



CSL Limited

Chairman's Address – Annual General Meeting 2015

"I would now like to review our performance for the year ended 30 June 2015. I hope that you have taken the opportunity to read our most recent Annual Report.

"I am very pleased to report that CSL recorded another year of solid business performance across our plasma products portfolio while continuing to build global capacity to develop and produce new and improved therapies. Furthermore, as a result of our recent acquisition of the Novartis influenza vaccine business, CSL is now positioned as the second largest influenza vaccine business in the world.

"For the year ended 30 June 2015, our net profit after tax was US\$1.379 billion or, in constant currency¹, US\$1.412 billion. CSL maintained a strong balance sheet with US\$556 million cash on hand against borrowings of US\$2.281 billion. Cash flow from operations was a very solid US\$1.364 billion.

"Immunoglobulin sales delivered the strongest contribution to total revenue. Hizentra® (our subcutaneous immunoglobulin) continues to be a strong contributor in both the US and Europe. Hizentra® received both US Food and Drug Administration (FDA) and European Medicines Agency approvals this year to provide flexible dosing options for patients. Growth in Privigen® (our intravenous immunoglobulin) continues to benefit from an expanded indication in Europe to include treatment of chronic inflammatory demyelinating polyneuropathy.

"Albumin sales growth was driven by the ongoing global demand, especially in China and North America, and a positive result for haemophilia products was largely due to the demand for Beriate® in Brazil, Poland and Germany. Strong specialty products growth was underpinned by Kcentra®, Berinert® and Zemaira®.

¹ Constant currency removes the impact of exchange rate movements to facilitate comparability. For further details please refer to the Directors' Report on page 47 of the 2014-15 Annual Report.



“Kcentra® (our 4 factor pro-thrombin complex concentrate) achieved strong growth following its approval by the US FDA for use in urgent reversal of warfarin therapy in adult patients needing surgery. Importantly, Kcentra®’s Orphan Drug Status designation based on this surgical indication provides marketing exclusivity in the US for seven years.

“Strong demand continues for Berinert® (C1-esterase inhibitor concentrate) for the treatment of acute attacks in patients with hereditary angioedema. Today more than 75% of patients using CSL’s product benefit from the convenience of being able to self-administer.

“We continue to invest in state-of-the-art manufacturing facilities around the world: to meet future demand for our products; to continue to increase efficiency; and to support our cohesive global manufacturing network. During the past year, we completed a number of key projects in our multi-site facilities expansion program and advanced several others.

“US FDA approval has been granted to commence operations in our new base fractionation and albumin manufacturing facilities in Kankakee in the US. Together these new and expanded facilities have significantly increased our plasma processing and albumin production capacity.

“We have also announced plans for an additional capacity expansion project, including the construction of expanded base fractionation facilities in Kankakee and an albumin manufacturing facility in Broadmeadows, Australia. The first stage of this project is scheduled to be completed in 2019 and will require an investment of around US\$450 million.

“Validation runs for our new Privigen® manufacturing facility in Broadmeadows have now been completed. This facility is scheduled to be operational by early 2016 and will significantly increase Privigen® production capacity for global markets.

“In Bern, Switzerland, installation of a new state-of-the-art sterile filtration and filling line was completed to accommodate a wider range of products and vial sizes. And in Marburg, Germany, where we opened a new production support and laboratory building, work continues on our €180 million, five year modernisation and capacity expansion project.



“In Lengnau, Switzerland, the construction of our first dedicated recombinant production site began this year to accommodate our growing suite of recombinant coagulation products.

“We continue to expand our commercial operations globally, with offices recently established in emerging markets including Russia, Turkey, Hungary and the Czech Republic.

“CSL Plasma opened 22 new plasma collection centres during the year. As of July 2015, we now operate 128 centres. These centres are located in the US and Germany and also include our first centre in Hungary which we opened in July 2015. With one of the largest and most efficient plasma collection operations in the world, we remain confident of our ability to stay ahead of demand and to ensure the ongoing reliable supply of our innovative products.

“Turning now to influenza, bioCSL recorded a strong increase in sales of influenza vaccine this year largely due to the re-establishment of our in-house commercial capability in the US. Our vaccines were also first to market in the US, the United Kingdom, Germany and Australia.

