Tuesday, 23 May 2017

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

Dear Sir / Madam

2017 ANNUAL GENERAL MEETING

I enclose the Chair's address and AGM presentation to be delivered today at the 2017 AGM of Spark Infrastructure.

Yours faithfully,

Alexandra Finley
Company Secretary

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Annual General Meeting 2017

Tuesday, 23 May 2017

Chair's address – Doug McTaggart

Ladies and Gentlemen,

Market Performance

I am pleased to report that Spark Infrastructure enjoyed another strong year in 2016. Spark Infrastructure's Total Shareholder Return in 2016 was 31%, significantly outperforming the return delivered by the broader ASX 200 Index over the same period. This performance has also continued in 2017 with our share price increasing from $2.38 on 31 December 2016, to $2.65 at yesterday's market close.

I am delighted to say that Spark Infrastructure has been the standout performer among its regulated peers in the ASX 200 Utilities Index over the past year. Since the beginning of last year, Spark Infrastructure has significantly outperformed all of its ASX listed sector peers and both of the ASX indices of which it is a member. Our consistent long-term performance is demonstrated by the fact that, over the past 5 years, Spark Infrastructure has delivered a total shareholder return of 169% compared with the market's 75%.

We believe this performance is founded on two things: first, the underlying quality of the investment portfolio, which consists entirely of regulated electricity distribution and transmission businesses, each possessing significant unregulated business opportunities; and second, the overlay of active investment management provided by Spark Infrastructure in partnership with its investment partners in each asset.

Distribution

Your Directors declared a final distribution for 2016 of 7.25 cents per security (cps), in line with our prior 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.

We are also pleased to reaffirm the forward distribution guidance of 15.25cps for 2017, which is 5.2% above 2016, and then growing by 4.9% to 16cps 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.

The screen shows our distributions since 2011 matched against the corresponding operating cashflows at the Spark Infrastructure level for each year, Standalone operating cashflow as we call it. As you can see, our distributions to Securityholders have been consistently covered by cash distributions from the investment portfolio to Spark Infrastructure.

Rick Francis, our Managing Director, will provide more detail on the recent performance of the investment portfolio as well as some insights into strategy, discussion of the macro-business environment and will touch on some of the issues affecting our industry.

Our role in the changing National Electricity Market

Spark Infrastructure and its portfolio of businesses operate in a competitive environment. Technology is developing quickly and this results in continuous innovation and change at the operational level.

Customers are more informed and engaged to make decisions about how much energy they consume and from where they source their energy. Regulators are increasingly focussed on ensuring that consumers receive value for money. Renewable energy generation is growing based on both public demand and the drive by investors to ensure long-term business sustainability.

What must be recognised is that the nature of the electricity distribution network is fast changing from a linear process – generation to transmission to distribution to retail – to a decentralised and distributed network where generation can come from a multiplicity of sources differentiated over both time and geography. This significant change supports the value of transmission and distribution networks, as electricity is moving constantly in a non-linear fashion, where businesses and households can be consumers at one point in time and suppliers at another point in time.

Ultimately, these changes are positive for our economy and for our society. For efficient and forward-looking businesses, this represents more opportunity than threat. This has certainly been our experience across our businesses. However, the pace of change does mean that, more than ever before, businesses like ours must be agile, innovative and customer centric in order to succeed.

I am personally delighted and encouraged by the fact that this is precisely what I see at Spark Infrastructure and what I know to be the case across the investment portfolio. Our business culture is focussed on the safe, efficient and reliable delivery of services; embracing of new technology and is quick to innovate; and seeks to work collaboratively with regulators to achieve the best possible outcome for consumers over the long-term.

In addition to the changing business environment, the question of security of electricity supply across the National Electricity Market (known as the “NEM”) has loomed large in recent months. This has been occupying both industry and governments alike given the recent outages, particularly in South Australia.

Late last year, 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”. Its key objective is to solve what has become known as the “Finkel trilemma” – to re-imagine an electricity market that can deliver energy reliably, affordably and at the same time assist the transition to a low carbon economy.

The Finkel Review is expected to report to the Council of Australian Governments next month. Spark Infrastructure has participated in the Review. Our submission is in the public domain if you are interested in reading it. 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 to play in facilitating the 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 part of the 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.

Further, expanding into niche areas associated with 'behind the meter' customer solutions, distributed 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.

Investment portfolio generating strong cashflows

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 Victoria Power Networks (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, SA Power Networks (SAPN) and TransGrid, in combination with the active investment management approach we undertake.

In 2016, VPN delivered cash distributions to Spark Infrastructure of $145 million, an increase of 76% on the prior year. VPN's management of its operating costs through its World CLASS program has set the leading benchmark for our sector. This year it will deliver $167 million of savings in operating costs relative to its 2013 baseline, when the program was initiated. The VPN experience demonstrates how a transformation program can increase network performance and improve safety outcomes and reliability at the same time.

Naturally, VPN is not alone in its efforts. SAPN is undertaking similar cost management initiatives and we expect it will achieve comparable results. For example, SAPN is currently making increased use of drones for inspection of infrastructure and the use of virtual planning assessments of new projects. The smart use of technology holds the key to further reducing costs in already efficient businesses like SAPN and VPN.

VPN and SAPN are ranked in the top quartile of efficiency amongst their peers by the Australian Energy Regulator (AER) and are industry leaders in terms of safety, reliability and customer service. In a similar vein, we are also working with TransGrid to move its business to the 'efficient frontier' of performance.

Around 18 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 focussed on cultural transformation, efficiency improvements and growing non-regulated business revenues.

The infrastructure connections opportunities in TransGrid are particularly exciting. What we have found is that the pipeline of opportunity is larger than we had originally envisaged and in addition, TransGrid is converting them into contracts at a higher rate than we expected. In the first 12 months under private ownership, TransGrid signed seven new contracts with wind and solar farm proponents to connect their generation facilities to the grid. This presents the business with an additional source of value accretive growth.

Due to the capital investment required, it is likely that TransGrid will need to retain a larger proportion of its operational cashflows to fund this growth. The construction phase for these projects varies between 12 and 24 months with the revenue from the most recently signed contracts expected to start flowing later this year.

This is a great problem to have, and although you should expect to see a lower level of cashflows at the Spark Infrastructure level in 2017 and 2018, it will not impact our current distribution guidance to end 2018.

