



Friday, 20 May 2016

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

Dear Sir / Madam

**2016 ANNUAL GENERAL MEETING**

I enclose the Chairman's address, Managing Director's address and AGM presentation to be delivered today at the 2016 AGM of Spark Infrastructure.

Yours faithfully,

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

**Alexandra Finley**  
**Company Secretary**



**Spark Infrastructure  
Annual General Meeting 2016**

Friday, 20 May 2016

**Chairman's address – Brian Scullin**

Ladies and Gentlemen,

Thank you for attending the 2016 Annual General Meeting of Spark Infrastructure.

There are a number of areas I want to touch on today and I will attempt to work through them efficiently so as to allow sufficient time for your questions. Please also note that our Managing Director, Rick Francis will also be making a presentation after me, before we open up for questions. We also have available the CEOs of two of the businesses in our investment portfolio, Tim Rourke the CEO of Victoria Power Networks and Paul Italiano who recently commenced as the CEO of TransGrid.

I would like to offer a warm welcome to Paul attending his first Annual General Meeting of Spark Infrastructure. He is a transformational, customer and people focussed CEO with a proven track record of improving and building an electricity network business in Western Australia. We are very excited about our acquisition of the stake in TransGrid, and we are very excited about what Paul will bring to the transformation of TransGrid into a top quartile performer amongst its peers.

I will leave the more detailed operational report to Rick as I intend to focus on a number of strategic matters which I know will be of interest to you.

**What Spark Infrastructure is and does**

Before I delve into the TransGrid acquisition, I would like to circle back to our central investment proposition and how we go about adding value to our investments. I understand there have been some questions about this in the market that I feel it will be helpful to address this directly.

Our aim is to grow distributions over time – sustainable distributions. Growth in distributions in turn comes from increasing cashflows over time, through regulatory cycles and in the face of a changing business environment. Amongst other things, prudent and efficient growth in the asset bases will lead to growth in cashflows.

While this always begins with a focus on organic growth in the existing portfolio, it can also lead us to look externally when we see long term value creation opportunities and where we believe we can execute in a prudent manner.

Spark Infrastructure is an investment vehicle that seeks to offer yield and growth. Our growth imperative, both organic and external, can be found clearly in our IPO documents from 2005 and you will see it repeatedly re-stated in our investment mandate over the years. We have not deviated from this.

At the same time, we do not see ourselves as a perpetual 'deal making' organisation. There are only certain assets that we see as an ideal fit for us, and they do not come to market frequently. We do not have any permanent staff dedicated to sourcing acquisition opportunities and we are quite purposeful in dedicating the bulk of our time to driving performance in the businesses that are already in our investment portfolio. We do this through our constructive relationships with our investment partners and the level of influence we are able to exercise with the investment businesses.

This is an important point. This is how we add value.

While it is true that Spark Infrastructure holds minority interests in its investments, this should not be confused with a passive approach to their management and improvement. Spark Infrastructure is quite unlike a conventional investment fund which may hold a large number of liquid company stocks in its portfolio over which it has no influence and which it may readily 'turn over' in relatively short periods of time.

Our approach is to take concentrated and significant interests in a small number of businesses and to apply expert knowledge to the active management of those assets. Generally speaking, our approach is to buy and hold. We are not asset traders.

We are deeply involved in SA Power Networks, Victoria Power Networks and TransGrid through our representation on their Boards and Committees, and through the day to day interactions with both our co-shareholders and the asset level management teams. This dynamic relationship is supported by the protections contained in the relevant shareholder agreements with our partners in each investment.

Our demonstrated ability to consistently grow distributions to our securityholders, which are fully covered by operational cashflows from the investment portfolio, and to grow the underlying net asset bases of the investments, is testament to the effectiveness of both our active approach and the framework in which we operate.

### **Acquisition of equity interest in TransGrid**

Spark Infrastructure takes a long term view of value creation, in both organic growth and externally in new opportunities to expand and diversify the investment portfolio.

With this in mind we were delighted to have been successful in acquiring a 15.01% interest in TransGrid in December of last year.

The acquisition has diversified the investment portfolio of Spark Infrastructure and offers significant opportunities to achieve operational efficiencies and to grow unregulated business revenues in the future. We are also confident this investment will allow us to deliver growing distributions over time.

The successful acquisition by the NSW Electricity Networks consortium of the first of NSW's electricity assets to be privatised, the electricity transmission business TransGrid, was a major achievement for Spark Infrastructure in 2015.

The consortium, which also included Hastings Funds Management, Tawreed Investments (the infrastructure arm of the Abu Dhabi Investment Authority), Caisse de dépôt et placement du Québec (CDPQ) and Wren House (the direct investment arm of the Kuwait Investment Authority) acquired a 99 year lease of the assets of TransGrid for \$10.258 billion.

TransGrid owns, operates and manages the largest high-voltage electricity transmission network in the National Electricity Market (NEM), connecting generators, distributors and major end users in NSW and the ACT, and forms the backbone of the NEM in NSW connecting QLD, NSW, VIC and the ACT.

Spark Infrastructure made an equity investment of \$735.3 million in the acquisition, which equates to a 15.01% ownership interest in TransGrid. This expands and diversifies our overall investment portfolio with another high quality investment in a regulated electricity transmission asset in Australia.

The investment in TransGrid adds diversity to our distribution cashflow sources and we believe it will be value accretive over the long term, providing ongoing cash generation growth opportunities.

It also provides long term opportunities for growth in the regulated asset base and in unregulated earnings in the infrastructure connections and telecommunications areas.

The acquisition was the result of a long and detailed due diligence process which confirmed the quality and potential of TransGrid in the minds of your Directors.

This is an important point to emphasise. Your Directors were intimately involved in the due diligence process around the acquisition of TransGrid and are completely and unanimously in support of its outcome.

We have heard the concerns of securityholders around the price that was paid for the asset. However, after proper consideration, deliberation and thorough due diligence through the bid process, your Directors believe it was a fair price – and one that provides us with significant long term value creation opportunities.

We continue to be comfortable that the interest in TransGrid sits well within our established investment mandate and are confident that over time it will prove itself to be a prudent and rewarding investment for Spark Infrastructure's securityholders.

There have also been questions raised around the funding for the acquisition. We provided details back in November, but to reiterate; the prudent use of debt, initially \$205 million, at the Spark level was only ever viewed as a temporary solution, and the repayment of that debt was factored into our capital management plans at the time. The utilisation of debt to part fund our investment allowed us to optimally structure the equity raising at the time in the interests of securityholders. Our use of debt meant that we could structure the entire raising as a pro-rata entitlement offer, only open to existing securityholders, and were able to achieve optimal pricing of the raising. This meant that those securityholders who elected to participate were not diluted – the decision was put into the hands of securityholders.

### **Growing cashflows a reality**

Moving onto cashflows and distributions, I would first like to comment on the strong operational performance of the electricity distribution businesses in our portfolio and in particular of Victoria Power Networks (VPN), and what this means for the strength of Spark Infrastructure's cashflows.

These businesses have enjoyed strong compound annual growth in their regulated assets over the past five years, above 7% CAGR. Combined with the current program of de-gearing in these businesses, this means an increased equity share for us in their net assets, and growing distributions to Spark Infrastructure and its partner, now and in the future.

It is a noteworthy achievement that they have been able to fund their own substantial growth, reduce their gearing, and pay significant distributions to their shareholders, including Spark Infrastructure.

We have always known that the capital expenditure funding requirement in these businesses, and the mix of debt and operational cash used to fund it, would change over time. And that this would lead, all else remaining equal, to increased cashflows to Spark Infrastructure.

We are now seeing this become reality.

I don't want to steal too much of Rick's thunder because his presentation includes some slides that demonstrate this very clearly. However, for the first time since 2011, VPN has commenced paying additional distributions over and above the minimum interest payments it must make on shareholder sub-debt.

Actual and scheduled payments for the first half of 2016 include an additional \$28.8 million compared to last year. Were distributions to continue over the full year at this rate it would equate to over \$57 million more cash distributions to Spark Infrastructure over what was received in 2015.

This is the reason for our confidence in our ability to both grow distributions beyond the previously stated minimum guidance and at the same time work towards eliminating the temporary debt held at the Spark level.

In fact we have already reduced our drawn debt by \$10 million since 31 December to \$195 million, and expect to be able to reduce this further by 30 June. As we have said before we regard drawn debt at the Spark level as only a temporary measure providing flexibility, and we anticipate that the debt will be paid down in full over a reasonable timeframe.

It appears that this is now being recognised by the market and is one of the reasons for the price of Spark Infrastructure securities being up around 15% relative to our issue price of \$1.88 in November of last year, based on the closing price of \$2.17 yesterday afternoon.

It is possible that growth in distributable cashflows may be further enhanced by the resolution of certain regulatory matters. This initially moved forward with the publication of the Australian Competition Tribunal's decisions in relation to various appeals lodged by the three NSW electricity distribution businesses (Ausgrid, Endeavour Energy and Essential Energy) in February 2016, but with the Regulator now deciding to appeal the Tribunals' decisions, the outcomes and timings are not possible to predict at this stage.

