

**THE AUSTRALIAN
INFRASTRUCTURE
NETWORK
SPECIALISTS**
SHAREHOLDER
REVIEW
2016



AGM

11:30am, Tuesday, 23 May 2017
Marble Room
Radisson Blu Plaza Hotel
27 O'Connell Street
Sydney NSW

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Spark Infrastructure takes a long term view of its investments. The priority is to generate consistently robust cashflows and deliver reliable distribution growth over time.

ABOUT US

Regulatory know-how

An understanding of the regulation of energy infrastructure in Australia, with its various constraints and opportunities, is the key to making good financial and operational decisions that will deliver results now and into the future. It is this expertise which stands Spark Infrastructure out from the crowd.

The regulatory regime remains incentive based with a range of opportunities for out-performance and various in-built protections. Importantly, it provides inflation protection of revenues and the Regulated Asset Base and pass-throughs for operating and capital costs.

Operational capability

Spark Infrastructure has a proven track record of prudent, disciplined and transparent management of its investments and brings this accumulated knowledge and experience to the table when assessing new opportunities and improving the quality of its investment portfolio.

Our in-house team possesses a deep understanding of regulated network assets and how to make them deliver the best possible results for consumers, employees and Securityholders.

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

Financial discipline and prudent diversification

Our consistent approach is to apply rigorous financial and operational oversight to the portfolio of assets with a view to achieving long-term growth and profitability in a measured way. The emphasis is always on prudent financial management, efficient operations, a safe and engaged workforce and the effective management of all business risks.

SA Power Networks and Victoria Power Networks (SAPN and VPN respectively) consistently outperform regulatory benchmarks while TransGrid possesses significant growth opportunities in both the regulated and non-prescribed parts of its business. Each business in Spark Infrastructure's investment portfolio targets a solid investment grade credit rating.

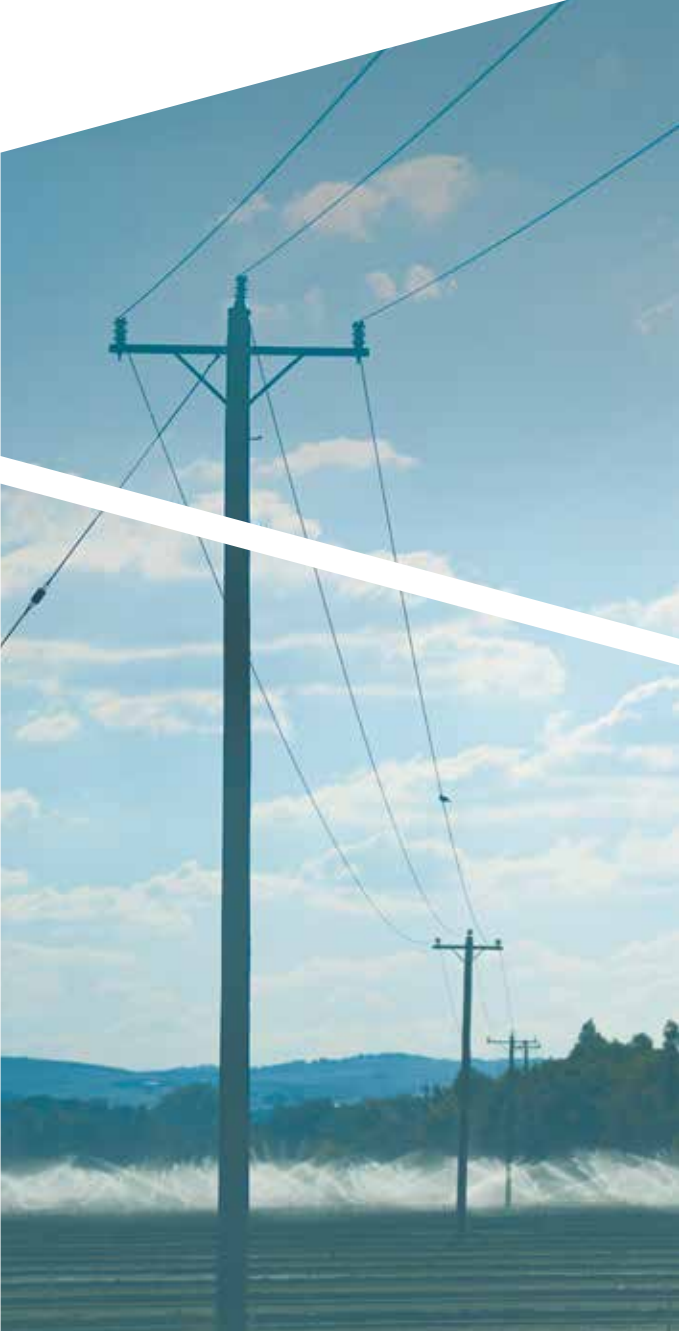
Sustainable growth

Spark Infrastructure values sustainable growth in distributions to Securityholders over time. This commitment shapes the way we look at all matters of strategy, operations and capital management. We take the same disciplined approach to our assessment of any opportunities to further grow and diversify the portfolio of assets.

At the same time we are focused on promoting continuous improvement in the operational performance of the businesses in our investment portfolio – in cost management, service planning, customer service, employee safety and capital management.

We also recognise that the business environment is changing and network businesses must respond energetically to new technologies and evolving customer expectations. Spark Infrastructure is ideally placed to grow the businesses in its investment portfolio in new and exciting directions over the coming years.

STRATEGY



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



FINANCIAL HIGHLIGHTS

Spark Infrastructure delivered another solid financial performance in 2016. Our 2016 standalone operating cashflows were 47.4% higher than 2015 at \$305.6 million with each portfolio business delivering increased distributions to Spark Infrastructure.

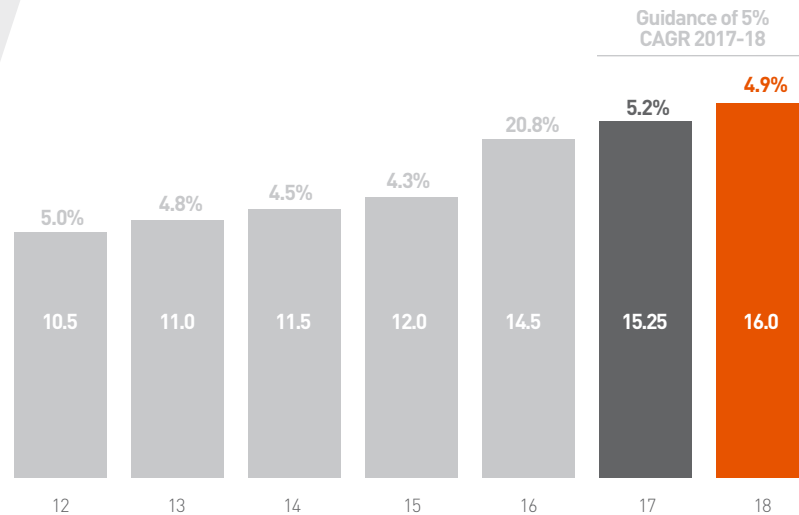
Spark Infrastructure's track record

Spark Infrastructure takes an active management approach with respect to its 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.

Our primary focus is to ensure robust stewardship of the portfolio businesses and to deliver sustainable growth in distributions over time, based on profitable growth in the asset base.

↑20.8%

Spark Infrastructure's distributions to Securityholders rose by 20.8% in 2016



Distribution guidance reaffirmed

Final distribution of 7.25 cps paid on 15 March 2017, total distributions for 2016 of 14.5 cps.

The Directors have reaffirmed distribution guidance of:

- 2017 15.25 cps (~5% higher than 2016)
- 2018 16.0 cps (~5% higher than 2017)

Guidance based on expected distributions from asset portfolio and subject to business conditions.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

Standalone operating cashflows grew by 47.4% in 2016 based on organic growth and portfolio diversification.

Investment portfolio demonstrating strong cash generation capacity

Our investment portfolio continues to demonstrate strong cashflow generating capacity, delivering growth of 47.4% in standalone operating cashflows in 2016. This includes the first full year of distributions from TransGrid and a significant step-up in distributions from VPN.

This is a tremendous performance and attests to the hard work of the people in the investment portfolio businesses – VPN, comprising the CitiPower and Powercor networks, SAPN and TransGrid – in combination with the active management approach taken by Spark Infrastructure.

Top efficiency of investment portfolio confirmed again

The businesses in Spark Infrastructure's investment portfolio rank among the most efficient in the sector. The AER has once again confirmed this in its 2016 Performance Reports.

The Distribution Performance Report, released in November 2016, confirmed the high rankings of CitiPower, Powercor and SAPN amongst their electricity distribution peers. They each ranked among the top-5 networks in terms of operating expenditure efficiency from a peer set of 13 networks.

The Transmission Performance Report, released at the same time, ranked TransGrid second from a peer set of five in relation to operating expenditure efficiency. It underscores the solid foundation we have to further improve the TransGrid business and share those benefits with customers.

For more detail, go to aer.gov.au/networks-pipelines/network-performance



VPN and SAPN are reaping substantial efficiency dividends

The efficiency performance of VPN through its World CLASS program is widely regarded as the “best practice” standard for electricity network providers, with many seeking to emulate their rigorous and innovative approach. This enabled the achievement of total identified savings of approximately \$167 million per annum (versus a 2013 baseline) with \$139 million delivered by the end of 2016.

