



CSL Limited

Tax Transparency Report
2018/2019

CSL™

Driven by our promise, CSL is a global biotechnology leader that develops and delivers innovative medicines to patients in nearly **70 countries**. Our **25,000 employees** share a deep passion to help save lives and treat people with life-threatening medical conditions.



CSL Strategy

At CSL, our deep commitment to delivering on our promise to patients is what unites us as a global biotech leader. As we continue to grow, our Patient Focus has never been more important.

CSL is the world's fifth largest biotechnology company, and our more than 25,000 employees are driven by our promise to discover, develop and deliver lifesaving and life-enhancing medicines to patients across the world.

We are successfully executing our strategy by:

- Focusing on patients at the centre of everything we do;
- Valuing people as our greatest asset; and
- Fostering a culture of innovation.

Rapid changes are occurring in science, medicine, technology and the markets in which we operate. These dynamics will impact both CSL and how we care for patients in the future. Yet one constant will remain: Our Patient Focus.

As our business continues to grow, saving people's lives and protecting public health across the globe is fundamental to our strategy.

Our talented people and innovative culture will advance our sustainable growth to help us meet the needs and demands of patients into 2030 and beyond.

Contents

Introduction from the Chief Financial Officer	3	Australia – Overview of activities	13
About CSL	4	Switzerland – Overview of activities	14
Our strategy and value chain	6	Germany – Overview of activities	15
Our approach to tax governance & tax strategy	7	US – Overview of activities	16
Summary of CSL's international related party dealings	9	UK – Overview of activities	17
Our R&D pipeline	12	Our Global Tax Profile	18
		Basis of Report Preparation	21

Introduction from the Chief Financial Officer

I am pleased to present CSL's 2019 Tax Transparency Report. The report is in keeping with the Australian Voluntary Tax Transparency Code and aims to provide a greater understanding of CSL's tax profile, tax contributions, and the manner in which we govern and manage our tax obligations.

The report is intended to provide more information in relation to our international tax footprint and our related party dealings, reflecting the global and integrated nature of our business.

For more than 100 years, CSL has protected and improved the health and wellbeing of millions of people in Australia and around the world.

Our success as a globally integrated biopharmaceuticals company is built around key capabilities that span research & development of new technologies, educating patients and providers toward better diagnoses, and the specialised manufacture and distribution of life-saving and life-changing therapies.

CSL's approach to tax is underpinned by our value of Integrity. This is consistent with our commitment to complying with all tax laws in the countries in which we operate. CSL has a low tax risk appetite and does not engage in aggressive tax planning.

While CSL's roots are proudly Australian, CSL is a truly global company, with more than 90% of our revenues and profits derived outside of Australia.

In the year to 30 June 2019, CSL paid total taxes of US\$656 million, and collected and remitted a further US\$193 million of taxes. CSL's tax payment profile aligns with our profit generation profile – we pay taxes in the jurisdictions where we make profits.

Our specialised manufacturing operations span Australia, China, Germany, Switzerland, the United Kingdom, and the United States. With commercial enterprises in 35 countries, we serve customers and patients in nearly 70 countries.

CSL is subject to the different tax regimes that apply in each of those countries and complies with applicable taxation laws in all the jurisdictions in which we operate, including the OECD Country-by-Country reporting measures. This information provides Tax Authorities around the world with details of how we conduct our business and how CSL's international related parties transact with each other.

CSL supports efforts to promote tax transparency and tax avoidance measures in order to support a fairer economy and ensure there is confidence in the robustness of country tax regimes.

We encourage governments to continue to work together to ensure tax requirements balance compliance administration with a globally consistent approach to implementing OECD recommendations.

Operating with transparency forms a core part of CSL's tax management philosophy and as such we welcome the opportunity to explain the global nature of our business in this report.



David Lamont
Chief Financial Officer

About CSL

CSL is a global biotechnology leader which develops and delivers innovative medicines that save lives, protect public health and help people with life-threatening medical conditions live full lives.

CSL has grown to become the world's fifth largest biotechnology company, with more than 25,000 employees bringing lifesaving medicine to people in nearly 70 countries.

CSL was originally established by the Australian government in 1916 for the purpose of supplying Australia with vaccines and other bacteriological products. CSL listed on the Australian Securities Exchange (ASX) in 1994, and since that time, has expanded rapidly, initially via the strategic acquisition of a number of businesses. Swiss company, ZLB, was acquired in 2000; Aventis Behring, with operations predominantly in the US and Germany was acquired in 2004; and more recently the influenza vaccine business of Novartis was acquired in 2015. Each of these acquisitions resulted in CSL acquiring new products and associated advanced manufacturing facilities. These acquisitions, along with a rise in global demand for our products and investment in increased capacity has seen CSL grow rapidly. CSL has transformed into a truly global organization.

