Tuesday, 15 September 2015

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

Dear Sir / Madam

HALF YEAR 2015 SECURITYHOLDER NEWSLETTER

I enclose the Spark Infrastructure newsletter that will be sent to securityholders today along with their distributions statements.

Yours faithfully,

Alexandra Finley
Company Secretary

Spark Infrastructure RE Limited   ABN 36 114 940 984
as Responsible Entity of Spark Infrastructure Trust (ARSN 116 670 725)
Level 25, 259 George Street Sydney NSW 2000 Australia
T +61 2 9086 3600 F +61 2 9086 3666
www.sparkinfrastructure.com

HY 2015 NEWSLETTER

sparkinfrastructure

MESSAGE FROM THE CHAIRMAN

BRIAN SCULLIN

The Asset Companies have enjoyed a strong compound annual growth rate in their asset bases over the past 5 years, above 7% CAGR. This growth alongside the current program of de-gearing has also meant a significant increase in our equity share in the Regulatory Asset base (RAB) of the Asset Companies and growth in distributions to our securityholders.

Dear Securityholder,

As I reported to you at our Annual General Meeting in May, the financial and operational performance of "The Asset Companies", namely SA Power Networks and CitiPower and Powercor – together known as Victoria Power Networks, has been excellent over the past twelve months. As always, our success depends upon their performance along with that of our most recent investment, our economic interest in DUET Group.

The Asset Companies have enjoyed a strong compound annual growth rate in their asset bases over the past 5 years, above 7% CAGR. This growth alongside the current program of de-gearing has also meant a significant increase in our equity share in the Regulatory Asset base (RAB) of the Asset Companies and growth in distributions to our securityholders.

It is a noteworthy achievement that they have been able to fund this substantial growth, reduce their gearing, and pay a growing distribution to their shareholders. In turn, this has enabled Spark Infrastructure to continue to deliver a growing distribution to its securityholders, representing an investment that has an attractive yield plus strong asset growth.

Following on from the solid set of results for the six months to 30 June 2015 announced last month, the Directors declared an interim distribution of 6.0 cents per security (cps) which was paid on 15 September 2015. This is in line with the prior distribution guidance of 12.0cps for 2015 and represents an increase of 4.3% on 2014.

We were also delighted, as part of our HY 2015 results announcement, to be able to provide distribution guidance for 2016 of 12.5cps, subject to business conditions. We would normally have done this in February of next year, however, your Board felt it was important to communicate the confidence we have in our ability to deliver growth in distributions across and into the next regulatory periods.

Our distribution guidance underscores our faith in our central investment proposition – to grow distributions over time, through regulatory cycles and in the face of a changing business environment.

Moreover, we remain confident of growing distributions from now and through the next 5-year regulatory periods to 2020, subject to business conditions and intend to provide distribution guidance to this effect as soon as it is prudent to do so. This is an important point.

OUR DISTRIBUTION GUIDANCE UNDERSCORES OUR FAITH IN OUR CENTRAL INVESTMENT PROPOSITION – TO GROW DISTRIBUTIONS OVER TIME, THROUGH REGULATORY CYCLES AND IN THE FACE OF A CHANGING BUSINESS ENVIRONMENT.

We are now well into the regulatory reset processes for SA Power Networks, which received its Preliminary Determination for the 2015-2020 regulatory period from the Australian Energy Regulator (AER) at the end of April; and Victoria Power Networks, which made its initial regulatory proposals to the AER at the same time. These processes are without a doubt "the main game" for our existing portfolio of assets over the next twelve months. October will be an important month as we expect the AER will publish its Final Determination for SA Power Networks and its Preliminary Determinations for Victoria Power Networks at the end of that month.

Finally, Spark Infrastructure remains alert to any opportunities to grow value though further diversification. We announced earlier this year that we had formed a consortium with other like-minded investors to assess the opportunities presented by the privatisation of electricity network businesses in NSW.

Securityholders can rest assured that any acquisition that Spark Infrastructure pursues will be consistent with our long held strategy and will meet our established investment criteria which includes a keen focus on distribution yield. I look forward to updating you all again on Spark Infrastructure's progress as events unfold.

BRIAN SCULLIN
CHAIRMAN

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT

RICK FRANCIS

Dear Securityholder,
Spark Infrastructure has delivered another solid financial result based on the continued operational excellence of the Asset Companies, SA Power Networks and CitiPower and Powercor (together known as Victoria Power Networks) and supported by the yield accretion delivered by our economic interest in DUET Group.