### **Growing Distributions to securityholders**

While these regulatory appeal matters may provide further potential upside to cashflows, we are taking a conservative approach and not factoring them into our current thinking around distributions. We are only relying on the regulatory and operational information available to us at this point in time.

SA Power Networks (SAPN) received its Final Determination from the Australian Energy Regulator in October 2015. Whilst there are still a number of matters that the business will pursue through the appeal mechanism, the Final Determination was a marked improvement on the Preliminary Determination received earlier and included an additional \$630 million of revenue to be recovered in years 2-5 of the regulatory period.

CitiPower and Powercor, which are owned by VPN, also received their Preliminary Determinations from the Regulator in October 2015. The Regulator accepted the businesses' 'revealed cost year' submission without amendment as well as certain important 'step ups' in costs. This positive outcome in a large part reflects their sector leading performance and standing amongst their electricity distribution peers.

Setting aside that there could be some movement in their Final Determinations which have not yet been published, these preliminary decisions provide a solid basis for our thinking around future distributions.

In February of this year we declared a 2015 final distribution of 6.0 cents per security (cps), in line with prior

guidance, which was paid in mid-March 2016. This brought total distributions for 2015 to 12.0cps, 4.3% higher than 2014, and as usual was fully covered by free cashflows.

Our guidance for future distributions, initially stated in November of last year and re-affirmed in February is for a distribution of at least 12.5 cents per security for 2016, growing at half a cent (0.5c) per year in 2017 and 2018.

I emphasise the 'at least' because this represents a minimum in our view, based on the potential for increased cashflows from VPN over the 5-year regulatory period to 2020.

We now await receipt of CitiPower's and Powercor's Final Determinations currently expected by the end of this month. Subject to receiving the Final Determinations from the Regulator and the finalisation of associated business planning processes, we would expect to be in a position early next month to provide updated distribution guidance.

### **Economic interest in DUET**

I will now move on to another of our investments. As we disclosed at our Full Year results announcement in February, we are formally reviewing our interest in DUET Group, which we acquired in May 2014.

Given that the matter is under review and no final decision has been made it is not appropriate for me to go into any detail around this today.

Notwithstanding the review that is underway, the investment remains cashflow accretive which affords us the time to fully and diligently complete this review and to consider the impact of the acquisition of the Energy Developments business which they acquired last year.

But to be clear, we expect to be able to repay our corporate debt in the ordinary course. We do not need to sell our DUET investment to repay corporate debt.

We will update the market in relation to this matter at the appropriate time.

### **Governance**

At this point I note that Spark Infrastructure will most likely record a strike against its remuneration report today. While the ballot on the floor of this meeting is yet to be held, the proxy voting which closed on Wednesday means that around 70% of the register has already voted and therefore the outcomes of resolutions are already largely determined. The results of proxy voting will be displayed on the screens here later.

I acknowledge that investors have raised a variety of concerns, which are reflected in the voting results here today. We take our responsibility to securityholders very seriously and intend to take steps to ensure that we properly understand securityholders' concerns and address them appropriately. I will address the AGM resolutions in more detail as we progress through the business of the meeting this afternoon.

In November of last year I announced my intended retirement from the Board of Spark Infrastructure to take effect at the 2016 AGM. Dr Doug McTaggart was appointed as a Director and Deputy Chair in December 2015 and his election will be considered by securityholders today. Subject to your vote today, it is the intention of the Directors to appoint Dr McTaggart as Chair of Spark Infrastructure following my departure.

The Board's Nomination Committee undertook an extensive search process, as part of the Board's succession and renewal program to identify Dr McTaggart as my replacement. Dr McTaggart will bring

valuable skills to the Board of Spark Infrastructure along with a deep understanding of infrastructure investments, funds management and significant experience with regulated assets.

The Board believes that orderly succession and renewal is achieved as a result of careful long-term planning, where the appropriate composition of the Board is continually under review. This is necessary to ensure your Board has the required diversity and depth of skills, experience, independence and knowledge to govern Spark Infrastructure effectively now and in the future.

Together, your directors contribute executive leadership experience; deep domain knowledge; infrastructure industry and sector experience; experience in financial analysis and the financial services industry; an understanding of health, safety and environmental issues; regulatory and corporate governance experience; experience in managing people and remuneration; and a robust understanding of risk management.

Your Board believes that the overall composition of the Board, as it currently stands, enables it to effectively govern Spark Infrastructure on behalf of securityholders in the best long term interests of the Company.

I am pleased that I was able to lead Spark Infrastructure during an exciting time involving sector consolidation and privatisation, technical innovation and regulatory reform. With SAPN and VPN at the start of their new regulatory periods and the transformation already underway of TransGrid into an efficient, commercial and customer focussed business, now is the time to put into practice our commitment to Board renewal for the role of Chair.

I thank my fellow Directors and the staff of Spark Infrastructure for their support and diligence in carrying out their duties while I have been Chair. I know I leave the business in good shape and in safe hands, and I thank you for your support during my tenure.

-Ends-

## Spark Infrastructure AGM 2016 Managing Director's Address

---

### Slide 5 – Welcome Slide

- Thank you Brian and good morning everyone.
- I would also like to offer my thanks to Tim Rourke and Paul Italiano for being here today.

### OVERVIEW

#### Slide 8 – Investment Proposition

- When we meet with potential investors we are often asked to explain who we are and what we do. In answering that, we describe Spark Infrastructure as a specialist investment fund which invests in low risk, infrastructure network assets.
- As you know, our investment portfolio consists primarily of regulated electricity utilities in Australia. These investments provide us with the opportunity to apply our specialist expertise to grow the businesses; improve their operational performance and to capitalise on any unregulated revenue opportunities.
- We are not so much a fund manager, but rather an Asset Manager.
- We also take a long term view of our investments. We are dealing with assets with useful lives extending into decades. Therefore our business planning and decision-making needs to match that.
- We are in the business of creating long term value for securityholders. We do this by delivering efficient growth in the asset bases plus sustainable growth in distributions over time. In other words – sustainable yield plus long term growth.
- Balancing the capital investment required to deliver long term value creation with the markets desire for short term yield maximisation is a constant and intriguing challenge for us.
- Our work naturally begins with improving the assets that are already in our portfolio. We are deeply involved in these businesses through our Board and Committee representations and by virtue of our day to day interactions with their management teams.



## Spark Infrastructure AGM 2016

### Managing Director's Address

---

- From time to time, the quest to create long term value will also lead us to look outside of the portfolio for growth opportunities. Our acquisition of the interest in TransGrid is a prime example where we have broadened our opportunity to grow distributions and long term value in the future, and also to diversify risk for the portfolio overall.

#### Slide 9 – Investment Approach

- The distinguishing feature of Spark's investment approach is to hold a portfolio of concentrated positions in assets in which we have detailed knowledge, and then to apply that knowledge to drive and support the asset teams to improve and grow their businesses.
- Our in-house team and core group of advisers possess a deep understanding of regulated network assets and how to make them deliver the best possible results for customers, employees and securityholders.
- Knowledge of the regulation of energy infrastructure in Australia, with its various constraints and opportunities, is one important factor to making good financial and operational decisions that will deliver above target results now and into the future.
- Just as important is an understanding of how to get the most out of these types of assets. Our experience with SA Power Networks (SAPN) and Victoria Power Networks (VPN) in growing revenues and managing costs, provides us with an excellent template that we can apply elsewhere.
- This all takes place under the umbrella of a long term investment horizon. We manage for the long term and we are accountable over the long term.
- We understand that this makes us different to the typical listed investment company or fund manager who may hold a large number of investments over much shorter timeframes; and a typical operator who has day to day control over all aspects of operations.
- Nevertheless, it is essential that we are able to exert influence over our investments and have adequate protections over significant decisions, such as distributions and capital management. This is the model we apply in SAPN, VPN and TransGrid, and is reinforced in the shareholder agreements we have with our investment partners.

## Spark Infrastructure AGM 2016 Managing Director's Address

---

### Slide 10 – Current Investment Portfolio

- These are our current investments:
  - The 49% interests in SAPN and VPN – electricity distribution businesses in South Australia and Victoria respectively;
  - The 15.01% interest in TransGrid – the electricity transmission business in NSW; and,
  - The economic interest in DUET Group which currently stands at 10.6%.
- These assets conform entirely to our investment mandate. They comprise gas and electricity network infrastructure assets which provide predictable cashflows and which operate in regulated environments and within industry sectors with which we are completely familiar.
- Underpinning these assets and their industries is a strong belief that they are central to a low carbon energy future and the long term development of the Australian economy, and accordingly they will play an important and valuable role in the transformation of the electricity sector from one reliant on coal-fired generation to renewable generation over time.
- In our view, the grid will play a growing critical role in enabling this transition, connecting these sources of renewable generation to the major demand centres, managing peak demand, enabling two-way flow of electricity, ensuring reliability, back-up and in balancing the level of intermittency that arises – all for the purpose of meeting consumers' demands in the most efficient manner.
- While innovation in technology and a sharper focus on customer service and delivery is also at the forefront of our strategies that we and our partners are committed to.
- With the exception of DUET, which we currently view as a financial investment, we are intimately involved in these businesses. Moreover, the team at Spark Infrastructure are specialists in these types of regulated assets.
- The central difference between Spark Infrastructure and many other listed and unlisted investment funds is that we take an active role in the businesses in which we invest. We are not passive fund managers.

