



# THE AUSTRALIAN INFRASTRUCTURE NETWORK SPECIALISTS

Shareholder Review 2014



## AGM

11:30am, Friday 22 May 2015,  
Marble Room, Radisson Blu Plaza Hotel,  
27 O'Connell Street, Sydney NSW.

# SPARK INFRASTRUCTURE'S SECTOR EXPERTISE, FINANCIAL DISCIPLINE AND EXISTING PORTFOLIO OF QUALITY ASSETS MAKE IT A RELIABLE, LONG-TERM INVESTMENT PARTNER

Overview of Spark Infrastructure **1** | Financial Highlights **4** | Strategic and Operational Highlights **6** |  
Message from the Chairman **8** | Message from the Managing Director **10** | Management Team **14** | Board of Directors **16** |  
Business Overview **18** | SA Power Networks **20** | Victoria Power Networks **24** | Sustainability **29** | Corporate Contact Details **32** |

## INFRASTRUCTURE NETWORK SPECIALISTS

Spark Infrastructure has a proven track record of prudent, disciplined and transparent management of its investments.

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

As a result, the current portfolio of assets ranks among the most reliable, safe and efficient electricity networks in Australia, and consistently outperforms industry and regulatory benchmarks.

PAGES 1–3

## FINANCIAL DISCIPLINE/STRENGTH

**Our approach is to apply rigorous financial and operational oversight to the portfolio of assets with a view to achieving long-term growth and profitability in a measured way.**

The emphasis is always on consistent and prudent financial management, efficient operations, a safe and engaged workforce and the effective management of every type of business risk.

We take the same disciplined approach to our assessment of any opportunities to further grow and diversify the asset portfolio.

Spark Infrastructure holds no drawn debt at the fund level and its portfolio of assets retain solid investment grade credit ratings.

PAGES 4–7

## STRONG LEADERSHIP GROUP

**Spark Infrastructure's leadership consists of infrastructure network and financial specialists with expertise in getting optimal performance from regulated utility assets.**

An understanding of the regulation of energy infrastructure in Australia, with its various constraints and opportunities, is the key to making good financial and operational decisions that will deliver results now and into the future.

It is this expertise which differentiates Spark Infrastructure from the crowd.

The value of this strategy has been confirmed by the Australian Energy Regulator in its first benchmarking report which ranks SA Power Networks and CitiPower and Powercor among the most efficient in Australia.

PAGES 8–17

## SUSTAINABLE FUTURE

**Spark Infrastructure prioritises sustainable growth in distributions to securityholders over time. This commitment shapes the way we look at all matters of strategy and capital management.**

At the same time we are focussed on promoting continuous improvement in the Asset Companies' operational performance – in capital management, cost management, service planning, customer service and employee safety.

We also recognise that the business environment is changing. The impact of new technologies and evolving customer expectations require a considered response. We are ready for that challenge and believe we are ideally placed to grow the businesses in new and exciting directions over the coming years.

PAGES 18–31



THE OBJECTIVE OF SPARK  
INFRASTRUCTURE IS TO PROVIDE  
LONG TERM, ATTRACTIVE, STABLE  
RETURNS AND CAPITAL GROWTH  
BY INVESTING IN REGULATED  
UTILITY INFRASTRUCTURE.

## VISION

### Spark Infrastructure's vision is:

- To continue to be a leading Australian listed utility infrastructure investment fund;
- To provide long-term, attractive, stable returns and capital growth in line with its risk profile and market expectations;
- To establish a diversified portfolio of quality regulated utility infrastructure assets over time.





## VALUES

**Spark Infrastructure is committed to conducting its business consistent with the following goals and values:**

- Honesty and Fairness;
- Maximising securityholder value;
- Enhancing Spark Infrastructure's strong relationships with its partners, and working with them to contribute continuously to Spark Infrastructure's improved performance for their own benefit and that of Spark Infrastructure;
- Respecting the legitimate interests of the communities where Spark Infrastructure's Asset Companies operate; and
- Maintaining high standards of corporate governance.

## INVESTMENT MANDATE

**Spark Infrastructure's investment mandate includes electricity and gas distribution and transmission assets, and water and sewerage assets in established jurisdictions, with Australia being a focus, which:**

- Offer predictable earnings and reliable cashflows;
- Are subject to independent and transparent regulation by appropriate bodies or are supported by long term contractual arrangements with reliable counterparties;
- Are yield-accretive, either immediately or within a relatively short timeframe;
- Are value-accretive over the long term using risk-adjusted return metrics appropriate for the relevant investment opportunity;
- Display a similar risk profile to the assets in its current portfolio; and
- Offer the opportunity for strategic diversification, by asset class, geography, regulatory regime and/or timing.