SAPN is using technology to reduce costs as well as to grow revenues. This includes the increased use of drones for inspection of infrastructure and the use of virtual planning assessments of new projects. The latter involves using three-dimensional models to conduct virtual planning assessments by superimposing proposed construction plans on existing sites; allowing review teams to assess placement, clearances and neighbourhood impact prior to installation.

TransGrid is well placed for growth

The infrastructure connections opportunities for TransGrid, based on connecting new renewable energy generation to the grid, are significantly larger than we had originally envisaged and they are progressing more quickly than originally expected. This presents the business with a rich source of value accretive growth.

In addition, the opportunities for TransGrid to provide increased network interconnection across the National Electricity Market (NEM) are real and meaningful and we believe these would benefit consumers across the eastern states by delivering a reliable supply of energy from both traditional and renewable sources.

Innovation at the core of business planning

Each of the businesses in Spark Infrastructure’s portfolio have embraced new technologies and focused on innovative solutions to emerging business challenges. Their central aim is to further enhance a culture of agile and empowered business leadership; to improve understanding of customers’ needs and preferences; and to enshrine a flexible and innovative approach to asset planning and investment decisions.

SAPN’s Network Innovation Centre, the BEON Energy Solutions Business associated with VPN, and TransGrid’s active facilitation of the growth in renewable generation of electricity through its infrastructure connections business are important examples of the priority placed on this crucial area by the businesses in Spark Infrastructure’s portfolio.

CHAIR'S MESSAGE

Spark Infrastructure's Total Shareholder Return in 2016 was 31%, a multiple of the return delivered by the broader market.

Dear Securityholder,

I am pleased to report that Spark Infrastructure enjoyed another strong year in 2016. Spark Infrastructure's Total Shareholder Return in 2016 was 31%, a multiple of the return delivered by the broader market. The Directors declared a final distribution for 2016 of 7.25 cents per security (cps), in line with our guidance of a total distribution of 14.5 cps for 2016, an increase of 20.8% on 2015. The final distribution was paid to Securityholders on 15 March 2017. These distributions are fully covered by operational cashflows on both a standalone and look-through basis.

We were also pleased to reaffirm the forward distribution guidance of 15.25 cps for 2017, which is 5.2% above 2016, and then growing by 4.9% to 16 cps in 2018. This forward guidance is based on the distributions that we expect to receive from our investment portfolio and is subject to business conditions.

Our investment portfolio continues to demonstrate strong cashflow generating capacity, delivering growth of 47.4% in standalone operating cashflows in 2016. This includes the first full year of distributions from TransGrid and a significant step-up in distributions from VPN.

This is a tremendous performance and attests to the hard work of the people in the investment portfolio businesses – VPN, comprising the CitiPower and Powercor networks, SAPN and TransGrid; in combination with the active management approach taken by Spark Infrastructure.

Spark Infrastructure's investment approach is based on active asset management of a concentrated portfolio of significant interests that provide us with the scope to influence outcomes and drive performance in the underlying assets. We add value by applying our industry and regulatory expertise to the investment businesses' strategy and operations. We also have representation on the boards of the investment companies enabling a two-way flow of information and the ability to ensure robust governance.

VPN and SAPN are ranked in the top quartile of efficiency amongst their peers by the AER and are industry leaders in terms of safety, reliability and customer service. We are actively managing our interest in TransGrid to move the business to the 'efficient frontier' of performance, much like our investments in VPN and SAPN.

Distributions in 2016

↑20.8%

A little more than 12 months have passed since we acquired a 15% stake in TransGrid and the diversification benefits this acquisition is bringing to Spark Infrastructure are now being demonstrated.

The business continues to deliver against the acquisition business plan. TransGrid remains focused on cultural transformation, efficiency improvements and growing non-regulated business revenues. There is enormous potential to grow the infrastructure connections business in TransGrid. We can now see this being realised and we expect it to continue.

In the first half of 2016 we completed the strategic review of our economic interest in DUET Group. Ultimately, our decision to divest was based on the 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

planned process, we were able to successfully divest all of our derivative instruments in DUET by 30 June. The divestment was completed at a surplus on exit, and also produced an overall profit to Spark Infrastructure over the two years or so in which we held the investment.

Security of supply for electricity across the NEM, particularly in South Australia, is an important issue that has been occupying industry and governments alike given the recent outages.

In response, the Federal Government launched the Independent Review into the Future Security of the National Electricity Market, chaired by the Chief Scientist Dr Alan Finkel and otherwise known as the "Finkel Review".

This Review is seen nationally as a critical examination of recent events designed to crystallise the changes required to provide a reliable energy source to consumers, in an affordable manner, while transitioning to a low-emissions economy. Spark Infrastructure is participating in the Review and has lodged its submission, which can be found on the Australian Government Department of the Environment and Energy website.



Our starting premise is that future reliance on renewable energy generation is both desirable and inevitable. However, the electricity system and the regulation that supports it has not been designed for this scenario. This places the NEM in a state of transition that poses some difficult but not insurmountable challenges.

Networks have a key role in facilitating the process of transition to a low-emissions economy, by providing expanded interconnection and access and greater reliability and stability to the grid. Moreover, we believe we are best placed to provide these services most affordably.

The potential for increased grid interconnectivity as a potential solution represents a significant opportunity for TransGrid in particular. Greater interconnectivity of the NEM has the ability to improve reliability and security of supply to customers and thereby facilitate the growth of renewable generation in a cost effective manner.

Expanding into niche areas associated with “behind the meter” customer solutions, battery storage and consulting services to the energy industry are opportunities that Spark Infrastructure is determined to explore through its electricity distribution businesses to enhance Securityholder value.

The existing portfolio continues to offer a variety of opportunities to grow revenues and generate incremental cashflows. Nevertheless, we will also remain alert to opportunities to balance this type of innovative organic growth with opportunities for external growth that create value and grow cashflows over time.

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. This process has led to further changes to our Board in 2016.



Networks have a key role in facilitating the process of transition to a low-emissions economy, by providing expanded interconnection and access and greater reliability and stability to the grid.”

**Investment
portfolio**
↑47.4%

in standalone
operating cashflows
in 2016.

Following the announcement of Dr Keith Turner's intention to retire from the Board as part of the board's renewal process, Spark Infrastructure appointed Mr Greg Martin to the Board as of 1 January 2017. Dr Turner will remain on the Board until the end of the Annual General Meeting on 23 May 2017, and Mr Martin will stand for election as a new Independent Non-Executive Director. I am delighted that Dr Turner will continue to serve as a Director on the Boards of the portfolio businesses where he can continue to apply his expert domain knowledge.

Mr Martin's experience includes 35 years in the energy, utility and infrastructure sectors, having spent 25 years with The Australian Gas Light Company (AGL), including five years as CEO and Managing Director. He possesses a wealth of commercial experience and I have no doubts he will make a valuable contribution to the Board.

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.

Finally, I would like to thank the staff of Spark Infrastructure for their effort and commitment over the past year.

I look forward to keeping you updated on our progress in the future.

Yours faithfully,



Dr Doug McTaggart
Chair
Spark Infrastructure

“

The existing portfolio continues to offer a variety of opportunities to grow revenues and generate incremental cashflows.”

MANAGING DIRECTOR'S MESSAGE

Our 2016 standalone operating cashflows were up 47.4% on 2015 to \$305.6 million with distributions from the investment portfolio up across the board.

Dear Securityholder,

Spark Infrastructure delivered another solid financial performance in 2016. Our 2016 standalone operating cashflows were up 47.4% on 2015 to \$305.6 million with distributions from the investment portfolio up across the board.

SAPN and VPN have been operating under the revenue allowances provided in their Preliminary Determinations for the first year of their new regulatory periods. This contributed to a lower equity accounted share of profits, with Profit before Loan Note Interest and Tax for the year decreasing by 14.1% to \$225.8 million compared to the previous corresponding year.

Importantly, the Final Determinations subsequently received by both SAPN and VPN allow for an additional \$626 million of revenue for SAPN and \$180 million

of revenue for VPN, over their five-year regulatory periods, which is now being recovered.

Spark Infrastructure's Profit After Tax incorporates positive variances relative to 2015, including the first full year of contribution from TransGrid, which was acquired on 16 December 2015. VPN contributed a \$17.4 million increase to Profit After Tax and TransGrid contributed \$11.9 million, which offset a fall in contribution from SAPN of \$33.6 million.

Performance summary

VPN enjoyed significant improvements in productivity with a variety of efficiency gains realised through its World CLASS program. This enabled the achievement of total identified savings of approximately \$167 million per annum (versus a 2013 baseline) with \$139 million delivered by the end of the year. This is split approximately evenly across both capital expenditure and operating expenditure.

The efficiency performance of VPN through its World CLASS program is widely regarded as the highest industry ("best practice") standard for electricity network providers, with many seeking to emulate their rigorous and innovative approach.

SAPN also performed strongly in 2016. This was highlighted in September 2016 by the successful renewal of the ElectraNet maintenance contract by the CaMS (Construction and Maintenance) business unit, for a minimum of five years. This is a fresh endorsement of the technical capabilities and geographic reach across South Australia possessed by SAPN. SAPN continued its efficient delivery of the NBN rollout in South Australia and has now achieved \$200 million of revenue since the inception of this contract.

Spark Infrastructure statutory financial performance	2016 (\$m)	2015 (\$m)	Variance (%)
Standalone operating cashflows ¹	305.6	207.4	47.4
Total income ²	243.9	280.6	(13.1)
Profit before Loan Note Interest and Tax	225.8	262.8	(14.1)
Net Profit After Tax	81.1	88.0	(7.9)

1. Includes \$65.0 million of distributions from VPN received by way of repayments of shareholder loans and classified in investing activities for statutory reporting purposes.
2. Includes interest income from associates, Spark Infrastructure's share of equity accounted profits, gains from derivative contracts and other income.