## Spark Infrastructure AGM 2016 Managing Director's Address

---

### SPARK INFRASTRUCTURE PERFORMANCE

#### Slide 12 – Financial Results - FY 2015

- Looking back at the 2015 financial year, which we reported on in February, we saw our Standalone Operating Cash Flow up slightly by 0.2% to \$207 million, or 14.0 cents per security (cps);
- With distributions of 12.0 cps, the payout ratio was therefore 86%.
- I do note that the acquisition of TransGrid was completed on 16 December; hence their impact on the 2015 results was immaterial.

#### Slide 13 – Spark Infrastructure Track Record

The charts on this slide track the performance of SAPN and VPN against our key financial targets that we've had in place over the last regulatory period – note they focus on SAPN and VPN because they were our main assets over this period.

- Net Debt/RAB (or gearing) for SAPN and VPN at 31 December were 71.9% and 73.8% respectively, which were both below the target of 75%. On an aggregated basis, the gearing was 73.0%. Whilst gearing levels will always move around, nevertheless it does mean these businesses enter into the next regulatory period with good flexibility enjoying investment grade credit ratings of A- for SAPN and BBB+ for VPN. It is important to note that these gearing targets are specific to these businesses and are the product of agreements with our partners.
- Compound growth in the Regulated Asset Base over the 5 year period was 7.1%, which was in accordance with our prior guidance. The growth rate over the years tapered off as expected, with major projects such as the roll-out of smart meters in VPN reaching completion, coupled with the targeted outperformance of capital allowances and the effect of falling inflation.
- For SAPN, the old regulatory determination ended on 30 June 2015, and since then it has operated under the parameters of its Preliminary Determination which effectively understates the strength of its position. This explains their reduction in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). SAPN's Final Determination, received in October

## Spark Infrastructure AGM 2016 Managing Director's Address

---

2015, provides for an additional \$630 million of revenue over the Preliminary Determination. This will be recovered over years 2-5 of the regulatory period, commencing from 1 July 2016.

- 2015 was the last full year under the previous regulatory determination for CitiPower and Powercor (or VPN). Coupled with strong cost control, VPN delivered a strong year on year growth in EBITDA of 11.4%. VPN commenced its new regulatory period from 1 January 2016, and like SAPN, will operate under its Preliminary Determination for the first year of its regulatory period.

### Slide 14 – Distribution Track Record & Guidance

- This chart illustrates our short term return, i.e. our distributions to securityholders.
- It demonstrates the healthy growth in distributions we have been able to deliver over the last 5 years, which has averaged 4.7% pa compound.
- Our current guidance, which provides a minimum growth path to 2018, underscores our confidence that the distribution cashflows from our investment portfolio will continue to grow into the next regulatory period.

### Slide 15 – 5 Year Share Market Performance

- These charts focus on our long term value accretion, charted from the Internalisation of our Management function back in April 2011.
- Not surprisingly, we are very pleased with this long term performance.
- These charts demonstrate significant outperformance against the ASX 200 Index, both in share price, but more significantly, in terms of Total Shareholder Return, i.e. distributions and share price.
- The challenge for us is to continue to create value in the asset base, so as to continue to deliver sustainable growth in distributions over the long term.

## Spark Infrastructure AGM 2016 Managing Director's Address

---

### STRATEGIC UPDATE

#### Slide 17 – Strategic Update

Management and the Board are currently focused on a number of important strategic areas.

- Firstly, distribution guidance. Unfortunately the Regulator (the AER) has delayed the release of its Final Determinations for CitiPower and Powercor, i.e. VPN, to the end of this month – we believe the 26<sup>th</sup> of May. We expect that once received, we will be able to provide updated distribution guidance early in June, subject to the AER not delaying any further.
- Secondly, the ongoing transformation of TransGrid into a customer focused, innovative and efficient business under private ownership is key. We have made significant progress since taking control of the business in December last year, most notably in the appointment of a new CEO and CFO, but also through a raft of other initiatives which I will touch on shortly.
- As we confirmed in February, a consequence of our focus on the work required in TransGrid is that we have chosen not be involved in the sales process currently underway for Ausgrid. We are delighted to have been successful with the first asset that came to market, but do not feel compelled to bid on each one.
- And finally, on our interest in DUET Group. As the Chairman has just said, this investment is under review and we will update the market at the appropriate time. But some commentators have assumed we need to repay our Spark level debt with the proceeds from a potential sale. This is incorrect, and upon understanding the potential distribution cashflow profile expected to be received by Spark over the next few years from its investments, I trust these concerns will dissipate.

#### Slide 18 – Strong Growth in Standalone Cashflows

- On that note, I am very excited about the next two slides, although I need to temper my enthusiasm as we still await the Regulator's Final Determinations for CitiPower and Powercor due at the end of the month.

## Spark Infrastructure AGM 2016

### Managing Director's Address

---

- We have been saying for some time that we were expecting a significant increase in cashflows from the investment portfolio, based primarily on the fact that SAPN and VPN have achieved their individual de-gearing targets.
- We are now seeing this take shape in the form of increased distributions from VPN, which for the first time since 2011, has commenced paying its shareholders additional distributions over and above the sub-debt interest which represents the minimum it must distribute.
- Subject to the finalisation of the VPN business plans and subject to business conditions, we expect this level of distributions to continue over the remainder of the 5-year regulatory period.

#### Slide 19 – Fund Level Investment Cashflows for 1H 2016

- This slide brings it all together, showing the expected distribution cashflows for the first half of 2016 for the entire investment portfolio.
- It is also worth noting that the Preferred Partnership Capital and sub-debt interest from SAPN and VPN are fundamentally non-discretionary in nature. Although we have not yet received any cashflows from TransGrid, I note that approximately \$12 million of the \$45 million expected to be received from TransGrid in 2016 is also in the form of shareholder loan interest.
- As you've seen over the past 5 years, SAPN has been delivering additional discretionary distributions to shareholders. This is continuing, and VPN has now also recommenced paying discretionary distributions with \$14.4 million received to date, and a further \$14.4 million expected by 30 June.
- As previously stated, we do not see drawn debt at the Spark level as a permanent fixture, and with the benefit of the increased cashflows at the Spark level, we have already been able to reduce our borrowings to \$195 million, down from \$205 million at 31 December, and expect to be able to reduce this further by 30 June.

#### Slide 20 – TransGrid Equity Investment – Completed 16 Dec 2015

- This is largely a recap from our November presentation, when we were announced as the successful bidder for TransGrid.

## Spark Infrastructure AGM 2016 Managing Director's Address

---

- It was very important to us that the investment in TransGrid clearly stack up both in the short term and the long term, and we believe it does.
- Over the long term we see the investment as being value accretive and enhancing the diversification of the investment portfolio, and providing a range of opportunities to effect value creation, which are based:
  - On our view of the long term macro-economic and industry drivers that will underpin demand and reshape the electricity generation mix, to be more reliant on renewables;
  - On our understanding of the assets and the business and regulatory environments in which they operate;
  - On the systematic execution of our detailed business plan, based on driving operational efficiencies, improving asset utilization, and developing a performance based culture;
  - In identifying and developing opportunities for growth in the unregulated business; and
  - In establishing an optimal capital structure and managing those risks effectively.
- In the near term, we are comfortable that the distribution cashflows from TransGrid will be accretive to our standalone operating cash flows reported in 2015, while in the long term we see sustainable growth in those cashflows.
- Importantly in our view, the acquisition enhances the diversification of our investment portfolio by cashflow source, asset type, geography, regulatory timing and by partner.

### INVESTMENT PORTFOLIO UPDATE

#### Slide 22 – Regulatory Appeal Decisions

- There has been no further progress on the regulatory appeal matters since late February.
- The original appeal decisions supported the appellants in a number of areas. Importantly for us, the Australian Competition Tribunal restored the valuation of imputation credits, known as “gamma”, back to 0.25, which would provide additional revenues to SAPN and VPN.

## Spark Infrastructure AGM 2016

### Managing Director's Address

---

- However, the Regulator is now taking the matter to judicial review.
- SAPN's appeals which were lodged in November of last year will be impacted by these proceedings. While their appeals will proceed independently, they will not take effect until the Federal Court outcomes are known.
- This is largely a timing issue, as any potential upside will be fully recovered over the remainder of the regulatory period.
- Should VPN decide to appeal their final determination in due course, it is likely their timings would also be impacted.