Spark Infrastructure’s active investment management approach

More generally, and as noted on the screen, our investment mandate or objective is to invest in regulated electricity and gas distribution and transmission infrastructure, and water and sewerage assets in established regulatory jurisdictions - with Australia being a key focus – that offer predictable earnings and reliable cashflows.

As I have stated previously in my correspondence to investors, Spark Infrastructure’s investment approach is based on active management of a concentrated portfolio of significant interests that provide us with the scope to influence outcomes and drive performance.

We add value by applying our industry and regulatory expertise to the portfolio businesses’ strategy and operations. We also have representation on their boards, enabling a two-way flow of information and the ability to ensure robust governance.

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

At the same time, in accordance with our mandate, we remain alert to opportunities to balance organic growth with opportunities for external growth that create value and grow cashflows over time.

Endeavour Energy

As most of you will be aware, the NSW State Government recently completed its privatisation program of electricity distribution and transmission businesses. The final asset to be sold was Endeavour Energy.

While we were not free to comment during the sales process, now that it has concluded, I can confirm that Spark Infrastructure was a bidder for this asset as part of the NSW Power Networks consortium. This involved the same consortium members that acquired TransGrid in December 2015.

On this occasion, we were not successful. In fact, our bid fell well short of the acquisition price announced by the NSW State Government. Nevertheless, I believe it is important to provide some commentary, in order to give you a fuller picture of how we approach growth opportunities and to outline the rigour with which we conduct these processes.

Firstly, I must emphasise that the proposed acquisition of Endeavour Energy was entirely consistent with Spark Infrastructure’s strategy to pursue regulated infrastructure assets that offer scope to leverage Spark Infrastructure's expertise.

Endeavour Energy is a well-maintained electricity distribution business that covers some of the fastest growing regions in NSW and would have complemented Spark Infrastructure's existing investment portfolio well. The Consortium had developed a detailed business transformation plan, which included material cost reductions and performance improvement.

Our Consortium is a highly experienced owner and operator of critical infrastructure with the ability to leverage its local experience with TransGrid and VPN’s World CLASS Transformation Program to transform Endeavour Energy.

Together we undertook a highly disciplined and detailed valuation approach. A key consideration was that the bid EV/RAB multiple was consistent with Spark Infrastructure’s current EV/RAB metrics.

Had we been successful, we are confident the acquisition would have enhanced Securityholder value and helped to deliver growth in Spark Infrastructure's distributions over the long term.

Moreover, the investment offered future synergy opportunities that we expected to be material. The significant geographical overlap between Endeavour Energy and TransGrid and the close operational alignment of Endeavour Energy with our other regulated electricity distribution assets created opportunities for future benefits and would have represented upside incremental value that would have accrued to both Endeavour Energy and TransGrid. However, given the future nature of these opportunities they were not incorporated into our bid.

As always, it was important to us that there be a prudent capital structure in place; that there be no dilution to cashflows to Spark Infrastructure in the near term; and, that there be demonstrable long-term accretion. That would certainly have been the case had we been successful.

Moreover, Spark Infrastructure did not intend to use any corporate debt for the purposes of the acquisition.

The Consortium had negotiated for Spark Infrastructure to provide technical and specialist advice and support to Endeavour Energy, for which Spark Infrastructure would have received additional fees for service. Spark Infrastructure's expertise and resources were viewed as de-risking the achievement of the Endeavour Energy business transformation plan. This is tangible recognition of the value Spark Infrastructure can bring through its expertise and experience, and validates our position as an active investment manager.

Although none of that was to be, it illustrates that we act with financial discipline and strategic rigour. While we were soundly out-bid for this asset, we have no regrets. As always, we applied our financial discipline to a rigorous due diligence process and bid at a level where the investment was expected to deliver long-term asset growth and sustainable growth in distributions for Spark Infrastructure Securityholders.

Board succession

The Board believes that orderly succession and renewal is achieved through 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.

In October 2014, we welcomed Christine McLoughlin and Karen Penrose to the Board. I myself joined the Board a year later in anticipation of Brian Scullin's retirement as Chair, which occurred at the May 2016 AGM. More recently, in November of last year Dr Keith Turner announced his intention to retire after eight years on the Spark Infrastructure Board. Following Keith's announcement, Spark Infrastructure undertook a comprehensive search and appointed Greg Martin to the Board effective from 1 January 2017.

Keith will depart from the Board at the end of today's meeting while as you know, Mr. Martin is standing for election today as a new Independent Non-Executive Director. I am delighted that Keith will continue to serve as a Director on the Boards of the portfolio businesses where he can continue to apply his expert domain knowledge.

As you can see, our Board is in a constant process of renewal with a number of retirements and appointments over the past three years. We strive to maintain a balance between experience and fresh perspectives.

Together, your Directors contribute executive leadership experience; deep domain knowledge; infrastructure industry and sector experience; experience in financial analysis and the financial services industry; corporate finance experience; 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.

I am also pleased to say that we are one of the best performing Boards in the ASX 100 in terms of gender representation. Following Keith's retirement today, we will have equal representation of men and women on our Board. This is important because of the clear correlation between Board diversity and company performance. The more diverse Boards are proven to achieve consistently superior financial results over time.

We believe that the overall composition of the Board, as it currently stands, enables it to effectively govern Spark Infrastructure on behalf of and in the best long-term interests of Securityholders.

Some points of clarification

However not everyone agrees with this view and we once again have an external nomination for election to the Board of Spark Infrastructure at this year's AGM. Each nominee standing for election will have the opportunity to speak to their candidacy later in the meeting.

There have been a number of issues raised in the course of the nomination process and while I don't propose to go into them in detail here, I will mention that each of the major proxy advisory firms – CGI Glass Lewis, ISS and Ownership Matters - as well as the Australian Council of Superannuation Investors and the Australian Shareholder's Association, has considered and provided their analysis of matters relevant to the resolutions to be put to you today in order to make their recommendations.

However, I do not believe it is in Securityholders best interests to allow incorrect statements to remain unaddressed and so I will speak briefly on three matters only.

Firstly, the statement that Spark Infrastructure borrowed to pay its March 2016 distribution.

As previously disclosed to the market, Spark Infrastructure's standalone operating cashflows for 2016 were $305.6 million, or 18.2 cents per security. At the same time, we paid out 14.5 cents per security to our investors, so distributions were well covered by cashflows. The distributions we receive from our investment portfolio are scheduled to be received at various points throughout the year and do not necessarily match up perfectly to the March and September dates on which we pay out our distributions.

