



Friday, 19 June 2015

The Manager
Company Announcements
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

Settlement reached with ATO regarding deductibility of interest on subordinated loans

I enclose a statement in relation to the entering into of a Heads of Agreement with the Australian Taxation Office to settle all matters concerning the tax deductibility of interest on subordinated loans to Victoria Power Networks and SA Power Networks.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Alex Finley".

Alexandra Finley
Company Secretary

ASX RELEASE

Friday, 19 June 2015

Settlement reached with ATO regarding deductibility of interest for Victoria Power Networks and SA Power Networks

- Heads of Agreement entered into with the Australian Taxation Office (ATO) to settle all matters concerning the tax deductibility of interest on subordinated loans to Victoria Power Networks ("VPN") and SA Power Networks ("SAPN")
- No cash tax payable by Spark Infrastructure arising from the settlement
- VPN to be refunded approximately \$39 million of payments previously made to ATO

Spark Infrastructure, VPN and other relevant parties have signed a Heads of Agreement with the ATO to finalise all outstanding matters in respect of the interest deductibility on subordinated loans to both VPN and SAPN.

The Heads of Agreement addresses the deductibility of interest paid by VPN and SAPN on all subordinated loans and provides a clear framework for the deductibility of interest on the relevant loans in future tax years. Spark Infrastructure considers the negotiated outcomes prudent and acceptable.

Key outcomes:

- No cash tax payment arises from the Heads of Agreement for either Spark Infrastructure¹ or VPN
- The ATO will refund to VPN all payments previously made by VPN (approximately \$39 million in total), following the execution of a final Deed of Settlement which will incorporate the Heads of Agreement
- In relation to prior tax years, VPN will cancel deductions and losses amounting to \$187 million (Spark 49% share \$92 million). In respect of SAPN, Spark Infrastructure will cancel \$82 million of net losses distributed to it by SAPN
- VPN and SAPN have agreed a deductible interest rate with the ATO on the subordinated loans for income years ending 31 December 2015, 2016 and 2017. For subsequent income years, the parties and the ATO will negotiate a pricing agreement to determine a deductible interest rate on the subordinated loans
- No penalties will be imposed on VPN and SAPN

As a result of this agreement, Spark Infrastructure expects to report a one-off, non-cash charge against its Net Profit after Tax for the year ending 31 December 2015 of approximately \$30 million.

Other previously disclosed matters remain subject to ongoing discussions with the ATO, with the intention that all outstanding matters be included in the final Deed of Settlement.

Spark Infrastructure holds 49% interests in electricity distribution businesses SA Power Networks and CitiPower and Powercor Australia (VPN).

Further Information:

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1. As SAPN is a partnership, Spark Infrastructure Holdings No.2 Pty Ltd, as head entity of the relevant tax consolidated group, is the relevant taxpayer, not SAPN.