



Thursday, 15 September 2016

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

Dear Sir / Madam

HALF YEAR 2016 SECURITYHOLDER NEWSLETTER

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

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Alex Finley". The signature is stylized and cursive.

Alexandra Finley
Company Secretary

MESSAGE FROM THE CHAIRMAN



DR DOUG MCTAGGART

IT IS AGAIN A PLEASURE TO WRITE TO YOU TO KEEP YOU INFORMED OF DEVELOPMENTS AT SPARK INFRASTRUCTURE, THIS TIME FOLLOWING THE ANNOUNCEMENT OF OUR HALF YEAR RESULTS TO 30 JUNE 2016.

Dear Securityholders,

The last six months has seen the completion of a number of important milestones, including, receipt of Final Determinations for CitiPower and Powercor; finalisation of associated business plans with our partners; the increase of our distributions by 21% for 2016 combined with compound annual distribution growth guidance of 5% through to 2018; and the divestment of our economic interest in DUET Group. As always our distributions are expected to be fully covered by operating cashflows and our distribution guidance is subject to business conditions.

In the past year Spark Infrastructure has also grown with the acquisition of a 15.01% stake in NSW electricity transmission business, TransGrid. This significant investment has been an important step in the transformation of Spark Infrastructure.

We also reported the first half year results from our new TransGrid investment and it is pleasing to note the progress in both the transition of the business from public to private ownership and in its delivery against the acquisition business plan.

We now hold investments in some of the best electricity distribution and transmission infrastructure assets in Australia. Our investment portfolio contains a strong combination of proven excellence and future potential and it is delivering in line with expectations.

Spark Infrastructure is uniquely placed to drive value from this concentrated portfolio of significant investments. We have the ability to influence outcomes and drive performance in these businesses in conjunction with our investment partners. Importantly, these are also businesses that are well placed to support a low carbon future for our country.

Please read on to our Managing Director's report which contains more details on the performance of the businesses in our portfolio.

Thank you again for your continued support of Spark Infrastructure.

Yours faithfully,



DR DOUG MCTAGGART
Chair
Spark Infrastructure

THE PRIMARY FOCUS FOR YOUR DIRECTORS IS TO DELIVER SUSTAINABLE GROWTH IN DISTRIBUTIONS OVER TIME, BASED ON PROFITABLE GROWTH IN THE ASSET BASE.

DR DOUG MCTAGGART
CHAIR OF SPARK INFRASTRUCTURE



RICK FRANCIS

Dear Securityholders,

Spark Infrastructure has delivered another solid financial performance in the first half of 2016 (HY16). This has enabled us to continue to provide reliable growth in distributions to our securityholders and further strengthen total shareholder returns. Underpinning this performance is significant growth in our standalone operating cashflows and distributions from the businesses in our investment portfolio.

For the half year, we delivered an underlying profit before loan note interest and tax of \$127.2 million. This result was 9.4% lower than the previous period due mainly to lower equity accounted share of profits from SA Power Networks (SAPN), which has been operating under the revenue allowance provided in its Preliminary Determination from the Australian Energy Regulator (AER). Likewise, Victoria Power Networks (VPN) has also been operating under its Preliminary Determination from the AER in the half year.

The Final Determinations that have now been received from the AER provide for significantly higher revenues than the allowance in the Preliminary Determinations. The additional revenues will be recovered by the businesses over the remaining 4 years, under a "no disadvantage true up" mechanism, from 1 July 2016 for SAPN and from 1 January 2017 for VPN. As a consequence, SAPN will recover an additional \$626 million of revenue and VPN an additional \$180 million of revenue over the remaining years of their current regulatory periods.

In July, we also received the first distribution of \$26 million from TransGrid, our most recent investment in which we acquired a 15.01% interest on 16 December 2015. TransGrid is performing in line with the acquisition business plan with a strong focus on improving operational efficiency and growing non-regulated business revenues.