# FINANCIAL HIGHLIGHTS

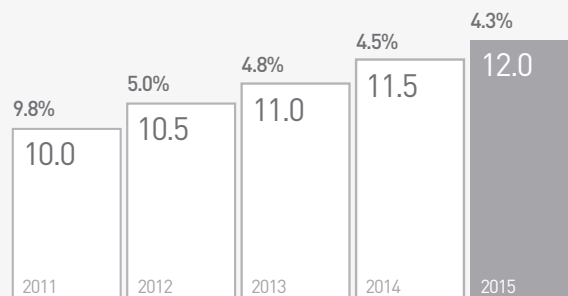
In 2014 the Asset Companies generated reliable, predictable cashflows, sufficiently strong to fund the equity portion of the capital expenditure of the businesses, to continue their program of reducing their leverage and to make growing distributions to their shareholders, including Spark Infrastructure.

Spark Infrastructure's central priority is to continue delivering steadily growing distributions to its securityholders over time and across regulatory periods. This commitment shapes the way we look at all matters of strategy and capital management.

At the same time we are focussed on promoting continuous improvement in the Asset Companies' operational performance – in capital management, cost management, service planning, customer service and employee safety.

## DISTRIBUTIONS PER SECURITY

(CPS AND % GROWTH)

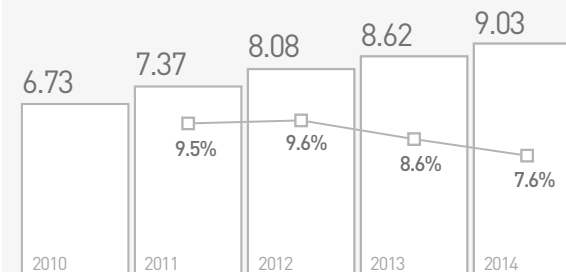


Spark Infrastructure has provided distribution guidance of 12.0 cents per security for 2015 – an increase of 4.3% over 2014 and equal to 4.7% compound annual growth in distributions since 2011

**3-5% GROWTH P.A.**  
TO 2015

## GROWTH IN RAB – ROLLING CAGR<sup>1</sup>

(\$BN AND %)



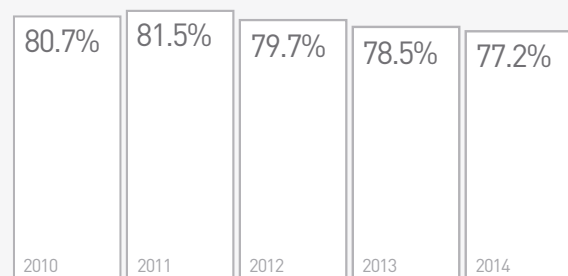
**THE ASSET COMPANIES' COMBINED REGULATED ASSET BASE HAS GROWN BY A COMPOUND ANNUAL RATE OF MORE THAN 7% OVER THE CURRENT 5-YEAR REGULATORY PERIODS TO \$9.03 BILLION (\$4.42 BILLION SPARK INFRASTRUCTURE SHARE)**

**7-8% CAGR<sup>1</sup> TO 2015**

1. Compound Annual Growth Rate

## NET DEBT TO RAB

(%)

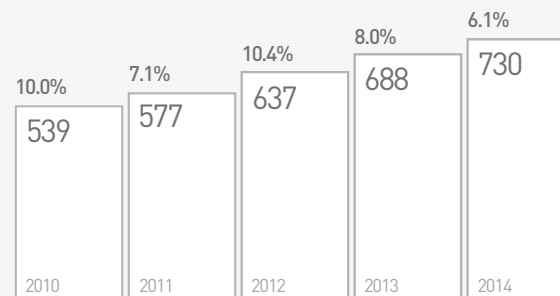


Asset Company gearing as measured by net debt to Regulated Asset Base was lowered by 1.3% in 2014 and will continue to approach 75% by the end of 2015

**TARGETING 75%**  
AT THE ASSET LEVEL BY  
THE END OF 2015

## ASSET COMPANY EBITDA

(\$M) (EXCL CUSTOMER CONTRIBUTIONS)  
(49% BASIS)



**THE ASSET COMPANIES' COMBINED EBITDA (EXCLUDING CUSTOMER CONTRIBUTIONS) GREW BY 6.1% IN 2014 TO \$1,488.9 MILLION (100% BASIS) BASED ON SECTOR LEADING OPERATIONAL PERFORMANCE, EFFICIENCY AND CONTINUOUS IMPROVEMENTS IN COST MANAGEMENT**

**GROWTH OF 6.1%**

## 2014 DISTRIBUTION PER STAPLED SECURITY

Delivered 11.5 cps in line with guidance, up 4.5% on 2013.

