

30 JUNE 2016 HALF YEAR RESULTS
MONDAY, 22 AUGUST 2016



THE AUSTRALIAN INFRASTRUCTURE NETWORK SPECIALISTS



HIGHLIGHTS HALF YEAR 2016

ACTIVE MANAGEMENT OF QUALITY ASSETS



Corporate

- Raised distribution guidance by 21% to 14.5 cps for FY 2016 with 5% p.a. growth to FY 2018
- Growth in both standalone and look-through operating cashflow
- Strong total securityholder returns for the period
- Active membership and robust governance on investment portfolio Boards and Committees
- Divested economic interest in DUET Group
- Paid down all Spark Infrastructure level debt

TransGrid

- Appointed new CEO, Paul Italiano
- Transition to private ownership complete; embedding high performance culture
- Achieved stable investment grade credit rating Baa2 on USPP notes
- Successful USPP of A\$1bn – largest inaugural USPP issuance by an Australian corporate
- First distribution of \$26m paid to Spark Infrastructure in July 2016

Victoria Power Networks

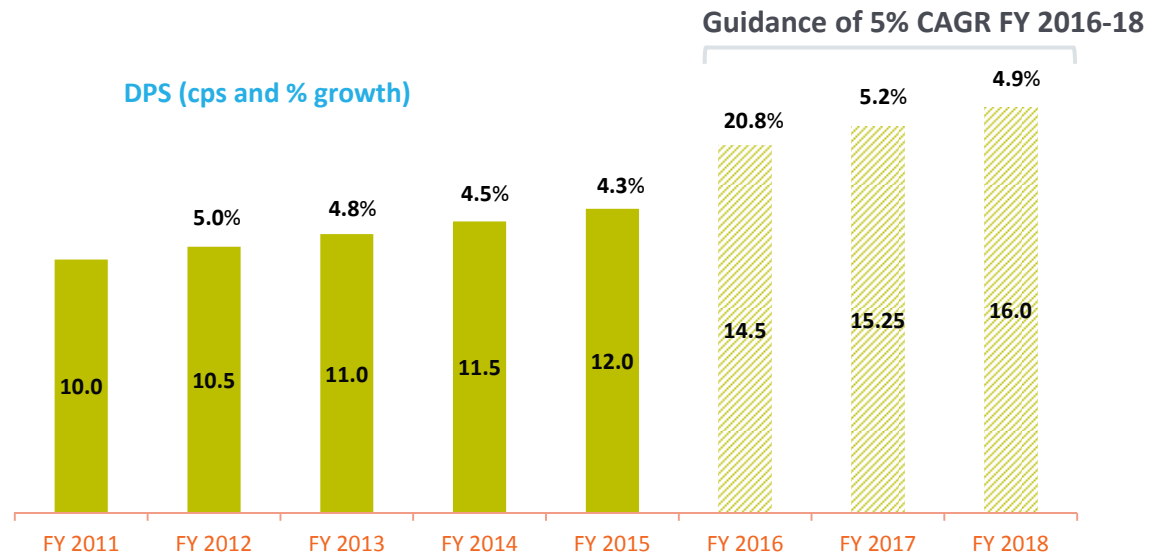
- Distributions to Spark Infrastructure up 68% over prior corresponding period
- World CLASS Program – Strong outcomes, \$163m p.a. identified savings vs 2013 baseline
- Successful debt refinancing, extending average maturities
- Received Final Regulatory Determination

SA Power Networks

- Successful debt refinancing, extending average maturities
- Continued strength in semi and unregulated activities
- Provisional STPIS benefit of \$26m for 2015/16 regulatory year



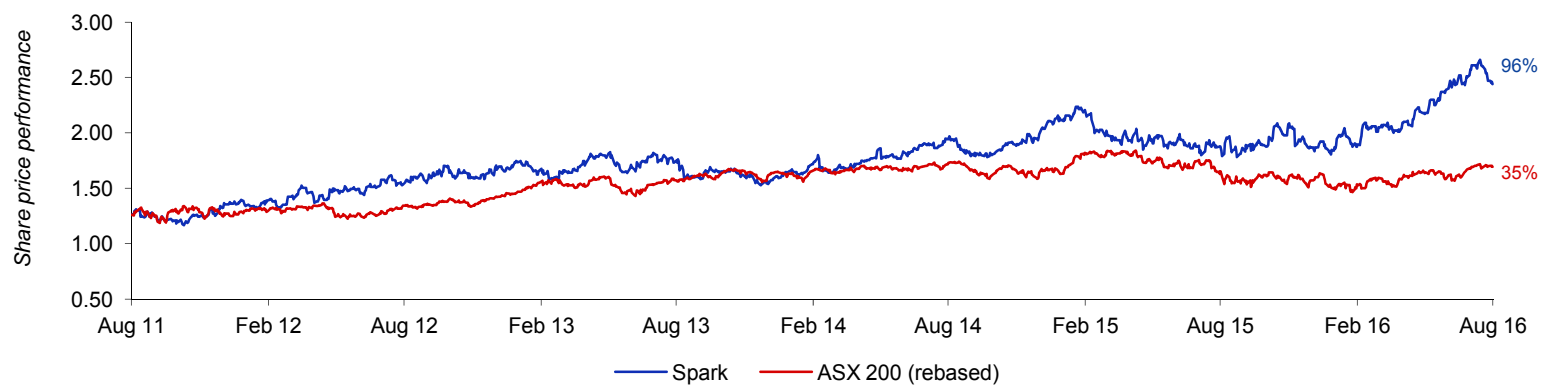
FY2016 – FY2018 DISTRIBUTION GUIDANCE REAFFIRMED



- ▶ The Directors have reaffirmed medium term distribution guidance; expected to be fully covered by both standalone and look-through OCF:
 - FY 2016 14.5cps (21% higher than 12.0cps in FY 2015)
 - FY 2017 15.25cps
 - FY 2018 16.0cps
 - Guidance based on expected distributions from asset portfolio and subject to business conditions

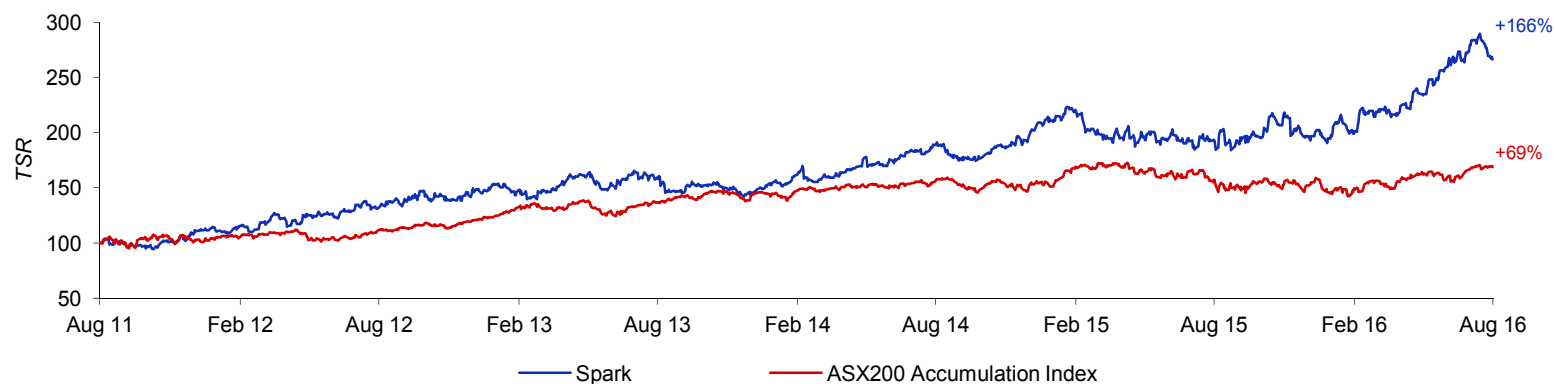
5-YEAR SHARE MARKET PERFORMANCE

Spark 5 year relative share price performance



Source: IRESS as at 19 Aug 2016

Spark 5 year total shareholder returns



Source: Datastream as at 19 Aug 2016

SPARK INFRASTRUCTURE

FINANCIAL RESULTS

HY 2016 FINANCIAL RESULTS

	HY 2016	HY 2015	% Change
Spark Infrastructure dps ¹	7.25cps	6.00cps	20.8
Standalone OCF ²	\$130.0m	\$101.2m	28.6
Standalone OCF per security ^{2,3}	7.7cps	6.9cps	12.0
Payout ratio - standalone ^{1,2,4}	93.8%	87.0%	+6.8%
Look-through OCF per security (post Spark Infrastructure costs) ³	13.6cps	11.3cps	20.4
Payout ratio - look-through ^{1,5}	53.3%	52.9%	+0.4%
Net profit after tax (underlying)	\$51.6m	\$70.8m	(27.2)
Net profit after tax (statutory)	\$51.6m	\$39.2m	31.6

1. Accrued basis

2. Includes distributions to Spark of \$28.8m in HY 2016 via repayment of shareholder loans by VPN. In HY 2015, only interest on shareholder loans was paid by VPN

3. Reflects weighted average securities outstanding during the period (1.682bn securities) (2015: 1.466bn securities)

4. Distribution of 7.25cps divided by standalone OCF per security

5. Distribution of 7.25cps divided by look-through OCF per security

HY 2016 OPERATING CASH FLOW

	HY 2016	HY 2015	% Change
	\$m	\$m	%
SAPN – PPC distributions	34.5	34.3	0.6
SAPN – other distributions	22.3	19.1	16.7
VPN – sub debt interest	40.0	41.0	(2.6)
VPN – repayment of shareholder loans ¹	28.8	-	n/m
Investment Portfolio distributions	125.7	94.5	33.0
Distributions from derivative contracts	23.0	16.3	41.0
Total distributions	148.6	110.8	34.2
Interest received	0.5	1.9	(72.9)
Interest paid	(3.9)	(0.9)	339.4
Finance costs paid on derivative contracts	(7.7)	(4.5)	73.2
Corporate expenses	(7.4)	(6.1)	20.8
Standalone OCF	130.0	101.2	28.6

