

**CSL LIMITED**  
**ANNUAL REPORT**  
**2012-2013**

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**CSL™**



## FINANCIAL CALENDAR

### 2013

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

### 2014

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

## ANNUAL GENERAL MEETING

Wednesday 16 October 2013 at 10:00am  
Function Centre, National Tennis Centre  
Melbourne Park, Batman Avenue  
Melbourne 3000

### AGM LIVE WEBCAST

The CSL Limited Annual General Meeting will be webcast through CSL's website: [www.csl.com.au](http://www.csl.com.au)

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

## SHARE REGISTRY

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

Postal Address: GPO Box 2975  
Melbourne VIC 3001

Enquiries within Australia: 1800 646 882

Enquiries outside Australia: +61 3 9415 4178

Investor enquiries facsimile: +61 3 9473 2500

Website: [www.investorcentre.com](http://www.investorcentre.com)

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## ABOUT CSL

*CSL Limited has over 11,000 staff in more than 27 countries. We produce life-saving and life-enhancing medicines that enable many thousands of people around the world to lead normal healthy lives. Our headquarters is in Australia and we have substantial manufacturing operations in the US, Germany, Switzerland and Australia.*

CSL is a global specialty biopharmaceutical company that researches, develops, manufactures and markets biotherapies to treat and prevent serious and rare medical conditions. We produce safe and effective therapies for patients who rely on them for their quality of life, and sometimes for life itself.

Innovation is at the heart of everything we do. It is reflected in our creation of state-of-the-art plasma collection and

manufacturing facilities, right through to our investment in the development of new and improved therapies for unmet patient needs.

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

CSL's continuing priority is to develop innovative therapies and programs that make a real and lasting difference to the lives of people who use our products, providing new medicines for unmet needs and continuous improvement of our protein-based therapies. To achieve this, we invest in life cycle management and market development for existing products, as well as longer term, new product development opportunities.



# OUR BUSINESSES

## CSL BEHRING

CSL Behring is a global leader in biotherapies with the broadest range of quality products in our industry and substantial markets in the US, Europe, Australia and Japan.

Our therapies are indicated for treatment of coagulation disorders including haemophilia and von Willebrand disease, primary immune deficiencies, hereditary angioedema and inherited respiratory disease.

CSL Behring products are also used to prevent haemolytic disease in newborns, speed recovery from heart surgery, prevent infection in people undergoing solid organ transplants, and help victims of shock and burns to recover faster.

## bioCSL

At Parkville in Melbourne, bioCSL operates one of the largest influenza vaccine facilities in the world, manufacturing seasonal and pandemic influenza vaccines for global markets.

bioCSL also develops, manufactures and markets immuno-haematology products (diagnostic reagents) for Australia and the Asia Pacific, markets and distributes in-licensed vaccines and pharmaceuticals in Australia and New Zealand, and manufactures and distributes antivenoms for Australia and Papua New Guinea.

## RESEARCH AND DEVELOPMENT

CSL continues to invest in the development of protein-based medicines to treat serious human illnesses. Today, most of our licensed medicines are purified from human plasma or made from traditional sources. In addition, CSL is building the capabilities required to develop future products using recombinant DNA technology.

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



1. **BERN Switzerland**  
**CSL Behring**  
R&D, Manufacturing, Commercial Operations
2. **MARBURG Germany**  
**CSL Behring**  
R&D and Manufacturing
3. **GOETTINGEN Germany**  
**CSL Plasma**  
Testing Laboratory  
**HATTERSHEIM Germany**  
**CSL Behring**  
**bioCSL**  
Commercial Operations  
**SCHWALMSTADT Germany**  
**CSL Plasma**  
EU Logistics Centre
4. **TOKYO Japan**  
**CSL Behring**  
R&D, Commercial Operations and Distribution
5. **MELBOURNE Australia**  
**CSL Limited**  
R&D, Group Head Office  
**bioCSL**  
R&D, Manufacturing, Commercial Operations, Warehousing and Distribution  
**CSL Behring**  
R&D, Manufacturing, Commercial Operations and Distribution
6. **KANKAKEE US**  
**CSL Behring**  
R&D and Manufacturing
7. **KING OF PRUSSIA US**  
**CSL Behring**  
Administration, R&D, Commercial Operations and Distribution  
**bioCSL**  
Commercial Operations
8. **INDIANAPOLIS US**  
**CSL Plasma**  
Logistics Centre
9. **MESQUITE US**  
**CSL Plasma**  
Logistics Centre
10. **KNOXVILLE US**  
**CSL Plasma**  
Testing Laboratory
11. **BOCA RATON US**  
**CSL Plasma**  
Administration

## BUSINESS HIGHLIGHTS

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CSL HAS RECORDED ANOTHER YEAR OF STRONG BUSINESS PERFORMANCE WITH CONTINUING SALES GROWTH ACROSS OUR PLASMA PRODUCTS PORTFOLIO AND IMPROVED EFFICIENCIES ACHIEVED THROUGHOUT OUR GLOBAL ORGANISATION. AT THE SAME TIME, LOOKING TO FUTURE MARKET GROWTH, CSL HAS REMAINED FOCUSED ON EXPANDING MANUFACTURING CAPACITY, DEVELOPING NEW MEDICINES AND ENHANCING FINANCIAL MANAGEMENT.

> Given the predominance of US dollars as the currency for CSL's global sales and commencing with the announcement of our first half results in February 2013, CSL has now fully moved to reporting in US dollars as foreshadowed when announcing our results in August last year.

> Net profit after tax was US\$1,216 million for the year ended 30 June 2013. This result included an unfavourable foreign exchange impact of US\$18 million. On a constant currency basis<sup>2</sup>, operational net profit after tax was US\$1,234 million.

> CSL has maintained a strong balance sheet with US\$762 million cash on hand against borrowings of US\$1,679 million. Cash flow from operations was US\$1,312 million. Our latest buyback of up to A\$900 million together with previous buybacks has contributed to a 4.9% boost to earnings per share.

> Immunoglobulin sales continued at a strong pace with Hizentra<sup>®</sup> a top performer in both the US and Europe, and with Privigen<sup>®</sup> growth assisted by European approval for its use in management of chronic inflammatory demyelinating polyneuropathy. Growth in albumin sales was driven by demand in Asia and Europe. Specialty product highlights included strong sales of Haemocomplettan<sup>®</sup> supported by increased use in management of perioperative bleeding, and the US launch of Kcentra<sup>™</sup>, our prothrombin complex concentrate for warfarin reversal in patients with acute bleeding.

> A highlight of our investment in research and development this year has been the continued advancement in the development of a family of recombinant coagulation factor therapies to treat haemophilia and other bleeding disorders.

> CSL Plasma continues to upgrade and expand the capacity of plasma collection centres and open new facilities. This year nine new collection centres and a new logistics centre were opened in the US, and work has substantially progressed to double the size of plasma testing facilities in Knoxville, Tennessee.

> At our Broadmeadows site in Australia, construction of a new cell culture biotechnology facility has been completed and test batches of recombinant proteins have been made in preparation for the production of clinical trial material in the first quarter of 2014.

> A significant business reorganisation this year has been the integration of Australian plasma operations into CSL Behring, creating a single global plasma business. As part of the reorganisation, the Australian-based vaccines, pharmaceuticals, diagnostics and logistics operations have been combined under a new stand-alone business unit called bioCSL.

> Capacity expansion programs are underway in the US (Kankakee and CSL Plasma), Switzerland (Bern), Germany (Marburg) and Australia (Broadmeadows). These investments will help meet future increased demand for our plasma products.

> bioCSL received a contract from the US Government to supply pre-pandemic and pandemic influenza vaccine antigens and related services if required, and has also entered into a contract with the Australian Government to supply H5N1 influenza vaccine for a pre-pandemic stockpile.

> Also at Broadmeadows, construction of a manufacturing plant for the production of Privigen® is now complete with equipment installed and commissioning commenced. This 15 million gram capacity facility is due to become fully operational by 2016.

# FINANCIAL HIGHLIGHTS



## FIVE YEAR SUMMARY

ALL FIGURES ARE IN US\$ MILLION UNLESS STATED OTHERWISE <sup>(3)</sup>

	2012-13 CONSTANT CURRENCY <sup>(2)</sup>	2012-13 REPORTED <sup>(1)</sup>	2011-12 REPORTED <sup>(3)</sup>	2010-11 REPORTED <sup>(3)</sup>	2009-10 REPORTED <sup>(3)</sup>	2008-09 REPORTED <sup>(3)</sup>
TOTAL REVENUE	5,236	5,130	4,814	4,228	4,058	3,724
SALES REVENUE	5,056	4,950	4,616	4,097	3,909	3,412
R&D INVESTMENT	434	427	370	323	278	226
PROFIT BEFORE INCOME TAX EXPENSE	1,492	1,467	1,270	1,167	1,207	1,010
NET PROFIT	1,234	1,216	1,024	918	921	845
CAPITAL INVESTMENT		450	309	197	215	195
TOTAL ASSETS AT 30 JUNE		5,976	5,901	5,447	4,865	5,977
TOTAL EQUITY AT 30 JUNE		3,007	3,477	3,917	3,591	4,432
NET TANGIBLE ASSETS PER SHARE AT 30 JUNE (\$)		4.41	5.15	5.68	5.10	6.08
WEIGHTED AVERAGE NUMBER OF SHARES (MILLION)		499	519	541	567	595
BASIC EARNINGS PER SHARE (\$)		2.439	1.972	1.698	1.625	1.420
DIVIDEND PER SHARE (\$)		1.020	0.865	0.781	0.700	0.516

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

(2) Constant currency removes the impact of exchange rate movements to facilitate comparability by restating the current year's rates. For further details please refer to the Director's Report on page 43.

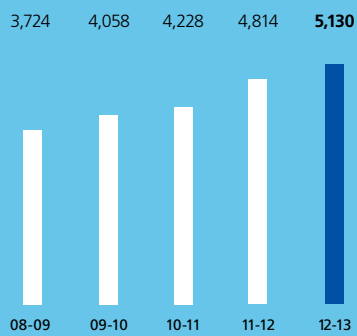
(3) The results in US dollars have been prepared using the methodology outlined in Note 1 (a) to the Financial Statements.

(4) For shareholders with an Australian registered address, dividends will be paid in A\$ at an amount of A\$0.5698 per share (at an exchange rate of A\$1.0957/US\$1.0000), and for shareholders with a New Zealand registered address, dividends will be paid in NZD at an amount of NZ\$0.6506 per share (at an exchange rate of NZ\$1.2511/US\$1.0000). The exchange rates used are fixed at the date of dividend determination. All other shareholders will be paid in US\$.

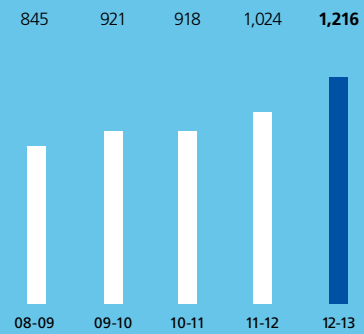


## FINANCIAL PERFORMANCE IN US\$<sup>(3)</sup>

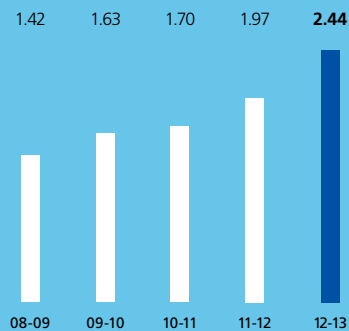
### CSL TOTAL REVENUE (US\$ MILLIONS)



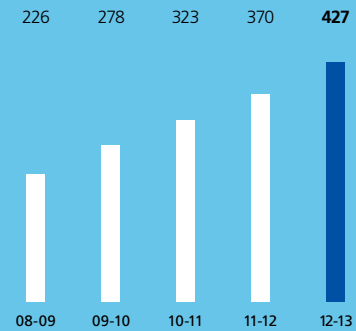
### CSL NET PROFIT (US\$ MILLIONS)



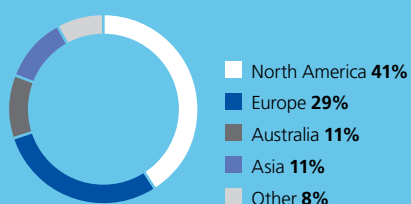
### CSL EARNINGS PER SHARE (US\$)



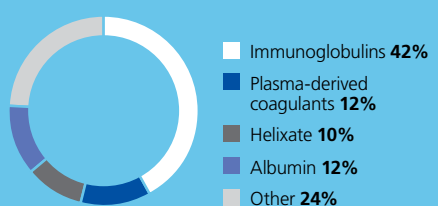
### CSL R&D INVESTMENT (US\$ MILLIONS)



### CSL GROUP SALES BY REGION 2012-13



### CSL GROUP SALES BY MAJOR PRODUCTS 2012-13



# YEAR IN REVIEW

## DIVIDENDS AND FINANCIAL RESULTS

CSL's net profit after tax was US\$1,216 million for the year ended 30 June 2013. On a constant currency<sup>2</sup> basis, operational net profit after tax was US\$1,234 million.

On 5 April 2013, CSL shareholders received an interim unfranked dividend of US\$0.50 per share. A final unfranked dividend of US\$0.52 per share will be paid on 4 October 2013. Total ordinary dividends for the year were US\$1.02 per share.

On 17 October 2012, CSL announced an on-market share buyback of up to A\$900 million which, as of 30 June 2013, was 95% complete with approximately 14.9 million shares repurchased for approximately A\$852 million.

The benefit to shareholders comes from improved investment return ratios, including earnings per share and return on equity. This latest buyback together with previous buybacks has contributed to a 4.9% boost to earnings per share.

On 26 March 2013, CSL completed a US\$500 million private placement in the US. The proceeds will be used to fund CSL's capital management plan, including on-market share buybacks, and for general corporate purposes.

*CSL business activities reported on here include CSL Behring, bioCSL and our global research and development operations.*

## CSL BEHRING

Strong demand for CSL Behring's plasma products delivered sales of US\$4.5 billion this year, up 10% in constant currency<sup>2</sup>. North American sales have continued to grow, well supported by European and emerging markets.

CSL Behring's albumin portfolio delivered sales of US\$601 million, up 28% in constant currency<sup>2</sup>, predominantly driven by strong demand in Asia. Europe offers further scope for growth underpinned by the favourable re-evaluation of albumin for use in intensive care situations.

A strong performance from specialty products contributed sales of US\$719 million, up 17% in constant currency<sup>2</sup>. Haemocompletan<sup>®</sup> fibrinogen concentrate sales grew, due mostly to its increased use in managing perioperative bleeding. The April 2013 US launch of Kcentra<sup>™</sup>, our prothrombin complex concentrate, addresses a significant



**PROFESSOR JOHN SHINE AO**  
CHAIRMAN

**PAUL PERREAULT**  
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

unmet medical need. The first US FDA-approved 4-Factor prothrombin complex concentrate for urgent warfarin reversal in patients with acute bleeding, Kcentra™ is a promising addition to our specialty care product portfolio. Sales of Beriplex®/Confidex® human prothrombin complex concentrate increased, driven by demand in France. Factor XIII concentrate Fibrogammin®/Corifact® sales also grew. In February 2013, Corifact® received US FDA approval for an expanded indication in perioperative management of surgical bleeding in both adult and paediatric patients with congenital factor XIII deficiency. Berinert® C1 esterase inhibitor therapy achieved sales growth and in April 2013 received approval from European health authorities for short-term prophylaxis use in adults and children.

Immunoglobulin portfolio sales continued at a strong pace increasing to US\$2,081 million, up 9% in constant currency<sup>2</sup>. Hizentra® subcutaneous immunoglobulin remains a top performer in both Europe and the US with an impressive increase in sales. Our intravenous immunoglobulin (IVIg) sales grew well, supported strongly by global growth in demand for Privigen®. The European Commission granted marketing authorisation for Privigen® for use in managing chronic inflammatory demyelinating polyneuropathy (CIDP), a very positive step for patients with this rare and serious neurological condition. In February 2013, the FDA approved a 40g (400 mL) vial size for Privigen® – the largest IVIg vial size now available in the US. The new vial size simplifies preparation and administration of the product when high volumes are required.

CSL Behring's coagulation portfolio achieved sales of US\$1,090 million, up 2% in constant currency<sup>2</sup>. Plasma-derived factor VIII products grew, led by Beriate® which grew in volume of units sold, largely arising from stronger

demand in Latin America, particularly Brazil. However, sales from this volume growth were offset to some extent by the ongoing geographic sales shift towards lower priced emerging markets. Recombinant factor VIII sales declined slightly, influenced by the number of clinical trials underway for new generation recombinant factor VIII products where patients receive clinical trial products at no cost.

During the year, plasma product manufacturing operations at Broadmeadows in Melbourne were integrated with the CSL Behring business with responsibilities, structures and systems successfully aligned in preparation for an expanded international role.

To meet increasing demand for our products, CSL Behring is engaged in capacity expansion programs at Bern (Switzerland), Broadmeadows (Australia), Kankakee (US), and Marburg (Germany) to increase production of immunoglobulin, albumin and speciality products. Bern's additional capacity was approved for use in December 2012 by Swissmedic and in January 2013 by the US FDA, and Bern also opened a new logistics and services centre in September 2012. Construction of expanded capacity for base fractionation and albumin at Kankakee and Privigen® at Broadmeadows has been completed. Commissioning of the Broadmeadows facility has commenced, and is well progressed at the Kankakee facility. At Marburg, facilities for the manufacture of Beriplex® are being expanded to meet increasing demand.

CSL Behring's plasma collection business, CSL Plasma, opened 9 new plasma collection centres this fiscal year, continuing to ensure the ability to meet projected needs for this critical raw material. We now operate 88 plasma collection centres around the world. CSL

Plasma has also substantially progressed work to double the size of plasma testing facilities in Tennessee (US) this year and brought nucleic acid amplification testing of plasma in-house, another step in ongoing moves towards greater operational efficiency. In June 2013, CSL Plasma opened a second plasma logistics centre, located in Texas (US), adding to our existing logistics capacity in Indiana (US).

A new cell culture biotechnology manufacturing facility at Broadmeadows has been completed on time and on budget, test batches of recombinant proteins have been successfully manufactured, and production of clinical trial materials is scheduled for the first quarter of 2014. The first product to be manufactured in the facility will be our recombinant factor VIIa-FP therapy currently under development.

Work on the Broadmeadows Privigen® facility has progressed well with major milestones achieved this year. Construction is now complete, equipment has been installed and commissioning commenced. This 15 million gram capacity facility is due to become fully operational by 2016.

The European Medicines Agency has recommended marketing authorisation be granted for Voncento™, for the treatment of von Willibrand's Disease and Haemophilia A, and this is now with the European Commission seeking ratification. European market acceptance of Voncento™ would expand the global role of our Australian business.

Evogam® and Intragam® 10 NF have both been added to the National Products and Services List in Australia. Evogam® was also launched in New Zealand. Evogam® is a 16% subcutaneous immunoglobulin. Intragam® 10 NF is a 10% intravenous immunoglobulin. Both are high-yielding and chromatically-purified products.

## YEAR IN REVIEW CONTINUED

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### bioCSL

Following a reorganisation of Australian business operations this year, CSL's Australian-based vaccines, pharmaceuticals, diagnostics and logistics operations have been combined under a new stand-alone business unit called bioCSL. Sales for bioCSL reached US\$449, an increase of 8% on the previous year in constant currency<sup>2</sup>.

bioCSL has continued to supply influenza vaccine to established markets in the US, United Kingdom and Germany. In April 2013, bioCSL moved back into production of Southern Hemisphere vaccine to provide additional supplies for the Australian Government following higher than expected demand. However, the Australian and international operating environment has put the influenza business under significant competitive pressure.

In January 2013, CSL concluded its scientific investigations into the cause of the paediatric adverse events associated with bioCSL's 2010 seasonal influenza vaccine. The full results of the investigations have been submitted for publication in a peer-reviewed journal, and findings are being incorporated into product development studies that seek to reduce the reactogenicity of bioCSL's seasonal influenza vaccine in children.

Official notification of the close-out of the May 2011 FDA Warning Letter was received in August 2012, formally acknowledging the resolution of compliance issues identified by the FDA at our Parkville manufacturing site.

bioCSL's pandemic influenza vaccine capabilities were recognised this year with a contract to supply pre-pandemic and pandemic vaccine antigens and related services to the US Government if required. As part of this contract, our scientists are working on the development of a master seed for the H7N9 influenza virus that emerged in China in March 2013. bioCSL also received a contract from the Australian Government to supply H5N1 influenza vaccine for a pre-pandemic stockpile.

Merck, Sharp and Dohme Corp. (Merck) extended its Australian Distribution Agreement with bioCSL until 2022 for a range of Merck vaccines including ZOSTAVAX\* (for the prevention of shingles), Pneumovax-23\* (for the prevention of pneumococcal infections) and RotaTeg\* (for the prevention of gastroenteritis caused by rotavirus infection). In addition, Merck and bioCSL agreed to transition US rights to market and distribute bioCSL's influenza vaccine, AFLURIA™, back to CSL. As a result, bioCSL will resume AFLURIA™ distribution in the US for the 2014-2015 influenza season.

bioCSL's in-licensing business includes vaccines and pharmaceutical products for distribution in Australia and New Zealand. This year we successfully listed ProQuad\* (for the prevention of measles, mumps, rubella and varicella virus) on the Australian National Immunisation Program, and launched four vaccines: ZOSTAVAX\* (for the prevention of shingles) on the private market in Australia and Dukoral\* (for the prevention of cholera), Vivotif Oral\* (for the prevention of typhoid) and JESPECT\* (for the prevention of Japanese Encephalitis) in New Zealand.

Sales of GARDASIL\* vaccine into Australia grew strongly following the commencement in February 2013 of the HPV National Immunisation Program for boys aged 12 and 13 years. The vaccine is being made available through a school-based program. Merck & Co Inc. is CSL's exclusive licensee for GARDASIL\* vaccine with global marketing rights. bioCSL retains distribution rights for Australia and New Zealand.

Our logistics business includes an Australia-wide cold chain and ambient distribution service for vaccines and prescription medicines. This year, bioCSL entered into contracts with New South Wales Health and the Western Australian Department of Health to provide them with storage and distribution services for government funded vaccine programs.

As part of our commitment to improving access to our medicines in developing countries, bioCSL donated 97,000 doses of influenza vaccine to the US Centre for Disease Control Foundation and continued work towards the establishment of a not-for-profit toxinology centre in Papua New Guinea (PNG) with the PNG Government, the University of PNG and the Australian Venom Research Unit at Melbourne University. The toxinology centre aims to reduce the burden of snake bite in PNG.

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\* Trademarks

GARDASIL, Pneumovax-23, ProQuad, RotaTeg and ZOSTAVAX are trademarks of Merck & Co. Inc. JESPECT is a trademark of Intercell AG. Vivotif Oral and Dukoral are trademarks of Crucell.



RECENTLY, CSL'S NEW CEO AND MANAGING DIRECTOR, PAUL PERREAULT MET WITH IRENE KIESS AND OTHER SCIENTISTS AT CSL'S RESEARCH FACILITY AT BIO21 IN MELBOURNE. IN JULY 2013, PAUL ALSO HELD TOWN HALLS AT PARKVILLE AND BROADMEADOWS TO DISCUSS KEY ASPECTS OF HIS VISION FOR CSL'S FUTURE DIRECTION.

## RESEARCH AND DEVELOPMENT

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

Achieving licenses and expanding the medically justified use of therapies in major regulatory jurisdictions is a critical objective of our R&D programs. During the year, following many years of substantial effort by a large number of our people, the FDA approved Kcentra™ for urgent warfarin reversal in patients with acute major bleeding. Kcentra™ is the first approved 4-Factor Prothrombin Complex Concentrate for acquired coagulation factor deficiency induced by vitamin K antagonist (warfarin) therapy in patients with acute major bleeding in the US (see feature on page 23). The FDA also approved an expanded indication for Corifact® Factor XIII Concentrate to include the perioperative management of surgical bleeding in adult and paediatric patients with congenital factor XIII deficiency.

The European health authorities granted marketing authorisation for the use of Privigen® 10% intravenous immunoglobulin in the treatment of patients with chronic inflammatory demyelinating polyneuropathy (CIDP), a rare disorder of the peripheral nerves. European authorities also approved the extended use of Berinert® C1-esterase inhibitor (C1-INH) concentrate for prevention (short-term prophylaxis) of acute episodes of hereditary angioedema (HAE), a rare and life-threatening genetic disorder, in patients about to undergo surgical procedures. This preventative therapy supports the established recommendations for the use of Berinert® as treatment for the prevention of HAE attacks.

Advancement of the development of a family of novel longer-acting recombinant coagulation factor medicines to progress the care of people with haemophilia and other coagulation disorders continued during 2012/13. These medicines include the extended half-life albumin fusion proteins rIX-FP (recombinant fusion protein linking coagulation factor IX with albumin), rVIIa-FP (recombinant fusion protein linking coagulation factor VIIa with

albumin) and a unique single-chain rFVIII (rVIII-SC) product. If successful these innovative medicines should result in a marked reduction of frequency of administration compared to current treatments and significantly increase convenience for patients.

Important milestones in the past year included the demonstration of prolonged half-life and clinical efficacy of rIX-FP for once weekly prophylaxis in an international Phase I/II trial, supporting the potential of less frequent infusions for patients with severe haemophilia B; demonstration of improved half-life of rVIII-SingleChain and progression to Phase III of a Phase I/III study in haemophilia A patients; and successful completion of a Phase I study investigating the safety and pharmacokinetics of rVIIa-FP in healthy volunteers.

CSL's new state-of-the-art cell culture biotechnology facility at our Broadmeadows site in Melbourne will enhance our ability to take these and other recombinant products into the clinic and ultimately to patients.

Significant progress has been made in unlocking the medical significance and value of our specialty plasma-derived

## YEAR IN REVIEW CONTINUED

products. A Phase III multi-site clinical trial continued evaluating the efficacy and safety of fibrinogen in controlling microvascular bleeding during aortic aneurysm surgery. A Phase II study evaluating a convenient volume-reduced, subcutaneous formulation of Berinert® in patients with HAE was successfully completed supporting initiation of Phase III development.

We continue to provide support to our immunoglobulin franchise. Following the successful demonstration of the safety and efficacy of Privigen® in treating CIDP, an international Phase III study is progressing testing Hizentra® 20% subcutaneous immunoglobulin for CIDP. These studies aim to provide greater flexibility and control for patients who require long-term immunoglobulin therapy. A Phase III study was also completed supporting the efficacy and safety of Hizentra® in Japanese patients with Primary Immunodeficiency Disease. Based on these results a new drug application (NDA) was submitted to the Pharmaceutical and Medicines Devices Agency (PMDA) in Japan.

An R&D priority is the development of new breakthrough medicines such as reconstituted high density lipoprotein (rHDL). Following Phase I studies

supporting possible use of rHDL in acute coronary syndromes a Phase IIa study has been completed and planning for a Phase IIb trial commenced. Significant progress has also been made in the earlier stage recombinant monoclonal antibody (mAb) projects, including the anti-IL-3R mAb where data supporting its use in acute myeloid leukaemia (AML) lead to the commencement of a Phase I clinical study in AML during the year. Other studies also support the potential value of the anti-IL-3R mAb in treating a serious autoimmune disease. New research data from rodent models strongly supporting the potential role for an anti-VEGFB rMAb as a novel treatment of type II diabetes were summarised in two publications in Nature.

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

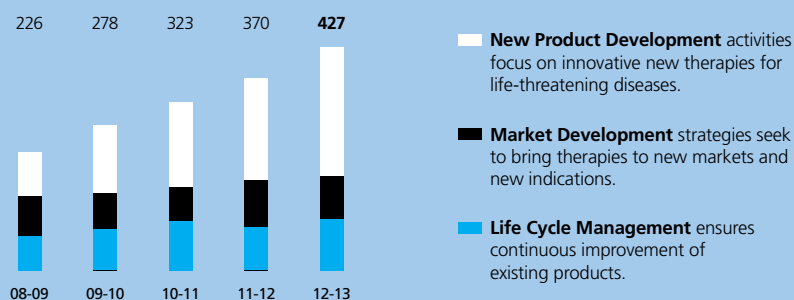
## CORPORATE RESPONSIBILITY

CSL is committed to conducting business ethically and contributing to the economic, social and environmental well-being of our communities. In November 2012, CSL published its fourth Corporate Responsibility Report.

In recognition of our performance and commitment to providing stakeholders with comprehensive and balanced information, CSL retained its listing on the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards.

In July 2013, we released the second edition of our Code of Responsible Business Practice (the Code). The Code defines the standards of behaviour expected of all our employees, and also our contractors, suppliers and distributors, when they are conducting CSL's business. The updated version of the Code, which has been translated in 15 languages, is the result of an extensive internal review process as well as external benchmarking. We have incorporated feedback from our employees and introduced a number of scenarios to demonstrate how to apply the Code in day-to-day work situations.

### CSL RESEARCH AND DEVELOPMENT INVESTMENT (US\$ MILLIONS)



**OUR PEOPLE**

Recognising that our talented and diverse workforce is critical to CSL's continued growth and success, we are committed to seeking out and retaining the best people.

CSL has a strong diversity position. The CSL Board and Senior Management believe this is fundamentally the result of a strongly inclusive culture. Our management at all sites around the world are encouraged to implement diversity-related initiatives consistent with local laws, practices and culture.

In the area of gender diversity, CSL has a long history of implementing programs and policies supporting the retention and career progression of qualified and experienced women in the workplace. This year the CSL Board established a number of measurable objectives supporting gender diversity and we have reported progress against these objectives in our Corporate Governance Statement (see page 39). Your Board has also established a number of further measurable objectives for 2013-2014 (see page 40).



**APPOINTED TO THE CSL BOARD IN AUGUST 2013, MARIE MCDONALD IS CHAIR OF THE CORPORATIONS COMMITTEE OF THE BUSINESS LAW SECTION OF THE LAW COUNCIL OF AUSTRALIA.**

CSL undertakes a global employee survey every few years, most recently in February 2013 when 65% of employees participated. Significant attention is given to analysing the response and creating action plans. The survey continued to show our employees have a positive view of the Company with 16 out of 19 Key Performance Indicators being areas of best practice or strength. The strongest attributes globally were seen as Quality, Achievement and Customer Focus.

**OUR THANKS**

On 30 June 2013, CSL said farewell to Dr Brian McNamee as Chief Executive Officer and Managing Director after 23 years of outstanding leadership during which time the Company has become a global market leader in plasma protein therapies. We thank Brian for the drive and vision instrumental in building CSL's business through innovative R&D, operational excellence and absolute commitment to patients.

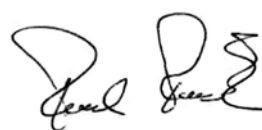
CSL Behring is committed to saving lives and improving the quality of life for people with rare and serious diseases worldwide. Often our patients have few treatment options and require our therapies to maintain a good quality of life and, in many cases, for life itself. We offer the broadest range of products and therapeutic options in the plasma-protein biotherapeutics industry.

The operational excellence of CSL's global business demands a culture of close co-operation – from the smallest local teams to our most complex international in-house relationships. This is how we fulfil our obligations to the people who depend on our therapies for their quality of life.

Your Board of Directors recognises and appreciates that CSL's success is built on the hard work and strong commitment of dedicated management and staff who daily represent us in many countries around the world.



**Professor John Shine AO**  
 Chairman



**Paul Perreault**  
 Chief Executive Officer  
 and Managing Director

## CSL BEHRING

### CSL Behring develops therapies to treat rare and serious conditions as though patients' lives depend on them – because they do.

Around the world, CSL Behring brings life-saving and life-enhancing therapies to people with primary immune deficiencies, bleeding disorders (including haemophilia, congenital fibrinogen deficiency and von Willebrand disease), hereditary angioedema, certain neurological disorders, inherited respiratory disease and other serious conditions. Our products are also used to prevent haemolytic disease in newborns, speed recovery after heart surgery, prevent infection in people undergoing solid organ transplants, and to help victims of shock and burns to recover faster.

We listen carefully to the concerns of the patients and caregivers we serve and then work to address their needs. Not only do we provide safe and effective products aimed at delivering a better quality of life, CSL Behring also offers programs and educational tools that help patients and families manage the daily challenges of living with a chronic condition. We also collaborate with patient groups and policy makers around the world to advocate for patient access to care.

CSL Behring has a long history of manufacturing innovative products in state-of-the-art facilities. We use the most sophisticated methods available and meet or exceed stringent international safety and quality standards. Each step of our manufacturing process from plasma donor to patient reflects the company's unyielding commitment to ensuring its products are safe.

We are a global leader in biotherapies, with substantial markets in the US, Europe, Latin America, the Middle East, and Japan. CSL Behring is committed to maintaining a reliable and consistent product supply, while continuing to expand our pipeline of new and improved plasma and recombinant therapies, by using cost-effective, high-yield manufacturing processes and efficient operations.

Headquartered in King of Prussia, Pennsylvania (US), CSL Behring operates manufacturing plants in Kankakee, Illinois (US), Bern (Switzerland), Marburg (Germany), and in Melbourne, Australia. Regional sales and distribution centres are located throughout the world.

**CSL Behring is committed to saving lives and improving the quality of life for people with rare and serious diseases worldwide.**



#### MAJOR EXPANSION UNDERWAY IN MARBURG

Scheduled to be completed in 2014, a new production support and laboratory facility (M240) being built in Marburg is part of a major project to expand production, filling, freeze-drying and packaging facilities to increase manufacturing capacity for specialty products.

At the foundation stone ceremony on 15 February 2013 were (from left) Axel

Lehfeld (Project Lead M240), Dr. Reiner Laske (Head of Quality, Marburg), Dr. Johannes Kraemer (Head of Engineering, Marburg), Dr. Roland Martin (Site Manager, CSL Behring GmbH, Marburg), Mary Sontrop (CSL, Executive Vice President Operations) and Dr. Anita Kohl-Truebenbach (Head of Production, Marburg). The ceremony ended with three symbolic blows with hammers by the group.



## MAJOR PRODUCTS MARKETED BY CSL BEHRING

### Haemophilia and Other Coagulation Disorders

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

#### Plasma-derived Factor VIII and von Willebrand Factor

- Beriate® P
- Monoclate P®
- Humate P®
- Haemate P®

#### Recombinant Factor VIII

- Helixate® FS
- Helixate® NexGen

#### Plasma-derived Factor IX

- Berinin® P
- Mononine®

#### Plasma-derived Factor X

- Factor X P Behring

#### Plasma-derived Factor XIII

- Corifact®
- Fibrogammin® P

#### Other Products

- Stimate®
- Octostim\*

### Specialty Care Products

Specialty care products are used to treat acquired bleeding disorders and are used in wound healing, volume replacement, warfarin reversal, the management of sepsis and severe burns, as well as in the treatment of hereditary angioedema.

#### Haemostasis Disorders

- Beriplex® PIN / Confidex®/ Kcentra™
- Haemocomplettan® P/ RiaSTAP®
- Fibrogammin®P /Corifact®

#### Intensive Care

- Albuminar®
- Alburex®
- Human Albumin Behring
- Humanalbin®

#### Hereditary Angioedema

- Berinert®

#### Other Critical Care

- Kybernin® P
- Streptase®

\* Octostim is a trademark of Ferring GmbH

\* Tachocomb is a trademark of Nycomed

### Immune Disorders and Immune Therapy

Immunoglobulins are used to treat and prevent infections, to treat autoimmune diseases, neurological conditions, and to prevent haemolytic disease in the newborn.

#### Polyvalent Immunoglobulins

- Privigen®
- Carimune® NF
- Sandoglobulin®
- Sanglor®

#### Subcutaneous Immunoglobulins

- Hizentra®
- Vivaglobin®

#### Specific Immunoglobulins

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

### Wound Healing

Wound healing therapies are used to facilitate healing.

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

### Alpha 1-Proteinase Inhibitor Deficiency

For people at risk from life-shortening emphysema through a genetic deficiency in their synthesis of this protein.

- Zemaira®

For more information about these products, see [www.cslbehring.com](http://www.cslbehring.com)



## CSL BEHRING CONTINUED



In the bulk manufacturing area in the Privigen® facility at Broadmeadows in Melbourne, Shift Leader William Fenech checks the ion exchange column that will be used to purify immunoglobulin G (IgG). Construction of the plant is now complete and the commissioning process is under way. This 15 million gram capacity facility is due to become fully operational by 2016.

Inside CSL's new cell culture biotechnology facility at Broadmeadows in Melbourne, operators prepare a bioreactor used for culturing mammalian cells.

The recently completed state-of-the-art facility will enhance CSL's ability to take recombinant products into the clinic and ultimately to patients. Construction was completed on time and on budget and test batches of recombinant proteins have been made in preparation for the production of clinical trial material in the first quarter of 2014.

This new facility will be used for late stage clinical development of new therapies for cancer, bleeding disorders and inflammation.

## MAJOR PLASMA-DERIVED THERAPIES MANUFACTURED BY CSL BEHRING IN AUSTRALIA

### Haemophilia and Other Coagulation Disorders

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

- **Biostate®**  
(human coagulation factor VIII/von Willbrand Factor Concentrate)
- **MonoFIX®-VF**  
(human coagulation factor IX)
- **Prothrombinex®-VF**  
(human prothrombin complex)

### Critical Care Conditions

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

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

### Rhophylac®

*Rhophylac® (human Rh (D) immunoglobulin, for IV use) is distributed in Australia by CSL Behring.*

### RiaSTAP®

*RiaSTAP® (fibrinogen concentrate) is distributed in Australia by CSL Behring.*

### Beriner®

*Beriner® (C1 esterase inhibitor) is distributed in Australia by CSL Behring.*

### Special Access Scheme

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

### Toll Fractionation

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

### Immune Disorders and Immune Therapy

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

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



Marcus Berger is Deputy Team Leader, Chemical Quality Control, QM in Bern. The wide-ranging responsibilities of the Quality Control team include raw material, in-process and final product control.

## CSL BEHRING CONTINUED



### BETTER LIVES FOR RICKY AND MACKENZIE

Our lives were turned upside down when both our children were diagnosed with an immune disorder called Common Variable Immune Deficiency. We were terrified and saddened by a disease we never heard of and for which there is no cure. We were given a glimmer of hope when told there *is* something that can help them lead a better quality of life – made from human plasma. “Is that safe?” we wondered. “Could they contract another disease from it?” But we had to explore the possibility.

Soon after Ricky (age 15) and Mackenzie (age 11) started receiving immune globulin therapy, we saw remarkable changes in them! When CSL Plasma heard our story and asked if we would participate in

the Adopt-a-Patient program in their Akron, Ohio plasma collection centre, we were eager to meet the people saving our children’s lives. In that first visit, Ricky and Mackenzie spoke to the donors and employees from their hearts with tears in eyes, thanking them for saving their lives. We shared hugs, tears, smiles and laughter with the donors and employees telling them, all of them, what an important role each of them plays. And seeing for ourselves the process of how plasma is collected, processed, and made safe, put our fears at ease.

We have since been back several times. Speaking to the donors and employees, and sharing our hearts and lives with theirs, is the most profound beautiful feeling of love

we have ever experienced. Knowing that strangers from all walks of life are contributing to our children’s future is such a surreal experience; and one that is hard to put into words.

There is a quote I came across when Ricky and Mackenzie were diagnosed, “If you have reached the end of all light that you have known, and you are about to step into the darkness of the unknown, faith can do one of two things. Either you will step on solid ground or you will be taught to fly.” With the Adopt-a-Patient program at CSL, we have full faith that we were taught to fly, all of us, together as one big family.

*With love,  
The Pasco Family*

**CSL PLASMA**

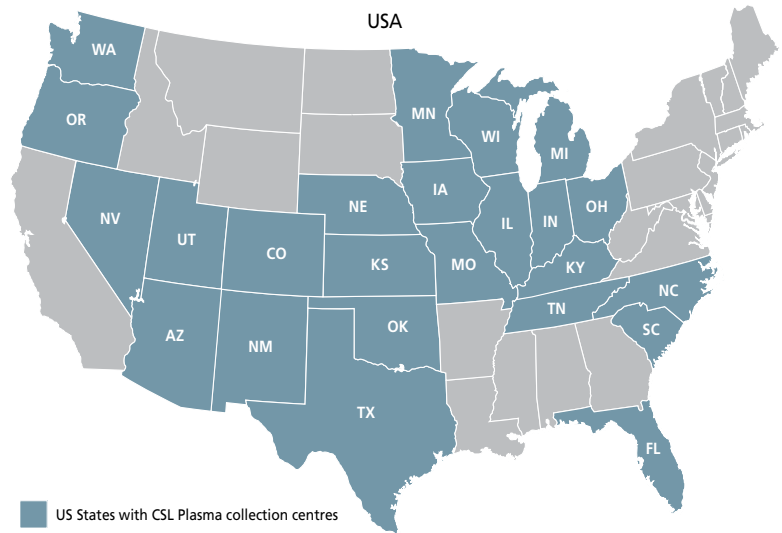
CSL Behring’s plasma collection business, CSL Plasma, has collection centres throughout the US and Germany, along with plasma testing laboratories and logistics centres in both countries.

Millions of donations every year provide the plasma used to produce life-saving products for critically ill patients. CSL Plasma offers a reliable and secure source of plasma for those essential medications.

CSL Plasma has its headquarters in Boca Raton, Florida (US), logistics centres in Indianapolis, Indiana (US) and Mesquite Texas (US), and a plasma-testing laboratory in Knoxville, Tennessee (US). Our German operations include a plasma-testing laboratory in Goettingen and a logistics centre in Schwalmstadt.

