CSL Limited

ABN: 99 051 588 348

ASX Full-year information
30 June 2018

Lodged with the ASX under Listing Rule 4.3A.

Contents

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Appendix 4E

Full-year ended 30 June 2018

(Previous corresponding period:
Year ended 30 June 2017)

Results for Announcement to the Market

	2018	2017
	US$m	**US$m**
Sales revenue	7,587.9	6,615.8
Total other revenues	327.4	331.2
Total revenue and other income	**7,915.3**	**6,947.0**
Profit before income tax expense	2,281.2	1,689.8
Income tax expense	(552.3)	(352.4)
Reported Net profit after tax attributable to members of the parent entity	**1,728.9**	**1,337.4**

Reported

- Sales revenue up 14.7% to US$7.6 billion.
- Net profit after tax for the year attributable to members of the parent entity up 29.3% to US$1.73 billion.

Underlying Net Profit after Tax at Constant Currency [1]

- **Underlying sales revenue at constant currency up 11.8% to US$7.4 billion.**
- **Underlying net profit after tax for the year at constant currency up 28.1% to US$1.7 billion.**

[1] Excludes the impact of foreign exchange movements in the period under review. 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[#])	US$0.93	Unfranked *
Interim dividend (paid on 13 April 2018)	US$0.79	Unfranked
Final dividend (prior year, paid on 13 October 2017)	US$0.72	Unfranked
[#] Record date for determining entitlements to the dividend:	12 September 2018	

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

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

	30 June 2018	30 June 2017
Net tangible asset backing per ordinary security	**US$5.03**	US$4.65

Changes in controlled entities

The Group completed three acquisitions during the financial year:

Calimmune Inc, and its one wholly owned subsidiary

Wuhan Zhong Yuan Ruide Biologicals Products Co Ltd and its four wholly owned subsidiaries

Guangzhou Junxin Pharmaceutical Limited

Details of the acquisitions are in Note 1b to the financial statements.

Audit report

The audit report is contained in the attached Financial Report.

F Mead
Company Secretary

14 August 2018

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 2018.

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 AO
Mr B R Brook
Dr M E Clark AC
Ms M E McDonald
Ms C E O'Reilly
Dr T Yamada KBE

Mr Abbas Hussain and Dr Brian McNamee AC were appointed as Directors on 14 February 2018 and continue in office as at the date of this report. Mr M Renshaw retired as a Director as of the conclusion of the 2017 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.

2. Company Secretaries

Mr E H C Bailey, B.Com/LLB FGIA served in the position of Company Secretary until 21 December 2017.

Ms F Mead, B.Com/LLB (Hons) FGIA, GAICD, was appointed and commenced in the position of Company Secretary and Head of Corporate Governance on 4 June 2018 and continues in office as at the date of this report. Ms Mead was previously the Company Secretary and a member of the Executive Leadership Team at Tabcorp Holdings Limited. Prior to that, she was the Company Secretary at Asciano Limited. Ms Mead also served as Assistant Company Secretary at Telstra Corporation.

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. Mr Levy was acting Company Secretary for the period between Mr Bailey's departure and Ms Mead's appointment.

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*	*B*	*A*	*B*	*A*	*B*	*A*	*B*
J Shine	9	9			9	9		1*	5	5	4	4
D W Anstice	9	9					6	6	5	5	4	4
B R Brook	9	9	5	5				1*		5*	4	4
M E Clark	9	9		1*			8	8	5	5	4	4
S A Hussain	4	4		1*			2	2				
B McNamee	4	4		1*				2*				
M McDonald	9	9	5	5			2	2, 2*		5*	4	4
P R Perreault	9	9		5*	9	9		8*	5	5	1*	
C E O'Reilly	9	9	5	5			8	8		4*	4	4
M A Renshaw	2	1							2	1	3	1
T Yamada	9	9							5	5	4	4

A Number of meetings held whilst a member.
B Number of meetings attended.

Board Committee Meetings are open to all Directors to attend. Where a Director attended a meeting of a Committee of which they were not a member, it is indicated with an asterisk*.

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$1,728.9m for the twelve months ended 30 June 2018, up 29.3% when compared to the prior comparable period. Underlying Net Profit After Tax at constant currency[1] grew 28.1% when compared to the prior comparable period. Sales Revenue was US$7,587.9m, up 11.8% on an underlying constant currency basis when compared to the prior comparable period, with research and development expenditure of US$702.4m. Net cash inflow from operating activities was US$1,902.1m.

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[1] **Constant currency** removes the impact of exchange rate movements to facilitate comparability of operational performance for the Group. This is done in three parts: a) by converting the current 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$1,728.9m
Translation currency effect (a)	US$(54.7m)
Transaction currency effect (b)	US$ 53.1m
Foreign Currency losses (c)	US$(14.4m)
Constant currency net profit after tax*	US$1,712.9m

a) Translation currency effect NPAT ($54.7m)

Average Exchange rates used for calculation in major currencies (twelve months to June 18/June 17) were as follows: USD/EUR (0.84/0.92); USD/CHF (0.97/0.99).

b) Transaction currency effect NPAT $53.1m

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 Gains ($14.4m)

Foreign currency gains recorded during the period.

Summary Sales

Reported sales	US$7,587.9m
Currency effect	US$(193.8m)
Constant currency sales*	US$7,394.1m

FY18 Underlying Net Profit after Tax

Reported Net Profit after Tax	US$1,728.9m
One off favourable Cost of Goods sold item	US$ 32.0m
FY Underlying Net Profit after Tax	US$1,696.9m

* 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.

(b) Operating Review

CSL Behring total revenue of US$6,827m increased 10% at constant currency when compared to the prior comparable period.

Immunoglobulin (Ig) product sales of US$3,145m grew 11% at constant currency underpinned by demand for Privigen® (10% liquid Ig) and Hizentra® (subcutaneous Ig). Growth in this segment is masked to some extent by a very strong comparable period when sales were boosted by atypical market conditions

Globally demand for immunoglobulin has been strong driven by increased usage for chronic therapies, including Primary Immune Deficiency and Chronic Inflammatory Demyelinating Polyneuropathy (CIDP), together with increased disease awareness and diagnosis. During the period, Privigen® was approved in the US for CIDP and Hizentra was approved in both the US and EU for CIDP. CIDP is a debilitating peripheral nerve disorder and is the largest Ig indication.

Haemophilia product sales of US$1,113m grew 5% at constant currency. The main contributor to this growth has been the successful global rollout of CSL Behring's recombinant coagulation factors, which grew 12% at constant currency over the prior comparable period. Idelvion®, a novel long-acting recombinant factor IX product for the treatment of haemophilia B, has been particularly strong since its launch in US in 2016.

Together with rolling launches globally, particularly in Europe and Japan, Idelvion® sales have more than doubled when compared with FY17.

Afstyla®, CSL Behring's novel recombinant factor VIII has delivered solid growth since launch, underpinned to a large extent by patients switching from Helixate as the availability of this product wound down in the lead up and following the expiry of the distribution agreement in December 2017. Competition in the Haemophilia A market remains intense as new entrants participate in the market.

Haemate®, CSL Behring's plasma derived product containing factor VIII and von Willebrand factor experienced good sales growth in Russia and Brazil. This growth has largely been offset by modest declines in both Beriate® and Mononine®.

Specialty product sales of US$1,490m grew 24% at constant currency. Sales of Kcentra® (4 factor pro-thrombin complex concentrate) in the US were strong driven by an expansion of new accounts and expanding usage in existing accounts.

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

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

Albumin sales of US$921 million rose 7% at constant currency underpinned by strong sales growth in China with further market penetration into Tier 2 and Tier 3 cities. This growth was tempered to some extent by competitive pricing pressure.

Seqirus total revenue of US$1,088 million grew 16% at constant currency driven largely by increased sales of seasonal influenza vaccines.

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

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

Included within total Seqirus revenue is 'other' revenue of US$178 million, which increased 22% at constant currency, mainly arising from an increase in pandemic facility reservation fees.

(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.

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. 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
Healthcare Industry Risk	
• 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. • 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. • 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.	• 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. • 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. • 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.
Manufacturing & Supply Risk	
• 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. • 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. • 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.	• 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). • 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. • 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.
Research and Development/Commercialisation Risk	
• 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. • Commercialisation requires effective transition of research and development activities to business operations.	• 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. • 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.

Business Combination Risk • Potential business combinations could require significant management attention and prove difficult to integrate with CSL's business. • 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.	• 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. • 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.
Tax Risk • 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.	• 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.
Information Security, including Cybersecurity • Most of CSL's operations are computer-based and information technology (IT) systems are essential to maintaining effective operations. • 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.	• 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. • 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.
Intellectual Property Risk • CSL relies on an ability to obtain and maintain protection for our intellectual property (IP) in the countries in which we operate. • 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.	• 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. • CSL ensures that our projects, products and related activities include an appropriate assessment of any third party IP profile and our IP profile.
Personnel Risk • Providing a safe and rewarding work environment for CSL's employees is critical to our sustainability.	• 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.

• 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.	• 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.
Unexpected Side Effects Risk • 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.	• 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.
Market Practice Risk • 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.	• 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.

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

On 14 August 2018 the Directors resolved to pay a final dividend of US$0.93 per ordinary share, unfranked, bringing dividends per share for 2018 to US$1.72 per share. In accordance with determinations by the Directors, CSL's dividend reinvestment plan remains suspended.

Dividends paid during the year were as follows:

DIVIDEND	Date Resolved	Date Paid	Unfranked dividend per share US$	Total Dividend US$
Final Dividend for Year Ended 30 June 2017	15/08/2017	13/10/2017	0.72 cents	$323.6m
Interim Dividend for Year Ended 30 June 2018	13/02/2018	13/04/2018	0.79 cents	$348.6m

7. Significant changes in the State of Affairs

There were no 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

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

9. Environment, Health, Safety & Sustainability Performance

CSL has an Environment, Health, Safety and Sustainability (EHS^2) Strategic Plan that 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^2 Management System (EHSMS) Standard has been developed and implemented. Internal audits at two sites resulted in the issuance of compliance certificates. Completion of the remaining internal audits will be over the next two years.

The Global Total Recordable Incident Rate continues to demonstrate an improving trend in recordable injury and illness performance. Our Australian operations continue to be classified as an Established Licensee in respect to CSL's self-insurance licence as granted by the Safety, Rehabilitation and Compensation Commission.

No environmental breaches have been notified by the Environment Protection Authority (EPA) 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 2018. During the year CSL has directly engaged with EPA Victoria regarding historical contamination of groundwater in a small portion of the Parkville (Australia) site and has been in discussion with EPA on actions to remediate any impact. This engagement is ongoing.

A Stage 1 non-compliance notice was issued to CSL by the local water authority in relation to an elevated sample result for sulphide in wastewater discharged to the sewer from the Parkville site. CSL is working with the authority to resolve this issue to their satisfaction. A second 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 from time to time by government agency audits and site inspections. The EHS^2 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^2 performance can be found in CSL's sustainability report and our website www.csl.com.au.

10. Directors' Shareholdings and Interests

At 30 June 2018, the interests of the Directors who held office at 30 June 2018 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 30 June 2018, 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 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$717,374 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 2018:

	US$
Other assurance services	203,751
Non-assurance services	749,992
Total fee paid for non-audit services	953,743

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 continues to act as the signing partner for Ernst & Young for the 2017-2018 financial year following his appointment in the prior year. The Audit and Risk Management Committee undertakes a formal review of the appropriateness of continuing with the incumbent audit firm prior to approving the appointment of a new signing partner by rotation.

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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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 2018, 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.

Ernst & Young

Ernst & Young

Rodney Piltz
Partner
14 August 2018

17. Remuneration Report

1. Remuneration Snapshot

The CSL Board of Directors is pleased to present the Remuneration Report ('Report') for CSL Limited (CSL) for the year ended 30 June 2018 (2018) prepared in accordance with the *Corporations Act 2001 (Cth)* and the *Corporations Regulations 2001 (Cth)*. This Report contains detailed information regarding the remuneration arrangements for the directors and senior executives who are the Key Management Personnel ('KMP') for CSL during 2018.

The Board is committed to an executive remuneration framework that is focused on driving a performance culture and linking pay to the achievement of CSL's long term strategy and business objectives. These in turn drive long term shareholder value.

In 2017 your Board recognised that the significant global growth of CSL had overtaken the pay design we had been using for many years. The existing remuneration framework did not reflect the global nature of our business, required simplification and needed stronger alignment with shareholders and yet CSL's success depends on attracting and retaining executives of the requisite calibre.

As a consequence, we completed a major review of CSL's remuneration framework taking into consideration shareholder and stakeholder feedback, market expectations and regulatory developments. At the 2017 Annual General Meeting ('AGM'), the Remuneration Report for the year ended 30 June 2017, which outlined the new remuneration framework, was well supported by our shareholders.

We simplified our long term remuneration by moving to a single long term incentive (LTI) equity instrument which is time and performance hurdled. We recognised the importance of the long term by measuring performance using a seven year rolling average Return on Invested Capital measure to focus executives on achieving CSL's long term objectives. We also made our approach to valuing equity more transparent by changing from a fair value to a face value methodology. This means that the value of a CSL Performance Share Unit (PSU) at grant is the same price that you would pay for a CSL share on the day.

In order to maintain global competiveness and shareholder alignment, executive KMP, excluding the Chief Executive Officer and Managing Director (CEO), received an average increase to their LTI target of 7%. The CEO received no increase to his LTI target.

I am pleased to announce that our new LTI program has been globally recognised by the Global Equity Organization, winning an award at its recent annual conference for Best Plan Effectiveness. The award recognises CSL for developing an equity plan that delivers against key strategic objectives and helps CSL achieve its mission and goals.

The Board considers that the new remuneration framework builds strong alignment with shareholders, balances sensible risk management and motivates executives to deliver outstanding results and long term growth.

CSL's strategy is to develop and deliver innovative medicines that save lives, protect public health and help people with life threatening medical conditions live full lives. Consistent with this strategy, in 2018 CSL has delivered sector-leading growth through efficient plasma production and product sales, expanded into new markets including China, expanded our product pipeline portfolio through acquisitions and research and development (R&D) and delivered on our influenza strategy. CSL also extended its plasma collection network with 27 new centres opened and completed capacity expansion projects.

The remuneration outcomes in 2018 reflect CSL's outstanding financial results and achievements across CSL's operational and development activities. These results are outlined further across this Directors' Report.

CSL's sector-leading performance and global reach has delivered against our objective of growing shareholder value with a 41% increase in Total Shareholder Return over the 12 month period. As a result, CSL has grown to become the fourth largest company on the Australian Securities Exchange (ASX) as at June 30 2018.

Key measures of the results achieved in 2018 included:

- 29.3% increase in Net Profit after Tax (NPAT);
- 52.6% increase in Cash Inflow from Operations (CFO);
- Return on Invested Capital (ROIC) of 25.9%;
- Turn-around of the Seqirus influenza business to breakeven; and
- A strong R&D pipeline with new registrations, exciting new collaborations, positive results in our clinical trials and the initiation of the largest clinical trial ever undertaken by CSL.

Directors' Report

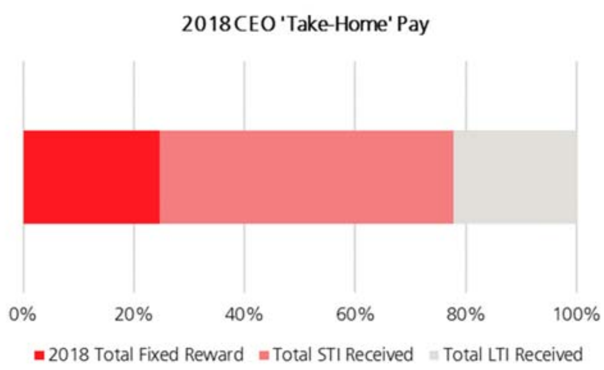
1.1 2018 CEO Remuneration Outcome

In 2018, our CEO, Mr Paul Perreault, received no increase to his Fixed Reward from the previous year, which remained at US$1,751,000, and no increase to his STI percentage of 120% for target performance, capped at 180% for outstanding performance.

The STI outcome for Mr Perreault was 143% of target based on the two key measures of above target performance for NPAT and CFO, resulting in a cash payment of US$3,008,183 (to be paid in September 2018). As part of the LTI program, Mr Perreault was granted 52,052 PSUs (representing 310% of Fixed Reward) in October 2017 which are subject to both time and performance hurdles over the next four years.

1.2 2018 CEO 'Take-Home' Pay

The Board believes that CEO and executive KMP 'take-home' pay is a simple and transparent view of what was actually earned in 2018. We have disclosed the CEO 'take-home' pay in the graph below with a full view of all executive KMP 'take-home' pay details in section 8.3, Table 9.



Mr Perreault's 'take-home' pay for 2018 was US$7,394,489 and this is a 0.2% decrease in 'take-home pay' from the prior year. Table 9 of this Report provides the detail on the 'take-home' pay.

Given the long term nature of CSL's legacy remuneration plans we will continue to see their impact on 'take-home pay' of our executive KMP until 2021.

1.3 Changes to CEO, Executive KMP and Board Remuneration for 2019

Taking into consideration shareholder feedback and global market positioning, the Board has determined to make no increase to Fixed Reward or STI target and maximum opportunity for the second year in a row to the CEO. Consistent with CSL's guiding principles for remuneration the Board has decided to rebalance the remuneration pay-mix toward LTI. To ensure our CEO has market appropriate incentives and remains aligned with the interests of our shareholders, in 2019 he will receive a 13% increase in his LTI target which is both time and performance hurdled.

For our executive KMP in 2019, the Board has approved an average 4% increase in Fixed Reward, no increase in STI and an average 30% increase in LTI targets to recognise that our executive KMP LTI component is significantly below global market comparators.

A review of Board and Committee workload and fees against the median of the ASX top 12 companies was completed. Accordingly, adjustments were made to the Board Chair and Director fees and also the Audit Committee fees. Adjustments to fees were made within the existing aggregate fee pool approved by shareholders in 2016. The Board has considered that sufficient headroom remains within the existing fee pool.

Our existing NED equity program has been replaced with a plan, described in more detail in this Report, which will enable directors to more quickly build a meaningful level of equity in the Company and which will restrict disposal of shares acquired under the plan for three to fifteen years.

1.4 Shareholder engagement

Thank you for your constructive feedback over the past year – it is important to us as we embed our new remuneration framework and seek your support for this year's Report. We are committed to ensuring that our senior executives' interests are aligned with yours. We will adjust our remuneration framework wherever there are opportunities to make it even more effective, aligned to shareholders and to support our global talent in their achievement of CSL's long-term global business goals.