**11.5 CPS**

## 2015 DISTRIBUTION GUIDANCE PER STAPLED SECURITY

The Directors expect distributions to grow by 4.3% to 12.0 cps in 2015, subject to business conditions

**12.0 CPS**

## 2014 TOTAL SHAREHOLDER RETURN (TSR)

Spark Infrastructure delivered a TSR of 39.4% in 2014 based on distributions of 11.5 cps and growth in the security price of 52 cps in the 12 months to 31 December 2014.

**39.4%**

# STRATEGIC AND OPERATIONAL HIGHLIGHTS

## RELIABLE LONG TERM DISTRIBUTION GROWTH

Spark Infrastructure's proven ability to provide reliable long term distribution guidance, reaching 3-5 years into the future, is a rare offering in the market and an attractive part of Spark Infrastructure's investment proposition.

With distributions to securityholders currently more than 200% covered by Asset Company look-through cashflows, and its own balance sheet in excellent shape, Spark Infrastructure is well placed to continue delivering steady growth in distributions in the coming regulatory periods.

### 4.7%

Compound annual growth rate in distributions since 2011

## STRONG GROWTH IN THE ASSET BASE AND IN EQUITY SHARE

The Asset Companies have displayed strong growth in their combined Regulated Asset Bases (RAB) based on Australian Energy Regulator approved capital expenditure in their current regulatory periods.

They have funded this entirely from operational cashflows, such that no injections of new equity into the businesses have been required.

At the same time, they have continued their program of reducing their leverage, thus increasing the equity share of the asset base attributable to Spark Infrastructure securityholders.

### 7.6%

Compound annual growth rate in the Regulated Asset Base since the start of the current 5-year regulatory periods

## HIGH PERFORMING EQUITY INVESTMENT

Spark Infrastructure's quality assets, expert management and attractive risk/reward equation have been recognised by the market.

Spark Infrastructure delivered a TSR of 39.4% in 2014 based on distributions of 11.5 cps and growth in the security price of 52 cps in the 12 months to 31 December 2014.

### 39.4%

Total Shareholder Return in 2014

## TOP EFFICIENCY RANKING OF ASSET COMPANIES CONFIRMED

The Australian Energy Regulator (AER) has confirmed the rankings of SA Power Networks, CitiPower and Powercor as among the most efficient businesses of their kind in Australia.

The AER's first Benchmarking Report issued in November last year ranked all three networks in the top five overall, with CitiPower ranked first.

The report also found that South Australia was the most efficient State for electricity distribution. SA Power Networks is the only electricity distributor in South Australia.





### **CITIPOWER AND POWERCOR'S DELIVERY OF ADVANCED METERING INFRASTRUCTURE (AMI) BEST IN CLASS**

CitiPower and Powercor were the only distribution networks to roll out their Advanced Metering Infrastructure program on time and within budget.

In October 2014, the Victorian Minister for Energy and Resources called on the Australian Energy Regulator to benchmark the costs of all other networks' programs against CitiPower and Powercor's sector leading performance.

AMI technology is currently providing a range of benefits including quicker response to faults and automatic dispatch of repair crews, theft protection for network assets and more accurate data for network planning.

### **SA POWER NETWORKS AMONG THE SAFEST AND MOST PREFERRED EMPLOYERS IN AUSTRALIA**

SA Power Networks has proven itself to be an industry leader in workplace safety. In 2014 it recorded only one lost time injury and prior to that had gone 742 consecutive days without a single lost time injury being recorded.

In 2014 SA Power Networks was recognised for the second year in a row as Australia's best place to work by new graduates entering the workforce.

The business was awarded Best Graduate Employer in Australia by the Australian Association of Graduate Employers as voted by graduates. It was ranked ahead of 74 other leading companies.

# MESSAGE FROM THE CHAIRMAN



BRIAN SCULLIN, CHAIRMAN

At Spark Infrastructure, the primary focus for your Directors is the delivery of steadily growing distributions over time and across regulatory periods.

Dear Securityholder,

The primary focus for your Directors at Spark Infrastructure is the delivery of steadily growing distributions over time and across regulatory periods. We are acutely aware of the importance of this to our investors and this understanding forms the backdrop for our decision-making on every matter that crosses the board table.

Moreover, our proven ability to provide reliable long term distribution guidance, reaching 3-5 years into the future, is a valuable offering in the market and an attractive part of Spark Infrastructure's investment proposition. We intend to maintain this point of distinction.

Our most recent guidance on distributions is for the 12 months ending 31 December 2015, which broadly corresponds to the end of the current regulatory periods for the Asset Companies. With this important milestone fast approaching, it is not possible to give guidance beyond 2015 at this point.

We intend to provide longer term guidance as soon as it is appropriate to do so, bearing in mind business conditions at the time and clarity around the outcomes of the impending Asset Companies' regulatory resets for the 2015/16 to 2020 periods.

