

# **CSL Limited**

ABN: 99 051 588 348

## **ASX Full-year information 30 June 2017**

Lodged with the ASX under Listing Rule 4.3A.

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**CSL Limited**  
ABN: 99 051 588 348  
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**Full-year ended 30 June 2017**  
(Previous corresponding period:  
Year ended 30 June 2016)

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**Results for Announcement to the Market**

|                                                                                   | 2017           | 2016           |
|-----------------------------------------------------------------------------------|----------------|----------------|
|                                                                                   | US\$m          | US\$m          |
| Sales revenue                                                                     | 6,615.8        | 5,909.5        |
| Total other revenues                                                              | 307.0          | 219.7          |
| <b>Total revenue and other income</b>                                             | <b>6,922.8</b> | <b>6,129.2</b> |
| Profit before income tax expense                                                  | 1,689.8        | 1,555.9        |
| Income tax expense                                                                | (352.4)        | (313.5)        |
| <b>Reported Net profit after tax attributable to members of the parent entity</b> | <b>1,337.4</b> | <b>1,242.4</b> |

***Underlying Net Profit after Tax at Constant Currency***<sup>1</sup>

- Underlying sales revenue at constant currency up 13.2% to US\$6.7 billion.
- Underlying net profit after tax for the year at constant currency up 23.8% to US\$1.4 billion.

***Reported***

- Sales revenue up 12.0% to US\$6.62 billion.
- Net profit after tax for the year attributable to members of the parent entity up 7.6% to US\$1.34 billion.

<sup>1</sup> Excludes the impact of foreign exchange movements in the period under review and the one off items associated with the NVS-IV acquisition in the prior comparative period. Refer to the footnotes on page 2 of the Directors' Report for further detail.

**Dividends**

|                                                                        | Amount per security | Franked amount per security |
|------------------------------------------------------------------------|---------------------|-----------------------------|
| Final dividend (determined subsequent to balance date <sup>#</sup> )   | US\$0.72            | Unfranked *                 |
| Interim dividend (paid on 13 April 2017)                               | US\$0.64            | Unfranked                   |
| Final dividend (prior year, paid on 7 October 2016)                    | US\$0.68            | Unfranked                   |
| <sup>#</sup> Record date for determining entitlements to the dividend: | 13 September 2017   |                             |

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

**Explanation of results**

For further explanation of the results please refer to the accompanying press release and “Operating and Financial Review” in the Directors’ report that is within the Full year report.

**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 Additional Information, Directors’ Report, Financial Report and media release.

**Additional Information****NTA Backing**

|                                                  | <b>30 June 2017</b> | 30 June 2016 |
|--------------------------------------------------|---------------------|--------------|
| Net tangible asset backing per ordinary security | <b>US\$4.65</b>     | US\$3.56     |

**Changes in controlled entities**

The Parent Company did not acquire or dispose of any entities during the year.

**Audit report**

The audit report is contained in the attached Financial Report.

E H C Bailey  
Company Secretary

15 August 2017

# Directors' Report

The Board of Directors of CSL Limited (CSL) has pleasure in presenting their report on the consolidated entity for the year ended 30 June 2017.

## 1. Directors

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

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

Dr Tadataka "Tachi" Yamada KBE was appointed as a Director on 1 September 2016 and continues in office as at the date of this report. Mr J H Akehurst retired as a Director as of the conclusion of the 2016 Annual General Meeting.

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

## 2. Company Secretaries

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

## 3. Directors' Attendances at Meetings

The table below shows the number of directors' meetings held (including meetings of Board Committees) and number of meetings attended by each of the directors of CSL during the year. The directors also visited various of the CSL Group's operations inside and outside Australia and met with local management.

|               | Board of Directors |   | Audit & Risk Management Committee |   | Securities & Market Disclosure Committee | Human Resources & Remuneration Committee |   | Innovation & Development Committee |   | Nomination Committee |   |
|---------------|--------------------|---|-----------------------------------|---|------------------------------------------|------------------------------------------|---|------------------------------------|---|----------------------|---|
|               | A                  | B | A                                 | B | A                                        | A                                        | B | A                                  | B | A                    | B |
| J Shine       | 9                  | 9 | 1 <sup>1</sup>                    |   | 11                                       | 3 <sup>1</sup>                           |   | 3                                  | 3 | 1                    | 1 |
| J H Akehurst  | 3                  | 3 |                                   |   |                                          | 2                                        | 2 |                                    |   |                      |   |
| D W Anstice   | 9                  | 9 |                                   |   |                                          | 7                                        | 7 | 3                                  | 3 | 1                    | 1 |
| B R Brook     | 9                  | 9 | 7                                 | 7 |                                          | 3 <sup>1</sup>                           |   | 3 <sup>1</sup>                     |   | 1                    | 1 |
| M E Clark     | 9                  | 9 |                                   |   |                                          | 5                                        | 5 | 3                                  | 3 | 1                    | 1 |
| M McDonald    | 9                  | 9 | 7                                 | 7 |                                          | 6 <sup>1</sup>                           |   | 3 <sup>1</sup>                     |   | 1                    | 1 |
| P R Perreault | 9                  | 9 | 6 <sup>2</sup>                    |   | 11                                       | 7 <sup>2</sup>                           |   | 3                                  | 3 | 1 <sup>2</sup>       |   |
| C E O'Reilly  | 8                  | 9 | 7                                 | 7 |                                          | 7                                        | 7 | 2 <sup>1</sup>                     |   | 1                    | 1 |
| M A Renshaw   | 8                  | 9 |                                   |   |                                          | 1 <sup>1</sup>                           |   | 3                                  | 3 | 1                    | 1 |
| T Yamada      | 8                  | 8 |                                   |   |                                          |                                          |   | 1                                  | 1 | 1                    | 1 |

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

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

A  
B

Number of meetings (including meetings of Board Committees) attended during the period.  
Maximum number of meetings that could have been attended during the period.

# Directors' Report

## 4. Principal Activities

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

## 5. Operating and Financial Review and Future Prospects

### (a) Financial Review

The CSL Group announced a net profit after tax of US\$1,337.4 million for the twelve months ended 30 June 2017, up 7.6% when compared to the prior comparable period. Underlying Net Profit after Tax at constant currency<sup>1</sup> grew 23.8% when compared to the

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

#### Summary NPAT adjusted for currency effects

|                                         |              |
|-----------------------------------------|--------------|
| Reported net profit after tax           | US\$1,337.4m |
| Translation currency effect (a)         | US\$(0.5m)   |
| Transaction currency effect (b)         | US\$36.0m    |
| Foreign Currency losses (c)             | US\$54.3m    |
| Constant currency net profit after tax* | US\$1,427.2m |

#### a) Translation currency effect NPAT (\$0.5m)

Average Exchange rates used for calculation in major currencies (twelve months to June 17/June 16) were as follows: USD/EUR (0.92/0.90); USD/CHF (0.99/0.98).

#### b) Transaction currency effect NPAT \$(36.0m)

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

#### c) Foreign currency effect NPAT \$54.3m

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

#### Summary Sales

|                          |              |
|--------------------------|--------------|
| Reported sales           | US\$6,615.8m |
| Currency effect          | US\$72.7m    |
| Constant currency sales* | US\$6,688.5m |

prior comparable period. Sales Revenue was US\$6,615.8 million, up 13.2% on an underlying constant currency basis when compared to the prior comparable period, with research and development expenditure of US\$645.3 million. Net cash inflow from operating activities was US\$1,246.6 million.

### (b) Operating Review

CSL Behring total revenue of US\$6,023 million increased 13% at constant currency when compared to the prior comparable period.

*Immunoglobulin* product sales of US\$2,774 million grew 14% at constant currency. Normal immunoglobulins, which excludes hyperimmunes, grew 16%.

The key growth driver was Privigen®, CSL Behring's intravenous immunoglobulin product for which demand has been strong in both the US and Europe. Privigen® sales grew at 21% at constant currency. Privigen's® exceptional performance was driven by significant growth in the Speciality Pharmacy segment, Privigen's® expanded indication to include its use in the treatment of chronic inflammatory demyelinating polyneuropathy (CIDP) in Europe as well as substantial market share gains due to competitor supply disruptions.

Demand for subcutaneous immunoglobulin has also been strong led by Hizentra®, which delivered sales growth of 10% at constant currency. Growth was strong across all regions with an increase in new patients and home treatment contributing to performance.

*Haemophilia* product sales of US\$1,023 million grew 4% at constant currency. The main contributor to this growth was the first full year of sales from Idelvion®, CSL Behring's novel long-acting recombinant factor IX product for the treatment of haemophilia B, in the US and the successful launch in Europe. Afstyl®, a recombinant single-chain factor VIII

#### Underlying Net Profit after Tax\* for prior comparative period

The prior comparative year included one-off items associated with the acquisition of the Novartis Influenza business (NVS-IV) that was acquired by the Group on 31 July 2015. To facilitate comparison between the current year and prior year we have adjusted the prior year reported profit for these one off items as set out below in a manner consistent with the 2016 disclosure.

|                                      |              |
|--------------------------------------|--------------|
| Reported net profit after tax FY2016 | US\$1,242.4m |
| One-off items                        | US\$86.6m    |
| Gain on acquisition                  | US\$(176.1m) |
| FY16 underlying NPAT                 | US\$1,152.9m |

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

# Directors' Report

product for patients with haemophilia A, also had its first full year of sales in the US and was launched in Europe.

The growth in CSL's new generation recombinant haemophilia products, Idelvion® and Afstylia®, more than offset a decline in sales of Helixate®, as the product's supply contract draws to a close. Competition in the haemophilia A market has intensified following the launch of a number of new generation recombinant factor VIII products. CSL's plasma derived haemophilia therapies also saw a modest decline in sales partly arising from patients switching from Mononine (CSL's plasma derived factor IX haemophilia B product) to Idelvion®.

*Speciality products* sales of US\$1,179 million grew 20% at constant currency. Sales of Kcentra® (4 factor pro-thrombin complex concentrate) in the US were strong driven by deeper penetration into targeted accounts and an increase in order frequency and size.

Berinert® (C1-esterase inhibitor concentrate), which is used for the treatment of hereditary angioedema (HAE), was also a strong contributor due to the increased awareness, diagnosis and treatment of HAE. Berinert's sales were also aided by competitor supply disruptions.

*Albumin* sales of US\$840 million rose 7% at constant currency, driven by strong ongoing demand in China. CSL's commercial operations in China have been expanding coverage to lower tier cities and hospitals as well as the pharmacy sector.

Royalties and licence revenue of US\$183 million increased 49% at constant currency due to strong growth in Gardasil® (Human Papillomavirus Vaccine) royalties and milestone payments from CSL's licensees from the commercialisation of CSL's technology

**Seqirus** revenue of US\$900 million grew 23% at constant currency. Seasonal influenza vaccine sales in the US and Australia were the main drivers of Seqirus' growth supported by a solid contribution from the vaccine and pharmaceutical in-licencing business in Australia and New Zealand. An uplift in pandemic reservation fees of US\$26 million further contributed to Seqirus' performance. Seqirus remains on track to profitability.

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

- On 17 August 2016, CSL announced its full year results for the year ending 30 June 2016;
- On 30 August 2016, CSL announced that the US Food and Drug Administration (FDA) had accepted CSL Behring's Biologics License Application (BLA) for CSL830, a hereditary angioedema therapy;
- On 12 October 2016, CSL announced its intention to conduct an on-market buyback of up to A\$500 million;

- On 14 October 2016, CSL announced the closing of the US\$550 million (or its foreign currency equivalent) private placement offering in the US together with the closing of an A\$350 million facility with two of its existing banks;
- On 14 November 2016, CSL announced that CSL Behring's Afstylia® (rFVIII-Single Chain) had been recommended for approval by the European Medicines Agency (EMA) Committee for Medicinal Products for Human Use (CHMP);
- On 16 November 2016, CSL announced that CSL Behring had announced positive results from a Phase 2b study of CSL112, a novel apolipoprotein A-1 infusion therapy;
- On 1 December 2016, CSL announced its Research and Development Day briefing to Analysts;
- On 9 January 2017, CSL announced that Afstylia® (rFVIII-Single Chain) had been approved by the European Commission;
- On 19 January 2017, CSL announced a profit upgrade for the financial year ending 30 June 2017;
- On 15 February 2017, CSL announced its half year results for the half year ending 31 December 2016;
- On 12 April 2017, CSL announced that it would vigorously defend a complaint filed by Shire ViroPharma that CSL830, a hereditary angioedema therapy, infringes their patent;
- On 13 June 2017, CSL announced that it had agreed to acquire a majority stake in Wuhan Zhong Yuan Rui De Biologicals Products, a Chinese plasma fractionator; and
- On 22 June 2017, CSL announced that Haegarda® (C1 Esterase Inhibitor Subcutaneous (Human)) had been approved by the US FDA.

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

## (c) Future Prospects (including Key Risks)

In the medium term CSL expects to continue to grow through developing differentiated plasma-derived and recombinant products, receiving royalty flows from the exploitation of the Human Papillomavirus Vaccine by Merck & Co, Inc, and the commercialisation of CSL's technology. Over the longer term CSL intends to develop new products which are protected by its own intellectual property and which are high margin human health medicines marketed and sold by CSL's global operations.

# Directors' Report

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

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

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

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

| Description of Key Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Key Risk Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b><i>Healthcare Industry Risk</i></b></p> <ul style="list-style-type: none"> <li>• CSL faces competition from pharmaceutical companies and biotechnology companies. The introduction of new competitive products or follow-on biologics by our competitors, may impact our ability to access fast-growing/strategic markets, and may result in reduced product sales and lower prices. In addition, industry wide shifts in demand for our products may affect our business and operations.</li> <li>• Accessing fast-growing or strategic markets and executing on value-creating business development deals are key growth opportunities for CSL. If these activities are unsuccessful our business and financial performance could be adversely affected.</li> <li>• CSL operates in many countries and changes in the regulatory framework under which we operate in these countries could have a negative impact on our business and operations. Healthcare industry regulations address many aspects of our business including, but not limited to, clinical trials, product registration, manufacturing, logistics, pharmacovigilance, reimbursement and pricing.</li> </ul> | <ul style="list-style-type: none"> <li>• Along with regular reviews of key markets and geographies of strategic value and potential, CSL monitors our competitive markets to understand what new competitive products may be emerging and the ongoing demand for our products. We ensure a diverse product pipeline with a focus on product lifecycle development, and seek to ensure that the pricing of our products remains competitive.</li> <li>• CSL identifies and assesses new business development and market expansion opportunities that align with our long term strategic objectives. Broader input from a variety of functions is engaged when opportunities reach specific points in the due diligence process, to ensure appropriate evaluation, integration and business continuity in operations should we enter fast-growing strategic markets or make an acquisition.</li> <li>• CSL works to understand the current and emerging regulatory environment to be able to meet requirements and also engages with government bodies to present constructive views and information regarding the regulatory policy framework.</li> </ul> |
| <p><b><i>Manufacturing &amp; Supply Risk</i></b></p> <ul style="list-style-type: none"> <li>• The manufacture of CSL's products, in accordance with regulatory requirements, is a complex process including fractionation, purification, filling and finishing. Any challenges experienced in the continuity of this process, and/or the quality of supply, could have a negative impact on our business results.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>• CSL has a robust management process to ensure that any process is well is maintained through our strategy to operate large, long-life and efficient manufacturing facilities. This includes adoption of, and compliance with, a broad suite of internationally recognised standards (GxP) including Good Manufacturing Practice (GMP).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

## Directors' Report

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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• CSL depends on a limited group of companies that supply our raw materials and supply and maintain our equipment. If there is a material interruption to the supply or quality of a critical raw material or finished product, this could disrupt production or our commercial operations. If the equipment should malfunction or suffer damage, the repair or replacement of the machinery may require substantial time and cost, which could disrupt production and other operations.</li> <li>• CSL also depends on plasma donors for the supply of plasma. Ineffective management of donors has the potential to impact supply and may also have reputational consequences.</li> </ul>                                                                                         | <ul style="list-style-type: none"> <li>• CSL seeks to maintain appropriate levels of inventory and safety stock and ensures that, where practicable, we have alternative supply arrangements in place. We have a robust preventative maintenance program and access to remedial maintenance when necessary. We undertake quality audits of suppliers and maintain and review business continuity plans which can be actioned in the event of any significant event.</li> <li>• CSL responsibly sources plasma from donors, complying with voluntary and regulatory standards. The donor experience is closely monitored to ensure the comfort, health and safety of donors.</li> </ul>                                                                                                                   |
| <p><b><i>Research and Development/Commercialisation Risk</i></b></p> <ul style="list-style-type: none"> <li>• Our future success depends significantly on our ability to continue to successfully develop new products. The success of such development efforts involves great challenge and uncertainty. To achieve this, we must conduct, at our own expense, by ourselves or by our collaboration partners, early stage research and clinical trials to demonstrate proof of concept and the safety and efficacy of the product candidates. Clinical trials are expensive, difficult to design and implement, can take multiple years to complete and are uncertain as to outcome.</li> <li>• Commercialisation requires effective transition of research and development activities to business operations.</li> </ul> | <ul style="list-style-type: none"> <li>• CSL seeks to ensure that our research and development programs conducted by ourselves or by our collaboration partners,, including early stage research and clinical trials, are undertaken responsibly and ethically within an appropriate governance framework that includes multiple decision points where the science and commercialisation opportunities are robustly analysed and risk-assessed.</li> <li>• CSL undertakes extensive advance planning and transitioning work to ensure research and development activities and technologies are effectively transitioned to business operations. We also actively source partners/subcontractors, where necessary, to ensure business continuity in product development or general operations.</li> </ul> |
| <p><b><i>Business Combination Risk</i></b></p> <ul style="list-style-type: none"> <li>• Potential business combinations could require significant management attention and prove difficult to integrate with CSL's business.</li> <li>• CSL may not realise the anticipated benefits, or it may take longer to do so than anticipated, from any business combination we may undertake in the future and any benefits we do realise may not justify the acquisition price.</li> </ul>                                                                                                                                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>• CSL takes a disciplined approach to acquisitions. We focus on strategically aligned opportunities, including those where we can derive synergies through our substantial existing knowledge and expertise. We also seek to ensure that a detailed review and assessment of potential business combinations occurs prior to any acquisition.</li> <li>• CSL seeks to ensure that integration activities are well planned and executed, leveraging our existing capabilities and knowledge base, as well as those of highly qualified and reputable advisors.</li> </ul>                                                                                                                                                                                          |
| <p><b><i>Tax Risk</i></b></p> <ul style="list-style-type: none"> <li>• Tax reform policy continues to be a topic of discussion in the United States and many other countries in which we operate. Changes in tax laws or exposure to additional tax liabilities may have an impact on our financial performance.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>• CSL ensures it is aware of and assesses emerging tax risks in the jurisdictions in which it operates. CSL operates a model that identifies tax risk, which includes engaging with external advisors and revenue authorities on uncertain tax matters, and assesses the likelihood of outcomes resulting from tax assessments and proposed changes in tax frameworks.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                 |



## Directors' Report

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

# Directors' Report

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

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

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

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

## 6. Dividends

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

**2015-2016** An interim dividend of US\$0.58 per share, unfranked, was paid on 15 April 2016. CSL's A final dividend of US\$0.68 per ordinary share, unfranked, for the year ended 30 June 2016, was paid on 7 October 2016.

**2016-2017** An interim dividend of US\$0.64 per share, unfranked, was paid on 13 April 2017. CSL's Directors have determined a final dividend of US\$0.72 per ordinary share, unfranked, for the year ended 30 June 2017.

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

Total dividends for the 2016-2017 year are:

|                                           | On Ordinary shares<br>US\$m |
|-------------------------------------------|-----------------------------|
| Interim dividend paid on 13 April 2017    | 291.3                       |
| Final dividend payable on 13 October 2017 | 326.3                       |

## 7. Significant changes in the State of Affairs

During the year, CSL completed the remaining A\$91 million of the A\$1billion buyback announced in October 2015 and carried out an on-market share buyback of up to A\$500 million announced in October 2016 as an element of its capital management program. As at 30 June 2017, approximately 2.86 million shares to a value of A\$349.7 million have been purchased under the October 2016 buyback. From 1 July 2017 to 12 July 2017, an additional 771,170 shares were purchased, bringing the total returned to shareholders to approximately A\$455 million under the October 2016 buyback. Since 12 July 2017 up to 16 August 2017, no further shares have been bought back.

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 June 13, 2017, CSL announced that it had agreed to acquire 80 percent equity of plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biological Products Co. Ltd. (Ruide) from Humanwell Healthcare Group Co. Ltd. (Humanwell). The transaction closed on 2 August 2017. Ruide develops, manufactures and commercialises plasma-derived products for the Chinese domestic market. The initial purchase price was US\$352 million for 80% of Ruide. There is additional consideration possible within the agreement, part of which is contingent on the registration of new products and the opening of new plasma centres, and part is related to a put and call option over the remaining 20% of Ruide. If fully paid the total will amount to approximately \$130 million. At this stage management are still assessing the fair value of the net assets acquired and are not in a position to accurately estimate the value of intangibles and goodwill expected from the transaction however it is anticipated that a substantial portion of the assets recognized will be intangibles. 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.

# Directors' Report

## 9. Environment, Health, Safety & Sustainability Performance

CSL has an Environment, Health, Safety and Sustainability (EHS<sup>2</sup>) Strategic Plan which ensures its facilities operate to industry and regulatory standards. This strategy includes compliance with government regulations and commitments to continuously improve the health and safety of the workforce as well as minimising the impact of operations on the environment. To drive this strategy, a Global CSL EHS<sup>2</sup> Management System (EHSMS) Standard is under development having regard to the international standards, ISO 14001 Environmental Management Systems and draft ISO 45001 Occupational Health and Safety Management Systems.

The Global Total Recordable Incident Rate continues to demonstrate an improving trend in recordable injury and illness performance. Our Australian operations have been classified as an Established Licensee in respect to CSL's self-insurance licence under the Safety, Rehabilitation and Compensation Commission's revised regulatory model which came into effect 1 July 2016. CSL formerly maintained a Tier 3 status under the previous model.

No environmental breaches have been notified by the Environment Protection Authority in Victoria, Australia or by any other equivalent Australian interstate or foreign government agency in relation to CSL's Australian, European, North American or Asia Pacific operations during the year ended 30 June 2017. Non-compliances with requirements for wastewater quality discharged to the sewer system from the Parkville (Australia) site identified during the year have subsequently been resolved to the satisfaction of the relevant water authority. A non-compliance with a wastewater permit limit sampling issue at the Holly Springs (USA) site has been rectified with the authority and subsequent sampling is demonstrating compliance.

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 EHS<sup>2</sup> function continues to refine standards, processes and data collection systems to ensure we are well prepared for new regulatory requirements.

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

Environmental and climate change risks and control measures continue to be monitored to ensure compliance to new and emerging regulatory requirements.

CSL's environmental performance is particularly important and relevant to select stakeholders and CSL reaffirms its commitment to continue to participate in initiatives such as CDP's (previously known as Carbon Disclosure Project) climate change and water

disclosures to help inform investors of its environmental management approach and performance. Further details related to EHS<sup>2</sup> performance can be found in CSL's sustainability report and our website [www.csl.com.au](http://www.csl.com.au).

## 10. Directors' Shareholdings and Interests

At the date of this report, the interests of the directors who held office at 30 June 2017 in the shares, options and performance rights of CSL are set out in the Remuneration Report – Tables 12 and 13 for executive Key Management Personnel (KMP) and Table 12 for Non-Executive Directors. It is contrary to Board policy for KMP to limit exposure to risk in relation to these securities. From time to time the Company Secretary makes inquiries of KMP as to their compliance with this policy.

## 11. Directors' Interests in Contracts

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

## 12. Performance Rights and Options

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

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

The number of options and performance rights exercised during the financial year and the exercise price paid to acquire fully paid ordinary shares in CSL is set out in Note 18 of the Financial Statements. Since the end of the financial year, no shares were issued under CSL's Performance Rights Plan.

## 13. Indemnification of Directors and Officers

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

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

- (a) an ongoing and unlimited indemnity to the relevant director against liability incurred by that director in or arising out of the conduct of the business of CSL or of a subsidiary (as defined in the *Corporations Act 2001*) or in or arising out of the discharge of the duties of that director. The indemnity is given to the extent

## Directors' Report

permitted by law and to the extent and for the amount that the relevant director is not otherwise entitled to be, and is not actually, indemnified by another person or out of the assets of a corporation, where the liability is incurred in or arising out of the conduct of the business of that corporation or in the discharge of the duties of the director in relation to that corporation;

- (b) that CSL will purchase and annually renew a liability insurance program which covers all past, present and future directors and officers against liability for acts and omissions in their respective capacity on behalf of CSL. Coverage will be maintained for a minimum of seven years following the cessation of office for each director appointment for acts or omissions during their time served; and
- (c) the relevant director with a right of access to Board papers relating to the director's period of appointment as a director for a period of seven years following that director's cessation of office. Access is permitted where the director is, or may be, defending legal proceedings or appearing before an inquiry or hearing of a government agency or an external administrator, where the proceedings, inquiry or hearing relates to an act or omission of the director in performing the director's duties to CSL during the director's period of appointment.

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

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

CSL paid insurance premiums of US\$749,473 in respect of a contract insuring each individual director of CSL and each full time executive officer, director and secretary of CSL and its controlled entities, against certain liabilities and expenses (including liability for certain legal costs) arising as a result of work performed in their respective capacities, to the extent permitted by law.

### 14. Indemnification of auditors

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

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

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

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

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

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

Ernst & Young and its related practices received or are due to receive the following amounts for the provision of non-audit services in respect to the year ended 30 June 2017:

|                                       | US\$      |
|---------------------------------------|-----------|
| Other assurance services              | 155,781   |
| Non-assurance services                | 879,849   |
| Total fee paid for non-audit services | 1,035,630 |

## Directors' Report

The signing partner for the auditor is normally to be rotated at least every five years, and the auditor is required to make an independence declaration annually. Mr Rodney Piltz has been approved to act as the signing partner for Ernst & Young for the 2016-2017 financial year.

### **16. Rounding**

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

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## Directors' Report



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

As lead auditor for the audit of CSL Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, which appears to be 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink, which appears to be 'Rodney Piltz'.

Rodney Piltz  
Partner  
15 August 2017

# Directors' Report

## 17. Remuneration Report

Dear Shareholder,

On behalf of the Board, I am pleased to present CSL's Remuneration Report for the year ended 30 June 2017.

Your Human Resources and Remuneration Committee has made many changes to how we now approach remuneration, which we believe will strengthen the Company and gain even better alignment between shareholders and executives.

Following the voting outcome on the Remuneration Report resolution at the 2016 Annual General Meeting (AGM), we have been actively engaged with shareholders around the world to respond to concerns and address the challenges set by you.

Your key messages were to focus on simplicity and transparency, reward real achievement, ensure executive alignment with shareholders' interests, and do a better job of explaining our approach to rewarding senior executives.

As a consequence of this feedback, coupled with the importance of developing a single, globally-competitive pay design for senior executives that secures our future as a global biopharmaceutical company, we have implemented the new CSL executive pay design described in this Report. We are truly a global company today, with senior executives based in the US, Europe and in Australia. Only two of our nine executive Key Management Personnel reside in Australia, and more than 90% of our sales are achieved outside Australia.

We have moved to a single equity vehicle, Performance Share Units (PSUs), for long-term incentive and reward - which are hurdled. We have chosen a seven year rolling average Return on Invested Capital to focus executives on achieving CSL's long term objectives and to align with shareholder returns. We have replaced fair value with a face value equity allocation methodology.

For our short-term performance incentive, we have reduced the number of key performance areas to Net Profit after Tax (NPAT), Cash Inflow from Operating Activities plus up to three other business or individual objectives.

We have also introduced a Board level "Leading and Managing Modifier" to assist in ensuring that our senior executives deliver sustainable financial, process and people outcomes. Our corporate responsibility goals and progress can be found in our Corporate Responsibility report on our website (<http://www.csl.com.au/corporate-responsibility.htm>). We have added a 'take-home-pay' table to this report (in-line with Australian Shareholder Association guidelines) to help investors differentiate actual remuneration from the statutory disclosures.

We have also formally instituted an annual analysis of pay levels across five different but similarly sized peer groups (the global biopharmaceutical industry, and general industry in four major geographies) for reference purposes.

The tail of legacy equity opportunity already granted between 2013 and 2016 will remain subject to the old system performance conditions. As an example, past equity grants had four year vesting periods, so the last of those made in October 2016 will be subject to final vesting tests in August 2020. All new equity grants from now on will be made under the new pay design and will be performance hurdled.

