



# **EQUITY INVESTMENT IN TRANSGRID AND EQUITY RAISING**

Wednesday, 25 November 2015



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- eligible institutional securityholders of Spark Infrastructure; and
  - eligible retail securityholders of Spark Infrastructure,
- under sections 708AA and 1012DAA of the Corporations Act 2001 (Cth) (“Corporations Act”) (the “Entitlement Offer”).

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# 1. SUMMARY OF TRANSACTION

# EXECUTIVE SUMMARY

- ▶ **The Investment** - NSW Electricity Networks (“NSW Electricity Networks”), comprising Spark Infrastructure Group (“Spark Infrastructure”) together with Hastings Funds Management (“Hastings”) as manager of Utilities Trust of Australia, Tawreed Investments Ltd (“Tawreed Investments”, a wholly owned subsidiary of the Abu Dhabi Investment Authority), Caisse de dépôt et placement du Québec (“CDPQ”), and Wren House Infrastructure Management (“Wren House”, a wholly owned subsidiary of the Kuwait Investment Authority) (together “the Consortium”), has reached agreement to acquire the assets of TransGrid by way of a 99-year lease from the NSW State Government for \$10.258 billion, plus transaction costs of \$0.134 billion, subject to customary closing conditions
- ▶ **Equity investment** - Spark Infrastructure will make an equity investment of 15.01% of TransGrid equal to \$734.3 million<sup>1</sup> (Hastings - 20.02%, CDPQ - 24.99%, Tawreed Investments - 19.99%, Wren House - 19.99%)
- ▶ **The Asset** - TransGrid owns, operates and manages the largest high-voltage electricity transmission network in the National Electricity Market (“NEM”) by electricity transmitted, connecting generators, distributors and major end users in NSW and the ACT and forms the backbone of the NEM connecting QLD, NSW, VIC and the ACT
- ▶ **Capital Structure** - Post-acquisition TransGrid will have a solid and sustainable investment grade capital structure
- ▶ **Accretion** - The investment is forecast to be Standalone Operating Cashflow (“SOCF”) per security accretive relative to Spark Infrastructure’s 2015 Forecast Standalone Operating Cashflow (“FSOCF”) of 14.0 cents per security<sup>2</sup>
- ▶ **Distribution Guidance** - The Directors have provided updated distribution guidance:
  - 12.0 cents per security (“cps”) guidance re-confirmed for FY 2015
  - At least 12.5 cps guidance confirmed for FY 2016
  - At least 13.0 cps guidance for FY 2017, and
  - At least 13.5 cps guidance for FY 2018

1. \$734.3m includes \$20.1m of Spark Infrastructure’s 15.01% share of consortium acquisition and financing costs

2. Refer to Key Risks section. SOCF per security assumes 1.466bn securities pre TransGrid transaction



# EXECUTIVE SUMMARY

- ▶ **Benefits** - Transaction offers ongoing financial benefits over the long term with its prudent financial structure and cash generation capacity
  - Provides additional cashflow and reduces portfolio risk by increasing diversity of cashflow sources
  - Active management of the assets to increase efficiency through better asset utilisation and process improvements
  - Long term growth in the Regulatory Asset Base (“RAB”) supported by macro economic driven demand growth expectations, and change in generation mix to renewables
  - Leverage quality assets and apply expertise to grow non-prescribed business opportunities
- ▶ **Governance** - Spark Infrastructure will have the right to appoint 2 Directors to the Boards of TransGrid – Mr. Rick Francis and Dr. Keith Turner. Mr. Francis will be acting-Chair on acquisition, before transition to an Independent Chair. Under the terms of the Securityholders Agreement other governance rights are fair and balanced between Consortium members
- ▶ **Funding** - Spark Infrastructure’s 15.01% equity contribution to the acquisition of TransGrid amounts to \$734.3 million<sup>1</sup>, and will be funded via:
  - \$405.4 million new equity
  - \$205.0 million debt
  - \$123.9 million cash on hand
- ▶ **New Equity** - Spark Infrastructure to raise \$405.4 million through a fully underwritten accelerated non-renounceable entitlement offer at \$1.88
  - Represents a discount of 8.7% to the last closing price and 7.7% to TERP<sup>2</sup>
  - New securities are being offered to all securityholders on a pro-rata basis and carry full entitlement to the final 2015 distribution of 6.00 cps, payable in March 2016
- ▶ **Due Diligence** - The Consortium has undertaken significant due diligence on TransGrid. This has been supported by Spark Infrastructure’s detailed knowledge of the Australian electricity distribution and transmission operating environment and the combined local and global expertise of Consortium members

1. \$734.3m includes \$20.1m of Spark Infrastructure’s 15.01% share of consortium acquisition and financing costs

2. TERP (the theoretical ex-rights price per security) is the theoretical price at which Spark Infrastructure securities trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Spark Infrastructure securities trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP.

# STRATEGIC RATIONALE

## Equity investment in TransGrid creates opportunities for ongoing efficiency, dividends and growing cash generation over the long term

- ✓ Cash distributions from TransGrid to Spark Infrastructure forecast to be approximately \$45 million in 2016
- ✓ The investment is forecast to be SOCF per security accretive relative to Spark Infrastructure's 2015 forecast SOCF of 14.0 cents per security<sup>1</sup>
- ✓ The investment in TransGrid broadens the SOCF sources, in addition to providing additional cashflow to support distributions to securityholders
- ✓ Reduces portfolio risk by providing further diversification to Spark Infrastructure's existing investment portfolio by asset type, geography, regulatory timing and partnering
- ✓ Value accretive investment providing long term value enhancement for Spark Infrastructure
  - TransGrid's quality assets have further scope for immediate improvements in operating efficiencies and asset utilisation
  - Future capex requirements are expected to be supported by macro economic demand requirements and growth in centrally generated renewable energy
- ✓ Enhanced equity returns through growth in the non-prescribed businesses of TransGrid with further opportunity to grow a telecommunication service offering that leverages TransGrid's market positioning across NSW
- ✓ The Consortium will support the active management of the business by leveraging their knowledge and expertise as owners and managers of regulated assets
- ✓ TransGrid will have a solid and sustainable investment grade capital structure with a corresponding credit rating expected to be secured in due course

1. Refer to Key Risks section. SOCF per security assumes 1.466bn securities pre TransGrid transaction

# EXTENDED DISTRIBUTION GUIDANCE

## Reliable distribution growth – 3 year guidance now provided

- ▶ The Directors have provided updated distribution guidance for the next 3 years to 2018, subject to key risks and assumptions outlined in section 5, as follows:
  - 12.0 cps guidance re-confirmed for FY 2015
  - At least 12.5 cps guidance confirmed for FY 2016
  - At least 13.0 cps guidance for FY 2017 and
  - At least 13.5 cps guidance for FY 2018
  
- ▶ Distributions to securityholders will continue to be fully covered by operational cashflows, on both a look-through and a standalone basis, generated by the investments in which Spark Infrastructure holds an interest, including TransGrid
  
- ▶ The provision of longer term distribution guidance to 2018 has been facilitated by the progression of the regulatory reset processes for SA Power Networks and CitiPower and Powercor and is further supported by the expected cashflows from TransGrid to 2018
  
- ▶ Following conclusion of the regulatory reset processes for CitiPower and Powercor in April 2016 and associated business planning processes, there is the potential for a significant increase in SOCF per security from FY 2016. Spark Infrastructure would then expect to review its distribution guidance accordingly

# ACCRETION ANALYSIS

| <b>SOCF / security</b>           | <b>\$</b>      |
|----------------------------------|----------------|
| <b>2013 Reported</b>             | <b>\$0.143</b> |
| <b>2014 Reported</b>             | <b>\$0.147</b> |
| <b>2015 Forecast<sup>1</sup></b> | <b>\$0.140</b> |

- ▶ The investment is forecast to be SOCF per security accretive relative to Spark Infrastructure's 2015 forecast SOCF of 14.0 cents per security<sup>1</sup>

| <b>Year End 31 December 2016</b>  | <b>Forecast \$m</b> |
|---|---------------------|
| Forecast cashflow to Spark Infrastructure from TransGrid <sup>2</sup>   | ~45                 |
| Less net costs on incremental drawn Corporate Debt <sup>3</sup>         | (5.5)               |
| Less interest foregone on cash at bank <sup>4</sup>                     | (2.8)               |
| Forecast net TransGrid cashflow   | 36.7                |
| Forecast new securities issued under Entitlement Offer (m) <sup>5</sup> | 215.6               |
| <b>Net TransGrid cashflow / New securities (\$)</b>                     | <b>\$0.17</b>       |

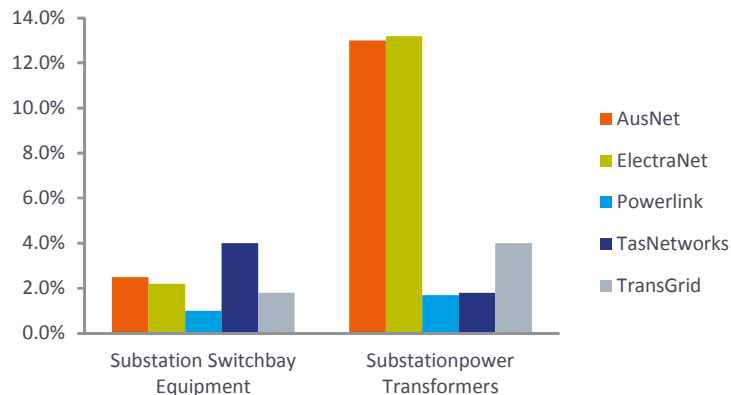
Notes:

1. Refer to Key Risks section. SOCF per security assumes 1.466bn securities pre TransGrid transaction
2. Assumes 15.01% share of TransGrid expected distributable cashflow
3. Incremental cost of debt financing for drawing Spark Infrastructure's corporate debt (as per Sources and Uses on slide 35)
4. Assumes interest foregone on cash balance at 2% p.a.
5. Based on a 5 for 34 entitlement offer size

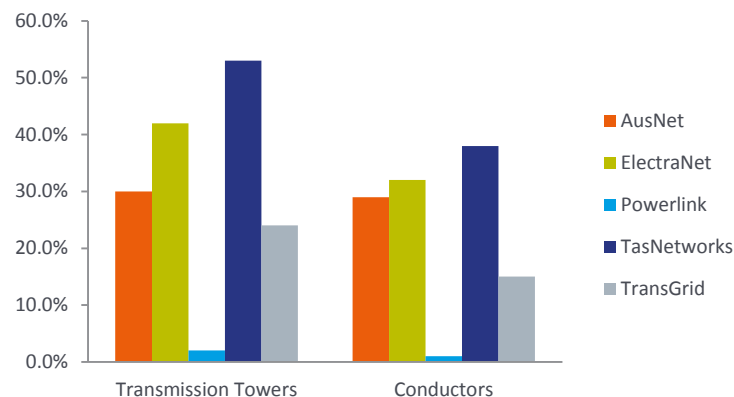
# TRANSGRID - A QUALITY ASSET

- ▶ Assets are in very good condition and have been managed with a bias towards strong controls designed for minimal tolerance of risk
- ▶ Comprehensive asset management system certified under ISO55001 in late 2014. It is also in the early stages of implementing and realising the benefits of condition based risk management, in comparison to peers
- ▶ Average age of the asset base is 28 years; younger than other Australian electricity transmission businesses
- ▶ Replacement expenditure (“repex”) is the largest portion of expected capital expenditure (“capex”) in the short to medium term and consists of a well understood replacement program
- ▶ Outlook for capex in the short term is predominantly focused on repex rather than augmentation expenditure (“augex”) in the short term – a major expected augex project is “Powering Sydney’s Future” currently in scoping stage for implementation in the next 5-10 years
- ▶ Manages environmental concerns diligently. Environmental Management System is certified under ISO14001

