

CSL LIMITED
ANNUAL REPORT
2016/2017

CSL™

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2017

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

2018

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

CSL™

ANNUAL GENERAL MEETING

Wednesday 18 October 2017 at 10.00am
Function Centre, National Tennis Centre
Melbourne Park, Batman Avenue Melbourne 3000

AGM LIVE WEBCAST

The CSL Limited Annual General Meeting will be webcast through CSL's website *www.csl.com.au*

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

SHARE REGISTRY

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ABOUT CSL

Driven by our promise, CSL is a global biotechnology company that develops and delivers innovative medicines that save lives, protect public health and help people with life-threatening medical conditions live full lives. Our Values guide us in creating sustainable value for our stakeholders.

Delivering on promises is what we do at CSL. Starting a century ago in Melbourne, Australia, we made a promise to save lives and protect the health of people who were stricken with a broad range of serious medical conditions. Today, that same promise has never been stronger. As a leading global biotechnology company, CSL delivers medicines to patients in more than 60 countries, and employs nearly 20,000 people who are driven by a deep passion to serve thousands of patients and other stakeholders around the world.

CSL focuses its world-class research and development (R&D), high-quality manufacturing, and patient-centred management to develop and deliver innovative biotherapies, influenza vaccines and support programs – all to help save lives and treat people with life-threatening medical conditions.

Innovation has been in the DNA of CSL since our beginning in 1916 and continues as the core of everything we do today. Innovation spans all across our organisation - reflected in our 1,400 dedicated scientists who focus every day on solving patients' unmet needs, to our unique capability in creating one of the largest and most efficient plasma collection networks in the world, right through to safely and effectively producing medicines.

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

CSL's continuing priority is to ensure the ongoing safety and quality of our medicines, while improving access to innovative therapies that make a real and lasting difference to the lives of people who need them. To achieve this, we drive a culture of continuous improvement in quality and compliance and undertake capacity expansions around the world.

CSL also invests in life-cycle management and market development for our existing products, and in the development of new product opportunities for the longer term. We understand the unique challenges faced by people stricken with life threatening medical conditions because of our long experience, deep knowledge and dedicated focus on preventing and treating serious diseases. We expect that emerging new innovations and support programs can provide unprecedented opportunities to improve patient wellbeing unlike any other time in history.

CSL's operational excellence, commercial capability, combined with a focused global R&D organisation and proven management, give us the confidence to efficiently identify, successfully develop, and dependably deliver innovations that patients need and want.

For more than 100 years, CSL has earned a reputation as a passionate yet responsible organisation which is driven to care for patients and deliver on its commitments. Today, our future has never looked brighter.

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OUR BUSINESSES

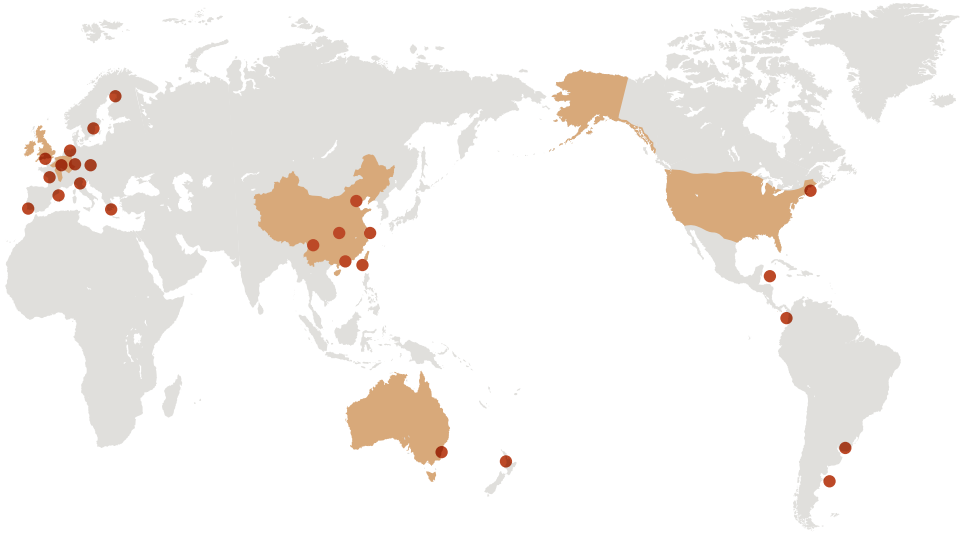
30+ Countries
Of operations around the world

US$ **6.9+** Billion
In annual revenue

8
Manufacturing sites

Australia
China
Germany
Switzerland
United Kingdom
United States

19,000+
Employees around the world



US$ **2.6** Billion
In R&D investments in last 5 years advances exciting pipeline

1,400+
R&D employees

170+
Plasma collection centres across Europe and North America

CSL BEHRING

CSL Behring is a global leader in biotherapies with the broadest range of quality products in our industry and substantial markets in North America, Europe, Asia and Australia. Our therapies are indicated for treatment of bleeding disorders including haemophilia and von Willebrand disease, primary and secondary immunodeficiencies, hereditary angioedema, neurological disorders and inherited respiratory disease. Our products are also used to prevent haemolytic disease in newborns, for urgent warfarin reversal in patients with acute major bleeding, to prevent infection in solid organ transplant recipients and treat specific infections, and to help victims of trauma, shock and burns.

From our emerging family of recombinant coagulation products that aim to dramatically improve the lives of patients with bleeding disorders, to industry-leading immunoglobulin and specialty products that are shifting treatment paradigms around the world, CSL Behring knows how to meet the needs of these unique populations.

With an integrated manufacturing platform with production facilities located in the US, Germany, Switzerland and Australia, we use the most sophisticated production methods available and meet or exceed stringent international safety and quality standards. Each step of our manufacturing process – from plasma donor to patient – reflects CSL Behring's unyielding commitment to ensuring our products are safe and effective.

CSL Plasma, a division of CSL Behring, operates one of the world's largest and most efficient plasma collection networks with more than 170 centres in the United States (US) and Europe.

SEQIRUS

Seqirus was established on 31 July 2015, following CSL's acquisition of the Novartis influenza vaccines business and was subsequently integrated with bioCSL. Seqirus is the world's second largest influenza vaccine company and a major partner in the prevention and control of influenza globally. It is a reliable supplier of influenza vaccine for Northern and Southern Hemisphere markets and a transcontinental partner in pandemic preparedness and response.

Seqirus operates state-of-the-art production facilities in the US, the United Kingdom (UK) and Australia, utilises both egg-based and cell-based manufacturing technologies and offers novel products including an adjuvanted seasonal influenza vaccine. It has leading R&D capabilities, a broad and differentiated product portfolio and commercial operations in more than 20 countries.

In Australia and the Asia Pacific region, Seqirus is a leading provider of in-licensed vaccines and specialty pharmaceuticals. It also manufactures and markets diagnostics for immunohematology laboratories and is the sole supplier of a unique range of products made in the national interest for the Australian Government, including antivenoms and Q fever vaccine.

RESEARCH AND DEVELOPMENT

CSL continues to grow investment in the development of protein-based medicines to treat serious human illnesses. Today, most of our licensed medicines are purified from human plasma. With the launch of our best-in-class recombinant coagulation factors, CSL has also built and is using the capabilities required to develop new and innovative products using recombinant technology. Global R&D activities support CSL's existing licensed products and development of new therapies that align with our technical and commercial capabilities in immunoglobulins, specialty products, haemophilia and coagulation therapies and breakthrough medicines.



CSL delivers an exceptional performance for the 12 months ended 30 June 2017. Our strong year reflects the successful execution of our strategy.

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BUSINESS HIGHLIGHTS



STRATEGIC OBJECTIVE
GROWTH

Maximise portfolio value & deliver new product launches

CSL's reported net profit after tax was US$1,337 million for the year ended 30 June 2017. On a constant currency basis#, net profit after tax was US$1,427 million.

CSL's total revenue reached US$6,923 million, up 15% on a constant currency basis.

CSL Behring's strong performance resulted in product sales of US$5,811 million, up 12% on a constant currency basis.

Acquired a majority stake in Chinese plasma fractionator Ruide.



STRATEGIC OBJECTIVE
EFFICIENCY

Be the most efficient, highest quality plasma player

Extended CSL Plasma's world leading plasma collection network opening a total of 29 new plasma collection centres.

Capacity expansion projects to position CSL to meet future demand continue across Australia, Germany, Switzerland, the UK and the US.

Exemplary track record of consistent and reliable supply of medicines.



STRATEGIC OBJECTIVE
INFLUENZA

Deliver on influenza strategy

Seqirus is on track to profitability.

A broad product portfolio driving total revenue for the period of US$900 million, up 23% at constant currency#.

Launched three new influenza products in the US:

- FLUAD®;
- FLUCELVAX QUADRIVALENT®; and
- AFLURIA QUADRIVALENT®.

Successful production of cell based candidate influenza vaccine at commercial scale at Holly Springs, US.



STRATEGIC OBJECTIVE
INNOVATION

Pursue new opportunities to diversify portfolio and enhance growth

R&D investment this year reached US$645 million.

Achieved successes in all four R&D strategic areas with new registrations, positive results in some of the largest clinical trials ever conducted in rare diseases and an exciting new collaboration.

Achieved US Food and Drug Administration (FDA) approval, including marketing exclusivity for seven years, of HAEGARDA®, subcutaneous C1-Exterase Inhibitor (C1-INH) replacement therapy to prevent Hereditary Angioedema (HAE) attacks.

Initiation of human trials to investigate three new breakthrough medicines involving monoclonal antibodies.



STRATEGIC OBJECTIVE
PEOPLE & CULTURE

Create a culture that attracts, retains and develops the best talent

More than 19,000 employees in over 30 countries drive CSL's performance.

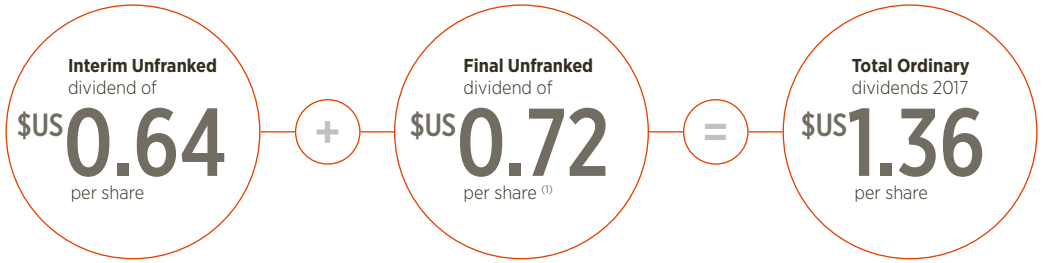
Publication of CSL's third edition Code of Responsible Business Practice, building on our culture of integrity and responsible business practice.

Measured one point above IBM's global benchmark for employee engagement in our relaunched employee feedback survey.

 # Constant currency removes the impact of exchange rate movements facilitating comparability of operational performance. For further details please refer to the Directors' Report on page 53.

FINANCIAL HIGHLIGHTS

Dividends



Five Year Summary

All figures are in US$ million unless stated otherwise	**2016-17** Constant Currency[2]	**2016-17** Reported[3]	2015-16 Reported	2014-15 Reported	2013-14 Reported	2012-13 Reported
Total Operating Revenue	**7,002**	**6,923**	6,115	5,612	5,504	5,100
Sales Revenue	**6,688**	**6,616**	5,909	5,459	5,335	4,950
R&D Investment	**643**	**645**	614	463	466	427
Profit before Income Tax Expense	**1,958**	**1,690**	1,556	1,714	1,604	1,461
Net Profit after Tax	**1,427**	**1,337**	1,242	1,379	1,307	1,211
Net Cash Inflow from Operating Activities		**1,247**	1,179	1,364	1,361	1,312
Capital Investment		**861**	566	414	402	450
Return on Invested Capital (%)		**24.5%**	26.8%[4]	31.7%	31.8%	32.6%
Basic Earnings per Share ($)		**2.937**	2.689	2.923	2.701	2.429
Dividend per Share ($)		**1.360**	1.260	1.240	1.130	1.020

(1) For shareholders with an Australian registered address, dividends will be paid in A$ at an amount of A$0.915264 per share (at an exchange rate of A$1.2712/US$1.00), and for shareholders with a New Zealand registered address, dividends will be paid in NZD at an amount of NZ$0.986328 per share (at an exchange rate of NZ$1.3699/US$1.00).

(2) Constant currency removes the impact of exchange rate movements facilitating comparability of operational performance. For further details please refer to the Directors' Report on page 53.

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

(4) 2016 figure includes the gain on acquisition of Novartis' global influenza vaccine business of US$176.1 million.

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OUR FINANCIAL PERFORMANCE

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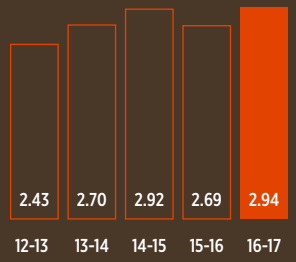
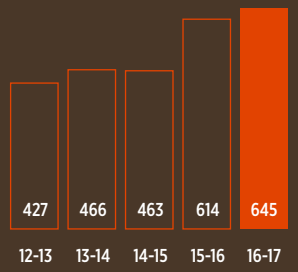
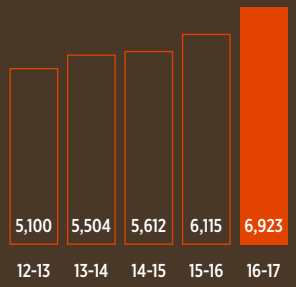
CSL Earnings Per Share (US$)



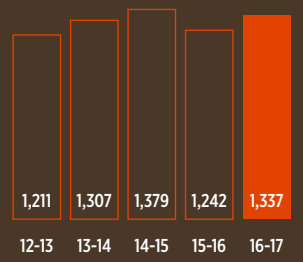
CSL R&D Investment (US$ millions)



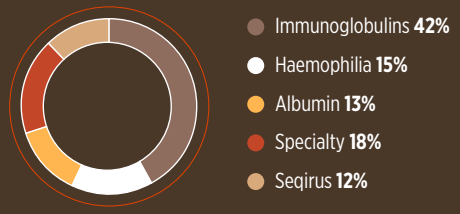
CSL Total Operating Revenue (US$ millions)



CSL Net Profit (US$ millions)



CSL Group Sales by Major Products 2016-17



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DIVIDENDS AND FINANCIAL RESULTS

CSL's reported net profit after tax was US$1,337 million for the year ended 30 June 2017. On a constant currency basis, net profit after tax was US$1,427 million.

On 13 April 2017, CSL shareholders received an interim unfranked dividend of US$0.64 per share. A final unfranked dividend of US$0.72 per share will be paid on 13 October 2017. Total ordinary dividends for the year were US$1.36 per share.

On 12 October 2016, CSL announced an on-market share buyback of up to A$500 million which, as of 30 June 2017, was 70% complete with approximately 2.86 million shares repurchased for A$349.7 million. The benefit to shareholders comes from improved investment return ratios, including earnings per share and return on equity.

CSL business activities reported here include CSL Behring, Seqirus and our global Research and Development (R&D) operations.

CSL BEHRING

CSL Behring delivered an exceptional year, with growth in all product sales groups. Total sales of US$5.8 billion grew 12% in constant currency over the previous year with sales increases at constant currency of 14% for immunoglobulins, 7% for albumin, 4% for haemophilia products and 20% in the specialty products portfolio.

Immunoglobulins (Ig) represent our largest therapy area and contributed sales of US$2,774 million, up 14% in constant currency over last year. Intravenous immunoglobulin (IVIG) sales growth was underpinned by solid global demand for PRIVIGEN®, Immune Globulin Intravenous (Human) 10% Liquid, with sales up 21% in constant currency over the prior comparable period. Excellence in execution, a focused approach to growth in the non-acute segment, and use of PRIVIGEN to treat chronic inflammatory demyelinating polyneuropathy (CIDP) contributed to this impressive growth.

Sales of our subcutaneous immunoglobulin product, HIZENTRA®, Immune Globulin Subcutaneous (Human) 20% liquid, increased by 10% at constant currency, led by strong demand in the US and Europe. New patient starts on HIZENTRA and patients converting from IVIG were key drivers of growth, particularly in Belgium, France, United Kingdom, the Nordic region, Brazil and Mexico.

CSL Behring's portfolio of albumin products yielded sales of US$840 million, an increase of 7% at constant currency, primarily driven by strong ongoing global demand. China delivered another remarkable year of albumin growth, up 13% fuelled by ongoing successful sales penetration into lower tier cities and hospitals.

Overall, the haemophilia product franchise increased 4% in constant currency, versus the prior year to US$1,023 million. Growth in this franchise was due predominantly to the introduction and uptake of our recombinant therapies IDELVION®, Coagulation Factor IX (Recombinant), Albumin Fusion Protein, and AFSTYLA®, Antihemophilic Factor (Recombinant), Single Chain, in new and existing markets.

This year, IDELVION, our novel long-acting recombinant albumin fusion protein for treating haemophilia B, launched in Japan. IDELVION delivers high-level protection maintaining factor IX activity levels above five percent in most patients over 14-days, resulting in a median annualised spontaneous bleeding rate of zero. Appropriate patients can go up to two weeks between infusions and achieve excellent bleeding control. The flexibility to reduce their dosing cycle is an important attribute for patients who require a prophylactic regimen but don't want treatment to disrupt their active lives.

We also launched AFSTYLA in Europe. AFSTYLA is the first and only single-chain product for haemophilia A specifically designed for long-lasting protection from bleeds with the ability to dose twice weekly. Both products are off to a promising start with ongoing approvals in various countries and launches planned in the coming year.

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Our specialty products grew 20% in constant currency terms to sales of US$1,174 million. Sales of KCENTRA®, 4 Factor Prothrombin Complex Concentrate, in the US were particularly strong driven by our team's effort to achieve deeper penetration into targeted accounts. RESPREEZA®, a maintenance treatment for severe Alpha-1 Antitrypsin Deficiency, continued to grow in Europe due to launches in further European markets, and post-launch uptake in the initial launch markets. RESPREEZA has been shown to slow the progression of hereditary emphysema. Increased awareness, diagnosis and treatment of hereditary angioedema (HAE) in Europe saw strong growth of BERINERT®, C1-esterase inhibitor concentrate, aided also by competitor supply disruptions in the US.

At the close of 2016/2017, the US Food and Drug Administration (FDA) granted approval for HAEGARDA®, C1 Esterase Inhibitor Subcutaneous (Human), the first and only subcutaneous C1 esterase inhibitor therapy indicated for routine prophylaxis to prevent HAE attacks in adolescent and adult patients. In clinical studies, HAEGARDA demonstrated a 95% reduction in HAE attacks and more than a 99% reduction in the use of rescue medications, along with the ability to self-administer subcutaneously. HAEGARDA launched in the US in July 2017, and has the potential to be a significant growth driver over the next few years.

On 13 June 2017, CSL announced that it had agreed to acquire an 80% equity of plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biological Products Co. Ltd. from Humanwell Healthcare Group Co. Ltd. for US$352 million. The acquisition provides CSL with a strategic presence in the Chinese domestic plasma fractionation market and complements the leadership position that CSL Behring has built over the past 20 years as a provider of imported albumin in China.

CSL Behring continues to invest in state-of-the-art manufacturing facilities around the world to meet growing demand for its products, increase efficiency and support its cohesive global manufacturing network.

Construction of CSL Behring's new manufacturing operation for the recombinant coagulation products in Lengnau, Switzerland, is making excellent progress – the installation of major equipment is underway, and permanent employees are working onsite. Once operational, the facility will support the commercial production of the company's novel recombinant coagulation family of therapies.

In Marburg, Germany, construction recently began on a €245 million expansion project for a new base fractionation facility, expected to be completed in 2023. The company is also continuing its €180 million, five-year modernisation and capacity expansion activities where a new 4,600-square-metre quality control, filling and packaging facility is nearing completion at this same site. This state of the art automated facility will increase the company's overall capacity and productivity, and is expected to meet the needs of patients for many years to come.

The construction of a significant, new base fractionation plant neared completion at our facility in Kankakee, Illinois, US. The plant is expected to be operational in 2017/2018. In addition, planning for further base fractionation capacity is well underway.

At our facility in Broadmeadows, Australia, we continue to expand capacity in several areas. A new production module, expected to be complete in 2018 will double the plant's capacity to produce PRIVIGEN and increase our global supply for Ig by 30%. We are also investing in the expansion of our new albumin production facility anticipated to receive approval in 2019, and on expansion projects to increase base fractionation.

In Bern, Switzerland, our recently completed facility to produce clinical trial products, for the study of CSL112, is online and fully operational. CSL112 is our novel form of apolipoprotein A-1, being investigated to reduce the high risk of early recurrent events following an acute myocardial infarction or heart attack. A decision of whether to move forward with the phase III trial will be made during the second half of 2017, following the availability of additional phase II data.

Within CSL Plasma, we continue to expand our fleet of plasma collection centres, opening 29 locations in 2016/2017, bringing our total to more than 170 centres in the US and Europe. As one of the largest and most efficient plasma collection operations in the world, this unparalleled growth gives us confidence we can collect sufficient plasma to stay ahead of demand and assure reliable supply of our products to our patients well into the future.



CSL Behring's new albumin production facility in Broadmeadows, Australia, is anticipated to receive regulatory approval in 2019.

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SEQIRUS

In 2016/2017, Seqirus continued to strongly focus on business turnaround and completing the Novartis influenza vaccines business integration. We remain on track to profitability.

Total revenue for the period was US$900 million, representing strong growth of 23% at constant currency. Seasonal influenza vaccine sales in the US continued to generate the majority of revenue, supported by solid contributions from our global pandemic franchise and our vaccine and pharmaceutical in-licensing business in Australia and New Zealand.

During the 2016/2017 Northern Hemisphere influenza season, Seqirus was the first manufacturer to achieve US FDA approval for product release in the US market, reflecting ongoing efforts within the business to build a reputation for early and reliable supply. We also laid the foundation for future growth with the launch of three new influenza products in the US:

- FLUAD®, an egg-based adjuvanted influenza vaccine for people aged 65 years+, manufactured in Liverpool, UK;
- FLUCELVAX QUADRIVALENT®, a cell-based influenza vaccine for people aged 4 years+, manufactured in Holly Springs, US; and
- AFLURIA QUADRIVALENT®, an egg-based influenza vaccine for people aged 18 years+, manufactured in Parkville, Australia.

With our global manufacturing network, dual production technologies and differentiated products, we have been able to establish an industry-leading portfolio in the US and are well positioned to compete in the 2017/2018 Northern Hemisphere season.

In Europe, market conditions for influenza vaccines continue to be challenging due to the predominance of short-term tenders and relatively low vaccine coverage rates. However, we were able to maintain share while continuing to lay the ground work for future growth, which includes the launch of FLUAD in the UK and the introduction of a quadrivalent influenza vaccine in the region.

In the 2017 Southern Hemisphere season, we achieved first to market in Australia with AFLURIA QUAD® and regained a share of the National Immunisation Program. Our in-licensing division in Australia and New Zealand also performed very well, largely driven by the highly successful launch of ZOSTAVAX* , shingles vaccine, on the National Immunisation Program and solid growth across the pain portfolio. We also divested our logistics business in Australia, enabling greater focus on our core business.

Latin America is a key growth market for Seqirus, and this year we were first to market in Argentina with AGRIPPAL®, our egg-based trivalent influenza vaccine, manufactured in Liverpool. In addition, we finalised new supply agreements with the Sinergium Consortium and the Argentinian Government. As part of these agreements, we commenced the transfer of fill and finish technology for AFLURIA QUAD to Argentina, strengthening our supply capability.

**ZOSTAVAX is a trademark of Merck & Co., Inc.*

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During the reporting period we increased our focus on the growth potential of our pandemic franchise. We continued to meet our pandemic readiness obligations to governments around the world, including the extension of our biosecurity agreement with the Australian Government. We also entered into new agreements to manufacture stockpiles of H7N9 influenza vaccine, triggered by growing concerns about the pandemic potential of the H7N9 virus.

Additionally, we contributed to the Pandemic Influenza Preparedness (PIP) Framework and made a commitment to the World Health Organization (WHO) to donate 10% of our real-time influenza vaccine production to developing countries in the event of a pandemic.

Achieving operational excellence across our global manufacturing network is an important part of our growth strategy. We continued process improvement programs at all Seqirus sites this year with a particular focus on realising the potential of the cell-based technology at Holly Springs. We also announced new investments at our Liverpool site which will give us greater control over our global supply chain.

