# CSL Limited

ABN: 99 051 588 348

# ASX Half-year Information
# 31 December 2017

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2017 Annual Report.

## Contents

# CSL Limited

ABN: 99 051 588 348

# Appendix 4D

# Half-year ended 31 December 2017

(Previous corresponding period:
Half-year ended 31 December 2016)

**Results for Announcement to the Market**

*Reported*

- Revenues from continuing operations up 12.8% to US$4.1 billion.
- Net profit after tax for the period attributable to members up 34.9% to US$1.1 billion.

*Business operational performance*[1]

- Sales revenue at constant currency up 10.9% to US$3.9 billion.
- Net profit after tax for the period at constant currency up 31% to US$1.1 billion.

**Dividends**

| | Amount per security (US cents) | Franked amount per security (US cents) |
|---|---|---|
| Interim dividend (determined subsequent to balance date) | 79.0¢ | Unfranked* |
| Interim dividend from the previous corresponding period | 64.0¢ | Unfranked |
| Final dividend (prior year) | 72.0¢ | Unfranked |
| Record date for determining entitlements to the dividend: | 15 March 2018 | |

* Under Australian law non-resident withholding tax is not payable on the unfranked component of this dividend as that portion will be declared to be wholly conduit foreign income.

The Company's Dividend Reinvestment Plan remains suspended and does not apply to the interim dividend.

**Explanation of results**

For further explanation of the results please refer to the accompanying press release and "Review of Operations" in the Directors' Report that is within the Half-year Report.

The half year financial statements are presented in US$ unless otherwise stated.

**Other information required by Listing Rule 4.3A**

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached Half-year Report (which includes the Directors' Report) and Media Release.

[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 period 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. The sum of translation currency effect, transaction currency effect and foreign currency gains and losses is the amount by which reported net profit is adjusted to calculate the result at constant currency.

<u>Summary NPAT</u>

| | |
|---|---|
| Reported Net Profit after Tax | $ 1,086.3m |
| Translation Currency Effect (a) | $ (19.0m) |
| Transaction Currency Effect (b) | $ 21.3m |
| Foreign Currency (Gains) and Losses (c) | $ (33.5m) |
| Constant Currency Net Profit after Tax * | $ 1,055.1m |

<u>(a) Translation Currency Effect $(19.0m)</u>

Average Exchange rates used for calculation in major currencies (six months to Dec 17/Dec 16) were as follows: USD/EUR (0.85/0.91); USD/CHF(0.97/0.99)

<u>(b) Transaction Currency Effect $21.3m</u>

Transaction currency effect is calculated by reference to the applicable prior comparative period 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.

<u>(c) Foreign Currency Gains ($33.5m)</u>

Foreign currency gains recorded during the period.

<u>Summary Sales</u>

| | |
|---|---|
| Reported Sales | $ 3,998.5m |
| Currency Effect | ($ 57.4m) |
| Constant Currency Sales * | $ 3,941.1m |

* Constant Currency Net Profit after Tax and Sales have not been audited or reviewed in accordance with Australian Auditing Standards.

# CSL Limited
# Half-year Report – 31 December 2017

## Contents



This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by CSL Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# CSL Limited
# Directors' Report

The Board of Directors of CSL Limited has pleasure in presenting their report on the consolidated entity for the half-year ended 31 December 2017.

**Directors**

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

Professor J Shine, AC (Chairman)
Mr P R Perreault (Managing Director and Chief Executive Officer)
Mr D W Anstice
Mr B R Brook
Dr M E Clark, AC
Ms M E McDonald
Ms C E O'Reilly
Dr T Yamada, KBE

Mr M A Renshaw retired at the Annual General Meeting on 18 October 2017

**Review of Operations**

For the half year ended 31 December 2017, total revenue of the Group was US$4.1 billion, up 13% when compared to the prior comparative period. Reported net profit after tax was US$1.1 billion, up 35% when compared to the prior comparative period.

**CSL Behring**
Total revenue of US$3,356 million increased 8% at constant currency when compared to the prior comparable period.

*Immunoglobulin* (Ig) product sales of US$1,558 million grew 7% at constant currency underpinned by demand for Privigen® (10% liquid Ig) and Hizentra® (subcutaneous Ig). Growth in this segment is masked to some extent by the very strong comparable period, when sales were boosted by atypical market conditions. Compared to the trailing period (six month ended June 2017), the Ig portfolio grew 13%. Global demand for immunoglobulin during the period under review has been strong driven by increased usage for chronic therapies, increased disease awareness and diagnosis and improvement in the US economy.

During the period, Privigen® was approved in the US for the treatment of Chronic Inflammatory Demyelinating Polyneuropathy, the largest Ig indication. CSL Behring's Hizentra is the market leader in the subcutaneous presentation segment, the fastest growing segment in the Ig market.

*Haemophilia* product sales of US$557 million grew 5% at constant currency. The main contributor to this growth has been the successful global rollout of CSL Behring's recombinant coagulation factors. Idelvion®, a novel long-acting recombinant factor IX product for the treatment of haemophilia B, has been in strong demand since its launch in US in 2016. Together with rolling launches globally, particularly in Europe and Japan, Idelvion® sales have increased more than three-fold over the prior comparative period.