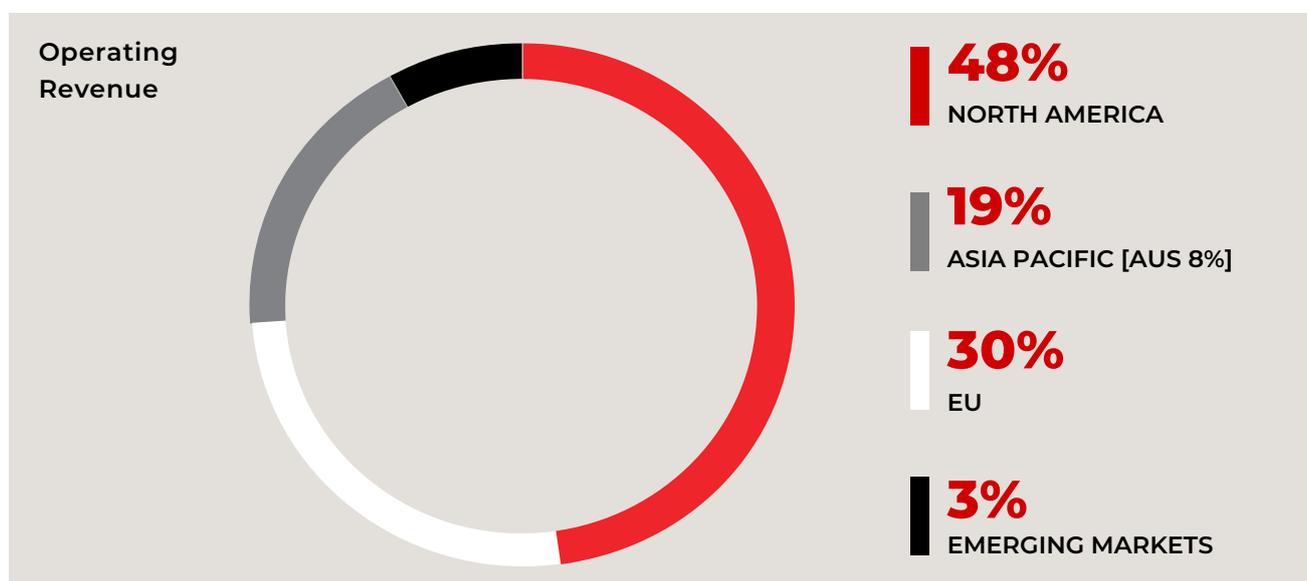
In the year to 30 June 2019, CSL generated US\$8.5 billion in revenue. CSL's global footprint is reflected in our sales profile.

In the year to 30 June 2019, CSL earned Profit Before Tax of US\$2.3 billion, paid US\$656 million of taxes globally, and collected and remitted US\$193m in indirect taxes.

CSL distributed \$8.4 billion in supplier payments, employee wages and benefits, shareholder returns, government taxes and community contributions. In addition, we invested over US\$1 billion in capital to expand our manufacturing capabilities across all sites to support future demand.

R&D

Innovation is part of our DNA at CSL. Our global R&D activities support innovation in new products and technology, improved products and manufacturing expertise to ensure our continued growth and commitment to fulfill patient's needs. In support of this program, we employed 1,700 scientists globally and invested US\$832 million in R&D in 2019 and over US\$3.3 billion over the last five years.



CSL operates two global business units;

CSL Behring

CSL Behring is a global leader in developing and delivering high quality medicines that treat people with rare and serious diseases. Our treatments offer promise for people who are living with conditions in the immunology and neurology; haematology and thrombosis; cardiovascular and metabolic; respiratory; and transplant therapeutic areas. CSL Behring drives more than 85% of overall company revenue with substantial markets in Asia Pacific, Europe and North America.

CSL Plasma, a division of CSL Behring, operates one of the world's largest plasma collection networks, providing human plasma to CSL Behring for the manufacture and distribution of protein biotherapies. CSL Plasma has over 235 plasma collection centres globally. CSL plasma has developed the most

efficient processes and systems that focus on donor and plasma safety, along with donor satisfaction.

Seqirus

Seqirus was established on 31 July 2015, following CSL's acquisition of the Novartis influenza vaccines business, and subsequent integration with bioCSL. As one of the largest influenza vaccine providers in the world, Seqirus is a major contributor to the prevention of influenza globally and a transcontinental partner in pandemic preparedness. Seqirus operates state-of-the-art production facilities in the United States (US), the United Kingdom (UK) and Australia and utilises both egg-based and cell-based manufacturing technologies as well as a proprietary adjuvant. It has leading research and development (R&D) capabilities, a broad and differentiated product portfolio and commercial operations in more than 20 countries.