SAPN and VPN

In HY16, VPN continued to perform well. In particular, its World CLASS program has now achieved strong efficiency outcomes with \$163 million per annum in combined opex and capex cost savings identified versus its 2013 baseline. The achievement of its long-standing de-gearing target allowed it to increase its distributions to Spark Infrastructure by 68% on the prior corresponding period. In part, this enabled Spark Infrastructure to increase its distribution guidance for 2016.

SAPN continued to be active in the semi and unregulated revenue space, generating total revenues of \$476.6 million for the half year. SAPN also continued its excellent reliability performance for which it is rewarded through the STPIS incentives and its efficiency program is also producing significant benefits.

TransGrid transformation is gaining momentum

The transformation of TransGrid into a commercially focussed, private sector business is well underway. The appointment of Paul Italiano as the new Chief Executive is a key milestone for the business. He brings a dynamic leadership style, commercial acumen and proven ability to transform a business which makes him the ideal choice to lead the new TransGrid. We are delighted with the way he has hit the ground running. Paul commenced on 29 April 2016.

We were also delighted to appoint Dr Kerry Schott as Independent Chair of TransGrid on 16 June 2016. She brings a wealth of experience to the role, and is working closely with Paul and me as the Deputy Chair to drive the business forward.

TransGrid's "ACE" (Accountable, Collaborative, Energised) transformation and efficiency program has been a major focus for the business. There are currently a total of 93 individual improvement opportunities that have been identified and scoped out. VPN's World CLASS program has provided the frame of reference for many of these initiatives which include procurement savings, lean corporate operations, condition based risk management, automation and simplified systems and processes.

Growth in non-prescribed revenues associated with undertaking the work to connect new renewable generation projects to the electricity transmission network are an important part of our business plan. Over recent months it has become clear that the pipeline of work for these projects is even larger than we had first expected at the time of our acquisition of TransGrid.

SPARK INFRASTRUCTURE FINANCIAL PERFORMANCE	HY16 (\$m)	HY15 (\$m)	Variance (%)
Total Underlying income ¹	138.7	146.9	(5.6)
Underlying profit before Loan Note Interest and Tax	127.2	140.3	(9.4)
Underlying Net Profit after Tax	51.6	70.8	(27.2)
Net Profit after Tax (statutory)	51.6	39.2	31.6
Operating cashflows ²	130.0	101.2	28.6

1. Includes interest income from associates, Spark Infrastructure's share of equity accounted profits, gains from derivative contracts and other income.

2. Includes \$28.8 million of distributions from Victoria Power Networks received by way of repayments of shareholder loans and classified in investing activities for statutory reporting purposes.

SPARK INFRASTRUCTURE TAKES AN ACTIVE MANAGEMENT APPROACH WITH RESPECT TO OUR ENTIRE INVESTMENT PORTFOLIO. WE BRING A RANGE OF VALUE-ADDING CAPABILITIES TO THE BUSINESSES, WHICH HELP THEM TO ACHIEVE THEIR DEFINED BUSINESS, OPERATIONAL AND FINANCIAL GOALS EACH YEAR. WE CONTRIBUTE ACTIVE MEMBERSHIP AND ROBUST GOVERNANCE ON THE BOARDS AND COMMITTEES OF OUR PORTFOLIO COMPANIES.

This is creating a very exciting business environment for TransGrid and we are now seeing significant opportunities in this area beginning to crystallise.

The opportunity to build an interconnector between South Australia and NSW is also very exciting and will be a huge benefit to consumers in South Australia and the rest of the National Energy Market (NEM).

TransGrid successfully placed around A\$1.0 billion into the United States Private Placement (USPP) market earlier this year. This was the largest ever issuance by a first time Australian corporate into that market. Importantly the issuance was given a solid investment grade rating of Baa2 by Moody's and has served to complete the refinancing of the first tranche of the acquisition debt maturing in December 2017. This was a great achievement by the new TransGrid treasury team.