The CEO and his team have delivered above target earnings growth, sector leading growth in plasma collection volumes, launched new products, ensured the Seqirus strategic plan remains on track, and secured an entry strategy into China. NPAT growth was up 7.6% (on an underlying basis up 24% at constant currency\*) over prior year, revenue growth up 13% (up 15% at constant currency) over prior year and Earnings per Share up 9.2% (on an underlying basis up 26% at constant currency) over prior year. Bonuses paid represent payments resulting from the achievement of shared and individual quantitative and qualitative stretch targets.

Notwithstanding our outstanding performance, for the 2017/2018 year, the CEO will not receive an increase to any component of Total Reward and the Board will not receive any increase to Director's fees. The Board has however approved an average senior executive Total Reward increase of 3%, which will be allocated as hurdled equity opportunity.

We have endeavoured to address your concerns and earn your support for this year's Remuneration Report. As we continue to expand our global footprint, we are committed to ensuring that our shareholders and our senior executives are aligned, and that both are adequately rewarded.

We welcome your continuing feedback on our progress. Should you wish to discuss this Remuneration Report, please contact Mr Mark Dehring (Head of Investor Relations) at [Mark.Dehring@csl.com.au](mailto:Mark.Dehring@csl.com.au) in the first instance, and your enquiry will be forwarded directly to me.

Thank you for supporting CSL and our patients around the world.

**David Anstice**  
**Chairman**  
**Human Resources and Remuneration Committee**

This letter does not form part of the audited Remuneration Report.

\*Refer to the footnote on page 2 of the Directors' Report.

## Directors' Report

### Independent audit of the report

The remuneration report has been audited by Ernst & Young. Please see page 51 of the Financial Statements for Ernst & Young's report.

## 1. Acknowledging your feedback during the during the year

### 1.1 Introduction

CSL adopted a new executive pay design which became operational on 1 July 2017. The annual incentive component of the design has been implemented for the year ended 30 June 2018 and the next grant of equity opportunity in October 2017 will be under the new design.

This year the Remuneration Report covers three major areas:

1. It introduces the new pay design, comparing this to the 'legacy system' and presents the rationale for making the changes;
2. It presents the changes made to 2016 pay settings during the year and the reasons why those changes were made, together with the performance outcomes for 2017. This year we have reintroduced reporting of the 'take-home pay' of executive Key Management Personnel (KMP), which contains all of the cash, and vested equity received during the year from the legacy system; and
3. It includes the required statutory disclosures. These are reported towards the end of the Remuneration Report because we wanted to focus on the new pay design and the 2017 performance outcomes. The legacy system included equity grants with a four year performance period. This means that grants made between 2013 and 2016 will vest between 2017 and 2020. The outcomes will be reported in our Remuneration Reports through to 2021.

### 1.2 Changes prior to the 2016 Annual General Meeting (AGM)

The following table includes pay adjustments made under the legacy pay design, prior to the 2016 AGM and the 'first strike' on the Remuneration Report.

These adjustments were made to improve the competitive positioning of roles, and more specifically, components of total reward that were falling short of the median of the global pharmaceutical and biotechnology sector or other appropriate reference group, or to reflect enhanced performance or increased responsibility and/or experience of the incumbent in the role.

The sum of all adjustments, expressed as a percentage change to prior year, includes changes to Fixed Reward (FR), Short-Term Incentive (STI) and Long-Term Incentive (LTI) opportunity, and are summarised at the Total Reward item in Table 1 (presented in US Dollars). Section 5 provides more detail on the legacy STI and LTI arrangements.

Table 1: Adjustments to CEO and executive KMP Reward effective from 1 July 2016

| Role                                          | Executive     | % change in FR | % change in STI opportunity at target | % change in LTI opportunity at target | Total Reward Adjustment % | Total Reward Adjustment |
|-----------------------------------------------|---------------|----------------|---------------------------------------|---------------------------------------|---------------------------|-------------------------|
| Chief Executive Officer and Managing Director | P Perreault   | 0%             | 0%                                    | 29%                                   | 15%                       | 1,225,700               |
| EVP Legal & Group General Counsel             | G Boss        | 3%             | 7%                                    | -4%                                   | 3%                        | 54,448                  |
| Chief Scientific Officer                      | A Cuthbertson | 10%            | 0%                                    | 18%                                   | 16%                       | 291,057                 |
| EVP Quality & Business Services               | K Etchberger  | 3%             | 7%                                    | -4%                                   | 3%                        | 49,755                  |
| Chief Financial Officer                       | D Lamont      | 3%             | 0%                                    | 0%                                    | 3%                        | 71,713                  |
| President, Seqirus                            | G Naylor      | 3%             | 0%                                    | 0%                                    | 3%                        | 76,423                  |
| SVP Human Resources                           | L Reed        | 3%             | 7%                                    | 0%                                    | 5%                        | 62,920                  |
| EVP Commercial Operations                     | R Repella     | 9%             | 0%                                    | 17%                                   | 17%                       | 355,368                 |
| EVP Manufacturing Operations & Planning       | V Romberg     | 3%             | 0%                                    | 0%                                    | 3%                        | 59,328                  |



## Directors' Report

### 2. New Pay Design and Policy Summary

#### 2.1 Rationale for change

The Board resolved after the 2016 AGM to complete a "fit-for-purpose" review of the existing executive pay design, which had evolved over many years as CSL grew in scale and developed businesses in new markets. Our Guiding Principles that follow were used to test design elements and will be used to keep future adjustments aligned with the principles. A summary and illustrative diagram of the new pay design follow, together with a more detailed explanation of the changes made to the pay design and the rationale behind the changes.

The new pay design combines elements of traditional STI and LTI plans with enhancements to several design factors to suit CSL's business. The new pay design has three components – fixed pay, performance pay, and alignment. It recognises emerging research into the economic psychology of executive remuneration. The prime objectives of the design are to make guaranteed and performance based pay more effective as a driver of growth in enterprise value, and to create real alignment between executives and shareholders by facilitating executives becoming shareholders sooner and requiring that they remain shareholders while they are in their roles at CSL.

#### 2.2 Guiding Principles

CSL's Guiding Principles for executive reward, adopted in April 2017, provided the foundation of the new pay design.

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| One Pay Design for Senior Executives | A uniform pay design recognises the importance of functioning as a team and assists in mobility of our executives. One pay design recognises the global scope and value to CSL of every executive role and allows us to competitively recruit, engage, retain and deploy talent in our global business.                                                                                                                                                                                            |
| Simple and Transparent               | Our pay design is no more complicated than it needs to be. It recognises shareholders' remuneration guidelines and provides clarity so that our shareholders, executives, and all other interested parties understand how pay at CSL helps drive the business strategy and shareholder alignment. Having a simple and transparent pay design helps us focus and be accountable to our shareholders.                                                                                                |
| Reward Real Achievement              | We focus our top talent on the challenges that matter – that make a difference to our business and our capacity to improve the lives of those with serious medical conditions. Our senior executives are responsible for making decisions that build enterprise value. We balance reward for short term results with long-term sustained performance. Over the longer term, executive reward must be aligned with business performance and shareholder return.                                     |
| Shareholder and Executive Alignment  | We align senior executives' interests and those of shareholders. We encourage directors and executives to build and maintain a meaningful shareholding to create alignment between directors, executives and shareholders and to enhance focus on long-term value creation. CSL recognises the importance of equity in its long term employee rewards and that a significant proportion of total executive reward should be CSL equity earned by achievement and performance over the longer term. |

## Directors' Report

### 2.3 New Pay Design

#### 2.3.1 Total Reward and Fixed Reward

As CSL grew into a global enterprise our pay system developed into an amalgam of pay approaches from different countries. We ended up with a pay-mix model featuring the higher fixed pay levels acceptable in Australia but not in other countries, and lower equity levels than many reference global comparisons would support. This led to a need to provide additional long term cash and equity awards in order to attract and retain employees in highly contested and specialised global markets. As we, in general, shift the risk in our pay-mix towards higher levels of performance based pay to ensure external competitiveness within a global pay design, we will likely reduce fixed pay as a proportion of total reward. In some instances it will be necessary to increase equity allocations to address this imbalance.

#### 2.3.2 Performance Component

We have acted on shareholder concerns that the STI design was not simple or transparent. Therefore, our annual performance design reduces the number of key performance indicators (KPIs) to two critical measures of business strength, shared by all Global Leadership Group (GLG) members, Net Profit after Tax (NPAT) and Cash Inflow from Operating Activities (CFO), plus up to three business building KPIs (individual, business unit, operations, function or research related) – with the majority weighting on the financial KPIs. The KPIs and corresponding weightings have been tailored to specific roles, covering CSL Group level, Business Unit/Functional level and Research – based on some direct and some shared accountability. This 'Performance' opportunity is based on a percentage of fixed reward and is tested and awarded annually in cash subject to achievement of KPIs. Hurdles are set at threshold, target and maximum levels of performance. No part of this annual cash performance award is deferred, however it is subject to CSL's malus and clawback policy.

#### 2.3.3 Alignment Component

The objective of this component is to build economic alignment between the GLG and shareholders.

Equity grants will be in the form of Performance Share Units (PSUs), which will vest in equal tranches on the first, second, third and fourth anniversaries of grant, subject to continuing employment, meeting a minimum individual performance rating and achievement of an absolute return measure. This measure is a seven year rolling average Return on Invested Capital (ROIC). We believe that seven years is an appropriate period for return on capital measures, and it aligns well with CSL research and development (R&D) and capacity investment cycles. CSL also benefits from low turnover within its senior executive ranks and therefore the seven year performance measurement period has been designed with the belief that it will reward executives who were part of the full investment life cycle.

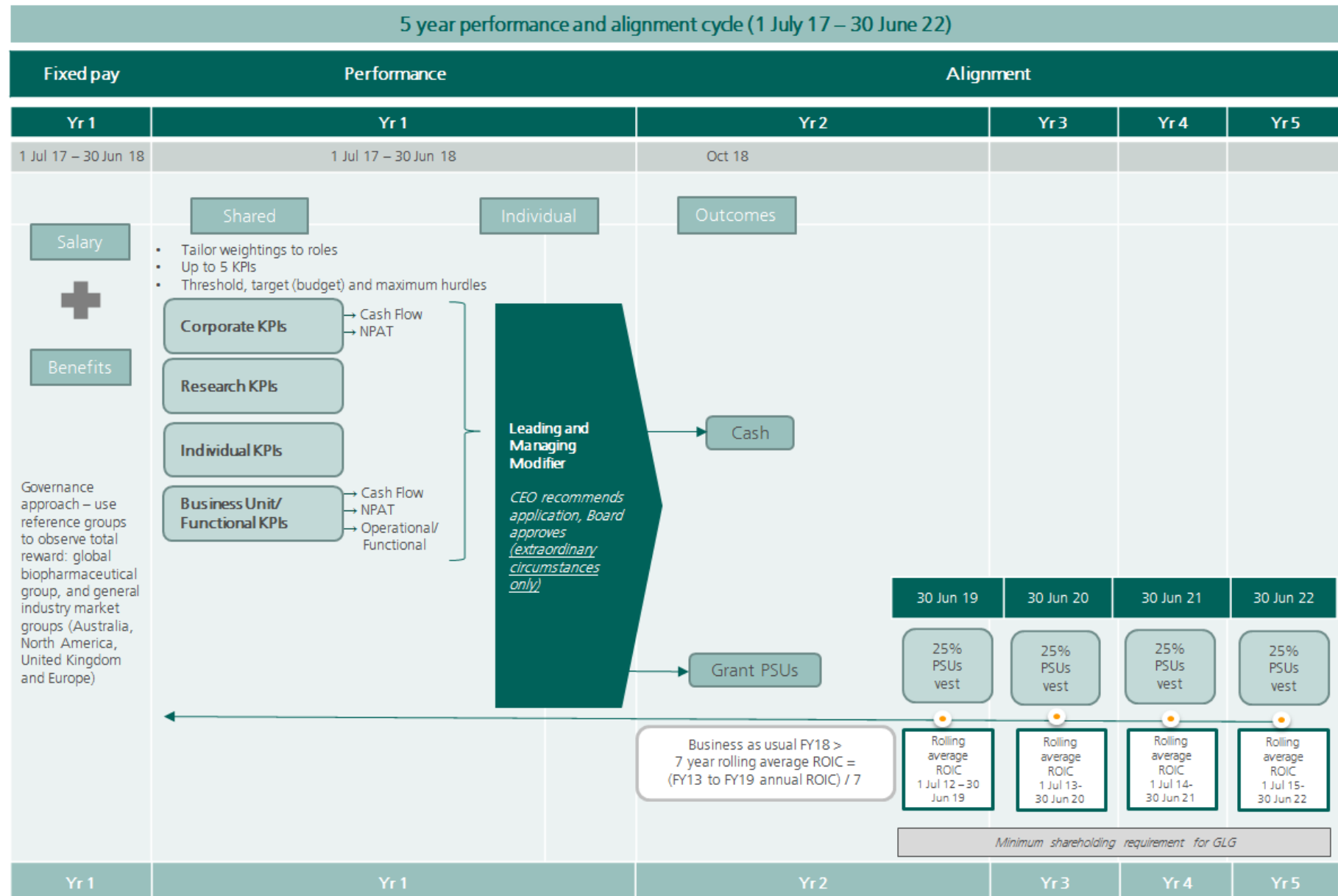
Qualifying executives will be granted PSUs at face value to the dollar value of the equity opportunity in their pay-mix. To the extent that threshold and target performance hurdles are achieved, one CSL share will be delivered for each PSU that vests. There will be no additional payment for above target performance – participants (and shareholders) will have gained from the share price increase. The minimum shareholding guideline for executives is described in section 2.6 Changes to Pay Design, Policy and Rationale.

#### 2.3.4 Leading and Managing Modifier

The Board has the discretion to apply a 'Leading and Managing' modifier to both the Performance and Alignment components of executive KMP reward based on recommendation from the CEO, and from the Human Resources and Remuneration Committee (HRRRC) for the CEO. This modifier is intended to be used sparingly. This is described in more detail in section 2.6 Changes to Pay Design, Policy and Rationale.

# Directors' Report

## 2.3.5 New Pay Design Diagram showing first five year cycle



# Directors' Report

## 2.6 Changes to Pay Design, Policy and Rationale

| New Pay Design Changes from 1 July 2017                      |                                                                                                                                                                    | Rationale for Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Understanding competitive pay levels around the world</b> | Established global reference groups                                                                                                                                | Understanding competitive pay levels around the world helps us ensure we pay appropriately to reward senior talent. Five reference groups were established - a global pharmaceutical/biotechnology sector reference group and four general industry reference groups representing Australia, North America, United Kingdom and Europe (focused on Germany and Switzerland). The data in each group covers senior executive roles in companies of similar scale and complexity. We will regularly review CSL executive KMP total reward and the pay mix against real movements in the global reference groups, with a view to achieving and maintaining competitiveness. |
| <b>Annual performance</b>                                    | Reduced the number of KPIs to a maximum of five. Introduced Group NPAT and Group CFO as the primary financial performance measures for the senior management team. | Maintaining a focus on underlying value creation within the business operations is critical to the success of CSL in the long-term. It is more effective to focus senior executives on a small number of KPIs that matter – too many KPIs result in competing objectives and dilute the incentive value to the participant.<br><br>To strengthen management focus, the primary performance measures are financial - NPAT and CFO. The remaining tailored KPIs reflect research, business unit or functional level objectives.                                                                                                                                           |
| <b>Pay risk management</b>                                   | Introduced a Leading and Managing modifier                                                                                                                         | This is a Board level pay governance mechanism. The Board's objective is to formally recognise the importance of CSL's culture including leadership behaviours, values and diversity objectives without shifting focus away from the financial and operational KPIs. The modifier allows for the Board to adjust in exceptional circumstances +20% / - 50% of annual incentive earned, and/or equity incentive opportunity normally granted. In particular, the capacity for downward adjustment provides the Board with the ability to adjust for adverse management behaviour at a level below that requiring application of the malus and clawback policy.           |
|                                                              | Malus and clawback policy                                                                                                                                          | Integrity and accountability reinforces CSL's pay for performance reward philosophy. The new malus and clawback policy provides the Board with the tools to respond to significant unintended consequences, including those arising as a result of actions undertaken by senior executives that do not reflect CSL's culture. The clawback component of the policy responds to issues raised by shareholders about the removal of STI deferral in 2016.                                                                                                                                                                                                                 |
| <b>Equity</b>                                                | Reduced equity instruments from three to one - Performance Share Units (PSUs)                                                                                      | Our legacy LTI plans were complex, comprising complex hurdled performance rights, unhurdled options and unhurdled cash. The new pay design limits equity allocations to hurdled grants of PSUs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                                                              | Using face value for grant allocation purposes                                                                                                                     | CSL legacy LTI plans determined the number of performance rights and options to be granted using a fair value approach for both hurdled and unhurdled equity, applying a discount to the value of a CSL share reflecting the probability of the performance hurdle not being achieved.<br><br>Under the new pay design the number of PSUs granted are based on an executive KMP's Board approved equity opportunity and a volume weighted average share price based on the market price of a CSL share at the time of grant.                                                                                                                                            |
|                                                              | New vesting schedule and minimum shareholding guideline for Non-Executive Directors (NEDs) and                                                                     | We believe that strong senior executive alignment with shareholders requires that senior executives earn and then hold shares. We want CSL senior executives to be more strongly aligned early in their roles, so our new pay design includes progressive performance based vesting of equity in equal tranches over a four year period to achieve                                                                                                                                                                                                                                                                                                                      |

## Directors' Report

| New Pay Design Changes from 1 July 2017                                               | Rationale for Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| senior executives                                                                     | meaningful shareholding sooner, combined with a new minimum shareholding guideline – to be achieved within a target of five years and maintained whilst in their role – for NEDs one times annual base fee, for the CEO three times base salary, and for the GLG, one times base salary.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| New long term performance measure – rolling average Return on Invested Capital (ROIC) | <p>Our R&amp;D cycle requires investment over the longer term, as does our capacity model. Developing a new medical product can take more than ten years from science to manufacturing to market. We manage our business to support our investments and have decided to align our senior executives' equity interests in CSL by rewarding sustainable ROIC outcomes over the longer term.</p> <p>We have adopted a seven year rolling average ROIC to measure real achievement over an appropriate time period for our R&amp;D investment cycle. It is simple and transparent, and measures return on all capital – both shareholder invested capital in CSL and borrowings.</p> <p>The Board establishes a new ROIC hurdle for each annual grant taking into consideration both the CSL budget and longer term forecast annual ROIC over the four year term of the grant, together with the historical annual ROIC achieved that will form part of the performance test over the four year annual testing period. The ROIC hurdle established is tested against market analyst consensus for reasonableness. We will also review peer group ROIC numbers to monitor the performance levels we are targeting. Our aim is to remain a high performance company.</p> |

## Directors' Report

### 3. CSL's Key Management Personnel and Financial Performance

This Report sets out remuneration information for Key Management Personnel (KMP) which includes Non-Executive Directors (NEDs), the Executive Director (i.e. the Chief Executive Officer (CEO) and Managing Director) and those key executives who have authority and responsibility for planning, directing and controlling the major activities of CSL during the financial year (executive KMP). The CSL Key Management Personnel (KMP) during 2017 are outlined in Table 2.

Table 2: Key Management Personnel

| Name                                                           | Position                                            | Term as KMP in 2017 |
|----------------------------------------------------------------|-----------------------------------------------------|---------------------|
| <b>Non-Executive Directors – Current</b>                       |                                                     |                     |
| Professor John Shine AC                                        | Chairman                                            | Full Year           |
| Mr David Anstice                                               | Non-Executive Director                              | Full Year           |
| Mr Bruce Brook                                                 | Non-Executive Director                              | Full Year           |
| Dr Megan Clark AC                                              | Non-Executive Director                              | Full Year           |
| Ms Marie McDonald                                              | Non-Executive Director                              | Full Year           |
| Ms Christine O'Reilly                                          | Non-Executive Director                              | Full Year           |
| Mr Maurice Renshaw                                             | Non-Executive Director                              | Full Year           |
| Dr Tadataka Yamada KBE                                         | Non-Executive Director – Appointed 1 September 2016 | Part Year           |
| <b>Non-Executive Directors – Former</b>                        |                                                     |                     |
| Mr John Akehurst                                               | Non-Executive Director – Retired 12 October 2016    | Part Year           |
| <b>Executive Director / Executive Key Management Personnel</b> |                                                     |                     |
| Mr Paul Perreault                                              | Chief Executive Officer and Managing Director (CEO) | Full Year           |
| <b>Executive Key Management Personnel – Current</b>            |                                                     |                     |
| Mr Greg Boss                                                   | EVP Legal & Group General Counsel                   | Full Year           |
| Dr Andrew Cuthbertson                                          | Chief Scientific Officer                            | Full Year           |
| Ms Karen Etchberger                                            | EVP Quality & Business Services                     | Full Year           |
| Mr David Lamont                                                | Chief Financial Officer                             | Full Year           |
| Mr Gordon Naylor                                               | President, Seqirus                                  | Full Year           |
| Ms Laurie Reed                                                 | SVP Human Resources                                 | Full Year           |
| Mr Robert Repella                                              | EVP Commercial Operations                           | Full Year           |
| Mr Val Romberg                                                 | EVP Manufacturing Operations & Planning             | Full Year           |

#### Changes in KMP

Mr Robert Repella will retire from the organisation on 30 September 2017. Mr William Campbell will replace Mr Repella in the role of EVP & Chief Commercial Officer.

# Directors' Report

## 3.1 CSL Financial Performance from 2013 to 2017

Table 3 summarises key financial performance over the past five financial years. Cash Inflow from Operating Activities (CFO) and Return in Invested Capital (ROIC) have been added to the table this year because they are primary performance KPI's in the new pay design.

**Table 3: CSL financial performance history**

| Financial Year Ended 30 June                         | 2013  | 2014  | 2015  | 2016               | 2017   |
|------------------------------------------------------|-------|-------|-------|--------------------|--------|
| Net Profit After Tax (millions) – USD                | 1,211 | 1,307 | 1,379 | 1,242              | 1,337  |
| Cash Inflow From Operating Activities - USD          | 1,312 | 1,361 | 1,364 | 1,179              | 1,247  |
| Annual Return on Invested Capital                    | 32.6% | 31.8% | 31.7% | 26.8% <sup>2</sup> | 24.5%  |
| Earnings Per Share (cents) – USD                     | 2.429 | 2.701 | 2.923 | 2.689              | 2.937  |
| Total Dividends per Share <sup>3</sup> (cents) – USD | 0.96  | 1.05  | 1.18  | 1.24               | 1.32   |
| Closing Share Price (at 30 June) – AUD               | 61.58 | 66.55 | 86.47 | 112.18             | 138.03 |
| Total Shareholder Return (12 month %) - AUD          | 58.6% | 10.0% | 32.0% | 31.7%              | 24.6%  |

The CSL Board maintains a strong focus on efficient capital management, and has been operating a buy-back policy for the last seven years, improving the efficiency of the balance sheet. Under this policy a total of approximately 3.7m shares (A\$441.2m) were purchased on-market in 2017. Through these buybacks, all CSL shareholders benefit from improved investment return ratios, including earnings per share and return on equity. Whilst the buybacks have been largely funded by debt, they do not impact ROIC. This is because the increase in net debt is directly offset by the decline in equity, and the financing cost of the share buy-back does not impact Earnings Before Interest and Tax.

<sup>2</sup> 2016 figure includes the gain on acquisition of Novartis' global influenza vaccine business of US\$176.1m.

<sup>3</sup> Actual total dividend paid within the financial year.

## Directors' Report

### 4. CSL Achievement of our goals

During 2017, the following performance outcomes were achieved resulting in STI payments and vesting of LTI awards. Additional quantitative objectives, which were also integral to the achievement of both Business and Individual performance and were considered by the Board when assessing executive KMP performance, remain confidential for commercial reasons.

| Performance                         | Achievements in 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Annual Financial Performance</b> | <ul style="list-style-type: none"> <li>Reported NPAT – above target performance of US\$1,337.4m; and</li> <li>Reported Total Revenue - above target performance of US\$6,922.8m.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Long-Term Performance</b>        | <ul style="list-style-type: none"> <li>Relative Total Shareholder Return (rTSR) ranking - Above MSCI Gross Pharmaceutical Index for the awards issued on 1 October 2012 (performance period 1 October 2012 to 30 September 2016) and 1 October 2013 (performance period 1 October 2013 to 30 September 2016);</li> <li>Achieved Earnings per Share (EPS) growth of 8.1% for the period 1 July 2012 to 30 June 2016 and 3.4% for the period 1 July 2013 to 30 June 2016.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Business Performance</b>         | <ul style="list-style-type: none"> <li>The European Commission approved AFSTYLA® (Recombinant Human Coagulation Factor VIII, Single Chain) for children and adults with haemophilia A;</li> <li>U.S. Food and Drug Administration (FDA) approved HAEGARDA® (C1 Esterase Inhibitor Subcutaneous [Human]), the only subcutaneous therapy indicated for routine prophylaxis to prevent hereditary angioedema (HAE) attacks in adolescent and adult patients;</li> <li>Successful launch of IDELVION® (Coagulation Factor IX (Recombinant)) in Europe;</li> <li>Successful launch of AFSTYLA in the US;</li> <li>All targeted regulatory submissions made;</li> <li>Agreement to acquire an 80 per cent stake in plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biologics in China;</li> <li>Successful development of a centralised conceptual design for the new base fractionation facilities at the Marburg, Kankakee and Broadmeadows sites;</li> <li>Capital expansion projects on track; and</li> <li>Entered an exclusive research collaboration and worldwide license agreement with Momenta Pharmaceuticals to develop and commercialise their Fc multimer proteins, including Momenta's M230, a selective immunomodulator of Fc receptors which is expected to enter the clinic in 2017.</li> </ul> |
| <b>Individual Performance</b>       | <p>A broad range of successful strategic initiatives were achieved during the year, including:</p> <ul style="list-style-type: none"> <li>Exceptionally strong performance across the business, as shown in the segment analysis in the financial statements;</li> <li>Successful debt raising and private placement take up during the year;</li> <li>Product revenue growth stretch targets exceeded;</li> <li>Opening of 29 new plasma collection centres;</li> <li>Progress in market access with the opening of three country offices in Chile, Singapore and Taiwan;</li> <li>Successful implementation of a new HR operating model;</li> <li>Strong employee engagement survey outcomes;</li> <li>Achievement of key of outcomes under our Corporate Responsibility priority areas. Our Corporate Responsibility priority areas can be found on CSL's website at <a href="http://www.csl.com.au/corporate-responsibility.htm">http://www.csl.com.au/corporate-responsibility.htm</a>; and</li> <li>Diversity and health and safety targets met or exceeded.</li> </ul>                                                                                                                                                                                                                                             |



## Directors' Report

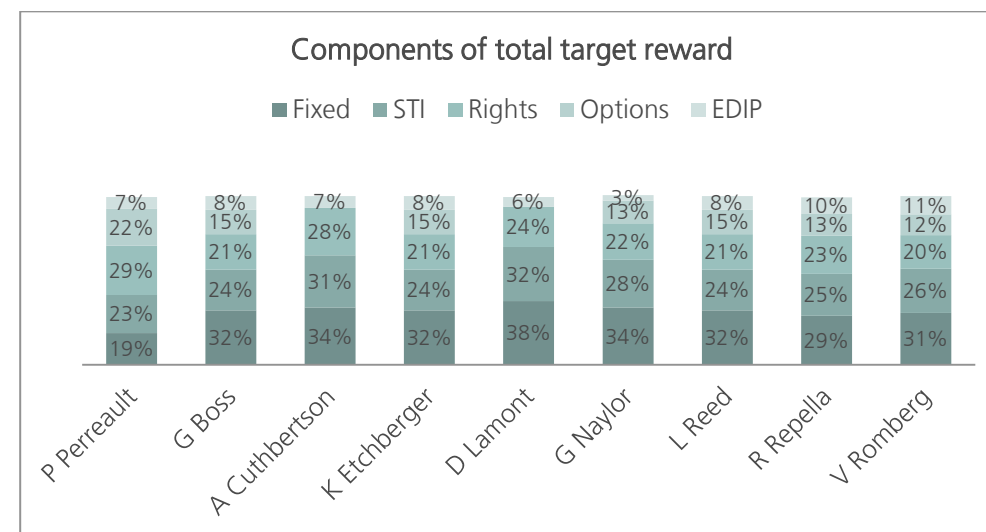
### 5. Executive KMP Remuneration Structure

#### 5.1 Executive KMP pay-mix

The pay structure was changed on 1 July 2017. Performance rights, Options and the Executive Deferred Incentive Plan (EDIP) cash program were replaced with Performance Share Units (PSUs). Table 4 represents the remuneration mix for the year ended 30 June 2017.

