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ASX Announcement

For immediate release

12 February 2020

RESULTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Melbourne, Australia – CSL (ASX:CSL; USOTC:CSLLY)

Please find attached CSL's Half Year Results Announcement and the Half Year Report for the half year ended 31 December 2019. These documents are lodged under ASX Listing Rule 4.2A and should be read in conjunction with the 30 June 2019 Annual Report.

A handwritten signature in blue ink, appearing to read 'F Mead'.

Fiona Mead
Company Secretary

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CSL Limited
ABN: 99 051 588 348

Appendix 4D
Half-year ended 31 December 2019
(Previous corresponding period:
Half-year ended 31 December 2018)

Results for Announcement to the Market

Reported

- Sales revenue up 8.4% to US\$4.7 billion.
- Net profit after tax for the period attributable to members up 7.5% to US\$1.2 billion.

Business operational performance¹

- Sales revenue at constant currency up 10.0% to US\$4.7 billion.
- Net profit after tax for the period at constant currency up 11.3% to US\$1.3 billion.

Dividends

	Amount per security (US cents)	Franked amount per security (US cents)
Interim dividend (determined subsequent to balance date [#])	\$0.95	Unfranked *
Interim dividend from the previous corresponding period	\$0.85	Unfranked
Final dividend (prior year)	\$1.00	Unfranked

Record date for determining entitlements to the dividend: 12 March 2020

* 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.

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 4.2A

The remainder of the information requiring disclosure to comply with Listing Rule 4.2A 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. 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 operational result.

Summary NPAT

Reported Net Profit after Tax	\$1,248.0m
Translation Currency Effect (a)	\$ 3.0m
Transaction Currency Effect (b)	\$ 22.4m
Foreign Currency (Gains) and Losses (c)	\$ 18.1m
Constant Currency Net Profit after Tax *	\$ 1,291.5m

(a) Translation Currency Effect \$3.0m

Average Exchange rates used for calculation in major currencies (six months to Dec 19/Dec 18) were as follows:

USD/EUR (0.90/0.86); USD/CHF (0.99/0.99)

(b) Transaction Currency Effect \$22.4m

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 (i.e. from a manufacturer to a distributor) and externally (i.e. to the final customer) and the relevant exchange rates applicable to each transaction.

(c) Foreign Currency Losses \$18.1m

Foreign currency losses recorded during the period.

Summary Sales

Reported Sales	\$4,709.4m
Currency Effect	\$67.8m
Constant Currency Sales *	\$4,777.2m

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



CSL Limited

ABN: 99 051 588 348

ASX Half-year Report 31 December 2019

Lodged with the ASX under Listing Rule 4.2A.

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Auditor's Independence Declaration

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- Consolidated Balance Sheet
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Notes to the Financial Statements

Directors' Declarations

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

This interim Financial Report does not include all of the notes of the type normally included in the Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by CSL Limited during the interim reporting period in accordance with the continuous disclosure requirement of the *Corporations Act 2001*.

Directors' Report

The Board of Directors of CSL Limited is pleased to present their report on the consolidated entity for the half-year ended 31 December 2019.

1. Directors

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

Dr. Brian McNamee, AO (Chairman)
Mr Paul Perreault (Managing Director and Chief Executive Officer)
Mr Bruce Brook
Dr Megan Clark, AC
Professor Andrew Cuthbertson, AO
Mr Abbas Hussain
Ms Marie McDonald
Ms Christine O'Reilly

Mr Tadataka "Tachi" Yamada KBE retired as a Director at the Annual General Meeting on 16 October 2019, and Ms Carolyn Hewson, AO was appointed as a Director on 9 December 2019.

2. Review of Operations

For the half-year ended 31 December 2019, total revenue for the Group was US\$4,911 million, up 9% (11% at constant currency) when compared to the prior comparable period. Reported net profit after tax was US\$1,248 million, up 8% (11% at constant currency) when compared to the prior comparative period.

CSL Behring

Total revenue of US\$3,893 million increased 11% at constant currency when compared to the prior comparable period.

Immunoglobulin (Ig) product sales of US\$1,985 million grew 26% at constant currency underpinned by strong demand for PRIVIGEN® (10% liquid Ig) and HIZENTRA® (subcutaneous Ig).

Globally demand for immunoglobulin has been strong driven by increased usage for chronic therapies, including Primary Immune Deficiency and Chronic Inflammatory Demyelinating Polyneuropathy, together with increased disease awareness and improved diagnosis. Also contributing to growth has been the expanding utilisation of immunoglobulin for the treatment of secondary immune deficiencies.