On 24 August the Directors provided distribution guidance for 2016 of 12.5 cps, subject to business conditions, a projected increase of 4.2% over 2015. This reflects our confidence in the ability of the Asset Companies to continue to deliver strong cashflows over the new 5-year regulatory periods, which will commence shortly.

While their regulatory resets are not yet finalised, we are confident in their ability to out-perform regulatory benchmarks, based on their proven operational efficiency, continuous improvement and prudent financial management, which is without equal among their peers.

HY 2015 PERFORMANCE

The performance and returns generated by our investments in the first half of 2015 (HY 2015) have again met the high expectations we have for them.

Total regulated revenue of the Asset Companies – Victoria Power Networks and SA Power Networks – on a 100% basis was up 9.2% to $998.8 million in HY 2015 with aggregated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), up 12.7% to $808.4 million.

At the Spark Infrastructure level, our Underlying Profit before Loan Note Interest and Tax for the year increased by 3.7% to $140.3 million compared to HY 2014. This was largely due to the strong performances of our quality Asset Companies which was partially offset by an unrealised loss (i.e. non-cash) on derivative contracts associated with our economic interest in DUET Group.

Our Standalone Operating Cash Flow (OCF), consisting of distributions from SA Power Networks and Victoria Power Networks and the yield accretive investment in DUET Group, was up $14.5 million to $101.2 million or 16.7%. This is a solid result.

The Regulated Asset Base (RAB) of the Asset Companies grew by 1.6% during the period taking the total RAB to $9.2 billion (of which Spark Infrastructure's 49% share equates to $4.5 billion). In aggregate, our net debt to RAB at the Asset Company level was 76.2% at the end of June, which is down 1.0% since the end of December 2014 and down 1.6% on a rolling 12 month basis. We remain well on track to reduce net debt to RAB to the targeted level of around 75% by the end of 2015.

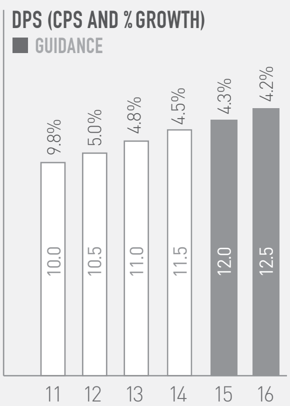
SPARK INFRASTRUCTURE FINANCIAL PERFORMANCE	HY 2015 ($M)	HY 2014 ($M)	VARIANCE (%)
Total Underlying[1] income[2]	146.9	144.6	1.6
Underlying[1] Profit before Loan Note Interest and Tax	140.3	135.3	3.7
Underlying[1] Net Profit after Tax	70.8	67.5	5.0
Net Profit after Tax (statutory)	39.2	89.0	(56.0)
Operating cashflows (standalone)	101.2	86.7	16.7

AGGREGATED ASSET COMPANY PERFORMANCE (100% BASIS)	HY 2015 ($M)	HY 2014 ($M)	VARIANCE (%)
Prescribed revenue, including			
– Distribution revenue	942.3	855.0	10.2
– Prescribed metering revenue (AMI)	56.5	59.9	(5.7)
Non-prescribed revenue	182.6	152.5	19.7
Total revenue (excluding customer contributions)[3]	**1,181.4**	**1,067.4**	**10.7**
EBITDA (excluding customer contributions)	**808.4**	**717.6**	**12.7**
Net Capital Expenditure	356.2	383.5	(7.1)
Net Debt to RAB (Asset Company level)	76.2%	77.8%	–1.6%

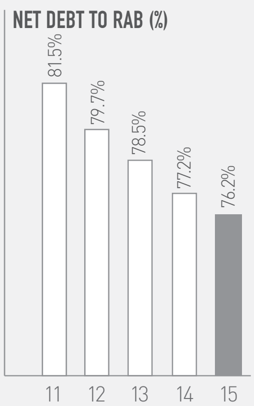
1. An underlying adjustment has been made in the HY 2015 results to reflect the settlement reached with the ATO regarding deductibility of interest for Victoria Power Networks and SA Power Networks. Consistent with 31 December 2014 an underlying adjustment has also been made to the HY 2014 comparative results to reflect changes made to the basis of estimating the fair value of customer contributions and gifted assets in 2014, effectively valuing them at nil.
2. Includes interest income from associates, Spark Infrastructure's share of equity accounted profits, gains or losses from derivative contracts and other income.
3. Aggregated revenue excludes transmission revenue, which is collected on behalf of others and does not contribute to profit. Non-prescribed business activities includes semi-regulated activities such as meter reading (SA Power Networks), public lighting and unregulated activities such as the provision of construction, maintenance and back office services to third parties.