Afstyla®, CSL Behring's novel recombinant factor VIII has delivered solid growth since launch, underpinned to a large extent by patients switching from Helixate as the availability of this product winds down following the expiry of the distribution agreement. Competition in the Haemophilia A market is intense as new entrants participate in the market.

Haemate®, CSL Behring's plasma derived product containing factor VIII and von Willebrand factor experienced good sales growth in Russia and Latin American markets.

*Specialty product* sales of US$717 million grew 20% at constant currency. Sales of Kcentra® (4 factor pro-thrombin complex concentrate) in the US were strong driven by an expansion of new accounts and expanding usage in existing accounts.

The launch in the US of Haegarda® (C1 esterase inhibitor subcutaneous) has been very successful and reflected in a very strong patient adoption of the product. The product's clinical profile, broad pre-launch activities and competitive supply disruption all contributed to sales growth.

Sales of Haemocomplettan® (fibrinogen concentrate) Respreeza® (Alpha-1 proteinase inhibitor) and Berinert (C1 esterase inhibitor) in Europe also contributed to growth of specialty product sales.

*Albumin* sales of US$452 million rose 4% at constant currency. Sales in China continue to be strong with further market penetration into Tier 2 and Tier 3 cities. This growth was offset to some extent by competitive pressure in the US market.

**Seqirus**

Total revenue of US$791 million grew 26% at constant currency driven largely by increased sales of seasonal influenza vaccines.

Seqirus' portfolio of influenza vaccines is transitioning towards higher valued Quadrivalent influenza vaccines - Flucelvax® and Afluria®. This transition together with a significant increase in FLUAD® sales were the main growth drivers. FLUAD® is Seqirus' adjuvanted influenza vaccine designed to offer increased protection for over 65 year olds.

Seqirus revenue growth has been tempered by the divestment of its specialty cold chain distribution business in Australia which was sold in December 2016.

Other Revenue of US$148 million increased 19% at constant currency mainly arising from an increase in pandemic facility reservation fees.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

**Rounding of Amounts**

The amounts contained in this report and in the financial report have been rounded to the nearest hundred thousand dollars (where rounding is applicable) unless specifically stated otherwise under the relief available to the Company under ASIC Corporations Instrument 2016/19. The Company is an entity to which the Corporations Instrument applies.

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

| | |
|---|---|
| John Shine AC<br>Chairman | Paul Perreault<br>Managing Director |

13 February 2018

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# Auditor's Independence Declaration to the Directors of CSL Limited

As lead auditor for the review of CSL Limited for the half-year ended 31 December 2017, 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Rodney Piltz
Partner
13 February 2018

# Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2017

| | Notes | December 2017 US$m | December 2016 US$m |
|---|---|---|---|
| **Continuing operations** | | | |
| Sale of goods | | **3,998.5** | 3,553.4 |
| Pandemic Facility Reservation fees | | **60.2** | 39.9 |
| Royalties and License revenue | | **63.4** | 77.8 |
| Other income | | **24.5** | 5.4 |
| **Total Operating Revenue** | | **4,146.6** | 3,676.5 |
| Cost of sales | | **(1,788.7)** | (1,774.4) |
| **Gross profit** | | **2,357.9** | 1,902.1 |
| Research and development expenses | 4 | **(342.9)** | (287.0) |
| Selling and marketing expenses | | **(354.3)** | (328.4) |
| General and administration expenses | | **(184.7)** | (192.0) |
| **Operating profit** | | **1,476.0** | 1,094.7 |
| Finance costs | 3 | **(54.6)** | (41.2) |
| Finance income | | **2.7** | 3.0 |
| **Profit before income tax expense** | | **1,424.1** | 1,056.5 |
| Income tax expense | 5 | **(337.8)** | (251.0) |
| **Net profit for the period** | | **1,086.3** | 805.5 |
| 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 | 13 | **(9.0)** | (109.7) |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Actuarial gains on defined benefit plans, net of tax | 15 | **23.6** | 52.3 |
| Total of other comprehensive income/(expenses) | | **14.6** | (57.4) |
| **Total comprehensive income for the period** | | **1,100.9** | 748.1 |
| **Earnings per share (based on net profit for the period)** | | **$** | $ |
| Basic earnings per share | 12 | **2.40** | 1.77 |
| Diluted earnings per share | 12 | **2.39** | 1.76 |

