CSL Limited

ABN: 99 051 588 348

ASX Half-year Information
31 December 2016

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction
with the 30 June 2016 Annual Report.

Contents

CSL Limited

ABN: 99 051 588 348

Appendix 4D
Half-year ended 31 December 2016

(Previous corresponding period:
Half-year ended 31 December 2015)

Results for Announcement to the Market

Reported

- Revenues from continuing operations up 17.2% to $3.7 billion.
- Net profit after tax for the period attributable to members up 12.1% to $805.5 million.

Business operational performance[1, 2]

- Sales revenue at constant currency up 17.5% to $3.6 billion.
- Net profit after tax for the period at constant currency up 36% to $826.5 million.

[1] net profit after tax in the prior year removes the acquisition related one-off costs and the gain on acquisition associated with the Novartis influenza (NVS-IV) transaction.

Dividends

	Amount per security (cents)	**Franked amount per security (cents)**
Interim dividend (determined subsequent to balance date)	64.0¢	Unfranked*
Interim dividend from the previous corresponding period	58.0¢	Unfranked
Final dividend (prior year)	66.0¢	Unfranked
Record date for determining entitlements to the dividend:	16 March 2017	

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

The Company's Dividend Reinvestment Plan remains suspended and does not apply to the interim dividend.

Explanation of results

For further explanation of the results please refer to the accompanying press release and "Review of Operations" in the Directors' Report that is within the Half-year Report.

The half year financial statements are presented in US$ unless otherwise stated.

Other information required by Listing Rule 4.3A

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached Half-year Report (which includes the Directors' Report) and Media Release.

[1] Reconciliation between reported net profit after tax and operational performance for the prior comparative period:

Half year ended Dec 2015 Reported Profit	$718.8m
Gain on Acquisition	($176.1m)
One-off costs incurred in period	$ 64.0m
Underlying Operational NPAT	$606.7m

[2] Constant currency removes the impact of exchange rate movements to facilitate comparability of operational performance. This is done in three parts: (a) by converting the current period 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. The sum of translation currency effect, transaction currency effect and foreign currency gains and losses is the amount by which reported net profit is adjusted to calculate the operational result.

<u>Summary NPAT</u>

Reported Net Profit after Tax	$805.5m
Translation Currency Effect (a)	$ (4.3m)
Transaction Currency Effect (b)	$ 3.1m
Foreign Currency Gains and Losses (c)	$ 22.2m
Constant Currency Net Profit after Tax *	$826.5m

<u>(a) Translation Currency Effect $(4.3m)</u>

Average Exchange rates used for calculation in major currencies (six months to Dec 16/Dec 15) were as follows: USD/EUR (0.91/0.91); USD/CHF(0.99/0.97)

<u>(b) Transaction Currency Effect $3.1m</u>

Transaction currency effect is calculated by reference to the applicable prior comparative period 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.

<u>(c) Foreign Currency Losses $22.2m</u>

Foreign currency losses recorded during the period.

<u>Summary Sales</u>

Reported Sales	$3,553.4m
Currency Effect	$9.0m
Constant Currency Sales *	$3,562.4m

* Constant Currency Net Profit after Tax and Sales have not been audited or reviewed in accordance with Australian Auditing Standards.

CSL Limited
Half-year Report – 31 December 2016

Contents

This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by CSL Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CSL Limited
Directors' Report

The Board of Directors of CSL Limited has pleasure in presenting their report on the consolidated entity for the half-year ended 31 December 2016.

Directors

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

Professor J Shine, AO (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

Mr T Yamada, KBE was appointed from 1 September 2016 and continues in office at the date of this report.
Mr J H Akehurst retired at the Annual General Meeting on 12 October 2016.

Review of Operations

For the half year ended 31 December 2016, total revenue of the Group was $3.7 billion, up 17% when compared to the prior comparative period. Reported net profit after tax was $806 million, up 12% when compared to the prior comparative period.