A PROVEN TRACK RECORD OF DELIVERING

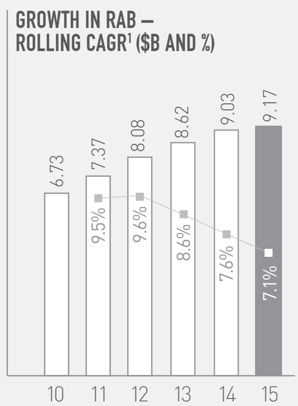
Spark Infrastructure has a proven track record of delivering on its investment proposition of distribution and capital growth. The Directors remain focused on steady growth in distributions over time and across regulatory periods and will continue to apply their usual financial discipline to all future investment decisions. The Directors have provided distribution guidance for 2016 of 12.5cps, representing projected growth over 2015 of 4.2%.



3–5% GROWTH P.A. TO 2015

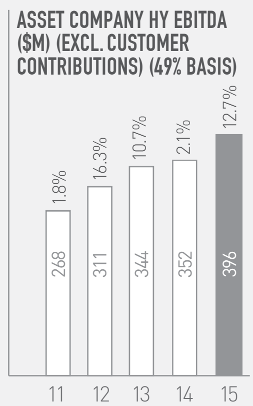


TARGETING 75% BY 2015 IN THE ASSET COMPANIES



1. Compound annual growth rate

7–8% CAGR[1] TO 2015



SA POWER NETWORKS AND VICTORIA POWER NETWORKS ARE AMONG THE SAFEST, MOST RELIABLE AND MOST EFFICIENT BUSINESSES OF THEIR KIND IN AUSTRALIA. THIS HAS BEEN CONFIRMED ON NUMEROUS OCCASIONS THROUGH REGULATORY BENCHMARKING AND A MULTITUDE OF INDUSTRY AWARDS.

DISTRIBUTIONS FOR 2015

With a solid financial performance booked for the first half of the year, the Directors have declared an interim distribution of 6.0cps which was paid on 15 September 2015. This is in line with prior distribution guidance of 12.0cps for 2015. It is worth re-emphasising that our distributions are nearly twice covered by operating cashflows from the Asset Companies, which is the best distribution coverage amongst our infrastructure peers.

Together with the Asset Companies' sector leading business improvement programs, this provides significant capacity to continue to deliver reliable cashflows to Spark Infrastructure and to achieve our strategy of delivering steadily growing distributions to securityholders over time.

ASSET COMPANIES DELIVERING NOW AND INTO THE FUTURE

SA Power Networks and Victoria Power Networks are among the safest, most reliable and most efficient businesses of their kind in Australia. This has been confirmed on numerous occasions through regulatory benchmarking and a multitude of industry awards. They have achieved this sector leading position by having a clear strategy in place and some of the most experienced and highly regarded management teams in the infrastructure network industry in Australia.

Safety is a key area for both businesses and one in which they excel. In 2014 Victoria Power Networks received the Victorian Minister's Award for Mental Health Excellence for its industry leading mental health program for employees. Both businesses recorded zero Lost Time Injuries in the six months to 30 June 2015. These are important and remarkable achievements in an industry where real dangers exist for many employees in their day-to-day jobs.

The AER's benchmarking report, which ranks the 13 electricity distribution businesses in its jurisdiction, place CitiPower first, Powercor second and SA Power Networks third when it comes to operating expenditure productivity. At the same time, they continue to be amongst the most reliable networks in the country.

As with any industry, change is common, and the infrastructure and energy industries in Australia are currently embracing considerable change.

SA Power Networks and Victoria Power Networks are responding to changes in technology in the industry, as well as to more engaged customers with evolving demand patterns, through innovation and continuous improvement.

SA Power Networks' Innovation Centre continues to be a hub for research and education. It has also recently commenced a feeder automation project which aims to deploy remote control switching devices on up to 75 of the worst performing distribution feeders in the network in an effort to reduce the restoration time for customers. SA Power Networks commenced installation of field devices in August 2014 and aims to implement the automated supply restoration capabilities by early 2017.

