Friday, 14 September 2018

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

Dear Sir / Madam

DESK BRIEFING PRESENTATION

I enclose a desk briefing presentation to be delivered today.

Yours faithfully,

Alexandra Finley
Company Secretary

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spark infrastructure

FUTURE. ENERGY.

Desk Briefing Presentation
Friday, 14 September 2018

SPARK INFRASTRUCTURE – AT A GLANCE

Australia's leading ASX listed electricity network owner

A$3.9b market capitalisation[1]

S&P/ ASX 100

A$6.0b regulatory asset base (proportional)

A$17b of total electricity network assets

Across **three** states

Supplying **>5.5m** homes and businesses

>5,100 employees

Victoria Power Networks (CitiPower and Powercor)

49% Spark Infrastructure ownership

$6.00bn Regulated Asset Base

SKI Proportional Asset Base

SA Power Networks

49% Spark Infrastructure ownership

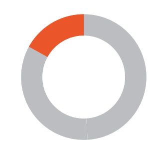
$4.12bn Regulated Asset Base

SKI Proportional Asset Base

TransGrid

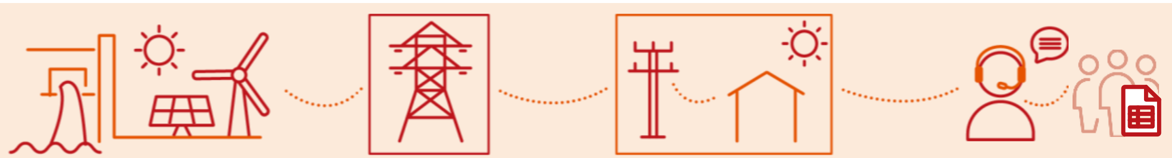
15% Spark Infrastructure ownership

$6.77bn Regulated and Contracted Asset Base



SKI Proportional Asset Base

Traditional supply chain (but evolving)



(1) As at 13 September 2018. Balance sheet data as at 30 June 2018, all other information as at 31 December 2017

FINANCIAL HIGHLIGHTS

Solid performance despite current low inflationary environment

	HY 2018		HY 2017
Adjusted proportional EBITDA(1)	**$420.2m**	+7.6%	**$390.5m**
Standalone Operating Cash Flow(2)	**$130.3m**	+6.9%	**$121.9m**
Proportional RAB + CAB(3)	**$5,975m**	+4.1%	**$5,738m**
Net debt to RCAB	**74.1%**		**74.5%**
Weighted average debt maturity	**>5 years**		**~5 years**
Strong Investment Grade	**SKI: Baa1** ***SAPN: A-/A3*** ***VPN: A-*** ***TransGrid: Baa2***		**SKI: Baa1** ***SAPN: A-/A3*** ***VPN: A-*** ***TransGrid: Baa2***

(1) Spark Infrastructure share. EBITDA adjustments as disclosed in 30 June 2018 HY 2018 Results presentation
(2) VPN distributions includes both interest on and repayment of shareholder loans. Repayments of loan principal are classified as investing activities for statutory reporting purposes
(3) Spark Infrastructure share. Regulated asset base and contracted asset base

KEY INVESTMENT PROPOSITION

Performance fundamentals and outlook for a new energy future remain solid despite continued energy policy uncertainty

1 Our networks are leaders in efficiency, reliability and safety	▪ Most efficient network assets with high levels of utilisation ▪ Strong track record of outperformance post-privatisation ▪ Well placed to benefit from industry structural change to new energy future
2 Strong performance metrics and balance sheet	▪ Delivered 6.9% operating cash flow growth in HY 2018 ▪ Investment grade credit ratings
3 Strong cash yield of 7.0%(1)	▪ Forecast DPS growth of 4.9% to 16.0 cps in FY 2018 ▪ 8.0 cps interim distribution declared
4 Supportive characteristics	▪ High cash flow visibility to 2020 ▪ Inflation-linked regulatory regime; increases in interest rates reflected in higher regulated revenues
5 Growth opportunities in the new energy future	▪ Technology, customer preferences and generation mix are transforming the role of networks ▪ Distributed renewable generation, reliability requirements and efficient wholesale energy market operation reinforces role of the grid