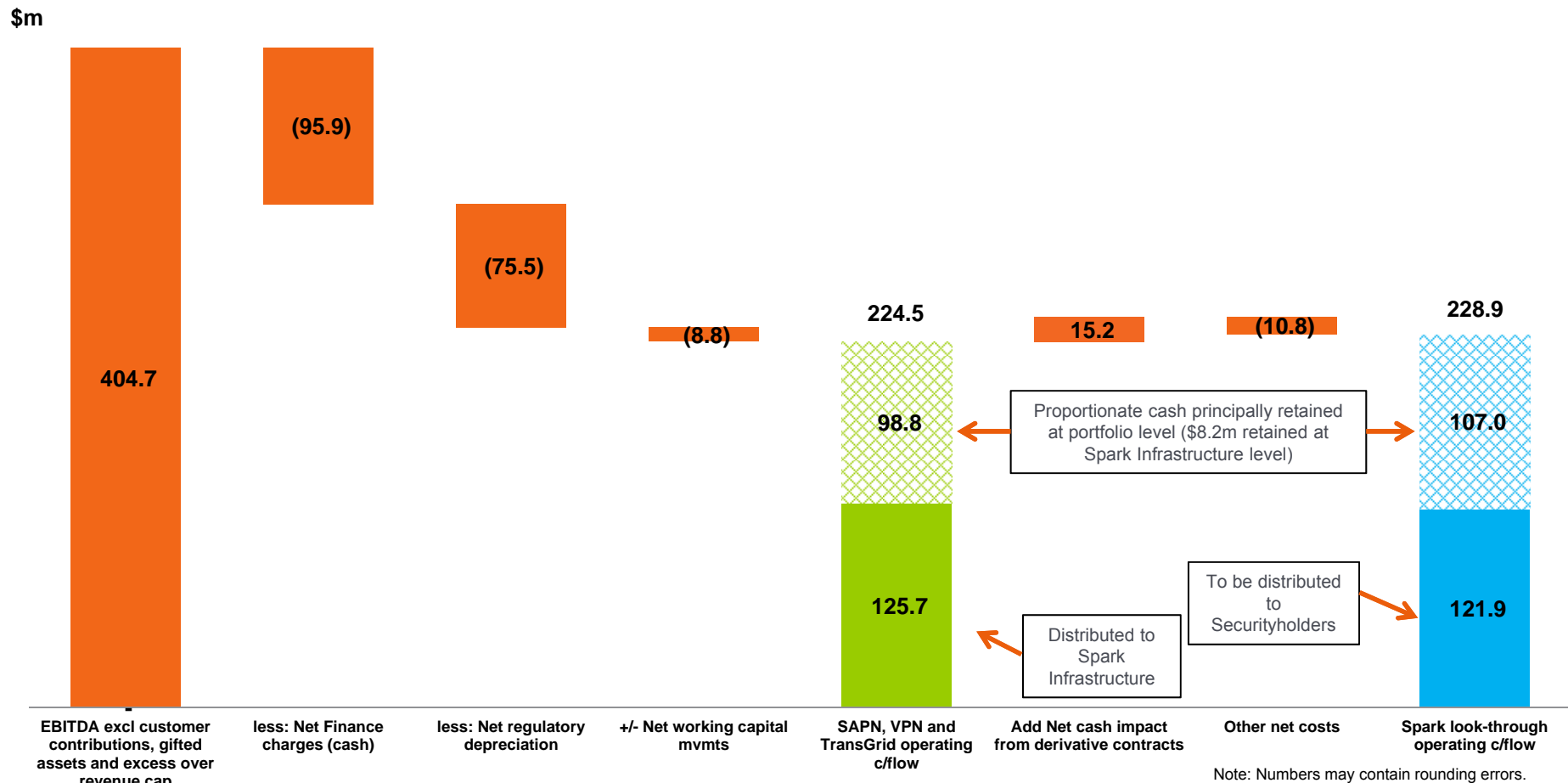
Post 30 June event:

- \$25.7m of TransGrid distributions were received in July 2016, in accordance with Business Plan

1. Cash receipts relating to VPN distributions by way of repayment of shareholder loans classified as investing activities for statutory cashflow presentation

LOOK-THROUGH OPERATING CASHFLOW PROPORTIONATE OWNERSHIP BASIS

Continued Strong Coverage of Distributions



Notes:

EBITDA, net finance charges, net regulatory depreciation and net working capital shown on proportionate basis (VPN and SAPN 49%, TransGrid 15.01%)

Net cash impact from derivative contracts excludes investing activity related cash flows

INVESTMENT PORTFOLIO

HY 2016 RESULTS

TRANSGRID (100% RESULTS)



	HY 2016
Financial¹	
	\$m
Prescribed revenue	423.7
Other revenue	24.8
Total revenue	448.5
Operating costs	(91.8)
EBITDA	356.7
EBITDA margin	79.5%
Capex ²	100.6
Operational	HY 2016
Employee numbers	1,026

- ▶ Revenue Cap in place for TransGrid since July 2014
- ▶ TUOS reported revenue includes:
 - \$6.5m STPIS recovered in HY 2016 relating to 2014 calendar year
 - Revenue under collected vs revenue cap of \$7.9m³
- ▶ STPIS benefit for 2015 calendar year of \$12m to be recovered from 1 July 2016
- ▶ Other revenue includes:
 - Infrastructure \$19.5m
 - Property \$2.3m
 - Telco services \$3.0m
- ▶ Opex includes both regulated and unregulated costs
- ▶ Capex predominantly Repex
 - Regulated Net Capex \$90.6m (Repex \$72m, Augex \$4m, NCIPAP⁴ \$4m, Non Network \$11m)
 - Unregulated Capex \$10.0m (Infra \$7.7m, Telco \$2.3m)

1. Results are based on TransGrid's financial statements covering the period from acquisition (16 December 2015) to 30 June 2016. These results have been adjusted by Spark Infrastructure to reflect accounts for the 6 month period to 30 June 2016

2. Capex covers the period from acquisition of TransGrid (16 December 2015) to 30 June 2015

3. Under recovery of amounts under the regulated revenue cap have not been recorded by TransGrid during HY 2016. Spark Infrastructure makes an adjustment to its results to reflect that these amounts will be recovered from electricity consumers in future periods. This adjustment is reflected in the table above.

4. Network Capability Incentive Parameter Action Plan (component of Transmission related STPIS for current 4 year regulatory period)

TRANSGRID – HY 2016 PROGRESS

MAINTAINING SAFE AND RELIABLE OPERATIONS AND DELIVERING CHANGE PROGRAM



FOCUS AREA	PROGRESS UPDATE
Transition to Private Ownership	<ul style="list-style-type: none"> ✓ Safe and reliable operations of the business maintained during transition ✓ Board, compliance and governance arrangements established under new ownership structure ✓ Finance process changes and reporting systems implemented
Leadership and Governance	<ul style="list-style-type: none"> ✓ New CEO Paul Italiano appointed and commenced April 2016 ✓ Dr Kerry Schott AO appointed Chair ✓ Spark Infrastructure Managing Director Rick Francis appointed Deputy Chair
Regulation	<ul style="list-style-type: none"> • Regulatory Proposal under development and due to be lodged in January 2017
Transformation	<ul style="list-style-type: none"> ✓ Transformation program “ACE” (Accountable, Collaborative, Energised) underway with growth and efficiency initiatives focused on delivering consistent top quartile performance ✓ Capability reinforced through active ownership support • Entrench performance based culture in workforce • EBA negotiations underway
Engagement	<ul style="list-style-type: none"> • In discussions with Government and industry regarding SA Interconnector opportunity
New Business / Unregulated Revenues	<ul style="list-style-type: none"> • Mapping of opportunities and finalisation of growth strategies completed • Building commercial capabilities by recruiting specialist Telco resources
Capital Management / Funding	<ul style="list-style-type: none"> ✓ Strong investment credit rating obtained Baa2 for USPP issuance ✓ Successful USPP A\$1bn raised ✓ First distributions paid to owners July 2016, in line with business plan ✓ Successful refinance well in advance of first maturity

TRANSGRID NON PRESCRIBED BUSINESS LEVERAGING CORE SKILLS AND EXISTING NETWORK ASSETS



Electricity Infrastructure and Telecommunications

Overview

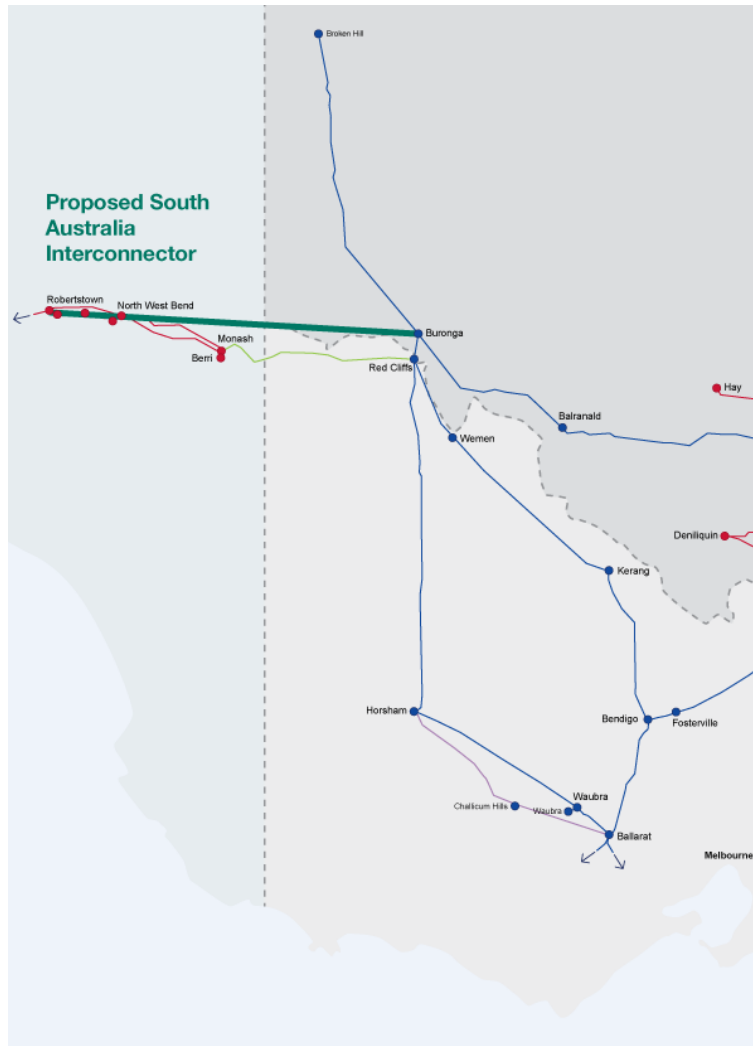
- Growing market in renewable generation with increasing applications for development through RET
- Currently in negotiations for offers to connect renewable generation of over 1000MW
- TransGrid is actively supporting the transition of the energy network from traditional generation to renewable generation to facilitate and remove impediments to the transition to renewable energy
- TransGrid has co-funded a knowledge sharing report with ARENA and the NSW government to investigate renewable solutions to reduce cost impediments for renewable connections
- Providing infrastructure services in both NSW and Victoria
- Delivering \$1.5m in paid design and early works to support renewable developers to reach financial close, which can support over \$80m of work in associated connections
- Leverage TransGrid's 2,000km regulated telecommunications network connecting Sydney, Canberra and Melbourne