#### Slide 23 – SAPN Business Update

- In relation to SAPN, the most significant event since February is the AER's judicial review of the Tribunal's decision.
- This will delay matters such as the outcome on gamma, but importantly the additional \$630 million of revenues that were allowed for in their final determination last October, will commence being recovered from 1 July 2016.
- All up over the 5 years to June 2015, SAPN achieved a net \$47 million reliability incentive scheme benefit (STPIS) – not all years were positives, but this is to be expected – over the period the business performed very well and that has been reflected in this result.
- In terms of overall efficiency, SAPN maintained its position as the most efficient network business on an overall state basis.
- SAPN implemented their new Advanced Distribution Management System during the year to further improve productivity, and has also invested in a number of innovation initiatives, including residential battery storage and mid-scale network storage trials.

#### Slide 24 – VPN Business Update

- In terms of performance, CitiPower and Powercor continue to be great performers, ranked at numbers 1 and 5 respectively in the latest AER productivity benchmarking reports.



## Spark Infrastructure AGM 2016

### Managing Director's Address

---

- The World CLASS business improvement program continues to deliver impressive results in increasing efficiencies and driving out unnecessary costs, the results of which can be seen in both operating cost and capital expenditure savings.
- Reliability performance was also positive in 2015 with an expected net benefit of \$15 million being generated.
- Similar to SAPN, VPN is also actively investing in and trialing new technology and energy solutions for customers.

#### Slide 25 – TransGrid: Progress to Date

- This slide recaps on TransGrid progress since our profit release in February:
- In terms of major achievements:
  - the activities and tasks to transition the business from public to private ownership have been completed; and
  - The ACE business transformation program is well underway, with the consortium business plan being rigorously checked and integrated into the business. The program will drive the company to the aspirational goal of top quartile performance in transmission network efficiency, and to deliver on the unregulated growth opportunities in the infrastructure connections and telecommunications areas identified in the acquisition due diligence process.
- Most significantly, Paul Italiano commenced as the new CEO at the end of April. Paul is a transformational leader who turned around the financial performance, safety culture, customer service standards, and performance culture of Western Power in WA during his 4-year tenure as CEO.
- His dynamic leadership style, commercial acumen and proven ability to transform businesses in the face of significant challenges and technology innovation make him an ideal choice to lead the new TransGrid.

## Spark Infrastructure AGM 2016 Managing Director's Address

---

### Slide 26 – TransGrid Business Update

- Since early March TransGrid has had Ian Stirling, the ex-CEO of ElectraNet and a consortium adviser, acting as interim CEO. Ian has maintained a regular dialogue with the new CEO (Paul Italiano), so he has been able to hit the ground running, so-to-speak.
- This means that the business transformation program “ACE”, which stands for Accountable, Collaborative and Energised, has not lost any traction in the hand-over.
- The sale process and uncertainty around the ultimate identity of the owners has delayed some of TransGrid's efforts to drive conversion in the unregulated space, particularly in the Telco area, but momentum is returning.
- We can also report that the OPGW (Optical Ground Wire) network is now rolled out to Canberra and Melbourne, and services can now be provided on these routes.
- Also pleasing is the bipartisan support for the renewable target of 33,000 GWh by 2020, which has seen a number of opportunities for renewable connections now being developed.
- Recent trends in energy usage have served to confirm our positive view of the future of the Grid and for TransGrid in particular.
- Electricity volumes passing through the TransGrid network grew by 2% in 2014/15 and as we stand here in May, are expected to grow by 6% in the 12 months to 30 June this year
- Peak demand in 2016 was back to around 2013 levels at 13,500 MW, after moving downwards in 2014 and 2015
- All things considered, we are confident that TransGrid is on track to meet its business plan targets for 2016.

### Slide 27 – TransGrid Unregulated Business – New Connections

- The growth of centrally delivered renewable generation will provide significant opportunities for TransGrid to build, own and operate connective electricity infrastructure for solar and wind

## Spark Infrastructure AGM 2016 Managing Director's Address

---

farms. This forms a central part of our business plan in relation to growing unregulated business revenues.

- While this activity is contestable, TransGrid's footprint across New South Wales and its skilled workforce put it in a strong position to be a central player in this market. Contracts in this space are generally for 20 years plus, which is considerably longer than for conventional unregulated services.
- According to the Clean Energy Council, more than 6,000MW of projects have been given planning approval but were yet to be financed or started. Each project takes about 18 months to develop, according to industry estimates.
- The Renewable Energy Hub at Inverell, which TransGrid is closely involved with, is an excellent example of this opportunity. This week, planning approval was granted for the \$400 million, 175MW White Rock Wind Farm, located between Glen Innes and Inverell, which will be the largest wind farm in NSW and initially have 70, 2.5MW turbines, and is planned to grow to 119 turbines.

### Slide 28 – TransGrid Unregulated Business Telco

- TransGrid's Telco business is starting off a low base but offers significant potential for growth; with 2,300 kilometres of under utilised optic fibre already in place.
- So far in 2016 the team at TransGrid has delivered a number of achievements, including;
  - Completing the connection to Melbourne ahead of schedule;
  - Successfully commenced signing up new customers;
  - Appointed new management with specific Telco experience; and
  - Is leveraging the competitive advantages of the TransGrid Telco network in specific market segments, which is resulting in positive engagement with prospective clients in those segments.

## Spark Infrastructure AGM 2016 Managing Director's Address

---

### SUMMARY AND OUTLOOK

#### Slide 30 – Management Priorities

- In conclusion, we will be focusing our efforts with SAPN and VPN on finalising their regulatory determinations, continuing with their operational efficiency programs and continuing to support innovation based on technology and clever partnering.
- In TransGrid the main business focus is on embedding its transformation program, capitalising on the unregulated business opportunities that are arising, preparing for its own regulatory submission due in January 2017 and for its upcoming Enterprise Bargaining Agreement renegotiation which will commence in the 3<sup>rd</sup> quarter of this year.
- In relation to the investment portfolio, we will continue to review our interest in the DUET Group and will update the market when it is appropriate to do so.

#### Slide 31 – Outlook and Guidance

- In terms of outlook and guidance, we remain focused on delivering long-term value accretion and sustainable growth in distributions over time. We are patient investors, but rest assured we are active managers, and not passive.
- We currently have distribution growth guidance in the market of at least 12.5cps for 2016, at least 13.0cps for 2017, and at least 13.5cps for 2018.
- Subject to receiving clarity on the VPN final regulatory determinations, we expect to revisit this distribution guidance in early June. Distributions will continue to be fully covered by standalone cashflows at the Spark level, and with the lift in distribution cashflows from our investments, we also expect to be able to prudently reduce our borrowings over the year.
- And on that note, I would like to thank you all for your continued investment and support of Spark. And now I'll hand back to the Chairman.

Ends

# ANNUAL GENERAL MEETING 20 MAY 2016



## THE AUSTRALIAN INFRASTRUCTURE NETWORK SPECIALISTS



## CONDUCT OF THE MEETING AND PARTICIPATION

- ▶ The Annual General Meeting of Spark Infrastructure is open to securityholders and proxy holders of Spark Infrastructure
- ▶ We will allow time for questions on each resolution and then vote on them together at the end after we have considered and discussed all resolutions
- ▶ All securityholders should clearly state their name and show their registration card to be entitled to vote and speak at the meeting
- ▶ Poll on all resolutions
- ▶ The poll will be conducted by Ms Roopa Paradkar of Computershare Investor Services



# CHAIRMAN'S ADDRESS

Mr Brian Scullin  
Chairman



# LONG TERM VALUE CREATION + GROWTH IN DISTRIBUTIONS

- ▶ How Spark Infrastructure adds value for securityholders – who we are and what we do
- ▶ Acquisition of an equity interest in TransGrid – an exciting opportunity to create long term value
- ▶ Growing cashflows from the investment portfolio are a reality
- ▶ Growing distributions to securityholders – guidance to be reviewed in June 2016
- ▶ Economic interest in DUET – under review
- ▶ Board succession and changing of the guard





# MANAGING DIRECTOR'S ADDRESS

Mr. Rick Francis  
Managing Director & CEO



# PRESENTATION AGENDA

- 1. OVERVIEW**
- 2. SPARK INFRASTRUCTURE PERFORMANCE**
- 3. STRATEGIC UPDATE**
- 4. INVESTMENT PORTFOLIO UPDATE**
- 5. SUMMARY AND OUTLOOK**

# 1. OVERVIEW

# INVESTMENT PROPOSITION

## VALUE CREATING GROWTH IN ASSETS DELIVERING SUSTAINABLE GROWTH IN DISTRIBUTIONS

- ▶ Organic growth in the existing investment portfolio is a core part of the investment proposition and an enduring priority, including:
  - Regulator approved capital expenditure in accordance with business requirements and priorities
  - Continual focus on improving efficiency, productivity and managing costs
  - Maintenance of high standards of safety and reliability
  - Agile response to changing business conditions and new technology
  - Suitably incentivised management teams at both the fund and asset levels
- ▶ External growth and diversification opportunities will be considered that:
  - Offer predictable earnings and reliable cashflows
  - Are subject to independent and transparent regulation or are supported by long term contractual arrangements
  - Provide an attractive yield and are accretive within a reasonable timeframe
  - Provide long-term growth in the equity of investments
  - Display a similar risk profile to the assets in the existing portfolio
  - Offer the opportunity for strategic diversification by asset class, geography, regulatory regime and/or timing, and partners