In July 2016, TransGrid made its first distribution to Spark Infrastructure of \$26 million. A further \$19 million is expected prior to the end of this year and this will complete the scheduled distributions to Spark Infrastructure for 2016 of around \$45 million.

Divestment of DUET Group

Also in HY16, we completed the strategic review of our economic interest in DUET Group. Ultimately, our decision to divest was based on a change in DUET's risk profile resulting from their acquisition of Energy Developments Limited, and also from our increasing focus on electricity transmission and distribution assets. Through a carefully constructed process, we were able to successfully divest all of our interest in DUET by 30 June 2016. The divestment was completed at a surplus on exit, and also produced an overall profit to Spark Infrastructure over the period in which we held the interest.

Reliable growth in distributions

In June, we increased our distributions for full year 2016 by 21% to 14.5cps and guided 5% compound growth per annum in distributions through to FY18.

On the back of the solid performance in HY16, your Directors declared an interim distribution of 7.25 cents per security (cps) which will be paid on 15 September 2016. This is in line with previous guidance of 14.5 cps for the full year in 2016.

The Directors are forecasting distributions of 15.25cps for FY17, and 16.0cps for FY18, subject to business conditions.

This continues Spark Infrastructure's long track record of delivering reliable and sustainable growth in distributions. Distributions to securityholders are fully covered by both stand-alone and look-through cashflows.

Management priorities and Outlook

The team at Spark Infrastructure remains firmly focussed on generating growth from our asset portfolio through active management, which in turn will also translate to growth in distributions. While we are more than satisfied with organic growth from our assets, we will always remain alert to other opportunities that may arise from time to time to grow and diversify our investment portfolio.

Our approach is to actively manage a concentrated portfolio of significant interests that provide us with the scope to influence outcomes and drive performance in the underlying assets. We have increased our focus on electricity distribution and transmission with the acquisition of TransGrid and see that there is plenty for us to do in this space and further scope to drive value from these assets.

Our investment horizon is long term – it can be measured in decades – and our management style is similar. Our objectives and management decisions are all about delivering sustainable and growing cashflows and long term value overtime.

For the balance of 2016, our main priority is ensuring that TransGrid has everything in place to deliver against its targets. I am satisfied with the progress that has been achieved thus far, although there is much more to do.

TransGrid's immediate focus is on achieving a successful conclusion to its Enterprise Bargaining Agreement negotiations which are currently underway and on preparing its new regulatory proposal due in January 2017. It is also focussed on delivering on its efficiency initiatives and building on its pipeline of opportunities in the connections and Telco unregulated business areas and also pursuing the SA Interconnector opportunity.

VPN and SAPN will be seeking to finalise their regulatory appeals and maintaining their attention on network safety, reliability and efficiency. Keeping them at their current high levels of performance will remain a key priority.

We will also continue to contribute to the energy market transformation debate and be an active participant in the various consultation processes that are being undertaken.

I look forward to keeping you updated on our progress.



RICK FRANCIS
Managing Director and
Chief Executive Officer

Strong growth in distributions to securityholders

On the back of detailed business planning, the de-gearing initiatives by VPN and SAPN in 2015, as well as the AER's Final Determinations for VPN published in May, Spark Infrastructure was able to announce an uplift to its distribution guidance for the three-year period from 2016 through 2018.