“We were pleased to expedite the acquisition of the Novartis influenza vaccine business, which is currently being integrated with our bioCSL operations to create the second largest influenza vaccine business globally. From November, the new combined business will operate under the name Seqirus [SEK-EER-US], derived from the terms “securing health for all of us”, and recognises a new beginning and bright future for the business. Seqirus is well positioned for growth with an extensive product portfolio, global sales reach, strong research and development capabilities and well scaled manufacturing operations.

“As Australia’s only onshore manufacturer of influenza vaccine, we also play a key role in pandemic preparedness. We are proud of our national commitment to biosecurity and take our responsibilities in this area very seriously. Following the acquisition of the Novartis influenza vaccine business, we will now also play a significant role in pandemic and pre-pandemic preparedness for the US and the UK.

“In May 2015 the Australian Government announced the listing of Zostavax* (for the prevention of shingles) on the National Immunisation Program. The Program is scheduled to commence in November 2016 and Zostavax* will be available to an on-going cohort of people aged 70 and includes a five year catch-up program for people aged 71 to 79.



“The Australian Therapeutic Goods Administration (TGA) also approved the marketing of GARDASIL*-9 in Australia in June 2015. GARDASIL*-9 is a new vaccine which provides protection against an additional five strains of human papilloma virus (HPV) compared to GARDASIL* and offers further protection against HPV infection and cervical cancer. This is an extremely positive outcome and will eventually enable GARDASIL*-9 to replace GARDASIL* and provide important and continuing public health benefits to the Australian community.

Research and Development

“Investment in research and development is an important driver for future growth and this year we invested US\$463 million, continuing our lasting promise to save lives and improve the quality of life for people with serious diseases.

“Achieving licenses and expanding the medically justified use of therapies in major regulatory jurisdictions is a critical objective of our R&D programs.

“In December 2014, the EMA approved amended labelling for Hizentra® to provide the ability to individualise treatment with flexible dosing at intervals from daily to once every two weeks (biweekly). In February 2015, the US FDA similarly expanded the administration options for Hizentra® to include the ability to individualise therapy with flexible dosing.

“A major highlight for the year has been the excellent progress across our R&D pipeline, especially with two of our longer-acting recombinant coagulation medicines – factor IX fusion protein and factor VIII SingleChain – and our novel candidate for prevention of recurrent cardiovascular events (CSL112).

“In February 2015, the US FDA accepted for review CSL’s Biologics License Application (BLA) for factor IX fusion protein, our long-acting clotting factor for haemophilia B patients, and in March 2015 the European Medicines Agency started the Centralised Procedure for reviewing CSL’s Marketing Authorisation Application for this novel clotting factor.

“In July 2015, the US FDA accepted for review CSL’s BLA for recombinant factor VIII SingleChain which is designed to provide haemophilia A patients with a treatment that may require fewer infusions to maintain its therapeutic effect.

“An R&D priority is also the development of new breakthrough medicines such as CSL112, a novel formulation of the protein which carries high density



lipoprotein, also known as “good cholesterol”. Following Phase I and IIa studies supporting possible use of CSL112 in acute coronary syndromes, in November 2014 CSL announced the launch of a Phase IIb global study investigating the safety and tolerability of multiple dose administration of CSL112 in 1,200 patients who have experienced a heart attack. CSL112 is designed to rapidly remove cholesterol from the arteries and stabilise lesions at risk of rupture. This represents a potential new approach to reduce the high incidence of early recurrent cardiovascular events in the days and weeks following a heart attack. Results of the study are expected in 2017.

“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

“As a company driven by its promises to stakeholders, CSL is committed to conducting business ethically and contributing to the economic, social and environmental well-being of our communities. In December 2014, CSL published its sixth Corporate Responsibility Report which details our performance across key sustainability aspects most important to our business and stakeholders.

“This year CSL finalised an enterprise-wide climate change risk assessment of our manufacturing sites and other key operations. The risk assessment took into consideration updated observations from the Intergovernmental Panel on Climate Change (IPCC) and other environmental agencies where we have key operations.

“CSL has concluded that climate change does not pose a significant risk or financial impact to CSL in the short to medium term.