As part of our transition to full operational independence from Novartis, we implemented a new Seqirus information technology platform in 2016/2017, began the roll-out of a single enterprise resource planning system for our global business and launched several new cloud-based applications. This has enabled us to exit the majority of our transitional service agreements with Novartis.

The timely execution of our R&D strategy is critical to our turnaround plan and future growth. Through 2016/2017, our R&D group delivered major regulatory filings to support the launch of new products and age indications, and also progressed important clinical programs to develop a paediatric indication for both FLUAD and AFLURIA QUADRIVALENT and a quadrivalent formulation of FLUAD.

In March 2017, we moved our Centre of Excellence for Influenza Research into new laboratory space in Cambridge, Boston, US. A key achievement for the research and technical development teams during the period was the successful first time use of a H3N2 cell-derived candidate vaccine virus to produce commercial volumes of FLUCELVAX QUADRIVALENT.

This major advance was the result of a multi-year collaboration with the WHO collaborating centres in Melbourne and the US Centre for Disease Control and has the potential to produce an influenza vaccine that in some seasons may be better matched to circulating strains than egg-based alternatives.



Seqirus' state-of-the art Holly Springs manufacturing facility in North Carolina, US. In an industry first, Seqirus has successfully produced cell-based influenza vaccine at commercial scale using a candidate vaccine virus that has been isolated and grown in cells, rather than in hens' eggs.

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RESEARCH AND DEVELOPMENT

CSL's global R&D activities focus on the development of innovative new and improved products and manufacturing processes thereby ensuring our continued growth. Our R&D portfolio is divided into four strategic areas – speciality products, haemophilia, breakthrough medicines and immunoglobulins. Over the past year, we have achieved successes in all four strategic areas with new registrations, positive results in some of the largest clinical trials ever conducted in rare diseases and an exciting new collaboration.

Specialty Products

Strong progress has been made in our specialty products portfolio over the past year. Results of a landmark study published in December 2016 confirmed the disease-modifying effect of RESPREEZA, a highly purified alpha-1 therapy for maintenance treatment to slow the progression of hereditary emphysema in patients with Alpha-1 Antitrypsin Deficiency (AATD). The use of RESPREEZA, in the largest and longest placebo-controlled AATD trial to ever have been conducted, slowed the progressive loss of lung tissue, which once lost is never recovered. The greatest benefit was observed in the 'early-start' patient group, demonstrating that early intervention with RESPREEZA is key to preventing the irreversible loss of lung tissue associated with AATD.

In June 2017, the FDA approved our Biologics Licence Application (BLA) for a low-volume subcutaneous C1-Exterase Inhibitor (C1-INH) replacement therapy to prevent Hereditary Angioedema (HAE) attacks. HAE is a rare and potentially life-threatening genetic condition caused by a lack of or malfunctioning C1-INH protein and can lead to the build-up of fluid in multiple parts of the body. If untreated, HAE attacks involving the face or throat can result in airway closure, asphyxiation and potentially death. HAEGARDA, C-1 Esterase Inhibitor Subcutaneous (Human), is the first and only self-administered subcutaneous prophylactic therapy to prevent HAE attacks and will provide a new standard of care for HAE. In addition to licence approval, the FDA granted CSL Behring seven years orphan-drug designation, enabling marketing exclusivity through to 22 June 2024.

Haemophilia

Over the past year we successfully achieved new regulatory approvals in major jurisdictions for our recombinant coagulation factor products. In January 2017, we received regulatory approval in Europe for AFSTYLA, the only recombinant factor VIII single chain indicated for the treatment of haemophilia A. AFSTYLA was also granted approval in Canada in December 2016 and approval is expected in Japan later this year.

In September 2016, we received regulatory approval in Japan for IDELVION, our long-acting fusion protein linking recombinant coagulation factor IX with recombinant albumin for the treatment of haemophilia B. The efficacy of our recombinant coagulation factors was highlighted during the presentation of data from our pivotal Phase III studies at the World Federation of Hemophilia World Congress in July 2016. Preliminary results using IDELVION in the PROLONG-9FP extension trial suggest that extended treatment intervals of up to 21 days may be possible for adults. This extended regime would provide a significantly reduced burden of treatment associated with frequent prophylactic dosing and a positive impact for patients. IDELVION is currently licensed for treatment intervals of up to 14 days.



CSL Behring's HAEGARDA, for the prevention of Hereditary Angioedema attacks, was approved by the US Food and Drug Administration in June 2017.

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Breakthrough Medicines

Significant progress has been made in the development of new breakthrough medicines over the past year with the initiation of human trials to investigate new monoclonal antibodies with novel mechanisms of action.

CSL324 neutralises G-CSF activity and may provide a new treatment for rare inflammatory diseases associated with overactive neutrophils (white blood cells).

CSL312 is an anti-factor XIIa monoclonal antibody that is being studied for use in multiple indications including as a subcutaneous therapy for HAE with the potential for administration once every two to three weeks. Another potential indication under investigation for CSL312 is the prevention of thrombosis.

CSL346 targets VEGF-B and could potentially be used to control glucose absorption in Type 2 diabetics by targeting fatty acid metabolism. CSL346 may also be beneficial in the treatment of diabetic nephropathy, one of the most common kidney complications associated with Type 2 diabetes, where VEGF-B levels have been shown to be elevated in patients.

Phase 1 clinical trials with CSL324 and CSL312 started in July and October 2016 respectively and CSL346 is due to enter the clinic in late 2017.

Positive results from our Phase 2b clinical trial designed to evaluate the safety and proof of mechanism of CSL112, a novel apolipoprotein A-I infusion therapy, were presented in November 2016. CSL112 is being developed to reduce the high incidence of early recurrent cardiovascular events that occur in the weeks to months following a heart attack by rapidly stabilising additional atherosclerotic plaques at risk of rupture. Data from the trial demonstrated that CSL112 does not cause significant changes in liver or kidney function and demonstrated that it is well-tolerated on administration in the acute myocardial infarction (MI) setting, thereby meeting the primary safety endpoints. CSL112's unique mechanism of action, the removal of cholesterol from atherosclerotic plaque in the arteries, was also confirmed by the study. Planning for a possible Phase III trial is now underway while we complete additional Phase II studies.

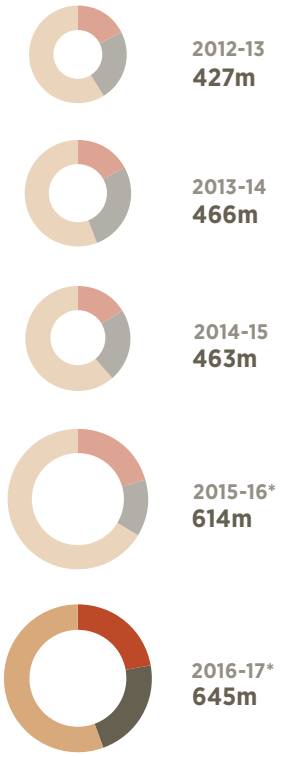
Immunoglobulins

CSL's Ig portfolio continues to grow with further expansion into neurology. In February 2017, the FDA accepted for review our BLA supplement to obtain approval for a new indication for PRIVIGEN, Immune Globulin Intravenous, 10% liquid formulation. Approval is being sought for the treatment of chronic inflammatory demyelinating polyneuropathy (CIDP), a rare and progressing disease that may cause permanent nerve damage. PRIVIGEN has already been approved to treat CIDP in Europe. Data to support the submission came from CSL's PRIMA and PATH studies, both focused on the treatment of CIDP with our Ig therapy. Results from the PRIMA study suggest that PRIVIGEN may help decrease weakness and loss of motor function in patients with CIDP. Data from the PATH study, the largest ever clinical study to investigate the treatment of CIDP, supports the efficacy, safety and tolerability of PRIVIGEN in the treatment of CIDP. In addition, the US FDA also accepted in July our application to add CIDP to the HIZENTRA® label.

Collaboration with external partners continues to provide CSL with important new opportunities to develop novel therapies for patients. In January 2017 we announced an exclusive research collaboration and worldwide licence agreement with Momenta Pharmaceuticals, Inc. to develop and commercialise their recombinant Fc multimer proteins for use in controlling inflammation. The agreement includes Momenta's M230 which has been shown to match the potency and efficacy of intravenous immunoglobulin at significantly lower doses in animal models of autoimmune disease. Clinical trials using M230 are expected to start in the next year.

Investment in R&D remains a key driver for CSL's future growth. We have a high quality and potentially valuable portfolio of projects in various stages of development. We continue to make a balanced investment in the life cycle management and market development of existing products that bring short to mid-term commercial benefits, and we make strategic investments in longer term, higher risk and high opportunity new product development activities. In 2016/17, CSL invested US$645 million on R&D and was supported by an R&D workforce of approximately 1,400 scientists worldwide.

Research and Development Investment (US$ millions)



- **New Product Development** activities focus on innovative new therapies for life-threatening diseases.
- **Market Development** strategies seek to bring therapies to new markets and new indications.
- **Life Cycle Management** ensures continuous improvement of existing products.

** Includes R&D for CSL Behring and Seqirus.*

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CSL's third edition Code of Responsible Business Practice was launched on 1 July 2017 and is available in 18 languages.

CORPORATE RESPONSIBILITY

On 1 July 2017, CSL released to all employees its third edition of the Code of Responsible Business Practice (the Code). The Code sets out the rights and obligations of our employees and affirms our commitment to our stakeholders for the highest standard of conduct in all that we do.

In November 2016, CSL published its eighth Corporate Responsibility (CR) Report, detailing our performance across key sustainability topics. Our latest report adopted the Global Reporting Initiative's (GRI) G4 reporting framework, the leading global framework for sustainability reporting. A full version of the report, including detailed disclosure of our material sustainability topics, is available on CSL's website, *www.csl.com.au/corporate-responsibility.htm*.

Also in 2016, following participation in the CDP (formerly the Carbon Disclosure Project), CSL achieved a B for its submission to CDP Water and similarly a C for its climate impacts submission. CDP is a not-for-profit organisation that runs a global disclosure system enabling companies, cities, states and regions to measure and manage their environmental impacts, while providing investors with the most comprehensive environmental data for informed decision making. In both cases, CSL's 2016 performance was an improvement on the prior year, demonstrating a continued commitment to measuring and assessing our environmental impacts.

Over the financial year, CSL remained a FTSE4Good index constituent. The global index recognises strong environmental, social and governance (ESG) performance that assists investors with investment decisions.

OUR PEOPLE

The people of CSL are passionate about delivering on our promises – to patients, communities and our team members. We encourage the best and brightest to innovate and collaborate toward one shared mission: saving lives and protecting the health of people all around the world. We are dedicated to helping our employees achieve the promising futures they deserve, which is our new global employee brand. "Promising Futures" strengthens our efforts to attract and retain talented people who enable us to meet our ongoing business needs. Our people drive our superior performance and we are committed to supporting their career goals. We continue to focus on providing employees access to a range of professional development and career advancement opportunities.

Our work culture is attractive and engaging. In our employee feedback survey conducted in May 2017, we measured one point above IBM's global benchmark for employee engagement. The results further revealed employee pride being a primary driver behind what motivates our people. People are proud to work for CSL. They enjoy working in a purpose-driven company with a values-based culture where they can perform meaningful work and grow their careers. As our people grow individually and professionally, the company grows with them – and patients get the best care and attention they need. It is why we made notable investments in human resources and leadership development, which will expand in the coming year.

We are proud of the external recognition that our talented people and innovative workplace receive. Recognition of note includes the prestigious 2017 Industry Innovator Award from the National Organization for Rare Disorders (NORD) and ranking on Igea's list of Top 15 Biotech Companies in the world for 2016. We also received recognition for our culture of diversity and inclusion. Kankakee, in the US, was acknowledged by the US Department of Defense for going 'above and beyond' in employing members of the military. CSL Behring Marburg, Germany, received an award from the economy minister of the German State for "GreenZone" an employee wellbeing concept. CSL in Parkville, Australia, built our female-friendly workplace reputation by hosting a National Association of Women in Operations (NAWO) career event on International Women's Day.

CSL continues to have gender, ethnic and generational diversity in our workforce. The composition of female employees at all leadership levels is meeting our expectations and aligned to global benchmarks. Further information regarding CSL's diversity position can be found in the Corporate Governance Statement (see page 42).

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EXECUTIVE REMUNERATION

Our 2016 Remuneration Report received an 'against' vote of 26% of the votes cast. This sent a clear signal that a number of shareholders were concerned about aspects of our senior executive pay design and, by implication, how we have been communicating with you about our remuneration governance. As a consequence, a major focus of the Board this year has been a comprehensive review of how we reward our most senior executives and the development of a new pay design that took effect from 1 July 2017.

Since the last AGM, members of the Board have met with a number of shareholders to better understand your concerns – including shareholders who voted 'against' and shareholders who voted 'for' the remuneration resolutions. Our Remuneration Report provides more detail around the clear messages we received and our responses to you. Your Board's remuneration governance focus is significant and actively engaged on making sure that CSL has a system that both shareholders and executives will agree is helping to drive sustainable growth in our business over the longer term.

We believe that our pay design for senior executives needs to strongly support our global operations and internationally domiciled and sourced senior talent. In order to continue our sustained successful growth and performance we need to be able to attract and retain talent in a highly competitive global bio-pharmaceutical market. As an example, more than 17,000 CSL employees now live and work outside of Australia and approximately 90% of our global revenue is earned outside of Australia. Accordingly, we have sought to design an innovative and fit-for-purpose global framework that is competitive for our executives around the world and meets the expectations of our shareholders. We will also strive to provide you with a clear and transparent rationale for any future changes to our remuneration structure, adjustments to opportunity levels, and performance conditions.

Key principles of the new pay design include simplicity, transparency and strong and clear alignment with our shareholders. To achieve these principles, the Board has decided that future equity grants offered to our most senior executives will be in the form of Performance Share Units. The first such grant will be in October 2017. These grants will be made at face value and all will be performance hurdled.

In addition, we have discontinued the grant of options, performance rights or notional shares under our remuneration structure from 1 July 2017. Some of these legacy instruments will remain on foot until their term for vesting has expired over the next three years, but no such further grants will be made.

Full details of our remuneration review and how we have addressed the outcomes of last year's vote are included in our Remuneration Report (see page 61).

OUR THANKS

Central to our success is the significant contribution and commitment of our employees to deliver on our promise to patients.

Your Board of Directors recognises and appreciates the hard work and strong commitment of dedicated management and staff in executing a values-based culture that underpins working each day as if someone's life depends on it.



John Shine AC
Chairman

Paul Perreault
Chief Executive Officer
and Managing Director

CSL Behring has been at the forefront of biotherapeutics research and development for more than 100 years. We trace our roots to Emil von Behring, the first Nobel Prize recipient in physiology and medicine. CSL Behring and the collective group of CSL businesses have a heritage of outstanding contributions to medicine and human health.

Throughout the years our passion and commitment to delivering on our promise to save and improve the lives of people with rare and serious diseases has remained strong. We are proud of our history, and we're excited about the future. Our ability to innovate and deliver lifesaving products for patients with unmet medical needs around the world continues to grow in response to the demand for our products.

Today, we are one of the largest and fastest growing biotherapeutics businesses in the world with more than 16,000 employees delivering medicines to patients in over 60 countries. We offer the broadest range of quality plasma derived and recombinant therapies in the biotherapeutics industry, and have substantial markets in North America, Europe, Asia and Australia.

Our products are used around the world to treat the following conditions:

- immune disorders;
- autoimmune diseases;
- bleeding disorders;
- hereditary angioedema;
- alpha-1 antitrypsin deficiency;
- transplantation; and
- critical care products used in cardiac surgery, as well as to treat trauma, shock and burns, and to prevent haemolytic disease of the newborn.

WE FOCUS ON PATIENTS

The people who trust and rely on our products come first in everything we do. We are keenly aware that our therapies are essential to their health and well-being, and we bring that sense of purpose to work every day. We are passionate about meeting the needs of patients, which begins with listening to them and their healthcare providers.

We work with patient groups, plasma donors, researchers, physicians, nurses, pharmacists and home healthcare companies to achieve better results. This includes promoting quality care, improving patient access to care, expanding educational and outreach efforts, and affecting public healthcare policy.

RECOGNISED AND RESPECTED BY PATIENT ORGANISATIONS WORLDWIDE

We strive to be the best at what we do, and we are proud that our pioneering work in developing therapies to treat rare and serious conditions has received recognition from patient organisations worldwide.

This includes the 2017 National Organization for Rare Disorders (NORD) Rare Impact Award for Innovation, the 2016 Breakthrough Innovator Award from Marcum and Smart CEO magazine, the 2015 National Hemophilia Foundation's (NHF) Corporate Leadership Award, the 2012 EURORDIS (European Organization for Rare Diseases) Award, and the 2011 Corporate Award from the National Organization of Rare Disorders.

The thousands of talented employees at CSL Behring who share our vision, values and passion for saving lives are the engine that drives our superior performance.

BROADEST RANGE OF THERAPIES TO TREAT RARE DISEASES

CSL Behring is a global leader in immunoglobulins (Ig). Our portfolio of innovative medicines also includes a wide range of recombinant and plasma-derived products for treating bleeding disorders as well as products to treat hereditary angioedema and alpha-1 antitrypsin deficiency.

CSL Behring also manufactures critical care products that are used in cardiac surgery and organ transplantation, and to treat trauma, shock, burns and acquired bleeding. They are also used to reverse the effects of warfarin and to prevent haemolytic disease of the newborn.

WORLD-CLASS R&D: UNLOCKING THE PROMISE OF PROTEINS

Innovation has been in our DNA since our beginnings and continues at the core of everything we do today. Our integrated R&D global organisation is driven by an experienced team of research experts who work collaboratively at worldwide locations. They continually explore new innovations to unlock the promise of biotherapies. Their contributions to medicine and human health have been possible because we continually grow our investment in R&D.

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MAJOR THERAPEUTIC PRODUCTS MARKETED BY CSL BEHRING

HAEMATOLOGY

Recombinant Therapies

Factor VIII Single Chain
- AFSTYLA®

Recombinant Factor IX Albumin Fusion Protein
- IDELVION®

Factor VIII
- Helixate® FS
- Helixate® NexGen
- Iblias®

Plasma-derived Therapies

Factor VIII and von Willebrand Factor
- Beriate®
- Monoclate P®
- Humate P®
- Haemate P®
- Voncento®
- Biostate®
- Aleviate®

Factor IX
- Berinin® P
- Mononine®
- MonoFIX®-VF

Factor I (Fibrinogen)
- Haemocomplettan® P / RiaSTAP®

Factor X
- Factor X P Behring®

Plasma-derived Factor XIII
- Corifact® / Fibrogammin® P / Cluvot®

Other Products
- Stimate®
- Octostim*

SPECIALTY CARE

C1-Esterase Inhibitor
- Berinert®
- HAEGARDA®

Prothrombin Complex Concentrates
- Beriplex® P/N / Confidex® / Kcentra®

Fibrinogen Concentrate
- Haemocomplettan® P

Albumin Management
- Albuminar®
- Alburex® / AlbuRx® / Albumex®
- Human Albumin Behring
- Humanalbin®

Plasma-derived Antithrombin III concentrate
- Kybernin® P

Other Products

Wound healing therapies are used to facilitate healing.
- Beriplast® P Combi-Set
- Fibrogammin® P
- Tachocomb*

PULMONOLOGY

- Respreeza® / Zemaira®

** Octostim is a trademark of Ferring GmbH*

** Tachocomb is a trademark of Nycomed*

IMMUNODEFICIENCY DISEASES

Intravenous Immunoglobulins
- Privigen®
- Carimune® NF
- Sandoglobulin® / Sanglopor®
- Intragam®10
- Intragam®P
- Evogam®

Subcutaneous Immunoglobulins
- Hizentra®

Specific Immunoglobulin
- Beriglobin® P
- Berirab® P
- Hepatitis B Immunoglobulin P Behring®
- Hepatitis B Immunoglobulin-VF
- Rhophylac®
- Tetagam® P
- Tetanus Immunoglobulin-VF
- Varicellon® P
- Zoster Immunoglobulin-VF
- Cytogam®
- CMV Immunoglobulin-VF
- Normal Immunoglobulin-VF
- Rh(D) Immunoglobulin-VF

TOLL FRACTIONATION

CSL Behring performs plasma fractionation for Australia, Canada, Denmark, Hong Kong, Malaysia, New Zealand, Singapore and Taiwan.

Product availability varies from country to country, depending on registration status.

For more information about these products, see www.cslbehring.com

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The Road To Product Launch Excellence

Five product launches and the introduction of a new indication for one of our flagship products, in the span of four years, is an impressive achievement by any measure. Even more impressive is the impact that CSL Behring products are having on people's lives.

What are the key contributing factors to product launch excellence? First, these breakthrough medicines all began the same way – as concepts in CSL laboratories that were brought to life by our talented and visionary scientists that form our Research and Development (R&D) group.

Then, there is our highly selective vetting process for new products. We focus on what we do well, and we don't try to be all things to all people. This entails focusing on only those areas where we have substantial expertise and also where there is relevant medical need.

We align and set aggressive goals for new medicines to help ensure successful commercialisation. The governance process for each launch is established, the 'right' launch teams and sub teams are assigned, and deliverables and timelines are set.

Launching five products in four years requires a strong patient focus, which drives our people to go the extra mile, collaborate to the fullest extent possible, be accountable at all times, and continually evaluate progress against goals.

Our people approach each launch with a shared vision; no one wants to let a member of their team down. We work weekends and nights to ensure our medicines reach the patients who need them as soon as possible. A good example of this is HAEGARDA. We prepared for launch for three years while the R&D teams completed clinical development, making adjustments whenever needed. As a result, HAEGARDA was approved by the US Food and Drug Administration (FDA) eight days early, which is almost unheard of in the industry.

It is a testament to quality of data, and to the many teams that remained focused and worked together intensively for an extended period of time, from the team that assembled the regulatory filing, which led to FDA approval, to the teams that focused on access and value, negotiating with payers, distributers and suppliers.

It is also a testament to the teams in Marburg, Germany, where HAEGARDA is produced, from the labelling line to the teams that coordinated logistics. Product arrived from Germany in the US warehouse less than one week after approval.

The launch effort doesn't stop there. Field sales teams are required to undergo many hours of training on new products in preparation for launch. This includes studying package inserts and passing a test for certification to speak with customers. Next, the field sales team sets out to provide prescribing physicians with the product information they need – visiting the right physicians, with the right messages at the right frequency.

Finally, achieving excellence is as much about what happens after launch as it is about pre-launch planning. At CSL Behring we have achieved launch excellence in large part through experience. Post launch analysis enables us to learn how we can do it better. Knowledge is transferred between product teams about what worked and what didn't, and each new launch builds on the previous one. This was the case with IDELVION, where lessons learned from the post launch audit were applied to the launch of AFSTYLA.

In Europe, where we have 15 affiliates that operate across 30 countries, there have been three launches. RESPREEZA, the only disease-modifying treatment for Alpha-1 Antitrypsin disease received approval from the European Medicines Agency (EMA) in 2015, followed by IDELVION in 2016 and AFSTYLA in January 2017.

It is important to note that healthcare authorities in each European country have differing requirements in relation to pricing and reimbursement, and the time it takes to reach the market after registration can be lengthy.

European countries are also considered among the most challenging in the developed world in relation to the commercialisation of new medicines for rare and orphan diseases. The fact that all three products have been successfully launched is a testament to our marketing, medical, sales and market access teams working in Europe, in collaboration with colleagues in Germany and our sites in the US.

Launches include not only new products but new indications for existing products. PRIVIGEN, our flagship immunoglobulin therapy, had been on the market in the US to treat immunodeficiencies for 10 years. But, in 2013, the EMA approved it for treating patients with Guillain-Barré syndrome and chronic inflammatory demyelinating polyneuropathy (CIDP), two rare and serious conditions. This is the first step on our path toward treating patients with neurological disorders, and we are working diligently to secure this indication and launch it with excellence in other markets around the globe.

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Leading an extraordinary life despite living with a rare, life-threatening condition



Raising teenagers is challenging for most people, but raising them when you have hereditary angioedema (HAE) is a tall order. That's what it was like for Tad Rockwell, an independent business owner who is raising a daughter and son with his wife, Wendy, in Highlands Ranch, Colorado, US.

"In my wildest dreams, I didn't believe my life could look this good," Tad said. "My day starts early and that's family time – making breakfast, making lunches and getting my two teenagers off to junior high and high school.

"I work from home and my day usually starts with phone calls and emails. I have a wife and partner who loves me and supports me. I have wonderful kids. My career is going great. If you told me about my life today five years ago, there's no way I would have believed it."