Focus areas

- Secure a substantial market share for renewable connections in NSW
- Leverage geographic footprint and in-house engineering capability into premium value full service offering
- Build commercial capability and offering to deliver renewable connections across the network in NSW
- Continue to build commercial culture and sales capabilities in Telco
- Demonstrate value proposition to major prospective Telco customers along principal routes between capital cities
- Roll out Telco service offering into historically underserved regional areas

TRANSGRID - SA INTERCONNECTOR PROPOSAL

A SOLUTION FOR THE SOUTH AUSTRALIAN COMMUNITY AND FOR NATIONAL ELECTRICITY CONSUMERS



A new interconnector between NSW and South Australia is the most affordable, accessible and reliable solution to South Australia's electricity market issues, as it will:

- Open the National Electricity Market (NEM) to greater competition between States, i.e. enhancing the physical flow of electricity and reducing wholesale electricity prices
- Resolve existing issues of energy system stability and security
- Enable further investment in renewable energy by creating network capacity in South-West NSW
- Create capacity in transmission networks to accelerate and facilitate the transition to clean energy

Subject to regulatory approvals, TransGrid can provide the South Australian electricity system with the stability and security only possible through electricity interconnection.

- Project cost – ~\$500 million
- Construction timeframe – 18 months
- Capacity – 650MW single circuit 275kV transmission line
- Region of interest for over 1GW of renewable generation in South-West NSW

VPN (100% RESULTS)



	HY 2016	HY 2015	Change
	\$m	\$m	%
Financial			
Regulated revenue - DUoS	458.0	467.3	(2.0)
Prescribed metering (AMI)	53.6	56.5	(5.1)
Semi-regulated other	21.0	22.8	(7.9)
Unregulated revenue	83.7	42.9	95.1
Total revenue¹	616.3	589.4	4.6
Operating costs	(189.4)	(178.6)	(6.1)
EBITDA	426.9	410.8	3.9
EBITDA margin	69.3%	69.7%	(0.4%)
Net Capex (Inc. AMI)	176.6	197.9	(10.8)
Operational	HY 2016	HY 2015	Change %
Customer numbers	1,104,245	1,090,168	1.3
Employee numbers	2,052	2,049	0.1

▶ **Revenue Cap in place from Jan 2016**

▶ **HY16 DUoS reported revenue includes:**

- Reduction in DUoS revenue of \$4.8m due to 2014 STPIS penalty (HY15 included \$6.1m STPIS benefit)
- Favourable \$9m Powerline replacement program provision reversal
- Excludes revenue of \$5.3m above revenue cap¹

▶ **Unregulated/Other revenue**

- Increased 3rd party PNS revenue up \$24m due to Ararat Wind Farm Project
- One-off recovery of costs incurred in tax matters ~\$20m

▶ **Opex up 6.1% reflecting higher unregulated activity partly offset by efficiency savings**

▶ **Net Capex down 10.8%, including efficiency savings**

1. Customer contributions and gifted assets revenue is recorded by VPN using the replacement cost approach. Spark Infrastructure makes an adjustment in its results to reflect that these revenue items have a fair value of effectively nil. Amounts in excess of the regulated revenue cap have been recorded by VPN as revenue in HY 2016. Spark Infrastructure makes an adjustment to its results to reflect that these amounts will be returned to electricity consumers in future periods. The table above reflects these adjustments

VPN WORLD CLASS PROGRAM UPDATE



CURRENT RUN RATE SAVINGS \$163M P.A. (OPEX \$83M, CAPEX \$75M, REV \$5M)

INITIATIVE	\$M VALUE p.a. (vs 2013 Baseline)	ACHIEVEMENTS
Commercial Sourcing	\$14m	<ul style="list-style-type: none"> ✓ Streamlined procurement processes ✓ Realised significant savings through renegotiated contracts for materials and fleet
Lean Corporate Functions	\$32m	<ul style="list-style-type: none"> ✓ Reshaped corporate functions ✓ Reduced external spend and optimized the blend of insourced/outsourced IT services
Lean Customer & Market Operations	\$18m	<ul style="list-style-type: none"> ✓ Implemented quick fixes in a number of Customer Services Group areas to remove duplication/unnecessary effort ✓ Implemented an online solar pre approvals solution via eConnect with average processing time for requests reduced from 3 days to 2 minutes • Implementation of the full end-to-end connections automated solution via eConnect in progress
Automated & Integrated Works Management	\$19m	<ul style="list-style-type: none"> ✓ Deployed iPads for field use ✓ Implemented an automated works management solution to increase efficiency in scheduling and dispatch
Simple Maintenance & Design Processes	\$19m	<ul style="list-style-type: none"> ✓ Implemented a simplified maintenance process and updated maintenance policies to avoid unnecessary work ✓ Centralized the Design team and implemented the automated Design solution
Structured Field Delivery	\$39m	<ul style="list-style-type: none"> ✓ Realised significant savings through successful negotiation of lower rates and contractor hours ✓ Brought Vegetation Management decision making capabilities in-house
Simplified Organisation	\$12m	<ul style="list-style-type: none"> ✓ Removed duplication of work and hand-offs at key interface points ✓ Simplified the operating model
Network Planned Access	\$2m	<ul style="list-style-type: none"> ✓ Implemented the sub transmission outage calendar to minimise maintenance related outages ✓ Streamlined network access applications for simple jobs
Customer Initiated Augmentation Work	\$4m	<ul style="list-style-type: none"> • Improving and standardising customer project related processes • Reducing delivery timeframes and optimizing capital spend and customer contributions
Faults & Field	\$4m	<ul style="list-style-type: none"> • Improving the efficiency of the supply chain • Improving the efficiency of faults response processes

✓ Work completed • Work in progress

SAPN (100% RESULTS)



Financial

	HY 2016	HY 2015	Change
	\$m	\$m	%
Regulated revenue – DUoS	346.2	475.0	(27.1)
Semi-regulated – other	55.8	20.7	169.6
Unregulated revenue	74.6	96.2	(22.5)
Total revenue¹	476.6	591.9	(19.5)
Operating costs	(184.5)	(194.3)	5.0
EBITDA	292.1	397.6	(26.5)
EBITDA margin	61.3%	67.2%	-5.9%
Net Capex	121.3	158.3	(23.4)

	HY 2016	HY 2015	Change %
Customer numbers	854,742	850,216	0.5
FTE numbers	2,117	2,195	(3.6)

Operational

- ▶ Revenue Cap in place from July 2015
- ▶ HY16 DUOS reported revenue includes:
 - Nil STPIS recovery in HY16: 2013/14 penalty deferred (HY15 included \$6.5m STPIS benefit)
 - No Vegetation Mgmt Cost pass through (HY15 incl \$20m)
 - Excludes revenue of \$16.7m above revenue cap¹
- ▶ **Note: Provisional 2015/16 STPIS benefit of \$26m recovery from July 2017**
- ▶ Significant increase to asset relocation works as a result of major road upgrade projects
- ▶ Unregulated revenues lower reflecting NBN revenue
- ▶ Opex down 5.0% on back of lower unregulated activity and efficiencies
- ▶ Net Capex down 23.4% including efficiencies

1. Customer contributions and gifted assets revenue is recorded by SAPN using the replacement cost approach. Spark Infrastructure makes an adjustment in its results to reflect that these revenue items have a fair value of effectively nil. Amounts in excess of the regulated revenue cap have been recorded by SAPN as revenue in HY 2016. Spark Infrastructure makes an adjustment to its results to reflect that these amounts will be returned to electricity consumers in future periods. The table above reflects these adjustments.

