



CSL Limited

Chairman's Address – Annual General Meeting 2016

"I would now like to review our performance for the year ended 30 June 2016. I hope that you have taken the opportunity to read our most recent Annual Report.

"I am very pleased to report that CSL delivered another strong performance with double digit growth in all plasma therapy groups. This year we secured approvals and launches for five new products, including:

- our two novel recombinant haemophilia products IDELVION® and AFSTYLA®;
- RESPREEZA®, our highly purified protein therapy to slow the progression of hereditary emphysema in adults; and
- two differentiated influenza vaccines.

"For the year ended 30 June 2016, our reported net profit after tax was US\$1.242 billion or, in constant currency¹, US\$1.357 billion. CSL's reported total revenue reached US\$6.129 billion.

CSL Behring

"CSL Behring delivered an exceptional year, with growth in all key therapy areas.

"Immunoglobulins represent CSL Behring's largest therapy area, and are used to treat primary immune deficiencies and neurological conditions. Solid demand for PRIVIGEN®, our intravenous immunoglobulin, was a key factor to this growth, however sales of HIZENTRA®, CSL Behring's subcutaneous immunoglobulin was the outstanding performer with sales up strongly, led by robust demand in the US and Europe.

¹ Constant currency removes the impact of exchange rate movements to facilitate comparability. For further details please refer to the Directors' Report on page 55 of the 2015-16 Annual Report.



“In our haemophilia portfolio we concluded the year with the launch of our two novel recombinant coagulation therapies for the treatment of haemophilia A and B. We believe these therapies deliver patients more effective and convenient treatment options.

“As I mentioned earlier, we achieved growth in all of CSL Behring’s key therapy groups and Mr Paul Perreault, our CEO and Managing Director, will shortly be sharing with you some further detail across the individual portfolios.

“To execute on our promise to patients, and meet growing demand in our products, we continue to invest in state-of-the-art manufacturing facilities around the world. These investments underpin our focus on driving efficiencies and in developing a cohesive and integrated global manufacturing network.

“In May 2016, CSL Behring laid the foundation stone for its new manufacturing facility in Lengnau, Switzerland for the manufacture of our novel recombinant haemophilia products. Construction on site is making good progress.

“In December, the first shipment of PRIVIGEN was made to the US from the Turner Privigen facility, a new manufacturing facility in Broadmeadows, Australia. In addition, construction of a new albumin production facility at the same site has commenced. In the Northern Hemisphere, the construction of a significant new base fractionation plant at the Kankakee, US site, is also well progressed. This will boost the capacity of the Kankakee facility to supply intermediates for downstream production of various plasma-derived therapies at other CSL Behring manufacturing facilities.

“In Bern, Switzerland, and Kankakee, US, we successfully completed construction of facilities to produce clinical products for the phase III study of CSL112, our novel form of apolipoprotein A-1. This candidate therapy is aimed at reducing the high risk of early recurrent events following an acute myocardial infarction or heart attack.

“In Marburg, Germany, CSL Behring is 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. In June, the CSL Board approved €244 million for construction of a new base fractionation facility in Marburg. This state of the art automated facility along with our future Kankakee operations, will increase the company’s overall capacity and supply chain efficiency, and is expected to meet the needs of patients for many years to come.



“Our expansion of the CSL Plasma network continues; opening 22 new plasma collection centres during the year, taking our US and European network to more than 140 centres. As one of the most efficient market operators, our extensive network gives us confidence we can collect sufficient plasma to stay ahead of demand and assure reliable supply of our products to our patients.

Seqirus

“Turning now to influenza; on the 31st July 2015, CSL acquired the Novartis influenza vaccine business and began the process of integrating it with bioCSL to create the world’s second largest influenza vaccine company, Seqirus [SEK-EER-US].

“Seqirus’ sales for the period totalled US\$625 million, up from US\$452 million generated by bioCSL alone last year. Seqirus also reported an overall operating loss which was consistent with our forecast and market guidance. Importantly, the business delivered on many key milestones during the year, with our turnaround program remaining well on-track.

“Over the course of the year, Seqirus achieved a number of significant product milestones. In November 2015, the US FDA approved FLUAD™, an adjuvanted trivalent influenza vaccine for use in adults aged 65 years and older in the US. And in May 2016, the FDA also approved FLUCELVAX QUADRIVALENT™, our first quadrivalent influenza vaccine, for use in people aged four years and above in the US. Both products are one-of-a-kind in the world, with FLUCELVAX QUADRIVALENT, manufactured in Holly Springs US, being the first and only FDA approved QIV that is manufactured using cell-based technology.