OUR NETWORKS ARE GROWING EFFICIENTLY AND DELIVERING RELIABLE AND AFFORDABLE ELECTRICITY TO CONSUMERS

(1) Based on 13 September 2018 closing price of $2.27 and FY 2018 distribution guidance of 16.0 cps

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

ENERGY AND REGULATORY POLICY ISSUES

Spark Infrastructure seeks to positively engage around and influence policy outcomes

Actively protect and grow financial returns through out-performance

Revenue decisions

Cash flow certainty to 2020

- 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

Future opportunities for growth

- ACCC Electricity Retail Market Review
- Integrated System Plan
- National Energy Guarantee
- Open Energy Networks

Energy regulation

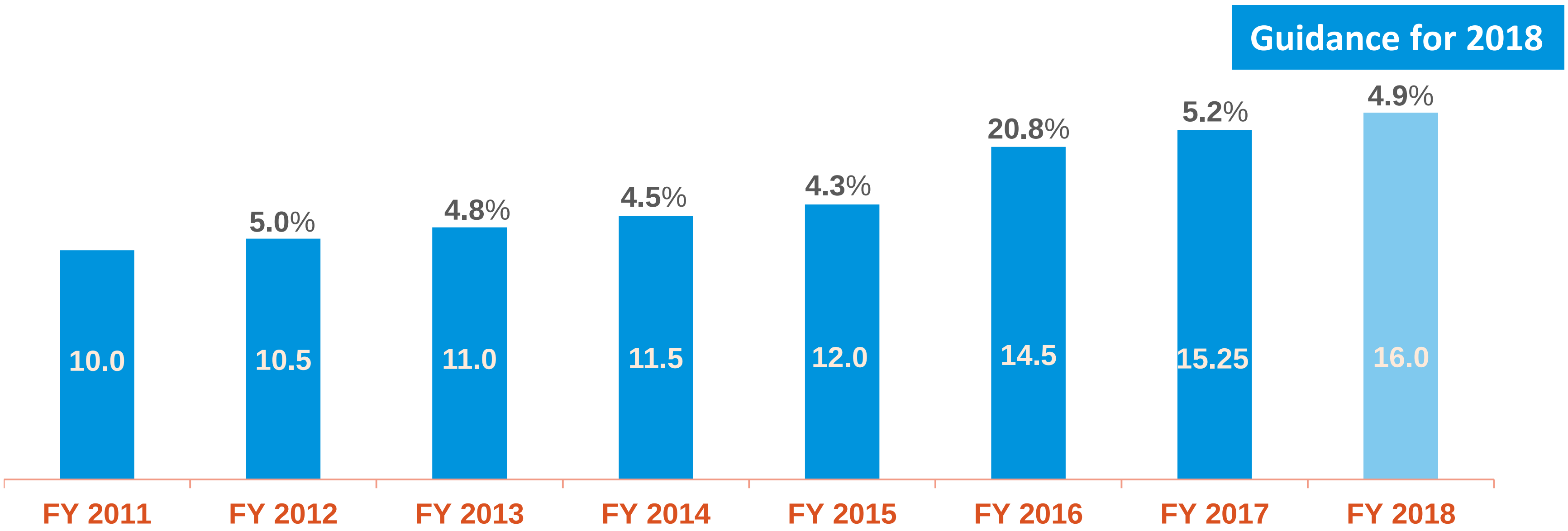
Continuing change, a destabilising effect

- Binding Rate of Return Guideline legislation
- Rate of Return Guideline Review
- Regulatory approach to tax
- Incentive framework reviews
- Regulatory Investment Test

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 Spark Infrastructure's investment portfolio businesses;
  - tax timing differences; and, in the longer term
  - outcome of existing disputes with the Australian Taxation Office
- When we do pay tax, we would expect to be able to pass franking credits to Securityholders

NO CHANGE IN DISTRIBUTION GUIDANCE FOR FY 2018 OR TAX OUTLOOK

APPENDIX

STRONG FOCUS ON VALUE TO THE CUSTOMER

Our investment businesses continue to drive strong efficiency outcomes together with prudent investment, low user costs and strong reliability outcomes

