CSL Limited

ABN: 99 051 588 348

ASX Half-year Information
31 December 2015

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction
with the 30 June 2015 Annual Report.

Contents

CSL Limited

ABN: 99 051 588 348

Appendix 4D
Half-year ended 31 December 2015

(Previous corresponding period:
Half-year ended 31 December 2014)

Results for Announcement to the Market

Reported

- Revenues from continuing operations up 10.3% to US$3.1 billion.
- Net profit after tax for the period attributable to members up 3.8% to US$718.8 million.

Underlying business operational performance[1,2]

- Sales revenue at constant currency up 9.2% to US$3.0 billion.
- Net profit after tax for the period at constant currency up 6.6% to US$738.0 million.

[1] Underlying business excludes Novartis influenza (NVS-IV) operational performance, acquisition related one-off costs and the gain on acqusition

Dividends

	Amount per security (US cents)	**Franked amount per security (US cents)**
Interim dividend (determined subsequent to balance date)	58.0¢	Unfranked*
Interim dividend from the previous corresponding period	58.0¢	Unfranked
Final dividend (prior year)	66.0¢	Unfranked
Record date for determining entitlements to the dividend:	24 March 2016	

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

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

Explanation of results

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

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

Other information required by Listing Rule 4.3A

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

[1] Reconciliation of underlying business operational performance to reported NPAT

Reported NPAT	$718.8m
Gain on Acquisition of NVS-IV [#]	($176.1m)
Acquisition related one off costs	$64.2m
NVS-IV net loss after tax	$62.4m
Currency Adjustments [2]	$68.7m
Underlying business @ CC	$738.0m

[#] NVS-IV: Novartis Influenza Vaccines business

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

<u>Summary NPAT</u>

Reported Net Profit after Tax	$718.8m
Translation Currency Effect (a)	$ 64.8m
Transaction Currency Effect (b)	$ (9.8m)
Foreign Currency Gains and Losses (c)	$ 13.7m
Constant Currency Net Profit after Tax *	$787.5m

<u>(a) Translation Currency Effect $64.8m</u>

Average Exchange rates used for calculation in major currencies (six months to Dec 15/Dec 14) were as follows: USD/EUR (0.91/0.77); USD/CHF(0.97/0.93)

<u>(b) Transaction Currency Effect ($9.8m)</u>

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

<u>(c) Foreign Currency Losses $13.7m</u>

Foreign currency losses recorded during the period.

<u>Summary Sales</u>

Reported Sales	$3,056.3m
Currency Effect	234.0m
Constant Currency Sales *	$3,290.3m
less NVS-IV sales	$294.6m
Underlying operational business sales @ CC	$2,995.7m

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

CSL Limited
Half-year Report – 31 December 2015

Contents

This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2015 and any public announcements made by CSL Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CSL Limited
Directors' Report

The Board of Directors of CSL Limited has pleasure in presenting their report on the consolidated entity for the half-year ended 31 December 2015.

Directors

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

Professor J Shine, AO (Chairman)
Mr P R Perreault (Managing Director and Chief Executive Officer)
Mr J H Akehurst
Mr D W Anstice
Mr B R Brook
Ms M E McDonald
Ms C E O'Reilly
Mr M A Renshaw

Review of Operations

For the half year ended 31 December 2015, total revenue of the Group was US$3.1 billion, up 10% compared to the prior comparative period. Reported net profit after tax was US$719m, up 4% when compared to the prior comparative period.

CSL Behring sales of US$2.5 billion grew 10% in constant currency terms when compared to the prior comparable period.

Immunoglobulin product sales of US$1,181 million grew 13% in constant currency terms.

Intravenous immunoglobulin (IVIG) sales growth was underpinned by strong demand for Privigen® with sales growth of 13% over the prior comparable period. Privigen's® expanded indication in Europe to include its use in the treatment of chronic inflammatory demyelinating polyneuropathy (CIDP) was a significant contributor to growth in this region, especially in France and the UK. US sales into the Specialty Pharmacy segment also performed well.

Sales of subcutaneous immunoglobulin product, Hizentra®, was up 31% at constant currency, led by sales in the U.S. and Europe. New patient starts on Hizentra® and those converting from IVIG were key drivers of growth.

