



CSL Limited

Chairman's Address – Annual General Meeting 2014

"I am very pleased to report that CSL has recorded another year of strong business performance with continuing success across our plasma products portfolio. In anticipation of ongoing future growth for the Company, good progress has also been achieved with manufacturing capacity expansion programs across several of our sites. Again with the future in mind, we also continue to increase our investment in innovation with promising advancements in our research and development (R&D) pipelines.

"For the year ended 30 June, net profit after tax was US\$1.307 billion or, in constant currency, US\$1.304 billion. This result was in line with guidance and takes into account the US antitrust class action litigation settlement which we announced in October 2013. CSL has maintained a strong balance sheet with US\$609 million cash on hand against borrowings of US\$1.890 billion. Cash flow from operations was US\$1.361 billion.

"Immunoglobulin sales delivered the strongest contribution to total revenue. Hizentra® subcutaneous immunoglobulin was a primary contributor in both the US and Europe, and growth in Privigen® intravenous immunoglobulin was assisted by an expanded indication in Europe.

"Albumin sales were driven by increased demand in Europe and the continuing strong demand in China. Highlights of specialty product sales included good growth for Kcentra® - our 4 factor prothrombin concentrate. The US Food and Drug Administration granted Kcentra® orphan drug status for urgent warfarin reversal in patients with acute bleeding and for the urgent reversal of warfarin therapy in adult patients needing surgery. This provides seven years of market exclusivity.

"Ongoing expansion programs continue to position CSL to meet future demand for plasma products. We continually explore the latest technology that is available, and evaluate how it can make our operations and our manufacturing plants more efficient to meet our patients' growing needs.

"The past 12 months have witnessed a number of important expansion projects.



“At our manufacturing site in Bern, Switzerland, we completed a project to substantially increase base fractionation capacity.

“Following an extensive evaluation process, CSL recently made a decision to locate its commercial scale recombinant therapies manufacturing facility in Langnau, in the Canton of Bern in Switzerland. This facility will enable CSL to meet the expected demand for its recombinant therapies currently under development.

“At our manufacturing site in Kankakee, in the US, we completed the first of a number of major capacity expansion construction projects.

“At our manufacturing site in Marburg, Germany, we completed the first phase of a project to expand production and packaging facilities for specialty products.

“At our Broadmeadows site in Melbourne, the construction of a new facility for the production of Privigen® has been completed, with equipment installed and commissioning now underway.

“Our new Biotechnology Manufacturing Facility, also at Broadmeadows in Melbourne, was officially opened in May this year. The most advanced facility of its kind in Australia, it will produce recombinant therapies for international clinical trials, starting with one of CSL’s novel coagulation factors.

“CSL also recently announced that it would be expanding its Broadmeadows facility to help meet growing global demand for Albumin. CSL’s global albumin products are currently manufactured by our Bern facility in Switzerland and our Kankakee facility in the US, using plasma collected by CSL Plasma. The new facility at Broadmeadows will become an integral part of this global supply chain and almost double CSL’s existing albumin capacity when it is fully operational.

“These investments at our Broadmeadows facility were assisted by the support of the Victorian and Australian Governments.

“In April 2014, CSL Plasma opened its 100th plasma collection centre. Over the past three years, CSL Plasma has grown from 73 to more than 100 collection centres and this growth in centres is continuing. CSL Plasma has also expanded laboratory and logistics operations, continuing to ensure CSL’s ability to meet projected needs for this critical raw material.



“This year, we transitioned back to bioCSL the rights to market and distribute our Afluria® influenza vaccine in the US, which had previously been marketed and distributed by Merck. As a result, we strengthened our commercial resources in preparation for the 2014-2015 influenza season in the Northern Hemisphere. bioCSL is also in the process of registering influenza vaccine in seven new countries in Europe which will help to position the business for future growth.

“As Australia’s only onshore manufacturer of influenza vaccine, bioCSL plays a key role in pandemic preparedness. This year, bioCSL has produced H5N1 (bird flu) vaccine for the Australian Government and master seeds for the H7N9 influenza strain that emerged in China in 2013. We are proud of our national commitment to biosecurity and take our responsibilities in this area very seriously.

Research and Development

“Investment in R&D is an important driver for future growth and this year we invested US\$466 million, continuing our strong commitment in this area.

