employee Share Plan (GESP)		
74,413 issued at A\$77.25 on 4 September 2015 (2015: 64,668 issued at A\$60.84 on 5 September 2014)	4.0	3.7
76,429 issued at A\$77.89 on 4 March 2016 (2015: 71,294 issued at A\$63.09 on 6 March 2015)	4.4	3.5
	8.4	7.2

Notes to the financial statements for the year ended 30 June 2016 continued

Note 20: Auditors Remuneration

During the year the following fees were paid or were payable for services provided by CSL's auditor and by the auditor's related practices:

	2016 US\$	2015 US\$
Audit Services		
Ernst & Young	1,284,435	1,079,423
Ernst & Young related practices	2,954,061	2,383,228
Total remuneration for audit services	4,238,496	3,462,651
Other services		
Ernst & Young		
- compliance and other services	160,377	215,252
Ernst & Young related practices		
- compliance and other services	447,028	153,836
Total remuneration for non-audit services	607,405	369,088
Total remuneration for all services rendered	4,845,901	3,831,739

Note 21: Deed of Cross Guarantee

On 22 October 2009, a deed of cross guarantee was executed between CSL Limited and some of its wholly owned entities, namely CSL International Pty Ltd, CSL Finance Pty Ltd, CSL Biotherapies Pty Ltd (now Seqirus (Australia) Pty Ltd) and Zenyth Therapeutics Pty Ltd. Since the establishment of the deed Seqirus Pty Ltd, CSL Behring (Australia) Pty Ltd and CSL Behring (Privigen) Pty Ltd have been added to the deed. Under this deed, each company guarantees the debts of the others. By entering into the deed, these specific wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The entities that are parties to the deed represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by CSL Limited, they also represent the 'Extended Closed Group'. A consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2016 and 30 June 2015 and a consolidated balance sheet as at each date for the Closed Group is set out below.

Income Statement	Consolidated Closed Group	
	2016 A\$m	2015 A\$m
<i>Continuing operations</i>		
Sales revenue	912.1	762.2
Cost of sales	(602.5)	(467.7)
Gross profit	309.6	294.5
Sundry revenues	178.8	199.1
Dividend income	851.1	1,290.3
Interest income	71.6	55.4
Research and development expenses	(194.7)	(189.3)
Selling and marketing expenses	(67.7)	(64.0)
General and administration expenses	(118.3)	(113.2)
Finance costs	(14.4)	(6.3)
Profit before income tax expense	1,016.0	1,466.5
Income tax expense	(30.2)	(49.0)
Profit for the year	985.8	1,417.5

Balance sheet	2016 A\$m	2015 A\$m
Current assets		
Cash and cash equivalents	280.1	490.3
Trade and other receivables	322.7	189.4
Inventories	247.3	217.6
Total Current Assets	850.1	897.3
Non-current assets		
Trade and other receivables	274.5	18.4
Other financial assets	18,776.1	19,050.2
Property, plant and equipment	698.7	641.5
Deferred tax assets	46.4	56.6
Intangible assets	33.2	51.3
Retirement benefit assets	6.7	9.9
Total Non-Current Assets	19,835.6	19,827.9
Total assets	20,685.7	20,725.2
Current liabilities		
Trade and other payables	256.8	180.8
Provisions	53.1	43.4
Deferred government grants	3.8	2.8
Total Current Liabilities	313.7	227.0
Non-current liabilities		
Trade and other payables	12.8	23.1
Interest-bearing liabilities and borrowings	1,076.8	510.7
Deferred tax liabilities	13.3	11.8
Provisions	11.1	12.0
Deferred government grants	46.6	41.6
Total Non-Current Liabilities	1,160.6	599.2
Total liabilities	1,474.3	826.2
Net assets	19,211.4	19,899.0
Equity		
Contributed equity	(4,200.9)	(3,316.5)
Reserves	163.4	160.5
Retained earnings	23,248.9	23,055.0
TOTAL EQUITY	19,211.4	19,899.0
Summary of movements in consolidated retained earnings of the Closed Group		
Retained earnings at beginning of the financial year	23,055.0	22,289.9
Net profit	985.8	1,417.5
Actuarial gain/(loss) on defined benefit plans, net of tax	(0.4)	4.6
Dividends provided for or paid	(791.5)	(657.0)
Retained earnings at the end of the financial year	23,248.9	23,055.0