CSL at a glance



35+

Countries of operations around the world



US\$8.5

Billion in annual revenue



US\$3.3

Billion in R&D investments in the last 5 years advances product pipeline



US\$56

Million in global community investment across our strategic areas of support



25,000+

Employees around the world



1,700+

R&D employees



230+

Plasma collection centres across Europe and North America



PRIVIGEN® **HIZENTRA®** **ALBUMIN®**
↑ **23%** ↑ **22%** ↑ **15%**

Continued strong growth in our core immunoglobulin and albumin therapies

What We Draw On

Unmet need

Opportunities to improve and protect the quality of life of patients in therapy areas we treat.

Our people

25,000+ people with diverse skills that are driven by our purpose and values.

Natural resources

Includes: plasma donations for rare and serious diseases; influenza virus strains for product manufacture; and environmental inputs such as water and energy.

Financial resources

Cash, equity and debt for future growth.

Physical assets

Plasma centres to collect raw material, manufacturing facilities for our products, warehouses, offices for our people and laboratories for our scientists.

Collaborators and business partners

Accessing and sharing intellectual know to develop and innovate our products.

Our Strategy



- | | |
|---|--|
| 1 Access to healthcare | 6 Employee recruitment, development and retention |
| 2 Corporate governance | 7 Supply chain management |
| 3 Financial performance and business strategy | 8 Ethical marketing |
| 4 Product safety and quality | 9 Bribery, corruption and anti-competitive behaviour |
| 5 R&D – products and services innovation | |

Value We Create

A healthier more productive society

Protecting global health and the wellbeing of individuals, families, businesses and communities from life-threatening and/or complications resulting from influenza.

Saving and/or improving the quality of life of hundreds and thousands of people with rare and serious diseases.

Sustainable financial growth

Delivering consistent, profitable and responsible growth for our investors, which fuels innovation and development of our product pipeline.

Social and economic opportunity

Enabling hundreds of thousands of people to benefit from opportunity created by growing along with us, including employees, suppliers, plasma donors and research partners.

Our Value Chain

Promise to Patients



Pharmacovigilance



Sales, marketing, policy advocacy & patient support



Manufacturing & distribution

Sourcing including Plasma collection



Product Development & clinical trials



Early stage Research & collaboration

Unmet Need



CSL's Values of Code of Responsible Business Practice

Our approach to tax governance and tax strategy

CSL's approach to tax governance and tax strategy is guided by our Code of Responsible Business Practice, which sets out CSL's values and principles of conduct. Our decisions in relation to tax are consistently made in accordance with this code.

At CSL, we are committed to conducting all aspects of our business in an ethical and transparent way. CSL has a low tax risk appetite, and seeks to manage its global tax affairs in a manner that maintains the integrity and reputation of CSL at all times. Tax is considered a core part of CSL's corporate responsibility, and tax governance is overseen by the Board.

CSL's approach to tax is guided by the following principles;



Compliance

CSL is committed to complying at all times with the requirements of the law, and also with CSL's understanding of the intent of the law. Tax positions adopted must be cogent and well grounded. The principles in the OECD Transfer Pricing Guidelines will be adopted when determining the appropriate transfer price for transactions between International Related Parties.



Governance

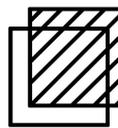
The Board approves the Tax Policy, and has ultimate responsibility for ensuring there is an effective process to manage tax risk. The CFO is responsible for monitoring the effectiveness of the Tax Risk Management Framework.

CSL's approach to tax is underpinned by our values of **Integrity**



Business Structure

CSL will only implement transactions that are aligned with our business activity, have clear commercial objectives, and do not rely on tax for their commercial viability. We will not operate artificial or aggressive tax structures.



Transparency

Publish an annual tax transparency report to explain our tax payments.



Relationships

CSL operates with integrity and transparency to maintain open, respectful and co-operative relationships with Tax Authorities. Where appropriate, CSL will seek advance rulings from Revenue Authorities to provide certainty to CSL.

Summary of CSL's international related party dealings

Collaboration is at the heart of CSL's success, and this is reflected in our globally integrated value chain. Employing more than 25,000 people, we have operations in over 35 countries. In order to best serve the needs of our patients, CSL's companies and employees conduct business with each other throughout the entire value chain to drive an integrated enterprise wide approach and meet the global demand for our lifesaving medicines.

The majority of CSL's related party transactions are between our subsidiary companies located in Australia, Germany, Switzerland, USA and the UK. Over 90% of our employees are located in these countries, working across manufacturing, R&D and commercial operations.

A significant proportion of CSL's growth has been achieved through offshore acquisitions, resulting in a global manufacturing network, and products that are owned by different companies within the CSL group.

To facilitate the development, manufacture, and sales of our products across a global value chain, the relevant 'product owner' will engage other CSL related entities to carry out certain supply chain functions, such as contract R&D, supply of intermediate product, distribution and, in some cases, components of manufacturing.

Pricing of Intercompany Transactions

In line with our Tax Policy, CSL has a robust transfer pricing policy and transfer pricing guidelines in place that comply with the OECD transfer pricing guidelines.

