

CSL Limited

ABN: 99 051 588 348

ASX Half-year Information 31 December 2006

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction
with the 30 June 2006 Annual Report.

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CSL Limited
ABN: 99 051 588 348

Appendix 4D
Half-year ended 31 December 2006

(Previous corresponding period:
Half-year ended 31 December 2005)

Results for Announcement to the Market

- Revenues from continuing operations up 10.3% to \$1,563,821,000.
- Profit from continuing operations after tax and net profit for the period attributable to members up 45.8% to \$257,286,000.

Dividends

	Amount per security	Franked amount per security
Interim dividend (declared subsequent to balance date)	49¢	Unfranked*
Interim dividend from the previous corresponding period	28¢	Unfranked
Final dividend (prior year)	40¢	Unfranked
Record date for determining entitlements to the dividend:	20 March 2007	

* Non-resident withholding tax is not payable on this dividend as it will be declared to be wholly conduit foreign income.

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.

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.

CSL Limited

Half-year Report – 31 December 2006

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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 2006 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 2006.

Directors

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

Miss E A Alexander, AM (appointed Chairman on 1 October 2006)
Dr B A McNamee (Managing Director)
Mr J H Akehurst
Mr A M Cipa
Mr I A Renard
Mr M A Renshaw
Mr K J Roberts, AM
Professor J Shine, AO

Mr P H Wade was the Chairman and a Director from the beginning of the financial year until his retirement on 30 September 2006.

Mr D J Simpson was appointed a Director on 1 September 2006 and continues in office at the date of this report.

Dr A C Webster was a Director from the beginning of the financial year until his retirement on 18 October 2006.

Review of Operations

In the half year ended 31 December 2006, total revenue for the Group was \$1.6 billion, up 10% compared to the same period last year. Net profit after tax increased by 46% to \$257m and net operating cash flow was \$187 million.

The operating results for the period reflected favourable trading conditions in international plasma therapies producing strong growth in CSL Behring's operating margin. CSL Behring's sales grew 9% to \$1.3 billion when compared to the same period last year, resulting in an improved operating margin (earnings before interest and tax) of 29% up from 21%.

Sales of Gardasil® by the Company's licensee Merck & Co Inc, produced first-time royalty receipts of \$21 million, Gardasil® having now been approved in 40 countries with applications under review with regulatory agencies in a further 50 countries.

CSL Bioplasma's sales grew by 12% to \$103 million attributable to increased demand for Albumin in Asia and the successful renewal of the New Zealand Toll based plasma fractionation contract.

CSL Biotherapies grew sales by 5% to \$94 million reflecting growth in influenza vaccine exports.

During the period, the acquisition of Zenyth Therapeutics Limited took place to strengthen the Company's research interests in recombinant antibodies, and the expansion of the Company's plasma therapy portfolio in the US occurred with the acquisition of the Cytogam product from MedImmune. Iscomatrix®, the Company's proprietary adjuvant, continues to attract interest with a new Licence and Option Agreement entered into with Wyeth and an expansion of an existing Licence Agreement with Merck & Co, Inc.

In February this year, an extension of the Helixate supply contract was agreed with Bayer until the end of 2017 that was facilitated by a settlement with Sanofi-Aventis on arrangements made in 2004 for the acquisition of Aventis Behring.

CSL Limited

Directors' Report

A final dividend of 40c per ordinary share (unfranked) was paid out of retained profits for the year ended 30 June 2006 on 13 October 2006. The Directors have declared an interim dividend of 49c per ordinary share, unfranked, payable on 13 April 2007.

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 5.