“In Australia, in July 2016, the Therapeutic Goods Administration approved AFLURIA QUAD™ for people aged 18 years and above in Australia. Manufactured in our Parkville, Australia facility, AFLURIA QUAD is the only influenza vaccine manufactured in Australia and will replace our trivalent influenza vaccine, FLUVAX®, in the 2017 Southern Hemisphere influenza season. The equivalent product AFLURIA QUADRIVALENT was also approved by the US FDA in August 2016.

“Seqirus also has a strong pandemic and pre-pandemic franchise, with major contracts in the US, UK and Australia. During the year, new contracts were signed with the Singapore and New Zealand governments and discussions have



advanced with the World Health Organisation (WHO) about our capacity to support developing countries in the event of a pandemic.

“Seqirus’ in-licensing division in Australia and New Zealand made a solid contribution to total revenue for the period, with a strong performance across the vaccines portfolio. The immunohematology group also performed well.

Research and Development

“CSL’s investment in research and development is critical for future growth and this year we invested US\$614 million across the group, continuing our lasting promise to deliver on unmet medical needs for patients across the world.

“During the year, major highlights included:

- registration in US, Canada and European markets of IDELVION, our long acting fusion protein linking recombinant coagulation factor IX with recombinant albumin for the treatment of haemophilia B; and
- registration in the US and submission for regulatory approval in Europe of AFSTYLA, our novel factor VIII single chain indicated for adolescents and adults with haemophilia A.

“IDELVION is the only recombinant factor IX therapy that delivers high-level protection - maintaining factor IX activity levels above 5 percent in most patients over 14-days. As a result, appropriate patients, age 12 and older, can go up to 14 days between infusions and achieve excellent bleeding control. This also reduces the monthly number of units needed for therapy to prevent bleeds.

“CSL’s AFSTYLA is the first and only single-chain product for haemophilia A, specifically designed for long-lasting protection from bleeds with twice weekly dosing available.

“Together, these two therapies are at the forefront of our industry-leading portfolio of coagulation therapies and exemplify CSL’s commitment to save lives and improve the quality of life for people with bleeding disorders around the world.

“Expanding the medically justified use of therapies and achieving new product registrations in key markets is a critical objective of our R&D programs. During the year, RESPREEZA, a highly purified protein therapy to slow the progression of hereditary emphysema in adults with severe alpha-1 antitrypsin deficiency



(AATD), was approved in Europe. In addition, BERIPLEX®, 4 factor Prothrombin Complex Concentrate, received Orphan Drug Designation in Japan in March 2016. This is a first in class therapy to reverse the effects of vitamin K antagonists, such as warfarin, on bleeding in patients needing urgent surgery.

“For our early-stage activities focussed on innovative new therapies for life-threatening diseases, our R&D engine remains strong. Data from the recently completed CSL112 Phase IIb study for patients who experienced an acute myocardial infarction or heart attack will be analysed over the coming months and we expect to present the data at the American Heart Association conference in November 2016.

“Other innovations, from our deep biotech capabilities, include the commencement of a first in human study to evaluate the use of CSL324, a human antibody that neutralises G-CSF activity for the treatment of inflammatory diseases associated with neutrophil infiltration, such as rheumatoid arthritis and acute respiratory disease syndrome.

“Janssen Biotech, our partner in CSL362, continues a Phase II study for patients with acute myeloid leukaemia while commencing an exploratory study to evaluate the use of CSL362 in lupus (an autoimmune disease).

“In August 2016, we were pleased to report the US FDA accepted for review CSL Behring’s Biologics License Application for CSL830, a subcutaneous treatment to prevent Hereditary Angioedema (HAE) attacks. Symptoms of HAE include episodes of swelling in the face, abdomen, larynx and extremities and can be fatal if untreated. A subcutaneous treatment that can be self-administered to prevent attacks could be life changing for these patients.

“This year, CSL and our stakeholders reflect on the stories of the last 100 years, which in no small way have enabled CSL to evolve from a company that largely brought international discoveries to Australians - to a company which translates our own early research into life changing medicines for patients around the globe.

“In this spirit, it was with great pleasure that we announced earlier this year the establishment of a new flagship A\$25 million fellowship program for discovery stage and translational research in Australia. The CSL Centenary Fellowships are high-value, long-term awards - amongst the highest offered in Australia - available to outstanding Australian researchers who are seeking to consolidate their career and undertake research in an Australian academic institution. Two



five-year fellowships will be awarded each calendar year, for 10 years. The total value of each award will be A\$1.25 million. Just yesterday, we announced the first two recipients of CSL's Centenary Fellowships, Professor Geoffrey Faulkner from the Queensland Brain Institute, University of Queensland and Associate Professor Steven Lane from QIMR Berghofer and we look forward to their inspiring research in the years to come.