In a stringently regulated industry, CSL Behring and CSL Plasma meet or exceed international standards, use the most sophisticated systems and continue to explore avenues of innovation.

**US STATES AND GERMAN CITIES WITH CSL PLASMA COLLECTION CENTRES**



**US Headquarters**  
 Boca Raton, Florida

**US Testing Laboratory**  
 Knoxville, Tennessee

**US Logistics Centres**  
 Indianapolis, Indiana  
 Mesquite, Texas

**EU Headquarters**  
 Marburg, Germany

**EU Testing Laboratory**  
 Goettingen, Germany

**EU Logistics Centre**  
 Schwalmstadt, Germany



CSL Plasma’s new collection centre at Wilton Manors in Florida incorporates the latest design elements developed in recent years to enhance the donor experience and improve operational efficiency.

During the year, CSL Plasma opened nine new plasma collection centres in the US and continued to upgrade and expand the capacity of existing centres.

## CSL BEHRING CONTINUED



### HELPING CARL TO FOLLOW HIS DREAMS

Pro Supercross racer Carl Schlacht was diagnosed with primary immunodeficiency (PID) before his first birthday. Today, Carl is a "ChamPlon"

Soaring through the air on the back of a motorcycle is a typical day for professional Supercross racer Carl. He competes in this physically demanding sport despite living with PID, a condition he manages with Hizentra®.

CSL Behring recently partnered with Carl for the *I am a ChamPlon* campaign. As part of this campaign, Carl shares his story with patients, healthcare professionals and the news

media as a means of raising awareness of PID while encouraging those with the condition to pursue their dreams despite the challenges that PID can pose.

"Racing off-road motorcycles is definitely a tough, physical sport. I've been doing it my whole life. It's what I love to do," Carl said. "By partnering with CSL Behring for the *I am a ChamPlon* campaign, I hope to give kids and young adults with immune system disorders, like myself, the inspiration to be a champion, no matter which dreams they choose to follow."

"Thank you CSL Behring for helping me to follow my dreams."

### GIVING BACK TO THEIR COMMUNITIES

CSL CEO and Managing Director, Paul Perreault, together with CSL Behring's United Way Campaign Chairman, Joseph Wells, visited the Freedom Valley YMCA Early Learning Centre in Audubon, Pennsylvania to present a cheque to Jennifer Cavaglia from United Way of Greater Philadelphia and Southern New Jersey.

Although the United Way Campaign is their largest charitable initiative, CSL Behring and its employees help numerous organisations across the United States from local United Way chapters to patient advocacy groups, food banks and other agencies that provide vital services to people in need.

"Our employees are very generous and they enjoy giving back to their own communities" said Paul. "Employee involvement in determining the organisations we help is important. We seek their input in identifying local organisations needing support. It builds a stronger sense of community and increases our giving efforts. We're proud of all the ways in which our employees get involved and show they care."



## CSL'S NEW bioCSL BUSINESS

**In January 2013, bioCSL was established as a new stand-alone business unit to focus specifically on vaccines, pharmaceuticals, diagnostics and third party logistics.**

The separation of these commercial activities from CSL's plasma operations is designed to provide the independence and leadership focus to improve and grow bioCSL's distinct businesses and to better serve the needs of customers.

Evolving from the Commonwealth Serum Laboratories established in 1916 to CSL Biotherapies and now to bioCSL, we retain a strong link to CSL's origins.

Our excitement about the future is projected in the contemporary, forward-looking shape and colours of the new bioCSL logo.

At Parkville in Melbourne, bioCSL operates one of the largest influenza vaccine manufacturing facilities in the world supplying these vaccines

to Australia, New Zealand and the US, as well as a number of countries in Europe, Asia and South America. bioCSL is the only manufacturer of influenza vaccine in the Southern Hemisphere.

In April 2013, responding to a higher than expected demand in Australia and New Zealand, bioCSL restarted production to provide additional supplies of influenza vaccine. Priority for additional supplies was given to age-appropriate at-risk groups.

Working closely with public health authorities and the Australian Department of Health and Ageing, we have used our influenza vaccine technology to develop and license a pandemic influenza vaccine providing biosecurity to Australia's population in the event of an influenza pandemic such as the 2009 swine flu. bioCSL is Australia's first line of defence against pandemic influenza.

For Australia and Papua New Guinea, we manufacture and distribute a Snake Venom Detection Kit and a range of antivenoms to protect communities from our most venomous creatures.

The bioCSL seasonal and pandemic influenza vaccines, antivenoms and Q-Fever vaccine are some of the products that underpin bioCSL's commitment to ensuring Australians have access to products of national significance.

Our immunohaematology diagnostic reagents are developed, manufactured and distributed by bioCSL, in Australia under contract with the National Blood Authority and in Asia under commercial arrangements with several countries. These diagnostics are used to enhance the safety of blood transfusions for patients.

In-licensed vaccines and pharmaceuticals marketed and distributed by bioCSL in Australia and New Zealand ensure continuing availability of a comprehensive range of products to meet the needs of these communities.

bioCSL operates an Australia-wide cold chain and ambient distribution service for vaccines and prescription medicines. A network of interstate warehouses ensures both ambient and cold chain products are always available to bioCSL customers and to those of the contract logistics partners bioCSL serves.



Inside our influenza vaccine facility at Parkville in Melbourne. In April 2013, responding to higher than expected demand, bioCSL restarted production to provide additional supplies of influenza vaccine for the Australian market.



## bioCSL CONTINUED

### MAJOR VACCINES, PHARMACEUTICAL AND DIAGNOSTIC PRODUCTS MARKETED BY bioCSL IN AUSTRALIA

Vaccines	Prevention of:
Fluvax®	Influenza
ADT® Booster	Diphtheria and Tetanus
Q-Vax®	Q-Fever
Dukoral *	Cholera
GARDASIL*	Cervical cancer and genital warts
H-B-Vax* II	Hepatitis B infection
JESPECT*	Japanese encephalitis
Menjugate*	Meningococcal C disease
Menveo*	Meningococcal (A, C W-135,Y)
M-M-R*II	Measles, mumps and rubella
Panvax®	Pandemic influenza
PedvaxHIB*	Haemophilus influenzae B
Pneumovax 23*	Pneumococcal infection
ProQuad *	Measles, mumps, rubella and varicella
Rabipur*	Rabies infection
RotaTeq*	Rotavirus-induced gastroenteritis
Vaqta*	Hepatitis A infection
Varivax*	Varicella
Vivotif Oral*	Typhoid infection
ZOSTAVAX *	Shingles and Post Herpetic Neuralgia

Pharmaceuticals	Treatment of:
Advantan*	Eczema and psoriasis
Antivenoms	Envenomation
BenPen®	Bacterial infections
Burinex*	Oedema
Cervidil*	Complications during childbirth requiring induced labour
Copaxone *	Multiple Sclerosis
Finacea*	Rosacea
Flomaxtra*	Benign prostatic hyperplasia
Fucidin*	Bacterial infections
Modavigil*	Excessive daytime sleepiness in narcolepsy
Palexia *	Moderate to severe chronic pain
Scheriproct*	Haemorrhoids, proctitis and anal fissures
Tramal*	Moderate to severe pain
Vesicare*	Overactive Bladder Syndrome

### Diagnostic Products

Diagnostic products are used in the testing of blood to prevent haemolytic transfusion reactions and haemolytic disease of the foetus and newborn, and for snake venom detection.

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

### Trademarks

CSL, bioCSL and ISCOMATRIX are trademarks of the CSL Group

® Registered trademark of CSL Limited or its affiliates

™ Trademark of CSL Limited or its affiliates

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

Merck & Co. Inc.	
GARDASIL	ProQuad
H-B-Vax II	RotaTeq
M-M-R II	Vaqta
PedvaxHIB	Varivax
Pneumovax	ZOSTAVAX
Astellas	
	Flomaxtra Vesicare
Cruceil	
	Dukoral Vivotif Oral
Cephalon Inc.	
	Modavigil
Controlled Therapeutics (Scotland) Limited	
	Cervidil
Grunenthal GmbH	
	Tramal Palexia
Intendis GmbH	
	Advantan Finacea Scheriproct
Intercell AG	
	JESPECT
Leo Pharmaceutical Products Limited AS	
	Burinex Fucidin
Novartis	
	Menjugate Menveo Rabipur
TEVA	
	Copaxone



## RESEARCH AND DEVELOPMENT

### A first-in-class innovation, Kcentra™, comes to the United States for urgent warfarin reversal, a serious acquired bleeding disorder

CSL is a world leader in developing and manufacturing safe and effective coagulation therapies to treat and manage a wide range of bleeding disorders. A key plank in CSL's R&D strategy is to broaden the medical uses for these therapies, particularly its specialty plasma therapies for treating patients who have certain types of bleeding.

Excessive and prolonged bleeding can occur if a particular component of coagulation (blood clotting) is deficient or dysfunctional. Bleeding disorders are broadly classified as either "congenital" (inherited) or "acquired", that is, occurring spontaneously in the individual as a result of some external influence, such as trauma, surgery or the presence of medication.

Acquired bleeding is a significant medical problem in many parts of the world. Such bleeding can vary in severity and duration and can cause symptoms and signs that range from nosebleeds, bleeding gums, bruising, bleeding into joints causing arthritis, loss of vision and chronic anaemia, to life threatening major blood loss or bleeding. For decades, healthcare professionals have used combinations of fresh frozen plasma and cryoprecipitate to address bleeding, including instances of bleeding in individuals who are on a blood thinning agent called warfarin.

In the US alone nearly four million people are treated with warfarin to prevent formation of blood clots following a stroke, heart attack, heart valve surgery, deep vein thrombosis, or in the presence of a condition known as atrial fibrillation. Warfarin works by suppressing the body's manufacture of four different clotting factors (Factors II, VII, IX and X)

and proteins C and S. This suppression can put patients at risk for catastrophic blood loss following trauma unless the situation is addressed immediately. Emergency room physicians in the US see approximately 27,000 cases annually for warfarin-associated bleeding.

Clinical studies have demonstrated that CSL's product known as a 4-factor prothrombin complex concentrate (4F-PCC) safely and rapidly reverses the effects of warfarin in patients experiencing severe bleeding. This product, containing four vitamin K-dependent factors (Factor II or prothrombin, Factor VII, Factor IX and Factor X, as well as antithrombotic Proteins C and S), is known as Beriplex® or Confidex® in 25 countries in Europe, where it has been used to treat acquired bleeding for close to 20 years.

In April this year the US Food and Drug Administration (FDA) approved the use of Kcentra™ (the brand name for 4F-PCC in the US) based on a pivotal trial that showed Kcentra™ restored the

decreased vitamin K-dependent clotting factors significantly faster than plasma, the most widely used agent for warfarin reversal in the US. Kcentra™ is the first non-activated 4-factor prothrombin complex concentrate in the US for the urgent reversal of acquired coagulation factor deficiency induced by vitamin K antagonist (e.g., warfarin) therapy in adult patients with acute major bleeding.

Kcentra™ was successfully launched in the US in April as a first-in-class therapy, meaning no other such therapy is commercially available there. Kcentra™ is an important advancement in warfarin reversal therapy as it provides medical professionals with a new approach to efficiently stopping major bleeding.

Kcentra™ is CSL's fifth US FDA product approval since 2009, illustrating our skill in understanding how to identify and address important unmet medical needs, and underscoring CSL's enduring commitment to innovation.



## RESEARCH AND DEVELOPMENT CONTINUED

### RESEARCH AND DEVELOPMENT STRATEGY

#### IMMUNOGLOBULINS

Products such as Hizentra® and Privigen®.

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

#### BREAKTHROUGH MEDICINES

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

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

#### HAEMOPHILIA PRODUCTS

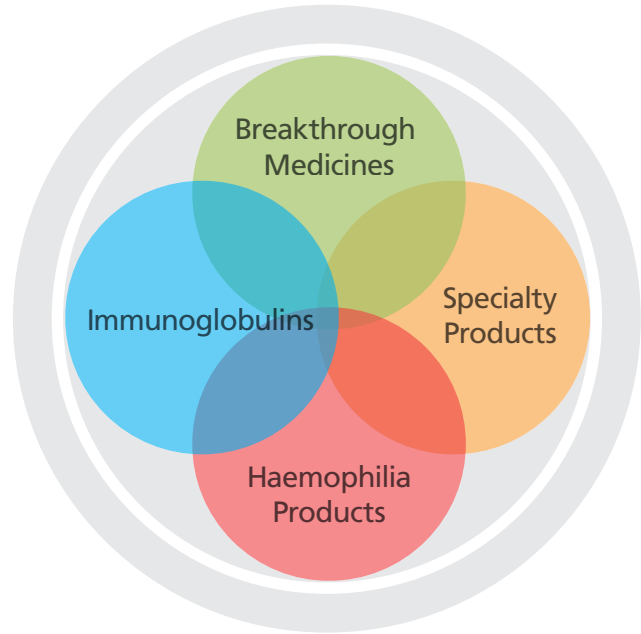
Plasma-derived products such as Haemate P® and recombinant coagulation factors.

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

#### SPECIALTY PRODUCTS

For acquired and perioperative bleeding such as Beriplex® and RiaSTAP®, and Berinert®, Corifact® and Zemaira®, for certain types of deficiencies.

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

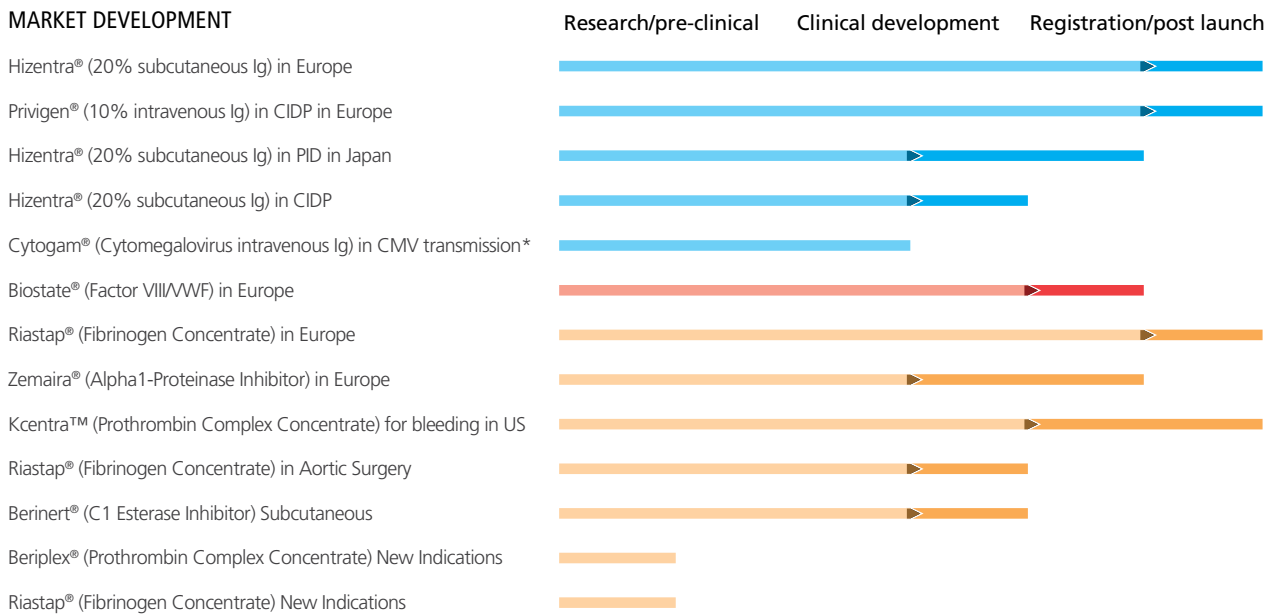


### RESEARCH AND DEVELOPMENT GLOBAL LOCATIONS



## CSL'S GLOBAL R&D PIPELINE ACHIEVEMENTS 2012-2013

### MARKET DEVELOPMENT



### NEW PRODUCT DEVELOPMENT



#### Core capabilities

■ Immunoglobulins

■ Haemophilia/Coagulation

■ Specialty Products

■ Breakthrough Medicines

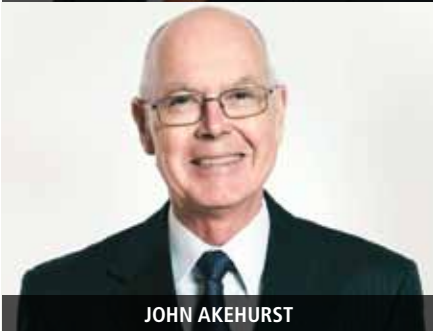
■ Vaccines and Licensing

▶ Important advances in 2012-2013

\* Partnered projects

CSL's R&D pipeline also includes Life Cycle Management projects which address regulatory post marketing commitments, pathogen safety, capacity expansions, yield improvements and new packages and sizes.

## DIRECTORS' PROFILES



### JOHN SHINE AO

BSc (Hon), PhD, DSc, FAA – (Age 67)

Pharmaceutical Industry and Medicine  
(resident in NSW)

Independent: Yes

#### Chairman

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

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

### PAUL PERREAULT

BA Psychology – (Age 56)

International Pharmaceutical industry  
(resident in USA)

Independent: No

#### Chief Executive Officer and Managing Director

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

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

**JOHN AKEHURST**

MA (Oxon), FIMechE – (Age 64)

Engineering and Management (resident in Western Australia)

**Independent: Yes**

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

*Mr Akehurst is Chairman of the Human Resources and Remuneration Committee.*

**DAVID ANSTICE**

BEc – (Age 65)

International Pharmaceutical Industry (resident in Pennsylvania, USA)

**Independent: Yes**

Mr Anstice was appointed to the CSL Board in September 2008. He was a long-time member of the Board of Directors and Executive Committee of the US Biotechnology Industry Organisation, and has over 40 years' experience in the global pharmaceutical industry. Until August 2008, Mr Anstice was for many years a senior executive of Merck & Co. Inc. serving at various times as President of Merck Human Health for US/Canada/Latin America, Europe, Japan and Asia, and upon retirement was an Executive Vice President. He is a Director of Alkermes Plc, Dublin, Ireland, and a Director of the United States Studies Centre at the University of Sydney.

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

**BRUCE BROOK**

BCom, BAcc, FCA, MAICD – (Age 58)

Finance and Management (resident in Victoria)

**Independent: Yes**

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

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

**MARIE MCDONALD**

BSc (Hon), LLB (Hon) – (Age 57)

Law (resident in Victoria)

**Independent: Yes**

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

**CHRISTINE O'REILLY**

BBus – (Age 52)

Finance and Infrastructure (resident in Victoria)

**Independent: Yes**

Ms O'Reilly was appointed to the CSL Board in February 2011. She is a Director of the Transurban Group, Energy Australia, Baker IDI and Care Australia. During her executive career, she was Co-Head of Unlisted Infrastructure Investments at Colonial First State Global Asset Management and prior to that was the Chief Executive Officer of the GasNet Australia Group.

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

**IAN RENARD AM**

BA, LL.M., LL.D (Hon), FAICD – (Age 67)

Law (resident in Victoria)

**Independent: Yes**

Mr Renard was appointed to the CSL Board in August 1998. For many years he practised in company and commercial law and is a former Chancellor of the University of Melbourne. Mr Renard is a Director of SP AusNet (a listed entity which comprises two companies and a trust), Hillview Quarries Pty Ltd and Peninsula Waste Management Pty Ltd. He is the Chairman of the University of Melbourne Archives Advisory Board and is a trustee of the R E Ross Trust.

*Mr Renard is Chairman of the Audit and Risk Management Committee.*

*Mr Renard will be retiring from the Board at the conclusion of the 2013 Annual General Meeting.*

**MAURICE RENSHAW**

BPharm – (Age 66)

International Pharmaceutical Industry (resident in NSW)

**Independent: Yes**

Mr Renshaw was appointed to the CSL Board in July 2004. Formerly, he was Vice President of Pfizer Inc, USA, Executive Vice President, Pfizer Global Consumer Group and President of Pfizer's Global Consumer Healthcare Division. Prior to his positions in Pfizer, Mr Renshaw was Vice President of Warner Lambert Co. and President of Parke-Davis USA. He has had more than 35 years' experience in the international pharmaceutical industry.

*Mr Renshaw is Chairman of the Innovation and Development Committee.*

**EDWARD BAILEY**

LLB, B.Com, FCIS – (Age 47)

Company Secretary

## GLOBAL LEADERSHIP GROUP

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**PAUL PERREAULT**

BA Psychology  
(Age 56)

**Chief Executive Officer  
and Managing Director**

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



**GORDON NAYLOR**

MBA, BEng (Hons), DipCompSc  
(Age 50)

**Chief Financial Officer**

Gordon was appointed Chief Financial Officer in 2010. He joined CSL in 1987 and has held many operational and corporate roles in different parts of the CSL Group. Prior to his current role, Gordon was based in the US and responsible for CSL Behring's global supply chain, the supply of plasma for CSL Behring and CSL's global information systems.



**ANDREW CUTHBERTSON**

BMedSci, MBBS, PhD.  
(Age 58)

**Chief Scientific Officer  
and R&D Director**

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



**MARY SONTROP**

BAppSc, Grad Dip Health Admin,  
Grad Dip Quality Mgt, MBA  
(Age 56)

**Executive Vice President,  
Manufacturing and Planning**

Mary was appointed as Executive Vice President, Manufacturing and Planning in 2010. She joined CSL as a Production Manager in 1988 and has held a broad range of positions in manufacturing, quality management and general management located in Australia, Switzerland and Germany. Prior to her current position, Mary was General Manager of CSL Biotherapies for Australia and New Zealand.



**INGOLF SIEPER**

MD, BA  
 (Age 58)

**Executive Vice President,  
 Commercial Operations**

Ingolf was appointed Executive Vice President, Commercial Operations in 2011. He is responsible for all sales and marketing activities globally for CSL Behring. Ingolf joined a CSL predecessor company in 1986 and has a strong background in marketing and management in the coagulation, diagnostic and plasma protein divisions. Among the roles in which he has served, Ingolf was Vice President and General Manager, Commercial Operations, Central Europe, with responsibility for CSL Behring's commercial activities in Germany, Switzerland, Austria and Slovenia.



**KAREN ETCHBERGER**

PhD  
 (Age 55)

**Executive Vice President,  
 Quality and Business Services**

Karen was appointed as Executive Vice President, Quality and Business Services in April 2013 with responsibility for quality, information, technology, logistics, sourcing and enterprise project management. Prior to that she was Executive Vice President, Plasma, Supply Chain and Information Technology. Karen joined CSL as a Product Manager at JRH Biosciences in 2001 and progressed through a number of positions in technical services, quality management and research and development. Prior to joining CSL, she was Director of Developmental Research at Endotech Corporation.



**GREG BOSS**

JD, BS (Hon)  
 (Age 52)

**Executive Vice President,  
 Legal and CSL Group  
 General Counsel**

Greg was appointed Group General Counsel in 2009 and is responsible for worldwide legal operations for all CSL Group companies. He joined CSL in 2001, serving as General Counsel for CSL Behring, a position he continues to hold. In addition, Greg is also responsible for risk management for the Group. Prior to joining CSL, Greg was Vice President and Senior Counsel for CB Richard Ellis International.



**JILL LEVER**

BA (Hons)  
 (Age 57)

**Senior Vice President,  
 Human Resources**

Jill joined CSL Limited as Senior Vice President, Human Resources in 2009. She heads the global Human Resources function and works with the Managing Director and Board on strategic matters relating to talent, succession, organisation culture and executive remuneration. Originally from the UK, Jill held a number of Human Resources roles with the Royal Dutch Shell Group in Europe, the Middle East, South America and Asia Pacific before working in the finance and mining sectors in Melbourne.

# SHARE INFORMATION

## CSL LIMITED

Issued Capital Ordinary Shares:  
487,462,182 as at 30 June 2013

## DETAILS OF INCORPORATION

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

The CSL Sale Act 1993 (Cth) amends the CSL Act to impose certain restrictions on the voting rights of persons having significant foreign shareholdings, and certain restrictions on the Company itself.

CSL ordinary shares have been traded on the Australian Stock Exchange since 30 May 1994. Melbourne is the Home Exchange.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, Commonwealth Bank of Australia and its subsidiaries was a substantial shareholder in CSL.

## VOTING RIGHTS

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

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

## SIGNIFICANT FOREIGN SHAREHOLDINGS

As at 30 June 2013, there were no significant foreign shareholdings in CSL.

## DISTRIBUTION OF SHAREHOLDINGS AS AT 30 JUNE 2013

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	64,438	24,025,943	4.93
1,001 - 5,000	24,008	57,023,786	11.70
5,001 - 10,000	4,403	30,364,727	6.23
10,001 - 100,000	1,898	34,590,255	7.09
100,001 and over	78	341,457,471	70.05
<b>Total shareholders and shares on issue<sup>1</sup></b>	<b>94,825</b>	<b>487,462,182</b>	<b>100.00</b>

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$61-58 per unit	9	471	1,265

<sup>1</sup> As at 30 June 2013, CSL had entered into contracts to buy back an additional 110,000 ordinary shares, with settlement and amendment to the share register pending. The cancellation of these shares has been reflected in the reconciliation of outstanding shares in Note 20 to the Financial Report.



# SHAREHOLDER INFORMATION

## SHARE REGISTRY

### Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067

*Postal Address:*

GPO Box 2975  
Melbourne VIC 3001

*Enquiries within Australia:*

1800 646 882

*Enquiries outside Australia:*

61 3 9415 4178

*Investor enquiries facsimile:*

61 3 9473 2500

*Investor enquiries online:*

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

*Website:*

[www.investorcentre.com](http://www.investorcentre.com)

Shareholders with enquiries should go to [www.investorcentre.com](http://www.investorcentre.com) where most common questions can be answered by virtual agent "Penny". There is an option to contact the Share Registry by email if the virtual agent cannot provide the answer. Alternatively, shareholders may telephone or write to the Share Registry at the above address.

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

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

Direct payment of dividends into a nominated account may be arranged with the Share Registry. Shareholders are encouraged to use this option by providing a payment instruction online via the Investor Centre at [www.investorcentre.com](http://www.investorcentre.com) or by

obtaining a direct credit form from the Share Registry or by advising the Share Registry in writing with particulars.

The Annual Report is produced for your information. The default option is an online Annual Report via the company's website. If you opted to continue to receive a printed copy and you receive more than one or you wish to be removed from the mailing list for the Annual Report, please advise the Share Registry. You will continue to receive Notice of Meeting and Proxy.

The Annual General Meeting will be held at the Function Centre, National Tennis Centre, Melbourne Park, Batman Avenue, Melbourne at 10:00am on Wednesday 16 October 2013. There is a public car park adjacent to the Function Centre which will be available to shareholders at no charge.

## SUPPORTING THE ENVIRONMENT THROUGH ETREE

CSL Limited is a participating member of eTree and proud to support this environmental scheme encouraging security holders to register to access all their communications electronically. Our partnership with eTree is an ongoing commitment to driving sustainable initiatives that help security holders contribute to a greener future.

For every email address registered at [www.eTree.com.au/csl](http://www.eTree.com.au/csl), a donation of up to \$1 is made to Landcare Australia towards reforestation projects to help restore degraded plant, animal and water resources. With your support, CSL has registered over 19,339 email addresses, which in turn has facilitated the planting of more than 55,824 trees in Australia and New Zealand.

We also encourage you to visit eTree if your email address has changed and you need to update it. For every updated registration, \$1 dollar will be donated to Landcare Australia. To register, you will need your Security Holder Reference Number (SRN) or Holder Identification Number (HIN).

## SHAREHOLDERS AS AT 30 JUNE 2013

	Shareholders	Shares
Australian Capital Territory	1,710	2,415,897
New South Wales	27,397	276,923,827
Northern Territory	266	300,936
Queensland	11,100	15,749,641
South Australia	5,304	9,623,840
Tasmania	1,349	1,665,155
Victoria	32,636	165,690,751
Western Australia	10,965	10,414,973
International Shareholders	4,098	4,677,162
<b>Total shareholders and shares on issue<sup>1</sup></b>	<b>94,825</b>	<b>487,462,182</b>

<sup>1</sup> As at 30 June 2013, CSL had entered into contracts to buy back an additional 110,000 ordinary shares, with settlement and amendment to the share register pending. The cancellation of these shares has been reflected in the reconciliation of outstanding shares in Note 20 to the Financial Report.

## SHAREHOLDER INFORMATION CONTINUED

### CSL'S TWENTY LARGEST SHAREHOLDERS AS AT 30 JUNE 2013

Shareholder	Account	Shares	% Total Shares
1 HSBC Custody Nominees (Australia) Limited		130,098,821	26.69
2 J P Morgan Nominees Australia Limited		75,622,055	15.51
3 National Nominees Limited		55,869,475	11.46
4 Citicorp Nominees Pty Limited		23,343,465	4.79
5 BNP Paribas Nominees Pty Ltd	DRP A/c	10,647,611	2.18
6 J P Morgan Nominees Australia Limited	Cash Income A/c	7,901,779	1.62
7 Citicorp Nominees Pty Limited	Colonial First State Inv A/c	5,715,495	1.17
8 AMP Life Limited		4,122,394	0.85
9 Citicorp Nominees Pty Limited	BHP Billiton ADR Holders A/c	2,454,669	0.50
10 UBS Wealth Management Australia Nominees Pty Ltd		2,063,586	0.42
11 HSBC Custody Nominees (Australia) Limited	NT-Comwllth Super Corp A/c	1,523,920	0.31
12 RBC Investor Services Australia Nominees Pty Limited	BKCUST A/c	1,301,471	0.27
13 Argo Investments Limited		1,079,752	0.22
14 BNP Paribas Nominees Pty Ltd	Agency Lending DRP A/c	923,764	0.19
15 Dr Brian Anthony McNamee		851,665	0.18
16 Navigator Australia Ltd	MLC Investment SETT A/c	800,417	0.17
17 D W S Nominees Pty Ltd		793,090	0.16
18 Australian Foundation Investment Company Limited		788,860	0.16
19 RBC Investor Services Australia Nominees Pty Limited	PI Pooled A/c	745,035	0.15
20 Custodial Services Limited	Beneficiaries Holding A/c	658,865	0.14
<b>Top 20 holders of ordinary fully paid shares</b>		<b>327,306,189</b>	<b>67.14</b>
<b>Remaining holders balance</b>		<b>160,155,993</b>	<b>32.86</b>
<b>Total shares on issue<sup>1</sup></b>		<b>487,462,182</b>	<b>100.00</b>

In addition, as at 30 June 2012, a substantial shareholder notice has been received from:

Commonwealth Bank of Australia and its subsidiaries

<sup>1</sup> As at 30 June 2013, CSL had entered into contracts to buy back an additional 110,000 ordinary shares with settlement and amendment to the share register pending. The cancellation of these shares has been reflected in the reconciliation of outstanding shares in Note 20 to the Financial Report.

# CORPORATE GOVERNANCE

**CSL'S BOARD AND MANAGEMENT MAINTAIN HIGH STANDARDS OF CORPORATE GOVERNANCE AS PART OF THEIR COMMITMENT TO MAXIMISE SHAREHOLDER VALUE THROUGH PROMOTING EFFECTIVE STRATEGIC PLANNING, RISK MANAGEMENT, TRANSPARENCY AND CORPORATE RESPONSIBILITY.**

**This statement outlines the Company's principal corporate governance practices in place during the financial year. The Board believes that the Company complies with the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations, released in August 2007 and amended in 2010 (the Corporate Governance Principles and Recommendations).**

**A checklist summarising the Company's compliance with the Corporate Governance Principles and Recommendations is available on the Company's website.**

## 1. THE BOARD OF DIRECTORS

### 1.1 The CSL Board Charter

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

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

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

The Board has delegated specific authority to five Board committees that assist it in discharging its responsibilities by examining various issues and making recommendations to the Board. Those committees are:

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

Each committee is governed by a charter setting out its composition and responsibilities. A description of each committee and their responsibilities is set out below. The Board also delegates specific responsibilities to ad hoc committees from time to time.

The CSL Board Charter sets guidelines as to the desired term of service of non-executive directors. The CSL Board Charter provides that non-executive directors should be able to serve for at least 8 years before retiring from the Board, subject to re-election by shareholders. This charter also recognises that whilst board

renewal is essential, a mixture of skills and differing periods of service provides for balance and optimal outcomes at a board level. Prior to the expiry of a director's term of office, the Board reviews that director's performance. In the event that such performance is considered less than adequate, the Board may decide that it will not support the re-election of that director.

The Company Secretary is responsible to the Board for ensuring that Board procedures are complied with and advising the Board on governance matters. All directors have access to the Company Secretary for advice and services. The Board approves any appointment or removal of the Company Secretary.

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

Details of Board meetings held during the year and individual directors' attendance at these meetings can be found on page 42 of the Directors' Report attached to the financial report.

The CSL Board Charter is available on the Company's website.

### 1.2 Composition of the Board

Throughout the year there were between eight and nine directors on the Board. On 13 February 2013, Paul Perreault was appointed to the Board as an executive director. On 17 October 2012, Peter Turner retired from the Board and, on 30 June 2013, Brian McNamee retired as Managing Director. One of the current directors - Paul Perreault, who has succeeded Brian McNamee as Managing Director from 1 July 2013 - is the only executive director.

The CSL Board Charter provides that a majority of directors should be independent. No director acts as a nominee or representative of any particular shareholder. A profile of each current director, including details of their skills, expertise, relevant experience, term of office and Board committee memberships can be found on pages 26 and 27 of this Report.

## CORPORATE GOVERNANCE CONTINUED

The Chairman of the Board, John Shine, is an independent, non-executive director. He is responsible for leadership of the Board, for ensuring that the Board functions effectively, and for communicating the views of the Board to the public. The Chairman sets the agenda for Board meetings and manages their conduct and facilitates open and constructive communication between the Board, management, and the public.

### 1.3 Independence

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

All CSL directors are aware of, and adhere to, their obligation under the Corporations Act to disclose to the Board any interests or relationships that they, or any associate of theirs, may have in a matter that relates to the affairs of the Company, and any other matter that may affect their independence. As required by law, details of any related party dealings are set out in full in Note 28 of the financial report. All directors have agreed to give the Company notice of changes to their relevant interests in Company shares within five days to enable both them and the Company to comply with the ASX Listing Rules. If a potential conflict of interest exists on a matter before the Board then (unless the remaining directors determine otherwise), the director concerned does not receive the relevant briefing papers, and takes no part in the Board's consideration of the matter nor exercises any influence over other members of the Board.

In addition to considering issues that may arise from disclosure by directors from time to time under these obligations, the Board makes an annual assessment of each non-executive director to determine whether it considers the director to be independent. The Board considers that an independent director is a director who is independent of management and free of any business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise of their unfettered and independent judgment.

Information about any such interests or relationships, including any related financial or other details, is assessed by the Board to determine whether the relationship

could, or could reasonably be perceived to, materially interfere with the exercise of a director's unfettered and independent judgment. As part of this process the Board takes into account a range of relevant matters including:

- information contained in specific disclosures made by directors pursuant to their obligations under the CSL Board Charter and the Corporations Act;
- any past employment relationship between the director and the Company;
- any shareholding the director or any of his or her associates may have in the Company;
- any association or former association the director may have with a professional adviser or consultant to the Company;
- any other related party transactions whether as a supplier or customer of the Company or as party to a contract with the Company other than as a director of the Company;
- any other directorships held by the director;
- any family or other relationships a director may have with another person having a relevant relationship or interest; and
- length of service.

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

If a director has a current or former association with a supplier, professional adviser or consultant to the CSL Group, that supplier, adviser or consultant will be considered material:

- from the Company's point of view, if the annual amount payable by the CSL Group to the supplier, adviser or consultant exceeds 5% of the consolidated expenses of the CSL Group; and
- from the director's point of view, if that amount exceeds 5% of the supplier's, adviser's or consultant's total revenues.

Similarly, a customer of the CSL Group would be considered material for this purpose:

- from the Company's point of view, if the annual amount received by the CSL Group from the customer exceeds 5% of the consolidated revenue of the CSL Group; and
- from the director's point of view, if that amount exceeds 5% of the customer's total expenses.

In addition to assessing the relationship in a quantitative sense, the Board also considers qualitative factors, such as the nature of the goods or services supplied, the period since the director ceased to be associated and their general subjective assessment of the director.

### 1.4 Nomination Committee

The functions and responsibilities of the Nomination Committee are documented in a formal charter approved by the Board. The Nomination Committee comprises all of the independent non executive directors. The Nomination Committee is chaired by the Board Chairman.

The Nomination Committee is responsible for reviewing the Board's membership and making recommendations on any new appointments. In making recommendations for new directors, the Nomination Committee seeks to ensure that any new director will complement or maintain the skills, experience, expertise and diversity of the Board necessary to enable it to oversee the delivery of the Company's objectives and strategy. The Board is looking to maintain an appropriate mix of skills and diversity in the membership of the Board. This includes diversity of skills, experience and background in the pharmaceutical industry, international business, finance and accounting and management. In relation to gender diversity, in line with Board succession plans, one of the Board's objectives for the 2012-2013 financial year was to increase the participation of females on the Board by appointing a new female director with appropriate skills, experience and expertise to commence on or before the 2013 Annual General Meeting. On 14 August 2013, Marie McDonald was appointed to the Board.

The Nomination Committee is also responsible for:

- setting and following the procedure for the selection of new directors for nomination;
- conducting regular reviews of the Board's succession plans to enable it to maintain the mix of skills, experience, expertise and diversity that the Board is looking to achieve;
- regularly reviewing the membership of Board committees; and
- conducting annual performance reviews of the Board, individual directors, and the Board committees.

Details of Nomination Committee meetings held during the year and individual directors' attendance at these meetings can be found on page 42 of the Directors' Report attached to the financial report.

The Nomination Committee Charter is available on the Company's website.

### 1.5 Director Appointments

One new director was appointed to the Board during the financial year. Paul Perreault was appointed to the Board as an executive director on 13 February 2013. In addition, Marie McDonald was appointed to the Board on 14 August 2013. Two directors retired from the Board during the financial year. Peter Turner retired as a director as at the conclusion of the 2012 Annual General Meeting. Brian McNamee retired as Managing Director on 30 June 2013, and was succeeded as Managing Director by Paul Perreault on and from 1 July 2013.

David Anstice and Maurice Renshaw were re-elected as directors at the 2012 Annual General Meeting.

Before a director is nominated for election or re-election, it is the Company's policy to ask directors to acknowledge to the Board that they have sufficient time to meet the Company's expectations of them. The Board requires that all of its members devote the time necessary to ensure that their contribution to the Company is of the highest possible quality. The CSL Board Charter sets out procedures relating to the removal of a director whose contribution is found to be inadequate.

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

- the Company's financial, strategic, operational and risk management position;
- the culture and values of the Company;
- the rights, duties and responsibilities of the directors;
- the roles and responsibilities of senior executives;

- the role of the Board committees;
- meeting arrangements; and
- director interaction with each other, senior executives and other stakeholders.

In addition to the briefing papers, agenda and related information regularly supplied to directors, the Board has an ongoing education program designed to give directors further insight into the operation of the Company's business. The program includes education on key developments in respect of the Company and the industry and environment within which it operates. As part of this program, directors have the opportunity to visit Company facilities, including all major operating sites in the US, Europe and Australia, and to attend meetings and information sessions with the Company's local management and employees.

### 1.6 Performance Evaluation

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

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

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

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

The Nomination Committee is responsible for evaluating the performance of the Managing Director, who in turn evaluates the performance of all other senior executives and make recommendations in respect of their remuneration. These evaluations are based on specific criteria

including the Company's business performance, whether the long term strategic objectives are being achieved and the achievement of individual performance objectives.

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

## 2. AUDIT AND RISK MANAGEMENT

### 2.1 Integrity in Financial Reporting and Regulatory Compliance

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

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

- the financial statements and associated notes comply with IFRS Accounting Standards as required by the Corporations Act, the Corporations Regulations and the CSL Group Accounting Policies;
- the financial statements and associated notes give a true and fair view of the financial position as at the relevant balance date and performance of the Company for the year then ended as required by the Corporations Act;
- in their opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- they have established and maintained an adequate risk management and internal compliance and control system to facilitate the preparation of a reliable financial report which in all material respects implements the policies adopted by the Board and the statements made above are based on that system.

These written declarations were received by the Board in respect of the financial year ended 30 June 2013.

### 2.2 Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for assisting the Board in fulfilling its financial reporting, risk management and compliance responsibilities. The functions and responsibilities of the Audit and Risk Management Committee are set out in a charter. Broadly, the Audit and Risk Management Committee is responsible for:

- overseeing the Company's system of financial reporting and safeguarding its integrity;

## CORPORATE GOVERNANCE CONTINUED

- overseeing risk management and compliance systems and the internal control framework, as set out in the Company's internal Risk Framework (see section 2.3 below);
- monitoring the activities and effectiveness of the internal audit function;
- monitoring the activities and performance of the external auditor and coordinating its operation with the internal audit function; and
- providing full reports to the Board on all matters relevant to the Audit and Risk Management Committee's responsibilities.

The Audit and Risk Management Committee has (in conjunction with management) reported to the Board as to the Company's effective management of its material business risks in respect of the financial year ending 30 June 2013.

The roles and responsibilities of the Audit and Risk Management Committee are reviewed annually.

The Audit and Risk Management Committee currently comprises three independent non-executive directors. Details of the Audit and Risk Management Committee's current members, including their qualifications and experience, are set out in the directors' profiles on pages 26 and 27 of this Report. The Audit and Risk Management Committee's charter provides that a majority of the Audit and Risk Management Committee must be independent directors, and that the Committee Chair must be an independent director who is not also Chairman of the Board. Executive directors may not be members of the Audit and Risk Management Committee. Members are chosen having regard to their qualifications and training to ensure that each is capable of considering and contributing to the matters for which the Audit and Risk Management Committee is responsible.