Haemophilia product sales of US\$550 million increased 4% at constant currency.

Recombinant haemophilia products grew 13% at constant currency driven by IDELVION® and AFSTYLA®.

IDELVION®, CSL Behring's novel long-acting recombinant factor IX product for the treatment of haemophilia B, has now been launched in 15 countries and is attracting a high rate of patient switches from competing factor IX products.

AFSTYLA®, CSL Behring's novel recombinant factor VIII product for the treatment of Haemophilia A has been growing, despite intense competition.

Plasma derived haemophilia products declined 5% at constant currency due to some tender variability and competitive pressures.

Albumin sales of \$278 million declined 33% at constant currency. This was due to the change in CSL Behring's distribution model in China, as previously foreshadowed. The transition to a new model is progressing to plan and, as previously advised, is expected to have a one-off adverse financial effect on FY20 albumin sales of approximately US\$340 million to \$370 million.

The availability of albumin to patients has not been impacted and reported sales are expected to return to a more normalised level in FY21.

Specialty product sales of US\$851 million grew 7% at constant currency compared to the prior comparable period.

KCENTRA® (4 factor pro-thrombin complex concentrate) in the US continues to grow strongly driven by deeper penetration into hospitals and expanding usage.

Sales of HAEGARDA® (C1 esterase inhibitor subcutaneous) grew modestly. After very strong growth in HAEGARDA® since launching in 2017, sales growth moderated due to supply constraints. Increased supply of HAEGARDA® will become available in the second half of FY20.

ZEMAIRA® (Alpha 1 Proteinase Inhibitor) sales grew strongly due to the normalisation of supply.

Seqirus

Total revenue of \$US1,018 million grew 9% at constant currency driven by increased sales of seasonal influenza vaccines.

Seqirus' sales continues to shift towards its higher valued, differentiated vaccines FLUCELVAX® and FLUAD®. FLUCELVAX® is the only seasonal influenza vaccine manufactured using cell culture. FLUAD® is Seqirus' adjuvanted influenza vaccine designed to offer increased protection for over 65 year olds.

The seasonal nature of influenza gives rise to sales heavily skewed to the first half of the financial year in support of northern hemisphere demand, expenses are spread more evenly over the whole year.

3. 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 the next page.

4. Rounding

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 2016/191. The Company is an entity to which the Corporations Instrument applies.

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



Dr Brian McNamee AO
Chairman



Paul Perreault
Managing Director

11 February 2020



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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 2019, 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
11 February 2020



CSL Limited

ABN: 99 051 588 348

Financial Statements 31 December 2019

Consolidated Statement of Comprehensive Income

For the half-year 31 December 2019

	Notes	Consolidated Entity	
		December 2019 US\$m	December 2018 US\$m
Continuing operations			
Sales and service revenue		4,709.4	4,342.6
Pandemic Facility Reservation fees		72.3	65.3
Royalties and License revenue		94.4	85.3
Other Income		34.5	11.6
Total Operating Revenue		4,910.6	4,504.8
Cost of sales		(2,069.0)	(1,881.9)
Gross profit		2,841.6	2,622.9
Research and development expenses	3	(445.5)	(391.0)
Selling and marketing expenses		(434.7)	(422.8)
General and administration expenses		(329.3)	(256.1)
Total Expenses		(1,209.5)	(1,069.9)
Operating profit		1,632.0	1,553.0
Finance costs	2	(74.7)	(96.1)
Finance income		4.0	3.5
Profit before income tax expense		1,561.3	1,460.4
Income tax expense	4	(313.3)	(299.7)
Net profit for the period		1,248.0	1,160.7
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	19.9	(37.8)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains (losses) on defined benefit plans, net of tax	14	14.0	(54.4)
Total of other comprehensive income/(loss)		33.9	(92.2)
Total comprehensive income for the period		1,281.9	1,068.5
Earnings per share (based on net profit for the period)		US\$	US\$
Basic earnings per share	11	2.75	2.56
Diluted earnings per share	11	2.74	2.55