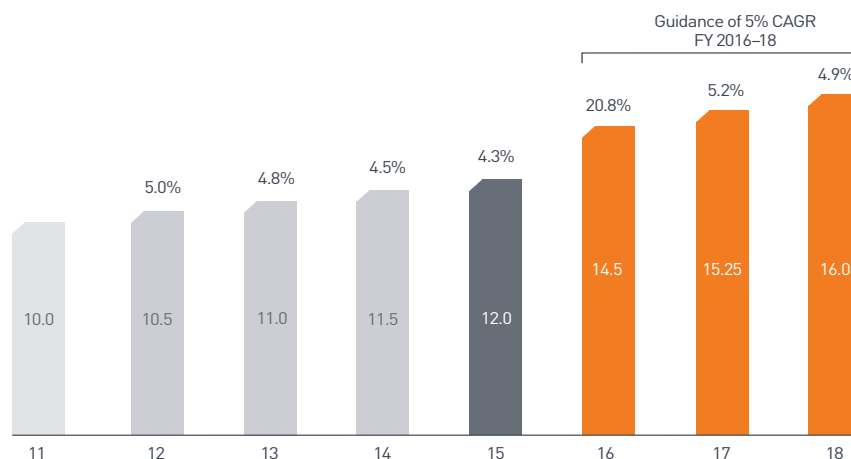
Distribution guidance for FY16 has been upgraded to 14.5 cps, 21% higher than the 12.0cps paid in FY15. Distributions for FY17 have been set at 15.25cps, and distribution for FY18 at 16.0cps, subject to business conditions.

This uplift in guidance continues the strong track-record established by Spark Infrastructure over the past 4 years. Spark Infrastructure's growth in distributions over this period has averaged a compound 4.7% per annum.

All distributions will continue to be covered by both standalone and look-through operating cashflows.

**OVER THE PAST FIVE YEARS
TO 30 JUNE 2016,
SPARK INFRASTRUCTURE
HAS DELIVERED A TOTAL
SHAREHOLDER RETURN OF
MORE THAN 160%**

DPS (cps and % growth)



Forecasts for FY16, FY17 and FY18 are subject to business conditions.

Portfolio businesses complete successful funding initiatives

SAPN, VPN and TransGrid have all successfully completed funding initiatives in the first half of 2016.

In May, SAPN placed US\$520 million of bonds with investors into the USPP market. As part of the transaction, cross currency swaps were simultaneously executed to convert US dollars into Australian dollars, meaning total proceeds raised amounted to approximately A\$709 million.

In early July, TransGrid also successfully placed US\$700 million and A\$75 million of bonds into the USPP market. This inaugural transaction represents an important milestone for TransGrid in terms of building funding diversity and lengthening its debt maturity profile.

The transaction is expected to close in September 2016, and raise total proceeds of A\$1 billion.

Later in July, VPN successfully placed approximately US\$500 million of bonds into the USPP market. Total proceeds raised from this transaction amount to approximately A\$657 million.

In all cases, the funds raised will be used to repay and refinance debt facilities that were approaching maturity.

These significant capital management initiatives by the businesses demonstrate the disciplined and active capital management strategies that Spark Infrastructure enables and confirms the strong appetite that debt investors have for quality assets with predictable cashflows.

THE STRATEGY OF GROWING NON-PRESCRIBED BUSINESS IS A KEY ELEMENT OF SPARK INFRASTRUCTURE'S ACQUISITION BUSINESS PLAN FOR TRANSGRID.

The lion's share of this growth is expected to come from undertaking work for external clients to build the electricity infrastructure that will connect new renewable energy generation projects to the electricity transmission grid, which is managed and operated by TransGrid.

Further opportunity to grow revenue is provided by the 2,300 kilometres of optic fibre which is already built into TransGrid's network. This resource, until now heavily underutilised, can be offered as redundancy capacity to external business clients or leased to Telco businesses to help them extend their services into new geographic areas. TransGrid is currently building its capabilities in this area to ensure it has the right people with the right skills to convert its asset base into profitable non-prescribed (unregulated) revenue opportunities.

TransGrid is currently constructing connection assets for the White Rock wind farm near Glenn Innes, and has recently been confirmed as preferred contractor for two other major wind farms. In total, TransGrid has submitted proposals for around \$150 million of contestable and negotiated build projects.

NSW's first large scale solar farm connected to TransGrid

A recent example of TransGrid's work is its collaboration with AGL, one of Australia's leading integrated energy companies, to design and construct a 22 kV line switch bay that enabled connection of the Broken Hill Solar Plant to TransGrid's Broken Hill Substation.

