



CSL Limited

Chairman's Address – Annual General Meeting 2013

"I am very pleased to report that CSL has recorded another year of strong performance with continuing growth across our plasma products portfolio and improved efficiencies achieved throughout our global organisation. At the same time, looking to future market growth, CSL has remained focused on expanding manufacturing capacity, developing new and improved medicines and enhancing financial management.

"Given the predominance of US dollars as the currency for CSL's global sales, we have now fully moved to reporting in US dollars as foreshadowed when announcing our results in August last year. This shift in reporting currency has markedly reduced the overall foreign exchange impact on our results.

"For the year ended 30 June, net profit after tax was US\$1.216 billion. This result included an unfavourable foreign exchange impact of US\$18 million. In constant currency, operational net profit after tax was US\$1.234 billion, up 21% on last year's result.

"CSL has maintained a strong balance sheet with US\$762 million cash on hand against borrowings of US\$1.679 billion. Cash flow from operations for the year was US\$1.312 billion.

"Revenue from CSL Behring continued to underpin the Company's strong performance. Immunoglobulin sales kept up a strong pace with Hizentra® a top performer in both the US and Europe, and with Privigen® growth assisted by European approval for its use in the management of chronic inflammatory demyelinating polyneuropathy – a rare neurological disorder. Growth in albumin sales was driven by demand in Asia and Europe. Specialty product highlights included strong sales of Haemocomplettan® - a human fibrinogen concentrate - supported by increased use in the management of perioperative bleeding, and the US launch of Kcentra™, our prothrombin complex concentrate for reversal of warfarin in patients with acute bleeding.

"We have invested US\$427 million in research and development this year, continuing our strong commitment to this essential element of CSL's strategy for growth.

"A highlight of our investment in research and development this year has been the continued advancement in the development of a family of novel recombinant coagulation factor therapies to treat haemophilia and other bleeding disorders.

"Achieving licenses and expanding the appropriate use of therapies in major regulatory jurisdictions is a critical objective of our R&D programs. During the year, following many years of substantial effort by a large number of our people, the US Food and Drug Administration (FDA) approved Kcentra™ for urgent reversal of warfarin in patients with acute major bleeding. Kcentra™ is the first approved therapy of its type in the US.

"At our Broadmeadows site in Melbourne, construction of a new cell culture biotechnology facility has been completed and test batches of recombinant proteins are currently underway in preparation for the production of clinical trial material in the first quarter of 2014. This new state-of-the-art facility will enhance our ability to take recombinant products into the clinic and ultimately to patients.

"Also at Broadmeadows, construction of a manufacturing plant for the production of Privigen® is now complete with equipment installed and commissioning commenced. This 15 million gram capacity facility is due to become operational by 2016.

"Capacity expansion programs are also underway at Kankakee in the US, Bern in Switzerland and Marburg in Germany. These investments will help meet future increased demand for our plasma products.



“CSL Plasma continues to upgrade and expand the capacity of plasma collection centres and open new facilities. This year nine new collection centres and a new logistics centre were opened in the US, and substantial progress has been made towards doubling the size of plasma testing facilities in Knoxville, Tennessee.

“In a significant business reorganisation this year, our Australian plasma operations have been integrated with CSL Behring, creating a single global plasma business. As part of the reorganisation, our Australian-based vaccines, pharmaceuticals, diagnostics and logistics operations have been combined under a new stand-alone business unit called bioCSL.

“bioCSL has entered into a contract with the Australian Government to supply H5N1 influenza vaccine for a pre-pandemic stockpile. bioCSL has also received a contract from the US Government to supply, if required, pre-pandemic and pandemic influenza vaccine antigens and related services.

“The Managing Director will provide greater detail on each of our business operations shortly, including our global research and development programs.

“Last week, on 7 October 2013, the Company announced that it had signed an agreement to settle the US antitrust class action litigation, filed by certain US and Puerto Rican hospital groups, which has been ongoing since 2009. The settlement agreement resolves and dismisses all claims and potential claims of class members against CSL in the lawsuit, as well as those against the Plasma Proteins Therapeutics Association, an industry association. The settlement, including a payment of US\$64 million, is subject to an approval process by the US Federal Court. This process is expected to take several months during which time CSL’s involvement in the litigation will be on hold.

“CSL continues to strongly reject any allegation of wrongdoing. However, we believe that the settlement agreement is in the best interests of the Company and its shareholders. To pursue the case further would have required several more years of senior management time and focus as well as substantial legal costs with no absolute certainty of the outcome.

HEALTH, SAFETY AND ENVIRONMENT

CSL continues to operate a global Health, Safety and Environment Management System that ensures its facilities operate to internationally recognised standards. This framework includes compliance with government regulations and commitments to continuously improving the health and safety of the Company’s workforce as well as minimising the impact of operations on the environment.

No environmental breaches have been notified by any Australian or other foreign government agency in relation to the CSL’s Australian, European, North American or Asia Pacific operations during the year ended 30 June 2013.

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

CORPORATE RESPONSIBILITY

“CSL is committed to conducting business ethically and contributing to the economic, social and environmental well-being of our communities. In November 2012, CSL published its fourth Corporate Responsibility Report.

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



"In addition, CSL has participated in the Carbon Disclosure Project (CDP) for the last 5 years. The CDP is an independent non-profit initiative making available to investors high quality comparable data on company environmental performance. This year CSL achieved its highest disclosure score of 85 (out of 100) and improved its performance score.

"In July 2013, we released the second edition of our Code of Responsible Business Practice (the Code). The Code defines the standards of behaviour expected of all our employees, and also our contractors, suppliers and distributors, when they are conducting CSL's business. The updated version of the Code, which has been translated in 15 languages, is the result of an extensive internal review process as well as external benchmarking.