Transactions between related parties are undertaken as if the transactions were carried out between unrelated parties. This is referred to as 'the arm's length principle' and determines how profits are allocated between countries, which in turn is a component of the amount of tax paid in a country.

Transfer pricing is a complex area and its application can be subject to differences in interpretation by global Revenue Authorities.



The following activities are conducted between CSL related parties

Research and Development (R&D)

Strong and productive partnerships are essential for innovative discoveries and for developing new therapies for patients. CSL invests heavily in research, product development and clinical trials. Approximately 10% of global revenue was invested in R&D in 2018/19 across new product development, market development and life cycle management.

Our R&D network has over 1,700 R&D staff based around the world. The network operates by assembling co-ordinated teams from around the world, drawing together staff from different countries, depending on their expertise. The activities of our R&D team span research, product development, clinical development, global regulatory affairs and safety.

Where one CSL entity owns a product, that entity will be responsible for future R&D in relation to that product and may engage other entities around the CSL group to conduct contract R&D on its behalf.

Contract R&D services result in arm's length charges for the R&D services provided by one CSL company to another.

Our R&D pipeline (refer page 12) fuels the company's sustainable growth.

Licencing of IP

There are limited instances in the group where IP is owned by one entity, and that IP is licenced to another company in the group. Where this occurs, an arm's length royalty is paid to the owner of the IP

Manufacturing

CSL has specialized and integrated manufacturing sites in Australia, Germany, Switzerland, the United Kingdom and United States. To meet the global demand for CSL's life saving medicines, development of an end-to-end enterprise network strategy commenced during the reporting year. This will ensure tighter integration across the network, better utilisation of assets, diversification of risks and improvements in supply reliability. There are a number of possible related party dealings that occur during the manufacturing stage;

- Raw material (i.e. plasma) for production can be sourced from the CSL network. For example, plasma sourced in the US is provided to Germany and Switzerland, where the plasma is used to manufacture intermediate or finished goods.
- Intermediate product can be provided by one manufacturing facility to another for further processing. For example, our manufacturing site in the US provides intermediate product, typically a 'paste' to manufacturing operations in Germany, Switzerland and Australia, where it is converted into finished goods.
- Products can be manufactured by one CSL entity on behalf of another – this can occur where the product owner does not have sufficient manufacturing capacity and also to manage supply risk. The manufacturer will be compensated with an arm's length return for the manufacturing services performed.



Sale of Product

Finished goods are principally sold into local markets through subsidiary distributors. Where the distributor is not the manufacturer, the distributor purchases the finished product at an arm's length price. CSL has distribution entities throughout the world.

Financing

CSL Limited provides parent entity guarantees for external borrowings to certain CSL subsidiaries worldwide. CSL Limited receives an arm's length fee in respect of these guarantees. There are also limited instances of inter-company loans. Arm's length interest rates are charged in respect of any intercompany loans.

Management Fees

A number of management, finance and administrative functions are performed by certain entities within the group that benefit other CSL entities worldwide.

This is more efficient than if each country was to also perform the same function. The entity providing the service charges the recipient entities an arm's length fee.

Note

For the purposes of clarity for Australian tax transparency reporting, Australia engages with its related parties in each of the above categories.