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

# Consolidated Balance Sheet

As at 31 December 2017

| **Consolidated Entity** | Notes | December 2017 US$m | June 2017 US$m |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | **849.6** | 844.5 |
| Trade and other receivables | | **1,636.1** | 1,170.4 |
| Inventories | 7 | **2,525.7** | 2,575.8 |
| Current tax assets | | **5.8** | 6.2 |
| Other financial assets | | **0.1** | 5.2 |
| Total Current Assets | | **5,017.3** | 4,602.1 |
| **NON-CURRENT ASSETS** | | | |
| Other receivables | | **19.6** | 16.5 |
| Other financial assets | | **6.0** | 3.9 |
| Property, plant and equipment | 8 | **3,193.0** | 2,942.7 |
| Deferred tax assets | | **467.9** | 496.5 |
| Intangible assets | 2 | **1,690.4** | 1,055.4 |
| Retirement benefit assets | | **5.4** | 5.6 |
| Total Non-Current Assets | | **5,382.3** | 4,520.6 |
| TOTAL ASSETS | | **10,399.6** | 9,122.7 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | **1,016.7** | 1,155.8 |
| Interest-bearing liabilities | 10 | **328.0** | 122.5 |
| Current tax liabilities | | **283.0** | 202.5 |
| Provisions | | **125.1** | 134.1 |
| Deferred government grants | | **3.2** | 3.2 |
| Total Current Liabilities | | **1,756.0** | 1,618.1 |
| **NON-CURRENT LIABILITIES** | | | |
| Other non-current liabilities | | **212.2** | 25.8 |
| Interest-bearing liabilities | 10 | **4,124.9** | 3,852.7 |
| Deferred tax liabilities | | **142.0** | 138.2 |
| Provisions | | **33.7** | 32.9 |
| Deferred government grants | | **48.6** | 35.9 |
| Retirement benefit liabilities | 15 | **239.2** | 255.3 |
| Total Non-Current Liabilities | | **4,800.6** | 4,340.8 |
| TOTAL LIABILITIES | | **6,556.6** | 5,958.9 |
| NET ASSETS | | **3,843.0** | 3,163.8 |
| **EQUITY** | | | |
| Contributed equity | 12 | **(4,643.8)** | (4,534.3) |
| Reserves | 13 | **296.6** | 294.2 |
| Retained earnings | | **8,190.2** | 7,403.9 |
| TOTAL EQUITY | | **3,843.0** | 3,163.8 |

# Consolidated Statement of Changes in Equity

## As at 31 December 2017

| | Contributed Equity | | Foreign currency translation reserve | | Share based payment reserve | | Retained earnings | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | US$m | | US$m | | US$m | | US$m | | US$m | |
| **Consolidated Entity** | **December 2017** | December 2016 | **December 2017** | December 2016 | **December 2017** | December 2016 | **December 2017** | December 2016 | **December 2017** | December 2016 |
| **As at the beginning of the period** | **(4,534.3)** | (4,213.0) | **126.0** | 28.5 | **168.2** | 159.4 | **7,403.9** | 6,592.3 | **3,163.8** | 2,567.2 |
| Profit for the period | | - | | - | | - | **1,086.3** | 805.5 | **1,086.3** | 805.5 |
| Other comprehensive profit/(loss) | | - | **(9.0)** | (109.7) | | - | **23.6** | 52.3 | **14.6** | (57.4) |
| **Total comprehensive income for the period** | | | | | | | | | **1,100.9** | 748.1 |
| **Transactions with owners in their capacity as owners** | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - |
| Share based payments | **-** | - | **-** | - | **11.4** | 3.8 | | - | **11.4** | 3.8 |
| Dividends | | - | | - | | - | **(323.6)** | (310.0) | **(323.6)** | (310.0) |
| Share buy back | **(115.9)** | (108.8) | **-** | - | **-** | - | **-** | - | **(115.9)** | (108.8) |
| Share issues | | | | | | | | | | |
| - Employee share scheme | **6.4** | 6.5 | **-** | - | **-** | - | **-** | - | **6.4** | 6.5 |
| **As at the end of the period** | **(4,643.8)** | (4,315.3) | **117.0** | (81.2) | **179.6** | 163.2 | **8,190.2** | 7,140.1 | **3,843.0** | 2,906.8 |

# Consolidated Statement of Cash Flows
## For the half-year ended 31 December 2017

| Consolidated Entity | Notes | December 2017 US$m | December 2016 US$m |
|---|---|---|---|
| **Cash flows from Operating Activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | **4,002.8** | 3,474.6 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | **(2,852.7)** | (2,461.5) |
| | | **1,150.1** | 1,013.1 |
| Income taxes paid | | **(254.0)** | (308.1) |
| Interest received | | **2.4** | 3.2 |
| Borrowing costs | | **(58.5)** | (44.0) |
| **Net cash inflow from operating activities** | | **840.0** | 664.2 |
| **Cash flows from Investing Activities** | | | |
| Payments for property, plant and equipment | | **(317.6)** | (280.3) |
| Business acquisition, net of cash acquired | **2** | **(441.5)** | - |
| Payments for intangible assets | | **(108.8)** | (57.4) |
| Receipts from other investing activities | | **0.6** | 0.1 |
| **Net cash outflow from investing activities** | | **(867.3)** | (337.6) |
| **Cash flows from Financing Activities** | | | |
| Proceeds from issue of shares | | **6.4** | 6.6 |
| Dividends paid | | **(323.6)** | (310.0) |
| Proceeds from borrowings | **10** | **1,140.9** | 1,029.2 |
| Repayment of borrowings | **10** | **(669.0)** | (580.0) |
| Payment for shares bought back | | **(138.4)** | (111.4) |
| **Net cash inflow from financing activities** | | **16.3** | 34.4 |
| **Net( decrease)/increase in cash and cash equivalents** | | **(11.0)** | 361.0 |
| Cash and cash equivalents at the beginning of the financial year | | **843.0** | 555.3 |
| Exchange rate variations on foreign cash and cash equivalent balances | | **9.1** | (33.7) |
| **Cash and cash equivalents at the end of the period** | | **841.1** | 882.6 |
| | | | |
| **Reconciliation of cash and cash equivalents** | | | |
| Cash and cash equivalents at the end of the period as shown in the statement of cash flows is reconciled as follows: | | | |
| Cash and cash equivalents | **6** | **849.6** | 884.5 |
| Bank overdrafts | | **(8.5)** | (1.9) |
| **Cash and cash equivalents at the end of the period** | | **841.1** | 882.6 |

