Thursday, 24 May 2018

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

Dear Sir / Madam

2018 ANNUAL GENERAL MEETING

I enclose the Chair's Address, Managing Director's Address and AGM presentation to be delivered today at the 2018 AGM of Spark Infrastructure.

Yours faithfully,

Alexandra Finley
Company Secretary

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Spark Infrastructure
Annual General Meeting 2018

Thursday, 24 May 2018

Chair's address – Dr Doug McTaggart

This is the second time that I address my fellow Securityholders as Chair in what continues to be a time of significant change in Australia's energy landscape.

Before I address that topic, let me remind you about Spark Infrastructure's unique and expansive footprint.

[Slide 3 – Our Investments]

Our distribution network assets deliver electricity to customers across the whole of South Australia, across almost 150,000 square kilometres in western Victoria and throughout the Melbourne CBD. Our high voltage transmission assets in NSW connect large-scale generation to demand centres in NSW, and enable the delivery of electricity across the National Electricity Market (NEM) through interconnection between NSW, Queensland, Victoria and the Australian Capital Territory.

Our investment businesses play a critical role in delivering and enabling new energy technologies. We have interests in almost $17 billion of energy network assets in total, delivering energy to more than 5.5 million customers across three states in addition to transporting electricity across the NEM to other states. And, most importantly from a customer affordability perspective, our assets are amongst the most efficient networks in Australia.

[Slide 4 – Future Energy]

Spark Infrastructure (or Spark) is the leading ASX-listed owner of Australia's most efficient and reliable regulated electricity assets. Our Securityholders also benefit from the potential within our investment businesses for growth in associated unregulated services, as well as the opportunities in grid innovation. Your Board and management are working hard on your behalf to make sure that we deliver the benefits of these future developments.

Australia's future energy system will empower customers

Australia's energy future is being defined by a new world of opportunities in renewables, distributed generation and energy storage.

The retirement of coal-fired generation and growth of renewable energy sources is well known and understood. Coupled with growth in rooftop solar PV and smart meters and future growth in batteries and electric vehicles, these developments are radically changing the way consumers' source and use electricity.

The electricity networks of the future will need to adapt to meet the changing needs and expectations of the customers around how and when energy is generated, consumed, stored and sold back to the grid.

A world where multi-directional energy flows across a wide matrix of generators, storage points and end-users is fast becoming a reality. Flexible networks will increasingly foster efficient trading of energy from multiple providers including customers, moving energy seamlessly to match demand to supply.

Your Directors believe that these changes reinforce the importance of the electricity grid in which our businesses play a leading role.

The new environment will also present technical challenges that will need to be met as networks transform and invest to do so.

Our investment businesses are responding to this challenge with vigour. I am delighted and encouraged by what I see from the businesses implementing innovative solutions that are safe, reliable, economical and driving towards lowering emissions.

With some 45 terawatt hours (TWh) of coal-fired generation due to be retired in the next 12 years and replaced by gas and renewable energy sources, the role of transmission is expected to expand. New and more dispersed energy generators will need to connect to the grid, creating the opportunity for new connections for TransGrid, Australia's largest and centrally positioned transmission network.

We expect all the businesses to continue to perform well in the new environment where smarter, more responsive networks will form the foundations of our new energy future. This in turn will be driven by the needs of the customer, while maintaining the high standards of safety, reliability, security of supply and efficiency demanded by customers and regulators alike. Moreover, we believe we are best placed to provide these services most affordably.

However, our investment businesses are trying to evolve and adapt in an unpredictable political and regulatory environment. Political interventions like we saw last week with the announcement of the review by the Australian Energy Regulator (AER or Regulator) of the regulatory tax approach, are unhelpful and unfounded, and will only increase uncertainty and riskiness in the regulatory outcomes, which will lead to higher prices for customers.

We are not averse to change where change is needed, and in those instances we work collaboratively with regulators and other bodies to achieve the best possible outcome for consumers over the long-term, but we have an obligation to speak up and defend our industry and its regulatory framework, where it is being unfairly criticised for political gain.

[Slide 5 – Equity Market Performance]

Financial performance

Pleasingly, Spark Infrastructure continued to deliver for investors during 2017, providing Securityholders with growth in distributions and total returns.

Spark Infrastructure's security price increased by 5.0% during the year, producing a total securityholder return of 11.6%, outperforming the return delivered by the broader S&P/ASX 200 Accumulation Index and the S&P/ASX 200 Utilities Accumulation Index in the year to 31 December 2017. Our consistent long-term performance is demonstrated by the fact that, over the 5 years to 31 December 2017, Spark Infrastructure has delivered a total securityholder return of 105.1% compared with the broader market's 60.8%.

This good outperformance continued into 2018 up until very recently in May, when we saw the confluence of two factors occurring:

- Globally, we are beginning to see interest rates starting to rise for the first time in many years. It is possible that a number of investors in Spark treat their investment in Spark as a proxy or alternative to investing in bonds or cash, and hence as interest rates begin to rise there may be some rotation out of Spark into other investments, which can cause softness in our security price.
- And secondly, as I have just mentioned, the continued, unwarranted attacks on the network industry and regulatory system is starting to take its toll. With the announcement last week of yet another review, while already in the midst of a review of the rate of return guideline, investors appear to be saying enough is enough. The result of all this increased uncertainty, which has had a significant negative impact on our security price, is that regulatory costs of capital will in fact increase. This in turn will lead to higher prices for customers. This will be disappointing as while we are doing our utmost to increase reliability and affordability for customers, the political interventions will actually deliver the opposite – higher prices and less reliability – in years to come.

On a more positive note, for the 2017 year, the Directors declared a final distribution of 7.625 cents per security (cps), delivering a total distribution of 15.25 cps, which was in line with guidance. This was an increase of 5.2% on the prior year, and was paid to Securityholders on 15 March 2018. As usual, the distributions were fully covered by operational cash flows on both a standalone and look-through basis.

In 2017, Spark Infrastructure's share of earnings before interest, tax, depreciation and amortisation (EBITDA) on a proportional basis grew 4.5% to $792 million.

The distribution businesses, Victoria Power Networks and SA Power Networks, have demonstrated strong performance even though low inflation has constrained regulated revenue. The transmission business, TransGrid, was similarly impacted by low inflation as it comes to the end of its current regulatory period on 30 June this year. Notwithstanding this, TransGrid continues to grow its unregulated connections business, connecting new renewable wind and solar generation into the national electricity grid.

As I foreshadowed at last year's AGM, TransGrid was retaining a larger proportion of its operational cash flows to fund the growth of its unregulated connection assets. This impacted distributions to Spark Infrastructure in 2017, and has done so again in the first half of 2018. Notwithstanding this, the cash retention was not seen as reason to adjust our distribution guidance to Securityholders for 2018. TransGrid's rapidly growing unregulated business is a good problem to have, as revenue from unregulated connection contracts is attractive and will increase in the coming years.