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

Consolidated Balance Sheet

As at 31 December 2019

	Notes	Consolidated Entity	
		December 2019 US\$m	June 2019 US\$m
CURRENT ASSETS			
Cash and cash equivalents	5	669.2	657.8
Receivables and contract assets		1,973.6	1,821.7
Inventories	6	3,226.6	3,038.8
Current tax assets		35.3	21.4
Other financial assets		2.8	0.4
Total Current Assets		5,907.5	5,540.1
NON-CURRENT ASSETS			
Property, plant and equipment	7	4,931.9	4,484.3
Intangible assets		1,885.5	1,878.3
Right-of-use assets		936.3	-
Deferred tax assets		380.9	378.7
Other receivables		16.5	21.6
Other financial assets		12.6	9.9
Retirement benefit assets		3.4	1.5
Total Non-Current Assets		8,167.1	6,774.3
TOTAL ASSETS		14,074.6	12,314.4
CURRENT LIABILITIES			
Trade and other payables		1,359.8	1,407.7
Interest-bearing liabilities	9	929.0	420.6
Current tax liabilities		246.5	162.2
Provisions		155.1	194.9
Deferred government grants		2.8	2.8
Total Current Liabilities		2,693.2	2,188.2
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	9	4,680.4	4,242.2
Retirement benefit liabilities	14	315.6	307.0
Deferred tax liabilities		177.4	168.7
Provisions		55.9	35.9
Deferred government grants		33.5	34.6
Other non-current liabilities		39.3	86.5
Total Non-Current Liabilities		5,302.1	4,874.9
TOTAL LIABILITIES		7,995.2	7,063.1
NET ASSETS		6,079.4	5,251.3
EQUITY			
Contributed equity	11	(4,575.9)	(4,603.0)
Reserves	12	299.8	242.0
Retained earnings		10,355.5	9,612.3
TOTAL EQUITY		6,079.4	5,251.3

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2019

Consolidated Entity	Contributed Equity US\$m		Foreign currency translation reserve US\$m		Share based payment reserve US\$m		Retained earnings US\$m		Total US\$	
	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018
As at the beginning of the period	(4,603.0)	(4,634.5)	(5.6)	29.1	247.7	195.1	9,612.3	8,490.2	5,251.4	4,079.9
Profit for the period	-	-	-	-	-	-	1,248.0	1,160.7	1,248.0	1,160.7
Other comprehensive income	-	-	19.9	(37.8)	-	-	14.0	(54.4)	33.9	(92.2)
Total comprehensive income for the period									1,281.9	1,068.5
Transactions with owners in their capacity as owners										
Opening balance sheet adjustment adopting AASB 15 (See annual financial report as at 30 June 2019)	-	-	-	-	-	-	-	74.0	-	74.0
Opening balance sheet adjustment adopting AASB 16 (see Accounting Policies disclosure)	-	-	-	-	-	-	(65.0)	-	(65.0)	
Share based payments	-	-	-	-	37.8	30.4	-	-	37.8	30.4
Dividends	-	-	-	-	-	-	(453.9)	(420.3)	(453.9)	(420.3)
Share issues										
– Employee share scheme	27.1	19.5	-	-	-	-	-	-	27.2	19.5
As at the end of the period	(4,575.9)	(4,615.0)	14.3	(8.7)	285.5	225.5	10,355.5	9,250.3	6,079.4	4,852.1

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

The format of the consolidated statement of cash flows was changed to the indirect method of presentation for the cash flows from operating activities. The prior comparative period was changed to align to the new format, which is informative in showing the impact of changes in the balance sheet on cash flows.

	Notes	Consolidated Entity	
		December 2019 US\$m	December 2018 US\$m
Cash Flows from Operating Activities			
Profit before income tax expense		1,561.3	1,460.4
Adjustments for:			
Depreciation, amortisation and impairment charges		204.3	165.9
Inventory provisions		86.7	57.0
Share-based payments expense		37.8	25.5
Finance costs		74.7	96.1
Loss (gain) on disposal of property, plant and equipment		3.8	(3.2)
Changes in assets and liabilities:			
Increase in trade and other receivables		(156.7)	(453.4)
Increase in inventories		(278.5)	(242.0)
Increase/(decrease) in trade and other payables		63.5	(104.0)
Increase/(decrease) in provisions and other		(35.9)	4.9
Income tax paid		(230.2)	(399.6)
Finance costs paid		(85.9)	(72.4)
Net cash inflow from operating activities		1,244.9	535.2
Cash flows from Investing Activities			
Payments for property, plant and equipment		(615.4)	(454.5)
Payments for intangible assets		(88.6)	(84.8)
Receipts/(payments) from other investing activities		18.1	(1.1)
Net cash outflow from investing activities		(685.9)	(540.4)
Cash flows from Financing Activities			
Proceeds from issue of shares		26.9	19.5
Dividends paid	11	(453.9)	(420.3)
Proceeds from borrowings	9	227.2	762.9
Repayment of borrowings	9	(346.4)	(503.5)
Other financing activities		(7.8)	(5.5)
Net cash (outflow) / inflow from financing activities		(554.0)	(146.9)
Net (decrease)/increase in cash and cash equivalents		5.0	(152.1)
Cash and cash equivalents at the beginning of the financial year		657.8	812.7
Exchange rate variations on foreign cash and cash equivalent balances		(3.1)	(15.7)
Cash and cash equivalents at the end of the period		659.7	644.9
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		669.2	665.8
Bank overdrafts		(9.5)	(20.9)
Cash and cash equivalents at the end of the period		659.7	644.9

