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Capital Return - ATO Class Ruling obtained

On 22 November 2022 Sky Network Television Limited (Sky) implemented its capital return of approximately NZ\$70m to its shareholders, with 1 ordinary share for every 6 ordinary shares held by shareholders on 21 November 2022 (Record Date) being cancelled.

Sky is pleased to confirm that the Australian Taxation Office (ATO) has issued Class Ruling CR 2023/16 in respect of the Australian income tax implications for Australian tax resident shareholders who received the capital return payment, held their Sky shares on capital account and were not subject to the taxation of financial arrangements rules (Australian Shareholders).

The Class Ruling confirms that:

- the capital return is not a share buy-back for Australian tax purposes;
- no part of the payment received by the Australian Shareholders under the capital return will be treated as a dividend for Australian tax purposes; and
- the share cancellation results in the happening of capital gains tax (CGT) event C2 in respect of each Sky share cancelled. Under CGT event C2, a capital gain arises to the extent that the capital proceeds from the cancellation exceeds the cost base of the share. Where the capital proceeds are less than the reduced cost base, a capital loss would arise.

That Class Ruling has now been obtained and a full copy is available on the ATO website (search “CR 2023/16” under ‘legal database’).

Australian Shareholders should review the Class Ruling in full, in particular the requirements which Australian Shareholders must satisfy to be able to rely on the Class Ruling. These include that Sky shares must have been held on capital account on the Record Date. The tax consequences for a shareholder may vary depending upon the shareholder’s individual circumstances. Australian Shareholders should consult their own tax adviser as to the potential tax consequences for them.

ENDS

Authorised by: Kirstin Jones, Company Secretary

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