Our assets have high efficiency…

1 2

Powercor **CitiPower**

BEST PERFORMING NETWORK
(DISTRIBUTION)

1

SA Power Networks

MOST EFFICIENT STATE-WIDE NETWORK
(DISTRIBUTION)

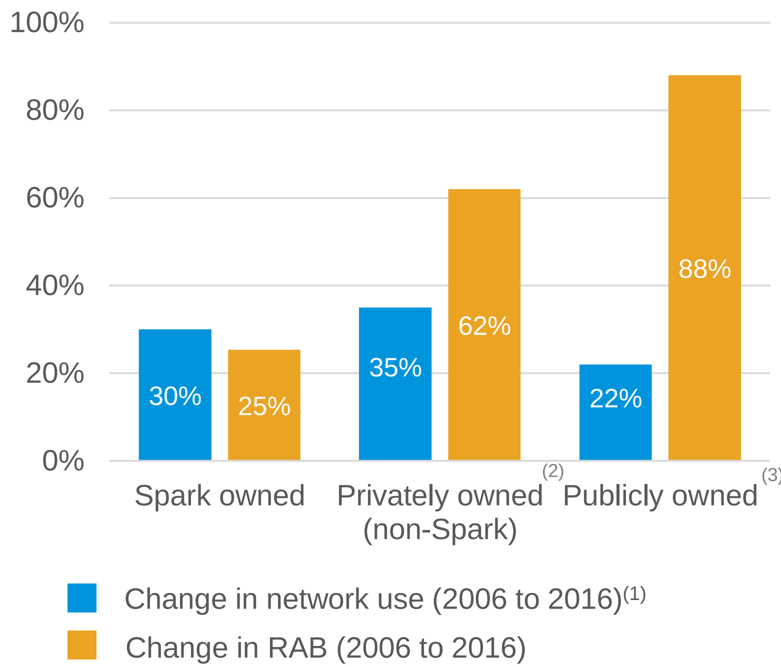
2

TransGrid

SECOND BEST PERFORMING NETWORK
(TRANSMISSION)

… and have not overinvested

DNSP RAB growth vs network use (2006 to 2016)[1]



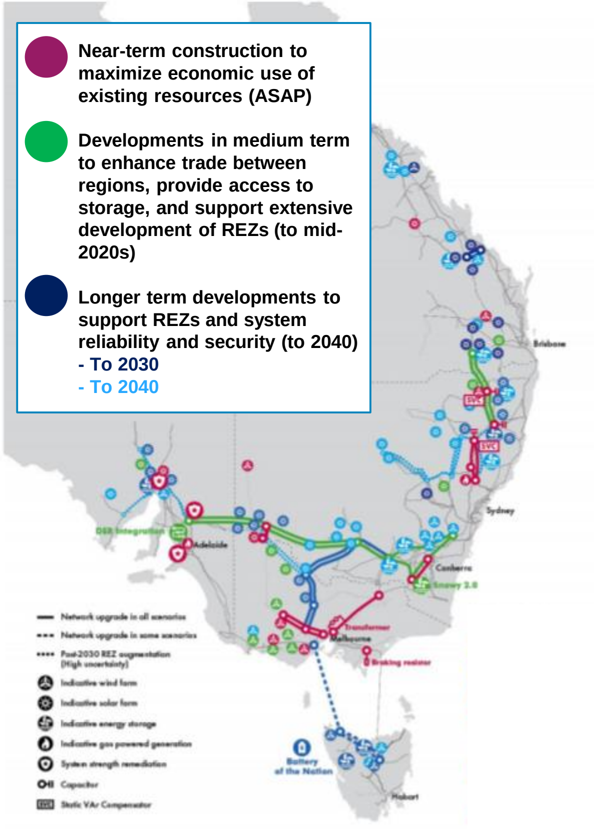
THE EFFICIENCY OF OUR BUSINESSES HAS BEEN ACKNOWLEDGED BY THE ACCC - "RABS AND TARIFFS INCREASED SIGNIFICANTLY MORE IN PUBLICLY-OWNED NETWORKS THAN IN PRIVATE NETWORKS"