**Substation Equipment over 50 years old (%)**



**Transmission Equipment over 50 years old (%)**



**Opportunities for outperformance have been identified based on improving the efficiency and effectiveness of existing practices**

# STRATEGIC VISION - BASED ON DETAILED UNDERSTANDING

The Australian based members of the Consortium have led the group in developing a business plan designed to transform a good asset into a global leader

## Approach

- Early mobilisation of expert team of specialist advisors
- Detailed assessment of asset condition, sites and personnel
- Interrogation of opex and capex allowances and requirements
- Application of regulatory and operational expertise and experience
- Rigorous sensitivity analysis, modelling and testing
- Best practice approach to due diligence

### Macro drivers

- Solid future growth in the NSW economy, population and electricity demand drivers in general
- Growing number of large scale renewable generation plants to meet LRET and to replace retiring coal fired generators
- Expected growth in electric vehicles provides strong support for the Grid over the long term
- Key role for transmission networks in removing imbalances in the NEM associated with increased renewable generation

### Asset Attributes

- Backbone of the NEM, connecting QLD, NSW, ACT and VIC
- Well maintained assets with a weighted average asset life of c.28 years
- Known revenues over the 4-year regulatory period to June 2018 – incentive based regulation with opportunity to outperform
- Solid and prudent capital structure capable of achieving a matching credit rating

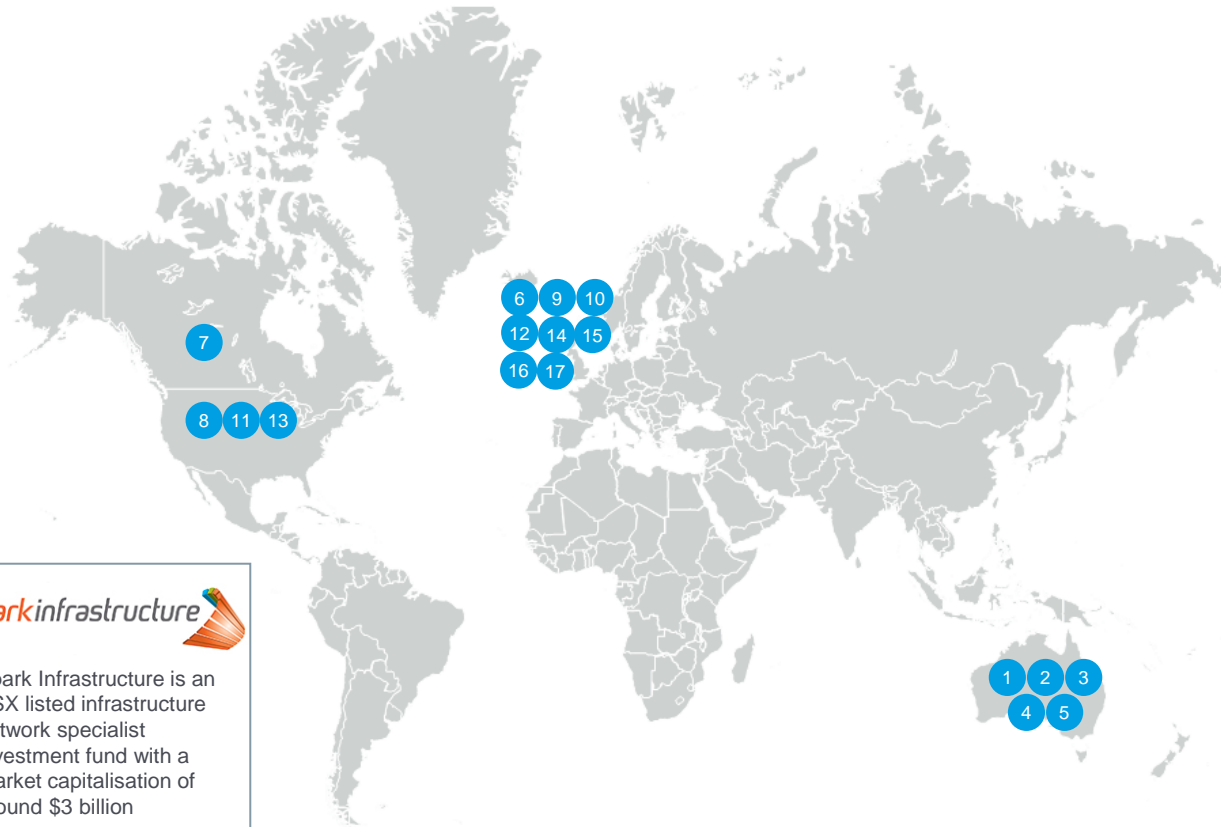
### Opportunities

- Immediate opportunities to improve asset utilisation, contract management, process streamlining, maintenance practices and enhanced life cycle management of capex
- Growth in centralised renewable energy provides expansion opportunities
- Quality assets and geographic footprint can be leveraged to grow non-prescribed business
- Further strengthening performance based culture to drive innovation and sustained productivity improvements

## Outcome

- Detailed understanding of the asset and its strengths
- Confidence in the expected future drivers of consumer demand and asset growth
- Identification of opportunities to generate incremental shareholder value over time
- Design of a capital structure that is robust and efficient

# THE CONSORTIUM HAS EXTENSIVE LOCAL AND GLOBAL EXPERIENCE OF OWNING AND MANAGING CRITICAL INFRASTRUCTURE



**sparkinfrastructure**

Spark Infrastructure is an ASX listed infrastructure network specialist investment fund with a market capitalisation of around \$3 billion

**HASTINGS**

Global (with strong Australian heritage) specialist manager of infrastructure assets with over \$10.8 billion in funds under management

**Caisse de dépôt et placement du Québec**

One of the largest institutional fund managers in Canada and North America with net assets totalling over C\$241 billion (~C\$10b infrastructure)

**Tawreed Investments**

Tawreed Investments is an infrastructure investment vehicle wholly owned by the Abu Dhabi Investment Authority

**WFI WREN HOUSE INFRASTRUCTURE**

Global Direct Infrastructure Investment vehicle of the Kuwaiti Investment Authority

- 1 **CITIPOWER**
- 2 **Powercor AUSTRALIA**
- 3 **SA Power Networks**
- 4 **ElectraNet** electricity transmission
- 5 **SYDNEY DESALINATION PLANT**
- 6 **PHOENIX** NATURAL GAS
- 7 **GazMétro** la vie en bleu
- 8 **GREEN MOUNTAIN POWER**
- 9 **FLUXYS**
- 10 **Heathrow**
- 11 **ipl** an ACS company
- 12 **south east water**
- 13 **SOUTHERN STAR** CENTRAL GAS PIPELINE
- 14 **Open Grid Europe\*** The Gas Wheel
- 15 **SOLVEIG GAS NORWAY\***
- 16 **Thames Water\***
- 17 **VIESGO**

\* Owned by an affiliate of Tawreed Investments

# CONSORTIUM GOVERNANCE

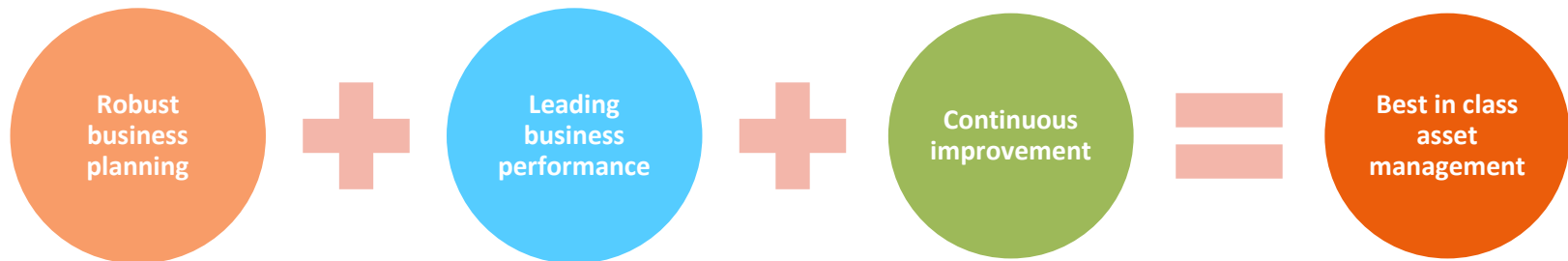
## Spark Infrastructure has strong representation and influence in the Consortium

- ▶ The Australian led Consortium has a deep appreciation of both community expectations and obligations, as well as of the legal framework and requirements which apply to Australian corporations
- ▶ The Consortium takes very seriously its responsibilities as a long term partner for the electricity generators, distributors and consumers of NSW
- ▶ Spark Infrastructure brings a local perspective and extensive experience in the Australian context:
  - Understands the art of partnering and is experienced in successfully managing minority stakes
  - Brings value to the table in driving performance from its investments
  - Long term view of its investments and business relationships
- ▶ The operating business will be governed by a Board initially consisting of six Directors including two Independent Directors. Each of Hastings and CDPQ will initially appoint one Director to the Board. Notwithstanding its 15.01% holding Spark Infrastructure may appoint two directors to the Board:
  - Mr. Rick Francis (Managing Director of Spark Infrastructure) will act as Chair from the date of acquisition for a transition period
  - Spark Infrastructure will also appoint Dr. Keith Turner as a Director, bringing a deep knowledge of electricity transmission assets and the electricity industry



# THE ROLE OF SPARK INFRASTRUCTURE

Spark Infrastructure is a trusted ASX listed owner of electricity network assets and a sensible long term partner



Spark Infrastructure's consistent performance and returns from its investments are founded on business plans which are sufficiently robust and flexible to deliver growing cashflows under a variety of different business circumstances and regulatory outcomes, based on:

- ▶ Disciplined financial and capital management
- ▶ Scalable operations and cutting edge efficiency programs
- ▶ Consistent out-performance of regulatory benchmarks and allowances
- ▶ Future focussed strategy: adaptation, innovation and evolution
- ▶ Highest standards of safety and reliability
- ▶ Track record of efficient delivery of services
- ▶ Appropriately incentivised management teams and employees

# PRO-RATA ENTITLEMENT OFFER

- ▶ **Fully underwritten** – Fully underwritten 5 for 34 accelerated non-renounceable entitlement offer to raise approximately \$405.4 million
- ▶ Price – Entitlement Offer price of \$1.88 per New Security
  - 8.7% discount to last closing price of \$2.06 on 24 November 2015
  - 7.7% discount to TERP
- ▶ **Additional New Securities** – Eligible retail securityholders may also apply for additional New Securities in excess of their entitlement up to a maximum of 100% of their entitlement. Applications may be scaled back subject to demand
- ▶ **Ranking** – All New Securities under the Entitlement Offer will rank equally in all respects with existing securities from the date of allotment
- ▶ **Entitlement to final distribution** – All New Securities will have full entitlement to the final 2015 distribution of 6.0 cents per security
- ▶ **Participation by Directors** – All Directors of Spark Infrastructure have indicated their intention to participate in the Entitlement Offer
- ▶ **Pro-rata participation** – New securities are being offered to all securityholders on a pro-rata basis

**The offer is pro-rata to existing securityholders**

# OFFER TIMETABLE

| Event   | Time / Date <sup>1,2</sup>         |
|---|------------------------------------|
| Institutional Entitlement Offer opens                                     | Wednesday, 25 November 2015        |
| Institutional Entitlement Offer closes                                    | 12:00pm Thursday, 26 November 2015 |
| Institutional Bookbuild   | Thursday, 26 November 2015         |
| Trading halt lifted   | Friday, 27 November 2015           |
| Record Date   | Monday, 30 November 2015           |
| Retail Entitlement Offer opens  | Tuesday, 1 December 2015           |
| Retail Offer Booklet Despatched   | Tuesday, 1 December 2015           |
| Early Retail Acceptance Date  | 5:00pm Thursday, 3 December 2015   |
| Settlement of Institutional Entitlement Offer and Early Retail Acceptance | Friday, 4 December 2015            |
| Initial Allotment   | Monday, 7 December 2015            |
| Retail Entitlement Offer closes   | Tuesday, 15 December 2015          |
| Settlement of Retail Entitlement Offer                                    | Monday, 21 December 2015           |
| Final Allotment   | Tuesday, 22 December 2015          |