Like all efficient businesses, we manage our working capital across our reporting period. What we focus and report on is that our income exceeds our outgoings over the relevant period.

Secondly, the questions raised in relation to our market disclosures, particularly in reference to the increased cashflows, which facilitated the distributions upgrade announced in June 2016.

Our expectations of increased cashflows from VPN were clearly stated in a presentation lodged with the ASX in November 2015 at the time of the acquisition of an interest in TransGrid. We also included references to our expectation of growing distributions as far back as February 2016 in our investor presentation for full year 2015 results, and at various points after that.

While the main driver for increased cashflows from VPN was the achievement of its de-gearing target, which was completed at the end of 2015, we did not have sufficient certainty of the overall outcome without clarity around regulatory determinations and shareholder agreement. VPN did not receive its Final Determination from the AER until May 2016 and after shareholder confirmation, we promptly announced the upgraded distribution guidance.

Thirdly, it has been suggested that our distribution policy should change. We have consistently stated that our goal is to grow distributions steadily over time to avoid spikes and falls in distributions. Adopting a 100% payout ratio means accepting any resulting volatility in distributions from our portfolio companies.

The problem with this suggestion is that our Securityholders consistently tell us that they highly value steady growth in distributions over time. This is not surprising given the high proportion of superannuation funds that own Spark Infrastructure. These are Securityholders with long-dated liabilities of their own, who value predictable growth in income.

It also misses the point that our underlying businesses are capital intensive and this can be cyclical. We are, and always have been, a yield plus growth stock and there will always be times, such as TransGrid is currently facing, where we are prepared to invest further in pursuit of longer term cash accretion.

The results of the voting on resolutions for today should provide a clear and final answer to these questions and reflect the sentiment of our Securityholders.

Finally, I would like to thank my fellow Directors for their support and the management team for their hard work and diligence in what has been a very interesting inaugural year for me as Chair.

I look forward to keeping you updated on Spark Infrastructure's progress as we continue to navigate through a critical time in the life of our industry and seek to grow long-term value from our investment portfolio.

Thank you.

ANNUAL GENERAL MEETING
TUESDAY, 23 MAY 2017

sparkinfrastructure

THE AUSTRALIAN INFRASTRUCTURE NETWORK SPECIALISTS

CONDUCT OF THE MEETING AND PARTICIPATION

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

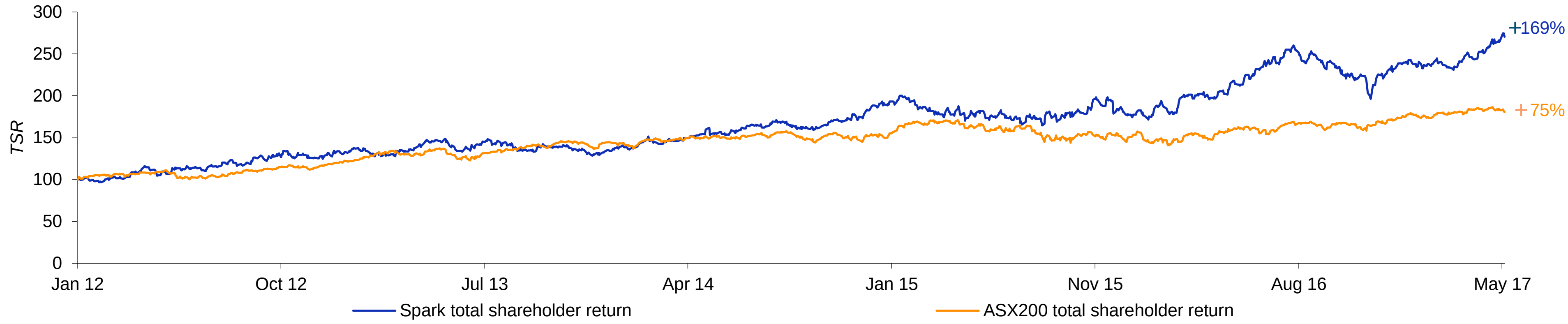
CHAIR’S ADDRESS

Dr. Doug McTaggart

Chair

MARKET PERFORMANCE

Spark Infrastructure total shareholder returns (Jan 2012 – May 2017)



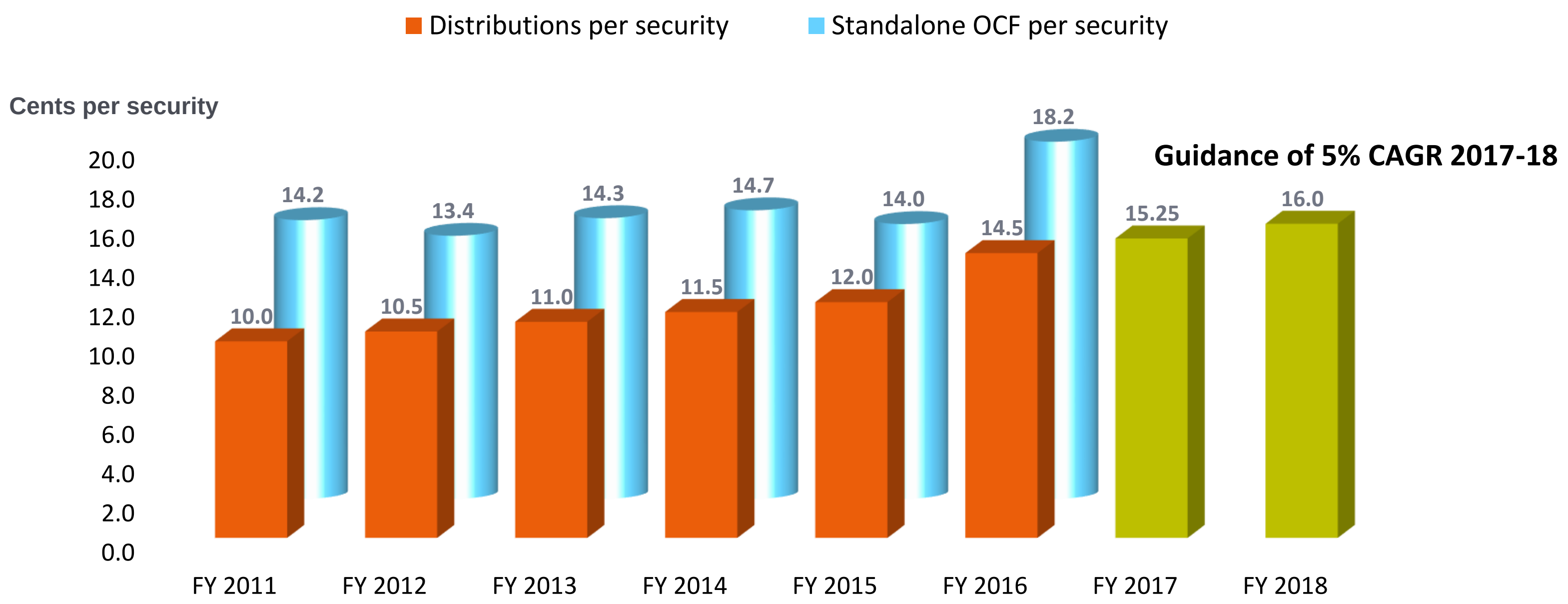
Source: Iress and Bloomberg as at 19 May 2017