(1) Source: Spark analysis using AER 2017 distribution partial performance indicators 2012-2016. Network use calculated using Grattan Institute's 'Down to the Wire' 2018 report methodology: Network use = % change in customers + % change in peak demand (MW), where peak demand is maximum of the most recent 5 years; Excludes AMI RAB in VIC DNSPs
(2) Includes networks that were privately owned by entities other than Spark Infrastructure at the start of 2016, including United Energy, Jemena, AusNet Services, and ActewAGL.
(3) Includes networks that were publicly owned at the start of 2016, including Ausgrid, Endeavour Energy, Essential Energy, Energex, Ergon and TasNetworks

ISP HIGHLIGHTS TRANSGRID'S CRITICAL ROLE

AEMO's ISP indicates that total system savings of $1.2b-$2.0b are achievable with its integrated approach and new transmission investments outlined in the ISP

- **AEMO notes that increased investment in transmission and interconnection** will deliver the lowest-cost, most reliable power system that supports emissions abatement
- **Net present cost to replace retiring generation and meet customer demand of $8bn to $27bn to 2040 –** Spending 8-15% of this on transmission rather than generation yields $1.2b-$2.0b in reduced total system costs, providing important customer benefits
- **Significant opportunities for TransGrid based on these ISP recommendations:**
  - **Immediate NEM-wide investment** of $450m - $650m[1], including transfer capacity increases from Victoria to New South Wales and Queensland to New South Wales, totalling between 170 MW to 460 MW
  - **Action to be taken now** to initiate projects for implementation by mid-2020s of transfer capacity increases from NSW to SA (750 MW), QLD to NSW (378 MW) and network access to Snowy 2.0 pumped storage project
  - **Longer-term developments** to increase interconnection between NSW and Victoria (SnowyLink) and develop additional Renewable Energy Zones (REZs) in NSW and Queensland



INCREASING ROLE OF THE GRID IS THE LEAST COST SOLUTION FOR DELIVERING RELIABLE ENERGY THAT SUPPORTS EMISSIONS REDUCTIONS. TRANSGRID IS CENTRAL TO THE DEVELOPMENT OF THE NEM

(1) Includes all recommended immediate updates, including recommendations not directly related to TransGrid
Source: AEMO, Integrated System Plan, July 2018

TRANSGRID IS INVESTING IN A RENEWABLE FUTURE

TransGrid's unregulated business continues to construct and operate new connection assets, a business platform reinforced by AEMO's ISP

TransGrid's connections pipeline growing…

Project status	Number of projects	Stage 1 Capacity[1]	Revenue start date
Complete	8	1,095 MW	Jul 2017 – Aug 2018
Under construction	4	415 MW	FY19 Q4 – FY20 Q1
Total (complete + under construction)	12	1,510 MW	
Contracts executed[2]	3	799 MW	
Complete + under construction + contracts executed	15	2,309 MW	