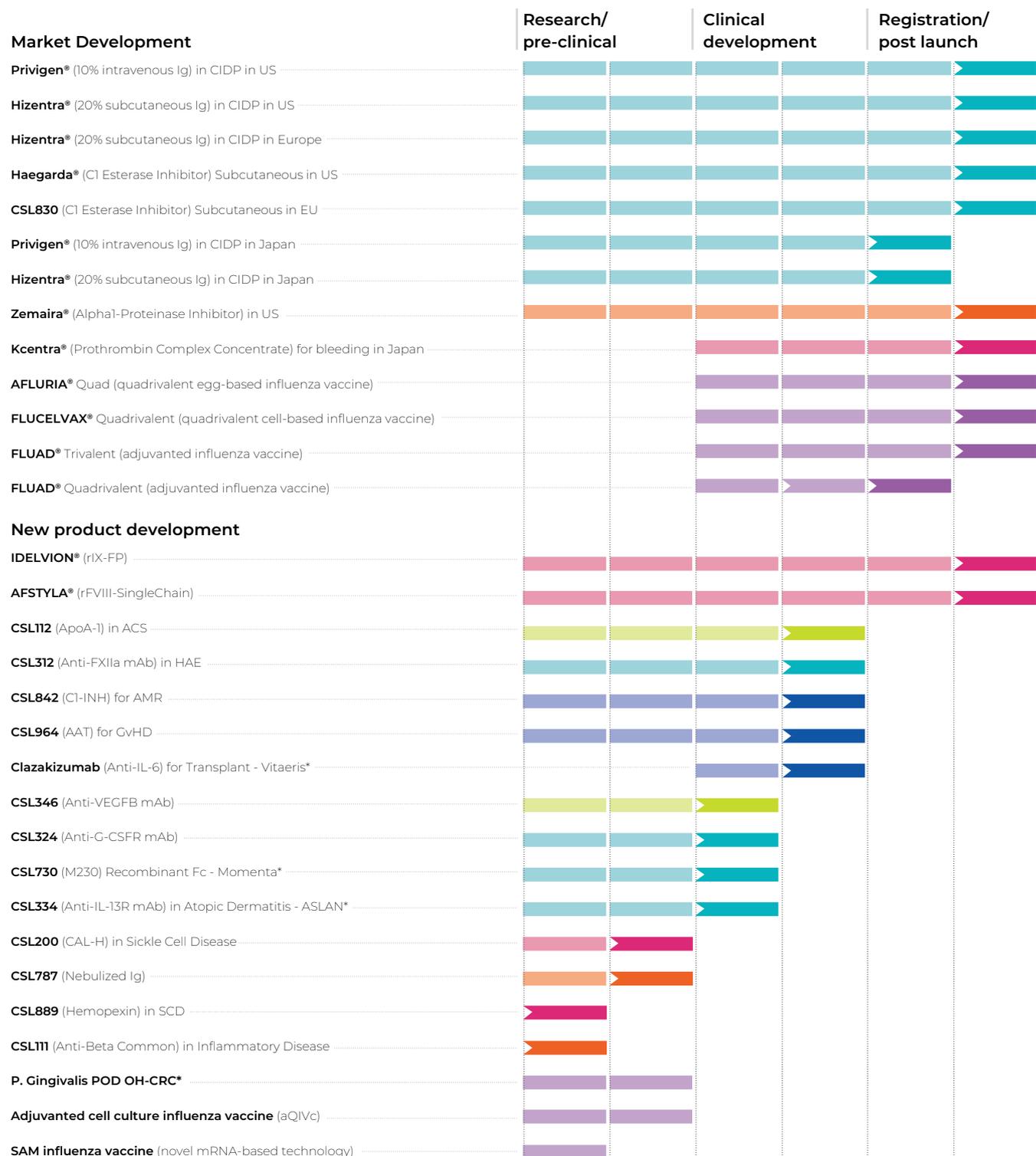
CSL'S MATERIAL SUBSIDIARIES *

Company	Country of Incorporation	%
CSL Limited	Australia	
Subsidiaries of CSL Limited:		
CSL Innovation Pty Ltd [^]	Australia	100
CSL Behring (Australia) Pty Ltd	Australia	100
CSL Behring LLC	USA	100
CSL Plasma Inc	USA	100
CSL Behring GmbH	Germany	100
CSL Behring AG	Switzerland	100
CSL Behring Lengnau AG	Switzerland	100
Seqirus UK Limited	UK	100
Seqirus Pty Ltd	Australia	100
Seqirus Vaccines Limited	UK	100
Seqirus Inc	USA	100

* Extracted from Note 17 of the 2019 CSL Limited Annual Report.

[^] This entity was named Zenyth Therapeutics Pty Ltd until 1 June 2019.

Our R&D Pipeline



*Partnered Projects

Core Capabilities

- Immunology & Neurology
- Respiratory
- Haematology & Thrombosis
- Vaccines
- Cardiovascular & Metabolic
- ▶ Important advances in 18/19
- Transplant

CSL's R&D pipeline also includes Life Cycle Management projects which address regulatory post marketing commitments, pathogen safety, capacity expansions, yield improvements and new packages and sizes.

OVERVIEW OF ACTIVITIES

Australia



US\$702m

EXTERNAL OPERATING REVENUE

(US\$99m)

LOSS

US\$39m

INCOME TAX PAID

US\$54m

TOTAL TAX PAID

US\$376m

R&D EXPENDITURE

2,577

NUMBER OF EMPLOYEES

CSL is headquartered in Melbourne, Australia and listed on the Australian Securities Exchange.

CSL Behring

CSL Behring's biotherapies manufacturing site at Broadmeadows, Victoria, is a substantial part of the Australian business. CSL Behring is the national plasma fractionator for the Australian Government and manufactures a range of life saving plasma-derived therapies for the treatment of the Australian community.

The Australian manufacturing plant also provides plasma fractionation services to Hong Kong, Malaysia, New Zealand, Singapore and Taiwan.

Over A\$600m has been invested in manufacturing infrastructure at this site over the last five years. CSL continues to invest in the Broadmeadows site, and has committed to further expand its facilities over the next three years. This includes building new base fractionation capacity at Broadmeadows to support future global demand for our products.

Seqirus

Seqirus Australia manufactures egg based influenza vaccine and products of national significance to Australia at its Parkville facility. Influenza vaccines are supplied to Australia and global markets. Seqirus also markets and distributes a range of vaccines and specialty pharmaceuticals in Australia.