Tad has HAE, a rare but potentially life-threatening condition characterised by acute attacks of edema, or swelling of the face, larynx, abdomen and extremities. HAE is caused either by lack of or malfunctioning C1-esterase inhibitor (C1-INH), the primary control protein that regulates inflammation and vascular permeability.

"My first attack happened when I was 5 years old," Tad went on to explain. "Basically my mouth started to swell up and my tongue was about an inch and a half thick, so I could barely breathe."

Tad wasn't correctly diagnosed until 18 years later at age 23, but there was no medicine to treat his medical disorder. He said his HAE abdominal attacks were excruciatingly painful. "I'd be on the ground throwing up and screaming. The paramedics and police would come because my screams were so loud the neighbors would call them. My kids got to watch that. My wife had to experience all of that."

Tad's wife, Wendy, said they spent years when he was in the hospital emergency room and intensive care unit as many as 10 times a year. "Tad said he'd be fine," Wendy said. "He was in denial. As a spouse, it was hard to deal with. His denial ran our family. Our life was chancy and inconsistent. It involved a lot of pain and a lot of down time from being sick."

Tad explained that denial is a useful tool when you're coping with a disease. "You tell yourself, 'it's not going to be that bad. I can manage this.' I was so irresponsible with my disease. I had a diminished life and so did my family. I finally decided that I would do whatever it took to never be a victim of this disease again."

When his doctor proposed that Tad participate in a clinical trial for a new subcutaneously administered treatment, he didn't hesitate. "Before HAEGARDA® I had two to three attacks per week. Today, people who live with this disease no longer have to do that. It's a simple subcutaneous injection and since I've been doing it twice a week, my experience has been no attacks. I don't even think about attacks anymore. All I think about is making sure that no one who is newly diagnosed ever has to go down the road that I went down. HAEGARDA and my wife are the things that have led me down the path to lead the extraordinary life that I lead today."

Wendy agreed. "HAEGARDA has meant having a fully functioning husband and father, where before he'd been so shut down."

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Building The Business In Asia Pacific

At CSL Behring we continue to make great strides in the Asia Pacific region where there is tremendous need for our medicines. This included opening offices in Singapore and Taiwan and the announcement of our acquisition of a majority stake in Chinese fractionator Wuhan Zhong Yuan Rui De Biologics or "Ruide".

An important milestone in the region included launching IDELVION®, novel long-acting recombinant albumin fusion protein for treating haemophilia B, in Japan, and we are excited by the prospect of further expanding our presence in this key market over the next three years by registering AFSTYLA®, Antihemophilic Factor (Recombinant), Single Chain; KCENTRA®, 4 Factor Prothrombin Complex Concentrate; and PRIVIGEN®, Immune Globulin Intravenous, 10% liquid formulation. In addition, the success of PRIVIGEN in Australia has improved the balance between our toll (government contracted plasma fractionation) and commercial businesses, while the establishment of our office in Singapore positions us well to tap into the tremendous potential of the broader Asian market.

China's plasma products market exceeded US$3.3 billion in 2016, with a 15% growth rate for the past five years. China is the fastest growing immunoglobulin (Ig) market in the world, second only to the US in volume. Improved physician awareness and recent changes to reimbursement coverage for plasma-derived products such as Ig will continue to drive strong demand. However, due to regulatory restrictions, albumin is the only plasma product that can be imported to China. Our recent acquisition of an 80% stake in Ruide provides us with a strategic presence in the Chinese domestic plasma fractionation market which complements the leadership position we have built over the past 20 years as a provider of imported albumin in China.

Ruide has a manufacturing facility and four plasma collection centers in central China. The company develops, manufactures and commercialises plasma-derived products for the Chinese domestic market, including albumin, Ig for IV injection, as well as several hyperimmune Ig products. The company also has an advanced pipeline of multiple coagulation factor products that it plans to launch in the coming years, including plasma-derived Factor VIII.

Through Ruide, we will contribute our extensive plasma manufacturing expertise with a goal to expand and grow plasma collection capabilities and introduce a broad range of products to better serve patients across China. We also intend to work closely with local regulators and the sector to help improve plasma safety and quality, as well as enhance the plasma donor experience.

At CSL Behring we have a long history of delivering plasma-derived medicines for the treatment of rare and serious diseases. We are driven by our promise to save lives and protect the health of people around the world. This expansion of our footprint in China through our strategic investment in Ruide supports the delivery of this promise.

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What women need to know about bleeding disorders



Milybet Montijo-Cepeda is a special needs teacher, wife and mother of a young son with severe haemophilia A. Her son Omar's diagnosis was confirmed at birth. Unfortunately, Milybet was not diagnosed with mild haemophilia A until she was 39 years old. Like most mothers of affected children, Milybet spent all of her energy on understanding and managing her son's condition. The thought that she might be more than just a carrier never entered her mind.

"My father had severe haemophilia A and my mother always told me that only boys had haemophilia,"

In retrospect, Milybet now recognises signs of an undiagnosed bleeding disorder throughout her young adulthood that she simply ignored. "I was always anaemic and I was always refused when I tried to donate blood. I had heavy periods and I even had a hospitalisation after oral surgery."

But like many women with a bleeding disorder that goes unrecognised and undiagnosed, Milybet never thought she had a treatable problem. After all, haemophilia is traditionally viewed as a disorder that affects young males. Heartbreaking stories are often told about boys whose haemophilia prevents them from playing with their friends or enjoying sports with other children. Milybet's story highlights a growing need to address this gap in early diagnosis for women.

In April the World Federation of Hemophilia's 2017 World Hemophilia Day focused on bleeding disorders that impact women. Their 2017 platform is designed to show support and create awareness for the millions of women and girls affected by bleeding disorders. The traditional thinking was that men could have symptoms of haemophilia and that women who "carry" the haemophilia gene do not experience symptoms themselves. Today, we know that many carriers do experience symptoms of haemophilia. And we are starting to develop a better understanding of why and how women can be affected.

"Some women live with their symptoms for years without being diagnosed or even suspecting they have a bleeding disorder," says Alain Baumann, CEO, World Federation of Hemophilia (WFH). "Through education and awareness-raising, the WFH is working to close this gap in care. The challenge for these symptomatic carriers is getting a proper diagnosis early."

"There are approximately 18,000 boys diagnosed with haemophilia in the US today," said Jerry Powell, CSL Behring's Medical Director of Coagulation, US Commercial Operations. "For every boy living with haemophilia, there is a mother, sister or aunt who is potentially at risk for the disease. It's critical that we help raise awareness and educate these families on the importance of receiving an accurate diagnosis."

Milybet couldn't agree more. "It's important for women who experience the signs of bleeding to have resilience and realise that they are not alone," she added.

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Diagnosis and treatment change a young girl's life.



It was a very frightening and puzzling experience for single Mom Jennifer Robinson. Her two-year-old daughter Isabella (Bella) who she described as "a healthy looking, outgoing little girl full of spit" was sick again. The concerned Mom was back at the doctor's office and to only receive another diagnosis of strep.

Jennifer said, "The doctors even accused me of not given Bella all of her antibiotic. I assured them that I had and they looked on with disbelief. They tried stronger antibiotics but she continued to get strep and have issues with her tonsils. At an early age, my daughter had to have her tonsils removed."

"It wasn't until I picked her up at school one day that I noticed her cheeks were bright red and she looked tired and was very quiet. It was a hot day in San Antonio so I thought nothing about it. Plus, children in the second grade, especially my Bella, are very active. Suddenly she started throwing up in the car. We immediately headed to the emergency room where I was told she had another bad case of strep. I couldn't understand how this could be happening again since she had no tonsils", Jennifer added.

Later that year, Bella had a childhood accident. She caught her finger in the car door. While most of us apply first-aid, it turned serious for the little girl. According to Jennifer, Bella ended up with compartment syndrome. To make matters worse, Bella got sicker and had food poisoning, the flu, strep and rotavirus. Jennifer explained, "I knew Bella was too old for rotavirus. Months of sickness turned into years. I finally told our paediatrician that I was done. I had so many doctor bills, missed so much work and saw Bella go from a healthy, energetic little girl to a pale, thin child."

When her father passed away, Jennifer took Bella to her hometown of Beaumont, Texas for the funeral. Jennifer recounts, "I remember my cousin coming up and being so shocked at seeing Bella. My Aunt took me aside and told me that she barely recognised Bella and that I needed to do something quickly. She was now down to 40 pounds and had dark circles under both eyes. Bella was listless and literally dying in front of my eyes."

Three short days after the funeral, Jennifer had taken Bella to a specialist referred by her paediatrician. He was a haematologist. "When I went to his office, he told me that he knew exactly what was wrong with my daughter. He diagnosed her with Common Variable Immune Deficiency (CVID). I never heard of CVID or the treatment that he would prescribe, known as intravenous immunoglobulin (IVIG). Bella's first treatment was July 2015 and she had suffered for eight years", said Jennifer.

Bella's transformation was nothing short of a miracle. Jennifer exclaimed, "My daughter is now back to the lively, talkative state she was early in life. I now have hopes, dreams and aspirations for Bella. Without IVIG, Bella would not be here today. She was going downhill fast. I have plasma donors to thank. I've had the opportunity to visit various plasma centres and meet donors and employees. I tell them they are helping children like Bella."

Jennifer continues to talk about the value of plasma donation and how it helped save the life of her daughter. Bella is now 10-years-old and likes to watch ice hockey, sing and play with friends.

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CSL Plasma

Since beginning its program of expansion in 2011, CSL Plasma, a division of CSL Behring, has grown to become one of the largest plasma collection networks in the world, providing human plasma to CSL Behring for the manufacture and distribution of plasma protein biotherapeutics. Its expanded laboratory and logistics operations have increased CSL Plasma's testing and storage capacity to meet the growing need for plasma-derived therapies.

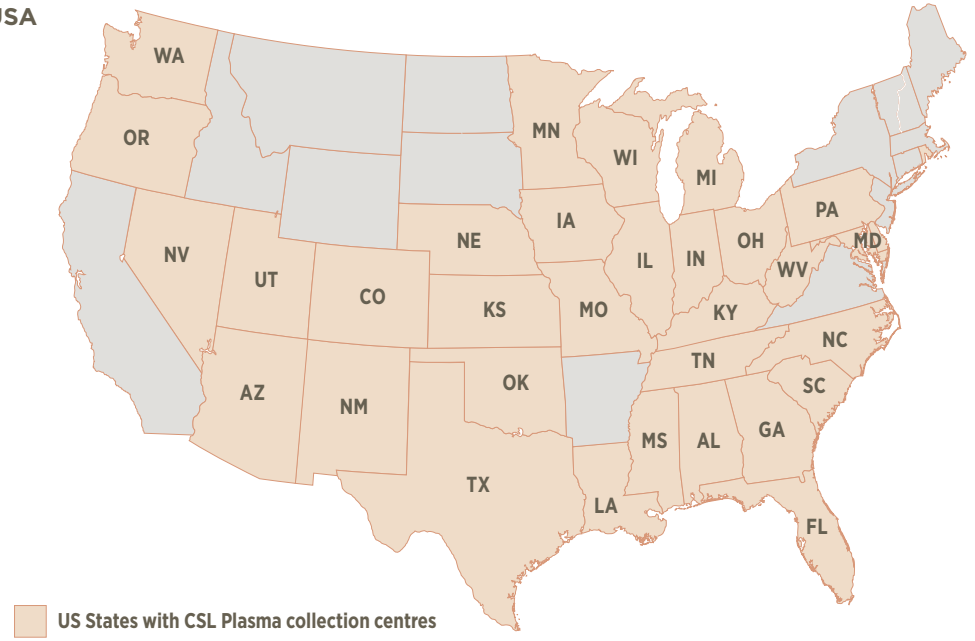
CSL Plasma has collection centres throughout the US, Germany, and Hungary with plasma testing laboratories and logistics centres in the US and Germany.

The Global and US headquarters of CSL Plasma is located in Boca Raton, Florida, with the European (EU) headquarters located in Marburg, Germany. Within the US and Germany, logistics centres are located in Indianapolis, Indiana (US), Mesquite, Texas (US) and Schwalmstadt, Germany, while the plasma testing laboratories are located in Knoxville, Tennessee (US) and Goettingen, Germany.

In a highly regulated industry, CSL Behring and CSL Plasma use the most sophisticated systems and continue to explore avenues of innovation.

For our donors, CSL Plasma has developed the most efficient processes and systems that focus on donor and plasma safety, along with donor satisfaction.

USA



US States with CSL Plasma collection centres

US HEADQUARTERS
Boca Raton, Florida

US TESTING LABORATORY
Knoxville, Tennessee

US LOGISTICS CENTRES
Indianapolis, Indiana
Mesquite, Texas

EU HEADQUARTERS
Marburg, Germany

EU TESTING LABORATORY
Goettingen, Germany

EU LOGISTICS CENTRE
Schwalmstadt, Germany

GERMANY

German cities with CSL Plasma collection centres



HUNGARY

Hungarian cities with CSL Plasma collection centres



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Seqirus At The Forefront Of Advancements In Cell-Based Technology

The introduction of cell-based influenza vaccine technology represented one of the most significant advancements in the history of influenza vaccine production. Seqirus recently announced the next major advancement in the use of this technology at its state-of-the art manufacturing facility in Holly Springs, North Carolina, US.

Twice each year, the World Health Organization (WHO), the five WHO Collaborating Centers (including the Centers for Disease Control (CDC)) and their public health partners collaborate on the preparation of Candidate Virus Vaccines (CVVs); influenza viruses that are provided to manufacturers prior to every season for the production of influenza vaccines.

Because egg-based technology has been used to manufacture influenza vaccines for more than 70 years, CVVs have traditionally been derived from eggs. As such, only egg-derived CVVs have been available to Seqirus for use in the cell-based influenza vaccine manufacturing process at Holly Springs, US, – up until now.

Last year, the WHO began to also recommend cell-derived CVVs and the US Food and Drug Administration (FDA) issued an approval for Seqirus to use these CVVs in the manufacture of its influenza vaccines. In an industry first, Seqirus used a cell-derived H3N2 CVV in the production of FLUCELVAX QUADRIVALENT®, quadrivalent influenza vaccine, for the 2017/2018 Northern Hemisphere season, making the production of this particular strain exclusively cell-based.

The process of creating cell-based influenza vaccines involves several steps. Following the WHO's recommendation of CVVs for distribution, Seqirus inoculates the CVVs into cultured mammalian cells, instead of into eggs, and allows them to replicate. The virus-containing fluid is collected from the cells, the virus antigen is purified, and the manufacturing process continues with formulation and testing. Finally, the vaccines are packaged and approved prior to release and shipment.

Cell-derived CVVs, rather than egg-derived CVVs, are better suited to the Holly Springs manufacturing platform and their use has the potential to increase influenza vaccine output at the facility. Additionally, cell-derived CVV's may be more similar to circulating viruses than egg-derived CVVs, potentially improving the effectiveness of the vaccine.

Seqirus plans to use cell-derived CVVs for the production of other vaccine strains produced at Holly Springs in the future. The application of this promising technology is part of Seqirus' leading role in influenza prevention and reflects the deep expertise that exists within Seqirus, developed throughout 100 years of influenza experience. It will improve our overall production process and enhance our ability to deliver on our commitment to public health.

The Holly Springs facility was purpose-built in partnership with the US Biomedical Advanced Research and Development Authority (BARDA) to help combat pandemic threats, and this latest milestone is the result of a multi-year collaboration involving the WHO Collaborating Centre for Surveillance, Epidemiology and Control of Influenza at the US Centers for Disease Control and Prevention (CDC), the WHO Collaborating Centre for Reference and Research on Influenza in Melbourne, Australia, and scientists at Seqirus. The cell-based H3N2 CVV used by Seqirus was developed by the WHO Collaborating Centre in Melbourne, Australia, from a sample originally obtained from the National Influenza Centre in Singapore.

This major advancement would not have been possible without significant global collaboration, and is a fine example of how industry and public health agencies can work together to enhance the global influenza surveillance and response system.

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Research And Development At Seqirus

Seqirus has a rich heritage in influenza dating back to the 1918 Spanish Influenza Pandemic. As such, we have deep expertise in the science of influenza vaccines. Our centre of excellence in influenza vaccine research is located in Cambridge, US, while our technical development laboratories are co-located with our manufacturing facilities in Liverpool, United Kingdom; Holly Springs, US; and Melbourne, Australia.

In recent years, the company has been responsible for two significant advances in influenza vaccines: the development of an adjuvanted seasonal influenza vaccine for both elderly and paediatric populations and the introduction of cell-based technology for the production of both seasonal and pandemic influenza vaccines.

Currently our global R&D focussed on transitioning our remaining trivalent influenza vaccines to quadrivalent formulations, expanding age indications across our portfolio and providing access to our products in new markets. Early stage projects in our pipeline are focused on novel formulations and delivery technologies. Additionally, we have a team of scientists and engineers dedicated to improving our manufacturing processes at each facility.

Seqirus also plays a significant role in the development of candidate vaccine viruses (CVVs) for the production of influenza vaccines. Our technical development laboratories 'reassort' wild type viruses for optimal growth in eggs and share these with the industry via the World Health Organization (WHO) for seasonal influenza vaccine production. We also perform this task for viruses with pandemic potential and tested a number of pre-pandemic vaccines on behalf of various Governments.

Following the introduction of cell-based technology, Seqirus has worked with the WHO Collaborating Centres and the FDA to develop CVVs from cells rather than eggs. This technology has the potential to enhance our cell-based manufacturing process and produce a vaccine that may be similar to circulating viruses. Seqirus recently incorporated this technology into its cell-based seasonal influenza vaccine for the 2017-2018 Northern Hemisphere season, starting with the H3N2 strain.



This year, Seqirus was successful in using a cell-derived H3N2 CVV in the production, at Holly Springs, US, of its cell-based seasonal influenza vaccine making the end-to-end production of this particular strain exclusively cell-based.

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MAJOR VACCINES, PHARMACEUTICAL AND DIAGNOSTIC PRODUCTS MARKETED BY SEQIRUS

SEASONAL INFLUENZA PRODUCTS

Seqirus markets a comprehensive portfolio of influenza products in various countries around the world:

Afluria® ^	*Trivalent influenza vaccine, egg-based*
Afluria Quadrivalent®†	*Quadrivalent influenza vaccine, egg-based*
Aggripal® #^	*Trivalent influenza vaccine, egg-based*
Fluvirin®	*Trivalent influenza vaccine, egg-based*
Fluad®	*Adjuvanted trivalent influenza vaccine, egg-based*
Flucelvax Quadrivalent®	*Quadrivalent influenza vaccine, cell-based*
RapiVab®*	*Intravenous influenza antiviral*

^ *Also registered as Enzira®, Fluvax® and Nilgrip® in various different markets*

† *Also registered as Afluria Quad®*

\# *Also registered as Begripal®, Fluazur®, Sandovac®, Agriflu® in various different markets*

PRE-PANDEMIC VACCINES

Foclivia®	*H5N1 influenza vaccine, egg-based*
Aflunov®	*H5N1 influenza vaccine, egg-based*

PANDEMIC VACCINES

Panvax® & Panvax® Junior	*H1N1 influenza vaccine, egg-based*
Panvax® & Panvax® Junior	*H5N1 adjuvanted influenza vaccine, egg-based*
Focetria	*H1N1 influenza vaccine, egg-based*
Celtura	*H1N1 influenza vaccine, cell-based*

VACCINES & PHARMACEUTICALS

Seqirus also markets a broad range of vaccines and pharmaceuticals in both Australia and New Zealand:

Vaccines	**Prevention of:**
ADT® Booster	*Diphtheria and Tetanus*
Dukoral*	*Cholera*
Gardasil*	*Cervical cancer and genital warts*
H-B-Vax* II	*Hepatitis B infection*
Jespect*	*Japanese encephalitis*
Menveo*	*Meningococcal (A, C W-135,Y)*
M-M-R*II	*Measles, mumps and rubella*
Pneumovax* 23	*Pneumococcal infection*
ProQuad*	*Measles, mumps, rubella and varicella*
RotaTeq*®	*Rotavirus-induced gastroenteritis*
Vaqta*	*Hepatitis A infection*
Varivax*	*Varicella*
Vivotif Oral*	*Typhoid infection*
Zostavax*	*Shingles and Post Herpetic Neuralgia*

Pharmaceuticals	**For the treatment of:**
Acarizax*	*Allergic rhinitis & allergic asthma*
BenPen*	*Bacterial infections*
Burinex*	*Oedema*
Caldolor*	*Pain and fever*
Fucidin*	*Bacterial infections*
Palexia*	*Moderate to severe chronic pain*
Tramal*	*Moderate to severe pain*
Versatis*	*Post Herpetic Neuralgia*
Tetrabenazine*	*Movement disorders*

Additional products are also marketed in New Zealand only, details of which can be found at www.seqirus.com.nz.

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PRODUCTS OF NATIONAL SIGNIFICANCE

Seqirus manufactures and distributes a range of uniquely Australian products in the national interest under contract with the Commonwealth Department of Health.

Antivenoms

For treatment of envenomation from land snakes:

- Black snake antivenom
- Brown snake antivenom
- Death adder antivenom
- Taipan antivenom
- Tiger snake antivenom
- Polyvalent antivenom

For the treatment of envenomation from spiders:

- Funnel web spider antivenom
- Red back spider antivenom

For the treatment of envenomation from marine animals:

- Box jelly fish antivenom
- Sea Snake antivenom
- Stone fish antivenom

Vaccines

- Q-Vax® for the prevention of Q fever
- Q-Vax® Skin Test for the detection of Q fever antibodies

DIAGNOSTIC PRODUCTS

Seqirus develops, manufactures and markets in vitro diagnostic products for immunohaematology and snake venom detection.

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

TRADEMARKS

® *Registered trademark of CSL Limited or its affiliates*

* *Trademarks of companies other than CSL and referred to on page 26 are listed below:*

ALK-Abelló A/S – *Acarizax*

BioCryst Pharmaceuticals, Inc. – *RapiVab*

Cumberland Pharmaceuticals Inc. – *Caldolor*

Grunenthal GmbH – *Tramal, Palexia, Versatis*

Leo Pharmaceutical Products Limited AS – *Burinex, Fucidin*

Merck & Co. Inc. – *Gardasil, H-B-Vax II, M-M-R II, Pneumovax, ProQuad, RotaTeq, Vaqta, Varivax, Zostavax*

GlaxoSmithKline Australia Pty Ltd – *Menveo*

PaxVax Bera GmbH – *Vivotif Oral*

iNova Pharmaceuticals Pty Ltd – *Tetrabenazine*

Valneva Inc. – *Jespect, Dukoral*

Three New Projects Progress to Phase I Clinical Trials

CSL has extensive experience producing large scale polyclonal immunoglobulins isolated from human plasma with successful therapies including PRIVIGEN® and HIZENTRA®. Polyclonal antibodies are made by several different plasma cells and bind to multiple targets. We are now developing a portfolio of monoclonal antibodies (MAbs) using recombinant technology to treat important areas of unmet medical need. MAbs are made by identical cells that are all clones of a unique parent cell (monoclonal) and bind to the same target.

Our portfolio of MAbs includes three new therapies developed by innovative research and manufactured in our world-class biotechnology manufacturing facilities. Two therapies, CSL324 and CSL312, progressed to first-in-human studies over the past year and the third, CSL346 will enter in late 2017. All three MAbs have novel mechanisms of action and the potential to treat multiple indications in patients.

CSL324

CSL324 targets the granulocyte colony-stimulating factor receptor (G-CSFR), a major regulator of neutrophils (white blood cells). By controlling the mobilisation of neutrophils from the bone marrow into the blood and reducing their recruitment to inflamed tissue sites, CSL324 could prevent the destruction of healthy tissue in autoimmune disease. The therapy may present a new treatment option for inflammatory diseases of the skin, joints and lungs that can be debilitating and have serious quality-of-life consequences for the patients affected. The Phase I trial started in July 2016 and is exploring proof of biological concept with a particular focus on identifying effective therapeutic dosing.

CSL312

CSL312 binds to and inhibits the activity of Factor XIIa, a plasma protein which plays a role in inflammation and thrombosis. CSL312 is being studied for use in multiple indications, including Hereditary Angioedema (HAE) – a disorder characterised by recurrent and attacks of swelling that can affect the face, extremities, gastrointestinal tract and upper airways. HAE attacks involving the face or throat can result in airway closure, asphyxiation and, if untreated, death. CSL312 provides the possibility of subcutaneous administration once every two to three weeks instead of bi-weekly dosing using current treatments, improving the quality of life for patients. CSL has marketed its plasma derived replacement therapy for HAE (Berinert®) for over 30 years and in June 2017 we received US approval for HAEGARDA® – the first and only subcutaneous prophylactic therapy to treat HAE. With the recent approval of HAEGARDA® and the initiation of clinical trials in October 2016 using CSL312, we remain committed to innovative research and to developing advanced treatment options for people living with HAE.