Victoria Power Networks has recently announced the creation of an Energy Solutions Business unit with direct responsibility to the CEO. The Energy Solutions team will initially focus on the installation and servicing of commercial solar requirements for its larger business customers and will grow over time to deliver a range of distributed energy solutions including, battery storage deployment, managing behind the meter faults and other ancillary services.

Both SA Power Networks and Victoria Power Networks are well placed to manage change and to build on existing strengths and to expand into new areas.

REGULATORY PROGRESS

On the regulatory front, the AER has confirmed the move from a price cap to a revenue cap, which will in effect remove volume risk. This move enhances our revenue certainty and assists in protecting the business during this period of industry change.

SA Power Networks has lodged a revised submission with the AER on 2 July and the Final Determination will be received by 31 October 2015. Victoria Power Network's initial submission was lodged on 30 April with Preliminary Determinations due by 31 October and final determinations by 30 April 2016.

Spark Infrastructure expects that for the new 5 year regulatory periods the Asset Companies will focus on maintaining their sector leading safety performance, high levels of reliability and excellent customer engagement; as well as continuation of their proven efficiency, strong financial performance and consistent RAB growth.

I look forward to keeping you updated on our progress in 2015 as we head towards 2016.

RICK FRANCIS
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

CORPORATE NEWS

ATO SETTLEMENT REACHED

In June, Spark Infrastructure, Victoria Power Networks and other relevant parties signed a heads of agreement with the Australian Tax Office (ATO) which finalises all outstanding issues in relation to the interest deductibility on subordinated loans for both SA Power Networks and Victoria Power Networks.

This decision means neither Spark Infrastructure nor Victoria Power Networks will pay any cash tax arising from the settlement, and that Victoria Power Networks will be refunded $39 million of payments previously made to the ATO.

For prior tax years, Victoria Power Networks has cancelled deductions and losses amounting to $132 million, and Spark Infrastructure has cancelled $82 million of net losses in respect of its investment in SA Power Networks.

This is a very satisfactory result and concludes all the financing related matters that have been on foot for over 10 years. As a result of the agreement, Spark Infrastructure has recorded a one-off, non-cash post tax expense item of $32 million in its HY 2015 results.

SPARK PARTICIPATES IN DUET GROUP CAPITAL RAISING

In July, DUET Group announced a 1 for 2.69 accelerated non-renounceable entitlement offer at a price of $2.02.

Spark Infrastructure varied its derivative contracts with Deutsche Bank to acquire an additional economic interest in a total of 69 million securities. This acquisition is to be funded through a combination of embedded funding and cash on hand.

Following completion of the DUET Group entitlement offer, Spark Infrastructure's economic interest now stands at over 255 million securities or approximately 11%.

NEWS FROM THE ASSET COMPANIES CITIPOWER AND POWERCOR

CITIPOWER AND POWERCOR CREATES NEW "ENERGY SOLUTIONS TEAM"

The market for energy is evolving quickly with new technology, particularly around distributed solar generation and battery storage, providing increased choice for consumers and significant challenges for network businesses.

CitiPower and Powercor are constantly examining the opportunities provided by this dynamic market to embrace new technologies and innovation and deliver new products and services to their customer base.

In August, CitiPower and Powercor has crystallised this focus by announcing the creation of a new senior management position – General Manager Energy Solutions – and the establishment of an "Energy Solutions" team.

This new senior role and the team will build on CitiPower and Powercor's presence in existing and new unregulated markets including the existing National Projects business and Business Development function, as well as its emerging business lines of commercial solar, wind, storage and other energy network services.

The establishment of the Energy Solutions team marks an important step in the implementation of CitiPower and Powercor's growth strategy and how they are embracing emerging technologies to provide a broader range of services to their customers – while still meeting the reliability, safety and affordability standards customers have come to expect.

CITIPOWER AND POWERCOR REGULATORY PROPOSALS BASED ON SECTOR LEADING CONSUMER ENGAGEMENT PROGRAMS

On 30 April of this year, CitiPower and Powercor submitted their initial regulatory proposals to the AER, which focused on safety, reliability, growth and affordability of the network, in order to meet customers' needs over the next five year regulatory period.

The proposal included significant growth in expenditure which reflected various specific customer led initiatives arising from CitiPower and Powercor's extensive consumer engagement program. These initiatives revolve around reducing bushfire risk, increasing reliability and preparing for further changes in technology and regulatory standards.

At the same time the regulatory proposals included price reductions for inner Melbourne and central and western Victoria areas. If accepted by the AER, these should result in an average decrease of $43 per annum for Powercor's residential customer's bill, and a $28 per annum decrease in CitiPower's residential customer's bill starting in 2016. Business customers can also expect reduced bills.