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

Dr Megan Clark AC
Chair Human Resources and Remuneration Committee

Directors' Report

Contents

Independent audit of the report

The Remuneration Report has been audited by Ernst & Young. Please see page 57 of the Financial Statements for Ernst & Young's report.

2. CSL's Key Management Personnel

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 and Managing Director (CEO)) 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 KMP during 2018 are outlined in Table 1.

Table 1: CSL Key Management Personnel in 2018

Non-Executive Directors
Chairman Professor John Shine AC
Mr David Anstice AO
Mr Bruce Brook
Dr Megan Clark AC
Mr Shah Abbas Hussain (commenced 14 February 2018)
Ms Marie McDonald
Dr Brian McNamee AO (commenced 14 February 2018)
Ms Christine O'Reilly
Dr Tadataka Yamada KBE
Mr Maurice Renshaw (retired 18 October 2017)

Executive Key Management Personnel
Executive Director and Chief Executive Officer and Managing Director (CEO) Mr Paul Perreault
EVP Legal & Group General Counsel Mr Greg Boss
EVP & Chief Commercial Officer Mr William Campbell (commenced 1 September 2017)
Chief Scientific Officer Dr Andrew Cuthbertson AO
EVP Quality & Business Services Ms Karen Etchberger
Chief Financial Officer Mr David Lamont
President, Seqirus Mr Gordon Naylor
SVP Human Resources Ms Laurie Reed (retired from role 30 November 2017)
EVP Commercial Operations Mr Robert Repella (retired from role 31 August 2017)
EVP Manufacturing Operations & Planning Mr Val Romberg
EVP & Chief Human Resources Officer Ms Elizabeth Walker (commenced 1 December 2017)

2.1 Changes in KMP

Mr Maurice Renshaw retired from the Board of Directors following the 2017 Annual General Meeting (AGM) on 18 October 2017. Mr Shah Abbas Hussain and Dr Brian McNamee AO were appointed as Non-Executive Directors on 14 February 2018.

Mr Robert Repella retired from the role of Executive Vice President (EVP) Commercial Operations on 31 August 2017 and was replaced by Mr William Campbell in the role of EVP & Chief Commercial Officer effective 1 September 2017. Ms Laurie Reed retired from the role of Senior Vice President Human Resources on 30 November 2017. Ms Elizabeth Walker was appointed to the role of EVP & Chief Human Resources Officer on 1 December 2017.

Directors' Report

3. Remuneration Governance

3.1 Human Resources and Remuneration Committee (HRRC)

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;
- Approval of awards to the CEO;
- 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.

The HRRC is able to approve the remuneration of executive KMP (excluding the CEO).

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 four independent NEDs: Dr Megan Clark AC (Chair), Mr Abbas Hussain, Ms Marie McDonald and Ms Christine O'Reilly. The Chairman of the Board and other NEDs may attend in an ex officio capacity and the HRRC may invite members of the management team and external advisers to attend its meetings. A portion of all meetings is NED only attendance.

During 2018 David Anstice AO retired from his role as Chair and member of the HRRC.

3.2 HRRC Activities

During 2018, the HRRC met formally on eight occasions involving the following activities:

- Review of the executive remuneration framework;
- Appointment of external remuneration advisors;
- Review of senior executive appointments and remuneration arrangements;
- Review of STI and LTI arrangements, and reward outcomes for 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 long term remuneration strategy and global trends in remuneration;
- Review of NED remuneration; and
- Review of the HRRC Charter and HRRC performance.

3.3. External Remuneration Advice

As appropriate, the Board and the HRRC seek and consider advice directly from external advisers, who are independent of management. In 2018 the HRRC engaged the services of Aon Consulting in the US, and MinterEllison in Australia.

Under engagement and communication protocols adopted by CSL, the market data and other advice were provided directly to the HRRC by both Aon Consulting and MinterEllison. Neither Aon Consulting nor MinterEllison provided a 'Remuneration Recommendation' as defined in the *Corporations Act 2001* during the 2018 financial year.

3.4 Securities Dealing

The CSL 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.

3.5 Minimum Shareholding Guideline

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, the following levels of vested equity must be held:

- NEDs: One times base fee;
- CEO: Three times base salary; and
- Executive KMP: One times base salary.

4. Remuneration Framework

4.1 Guiding Principles

The prime objectives of the CSL Executive Performance and Alignment Plan remuneration framework are to make guaranteed (Fixed Reward) 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.

Our Guiding Principles, adopted in April 2017, provide the foundation for CSL executive reward design and quantum decisions.

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.

4.2 Reward Framework – Overview

4.2.1 Total Reward

Understanding competitive pay levels around the world helps us ensure we pay appropriately to reward senior talent. Five reference groups are used to assist in determining CSL executive KMP Total Reward and the pay-mix. Total Reward comprises a Fixed Reward, a short term performance component, 'STI', and a long term equity alignment component, 'LTI'. The reference groups, a global pharmaceutical/biotechnology sector reference group and four general industry reference groups representing Australia, North America, the United Kingdom and Europe (focused on Germany and Switzerland), cover senior executive roles in companies of similar scale and complexity. We regularly review Total Reward against real movements in the global reference groups, with a view to achieving and maintaining competitiveness.

4.2.2 Fixed Reward

Fixed Reward (or salary) is determined based on the scope, complexity and responsibility of the role ensuring internal consistency across executive KMP. Set at competitive levels, to attract, retain and engage key talent, Fixed Reward is regularly compared against external benchmarks of the reference peer groups described above.

4.2.3 Performance Component (STI)

Maintaining a focus on underlying value creation within the business operations is critical to the success of CSL in the long-term. In our view, it is more effective to focus executive KMP on a small number of Key Performance Indicators (KPIs) that matter as we believe that too many KPIs can result in competing objectives and dilute the incentive value to the participant.

Executive KMP KPIs include two critical measures of business strength, shared by all, NPAT and CFO, plus up to four business building KPIs (individual, business unit, operations, function or research related) – with the majority weighting on the financial KPIs. This STI opportunity is based on a percentage of Fixed Reward and is tested and awarded annually in cash subject to achievement of KPIs.

4.2.4 Alignment Component (LTI)

The objective of this component is to build economic alignment between executive KMP and shareholders.

Equity grants, in the form of Performance Share Units (PSUs), 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 - a seven year rolling average Return on Invested Capital (ROIC) hurdle set by the Board each year. All four tranches of the grant will have the same ROIC hurdle. Executive KMP will be granted PSUs at face value. To the extent that threshold and target performance hurdles are achieved, one CSL share will be delivered for each PSU that vests.

We continue to shift the risk in our pay-mix towards higher levels of performance based pay as a proportion of Total Reward to better align with our peer reference groups and to build alignment and focus on responsibly achieving what matters. In this regard, it will be necessary to increase equity allocations and it is proposed to do this over the next few years.

A minimum shareholding guideline was introduced to further reinforce the alignment between executive KMP and shareholders. A description of the guideline can be found in section 3.5.

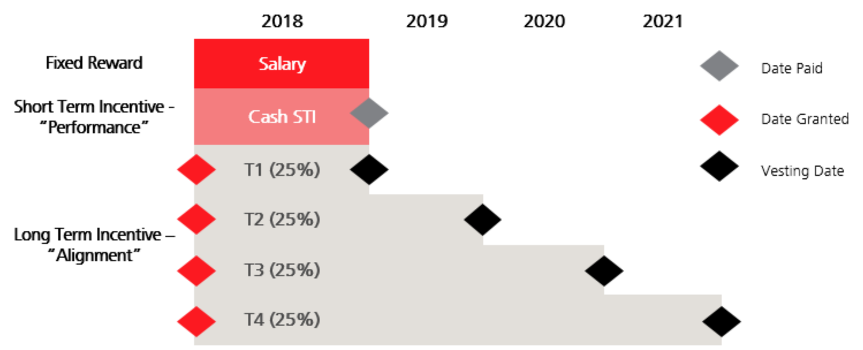
4.2.5 Leading and Managing Modifier

The Board has the discretion to apply a 'Leading and Managing' modifier to both the Performance (STI) and Alignment (LTI) components of executive KMP. 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 short term annual incentive earned, and/or long term equity incentive opportunity 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.

4.2.6 Current Executive Remuneration Framework – Potential Remuneration Delivery

The diagram below shows the period over which potential 2018 remuneration is delivered and when the awards vest.



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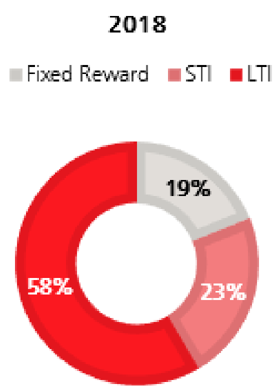
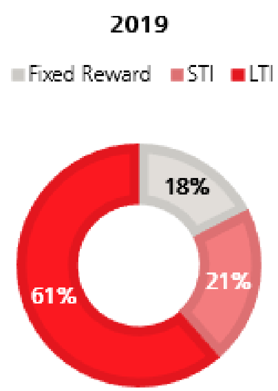
Directors' Report

4.3 Executive KMP Pay-Mix

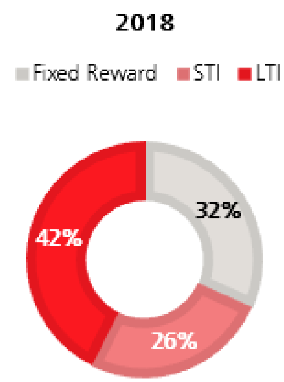
As described in section 1 the remuneration framework for executive KMP was changed on 1 July 2017. Our pay-mix continues to shift towards higher levels of performance based pay, specifically the LTI opportunity and we will continue to rebalance the pay-mix over the coming two years. The graphs below show each of the components as a percentage of Total Target Reward for the 2018 and 2019 financial years. For executive KMP this calculation is a weighted average. Reward changes in both 2018 and 2019 are included in section 8 of this Report.

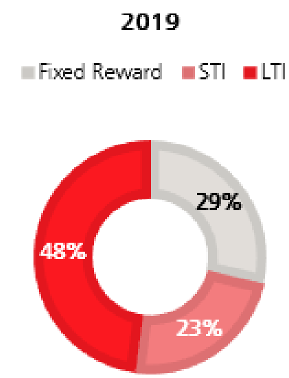
CEO and Managing Director





Executive KMP





4.4 Short Term Incentive (STI)

In July 2017 a new STI plan was implemented for executive KMP. Measuring performance over an annual period and paid in cash, the plan incentivises executive KMP to work together to achieve a small group of key short term objectives that really matter, providing them with the latitude to identify and manage the actions needed to build the business, without competing objectives.

Each executive KMP has a maximum of six KPIs. The KPIs are made up of two critical measures of CSL business strength, shared by all participants - NPAT and CFO, plus up to four individual business building KPIs.

KPIs are challenging and not just duties expected of an executive KMP in the normal course of their role. There must be real difference between under achieve / achieve / over achieve targets and measures, set so that a challenging but meaningful incentive is provided. Hurdles are set at threshold, target and maximum levels of performance. The KPIs and hurdles are set to drive business performance and the creation of shareholder value. The key features of the program for cash awards for the year ended 30 June 2018 (paid in September 2018) are detailed as follows.

Feature	Description							
Performance Period	Annual aligned with the financial year 1 July 2017 to 30 June 2018							
Performance Measures	*Financial Performance* Top line growth is the foundation of long term sustainability and evidences our competitive advantage, whilst pursuing profitable growth aligns employee and shareholder objectives. The financial performance measures are NPAT and CFO. NPAT is measured at constant currency and CFO is a reported rate				*Individual Performance* Individual performance hurdles align with strategic priorities, encourage appropriate decision making, and balance performance in non-financial priorities. The individual performance measures are based on individual responsibilities and categories include divisional performance, achievement of strategic objectives and improvement in operations, risk management, compliance, health and safety and quality			
KPI Weighting	*Executive*	*NPAT*	*CFO*	*Individual*	*Executive*	*NPAT*	*CFO*	*Individual*
	P Perreault	50%	50%	-	D Lamont	35%	35%	30%
	G Boss	30%	30%	40%	G Naylor	15%	15%	70%
	W Campbell	35%	35%	30%	L Reed	30%	30%	40%
	A Cuthbertson	30%	30%	40%	V Romberg	30%	30%	40%
	K Etchberger	30%	30%	40%	E Walker	30%	30%	40%
Performance Hurdles	*Performance Level*	*STI Outcome*						
	Below Threshold	0% earned						
	Between Threshold and Target	50% earned on achievement of threshold level performance, increasing on a straight-line basis to 100% earned on achievement of target level performance						
	Target	100% earned						
	Maximum	100% earned at target level performance, increasing on a straight-line basis to 150% earned on achievement of maximum level performance (capped)						
	The above STI Outcome percentages are then multiplied by the KPI weighting and individual STI opportunity (as disclosed in Table 3) to determine the payment amount							
Cessation of Employment	A "good leaver" (such as retirement) may receive a pro-rata payment based on time elapsed since the start of the Performance Period, subject to Performance Measures being met							
Performance Review Process	A formal review of executive KMP progress against objectives is conducted twice annually by the CEO and annually by the Board for the CEO. Following the full year performance review, the CEO makes recommendations in respect of executive KMP to the HRRC. The HRRC and the Board assess individual performance against objectives at the end of the financial year, and approve the actual STI payments to be made. The Board may adjust STI outcomes							

4.5 Long Term Incentive (LTI)

The following table describes the equity grant made in October 2017 - the first grant under the new remuneration framework. The LTI program has been simplified to a single equity instrument, PSUs, which are hurdled. A face value equity allocation methodology is used with the number of PSUs granted being 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.

The performance hurdle is a seven year rolling average Return on Invested Capital (ROIC) measure, focusing executives on achieving CSL's long term objectives and to align with shareholder returns. This measure was selected as the Board considers it a measurement of real achievement over an appropriate time period for our R&D and capacity investment cycle. 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.

The Board establishes a ROIC hurdle for each annual grant taking into consideration 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. The Board also reviews peer group ROIC numbers to ensure the performance levels we are targeting are appropriate.

Feature	Description	
Summary	A 'right' to a CSL share (i.e. full value instrument)	
Security	Performance Share Unit (PSU)	
Performance Period	Tranche 1 - 1 July 2011 to 30 June 2018; Tranche 2 - 1 July 2012 to 30 June 2019; Tranche 3 - 1 July 2013 to 30 June 2020; and Tranche 4 - 1 July 2014 to 30 June 2021	
Performance Measure	Return on Invested Capital	
Performance Target	Threshold – 24.0% Target – 27.0%	
Vesting Schedule	*Performance Level*	*Outcome as a % of target opportunity*
	Below Threshold	0% earned
	Between Threshold and Target	50% earned on achievement of threshold level performance, increasing on a straight-line basis to 100% earned on achievement of target level performance
	Target	100% earned
	Above Target	Outcome capped at 100% - cannot exceed target
Vesting Date	Tranche 1 (25% of award granted) - 1 September 2018; Tranche 2 (25% of award granted) - 1 September 2019 ; Tranche 3 (25% of award granted) - 1 September 2020; and Tranche 4 (25% of award granted) - 1 September 2021	
Retesting	No retest of any tranche	
Cessation of Employment	A "good leaver" (such as retirement) may retain a pro-rated number of PSUs based on time elapsed since grant date, subject to original terms and conditions including test date	
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. Executive KMP are only eligible for dividends once the PSUs have vested and shares have been allocated	

4.6 Leading and Managing Modifier

The Board, based on recommendations from the CEO for executive KMP, and the HRRC for the CEO, will have the discretion to apply a 'Leading and Managing' modifier to both the STI and LTI opportunity – allowing for recognition of extraordinary contribution in exceptional circumstances or significant leadership failure. In 2018 the Leading and Managing Modifier was not used.

4.7 Global Pharmaceutical/Biotechnology Peer Group

The global pharmaceutical/biotechnology industry peer group serves as a primary reference group for remuneration benchmarking, created such that CSL falls in the middle of the group with respect to market capitalisation and revenue. The group represents global industry peers, and is updated annually. The peer group in 2018 included: Alexion Pharmaceuticals, Inc.; Allergan plc; AstraZeneca PLC; Bayer Aktiengesellschaft; Biogen Inc.; BioMarin Pharmaceutical Inc.; Celgene Corporation; Eli Lilly and Company; Endo International plc; Gilead Sciences Inc.; Grifols, S.A.; Incyte Corporation; Jazz Pharmaceuticals Public Limited Company; Merck Kommanditgesellschaft auf Aktien; Novo Nordisk A/S; Regeneron Pharmaceuticals, Inc.; Shire plc; UCB SA; United Therapeutics Corporation; Vertex Pharmaceuticals Incorporated. This peer group will also be used in 2019.

CSL also compares executive KMP reward levels to general industry pay in the global pay markets in which we operate. This provides a better understanding of the position of the global pharmaceutical/biotechnology sector compared to the broader market in each geography. On an annual basis the HRRC will determine peer group relevancy for any individual executive KMP position.

4.8 Malus and Clawback Policy

CSL operates a 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 CSL 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.

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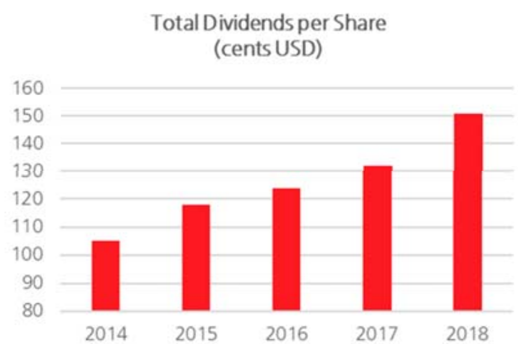
Directors' Report

5. CSL Performance and Shareholder Returns

5.1 Financial Performance from 2014 to 2018

The following graphs summarise key financial[2] performance over the past five financial years.



During 2018 the CSL Board completed the buy-back program with a total of approximately 1.1m shares (A$150m) purchased on-market in 2018. The buy-back policy had been in operation for the past eight years improving the efficiency of the balance sheet. Through these buybacks, all CSL shareholders benefited 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.

[2] The 2016 Annual Return on Invested Capital figure includes the gain on acquisition of Novartis' global influenza vaccine business of US$176.1m. The Total Dividends per Share is the actual total dividends paid within the financial year.

5.2 CSL – Achievement of Our Goals and Financial Performance

The following performance outcomes were achieved resulting in above target STI payment outcomes (see Table 3). Additional quantitative objectives, which were also integral to the achievement of individual performance, were considered by the Board when assessing executive KMP performance, remain confidential for commercial reasons.