Note 22: Parent Entity Information

	2016 A\$m	2015 A\$m
Information relating to CSL Limited ('the parent entity')		
(a) Summary financial information		
The individual financial statements for the parent entity show the following aggregate amounts:		
Current assets	486.5	268.8
Total assets	3,301.9	2,377.0
Current liabilities	240.2	83.1
Total liabilities	2,414.5	686.7
Contributed equity	(4,200.9)	(3,316.5)
Share-based payments reserve	131.6	129.2
Retained earnings	4,956.7	4,877.6
Net Assets & Total Equity	887.4	1,690.3
Profit or loss for the year	814.2	1,251.9
Total comprehensive income	814.2	1,252.5

(b) Guarantees entered into by the parent entity

The parent entity provides certain financial guarantees in the ordinary course of business. No liability has been recognised in relation to these guarantees as the fair value of the guarantees is immaterial. These guarantees are mainly related to all external debt facilities of the Group. In addition, the parent entity provides letters of comfort to indicate support for certain controlled entities to the amount necessary to enable those entities to meet their obligations as and when they fall due, subject to certain conditions (including that the entity remains a controlled entity).

(c) Contingent liabilities of the parent entity

The parent entity did not have any material contingent liabilities as at 30 June 2016 or 30 June 2015. For information about guarantees given by the parent entity, please refer above and to Note 21.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any material contractual commitments for the acquisition of property, plant and equipment as at 30 June 2016 or 30 June 2015.

Note 23: Subsequent Events

Other than as disclosed elsewhere in these statements, there are no matters or circumstances which have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, results of those operations or the state of affairs of the Group in subsequent financial years.

Note 24: New and Revised Accounting Standards

a. New and revised standards and interpretations adopted by the Group

The Group has adopted, for the first time, certain standards and amendments to accounting standards. None of the changes have impacted on the Group's accounting policies nor have they required any restatement.

b. New and revised standards and interpretations not yet adopted by the Group

The following new and revised accounting standards and interpretations published by the Australian Accounting Standards Board which are considered relevant to the Group, are not yet effective. The Group has not yet completed its assessment of the impact of these new and revised standards on the financial report.

Applicable to the Group for the year ended 30 June 2019:

AASB 9 – Financial Instruments

This standard will change the classification and measurement of financial instruments, introduce new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures, and introduce a new expected-loss impairment model that will require more timely recognition of expected credit losses.

AASB 15 - Revenue from Contracts with Customers

This standard specifies the accounting treatment for revenue arising from contracts with customers providing a framework for determining when and how much revenue should be recognised. The core principle is that revenue must be recognised when goods or services are transferred to a customer, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 2 – Classification and Measurement of Share-based Payment Transactions

This amendment clarifies how to account for certain types of share-based payment transactions impacting the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

Applicable to the Group for the year ended 30 June 2020:

AASB 16 - Leases

This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation on the asset and interest on the liability will be recognised.

Directors' Declaration

- 1) In the opinion of the Directors:
 - a. the financial statements and notes of the company and of the Group are in accordance with the Corporations Act 2001 (Cth), including:
 - i. giving a true and fair view of the company's and Group's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and Corporations Regulations 2001.
 - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- 2) About this Report (a) in the notes to the financial statements confirms that the financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- 3) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 (Cth) for the financial period ended 30 June 2016.
- 4) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee dated 22 October 2009.

This declaration is made in accordance with a resolution of the directors.



John Shine AO
Chairman



Paul Perreault
Managing Director

Melbourne
17 August 2016



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Independent auditor's report to the members of CSL Limited

Report on the financial report

We have audited the accompanying financial report of CSL Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In the notes to the financial statements, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of CSL Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in section 17 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Opinion

In our opinion, the Remuneration Report of CSL Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Glenn Carmody
Partner
Melbourne
17 August 2016

Medical Glossary

Acute Coronary Syndrome is a term used for any condition brought on by sudden, reduced blood flow to the heart.

Acute Myeloid Leukaemia is a type of cancer that affects the blood and bone marrow.

Adjuvant is a substance which enhances the body's immune response to an antigen.

Albumin is any protein that is soluble in water and moderately concentrated salt solutions and is coagulable by heat. It is found in egg whites, blood, lymph, and other tissues and fluids. In the human body, serum albumin is the major plasma protein (approximately 60 per cent of the total).

Alpha-1 Antitrypsin Deficiency (AATD) is an inherited condition that causes low levels of, or no, alpha-1 antitrypsin (AAT) in the blood. AATD is a protein made in the liver and enables normal function of the lungs.