South Australia is the state at the vanguard of reliance on renewable generation and has also been impacted by a series of severe storm events putting the system at risk and causing widespread outages for customers. The most significant of these extreme storm events occurred in December 2016 and left 185,000 customers without power. SAPN's workers have performed admirably under dangerous conditions to restore electricity to customers. They should be congratulated for these efforts.

TransGrid continues to deliver against the acquisition business plan and is well positioned for growth. It has continued its cultural transformation that commenced when the new CEO, Paul Italiano, took the helm in April 2016. Paul has appointed a number of fresh faces to his executive team who will bring valuable expertise to key areas such as unregulated business development.

The opportunities for TransGrid to provide increased network interconnection across the NEM are real and meaningful and we believe these would benefit consumers across the eastern states by delivering a reliable supply of energy from both traditional and renewable sources.

TransGrid submitted its regulatory proposal for the 2018–2023 regulatory period to the AER in January 2017. The proposal includes additional capital expenditure designed to cater for population growth and improved security of supply to customers in NSW and the Sydney CBD. At the same time, TransGrid's regulatory proposal would deliver a price reduction to consumers of 2.5%, in addition to the reduction of 7% delivered over the current regulatory period.

Asset portfolio benchmarking well against peers

The sector leading efficiency of our investment portfolio has once again been confirmed by the AER in its 2016 Performance Reports.

The Distribution Performance Report, released in November of last year, reconfirmed the high rankings of CitiPower, Powercor and SAPN amongst their electricity distribution peers. Each of them ranked in the top-5 networks from a peer set of 13. The Transmission Performance Report, released at the same time, ranked TransGrid in second place from a peer set of five in relation to operating expenditure efficiency. This underscores the solid foundation we have to further improve the TransGrid business and share those benefits with consumers.

VPN's World CLASS efficiency program delivering

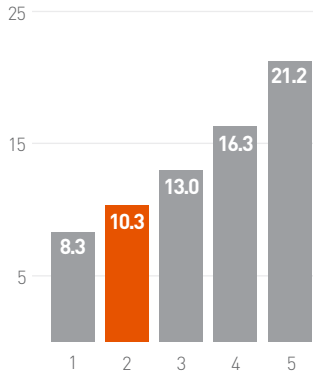
\$167M

savings per annum



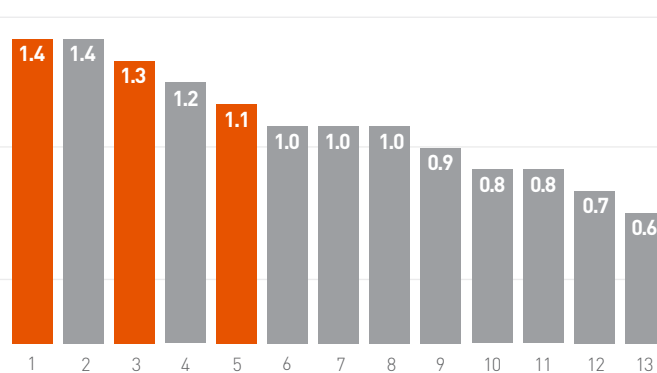
**MANAGING
DIRECTOR'S
MESSAGE**

2015 Total user cost per MWh of energy transported



- 1 Ausnet Services
- 2 TransGrid
- 3 TasNetworks
- 4 Powerlink
- 5 Electranet

2015 Opex partial factor productivity



- 1 CitiPower
- 2 TasNetworks
- 3 Powercor
- 4 United Energy
- 5 SAPN
- 6 Jemena
- 7 Energex
- 8 Endeavour Energy
- 9 AusNet Services
- 10 Essential Energy
- 11 Ergon Energy
- 12 ActewAGL
- 13 Ausgrid

AER ranking for opex efficiency

No.1 CitiPower
No.3 Powercor
No.5 SAPN

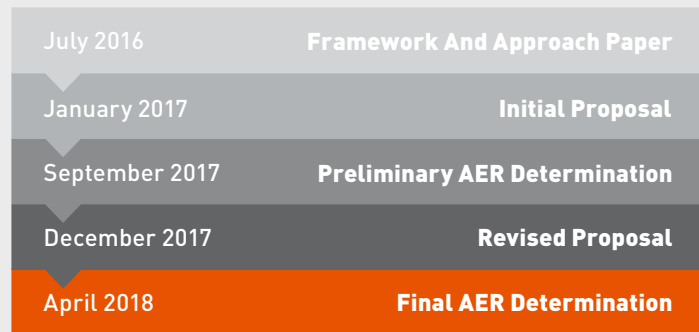
Innovation and unregulated business growth

Innovation also remains top of mind for Spark Infrastructure and for the businesses in our portfolio. Technology is moving rapidly and each of the businesses is responding intelligently and energetically to the new services being demanded by customers. Both VPN and SAPN are developing a range of innovative services that will benefit both the regulated and unregulated parts of their businesses.

VPN is classed as a tier 1 contractor for the delivery of capital expenditure programs and continues to provide maintenance services to Victorian electricity transmission business AusNet Services. Late last year, VPN rebranded and relaunched its Energy Solutions business unit as a standalone business called BEON Energy Solutions. With the rebranding VPN is able to satisfy the AER's Ring-fencing Guideline released in November of last year. We see a bright future filled with opportunity for BEON Energy Solutions.

TransGrid's regulatory proposal

reflects the current state of infrastructure, the more complex operating environment and the challenges of evolving services to increase renewables in the national energy mix and adapt to technological innovation.



**Contracts won
by TransGrid**

07

In 2016, TransGrid won seven new contracts to connect renewable energy generation projects to the grid.

At SAPN, technology is also being used to reduce costs as well as to grow revenues. This includes the increased use of drones for inspection of infrastructure and the use of virtual planning assessments of new projects. The latter involves using 3-dimensional models to conduct virtual planning assessments by superimposing proposed construction plans on existing sites. This allows review teams to assess placement, clearances and neighbourhood impact prior to physical installation.

The infrastructure connections opportunities for TransGrid are significantly larger than we had originally envisaged and they are materialising more quickly than originally expected. This presents the business with a rich source of value accretive growth. Due to the capital investment required, we are currently considering the best methods of funding this growth. The construction phase for these projects varies between 12 and 24 months with revenue from recently signed contracts expected to start flowing from late 2017.

Distributions and outlook

As noted by the Chairman, in 2016 Spark Infrastructure delivered a total distribution of 14.5 cps, up 20.8% on the distributions paid in 2015. These distributions to Securityholders are fully covered by both stand-alone and look-through cashflows.

We expect distributions to continue to grow at around 5% per annum in 2017 and 2018 based on expected distributions from the investment portfolio and subject to business conditions. This continues Spark Infrastructure's long record of delivering reliable growth in distributions.

Looking ahead, the team at Spark Infrastructure remains firmly focused on generating growth from the investment portfolio, which underpins the growth in our distributions to Securityholders. While we are more than satisfied with the organic growth opportunities available in our existing portfolio, we will always remain alert to other opportunities that may arise from time to time to grow and diversify our investment portfolio.

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 accretion over time.

I look forward to keeping you updated on our progress in 2017 and beyond.



Rick Francis
Managing Director and
Chief Executive Officer

“

TransGrid's regulatory proposal includes significant capital expenditure for security of supply projects in the Sydney CBD.”

BOARD OF DIRECTORS



1 Dr Doug McTaggart

PhD, MA(Econ), BEc(Hons),
DUniv, FAICD, SF Fin

Independent Director (since December 2015) and Chair (since May 2016)

Dr McTaggart is a director of the Suncorp Group and Chair of its Audit Committee, a director of the QIMR Berghofer Medical Research Institute Council and a director of Suncentral Maroochydore Pty Ltd. He is a member of the Economic Development Advisory Panel for the NSW Government and the Australian National University Council.

Dr McTaggart has extensive experience in financial markets, having been Chief Executive of QIC Limited (1998–2012). Prior to QIC, he was Under Treasurer and Under Secretary of the Queensland Department of Treasury and had a distinguished academic career. He has served in various expert advisory roles to government and on several industry representative bodies.

Dr McTaggart is a member of the Nomination and Remuneration Committee.



2 Mr Andrew Fay

BAGec (Hons), AFin
Independent Director
(since March 2010)

Mr Fay is a director of BT Investment Management Limited, J O Hambro Capital Management Holdings Limited and Gateway Lifestyle Group. He was previously Chair of Tasman Lifestyle Continuum Ltd and Deutsche Managed Investments Limited. Mr Fay was Chair of Deutsche Asset Management (Australia) Limited and associated companies until 2010 following a 20-year career in the financial services sector and has served on industry representative bodies.

Mr Fay is a director of Victoria Power Networks, CitiPower and Powercor, and of SA Power Networks, is a member of the Remuneration Committee of each business and is Chair of the SA Power Networks Audit Committee and a member of its Risk and Compliance Committee.

Mr Fay is a member of the Audit Risk and Compliance Committee.



3 Mr Greg Martin

BEc, LLB, FAIM, MAICD
Independent Director
(since January 2017)

Mr Martin is Chair of Iluka Resources Limited, a director of Santos Limited, Deputy Board Chair of Western Power and Chair of Sydney Desalination Plant. Mr Martin is a member of the COAG Energy Council Energy Appointments Selection Panel.