# INVESTMENT APPROACH

## ADDING VALUE BY APPLYING SECTOR EXPERTISE

- 1 Concentrated portfolio of significant interests with ability to influence outcomes and drive performance**
  - Spark Infrastructure takes an active role in driving performance from asset level management teams
  - Track record of delivering results and protecting the interests of Spark Infrastructure's securityholders
- 2 Ensure robust governance at both fund level and asset level**
  - Suitable representation on Boards of asset businesses delivering two way flow of information and expertise
  - Robust shareholder agreements providing sound governance and protections around capital management and distribution policy
- 3 Apply industry and regulatory expertise to asset level investment strategy and operations**
  - Deep knowledge of the regulation of network assets in Australia
  - Demonstrated expertise in improving productivity and cost efficiency
  - Experienced core team of executives at Spark Infrastructure with ability to extend capability with expert group of long term industry specialist advisers
- 4 Apply financial discipline to investment decisions both organic and external**
  - Long term value creation the key priority with short term cashflow per security accretion a supporting priority
  - Prudent asset gearing based on stable investment grade credit ratings
  - Fund level debt applied only on a short term basis to assist business goals – not a permanent fixture
- 5 Focus on delivering sustainable growth in distributions over time**
  - Aim to deliver real growth in distributions for investors with a long term investment horizon
  - Spark distributions are fully covered by operational cashflows on both a standalone and look-through basis
  - Drive continual improvements in operational efficiency and cost management to maximise operational cashflows
  - Diversify the asset portfolio with a view to creating opportunities for long term value enhancement in equity

## CURRENT INVESTMENT PORTFOLIO

AUSTRALIAN BASED SPECIALIST INFRASTRUCTURE INVESTOR WITH A PORTFOLIO OF HIGH QUALITY REGULATED BUSINESSES

					
	<p><b>49.0% Ownership</b></p>	<p><b>49.0% Ownership</b></p>	<p><b>49.0% Ownership</b></p>	<p><b>15.01% Ownership</b></p>	<p><b>10.6% Economic Interest</b></p>

**Spark Infrastructure's objective is to invest in regulated electricity and gas distribution or transmission assets, or water and sewerage assets in established regulatory jurisdictions - with Australia being a focus - that offer predictable earnings and reliable cashflows**

# 2. SPARK INFRASTRUCTURE PERFORMANCE

# FINANCIAL RESULTS - FY 2015

	FY 2015	FY 2014	% Change
Spark Infrastructure dps <sup>1</sup>	12.0cps	11.5cps	4.3
Payout ratio - standalone <sup>1,2</sup>	85.6%	81.5%	+4.1%
Payout ratio - lookthrough (post Spark Infrastructure net costs) <sup>1,3</sup>	41.6%	47.7%	-6.1%
SAPN distributions to Spark	\$114.2m	\$125.1m	(8.6)
VPN distributions to Spark	\$82.2m	\$81.2m	1.2
Standalone OCF	\$207.4m	\$206.9m	0.2
Standalone OCF per security <sup>4</sup>	14.0cps	14.7cps	(4.8)
Lookthrough OCF per security (post Spark Infrastructure costs) <sup>4</sup>	28.9cps	25.1cps	14.7

1. Accrued basis

2. Distribution divided by Standalone OCF per security (FY 2014 calculated using securities at 31 December 2014 of 1.466bn)

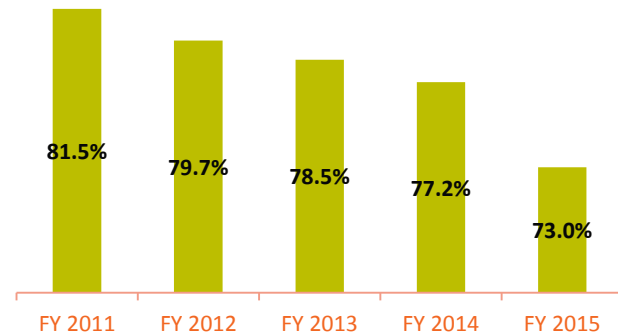
3. Distribution of 12.00cps divided by Look through OCF per security (FY 2014 calculated using securities at 31 December 2014 of 1.466bn)

4. Reflects weighted average securities outstanding during the period (1.479bn securities) (2014: 1.408bn securities)

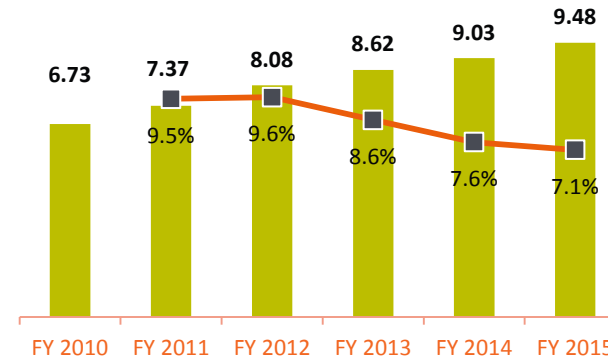


# SPARK INFRASTRUCTURE TRACK RECORD

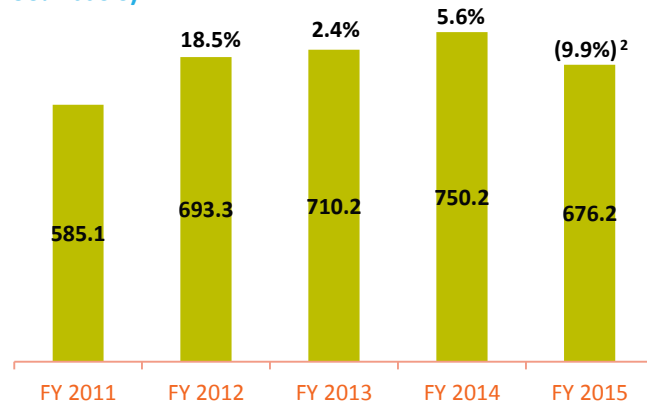
Net Debt to RAB (%) – aggregate SAPN + VPN



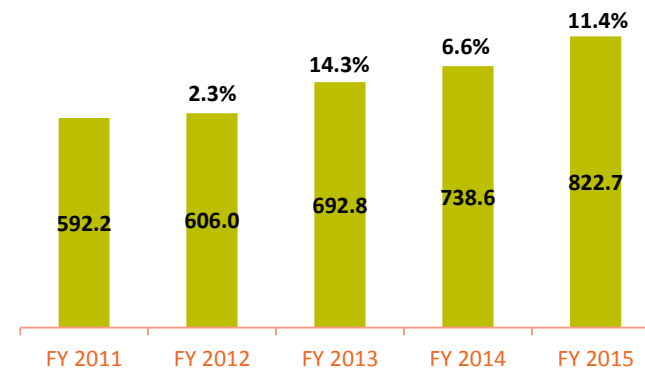
Growth in RAB – aggregate SAPN + VPN  
Rolling CAGR<sup>1</sup> (\$bn and %)



SAPN EBITDA (\$M) (ex customer contributions)  
(100% basis)

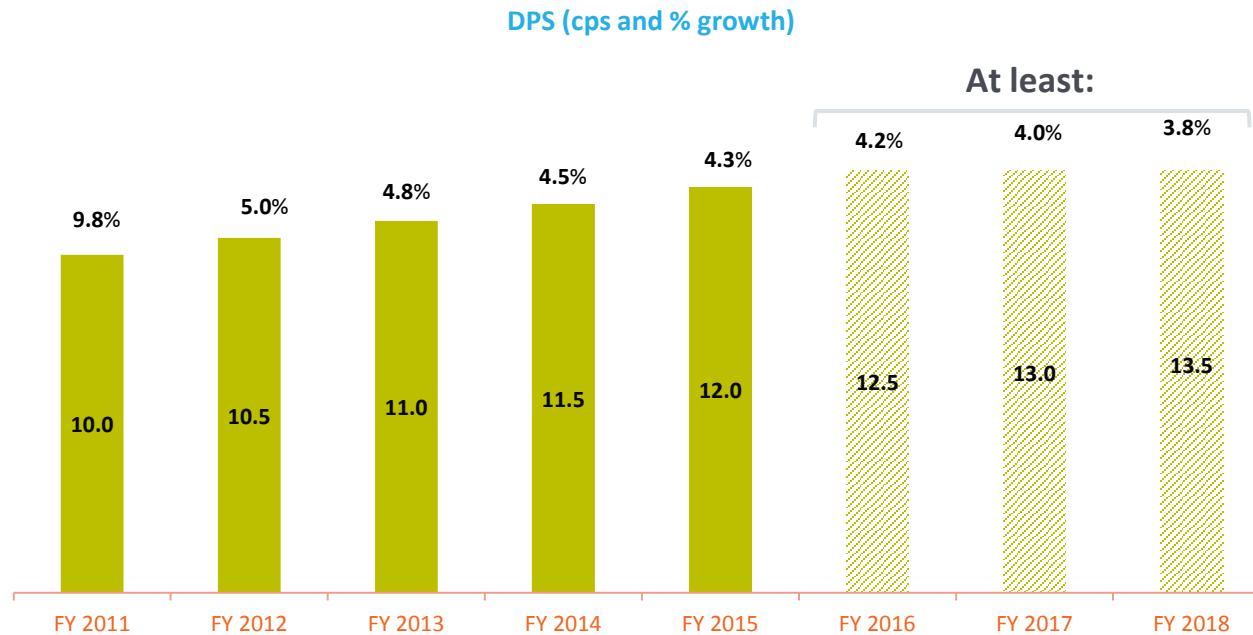


VPN EBITDA (\$M) (ex customer contributions)  
(100% basis)



