CSL

# Press Release

**For immediate release**

23 August 2006

## Full Year Result
## Profit from continuing operations up 49% to $351m

CSL Limited today announced its operating result for the full year ended 30 June 2006.

### HIGHLIGHTS

**Financial**

- Sales revenue of $2.8 billion, up 9% on the previous year;
- Net profit after tax from continuing operations(1) of $351m, up 49%;
- Robust performance underpins decision to provide for a contingent payment(2) of US$250m arising from the acquisition of Aventis Behring;
- Strong net operating cash flow of $522m;
- Final dividend(3) of 40 cents per share, unfranked, payable on 13 October 2006. Total ordinary dividends for the year were 68 cents per share up 21 cents on the previous year.

**Operational**

- GARDASIL® (world's first cervical cancer vaccine) received marketing approval by US Food and Drug Administration (FDA) and Australian Therapeutic Goods Administration (TGA);
- Announcement of plans to double influenza production capacity to 40m doses per season to facilitate US entry strategy;
- Encouraging preliminary results from Avian flu trials;
- Vivaglobin® approved by US FDA - the first subcutaneous immunoglobulin in the US market;
- Proposal to acquire Zenyth Therapeutics Ltd by scheme of arrangement.

Dr McNamee, CSL's Managing Director said, "The Aventis Behring integration is now complete having exceeded our synergy targets. Our licensee Merck has received approval in the US and Australia to market GARDASIL®, the world's first cervical cancer vaccine. We announced plans to double our flu manufacturing capacity and enter the US market and we have made a proposal to acquire Zenyth Therapeutics, which will strengthen our research interests in recombinant antibodies.

"Building on this momentum, we have taken a decision to align the company's various visual identities and operating names to strengthen connections throughout CSL. Key changes include 'ZLB Behring' transitioning to 'CSL Behring' and 'CSL Pharmaceuticals' transitioning to 'CSL Biotherapies', which will include our global flu business.

"Given our strong performance this year we have decided to raise a US$250m provision for the contingent payment agreed to when we acquired Aventis Behring," Dr McNamee said.

**BUSINESS REVIEW**

**Result overview**

CSL Limited's operating results for the year ended 30 June 2006 reflects a strong contribution by CSL Behring with sales growing 11% to $2.4b. CSL Behring's growth was a function of solid performance across the product portfolio reflecting the company's strategy of taking a disciplined, 'profitable litres' approach to sales.

Growing sales in the United States of America for intravenous immunoglobulin has given rise to additional demand for the raw material - plasma. CSL Behring is well placed for continued growth through its own plasma collection centres and plasma purchased from US and European blood banks.

After achieving and exceeding targets set for the integration of CSL Behring, the business unit has now replaced the financial benefit of selling discounted inventory acquired within Aventis Behring with synergy benefits delivered from significantly restructuring the business and improving operational efficiencies.

CSL Bioplasma's sales declined 8% to $191m which is attributed to the Australian Government's policy change to import recombinant coagulation factors reducing demand for CSL's plasma derived therapies

CSL Biotherapies, the new name for CSL Pharmaceutical, grew sales by 3% to $212m largely driven by growth in Northern Hemisphere Influenza Vaccine sales.

A new agreement was signed with Merck & Co, Inc (Merck) for the Australian distribution of a number of important new and existing vaccines. Included are vaccines for the prevention of shingles (ZOSTAVAX®), rotavirus induced gastroenteritis (ROTATEQ®) and a combined measles, mumps, rubella and chicken pox vaccine (PROQUAD®) as well

as the current marketed range of Merck vaccines. Much work is also currently underway planning for the launch of GARDASIL® in Australia.

The Group's strong operating cashflow of $522m was partly a consequence of continued reduction in excess inventory acquired with Aventis Behring.

**Business development**

*GARDASIL® – Human Papillomavirus Vaccine*
On 8 June, CSL's Licensee, Merck, received approval from the US Food and Drug Administration (FDA) for GARDSIL® the only vaccine available in the U.S. for the prevention of HPV types 16 and 18 related cervical cancer, for girls and women ages nine to 26 years. GARDASIL® is also approved for the prevention of genital warts and low grade cervical lesions caused by HPV types 6, 11, 16 & 18.

Other countries where GARDASIL® is now approved include Mexico, Australia and New Zealand. Applications for GARDASIL® are currently under review with regulatory agencies worldwide including but not limited to agencies in Argentina, Brazil, the European Union, Singapore and Taiwan. Additionally, Merck is actively working to accelerate the availability of GARDASIL® in the developing world.

*Influenza*
Internationalisation of the company's influenza vaccine continues. Licenses have been obtained in key European markets and clinical trials for registration in the United States have commenced. This process is incurring additional research & development and market development costs.

A capital investment of $80 million over the next two years will double capacity at the company's Melbourne facility to approximately 40 million doses per season, making it one of the largest vaccine manufacturing plants in the world. Contingent upon regulatory approval, the company intends to have an initial supply of vaccine available for the US 2007-2008 flu season.