Table 2: CSL achievements in 2018

Growth	Efficiency	Influenza	Innovation	People and Culture
• Reported NPAT – above target performance of US$1,728.9m; • Reported CFO - above target performance of US$1,902.1m; • Exceptionally strong performance across all businesses; • Acquisition in China of plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biological Products Co. Ltd.; • Successful launch of Haegarda® in the US; and • Successful launch of 10 products across 17 countries in all four regions.	• 27 Plasma centres opened taking our total to 206 globally; • New Donor Management System rolled out; • Major capital projects on track; and • Successful implementation at our first site in Bern, Switzerland of the new Enterprise Resource Planning (ERP) system.	• Seqirus reported Earnings Before Tax and Interest – above target performance at US$52.4m; • FLUAD® approved in the UK; • Holly Springs, US doses produced quadrupled; and • Successful implementation of the Seqirus ERP system.	• Acquisition and successful integration of Calimmune into CSL; • CSL 112 phase III study commenced; • Vitaeris collaboration on the emerging transplant franchise; • Privigen® approved for CIDP in the US; and • Hizentra® approved for CIDP in Europe and the US.	• Execution on our R&D growth initiative with over 300 hires completed; • Employee engagement index above global IBM norm; and • CSL Limited named among the top 50 employers in the world by Forbes Magazine.

6. Executive Key Management Personnel Outcomes in 2018

6.1 STI Outcomes by Executive KMP in 2018

2018 has been an exceptionally strong year of performance for CSL, delivering against our strategy and delivering sector leading financial outcomes and returns to our shareholders. Over the past 12 months CSL's share price has grown 40% from A$138.03 to A$192.62. The STI outcomes for executive KMP in 2018 are reflective of this performance.

Financial performance of CSL makes up the majority weighting of the KPIs for executive KMP, incentivising the delivery of strong financial performance. In 2018 the financial performance measures were NPAT and CFO and both of these outcomes were above target performance with the CFO outcome exceeding the maximum level of performance. The remaining KPIs measured individual performance. Achievements that contributed to the outcomes detailed in Table 3 below can be found in Table 2 of this Report.

Table 3: STI outcomes in 2018

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[3]	Financial Performance % Weighting	Financial Performance Outcome	Individual Performance % Weighting	Individual Performance Outcome
P Perreault	120%	180%	143%	172%	3,008,183	100%	Between Target and Maximum	-	-
G Boss	75%	113%	132%	99%	596,542	60%	Between Target and Maximum	40%	Between Target and Maximum
W Campbell[4]	85%	128%	148%	105%	630,135	70%	Between Target and Maximum	30%	Maximum
A Cuthbertson	85%	128%	138%	118%	892,908	60%	Between Target and Maximum	40%	Between Target and Maximum
K Etchberger	75%	113%	131%	98%	540,990	60%	Between Target and Maximum	40%	Between Target and Maximum
D Lamont	85%	128%	132%	112%	1,072,749	70%	Between Target and Maximum	30%	Between Target and Maximum
G Naylor	85%	128%	125%	123%	986,749	30%	Between Target and Maximum	70%	Between Target and Maximum
V Romberg	85%	128%	142%	139%	775,202	60%	Between Target and Maximum	40%	Between Target and Maximum
E Walker[5]	75%	113%	107%	47%	199,293	60%	Between Target and Maximum	40%	Between Target and Maximum
Former Executive Key Management Personnel									
L Reed[6]	75%	113%	128%	60%	272,768	30%	Between Target and Maximum	70%	Between Target and Maximum

[3] The Australian Dollar (AUD), British Pound (GBP) and Swiss Franc (CHF) awards during the year ended 30 June 2018 have been converted to US Dollars (USD) at an average rate for the 2018 financial year of AUD – 1.28996 / CHF – 0.96982 / GBP – 0.74249. Amount payable in September 2018.
[4] Reflects STI outcome for the period 1 September 2017 to 30 June 2018 being the period W Campbell was executive KMP.
[5] Reflects STI outcome for the period 1 December 2017 to 30 June 2018 being the period E Walker was executive KMP.
[6] Reflects STI outcome for the period 1 July 2017 to 30 November 2017 being the period L Reed was executive KMP.

6.2 LTI Outcomes by Executive KMP in 2018

The table below shows the performance of CSL against the targets for the 2012 and 2013 LTI awards, with performance periods ended in 2018. No Options were granted at 1 October 2012 or 2013, therefore no Options were tested. Executive Deferred Incentive Plan (EDIP) awards, granted in 2015 (grant date of 1 October 2014), vested at 100% and as a result of the share price at vesting there was an 80% growth in the value of each Notional Share that was cash settled. These are all awards under our legacy LTI frameworks.

Table 4: LTI awards testing outcomes in 2018

Grant Date	Tranche tested	Performance outcome	Vesting Outcome
1 October 2012	2 (retest)	Annual EPS growth at 8.3%	EPSg – 2.5% vested[7]
1 October 2013	1 (retest)	Annual EPS growth at 4.9%	EPSg - 0% vested[8]
	2	Annual EPS growth at 4.9%	EPSg - 0% vested[9]
		RTSR ranking - Above MSCI Gross Pharmaceutical Index	rTSR - 100% vested

7. Executive Key Management Personnel Legacy Remuneration

Our legacy LTI programs will continue to be measured and reported through until the 2021 Remuneration Report. As a consequence of legacy plans and the new LTI framework, in 2019 we will have four different years of awards that will be tested and subsequently vested or lapsed based on performance. Based on the exceptionally strong performance of CSL over the performance period and the significant increase of the CSL share price since the grant of these awards, the value of any vesting achieved is expected to be high, in alignment with shareholder returns over the same period.

The following table sets out a preview of the awards that will be tested in 2019 for executive KMP with Table 6 providing the specific grant details for each executive KMP. The face value in Table 5 is provided in Australian Dollars.

Table 5: LTI awards due to be tested in 2019

Grant Date	Security	Performance Measure	Exercise Price	Face Value of a CSL Share at Date of Grant A$
1 October 2013	Right	EPSg	-	64.53
1 October 2014	Right	rTSR	-	74.22
1 October 2014	Right	EPSg	-	
1 October 2014	Option	Individual Performance	A$73.93	
1 October 2015	Notional Share	Individual Performance	-	89.94
1 October 2017[10]	Performance Share Unit	ROIC	-	133.96
1 October 2017	Restricted Share Unit	Individual Performance	-	

[7] In October 2016 51.25% of the award vested based on the EPS outcome in 2016. This was a retest and an EPS outcome of 8.3% resulted in an additional 2.5% vesting. The remaining 46.25% of this award lapsed.
[8] This award has been lapsed in full as no vesting occurred in either 2017 or 2018.
[9] Unvested portion will be retested and reported in the 2019 Remuneration Report.
[10] E Walker had a portion of her Performance Share Units granted on 1 March 2018 where the face value of a CSL share on the date of grant was A$161.42.

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Table 6: Executive KMP LTI opportunity to be tested in 2019

KMP	Number of Performance Rights	Number of Options	Number of Notional Shares	Number of Performance Share Units	Number of Restricted Share Units
P Perreault	43,055	94,828	11,161	13,013	-
G Boss	9,944	21,137	2,332	2,082	-
W Campbell	5,784	-	2,359	2,632	-
A Cuthbertson	13,738	-	1,988	2,111	-
K Etchberger	8,744	18,593	2,131	1,902	-
D Lamont	15,278	-	2,010	2,039	-
G Naylor	16,924	-	1,611	2,732	-
V Romberg	6,205	19,709	3,464	2,298	-
E Walker	-	-	1,228	754	151

7.1 Key Characteristics of prior financial years Performance Right and Option grants

Feature	2013 - 2014	2015 - 2017
Grant Date	1 October 2012 (reported 2013 / expiry 30 September 2019) and 1 October 2013 (reported 2014 / expiry 30 September 2020)	1 October 2014 (reported 2015 / expiry 30 September 2019), 1 October 2015 (reported 2016 / expiry 30 September 2020) and 1 October 2016 (reported 2017 / expiry 30 September 2021)
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: rTSR against the MSCI Gross Pharmaceutical Index 50% of award: EPSg	Options - individual performance measure Performance Rights T1 – rTSR against selected global Pharmaceutical and Biotechnology companies, and T2 and T3 - EPSg
Vesting Schedule	rTSR at or below performance of Index – 0% vesting rTSR exceeds performance of Index – 100% vesting EPSg < 8% – 0% vesting EPSg 8% to 12% - Straight line vesting from 50% to 100% vesting EPSg 12% or above – 100% vesting	*Tranche 1 - rTSR* < 50th %ile – 0% vesting 50th %ile – 50% vesting Between 50th and 75th %ile - Straight line vesting from 50% to 100% vesting ≥ 75th %ile – 100% vesting *Tranche 2 – EPS target performance* < 8% – 0% vesting 8% to 13% - Straight line vesting from 35% to 100% vesting 13% - 100% vesting *Tranche 3 – EPS maximum performance* 13% - 0% vesting 13% to 15% - Straight line vesting from 0% to 100% vesting 15% - 100% vesting

Exercise Price	N/A	Options only: 2015 – A$73.93, 2016 – A$89.52 and 2017 – A$107.25
Retesting	1 retest per tranche, after an additional 12 months	No retest

7.2 Key Characteristics of prior financial years Executive Deferred Incentive Plan grants

Feature	2014 - 2017
Grant Date	1 October 2014 (reported 2015), 1 October 2015 (reported 2016) and 1 October 2016 (reported 2017)
Instrument	Notional Shares
Tranches	One
Performance Period	Three years
Performance Measure	Individual performance measure
Vesting Schedule	100% of performance measure met
Exercise Price	N/A
Settlement	Value of the award at vest is based on the five day weighted average share price up to the award maturity date multiplied by the number of Notional Shares held
Retesting	No retest

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8. Remuneration Changes in 2018 and 2019

8.1 Changes to Reward in 2018

For the 2018 year, the Board determined that the CEO would not receive an increase to any component of Total Reward as we looked to realign the overall pay-mix. For 2018, Mr Paul Perreault's salary remained at US$1,751,000, his STI target at 120%, with the maximum payout at 180% and the long term incentive (LTI) target of 310%.

For our executive KMP, an average Total Reward increase of 3% was applied, with the increase granted solely as hurdled Performance Share Units under the new LTI program (an average 7% increase to LTI target). These LTI target adjustments were made to improve the competitive positioning of roles within the market and also reweight the pay-mix towards alignment LTI opportunity.

The sum of the adjustments, expressed as a percentage change to prior year, are summarised at the Total Reward item in Table 7 (presented in US Dollars). No data is reported for Mr William Campbell or Ms Elizabeth Walker as they were not executive KMP when recommendations were made.

Table 7: 2018 Adjustments to CEO and executive KMP Reward effective from 1 July 2017

Executive	% change in FR	% change in STI opportunity at target	% change in LTI opportunity at target	Total Reward Adjustment %	Total Reward Adjustment $
P Perreault	0%	0%	0%	0%	-
G Boss	0%	0%	7%	3%	54,272
A Cuthbertson	0%	0%	15%	5%	113,853
K Etchberger	0%	0%	7%	3%	49,595
D Lamont	0%	0%	10%	3%	76,654
G Naylor	0%	0%	8%	3%	83,275
V Romberg	0%	0%	7%	3%	64,158
Former Executive Key Management Personnel					
L Reed	0%	0%	7%	3%	40,789
R Repella	0%	0%	0%	0%	-

8.2 Changes to Reward in 2019

Aligning executive KMP rewards with shareholder outcomes and the long term performance of the organisation is a key driver of our reward strategy. The Board has resolved that our CEO, while driving market leading performance, will receive no increase to Fixed Reward or STI, at target or maximum, however we will rebalance Total Reward toward the long-term equity component over the coming two years. In 2019 we will increase the LTI target opportunity by 13% taking the target from the current 310% to 350%, with an anticipated further increase in 2020. This long term equity component will remain subject to performance and service conditions. This increase is not only reflective of strong performance and leadership but also better aligns the CEO towards the market median of our global pharmaceutical/biotechnology peer group.

Further to this, in 2019 we will increase the LTI target opportunity of our executive KMP by an average of 30% to not only drive long term performance delivery for CSL but to also better align our LTI targets within our global pharmaceutical/biotechnology peer group. Further increases to LTI targets will be applied in 2020. While no increase to STI targets or maximum opportunity is being granted, the Board has determined, after a freeze on Fixed Reward increases in 2018, an average increase of 4% to Fixed Reward. These increases have been provided to reflect market movement, appropriately recognise the skills and experience of our executive KMP and to position those below the market median more competitively within the market range.

Table 8: 2019 Adjustments to CEO and executive KMP Reward effective from 1 July 2018

Executive	% change in FR	% change in STI opportunity at target	% change in LTI opportunity at target	Total Reward Adjustment %	Total Reward Adjustment $
P Perreault	0%	0%	13%	8%	700,400
G Boss	3%	0%	25%	13%	250,257
W Campbell	3%	0%	13%	8%	171,300
A Cuthbertson	3%	0%	79%	32%	732,837
K Etchberger	3%	0%	25%	13%	228,686
D Lamont	3%	0%	46%	17%	443,632
G Naylor	3%	0%	4%	3%	95,304
V Romberg	6%	0%	24%	14%	270,175
E Walker	4%	0%	26%	14%	191,250

8.3 Executive KMP Remuneration Received in 2018 – 'Take-Home' Pay

Table 9 shows the actual 'take-home' pay of executive KMP for the year ended 30 June 2018 in US Dollars. This is a voluntary disclosure which the Board believes is simple and affords a transparent view of what executive KMP actually earned in 2018.

The main difference between actual 'take-home' pay disclosures, and the statutory disclosures in section 11, is the inclusion of 'opportunity' to earn performance based pay on achievement of hurdles in the statutory disclosures. The 'take-home' pay table details the actual vesting outcomes during 2018.

Some of the 'take-home' pay in the table was earned over the previous three to five years, but was not paid until 2018. This includes cash settled deferred STI earned in 2015, cash settled LTI earned between 2015 and 2018 and equity settled LTI earned over five years from 2013 to 2018. The significant increase in the CSL share price over the period of grant to vest has provided executive KMP with a significant increase in value of the LTI component of reward.

Table 9: Executive KMP remuneration received or available as cash in 2018

Executive	2018 Total Fixed Reward[11]	2018 Short Term Incentive[12]	Cash Settled Deferred STI in 2018[13]	Total STI Received	Cash Settled LTI in 2018[14]	LTI Vested in 2018[15]	Total LTI Received	Total Reward Received
Period Earned	2018	2018	2015 – 2018	2015 - 2018	2014 – 2018	2013 - 2018	2013 - 2018	2013 - 2018
P Perreault	1,823,279	3,008,183	918,249	3,926,432	1,091,341	553,437	1,644,778	7,394,489
G Boss	663,219	596,542	-	596,542	228,051	185,972	414,023	1,673,784
W Campbell[16]	571,444	630,135	-	630,135	226,285	-	226,285	1,427,764
A Cuthbertson	791,828	892,908	330,392	1,223,300	181,111	309,881	490,992	2,506,120
K Etchberger	612,075	540,990	-	540,990	200,531	162,917	363,448	1,516,513
D Lamont	976,546	1,072,749	-	1,072,749	1,090,406	-	1,090,406	3,139,701
G Naylor	1,132,891	986,749	417,887	1,404,636	148,295	385,931	534,226	3,071,753
V Romberg	802,326	775,203	-	775,203	262,217	123,799	386,016	1,963,545
E Walker[17]	267,061	199,293	-	199,293	-	-	-	466,354
Former Executive Key Management Personnel								
L Reed[18]	201,953	272,768	-	272,768	160,445	-	160,445	635,166
R Repella[19]	117,321	-	-	-	-	-	-	117,321

[11] Includes base salary, retirement / superannuation benefits, other benefits such as insurances, expatriate assignment benefits (school fees, tax services) and allowances paid in 2018.
[12] Relates to STI earned in 2018 and will be paid in September 2018 (refer to section 6.1).
[13] Relates to the deferred component (33%) of STI earned in the financial year 2015 (cash portion paid in September 2017). Note STI deferral ceased to operate in the calendar year 2015 and deferral from financial year 2016 (maturity in 2018) will be the final deferral amount to be reported (reported in the 2019 Remuneration Report).
[14] Value of awards vested at 30 September 2017 under the Executive Deferred Incentive Plan (EDIP) and paid in October 2017 (refer to section 7.2). Includes commencement benefit for D Lamont.
[15] Value of LTI vested at 19 October 2017 (Performance Rights) that became unrestricted (refer to section 7.1).
[16] Reflects 'take-home' pay for the period 1 September 2017 to 30 June 2018 being the period W Campbell was executive KMP.
[17] Reflects 'take-home' pay for the period 1 December 2017 to 30 June 2018 being the period E Walker was executive KMP.
[18] Reflects 'take-home' pay for the period 1 July 2017 to 30 November 2017 being the period L Reed was executive KMP.
[19] Reflects 'take-home' pay for the period 1 July 2017 to 31 August 2017 being the period R Repella was executive KMP.

9. Executive Key Management Personnel Contractual Arrangements

9.1 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.*

9.2 Other Transactions

No loans or related party transactions were made to executive KMP or their associates during 2018.

10. Non-Executive Director Remuneration

10.1 NED fee policy

Feature	Description
Strategic objective	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. In the 2018 year, the Board had three Committees for which fees were payable
Maximum aggregate fees approved by shareholders	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 and Committee fees) is within this agreed limit, and totalled A$2,556,300. 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
Remuneration reviews	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
Independence	To ensure independence and impartiality is maintained, NEDs do not receive any performance related remuneration
NED Equity	In July 2018 a new NED Rights Plan was introduced to enable NEDs to build up meaningful levels of equity more quickly. Under the plan NEDs will sacrifice at least 20% of their pre-tax base fee in return for a grant of Rights, each Right entitling a NED to acquire one CSL share at no cost. At the end of a nominated restriction period, of three to fifteen years, the NED will be able to access their shares. The previous NED equity plan ceased operation on 30 June 2018. Under the plan NEDs received at least 20% of their post-tax base fee (excluding superannuation) in the form of shares. These acquisitions were facilitated through the NED Share Plan which was approved by shareholders in 2002. On-market purchases under the plan were 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
Post-Employment Benefits	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
Contracts	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

10.2 NED fees in 2018

The following table provides details of current Board and Committee fees from 1 July 2016 as no increase was applied at 1 July 2017. Committee fees are not payable to the Chairman or to members of the Nomination Committee or the Securities & Market Disclosure Committee.

Table 10: NED fees for 2018

Board Chairman Fee	A$700,000	
Board NED Base Fee	A$212,000	
Committee Fees	Committee Chair	Committee Member
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

10.3 NED fees in 2019

In 2018, following an external review of fees paid by ASX Top 12 companies where CSL sat at the median for market capitalisation, the Board determined to increase NED fees for the 2018 financial year. The increases have been applied to take fees to the median of the peer group and ensure a competitive reward package. From 1 July 2018 the Board Chairman fee will increase to A$782,500 and the Board NED Base Fee to A$227,500; The Audit and Risk Committee Chair fee will increase to A$64,550 and the Committee Member fee to A$31,750. There will be no change to the Committee Chair and Member fees for the Human Resources and Remuneration Committee and Innovation and Development Committee fees as these committees are competitively positioned.