Notes:

1. Timetable is subject to change. Spark Infrastructure reserves the right to alter the above dates at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act
2. All dates and time refer to Australian Eastern Daylight Savings Time

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## **2. EQUITY INVESTMENT IN TRANSGRID**

# TRANSGRID OWNS AND MANAGES ONE OF THE LARGEST HIGH VOLTAGE TRANSMISSION NETWORKS IN AUSTRALIA

## Key Statistics and Metrics<sup>1</sup>

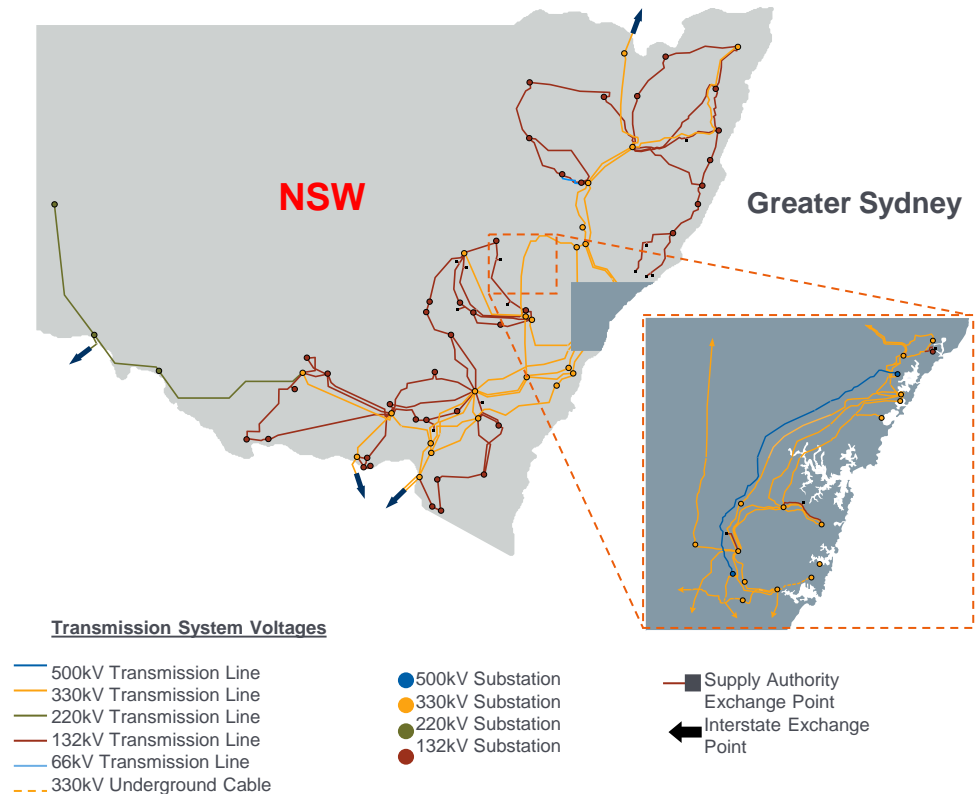
| Item   | Units      |
|--|------------|
| Closing RAB <sup>2</sup> (year ended 30 June 2015) | \$6,242 m  |
| Closing RAB <sup>2</sup> (year ended 30 June 2016) | \$6,451 m  |
| Customers  | 20         |
| Employees  | 1,074 FTE  |
| High voltage transmission lines                    | 12,900 km  |
| Total energy transmitted (year ended June 2014)    | 61,600 GWh |
| Transmission structures                            | 37,241     |
| Connection points                                  | 400        |
| Substations  | 97         |
| Interconnectors                                    | 6          |

- ▶ TransGrid's assets have a weighted average remaining asset life of around 28 years

### Notes:

1. Sourced from TransGrid PTRM 2015-18 and TransGrid Annual Report 2014
2. Allowed nominal RAB. Actual RAB may differ

## Network Overview



# ASSET HIGHLIGHTS

**TransGrid is one of Australia's most critical non replicable pieces of infrastructure forming an essential part of Australia's energy market**

**Long life and well maintained asset base**

- ▶ Largest transmission network in NSW and ACT connecting the QLD and VIC electricity markets
- ▶ Well regarded track record of reliability
- ▶ Well maintained assets with a weighted average asset life of c.28 years

**Grid delivered electricity will remain an essential part of the economy**

- ▶ TransGrid connects large scale generation to the Distribution Network Service Providers
- ▶ TransGrid is the backbone of the NEM connecting the QLD and VIC electricity networks, facilitating electricity flows interstate and management of supply and demand imbalances
- ▶ Centrally generated renewable energy expected to grow, e.g. solar and wind farms to meet increasing demand and to replace retiring coal fired generation
- ▶ Energy usage efficiency trends and technology innovation to continue but offset by a range of demand drivers including the forecast uptake of electric vehicles which is expected to bolster demand for electricity transmission over the long term

**Stable cashflows supported by a transparent and predictable regulatory environment**

- ▶ Fixed and known revenues over the regulatory period, with certainty to June 2018
- ▶ Revenue cap framework eliminates volume risk
- ▶ Strong natural hedge to movements in market rates (interest rates and inflation)

**High EBITDA margin business with clear earnings visibility**

- ▶ Vast majority of revenue in 2015 was low risk regulated revenue with a high EBITDA margin
- ▶ Non-prescribed business complements regulated revenue

# ASSET HIGHLIGHTS (CONT.)

TransGrid is one of Australia's most critical non replicable pieces of infrastructure forming an essential part of Australia's energy market

## Incentives based regulatory regime

- ▶ Incentives based regulatory regime supportive of network outperformance
- ▶ TransGrid outperformed its total regulatory capital expenditure allowance across the 2009-2014 regulatory period

## Migration to a well diversified capital structure

- ▶ Consortium will execute a strong and efficient capital structure
- ▶ Corresponding investment grade credit rating expected in due course

## Strong platform for continued growth in non-prescribed business

- ▶ Consists of two broad lines of business – infrastructure services (building and maintaining electricity infrastructure) and telecommunications

**Quality assets operated by a skilled and dedicated workforce**

# TRANSGRID'S EXPOSURE TO GRID DELIVERED ELECTRICITY OFFERS LONG TERM STABLE RETURNS

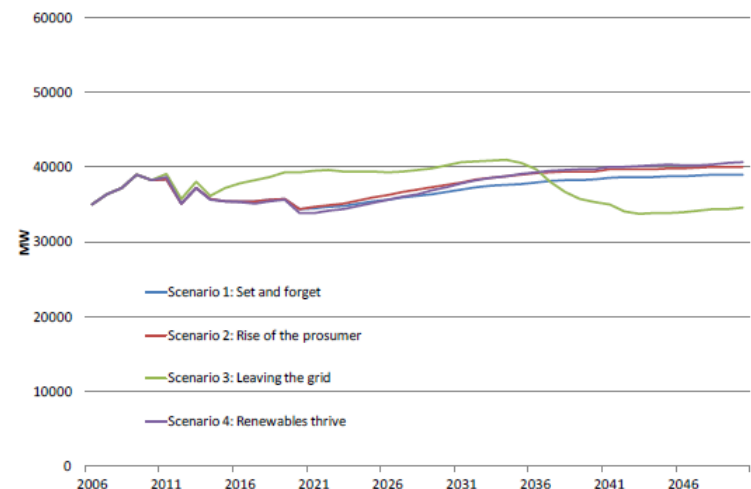
## Sustained growth in the economy, population and electricity demand drivers

- ▶ Growth in centralised renewable energy generation requiring connection to the Grid
- ▶ Expected growth in electric vehicles provides strong support for the Grid over the next 50 years
- ▶ There is a key role for electricity transmission networks in removing imbalances in the NEM given an increasingly volatile supply profile caused by the transition to renewable generation

## RAB investments protected

- ▶ Over the past two decades of energy market reform a deliberate policy and regulatory choice has been made to move away from allowing any opportunity for periodic or ad-hoc revaluations of RAB
- ▶ **RAB write-downs rejected by AEMC:** "...While the rule change requests from the Major Energy Users Group (to optimise RAB) may increase utilisation of assets to an extent, the benefits are outweighed by the potential disadvantages of optimisation. These disadvantages (include) increased risk for NSPs providing disincentives for efficient future investment" - *AEMC rule determination, September 2012*

## Projected level of centrally met peak demand



- ▶ The Grid provides over 90% of electricity supply<sup>1</sup>
- ▶ Even under CSIRO's "Leaving the Grid" scenario the Grid's peak demand requirements continue at similar levels through to 2050

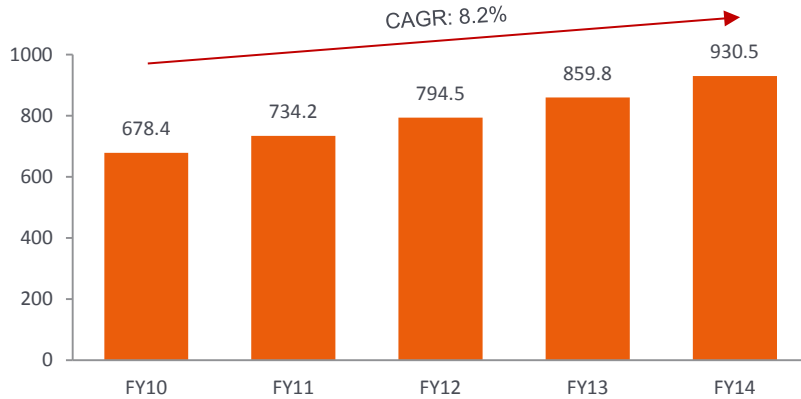
Centrally met peak demand is expected to remain high, providing solid support for future growth in transmission businesses

1. "Change and Choice: The Future Grid Forum's analysis of Australia's potential electricity pathways to 2050", CSIRO December 2013

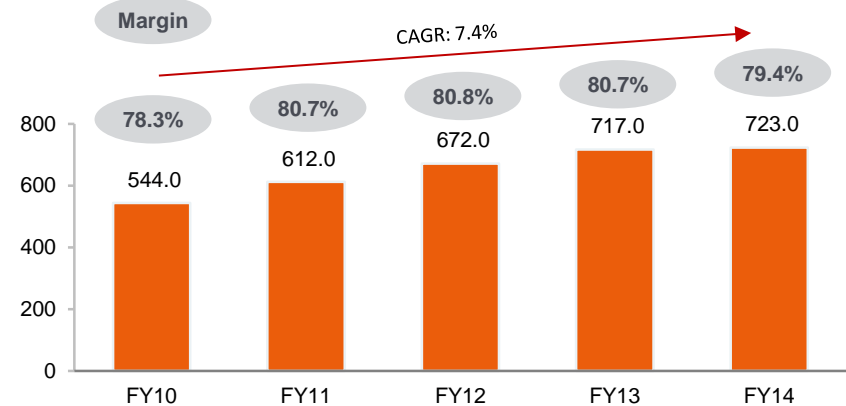


# TRANSGRID HISTORICAL PERFORMANCE

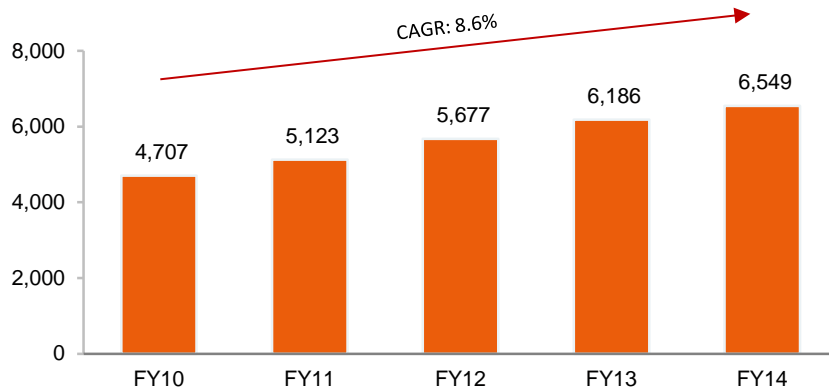
**Maximum Allowed Revenue (“MAR”) (\$m, nominal)<sup>1</sup>**