For the 2017/2018 year, the Board has determined that the CEO will not receive an increase to any component of Total Reward. Mr Perreault's salary will remain at US\$1,751,000, his STI target at 120% and LTI target of 310%. The Board has however approved an average senior executive Total Reward increase of 3% with the increase to be granted as hurdled PSUs. In each case, the value of the 2017/2018 equity opportunity will be directly translated from the prior year's equity opportunity (measured as a percentage of fixed reward) and all awards of PSUs will be made at face value (i.e. no increase or decrease to total reward as a consequence of transition to the new plan).

Table 4: Executive KMP total target reward in 2017



## Directors' Report

### 5.2 Legacy STI Design

The Board and the CEO assess executive KMP performance on an annual basis against a scorecard of measures that aim to drive business performance and the creation of shareholder value. The scorecard is made up of three components – financial, business and individual performance. Hurdles and stretch targets are set so that a challenging but meaningful incentive is provided. The key features of the program for cash awards for the year ended 30 June 2017 (paid in September 2017) are detailed below. The STI plan was replaced on 1 July 2017 with the new pay design performance plan.

| Feature                           | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Performance Period</b>         | Annual aligned with the financial year ended 30 June 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Performance Measure</b>        | <p><i>Financial Performance</i></p> <p><i>Measure:</i><br/>Net Profit after Tax (NPAT) and Total Revenue, both measured at constant currency</p> <p><i>Rationale:</i><br/>Top line growth is the foundation of long term sustainability and evidences our competitive advantage, whilst pursuing profitable growth aligns employee and shareholder objectives</p> <p><i>Weighting:</i><br/>CEO 40% (NPAT only)<br/>Executive KMP 30% (20% NPAT and 10% Total Revenue with the exception of R Repella where the weighting is 10% NPAT and 20% Total Revenue)</p> | <p><i>Business Performance</i></p> <p><i>Measure:</i><br/>Shared objectives aligned to the CSL strategy and categories include:</p> <ul style="list-style-type: none"> <li>- R&amp;D investment and achievement of key research milestones; and</li> <li>- Operational targets representing key outcomes supporting achievement of CSL's long-term strategy.</li> </ul> <p><i>Rationale:</i></p> <ul style="list-style-type: none"> <li>- Using the same high level financial KPIs for all KMP encourages teamwork; and</li> <li>- R&amp;D and operational efficiency are fundamental to CSL's success.</li> </ul> <p><i>Weighting:</i><br/>CEO 30%<br/>Executive KMP 20% (excl. G Naylor)</p> | <p><i>Individual Performance</i></p> <p><i>Measure:</i><br/>Based on individual responsibilities and categories include:</p> <ul style="list-style-type: none"> <li>- Divisional performance;</li> <li>- Achievement of strategic objectives;</li> <li>- Improvement in operations, risk management, compliance, health and safety and quality; and</li> <li>- Leadership performance.</li> </ul> <p><i>Rationale:</i><br/>Individual performance hurdles align with strategic priorities, encourage appropriate decision making, and balance performance in non-financial priorities.</p> <p><i>Weighting:</i><br/>CEO 30%<br/>Executive KMP 50%<br/>G Naylor 70%</p> |
| <b>Performance Hurdles</b>        | <p><i>Performance Level</i></p> <p>Below threshold</p> <p>Between threshold and target</p> <p>Target</p> <p>Maximum</p>                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p><i>STI Outcome</i></p> <p>0% earned</p> <p>50% earned on achievement of threshold level performance, increasing on a straight-line basis to 100% earned on achievement of target level performance</p> <p>100% earned</p> <p>100% earned at target level performance, increasing on a straight-line basis to 150% earned on achievement of maximum level performance (capped)</p>                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Performance Review Process</b> | A formal review of executive KMP progress against objectives is conducted twice annually by the CEO and by the Board for the CEO. Following the full year performance review, the CEO makes recommendations to the HRRC. The HRRC and the Board assess individual performance against objectives, and business performance at the end of the financial year, and approve the actual STI payments to be made. The Board may adjust STI outcomes.                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

## Directors' Report

### 5.3 Legacy LTI Design

The following table describes the final equity grants made in October 2016, which will be tested for vesting in 2019 (for EDIP) and in 2020 (for Performance Rights and Options). The legacy LTI was replaced in 1 July 2017 with the new pay design, under which new grants will be made.

The Board selected the performance measures outlined below as it reflects performance and relative wealth creation, thus providing a direct and critical link between achieving the outcomes of CSL's business strategy, executive KMP reward and increasing shareholder value. Across all LTI awards, all executive KMP must meet their performance expectations as defined in their work plan or the grant is forfeited, in addition to any other performance measures.

| Feature                    | Performance Right                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Option                                                                                     | EDIP                                                                                                                             |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-------------|----|-----------|-----|----------------------------|----------------------------------------|-------------|------|-------------------------|---------|-----|----|----|-----|--------------------|----------------------------------------|-----|------|--------------------------|---------|-----|----|---------------------|---------------------------------------|-----|------|--------------------------------------------------------------------------------|---------------------------------------------|
| Summary                    | A 'right' to a CSL share (i.e. full value instrument)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | An 'option' to acquire a CSL share for an exercise price (i.e. growth in value instrument) | A 'phantom' share plan delivering the value of a CSL share in cash (i.e. full value instrument) via a grant of 'Notional Shares' |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| Performance Period         | Four years (1 July 2016 to 30 June 2020)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                            | Three years (1 October 2016 to 30 September 2019)                                                                                |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| Performance Measure        | <i>Tranche 1:</i> Relative Total Shareholder Return (rTSR) against a group of global biopharmaceutical companies<br><i>Tranche 2:</i> Target level EPS growth (EPSg)<br><i>Tranche 3:</i> Maximum level EPSg                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Participants must meet their individual performance measures in order for Options to vest  | The EDIP is an unhurdled award provided to mitigate retention risk or close a gap to local market benchmarks                     |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| Vesting                    | <i>Tranche 1:</i> <table><tr><th>RTSR Performance</th><th>Vesting</th></tr><tr><td>&lt; 50th %ile</td><td>0%</td></tr><tr><td>50th %ile</td><td>50%</td></tr><tr><td>Between 50th and 75th %ile</td><td>Straight line vesting from 50% to 100%</td></tr><tr><td>≥ 75th %ile</td><td>100%</td></tr></table> <i>Tranche 2:</i> <table><tr><th>Target EPSg Performance</th><th>Vesting</th></tr><tr><td>&lt;8%</td><td>0%</td></tr><tr><td>8%</td><td>35%</td></tr><tr><td>Between 8% and 13%</td><td>Straight line vesting from 35% to 100%</td></tr><tr><td>13%</td><td>100%</td></tr></table> <i>Tranche 3:</i> <table><tr><th>Maximum EPSg Performance</th><th>Vesting</th></tr><tr><td>13%</td><td>0%</td></tr><tr><td>Between 13% and 15%</td><td>Straight line vesting from 0% to 100%</td></tr><tr><td>15%</td><td>100%</td></tr></table> | RTSR Performance                                                                           | Vesting                                                                                                                          | < 50th %ile | 0% | 50th %ile | 50% | Between 50th and 75th %ile | Straight line vesting from 50% to 100% | ≥ 75th %ile | 100% | Target EPSg Performance | Vesting | <8% | 0% | 8% | 35% | Between 8% and 13% | Straight line vesting from 35% to 100% | 13% | 100% | Maximum EPSg Performance | Vesting | 13% | 0% | Between 13% and 15% | Straight line vesting from 0% to 100% | 15% | 100% | 100% vests at the end of the vesting period<br>The exercise price is A\$107.25 | 100% vests at the end of the vesting period |
| RTSR Performance           | Vesting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| < 50th %ile                | 0%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| 50th %ile                  | 50%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| Between 50th and 75th %ile | Straight line vesting from 50% to 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| ≥ 75th %ile                | 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| Target EPSg Performance    | Vesting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| <8%                        | 0%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| 8%                         | 35%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| Between 8% and 13%         | Straight line vesting from 35% to 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| 13%                        | 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| Maximum EPSg Performance   | Vesting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| 13%                        | 0%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| Between 13% and 15%        | Straight line vesting from 0% to 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |
| 15%                        | 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                            |                                                                                                                                  |             |    |           |     |                            |                                        |             |      |                         |         |     |    |    |     |                    |                                        |     |      |                          |         |     |    |                     |                                       |     |      |                                                                                |                                             |

## Directors' Report

| Feature                 | Performance Right                                                                                                                                                                                                                                                                                                                                                                    | Option | EDIP                                                                                                                                                                                                                                                     |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Peer Group              | AbbVie, Actelion; Alexion; Alnylam; Astellas; AstraZeneca; Bayer; Biogen; Biomarin; Celgene; Eli Lilly; Endo; Grifols; GlaxoSmithKline; Incyte; Jazz; Merck KGaA; Regeneron; Shire; Takeda; UCB; United Therapeutics; Valeant; and Vertex.                                                                                                                                           |        | N/A                                                                                                                                                                                                                                                      |
| Retesting               | There is no retesting of any awards                                                                                                                                                                                                                                                                                                                                                  |        |                                                                                                                                                                                                                                                          |
| Cessation of Employment | <p>A “good leaver” (such as retirement) may retain Options and Performance Rights pro-rated based on time elapsed since grant date, subject to original terms and conditions including test date</p> <p>Vested Options and Performance Rights have an expiry date of six months from vesting. For other leavers, Options and Performance Rights lapse on cessation of employment</p> |        | <p>A “good leaver” (such as retirement) may retain EDIP pro-rated based on time elapsed since grant date, subject to original terms and conditions including test date. For all other leavers, Notional Shares will lapse on cessation of employment</p> |
| Change of Control       | In the event of a change of control, the Board, in its absolute discretion, may determine that some or all of the awards vest having regard to the performance of CSL during the vesting period to the date of the change of control event. Vesting may occur at the date of the change of control event or an earlier vesting date as determined by the Board                       |        |                                                                                                                                                                                                                                                          |
| Dividends               | No dividends are paid on unvested awards                                                                                                                                                                                                                                                                                                                                             |        | N/A                                                                                                                                                                                                                                                      |

## Directors' Report

### 6. Executive KMP Remuneration for 2017

#### 6.1 Executive KMP Remuneration Received in 2017

Table 5 shows the actual 'take-home' pay of executive KMP for the year ended 30 June 2017 in US Dollars. This is a voluntary disclosure which the Board believes is simple and a more transparent view of what executive KMP actually earned in 2017.

The main difference between actual take-home pay disclosures, and the statutory disclosures in section 12, is the inclusion of "opportunity" to earn performance based pay on achievement of hurdles in the statutory disclosures. The take-home pay table below details the actual vesting outcomes during 2017.

Some of the take-home pay in the table was earned over the previous two to four years, but was not paid until 2017. This includes cash settled deferred short term incentive (STI) earned in 2014, cash settled long term incentive (LTI) earned between 2014 and 2017 and equity settled LTI earned over four years from 2013 to 2017.

Table 5: Executive KMP remuneration received or available as cash in 2017

| Executive     | 2017 Total Fixed Reward <sup>4</sup> | 2017 Short Term Incentive <sup>5</sup> | Cash Settled Deferred STI in 2017 <sup>6</sup> | Total STI Received | Cash Settled LTI in 2017 <sup>7</sup> | LTI Vested in 2017 <sup>8</sup> | Total LTI Received | Total Reward Received |
|---------------|--------------------------------------|----------------------------------------|------------------------------------------------|--------------------|---------------------------------------|---------------------------------|--------------------|-----------------------|
| P Perreault   | 1,831,631                            | 2,382,060                              | 526,854                                        | 2,908,914          | 1,303,014                             | 1,367,380                       | 2,670,394          | 7,410,939             |
| G Boss        | 656,919                              | 502,374                                | -                                              | 502,374            | 325,754                               | 568,367                         | 894,121            | 2,053,414             |
| A Cuthbertson | 768,695                              | 726,815                                | 294,785                                        | 1,021,600          | -                                     | 964,559                         | 964,559            | 2,754,854             |
| K Etchberger  | 607,642                              | 434,724                                | -                                              | 434,274            | 225,212                               | 454,978                         | 680,190            | 1,722,106             |
| D Lamont      | 947,350                              | 865,387                                | -                                              | 865,387            | 595,204                               | -                               | 595,204            | 2,407,941             |
| G Naylor      | 946,158                              | 721,120                                | 361,847                                        | 1,082,967          | -                                     | 1,202,069                       | 1,202,069          | 3,231,194             |
| L Reed        | 495,140                              | 362,258                                | -                                              | 362,258            | 148,801                               | -                               | 148,801            | 1,006,199             |
| R Repella     | 731,307                              | 766,480                                | -                                              | 766,480            | 344,494                               | 166,020                         | 510,514            | 2,008,301             |
| V Romberg     | 787,792                              | 623,718                                | -                                              | 623,718            | 148,801                               | 387,355                         | 536,156            | 1,947,666             |

<sup>4</sup> Includes base salary, retirement / superannuation benefits, other benefits such as insurances, expatriate assignment benefits (school fees, tax services) and allowances paid in 2017.

<sup>5</sup> Relates to STI earned in 2017 and will be paid in September 2017 (refer to section 6.2).

<sup>6</sup> Relates to the deferred component (33%) of STI earned in the financial year 2014 (cash portion paid in September 2016). Note STI deferral ceased to operate in 2015 and deferral from prior years will continue to operate.

<sup>7</sup> Value of awards vested at 30 June 2016 under the Executive Deferred Incentive Plan (EDIP) and paid in September 2016 (refer to section 12.3). Includes commencement benefit for D Lamont.

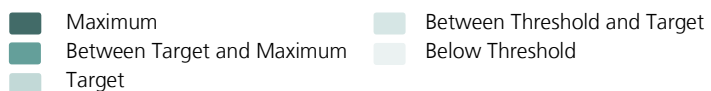
<sup>8</sup> Value of LTI vested at 13 October 2016 (Performance Rights) that became unrestricted (refer to section 12.3).

# Directors' Report

## 6.2 STI Outcomes by Executive KMP in 2017

Table 6: STI outcomes in 2017

| Executive     | STI opportunity at Target level hurdle as a % of FR | STI opportunity at Maximum level hurdle as a % of FR | STI earned as % of Target level opportunity | STI earned as % of FR | Value of STI Earned <sup>9</sup> | Financial Performance % Weighting and achievement rating                                | Business Performance % Weighting and achievement rating                                 | Individual Performance % Weighting and achievement rating                               |
|---------------|-----------------------------------------------------|------------------------------------------------------|---------------------------------------------|-----------------------|----------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| P Perreault   | 120%                                                | 180%                                                 | 113%                                        | 136%                  | 2,382,060                        | 40%  | 30%  | 30%  |
| G Boss        | 75%                                                 | 113%                                                 | 111%                                        | 83%                   | 502,374                          | 30%  | 20%  | 50%  |
| A Cuthbertson | 85%                                                 | 128%                                                 | 116%                                        | 99%                   | 726,815                          | 30%  | 20%  | 50%  |
| K Etchberger  | 75%                                                 | 113%                                                 | 105%                                        | 79%                   | 434,274                          | 30%  | 20%  | 50%  |
| D Lamont      | 85%                                                 | 128%                                                 | 110%                                        | 93%                   | 865,387                          | 30%  | 20%  | 50%  |
| G Naylor      | 85%                                                 | 128%                                                 | 97%                                         | 82%                   | 721,120                          | 30%  | -                                                                                       | 70%  |
| L Reed        | 75%                                                 | 113%                                                 | 107%                                        | 80%                   | 362,258                          | 30%  | 20%  | 50%  |
| R Repella     | 85%                                                 | 128%                                                 | 133%                                        | 113%                  | 766,480                          | 30%  | 20%  | 50%  |
| V Romberg     | 85%                                                 | 128%                                                 | 117%                                        | 100%                  | 623,718                          | 30%  | 20%  | 50%  |



<sup>9</sup> The Australian Dollar (AUD), British Pound (GBP) and Swiss Franc (CHF) awards during the year ended 30 June 2017 have been converted to US Dollars (USD) at an average rate for the 2017 financial year of AUD – 1.33030 / CHF – 0.99277 / GBP – 0.78550. Amount payable in September 2017.

## Directors' Report

### 6.3 LTI Outcomes by Executive KMP in 2017

The table below shows the performance of CSL against the targets for the 2012 and 2013 LTI awards, with performance periods ended in 2017. No awards were forfeited by executive KMP. No Options were granted at 1 October 2012 or 2013, therefore no Options were tested.

Table 7: LTI awards testing outcomes in 2017

| Grant Date     | Tranche tested | Performance outcome                                  | Vesting Outcome                    |
|----------------|----------------|------------------------------------------------------|------------------------------------|
| 1 October 2012 | 1              | RTSR ranking - Above MSCI Gross Pharmaceutical Index | rTSR - 100% vested                 |
|                | 2              | Annual EPS growth at 8.1%                            | EPSg – 51.25% vested <sup>10</sup> |
|                |                | RTSR ranking - Above MSCI Gross Pharmaceutical Index | rTSR - 100% vested                 |
| 1 October 2013 | 1              | Annual EPS growth at 3.4%                            | EPSg - 0% vested <sup>11</sup>     |
|                |                | RTSR ranking - Above MSCI Gross Pharmaceutical Index | rTSR - 100% vested                 |

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

| Feature                  | 2013 - 2014                                                                                                                                                                                                                 | 2015 - 2016                                                                                                                                                       |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Grant Date               | 1 October 2012 (reported 2013) and 1 October 2013 (reported 2014)                                                                                                                                                           | 1 October 2014 (reported 2015) and 1 October 2015 (reported 2016)                                                                                                 |
| Instrument               | Performance Rights                                                                                                                                                                                                          | Options and Performance Rights                                                                                                                                    |
| Tranches                 | Two tranches: T1 - 50% of grant and T2 - 50%                                                                                                                                                                                | One tranche of Options and three tranches of Performance Rights                                                                                                   |
| Performance Period       | T1 – 3 years and T2 – 4 years                                                                                                                                                                                               | 4 years                                                                                                                                                           |
| Performance Measure      | 50% of award: EPSg<br>50% of award: rTSR against the MSCI Gross Pharmaceutical Index                                                                                                                                        | Options - individual performance measure<br>Performance Rights T1 – rTSR against selected global Pharmaceutical and Biotechnology companies, and T2 and T3 - EPSg |
| Vesting Schedule         | EPSg < 8% – 0% vesting<br><br>EPSg 8% to 12% - Straight line vesting from 50% to 100%<br>EPSg 12% or above – 100% vesting<br>rTSR at or below performance of Index – 0% vesting<br>rTSR exceeds performance of Index – 100% | Consistent with section 5.3                                                                                                                                       |
| Exercise Price (Options) | N/A                                                                                                                                                                                                                         | 2015 – A\$73.93<br>2016 – A\$89.52                                                                                                                                |
| Retesting                | 1 retest per tranche, after an additional 12 months                                                                                                                                                                         | No retest                                                                                                                                                         |

<sup>10</sup> Unvested portion will be retested and reported in the 2018 Remuneration Report.

<sup>11</sup> Unvested portion will be retested and reported in the 2018 Remuneration Report.

## Directors' Report

### 7. Executive KMP Contractual Arrangements

#### 7.1 Contractual provisions for executive KMP

Executive KMP are employed on individual service contracts that outline the terms of their employment, which include:

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

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

#### 7.2 Other Transactions

No loans or related party transactions were made to executive KMP or their associates during 2017.

#### 7.3 Securities Dealing

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

#### 7.4 Malus and Clawback Policy

In April 2017, the Board approved a new Malus and Clawback Policy. "Malus" means adjusting or cancelling all or part of an individual's variable remuneration as a consequence of a materially adverse development occurring prior to payment (in the case of cash incentives) and/or prior to vesting (in the case of equity incentives). "Clawback" means seeking recovery of a benefit paid to take into account a materially adverse development that only comes to light after payment, including shares delivered post vesting.

The Board, in its discretion, may apply the policy to any incentive provided to a senior executive, including a former senior executive, in the event of a material misstatement or omission in the financial statements of a Group company or the Group, or other material error, or in the event of fraud, dishonesty or other serious and wilful misconduct involving a senior executive, leading to a senior executive receiving a benefit greater than the amount which would have been due based on the corrected financial statements or had the error or misconduct not occurred.

#### 7.5 Minimum Shareholding Guideline

In 2017 the Board introduced a minimum shareholding guideline for executive KMP, to be met within a target of the first five years of appointment, or within five years for current incumbents, and to be held whilst in the role at CSL:

- CEO: Three times base salary; and
- Other GLG: One times base salary.



## Directors' Report

### 8. Non-Executive Directors

#### 8.1 NED fee policy

| Feature                                                | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Strategic objective</b>                             | CSL's NED fee arrangements are designed to appropriately compensate suitably qualified directors, with appropriate experience and expertise, for their Board responsibilities and contribution to Board committees. The Board has three Committees for which fees are payable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Maximum aggregate fees approved by shareholders</b> | The current maximum aggregate fee pool of A\$4,000,000 was approved by shareholders on 12 October 2016 and has applied from 1 July 2016. Actual NED fees paid during the year (including superannuation contributions) is within this agreed limit, and totalled A\$2,559,190. NEDs may be reimbursed for reasonable expenses incurred by them in the course of discharging their duties and this reimbursement is not included within this limit.                                                                                                                                                                                                                                                                                             |
| <b>Remuneration reviews</b>                            | The Board reviews NED fees on an annual basis in line with general industry practice. Fees are set with reference to the responsibilities and time commitments expected of NEDs along with consideration to the level of fees paid to NEDs of comparable Australian companies.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Independence</b>                                    | To ensure independence and impartiality is maintained, NEDs do not receive any performance related remuneration.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Minimum Shareholding Guideline</b>                  | In 2017 the Board introduced a minimum shareholding guideline for NEDs. They are now required to achieve a shareholding equivalent to their annual NED base fee within five years of appointment. This is in addition to the existing requirement that NEDs receive at least 20% of their post-tax base fee (excluding superannuation) in the form of shares. These acquisitions are facilitated through the existing NED Share Plan which was approved by shareholders in 2002. On-market purchases under the plan are made twice yearly, following the announcement of CSL's half and full year results. Additional shares may be purchased by NEDs on-market at prevailing share prices in accordance with CSL's Securities Dealing Policy. |
| <b>Post-Employment Benefits</b>                        | Superannuation contributions are made in accordance with legislation and are included in the reported base fee, and are not additional to the base fee. NEDs are not entitled to any compensation on cessation of appointment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Contracts</b>                                       | NEDs are appointed under a letter of appointment and are subject to ordinary election and rotation requirements as stipulated in the ASX Listing Rules and CSL Limited's constitution.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## Directors' Report

### 8.2 NED fees in 2017

The following table provides details of current Board and committee fees from 1 July 2016. Committee fees are not payable to the Chairman or to members of the Nomination Committee or the Securities & Market Disclosure Committee.

**Table 7: NED fees for 2017**

|                                |                        |                         |
|--------------------------------|------------------------|-------------------------|
| <b>Board Chairman Fee</b>      | A\$700,000             |                         |
| <b>Board NED Base Fee</b>      | A\$212,000             |                         |
| <b>Committee Fees</b>          | <b>Committee Chair</b> | <b>Committee Member</b> |
| Audit & Risk Management        | A\$54,000              | A\$28,000               |
| Human Resources & Remuneration | A\$54,000              | A\$28,000               |
| Innovation & Development       | A\$54,000              | A\$28,000               |

### 8.3 NED fees in 2018

Consistent with our approach to holding the cash component of executive remuneration broadly flat for 2018, the Board decided not to increase NED fees.

### 8.4 Other Transactions

No loans were made to NEDs during 2017. NEDs and their related entities conducted the following transactions with CSL, as part of a normal supplier relationship on 'arm's length' terms:

- CSL Behring in Australia has entered into an agreement to make a research grant to the Australia and New Zealand College of Anaesthetists (ANZCA), of which Mr Bruce Brook is a member of the Board of Governors;
- CSL has entered into a number of contracts, including collaborative research agreements, with Monash University, of which Dr Megan Clark is a member of Council;
- Financial services provided by Bank of America Merrill Lynch of which Dr Megan Clark is a member of the Australian Advisory Board;
- CSL has entered into a number of contracts, including collaborative research agreements, with the Walter and Eliza Hall Institute for Medical Research (WEHI), of which Ms Marie McDonald is a director; and
- Corporate accounts with CityLink, operated by Transurban Group of which Ms Christine O'Reilly is a Director.

During 2017, CSL completed two on-market purchases of shares for the purposes of the NED Share Plan. A total of 1,917 shares were purchased during the reporting period and the average price paid per share was A\$113.55.

## Directors' Report

### 9. Human Resources and Remuneration Committee (HRRC)

#### 9.1 Remuneration Governance

The HRRC has oversight of all aspects of remuneration at CSL. The Board has delegated responsibility to the HRRC for reviewing and making recommendations to the Board with regard to:

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

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

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

#### 9.2 HRRC Activities

During 2017, the HRRC met formally on seven occasions and held two workshops involving the following activities:

- Review and redesign of the executive remuneration policy and framework;
- Appointment of external remuneration advisors;
- Review of senior executive appointments and remuneration arrangements;

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

### 10. External Remuneration Advice

As appropriate, the Board and the HRRC seek and consider advice directly from external advisers, who are independent of management. In 2017 the HRRC engaged the services of Aon Hewitt in the US, and MinterEllison in Australia, to assist with the review of the executive remuneration strategy and framework and the provision of market data.

Under engagement and communication protocols adopted by CSL, the market data and other advice were provided directly to the HRRC by both Aon Hewitt and MinterEllison. Neither Aon Hewitt nor MinterEllison provided a 'Remuneration Recommendation' as defined in the *Corporations Act 2001* during the 2017 financial year.

### 11. Currency Reporting

Remuneration is reported in US Dollars (USD), unless otherwise stated. This is consistent with the presentation currency used by CSL. Remuneration for executive KMP outside the US is paid in local currency and converted to USD based on the average exchange rate for the 2017 financial year – AUD – 1.33030 / CHF 0.99277 / GBP – 0.78550. Valuation of equity awards was converted from Australian Dollars (AUD) to USD at the average exchange rate of 1.33030 for the 2017 financial year.

# Directors' Report

## 12. Statutory Tables

### 12.1 Executive KMP Remuneration for 2016 and 2017

All amounts are presented in US Dollars.