Albumin sales of US$376 million grew 10% in constant currency terms, driven by ongoing strong global demand. Demand in China was of particular note with growth supported by the company's ongoing successful sales penetration into Tier 2 and Tier 3 cities.

Haemophilia product sales of US$509 million increased 2% in constant currency terms. Plasma derived haemophilia sales grew 13% following successful tenders for the provision of Beriate® in European countries, including Poland and Russia. Solid Humate® growth in the U.S. was underpinned by expanded use in surgeries and immune tolerance therapy. Biostate® sales lifted in Germany, France and the U.K. A decline in sales of Helixate®, CSL's recombinant factor VIII, to a large extent offset the growth in plasma derived therapies as competition intensifies following the launch of new generation recombinant FVIII products.

Specialty products sales of US$466 million grew 14% in constant currency terms. Sales of Kcentra® (4 factor pro-thrombin complex concentrate) in the U.S. were particularly strong following an increased level of promotion and increasing brand awareness.
Following marketing authorization being granted for Respreeza® in Europe, this product was launched in Germany with plans for rollout in other European countries later this year. Respreeza® is a maintenance treatment for severe Alpha-1 Antitrypsin Deficiency patients and has been shown to slow the progression of emphysema.

Long term investment in a multi-site expansion program to meet future demand for therapies continues. In December the Board approved investment and construction of a new commercial scale manufacturing facility for recombinant coagulation factors in Lengnau, Switzerland. Also in December the first shipment of Privigen was made from a new manufacturing facility in Broadmeadows, Australia. Construction of a new albumin production facility at the same site continues. In Marburg, Germany a new quality control facility together with filling and packaging upgrades is nearing completion. At the Kankakee, U.S. site the construction of significant base fractionation plant is well progressed.

Seqirus sales of US$519 million are reported for the first time, following the combination of CSL's subsidiary bioCSL and Novartis influenza vaccines (NVS-IV) manufacturing business to form CSL's new business unit Seqirus. NVS-IV was acquired on 31 July 2015 and Seqirus becomes the second largest manufacturer of influenza vaccines globally. Seqirus sales of influenza vaccine have been impacted by the mild season in the northern hemisphere.

CSL Intellectual Property revenue of US$64 million declined 29% in constant currency terms. The prior comparable period included a payment from CSL's licensee Janssen Biotech Inc to develop and commercialise CSL 362, a product used to treat patients with acute myeloid leukaemia.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of Amounts

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

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

John Shine AO	Paul Perreault
Chairman	Managing Director

16 February 2016

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Auditor's Independence Declaration to the Directors of CSL Limited

As lead auditor for the review of CSL Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

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

Ernst & Young

Glenn Carmody
Partner
16 February 2016

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2015

Consolidated Entity	Notes	December 2015 US$m	December 2014 US$m
Continuing operations			
Sales revenue	3	3,056.3	2,744.1
Cost of sales		(1,620.2)	(1,363.5)
Gross profit		1,436.1	1,380.6
Other revenue	3	86.0	103.8
Research and development expenses		(283.9)	(233.4)
Selling and marketing expenses		(281.0)	(242.1)
General and administration expenses		(205.0)	(123.3)
Finance costs	3	(33.6)	(28.6)
Gain on acquisition	2	176.1	-
Profit before income tax expense		894.7	857.0
Income tax expense	5	(175.9)	(164.8)
Net profit for the period		718.8	692.2
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations, net of hedges on foreign investments		(167.5)	(425.7)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit plans, net of tax		(1.1)	(50.8)
Total of other comprehensive income/(expenses)		(168.6)	(476.5)
Total comprehensive income for the period		550.2	215.7

Earnings per share (based on net profit for the period)		US$	US$
Basic earnings per share	12	1.550	1.460
Diluted earnings per share	12	1.546	1.455