The Audit and Risk Management Committee meets at least four times a year, and senior executives and internal and external auditors frequently attend meetings on invitation by the Audit and Risk Management Committee. The Audit and Risk Management Committee holds regular meetings with both the internal

and external auditors without management or executive directors present. Any other director may attend any meeting of the Audit and Risk Management Committee in an ex officio capacity. Details of Audit and Risk Management Committee meetings held during the year and individual directors' attendance at these meetings can be found on page 42 of the Directors' Report attached to the financial report.

The Audit and Risk Management Committee Charter is available on the Company's website.

### 2.3 Risk Framework

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

As part of the Risk Framework, a Corporate Risk Management Committee of responsible executives reported to the Audit and Risk Management Committee on a quarterly basis, including as to the effectiveness of the Company's management of material risks. Its task is to implement, coordinate and facilitate the risk management process across the CSL Group. This includes quantifying and monitoring certain business risks identified and evaluated as part of the risk management process, including those relating to operating systems, the environment, health and safety, product quality, physical assets, security, disaster recovery, insurance and compliance. Each business unit and manufacturing site in the Group has its own Risk Management Committee which reports to the Corporate Risk Management Committee on a quarterly basis, and the Group has a Global Risk and Insurance Manager who is responsible for monitoring and coordinating the implementation of the Risk Framework throughout the CSL Group.

The oversight of risk management associated with research and development projects is one of the responsibilities of the Innovation and Development Committee (see section 4.2). The research and development operations have a number of management committees that report into the Innovation and Development Committee.

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

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

### 2.4 External Auditor

One of the chief functions of the Audit and Risk Management Committee is to review and monitor the performance and independence of the external auditor. The Company's external auditor for the financial year was Ernst & Young, who were appointed by shareholders at the 2002 Annual General Meeting. A description of the procedure followed in appointing Ernst & Young is set out in the notice of the 2002 Annual General Meeting.

The Audit and Risk Management Committee has established guidelines to ensure the independence of the external auditor. The external audit partner is to be rotated at least every five years, and the auditor is required to make an independence declaration annually. Information about the total remuneration of the external auditor, including details of remuneration for any non-audit services, can be found in Note 30 of the financial report.

The Audit and Risk Management Committee is satisfied that the provision of those non-audit services by the external auditor was consistent with auditor independence.

The external auditor attends each Annual General Meeting to be available to answer questions from shareholders.

### 3. HUMAN RESOURCES AND REMUNERATION

#### 3.1 Competitiveness of Remuneration and Human Resources

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

#### 3.2 Remuneration Report

Details on the Company's remuneration policies and practices are set out in the Remuneration Report on pages 48 to 69 of the Director's Report attached to the financial report. The Remuneration Report includes details of the remuneration of directors and other key management personnel of the consolidated entity, details of the Company's long-term incentive plans and the terms of the retirement benefit scheme for non-executive directors (which only has continued operation for one non executive director).

#### 3.3 Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee Charter provides that the Committee should consist of at least three members, all of whom are non-executive directors, and that the Committee Chair must be an independent director. Executive directors may not be members of the Human Resources and Remuneration Committee.

The Human Resources and Remuneration Committee is responsible for assisting the Board in fulfilling its responsibilities with respect to human resources and remuneration matters. Details of the Human Resources and Remuneration Committee and its charter are set out in the Remuneration Report on pages 48 to 69 of the Directors' Report attached to the financial report. Details of Committee meetings held during the year and individual directors' attendance at these meetings can be found on page 42 of the Directors' Report attached to the financial report.

The Human Resources and Remuneration Committee Charter is available on the Company's website.

### 4. INNOVATION AND DEVELOPMENT

#### 4.1 Governance of Innovation and Development

The Board is committed to ensuring that the Company's investments in innovation, research and development are undertaken in ways that are most likely to create long term value for shareholders.

#### 4.2 Innovation and Development Committee

The Innovation and Development Committee is responsible for providing the Board with oversight of CSL's technology, research and product development opportunities. The functions and responsibilities of the Innovation and Development Committee are documented in a formal charter approved by the Board. The Innovation and Development Committee is authorised by the Board to:

- monitor the strategic direction of CSL's technology, research and product development programs;
- provide guidance on issues and priorities, additions to the research and development pipeline and significant development milestones; and
- oversee the management of risk associated with the research and development projects.

The Innovation and Development Committee generally meets at least four times a year. The Innovation and Development Committee currently comprises four members, being three independent non-executive directors and the Managing Director. Details of the Innovation and Development Committee's current members, including their qualifications and experience, are set out in the directors' profiles on pages 26 and 27 of this Report. The Company's Chief Scientific Officer is a required attendee. Any other director may attend any meeting of the Innovation and Development Committee in an ex officio capacity. Details of Innovation and Development Committee meetings held during the year and individual directors' attendance at these meetings can be found on page 42 of the Directors' Report attached to the financial report.

The Innovation and Development Committee Charter is available on the Company's website.

### 5. MARKET DISCLOSURE

#### 5.1 Communications and External Disclosure

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

- providing guidance as to the types of information that may require disclosure, including examples of practical application of the rules;
- providing practical guidance for dealing with market analysts and the media;

- identifying the correct channels for passing on potentially market-sensitive information as soon as it comes to hand;
- establishing regular occasions at which senior executives and directors are actively prompted to consider whether there is any potentially market-sensitive information which may require disclosure; and
- allocating responsibility for approving the substance and form of any public disclosure and communications with investors.

The Communications and External Disclosure Policy is available on the Company's website.

#### 5.2 Securities and Market Disclosure Committee

Significant ASX announcements (such as announcements of financial results, market guidance or major transactions) are the subject of full Board approval. In circumstances where it is impractical to convene a Board meeting, the Board has also delegated authority to a Securities and Market Disclosure Committee (that may be convened at short notice) to enable the Company to comply with urgent continuous disclosure obligations, including any request for a trading halt or approval of any disclosure. From time to time, the Securities and Market Disclosure Committee may also be specifically authorised by the Board to approve requested amendments to significant ASX announcements following full Board review.

Subject to the above, the Securities and Market Disclosure Committee also has authority to:

- approve the form and substance of less significant disclosures to be made by the Company to the ASX, with the objective of ensuring that the Company meets its reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules (Disclosure Obligations);
- approve any request to the ASX for a trading halt in the Company's securities for the purpose of managing its Disclosure Obligations. In unscheduled and urgent circumstances where it is impractical for the Securities and Market Disclosure Committee to be convened, any of the Chief Executive Officer, the Chief Financial Officer or the Company Secretary may authorise a request for a trading halt if they consider it necessary to ensure compliance by the Company with its Disclosure Obligations;
- approve the allotment and issue, and registration of transfers of securities;

## CORPORATE GOVERNANCE CONTINUED

- make determinations on matters relating to the location of the share register; and
- effect compliance with other formalities which may be urgently required in relation to matters affecting the share capital.

The Securities and Market Disclosure Committee comprises a minimum of any two directors, one of whom must be an independent director. Details of Securities and Market Disclosure Committee meetings held during the year and individual directors' attendance at these meetings can be found on page 42 of the Directors' Report attached to the financial report.

The Securities and Market Disclosure Committee Charter is available on the Company's website.

### 5.3 Shareholder Communication

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

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

The Company has a dedicated Governance page on the Company's website which supplements the communication to shareholders in the annual report regarding the Company's corporate governance policies and practices. That web page also contains copies of many of the Company's governance-related documents, policies and information.

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

A copy of the Company's Communications and External Disclosure Policy is available on the Company's website.

### 6. SECURITIES TRADING

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

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

The policy prohibits directors and employees from buying or selling securities in the Company when they are in possession of price sensitive information which is not generally available to the market. In addition, the policy identifies certain "blackout periods" during which no directors or employees are allowed to trade in Company securities (unless exceptional circumstances apply, the person has no inside information, and special approval is obtained to sell (but not buy) Company securities). Directors and employees are reminded that procuring others to trade in Company securities when in possession of price sensitive information is also a breach of the law and the securities trading policy. Acquisitions of securities under the employee share and option plans are exempt from the prohibition under the Corporations Act.

A procedure of internal notification and approval applies to directors and designated senior employees wishing to buy or sell Company securities. Directors and designated senior employees are forbidden from making such transactions without the prior approval of the Chairman (in the case of directors) and the Company Secretary (in the case of designated senior employees). Directors also have

specific disclosure obligations under the Corporations Act and the corresponding ASX Listing Rules.

A copy of the Company's Securities Dealing Policy is available on the Company's website and has also been lodged with the ASX in accordance with Listing Rule 12.9.

### 7. CORPORATE RESPONSIBILITY

The Company's approach to Corporate Responsibility is guided by its Group Values, Code of Responsible Business Practice and related policies.

#### 7.1 Group Values

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

#### 7.2 Code of Responsible Business Practice

The Board adopted a new edition of the Company's Code of Responsible Business Practice (the Code), effective as of 1 July 2013. Based upon the CSL Group Values and guiding principles, the Code outlines the Company's commitment to responsible business practices and ethical standards. The Code replaced the previous edition of the Code of Responsible Business Conduct (dated December 2008) and sets out the rights and obligations that all employees have in the conduct of the Company's business. These rights and obligations relate to:

- business integrity, including statements relating to compliance with applicable laws and standards, ethical and transparent business practices, privacy and political donations;
- the safety and quality of products, including statements on bioethics (including animal ethics) and human rights principles;
- maintaining a safe, fair and rewarding workplace, which covers many employee relations issues such as:
  - recruitment and selection;
  - equal employment opportunity/ workplace harassment;
  - learning and development;
  - health and safety;



- rehabilitation;
- professional behaviour;
- recognition of service; and
- disciplinary action and employee counselling;
- the community, incorporating policy statements on charitable donations;
- environmental management; and
- compliance with the Code.

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

The Code has been distributed to all employees and an enhanced training program will be implemented across the CSL Group.

The Company expects its contractors and suppliers to comply not only with the laws of the countries in which they operate, but also with internationally accepted best practice. It therefore expects that its contractors and suppliers also observe the principles set out in the Code.

A copy of the Code can be accessed in multiple languages on the Company's website.

## 7.3 Diversity

### 7.3.1 Diversity at CSL

CSL recognises its talented and diverse workforce as a key competitive advantage and its business success as a reflection of the quality and skill of its people. The Company is committed to seeking out and retaining the best talent to ensure strong business growth and performance.

Diversity benefits individuals, teams, the Company as a whole and its customers. CSL recognises that each employee brings to his or her work a unique set of capabilities, experiences and characteristics. All forms of diversity (including but not limited to gender, age, ethnicity and cultural background) are valued at all levels within the Company.

As outlined in the Code, CSL aims to respect and encourage diversity in all its forms.

### Gender Diversity at CSL

As at 31 March 2013, females represented 55% of CSL employees, 40% of CSL's management staff and 32% of the CSL Group's most senior positions (that is, Vice President and above levels). In the first half of 2013, of four new appointments at the Vice President level, three have been females.

The CSL Board and Senior Management believe that the strong gender diversity position within the Company is fundamentally the result of the Company's highly inclusive culture, which benefits from all forms of personal diversity.

The CSL Board and executive team will continue to monitor the percentage of females in senior leadership positions and will seek to maintain the level of female participation at or above 30% for Senior Executive roles (Vice President and above) and at or above 40% for other Management roles. The Company is pleased to note that these levels were achieved for the 2012/2013 financial year.

The CSL Board has announced the appointment of a female director, Marie McDonald, who joined the CSL Board on 14 August 2013. Following this appointment, there are two female representatives on the current CSL Board, which will represent 25% of the Board (upon the retirement of Ian Renard at the 2013 Annual General Meeting).

Each year, the Board undertakes a detailed and focussed review of gender metrics across all areas where management discretion can be said to operate – this includes matters connected with talent, performance, remuneration decisions and access to leadership learning. A range of gender metrics are compiled both globally and by country of employment.

In addition to CSL's global commitment to diversity, the Company also encourages our local businesses in the 27 countries in which CSL operates to undertake gender diversity and family-friendly initiatives that are aligned with local practice and culture.

The CSL Board is informed of these local gender diversity initiatives during regular Board visits to sites and businesses. In 2012/2013, the Board reviewed specific diversity initiatives during visits to Bern in Switzerland and Marburg in Germany. For example, in Germany, CSL supports working parents over the long summer school holidays by offering a Holiday Program for children of staff. In August 2013, 120 children of Marburg Staff, aged between 9 and 14, participated in a range of activities including cooking, English classes and trail walks.

In every country in which CSL operates, the Company complies with legislated diversity reporting requirements. In Australia, CSL met its reporting requirements under the Federal Government's Workplace Gender Equality Act 2012 (Cth), including submitting an annual public report on 31 May 2013 in accordance with the Act (WGEA Report). A copy of the 'workplace profile' section of the Company's WGEA Report is available on the CSL website.

CSL sponsored an Australian Women in Leadership study undertaken by the Committee for Economic Development of Australia (CEDA), a leading not for profit organisation that provides thought leadership and policy perspectives on the economic and social issues affecting Australia. The study examines three issues: women in society, women in the workforce and women in leadership. A case study on the development of a childcare centre at the Company's Parkville site has been included in the CEDA report.

### 7.3.2 Progress against measurable objectives for 2012-2013:

In the Company's 2012 Annual Report, CSL announced 4 measurable objectives for achieving gender diversity to be undertaken in 2012-2013 financial year. The Board is pleased to report that all objectives were met:

- **Implement the Global Sourcing, Recruitment and Selection Principles to further support gender diversity:**

A global project team worked on the implementation of the Company's Global Sourcing, Recruitment And Selection Principles (the Principles) at both the global and site level. A range of activities were undertaken to ensure that the Principles are embedded in the policies and processes of every CSL business. Actions included: the review of recruitment and selection policies, the revision of learning programs on recruitment and selection for managers, and communication with recruitment partners to ensure their understanding of CSL's position on diversity. This objective has been completed.

- **Extend our commitment to individually focussed development by requiring that individual development plans are in place for all employees who are Senior Director level and above, are candidates for a Senior Director level or above position, or are considered to have Senior Director level or above potential:**

This initiative aimed to further strengthen existing practices, create more consistency in development planning and ensure all senior employees, and those with potential, have an individual approach to

## CORPORATE GOVERNANCE CONTINUED

development. CSL believes that by making career development support active and individually focussed, specific development needs linked to females achieving their potential will be addressed. CSL leadership determined that these actions should be extended to employees who were Director level and above. As a result, a larger number of employees than originally planned have created an individual development plan in consultation with their manager and Human Resources. Measurement of completion rates and quality assurance is the responsibility of local Site leadership and Human Resources, and is supported through senior executive sponsorship. This objective has been completed for 2012-2013 and will be an ongoing activity.

- **Support management globally in understanding the benefits of flexible working arrangements which support both business needs and a family-friendly workplace:**

Education was seen as the key activity in support of this objective. Flexible working was the subject of a global Human Resources Professional Development seminar, which was attended by Human Resources representatives from across the Company. CSL's management have also furthered their understanding and education on the business benefits of flexible working arrangements by attending management presentations on the subject, which have been tailored to specific local business requirements. Discussion, analysis and implementation of flexible working arrangements will be continued in 2013-2014. The first phase of this work (consistent with the Board's broader objective) was completed.

- **In line with Board succession plans, increase the participation of females on the Board by appointing a new female director with appropriate skills, experience and expertise to commence on or before the 2013 Annual General meeting:**

The Board has appointed a new female director to fill the vacancy created by the impending retirement of Ian Renard at the 2013 Annual General Meeting. Commencing 14 August 2013,

Marie McDonald brings considerable legal expertise, as well as experience in risk management, governance and management, to the Board. This objective has been completed.

### 7.3.3 Measurable objectives supporting Gender diversity for 2013-2014

The CSL Board has set the following measurable objectives for the financial year commencing 1 July 2013:

- **Build on the education and communication done in 2012-2013 to progress the business case for, and increase the use of, flexible working arrangements for CSL employees;**
- **Provide enhanced career development support to assist CSL employees at or above Director level to achieve the next career level;**
- **Implement a new, highly accessible Equal Employment Opportunity programme to provide a consistent core of EO training for CSL employees globally; and**
- **Review the outcomes of the 2013 Employee Opinion survey from a gender perspective and report findings to senior management and the Board.**

CSL will report against these measurable objectives in its 2014 Annual Report.

A copy of the CSL Diversity Policy is available on the Company's website.

### 7.4 Anti-Bribery and Anti-Corruption

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

A copy of the Company's Anti-Bribery and Anti-Corruption Policy is available on the Company's website.

### 7.5 Supporting Policies

The CSL Group policy framework provides for four levels of policy making within the CSL Group as follows:

- Board Policies cover any operational issue of strategic importance that applies to all CSL Group business units and all CSL Group employees and are approved by the Board;
- Global Policies cover issues of an operational nature requiring consistent implementation across all CSL Group business units and are approved by a member of the Executive Management Group;
- Business Unit/Function Policies cover issues of an operational nature requiring consistent implementation within a specific business unit or function within the CSL Group and are approved by the head of the relevant business unit or function; and
- Local Policies cover issues that apply to a particular geographic area (e.g. site, country or region) and are approved by the appropriate site, country or regional leader.

The framework ensures that policy issues are reviewed and approved at the appropriate level within the CSL Group and that the principles outlined in the Code are properly implemented.

Communication of the CSL Group policy framework has been undertaken to ensure that all employees have a clear understanding of the policy structure and decision making processes within the CSL Group.

### 7.6 Ongoing policy review and new policy development

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



# CSL LIMITED FINANCIAL REPORT 2012-2013

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## DIRECTORS' REPORT

The Board of Directors of CSL Limited has pleasure in presenting their report on the consolidated entity for the year ended 30 June 2013.

### 1. Directors

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

Professor J Shine AO (Chairman)

Dr B A McNamee AO (Managing Director and Chief Executive Officer) - until 30 June 2013)

Mr J H Akehurst

Mr D W Anstice

Mr B R Brook

Ms C E O'Reilly

Mr I A Renard AM

Mr M A Renshaw

Mr P R Perreault was appointed an Executive Director on 13 February 2013 and continues in office at the date of this report. Dr B A McNamee was succeeded by Mr P R Perreault as Managing Director and Chief Executive Officer as of 1 July 2013. Mr P J Turner retired at the Annual General Meeting held on 17 October 2012.

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

### 2. Company Secretary

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

### 3. Directors' Attendances at Meetings

The table below shows the number of directors' meetings held (including meetings of Board Committees) and number of meetings attended by each of the directors of the Company during the year. In addition, a Capital Structuring Committee was set up to oversee the debt raising component of CSL's capital management plan. The Capital Structuring Committee comprised Mr I A Renard (Chair), Professor J Shine, Ms C E O'Reilly and Mr B R Brook and met on two occasions during the year. On two separate occasions during the year, the directors visited various of the Company's operations outside Australia and met with local management.

	Board of Directors		Audit and Risk Management Committee		Securities and Market Disclosure Committee	Human Resources & Remuneration Committee		Innovation & Development Committee		Nomination Committee	
	A	B	A	B	A	A	B	A	B	A	B
J Shine	8	8	2 <sup>1</sup>		11	6 <sup>1</sup>		2	2	6	6
B A McNamee	8	8	3 <sup>2</sup>		10	6 <sup>2</sup>		2	2	3 <sup>2</sup>	
J H Akehurst	8	8				6	6	2 <sup>1</sup>		6	6
D W Anstice	8	8			1	6	6	2	2	5	6
B R Brook	8	8	4	4				2 <sup>1</sup>		6	6
P R Perreault	2	2	3 <sup>2</sup>		1	4 <sup>2</sup>		2 <sup>1</sup>		1 <sup>2</sup>	
C E O'Reilly	8	8	4	4	1	6	6	2 <sup>1</sup>		6	6
I A Renard	8	8	4	4	1			2 <sup>1</sup>		6	6
M A Renshaw	6	8						2	2	5	6
P J Turner	4	4						1 <sup>2</sup>			

<sup>1</sup> Attended for at least part in ex officio capacity

<sup>2</sup> Attended for at least part by invitation

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

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

#### 4. Principal Activities

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

#### 5. Operating and Financial Review and Future Prospects

##### (a) Financial Review

The Group announced a net profit after tax of US\$1,216 million for the twelve months ended 30 June 2013, up 19% when compared to the prior comparable period. This result included an unfavourable foreign exchange impact of US\$18 million. On a constant currency<sup>1</sup> basis, operational net profit after tax grew 21%. Sales revenue was US\$5.0 billion, up 10% on a constant currency basis when compared to the prior comparable period, with research and development expenditure of US\$427 million up 16%. Cash flow from operations was US\$1,312 million, up 9% when compared to the prior comparable period.

##### (b) Operating Review

**CSL Behring** sales of US\$4.5 billion grew 10% in constant currency terms, when compared to the prior comparable period.

*Immunoglobulin* product sales of US\$2,081 million grew 9% in constant currency terms. Demand for subcutaneous immunoglobulin (SCIG), lead by Hizentra®, was particularly strong in both the US and Europe, growing 27% when compared to the prior comparable period. Hizentra® offers patients the convenience of self administration at home.

Intravenous immunoglobulin sales growth was led by strong demand for Privigen® in the US, somewhat offset by a price reduction for Carimune®, which competes at the low price end of the market. Approved indications for Privigen® were expanded in April 2013 when the European Commission granted marketing authorisation for its use in the treatment of chronic inflammatory demyelinating polyneuropathy (CIDP).

*Albumin* sales of US\$601 million grew 28% in constant currency terms. Growth was underpinned by demand in China, which was aided by domestic plasma supply interruptions. Improved distribution logistics in China also helped grow sales. In Europe sales of albumin were enhanced by a favourable re-evaluation of albumin usage in intensive care units.

*Haemophilia* product sales of US\$1,090 million grew 2% in constant currency terms. Plasma derived coagulation factors grew 5% in constant currency terms led by Beriate®, which grew 22% in volume of units sold, largely arising from stronger demand in Latin America, particularly Brazil. Sales from this volume growth, however, were offset to some extent by the ongoing geographic sales shift towards lower priced emerging markets. Recombinant FVIII sales declined 1% in constant currency terms, influenced by the number of clinical trials underway for new generation recombinant factor FVIII products where patients receive clinical trial products at no cost.

*Specialty products* sales of US\$719 million grew 17% in constant currency terms. The changing paradigm for the treatment of peri-operative bleeding continued to underpin growth in demand for fibrinogen product Haemocomplettan® in Europe.

In April 2013 the US Food and Drug Administration (FDA) approved Kcentra™ for urgent warfarin reversal in patients with acute major bleeding. Kcentra™ is the first FDA approved 4-factor prothrombin complex concentrate for warfarin reversal in the US. It is marketed in more than 25 countries, including under the trade names of Beriplex® and Confidex® outside the US. Demand for Beriplex® grew well, particularly in Europe.

Robust demand continues in the US for Berinert®, which is used for the treatment of acute attacks in patients with hereditary angioedema. In January 2013, Berinert® received US approval for self administration and use in the treatment of laryngeal attacks. Both indications contributed to the increased sales of the product.

<sup>1</sup> Constant currency removes the impact of exchange rate movements to facilitate comparability by restating the current year's results at the prior year's rates. This is done in two parts: a) by converting the current year net profit of entities in the group that have reporting currencies other than US Dollars at the rates that were applicable to the prior year (**translation currency effect**) and comparing this with the actual profit of those entities for the current year; and 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 year (**transaction currency effect**) and comparing this with the actual transaction recorded in the current year. The sum of translation currency effect and transaction currency effect is the amount by which reported net profit is adjusted to calculate the result at constant currency.

##### Summary NPAT

Reported net profit after tax	US\$ 1,216.3m
Translation currency effect (a)	US\$ 66.6m
Transaction currency effect (b)	US\$ (48.9)m
Constant currency net profit after tax *	US\$ 1,234.0m

##### a) Translation Currency Effect \$66.6m

Average Exchange rates used for calculation in major currencies were as follows:

	12 months to	
	Jun 12	Jun 13
USD/CHF	0.89	0.94
USD/EUR	0.74	0.77

##### b) Transaction Currency Effect \$(48.9)m

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

##### Summary Sales

Reported sales	US\$ 4,950.4m
Currency effect (c)	US\$ 105.1m
Constant currency sales	US\$ 5,055.5m

##### c) Constant Currency Effect \$105.1m

Constant currency effect is presented as a single amount due to complex and interrelated nature of currency impact on sales.

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

## DIRECTORS' REPORT CONTINUED

**bioCSL** sales of US\$449 million grew 8% in constant currency terms, when compared to the prior comparable period. GARDASIL\* sales were US\$57m, up strongly following the commencement of the vaccination program for boys in Australia. Influenza vaccine sales fell to US\$137 million in what has been a challenging year for this business. CSL's influenza vaccine is manufactured in Australia with the majority sold into the northern hemisphere. The Australian operating environment together with global influenza market dynamics, has put these sales and margins under significant competitive pressure.

**CSL Intellectual Property** revenue was US\$134 million, underpinned by solid growth in royalty contributions from Human Papillomavirus Vaccines.

**Group EBIT margin**<sup>2</sup> grew from 26.6% to 29.1% driven by improved efficiencies and a change in sales mix across the portfolio of products.

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

- On 3 August 2012, CSL announced that Mr P R Perreault would succeed Dr B A McNamee as Managing Director and Chief Executive Officer of CSL Limited;
- On 22 August 2012, CSL announced its full year results for the year ending 30 June 2012;
- On 17 October 2012, CSL announced its intention to conduct an on-market buyback of up to A\$900 million;
- On 27 November 2012, CSL announced that it had lifted its net profit after tax guidance for fiscal 2013 from approximately 12% to approximately 20% at constant currency;
- On 6 December 2012, CSL announced its Research and Development Day briefing to Analysts;
- On 13 February 2013, CSL announced its half year results for the half year ending 31 December 2012;
- On 13 February 2013, CSL announced that Mr P Perreault had been appointed as an Executive Director of CSL Limited;
- On 8 March 2013, CSL announced the terms of appointment of Mr P R Perreault as Managing Director and Chief Executive Officer;
- On 28 March 2013, CSL announced that it had closed a US\$500 million private placement in the US; and
- On 28 June 2013, CSL announced the terms of departure of Dr B A McNamee as Managing Director and Chief Executive Officer.

Full details of all information disclosed to the Australian Securities Exchange during the period under review can be obtained from the ASX website ([www.asx.com.au](http://www.asx.com.au)).

### (c) Future Prospects

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

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

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

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

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

### 6. Dividends

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

**2011-2012** An interim dividend of A\$0.36 per share, unfranked, was paid on 13 April 2012. A final dividend of A\$0.47 per ordinary share, unfranked, for the year ended 30 June 2012 was paid on 12 October 2012.

**2012-2013** An interim dividend of US\$0.50 per share, unfranked, was paid on 5 April 2013. The Company's Directors have determined a final dividend of US\$0.52 per ordinary share, unfranked, for the year ended 30 June 2013.

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

Total dividends for the 2012-2013 year are:

	<b>On Ordinary shares</b>
	<b>US\$m</b>
Interim dividend paid 5 April 2013	252.3
Final dividend payable on 4 October 2013	253.4

<sup>2</sup> EBIT margin is calculated by dividing earnings before interest and tax by total revenue.

## 7. Significant changes in the State of Affairs

From 1 July 2012, the Company effected a change in its presentation currency from Australian dollars to US dollars. For more information, please refer to Note 1(a) of the Financial Report.

On 17 October 2012, the Company announced its intention to conduct a further on-market buyback of up to \$900 million, representing approximately 4% of shares then on issue. Up to 30 June 2013, the Company purchased 14,849,288 shares under this announced buyback, returning approximately A\$852 million to shareholders. From 1 July to 2 July 2013, an additional 265,799 shares were purchased, bringing the total returned to shareholders to approximately A\$869 million. Post 3 July 2013 up to 14 August 2013, no further shares have been bought back.

On 1 January 2013, the Australian plasma operations were integrated with CSL Behring, creating a single global plasma business, and the Australian-based vaccines, pharmaceuticals, diagnostics and logistics businesses were combined under a new stand-alone business unit called bioCSL. For more information, please refer to Note 2 of the Financial Report.

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

## 8. Significant events after year end

On 1 July 2013, Mr P R Perreault succeeded Dr B A McNamee as Managing Director and Chief Executive Officer.

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

## 9. Health, Safety and Environmental Performance

The Company continues to operate a global Health, Safety and Environment Management System that ensures its facilities operate to internationally recognised standards. This framework includes compliance with government regulations and commitments to continuously improving the health and safety of the Company's workforce as well as minimising the impact of operations on the environment. The Company also maintains certifications to relevant external Health, Safety and Environment management systems including the EU Eco-Management and Audit Scheme (EMAS), ISO 50001 Energy Management, and AS/NZ4801 Occupational Health and Safety Management Systems.

Lost time injury frequency rate (LTIFR) continues to record improved performance while the Medical Treatment Injury Rate (MTIFR) has decreased slightly in performance as compared to the all-time low rate achieved in 2012. There has been a significant improvement in the Days Lost Frequency Rate (DLFR) over the last year with the trend continuing in a positive direction. For our Australian operations tier 3 status was maintained in regard to CSL Limited's self-insurance licence granted by the Safety, Rehabilitation and Compensation Commission.

No environmental breaches have been notified by the Environmental Protection Authority in Victoria, Australia, or by any other equivalent interstate or foreign government agency in relation to the Company's Australian, European, North American or Asia Pacific operations during the year ended 30 June 2013.

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

As part of compliance and continuous improvement in environmental performance, both regulatory and voluntary, the Company continues to report on key environmental issues including energy consumption, emissions, water use and management of waste as part of the Company's annual sustainability. The Company has met its reporting obligations under the Australian Government's *National Greenhouse Energy Reporting Act (2007)* and Victoria Government's *Industrial Waste Management Policy, National Pollutant Inventory (IWMP NPI)*.

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

Further details and reporting in relation to health, safety and environmental performance can be found in the Company's sustainability report, Our Corporate Responsibility, available on the Company's website.

## 10. Directors' Shareholdings and Interests

At the date of this report, the interests of the directors who held office at 30 June 2013 in the shares, options and performance rights of the Company are set out in Note 28(g) of the Financial Report. It is contrary to Board policy for key management personnel to limit exposure to risk in relation to these securities. From time to time the Company Secretary makes inquiries of key management personnel as to their compliance with this policy.

## 11. Directors' Interests in Contracts

Section 13 of this Report sets out particulars of the Directors Deed entered into by the Company with each director in relation to Board paper access (indemnity and insurance matters).

## 12. Performance Rights and Options

As at the date of this report, the number of unissued ordinary shares in the Company under options and under performance rights are set out in Note 27 of the Financial Statements.

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

## DIRECTORS' REPORT CONTINUED

The number of options and performance rights exercised during the financial year and the exercise price paid to acquire fully paid ordinary shares in the Company is set out in Note 27 (b) and (c) of the Financial Statements. Since the end of the financial year, 6,863 shares were issued under the Company's Performance Rights Plan.

### 13. Indemnification of Directors and Officers

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

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

- (a) an ongoing and unlimited indemnity to the relevant director against liability incurred by that director in or arising out of the conduct of the business of the Company or of a subsidiary (as defined in the *Corporations Act 2001*) or in or arising out of the discharge of the duties of that director. The indemnity is given to the extent permitted by law and to the extent and for the amount that the relevant director is not otherwise entitled to be, and is not actually, indemnified by another person or out of the assets of a corporation, where the liability is incurred in or arising out of the conduct of the business of that corporation or in the discharge of the duties of the director in relation to that corporation;
- (b) that the Company will maintain, for the term of each director's appointment and for seven years following cessation of office, an insurance policy for the benefit of each director which insures the director against liability for acts or omissions of that director in the director's capacity or former capacity as a director; and
- (c) the relevant director with a right of access to Board papers relating to the director's period of appointment as a director for a period of seven years following that director's cessation of office. Access is permitted where the director is, or may be, defending legal proceedings or appearing before an inquiry or hearing of a government agency or an external administrator, where the proceedings, inquiry or hearing relates to an act or omission of the director in performing the director's duties to the Company during the director's period of appointment.

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

For this purpose, "officer" includes a director, executive officer, secretary, agent, auditor or other officer of the Company. The indemnity only applies to the extent the Company is not precluded by law from doing so, and to the extent that the officer is not otherwise entitled to be or is actually indemnified

by another person, including under any insurance policy, or out of the assets of a corporation, where the liability is incurred in or arising out of the conduct of the business of that corporation or in the discharge of the duties of the officer in relation to that corporation.

The Company paid insurance premiums of US\$1,233,370 in respect of a contract insuring each individual director of the Company and each full time executive officer, director and secretary of the Company and its controlled entities, against certain liabilities and expenses (including liability for certain legal costs) arising as a result of work performed in their respective capacities, to the extent permitted by law.

### 14. Auditor independence and non-audit services

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

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

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

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

Ernst & Young and its related practices received or are due to receive the following amounts for the provision of non-audit services in respect to the year ended 30 June 2013:

	US\$
Due diligence and completion audits	-
Compliance and other services	170,587
Total fee paid for non-audit services	170,587

### 15. Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$100,000 (where rounding is applicable) unless specifically stated otherwise under the relief available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.



## MESSAGE FROM THE BOARD

The Board's philosophy and general approach to Key Management Personnel (KMP) remuneration remained largely consistent with the previous year.

On 30 June 2013, Dr Brian McNamee stepped down from his position as Chief Executive Officer and Managing Director. On 1 July 2013, Mr. Paul Perreault assumed the position of Managing Director and Chief Executive Officer. The contractual arrangements for Mr Perreault and the end-of-service arrangements for Dr McNamee were the subject of ASX releases in March and June respectively. The CSL Board supports transparency in termination arrangements and has provided extensive detail on Dr. McNamee's arrangements both in an ASX Release and in the footnotes to Table 9. Dr McNamee's reported remuneration for 2013 includes the full value of long term incentives that were granted under the Performance Rights Plan (the Plan) and reported between 2009 and 2012. This value has been fully accrued in the 2013 accounts. These rights and options remain at risk and will vest in future on their planned vesting dates, only if they meet the requirements of the Plan which include the applicable performance hurdles. The reported value includes the pro-rated settlement due to Dr McNamee under the Company's "good leaver" arrangements (as described on page 56) as well as the non pro-rated settlement which remain subject to a shareholder vote at the 2013 Annual General Meeting in October.

We have added new commentary on page 52 to describe the current status of the Board's discretion on clawing back or cancelling STI bonuses in the event of a material misstatement. The Board will ensure that it has the necessary flexibility to respond to exceptional circumstances and will describe the policy more fully in the 2014 remuneration report.

CSL is a global company in terms of ownership, operations and employees. 41.2% of CSL's shares were held outside Australia as at 30 June 2013; 88.7% of the Group's sales revenue in 2013 was generated outside Australia and, as at 30 June 2013, 83.6% of the Group's 11,285 full time equivalent employees and five of the ten KMP were employed outside Australia.

The Board is mindful of the need to attract, retain and reward executives in the many geographic locations in which they are employed. We continue to address these considerations in a way which meets expectations of both shareholders and executives balancing the different expectations that exist in different geographies. The Board aims to balance risk and create sustainable value over the long term.

Each year we compare the remuneration for CSL Executive KMP against that of equivalent positions in a range of peer companies, in terms both of the quantum and the mix of pay components. The data for 2013 was collected and presented directly to the Board by Guerdon Associates. During 2013, in preparation for our leadership transition to a new Chief Executive Officer, several KMP were given increased responsibilities. In several cases this involved an increase to their fixed remuneration and/or to their overall Short Term Incentive (STI) opportunity. This was also an opportunity to extend the practice of STI deferral and six KMP had part of their STI subject to deferral.

For all KMP the maximum STI awards and the actual 2013 awards are detailed in the report. The deferral method is described on page 53.

Our STI approach is built on individual work-plans which, taken as a whole, will deliver our business plans. The aggregate of all STI awards for the Executive KMP is related to CSL's overall business performance across a range of financial measures. We then reward individual Executive KMP on measurable business outcomes which are specified in their performance plans for the current year and on their success in implementing initiatives which will benefit shareholders in future years. We have described our approach on page 52. The Board continues to believe that basing STI awards on a combination of overall business result; individual, measurable business outcomes and other significant achievements, is the best driver of sustained high performance and, therefore, best aligns with the interest of shareholders.

In October 2012, we made an award of Performance Rights to KMP executives as participants in the long-term incentive (LTI) plan, which is described on page 55. The hurdles for this and future grants will be set and measured in US dollars in line with our reporting currency. The hurdles for the most recent grant are described on page 56 and for past grants on page 66. The main LTI changes for 2013 were the adjustment to graduated vesting for the compound EPS hurdle and the move to measuring relative TSR through comparison with an international index of Pharma and Biotech companies rather than using an ASX comparator group.

In 2013, US-based KMP again received part of their LTI award under the Executive Deferred Incentive Plan to better align with US market practice.

We continue to aim for a fair and equitable approach to KMP remuneration which rewards the ongoing success of a highly experienced senior executive team and meets the expectations of all shareholders. We welcome feedback on our remuneration practices and on our communication of remuneration matters in this report.



**John Akehurst**  
 Chairman  
 HR and Remuneration Committee



**John Shine AO**  
 Chairman  
 CSL Limited

## DIRECTORS' REPORT CONTINUED

### 16. Remuneration Report

#### Introduction

This Remuneration Report sets out the Company's remuneration framework and practices and the remuneration arrangements for the 2013 financial year. This report has been prepared in accordance with the requirements of the *Corporations Act 2001* and the *Corporations Regulations 2001*. It has been audited pursuant to section 308(3C) of the *Corporations Act 2001*.

#### Key Management Personnel

Key Management Personnel (KMP) in this report are those individuals having authority and responsibility for planning, directing and controlling the major activities of the Company during the financial year. They include Non-Executive Directors, Executive Directors and Executive KMP. All are listed below:

Non-Executive Directors	Position
Professor John Shine	Chairman
Mr John Akehurst	Non-Executive Director
Mr David Anstice	Non-Executive Director
Mr Bruce Brook	Non-Executive Director
Ms Christine O'Reilly	Non-Executive Director
Mr Ian Renard	Non-Executive Director
Mr Maurice Renshaw	Non-Executive Director

Executive KMP including Executive Directors	Position
Dr Brian McNamee <sup>3</sup>	Managing Director
Mr Peter Turner <sup>4</sup>	Executive Director
Mr Paul Perreault <sup>5</sup>	Managing Director & Chief Executive Officer
Mr Gordon Naylor	Chief Financial Officer
Dr Andrew Cuthbertson	Chief Scientific Officer
Dr Jeff Davies <sup>6</sup>	Executive Vice President, CSL Biotherapies
Mr Greg Boss	Executive Vice President Legal & Group General Counsel
Dr Ingolf Sieper	Executive Vice President, Commercial Operations
Ms Mary Sontrop	Executive Vice President Manufacturing Operations & Planning
Ms Karen Etchberger	Executive Vice President Quality and Business Services
Mr Edward Bailey	Company Secretary
Ms Jill Lever	Senior Vice President, Human Capital

<sup>3</sup> Ceased in role as Managing Director and Chief Executive Officer on 30 June 2013

<sup>4</sup> Retired as Executive Director on 17 October 2012

<sup>5</sup> Appointed as Executive Director from 13 February 2013 and as Managing Director and Chief Executive Officer from 1 July 2013

<sup>6</sup> Ceased employment on 31 December 2012

#### Remuneration Framework

CSL is one of the largest specialist plasma protein therapeutics companies in the world. We are a vertically integrated organisation with a broad geographic footprint in terms of product sourcing, manufacturing and R&D. This produces many management complexities, requiring constant liaison across functions and geographies by work groups operating in what are effectively management matrices. We have therefore chosen a remuneration framework that has a high degree of global consistency to encourage people to work together for common goals. A significant proportion of executive reward is linked to share price in recognition of the need to work across geographies and functional groups to achieve long-term goals. Employees transfer across geographies to work. The selection and mix of remuneration components which are applied in most countries are therefore broadly the same.

Through an effective remuneration framework the Company aims to:

- provide fair and equitable rewards;
- utilise common reward components that can be applied globally;
- align rewards to business outcomes that create value for shareholders;
- drive a high performance culture by rewarding the achievement of strategic and business objectives;
- encourage teamwork;
- ensure an appropriate pay mix to balance our focus on both short term and longer term performance;
- attract, retain and motivate high calibre employees; and
- ensure remuneration is competitive in each of our international employment markets.

*Human Resource and  
 Remuneration Framework Responsibilities*

The Board and its Human Resources and Remuneration The Board and its Human Resources and Remuneration Committee (HRRC) have various responsibilities in relation to the CSL Group's human resource and remuneration framework.

The full Board has responsibility for:

- (a) approving any framework or policy for setting the remuneration of the Managing Director and the Company's executives;
- (b) appointing and, where appropriate, removing the Managing Director, approving other key executive appointments, and planning for executive succession;
- (c) overseeing and evaluating the performance of the Managing Director and other senior executives who report to the Managing Director in the context of the company's strategies and objectives;
- (d) reviewing and approving the remuneration of the Managing Director and those senior executives who report to the Managing Director, inclusive of fixed pay and short and long term incentive components (subject to any approval of shareholders in General Meeting for Executive Directors to acquire securities under an employee incentive scheme);
- (e) approving the establishment of or any amendment to employee share, performance option, performance rights and deferred cash incentive plans;
- (f) reviewing and approving remuneration and other benefits to be paid to Non-Executive Directors (subject to any maximum sum for remuneration of Non-Executive Directors approved by shareholders in General Meeting);
- (g) on an annual basis, approving measurable objectives for achieving gender diversity and assessing progress towards achieving them; and
- (h) Board succession planning to ensure an appropriate mix of skills, experience, expertise and diversity (subject to the power of shareholders in General Meeting to elect or re-elect directors).

