

2017 Tax Contribution Report





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We are pleased to present ALDI Australia's 2017 Tax Contribution Report.

Willi Friderich

Managing Director — Finance and Administration
ALDI Australia

ALDI's Contribution to Australia

ALDI has proudly played a significant role in the Australian community since our first store opened in 2001. Currently, ALDI is the third largest supermarket retailer in Australia. ALDI's operations improve the livelihood of local businesses, create employment opportunities and deliver high quality, permanently low priced products to Australians every day.

Across the world, ALDI's unique value proposition remains the same – high quality products at unbeatable prices, saving our customers time and money. By utilising our unique business model, ALDI can save customers almost \$80 on their weekly grocery shop by replacing leading branded products with the product range from ALDI¹. As a result, ALDI has been recognised as Australia's most trusted brand².

At ALDI, we operate a decentralised structure. Each regional business around Australia operates in an independent manner to maintain competitive commercial operations that are best suited to their market. All of ALDI Australia's profits are reinvested back into our local operations, with the focus of these investments being directed towards store refurbishments and extensions, new store openings and improving our fresh offer to customers.

ALDI directly employs over 12,000³ people throughout our retail stores, distribution centres and corporate offices. As a truly national business, ALDI is now serving more customers weekly than ever before. Currently, we have over 526⁴ stores across Queensland, New South Wales, Australian Capital Territory, Victoria, Western Australia and South Australia. In addition, over the course of the year, we engage with more than 1,000 suppliers, the majority of which are Australian and have enjoyed growth and success as we have expanded.

ALDI is committed to being a responsible corporate taxpayer by acting with the uppermost integrity in our approach to tax. As such, ALDI supports the Board of Taxation in developing one of the most advanced and comprehensive tax transparency measures in the world. In the spirit of the code, this report has been prepared for the use of both interested and general users. This report is in addition to the tax information that is already reported to the Australian Taxation Office on an ongoing basis.

This report covers the year ended 31 December 2017 and has been divided into the following sections:

- Tax Governance & Strategy
- Effective Tax Rate / Tax Payable Reconciliation
- International Related Party Dealings
- ALDI's Australian Taxation Contribution

1. "ALDI has the cheapest grocery basket in Australia, Choice survey finds", *The Sydney Morning Herald*, 6 June 2017.
2. "What ALDI can teach us all, politicians included, about trust", *The Sydney Morning Herald*, 25 November 2018.
3. As at 8 February 2019.
4. As at 31 December 2018.



The ALDI Approach to Tax Planning

ALDI is committed to complying with the relevant tax legislation that applies in its associated operating jurisdictions, irrespective of any potential commercial disadvantages this approach may cause.

Tax positions that are considered aggressive will not be supported by ALDI in any circumstances. ALDI mandates that for all tax matters that are ambiguous in nature or where the interpretation of the law is unclear, an opinion from an external advisor is to be sought. ALDI's Tax Risk Management Framework summarises ALDI's overall approach to tax.

ALDI'S Tax Policy & Governance

ALDI understands the need for robust tax policy and governance measures within its organisation and as such, uses the Framework to ensure the business is fully compliant with all tax affairs. The Framework sets out the appropriate processes and procedures approved by ALDI's Statutory Directors to be followed in identifying and managing taxation risks in accordance with established thresholds. More specifically, ALDI has a very low tolerance for errors in tax compliance and processes.

As shown in the adjacent diagram, the Framework has been designed to align with the ATO's 'Tax Risk Management and Governance Review Guide' and covers six key elements that ensure ALDI continues to achieve the highest standard in all respective areas of tax governance. The Framework requires all tax risks to be ultimately escalated to the Group Tax Director and the experienced professionals in the Group Tax team.

Our Engagement with Revenue Authorities

ALDI focuses on fostering a strong and open relationship with the ATO and other relevant tax authorities. We aim to continue to maintain a positive and transparent working relationship with all tax authorities to enable an efficient and collaborative hearing of tax issues.



Effective Tax Rate

The Effective Tax Rate is the average rate at which a company is taxed. The effective tax rate is calculated by dividing the income tax expense by the profit before tax.

In the 2017 financial year, ALDI's effective tax rate was 31.8%.

As illustrated in the adjacent table, ALDI has consistently paid tax in line with the Australian Corporate Tax Rate of 30%. This supports ALDI's commitment to paying its fair share of tax within Australia.

Year Effective Tax Rate – ALDI's Tax Consolidated Group

Year	Effective Tax Rate – ALDI's Tax Consolidated Group
2017	31.8%
2016	31.8%

Reconciliation of Accounting Profit to Income Tax Payable

A reconciliation of ALDI's tax expense on accounting profit to income tax payable is set out in the table below.

Reconciliation of ALDI's accounting profits to tax expense	2017 A\$'m	2016 A\$'m
Profits before income tax	219.6	205.2
Income tax expense	69.8	65.3
Effective Tax Rate	31.8%	31.8%

Reconciliation of Effective Tax Rate	2017 %	2016 %
Australian Corporate tax rate	30.0	30.0
Non-deductible expenses	1.8	1.0
Adjustment to current year tax expense relating to prior year ¹	-	0.8
Effective Tax Rate	31.8%	31.8%

Reconciliation of ALDI's income tax expense to income tax payable	2017 A\$'m	2016 A\$'m
Income tax expense	69.8	65.3
Adjustment to current year tax expense relating to prior year ¹	-	(1.7)
Movement of temporary differences	7.4	11.9
Income tax payable²	77.2	75.5

Identification of Material Temporary and Non-Temporary Differences

In the 2017 fiscal year, ALDI's effective tax rate is higher than the Australian corporate tax rate of 30%, mainly driven by the impairment of assets. The movement in temporary differences of \$7.4m is attributable to provisions, accrued expenses and the differences between accounting and tax depreciation relating to property, plant and equipment.