We have been particularly pleased with the progress that each of our investment businesses has made in delivering operating cost improvements. They have worked hard to identify and deliver on continuous improvement initiatives and have delivered significant savings year on year – a tremendous achievement.

This has been done at the same time as maintaining industry leading efficiency and reliability performance. Our investment businesses are recognised as among Australia's most efficient distribution businesses. In addition, the networks continue to operate safely, reliably and efficiently within a regulated framework that rewards their good performance.

[Slide 6 – Focusing on Sustainability]

Safety performance

Safety remains a top priority for our businesses, and so I want to talk to you about some initiatives that occurred during the year.

Victoria Power Networks and SA Power Networks are industry leaders. New initiatives at Victoria Power Networks include *Project Switch*, to reduce the number and severity of incidents involved in the high-risk and repetitive task of 'switching' on the network, and the *Prosmate* program, which involved 700 male employees over 45 years of age being screened for possible signs of prostate cancer.

Benchmarking studies by Energy Networks Australia have consistently placed SA Power Networks as a national industry leader in work health and safety performance. In 2017, the *Early Treatment and Wellness* program was launched to prevent minor injuries developing into more serious ones, and the Safety Leadership Academy will see all senior managers undertake a multi-day safety program helping to embed consistent safety leadership behaviours across the organisation.

TransGrid is also committed to safety as its number one priority encouraging people to "work safe to go home safe". They have demonstrated a long-term improvement in health and safety with a 53% decrease in lost time injuries since 2010. During the year TransGrid reinforced the safety culture with the launch of Safety Strategy 2017-2022 focusing on injury prevention, risk culture and people capability. Other safety initiatives include Annual Safety Days, a dedicated Safety Working Group, 'Heads-up' safety conversations and enhanced crew-leader training.

Sustainability

I am also delighted to announce that Spark Infrastructure's inaugural Sustainability Report for the 2017 year has been made available on our website.

Your Directors recognise that our role in owning interests in critical electricity infrastructure businesses provides the opportunity and obligation to ensure that sustainable practices are adopted in line with business and community expectations. We do this by working closely with the management teams of the businesses, investment partners and by our representation on their boards, enabling a two-way flow of information and the ability to ensure robust governance.

We also recognise that 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.

Our Sustainability Report demonstrates how we and the businesses monitor, manage and approach the economic, environmental and social sustainability issues related to our industry and operations, and has been prepared in accordance with globally recognised standards, known as the GRI Guidelines. I commend the report to you.

Environmental sustainability is important to Spark Infrastructure, and the businesses work hard to put in place comprehensive structures to manage the impact their operations have on the environment. For example, Victoria Power Networks has implemented bushfire mitigation strategies to meet the state's strict safety regulations. As an industry, significant improvements were made following the 2009 Victorian Bushfire Royal Commission and all the recommendations related to electricity network businesses have either been fully implemented or are being delivered in line with regulatory deadlines.

Despite best efforts, this summer saw four major fires and a number of smaller fires in Victoria's South West region caused by high temperatures and strong winds. Fortunately, there were no serious injuries; however, there was loss of property and livestock.

These fires have been devastating for the community and our thoughts are with all who have been affected. A number of class actions have been commenced and these will be dealt with by Victoria Power Networks and its insurers. Victoria Power Networks has been fully cooperating with the investigations by Victoria Police and Energy Safe Victoria into these events.

A strong voice in the regulatory debate

As part of our activities to create sustainable businesses, we have been an active participant in the energy debate with governments and regulators.

We continue to work closely with our partners, management teams and regulators on important issues that face our industry.

Over the past months we have been deeply engaged in dialogue and providing feedback to the Regulator on its review of the rules governing the treatment of inflation and the rate of return.

These factors are key determinants of risk for network service providers under the economic regulation framework.

We are continuing to play an important role in bringing the voice of the investor to the Regulator's consultation process in relation to the rate of return guidelines, and providing submissions on various industry issues.

[Slide 7 – Network Charges in Residential Bills]

While regulators appear to have a single minded focus on lowering electricity prices for consumers, our investment businesses are examples of how private ownership of assets can provide safe and reliable essential services, lower cost, and meet the changing needs of customers, all at the same time.

It is also important to note that our distribution networks have not driven significant consumer bill price increases. The share of our distribution businesses costs to the overall bundled electricity cost to customers is closer to 25%, rather than the 50% you might hear elsewhere.

Equally, TransGrid has been delivering reduced real costs in transmission costs to customers over the last 4 years, and this is expected to continue in the next 5-year period as indicated by the Regulator. Our calculations indicate that transmission costs approximate 1 cent per Kilowatt hour by volume in NSW, which is less than 5% of an average residential retail tariff.

We will continue to advocate strongly together with industry participants and partners to ensure this message is fully understood and recognised.

Our strategy

Our focus remains on supporting our investment businesses to capitalise on growth opportunities and invest prudently to innovate for the new energy future. In this era, Spark Infrastructure is well positioned to capitalise on these opportunities where we believe they can deliver strong distributions and create long-term value for Securityholders.

We also continue to seek growth opportunities that are aligned with our strategic vision and are financially compatible with our existing risk profile within the utility-style spectrum. As you know, we looked hard at the Endeavour Energy business leased by the NSW Government in the first half of 2017. We put in a compelling bid and highly regarded business plan. However, we were disciplined in the price we were prepared to pay, but unfortunately we were not the highest bidder and we were ultimately unsuccessful.

Going forward we will continue to evaluate assets that are aligned to our strategy, that complement the existing business and offer growth potential and value for our securityholders.

Distribution guidance

We are pleased to reaffirm the distribution guidance of 16.0 cps for 2018, which represents growth of 4.9% on 2017. This forward guidance is based on the distributions we expect to receive from our investment portfolio and is subject to business conditions.

We expect each of our investments to continue to perform strongly, but acknowledge that low inflation affects the CPI-X adjusted revenue allowances that these businesses are permitted to recover by the Regulator. In this environment, we expect distributions to grow by at least the consumer price index (CPI) through to the end of the regulatory periods for Victoria Power Networks and SA Power Networks in 2020, subject to business conditions.

Governance and corporate culture

The events of the past weeks have given all directors in corporate Australia pause for thought. Directors act based on the trust placed in them by investors and customers alike. Directors have had to consider the role they play in shaping the corporate culture of the businesses for which they are responsible.

My fellow Directors and I prize highly the trust you, our Securityholders place in us and our management team. It is our social licence to operate. We constantly examine what we do and how we do it to ensure we are not only meeting our obligations but also meeting your expectations of us.

The principles of accountability, transparency and ethical behaviour are at the core of our decision-making. They are also reflected in the latest release of the ASX Corporate Governance Principles, which recognise the importance of taking responsibility for conduct and behaviour within organisations, with particular focus on management and disclosure of environmental, social and governance risks.