12 month TSR
(to 31 Dec 2016)
31.0%

Security price growth
(Year to 19 May 2017)
10.1%

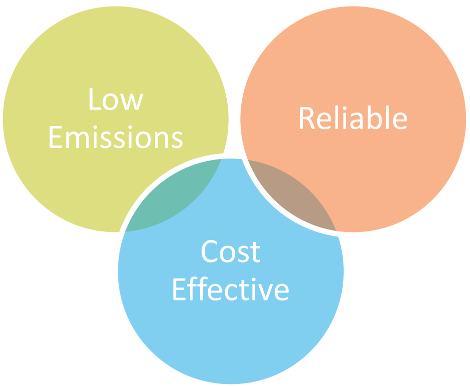
DISTRIBUTIONS AND COVERAGE

- Distributions increased by 2.5 cps to 14.5 cps in 2016 - 20.8% uplift
- 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



FINKEL REVIEW

THE ENERGY 'TRILEMMA'



- No or uncertain investment appetite for new coal or increased gas currently
- Renewable generation is the path to meeting energy demand and a low carbon emission economy
- Increased network interconnection will help facilitate this in a cost effective manner while ensuring reliability and stability
- The review panel is expected to issue a final report in Q2, 2017

NETWORK INTERCONNECTIVITY IS A KEY PART OF THE SOLUTION

Low emissions

Networks connect wind and solar farms to customers

Interconnection enables diversification of intermittent renewable generation access to the grid

Reliability

World best practice with high renewables is for an extensively interconnected grid

Ancillary services and utility scale energy storage connected across the network

Cost Effectiveness

Downward pressure in wholesale electricity price

Utility scale generation is more cost-effective than distributed generation

Extensively interconnected networks limits the potential for costly excess generation capacity

- A new NSW/SA interconnector can be delivered as a regulated project subject to a RIT-T process
- Completion within 24 months is possible – without the existing unnecessarily long regulatory approval process

CURRENT INVESTMENT PORTFOLIO

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

spark infrastructure	CitiPower	Powercor Australia	SA Power Networks	TransGrid
	49.0% Ownership	**49.0% Ownership**	**49.0% Ownership**	**15.01% Ownership**

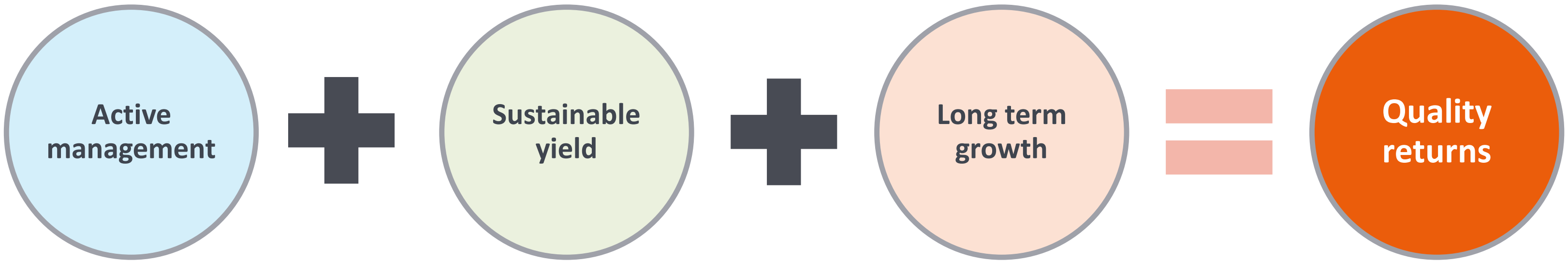
Spark Infrastructure's objective is to invest in regulated electricity and gas distribution or transmission assets, or water and sewerage assets in established regulatory jurisdictions - with Australia being a focus - that offer predictable earnings and reliable cashflows

INVESTMENT PROPOSITION

GROWTH IN ASSETS DELIVERING SUSTAINABLE GROWTH IN DISTRIBUTIONS AND VALUE

- 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



MANAGING DIRECTOR’S ADDRESS

Mr. Rick Francis

Managing Director & CEO

1. SPARK INFRASTRUCTURE

2016 HIGHLIGHTS

HIGHLIGHTS - 2016

spark infrastructure

- Standalone operating cash flow of $305.6m, 47.4% growth on 2015
- 2016 distribution of 14.5 cps confirmed, 20.8% growth on 2015
- 2016 standalone payout ratio of 79.8%
- Divestment of economic interest in DUET Group during H1 2016

CitiPower / Powercor Australia

- Significant productivity and efficiency gains realised through World CLASS program. Total identified savings of ~$167m p.a. (vs 2013 base line) with $139m delivered as at 31 December 2016, split approximately evenly across both capex and opex
- Final Determination for 2016-20 confirmed in May 2016. Additional $180m revenue relative to Preliminary Determination (across 5 years) to be recovered from 1 January 2017

SA Power Networks

- CaMS successful renewal of ElectraNet maintenance contract in September 2016, initially for 5 years
- Continued efficient delivery of NBN roll-out in South Australia (recently reaching revenue of $200m since inception)
- Successful and timely restoration of services to customers amidst multiple severe storm events
- Additional revenues from Final Determination relative to Preliminary Determination being recovered from 1 July 2016

TransGrid

- Larger infrastructure connections opportunity, progressing almost twice as quickly as originally expected, while maintaining appropriate returns
- New executive team members in place and business transformation progressing
- Regulatory proposal for 2018-23 submitted 31 January 2017
- Initial Baa2 rating on USPP issuance. Largest inaugural USPP issuance by an Australian corporate