"We are experiencing enormous residential and commercial growth in Melbourne and greater Geelong, and as a result, must plan and invest for the additional capacity needed for the dairy and agribusiness industries," said Tim Rourke, CEO of CitiPower and Powercor.

The proposal submitted was the result of feedback from customers and stakeholders. A summary of the proposal can be viewed at Talking Electricity – www.talkingelectricity.com.au.

NEW 2 MW BATTERY BEING BUILT

POWERCOR TO INSTALL AUSTRALIA'S LARGEST BATTERY AT BALLARAT SOUTH

Powercor will install a two megawatt battery at Powercor's Ballarat South facility. When installed, the battery will reduce total outage time by 66 per cent or less than 33 min per year for residents south of Buninyong. Testing for the battery will commence in December this year, with plans for the battery to be fully operational by early 2016.

The battery will also be used during peak demand times to assist with network capacity. This extra capacity will help reduce traffic on the network on peak days, which in turn increases the life of the existing electrical assets and reduces maintenance costs.

Tim Rourke, CEO of CitiPower and Powercor said: "As an electricity distributor, we recognise our increasing role in assessing energy trends and enabling new technologies as our customers increasingly embrace newer and more energy efficient technologies, such as solar and battery storage. We are constantly looking for ways to allow our electricity networks to operate more flexibly and maintain reliability while ensuring that our customers still receive a low-cost distribution service. This project is one such initiative that demonstrates our commitment to building an evolving network."

NEW BANK DEBT BRIDGING FOR CITIPOWER AND POWERCOR

In July, CitiPower completed a $335 million bank debt bridging facility with Mizuho Bank, which will mature in December 2016. This new facility replaces an existing syndicated bank debt facility due to mature in February 2016.

Similarly, Powercor executed a $350 million bank debt bridging facility with Commonwealth Bank and JP Morgan, also maturing in December 2016. Powercor's new facility will be used to fund the repayment of medium term notes maturing in November this year.

CITIPOWER SPONSORS LANTERN WISHING TREE

CitiPower and Powercor support their local and regional communities through various initiatives. In February, CitiPower partnered with the City of Melbourne and Epworth Healthcare to be the sponsors of the Lantern Wishing Tree, a popular event during Chinese New Year. Families and the community were out to celebrate the Lunar New Year, and CitiPower was able to open the festivities with the lighting of the Lantern Wishing Tree.

"In conjunction with the Victorian Government, CitiPower is investing $180 million to upgrade the capacity and security of electricity supply to Melbourne and Chinatown. In this way, we will continue to be a visible and important part of Chinatown's vibrant community well into the future," says Tim Rourke, CEO of CitiPower and Powercor.

TOUR DE DEPOT – A HUGE SUCCESS

In May, Powercor partnered with regional charities for the Tour de Depot, three cycling events that were held in Warrnambool, Mildura and Shepparton. The three events collectively raised $175,000 for charities that were chosen directly by the stakeholders.

Image on top: **CitiPower lights up the Lantern Wishing Tree in Melbourne during the Chinese New Year**.
Bottom: **Cyclists prepare for the Tour de Depot**

NEWS FROM THE ASSET COMPANIES SOUTH AUSTRALIA POWER NETWORKS

SA POWER NETWORKS REGULATORY RESET UPDATE

In October 2014, SA Power Networks submitted its regulatory proposal for the 2015-2020 regulatory period. Most of its expenditure initiatives were based on feedback from customers and stakeholders regarding their energy requirements, especially concerning efficiency and sustainability.

In response to SA Power Networks' proposal, the AER issued a Preliminary Determination in April 2015 and SA Power Networks has subsequently issued a revised proposal in July of this year. Discussions continue with the AER on this revised proposal.

In its revised proposal, SA Power Networks included many initiatives that customers said they wanted through the Consumer Engagement program. These initiatives included improved vegetation and bushfire management, improving reliability for regional customers, and investing in new energy technologies, such as battery storage and solar power.

Rob Stobbe, CEO of SA Power Networks noted: "We need to keep the electricity network delivering on the expectations of South Australians who want a reliable, safe and robust network that is ready to support the investments in new technologies in coming years."

FIRST FEMALE APPRENTICE OF THE YEAR

For the first time, SA Power Networks has awarded its Apprentice of the Year Award, the Playford Medal, to a female apprentice, Jess Wooley.
The coveted award, which is presented to the top graduating apprentice each year, recognises leadership, hard work, commitment and technical ability.