“CSL has also been active in public policy debate this year in Australia, the US, Switzerland and other strategic countries in which we operate. In, Australia, for example, we believe there is a significant opportunity to help improve the commercial returns Australia receives from its intellectual property. This could include increasing support for translational research and becoming a globally competitive location for advanced manufacturing. We have made submissions



to Government on these and other topics and look forward to seeing some reforms in these areas.

“In May 2015, the National Hemophilia Foundation in the US awarded CSL Behring with its 2015 Corporate Leadership Award in recognition of our longstanding and unwavering commitment to advancing science and improving the care of the bleeding disorders community.

“Our unwavering support for patient communities continues, demonstrated by our commitment to the World Federation of Hemophilia. In April 2015, CSL pledged 10 million international units of one or more of our broad portfolio of bleeding disorder protein therapy products to the World Federation of Hemophilia over three-years commencing in 2016.

“In response to natural disasters that struck Vanuatu and Nepal, CSL and its employees provided monetary donations totalling around US\$150,000 to humanitarian agencies across Australasia, the US and Europe. In Nepal, through the World Federation of Hemophilia, CSL donated 216,000 international units of Mononine® human coagulation factor IX, to help patients with bleeding disorders to receive essential treatment.

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

Health, Safety and Environment

“During the reporting year, CSL completely revised its Environment, Health, Safety and Sustainability Strategic Plan which ensures its facilities continue to operate to internationally recognised 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.

“Environmental obligations and waste discharge quotas are tightly regulated under applicable Australian and foreign laws. Environmental performance is monitored and subjected from time to time to government agency audits and site inspections. No environmental breaches have been notified by the Environmental Protection Authority in Victoria, Australia or by any other equivalent interstate or foreign government agency in relation to CSL's Australian, Europe, North American or Asia Pacific operations during the year ended 30 June 2015.



“CSL continues to report on key environmental issues including energy consumption, emissions, water use and management of waste as part of CSL’s annual Corporate Responsibility Report and submission to the Carbon Disclosure Project.

Capital Management

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

“On 15 October 2014, CSL announced an on-market share buyback of up to A\$950 million. As of 30 June 2015, this share buyback was complete, with 10.59 million shares repurchased for approximately A\$950 million. Our latest buyback together with previous share buybacks has contributed a 22.7% boost to earnings per share over the period of the buybacks.

CSL’s balance sheet remains sound and modestly geared and the Company continues to deliver strong free cash flow. Cash and equivalents were US\$557 million as at 30 June 2015 with interest bearing liabilities of US\$2,281 million and undrawn debt facilities of US\$141 million.

“As foreshadowed with the announcement of our Annual Results in August 2015, CSL has now closed a further private placement of debt in the US. The placement comprised a CHF400 million tranche as well as a US\$100 million tranche. The placement was significantly oversubscribed reflecting the sound economic fundamentals underpinning the CSL Group. The placement has an average tenor of 9.4 years and an average interest rate of 1.43% per annum and has further smoothed our debt profile. The proceeds will be used to fund CSL’s capital management plan, including on-market share buybacks, and/or for general corporate purposes.

“As also foreshadowed with the announcement of our Annual Results, the Board has considered new capital management initiatives. Today, I am pleased to announce that CSL will conduct a further on-market buyback² of up to \$A1 billion which we intend to complete over the next 12 months.

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

² CSL reserves the right to suspend or terminate buybacks at any time.



Dividend

“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 US 66 cents per share. This dividend was paid to shareholders on 2 October. Total ordinary dividends for the year were US\$1.24 per share. This represents an increase of 10% in US dollars on the prior year’s dividend and for Australian shareholders converts to approximately A\$1.64 per share, an increase of approximately 39% 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 globally, our ability to provide franked dividends declines. However, it remains the Company’s intention that available franking credits will be passed on to shareholders as and when they are generated in a meaningful amount.

Outlook

“At the end of the first quarter of the current financial year, I can advise that the Company is trading consistently with our expectations. While the markets in which we operate remain highly competitive, our broad portfolio of innovative products, ongoing product development and growing geographic reach continue to ensure our business remains well positioned.