Consolidated Balance Sheet

As at 31 December 2015

Consolidated Entity	Notes	December 2015 US$m	June 2015 US$m
CURRENT ASSETS			
Cash and cash equivalents	6	1,092.0	556.8
Trade and other receivables		1,057.3	1,003.7
Inventories		1,894.3	1,755.6
Current tax assets		3.6	20.4
Other financial assets		0.1	2.6
Total Current Assets		4,047.3	3,339.1
NON-CURRENT ASSETS			
Other receivables		18.1	11.2
Other financial assets		1.3	0.5
Property, plant and equipment	8	2,146.8	1,841.3
Deferred tax assets	5	364.9	274.4
Intangible assets		916.3	926.9
Retirement benefit assets		7.5	7.6
Total Non-Current Assets		3,454.9	3,061.9
TOTAL ASSETS		7,502.2	6,401.0
CURRENT LIABILITIES			
Trade and other payables		904.9	700.8
Interest-bearing liabilities	10	56.7	3.2
Current tax liabilities		151.1	143.9
Provisions		75.8	84.3
Deferred government grants		2.7	2.1
Derivative financial instruments		4.8	1.8
Total Current Liabilities		1,196.0	936.1
NON-CURRENT LIABILITIES			
Other non-current payables		19.3	17.2
Interest-bearing liabilities	10	3,017.7	2,277.7
Deferred tax liabilities		133.9	138.2
Provisions		31.3	31.9
Deferred government grants		32.6	31.9
Retirement benefit liabilities		224.7	221.1
Total Non-Current Liabilities		3,459.5	2,718.0
TOTAL LIABILITIES		4,655.5	3,654.1
NET ASSETS		2,846.7	2,746.9
EQUITY			
Contributed equity	13	(3,722.3)	(3,560.4)
Reserves	13	143.9	306.5
Retained earnings		6,425.1	6,000.8
TOTAL EQUITY		2,846.7	2,746.9

Consolidated Statement of Changes in Equity

As at 31 December 2015

	Contributed Equity US$m		Foreign currency translation reserve US$m		Share based payment reserve US$m		Retained earnings US$m		Total US$m	
Consolidated Entity	**December 2015**	December 2014	**December 2015**	December 2014	**December 2015**	December 2014	**December 2015**	December 2014	**December 2015**	December 2014
As at the beginning of the period	**(3,560.4)**	(2,797.8)	**155.4**	599.5	**151.1**	138.8	**6,000.8**	5,221.5	**2,746.9**	3,162.0
Profit for the period	**-**	-	**-**	-	**-**	-	**718.8**	692.2	**718.8**	692.2
Other comprehensive loss	**-**	-	**(167.5)**	(425.7)	**-**	-	**(1.1)**	(50.8)	**(168.6)**	(476.5)
Total comprehensive income for the period									**550.2**	215.7
Transactions with owners in their capacity as owners										
Share based payments	**-**	-	**-**	-	**4.9**	3.1	**-**	-	**4.9**	3.1
Dividends	**-**	-	**-**	-	**-**	-	**(293.4)**	(268.4)	**(293.4)**	(268.4)
Share buy back	**(169.9)**	(142.7)	**-**	-	**-**	-	**-**	-	**(169.9)**	(142.7)
Share issues										
- Employee share scheme	**8.0**	28.4	**-**	-	**-**	-	**-**	-	**8.0**	28.4
As at the end of the period	**(3,722.3)**	(2,912.1)	**(12.1)**	173.8	**156.0**	141.9	**6,425.1**	5,594.5	**2,846.7**	2,998.1

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2015

Consolidated Entity	Notes	December 2015 US$m	December 2014 US$m
Cash flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**3,012.4**	2,955.3
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,076.8)**	(2,084.9)
		935.6	870.4
Income taxes paid		**(197.1)**	(193.2)
Interest received		**5.3**	6.5
Borrowing costs		**(38.6)**	(27.7)
Net cash inflow from operating activities		**705.2**	656.0
Cash flows from Investing Activities			
Proceeds from sale of property, plant and equipment		**0.1**	0.1
Payments for property, plant and equipment		**(217.5)**	(161.3)
Business acquisition, net of cash acquired	**2**	**(261.2)**	0.0
Payments for intangible assets		**(22.3)**	(15.6)
Receipts from other financial assets		**0.1**	0.1
Net cash outflow from investing activities		**(500.8)**	(176.7)
Cash flows from Financing Activities			
Proceeds from issue of shares		**8.0**	28.4
Dividends paid		**(293.4)**	(268.4)
Proceeds from borrowings		**1,414.3**	494.1
Repayment of borrowings		**(615.6)**	(2.3)
Payment for shares bought back		**(168.6)**	(164.0)
Net cash inflow from financing activities		**344.7**	87.8
Net increase in cash and cash equivalents		**549.1**	567.1
Cash and cash equivalents at the beginning of the financial year		**555.5**	606.2
Exchange rate variations on foreign cash and cash equivalent balances		**(17.3)**	(112.7)
Cash and cash equivalents at the end of the period		**1,087.3**	1,060.6
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at the end of the period as shown in the statement of cash flows is reconciled as follows:			
Cash and cash equivalents	**6**	**1,092.0**	1,060.6
Bank overdrafts		**(4.7)**	-
Cash and cash equivalents at the end of the period		**1,087.3**	1,060.6

