

31 March 2014

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Internalisation of Management Services

It was noted in SP AusNet's half-year 2014 results release that it was the intention of the Directors, on or before 30 September 2015, to terminate the Management Services Agreement (MSA) with SPI Management Services Pty Ltd (SPIMS), under which management services are provided by SPIMS (a wholly owned subsidiary of Singapore Power) to SP AusNet. It was also noted that SPIMS would be entitled to a termination payment equal to the previous year's management services charge, if the MSA were to terminate on 30 September 2015, or a negotiated payment for earlier termination.

SP AusNet, Singapore Power and SPIMS have now entered into a Termination Deed, pursuant to which they have agreed to terminate the MSA with effect from 31 March 2014.

The key terms of the Termination Deed, as it relates to the MSA, are:

- A termination payment of \$50 million is payable by SP AusNet to SPIMS. This payment is made up of two parts: (a) an early termination fee representing the present value of the estimated termination payment that would have been payable if the MSA had terminated on 30 September 2015; and (b) the present value of estimated performance fees that would have been payable to SPIMS from 1 April 2014 to 30 September 2015, had the MSA continued until that time.
- Each SPIMS employee will be offered employment with, and is expected to transfer to, SP AusNet.
- The termination payment to be made by SP AusNet will be reduced by the amount of employee entitlements in respect of the SPIMS employees transferring to SP AusNet, such amounts having been previously paid by SP AusNet as part of the regular management service charge under the MSA.

Agreement has also been reached between SPIMS and SP AusNet to unwind shared information technology ("IT") services provided to SP AusNet by Enterprise Business Services ("EBS"), a subsidiary of SPIMS. This arrangement was put in place in September 2008.

SP AusNet intends to transition its share of existing EBS activities into the core SP AusNet IT function, as soon as practicable, commencing on 1 April 2014. The costs associated with this restructure of IT services are not expected to exceed \$7.5 million.

The termination payment and payments associated with the restructure of IT services will be reflected in SP AusNet's full year accounts, due to be released on 15 May 2014.

The Termination Deed has been negotiated on behalf of SP AusNet by a committee of independent Directors of SP AusNet. All members of the Board of SP AusNet (other than those associated with Singapore Power) unanimously agree with the terms of the Termination Deed.

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