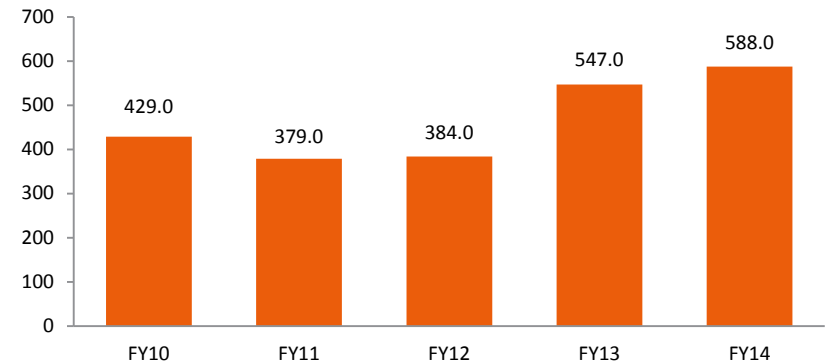
**EBITDA (\$m, nominal)<sup>2</sup>**



**Allowed RAB (\$m, nominal)<sup>1</sup>**



**Capex (\$m, nominal)<sup>2</sup>**



1. AER – statement on updates to TransGrid’s transmission determination 2010-14, March 2010. Note actual RAB and MAR differed from regulatory allowances  
 2. TransGrid Annual Report 2014

# TRANSGRID CURRENT REGULATORY DETERMINATION

- ▶ TransGrid's current regulatory determination applies for 4 years to 30 June 2018
- ▶ The previous owners did not appeal any element of the AER's 2014-2018 Final Determination

| Key regulatory assumptions <sup>1</sup>            | Final Determination received 30 Apr 2015<br>(Period 1 Jul 2014 - 30 Jun 2018) |
|--|---|
| CPI  | 2.38%   |
| Beta   | 0.7   |
| Risk Free Rate                                     | 2.55%   |
| Market risk premium ("MRP")                        | 6.50%   |
| Nominal post tax return on equity                  | 7.10%   |
| Trailing average portfolio return on debt - Year 1 | 6.67%   |
| Nominal vanilla WACC - Year 1                      | 6.84%   |
| Gamma (Imputation)                                 | 0.4   |
| Net capex over 4 years (\$2014)                    | \$1.0 billion   |
| Opex over 4 years (\$2014)                         | \$0.7 billion   |
| Revenue over 4 years (\$nominal)                   | \$3.0 billion   |

**TransGrid's current regulatory determination applies for 4 years only (to 30 June 2018) and was not appealed by its previous owners**

Notes:

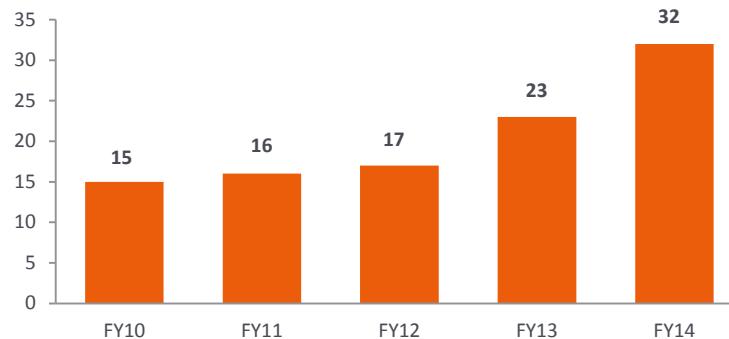
1. Sourced from AER Final Decision for TransGrid 2015-2018, (substituted) July 2015

# NON-PRESCRIBED REVENUE GROWTH OPPORTUNITIES

## Significant opportunities for non-prescribed infrastructure services revenue

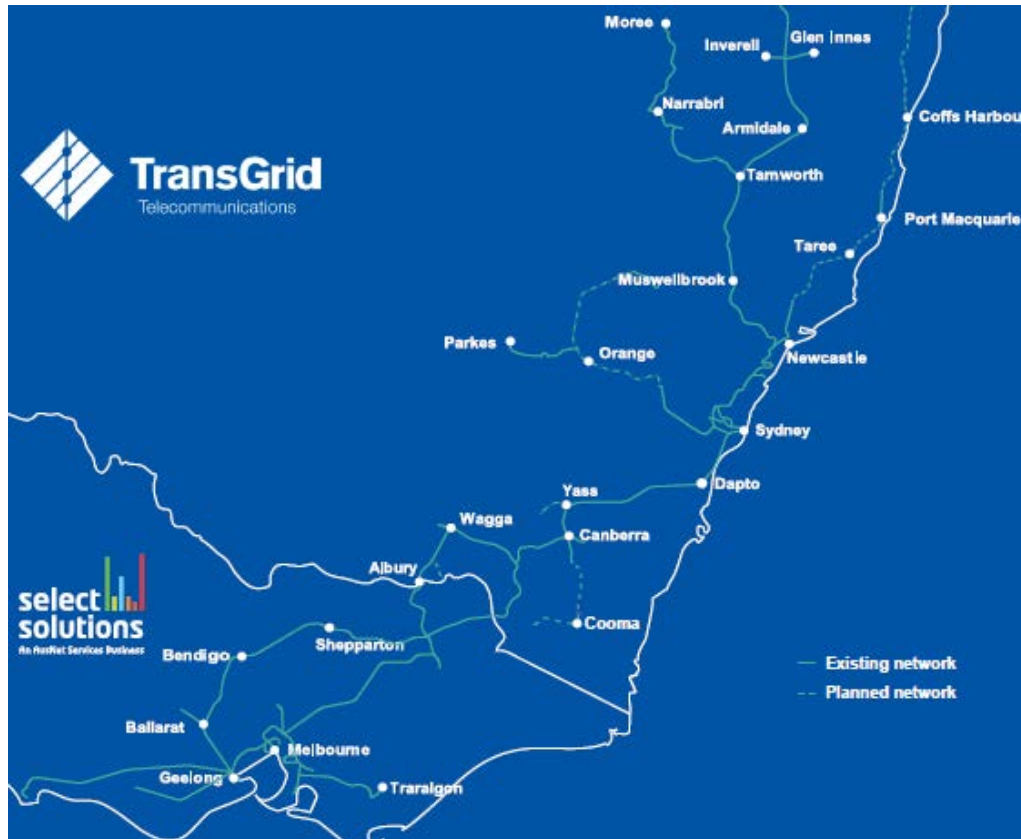
- ✓ Renewable generation projects expected to come on line as move towards fulfillment of the LRET progresses. These new generation projects provide opportunities for TransGrid to grow its connections
- ✓ Existing contracts provide significant cashflow and value
- ✓ Network modification opportunities as generation mix in the network changes with increases in large scale renewable energy projects

Historical Non-Prescribed Revenue (\$m)<sup>1</sup>



1. TransGrid Annual Report 2014

# TRANSGRID HAS A NUMBER OF ATTRACTIVE TELECOMMUNICATION OPPORTUNITIES



TransGrid has a valuable network of assets that can be leveraged in the telecommunications market

- Over 4,000km of diverse fibre network in NSW, VIC and the ACT
- Network is a combination of owned and leased optical ground wire fibre, and underground fibre cabling
- Network also has microwave segments capable of providing low bandwidth backhaul services
- 123 radio towers across NSW that underpin TransGrid's 'facilities access' business. These towers can be leased to mobile providers and other electricity companies

Extension of network to connect to data centres and NBN Points of Interconnect ("POIs") in proximity of its network provides opportunity

- Plans to build out the existing connection business to the data centres and POIs in close proximity in NSW, ACT and VIC
- Fibre swap agreements have been made with third party providers

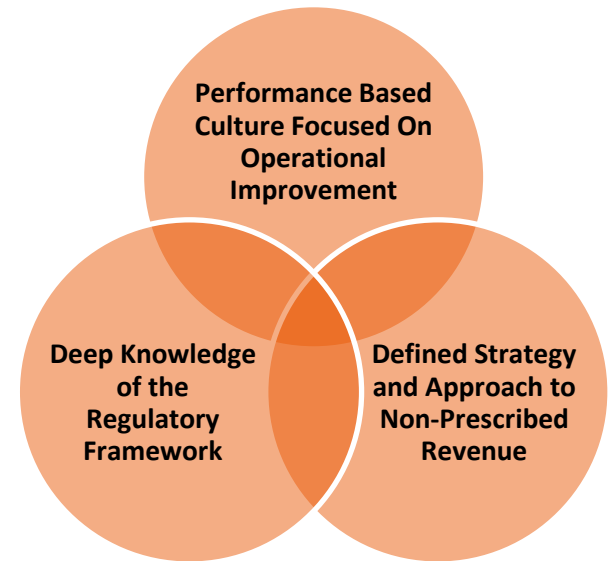
"Introducing TransGrid Telecommunications" TransGrid presentation to Commsday Melbourne Congress, October 2015

# 3. BUSINESS PLAN

# TRANSGRID BUSINESS PLAN

**Proven track record and strong experience of the Consortium members in owning comparable assets provides confidence in the ability to deliver our business plan**

- 1** Consortium members have substantial experience in transmission and distribution and will support active management of TransGrid
- 2** Continued focus on asset utilisation and process improvements to increase the efficiency of TransGrid's assets
- 3** Leverage TransGrid's quality assets, skilled workforce and geographic reach to grow non-prescribed business activity
- 4** Further develop a performance based culture focused on operational improvement
- 5** Build and maintain a strong focus on good governance coupled with a long term view of the investment
- 6** Extend Spark Infrastructure's proven track record of disciplined management and consistent out-performance of regulatory benchmarks



# BUSINESS PLAN - ACTIVE MANAGEMENT OF THE ASSET

## THE AIM IS TO GROW AND IMPROVE THE BUSINESS

- ▶ Our Australian led Consortium brings a wealth of experience in the oversight and management of regulated businesses in the local context, including:
  - Deep level of knowledge of the regulation of network assets in Australia
  - Demonstrated expertise in improving cost efficiency in its regulated business activities
  - Top level benchmarking performance in other regulated Australian network businesses in which Consortium members have an interest
  - A track record of safety and reliability in the delivery of services
  - Sector leading consumer engagement programs
  - Proven ability to transition business to private ownership in a responsible and sensitive manner
- ▶ The Consortium will apply its skills and experience in an active manner to the management of TransGrid to deliver our business plan and meet community expectations
- ▶ The Consortium will be bound by employment guarantees at TransGrid to June 2020. During this period TransGrid will maintain 1,000 full time equivalent employees, which is commensurate with current staff levels
- ▶ The Consortium has also agreed to the Electricity Network price guarantee, which stipulates that TransGrid's total network charges for the financial year ending 30 June 2019 will be lower than for the financial year ended 30 June 2014