From 1 July 2018 a new Corporate Governance and Nomination Committee will be formed. The Committee Chair fee will be A$28,000 and the Member fee A$14,000. Following these fee increases and the introduction of the new Corporate Governance and Nomination Committee, the NED fee spend will increase by 20% to A$3,076,550. The total spend is 77% of the shareholder approved fee pool.

10.4 Other Transactions

No loans were made to NEDs during 2018. 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 AC is a member of Council;
- Financial services provided by Bank of America Merrill Lynch of which Dr Megan Clark AC 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;
- Corporate accounts with CityLink, operated by Transurban Group of which Ms Christine O'Reilly is a Director;
- Corporate accounts with Energy Australia of which Ms Christine O'Reilly was a Director during the year;
- CSL has entered into a research collaboration with the Baker Heart and Diabetes Institute, of which Ms Christine O'Reilly is a Director; and
- CSL has a commercial relationship to acquire laboratory supplies from Agilent Technologies, of which Dr Tadataka Yamada KBE is a Director.

During 2018, CSL completed two on-market purchases of shares for the purposes of the NED Share Plan. A total of 1,554 shares were purchased during the reporting period and the average price paid per share was A$139.97

11. Statutory Tables

11.1 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 2018 financial year: AUD – 1.28996 / CHF - 0.96982 / GBP – 0.74249. Valuation of equity awards was converted from Australian Dollars (AUD) to USD at the average exchange rate of 1.28996 for the 2018 financial year.

11.2 Executive KMP Remuneration for 2017 and 2018

Table 11: Statutory Remuneration Disclosure – Executive KMP Remuneration (US Dollars)

Year[20]	Short Term Benefits			Post Employment	Other Long-Term		Share Based Payment[21]					Total	% of remuneration performance related
	Cash salary and fees[22]	Cash bonus[23]	Non-monetary[24]	Superannuation	LSL	Deferred STI[25,26]	Performance Rights	Options	Performance Share Units	Restricted Share Units	EDIP[27]		
P Perreault – CEO and Managing Director													
2018	1,744,266	3,008,183	53,029	19,250	-	578,482	1,114,346	1,199,370	2,149,557	-	1,399,962	11,266,445	84%
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%
G Boss - EVP Legal & Group General Counsel													
2018	621,488	596,542	40,939	19,250	-	-	115,278	213,507	343,897	-	295,739	2,246,640	70%
2017	593,176	502,374	38,266	18,550	-	-	172,160	189,167			273,964	1,787,657	64%
W Campbell[28] - EVP & Chief Commercial Officer													
2018	524,215	630,135	51,694	19,750	-	-	184,341	-	434,786	-	81,209	1,926,130	69%
2017	-	-	-	-	-	-	-	-	-	-	-	-	-
A Cuthbertson - Chief Scientific Officer													
2018	723,288	892,908	29,944	19,380	22,401	191,369	107,067	-	348,670	-	266,960	2,601,987	69%
2017	733,099	726,815	29,944	26,310	49,804	241,138	229,554	-			214,049	2,250,713	63%
K Etchberger - EVP Quality & Business Services													
2018	572,245	540,990	44,493	16,532	-	-	112,798	193,272	314,201	-	269,954	2,064,485	69%
2017	542,899	434,274	41,940	17,326	-	-	153,760	171,085			241,461	1,602,745	62%
D Lamont - Chief Financial Officer													
2018	990,076	1,072,749	14,747	19,380	23,760	-	510,879	-	336,795	-	369,049	3,337,435	69%
2017	948,317	865,387	14,746	26,310	22,689	-	312,651	-			430,772	2,620,872	61%
G Naylor - President, Seqirus													
2018	1,152,085	986,749	70,870	56,928	20,693	235,055	133,956	215,776	451,286	-	192,877	3,516,275	63%
2017	800,103	721,120	49,479	26,310	22,925	298,527	297,204	185,784			164,234	2,565,686	65%

[20] The AUD, GBP and CHF compensation paid during the years ended 30 June 2017 and 30 June 2018 have been converted to USD. For the 30 June 2018 compensation, this has been converted to USD at an average exchange rate for the 2018 financial year: AUD – 1.28996 / CHF – 0.96982 / GBP – 0.74249. 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. No sign-on or termination benefits were paid in 2018.

[21] 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. The Performance Share Units have been valued using the Black Scholes option valuation methodology. This valuation was undertaken by PricewaterhouseCoopers. The amounts disclosed have been determined by allocating the value of the Options, Performance Rights and Performance Share Units 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 and are expected to or will lapse.

[22] Includes cash salary, cash allowances and short term compensated absences, such as annual leave entitlements accrued but not taken during the year.

[23] The cash bonus in respect of 2018 is scheduled to be paid in September 2018. The cash component of the cash bonus received in 2017 was paid in full during 2018 for all executive KMP as previously disclosed, with no adjustment.

[24] Includes any health benefits, insurances benefits and other benefits. For International Assignees this may include personal tax advice, health insurance and other expatriate assignment benefits.

[25] 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.

[26] STI deferral was removed in 2016 however deferred awards for the Strategic Leadership Group are still outstanding.

[27] 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.

[28] The period reported is 1 September 2017 to 30 June 2018 being the period W Campbell was executive KMP.

Year[20]	Short Term Benefits			Post Employment	Other Long-Term		Share Based Payment[21]					Total	% of remuneration performance related
	Cash salary and fees[22]	Cash bonus[23]	Non-monetary[24]	Superannuation	LSL	Deferred STI[25,26]	Performance Rights	Options	Performance Share Units	Restricted Share Units	EDIP[27]		
V Romberg - EVP Manufacturing Operations & Planning													
2018	678,060	775,203	143,216	17,528	-	75,992	175,353	193,104	379,559	-	437,641	2,875,656	71%
2017	649,297	623,718	143,714	21,072	-	42,182	151,809	170,280			347,113	2,149,185	62%
E Walker[29] - EVP & Chief Human Resources Officer													
2018	240,843	199,293	19,144	-	-	-	-	-	101,017	19,370	117,754	697,421	63%
2017	-	-	-	-	-	-	-	-	-	-	-	-	-
L Reed[30] - SVP Human Resources (Former Executive Key Management Personnel)													
2018	188,833	272,768	10,431	2,688	-	-	102,018	101,038	-	-	169,552	847,328	76%
2017	457,186	362,258	23,845	20,295	-	-	102,061	133,385			193,840	1,292,870	61%
R Repella[31] - EVP Commercial Operations (Former Executive Key Management Personnel)													
2018	114,237	-	3,961	-	-	28,920	(30,063)	40,904	-	-	161,321	319,280	63%
2017	650,858	766,480	41,957	18,550	-	96,318	196,564	208,845			407,146	2,386,718	70%

11.3 Summary of Executive KMP allocated, vested or lapsed equity

Executive KMP LTI opportunities are detailed in Table 12 below. These grants are the first awards made under the new Executive Performance and Alignment Plan. To determine the number of PSUs issued, a five day weighted average share price is used. The LTI opportunity for each element is divided by the calculated face value to determine the number of awards granted. The number and both face and fair value (as determined by accounting standards) of PSUs awarded to executive KMP in 2018 is shown in the following table in US Dollars. The awards had a grant date of 1 October 2017, 25% of each award will vest on 1 September in 2018, 2019, 2020 and 2021 provided performance hurdles have been met. For Ms Elizabeth Walker, the award had a grant date of 1 March 2018 and the same vesting dates and performance criteria apply.

Table 12: LTI granted in 2018

Executive	Performance Share Units			
	Opportunity at Target level achievement as % of FR	Number of Performance Share Units granted[32]	Face Value of grant[33]	Fair Value of grant[34]
P Perreault	310%	52,052	5,405,504	5,161,479
G Boss	144%	8,327	864,744	825,708
W Campbell	183%	10,529	1,093,416	1,044,054
A Cuthbertson	115%	8,442	876,688	837,115
K Etchberger	144%	7,609	790,180	754,507

[29] The period reported is 1 December 2017 to 30 June 2018 being the period E Walker was executive KMP.
[30] L Reed was the former SVP Human Resources and retired from this role 30 November 2017. The period reported is 1 July 2017 to 30 November 2017 being the period L Reed was executive KMP.
[31] R Repella was the former EVP Commercial Operations and retired from this role 31 August 2017. The period reported is 1 July 2017 to 31 August 2017 being the period R Repella was executive KMP.
[32] The number of Performance Share Units was calculated based on a five day weighted average share price being A$133.37. The AUD value was converted to USD at an average exchange rate for the 2018 financial year of 1.28996.
[33] The face value is calculated using a share price of A$133.96 being the share price on the date of grant – 1 October 2017. For E Walker the face value is A$161.42 being the CSL share price at 1 March 2018.
[34] The number of Performance Share Units 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 Share Unit granted on 1 October 2017 was Tranche 1: A$131.26; Tranche 2: A$129.01; Tranche 3: A$126.78 and Tranche 4: A$124.60. For the awards granted 1 March 2018 the fair values were Tranche 1: A$160.32; Tranche 2: A$157.95; Tranche 3: A$155.61 and Tranche 4: A$153.31.

Executive	Performance Share Units			
	Opportunity at Target level achievement as % of FR	Number of Performance Share Units granted[32]	Face Value of grant[33]	Fair Value of grant[34]
D Lamont	88%	8,155	846,881	808,653
G Naylor	124%	10,928	1,134,852	1,083,622
V Romberg	150%	9,190	954,364	911,286
E Walker	62%	2,107	263,659	256,113
Former Executive Key Management Personnel				
L Reed	-	-	-	-
R Repella	-	-	-	-

11.4 Legacy LTI awards vested and lapsed in 2018

The table below summarises the number of LTI awards vested and lapsed in US Dollars for each executive KMP. No EDIP awards lapsed in 2018.

Table 13: LTI awards vested and lapsed in 2018

Executive	Performance Rights vested		Performance Rights lapsed		EDIP vested (cash settled)[35]	
	Number	Value[36]	Number	Value[37]	Number	Value[38]
P Perreault	5,065	553,437	7,336	801,582	10,509	1,091,341
G Boss	1,702	185,972	2,720	297,206	2,196	228,051
W Campbell[39]	-	-	-	-	2,179	226,285
A Cuthbertson	2,836	309,881	4,575	499,896	1,744	181,111
K Etchberger	1,491	162,917	2,283	249,456	1,931	200,531
D Lamont	-	-	-	-	10,500	1,090,406
G Naylor	3,532	385,931	5,699	622,712	1,428	148,295
V Romberg	1,133	123,799	1,833	200,286	2,525	262,217
E Walker[40]	-	-	-	-	-	-
Former Executive Key Management Personnel						
L Reed[41]	-	-	-	-	1,545	160,445
R Repella[42]	-	-	-	-	-	-

[35] Awards were granted on 1 October 2014 with the exception of D Lamont where the award was January 2016 on commencement of employment.
[36] 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 2018 financial year of 1.28996. The share price at vesting was A$140.95.
[37] Performance Rights lapsed during the year, multiplied by the share price at the date of lapsing. The AUD value was converted to USD at an average exchange rate for the 2018 financial year of 1.28996. The share price at lapsing was A$140.95.
[38] 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 2018 financial year of 1.28996. The share price at vesting was A$133.96.
[39] For W Campbell the period reported is 1 September 2017 to 30 June 2018 being the period W Campbell was executive KMP.
[40] For E Walker the period reported is 1 December 2017 to 30 June 2018 being the period E Walker was executive KMP.
[41] For L Reed the period reported is 1 July 2017 to 30 November 2017 being the period L Reed was executive KMP.
[42] For R Repella the period reported is 1 July 2017 to 31 August 2017 being the period R Repella was executive KMP.

Directors' Report

11.5 Non-Executive Director Fees for 2017 and 2018

All amounts are presented in US Dollars.

Table 14: Statutory Remuneration Disclosure – Non-Executive Director Remuneration

Non-Executive Director	Year[43]	Short term benefits	Post-employment		Total
		Cash salary and fees[44]	Superannuation	Retirement benefits	
J Shine Chairman	2018	527,110	15,542	-	542,652
	2017	499,887	26,310	-	526,197
D Anstice	2018	203,479	19,008	-	222,487
	2017	197,366	18,750	-	216,116
B Brook	2018	190,665	15,542	-	206,207
	2017	185,209	14,745	-	199,954
M Clark	2018	197,255	15,542	-	212,797
	2017	181,451	14,745	-	196,196
A Hussain[45]	2018	71,770	6,139	-	77,909
	2017	-	-	-	-
M McDonald	2018	178,649	15,542	-	194,191
	2017	165,664	14,746	-	180,410
B McNamee[46]	2018	63,866	5,903	-	69,769
	2017	-	-	-	-
C O'Reilly	2018	192,216	15,542	-	207,758
	2017	186,713	14,745	-	201,458
T Yamada[47]	2018	186,052	-		186,052
	2017	148,588	-	-	148,588
Former Non-Executive Director					
J Akehurst[48]	2018	-	-	-	-
	2017	50,780	4,112	-	54,892
M Renshaw[49]	2018	56,495	5,367	-	61,862
	2017	182,607	17,348	-	199,955

[43] The AUD compensation paid during the years ended 30 June 2017 and 30 June 2018 have been converted to USD. For the 2018 compensation, this has been converted to USD at an average exchange rate for the 2018 financial year: AUD – 1.28996. Both the amount of remuneration and any movement in comparison to prior years may be influenced by changes in the AUD/USD exchange rates.
[44] 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.
[45] In 2018 A Hussain was a NED for the period 14 February 2018 to 30 June 2018.
[46] In 2018 B McNamee was a NED for the period 14 February 2018 to 30 June 2018.
[47] In 2017 T Yamada was a NED for the period 1 September 2016 to 30 June 2017.
[48] In 2017 J Akehurst was a NED for the period 1 July 2016 to 12 October 2016.
[49] In 2018 M Renshaw was a NED for the period 1 July 2017 to 18 October 2017.

Directors' Report

11.6 KMP Shareholdings

Details of shares held directly, indirectly or beneficially by each executive KMP and NED, including their related parties, is provided in Table 15. For executive KMP, details of Options, Performance Rights, PSUs and Restricted Share Units held are provided in Table 16. Any amounts are presented in US Dollars.

Table 15: NED and Executive KMP shareholdings

KMP	Balance at 1 July 2017	Number of shares acquired on exercise of Options, Performance Rights, Performance Share Units or Restricted Share Units during year	Value of shares acquired on exercise of Options[50], Performance Rights, Performance Share Units or Restricted Share Units during year	Number of (Shares Sold) / Purchased	Balance at 30 June 2018
Non-Executive Director					
J Shine	9,850	-	-	(206)	9,644
D Anstice	13,344	-	-	186	13,530
B Brook	4,683	-	-	149	4,832
M Clark	1,485	-	-	829	2,314
A Hussain[51]	-	-	-	17	17
M McDonald	2,397	-	-	149	2,546
B McNamee[52]	177,587	-	-	17	177,604
C O'Reilly	3,053	-	-	149	3,202
T Yamada	94	-	-	163	257
Executive Key Management Personnel					
P Perreault	50,300	5,065	553,437	(2,533)	52,832
G Boss	6,231	1,702	186,622	(1,589)	6,344
W Campbell[53]	-	-	-	52	52
A Cuthbertson	114,143	15,060	1,684,321	(38,010)	91,193
K Etchberger	12,704	-	189,825	-	12,704
D Lamont	1,300	-	-	55	1,355
G Naylor	41,412	38,260	3,883,882	(16,141)	63,531
V Romberg	775	-	-	72	847
E Walker[54]	-	-	-	-	-
Former Key Management Personnel					
L Reed[55]	-	-	-	-	-
M Renshaw[56]	9,171	-	-	81	9,252
R Repella[57]	1,304	-	-	-	1,304

[50] 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 2018. For Performance Rights, Performance Share Units and Restricted Share Units, the value at exercise date has been determined by the share price at the close of business on the exercise date. The AUD value was converted to USD at an average exchange rate for the year of 1.28996.
[51] The opening balance for A Hussain is 14 February 2018 being the date A Hussain became a NED.
[52] The opening balance for B McNamee is 14 February 2018 being the date B McNamee became a NED.
[53] The opening balance for W Campbell is 1 September 2017 being the date W Campbell became an executive KMP.
[54] The opening balance for E Walker is 1 December 2017 being the date E Walker became an executive KMP.
[55] The closing balance for L Reed is 30 November 2017 being the date L Reed ceased to be an executive KMP.
[56] The closing balance for M Renshaw is 18 October 2017 being the date M Renshaw ceased to be a KMP.
[57] The closing balance for R Repella is 31 August 2017 being the date R Repella ceased to be an executive KMP.

There have been no movements in shareholdings of executive KMP or NEDs between 30 June 2018 and the date of this Report.

Table 16: Executive KMP Option, Performance Right, Performance Share Unit and Restricted Share Unit Holdings

KMP	Instrument	Balance at 1 July 2017	Number Granted	Number Exercised	Number Lapsed	Balance at 30 June 2018	Number Vested during year	Balance at 30 June 2018	
								Vested[58]	Unvested
Executive KMP									
P Perreault	Options	406,253	-	-	-	406,253	-	-	406,253
	Rights	154,321	-	5,065	7,336	141,920	5,065	-	141,920
	PSUs	-	52,052	-	-	52,052	-	-	52,052
G Boss	Options	74,801	-	-	-	74,801	-	-	74,801
	Rights	30,371	-	1,702	2,720	25,949	1,702	-	25,949
	PSUs	-	8,327	-	-	8,327	-	-	8,327
W Campbell[59]	Options	-	-	-	-	-	-	-	-
	Rights	17,277	-	-	-	17,277	-	-	17,277
	PSUs	-	10,529	-	-	10,529	-	-	10,529
A Cuthbertson	Options	-	-	-	-	-	-	-	-
	Rights	53,860	-	15,060	4,575	34,225	2,836	-	34,225
	PSUs	-	8,442	-	-	8,442	-	-	8,442
K Etchberger	Options	66,974	-	-	-	66,974	-	-	66,974
	Rights	27,144	-	1,491	2,283	23,370	1,491	-	23,370
	PSUs	-	7,609	-	-	7,609	-	-	7,609
D Lamont	Options	-	-	-	-	-	-	-	-
	Rights	39,227	-	-	-	39,227	-	-	39,227
	PSUs	-	8,155	-	-	8,155	-	-	8,155
G Naylor	Options	90,563	-	18,920	-	71,643	-	-	71,643
	Rights	112,228	-	19,340	5,699	87,189	3,532	44,486	42,703
	PSUs	-	10,928	-	-	10,928	-	-	10,928
V Romberg	Options	69,732	-	-	-	69,732	-	2,870	66,862
	Rights	35,814	-	-	1,833	33,981	1,133	10,742	23,239
	PSUs	-	9,190	-	-	9,190	-	-	9,190
E Walker[60]	Options	-	-	-	-	-	-	-	-
	Rights	-	-	-	-	-	-	-	-
	PSUs	906	2,107	-	-	3,013	-	-	3,013
	RSUs[61]	604	-	-	-	604	-	-	604

[58] Vested awards are exercisable to the executive KMP. There are no vested and unexercisable awards.
[59] The opening balance for W Campbell is 1 September 2017 being the date W Campbell became an executive KMP.
[60] The opening balance for E Walker is 1 December 2017 being the date E Walker became an executive KMP.
[61] Restricted Share Units granted to E Walker in prior role of Chief Talent Officer.