With Spark Infrastructure's distributions to securityholders currently more than 200% covered by Asset Company look-through

cashflows, and our own balance sheet in excellent shape, we are well placed to achieve these goals despite the various challenges that will inevitably arise.

## FULL YEAR 2014 RESULTS

Spark Infrastructure has delivered another solid full year result for the year ended 31 December 2014. As always, our success depends upon the performance of the Asset Companies in which we hold a 49% interest; SA Power Networks, CitiPower and Powercor (together known as Victoria Power Networks), and our most recent investment, our 12.4% economic interest in DUET Group.

The performance of our investments has enabled your Directors to declare a 2014 final distribution of 5.75 cents per security (cps), in line with prior guidance, and to provide guidance for 2015 of 12.0 cps which equates to 4.3% growth over 2014.

Subject to achieving the distribution guidance for 2015, your distributions will have grown at a compound average annual growth rate of 4.7% since 2011 when we repositioned Spark Infrastructure for growth.

## STRONG CASHFLOWS CONTINUE TO UNDERPIN GROWTH

SA Power Networks and Victoria Power Networks are both in the final year of their respective 5-year regulatory periods,

which have been characterised by solid operating performance and Regulatory Asset Base (RAB) growth, driven primarily by the efficient delivery of strong operating outcomes and Australian Energy Regulator (AER) approved capital expenditure.

Underpinning our strategy is the reliable stream of operating cashflows generated by the Asset Companies. It is an extraordinary achievement that they have been able to fund their own substantial growth, reduce their gearing as measured by net debt to RAB, and pay a growing distribution to their shareholders. In turn, this has enabled Spark Infrastructure to continue to deliver a growing distribution to its securityholders, representing an investment that has an attractive yield plus strong asset growth.

### FOCUS ON UPCOMING REGULATORY RESETS

Spark Infrastructure and the Asset Companies are firmly focussed on the next regulatory periods which commence on 1 July 2015 in the case of SA Power Networks and on 1 January 2016 for CitiPower and Powercor. The upcoming regulatory resets will determine the level of growth in RAB for the next 5 years, and the rate of return to be earned.

SA Power Networks lodged its initial submissions with the AER in October 2014. These submissions put forward its case in relation to operating and capital expenditure, the rate of return and other

important elements of the regime to apply in the next 5-year regulatory periods.

SA Power Networks expects its Draft Decision at the end of April this year and the Final Decision is then scheduled for the end of October 2015. CitiPower and Powercor will follow the same process six months later. It is important to note that in the first year of their next regulatory periods the Asset Companies will operate under the AER's Draft Decisions, with a 'no disadvantage' true up to take place at the start of year two of the 5-year regulatory periods. This is due to the delay caused by the AER's "Better Regulation Program".

These regulatory reset processes are undoubtedly the 'main game' for our existing business over the next twelve months.

### NEW CHALLENGES AND OPPORTUNITIES

As always, the passage of time brings new challenges, mainly in the form of changing technology and more active customers with evolving demand patterns. These issues are at the forefront of our thinking and planning for the future. We believe there is nobody better placed to build on existing strengths and to expand into new areas of change than Spark Infrastructure and the Asset Companies.

The next 12 months are likely to provide new challenges and opportunities to Spark Infrastructure. Our attention will

be firmly focussed on a small number of key matters including the impending Asset Company regulatory resets; the investment in DUET Group, which currently stands at a 12.4% economic interest and continues to provide yield accretion and potential strategic options; progress on tax matters with the ATO at the Asset Company level and the prospect of privatisation of network assets in NSW as foreshadowed by the NSW Government, which at the time of writing, has just been returned to government following the State election on 28 March 2015.

Spark Infrastructure has formed a consortium with other like-minded investors to assess the opportunities presented by the expected privatisation of electricity network businesses Transgrid, Ausgrid and Endeavour Energy via long term lease. In addition, the consortium has put in place a complete team of experienced advisors to assist with the associated processes. We look forward to receiving more detailed information from the NSW Government in due course.

As always, we will remain alert to new opportunities to add value on behalf of securityholders. I look forward to updating you all again on Spark Infrastructure's progress later in 2015.



**BRIAN SCULLIN**  
Chairman

# MESSAGE FROM THE MANAGING DIRECTOR



**RICK FRANCIS**, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

The Asset Companies continue to perform strongly as they approach the end of their current 5-year regulatory periods.

Dear Securityholder,

The Asset Companies continue to perform strongly as they approach the end of their current 5-year regulatory periods. In 2014 they generated reliable, predictable cashflows, sufficiently strong to fund the equity portion of the capital expenditure of the businesses (i.e. we have not been required to inject any new equity into the businesses), to continue their program of reducing their leverage and to make growing distributions to their shareholders, including Spark Infrastructure.