INVESTMENT PORTFOLIO

REGULATORY UPDATE

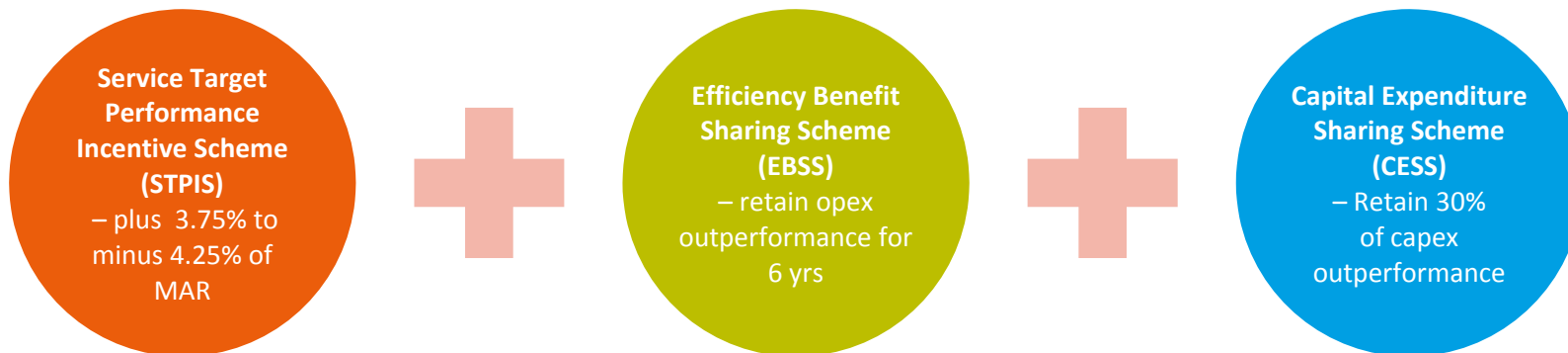
TRANSGRID REGULATORY UPDATE



- ▶ Work on TransGrid’s regulatory reset process for the 2018 to 2023 regulatory period is well progressed with its Initial Proposal due to the AER in January 2017



- ▶ The AER published TransGrid’s Final Framework & Approach (F&A) paper in July 2016
 - From 1 July 2018, TransGrid will revert to a standard 5 yr regulatory period
 - Sets the incentive schemes applicable to TransGrid which can increase or decrease its Maximum Allowed Revenue (MAR) based on its performance in relation to safety, reliability and efficiency



VPN REGULATORY UPDATE



- ▶ VPN received its Final Determination in May 2016 and will commence recovery of additional revenue of \$180m (5 yr nominal) from 1 January 2017



- ▶ **Key changes vs prior regulatory period:**

- Revenue cap removes volume risk
- Rate of return allowances have dropped from 9.5% to 6.11% reflecting lower interest rates however partially offset by reduced financing costs
- Return on debt allowance transitioning to 10 yr trailing average approach
- Corporate overheads (~\$50m p.a.) now expensed for Regulatory and Statutory reporting purposes. Fully covered by additional regulatory revenue

- ▶ **VPN lodged appeals against elements of its Final Determination on 16 June 2016:**

- Two matters: gamma and labour escalation
- If successful on both matters, this could result in an additional ~\$110m (5 yr nominal) of additional revenue

SAPN REGULATORY UPDATE



- ▶ **SAPN received its Final Determination in October 2015 and has commenced recovery of additional revenue of \$626m (5 yr nominal) from 1 July 2016**



- ▶ **Key changes vs prior regulatory period:**

- Revenue cap removes volume risk
- Rate of return allowances have dropped from 9.8% to 6.17% reflecting lower interest rates however partially offset by reduced financing costs
- Return on debt allowance transitioning to 10 yr trailing average approach
- No change to Corporate overheads for SAPN

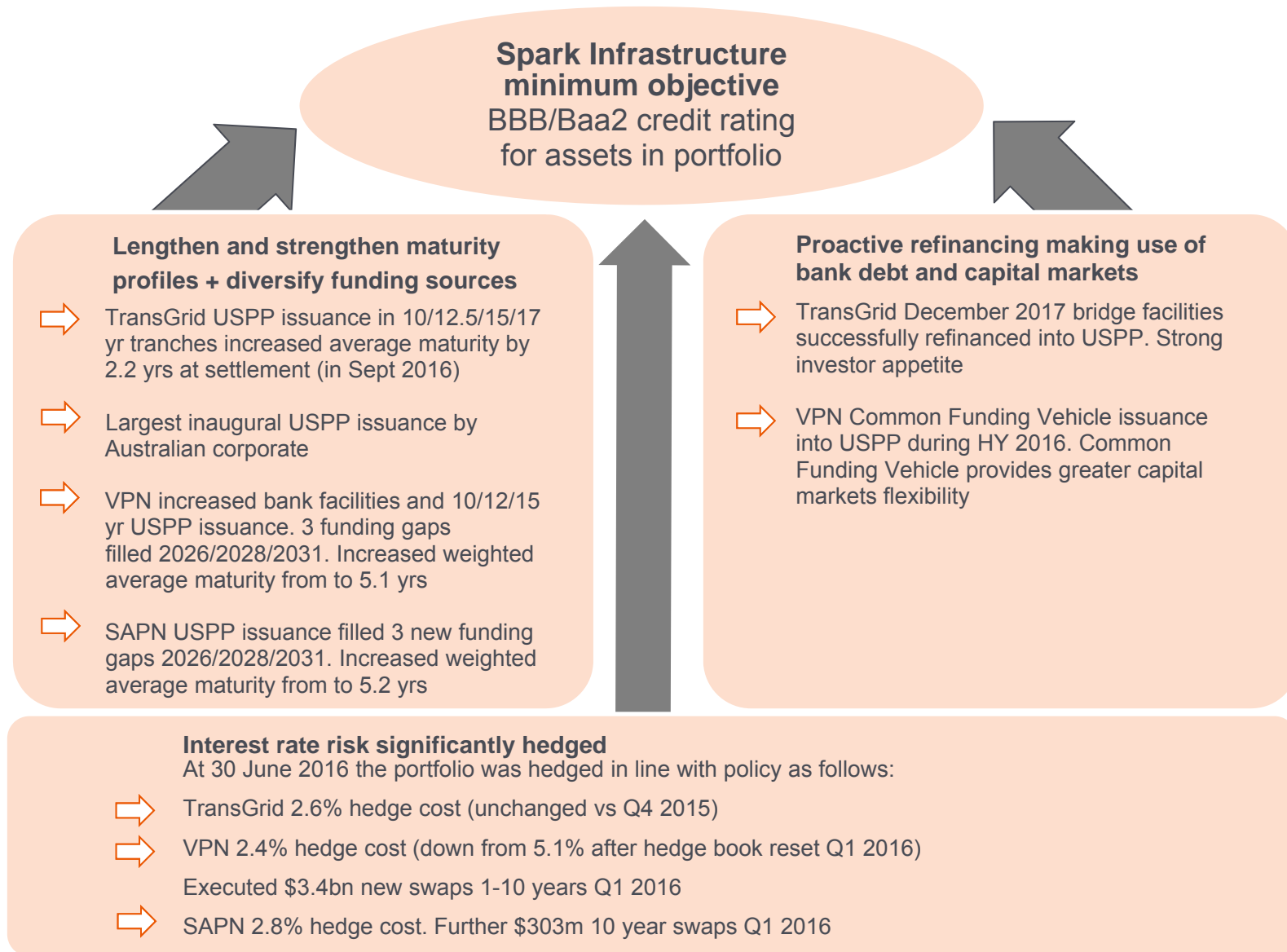
- ▶ **SAPN lodged appeals against elements of its Final Determination on 19 November 2015:**

- Five matters including gamma, return on debt transition, forecast inflation, labour escalation opex and bushfire prevention related opex and capex
- If successful on gamma, this could result in an additional ~\$85m (5 yr nominal) of additional revenue

INVESTMENT PORTFOLIO

FUNDING, HEDGING AND DEBT METRICS

INVESTMENT PORTFOLIO DEBT AND HEDGING



STRATEGY AND OUTLOOK

INVESTMENT PROPOSITION

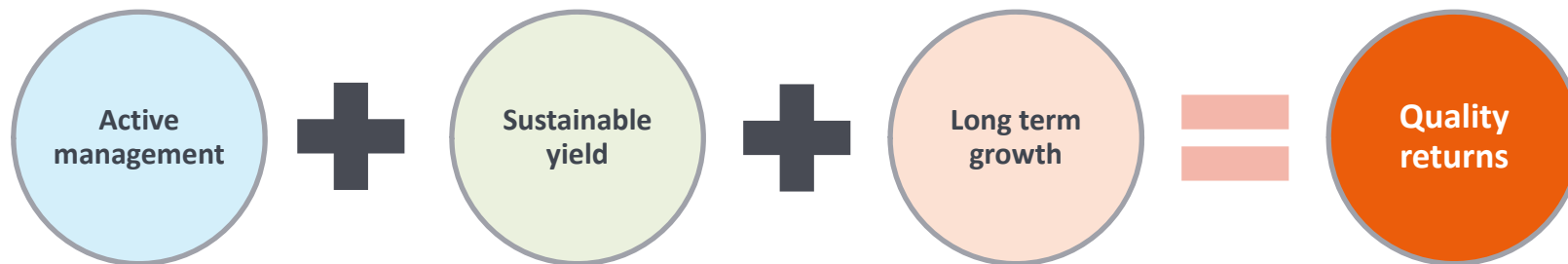
GROWTH IN ASSETS DELIVERING SUSTAINABLE GROWTH IN DISTRIBUTIONS

▶ Organic growth in the existing investment portfolio is a core part of the investment proposition and an enduring priority, including:

- Active management of quality assets
- 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
- 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
- Offer scope for active management and performance improvement
- Are subject to independent and transparent regulation or are supported by long term contractual arrangements
- Are value accretive over the long term
- Are yield accretive, either immediately or within a relatively short time frame
- 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, timing, and/or partners



MANAGEMENT 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

- Active 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

MANAGEMENT PRIORITIES

- ▶ **TransGrid** – focus on completing business transformation, embedding performance based culture and executing the NSW Electricity Networks Consortium business plan:
 - ❑ Improve operational efficiency through better asset utilisation and active line management
 - ❑ Manage the Regulatory Reset process to optimise outcomes for the 2018-2023 regulatory period
 - ❑ Drive growth in non-prescribed business activity including connection of renewables
 - ❑ Build commercial capabilities in Telco to deliver outcomes in the medium term
 - ❑ Continued development of NSW/SA Interconnector proposal for the NEM

- ▶ **SAPN and VPN** – continue to outperform regulatory allowances:
 - ❑ Finalisation of regulatory appeal processes
 - ❑ Maintain focus on cost management initiatives
 - ❑ Maintain focus on positive revenue outcomes through performance incentive schemes