KMP	Instrument	Balance at 1 July 2017	Number Granted	Number Exercised	Number Lapsed	Balance at 30 June 2018	Number Vested during year	Balance at 30 June 2018	
								Vested[58]	Unvested
Former Executive Key Management Personnel									
L Reed[62]	Options	52,342	-	-	-	52,342	-	-	52,342
	Rights	17,847	-	-	-	17,847	-	-	17,847
	PSUs	-	-	-	-	-	-	-	-
R Repella[63]	Options	82,338	-	-	-	82,338	-	-	82,338
	Rights	34,506	-	-	-	34,506	-	-	34,506
	PSUs	-	-	-	-	-	-	-	-

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

John Shine AC
Chairman
Melbourne
14 August 2018

Paul Perreault
Managing Director

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[62] The grant, exercise and lapse activity along with the closing balance for L Reed is for the period 1 July 2017 to 30 November 2017 being the period L Reed was executive KMP.
[63] The grant, exercise and lapse activity along with the closing balance for R Repella is for the period 1 July 2017 to 31 August 2017 being the period R Repella was executive KMP.

CSL Limited

CSL Financial Statements 30 June 2018

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2018

	Notes	Consolidated Entity 2018 US$m	2017 US$m
Continuing operations			
Sales revenue		7,587.9	6,615.8
Pandemic Facility Reservation fees		117.7	94.0
Royalties and License revenue		144.8	203.3
Other Income		64.9	33.9
Total Operating Revenue		7,915.3	6,947.0
Cost of sales		(3,531.6)	(3,329.4)
Gross profit		4,383.7	3,617.6
Research and development expenses	6	(702.4)	(666.9)
Selling and marketing expenses		(786.2)	(697.0)
General and administration expenses		(514.8)	(484.8)
Operating profit		2,380.3	1,768.9
Finance costs	2	(108.4)	(90.0)
Finance income		9.3	10.9
Profit before income tax expense		2,281.2	1,689.8
Income tax expense	3	(552.3)	(352.4)
Net profit for the period		1,728.9	1,337.4
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations, net of hedges on foreign investments	12	(96.9)	97.5
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on defined benefit plans, net of tax	19	29.6	75.5
Total of other comprehensive income/(loss)		(67.3)	173.0
Total comprehensive income for the period		1,661.6	1,510.4
Earnings per share (based on net profit for the period)		US$	US$
Basic earnings per share	10	3.822	2.937
Diluted earnings per share	10	3.809	2.931

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

Consolidated Balance Sheet

As at 30 June 2018

	Notes	Consolidated Entity 2018 US$m	2017 US$m
CURRENT ASSETS			
Cash and cash equivalents	14	814.7	844.5
Trade and other receivables	15	1,478.0	1,170.4
Inventories	4	2,692.8	2,575.8
Current tax assets		6.6	6.2
Other financial assets		1.6	5.2
Total Current Assets		4,993.7	4,602.1
NON-CURRENT ASSETS			
Other receivables	15	15.3	16.5
Other financial assets		6.2	3.9
Property, plant and equipment	8	3,551.4	2,942.7
Deferred tax assets	3	401.3	496.5
Intangible assets	7	1,802.5	1,055.4
Retirement benefit assets	18	4.1	5.6
Total Non-Current Assets		5,780.8	4,520.6
TOTAL ASSETS		10,774.5	9,122.7
CURRENT LIABILITIES			
Trade and other payables	15	1,256.8	1,133.8
Interest-bearing liabilities	11	225.7	122.5
Current tax liabilities		248.4	202.5
Provisions	16	180.7	156.1
Deferred government grants	9	3.1	3.2
Total Current Liabilities		1,914.7	1,618.1
NON-CURRENT LIABILITIES			
Other non-current liabilities	15	126.6	25.8
Interest-bearing liabilities	11	4,160.6	3,852.7
Deferred tax liabilities	3	193.7	138.2
Provisions	16	34.7	32.9
Deferred government grants	9	37.7	35.9
Retirement benefit liabilities	18	226.6	255.3
Total Non-Current Liabilities		4,779.9	4,340.8
TOTAL LIABILITIES		6,694.6	5,958.9
NET ASSETS		4,079.9	3,163.8
EQUITY			
Contributed equity	12	(4,634.5)	(4,534.3)
Reserves	12	224.2	294.2
Retained earnings	19	8,490.2	7,403.9
TOTAL EQUITY		4,079.9	3,163.8

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 2018

Consolidated Entity	Contributed Equity US$m		Foreign currency translation reserve US$m		Share based payment reserve US$m		Retained earnings US$m		Total US$m	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
As at the beginning of the year	(4,534.3)	(4,213.0)	126.0	28.5	168.2	159.4	7,403.9	6,592.3	3,163.8	2,567.2
Profit for the period	-	-	-	-	-	-	1,728.9	1,337.4	1,728.9	1,337.4
Other comprehensive income	-	-	(96.9)	97.5	-	-	29.6	75.5	(67.3)	173.0
Total comprehensive income for the full year									1,661.6	1,510.4
Transactions with owners in their capacity as owners										
Share based payments	-	-	-	-	26.9	8.8	-	-	26.9	8.8
Dividends	-	-	-	-	-	-	(672.2)	(601.3)	(672.2)	(601.3)
Share buy back	(115.9)	(334.0)	-	-	-	-	-	-	(115.9)	(334.0)
Share issues										
- Employee share scheme	15.7	12.7	-	-	-	-	-	-	15.7	12.7
As at the end of the year	(4,634.5)	(4,534.3)	29.1	126.0	195.1	168.2	8,490.2	7,403.9	4,079.9	3,163.8

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 2018

	Notes	Consolidated Entity 2018 US$m	2017 US$m
Cash flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		8,003.4	6,749.2
Payments to suppliers and employees (inclusive of goods and services tax)		(5,570.4)	(4,946.9)
		2,433.0	1,802.3
Income taxes paid		(424.6)	(468.3)
Interest received		9.0	6.7
Borrowing costs		(115.3)	(94.1)
Net cash inflow from operating activities		1,902.1	1,246.6
Cash flows from Investing Activities			
Payments for property, plant and equipment		(778.8)	(689.0)
Payments for intangible assets		(213.8)	(171.5)
Payments for business acquisitions (Net of cash acquired)		(539.7)	-
Payments for other financial assets and liabilities		(1.8)	(2.4)
Net cash outflow from investing activities		(1,534.1)	(862.9)
Cash flows from Financing Activities			
Proceeds from issue of shares		15.7	12.7
Dividends paid		(672.2)	(601.3)
Proceeds from borrowings		1,898.9	1,381.4
Repayment of borrowings		(1,475.5)	(581.3)
Payment for shares bought back		(138.4)	(314.9)
Net cash outflow from financing activities		(371.5)	(103.4)
Net (decrease)/increase in cash and cash equivalents		(3.5)	280.3
Cash and cash equivalents at the beginning of the financial year		843.0	555.3
Exchange rate variations on foreign cash and cash equivalent balances		(26.8)	7.4
Cash and cash equivalents at the end of the financial year	14	812.7	843.0

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 14 August 2018.

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, which have been measured at fair value. Amounts have been rounded off to the nearest hundred thousand dollars.

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

b. Principles of consolidation

The consolidated financial statements comprise the financial statements of CSL and its subsidiaries as at 30 June 2018. 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.

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

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

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 recognised 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:

Note 1b:	Business Combination	Page 11
Note 3:	Tax	Page 15
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Note 5:	People Costs	Page 18
Note 7:	Intangible Assets	Page 23
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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 2018, 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 issued but not yet effective.

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.

The Group's operating segments are:

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

	CSL Behring		Seqirus		Consolidated Entity	
	US$m		US$m		US$m	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Sales to external customers	**6,677.5**	5,834.8	**910.4**	781.0	**7,587.9**	6,615.8
Pandemic Facility Reservation fees	**-**	-	**117.7**	94.0	**117.7**	94.0
Royalties and License revenue	**124.8**	183.0	**20.0**	20.3	**144.8**	203.3
Other revenue / Other income (excl interest income)	**24.7**	5.2	**40.2**	28.7	**64.9**	33.9
Total segment revenue	**6,827.0**	6,023.0	**1,088.3**	924.0	**7,915.3**	6,947.0
Consolidated Revenue					**7,915.3**	6,947.0
Segment Gross Profit	**3,893.0**	3,358.3	**490.7**	259.3	**4,383.7**	3,617.6
Segment Gross Profit %	**57.0%**	55.8%	**45.1%**	28.1%	**55.4%**	52.1%
Consolidated Gross Profit					**4,383.7**	3,617.6
Segment EBIT	**2,327.9**	1,958.3	**52.4**	(179.4)	**2,380.3**	1,778.9
Consolidated EBIT					**2,380.3**	1,778.9
Acquisition related costs					**-**	(10.0)
Consolidated Operating Profit					**2,380.3**	1,768.9
Interest income					**9.3**	10.9
Finance costs					**(108.4)**	(90.0)
Consolidated profit before tax					**2,281.2**	1,689.8
Income tax expense					**(552.3)**	(352.4)
Consolidated net profit after tax					**1,728.9**	1,337.4
Amortisation	**40.8**	40.1	**17.0**	31.3	**57.8**	71.4
Depreciation	**211.6**	184.1	**27.3**	23.7	**238.9**	207.8
Segment EBITDA	**2,580.3**	2,182.5	**96.7**	(124.4)	**2,677.0**	2,058.1
Acquisition related costs					**-**	(10.0)
Consolidated EBITDA					**2,677.0**	2,048.1

	CSL Behring		Seqirus		Intersegment Elimination		Consolidated Entity	
	US$m		US$m		US$m		US$m	
	2018	2017	2018	2017	2018	2017	2018	2017
Segment assets	**10,643.9**	9,108.4	**1,567.8**	1,417.7	**(1,437.2)**	(1,403.4)	**10,774.5**	9,122.7
Total assets							**10,774.5**	9,122.7
Segment liabilities	**6,532.7**	5,844.6	**1,599.1**	1,517.7	**(1,437.2)**	(1,403.4)	**6,694.6**	5,958.9
Total liabilities							**6,694.6**	5,958.9
Other Information – capital expenditure excluding Business Acquisition								
Payments for property, plant and equipment	**732.0**	636.9	**46.8**	52.2	**-**	-	**778.8**	689.1
Payments for intangibles	**124.6**	81.5	**89.2**	90.0	**-**	-	**213.8**	171.5
Total capital expenditures excluding Business Acquisition							**992.6**	860.6

Inter-segment sales

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

Geographical areas of operation

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

Geographic areas	Australia		United States		Germany		UK		Switzerland		China		Rest of world		Total	
	US$m		US$m		US$m		US$m		US$m		US$m		US$m		US$m	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External Operating Revenue	691.5	849.5	3,521.8	2,894.3	817.7	696.1	362.6	285.0	227.4	226.8	589.8	509.3	1,704.5	1,486.0	7,915.3	6,947.0

Geographic areas	Australia		United States		Germany		UK		Switzerland		China		Rest of world		Total	
	US$m		US$m		US$m		US$m		US$m		US$m		US$m		US$m	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Property, plant, equipment and intangible assets	776.9	657.0	1,702.5	1,422.0	589.3	465.1	321.8	239.3	1,487.2	1,202.7	467.0	0.8	9.2	11.2	5,353.9	3,998.1

Note 1b: Business Combination

Three business combinations occurred in the financial year ended 30 June 2018.

Ruide Acquisition

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

The initial purchase price was $352 million for 80% of Ruide. There was additional consideration possible within the agreement, part of which was contingent on the registration of new products and the opening of new plasma centres, and part was related to a put and call option over the remaining 20% of Ruide. CSL exercised control over the acquired entity through the appointment of a majority of the board of directors and of the head of the business from the date of acquisition (when CSL held 80% of the equity interest in Ruide). As noted below the remaining 20% equity interest was acquired by CSL in June 2018 bringing CSL's equity interest to 100%.

The fair value of assets and liabilities acquired were:

Asset Class	**$m**
Cash	0.2
Trade and other receivables	0.7
Inventory	20.7
Buildings	22.8
Plant & equipment	25.8
Deferred tax assets	0.6
Identifiable Intangible Assets	25.3
Other non-current assets	1.5
Trade creditors & accruals	(1.5)
Non-current liabilities	(4.6)
Deferred tax liabilities	(5.0)
Fair Value of Net Assets Acquired	**86.5**
Goodwill arising on acquisition	395.5
Consideration paid	351.8
Contingent consideration recognised as a liability at the date of acquisition	**130.2**

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

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

On 20 June 2018, Humanwell and CSL renegotiated the terms and conditions under which the remaining consideration would be paid. The payment of $102m for the 20% equity initially retained by Humanwell was paid in June 2018 and the timing and triggers for the balance of the consideration of $30.6m were amended. As this was a change in the nature of the transaction the impact of changes in the fair value of liabilities as at 20 June 2018 is recorded in the statement of comprehensive income. The changes in the timing of payments has generated a gain of $4.1m which is recorded in other income in the statement of comprehensive income. The expected undiscounted future contingent consideration that is now expected to be paid is $30.6m.

The fair value of the originally recognised liability related to the original contingent consideration was reassessed at the date of the revised agreement and at year end. An interest charge of $5.7m has been recorded in the full year result, reflecting the change in fair value between the acquisition date and 20 June 2018 and between 20 June 2018 and 30 June 2018.

The goodwill recognised in the business combination is largely related to access to the domestic Chinese plasma market. Such access is only available through acquisition of a local Chinese fractionator such as Ruide. The value of the domestic Chinese market lies in the anticipated growth in the utilisation of plasma products in China as the healthcare environment matures. Other intangible assets recognised are the plasma centre, manufacturing and product related licences that enable the business to operate.

Since CSL obtained control of the acquired business it has contributed $23.6m of sales and a $1.6m EBIT loss. The EBIT loss is principally attributable to integration costs incurred in the acquired entity.

Calimmune Acquisition

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

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

The fair value of assets and liabilities acquired were:

Asset Class	$m
Cash	0.7
Trade and other receivables	0.3
Plant and equipment	0.3
Intellectual property#	151.5
Goodwill	39.0
Trade creditors & accruals	(5.5)
Non-current liabilities	(5.6)
Deferred tax liabilities	(39.0)
Fair Value of Net Assets Acquired	**141.7**
Consideration paid	82.0
Contingent consideration recognised as a liability at the date of acquisition#	59.7

The provisional accounting included in the December 2017 accounts included a value of contingent consideration recognised as a liability at the date of acquisition of $62.1m and a value of intellectual property of $153.9m.

Upon finalisation of the purchase price accounting, the expected timing of the contingent payments has been changed as better information is available since the half year accounts provisional accounting. The probabilities applied to each milestone are unchanged. This has had the impact of reducing both the fair value of the contingent consideration and the value of the intangible assets by $2.4m to $59.7m and $151.5m respectively.

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

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

At balance date, the fair value of the liability related to the contingent consideration has been increased in relation to interest charge of $1.6m to reflect the passage of time.

The goodwill recognised is a consequence of the recognition of deferred tax liabilities in respect of indefinite lived intangible assets in accordance with accounting standards.

Since CSL obtained control of the acquired business it has contributed $0m of sales and $12.0m EBIT loss as a result of the ongoing research activity.

Guangzhou Junxin Pharmaceutical Acquisition

On 14 May 2018 CSL acquired 100% of the equity of Guangzhou Junxin Pharmaceutical Limited. The acquired entity holds a GSP (Good Supply Practice) licence granted by the Chinese regulator. This licence enables the holder to own and sell inventory in the domestic Chinese market. Prior to this acquisition CSL operated through distributors. In the future CSL will be able to participate more fully in the value chain for Albumin imported into China. Consideration for the transaction is payable in stages within the next twelve months. This entity will also sell Ruide manufactured product in China.

CSL did not acquire any of the assets and liabilities of the entity, the economic interest in these was retained by the vendor. As a consequence, the entire consideration payable has been recognised as the GSP licence, an intangible asset.

Asset Class	$m
Intangible assets – GSP licence	0.6
Fair Value of Net Assets Acquired	**0.6**
Consideration paid	-
Contingent consideration recognised as a liability at the date of acquisition	0.6

As at 30 June 2018 none of the consideration payable has been paid to the vendor, the full value is therefore recorded as a current liability on the balance sheet.

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

Note 2: Revenue and Expenses

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, it 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, government grants and other income is recognised as it accrues.

Expenses	2018 US$m	2017 US$m
Finance costs	**108.4**	90.0
Depreciation and amortisation of fixed assets	**238.9**	207.8
Amortisation of intangibles	**57.8**	71.4
Total depreciation and amortisation expense	**296.7**	279.2
Write-down of inventory to net realisable value	**174.6**	189.8
Rental expenses relating to operating leases	**69.3**	57.5
Employee benefits expense	**1,942.9**	1,618.3
Net foreign exchange loss	**(16.4)**	64.3

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 where they are capitalised as part of the cost of the asset. Capitalised interest for qualifying assets during the year ended 30 June 2018 was $12.7m (2017: nil). Interest-bearing liabilities and borrowings are stated at amortised cost. Any difference between the borrowing proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the borrowing period using the effective interest method.