“Achieving regulatory approvals and expanding medical use of therapies in major markets is a critical objective of our R&D programs. As previously mentioned, Kcentra® was approved in the US for expanded indications. Hizentra® subcutaneous immunoglobulin was also approved in the US to include flexible dosing for people diagnosed with primary immunodeficiency (or PID). In Japan, we also achieved approval for Hizentra® for use in the treatment of PID as well as secondary immune deficiency. This was the first time any subcutaneous immunoglobulin therapy has been approved for use in Japan.

“Advancement of the development of a family of long-acting recombinant coagulation therapies to progress the care of people with haemophilia and other coagulation disorders continued during the past year. These therapies include the extended half-life albumin fusion proteins - recombinant Factor IX fusion protein, and recombinant Factor VIIa - and a unique single-chain recombinant Factor VIII. If successful, these therapies should result in a marked reduction in frequency of administration compared to current treatments and thereby significantly increase convenience for patients.

“Major progress has been made in unlocking the medical significance and value of our speciality plasma-derived products, including our Phase III multi-site



clinical trial evaluating the safety and efficacy of fibrinogen in controlling microvascular bleeding during aortic aneurism surgery. Also, our Phase III international study of a volume-reduced, subcutaneous formulation of Berinert® (C1-esterase inhibitor concentrate) commenced in patients with frequent hereditary angioedema (HAE) attacks.

“We continue to support our immunoglobulin franchise. Following the successful demonstration of the safety and efficacy of Privigen® in treating CIDP, an international Phase III study is progressing testing Hizentra® 20% for CIDP. These studies aim to provide greater flexibility and control for patients who require long-term immunoglobulin therapy.

“CSL has 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 while at the same time making strategic investments in the longer term, higher risk and high opportunity new product development activities.

Corporate Responsibility

“CSL is committed to conducting business ethically and contributing to the economic, social and environmental well-being of our communities. In December 2013, CSL published its fifth Corporate Responsibility Report.

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

“In addition, CSL has participated in the Carbon Disclosure Project (CDP) for the last 6 years. The CDP is an independent non-profit initiative making available to investors high quality comparable data on company environmental performance. This year, CSL achieved membership of the CDP 2013 ASX 200 Climate Disclosure Leadership Index (CDLI). CSL is one of 21 Australian listed companies recognised by the Carbon Disclosure Project’s CDLI.

“In July 2013, we released the second edition of our Code of Responsible Business Practice (the Code). The Code defines the standards of behaviour expected of all our employees, and also our contractors, suppliers and



distributors, when they are conducting CSL's business. The updated version of the Code is available to all employees and stakeholders in 15 languages.

"We look forward to continuing to report annually our performance in these important non-financial areas.

Health, Safety and Environment

"CSL has developed a proud Health, Safety and Environment (HS&E) record and continues to operate a HS&E Management System that ensures its facilities operate to internationally recognised standards. This framework includes compliance with government regulations and commitments to continuously improving the health and safety of the Company's workforce as well as minimising the impact of operations on the environment.

"We continue to make progress on and refine global Key Performance Indicators for safety, supporting our commitment to prevention programs that promise strong safety performance. Our Lost Time Injury Frequency Rate, Medical Treatment Injury Frequency Rate and Days Lost Frequency Rate continue to record improved performance.

"We recognise the importance of conducting our operations in an environmentally responsible manner. HS&E managers at each site collaborate across functions to improve environmental performance. Our manufacturing operations also maintain certifications to relevant environmental management systems including the European Union Eco-Management and Audit Scheme and the ISO 14001 Environmental Management Systems.

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

Our People

"CSL's continued growth and success is reflected in our expanded workforce. We now employ over 13,000 people in more than 27 countries.



“Recognising that our talented and diverse workforce is critical to CSL’s continued growth and success, we remain committed to seeking out and retaining the best people. This year, in support of this goal, the Company has invested in a global system to provide improved effectiveness and efficiency during the recruitment process.

“CSL has a strong diversity position. The CSL Board and Senior Management believe this is fundamentally the result of a strongly inclusive culture. Our management at all sites around the world are encouraged to implement diversity-related initiatives consistent with local laws, practices and culture, such as our childcare centre in Parkville, Victoria and a children’s summer holiday programme in Marburg, Germany.

“In the area of gender diversity, CSL has a strong track record in the deployment of qualified and experienced women in the workplace. 42% of our senior professional and management employees are female and at the most senior level – that is our top 50 positions across the globe – 30% are female, with many in key global roles.