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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 13 February 2018.

### a. Basis of Accounting

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report should be read in conjunction with the annual financial report of CSL Limited as at 30 June 2017.

It is also recommended that the half-year financial report be considered together with any public announcements made by CSL Limited and its controlled entities during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under ASX listing rules.

### b. Basis of Preparation

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements. 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.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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.

### c. Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2017. The Group has not adopted any accounting standards that are issued but not yet effective. Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided in the annual financial report.

### d. Principles of Consolidation

The half-year consolidated financial statements comprise the financial statements of CSL Limited and its subsidiaries as at 31 December 2017. 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. On June 13, 2017, CSL announced that it had agreed to acquire 80 percent equity of plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biological Products Co. Ltd. ("Ruide") from Humanwell Healthcare Group Co. Ltd. ("Humanwell"). The transaction closed on 1 August 2017. On 31 August 2017 CSL acquired 100% of the share capital of Calimmune Inc. Details of the acquisitions are contained in Note 2.

The financial statements of the subsidiaries are prepared using consistent accounting policies and 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.

## Note 1: Segment Information

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. 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), conducts early stage research on plasma and non-plasma therapies excluding influenza, receives licence and royalty income from the commercialisation of intellectual property and undertakes the administrative and corporate function required to support the Group.

  The financial results of both entities acquired during the period are included in the CSL Behring segment.

- **Seqirus** – manufactures and distributes non-plasma biotherapeutic products and develops influenza related products.

| | CSL Behring US$m | | Seqirus US$m | | Consolidated Entity US$m | |
|---|---|---|---|---|---|---|
| | **December 2017** | December 2016 | **December 2017** | December 2016 | **December 2017** | December 2016 |
| Sales of goods | **3,288.4** | 2,976.4 | **710.1** | 577.0 | **3,998.5** | 3,553.4 |
| Pandemic Facility Reservation Fees | | - | **60.2** | 39.9 | **60.2** | 39.9 |
| Royalties and License revenue | **63.4** | 77.7 | **-** | 0.1 | **63.4** | 77.8 |
| Other revenue / Other income (excl interest income) | **3.7** | 2.4 | **20.8** | 3.0 | **24.5** | 5.4 |
| **Total segment revenue** | 3,355.5 | 3,056.5 | 791.1 | 620.0 | 4,146.6 | 3,676.5 |
| **Consolidated revenue** | | | | | **4,146.6** | 3,676.5 |
| **Segment Gross Profit** | **1,979.5** | 1,707.7 | **378.4** | 194.4 | **2,357.9** | 1,902.1 |
| **Segment Gross Profit %** | **59.0%** | 55.9% | **47.8%** | 31.4% | **56.9%** | 51.7% |
| **Consolidated Gross Profit** | | | | | **2,357.9** | 1,902.1 |
| **Segment EBIT** | **1,291.5** | 1,098.0 | **184.5** | (3.3) | **1,476.0** | 1,094.7 |
| **Consolidated EBIT** | | | | | **1,476.0** | 1,094.7 |
| Interest income | | | | | **2.7** | 3.0 |
| Finance costs | | | | | **(54.6)** | (41.2) |
| **Consolidated profit before tax** | | | | | **1,424.1** | 1,056.5 |
| Income tax expense | | | | | **(337.8)** | (251.0) |
| **Consolidated net profit after tax** | | | | | **1,086.3** | 805.5 |
| Amortisation | **20.4** | 19.8 | **6.7** | 10.5 | **27.1** | 30.3 |
| Depreciation | **100.9** | 89.0 | **13.3** | 11.7 | **114.2** | 100.7 |
| **Segment EBITDA** | **1,412.8** | 1,206.8 | **204.5** | 18.9 | **1,617.3** | 1,225.7 |
| **Consolidated EBITDA** | | | | | **1,617.3** | 1,225.7 |

The Seqirus business is subject to seasonality resulting from sales for the northern hemisphere influenza vaccine season. Seqirus therefore has higher revenue and profit in the first half of the financial year.