The Broken Hill Solar Plant represents the first ever solar generator connected to TransGrid's transmission network, which comprises more than 650,000 solar PV modules and at full output generates 53 MW – enough to power around 17,000 homes. This is a significant milestone for the future of renewable energy in NSW, and TransGrid is proud to demonstrate its ability to work closely with customers to deliver cost effective, flexible and innovative infrastructure solutions.

TransGrid Telecommunications makes it to Melbourne

TransGrid Telecommunications has completed the first phase of its telecommunications network expansion through Victoria into Melbourne. This extension now complements its existing independent inter-capital and regional routes from NSW and the ACT into Victoria, and means businesses in Victoria can now benefit from one of the largest and most secure telecommunications networks in the country.

Boasting the fifth largest optic fibre network in Australia, the majority of this network is Optical Ground Wire (OPGW) strung above a secure and reliable electricity system. With an optical fibre backhaul network spanning more than 4,000 km across regional NSW, Victoria and the ACT, and an extensive regional microwave network, TransGrid Telecommunications is providing services over a unique network designed to connect to capital cities and regional areas, resulting in the ability to establish new pathways to many underserved and remote locations.



PAUL ITALIANO

Meet the TransGrid CEO

Paul Italiano was appointed as the new CEO of TransGrid at the end of April this year. He is a transformational leader who has turned around the performance and service standards, safety culture, operating framework and financial results of Western Power (WA) during his four-year tenure as CEO.

Paul is focussed on embedding a performance based culture in TransGrid which is commercially agile and customer focussed. He is growth orientated and wants to see TransGrid expand its service offerings and entrench itself as a provider of choice in the infrastructure services field.

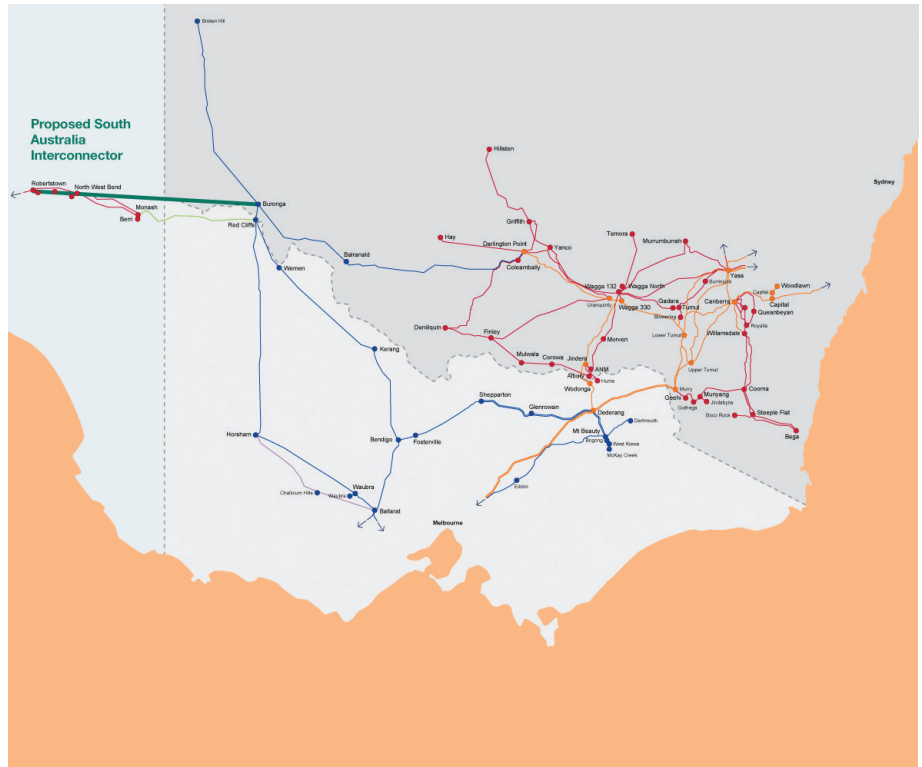
His immediate priorities are to implement the ACE program across the business; to grow non-prescribed business activities and to achieve a successful conclusion to the regulatory reset process and from the Enterprise Bargaining Agreement discussions with employee representatives that are currently underway.