Anti-D immunoglobulin, also called Rh (D) immunoglobulin, is an injection of Anti-Rhesus antibodies given to a woman whose blood group is Rhesus negative, if there is a chance that she has been exposed to Rhesus positive blood either during pregnancy or blood transfusion.

Antivenom (or antivenin, or antivenene) is a biological product used in the treatment of venomous bites or stings.

Biopharmaceuticals are proteins (including antibodies), nucleic acids (DNA, RNA or antisense oligonucleotides) used for prophylactic or therapeutic purposes.

Cell-based (technology) for the manufacture of influenza vaccines, is a process of growing viruses in animal cells.

C1 Esterase Inhibitor is a protein found in the fluid part of blood that controls C1 the first component of the complement system. The complement system is a group of proteins that move freely through the blood stream. These proteins work with the immune system and play a role in the development of inflammation.

Chromatography is a technique for separating molecules based on differential absorption and elution. It involves the flow of a fluid carrier over a non-mobile absorbing phase.

Chronic Inflammatory Demyelinating Polyneuropathy (CIDP) is a neurological disorder which causes gradual weakness and a loss in sensation mainly in the arms and legs.

Coagulation is the process of clot formation.

Fibrinogen is a coagulation factor found in human plasma that is crucial for blood clot formation.

Fractionation is the process of separating plasma into its component parts, such as clotting factors, albumin and immunoglobulin, and purifying them.

Haemolytic Disease is a disease that disrupts the integrity of red blood cells causing the release of haemoglobin.

Haemophilia is a haemorrhagic cluster of diseases occurring in two main forms:

1. Haemophilia A (classic haemophilia, factor VIII deficiency), an X linked disorder due to deficiency of coagulation factor VIII.
2. Haemophilia B (factor IX deficiency, Christmas disease), also X linked, due to deficiency of coagulation factor IX.

Haemostasis (Haemostatic) is the stopping of blood flow.

Hereditary Angioedema (HAE) is a rare but serious genetic disorder caused by low levels or improper function of a protein called C1 esterase inhibitor. It causes swelling, particularly of the face and airways, and abdominal cramping.

Hereditary Emphysema is a physiological condition that results in excessive amounts of white blood cells (neutrophils) to enter the lungs and cause inflammation and chronic lung disease.

Human Papilloma Virus (HPV) is a diverse group of DNA-based viruses that infect the skin and mucous membranes of humans and a variety of animals. Some HPV types cause benign skin warts, or papillomas, for which the virus family is named. Others can lead to the development of cervical dyskaryosis, which may in turn lead to cancer of the cervix.

Immunoglobulins (IgG), also known as antibodies, are proteins produced by plasma cells. They are designed to control the body's immune response by binding to substances in the body that are recognised as foreign antigens (often proteins on the surface of bacteria or viruses).

Influenza, commonly known as flu, is an infectious disease of birds and mammals caused by a RNA virus of the family Orthomyxoviridae (the influenza viruses).

Intravenous is the administration of drugs or fluids directly into a vein.

Immuno-haematology is the discipline concerned with all aspects of immunology relating to the blood, including blood types and blood disorders.

Monoclonal Antibody (mAb) is an antibody produced by a single clone of cells. Monoclonal antibodies are a cornerstone of immunology and are increasingly coming into use as therapeutic agents.

Neurological is the science of nerves and the nervous system.

Neutrophil infiltration is the diffusion or accumulation of neutrophils (white blood cells) in tissues or cells in response to a wide variety of substances released at the sites of inflammatory reactions.

Perioperative bleeding is bleeding during an operation.

Plasma is the yellow-coloured liquid component of blood in which blood cells are suspended.

Primary Immunodeficiency (PID) is an inherited condition where there is an impaired immune response. It may be in one or more aspects of the immune system.

Prophylaxis is the action of a vaccine or drug that acts to defend against or prevent a disease.

Quadrivalent influenza vaccine is a vaccine that offers protection against four different influenza virus strains.

Recombinants are proteins prepared by recombinant technology. Procedures are used to join together segments in a cell-free system (an environment outside a cell organism).

Secondary immunodeficiency disease occurs when the immune system is compromised due to an external factor (i.e. not genetic).

Subcutaneous is the administration of drugs or fluids into the subcutaneous tissue, which is located just below the skin.

Trivalent influenza vaccine is a vaccine that offers protection against three different influenza virus strains.

Von Willebrand Disease (vWD) is a hereditary disorder caused by defective or deficient Von Willebrand factor, a protein involved in normal blood clotting.

Warfarin is an anticoagulant used to prevent heart attacks, strokes, and blood clots.

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