Notes to the Financial Statements

For the Half-year ended 31 December 2019

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About this Report

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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 11 February 2020.

A description of the nature of the Group's operations and its principal activities is included in the directors' report.

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 2019.

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 2019 in accordance with the continuous disclosure obligations arising under ASX listing rules.

b. 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. The interim financial statements were prepared in accordance with AASB 134. It presents information on a historical cost basis, except for certain financial 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.

c. Principles of Consolidation

The consolidated financial statements comprise the financial statements of CSL and its subsidiaries as at 31 December 2019. 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.

The financial results 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.

d. 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 US dollars. Any exchange differences arising from the translation of a foreign operation previously recognised in other comprehensive income are not reclassified from equity to profit or loss until the disposal of the operation.

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 recognised in other comprehensive income and in the foreign currency translation reserve in equity.

e. 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 2019, except for the adoption of AASB 16 – Leases and IFRIC Interpretation 23 – Uncertainty over income tax treatments.

IFRIC 23 clarifies the application of recognition and measurement requirements of AASB 112 Income Taxes where there is uncertainty over income tax treatments. The adoption of this interpretation did not result in any material change to the financial statements of the group.

AASB 16 supersedes AASB 117 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group adopted AASB16 using the modified retrospective method of adoption with the date of initial application of July 1, 2019. The Group elected to use the transition practical expedient approach allowing the following:

- Standard to be applied only to contracts that were previously identified as leases applying AASB 117 and IFRIC 4 at the date of initial application;
- Recognition exemptions for lease contracts that, at initial application date, have a remaining lease term of 12 months or less;
- Recognition exemptions for lease contracts for which the underlying asset is of low value;
- Apply a single discount rate to a portfolio of leases with reasonable similar characteristics;
- Use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease; and
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application

The effect of adopting AASB 16 is as follow:

Impact on the balance sheet (increase/(decrease)) as at 1 July 2019

	US\$m
Assets	
Right-of-use assets	926
Finance lease assets	(11)
Total assets	915
Liabilities	
Interest-bearing liabilities	1,004
Finance lease liabilities	(11)
Asset retirement obligations	25
Trade and other payables	(29)
Deferred tax liabilities	(9)
Total liabilities	980
Equity	
Retained earnings	(65)

The Group has lease contracts for various items of plant, land and vehicles. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of income on a straight-line basis over the lease term. Any accrued rent was recognised under Trade and other payables.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied AASB 16 at the date of initial application as though effective at the commencement date of existing lease contracts. The comparative information in the interim consolidated financial statements has not been restated.

As at 1 July 2019:

- Right-of-use assets of \$926m were recognised and presented separately in the balance sheet. The right-of-use-asset at the time of adoption was the carrying amount as if the Standard had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

- Lease liabilities of \$1,004m were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and included under interest bearing liabilities
- Trade and other payables of \$29m related to previous operating leases were derecognised.
- Deferred tax liabilities decreased by \$9m because of the deferred tax impact of the changes in assets and liabilities.
- Finance lease assets and liabilities of \$11m were removed and included in right-of-use assets and liabilities
- Asset retirement obligations of \$25m were recorded.
- The net effect of these adjustments had been adjusted to Retained earnings (\$65m)

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

Operating Lease Commitments Reconciliation

	US\$m
Operating lease commitments as at 30 June 2019	735
Weighted Average Incremental Borrowing Rate	2.52%
Discounted Operating Lease Commitments as at 1 July 2019	669
Add:	
Commitments relating to leases previously classified as finance leases	11
Payments in optional extension periods not recognised as at 30 June 2019	324
Lease Liabilities as at 1 July 2019	1,004

For the six months ended 31 December 2019 included in the statement of income is depreciation of right-of-use assets of \$34m and interest expense of \$13m. Expense for these leases would have been recorded under rent expense prior to the adoption of AASB 16.