Another potential application under investigation for CSL312 is the prevention of thrombosis – the process of blood clot formation - particularly on artificial surfaces such as cardiac implants. The inhibition of Factor XIIa can prevent clotting without increasing the risk of bleeding, and may prevent thrombosis in acute indications such as bypass surgery.

CSL346

CSL346 is an anti-VEGF-B monoclonal antibody that may be used to control glucose absorption in insulin-resistant patients with Type 2 diabetes by targeting fatty acid metabolism. Type 2 diabetes is one of the fastest growing chronic diseases, affecting more than 420 million people globally. CSL346 may also be beneficial for diabetic nephropathy; one of the most common kidney complications associated with Type 2 diabetes. Data published in February 2017 showed a reduction in the accumulation of lipid deposits within the kidney and moderation of the progression of kidney disease in mice treated with CSL346. These findings challenge the hypothesis that kidney diabetic disease is simply the result of chronic elevated blood glucose. The Phase I clinical trial due to start later this year will focus on proof of biological concept with a view to unlocking the full therapeutic potential of the molecule.

CSL's three new MAbs represent an exciting new generation of high-tech protein-based therapies in our Breakthrough Medicines pipeline and their development exemplifies our patient-centric commitment to work every day like a patient's life depends on it, because it does.

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Research and Development (R&D) Strategy

IMMUNOGLOBULINS

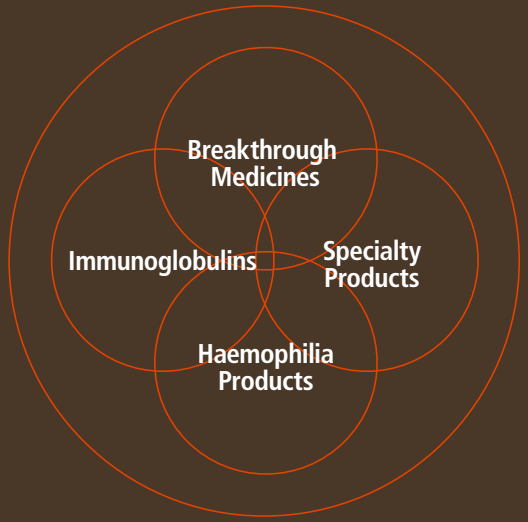
Products such as HIZENTRA® and PRIVIGEN®.

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

BREAKTHROUGH MEDICINES

Protein-based therapies such as anti G-CSFR (CSL346) and reconstituted High Density Lipoprotein (CSL112).

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



SPECIALTY PRODUCTS

For acquired and perioperative bleeding such as BERIPLEX® and RIASTAP®, and BERINERT®, CORIFACT® and ZEMAIRA®, for certain types of deficiencies.

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

HAEMOPHILIA PRODUCTS

Plasma-derived products such as HAEMATE P® and recombinant coagulation factors such as IDELVION® and AFSTYLA®.

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

Research and Development employs over 1,400 scientists globally.



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CSL's Global Research and Development Pipeline Achievements 2016-2017



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

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Supporting World-Class Discovery And Translational Research

Innovation is in our DNA at CSL, but without financial and scientific commitment to a dynamic R&D program, innovation would not be possible. The long-term sustainability of CSL requires a full R&D pipeline of high-quality prospective products. This is why CSL has invested US$2.6 billion in R&D over the last five years and why we support research teams all over the world. It is also the reason we are committed to identifying and supporting the best and brightest biomedical researchers.

As part of our Centenary celebrations in 2016, CEO Paul Perreault announced the establishment of the CSL Centenary Fellowship program which will run over the next ten years. This A$25 million program awards two, five-year A$1.25 million fellowships each year to early/mid-career Australian medical researchers, who are working on world-class discovery or translational research in the areas of rare and serious diseases, immunology and inflammation.

In October 2016, our two inaugural fellowships were awarded to Professor Geoff Faulkner from the Queensland Brain Institute and Associate Professor Steven Lane from Queensland Institute of Medical Research (QIMR) Berghofer.

PROFESSOR GEOFF FAULKNER

Geoff Faulkner is testing a bold idea— he thinks long-term memory might be stored in our brain's DNA. If he's right, it will revolutionise both our understanding of life's blueprint and how we manage diseases like schizophrenia and Alzheimer's.

During the course of his CSL Centenary Fellowship, Geoff will use single cell genomics, optogenetics, stem cells and genome editing to examine how and when during life these mobile DNA changes occur, whether they play a role in memory function, and whether they contribute to Alzheimer's disease.

The CSL Centenary Fellowship puts Geoff in the strongest position of his career to answer the fundamental question of how changes to DNA during life affect how the brain functions.

ASSOCIATE PROFESSOR STEVEN LANE

Leukaemia is one of the deadliest types of cancer. However, as Steven Lane knows, it's not just one type—it's hundreds of different types, each with its own genetic fingerprint.

As a recipient of the CSL Centenary Fellowship, Steven's research will focus on understanding why most patients with blood cancers relapse following chemotherapy. His team has developed new laboratory models which will be used to develop and test new treatments for leukaemia and prevention of relapse.

The CSL Centenary Fellowship will support Prof. Lane's efforts at tailoring treatments to individuals by identifying new drug pathways and exploring and repurposing existing drugs to target resistant leukemia types. Hopefully, with the support of CSL, he'll soon have better news to bring from his bench to the bedside.

The fellowship program provides a means to reaffirm CSL's commitment to nurturing the advancement of science and innovation that is so critical to our industry. This is our way of giving back to the medical science community and to patients worldwide who will benefit from innovative medicines yet be discovered.



Professor Geoff Faulkner and Associate Professor Steven Lane are recipients of CSL's inaugural Centenary Fellowships.

DIRECTORS



JOHN SHINE AC

BSc (Hons), PhD, DSc, FAA, FRCPA, FAHMS
Age 71
Pharmaceutical Industry and Medicine
(resident in New South Wales, Australia)
Independent: Yes

Chairman

Professor John Shine AC was appointed to the CSL Board in June 2006 and became Chairman in October 2011. He is Professor of Molecular Biology and Professor of Medicine at the University of NSW, and a Director of many scientific research and medical bodies throughout Australia. Professor Shine was Executive Director of the Garvan Institute of Medical Research from 1990 - 2012. He was also formerly President of the Museum of Applied Arts and Science (Powerhouse Museum and Sydney Observatory) and Chairman of the National Health and Medical Research Council and a Member of the Prime Minister's Science, Engineering and Innovation Council. Professor Shine was awarded the 2010 Prime Minister's Prize for Science and, in 2017, a Companion of the Order of Australia (AC).

Professor Shine is Chairman of the Nomination Committee and a Member of the Innovation and Development Committee.



PAUL PERREAULT

BA (Psychology)
Age 60

Chief Executive Officer and Managing Director

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



DAVID ANSTICE

BEc
Age 69
International Pharmaceutical Industry
(resident in Pennsylvania, US)
Independent: Yes

Mr David Anstice was appointed to the CSL Board in September 2008. He was a long-time Member of the Board of Directors and Executive Committee of the US Biotechnology Industry Organisation, and has over 45 years' experience in the global pharmaceutical industry. Until his retirement in August 2008, Mr Anstice was for many years a senior executive of Merck & Co., Inc., serving at various times as President of Human Health for US/Canada/ Latin America, Europe and Asia, and at retirement was an Executive Vice President. He is a Director of Alkermes Plc, Dublin, Ireland, and a Director of the United States Studies Centre at the University of Sydney.

Mr Anstice is Chairman of the Human Resources and Remuneration Committee, and a Member of the Innovation and Development Committee and the Nomination Committee.



BRUCE BROOK

BCom, BAcc, FCA, MAICD
Age 62
Finance and Management
(resident in Victoria, Australia)
Independent: Yes

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

Mr Brook is Chairman of the Audit and Risk Management Committee and a Member of the Nomination Committee.



MEGAN CLARK AC

BSc (Hons) PhD
Age 59
Science, Engineering and Management
(resident in Victoria, Australia)
Independent: Yes

Dr Megan Clark AC was appointed to the CSL Board in February 2016. She is currently a Director of Rio Tinto and Care Australia and a Member of the Australian advisory board of the Bank of America Merrill Lynch. Dr Clark was Chief Executive of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) from 2009 to 2014. Prior to CSIRO, she was a Director at NM Rothschild and Sons (Australia) and was Vice President Technology and subsequently Vice President Health, Safety and Environment at BHP Billiton from 2003 to 2008.

Dr Clark is a Member of the Human Resources and Remuneration Committee, the Innovation and Development Committee and the Nomination Committee.

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MARIE MCDONALD

BSc (Hons), LLB (Hons)
Age 61
Law
(resident in Victoria, Australia)
Independent: Yes

Ms Marie McDonald was appointed to the CSL Board in August 2013. For many years she has practised in company and commercial law and she was a partner of Ashurst (formerly Blake Dawson) until July 2014. Ms McDonald is currently a Director of Nanosonics Limited, The Walter and Eliza Hall Institute of Medical Research and Nufarm Limited. She was Chair of the Corporations Committee of the Business Law Section of the Law Council of Australia from 2012 to 2013, having previously been the Deputy Chair, and was also a Member of the Australian Takeovers Panel from 2001 to 2010.

Ms McDonald is a Member of the Audit and Risk Management Committee and the Nomination Committee.



CHRISTINE O'REILLY

BBus
Age 56
Finance and Infrastructure
(resident in Victoria, Australia)
Independent: Yes

Ms Christine O'Reilly was appointed to the CSL Board in February 2011. She is a Director of Transurban, Energy Australia, Medibank Private Limited and Baker Heart & Diabetes Institute. Ms O'Reilly has in excess of 30 years financial and operational business experience in domestic and off-shore organisations. During her executive career, she was Co-Head of Unlisted Infrastructure Investments at Colonial First State Global Asset Management and prior to that was the Chief Executive Officer of the GasNet Australia Group.

Ms O'Reilly is a Member of the Audit and Risk Management Committee, the Human Resources and Remuneration Committee, and the Nomination Committee.



MAURICE RENSHAW

BPharm
Age 70
International Pharmaceutical Industry
(resident in New South Wales, Australia)
Independent: Yes

Mr Maurice Renshaw was appointed to the CSL Board in July 2004. Formerly, he was Vice President of Pfizer Inc, USA, Executive Vice President, Pfizer Global Consumer Group and President of Pfizer's Global Consumer Healthcare Division. Prior to his positions in Pfizer, Mr Renshaw was Vice President of Warner Lambert Co. and President of Parke-Davis USA. He has had more than 35 years' experience in the global pharmaceutical industry with responsibility for R&D, Regulatory, Manufacturing, Finance, Marketing and General Management across Europe, the US and Asia including Japan and China.

Mr Renshaw is Chairman of the Innovation and Development Committee and a Member of the Nomination Committee.



TADATAKA 'TACHI' YAMADA KBE

MD, BA
Age 72
International Pharmaceutical Industry and Medicine
(resident in Washington, US)
Independent: Yes

Dr Tadataka Yamada was appointed to the CSL Board in September 2016. He is presently a Venture Partner at Frazier Healthcare Partners, a leading provider of growth capital to healthcare companies, a position that he has held since 2015. Prior to this, he was the Chief Medical and Scientific Officer at Takeda Pharmaceuticals, as well as a Member of the Board. Prior to Takeda, Dr Yamada was President of the Bill & Melinda Gates Foundation Global Health Program and prior to that was Chairman of Research and Development at GlaxoSmithKline. He currently serves as a Director of Agilent Technologies, Inc. and the Clinton Health Access Initiative and a Member of the Council of the National Academy of Medicine. Dr Yamada is also a Fellow of the Imperial College of Medicine, a Master of the American College of Physicians, a Fellow of the Royal College of Physicians.

Dr Yamada is a Member of the Innovation and Development Committee and the Nomination Committee.



ED BAILEY

LLB, BCom, FGIA
Age 51

Company Secretary

GLOBAL LEADERSHIP GROUP



PAUL PERREAULT

BA (Psychology)
Age 60

Chief Executive Officer and Managing Director

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



DAVID LAMONT

BCom, ACA
Age 52

Chief Financial Officer

David was appointed as Chief Financial Officer in January 2016. As Chief Financial Officer, he is responsible for managing the financial aspects of CSL's strategy which includes financial planning and reporting, capital management, tax, treasury and investor relations. Immediately prior to joining CSL, he was the Chief Financial Officer and an Executive Director at MMG since 2010. Prior to this, David served as CFO for several leading multi-national public companies across a range of industries since 1999 – including MMG Limited, Oz Minerals Limited, PaperlinX Limited, BHP Billiton's energy & coal and carbon steel materials divisions, and Incitec Pivot Limited. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants (Australia).



GORDON NAYLOR

BEng (Hons), DipCompSc, MBA, CPA
Age 54

President, Seqirus

Gordon joined CSL in 1987 and has held many operational and corporate roles in different parts of the CSL Group. He was appointed Chief Financial Officer in 2010. In April 2015, Gordon was appointed to a new position as President of CSL's global influenza business. Previously, Gordon was based in the US and responsible for CSL Behring's global supply chain, the supply of plasma for CSL Behring and CSL's global information systems.



ANDREW CUTHBERTSON AO

BMedSci, MBBS, PhD, FTSE, FAHMS
Age 62

Chief Scientific Officer and R&D Director

Andrew was appointed as Chief Scientific Officer and R&D Director in 2000. He is responsible for CSL's global Research and Development operations. Andrew joined CSL in 1997 as Director of Research. He trained in medicine and science at the University of Melbourne, the Walter and Eliza Hall Institute, the Howard Florey Institute and the National Institutes of Health in the US. Andrew was then a Senior Scientist at Genentech, Inc. in San Francisco. In 2016, Andrew was made an Officer of the Order of Australia (AO) and appointed Enterprise Professor at the University of Melbourne.



GREG BOSS

JD, BS (Hons)
Age 56

Executive Vice President, Legal and CSL Group General Counsel

Greg was appointed Group General Counsel in 2009 and is responsible for worldwide legal operations for all CSL Group companies. He joined CSL in 2001, serving as General Counsel for what became the CSL Behring business. In addition to his legal role, Greg is also responsible for overseeing Risk Management and Compliance for the Group as well as global Communications and Public Affairs. Prior to joining CSL, Greg was Vice President and Senior Counsel for CB Richard Ellis International, after working ten years in private legal practice. In 2016, Greg received the World Recognition of Distinguished General Counsel from the Directors Roundtable.

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KAREN ETCHBERGER

PhD
Age 59

Executive Vice President, Quality and Business Services

Karen was appointed as Executive Vice President, Quality and Business Services in April 2013 with responsibility for quality, information, technology, logistics, sourcing, enterprise excellence and environment, health and safety. Prior to that, she was Executive Vice President, Plasma, Supply Chain and Information Technology. Karen joined CSL as a Product Manager at JRH Biosciences in 1991 and progressed through a number of positions in technical services, quality management and research and development. Prior to joining CSL, she was Director of Developmental Research at Endotech Corporation.



BOB REPELLA

BSc (Pharmacy), MBA
Age 58

Executive Vice President, Global Commercial Operations

Bob was appointed as Executive Vice President, Global Commercial Operations in July 2014 with responsibility for a variety of global functions including sales, marketing, commercial development, medical affairs and public policy. Prior to joining CSL, he held senior management roles at a number of pharmaceutical companies including Cephalon and Wyeth. Bob has over 30 years of commercial experience including biotech and specialty markets.



LAURIE REED

BS (Finance), MS (Organizational Development)
Age 53

Senior Vice President, Human Resources

Laurie was appointed as Senior Vice President, Human Resources in March 2014 and is responsible for leading Human Resources (HR) practices and objectives that focus on talent development, reward systems, culture development and an employee oriented, high performance culture at the CSL Group of Companies. She previously served as the Head of Human Resources for CSL Behring. Laurie has more than 20 years of HR experience in both the regional banking industry in the US as well as in the pharmaceutical industry globally.



VAL ROMBERG

BSc (Chemistry)
Age 59

Executive Vice President, Manufacturing and Planning

Val was appointed as Executive Vice President Manufacturing and Planning in January 2015. In 1998 he joined Centeon, a predecessor company of CSL Behring, and has held a broad range of management and R&D positions in the US and Switzerland. During his R&D tenure, CSL Behring had more than 25 product or indication approvals in the US, Europe and Japan. Prior to his current position, Val was Senior Vice President, Global Plasma R&D.



ALAN WILLS

BA (Zoology), MBA
Age 53

Senior Vice President, Strategy and Business Development

Alan was appointed as Senior Vice President, Strategy and Business Development in February 2015. He is responsible for strategy, portfolio management and business development activities at CSL Behring. Prior to joining CSL, Alan was Executive Vice President, Corporate Development at Auxilium Pharmaceuticals. He was previously head of corporate strategy for Bristol- Myers Squibb and Pfizer, and has worked in strategy and business development roles at United Healthcare and Stanford Medical Center. Alan began his career with the Boston Consulting Group.

SHARE INFORMATION

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CSL LIMITED

Issued Capital Ordinary Shares: 453,454,237 as at 30 June 2017

DETAILS OF INCORPORATION

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

The CSL Sale Act 1993 (Cth) amends the CSL Act to impose certain restrictions on the voting rights of persons having significant foreign shareholdings, and certain restrictions on CSL itself. CSL ordinary shares have been traded on the Australian Securities Exchange (ASX) since 30 May 1994. Melbourne is the Home Exchange.

In June 2014, CSL commenced a sponsored Level 1 American Depository Receipts (ADR) program with the Bank of New York Mellon. The sponsored ADR program replaced the unsponsored ADR programs that have previously operated with CSL's involvement.

The ADR are tradeable via licensed US brokers in the ordinary course of trading in the Over-The-Counter (OTC) market in the US. Particulars for the sponsored ADR program are: US Exchange – OTC and DR Ticker Symbol – CSLLY.

VOTING RIGHTS

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

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, Commonwealth Bank of Australia and its subsidiaries and BlackRock Inc and its subsidiaries were substantial shareholders in CSL.

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 JUNE 2017

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	115,731	32,326,917	7.13
1,001 - 5,000	23,511	54,316,981	11.98
5,001 - 10,000	3,895	26,810,184	5.91
10,001 - 100,000	1,655	29,768,495	6.56
100,001 and over	68	310,231,660	68.42
Total shareholders and shares on issue	**144,860**	**453,454,237**	**100.00**

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum A$500.00 parcel at A$138.03 per unit	4	447	635

SHAREHOLDER INFORMATION

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Share Registry for CSL is overseen by Computershare. Shareholders with enquiries should go to www.investorcentre.com where most common questions can be answered by virtual agent "Penny". There is an option to contact the Share Registry by email if the virtual agent cannot provide the answer. Alternatively, shareholders may telephone or write to the Share Registry at the below address.

Separate shareholdings may be consolidated by advising the Share Registry in writing or by completing a Request to Consolidate Holdings form which can be found online at *www.investorcentre.com*.

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

Direct payment of dividends into a nominated account is mandatory for shareholders with a registered address in Australia or New Zealand. All shareholders are encouraged to use this option by providing a payment instruction online via the Investor Centre at *www.investorcentre.com* or by obtaining a direct credit form from the Share Registry or by advising the Share Registry in writing with particulars.

CSL now offers shareholders the opportunity to receive dividend payments in US dollars by direct credit to a US bank account. Shareholders who wish to avail themselves of this payment option for the 2017 final dividend payment must provide their valid US bank account details to the Share Registry by the dividend record date of 13 September 2017.

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

The Annual General Meeting will be held at the Function Centre, National Tennis Centre, Melbourne Park, Batman Avenue, Melbourne at 10:00am AEDT on Wednesday 18 October 2017. There is a public car park adjacent to the Function Centre which will be available to shareholders at no charge.

SHARE REGISTRY

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

Postal Address:
GPO Box 2975 Melbourne VIC 3001

Enquiries within Australia:
1800 646 882

Enquiries outside Australia:
+61 3 9415 4178

Investor enquiries online:
www.investorcentre.com/contact

Website:
www.investorcentre.com

SHAREHOLDERS AS AT 30 JUNE 2017

	Shareholders	Shares
Australian Capital Territory	2,290	2,204,876
New South Wales	42,424	224,368,965
Northern Territory	325	277,945
Queensland	16,686	15,340,557
South Australia	7,269	9,141,871
Tasmania	1,590	1,468,655
Victoria	45,214	183,348,202
Western Australia	21,477	11,603,134
International Shareholders	7,585	5,700,032
Total shareholders and shares on issue	**144,860**	**453,454,237**

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CSL'S TWENTY LARGEST SHAREHOLDERS AS AT 30 JUNE 2017

	Shareholder	Shares	% Total Shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	156,300,435	34.47
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	69,781,224	15.39
3	CITICORP NOMINEES PTY LIMITED	24,471,413	5.40
4	NATIONAL NOMINEES LIMITED	15,462,035	3.41
5	BNP PARIBAS NOMINEESS PTY LTD	8,354,564	1.84
6	BNP PARIBAS NOMS PTY LTD	6,889,846	1.52
7	CITICORP NOMINEES PTY LIMITED	4,124,235	0.91
8	HSBC CUSTODY NOMINEES (AUSTRALIAI) LIMITED	1,958,432	0.43
9	AMP LIFE LIMITED	1,801,525	0.40
10	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,590,000	0.35
11	MUTUAL TRUST PTY LTD	1,191,010	0.26
12	NATIONAL NOMINEES LIMITED	1,184,419	0.26
13	CUSTODIAL SERVICES LIMITED	1,161,442	0.26
14	ARGO INVESTMENTS LIMITED	1,113,370	0.25
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	871,849	0.19
16	D W S NOMINEES PTY LTD	793,090	0.17
17	NAVIGATOR AUSTRALIA LTD	715,813	0.16
18	NETWEALTH INVESTMENTS LIMITED	639,022	0.14
19	MILTON CORPORATION LIMITED	592,198	0.13
20	DIVERSIFIED UNITED INVESTMENT LTD	565,000	0.12

Top 20 holders of ordinary fully paid shares	**299,560,922**	**66.06**
Remaining holders balance	**153,893,315**	**33.94**
Total shares on issue	**453,454,237**	**100.00**

In addition, as at 30 June 2017, a substantial shareholder notice has been received from:

Commonwealth Bank of Australia and its subsidiaries and BlackRock Inc and its subsidiaries.

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CORPORATE GOVERNANCE

This statement outlines CSL's principal corporate governance practices in place during the financial year ended 30 June 2017. This statement has been approved by the Board. Copies of all governance documents referred to in this statement can be found in the 'Corporate Governance' section of CSL's website at *www.csl.com.au/about/governance.htm*.

The Board and management maintain high standards of corporate governance as part of their commitment to maximise shareholder value through effective strategic planning, risk management, transparency and corporate responsibility.

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

Throughout the year ended 30 June 2017, the Board believes that CSL's corporate governance practices have complied with the recommendations contained in the 3rd edition of the ASX Corporate Governance Council's '*Corporate Governance Principles and Recommendations*', released in March 2014 (the *ASX Corporate Governance Principles and Recommendations*). The following table indicates where they are dealt with in this statement.

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS	SECTION REFERENCE IN THIS STATEMENT
Principle 1 – Lay solid foundations for management and oversight	1, 2
Principle 2 – Structure the Board to add value	1, 4
Principle 3 – Act ethically and responsibly	3
Principle 4 – Safeguard integrity in corporate reporting	4, 5
Principle 5 – Make timely and balanced disclosure	4, 6
Principle 6 – Respect the rights of security holders	6
Principle 7 – Recognise and manage risk	4, 5
Principle 8 – Remunerate fairly and responsibly	4, 7

1. THE BOARD OF DIRECTORS

Relevant governance documents:

- Board Charter
- Nomination Committee Charter

1.1 Role of the Board

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

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

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

In addition, the Board has delegated specific authority to five Board Committees that assist it in discharging its responsibilities by examining various issues and making recommendations to the Board. A description of each committee and their responsibilities from time to time is set out in section 4 of this statement. The Board also delegates specific responsibilities to ad hoc committees from time to time.

CSL has entered into a written agreement with each director and senior executive setting out the terms of their appointment, including their respective roles and responsibilities.

The Company Secretary is responsible to the Board for ensuring that Board and committee procedures are complied with and advising the Board and its committees on governance matters. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. All directors have access to the Company Secretary for advice and services. The Board approves any appointment or removal of the Company Secretary.

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

Details of Board meetings held during the year and individual directors' attendance at these meetings can be found on page 52 of the Directors' Report attached to the financial report.