Planning commences for an interconnector between SA and NSW

TransGrid is working with ElectraNet and the Australian Energy Market Operator (AEMO) on a proposal that seeks to provide south eastern Australia with a reliable and affordable energy supply while at the same time enabling the continued growth of renewable generation.

Based on a report published by PwC, TransGrid believes that an Interconnector between NSW and SA would provide the National Electricity Market with the agility and flexibility for the evolving energy eco system. The proposed South Australia Interconnector would be a 340 km transmission line connecting Buronga in NSW and Robertstown in SA. Strategic interconnection offers a cost-effective and a direct and timely solution to the current challenges facing the national energy market.

This initiative highlights the critical role that transmission networks play in supporting the future of the National Electricity Market. We believe a new interconnector linking NSW and SA is the key to a better integrated market that will support a clean, affordable, accessible and reliable electricity supply for all users.



PROPOSED ROUTE FOR SA INTERCONNECTOR



SYDNEY CONSERVATORIUM OF MUSIC DURING VIVIDSYDNEY

TransGrid Lights Up Vivid Sydney

TransGrid collaborated with the organiser to support the lighting of the Sydney Conservatorium of Music and deliver an energy audit of the wider festival.

TransGrid provided a detailed understanding of the events energy use, which was used by Vivid Sydney to develop strategies to bring down costs and effectively manage its carbon footprint. In return, TransGrid was recognised as an official festival Vivid Collaborator.

The festival, which has been run since 2009, is one of Sydney's major attractions and the world's largest festival of lights, music and ideas. Covering eight precincts across the city, the festival focuses on a theme of innovation and inclusion – a natural fit for TransGrid's collaboration.



TRANSFORMER ARRIVES AT ARARAT TERMINAL STATION

Ararat Terminal Station completed

VPN has successfully completed construction of the Ararat Terminal Station. The terminal station, which houses VPN's largest transformer, is set to connect the Ararat Wind Farm's 75 turbines to the national electricity grid, thereby delivering an additional 242MW of renewable energy capacity.

The project's on time and on budget completion marks a significant milestone for the realisation of the Ararat Wind Farm, Australia's third largest, and confirms the organisation's experience and expertise in large-scale renewable energy generation.

The Ararat Terminal Station, and the associated wind farm project, demonstrates how VPN is helping shape Australia's energy future and taking advantage of the more favourable investment environment for such projects. Renewable generation is now a viable part of Australia's energy mix, with solar, wind power and energy storage increasingly being integrated into electricity networks.

Report IT App improves prioritisation of repairs

Report IT is a new App (digital application) that is being used by field employees at VPN to identify maintenance defects, such as deteriorated conductors, in real time.

Rather than using an outdated, paper-based process to report a problem, the App allows the workers to take photos of the asset with their iPhone and then post it using Report IT. The data goes into a register that contains information about the location, condition and the potential consequences of failure of that particular conductor. This information is then used to prioritise the replacement of deteriorated conductors which pose the greatest risk to operations.

Final Determination provides a positive regulatory outcome for Victoria Power Networks

In May, CitiPower and Powercor (together known as VPN) received their Final Determinations from the AER. Their 5-year regulatory periods commenced on 1 January 2016 and will run through to 31 December 2020.

Taken together, the Final Determinations saw an improved result for VPN, with operating expenditure allowance of \$1.79 billion for the period, up \$28 million from the Preliminary Determinations published last October; net capital expenditure allowance of \$2.52 billion, up \$152 million; and total revenue allowance of \$4.94 billion, up \$180 million.