… to continue with Renewable Energy Zones

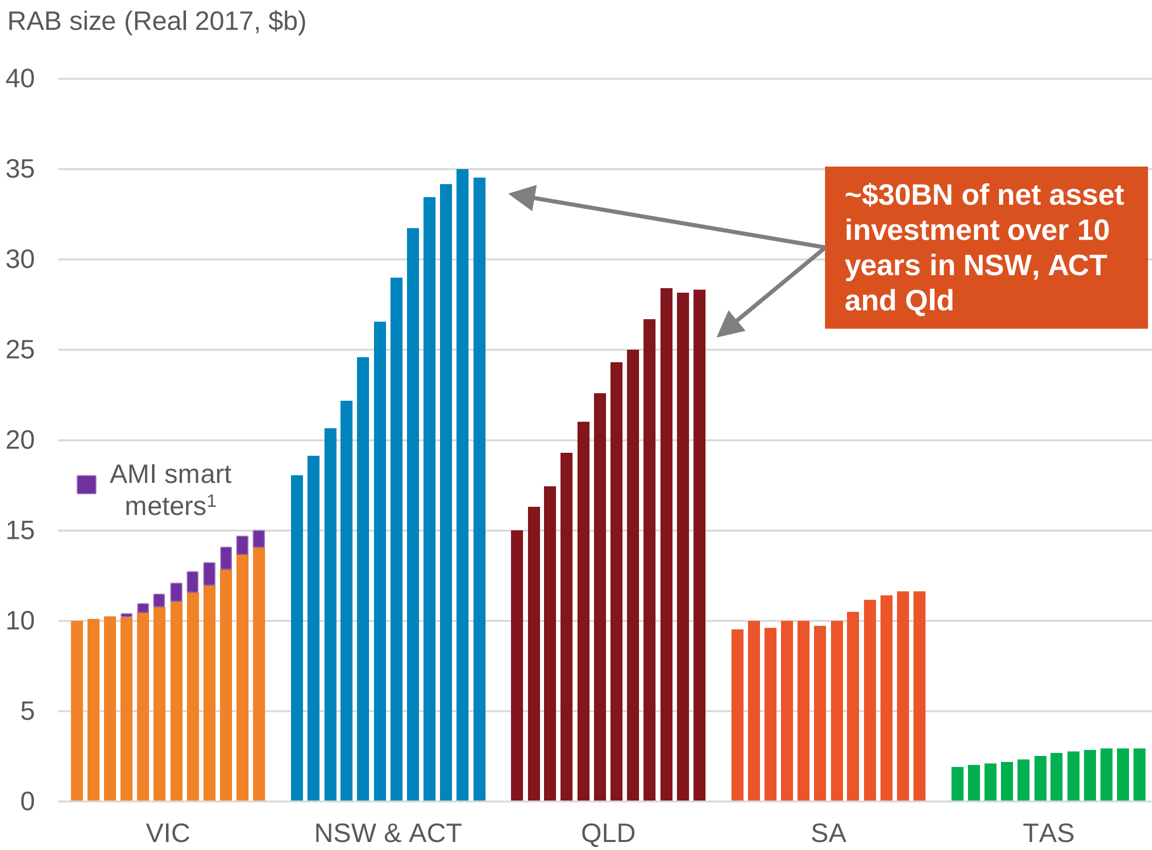
- **Large scale renewables required** – AEMO's ISP neutral scenario forecasts 35 GW of new wind and large-scale PV to be built in the NEM by 2040
- **Developing Renewable Energy Zones (REZs) can reduce costs** by integrating generation, storage and transmission to optimise new generation build and transmission network spend, reduce losses, achieve more consistent generation output, and realise economies of scale
- **Developing REZs first in areas where renewable resources are good and the transmission network is strong** is recommended in AEMO's ISP to reduce overall costs for the NEM. The ISP identifies 8 optimal REZ development areas for the short to medium term, with three in NSW, two in QLD, two in SA and one in Victoria

IN THE PAST YEAR THE ENQUIRY PIPELINE[3] HAS TRIPLED DEMONSTRATING THE CONTINUED GROWTH POTENTIAL OF THE CONNECTIONS BUSINESS

(1) Excludes Stage 2 additional capacity
(2) Notice to proceed to construction is subject to financial close
(3) Enquiry pipeline includes projects for which enquiries have been received but fees are not yet contracted

GOVERNMENTS HAVE DRIVEN NETWORK SPENDING

Regulatory Asset Base From 2006 – 2017 FY NEM Region



The ACCC says…

"In NSW, Queensland and Tasmania there has been significant over-investment in state-owned networks, driven primarily by excessive reliability standards"

"The RABs in Queensland, NSW and to a lesser extent Tasmania grew at a much greater rate than in South Australia and Victoria"

*"In Victoria … **17 per cent** of the network costs are due to the government-mandated distributor rollout of smart meters."*

"Retail Electricity Inquiry – Final Report"
- ACCC, June 2018

NSW AND QLD GOVERNMENT RELIABILITY REQUIREMENTS HAVE DRIVEN DISTRIBUTION NETWORK RAB GROWTH AND OPERATING INEFFICIENCIES

(1) Source: AMI RAB tab from 2016-20 AER final decision opening metering regulatory asset base files for CitiPower, Powercor, Jemena, United Energy and SP Ausnet. Note: Over the AMI roll–out period of 2009–2015, the AER's regulatory determinations allowed Victorian distributors to recover $2.35bn ($ nominal) from consumers.