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1.2 Board Composition

Throughout the year there were between nine and ten directors on the Board. Each director, their length of service and their status as an independent or non-independent director is set out below.

1.3 Director Independence

The Board considers that an independent director is a director who is independent of management and free of any interest, position, association or relationship that could, or could reasonably be perceived to, materially interfere with the exercise of their unfettered and independent judgement.

Information about any such interests or relationships, including any related financial or other details, is assessed by the Board to determine whether the interest, position, association or relationship could, or could reasonably be perceived to, materially interfere with the exercise of a director's unfettered and independent judgement. As part of this process, the Board takes into account each of the factors relevant to assessing the independence of a director set out in the ASX Corporate Governance Principles and Recommendations, and other facts, information and circumstances that the Board considers relevant.

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

The Board Charter sets guidelines as to the desired length of service of non-executive directors. However, fixed tenure limits for non-executive directors have not been set. Tenure remains a matter for the Board's discretion on a case-by-case basis.

The Board assesses the independence of new directors upon appointment, and also makes an annual assessment of each non-executive director to determine whether it considers the director to be independent.

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

The Chairman of the Board, Professor John Shine AC, is an independent, non-executive director. The responsibilities of the Chairman are described in the Board Charter. The roles of the Chairman and the Managing Director are exercised by separate individuals.

DIRECTOR	LENGTH OF SERVICE (AS AT 30 JUNE 2017)	INDEPENDENT/NON-INDEPENDENT
Professor John Shine AC	11 years	Independent, non-executive director
Mr Paul Perreault	4 years, 5 months	Non-independent, executive director
Mr David Anstice	8 years, 9 months	Independent, non-executive director
Mr Bruce Brook	5 years, 10 months	Independent, non-executive director
Dr Megan Clark AC	1 years, 5 months	Independent, non-executive director
Ms Marie McDonald	3 years, 10 months	Independent, non-executive director
Ms Christine O'Reilly	6 years, 5 months	Independent, non-executive director
Mr Maurice Renshaw	12 years, 11 months	Independent, non-executive director
Dr Tadataka Yamada KBE	0 years, 9 months	Independent, non-executive director

Mr John Akehurst retired as a director at the conclusion of the 2016 Annual General Meeting.

The relevant skills, expertise, qualifications and experience of each of the directors are set out in the directors' profiles on pages 32 and 33 of this Report.

1.4 Nomination and Appointment of Directors

One new director, Dr Tadataka Yamada KBE, was appointed to the Board during the financial year. One director, Mr John Akehurst, retired from the Board during the financial year. Dr Megan Clark AC and Dr Tadataka Yamada KBE were elected as directors, and Ms Marie McDonald was re-elected as a director, at the 2016 Annual General Meeting.

Prior to the expiry of a director's current term of office, the Board reviews that director's performance.

In addition, before a director is nominated for election or re-election, it is CSL's policy to ask directors to acknowledge to the Board that they have sufficient time to meet CSL's expectations of them. The Board requires that all of its members devote the time necessary to ensure that their contribution to CSL is of the highest possible quality. The Board Charter sets out procedures relating to the removal of a director whose contribution is found not to be effective.

In the case of long-serving non-executive Directors who are standing for re-election at an AGM but who intend to retire from the Board within their next term, this intention to retire will be clearly disclosed in the AGM notice of meeting.

Before a person is appointed as a director, or put forward to shareholders as a candidate for election as a director, CSL undertakes appropriate checks in respect of that person, which include checks as to the person's character, experience, education, criminal record and bankruptcy history.

CSL provides its shareholders with all material information (that is in CSL's possession) relevant to a decision on whether or not to elect or re-elect a director (including any material adverse information revealed by the above checks).

1.5 Induction of New Directors and Ongoing Development

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

- CSL's financial, strategic, operational and risk management position;
- the culture and values of CSL;
- the rights, duties and responsibilities of the directors;
- the roles and responsibilities of senior executives;
- the role of the Board committees;
- meeting arrangements; and
- director interaction with each other, senior executives and other stakeholders.

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In addition to the briefing papers, agenda and related information regularly supplied to directors, the Board has an ongoing professional development and education program designed to give directors further insight into the operation of CSL's business, and to provide opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively. The program includes education on key developments in respect of CSL and the industry and environment within which it operates. As part of this program, directors have the opportunity to visit CSL's facilities, including all major operating sites in the US, Europe and Australia, and to attend meetings and information sessions with CSL's local management and employees.

1.6 Knowledge, Skills and Experience

The Board is looking to maintain an appropriate mix of skills and diversity in the membership of the Board. This includes diversity of skills, experience and background in the pharmaceutical industry, international business, finance and accounting and management, as well as gender diversity.

The following Board skills matrix describes the combined capabilities of the Board across a range of general and specialist areas. The Board considers that collectively the directors have the appropriate range of skills and experience necessary to direct CSL's businesses and achieve CSL's strategic objectives.

BOARD CAPABILITY MATRIX	BOARD REPRESENTATION
General Experience	
Managing and Leading Success in business at a senior level in a successful career.	9
Global Experience Senior executive or similar exposure to a range of political, cultural, regulatory and business environments.	9
Business/Commercial Senior executive or similar experience in business/commerce in a large business enterprise.	9
Strategy Track record of developing and implementing successful strategies.	9
Governance Commitment to high standards of governance, including experience with a large business enterprise which is subject to rigorous governance standards.	9
Specialist Experience	
Industry-specific knowledge Senior executive experience in a large biopharmaceutical, pharmaceutical or medical organisation.	5
Finance/Legal/Risk management Board audit/risk management membership or senior executive or similar experience in financial accounting and reporting, corporate finance, internal financial controls or the provision of legal services to large business enterprises.	7
Marketing Senior executive experience in marketing and a detailed understanding of the Group's corporate objective to create long-term value through the provision of innovative products.	5
Capital Projects Experience in an industry with projects involving large-scale capital outlays and long term investment horizons.	8
Health, Safety & Environment Experience related to workplace health, safety, environment and social responsibility within a large business enterprise.	8
Remuneration Board remuneration committee membership or senior executive or similar experience relating to remuneration, including incentive programs.	8
Government Affairs Experience in liaising with government and experience with public and regulatory policy.	8
R&D/Product Development Experience in research and development or product development with a large biopharmaceutical, pharmaceutical or medical organisation.	6
Manufacturing/Quality Experience in manufacturing or quality operations with a large biopharmaceutical, pharmaceutical or medical organisation.	5

2 DIVERSITY

Relevant governance documents:

- Diversity Policy
- Code of Responsible Business Practice

2.1 Diversity at CSL

CSL promotes an inclusive culture that contributes to CSL's growth and performance by harnessing the capabilities and experiences of a diverse workforce. Our focus on diversity and inclusion respects our people and benefits the business and stakeholders we serve around the world. A skilled and diverse workforce positions us well to compete on a global scale, attract and retain top talent, drive innovation and make better decisions.

CSL's Group Values (as defined in section 3.1 below) guide our culture and demonstrate the emphasis CSL places on ensuring employees are treated with fairness. We view diversity through a broad array of differences in people, including across attributes of gender, nationality, ethnicity, disability, sexual orientation, generation/age, socioeconomic status, professional and educational background, global and cultural experience.

CSL has a global diversity policy and is building a global diversity platform, which is integral to our enterprise-wide talent and culture strategies. We support an inclusive work environment where our people have equitable access to career opportunities, training and benefits.

2.2 Gender Diversity at CSL

CSL continues its strong commitment to advancing women in the workplace. The respective proportions of women and men on the Board, in senior executive positions (Senior Director and above), other management roles and across the whole organisation as of 30 June 2017 are set out below:

The Board and executive team monitors the percentage of females in the workforce with a particular focus on senior executive positions. We are pleased to report that we have once again achieved our target percentages for female representation in leadership, which is 30% for senior executive positions and 40% for other people management positions.

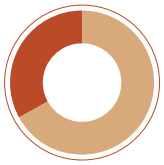
As a 'relevant employer' and as required by the *Workplace Gender Equality Act 2012*, CSL lodged its most recent 'Gender Equality Indicators' (as defined in and published under that Act), which can be accessed through the WGEA website.

2.3 Report on measurable objectives for 2016 – 2017

In accordance with ASX guidelines and CSL's Diversity Policy, on an annual basis the Board sets and reports on measurable diversity objectives for achieving, among other things, gender diversity.

In CSL's 2016 Annual Report, CSL announced three measurable objectives for achieving diversity to be undertaken in the 2016-2017 financial year. We are pleased to report that all objectives were met:

BOARD



- Male **67%**
- Female **33%**

SENIOR EXECUTIVE



- Male **68%**
- Female **32%**

MANAGEMENT



- Male **59%**
- Female **41%**

EMPLOYEES



- Male **44%**
- Female **56%**

** The above data is current as of 30 June 2017.*

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	OBJECTIVE	RESULTS ACHIEVED
1	**Ensuring a diverse pool of candidates for open roles:** An inclusive culture requires that hiring practices surface the best and brightest talent. In 2016-2017, CSL will broaden its commitment to ensuring we are accessing the best and brightest talent in the market without bias. Hiring managers must ensure a representative candidate pool of diverse and qualified candidates for review for all Senior Director level and above positions, to ensure there is no gender, age, race or other unconscious bias in the selection process.	Our company growth will be stronger if we hire qualified, diverse talent. Therefore, we consider it critical that we attract and select people from a diverse pool of candidates and minimise bias in the hiring process. In the 2016-2017 financial year, we measured our successful achievement of this objective through the outcomes below: • We nurtured relationships with women's professional associations and utilised those networks as a source of diverse candidates. These organisations include NAWO (National Association of Women in Operations/AUS), SWE (Society of Women Engineers/US) and HBA (Healthcare Businesswomen's Association/SU & EU). • We ensured diverse talent was represented in the interview process, resulting in 33% of our Senior Director and above hires being female. This figure is aligned with global benchmarks in our major geographies including those provided on the WGEA website (Workplace Gender Equality Act). • We staffed a Global Talent Acquisition team with twenty-four people possessing expertise in recruiting. The team is supporting new training to assist managers to effectively hire people in an unbiased way. The Kankakee and Bern management teams have participated in the first round of interview training, which is continuing throughout the 2017-2018 financial year.
2	**Supporting Science Education for Women:** CSL is committed to enhancing students' knowledge of careers in science, manufacturing and biomedicine as a way to increase graduates in these educational specialties. CSL will engage students prior to meaningful milestones in their education to encourage them to choose careers focused in science, manufacturing and biomedicine. This will be accomplished by identifying local secondary schools in all major markets for CSL (Australia, Germany, Switzerland, UK and US) and partnering with those schools to bring students on-site at CSL locations and participate in programs where the students can experience the types of jobs available within science, manufacturing and biomedicine. Each major market will hold at least two of these programs. We will measure the impact of these programs by targeting specific programs at chosen locations and attendee response ratings.	Our relationships with schools at both the secondary and university levels and professional diversity organisations are important to CSL's global talent strategies. We met our goal of holding at least two programs in each of our major geographies. Noteworthy accomplishments in meeting this objective fostering women's entry into STEM (science, technology, engineering, math) careers include: • In Europe, we continued management of long-held relationships with schools with whom we engage in apprentice hiring and training. In the 2017 financial year this resulted in the hiring of over 25 apprentices in our manufacturing sites in Germany and Switzerland. • At our Bern, Switzerland site we expanded our educational programs at secondary schools to introduce students to STEM careers. This included "Lunch talks" at the University of Bern to build CSL's reputation as an attractive employer. At our Marburg, Germany site we sponsor Federal Girls Day to generate interest in STEM and traditional male careers. • In Australia, we expanded CSL's Australian Graduate Program to provide a diversity of university students the opportunity to explore a wide range of positions at CSL and begin a career with the company. In addition, CSL has continued its solid relationship with the University of Melbourne that includes several female professors who are active in the Women in Science community. At our Parkville site, we have continued our membership with the NAWO (National Association of Women in Operations), including our program to educate and attract early-career, female professionals. • In the US, our focus has been on attending career fairs to support student hiring into engineering roles in King of Prussia and Kankakee, including a manufacturing engineering focused program at the Pennsylvania State University, a university respected globally for its engineering program. In addition, our CSL Plasma organisation sponsored L&N STEM Academy in Knoxville, Tennessee to educate students and also held CSL Plasma career events with several US women's colleges designed to introduce university students to jobs in science and engineering at CSL Plasma.
3	**Improve Selected Diversity Measures chosen from Employee Opinion Survey:** The mindsets, behaviours and decisions of leadership significantly impact the extent to which CSL achieves its strategic and financial objectives. CSL's culture is based on its Core Values and requires protection and advancement through steadfast focus from senior executives as we hire and promote new leaders. This focus requires ensuring that our workforce is diverse in terms of gender, age, ethnicity, socio-economic status, sexual orientation, profession and education. For 2016-2017, CSL will strengthen its culture by defining the leadership mindsets and behaviours that are central to a values-based culture where diverse people and perspectives are important. We will measure the effectiveness of our culture through our Employee Opinion Survey and create team-based action plans to address continuous improvement opportunities.	CSL's newly designed employee feedback survey strategy was administered in April/May 2017. It provided actionable workforce insights regarding: • How we are doing against our strategy to 'create a culture that attracts, retains and develops best talent'. • Employee understanding and receptivity to company-wide culture priorities. • Employee engagement relative to global benchmarks. The results of the survey found that CSL's employee engagement index is one point above IBM's global norm. The solid engagement scores are underpinned by strong responses to the questions regarding pride in working for CSL and belief that we have a motivating vision and strategy for the future.

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2.4 Measurable objectives supporting gender diversity for 2017 – 2018

To comply with ASX diversity guidelines, the Board, or a relevant committee of the Board, is required to set measurable objectives for achieving gender diversity and to assess annually both the objectives and CSL's progress in achieving them. The Board, with senior management's support, has set the following objectives for the financial year commencing 1 July 2017.

	OBJECTIVE TOPIC	OBJECTIVE DESCRIPTION AND MEASURES
1	**Advancing women's education and opportunities in STEM careers**	As CSL's talent demands continue to increase, we recognise the challenges associated with hiring female STEM (science, technology, engineering, and math) talent given the competitive hiring environment. The demand for talent in this area exceeds the supply of talent in our major geographies, leading to a dearth of talent available to CSL and other organisations. To bolster our early career talent supply, advance our diversity objectives and support corporate social responsibility outcomes, we are committed to: • Identifying female talent pools in secondary schools*, colleges and universities; commencing/maturing at least two strategic recruiting relationships in all of CSL's major markets (Australia, Switzerland, Germany, US and UK). • Continuing (or developing) relationships with these schools and/or colleges and universities to align educational curriculum to industry needs and build a pipeline of early career female talent potentially available to be recruited to CSL. • Hosting programs and career fairs to market CSL and source this talent pool. • Measuring our results through: ◦ Hiring of STEM talent with 50% or better female representation. ◦ 80% or better satisfaction on surveys that assess our effectiveness in building secondary school and/or college and university relationships, and making CSL an attractive career option to students. ◦ Receiving external recognition in at least two of CSL's major markets for CSL's women's science education investments. *Secondary Education refers to structured education that concludes after 12 or 13 years of formal education on or about age 18–19.
2	**Increasing diversity in senior leadership (Senior Director and above) through talent acquisition and development strategies**	Diversity in our leader population results in several benefits for CSL. It is a key factor in strengthening our inclusive culture and mentoring the next generation of diverse talent. We continue our strong commitment to having a diverse leadership team and building a strong culture by: • Reviewing and updating CSL's Diversity Policy to ensure alignment to culture outcomes being driven by executive and senior management. • Expanding partnerships with organisations across the globe who help us 'get-to-know' a broader array of potential candidates representing different ethnicities, genders, people with disabilities, veterans, refugees, LGBT, etc. • Selecting external talent from diverse and qualified candidate pools. • Training hiring managers in effective, unbiased talent selection processes. • Developing diverse leadership talent through high potential and key talent mentoring programs and targeted development plans. • Measuring our performance through: ◦ Senior Director and above diverse interview slates, diverse hires and retention metrics. ◦ Adherence to compliance responsibilities (e.g. WGEA, EEOC) and developing two strategic relationships with global groups that support women in leadership and people with disabilities. ◦ Launch of high potential leadership development and mentoring program for women with highly satisfactory participant feedback. ◦ Completion of the first diversity annual report to share with the CSL organisation, which will highlight our accomplishments and ongoing commitment to diversity in the workplace.
3	**Building an attractive, inclusive culture where employees with diverse backgrounds are engaged and retained**	An inclusive culture enables CSL to harness the power of difference to drive desired business results. CSL's culture has supported our performance; however, we recognise that competitors are evolving and we must compete more aggressively for key talent in a tight, global labour market. We attract and retain diverse talent by fostering an inclusive culture where their contributions and ideas matter. Key actions and measures include: • Re-energising the company around CSL Group Values to drive desired behaviours and respect in the workplace and aligning a global recognition program to this work. • Communicating and encouraging employee use of workplace flexibility opportunities. • Measuring employee engagement and cultural progress through: ◦ Launch of Employee Feedback Survey (target 70th percentile or higher in 80% of relevant, globally benchmarked measures). ◦ Leadership 360 degree survey to provide feedback and development regarding behaviours and leader impact on a values-based, diverse and inclusive culture. ◦ Identification of a global recognition platform that will allow managers and employees to provide recognition easily and in alignment with our culture strategy. Implementation of chosen program to be completed in the 2018–2019 financial year.

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3 CORPORATE RESPONSIBILITY

Relevant governance documents:

- Code of Responsible Business Practice
- Anti-Bribery and Anti-Corruption Policy
- Statement on the Prevention of Human Trafficking, Slavery and Forced Labour

CSL's approach to Corporate Responsibility is guided by the CSL group values, the Code of Responsible Business Practice (the ***Code***) and related policies.

3.1 Group Values

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

3.2 Code of Responsible Business Practice

CSL first established a Code in December 2008, with the current version of the Code being adopted by the Board to take effect from 1 July 2017. Based upon the Group Values and other guiding principles, the Code outlines CSL's commitment to responsible business practices and ethical standards. The Code sets out the rights and obligations that all directors, senior executives and employees have in the conduct of CSL's business, including in relation to business integrity, safety and quality of products and maintaining a safe and fair workplace. CSL also expects that its contractors and suppliers will observe the principles set out in the Code.

The Code has been distributed to all directors, senior executives and employees and a revised training program will be implemented across the CSL Group.

3.3 Modern Slavery

In the financial year ended 30 June 2016, the Board approved CSL's first Statement on the Prevention of Human Trafficking, Slavery and Forced Labour. The Statement details the steps the CSL Group is currently undertaking to address and prevent modern slavery.

3.4 Serious Complaints Policy

In accordance with the Code, CSL is committed to ensuring that employees, contractors, suppliers and partners are able to raise concerns regarding any illegal conduct or malpractice and to have such concerns properly investigated. This commitment is implemented through CSL's internal Serious Complaints (or Whistleblower) Policy, which sets out the mechanism (which includes a global telephone and internet hotline service) by which employees, contractors, suppliers and partners can confidently, and anonymously if they wish, voice such concerns in a responsible manner without being subject to victimisation, harassment or discriminatory treatment.

3.5 Anti-Bribery and Anti-Corruption

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

CSL has established training programs for relevant employees across the CSL Group to raise awareness of CSL's 'zero tolerance' approach to bribery and corrupt business practices at any level within CSL's global operations.

4 OPERATION OF THE BOARD

Relevant governance documents:

- Board Charter
- Nomination Committee Charter
- Audit and Risk Management Committee Charter
- Human Resources and Remuneration Committee Charter
- Innovation and Development Committee Charter
- Securities and Market Disclosure Committee Charter

4.1 Board Committees

As described above, CSL has established five Board committees, being:

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

Each Committee is governed by a formal Charter setting out its composition, functions and responsibilities. Each Committee's Charter is approved by the Board.

Details of each Committee meeting held during the year and individual directors' attendance at these meetings can be found on page 52 of the Directors' Report attached to the financial report.

A high level description of each committee and their responsibilities is set out following.

COMMITTEE	MEMBERS	COMPOSITION	KEY RESPONSIBILITIES
Nomination Committee	Prof John Shine (Chair) Mr David Anstice Mr Bruce Brook Dr Megan Clark Ms Marie McDonald Ms Christine O'Reilly Mr Maurice Renshaw Dr Tadataka Yamada	• All of the independent, non-executive directors. • Chaired by Board Chairman. • In the absence of Board Chairman, chaired by another independent, non-executive director elected by the members present.	• Reviewing the membership of the Board and ensuring appropriate mix of skills, experience, expertise and diversity to enable the Board to oversee the delivery of CSL's objectives and strategy. • Reviewing the membership of Board Committees. • Conducting annual performance reviews of the Board, individual directors and Board Committees. • Settling and following the procedure for the selection of new directors for nomination.
Audit and Risk Management Committee	Mr Bruce Brook (Chair) Ms Marie McDonald Ms Christine O'Reilly	• Between three to five directors, all of whom are non-executive directors, and one of whom should have financial expertise. • Majority of members will be independent directors. • An independent Chair who is not Chair of the Board. • In the absence of Committee Chair, chaired by another independent, non-executive director elected by the members present.	• Overseeing and reviewing CSL's financial and risk management systems, compliance systems and internal control framework (as set out in CSL's Risk Framework). • Overseeing CSL's system of financial reporting with a view to safeguarding its integrity. • Monitoring the activities and effectiveness of both internal and external audit functions. • Reviewing CSL's global health, safety and environmental performance.
Human Resources and Remuneration Committee	Mr David Anstice (Chair) Dr Megan Clark Ms Christine O'Reilly	• At least three non-executive directors. • Members will be independent directors. • Chaired by an independent director. • In the absence of Committee Chair, chaired by another independent, non-executive director elected by the members present.	• Assisting the Board in fulfilling its responsibilities with respect to human resources and remuneration matters. • Overseeing the establishment of and regular review of CSL's diversity policy. • Reviewing and recommending to the board the design of any share, performance option, performance rights, retention and deferred cash incentive plans including performance measures and any amendments to such schemes or plans.
Innovation and Development Committee	Mr Maurice Renshaw (Chair) Prof John Shine Mr Paul Perreault Dr Megan Clark Mr David Anstice Dr Tadataka Yamada	• At least three directors, being at least two non-executive directors and the Managing Director. • Chaired by an independent, non-executive director. • In the absence of Committee Chair, chaired by another independent, non-executive director elected by the members present. • CSL's Chief Scientific Officer is a required attendee of committee meetings.	• Overseeing CSL's technology, research and product development opportunities. • Ensuring relevant investments are undertaken in ways that are most likely to create long term value for shareholders. • Monitoring the strategic direction of CSL's technology, research and product development programs. • Providing guidance on issues and priorities, additions to the research and development pipeline and significant development milestones. • Overseeing the management of risk associated with the research and development projects.
Securities and Market Disclosure Committee	Professor John Shine (Chair) Mr Paul Perreault	• A minimum of any two directors, one of whom must be an independent director. • Chaired by Board Chairman. • In the absence of Board Chairman, chaired by another non-executive director elected by the non-executive directors present.	• Assists CSL in complying with reporting and disclosure obligations under the Corporations Act and ASX Listing Rules, including continuous disclosure obligations and trading halts. • Approving the allotment and issue, and registration of transfers, of CSL shares. • Overseeing compliance with other formalities which may be urgently required in relation to matters affecting CSL's share capital.

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In addition, the Board may establish ad-hoc Committees or empower existing Committees to oversee specific activities. In the year ending 30 June 2017, the Board empowered the Audit and Risk Management Committee to oversee a US$550 million (or equivalent in foreign currency) private placement offering in the US and a new A$350 million debt facility with two of its existing banks.

4.2 Remuneration of Directors and Senior Executives

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

Details regarding the Human Resources and Remuneration Committee charter, and CSL's remuneration policies and practices are set out in the Remuneration Report on pages 61 to 80 of the Directors' Report attached to the financial report.

The Remuneration Report includes details of the remuneration of directors (executive and non-executive) and other key management personnel of the CSL Group, details of CSL's short-term incentive plans, and details of CSL's long-term incentive plans.

4.3 Performance Evaluation

The Nomination Committee meets annually to review the performance of the Board, individual directors and the Board committees.

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

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

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

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

In respect of the financial year ended 30 June 2017, the Board also appointed an external consultant to assist with the annual evaluation.

As a result of the Nomination Committee's most recent annual review (including the views of the external consultant), the Nomination Committee suggested a number of actions for improvement. Actions agreed by the Board in response were documented and are in the process of being actioned by the Board.