## FOCUS ON SUSTAINABLE GROWTH

In turn, Spark Infrastructure's central priority is to continue delivering steadily growing distributions to its securityholders over time and across regulatory periods. This commitment shapes the way we look at all matters of strategy and capital management. At the same time we are focussed on promoting continuous improvement in the Asset Companies' operational performance –

in capital management, cost management, service planning, customer service and employee safety.

The Asset Companies' consistent performance is founded on business plans which are sufficiently robust and flexible to deliver growing cashflows given a variety of regulatory outcomes.

They achieve this through:

- Disciplined financial and capital management
- Scalable operations and cutting edge efficiency programs
- Consistent out-performance of regulatory benchmarks and allowances
- Appropriately incentivised management teams

We also recognise that the business environment is changing. The impact of new technologies and evolving customer expectations require a considered response. We are up to that challenge and believe we are ideally placed to grow the businesses in new and exciting directions over the coming years.

## FULL YEAR RESULTS ON TARGET

It is this business platform, with its focus on the future, which enables us to deliver strong results now. In 2014 Underlying Profit before Loan Note Interest and Tax was \$272.1 million, an increase of 24.1% on the prior year. Similarly, Underlying Net Profit after Tax was up 39.1% for the year to \$128.1 million. Importantly, we made a change to the way we value customer contributions and gifted assets reported in the Asset Companies. This is a non-cash change and simplifies the reporting of these complex items. Factoring in this change, our Statutory Net Profit after Tax was relatively steady year on year.

The Asset Companies strong performance has enabled the Directors to declare a final distribution of 5.75 cents per security (cps) which was paid on 13 March 2015. This distribution was in line with the previously provided distribution guidance of 11.5 cps for 2014, an increase of 4.5% on 2013. We understand the importance of reliable distributions to our securityholders, and accordingly the Directors have provided guidance for distributions of 12.0 cps in 2015, subject to business conditions.

## PERFORMANCE SUMMARIES

Our strong profit performance was a result of higher equity accounted share of profits from the Asset Companies, net distributions and unrealised gains on the derivative contracts associated with the economic interest in DUET Group acquired in 2014 and lower interest expenses from the repayment of bank debt in prior years.

On the revenue front, the Asset Companies generated total regulated revenues of \$1,878.9 million, up 6.8% on 2013, with aggregated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) excluding customer contributions up 6.1% to \$1,488.9 million.

The Regulated Asset Base (RAB) of the Asset Companies grew by 4.8% in 2014, taking the total RAB to \$9.03 billion (Spark Infrastructure share \$4.42 billion) by the close of the year. In aggregate, net debt to RAB (i.e. gearing) at the Asset Company level was 77.2% at 31 December 2014, down 1.3% versus the prior year.

## SPARK INFRASTRUCTURE FINANCIAL PERFORMANCE

	FY 2014 (\$M)	FY 2013 (\$M)	VARIANCE [%]
Total Underlying <sup>1</sup> income <sup>2</sup>	288.8	235.8	22.4
Underlying <sup>1</sup> Profit before Loan Note Interest and Tax	272.1	219.3	24.1
Underlying <sup>1</sup> Net Profit after Tax	128.1	92.1	39.1
Net Profit after Tax	128.1	128.4	(0.2)
Operating cashflows (standalone)	206.9	189.3	9.3
<b>Cash received from Asset Companies (Spark's 49% share)</b>			
SA Power Networks	125.0	122.5	2.0
CitiPower and Powercor (Victoria Power Networks)	81.2	80.7	0.6
<b>Total</b>	<b>206.3</b>	<b>203.2</b>	<b>1.5</b>

1. An underlying adjustment has been made to the 2013 comparative results to reflect changes made to the basis of estimating the fair value of customer contributions and gifted assets in 2014 effectively valuing them at nil. There are no underlying adjustments in 2014.
2. Includes interest income from associates, Spark Infrastructure's share of equity accounted profits, gains on derivative contracts and other income.



## AGGREGATED ASSET COMPANY PERFORMANCE (100% BASIS)

	FY 2014 [\$M]	FY 2013 [\$M]	VARIANCE [%]
Prescribed revenue, including			
– Distribution revenue	1,763.5	1,621.8	8.7
– Prescribed metering revenue (AMI)	115.4	138.0	(16.4)
Non-prescribed revenue	335.9	350.9	(4.3)
<b>Total revenue (excluding customer contributions)<sup>1</sup></b>	<b>2,214.8</b>	<b>2,110.7</b>	<b>4.9</b>
<b>EBITDA (excluding customer contributions)</b>	<b>1,488.9</b>	<b>1,403.1</b>	<b>6.1</b>
Net Capital Expenditure	869.8	882.9	(1.5)
Net Debt to RAB (Asset Company level)	77.2%	78.5%	-1.3%

1. Aggregated revenue excludes transmission revenue, which is collected on behalf of others and does not contribute to profit. Non-prescribed business activities includes semi-regulated activities such as meter reading (SA Power Networks), public lighting and unregulated activities such as the provision of construction, maintenance and back office services to third parties.