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

OUR PEOPLE

"Recognising that our talented and diverse workforce is critical to CSL's continued growth and success, we are committed to seeking out and retaining the best people.

"CSL has a strong diversity position. The CSL Board and Senior Management believe this is fundamentally the result of a strongly inclusive culture. Our management at all sites around the world are encouraged to implement diversity-related initiatives consistent with local laws, practices and culture.

"In the area of gender diversity, CSL has a strong track record in the deployment of qualified and experienced women in the workplace. 40% of our senior professional and management employees are female and even at the most senior level – that is our top 50 positions across the globe – one third are female, many in key global roles.

"This year the CSL Board established a number of measurable objectives supporting gender diversity and reported progress against these objectives in the Corporate Governance Statement in our Annual Report. The Board has also established further measurable objectives which will be reported on next year.

"CSL undertakes a global employee survey every few years, most recently in February 2013. Significant attention is given to analysing the response and creating action plans. The survey continued to show our employees have a positive view of the Company with 16 out of 19 Key Performance Indicators being areas of best practice or strength. The strongest attributes globally were seen as Quality, Achievement and Customer Focus.

CAPITAL MANAGEMENT

"Efficient capital management is a significant focus for your Board.

"On 27 March 2013, CSL completed a US\$500 million private placement of debt in the US. The Company achieved an average tenor of over eight years at an average interest rate of approximately 2.8%. The placement was significantly oversubscribed reflecting the sound economic structure of the CSL Group. The proceeds have been or will be used to fund CSL's capital management plan, including on-market share buybacks, and for general corporate purposes.

"On 17 October 2012, CSL announced an on-market share buyback of up to A\$900 million. This on-market share buyback was completed on 12 September 2013, with approximately 15.6 million shares repurchased.

"To date, as a result of this and previous buy-backs, CSL has repurchased approximately 22% of the Company's shares on issue, based on the issued capital as at the commencement of the 1st buyback in 2005 and excluding the effect of shares issued as part of CSL's share placement in 2005.



“As foreshadowed with our Annual Results on 14 August 2013, the Board has considered new capital management initiatives. Today, I am pleased to announce that CSL will conduct a further on-market buyback of up to \$950 million¹, which we intend to complete over the next 12 months.

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

THE 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. Our broad portfolio of products, ongoing product development and geographic reach continue to ensure our business remains well positioned.

“When announcing our full year result in August, we anticipated net profit after tax to grow by approximately 10%, using 2012/2013 exchange rates. However, if the settlement of the US antitrust litigation is approved by the US Federal Court, the settlement represents a one-off charge reducing expectations of net profit after tax for fiscal 2014 by US\$39 million. This charge takes anticipated growth of net profit after tax for fiscal 2014 to approximately 7% at 2012/2013 exchange rates, noting that this outlook is subject to a number of other variables outlined when we announced the Company’s annual result in August.

THE CSL BOARD

“On 30 June 2013, CSL said farewell to Dr Brian McNamee as Chief Executive Officer and Managing Director after 23 years of outstanding leadership during which time the Company has become a global market leader in plasma protein therapies. We thank Brian for the drive and vision instrumental in building CSL’s business through global expansion, innovative R&D, operational excellence and absolute commitment to patients. Later in the meeting, we will be providing shareholders with an opportunity to recognize Brian’s outstanding contribution.

“At the conclusion of this meeting, we say farewell to Mr Ian Renard as a Director of the Company. Ian has been a valuable contributor to the Board, especially in his capacity as a member of the Audit and Risk Management Committee which he has chaired since October 2008. On behalf of the Board and shareholders, I would like to express our sincere gratitude for his exceptional service as a Director for more than fifteen years. I’m sure all of us wish you the very best for the future.

“In August 2013, Ms Marie McDonald was appointed as a Director of CSL. In accordance with our Constitution, Marie is eligible for election at this meeting and a resolution will be put to shareholders later in the meeting. I am delighted that we have been able to appoint a lawyer with Marie’s experience and qualification. I am certain that she will make a significant contribution to the Company.

“Effective 1 October 2013, Mr Bruce Brook took over as Chairman of the Audit and Risk Management Committee and Marie has joined Ms Christine O’Reilly as a member of that Committee.

“I would also like to take this opportunity to formally introduce to shareholders, Mr Paul Perreault, who was appointed to the CSL Board in February 2013 and became CSL’s new Chief Executive Officer and Managing Director on 1 July this year.

“In his previous role as President of CSL Behring, Paul was responsible for overseeing operations in more than 25 countries, including major manufacturing sites in the United States, Switzerland, Germany and Australia, and an extensive network of plasma collection centres throughout North America and Germany. Paul brings to his new role more than 30 years experience in the health care

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



industry. The Board is confident that CSL's growth and success will continue strongly under Paul's leadership."

OUR THANKS TO MANAGEMENT AND STAFF

"CSL is committed to saving lives and improving the quality of life for people with rare and serious diseases worldwide. Often our patients have few treatment options and require our therapies to maintain a good quality of life and, in many cases, for life itself. We offer the broadest range of products and therapeutic options in the plasma-protein biotherapeutics industry.

"The operational excellence of CSL's global business demands a culture of close co-operation – from the smallest local teams to our most complex international in-house relationships. This is how we fulfil our obligations to the people who depend on our therapies for their quality of life.

"Your Board of Directors recognises and appreciates that CSL's success is built on the hard work and strong commitment of dedicated management and staff who daily represent us in many countries around the world and I would like to take this opportunity, on behalf of your Board and shareholders, to thank them all for their ongoing efforts."

Professor John Shine, AO
Chairman