The Nomination Committee is responsible for periodically evaluating the performance of the Managing Director, who in turn evaluates the performance of all other senior executives and makes recommendations in respect of their remuneration. These evaluations are based on specific criteria, including CSL's business performance, whether the long term strategic objectives are being achieved and the achievement of individual performance objectives.

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

5 RISK MANAGEMENT AND FINANCIAL REPORTING

Relevant governance documents:

- Audit and Risk Management Committee Charter
- Corporate Responsibility Report
- Code of Responsible Business Practice

5.1 Role of the Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in overseeing the integrity of financial reporting, the effectiveness of risk management and compliance systems and internal control framework and the external and internal audit functions.

The Audit and Risk Management Committee has (in conjunction with management) reported to the Board as to CSL's effective management of its material business risks in respect of the financial year ended 30 June 2017.

Senior executives and internal and external auditors frequently attend meetings on invitation by the Audit and Risk Management Committee. The Audit and Risk Management Committee holds regular meetings with both the internal and external auditors without management or executive directors present. Any director who is not a member of the Audit and Risk Management Committee may attend any meeting of the committee in an ex-officio capacity.

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5.2 Risk Framework

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 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.

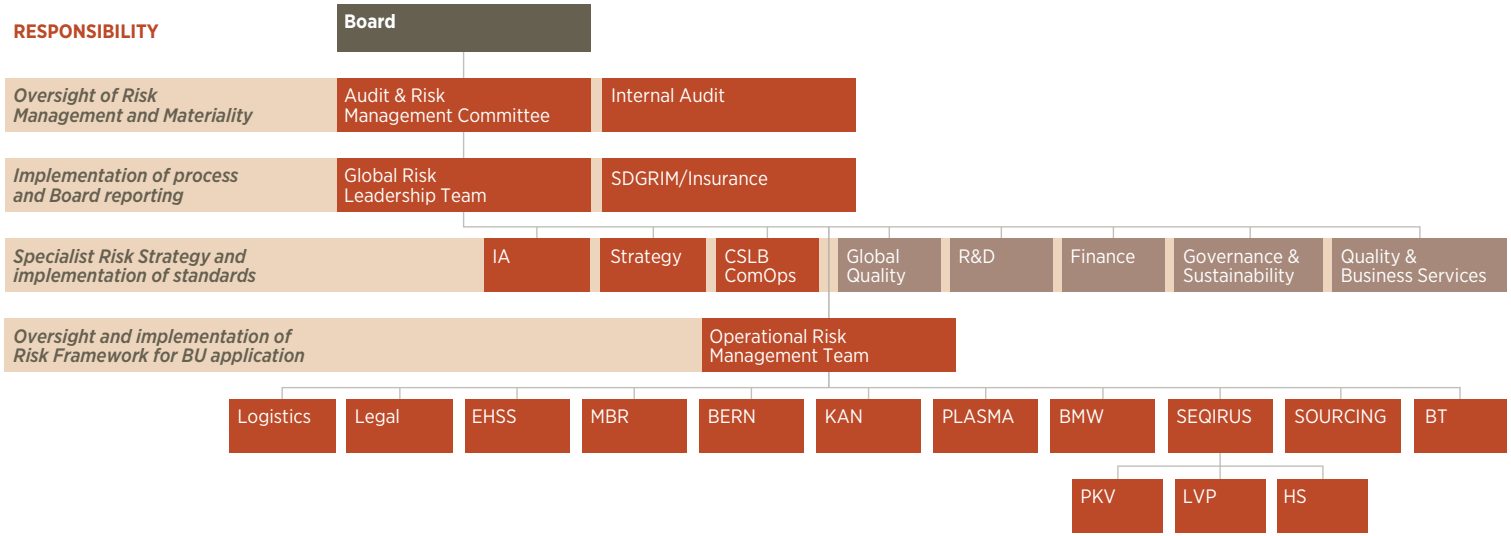
In 2017, the Board and Global Leadership Group adopted an internal 'Risk Appetite Statement', to be implemented throughout the CSL Group. CSL's risk appetite is integral to the Company's overall risk management processes and the Risk Appetite Statement sets forth the types and extent of risk that CSL is willing to accept in pursuit of its global strategic objectives, while adhering to CSL's core values and reinforcing its commitment to corporate responsibility.

As part of the Risk Framework, an Operational Risk Management Team of responsible executives reports to a Global Risk Leadership Team which in turn reports to the Audit and Risk Management Committee, including as to the effectiveness of CSL's management of material risks. These teams are responsible for implementing, coordinating and facilitating the risk management process across the CSL Group. This includes quantifying and monitoring certain business risks identified and evaluated as part of the risk management process, including those relating to operating systems, the environment, health and safety, product quality, physical assets, security, disaster recovery, insurance and compliance. Each manufacturing site and each major function in the Group has its own Risk Management Committee which reports to the Operational Risk Management Team on a quarterly basis. The CSL Group also has a Global Risk and Insurance Manager who is responsible for monitoring and coordinating the implementation of the Risk Framework throughout the CSL Group. The governance and oversight of risk management as described above is illustrated below:

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

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

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



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5.3 Sustainability Risks

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. Key business/industry risks are tabled in section 5c of the Directors' Report (see pages 54 to 57 of this Report) and key financial risks are tabled in Note 11 to the Financial Statements (see pages 100 to 101 of this Report).

In addition, further detail regarding CSL's ongoing efforts to operate ethically and responsibly in respect of sustainability are set out in CSL's annual Corporate Responsibility Report.

5.4 External Auditor

One of the chief functions of the Audit and Risk Management Committee is to review and monitor the performance and independence of the external auditor. CSL's external auditor for the financial year was Ernst & Young, who were appointed by shareholders at the 2002 Annual General Meeting.

The Audit and Risk Management Committee has established a policy in relation to the engagement of the external auditor for non-audit services so as to ensure the independence of the external auditor. The Audit and Risk Committee has considered the nature of the non-audit services provided by the external auditor during the financial year and is satisfied that the services provided, and the amount paid for those services, did not compromise the independence of the external auditor. Details of fees paid (or payable) to Ernst & Young for non-audit services provided to the CSL Group in the year ended 30 June 2017 are set out in the Directors' Report (see page 116 of this Report).

The signing partner for the external 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 acted as the signing partner for Ernst & Young for the 2016-2017 financial year, which was the first year he acted in this role for CSL. Ernst & Young has provided an independence declaration to the Board for the reporting period. The declaration forms part of the Directors' Report (see page 60 of this Report).

The external auditor attends each Annual General Meeting and is available to answer questions from shareholders relevant to the audit and the preparation and content of the auditor's report.

5.5 Internal Auditor

Another important function of the Audit and Risk Management Committee is to review and monitor the performance of CSL's internal audit operation. CSL's internal auditor for the financial year was PricewaterhouseCoopers. In 2017, the Audit and Risk Management Committee undertook a capability review of PricewaterhouseCoopers in its role as internal auditor and determined that PricewaterhouseCoopers was performing satisfactorily

The role of CSL's internal audit function is to provide independent and objective assurance to the Audit and Risk Management Committee and executive management regarding the effectiveness of CSL's risk management processes (including the state of any material risks) and internal compliance and control systems.

As noted above in section 5.2, the internal compliance and control systems are made up of various CSL policies, processes, practices and procedures.

An internal audit plan is prepared by the internal auditor, and reviewed and approved by the Audit and Risk Management Committee on an annual basis (for the upcoming financial year). The internal audit plan seeks to cover, over a rolling basis, all significant activities of CSL, including its controlled entities and their operations.

In addition, CSL's internal auditor may be requested to perform investigative reviews on suspected fraudulent activities or Whistleblower complaints. In line with CSL's Whistleblower Policy, any complaint made against the Managing Director, any member of CSL's Global Leadership Group or any regional Whistleblower reports co-ordinator, must be investigated by CSL's internal auditor, and the internal auditor's written report in respect of that investigation must be provided directly to the Audit and Risk Management Committee.

5.6 Integrity in Financial Reporting and Regulatory Compliance

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

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

- the financial statements and associated notes comply with IFRS Accounting Standards as required by the Corporations Act, the Corporations Regulations and the CSL Group Accounting Policies;
- the financial statements and associated notes give a true and fair view of the financial position as at the relevant balance date and performance of CSL for the relevant period then ended as required by the Corporations Act;
- that CSL's financial records for the relevant period have been properly maintained in accordance with the Corporations Act; and
- they have established and maintained an adequate risk management and internal compliance and control system to facilitate the preparation of a reliable financial report and the maintenance of the financial records, which, in all material respects, implements the policies adopted by the Board, and the statements made above are based on that system, which is operating effectively.

This written declaration was received by the Board prior to its approval of the financial statements for the financial year ended 30 June 2017.

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6 MARKET DISCLOSURE

Relevant governance documents:

- Communications and External Disclosure Policy

6.1 Communications and External Disclosure

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

- providing guidance as to the types of information that may require disclosure, including examples of practical application of the rules;
- providing practical guidance for dealing with market analysts and the media;
- identifying the correct channels for passing on potentially market-sensitive information as soon as it comes to hand;
- establishing regular occasions at which senior executives and directors are actively prompted to consider whether there is any potentially market-sensitive information which may require disclosure; and
- allocating responsibility for approving the substance and form of any public disclosure and communications with investors.

6.2 Shareholder Communication

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

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

CSL has a dedicated Governance page on CSL's website (see *www.csl.com.au/about/governance.htm*), which supplements the communication to shareholders in the annual report regarding CSL's corporate governance policies and practices. The Communications and External Disclosure Policy outlines the ways in which CSL seeks to communicate and interact with shareholders, facilitate and encourage participation at shareholder meetings and how shareholders may elect to receive electronic communications from, and communicate electronically to, CSL.

To ensure that shareholders and other stakeholders have a full understanding of CSL's performance and strategies, CSL undertakes to convene a number of analyst briefings and investor presentations and roadshows each year. CSL also convenes two shareholder briefings each year, at different locations in Australia and New Zealand. These updates provide an opportunity for analysts, investors and shareholders to speak directly with senior management and ask questions.

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

7 SECURITIES DEALING

Relevant governance documents:

- Securities Dealing Policy

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

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

A copy of CSL's Securities Dealing Policy has been lodged with the ASX in accordance with Listing Rule 12.9.



John Shine AC
Chairman

15 August 2017

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CSL LIMITED FINANCIAL REPORT 2016/2017

CSL™

DIRECTORS' REPORT

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

1. DIRECTORS

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

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

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

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

2. COMPANY SECRETARIES

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

3. DIRECTORS' ATTENDANCES AT MEETINGS

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

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

[1] Attended for at least part in ex officio capacity
[2] Attended for at least part by invitation

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

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4. PRINCIPAL ACTIVITIES

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

5. OPERATING AND FINANCIAL REVIEW AND FUTURE PROSPECTS

(a) Financial Review

The CSL Group announced a net profit after tax of US$1,337.4 million for the twelve months ended 30 June 2017, up 7.6% when compared to the prior comparable period. Underlying Net Profit after Tax at constant currency[1] grew 23.8% when compared to the prior comparable period. Sales Revenue was US$6,615.8 million, up 13.2% on an underlying constant currency basis when compared to the prior comparable period, with research and development expenditure of US$645.3 million. Net cash inflow from operating activities was US$1,246.6 million.

(b) Operating Review

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

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

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

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

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

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

Speciality products sales of US$1,174 million grew 20% at constant currency. Sales of Kcentra® (4 factor pro-thrombin complex concentrate) in the US were strong driven by deeper penetration into targeted accounts and an increase in order frequency and size.

[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$1,337.4m
Translation currency effect (a)	US$(0.5m)
Transaction currency effect (b)	US$36.0m
Foreign currency effect (c)	US$54.3m
Constant currency net profit after tax*	US$1,427.2m

a) Translation currency effect NPAT ($0.5m)

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

b) Transaction currency effect NPAT $36.0m

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

c) Foreign currency effect NPAT $54.3m

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

Summary Sales

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

Underlying Net Profit after Tax* for prior comparative period

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

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

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

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

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

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

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

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

- On 17 August 2016, CSL announced its full year results for the year ending 30 June 2016;
- On 30 August 2016, CSL announced that the US Food and Drug Administration (FDA) had accepted CSL Behring's Biologics License Application (BLA) for CSL830, a hereditary angioedema therapy;
- On 12 October 2016, CSL announced its intention to conduct an on-market buyback of up to A$500 million;
- On 14 October 2016, CSL announced the closing of the US$550 million (or its foreign currency equivalent) private placement offering in the US together with the closing of an A$350 million facility with two of its existing banks;
- On 14 November 2016, CSL announced that CSL Behring's Afstyla® (rFVIII-Single Chain) had been recommended for approval by the European Medicines Agency (EMA) Committee for Medicinal Products for Human Use (CHMP);
- On 16 November 2016, CSL announced that CSL Behring had announced positive results from a Phase 2b study of CSL112, a novel apoliproprotein A-1 infusion therapy;
- On 1 December 2016, CSL announced its Research and Development Day briefing to Analysts;
- On 9 January 2017, CSL announced that Afstyla® (rFVIII-Single Chain) had been approved by the European Commission;
- On 19 January 2017, CSL announced a profit upgrade for the financial year ending 30 June 2017;
- On 15 February 2017, CSL announced its half year results for the half year ending 31 December 2016;
- On 12 April 2017, CSL announced that it would vigorously defend a complaint filed by Shire ViroPharma that CSL830, a hereditary angioedema therapy, infringes their patent;
- On 13 June 2017, CSL announced that it had agreed to acquire a majority stake in Wuhan Zhong Yuan Rui De Biologicals Products, a Chinese plasma fractionator; and
- On 22 June 2017, CSL announced that Haegarda® (C1 Esterase Inhibitor Subcutaneous (Human)) had been approved by the US FDA.

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

(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.

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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 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.

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DESCRIPTION OF KEY RISK	KEY RISK MANAGEMENT
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 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 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 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.

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

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

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

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

6. DIVIDENDS

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

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

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

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

Total dividends for the 2016-2017 year are:

	ON ORDINARY SHARES US$M
Interim dividend paid on 13 April 2017	291.3
Final dividend payable on 13 October 2017	326.3

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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

8. SIGNIFICANT EVENTS AFTER YEAR END

On June 13, 2017, CSL announced that it had agreed to acquire 80 percent equity of plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biological Products Co. Ltd. (Ruide) from Humanwell Healthcare Group Co. Ltd. (Humanwell). The transaction closed on 2 August 2017. Ruide develops, manufactures and commercialises plasma-derived products for the Chinese domestic market. The initial purchase price was US$352 million for 80% of Ruide. There is additional consideration possible within the agreement, part of which is contingent on the registration of new products and the opening of new plasma centres, and part is related to a put and call option over the remaining 20% of Ruide. If fully paid the total will amount to approximately $130 million. At this stage management are still assessing the fair value of the net assets acquired and are not in a position to accurately estimate the value of intangibles and goodwill expected from the transaction however it is anticipated that a substantial portion of the assets recognized will be intangibles. Other than as disclosed in the financial statements, the Directors are not aware of any other matter of circumstance which has arisen since the end of the financial year which has significantly affected or may significantly affect the operations of the consolidated entity, results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

9. ENVIRONMENT, HEALTH, SAFETY & SUSTAINABILITY PERFORMANCE

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

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

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

Environmental obligations and waste discharge quotas are regulated under applicable Australian and foreign laws. Environmental performance is monitored and subjected from time to time to government agency audits and site inspections. The EHS[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 CDP (previously known as 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 climate 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 Corporate Responsibility Report and our website www.csl.com.au.

10. DIRECTORS' SHAREHOLDINGS AND INTERESTS

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

11. DIRECTORS' INTERESTS IN CONTRACTS

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

12. PERFORMANCE RIGHTS AND OPTIONS

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

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

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

13. INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

(a) an ongoing and unlimited indemnity to the relevant director against liability incurred by that director in or arising out of the conduct of the business of CSL or of a subsidiary (as defined in the Corporations Act 2001) or 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

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(c) the relevant director with a right of access to Board papers relating to the director's period of appointment as a director for a period of seven years following that director's cessation of office. Access is permitted where the director is, or may be, defending legal proceedings or appearing before an inquiry or hearing of a government agency or an external administrator, where the proceedings, inquiry or hearing relates to an act or omission of the director in performing the director's duties to CSL during the director's period of appointment.

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

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

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

14. INDEMNIFICATION OF AUDITORS

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

15. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

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

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

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

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

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

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

16. ROUNDING

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

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Auditor's Independence Declaration to the Directors of CSL Limited

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

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

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

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

Ernst & Young

Rodney Piltz
Partner
15 August 2017

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Dear Shareholder,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



David Anstice
Chairman
Human Resources and Remuneration Committee

This letter does not form part of the audited Remuneration Report.
**Refer to the footnote on page 53 of the Directors' Report.*

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Independent audit of the report

The Remuneration Report has been audited by Ernst & Young. Please see page 121 of the Financial Statements for Ernst & Young's report.

1. Acknowledging your feedback during the during the year

1.1 Introduction

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

This year the Remuneration Report covers three major areas:

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

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

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

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

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

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

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

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2. New Pay Design and Policy Summary

2.1 Rationale for change

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

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

2.2 Guiding Principles

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

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

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2.3 New Pay Design

2.3.1 Total Reward and Fixed Reward

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

2.3.2 Performance Component

We have acted on shareholder concerns that the STI design was not simple or transparent. Therefore, our annual performance design reduces the number of key performance indicators (KPIs) to two critical measures of business strength, shared by all Global Leadership Group (GLG) members, Net Profit after Tax (NPAT) and Cash Inflow from Operating Activities (CFO), plus up to three business building KPIs (individual, business unit, operations, function or research related) – with the majority weighting on the financial KPIs.

The KPIs and corresponding weightings have been tailored to specific roles, covering CSL Group level, business unit/ functional level and research – based on some direct and some shared accountability. This 'Performance' opportunity is based on a percentage of fixed reward and is tested and awarded annually in cash subject to achievement of KPIs. Hurdles are set at threshold, target and maximum levels of performance. No part of this annual cash performance award is deferred, however it is subject to CSL's malus and clawback policy.

2.3.3 Alignment Component

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

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

Qualifying executives will be granted PSUs at face value to the dollar value of the equity opportunity in their pay-mix. To the extent that threshold and target performance hurdles are achieved, one CSL share will be delivered for each PSU that vests. There will be no additional payment for above target performance – participants (and shareholders) will have gained from the share price increase. The minimum shareholding guideline for executives is described in section 2.4 Changes to Pay Design, Policy and Rationale.

2.3.4 Leading and Managing Modifier

The Board has the discretion to apply a 'Leading and Managing' modifier to both the Performance and Alignment components of executive KMP reward based on recommendation from the CEO, and from the Human Resources and Remuneration Committee (HRRC) for the CEO. This modifier is intended to be used sparingly. This is described in more detail in section 2.4 Changes to Pay Design, Policy and Rationale.

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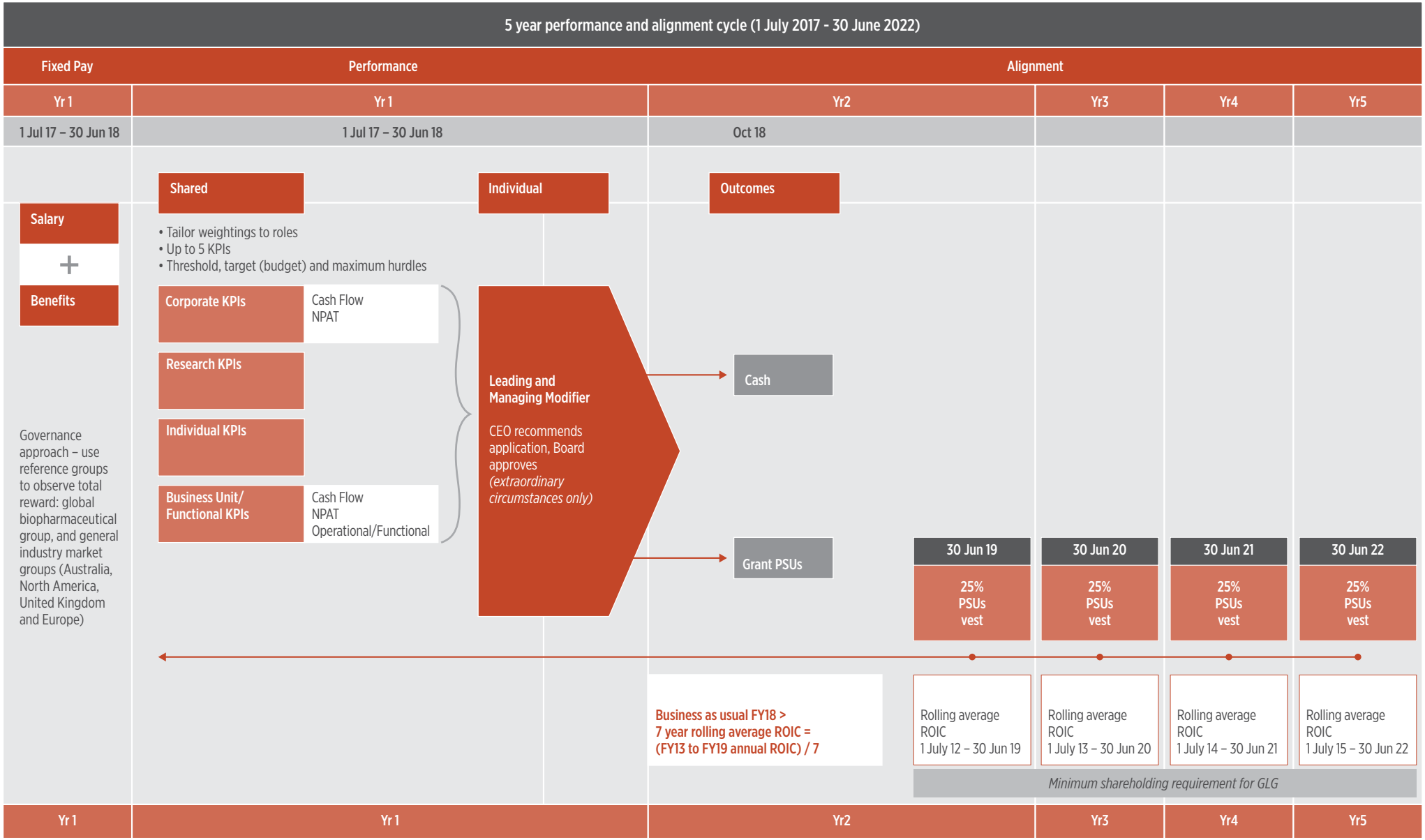
2.3.5 New Pay Design Diagram showing first five year cycle



2.4 Changes to Pay Design, Policy and Rationale

NEW PAY DESIGN CHANGES FROM 1 JULY 2017		RATIONALE FOR CHANGE
Understanding competitive pay levels around the world	Established global reference groups	Understanding competitive pay levels around the world helps us ensure we pay appropriately to reward senior talent. Five reference groups were established - a global pharmaceutical/biotechnology sector reference group and four general industry reference groups representing Australia, North America, United Kingdom and Europe (focused on Germany and Switzerland). The data in each group covers senior executive roles in companies of similar scale and complexity. We will regularly review CSL executive KMP total reward and the pay mix against real movements in the global reference groups, with a view to achieving and maintaining competitiveness.
Annual performance	Reduced the number of KPIs to a maximum of five. Introduced Group NPAT and Group CFO as the primary financial performance measures for the senior management team.	Maintaining a focus on underlying value creation within the business operations is critical to the success of CSL in the long-term. It is more effective to focus senior executives on a small number of KPIs that matter – too many KPIs result in competing objectives and dilute the incentive value to the participant. To strengthen management focus, the primary performance measures are financial - NPAT and CFO. The remaining tailored KPIs reflect research, business unit or functional level objectives.
Pay risk management	Introduced a Leading and Managing modifier	This is a Board level pay governance mechanism. The Board's objective is to formally recognise the importance of CSL's culture including leadership behaviours, values and diversity objectives without shifting focus away from the financial and operational KPIs. The modifier allows for the Board to adjust in exceptional circumstances +20% / -50% of annual incentive earned, and/or equity incentive opportunity normally granted. In particular, the capacity for downward adjustment provides the Board with the ability to adjust for adverse management behaviour at a level below that requiring application of the malus and clawback policy.
	Malus and clawback policy	Integrity and accountability reinforces CSL's pay for performance reward philosophy. The new malus and clawback policy provides the Board with the tools to respond to significant unintended consequences, including those arising as a result of actions undertaken by senior executives that do not reflect CSL's culture. The clawback component of the policy responds to issues raised by shareholders about the removal of STI deferral in 2016.
Equity	Reduced equity instruments from three to one - Performance Share Units (PSUs)	Our legacy LTI plans were complex, comprising complex hurdled performance rights, unhurdled options and unhurdled cash. The new pay design limits equity allocations to hurdled grants of PSUs.
	Using face value for grant allocation purposes	CSL legacy LTI plans determined the number of performance rights and options to be granted using a fair value approach for both hurdled and unhurdled equity, applying a discount to the value of a CSL share reflecting the probability of the performance hurdle not being achieved. Under the new pay design the number of PSUs granted are based on an executive KMP's Board approved equity opportunity and a volume weighted average share price based on the market price of a CSL share at the time of grant.
	New vesting schedule and minimum shareholding guideline for Non-Executive Directors (NEDs) and senior executives	We believe that strong senior executive alignment with shareholders requires that senior executives earn and then hold shares. We want CSL senior executives to be more strongly aligned early in their roles, so our new pay design includes progressive performance based vesting of equity in equal tranches over a four year period to achieve meaningful shareholding sooner, combined with a new minimum shareholding guideline – to be achieved within a target of five years and maintained whilst in their role – for NEDs one times annual base fee, for the CEO three times base salary, and for the GLG, one times base salary.
	New long term performance measure – rolling average Return on Invested Capital (ROIC)	Our R&D cycle requires investment over the longer term, as does our capacity model. Developing a new medical product can take more than ten years from science to manufacturing to market. We manage our business to support our investments and have decided to align our senior executives' equity interests in CSL by rewarding sustainable ROIC outcomes over the longer term. We have adopted a seven year rolling average ROIC to measure real achievement over an appropriate time period for our R&D investment cycle. It is simple and transparent, and measures return on all capital – both shareholder invested capital in CSL and borrowings. The Board establishes a new ROIC hurdle for each annual grant taking into consideration both the CSL budget and longer term forecast annual ROIC over the four year term of the grant, together with the historical annual ROIC achieved that will form part of the performance test over the four year annual testing period. The ROIC hurdle established is tested against market analyst consensus for reasonableness. We will also review peer group ROIC numbers to monitor the performance levels we are targeting. Our aim is to remain a high performance company.