In 2011 at the age of 17, Jess began her apprenticeship in what is traditionally a male dominated industry. During her apprenticeship, she initiated and designed an electronic calculation sheet for transformer ratio tests, which has now been incorporated into SA Power Networks' Quality Management System and is an integral part of what was a complex process. After graduating in February this year, Jess is now a qualified electrician working as part of the substation maintenance team.

SA Power Networks has seen an increasing number of women apply for and succeed in its Apprenticeship Program. It currently employs 24 female trade apprentices. This has increased significantly in the last two years as SA Power Networks takes on more female power line workers.

Being named SA Power Networks top apprentice is great recognition and is well deserved. Jess has also recently been named as a finalist in the Apprentice of the Year category of the 2015 South Australian Training Awards.

Since 2002, the Apprenticeship Program has recruited 446 apprentices. Of those that have completed the program, 96% have continued employment within SA Power Networks at the end of their apprenticeship.

During 2014 there were 148 apprentices in training and a further 27 engineering and IT graduates participating in a three year development program.

In October SA Power Networks was also awarded Best Graduate Employer in Australia by the Australian Association of Graduate Employers as voted by graduates.

Jess Wooley with SA Power Networks' CEO Rob Stobbe at the Apprentice Graduation Ceremony receiving her award.

Image on top: **CaMS City West Substation**.
Middle: **CaMS NBN Warehouse**.
Bottom: **Munno Para Substation being built**.

$1 BILLION REASONS TO CELEBRATE

2014 was a milestone year for SA Power Network's Construction & Maintenance Services team (CaMS) as they reached the $1 billion revenue mark. The year itself was also notable with $138 million in revenue achieved.

CaMS is built on SA Power Networks' considerable experience in building and maintaining electricity infrastructure. One of the defining moments for CaMS was the successful completion of the Oxiana Prominent Hill project, which provided the infrastructure to connect its new copper and gold mine to Olympic Dam. Some of the other key successes since inception in 2006 include the APY Lands Connection Project (2006), Playford Relocation Project (2009), Whyalla to Port Lincoln construction project (2009), Mt Barker (2010) and National Broadband Network (from 2013).

With a changing energy market and power sector, SA Power Networks expects more opportunities to emerge in the unregulated space in which CaMS operates.

"We are constantly reviewing new areas of business we can move into, whilst also ensuring that our growth is well considered and risk is well managed" says Rob Stobbe, CEO of SA Power Networks.

In the six months to 30 June 2015, SA Power Networks' unregulated revenues increased by 54.4% largely driven by the work currently being undertaken for NBN, which was up $31 million on the prior corresponding period to $41 million. Revenues for this project are particularly high at the moment due to both completion of the existing contract, and the expected commencement of a new contract and we would expect revenues to return to the normal run rate of around $3 million per month in 2016.

NEW SUBSTATION FOR MUNNO PARA

The Adelaide metropolitan north region is one of the fastest growing regions in the State due to the many greenfields residential developments.

To manage the expected electricity load for the SA Power Networks' Metropolitan North 66kV Network, a new 66kV substation was installed at Munno Para in July, with a 275kV/66kV ElectraNet Connection Point. The new connection point is the third in the Metropolitan North 66kV Network, which supplies approximately 86,000 customers.

SA POWER NETWORKS PLACEMENT INTO THE US PRIVATE PLACEMENT MARKET

In March, SA Power Networks struck a deal with US investors to place US$235 million of bonds into the US Private Placement (USPP) market. During the transaction, cross currency swaps were simultaneously executed to convert the US dollars to Australian dollars, resulting in total proceeds raised equating to approximately A$309 million.

This raising again confirms the strong appeal to debt investors of well-run electricity network assets with reliable cashflows.

The funds will be used by SA Power Networks to refinance A$300 million in maturing Domestic Credit Wrapped Notes. The bonds were issued in a single tranche, maturing in 12 years in June 2027. SA Power Networks next refinancing requirement will arise in September 2016.

SPARK INFRASTRUCTURE
Level 25, 259 George Street,
Sydney NSW 2000

t: +61 2 9086 3600
f: +61 2 9086 3666
e: info@sparkinfrastructure.com
w: www.sparkinfrastructure.com

Spark Infrastructure RE Limited (ACN 114 940 984; AFSL 290 436) is the responsible entity for Spark Infrastructure Trust (ARSN 116 870 725)