FINANCIAL RESULTS - FULL YEAR 2016

	FY 2016	FY 2015	% Change
Spark Infrastructure distributions per security[1]	14.5cps	12.0cps	20.8
Payout ratio - standalone[1,2,3]	79.8%	85.6%	-5.8%
Payout ratio - lookthrough (post Spark Infrastructure net costs)[1,3,4]	65.7%	41.6%	+24.1%
VPN distributions to Spark Infrastructure[5]	$144.6m	$82.2m	75.8
SAPN distributions to Spark Infrastructure	$119.3m	$114.2m	4.5
TransGrid distributions to Spark Infrastructure	$44.5m	-	n/a
Standalone OCF[5]	$305.6m	$207.4m	47.4
Standalone OCF per security[3,5]	18.2cps	14.0cps	29.6
Lookthrough OCF per security (post Spark Infrastructure costs)[3]	22.1cps	28.9cps	-23.5

1. Accrued basis
2. Distributions divided by standalone OCF per security
3. Reflects weighted average securities outstanding during the period (1.682bn securities) (2015: 1.479bn securities)
4. Distributions divided by look through OCF per security
5. VPN distributions for 2016 include both interest on and repayment of shareholder loans. Repayments of loan principal are classified as investing activities for statutory reporting purposes

INVESTMENT PORTFOLIO - FINANCIAL RESULTS

VPN	FY 2016 ($m)	FY 2015 ($m)	Variance (%)
Total revenue[1,2]	1,180.2	1,190.8	(0.9)
Operating costs	(396.1)	(368.2)	(7.6)
EBITDA[1,2]	784.1	822.6	(4.7)
Net profit after tax[1,2]	106.1	29.5	259.7

SAPN	FY 2016 ($m)	FY 2015 ($m)	Variance (%)
Total revenue[1,2]	986.8	1,060.1	(6.9)
Operating costs	(426.5)	(383.9)	(11.1)
EBITDA[1,2]	560.3	676.2	(17.1)
Net profit after tax[1,2]	135.8	213.0	(36.2)

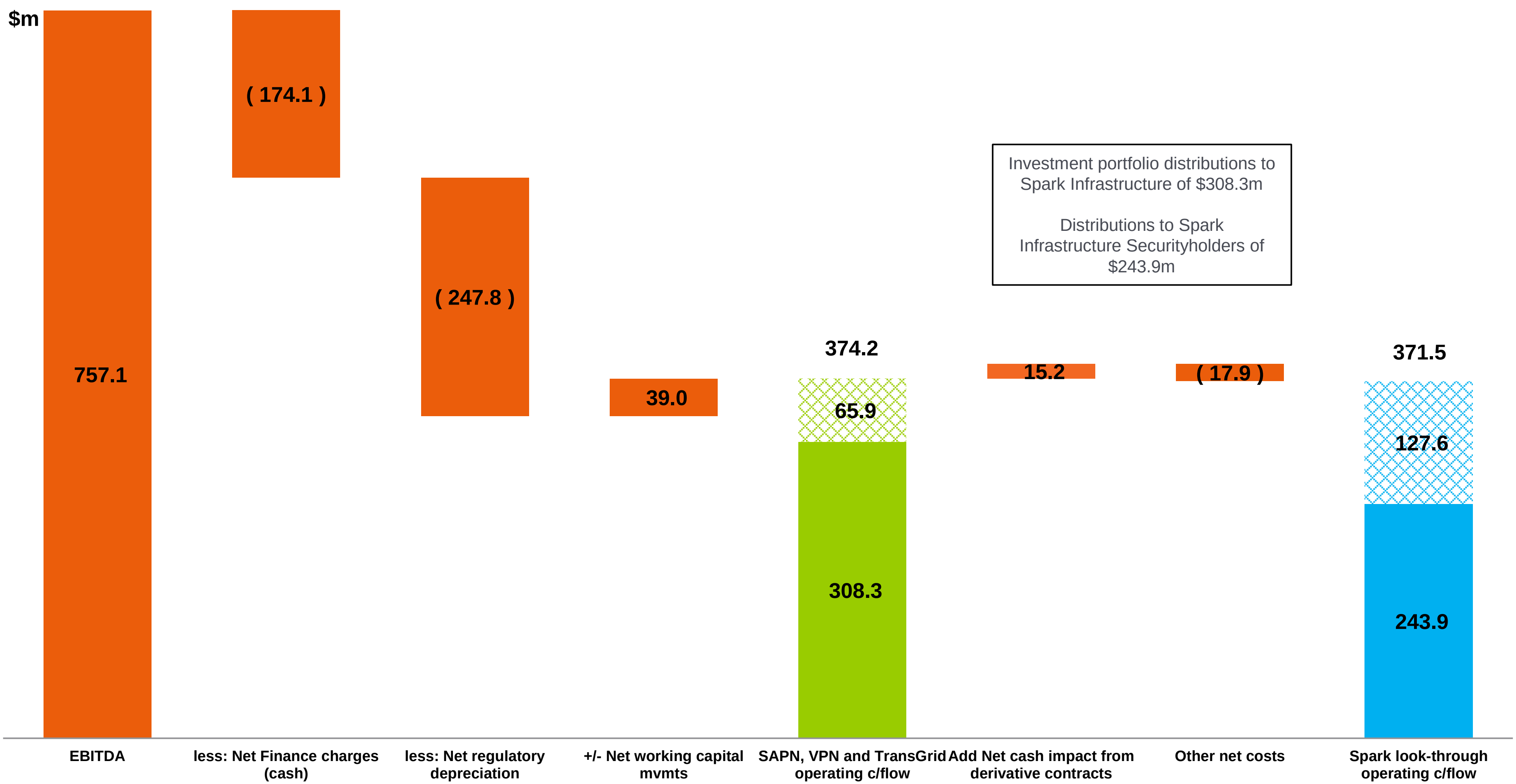
TransGrid	FY 2016 ($m)
Total revenue[2]	838.5
Operating costs	(182.9)
EBITDA[2]	655.6
Net profit after tax[2]	38.2

1. Revenue adjusted to fair value customer contributions and gifted assets revenue to nil
2. Regulated revenue aligned to revenue cap