Rounding of Amounts

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) unless specifically stated otherwise under the relief available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

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

Elizabeth A Alexander
CHAIRMAN

Brian A McNamee
MANAGING DIRECTOR

21 February 2007

CSL Limited Directors' Report



■ Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

■ Tel 61 3 9288 8000
Fax 61 3 8650 7777

GPO Box 67
Melbourne VIC 3001

Auditor's Independence Declaration to the Directors of CSL Limited

In relation to our review of the financial report of CSL Limited for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Denis Thorn
Partner

21 February 2007

CSL Limited and its controlled entities
Income Statement
For the half-year ended 31 December 2006

	Notes	Consolidated Entity	
		December 2006 \$000	December 2005 \$000
Continuing Operations			
Sales revenue		1,514,385	1,393,060
Cost of sales		(837,615)	(839,716)
Gross profit		676,770	553,344
Other revenue	4	49,436	24,614
Other income	4	3,657	325
Research and development expenses		(84,746)	(71,233)
Selling and marketing expenses		(175,232)	(159,763)
General and administration expenses		(59,285)	(75,413)
Finance costs	4	(23,664)	(19,942)
Profit before income tax expense		386,936	251,932
Income tax expense	5	(129,650)	(75,509)
Net profit for the period	13	257,286	176,423
Earnings per share		Cents	Cents
Basic earnings per share	6	141.16	96.65
Diluted earnings per share	6	140.25	92.09

CSL Limited and its controlled entities
Balance Sheet
As at 31 December 2006

		Consolidated Entity	
		December	June
		2006	2006
		\$000	\$000
	Notes		
CURRENT ASSETS			
Cash and cash equivalents	7	554,593	753,694
Trade and other receivables		649,742	593,679
Current tax assets		-	6,889
Inventories		1,045,613	973,427
Other financial assets		9,504	7,872
Total Current Assets		2,259,452	2,335,561
NON-CURRENT ASSETS			
Trade and other receivables		19,855	17,673
Other financial assets		7,764	4,728
Property, plant and equipment	8	827,569	816,336
Deferred tax assets		160,963	187,432
Intangible assets	9	983,612	820,841
Retirement benefit assets		9,953	3,514
Total Non-Current Assets		2,009,716	1,850,524
TOTAL ASSETS		4,269,168	4,186,085
CURRENT LIABILITIES			
Trade and other payables		374,362	388,979
Interest-bearing liabilities	10	469,948	463,632
Current tax liabilities		111,398	88,038
Provisions		410,843	85,885
Deferred government grants		371	371
Retirement benefit liabilities		-	4,635
Total Current Liabilities		1,366,922	1,031,540
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	451,439	595,197
Non-current tax liabilities		6,190	5,043
Deferred tax liabilities		75,359	61,767
Provisions		121,734	408,053
Deferred government grants		4,612	4,093
Retirement benefit liabilities		93,654	90,588
Total Non-Current Liabilities		752,988	1,164,741
TOTAL LIABILITIES		2,119,910	2,196,281
NET ASSETS		2,149,258	1,989,804
EQUITY			
Contributed equity	11	1,014,184	994,101
Reserves	12	(103,282)	(55,767)
Retained earnings	13	1,238,356	1,051,470
TOTAL EQUITY		2,149,258	1,989,804

CSL Limited and its controlled entities
Statement of Recognised Income and Expense
For the half year ended 31 December 2006

	Notes	Consolidated Entity	
		December 2006 \$000	December 2005 \$000
Net profit for the period		257,286	176,423
Exchange differences on translation of foreign operations, net of hedges	12	(58,703)	33,708
Gains on available-for-sale financial assets, net of tax	12	2,971	642
Actuarial gains/(losses) on defined benefit plans, net of tax	13	2,526	(17,059)
Net income (expense) recognised directly in equity		(53,206)	17,291
Total recognised income and expense for the period attributable to equity holders		204,080	193,714

CSL Limited and its controlled entities
Cash Flow Statement
For the half-year ended 31 December 2006