The HRRC is responsible for approving human resources initiatives of the CSL Group generally. The HRRC's responsibilities include:

- (a) recommending to the Board a framework or policy for setting the remuneration of the Managing Director and the CSL Group's executives. The policy should aim to set remuneration outcomes which:
  - (i) are competitive, equitable and designed to attract and retain high quality executives;
  - (ii) motivate executives to pursue the long-term growth of the CSL Group; and
  - (iii) establish a clear relationship between executive performance and remuneration.
- (b) reviewing and recommending to the Board the design of any share, performance option, performance rights, retention and deferred cash incentive plans including performance measures and any amendments to such schemes or plans;
- (c) reviewing and recommending to the Board, proposals from the Managing Director for allocations under share, performance option, performance rights, retention and deferred cash incentive plans;
- (d) reviewing, approving and monitoring the implementation of the Company's Human Resources Strategic Plan, and Performance Management Systems;
- (e) reviewing and recommending to the Board the total individual remuneration package of the Managing Director and of all senior executives who report to the Managing Director;
- (f) reviewing the CSL Group's executive succession plan;
- (g) reviewing and recommending to the Board the remuneration and other benefits of the Non-Executive Directors;
- (h) engaging on behalf of the Company and interacting directly with any remuneration consultant required to assist the HRRC in matters related to the design of the CSL Group's key management personnel remuneration system and the implementation of appropriate remuneration levels within the agreed system;
  - (i) overseeing the establishment of and regular review of the CSL Group's diversity policy and reviewing and recommending to the Board measurable objectives for achieving gender diversity;
  - (j) reviewing and reporting to the Board at least annually on the relative proportion of women and men within the CSL Group and of the remuneration by gender of CSL Group employees at all levels;
- (k) reviewing the Company's global health, safety and environmental performance; and
- (l) reporting to the Board the findings and recommendations of the HRRC after each meeting.

## DIRECTORS' REPORT CONTINUED

The HRRC comprises three independent Non-Executive Directors, John Akehurst (Chairman), David Anstice and Christine O'Reilly. Jill Lever, Senior Vice President – Human Capital, acts as the secretary of the HRRC. The Board Chairperson and any other director may attend any meeting of the HRRC in an ex officio capacity. The Managing Director, Senior Executives and professional advisors retained by the HRRC attend meetings by invitation.

The HRRC endorses and recommends to the Board for approval the performance measures and hurdles used in incentive plans each year, reviews the outcomes of the performance management process, oversees the succession planning process and authorises the allocation of long-term incentives (once approved by the Board). The Committee meets when required to perform these functions and at other times as are required to discharge its responsibilities. Information about the HRRC meetings held during the year and individual Directors' attendance at these meetings can be found in section 3 of this Directors' Report.

### *Non-Executive Directors' Remuneration*

A remuneration pool of up to A\$2,500,000 for the payment of Non-Executive Directors was approved by shareholders on 13 October 2010. This limit has applied from 1 July 2010 and any increases to the limit are subject to shareholder approval at a General Meeting.

The Board believes that the fee structure approved for Non-Executive Directors must:

- enable the Company to attract and retain suitably qualified directors with appropriate experience and expertise; and
- have regard to directors' Board responsibilities and their activities on Board committees.

Table 1 below sets out annual Non-Executive Director Board and committee fees which became effective 1 July 2012. The fees are inclusive of superannuation.

The fees have increased by 3% from 1 July 2013.

As stated in Section 3 of this Report, a Capital Structuring Committee was established during the year. No additional remuneration was paid to those Directors who served on that Committee.

The Chairman of the Board does not receive any additional fees for committee responsibilities.

Non-Executive Directors participate in the Non-Executive Directors' Share Plan approved by shareholders at the 2002 annual general meeting, as amended. The Non-Executive Directors' Share Plan requires that each Non-Executive Director takes at least 20% of their after-tax director's base fee (excluding superannuation guarantee contributions) in the form of shares in CSL Limited. Shares are purchased by Directors on-market at prevailing share prices, twice yearly, after the announcement of the Company's half and full year results.

In 1994, the shareholders approved the Non-Executive Directors' Retirement Plan (the NED Retirement Plan). The Board closed the NED Retirement Plan to future participants, and froze the amount of the retirement allowance for existing participants, as at 31 December 2003. Mr Ian Renard is the only remaining Non-Executive Director who has an entitlement to a retirement allowance (at the level frozen for him in 2003) under the NED Retirement Plan.

Directors may be reimbursed for reasonable expenses incurred by them in the course of discharging their duties.

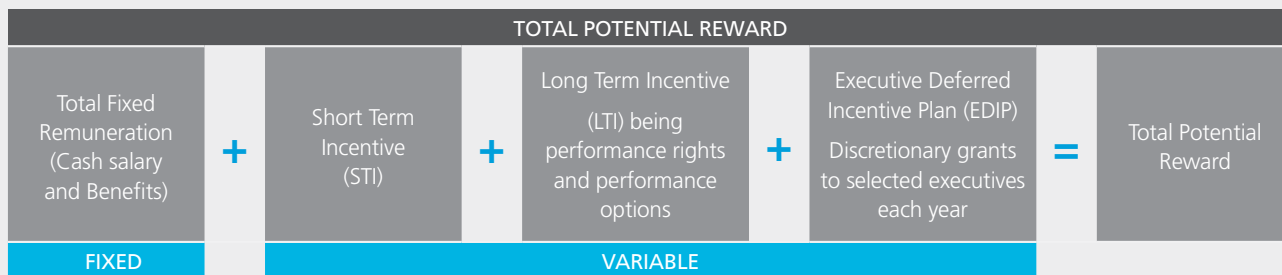
Table 9 shows remuneration paid to Non-Executive Directors in respect to the 2012 and 2013 years.

*Table 1 – Annual Non-Executive Director Board and Committee Fees*

Role	Board Base Fee	Audit & Risk Management Committee	Human Resources & Remuneration Committee	Nomination Committee	Securities & Market Disclosure Committee	Innovation & Development Committee
Chairman	A\$572,000	A\$40,000	A\$40,000	-	-	A\$40,000
Members	A\$187,200	A\$20,000	A\$20,000	-	-	A\$20,000

**Executive KMP Remuneration Structure and Link to Business Strategy**

The diagram below outlines the Company's remuneration structure for all Executive KMP. The mix of total fixed remuneration, STI and LTI vary as a proportion of total potential reward for each Executive KMP.



The Company's Executive KMP remuneration is directly linked to its business strategy. The Board conducts an annual strategy review with Management and following this, business plans are prepared which lead to the approval by the Board of a detailed activity plan and budget for the subsequent year and directional objectives and plans for the medium to long term.

The performance targets or key performance indicators (KPIs) which govern the STI payment to each Executive KMP are selected by the Managing Director during the Company's planning process to reflect the contribution required from each individual (and the part of the business for which they have responsibility) in order for the Company to meet its agreed business plan and budget for the year. These KPIs include financial and operational performance measures, which are specific to the responsibilities of each individual. These KPIs form part of a challenging work plan and are approved by the Board and recorded in the Company's performance management system. The Board is responsible for the selection of KPIs and for the approval of the work plan for the Managing Director.

A formal review of each Executive KMP's progress against his or her specific objectives is conducted twice annually by the Managing Director. Following the full year performance review, the Managing Director makes recommendations to the HRRC and subsequently to the Board regarding the level of STI payment to be made to each Executive KMP, excluding himself. The Board evaluates the Managing Director's performance against his pre-agreed KPIs and agrees his STI payment. The Board retains the discretion to vary the level of STI payment to each Executive KMP to take account of specific circumstances during the year to avoid a formulaic outcome which does not reflect the performance of the Company or the contribution of the individual.

In addition to the requirement to achieve annual performance targets, our strategy looks to achieve long term growth in shareholder returns. The interests of shareholders and Executive KMP are aligned in this respect through the long term incentive scheme (LTI) which rewards Executive KMPs when the Company meets its cumulative financial goals over a number of years.

Further details of both STI and LTI targets and hurdles are provided in the following section of this report.

**Total Fixed Remuneration (TFR)**

TFR is set on an individual basis for each Executive KMP, based on assessment of job weight defined as part of the Company's global job evaluation system. The appropriate level of remuneration is then set by considering market data for comparable roles in the country of domicile. Adjustments are also made to reflect the incumbent's experience in the role.

The annual rate of increase in an Executive KMP's TFR is primarily driven by market remuneration benchmarking reviews undertaken by the Company's external remuneration advisers (Guerdon Associates). It is also influenced by prior performance against objectives.

In 2013, TFR for Australia based Executive KMP was primarily compared with matched executives from an ASX 50 peer group comprising 20 ASX50 companies where CSL approximates to the 50th percentile on market capitalisation.

Remuneration for US based Executive KMP was primarily compared with 16 international biomedical and pharmaceutical companies where CSL approximated to the 50th percentile on market capitalisation.

## DIRECTORS' REPORT CONTINUED

### Short-term Incentives (STI)

The STI is a variable cash reward paid annually to Executive KMP who meet or exceed their agreed individual work-plan objectives. As outlined previously, CSL rates Executive KMP performance and awards STI on evidence that the Executive KMP has achieved stretching work plan objectives and dealt with unplanned challenges in a way that contributes to short-term results and to the long-term positioning of the Company. In addition to consideration of quantitative targets, the approach requires judgement to be exercised on how well the Executive KMP prioritised and met the year's challenges in a complex business with many moving parts. The Board retains ultimate discretion over STI payments. CSL believes this method delivers appropriate and just outcomes, while minimising unintended consequences that may arise with a more formulaic method.

Currently the Board has discretion to cancel deferred STI awards and unvested LTI awards where the individual is found to have acted fraudulently. The awards applicable to the 2013 financial year will explicitly reference the Board's discretion in relation to clawing back STI awards in the case of a material misstatement or other significant discovery which, had it been known at the time of the award, would have made a difference to the offer or the quantum of the award whether or not the individual KMP was involved or aware of the relevant events. In the event of CSL being faced with a material misstatement or similar situation the Board's response and the actions taken will be detailed in the remuneration report.

Awards vary between 60-100% of the maximum opportunity dependent on individual performance. In the event that an Executive KMP does not meet the required performance to justify a 60% award, he or she receives zero. An average award level of 85% across the Executive KMP Group would be expected if the CSL Group achieves its planned financial outcomes in US dollars.

For Executive KMP, work-plan targets which are used to assess the individual's STI award focus on:

- quantifiable business outcomes relevant to the KMP's area of accountability which taken collectively will deliver the Company's operational result for the year;
- delivery of relevant strategic milestones which are required for longer term growth; and
- operational improvements and change initiatives which build a strong and sustainable business.

The diagram below illustrates how work-plans are structured.

Additionally, **leadership performance** is an important part of the assessment of individual performance, including:

- managing to the Company's standards in areas of quality, safety of medicines, health, operational safety and environment and maintaining high personal and organisational levels of **compliance and quality**;
- attracting, developing and **nurturing talent** in the long-term interests of the CSL Group including support for the CSL diversity policy and objectives;
- handling unplanned events responsibly, pro-actively and with high standards of integrity ensuring both actions and communications are well-managed to appropriately **protect the Company's reputation** across our stakeholder groups; and
- when representing the Company internally and externally in formal and informal environments demonstrating high **standards of personal leadership and behaviour**.

Category	Measures
<b>Quantified performance outcomes</b> for the current year aligned to the individual's area of responsibility	Forming up to <b>60%</b> of the agreed work-plan for those Executive KMP with P&L responsibilities, production or sales and revenue accountability.
Achievement of defined <b>strategic objectives</b> required to position the Company for longer term <b>growth</b> .	Forming up to <b>20%</b> of the agreed work-plan for Executive KMP with P&L responsibilities and up to <b>80%</b> of the agreed work-plan for functional leaders.
<b>Building a strong and sustainable business</b> through delivery of improvements and change initiatives in operational excellence, risk-management, compliance, operational excellence and health, safety and environment (HSE).	Forming up to <b>20%</b> of the agreed work-plan for all Executive KMP.

Table 2 below shows the bonus opportunity for each Executive KMP and the actual award made for 2013.

*Table 2 – Executive KMP Short Term Incentive Bonus Opportunity and Actual 2013 Bonus*

<b>Executive KMP including Executive Directors</b>	<b>Bonus Potential Maximum % of 2013 Fixed Remuneration at 30 June 2013</b>	<b>STI Awarded as a % of Potential in 2013</b>	<b>Actual Bonus Award in 2013 (US\$)<sup>7</sup></b>
Dr Brian McNamee	120%	100%	\$3,565,838
Mr Paul Perreault	100%	100%	\$1,102,500
Mr Gordon Naylor	85%	95%	\$841,426
Dr Andrew Cuthbertson	85%	95%	\$675,552
Dr Jeff Davies	N.A.	N.A.	-
Mr Greg Boss	70%	90%	\$337,830
Dr Ingolf Sieper *	85%	95%	\$461,021
Ms Mary Sontrop *	85%	90%	\$448,493
Ms Karen Etchberger	70%	90%	\$288,727
Mr Edward Bailey	50%	85%	\$203,151
Ms Jill Lever	50%	92%	\$237,715
Mr Peter Turner	N.A.	N.A.	-

\* Effective 1 January 2013, STI opportunity increased for the second half of the performance year with one-third of awarded STI deferred for three years

<sup>7</sup> The Australian dollar bonus awards during the year ended 30 June 2013 have been converted to US Dollars at an average exchange rate for the year.

#### **Deferred Short Term Incentive (STI)**

For the Managing Director and the five most senior executive KMP in 2013 (Mr Perreault, Mr Naylor, Dr Cuthbertson, Ms Sontrop and Dr Sieper), one-third of any awarded STI is deferred. The deferral operates as follows:

- the deferred amount is divided by CSL Limited's volume weighted share price during the last week of the entitlement year to give a number ('A'); and
- 3 years from the end of the entitlement year (or earlier at the Board's discretion), the executive is entitled to the payment of a cash amount equivalent to 'A' multiplied by CSL Limited's volume weighted share price during the last week immediately prior to the end of that 3-year period (or such earlier period as the Board may determine).

The deferred STI of Executive KMP lapses in the event of resignation however, in the case where an Executive KMP leaves the Company as a "Good Leaver", the deferred portion will be settled at its due date in full.

## DIRECTORS' REPORT CONTINUED

### *Executive Deferred Incentive Plan (EDIP)*

Equity linked deferred cash incentives may be offered at the discretion of the Board to selected Executive KMP each year under the Executive Deferred Incentive Plan (EDIP) which was introduced in 2010. The value of the grant is divided by the current share price to create a number of notional shares. These are converted to cash at the end of a 3 year vesting period (based on CSL Limited's volume weighted average share price during the 5 trading days immediately preceding the vesting date).

The Board approved an allocation of equity linked cash settled awards for US-based Executive KMP in 2013 under the EDIP to bring US-based executives closer to market practice in the US where the remuneration mix typically includes a higher LTI component, part or all of which is in the form of equity which vests without application of business hurdles other than continued satisfactory service. EDIP awards will continue to be made on a selective basis where there are market or retention needs.

The value of the EDIP was tied to share price to align executive interests with those of shareholders.

The face value of awards (refer to Table 3) was divided by CSL Limited's volume-weighted share price during the last week of the entitlement year to give a number of notional shares ('A'). Three years from the end of the entitlement year, the executive

is entitled to the payment of a cash amount equivalent to the relevant number of notional shares ('A') multiplied by the volume-weighted share price during the last week immediately prior to the end of that 3-year period.

The deferred incentive will be forfeited if the executive resigns during the deferral period.

A "Good Leaver" policy applies to the EDIP. This policy allows that a proportion of the value will not lapse upon cessation of employment by a KMP in the case of voluntary retirement, bona fide redundancy, death or total and permanent disablement, mutually agreed separation to facilitate CSL's succession transitions or for any other reason as determined by the Board in its discretion. Rewards paid under the "Good Leaver" policy will generally be pro-rated according to the proportion the period between the grant date and the employment end date represents of the total three-year deferral period. Any pro-rated awards will be paid out at the same time and on the same terms as the equivalent EDIP awards are paid out for executives who remain in employment during the full three-year deferral period.

The allocation under the Executive Deferred Incentive Plan for Executive KMP in 2013 was as follows:

*Table 3 – Executive KMP Deferred Cash Awards in 2013 (October 2012 award date) with 2016 vesting date*

<b>Executive KMP</b>	<b>Number of Notional Shares</b>	<b>Face Value at Grant Date (US\$)</b>
Mr Peter Turner	N.A.	N.A.
Mr Paul Perreault	12,700	\$588,709
Mr Gordon Naylor	N.A.	N.A.
Dr Andrew Cuthbertson	N.A.	N.A.
Dr Jeff Davies	N.A.	N.A.
Mr Greg Boss	4,200	\$194,691
Dr Ingolf Sieper	5,500	\$254,953
Ms Mary Sontrop	5,300	\$245,682
Ms Karen Etchberger	2,450	\$113,570
Mr Edward Bailey	N.A.	N.A.
Ms Jill Lever	N.A.	N.A.



*Long-term Incentives -  
 Performance Rights and Performance Options*

Long-term incentives are offered each year at the discretion of the Board in the form of Performance Rights and/or Performance Options delivered under the CSL Performance Rights Plan (PRP), which has been operating since 2003 with periodic changes to the PRP Rules.

In the 2013 year, long-term incentives in the form of Performance Rights were offered to all Executive KMP and to 12 other Senior Executives at the level of Senior Vice President and above. The grant of Performance Rights to the Managing Director in 2013 is in accordance with the resolution approved by shareholders for grants to Executive Directors at the 2010 annual general meeting.

Performance Rights are issued for nil cash consideration and entitle the holder to subscribe for one share in CSL Limited for nil consideration when they vest. The grant of Performance Rights is evenly split into two tranches with, respectively, 3-year and 4-year vesting periods. At the end of a vesting period, an assessment is made as to whether or not the performance hurdles have been met. Fifty percent of the Performance Rights in each tranche are subject to an EPS performance hurdle (see Table 4 for details); the other fifty percent is subject to a relative TSR performance hurdle (also see Table 4). Where the applicable performance hurdles are met, vesting occurs and the Performance Rights may be exercised by the executive holding them at any time from then until the rights expire seven years from the date of their initial grant (subject to compliance with CSL's insider trading rules).

Performance Rights that do not vest at the initial 3-year or 4-year performance tests will be re-tested once. The re-test recognises that CSL's results may be impacted in the short term by factors contributing to volatility over which executives have little control.

Rights will only vest on re-test to the extent that performance over the extended re-test period exceeds that at which vesting was achieved over the initial performance period. This means that re-testing will only provide a benefit to executives if performance over the additional 12 months of the re-test period is at a higher level than that required for vesting over the original testing period. The opportunity for re-testing on this basis provides a clear performance incentive for management and avoids a cliff effect at the end of the vesting initial period. Any Performance Rights that do not vest at the single re-test opportunity will lapse.

The "Good Leaver" policy allows that a proportion of unvested LTI Performance Rights will not lapse upon cessation of employment in the case of voluntary retirement, bona fide redundancy, death or total and permanent disablement, mutually agreed separation to facilitate CSL's succession transitions or any other reason as determined by the Board in its discretion. The number of Performance Rights for which rewards are paid under the "Good Leaver" policy will generally be pro-rated reflecting the period of service between the grant date and the employment end date. "Good Leaver" awards will generally be paid out at the same date and against the same business hurdles as the equivalent LTI grants of executives who remain in ongoing employment.

Table 4 – Key Characteristics of Performance Rights granted in 2013 (October 2012 grant date)

LTI Grant year	Tranche	Proportion of Grant	Applicable performance hurdle	Vesting Period years	Re-test opportunities
2013	1	50%	50% EPS / 50% TSR	3	1
	2	50%		4	1

LTI Grant year	Level of performance at the expiration of the vesting period (or at retest where applicable)		Amount of grant which vests
2013	50% of rights granted	EPS growth below 8% compound	0%
		EPS growth = 8% to 12% compound	Straight line vesting from 50% to 100%
	50% of rights granted	Below the performance of the MSCI Gross Pharmaceutical Index	0%
		CSL's TSR performance exceeds the performance of the MSCI Gross Pharmaceutical Index	100%

## DIRECTORS' REPORT CONTINUED

In 2013, the Board determined a maximum allocation value for the LTI grants of A\$8.7 million to all Executive KMP and to 12 other Senior Executives at the level of Senior Vice President and above. The value which may ultimately be realised from these awards is dependent upon CSL's performance and its future share price. In accordance with Board Policy, Executive KMP and Senior Executives are not permitted, either by hedging or any other method, to limit their exposure to risk in relation to any share based equity rewards. From time to time, the Company Secretary makes inquiries of Executive KMP as to their compliance with this policy.

The 2013 LTI grant for each Executive KMP was based on a percentage of the executive's fixed remuneration that rises with job weight, as noted in Table 5 below.

*Table 5 – Executive KMP – Long Term Incentive in 2013 (October 2012 grant date)*

<b>Executive KMP including Executive Directors</b>	<b>Performance Rights* as a % of Fixed Remuneration</b>
Dr Brian McNamee	80%
Mr Paul Perreault	65%
Mr Gordon Naylor	65%
Dr Andrew Cuthbertson	65%
Dr Jeff Davies	60%
Mr Gregory Boss	60%
Dr Ingolf Sieper	60%
Ms Mary Sontrop	60%
Ms Karen Etchberger	60%
Mr Edward Bailey	55%
Ms Jill Lever	55%

\*The number of performance rights is calculated based on an assessment of the fair market value of the instruments in accordance with the accounting standards (refer Note 27 in the Financial Statements).

Prior to October 2012, LTI grants in the 2011 and 2012 years were made in the form of Performance Rights and Performance Options. Performance Rights were issued for nil cash consideration and entitle the holder to subscribe for one share in CSL limited for nil consideration when they vest. Performance Options were also issued for nil consideration and, when they vest, entitle the holder to acquire one share in CSL Limited at a purchase price equivalent to CSL Limited's volume weighted average share price in the week immediately prior to the date of grant.

Key features of grants under the PRP in 2011 and 2012 years included:

- Subject to performance hurdles being satisfied, vesting of 50% of the LTI award will occur after 3 years, with the remaining 50% vesting after the 4th anniversary of the award date;
- The mix of long-term incentives was 80% Performance Rights and 20% Performance Options;
- EPS and TSR measures (see Table 15) are applied to both Performance Rights and Performance Options;
- Each tranche of Performance Rights and Performance Options will have one re-test opportunity in the event that performance hurdles are not met at the first testing date. If the performance hurdles are not met on the re-test dates the instruments lapse; and
- The "Good Leaver" policy allows that all unvested LTI Performance Rights and Performance Options will not lapse upon cessation of employment in the case of voluntary retirement, bona fide redundancy, death or total and permanent disablement, mutually agreed separation to facilitate CSL's succession transitions or any other reason as determined by the Board in its discretion. The number of Performance Rights and Performance Options for which rewards are paid under the "Good Leaver" policy will generally be pro-rated reflecting the period of service between the grant date and the employment end date. "Good Leaver" awards will generally be paid out at the same date and against the same business hurdles as the equivalent LTI grants of executives who remain in ongoing employment.

The key characteristics and terms and conditions of Performance Rights and Performance Options granted between 2007 and 2010 inclusive are summarised in Tables 16 and 17.

Vesting outcomes for Performance Rights and Performance Options that reached their vesting date in 2013 are shown in Table 6.

### LTI Business Performance Hurdles

Two performance hurdles are used to assess whether or not Performance Rights and Performance Options vest at the testing dates.

#### (i) Relative Total Shareholder Return (TSR)

Total Shareholder Return measures growth in shareholder value – essentially movement in share price plus dividends (assuming reinvestment) – over the period between grant date and vesting date (or re-test date where applicable).

In 2013 the CSL Board adopted a new form of relative TSR measure which better reflects CSL's position as a company whose competitors are others in the global pharmaceutical and biotech industry. Performance Rights granted in 2013 that are subject to a relative TSR hurdle vest according to CSL's TSR performance over the relevant performance period, compared with the TSR performance of an international index of pharmaceutical and biotech companies, specifically, the MSCI Gross Pharmaceuticals Index (the "Index"). Performance Rights dependent on the relative TSR performance hurdle will vest in full if CSL's TSR over the relevant performance period exceeds the performance of the Index over the relevant performance period. None of the Performance Rights dependent on the relative TSR performance hurdle will vest if CSL's TSR over the relevant performance period does not exceed the performance of the Index over the relevant performance period.

Performance Rights and Performance Options granted in 2011 and 2012 that are subject to a relative TSR hurdle vest according to CSL's TSR performance over the relevant performance period, compared with the TSR performance of the companies in the ASX100 index at grant date (excluding commercial banks, oil and gas and metals and mining companies) over the same period. If by a test date, a peer group company has been de-listed due to a merger, both pre- and post-merger entities are excluded from the peer group, along with any other de-listed entities. Performance Rights and Performance Options subject to a TSR hurdle will only start to vest when CSL's TSR over the relevant performance period is at least equal to the TSR of the company which is at the 50th percentile of the comparator group, ranked by TSR performance.

#### (ii) Basic Earnings per Share (EPS)

In 2013 the CSL Board adjusted the EPS measure to create a graduated vesting scale. Performance Rights granted in 2013 that are subject to an EPS hurdle vest on a graduated vesting scale with 50% vesting at 8% EPS compound growth per annum through to 100% vesting at or above 12% EPS compound growth per annum. None of the Performance Rights dependent on the EPS performance hurdle will vest if CSL's compound EPS growth per annum is below 8%. This is measured from 30 June in the financial year preceding a grant of Performance Rights or Performance Options until 30 June in the financial year prior to the relevant test date. The Board may use its discretion to adjust the EPS used for performance measurement purposes to exclude the profit and loss impact attributable to significant events or transactions.

Performance Rights and Performance Options granted in 2011 and 2012 that are subject to an EPS hurdle vest where CSL Limited achieves a compound EPS growth per annum of 10% or greater. This is measured from 30 June in the financial year preceding a grant of Performance Rights or Performance Options until 30 June in the financial year prior to the relevant test date. The Board may adjust the EPS used for performance measurement purposes to exclude the profit and loss impact attributable to significant events or transactions. In the past, adjustments have been made in respect of the contingent payment relating to the acquisition of Aventis Behring and profit after tax upon disposal of JRH Biosciences, the cancelled Talecris acquisition and the sales of H1N1 vaccines.

The Board will primarily consider the extent to which the Company has met the hurdles applicable to a grant of performance rights and performance options but retains discretion in approving the vesting of performance rights and performance options having considered a range of parameters and measures of the underlying operational performance and growth of the Company.

Table 6 – 2013 Vesting Outcomes (Performance Rights and Performance Options granted 2009-2010)

Performance Rights			
Grant Date	Vesting Outcome	Exercise Price	Relative TSR Percentile Ranking
October 2008	Vested in October 2012	\$0.00	70.3 <sup>rd</sup>
April 2009	Vested in April 2013	\$0.00	70 <sup>th</sup>
October 2009	Vested October 2012	\$0.00	82.2 <sup>nd</sup>
Performance Options			
Grant Date	Vest Date	Exercise Price	Compound Annual EPS Growth in A\$
October 2008	Vested in October 2012	\$37.91	10.3%
April 2009	Vested April 2013	\$32.50	10.3%
October 2009	Did not vest	\$33.68	Below 10%

## DIRECTORS' REPORT CONTINUED

### Cap on Issue of Equity to Employees

The PRP Rules approved by shareholders at the 2003 Annual General Meeting require that, at any point in time, the aggregate number of CSL shares that:

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

must not exceed 7.5% of the total number of CSL shares on issue at that time.

As at 30 June 2013, the aggregate number of CSL shares under (a) and (b) above was 0.84% of the total number of CSL shares on issue.

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

- the subject of outstanding offers of shares or share options to, or outstanding share options held by employees in Australia; and
- issued to employees in Australia under the Company's equity plans in the 5 year period preceding the offer.

in each case, after disregarding offers to or holdings of exempt offer recipients, must not exceed 5% of the total number of CSL shares on issue at the time of the offer.

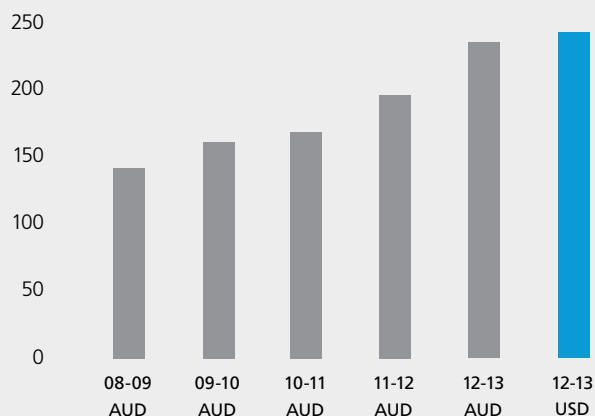
### Relationship between Company Performance and Executive KMP Remuneration

The Company's remuneration framework aims to incentivise Executive KMP towards growth, sustainability of the business, and the creation of shareholder value in the short and the long term. This is seen in two ways:

- Cash Short-Term Incentives, whether paid immediately or deferred, depend on performance and outcomes for the completed performance year (as explained on page 52).
- Long-Term Incentives, in the form of performance rights, are linked to average annual compound growth in EPS (adjusted for significant one off events) and relative TSR performance. This is explained further on page 56.

Earnings per share (EPS) and relative Total Shareholder Return (TSR) as shown below are proxies for creation of shareholder value. However, these measures are not able to capture the difference in value creation for Australian and international shareholders arising from currency movements and the global nature of CSL's business.

The company's EPS over the last five years is displayed in the graph below.



\* In the above graph, the EPS used for performance management purposes has been adjusted to exclude the profit and loss impact attributable to the following significant events and transactions:

- 2009 financial year excluded the favourable NPAT impact of A\$79m (or A\$0.133 per share) arising from the termination of the Talecris acquisition; and
- 2010 financial year excluded the favourable NPAT impact of A\$122m (or A\$0.215 per share) attributable to H1N1 pandemic influenza sales.

Table 7 below illustrates the Company's annual compound growth in basic EPS in respect of performance options granted in 2008, 2009, 2010 and 2011 respectively and performance rights granted in October 2011 and 2012.

Table 7 – Annual Compound Growth in Basic EPS<sup>^</sup>

Year of Grant	Test Currency	Compound EPS growth to end of financial year			
		2010	2011	2012	2013
2008	AUD	13%	11%	10%	N.A.
2009	AUD	-8%	-1%	2%	7%
2010	AUD		6%	7%	13%
2011	AUD			9%	17%
2012	USD				24%

<sup>^</sup> The test currency was changed for the 2012 and subsequent grants to USD.

The company's TSR performance over the relevant performance periods up to 30 June 2013 in respect of as yet unvested performance rights shown in Table 8 below is indicative and for information purposes. The formal TSR calculations will be undertaken at the relevant test dates.

Table 8 – Relative TSR Performance from Grant Date to 30 June 2013

Performance Right Issue	Indicative Relative TSR Percentile Ranking
October 2009	90.3 <sup>rd</sup>
October 2010	91.9 <sup>th</sup>
October 2011	96.9 <sup>th</sup>

Note: For the October 2012 grant of Performance Rights, CSL's performance is measured against the MSCI Gross Pharma Index (the "Index") in US Dollars. As at 30 June 2013, CSL's TSR was 19.3% compared with the Index TSR of 18.6%.

### Employment Contracts

#### Non-Executive Directors

There are no specific employment contracts with Non-Executive Directors. Non-Executive Directors are appointed under a letter of appointment and are subject to ordinary election and rotation requirements as stipulated in the ASX Listing Rules and CSL Limited's constitution.

#### Executive KMP (including Executive Directors)

The Managing Director and Executive KMP are employed under individual service contracts. The service contract outlines terms of employment, including fixed remuneration. The potential short-term incentive may be stipulated in the contract or be governed by the Company's remuneration policy which sets out the level applicable to various seniority levels. The award of short-term or long-term incentives remains at the discretion of the Board.

Employment contracts for Executive KMP do not have a fixed term. The contracts may be terminated by the Company or the Executive by giving 6 months notice. An Executive KMP's employment may be terminated without notice and without payment in lieu in the event of serious misconduct and/or breach of contract. On termination by the Company for other reasons, including redundancy, an Executive KMP is entitled to 6 months notice and to receive 12 months salary (excluding non-cash benefits). New contracts from November 2009 explicitly limit termination payments in accordance with the provisions of the *Corporations Act 2001*, as amended in 2009, unless shareholder approval is sought to exceed those limits.

#### Chief Executive Officer End of Service Arrangements

In August 2012, the CSL Chairman announced that Dr Brian McNamee had agreed with the Board of Directors the timing of the handover to his successor as Chief Executive Officer and Managing Director. Dr McNamee ceased employment as Chief Executive Officer and Managing Director on 30 June 2013 but will continue in an advisory capacity to the Board until 15 October 2013. It has been mutually agreed that his active remunerated service during this period will be limited to a maximum of ten days with the remainder of the remuneration being taken from his existing leave entitlements.

Dr McNamee's end-of-service entitlements are payable in the 2014 year in accordance with the provisions of the *Corporations Act 2001*, as amended. This would normally include pro-rata of unvested long term incentives under the Company's "Good Leaver" arrangements, however, in view of Dr. McNamee's exceptional period of service as Chief Executive Officer and the degree of shareholder value generated under his leadership, the Board believes that the circumstances merit special treatment. Therefore, the Board has determined to seek shareholder approval at the 2013 Annual General Meeting to enable unvested long term incentives granted and reported in the period 2010-2012 to be settled in full at their future vesting date, subject to the performance criteria being satisfied. Full details of Dr McNamee's arrangements are detailed in the footnotes to Table 9.

## DIRECTORS' REPORT CONTINUED

### *Advisers to the HRRC*

The Board and HRRC engage the services of independent consultants for the provision of market remuneration data and to advise on the remuneration of Non-Executive Directors, Executive Directors and Executive Key Management Personnel.

In 2013, Guerdon Associates was selected as the "Remuneration Consultant" to provide advice directly related to remuneration decisions for Executive KMP and as commissioned and instructed by the Chairman of the HRRC. The terms of engagement identify that all remuneration recommendations for the Executive KMP be sent directly to the HRRC through the Chairman and prohibit the Consultant from providing such material directly to CSL management. The terms of engagement also require that Guerdon Associates provide, with their report, a declaration of their independence from the KMPs to whom their recommendations relate, to ensure that the HRRC and Board may be satisfied that KMP remuneration advice and recommendations are made free from undue influence from CSL management generally and from KMPs specifically.

Guerdon Associates made no 'remuneration recommendations' as defined in the *Corporations Act 2001* during the 2013 year.

The table below summarises the services by Guerdon Associates during the year and the fees paid for services provided.

### *Remuneration Tables*

Remuneration Tables and additional Remuneration Disclosures are outlined in the following section of this report.

<b>Remuneration Consultant</b>	<b>Remuneration recommendations</b>	<b>Advice to the Board</b>
Guerdon Associates	There were no Remuneration recommendations as defined in the <i>Corporations Act 2001</i> .	Market Data analysis and remuneration review for the Managing Director and Executive KMP: A\$76,025

Table 9 – Executive and Non-Executive Directors’ Remuneration

Directors	Year	Short-term benefits			Post employment			Other long-term		Share Based Payments			Total
		Cash salary and fees <sup>9</sup>	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits <sup>10</sup>	Termination Payments <sup>11,12</sup>	Long service leave	Deferred Incentive	Performance rights <sup>13</sup>	Performance options <sup>13</sup>	Cash Settled Deferred Payment <sup>14</sup>	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive Directors</b>													
Dr Brian McNamee <sup>15</sup> <i>Managing Director</i>	2013	3,411,461	2,377,226	-	25,770	-	2,906,732	182,828	1,188,612	7,748,063	1,771,722	-	19,612,414
	2012	2,739,670	2,130,431	-	52,024	-	-	167,886	1,065,215	1,172,254	669,786	-	7,997,266
Mr Paul Perreault <sup>16</sup> <i>Executive Director &amp; President CSL Behring</i>	2013	1,133,439	735,000	46,098	17,850	-	-	-	82,432	430,195	110,078	481,073	3,036,165
	2012	971,650	494,594	19,168	17,516	-	-	-	-	289,568	174,870	156,166	2,123,532
Mr Peter Turner <sup>17</sup> <i>Executive Director</i>	2013	320,581	-	-	71,008	-	-	81,740	-	5,049	27,976	23,465	529,819
	2012	502,413	-	3,779	256,694	-	1,126,063	18,220	-	348,923	253,978	117,634	2,627,704
<b>Non-executive Directors</b>													
Professor John Shine <sup>18</sup> <i>Chairman</i>	2013	567,456	-	-	22,162	-	-	-	-	-	-	-	589,618
	2012	423,717	-	-	38,135	-	-	-	-	-	-	-	461,852
Ms Elizabeth Alexander <sup>20</sup> <i>Non-executive director</i>	2013	-	-	-	-	-	-	-	-	-	-	-	-
	2012	158,359	-	-	14,252	336,343	-	-	-	-	-	-	508,954
Mr John Akehurst <i>Non-executive director</i>	2013	214,861	-	-	19,337	-	-	-	-	-	-	-	234,198
	2012	195,685	-	-	17,612	-	-	-	-	-	-	-	213,297
Mr David Anstice <i>Non-executive director</i>	2013	217,221	-	-	16,977	-	-	-	-	-	-	-	234,198
	2012	200,459	-	-	18,041	-	-	-	-	-	-	-	218,500
Mr Bruce Brook <sup>19</sup> <i>Non-executive director</i>	2013	196,605	-	-	16,977	-	-	-	-	-	-	-	213,582
	2012	163,072	-	-	14,676	-	-	-	-	-	-	-	177,748
Ms Christine O’Reilly <i>Non-executive director</i>	2013	214,861	-	-	19,337	-	-	-	-	-	-	-	234,198
	2012	205,231	-	-	18,471	-	-	-	-	-	-	-	223,702
Mr Ian Renard <i>Non-executive director</i>	2013	217,221	-	-	16,977	-	-	-	-	-	-	-	234,198
	2012	210,004	-	-	18,900	-	-	-	-	-	-	-	228,904
Mr Maurice Renshaw <i>Non-executive director</i>	2013	214,861	-	-	19,337	-	-	-	-	-	-	-	234,198
	2012	200,459	-	-	18,041	-	-	-	-	-	-	-	218,500
Mr David Simpson <sup>20</sup> <i>Non-executive director</i>	2013	-	-	-	-	-	-	-	-	-	-	-	-
	2012	66,223	-	-	5,960	-	-	-	-	-	-	-	72,183
<b>Total of all Directors</b>	<b>2013</b>	<b>6,708,567</b>	<b>3,112,226</b>	<b>46,098</b>	<b>245,732</b>	<b>-</b>	<b>2,906,732</b>	<b>264,568</b>	<b>1,271,044</b>	<b>8,183,307</b>	<b>1,909,776</b>	<b>504,538</b>	<b>25,152,588</b>
	<b>2012</b>	<b>6,036,942</b>	<b>2,625,025</b>	<b>22,947</b>	<b>490,322</b>	<b>336,343</b>	<b>1,126,063</b>	<b>186,106</b>	<b>1,065,215</b>	<b>1,810,745</b>	<b>1,098,634</b>	<b>273,800</b>	<b>15,072,142</b>

<sup>8</sup> The Australian dollar compensation paid during the years ended 30 June 2012 and 30 June 2013 have been converted to US Dollars at an average exchange rate for the year. Both the amount of remuneration and any movement in comparison to prior years may be influenced by changes in the AUD/USD exchange rates.

<sup>9</sup> As disclosed in the section titled “Non-Executive Director Remuneration”, Non-Executive Directors participate in the NED Share Plan under which Non-Executive Directors are required to take at least 20% of their after-tax base fees (excluding superannuation guarantee contributions) in the form of shares in the Company which are purchased on-market at prevailing share prices. The value of this remuneration element is included in cash, salary and fees.

<sup>10</sup> Retirement allowance paid to Ms Alexander upon her retirement as a Director under the Non-Executive Directors’ Retirement Plan. For a summary of the residual application of that Plan, see the section on Non-Executive Directors’ Remuneration above.

<sup>11</sup> Mr Turner received redundancy payments due under his contract paid upon termination.

<sup>12</sup> As announced to the ASX in June 2013, Dr McNamee is to receive a severance payment upon cessation of employment on 15 October 2013.

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

<sup>14</sup> The fair value of the cash settled deferred payment (EDIP) has been measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.

<sup>15</sup> In accordance with accounting standards, remuneration for Dr McNamee reflects the cost to the company as determined on an accruals basis. The proposed retention of certain Performance Rights and Performance Options by Dr McNamee, following his cessation of employment, is subject to shareholder approval under a resolution being put before the 2013 AGM. The company believes that the recognition criteria for the expense relating to any such retention have been met in respect of FY 2013, and accordingly the assessed current value of any such retention (being approx. \$7 million) has been included in Dr McNamee’s remuneration for (and expensed in) FY 2013.

<sup>16</sup> Mr Perreault was appointed Director on 13 February 2013. As Mr Perreault was considered a key management person prior to his appointment to Director in both the prior and current year, his remuneration covers the 12 month period ended 30 June 2013. To enable a comparison, remuneration earned by Mr Perreault in the prior year as a key management person has been reclassified and is now disclosed in Table 9.