## INTEREST IN DUET GROUP

As previously disclosed, we acquired a 14.1% economic interest in DUET Group in May 2014. Following our decision not to adjust our derivative contracts to match our notional entitlement under the equity raise conducted by DUET Group last November, this economic interest now stands at 12.4%. As expected, this investment was accretive to our cash flows in 2014.

Spark Infrastructure posted a gain of \$24.9 million from its economic interest in DUET Group. This included a net cash distribution of \$9.7 million consisting of a cash distribution of \$15.8 million minus financing costs of \$6.1 million; and an unrealised gain on the value of the derivative contracts, due to an increase in the security price of DUET Group, of \$15.2 million.

We have subsequently received a second distribution of \$16.3 million in mid-February, which when combined with the interim distribution expected in August of this year will equate to distributions of around \$32.5 million for 2015.

We have varied the terms of some of the derivative contracts, including extending the expiry date of the call options into 2015, resulting in no cash payments in 2014. We continue to actively manage the derivative contracts associated with our economic interest and we provide updates to the market in accordance with our continuous disclosure obligations.

## AER REPORT CONFIRMS ASSET COMPANIES AMONG THE MOST EFFICIENT IN AUSTRALIA

In November last year the Australian Energy Regulator (AER) issued its first Benchmarking report which ranks the efficiency of the 13 electricity distribution networks under its jurisdiction. This confirmed the ranking of SA Power Networks and Victoria Power Networks among the most efficient businesses of their kind in Australia. All three networks were ranked in the top five overall with CitiPower ranked first overall. The report also found that South Australia was the most efficient on a State by State comparison. SA Power Networks is, of course, the only electricity distributor in South Australia.

An important benefit of benchmarking well against their peers is the impact this should have on how the regulator assesses their regulatory proposals for the 2015-2020 regulatory periods. The AER has consistently maintained that strongly performing businesses can look forward to a “light touch” regulatory approach, while the poor performers should expect more intrusive examination. With SA Power Networks expecting a Draft Decision from the AER for its next regulatory period at the end of April, we are looking forward to seeing how this plays out in practice.

### FOCUS ON REGULATORY RESETS

SA Power Networks and Victoria Power Networks are firmly focussed on their respective regulatory reset processes which will establish the 5-year regulatory periods for SA Power Networks from 1 July 2015 and for Victoria Power Networks from 1 January 2016.

Experienced regulatory and management teams continue to work constructively with the AER through this process and they are being well led

by their CEOs Rob Stobbe at SA Power Networks and Tim Rourke at Victoria Power Networks.

One thing we already know for certain is that the move to a “revenue cap” form of revenue recovery, which has been confirmed for all electricity network businesses regulated by the AER, will remove volume risk in the next regulatory periods and will therefore further increase revenue certainty for Spark Infrastructure.

### FINANCIAL STRENGTH AND DISCIPLINE

Spark Infrastructure’s approach to its investments is to apply rigorous financial and operational oversight to its portfolio of assets with a view to achieving long-term growth and profitability in a measured way. The emphasis is always on prudent financial management, efficient operations, a safe and engaged workforce and the effective management of every type of business risk. Spark Infrastructure also targets solid investment grade credit ratings for itself and its portfolio of assets.

We take the same disciplined approach to our assessment of any opportunities to further grow and diversify the asset portfolio.

In the near term we intend to take a close look at the opportunities created by the expected privatisation of three NSW electricity businesses by long term lease – Transgrid, Ausgrid and Endeavour Energy, which has been foreshadowed by the NSW State Government. Spark Infrastructure has formed a consortium with like-minded investors and we look forward to learning more detail about these opportunities as they become available.

I look forward to keeping you updated on our progress in 2015 and beyond.



**RICK FRANCIS**

Managing Director and  
Chief Executive Officer

# MANAGEMENT TEAM



SPARK INFRASTRUCTURE MANAGEMENT TEAM

Spark Infrastructure is run by a small team of experienced professionals with expertise in the management of infrastructure businesses across multiple sectors.

Spark Infrastructure's Board and Management applies rigorous financial and operational oversight to its investments through its representation on the Asset Companies' Boards.

The focus is always on prudent financial management, efficiency of operations, a safe and engaged workforce and the effective management of every type of business risk.

The Asset Companies in our portfolio continue to be regarded as among the most efficient and reliable of their kind in Australia. Importantly for our investors, their strong operational performance combined with regulatory protections translates into reliable cashflows, which in turn support Spark Infrastructure's distributions to its securityholders.