We seek to communicate effectively and continuously improve our performance for the benefit of all our stakeholders. We balance a changing environment within our sector and more broadly, embracing technological changes and innovation to drive better outcomes for our customers and our investors. This challenge requires dedicated focus and attention and we remain vigilant to the task.

Board composition

We believe 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.

Both Keith Turner and Christine McLoughlin retired from the Board in 2017. I would like to thank Keith and Christine for their contributions as Independent Non-Executive Directors during their tenures. Christine was recently appointed as Chair of the Suncorp Group and Keith Turner continues to provide valuable insight as a nominee director on the Boards of each of Spark Infrastructure's investment businesses.

Diversity is an important element when reviewing Board composition. This extends beyond gender diversity to incorporate the ability of directors to think differently, to express different points of view, to represent all our stakeholders and to challenge management and bring a breadth of experience to the table to contribute to our collective decision making.

When considering the election or re-election of directors to the Board, we seek to ensure that we have an appropriate mix of skills, capabilities and experience. In 2017, we were delighted to appoint Greg Martin to the Board. Greg has over 35 years' experience in the energy, utilities and infrastructure sector.

In addition to their roles as independent directors on the Spark Board, both Anne McDonald and Andy Fay are directors on the boards of our distribution investments – Anne on the board of Victoria Power Networks and Andy on the board of SA Power Networks. In addition, they each chair the respective Audit Committees of those businesses. They contribute a depth of understanding of the electricity sector and the operations of the businesses, as well as their broad based business, industry and financial experience.

Equally importantly, your directors must exercise appropriate oversight and governance of Spark Infrastructure including compliance with our financial services licence. Karen Penrose, who is standing for re-election at today's meeting, is an experienced Audit Chair with significant expertise in accounting, finance and banking, including advising clients across the energy, infrastructure and property sectors. Karen is a diligent director and a valuable contributor to our Board. Karen recently retired from the Board of AWE and now sits on the Boards of three other ASX listed companies, one of which is a pro-bono role.

Finally, as Chair I contribute my many years of experience in financial markets and as an adviser to Government. Our detailed biographies are set out in the Annual Report and our Corporate Governance Statement contains our skills matrix.

Your Board believes that its current composition provides the right blend of skills and experience to effectively govern Spark Infrastructure on behalf of Securityholders.

I would like to thank my fellow Directors, the management and staff of Spark Infrastructure, and our investment companies, for their commitment and hard work over the past year.

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

Thank you.

Managing Director & CEO's Address – Rick Francis

Good morning ladies and gentlemen,

As Doug said in his address, there is plenty of attention and action in our industry and focus on our industry. Ownership in the network asset sector is an interesting piece of the puzzle.

The networks in Victoria and South Australia have been owned and operated by the private sector since the mid to late 1990's, and these businesses represent the best performing businesses in the sector in terms of cost efficiency and reliability. The network businesses in Queensland and NSW on the other hand have been long owned by their State Governments, and only recently have 3 of the network businesses in NSW been privatised or partially privatised. TransGrid was the first of these, and its performance is improving steadily.

I find it concerning that these messages are often lost in the debate. The regulatory framework is an economic regulatory system and works well for commercially orientated participants, like ourselves. Prices go up and down in response to changes in efficient costs, according to the 5-year regulatory cycle. For SA Power Networks and Victoria Power Networks, the increases in prices that we saw in the 2010-15 regulatory period from increases in the cost of debt and equity following the Global Financial Crisis (GFC), have reversed in the current 2015-20 regulatory period. Customers will again benefit from low costs of debt and equity in the new TransGrid regulatory determination handed down last week.

The 5-year regulatory cycle, a transparent regulatory framework and an incentive based regime provides certainty for participants, investors and customers. This framework permits lower rate of return expectations, which in turn ensures that customers pay the most cost-efficient prices possible for their network services.

I fear that the many changes being considered for the regulatory system will in fact reduce certainty, and lead to increases in costs for customers, all at a time when customers are interacting more and more with networks, and these assets are playing a major role in connecting new large-scale renewable generation and storage required to lower carbon emissions.

Let me come back to this.

Let's first recap on the 2017 year

[Slide 9 – 2017 Highlights]

In terms of distributions to Spark Infrastructure (Spark) – we measure this as Standalone operating cash flows, a measure of the cash actually received by Spark available for distribution to

Securityholders – we delivered $268m of stand-alone operating cash flow in 2017, or 15.9 cents per security (cps). This enabled Spark to deliver on its 2017 distribution guidance of 15.25 cps, which was equivalent to $257m.

Our operating cash flows were underpinned by strong distributions from Victoria Power Networks, increasing distributions by 6.8% to $154m, and strong distributions again from SA Power Networks broadly in-line with last year, at $119m.

As flagged at last year's AGM, we expected TransGrid's distributions to be down this year - at $11m. The reduction in distributions from TransGrid was due in part to the business retaining a larger proportion of its operational cash flows to fund growth in its unregulated assets. Future unregulated projects in TransGrid are expected to be more efficiently funded through a mixture of debt and equity sources going forward, and the restructure to facilitate this efficient funding is on track to be in place by 30 June 2018.

The cash retained by TransGrid resulted in the overall standalone operating cash flow falling 7.9% year-on-year. However, due to our strong cash coverage, distributions to Securityholders still grew by 5.2% in 2017 and were fully covered by operating cash flows.

In 2017, our share of our business' regulated asset bases grew by 2.4% to $5.8bn, and the TransGrid contracted asset base grew by approximately $100m to $355m at year end, in 100% terms.

And finally, our investment businesses have strong balance sheets to support investment and growth. They have prudent debt portfolios, with weighted average maturities of over 5 years, are appropriately hedged and have strong investment grade ratings. Our aggregate proportional or look-through gearing was 74% at 31 December 2017, and there was no drawn debt at the Spark Infrastructure level.

[Slide 10 – Adjusted Proportional Performance]

Turning now to the 2017 financial performance, and our investment businesses demonstrated strong performance despite the current low inflationary environment constraining regulated revenue growth.

With strong growth in semi and unregulated revenues of 4.5%, and a strong focus on constraining cost growth and operating efficiencies, the businesses generated earnings growth of 4.6% on a proportional basis, and 6.6% growth after taking into account external finance costs – a strong result in a low inflationary environment.

[Slide 11 – AER Efficiency Rankings]

Our financial results are underpinned by the excellent operational performance of our investments.

Powercor was ranked the number 1 and CitiPower the second best distribution network in the AER's latest benchmarking report, and SA Power Networks ranked number 1 on a State by State-wide comparison. Pleasingly, TransGrid has also been recognised as an efficient operator by the regulator.

Our management teams have a strong focus on cost efficiencies and are working hard to identify and deliver on continuous improvement initiatives.

In 2017, Victoria Power Networks delivered a further $17m p.a. in total operating and capital expenditure cost savings. This comes after the previous efficiency program achieved $150m in annual run-rate savings across both operational and capital expenditure.