LOOK-THROUGH OPERATING CASH FLOW

PROPORTIONATE OWNERSHIP BASIS

Continued Strong Coverage of Distributions



Investment portfolio distributions to Spark Infrastructure of $308.3m

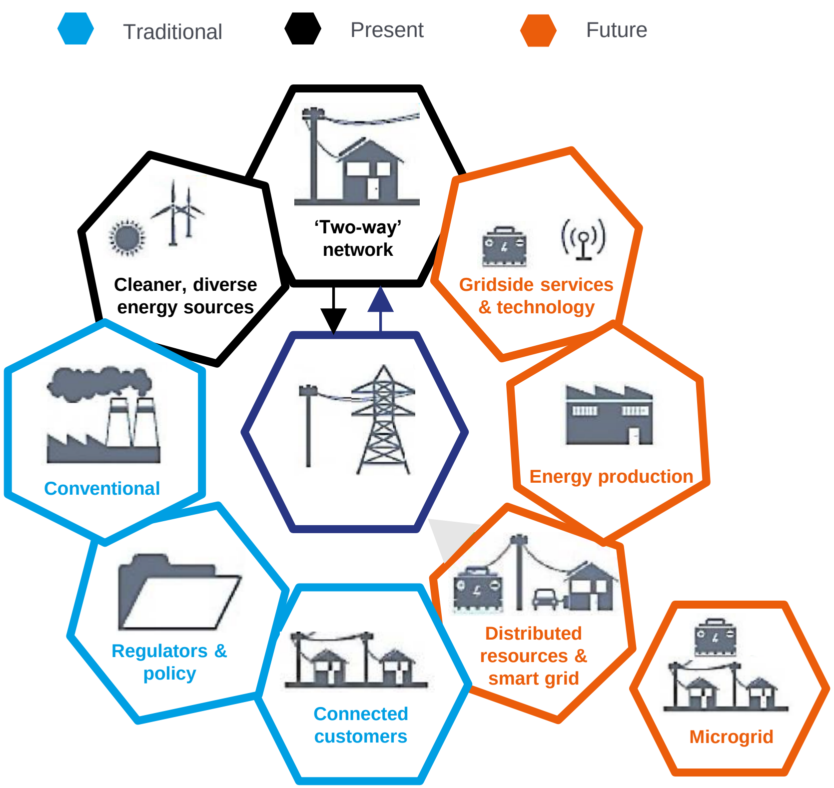
Distributions to Spark Infrastructure Securityholders of $243.9m

EBITDA excludes customer contributions and gifted assets and includes ‘true-up’ of DUOS/TUOS to revenue cap

2. INVESTMENT PORTFOLIO UPDATE

BY POSITIONING OUR NETWORKS AS A CENTRAL 'PLATFORM' FOR CUSTOMERS, WE CAN PROTECT AND ENHANCE THEIR VALUE OVER TIME

Future proofing electricity networks



Value creation through new technologies

- Spark Infrastructure recognises the key role that emerging technologies will play in the future growth of the network
- Implement new technologies where it is commercial to do so
- Extensive experience trialling new technologies through our existing NSP businesses
- Ready and able to respond and adapt to change

Technological solutions

Input from customers is critical to support future technologies and focus investment