	Consolidated Entity	
	December	December
Note	2006	2005
	\$000	\$000
Cash flows from Operating Activities		
Receipts from customers (inclusive of goods and services tax)	1,486,191	1,446,806
Payments to suppliers and employees (inclusive of goods and services tax)	(1,240,691)	(1,146,561)
	245,500	300,245
Interest received	19,619	10,983
Income taxes paid	(63,902)	(31,618)
Borrowing costs	(14,416)	(15,358)
Net cash inflow from operating activities	186,801	264,252
Cash flows from Investing Activities		
Proceeds from sale of property, plant and equipment	3,857	-
Payments for property, plant and equipment	8 (88,577)	(37,718)
Payments for other investments	(31)	(66)
Proceeds (payments) from sale of controlled entities	-	(14,920)
Payments for acquired entities	16 (103,939)	-
Proceeds from sale of other financial assets	31,385	-
Payments for restructuring of acquired entities and businesses	(1,608)	(6,122)
Payment for intellectual property	(72,835)	(8,628)
Dividends received	-	396
Payments for Onerous Contracts	(2,608)	-
Net cash outflow from investing activities	(234,356)	(67,058)
Cash flows from Financing Activities		
Proceeds from issue of shares	17,888	13,115
Payments for share buy backs	-	(281,538)
Dividends paid	14 (72,926)	(73,484)
Repayment of borrowings	10 (98,428)	(1,126)
Net cash outflow from financing activities	(153,466)	(343,033)
Net decrease in cash and cash equivalents	(201,021)	(145,839)
Cash and cash equivalents at the beginning of the period	747,988	719,746
Exchange rate variations on foreign cash and cash equivalent balances	(12,552)	12,976
Cash and cash equivalents at the end of the period	534,415	586,883
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	7 554,593	593,685
Bank overdrafts	(20,178)	(6,802)
	534,415	586,883

CSL Limited and its controlled entities

Notes to the financial statements

For the half-year ended 31 December 2006

1 Corporate Information

The financial report of CSL Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 21 February 2007. CSL Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 Summary of Significant Accounting Policies

(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 2006.

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 2006 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(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. The half-year financial report has been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and land and buildings.

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

(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 2006.

(d) Basis of Consolidation

The half-year consolidated financial statements comprise the financial statements of CSL Limited and its subsidiaries as at 31 December 2006 ('the Group').

The acquisition of Zenyth Therapeutics Limited on 10 November 2006 (see Note 16) has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair values of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the half-year consolidated financial statements include the results of Zenyth Therapeutics Limited for the period from its acquisition on 10 November 2006 to 31 December 2006.

CSL Limited and its controlled entities
Notes to the financial statements
For the half-year ended 31 December 2006

3 Segment Information

Primary Reporting - business segments

	December 2006			December 2005		
	CSL Behring	Other Human Health	Total Human Health	CSL Behring	Other Human Health	Total Human Health
	\$000	\$000	\$000	\$000	\$000	\$000
External sales	1,317,437	196,948	1,514,385	1,211,430	181,630	1,393,060
Other external revenue	2,213	27,205	29,418	2,138	11,420	13,558
Segment revenue	1,319,650	224,153	1,543,803	1,213,568	193,050	1,406,618
Interest income			19,887			10,982
Other unallocated revenue			131			74
Total revenue			1,563,821			1,417,674
Segment earnings	379,827	18,347	398,174	259,402	19,308	278,710
Unallocated expenses net of other unallocated revenue			(7,460)			(17,818)
Profit from continuing activities before interest and income tax expense			390,714			260,892
Interest income			19,887			10,982
Finance costs			(23,664)			(19,942)
Profit from continuing activities before income tax expense			386,937			251,932
Income tax expense			(129,650)			(75,509)
Net profit for the period			257,287			176,423

Business Segments

The consolidated entity's primary segment reporting format is business segments. The consolidated entity operates one segment – Human Health, the principal activity being to develop, manufacture and market biopharmaceutical products to the human health industry.

The Human Health business segment has been further broken down into CSL Behring and Other Human Health to assist with external analysis of the financial statements. Other Human Health includes CSL Biotherapies and CSL Bioplasma.

Segment Accounting Policies

The consolidated entity accounts for intersegmental sales and transfers as if the sales or transfers were to third parties at current market prices.