SA Power Networks delivered $8m of savings in 2017, and are on track for their savings target of $40m p.a. While TransGrid is forecasting to deliver further cost savings of 3% for the year to 30 June 2018.

These cost efficiencies mean that the network businesses are delivering essential services to customers at a lower cost. You will note that our distribution networks have not driven significant consumer bill price increases (as Doug showed you before) and our share of the overall energy cost is closer to 25% for distribution, rather than the 50% you might have heard elsewhere.

Finally, and importantly, it highlights the better pricing and greater reliability that consumers receive under private ownership of network companies.

[Slide 12 – Pursuing Growth Initiatives]

Turning now to growth opportunities.

Technological change in the energy sector is developing at an unprecedented rate. It is driving a shift in how we generate, transport and store energy and how we monitor and manage electricity networks.

This is exciting as it means there are significant opportunities for Spark and the businesses. It is also a challenge as we and the businesses invest in innovative solutions for the new energy future under the current regulatory framework.

As Doug mentioned in his address, our distribution businesses Victoria Power Networks and SA Power Networks, will be integral to meeting customer needs in our new energy future. They are already proving that they can implement innovative solutions that provide safe, reliable and economical services. They are testing innovative ways to connect customer-distributed energy resources such as solar and batteries to the network, and to manage complex energy flows. We anticipate further investments to meet challenges within the network, such as distributed generation and increased penetration of electric cars needing fast battery charging and other technological demands of the future.

The businesses are also actively pursuing unregulated opportunities in existing and new contestable markets. Examples include Victoria Power Network's construction of the 60,000 panel solar farm in Hughenden in North Queensland during 2017.

Central to capturing future opportunity, we supported the implementation of the Government's overarching energy strategy including the implementation of most of the Finkel Review recommendations and the detailed design of the National Energy Guarantee (NEG). The Finkel

Report and Energy Security Board have both confirmed that prudent transmission interconnection within National Electricity Market (NEM) regions will increase long-term reliability and save consumers money.

The development of an integrated system plan by the Australian Energy Market Operator (AEMO) will in the long term help achieve the lowest delivered energy cost to customers through more co-ordinated development of new generation and expanding the grid, particularly through more inter-state connections. Better connectivity within the NEM will more directly link excess supply in some regions to demand in other areas, thereby reducing energy price volatility.

TransGrid is uniquely positioned to connect new projects such as Snowy 2.0, which aims to deliver 2,000 megawatts (MW) of electricity that can be delivered at immediate notice. This output will require additional transmission capacity to deliver the power to load centres in NSW and Victoria. The project features in the Government's national energy policy as a solution to a national energy security problem and has been included in the modelling for the NEG.

The changing energy market landscape is highlighting the importance of strategically located and efficient networks. The need for transmission development, previously driven by load growth, is now predominantly driven by changing generation mix and the location of new generation.

We support new generators connecting to the market, increasing wholesale competition across the NEM. New services support the reliability and security of electricity supply as renewable generators increasingly contribute.

The growth in TransGrid's unregulated business opportunities, which largely relate to infrastructure connections of renewable energy sources to the NEM, is also a key highlight. The pipeline of infrastructure connection projects is larger than we had originally envisaged and in addition, TransGrid is converting them into contracts at a higher rate than originally planned. At the end of 2017, 5 projects were completed and the pipeline had grown to some 130 projects. This represents an additional source of value accretive growth for the business.

[Slide 13 – Our Strategic Vision]

Our strategic vision is unchanged. We are focused on long term, low risk, value creation, with growth in assets delivering long term growth in distributions to Securityholders.

Prudently pursuing the significant organic growth opportunities within our investment businesses is one leg of our strategy. The challenge is to ensure that the capital required to fund these activities is balanced with maintaining distribution growth for our Securityholders. Maintaining a strong balance sheet and prudent capital structure is an important element in delivering this.

For example, significant work has been done to implement the efficient funding structure which will help ease the capital burden of funding growth in TransGrid's connections business. This restructure is on-track for implementation by 30 June 2018.

We will also continue to ensure that our investment businesses lead the industry in terms of efficiency, reliability and service, for which we are rewarded under the incentive based regulatory schemes.

Finally, we also continue to consider external growth options, where appropriate. We seek utility style assets with a low risk cash flow profile.

We have demonstrated we are disciplined in pursuing acquisition opportunities that are aligned with our strategic vision and which are financially compatible with our existing risk profile. We will consider these selectively and prudently to maximise long-term value for Securityholders.

[Slide 14 – TransGrid Regulatory Determination]

Last Friday, TransGrid received its final regulatory determination from the Australian Energy Regulator (AER). This ends the process that started at least 18 months ago, and will provide the business with a clear view of its operating and capital programs for the next 5 years.

Engagement with the Regulator and its teams has been a difficult process, and one that has been conducted in a very challenging macro-environment, and with far greater customer involvement than ever before. The change that is occurring in the industry and in energy policy does not appear to be obviously reflected in the approach of the Regulator and policy setters. Price affordability is of course a central focus and we support this wholeheartedly. It is at the core of everything we are doing to improve the TransGrid operations. But equally network reliability and transformation of the grid to support the transition to more efficient renewable energy and other solutions to lower emissions are also critical, and cannot be lost in the debate.

Notwithstanding this, increased engagement between TransGrid, customer stakeholder groups and the Regulator occurred and led to an improved outcome in the final determination.

It was pleasing to see the importance of the Powering Sydney's Future capital program being recognised in the final determination. However the Regulator, with minimal opportunity for discussion with TransGrid, has used its own estimates to determine asset and risk management assumptions. Accordingly they have reduced important replacement and augmentation capital expenditure, which we currently question and could put the network at risk in the future.

It is interesting to note that the Regulator criticised "limited merits review" as being a reason why network companies did not proactively engage with customers and themselves, and now they have made late changes to assumptions with minimal explanation and discussion.

To restore confidence to providers of long-term debt and equity capital to these businesses, it will be important for the Regulator to be open and transparent in its decision making process and to engage with TransGrid and other regulated businesses to explain its decisions. Without restored confidence in the process there is the risk that the costs of debt and equity will increase in the future, to the detriment of customers.

On a more positive note, it was pleasing to see that the Regulator accepted TransGrid's updated operating expenditure forecasts as being 'efficient'. This has been an important focus of the business post privatisation in December 2015.

It was also pleasing to see that the Regulator has accepted 9 contingent projects in the final determination. Contingent projects are generally significant network augmentation projects that may be reasonably required to be undertaken in the future should certain trigger events occur. Two of projects we've mentioned before include augmentation of the transmission grid in response to Snowy 2.0 and a new interconnector between NSW and South Australia.

It will be interesting to see how these projects develop over time and how they are dealt with in the Integrated System Plan being prepared by AEMO, the market operator. But I add, these projects have not been included in the current numbers approved by the Regulator, but may be added in at a later date, subject to passing a regulatory investment test.

[Slide 15 – Industry and regulatory engagement]

In the last few years, we have increasingly sought to positively engage in and influence policy outcomes.