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About this Report

Notes to the financial statements:

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 16 February 2016.

a. Basis of Accounting

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report should be read in conjunction with the annual financial report of CSL Limited as at 30 June 2015.

It is also recommended that the half-year financial report be considered together with any public announcements made by CSL Limited and its controlled entities during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under ASX listing rules.

b. Basis of Preparation

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements. It presents information on a historical cost basis, except for financial assets and liabilities (including derivative instruments), which have been measured at fair value. Amounts have been rounded off to the nearest hundred thousand dollars.

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

The report is presented in US Dollars, because this currency is the pharmaceutical industry standard currency for reporting purposes. It is the predominant currency of the Group's worldwide sales and operating expenses.

c. Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2015. The Group has not adopted any accounting standards that are issued but not yet effective. Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided in the annual financial report.

d. Principles of Consolidation

The half-year consolidated financial statements comprise the financial statements of CSL Limited and its subsidiaries as at 31 December 2015 ('the Group'). CSL has control of its subsidiaries when it is exposed to, and has the rights to, variable returns from its involvement with those entities and when it has the ability to affect those returns.

The financial statements of the subsidiaries are prepared using consistent accounting policies and the same reporting period as the parent company.

In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full. The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated as it is controlled by the Group.

Note 1: Segment Information

The Group's segments represent strategic business units that offer different products and operate in different industries and markets. They are consistent with the way the CEO (who is the chief operating decision-maker) monitors and assesses business performance in order to make decisions about resource allocation. Performance assessment is based on EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation). These measures are different from the profit or loss reported in the consolidated financial statements which is shown after net interest and tax expense. This is because decisions that affect net interest expense and tax expense are made at the Group level. It is not considered appropriate to measure segment performance at the net profit after tax level.

The Group's operating segments are:

- **CSL Behring** – manufactures, markets and develops plasma therapies (plasma products and recombinants).
- **Seqirus** – manufactures and distributes non-plasma biotherapeutic products. The Seqirus segment is the combination of the previously disclosed bioCSL segment and the acquired Novartis influenza business which are now managed as a single business.
- **CSL Intellectual Property** – revenue and associated expenses from the licensing of Intellectual Property generated by the Group to unrelated third parties and Research & Development expenses on projects where the company has yet to determine the ultimate commercialisation strategy.

	CSL Behring		Seqirus		CSL Intellectual Property		Intersegment Elimination		Consolidated Entity	
	US$m		US$m		US$m		US$m		US$m	
	December 2015	December 2014	**December 2015**	December 2014	**December 2015**	December 2014	**December 2015**	December 2014	**December 2015**	December 2014
Sales to external customers	**2,537.4**	2,492.0	**518.9**	252.1	**-**	-	**-**	-	**3,056.3**	2,744.1
Other revenue / Other income (excl interest income)	**1.1**	1.2	**12.8**	3.0	**64.3**	91.6	**-**	-	**78.2**	95.8
Total segment revenue	**2,538.5**	2,493.2	**531.7**	255.1	**64.3**	91.6	**-**	-	**3,134.5**	2,839.9
Interest income									**6.6**	7.3
Unallocated revenue/income									**1.2**	0.7
Consolidated revenue									**3,142.3**	2,847.9
Segment EBIT	**841.9**	860.0	**(97.4)**	3.0	**23.5**	42.5	**-**	-	**768.0**	905.5
Unallocated revenue/income less unallocated costs									**(22.4)**	(27.2)
Consolidated EBIT									**745.6**	878.3
Gain/(Loss) on Acquisition									**176.1**	0.0
Interest income									**6.6**	7.3
Finance costs									**(33.6)**	(28.6)
Consolidated profit before tax									**894.7**	857.0
Income tax expense									**(175.9)**	(164.8)
Consolidated net profit after tax									**718.8**	692.2
Amortisation	**12.4**	11.9	**2.0**	0.4	**-**	-	**-**	-	**14.4**	12.3
Depreciation	**70.3**	65.1	**10.2**	3.5	**3.2**	3.6	**-**	-	**83.7**	72.2
Segment EBITDA	**924.6**	937.0	**(85.2)**	6.9	**26.7**	46.1	**-**	-	**866.1**	990.0
Unallocated revenue/income less unallocated costs									**(22.4)**	(27.2)
Unallocated depreciation and amortisation									**4.1**	6.1
Consolidated EBITDA									**847.8**	968.9