CSL Behring product sales of $2,963 million increased 18% at constant currency when compared to the prior comparable period.

Immunoglobulin product sales of $1,426 million grew 22% at constant currency when compared to the prior comparable period.

The key growth driver was Privigen®, CSL Behring's 10% concentration liquid intravenous immunoglobulin product, for which demand has been strong. In the US, competitor product supply constraints coupled with CSL's focussed sales and marketing efforts and operational capacity, has given rise to very strong growth in Privigen®. In Europe Privigen®'s expanded indication to include its use in the treatment of chronic inflammatory demyelinating polyneuropathy (CIDP) continues to underpin growth. Also contributing to growth was the successful launch of Privigen® in Turkey.

Strong demand continues for Hizentra®, CSL Behring's subcutaneous immunoglobulin product, in both US and European markets. In the US, strong growth in new patients has stemmed from the restructured and now fully established sales force together with targeted promotional programs. In Europe uptake of home treatment for patients drove demand in Belgium, France, the UK and Nordic countries.

Sales of hyperimmunes declined largely arising from reduced demand for Tetagam® P (human tetnus immunoglobulin) in markets outside the US and Europe. This is consistent with a greater tendency in these markets towards vaccination.

Haemophilia product sales of $514 million grew 2% at constant currency when compared to the prior comparable period.

Recombinant haemophilia sales of $232 million rose 14% at constant currency when compared to the prior comparable period. This growth was led by the strong uptake of Idelvion® (CSL Behring's novel recombinant factor IX product for the treatment of Haemophilia B, with up to 14 day dosing intervals) following the launch of this product into the US and European markets last year. This growth was offset to some extent by the decline in sales of Helixate®, CSL's licensed recombinant factor VIII product, used in the treatment of Haemophilia A. Competition in this market continues to increase with the launch of new generation recombinant factor VIII products, including CSL's recently approved Afstyla®.

Plasma-derived haemophilia sales of $282 million declined 6% at constant currency when compared to the prior comparable period. Beriate® sales declined following a modification in the tender schedule in Russia giving rise to a change in phasing between first half and second half sales. Lower share of tenders in Poland also impacted sales. Mononine® declined following the introduction of long acting recombinant products, in particular CSL's long acting recombinant factor IX, Idelvion®, which was launched last year. Haemate® and Humate® usage in surgery and immune tolerance therapy (ITT) declined slightly in the US but was offset by a rise in Europe, reflecting the volatility in demand for these products for use in surgery and ITT.

Albumin sales of $433 million rose 19% at constant currency when compared to the prior comparable period.

This was led by ongoing sales growth in China following enhanced sales, marketing and distribution efforts, including expanding market access into Tier 2 and Tier 3 cities and new hospital listings. Solid sales growth into Turkey and Brazil also contributed to growth.

Specialty products sales of $590 million grew 25% at constant currency when compared to the prior comparable period.

Kcentra® (4 factor pro-thrombin complex concentrate) volume growth was very strong in the US due to the impact of a restructured and fully established sales force continuing to drive deeper penetration into targeted accounts delivering an increase in the average order frequency and size. Berinert® (C1-esterase inhibitor concentrate), used in the treatment of acute attacks in patients with hereditary angioedema (HAE), grew strongly. Awareness of HAE disease is increasing and in turn has accelerated diagnosis and treatment. Improving patient convenience and usage has been CSL's introduction of a larger vial size. Also driving Berinert® growth has been a market supply disruption of a competing product in the US. This disruption has now been corrected. Similarly Beriplast® (fibrin sealant) grew well following the supply disruption of a competing product in Japan. This product is expected to return to the market in the near term.

Seqirus revenue of $620 million increased 14% at constant currency when compared to the prior comparable period. Growth was driven by a more normal influenza season compared to the prior year and the launch of Zostavax* for a national shingles immunisation program in Australia. Revenue from sales of influenza vaccine and the provision of associated services totalled $464 million.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of Amounts

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

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

John Shine AO Chairman	Paul Perreault Managing Director

14 February 2017

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* Zostavax is a registered trademark of Merck & Co. Inc.