| | CSL Behring | | Seqirus | | Intersegment Elimination | | Consolidated Entity | |
|---|---|---|---|---|---|---|---|---|
| | US$m | | US$m | | US$m | | US$m | |
| | December 2017 | June 2017 | December 2017 | June 2017 | December 2017 | June 2017 | December 2017 | June 2017 |
| **Segment assets** | **10,279.1** | 9,108.4 | **1,740.2** | 1,417.7 | **(1,619.7)** | (1,403.4) | **10,399.6** | 9,122.7 |
| **Total assets** | | | | | | | **10,399.6** | 9,122.7 |
| **Segment liabilities** | **6,484.4** | 5,844.6 | **1,691.9** | 1,517.7 | **(1,619.7)** | (1,403.4) | **6,556.6** | 5,958.9 |
| **Total liabilities** | | | | | | | **6,556.6** | 5,958.9 |

## Geographical areas of operation

The Group operates predominantly in Australia, the USA, Germany, the United Kingdom, Switzerland and China. The rest of the Group's operations are spread across many countries and are collectively disclosed as "Rest of World".

| | Australia | | United States | | Germany | | United Kingdom | | Switzerland | | China | | Rest of World | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | US$m | | US$m | | US$m | | US$m | | US$m | | US$m | | US$m | | US$m | |
| **Geographic areas** | **December 2017** | December 2016 | **December 2017** | December 2016 | **December 2017** | December 2016 | **December 2017** | December 2016 | **December 2017** | December 2016 | **December 2017** | December 2016 | **December 2017** | December 2016 | **December 2017** | December 2016 |
| Total Operating Revenue | **335.2** | 396.5 | **1,967.5** | 1,626.8 | **405.9** | 352.4 | **179.4** | 136.7 | **124.6** | 128.6 | **286.1** | **261.0** | **847.9** | 774.5 | **4,146.6** | 3,676.5 |

| | Australia | | United States | | Germany | | United Kingdom | | Switzerland | | China | | Rest of World | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | US$m | | US$m | | US$m | | US$m | | US$m | | US$m | | US$m | | US$m | |
| **Geographic areas** | **December 2017** | June 2017 | **December 2017** | June 2017 | **December 2017** | June 2017 | **December 2017** | June 2017 | **December 2017** | June 2017 | **December 2017** | June 2017 | **December 2017** | June 2017 | **December 2017** | June 2017 |
| Property, plant, equipment and intangible assets | **723.3** | 657.0 | **1,615.7** | 1,422.0 | **534.1** | 465.1 | **288.0** | 239.3 | **1,243.7** | 1,202.7 | **466.1** | - | **12.5** | 12.0 | **4,883.4** | 3,998.1 |

## Segment Accounting Policies

Inter-segment sales are carried out on an arm's length basis and reflect current market prices. Other than the change in segments disclosed, there have been no changes in the segment accounting policies during the financial period.

# Note 2: Business Combinations

The business combination disclosures are provisional and will be finalised for inclusion in the full year financials for the year ended 30 June 2018.

## Ruide Acquisition

On 1 August 2017 CSL acquired 80% of the equity of Ruide from Humanwell. Ruide develops, manufactures and commercialises plasma-derived products for the Chinese domestic market and provides a vehicle for the Group to access this growing market for plasma therapeutics.

The initial purchase price was US$352 million for 80% of Ruide. There is additional consideration possible within the agreement, part of which is contingent on the registration of new products and the opening of new plasma centres, and part is related to a put and call option over the remaining 20% of Ruide. If fully paid the total is expected to amount to approximately $145m. CSL exercises control over the acquired entity through the appointment of a majority of the board of directors and of the head of the business.

The fair value of assets and liabilities acquired were:

| Asset Class | US$m |
|---|---|
| Cash | 0.2 |
| Trade and other receivables | 0.7 |
| Inventory | 20.7 |
| Buildings | 22.0 |
| Plant and equipment | 26.6 |
| Deferred tax assets | 0.6 |
| Other non-current assets | 1.5 |
| Trade creditors & accruals | (1.5) |
| Non-current liabilities | (4.6) |
| **Fair Value of Net Assets Acquired** | **66.2** |
| Goodwill arising on acquisition | 415.8 |
| Consideration paid | 351.8 |
| Contingent consideration recognised as a liability at the date of acquisition | 130.2 |

The liability recognised at the date of acquisition has been calculated by reference to the expected probability and timing of the contingent consideration discounted to a present value using an appropriate discount rate. The liability is included in the non-current liabilities amount on the balance sheet.

The range of undiscounted contingent consideration is expected to be between $140m and $150m including interest that is payable on certain components of the contingent consideration.

Since CSL obtained control of the acquired business it has contributed $1.9m of sales and a $5.6m EBIT loss. The EBIT loss is principally attributable to integration costs incurred in the acquired entity.

The fair value of the liability related to the contingent consideration has been reassessed at balance date with no changes in assumption regarding timing and probability of payment of the contingent consideration. An interest charge of $3.9m has been recorded in the half year result.