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3. CSL's Key Management Personnel and Financial Performance

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

Table 2: Key Management Personnel

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

Changes in KMP

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

3.1 CSL Financial Performance from 2013 to 2017

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

Table 3: CSL financial performance history

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

[2] 2016 figure includes the gain on acquisition of Novartis' global influenza vaccine business of US$176.1m.

[3] Actual total dividend paid within the financial year.

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

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4. CSL Achievement of our goals

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

PERFORMANCE	ACHIEVEMENTS IN 2017
Annual Financial Performance	• Reported NPAT – above target performance of US$1,337.4m; and • Reported Total Revenue - above target performance of US$6,922.8m.
Long-Term Performance	• Relative Total Shareholder Return (rTSR) ranking - Above MSCI Gross Pharmaceutical Index for the awards issued on 1 October 2012 (performance period 1 October 2012 to 30 September 2016) and 1 October 2013 (performance period 1 October 2013 to 30 September 2016); • Achieved Earnings per Share (EPS) growth of 8.1% for the period 1 July 2012 to 30 June 2016 and 3.4% for the period 1 July 2013 to 30 June 2016.
Business Performance	• The European Commission approved AFSTYLA ® (Recombinant Human Coagulation Factor VIII, Single Chain) for children and adults with haemophilia A; • U.S. Food and Drug Administration (FDA) approved HAEGARDA® (C1 Esterase Inhibitor Subcutaneous [Human]), the only subcutaneous therapy indicated for routine prophylaxis to prevent hereditary angioedema (HAE) attacks in adolescent and adult patients; • Successful launch of IDELVION ® (Coagulation Factor IX (Recombinant)) in Europe; • Successful launch of AFSTYLA in the US; • All targeted regulatory submissions made; • Agreement to acquire an 80 per cent stake in plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biologics in China; • Successful development of a centralised conceptual design for the new base fractionation facilities at the Marburg, Kankakee and Broadmeadows sites; • Capital expansion projects on track; and • Entered an exclusive research collaboration and worldwide license agreement with Momenta Pharmaceuticals to develop and commercialise their Fc multimer proteins, including Momenta's M230, a selective immunomodulator of Fc receptors which is expected to enter the clinic in 2017.
Individual Performance	A broad range of successful strategic initiatives were achieved during the year, including: • Exceptionally strong performance across the business, as shown in the segment analysis in the financial statements; • Successful debt raising and private placement take up during the year; • Product revenue growth stretch targets exceeded; • Opening of 29 new plasma collection centres; • Progress in market access with the opening of three country offices in Chile, Singapore and Taiwan; • Successful implementation of a new HR operating model; • Strong employee engagement survey outcomes; • Achievement of key of outcomes under our Corporate Responsibility priority areas. Our Corporate Responsibility priority areas can be found on CSL's website at http://www.csl.com.au/corporate-responsibility.htm; and • Diversity and health and safety targets met or exceeded.

5. Executive KMP Remuneration Structure

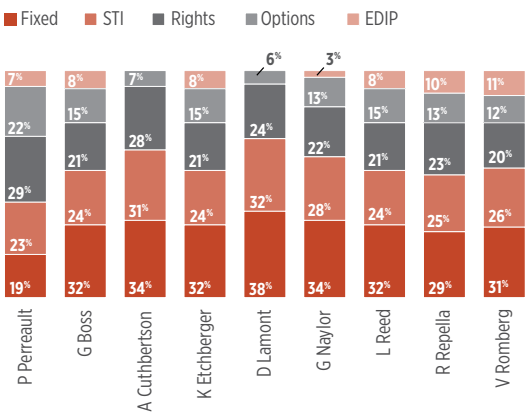
5.1 Executive KMP pay-mix

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

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

Table 4: Executive KMP total target reward in 2017

Components of total target reward



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5.2 Legacy STI Design

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

FEATURE	DESCRIPTION		
Performance Period	Annual aligned with the financial year ended 30 June 2017		
Performance Measure	**Financial Performance**	**Business Performance**	**Individual Performance**
	Measure: Net Profit after Tax (NPAT) and Total Revenue, both measured at constant currency Rationale: Top line growth is the foundation of long term sustainability and evidences our competitive advantage, whilst pursuing profitable growth aligns employee and shareholder objectives Weighting: CEO 40% (NPAT only) Executive KMP 30% (20% NPAT and 10% Total Revenue with the exception of R Repella where the weighting is 10% NPAT and 20% Total Revenue)	Measure: Shared objectives aligned to the CSL strategy and categories include: - R&D investment and achievement of key research milestones; and - Operational targets representing key outcomes supporting achievement of CSL's long-term strategy. Rationale: - Using the same high level financial KPIs for all KMP encourages teamwork; and - R&D and operational efficiency are fundamental to CSL's success. Weighting: CEO 30% Executive KMP 20% (excl. G Naylor)	Measure: Based on individual responsibilities and categories include: - Divisional performance; - Achievement of strategic objectives; - Improvement in operations, risk management, compliance, health and safety and quality; and - Leadership performance. Rationale: Individual performance hurdles align with strategic priorities, encourage appropriate decision making, and balance performance in non-financial priorities. Weighting: CEO 30% Executive KMP 50% G Naylor 70%
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)	
Performance Review Process	A formal review of executive KMP progress against objectives is conducted twice annually by the CEO and by the Board for the CEO. Following the full year performance review, the CEO makes recommendations to the HRRC. The HRRC and the Board assess individual performance against objectives, and business performance at the end of the financial year, and approve the actual STI payments to be made. The Board may adjust STI outcomes.		

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5.3 Legacy LTI Design

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

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

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

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5.3 Legacy LTI Design continued

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

6. Executive KMP Remuneration for 2017

6.1 Executive KMP Remuneration Received in 2017

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

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

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

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

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

[4] Includes base salary, retirement / superannuation benefits, other benefits such as insurances, expatriate assignment benefits (school fees, tax services) and allowances paid in 2017.
[5] Relates to STI earned in 2017 and will be paid in September 2017 (refer to section 6.2).
[6] Relates to the deferred component (33%) of STI earned in the financial year 2014 (cash portion paid in September 2016). Note STI deferral ceased to operate in 2015 and deferral from prior years will continue to operate.
[7] Value of awards vested at 30 June 2016 under the Executive Deferred Incentive Plan (EDIP) and paid in September 2016 (refer to section 12.3). Includes commencement benefit for D Lamont.
[8] Value of LTI vested at 13 October 2016 (Performance Rights) that became unrestricted (refer to section 12.3).

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6.2 STI Outcomes by Executive KMP in 2017

Table 6: STI outcomes in 2017

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

Maximum Between Target and Maximum Target Between Threshold and Target Below Threshold

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

6.3 LTI Outcomes by Executive KMP in 2017

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

Table 7: LTI awards testing outcomes in 2017

GRANT DATE	TRANCHE TESTED	PERFORMANCE OUTCOME	VESTING OUTCOME
1 October 2012	1	RTSR ranking - Above MSCI Gross Pharmaceutical Index	rTSR – 100% vested
	2	Annual EPS growth at 8.1%	EPSg – 51.25% vested[10]
		RTSR ranking - Above MSCI Gross Pharmaceutical Index	rTSR – 100% vested
1 October 2013	1	Annual EPS growth at 3.4%	EPSg – 0% vested[11]
		RTSR ranking - Above MSCI Gross Pharmaceutical Index	rTSR – 100% vested

[10] *Unvested portion will be retested and reported in the 2018 Remuneration Report.*
[11] *Unvested portion will be retested and reported in the 2018 Remuneration Report.*

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

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

7. Executive KMP Contractual Arrangements

7.1 Contractual provisions for executive KMP

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

DURATION OF CONTRACT	NOTICE PERIOD EMPLOYEE	NOTICE PERIOD CSL*	TERMINATION PAYMENT
No Fixed Term	Six months	Six months	12 months

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

7.2 Other Transactions

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

7.3 Securities Dealing

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

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7.4 Malus and Clawback Policy

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

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

7.5 Minimum Shareholding Guideline

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

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

8. Non-Executive Directors

8.1 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. The Board has three Committees for which fees are 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) is within this agreed limit, and totalled A$2,559,190. NEDs may be reimbursed for reasonable expenses incurred by them in the course of discharging their duties and this reimbursement is not included within this limit.
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.
Minimum Shareholding Guideline	In 2017 the Board introduced a minimum shareholding guideline for NEDs. They are now required to achieve a shareholding equivalent to their annual NED base fee within five years of appointment. This is in addition to the existing requirement that NEDs receive at least 20% of their post-tax base fee (excluding superannuation) in the form of shares. These acquisitions are facilitated through the existing NED Share Plan which was approved by shareholders in 2002. On-market purchases under the plan are made twice yearly, following the announcement of CSL's half and full year results. Additional shares may be purchased by NEDs on-market at prevailing share prices in accordance with CSL's Securities Dealing Policy.
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.

8.2 NED fees in 2017

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

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

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8.3 NED fees in 2018

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

8.4 Other Transactions

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

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

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

9. Human Resources and Remuneration Committee (HRRC)

9.1 Remuneration Governance

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

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

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

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

9.2 HRRC Activities

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

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

10. External Remuneration Advice

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

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

11. Currency Reporting

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

12. Statutory Tables

12.1 Executive KMP Remuneration for 2016 and 2017

All amounts are presented in US Dollars.

Table 8: Statutory Remuneration Disclosure – Executive KMP Remuneration

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

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

[13] The Performance Rights and Options have been valued using a combination of the Binomial and Black Scholes option valuation methodologies including Monte Carlo simulation as at the grant date adjusted for the probability of hurdles being achieved. This valuation was undertaken by PricewaterhouseCoopers. The amounts disclosed have been determined by allocating the value of the Options and Performance Rights evenly over the period from grant date to vesting date in accordance with applicable accounting standards. As a result, the current year includes Options and Performance Rights that were granted in prior years.

[14] 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.

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

[16] 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.

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

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12.2 Summary of Executive KMP allocated equity

Final grant of legacy awards granted in October 2016

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

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

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

Table 9: LTI granted in 2017

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

[18] *The total number of Performance Rights granted includes the Tranche 1 and 2 target award and Tranche 3 upside award.*
[19] *The face value is calculated using a share price of A$107.00 being the share price on the date of grant.*
[20] *The number of Performance Rights is calculated based on an assessment of the fair market value of the instruments in accordance with the accounting standards (refer to Note 18 in the Financial Statements). The fair value of each Performance Right granted was Tranche 1: A$60.07; Tranches 2 and 3: A$100.50.*
[21] *The number of Options is calculated based on an assessment of the fair market value of the instruments in accordance with the accounting standards (refer to Note 18 in the Financial Statements). The fair value of each Option granted was A$16.14.*
[22] *The number of Notional Shares was calculated based on a five day weighted average share price, being A$107.25. The AUD value was converted to USD at an average exchange rate for the 2017 financial year of 1.33030.*

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12.3 Legacy LTI awards vested and lapsed in 2017

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

Table 10: LTI awards vested in 2017

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

[23] *Awards were granted 1 October 2013 with the exception of Mr Lamont where the award was January 2016 on commencement of employment.*
[24] *Performance Rights vested during the year, multiplied by the share price at the date of vesting. The AUD value was converted to USD at an average exchange rate for the 2017 financial year of 1.33030. The share price at vesting was A$104.97.*
[25] *Notional Shares vested during the year, multiplied by the share price at the date of vesting. The AUD value was converted to USD at an average exchange rate for the 2017 financial year of 1.33030. The share price at vesting was A$107.00.*

12.4 Non-Executive Director Fees for 2016 and 2017

All amounts are presented in US Dollars.

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

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

[26] *The AUD compensation paid during the years ended 30 June 2016 and 30 June 2017 have been converted to USD at an average exchange rate for the 2017 financial year being 1.33030. Both the amount of remuneration and any movement in comparison to prior years may be influenced by changes in the AUD/USD exchange rates.*
[27] *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.*
[28] *J Akehurst was a NED for the period 1 July 2016 to 12 October 2016.*
[29] *In 2016 M Clark was a NED for the period 16 February 2016 to 30 June 2016.*
[30] *T Yamada was a NED for the period 1 September 2016 to 30 June 2017.*

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12.5 KMP Shareholdings

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

Table 12: NED and Executive KMP shareholdings

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

[31] *The value at exercise date has been determined by the share price at the close of business on exercise date less the Option exercise price, multiplied by the number of Options exercised during 2017. The AUD value was converted to USD at an average exchange rate for the year of 1.33030.*
[32] *The opening balance for T Yamada is 1 September 2016 being the date T Yamada became a NED.*
[33] *Restated opening balance to include related party holdings.*

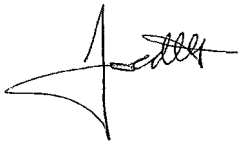
There have been no movements in shareholdings of executive KMP or NEDs between 30 June 2017 and the date of this Report.

Table 13: Executive KMP Option and Performance Right Holdings

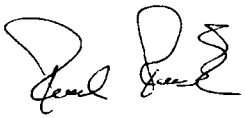
KMP	Instrument	Balance at 1 July 2016	Number Granted	Number Exercised	Balance at 30 June 2017	Number Vested during year	Balance at 30 June 2017	
							Vested [34]	Unvested
Executive KMP								
P Perreault	Options	242,739	163,514	-	406,253	-	-	406,253
	Rights	119,923	51,727	17,329	154,321	17,329	-	154,321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

[34] *Vested awards are exercisable to the executive KMP. There are no vested and unexercisable awards.*

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



John Shine AC
Chairman



Paul Perreault
Managing Director

Melbourne
15 August 2017

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

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

Earnings per share (based on net profit for the period)		**US$**	US$
Basic earnings per share	10	**2.937**	2.689
Diluted earnings per share	10	**2.931**	2.683

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

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

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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ABOUT THIS REPORT

Notes to the financial statements:

Corporate information

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

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

a. Basis of preparation

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

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

b. Principles of consolidation

The consolidated financial statements comprise the financial statements of CSL and its subsidiaries as at 30 June 2017. CSL has control of its subsidiaries when it is exposed to, and has the rights to, variable returns from its involvement with those entities and when it has the ability to affect those returns. A list of significant controlled entities (subsidiaries) at year-end is contained in Note 17. During the year ended 30 June 2016 CSL assumed control of entities acquired as part of the acquisition of the Novartis Influenza business. Details of the acquisition are contained in Note 1b.

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

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

c. Foreign currency

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

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

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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 88
Note 3:	Tax	Page 90
Note 4:	Inventories	Page 92
Note 5:	People Costs	Page 93
Note 7:	Intangible Assets	Page 96
Note 15:	Trade Receivables & Payables	Page 109

f. The notes to the financial statements

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

g. Significant changes in the current reporting period

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

OUR CURRENT PERFORMANCE

Note 1: Segment Information and Business Combinations

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

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

The Group's operating segments are:

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

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

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

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Inter-segment sales

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

Geographical areas of operation

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

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

Note 1b: Business Combination

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

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

The acquirer assumed control of 100% of the acquired business with effect from 31 July 2015. The transaction involved the acquisition of shares in a number of entities and assets for the remaining parts of the business. Certain entities were subject to a delayed legal close for employee and/or regulatory reasons however CSL exercised control over those Businesses and was exposed to, and had the ability to affect, the variable returns associated with its involvement with those entities. As at 30 June 2017 all of the delayed closes have been completed.

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

The fair value of assets and liabilities acquired are:

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

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

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Note 2:
Revenue and Expenses

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

Recognition and measurement of revenue

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

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

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

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

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

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

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

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

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

Recognition and measurement of expenses

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

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

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

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

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

Goods and Services Tax and other foreign equivalents (GST)

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

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Note 3: Tax

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

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	2017 US$m	2016 US$m
d. Deferred tax assets and liabilities		
Deferred tax asset	**496.5**	389.0
Deferred tax liability	**(138.2)**	(119.2)
Net deferred tax asset	**358.3**	269.8
Deferred tax balances reflect temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Inventories	**189.6**	114.6
Property, plant and equipment	**(112.8)**	(82.5)
Intangible assets	**(116.2)**	(102.4)
Trade and other payables	**32.3**	18.5
Recognised carry forward tax losses [a]	**226.8**	155.6
Retirement liabilities, net	**42.1**	53.5
Research and development offsets	**-**	10.2
Trade and other receivables	**2.0**	(2.2)
Other assets	**12.2**	10.0
Interest bearing liabilities	**(1.0)**	-
Other liabilities and provisions	**63.8**	80.4
Tax bases not in net assets – share-based payments	**0.5**	(1.4)
Total recognised in the statement of comprehensive income	**339.3**	254.3
Amounts recognised in equity		
Share-based payments	**19.0**	15.5
Net deferred tax asset	**358.3**	269.8
e. Movement in temporary differences during the year		
Opening balance	**269.8**	136.2
Acquired through business acquisition	**-**	22.6
Credited/(charged) to profit before tax	**100.6**	98.5
Credited/(charged) to other comprehensive income	**(14.2)**	15.7
Credited to equity	**3.7**	0.9
Currency translation difference	**(1.6)**	(4.1)
Closing balance	**358.3**	269.8
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.*

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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

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

Note 4: Inventories

	2017 US$m	2016 US$m
Raw materials	**631.4**	550.5
Work in progress	**995.2**	816.9
Finished products	**949.2**	784.6
Total inventories	**2,575.8**	2,152.0

Raw Materials

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

Work in Progress

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

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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

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

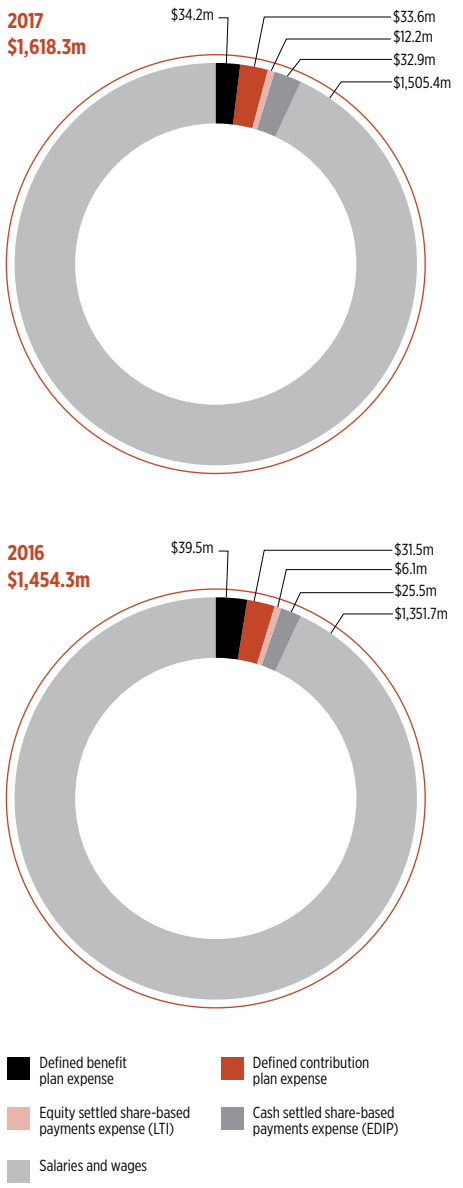
a. Employee benefits

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.



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Defined benefit plans

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

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.

Defined contribution plans

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

Equity settled share-based payments expense

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

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

KEY JUDGEMENTS AND ESTIMATES

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.

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Outstanding share-based payment equity instruments

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

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

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

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

	2017	2016
Options	**A$113.27**	A$101.87
Performance Rights	**A$108.73**	A$98.02
GESP	**A$113.12**	A$97.37

Cash-settled share-based payments expense

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

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

b. Key management personnel disclosures

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

Total compensation for key management personnel

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

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OUR FUTURE

Note 6: Research & Development

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

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

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

Note 7: Intangible Assets

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

[1] The 2017 intangible and 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.

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Goodwill

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

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

	2017 US$m	2016 US$m
CSL Behring	**688.3**	674.3
Closing balance of goodwill as at 30 June	**688.3**	674.3

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.

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

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

Intellectual property

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

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

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

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

Software

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

Recognition and measurement

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

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

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

Impairment of intangible assets

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

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

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

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

KEY JUDGEMENTS AND ESTIMATES

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

Note 8:
Property, Plant and Equipment

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

[3] *The 2017 capital work in progress additions are the result of major capacity projects.*

Property, plant and equipment

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

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

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

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

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

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

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

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

Assets under Finance Leases

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

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

Leasehold improvements

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

Note 9: Deferred Government Grants

	2017 US$m	2016 US$m
Current deferred income	**3.2**	3.1
Non-current deferred income	**35.9**	35.0
Total deferred government grants	**39.1**	38.1

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$6,104.5m (2016: A$814.2m). The parent entity's retained earnings as at 30 June 2017 were A$10,275.9m (2016: A$4,956.7m). During the financial year A$785.3m (the equivalent of US$601.4m) was distributed to shareholders by way of a dividend, with a further A$413.1m (the equivalent of US$326.3m) being determined as a dividend payable subsequent to the balance date.

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

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

Earnings per Share

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

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

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

On-market Share Buyback

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

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

The Group's contributed equity includes the Share Buyback Reserve of (US$4,534.3m) (2016: (US$4,213.0m)). The Group's ordinary share contributed equity has been reduced to nil from previous share buybacks.

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Contributed Equity

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

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

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

Note 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.

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	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 2017, no derivative financial instruments hedging interest rate risk were outstanding (2016: 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 propose a share buyback consistent with the aim of maintaining an efficient balance sheet, and with the ability to cease a buyback at any point should circumstances such as liquidity conditions change. Refer to Note 10 for details of share buybacks.

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Risk management approach

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

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

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

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

a. Foreign exchange risk

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

The Group reduces its foreign exchange risk on net investments in foreign operations by denominating external borrowings in currencies that match the currencies of its foreign investments.

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

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

Sensitivity analysis – USD values

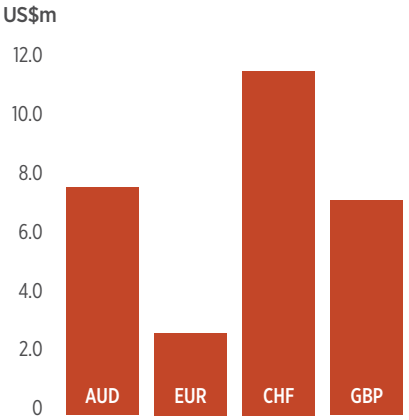
Profit after tax – sensitivity to general movement of 1%

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

Equity – sensitivity to general movement of 1%

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

FX Sensitivity on Equity



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

b. Interest rate risk

At 30 June 2017, it is estimated that a general movement of one percentage point in the interest rates applicable to investments of cash and cash equivalents would have changed the Group's profit after tax by approximately $5.9m. This calculation is based on applying a 1% movement to the total of the Group's cash and cash equivalents at year end.

