23 February 2005

CSL REPORTS $160M FIRST HALF RESULT
SHARE BUYBACK ANNOUNCED - 5% OF SHARE CAPITAL

CSL Limited today announced its first half result for period ended 31 December 2004.

HIGHLIGHTS

Financial

- Reported net profit after tax up 531% (308% pre-goodwill), compared to six months ended 31 December 2003, to $160.1 million ($181.7m pre-goodwill)
  - includes $95.8 million inventory benefit and an adverse foreign exchange impact of $34m;
- Sales revenue up 122.3% to $1.4 billion;
- Net operating cashflow up 290% to $192 million;
- Gearing down – net debt to net debt plus equity now 24%;
- Interim dividend of 17 cents, fully franked, payable on 15 April 2005;
- Suspension of Dividend Reinvestment Plan;
- Value of ZLB Behring integration benefits upgraded to US$130–150 million; and
- Sale of JRH, CSL's cell culture business, for US$370m (post period close).

Operational

- HPV - Cross license settlement with GSK and Merck;
- Integration of ZLB Behring ahead of plan – 88% of milestones completed;
- Inventories acquired from Aventis Behring reduced by $160 million;
- US IVIG price environment improving;
- Australian Plasma Products Agreement in place;
- Recombinant FVIII (Kogenate® FS) exclusive Australian distribution agreement with Bayer; and
- Successful tender for Australian influenza vaccine supply contract for CSL's Fluvax®.

Dr McNamee, CSL's Managing Director said, "This is a strong result. It endorses the strategy presented to shareholders over 12 months ago at the time of acquiring Aventis Behring. The last six months have seen a wave of initiatives designed to reshape CSL as a global bio-pharmaceutical company.

"Plasma therapy inventory levels are normalising and pricing is returning to economically sustainable levels. The integration of ZLB Behring is running ahead of plan and the cross license agreement with Merck and GSK provides for increased future HPV vaccine revenue flow to the company, assuming product licences are granted. All of these factors give us confidence for the future.

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“In this positive market environment and in light of our strong cash flows from operations, our low net debt levels and various corporate initiatives, we consider it appropriate to undertake a capital management program. I’m pleased to announce that the company proposes to conduct an on market share buyback of up to 10 million shares representing approximately 5% of issued capital.

“Our preference is to maintain an efficient balance sheet. Strong cashflows, cash on hand and undrawn bank facilities give us the ability to fund the buyback while retaining the capacity to finance our research and development needs, invest in our existing businesses and pursue strategic growth opportunities that may arise.

“In line with the buyback initiative we are suspending the company’s Dividend Reinvestment Plan,” Dr McNamee said.

BUSINESS REVIEW

CSL Limited’s operating results for the six months ended 31 December 2004 reflects the positive impact of the inclusion of six months trading by ZLB Behring. Aventis Behring was acquired on 31 March 2004 and is currently in the final stages of integration with CSL’s existing business ZLB to form ZLB Behring, with 88% of integration milestones having now been achieved.

Financial benefit from the integration of the Commercial Operations and duplication of head office functions of ZLB Inc. and Aventis Behring have been realised. Similarly financial benefit from the rationalisation of Research and Development will increasingly be realised in the second half of fiscal 2005. Synergy benefits are now starting to build up in inventory manufactured under the new lower output manufacturing plan in the restructured business. The majority of this financial benefit will flow in fiscal 2006 and beyond as the inventory is sold.

Registration in Bern of Kankakee’s fractions II + III has been achieved and transfer of this ‘paste’ between the manufacturing facilities in the US and Switzerland has commenced. This key element in delivering yield benefits for the company has been accomplished ahead of plan. Remaining integration tasks will revert to site managers in April of this year when the integration office is closed.

The inventory acquired with Aventis Behring has been successfully managed down by US$160 million and converted to cash.

The Human Health business result includes some recent increases in the average sale price of IVIG in the USA and the realisation of $95.8m in discounted inventory (US$70.5 million) that was acquired as part of the Aventis Behring acquisition.

A new Plasma Products Agreement with the Australian National Blood Authority was signed in December 2004 providing for the supply of a broad range of plasma therapeutics from the Group’s Broadmeadows production facility for a period of five years.

An agreement has been reached with Bayer HealthCare – Australia, for the exclusive distribution rights for Kogenate® FS in Australia for an initial period of five years. Kogenate® FS is a leading recombinant factor VIII and, as the market becomes available, enables CSL Bioplasma to offer an expanded range of products to people living with Haemophilia A.

In December 2004 CSL successfully contracted with the Australian Commonwealth Government to supply 65% of their influenza vaccine requirements over the next three years. In addition, in the event of a pandemic, CSL will manufacture pandemic vaccine doses - all of which will be manufactured in the company's upgraded and expanded flu vaccine production facility in Melbourne.

The Biosciences business, JRH, continued to grow with sales up 22% measured in its local operating currency of US dollars. In January this year, subsequent to the half-year period close, the company announced the sale of JRH for US$370 million. Closure of the deal is expected during the first quarter of calendar 2005.

The strong performance by the CSL Group has enabled an expansion of Research and Development investment, up 79.2% to $75.5 million.

OUTLOOK

Commenting on CSL's outlook, Dr McNamee said, "Plasma therapeutics is an important industry that is benefiting from consolidation. Inventory levels are normalising and balance is returning to supply and demand levels resulting in a more appropriate pricing environment.

"The ZLB Behring integration has been very well executed, attesting to the calibre of the staff involved. The success of integration and the improved operating environment have given us cause to anticipate a higher level of acquisition benefits, which includes raising our estimate of the ongoing value of integration benefits to between $US130 million and US$150 million.

"In relation to expectations for fiscal year 2004/05 we note market consensus for net profit after tax, or NPAT, is $270 million, not including the profit on sale of JRH.

Despite the expected absence of JRH's normal operating contribution in the second half of this fiscal year and the absorption of the currency impact of a weakening US dollar, we currently anticipate achieving an NPAT for 2004/05 of between $270 and $295 million. A result towards the upper end of this range is largely dependent upon selling a higher amount of inventory acquired at a discount from Aventis Behring. This is of course subject to currency fluctuation and material price movements in core plasma products," Dr McNamee said.

For further information, please contact:

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