Mr Martin has over 35 years' experience in the energy, utility and infrastructure sectors in Australia, New Zealand and internationally, having spent 25 years with The Australian Gas Light Company ("AGL"), including five years as CEO and Managing Director. After AGL, Mr Martin was CEO of the infrastructure division of Challenger Financial Services Group and, subsequently, CEO and Managing Director of Murchison Metals Limited.



4 Ms Anne McDonald

BEc, FCA, GAICD

Independent Director
(since January 2009)

Ms McDonald is the Chair of WaterNSW, a director of Link Administration Holdings Ltd ("Link Group"), and co-chair of Specialty Fashion Group Limited and is Chair of its Audit Committee.

Ms McDonald's previous directorships include GPT Group, Sydney Water Corporation and Westpac's life insurance and general insurance businesses.

Ms McDonald was a partner of Ernst & Young for 15 years and was a Board member of Ernst & Young Australia for 7 years. She has broad based business and financial experience, working with international and local companies on audit, transaction due diligence, regulatory and accounting requirements.

Ms McDonald is a director of Victoria Power Networks, CitiPower and Powercor and is Chair of Victoria Power Networks' Audit Committee and a member of its Risk and Compliance Committee.

Ms McDonald is Chair of the Audit Risk and Compliance Committee and a member of the Nomination and Remuneration Committee.

5 Dr Keith Turner

BE (Hons) ME, PhD Elec Eng

Independent Director
(since March 2009)

Dr Turner is Chair of Fisher & Paykel Appliances Limited, Chair of Damwatch Holding Ltd and a director of Chorus NZ Limited. He was previously Deputy Chair of Auckland International Airport Limited.

Dr Turner possesses extensive experience in the New Zealand energy sector. He was CEO of Meridian Energy Limited from 1999 to 2008. He has advised a range of large corporate clients and government and served in a number of senior roles in the New Zealand electricity industry and as well as many industry reform roles.

Dr Turner is a director of SA Power Networks, Victoria Power Networks, CitiPower and Powercor. He is also a director of TransGrid and is Chair of its Health, Safety and Environment Committee.

Dr Turner is a member of the Nomination and Remuneration Committee.

6 Ms Christine McLoughlin

BA LLB (Hons), FAICD

Independent Director
(since March 2009)

Ms McLoughlin is a director of nib Holdings Ltd, Suncorp Group Limited and Whitehaven Coal Limited.

Ms McLoughlin is Chair of Stadium Australia, a director of the McGrath Foundation and is a member of ASIC's Director Advisory Panel. Ms McLoughlin was formerly a director of Westpac's insurance businesses, the Victorian Transport Accident Commission, the Australian Nuclear Science and Technology Organisation and Deputy Chair of The Smith Family. She was also the inaugural Chair of Australian Payments Council.

Ms McLoughlin has over 25 years' experience in financial services, telecommunications and professional services industries in Australia, the UK and Asia.

Ms McLoughlin is Chair of the Nomination and Remuneration Committee.

7 Ms Karen Penrose

BCom, CPA, FAICD

Independent Director
(since October 2014)

Ms Penrose is a director of Bank of Queensland Limited, Vicinity Centres, AWE Limited, Future Generation Global Investment Company Limited, UrbanGrowth NSW and Marshall Investments Pty Limited.

Ms Penrose has extensive experience in business, finance and investment banking in the banking and corporate sectors and is an experienced audit chair and member of due diligence committees.

Her executive career includes 20 years with Commonwealth Bank and HSBC and over eight years' experience as Chief Financial Officer and Chief Operating Officer for two ASX listed companies.

Ms Penrose was a Council member of Chief Executive Women for six years and is a member of the advisory panel for the Chief Executive Women Leaders Program.

Ms Penrose is a member of the Audit Risk and Compliance Committee.

MANAGEMENT TEAM

Spark Infrastructure is run by a team of experienced professionals with specialist knowledge of the management of infrastructure businesses across multiple sectors.



Richard (Rick) Francis
BCom, MBA, CA, GAICD
Managing Director and
Chief Executive Officer

Rick Francis commenced as Managing Director and Chief Executive Officer of Spark Infrastructure in 2012. He originally joined Spark Infrastructure in 2009 as the Chief Financial Officer and served in that role for three and a half years prior to his appointment as Managing Director.

Rick has 20 years' experience in the Australian energy and energy infrastructure industries. Prior to Spark Infrastructure he was employed by the ASX-listed gas transmission and energy infrastructure business APA Group, where he was Chief Financial Officer for four years, and by Origin Energy Limited for over eight years in a number of senior management roles in the corporate and operational areas. Rick is also a Chartered Accountant.

Rick has been a Non-Executive Director of SA Power Networks and Victoria Power Networks since 2009. He was appointed as Chairman of NSW Electricity Networks Operations (TransGrid) in December 2015 and has served as Deputy Chair since June 2016. He also sits on a number of Board Sub-Committees for Spark Infrastructure's investments, including Audit, Risk Management, Regulatory, HS&E and Remuneration committees.



Greg Botham*
BBus, MAppFin, CA
Chief Financial Officer

Greg Botham has extensive experience in senior financial roles in energy and transport infrastructure businesses in Australia. As a Chartered Accountant, Greg has previously worked in a number of senior finance and planning roles at Sydney Airport, having commenced his career at Qantas.

Greg is responsible for corporate planning and analysis, project evaluation and risk management, financial accounting and reporting, capital and treasury management and taxation.

Greg was appointed to the position of Chief Financial Officer in May 2012 after serving as Group Financial Controller for three years.

* Greg Botham resigned from his role effective 21 February 2017.

Alexandra Finley
DipLaw, MLM
General Counsel and Company Secretary

Alexandra Finley has extensive experience in the financial services sector having held strategic, operational and management roles. Alexandra is an experienced corporate governance professional with over 16 years' legal and commercial experience gained in private practice and in-house.

Prior to joining Spark Infrastructure, she spent almost 10 years with National Australia Bank/MLC in various senior legal and commercial roles.

Her responsibilities include corporate governance, legal and regulatory compliance, risk management, corporate transactions and advising on general legal matters.

Alexandra was appointed to the position of General Counsel and Company Secretary in September 2008.

Mario Falchoni
BEC, MPA, GradDipCom
General Manager, Investor Relations
and Corporate Affairs

Mario Falchoni has extensive experience in investor relations, regulation, government and industry relations and corporate communications. Immediately prior to joining Spark Infrastructure he was part of the senior management team at ASX-listed GrainCorp Limited. He has also managed policy, government relations and corporate affairs for a peak business lobby group and served in senior advisory roles in state and federal governments.

Mario is responsible for investor relations, regulatory affairs, stakeholder and issues management and corporate communications.

Mario was appointed to the position of General Manager, Investor Relations and Corporate Affairs in July 2006.

ASSETS OVERVIEW

Spark Infrastructure owns equity interests in four quality Australian electricity networks across South Australia, Victoria and New South Wales.





CitiPower

49%

interest

CitiPower operates the distribution network that supplies electricity to around 328,000 customers in Melbourne's CBD and inner suburbs.



Powercor

49%

interest

Powercor is the largest distributor of electricity in Victoria, operating a network that serves around 780,000 customers in central and western Victoria and the western suburbs of Melbourne.



SAPN

49%

interest

SAPN is the sole operator of South Australia's electricity distribution network, supplying around 856,000 residential and commercial customers in all regions and the major population centres.



TransGrid

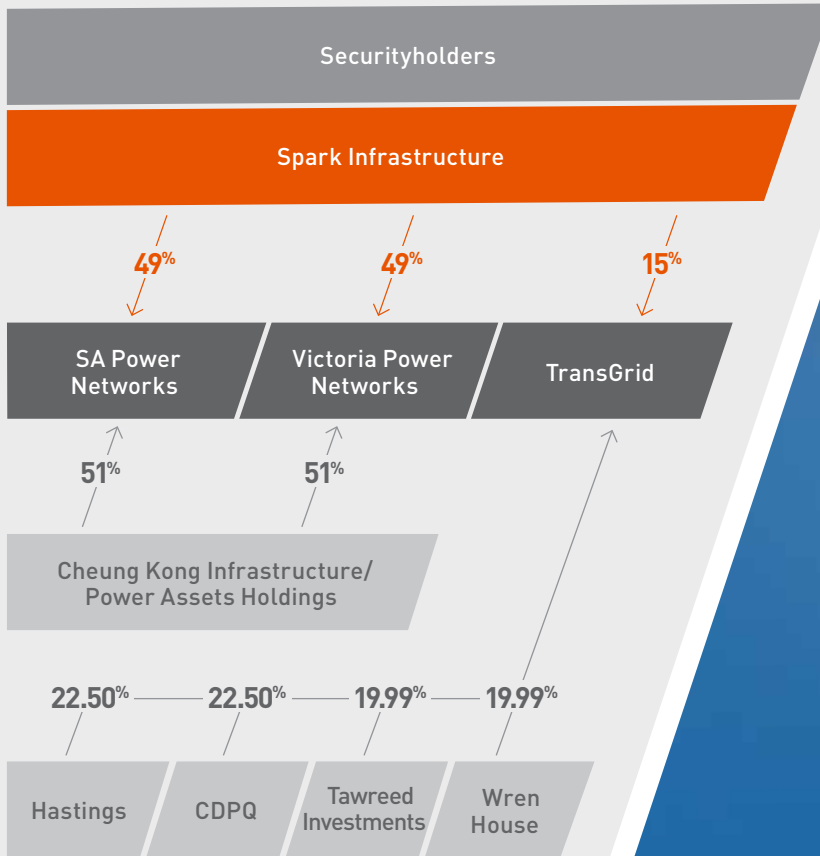
15%

interest

TransGrid is the largest high-voltage electricity transmission network in the NEM by electricity transmitted. It connects generators, distributors and major end users in New South Wales and the Australian Capital Territory and forms the backbone of the NEM connecting QLD, NSW, VIC and the ACT.