Table 8: Statutory Remuneration Disclosure – Executive KMP Remuneration

| Executive                                            | Year <sup>12</sup> | Short term benefits  |            |              |              | Post-employment | Other long term |                               | Share Based Payments <sup>13</sup> |           |                    | Total     | % of remuneration performance related |
|------------------------------------------------------|--------------------|----------------------|------------|--------------|--------------|-----------------|-----------------|-------------------------------|------------------------------------|-----------|--------------------|-----------|---------------------------------------|
|                                                      |                    | Cash salary and fees | Cash bonus | Cash sign on | Non-monetary | Superannuation  | LSL             | Deferred STI <sup>14,15</sup> | Performance Rights                 | Options   | EDIP <sup>16</sup> |           |                                       |
| P Perreault<br>CEO & Managing Director               | 2017               | 1,845,277            | 2,382,060  | -            | 62,080       | 18,550          | -               | 698,459                       | 857,634                            | 1,030,262 | 1,286,509          | 8,180,831 | 76%                                   |
|                                                      | 2016               | 1,855,579            | 2,472,413  | -            | 56,327       | 18,550          | -               | 635,425                       | 1,222,419                          | 687,485   | 1,221,451          | 8,169,649 | 76%                                   |
| G Boss<br>EVP Legal & Group General Counsel          | 2017               | 593,176              | 502,374    | -            | 38,266       | 18,550          | -               | -                             | 172,160                            | 189,167   | 273,964            | 1,787,657 | 64%                                   |
|                                                      | 2016               | 585,362              | 420,309    | -            | 35,134       | 18,499          | -               | -                             | 295,106                            | 149,182   | 291,407            | 1,794,999 | 64%                                   |
| A Cuthbertson<br>Chief Scientific Officer            | 2017               | 733,099              | 726,815    | -            | 29,944       | 26,310          | 49,804          | 241,138                       | 229,554                            | -         | 214,049            | 2,250,713 | 63%                                   |
|                                                      | 2016               | 679,995              | 609,215    | -            | 29,944       | 25,491          | 25,527          | 261,546                       | 407,762                            | -         | 90,865             | 2,130,345 | 64%                                   |
| K Etchberger<br>EVP Quality & Business Services      | 2017               | 542,899              | 434,274    | -            | 41,940       | 17,326          | -               | -                             | 153,760                            | 171,085   | 241,461            | 1,602,745 | 62%                                   |
|                                                      | 2016               | 524,359              | 389,697    | -            | 38,739       | 16,783          | -               | -                             | 258,138                            | 133,307   | 220,410            | 1,581,433 | 63%                                   |
| D Lamont <sup>17</sup><br>Chief Financial Officer    | 2017               | 948,317              | 865,387    | -            | 14,746       | 26,310          | 22,689          | -                             | 312,651                            | -         | 430,772            | 2,620,872 | 61%                                   |
|                                                      | 2016               | 467,025              | 386,517    | 436,993      | 14,747       | 12,746          | 10,733          | -                             | 251,002                            | -         | 1,232,906          | 2,812,669 | 67%                                   |
| G Naylor<br>President, Seqirus                       | 2017               | 800,103              | 721,120    | -            | 49,479       | 26,310          | 22,925          | 298,527                       | 297,204                            | 185,784   | 164,234            | 2,565,686 | 65%                                   |
|                                                      | 2016               | 1,001,918            | 794,217    | -            | 104,019      | 25,491          | 95,676          | 324,667                       | 541,470                            | 299,150   | 74,079             | 3,260,687 | 62%                                   |
| L Reed<br>SVP Human Resources                        | 2017               | 457,186              | 362,258    | -            | 23,845       | 20,295          | -               | -                             | 102,061                            | 133,385   | 193,840            | 1,292,870 | 61%                                   |
|                                                      | 2016               | 449,633              | 304,328    | -            | 21,330       | 19,950          | -               | -                             | 131,962                            | 103,322   | 167,902            | 1,198,427 | 59%                                   |
| R Repella<br>EVP Commercial Operations               | 2017               | 650,858              | 766,480    | -            | 41,957       | 18,550          | -               | 96,318                        | 196,564                            | 208,845   | 407,146            | 2,386,718 | 70%                                   |
|                                                      | 2016               | 628,474              | 633,779    | -            | 47,683       | 18,505          | -               | 59,093                        | 300,546                            | 151,610   | 231,893            | 2,071,583 | 66%                                   |
| V Romberg<br>EVP Manufacturing Operations & Planning | 2017               | 649,297              | 623,718    | -            | 143,714      | 21,072          | -               | 42,182                        | 151,809                            | 170,280   | 347,113            | 2,149,185 | 62%                                   |
|                                                      | 2016               | 597,959              | 537,891    | -            | 331,277      | 21,332          | -               | 33,354                        | 165,644                            | 110,480   | 166,082            | 1,964,020 | 52%                                   |

<sup>12</sup> The AUD, GBP and CHF compensation paid during the years ended 30 June 2016 and 30 June 2017 have been converted to USD at an average exchange rate for the 2017 financial year: AUD – 1.33030 / CHF – 0.99277 / GBP – 0.78550. Both the amount of remuneration and any movement in comparison to prior years may be influenced by changes in the AUD/USD, GBP/USD and CHF/USD exchange rates.

<sup>13</sup> The Performance Rights and Options have been valued using a combination of the Binomial and Black Scholes option valuation methodologies including Monte Carlo simulation as at the grant date adjusted for the probability of hurdles being achieved. This valuation was undertaken by PricewaterhouseCoopers. The amounts disclosed have been determined by allocating the value of the 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 and Performance Rights that were granted in prior years.

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

<sup>15</sup> STI deferral was removed in 2016 however deferred awards for the Strategic Leadership Group are still outstanding.

<sup>16</sup> The fair value of the EDIP cash settled deferred payment has been measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.

<sup>17</sup> In 2016 D Lamont was executive KMP for the period 4 January 2016 to 30 June 2016 and remuneration disclosures include commencement benefits granted on employment.

# Directors' Report

## 12.2 Summary of Executive KMP allocated equity

### Final grant of legacy awards granted in October 2016

Executive KMP LTI opportunities are detailed in Table 9 below. For Performance Rights, Tranches 1 and 2 represent target and Tranche 3 represents maximum.

To determine the number of Performance Rights or Performance Rights to issue, CSL engages an external provider (PricewaterhouseCoopers) to assess the fair value of the awards. The LTI opportunity for each element is divided by the calculated fair value to determine the number of awards granted. The number and fair value (as determined by accounting standards) of Performance Rights and Options awarded to executive KMP in 2017 is shown in the following table in US Dollars. The awards had a grant date of 1 October 2016, a vesting date of August 2020 and an expiry date of 30 September 2021.

Notional Shares were granted under the EDIP on 1 October 2016 with a 30 September 2019 vesting date. There were no changes to the EDIP target opportunity for any executive KMP in 2017.

**Table 9: LTI granted in 2017**

| Executive     | Performance Rights                                 |                                                     |                                                    | Options                           |                                   |                                                    | EDIP                      |                                   |                     |                                                 |            |
|---------------|----------------------------------------------------|-----------------------------------------------------|----------------------------------------------------|-----------------------------------|-----------------------------------|----------------------------------------------------|---------------------------|-----------------------------------|---------------------|-------------------------------------------------|------------|
|               | Opportunity at Target level achievement as % of FR | Opportunity at Maximum level achievement as % of FR | Number of Performance Rights granted <sup>18</sup> | Face Value of grant <sup>19</sup> | Fair Value of grant <sup>20</sup> | Opportunity at Target level achievement as % of FR | Number of Options granted | Fair Value of grant <sup>21</sup> | Target as a % of FR | Number of Notional Shares granted <sup>22</sup> | Face Value |
| P Perreault   | 155%                                               | 174%                                                | 51,727                                             | 4,160,557                         | 3,008,008                         | 115%                                               | 163,514                   | 1,983,850                         | 40%                 | 8,559                                           | 690,034    |
| G Boss        | 65%                                                | 73%                                                 | 7,469                                              | 600,754                           | 434,305                           | 45%                                                | 22,035                    | 267,342                           | 25%                 | 1,842                                           | 148,504    |
| A Cuthbertson | 80%                                                | 90%                                                 | 11,389                                             | 916,051                           | 662,280                           | -                                                  | -                         | -                                 | 20%                 | 1,825                                           | 147,133    |
| K Etchberger  | 65%                                                | 73%                                                 | 6,825                                              | 548,955                           | 396,867                           | 45%                                                | 20,136                    | 244,302                           | 25%                 | 1,683                                           | 135,685    |
| D Lamont      | 65%                                                | 73%                                                 | 11,683                                             | 939,699                           | 679,385                           | -                                                  | -                         | -                                 | 15%                 | 1,728                                           | 139,313    |
| G Naylor      | 65%                                                | 73%                                                 | 11,031                                             | 887,256                           | 641,465                           | 40%                                                | 28,926                    | 350,948                           | 10%                 | 1,088                                           | 87,716     |
| L Reed        | 65%                                                | 73%                                                 | 5,613                                              | 451,470                           | 326,396                           | 45%                                                | 16,560                    | 200,916                           | 25%                 | 1,384                                           | 111,579    |
| R Repella     | 80%                                                | 90%                                                 | 10,368                                             | 833,929                           | 602,896                           | 55%                                                | 30,377                    | 368,552                           | 35%                 | 2,909                                           | 234,526    |
| V Romberg     | 65%                                                | 73%                                                 | 7,978                                              | 641,694                           | 463,914                           | 40%                                                | 20,920                    | 253,814                           | 35%                 | 2,754                                           | 222,030    |

<sup>18</sup> The total number of Performance Rights granted includes the Tranche 1 and 2 target award and Tranche 3 upside award.

<sup>19</sup> The face value is calculated using a share price of A\$107.00 being the share price on the date of grant.

<sup>20</sup> The number of Performance Rights is calculated based on an assessment of the fair market value of the instruments in accordance with the accounting standards (refer to Note 18 in the Financial Statements). The fair value of each Performance Right granted was Tranche 1: A\$60.07; Tranches 2 and 3: A\$100.50.

<sup>21</sup> The number of Options is calculated based on an assessment of the fair market value of the instruments in accordance with the accounting standards (refer to Note 18 in the Financial Statements). The fair value of each Option granted was A\$16.14.

<sup>22</sup> The number of Notional Shares was calculated based on a five day weighted average share price, being A\$107.25. The AUD value was converted to USD at an average exchange rate for the 2017 financial year of 1.33030.

## Directors' Report

### 12.3 Legacy LTI awards vested and lapsed in 2017

The table below summarises the number of LTI awards vested in US Dollars for each executive KMP. No Performance Rights or EDIP awards lapsed in 2017.

Table 10: LTI awards vested in 2017

| Executive     | Performance Rights vested |                     | EDIP vested <sup>23</sup> |                     |
|---------------|---------------------------|---------------------|---------------------------|---------------------|
|               | Number                    | Value <sup>24</sup> | Number                    | Value <sup>25</sup> |
| P Perreault   | 17,329                    | 1,367,380           | 16,200                    | 1,303,014           |
| G Boss        | 7,203                     | 568,367             | 4,050                     | 325,754             |
| A Cuthbertson | 12,224                    | 964,559             | -                         | -                   |
| K Etchberger  | 5,766                     | 454,978             | 2,800                     | 225,212             |
| D Lamont      | -                         | -                   | 7,400                     | 595,204             |
| G Naylor      | 15,234                    | 1,202,069           | -                         | -                   |
| L Reed        | -                         | -                   | 1,850                     | 148,801             |
| R Repella     | 2,104                     | 166,020             | 4,283                     | 344,494             |
| V Romberg     | 4,909                     | 387,355             | 1,850                     | 148,801             |

<sup>23</sup> Awards were granted 1 October 2013 with the exception of Mr Lamont where the award was January 2016 on commencement of employment.

<sup>24</sup> Performance Rights vested during the year, multiplied by the share price at the date of vesting. The AUD value was converted to USD at an average exchange rate for the 2017 financial year of 1.33030. The share price at vesting was A\$104.97.

<sup>25</sup> Notional Shares vested during the year, multiplied by the share price at the date of vesting. The AUD value was converted to USD at an average exchange rate for the 2017 financial year of 1.33030. The share price at vesting was A\$107.00.

## Directors' Report

### 12.4 Non-Executive Director Fees for 2016 and 2017

All amounts are presented in US Dollars.

Table 11: Statutory Remuneration Disclosure – Non-Executive Director Remuneration

| Non-Executive Director                             | Year <sup>26</sup> | Post-employment                    |                |                     | Total   |
|----------------------------------------------------|--------------------|------------------------------------|----------------|---------------------|---------|
|                                                    |                    | Cash salary and fees <sup>27</sup> | Superannuation | Retirement benefits |         |
| J Shine<br>Chairman                                | 2017               | 499,887                            | 26,310         | -                   | 526,197 |
|                                                    | 2016               | 469,767                            | 25,491         | -                   | 495,258 |
| J Akehurst<br>Non-Executive Director <sup>28</sup> | 2017               | 50,780                             | 4,112          | -                   | 54,892  |
|                                                    | 2016               | 173,117                            | 14,062         | -                   | 187,179 |
| D Anstice<br>Non-Executive Director                | 2017               | 197,366                            | 18,750         | -                   | 216,116 |
|                                                    | 2016               | 172,270                            | 16,366         | -                   | 188,636 |
| B Brook<br>Non-Executive Director                  | 2017               | 185,209                            | 14,745         | -                   | 199,954 |
|                                                    | 2016               | 173,117                            | 14,062         | -                   | 187,179 |
| M Clark<br>Non-Executive Director <sup>29</sup>    | 2017               | 181,451                            | 14,745         | -                   | 196,196 |
|                                                    | 2016               | 57,866                             | 5,497          | -                   | 63,363  |
| M McDonald<br>Non-Executive Director               | 2017               | 165,664                            | 14,746         | -                   | 180,410 |
|                                                    | 2016               | 154,311                            | 14,660         | -                   | 168,971 |
| C O'Reilly<br>Non-Executive Director               | 2017               | 186,713                            | 14,745         | -                   | 201,458 |
|                                                    | 2016               | 174,573                            | 14,062         | -                   | 188,635 |
| M Renshaw<br>Non-Executive Director                | 2017               | 182,607                            | 17,348         | -                   | 199,955 |
|                                                    | 2016               | 170,940                            | 16,239         | -                   | 187,179 |
| T Yamada<br>Non-Executive Director <sup>30</sup>   | 2017               | 148,588                            | -              | -                   | 148,588 |
|                                                    | 2016               | -                                  | -              | -                   | -       |

<sup>26</sup> The AUD compensation paid during the years ended 30 June 2016 and 30 June 2017 have been converted to USD at an average exchange rate for the 2017 financial year being 1.33030. 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>27</sup> As disclosed in the section titled "Non-Executive Director Remuneration", NEDs participate in the NED Share Plan under which NEDs are required to take at least 20% of their after-tax base fees (excluding superannuation guarantee contributions) in the form of shares in the Company which are purchased on-market at prevailing share prices. The value of this remuneration element is included in cash, salary and fees.

<sup>28</sup> J Akehurst was a NED for the period 1 July 2016 to 12 October 2016.

<sup>29</sup> In 2016 M Clark was a NED for the period 16 February 2016 to 30 June 2016.

<sup>30</sup> T Yamada was a NED for the period 1 September 2016 to 30 June 2017.

## Directors' Report

### 12.5 KMP Shareholdings

Details of shares held directly, indirectly or beneficially by each executive KMP and NED, including their related parties, is provided in Table 12. For executive KMP, details of Options and Performance Rights held are provided in Table 13. During 2017 no awards were forfeited.

Table 12: NED and Executive KMP shareholdings

| KMP                           | Balance at 1 July 2016 | Number of shares acquired on exercise of Options or Performance Rights during year | Value of shares acquired on exercise of Options <sup>31</sup> or Performance Rights during year | (Shares Sold) / Purchased | Balance at 30 June 2017 |
|-------------------------------|------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------|-------------------------|
| <b>Non-Executive Director</b> |                        |                                                                                    |                                                                                                 |                           |                         |
| J Shine                       | 10,051                 |                                                                                    |                                                                                                 | (201)                     | 9,850                   |
| D Anstice                     | 13,118                 |                                                                                    |                                                                                                 | 226                       | 13,344                  |
| B Brook                       | 4,502                  |                                                                                    |                                                                                                 | 181                       | 4,683                   |
| M Clark                       | 524                    |                                                                                    |                                                                                                 | 961                       | 1,485                   |
| M McDonald                    | 2,216                  |                                                                                    |                                                                                                 | 181                       | 2,397                   |
| C O'Reilly                    | 2,872                  |                                                                                    |                                                                                                 | 181                       | 3,053                   |
| M Renshaw                     | 8,990                  |                                                                                    |                                                                                                 | 181                       | 9,171                   |
| T Yamada <sup>32</sup>        | -                      |                                                                                    |                                                                                                 | 94                        | 94                      |
| <b>Executive KMP</b>          |                        |                                                                                    |                                                                                                 |                           |                         |
| P Perreault                   | 41,671                 | -                                                                                  | 17,329                                                                                          | (8,700)                   | 50,300                  |
| G Boss                        | 7,465                  | -                                                                                  | 7,203                                                                                           | (8,437)                   | 6,231                   |
| A Cuthbertson                 | 114,143                | -                                                                                  | -                                                                                               | -                         | 114,143                 |
| K Etchberger                  | 6,938                  | -                                                                                  | 5,766                                                                                           | -                         | 12,704                  |
| D Lamont                      | 775                    | -                                                                                  | -                                                                                               | 525                       | 1,300                   |
| G Naylor <sup>33</sup>        | 18,331                 | 14,720                                                                             | -                                                                                               | 8,361                     | 41,412                  |
| L Reed                        | -                      | -                                                                                  | -                                                                                               | -                         | -                       |
| R Repella                     | -                      | -                                                                                  | 2,104                                                                                           | (800)                     | 1,304                   |
| V Romberg                     | 700                    | -                                                                                  | -                                                                                               | 75                        | 775                     |

There have been no movements in shareholdings of executive KMP or NEDs between 30 June 2017 and the date of this Report.

<sup>31</sup> The value at exercise date has been determined by the share price at the close of business on exercise date less the Option exercise price, multiplied by the number of Options exercised during 2017. The AUD value was converted to USD at an average exchange rate for the year of 1.33030.

<sup>32</sup> The opening balance for T Yamada is 1 September 2016 being the date T Yamada became a NED.

<sup>33</sup> Restated opening balance to include related party holdings.



## Directors' Report

Table 13: Executive KMP Option and Performance Right Holdings

| KMP           | Instrument | Balance at 1 July 2016 | Number Granted | Number Exercised | Balance at 30 June 2017 | Number Vested during year | Balance at 30 June 2017 |          |
|---------------|------------|------------------------|----------------|------------------|-------------------------|---------------------------|-------------------------|----------|
|               |            |                        |                |                  |                         |                           | Vested <sup>34</sup>    | Unvested |
| Executive KMP |            |                        |                |                  |                         |                           |                         |          |
| P Perreault   | Options    | 242,739                | 163,514        | -                | 406,253                 | -                         | -                       | 406,253  |
|               | Rights     | 119,923                | 51,727         | 17,329           | 154,321                 | 17,329                    | -                       | 154,321  |
| G Boss        | Options    | 52,046                 | 22,035         | -                | 74,081                  | -                         | -                       | 74,081   |
|               | Rights     | 30,105                 | 7,469          | 7,203            | 30,371                  | 7,203                     | -                       | 30,371   |
| A Cuthbertson | Options    | -                      | -              | -                | -                       | -                         | -                       | -        |
|               | Rights     | 42,471                 | 11,389         | -                | 53,860                  | 12,224                    | 12,224                  | 41,636   |
| K Etchberger  | Options    | 46,838                 | 20,136         | -                | 66,974                  | -                         | -                       | 66,974   |
|               | Rights     | 26,085                 | 6,825          | 5,766            | 27,144                  | 5,766                     | -                       | 27,144   |
| D Lamont      | Options    | -                      | -              | -                | -                       | -                         | -                       | -        |
|               | Rights     | 27,544                 | 11,683         | -                | 39,227                  | -                         | -                       | 39,227   |
| G Naylor      | Options    | 76,357                 | 28,926         | 14,720           | 90,563                  | -                         | 18,920                  | 71,643   |
|               | Rights     | 101,197                | 11,031         | -                | 112,228                 | 15,234                    | 60,294                  | 51,934   |
| L Reed        | Options    | 35,782                 | 16,560         | -                | 52,342                  | -                         | -                       | 52,342   |
|               | Rights     | 12,234                 | 5,613          | -                | 17,847                  | -                         | -                       | 17,847   |
| R Repella     | Options    | 51,961                 | 30,377         | -                | 82,338                  | -                         | -                       | 82,338   |
|               | Rights     | 26,242                 | 10,368         | 2,104            | 34,506                  | 2,104                     | -                       | 34,506   |
| V Romberg     | Options    | 48,812                 | 20,920         | -                | 69,732                  | -                         | 2,870                   | 66,862   |
|               | Rights     | 27,836                 | 7,978          | -                | 35,814                  | 4,909                     | 9,609                   | 26,205   |

<sup>34</sup> Vested awards are exercisable to the executive KMP. There are no vested and unexercisable awards.

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

John Shine AC  
Chairman  
Melbourne  
15 August 2017

Paul Perreault  
Managing Director

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

CSL Limited

# **CSL Financial Statements 30 June 2017**

## Consolidated Statement of Comprehensive Income For the Year Ended 30 June 2017

| Consolidated Entity                                                                             |       |                |                |
|-------------------------------------------------------------------------------------------------|-------|----------------|----------------|
|                                                                                                 | Notes | 2017<br>US\$m  | 2016<br>US\$m  |
| <b>Continuing operations</b>                                                                    |       |                |                |
| Sales revenue                                                                                   |       | 6,615.8        | 5,909.5        |
| Pandemic Facility Reservation fees                                                              |       | 94.0           | 68.7           |
| Royalties and License revenue                                                                   |       | 203.3          | 122.7          |
| Other Income                                                                                    |       | 9.7            | 14.4           |
| <b>Total Operating Revenue</b>                                                                  |       | <b>6,922.8</b> | <b>6,115.3</b> |
| Cost of sales                                                                                   |       | (3,326.8)      | (3,052.8)      |
| <b>Gross profit</b>                                                                             |       | <b>3,596.0</b> | <b>3,062.5</b> |
| Research and development expenses                                                               | 6     | (645.3)        | (613.8)        |
| Selling and marketing expenses                                                                  |       | (697.0)        | (620.9)        |
| General and administration expenses                                                             |       | (484.8)        | (390.3)        |
| <b>Operating profit</b>                                                                         |       | <b>1,768.9</b> | <b>1,437.5</b> |
| Finance costs                                                                                   | 2     | (90.0)         | (71.6)         |
| Finance income                                                                                  |       | 10.9           | 13.9           |
| Gain on acquisition                                                                             | 1b    | -              | 176.1          |
| <b>Profit before income tax expense</b>                                                         |       | <b>1,689.8</b> | <b>1,555.9</b> |
| Income tax expense                                                                              | 3     | (352.4)        | (313.5)        |
| <b>Net profit for the period</b>                                                                |       | <b>1,337.4</b> | <b>1,242.4</b> |
| 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 | 12    | 97.5           | (126.9)        |
| <b>Items that will not be reclassified subsequently to profit or loss</b>                       |       |                |                |
| Actuarial gains/(losses) on defined benefit plans, net of tax                                   | 18    | 75.5           | (71.9)         |
| Total of other comprehensive income/(expenses)                                                  |       | 173.0          | (198.8)        |
| <b>Total comprehensive income for the period</b>                                                |       | <b>1,510.4</b> | <b>1,043.6</b> |
| <b>Earnings per share (based on net profit for the period)</b>                                  |       | <b>US\$</b>    | <b>US\$</b>    |
| Basic earnings per share                                                                        | 10    | 2.937          | 2.689          |
| Diluted earnings per share                                                                      | 10    | 2.931          | 2.683          |

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

## Consolidated Balance Sheet As at 30 June 2017

| Consolidated Entity                  |       |                |                |
|--------------------------------------|-------|----------------|----------------|
|                                      | Notes | 2017<br>US\$m  | 2016<br>US\$m  |
| <b>CURRENT ASSETS</b>                |       |                |                |
| Cash and cash equivalents            | 14    | 844.5          | 556.6          |
| Trade and other receivables          | 15    | 1,170.4        | 1,107.2        |
| Inventories                          | 4     | 2,575.8        | 2,152.0        |
| Current tax assets                   |       | 6.2            | 1.6            |
| Other financial assets               |       | 5.2            | 0.6            |
| <b>Total Current Assets</b>          |       | <b>4,602.1</b> | <b>3,818.0</b> |
| <b>NON-CURRENT ASSETS</b>            |       |                |                |
| Other receivables                    | 15    | 16.5           | 15.6           |
| Other financial assets               |       | 3.9            | 2.9            |
| Property, plant and equipment        | 8     | 2,942.7        | 2,389.6        |
| Deferred tax assets                  | 3     | 496.5          | 389.0          |
| Intangible assets                    | 7     | 1,055.4        | 942.6          |
| Retirement benefit assets            | 18    | 5.6            | 5.0            |
| <b>Total Non-Current Assets</b>      |       | <b>4,520.6</b> | <b>3,744.7</b> |
| <b>TOTAL ASSETS</b>                  |       | <b>9,122.7</b> | <b>7,562.7</b> |
| <b>CURRENT LIABILITIES</b>           |       |                |                |
| Trade and other payables             | 15    | 1,155.8        | 996.1          |
| Interest-bearing liabilities         | 11    | 122.5          | 62.3           |
| Current tax liabilities              |       | 202.5          | 207.3          |
| Provisions                           | 16    | 134.1          | 99.6           |
| Deferred government grants           | 9     | 3.2            | 3.1            |
| Derivative financial instruments     |       | -              | 6.0            |
| <b>Total Current Liabilities</b>     |       | <b>1,618.1</b> | <b>1,374.4</b> |
| <b>NON-CURRENT LIABILITIES</b>       |       |                |                |
| Other non-current liabilities        | 15    | 25.8           | 18.8           |
| Interest-bearing liabilities         | 11    | 3,852.7        | 3,081.0        |
| Deferred tax liabilities             | 3     | 138.2          | 119.2          |
| Provisions                           | 16    | 32.9           | 40.5           |
| Deferred government grants           | 9     | 35.9           | 35.0           |
| Retirement benefit liabilities       | 18    | 255.3          | 326.6          |
| <b>Total Non-Current Liabilities</b> |       | <b>4,340.8</b> | <b>3,621.1</b> |
| <b>TOTAL LIABILITIES</b>             |       | <b>5,958.9</b> | <b>4,995.5</b> |
| <b>NET ASSETS</b>                    |       | <b>3,163.8</b> | <b>2,567.2</b> |
| <b>EQUITY</b>                        |       |                |                |
| Contributed equity                   | 12    | (4,534.3)      | (4,213.0)      |
| Reserves                             | 12    | 294.2          | 187.9          |
| Retained earnings                    | 19    | 7,403.9        | 6,592.3        |
| <b>TOTAL EQUITY</b>                  |       | <b>3,163.8</b> | <b>2,567.2</b> |

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

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

| Consolidated Entity                                         | Contributed Equity<br>US\$m |                  | Foreign currency<br>translation reserve<br>US\$m |              | Share based<br>payment reserve<br>US\$m |              | Retained earnings<br>US\$m |                | Total<br>US\$m |                |
|-------------------------------------------------------------|-----------------------------|------------------|--------------------------------------------------|--------------|-----------------------------------------|--------------|----------------------------|----------------|----------------|----------------|
|                                                             | 2017                        | 2016             | 2017                                             | 2016         | 2017                                    | 2016         | 2017                       | 2016           | 2017           | 2016           |
| <b>As at the beginning of the year</b>                      | <b>(4,213.0)</b>            | <b>(3,560.4)</b> | <b>28.5</b>                                      | <b>155.4</b> | <b>159.4</b>                            | <b>151.1</b> | <b>6,592.3</b>             | <b>6,000.8</b> | <b>2,567.2</b> | <b>2,746.9</b> |
| Profit for the period                                       | -                           | -                | -                                                | -            | -                                       | -            | 1,337.4                    | 1,242.4        | 1,337.4        | 1,242.4        |
| Other comprehensive income                                  | -                           | -                | 97.5                                             | (126.9)      | -                                       | -            | 75.5                       | (71.9)         | 173.0          | (198.8)        |
| <b>Total comprehensive income for the full year</b>         |                             |                  |                                                  |              |                                         |              |                            |                | <b>1,510.4</b> | <b>1,043.6</b> |
| <b>Transactions with owners in their capacity as owners</b> |                             |                  |                                                  |              |                                         |              |                            |                |                |                |
| Share based payments                                        | -                           | -                | -                                                | -            | 8.8                                     | 8.3          | -                          | -              | 8.8            | 8.3            |
| Dividends                                                   | -                           | -                | -                                                | -            | -                                       | -            | (601.3)                    | (579.0)        | (601.3)        | (579.0)        |
| Share buy back                                              | (334.0)                     | (670.0)          | -                                                | -            | -                                       | -            | -                          | -              | (334.0)        | (670.0)        |
| Share issues                                                | -                           | -                | -                                                | -            | -                                       | -            | -                          | -              | -              | -              |
| - Employee share scheme                                     | 12.7                        | 17.4             | -                                                | -            | -                                       | -            | -                          | -              | 12.7           | 17.4           |
| <b>As at the end of the year</b>                            | <b>(4,534.3)</b>            | <b>(4,213.0)</b> | <b>126.0</b>                                     | <b>28.5</b>  | <b>168.2</b>                            | <b>159.4</b> | <b>7,403.9</b>             | <b>6,592.3</b> | <b>3,163.8</b> | <b>2,567.2</b> |

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

## Consolidated Statement of Cash Flows

For the year ended 30 June 2017

|                                                                           | Consolidated Entity |                |
|---------------------------------------------------------------------------|---------------------|----------------|
|                                                                           | 2017<br>US\$m       | 2016<br>US\$m  |
| <b>Cash flows from Operating Activities</b>                               |                     |                |
| Receipts from customers (inclusive of goods and services tax)             | 6,749.2             | 5,982.7        |
| Payments to suppliers and employees (inclusive of goods and services tax) | (4,946.9)           | (4,417.0)      |
|                                                                           | 1,802.3             | 1,565.7        |
| Income taxes paid                                                         | (468.3)             | (326.2)        |
| Interest received                                                         | 6.7                 | 14.1           |
| Borrowing costs                                                           | (94.1)              | (75.0)         |
| <b>Net cash inflow from operating activities</b>                          | <b>1,246.6</b>      | <b>1,178.6</b> |
| <b>Cash flows from Investing Activities</b>                               |                     |                |
| Proceeds from sale of property, plant and equipment                       | 0.1                 | 0.1            |
| Payments for property, plant and equipment                                | (689.1)             | (495.1)        |
| Payments for intangible assets                                            | (171.5)             | (70.6)         |
| Payments for business acquisition (Net of cash acquired)                  | -                   | (244.6)        |
| (Payments)/receipts from other financial assets                           | (2.4)               | 0.1            |
| <b>Net cash outflow from investing activities</b>                         | <b>(862.9)</b>      | <b>(810.1)</b> |
| <b>Cash flows from Financing Activities</b>                               |                     |                |
| Proceeds from issue of shares                                             | 12.7                | 17.4           |
| Dividends paid                                                            | (601.4)             | (579.0)        |
| Proceeds from borrowings                                                  | 1,381.4             | 1,564.3        |
| Repayment of borrowings                                                   | (581.3)             | (716.9)        |
| Payment for shares bought back                                            | (314.9)             | (648.2)        |
| <b>Net cash outflow from financing activities</b>                         | <b>(103.5)</b>      | <b>(362.4)</b> |
| <b>Net increase in cash and cash equivalents</b>                          | <b>280.2</b>        | <b>6.1</b>     |
| Cash and cash equivalents at the beginning of the financial year          | 555.3               | 555.5          |
| Exchange rate variations on foreign cash and cash equivalent balances     | 7.5                 | (6.3)          |
| <b>Cash and cash equivalents at the end of the financial year</b>         | <b>843.0</b>        | <b>555.3</b>   |

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

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## About this Report

### Notes to the financial statements:

#### Corporate information

CSL Limited ("CSL") is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange. This financial report covers the financial statements for the consolidated entity consisting of CSL and its subsidiaries (together referred to as the Group). The financial report was authorised for issue in accordance with a resolution of directors on 15 August 2017.