Research & Development

CSL's Global Hub for Research and Translational Medicine is based in Australia. A substantial expansion of the Bio21 institute in Parkville, Australia,

incorporating CSL's Global Hub for Research and Translational Medicine was opened in December 2018. The new facility doubles the presence of CSL scientists at Bio21 from 75 to around 150. This will enable us to extend our collaboration with other researchers and institutes in this precinct.

CSL Australia owns and funds research projects that relates to existing Australian owned IP and also where the research project does not have a connection with any existing CSL IP. The largest clinical trial ever undertaken by CSL is now underway in respect of CSL112. CSL112 has the potential to reduce early recurrent cardiovascular events. The significant R&D expenditure incurred by Australia in 2019 has resulted in the Australian business making a loss in 2019.

CSL's strong commitment to funding and conducting R&D in Australia is supported by the Australian government's R&D policy. Much of the R&D undertaken in Australia is eligible for the Australian Government's R&D tax offset regime, which provides a tax concession as an incentive for companies to conduct R&D in Australia.

This concession effectively provides an additional 8.5% tax benefit on eligible R&D expenditure up to the capped amount of A\$100 million.

Dividends

CSL Limited – as the parent entity of the CSL group, receives dividends from subsidiary entities. Dividends received from wholly owned subsidiaries are not subject to further taxation in Australia. The intra group dividends received have been excluded in deriving the loss number above.

OVERVIEW OF ACTIVITIES

Switzerland



US\$216m

EXTERNAL OPERATING REVENUE

US\$1,263m

PROFIT

US\$129m

INCOME TAX PAID

US\$131m

TOTAL TAX PAID

US\$206m

R&D EXPENDITURE

1,840

NUMBER OF EMPLOYEES

CSL Behring

CSL's operations in Switzerland primarily manufacture finished products, and is the owner of intravenous and subcutaneous immunoglobulin products such as PRIVIGEN® and HIZENTRA®. Immunoglobulins are used in the management of primary and secondary immunodeficiency diseases, neurology and oncology conditions. Immunoglobulins account for close to 50% of the CSL Behring group's global sales.

The Swiss entities sell the products to Swiss third parties, and sell to the CSL group distribution entities for on sale to third parties overseas.

In order to meet patient demand for product, CSL Switzerland's technology is used by other manufacturing entities in the CSL network to manufacture immunoglobulins.

CSL's Swiss operations sell intermediate paste that is not required for its own manufacturing operations to other network companies for further manufacturing.

CSL's existing Swiss manufacturing facilities are based in Bern. A major capital expansion program has commenced to expand the manufacturing facilities to be able to deliver additional volumes of existing immunoglobulin products to patients globally. CSL is investing CHF 300 million in the project. This expansion will allow an additional 90,000 patients to live an improved quality of life.

A new state of the art recombinant coagulation facility is being constructed at Lengnau.

Recombinants may offer patients strong and sustained efficacy with less frequent dosing.

Research & Development

Our Swiss operations perform R&D activities such as product development and regulatory affairs, for the local business entity and for other companies in the CSL group.

Research scientists based in Bern will relocate to the Swiss Institute of Translational and Entrepreneurial Medicine (SITEM). A new Biologics Research Centre at SITEM will enable collaboration between CSL researchers and clinicians with the goal of developing new therapies for patients

OVERVIEW OF ACTIVITIES

Germany



US\$764m

EXTERNAL OPERATING REVENUE

US\$692m

PROFIT

US\$278m

INCOME TAX PAID

US\$282m

TOTAL TAX PAID

US\$63m

R&D EXPENDITURE

3,471

NUMBER OF EMPLOYEES

CSL Behring

CSL's German operations own and manufacture human plasma based coagulation products used to manage bleeding in patients with bleeding disorders such as haemophilia, along with critical care products and a broad range of specialty products, such as HAEGARDA® and BERNINERT®. The German entity sells their products to third parties in Germany, and to the CSL group distribution entities for on sale to third parties overseas.

CSL's German operations purchase and sell plasma and intermediate product to and from other network companies, for use in manufacturing operations. The German business also manufactures product on behalf of another entity in the CSL network.

The manufacturing operations are based in Marburg where a new base fractionation facility is currently under construction, and due to be completed in 2020. Investment is also underway to support increased capacity for HAEGARDA

CSL Plasma

CSL Plasma's EU headquarters are based in Marburg. CSL Plasma Germany collects, purchases and sells source plasma to CSL network companies for further processing into intermediate, semi-finished and finished products. Income tax payments made in the 2019 year included final and interim liabilities for the financial years 2017, 2018 and 2019. This results in the high income tax paid amount relative to the profit.

