

TAX REPORT

FOR 2017 FINANCIAL YEAR
(YEAR ENDED 30 JUNE 2017)

INTRODUCTION

Blackmores has been a leading natural health company for more than 80 years, delivering the highest quality natural healthcare products and services in Australia, New Zealand and across Asia.

We deliver our products and services through our operations in Australia, New Zealand, Malaysia, Singapore, Thailand, Indonesia, Hong Kong, South Korea, Taiwan, Japan and China, employing more than 1,000 employees across these countries.

Not only do we positively impact the physical wellbeing of our customers in these countries, we also contribute towards the financial health of the countries in which we operate through contributions by way of payment of all required local taxation obligations.

We are proud to present in this report details of our tax contributions in the 2017 Financial Year, as well as providing information about our approach to our taxation obligations, our effective tax rate in Australia and internationally, and how our profit relates to our total income tax liability.

We are committed to providing transparency of our tax payments and obligations to demonstrate our commitment to ensuring we pay our fair share of tax in the countries in which we operate.

This report provides a detailed explanation of our tax profile and follows the guidelines set out in the Tax Transparency Code recommended by the Australian Board of Taxation and adopted by the Australian Federal Government.



Aaron Canning
Chief Financial Officer
August 2017

1. OUR TAX POLICY, STRATEGY AND GOVERNANCE

Blackmores has a strong history of complying with our taxation obligations in the countries in which we operate. We are committed to paying the correct amount of tax commensurate with the economic activity we undertake in the geographies we operate in.

Tax laws can be complex and confusing to interpret, particularly in relation to legislative requirements that can differ substantially by country. We take a conservative approach to the management of tax risks as guided by our Tax Risk & Governance Policy. This policy is subject to annual review and approval by the Blackmores Board through the Audit & Risk Committee.

The key focus of our policy is to:

- Ensure full compliance with all statutory obligations and full disclosure to revenue authorities
- Maintain documented policies and procedures in relation to tax risk management and the completion of thorough risk assessments before implementing any tax planning initiatives
- Manage tax affairs in a proactive manner
- Maintain appropriate relations with all relevant revenue authorities

1.1 TAX RISK MANAGEMENT

We have established a Tax Risk Management framework to plan and manage tax risks that may arise from time to time as part of normal business operations. Where required, we will seek external specialist tax advice from reputable advisers to supplement the opinion of in-house specialists before deciding to undertake a particular transaction or operation.

We seek to obtain a high level of comfort and certainty with respect to resolving all identifiable tax risks. We will not undertake a position in relation to tax where the tax treatment is likely to cause further risk to the business.

Beyond one-off transactions, we regularly seek advice and assurance from our tax advisers on the day-to-day compliance of our tax obligations as well as our annual compliance requirements.

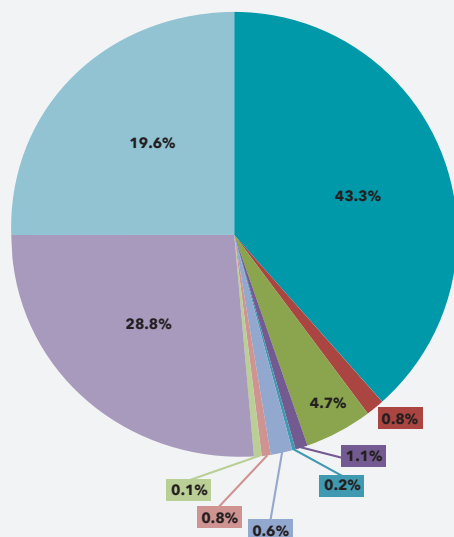
We do not and will not engage in activities which artificially shift profits to low or no tax jurisdictions.

We are committed to working with revenue authorities in an open, transparent and cooperative manner and in accordance with the legislative requirements of the countries where we operate. We believe that this is the best way to ensure we continue to protect our ongoing business interests and deliver long-term sustainable returns for our shareholders.

2. TOTAL TAX CONTRIBUTIONS

In the 2017 Financial Year, Blackmores has made the following tax payments:

| | Global (A\$ '000) | Australia (A\$ '000) | Other countries (A\$ '000) |
|---|----------------------|-------------------------|-------------------------------|
| Corporate income tax¹ | 43,229 | 37,334 | 5,895 |
| Other taxes: | | | |
| - Fringe Benefits Tax | 790 | 765 | 25 |
| - Payroll Taxes | 4,644 | 4,644 | - |
| - Social security/pension contributions paid to governments | 1,106 | - | 1,106 |
| - Property taxes | 166 | 166 | - |
| - Stamp duties | 40 | - | 40 |
| - Withholding taxes on dividends/royalty/other income | 550 | - | 550 |
| - Customs/importation duties | 833 | 142 | 691 |
| - Net GST/VAT (on value added by Blackmores) ² | 19,600 | 16,841 | 2,759 |
| - Other | 73 | 21 | 52 |
| Taxes collected by Blackmores on behalf of others: | | | |
| - PAYG/PAYE/salary withholding | 28,767 | 26,965 | 1,802 |
| Total | 99,798 | 86,878 | 12,920 |