(2) Source: AER economic benchmarking, Regulatory Information Notice responses

STABLE DISTRIBUTION CHARGES IN RESIDENTIAL BILLS

In Victoria and South Australia, our businesses' distribution charges are ~25% of a typical household bill

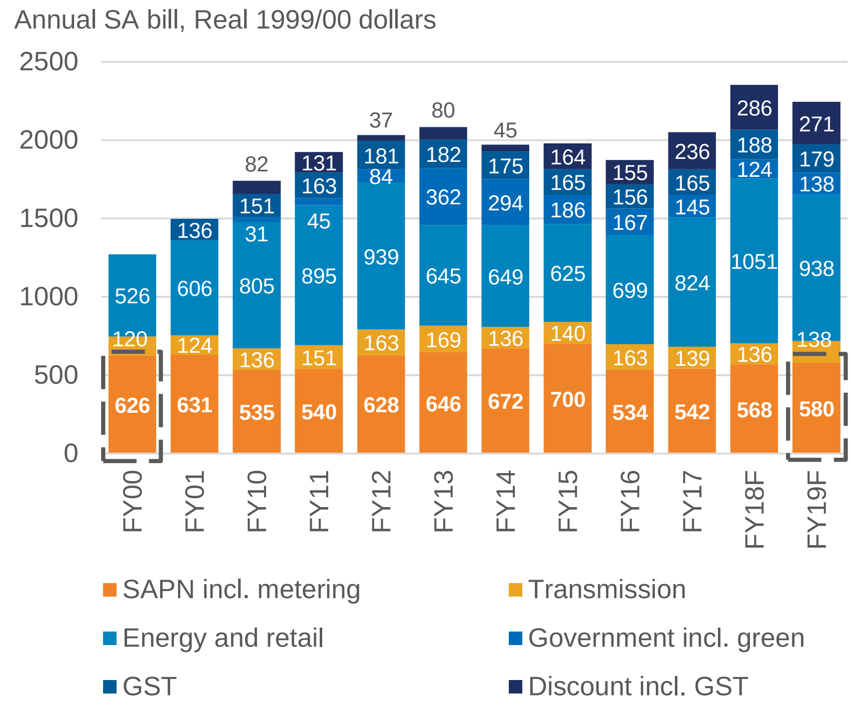
SAPN

- Distribution prices reduced by 9% in real terms between 2000 and 2018 and now represent 26% of a typical household bill
- SAPN's 2020-25 draft plan forecasts further reductions of $37 in FY21 for residential customers and $148 in FY21 for small and medium businesses[1]

VPN

- Between 2007/08 and 2017/2018 CitiPower's real distribution prices declined by 1% and Powercor's real distribution prices declined by 6%[2]

In South Australia, distribution network costs have reduced in real terms since privatisation in 1999