1. Compound Annual Growth Rate
2. SAPN commenced a new regulatory period on 1 July 2015 under transition provisions which mean it must operate under the parameters laid out in its Preliminary Determination for the first year of the 5-year regulatory period

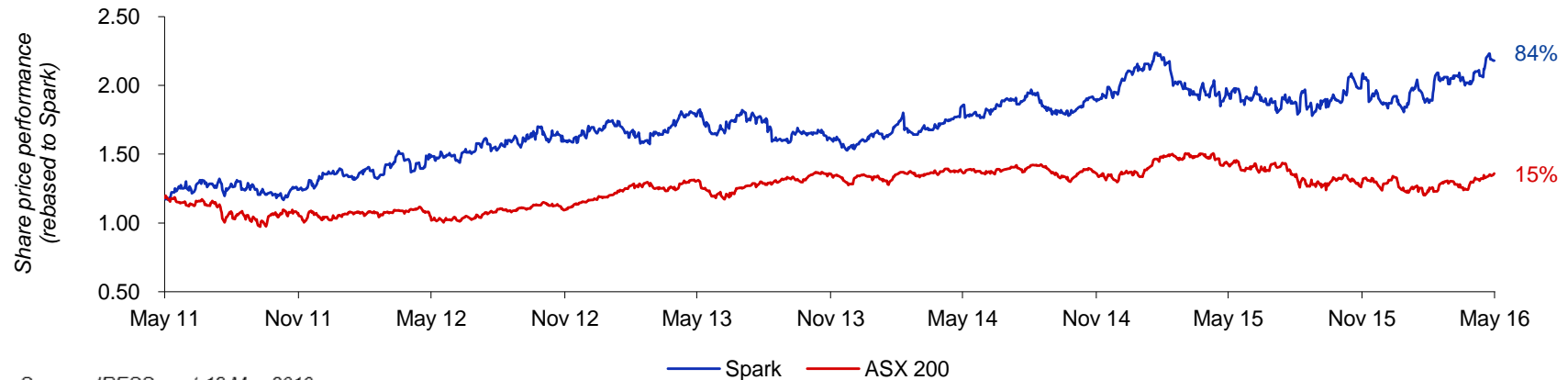
# DISTRIBUTION TRACK RECORD + GUIDANCE



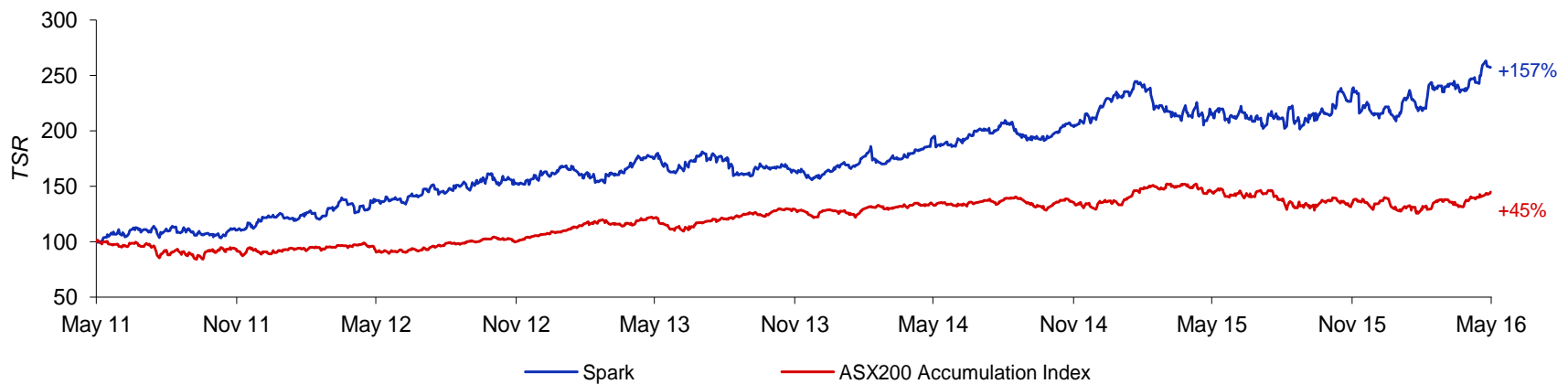
- ▶ 3-5% dps targeted growth p.a. to 2015 delivered
- ▶ The Directors have provided medium term distribution guidance; fully covered by both standalone and look-through OCF:
  - FY 2016 – at least 12.5 cps
  - FY 2017 – at least 13.0 cps
  - FY 2018 – at least 13.5 cps
- ▶ Distribution guidance will be reviewed in June 2016 taking into account the VPN Final Determinations and finalisation of associated business planning processes

# 5-YEAR SHARE MARKET PERFORMANCE

## Spark 5 year relative share price performance



## Spark 5 year total shareholder returns



# 3. STRATEGIC UPDATE

# STRATEGIC UPDATE

## Distributions

- ▶ **Guidance to be reviewed in June 2016**
  - Potential for significant growth in Standalone OCF per security in FY 2016 based on increased distributions from VPN received to date and expected to continue
  - Guidance will be updated following receipt of the AER's Final Determinations for VPN (CitiPower and Powercor), expected by end of May 2016 and finalisation of associated business planning processes

## TransGrid

- ▶ **Focus on execution of business plan** – Application of skills and experience actively supporting the management of TransGrid to deliver the business plan and meet stakeholder expectations
  - New CEO commenced 29 April 2016. CFO transitioned from consortium into business
  - “ACE” (Accountable, Collaborative, Energised) business transformation program underway
  - Transition project from public to private ownership completed on time

## DUET Group

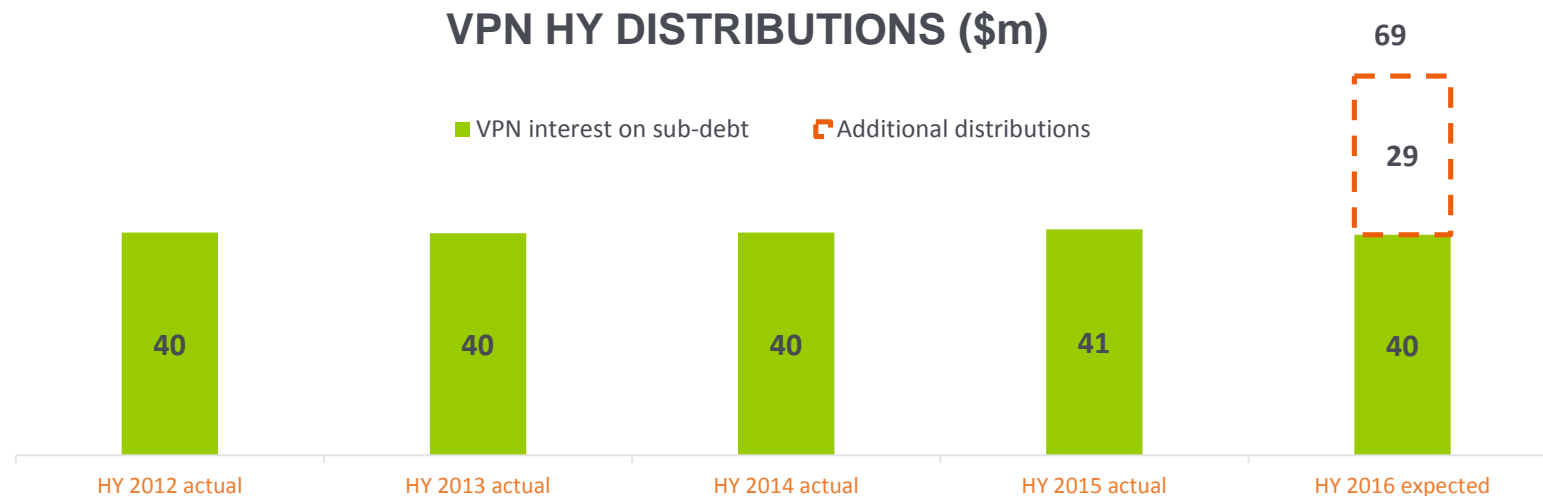
- ▶ **Investment under review** – assessing continued strategic relevance to Spark Infrastructure
  - No external deadline for decision or execution