After adoption of AASB 16, the Group's cash flows from operating activities include payments for the interest portion of lease payments (included in borrowing costs paid) and cash flows from financing include repayment of the principal portion of the lease liabilities.

Below are the new accounting policies of the Group upon adoption of AASB 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised less any lease incentives received and initial direct costs. Unless the Group is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to annual impairment assessment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, such as a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption, which related to leases such as office photocopiers, gas storage cylinders, and other miscellaneous low value assets that would not have quantitative or qualitative significance to recognize in our adoption of AASB 16. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgements*Determination of the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Calculation of the incremental borrowing rates

The Group cannot readily determine the interest rate implicit in the lease contracts hence the present value of the Group's lease liabilities were estimated using the incremental borrowing rate based on the interest that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group used observable inputs such as market interest rates as applicable.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Plasma Centers	Office Leases	Warehouse Leases	Land Leases	Vehicles	Total	Lease liabilities
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
As at 1 July 2019	453	259	113	95	6	926	(1,004)
Additions	29	11	2	-	2	44	(44)
Depreciation expense	(11)	(19)	(4)	-	-	(34)	
Interest expense							(13)
Payments							37
As at 31 December 2019	471	251	111	95	8	936	(1,024)

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.

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), 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.
- **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 2019	December 2018	December 2019	December 2018	December 2019	December 2018
Sales and services to external customers	3,768.1	3,468.4	941.3	874.2	4,709.4	4,342.6
Pandemic Facility Reservation fees	-	-	72.3	65.3	72.3	65.3
Royalties and License revenue	94.4	85.3	-	-	94.4	85.3
Other revenue / Other income (excl interest income)	30.5	2.5	4.0	9.1	34.5	11.6
Total segment revenue	3,893.0	3,556.2	1,017.7	948.6	4,910.6	4,504.8
Segment Gross Profit	2,278.1	2,117.3	563.5	505.6	2,841.6	2,622.9
Segment Gross Profit %	58.5%	59.5%	55.4%	53.3%	57.9%	58.2%
Segment EBIT	1,288.7	1,249.3	343.3	303.7	1,632.0	1,553.0
Consolidated Operating Profit					1,632.0	1,553.0
Finance income					4.0	3.5
Finance costs					(74.7)	(96.1)
Consolidated profit before tax					1,561.3	1,460.4
Income tax expense					(313.3)	(299.7)
Consolidated net profit after tax					1,248.0	1,160.7
Amortisation	22.6	23.8	13.8	12.4	36.4	36.2
Depreciation	149.9	116.9	18.0	12.8	167.9	129.7
Segment EBITDA	1,461.1	1,390.0	375.1	328.9	1,836.3	1,718.9

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

Note 1: Segment Information and Business Combinations continued

	CSL Behring US\$m		Seqirus US\$m		Intersegment Elimination US\$m		Consolidated Entity US\$m	
	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019
Segment assets	12,606.5	11,249.7	1,865.0	1,333.5	(397.3)	(268.8)	14,074.6	12,314.4
Segment liabilities	7,510.5	6,697.3	882.1	634.6	(397.4)	(268.8)	7,995.2	7,063.1
Other Information – capital expenditure								
Payments for property, plant and equipment	568.9	1,017.0	46.5	100.6	-	-	615.4	1,117.6
Payments for intangibles	73.0	142.1	15.6	25.1	-	-	88.6	167.2
Total capital expenditures							704.0	1,284.8

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, 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'.

Geographic	Australia US\$m		United States US\$m		Germany US\$m		United Kingdom US\$m		Switzerland US\$m		China US\$m		Rest of World US\$m		Total US\$m	
	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018
External Operating Revenue	349.0	340.1	2,678.8	2,328.7	414.8	375.8	275.4	266.1	156.5	113.3	58.7	234.6	977.4	846.2	4,910.6	4,504.8
Geographic areas	Australia US\$m		United States US\$m		Germany US\$m		UK US\$m		Switzerland US\$m		China US\$m		Rest of world US\$m		Total US\$m	
	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019
PPE, ROU, and intangible assets	891.6	840.0	2,953.6	2,159.5	885.5	737.1	378.5	333.0	2,110.2	1,804.0	477.1	472.3	57.1	16.7	7,753.6	6,362.6