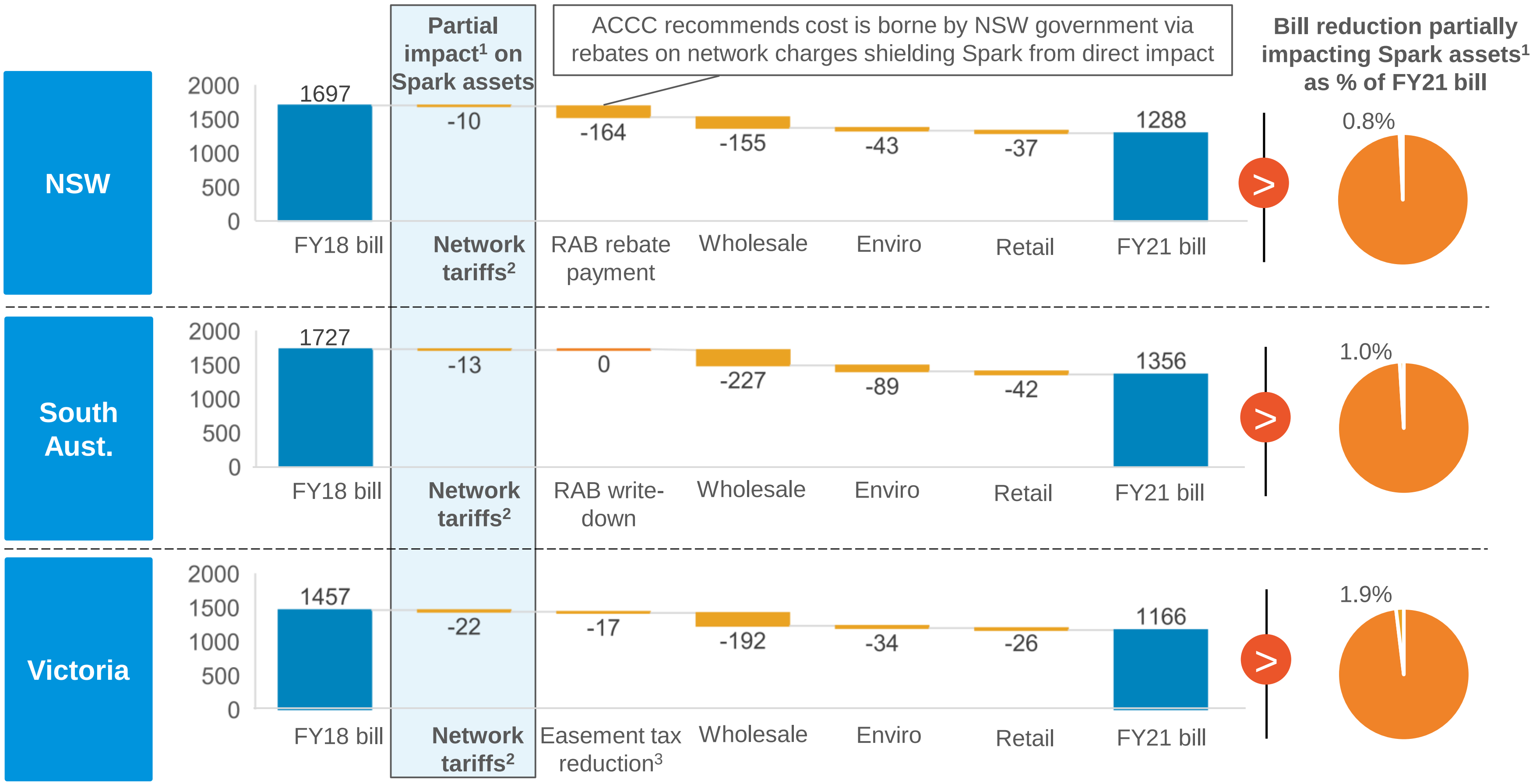


PRIVATISED NETWORK BUSINESSES ARE NOT THE CAUSE OF RECENT PRICE INCREASES

(1) SAPN draft 2020-25 plan, August 2018
(2) After removing Advanced Metering Infrastructure (AMI) which was a Victorian Government mandated roll-out

ACCC NOTES EFFICIENCY OF PRIVATE NETWORKS

The recommendations from the ACCC's Retail Electricity Pricing Inquiry have impacts across the value chain, although these impacts are smaller for private networks



NSW RAB REBATE PAYMENT TO BE BORNE BY NSW GOVERNMENT IF IT PROCEEDS AND NETWORK TARIFF REDUCTIONS ALREADY EMBEDDED IN PUBLICLY AVAILABLE AER INFORMATION

(1) Network tariff reductions only partially impact Spark assets as they include tariff reductions for all transmission and distribution companies in each state
(2) Network tariff reductions comprise determinations the AER has made or is consulting on for the period to 2023 (i.e. reductions are not additional to existing AER process)
(3) Recommended reduction in easement tax incurred by AusNet Services transmission network

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.

The financial reporting is based on TransGrid's special purpose financial statements for the year ended 30 June 2018. Results have been adjusted by Spark Infrastructure to reflect the 6 month period to 30 June 2018.

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