<sup>17</sup> Mr Turner completed his assignment and returned to Australia in October 2011. He was an Executive Director until cessation of employment in October 2012.

<sup>18</sup> Appointed Chairman of the Board on 19 October 2011

<sup>19</sup> Mr Brook was appointed Director from 17 August 2011 and his remuneration in 2012 is referable to services rendered from that date until 30 June 2012.

<sup>20</sup> Retired from the Board on 19 October 2011.

## DIRECTORS' REPORT CONTINUED

Table 10 – Executive Key Management Personnel remuneration<sup>21</sup>

Executives	Year	Short-term benefits			Post employment			Other long-term		Share Based Payments			Total
		Cash salary and fees	Cash bonus <sup>16</sup>	Non-monetary benefits	Super-annuation	Retirement benefits	Termination benefits <sup>22</sup>	Long Service Leave	Deferred Incentive	Performance rights <sup>23</sup>	Performance options <sup>23</sup>	Cash Settled Deferred Payment <sup>24</sup>	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Key Management Personnel</b>													
Mr Gordon Naylor <i>Chief Financial Officer</i>	2013	981,950	560,950	-	25,770	-	-	51,703	78,916	481,467	124,603	69,477	2,374,836
	2012	930,396	477,938	-	26,012	-	-	68,388	-	346,596	187,162	43,863	2,080,355
Dr Andrew Cuthbertson <i>Chief Scientific Officer</i>	2013	778,794	450,368	-	25,770	-	-	38,870	67,086	389,801	100,812	103,162	1,954,663
	2012	716,012	406,292	-	52,024	-	-	43,213	-	284,187	154,995	65,131	1,721,854
Dr Jeff Davies <i>Executive VP, CSL Biotherapies</i>	2013	241,975	-	-	(11,547)	-	-	25,593	-	15,277	22,865	30,158	324,321
	2012	467,964	255,693	-	219,153	-	526,974	28,408	-	215,896	142,999	90,703	1,947,790
Mr Greg Boss <i>Group General Counsel</i>	2013	541,314	337,830	19,946	13,138	-	-	-	-	266,140	81,647	228,169	1,488,184
	2012	499,590	301,002	19,167	17,596	-	-	-	-	216,903	133,177	91,434	1,278,869
Dr Ingolf Sieper <sup>20</sup> <i>Executive VP, Comm Ops</i>	2013	615,714	376,748	13,568	-	-	-	-	-	162,891	32,505	281,868	1,483,294
	2012	541,397	344,138	10,565	-	-	-	-	-	90,864	48,357	107,575	1,142,896
Ms Mary Sontrop <i>Executive VP, Operations</i>	2013	727,076	366,510	30,705	276,516	-	-	67,341	-	263,835	83,732	265,743	2,081,458
	2012	521,818	331,955	9,232	300,076	-	-	26,231	-	216,998	143,361	104,002	1,653,673
Ms Karen Etchberger <i>Executive VP, Plasma, Supply Chain &amp; IT</i>	2013	457,864	288,727	19,925	17,177	-	-	-	-	199,207	58,866	148,398	1,190,164
	2012	384,062	229,512	20,353	15,037	-	-	-	-	158,003	94,347	60,435	961,749
Mr Edward Bailey <i>Company Secretary</i>	2013	455,394	203,151	-	25,770	-	-	27,848	-	179,284	44,487	27,370	963,304
	2012	387,184	183,087	-	26,012	-	-	17,730	-	123,178	59,740	17,279	814,210
Ms Jill Lever <i>Senior VP, Human Capital</i>	2013	465,181	237,715	-	25,770	-	-	20,124	-	187,237	48,456	72,738	1,057,221
	2012	415,524	209,581	-	51,861	-	-	11,942	-	124,114	63,407	38,198	914,627
<b>Total KMP remuneration</b>	<b>2013</b>	<b>5,265,262</b>	<b>2,821,999</b>	<b>84,144</b>	<b>398,364</b>	<b>-</b>	<b>-</b>	<b>231,479</b>	<b>146,002</b>	<b>2,145,139</b>	<b>597,973</b>	<b>1,227,083</b>	<b>12,917,445</b>
	<b>2012</b>	<b>4,863,947</b>	<b>2,739,198</b>	<b>59,317</b>	<b>707,771</b>	<b>-</b>	<b>526,974</b>	<b>195,912</b>	<b>-</b>	<b>1,776,739</b>	<b>1,027,545</b>	<b>618,620</b>	<b>12,516,023</b>

<sup>21</sup> The Australian dollar compensation paid during the years ended 30 June 2012 and 30 June 2013 have been converted to US Dollars at an average exchange rate for the year. Both the amount of remuneration and any movement in comparison to prior years may be influenced by changes in the AUD/USD exchange rates.

<sup>22</sup> Redundancy payments due under his contract to be payable upon termination.

<sup>23</sup> The options and rights have been valued using a combination of the Binomial and Black Scholes option valuation methodologies as at the grant date adjusted for the probability of hurdles being achieved. This valuation was undertaken by PricewaterhouseCoopers. The amounts disclosed have been determined by allocating the value of the options and performance rights evenly over the period from grant date to vesting date in accordance with applicable accounting standards. As a result, the current year includes options that were granted in prior years.

<sup>24</sup> The fair value of the cash settled deferred payment (EDIP) has been measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.



### Executive Key Management Personnel

Table 11 below shows the cash elements of Total Reward actually available to Executive KMP in the 2013 year, as well as the value of equity from former years that vested in 2013 (the fair value of which was originally reported in accordance with the accounting standards in the year it was granted).

Table 11 – Executive KMP - Elements of Remuneration Received or Available as Cash in respect of 2013<sup>25</sup>

Executive KMP including Executive Directors	Total 2013 Fixed Remuneration <sup>26</sup>	STI Applicable to the 2013 year <sup>27</sup>	Cash Settled Deferred STI in 2013 <sup>28</sup>	LTI Vested in 2013 <sup>25</sup>	Total Reward (received or available)
Dr Brian McNamee <sup>30</sup>	\$2,971,533	\$2,377,226	\$705,341	\$1,823,740	\$7,877,840
Mr Paul Perreault <sup>6</sup>	\$1,071,875	\$735,000	-	\$476,417	\$2,283,292
Mr Peter Turner	\$293,797	-	-	\$817,734	\$1,111,531
Mr Gordon Naylor <sup>6</sup>	\$1,042,013	\$560,950	-	\$476,417	\$2,079,380
Dr Andrew Cuthbertson <sup>6</sup>	\$836,597	\$450,368	-	\$408,614	\$1,695,579
Dr Jeffrey Davies	\$242,060	-	-	\$445,244	\$687,304
Mr Gregory Boss	\$531,180	\$337,830	-	\$375,767	\$1,244,777
Dr Ingolf Sieper <sup>6</sup>	\$574,856	\$376,748	-	\$193,088	\$1,144,692
Ms Mary Sontrop <sup>6</sup>	\$570,078	\$366,510	-	\$445,244	\$1,381,832
Ms Karen Etchberger	\$432,303	\$288,727	-	\$249,121	\$970,151
Mr Edward Bailey	\$478,003	\$203,151	-	\$105,067	\$786,221
Ms Jill Lever	\$516,772	\$237,715	-	\$62,310	\$816,797

<sup>25</sup> Executive KMP remuneration details prepared in accordance with statutory requirements and Accounting Standards are presented in Tables 9 and 10 of this report.

<sup>26</sup> 2013 Fixed remuneration and STI paid in AUD converted to USD using 2013 average exchange rate. Total Fixed Remuneration in Table 11 is based on Total Employment Cost (TEC) for the relevant executive. This differs from the methodology to calculate "Cash Salary & Fees" used in Tables 9 and 10 due to the treatment of annual leave accrued and annual leave/long service leave taken during the financial year, and the separation of non salary sacrificed Superannuation benefits in a separate column. Table 9 and 10 adjust TEC for differences between leave accrued/taken and separates Superannuation. Table 11 ignores this timing difference for leave and the separation of Superannuation that occurs in Tables 9 and 10.

<sup>27</sup> STI applicable to 2013 in Table 11 is equivalent to "Cash Bonus" in Tables 9 and 10.

<sup>28</sup> Cash Settled Deferred STI in 2013 was recorded in the equivalent to Table 9 in 2009, the year in which it was awarded. Table 11 shows the amount paid during the year.

<sup>29</sup> Rights vested during the year and Options (less exercise price) vested during the year, multiplied by the share price at the date of vesting. This differs from the amounts recorded as "Share Based Payments" in Tables 9 and 10. Tables 9 and 10 are prepared in accordance with accounting standards that require the fair value of each instrument to be determined and for the total value of each grant to be expensed over the vesting period. Tables 9 and 10 therefore include amounts related to multiple grants of LTI instruments, the majority of which will vest in future years. The LTI vested has been converted from AUD to USD using the 2013 average exchange rate.

<sup>30</sup> Dr McNamee, Mr Perreault, Mr Naylor, Dr Cuthbertson, Dr Sieper and Ms Sontrop are entitled to an additional Deferred STI payment as per the terms outlined on page 53.

## DIRECTORS' REPORT CONTINUED

### Fixed and Performance Remuneration Components

Table 12 - Executive KMP remuneration components in the 2013 year

Remuneration Components as a Proportion of Total Remuneration	Fixed Remuneration <sup>31</sup>	Variable Remuneration				Total	Total (100%)
		Cash Based Bonuses <sup>32</sup>	Share Based Payments				
			Performance rights	Performance options	Cash Settled Deferred Payment		
<b>Executive Directors</b>							
Dr Brian McNamee	33%	18%	40%	9%	-	67%	100%
Mr Paul Perreault	39%	27%	14%	4%	16%	61%	100%
Mr Peter Turner	89%	-	1%	5%	5%	11%	100%
<b>Other executives</b>							
Mr Gordon Naylor	45%	27%	20%	5%	3%	55%	100%
Dr Andrew Cuthbertson	43%	27%	20%	5%	5%	57%	100%
Dr Jeff Davies	78%	-	5%	7%	10%	22%	100%
Mr Greg Boss	39%	23%	18%	5%	15%	61%	100%
Dr Ingolf Sieper	42%	25%	11%	2%	20%	58%	100%
Ms Mary Sontrop	53%	17%	13%	4%	13%	47%	100%
Ms Karen Etchberger	42%	24%	17%	5%	12%	58%	100%
Mr Edward Bailey	53%	21%	18%	5%	3%	47%	100%
Ms Jill Lever	48%	22%	18%	5%	7%	52%	100%

<sup>31</sup> Fixed remuneration comprises cash salary, superannuation and non-monetary benefits.

<sup>32</sup> Cash based bonuses include amounts awarded which are due and payable shortly after the conclusion of the financial year as well as that component which is subject to deferred settlement terms for Dr McNamee, Mr Perreault, Mr Naylor, Dr Cuthbertson, Dr Sieper and Ms Sontrop.

Table 13 – Executive KMP performance remuneration components in the 2013 year

Key management person	Cash incentives <sup>33</sup>			Accounting Values being amortised in respect of the 2013 Share Based Payment grants in future years <sup>34</sup>				Remuneration consisting of Share Based Payments	Grant date value of options & rights granted during 2013	Reporting date value of EDIP granted during 2013 <sup>35</sup>	Value of options & rights exercised during 2013 at exercise date <sup>36</sup>
	Maximum short-term incentive potential	Percentage Awarded <sup>1</sup>	Percentage Not Awarded <sup>1</sup>	2014 \$	2015 \$	2016 \$	2017 \$				
<b>Executive Directors</b>											
Dr Brian McNamee	120%	100%	0%	-	-	-	-	49%	3,637,289	-	773,154
Mr Paul Perreault	100%	100%	0%	464,767	464,767	182,980	22,105	34%	709,974	770,992	751,318
Mr Peter Turner	n/a	-	-	-	-	-	-	11%	-	-	1,292,692
<b>Other executives</b>											
Mr Gordon Naylor	85%	95%	5%	198,015	198,015	112,724	21,091	28%	677,406	-	499,572
Dr Andrew Cuthbertson	85%	95%	5%	158,877	158,877	90,444	16,922	30%	543,517	-	1,214,901
Dr Jeff Davies	n/a	-	-	-	-	-	-	22%	-	-	1,624,689
Mr Greg Boss	70%	90%	10%	178,153	178,153	74,432	9,914	38%	318,439	254,974	693,981
Dr Ingolf Sieper	85%	95%	5%	210,407	210,407	84,441	10,545	33%	338,703	333,894	201,857
Ms Mary Sontrop	85%	90%	10%	204,452	204,452	82,336	10,343	30%	332,190	321,752	915,789
Ms Karen Etchberger	70%	90%	10%	121,975	121,975	53,695	7,706	34%	247,514	148,735	262,278
Mr Edward Bailey	50%	85%	15%	76,794	76,794	43,717	8,179	26%	262,712	-	79,327
Ms Jill Lever	50%	92%	8%	83,141	83,141	47,330	8,855	30%	284,424	-	61,958

<sup>33</sup> Cash incentives awarded and not awarded relate to the period ended 30 June 2013. All cash incentive amounts are payable in full shortly after the conclusion of the 30 June 2013 financial year with the exception of the component that is subject to deferred settlement for Dr McNamee, Mr Perreault, Mr Naylor, Dr Cuthbertson, Dr Sieper and Ms Sontrop.

<sup>34</sup> The value of performance rights and performance options is determined at grant date and is then amortised over the applicable vesting period. The amounts included in the table above are consistent with this amortisation amount for 2013.

<sup>35</sup> The value of the cumulative EDIP grants over 2011, 2012 and 2013 was re-calculated at reporting date and then amortised over the applicable vesting period. The amounts included in the table above are consistent with this amortisation amount for 2013.

<sup>36</sup> The value at exercise date has been determined by the share price at the close of business on exercise date less the option/right exercise price (if any) multiplied by the number of options/rights exercised during 2013.

## DIRECTORS' REPORT CONTINUED

### Executive Key Management Personnel

#### Options and Rights Holdings

Table 14 - Executive KMP performance right holdings

Key management person	Balance at 1 July 2012	Number Granted	Number Exercised	Number Lapsed / Forfeited	Balance at 30 June 2013	Number Vested during the year	Balance at 30 June 2013	
								Unvested
<b>Executive Directors</b>								
Dr Brian McNamee	191,344	65,700	15,996	-	241,048	30,931	31,224	209,824
Mr Paul Perreault	44,110	19,620	8,118	-	55,612	8,118	-	55,612
Mr Peter Turner	45,845	-	13,857	12,123	19,865	13,857	-	19,865
<b>Other executives</b>								
Mr Gordon Naylor	51,490	18,720	8,118	-	62,092	8,118	-	62,092
Dr Andrew Cuthbertson	42,125	15,020	6,925	-	50,220	6,925	-	50,220
Dr Jeff Davies	43,260	-	18,800	11,215	13,245	7,540	-	13,245
Mr Greg Boss	31,585	8,800	6,405	-	33,980	6,405	-	33,980
Dr Ingolf Sieper	15,455	9,360	3,471	-	21,344	3,471	-	21,344
Ms Mary Sontrop	31,920	9,180	7,540	-	33,560	7,540	-	33,560
Ms Karen Etchberger	22,930	6,840	4,262	-	25,508	4,262	-	25,508
Mr Edward Bailey	18,930	7,260	994	-	25,196	1,954	1,980	23,216
Ms Jill Lever	17,755	7,860	1,267	-	24,348	1,267	-	24,348
<b>Total</b>	<b>556,749</b>	<b>168,360</b>	<b>95,753</b>	<b>23,338</b>	<b>606,018</b>	<b>100,388</b>	<b>33,204</b>	<b>572,814</b>

The number of ordinary shares issued on exercise of performance rights is equivalent to the number of performance rights exercised. No amounts are payable on exercise of performance rights.

Table 15 - Key Characteristics of Performance Rights and Options granted in 2011 and 2012

LTI Grant years	Tranche	Proportion of Grant	Tranche comprises		Applicable performance hurdle		Vesting Period years	Re-test opportunities
			Performance Options	Performance Rights	Performance Options and	Performance Rights		
2011-12	1	50%	20%	80%	50% EPS / 50% TSR		3	1
	2	50%	20%	80%			4	1

LTI Grant year	Level of performance at the expiration of the vesting period (or later period where applicable)		Amount of grant which vests
2011-2012	50% of options and rights granted	EPS growth = or >10% compound	100%
	50% of options and rights granted	Below the 50 <sup>th</sup> percentile in relative TSR performance	0%
		At the 50 <sup>th</sup> percentile in relative TSR performance	50%
		Between the 50 <sup>th</sup> and 75 <sup>th</sup> percentile in relative TSR performance	Straight line vesting from 50% to 100%
	Above the 75 <sup>th</sup> percentile in relative TSR performance	100%	

Table 16 - A summary of the key characteristics applicable to performance rights and performance options granted between 2007 and 2010\*

LTI Grant years	Tranche	Proportion of Grant	Tranche comprises		Applicable performance hurdle		Vesting Period years	Re-test opportunities
			Performance Options	Performance Rights	Performance Options and	Performance Rights		
2007 -2010	1	25%	60%	40%	EPS / TSR		2	3
	2	35%	60%	40%			3	2
	3	40%	60%	40%			4	1

LTI Grant year	Level of performance at the expiration of the vesting period (or later period where applicable)		Amount of grant which vests
2007-2010	Options	EPS growth > 10% compound	100%
	Rights	At or above 50 <sup>th</sup> percentile in relative TSR performance	100%

\* During 2012, the Company obtained a waiver of Listing Rule 6.23.4 from the ASX to give the Board the discretion to allow Performance Rights and Performance Options granted prior to August 2010 to continue in force and not lapse where the participant ceases employment with CSL in "Good Leaver" circumstances outlined on page 56.

Table 17 - The terms and conditions of the performance rights granted to Executive KMP in the 2012 and 2013 financial years

Terms and Conditions for Performance right grants during 2012 and 2013				
Grant Date	Tranche	Value per Right at Grant Date	First Exercise Date	Last Exercise Date
1 October 2011	1	23.75	30 September 2014	30 September 2015
1 October 2011	2	23.41	30 September 2015	30 September 2016
1 October 2012	1	35.52	30 September 2015	30 September 2016
1 October 2012	2	34.69	30 September 2016	30 September 2017

## DIRECTORS' REPORT CONTINUED

Table 18 - Shares issued to Executive KMP on exercise of performance rights during 2013

Executive	Date Performance Rights Granted	Number of shares issued
Dr Brian McNamee	1 October 2009	15,996
Mr Peter Turner	1 October 2008	9,720
	1 October 2009	4,137
Mr Paul Perreault	1 October 2008	5,500
	1 October 2009	2,618
Mr Gordon Naylor	1 October 2008	5,500
	1 October 2009	2,618
Dr Andrew Cuthbertson	1 October 2008	4,860
	1 October 2009	2,065
Dr Jeff Davies	1 October 2006	6,300
	1 October 2007	3,360
	1 October 2008	5,300
	1 October 2009	3,840
Mr Greg Boss	1 October 2008	4,340
	1 October 2009	2,065
Dr Ingolf Sieper	1 October 2008	2,400
	1 October 2009	1,071
Ms Mary Sontrop	1 October 2008	5,300
	1 October 2009	2,240
Ms Karen Etchberger	1 October 2008	2,820
	1 October 2009	1,442
Mr Edward Bailey	1 October 2009	994
Jill Lever	1 October 2009	1,267

No amount is payable on exercise of performance rights. One ordinary share is issued on the exercise of each performance right.

Table 19 - Executive KMP option holdings

Key management person	Balance at 1 July 2012	Number Granted	Number Exercised	Number Lapsed / Forfeited	Balance at 30 June 2013	Number Vested during the year	Balance at 30 June 2013	
							Vested and exercisable	Unvested
<b>Executive Directors</b>								
Dr Brian McNamee	364,600	-	-	-	364,600	29,952	152,520	212,080
Mr Paul Perreault	95,760	-	20,460	-	75,300	7,640	19,100	56,200
Mr Peter Turner	128,700	-	63,420	12,616	52,664	13,488	-	52,664
<b>Other executives</b>								
Mr Gordon Naylor	94,580	-	-	-	94,580	7,640	32,720	61,860
Dr Andrew Cuthbertson	84,180	-	34,600	-	49,580	6,736	-	49,580
Dr Jeff Davies	92,820	-	50,520	10,950	31,350	7,368	-	31,350
Mr Greg Boss	65,980	-	24,940	-	41,040	6,016	-	41,040
Dr Ingolf Sieper	22,900	-	5,540	-	17,360	2,216	-	17,360
Ms Mary Sontrop	71,840	-	29,700	-	42,140	7,368	-	42,140
Ms Karen Etchberger	55,092	-	-	-	55,092	3,912	25,452	29,640
Mr Edward Bailey	27,460	-	3,552	-	23,908	888	888	23,020
Ms Jill Lever	26,260	-	-	-	26,260	-	-	26,260
<b>Total</b>	<b>1,130,172</b>	<b>-</b>	<b>232,732</b>	<b>23,566</b>	<b>873,874</b>	<b>93,224</b>	<b>230,680</b>	<b>643,194</b>

Table 20 - Terms and conditions of the options granted to Executive KMP in the 2012 financial year\*

Terms and Conditions for Options grant during 2012 and 2013				
Grant Date	Tranche	Value per Option at Grant Date	First Exercise Date	Last Exercise Date
1 October 2011	1	6.34	30 September 2014	30 September 2015
1 October 2011	2	6.77	30 September 2015	30 September 2016

\* no options were granted in the 2013 financial year.

Table 21 - Shares issued to Executive KMP on exercise of options during 2013

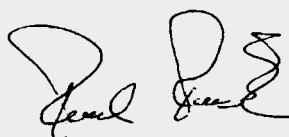
Executive	Date Options Granted	Number of shares issued	\$ amount paid per share	\$ amount unpaid per share
Mr Peter Turner	1 October 2007	29,700	35.46	-
	1 October 2008	33,720	37.91	-
Mr Paul Perreault	1 October 2007	20,460	35.46	-
Dr Andrew Cuthbertson	1 October 2007	17,760	35.46	-
	1 October 2008	16,840	37.91	-
Dr Jeff Davies	1 October 2006	21,240	17.48	-
	1 October 2007	10,860	35.46	-
	1 October 2008	18,420	37.91	-
Mr Greg Boss	1 October 2007	9,900	35.46	-
	1 October 2008	15,040	37.91	-
Dr Ingolf Sieper	1 October 2008	5,540	37.91	-
Ms Mary Sontrop	1 October 2007	11,280	35.46	-
	1 October 2008	18,420	37.91	-
Mr Edward Bailey	1 October 2007	2,220	35.46	-
	1 October 2008	1,332	37.91	-

One ordinary share is issued on the exercise of each option.

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



**John Shine, AO**  
 Director



**Paul Perreault**  
 Director

Melbourne  
 14 August 2013

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\* Gardasil is a trademark of Merck & Co, Inc.



Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

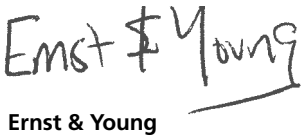
Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

## AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF CSL LIMITED

In relation to our audit of the financial report of CSL Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized font.A handwritten signature in black ink, appearing to be 'Glenn Carmody', written in a cursive style.

**Glenn Carmody**  
Partner  
14 August 2013



CSL LIMITED

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 US\$m	2012 US\$m
<b>Continuing operations</b>			
Sales revenue	3	4,950.4	4,616.4
Cost of sales		(2,391.4)	(2,389.9)
<b>Gross profit</b>		<b>2,559.0</b>	2,226.5
Other revenues	3	179.1	197.2
Research and development expenses		(426.8)	(369.7)
Selling and marketing expenses		(516.2)	(505.8)
General and administration expenses		(280.0)	(237.7)
Finance costs	3	(47.7)	(40.5)
<b>Profit before income tax expense</b>		<b>1,467.4</b>	1,270.0
Income tax expense	4	(251.1)	(246.1)
<b>Profit attributable to members of the parent company</b>	22	<b>1,216.3</b>	1,023.9
Other comprehensive income			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operations, net of hedges on foreign investments	21	(85.3)	(364.5)
Mark to Market adjustment on available-for-sale financial assets	21	-	1.2
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Actuarial gains/(losses) on defined benefit plans, net of tax	22	(23.0)	(49.2)
Total of other comprehensive income/(expenses)		(108.3)	(412.5)
<b>Total comprehensive income for the period</b>	24	<b>1,108.0</b>	611.4
<b>Earnings per share</b>			
	5	US\$	US\$
Basic earnings per share		2.439	1.972
Diluted earnings per share		2.431	1.967

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

# CSL LIMITED

## CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2013

Consolidated Group				
	Notes	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	6	<b>762.2</b>	1,171.4	515.2
Trade and other receivables	7	<b>850.5</b>	783.8	869.0
Inventories	8	<b>1,639.4</b>	1,482.7	1,564.8
Current tax assets	16	<b>6.7</b>	5.4	-
Other financial assets	9	<b>0.5</b>	1.8	19.3
<b>Total Current Assets</b>		<b>3,259.3</b>	3,445.1	2,968.3
<b>NON-CURRENT ASSETS</b>				
Trade and other receivables	7	<b>8.6</b>	10.4	4.9
Other financial assets	9	<b>1.0</b>	1.1	2.4
Property, plant and equipment	10	<b>1,587.2</b>	1,380.9	1,297.5
Deferred tax assets	11	<b>263.7</b>	198.5	187.2
Intangible assets	12	<b>855.7</b>	865.3	983.4
Retirement benefit assets	13	-	-	2.8
<b>Total Non-Current Assets</b>		<b>2,716.2</b>	2,456.2	2,478.2
<b>TOTAL ASSETS</b>		<b>5,975.5</b>	5,901.3	5,446.5
<b>CURRENT LIABILITIES</b>				
Trade and other payables	14	<b>647.9</b>	536.3	530.4
Interest-bearing liabilities and borrowings	15	<b>5.7</b>	169.6	243.1
Current tax liabilities	16	<b>159.9</b>	141.7	141.5
Provisions	17	<b>88.4</b>	100.3	95.2
Deferred government grants	18	<b>0.9</b>	1.0	1.1
Derivative financial instruments	19	<b>3.8</b>	1.4	5.4
<b>Total Current Liabilities</b>		<b>906.6</b>	950.3	1,016.7
<b>NON-CURRENT LIABILITIES</b>				
Trade and other payables	14	<b>23.2</b>	15.4	4.3
Interest-bearing liabilities and borrowings	15	<b>1,673.2</b>	1,120.0	204.3
Deferred tax liabilities	11	<b>115.0</b>	111.1	131.3
Provisions	17	<b>34.2</b>	28.0	30.6
Deferred government grants	18	<b>37.0</b>	30.2	20.3
Retirement benefit liabilities	13	<b>179.5</b>	169.6	122.4
<b>Total Non-Current Liabilities</b>		<b>2,062.1</b>	1,474.3	513.2
<b>TOTAL LIABILITIES</b>		<b>2,968.7</b>	2,424.6	1,529.9
<b>NET ASSETS</b>		<b>3,006.8</b>	3,476.7	3,916.6
<b>EQUITY</b>				
Contributed equity	20	<b>(1,978.3)</b>	(869.1)	(228.0)
Reserves	21	<b>578.3</b>	632.9	982.1
Retained earnings	22	<b>4,406.8</b>	3,712.9	3,162.5
<b>TOTAL EQUITY</b>	24	<b>3,006.8</b>	3,476.7	3,916.6

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

CSL LIMITED

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

		Contributed Equity	Foreign currency translation reserve	Share based payment reserve	Available- for-sale investment reserve	Retained earnings	Total
Consolidated Group	Notes	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>At 1 July 2012</b>		<b>(869.1)</b>	<b>536.6</b>	<b>96.3</b>	<b>-</b>	<b>3,712.9</b>	<b>3,476.7</b>
Profit for the period		-	-	-	-	1,216.3	1,216.3
Other comprehensive income		-	(85.3)	-	-	(23.0)	(108.3)
<b>Total comprehensive income for the full year</b>		<b>-</b>	<b>(85.3)</b>	<b>-</b>	<b>-</b>	<b>1,193.3</b>	<b>1,108.0</b>
<b>Transactions with owners in their capacity as owners</b>							
Share based payments	21	-	-	30.7	-	-	30.7
Dividends	23	-	-	-	-	(499.4)	(499.4)
Share buy back	20	(1,135.6)	-	-	-	-	(1,135.6)
Share issues							
- Employee share scheme	20	36.1	-	-	-	-	36.1
Tax Adjustment	20	(9.7)	-	-	-	-	(9.7)
<b>Balance as at 30 June 2013</b>		<b>(1,978.3)</b>	<b>451.3</b>	<b>127.0</b>	<b>-</b>	<b>4,406.8</b>	<b>3,006.8</b>
<b>At 1 July 2011</b>							
		(228.0)	901.1	82.2	(1.2)	3,162.5	3,916.6
Profit for the period		-	-	-	-	1,023.9	1,023.9
Other comprehensive income		-	(364.5)	-	1.2	(49.2)	(412.5)
<b>Total comprehensive income for the full year</b>		<b>-</b>	<b>(364.5)</b>	<b>-</b>	<b>1.2</b>	<b>974.7</b>	<b>611.4</b>
<b>Transactions with owners in their capacity as owners</b>							
Share based payments	21	-	-	14.1	-	-	14.1
Dividends	23	-	-	-	-	(424.3)	(424.3)
Share buy back	20	(650.1)	-	-	-	-	(650.1)
Share issues							
- Employee share scheme	20	9.0	-	-	-	-	9.0
<b>Balance as at 30 June 2012</b>		<b>(869.1)</b>	<b>536.6</b>	<b>96.3</b>	<b>-</b>	<b>3,712.9</b>	<b>3,476.7</b>

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

## CSL LIMITED

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Consolidated Group	
		2013 US\$m	2012 US\$m
<b>Cash flows from Operating Activities</b>			
Receipts from customers		<b>5,104.7</b>	4,839.5
Payments to suppliers and employees		<b>(3,479.2)</b>	(3,383.1)
Cash generated from operations		<b>1,625.5</b>	1,456.4
Income taxes paid		<b>(298.2)</b>	(252.3)
Interest received		<b>33.9</b>	37.2
Finance costs paid		<b>(49.5)</b>	(35.5)
<b>Net cash inflow from operating activities</b>	25	<b>1,311.7</b>	1,205.8
<b>Cash flows from Investing Activities</b>			
Proceeds from sale of property, plant and equipment		<b>0.4</b>	0.1
Payments for property, plant and equipment		<b>(433.2)</b>	(309.2)
Payments for intangible assets		<b>(16.9)</b>	(14.2)
Receipts from other financial assets		<b>0.2</b>	1.1
<b>Net cash outflow from investing activities</b>		<b>(449.5)</b>	(322.2)
<b>Cash flows from Financing Activities</b>			
Proceeds from issue of shares		<b>36.1</b>	10.3
Dividends paid	23	<b>(499.4)</b>	(424.3)
Proceeds from borrowings		<b>565.6</b>	1,112.4
Repayment of borrowings		<b>(171.3)</b>	(243.6)
Payment for shares bought back		<b>(1,150.1)</b>	(650.1)
Payment for settlement of finance hedges		<b>0.6</b>	0.6
<b>Net cash outflow from financing activities</b>		<b>(1,218.5)</b>	(194.7)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(356.3)</b>	688.9
Cash and cash equivalents at the beginning of the financial year		<b>1,168.1</b>	514.6
Exchange rate variations on foreign cash and cash equivalent balances		<b>(52.0)</b>	(35.4)
<b>Cash at the end of the financial year</b>	25	<b>759.8</b>	1,168.1

For non-cash financing activities refer to note 25.

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

## CSL LIMITED AND ITS CONTROLLED ENTITIES

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### 1 Corporate information

CSL Limited 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 Limited and its subsidiaries (together referred to as the Group). The financial report was authorised for issue in accordance with a resolution of the directors on 14 August 2013.

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

#### Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The financial report has been prepared under the historical cost convention, except for "available-for-sale" and "at fair value through profit or loss" financial assets and liabilities (including derivative instruments), that have been measured at fair value.

#### **Change in presentation currency**

The consolidated financial statements are presented in US Dollars, which is the Group's presentation currency. The change in presentation currency from Australian Dollars to US Dollars represents a voluntary change in accounting policy which has been applied retrospectively. US Dollars are the pharmaceutical industry standard currency for reporting purposes. The move also reflects the predominance of the Company's worldwide sales and operations in US Dollars.

This change has been applied on the basis as if the Group had always reported in USD. The Consolidated Statement of Comprehensive Income has been converted to USD using the average exchange rate for the relevant period. The Balance Sheet to Net Assets (ie Current and Non-Current Assets as well as Current and Non-Current Liabilities) has been converted to USD using the exchange rate as of the relevant balance date. The Equity section of the Balance Sheet has been converted to USD using approximate historical exchange rates. As a consequence of the change in presentation currency an additional column has been added to the Balance Sheet and certain associated notes, this shows the USD balances at the commencement of the prior comparative period.

#### **Critical accounting estimates**

The preparation of a financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report are disclosed in note 1(ee).

#### **Rounding of amounts**

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

#### **Adoption of accounting standards**

The group has adopted the following accounting standards that contained changes that became effective during the year relating to the presentation of Other Comprehensive Income: AASB 2011-9.

The amendments only resulted in a change in the presentation of Other Comprehensive Income and therefore did not result in a material change in the Group's financial result or the extent of other disclosures in the financial report.

#### (b) Principles of consolidation

##### **i. Subsidiaries**

The consolidated financial statements comprise the financial statements of CSL Limited and its subsidiaries. Subsidiaries are all of those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as the Parent Company.

In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of assets acquired and the liabilities and contingent liabilities assumed at the date of the acquisition.

##### **ii. Employee share trust**

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated as the substance of the relationship is that the trust is controlled by the Group.

#### (c) Segment reporting

Operating segments, as defined in note 2, are reported in a manner consistent with the internal reporting to the chief operating decision maker. The Chief Executive Officer is considered to be the chief operating decision maker.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 1 Summary of significant accounting policies (continued)

##### (d) Foreign currency translation

###### *i. Functional currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements of CSL Limited (the parent entity of the Group) are measured in Australian Dollars which is that entity's functional currency (see Note 35).

###### *ii. Presentation currency*

The consolidated financial statements are presented in US Dollars, which is the Group's presentation currency. The change in presentation currency from Australian Dollars to US Dollars represents a voluntary change in accounting policy which has been applied retrospectively using the methodology outlined in Note 1(a).

###### *iii. Translation and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in functional currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

###### *iv. Group companies*

The results of foreign subsidiaries are translated into US Dollars at average exchange rates. Assets and liabilities of foreign subsidiaries are translated to US Dollars at exchange rates prevailing at balance date. All resulting exchange differences are recognised in other comprehensive income and in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income and in the foreign currency translation reserve in equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain on sale or loss on sale where applicable.

##### (e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable. The Group recognises revenue when: the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Group and the specific criteria have been met for each of the Group's activities as described below.

###### *i. Sales revenue*

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products to buyers external to the Group. Sales revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

###### *ii. Interest income*

Interest income is recognised as it accrues (using the effective interest rate method).

###### *iii. Other revenue*

Other revenue is recognised as it accrues.

###### *iv. Dividend income*

Dividend income is recognised when the shareholder's right to receive the payment is established.

##### (f) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to an expense item are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the expenses that they are intended to compensate. Government grants received for which there are no future related costs are recognised in the statement of comprehensive income immediately. Government grants relating to the purchase of property, plant and equipment are included in current and non-current liabilities as deferred income and are released to the statement of comprehensive income on a straight line basis over the expected useful lives of the related assets.

##### (g) Borrowing costs

Borrowing costs are expensed as incurred, except where they are directly attributable to the acquisition or construction of a qualifying asset in which case they are capitalised as part of the cost of that asset.

##### (h) Goods and Services Tax and other foreign equivalents (GST)

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred 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. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, taxation authorities is included in other receivables or payables in the balance sheet. Cash flows are presented in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from or payable to a taxation authority are presented as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, a taxation authority.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 1 Summary of significant accounting policies (continued)

##### (i) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent company is able to control the timing of the reversal of temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities are related to the same taxable entity or group and the same taxation authority.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or in equity, respectively.

CSL Ltd and its 100% owned Australian subsidiaries have formed a tax consolidated group effective from 1 July 2003.

##### (j) 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. The balance sheet comprises cash on hand, at call deposits with banks or financial institutions and investments in money market instruments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In the balance sheet bank overdrafts are included within current interest bearing liabilities and borrowings. For the purposes of the cash flow statement, cash at the end of the financial year is net of bank overdraft amounts.

##### (k) Trade and other receivables

Trade and other receivables are initially recorded at fair value and are generally due for settlement within 30 to 60 days from date of invoice. Collectability of trade and other receivables is reviewed on an ongoing basis at an operating unit level. Debts which are known to be uncollectible are written off when identified. An allowance for doubtful debts is recognised when there is objective evidence that the Group may not be able to fully recover all amounts due according to the original terms. The amount of the allowance recognised is the difference between the receivable's carrying amount and the present value of estimated future cash flows that may ultimately be recovered. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. When a trade receivable for which a provision for impairment has been recognised becomes uncollectible in a subsequent period, it is written off against the provision.

Other current receivables are recognised and carried at the nominal amount due. Non-current receivables are recognised and carried at amortised cost. They are non-interest bearing and have various repayment terms.

##### (l) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost includes direct material and labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

##### (m) Investments and other financial assets

The Group's financial assets have been classified into one of the three categories noted below. The classification depends on the purpose for which the investments were acquired. The Group determines the classification of its investments at initial recognition and re-evaluates this designation at each financial year end when allowed and appropriate.

###### *i. Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Financial assets at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. After initial recognition, assets in this category are carried at fair value. Gains and losses on financial assets held for trading are recognised in the statement of comprehensive income when they arise.

## CSL LIMITED AND ITS CONTROLLED ENTITIES NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### 1 Summary of significant accounting policies (continued)

#### (m) Investments and other financial assets (continued)

##### ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method and are included in trade and other receivables in the balance sheet. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired.

##### iii. Available for sale investments

Available for sale investments, comprising principally marketable securities, are non-derivatives. They are included in non-current assets unless the Group intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Investments are initially recognised at fair value plus transaction costs. After initial recognition available for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the statement of comprehensive income. A significant or prolonged decline in the fair value of an equity security below its cost is considered to be an indicator that the securities may be impaired.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models.

Regular purchases and sales of financial assets are recognised on the date when the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The fair values of investments that are actively traded in organised financial markets are determined by reference to market prices. For investments that are not actively traded, fair values are determined using valuation techniques. These techniques include: using recent arm's length transactions involving the same or substantially the same instruments as a guide to value, discounted cash flow analysis and various pricing models.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

#### (n) Business combinations

The purchase method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of the combination. Transaction costs arising on the issue of equity instruments are recognised directly in equity. All other transaction costs are expensed. Where settlement of any part of cash consideration is deferred, where material, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the identifiable net assets acquired, the difference is recognised immediately in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

#### (o) Property, plant and equipment

Land, buildings, capital work in progress and plant and equipment assets are recorded at historical cost less, where applicable, associated depreciation and any accumulated impairment losses. Land and capital work in progress assets are not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of an asset. Costs incurred subsequent to an asset's acquisition, including the cost of replacement parts, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the statement of comprehensive income when incurred.

Depreciable assets are depreciated using the method that best matches the utilisation of the asset over its useful economic life. For the majority of assets in the group the straight line method is used to allocate their cost, net of residual values, over their estimated useful lives, as follows:

Buildings	5 – 40 years
Plant and equipment	3 – 15 years
Leasehold improvements	5 – 10 years



## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 1 Summary of significant accounting policies (continued)

##### (o) Property, plant and equipment (continued)

Certain assets are being depreciated using a diminishing value method over a period of 3 years as this method best matches the utilisation of these assets over their estimated useful economic life.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Items of property, plant and equipment are derecognised upon disposal or when no further economic benefits are expected from their use or disposal. Gains and losses on disposals of items of property, plant and equipment are determined by comparing proceeds with carrying amounts. Gains and losses are included in the statement of comprehensive income when realised.

##### (p) Impairment of assets

Goodwill and other assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired. Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units, and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

##### (q) Leasehold improvements

The cost of improvements to leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement whichever is the shorter.

##### (r) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities and borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

##### (s) Goodwill and intangibles

###### i. Goodwill

On acquisition of another entity, the identifiable net assets acquired (including contingent liabilities assumed) are measured at their fair value. The excess of the fair value of the purchase consideration plus incidental expenses, over the fair value of the identifiable net assets, is brought to account as goodwill. Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Goodwill is not amortised. Instead, following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

###### ii. Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 1 Summary of significant accounting policies (continued)

##### (s) Goodwill and intangibles (continued)

###### *iii. IT development and software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 10 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has the intention and ability to use the asset.

###### *iv. Research and development costs*

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any development expenditure recognised is amortised over the period of expected benefit from the related project.

##### (t) Trade and other payables

Liabilities for trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. Trade and other creditors are non-interest bearing and have various repayment terms but are usually paid within 30 to 60 days of recognition.

##### (u) Interest-bearing liabilities and borrowings

Interest-bearing liabilities and borrowings are recognised initially at fair value net of transaction costs incurred. Subsequent to initial recognition, interest-bearing liabilities and borrowings are stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of comprehensive income over the period of borrowings using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### (v) Derivative financial instruments

The Group uses derivative financial instruments in the form of forward foreign currency contracts to hedge risks associated with foreign currency. Such derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The Group also has external loans payable that have been designated as a hedge of its investment in foreign subsidiaries (net investment hedge). Gains or losses on the hedging instruments relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion, if any, are recognised immediately in the consolidated statement of comprehensive income.