Ownership Structure



Spark Infrastructure takes an active management approach to its 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.”

	CitiPower	Powercor	SA Power Networks	TransGrid
Number of customers	328,208	779,875	856,095	–
Number of employees	1,881 (reported jointly)		2,073	1,012
Network size (km length of all lines)	7,536	87,178	88,920	12,957
Network size (km ² of area)	157	145,651	178,200	803,664
Electricity sales volume (GWh)	5,877	10,656	10,188	–
Network availability (%)	99.99	99.97	99.91	98.28
Number of distribution transformers	4,797	84,378	75,408	–
Number of zone substation transformers	104	140	428	–
Number of poles	58,092	566,883	745,696	–
Percentage of lines underground (%)	42.8	13.1	19.8	0.6
Peak demand (MW)	1,358	2,397	2,634	11,578
Network reliability (%)	–	–	–	99.9998
Number of transmission structures	–	–	–	37,414



SA POWER NETWORKS

SA Power Networks manages South Australia's electricity distribution network, supplying around 856,000 residential and business customers in Adelaide and all regions across South Australia.

The network is one of the most reliable in Australia, with 99.91% network availability achieved across a State that is characterised by widely varied and challenging terrain and extreme weather.

Operational summary

SAPN continued to perform strongly in 2016.

SAPN achieved Total Distribution revenue for 2016 (net of transmission charges) of \$739.7 million, a decrease of \$91.9 million (11.0%) from 2015. This decrease largely resulted from a one-off timing impact of the regulatory determinations.

SAPN operated under the revenue allowances provided in its Preliminary Determination from 1 July 2015 to 30 June 2016, which was the first year of its five-year regulatory period. SAPN's Final Determination provides for significantly higher revenues than the Preliminary Determination with the additional revenues (plus interest) to be recovered over years 2-5 of the regulatory period (i.e. from 1 July 2016) under a 'no disadvantage true up' mechanism.

SAPN will recover an additional \$626 million of revenue, relative to its Preliminary Determination, over the remaining years of its current regulatory period. The introduction of a revenue cap ensures stable revenues across the remainder of the 2016 to 2020 regulatory period.

Other revenue generated by SAPN in 2016 amounted to \$247.1 million, up 8.1% on 2015, largely due to higher semi-regulated revenue.

SAPN's 2016 net capital expenditure (after contributions from customers) totalled \$285.7 million, a decrease of \$29.8 million (or 9.4%) from 2015 due to \$35 million lower core network expenditure and \$4 million reduced expenditure on vehicles. This was partially offset by increased expenditure on information technology, property and other various projects.

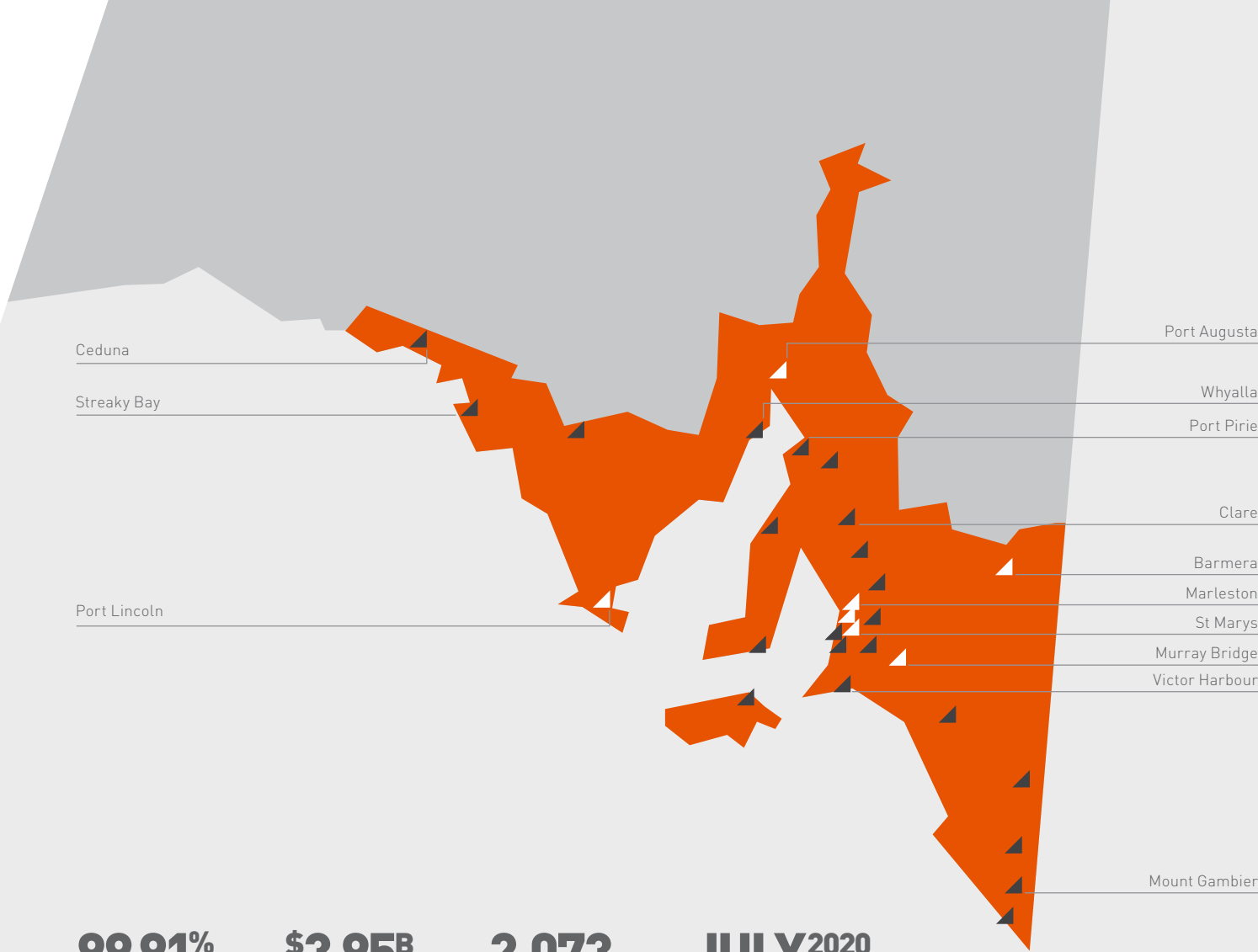
A key highlight in 2016 was SAPN's Construction and Maintenance Services (CaMS) being awarded the ElectraNet Transmission Asset Maintenance Services contract for a further five years, retaining an important revenue stream and providing job security for over 100 people.

This is a fresh endorsement of the technical capabilities and geographic reach across South Australia possessed by SAPN.

In 2016, SAPN continued its efficient delivery of the NBN rollout in South Australia and has now achieved \$200 million of revenue since the inception of this contract.

Customer service performance

South Australia possesses one of the highest penetrations of renewable generation in the world, which can lead to intermittency of supply. It has also suffered the impacts of a series of severe storm events that caused widespread outages for customers.



- Network coverage
- ▲ Depot locations
- ▲ Office and depot locations

99.91%
Network
availability

\$3.95^B
Regulated
Asset Base

2,073
Number of
employees

JULY 2020
Next regulatory
reset

The most significant of these extreme storm events occurred in December 2016 and left 185,000 customers without power. SAPN's workers have performed admirably under dangerous conditions to restore electricity to customers. This demonstrates SAPN's commitment to meet and continually improve its reliability standards and customer service performance.

SAPN maintained its record of reliability in 2016 with total annual minutes without supply per customer, as measured by System Average Interruption Duration Index (SAIDI) of 163 minutes (excluding Major Event Days), compared to the annual target of 168 minutes.

SAPN's Service Target Performance Incentive Scheme (STPIS) achieved a positive outcome of \$26 million for 2015/16, the first year of this five-year regulatory period. Over the last five-year regulatory period, SAPN has achieved a \$48 million favourable outcome. The result for the 2016/17 regulatory year is expected to be impacted by severe storm events in July, September and December.

In 2016, SAPN achieved a telephone Grade of Service of 78.1% (of faults and emergency calls answered within 30 seconds) against a target of 67.8%.

SAPN continues to focus on delivering significant productivity and efficiency initiatives. The AER's third annual benchmarking report was published in November 2016 and showed, on a state-by-state basis, that SAPN retains its position as the most efficient state-wide distributor in the country.

Safety and workforce

SAPN maintained its work, health and safety certifications against AS/NZS 4801 and OHSAS 18001 in 2016. It also maintained its accreditation under the Federal Government Building and Construction Occupational Health and Safety Scheme and has been rated a low-risk business.

SAPN achieved a five-year renewal (highest possible renewal period under the scheme) of its Self Insurance Status after a stringent audit by ReturnToWorkSA against the Self Insurer Standards in South Australia.

In 2016, SAPN also received special commendation in the Occupational Health and Safety category by Engineers Australia for a Safety Application developed to protect workers entering substations at the 2016 Australian Engineers Excellence Awards, SA.

SAPN maintains a strong focus on nationally-recognised accredited training and an apprenticeship program that surpasses industry requirements.