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of CSL Limited

As lead auditor for the review of CSL Limited for the half-year ended 31 December 2016, 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 review*;* and

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

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

Ernst & Young

Rodney Piltz
Partner
14 February 2017

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2016

	Notes	December 2016 US$m	December 2015 US$m
Continuing operations			
Sale of goods		**3,553.4**	3,030.4
Pandemic Facility Reservation fees		**39.9**	32.6
Royalties and License revenue		**77.8**	65.6
Other income		**5.4**	7.1
Total Operating Revenue		**3,676.5**	3,135.7
Cost of sales		**(1,774.4)**	(1,629.7)
Gross profit		**1,902.1**	1,506.0
Research and development expenses	4	**(287.0)**	(283.9)
Selling and marketing expenses		**(328.4)**	(281.0)
General and administration expenses		**(192.0)**	(195.5)
Operating profit		**1,094.7**	745.6
Finance costs	3	**(41.2)**	(33.6)
Finance income		**3.0**	6.6
Gain on acquisition	2	**-**	176.1
Profit before income tax expense		**1,056.5**	894.7
Income tax expense	5	**(251.0)**	(175.9)
Net profit for the period		**805.5**	718.8
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	13	**(109.7)**	(167.5)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit plans, net of tax	15	**52.3**	(1.1)
Total of other comprehensive income/(expenses)		**(57.4)**	(168.6)
Total comprehensive income for the period		**748.1**	550.2
Earnings per share (based on net profit for the period)		**US$**	**US$**
Basic earnings per share	12	**1.768**	1.550
Diluted earnings per share	12	**1.764**	1.546

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

Consolidated Balance Sheet

As at 31 December 2016

Consolidated Entity	Notes	December 2016 US$m	June 2016 US$m
CURRENT ASSETS			
Cash and cash equivalents	6	**884.5**	556.6
Trade and other receivables		**1,204.7**	1,107.2
Inventories	7	**2,125.2**	2,152.0
Current tax assets		**4.5**	1.6
Other financial assets		**5.5**	0.6
Total Current Assets		**4,224.4**	3,818.0
NON-CURRENT ASSETS			
Other receivables		**15.4**	15.6
Other financial assets		**2.1**	2.9
Property, plant and equipment	8	**2,521.4**	2,389.6
Deferred tax assets		**408.3**	389.0
Intangible assets		**952.8**	942.6
Retirement benefit assets		**5.2**	5.0
Total Non-Current Assets		**3,905.2**	3,744.7
TOTAL ASSETS		**8,129.6**	7,562.7
CURRENT LIABILITIES			
Trade and other payables		**976.4**	996.1
Interest-bearing liabilities	10	**21.2**	62.3
Current tax liabilities		**166.1**	207.3
Provisions		**89.8**	99.6
Deferred government grants		**3.1**	3.1
Derivative financial instruments		**-**	6.0
Total Current Liabilities		**1,256.6**	1,374.4
NON-CURRENT LIABILITIES			
Other non-current payables		**11.0**	18.8
Interest-bearing liabilities	10	**3,507.8**	3,081.0
Deferred tax liabilities		**123.7**	119.2
Provisions		**30.6**	40.5
Deferred government grants		**32.9**	35.0
Retirement benefit liabilities	15	**260.2**	326.6
Total Non-Current Liabilities		**3,966.2**	3,621.1
TOTAL LIABILITIES		**5,222.8**	4,995.5
NET ASSETS		**2,906.8**	2,567.2
EQUITY			
Contributed equity	12	**(4,315.3)**	(4,213.0)
Reserves	13	**82.0**	187.9
Retained earnings		**7,140.1**	6,592.3
TOTAL EQUITY		**2,906.8**	2,567.2