##### (w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation arising from past transactions or events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions recognised reflect management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows required to settle the obligation at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 1 Summary of significant accounting policies (continued)

##### (x) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave, expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the current provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (y) Pension plans

The Group contributes to defined benefit and defined contribution pension plans for the benefit of all employees. Defined benefit pension plans provide defined lump sum benefits based on years of service and final average salary. Defined contribution plans receive fixed contributions from the Group and the Group's legal and constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit pension plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the pension fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with maturity and currency that match, as closely as possible, the estimated future cash outflows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in retained earnings as incurred.

Past service costs are recognised immediately in income, unless the changes to the pension fund are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation are taken into account in measuring the net liability or asset.

Contributions to defined contribution pension plans are recognised as an expense as they become payable.

##### (z) Share-based payment transactions

###### *i. Equity-settled transactions*

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for rights over shares (equity settled transactions). There are currently two plans in place to provide these benefits, namely the 'Senior Executive Share Ownership Plan and Employee Performance Rights Plan' and the 'Global Employee Share Plan'.

Under the 'Senior Executive Share Ownership Plan and Employee Performance Rights Plan', certain Group executives and employees are granted options or performance rights over CSL Limited shares which only vest if the Group and the individual achieve certain performance hurdles.

Under the 'Global Employee Share Plan', all employees are granted the option to acquire discounted CSL Limited shares.

The fair value of options or rights is recognised as an employee benefit expense with a corresponding increase in equity. The 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. The fair value at grant date is independently determined using a combination of the Binomial and Black Scholes valuation methodologies, taking into account the terms and conditions upon which the options and rights were granted. The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each reporting date, the number of options and rights that are expected to vest is revised. The employee benefit expense recognised each period takes into account the most recent estimate of the number of options and rights that are expected to vest. No expense is recognised for options and rights that do not ultimately vest, except where vesting is conditional upon a market condition and that market condition is not met.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 1 Summary of significant accounting policies (continued)

##### (z) Share-based payment transactions (continued)

###### ii. Cash-settled transactions

The Group also provides benefits to its employees (including key management personnel) in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of CSL Limited.

The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the employees, which will be the fair value at settlement date.

The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

- (a) At each reporting date between grant and settlement, the fair value of the award is determined.
- (b) During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- (c) From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date.
- (d) All changes in the liability are recognised in employee benefits expense for the period.

The fair value of the liability is determined by reference to the CSL Limited share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.

##### (aa) Contributed equity / Share buy-back reserve

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 Company 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 from equity.

##### (bb) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

##### (cc) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

##### (dd) New and revised standards and interpretations not yet adopted

Certain new and revised accounting standards and interpretations have been published that are not mandatory for the June 2013 reporting period. An assessment of the impact of these new standards and interpretations is set out below.

###### ***New Standards and Amendments to Australian Accounting Standards applicable from 1 July 2013: AASB 10, 12, 13, 119, 2012-2, 2012-5, 2012-9, 2011-4, 1053***

This group of standards establish a new control model, introduce changes to the way in which joint arrangements are accounted for, change the disclosure of interest in other entities, introduce a single source of guidance for fair value measurement, introduce changes to accounting for employee benefits (in particular defined benefit pension plans) amend certain financial instruments disclosures and introduce a differential financial reporting framework.

###### ***New Standards and Amendments to Australian Accounting Standards applicable to subsequent financial years:***

###### ***1 July 2014: AASB 2012-3, Interpretation 21 (Levies)***

This standard adds application guidance to AASB132 Financial Instruments: Presentation. Interpretation 21 confirms the point at which certain liabilities should be recognised.

###### ***1 July 2015: AASB 9***

This standard includes requirements for the classification and measurement of financial assets. These requirements improve and simplify the approach when compared to AASB139.

On the date of their respective first time application, the amended standards are not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 1 Summary of significant accounting policies (continued)

##### (ee) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent financial years are discussed below.

##### *i. Testing goodwill and intangible assets for impairment*

On an annual basis, the Group determines whether goodwill and its indefinitely lived intangible assets are impaired in accordance with the accounting policy described in note 1(s). In the context of goodwill allocated to specific cash generating units, this requires an estimation of the recoverable amount of the cash generating units using a value in use discounted cash flow methodology. In the context of indefinite lived intangible assets, this requires an estimation of the discounted net cash inflows that may be generated through the use or sale of the intangible asset. The assumptions used in estimating the carrying amount of goodwill and indefinite lived intangibles are detailed in note 12.

##### *ii. Income taxes*

Judgements are required about the application of income tax legislation in jurisdictions in which the Group operates. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet. In such circumstances an adjustment to the carrying value of a deferred tax item will result in a corresponding credit or charge to the statement of comprehensive income.

##### *iii. Trade and other receivables*

Government or Government backed entities, such as hospitals, often account for a significant proportion of the aggregate trade receivable balances attributable to the various countries in which the Group operates. In particular countries, most notably Spain, Greece, Italy and Portugal, there is some heightened uncertainty as to the timeframe in which trade receivables are likely to be recovered from Government and Government related entities and/or the amount likely to be recovered from them due to heightened concerns over sovereign risk. Accordingly, in applying the Group's accounting policy in respect to trade and other receivables as set out in note 1(k), and particularly in respect to debts owed by Government and Government related entities in these countries, significant judgement is involved in first assessing whether or not trade or other receivable amounts are impaired and thereafter in assessing the extent of impairment.

#### 2 Segment Information

##### Description of Segments

Reportable segments are:

- CSL Behring – manufactures, markets and develops plasma therapies (plasma products and recombinants).
- bioCSL - manufactures and distributes non-plasma biotherapeutic products.
- CSL Intellectual Property – revenue and associated expenses from the licensing of Intellectual Property generated by the Group to unrelated third parties and Research & Development expenses on projects where the company has yet to determine the ultimate commercialisation strategy.

##### Geographical areas of operation

The Group operates predominantly in four specific geographic areas, namely Australia, the United States of America, Switzerland, and Germany. The rest of the Group's operations are spread across many countries and are collectively disclosed as 'Rest of World' in note 2.

##### Segment Accounting Policies

Inter-segment sales are carried out on an arm's length basis and reflect current market prices. Segment accounting policies are the same as the Group's policies described in note 1. During the financial year, there were no changes in segment accounting policies.

##### Restatement of prior year comparables

The company undertook an internal reorganisation of its Australian business with effect from 1 January 2013. With effect from that date the Australian plasma operations of the company were integrated with CSL Behring and bioCSL was established as a standalone business focussing on the manufacturing and supply of biotherapeutic products. Previously both operations had been components of the Other Human Health segment.

The final component of the Other Human Health segment was Research & Development expenses on projects where the company has yet to determine the ultimate commercialisation strategy. Expenses relating to these projects are now included in the new segment "CSL Intellectual Property". This new segment incorporates income generated by the Group from the commercialisation of intellectual property with unrelated third parties. This was previously reported in the Intellectual Property segment.

The new definition has been applied to the full financial year ended 30 June 2012 as if the changes in structure had been effective from 1 July 2011, this has been done to facilitate comparability over multiple reporting periods.

## CSL LIMITED AND ITS CONTROLLED ENTITIES NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### 2 Segment information (continued)

	CSL Behring	bioCSL	CSL Intellectual Property	Intersegment Elimination	Consolidated Group
	2013 US\$m	2013 US\$m	2013 US\$m	2013 US\$m	2013 US\$m
Sales to external customers	4,500.9	449.5	-	-	4,950.4
Other revenue (excl interest income)	3.5	10.9	134.3	-	148.7
<b>Total segment revenue</b>	<b>4,504.4</b>	<b>460.4</b>	<b>134.3</b>	<b>-</b>	<b>5,099.1</b>
Interest income					29.4
Unallocated revenue/income					1.0
<b>Consolidated revenue</b>					<b>5,129.5</b>
<b>Segment EBIT</b>	<b>1,562.2</b>	<b>(1.5)</b>	<b>0.2</b>	<b>-</b>	<b>1,560.9</b>
Unallocated revenue/income less unallocated costs					(75.2)
<b>Consolidated EBIT</b>					<b>1,485.7</b>
Interest income					29.4
Finance costs					(47.7)
<b>Consolidated profit before tax</b>					<b>1,467.4</b>
Income tax expense					(251.1)
<b>Consolidated net profit after tax</b>					<b>1,216.3</b>
Amortisation	31.1	-	-	-	31.1
Depreciation	120.7	26.8	7.6	-	155.1
<b>Segment EBITDA</b>	<b>1,714.0</b>	<b>25.3</b>	<b>7.8</b>	<b>-</b>	<b>1,747.1</b>
Unallocated revenue/income less unallocated costs					(75.2)
Unallocated depreciation and amortisation					15.4
<b>Consolidated EBITDA</b>					<b>1,687.3</b>
<b>Segment assets</b>	<b>5,117.6</b>	<b>369.8</b>	<b>27.9</b>	<b>(54.2)</b>	<b>5,461.1</b>
Other unallocated assets					1,560.8
Elimination of amounts between operating segments and unallocated					(1,046.4)
<b>Total assets</b>					<b>5,975.5</b>
<b>Segment liabilities</b>	<b>2,115.4</b>	<b>121.1</b>	<b>4.2</b>	<b>(54.2)</b>	<b>2,186.5</b>
Other unallocated liabilities					1,828.6
Elimination of amounts between operating segments and unallocated					(1,046.4)
<b>Total liabilities</b>					<b>2,968.7</b>
<b>Other information - capital expenditure</b>					
Payments for property, plant and equipment	407.3	16.6	9.3	-	433.2
Payments for software intangibles	16.9	-	-	-	16.9
<b>Total capital expenditure</b>	<b>424.2</b>	<b>16.6</b>	<b>9.3</b>	<b>-</b>	<b>450.1</b>

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2013

2 Segment information (continued)

	CSL Behring	bioCSL	CSL Intellectual Property	Intersegment Elimination	Consolidated Group
	2012 US\$m	2012 US\$m	2012 US\$m	2012 US\$m	2012 US\$m
Sales to external customers	4,193.4	423.0	-	-	4,616.4
Other revenue (excl interest income)	5.1	7.9	141.4	-	154.4
<b>Total segment revenue</b>	4,198.5	430.9	141.4	-	4,770.8
Interest income					42.8
Unallocated revenue/income					-
<b>Consolidated revenue</b>					4,813.6
<b>Segment EBIT</b>	1,273.3	22.1	13.9	-	1,309.3
Unallocated revenue/income less unallocated costs					(41.6)
<b>Consolidated EBIT</b>					1,267.7
Interest income					42.8
Finance costs					(40.5)
<b>Consolidated profit before tax</b>					1,270.0
Income tax expense					(246.1)
<b>Consolidated net profit after tax</b>					1,023.9
Amortisation	29.7	-	-	-	29.7
Depreciation	116.6	12.2	8.3	-	137.1
<b>Segment EBITDA</b>	1,419.6	34.3	22.2	-	1,476.1
Unallocated revenue/income less unallocated costs					(41.6)
Unallocated depreciation and amortisation					11.2
<b>Consolidated EBITDA</b>					1,445.7
<b>Segment assets</b>	4,784.3	342.4	21.2	(20.6)	5,127.3
Other unallocated assets					1,635.7
Elimination of amounts between operating segments and unallocated					(861.7)
<b>Total assets</b>					5,901.3
<b>Segment liabilities</b>	2,025.9	77.2	4.0	(20.6)	2,086.5
Other unallocated liabilities					1,199.8
Elimination of amounts between operating segments and unallocated					(861.7)
<b>Total liabilities</b>					2,424.6
<b>Other information - capital expenditure</b>					
Payments for property, plant and equipment	278.9	20.4	9.9	-	309.2
Payments for software intangibles	14.2	-	-	-	14.2
<b>Total capital expenditure</b>	293.1	20.4	9.9	-	323.4

## CSL LIMITED AND ITS CONTROLLED ENTITIES NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### 2 Segment information (continued)

Geographic areas	Australia	United States	Switzerland	Germany	Rest of world	Total
June 2013	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
External sales revenue	630.3	1,868.2	148.4	739.4	1,564.1	4,950.4
Property, plant, equipment and intangible assets	563.3	587.8	1,005.6	276.7	9.5	2,442.9
June 2012						
External sales revenue	604.1	1,774.6	146.5	678.8	1,412.4	4,616.4
Property, plant, equipment and intangible assets	553.0	472.0	969.0	238.8	13.4	2,246.2

#### Consolidated Group

	2013 US\$m	2012 US\$m
<b>3 Revenue and expenses</b>		
<b>Revenue</b>		
Sales revenue	4,950.4	4,616.4
<b>Other revenue</b>		
Royalties and licence revenue	129.7	142.3
Finance revenue	29.4	42.8
Rent	1.3	1.3
Other revenue	18.7	10.8
Total other revenues	179.1	197.2
Total revenue from continuing operations	5,129.5	4,813.6
<b>Finance revenue comprises:</b>		
Interest income:		
Other persons and/or corporations	29.4	42.8
Total finance revenue	29.4	42.8
<b>Finance costs</b>		
Interest expense:		
Other persons and/or corporations	47.7	40.5
Total finance costs	47.7	40.5



**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated Group	
	Notes	2013 US\$m	2012 US\$m
<b>3 Revenue and expenses (continued)</b>			
<b>Depreciation and amortisation</b>			
Depreciation and amortisation of fixed assets			
Building depreciation	10	13.7	13.9
Plant and equipment depreciation <sup>1</sup>	10	146.7	125.4
Leased property, plant and equipment amortisation	10	2.8	3.0
Leasehold improvements amortisation	10	7.3	6.1
Total depreciation and amortisation of fixed assets		170.5	148.4
Amortisation of intangibles			
Intellectual property	12	16.7	18.8
Software	12	14.4	10.8
Total amortisation of intangibles		31.1	29.6
Total depreciation, amortisation and impairment expense		201.6	178.0
<b>Other expenses</b>			
Write-down of inventory to net realisable value		46.0	78.5
Doubtful debts		(3.3)	27.1
Net loss on disposal of property, plant and equipment		0.6	2.5
Net foreign exchange loss		13.0	7.7
<b>Lease payments and related expenses</b>			
Rental expenses relating to operating leases		32.9	34.7
<b>Employee benefits expense</b>			
Salaries and wages		1,039.0	985.1
Defined benefit plan expense	26(a)	1.6	20.6
Defined contribution plan expense	26(b)	23.5	19.8
Share based payments expense (LTI)	21	16.2	12.1
Share based payments expense (EDIP)	27	36.9	11.7
Total employee benefits expense		1,117.2	1,049.3

<sup>1</sup> The increase in plant and equipment depreciation reflects the change in depreciation methodology discussed in Note 1(o) and is related to the influenza vaccine production assets.

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		Consolidated Group	
		2013	2012
		US\$m	US\$m
	Notes		
<b>4</b>	<b>Income tax expense</b>		
	Income tax expense recognised in the statement of comprehensive income		
	<b>Current tax expense</b>		
	Current year	<b>302.6</b>	266.1
	<b>Deferred tax expense</b>		
	Origination and reversal of temporary differences	<b>(47.2)</b>	(19.4)
	Total deferred tax expense	<b>(47.2)</b>	(19.4)
	Over provided in prior years	<b>(4.3)</b>	(0.6)
	Income tax expense	<b>251.1</b>	246.1
	<b>Reconciliation between tax expense and pre-tax net profit</b>		
	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	<b>1,467.4</b>	1,270.0
	Income tax calculated at 30% (2012: 30%)	<b>440.2</b>	381.0
	Research and development	<b>(13.7)</b>	(10.7)
	Other non-deductible items	<b>(0.6)</b>	4.1
	Effects of different rates of tax on overseas income	<b>(170.5)</b>	(127.7)
	Over provision in prior year	<b>(4.3)</b>	(0.6)
	Income tax expense	<b>251.1</b>	246.1
	Income tax recognised directly in equity		
	<b>Deferred tax benefit</b>		
	Share based payments	<b>11.3</b>	1.0
	Income tax benefit recognised in equity	<b>11</b>	1.0

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>5 Earnings Per Share</b>		
Earnings used in calculating basic and dilutive earnings per share comprises:		
Profit attributable to ordinary shareholders	1,216.3	1,023.9
	Number of shares	
	2013	2012
Weighted average number of ordinary shares used in the calculation of basic earnings per share:	498,606,572	519,233,274
Effect of dilutive securities:		
Employee options	755,853	95,871
Employee performance rights	935,133	965,977
Global employee share plan	17,966	9,380
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share:	500,315,524	520,304,502

**Conversions, calls, subscription or issues after 30 June 2013**

Subsequent to 30 June 2013, 6,863 shares have been issued to employees as a result of the exercise of performance rights and performance options. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of ordinary or potential ordinary shares since the reporting date and before the completion of this financial report.

**Options and performance rights**

Options and performance rights granted to employees are considered to be potential ordinary shares that have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options and rights have not been included in the determination of basic earnings per share.

	Consolidated Group		
	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>6 Cash and cash equivalents</b>			
Cash at bank and on hand	203.5	342.3	316.9
Cash deposits	558.7	829.1	198.3
Total cash and cash equivalents	762.2	1,171.4	515.2

Note 25(a) contains a reconciliation of the above figures to cash at the end of the financial year as shown in the statement of cash flows.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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	Consolidated Group		
	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>7 Trade and other receivables</b>			
<b>Current</b>			
Trade receivables	<b>778.5</b>	723.6	789.2
Less: Provision for impairment loss (i)	<b>(40.9)</b>	(46.2)	(24.6)
	<b>737.6</b>	677.4	764.6
Sundry receivables	<b>77.2</b>	77.7	72.1
Prepayments	<b>35.7</b>	28.7	32.3
Carrying amount of current trade and other receivables*	<b>850.5</b>	783.8	869.0
<b>Non Current</b>			
Related parties			
Loans to other employees	<b>0.2</b>	0.1	1.2
Long term deposits	<b>1.5</b>	3.6	-
Other receivables	<b>6.9</b>	6.7	3.7
Carrying amount of non current trade and other receivables*	<b>8.6</b>	10.4	4.9

\* The carrying amount disclosed above is a reasonable approximation of fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable disclosed above. Refer to note 34 for more information on the risk management policy of the Group and the credit quality of trade receivables.

**(i) Past due but not impaired and impaired trade receivables**

As at 30 June 2013, the Group had current trade receivables which were impaired and had a nominal value of \$40.9m (2012: \$46.2m). These receivables have been provided for within the Group's provisions for impairment loss. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. Movements in the provision for impairment loss are reconciled as follows:

Opening balance at 1 July	<b>46.2</b>	24.6
Additional allowance/(utilised/written back)	<b>(7.2)</b>	26.5
Currency translation differences	<b>1.9</b>	(4.9)
Closing balance at 30 June	<b>40.9</b>	46.2

Debts which are past due and not impaired are set out in the credit risk analysis in note 34.

**(ii) Other receivables**

The other classes within trade and other receivables do not contain impaired or overdue receivable amounts and it is expected that all of these amounts will be received when due. The Group does not hold any collateral in respect to other receivable balances.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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	Consolidated Group		
	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>8 Inventories</b>			
Raw materials and stores at the lower of cost and net realisable value	<b>367.1</b>	320.9	306.6
Work in progress at the lower of cost and net realisable value	<b>564.7</b>	421.2	497.0
Finished goods at the lower of cost and net realisable value	<b>707.6</b>	740.6	761.2
Total inventories at the lower of cost and net realisable value	<b>1,639.4</b>	1,482.7	1,564.8
<b>9 Other financial assets</b>			
<b>Current</b>			
At fair value through the profit or loss:			
Managed financial assets (held for trading)	<b>0.5</b>	1.8	19.3
Total current other financial assets as at 30 June	<b>0.5</b>	1.8	19.3
<b>Non-current</b>			
At fair value through the profit or loss:			
Managed financial assets	<b>1.0</b>	1.1	2.4
Total non-current other financial assets as at 30 June	<b>1.0</b>	1.1	2.4

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>10 Property, Plant and Equipment</b>		
<b>Land at cost</b>		
Opening balance 1 July	25.6	27.2
Currency translation differences	(2.1)	(1.6)
Closing balance 30 June	23.5	25.6
<b>Buildings at cost</b>		
Opening balance 1 July	296.2	305.1
Transferred from capital work in progress	25.6	17.5
Disposals	(0.7)	(0.6)
Currency translation differences	(8.8)	(25.8)
Closing balance 30 June	312.3	296.2
Accumulated depreciation and impairment losses		
Opening balance 1 July	87.5	82.5
Depreciation for the year	13.7	13.9
Disposals	(0.6)	(0.4)
Currency translation differences	(2.0)	(8.5)
Closing balance 30 June	98.6	87.5
Net book value of buildings	213.7	208.7
Net book value of land and buildings	237.2	234.3
<b>Leasehold improvements at cost</b>		
Opening balance 1 July	84.4	68.5
Transferred from capital work in progress	16.6	16.6
Other additions	1.6	0.5
Disposals	(1.3)	(0.9)
Currency translation differences	(1.5)	(0.3)
Closing balance 30 June	99.8	84.4
Accumulated amortisation and impairment		
Opening balance 1 July	27.0	21.5
Amortisation for the year	7.3	6.1
Disposals	(1.2)	(0.8)
Currency translation differences	0.1	0.2
Closing balance 30 June	33.2	27.0
Net book value of leasehold improvements	66.6	57.4

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	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>10 Property, Plant and Equipment (continued)</b>		
<b>Plant and equipment at cost</b>		
Opening balance 1 July	1,621.6	1,628.1
Transferred from capital work in progress	143.0	137.7
Other additions	15.8	16.9
Disposals	(23.7)	(18.9)
Currency translation differences	(21.0)	(142.2)
Closing balance 30 June	1,735.7	1,621.6
Accumulated depreciation and impairment		
Opening balance 1 July	852.6	819.0
Depreciation for the year	146.7	125.4
Disposals	(23.2)	(18.0)
Currency translation differences	(12.0)	(73.8)
Closing balance 30 June	964.1	852.6
Net book value of plant and equipment	771.6	769.0
<b>Leased property, plant and equipment at cost</b>		
Opening balance 1 July	30.9	35.3
Other additions	2.4	1.1
Disposals	(1.2)	(1.3)
Currency translation differences	1.8	(4.2)
Closing balance 30 June	33.9	30.9
Accumulated amortisation and impairment		
Opening balance	15.0	15.4
Amortisation for the year	2.8	3.0
Disposals	(0.8)	(0.9)
Currency translation differences	1.4	(2.5)
Closing balance 30 June	18.4	15.0
Net book value of leased property, plant and equipment	15.5	15.9
<b>Capital work in progress</b>		
Opening balance 1 July	304.3	171.8
Other additions	403.1	324.6
Disposals	-	(1.0)
Transferred to buildings at cost	(25.6)	(17.5)
Transferred to plant and equipment at cost	(143.0)	(137.7)
Transferred to leasehold improvements at cost	(16.6)	(16.6)
Transfers to intangibles	(4.6)	-
Currency translation differences	(21.3)	(19.3)
Closing balance 30 June	496.3	304.3
<b>Total net book value of property, plant and equipment</b>	<b>1,587.2</b>	<b>1,380.9</b>

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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	Consolidated Group		
	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>11 Deferred tax assets and liabilities</b>			
Deferred tax asset	263.7	198.5	187.2
Deferred tax liability	(115.0)	(111.1)	(131.3)
<b>Net deferred tax asset/(liability)</b>	<b>148.7</b>	87.4	55.9
<b>Deferred tax balances reflect temporary differences attributable to:</b>			
Amounts recognised in the statement of comprehensive income			
Trade and other receivables	0.9	(8.8)	
Inventories	107.8	91.8	
Property, plant and equipment	(58.7)	(71.5)	
Intangible assets	(76.6)	(43.1)	
Other assets	(0.7)	(0.6)	
Trade and other payables	15.7	10.5	
Interest bearing liabilities	0.1	3.9	
Other liabilities and provisions	58.9	50.9	
Retirement assets/(liabilities)	31.2	30.6	
Tax bases not in net assets – share based payments	26.6	10.4	
Recognised carry-forward tax losses	16.5	8.6	
Research and development offsets	11.0	-	
	<b>132.7</b>	82.7	
Amounts recognised in equity			
Capital raising costs	1.8	1.8	
Share based payments	14.2	2.9	
	<b>16.0</b>	4.7	
<b>Net deferred tax asset/(liability)</b>	<b>148.7</b>	87.4	
<b>Movement in temporary differences during the year</b>			
Opening balance	87.4	55.9	
Credited/(charged) to profit before tax	47.2	19.4	
Credited/(charged) to other comprehensive income	5.3	15.9	
Credited/(charged) to equity	11.3	1.0	
Currency translation difference	(2.5)	(4.8)	
Closing balance	<b>148.7</b>	87.4	
<b>Unrecognised deferred tax assets</b>			
Deferred tax assets have not been recognised in respect of the following items:			
Tax losses:			
Expiry date in less than 1 year	-	0.1	
No expiry date	0.6	0.7	
	<b>0.6</b>	0.8	

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available for utilisation in the entities that have recorded these losses.



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	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>12 Intangible Assets</b>		
<b>Carrying amounts</b>		
<b>Goodwill</b>		
Opening balance at 1 July	682.2	766.0
Currency translation differences	5.3	(83.8)
Closing balance at 30 June	687.5	682.2
<b>Intellectual property</b>		
Opening balance at 1 July	345.2	381.4
Additions	0.2	0.6
Transfers	(0.7)	-
Disposals	(2.1)	(1.6)
Currency translation differences	(10.8)	(35.2)
Closing balance at 30 June	331.8	345.2
Accumulated amortisation and impairment		
Opening balance at 1 July	213.6	213.7
Amortisation for the year	16.7	18.8
Currency translation differences	(9.9)	(18.9)
Closing balance at 30 June	220.4	213.6
Net intellectual property	111.4	131.6
<b>Software</b>		
Opening balance at 1 July	72.0	58.5
Additions	0.7	0.6
Transfers from intangible capital work in progress	18.6	15.0
Currency translation differences	0.1	(2.1)
Closing balance at 30 June	91.4	72.0
Accumulated amortisation and impairment		
Opening balance at 1 July	29.9	20.2
Amortisation for the year	14.4	10.8
Currency translation differences	0.1	(1.1)
Closing balance at 30 June	44.4	29.9
Net Software	47.0	42.1
<b>Intangible capital work in progress</b>		
Opening balance at 1 July	9.4	11.4
Additions	13.7	13.3
Transfers	(17.9)	(15.0)
Transfers from property, plant and equipment	4.6	-
Currency translation differences	-	(0.3)
Closing balance at 30 June	9.8	9.4
<b>Total net intangible assets as at 30 June</b>	<b>855.7</b>	<b>865.3</b>

The amortisation charge is recognised in general and administration expenses in the statement of comprehensive income.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>12 Intangible Assets (continued)</b>		
<b>Impairment tests for cash generating units containing goodwill</b>		
For the purpose of impairment testing, goodwill is allocated to the business unit which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are as follows:		
CSL Behring	<b>676.3</b>	669.9
CSL Intellectual Property	<b>11.2</b>	12.3
Closing balance of goodwill as at 30 June	<b>687.5</b>	682.2

The impairment tests for these cash generating units are based on value in use calculations. These calculations use cash flow projections based on actual operating results and the three-year strategic business plan, after which a terminal value is calculated based on a business valuation multiple. The valuation multiple has been calculated based on independent external analyst views, long term government bond rates and the company's pre-tax cost of debt. Projected cash flows have been discounted by using the implied pre-tax discount rate 9.5% (2012: 8.9%) associated with the business valuation multiple discussed above. Each unit's recoverable amount exceeds the carrying value of its net assets, inclusive of goodwill. It is not considered a reasonable possibility for a change in assumptions to occur that would lead to a unit's recoverable amount falling below the carrying value of each unit's respective net assets.

	Consolidated Group		
	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>13 Retirement benefit assets and liabilities</b>			
<b>Retirement benefit assets</b>			
Non-current defined benefit plans (refer note 26)	-	-	2.8
<b>Retirement benefit liabilities</b>			
Non-current defined benefit plans (refer note 26)	<b>179.5</b>	169.6	122.4

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	Consolidated Group		
	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>14 Trade and other payables</b>			
<b>Current</b>			
Trade payables	261.1	220.9	263.0
Accruals and other payables	362.7	315.4	267.4
Share based payments (EDIP)	24.1	-	-
Carrying amount of current trade and other payables	<b>647.9</b>	536.3	530.4
<b>Non-current</b>			
Share based payments (EDIP)	23.2	15.4	4.3
Carrying amount of non-current trade and other payables	<b>23.2</b>	15.4	4.3
<b>15 Interest-bearing liabilities and borrowings</b>			
<b>Current</b>			
Bank overdrafts – Unsecured	2.4	3.3	0.6
Bank loans – Unsecured (a)	-	-	224.7
Senior Unsecured Notes – Unsecured (b)	-	163.4	14.7
Lease liability – Secured (c)	3.3	2.9	3.1
	<b>5.7</b>	169.6	243.1
<b>Non-current</b>			
Bank loans – Unsecured (a)	406.6	351.4	-
Senior Unsecured Notes - Unsecured (b)	1,243.5	744.8	175.2
Lease liability - Secured (c)	23.1	23.8	29.1
	<b>1,673.2</b>	1,120.0	204.3

(a) The Group has three revolving committed bank facilities. These facilities mature in November 2016. Interest on the facilities is paid quarterly in arrears at a variable rate. As at the reporting date the Group had \$391.5 million in undrawn funds available under these facilities.

(b) Represents US\$1,250.0 million of Senior Unsecured Notes placed into the US Private Placement market. The notes mature in March 2018 (US\$100m), November 2018 (US\$200m), March 2020 (US\$150m), November 2021 (US\$250m), March 2023 (US\$150m), November 2023 (US\$200m), March 2025 (US\$100m) and November 2026 (US\$100m). The weighted average interest rate on the notes is fixed at 3.41%.

(c) Finance leases have an average lease term of 12 years (2012: 12 years). The weighted average discount rate implicit in the leases is 5.85% (2012: 5.65%). The Group's lease liabilities are secured by leased assets of \$15.5 million (2012: \$15.9m). In the event of default, leased assets revert to the lessor.

The Company is in compliance with all debt covenants.

Note 34 has further information about the Group's exposure to interest rate risk, foreign exchange risk and the fair value of financial assets and liabilities.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

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	Consolidated Group		
	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>16 Tax liabilities</b>			
Current tax receivable	6.7	5.4	-
	6.7	5.4	-
Current income tax liability	159.9	141.7	141.5
	159.9	141.7	141.5
<b>17 Provisions</b>			
<b>Current</b>			
Employee benefits	81.6	81.7	76.9
Restructuring	5.3	6.6	4.4
Onerous contracts	-	10.3	11.9
Other	1.5	1.7	2.0
	88.4	100.3	95.2
<b>Non-current</b>			
Employee benefits	33.4	27.2	29.4
Other	0.8	0.8	1.2
	34.2	28.0	30.6

#### **Restructuring**

A restructuring provision is recognised when the main features of the restructuring are planned. Restructuring plans must set out the businesses, locations and approximate number of employees affected and the expenditures that will be undertaken, together with an implementation timetable. There must be a demonstrable commitment and valid expectation in those affected that the restructuring plan will be implemented prior to a provision being recognised.

#### **Onerous contracts**

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs, over the estimated cash flows to be received in relation to certain contracts, having regard to the risks of the activities relating to the contracts. During the financial year the final onerous contract matter relating to the acquisition of Aventis Behring was resolved in the Company's favour. Accordingly the provision is no longer required and has been reversed.

#### **Discounting**

Where the effect of discounting is determined to be material to the provision, the net estimated cash flows are discounted using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the liability.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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	Consolidated Group		
	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>17 Provisions (continued)</b>			
<b>Movements in provisions</b>			
<i>Restructuring</i>			
Opening balance	6.6	4.4	
Provided	4.0	3.4	
Payments made	(4.8)	(1.1)	
Currency differences	(0.5)	(0.1)	
Closing balance	5.3	6.6	
<i>Onerous contracts</i>			
Opening balance	10.3	11.9	
Reversal of provision no longer required	(10.6)	-	
Currency differences	0.3	(1.6)	
Closing balance	-	10.3	
<i>Other</i>			
Opening balance	2.5	3.2	
Additional provision	0.6	0.3	
Payments made	(0.6)	(0.6)	
Currency differences	(0.2)	(0.4)	
Closing balance	2.3	2.5	
<b>18 Deferred government grants</b>			
Current deferred income	0.9	1.0	1.1
Non-current deferred income	37.0	30.2	20.3
Total deferred government grants	37.9	31.2	21.4
<b>19 Derivative financial instruments – current liabilities</b>			
Forward Currency Contracts	3.8	1.4	5.4

The Group has entered into forward currency contracts as an economic hedge against variations in the value of certain trade payable amounts due to currency fluctuations. All movements in the fair value of these forward currency contracts are recognised in the profit and loss when they occur.

## CSL LIMITED AND ITS CONTROLLED ENTITIES NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group		
	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>20 Contributed equity</b>			
Ordinary shares issued and fully paid	-	-	-
Share buy-back reserve	<b>(1,978.3)</b>	(869.1)	(228.0)
Total contributed equity	<b>(1,978.3)</b>	(869.1)	(228.0)

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to 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, the balance for ordinary share contributed equity has been reduced to nil, and a reserve created to reflect the excess of shares bought over the original amount of subscribed capital.

	2013		2012	
	Number of shares	US\$m	Number of shares	US\$m
<b>Movement in contributed equity</b>				
Opening balance at 1 July	<b>506,929,847</b>	<b>(869.1)</b>	524,840,532	(228.0)
Shares issued to employees via:				
- <i>Performance Options (i)</i>	<b>853,680</b>	<b>30.4</b>	163,814	3.6
- Performance Rights (for nil consideration)	<b>364,264</b>	-	240,178	-
- <i>GESP (ii)</i>	<b>171,111</b>	<b>5.7</b>	207,576	5.4
Share buy-back, inclusive of cost	<b>(20,966,720)</b>	<b>(1,135.6)</b>	(18,522,253)	(650.1)
Tax Adjustment	-	<b>(9.7)</b>	-	-
Closing balance	<b>487,352,182</b>	<b>(1,978.3)</b>	506,929,847	(869.1)

	Consolidated Group	
	2013 US\$m	2012 US\$m
(i) Options exercised under Performance Option plans as disclosed in note 27 were as follows		
- 97,762 issued at A\$17.48 (2012: 128,670 issued at A\$17.48)	<b>1.8</b>	2.3
- 342,918 issued at A\$35.46 (2012: 30,849 issued at A\$35.46)	<b>12.6</b>	1.1
- 3,240 issued at A\$36.23 (2012: Nil)	<b>0.1</b>	-
- 393,166 issued at A\$37.91 (2012: 4,295 issued at A\$37.91)	<b>15.4</b>	0.2
- 7,104 issued at A\$32.50 (2012: Nil)	<b>0.2</b>	-
- 2,550 issued at A\$33.45 (2012: Nil)	<b>0.1</b>	-
- 6,940 issued at A\$29.34 (2012: Nil)	<b>0.2</b>	-
	<b>30.4</b>	3.6
(ii) Shares issued to employees under Global Employee Share Plan (GESP) as disclosed in note 27 were as follows:		
- 95,521 issued at A\$27.87 on 7 September 2012	<b>2.8</b>	2.7
- 75,590 issued at A\$37.45 on 7 March 2013	<b>2.9</b>	2.7
	<b>5.7</b>	5.4

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**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group		
	2013 US\$m	2012 US\$m	1 July 2011 US\$m
<b>21 Reserves</b>			
Share based payments reserve	127.0	96.3	82.2
Foreign currency translation reserve	451.3	536.6	901.1
Available-for-sale investments reserve	-	-	(1.2)
Carrying value of reserves at 30 June	<b>578.3</b>	632.9	982.1
<b>Movements in reserves</b>			
<i>Share based payments reserve (i)</i>			
Opening balance at 1 July	96.3	82.2	
Share based payments expense	16.2	12.1	
Deferred tax on share based payments	14.5	2.0	
Closing balance at 30 June	<b>127.0</b>	96.3	
<i>Foreign currency translation reserve (ii)</i>			
Opening balance at 1 July	536.6	901.1	
Net exchange gains / (losses) on translation of foreign subsidiaries, net of hedge	<b>(85.3)</b>	(364.5)	
Closing balance at 30 June	<b>451.3</b>	536.6	
<i>Available-for-sale investments reserve (iii)</i>			
Opening balance at 1 July	-	(1.2)	
Mark to market adjustment on available-for-sale financial assets	-	1.2	
Closing balance at 30 June	-	-	

**Nature and purpose of reserves**

*(i) Share based payments reserve*

The share based payments reserve is used to recognise the fair value of options, performance rights and global employee share plan rights issued to employees.

*(ii) Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations and exchange gains and losses arising on those foreign currency borrowings which are designated as hedging the Company's net investment in foreign operations.

*(iii) Available-for-sale investments reserve*

Changes in the fair value and exchange differences arising on translation of investments classified as available-for-sale financial assets are recognised in other comprehensive income, as described in note 1(m) and accumulated in a separate reserve within equity. Amounts are reclassified to profit and loss when the associated assets are sold or impaired.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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	Notes	Consolidated Group	
		2013 US\$m	2012 US\$m
<b>22 Retained earnings</b>			
Opening balance at 1 July		<b>3,712.9</b>	3,162.5
Net profit for the year		<b>1,216.3</b>	1,023.9
Dividends	<b>23</b>	<b>(499.4)</b>	(424.3)
Actuarial gain/(loss) on defined benefit plans		<b>(28.3)</b>	(65.1)
Deferred tax on actuarial gain/(loss) on defined benefit plans		<b>5.3</b>	15.9
Closing balance at 30 June		<b>4,406.8</b>	3,712.9
<b>23 Dividends</b>			
<b>Dividends paid</b>			
Dividends recognised in the current year by the Company are:			
Final ordinary dividend of A\$0.47 per share, unfranked, paid on 12 October 2012 (2012: A\$0.45 per share, franked to 4%)		<b>247.1</b>	231.0
Interim ordinary dividend of US\$0.50 per share, unfranked, paid on 5 April 2013 (2012: A\$0.36 per share, unfranked)		<b>252.3</b>	193.3
		<b>499.4</b>	424.3
<b>Dividends not recognised at year end</b>			
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of US\$0.52 per share, unfranked (2012: ordinary dividend of Australian A\$0.47 per share, unfranked). The final dividend is expected to be paid on 4 October 2013. Based on the number of shares on issue as at reporting date, the aggregate amount of the proposed dividend would be:		<b>253.4</b>	257.2
The actual aggregate dividend amount paid out of profits will be dependent on the actual number of shares on issue at dividend record date.			



**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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	Notes	Consolidated Group	
		2013 US\$m	2012 US\$m
<b>24 Equity</b>			
Total equity at the beginning of the financial year		<b>3,476.7</b>	3,916.6
Total comprehensive income for the period		<b>1,108.0</b>	611.4
Movement in contributed equity	<b>20</b>	<b>(1,109.2)</b>	(641.1)
Dividends	<b>23</b>	<b>(499.4)</b>	(424.3)
Movement in share based payments reserve	<b>21</b>	<b>30.7</b>	14.1
Total equity at the end of the financial year		<b>3,006.8</b>	3,476.7
<b>25 Statement of Cash Flows</b>			
<b>(a) Reconciliation of cash and cash equivalents and non-cash financing and investing activities</b>			
<i>Cash at the end of the year is shown in the cash flow statement as:</i>			
Cash at bank and on hand	<b>6</b>	<b>203.5</b>	342.3
Cash deposits	<b>6</b>	<b>558.7</b>	829.1
Bank overdrafts	<b>15</b>	<b>(2.4)</b>	(3.3)
		<b>759.8</b>	1,168.1
<b>(b) Reconciliation of Profit after tax to Cash Flows from Operations</b>			
Profit after tax		<b>1,216.3</b>	1,023.9
Non-cash items in profit after tax			
Depreciation, amortisation and impairment charges		<b>201.6</b>	178.0
(Gain)/loss on disposal of property, plant and equipment		<b>0.6</b>	2.5
Share based payments expense		<b>53.1</b>	23.8
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		<b>(14.1)</b>	2.9
(Increase)/decrease in inventories		<b>(162.8)</b>	(31.9)
(Increase)/decrease in retirement benefit assets		-	2.6
Increase/(decrease) in net tax assets and liabilities		<b>(47.1)</b>	(6.2)
Increase/(decrease) in trade and other payables		<b>85.6</b>	1.8
Increase/(decrease) in provisions		<b>(31.8)</b>	10.6
Increase/(decrease) in retirement benefit liabilities		<b>10.3</b>	(2.2)
Net cash inflow from operating activities		<b>1,311.7</b>	1,205.8
<b>(c) Non cash financing activities</b>			
Acquisition of plant and equipment by means of finance leases		<b>2.4</b>	1.1

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>26 Employee benefits</b>		
A reconciliation of the employee benefits recognised is as follows:		
Retirement benefit assets – non-current (note 13)	-	-
Provision for employee benefits – current (note 17)	<b>81.6</b>	81.7
Retirement benefit liabilities – non-current (note 13)	<b>179.5</b>	169.6
Provision for employee benefits – non-current (note 17)	<b>33.4</b>	27.2
	<b>294.5</b>	278.5
	Number of FTEs	
	2013	2012
The number of full time equivalents employed at 30 June	<b>11,285</b>	10,515

#### (a) Defined benefit plans

The Group sponsors a range of defined benefit pension plans that provide pension benefits for its worldwide employees upon retirement. Entities of the Group who operate the defined benefit plans contribute to the respective plans in accordance with the Trust Deeds, following the receipt of actuarial advice.