- ▶ **Growth and diversification** – maintain focus on long term asset growth through:
 - ❑ Active contribution in energy market transformation and policy debate
 - ❑ Focus on innovation across the investment portfolio
 - ❑ Proactive assessment of potential investment in non-traditional areas within existing portfolio
 - ❑ Disciplined assessment of opportunities for diversification which offer long term value creation

DIVESTMENT OF ECONOMIC INTEREST IN DUET GROUP

- ▶ During HY 2016, Spark Infrastructure fully divested its economic interest in DUET Group following completion of a strategic review of the investment foreshadowed at FY 2015 Results
 - Executed via a staged process to maximise net proceeds while managing risks
 - Full divestment of position - No remaining assets or liabilities in respect of the investment at 30 June 2016
 - Surplus of divestment net proceeds over all-in cost of investment (\$4m)
 - HY 2016 net P&L impact of \$5.8m (cumulative P&L \$51.7m over holding period) before Spark Infrastructure distributions/Loan Note interest

- ▶ Refer to Appendices for cumulative P&L and cashflow impact over investment holding period 2014-2016

SPARK INFRASTRUCTURE'S VIEW ON IMPORTANT INDUSTRY MATTERS

- ▶ **South Australian Interconnector** – A new interconnector between NSW and South Australia is the most affordable, accessible and reliable solution to South Australia's electricity market issues and will enhance the value of the NEM to electricity consumers

- ▶ **Limited Merits Review** – Retention of an effective and independent review mechanism is essential to maintain investor confidence to provide capital to maintain network services and build new infrastructure
 - The 2016 COAG review process should be conducted by an independent review panel in a consultative and transparent manner and guided by sound principles of administrative law

- ▶ **Ring fencing** – The ring fencing provisions proposed by the AER will reduce competition, increase costs to consumers and create an unnecessarily onerous and costly process for Network Service Providers
 - A preferable alternative is for NSPs to develop their own ring fencing policies, in accordance with the AER's ring fencing objectives and subject to the AER's approval

OUTLOOK AND GUIDANCE

INVESTMENT PORTFOLIO KEY DRIVERS 2H 2016

- ▶ VPN expected to maintain increased level of distributions to Spark Infrastructure
- ▶ SAPN to commence recovery from 1 July 2016 of the regulated revenue increase arising from its Final Determination (\$626m over 4 yrs)
- ▶ Expecting real growth in RAB in investment portfolio over next regulatory periods
- ▶ Appeal Outcomes for VPN and SAPN expected late 2016 or early 2017
- ▶ Continued progress on TransGrid's business transformation program and capturing of unregulated business opportunities
- ▶ Preparations for TransGrid Regulatory Reset underway with initial submission to be lodged in January 2017

DISTRIBUTION GUIDANCE REAFFIRMED

- ▶ The Directors have reaffirmed medium term distribution guidance; expected to be fully covered by both standalone and look-through OCF:
 - FY2016 14.5cps
 - FY2017 15.25cps
 - FY2018 16.0cps
 - Guidance based on distributions from asset portfolio and subject to business conditions

FOR FURTHER INFORMATION

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APPENDICES

KEY METRICS – HY 2016

SECURITY METRICS

Market price at 19 August 2016 (\$)	2.47
Market capitalisation (\$)	4.2 billion

DISTRIBUTIONS

HY 2016 actual	7.25cps
Comprising	
- Loan Note interest	3.50cps
- Tax deferred amount	3.75cps
FY 2016 Guidance	14.50cps
FY 2017 Guidance	15.25cps
FY 2018 Guidance	16.00cps

CREDIT RATINGS

Investment portfolio credit ratings	SAPN: A-/A3 VPN: A- TransGrid: Baa2
Spark Infrastructure level credit rating	Baa1

SPARK INFRASTRUCTURE

	\$m
Total RAB (Spark Infrastructure share)	5,672
Gross debt at Spark Infrastructure level	Nil

SAPN

RAB ¹	
Net Debt	
Net Debt/RAB	

VPN

RAB ¹ (Including AMI)	
Net Debt	
Net Debt/RAB	

TransGrid

RAB ¹	
Net Debt	
Net Debt/RAB	

\$m

	3,961
	2,789
	70.4%

\$m

	5,688
	4,086
	71.8%

\$m

	6,285
	5,384
	85.7%

¹ June 2016 estimate

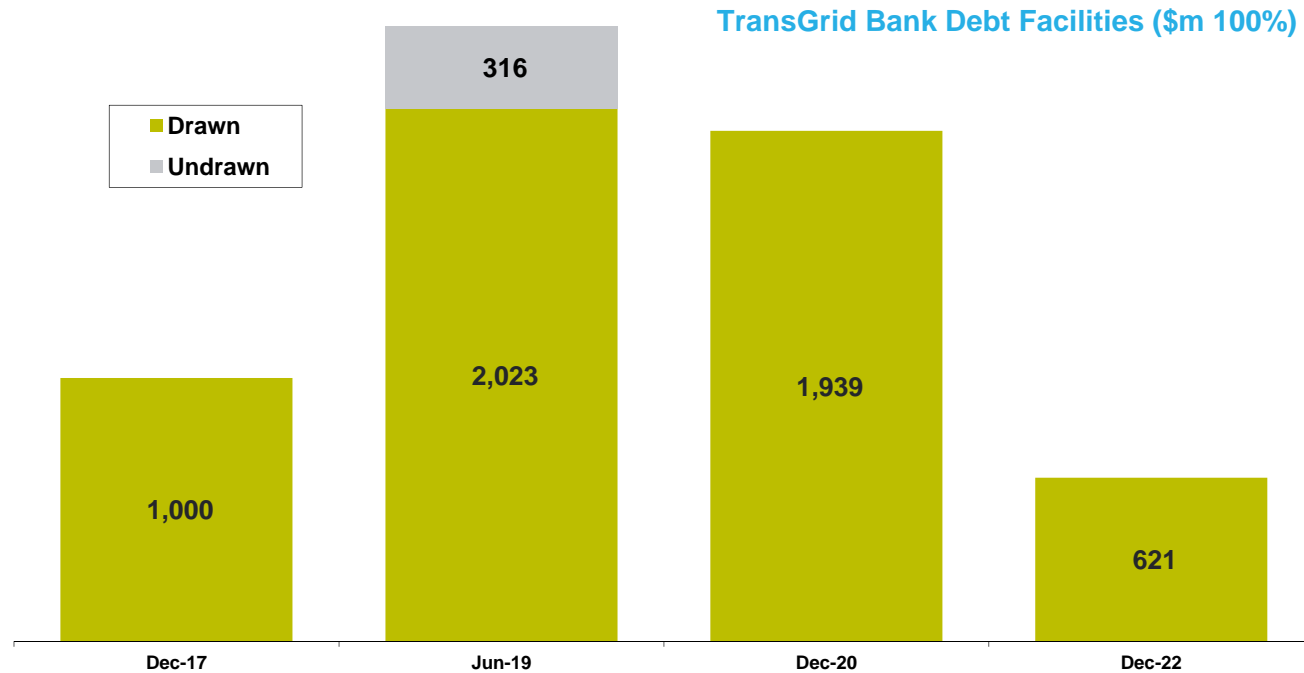
KEY DEBT METRICS HY2016

ISSUER	TransGrid	VPN	SAPN
Weighted Average Maturity (Yrs) ¹	5.7 yrs	5.1 yrs	5.2 yrs (Post October 2016 6.1 yrs)
Next Maturity	Jun-19	Apr-17	Sep-17
Average contract hedged rate ² (as at 30 June 2016)	2.6%	2.4% (5.1% until Q1 2016)	2.8%
Hedge % of gross debt ³	74%	93%	100%
Net Debt at 30 June 2016	\$5.384bn	\$4.086bn	\$2.789bn
Net Debt/RAB	86%	72%	70%
Net Debt/EBITDA ⁴	7.5x	4.8x	4.7x
Credit Rating (S&P / Moody's)	-/Baa2 (on USPP notes)	A- / -	A-/A3
Senior interest cover ratio ⁵	4.4x	4.3x	3.7x

Notes:

1. Weighted average maturity calculation is based on drawn debt and takes into account recent USPP processes
2. Contracted swap rates only. Excludes other costs including margin
3. Hedging % includes fixed rate debt and interest rate swaps
4. EBITDA excludes customer contributions, gifted assets and revenue in excess/under collection of the regulatory cap
5. Reported HY 2016 EBITDA / net cash finance charges

TRANSGRID DEBT MATURITIES AND HEDGING AT 30 JUNE 2016

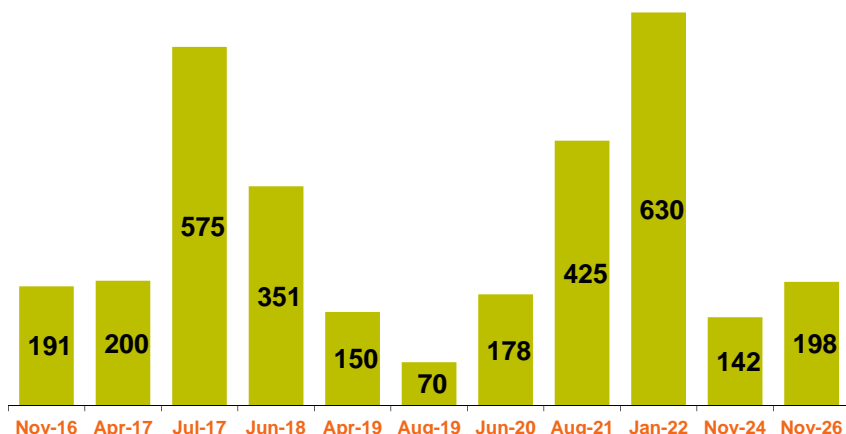


- December 2017 bridge facilities successfully refinanced into USPP

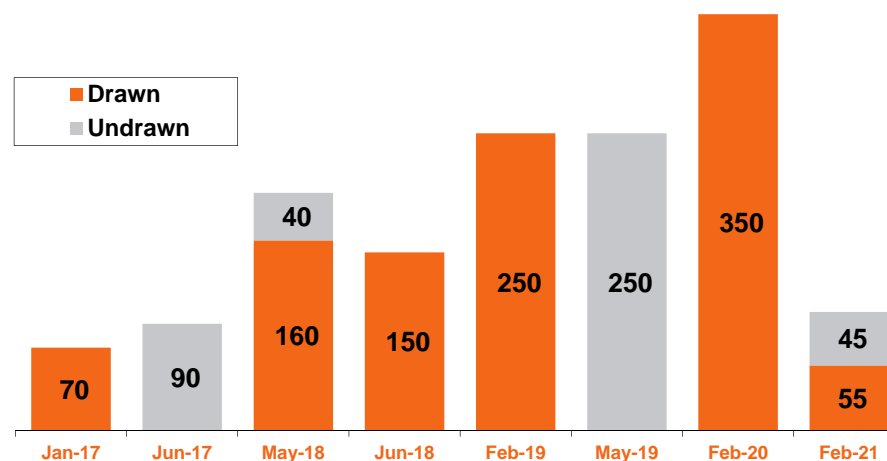
Interest Rate Swaps	Less than 1 year	1 to 2 years	2 to 5 years	5 years +	Total
Notional principal amount	\$248m	\$1,898m	\$743m	\$1,238m	\$4,125m
Average contracted fixed interest rate	2.3%	2.3%	2.6%	3.0%	2.6%