“Each year the CSL Board establishes a number of measurable objectives supporting gender diversity and reports progress against these objectives in the Corporate Governance Statement in our Annual Report. This year, two of these initiatives were to increase education and communication on the use of flexible working arrangements and to implement a global on-line training programme for “Mutual Respect in the Workplace”, which over 90% of managers have completed.

“CSL undertakes a global employee survey every few years, most recently in February 2013. The Company has now reviewed the outcomes of the survey from a gender perspective and found that females responded the same or more favourably than males across all dimensions of the survey, with the most favourable response relating to career development and work-life balance.

“The development of leaders is important to all organisations. This is especially important to CSL as a global company. We have a number of programmes and development tools that provide the support needed to develop these leaders.

“Of course, leadership is set from the top and your Board has been particularly pleased with the performance of our new Managing Director and Chief Executive Officer. This has been the first full year of the Company with Paul Perreault at the helm and the results speak for themselves. Following on from



over 20 years with Brian McNamee as Managing Director and Chief Executive Officer was a hard act to follow and Paul has clearly risen well to the challenge and I would like to take the opportunity to thank Paul on behalf of all shareholders.

Capital Management

“Efficient capital management remains a significant focus for your Board.

“As foreshadowed with our Annual Results on 13 August 2014, CSL has, subject to final documentation and closing, placed a Euro 350 million private placement of debt in the US. The placement was significantly oversubscribed reflecting the sound economic structure of the CSL Group. The placement will further smooth our debt profile at very attractive long term interest rates. The proceeds have been or will be used to fund CSL’s capital management plan, including on-market share buybacks, and/or for general corporate purposes.

“On 16 October 2013, CSL announced an on-market share buyback of up to A\$950 million. This on-market share buyback is now almost 95% complete, with approximately 13 million shares repurchased for approximately A\$900 million.

“To date, as a result of this and previous buy-backs, CSL has repurchased approximately 23% of the Company’s shares on issue, based on the issued capital as at the commencement of the 1st buyback in 2005 and excluding the effect of shares issued as part of CSL’s share placement in 2005.

“As foreshadowed with our Annual Results on 13 August 2014, the Board has considered new capital management initiatives. Today, I am pleased to announce that CSL will conduct a further on-market buyback¹ of up to \$950 million, which we intend to complete over the next 12 months.

“Through these buybacks, all our shareholders benefit from improved investment return ratios, including earnings per share and return on equity.

¹ CSL reserves the right to suspend or terminate buybacks at any time.



Outlook

“While the markets in which we operate remain highly competitive, our broad portfolio of products, ongoing product development and geographic reach continue to ensure our business remains well positioned.

“When announcing our full year result in August, we anticipated net profit after tax to grow by approximately 12%, at constant currency, and we maintain this guidance, noting that this outlook is subject to a number of other variables which were outlined when we announced the Company’s annual result in August.

Dividend

“In line with the Company moving to reporting in US dollars, CSL now determines dividends in US dollars. However, for the convenience of shareholders with a registered address in Australia or New Zealand, payments of dividends to these shareholders will continue to be made in local currencies.

“The Board determined a final unfranked dividend of US60 cents per share. This dividend was paid to shareholders on 3 October. Total ordinary dividends for the year were US\$1.13 per share. This represents an increase of 11% in US dollars on the prior year’s dividend and for Australian shareholders converts to approximately A\$1.24 per share, an increase of 17% over the prior year.

“The reason this dividend is unfranked is that there are insufficient Australian franking credits available. Australian franking credits are dependent on the Australian profits earned and Australian tax paid. As CSL’s business continues to grow internationally, our ability to provide franked dividends declines. However, it remains the Company’s intention that available franking credits will be passed onto shareholders as and when they are generated in a meaningful amount.

Thanks to Management and Staff

“Committed to saving lives and improving the quality of life for those with rare and serious diseases, CSL strives to develop, produce and deliver safe and effective therapies that enable the many thousands of people who depend on them to lead healthier lives. This is the fundamental reason for everything we do at every level in the Company.



“Your Board of Directors recognises and appreciates that CSL’s continuing international success is built on the strong commitment and teamwork of our management and staff throughout the world. On behalf of the Board and our shareholders, I thank each and every one of them for contributing to all we have achieved this year.

Professor John Shine AO
Chairman