# VICTORIA POWER NETWORKS CASE STUDY



- ▶ Spark Infrastructure holds a 49% interest in CitiPower and Powercor, together known as Victoria Power Networks
- ▶ Since 2014, Victoria Power Networks Management has been undertaking a highly effective business improvement program designed to achieve world class levels of efficiency, for the benefit of customers, staff and shareholders
- ▶ Its areas of focus and opportunity have included:
  - Increasing efficiency and removing 'red tape' across the business - has enabled re-engagement and re-investment in people across frontline areas (including apprentices)
  - Improved contractor management, more rigorous and competitive tendering and policy reviews
  - New centralised and refreshed procurement function set to deliver significant value across medium to longer term
  - Streamlined maintenance processes and avoidance of unnecessary maintenance
  - Numerous field workforce productivity initiatives
  - Longer term system replacements initiated:
    - Workforce management
    - End to end connections
    - Design processes

**AER benchmarking shows CitiPower and Powercor to be amongst the most efficient electricity distribution businesses in Australia**

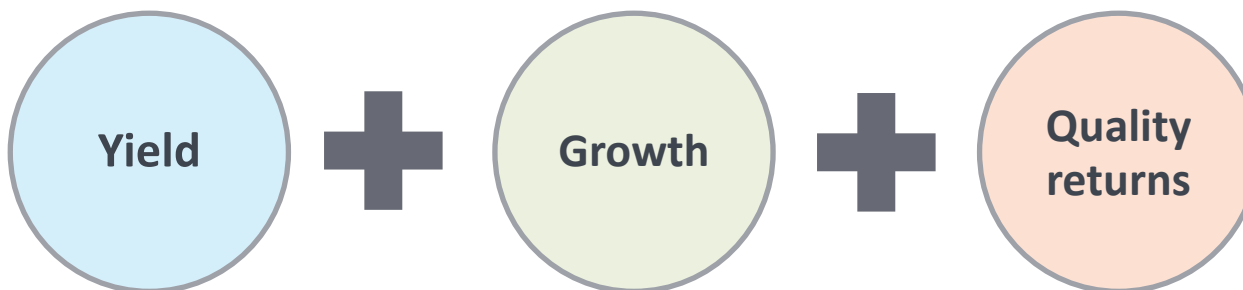


# SUMMARY

Spark Infrastructure will make an equity investment in 15.01% of TransGrid equal to \$734.3 million<sup>1</sup>. The investment:

- ▶ Is value accretive and provides long term cash generation growth opportunities to Spark Infrastructure
- ▶ Is forecast to be SOCF per security accretive relative to Spark Infrastructure's 2015 forecast SOCF of 14.0 cents per security<sup>2</sup>
- ▶ Will be actively managed to increase efficiency through better asset utilisation and process improvements
- ▶ Reduces portfolio risk by providing further diversification to Spark Infrastructure's existing investment portfolio by sources of cashflow, asset type, geography, regulatory timing and partnering

Spark Infrastructure is able to apply its core capabilities to the out-performance of regulatory benchmarks and growing non-prescribed business activity



- Distributions from TransGrid to be approximately \$45 million in 2016
- Provides additional SOCF and adds diversity to SOCF sources
- TransGrid will have a solid and sustainable investment grade capital structure with a corresponding credit rating expected to be secured in due course

- TransGrid's quality assets have further scope for immediate improvements in asset utilisation
- Future capex spend supported by demand expectations based on forecast growth in centrally generated renewable energy
- Significant opportunity to grow non-prescribed business activity

- Distribution guidance re-affirmed for FY 2015 at 12.0 cps and at least 12.5 cps for FY 2016
- New distribution guidance provided for FY 2017 of at least 13.0 cps and at least 13.5 cps for FY 2018
- Distribution guidance to be reviewed once regulatory reset processes for CitiPower and Powercor are completed

1. \$734.3m includes \$20.1m of Spark Infrastructure's 15.01% share of consortium acquisition and financing costs

2. Refer to Key Risks section. SOCF per security assumes 1.466bn securities pre TransGrid transaction

# 4. FUNDING AND FINANCIALS

# FUNDING SOURCES AND USES

## TransGrid acquisition funding

| CONSORTIUM SOURCES (\$m) |               | CONSORTIUM USES (\$m)                         |               |
|--------------------------|---------------|---|---------------|
| Spark Infrastructure     | 734           | TransGrid Acquisition Price (incl Stamp Duty) | 10,258        |
| Others Sponsors          | 4,158         | Transaction and Financing costs               | 134           |
| Debt                     | 5,500         |   |               |
| <b>Total sources</b>     | <b>10,392</b> | <b>Total uses</b>                             | <b>10,392</b> |

## Spark Infrastructure equity contribution

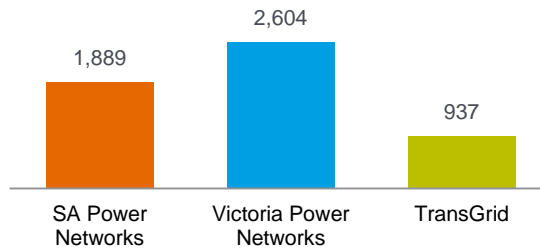
| SOURCES (\$m)                                     |            | USES (\$m)  |            |
|---|------------|---|------------|
| Fully Underwritten Entitlement Offer <sup>1</sup> | 405        | Spark Infrastructure Investment                     | 734        |
| Corporate Debt                                    | 205        | Spark Infrastructure Transaction costs <sup>2</sup> | 16         |
| Cash on Hand                                      | 140        |   |            |
| <b>Total sources</b>                              | <b>751</b> | <b>Total uses</b>                                   | <b>751</b> |

Note: numbers may not add due to rounding

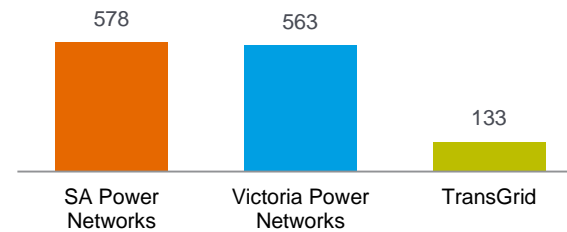
1. Assumes 215.6 million fully paid New Securities are issued pursuant to the Entitlement Offer. The exact number of New Securities to be issued under the Entitlement Offer is still to be finalised and is subject to reconciliation of security holder entitlements
2. Includes Spark Infrastructure's direct transaction and financing costs

# SPARK INFRASTRUCTURE PROFORMA FINANCIAL SUMMARY

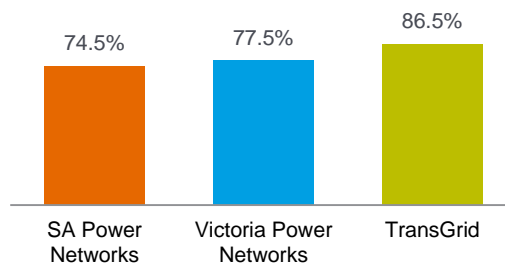
Spark Infrastructure share of  
RAB (\$m) at 30 Jun 2015



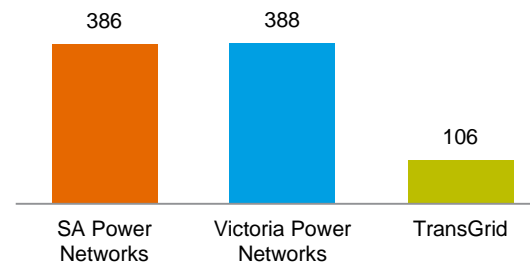
Spark Infrastructure share of  
Revenue (\$m) for FY to 30 Jun 2015



Net Debt to RAB (%)  
at 30 Jun 2015



Spark Infrastructure share of  
EBITDA (\$m) for FY to 30 June 2015



Notes:

1. Graphs assume 49% share of SA Power Networks and Victoria Power Networks and 15.01% of TransGrid

# PROFORMA SPARK INFRASTRUCTURE STATUTORY BALANCE SHEET

| \$m                             | Spark Infrastructure<br>30 June 2015 | Proforma<br>Adjustments | Combined Group<br>Proforma<br>30 June 2015 |
|---------------------------------|--------------------------------------|-------------------------|--|
| Cash and cash equivalents       | 141.3                                | (136.0)                 | 5.3  |
| Receivables from associates     | 10.4                                 | -                       | 10.4                                       |
| Other financial assets          | 13.2                                 | -                       | 13.2                                       |
| Other current assets            | 1.2                                  | -                       | 1.2  |
| <b>Total Current Assets</b>     | <b>166.0</b>                         | <b>(136.0)</b>          | <b>30.0</b>                                |
| Property, plant and equipment   | 0.2                                  | -                       | 0.2  |
| Investments in associates       | 2,745.3                              | 734.3                   | 3,479.6                                    |
| Other financial assets          | 179.5                                | -                       | 179.5                                      |
| <b>Total Non-Current Assets</b> | <b>2,925.1</b>                       | <b>734.3</b>            | <b>3,659.4</b>                             |
| <b>Total Assets</b>             | <b>3,091.1</b>                       | <b>598.3</b>            | <b>3,689.4</b>                             |

# PROFORMA SPARK INFRASTRUCTURE STATUTORY BALANCE SHEET (CONT.)

| \$m   | Spark<br>Infrastructure<br>30 June 2015 | Proforma<br>Adjustments | Combined Group<br>Proforma<br>30 June 2015 |
|---|---|-------------------------|--|
| Payables                                      | 3.0                                     | -                       | 3.0  |
| Loan Note interest payable to securityholders | 51.3                                    | -                       | 51.3                                       |
| <b>Total Current Liabilities</b>              | <b>54.3</b>                             | <b>-</b>                | <b>54.3</b>                                |
| Payables                                      | 1.8                                     | -                       | 1.8  |
| Interest bearing liabilities                  | -                                       | 205.0                   | 205.0                                      |
| Loan Notes attributable to securityholders    | 925.9                                   | 136.0                   | 1,061.9                                    |
| Deferred tax liabilities                      | 219.7                                   | -                       | 219.7                                      |
| <b>Total Non-Current Liabilities</b>          | <b>1,147.3</b>                          | <b>341.0</b>            | <b>1,488.3</b>                             |
| <b>Total Liabilities</b>                      | <b>1,201.6</b>                          | <b>341.0</b>            | <b>1,542.6</b>                             |
| <b>Net Assets</b>                             | <b>1,889.5</b>                          | <b>257.3</b>            | <b>2,146.8</b>                             |
| <b>Equity</b>                                 | <b>1,889.5</b>                          | <b>257.3</b>            | <b>2,146.8</b>                             |

## 5. KEY RISKS

# KEY RISKS

This Appendix sets out key risks attached to an investment in securities in Spark Infrastructure, which may affect the future operating and financial performance of Spark Infrastructure and the value of Spark Infrastructure securities. Before investing in Spark Infrastructure's securities, you should consider whether this investment is suitable for you, having regard to publicly available information (including this Investor Presentation), your personal circumstances and following consultation with financial or other professional advisers.

The following summary of risks is not exhaustive. Additional risks and uncertainties that Spark Infrastructure is unaware of, or that currently Spark Infrastructure considers to be immaterial, may also become important factors that adversely affect Spark Infrastructure's operating and financial performance.

## Risks associated with the acquisition of TransGrid

- ▶ Spark Infrastructure will acquire a 15.01% interest in TransGrid, as part of a bidding consortium which will together acquire 100% of TransGrid by way of a 99 year lease ("Lease"). The risks outlined below relate to the acquisition of TransGrid, are therefore relevant to Spark Infrastructure proportionate only to its interest in TransGrid.