We contributed to the review by the Australian Competition and Consumer Commission (ACCC) of electricity retail markets through submissions and subsequent meetings, and have liaised directly with policymakers through our contributions to the Finkel Review, the various Council of Australian Governments (COAG) Energy Council's reviews, the Energy Security Board's work, the AEMO's Integrated System Plan and to the various AER reviews.

While progress in many aspects of Energy Policy has been positive, there are concerning elements, which appear to be driven for political gain. The removal of limited merits review was disappointing as it provided an important quality check on the Regulator to produce well considered and correct decisions. The removal of limited merits review was justified on the basis that access to judicial review would remain.

We are currently actively involved in the review of the rate of return guideline and were instrumental in formalising a role for investors in this process. Recently, we have been surprised and disappointed by the direction of the legislative changes proposed to make the rate of return guidelines binding. This draft legislation in its current form removes the long standing and well established rules and removes all accountability for the Regulator to follow any rules, and removes in practice any scope for judicial review. A regulatory process without checks and balances is bad policy and will deter investment in the sector. The upshot could be increased debt and equity costs, reduced reliability of networks, reduced customer service levels and increased costs to customers and/or a combination of all.

This is at a time that price affordability is a key concern, along with the other pillars of the Finkel Report, being improved security of supply and lower emissions. Giving primacy to reduction in electricity pricing for consumers distorts the intent of the Finkel Report. When regulation is solely focused on lower prices to the detriment of security of supply, innovation and lower carbon emissions, this can put the system as a whole at risk.

With the advent of solar PV, batteries, smart technology etc, customers are engaging with their electricity needs in a different way, and we need to adapt our networks to address this change. Networks are growing in their importance in providing the platform to efficiently move electricity around between generation sources and consumers, and in optimising the amount of new generation and storage required in the system.

As consumers take a more active role in the way they source and use electricity, I can see a future where network costs actually comprise a larger proportion of a lower overall bundled total electricity cost for customers. But one issue that we will need to address urgently is tariff reform, as we need to ensure that the less well-off in the community, who cannot afford the large additional capital costs associated with all these new technologies, are not left with increasing costs due to outdated policy.

We will be working hard over the next few months to ensure that the politicians and general public fully understand the potential ramifications of these proposed changes.

We also note the recently announced review of the tax approach in the regulatory system, which is focusing investor's minds on the fundamental concepts around benchmark entities underpinning the regulatory system. The inflammatory comments on "price gouging" by the Federal Energy Minister last week were unsubstantiated and simply incorrect. The fundamentals of the regulatory system have been carefully constructed and tested over many years. The network companies have complied with these principles as they are required to do, and the Regulator has approved such calculations. There is no such wrong doing.

The responsibility for tax compliance rests with the Australian Tax Office (ATO). To that point, I note that the ATO recently issued draft legislation to address perceived tax issues associated with Stapled Structures. There are a number of different ownership structures for network businesses in operation, all of which are known to the ATO. Tax matters should be dealt with by the ATO not by trying to amend regulatory systems.

As I've said before, the electricity and energy industry is undergoing profound change and requires considerable investment to redesign the energy delivery model. At this point, we need a stable and predictable regulatory framework. We need new policy and rules to facilitate this change in a controlled and efficient manner. Policy and regulation developed for short-term gain does not deliver these outcomes and only enhances uncertainty and risk.

We will continue to engage with policy makers and regulators to ensure that only decisions in the long-term best interests of consumers are implemented.

[Slide 16 – Distribution Guidance]

Moving to Guidance, as previously advised, we expect distributions to grow by 4.9% in 2018 to 16.0 cps. This guidance is subject to business conditions and underlying company performance meeting expectations.

As we announced at the time of our FY2017 results, growth in distributions beyond 2018 will be affected by a range of factors. These include the current inflation environment and its impact on the revenue allowances that our businesses can recover, and the values of their Regulated Asset Bases.

Subject to business conditions and regulatory outcomes, we expect to deliver growth in Distribution Per Security through to the end of next regulatory determinations in 2020, of 'at least CPI'.

[Slide 17 – Tax Payments and Franking]

We have also made comments about expecting to become a taxpayer in the short-term. The timing and amount of tax payable will be dependent on a number of factors including the underlying financial performance of Spark's investment businesses, tax timing differences, availability of tax losses and, in the longer term, the outcome of existing disputes with the ATO - as disclosed in our financial statements.

There is no change in our commentary, but I would add that where we do pay tax, we would expect to be able to pass those tax credits up through the structure and on to Securityholders as franking credits.

[Slide 18 – Key Focus Areas]

So in conclusion. We expect each of our investments to continue to perform well in 2018.

We expect that Victoria Power Networks and SA Power Networks will continue to outperform well with benefits carried forward into the next regulatory period. The businesses will also continue to deliver their cost efficiency programs. These improvements will help us to fulfil each business' capital program.

The agreed revenue paths should see regulated revenue growth of 2% to 3% for Victoria Power Networks from 1 January 2018. Similarly SA Power Networks revenues increased by 2.40% at 1 July 2017 and are expected to grow by a further 3% on 1 July 2018.

It has been two years since TransGrid's privatisation, and the organisation has evolved significantly, undergoing cultural change and responding to and capitalising on the changing needs of customers. Their new revenue determination lays the basis for the next 5 years, and provides them with good certainty to continue this progress. Maximum allowable revenue at TransGrid will be approximately 3.0% higher in nominal terms in 2018-19 than the previous year.

We also expect the unregulated services to continue to grow and provide good margins, and I note again that the corporate restructure is on track to be in place by 30 June 2018, and hence we expect the cash distributions from TransGrid to grow moving forward.

And as I have said, we will be working hard to ensure that energy policy develops in the long-term best interests of customers and the markets, and that regulatory policy continues to support those objectives.

I would like to thank you for your support, and I look forward to keeping in touch with you on our progress in the year ahead.

Thank you.

spark infrastructure

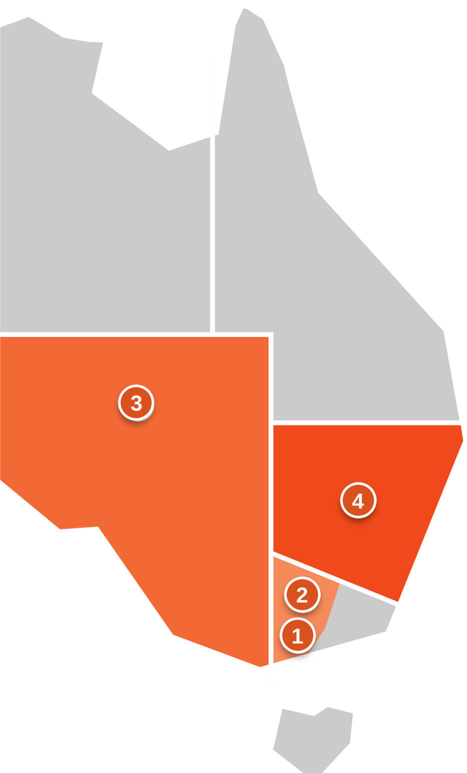
FUTURE. ENERGY.