Segment accounting policies are the same as the consolidated entity's policies. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

CSL Limited and its controlled entities
Notes to the financial statements
For the half-year ended 31 December 2006

4 Revenue, Income and Expenses from continuing operations

	Consolidated Entity	
	December 2006 \$000	December 2005 \$000
(a) Other Revenue		
Dividend revenue	-	396
Interest income	19,887	10,982
Rent	591	478
Royalties	21,395	1,467
Sundry	7,563	11,291
	49,436	24,614
(b) Other Income		
Net gain on disposal of property, plant and equipment	2,171	-
Government grants	1,486	325
	3,657	325
(c) Finance Costs		
Interest paid / payable	17,182	16,246
Non-cash interest – unwinding of discount	6,482	3,696
	23,664	19,942
(d) Other Expenses		
General and administration expenses		
Expense of share based payments	4,881	2,057
Other relevant expenses		
Depreciation and Amortisation of property, plant and equipment	49,730	47,411
Amortisation of intellectual property	7,826	2,931

5 Income Tax

The reconciliation between income tax expense and the consolidated entity's applicable tax rate is as follows:

	Consolidated Entity	
	December 2006 \$000	December 2005 \$000
Profit from continuing activities before income tax expense	386,936	251,932
Income tax calculated at 30%	116,081	75,580
Tax effect of non-assessable / non-deductible items		
Research and development	(2,773)	(2,292)
Other (non-assessable revenue)/non-deductible expenses	(3,902)	6,040
(Utilisation of tax losses)/Unrecognised deferred tax assets	(1,607)	(19,992)
Effects of different rates of tax on overseas income	15,890	16,679
Under (over) provision in previous year	5,961	(506)
Income tax expense	129,650	75,509

CSL Limited and its controlled entities
Notes to the financial statements
For the half-year ended 31 December 2006

6 Earnings Per Share

	Consolidated Entity	
	December	December
	2006	2005
	\$000	\$000
The following reflects the income and share information used in the calculation of basic and diluted earnings per share:		
Earnings used in calculating basic earnings per share	257,286	176,423
	Number of shares	
	December	December
	2006	2005
Weighted average number of ordinary shares used in the calculation of basic earnings per share:*	182,270,708	182,544,111
Effect of dilutive securities:		
Share options	475,092	512,406
Performance rights	692,238	479,480
Global employee share plan	15,118	5,998
Contingent consideration	-	8,036,002
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	183,453,156	191,577,997

* refer note 11 for a reconciliation of the movement in issued shares

Contingent consideration

In the prior period, in accordance with AASB 133 *Earnings per share*, the contingent consideration that could have been settled in either cash or ordinary shares was required to be included in the calculation of diluted earnings per share where the effect is dilutive. At the date of this report, the option to settle in ordinary shares is no longer available and therefore it has been excluded from the calculation.

Conversions, calls, subscription or issues after 31 December 2006

There have been no ordinary shares issued since the reporting date and before the completion of this financial report. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

7 Cash and cash equivalents

	Consolidated Entity	
	December	June
	2006	2006
	\$000	\$000
Cash at bank and on hand	141,411	384,064
Cash deposits	413,182	369,630
Total cash and cash equivalents	554,593	753,694

8 Property, Plant and Equipment

During the half-year ended 31 December 2006, the Group acquired assets with a cost of \$88,577,000 (2005: \$37,718,000).

CSL Limited and its controlled entities
Notes to the financial statements
For the half-year ended 31 December 2006

9 Intangible assets – Acquisition of CytoGam®

On 9 November 2006, the Group reached an agreement with MedImmune, Inc. to acquire CytoGam® (cytomegalovirus immune globulin intravenous (human)) for \$153 million (US\$120 million), \$89 million (US\$70 million) of which is subject to achievement of sales milestones. The consideration for the intangible asset has been recognised as follows:

	December 2006 \$000
<i>Consideration</i>	
Cash	63,850
Provision for contingent consideration - current	29,724
Provision for contingent consideration – non-current	59,448
	153,022

In addition to the above, \$10.2 million of inventory and incidental equipment was acquired.

10 Borrowings and repayments

For the half year ended 31 December 2006, the Group has repaid \$18,379,000 of interest bearing debt, \$78,735,000 of non-interest bearing debt, and \$1,314,000 in finance lease repayments.