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

	2018 US$m	2017 US$m
a. Income tax expense recognised in the statement of comprehensive income		
Current tax expense		
Current year	**484.3**	454.9
Deferred tax expense/(recovery)		
Origination and reversal of temporary differences	**70.1**	(110.7)
Total deferred tax expense/(recovery)	**70.1**	(110.7)
Over/(under) provided in prior years	**(2.1)**	8.2
Income tax expense	**552.3**	352.4
b. Reconciliation between tax expense and pre-tax net profit		
The reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	**2,281.2**	1,689.8
Income tax calculated at 30% (2017: 30%)	**684.4**	507.0
Effects of different rates of tax on overseas income	**(143.3)**	(157.6)
Research and development	**(12.7)**	(13.3)
Over/(under) provision in prior year	**(2.1)**	8.2
Other non-deductible expenses	**26.0**	8.1
Income tax expense	**552.3**	**352.4**
c. Income tax recognised directly in equity		
Deferred tax benefit/(expense)		
Share-based payments	**(3.2)**	3.7
Income tax benefit/(expense) recognised in equity	**(3.2)**	3.7
d. Deferred tax assets and liabilities		
Deferred tax asset	**401.3**	496.5
Deferred tax liability	**(193.7)**	(138.2)
Net deferred tax asset	**207.6**	358.3
Deferred tax balances reflect temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		

Note 3: Tax

	2018	2017
	US$m	US$m
Inventories	**146.0**	189.6
Property, plant and equipment	**(120.5)**	(112.8)
Intangible assets	**(124.0)**	(116.2)
Trade and other payables	**33.6**	32.3
Recognised carry forward tax losses [a]	**178.3**	226.8
Retirement liabilities, net	**37.7**	42.1
Trade and other receivables	**3.0**	2.0
Other assets	**6.4**	12.2
Interest bearing liabilities	**5.6**	(1.0)
Other liabilities and provisions	**61.9**	63.8
Tax bases not in net assets – share-based payments	**1.8**	0.5
Total recognised in the statement of comprehensive income	**229.8**	339.3
Amounts recognised in equity		
Share-based payments	**21.8**	19.0
Net deferred tax asset	**251.6**	358.3
e. Movement in temporary differences during the year		
Opening balance	**358.3**	269.8
Credited/(charged) to profit before tax	**(100.1)**	100.6
Charged to other comprehensive income	**(6.9)**	(14.2)
Net deferred tax asset/(liability) recognized in business combination	**(44.0)**	-
Credited/(charged) to equity	**(3.2)**	3.7
Currency translation difference	**3.5**	(1.6)
Closing balance	**207.6**	358.3
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised for the following items:		
Tax losses with no expiry date [b]	**0.4**	0.4

[a] 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.

[b] 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.

US tax reform came into effect for the Group in the financial year ended 30 June 2018. The Group was impacted by the lower tax and by the need to restate deferred balances to the new rate at which these are expected to be realised. The impact of these items is included in the full year financials and are immaterial to the Group.

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

	2018 US$m	2017 US$m
Raw materials	**718.9**	631.4
Work in progress	**1,165.8**	995.2
Finished products	**808.1**	949.2
Total inventories	**2,692.8**	2,575.8

Raw Materials

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

Work in Progress

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

Finished Products

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

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

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

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

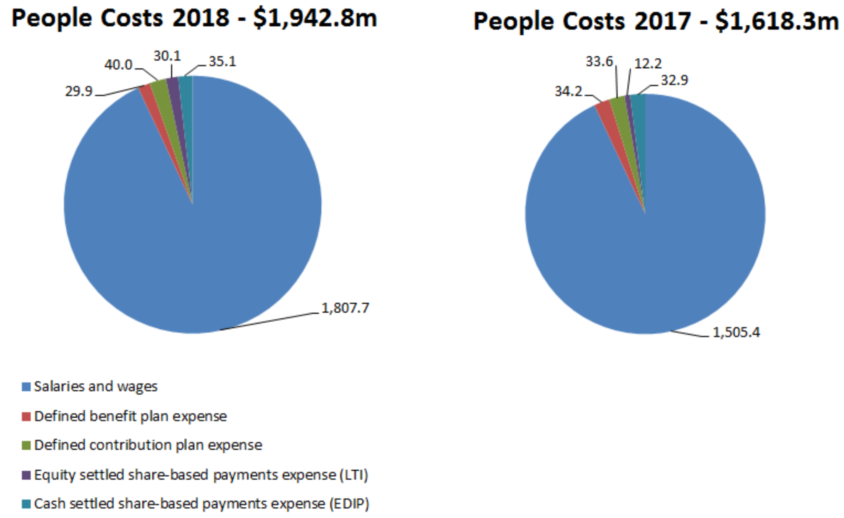
Key judgements and estimates - Inventory

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.



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

	2018 US$m	2017 US$m
Expenses/(gains) recognised in the statement of comprehensive income are as follows:		
Current service costs	**32.3**	**32.0**
Net interest cost	**3.1**	**2.2**
Past service costs	**(5.5)**	**-**
Total included in employee benefits expense	**29.9**	**34.2**

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 2018 was $40.0m (2017: $33.6m).

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		Retain and Grow Plan (RGP)		Executive Performance and Alignment Plan (EPA)		Global Employee Share Plan (GESP)#		Total
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**	
Outstanding at the beginning of the year	906,766	A$90.10	848,599	A$0.00	-	A$0.00	-	A$0.00	83,530	A$100.40	1,838,895
Granted during the year	-	A$0.00	-	A$0.00	324,104	A$0.00	209,926	A$0.00	203,425	A$122.82	737,455
Exercised during the year	24,540	A$29.34	67,714	A$0.00	683	A$0.00	-	A$0.00	182,518	A$105.47	275,455
Cash settled during the year	-	-	2,412	A$0.00	-	A$0.00	-	A$0.00	-	-	2,412
Forfeited during the year	59,638	A$97.69	93,532	A$0.00	16,801	A$0.00	3,133	A$0.00	-	-	173,104
GESP True-up #	-	-	-	-		-	-	-	(4,978)	A$100.40	(4,978)
Closing balance at the end of the year	822,588	A$91.36	684,941	A$0.00	306,620	A$0.00	206,793	A$0.00	99,459	A$137.21	2,120,401
Exercisable at the end of the year	8,530	A$29.34	58,492	A$0.00	-	A$0.00	-	A$0.00	-	-	67,022

 # 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 2018 has been estimated based on information available as at 30 June 2018.

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

	2018	2017
Options	**A$162.60**	A$113.27
Performance Rights	**A$137.99**	A$108.73
RGP	**A$161.53**	-
GESP	**A$150.02**	A$113.12

Cash-settled share-based payments expense

On 1 July 2017 and 1 October 2017, 6,673 and 1,509 notional shares respectively were granted to employees under the Executive Deferred Incentive Plan (EDIP) (July 2016: 2,568, October 2016: 281,715, January 2017: 3,922 and April 2017: 3,243). The notional shares will generate a cash payment to participants on a prorated vesting period over a two year period, 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.

The October 2014 EDIP grant vested during the period ended 30 June 2018 and an amount of $24.9m was paid to employees (2017: $26.2m). A portion of the March 2016 EDIP grant vested during the period ending 30 June 2018 and an amount of $1.2m was paid to employees. The carrying amount of the liability at 30 June 2018 attributable to the 2015 and 2016 grants is $57.0m (2017: $50.0m) 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 key management personnel is disclosed in section 17 of the Directors' Report and has been audited.

Total compensation for key management personnel

	2018 US$	2017 US$
Total of short term remuneration elements	**18,875,181**	16,848,934
Total of post-employment elements	**304,813**	318,774
Total of other long term elements	**1,176,672**	1,472,042
Total of share-based payments	**13,325,116**	8,121,293
Total of all remuneration elements	**33,681,782**	26,761,043

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 2018, the research costs, net of recoveries, were $702.4m (2017: $645.3m). Further information about the Group's research and development activities can be found on the CSL website.

In the prior financial year research and development expense included $50.0m related to a licensing arrangement with Momenta. The Momenta transaction gave CSL rights to certain intellectual property, which was in an early stage and does not yet give rise to a demonstrated recoverable amount. If the intellectual property were to have a demonstrated recoverable amount in the future, then the charge would be reversed and the amount recognized as an intangible asset.

Note 7: Intangible Assets

	Goodwill US$m		Intellectual property US$m		Software US$m		Intangible capital work in progress US$m		Total US$m	
Year	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Cost	**1,102.0**	688.3	**562.3**	392.9	**418.8**	214.1	**179.8**	170.6	**2,262.9**	1,465.9
Accumulated amortisation	**-**	-	**(299.4)**	(289.2)	**(161.0)**	(121.3)	**-**	-	**(460.4)**	(410.5)
Net carrying amount	**1,102.0**	688.3	**262.9**	103.7	**257.8**	92.8	**179.8**	170.6	**1,802.5**	1,055.4
Movement										
Net carrying amount at the beginning of the year	**688.3**	674.3	**103.7**	137.3	**92.8**	80.0	**170.6**	51.0	**1,055.4**	942.6
Additions[1]	**-**	-	**2.1**	5.2	**0.7**	2.6	**218.1**	162.2	**220.9**	170.0
Business acquisition	**434.5**	-	**174.4**	-	**-**	-	**-**	-	**608.9**	-
Transfers from intangible capital work in progress	**-**	-	**-**	0.5	**210.2**	43.1	**(210.2)**	(43.6)	**-**	-
Transfers to/from property, plant and equipment	**-**	-	**-**	-	**-**	-	**0.6**	(0.4)	**0.6**	(0.4)
Disposals	**-**	-	**-**	-	**(0.8)**	(1.6)	**-**	(0.1)	**(0.8)**	(1.7)
Amortisation for the year[2]	**-**	-	**(14.6)**	(39.3)	**(43.2)**	(32.1)	**-**	-	**(57.8)**	(71.4)
Currency translation differences	**(20.8)**	14.0	**(2.7)**	-	**(1.9)**	0.8	**0.7**	1.5	**(24.7)**	16.3
Net carrying amount at the end of the year	**1,102.0**	688.3	**262.9**	103.7	**257.8**	92.8	**179.8**	170.6	**1,802.5**	1,055.4

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 but is monitored at the segment (business unit) level. The aggregate carrying amounts of goodwill allocated to each business unit are as follows:

	2018 $m	2017 $m
CSL Behring	**1,102.0**	**688.3**
Closing balance of goodwill as at 30 June	**1,102.0**	**688.3**

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.

[1] The 2017 intangible capital work in progress additions relate to two significant information technology projects.
[2] 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 2018.

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 generally ranges from 5 – 20 years. Certain intellectual property acquired in a business combination is considered to have an indefinite life.

The decrease in the amortisation charge in the year ended 30 June 2018 reflects reassessments of useful life of intellectual property in the prior year.

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. The Group is undertaking two major software programs, these will be capitalized as they are brought into use and amortised over their estimated useful life of ten years.

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. Significant software intangible assets are amortised over a ten year useful life. 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), other than goodwill that is monitored at the segment level.

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 9.9% (2017: 10.1%) 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		Buildings		Leasehold improvements		Plant and equipment		Leased property, plant and equipment		Capital work in progress		Total	
	US$m		US$m		US$m		US$m		US$m		US$m		US$m	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Cost	39.8	37.2	665.2	535.0	326.6	275.9	2,909.3	2,561.5	35.0	35.4	1,340.5	1,080.0	5,316.4	4,525.0
Accumulated depreciation / amortisation	-	-	(175.3)	(155.7)	(95.7)	(75.5)	(1,472.5)	(1,331.4)	(21.5)	(19.7)	-	-	(1,765.0)	(1,582.3)
Net carrying amount	39.8	37.2	489.9	379.3	230.9	200.4	1,436.8	1,230.1	13.5	15.7	1,340.5	1,080.0	3,551.4	2,942.7
Movement														
Net carrying amount at the start of the year	37.2	26.4	379.3	371.2	200.4	164.2	1,230.1	1,191.2	15.7	15.4	1,080.0	621.2	2,942.7	2,389.6
Transferred from capital work in progress	-	-	116.5	20.7	42.9	50.1	371.9	135.9	-	-	(531.3)	(206.7)	-	-
Business Acquisition	-	-	22.8	-	-	-	26.1	-	-	-	-	-	48.9	-
Other Additions[3]	3.4	10.0	0.3	0.3	11.3	3.4	18.1	55.8	1.6	4.0	807.0	651.9	841.7	725.4
Disposals	-	-	(0.1)	(0.2)	(2.1)	(1.3)	(43.0)	(36.6)	(2.6)	(2.8)	(0.6)	-	(48.4)	(40.9)
Transferred to/from intangibles	-	-	-	-	-	-	-	-	-	-	(0.6)	0.4	(0.6)	0.4
Depreciation / amortisation for the year	-	-	(21.8)	(20.9)	(22.0)	(17.6)	(192.2)	(166.5)	(3.0)	(2.8)	-	-	(239.0)	(207.8)
Accumulated depreciation / amortisation on disposals	-	-	0.0	0.1	1.4	1.1	38.8	29.0	1.9	1.8	-	-	42.1	32.0
Currency translation differences	(0.8)	0.8	(7.1)	8.1	(1.0)	0.5	(13.0)	21.3	(0.1)	0.1	(14.0)	13.2	(36.0)	44.0
Net carrying amount at the end of the year	39.8	37.2	489.9	379.3	230.9	200.4	1,436.8	1,230.1	13.5	15.7	1,340.5	1,080.0	3,551.4	2,942.7

[3] The 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.

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 two to four 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

	2018	2017
	US$m	US$m
Current deferred income	**3.1**	**3.2**
Non-current deferred income	**37.7**	**35.9**
Total deferred government grants	**40.8**	**39.1**

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$1,312.9m (2017: A$6,104.2m). The parent entity's retained earnings as at 30 June 2018 were A$10,720.4m (2017: A$10,275.9m). During the financial year A$868.5m (the equivalent of US$672.2m) was distributed to shareholders by way of a dividend, with a further A$578.3 (the equivalent of US$420.7m) being determined as a dividend payable subsequent to the balance date.

Dividend paid	**FY2018 US$m**	FY2017 US$m
Paid: Final ordinary dividend of US$0.72 per share, unfranked, paid on 13 October 2017 for FY17 (prior year: US$0.68 per share, unfranked paid on 7 October 2016 for FY16)	**323.6**	310.0
Paid: Interim ordinary dividend of US$0.79 per share, unfranked, paid on 13 April 2018 for FY18 (prior year: US$0.64 per share, unfranked paid on 13 April 2017 for FY17)	**348.6**	291.3
Total paid	**672.2**	601.3
Dividend determined, but not paid at year end: Final ordinary dividend of US$0.93 per share, unfranked, expected to be paid on 12 October 2018 for FY18, 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$0.72 per share, unfranked paid on 7 October 2017 for FY17)	**420.7**	326.3

The distribution in respect of the 2018 financial year represents a US$1.72 dividend paid for FY2018 on each ordinary share held. These dividends are approximately 45 % of the Group's basic earnings per share ("EPS") of US$3.822

Earnings per Share

CSL's basic and diluted EPS are calculated using the Group's net profit for the financial year of US$1,728.9m (2017: US$1,337.4m).

	2018	2017
Basic EPS	**US$3.822**	US$2.937
Weighted average number of ordinary shares	**452,353,221**	455,331,196
Diluted EPS	**US$3.809**	US$2.931
Adjusted weighted average number of ordinary shares, represented by:	**453,876,613**	456,374,648
Weighted average ordinary shares	**452,353,221**	455,331,196
Plus:		
Employee share schemes	**1,523,391**	1,043,452

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$150m of the A$500m buyback announced in October 2016 as an element of its capital management program.

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 provided the Group with maximum flexibility and allowed shareholders to choose whether to participate through normal equity market processes.

The Group's contributed equity includes the Share Buyback Reserve of (US$4,634.5m) (2017: (US$4,534.3m)). The Group's ordinary share contributed equity has been reduced to nil from previous share buybacks.

Contributed Equity

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

	2018		2017	
	Number of shares	**US$m**	Number of shares	US$m
Opening balance at 1 July	**453,251,764**	**(4,534.3)**	456,608,747	(4,213.0)
Shares issued to employees (see also Notes 5 and 18):				
Performance Options Plan	**24,540**	**0.6**	92,476	2.3
Performance Rights Plan (for nil consideration)	**67,714**	**-**	94,380	-
Retain and Grow Plan (for nil consideration)	**683**	**-**	-	-
Global Employee Share Plan (GESP)	**182,518**	**15.1**	152,737	10.4
Share buy-back, inclusive of cost	**(1,126,435)**	**(115.9)**	(3,696,576)	(334.0)
Closing balance	**452,400,784**	**(4,634.5)**	453,251,764	(4,534.3)

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.

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

	Source of Risk	Risk Mitigation
a. Foreign exchange risk	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. Interest rate risk	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 2018, no derivative financial instruments hedging interest rate risk were outstanding (2017: Nil).
c. Credit risk	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.	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. 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.
d. Funding and liquidity risk	The Group is exposed to funding and liquidity risk from operations and from external borrowing. 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. Liquidity and re-financing risks are not significant for the Group, as CSL has a prudent gearing level and strong cash flows.	The Group mitigates funding and liquidity risks by ensuring that: • The Group has sufficient funds on hand to achieve its working capital and investment objectives • The Group focusses on improving operational cash flow and maintaining a strong balance sheet • 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 • It has adequate flexibility in financing to balance short-term liquidity requirements and long-term core funding and minimise refinancing risk
e. Capital Risk Management	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.	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. Each year the Directors determine the dividend taking into account factors such as profitability and liquidity. The Directors have proposed share buybacks in previous years, 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.

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.

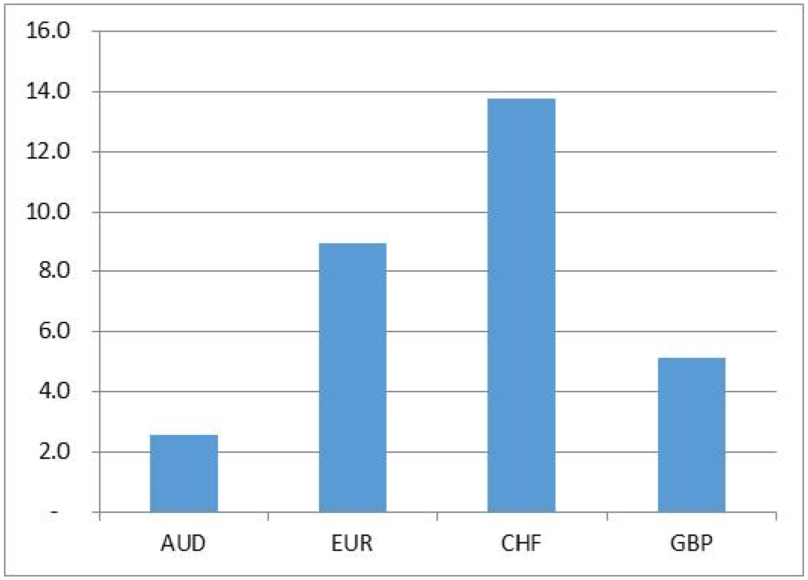
The total value of forward exchange contracts in place at reporting date is nil (2017: Nil).