Annual General Meeting
Thursday, 24 May 2018

CHAIR'S ADDRESS

Dr. Doug McTaggart
Chair

OUR INVESTMENTS

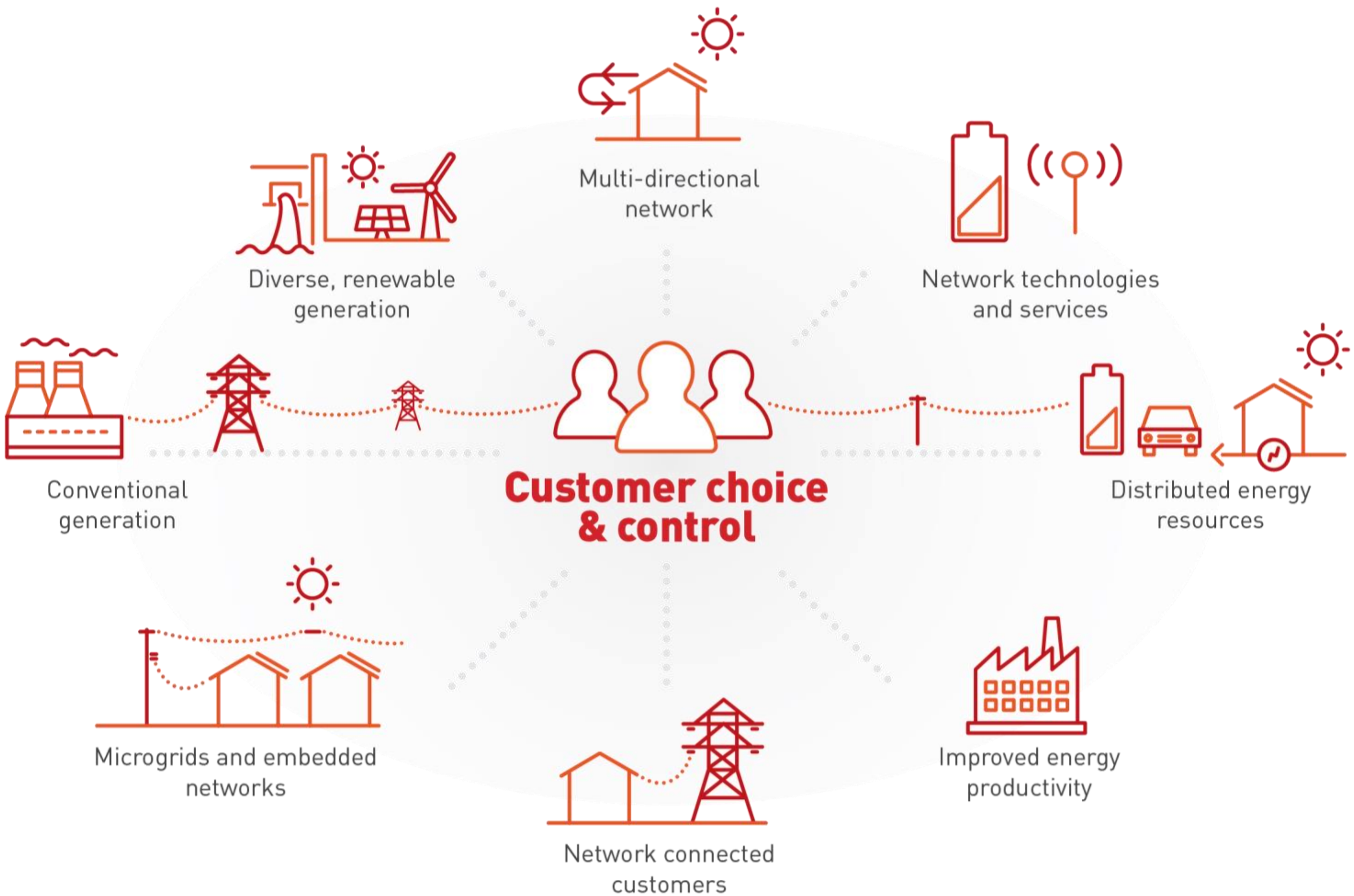


Spark Infrastructure is Australia's leading ASX-listed network owner. Our assets support economic growth and Australia's future sustainability

① CitiPower (VPN)	② Powercor (VPN)	③ SA Power Networks	④ TransGrid
49% Spark Infrastructure ownership	**49%** Spark Infrastructure ownership	**49%** Spark Infrastructure ownership	**15%** Spark Infrastructure ownership
$1.93bn Regulated Asset Base	**$3.97bn** Regulated Asset Base	**$4.05bn** Regulated Asset Base	**$6.70bn** Regulated and Contracted Asset Base ("RCAB")
1,832(1) Number of employees	**1,832**(1) Number of employees	**2,199** Number of employees	**1,105** Number of employees
330,000(2) Customers	**795,000**(2) Customers	**865,000**(2) Customers	**3,600,000** Supplying homes and businesses

(1) Reported together
(2) Rounded to nearest thousand

FUTURE ENERGY WILL EMPOWER CUSTOMERS



OUR INVESTMENT BUSINESSES ARE WELL POSITIONED TO DRIVE THE TRANSITION AND BENEFIT FROM THE NEW ENERGY FUTURE

EQUITY MARKET PERFORMANCE

Spark Infrastructure's security price performed strongly with outperformance extending to May 2018, despite recent security price decline

Total Securityholder Returns		Security Price Performance since 8 May to 22 May 2018
From 1 January 2013 to 31 December 2017	**From 1 January 2013 to 22 May 2018**	
Spark Infrastructure securities	Spark Infrastructure securities	Spark Infrastructure securities
105.1%	**87.5%**	**(6.3)%**
S&P/ASX 200 Accumulation Index	S&P/ASX 200 Accumulation Index	S&P/ASX 200 Index
60.8%	**63.1%**	**(0.7)%**

SPARK INFRASTRUCTURE HAS DELIVERED STRONG AND CONSISTENT RETURNS TO SECURITYHOLDERS

FOCUSING ON SUSTAINABILITY

Spark Infrastructure seeks to ensure that sustainable policies are adopted in line with community expectations

WE INVEST IN SOME OF THE BEST INFRASTRUCTURE BUSINESSES IN AUSTRALIA. THEY ARE CENTRAL TO A LOW CARBON ENERGY FUTURE AND THE LONG-TERM SUSTAINABILITY OF THE AUSTRALIAN ECONOMY

NETWORK CHARGES IN RESIDENTIAL BILLS

In Victoria and South Australia, distribution charges are less than 25% of a typical household bill