## Calimmune Acquisition

On 31 August 2017 CSL acquired 100% of the equity of Calimmune Inc for an upfront payment of $82m and a series of contingent payments subject to the achievement of development milestones. Calimmune has developed a suite of gene therapy technologies that may prove the basis of treatments for rare diseases. The acquisition provides CSL with a new technology platform and manufacturing process.

CSL also agreed to fund certain deal related liabilities of Calimmune totalling $8.6m, these are not consideration for the acquisition and the associated liabilities are included in the fair value disclosures in this note. The cash flow arising from the settlement of these liabilities by Calimmune after CSL obtained control are disclosed in the consolidated statement of cash flows as cash outflows from payment for business as they are directly related to the transaction.

The fair value of assets and liabilities acquired were:

| Asset Class | US$m |
|---|---|
| Cash | 0.7 |
| Trade and other receivables | 0.3 |
| Plant and equipment | 0.3 |
| Intangible assets | 153.9 |
| Trade creditors & accruals | (5.5) |
| Non-current liabilities | (5.6) |
| **Fair Value of Net Assets Acquired** | **144.1** |
| Consideration paid | 82.0 |
| Contingent consideration recognised as a liability at the date of acquisition | 62.1 |

The liability recognised at the date of acquisition has been calculated by reference to the expected probability and timing of the contingent consideration discounted to a present value using an appropriate discount rate. The liability is included in the non-current liabilities amount on the balance sheet.

The range of undiscounted contingent consideration is expected to be between $50m and $325m depending on the progress of the research and development program.

Since CSL obtained control of the acquired business it has contributed $0m of sales and $3.8m EBIT loss.

The fair value of the liability related to the contingent consideration has been reassessed at balance date with no changes in assumption regarding timing and probability of payment of the contingent consideration. An interest charge of $2.0m has been recorded in the half year result.

# Note 3: Expenses

In prior years the Group disclosed the component parts of revenue from continuing operations in this Note. In order to provide this information in a clearer manner these disclosures have been moved to the face of the Consolidated Statement of Comprehensive Income.

| Expenses | **December 2017 US$m** | December 2016 US$m |
|---|---|---|
| Finance costs | **48.7** | 41.2 |
| Deferred financing costs on acquisition | **5.9** | - |
| Depreciation and amortisation of fixed assets | **114.2** | 100.7 |
| Amortisation of intangibles | **27.1** | 30.3 |
| **Total depreciation and amortisation expense** | **141.3** | 131.0 |
| Write-down of inventory to net realisable value | **109.6** | 100.4 |
| Rental expenses relating to operating leases | **34.4** | 29.1 |
| Employee benefits expense | **910.8** | 776.8 |

# Note 4: 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 half year ended 31 December 2017, the research costs expensed were $342.9m (2016: $287.0m). Further information about the Group's research and development activities can be found on the CSL website.

# Note 5: Tax

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:

| | December 2017 US$m | December 2016 US$m |
|---|---|---|
| **Accounting profit before income tax** | **1,424.1** | 1,056.5 |
| Income tax calculated at 30% (2016: 30%) | **427.2** | 317.0 |
| Effects of different rates of tax on overseas income | **(85.3)** | (75.9) |
| Research and development | **(6.2)** | (7.3) |
| (Over)/Under provision in prior year | **(7.6)** | 11.3 |
| Other non-deductible expenses | **9.7** | 5.9 |
| Income tax expense | **337.8** | 251.0 |

US tax reform was substantively enacted as of 31 December 2017 and comes into effect for the Group for the entire financial year commencing 1 July 2017. The group is impacted by a lower tax rate and by the need to restate deferred balances to the new rate at which these are expected to be realised. The impact of these items is included in the half year financials and is immaterial to the Group.

# Note 6: Cash and Cash Equivalents

| | December 2017 US$m | June 2017 US$m |
|---|---|---|
| Cash at bank and on hand | **509.1** | 562.7 |
| Cash deposits | **340.5** | 281.8 |
| **Total cash and cash equivalents** | **849.6** | 844.5 |

# Note 7: Inventories

| | December 2017 US$m | June 2017 US$m |
|---|---|---|
| Raw materials | **760.9** | 631.4 |
| Work in progress | **871.7** | 995.2 |
| Finished products | **893.1** | 949.2 |
| **Total inventories** | **2,525.7** | 2,575.8 |

## 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.

# Note 8: Property, Plant and Equipment

During the half-year ended 31 December 2017, the Group acquired assets with a cost of $364.1m (2016: $294m). Of the amounts acquired during the half-year $49.5m were attributable to the business combinations disclosed in Note 2.