Research & Development

Our German R&D team is based at Marburg, and undertake R&D activities across the full spectrum of R&D functions, including research, product and clinical development and global regulatory affairs. The German based R&D team conduct activities in relation to German owned products and provide R&D services to other CSL companies

OVERVIEW OF ACTIVITIES

US



US\$3,974m

EXTERNAL OPERATING REVENUE

US\$337m

PROFIT

US\$19m

INCOME TAX PAID

US\$119m

TOTAL TAX PAID

US\$59m

R&D EXPENDITURE

13,736

NUMBER OF EMPLOYEES

CSL Behring

CSL Behring is headquartered in King of Prussia, Pennsylvania, with manufacturing operations in Kankakee, Illinois. The Kankakee operation primarily manufactures intermediate products that are shipped worldwide to the CSL manufacturing network for further manufacture into final finished products. Finished products manufactured include albumin, which is used to treat blood volume loss as a result of trauma or surgery and Zemaira, which is used to treat hereditary emphysema.

CSL Behring US manufactures some products on behalf of other CSL companies. This occurs where the IP owner has manufacturing capacity constraints.

CSL has invested heavily in expanding existing base fractionation and albumin production capacity and continues to invest heavily in expanding Kankakee's base fractionation capacity.

The US market is a key market for CSL products, and the US operation is the distributor for all of the CSL products in the US market.

CSL Plasma

CSL operates one of the largest plasma collection networks in the world, through our subsidiary CSL Plasma. CSL Plasma is headquartered in Boca Raton, Florida. There are now approximately 220 plasma collection centres in the US, with new centres continually being opened to meet the demand for plasma.

CSL Plasma has developed the most efficient processes and systems in the plasma industry. Plasma is provided to the CSL Behring network for the manufacture of plasma protein therapies.

Seqirus

Seqirus has a state-of-the-art facility at Holly Springs, North Carolina, where cell based technology is used for the production of influenza vaccine. A US\$140 million expansion at the site is currently underway to increase capacity to supply global markets with influenza vaccines. The facility also retains capacity for rapid ramp up of pandemic vaccine production

Research & Development

The US based R&D team has a strong focus on clinical development and product commercialisation. In the financial year 2019, CSL partnered with University City Science Center in Philadelphia to identify and help commercialise potential new medicines.

Both the CSL Behring and Seqirus businesses qualify for the R&D credit in respect of work performed in the US. This provides a tax credit in respect of qualifying R&D.

US Tax Reform

The full year impact of US tax reform occurred in the 2019 financial year. This resulted in reduced taxes in the US, due to both the impact of the reduced rate, and other legislated changes, such as immediate deduction for fixed assets.

OVERVIEW OF ACTIVITIES

UK



US\$510m

EXTERNAL OPERATING REVENUE

US\$90m

PROFIT

US\$7m

INCOME TAX PAID

US\$14m

TOTAL TAX PAID

US\$118m

R&D EXPENDITURE

732

NUMBER OF EMPLOYEES

CSL Behring

CSL Behring UK is a distributor of CSL products to third parties in the UK market. It does not have any manufacturing facilities in the UK, nor does it own any product technology.

Seqirus

CSL's principal business in the UK is Seqirus. Seqirus has a corporate head office in Maidenhead that provides various headquarter services to Seqirus entities around the world.

Seqirus' Liverpool site manufactures bulk material for a range of influenza vaccines.

The Liverpool site is the largest influenza vaccine manufacturing site in the UK, and one of the largest in Europe.

In November 2017, Seqirus announced a new £40 million investment for a new fill and finish facility at our Liverpool site, planned for 2020/21.

Seqirus was newly formed in 2015 when CSL acquired the influenza vaccine business of Novartis. During the first years of operation, the Seqirus business incurred losses, primarily on the set up of a new global influenza business and as a result of R&D spend. From a tax perspective, losses incurred are available for future carry forward against future taxable income of the Seqirus business. Seqirus UK has substantial carried forward losses, derived from the establishment of its worldwide influenza business, particularly its early investment in R&D.

As a result of changes to the UK tax rules, which limit loss utilization to 50% of the current year profits, the first payments of UK corporate tax were made in FY 19.

Behring business in the UK is also tax paying.

Research & Development.

There are R&D facilities based at Liverpool. The focus of the UK R&D team is on the Seqirus business.

Our Global Tax Profile

Calculation of Tax Expense

The Global Effective Tax Rate represents the tax expense calculated in accordance with Australian Accounting Standards, and is included in CSL's annual report. This is calculated by dividing the profit before tax by the income tax expense. It reflects the amount of tax that is expected to be paid on the year's activities.

Consolidated Entity Values Per CSL Limited 2019 Annual Report

	2019 US\$m
Profit before income tax expense	2,341.1
Income tax expense	(422.4)
Net profit for the period	1,918.7
Global Effective Tax Rate	18%

Australian Effective Tax Rate

	2019 US\$m
Profit before income tax expense	646.7
Less Exempt Dividend ¹	(745.9)
Net Loss (after adjustment for tax exempt dividend)	(99.2)
Income Tax Calculated at 30%	(29.8)
Non Deductible Expenses	29.0
Research & Development	(5.9)
Other	6.6
Income Tax Expense	(0.1)

¹Under Division 768A of the Income Tax Assessment Act 1997, foreign dividends received from subsidiaries are not subject to Australian income tax. The loss in the Australian business is driven by the increase in R&D expenditure in relation to CSL112.