### Tax Matters associated with TransGrid

- ▶ Due to the nature of the Transmission Network Assets and associated land use entitlements, there is uncertainty as to: the character of some of the assets to be acquired; and the character of some of the consideration received or receivable by the Asset Trust; and the character of some of the consideration paid or credited to the Asset Trust. If there is a change in law or regulation the Asset Trust and the Operating Trust may no longer be flow through trusts.
- ▶ It is a requirement that at least half of the boards of Asset Trust and Operating Trust must be comprised of different persons. Securityholders must co-operate to ensure that board composition requirements are satisfied. If securityholders do not comply with the board composition requirements this could have an adverse impact on the effectiveness of the holding company structure.
- ▶ There is a risk that a change in shareholding or board composition could adversely affect the flow through status of the TransGrid Holding Trusts.

### Regulatory risks associated with TransGrid

- ▶ TransGrid operates in regulated industries and carries out its business activities under various permits, licences, approvals and authorities from regulatory bodies. The Australian Energy Regulator is responsible for revenue determination in accordance with the National Electricity Rules which effectively set the large majority of the revenue TransGrid is entitled to recover over 5 year regulatory periods. Accordingly, the value of Spark Infrastructure's investment in TransGrid may be materially adversely affected by:
  - ▶ adverse changes to regulatory determinations;
  - ▶ revocation of permits, licences, approvals or authorities; and
  - ▶ breach by TransGrid of permitted operating conditions.
- ▶ The terms of TransGrid's transmission licence may be varied by the Minister for Industry, Resources and Energy (Minister) and the transmission licence may be cancelled by IPART or the Minister in certain serious circumstances. The loss of TransGrid's transmission licence would have a materially adverse impact on Spark Infrastructure's financial performance and position.
- ▶ The transmission licence could also be revoked if certain conditions relating to the conduct and operation of the business, and its compliance with the applicable regulatory regime (including in relation to security clearance of certain senior staff), are breached.



# KEY RISKS

- ▶ Loss of the transmission licence could also potentially cause the Lease to terminate. The Lease might also be terminated if TransGrid fails to comply with certain other significant performance and regulatory obligations. One such obligation relates to the telecommunications operations of TransGrid, which utilise part of its network. If this telecommunications business is not operated in accordance with the relevant regulatory regime and those breaches are not cured within specified time periods, the Lease could be terminated. The loss of the lease with TransGrid or a revocation of the transmission licence would have a materially adverse impact on Spark Infrastructure's financial performance and position.
- ▶ Failure to obtain permits, licences, approvals or authorities required to operate the TransGrid business could result in fines being payable by Spark Infrastructure.

## Analysis of acquisition opportunity

- ▶ Spark Infrastructure has undertaken financial, business and other analyses of TransGrid in order to determine the attractiveness of investing in TransGrid to Spark Infrastructure, and whether to pursue the acquisition of an interest in TransGrid. It is possible that such analyses, and the best estimate assumptions made by Spark Infrastructure, have led to conclusions and forecasts that are incorrect or which are not realised in due course.
- ▶ To the extent that the actual results achieved by TransGrid differ from those indicated by Spark Infrastructure's analysis, or the strategic opportunities that the investment provides are not realised, there is a risk that the expected operating cashflows of Spark Infrastructure may differ materially from expected operating cashflows as reflected in this Investor Presentation, potentially adversely.
- ▶ As Spark Infrastructure will acquire its interest in TransGrid as part of a consortium, there is a risk that the members of the consortium do not agree on decisions relating to the management of TransGrid. There is a risk that a material disagreement between Spark Infrastructure and the other consortium members could have a material adverse effect on Spark Infrastructure's investment in TransGrid.

## Transition risk / portfolio management risk

- ▶ As a result of the acquisition of TransGrid's assets, the State's transmission network business will be managed under long term lease and operated, in cooperation with the State, by private investors. In order to transition the business from State to private ownership, Spark Infrastructure and its consortium members have developed a transition plan to effect proper hand-over and transition of the business to the Consortium. There will need to be certain changes implemented within the first 6 months of its ownership, including new corporate and management accounting requirements, transitioning accounts payable, accounts receivable, payroll and employee data, revised treasury requirements, ensuring compliance with all tax requirements including payroll taxes, BAS and FBT, updating the existing IT systems as appropriate, implementing the required legal and regulatory changes, ensuring internal and external communications are handled appropriately and ensuring that emergency responses continue to be managed with the highest priority.
- ▶ Risks associated with this transition include an inability to complete the transition in an effective and timely fashion, which may affect the recovery of revenue, management of costs, loss of key personnel and business continuity. In addition, the transition may impact on the licences and existing contracts.
- ▶ In terms of improving the overall efficiency of the business and growing the unregulated revenue opportunities, a business plan has been prepared and a transformation plan will be implemented over the short to medium term, which may include the following activities: focussing on growing the unregulated revenue opportunities for the business, both in new connections and telecommunications, repositioning the business model to maximise efficiencies, ensuring the employees are motivated and aligned to the new business plan and maintaining safety and network reliability standards.
- ▶ The risks associated with the transformation of the business include an inability to obtain employee engagement, changes in the business operating model, and unregulated business opportunities not being fully realised.

# KEY RISKS

## Completion risk

- ▶ Spark Infrastructure expects to receive proceeds from the Entitlement Offer to partially fund its investment in TransGrid. In the event that the Entitlement Offer does not proceed and the associated underwriting agreement is terminated, those proceeds will not be available, and Spark Infrastructure will be required to rely on alternate sources of funding. There is a risk that the funding of Spark Infrastructure's other consortium members is not available when required. This will have a material adverse effect on the ability to complete the acquisition of Spark Infrastructure's interest in TransGrid.

## Historical liability

- ▶ If the acquisition of TransGrid completes, Spark Infrastructure may become (on a proportionate basis) directly or indirectly liable for any liabilities that TransGrid has incurred in the past, which were not identified during its due diligence or which are greater than expected, and for which the market standard protection (in the form of insurance, representations and warranties and indemnities) negotiated by Spark Infrastructure prior to its agreement to acquire TransGrid turns out to be inadequate in the circumstances. Such liability may adversely affect the financial performance of position of Spark Infrastructure post-acquisition.

## Acquisition accounting

- ▶ In accounting for the acquisition of the interest in TransGrid in the pro-forma combined balance sheet, Spark Infrastructure has performed a preliminary fair value assessment of all of the assets, liabilities and contingent liabilities of TransGrid. Spark Infrastructure will undertake a formal fair value assessment of all of the assets, liabilities and contingent liabilities of TransGrid post-acquisition, which may give rise to a materially different fair value allocation to that used for purposes of the pro-forma financial information set out in this Investor Presentation. Such a scenario will result in a reallocation of the fair value of assets and liabilities acquired to or from goodwill and also an increase or decrease in depreciation and amortisation charges in the Combined Group's income statement (and a respective increase or decrease in net profit after tax).

## Reliance on information provided

- ▶ Spark Infrastructure undertook a due diligence process in respect of its investment in TransGrid, which relied in part on the review of financial and other information provided by the vendors of TransGrid. Despite taking reasonable efforts, Spark Infrastructure has not been able to verify the accuracy, reliability or completeness of all the information which was provided against independent data. Similarly, Spark Infrastructure has prepared (and made assumptions in the preparation of) the financial information relating to TransGrid on a stand-alone basis and also to Spark Infrastructure and TransGrid post-acquisition included in this Investor Presentation in reliance on limited financial information and other information provided by the vendors of TransGrid. Spark Infrastructure is unable to verify the accuracy or completeness of all of that information.
- ▶ If any of the data or information provided to and relied upon by Spark Infrastructure in its due diligence process and its preparation of this presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of TransGrid and Spark Infrastructure may be materially different to the financial position and performance expected by Spark Infrastructure and reflected in this Investor Presentation. Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the acquisition have been identified. Therefore, there is a risk that unforeseen issues may also have a material impact on Spark Infrastructure.

# KEY RISKS

## Refinancing Risks, use of leverage and Credit Ratings

- ▶ Both Spark Infrastructure's existing Asset Companies and TransGrid will need to access debt markets in the future to refinance maturing debt and to access debt for growth and other corporate needs. The use of leverage may enhance returns, but it may also substantially increase the risk of loss.
- ▶ The Asset Companies and TransGrid are exposed to risks associated with debt financing, including that it will be unable to arrange financing for growth or the refinancing of its existing indebtedness as and when required, on the terms expected or at all. If the Asset Companies and TransGrid are able to refinance existing indebtedness, the terms of such refinancing may not be as favourable as the original terms of such indebtedness
- ▶ The Asset Companies and TransGrid's access to and cost of finance is affected by their respective credit ratings. Any downgrade or change in outlook could affect the ability of the borrowers to refinance their existing indebtedness or materially increase their cost of finance
- ▶ Financing arrangements typically require borrowers to comply with certain obligations and undertakings, including maintaining security arrangements for the benefit of lenders, and the meeting of certain financial covenants. If a material obligation is breached and not remedied, this could lead to early termination of the financing arrangement and a requirement to repay the debt financing
- ▶ TransGrid does not currently have a credit rating from a rating agency, but will need to obtain a credit rating in order to have sufficient access to all relevant debt markets in future. Spark Infrastructure and the Consortium have undertaken analysis which supports their assumption that TransGrid should be able to obtain an investment grade credit rating in the near term. However, there is a risk that credit rating agencies draw different conclusions to the Consortium regarding the risk profile of TransGrid, which may have the potential to adversely impact the level, terms or pricing of future financing for TransGrid which may adversely impact its distributions to Spark Infrastructure.

## Risks associated with Spark Infrastructure and its existing investments

### Control

- ▶ Spark Infrastructure does not have a controlling interest in its investments, which means that Spark Infrastructure cannot exercise full control of these investments. The various shareholders of the Asset Companies may have different objectives and opinions regarding the management of the Asset Companies. There is a risk that a material disagreement between Spark Infrastructure and its co-investors could have a material adverse effect on Spark Infrastructure's investment in the Asset Companies.

### SA Power Networks and Victoria Power Networks

- ▶ The Asset Companies in which Spark Infrastructure holds a 49% interest, SA Power Networks and CitiPower and Powercor (together known as Victoria Power Networks), operate in accordance with 5-year regulatory periods administered by the AER, which commenced on 1 July 2015 in the case of SA Power Networks and will commence on 1 January 2016 in the case of Victoria Power Networks. Both businesses will operate under the AER's Preliminary Determinations for the first year of their 5-year regulatory periods and will undergo a 'no disadvantage true-up' once the Final Determinations are released, whereby they will be allowed to recover any under-recovery of revenues arising in the first year in years 2-5 of their regulatory periods.

# KEY RISKS

- ▶ The AER published the Final Determination for SA Power Networks on 29 October 2015 which, under the operation of a “revenue Cap” form of revenue recovery, now provides complete revenue certainty for SA Power Networks up to 30 June 2020. The Final Determination included a number of material improvements over the Preliminary Determination resulting in an additional \$626 million of revenue applicable to the 5-year regulatory period. It is expected that SA Power Networks will lodge appeals under the Limited Merits Review system against certain elements of the Final Determination. The AER published the Preliminary Determination for CitiPower and Powercor on 29 October 2015 and is expected to publish the Final Determinations on 30 April 2016. The outcome of this process will have a material impact on operating results.

## Governance

- ▶ Spark Infrastructure’s investment in TransGrid is partly via Spark Infrastructure Holdings No 3 Pty Ltd (“Spark 3”). Spark 3 is subject to certain corporate governance arrangements which provide that certain rights which would ordinarily be held by the company’s shareholders were given to Spark Infrastructure securityholders. These governance arrangements are given effect by the constitution of the company and the governance deed poll entered into with its securityholders.

## Economic Interest in DUET Group

Spark Infrastructure holds an economic interest in DUET Group securities of 11.0%. In May 2014 Spark Infrastructure acquired a minimum economic interest equivalent to 185,913,000 securities in DUET Group by way of cash-settled equity swap contracts (“swaps”) and derivative arrangements with Deutsche Bank AG (“DB”), which now mature in 2018. At the election of DB, Spark Infrastructure may also acquire a further 114,544,000 DUET Group securities in July 2018.