VPN DEBT MATURITIES AND HEDGING AT 30 JUNE 2016

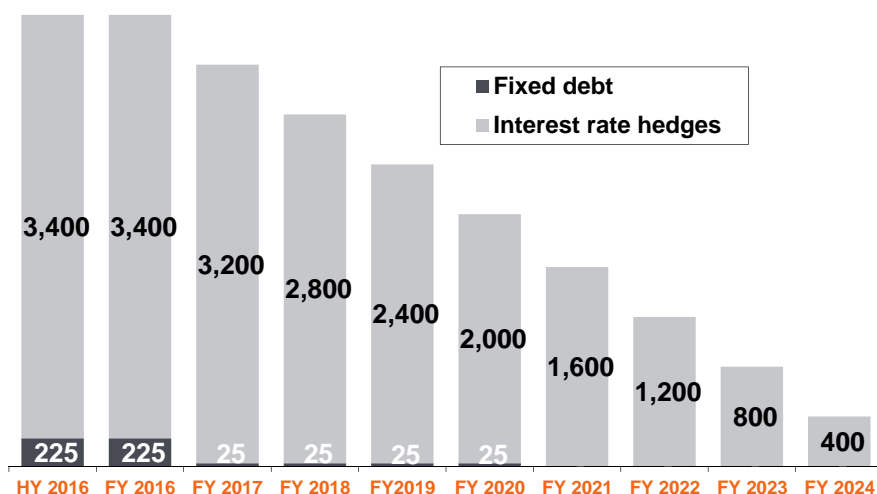
VPN - Capital Markets Debt (\$m 100%)



VPN Bank Debt Facilities (\$m 100%)



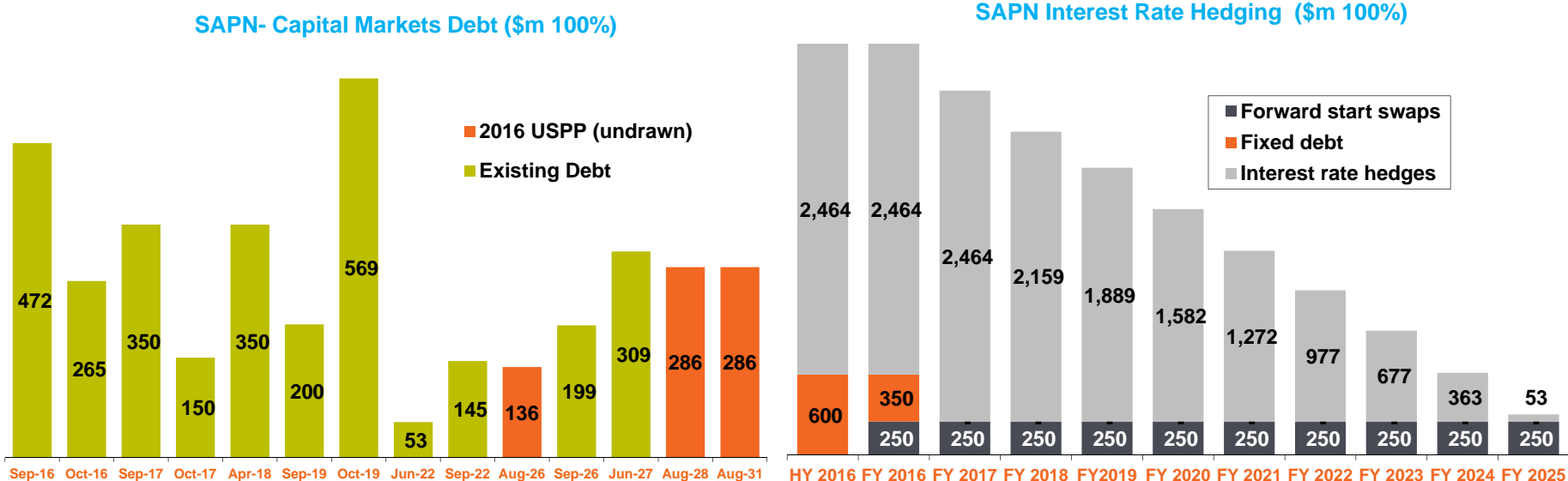
VPN Interest Rate Hedging (\$m 100%)



- July 2016 USPP refinanced Nov 16 maturity and bank debt
- Next refinancing for April 17 maturity

Interest Rate Swaps	1 to 2 years	2 to 5 years	5 years +	Total
Notional principal amount	\$200m	\$1,200m	\$2,000m	\$3,400m
Average contracted fixed interest rate	2.1%	2.2%	2.5%	2.4%

SAPN DEBT MATURITIES AND HEDGING AT 30 JUNE 2016



- May 16 USPP (aggregate A\$708m) received in August used to refinance September and October 2016 maturities
- \$75m undrawn cash advance facility

Interest Rate Swaps	1 to 2 years	2 to 5 years	5 years +	Total
Notional principal amount	\$305m	\$887m	\$1,522m	\$2,714m
Average contracted fixed interest rate	2.2%	2.6%	3.1%	2.8%




DUET INTEREST: CUMULATIVE P&L AND CASHFLOW OVER HOLDING PERIOD MAY 2014 - JUNE 2016




Profit and Loss (\$000)	FY2014	FY2015	HY2016	Cumm. Total
Gain on derivative contracts	24,908	24,295	5,770	54,973
Entry transaction fee	(3,296)	-	-	(3,296)
Total	21,612	24,295	5,770	51,677

(\$000)	FY2014	FY2015	HY2016	Cumm. Total
Distribution income	15,803	32,535	22,952	71,290
Financing costs	(6,105)	(10,062)	(7,743)	(23,910)
Operating cash flow	9,698	22,473	15,209	47,380
Prepayment of forward contract	(195,800)	-	-	(195,800)
Settlement of derivatives contracts	-	-	210,708	210,708
Transaction costs (incl call close out)	(2,739)	(3,841)	(4,031)	(10,611)
Investing cash flow	(198,539)	(3,841)	206,677	4,297
Net cash flow	(188,841)	18,632	221,886	51,677

Notes: Initial acquisition announced 20 May 2014. Completion of exit announced 30 June 2016. P&L above excludes Loan Note interest on new securities issued in 2014 to part fund investment. Cumulative cash flow table excludes distributions on new Spark Infrastructure stapled securities issued during 2014 to part fund investment (\$32.8m including distributions paid on stapled securities issued as part of Security Purchase Plan).

CAPITAL EXPENDITURE (100%) –TRANSGRID, VPN AND SAPN

\$m							TOTALS	
	HY 2016 ¹	HY 2015	HY 2016	HY 2015	HY 2016	HY 2015	HY 2016	HY 2015
Growth capex	3.6	-	129.3	142.5	51.4	82.1	184.3	224.6
Growth capex - AMI	-	-	5.6	6.8	-	-	5.6	6.8
Growth capex - non prescribed	10.0	-	-	-	-	-	-	-
Non-network capex	14.8	-	-	-	-	-	-	-
Maintenance capex	72.2	-	41.7	48.6	69.9	76.2	183.8	124.8
Total	100.6	-	176.6	197.9	121.3	158.3	373.7	356.2
Change vs pcp (%)	n/m		-10.7%		-23.4%		4.9%	

\$m	Maintenance capex spend		Regulatory depreciation		Less inflation uplift on RAB		Net regulatory depreciation	
	HY 2016	HY 2015	HY 2016	HY 2015	HY 2016	HY 2015	HY 2016	HY 2015
	72.2	-	130.9	-	(52.3)	-	78.7	-
	41.7	48.6	119.8	164.0	(64.2)	(63.2)	55.6	100.8
	69.9	76.2	109.0	124.7	(32.6)	(14.3)	76.4	110.4
Totals	183.8	124.8	359.7	288.7	(149.1)	(77.5)	210.6	211.2
Spark share	65.5	61.2	131.8	141.5	(55.3)	(38.0)	76.5	103.5

1. Capex covers the period from acquisition of TransGrid (16 December 2015) to 30 June 2015


Notes:


For TransGrid and SAPN, CPI uplift on RAB is estimated as actual December 2015 CPI of 1.69% on opening RAB, with 50% assumed to apply to H1 2016.