There are currently 79 apprentices in training, of which 21 are women, and a further 10 engineering and IT graduates participating in a three-year development program.

Innovation

In 2016, SAPN made considerable progress in implementing its Advanced Distribution Management System (ADMS) which will provide it with a network management system that controls, monitors and allows for advanced analysis, planning and optimisation of the distribution network.

ADMS involves the importing of geospatial data to build a sophisticated, real-time model of the interconnected high-voltage network. This electrical model will simulate energy flows across the network through advanced engineering calculations and establish a foundation for network automation solutions in the future.

The advantages that the ADMS project brings to SAPN include the consolidation of a number of disparate applications into a single user interface; improved visibility of unplanned outages; and establishing a foundation for future network automation and smart technologies.

The ADMS project is a key strategic project for SAPN and is in the final stages of testing, ready for implementation.

SAPN will recover an additional \$626 million of revenue, relative to its Preliminary Determination, over the remaining years of its current regulatory period
\$626M

VICTORIA POWER NETWORKS

CitiPower and Powercor Australia own and operate two of the five fully regulated electricity distribution networks in Victoria under the regulatory supervision of the Australian Energy Regulator.

They are managed by a joint management team and workforce and together they are known as Victoria Power Networks (VPN).

CitiPower owns and operates the distribution network that supplies electricity to more than 328,000 customers in Melbourne's CBD and inner suburbs. These customers include some of Australia's largest companies, public transport systems and sporting venues. CitiPower operates with a reliability rating of 99.99% network availability.

Powercor is the largest distributor of electricity in Victoria, owning and operating a network that serves around 780,000 customers in central and western Victoria and the western suburbs of Melbourne. Powercor possesses one of the highest reliability ratings for rural electricity distribution networks in Australia at 99.97% network availability.

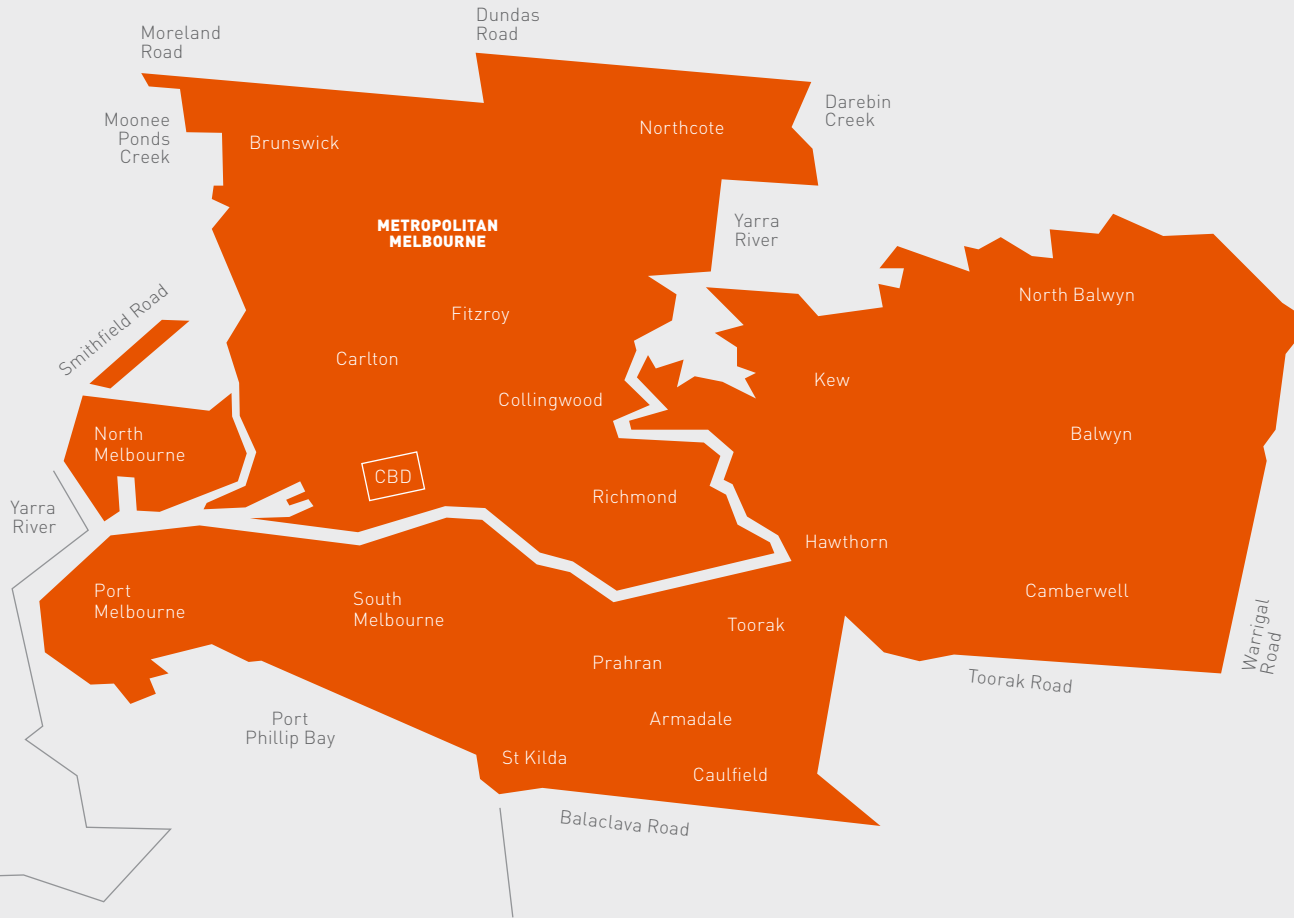
Operational summary

VPN performed strongly in 2016 in a changing environment for network infrastructure businesses. It delivered strong distribution revenues largely driven by increased customer numbers, which offset the effects of a mild winter and spring.

CitiPower generated total regulated revenue in 2016 of \$310.3 million, slightly down on 2015, including all metering revenue and excluding pass-through transmission revenue. Electricity sales volume for CitiPower was 5,876.7 GWh, in line with volumes achieved in 2015.

Total regulated revenue for the Powercor network was \$698.0 million, down 4.9% on 2015 including all metering revenue and excluding pass-through transmission revenue. Electricity sales volume for Powercor was 10,656.6 GWh, also in line with volumes achieved in 2015.

VICTORIA POWER NETWORKS



■ Distribution area

CITIPOWER

99.99%

Network availability

\$1.94^B

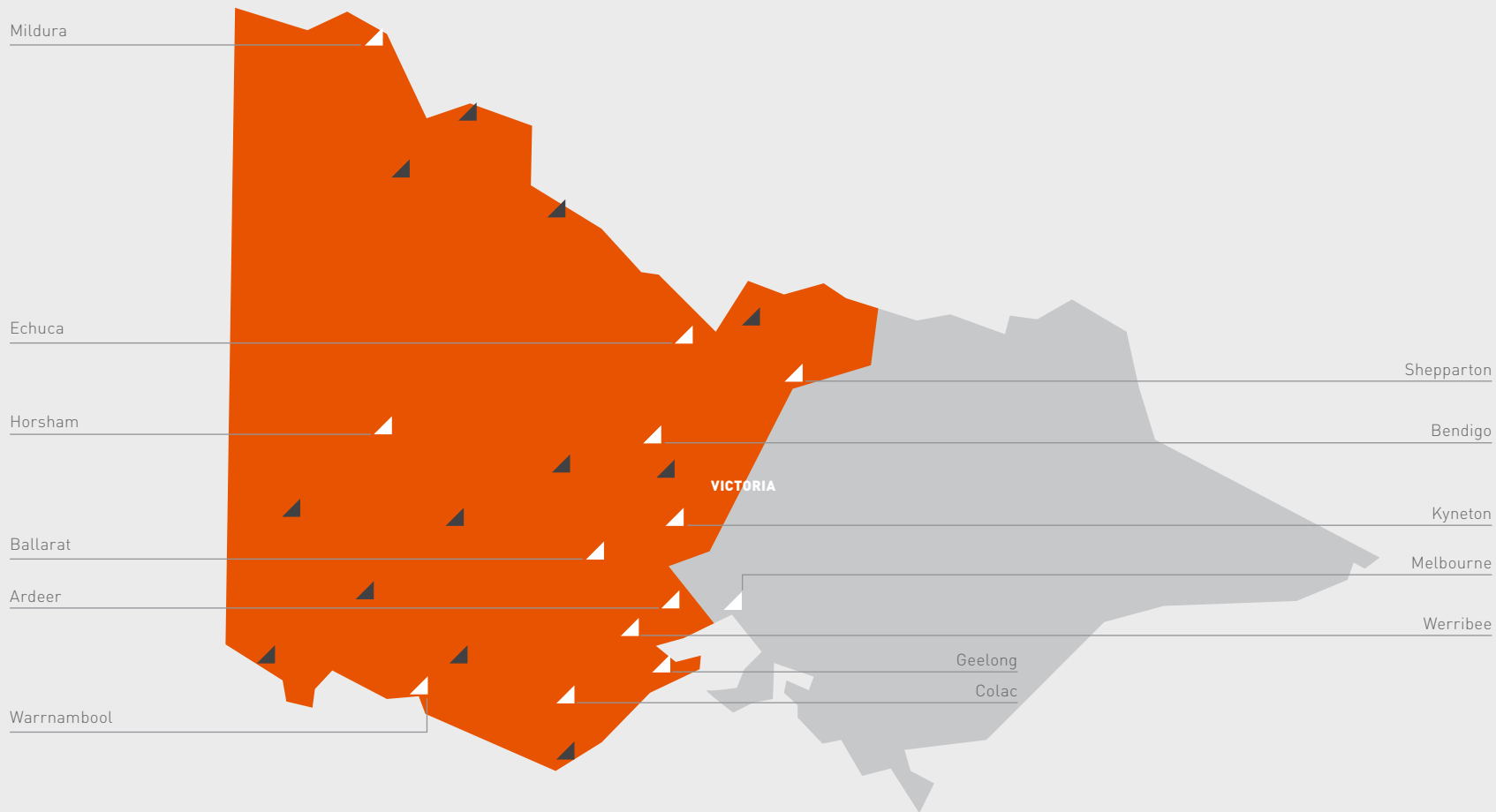
Regulated Asset Base

1,881

Number of employees (reported jointly with Powercor)

JAN²⁰¹⁶

Next regulatory reset



POWERCOR

99.97%

Network availability

\$3.79B

Regulated Asset Base

1,881

Number of employees (reported jointly with CitiPower)

JAN²⁰¹⁶

Next regulatory reset

- Distribution area
- ▲ Locations
- ▲ Local service agents

These decreases largely resulted from a one-off timing impact of their regulatory determinations. CitiPower and Powercor operated under the revenue allowances provided in their Preliminary Determinations from 1 January to 31 December 2016, which was the first year of their five-year regulatory periods.