These improved regulatory rulings for CitiPower and Powercor attest to their continued high rankings in the AER's performance benchmarking process and the way the team positively and constructively engages with the AER through the complex process.

Improving productivity across the business

The Powercor Network Services (PNS) team has implemented a program to address issues impacting productivity. To date, there have been 73 separate actions rolled out across the business to improve productivity and operational excellence.

The successful program empowers field team members to proactively identify issues and opportunities, and provide ideas and actions for improvement. One such action was to reduce travel times between jobs for apprentice meter technicians. Training was initiated on how to use a GPS trip planner algorithm to determine the most efficient route between jobs. As a result, time and petrol costs have reduced. Other issues addressed have included reducing down time due to heat fatigue in distribution substations, and up-skilling line workers to be able to hold dual purpose roles for smaller jobs.

NEWS FROM THE INVESTMENT PORTFOLIO

SA POWER NETWORKS (SAPN)



SA POWER NETWORKS EMPLOYEE SHOWCASES NEW TESLA BATTERY AT HER HOME.

SA Power Networks launches unique trial of combined solar and batteries

SAPN has commenced Australia's largest trial of combined solar and energy storage in the suburb of Salisbury, near Adelaide. The unique trial will test the benefits of combining solar and battery storage to defer the need to build additional network infrastructure to meet growth in local electricity demand.

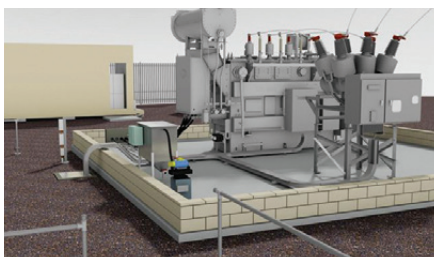
The trial, which will see batteries installed in about 100 homes, will look at the customer and network benefits of teaming up energy management software provided by Reposit Power, with battery technology from Tesla Energy and Samsung, and solar PV. The Reposit software determines the best option for customers in utilising power being generated by their PV panels or stored in their battery.

SAPN believes combinations of solar PV, battery storage and grid connections are the future of energy

provision. The trial is an excellent example of SAPNs' desire to broaden its energy services to take advantage of emerging customer and network technology for the benefit of customers.

International recognition for design team

SAPNs' Engineering Design and Technical Services (EDaTS) team has been internationally recognised for its innovative approach to smart electrical design software for substations.



NEW SMART TOOLS SUCH AS SUBSTATION DESIGN SUITE HAVE BEEN DESIGNED TO IMPROVE SAFETY.

Historically, SAPN has drafted substation designs using basic CAD software and manual engineering calculations. This was reliant on an individual's personal knowledge and the manual checking and transcription of data from drawing sheet to drawing sheet. The new automated workflows were pioneered by the in-house team in co-operation with Autodesk. This includes a Building Information Modelling (BIM) approach to provide highly accurate 3D visualisations,

minimising human error and improving safe design through better operability reviews.

As a result, the EDaTS team has been acknowledged as a global leader in the community of substation design and was invited to the Autodesk University Conference to demonstrate the new system. The design software has also been named a finalist in 'Innovation/Research and Development' category for the Engineers Australia Awards.

These accolades demonstrate SAPN's leadership in delivering innovative energy services that customers' value, embracing the challenge to be more efficient and integrating new technologies into the business.

New 'SubMate App' monitors operational and safety measures

The innovative EDaTS team has also recently developed an App for staff to manage operational and safety activities at Substations. The 'SubMate App' enables more effective management of staff entering and exiting substations; the provision of latest relevant safety alerts or hazard warnings, and alerts and prompts to field users and the Network Operations Centre.



NEW 'SUBMATE APP'

SPARK INFRASTRUCTURE

Level 25, 259 George Street,
Sydney NSW 2000

t: +61 2 9086 3600

f: +61 2 9086 3666

e: info@sparkinfrastructure.com

w: www.sparkinfrastructure.com

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