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 2015, CSL published its seventh Corporate Responsibility Report which details our performance across key sustainability aspects most important to our business and stakeholders.

"This year, once again, CSL was recognised for strong environmental, social and governance (ESG) performance with a listing on the FTSE4Good Index Series. The globally recognised index is designed to measure the ESG performance of companies assisting investors with investment decisions.

"Recently, CSL's Global CR Committee concluded our second global materiality assessment. This critical process helps to identify sustainability issues most important to our business and stakeholders. Results of the assessment will be published later in the year in our 2016 Corporate Responsibility Report.

"Our dedicated support for patient communities continues, demonstrated by our commitment to the World Federation of Hemophilia. CSL Behring marked World Hemophilia Day 2016 by contributing more than 1.5 million international units (IUs) of treatments for haemophilia A and/or von Willebrand Disease. The contribution is a part of CSL Behring's three-year promise to provide more than 10 million IUs of specialty biotherapeutics to treat haemophilia in the developing world.

"Also, in June, at the request of the World Health Organisation and the Fijian Ministry of Health, Seqirus donated 20,000 doses of influenza vaccine to Fiji to help combat a spike in seasonal influenza. The vaccine was used to protect pregnant women and healthcare workers.



Health, Safety and Environment

“CSL has an Environment, Health, Safety and Sustainability (EHS2) Strategic Plan which ensures its facilities 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.

“CSL continues to report on key health and safety and environmental issues including energy consumption, emissions, water use and management of waste as part of CSL’s annual Corporate Responsibility Report and in detailed submissions to CDP (previously known as Carbon Disclosure Project) Climate Change and Water.

Capital Management

“The CSL Board maintains a strong focus on efficient capital management.

“On 12 October 2015, CSL announced an on-market share buyback of up to A\$1 billion which, as of 30 June 2016, was 91% complete with 8.9 million shares repurchased for A\$908.5 million. This latest share buyback together with previous share buybacks has contributed to a 26% boost to earnings per share through to 30 June 2016. On 1 September 2016, this latest share buyback was completed with a total of 9,750,656 shares repurchased.

“CSL’s balance sheet remains very sound and appropriately geared and the Company continues to deliver strong free cash flow. Cash and equivalents were US\$557 million as at 30 June 2016 with interest bearing liabilities of US\$3,143 million and undrawn debt facilities of US\$342 million.

“As foreshadowed with the announcement of our Annual Results in August 2016, CSL has, subject to final documentation and closing, placed a US\$550 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.

“CSL has also recently closed a new debt facility with two of its existing banks. This new facility was for A\$350 million and has a maturity of 3 years. The terms and conditions of the new facility are similar to CSL’s existing bank debt facilities.



“The proceeds of the private placement and the new debt facility will be used to fund CSL’s capital management plan, including on-market share buybacks, and 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 \$A500 million which we intend to complete over the next 12 months.

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

Dividend

“As shareholders would know, 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. In addition, this year we have introduced the ability for any shareholder to elect to receive their dividends in US dollars paid into a US dollar bank account with a US financial institution.

“The Board determined a final unfranked dividend of US 68 cents per share (or approximately Australian 89 cents). This dividend was paid to shareholders on 7 October. Total ordinary dividends for the year were US\$1.26 per share (or approximately A\$1.70).

“The reason this dividend is unfranked is that there are insufficient Australian franking credits available. Australian franking credits are dependent on the profits earned and tax paid in Australia. 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

“When announcing our Annual Results in August, we provided guidance on our outlook for the current financial year. Our Managing Director and Chief Executive Officer, Mr Paul Perreault, will provide some more detail in this area.

² CSL reserves the right to suspend or cease a buyback at any time.



Our People

“Our people underpin our ability to deliver innovative and life-saving products to patients.

“We now employ over 16,000 people in more than 30 countries.

“CSL strives to provide challenging career opportunities and a work environment that supports our people’s wellbeing and changing needs during their career.

“To this end, during the year we were pleased to be recognised with a number of external awards. CSL Behring in Bern received the Swiss Employer of the Year (in the large company category of 1,000+ employees), CSL Behring in Marburg was awarded the most Family Friendly Company in the region, CSL Plasma was awarded the 2015 Employer of the Year from the Education Corporation of America, and CSL Italy was voted a Great Place to Work.