Their Final Determinations, published by the AER in May 2016, provide for significantly higher revenues than the Preliminary Determinations with the additional revenues (plus interest) to be recovered over years 2-5 of the regulatory period (i.e. from 1 January 2017) under a “no disadvantage true up” mechanism.

VPN will recover an additional \$180 million of revenue, relative to its Preliminary Determination, over the remaining years of its current regulatory period. The introduction of a revenue cap ensures stable revenues across the remainder of the 2016 to 2020 regulatory period.

Distribution tariffs charged by CitiPower and Powercor reduced on average by 2% and 7% respectively in 2016. This is in line with that approved by the AER. VPN’s contribution to its average residential customer’s retail electricity bill is around 25% of the total.

The AER ranks CitiPower as the most efficient network in Australia, with Powercor also ranked in the top three networks for efficiency. VPN is building on this success through a range of continuous improvement initiatives designed to build on its sector-leading levels of efficiency. With benchmarking an increasingly influential part of the regulatory environment, the delivery of excellent performance is a key driver of sustained value to Spark Infrastructure’s Securityholders.

VPN enjoyed significant improvements in productivity in 2016 with a variety of efficiency gains realised through its World CLASS program. This enabled the achievement of total identified savings of approximately \$167 million per annum (versus a 2013 baseline) with \$139 million delivered by the end of the year. This is split approximately evenly across both capital expenditure and operating expenditure.

The efficiency performance of VPN through its World CLASS program is widely regarded as the highest industry (“best practice”) standard for electricity network providers, with many seeking to emulate its rigorous and innovative approach.



VPN will recover an additional \$180 million of revenue, relative to its Preliminary Determination, over the remaining years of its current regulatory period.

The efficiency performance of VPN through its World CLASS program is widely regarded as the highest industry standard for electricity network providers, with many seeking to emulate its rigorous and innovative approach.”

VPN's 2016 net capital expenditure (excluding customer contributions) totalled \$406.6 million, a decrease of \$59.7 million (or 12.8%) from 2015, largely due to the substantial efficiencies that are being delivered through the World CLASS program in relation to capital expenditure.

Customer service performance

CitiPower and Powercor had a combined customer satisfaction rating of 85% in 2016. These very high levels of satisfaction are unprecedented and customers appear to be recognising the company's commitment to its core value of "Make it easy for your customer".

In addition, CitiPower and Powercor continue to outperform other Victorian distribution businesses. In the 2015–2016 Energy Water Ombudsman Victoria annual reports, they reported the lowest number of complaints of any Victorian distributor for the fourth consecutive year.

VPN continues to deliver high customer service satisfaction. The Customer Contact Centres take around 841,000 calls annually, with 87.6% and 83.1% of fault calls for CitiPower and Powercor respectively answered within 30 seconds in 2016.

Whilst the preferred method of contact for most customers remains the telephone, increasing use of the Internet, SMS alerts, email and other advancing digital technologies mean customers can now connect with VPN using the channel of their choice. In response to customers' growing preference for digital tools, CitiPower and Powercor launched a number of new platforms to make it easy for their customers by enabling self-service.

These tools include:

- The *myEnergy* dashboard, which provides customers with insights into how they use electricity over time and helps them take greater control of their energy bill. Customers with solar panels can also track the amount of electricity they are exporting to the grid. In an industry first, the *myEnergy* platform was officially linked to the Victorian Government's Victorian Energy Compare website, giving customers the ability to quickly and objectively compare retailer offers using their actual consumption data.
- The *eConnect* portal, which has made it easier and faster for customers to get solar pre-approval, reducing the time taken by the former paper-based process from two weeks to just minutes with *eConnect*.

Satisfaction among electricity retailers remained high for VPN with a rating of 74% achieved in 2016.

VPN's STPIS achieved a positive outcome of \$17.9 million for 2016, the first year of this five-year regulatory period. The result for the 2016 regulatory year will be recovered in revenue in the 2018 pricing year, in accordance with the AER's audit and approval processes.

CitiPower and Powercor had a combined customer satisfaction rating of

85%

Safety and workforce

VPN's Health and Safety Management Systems are certified to the AS/NZS 4801-Occupational Health and Safety Management Systems Standard and also the Australian Government Building and Construction WHS Accreditation Scheme.

The Health and Safety Management System is supported by a governance structure that was further strengthened in 2016. New Regional Health, Safety and Environment Committees support all locations. These in turn feed into a Leadership and Consultative Committee chaired by the Chief Executive Officer with representatives drawn from senior management and the regional committees. The governance structure has a balanced focus on developing initiatives that improve VPN's performance and on resolving any issues that require escalation.

In 2016, the implementation of the improved governance structure was measured as a component of VPN's Health and Safety Management System Performance System Index KPI. It scored 100%.

In 2016, VPN launched a Stop, Think & Drive Expo for employees to promote driver safety and raise awareness that safety is everyone's responsibility. The

Expo was well received by employees and supported by the Victorian Transport Accident Commission.

VPN continued to invest heavily in 2016 in training and development for its employees, with a focus on leadership, mentoring and career development.

In 2016, CitiPower and Powercor welcomed five new apprentices into the business. It currently employs 87 apprentices and trainees.

A Diversity and Inclusion Council and Working Group was launched to ensure VPN continues to embrace new perspectives and different ways of working that ultimately deliver better business and customer outcomes. The Committee and Working Group will set, lead and drive initiatives aligned to three focus areas – gender, generation and ethnicity.

Innovation

The energy sector has changed more in the last five-to-ten years than it has in the past century. Customers are choosing new ways to access their electricity needs while demanding more reliable electricity supplies. The challenge for VPN is to provide Victorians with the most reliable electricity to power their homes and businesses while helping them connect to electricity services in the ways they prefer, all while providing value for money.

Solar and wind power are increasingly being integrated into the CitiPower and Powercor networks. More than 110,000 Powercor customers and nearly 9,500 CitiPower customers have installed solar panels since 2009, with a combined capacity of almost 364,512 and 28,031 kilowatts respectively.

VPN continues to invest in the development of a smarter network incorporating advanced technologies that enable more efficient capital investment, improved safety and reliability as well as widespread integration of renewable energy sources as more customers choose to invest in small-scale generation.

In 2016, VPN's energy solutions team emerged as a separate, stand-alone business known as BEON Energy Solutions. In 2016, this business successfully delivered a range of energy solutions to its customers with more than 3MW of solar panels sold in less than 12 months. BEON Energy Solutions is emerging as a leader in the deployment of large-scale renewable energy and infrastructure projects, working with some of the largest electricity utilities, developers, commercial and industrial companies and telecommunications network owners in Australia and overseas.

TRANSGRID

TransGrid is the operator and manager of the high-voltage electricity transmission network in NSW and the ACT. It forms the backbone of the National Electricity Market, connecting generators, distributors and major end users across the eastern states.

TransGrid provides its services through 13,000 kilometres of high-voltage transmission lines, underground cables and substations. It enables more than 3 million homes, businesses and communities to access a reliable, efficient and safe supply of electricity.