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 (US$m)



This calculation is based on changing the actual exchange rate of US Dollars to AUD, EUR, CHF and GBP as at 30 June 2018 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 2018, 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 $5.7m. 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 2018, 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 $5.8m. 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 2018, the Group had the following bank facilities, unsecured notes and finance leases:

- Eight revolving committed bank facilities totalling $1,633.9m. Of these facilities $21.5m mature in September 2018, $36.1m mature in November 2018, $36.1m mature in November 2019, $258.6m mature in October 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 $1,301.3m in undrawn funds available under these facilities;

- EUR250.4m committed bank facility (the KfW loan) with quarterly repayments commencing in December 2019 through to June 2027. As at the reporting date EUR60.4m ($70.5m) was undrawn under this facility.

- US$2,500m of Senior Unsecured Notes in the US Private Placement market. The notes mature in 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 2027 (US$250m), October 2028 (US$200m), October 2029 (US$200m), October 2031 (US$200m), October 2032 (US$150m) and October 2037 (US$100m). The weighted average interest rate on the notes is fixed at 3.37%

- 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%;

- US$500m of Unsecured Floating Rate Notes (the QDI Bond) in the Hong Kong market. The notes mature in December 2021.

- Finance leases with a weighted average lease term of 6 years (2017: 8 years). The weighted average discount rate implicit in the leases is 4.77% (2017: 4.85%). The Group's lease liabilities are secured by leased assets of $13.5 million (2017: $15.4m). In the event of default, leased assets revert to the lessor.

The Group is in compliance with all debt covenants.

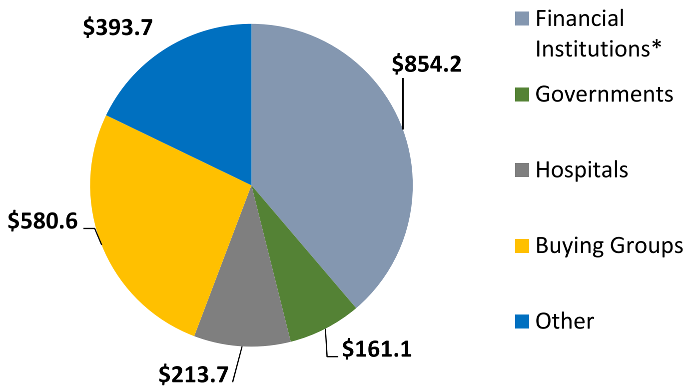
c. Credit Risk

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 [4]		Non-interest bearing		Total		Average Closing interest Rate	
	US$m		US$m		US$m		%	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Financial Assets								
Cash and cash equivalents	**814.7**	844.5	**-**	-	**814.7**	844.5	**0.8%**	0.6%
Trade and other receivables	**-**	-	**1,380.8**	1,123.8	**1,380.8**	1,123.8	**-**	-
Other financial assets	**-**	-	**7.8**	9.1	**7.8**	9.1	**-**	-
	814.7	844.5	**1,388.6**	1,132.9	**2,203.3**	1,977.4		

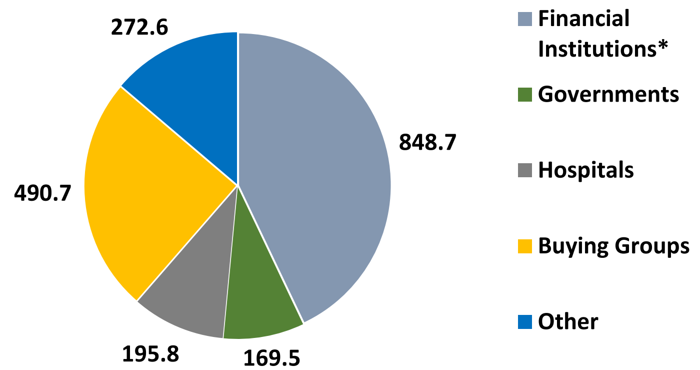
[4] Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date. All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months.

Credit quality of financial assets (30 June 2018)



*US$814.7m of the assets held with financial institutions are held as cash or cash equivalents, $33.3m of trade and other receivables and $6.2m of other financial assets. Financial assets held with non-financial institutions include US$1,349.1m of trade and other receivables and $1.6m of other financial assets.

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, $0.4m of trade and other receivables and $3.9m of other financial assets. Financial assets held with non-financial institutions include US$1,123.6m of trade and other receivables and $5.2m of other financial assets.

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.

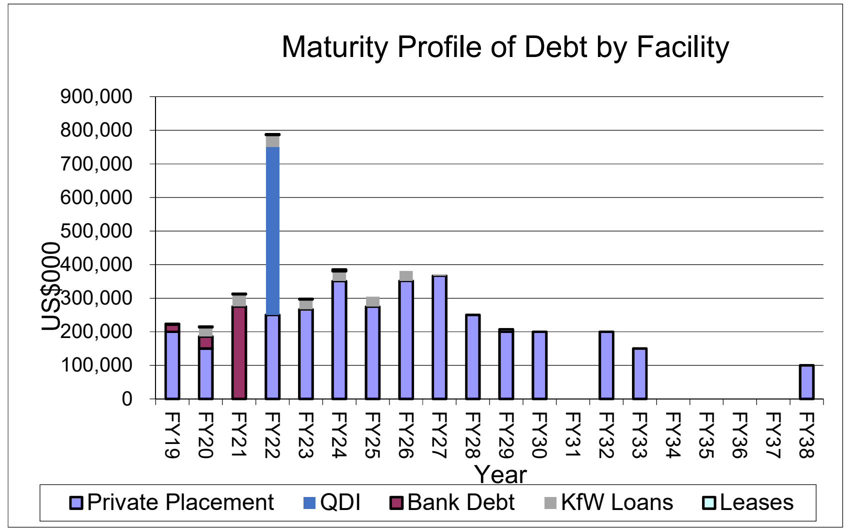
The Group has not renegotiated any material collection/repayment terms of any financial assets in the current financial year.

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	
	2018	2017	**2018**	2017	**2018**	2017
	US$m	US$m	**US$m**	US$m	**US$m**	US$m
Trade receivables:						
current	**925.7**	786.7	**6.4**	11.9	**919.3**	774.8
less than 30 days overdue	**66.4**	80.1	**0.2**	0.3	**66.2**	79.8
between 30 and 90 days overdue	**51.0**	49.3	**0.3**	0.5	**50.7**	48.8
more than 90 days overdue	**71.8**	62.5	**14.6**	9.9	**57.2**	52.6
	1,114.9	978.6	**21.5**	22.6	**1,093.4**	956.0

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.

	2018	2017
Interest-bearing liabilities and borrowings	**US$m**	US$m
Current		
Bank overdrafts – Unsecured	**2.0**	1.5
Bank Borrowings – Unsecured	**20.7**	17.9
Senior Unsecured Notes - Unsecured	**200.0**	100.0
Lease liability – Secured	**3.0**	3.1
	225.7	122.5
Non-current		
Bank loans – Unsecured	**533.3**	1,216.3
Senior Unsecured Notes - Unsecured	**3,606.8**	2,614.1
Lease liability - Secured	**20.5**	22.3
	4,160.6	3,852.7

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		%	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Trade and other payables (non-interest bearing)	**1,256.8**	1,133.8	**138.9**	25.8	**-**	-	**1,395.7**	1,159.6	**-**	-
Bank loans – unsecured (floating rates)	**29.8**	40.2	**324.2**	1,256.7	**-**	-	**354.0**	1,296.9	**2.9%**	1.8%
Bank loans – unsecured (fixed rates)	**2.3**	-	**167.3**	-	**63.1**	-	**232.7**	-	**1.0%**	-
Bank overdraft – unsecured (floating rates)	**2.0**	1.5	**-**	-	**-**	-	**2.0**	1.5	**-**	-
Senior unsecured notes (fixed rates)	**292.2**	174.0	**1,260.6**	966.4	**2,526.3**	2,114.2	**4,079.1**	3,254.6	**2.9%**	2.7%
Senior unsecured notes (floating rate)	**14.6**	-	**536.5**	-	**-**	-	**551.1**	-	**2.9%**	-
Lease liabilities (fixed rates)	**3.1**	1.2	**16.8**	10.3	**10.0**	25.3	**29.9**	36.8	**4.8%**	4.7%
	1,600.8	1,350.7	**2,444.3**	2,259.2	**2,599.4**	2,139.5	**6,644.5**	5,749.4		

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 2018 (30 June 2017 – nil).

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

Contingent consideration arising from Business Combinations as set out in Note 1b is a Level 3 item. Management has exercised judgement in determining the appropriate timing and probability of the achievement of the underlying milestones.

Note 12: Equity and Reserves

a. Contributed Equity

	2018 US$m	2017 US$m
Ordinary shares issued and fully paid	-	-
Share buy-back reserve	**(4,634.5)**	(4,534.3)
Total contributed equity	**(4,634.5)**	(4,534.3)

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

Due to share buy-backs being undertaken at higher prices than the original subscription prices, the balance for ordinary share contributed equity has been reduced to nil, and a reserve created to reflect the excess value of shares bought over the original amount of subscribed capital. Refer to Note 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 (i) US$m		Foreign currency translation reserve (ii) US$m		Total US$m	
	2018	2017	**2018**	2017	**2018**	2017
Opening balance	**168.2**	159.4	**126.0**	28.5	**294.2**	187.9
Share-based payments expense	**30.1**	5.2		-	**30.1**	5.2
Deferred tax on share-based payments	**(3.2)**	3.6		-	**(3.2)**	3.6
Net exchange gains / (losses) on translation of foreign subsidiaries, net of hedge	**-**	-	**(96.9)**	97.5	**(96.9)**	97.5
Closing balance	**195.1**	168.2	**29.1**	126.0	**224.2**	294.2

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[5]

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 US$m		Finance Leases US$m		Capital Commitments US$m		Total US$m	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Not later than one year	**64.5**	57.9	**3.7**	3.9	**532.2**	354.0	**600.4**	415.8
Later than one year but not later than five years	**242.5**	205.4	**10.4**	11.1	**151.5**	117.0	**404.4**	333.5
Later than five years	**466.5**	404.8	**14.5**	16.2	**-**	-	**481.0**	421.0
Sub-total	**773.5**	668.1	**28.6**	31.2	**683.7**	471.0	**1,485.8**	1,170.3
Future finance charges	**-**	-	**(5.1)**	(5.8)	**-**	-	**(5.1)**	(5.8)
Total	**773.5**	668.1	**23.5**	25.4	**683.7**	471.0	**1,480.7**	1,164.5

[5] 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:

	2018 US$m	2017 US$m
Not later than one year	**3.0**	3.1
Later than one year but not later than five years	**7.9**	8.4
Later than five years	**12.6**	13.9
Total	**23.5**	25.4

b. Contingent assets and liabilities

Litigation

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

During the year ended 30 June 2018 the Group became engaged in litigation for breach of contract, CSL has counter claims in place against the same entity and the outcomes remain uncertain. We have recognized a legal provision (see Note 16) which would be utilised should a settlement be required.

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

	2018 US$m	2017 US$m
Reconciliation of cash and cash equivalents		
Cash at bank and on hand	**572.5**	562.7
Cash deposits	**242.2**	281.8
Less bank overdrafts	**(2.0)**	(1.5)
Total cash and cash equivalents	**812.7**	843.0
Reconciliation of Profit after tax to Cash Flows from Operations		
Profit after tax	**1,728.9**	1,337.4
Non-cash items in profit after tax:		
Depreciation, amortisation and impairment charges	**296.7**	279.2
Loss on disposal of property, plant and equipment	**3.4**	8.7
Gain/(loss) on sale of assets	**(3.8)**	-
Share-based payments expense	**30.1**	12.2
Changes in assets and liabilities:		
Increase in trade and other receivables	**(304.8)**	(72.5)
Increase in inventories	**(138.0)**	(389.2)
(Increase)/decrease in retirement benefit assets	**1.3**	(0.4)
(Increase)/decrease in net tax assets	**127.7**	(111.0)
Increase in trade and other payables	**128.8**	153.9
(Decrease)/increase in deferred government grants	**3.3**	(0.6)
Increase in provisions	24.8	21.4
Increase in retirement benefit liabilities	**3.7**	7.5
Net cash inflow from operating activities	**1,902.1**	1,246.6
Non-cash financing activities		
Acquisition of plant and equipment by means of finance leases	**1.6**	4.0

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

	2018 US$	2017 US$
Current		
Trade receivables	**1,114.9**	978.6
Less: Provision for impairment loss	**(21.5)**	(22.6)
	1,093.4	956.0
Sundry receivables	**272.1**	151.3
Prepayments	**112.5**	63.1
Carrying amount of current trade and other receivables	**1,478.0**	1,170.4
Non-Current		
Long term deposits/other receivables	**15.3**	16.5
Carrying amount of non-current other receivables[6]	**15.3**	16.5

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.

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 2018, the Group had made provision for impairment of $21.5m (2017: $22.6m).

	2018 US$m	2017 US$m
Opening balance at 1 July	**22.6**	**31.1**
Additional allowance/(utilised/written back)	**(0.8)**	**(8.7)**
Currency translation differences	**(0.3)**	**0.2**
Closing balance at 30 June	**21.5**	**22.6**

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.

[6] The carrying amount disclosed above is a reasonable approximation of fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable disclosed above. Refer to Note 11 for more information on the risk management policy of the Group and the credit quality of trade receivables.

b. Trade and other payables

	2018	2017
	US$m	US$m
Current		
Trade payables	**417.4**	399.0
Accruals and other payables	**807.0**	710.1
Share-based payments (EDIP)	**32.4**	24.7
Carrying amount of current trade and other payables	**1,256.8**	1,133.8
Non-current		
Accruals and other payables	**102.0**	0.6
Share-based payments (EDIP)	**24.6**	25.2
Carrying amount of non-current other payables	**126.6**	25.8

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	**Onerous Contracts**	**Legal**	**Other**	**Total**
	US$m	**US$m**	**US$m**	**US$m**	**US$m**
Current					
Carrying amount at the start of the year	103.4	30.0	22.3	0.7	156.4
Transfers (to)/from accruals	-	(5.0)	-	-	(5.0)
Transfers between provisions	-	(20.0)	20.0	-	-
Utilised	(62.8)	(5.0)	-	(0.4)	(68.2)
Additions	78.2	-	21.1	0.6	99.9
Currency translation differences	(2.5)	-	0.2	(0.1)	(2.4)
Carrying amount at the end of the year	**116.3**	**-**	**63.6**	**0.8**	**180.7**
Non-current					
Carrying amount at the start of the year	32.5	-	-	0.4	32.9
Transfers (to)/from accruals	-	-	-	-	-
Transfers between provisions	-	-	-	-	-
Utilised	-	-	-	(0.1)	(0.1)
Additions	1.9	-	-	-	1.9
Currency translation differences	-	-	-	-	-
Carrying amount at the end of the year	**34.4**	**-**	**-**	**0.3**	**34.7**

Provisions are recognised when all three of the following conditions are met:

- The Group has a present or constructive obligation arising from a past transaction or event
- It is probable that an outflow of resources will be required to settle the obligation

- A reliable estimate can be made 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 to settle the obligation at a pre-tax discount rate that reflects current market assessments of the time value of money and of the risks specific to the obligation.

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

During the financial year ended 30 June 2018 various liabilities have been reclassified.

Amounts relating to a legal dispute have been reclassified from accruals into the legal provision as shown in the table above.

The Onerous contract provision recognised in the prior year has been partially utilised with the balance reclassified to the legal provision and accruals as shown in the table above.

The change in presentation is to provide clarity as to the nature of the provisions.

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.

		Percentage owned	
Company	**Country of Incorporation**	**2018 %**	**2017 %**
CSL Limited	Australia		
Subsidiaries of CSL Limited:			
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 Lengnau 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

in June 2018 CSL Behring Recombinant Facility AG and CSL Behring Lengnau AG merged

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 has corporate accounts for the supply of power with Energy Australia, of which Christine O'Reilly was a director during the financial year.

CSL has entered into a research collaboration with the Baker Heart and Diabetes Institute, of which Christine O'Reilly 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 Anesthetists, of which Bruce Brook was a member of the Board of Governors until December 2017.

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

CSL has a commercial arrangement to acquire laboratory supplies from Agilent Technologies, of which Tadataka Yamada is a director.

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:	June 2018 $m			June 2017 $m		
Pension Plan	**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	**23.3**	**(19.2)**	**4.1**	28.8	(23.2)	5.6
CSL Behring AG Pension Plan (Switzerland) - provides an ongoing pension	**533.9**	**(559.8)**	**(25.9)**	510.1	(569.0)	(58.9)
CSL Behring Union Pension Plan (USA) – provides an ongoing pension	**59.4**	**(61.3)**	**(1.9)**	56.5	(64.9)	(8.4)
CSL Behring GmbH Supplementary Pension Plan (Germany) – provides an ongoing pension	**-**	**(166.2)**	**(166.2)**	-	(157.2)	(157.2)
bioCSL GmbH Pension Plan (Germany) – provides an ongoing pension	**-**	**(2.7)**	**(2.7)**	-	(2.8)	(2.8)
CSL Behring KG Pension Plan (Germany) – provides an ongoing pension	**-**	**(12.9)**	**(12.9)**	-	(12.3)	(12.3)
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	**-**	**(14.3)**	**(14.3)**	-	(13.2)	(13.2)
CSL Behring S.A. Pension Plan (France) - provides a lump sum benefit upon exit	**-**	**(1.1)**	**(1.1)**	-	(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)
Total	**616.6**	**(839.1)**	**(222.5)**	595.4	(845.1)	(249.7)

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 decreased by $6.0m. The decrease is mainly attributable to three main factors:

- 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 $25.9m. These adjustments do not affect the profit and loss as they are recorded in Other Comprehensive Income.
- Foreign currency movements had a $18.5m favourable impact on the value of accrued benefits, this movement is taken to the Foreign Currency Translation Reserve.
- Benefits were paid by plans and the employer during the year of $9.2m and $3.3m, respectively.

Offsetting these decreases were:

- Service cost charged to the profit and loss of $40.2m. 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.
- Employee contributions paid into the plan of $10.2m.

In the prior 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.

Plan assets increased by $21.3m during the financial year. The increase is mainly attributable to the following factors:

- Investment returns increased plan assets by $17.9m; and
- Contributions made by employer and employee increased plan assets by $32.9m.

Offsetting these increases were benefits paid by the plans of $8.3m and unfavourable foreign currency movements of $20.6m which are taken directly to the Foreign Currency Translation Reserve.

In the prior year plan the value of plan assets increased by $73.3m. Contributing factors were investment returns earned on plan assets ($36.6m), employer and employee contributions ($30.2m) and favourable currency movements ($14.5m).