11 Contributed Equity

Movements in the contributed equity

	Number of Shares	\$000
<i>Ordinary shares</i>		
Balance as at 1 July 2006	181,889,019	994,101
Shares issued to employees through participation in Share Option Plans	600,230	18,354
Shares issued to employees through participation in Performance Rights Plan	95,500	-
Shares issued to employees through participation in Global Employee Share Plan	32,727	1,729
Balance as at 31 December 2006	182,617,476	1,014,184

12 Reserves

	Consolidated Entity	
	December 2006 \$000	June 2006 \$000
<i>Composition</i>		
Share based payments reserve (i)	21,669	13,452
Net unrealised gains reserve (ii)	2,870	(101)
Foreign currency translation reserve (iii)	(127,821)	(69,118)
	(103,282)	(55,767)

Nature and purpose of reserves

(i) *Share based payments reserve*

The share based payments reserve is used to recognise the fair value of options, performance rights and global employee share plan rights issued but not exercised. Amounts are transferred to contributed equity when options and other equity instruments are exercised.

CSL Limited and its controlled entities
Notes to the financial statements
For the half-year ended 31 December 2006

(ii) *Net unrealised gains reserve*

The net unrealised gains reserve is used to recognise the cumulative changes in the fair value, net of tax, of investments that are classified as available-for-sale. Amounts are recognised in profit or loss when the associated assets are sold or impaired.

(iii) *Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations and exchange gains and losses arising on those foreign currency borrowings which are designated as hedging the Company's net investment in foreign operations.

13 Retained Earnings

	Consolidated Entity	
	December	December
	2006	2005
	\$000	\$000
Retained earnings as at the beginning of the period	1,051,470	1,068,095
Net profit for the half year	257,286	176,423
Dividends provided for or paid	(72,926)	(73,484)
Actuarial gain/(loss) on defined benefit plans net of tax	2,526	(17,059)
Retained Earnings as at the end of the period	1,238,356	1,153,975

14 Dividends

	Consolidated Entity	
	December	December
	2006	2005
	\$000	\$000
<i>Ordinary shares</i>		
Dividends provided for or paid during the half-year	72,926	73,484

Dividends not recognised at the end of the half-year

Since the end of the half-year the directors have recommended the payment of an interim dividend of 49 cents (2005 - 28 cents) per fully paid ordinary share, unfranked. The aggregate amount of the proposed interim dividend expected to be paid on 13 April 2007 out of retained earnings at 31 December 2006, but not recognised as a liability at the end of the half-year, is:

	89,483	50,617
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15 NTA Backing

	December	June
	2006	2006
Net tangible asset backing per ordinary security	\$6.38	\$6.43

CSL Limited and its controlled entities
Notes to the financial statements
For the half-year ended 31 December 2006

16 Changes in controlled entities

On 10 November 2006, the Group acquired 100% of the share capital of Zenyth Therapeutics Limited (Zenyth), a Biotechnology company, for a cash consideration of \$103,711,000.

The acquired business contributed revenues of \$79,000 and a loss before tax of \$1,678,000 to the Group for the period from acquisition to 31 December 2006. This result is included within "Other Human Health" in the Segment Information contained in Note 3. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the half year ended 31 December 2006 would not have been materially affected.

Details of net assets acquired and goodwill are as follows:

	December 2006 \$'000
Purchase consideration:	
Cash paid	103,711
Direct costs relating to the acquisition	1,870
<hr/> Total purchase consideration	<hr/> 105,581
Fair value of net identifiable assets acquired (see below)	93,498
<hr/> Goodwill	<hr/> 12,083

The goodwill attributable to the acquisition of Zenyth represents the know-how of the research staff.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair amount value \$'000
Cash and cash equivalents	1,642	1,642
Trade and other receivables	1,409	1,409
Other Financial Assets	40,889	41,605
Property Plant & Equipment	1,383	610
Intangible Assets	-	53,952
Trade and other payables	(5,000)	(5,000)
Provisions	(720)	(720)
<hr/> Net identifiable assets acquired	<hr/> 39,603	<hr/> 93,498

Outflow of cash to acquire business, net of cash acquired:

	\$'000
Cash consideration	(103,711)
Direct costs relating to the acquisition	(1,870)
Cash and cash equivalents in subsidiary acquired	1,642
<hr/> Cash outflow on acquisition	<hr/> (103,939)

Note: Other Financial Assets comprise Unit Trust investments that are to be converted to cash following the acquisition.