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

#### a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, International Financial Reporting Standards (IFRS) and the Corporations Act 2001. It presents information on a historical cost basis, except for certain financial instruments including derivatives, which have been measured at fair value. Amounts have been rounded off to the nearest hundred thousand dollars. The presentation of revenue items in the Consolidated Statement of Comprehensive Income and in the Segment Note has been changed from previous full year financial report. There are no new disclosures; however, revenue items previously disclosed in the Notes have been moved to the Statement. This has been done to provide a comprehensive picture of the components of operating revenue earned by the Group in the Statement. As a result the calculation of Gross Profit has been amended. Prior year comparatives have been presented on a basis consistent with the updated disclosure.

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

#### b. Principles of consolidation

The consolidated financial statements comprise the financial statements of CSL and its subsidiaries as at 30 June 2017. CSL has control of its subsidiaries when it is exposed to, and has the rights to, variable returns from its involvement with

those entities and when it has the ability to affect those returns. A list of significant controlled entities (subsidiaries) at year-end is contained in Note 17. During the year ended 30 June 2016 CSL assumed control of entities acquired as part of the acquisition of the Novartis Influenza business. Details of the acquisition are contained in Note 1b.

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

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

#### c. Foreign currency

While the presentation currency of the Group is US dollars, entities in the Group may have other functional currencies, reflecting the currency of the primary economic environment in which the relevant entity operates. The parent entity, CSL Limited, has a functional currency of Australian dollars.

If an entity in the Group has undertaken transactions in foreign currency, these transactions are translated into that entity's functional currency using the exchange rates prevailing at the dates of the transactions. Where the functional currency of a subsidiary is not US dollars, the subsidiary's assets and liabilities are translated on consolidation to US dollars using the exchange rates prevailing at the reporting date, and its profit and loss is translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income and in the foreign currency translation reserve in equity.

#### d. Other accounting policies

Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.



## e. Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and estimates of future events. Material judgements and estimates are found in the following notes:

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## f. The notes to the financial statements

The notes to these financial statements have been organised into logical groupings to help users find and understand the information they need. Where possible, related information has been provided in the same place. More detailed information (for example, valuation methodologies and certain reconciliations) has been placed at the rear of the document and cross-referenced where necessary. CSL has also reviewed the notes for materiality and relevance and provided additional information where it is helpful to an understanding of the Group's performance.

## g. Significant changes in the current reporting period

There were no changes in accounting policy during the year ended 30 June 2017, nor did the introduction of new accounting standards lead to any change in measurement or disclosure in these financial statements. See Note 24 for details of new accounting standards introduced this financial year.

## Our Current Performance

### Note 1: Segment Information and Business Combinations

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

During the first half of the financial year the Company conducted a review of internal reporting to the CEO (the chief operating decision maker) and determined that the reporting of CSL Intellectual Property separately from the rest of the business was no longer relevant to the CEO's review of financial performance. As a consequence the number of operating segments has been reduced from three to two. The revenues and expenses of the prior CSL Intellectual Property segment have been combined with the financial results of the CSL Behring segment. In addition, revenue and expenses previously disclosed as unallocated are now also included in the CSL Behring segment. Items previously disclosed in the CSL Intellectual Property segment and as unallocated are managed by members of the Global Leadership Group, excluding the President of Seqirus, who report directly to the CEO and the performance of those elements is not reported to the CEO separately from similar items included in the CSL Behring business. The Seqirus operating segment already contains all of the revenues and expenses relevant to the CEO's monitoring of financial performance of that business. The revised Segment disclosure therefore replicates the manner in which the CEO monitors the business performance. Prior year comparatives have been restated so as to be presented in a consistent manner with the current year segment results.

The Group's operating segments are:

- **CSL Behring** – manufactures, markets, and develops plasma therapies (plasma products and recombinants), conducts early stage research on plasma and non-plasma therapies, excluding influenza, receives licence and royalty income from the commercialisation of intellectual property and undertakes the administrative and corporate function required to support the Group.
- **Seqirus** – manufactures and distributes non-plasma biotherapeutic products.

|                                                                               | CSL Behring    |                | Seqirus        |                | Intersegment Elimination |                | Consolidated Entity |                |
|-------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|--------------------------|----------------|---------------------|----------------|
|                                                                               | US\$m          |                | US\$m          |                | US\$m                    |                | US\$m               |                |
|                                                                               | 2017           | 2016           | 2017           | 2016           | 2017                     | 2016           | 2017                | 2016           |
| Sales to external customers                                                   | 5,834.8        | 5,257.4        | 781.0          | 652.1          | -                        | -              | 6,615.8             | 5,909.5        |
| Pandemic Facility Reservation fees                                            | -              | -              | 94.0           | 68.7           | -                        | -              | 94.0                | 68.7           |
| Royalties and License revenue                                                 | 183.0          | 122.6          | 20.3           | 0.1            | -                        | -              | 203.3               | 122.7          |
| Other revenue / Other income (excl interest income)                           | 5.2            | 3.9            | 4.5            | 10.5           | -                        | -              | 9.7                 | 14.4           |
| <b>Total segment revenue</b>                                                  | <b>6,023.0</b> | <b>5,383.9</b> | <b>899.8</b>   | <b>731.4</b>   | <b>-</b>                 | <b>-</b>       | <b>6,922.8</b>      | <b>6,115.3</b> |
| <b>Segment Gross Profit</b>                                                   | <b>3,358.3</b> | <b>2,934.5</b> | <b>237.7</b>   | <b>163.5</b>   | <b>-</b>                 | <b>-</b>       | <b>3,596.0</b>      | <b>3,098.0</b> |
| <b>Segment Gross Profit %</b>                                                 | <b>55.8%</b>   | <b>54.5%</b>   | <b>26.4%</b>   | <b>22.4%</b>   | <b>-</b>                 | <b>-</b>       | <b>51.9%</b>        | <b>50.7%</b>   |
| <b>Segment EBIT #</b>                                                         | <b>1,958.3</b> | <b>1,773.0</b> | <b>(179.4)</b> | <b>(244.5)</b> | <b>-</b>                 | <b>-</b>       | <b>1,778.9</b>      | <b>1,528.5</b> |
| Acquisition related costs                                                     |                |                |                |                |                          |                | (10.0)              | (90.9)         |
| <b>Consolidated Operating Profit #</b>                                        |                |                |                |                |                          |                | <b>1,768.9</b>      | <b>1,437.5</b> |
| Gain on Business Acquisition                                                  |                |                |                |                |                          |                | -                   | 176.1          |
| Interest income                                                               |                |                |                |                |                          |                | 10.9                | 13.9           |
| Finance costs                                                                 |                |                |                |                |                          |                | (90.0)              | (71.6)         |
| <b>Consolidated profit before tax</b>                                         |                |                |                |                |                          |                | <b>1,689.8</b>      | <b>1,555.9</b> |
| Income tax expense                                                            |                |                |                |                |                          |                | (352.4)             | (313.5)        |
| <b>Consolidated net profit after tax</b>                                      |                |                |                |                |                          |                | <b>1,337.4</b>      | <b>1,242.4</b> |
| Amortisation                                                                  | 40.1           | 27.2           | 31.3           | 9.4            | -                        | -              | 71.4                | 36.6           |
| Depreciation                                                                  | 184.1          | 160.7          | 23.7           | 23.0           | -                        | -              | 207.8               | 183.7          |
| <b>Segment EBITDA #</b>                                                       | <b>2,182.5</b> | <b>1,960.9</b> | <b>(124.4)</b> | <b>(212.1)</b> | <b>-</b>                 | <b>-</b>       | <b>2,058.1</b>      | <b>1,748.8</b> |
| Acquisition related costs                                                     |                |                |                |                |                          |                | (10.0)              | (90.9)         |
| <b>Consolidated EBITDA #</b>                                                  |                |                |                |                |                          |                | <b>2,048.1</b>      | <b>1,657.9</b> |
| <b>Segment assets</b>                                                         | <b>9,108.4</b> | <b>7,274.7</b> | <b>1,417.7</b> | <b>1,129.9</b> | <b>(1,403.4)</b>         | <b>(841.9)</b> | <b>9,122.7</b>      | <b>7,562.7</b> |
| <b>Total assets</b>                                                           |                |                |                |                |                          |                | <b>9,122.7</b>      | <b>7,562.7</b> |
| <b>Segment liabilities</b>                                                    | <b>5,844.6</b> | <b>4,801.6</b> | <b>1,517.7</b> | <b>1,035.8</b> | <b>(1,403.4)</b>         | <b>(841.9)</b> | <b>5,958.9</b>      | <b>4,995.5</b> |
| <b>Total liabilities</b>                                                      |                |                |                |                |                          |                | <b>5,958.9</b>      | <b>4,995.5</b> |
| <b>Other information - capital expenditure excluding Business Acquisition</b> |                |                |                |                |                          |                |                     |                |
| Payments for property, plant and equipment                                    | 636.9          | 456.9          | 52.2           | 38.2           | -                        | -              | 689.1               | 495.1          |
| Payments for intangibles                                                      | 81.5           | 56.7           | 90.0           | 13.9           | -                        | -              | 171.5               | 70.6           |
| <b>Total capital expenditure excluding Business Acquisition</b>               |                |                |                |                |                          |                | <b>860.6</b>        | <b>565.7</b>   |

# Segment and Consolidated EBIT and EBITDA exclude the gain on acquisition of \$176.1m in 2016

## Inter-segment sales

Inter-segment sales are carried out on an arm's length basis and reflect current market prices.

## Geographical areas of operation

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

| Geographic areas                                 | Australia |       | United States |         | Germany |       | Switzerland |         | UK    |       | Rest of world |         | Total   |         |
|--------------------------------------------------|-----------|-------|---------------|---------|---------|-------|-------------|---------|-------|-------|---------------|---------|---------|---------|
|                                                  | US\$m     |       | US\$m         |         | US\$m   |       | US\$m       |         | US\$m |       | US\$m         |         | US\$m   |         |
|                                                  | 2017      | 2016  | 2017          | 2016    | 2017    | 2016  | 2017        | 2016    | 2017  | 2016  | 2017          | 2016    | 2017    | 2016    |
| External sales revenue                           | 643.7     | 513.6 | 2,850.8       | 2,407.8 | 695.9   | 680.4 | 217.0       | 200.7   | 213.8 | 274.7 | 1,994.6       | 1,832.3 | 6,615.8 | 5,909.5 |
| Property, plant, equipment and intangible assets | 657.0     | 541.1 | 1,422.0       | 1,203.9 | 465.1   | 377.8 | 1,202.7     | 1,020.0 | 239.3 | 179.3 | 12.0          | 10.1    | 3,998.1 | 3,332.2 |

## Note 1b: Business Combination

No business combinations occurred in the financial year ended 30 June 2017.

On 31 July 2015 CSL completed the acquisition of Novartis' global influenza vaccine business. The acquired business has been combined with CSL's existing influenza business to create Seqirus, one of the top influenza businesses globally.

The acquirer 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 were subject to a delayed legal close for employee and/or regulatory reasons however CSL exercised control over those Businesses and was exposed to, and had the ability to affect, the variable returns associated with its involvement with those entities. As at 30 June 2017 all of the delayed closes have been completed.

The consideration was paid 100% in cash and there was no contingent consideration in this transaction.

The fair value of assets and liabilities acquired are:

| Asset Class                              | US\$m        |
|------------------------------------------|--------------|
| Cash                                     | 35.9         |
| Trade and other receivables              | 81.7         |
| Inventory                                | 193.8        |
| Land                                     | 7.8          |
| Buildings                                | 48.6         |
| Plant & equipment                        | 227.8        |
| Intangible assets                        | 31.6         |
| Deferred tax assets                      | 22.6         |
| Other non-current assets                 | 2.6          |
| Trade creditors & accruals               | (183.7)      |
| Non-current liabilities                  | (12.1)       |
| <b>Fair Value of Net Assets Acquired</b> | <b>456.6</b> |
| Consideration paid                       | 280.5        |
| <b>Gain on acquisition</b>               | <b>176.1</b> |

The gain on acquisition arises due to the bargain purchase nature of the transaction and is recognised in the Statement of Comprehensive Income. The gain on acquisition is the difference between the fair value of net assets acquired and the consideration paid or payable.

## Note 2: Revenue and Expenses

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

### Recognition and measurement of revenue

Revenue is recognised and measured at the fair value of the consideration that has been or will be received. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that the future economic benefits will flow to the Group.

Further information about each source of revenue and the criteria for recognition follows.

**Sales:** Revenue earned (net of returns, discounts and allowances) from the sale of products. Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

**Royalties:** Income received or receivable from licensees of CSL intellectual property. Where the amount payable is based on sales of product, is recognised as it accrues which is when the Group has a legally enforceable claim.

**Finance revenue:** Income from cash deposits is recognised as it accrues.

**Licence revenue:** Milestone income received or receivable from licensees of CSL intellectual property is recognised as it accrues.

**Pandemic facility reservation fees:** Income received from governments in return for access to influenza manufacturing facilities in the event of a pandemic. Contracts are time based and revenue is accrued progressively over the life of the relevant contract.

**Other:** Rent, proceeds from sale of fixed assets and other income is recognised as it accrues.

| Expenses                                           | 2017         | 2016    |
|----------------------------------------------------|--------------|---------|
|                                                    | US\$m        | US\$m   |
| Finance costs                                      | 90.0         | 71.6    |
| Depreciation and amortisation of fixed assets      | 207.8        | 183.7   |
| Amortisation of intangibles                        | 71.4         | 36.6    |
| <b>Total depreciation and amortisation expense</b> | <b>279.2</b> | 220.3   |
| Write-down of inventory to net realisable value    | 189.8        | 57.3    |
| Rental expenses relating to operating leases       | 57.5         | 47.4    |
| Employee benefits expense                          | 1,618.3      | 1,454.3 |
| Net foreign exchange loss                          | 64.3         | 47.5    |

### Recognition and measurement of expenses

**Finance costs:** Includes interest expense and borrowing costs. These are recognised as an expense when incurred, except where finance costs are directly attributable to the acquisition or construction of a qualifying asset. In this case they are capitalised as part of the cost of the asset. Interest-bearing liabilities and borrowings are stated at amortised cost. Any difference between the borrowing proceeds (net of transaction costs) and the redemption value is recognised in the

statement of comprehensive income over the borrowings' period using the effective interest method.

**Depreciation and amortisation:** Refer to Note 8 for details on depreciation and amortisation of fixed assets and Note 7 for details on amortisation of intangibles.

**Write-down of inventory to net realisable value:** Included in Cost of Sales in the Statement of Comprehensive Income. Refer to Note 4 for details of inventories.

**Employee benefits expense:** Refer to Note 5 for further details.

#### Rental expenses relating to operating leases:

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

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

Revenues, expenses and assets are recognised net of GST, except where GST is not recoverable from a taxation authority, in which case it is recognised as part of an asset's cost of acquisition or as part of the expense.

## Note 3: Tax

|                                                                                                                                                                   | 2017         | 2016         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                                                                                   | US\$m        | US\$m        |
| <b>a. Income tax expense recognised in the statement of comprehensive income</b>                                                                                  |              |              |
| <i>Current tax expense</i>                                                                                                                                        |              |              |
| Current year                                                                                                                                                      | 454.9        | 419.5        |
| <i>Deferred tax expense</i>                                                                                                                                       |              |              |
| Origination and reversal of temporary differences                                                                                                                 | (110.7)      | (98.5)       |
| Total deferred tax expense/(recovery)                                                                                                                             | (110.7)      | (98.5)       |
| Over/(under) provided in prior years                                                                                                                              | 8.2          | (7.5)        |
| <b>Income tax expense</b>                                                                                                                                         | <b>352.4</b> | <b>313.5</b> |
| <b>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                                                                                                                               | 1,689.8      | 1,555.9      |
| Income tax calculated at 30% (2016: 30%)                                                                                                                          | 507.0        | 466.8        |
| Effects of different rates of tax on overseas income                                                                                                              | (157.6)      | (98.5)       |
| Research and development                                                                                                                                          | (13.3)       | (15.7)       |
| Over/(under) provision in prior year                                                                                                                              | 8.2          | (7.5)        |
| Intercompany restructuring                                                                                                                                        | -            | 12.0         |
| Nontaxable gain on acquisition                                                                                                                                    | -            | (52.8)       |
| Other non-deductible expenses                                                                                                                                     | 8.1          | 9.2          |
| <b>Income tax expense</b>                                                                                                                                         | <b>352.4</b> | <b>313.5</b> |
| <b>c. Income tax recognised directly in equity</b>                                                                                                                |              |              |
| <i>Deferred tax benefit</i>                                                                                                                                       |              |              |
| Share-based payments                                                                                                                                              | 3.7          | 0.9          |
| <b>Income tax benefit recognised in equity</b>                                                                                                                    | <b>3.7</b>   | <b>0.9</b>   |
| <b>d. Deferred tax assets and liabilities</b>                                                                                                                     |              |              |
| Deferred tax asset                                                                                                                                                | 496.5        | 389.0        |
| Deferred tax liability                                                                                                                                            | (138.2)      | (119.2)      |
| <b>Net deferred tax asset</b>                                                                                                                                     | <b>358.3</b> | <b>269.8</b> |

## Note 3: Tax

|                                                                             | 2017         | 2016         |
|-----------------------------------------------------------------------------|--------------|--------------|
|                                                                             | US\$m        | US\$m        |
| <b>Deferred tax balances reflect temporary differences attributable to:</b> |              |              |
| Amounts recognised in the statement of comprehensive income                 |              |              |
| Inventories                                                                 | 189.6        | 114.6        |
| Property, plant and equipment                                               | (112.8)      | (82.5)       |
| Intangible assets                                                           | (116.2)      | (102.4)      |
| Trade and other payables                                                    | 32.3         | 18.5         |
| Recognised carry forward tax losses <sup>a</sup>                            | 226.8        | 155.6        |
| Retirement liabilities, net                                                 | 42.1         | 53.5         |
| Research and development offsets                                            | -            | 10.2         |
| Trade and other receivables                                                 | 2.0          | (2.2)        |
| Other assets                                                                | 12.2         | 10.0         |
| Interest bearing liabilities                                                | (1.0)        | -            |
| Other liabilities and provisions                                            | 63.8         | 80.4         |
| Tax bases not in net assets - share-based payments                          | 0.5          | (1.4)        |
| <b>Total recognised in the statement of comprehensive income</b>            | <b>339.3</b> | <b>254.3</b> |
| Amounts recognised in equity                                                |              |              |
| Share-based payments                                                        | 19.0         | 15.5         |
| <b>Net deferred tax asset</b>                                               | <b>358.3</b> | <b>269.8</b> |
| <b>e. Movement in temporary differences during the year</b>                 |              |              |
| Opening balance                                                             | 269.8        | 136.2        |
| Acquired through business acquisition                                       | -            | 22.6         |
| Credited/(charged) to profit before tax                                     | 100.6        | 98.5         |
| Credited/(charged) to other comprehensive income                            | (14.2)       | 15.7         |
| Credited to equity                                                          | 3.7          | 0.9          |
| Currency translation difference                                             | (1.6)        | (4.1)        |
| <b>Closing balance</b>                                                      | <b>358.3</b> | <b>269.8</b> |
| <b>Unrecognised deferred tax assets</b>                                     |              |              |
| Deferred tax assets have not been recognised for the following items:       |              |              |
| Tax losses with no expiry date <sup>b</sup>                                 | 0.4          | 0.4          |

<sup>a</sup> Deferred tax assets in respect of carry forward tax losses are principally recorded in CSL entities in Switzerland and the UK (prior year: Switzerland and the UK) and are recognised as it is probable that future taxable profit will be available in those entities to utilise the losses.

<sup>b</sup> 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.

## Current taxes

Current tax assets and liabilities are the amounts expected to be recovered from (or paid to) tax authorities, under the tax rates and laws in each jurisdiction. These include any rates or laws that are enacted or substantively enacted as at the balance sheet date.

## Deferred taxes

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, carried forward unused tax assets and unused tax losses, only if it is probable that taxable profit will be available to utilise them.

The carrying amount of deferred income tax assets is reviewed at the reporting date. If it is no longer probable that taxable profit will be available to utilise them, they are reduced accordingly.

Deferred tax is measured using tax rates and laws that are enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled.

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

Income taxes attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or in equity, and not in the income statement.

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

### Key Judgements and Estimates - Tax

*Management regularly assesses the risk of uncertain tax positions, and recognition and recoverability of deferred tax assets. To do this requires judgements about the application of income tax legislation in jurisdictions in which the Group operates and the future operating performance of entities with carry forward losses. These judgements and assumptions, which include matters such as the availability and timing of tax deductions and the application of the arm's length principle to related party transactions, are subject to risk and uncertainty. Changes in circumstances may alter expectations and affect the carrying amount of deferred tax assets and liabilities. Any resulting adjustment to the carrying value of a deferred tax item will be recorded as a credit or charge to the statement of comprehensive income.*

## Note 4: Inventories

|                          | 2017           | 2016    |
|--------------------------|----------------|---------|
|                          | US\$m          | US\$m   |
| Raw materials            | 631.4          | 550.5   |
| Work in progress         | 995.2          | 816.9   |
| Finished products        | 949.2          | 784.6   |
| <b>Total inventories</b> | <b>2,575.8</b> | 2,152.0 |

### Raw Materials

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

### Work in Progress

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



## Finished Products

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

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

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

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

### *Key judgements and estimates - Inventory*

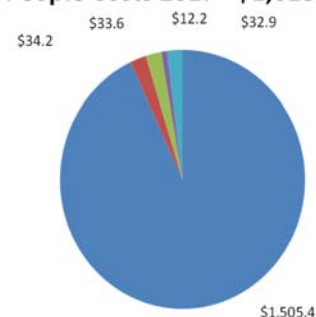
*Various factors affect the assessment of recoverability of the carrying value of inventory, including regulatory approvals and future demand for the Group's products. These factors are taken into account in determining the appropriate level of provisioning for inventory.*

## Note 5: People Costs

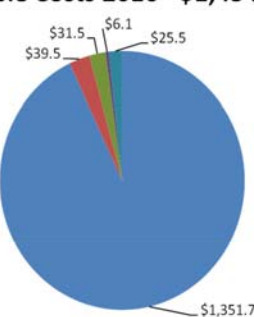
### a. Employee benefits

Employee benefits include salaries and wages, annual leave and long-service leave, defined benefit and defined contribution plans and share-based payments incentive awards.

**People Costs 2017 - \$1,618.3m**



**People Costs 2016 - \$1,454.3m**



■ Salaries and wages  
 ■ Defined benefit plan expense  
 ■ Defined contribution plan expense  
 ■ Equity settled share-based payments expense (LTI)  
 ■ Cash settled share-based payments expense (EDIP)

### Salaries and wages

Wages and salaries include non-monetary benefits, annual leave and long service leave. These are recognised and presented in different ways in the financial statements:

- The liability for annual leave and the portion of long service leave expected to be paid within twelve months is measured at the amount expected to be paid.
- The liability for long service leave and annual leave expected to be paid after one year is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.
- The liability for annual leave and the portion of long service leave that has vested at the reporting date is included in the current provision for employee benefits.
- The portion of long service leave that has not vested at the reporting date is included in the non-current provision for employee benefits.

## Defined benefit plans

|                                                                                             | 2017        | 2016        |
|---------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                             | US\$m       | US\$m       |
| <b>Expenses/(gains) recognised in the statement of comprehensive income are as follows:</b> |             |             |
| Current service costs                                                                       | 32.0        | 27.7        |
| Net Interest cost                                                                           | 2.2         | 3.8         |
| Past service costs                                                                          | -           | 8.0         |
| <b>Total included in employee benefits expense</b>                                          | <b>34.2</b> | <b>39.5</b> |

Defined benefit pension plans provide either a defined lump sum or ongoing pension benefits for employees upon retirement, based on years of service and final average salary.

Liabilities or assets in relation to these plans are recognised in the balance sheet, measured as the present value of the obligation less the fair value of the pension fund's assets at that date.

Present value is based on expected future payments to the reporting date, calculated by independent actuaries using the projected unit credit method. Past service costs are recognised in income on the earlier of the date of plan amendments or curtailment, and the date that the Group recognises restructuring related costs.

Detailed information about the Group's defined benefit plans is in Note 18.

### *Key judgements and estimates – People Costs*

*The determination of certain employee benefit liabilities requires an estimation of future employee service periods and salary levels and the timing of benefit payments. These assessments are made based on past experience and anticipated future trends. The expected future payments are discounted using the rate applicable to high quality corporate bonds. Discount rates are matched to the expected payment dates of the liabilities.*

## Defined contribution plans

The Group makes contributions to various defined contribution pension plans and the Group's obligation is limited to these contributions. The amount recognised as an expense for the year ended 30 June 2017 was \$33.6m (2016: \$31.5m).

## Equity settled share-based payments expense

Share-based payments expenses arise from plans that award long-term incentives.

Detailed information about the terms and conditions of the share-based payments arrangements is presented in Note 18.

### *Outstanding share-based payment equity instruments*

The number and weighted average exercise price for each share-based payment scheme outstanding is as follows. All schemes are settled by physical delivery of shares except for instruments granted to good leavers from 2012 onwards, which may be settled in cash at the discretion of the company.

|                                          | Options |                                 | Performance Rights |                                 | Global Employee Share Plan (GESP)# |                                 | Total     |
|------------------------------------------|---------|---------------------------------|--------------------|---------------------------------|------------------------------------|---------------------------------|-----------|
|                                          | Number  | Weighted average exercise price | Number             | Weighted average exercise price | Number                             | Weighted average exercise price |           |
| Outstanding at the beginning of the year | 678,144 | A\$74.27                        | 773,104            | A\$0.00                         | 75,730                             | A\$87.81                        | 1,526,978 |
| Granted during the year                  | 321,098 | A\$107.25                       | 228,668            | A\$0.00                         | 162,150                            | A\$96.55                        | 711,916   |
| Exercised during the year                | 92,476  | A\$33.49                        | 94,380             | A\$0.00                         | 152,737                            | A\$89.74                        | 339,593   |
| Cash settled during the year             | -       | -                               | 56,553             | A\$0.00                         | -                                  | -                               | 56,553    |
| Forfeited during the year                | -       | -                               | 2,240              | A\$0.00                         | -                                  | -                               | 2,240     |
| GESP True-up #                           | -       | -                               | -                  | -                               | (1,613)                            | A\$87.81                        | (1,613)   |
| Closing balance at the end of the year   | 906,766 | A\$90.10                        | 848,599            | A\$0.00                         | 83,530                             | A\$100.40                       | 1,838,895 |
| Exercisable at the end of the year       | 33,070  | A\$29.34                        | 150,775            | A\$0.00                         |                                    |                                 | 183,845   |

# The exercise price at which GESP plan shares are issued is calculated at a 15% discount to the lower of the ASX market price on the first and last dates of the contribution period. Accordingly the exercise price and the final number of shares to be issued is not yet known (and may differ from the assumptions and fair values disclosed above). The number of shares which may ultimately be issued from entitlements granted on 1 March 2017 has been estimated based on information available as at 30 June 2017.