Consolidated Statement of Changes in Equity
As at 31 December 2016

	Contributed Equity US$m		Foreign currency translation reserve US$m		Share based payment reserve US$m		Retained earnings US$m		Total US$m	
Consolidated Entity	**December 2016**	December 2015	**December 2016**	December 2015	**December 2016**	December 2015	**December 2016**	December 2015	**December 2016**	December 2015
As at the beginning of the period	**(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	**-**	-	**-**	-	**-**	-	**805.5**	718.8	**805.5**	718.8
Other comprehensive loss	**-**	-	**(109.7)**	(167.5)	**-**	-	**52.3**	(1.1)	**(57.4)**	(168.6)
Total comprehensive income for the period									**748.1**	550.2
Transactions with owners in their capacity as owners										
Share based payments	**-**	-	**-**	-	**3.8**	4.9	**-**	-	**3.8**	4.9
Dividends	**-**	-	**-**	-	**-**	-	**(310.0)**	(293.4)	**(310.0)**	(293.4)
Share buy back	**(108.8)**	(169.9)	**-**	-	**-**	-	**-**	-	**(108.8)**	(169.9)
Share issues										
- Employee share scheme	**6.5**	8.0	**-**	-	**-**	-	**-**	-	**6.5**	8.0
As at the end of the period	**(4,315.3)**	(3,722.3)	**(81.2)**	(12.1)	**163.2**	156.0	**7,140.1**	6,425.1	**2,906.8**	2,846.7

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2016

Consolidated Entity	Notes	December 2016 US$m	December 2015 US$m
Cash flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**3,474.6**	3,012.4
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,461.5)**	(2,076.8)
		1,013.1	935.6
Income taxes paid		**(308.1)**	(197.1)
Interest received		**3.2**	5.3
Borrowing costs		**(44.0)**	(38.6)
Net cash inflow from operating activities		**664.2**	705.2
Cash flows from Investing Activities			
Proceeds from sale of property, plant and equipment		**0.1**	0.1
Payments for property, plant and equipment		**(280.3)**	(217.5)
Business acquisition, net of cash acquired	**2**	**-**	(261.2)
Payments for intangible assets		**(57.4)**	(22.3)
Receipts from other financial assets		**-**	0.1
Net cash outflow from investing activities		**(337.6)**	(500.8)
Cash flows from Financing Activities			
Proceeds from issue of shares		**6.6**	8.0
Dividends paid		**(310.0)**	(293.4)
Proceeds from borrowings		**1,029.2**	1,414.3
Repayment of borrowings		**(580.0)**	(615.6)
Payment for shares bought back		**(111.4)**	(168.6)
Net cash inflow from financing activities		**34.4**	344.7
Net increase in cash and cash equivalents		**361.0**	549.1
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		**(33.7)**	(17.3)
Cash and cash equivalents at the end of the period		**882.6**	1,087.3
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at the end of the period as shown in the statement of cash flows is reconciled as follows:			
Cash and cash equivalents	**6**	**884.5**	1,092.0
Bank overdrafts		**(1.9)**	(4.7)
Cash and cash equivalents at the end of the period		**882.6**	1,087.3

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About this Report

Notes to the financial statements:

Corporate Information

CSL Limited ("CSL") is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange. This financial report covers the financial statements for the consolidated entity consisting of CSL and its subsidiaries (together referred to as the Group). The financial report was authorised for issue in accordance with a resolution of directors on 14 February 2017.

a. Basis of Accounting

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report should be read in conjunction with the annual financial report of CSL Limited as at 30 June 2016.