*Pandemic Influenza*
Earlier in the year, the company announced encouraging results from its initial clinical trial of a pandemic influenza vaccine based on the H5N1 avian virus. The study population used in the trial demonstrated an appropriate immune response to the vaccine showing it is possible to vaccinate humans against H5N1. Further research is required to explore responses to higher does of antigen in a broader age group.

*Plasma Therapies*
The US FDA approved Vivaglobin in early January 2006. Vivaglobin® is the first subcutaneous immunoglobulin approved in the US and offers primary immune deficient patients with an alternative infusion method. Vivaglobin® sales are progressing to plan with strong interest from patients.

The clinical trial for a chromatographic, high-yielding liquid immunoglobulin for intravenous administration has been completed and filings will be made shortly with the FDA, European and Canadian agencies. Work has commenced on a large-scale chromatographic purification plant at the company's Bern facility.

A surgical study for Humate®/Haemate® (plasma derived Factor VIII) has been completed and the file supplement for this indication has been submitted to the FDA.

A multi centre clinical trial in Hereditary Angioedema is in progress with the aim of broad registration of Berinert® (C-1 Esterase Inhibitor). A clinical trial will also be completed in 2006 evaluating the use of Beriplex® (prothrombin complex) for treatment of coagulation factor deficiencies associated with Warfarin therapy.

*ISCOMATRIX® adjuvant*
A new facility is under construction at the company's Kankakee site in the USA to accommodate the commercial production of the CSL's proprietary adjuvant ISCOMATRIX®. Existing infrastructure is being leveraged to a large extent and an incremental investment of $20 million will be incurred. The company has a number of agreements in place including with Merck for use in the development of a new generation of human vaccines.

**OUTLOOK**

Commenting on outlook for CSL, Dr McNamee said "We anticipate a stable to favourable market for plasma therapies and for the first time we are expecting a contribution from GARDASIL® this year.

"Further underpinning growth is our position as one of the few manufactures of influenza vaccine in the world and we are well placed to take advantage of increasing demand.

"This is the right time for us to continue to grow our investment in Research and Development and we have approved an additional 10% spend on R&D for this financial year, taking our total investment to around $180m. After absorbing this additional R&D expenditure, we anticipate earnings before interest and taxes to grow approximately 20% in fiscal 2007," Dr McNamee said.

Total revenue growth is expected in the order of 6% in fiscal 2007 with earnings per share growing within a range of 15% – 20%. This guidance is subject to currency fluctuation, material price movements in core plasma products, the contribution from GARDASIL® royalties and the effective tax rate.

For further information, please contact:

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# Group Results[1][5]

| Full year ended June | 2006 $m | 2005 $m | Change % |
|---|---|---|---|
| **Sales** | **2,848.9** | **2,609.0** | |
| Other Revenue | 54.6 | 41.3 | |
| **Total Revenue** | **2,903.5** | **2,650.3** | **10%** |
| **Earnings before Interest, Tax, Depreciation & Amortisation** | **631.1** | **554.6** | **14%** |
| Depreciation/Amortisation | 116.1 | 122.4 | |
| **Earnings before Interest and Tax** | **515.0** | **432.2** | **19%** |
| Net Interest Expense | 16.0 | 21.9 | |
| Tax Expense | 148.1 | 175.6 | |
| **Net Profit after tax from continuing operations** | **350.9** | **234.7** | **49%** |
| Net Profit after tax from discontinued operations [4] | - | 253.1 | |
| Net Loss after tax from contingent consideration[2] | (233.5) | - | |
| **Net Profit after contingent consideration & discontinued operations** | **117.4** | **487.8** | **(76%)** |
| Total Ordinary Dividends (cents) | 68.0 | 47.0 | 45% |
| Final Dividend (cents) [3] | 40.0 | 30.0 | |
| Basic EPS (cents) from continuting operations | 192.8 | 119.8 | 61% |

*(1) The company's results for the year ended 30 June 2006 are reported in accordance with the Australian Equivalents to International Financial Reporting Standards (A-IFRS). The comparative period ended 30 June 2005 has also been restated in accordance with the introduction of the new standards. A detailed reconciliation can be found in note 37 to the financial statements.*

*(2) Provision for contingent payment arising from the acquisition of Aventis Behring. CSL agreed to pay US$250 million to Aventis (now Sanofi - Aventis) if CSL's share price moved above $35 and remained above that price for 60 consecutive trading days during the period 27 September 2007 and 26 March 2008. CSL retains the option to issues shares in CSL in lieu of cash.*

*(3) For Australian dividend withholding tax purposes, the dividend will be declared to be wholly conduit foreign income in the dividend statement. Under Australian taxation law, dividends that are conduit foreign income are exempt from Australian dividend withholding tax when paid to non-residents of Australia.*

*(4) After tax proceeds from the sale of JRH together with its earnings contribution during FY2005.*

*(5) Adjusted for the provision for the continent payment arising from the acquisition of Aventis Behring and the after tax proceeds from the sale of JRH together with its earnings contribution during FY2005.*