- ¹ Prior year true-up for 2017 is disclosed as nil due to rounding.
- ² This represents the actual income tax paid to the ATO for 2016 and 2017.



ALDI operates its business independently from the ALDI Süd Group in order to cater to local consumer tastes and market expectations.

Despite autonomy of local management, we receive services from overseas related parties which provide valuable ancillary support to the ALDI Australia business and allow us to effectively execute our core functions.

ALDI has a number of international related party dealings with other entities in the ALDI Süd Group. Each year, ALDI discloses its transactions with related parties in the International Dealings Schedule which forms part of the Income Tax Return reporting obligations.

The ALDI Süd Group seeks to conduct its international related party dealings at arm's length in order to meet the regulations of all relevant jurisdictions.

For the 2017 financial year, the gross value of ALDI's inbound and outbound related party transactions represented 1.0% of revenue.

ALDI's related party dealings in jurisdictions outside of Australia which have a material impact on the Australian business can be summarised in the adjacent table.



Transaction Type	Austria	Germany	Hong Kong
Procurement services			✓
IT related services		✓	
Sourcing of inventory	✓	✓	✓
Management and administrative services	✓		
Treasury services and loans	✓		

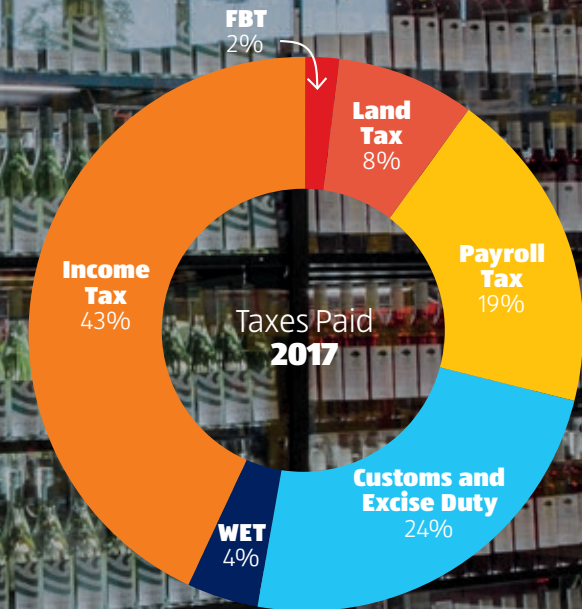
Taxes Paid by ALDI

Within Australia, ALDI is subject to federal and state government taxes. This includes Income Tax, Customs and Excise Duty, Payroll Tax, Land Tax, Wine Equalisation Tax (WET), and Fringe Benefits Tax (FBT).

ALDI's largest tax contribution in 2017 was \$77m, relating to our Income Tax obligation, representing approximately 43% of all taxes borne by ALDI in the 2017 income year.

Tax Type	2017 A\$m*	2016 A\$m
Income Tax	77	76
Customs and Excise Duty	43	38
Payroll Tax	34	30
Land Tax	15	14
WET	6	5
FBT	3	3
Total	178	166

*Note: Figures have been rounded to the nearest A\$m in the table above.



Taxes Collected by ALDI

In 2017, ALDI collected and paid A\$200m in taxes related to the following:

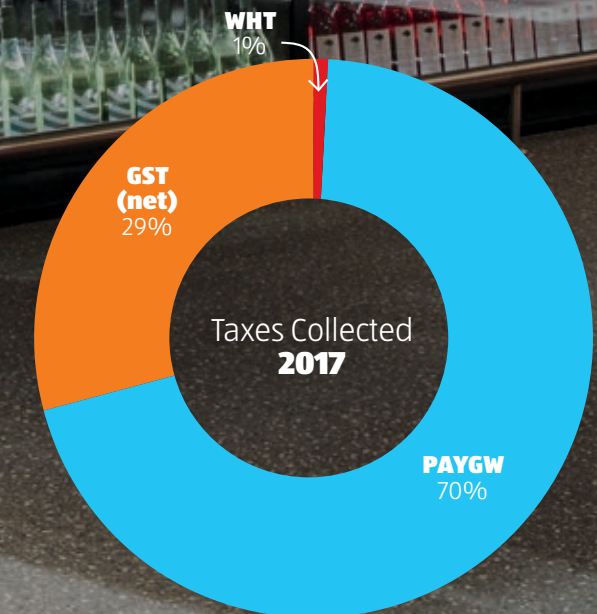
GST (net) – This represents the GST collected by ALDI on taxable supplies less the GST input tax credits claimed on creditable acquisitions.

Pay As You Go Withholding (PAYGW) – This relates to the PAYG tax that ALDI is required to withhold from employees' salaries.

Other Withholding Taxes (WHT) – This figure relates to the PAYG amounts that ALDI is required to withhold from interest and royalty payments.

Tax Type	2017 A\$m*	2016 A\$m
GST (net)	58	37
PAYGW	139	123
Other WHT	3	3
Total	200	163

*Note: Figures have been rounded to the nearest A\$m in the table above.



Summary

ALDI is fully committed to supporting all tax obligations in Australia. We will continue to support the Voluntary Tax Transparency Code to ensure that we are publicly disclosing information about our group's tax affairs. This report is intended to assist the public in understanding our group's compliance with Australia's taxation laws.

We are always happy to hear from our customers, so please feel free to contact us with any questions or queries you may have.

ALDI Customer Service – 13 25 34