	CSL Behring		Seqirus		CSL Intellectual Property		Intersegment Elimination		Consolidated Entity	
	US$m		US$m		US$m		US$m		US$m	
	December 2015	June 2015	**December 2015**	June 2015	**December 2015**	June 2015	**December 2015**	June 2015	**December 2015**	June 2015
Segment assets	**6,293.7**	6,089.0	**1,179.1**	366.5	**22.1**	23.5	**(163.0)**	(42.2)	**7,331.9**	6,436.8
Other unallocated assets									**1,947.5**	1,259.8
Elimination of amounts between operating segments and unallocated									**(1,777.2)**	(1,295.6)
Total assets									**7,502.2**	6,401.0
Segment liabilities	**2,157.3**	2,320.0	**833.5**	106.2	**3.3**	3.5	**(163.0)**	(42.2)	**2,831.1**	2,387.5
Other unallocated liabilities									**3,601.6**	2,562.2
Elimination of amounts between operating segments and unallocated									**(1,777.2)**	(1,295.6)
Total liabilities									**4,655.5**	3,654.1

Geographical areas of operation

The Group operates predominantly in Australia, the USA, Germany, the United Kingdom and Switzerland. The rest of the Group's operations are spread across many countries.

	Australia US$m		United States US$m		Germany US$m		UK US$m		Switzerland US$m		Rest of world US$m		Total US$m	
Geographic areas	**December 2015**	December 2014	**December 2015**	December 2014	**December 2015**	December 2014	**December 2015**	December 2014	**December 2015**	December 2014	**December 2015**	December 2014	**December 2015**	December 2014
External sales revenue	**240.8**	288.0	**1,328.6**	1,029.6	**362.2**	415.3	**145.4**	99.8	**90.7**	82.6	**888.6**	828.8	**3,056.3**	2,744.1

Segment Accounting Policies

Inter-segment sales are carried out on an arm's length basis and reflect current market prices. During the financial period, there were no changes in segment accounting policies.

Note 2: Business Combination

On 31 July 2015 CSL completed the acquisition of Novartis' global influenza vaccine business. The acquiring entity was Seqirus Inc. (a 100% owned subsidiary of CSL Limited) for the US business and Seqirus UK Limited (a 100% owned subsidiary of CSL Limited) for the business excluding the US. The acquired business has been combined with CSL's existing influenza business to create Seqirus, one of the top influenza businesses globally.

The acquirer has assumed control of 100% of the acquired business with effect from 31 July 2015. The transaction involved the acquisition of shares in a number of entities and assets for the remaining parts of the business. Certain entities are subject to a delayed legal close for employee and/or regulatory reasons however CSL exercises control over those business and is exposed to, and has the ability to affect, the variable returns associated with its involvement with those entities.

The consideration was paid 100% in cash and there is no contingent consideration in this transaction. The consideration paid in the cash flow statement reflects the estimate prepared by the vendor immediately prior to closing. A receivable has been recorded in the balance sheet for the difference between the amount paid and the final consideration of $280.5m.

The provisional fair value of assets and liabilities acquired are:

Asset Class	US$m
Cash	35.9
Trade and other receivables	81.7
Inventory	190.2
Land	45.0
Buildings, plant & equipment	210.1
Intangible assets	31.6
Deferred tax assets	49.8
Other non-current assets	2.8
Trade creditors & accruals	(178.4)
Non-current liabilities	(12.1)
Fair Value of Net Assets Acquired	**456.6**
Consideration paid	280.5
Gain on acquisition	**176.1**

The provisional gain on acquisition arises due to the bargain purchase nature of the transaction. Novartis had previously announced the sale of their entire vaccine business to GSK, a competitor in the influenza business. Under the arrangement, Novartis had a put option to sell the influenza vaccine business to GSK for $250m. We believe that competition regulators were unlikely to approve the acquisition of the influenza business by GSK and as a result Novartis conducted a separate sale process for the influenza business. CSL was able to negotiate a purchase price below the fair value of the business in light of Novartis' intention to fully exit vaccines.