- ▶ Since inception Spark Infrastructure has varied the terms of some of the Derivative Contracts including terminating some of the Options of the Call Component under the Share Option Transaction – Collar through a combination of cash, extending the expiry date of the Collar, extending the expiry date of the non-prepaid Share Forward and increasing the number of securities which DB may elect to transfer to Spark Infrastructure under the Forward Contracts.
- ▶ Spark Infrastructure further amended its swap and derivative arrangements with Deutsche Bank to acquire an additional economic interest in a total of 69,113,000 securities under swaps maturing in 2017 and a share forward expiring in 2018. These transactions were funded by way of embedded funding.
- ▶ Spark Infrastructure regularly reviews its interest in DUET Group and may make further amendments to the Derivative Contracts throughout their term as it considers appropriate.

# KEY RISKS

## Reliance on key personnel

- ▶ Spark Infrastructure's growth and profitability may be limited by the loss of key senior management personnel, the inability to attract new suitably qualified personnel or by increased compensation costs associated with attracting and retaining key personnel.

## Funding requirements

- ▶ Spark Infrastructure is exposed to risks relating to the refinancing of existing debt instruments and facilities of the Asset Companies. The Asset Companies have debt facilities maturing over the coming years. The Asset Companies may experience difficulty in refinancing some or all of these debt maturities. The terms on which they are refinanced may also be less favourable than at present. TransGrid is affected by the same refinancing risk and therefore, Spark Infrastructure will have some exposure to this risk in respect of TransGrid following the acquisition of its interest in TransGrid.

## Interest rates and inflation

- ▶ While Spark Infrastructure and the Asset Companies take reasonable steps to protect themselves through the use of hedges, rising interest rates may nonetheless adversely impact Spark Infrastructure and the Asset Companies. Inflation in underlying input costs may also adversely impact the performance of Spark Infrastructure and the Asset Companies.

## New Technologies / Industry change

- ▶ The Asset Companies in which Spark Infrastructure holds a 49% interest operate in a business environment which is characterised by significant technological change in the generation, storage and metering of electricity. There has been significant growth in the penetration of solar photo-voltaic panels in Australia and particularly in South Australia where it has reached around 25% of residential dwellings. In addition, while battery technology has not yet reached a price point where it represents an economically viable proposition for a critical mass of residential customers, it can be expected to continue to develop towards such a position. Changing technology has also introduced increased competition into certain areas of the businesses such as the provision of metering services. New and developing technologies may impact future demand, capital expenditure requirements, the value of sunk investments and the relevance of certain operational structures and processes.

## Safety risk

- ▶ Failure to implement effective workplace health and safety procedures for Spark Infrastructure's Asset Companies or at TransGrid could give rise to workplace health and safety and / or public safety risks which in turn may create reputational or regulatory risk, or lead to a claim and may have a materially adverse effect on the performance of Spark Infrastructure and the Asset Companies.

# KEY RISKS

## Risks associated with the new stapled securities

### Investment in equity capital

- ▶ There are general risks associated with investments in equity capital. The trading price of stapled securities in Spark Infrastructure may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the new stapled securities issued under the Entitlement Offer being less or more than the offer price. Generally applicable factors which may affect the market price of stapled securities include:
  - General movements in Australian and international stock markets;
  - Investor sentiment;
  - Australian and international economic conditions and outlook;
  - Changes in interest rates and the rate of inflation;
  - Changes in government regulation and policies;
  - Announcement of new technologies;
  - Geo-political instability, including international hostilities and acts of terrorism; and
  - Demand and supply of listed infrastructure trust securities.
- ▶ No assurances can be given that the new stapled securities will trade at or above the offer price. None of Spark Infrastructure, its Board or any other person guarantees the market performance of the new stapled securities.

## General risks

### Acquisition Risk

- ▶ Spark Infrastructure's strategy includes pursuing acquisitions, including in the event that the remaining NSW electricity assets are offered for privatisation by the State of NSW. Securityholders' interests may be diluted and securityholders may experience a loss in value of their equity if Spark Infrastructure issues securities as consideration for acquisitions or if Spark Infrastructure funds acquisitions through raising equity capital by placing securities with new investors. Spark Infrastructure may also offer securities for other purposes, including repayment of debt.

### Market risk

- ▶ The market price of Spark Infrastructure stapled securities will fluctuate due to various factors, many of which are non-specific to Spark Infrastructure, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, changes in government, fiscal and monetary and regulatory policies, global geo-political events and hostilities and acts of terrorism, and investor perceptions. In the future, these factors may cause Spark Infrastructure's stapled securities to trade at a lower price.

### Taxation

- ▶ Future changes in Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of an investment in Spark Infrastructure stapled securities or the holding and disposal of those securities. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which Spark Infrastructure operates, may impact the future tax liabilities of Spark Infrastructure.

# KEY RISKS

## ATO tax matters

- ▶ Spark Infrastructure's existing Asset Companies have both been subject to large business audits by the Australian Tax Office ("ATO"). The tax matters being reviewed as part of the audits date back a number of years. Details of these tax matters have been previously disclosed in the Spark Infrastructure Financial Statements.
- ▶ In June 2015, Spark Infrastructure, Victoria Power Networks and other relevant parties signed a Heads of Agreement with the ATO to finalise all outstanding matters in respect of the interest deductibility on subordinated loans to both Asset Companies. In respect of prior tax years, Victoria Power Networks has cancelled deductions and losses amounting to \$132,222,000 and Spark Infrastructure has cancelled \$82,189,000 of net losses in respect of its investment in SA Power Networks. As a result, Spark Infrastructure has recorded a one-off, non-cash post tax expense item of \$31,656,000 in 2015. The ATO will refund to Victoria Power Networks \$38,994,000 following the execution of a final Deed of Settlement which will incorporate the Heads of Agreement.
- ▶ Both Victoria Power Networks and the SA Power Networks Partnership have obtained legal advice with regard to the ongoing matters and will continue to vigorously defend their positions.

## Asset impairment

- ▶ Consistent with accounting standards, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Changes to the carrying value of assets could have an adverse effect on the financial performance of Spark Infrastructure.

## Distributions

- ▶ The payment of distributions on Spark Infrastructure's stapled securities is dependent on a range of factors including the profitability of its business and investments, the availability of cash, capital requirements of the business and obligations under debt instruments. Any future distribution levels will be determined by the Spark Infrastructure board, having regard to its operating results and financial position at the relevant time. That said, there is no guarantee that any distribution will be paid by Spark Infrastructure, or if paid, that they will be paid at previous levels.

## Legislative and regulatory changes

- ▶ Changes in the structure and regulation of the energy industry in Australia could materially adversely impact affect Spark Infrastructure and its business. Spark Infrastructure is subject to environmental laws and regulations, occupational health and safety requirements and technical and safety standards, as well as general regulation, including in relation to land use and land access, native title and cultural heritage and technical regulation. Changes to government policy, law or regulations, or the introduction of new regulatory regimes (for example, in relation to climate change), may lead to an increase in operational costs and may have a materially adverse effect on Spark Infrastructure and its business.

## Debt covenants

- ▶ Spark Infrastructure has various covenants in relation to its debt facilities, including interest cover and gearing ratio requirements. In the event that these covenants are breached, Spark Infrastructure's lenders may cancel their commitments under the facilities and require all amounts payable to them under or in connection with the facilities to be repaid immediately.

# KEY RISKS

## Domestic and global economic conditions

- ▶ Deterioration in the domestic and global economy may have a material adverse effect on the performance of Spark Infrastructure's business and investments.

## Changes in accounting policy

- ▶ Accounting standards may change. This may affect the reported earnings of Spark Infrastructure and its financial position from time to time, potentially adversely.

## Litigation

- ▶ Spark Infrastructure is subject to the usual business risk that disputes or litigation may arise from time to time in the course of its business activities. Spark Infrastructure may face claims in respect of safety by an employee, contractor or a member of the public.
- ▶ Spark Infrastructure is not currently party to any litigation, the outcome of which is likely to have a material adverse effect on its business or financial position.

## Compliance with environmental standards

- ▶ Failure to comply with operation and maintenance standards could lead to safety issues, service disruptions and adverse publicity and could otherwise result in a material adverse effect on Spark Infrastructure's business. Spark Infrastructure's current and historic facilities handle or contain various materials and substances that are hazardous or environmentally sensitive. There is a risk of cost and reputational damage from the handling of these substances or from historic contamination. Although Spark Infrastructure has implemented risk management systems designed to identify and manage risks to employees, contractors and the community, accidents, including fatalities and severe injuries, may occur in the future. These risks will expose Spark Infrastructure to potential fines and increased expenses.

## Insurance

- ▶ Although Spark Infrastructure maintains insurance that it believes is appropriate to protect against major operating and other risks, not all risks are insured or insurable. Spark Infrastructure cannot be sure that adequate insurance coverage for potential losses and liabilities will be available in the future on commercially reasonable terms, and may also elect to self-insure and/or carry large deductibles. If Spark Infrastructure experiences a loss in the future, the proceeds of the applicable insurance policies, if any, may not be adequate to cover replacement costs, lost revenues, increased expenses or liabilities to third parties. This may have a materially adverse effect on Spark Infrastructure's financial position and performance.

## Spark FY 2015 FSOCF per Security

Spark Infrastructure's FSOCF per Security of 14.0 cents per security for FY 2015 is based on the following assumptions:

- ▶ Includes distributions received from SA Power Networks and Victoria Power Networks in the year to date, together with remaining distributions until the end of the financial year in line with the respective SA Power Networks and Victoria Power Networks budgets
- ▶ Distribution equivalents received in respect of the economic interest in DUET Group for the year to date. No further distribution equivalents are forecast to be received until the end of the year. Includes associated funding costs in respect of the economic interest in DUET Group
- ▶ Operating costs based on internal forecasts



# KEY RISKS

## Spark Infrastructure Distribution Guidance for FY 2015 – FY 2018

Spark Infrastructure is reliant on its investments to generate OCF from their business activities and to distribute cashflows to Spark Infrastructure its equity share in accordance with agreed business plans in SA Power Networks and Victoria Power Networks; and consistent with disclosed distribution guidance in the case of DUET Group. The Directors have provided distribution guidance for 2015 to 2018 based on the following assumptions:

- ▶ No additional Stapled Securities being issued in the period to 31 December 2018 other than under the Offer
- ▶ No further material acquisitions or divestments by Spark Infrastructure
- ▶ No significant change in current Australian economic or financial conditions
- ▶ Net Spark Infrastructure funding costs consistent with existing bilateral corporate facilities at margin of 112bps and no significant change in base market interest rates
- ▶ Forecast debt refinancing interest margins for SA Power Networks, Victoria Power Networks and TransGrid based on current and expected market conditions assuming no material deterioration in the current state of global capital markets
- ▶ Distribution from TransGrid represents Spark Infrastructure's share (15.01%) of TransGrid's forecast distributable cash flows
- ▶ Aggregate distributions to Spark Infrastructure from SA Power Networks and Victoria Power Networks are assumed to continue in line with or higher than FY 2015 distribution levels
- ▶ No significant change in regulatory WACC and gamma parameters compared to those contained in the final AER determination for SA Power Networks and the Draft Determination for Citipower and Powercor that will determine their respective regulated tariffs for FY 2016 – FY 2018
- ▶ Completion of the TransGrid acquisition in December 2015
- ▶ Operating performance of TransGrid being broadly in line with the Consortium's business plan
- ▶ TransGrid receiving an investment grade credit rating in due course
- ▶ No material change to the quantum (11%) and funding cost in relation to the economic interest in DUET Group. Distribution equivalents assumed to be received in line with recent DUET Group distribution per security market guidance
- ▶ There is a risk that one or more of these assumptions may prove to be incorrect and that may affect whether the guidance is achieved. Please also refer to other Key risks. To the extent that one or more of those risks are realised, that may adversely affect whether the guidance is achieved

# INTERNATIONAL SELLING RESTRICTIONS

This document does not constitute an offer of new stapled securities ("New Securities") of Spark Infrastructure in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

## **Canada (British Columbia, Ontario and Quebec provinces)**

This document constitutes an offering of New Securities only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus and Registration Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Securities or the offering of New Securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Securities or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Securities in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Securities outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Securities.