TransGrid Net Regulatory Depreciation and Capex per this table is for period 16 Dec 2015-30 June 2016

For VPN, CPI uplift on RAB estimated as 2.3% per its Final Determination on opening RAB, with 50% assumed to apply to H1 2016 (actual CPI was 1.5%)

SEMI REGULATED REVENUES (100%) – VPN AND SAPN


	HY 2016	HY 2015	Variance
	(\$m)	(\$m)	(\$m)
Public Lighting	6.1	6.8	(0.7)
New Connections	5.7	4.5	1.2
Special Reader Activities	2.9	2.5	0.4
PV installation	-	1.7	(1.7)
Service Truck Activities	1.7	1.9	(0.2)
Recoverable works	0.8	1.5	(0.7)
Other	3.8	3.9	(0.1)
TOTAL	21.0	22.8	(1.8)



	HY 2016	HY 2015	Variance
	(\$m)	(\$m)	(\$m)
Public Lighting	8.7	8.4	0.3
Asset Relocation	39.0	5.6	33.4
Metering Services	6.3	5.3	1.0
Feeder Standby / Excess kVAR	1.3	1.1	0.2
Pole/Duct Rental	0.6	0.8	(0.2)
Other Excluded Services ¹	(0.1)	(0.5)	0.4
TOTAL²	55.8	20.7	35.1

1. Includes profit/loss on asset disposals

2. Does not include Alternative Control Services (ACS) revenue, which is reported as part of DUOS revenue


UNREGULATED REVENUES (100% BASIS)

 TransGrid	HY 2016	HY 2015	Variance
	(\$m)	(\$m)	(\$m)
Infrastructure services	19.5	-	19.5
Property Services	2.3	-	2.3
Telecommunication Services	3.0	-	3.0
TOTAL	24.8	-	24.8

 CitiPower  Powercor Australia	HY 2016	HY 2015	Variance
	(\$m)	(\$m)	(\$m)
PNS Resources	38.5	13.2	25.3
PNS Transmission and Distribution - AusNet Services	5.4	5.9	(0.5)
SLA Revenue - SAPN	7.6	7.4	0.2
Material Sales	3.2	3.8	(0.6)
Telecommunications	0.6	1.5	(0.9)
Wellington* Management Fees	1.2	1.4	(0.2)
Joint Use of Poles	1.6	1.6	(0.0)
Other ¹	25.6	8.2	17.4
TOTAL	83.7	42.9	40.8

1. Includes approximately \$20m received in HY 2016 in respect of a one-off reimbursement of certain prior year tax-related costs

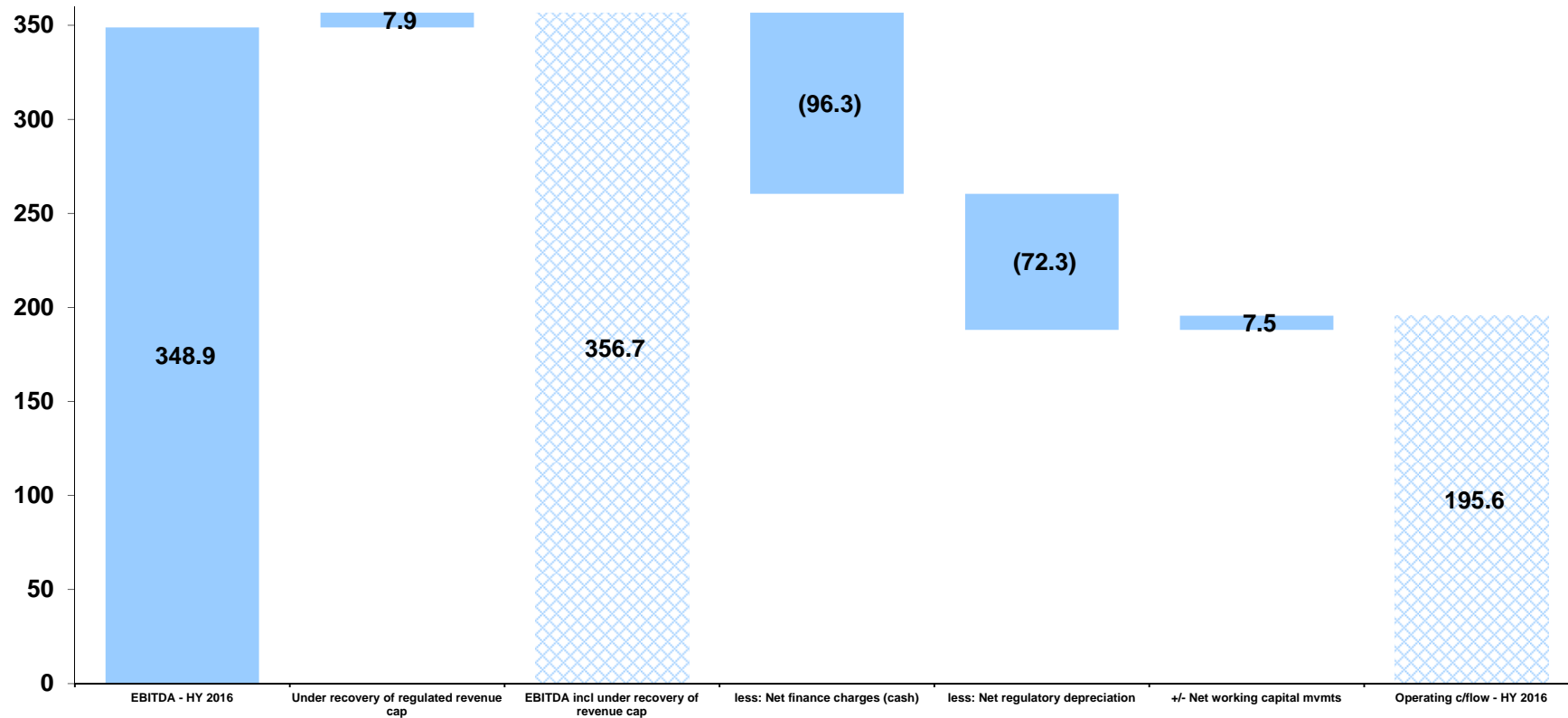
UNREGULATED REVENUES (100% BASIS)

	HY 2016	HY 2015	Variance
	(\$m)	(\$m)	(\$m)
Construction and Maintenance Services (CaMS) T&D - ElectraNet	16.2	15.5	0.7
Other CaMS	22.1	23.1	(1.0)
Material Sales (non NBN)	6.1	8.2	(2.1)
Interstate work	-	2.2	(2.2)
Asset rentals	1.8	1.8	0.0
NBN (includes NBN material sales in HY 2015)	23.3	41.0	(17.7)
Other Telecommunications	0.4	0.5	(0.1)
Facilities Access / Dark Fibre	1.2	1.1	0.1
Sale of Salvage	0.5	0.6	(0.1)
Other	3.0	2.2	0.8
TOTAL	74.6	96.2	(21.6)

TRANSGRID LOOK THROUGH OCF(100%)

\$m

TransGrid Lookthrough Operating Cashflow (100% Share) \$m



Notes:

Working capital – adjusted for one-off movements including those in relation to the TransGrid asset lease transaction

Maintenance capex – Net regulatory depreciation is a proxy for maintenance capex. It is calculated as regulatory depreciation net of CPI uplift on RAB.

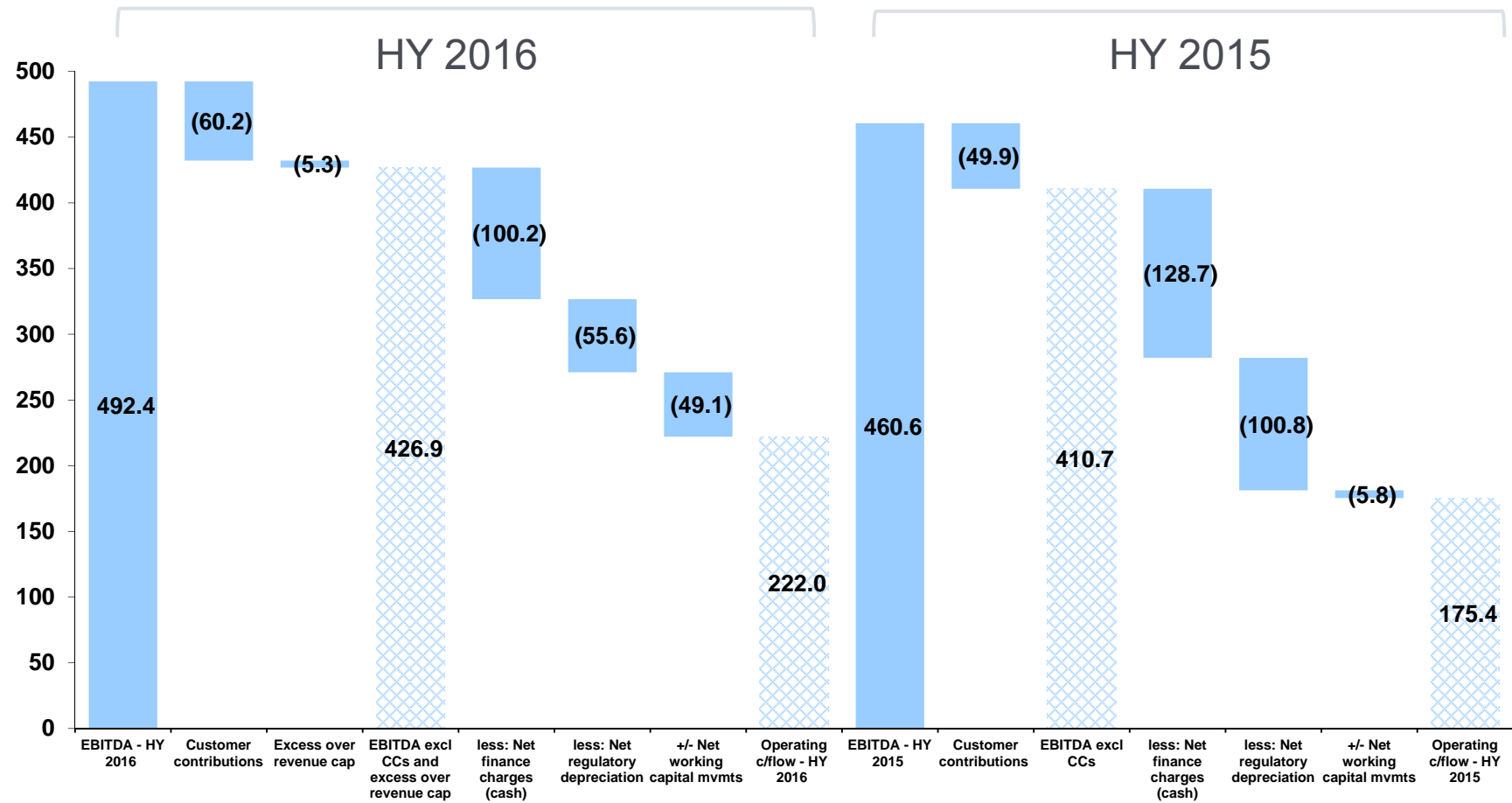
CPI uplift on RAB is estimated by:

In H1 2016: actual December 2015 CPI of 1.69% on opening RAB, with 50% assumed to apply to H1 2016

CPI is based on 'All groups CPI' for weighted average of 8 capital cities, not seasonally adjusted (Source: ABS). December on December (released January) for the regulatory period commencing 1 July 2015.