CSL Limited and its controlled entities
Notes to the financial statements
For the half-year ended 31 December 2006

17 Commitments and contingencies

Litigation

As noted in the 30 June 2006 Annual Report, the consolidated entity was involved in litigation with Bayer over alleged infringement of the consolidated entity's interest in the Freudenberg patent covering technology involved in the production of rFVIII. Bayer had filed a counter suit against the consolidated entity, claiming breach of the Helixate supply agreement. This litigation has now been settled (as part of the Post Balance Sheet event disclosed in Note 19) and it no longer represents a contingency to the consolidated entity.

The consolidated entity is involved in other litigation in the ordinary course of business. The directors believe that future payment of a material amount in respect of litigation is remote. An estimate of the financial effect of this litigation cannot be calculated as it is not practicable at this stage. The consolidated entity has disclaimed liability for, and is vigorously defending, all current material claims and actions that have been made.

18 Share Based Payment Plans

On 2 October 2006, 441,900 share options and 159,620 performance rights were granted to senior executives under the CSL Performance Rights Plan. The exercise price of the options of \$52.44 is equal to the 5 day volume weighted average market price of CSL Limited shares as traded on the Australian Stock Exchange in the one week before and ending on the grant date. The exercise price for the performance rights is Nil. The options and performance rights will become exercisable between 1 October 2008 and 2 October 2013. The fair value of the options and performance rights granted is estimated as at the date of grant using an adjusted form of the Black-Scholes model, taking into account the terms and conditions upon which the options and performance rights were granted. The following table lists the inputs to the model used for options and performance rights issued in the half-year ended 31 December 2006:

	December 2006
Dividend yield (%)	1.5%
Expected volatility (%)	27%
Risk-free interest rate (%)	5.67%
 <i>Fair Value of Options</i>	
2 year vesting	\$17.12
3 year vesting	\$17.50
4 year vesting	\$17.87
 <i>Fair Value of Performance Rights</i>	
2 year vesting	\$42.59
3 year vesting	\$39.96
4 year vesting	\$37.40

CSL Limited and its controlled entities
Notes to the financial statements
For the half-year ended 31 December 2006

19 Post Balance Sheet event

On 2 February 2007, CSL announced it had concluded an agreement with Sanofi-Aventis that had facilitated an extension of the arrangements with Bayer for the supply of Helixate FS, CSL Behring's recombinant Factor VIII product, for a further eight years until the end of 2017.

As a part of the deal, CSL agreed to pay Sanofi-Aventis the Contingent Payment of US\$250 million and the Deferred Payment of US\$65 million earlier than originally agreed when CSL acquired Aventis Behring in 2004. This agreement with Sanofi-Aventis has enabled CSL to independently negotiate with Bayer the sublicensing terms of certain intellectual property related to recombinant Factor VIII, to secure the long-term supply of Helixate FS and to facilitate the settlement of litigation against Bayer. In addition, a number of other outstanding matters that had remained unresolved with Sanofi-Aventis stemming from the original 2004 acquisition of Aventis Behring have also now been resolved.

CSL Limited

Directors' Declarations

The directors declare that:

- (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 2006 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) in the directors' opinion 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.

Elizabeth A Alexander
Chairman

Brian A McNamee
Managing Director

Melbourne
21 February 2007

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 and the entities it controlled during the half year, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 2006 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* and other mandatory financial reporting requirements in Australia. As the auditor of CSL Limited and the entities it controlled during the half year, 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. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of CSL Limited and the entities it controlled during the half year, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Denis Thorn
Partner
Melbourne
21 February 2006