Reconciliation of Accounting Profit to Tax Expense

The effective tax rate differs from the statutory tax rate of 30% due to differences in tax rates in the countries in which we operate, incentives such as R&D or any other country specific allowances and disallowance or limitation of certain deductions in some countries.

Consolidated Entity

	2019 US\$m
Profit before income tax	2,341.1
Income tax calculated at 30%	702.3
Effects of different rates of tax on overseas income ¹	(256.1)
Research and development ²	(25.5)
Over/(under) provision in prior year	(13.3)
Other non-deductible expenses ³	15.0
Income tax expense	422.4

¹This arises due to the global nature of CSL's business. CSL pays tax in the jurisdiction where the income is earned. Some of the jurisdictions we operate in, such as the US, the UK and Switzerland have lower corporate income tax rates than Australia.

²Governments around the world offer tax incentives to companies that spend money on qualifying research and development activity. This is in recognition of the value and importance of such expenditure. CSL claims R&D tax incentives in Australia and the US.

³This includes expenses such as acquisition costs on new investments, non deductible interest costs due to thin capitalisation restrictions and non deductible foreign exchange movements.

Calculation of Effective Cash Tax Rate

The Effective Cash Tax Rate represents the tax rate based on total income tax paid to tax authorities during the year. This will always differ from the Effective Tax Rate for the period calculated for accounting purposes. This is due to a variety of factors, such as, cash tax paid in the year may relate to the prior year profit and may also exclude the final instalment due for the current financial year. There are also differences in accounting and tax depreciation rates that impact the timing of tax payments, and other tax and accounting timing differences.

Consolidated Entity

	2019 US\$m
Profit before income tax expense	2,341.1
Income taxes paid	(527.7)
Global Cash Tax Rate	23%

Reconciliation of Tax Expense to Income Tax Payable in respect of Current Year Profits

	2019 US\$m
Tax Expense on profit before tax	422.4
Total net deferred tax movements affecting tax payable	0.3
Amounts charged to other comprehensive income	9.7
Amounts credited to equity	(8.2)
Amounts credited to translation reserve	-
Income Tax Payable in Respect of Current Year Profits	424.2

Taxes Paid

Country of Operation	Corporate Income Tax Paid USDm	Employee Taxes Paid USDm	Other USDm	Total Taxes Paid USDm
Australia	38.5	13.4	1.6	53.5
Germany	277.7	-	4.4	282.1
Switzerland	129.4	-	1.7	131.1
US	19.3	59.2	40.9	119.4
UK	7.3	6.9	-	14.2
RoW ¹	55.5	-	-	55.5
Total	527.7	79.5	48.6	655.8

Other Taxes Collected and Remitted

Country of Operation	GST/VAT Collected USDm	GST/VAT Paid but reclaimed USDm	Employee Taxes Remitted USDm	Other USDm	Total Taxes Collected USD m
Australia	114.5	(107.9)	72.2	-	78.8
Germany	142.8	(358.6)	66.2	-	(149.6)
Switzerland	95	(82.7)	4.4	-	16.7
US	-	-	202	34.6	236.6
UK	101.9	(111.7)	20.6	-	10.8
Total	454.2	(660.9)	365.4	34.6	193.3

¹For materiality reasons, only corporate income tax has been disclosed for RoW.

Basis of Report Preparation

The purpose of this report is to provide an overview of the tax contribution made by CSL and provide further information in relation to CSL's tax governance process and tax profile.

The Australian component of the report, has been prepared in line with the Voluntary Tax Transparency Code.

Publication of our approach to tax strategy and tax governance is regarded as satisfying Paragraph 16(2), Schedule 19, Finance Act 2016 (UK).

Currency: Unless specifically noted otherwise, the data has been disclosed in US dollars. Income Tax payments have been translated at the exchange rate at date of payment. The balance of tax payments have been translated at the average exchange rate for the year.

External Operating Revenue: This represents the revenue received on sales to third parties, and any other third party operating revenue. It does not include revenue from sales by the product owner to the group distribution companies.

Income Tax Paid: Income tax paid is calculated as the cash tax paid in the year 1 July 2018 – 30 June 2019. It is the amount of tax paid by the CSL companies in that country. It includes both payments made to the local Revenue Authority, and also any withholding taxes paid to foreign governments.

Number of Employees: In relation to individual countries: This is calculated based on FTE's. Total global employees is based on employee numbers, including part time employees (as per the annual report).

Other Taxes: This includes items such as property taxes, pharmaceutical taxes, sales and use tax, carbon taxes etc.

Profit disclosed on a Country Level Basis: The profit disclosed is based on the local statutory profit before tax, excluding intercompany dividends.

CSL Limited
45 Poplar Rd
Parkville VIC 3052
Australia

+61 3 9389 1911
csl.com

CSL™