“Our growing and complex international business, along with an expanding workforce, demands consistent and effective management of all data and information related to the employment of our people. This year, CSL successfully implemented the first phase of a new Global Human Resource Information System to provide improved access to data and reporting capabilities. Additional capabilities will be implemented to further expand employee, supervisor and manager access to data in the coming year.

“This year, work has also commenced on ensuring we have a strong employee brand that will not only retain our current talent but support us in attracting new talent. This is critical for our ability to innovate and to deliver on our promise to patients.

Remuneration at CSL

“I am pleased to say that approximately three quarters of our shareholders have voted FOR CSL’s Remuneration Report. Disappointingly though, it appears that just over 25% have voted AGAINST.

“I don’t believe that this has resulted from shareholder concern about the performance of CSL; rather, while we have endeavoured to explain our approach to globalising the way we remunerate our executives, we clearly have some more work to do.



“As a global organisation with operations in more than 30 countries, CSL is somewhat unique within the ASX top 10 as to the truly global nature of our operations. Over 90% of our revenue and profit is derived outside of Australia. Therefore, we need to, and have, a clear strategy to ensure that our remuneration practices are appropriate, appealing and competitive in each of the locations in which we operate.

“Attracting and retaining highly-skilled executives who can successfully lead our complex and demanding operations around the world is critical to CSL’s future success. As such, it is important to balance consistency and relativity in arrangements for executives located in different geographies – remembering that even now seven out of nine of our key management personnel are domiciled outside of Australia, including our CEO.

“In the past, our remuneration practices have been based on a long-standing Australian model, with progressive, independently benchmarked modifications made over time to accommodate overseas market practices. This is not sustainable for our business into the future.

“We believe it’s simply about hiring the best people for our business, on terms that are fair, equitable and competitive in the markets in which they live and work.

“Your Board believes that CSL’s remuneration model is closely aligned with providing long-term value to our shareholders. With the right people in place the company does well, the share price does well and importantly, CSL shareholders do well. The Board is committed to having the right people in place.

“But getting the remuneration model right is something we will continue to work on, and there is a clear need to better communicate this to our shareholders. We undertake to do this more effectively before next years’ AGM.

Our Board

“This year we see a number of changes to the make-up of CSL’s Board.

“At the conclusion of this meeting we farewell Mr John Akehurst, who has been a Director since April 2004. Mr Akehurst has been a valuable contributor, especially in his capacity as a member of the Human Resources and



Remuneration Committee, which he has chaired since October 2011, and as a member of the Nomination Committee. The Board would like to express its sincere gratitude for his exceptional service as a director.

“We also welcome two new members to the Board. In accordance with our Constitution, Dr Megan Clark and Dr Tadataka Yamada or “Tachi” - as he is otherwise known - are eligible for election at this meeting, and a resolution will be put to shareholders later in the meeting.

“Dr Megan Clark AC was appointed to the CSL Board in February 2016. With her strong scientific and commercial background across a broad range of areas, she is already making a significant contribution to the future of CSL.

“Dr “Tachi” Yamada KBE was recently (in September 2016) appointed to the CSL Board. We are also very pleased that we have been able to appoint a person with such deep industry knowledge and extensive international experience. I am certain that his knowledge and insights will be of benefit to CSL as we enter the next exciting phase in the Company’s future.

“With the retirement of Mr John Akehurst, I am pleased to announce that Mr David Anstice has taken over as Chair of the Human Resources and Remuneration Committee and Dr Megan Clark has joined Ms Christine O’Reilly as a member of that Committee.

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 a programme of regular Shareholder Briefings. Over the year, CSL conducted Shareholder Briefings in Canberra and Sydney, with both sessions very well attended. 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 in the last year alone we have seen shareholder numbers increase by approximately 12% to now more than 135,000.



“I would also like to thank shareholders who responded to our invitation to submit questions to the Company ahead of today’s meeting. The Managing Director and I have endeavoured to address the most common questions received in the course of our presentations this morning. As we have done for the last few years, we will also shortly be publishing on our website answers to the most commonly asked questions.

Thanks to Management and Staff

“With an unwavering focus on our promise to patients – to deliver life-saving and life-improving therapies that help many thousands of people live full lives – it is our dedicated management and employees that drive our performance.

“Your Board of Directors recognises and appreciates the commitment and contribution of CSL’s management and employees in fulfilling our obligations to stakeholders and most importantly to our patients - those who depend on our products each and every day.

Professor John Shine AO
Chairman