It is also recommended that the half-year financial report be considered together with any public announcements made by CSL Limited and its controlled entities during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under ASX listing rules.

b. Basis of Preparation

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements. It presents information on a historical cost basis, except for financial assets and liabilities (including derivative instruments), 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 previous financial reports. 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.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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.

c. Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2016. The Group has not adopted any accounting standards that are issued but not yet effective. Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided in the annual financial report.

d. Principles of Consolidation

The half-year consolidated financial statements comprise the financial statements of CSL Limited and its subsidiaries as at 31 December 2016. 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. On 31 July 2015 (in the prior comparative period) CSL assumed control of entities acquired as part of the acquisition of the Novartis' global influenza vaccine business. Details of the acquisition are contained in Note 2.

The financial statements of the subsidiaries are prepared using consistent accounting policies and 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.

Note 1: Segment Information

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. 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 of the CSL Group previously disclosed as unallocated are now also included in the CSL Behring segment. Items previously disclosed in the CSL Intellectual Property segment or 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 and develops influenza related products. The Seqirus segment is the combination of the previously disclosed bioCSL segment and the Novartis influenza business, acquired in July 2015, which are now managed as a single business.

	CSL Behring US$m		Seqirus US$m		Consolidated Entity US$m	
	December 2016	December 2015	**December 2016**	December 2015	**December 2016**	December 2015
Sales of goods	**2,976.4**	2,537.4	**577.0**	493.0	**3,553.4**	3,030.4
Pandemic Facility Reservation Fees	**-**	-	**39.9**	32.6	**39.9**	32.6
Royalties and License revenue	**77.7**	65.6	**0.1**	-	**77.8**	65.6
Other revenue / Other income (excl interest income)	**2.4**	1.0	**3.0**	6.1	**5.4**	7.1
Total segment revenue	**3,056.5**	2,604.0	**620.0**	531.7	**3,676.5**	3,135.7
Consolidated revenue					**3,676.5**	3,135.7
Segment Gross Profit	**1,707.7**	1,383.4	**194.4**	159.6	**1,902.1**	1,543.0
Consolidated Gross Profit					**1,902.1**	1,543.0
Segment EBIT	**1,098.0**	843.0	**(3.3)**	(28.4)	**1,094.7**	814.6
Consolidated EBIT					**1,094.7**	814.6
Gain on Acquisition					**-**	176.1
Acquisition related costs					**-**	(69.0)
Gain on Acquisition net of one-off costs					**-**	**107.1**
Interest income					**3.0**	6.6
Finance costs					**(41.2)**	(33.6)
Consolidated profit before tax					**1,056.5**	894.7
Income tax expense					**(251.0)**	(175.9)
Consolidated net profit after tax					**805.5**	718.8
Amortisation	**19.8**	12.5	**10.5**	2.0	**30.3**	14.5
Depreciation	**89.0**	77.5	**11.7**	10.2	**100.7**	87.7
Segment EBITDA	**1,206.8**	933.0	**18.9**	(16.2)	**1,225.7**	916.8
Consolidated EBITDA					**1,225.7**	916.8

Note: In order to facilitate operational comparability with the prior comparative period the gain on acquisition and acquisition related costs associated with Novartis Influenza Vaccines transaction are presented in the prior comparative period below the Segment EBIT total.

	CSL Behring		Seqirus		Intersegment Elimination		Consolidated Entity	
	US$m		US$m		US$m		US$m	
	December 2016	June 2016	**December 2016**	June 2016	**December 2016**	June 2016	**December 2016**	June 2016
Segment assets	**7,902.2**	7,274.6	**1,362.0**	1,129.9	**(1,134.6)**	(841.8)	**8,129.6**	7,562.7
Total assets							**8,129.6**	7,562.7
Segment liabilities	**5,059.6**	4,801.5	**1,297.8**	1,035.8	**(1,134.6)**	(841.8)	**5,222.8**	4,995.5
Total liabilities							**5,222.8**	4,995.5

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".