## New South Wales Privatisations

- ▶ **Ausgrid ruled out** – Spark Infrastructure and the NSWEN Consortium are not participating in the sales process for New South Wales electricity distribution business Ausgrid
  - Focus is on execution of consortium business plan for TransGrid

# STRONG GROWTH IN STANDALONE CASHFLOWS

- SAPN, VPN and TransGrid are performing in line with expectations
- VPN still awaits its final regulatory determinations (due late May 2016 – deferred by AER from April)
- VPN gearing remains comfortably within its target range and financial performance is strong, significantly benefiting from strong execution of World CLASS business improvement program
- Subject to final regulatory outcomes, VPN's position remains strong and it is well prepared to deliver increased distributions to its owners
- In first 4 months of FY16, VPN has distributed \$37m to Spark, with a further \$32m scheduled to be paid in May 2016. VPN distributions for HY16 are expected to be \$29m (68%) higher than in recent prior periods (based on agreed business plans)



# FUND LEVEL INVESTMENT CASHFLOWS FOR 1H 2016

Investment	4 months to April 2016 (\$m)	Estimate <sup>1</sup> 1H 2016 (\$m)	6 months 1H 2015 (\$m)
<b>SAPN</b> - Preferred Partnership Capital	34.7	34.7	34.3
<b>SAPN</b> - Other distributions	22.3	22.3	19.1
<b>VPN</b> - Sub-debt Interest	22.8	40.0	41.0
<b>VPN</b> - Other distributions	14.4	28.8	-
<b>TransGrid</b> - Sub-debt interest and other distributions	-	-	-
<b>DUET Group</b> economic interest	21.4	16.5	11.8
<b>Total</b>	<b>115.6</b>	<b>142.3</b>	<b>106.2</b>

- ▶ Non-discretionary distributions (quasi-interest)
- ▶ Non-discretionary distributions
- ▶ Distributions commence in 2H 2016 and for FY 2016 are expected to be ~\$45 million
- ▶ Distributions - net of funding costs

**Fund level senior debt has reduced from \$205 million to \$195 million at 30 April 2016**

1. Estimates for SAPN, VPN and TransGrid are based on scheduled payments for 1H 2016



## TRANSGRID EQUITY INVESTMENT – COMPLETED 16 DEC 2015

Spark Infrastructure acquired an equity investment of 15.01% in TransGrid equal to \$735.3m<sup>1</sup>.

The investment:

- ▶ Is expected to be value accretive and provides long term cash generation growth opportunities – based on long term projections and the delivery of the consortium’s business plan which is currently underway
- ▶ Is forecast to be Standalone OCF per security accretive relative to Spark Infrastructure’s 2015 Standalone OCF of 14.0 cps
- ▶ Is being actively managed to increase productivity and efficiency through better asset utilisation and process improvements with the objective of moving it to the efficient frontier of performance
- ▶ Solid investment grade credit rating expected to be secured in the near term
- ▶ Provides further diversification to Spark Infrastructure’s existing investment portfolio by sources of cashflow, asset type, geography, regulatory timing and partnering
- ▶ Distributions to Spark Infrastructure expected to be ~\$45m for FY 2016

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

1. Includes Spark Infrastructure’s share of NSWEN Consortium acquisition costs.



# 4. INVESTMENT PORTFOLIO UPDATE

# REGULATORY APPEAL DECISIONS

- ▶ **Australian Competition Tribunal (ACT)** handed down decisions in late February 2016 in respect of appeals lodged by New South Wales and ACT Distributors and certain other entities
  - **Gamma** – AER position for gamma of 0.4 was rejected and gamma was restored to 0.25
  - **Cost of debt** – The AER position sought to impose a new methodology to calculate return on debt using a 10-year trailing average approach combined with the application of a 10-year transition period. The tribunal directed the AER to remake its decision and effectively rejected the application of a transition period
  - **Cost of equity** – AER methodology and parameters supported. The Tribunal found that the AER’s adoption of the foundation model was not incorrect
  - **Benchmarking** – Tribunal found errors associated with the AER’s opex decision and the application of its benchmarking methodology. AER must remake Networks NSW and ActewAGL opex decisions including using broader range of modelling and benchmarking and a “Bottom up” review to forecast opex
  
- ▶ **The AER has sought a judicial review by the Federal Court of the ACT decisions**
  - The timeframe for this is unclear but could take 12-18 months
  - SAPN’s appeal processes will proceed independently of this action but cannot take effect until its outcomes are known



# SAPN BUSINESS UPDATE

- ▶ Final Regulatory Determination received October 2015 provides \$630 million of additional revenues over the Preliminary Determination that has applied since 1 July 2015. Additional revenue to be recovered in years 2-5 of the regulatory period, commencing from 1 July 2016
- ▶ SAPN has appealed various elements of its Final Determination
  - ❑ Hearings will commence in August 2016
  - ❑ Outcomes are subject to the Federal Court action initiated by the AER in relation to New South Wales appeals
- ▶ South Australia was ranked as the most efficient State for electricity distribution on a State by State comparison - SAPN is the only significant Distribution Network Service Provider in South Australia
- ▶ Efficient performance means lower cost to consumers – SAPN currently contributes only 28% to the average total residential electricity bill
- ▶ Reliability performance provides benefits for investors as well as for customers – in the 2015 regulatory year SAPN recorded a benefit of \$29 million under the Service Target Performance Incentive Scheme (STPIS)
- ▶ Highest standards of workplace safety – zero lost time injuries in 2015 and zero YTD in 2016
- ▶ Net debt to RAB of 71.9% at 31 December 2015 – A- credit rating (S&P)

# VPN BUSINESS UPDATE



- ▶ VPN commenced its 5-year regulatory period on 1 January 2016
  - ❑ Currently operating under the parameters of its Preliminary Determination received October 2015
  - ❑ Final Determination is expected from the AER by the end of May 2016 (delayed from April 2016)
  
- ▶ CitiPower and Powercor ranked 1<sup>st</sup> and 5<sup>th</sup> respectively by Total Productivity in the most recent AER benchmarking Report
  
- ▶ World CLASS program continues to deliver compelling financial benefits:
  - ❑ Enhanced empowerment and increased accountability for front line staff
  - ❑ Elimination of non-essential activities
  - ❑ More efficient use of internal resources
  - ❑ Reduced external spend – improved procurement practices and reduction in use of contractors
  
- ▶ Efficient performance means lower cost to consumers - the 2016 approved tariffs confirming CitiPower and Powercor contribute 20% and 25% respectively to average total residential electricity bill
  
- ▶ Reliability performance provides benefits for investors as well as for customers - in the 2015 regulatory year VPN recorded a benefit of \$15 million under the STPIS
  
- ▶ Net debt to RAB of 73.8% at 31 December 2015 - BBB+ credit rating (S&P)

# TRANSGRID: PROGRESS TO DATE



- 1 **Transition to private ownership** – Successful completion of Financial Close on 16 December 2015; new corporate organisational and capital management structures, initial governance, risk frameworks and banking relationships established; employees, assets and contracts all transferred to new vehicles
- 2 **Governance** – New Boards appointed – 2 Spark Infrastructure Directors (including current Chair); 1 Hastings; 1 CDPQ<sup>1</sup>; 2 Independent Non-Executive Directors
- 3 **New Leadership** – Appointed new CEO to lead into next phase of development and new CFO to strengthen finance discipline in new operating environment
- 4 **Strategic plan** – The NSWEN Consortium’s business plan has being integrated into the business and communicated to the workforce
- 5 **Business transformation** – “ACE” (Accountable, Collaborative, Energised) program initiated; designed to execute the new business plan; entrench a performance based culture in the workforce; grow new business areas and improve operational efficiency and capital allocation. Capability reinforced through active ownership support and NSWEN Consortium advisers embedded in the business
- 6 **Engagement** – The Chair and NSWEN Consortium Directors have travelled extensively across New South Wales to meet with TransGrid employees and community representatives
- 7 **Unregulated revenue** – Mapping of opportunities and finalisation of growth strategies completed – aiming to build momentum to grow business and secure further efficiencies in a short timeframe
- 8 **Capital management** – Debt refinancing plans being developed, well progressed on attaining initial credit rating