The share price at the dates of exercise (expressed as a weighted average) by equity instrument type, is as follows:

|                    | 2017             | 2016      |
|--------------------|------------------|-----------|
| Options            | <b>A\$113.27</b> | A\$101.87 |
| Performance Rights | <b>A\$108.73</b> | A\$98.02  |
| GESP               | <b>A\$113.12</b> | A\$97.37  |

### Cash-settled share-based payments expense

On 1 October 2016, 281,715 notional shares were granted to employees under the Executive Deferred Incentive Plan (EDIP) (October 2015: 257,850). The notional shares will generate a cash payment to participants in three years' time, provided they are still employed by the company and receive a satisfactory performance review over that period. On 1 July 2016, 1 January 2017 and 1 April 2017, additional notional shares were granted of 2,568, 3,922 and 3,243, respectively (January 2016: 29,048; March 2016: 67,782; April 2016: 10,309). These notional shares will generate a cash payment to participants based on a prorated vesting period from the respective grant dates and must comply with the employment and performance criteria previously noted. The amount of the cash payment will be determined by reference to the CSL share price immediately before the award maturity date.

The October 2013 EDIP grant vested during the period ended 30 June 2017 and an amount of \$26.2m was paid to employees (2016: \$22.8m). The carrying amount of the liability at 30 June 2017 attributable to the 2014, 2015 and 2016 grants is \$50.0m (2016: \$42.3m) measured at fair value. Fair value is determined by reference to the CSL share price at reporting date, adjusted for expected future dividends that will be paid between reporting date and vesting date.

### b. Key management personnel disclosures

The remuneration of Directors and key management personnel is disclosed in section 17 of the Directors' Report and has been audited.

### Total compensation for key management personnel

|                                           | 2017              | 2016       |
|-------------------------------------------|-------------------|------------|
|                                           | US\$              | US\$       |
| Total of short term remuneration elements | <b>15,050,668</b> | 14,454,863 |
| Total of post-employment elements         | <b>193,273</b>    | 177,347    |
| Total of other long term elements         | <b>1,472,042</b>  | 1,446,020  |
| Total of share-based payments             | <b>8,121,292</b>  | 8,905,582  |
| <b>Total of all remuneration elements</b> | <b>24,837,275</b> | 24,983,812 |

## Our Future

### Note 6: Research & Development

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

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

For the year ended 30 June 2017, the research costs, net of recoveries, were \$645.3m (2016: \$613.8m). Further information about the Group's research and development activities can be found on the CSL website.

## Note 7: Intangible Assets

|                                                    | Goodwill<br>US\$m |              | Intellectual<br>property<br>US\$m |              | Software<br>US\$m |             | Intangible capital work<br>in progress<br>US\$m |             | Total<br>US\$m |              |
|----------------------------------------------------|-------------------|--------------|-----------------------------------|--------------|-------------------|-------------|-------------------------------------------------|-------------|----------------|--------------|
| Year                                               | 2017              | 2016         | 2017                              | 2016         | 2017              | 2016        | 2017                                            | 2016        | 2017           | 2016         |
| Cost                                               | 688.3             | 674.3        | 392.9                             | 383.3        | 214.1             | 169.6       | 170.6                                           | 51.0        | 1,465.9        | 1,278.2      |
| Accumulated amortisation                           | -                 | -            | (289.2)                           | (246.0)      | (121.3)           | (89.6)      | -                                               | -           | (410.5)        | (335.6)      |
| <b>Net carrying amount</b>                         | <b>688.3</b>      | <b>674.3</b> | <b>103.7</b>                      | <b>137.3</b> | <b>92.8</b>       | <b>80.0</b> | <b>170.6</b>                                    | <b>51.0</b> | <b>1,055.4</b> | <b>942.6</b> |
| <b>Movement</b>                                    |                   |              |                                   |              |                   |             |                                                 |             |                |              |
| Net carrying amount at the beginning of the year   | 674.3             | 705.3        | 137.3                             | 131.9        | 80.0              | 52.1        | 51.0                                            | 37.6        | 942.6          | 926.9        |
| Additions <sup>1</sup>                             | -                 | -            | 5.2                               | 4.9          | 2.6               | 1.9         | 162.2                                           | 61.7        | 170.0          | 68.5         |
| Business acquisition                               | -                 | -            | -                                 | 31.6         | -                 | -           | -                                               | -           | -              | 31.6         |
| Transfers from intangible capital work in progress | -                 | -            | 0.5                               | -            | 43.1              | 45.4        | (43.6)                                          | (45.4)      | -              | -            |
| Transfers to/from property, plant and equipment    | -                 | -            | -                                 | -            | -                 | -           | (0.4)                                           | (0.2)       | (0.4)          | (0.2)        |
| Disposals                                          | -                 | -            | -                                 | -            | (1.6)             | (0.7)       | (0.1)                                           | -           | (1.7)          | (0.7)        |
| Amortisation for the year <sup>2</sup>             | -                 | -            | (39.3)                            | (18.0)       | (32.1)            | (18.6)      | -                                               | -           | (71.4)         | (36.6)       |
| Currency translation differences                   | 14.0              | (31.0)       | (0)                               | (13.1)       | 0.8               | (0.1)       | 1.5                                             | (2.7)       | 16.3           | (46.9)       |
| <b>Net carrying amount at the end of the year</b>  | <b>688.3</b>      | <b>674.3</b> | <b>103.7</b>                      | <b>137.3</b> | <b>92.8</b>       | <b>80.0</b> | <b>170.6</b>                                    | <b>51.0</b> | <b>1,055.4</b> | <b>942.6</b> |

### Goodwill

Any excess of the fair value of the purchase consideration of an acquired business over the fair value of the identifiable net assets (minus incidental expenses) is recorded as goodwill.

Goodwill is allocated to each of the cash-generating units (the business unit which represents the lowest level within the Group at which goodwill is monitored) expected to benefit from the combination. The aggregate carrying amounts of goodwill allocated to each business unit are as follows:

|                                                  | 2017<br>\$m  | 2016<br>\$m  |
|--------------------------------------------------|--------------|--------------|
| CSL Behring                                      | 688.3        | 674.3        |
| <b>Closing balance of goodwill as at 30 June</b> | <b>688.3</b> | <b>674.3</b> |

Goodwill is not amortised, but is measured at cost less any accumulated impairment losses. Impairment occurs when a business unit's recoverable amount falls below the carrying value of its net assets.

<sup>1</sup> The 2017 intangible and capital work in progress additions relate to two significant information technology projects.

<sup>2</sup> The amortisation charge is recognised in general and administration expenses in the statement of comprehensive income.

The results of the impairment test show that each business unit's recoverable amount exceeds the carrying value of its net assets, inclusive of goodwill. Consequently, there is no goodwill impairment as at 30 June 2017.

A change in assumptions significant enough to lead to impairment is not considered a reasonable possibility.

## Intellectual property

Intellectual property acquired separately or in a business combination is initially measured at cost, which is its fair value at the date of acquisition. Following initial recognition, it is carried at cost less any amortisation and impairment.

The useful life of intellectual property ranges from 5 – 20 years depending on the manner of commercialization.

The increase in the amortisation charge as of 30 June 2017 reflects a reassessment of the useful life of intellectual property.

Intellectual property with a fair value of \$31.6m was acquired in the prior year with the Novartis Influenza vaccines business. This intellectual property relates to an adjuvant technology that is used in the production of Seqirus' adjuvanted influenza vaccine and is also licensed to a third party. All intellectual property has a finite life.

## Software

Costs incurred in developing or acquiring software, licences or systems that will contribute future financial benefits are capitalised. These include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 10 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, where the Group has the intention and ability to use the asset.

## Recognition and measurement

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life of the asset. The amortisation period and method is reviewed at each financial year end at a minimum.

Intangible assets with indefinite useful lives are not amortised. The useful life of these intangibles is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

## Impairment of intangible assets

Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired.

An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

### *Key judgements and estimates*

*The impairment assessment process requires management to make significant judgements. Determining whether goodwill has been impaired requires an estimation of the recoverable amount of the cash generating units using a discounted cash flow methodology. This calculation uses cash flow projections based on operating budgets and a three-year strategic business plan, after which a terminal value, based on management's view of the longer term growth profile of the business is applied. Cash flows have been discounted using an implied pre-tax discount rate of 10.1% (2016: 9.8%) which is calculated with reference to external analyst views, long-term government bond rates and the company's pre-tax cost of debt. The determination of cash flows over the life of an asset requires judgement in assessing the future demand for the Group's products, any changes in the price and cost of those products and of other costs incurred by the Group.*

## Note 8: Property, Plant and Equipment

|                                                         | Land<br>US\$m |             | Buildings<br>US\$m |              | Leasehold<br>improvements<br>US\$m |              | Plant and equipment<br>US\$m |                | Leased property,<br>plant and<br>equipment<br>US\$m |             | Capital work in<br>progress<br>US\$m |              | Total<br>US\$m |                |
|---------------------------------------------------------|---------------|-------------|--------------------|--------------|------------------------------------|--------------|------------------------------|----------------|-----------------------------------------------------|-------------|--------------------------------------|--------------|----------------|----------------|
|                                                         | 2017          | 2016        | 2017               | 2016         | 2017                               | 2016         | 2017                         | 2016           | 2017                                                | 2016        | 2017                                 | 2016         | 2017           | 2016           |
| Cost                                                    | 37.2          | 26.4        | 535.0              | 502.2        | 275.9                              | 223.3        | 2,561.5                      | 2,354.7        | 35.4                                                | 33.8        | 1,080.0                              | 621.2        | 4,525.0        | 3,761.6        |
| Accumulated depreciation /<br>amortization              | -             | -           | (155.7)            | (131.0)      | (75.5)                             | (59.1)       | (1,331.4)                    | (1,163.5)      | (19.7)                                              | (18.4)      | -                                    | -            | (1,582.3)      | (1,372.0)      |
| <b>Net carrying amount</b>                              | <b>37.2</b>   | <b>26.4</b> | <b>379.3</b>       | <b>371.2</b> | <b>200.4</b>                       | <b>164.2</b> | <b>1,230.1</b>               | <b>1,191.2</b> | <b>15.7</b>                                         | <b>15.4</b> | <b>1,080.0</b>                       | <b>621.2</b> | <b>2,942.7</b> | <b>2,389.6</b> |
| <b>Movement</b>                                         |               |             |                    |              |                                    |              |                              |                |                                                     |             |                                      |              |                |                |
| Net carrying amount at the start of the<br>year         | 26.4          | 19.6        | 371.2              | 291.4        | 164.2                              | 137.0        | 1,191.2                      | 875.7          | 15.4                                                | 15.5        | 621.2                                | 502.1        | 2,389.6        | 1,841.3        |
| Transferred from capital work in<br>progress            | -             | -           | 20.7               | 55.1         | 50.1                               | 36.4         | 135.9                        | 266.0          | -                                                   | -           | (206.7)                              | (357.5)      | -              | -              |
| Business Acquisition                                    | -             | 7.8         | -                  | 48.6         | -                                  | -            | -                            | 227.8          | -                                                   | -           | -                                    | -            | -              | 284.2          |
| Other Additions <sup>3</sup>                            | 10.0          | -           | 0.3                | 0.7          | 3.4                                | 2.3          | 55.8                         | 11.3           | 4.0                                                 | 3.2         | 651.9                                | 493.8        | 725.4          | 511.3          |
| Disposals                                               | -             | -           | (0.2)              | (0.1)        | (1.3)                              | (0.4)        | (36.6)                       | (28.1)         | (2.8)                                               | (1.8)       | -                                    | (0.4)        | (40.9)         | (30.8)         |
| Transferred to/from intangibles                         | -             | -           | -                  | -            | -                                  | -            | -                            | -              | -                                                   | -           | 0.4                                  | 0.2          | 0.4            | 0.2            |
| Depreciation / amortisation for the<br>year             | -             | -           | (20.9)             | (17.1)       | (17.6)                             | (11.0)       | (166.5)                      | (153.0)        | (2.8)                                               | (2.6)       | -                                    | -            | (207.8)        | (183.7)        |
| Accumulated depreciation /<br>amortisation on disposals | -             | -           | 0.1                | 0.1          | 1.1                                | 0.4          | 29.0                         | 25.8           | 1.8                                                 | 1.2         | -                                    | -            | 32.0           | 27.5           |
| Currency translation differences                        | 0.8           | (1.0)       | 8.1                | (7.5)        | 0.5                                | (0.5)        | 21.3                         | (34.3)         | 0.1                                                 | (0.1)       | 13.2                                 | (17.0)       | 44.0           | (60.4)         |
| <b>Net carrying amount at the end of the<br/>year</b>   | <b>37.2</b>   | <b>26.4</b> | <b>379.3</b>       | <b>371.2</b> | <b>200.4</b>                       | <b>164.2</b> | <b>1,230.1</b>               | <b>1,191.2</b> | <b>15.7</b>                                         | <b>15.4</b> | <b>1,080.0</b>                       | <b>621.2</b> | <b>2,942.7</b> | <b>2,389.6</b> |

<sup>3</sup> The 2017 capital work in progress additions are the result of major capacity projects.



## Property, plant and equipment

Land, buildings, capital work in progress and plant and equipment assets are recorded at historical cost less, where applicable, depreciation and amortisation.

Depreciation is on a straight-line basis over the estimated useful life of the asset.

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

Assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. Items of property, plant and equipment are derecognised upon disposal or when no further economic benefits are expected from their use or disposal.

Impairment testing for property, plant and equipment occurs if an impairment trigger is identified. No impairment triggers have been identified in the current year.

An impairment test was carried out on the Seqirus assets as at 30 June 2017 and no impairment was identified.

Gains and losses on disposals of items of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income when realised.

40% of the Holly Springs facility, acquired with the Novartis Influenza business, is legally owned by the US Government. Full legal title will transfer to CSL on the completion of the Final Closeout Technical Report, expected in the next three to five years. CSL has full control of the asset and 100% of the value of the facility is included in the consolidated financial statements.

## Assets under Finance Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. A finance lease is capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities and borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of

comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term.

## Leasehold improvements

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

## Note 9: Deferred Government Grants

|                                         | 2017        | 2016        |
|-----------------------------------------|-------------|-------------|
|                                         | US\$m       | US\$m       |
| Current deferred income                 | 3.2         | 3.1         |
| Non-current deferred income             | 35.9        | 35.0        |
| <b>Total deferred government grants</b> | <b>39.1</b> | <b>38.1</b> |

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

## Returns, Risk & Capital Management

### Note 10: Shareholder Returns

#### Dividends

Dividends are paid from the retained earnings and profits of CSL Limited, as the parent entity of the Group. (See Note 19 for the Group's retained earnings). During the year, the parent entity reported profits of A\$6,104.5m (2016: A\$814.2m). The parent entity's retained earnings as at 30 June 2017 were A\$10,275.9m (2016: A\$4,956.7m). During the financial year A\$785.3m (the equivalent of US\$601.4m) was distributed to shareholders by way of a dividend, with a further A\$413.1m (the equivalent of US\$326.3m) being determined as a dividend payable subsequent to the balance date.

| <b>Dividend paid</b>                                                                                                                                                                                                                                                                                                                                     | <b>FY2017<br/>US\$m</b> | <b>FY2016<br/>US\$m</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Paid: Final ordinary dividend of US\$0.68 per share, unfranked, paid on 7 October 2016 for FY16 (prior year: US\$0.66 per share, unfranked paid on 2 October 2015 for FY15)                                                                                                                                                                              | <b>310.0</b>            | 293.4                   |
| Paid: Interim ordinary dividend of US\$0.64 per share, unfranked, paid on 13 April 2017 for FY17 (prior year: US\$0.58 per share, unfranked paid on 15 April 2016 for FY16)                                                                                                                                                                              | <b>291.3</b>            | 285.6                   |
| <b>Total paid</b>                                                                                                                                                                                                                                                                                                                                        | <b>601.3</b>            | 579.0                   |
| <b>Dividend determined, but not paid at year end:</b>                                                                                                                                                                                                                                                                                                    | <b>326.3</b>            | 310.5                   |
| Final ordinary dividend of US\$0.72 per share, unfranked, expected to be paid on 13 October 2017 for FY17, based on shares on issue at reporting date. The aggregate amount of the proposed dividend will depend on actual number of shares on issue at dividend record date (prior year: US\$0.68 per share, unfranked paid on 7 October 2016 for FY16) |                         |                         |

The distribution in respect of the 2017 financial year represents a US\$1.36 dividend paid for FY2017 on each ordinary share held. These dividends are approximately 46.3% of the Group's basic earnings per share ("EPS") of US\$2.937.

#### Earnings per Share

CSL's basic and diluted EPS are calculated using the Group's net profit for the financial year of US\$1,337.4m (2016: US\$1,242.4m).

|                                                                      | <b>2017</b>        | <b>2016</b> |
|----------------------------------------------------------------------|--------------------|-------------|
| <b>Basic EPS</b>                                                     | <b>US\$2.937</b>   | US\$2.689   |
| Weighted average number of ordinary shares                           | <b>455,331,196</b> | 461,999,573 |
| <b>Diluted EPS</b>                                                   | <b>US\$2.931</b>   | US\$2.683   |
| Adjusted weighted average number of ordinary shares, represented by: | <b>456,374,648</b> | 463,117,064 |
| Weighted average ordinary shares                                     | <b>455,331,196</b> | 461,999,573 |
| <b>Plus:</b>                                                         |                    |             |
| Employee share schemes                                               | <b>1,043,452</b>   | 1,117,491   |

Diluted EPS differs from Basic EPS as the calculation takes into account potential ordinary shares arising from employee share schemes operated by the Group.

#### On-market Share Buyback

During the year, the Group completed the remaining A\$91m of the A\$1bn buyback announced in October 2015 and carried out an on-market share buyback of up to A\$500m announced in October 2016 as an element of its capital management program. As at 30 June 2017 shares to a value of A\$349.7m have been purchased under the October 2016 buyback.

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

The Group's contributed equity includes the Share Buyback Reserve of (US\$4,534.3m) (2016: (US\$4,213.0m)). 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.<sup>4</sup>

|                                                       | 2017               |                  | 2016             |           |
|-------------------------------------------------------|--------------------|------------------|------------------|-----------|
|                                                       | Number of shares   | US\$m            | Number of shares | US\$m     |
| Opening balance at 1 July                             | <b>456,608,747</b> | <b>(4,213.0)</b> | 464,832,827      | (3,560.4) |
| Shares issued to employees (see also Notes 5 and 18): |                    |                  |                  |           |
| Performance Options Plan                              | <b>92,476</b>      | <b>2.3</b>       | 373,364          | 9.0       |
| Performance Rights Plan (for nil consideration)       | <b>94,380</b>      | -                | 165,446          | -         |
| Global Employee Share Plan (GESP)                     | <b>152,737</b>     | <b>10.4</b>      | 150,842          | 8.4       |
| Share buy-back, inclusive of cost                     | <b>(3,696,576)</b> | <b>(334.0)</b>   | (8,913,732)      | (670.0)   |
| <b>Closing balance</b>                                | <b>453,251,764</b> | <b>(4,534.3)</b> | 456,608,747      | (4,213.0) |

<sup>4</sup> 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,

## Note 11: Financial Risk Management

CSL holds financial instruments that arise from the Group's need to access financing, from the Group's operational activities and as part of the Group's risk management activities.

The Group is exposed to financial risks associated with its financial instruments. Financial instruments comprise cash and cash equivalents, receivables, payables, bank loans and overdrafts, unsecured notes, lease liabilities and derivative instruments.

The primary risks these give rise to are:

- Foreign exchange risk.
- Interest rate risk.
- Credit risk.
- Funding and liquidity risk.
- Capital management risk.

These risks, and the strategies used to mitigate them, are outlined below.

including any directly attributable transaction costs net of income taxes, is recognised directly as a reduction in equity.

|                                      | Source of Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Risk Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>a. Foreign exchange risk</b>      | The Group is exposed to foreign exchange risk because of its international operations. These risks relate to future commercial transactions, assets and liabilities denominated in other currencies and net investments in foreign operations.                                                                                                                                                                                                                                                                                                                         | Where possible CSL takes advantage of natural hedging (i.e., the existence of payables and receivables in the same currency). The Group also 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.                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>b. Interest rate risk</b>         | The Group is exposed to interest rate risk through its primary financial assets and liabilities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | The Group mitigates interest rate risk on borrowings primarily by entering into fixed rate arrangements, which are not subject to interest rate movements in the ordinary course. If necessary, CSL also hedges interest rate risk using derivative instruments. As at 30 June 2017, no derivative financial instruments hedging interest rate risk were outstanding (2016: Nil).                                                                                                                                                                                                                                                                                                                                              |
| <b>c. Credit risk</b>                | The Group is exposed to credit risk from financial instruments contracts and trade and other receivables. The maximum exposure to credit risk at reporting date is the carrying amount, net of any provision for impairment, of each financial asset in the balance sheet.                                                                                                                                                                                                                                                                                             | <p>The Group mitigates credit risk from financial instruments contracts by only entering into transactions with counterparties who have sound credit ratings and with whom the Group has a signed netting agreement. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.</p> <p>The Group minimises the credit risk associated with trade and other debtors by undertaking transactions with a large number of customers in various countries. Creditworthiness of customers is reviewed prior to granting credit, using trade references and credit reference agencies.</p>                                                                                         |
| <b>d. Funding and liquidity risk</b> | <p>The Group is exposed to funding and liquidity risk from operations and from external borrowing.</p> <p>One type of this risk is credit spread risk, which is the risk that in refinancing its debt, CSL may be exposed to an increased credit spread. Another type of this risk is liquidity risk, which is the risk of not being able to refinance debt obligations or meet other cash outflow obligations when required.</p> <p>Liquidity and re-financing risks are not significant for the Group, as CSL has a prudent gearing level and strong cash flows.</p> | <p>The Group mitigates funding and liquidity risks by ensuring that:</p> <ul style="list-style-type: none"> <li>• The Group has sufficient funds on hand to achieve its working capital and investment objectives</li> <li>• The Group focusses on improving operational cash flow and maintaining a strong balance sheet</li> <li>• 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</li> <li>• It has adequate flexibility in financing to balance short-term liquidity requirements and long-term core funding and minimise refinancing risk</li> </ul> |
| <b>e. Capital Risk Management</b>    | The Group's objectives when managing capital are to safeguard its ability to continue as a going concern while providing returns to shareholders and benefits to other stakeholders. Capital is defined as the amount subscribed by shareholders to the Company's ordinary shares and amounts advanced by debt providers to any Group entity.                                                                                                                                                                                                                          | <p>The Group aims to maintain a capital structure, which reflects the use of a prudent level of debt funding. The aim is to reduce the Group's cost of capital without adversely affecting the credit margins applied to the Group's debt funding.</p> <p>Each year the Directors determine the dividend taking into account factors such as profitability and liquidity.</p> <p>The Directors propose a share buyback consistent with the aim of maintaining an efficient balance sheet, and with the ability to cease a buyback at any point should circumstances such as liquidity conditions change. Refer to Note 10 for details of share buybacks.</p>                                                                   |

## Risk management approach

The Group uses sensitivity analysis (together with other methods) to measure the extent of financial risks and decide if they need to be mitigated.

If so, the Group's policy is to use derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to support its objective of achieving financial targets while seeking to protect future financial security.

The aim is to reduce the impact of short-term fluctuations in currency or interest rates on the Group's earnings.

Derivatives are exclusively used for this purpose and not as trading or other speculative instruments.

### a. Foreign exchange risk

The objective is to match the contracts with committed future cash flows from sales and purchases in foreign currencies to protect the Group against exchange rate movements.

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.

During the financial year a review of Group treasury operations was conducted and a decision was subsequently made to reduce the extent of hedging using derivative contracts.

The total value of forward exchange contracts in place at reporting date is nil (2016: \$1.3bn).

### Sensitivity analysis - USD values

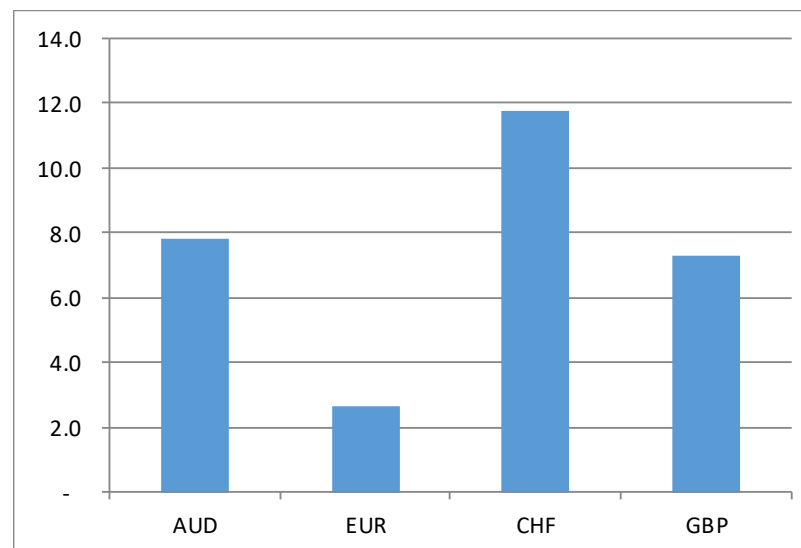
#### Profit after tax - sensitivity to general movement of 1%

A movement of 1% in the USD exchange rate against AUD, EUR, CHF and GBP would not generate a material impact to profit after tax.

#### Equity - sensitivity to general movement of 1%

Any change in equity is recorded in the Foreign Currency Translation Reserve.

### FX Sensitivity on Equity



This calculation is based on changing the actual exchange rate of US Dollars to AUD, EUR, CHF and GBP as at 30 June 2017 by 1% and applying these adjusted rates to the net assets (excluding investments in subsidiaries) of the foreign currency denominated financial statements of various Group entities.

### b. Interest rate risk

At 30 June 2017, 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 \$5.9m. This calculation is based on applying a 1% movement to the total of the Group's cash and cash equivalents at year end.

At 30 June 2017, 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 \$8.6m. This calculation is based on applying a 1% movement to the total of the Group's floating rate unsecured bank loans at year end.

As at 30 June 2017, the Group had the following bank facilities, unsecured notes and finance leases:

- Four revolving committed bank facilities totalling \$1,595.8m. Of these facilities \$17.9m mature in November 2017, \$269.6m mature in October 2019, \$35.8m mature in November 2019 and the balance matures in December 2020. Interest on the facilities is paid quarterly in arrears at a variable rate. As at the reporting date the Group had \$361.6m in undrawn funds available under these facilities;
- US\$1,900m of Senior Unsecured Notes in the US Private Placement market. The notes mature in March 2018 (US\$100m), November 2018 (US\$200m), March 2020 (US\$150m), November 2021 (US\$250m), March 2023 (US\$150m), November 2023 (US\$200m), March 2025 (US\$100m), October 2025 (US\$100m), October 2026 (US\$150m), November 2026 (US\$100m), October 2028 (US\$200m) and October 2031 (US\$200m). The weighted average interest rate on the notes is fixed at 3.43%;
- EUR350m of Senior Unsecured Notes in the US Private Placement market. The Notes mature in November 2022 (EUR100m), November 2024 (EUR150m) and November 2026 (EUR100m). The weighted average interest rate on the notes is fixed at 1.90%;
- CHF400m of Senior Unsecured Notes in the US Private Placement market. The notes mature in October 2023 (CHF150m) and October 2025 (CHF250m). The weighted average interest rate on the notes is fixed at 0.88%; and
- Finance leases with an average lease term of 8 years (2016: 8 years). The weighted average discount rate implicit in the leases is 4.72% (2016: 4.85%). The Group's lease liabilities are secured by leased assets of \$15.4 million (2016: \$15.4m). In the event of default, leased assets revert to the lessor.

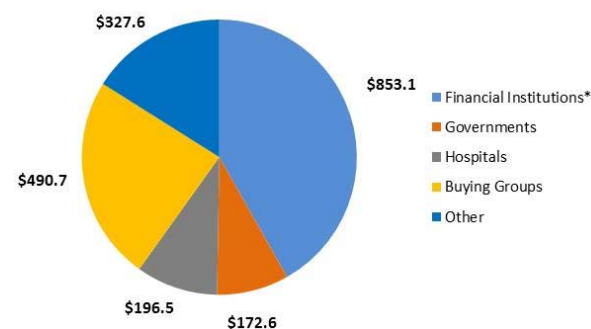
The Group is in compliance with all debt covenants.