# Note 9: Commitments

## Commitments

Commitments in relation to capital expenditure contracted but not provided for in the financial statements are payable as follows:

| | Capital Commitments US$m | |
|---|---|---|
| | **December 2017** | June 2017 |
| Not later than one year | **467.7** | 354.0 |
| Later than one year but not later than five years | **156.5** | 117.0 |
| Later than five years | **-** | - |
| **Total** | **624.2** | 471.0 |

# Note 10: Financial Instruments

For the half year ended 31 December 2017, the Group has received gross proceeds from borrowings of $1,140.9m comprising $700m from a new US private placement debt facility and $440.9m from the Group's bank facilities. Amounts totalling $669m were repaid under the Group's bank facilities. The difference between the cash flow statement movement and the movement in interest bearing liabilities on the balance sheet is attributable to amortisation of borrowing costs.

As at balance date the Group had $916.5m in undrawn liquidity available under its bank debt facilities.

# Note 11: Share Based Payment Plans

## Long Term Incentives

During the half year the Group amended our approach to long term incentives and replaced the previous performance rights, performance options and EDIP instruments with two new equity settled schemes. No further instruments have been issued under the previous schemes, other than the EDIP instruments disclosed in this note. There have been no changes to the terms of grant of any existing instruments.

The two new schemes are:

- The Executive Performance and Alignment Plan (EPA) that grants Performance Share Units (PSU) to qualifying executives. Vesting is subject to continuing employment, satisfactory performance and the achievement of an absolute return measure. The return measure is a seven year rolling average Return on Invested Capital.

- The Retain and Grow Plan (RGP) that grants Restricted Share Units (RSU) to qualifying employees. Vesting is subject to continuing employment and satisfactory performance. Participation in the RGP plan is broader than in the EPA plan.

Under both the EPA and RGP plans grants will vest in equal tranches on the first, second, third and fourth anniversaries of grant.

On 1 October 2017, 206,436 PSUs and 314,016 RSUs were granted under the Plan. The exercise price for both PSUs and RSUs is nil. The PSUs and RSUs will become exercisable on 1 September in each of 2018, 2019, 2020 and 2021, this is one month earlier than the anniversary of the date of grant, future grants will be made on 1 September annually. The fair value of the PSUs and RSUs granted is estimated at the date of grant using an adjusted form of the Black-Scholes model, taking into account the terms and conditions upon which the PSUs and RSUs were granted.

The following table lists the inputs into the model used for PSUs and RSUs issued in the half-year ended 31 December 2017:

| | December 2017 |
|---|---|
| Dividend yield | **1.75%** |
| Expected volatility | **20.0%** |
| Risk-free interest rate | **1.74% - 2.14%** |
| **Fair Value of Performance Share Units and Restricted share units** | |
| Tranche 1 | **A$131.26** |
| Tranche 2 | **A$129.01** |
| Tranche 3 | **A$126.78** |
| Tranche 4 | **A$124.60** |

### Executive Deferred Incentive Plan (EDIP)

On 1 July and 1 October 2017, 6,673 and 1,590 notional shares, respectively were granted to employees under the EDIP. These grants were commencement benefits and vest on various dates between July 2018 and September 2019. This plan provides for a grant of notional shares which will generate a cash payment to participants at the vesting date, 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 vesting date.

The following table lists the inputs to the model used for grants issued in the half-year ended 31 December 2017:

| | December 2017 |
|---|---|
| Dividend yield | **1.75%** |
| Fair Value of Grants at reporting date, adjusted for the dividend yield and the number of days left in the vesting period | A$143.34 |

[1] Subsequent to 31 December 2017, no 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.

# Note 12: Shareholder Returns

## Dividends

| Dividends paid | December 2017 US$m | December 2016 US$m |
|---|---|---|
| Final ordinary dividend of US$0.72 per share, unfranked, paid on 13 October 2017 for FY17 (prior year: US$0.68 per share, unfranked paid on 7 October 2016 for FY16) | **323.6** | 310.0 |
| **Dividends determined, but not yet paid at the end of the half-year** Interim dividend of US$0.79 per share, unfranked, expected to be paid on 13 April 2018. The aggregate amount of the proposed dividend will depend on the actual number of shares on issue at dividend record date (prior year: US$0.64 per share, unfranked, paid on 13 April 2017). | **357.3** | 291.5 |

## Earnings Per Share

| | December 2017 | December 2016 |
|---|---|---|
| **Basic EPS** | **US$2.40** | US$1.77 |
| Weighted average number of ordinary shares | **452,312,078** | 455,730,041 |
| **Diluted EPS** | **US$2.39** | US$1.76 |
| Adjusted weighted average number of ordinary shares, represented by: | **453,688,302** | 456,710,838 |
| Weighted average ordinary shares | **452,312,078** | 455,730,041 |
| **Plus:** | | |
| Employee share options | **298,141** | 169,805 |
| Employee performance rights[1] | **788,179** | 794,760 |
| Global employee share plan | **29,678** | 16,232 |
| Performance & Restricted Share Units | **260,226** | - |

## On-market Share Buyback

During the year, the Group completed the buyback announced in October 2016, with A$150.3m paid for the acquisition of shares.

The on-market buyback was chosen as an effective method to return capital to shareholders after consideration of the various alternatives. The on-market buyback provided the Group with flexibility and allowed shareholders to choose whether to participate through normal equity market processes.