	Australia		United States		Germany		United Kingdom		Switzerland		Rest of World		Total	
	US$m		US$m		US$m		US$m		US$m		US$m		US$m	
Geographic areas	**December 2016**	December 2015	**December 2016**	December 2015	**December 2016**	December 2015	**December 2016**	December 2015	**December 2016**	December 2015	**December 2016**	December 2015	**December 2016**	December 2015
Total Operating Revenue	**396.5**	315.5	**1,626.8**	1,329.0	**352.4**	362.3	**136.7**	148.9	**128.6**	91.1	**1,035.5**	888.9	**3,676.5**	3,135.7

	Australia		United States		Germany		United Kingdom		Switzerland		Rest of World		Total	
	US$m		US$m		US$m		US$m		US$m		US$m		US$m	
Geographic areas	**December 2016**	June 2016	**December 2016**	June 2016	**December 2016**	June 2016	**December 2016**	June 2016	**December 2016**	June 2016	**December 2016**	June 2016	**December 2016**	June 2016
Property, plant, equipment and intangible assets	**564.8**	541.1	**1,279.9**	1,203.9	**375.1**	377.8	**197.0**	179.3	**1,047.9**	1,020.0	**9.5**	10.1	**3,474.2**	3,332.2

Segment Accounting Policies

Inter-segment sales are carried out on an arm's length basis and reflect current market prices. Other than the change in segments disclosed, there have been no changes in the segment accounting policies during the financial period.

Note 2: Business Combination

On 31 July 2015 (in the prior comparative period) CSL completed the acquisition of Novartis' global influenza vaccine business. Full details of the acquisition were disclosed in the financial statements for the period ended 30 June 2016. The fair value details are presented below to support the disclosure of the gain on acquisition included in the prior comparative period result.

The fair value of assets and liabilities acquired were:

Asset Class	US$m
Cash	35.9
Trade and other receivables	81.7
Inventory	193.8
Land	7.8
Buildings	48.6
Plant and 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**

Note 3: 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 Consolidated Income.

Expenses	**December 2016 US$m**	December 2015 US$m
Finance costs	**41.2**	33.6
Depreciation and amortisation of fixed assets	**100.7**	87.7
Amortisation of intangibles	**30.3**	14.5
Total depreciation and amortisation expense	**131.0**	102.2
Write-down of inventory to net realisable value	**100.4**	48.5
Rental expenses relating to operating leases	**29.1**	25.9
Employee benefits expense	**776.8**	684.9

Note 4: 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 half year ended 31 December 2016, the research costs expensed were $287.0m (2015: $283.9m). Further information about the Group's research and development activities can be found on the CSL website.

Note 5: Tax

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:

	December 2016 US$m	December 2015 US$m
Accounting profit before income tax	**1,056.5**	894.7
Income tax calculated at 30% (2015: 30%)	**317.0**	268.4
Effects of different rates of tax on overseas income	**(75.9)**	(43.7)
Research and development	**(7.3)**	(5.4)
Under/(Over) provision in prior year	**11.3**	(6.6)
Subsidiary reorganisation	**-**	11.9
Nontaxable gain on acquisition	**-**	(52.8)
Other non-deductible expenses	**5.9**	4.1
Income tax expense	**251.0**	175.9

Note 6: Cash and Cash Equivalents

	December 2016 US$m	June 2016 US$m
Cash at bank and on hand	**616.0**	442.0
Cash deposits	**268.5**	114.6
Total cash and cash equivalents	**884.5**	556.6

Note 7: Inventories

	December 2016 US$m	June 2016 US$m
Raw materials	**615.4**	550.5
Work in progress	**692.1**	816.9
Finished products	**817.7**	784.6
Total inventories	**2,125.2**	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.

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.

Note 8: Property, Plant and Equipment

During the half-year ended 31 December 2016, the Group acquired assets with a cost of $294m (2015: $457.2m). Of the amounts acquired during the half-year ended 31 December 2015, $235.6m were attributable to assets purchased in the acquisition of Novartis' global influenza vaccine business (reference Note 2).