### c. Credit Risk

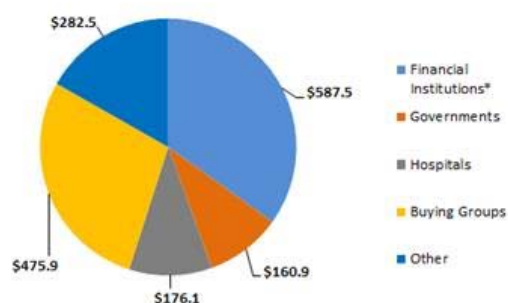
The Group only invests its cash and cash equivalent financial assets with financial institutions having a credit rating of at least 'A' or better, as assessed by independent rating agencies.

|                             | Floating rate <sup>4</sup> |       | Non-interest bearing |         | Total   |         | Average Closing interest Rate |      |
|-----------------------------|----------------------------|-------|----------------------|---------|---------|---------|-------------------------------|------|
|                             | US\$m                      |       | US\$m                |         | US\$m   |         | %                             |      |
|                             | 2017                       | 2016  | 2017                 | 2016    | 2017    | 2016    | 2017                          | 2016 |
| Financial Assets            |                            |       |                      |         |         |         |                               |      |
| Cash and cash equivalents   | 844.5                      | 556.6 | -                    | -       | 844.5   | 556.6   | 0.6%                          | 0.8% |
| Trade and other receivables | -                          | -     | 1,186.9              | 1,122.8 | 1,186.9 | 1,122.8 | -                             | -    |
| Other financial assets      | -                          | -     | 9.1                  | 3.5     | 9.1     | 3.5     | -                             | -    |
|                             | 844.5                      | 556.6 | 1,196.0              | 1,126.3 | 2,040.5 | 1,682.9 |                               |      |

<sup>4</sup> Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date. All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months.

**Credit quality of financial assets (30 June 2017)**

\*US\$844.5m of the assets held with financial institutions are held as cash or cash equivalents, \$4.7m of trade and other receivables and \$4.9m of other financial assets. Financial assets held with non-financial institutions include US\$1,182.2m of trade and other receivables and \$5.2m of other financial assets.

**Credit quality of financial assets (30 June 2016)**

\*US\$556.6m of the assets held with financial institutions are held as cash or cash equivalents, \$27.4m of trade and other receivables and \$3.5m of other financial assets. All financial assets held with non-financial institutions of US\$1,095.5m are trade and other receivables.

Financial assets are considered impaired where there is evidence that the Group will not be able to collect all amounts due according to the original trade and other receivable terms. Factors considered when determining if a financial asset is impaired include ageing and timing of expected receipts and the credit worthiness of counterparties. Where required, a provision for impairment is created for the difference between the financial asset's carrying amount and the present value of estimated future receipts. The Group's trading terms do not generally include the requirement for customers to provide collateral as security for financial assets.

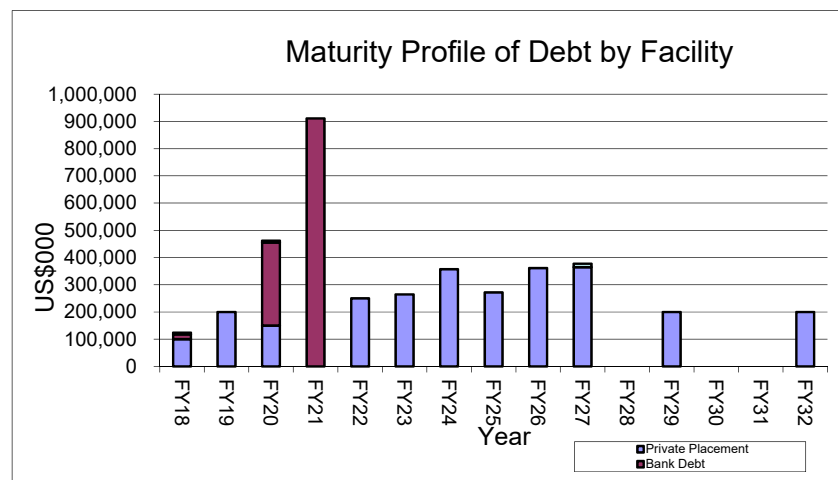
The Group has not renegotiated any material collection/repayment terms of any financial assets in the current financial year.

Government or government-backed entities (such as hospitals) often account for a significant proportion of trade receivables. As a result, the Group carries receivables from a number of Southern European governments. The credit risk associated with trading in these countries is considered on a country-by-country basis and the Group's trading strategy is adjusted accordingly. The factors taken into account in determining the credit risk of a particular country include recent trading experience, current economic and political conditions and the likelihood of continuing support from agencies such as the European Central Bank. An analysis of trade receivables that are past due and, where required, the associated provision for impairment, is as follows. All other financial assets are less than 30 days overdue.

|                                | Trade Receivables |               |               |               |               |               |
|--------------------------------|-------------------|---------------|---------------|---------------|---------------|---------------|
|                                | Gross             |               | Provision     |               | Net           |               |
|                                | 2017<br>US\$m     | 2016<br>US\$m | 2017<br>US\$m | 2016<br>US\$m | 2017<br>US\$m | 2016<br>US\$m |
| Trade receivables:             |                   |               |               |               |               |               |
| current                        | 786.7             | 809.9         | 11.9          | 1.6           | 774.8         | 808.3         |
| less than 30 days overdue      | 80.1              | 46.8          | 0.3           | 2.2           | 79.8          | 44.6          |
| between 30 and 90 days overdue | 49.3              | 31.8          | 0.5           | 0.9           | 48.8          | 30.9          |
| more than 90 days overdue      | 62.5              | 70.3          | 9.9           | 26.4          | 52.6          | 43.9          |
|                                | 978.6             | 958.8         | 22.6          | 31.1          | 956.0         | 927.7         |

#### d. Funding and liquidity risk

The maturity profile of the Group's debt is shown in the following chart.



The following table analyses the Group's financial liabilities.

|                                             | 2017           | 2016    |
|---------------------------------------------|----------------|---------|
| Interest-bearing liabilities and borrowings | US\$m          | US\$m   |
| <i>Current</i>                              |                |         |
| Bank overdrafts - Unsecured                 | 1.5            | 1.3     |
| Bank Borrowings - Unsecured                 | 17.9           | 58.5    |
| Senior Unsecured Notes - Unsecured          | 100.0          | -       |
| Lease liability - Secured                   | 3.1            | 2.5     |
|                                             | <b>122.5</b>   | 62.3    |
| <i>Non-current</i>                          |                |         |
| Bank loans - Unsecured                      | 1,216.3        | 916.5   |
| Senior Unsecured Notes - Unsecured          | 2,614.1        | 2,142.2 |
| Lease liability - Secured                   | 22.3           | 22.3    |
|                                             | <b>3,852.7</b> | 3,081.0 |

Interest-bearing liabilities and borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing liabilities and borrowings are stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



The following table categorises the financial liabilities into relevant maturity periods, taking into account the remaining period at the reporting date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet.

|                                                    | Contractual payments due |         |                            |         |              |         |         |         |                       |      |
|----------------------------------------------------|--------------------------|---------|----------------------------|---------|--------------|---------|---------|---------|-----------------------|------|
|                                                    | 1 year or less           |         | Between 1 year and 5 years |         | Over 5 years |         | Total   |         | Average interest Rate |      |
|                                                    | US\$m                    |         | US\$m                      |         | US\$m        |         | US\$m   |         | %                     |      |
|                                                    | 2017                     | 2016    | 2017                       | 2016    | 2017         | 2016    | 2017    | 2016    | 2017                  | 2016 |
| Trade and other payables (non-interest bearing)    | 1,155.8                  | 996.1   | 25.8                       | 18.8    | -            | -       | 1,181.6 | 1,014.9 | -                     | -    |
| Bank loans – unsecured (floating rates)            | 40.2                     | 68.6    | 1,256.7                    | 951.1   | -            | -       | 1,296.9 | 1,019.7 | 1.8%                  | 1.1% |
| Bank overdraft – unsecured (floating rates)        | 1.5                      | 1.3     | -                          | -       | -            | -       | 1.5     | 1.3     | -                     | -    |
| Senior unsecured notes (fixed rates)               | 174.0                    | 57.2    | 966.4                      | 652.2   | 2,114.2      | 1,824.4 | 3,254.6 | 2,533.8 | 2.7%                  | 2.7% |
| Lease liabilities (fixed rates)                    | 1.2                      | 3.9     | 10.3                       | 14.0    | 25.3         | 19.4    | 36.8    | 37.3    | 4.7%                  | 4.8% |
| Other financial liabilities (non-interest bearing) | -                        | 6.0     | -                          | -       | -            | -       | -       | 6.0     | -                     | -    |
|                                                    | 1,372.7                  | 1,133.1 | 2,259.2                    | 1,636.1 | 2,139.5      | 1,843.8 | 5,771.4 | 4,613.0 |                       |      |

Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date. All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months.

## Fair value of financial assets and financial liabilities

The carrying value of financial assets and liabilities is materially the same as the fair value. The following methods and assumptions were used to determine the net fair values of financial assets and liabilities.

### Cash

The carrying value of cash equals fair value, due to the liquid nature of cash.

### Trade and other receivables/payables

The carrying value of trade and other receivables/payables with a remaining life of less than one year is deemed to be equal to its fair value.

### Derivatives

Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value at reporting date. The gain or loss on re-measurement is recognised in the statement of comprehensive income. The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

### Interest bearing liabilities

Fair value is calculated based on the discounted expected principal and interest cash flows, using rates currently available for debt of similar terms, credit risk and remaining maturities.

The Group also has external loans payable that have been designated as a hedge of its investment in foreign subsidiaries (known as a net investment hedge).

An effective hedge is one that meets certain criteria. Gains or losses on the net investment hedge that relate to the effective portion of the hedge are recognised in equity. Gains or losses relating to the ineffective portion, if any, are recognised in the consolidated statement of comprehensive income.

## Valuation of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the method used:

- Level 1: Items traded with quoted prices in active markets for identical liabilities
- Level 2: Items with significantly observable inputs other than quoted prices in active markets
- Level 3: Items with unobservable inputs (not based on observable market data)

There were no derivatives outstanding as of 30 June 2017.

There were no transfers between Level 1 and 2 during the year.

## Note 12: Equity and Reserves

### a. Contributed Equity

|                                       | 2017<br>US\$m    | 2016<br>US\$m    |
|---------------------------------------|------------------|------------------|
| Ordinary shares issued and fully paid | -                | -                |
| Share buy-back reserve                | (4,534.3)        | (4,213.0)        |
| <b>Total contributed equity</b>       | <b>(4,534.3)</b> | <b>(4,213.0)</b> |

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

Due to share buy-backs being undertaken at higher prices than the original subscription prices, the balance for ordinary share contributed equity has been reduced to nil, and a reserve created to reflect the excess value of shares bought over the original amount of subscribed capital. Refer to Note 10 for further information about on-market share buy-backs.

Information relating to employee performance option plans and GESP, including details of shares issued under the scheme, is set out in Note 5.

## b. Reserves

## Movement in reserves

|                                                                                    | Share-based payments reserve <sup>(i)</sup> |       | Foreign currency translation reserve <sup>(ii)</sup> |         | Total        |         |
|------------------------------------------------------------------------------------|---------------------------------------------|-------|------------------------------------------------------|---------|--------------|---------|
|                                                                                    | US\$m                                       |       | US\$m                                                |         | US\$m        |         |
|                                                                                    | 2017                                        | 2016  | 2017                                                 | 2016    | 2017         | 2016    |
| Opening balance                                                                    | 159.4                                       | 151.1 | 28.5                                                 | 155.4   | 187.9        | 306.5   |
| Share-based payments expense                                                       | 5.2                                         | 5.7   | -                                                    | -       | 5.2          | 5.7     |
| Deferred tax on share-based payments                                               | 3.6                                         | 2.6   | -                                                    | -       | 3.6          | 2.6     |
| Net exchange gains / (losses) on translation of foreign subsidiaries, net of hedge | -                                           | -     | 97.5                                                 | (126.9) | 97.5         | (126.9) |
| <b>Closing balance</b>                                                             | <b>168.2</b>                                | 159.4 | <b>126.0</b>                                         | 28.5    | <b>294.2</b> | 187.9   |

## Nature and purpose of reserves

## i. Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options, performance rights and GESP rights issued to employees.

## ii. Foreign currency translation reserve

Where the functional currency of a subsidiary is not US dollars, its assets and liabilities are translated on consolidation to US dollars using the exchange rates prevailing at the reporting date, and its profit and loss is translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income and in the foreign currency translation reserve in equity. Exchange differences arising from borrowings designated as hedges of net investments in foreign entities are also included in this reserve.

Note 13: Commitments and Contingencies<sup>5</sup>

## a. Commitments

Operating leases entered into relate predominantly to leased land and rental properties. The leases have varying terms and renewal rights. Rental payments under the leases are predominantly fixed, but generally contain inflation escalation clauses.

Finance leases entered into relate predominantly to leased plant and equipment. The leases have varying terms but lease payments are generally fixed for the life of the agreement. In some instances, at the end of the lease term the Group has the option to purchase the equipment.

No operating or finance lease contains restrictions on financing or other leasing activities.

Commitments in relation to non-cancellable operating leases, finance leases and capital expenditure contracted but not provided for in the financial statements are payable as follows:

|                                                   | Operating Leases |       | Finance Leases |       | Capital Commitments |       | Total          |       |
|---------------------------------------------------|------------------|-------|----------------|-------|---------------------|-------|----------------|-------|
|                                                   | US\$m            |       | US\$m          |       | US\$m               |       | US\$m          |       |
|                                                   | 2017             | 2016  | 2017           | 2016  | 2017                | 2016  | 2017           | 2016  |
| Not later than one year                           | 57.9             | 46.4  | 3.9            | 3.3   | 354.0               | 222.8 | 415.8          | 272.5 |
| Later than one year but not later than five years | 205.4            | 163.9 | 11.1           | 10.3  | 117.0               | 7.9   | 333.5          | 182.1 |
| Later than five years                             | 404.8            | 363.9 | 16.2           | 17.7  | -                   | -     | 421.0          | 381.6 |
| Sub-total                                         | 668.1            | 574.2 | 31.2           | 31.3  | 471.0               | 230.7 | 1,170.3        | 836.2 |
| Future finance charges                            | -                | -     | (5.8)          | (6.5) | -                   | -     | (5.8)          | (6.5) |
| <b>Total</b>                                      | <b>668.1</b>     | 574.2 | <b>25.4</b>    | 24.8  | <b>471.0</b>        | 230.7 | <b>1,164.5</b> | 829.7 |

<sup>5</sup> Commitments and contingencies are disclosed net of the amount of GST (or equivalent) recoverable from, or payable to, a taxation authority

The present value of finance lease liabilities is as follows:

|                                                   | 2017        | 2016        |
|---------------------------------------------------|-------------|-------------|
|                                                   | US\$m       | US\$m       |
| Not later than one year                           | 3.1         | 2.5         |
| Later than one year but not later than five years | 8.4         | 7.4         |
| Later than five years                             | 13.9        | 14.9        |
| <b>Total</b>                                      | <b>25.4</b> | <b>24.8</b> |

## b. Contingent assets and liabilities

### *Litigation*

The Group is involved in litigation in the ordinary course of business.

During the period ended 30 June 2017 the Group became aware of two separate patent infringement actions brought by competitors. CSL is highly confident in our intellectual property positions which are the product of more than a decade of innovative research by the Group. The Company is vigorously defending against the claims.

## Efficiency of Operation

### Note 14: Cash and Cash Equivalents, Cash Flows

|                                                                         | 2017           | 2016           |
|-------------------------------------------------------------------------|----------------|----------------|
|                                                                         | US\$m          | US\$m          |
| <b>Reconciliation of cash and cash equivalents</b>                      |                |                |
| Cash at bank and on hand                                                | 562.7          | 442.0          |
| Cash deposits                                                           | 281.8          | 114.6          |
| Less bank overdrafts                                                    | (1.5)          | (1.3)          |
| <b>Total cash and cash equivalents</b>                                  | <b>843.0</b>   | <b>555.3</b>   |
| <b>Reconciliation of Profit after tax to Cash Flows from Operations</b> |                |                |
| Profit after tax                                                        | 1,337.4        | 1,242.4        |
| Non-cash items in profit after tax:                                     |                |                |
| Depreciation, amortisation and impairment charges                       | 279.2          | 220.3          |
| Loss on disposal of property, plant and equipment                       | 8.7            | 2.3            |
| Gain/(loss) on acquisition                                              | -              | (176.1)        |
| Share-based payments expense                                            | 12.2           | 6.1            |
| Changes in assets and liabilities:                                      |                |                |
| Increase in trade and other receivables                                 | (72.5)         | (45.3)         |
| Increase in inventories                                                 | (389.2)        | (216.5)        |
| (Increase)/decrease in retirement benefit assets                        | (0.4)          | 2.3            |
| Increase in net tax assets                                              | (111.0)        | (12.7)         |
| Increase in trade and other payables                                    | 153.9          | 116.0          |
| (Decrease)/increase in deferred government grants                       | (0.6)          | 4.5            |
| Increase in provisions                                                  | 21.4           | 19.7           |
| Increase in retirement benefit liabilities                              | 7.5            | 15.6           |
| <b>Net cash inflow from operating activities</b>                        | <b>1,246.6</b> | <b>1,178.6</b> |
| <b>Non-cash financing activities</b>                                    |                |                |
| Acquisition of plant and equipment by means of finance leases           | 4.0            | 3.2            |

#### Cash, cash equivalents and bank overdrafts

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. They are made up of:

- Cash on hand.
- At call deposits with banks or financial institutions.
- Investments in money market instruments with original maturities of six months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the cash flow statement, cash at the end of the financial year is net of bank overdraft amounts.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from or payable to a taxation authority are presented as part of operating cash flows.

## Note 15: Trade Receivables and Payables

### a. Trade and other receivables

|                                                                     | 2017<br>US\$   | 2016<br>US\$   |
|---------------------------------------------------------------------|----------------|----------------|
| <i>Current</i>                                                      |                |                |
| Trade receivables                                                   | 978.6          | 958.8          |
| Less: Provision for impairment loss                                 | (22.6)         | (31.1)         |
|                                                                     | 956.0          | 927.7          |
| Sundry receivables                                                  | 151.3          | 115.0          |
| Prepayments                                                         | 63.1           | 64.5           |
| <b>Carrying amount of current trade and other receivables</b>       | <b>1,170.4</b> | <b>1,107.2</b> |
| <i>Non-Current</i>                                                  |                |                |
| Long term deposits/other receivables                                | 16.5           | 15.6           |
| <b>Carrying amount of non-current other receivables<sup>6</sup></b> | <b>16.5</b>    | <b>15.6</b>    |

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

<sup>6</sup> 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

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

As at 30 June 2017, the Group had made provision for impairment of \$22.6m (2016: \$31.1m).

|                                              | 2017<br>US\$m | 2016<br>US\$m |
|----------------------------------------------|---------------|---------------|
| Opening balance at 1 July                    | 31.1          | 24.9          |
| Additional allowance/(utilised/written back) | (8.7)         | 6.4           |
| Currency translation differences             | 0.2           | (0.2)         |
| <b>Closing balance at 30 June</b>            | <b>22.6</b>   | <b>31.1</b>   |

Non-trade receivables do not include any impaired or overdue amounts and it is expected they will be received when due. The Group does not hold any collateral in respect to other receivable balances.

### Key judgements and estimates

*In applying the Group's accounting policy to trade and other receivables with governments and related entities in South Eastern Europe as set out in Note 11, significant judgement is involved in first assessing whether or not trade or other receivable amounts are impaired and thereafter in assessing the extent of impairment. Matters considered include recent trading experience, current economic and political conditions and the likelihood of continuing support from agencies such as the European Central Bank.*

disclosed above. Refer to Note 11 for more information on the risk management policy of the Group and the credit quality of trade receivables.

## b. Trade and other payables

|                                                            | 2017<br>US\$m  | 2016<br>US\$m |
|------------------------------------------------------------|----------------|---------------|
| <i>Current</i>                                             |                |               |
| Trade payables                                             | 399.0          | 303.5         |
| Accruals and other payables                                | 732.1          | 669.1         |
| Share-based payments (EDIP)                                | 24.7           | 23.5          |
| <b>Carrying amount of current trade and other payables</b> | <b>1,155.8</b> | <b>996.1</b>  |
| <i>Non-current</i>                                         |                |               |
| Accruals and other payables                                | 0.6            | 0.1           |
| Share-based payments (EDIP)                                | 25.2           | 18.7          |
| <b>Carrying amount of non-current other payables</b>       | <b>25.8</b>    | <b>18.8</b>   |

Trade and other payables represent amounts reflected at notional amounts owed to suppliers for goods and services provided to the Group prior to the end of the financial year that are unpaid. Trade and other payables are non-interest bearing and have various repayment terms but are usually paid within 30 to 60 days of recognition.

Receivables and payables include the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, taxation authorities is included in other receivables or payables in the balance sheet.

## Note 16: Provisions

|             | Employee benefits<br>US\$m |      | Other<br>US\$m |      | Total<br>US\$m |      |
|-------------|----------------------------|------|----------------|------|----------------|------|
|             | 2017                       | 2016 | 2017           | 2016 | 2017           | 2016 |
| Current     | 103.4                      | 99.0 | 30.7           | 0.6  | 134.1          | 99.6 |
| Non-current | 32.5                       | 32.1 | 0.4            | 8.4  | 32.9           | 40.5 |

Other provisions are recognised when all three of the following conditions are met:

- The Group has a present legal or constructive obligation arising from past transactions or events.
- It is probable that an outflow of resources will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions recognised reflect management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows required to settle the obligation at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Detailed information about the employee benefits is presented in Note 5.

Other provisions include \$29.8m (2016: nil) in respect of two contracts deemed to be onerous. The contractual obligations under these contracts generated cash outflows that are greater than the expected cash inflows associated with the contract. One of the contracts relates to a minimum purchase obligation and the other to milestone payments.

## Other Notes

### Note 17: Related Party Transactions

#### Ultimate controlling entity

The ultimate controlling entity is CSL Limited, otherwise described as the parent company.

#### Related party transactions

The parent company entered into the following transactions during the year with related parties in the Group.

#### *Wholly owned subsidiaries*

- Loans were advanced and repayments received on the long term intercompany accounts.
- Interest was charged on outstanding intercompany loan account balances.
- Sales and purchases of products.
- Licensing of intellectual property.
- Provision of marketing services by controlled entities.
- Management fees were received from a controlled entity.
- Management fees were paid to a controlled entity.

The transactions were undertaken on commercial terms and conditions.

Payment for intercompany transactions is through intercompany loan accounts and may be subject to extended payment terms.

#### Ownership interests in related parties

All transactions with subsidiaries have been eliminated on consolidation.

## Subsidiaries

The following table lists the Group's material subsidiaries.

| Company                             | Country of Incorporation | Percentage owned |           |
|-------------------------------------|--------------------------|------------------|-----------|
|                                     |                          | 2017<br>%        | 2016<br>% |
| CSL Limited                         | Australia                |                  |           |
| <i>Subsidiaries of CSL Limited:</i> |                          |                  |           |
| CSL Behring (Australia) Pty Ltd     | Australia                | 100              | 100       |
| CSL Behring LLC                     | USA                      | 100              | 100       |
| CSL Plasma Inc                      | USA                      | 100              | 100       |
| CSL Behring GmbH                    | Germany                  | 100              | 100       |
| CSL Behring AG                      | Switzerland              | 100              | 100       |
| CSL Behring Recombinant Facility AG | Switzerland              | 100              | 100       |
| Seqirus UK Limited                  | UK                       | 100              | 100       |
| Seqirus Pty Ltd                     | Australia                | 100              | 100       |
| Seqirus Vaccines Limited            | UK                       | 100              | 100       |
| Seqirus Inc                         | USA                      | 100              | 100       |

## Key management personnel transactions with the Group

The following transactions with key management personnel and their related entities have occurred during the financial year. These transactions occur as part of a normal supplier or partner relationship on "arm's length" terms:

CSL in Australia has corporate accounts with CityLink, operated by Transurban Group, of which Christine O'Reilly is a director.

CSL has entered into a number of contracts, including collaborative research agreements, with Monash University, of which Megan Clark is a member of Council.

CSL has entered into a number of contracts, including collaborative research agreements, with the Walter and Eliza Hall Institute for Medical Research, of which Marie McDonald is a director.



CSL Behring in Australia has entered into an agreement to make a research grant to the Australia and New Zealand College of Anaesthetists, of which Bruce Brook is a member of the Board of Governors.

CSL has received financial services from Bank of America Merrill Lynch, of which Megan Clark is a member of the Australian Advisory Board.

## Note 18: Detailed Information – People Costs

### a. Defined benefit plans

The Group sponsors a range of defined benefit pension plans that provide either a lump sum or ongoing pension benefit for its worldwide employees upon retirement. Entities of the Group who operate defined benefit plans contribute to the respective plans in accordance with the Trust Deeds, following the receipt of actuarial advice.

The surplus/deficit for each defined benefit plan operated by the Group is as follows:

| Pension Plan                                                                             | June 2017<br>\$m |                 |                         | June 2016<br>\$m |                 |                         |
|------------------------------------------------------------------------------------------|------------------|-----------------|-------------------------|------------------|-----------------|-------------------------|
|                                                                                          | Plan Assets      | Accrued benefit | Plan surplus/ (deficit) | Plan Assets      | Accrued benefit | Plan surplus/ (deficit) |
| CSL Pension Plan (Australia) - provides a lump sum benefit upon exit                     | 28.8             | (23.2)          | 5.6                     | 27.5             | (22.5)          | 5.0                     |
| CSL Behring AG Pension Plan (Switzerland) - provides an ongoing pension                  | 510.1            | (569.0)         | (58.9)                  | 439.8            | (562.1)         | (122.3)                 |
| CSL Behring Union Pension Plan (USA) - provides an ongoing pension                       | 56.5             | (64.9)          | (8.4)                   | 54.8             | (70.5)          | (15.7)                  |
| CSL Behring GmbH Supplementary Pension Plan (Germany) - provides an ongoing pension      | -                | (157.2)         | (157.2)                 | -                | (156.3)         | (156.3)                 |
| bioCSL GmbH Pension Plan (Germany) - provides an ongoing pension                         | -                | (2.8)           | (2.8)                   | -                | (2.6)           | (2.6)                   |
| CSL Behring KG Pension Plan (Germany) - provides an ongoing pension                      | -                | (12.3)          | (12.3)                  | -                | (11.8)          | (11.8)                  |
| CSL Plasma GmbH Pension Plan (Germany) - provides an ongoing pension                     | -                | (0.3)           | (0.3)                   | -                | (0.3)           | (0.3)                   |
| CSL Behring KK Retirement Allowance Plan (Japan) - provides a lump sum benefit upon exit | -                | (13.2)          | (13.2)                  | -                | (15.4)          | (15.4)                  |
| CSL Behring S.A. Pension Plan (France) - provides a lump sum benefit upon exit           | -                | (0.9)           | (0.9)                   | -                | (0.9)           | (0.9)                   |
| CSL Behring S.p.A Pension Plan (Italy) - provides a lump sum benefit upon exit           | -                | (1.3)           | (1.3)                   | -                | (1.3)           | (1.3)                   |
| <b>Total</b>                                                                             | <b>595.4</b>     | <b>(845.1)</b>  | <b>(249.7)</b>          | <b>522.1</b>     | <b>(843.7)</b>  | <b>(321.6)</b>          |

In addition to the plans listed above, CSL Behring GmbH and Seqirus GmbH employees are members of multi-employer plans administered by an unrelated third party. CSL Behring GmbH, Seqirus GmbH and their employees make contributions to the plans and receive pension entitlements on retirement. Participating employers may have to make additional contributions in the event that the plans have insufficient assets to meet their obligations. However, there is insufficient information available to determine this amount on an employer by employer basis. The contributions made by CSL Behring GmbH and Seqirus GmbH are determined by the Plan Actuary and are designed to be sufficient to meet the obligations of the plans based on actuarial assumptions. Contributions made by CSL Behring GmbH and Seqirus GmbH are expensed in the year in which they are made.

## Movements in Accrued benefits and assets

During the financial year the value of accrued benefits increased by \$1.4m. The increase is attributable to three main factors:

- Service cost charged to the profit and loss of \$43.7m. This amount represents the increased benefit entitlement of members, arising from an additional year of service and salary increases, which are taken into account in the calculation of the accrued benefit.
- Foreign currency movements had a \$18.8m unfavourable impact on the value of accrued benefits, this movement is taken to the Foreign Currency Translation Reserve.
- Employee contributions paid into the plan of \$8.5m.

Offsetting these increases were:

- Actuarial adjustments, due primarily to higher discount rates at the end of the year than originally anticipated by the actuary, generated a decrease in accrued benefits of \$59.3m. These adjustments do not affect the profit and loss as they are recorded in Other Comprehensive Income.
- Benefits were paid by plans and the employer during the year of \$4.7m and \$2.8m, respectively.