The gain is recognised in the Statement of Comprehensive Income. The provisional gain on acquisition is the difference between the fair value of net assets acquired and the consideration paid or payable. Fair value has been determined by generating a long term financial model of the acquired business and discounting the resultant cash flows to a present value using an appropriate discount rate. The construction of such a model requires the exercise of considerable judgement in areas such as future sales volume and price, cost of sales, operating expenses and levels of working capital and capital expenditure. In determining an appropriate discount rate consideration has been given to the different risk profile of the acquired business when compared to the broader CSL business and a higher discount rate than historically applied to the Group's impairment tests has been used to reflect a higher level of risk. The model was also used to allocate fair value to asset classes and geographies.

The acquired business has contributed $298m of revenue and $90m of losses in the period from 31 July 2015 to 31 December 2015. Due to the seasonal nature of the influenza business it is not practicable to reliably estimate the revenue and profitability for the month of July 2015 and we have been unable to obtain this information from the vendor.

Note 3: Revenue and Expenses

Revenue	December 2015 US$m	December 2014 US$m
Sales	**3,056.3**	2,744.1
Royalties	**63.4**	64.7
Finance revenue	**6.6**	7.3
Licence revenue	**2.2**	27.1
Other	**13.8**	4.7
Total revenue from continuing operations	**3,142.3**	2,847.9

Expenses	December 2015 US$m	December 2014 US$m
Finance costs	**33.6**	28.6
Depreciation and amortisation of fixed assets	**87.7**	78.3
Amortisation of intangibles	**14.5**	12.3
Total depreciation and amortisation expense	**102.2**	90.6
Write-down of inventory to net realisable value	**48.5**	36.0
Rental expenses relating to operating leases	**25.9**	24.0
Employee benefits expense	**666.0**	633.6

Note 4: Research & Development

The Group conducts research and development activities to support future development of products to serve our patient communities, to enhance our existing products and to develop new therapies.

All costs associated with these activities are expensed as incurred as uncertainty exists up until the point of regulatory approval as to whether a research and development project will be successful. At the point of approval the total cost of development has largely been incurred.

For the half year ended 31 December 2015, the research costs expensed were $283.9m (2014: $233.4m). Further information about the Group's research and development activities can be found on the CSL website.

Note 5: Tax

The reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	December 2015 US$m	December 2014 US$m
Accounting profit before income tax	**894.7**	857.0
Income tax calculated at 30% (2014: 30%)	**268.4**	257.1
Effects of different rates of tax on overseas income	**(43.7)**	(70.1)
Research and development	**(5.4)**	(5.2)
Over provision in prior year	**(6.6)**	(19.7)
Subsidiary reorganisation	**11.9**	-
Nontaxable gain on acquisition	**(52.8)**	-
Other non-deductible expenses	**4.1**	2.7
Income tax expense	**175.9**	164.8

Deferred tax assets increased $90.5m from June 2015 to $364.9m. This increase was attributable largely to the acquisition of the Novartis influenza business. This comprises a combination of deferred tax assets arising from temporary differences and operating losses of the business for the period.

Note 6: Cash and Cash Equivalents

	December 2015 US$m	June 2015 US$m
Cash at bank and on hand	**527.6**	186.8
Cash deposits	**564.4**	370.0
Total cash and cash equivalents	**1,092.0**	556.8

Note 7: Inventories

	December 2015 US$m	June 2015 US$m
Raw materials	**564.9**	486.2
Work in progress	**598.8**	546.1
Finished products	**730.6**	723.3
Total inventories	**1,894.3**	1,755.6

Increases in inventory are a result of higher plasma inventories to support anticipated business growth, inventory build in advance of expected product launches of our recombinant protein products and the Novartis influenza vaccines acquisition.