At 30 June 2017, it is estimated that a general movement of one percentage point in the interest rates applicable to floating rate unsecured bank loans would have changed the Group's profit after tax by approximately $8.6m. This calculation is based on applying a 1% movement to the total of the Group's floating rate unsecured bank loans at year end.

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

- Four revolving committed bank facilities totalling $1,595.8m. Of these facilities $17.9m mature in November 2017, $269.6m mature in October 2019, $35.8m mature in November 2019 and the balance matures in December 2020. Interest on the facilities is paid quarterly in arrears at a variable rate. As at the reporting date the Group had $361.6m in undrawn funds available under these facilities;
- US$1,900m of Senior Unsecured Notes in the US Private Placement market. The notes mature in March 2018 (US$100m), November 2018 (US$200m), March 2020 (US$150m), November 2021 (US$250m), March 2023 (US$150m), November 2023 (US$200m), March 2025 (US$100m), October 2025 (US$100m), October 2026 (US$150m), November 2026 (US$100m), October 2028 (US$200m) and October 2031 (US$200m). The weighted average interest rate on the notes is fixed at 3.43%;

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- EUR350m of Senior Unsecured Notes in the US Private Placement market. The Notes mature in November 2022 (EUR100m), November 2024 (EUR150m) and November 2026 (EUR100m). The weighted average interest rate on the notes is fixed at 1.90%;
- CHF400m of Senior Unsecured Notes in the US Private Placement market. The notes mature in October 2023 (CHF150m) and October 2025 (CHF250m). The weighted average interest rate on the notes is fixed at 0.88%; and
- Finance leases with an average lease term of 8 years (2016: 8 years). The weighted average discount rate implicit in the leases is 4.72% (2016: 4.85%). The Group's lease liabilities are secured by leased assets of $15.4 million (2016: $15.4m). In the event of default, leased assets revert to the lessor.

The Group is in compliance with all debt covenants.

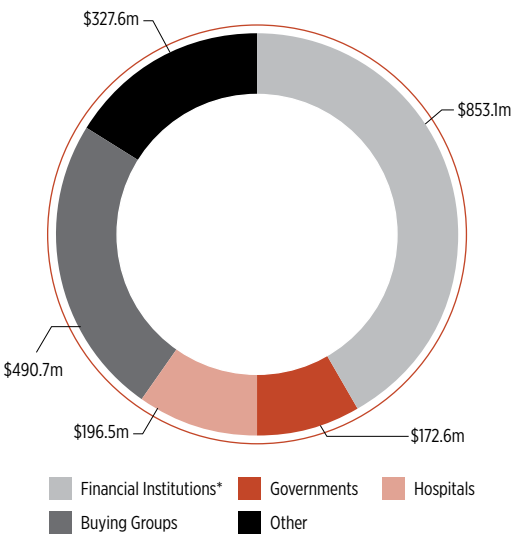
c. Credit Risk

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

	Floating rate [4] US$m		Non-interest bearing US$m		Total US$m		Average closing interest rate %	
	2017	2016	2017	2016	2017	2016	2017	2016
Financial Assets								
Cash and cash equivalents	**844.5**	556.6	**-**	-	**844.5**	556.6	**0.6%**	0.8%
Trade and other receivables	**-**	-	**1,186.9**	1,122.8	**1,186.9**	1,122.8	**-**	-
Other financial assets	**-**	-	**9.1**	3.5	**9.1**	3.5	**-**	-
	844.5	556.6	**1,196.0**	1,126.3	**2,040.5**	1,682.9		

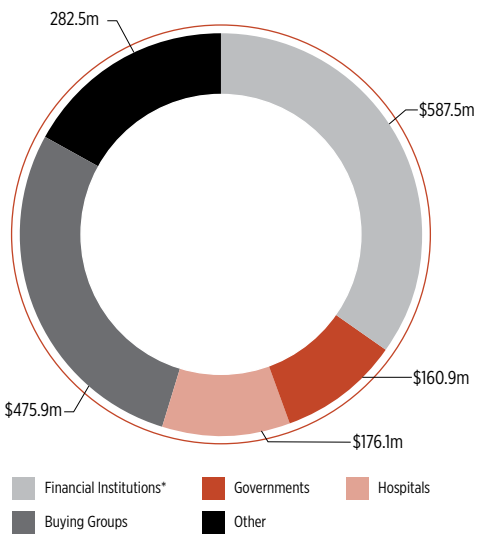
[4] Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date. All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months.

Credit Quality of Financial Assets (30 June 2017)



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

Credit Quality of Financial Assets (30 June 2016)



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

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

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

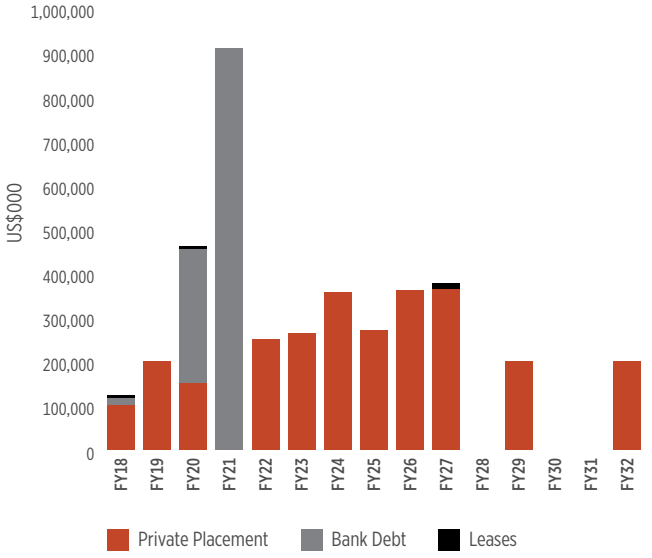
Government or government-backed entities (such as hospitals) often account for a significant proportion of trade receivables. As a result, the Group carries receivables from a number of Southern European governments. The credit risk associated with trading in these countries is considered on a country-by-country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

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

d. Funding and liquidity risk

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

Maturity Profile of Debt by Facility



The following table analyses the Group's financial liabilities.

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

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

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

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

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

Fair value of financial assets and financial liabilities

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

Cash

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

Trade and other receivables/payables

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

Derivatives

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

Interest bearing liabilities

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

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

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

Valuation of financial instruments

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

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

There were no derivatives outstanding as of 30 June 2017.

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

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Note 12: Equity and Reserves

a. Contributed Equity

	2017 US$m	2016 US$m
Ordinary shares issued and fully paid	-	-
Share buy-back reserve	(4,534.3)	(4,213.0)
Total contributed equity	**(4,534.3)**	(4,213.0)

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

Due to share buy-backs being undertaken at higher prices than the original subscription prices, the balance for ordinary share contributed equity has been reduced to nil, and a reserve created to reflect the excess value of shares bought over the original amount of subscribed capital. 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	
	2017	2016	2017	2016	2017	2016
Opening balance	**159.4**	151.1	**28.5**	155.4	**187.9**	306.5
Share-based payments expense	**5.2**	5.7	**-**	-	**5.2**	5.7
Deferred tax on share-based payments	**3.6**	2.6	**-**	-	**3.6**	2.6
Net exchange gains / (losses) on translation of foreign subsidiaries, net of hedge	**-**	-	**97.5**	(126.9)	**97.5**	(126.9)
Closing balance	**168.2**	159.4	**126.0**	28.5	**294.2**	187.9

Nature and purpose of reserves

i. Share-based payments reserve

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

ii. Foreign currency translation reserve

Where the functional currency of a subsidiary is not US dollars, its assets and liabilities are translated on consolidation to US dollars using the exchange rates prevailing at the reporting date, and its profit and loss is translated at average exchange rates. All resulting exchange differences are recognised 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.

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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	
	2017	2016	2017	2016	2017	2016	2017	2016
Not later than one year	**57.9**	46.4	**3.9**	3.3	**354.0**	222.8	**415.8**	272.5
Later than one year but not later than five years	**205.4**	163.9	**11.1**	10.3	**117.0**	7.9	**333.5**	182.1
Later than five years	**404.8**	363.9	**16.2**	17.7	**-**	-	**421.0**	381.6
Sub-total	**668.1**	574.2	**31.2**	31.3	**471.0**	230.7	**1,170.3**	836.2
Future finance charges	**-**	-	**(5.8)**	(6.5)	**-**	-	**(5.8)**	(6.5)
Total	**668.1**	574.2	**25.4**	24.8	**471.0**	230.7	**1,164.5**	829.7

The present value of finance lease liabilities is as follows:

	2017 US$m	2016 US$m
Not later than one year	**3.1**	2.5
Later than one year but not later than five years	**8.4**	7.4
Later than five years	**13.9**	14.9
Total	**25.4**	24.8

b. Contingent assets and liabilities

Litigation

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

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

[5] *Commitments and contingencies are disclosed net of the amount of GST (or equivalent) recoverable from, or payable to, a taxation authority*

EFFICIENCY OF OPERATION

Note 14:
Cash and Cash Equivalents, Cash Flows

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

Cash, cash equivalents and bank overdrafts

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

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

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

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

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Note 15:
Trade Receivables and Payables

a. Trade and other receivables

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

[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.*

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 2017, the Group had made provision for impairment of $22.6m (2016: $31.1m).

	2017 US$m	2016 US$m
Opening balance at 1 July	**31.1**	24.9
Additional allowance/(utilised/written back)	**(8.7)**	6.4
Currency translation differences	**0.2**	(0.2)
Closing balance at 30 June	**22.6**	31.1

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.

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b. Trade and other payables

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

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 US$m		Other US$m		Total US$m	
	2017	2016	2017	2016	2017	2016
Current	**103.4**	99.0	**30.7**	0.6	**134.1**	99.6
Non-current	**32.5**	32.1	**0.4**	8.4	**32.9**	40.5

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

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

Provisions are not recognised for future operating losses.

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

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

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

OTHER NOTES

Note 17: Related Party Transactions

Ultimate controlling entity

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

Related party transactions

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

Wholly owned subsidiaries

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

The transactions were undertaken on commercial terms and conditions.

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

Ownership interests in related parties

All transactions with subsidiaries have been eliminated on consolidation.

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Subsidiaries

The following table lists the Group's material subsidiaries.

Company	Country of Incorporation	Percentage owned 2017 %	Percentage owned 2016 %
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 Recombinant Facility AG	**Switzerland**	**100**	100
Seqirus UK Limited	**UK**	**100**	100
Seqirus Pty Ltd	**Australia**	**100**	100
Seqirus Vaccines Limited	**UK**	**100**	100
Seqirus Inc	**USA**	**100**	100

Key management personnel transactions with the Group

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

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

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

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

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

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

Note 18: Detailed Information – People Costs

a. Defined benefit plans

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

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

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

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.

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Movements in Accrued benefits and assets

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

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

Offsetting these increases were:

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

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

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

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

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

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

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

Plan Assets

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

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

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

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

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b. Share-based payments – equity settled

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

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

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

Performance rights grants made in 2014, 2015 and 2016 will vest over a four year period with no re-test. The EPS growth test has 100% vesting occurring at a 13% compound annual growth rate and the potential for additional vesting on the achievement of stretch EPS growth targets. The relative TSR test is against a cohort of global pharmaceutical and biotechnology companies and progressive vesting has been reintroduced with 50% vesting where CSL's performance is at the 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$3,000 per six month contribution period. The employees receive the shares at a 15% discount to the applicable market rate, as quoted on the ASX on the first day or the last day of the six-month contribution period, whichever is lower.

Recognition and measurement

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

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

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Valuation assumptions and fair values of equity instruments granted

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

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

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

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.

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

Note 19:
Detailed Information – Shareholder Returns

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

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

Note 21: Deed of Cross Guarantee

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

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

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

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

Summary of movements in consolidated retained earnings of the Closed Group		
Retained earnings at beginning of the financial year	**23,248.9**	23,055.0
Net profit	**1,411.6**	985.8
Actuarial gain/(loss) on defined benefit plans, net of tax	**2.4**	(0.4)
Dividends provided for or paid	**(785.3)**	(791.5)
Retained earnings at the end of the financial year	**23,877.6**	23,248.9

Note 22: Parent Entity Information

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

(b) Guarantees entered into by the parent entity

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

(c) Contingent liabilities of the parent entity

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

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

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

Note 23: Subsequent Events

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

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

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Note 24:
New and Revised Accounting Standards

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

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

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

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

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

AASB 9 – Financial Instruments

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

AASB 15 - Revenue from Contracts with Customers

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

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

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

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

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

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

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

AASB 16 - Leases

This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation on the asset and interest on the liability will be recognised.

IFRIC Interpretation 23 – Uncertainty over income tax treatments

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

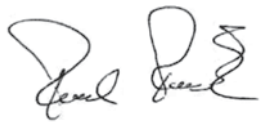
DIRECTORS' DECLARATION

1) In the opinion of the Directors:
   a. the financial statements and notes of the company and of the Group are in accordance with the Corporations Act 2001 (Cth), including:
      i. giving a true and fair view of the company's and Group's financial position as at 30 June 2017 and of their performance for the year ended on that date; and
      ii. complying with Australian Accounting Standards and Corporations Regulations 2001.
   b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2) About this Report (a) in the notes to the financial statements confirms that the financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.
3) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 (Cth) for the financial period ended 30 June 2017.
4) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee dated 22 October 2009.

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



John Shine AC
Chairman



Paul Perreault
Managing Director

Melbourne
August 15 2017

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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 statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

Key Audit Matters

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

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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 2017, the Group holds inventories of $2,575.8 million at the lower of cost or net realisable value. The Group's accounting for inventories is complex as the nature of products being produced and the strict quality and efficacy requirements it is required to comply with means there is a risk that inventories is valued at greater than its recoverable amount. Provisions can be recognised for all components of inventories, including raw materials, work in progress and finished goods. The Group considers a number of factors when determining the appropriate level of inventories provisioning, including regulatory approvals and future demand for the Group's products. In addition, the wide spread geographic footprint of the Group and the movements and sale of stock between the Group's operations means both the existence of inventories and the costing of inventories is a key area of focus. This includes ensuring any mark up of inventories from sales within the Group is appropriately eliminated on consolidation. The Group's disclosure with respect to inventories is included in Note 4 of the financial report.	We have assessed the carrying value of inventories, including costing and provisions for obsolescence and net realisable value, at 30 June 2017. We assessed the appropriateness of the costing by performing detailed testing on the accuracy of the standard cost price calculations and assessing the recognition of variances from standard costing. We assessed the provisions for obsolescence as to whether or not the provisions reflect known quality issues and commercial considerations, as well as their compliance with Australian Accounting Standards, and consistent application from prior periods. The existence of inventories has been tested through our attendance at regular cycle counts conducted throughout the period or through attendance at year-end inventory stock takes in all locations with significant stock holdings. Observing physical inventories assisted with our valuation assessment as we were able to identify any quality issues and validate expiry dates of products. We have assessed the Group's financial report consolidation process, the elimination of any inter-company profits and resultant tax consequences.

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2. Valuation of long-lived assets for Seqirus

Why significant	How our audit addressed the key audit matter
The Seqirus segment has continued to incur operating losses since the acquisition of the Novartis influenza assets in July 2015. There are significant noncurrent assets with definite useful lives including property, plant and equipment and intangible assets of $462 million. The Group reviews the carrying amounts of these noncurrent assets annually, or more frequently, if impairment indicators are present. Before estimating the recoverable amount of the assets, the Group first assesses the cash generating units ("CGU") and then allocates the assets to the identified CGUs within the Seqirus segment. Estimating the recoverable amount of the assets requires critical judgement including estimates of future sales, gross margins, operating costs, terminal value growth rates, capital expenditures, discount rate and the assumptions inherent in those estimates. The annual impairment test is significant to our audit because the assessment process is complex and requires significant judgement.	We assessed the appropriateness of the identified Seqirus CGU and the allocation of assets to that CGU. Involving our valuation specialists, we assessed the key assumptions underlying the discounted cash flow valuation of the Seqirus CGU. In doing so, we: ▶ Tested the mathematical accuracy of the discounted cash flow model; ▶ Compared forecast sales volumes to current production levels and estimated growth in production and demand; ▶ Compared sales prices compared to current levels and estimated increases; ▶ Assessed gross margins based on historical average margins and the impact of yield improvements underway at the Holly Springs facility; ▶ Assessed estimates of capital expenditure; ▶ Assessed the CGU's current year actual results against prior year forecasts to assess forecast accuracy; ▶ Considered the probability, timing and impact of a pandemic; ▶ Assessed the CGU's assumptions for terminal growth rates in the discounted cash flow model in comparison to economic and industry forecasts; ▶ Assessed discount rates through comparing the cost of capital for Seqirus with comparable businesses; and ▶ Consideration EBITDA multiples as a valuation cross-check. We performed sensitivity analysis in respect of the assumptions noted above to ascertain the extent of changes in those assumptions which either individually or collectively would materially impact the fair value of the CGU and we assessed the likelihood of these changes in assumptions arising.

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3. Tax complexities

Why significant	How our audit addressed the key audit matter
Recoverability of deferred tax assets The Group has recognised deferred tax assets related to carry-forward tax losses of $226.8 million. The majority of the deferred tax asset relates to two entities, Seqirus UK Ltd (United Kingdom) and CSL Behring Recombinant Facility AG (Switzerland). Both entities incurred operating losses in 2017. The Group recognised deferred tax assets for tax losses carried forward to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised. Assessing the future taxable profit is complex and requires significant estimates, in particular around the future profitability of each of the loss making businesses. Uncertain tax positions The Group operates in a number of different tax jurisdictions all of which have specific risks and regulations that needs to be considered. In particular, transfer pricing arrangements within the Group are significant with large numbers of cross-border purchases and sales as well as transfers of intellectual property between Group entities in different tax jurisdictions. The Group's disclosure with respect to tax is included in Note 3 of the financial report.	Recoverability of deferred tax assets Our audit procedures over the recoverability of the deferred tax assets included testing the adequacy of the forecast cash flows, and assessing whether they were based on reasonable assumptions and were consistent with the most recent forecasts prepared by the Group. In addition, we considered other assumptions such as transfer pricing, tax depreciation and assessed the deductibility of expenditure. These procedures were leveraged, where possible, off of the procedures performed over the recoverability of the noncurrent assets for Seqirus as described above. Additionally, we assessed whether the Group's disclosures of the application of judgement in estimating recognised and unrecognised deferred tax asset balances appropriately reflect the Group's deferred tax position. Uncertain tax positions We assessed the Group's various tax exposures to assess whether adequate provisions have been recorded for exposures with higher risk and uncertainty. Involving our taxation specialists in local countries, our audit procedures included: ▶ review of the Group's calculations of current and deferred income tax expense; ▶ review of any third party advice received; ▶ understanding the status of any open tax audits and their findings; and ▶ review of transfer pricing documentation.

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

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

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

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

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Rodney Piltz
Partner
Melbourne
15 August 2017

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MEDICAL GLOSSARY

Acute myocardial infarction is a heart attack.

Adjuvant is a substance which enhances the body's immune response to an antigen.

Albumin is any protein that is soluble in water and moderately concentrated salt solutions and is coagulable by heat. It is found in egg whites, blood, lymph, and other tissues and fluids. In the human body, serum albumin is the major plasma protein (approximately 60 per cent of the total).

Alpha-1 Antitrypsin Deficiency (AATD) is an inherited condition that causes low levels of, or no, alpha-1 antitrypsin (AAT) in the blood. AATD is a protein made in the liver and enables normal function of the lungs.

Anti-D immunoglobulin, also called Rh (D) immunoglobulin, is an injection of Anti-Rhesus antibodies given to a woman whose blood group is Rhesus negative, if there is a chance that she has been exposed to Rhesus positive blood either during pregnancy or blood transfusion.

Antivenom (or antivenin, or antivenene) is a biological product used in the treatment of venomous bites or stings.

Autoimmune disease is when the body's immune system attacks healthy cells.

Biopharmaceuticals are proteins (including antibodies), nucleic acids (DNA, RNA or antisense oligonucleotides) used for prophylactic or therapeutic purposes.

Cell-based (technology) for the manufacture of influenza vaccines, is a process of growing viruses in animal cells.

C1 Esterase Inhibitor is a protein found in the fluid part of blood that controls C1 the first component of the complement system. The complement system is a group of proteins that move freely through the blood stream. These proteins work with the immune system and play a role in the development of inflammation.

Chronic Inflammatory Demyelinating Polyneuropathy (CIDP) is a neurological disorder which causes gradual weakness and a loss in sensation mainly in the arms and legs.

Coagulation is the process of clot formation.

Common Variable Immune Deficiency is one of the most frequently diagnosed primary immunodeficiencies, especially in adults, characterised by low levels of immunoglobulins and antibodies, which causes an increased susceptibility to infection.

Diabetes, Type 2 is a chronic condition that occurs when the pancreas does not produce enough insulin and/or the insulin does not work effectively.

Fibrinogen is a coagulation factor found in human plasma that is crucial for blood clot formation.

Fractionation is the process of separating plasma into its component parts, such as clotting factors, albumin and immunoglobulin, and purifying them.

G-CSF is a glycoprotein that stimulates the bone marrow to produce granulocytes and stem cells and release them into the bloodstream.

Haemolytic Disease is a disease that disrupts the integrity of red blood cells causing the release of haemoglobin.

Haemophilia is a haemorrhagic cluster of diseases occurring in two main forms:

1. Haemophilia A (classic haemophilia, factor VIII deficiency), an X linked disorder due to deficiency of coagulation factor VIII.

2. Haemophilia B (factor IX deficiency, Christmas disease), also X linked, due to deficiency of coagulation factor IX.

Haemostasis (Haemostatic) is the stopping of blood flow.

MEDICAL GLOSSARY
CONTINUED

Hereditary Angioedema (HAE) is a rare but serious genetic disorder caused by low levels or improper function of a protein called C1 esterase inhibitor. It causes swelling, particularly of the face and airways, and abdominal cramping.

Hereditary Emphysema is a physiological condition that results in excessive amounts of white blood cells (neutrophils) to enter the lungs and cause inflammation and chronic lung disease.

Human Papilloma Virus (HPV) is a diverse group of DNA-based viruses that infect the skin and mucous membranes of humans and a variety of animals. Some HPV types cause benign skin warts, or papillomas, for which the virus family is named. Others can lead to the development of cervical dyskaryosis, which may in turn lead to cancer of the cervix.

Immunoglobulins (IgG), also known as antibodies, are proteins produced by plasma cells. They are designed to control the body's immune response by binding to substances in the body that are recognised as foreign antigens (often proteins on the surface of bacteria or viruses).

Influenza, commonly known as flu, is an infectious disease of birds and mammals caused by a RNA virus of the family Orthomyxoviridae (the influenza viruses).

Intravenous is the administration of drugs or fluids directly into a vein.

Leukaemia is a group of cancers that affect the blood and bone marrow.

Monoclonal Antibody (mAb) is an antibody produced by a single clone of cells. Monoclonal antibodies are a cornerstone of immunology and are increasingly coming into use as therapeutic agents.

Neurological is the science of nerves and the nervous system.

Neutrophil infiltration is the diffusion or accumulation of neutrophils (white blood cells) in tissues or cells in response to a wide variety of substances released at the sites of inflammatory reactions.

Perioperative bleeding is bleeding during an operation.

Plasma is the yellow-coloured liquid component of blood in which blood cells are suspended.

Primary Immunodeficiency (PID) is an inherited condition where there is an impaired immune response. It may be in one or more aspects of the immune system.

Prophylaxis is the action of a vaccine or drug that acts to defend against or prevent a disease.

Quadrivalent influenza vaccine is a vaccine that offers protection against four different influenza virus strains.

Recombinants are proteins prepared by recombinant technology. Procedures are used to join together segments in a cell-free system (an environment outside a cell organism).

Subcutaneous is the administration of drugs or fluids into the subcutaneous tissue, which is located just below the skin.

Thrombosis is the formation of a blood clot inside a blood vessel, obstructing the flow of blood through the circulatory system.

Trivalent influenza vaccine is a vaccine that offers protection against three different influenza virus strains.

Von Willebrand Disease (vWD) is a hereditary disorder caused by defective or deficient Von Willebrand factor, a protein involved in normal blood clotting.

Warfarin is an anticoagulant used to to prevent heart attacks, strokes, and blood clots.

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FURTHER INFORMATION

For further information about CSL and its operations, refer to Company announcements to the Australian Securities Exchange and our website:

www.csl.com.au

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