Note 2: Expenses

Expenses	December 2019 US\$m	December 2018 US\$m
Finance costs	77.0	61.1
Unrealised foreign currency (gain) loss on debt	(2.3)	35.0
Total finance costs	74.7	96.1
Depreciation and amortisation of fixed assets	167.9	129.7
Amortisation of intangibles	36.3	36.2
Total depreciation and amortisation expense	204.2	165.9
Write-down of inventory to net realisable value	86.7	57.0
Employee benefits expense	1,216.0	1,047.8

Recognition and measurement of expenses

Total finance costs: Includes interest expense & borrowing costs, including interest expense related to the adoption of AASB 16, which have been disclosed separately in section e of our significant accounting policies. Non-AASB 16 related interest expense and borrowing costs are recognised as an expense when incurred, except where finance costs are directly attributable to the acquisition or construction of a qualifying asset where they are capitalised as part of the cost of the asset. Capitalised interest for qualifying assets during the half-year ended 31 December 2019 was \$9.0m (2018: \$7.9m). 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 borrowing period using the effective interest method. Unrealised foreign currency gains/losses on debt is related to the EUR350m and CHF400m of Senior Unsecured Notes in the US Private Placement market.

Depreciation and amortisation: Depreciation and amortisation of fixed assets includes depreciation of fixed assets and right-of-use assets. Refer to FN8 Property, Plant, and Equipment and section e of our significant accounting policies for further information.

Write-down of inventory to net realisable value: Included in Cost of Sales in the Statement of Comprehensive Income. Refer to Note 6 for details of inventories.

Rental Expenses: The majority of rental expenses related to previously categorised operating leases are now reflected as depreciation expense under AASB 16, which we have disclosed separately in section e of our significant accounting policies. Therefore, rental expenses primarily include rental charges that did not meet the recognition criteria under AASB 16 and are charged to the statement of comprehensive income on a straight-line basis over the period of the rental period.

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: 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 2019, the research costs, net of recoveries, were \$445.5m (2018: \$391m). Further information about the Group's research and development activities can be found on the CSL website.

Note 4: Tax

	December 2019 US\$m	December 2018 US\$m
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	1,561.3	1,460.4
Income tax calculated at 30% (2018: 30%)	468.4	438.1
Effects of different rates of tax on overseas income	(154.7)	(152.1)
Research and development incentives	(16.8)	(10.5)
Under provision in prior year	10.6	-
Other, including non-deductible expenses	5.8	24.2
Income tax expense	313.3	299.7

Note 5: Cash and Cash Equivalents

	December 2019 US\$m	June 2019 US\$m
Reconciliation of cash and cash equivalents		
Cash at bank and on hand	571.3	653.8
Cash deposits	97.9	4.0
Total cash and cash equivalents	669.2	657.8

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.

Note 6: Inventories

	December 2019 US\$m	June 2019 US\$m
Raw materials	1,008.8	915.2
Work in progress	1,102.3	1,049.2
Finished products	1,115.5	1,074.4
Total inventories	3,226.6	3,038.8

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 7: Property, Plant and Equipment

During the half-year ended 31 December 2019, the Group acquired fixed assets with a cost of \$581.2m (2018: \$406.6m). Refer to section e in our significant accounting policies for right-of-use asset additions resulting from the adoption of AASB 16.

Note 8: Commitments and Contingencies

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 2019	June 2019
Not later than one year	578.4	802.0
Later than one year but not later than five years	42.7	148.4
Later than five years	-	-
Total	621.1	950.4

Note 9: Financial Instruments

For the half-year ended 31 December 2019, the Group has received gross proceeds from borrowings of \$227.2m comprising \$34.1m from net issuances of commercial paper and \$193.1m from the Group's bank facilities. Repayments totalling \$346.4m were primarily 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 and lease liability movements including adoption of AASB 16.

As at balance date the Group had \$925m in undrawn liquidity available under its bank debt facilities and \$534m under the commercial paper program.

Note 10: Share Based Payment Plans

In 2017 CSL introduced a new long term incentive framework. Legacy programs will cease to operate in 2020.