Raw Materials

Raw materials comprise collected and purchased plasma, chemicals, filters and other inputs to production that will be further processed into saleable products but have yet to be allocated to manufacturing.

Work in Progress

Work in progress comprises all inventory items that are currently in use in manufacturing and intermediate products such as pastes generated from the initial stages of the plasma production process.

Finished Products

Finished products comprise material that is ready for sale and has passed all quality control tests.

Inventories generally have expiry dates and the Group provides for product that is short dated. Expiry dates for raw material are no longer relevant once the materials are used in production. At this stage the relevant expiry date is that applicable to the resultant intermediate or finished product.

Inventories are carried at the lower of cost or net realisable value. Cost includes direct material and labour and an appropriate proportion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity.

Net realisable value is the estimated revenue that can be earned from the sale of a product less the estimated costs of both completion and selling. The Group assesses net realisable value of plasma derived products on a basket of products basis given their joint product nature.

Note 8: Property, Plant and Equipment

During the half-year ended 31 December 2015, the Group acquired assets with a cost of $457.2m (2014: $157.2m). Of the amounts acquired during the half-year ended 31 December 2015, $254.4m were attributable to assets purchased in the acquisition of Novartis' global influenza vaccine business (reference Note 2).

Note 9: Commitments and Contingencies

Commitments

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

	Capital Commitments US$m	
	December 2015	June 2015
Not later than one year	**208.3**	135.6
Later than one year but not later than five years	**3.8**	10.9
Later than five years	**-**	-
Total	**212.1**	146.5

Capital commitments are higher at the end of the current period as a result of investment in new facilities at our manufacturing sites.

Note 10: Financial Instruments

For the half year ended 31 December 2015, the Group has received proceeds totaling $794.2m comprising a $300m drawdown of bank debt, and $100m and CHF400m ($394.2m) from a private placement effective in October 2015.

During the period the Group renegotiated its core bank debt facilities and increased the total facility size from $757.5m to $1,303.0m. The new facilities have a maturity of 5 years. As at balance date the Group had $388.6m in undrawn liquidity available under its bank debt facilities.

Note 11: Share Based Payment Plans

Long Term Incentives

On 1 October 2015, 203,768 performance rights and 348,594 performance options were granted to senior executives under the CSL Performance Rights Plan. The exercise price for the performance rights is nil, the exercise price for the performance options is A$89.52. The performance rights and options will become exercisable on 30 September 2019. The fair value of the performance rights and performance options granted is estimated at the date of grant using an adjusted form of the Black-Scholes model, taking into account the terms and conditions upon which the performance rights and performance options were granted.

Performance rights granted in October 2015 have two performance hurdles. One tranche will be tested against an Earnings per Share (EPS) hurdle and will vest on a sliding scale with 35% of the rights vesting if the Group achieves 8% compound annual growth in USD denominated EPS over the vesting period rising to 100% if the compound annual growth rate achieves 13% and to 125% if the compound annual growth rates achieves 15%. A further tranche will be tested against a cohort of like global Pharmaceutical and Biotechnology companies that have manufacturing operations, a research and development pipeline and a comparable market capitalisation. 50% of this tranche will vest where CSL's performance is at the 50^{th} percentile with 100% vesting at the 75^{th} percentile.

Options, which are granted to overseas based key management personnel only, have no performance hurdles.

The following table lists the inputs into the model used for performance rights and options issued in the half-year ended 31 December 2015:

	December 2015
Dividend yield (%)	**2.0%**
Expected volatility (%)	**20.0%**
Risk-free interest rate (%)	**1.9%**
Fair Value of Performance rights	
EPS tested tranche	**A$60.92**
rTSR tested tranche	**A$83.12**
Fair Value of Performance options	**A$13.51**

Executive Deferred Incentive Plan (EDIP)

On 1 October 2015, 257,850 notional shares were granted to employees under the EDIP. 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.