The Group's contributed equity includes the Share Buyback Reserve of (US$4,643.8m) (June 2017: (US$4,534.3m)). The Group's ordinary share contributed equity has been reduced to nil from previous share buybacks.

## Contributed Equity

The following table illustrates the movement in the group's contributed equity[2].

| | December 2017 | |
|---|---|---|
| | **Number of shares** | **US$m** |
| Opening balance at 1 July | 453,251,764 | (4,534.3) |
| **Shares issued to employees:** | | |
| Performance Options Plan | 2,810 | 0.1 |
| Performance Rights Plan (for nil consideration) | 63,798 | - |
| Global Employee Share Plan (GESP) | 78,552 | 6.3 |
| Share buy-back, inclusive of cost | (1,126,435) | (115.9) |
| **Closing balance** | **452,270,489** | **(4,643.8)** |

# Note 13: Equity and Reserves

## Contributed Equity

| | **December 2017 US$m** | June 2017 US$m |
|---|---|---|
| Ordinary shares issued and fully paid | - | - |
| Share buy-back reserve | **(4,643.8)** | (4,534.3) |
| **Total contributed equity** | **(4,643.8)** | (4,534.3) |

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 12 for further information about on-market share buy-backs.

[2] 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.

**Reserves**

| | Share-based payments reserve | | Foreign currency translation reserve | | Total | |
|---|---|---|---|---|---|---|
| | | US$m | | US$m | | US$m |
| | **December 2017** | June 2017 | **December 2017** | June 2017 | **December 2017** | June 2017 |
| Opening balance | **168.2** | 159.4 | **126.0** | 28.5 | **294.2** | 187.9 |
| Share-based payments expense | **11.4** | 5.2 | **-** | - | **11.4** | 5.2 |
| Deferred tax on share-based payments | **-** | 3.6 | **-** | - | **-** | 3.6 |
| Net exchange (losses) on translation of foreign subsidiaries, net of hedge | **-** | - | **(9.0)** | 97.5 | **(9.0)** | 97.5 |
| **Closing balance** | **179.6** | 168.2 | **117.0** | 126.0 | **296.6** | 294.2 |

# Note 14: NTA Backing

| | **December 2017** | June 2017 |
|---|---|---|
| | **US$** | US$ |
| **Net tangible asset backing per ordinary security** | **4.81** | 4.65 |

# Note 15: Retirement Benefit Liabilities

The Group sponsors a range of defined benefit pension plans, full details can be found in Note 18 to the June 2017 Financial Statements. During the half year ended 31 December 2017 the obligations under these plans reduced from $255.3m to $239.2m. This reduction is largely a result of an increase in the discount rate applicable to the valuation of liabilities for the Group's largest plan in CSL Behring AG. The effect of this change is recorded directly in equity, net of tax, and does not impact the profit and loss for the half year. Other factors such as the level of contributions, benefit payments, currency translation differences and the value of plan assets in funded plans can affect the liability; however, these factors did not have a material impact on the six months to December 2017.

# Note 16: 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 has impacted on the Group's accounting policies. Nor has the introduction of the new standards required any restatement of prior year financial statements.

## 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. During the year the Group undertook a project to identify the impact of AASB 15 on the financial statements. This included an analysis of the specific requirements of the standard and the review of material contracts entered into by the group that give rise to revenue.

Product sales represent around 95% of total group revenue. The project to date has reviewed specific contracts driving this revenue. Whilst these contracts included a number of considerations under AASB 15 (such as discounts, rebates and rights of return), our project to date has assessed that the Group currently accounts for these in a manner that is materially consistent with the requirements under AASB 15. Work is ongoing to finalise the assessment across the remaining contracts.

Non-product sales represent the balance of group revenue. The project to date has reviewed significant contracts covering the majority of this. Given the size of the revenue stream and the contracts concerned, the Group does not believe that there will be a material impact on the financial statements arising from these contracts. Work is ongoing to finalise any potential impact.

The standard does impose additional disclosure requirements and the Group is continuing the project to determine the impact of the new disclosures.

*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.

*IFRIC Interpretation 23 – Uncertainty over income tax treatments*

IFRIC23 clarifies the application of recognition and measurement requirements of AASB 112 Income Taxes where there is uncertainty over income tax treatments. The interpretation is not expected to result in any change to the financial statements of the group.

# Note 17: Subsequent Events

Other than as disclosed elsewhere in these statements, there are no matters or circumstances which have arisen since the 31 December 2017 which have significantly affected, or may significantly affect, the operations of the Group, the results of operations, or the state of affairs of the Group.

# CSL Limited
# Directors' Declarations

The directors declare that, in the directors' opinion:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act* 2001, and:

(i) give a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(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.

Made in accordance with a resolution of directors.

John Shine AC
Chairman

Paul Perreault
Managing Director

Melbourne
13 February 2018

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# Independent Auditor's Review Report to the Members of CSL Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of CSL Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Rodney Piltz
Partner
Melbourne
13 February 2018