Long Term Incentives under the current framework

A face value equity allocation methodology, being a volume weighted average share price based on the market price of a CSL share at the time of grant, is used to determine the number of units granted to a participant under each of the shared based payment plans, which are as follows:

The Executive Performance and Alignment Plan (EPA) that grants Performance Share Units (PSU) to qualifying executives. Vesting is subject to continuing employment, satisfactory individual 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) grants Restricted Share Units (RSU) to qualifying employees. Participation in the RGP plan is broader than in the EPA plan. Vesting is subject to continuing employment and satisfactory individual performance.

Under both the EPA and annual RGP plans grants will vest in equal tranches on the first, second, third and fourth anniversaries of grant. For RGP commencement benefit awards, vesting dates will vary.

There have been no changes to the terms of grant of any existing instruments.

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. There is no exercise

price payable on PSUs or RSUs. On 1 September 2019, 231,742 PSUs and 419,673 RSUs were granted. The relevant tranche of PSUs and RSUs will exercise upon vesting on 1 September 2020, 2021, 2022, and 2023 and 1 March 2020, 2021, 2022, and 2023.

Legacy Share-based Long Term Incentives (LTI) issued in October 2015 and October 2016

Performance rights grants made in 2015 and 2016 will vest over a four year period with no retest. The EPS growth test has 100% vesting occurring at a 13% compound annual growth rate and the potential for additional vesting on the achievement of stretch EPS growth targets. The relative TSR test is against a cohort of global pharmaceutical and biotechnology companies 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 four year 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.

The Non-Executive Directors Plan (NED)

The Non-Executive Directors (NED) pay a minimum of 20% of their pre-tax base fee in return for a grant of Rights, each Right entitling a NED to acquire one CSL share at no further cost. There is a nominated restriction period, of three to fifteen years, after which the NED will have access to their shares.

On 22 August 2019, 3,106 Rights were granted under the NED vesting on 17 February 2020 and 24 August 2020.

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\$6,000 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 the vesting is conditional upon an unmet market condition.

Valuation assumptions and fair values of equity instruments granted

The model inputs for performance share units, restricted share units and GESP awards granted for the half-year ended 31 December 2019:

	Fair Value ¹	Share Price	Expected volatility ²	Life assumption	Expected dividend yield	Risk free interest rate
	A\$	A\$				
Performance Share Units (by grant date)						
1 September 2019 - Tranche 1	\$232.89	\$235.31	24.40%	12 months	1.03%	.66%
1 September 2019 - Tranche 2	\$230.50	\$235.31	21.48%	24 months	1.03%	.73%
1 September 2019 - Tranche 3	\$228.14	\$235.31	21.87%	36 months	1.03%	.72%
1 September 2019 - Tranche 4	\$225.80	\$235.31	21.32%	48 months	1.03%	.80%
Restricted Share Units (by grant date)						
1 September 2019 - Tranche 1	\$235.31	\$235.31	N/A	Nil	1.03%	1.00%
1 September 2019 - Tranche 1	\$234.10	\$235.31	21.15%	6 months	1.03%	.85%
1 September 2019 - Tranche 1	\$232.89	\$235.31	24.40%	12 months	1.03%	.66%
1 September 2019 - Tranche 2	\$231.70	\$235.31	22.94%	18 months	1.03%	.64%
1 September 2019 - Tranche 2	\$230.50	\$235.31	21.48%	24 months	1.03%	.73%
1 September 2019 – Tranche 3	\$229.33	\$235.31	20.78%	30 months	1.03%	.72%
1 September 2019 – Tranche 3	\$228.14	\$235.31	21.87%	36 months	1.03%	.72%
1 September 2019 – Tranche 4	\$226.98	\$235.31	21.54%	42 months	1.03%	.76%
1 September 2019 – Tranche 4	\$225.80	\$235.31	21.32%	48 months	1.03%	.80%
NED Rights (by grant date)						
22 August 2019 – Tranche 1	\$229.22	\$230.46	21.20%	6 months	1.10%	1.01%
22 August 2019 – Tranche 2	\$227.92	\$230.46	24.38%	12 months	1.10%	.87%
GESP (by grant date)³						
1 September 2019	\$78.11	\$240.87	20.0%	6 months	1.75%	1.75%

¹ PSUs are subject to a ROIC based performance measure.

² 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.

³ 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. The exercise price for the 1 September 2019 grant is \$162.76.