Spark Infrastructure, and the directors and officers of Spark Infrastructure, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon Spark Infrastructure or its directors or officers. All or a substantial portion of the assets of Spark Infrastructure and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against Spark Infrastructure or such persons in Canada or to enforce a judgment obtained in Canadian courts against Spark Infrastructure or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

# INTERNATIONAL SELLING RESTRICTIONS

## *Statutory rights of action for damages or rescission*

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Securities purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against Spark Infrastructure if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against Spark Infrastructure. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Securities during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against Spark Infrastructure, provided that (a) Spark Infrastructure will not be liable if it proves that the purchaser purchased the New Securities with knowledge of the misrepresentation; (b) in an action for damages, Spark Infrastructure is not liable for all or any portion of the damages that Spark Infrastructure proves does not represent the depreciation in value of the New Securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Securities were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

# INTERNATIONAL SELLING RESTRICTIONS

*Certain Canadian income tax considerations.* Prospective purchasers of the New Securities should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the New Securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

*Language of documents in Canada.* Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

## **Hong Kong**

WARNING: This document has not been, and will not be, authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

# INTERNATIONAL SELLING RESTRICTIONS

## **New Zealand**

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Securities are not being offered to the public within New Zealand other than to existing securityholders of Spark Infrastructure with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the FMC Act and the Securities Act (Overseas Companies) Exemption Notice 2013.

Other than in the entitlement offer, the New Securities may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## **Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the "SFA") in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. Spark Infrastructure is not a collective investment scheme authorised under Section 286 of the SFA or recognised by the MAS under Section 287 of the SFA and the New Securities are not allowed to be offered to the retail public.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Securities may not be circulated or distributed, nor may the New Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an "institutional investor", please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

# INTERNATIONAL SELLING RESTRICTIONS

## Switzerland

The New Securities may not be distributed in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Securities may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Securities will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA), and the offer of New Securities has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of New Securities.

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The New Securities may only be offered and sold to UAE legal entities:

- that are federal or local governments or governmental authorities;
- whose primary purpose is to invest in securities and that are acquiring the New Securities for their own account and not on behalf of clients; or
- that are investment managers who have authority to make investment decisions on behalf of clients.

# INTERNATIONAL SELLING RESTRICTIONS

## United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Securities. This document is issued on a confidential basis to "professional investors" (within the meaning of the Alternative Investment Fund Managers Directive) who are also "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom. The New Securities may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Securities has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Spark Infrastructure.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) ("investment professionals") of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, as amended ("FPO") and (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The New Securities are being marketed in the United Kingdom in compliance with the National Private Placement Regime. Spark Infrastructure's most recent annual report and other information it has lodged with the Australian Securities Exchange ("ASX") can be found on the websites of Spark Infrastructure and the ASX ([www.asx.com.au](http://www.asx.com.au)).

## United States

This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any U.S. Person. This document may not be distributed or released in the United States or to U.S. Persons or persons who are acting for the account or benefit of persons in the United States or U.S. Persons.

# INTERNATIONAL SELLING RESTRICTIONS

The New Securities have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and accordingly may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons, except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. In addition, none of the Spark Infrastructure entities have been or will be registered under the Investment Company Act, in reliance on the exception provided by Section 3(c)(7) thereof. Accordingly, the New Securities cannot be held by, or for the account or benefit of, any U.S. Person who is not both a QIB and QP, at the time of the acquisition of the New Securities. Any U.S. Person who is not both a QIB and a QP (or any investor who holds New Securities for the account or benefit of any U.S. Person who is not both a QIB and a QP) is an "Excluded U.S. Person". Spark Infrastructure may require an investor to complete a statutory declaration as to whether they (or any person on whose account or benefit it holds New Securities) are an Excluded U.S. Person. Spark Infrastructure may treat any investor who does not comply with such a request as an Excluded U.S. Person.

Spark Infrastructure has the right to: (i) refuse to register a transfer of New Securities to any Excluded U.S. Person; or (ii) require any Excluded U.S. Person to dispose of their New Securities; or (iii) if the Excluded U.S. Person does not do so within 30 business days, require the New Securities be sold by a nominee appointed by Spark Infrastructure. To monitor compliance with these foreign ownership restrictions, the ASX's settlement facility operator (ASTC) has classified the New Securities as Foreign Ownership Restricted financial products and put in place certain additional monitoring procedures. The New Securities may only be resold or transferred in regular brokered transactions on ASX in accordance with Regulation S under the Securities Act where neither such investor nor any person acting on its behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, in the United States or a U.S. Person or is acting for the account or benefit of a person in the United States or a U.S. Person, in each case in an "offshore transaction" (as defined in Rule 902(h) under the Securities Act) in reliance on, and in compliance with, Regulation S under the Securities Act.



# GLOSSARY

| TERM                           | DEFINITION   |
|--------------------------------|--|
| \$ or A\$ or dollars           | Australian dollars   |
| ADIA                           | Abu Dhabi Investment Authority   |
| AEMC                           | Australian Energy Market Commission  |
| AER                            | Australian Energy Regulator  |
| Asset Companies                | Spark Infrastructure's operating businesses, SA Power Networks and Victoria Power Networks   |
| ASX                            | ASX Limited (ABN 98 008 624 691) or the financial market operated by that entity known as the Australian Securities Exchange                     |
| Augex                          | Augmentation expenditure   |
| CAGR                           | Compound Annual Growth Rate  |
| Capex                          | Capital expenditure  |
| CDPQ                           | Caisse de dépôt et placement du Québec   |
| CEO                            | Chief Executive Officer  |
| CFO                            | Chief Financial Officer  |
| CitiPower                      | CitiPower Pty Limited servicing Melbourne's inner suburbs and central business district  |
| Corporations Act               | Corporations Act 2001 (Cth)  |
| CPI                            | Consumer Price Index   |
| cps                            | cents per security   |
| CSIRO                          | Commonwealth Scientific and Industrial Research Organisation   |
| DB                             | Deutsche Bank AG   |
| DPS                            | Distributions Per Security   |
| EBITDA                         | Earnings before interest, taxes, depreciation and amortisation   |
| Entitlement Offer or the Offer | The non-renounceable entitlement offer of new stapled securities in Spark Infrastructure   |
| FSOCF                          | Forecast Standalone Operating Cash Flow  |
| FTE                            | Full time equivalent employees   |
| FY                             | Financial Year   |
| Grid                           | The interconnected infrastructure network for delivering electricity from suppliers to consumers   |
| Hastings                       | Hastings Funds Management  |
| Loan Note                      | The Loan Notes forming part of Spark Infrastructure Securities which are issued by Spark RE in its capacity as responsible entity of Spark Trust |
| LRET                           | Large-scale Renewable Energy Target  |
| LTOCF                          | Look-through operating cash flow   |
| MAR                            | Maximum Allowable Revenue  |
| MRP                            | Market risk premium  |

# GLOSSARY (CONT.)

| TERM   | DEFINITION   |
|--|--|
| <b>NBN</b>   | National Broadband Network   |
| <b>NEM</b>   | National Electricity Market  |
| <b>New Securities</b>  | New Stapled Securities issued under the Offer  |
| <b>NSPs</b>  | Network Service Providers  |
| <b>NSW</b>   | New South Wales  |
| <b>NSW Electricity Networks Consortium or the Consortium</b> | The Consortium comprising Spark Infrastructure Group, Hastings Funds Management, Tawreed, Caisse de dépôt et placement du Québec and Wren House                          |
| <b>O&amp;M</b>   | Operations & Maintenance   |
| <b>OCF</b>   | Operating cash flow  |
| <b>Opex</b>  | Operating expenditure  |
| <b>POIs</b>  | Points of Interconnect   |
| <b>PTRM</b>  | Post Tax Revenue Model   |
| <b>Powercor</b>  | Powercor Australia Limited based in Victoria, servicing western Victoria (including the western suburbs of Melbourne)  |
| <b>RAB</b>   | Regulatory Asset Base  |
| <b>Record Date</b>   | Monday, 30 November 2015   |
| <b>Repex</b>   | Replacement expenditure  |
| <b>RET</b>   | Renewable Energy Target  |
| <b>SOCF</b>  | Standalone operating cash flow   |
| <b>Security</b>  | The stapled securities in Spark Infrastructure as quoted under ticker SKI:ASX, each comprising one Unit and one Loan Note  |
| <b>Securityholder</b>  | Each person who is registered on the Register from time to time as a holder of Securities  |
| <b>Spark RE</b>  | Spark Infrastructure RE Limited (ABN 36 114 940 984) the responsible entity of Spark Trust   |
| <b>Spark Infrastructure</b>                                  | Spark Infrastructure Group   |
| <b>Standalone</b>  | Free operating cashflow at the Spark Infrastructure level  |
| <b>Swaps</b>   | Cash-settled equity swap contracts   |
| <b>Tawreed</b>   | Tawreed Investments Limited, a wholly owned subsidiary of the Abu Dhabi Investment Authority   |
| <b>TERP</b>  | Theoretical Ex-Rights Price  |
| <b>Underwriter Group</b>                                     | Joint lead managers, underwriters, and any of their affiliates, their respective advisers, related bodies corporate, directors, officers, partners, employees and agents |
| <b>Unit</b>  | A unit in Spark Trust  |
| <b>US Person</b>   | A person so defined in Regulation S under the U.S. Securities Act of 1933, as amended  |
| <b>WACC</b>  | Weighted Average Cost of Capital   |
| <b>Wren House</b>  | Infrastructure investment arm of Kuwait Investment Office  |

# PROFORMA FINANCIAL INFORMATION – BASIS OF PREPARATION

- Under the entitlement offer, new securities were raised at a price of \$1.88 per security of which \$0.65 per security was allocated to loan notes and the remaining \$1.23 allocated to issued capital.
- Costs of \$12.1m have been recorded as a reduction to the new securities and have been netted off both loan notes and issued capital in a proportion reflecting the allocation of issue price.
- Proceeds of \$405.4m raised from the entitlement offer (less issue costs) will be used to part fund Spark Infrastructure's share of the TransGrid acquisition.
- Corporate debt of \$205.0m will be drawn and cash and cash equivalents utilised to part fund the Spark Infrastructure's remaining share of the TransGrid acquisition.
- The Pro-Forma adjustments do not include Spark Infrastructure's debt refinancing which was finalised during November 2015.
- The Pro Forma adjustments do not include the income tax effect relating to these Pro Forma adjustment
- The Spark Infrastructure Trust Statutory Historical Financial Information has been extracted from the consolidated financial report of Spark Infrastructure Trust for the half year ended 30 June 2015, which was reviewed by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards for Review engagements. Deloitte Touche Tohmatsu issued an unmodified review opinion on the respective financial report
- The Pro Forma Historical Financial Information is presented in an abbreviated form in the Investor Presentation insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.
- The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in the Investor Presentation, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent Spark Infrastructure Trust's actual or prospective financial position.
- This information is intended to assist investors in assessing, where relevant, the reasonableness and likelihood of the assumptions occurring and is not a representation that the assumptions will occur. Potential investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing this information, and that this may have a positive or negative impact on Spark Infrastructure Trust's financial performance. Investors are advised to review the key assumptions in this section in conjunction with the section on Key Risks commencing on slide 39.