Note 9: Commitments

Commitments

Commitments in relation to capital expenditure contracted but not provided for in the financial statements are payable as follows:

	Capital Commitments US$m	
	December 2016	June 2016
Not later than one year	**246.0**	222.8
Later than one year but not later than five years	**57.0**	7.9
Later than five years	**-**	-
Total	**303.0**	230.7

Note 10: Financial Instruments

For the half year ended 31 December 2016, the Group has increased its interest bearing liabilities by $385.7m. In October 2016 a $550m private placement borrowing was completed and there has been a net repayment of bank borrowings of $163m during the period.

As at balance date the Group had $697.0m in undrawn liquidity available under its bank debt facilities.

Note 11: Share Based Payment Plans

Long Term Incentives

On 1 October 2016, 223,638 performance rights and 321,098 performance options were granted to senior executives under the CSL Performance Rights Plan. The exercise price for the performance rights is nil, the exercise price for the performance options is A$107.25. The performance rights and options will become exercisable on 30 June 2020. The fair value of the performance rights and performance options granted is estimated at the date of grant using an adjusted form of the Black-Scholes model, taking into account the terms and conditions upon which the performance rights and performance options were granted.

Performance rights granted in October 2016 have two performance hurdles. One tranche will be tested against an Earnings per Share (EPS) hurdle and will vest on a sliding scale with 35% of the rights vesting if the Group achieves 8% compound annual growth in USD denominated EPS over the vesting period rising to 100% if the compound annual growth rate achieves 13% and to 125% if the compound annual growth rates achieves 15%. A further tranche will be tested against a cohort of like global Pharmaceutical and Biotechnology companies that have manufacturing operations, a research and development pipeline and a comparable market capitalisation. 50% of this tranche will vest where CSL's performance is at the 50^{th} percentile with 100% vesting at the 75^{th} percentile.

Options, which are granted to overseas based key management personnel only, are subject to continued service, but have no performance hurdles.

The following table lists the inputs into the model used for performance rights and options issued in the half-year ended 31 December 2016:

	December 2016
Dividend yield	**1.75%**
Expected volatility	**20.0%**
Risk-free interest rate	**1.57%**
Fair Value of Performance rights	
EPS tested tranche	**A$60.07**
rTSR tested tranche	**A$100.50**
Fair Value of Performance options	**A$16.14**

Executive Deferred Incentive Plan (EDIP)

On 1 July and 1 October 2016, 2,568 and 281,715 notional shares, respectively were granted to employees under the EDIP. This plan provides for a grant of notional shares which 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. The amount of the cash payment will be determined by reference to the CSL share price immediately before the three year anniversary.

The following table lists the inputs to the model used for grants issued in the half-year ended 31 December 2016:

	December 2016
Dividend yield	**2.0%**
Fair Value of Grants at reporting date, adjusted for the dividend yield and the number of days left in the vesting period	A$100.41

Note 12: Shareholder Returns

Dividends

Dividends paid	**December 2016 US$m**	December 2015 US$m
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
Dividends determined, but not yet paid at the end of the half-year Interim dividend of US$0.64 per share, unfranked, expected to be paid on 13 April 2017. The aggregate amount of the proposed dividend will depend on the actual number of shares on issue at dividend record date (prior year: US$0.58 per share, unfranked, paid on 15 April 2016).	**291.5**	268.4

Earnings Per Share

	December 2016	December 2015
Basic EPS	**US$1.768**	US$1.550
Weighted average number of ordinary shares	**455,730,041**	463,683,496
Diluted EPS	**US$1.764**	US$1.546
Adjusted weighted average number of ordinary shares, represented by:	**456,710,838**	464,813,551
Weighted average ordinary shares	**455,730,041**	463,683,496
Plus:		
Employee share options	**169,805**	333,769
Employee performance rights[1]	**794,760**	773,176
Global employee share plan	**16,232**	23,110

On-market Share Buyback

During the year, the Group plans to carry out an on-market share buyback of up to A$500m as an element of its capital management program. Through 31 December 2016 the Group has completed share buybacks of A$144m comprising A$91m to complete the buyback announced in October 2015 and A$53m of the buyback announced in October 2016.