Note 11: Shareholder Returns**Dividends**

	Consolidated Entity	
	December 2019 \$m	December 2018 \$m
Dividends Paid		
Final ordinary dividend of US\$1.00 per share, unfranked, paid on 11 October 2019 for FY19 (prior year: US\$0.93 per share, unfranked, paid on 12 October 2018 for FY18)	453.9	420.3
Dividends determined, but not yet paid at the end of the half-year	431.2	386.5
Interim dividend of US\$0.95 per share, unfranked, expected to be paid on 9 April 2020. The aggregate amount of the proposed dividend will depend on the actual number of shares on issue at dividend record date (prior year: US\$0.85 per share, unfranked, paid on 12 April 2019).		

Earnings per Share

	December 2019	December 2018
Basic EPS	US\$2.75	US\$2.56
Weighted average number of ordinary shares	453,750,076	452,867,327
Diluted EPS	US\$2.74	US\$2.55
Adjusted weighted average number of ordinary shares, represented by:	455,411,362	454,519,609
Weighted average ordinary shares	453,750,076	452,867,327
Plus:		
Employee share options	256,379	351,683
Employee performance rights ³	294,319	549,901
Global employee share plan	40,369	31,395
Performance and restricted share units	1,070,219	719,303

Contributed Equity

The following table illustrates the movement in the Group's contributed equity.⁴

	December 2019	
	Numbers of shares	US\$m
Opening balance at 1 July	453,138,632	(4,603.0)
Shares issued to employees:		
Performance Options Plan	256,361	15.5
Performance Rights Plan (for nil consideration)	131,921	
Retain and Grow Plan (for nil consideration)	147,999	
Executive Performance & Alignment plan (for nil consideration)	91,822	
Global Employee Share Plan (GESP)	104,722	11.6
Closing balance	453,871,457	(4,575.9)

⁴ 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 12: Equity and Reserves**(a) Contributed Equity**

	December 2019 US\$m	June 2019 US\$m
Ordinary shares issued and fully paid	-	-
Share buy-back reserve	(4,575.9)	(4,603.0)
Total contributed equity	(4,575.9)	(4,603.0)

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.

(b) Reserves**Movement in reserves**

	Share-based payments reserve (i) US\$m		Foreign currency translation reserve (ii) US\$m		Total US\$m	
	December 2019	June 2019	December 2019	June 2019	December 2019	June 2019
Opening balance	247.7	195.1	(5.6)	29.1	242.1	224.2
Share-based payments expense	37.8	52.0	-	-	37.8	52.0
Deferred tax on share-based payments	-	0.6	-	-	-	0.6
Net exchange gains / (losses) on translation of foreign subsidiaries, net of hedge	-	-	19.9	(34.7)	19.9	(34.7)
Closing balance	285.5	247.7	14.3	(5.6)	299.8	242.0

Note 13: Net Tangible Assets Backing

	December 2019 US\$	June 2019 US\$
Net tangible assets backing per ordinary share	6.78	7.04

The net tangible assets backing per ordinary share calculation is impacted by the adoption of AASB 16 Leases (see note e) as right of use assets and contract assets (recognised per AASB-15 Revenue from Contracts with Customers) are deemed to be intangible assets.

Note 14: Retirement Benefit Liabilities

The Group sponsors a range of defined benefit pension plans, full details can be found in Note 18 to the June 2019 Financial Statements. During the half-year ended 31 December 2019 the obligations under these plans increased from \$307.0m to \$315.6m. This increase is largely a result of a decrease in the discount rate applicable to the valuation of liabilities for CSL Behring GmbH. 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 31 December 2019.

Note 15: New and Revised Accounting Standards

The Group has adopted, for the first time, certain standards and amendments to accounting standards. The adoption of AASB 16 Leases and IFRIC Interpretation 23 – Uncertainty over income tax treatments as of 1 July 2019 has been disclosed in these financial statements.

Note 16: 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.

Directors' Declaration

In the opinion of the Directors:

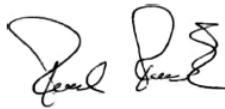
- a) the financial statements and notes of the company and of the Group are in accordance with the Corporations Act 2001 (Cth), including:
 - i. giving a true and fair view of the company's and Group's financial position as at 31 December 2019 and of their performance for the year ended on that date of the consolidated entity; and
 - ii. complying with Australian Accounting Standards AASB 134 Interim Financial Reporting 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.

This declaration is made in accordance with a resolution of the directors.



Brian McNamee AO
Chairman

Melbourne
11 February 2020



Paul Perreault
Managing Director

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 2019, 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 2019 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 2019 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
11 February 2020

Kylie Bodenham
Partner
Melbourne