TRANSGRID NON-PRESCRIBED INFRASTRUCTURE

TRANSGRID HAS CONCLUDED FIVE CONNECTION AGREEMENTS SINCE THE INVESTOR DAY ON 1 DECEMBER 2016

Maules Creek Coal Mine

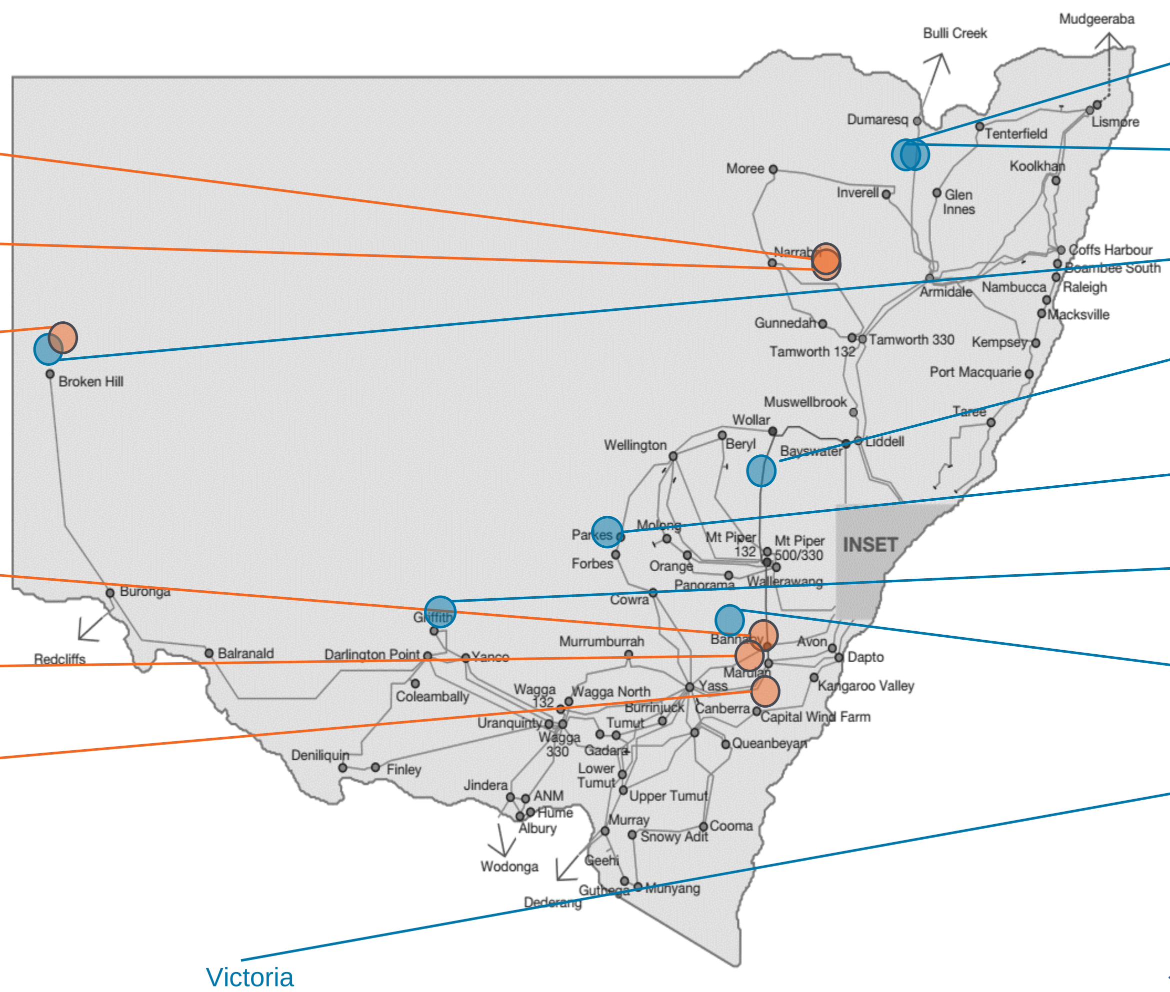
Boggabri Coal Mine

Broken Hill Solar Farm

Taralga Wind Farm

Gullen Range Wind Farm

Capital Wind Farm



White Rock Wind Farm

Sapphire Wind Farm

Silverton Wind Farm

Bodangora Wind Farm

Griffith Solar Farm

Parkes Solar Farm

Crookwell 2 Wind Farm

Deer Park Terminal Station

Key

Under Development

Existing connections

TransGrid

VPN WORLD CLASS UPDATE

SAVINGS OF $139M P.A. ALREADY DELIVERED, FURTHER $28M P.A. TO BE DELIVERED IN 2017

INITIATIVE	Ongoing Annual Benefits $m
Commercial Sourcing	14
Lean Corporate Functions - Central Functions	9
Lean Corporate Functions - IT	21
Lean Customer and Market Operations	18
Automated and Integrated Works Management	19
Simple Maintenance and Design Processes	20
Structured Field Delivery incl. Resource Partners	39
Simplified Organisation	12
Customer Initiated Augmentation Work	4
Faults and Field incl. Warehouse and Inventory Management	6
Other Workstreams	5
Total	**167**

- World CLASS Operations Program has identified annual savings of $167m which represents ~20% of the 2013 totex base. $139m already delivered by 2016
- Invested ~$95m of one-time implementation costs in efficiency improvements
  - $63m capital funding in automated solution delivery such as Autodesk Utility Designer tool, eConnect, Automated and Integrated Works Management, CIAW customer portal
  - $32m operating expenditure for consulting and organisational restructuring costs
- Majority of the benefits were realised through external contract rate negotiations and reduced reliance on external contractors
- A “smarter” approach to maintenance e.g. cross arms and pole caps. Reduced works by 15%
- Halved the design spend on external contractors with development of automated design solution Autodesk Utility Designer
- Leaner corporate functions ($9m less opex in 2016 compared to 2013)
- Focus on leaner management (increased spans of control, removal of management layers) and lower management to staff ratios e.g. Group Resources, Market Management, Connections etc.
- Consolidation of key functions e.g. design, procurement has delivered gains including better use of capabilities and tools, resource smoothing and knowledge sharing. Business unit structures now enable greater levels of role clarity and increased cross-team collaboration
- Organisational restructures have provided progression opportunities for staff
- Employee engagement and job satisfaction scores continue to grow and outperform the global benchmarks
- Significant improvements in customer service functions. The contact centre is now a profit centre, not a cost burden

SAPN GROWTH AND INNOVATION

SA Power Networks

- **Developing new products and services through research of customers' needs and expectations**

Construction and maintenance	Products and solutions	Network optimisation
Unregulated	Unregulated	Regulated

Construction and maintenance

- Successful renewal of ElectraNet maintenance contract in September 2016, initially for 5 years
- Continued efficient delivery of NBN roll-out in South Australia (achieved revenue of $200m since inception)
- Mining connections (including associated maintenance contracts)
- Government and wind farm infrastructure projects

Products and solutions

- Commercial solar – up to 1 MW
- Residential solar and storage – including off-grid solutions for regional customers
- Public lighting – provision of LEDs and smart lighting services
- Embedded networks – unregulated electricity networks with a single connection point to the NEM

Network optimisation

- Drone line and tower inspection – assisting with various inspection services such as vegetation clearance reviews and hazardous/ restricted access site inspections
- Virtual reality – using 3D models to conduct virtual planning assessments by superimposing proposed construction on existing sites. Review teams can assess placement, clearances and neighbourhood impact prior to installation
- Residential battery pilot underway - designed to facilitate deferral of network capital expenditure

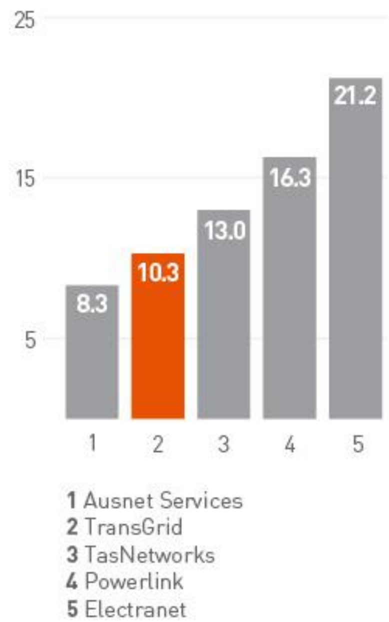
3. REGULATORY UPDATE

INVESTMENT PORTFOLIO ASSETS BENCHMARKING WELL

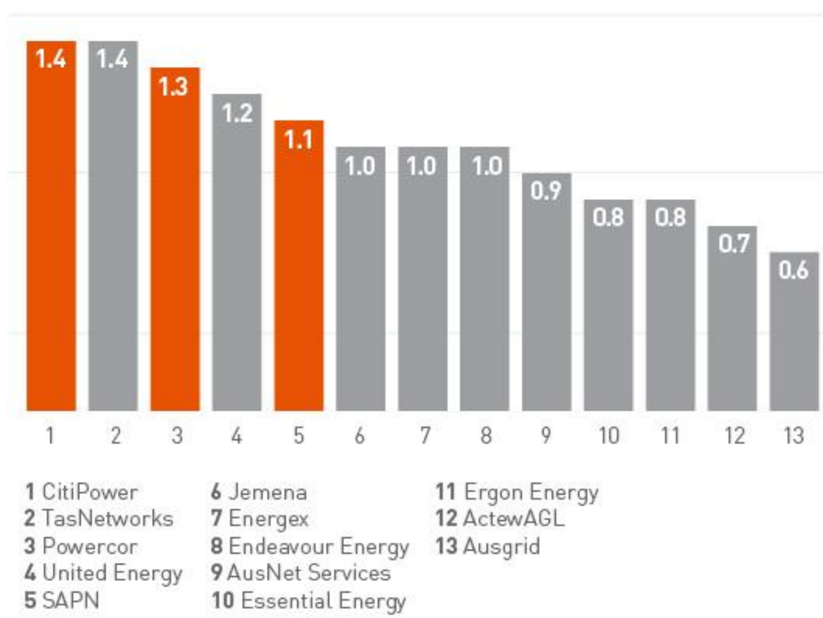
AER'S NOVEMBER 2016 BENCHMARKING REPORT CONFIRMS FAVOURABLE RANKINGS FOR SPARK INFRASTRUCTURE'S INVESTMENT PORTFOLIO