“We continue to invest substantially in our research and development pipeline. We are also investing in our commercial capabilities in light of our anticipated launch of new recombinant coagulation products in 2017.

“When announcing our Annual Results in August, we provided guidance on our outlook for the current financial year. We maintain this guidance, noting that this outlook is subject to a number of other variables which were outlined when we announced our Annual Results. Our Managing Director and Chief Executive Officer, Mr Paul Perreault, will provide some more detail in this area.



Our People

“Our people are the heart and soul of CSL.

“CSL now employs over 15,000 people in more than 30 countries.

“Our people’s expertise and commitment are the foundation on which CSL’s continued success is built, in delivering innovative and life-saving products to patients. CSL’s workplace provides challenging career opportunities and a work environment that supports our people’s wellbeing and changing needs during their career.

“Across the organisation, flexible work practices have long been established, and we have continued to focus on this area by providing tools to our leaders that support them in meeting the needs of our employees and our business through effective flexibility in work practices.

CSL’s approach to talent management and succession ensures a pipeline of candidates are ready to lead the organisation into the future. The global integration of a number of business functions this year provided opportunities for career advancement. In some cases this has involved international moves which also help strengthen the global outlook of our leaders.

“Our growing and complex global business, and expanding workforce, demands the consistent and effective management of all data and information related to employment. CSL has committed to invest in a new Global Human Resources Information System to improve access to data and reporting capabilities and, for employers and managers, the ability to access information directly and strengthen their leadership capabilities.

“CSL is proud of our strong diversity position and understands the value of a highly inclusive culture. We continue to listen to our leaders and employees to ensure that this enviable position is not compromised and that we continue to evolve our culture in support of our employees and our business.

“CSL continues to maintain its strong track record of gender diversity in terms of the comparatively high representation of women at all levels of management.

“More information on CSL’s diversity position and a report on our measurable diversity objectives can be found in our Corporate Governance Statement



contained in our 2014-15 Annual Report and available on CSL's website (www.csl.com.au/about/governance).

"CSL is currently negotiating new Enterprise Agreements with CSL's Australian staff. CSL's offer was accepted by our bioCSL staff at a recent employee vote, however, we are yet to reach an agreement with our other Australian staff. Negotiations are ongoing and CSL remains hopeful that new Enterprise Agreements can be concluded shortly.

We were very pleased to announce recently the appointment of Mr David Lamont as CSL's new Chief Financial Officer, effective from 2 January 2016. David joins CSL with an impressive track record as Chief Financial Officer at a number of listed public companies, most recently MMG Limited. We welcome him as a member of CSL's Global Leadership Group and are sure that he will make a significant contribution to CSL's future growth and success.

I would also like to take the opportunity to thank Mr Gordon Naylor, who will be stepping down as Chief Financial Officer to devote his efforts as President of Seqirus, our new combined influenza vaccine business. Gordon's commitment as Chief Financial Officer has been impressive and, on behalf of your Board, I would like to express our thanks.

Our Shareholders

"CSL values all its shareholders and looks to ensure that it communicates effectively with them. In addition to our Annual General Meeting, our Half Year and Full Year Reports and our continuous disclosure announcements to the Australian Securities Exchange, CSL has introduced regular Shareholder Briefings. In 2015, CSL conducted Shareholder Briefings in Perth and Adelaide, which followed on from similar briefings held in Auckland and Brisbane in 2014. CSL plans to continue these briefings on a rolling basis to the various Australian States and New Zealand to provide an opportunity for shareholders in these places to interact with CSL.

"CSL is pleased to see that the number of shareholders has been increasing over time and that we now have more than 129,000 shareholders, up from approximately 95,000 in 2013.



Thanks to Management And Staff

“Delivering on promises is what we do at CSL. Starting nearly a century ago here in Melbourne, we made a promise to save lives and protect the health of people who were stricken with a range of serious and chronic medical conditions. Today, as a leading global biotherapeutics company, that same promise has never been stronger, with operations in more than 30 countries and more than 14,000 employees who are driven by our deep passion and commitment to many thousands of patients and other stakeholders we serve around the world.

“Your Board of Directors appreciates the commitment, integrity and contributions of CSL’s management and employees who drive our continuing success.

**Professor John Shine AO
Chairman**