The on-market buyback was chosen as an effective method to return capital to shareholders after consideration of the various alternatives. The on-market buyback provides the Group with 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$4,315.3m) (June 2016: (US$4,213.0)). The Group's ordinary share contributed equity has been reduced to nil from previous share buybacks.

Contributed Equity

The following table illustrates the movement in the group's contributed equity[2].

[1] Subsequent to 31 December 2016, 5,353 shares were issued, as required under the Employee Performance Rights Plan. There have been no other ordinary shares issued since the reporting date and before the completion of this financial report.

	December 2016	
	Number of shares	US$m
Opening balance at 1 July	456,608,747	(4,213.0)
Shares issued to employees:		
Performance Options Plan	64,646	1.6
Performance Rights Plan (for nil consideration)	60,340	-
Global Employee Share Plan (GESP)	74,117	4.9
Share buy-back, inclusive of cost	(1,391,438)	(108.8)
Closing balance	**455,416,412**	**(4,315.3)**

Note 13: Equity and Reserves

Contributed Equity

	December 2016 US$m	June 2016 US$m
Ordinary shares issued and fully paid	-	-
Share buy-back reserve	**(4,315.3)**	(4,213.0)
Total contributed equity	**(4,315.3)**	(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.

[2] 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.

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 12 for further information about on-market share buy-backs.

Reserves

	Share-based payments reserve		**Foreign currency translation reserve**		**Total**	
		US$m		US$m		US$m
	December 2016	June 2016	**December 2016**	June 2016	**December 2016**	June 2016
Opening balance	**159.4**	151.1	**28.5**	155.4	**187.9**	306.5
Share-based payments expense	**1.0**	5.7	**-**	-	**1.0**	5.7
Deferred tax on share-based payments	**2.8**	2.6	**-**	-	**2.8**	2.6
Net exchange (losses) on translation of foreign subsidiaries, net of hedge	**-**	-	**(109.7)**	(126.9)	**(109.7)**	(126.9)
Closing balance	**163.2**	159.4	**(81.2)**	28.5	**82.0**	187.9

Note 14: NTA Backing

	December 2016	June 2016
	US$	US$
Net tangible asset backing per ordinary security	**4.29**	3.56

Note 15: Retirement Benefit Liabilities

The Group sponsors a range of defined benefit pension plans, full details can be found in Note 18 to the June 2016 Financial Statements. During the half year ended 31 December 2016 the obligations under these plans reduced from $326.6m to $260.2m. This reduction is largely a result of an increase in the discount rate applicable to the valuation of liabilities for the Group's largest plan in CSL Behring AG. The effect of this change is recorded directly in equity, net of tax, and does not impact the profit and loss for the half year. Other factors such as the level of contributions, benefit payments, currency translation differences and the value of plan assets in funded plans can affect the liability; however, these factors did not have a material impact on the six months to December 2016.

Note 16: 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 has impacted on the Group's accounting policies. Nor has the introduction of the new standards required any restatement of prior year financial statements.

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. 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.

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.

Note 17: Subsequent Event

On 5 January 2017 CSL entered into an exclusive research collaboration and worldwide license agreement to develop and commercialize technology developed by Momenta Pharmaceuticals. An upfront payment for the rights of US$50m will be recorded as an R&D expense for the full financial year.

CSL Limited
Directors' Declarations

The directors declare that, in the directors' opinion:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act* 2001, and:

- (i) give a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(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.

Made in accordance with a resolution of directors.

John Shine AO	Paul Perreault
Chairman	Managing Director

Melbourne
14 February 2017

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

To the members of CSL Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CSL Limited, which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CSL Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CSL Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Rodney Piltz
Partner
Melbourne
14 February 2017