- SAPN, CitiPower and Powercor ranked at the top end among peers
- TransGrid performing well on opex productivity relative to transmission peers. Capex benchmarking reflects the NSW Government requirements for network robustness (benchmarking based on pre-ownership period)
- AER has reaffirmed its long held position that good performers with regulatory credibility are subject to lighter touch regulation based on revealed cost years and historical performance

2015 Total user cost per MWh of energy transported ($/MWh)



2015 operating expense partial factor productivity



TRANSGRID REGULATORY UPDATE

TransGrid

Framework and approach paper	Initial proposal	Preliminary AER Determination	Revised proposal	Final AER Determination
July 2016	January 2017	September 2017	December 2017	April 2018

- **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

- **Opex –** proposed a modest increase in operating expenditure to $908m ($2018) - mainly driven by the need to mitigate bush-fire risk and expected changes in labour costs and growth of the network

- **Capex –** total forecast capital expenditure is $1,612m ($2018). Asset replacement expenditure is increasing compared to the current period and remains the largest component of the program.

- **Contingent projects –** proposed five contingent projects; reinforcement of southern network, reinforcement of northern network; NSW/SA interconnector; support South Western NSW for renewables; and supply to Broken Hill

- **Forecast inflation –** in the current regulatory period (2014/15 – 2017/18), there is a mis-match between forecast and actual inflation that is resulting in under-recovery of revenues by TransGrid - estimated to be $110m in the first two years of this regulatory period

VPN REGULATORY UPDATE

- Final Regulatory Determination published by AER in May 2016 – additional $180m of revenue (across 5 years) relative to Preliminary Determination, commenced recovery from 1 January 2017
- VPN lodged appeals in relation to two matters – gamma and labour cost escalation. If successful this could result in ~$110m of additional revenue (across 5 years)
- Proceeds of any successful appeal may be recovered over 2018-20 as opposed to 2017-20
- The Australian Competition Tribunal (ACT) hearings for these matters concluded in November 2016
- A decision is expected from the ACT by 24 May 2017
- Energy Solutions business relaunched as “BEON Energy Solutions” as required under AER ring-fencing guidelines

SAPN REGULATORY UPDATE

- Final Regulatory Determination published by AER in October 2015 – additional $626m of revenue (across 5 years) relative to Preliminary Determination, commenced recovery from 1 July 2016
- SAPN lodged appeals against certain elements of its Final Determination: gamma, return on debt transition, forecast inflation, labour cost escalation opex; and bushfire prevention opex and capex with the ACT
- On 28 October the ACT released its decisions which upheld the AER position on all matters
- On 25 November SAPN lodged an application for judicial review by the Federal Court of the ACT’s decision on gamma, return on debt transition and labour cost escalation
- An outcome from the Federal Court process is expected in mid 2017
- SAPN is undertaking a program to ensure compliance with AER ring-fencing guidelines

SPARK INFRASTRUCTURE'S VIEW ON REGULATORY MATTERS

Limited Merits Review

- Retention of LMR is a sensible decision however some of the changes proposed to the regime may have unintended negative consequences for consumers and investment
- Spark Infrastructure will continue to participate in discussions with decision makers alongside other industry stakeholders

AER Ring-fencing Guideline

- The final guideline provides some operational and compliance challenges that will result in additional costs or will be addressed through the waiver process. Additional costs should be recoverable as the costs result from a change to obligations

Review of CPI impact

- Network Service Providers (NSPs) currently bear the risk of any difference between forecast and actual inflation under the AER's approach to forecasting expected inflation and calculating the revenue required to provide the regulated rate of return. This is leading to significant under-recovery of revenues by NSPs. This matter needs to be addressed by the AER to ensure that NSPs are able to recover their approved revenue allowances under the National Electricity Rules

4. OUTLOOK AND GUIDANCE

MANAGEMENT PRIORITIES

- **VPN and SAPN** continue to maintain their focus on efficiency and cost management. The AER's 2016 Benchmarking report ranks CitiPower, SAPN and Powercor the top three networks respectively for 5-year average total productivity, from a peer set of 13
- **TransGrid's transformation continues** – TransGrid is performing well against the acquisition business plan with efficiency program underway and strong potential in infrastructure connections now being realised in 2H 2016 onwards
- **Promoting grid interconnectivity** – projects such as a new NSW/SA interconnector can be delivered as a regulated project subject to a RIT-T process. Greater interconnectivity of the NEM has the ability to improve reliability and security of supply and facilitate the growth of renewable generation in a cost effective manner
- **Innovation top of mind** – supporting proactive evolution of network businesses with expansion into niche areas associated with 'behind the meter' customer solutions, battery storage and consulting services to the energy industry. To the extent these services are competitive they will be provided by ring-fenced affiliates. TransGrid is supporting the growth of renewable generation for the benefit of all customers
- **Influencing policy and regulation** – proactive participation in the development of public policy along with industry stakeholders to advocate for regulation that facilitates reliable and cost effective network solutions to support the transition to a low carbon emissions economy

OUTLOOK AND GUIDANCE

- **DPS guidance for 2017 of 15.25 cps and 2018 of 16.0 cps** reaffirmed based on expected distributions from investment portfolio and subject to business conditions
- **TransGrid business transformation** program will continue to progress through 2017
- **TransGrid unregulated business –** capturing opportunities may require additional cash to be retained to fund strong growth in unregulated capex (infrastructure connections)
- **VPN World CLASS program -** completion of implementation phase of all initiatives expected during 2017
- **Gearing -** continued commitment to net debt to RAB of 75% for SAPN and VPN and Baa2 rating (85% to 90% net debt to RAB) for TransGrid
- **Inflation levels -** watching brief on inflation which currently represents a headwind for all businesses

QUESTIONS

CLOSE OF MEETING

FOR FURTHER INFORMATION

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