**RICHARD (RICK) FRANCIS**  
BCom, MBA, CA, GAICD  
Managing Director and Chief Executive Officer

Rick Francis commenced as Managing Director and Chief Executive Officer of Spark Infrastructure in May 2012 after having originally joined Spark Infrastructure in February 2009 as Chief Financial Officer.

Rick has over 17 years' experience in the Australian energy and energy infrastructure industries. Prior to joining Spark Infrastructure he was employed as Chief Financial Officer by the ASX listed APA Group and by Origin Energy Limited in a number of senior management roles.

Rick is also a Chartered Accountant with 15 years' experience in the finance and energy fields in Australia and the UK.



**GREG BOTHAM**  
BBus, MAppFin, CA  
Chief Financial Officer

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

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

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



**ALEXANDRA FINLEY**  
DipLaw, MLM  
General Counsel and Company Secretary

Alexandra Finley is an experienced corporate governance professional with over 16 years legal and commercial experience gained in private practice and in-house. Prior to joining Spark Infrastructure, she spent almost 10 years with National Australia Bank/MLC in various senior legal and commercial roles.

Alexandra has extensive experience in the financial services sector having held strategic, operational and management roles. Her responsibilities include corporate governance, legal and regulatory compliance, risk management, corporate transactions, and advising on general legal matters.

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



**MARIO FALCHONI**  
BEc, MPA, GradDipCom  
General Manager, Investor Relations  
and Corporate Affairs

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

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

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

# BOARD OF DIRECTORS



**BRIAN SCULLIN**

B Ec

Independent Chairman (since Sept 2011)

Mr Scullin was the Independent Non-Executive Chair of BT Investment Management from 2007 to 2013 and was previously a Non-Executive Director of Dexu Property Group and State Super Financial Services. Mr Scullin was a Non-Executive Director and RREEF nominee to the Spark Infrastructure Board from 2005 to 2007 and was also Chair of the Compliance Committee and a member of the Audit and Risk Management Committee. Mr Scullin has more than 20 years' experience in the funds management industry in both Australia and Asia and has held many industry positions including Vice Chair of the Financial Services Council (then known as IFSA). Mr Scullin is Chair of Life Education Tasmania, Deputy Chair of Optia Inc and President of the Retirement Benefits Fund of Tasmania. Mr Scullin was appointed Presiding Chair of the Tasmanian Development Board in 2014. Mr Scullin is Chair of the Remuneration and Nomination Committee ("RemCo").



**CHERYL BART AO**

B Com, LLB, FAICD

Independent Director (since November 2005)

Ms Bart is a lawyer and has been a Non-Executive Director of SA Power Networks since 1995. She has significant utilities industry experience and is Chair of the Audit Committee of SA Power Networks and a member of its Risk and Compliance Committee. Ms Bart serves on the Board of the Australian Broadcasting Corporation, Australian Himalayan Foundation, Football Federation of Australia and the Local Organising Committee of the 2015 Asian Cup. Ms Bart was appointed as a Director of SG Fleet in 2014 and is a Director of Audio Pixels Holdings Limited. She was previously Chair of ANZ Trustees Limited, the South Australian Film Corporation and the Foundation for Alcohol Research and Education. Ms Bart is a member of the Audit, Risk and Compliance Committee ("ARC").



**ANDREW FAY**

B AgEc (Hons), AFin

Independent Director (since March 2010)

Mr Fay is a Director of BT Investment Management Limited, is Chair of Deutsche Managed Investments Limited and a Non-Executive Director of J O Hambro Capital Management Holdings Limited. Mr Fay was appointed Chair of Tasman Lifestyle Continuum in 2014. He consults on capital markets and provides corporate development advice to a private company operating in the renewable energy sector. Mr Fay was Chair of Deutsche Asset Management (Australia) Ltd following more than 20 years' experience in the financial services sector. He was a member of the Investment Board Committee of the Financial Services Council for six years and was an Alternate Director of Spark Infrastructure from 2006 to 2007. Mr Fay has been a Non-Executive Director of Victoria Power Networks, CitiPower and Powercor, and SA Power Networks since 2011 and is a member of the Remuneration Committees of the businesses. Mr Fay is a member of the ARC.





**ANNE McDONALD**

BEC, FCA, GAICD

Independent Director (since January 2009)

Ms McDonald is a Non-Executive Director of the GPT Group, Speciality Fashion Group Limited and Sydney Water Corporation. Ms McDonald was a partner of Ernst & Young for 15 years. She has broad based business and financial experience, gained through working with a wide cross section of international and local companies, assisting them with audit, transaction due diligence and regulatory and accounting requirements. Ms McDonald has been a Non-Executive Director of Victoria Power Networks, CitiPower and Powercor since 2009 and is Chair of the Audit Committee of Victoria Power Networks and a member of its Risk and Compliance Committee. Ms McDonald is Chair of the ARC and a member of RemCo.