	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>Movements in the net liability/(asset) for defined benefit obligations recognised in the balance sheet</b>		
<i>Net liability/(asset) for defined benefit obligation:</i>		
Opening balance	<b>169.6</b>	119.7
Contributions received	<b>(10.8)</b>	(21.1)
Benefits paid	<b>(3.8)</b>	(3.1)
Expense/(benefit) recognised in the statement of comprehensive income	<b>1.6</b>	20.6
Actuarial (gains)/losses recognised in equity	<b>22.1</b>	69.3
Currency translation differences	<b>0.8</b>	(15.8)
Closing balance	<b>179.5</b>	169.6
<i>Net liability/(asset) for defined benefit obligation is reconciled to the balance sheet as follows:</i>		
Retirement benefit assets – non-current (note 13)	-	-
Retirement benefit liabilities – non-current (note 13)	<b>179.5</b>	169.6
Net liability/(asset)	<b>179.5</b>	169.6

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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	Consolidated Group		
	2013 US\$m	2012 US\$m	2011 US\$m
<b>26 Employee benefits (continued)</b>			
<b>(a) Defined benefit plans (continued)</b>			
<b>Amounts for the current and previous periods are as follows:</b>			
Defined benefit obligation	615.7	555.0	529.0
Plan assets	436.2	385.4	409.4
Surplus/(deficit)	(179.5)	(169.6)	(119.6)
Experience adjustments on plan liabilities	(56.3)	(60.3)	(13.9)
Experience adjustments on plan assets	34.2	(9.0)	4.0
Actual return on plan assets	49.8	8.8	21.1

The Group has used the AASB 1 exemption and disclosed amounts under AASB 1.20A(p) above for each annual reporting period prospectively from the AIFRS transition date (1 July 2004).

	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	555.0	529.0
Service cost	21.5	19.9
Interest cost	16.6	18.0
Contributions by members	6.1	5.9
Actuarial (gains)/losses	56.3	60.3
Benefits paid	(19.3)	(16.5)
Past service costs #	(21.8)	-
Other movements	0.6	-
Currency translation differences	0.7	(61.6)
Closing balance	615.7	555.0
<i>The present value of the defined benefit obligation comprises:</i>		
Present value of wholly unfunded obligations	142.2	117.4
Present value of funded obligations	473.5	437.6
	615.7	555.0
<b>Changes in the fair value of plan assets are as follows:</b>		
Opening balance	385.4	409.3
Expected return on plan assets	15.7	17.8
Actuarial gains/(losses) on plan assets	34.2	(9.0)
Contributions by employer	10.8	21.1
Contributions by members	6.1	5.9
Benefits paid	(15.7)	(13.5)
Other movements	(0.3)	(0.4)
Currency translation differences	-	(45.8)
Closing balance	436.2	385.4

# past service costs arise as a consequence of a reduction in plan benefits

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>26 Employee benefits (continued)</b>		
<b>(a) Defined benefit plans (continued)</b>		
<b>The major categories of plan assets as a percentage of total plan assets is as follows:</b>		
Cash	7.0%	5.2%
Equity instruments	35.5%	33.7%
Debt instruments	41.9%	43.0%
Property	14.3%	16.5%
Other assets	1.3%	1.6%
	<b>100.0%</b>	<b>100.0%</b>
<b>Expenses/(gains) recognised in the statement of comprehensive income are as follows:</b>		
Current service costs	22.5	20.4
Interest on obligation	16.6	18.0
Expected return on assets	(15.7)	(17.8)
Past service costs #	(21.8)	-
Total included in employee benefits expense	1.6	20.6
# past service costs arise as a consequence of a reduction in plan benefits		
<b>The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:</b>		
Discount rate	2.5%	3.0%
Expected return on assets and expected long-term rate of return on assets <sup>1</sup>	3.1%	3.4%
Future salary increases	2.2%	2.3%
Future pension increases	0.4%	0.4%

<sup>1</sup> The expected long-term rate of return is based on the portfolio as a whole.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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26 Employee benefits (continued)

(a) Defined benefit plans (continued)

Surplus/(deficit) for each defined benefit plan on a funding basis	Plan assets <sup>2</sup> US\$m	Accrued benefit <sup>2</sup> US\$m	Plan surplus / (deficit) US\$m
<b>Consolidated Group – June 2013</b>			
CSL Pension Plan (Australia)	33.7	(34.3)	(0.6)
CSL Behring AG Pension Fund (Switzerland)	347.7	(370.2)	(22.5)
CSL Behring Union Pension Plan (US UPP)	54.8	(68.9)	(14.1)
CSL Behring GmbH Supplementary Pension Plan (Germany)	-	(116.0)	(116.0)
CSL Pharma GmbH Pension Plan (Germany)	-	(2.0)	(2.0)
CSL Behring KG Pension Plan (Germany)	-	(7.7)	(7.7)
CSL Plasma GmbH Pension Plan (Germany)	-	(0.2)	(0.2)
CSL Behring KK Retirement Allowance Plan (Japan)	-	(14.7)	(14.7)
CSL Behring S.A. Pension Plan (France)	-	(0.4)	(0.4)
CSL Behring S.p.A Pension Plan (Italy)	-	(1.3)	(1.3)
	<b>436.2</b>	<b>(615.7)</b>	<b>(179.5)</b>
<b>Consolidated Group – June 2012</b>			
CSL Pension Plan (Australia)	34.8	(40.9)	(6.1)
CSL Behring AG Pension Fund (Switzerland)	302.8	(333.3)	(30.5)
CSL Behring Union Pension Plan (US UPP)	47.8	(63.3)	(15.5)
CSL Behring GmbH Supplementary Pension Plan (Germany)	-	(90.7)	(90.7)
CSL Pharma GmbH Pension Plan (Germany)	-	(1.8)	(1.8)
CSL Behring KG Pension Plan (Germany)	-	(5.8)	(5.8)
CSL Plasma GmbH Pension Plan (Germany)	-	(0.2)	(0.2)
CSL Behring KK Retirement Allowance Plan (Japan)	-	(17.5)	(17.5)
CSL Behring S.A. Pension Plan (France)	-	(0.4)	(0.4)
CSL Behring S.p.A Pension Plan (Italy)	-	(1.1)	(1.1)
	385.4	(555.0)	(169.6)

<sup>2</sup> Plan assets at net market value and accrued benefits have been calculated at 30 June, being the date of the most recent financial statements of the plans.

In addition to the above, CSL Behring GmbH employees are members of two multi-employer pension plans (“Penka 1” and “Penka 2”) administered by an unrelated third party. CSL Behring and the employees make contributions to the plans and receive pension entitlements on retirement. CSL is aware that there is the potential for the employer to have to make additional contributions in the event that the multi-employer fund does not have sufficient assets to pay all benefits. There is insufficient information available for the scheme to be shown at the CSL Group level because the pension assets cannot be split between the participating companies. The company’s contributions are advised by the funds and are designed to cover expected liabilities based on actuarial assumptions. CSL Behring GmbH contribute 400% of the employee contribution to Penka 1 from 1 January 2013, previously the rate was 300% of the employee contribution (2013: €4.5m, 2012: €3.9m) and 100% of the employee contribution to Penka 2 (2013: €0.6m, 2012: €0.4m). Until the change in contribution rate for Penka 1 neither of these contribution rates has changed since 2007. Contributions are expensed in the year in which they are made.

(b) Defined contribution plans

The Group makes contributions to various defined contribution pension plans. The amounts recognised as an expense for the year ended 30 June 2013 was \$23.5m (2012: \$19.8m).

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>27 Share based payments</b>		
<b>(a) Recognised share based payments expenses</b>		
The expense recognised for employee services rendered during the year is as follows:		
Expense arising from equity-settled share-based payment transactions	16.2	12.2
Expense arising from cash-settled share-based payment transactions	36.9	11.6
	<b>53.1</b>	<b>23.8</b>

**(b) Share based payment schemes**

The Company operates the following schemes that entitles key management personnel and senior employees to purchase shares in the Company under and subject to certain conditions:

**Senior Executive Share Ownership Plan (SESOP II)**

The SESOP II plan was approved by special resolution at the annual general meeting of the Company on 20 November 1997. The plan governed the provision of share based long term incentives in the form of options issued between 1997 and 1 July 2003 inclusive. There have been no SESOP II options issued since July 2003. Other than those which lapsed, all SESOP II options vested in earlier financial years following the achievement of a 7% compound growth in earnings per share over their vesting period. All SESOP II options which were capable of vesting have now been exercised. The price payable on exercise of SESOP II options equalled the weighted average price over the 5 days preceding the issue date of the options. Upon request, interest bearing loans were available to employees to fund the exercise of their SESOP II options. At 30 June 2013, no loans remain outstanding.

**Employee Performance Rights Plan (the plan)**

The Employee Performance Rights Plan was approved by special resolution at the annual general meeting of the Company on 16 October 2003.

**Share based long term incentives issued between October 2003 and April 2006**

The plan, as originally approved, governed the provision of share based long term incentives in the form of performance rights issued between 16 October 2003 and 6 April 2006 inclusive. Other than those which lapsed, all performance rights issued under the original plan vested prior to 30 June 2009. Vesting of the performance rights was contingent on the Company achieving a Total Shareholder Return (TSR) which was at or above the 50<sup>th</sup> percentile relative to the TSR of a peer group of companies comprising those entities within the ASX top 100 index by market capitalisation (excluding companies with the GICS industry codes of commercial banks, oil and gas and metals and mining). The original plan provided for vesting of 50% of the rights if the Company was ranked at the 50<sup>th</sup> percentile of TSR performance and for 100% of the rights to vest if the Company was placed at or above the 75<sup>th</sup> percentile. Relative TSR performance between the 50<sup>th</sup> and 75<sup>th</sup> percentile resulted in the proportion of performance rights that vested increasing on a straight-line basis. Vested performance rights which are exercised entitle the holder to one ordinary share for nil consideration.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 27 Share based payments (continued)

##### (b) Share based payment schemes (continued)

###### ***Share based long term incentives issued between May 2006 and October 2009***

The Employee Performance Rights Plan was amended with effect from October 2006. Under the amended plan, share based long term incentives issued between October 2006 and October 2009 comprise grants made to executives of both performance rights and performance options, each subject to a different performance hurdle. Each long-term incentive grant generally consisted of 50% performance rights and 50% performance options. Grants of performance rights and performance options were issued for nil consideration. The plan, as amended, retained the TSR performance hurdle and provided for 100% vesting of performance rights at the expiration of their vesting period if the Company's TSR performance was at or above the 50<sup>th</sup> percentile on the relevant test date. Under the revised plan, performance options were subject to an earnings per share (EPS) performance hurdle. 10% compound EPS growth per annum is required for the performance options to vest at the expiration of their vesting period. EPS growth is measured from 30 June in the financial year preceding the grant of options until 30 June in the financial year prior to the relevant test date. Vested performance options entitle the holder to one ordinary share on payment of an exercise price equal to the volume weighted average CSL share price over the week up to and including the date of grant. Performance rights and performance options issued between October 2006 and October 2009 were issued for a term of seven years. A portion, namely 25%, of the number of instruments granted becomes exercisable, subject to satisfying the relevant performance hurdle, after the second anniversary of the date of grant. Again, subject to satisfying the relevant performance hurdle, further portions of 35% and 40% of the number of instruments granted become exercisable after the third and fourth anniversaries post date of grant, respectively. If the portion tested at the applicable anniversary meets the relevant performance hurdle, that portion of rights and options vest and become exercisable until the expiry date. If the portion tested fails to meet the performance hurdle the portion is carried over to the next anniversary and retested. After the fifth anniversary, any performance rights and performance options not vested lapse. Importantly, there is an individual employee hurdle requiring an executive to obtain for the financial year prior to exercise of the Performance Rights and Performance Options, a satisfactory (or equivalent) rating under the Company's performance management system. The last grant of performance rights and options to be issued on these terms was in October 2009.

###### ***Share based long term incentives issued between October 2010 and October 2011***

Changes were made to the terms and conditions and key characteristics of Performance Rights and Performance Options granted since October 2010 and the number of employees who received grants was reduced following the introduction of the Employee Deferred Incentive Plan. Employees receiving a grant under the Plan received 80% of their entitlement in Performance Rights and 20% in Performance Options. Subject to performance hurdles being satisfied vesting of 50% of the LTI award will occur after 3 years, with the remaining 50% vesting after the 4<sup>th</sup> anniversary of the award date. EPS and TSR measures are applied to both Performance Rights and Performance Options as detailed in the Remuneration Report.

Company provided loans are not available to fund the exercise of performance options under the plan.

###### ***Share based long term incentives issued since October 2012***

Prior to October 2012, LTI grants in October 2010 and 2011 were made up in the form of Performance Rights and Performance Options. Changes were made to the plan in October 2012 with LTI grants to be made up of solely Performance Rights. The hurdles for this and future grants will be set and measured in US Dollars in line with our reporting currency. Subject to performance hurdles being satisfied vesting of 50% of the LTI award will occur after 3 years, with the remaining 50% vesting after the 4<sup>th</sup> anniversary of the award date. The main changes were the adjustment to graduated vesting for the compound EPS hurdle and the move to measuring relative TSR through comparison with an international index of Pharma and Biotech companies rather than using an ASX comparator group.

###### ***Global Employee Share Plan (GESP)***

The 'Global Employee Share Plan' (GESP) operates whereby employees make contributions from after tax salary up to a maximum of A\$3,000 per each 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.

###### ***Executive Deferred Incentive Plan (EDIP)***

On 1 October 2012, 418,200 notional shares were granted to employees under the Executive Deferred Incentive Plan (2012: 584,400). This plan provides for a grant of notional shares which will generate a cash payment to participants in three years time, provided they are still employed by the company and receive a satisfactory performance review over that period. The amount of the cash payment will be determined by reference to the CSL share price immediately before the three year anniversary.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 27 Share based payments (continued)

##### (c) Outstanding share based payment equity instruments

The number and exercise price for each share based payment scheme outstanding is presented as follows. All options and rights are settled by physical delivery of shares.

June 2013	Opening Balance	Granted	Exercised	Forfeited	Lapsed	Closing balance	Exercise Price	Expiry date	Vested at 30 June 2013
<b>Options (by grant date)</b>									
<b>A\$</b>									
2 October 2006	140,982	-	97,762	-	-	43,220	\$17.48	2-Oct-13	43,220
1 October 2007	521,831	-	342,918	4,380	-	174,533	\$35.46	30-Sep-14	174,533
1 April 2008	3,240	-	3,240	-	-	-	\$36.23	31-Mar-15	-
1 October 2008	651,585	-	393,166	4,904	-	253,515	\$37.91	30-Sep-15	253,515
1 April 2009	7,760	-	7,104	-	-	656	\$32.50	31-Mar-16	656
1 October 2009	1,020,640	-	-	35,171	-	985,469	\$33.68	30-Sep-16	-
1 October 2010	216,420	-	2,550	13,769	-	200,101	\$33.45	30-Sep-17	-
1 October 2011	261,140	-	6,940	6,290	-	247,910	\$29.34	30-Sep-18	-
	2,823,598	-	853,680	64,514	-	1,905,404			471,924
<b>Performance Rights (by grant date)</b>									
2 October 2006	32,277	-	24,459	-	-	7,818	Nil	2-Oct-13	7,818
1 October 2007	51,800	-	23,885	-	-	27,915	Nil	30-Sep-14	27,915
1 April 2008	252	-	252	-	-	-	Nil	31-Mar-15	-
1 October 2008	235,580	-	183,778	2,400	-	49,402	Nil	30-Sep-15	49,402
1 April 2009	2,880	-	2,280	-	-	600	Nil	31-Mar-16	600
1 October 2009	282,905	-	118,540	5,074	-	159,291	Nil	30-Sep-16	28,864
1 October 2010	284,420	-	3,350	18,091	-	262,979	Nil	30-Sep-17	-
1 October 2011	290,200	-	7,720	6,989	-	275,491	Nil	30-Sep-18	-
1 October 2012	-	247,780	-	-	-	247,780	Nil	30-Sep-19	-
	1,180,314	247,780	364,264	32,554	-	1,031,276			114,599
<b>GESP (by grant date)</b>									
1 March 2012	95,521	-	95,521	-	-	-	\$27.87	31-Aug-12	-
1 September 2012	-	75,590	75,590	-	-	-	\$37.45	28-Feb-13	-
1 March 2013 <sup>#</sup>	-	68,878	-	-	-	68,878	\$50.98	31-Aug-13	-
	95,521	144,468	171,111	-	-	68,878			
<b>Total</b>	<b>4,099,433</b>	<b>392,248</b>	<b>1,389,055</b>	<b>97,068</b>	<b>-</b>	<b>3,005,558</b>			<b>586,523</b>

<sup>#</sup> As noted above, the exercise price at which GESP plan shares are issued is calculated at a 15% discount to the lower of the ASX market price on the first and last dates of the contribution period. Accordingly the exercise price and the final number of shares issued is not yet known (and may differ from the assumptions and fair values disclosed below). The number of shares which may ultimately be issued based on entitlements granted on 1 March 2013 has been estimated based on information available as at 30 June 2013.

The weighted average share price at the dates of exercise, by equity instrument type, is as follows:

Options	A\$48.46
Performance Rights	A\$50.10
GESP	A\$50.84



**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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27 Share based payments (continued)

(c) Outstanding share based payment equity instruments (continued)

The number and exercise price for each share based payment scheme outstanding is presented as follows. All options and rights are settled by physical delivery of shares.

June 2012	Opening Balance	Granted	Exercised	Forfeited	Lapsed	Closing balance	Exercise Price	Expiry date	Vested at 30 June 2012
<b>Options (by grant date)</b>									
							A\$		
2 October 2006	269,652	-	128,670	-	-	140,982	\$17.48	2-Oct-13	140,982
1 October 2007	595,520	-	30,849	42,840	-	521,831	\$35.46	30-Sep-14	521,831
1 April 2008	3,240	-	-	-	-	3,240	\$36.23	31-Mar-15	3,240
1 October 2008	684,240	-	4,295	28,360	-	651,585	\$37.91	30-Sep-15	389,233
1 April 2009	9,300	-	-	1,540	-	7,760	\$32.50	31-Mar-16	4,656
1 October 2009	1,066,320	-	-	45,680	-	1,020,640	\$33.68	30-Sep-16	-
1 October 2010	216,420	-	-	-	-	216,420	\$33.45	30-Sep-17	-
1 October 2011	-	261,140	-	-	-	261,140	\$29.34	30-Sep-18	-
	2,844,692	261,140	163,814	118,420	-	2,823,598			1,059,942
<b>Performance Rights (by grant date)</b>									
29 October 2004	9,500	-	9,500	-	-	-	Nil	25-Aug-11	-
7 September 2005	66,950	-	66,950	-	-	-	Nil	7-Jun-12	-
2 October 2006	62,952	-	30,675	-	-	32,277	Nil	2-Oct-13	32,277
1 October 2007	125,814	-	70,810	3,204	-	51,800	Nil	30-Sep-14	51,800
1 April 2008	1,460	-	1,208	-	-	252	Nil	31-Mar-15	252
1 October 2008	247,840	-	-	12,260	-	235,580	Nil	30-Sep-15	-
1 April 2009	3,440	-	-	560	-	2,880	Nil	31-Mar-16	-
1 October 2009	358,240	-	60,735	14,600	-	282,905	Nil	30-Sep-16	27,875
1 October 2010	284,420	-	-	-	-	284,420	Nil	30-Sep-17	-
1 October 2011	-	290,200	-	-	-	290,200	Nil	30-Sep-18	-
	1,160,616	290,200	239,878	30,624	-	1,180,314			112,204
<b>GESP (by grant date)</b>									
1 March 2011	102,876	-	102,876	-	-	-	\$24.17	31-Aug-11	-
1 September 2011	-	104,700	104,700	-	-	-	\$24.03	28-Feb-12	-
1 March 2012 <sup>#</sup>	-	99,215	-	-	-	99,215	\$27.65	31-Aug-12	-
	102,876	203,915	207,576	-	-	99,215			-
<b>Total</b>	<b>4,108,184</b>	<b>755,255</b>	<b>611,268</b>	<b>149,044</b>	<b>-</b>	<b>4,103,127</b>			<b>1,172,146</b>

<sup>#</sup> As noted above, the exercise price at which GESP plan shares are issued is calculated at a 15% discount to the lower of the ASX market price on the first and last dates of the contribution period.

**The weighted average share price at the dates of exercise, by equity instrument type, is as follows:**

Options	A\$33.39
Performance Rights	A\$32.78
GESP	A\$30.14

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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27 Share based payments (continued)

(d) Valuation assumptions and fair values of equity instruments granted

	Fair Value <sup>1</sup>	Share Price	Exercise Price	Expected volatility <sup>2</sup>	Life assumption	Expected dividend yield	Risk free interest rate
Performance Rights (by grant date)	A\$	A\$	A\$				
29 October 2004	\$6.90	\$9.60	Nil	34.0%	4 years	2.0%	5.32%
7 September 2005	\$8.13	\$11.58	Nil	27.0%	4 years	1.5%	5.10%
2 October 2006 – Tranche 1	\$14.20	\$18.01	Nil	27.0%	2 years	1.5%	5.67%
2 October 2006 – Tranche 2	\$13.32	\$18.01	Nil	27.0%	3 years	1.5%	5.67%
2 October 2006 – Tranche 3	\$12.47	\$18.01	Nil	27.0%	4 years	1.5%	5.67%
1 October 2007 – Tranche 1	\$28.65	\$35.93	Nil	29.0%	2 years	1.5%	6.45%
1 October 2007 – Tranche 2	\$26.78	\$35.93	Nil	29.0%	3 years	1.5%	6.45%
1 October 2007 – Tranche 3	\$25.20	\$35.93	Nil	29.0%	4 years	1.5%	6.45%
1 April 2008 – Tranche 1	\$30.27	\$36.56	Nil	32.0%	2 years	1.5%	6.00%
1 April 2008 – Tranche 2	\$29.06	\$36.56	Nil	32.0%	3 years	1.5%	6.00%
1 April 2008 – Tranche 3	\$27.57	\$36.56	Nil	32.0%	4 years	1.5%	6.00%
1 October 2008 – Tranche 1	\$33.30	\$38.75	Nil	33.0%	2 years	1.5%	5.22%
1 October 2008 – Tranche 2	\$31.72	\$38.75	Nil	33.0%	3 years	1.5%	5.22%
1 October 2008 – Tranche 3	\$30.15	\$38.75	Nil	33.0%	4 years	1.5%	5.22%
1 April 2009 – Tranche 1	\$27.55	\$32.10	Nil	33.0%	2 years	1.5%	3.94%
1 April 2009 – Tranche 2	\$26.55	\$32.10	Nil	33.0%	3 years	1.5%	3.94%
1 April 2009 – Tranche 3	\$25.50	\$32.10	Nil	33.0%	4 years	1.5%	3.94%
1 October 2009 – Tranche 1	\$28.91	\$33.44	Nil	33.0%	2 years	1.5%	5.16%
1 October 2009 – Tranche 2	\$27.72	\$33.44	Nil	33.0%	3 years	1.5%	5.16%
1 October 2009 – Tranche 3	\$26.31	\$33.44	Nil	33.0%	4 years	1.5%	5.16%
1 October 2010 – Tranche 1	\$26.59	\$32.94	Nil	30.0%	3 years	2.5%	4.83%
1 October 2010 – Tranche 2	\$26.23	\$32.94	Nil	30.0%	4 years	2.5%	4.91%
1 October 2011 – Tranche 1	\$23.75	\$29.34	Nil	27.0%	3 years	2.5%	3.44%
1 October 2011 – Tranche 2	\$23.41	\$29.34	Nil	27.0%	4 years	2.5%	3.52%
1 October 2012 – Tranche 1	\$35.52	\$45.76	Nil	21.0%	3 years	2.0%	2.41%
1 October 2012 – Tranche 2	\$34.69	\$45.76	Nil	21.0%	4 years	2.0%	2.50%

<sup>1</sup> Options and rights granted are subject to a service condition. Option grants made between 2006 and 2009 are also subject to a non-market vesting condition based on earnings per share (EPS). Service conditions and non-market conditions are not taken into account in the determination of fair value at grant date. Contrastingly, grants of rights made between 2006 and 2009 are also subject to a market vesting condition based on total shareholder returns (TSR), a condition which is taken into account when the fair value of rights is determined. However as a result of the comprehensive review carried out on the PRP, since October 2010 grants of Performance Rights and Options now consist of a market vesting condition TSR hurdle and a non market vesting condition EPS hurdle equally applied to each grant.

<sup>2</sup> 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 to future volatility due to publicly available information.

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27 Share based payments (continued)

(d) Valuation assumptions and fair values of equity instruments granted (continued)

	Fair Value <sup>1</sup>	Share Price	Exercise Price	Expected volatility <sup>2</sup>	Life assumption	Expected dividend yield	Risk free interest rate
Options (by grant date)	A\$	A\$	A\$				
2 October 2006 – Tranche 1	\$5.71	\$18.01	\$17.48	27.0%	2 years	1.5%	5.67%
2 October 2006 – Tranche 2	\$5.83	\$18.01	\$17.48	27.0%	3 years	1.5%	5.67%
2 October 2006 – Tranche 3	\$5.96	\$18.01	\$17.48	27.0%	4 years	1.5%	5.67%
1 October 2007 – Tranche 1	\$12.06	\$35.93	\$35.46	29.0%	2 years	1.5%	6.45%
1 October 2007 – Tranche 2	\$12.33	\$35.93	\$35.46	29.0%	3 years	1.5%	6.45%
1 October 2007 – Tranche 3	\$12.59	\$35.93	\$35.46	29.0%	4 years	1.5%	6.45%
1 April 2008 – Tranche 1	\$12.64	\$36.56	\$36.23	32.0%	2 years	1.5%	6.00%
1 April 2008 – Tranche 2	\$12.92	\$36.56	\$36.23	32.0%	3 years	1.5%	6.00%
1 April 2008 – Tranche 3	\$13.18	\$36.56	\$36.23	32.0%	4 years	1.5%	6.00%
1 October 2008 – Tranche 1	\$13.31	\$38.75	\$37.91	33.0%	2 years	1.5%	5.22%
1 October 2008 – Tranche 2	\$13.58	\$38.75	\$37.91	33.0%	3 years	1.5%	5.22%
1 October 2008 – Tranche 3	\$13.85	\$38.75	\$37.91	33.0%	4 years	1.5%	5.22%
1 April 2009 – Tranche 1	\$9.27	\$32.10	\$32.50	33.0%	2 years	1.5%	3.94%
1 April 2009 – Tranche 2	\$9.73	\$32.10	\$32.50	33.0%	3 years	1.5%	3.94%
1 April 2009 – Tranche 3	\$10.15	\$32.10	\$32.50	33.0%	4 years	1.5%	3.94%
1 October 2009 – Tranche 1	\$10.34	\$33.44	\$33.68	33.0%	2 years	1.5%	5.16%
1 October 2009 – Tranche 2	\$10.87	\$33.44	\$33.68	33.0%	3 years	1.5%	5.16%
1 October 2009 – Tranche 3	\$11.36	\$33.44	\$33.68	33.0%	4 years	1.5%	5.16%
1 October 2010 – Tranche 1	\$8.46	\$32.94	\$33.45	30.0%	3 years	2.5%	4.83%
1 October 2010 – Tranche 2	\$8.90	\$32.94	\$33.45	30.0%	4 years	2.5%	4.91%
1 October 2011 – Tranche 1	\$6.34	\$29.34	\$29.34	27.0%	3 years	2.5%	3.44%
1 October 2011 – Tranche 2	\$6.77	\$29.34	\$29.34	27.0%	4 years	2.5%	3.52%
<b>GESP (by grant date)<sup>3</sup></b>							
1 March 2008	\$5.51	\$36.75	\$31.24	32.0%	6 months	1.5%	6.00%
1 September 2008	\$5.62	\$37.50	\$31.88	33.0%	6 months	1.5%	5.22%
1 March 2009	\$4.84	\$32.29	\$27.45	33.0%	6 months	1.5%	3.94%
1 September 2009	\$4.94	\$32.96	\$28.02	33.0%	6 months	1.5%	5.16%
1 March 2010	\$4.81	\$32.10	\$27.29	30.0%	6 months	2.5%	4.83%
1 September 2010	\$4.86	\$32.37	\$27.51	30.0%	6 months	2.5%	4.83%
1 March 2011	\$4.27	\$28.44	\$24.17	27.0%	6 months	2.5%	3.44%
1 September 2011	\$4.24	\$28.27	\$24.03	27.0%	6 months	2.5%	3.44%
1 March 2012	\$4.92	\$32.79	\$27.87	21.0%	6 months	2.0%	2.41%
1 September 2012	\$6.61	\$44.06	\$37.45	21.0%	6 months	2.0%	2.41%
1 March 2013	\$9.00	\$59.98	\$50.98	21.0%	6 months	2.0%	2.41%

<sup>1</sup> Options and rights granted are subject to a service condition. Option grants made between 2006 and 2009 are also subject to a non-market vesting condition based on earnings per share (EPS). Service conditions and non-market conditions are not taken into account in the determination of fair value at grant date. Contrastingly, grants of rights made between 2006 and 2009 are also subject to a market vesting condition based on total shareholder returns (TSR), a condition which is taken into account when the fair value of rights is determined. However as a result of the comprehensive review carried out on the PRP, since October 2010 grants of Performance Rights and Options now consist of a market vesting condition TSR hurdle and a non market vesting condition EPS hurdle equally applied to each grant.

<sup>2</sup> 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 to future volatility due to publicly available information.

<sup>3</sup> 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 the lower of the ASX market price on the first and last dates of the contribution period.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

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#### 27 Share based payments (continued)

##### (e) Cash-settled EDIP

The fair value of the cash-settled options is measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.

The following table lists the inputs to the models used during the year:

	Consolidated Group	
	2013	2012
<b>October 2010 grant</b>		
Dividend yield (%)	2.0%	2.5%
Fair value of grants at reporting date	A\$61.27	A\$38.22
<b>October 2011 grant</b>		
Dividend yield (%)	2.0%	2.5%
Fair value of grants at reporting date	A\$60.07	A\$37.29
<b>October 2012 grant</b>		
Dividend yield (%)	2.0%	-
Fair value of grants at reporting date	A\$58.89	-

##### (f) Recognised cash-settled share based payments liability

The carrying amount of the liability relating to the cash-settled share-based payment at 30 June 2013 is \$47.3m (2012: \$15.4m). No cash-settled awards vested during the period ended 30 June 2013 (2012: \$Nil).

#### 28 Key management personnel disclosures

The following were key management personnel of the Group at any time during the 2013 and 2012 financial years and unless otherwise indicated they were key management personnel (KMP) during the whole of those financial years:

##### Non-executive directors

J Shine (appointed as Chairman 19 October 2011)  
 J Akehurst  
 D W Anstice  
 B Brook (appointed 16 August 2011)  
 C O'Reilly  
 I A Renard  
 M A Renshaw  
 E A Alexander (Chairman, retired 19 October 2011)  
 D Simpson (retired 19 October 2011)

##### Executive directors

B A McNamee (Chief Executive Officer & Managing Director)  
 P Turner (Executive Director retired 17 October 2012)  
 P Perreault (Executive Director from 13 February 2013 & President, CSL Behring)

##### Executives

G Naylor (Chief Financial Officer)  
 A Cuthbertson (Chief Scientific Officer)  
 J Davies (Executive VP, CSL Biotherapies until 31 December 2012)  
 G Boss (Group General Counsel)  
 I Sieper (Executive VP, Commercial Operations)  
 M Sontrop (Executive VP, Operations)  
 K Etchberger (Executive VP, Plasma, Supply Chain and IT)  
 E Bailey (Company Secretary)  
 J Lever (Senior VP, Human Capital)

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	Consolidated Group	
	2013 US\$	2012 US\$
<b>28 Key management personnel disclosures (continued)</b>		
<b>(a) Total compensation for key management personnel</b>		
<b><i>Short term remuneration elements</i></b>		
Salary and Fees	<b>11,973,829</b>	10,900,889
Short term incentive cash bonus	<b>5,934,225</b>	5,364,223
Non-monetary benefits	<b>130,242</b>	82,264
Total of short term remuneration elements	<b>18,038,296</b>	16,347,376
<b><i>Post-employment elements</i></b>		
Pension benefits	<b>644,096</b>	1,198,093
Retirement benefits	-	336,343
Total of post-employment elements	<b>644,096</b>	1,534,436
<b><i>Other long term elements</i></b>		
Long service leave and equivalents	<b>496,047</b>	382,018
Deferred cash incentive	<b>1,417,046</b>	1,065,215
Total of other long term elements	<b>1,913,093</b>	1,447,233
<b><i>Share-based payments</i></b>		
Equity settled performance rights	<b>10,328,446</b>	3,587,484
Equity settled options	<b>2,507,749</b>	2,126,179
Cash settled options	<b>1,731,621</b>	892,420
Total of share based payments	<b>14,567,816</b>	6,606,083
<b><i>Other remuneration elements</i></b>		
Termination benefits	<b>2,906,732</b>	1,653,037
<b>Total of all remuneration elements <sup>1</sup></b>	<b>38,070,033</b>	27,588,165

The basis upon which remuneration amounts have been determined is further described in the remuneration report included in section 16 of the Directors' Report.

<sup>1</sup> This note discloses remuneration of individuals defined as KMP for the relevant period.

**(b) Other key management personnel transactions with the company or its controlled entities**

The key management personnel and their related entities have the following transactions with entities within the Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing at arm's length in similar circumstances:

- The Group has a number of contractual relationships, including property leases and collaborative research arrangements, with the University of Melbourne of which Ms Elizabeth Alexander is the Chancellor and Dr Virginia Mansour (whose husband is Dr Brian McNamee) is a member of the Council.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
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28 Key management personnel disclosures (continued)

**(c) Options over equity instruments granted as compensation**

The movement during the reporting period in the number of options over ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Key management person	Balance at 1 July 2012	Number Granted	Number Exercised	Number Lapsed / Forfeited	Balance at 30 June 2013	Number Vested during the year	Vested and exercisable at 30 June 2013	Unvested at 30 June 2013
<b>Executive Directors</b>								
B A McNamee	364,600	-	-	-	364,600	29,952	152,520	212,080
P Perreault	95,760	-	20,460	-	75,300	7,640	19,100	56,200
P Turner	128,700	-	63,420	12,616	52,664	13,488	-	52,664
<b>Other executives</b>								
G Naylor	94,580	-	-	-	94,580	7,640	32,720	61,860
A Cuthbertson	84,180	-	34,600	-	49,580	6,736	-	49,580
J Davies	92,820	-	50,520	10,950	31,350	7,368	-	31,350
G Boss	65,980	-	24,940	-	41,040	6,016	-	41,040
I Sieper	22,900	-	5,540	-	17,360	2,216	-	17,360
M Sontrop	71,840	-	29,700	-	42,140	7,368	-	42,140
K Etchberger	55,092	-	-	-	55,092	3,912	25,452	29,640
E Bailey	27,460	-	3,552	-	23,908	888	888	23,020
J Lever	26,260	-	-	-	26,260	-	-	26,260
<b>Total</b>	<b>1,130,172</b>	<b>-</b>	<b>232,732</b>	<b>23,566</b>	<b>873,874</b>	<b>93,224</b>	<b>230,680</b>	<b>643,194</b>

The assumptions inherent in the valuation of options granted to key management personnel, amongst others, during the financial year and the fair value of each option granted are set out in Note 27(d).

No options have been granted since the end of the financial year. The options have been provided at no cost to the recipients.

For further details, including the key terms and conditions, grant and exercise dates for options granted to executives, refer to note 27.

**(d) Performance rights over equity instruments granted as compensation**

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Key management person	Balance at 1 July 2012	Number Granted	Number Exercised	Number Lapsed / Forfeited	Balance at 30 June 2013	Number Vested during the year	Vested and exercisable at 30 June 2013	Unvested at 30 June 2013
<b>Executive Directors</b>								
B A McNamee	191,344	65,700	15,996	-	241,048	30,931	31,224	209,824
P Perreault	44,110	19,620	8,118	-	55,612	8,118	-	55,612
P Turner	45,845	-	13,857	12,123	19,865	13,857	-	19,865
<b>Other executives</b>								
G Naylor	51,490	18,720	8,118	-	62,092	8,118	-	62,092
A Cuthbertson	42,125	15,020	6,925	-	50,220	6,925	-	50,220
J Davies	43,260	-	18,800	11,215	13,245	7,540	-	13,245
G Boss	31,585	8,800	6,405	-	33,980	6,405	-	33,980
I Sieper	15,455	9,360	3,471	-	21,344	3,471	-	21,344
M Sontrop	31,920	9,180	7,540	-	33,560	7,540	-	33,560
K Etchberger	22,930	6,840	4,262	-	25,508	4,262	-	25,508
E Bailey	18,930	7,260	994	-	25,196	1,954	1,980	23,216
J Lever	17,755	7,860	1,267	-	24,348	1,267	-	24,348
<b>Total</b>	<b>556,749</b>	<b>168,360</b>	<b>95,753</b>	<b>23,338</b>	<b>606,018</b>	<b>100,388</b>	<b>33,204</b>	<b>572,814</b>

The assumptions inherent in the valuation of performance rights granted to key management personnel, amongst others, during the financial year and the fair value of each option granted are set out in Note 27(d).

No performance rights have been granted since the end of the financial year. The performance rights have been provided at no cost to the recipients.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2013

28 Key management personnel disclosures (continued)

**(d) Performance rights over equity instruments granted as compensation (continued)**

**Modification of terms of equity-settled share-based payment transactions**

During the reporting period there have been no changes to the terms pertaining to issues of options, performance options and performance rights which have been granted as compensation to a key management person in the prior periods and in the current period. A resolution will be presented to the AGM in October 2013 relating to a variation in the terms of Dr McNamee's "good leaver" arrangements. This constitutes a modification to the terms of a prior grant. The Company has included the associated expense in the 2013 accounts, but recognises that shareholders have not had an opportunity to vote on the resolution as at the date of this report.

**(e) Exercise of equity instruments granted as compensation**

During the reporting period, the following shares were issued on the exercise of options granted as compensation:

	30 June 2013			30 June 2012		
	Date Option Granted	Number of shares	Paid per share A\$	Date Option Granted	Number of shares	Paid per share A\$
P Perreault	1 October 2007	20,460	35.46			
P Turner	1 October 2007	29,700	35.46			
	1 October 2008	33,720	37.91			
A Cuthbertson	1 October 2007	17,760	35.46			
	1 October 2008	16,840	37.91			
J Davies	2 October 2006	21,240	17.48			
	1 October 2007	10,860	35.46			
	1 October 2008	18,420	37.91			
G Boss	1 October 2007	9,900	35.46			
	1 October 2008	15,040	37.91			
I Sieper	1 October 2008	5,540	37.91	1 October 2007	5,580	35.46
M Sontrop	1 October 2007	11,280	35.46	2 October 2006	8,496	17.48
	1 October 2008	18,420	37.91			
E Bailey	1 October 2007	2,220	35.46			
	1 October 2008	1,332	37.91			
<b>Total</b>		<b>232,732</b>			<b>14,076</b>	

There are no amounts unpaid on the shares issued as a result of the exercise of options.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 28 Key management personnel disclosures (continued)

##### (f) Exercise of equity instruments granted as compensation (continued)

During the reporting period, persons who were key management personnel were issued the following shares on the exercise of performance rights granted as compensation:

	30 June 2013		30 June 2012	
	Date Performance Right Granted	Number of shares	Date Performance Right Granted	Number of shares
<b>B McNamee</b>	1 October 2009	15,996		
<b>P Turner</b>	1 October 2008	9,720	1 October 2007	3,672
	1 October 2009	4,137	1 October 2009	2,955
<b>P Perreault</b>	1 October 2008	5,500	1 October 2007	2,544
	1 October 2009	2,618	1 October 2009	1,870
<b>G Naylor</b>	1 October 2008	5,500	1 October 2007	1,680
	1 October 2009	2,618	1 October 2009	1,870
<b>A Cuthbertson</b>	1 October 2008	4,860	1 October 2007	2,208
	1 October 2009	2,065	1 October 2009	1,475
<b>J Davies</b>	2 October 2006	6,300	7 June 2005	10,350
	1 October 2007	3,360		
	1 October 2008	5,300		
	1 October 2009	3,840		
<b>G Boss</b>	1 October 2008	4,340	1 October 2007	1,224
	1 October 2009	2,065	1 October 2009	1,475
<b>I Sieper</b>	1 October 2008	2,400	1 October 2007	1,032
	1 October 2009	1,071	1 October 2009	765
<b>M Sontrop</b>	1 October 2008	5,300	1 October 2007	1,392
	1 October 2009	2,240	1 October 2009	1,600
<b>K Etchberger</b>	1 October 2008	2,820	1 October 2007	1,152
	1 October 2009	1,442	1 October 2009	1,030
<b>E Bailey</b>	1 October 2009	994	1 October 2007	1,920
			1 October 2009	710
<b>J Lever</b>	1 October 2009	1,267	1 October 2009	905
<b>Total</b>		<b>95,753</b>		<b>41,829</b>

No amount is payable on the exercise of performance rights.