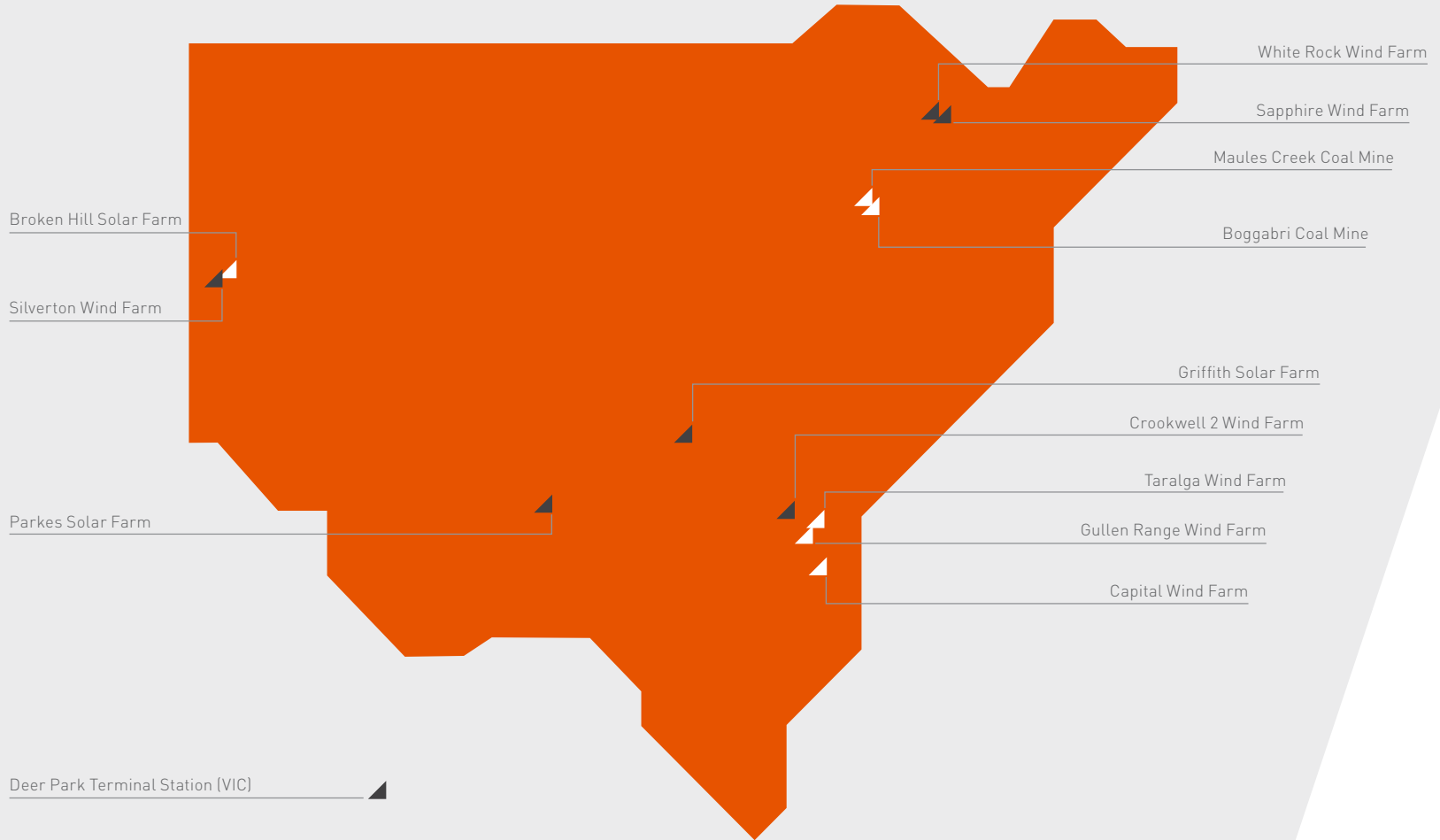
TransGrid continued to invest in non-regulated infrastructure connections in 2016, negotiating seven new connection agreements representing a total investment of \$155 million (real 2016). Together with achieving network reliability exceeding 99.99%, as measured by SAIDI, TransGrid delivered both strong commercial and service performance.

Operational summary

TransGrid continues to deliver against the acquisition business plan and is positioned well for growth. In 2016, TransGrid continued its cultural transformation which commenced when new CEO, Paul Italiano, took the helm last April. Since then, he has made a number of appointments to his executive team who will bring valuable expertise to key areas such as unregulated business development.

TransGrid's regulated revenue was \$784.6 million. Non-prescribed revenue was \$51.2 million and this included a contribution from telco services of \$6.4 million, property at \$4.7 million and \$40.1 million of infrastructure services. The majority of infrastructure services revenues are from transmission connection contracts for various wind farms, solar farms and mines.

Operating expenditure for 2016 was just under \$183 million. This included both regulated and unregulated operating expenditure. Net capital expenditure was \$206.4 million for 2016 and included efficiencies on the regulated side that have been a big focus for the business.



99.9998%

Network reliability

\$6.3B

Regulated Asset Base

1,012

Number of employees

JULY 2018

Next regulatory reset

Under development 
Existing connections 

Over 85% of capital expenditure was regulated. Regulated capital expenditure is predominantly for replacement and not for augmentation.

A key focus for TransGrid in 2016 and beyond is to continue to grow its non-prescribed business. In 2016, revenue achieved in this business was ahead of schedule and performance was ahead of target. TransGrid has a very strong pipeline of new opportunities to generate non-prescribed revenues and a strong competitive advantage in this space. Non-prescribed business is being buoyed by a significant increase in grid connection applications, driven mainly by large-scale renewable energy generation projects in NSW.

The closure of the Hazelwood coal-fired generator in Victoria will see a profound change in that market with Victoria to emerge as a net energy importer. This in turn will change the role of the source of generation by NSW in the national electricity market. The opportunity to accommodate this growth in demand, the changing generation mix and maintaining security of supply across the NEM represent real and meaningful growth opportunities for TransGrid.

TransGrid submitted its regulatory proposal for the 2018–2023 to the AER in January 2017. The proposal includes additional capital expenditure designed to cater for population growth and improved

security of supply to customers in NSW and the Sydney CBD. At the same time, TransGrid's regulatory proposal would deliver a price reduction to consumers of 2.5%, in addition to the reduction of 7% delivered over the current regulatory period.

Customer service performance

TransGrid works closely with its customers to plan, develop and manage the network and customer projects to ensure it meets their service expectations now and into the future.

In line with previous years, TransGrid's transmission network reliability in 2016 continued to exceed 99.9998%. TransGrid's ability to maintain and operate its network, in addition to improvements to design standards and equipment procurement practices, contributed to this outcome. This reflects the ability of the business to make prudent planning decisions in line with international best practice.

TransGrid's STPIS achieved a positive outcome of \$12.5 million in 2016. TransGrid expects to recover \$15.5 million in relation to the 2014/15 regulatory year from July 2017.

TransGrid's customer engagement initiatives in 2016 focused on a number of new areas:

- the TransGrid Advisory Council, an executive-level forum providing ongoing advice to the business;
- the Revenue Proposal Working Group, a dedicated forum to ensure that customers, consumers and interested parties have an opportunity to discuss and influence TransGrid's approach to the upcoming revenue proposal; and
- the NSW Energy Forum, to explore priorities for NSW, including how the business can support a low-carbon future and explore ways to shape the future of the grid.

Safety and workforce

TransGrid promotes a positive culture of safety that encourages all employees and contractors to be active managers of their own safety and the safety of others. The risks associated with a high voltage electricity network and large infrastructure projects make it critical to deliver on the safety commitment.

TransGrid's employee Lost Time Injury Frequency Rate (LTIFR) for 2016 was 2.5 (excluding contractors), which compares favourably to industry peers. TransGrid's strong safety performance attests to its highly skilled and experienced workforce comprised of 1,012 qualified tradespeople, engineers, technicians, substation and transmission line designers, apprentices and cadets, administrators, professionals and managers.

In December 2016, TransGrid introduced a new long term safety strategy called 'Heads Up'. Heads Up is challenging people to change their mind set on safety, by asking what drives us all to be safe at work. The campaign is also raising the visibility of safety by engaging all staff to contribute to TransGrid's safety performance. Staff have been very proactive with offering advice back to TransGrid's Safety Working Group, which already has identified five key areas to improve safety performance. These areas are focused around system improvements, leadership development, attitudes to safety, resource readiness and knowledge transfer. Heads Up combines the wisdom of all in TransGrid, to deliver a safer workplace for everyone.

To reinforce this launch, during February and March 2017, seven Safety Days were conducted at locations across TransGrid. The purpose of Safety Day was to inspire people with renewed energy and awareness around the importance of safety. It provided TransGrid's people with an opportunity to approach safety from a fresh perspective, and communicated how safety was everyone's responsibility across the organisation. A blended facilitation approach (activity, discussion, examples, stories, content) was employed to ensure the Safety Day remained interactive, energetic and

thought-provoking. The day also provided the organisation with meaningful access to the CEO, Paul Italiano, the Executive team, senior leaders, the Safety Working Group and their focus areas, as well as to the health, safety and environment (HSE) team. Safety Day 2017 was another step in TransGrid working safer and better together as an organisation.

Innovation

Innovation remains a core focus and driving force at TransGrid. Technology continues to evolve rapidly and TransGrid is making an intelligent and energetic response to the new services that customers are demanding.

Battery storage

In November 2016, TransGrid signed a Memorandum of Understanding (MOU) with The University of NSW (UNSW) to install large-scale on-campus battery storage, which will allow for exploration of non-network demand management, and cost savings for directly connected customers.

Battery storage is increasingly important in the changing electricity market. TransGrid continues to take a leading role in deploying large-scale battery installations. The recent MOU will see installation of a 250kW/500kWh battery system.

Groups such as the UNSW Faculty of Engineering and the Australian Energy Research Institute (AERI) will use the installation to study how to improve the utilisation of the batteries.

A similar installation is scheduled to commence in 2017 at the City of Sydney's Alexandra Canal Works Depot.

Automated Demand Response (ADR)

TransGrid is procuring an ADR system that will allow the dispatch of demand response in commercial and industrial buildings, and is capable of triggering energy storage backup devices located behind the meter. Open Automated Demand Response (OpenADR) provides an open demand response interface that allows utilities to communicate demand response signals directly to customers using a common language via the Internet.

Geospatial mapping of constraints

TransGrid is a partner in the Network Opportunity Maps project alongside the Institute for Sustainable Futures, funded by ARENA. The purpose of the project is to develop online maps of network constraints that are freely available and updated annually. The maps include planned investment, the potential for renewable energy, and demand management.

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