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

1. Hastings and CDPQ have the right to appoint 2 Directors each



# TRANSGRID BUSINESS UPDATE

- ▶ New CEO commenced on 29 April 2016 to drive cultural change, instil customer centric mindset and realise productivity and operational efficiency improvements
- ▶ “ACE” (Accountable, Collaborative, Energised) program underway:
  - Driving sustainable opex and capex outperformance, targeting top quartile efficiency
  - Devolution of decision making and accountability to empower operational and frontline staff
  - Agile and commercial response to customer needs and preferences
  - Innovation in the business to protect traditional revenue sources and to create new opportunities
  - Embedding performance and results orientated culture
- ▶ Unregulated business on track for growth:
  - Certainty of ownership post transition a positive for current and potential customers
  - A number of renewable connections opportunities are in progress
- ▶ The business is on track to meet financial business plan targets for FY 2016
- ▶ Recent growth in energy usage and peak demand underpin positive future for electricity networks
- ▶ Net debt to RAB of 86.5% at acquisition – investment grade credit rating targeted; refinancing plans well progressed
- ▶ Enterprise Agreement expires December 2016. Planning underway; negotiations to commence in 3<sup>rd</sup> Qtr 2016
- ▶ Regulatory certainty to June 2018. Planning for reset already commenced, initial proposal due to AER January 2017

# TRANSGRID UNREGULATED BUSINESS – NEW CONNECTIONS

- ▶ The growth of centrally delivered renewable generation presents significant opportunities for TransGrid
  - ❑ Existing contracts provide significant cashflow and value
  - ❑ Significant pipeline of projects that can be expected to commence within the next four years; unprecedented level of interest in connection of renewables to the network
  - ❑ 6,000MW of large scale renewable projects are expected in the next 4 years
  - ❑ Geographic footprint means TransGrid is ideally placed to participate in this market
  - ❑ Renewable Energy Hub at Inverell in New South Wales



## TRANSGRID UNREGULATED BUSINESS - TELCO



- ▶ TransGrid Telecommunications has a unique and valuable asset base;
  - ❑ 2,300km of optic fibre in place
  - ❑ Around 120 sites throughout regional New South Wales already Telco capable with another 50 that can be “made ready” on short notice as required
  - ❑ New management appointed with specialised Telco experience
  
- ▶ Completed connection to Melbourne ahead of schedule:
  - ❑ Route diversity along the network through Sydney-Canberra-Melbourne over the unique OPGW infrastructure now in place
  - ❑ Steady increase in the value of new sales being signed in 2016 exceeding forecast growth





# 5. SUMMARY AND OUTLOOK

# MANAGEMENT PRIORITIES

## PORTFOLIO PERFORMANCE

- ▶ **SAPN and VPN** – businesses performing strongly; ongoing focus on efficiency and reliability
  - ❑ Finalisation of VPN regulatory reset and management of appeals for SAPN and potentially VPN
  - ❑ Conclusion of 5-year business planning reflecting final regulatory outcomes
  - ❑ Growth and development of Energy Solutions business unit in VPN and other innovations in both businesses
  
- ▶ **TransGrid** – focus on embedding transformation program and executing the NSWEN Consortium business plan based on operational productivity and efficiency, improved asset utilisation and growth in non-prescribed business activity

## PORTFOLIO COMPOSITION

- ▶ **DUET Group investment under review** – assessing continued strategic relevance to Spark Infrastructure; no external deadline for decision or execution
  
- ▶ **New South Wales privatisations** – Spark Infrastructure and the Consortium are not participating in the sales process for NSW electricity distribution business Ausgrid; focus is on execution of TransGrid business plan

# OUTLOOK AND GUIDANCE

## DISTRIBUTIONS

- ▶ The Directors have provided medium term distribution guidance; fully covered by both standalone and look through OCF:
  - FY 2016 – at least 12.5 cps (4.2% up on 2015)
  - FY 2017 – at least 13.0cps
  - FY 2018 – at least 13.5cps
- ▶ Distribution guidance will be reviewed in June 2016 following receipt of the Final Determinations for CitiPower and Powercor expected by end of May 2016 and finalisation of associated business planning processes

## INVESTMENT PORTFOLIO

- ▶ The 'true-up' of revenue reflecting SAPN's Final Determination will commence from 1 July 2016, with an additional \$630 million to be recovered in years 2-5 of the regulatory period
- ▶ Expecting further real growth in RAB over next 5 Year Regulatory Period
- ▶ Gearing of 75% net debt to RAB through to 2015 achieved in SAPN and VPN and expected to remain around that level, as agreed between partners
- ▶ No equity injections expected for SAPN and VPN in current regulatory periods (2015-20)
- ▶ TransGrid gearing expected to remain around current range over the medium term, as agreed between partners

# QUESTIONS

## VOTING RULES AND INSTRUCTIONS

- ▶ The Annual General Meeting of Spark Infrastructure is open to Securityholders and proxy holders of Spark Infrastructure
- ▶ All Securityholders should clearly state their name and show their registration card to be entitled to vote and speak at the meeting
- ▶ Poll on all resolutions
- ▶ The poll will be conducted by Ms Roopa Paradkar of Computershare Investor Services
- ▶ We will allow time for questions on each resolution and then vote on them together at the end after we have considered and discussed all resolutions

## FINANCIAL REPORT

- ▶ The financial report, director's report and auditor's report for the Spark Infrastructure Group were lodged with the ASX on Monday 22 February 2016 and were included in the annual report mailed to securityholders 15 April 2016
- ▶ The financial report is now formally tabled at the 2016 AGM of Spark Infrastructure

## POLLS

- ▶ Ms Roopa Paradkar of Computershare Investor Services has been appointed as Returning Officer to conduct the polls of the 2016 Spark Infrastructure AGM
- ▶ The results of the poll will be announced to the ASX and placed on Spark Infrastructure's website this afternoon



CLOSE OF MEETING



# FOR FURTHER INFORMATION

## Please contact

Mario Falchoni

General Manager, Investor Relations and Corporate Affairs  
Spark Infrastructure

P: + 61 2 9086 3607

F: + 61 2 9086 3666

[mario.falchoni@sparkinfrastructure.com](mailto:mario.falchoni@sparkinfrastructure.com)

# DISCLAIMER & SECURITIES WARNING

**No offer or invitation.** This presentation is not an offer or invitation for subscription or purchase of or a recommendation to purchase securities or financial product.

**No financial product advice.** This presentation contains general information only and does not take into account the investment objectives, financial situation and particular needs of individual investors. It is not financial product advice. Investors should obtain their own independent advice from a qualified financial advisor having regard to their objectives, financial situation and needs.

**Summary information.** The information in this presentation does not purport to be complete. It should be read in conjunction with Spark Infrastructure's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at [www.asx.com.au](http://www.asx.com.au).

**U.S. ownership restrictions.** This presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to any "U.S. person". The Stapled Securities have not been registered under the U.S. Securities Act or the securities laws of any state of the United States. In addition, none of the Spark Infrastructure entities have been registered under the U.S. Investment Company Act of 1940, as amended, in reliance on the exemption provided by Section 3(c)(7) thereof. Accordingly, the Stapled Securities cannot be held at any time by, or for the account or benefit of, any U.S. person who is not both a QIB and a QP. Any U.S. person who is not both a QIB and a QP (or any investor who holds Stapled Securities for the account or benefit of any US person who is not both a QIB and a QP) is an "Excluded US Person" (A "U.S. person", a QIB or "Qualified Institutional Buyer" and a QP or "Qualified Purchaser" have the meanings given under US law). 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 Stapled Securities) are an Excluded US Person. Spark Infrastructure may treat any investor who does not comply with such a request as an Excluded US Person. Spark Infrastructure has the right to: (i) refuse to register a transfer of Stapled Securities to any Excluded U.S. Person; or (ii) require any Excluded US Person to dispose of their Stapled Securities; or (iii) if the Excluded US Person does not do so within 30 business days, require the Stapled Securities be sold by a nominee appointed by Spark Infrastructure. To monitor compliance with these foreign ownership restrictions, the ASX's settlement facility operator (ASX Settlement Pty Limited) has classified the Stapled Securities as Foreign Ownership Restricted financial products and put in place certain additional monitoring procedures.

**Foreign jurisdictions.** No action has been taken to register or qualify the Stapled Securities in any jurisdiction outside Australia. It is the responsibility of any investor to ensure compliance with the laws of any country (outside Australia) relevant to their securityholding in Spark Infrastructure.

**No liability.** No representation or warranty, express or implied, is made in relation to the fairness, accuracy or completeness of the information, opinions and conclusions expressed in the course of this presentation. To the maximum extent permitted by law, each of Spark Infrastructure, all of its related bodies corporate and their representatives, officers, employees, agents and advisors do not accept any responsibility or liability (including without limitation any liability arising from negligence on the part of any person) for any direct, indirect or consequential loss or damage suffered by any person, as a result of or in connection with this presentation or any action taken by you on the basis of the information, opinions or conclusions expressed in the course of this presentation. You must make your own independent assessment of the information and in respect of any action taken on the basis of the information and seek your own independent professional advice where appropriate.

**Forward looking statements.** No representation or warranty is given as to the accuracy, completeness, likelihood of achievement or reasonableness of any forecasts, projections, prospects, returns, forward-looking statements or statements in relation to future matters contained in the information provided in this presentation. Such forecasts, projections, prospects, returns and statements are by their nature subject to significant unknown risks, uncertainties and contingencies, many of which are outside the control of Spark Infrastructure, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.