**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2013

28 Key management personnel disclosures (continued)

**(g) Key management personnel shareholdings**

Movements in the respective shareholdings of key management personnel during the year ended 30 June 2013 are set out below.

Movements in shares	Balance at 1 July 2012	Shares acquired on exercise of performance rights during year	Shares acquired on exercise of options during year	(Shares sold)/ Purchased	Balance at 30 June 2013
<b>Non-Executive Directors</b>					
J Shine	5,105	-	-	1,144	6,249
J Akehurst	30,623	-	-	377	31,000
D W Anstice	7,731	-	-	468	8,199
I A Renard	18,675	-	-	378	19,053
M A Renshaw	7,884	-	-	373	8,257
C O'Reilly	1,183	-	-	373	1,556
B Brook	3,346	-	-	373	3,719
<b>Executive Directors</b>					
B A McNamee	835,669	15,996	-	-	851,665
P Perreault	2,237	8,118	20,460	(20,386)	10,429
P Turner	122,196	13,857	63,420	(77,277)	122,196
<b>Executives</b>					
G Naylor	64,035	8,118	-	(16,613)	55,540
A Cuthbertson	66,858	6,925	34,600	(38,585)	69,798
G Boss	803	6,405	24,940	(26,060)	6,088
I Sieper	-	3,471	5,540	(9,011)	-
M Sontrop	31,539	7,540	29,700	(68,164)	615
K Etchberger	12,052	4,262	-	-	16,314
E Bailey	2,691	994	3,552	(4,359)	2,878
J Lever	905	1,267	-	(905)	1,267
J Davies	11,085	18,800	50,520	(59,044)	21,361
<b>Total</b>	<b>1,224,617</b>	<b>95,753</b>	<b>232,732</b>	<b>(316,918)</b>	<b>1,236,184</b>

There have been no movements in shareholdings of key management personnel between 30 June 2013 and the date of this report.

**(h) Cash Settled Options granted as compensation to Key management personnel**

During the year 30,150 notional shares were granted to KMPs under the Executive Deferred Incentive Plan. This was done primarily to reduce the risk of loss of executives in roles that are: key to the delivery of operating or strategic objectives; manage critical activities; or undertake functions requiring skills that are in short supply and are actively sought in the market.

For further details, including key terms and conditions, grant date and exercise dates regarding the EDIP, refer to Note 27 (b) and (e).

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 29 Non key management personnel related party disclosure

##### Ultimate Controlling Entity

The ultimate controlling entity is CSL Limited.

##### Identity of related parties

The parent company has a related party relationship with its subsidiaries (see note 32) and with its key management personnel (see note 28).

##### Other related party transactions

The Parent Company entered into the following transactions during the year with related parties in the Group:

##### *Wholly owned subsidiaries*

- Loans were advanced and repayments received on the long term intercompany accounts;
- Interest was charged on outstanding intercompany loan account balances;
- Sales and purchases of products;
- Licensing of intellectual property;
- Provision of marketing services by controlled entities;
- Management fees were received from a controlled entity; and
- Management fees were paid to a controlled entity.

The sales, purchases and other services were undertaken on commercial terms and conditions.

Payment for intercompany transactions is through intercompany loan accounts and may be subject to extended payment terms.

##### *Partly owned subsidiaries*

- No transactions occurred during the year.

##### *Transactions with key management personnel and their related parties*

Disclosures relating to key management personnel are disclosed in note 28.

##### *Transactions with other related parties*

During the year, the parent and subsidiaries made contributions to defined benefit and contribution pension plans as disclosed in note 26.

##### Ownership interests in related parties

The ownership interests in related parties in the Group are disclosed in note 32. All transactions with subsidiaries have been eliminated on consolidation.

#### Consolidated Group

	2013 US\$	2012 US\$
<b>30 Remuneration of Auditors</b>		
During the year the following fees were paid or were payable for services provided by the auditor of the parent entity and its related practices:		
<b>(a) Audit services</b>		
Ernst & Young	900,811	1,059,760
Ernst & Young related practices	2,313,038	2,382,333
Total remuneration for audit services	3,213,849	3,442,093
<b>(b) Other services</b>		
Ernst & Young		
- compliance and other services	56,452	100,092
Ernst & Young related practices		
- compliance and other services	114,135	234,650
Total remuneration for non audit services	170,587	334,742
Total remuneration for all services rendered	3,384,436	3,776,835

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>31 Commitments and contingencies</b>		
<b>(a) Operating leases</b>		
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:		
Not later than one year	31.6	32.8
Later than one year but not later than five years	101.1	91.3
Later than five years	233.0	163.7
	<b>365.7</b>	287.8
Operating leases entered into relate predominantly to leased land and rental properties. The leases have varying terms and renewal rights. Rental payments under the leases are predominantly fixed, but generally contain inflation escalation clauses. No operating lease contains restrictions on financing or other leasing activities.		
<b>(b) Finance leases</b>		
Commitments in relation to finance leases are payable as follows:		
Not later than one year	4.5	4.2
Later than one year but not later than five years	11.4	11.7
Later than five years	21.5	22.7
Total minimum lease payments	37.4	38.6
Future finance charges	(11.0)	(11.9)
Finance lease liability	26.4	26.7
The present value of finance lease liabilities is as follows:		
Not later than one year	3.3	2.9
Later than one year but not later than five years	7.3	7.5
Later than five years	15.8	16.3
	26.4	26.7
Finance lease – current liability (refer note 15)	3.3	2.9
Finance lease – non-current liability (refer note 15)	23.1	23.8
	26.4	26.7
Finance leases entered into relate predominantly to leased plant and equipment. The leases have varying terms but lease payments are generally fixed for the life of the agreement. In some instances, at the end of the lease term the Group has the option to purchase the equipment. No finance leases contain restrictions on financing or other leasing activities.		
<b>(c) Total lease liability</b>		
<b>Current</b>		
Finance leases (refer note 15)	3.3	2.9
<b>Non-current</b>		
Finance leases (refer note 15)	23.1	23.8
	26.4	26.7

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	2013 US\$m	2012 US\$m
<b>31 Commitments and contingencies (continued)</b>		
<b>(d) Capital commitments</b>		
Capital expenditure contracted for at balance date but not provided for in the financial statements, payable:		
Not later than one year	<b>101.5</b>	123.7
Later than one year but not later than five years	<b>6.1</b>	78.5
Later than five years	-	-
	<b>107.6</b>	202.2

#### (e) Contingent assets and liabilities

##### Guarantees

The Group provides certain financial guarantees in the ordinary course of business. No liability has been recognised in relation to these guarantees as the fair value of the guarantees is immaterial.

##### Service agreements

The maximum contingent liability for benefits under service agreements, in the event of an involuntary redundancy, is between 3 to 12 months. Agreements are held with key management personnel who take part in the management of Group entities. The maximum liability that could arise, for which no provisions are included in the financial statements is as follows:

Service agreements	<b>6.3</b>	9.9
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##### Litigation

The Group is involved in litigation in the U.S. claiming that the Group and a competitor, along with an industry trade association, conspired to restrict output and fix and raise prices of certain plasma-derived therapies in the U.S. The lawsuits, filed by representative plaintiffs, seek status to proceed as class actions on behalf of "all others similarly situated". The Group believes the litigation is unsupported by fact and without merit and will robustly defend the claims.

The Group is involved in other litigation in the ordinary course of business.

The directors believe that future payment of a material amount in respect of litigation is remote. The Group has disclaimed liability for, and is vigorously defending, all current material claims and actions that have been made.

#### 32 Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

	Country of incorporation	Percentage Owned		
		2013 %	2012 %	
<b>Company:</b>				
CSL Limited	Australia			
<b>Subsidiaries of CSL Limited:</b>				
CSL Employee Share Trust	Australia	<b>100</b>	100	
bioCSL Pty Ltd	Australia	<b>100</b>	-	(j)
bioCSL (Australia) Pty Ltd	Australia	<b>100</b>	100	(c)(f)
bioCSL (NZ) Limited	New Zealand	<b>100</b>	100	(a)(d)(g)
bioCSL Inc	USA	<b>100</b>	-	(a)(j)
Cervax Pty Ltd	Australia	<b>74</b>	74	
Iscotec AB	Sweden	<b>100</b>	100	(a)
Zenyth Therapeutics Pty Ltd	Australia	<b>100</b>	100	
Zenyth Operations Pty Ltd	Australia	<b>100</b>	100	
Amrad Pty Ltd	Australia	<b>100</b>	100	

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Country of incorporation	Percentage Owned		
		2013 %	2012 %	
<b>32 Controlled Entities (continued)</b>				
<b>Subsidiaries of CSL Limited (continued):</b>				
CSL Behring (Australia) Pty Ltd	Australia	100	-	(j)
CSL Behring (Privigen) Pty Ltd	Australia	100	-	(j)
CSL International Pty Ltd	Australia	100	100	
CSL Finance Pty Ltd	Australia	100	100	
CSL Behring ApS	Denmark	100	100	(a)
CSL UK Holdings Limited	England	100	100	(a)(b)
ZLB Bioplasma UK Limited	England	100	100	(a)
CSL Behring sp.z.o.o.	Poland	100	100	(a)
CSLB Holdings Inc	USA	100	100	
CSL Biotherapies Inc	USA	100	100	
ZLB Bioplasma (Hong Kong) Limited	Hong Kong	100	100	(a)
CSL Behring LLC	USA	100	100	(a)
CSL Plasma Inc	USA	100	100	(a)
CSL Behring Canada Inc.	Canada	100	100	(a)
CSL Behring Brazil Comercio de Produtos Farmaceutics Ltda	Brazil	100	100	(a)
CSL Behring KK	Japan	100	100	(a)
CSL Behring S.A. de C.V.	Mexico	100	100	(a)
CSL Behring S.A.	France	100	100	(a)
BioCSL GmbH	Germany	100	100	(a)(h)
CSL Behring Foundation for Research and Advancement of Patient Health	USA	100	100	(a)
CSL Behring Verwaltungs GmbH	Germany	100	100	(a)
CSL Behring Beteiligungs GmbH & Co KG	Germany	100	100	(a)
CSL Plasma GmbH	Germany	100	100	(a)
CSL Behring GmbH	Germany	100	100	(a)
CSL Behring GmbH	Austria	100	100	(a)
CSL Behring S.A.	Spain	100	100	(a)
CSL Behring A.B.	Sweden	100	100	(a)
CSL Behring S.p.A.	Italy	100	100	(a)
CSL Behring N.V.	Belgium	100	100	(a)
CSL Behring B.V.	Netherlands	100	100	(a)
CSL Behring Lda	Portugal	100	100	(a)
CSL Behring MEPE	Greece	100	100	(a)
CSL Behring Asia Pacific Limited	Hong Kong	100	100	(a)(i)
CSL (Shanghai) Biotherapies Consulting Ltd	China	100	100	(a)
CSL Behring S.A.	Argentina	100	100	(a)
CSL Behring Panama S.A.	Panama	100	100	(a)
CSL Behring s.r.o.	Czech Republic	100	100	(a)
CSL Behring K.f.t.	Hungary	100	100	(a)
CSL Behring Holdings Ltd.	England	100	100	(a)
CSL Behring UK Ltd.	England	100	100	(a)
CSL Behring AG	Switzerland	100	100	(a)(b)
ZLB GmbH	Germany	-	100	(e)

- (a) Audited by affiliates of the Company auditors.
- (b) The shares in CSL Behring AG were transferred from CSLBehring ApS to CSL Behring Holdings Ltd during the year
- (c) The shares in bioCSL (Australia) Pty Ltd were transferred from CSL Limited to bioCSL Pty Ltd during the year
- (d) The shares in bioCSL (NZ) Limited were transferred from CSL Limited to bioCSL Pty Ltd during the year
- (e) Dormant entity deregistered during the year
- (f) Previously CSL Biotherapies Pty Ltd
- (g) Previously CSL Biotherapies (NZ) Limited
- (h) Previously CSL Biotherapies GmbH
- (i) Previously CSL Biotherapies Asia Pacific Limited
- (j) Incorporated during the 2013 financial year

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 33 Deed of Cross Guarantee

On 22 October 2009, a deed of cross guarantee was executed between CSL Limited and some of its wholly owned entities, namely CSL International Pty Ltd, CSL Finance Pty Ltd, CSL Biotherapies Pty Ltd and Zenyth Therapeutics Pty Ltd. During the year bioCSL Pty Ltd, CSL Behring (Australia) Pty Ltd and CSL Behring (Privigen) Pty Ltd were added to the deed. Under this deed, each company guarantees the debts of the others. By entering into the deed, these specific wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The entities that are parties to the deed represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by CSL Limited they also represent the 'Extended Closed Group'. In respect to the Closed Group comprising the aforementioned entities, set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2013 and a consolidated balance sheet as at that date.

Income Statement	Consolidated Group	
	2013 A\$m	2012 A\$m
<b>Continuing operations</b>		
Sales revenue	697.3	650.8
Cost of sales	(447.3)	(387.2)
<b>Gross profit</b>	<b>250.0</b>	263.6
Sundry revenues	16.4	86.0
Dividend income #	18,746.1	1,843.7
Interest income	27.8	39.4
Research and development expenses	(188.5)	(154.5)
Selling and marketing expenses	(73.0)	(68.8)
General and administration expenses	(130.7)	(92.7)
Finance costs	36.5	(6.3)
<b>Profit before income tax expense</b>	<b>18,684.6</b>	1,910.4
Income tax (expense)/benefit	28.3	(6.9)
<b>Profit for the year</b>	<b>18,712.9</b>	1,903.5

# Dividend income in 2013 includes an amount resulting from a gain on the sale of an entity, at fair value, from one Group company to another. This transaction eliminates on consolidation at the CSL Group level but not at the Closed Group level presented in this note. The gain was paid as a dividend to CSL International Pty Ltd, a member of the Closed Group.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Consolidated Group	
	2013 A\$m	2012 A\$m
<b>33 Deed of Cross Guarantee (continued)</b>		
<b>Balance sheet</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	621.1	829.0
Trade and other receivables	117.6	112.3
Inventories	196.6	198.0
<b>Total Current Assets</b>	<b>935.3</b>	<b>1,139.3</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	45.3	9.1
Other financial assets #	19,006.1	1,823.3
Property, plant and equipment	584.3	521.2
Deferred tax assets	24.1	11.7
Intangible assets	67.9	24.1
<b>Total Non-Current Assets</b>	<b>19,727.7</b>	<b>2,389.4</b>
<b>TOTAL ASSETS</b>	<b>20,663.0</b>	<b>3,528.7</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	190.9	136.6
Interest-bearing liabilities and borrowings	-	119.6
Provisions	46.9	49.6
Deferred government grants	1.0	1.0
<b>Total Current Liabilities</b>	<b>238.8</b>	<b>306.8</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	15.5	5.6
Deferred tax liabilities	14.9	-
Provisions	13.0	7.5
Deferred government grants	39.9	29.8
Retirement benefit liabilities	0.6	6.0
<b>Total Non-Current Liabilities</b>	<b>83.9</b>	<b>48.9</b>
<b>TOTAL LIABILITIES</b>	<b>322.7</b>	<b>355.7</b>
<b>NET ASSETS</b>	<b>20,340.3</b>	<b>3,173.0</b>
<b>EQUITY</b>		
Contributed equity	(1,464.7)	(373.2)
Reserves	152.7	130.4
Retained earnings	21,652.3	3,415.8
<b>TOTAL EQUITY</b>	<b>20,340.3</b>	<b>3,173.0</b>

# The increase in other financial assets results from the sale of an entity from one Group company to another at fair value.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	2013 A\$m	2012 A\$m
<b>33 Deed of Cross Guarantee (continued)</b>		
<b>Summary of movements in consolidated retained earnings of the Closed Group</b>		
Retained earnings at beginning of the financial year	<b>3,415.8</b>	2,090.9
Net profit	<b>18,712.9</b>	1,903.5
Actuarial gain/(loss) on defined benefit plans, net of tax	<b>1.8</b>	(6.5)
Dividends provided for or paid	<b>(478.2)</b>	(572.1)
Retained earnings at the end of the financial year	<b>21,652.3</b>	3,415.8

### 34 Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, unsecured notes, lease liabilities, available for sale assets and derivative instruments.

The Group's activities expose it to a variety of financial risks: market risk (including currency and interest rate risk), credit risk and liquidity risk. The Group's policy is to use derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to manage specifically identified risks as approved by the board of directors. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security. The accounting policy applied by the Group in respect to derivative financial instruments is outlined in note 1(v). Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks.

#### Market Risk

##### 1. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency other than the entity's functional currency and net investments in foreign operations. The Group's Treasury risk management policy is to hedge contractual commitments denominated in a foreign currency.

The Group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at predetermined exchange rates. The objective is to match the contracts with committed future cash flows from sales and purchases in foreign currencies to protect the Group against exchange rate movements. Contracts to buy and sell foreign currencies are entered into from time to time to offset purchase and sale obligations in order to maintain a desired hedge position.



**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2013

**34 Financial Risk Management Objectives and Policies (continued)**

**1. Foreign exchange risk (continued)**

The table below summarises by currency the US dollar value of forward exchange agreements at balance date. Foreign currency amounts are translated at rates prevailing at reporting date. Entities in the group enter into forward contracts to hedge foreign currency receivables from other entities within the Group. These receivables are eliminated on consolidation, however, the hedges are in place to protect the entities from movements in exchange rates that would give rise to a profit or loss impact.

	Average Exchange Rate		2013		2012	
	2013	2012	Buy US\$m	Sell US\$m	Buy US\$m	Sell US\$m
<b>US Dollar<sup>1</sup></b>						
3 months or less	<b>1.2265</b>	1.3123	<b>14.0</b>	<b>(228.0)</b>	20.1	(253.0)
<b>Swiss Francs</b>						
3 months or less	<b>0.9442</b>	0.9550	<b>324.6</b>	<b>(85.1)</b>	306.0	(16.2)
<b>Argentina Peso</b>						
3 months or less	<b>5.3758</b>	4.5208	-	<b>(15.6)</b>	-	(11.7)
<b>Euro</b>						
3 months or less	<b>0.7666</b>	0.8197	<b>479.1</b>	<b>(348.2)</b>	436.3	(334.5)
<b>Pounds Sterling</b>						
3 months or less	<b>0.6550</b>	0.6406	<b>0.7</b>	<b>(24.2)</b>	5.9	(25.1)
<b>Hungarian Florint</b>						
3 months or less	<b>226.66</b>	231.09	-	<b>(3.2)</b>	-	(2.8)
<b>Japanese Yen</b>						
3 months or less	<b>98.90</b>	79.27	<b>2.7</b>	<b>(16.4)</b>	-	(16.0)
<b>Swedish Kroner</b>						
3 months or less	<b>6.7266</b>	6.9716	<b>1.6</b>	<b>(15.9)</b>	0.3	(13.9)
<b>Danish Kroner</b>						
3 months or less	<b>5.7103</b>	5.9083	-	<b>(9.3)</b>	1.1	(7.5)
<b>Mexican Peso</b>						
3 months or less	<b>12.9995</b>	13.5914	-	<b>(42.5)</b>	1.1	(35.0)
<b>Brazilian Real</b>						
3 months or less	<b>2.1989</b>	2.0767	-	<b>(15.9)</b>	-	(9.6)
<b>Czech Koruna</b>						
3 months or less	<b>19.95</b>	20.45	-	<b>(1.8)</b>	-	(1.2)
<b>Chinese Renimbi</b>						
3 months or less	<b>6.1453</b>	6.3552	-	<b>(48.4)</b>	-	(25.9)
<b>New Zealand Dollar</b>						
3 months or less	<b>1.2819</b>	-	-	<b>(2.7)</b>	-	-
<b>Polish Zloty</b>						
3 months or less	<b>3.3097</b>	-	-	<b>(3.2)</b>	-	-
<b>Australian Dollar</b>						
3 months or less	<b>1.0816</b>	0.9906	<b>78.6</b>	<b>(40.9)</b>	28.5	(46.9)
			<b>901.3</b>	<b>(901.3)</b>	799.3	(799.3)

<sup>1</sup> US Dollar hedge contracts are in place in Group entities with functional currencies other than US Dollars.

The Group reduces its foreign exchange risk on net investments in foreign operations, by denominating external borrowings in currencies that match the currencies of its foreign investments.

There was no ineffectiveness recognised on this hedging during the year.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 34 Financial Risk Management Objectives and Policies (continued)

##### 2. Interest rate risk

The Group is exposed to interest rate risk through primary financial assets and liabilities. In accordance with the Group entities approved risk management policies, derivative financial instruments such as interest rate swaps are used to hedge interest rate risk exposures. As at 30 June 2013, no derivative financial instruments hedging interest rate risk were outstanding (2012: Nil).

The following tables summarise interest rate risk for financial assets and financial liabilities, the effective interest rates as at balance date and the periods in which they reprice.

Fixed interest rate maturing in:

	Floating rate (a)	1 year or less	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total	Average interest Rate
<b>Consolidated Group – June 2013</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>%</b>
<b>Financial Assets</b>							
Cash and cash equivalents	762.2	-	-	-	-	762.2	3.0%
Trade and other receivables	-	-	-	-	859.1	859.1	-
Other financial assets	-	-	-	-	1.5	1.5	-
	<b>762.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>860.6</b>	<b>1,622.8</b>	
<b>Financial Liabilities</b>							
Trade and other payables	-	-	-	-	671.1	671.1	-
Bank loans – unsecured	406.6	-	-	-	-	406.6	1.0%
Bank overdraft – unsecured	2.4	-	-	-	-	2.4	2.2%
Senior unsecured notes	-	-	-	1,243.5	-	1,243.5	3.4%
Lease liabilities	-	3.3	7.5	15.6	-	26.4	5.9%
Other financial liabilities	-	-	-	-	3.8	3.8	-
	<b>409.0</b>	<b>3.3</b>	<b>7.5</b>	<b>1,259.1</b>	<b>674.9</b>	<b>2,353.8</b>	

Fixed interest rate maturing in:

	Floating rate (a)	1 year or less	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total	Average interest Rate
<b>Consolidated Group – June 2012</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>%</b>
<b>Financial Assets</b>							
Cash and cash equivalents	1,171.4	-	-	-	-	1,171.4	3.6%
Trade and other receivables	-	-	-	-	794.2	794.2	-
Other financial assets	-	-	-	-	2.9	2.9	-
	<b>1,171.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>797.1</b>	<b>1,968.5</b>	
<b>Financial Liabilities</b>							
Trade and other payables	-	-	-	-	551.7	551.7	-
Bank loans – unsecured	351.4	-	-	-	-	351.4	1.3%
Bank overdraft – unsecured	3.3	-	-	-	-	3.3	2.8%
Senior unsecured notes	-	163.4	744.8	-	-	908.2	4.1%
Lease liabilities	-	2.9	7.5	16.3	-	26.7	5.8%
Other financial liabilities	-	-	-	-	1.4	1.4	-
	<b>354.7</b>	<b>166.3</b>	<b>752.3</b>	<b>16.3</b>	<b>553.1</b>	<b>1,842.7</b>	

(a) Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date. All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2013

**34 Financial Risk Management Objectives and Policies (continued)**

**Sensitivity analysis**

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. However, over the longer-term, permanent changes in foreign exchange and interest rates would give rise to a Group statement of comprehensive income impact.

At 30 June 2013 it is estimated that a general movement of one percentage point in the interest rates applicable to investments of cash and cash equivalents would have changed the Group's profit after tax by approximately \$5.3m. This calculation is based on applying a 1% movement to the total of the Group's cash and cash equivalents at year end. All other financial asset amounts are subject to fixed rate and therefore not subject to interest rate movements in the ordinary course.

At 30 June 2013 it is estimated that a general movement of one percentage point in the interest rates applicable to floating rate unsecured bank loans would have changed the Group's profit after tax by approximately \$2.5m. This calculation is based on applying a 1% movement to the total of the Group's unsecured bank loans at year end. All other interest bearing debt amounts are subject to fixed rate and therefore not subject to interest rate movements in the ordinary course.

It is estimated that a general movement of one percentage point in the value of the US Dollar against other currencies would change the Group's profit after tax by approximately \$3.8m for the year ended 30 June 2013 comprising \$2.2m and \$1.6m against the Euro and Swiss Franc respectively. This calculation is based on changing the actual exchange rate of US Dollars to all other currencies during the year by 1% and applying these adjusted rates to the translation of the foreign currency denominated financial statements of various Group entities.

It is estimated that a general movement of one percentage point in the value of the US Dollar against other currencies would change the Group's equity by approximately \$32.4m as at 30 June 2013 comprising \$6.9m, \$13.3m, \$12.2m against the Euro, Swiss Franc and Australian Dollar respectively. The change in equity would be recorded in the Foreign Currency Translation Reserve. This calculation is based on changing the actual exchange rate of US Dollars to all other currencies as at 30 June 2013 by 1% and applying these adjusted rates to the net assets excluding investments in subsidiaries of the foreign currency denominated financial statements of various Group entities. Australian Dollars is material to equity as a result of the assets, including cash, held by Australian Dollar denominated entities but is not material to profit & loss.

These sensitivity estimates may not apply in future years due to changes in the mix of profits derived in different currencies and in the Group's net debt levels.

**Credit Risk**

Credit risk represents the extent of credit related losses that the Group may be subject to on amounts to be exchanged under financial instruments contracts or the amount receivable from trade and other debtors. Management has established policies to monitor and limit the exposure to credit risk on an on-going basis.

Transactions involving derivative financial instruments are with counterparties with whom the Group has a signed netting agreement as well as sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations. The Group's policy is to only invest its cash and cash equivalent financial assets with financial institutions having a credit rating of at least 'A' or better, as assessed by independent rating agencies.

The Group minimises the credit risks associated with trade and other debtors by undertaking transactions with a large number of customers in various countries. Entities in the Group undertake a review of the credit worthiness of customers, prior to granting credit, using trade references and credit reference agencies.

The maximum exposure to credit risk at balance date is the carrying amount, net of any provision for impairment, of each financial asset in the balance sheet.

The credit quality of financial assets that are neither past due, nor impaired is as follows:

	<b>Financial Institutions</b>	<b>Governments</b>	<b>Hospitals</b>	<b>Buying Groups</b>	<b>Other</b>	<b>Total</b>
<b>For the year ended 30 June 2013</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>
Cash and cash equivalents	<b>762.2</b>	-	-	-	-	<b>762.2</b>
Trade and other receivables	<b>1.9</b>	<b>45.5</b>	<b>230.6</b>	<b>341.9</b>	<b>239.2</b>	<b>859.1</b>
Other financial assets	<b>1.5</b>	-	-	-	-	<b>1.5</b>
	<b>765.6</b>	<b>45.5</b>	<b>230.6</b>	<b>341.9</b>	<b>239.2</b>	<b>1,622.8</b>

**For the year ended 30 June 2012**

Cash and cash equivalents	1,171.4	-	-	-	-	1,171.4
Trade and other receivables	6.4	45.3	226.6	321.9	194.0	794.2
Other financial assets	2.9	-	-	-	-	2.9
	1,180.7	45.3	226.6	321.9	194.0	1,968.5

The Group has not renegotiated any material collection/repayment terms of any financial assets in the current financial year.

## CSL LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 34 Financial Risk Management Objectives and Policies (continued)

##### Credit Risk (continued)

An analysis of trade receivables that are past due and, where required, the associated provision for impairment is as follows. All other financial assets are less than 30 days overdue.

	Trade receivables which are:		Provision for impairment
	Not impaired	Impaired	
	US\$m	US\$m	US\$m
<b>For the year ended 30 June 2013:</b>			
Trade and other receivables:			
current but not overdue	619.6	-	-
less than 30 days overdue	41.6	-	-
more than 30 but less than 90 days overdue	42.1	-	-
more than 90 days overdue	34.3	40.9	40.9
	<b>737.6</b>	<b>40.9</b>	<b>40.9</b>

##### For the year ended 30 June 2012:

Trade and other receivables:			
current but not overdue	532.1	-	-
less than 30 days overdue	54.1	-	-
more than 30 but less than 90 days overdue	49.1	-	-
more than 90 days overdue	42.1	46.2	46.2
	677.4	46.2	46.2

Financial assets are considered impaired where there is objective evidence that the Group will not be able to collect all amounts due according to the original trade and other receivable terms. Factors considered when determining if an impairment exists include aging and timing of expected receipts and the credit worthiness of counterparties. A provision for impairment is created for the difference between the assets carrying amount and the present value of estimated future cash flows. The Group's trading terms do not generally include the requirement for customers to provide collateral as security for financial assets.

The Group carries receivables from a number of Southern European governments. The credit risk associated with trading in these countries is considered on a country-by-country basis and the Group's trading strategy is adjusted accordingly. The factors taken into account in determining the credit risk of a particular country include recent trading experience, current economic and political conditions and the likelihood of continuing support from agencies such as the European Central Bank.

##### Funding and liquidity risk

Funding and liquidity risk is the risk that CSL cannot meet its financial commitments as and when they fall due. One form of this risk is credit spread risk which is the risk that in refinancing its debt, CSL may be exposed to an increased credit spread (the credit spread is the margin that must be paid over the equivalent government or risk free rate or swap rate). Another form of this risk is liquidity risk which is the risk of not being able to refinance debt obligations or meet other cash outflow obligations at any reasonable cost when required.

Liquidity and re-financing risks are not significant for the Group, as CSL has a prudent gearing level and strong cash flows. The focus on improving operational cash flow and maintaining a strong balance sheet mitigates refinancing and liquidity risks enabling the Group to actively manage its capital position.

CSL's objectives in managing its funding and liquidity risks include ensuring the Group can meet its financial commitments as and when they fall due, ensuring the Group has sufficient funds to achieve its working capital and investment objectives, ensuring that short-term liquidity, long-term liquidity and crisis liquidity requirements are effectively managed, minimising the cost of funding and maximising the return on any surplus funds through efficient cash management, and ensuring adequate flexibility in financing to balance short-term liquidity requirements and long-term core funding, and minimise refinancing risk.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2013

**34 Financial Risk Management Objectives and Policies (continued)**

**Funding and liquidity risk (continued)**

The below table shows the profile of financial liabilities:

	Maturing in:			Total
	1 year or less	Over 1 year to 5 years	Over 5 years	
<b>Consolidated Group – June 2013</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>
<b>Financial Liabilities</b>				
Trade and other payables	647.9	23.2	-	671.1
Bank loans – unsecured	-	406.6	-	406.6
Bank overdraft – unsecured	2.4	-	-	2.4
Senior unsecured notes	-	-	1,243.5	1,243.5
Lease liabilities	3.3	7.3	15.8	26.4
Other financial liabilities	3.8	-	-	3.8
	<b>657.4</b>	<b>437.1</b>	<b>1,259.3</b>	<b>2,353.8</b>
<b>Consolidated Group – June 2012</b>				
<b>Financial Liabilities</b>				
Trade and other payables	536.3	15.4	-	551.7
Bank loans – unsecured	-	351.4	-	351.4
Bank overdraft – unsecured	3.3	-	-	3.3
Senior unsecured notes	163.4	744.8	-	908.2
Lease liabilities	2.9	7.5	16.3	26.7
Other financial liabilities	1.4	-	-	1.4
	<b>707.3</b>	<b>1,119.1</b>	<b>16.3</b>	<b>1,842.7</b>

**Fair values**

With the exception of certain of the Group's financial liabilities as disclosed in the table below, the remainder of the Group's financial assets and financial liabilities have a fair value equal to the carrying value of those assets and liabilities as shown in the Group's balance sheet. There are no unrecognised gains or losses in respect to any financial asset or financial liability.

Consolidated Group	Carrying amount	Fair Value	Carrying amount	Fair Value
	2013 \$m	2013 \$m	2012 \$m	2012 \$m
<b>Financial Liabilities</b>				
Interest bearing liabilities and borrowings				
Unsecured bank loans	406.6	406.6	351.4	351.4
Unsecured notes	1,243.5	1,250.0	908.2	914.4

## CSL LIMITED AND ITS CONTROLLED ENTITIES NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### 34 Financial Risk Management Objectives and Policies (continued)

#### Fair values (continued)

The following methods and assumptions were used to determine the net fair values of financial assets and liabilities:

##### **Trade and other receivables/payables**

The carrying value of trade and other receivables/payables with a remaining life of less than one year is deemed to reflect its fair value.

##### **Other financial assets – derivatives**

Forward exchange contracts are 'marked to market' using listed market prices.

##### **Other financial assets – available-for-sale financial assets**

Fair value is calculated using quoted prices in active markets.

##### **Other financial assets – other**

Fair value is estimated using valuation techniques including recent arm's length transactions of like assets, discounted cash flow analysis and comparison to fair values of similar financial instruments.

##### **Interest bearing liabilities and borrowings**

Fair value is calculated based on the discounted expected future principal and interest cash flows.

##### **Interest bearing liabilities and borrowings – finance leases**

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

#### Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern whilst providing returns to shareholders and benefits to other stakeholders. The Group aims to maintain a capital structure which reflects the use of a prudent level of debt funding so as to reduce the Group's cost of capital without adversely affecting either of their credit ratings.

Each year the Directors determine the dividend taking into account factors such as liquidity and the availability of franking credits. The full year dividend, as disclosed in note 23, represents a payout ratio of 42% of Net Profit after Tax.

During the 2013 financial year, the parent company announced a further A\$900m buy-back. During the year, 20,966,720 shares have been purchased for US\$1,145.4m. The shares purchased during the year include both the completion of the previous buyback and shares purchased under the buyback announced during the year.

**CSL LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2013

	2013 A\$m	2012 A\$m
<b>35 Information relating to CSL Limited ('the parent entity')</b>		
<b>(a) Summary financial information</b>		
The individual financial statements for the parent entity show the following aggregate amounts:		
Current assets	32.5	207.7
Total assets	2,636.8	2,953.7
Current liabilities	149.0	189.8
Total liabilities	229.4	401.7
Contributed equity	(1,464.7)	(373.2)
Share based payments reserve	122.4	101.2
Retained earnings	3,749.7	2,824.0
	<b>2,407.4</b>	<b>2,552.0</b>
Profit or loss for the year	1,398.8	1,840.3
Total comprehensive income	1,400.0	1,833.9

**(b) Guarantees entered into by the parent entity**

The parent entity provides certain financial guarantees in the ordinary course of business. No liability has been recognised in relation to these guarantees as the fair value of the guarantees is immaterial. These guarantees are mainly related to debt facilities of the Group. In addition the parent entity provides guarantees to some subsidiaries in respect of certain receivables from other group companies.

**(c) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012. For information about guarantees given by the parent entity, please refer above.

**(d) Contractual commitments for the acquisition of property, plant or equipment**

Capital expenditure contracted for at balance date but not provided for in the financial statements, payable:

Not later than one year	-	74.0
Later than one year but not later than five years	-	-
Later than five years	-	-
	<b>-</b>	<b>74.0</b>

**36 Subsequent events**

On 1 July 2013, Mr P R Perreault succeeded Dr B A McNamee as Managing Director and Chief Executive Officer.

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.

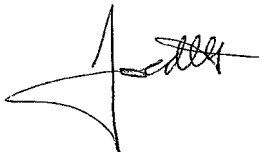
## CSL LIMITED AND ITS CONTROLLED ENTITIES

# DIRECTORS' DECLARATION

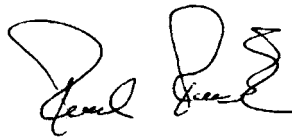
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1. In the opinion of the Directors:
  - (a) the financial report, and the remuneration report included in the directors' report of the company and of the Group are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the company's and Group's financial position as at 30 June 2013 and of their performance for the year ended on that date;
    - (ii) complying with Australian Accounting Standards and *Corporations Regulations 2001*; and
    - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board.
  - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2013.
3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 33 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee dated 22 October 2009.

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



**John Shine AO**  
Chairman



**Paul Perreault**  
Managing Director

Melbourne  
14 August 2013





Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CSL LIMITED

### Report on the financial report

We have audited the accompanying financial report of CSL Limited, which comprises the consolidated balance sheet as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



## INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF CSL LIMITED

### Opinion

In our opinion:

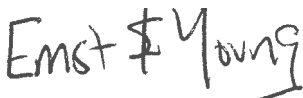
- a. the financial report of CSL Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Report on the remuneration report

We have audited the Remuneration Report included in section 16 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of CSL Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

  
Ernst & Young



**Glenn Carmody**

Partner

Melbourne

14 August 2013

# MEDICAL GLOSSARY

**Acute Myeloid Leukaemia (AML)** is a type of cancer that affects the blood and bone marrow.

**Albumin** is any protein that is soluble in water and moderately concentrated salt solutions and is coagulable by heat. It is found in egg whites, blood, lymph, and other tissues and fluids. In the human body serum albumin is the major plasma protein (approximately 60 per cent of the total).

**Anti-D immunoglobulin**, also called Rh (D) immunoglobulin, is an injection of Anti-Rhesus antibodies given to a woman whose blood group is Rhesus negative, if there is a chance that she has been exposed to Rhesus positive blood either during pregnancy or blood transfusion.

**Antivenom** (or antivenin, or antivenene) is a biological product used in the treatment of venomous bites or stings.

**Biopharmaceuticals** are proteins (including antibodies), nucleic acids (DNA, RNA or antisense oligonucleotides) used for prophylactic or therapeutic purposes.

**C1 Esterase Inhibitor** is a protein found in the fluid part of blood that controls C1 the first component of the complement system. The complement system is a group of proteins that move freely through the blood stream. These proteins work with the immune system and play a role in the development of inflammation.

**Chromatography** is a technique for separating molecules based on differential absorption and elution. It involves the flow of a fluid carrier over a non-mobile absorbing phase.

**Chronic Inflammatory Demyelinating Polyneuropathy (CIDP)** is a neurological disorder which causes gradual weakness and a loss in sensation mainly in the arms and legs.

**Coagulation** is the process of clot formation.

**Fibrinogen** is a coagulation factor found in human plasma that is crucial for blood clot formation.

**Fractionation** is the process of separating plasma into its component parts, such as clotting factors, albumin and immunoglobulin, and purifying them.

**Haemolytic Disease** is a disease that disrupts the integrity of red blood cells causing the release of haemoglobin.

**Haemophilia** is a haemorrhagic cluster of diseases occurring in two main forms:  
1. Haemophilia A (classic haemophilia, factor VIII deficiency), an X linked disorder due to deficiency of coagulation factor VIII.  
2. Haemophilia B (factor IX deficiency, Christmas disease), also X linked, due to deficiency of coagulation factor IX.

**Hereditary Angioedema (HAE)** is a rare but serious genetic disorder caused by low levels or improper function of a protein called C1 esterase inhibitor. It causes swelling, particularly of the face and airways, and abdominal cramping.

**Human Papilloma Virus (HPV)** are a diverse group of DNA-based viruses that infect the skin and mucous membranes of humans and a variety of animals. Some HPV types cause benign skin warts, or papillomas, for which the virus family is named. Others can lead to the development of cervical dyskaryosis, which may in turn lead to cancer of the cervix.

**Hyperimmune** is an immunoglobulin product having high titres of a specific antibody in the preparation.

**Immunoglobulins (IgG)**, also known as antibodies, are proteins produced by plasma cells. They are designed to control the body's immune response by binding to substances in the body that are recognised as foreign antigens (often proteins on the surface of bacteria or viruses).

**Influenza**, commonly known as flu, is an infectious disease of birds and mammals caused by a RNA virus of the family Orthomyxoviridae (the influenza viruses).

**Intravenous** is the administration of drugs or fluids directly into a vein.

**Monoclonal Antibody (mAb)** is an antibody produced by a single clone of cells. Monoclonal antibodies are a cornerstone of immunology and are increasingly coming into use as therapeutic agents.

**Perioperative Bleeding** is bleeding during an operation.

**Plasma** is the yellow-colored liquid component of blood in which blood cells are suspended.

**Primary Immunodeficiency (PID)** is an inherited condition where there is an impaired immune response. It may be in one or more aspects of the immune system.

**Recombinants** are proteins prepared by recombinant technology. Procedures are used to join together segments in a cell-free system (an environment outside a cell organism).

**Reconstituted High Density Lipoprotein (rHDL)** is prepared from apolipoprotein A-I, isolated from human plasma, and soybean-derived phosphatidylcholine. It exhibits biochemical and functional characteristics similar to endogenous high-density lipoprotein (HDL).

**Subcutaneous** is the administration of drugs or fluids into the subcutaneous tissue, which is located just below the skin.

**Von Willebrand Disease (vWD)** is a hereditary disorder caused by defective or deficient Von Willebrand factor, a protein involved in normal blood clotting.

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*CSL Limited ABN 99 051 588 348*

## CORPORATE DIRECTORY

### REGISTERED HEAD OFFICE

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#### **CSL Limited**

45 Poplar Road  
Parkville  
Victoria 3052  
Australia

Phone: +61 3 9389 1911  
Fax: +61 3 9389 1434

[www.csl.com.au](http://www.csl.com.au)

### FURTHER INFORMATION

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For further information about CSL and its operations, refer to Company announcements to the Australian Securities Exchange and our website:

[www.csl.com.au](http://www.csl.com.au)

### SHARE REGISTRY

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#### **Computershare Investor Services Pty Limited**

Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

GPO Box 2975  
Melbourne  
Victoria 3001

Enquiries within Australia:  
1800 646 882

Enquiries outside Australia:  
+61 3 9415 4178

Investor enquiries facsimile:  
+61 3 9473 2500

Investor enquiries online:  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

Website: [www.investorcentre.com](http://www.investorcentre.com)

### AUDITORS

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#### **Ernst & Young**

Ernst & Young Building  
8 Exhibition Street  
Melbourne  
Victoria 3000

GPO Box 67  
Melbourne Victoria 3001

Phone: +61 3 9288 8000  
Fax: +61 3 8650 7777