

8 September 2015

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Australian Taxation Office Dispute Intellectual Property Out-of-Court Settlement Reached

AusNet Services advises that it has executed a binding Settlement Deed with the ATO to settle the dispute relating to intellectual property deductions claimed by AusNet Services (and its predecessors) in the 1998 to 2010 tax years.

The out-of-court settlement reached with the ATO eliminates a \$27 million tax exposure and ensures no further significant up-front tax payments arise in relation to the dispute. As at 31 March 2015, AusNet Services recognised an \$84.1 million tax charge in relation to the total disputed amounts, after allowance for tax deductible interest penalties. As a result of settlement, \$27 million of prior period tax charges will be written back in the 2016 financial statements.

The key terms of settlement are as follows:

- In full and final settlement of the dispute, the ATO will refund \$0.7 million of \$17.1 million paid by AusNet Services in October 2011, with the ATO to retain the difference.
- AusNet Services will not be required to make any further payments to the ATO in relation to the dispute (\$27 million would be payable if litigation was unsuccessful as at today's date, excluding litigation cost orders awarded in favour of the ATO).
- AusNet Services is entitled to \$14.6 million franking credits in respect of the October 2011 payment made to the ATO.
- AusNet Services will not claim future intellectual property deductions, that may otherwise be available out to the 2031 tax year (amounting to \$40 million, tax effected).
- The impending High Court hearing and Federal Court proceeding remitted back to the primary judge will be discontinued.

AusNet Services is pleased to confirm it has now resolved all its disputes with the ATO and has no other audit activity occurring with the ATO. The out-of-court settlement, together with the recent restructure and simplification of the AusNet Services corporate structure, provides tax certainty moving forward.

As a large business taxpayer, AusNet Services will continue to support a cooperative compliance relationship with the ATO.

Susan Taylor
Company Secretary