The principal actuarial assumptions, expressed as weighted averages, at the reporting date are:	**2018 %**	2017 %
Discount rate	**1.3%**	1.1%
Future salary increases	**2.0%**	2.0%
Future pension increases	**0.4%**	0.4%

Plan Assets

The major categories of total plan assets are as follows:	**2018 $m**	2017 $m
Cash	**38.2**	50.0
Instruments quoted in active markets:		
Equity Instruments	**219.9**	220.4
Bonds	**262.7**	241.0
Unquoted investments – property	**92.3**	82.0
Other assets	**3.5**	2.0
Total Plan assets	**616.6**	595.4

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 $39.5m. An increase in the average discount rate of 0.25% would reduce the defined benefit obligation by $22.8m.

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 2019	$21.9m (2017: 21.1m)
Between two and five years	$92.9m (2017: 93.9m)
Between five and ten years	$139.1m (2017: 146.4m)
Beyond ten years	$585.2m (2017: 584.2m)

b. Share-based payments – equity settled

Long Term Incentives

During the year the Group amended our approach to long term incentives and replaced the previous performance rights, performance options and EDIP instruments with two new equity settled schemes. No further instruments have been issued under the previous schemes, other than the EDIP instruments disclosed in this note. The two new schemes are:

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

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

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

On 1 October 2017, 206,436 PSUs and 315,304 RSUs were granted. The exercise price for both PSUs and RSUs is nil. The relevant tranche of PSUs and RSUs will exercise upon vesting on 1 September in each of 2018, 2019, 2020 and 2021, this is one month earlier than the anniversary of the date of grant. Subsequent grants will be made on 1 September annually. The fair value of the PSUs and RSUs granted is estimated at the date of grant using an adjusted form of the Black-Scholes model, taking into account the terms and conditions upon which the PSUs and RSUs were granted. On 1 March 2018 a further grant of 3,490 PSUs and 8,800 RSUs were granted. These have vesting dates between March 2018 and September 2021.

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 50th percentile rising to 100% vesting at the 75th percentile. Performance Options also vest over a four year period and have no performance hurdles. The options only have value when the share price on exercise exceeds the exercise price. The company does not provide loans to fund the exercise of options.

Global Employee Share Plan (GESP)

The Global Employee Share Plan (GESP) allows employees to make contributions from after tax salary up to a maximum of A$6,000 per six month contribution period. The employees receive the shares at a 15% discount to the applicable market rate, as quoted on the ASX on the first day or the last day of the six-month contribution period, whichever is lower.

Recognition and measurement

The fair value of options or rights is recognised as an employee benefit expense with a corresponding increase in equity. Fair value is independently measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or rights. Fair value is independently determined using a combination of the Binomial and Black Scholes valuation methodologies, including Monte Carlo simulation, taking into account the terms and conditions on which the options and rights were granted. The fair value of the options granted excludes the impact of any non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest.

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

Valuation assumptions and fair values of equity instruments granted

The model inputs for performance share units, restricted share units and GESP awards granted during the year ended 30 June 2018 included:

	Fair Value[7]	Share Price	Exercise Price	Expected volatility[8]	Life assumption	Expected dividend yield	Risk free interest rate
	A$	A$	A$				
Performance Share Units (by grant date)							
1 October 2017 - Tranche 1	$131.26	$133.37	Nil	20.0%	11 months	1.75%	1.74%
1 October 2017 - Tranche 2	$129.01	$133.37	Nil	20.0%	23 months	1.75%	1.84%
1 October 2017 - Tranche 3	$126.78	$133.37	Nil	20.0%	35 months	1.75%	1.99%
1 October 2017 - Tranche 4	$124.60	$133.37	Nil	20.0%	47 months	1.75%	2.14%
1 March 2018 – Tranche 1	$160.32	$161.53	Nil	20.0%	6 months	1.50%	1.84%
1 March 2018 – Tranche 2	$157.95	$161.53	Nil	20.0%	18 months	1.50%	1.98%
1 March 2018 – Tranche 3	$155.61	$161.53	Nil	20.0%	30 months	1.50%	2.06%
1 March 2018 – Tranche 4	$153.31	$161.53	Nil	20.0%	42 months	1.50%	2.20%
Restricted Share Units (by grant date)							
1 October 2017 - Tranche 1	$131.26	$133.37	Nil	20.0%	11 months	1.75%	1.74%
1 October 2017 - Tranche 2	$129.01	$133.37	Nil	20.0%	23 months	1.75%	1.84%
1 October 2017 - Tranche 3	$126.78	$133.37	Nil	20.0%	35 months	1.75%	1.99%
1 October 2017 - Tranche 4	$124.60	$133.37	Nil	20.0%	47 months	1.75%	2.14%
1 March 2018 – Tranche 1	$161.53	$161.53	Nil	n/a	nil	n/a	n/a
1 March 2018 – Tranche 2	$160.32	$161.53	Nil	20%	6 months	1.50%	1.75%
1 March 2018 – Tranche 3	$159.14	$161.53	Nil	20%	12 months	1.50%	1.84%
1 March 2018 – Tranche 4	$157.95	$161.53	Nil	20%	18 months	1.50%	1.98%
1 March 2018 – Tranche 5	$156.78	$161.53	Nil	20%	24 months	1.50%	1.98%
1 March 2018 – Tranche 6	$155.61	$161.53	Nil	20%	30 months	1.50%	2.06%
1 March 2018 – Tranche 7	$154.47	$161.53	Nil	20%	36 months	1.50%	2.06%
1 March 2018 – Tranche 8	$153.31	$161.53	Nil	20%	42 months	1.50%	2.20%

[7] PSUs are subject to a ROIC based performance measure.
[8] 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.

GESP (by grant date)[9]							
1 September 2017	$31.55	$132.28	$100.73	20.0%	6 months	1.75%	1.75%
1 March 2018	$54.38	$163.43	$109.05	20.0%	6 months	1.50%	1.75%

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.

	2018		2017	
Grant date	**Fair value of grants at reporting date**	**Dividend yield (%)**	Fair value of grants at reporting date	Dividend yield %
October 2015	**A$194.43**	**1.75%**	A$137.87	1.75%
January 2016	**A$194.43**	**1.75%**	A$137.87	1.75%
March 2016[#]	**A$193.79**	**1.75%**	A$137.07	1.75%
April 2016	**A$194.43**	**1.75%**	A$137.87	1.75%

[9] 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.

July 2016	**A$194.43**	**1.75%**	A$137.87	1.75%
October 2016[#]	**A$191.11**	**1.75%**	A$135.50	1.75%
January 2017[#]	**A$193.05**	**1.75%**	A$135.50	1.75%
April 2017[#]	**A$194.14**	**1.75%**	A$137.87	1.75%

[#] The fair value of grants are the weighted average fair values.

Note 19: Detailed Information – Shareholder Returns

	Consolidated Entity	
	2018	2017
Note	**US$m**	US$m
Retained earnings		
Opening balance at 1 July	**7,403.9**	6,592.3
Net profit for the year	**1,728.9**	1,337.4
Dividends	**(672.2)**	(601.4)
Actuarial gain on defined benefit plans	**36.5**	89.8
Deferred tax on actuarial (loss) on defined benefit plans	**(6.9)**	(14.2)
Closing balance at 30 June	**8,490.2**	7,403.9
Performance Options Plan		
Options exercised under Performance Option plans as follows		
nil issued at A$37.91 (2017: 64,646 issued at A$33.68)	**-**	1.6
nil issued at A$33.45 (2017: 25,050 issued at A$33.45)	**-**	0.6
24,540 issued at A$29.34 (2017: 2,780 issued at A$29.34)	**0.6**	0.1
	0.6	2.3
Global Employee Share Plan (GESP)		
Shares issued to employees under Global Employee Share Plan (GESP)		
78,552 issued at A$100.73 on 6 September 2017 (2017: 74,117 issued at A$86.86 on 9 September 2016)	6.3	4.9
103,966 issued at A$109.05 on 6 March 2018 (2017: 78,620 issued at A$92.46 on 3 March 2017)	8.8	5.5
	15.1	10.4

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:

Audit or Review of Financial Reports	2018 US$	2017 US$
Ernst & Young Australia	**1,303,084**	1,142,462
Ernst & Young related practices	**3,312,316**	3,060,778
Total remuneration for audit services	**4,615,400**	4,203,240
Other services		
Ernst & Young Australia		
- other assurance services	**88,843**	92,122
- non-assurance services	**141,185**	183,180
Ernst & Young related practices		
- other assurance services	**114,908**	63,659
- non-assurance services	**608,807**	696,669
Total remuneration for non-audit services	**953,743**	1,035,630
Total remuneration for all services rendered	**5,569,143**	5,238,870

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 2018 and 30 June 2017 and a consolidated balance sheet as at each date for the Closed Group is set out below.

Income Statement	Consolidated Closed Group	
	2018 A$m	2017 A$m
Continuing operations		
Sales revenue	**1,101.0**	1,106.5
Cost of sales	**(685.7)**	(765.3)
Gross profit	**415.3**	341.2
Sundry revenues	**114.2**	188.5
Dividend income	**1,375.0**	1,271.6
Interest income	**76.4**	64.9
Research and development expenses	**(194.1)**	(188.9)
Selling and marketing expenses	**(75.4)**	(66.5)
General and administration expenses	**(190.0)**	(121.9)
Finance costs	**(33.1)**	(21.1)
Profit before income tax expense	**1,488.3**	1,467.8
Income tax expense	**(43.6)**	(56.2)
Profit for the year	**1,444.7**	1,411.6

Balance sheet	2018 A$m	2017 A$m
Current assets		
Cash and cash equivalents	**357.2**	387.4
Trade and other receivables	**240.3**	212.5
Inventories	**259.9**	275.1
Total Current Assets	**857.4**	875.0
Non-current assets		
Trade and other receivables	**7.5**	10.6
Other financial assets	**20,075.4**	19,492.5
Property, plant and equipment	**891.0**	811.2
Deferred tax assets	**33.5**	20.0
Intangible assets	**43.3**	41.9
Retirement benefit assets	**5.5**	7.3
Total Non-Current Assets	**21,056.2**	20,383.5
Total assets	**21,913.6**	21,258.5
Current liabilities		
Trade and other payables	**279.2**	304.6
Provisions	**60.3**	56.9
Deferred government grants	**3.8**	3.8
Total Current Liabilities	**343.3**	365.3
Non-current liabilities		
Trade and other payables	**12.2**	11.0
Interest-bearing liabilities and borrowings	**1,638.4**	1,412.4
Provisions	**10.2**	10.5
Deferred government grants	**45.1**	46.7
Total Non-Current Liabilities	**1,705.9**	1,480.6
Total liabilities	**2,049.2**	1,845.9
Net assets	**19,864.4**	19,412.6
Equity		
Contributed equity	**(4,755.6)**	(4,625.3)
Reserves	**165.2**	160.3
Retained earnings	**24,454.8**	23,877.6
TOTAL EQUITY	**19,864.4**	19,412.6

Summary of movements in consolidated retained earnings of the Closed Group	2018 A$m	2017 A$m
Retained earnings at beginning of the financial year	**23,877.6**	23,248.9
Net profit	**1,444.7**	1,411.6
Actuarial gain/(loss) on defined benefit plans, net of tax	**1.0**	2.4
Dividends provided for or paid	**(868.5)**	(785.3)
Retained earnings at the end of the financial year	**24,454.8**	23,877.6

Note 22: Parent Entity Information

		2018 A$m	2017 A$m
	Information relating to CSL Limited ('the parent entity')		
(a)	**Summary financial information**		
	The individual financial statements for the parent entity show the following aggregate amounts:		
	Current assets	**545.6**	523.3
	Total assets	**7,711.8**	7,600.4
	Current liabilities	**242.0**	339.0
	Total liabilities	**1,615.4**	1,821.5
	Contributed equity	**(4,755.6)**	(4,625.3)
	Share-based payments reserve	**131.6**	128.3
	Retained earnings	**10,720.4**	10,275.9
	Net Assets & Total Equity	**6,096.4**	5,778.9
	Profit or loss for the year	**1,312.9**	6,104.2
	Total comprehensive income	**1,313.1**	6,104.5

(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 2018 or 30 June 2017. 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 2018 or 30 June 2017.

Note 23: Subsequent Events

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

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. An assessment of the impact has been completed and the Group does not believe that there will be a material impact upon adoption of AASB9.

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. One identified impact is a change in the timing of recognition of revenue for certain contracts where the Group enhances customer owned assets, under these contracts revenue will be recognized progressively rather than at a single point of time under the predecessor accounting standard. This change will give rise to an adjustment to opening retained earnings upon adoption of AASB 15, the amount is still being determined and will be included in the Interim Financial Statements for the period ended 31 December 2018. Despite this change the amount of revenue recognised over the financial year is not expected to be materially different from past practice.

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

AASB2016-5 (Amendment to AASB 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. The Group does not have share based payment instruments that are impacted by the change, therefore the impact on the Group is expected to be immaterial.

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. The Group is in the process of undertaking an assessment of the impact of AASB 16 and has not progressed to the point of quantifying the increase in total assets (arising from the inclusion of right of use assets) or total liabilities (arising from the inclusion of lease liabilities). The new standard will change the character of various items in the statement of comprehensive income but, at this stage, is not expected to give rise to a material impact.

AASB2018-2 (Amendment to AASB 119 – Employee Benefits)

This pronouncement specifies how an entity accounts for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. It requires entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event occurs. It also clarifies that when such an event occurs, an entity recognises the past service cost or a gain or loss on settlement separately from its assessment of the asset ceiling.

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 2018 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 2018.

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 14 2018

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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 balance sheet as at 30 June 2018, 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 2018 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	How our audit addressed the key audit matter
At 30 June 2018, the Group holds inventories of $2,692.8 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 are valued at greater than the 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 inventory provisioning, including regulatory approvals and future demand for the Group's products. In addition, the geographic footprint of the Group and the movements and sale of inventory between the Group's operations means both the existence of inventories and the costing of inventories is a key area of focus. This includes considering whether any mark up of inventories from sales within the Group is appropriately eliminated in the consolidated financial statements. The Group's disclosures with respect to inventories is included in Note 4 of the financial report.	We have assessed the carrying value of inventories, including costing and provisions for obsolescence and net realisable value at 30 June 2018. 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 stocktakes 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 assessed the appropriateness of the determination of inventory cost by assessing the accuracy of the standard costing used by the Group and assessing the recognition of variances from standard costs. We assessed whether inventory is recognised at the lower of cost or net realisable value at period end by comparing the inventory value measured at cost to audit evidence supporting net realisable value such as the current selling price of the products. We assessed whether the provisions for obsolescence calculated by the Group reflect known quality issues and commercial considerations including product expiration, market demand, and manufacturing plans, as well as their compliance with Australian Accounting Standards, and consistent application from prior periods. We have assessed the Group's financial report consolidation process, the elimination of any unrealised inter-company profits and resultant tax consequences.

2. Acquisition accounting for Ruide and Calimmune

Why significant	How our audit addressed the key audit matter
The Group made three acquisitions during the period which are detailed in Note 1b of the financial report. The accounting for the acquisition of Ruide and Calimmune were considered key audit matters due to the judgement exercised by the Group in valuing the purchase consideration, including the 'put' and 'call' options and contingent consideration, and the allocation of the purchase consideration to the fair value of the acquired assets and liabilities. Goodwill of $415.8 million was recognised for the Ruide acquisition and intellectual property intangible assets of $151.5 million was recognised for the Calimmune acquisition.	We read the acquisition agreements, including amendments where applicable, for both acquisitions to understand the key terms of the agreement in considering the accounting applied. With respect to the accounting treatment adopted for the 'put' and 'call' option over the remaining 20% of Ruide, we assessed: ▶ the Group's conclusion that it had a present ownership interest in the remaining 20% of Ruide at the date of acquisition as a result of the 'put' and 'call' options; and ▶ the recognition of a financial liability at the present value of the consideration payable upon the exercising of the option to acquire the remaining 20% interest. With respect to the contingent consideration applicable to both acquisitions, we assessed: ▶ the nature of the milestones associated with the contingent consideration; ▶ the Group's assessment of the timing and probability of the milestones being achieved; ▶ the basis for determining the likelihood of the milestones being met; ▶ the discount rate applied to the contingent consideration; and ▶ the adequacy of the Group's disclosures in relation to contingent consideration and the factors relevant in determining the balances. With respect to the identification and fair value measurement of the acquired assets and liabilities, we assessed: ▶ the tangible assets and liabilities that were acquired and the method for determining the fair value allocated to them; ▶ whether the Group appropriately identified the intangible assets acquired and their methodology for determining the fair value, including the

Why significant	How our audit addressed the key audit matter
	recognised deferred tax liabilities and the assessment of the useful life of the assets; and ► the value of goodwill recognised and the allocation of goodwill to the Group's cash-generating units.

3. Tax complexities

Why significant	How our audit addressed the key audit matter
<u>Recoverability of deferred tax assets</u> The Group has recognised deferred tax assets related to carry-forward tax losses of $178.3 million. The majority relates to two entities, Seqirus UK Ltd (United Kingdom) and CSL Behring Lengnau AG (Switzerland). Both entities incurred operating losses in 2018. 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 taxable income of each of the loss making businesses. The valuation of the deferred tax asset for CSL Behring Lengnau AG (Switzerland) is also dependent on the timing of the future profits, as this impacts the tax rate at which the deferred tax asset will be realised. <u>Uncertain tax positions</u> The Group operates in a number of different tax jurisdictions, all of which have specific risks and regulations that need to be considered.	<u>Recoverability of deferred tax assets</u> Our audit procedures over the recoverability of the deferred tax assets included assessing the forecast cash flows and considering 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 the deductibility of expenditure, including local tax legislations in each relevant jurisdictions. Additionally, we assessed whether the Group's disclosures relating to the application of judgement in estimating recognised and unrecognised deferred tax asset balances appropriately reflect the Group's deferred tax position. <u>Uncertain tax positions</u> 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 relevant countries, our audit procedures included: ► assessing the Group's calculations of current and deferred income tax expense, with particular focus on uncertain tax positions and transfer pricing;

Building a better working world

Why significant	How our audit addressed the key audit matter
In particular, transfer pricing arrangements within the Group are significant with a large number of cross-border purchases and sales, as well as transfers of intellectual property between Group entities in different tax jurisdictions. The Group's disclosures with respect to tax is included in Note 3 of the financial report.	▶ considering any third party taxation advice received; ▶ understanding the status of any tax audits in progress and their findings; and ▶ considering the Group's 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 2018 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, with the exception of the Remuneration Report and our related assurance opinion.

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 48 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of CSL Limited for the year ended 30 June 2018, 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
14 August 2018