Tax paid by category 2017 Financial Year

- Corporate income tax (43.3%)
- Fringe Benefits Tax (0.8%)
- Payroll Taxes (4.7%)
- Social security/pension contributions paid to governments (1.1%)
- Property taxes (0.2%)
- Withholding taxes on dividends/royalty/other income (0.6%)
- Customs/importation duties (0.8%)
- Other (0.1%)
- PAYG/PAYE/salary withholding (28.8%)
- Net GST/VAT (on value added by Blackmores) (19.6%)

¹ Corporate income tax is net of tax offsets/rebates such as Research & Development tax offset

² Net GST/VAT is the GST/VAT collected on sales by Blackmores less GST/VAT paid on business inputs purchased by Blackmores. The net GST/VAT represents the tax imposed on the value added by Blackmores (sales price less cost of inputs)

3. EFFECTIVE TAX RATE AND RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

Table 1 (see appendix) shows the calculation of the Global and Australian effective tax rates (being accounting income tax expense expressed as a percentage of the profit before tax). It also shows the reconciliation of accounting profit to income tax payable for the 2017 Financial Year.

The effective tax rate is an accounting concept and reflects the income tax accrued on the profit for a particular year. It differs from the actual income tax payable in that year due to timing differences (where the timing of income and expense recognition differs for accounting and tax purposes).

The key factor driving Blackmores' Australian effective tax rate below the statutory 30% rate is the receipt of exempt dividend income from its overseas controlled entities (dividends from foreign companies are exempt by law). However, Blackmores Group bears the income tax burden on these dividends as the profits from which the dividends were paid have been subject to income tax in the source countries.

In addition, our income tax liability is affected by temporary differences such as provisions and accruals of expenditure in our accounts that are not deductible until the expenditure is paid. This is generally in the subsequent financial year. In 2017 Financial Year our income tax liability was less than income tax expense due to payments of prior year's provisions and accruals, giving rise to bigger tax deductions in the 2017 Financial Year compared to accounting expenses.

4. INTERNATIONAL RELATED PARTY DEALINGS

Blackmores operates in Australia, New Zealand and across Asia.

The corporate income tax rates of the overseas countries in which Blackmores operates are:

- New Zealand - 28%
- Thailand - 20%
- Malaysia - 24%
- Singapore - 17%
- China - 25%
- South Korea - 22%
- Taiwan - 17%
- Hong Kong - 16.5%
- Indonesia - 25%

The key business dealings between the Blackmores Australian operation and overseas controlled entities relate to:

- Packing and sales of finished products to overseas controlled entities
- Licensing to overseas controlled entities to use brand names, trademarks and other intellectual properties owned by Blackmores Australia
- Receiving sales and marketing services and support from overseas controlled entities in relation to Australian sales
- Providing sources of funds and loans to overseas controlled entities for short-term and working capital requirements
- Receiving dividends from overseas controlled entities

All international related party dealings are conducted in accordance with Australian transfer pricing laws and the arm's length methodologies prescribed by the Organisation of Economic Cooperation and Development (OECD).

APPENDIX

TABLE 1. RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

| | Group | | Australia | |
|---|---------------|--------------|---------------|--------------|
| | A\$ '000 | % | A\$ '000 | % |
| Profit before tax | 82,051 | | 71,353 | |
| Prima facie tax at 30% | 24,615 | | 21,406 | |
| Effect of income/expenses not assessable/deductible in determining taxable profit | 288 | | 405 | |
| Effect of tax concessions | (290) | | (234) | |
| Effect of withholding tax on intercompany dividend | 155 | | - | |
| Effect of tax losses recognised | (4) | | - | |
| Effect of tax losses not recognised | 1,086 | | - | |
| Rate differential on overseas operations | (1,541) | | - | |
| Exempt overseas dividend income | - | | (914) | |
| Other items | (162) | | - | |
| | 24,147 | | 20,663 | |
| Under/(over) provision of income tax expense in previous year | (124) | | (380) | |
| Income tax expense recognised in profit or loss | 24,023 | | 20,283 | |
| Effective tax rate | | 29.3% | | 28.4% |
| Temporary differences: | | | | |
| Property, plant and equipment | 16 | | 4 | |
| Prepayments and other | 165 | | 165 | |
| Provisions | (10) | | (397) | |
| Accruals | (3,595) | | (3,299) | |
| Foreign currency monetary items | (191) | | (191) | |
| Capitalised expenses | (20) | | (20) | |
| Other | 543 | | 1,137 | |
| Income tax payable (before rebates and offsets) | 20,931 | | 17,682 | |
| Less: tax rebates and offsets | (780) | | (780) | |
| Income tax payable for current year | 20,151 | | 16,902 | |
| Add: Under provision of income tax liabilities in previous year | 844 | | 1,314 | |
| Less: tax instalments paid/withholding tax | (19,326) | | (16,782) | |
| Income tax payable | 1,669 | | 1,434 | |