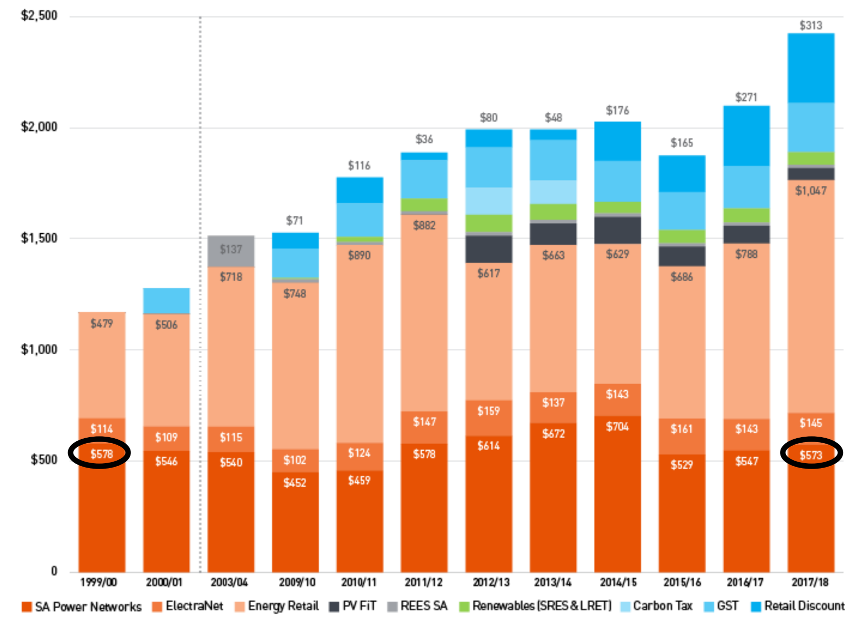
Residential bill contribution

- TransGrid's transmission costs are equivalent to ~4% of a residential retail tariff
- In South Australia and Victoria, distribution network costs account for less than ~25% of a residential retail bill

Residential bill increase

- TransGrid's average transmission charges decline by 3.8% from 2014-18 to 2018-23[(1)]
- In South Australia, distribution network costs have risen by less than CPI since it was privatised in 1999 – refer chart on right
- CitiPower, Powercor and United Energy average distribution residential network bills have increased in real terms by 2% across the period 2007/08 – 2016/17[(2)]

In South Australia, distribution network costs have risen by less than CPI since it was privatised in 1999.



All amounts in 1999/00 dollars

PRIVATISED NETWORK BUSINESSES ARE NOT THE CAUSE OF RECENT PRICE INCREASES

(1) In real dollar terms, Final Decision, TransGrid transmission determination 2018 to 2023, May 2018.
(2) Excludes the pricing impact of Government mandated schemes.

MANAGING DIRECTOR'S ADDRESS

Mr. Rick Francis
Managing Director

2017 HIGHLIGHTS

Stand-alone operating cash flow(1)

$268m

2017 Distributions(2)

15.25 cps

Look-through operating cash flow cover

164%

Efficiency benchmarking(3)

No. 1

Regulated asset base(4)

$5.8bn

Contracted asset base(5)

$355m

Net debt/Regulated & Contracted asset base(4)

74%

(1) Includes repayment of shareholder loans
(2) 5.2% growth on 2016
(3) Powercor No.1 distribution network service provider in 2016; SA Power Networks No.1 on a state by state comparison in 2016
(4) On an aggregated proportional basis to Spark Infrastructure
(5) On 100% TransGrid basis

ADJUSTED PROPORTIONAL PERFORMANCE

Revenue growth and strong cost control has delivered solid EBITDA performance

Adjusted Proportional Results (Spark Infrastructure share) ($m)	2017	2016	Change
Distribution and transmission revenue[1]	940.3	913.0	3.0%
Other revenue	240.4	230.0	4.5%
Total Revenue	**1,180.7**	**1,143.0**	**3.3%**
Operating costs[2]	(396.7)	(394.2)	0.6%
Beon margin	3.5	4.1	-14.6%
EBITDA	**787.5**	**752.9**	**4.6%**
Net external finance costs	(171.1)	(174.7)	-2.1%
EBTDA	**616.4**	**578.2**	**6.6%**

(1) 2016 adjustment:
- Excludes TransGrid recovery of unbilled pre-acquisition regulated revenue $8.3m

(2) 2017 adjustment:
- Excludes SA Power Networks release of excess December 2016 storm provisions, ultimately not required $4.0m

2016 adjustment:
- Excludes SA Power Networks excess December 2016 storm provisions, ultimately not required $4.0m

SPARK INFRASTRUCTURE'S AGGREGATED PROPORTIONAL EBTDA HAS INCREASED BY 6.6%

OUTSTANDING AER EFFICIENCY RANKINGS

Our investments continue to drive strong efficiency outcomes

Victoria Power Networks

1

PowerCor

BEST PERFORMING NETWORK (DISTRIBUTION)[2]

2

CitiPower

SECOND BEST PERFORMING NETWORK (DISTRIBUTION)[2]

SA Power Networks

1

SA Power Networks

MOST EFFICIENT STATE-WIDE NETWORK (DISTRIBUTION)[1]

TransGrid

2

TransGrid

SECOND BEST PERFORMING NETWORK (TRANSMISSION)[2]

1. Based on multilateral total factor productivity. Source AER Benchmarking Report, November 2017
2. Based on opex multilateral partial factor productivity. Source AER Benchmarking Report, November 2017

OUR MANAGEMENT TEAMS CONTINUE TO HAVE A VERY STRONG FOCUS ON EFFICIENCY, AS REFLECTED IN THE RECENT AER BENCHMARKING REPORTS

PURSUING GROWTH INITIATIVES

Each of our investments continues to pursue various options for long term growth

Victoria Power Networks **And** **SA Power Networks**	▪ Customer growth of 1.3% and $855.5m of net capital expenditure in 2017 across both networks ▪ Leveraging Victoria Power Networks smart meters ▪ Positioning SA Power Networks in a rapidly evolving renewable energy landscape

TransGrid	▪ $1,249m ($2017-18) regulated capital expenditure through to 2023
	▪ Includes $235m ($2017-18) Powering Sydney's Future project
	▪ 9 large scale contingent projects including:
	    ▪ Snowy 2.0
	    ▪ South Australia to NSW Interconnect
	▪ Significant ongoing unregulated new connections investment

LONG TERM STRUCTURAL FORCES ARE SIGNIFICANTLY AND POSITIVELY INFLUENCING OPPORTUNITIES FOR GROWTH IN OUR INVESTMENTS

OUR STRATEGIC VISION

Focusing on long term, low risk, value creation

INVESTMENT PROPOSITION

Delivering long term value to Securityholders by building a quality portfolio of utility style assets

BUSINESS MODEL

- **Managing for Performance**
- **Growing Organically**
- **Disciplined External Growth**