VPN LOOK THROUGH OCF(100%)

\$m



Note re maintenance capex:

Net regulatory depreciation is a proxy for maintenance capex. It is calculated as regulatory depreciation net of CPI uplift on RAB.

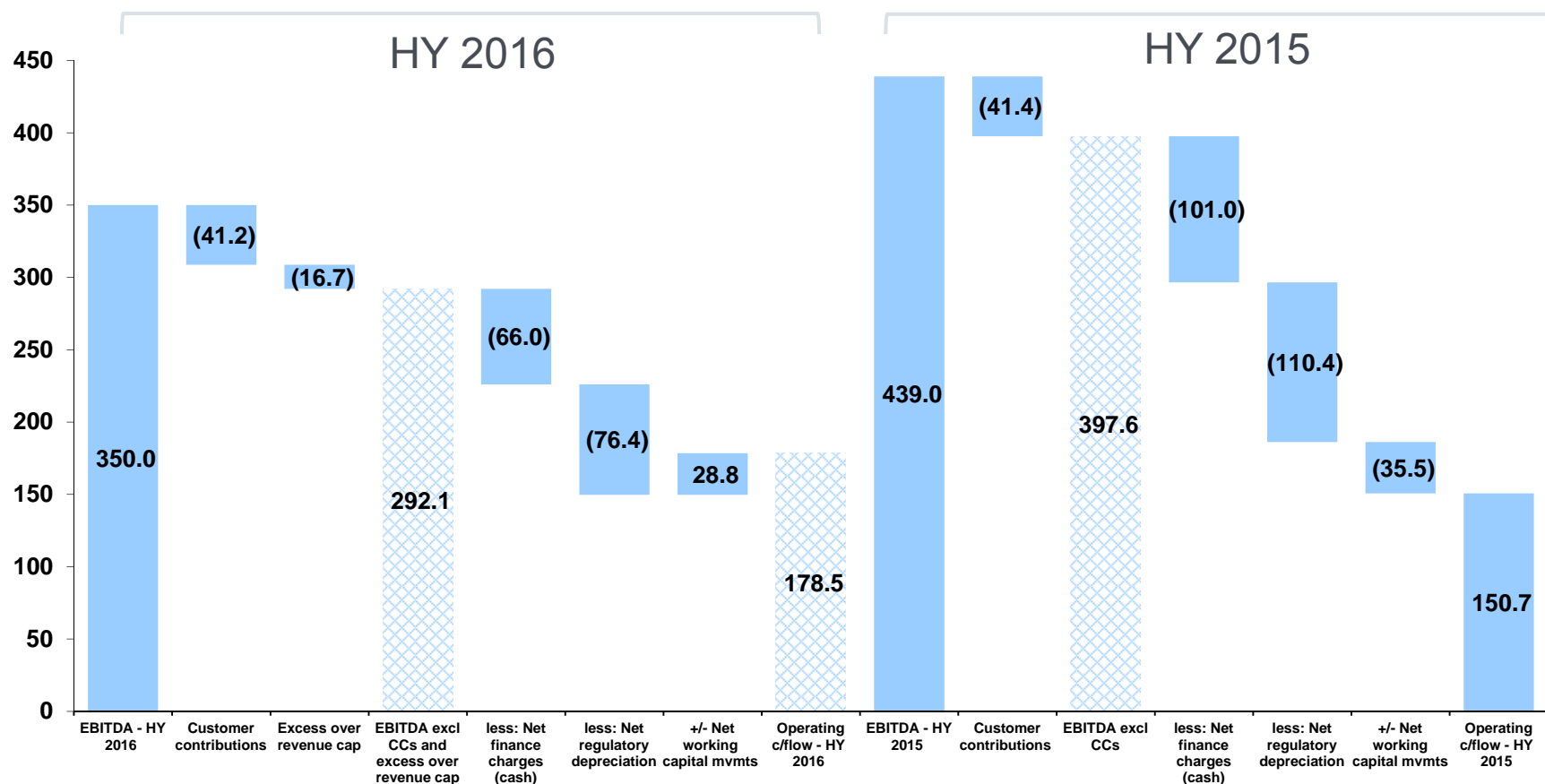
CPI uplift on RAB for DUOS for the HY 2016 is estimated as 2.32% per its Final Determination on opening RAB, with 50% assumed to apply to H1 2016

CPI is based on 'All groups CPI' for weighted average of 8 capital cities, not seasonally adjusted (Source: ABS). September on September (released October).

Actual HY2016 CPI (based on September 2015) was 1.50%

SAPN LOOK THROUGH OCF(100%)

\$m



Note re maintenance capex:

Net regulatory depreciation is a proxy for maintenance capex. It is calculated as regulatory depreciation net of CPI uplift on RAB.

CPI uplift on RAB is estimated by:

In H1 2016: actual December 2015 CPI of 1.69% on opening RAB, with 50% assumed to apply to H1 2016

CPI is based on 'All groups CPI' for weighted average of 8 capital cities, not seasonally adjusted (Source: ABS). December on December (released January) for the regulatory period commencing 1 July 2015.

RECONCILIATION: SHARE OF EQUITY PROFITS TO NPAT

100% Basis \$m	TransGrid	VPN	SAPN	Combined	Spark Share
Regulated revenue	423.7	458.0	346.2	1,227.9	457.7
Excess/(under recovery) of regulated revenue cap	(7.9)	5.3	16.7	14.2	9.6
Other revenue	24.8	158.3	130.4	313.5	145.2
Customer contributions and gifted assets (CCs and GAs)	-	60.2	41.2	101.4	49.7
Total Income	440.6	681.8	534.5	1,656.9	662.1
Total Income (excl CCs, Gas and revenue cap)	448.5	616.3	476.6	1,541.4	602.8
Operating Costs	(91.8)	(189.4)	(184.5)	(465.7)	(197.0)
EBITDA (excl CCs, Gas and revenue cap)	356.7	426.9	292.1	1,075.7	405.8
Depreciation and amortisation	(158.5)	(155.0)	(108.6)	(422.1)	(152.9)
EBIT	190.4	337.4	241.4	769.1	312.2
Net interest expense (excl subordinated debt)	(107.3)	(82.6)	(75.3)	(265.3)	(93.5)
Subordinated debt interest expense	(46.8)	(81.0)	(36.1)	(163.9)	(64.4)
Net profit before tax	36.2	173.8	129.9	340.0	154.3
Tax expense	-	(48.5)	-	(48.5)	(23.8)
Net profit after tax	36.2	125.4	129.9	291.5	130.5
Less: additional share of profit from preferred partnership capital (PPC) ¹	-	-	(34.7)	(34.7)	(17.0)
Less: adjustment in respect of CCs and GAs ²	-	(42.1)	(41.2)	(83.3)	(40.8)
Net Profits for Equity Accounting	36.2	83.3	54.0	173.5	72.7
Spark Share	5.4	40.8	26.5	72.7	72.7
Add: additional share of profit from PPC ¹	-	-	34.7	34.7	34.7
Add: additional adjustments made to share of equity accounted profits ³	0.6	(9.0)	(13.3)	(21.7)	(21.7)
Share of equity accounted profits	6.0	31.8	47.9	85.7	85.7
Add: interest income from associates	7.0	39.7	-	46.7	46.7
Total Income from Investments included in Spark Profit & Loss					132.4
Gain on derivative contracts					5.8
Interest income					0.5
Interest expense					(3.6)
Interest expense – Loan Notes					(58.9)
General and administrative expenses					(7.9)
Profit for the period before tax					68.3
Income tax expense					(16.7)
Net profit for the period attributable to Securityholders					51.6

The 30 June 2016 financial accounts for TransGrid are provisional accounts in accordance with the Accounting Standards (AASB3). Financial accounts for TransGrid are prepared as Special Purpose accounts and are not published. TransGrid's accounts cover the period from 12 November 2015 to 30 June 2016. Results have been adjusted by Spark Infrastructure to the 6 month period to 30 June 2016.

As at the date of this presentation, financial accounts for each of the investment companies are draft accounts and have not yet been approved by their boards.

- Under the partnership agreement, Spark Infrastructure is entitled to an additional share of profit in SAPN
- With effect from 1 January 2014 Spark Infrastructure changed its basis of estimating the fair value of customer contributions and gifted assets from 'depreciated replacement cost' to estimating the net present value of future cashflows expected to be derived from the RAB
- Amounts in excess of/under the regulated revenue cap are not deferred/accrued by the associates. Spark Infrastructure makes adjustments to its share of equity accounted profits in order to reflect that these amounts will be returned to/recovered from electricity consumers in future periods

Note: Numbers may contain rounding errors.

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Investment company 30 June 2016 financial accounts. The 30 June 2016 financial accounts for TransGrid are provisional accounts in accordance with the Accounting Standards (AASB3). Financial accounts for TransGrid are prepared as Special Purpose accounts and are not published. As at the date of this presentation, financial accounts for each of the investment companies are draft accounts and have not yet been approved by their boards.

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