In the prior year the value of accrued benefits increased by \$105.1m. Contributing factors were Service costs (\$49.9m, including \$8m in past service costs), actuarial adjustments (\$71.9m), unfavourable currency movements (\$6.3m); offset by benefit payments (\$18.3m).

Plan assets increased by \$73.3m during the financial year. The increase is attributable to the following factors:

- Investment returns increased plan assets by \$36.6m
- Contributions made by employer and employee increased plan assets by \$30.2m and favourable foreign currency movements of \$14.5m which are taken directly to the Foreign Currency Translation Reserve.

Offsetting these increases were benefits paid by the plans of \$4.7m and other adjustments of \$2.7m.

In the prior year plan the value of plan assets decreased by \$3.0m. Contributing factors were benefits paid by the plans (\$14.2m) and unfavourable currency movements (18.8m); offset by employer and employee contributions (\$26.3m) and investment returns earned on plan assets (\$4.1m).

| The principal actuarial assumptions, expressed as weighted averages, at the reporting date are: | 2017<br>% | 2016<br>% |
|-------------------------------------------------------------------------------------------------|-----------|-----------|
| Discount rate                                                                                   | 1.1%      | 0.8%      |
| Future salary increases                                                                         | 2.0%      | 2.2%      |
| Future pension increases                                                                        | 0.4%      | 0.4%      |

## Plan Assets

| The major categories of total plan assets are as follows: | 2017<br>\$m  | 2016<br>\$m  |
|-----------------------------------------------------------|--------------|--------------|
| Cash                                                      | 50.0         | 44.0         |
| Instruments quoted in active markets:                     |              |              |
| Equity Instruments                                        | 220.4        | 184.8        |
| Bonds                                                     | 241.0        | 221.3        |
| Unquoted investments – property                           | 82.0         | 71.1         |
| Other assets                                              | 2.0          | 0.9          |
| <b>Total Plan assets</b>                                  | <b>595.4</b> | <b>522.1</b> |

The variable with the most significant impact on the defined benefit obligation is the discount rate applied in the calculation of accrued benefits. A decrease in the average discount rate applied to the calculation of accrued benefits of 0.25% would increase the defined benefit obligation by \$32.7m. An increase in the average discount rate of 0.25% would reduce the defined benefit obligation by \$33.7m.

The defined benefit obligation will be discharged over an extended period as members exit the plans. The plan actuaries have estimated that the following payments will be required to satisfy the obligation. The actual payments will depend on the pattern of employee exits from the Group's plans.

|                            |                         |
|----------------------------|-------------------------|
| Year ended 30 June 2018    | \$21.1m (2016: 18.3m)   |
| Between two and five years | \$93.9m (2016: 83.6m)   |
| Between five and ten years | \$146.4m (2016: 129.8m) |
| Beyond ten years           | \$584.2m (2016: 611.8m) |

## b. Share-based payments – equity settled

### *Share-based long term incentives (LTI) issued between October 2012 and October 2013*

Performance rights granted in 2012 and 2013 have hurdles that were to be set and measured in US dollars in line with the Group's presentation currency. Subject to performance hurdles being satisfied, 50% of the LTI award will vest after three years, with the remaining 50% vesting after the fourth anniversary of the award date. The performance hurdles comprise a graduated vesting for the compound annual growth in EPS with no vesting below 8% CAGR and 100% vesting at 12% CAGR and a relative TSR hurdle measured against the MSCI Global Pharmaceutical Index with vesting if CSL's TSR exceeds the Index.

### *Share-based long term incentives (LTI) issued in October 2014, October 2015 and October 2016*

Performance rights grants made in 2014, 2015 and 2016 will vest over a four year period with no re-test. The EPS growth test has 100% vesting occurring at a 13% compound annual growth rate and the potential for additional vesting on the achievement of stretch EPS growth targets. The relative TSR test is against a cohort of global pharmaceutical and biotechnology companies and progressive vesting has been reintroduced with 50% vesting where CSL's performance is at the 50<sup>th</sup> percentile rising to 100% vesting at the 75<sup>th</sup> percentile. Performance Options also vest over a four year period and have no performance hurdles. The options only have value when the share price on exercise exceeds the exercise price. The company does not provide loans to fund the exercise of options.

### *Global Employee Share Plan (GESP)*

The Global Employee Share Plan (GESP) allows employees to make contributions from after tax salary up to a maximum of A\$3,000 per six month contribution period. The employees receive the shares at a 15% discount to the applicable market rate, as quoted on the ASX on the first day or the last day of the six-month contribution period, whichever is lower.

### *Recognition and measurement*

The fair value of options or rights is recognised as an employee benefit expense with a corresponding increase in equity. Fair value is independently measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or rights. Fair value is independently determined using a combination of the Binomial and Black Scholes valuation methodologies, including Monte Carlo simulation, taking into account the terms and conditions on which the options and rights were granted. The fair value of the

options granted excludes the impact of any non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest.

At each reporting date, the number of options and rights that are expected to vest is revised. The employee benefit expense recognised each period takes into account the most recent estimate of the number of options and rights that are expected to vest. No expense is recognised for options and rights that do not ultimately vest, except where vesting is conditional upon a market condition and that market condition is not met.

## Valuation assumptions and fair values of equity instruments granted

The model inputs for performance rights, options and GESP awards granted during the year ended 30 June 2017 included:

|                                            | Fair Value <sup>7</sup> | Share Price | Exercise Price | Expected volatility <sup>8</sup> | Life assumption | Expected dividend yield | Risk free interest rate |
|--------------------------------------------|-------------------------|-------------|----------------|----------------------------------|-----------------|-------------------------|-------------------------|
|                                            | A\$                     | A\$         | A\$            |                                  |                 |                         |                         |
| <b>Performance Rights (by grant date)</b>  |                         |             |                |                                  |                 |                         |                         |
| 1 October 2016 – Tranche 1                 | \$60.07                 | \$107.25    | Nil            | 20.0%                            | 3.75 years      | 1.75%                   | 1.57%                   |
| 1 October 2016 – Tranche 2 & Tranche 3     | \$100.50                | \$107.25    | Nil            | 20.0%                            | 3.75 years      | 1.75%                   | 1.57%                   |
| 1 April 2017 – Tranche 1                   | \$75.71                 | \$122.88    | Nil            | 20.0%                            | 3.25 years      | 1.75%                   | 1.91%                   |
| 1 April 2017 – Tranche 2 & Tranche 3       | \$116.41                | \$122.88    | Nil            | 20.0%                            | 3.25 years      | 1.75%                   | 1.91%                   |
| <b>Performance Options (by grant date)</b> |                         |             |                |                                  |                 |                         |                         |
| 1 October 2016                             | \$16.14                 | \$107.25    | \$107.25       | 20.0%                            | 3.75 years      | 1.75%                   | 1.57%                   |
| <b>GESP (by grant date)<sup>9</sup></b>    |                         |             |                |                                  |                 |                         |                         |
| 1 September 2016                           | \$21.24                 | \$108.10    | \$86.86        | 20.0%                            | 6 months        | 1.75%                   | 1.49%                   |
| 1 March 2017                               | \$25.40                 | \$117.86    | \$92.46        | 20.0%                            | 6 months        | 1.75%                   | 1.62%                   |

<sup>7</sup> Options and rights granted are subject to a service condition. Since October 2010, grants of performance rights and options have both a market vesting condition TSR hurdle and a non market vesting condition EPS hurdle.

<sup>8</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.

<sup>9</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 a 15% discount to the lower of the ASX market price on the first and last dates of the contribution period.

### c. Share-based payments – cash settled

The notional shares under the Executive Deferred Incentive Plan generate a cash payment to participants in three years' time, or in limited instances over a prorated period (see Note 5), provided they are still employed by the company and receive a satisfactory performance review over that period. The amount of the cash payment will be determined by reference to the CSL share price immediately before the award maturity date.

#### *Recognition and measurement*

The fair value of the cash-settled notional shares is measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period. The ultimate cost of these transactions will be equal to the fair value at settlement date. The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is carried out as follows:

- At each reporting date between grant and settlement, the fair value of the award is determined.
- During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- All changes in the liability are recognised in employee benefits expense for the period.
- The fair value of the liability is determined by reference to the CSL Limited share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.
- The following table lists the inputs to the valuation models used during the year for EDIP purposes.

| Grant date   | 2017                                   |                    | 2016                                   |                  |
|--------------|----------------------------------------|--------------------|----------------------------------------|------------------|
|              | Fair value of grants at reporting date | Dividend yield (%) | Fair value of grants at reporting date | Dividend yield % |
| October 2014 | A\$140.28                              | 1.75%              | A\$106.09                              | 2.0%             |
| October 2015 | A\$137.87                              | 1.75%              | A\$104.01                              | 2.0%             |
| January 2016 | A\$137.87                              | 1.75%              | A\$104.01                              | 2.0%             |
| March 2016   | A\$137.07                              | 1.75%              | A\$103.33                              | 2.0%             |
| April 2016   | A\$137.87                              | 1.75%              | A\$104.01                              | 2.0%             |
| July 2016    | A\$137.87                              | 1.75%              |                                        |                  |
| October 2016 | A\$135.50                              | 1.75%              |                                        |                  |
| January 2017 | A\$135.50                              | 1.75%              |                                        |                  |
| April 2017   | A\$137.87                              | 1.75%              |                                        |                  |

## Note 19: Detailed Information – Shareholder Returns

| Note                                                                                                | Consolidated Entity |               |
|-----------------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                                     | 2017<br>US\$m       | 2016<br>US\$m |
| <b>Retained earnings</b>                                                                            |                     |               |
| Opening balance at 1 July                                                                           | 6,592.3             | 6,000.8       |
| Net profit for the year                                                                             | 1,337.4             | 1,242.4       |
| Dividends                                                                                           | (601.4)             | (579.0)       |
| Actuarial gain/(loss) on defined benefit plans                                                      | 89.8                | (87.6)        |
| Deferred tax on actuarial gain/(loss) on defined benefit plans                                      | (14.2)              | 15.7          |
| Closing balance at 30 June                                                                          | 7,403.9             | 6,592.3       |
| <b>Performance Options Plan</b>                                                                     |                     |               |
| Options exercised under Performance Option plans as follows                                         |                     |               |
| nil issued at A\$37.91 (2016: 59,213 issued at A\$37.91)                                            | -                   | 1.6           |
| 64,646 issued at A\$33.68 (2016: 190,050 issued at A\$33.68)                                        | 1.6                 | 4.7           |
| 25,050 issued at A\$33.45 (2016: 21,320 issued at A\$33.45)                                         | 0.6                 | 0.5           |
| 2,780 issued at A\$29.34 (2016: 102,781 issued at A\$29.34)                                         | 0.1                 | 2.2           |
|                                                                                                     | 2.3                 | 9.0           |
| <b>Global Employee Share Plan (GESP)</b>                                                            |                     |               |
| Shares issued to employees under Global Employee Share Plan (GESP)                                  |                     |               |
| 74,117 issued at A\$86.86 on 9 September 2016 (2016: 74,413 issued at A\$77.25 on 4 September 2015) | 4.9                 | 4.0           |
| 78,620 issued at A\$92.46 on 3 March 2017 (2016: 76,429 issued at A\$77.89 on 4 March 2016)         | 5.5                 | 4.4           |
|                                                                                                     | 10.4                | 8.4           |

## Note 20: Auditors Remuneration

During the year the following fees were paid or were payable for services provided by CSL's auditor and by the auditor's related practices:

| <b>Audit or Review of Financial Reports</b>         | <b>2017<br/>US\$</b> | <b>2016<br/>US\$</b> |
|-----------------------------------------------------|----------------------|----------------------|
| Ernst & Young Australia                             | <b>1,142,462</b>     | 1,284,435            |
| Ernst & Young related practices                     | <b>3,060,778</b>     | 2,931,094            |
| <b>Total remuneration for audit services</b>        | <b>4,203,240</b>     | 4,215,529            |
| <b>Other services</b>                               |                      |                      |
| Ernst & Young Australia                             |                      |                      |
| - other assurance services                          | <b>92,122</b>        | 76,620               |
| - non-assurance services                            | <b>183,180</b>       | 83,757               |
| Ernst & Young related practices                     |                      |                      |
| - other assurance services                          | <b>63,659</b>        | 45,087               |
| - non-assurance services                            | <b>696,669</b>       | 424,908              |
| <b>Total remuneration for non-audit services</b>    | <b>1,035,630</b>     | 630,372              |
| <b>Total remuneration for all services rendered</b> | <b>5,238,870</b>     | 4,845,901            |

## Note 21: Deed of Cross Guarantee

On 22 October 2009, a deed of cross guarantee was executed between CSL Limited and some of its wholly owned entities, namely CSL International Pty Ltd, CSL Finance Pty Ltd, CSL Biotherapies Pty Ltd (now Seqirus (Australia) Pty Ltd) and Zenyth Therapeutics Pty Ltd. Since the establishment of the deed Seqirus Pty Ltd, CSL Behring (Australia) Pty Ltd and CSL Behring (Privigen) Pty Ltd have been added to the deed. During the year ended 30 June 2017 Seqirus Australia Holdings Pty Ltd was added to the deed. Under this deed, each company guarantees the debts of the others. By entering into the deed, these specific wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The entities that are parties to the deed represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by CSL Limited, they also represent the 'Extended Closed Group'. A consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2017 and 30 June 2016 and a consolidated balance sheet as at each date for the Closed Group is set out below.

| <b>Income Statement</b>                 | <b>Consolidated Closed Group</b> |                      |
|-----------------------------------------|----------------------------------|----------------------|
|                                         | <b>2017<br/>A\$m</b>             | <b>2016<br/>A\$m</b> |
| <i>Continuing operations</i>            |                                  |                      |
| Sales revenue                           | <b>1,106.5</b>                   | 912.1                |
| Cost of sales                           | <b>(765.3)</b>                   | (602.5)              |
| <b>Gross profit</b>                     | <b>341.2</b>                     | 309.6                |
| Sundry revenues                         | <b>188.5</b>                     | 178.8                |
| Dividend income                         | <b>1,271.6</b>                   | 851.1                |
| Interest income                         | <b>64.9</b>                      | 71.6                 |
| Research and development expenses       | <b>(188.9)</b>                   | (194.7)              |
| Selling and marketing expenses          | <b>(66.5)</b>                    | (67.7)               |
| General and administration expenses     | <b>(121.9)</b>                   | (118.3)              |
| Finance costs                           | <b>(21.1)</b>                    | (14.4)               |
| <b>Profit before income tax expense</b> | <b>1,467.8</b>                   | 1,016.0              |
| Income tax expense                      | <b>(56.2)</b>                    | (30.2)               |
| <b>Profit for the year</b>              | <b>1,411.6</b>                   | 985.8                |

|                                             | 2017<br>A\$m    | 2016<br>A\$m    |
|---------------------------------------------|-----------------|-----------------|
| <b>Balance sheet</b>                        |                 |                 |
| <b>Current assets</b>                       |                 |                 |
| Cash and cash equivalents                   | 448.7           | 280.1           |
| Trade and other receivables                 | 212.5           | 322.7           |
| Inventories                                 | 275.1           | 247.3           |
| <b>Total Current Assets</b>                 | <b>936.3</b>    | <b>850.1</b>    |
| <b>Non-current assets</b>                   |                 |                 |
| Trade and other receivables                 | 1,066.6         | 274.5           |
| Other financial assets                      | 18,436.5        | 18,776.1        |
| Property, plant and equipment               | 811.2           | 698.7           |
| Deferred tax assets                         | 20.0            | 33.1            |
| Intangible assets                           | 41.9            | 33.2            |
| Retirement benefit assets                   | 7.3             | 6.7             |
| <b>Total Non-Current Assets</b>             | <b>20,383.5</b> | <b>19,822.3</b> |
| <b>Total assets</b>                         | <b>21,319.8</b> | <b>20,672.4</b> |
| <b>Current liabilities</b>                  |                 |                 |
| Trade and other payables                    | 365.9           | 256.8           |
| Provisions                                  | 56.9            | 53.1            |
| Deferred government grants                  | 3.8             | 3.8             |
| <b>Total Current Liabilities</b>            | <b>426.6</b>    | <b>313.7</b>    |
| <b>Non-current liabilities</b>              |                 |                 |
| Trade and other payables                    | 11.0            | 12.8            |
| Interest-bearing liabilities and borrowings | 1,412.4         | 1,076.8         |
| Provisions                                  | 10.5            | 11.1            |
| Deferred government grants                  | 46.7            | 46.6            |
| <b>Total Non-Current Liabilities</b>        | <b>1,480.6</b>  | <b>1,147.3</b>  |
| <b>Total liabilities</b>                    | <b>1,907.2</b>  | <b>1,461.0</b>  |
| <b>Net assets</b>                           | <b>19,412.6</b> | <b>19,211.4</b> |
| <b>Equity</b>                               |                 |                 |
| Contributed equity                          | (4,625.3)       | (4,200.9)       |
| Reserves                                    | 160.3           | 163.4           |
| Retained earnings                           | 23,877.6        | 23,248.9        |
| <b>TOTAL EQUITY</b>                         | <b>19,412.6</b> | <b>19,211.4</b> |

|                                                                                   | 2017<br>A\$m | 2016<br>A\$m |
|-----------------------------------------------------------------------------------|--------------|--------------|
| <b>Summary of movements in consolidated retained earnings of the Closed Group</b> |              |              |
| Retained earnings at beginning of the financial year                              | 23,248.9     | 23,055.0     |
| Net profit                                                                        | 1,411.6      | 985.8        |
| Actuarial gain/(loss) on defined benefit plans, net of tax                        | 2.4          | (0.4)        |
| Dividends provided for or paid                                                    | (785.3)      | (791.5)      |
| Retained earnings at the end of the financial year                                | 23,877.6     | 23,248.9     |



## Note 22: Parent Entity Information

|                                                                                                 | 2017<br>A\$m   | 2016<br>A\$m |
|-------------------------------------------------------------------------------------------------|----------------|--------------|
| <b>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                                                                                  | 523.3          | 486.5        |
| Total assets                                                                                    | 7,600.4        | 3,301.9      |
| Current liabilities                                                                             | 339.0          | 240.2        |
| Total liabilities                                                                               | 1,821.5        | 2,414.5      |
| Contributed equity                                                                              | (4,625.3)      | (4,200.9)    |
| Share-based payments reserve                                                                    | 128.3          | 131.6        |
| Retained earnings                                                                               | 10,275.9       | 4,956.7      |
| <b>Net Assets &amp; Total Equity</b>                                                            | <b>5,778.9</b> | <b>887.4</b> |
| Profit or loss for the year                                                                     | 6,104.5        | 814.2        |
| Total comprehensive income                                                                      | 6,104.5        | 814.2        |

**(b) Guarantees entered into by the parent entity**

The parent entity provides certain financial guarantees in the ordinary course of business. No liability has been recognised in relation to these guarantees as the fair value of the guarantees is immaterial. These guarantees are mainly related to all external debt facilities of the Group. In addition, the parent entity provides letters of comfort to indicate support for certain controlled entities to the amount necessary to enable those entities to meet their obligations as and when they fall due, subject to certain conditions (including that the entity remains a controlled entity).

**(c) Contingent liabilities of the parent entity**

The parent entity did not have any material contingent liabilities as at 30 June 2017 or 30 June 2016. For information about guarantees given by the parent entity, please refer above and to Note 21.

**(d) Contractual commitments for the acquisition of property, plant or equipment**

The parent entity did not have any material contractual commitments for the acquisition of property, plant and equipment as at 30 June 2017 or 30 June 2016.

## Note 23: Subsequent Events

On June 13, 2017, CSL announced that it had agreed to acquire 80 percent equity of plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biological Products Co. Ltd. ("Ruide") from Humanwell Healthcare Group Co. Ltd. ("Humanwell"). The transaction closed on 2 August 2017. Ruide develops, manufactures and commercialises plasma-derived products for the Chinese domestic market. The initial purchase price was US\$352 million for 80% of Ruide. There is additional consideration possible within the agreement, part of which is contingent on the registration of new products and the opening of new plasma centres, and part is related to a put and call option over the remaining 20% of Ruide. If fully paid the total will amount to approximately \$130 million. At this stage management are still assessing the fair value of the net assets acquired and are not in a position to accurately estimate the value of intangibles and goodwill expected from the transaction however it is anticipated that a substantial portion of the assets recognized will be intangibles.

Other than as disclosed elsewhere in these statements, there are no matters or circumstances which have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, results of those operations or the state of affairs of the Group in subsequent financial years.

## Note 24: New and Revised Accounting Standards

### a. New and revised standards and interpretations adopted by the Group

The Group has adopted, for the first time, certain standards and amendments to accounting standards. None of the changes have impacted on the Group's accounting policies nor have they required any restatement.

### b. New and revised standards and interpretations not yet adopted by the Group

The following new and revised accounting standards and interpretations published by the Australian Accounting Standards Board which are considered relevant to the Group, are not yet effective. Unless otherwise stated below the Group has not yet completed its assessment of the impact of these new and revised standards on the financial report.

Applicable to the Group for the year ended 30 June 2019:

#### *AASB 9 – Financial Instruments*

This standard will change the classification and measurement of financial instruments, introduce new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures, and introduce a new expected-loss impairment model that will require more timely recognition of expected credit losses.

#### *AASB 15 – Revenue from Contracts with Customers*

This standard specifies the accounting treatment for revenue arising from contracts with customers providing a framework for determining when and how much revenue should be recognised. The core principle is that revenue must be recognised when goods or services are transferred to a customer, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During the year the Group undertook a project to identify the impact of AASB 15 on the financial statements. This included an analysis of the specific requirements of the standard and the review of material contracts entered into by the group that give rise to revenue.

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

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

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

*IFRS 2 – Classification and Measurement of Share-based Payment Transactions*

This amendment clarifies how to account for certain types of share-based payment transactions impacting the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

Applicable to the Group for the year ended 30 June 2020:

*AASB 16 – Leases*

This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more

than 12 months, unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation on the asset and interest on the liability will be recognised.

*IFRIC Interpretation 23 – Uncertainty over income tax treatments*

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

## Directors' Declaration

1) In the opinion of the Directors:

a. the financial statements and notes of the company and of the Group are in accordance with the *Corporations Act 2001 (Cth)*, including:

- i. giving a true and fair view of the company's and Group's financial position as at 30 June 2017 and of their performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and *Corporations Regulations 2001*.

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

2) About this Report (a) in the notes to the financial statements confirms that the financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001 (Cth)* for the financial period ended 30 June 2017.

4) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee dated 22 October 2009.

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

**John Shine AC**  
Chairman

**Paul Perreault**  
Managing Director

Melbourne  
August 15 2017

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of CSL Limited (the Company), and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Existence and valuation of inventories

### Why significant

At 30 June 2017, the Group holds inventories of \$2,575.8 million at the lower of cost or net realisable value. The Group's accounting for inventories is complex as the nature of products being produced and the strict quality and efficacy requirements it is required to comply with means there is a risk that inventories is valued at greater than its recoverable amount.

Provisions can be recognised for all components of inventories, including raw materials, work in progress and finished goods. The Group considers a number of factors when determining the appropriate level of inventories provisioning, including regulatory approvals and future demand for the Group's products.

In addition, the wide spread geographic footprint of the Group and the movements and sale of stock between the Group's operations means both the existence of inventories and the costing of inventories is a key area of focus. This includes ensuring any mark up of inventories from sales within the Group is appropriately eliminated on consolidation.

The Group's disclosure with respect to inventories is included in Note 4 of the financial report.

### How our audit addressed the key audit matter

We have assessed the carrying value of inventories, including costing and provisions for obsolescence and net realisable value, at 30 June 2017.

We assessed the appropriateness of the costing by performing detailed testing on the accuracy of the standard cost price calculations and assessing the recognition of variances from standard costing.

We assessed the provisions for obsolescence as to whether or not the provisions reflect known quality issues and commercial considerations, as well as their compliance with Australian Accounting Standards, and consistent application from prior periods.

The existence of inventories has been tested through our attendance at regular cycle counts conducted throughout the period or through attendance at year-end inventory stock takes in all locations with significant stock holdings. Observing physical inventories assisted with our valuation assessment as we were able to identify any quality issues and validate expiry dates of products.

We have assessed the Group's financial report consolidation process, the elimination of any inter-company profits and resultant tax consequences.

## 2. Valuation of long-lived assets for Seqirus

### Why significant

The Seqirus segment has continued to incur operating losses since the acquisition of the Novartis influenza assets in July 2015. There are significant noncurrent assets with definite useful lives including property, plant and equipment and intangible assets of \$462 million.

The Group reviews the carrying amounts of these noncurrent assets annually, or more frequently, if impairment indicators are present. Before estimating the recoverable amount of the assets, the Group first assesses the cash generating units ("CGU") and then allocates the assets to the identified CGUs within the Seqirus segment.

Estimating the recoverable amount of the assets requires critical judgement including estimates of future sales, gross margins, operating costs, terminal value growth rates, capital expenditures, discount rate and the assumptions inherent in those estimates. The annual impairment test is significant to our audit because the assessment process is complex and requires significant judgement.

### How our audit addressed the key audit matter

We assessed the appropriateness of the identified Seqirus CGU and the allocation of assets to that CGU.

Involving our valuation specialists, we assessed the key assumptions underlying the discounted cash flow valuation of the Seqirus CGU. In doing so, we:

- ▶ Tested the mathematical accuracy of the discounted cash flow model;
- ▶ Compared forecast sales volumes to current production levels and estimated growth in production and demand;
- ▶ Compared sales prices compared to current levels and estimated increases;
- ▶ Assessed gross margins based on historical average margins and the impact of yield improvements underway at the Holly Springs facility;
- ▶ Assessed estimates of capital expenditure;
- ▶ Assessed the CGU's current year actual results against prior year forecasts to assess forecast accuracy;
- ▶ Considered the probability, timing and impact of a pandemic;
- ▶ Assessed the CGU's assumptions for terminal growth rates in the discounted cash flow model in comparison to economic and industry forecasts;
- ▶ Assessed discount rates through comparing the cost of capital for Seqirus with comparable businesses; and
- ▶ Consideration EBITDA multiples as a valuation cross-check.

We performed sensitivity analysis in respect of the assumptions noted above to ascertain the extent of changes in those assumptions which either individually or collectively would materially impact the fair value of the CGU and we assessed the likelihood of these changes in assumptions arising.

### 3. Tax complexities

#### Why significant

##### Recoverability of deferred tax assets

The Group has recognised deferred tax assets related to carry-forward tax losses of \$226.8 million. The majority of the deferred tax asset relates to two entities, Seqirus UK Ltd (United Kingdom) and CSL Behring Recombinant Facility AG (Switzerland). Both entities incurred operating losses in 2017.

The Group recognised deferred tax assets for tax losses carried forward to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised. Assessing the future taxable profit is complex and requires significant estimates, in particular around the future profitability of each of the loss making businesses.

##### Uncertain tax positions

The Group operates in a number of different tax jurisdictions all of which have specific risks and regulations that needs to be considered.

In particular, transfer pricing arrangements within the Group are significant with large numbers of cross-border purchases and sales as well as transfers of intellectual property between Group entities in different tax jurisdictions.

The Group's disclosure with respect to tax is included in Note 3 of the financial report.

#### How our audit addressed the key audit matter

##### Recoverability of deferred tax assets

Our audit procedures over the recoverability of the deferred tax assets included testing the adequacy of the forecast cash flows, and assessing whether they were based on reasonable assumptions and were consistent with the most recent forecasts prepared by the Group. In addition, we considered other assumptions such as transfer pricing, tax depreciation and assessed the deductibility of expenditure. These procedures were leveraged, where possible, off of the procedures performed over the recoverability of the noncurrent assets for Seqirus as described above.

Additionally, we assessed whether the Group's disclosures of the application of judgement in estimating recognised and unrecognised deferred tax asset balances appropriately reflect the Group's deferred tax position.

##### Uncertain tax positions

We assessed the Group's various tax exposures to assess whether adequate provisions have been recorded for exposures with higher risk and uncertainty.

Involving our taxation specialists in local countries, our audit procedures included:

- ▶ review of the Group's calculations of current and deferred income tax expense;
- ▶ review of any third party advice received;
- ▶ understanding the status of any open tax audits and their findings; and
- ▶ review of transfer pricing documentation.



## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our auditor's report.

#### Report on the Audit of the Remuneration Report

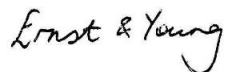
##### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 38 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of CSL Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

##### Responsibilities

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.



Ernst & Young



Rodney Piltz  
Partner  
Melbourne  
15 August 2017