GROWTH IN ASSETS DELIVERING GROWTH IN DISTRIBUTIONS AND LONG TERM VALUE TO SECURITYHOLDERS

TRANSGRID REGULATORY DETERMINATION

	AER Draft Decision	Revised Proposal	Final Decision
Beta	0.7	0.7	0.7
Market Risk Premium	6.5%	6.5%	6.5%
Risk free rate	2.68%	2.66%	2.84%
Return on equity	7.2%	7.2%	7.4%
Cost of debt	6.01% (transition to trailing average)	6.0% (transition to trailing average)	5.97% (transition to trailing average)
Rate of return	**6.49%**	**6.49%**	**6.54%**
Gamma	0.4	0.4	0.4
Operating Costs	$873m	$907m	$907m
Revenue	**$3,627m**	**$3,781m**	**$3,728m**
Capital expenditure	$992m (rejected PSF)[1]	$1,534m (includes a revised $252m for PSF)	$1,249m (includes a revised $235m for PSF)
Contingent projects	5 accepted	4 additional projects proposed	9 projects including Snowy 2.0 and NSW / SA interconnect

1. PSF is Powering Sydney's Future

All $ expressed in 2017-18 real terms

INDUSTRY AND REGULATORY ENGAGEMENT

Spark Infrastructure seeks to positively engage around and influence policy outcomes

Actively protect and grow financial returns through out-performance

Revenue decisions

Secure revenue and growth opportunities for medium term

- TransGrid Final Decision
- SA Power Networks current regulatory period to 30 June 2020
- Victoria Power Networks current regulatory period to 31 December 2020

Energy policy

Ensuring future opportunities for growth

- National Energy Guarantee
- Integrated System Plan
- Review Rights of regulator decisions

Regulatory policy

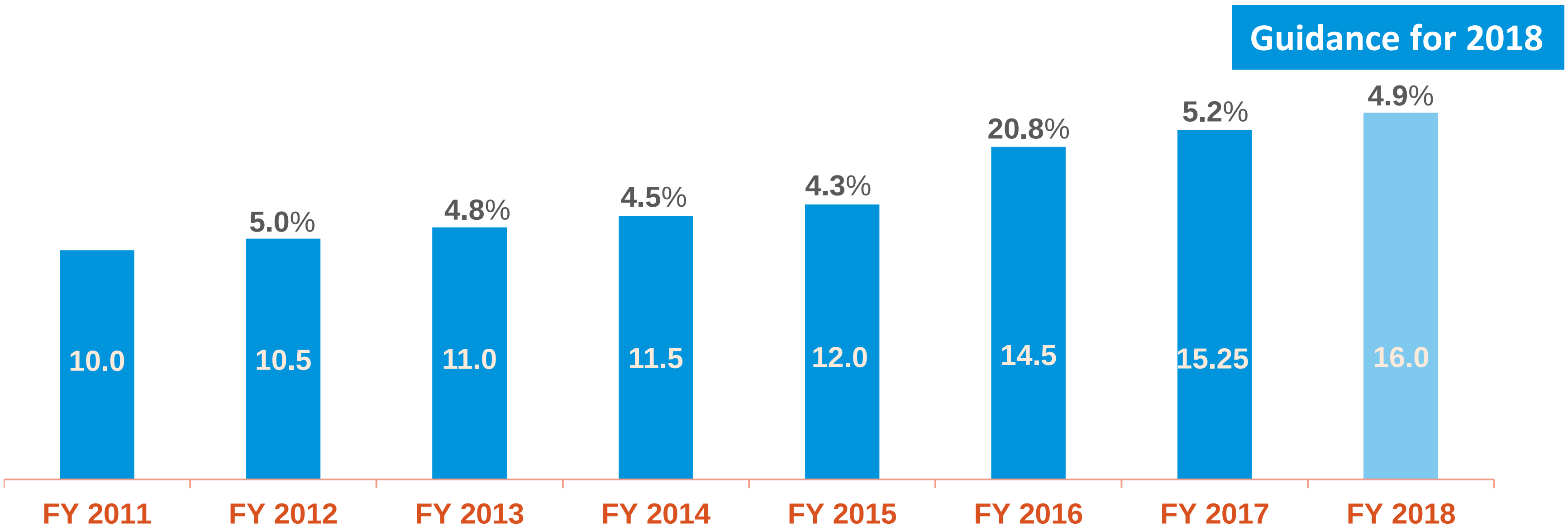
Opportunities to outperform returns & invest in asset service levels

- Allowed Rate of Return
- Regulatory Investment Test
- Review of regulatory allowances
- Ring Fencing Guideline
- Distribution Market Model

SPARK INFRASTRUCTURE HAS DIRECTLY CONTRIBUTED AND LED CONTRIBUTIONS IN THESE POLICY AND REGULATORY REVIEW PROCESSES OVER THE LAST 12 MONTHS

DISTRIBUTION GUIDANCE

Distribution per Security



- The Directors have reaffirmed distribution guidance for 2018 of 16.0cps (4.9% higher than 2017), subject to business conditions
- Growth in distributions per security, through to the end of the regulatory determinations in 2020, will be at least CPI, subject to business conditions

SPARK INFRASTRUCTURE HAS A STRONG TRACK RECORD OF GROWING DISTRIBUTIONS

TAX PAYMENTS AND FRANKING

As disclosed at Spark Infrastructure's 2017 full year results, we are moving to become a taxpayer

- Spark Infrastructure expects to become a taxpayer in the short term
- The timing and amount of tax payable will be dependent on a number of factors including:
  - underlying financial performance of the investment portfolio businesses;
  - tax timing differences; and, in the longer term
  - outcome of existing disputes with the Australian Taxation Office
- Spark Infrastructure expects to be able to frank dividends to the extent that tax is paid

KEY FOCUS AREAS

We will continue to focus on various areas across our investments in 2018

Regulated revenues expected to grow	▪ CitiPower: 1.99%; Powercor: 3.08% both from 1 January 2018 ▪ SA Power Networks: 2.40% to 30 June 2018; 2.90% expected from 1 July 2018 ▪ TransGrid: -1.66% to 30 June 2018; 0.5%+CPI increase for 2018-19
Cost outs	▪ Continued focus on investment portfolio business cost-out programs
Business growth	▪ The transition to a new energy future is creating investment opportunities
TransGrid unregulated funding solution	▪ Strong pipeline of value accretive opportunities will require TransGrid to retain additional cash to fund growth in unregulated capex (infrastructure connections) ▪ A more efficient funding structure has been agreed and is in the process of being implemented

SPARK INFRASTRUCTURE IS FOCUSED ON DRIVING GROWTH ACROSS OUR INVESTMENTS

DISCLAIMER & SECURITIES WARNING

Investment company financial reporting - Adjustments are made to distribution and transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.

2017 financial reporting for TransGrid is based on special purpose financial statements for the year ended 30 June 2017 and unaudited financial information for the period 1 July 2017 to 31 December 2017. Results have been adjusted by Spark Infrastructure to reflect the 12 month period to 31 December 2017.

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