The following table lists the inputs to the model used for grants issued in the half-year ended 31 December 2015:

	December 2015
Dividend yield	**1.5%**
Fair Value of Grants at reporting date, adjusted for the dividend yield and the number of days left in the vesting period	A$102.60

Note 12: Shareholder Returns

Dividends

Dividends paid	**December 2015 US$m**	December 2014 US$m
Final ordinary dividend of US$0.66 per share, unfranked, paid on 2 October 2015 for FY15 (prior year: US$0.60 per share, unfranked paid on 3 October 2014 for FY14)	**293.4**	268.4
Dividends determined, but not yet paid at the end of the half-year Interim dividend of US$0.58 per share, unfranked, expected to be paid on 15 April 2016. The aggregate amount of the proposed dividend will depend on the actual number of shares on issue at dividend record date (prior year: US$0.58 per share, unfranked, paid on 10 April 2015).	**268.4**	274.8

Earnings Per Share

	December 2015	December 2014
Basic EPS	**US$1.550**	US$1.460
Weighted average number of ordinary shares	**463,683,496**	474,204,685
Diluted EPS	**US$1.546**	US$1.455
Adjusted weighted average number of ordinary shares, represented by:	**464,813,551**	475,767,765
Weighted average ordinary shares	**463,683,496**	474,204,685
Plus:		
Employee share options	**333,769**	669,295
Employee performance rights[1]	**773,176**	873,115
Global employee share plan	**23,110**	20,670

On-market Share Buyback

During the year, the Group plans to carry out an on-market share buyback of up to A$1b as an element of its capital management program. Through 31 December 2015 the Group has completed share buybacks of A$235m.

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

The Group's contributed equity includes the Share Buyback Reserve of (US$3,722.3m) (June 2015: (US$3,560.4)). The Group's ordinary share contributed equity has been reduced to nil from previous share buybacks.

Contributed Equity

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

	December 2015	
	Number of shares	US$m
Opening balance at 1 July	464,832,827	(3,560.4)
Shares issued to employees:		
Performance Options Plan	164,286	4.0
Performance Rights Plan (for nil consideration)	137,597	-
Global Employee Share Plan (GESP)	74,413	4.0
Share buy-back, inclusive of cost	(2,397,970)	(169.9)
Closing balance	**462,811,153**	**(3,722.3)**

Note 13: Equity and Reserves

Contributed Equity

	December 2015 US$m	June 2015 US$m
Ordinary shares issued and fully paid	-	-
Share buy-back reserve	**(3,722.3)**	(3,560.4)
Total contributed equity	**(3,722.3)**	(3,560.4)

Ordinary shares receive dividends as declared and, in the event of winding up the company, participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the company.

Due to share buy-backs being undertaken at higher prices than the original subscription prices, the balance for ordinary share contributed equity has been

[1] Subsequent to 31 December 2015, 39,092 shares were issued, as required under the Employee Performance Rights Plan. There have been no other ordinary shares issued since the reporting date and before the completion of this financial report.

[2] Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Where the Group reacquires its own shares, for example as a result of a share buy-back, those shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid to acquire the shares, including any directly attributable transaction costs net of income taxes, is recognised directly as a reduction in equity.

reduced to nil, and a reserve created to reflect the excess value of shares bought over the original amount of subscribed capital. Refer to Note 12 for further information about on-market share buy-backs.

Reserves

	Share-based payments reserve		Foreign currency translation reserve		Total	
		US$m		US$m		US$m
	December 2015	June 2015	**December 2015**	June 2015	**December 2015**	June 2015
Opening balance	**151.1**	138.8	**155.4**	599.5	**306.5**	738.3
Share-based payments expense	**2.3**	6.0	**-**	-	**2.3**	6.0
Deferred tax on share-based payments	**2.6**	6.3	**-**	-	**2.6**	6.3
Net exchange (losses) on translation of foreign subsidiaries, net of hedge	**-**	-	**(167.5)**	(444.1)	**(167.5)**	(444.1)
Closing balance	**156.0**	151.1	**(12.1)**	155.4	**143.9**	306.5

Note 14: NTA Backing

	December 2015	June 2015
	US$	US$
Net tangible asset backing per ordinary security	**4.17**	4.71

Note 15: New and Revised Accounting Standards

No new standards were issued that impacted the current reporting period and the Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

CSL Limited
Directors' Declarations

The directors declare that, in the directors' opinion:

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

- (i) give a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Made in accordance with a resolution of directors.

John Shine AO	Paul Perreault
Chairman	Managing Director

Melbourne
16 February 2016

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To the members of CSL Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CSL Limited, which comprises the consolidated balance sheet as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CSL Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CSL Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Glenn Carmody
Partner
Melbourne
16 February 2016