**KEITH TURNER**

BE (Hons), ME, PhD (Elec Eng)

Independent Director (since March 2009)

Dr Turner possesses extensive experience in the New Zealand energy sector. He served as CEO of Meridian Energy Limited from 1999 to 2008. Prior to that, he worked as a private energy expert advising a range of large corporate clients and Government. He previously served in a number of industry reform functions that established the current New Zealand industry structure and has had many years in senior industry operations and planning roles. Dr Turner is a Director of Chorus NZ Limited and was Deputy Chair of Auckland International Airport until October 2014. He is Chair of Fisher & Paykel Appliances Limited and of New Zealand's America's Cup challenge "Emirates Team New Zealand Ltd". Dr Turner has been a Non-Executive Director of SA Power Networks, Victoria Power Networks, CitiPower and Powercor since 2009 and is a member of RemCo.



**CHRISTINE McLOUGHLIN**

BA, LLB (Hons), FAICD

Independent Director (since October 2014)

Ms McLoughlin was appointed as an independent Non-Executive Director from 1 October 2014. Ms McLoughlin has over 25 years' experience as a financial services and legal executive with iconic brands in financial services (AMP and IAG), telecommunications (Optus) and professional services industries in Australia, the UK and Asia. Ms McLoughlin was most recently appointed as a Director of Suncorp Group Limited from February 2015, is a Director of nib Holdings Limited and a Director of Whitehaven Coal Limited. She was formerly a Director of Westpac's Insurance Businesses and was the inaugural Chair of Australian Payments Council. She is Deputy Chair of The Smith Family and a Member of the Minter Ellison Advisory Council. Ms McLoughlin is a member of RemCo.



**KAREN PENROSE**

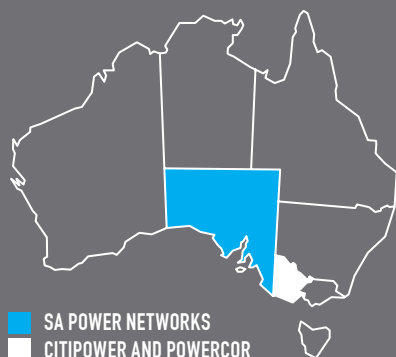
BCom, CPA, GAICD

Independent Director (since October 2014)

Ms Penrose was appointed as an independent Non-Executive Director from 1 October 2014. Ms Penrose has a strong background and experience in business, finance and investment banking, in both the banking and corporate sectors. Her prior executive career includes 20 years with Commonwealth Bank and HSBC and, over the eight years to January 2014, Chief Financial Officer and Chief Operating Officer roles with two ASX listed companies. Ms Penrose is Chair of the Audit Committee and member of the Risk and Compliance Committee of the Novion Property Group. She is a Director of AWE Limited, LandCom (operating as UrbanGrowth NSW) and Marshall Investments Pty Limited and was formerly Deputy Chair and Chair of the Audit and Risk Committee of Silver Chef Limited until February 2015. Ms Penrose is a member of the ARC.

# BUSINESS OVERVIEW

Spark Infrastructure owns 49% interests in three quality Australian electricity distribution networks in South Australia and Victoria. These businesses have a combined Regulatory Asset Base of \$9.03 billion. They are ranked amongst the most efficient, reliable and safest electricity network businesses in Australia.



## SA POWER NETWORKS

SA Power Networks manages South Australia's electricity distribution network, supplying 846,846 residential and business customers in the capital, Adelaide, and all regions in the State. The network is one of the most reliable in Australia with 99.95% network availability achieved across a State of widely varied and challenging terrain and extremes of weather. The Australian Energy Regulator (AER) recently ranked South Australian electricity distribution as the most efficient in its jurisdiction on a State by State comparison in its inaugural 2014 benchmarking report.



## VICTORIA POWER NETWORKS

CitiPower owns and operates the distribution network that supplies electricity to 323,487 customers in Melbourne's CBD and inner suburbs. These customers include some of Australia's largest companies, public transport systems and sporting venues. CitiPower is the most reliable electricity distribution network in Australia with an availability rating of 99.99%. CitiPower was recently ranked as the single most efficient network overall in the AER's 2014 Benchmarking Report.



Powercor is the largest distributor of electricity in Victoria, owning and operating a network that serves 757,082 customers in central and western Victoria and the western suburbs of Melbourne. Powercor operates with a network availability rating of 99.96%. The strong efficiency of Powercor as judged by the AER in its 2014 Benchmarking Report contributed to Victorian electricity distribution's No.2 ranking on a State by State comparison.



### SA POWER NETWORKS



846,846  
CUSTOMERS



725,004  
POLES



436 ZONES/  
74,019 DISTRIBUTION  
SUBSTATIONS

### CITIPOWER



323,487  
CUSTOMERS



58,276  
POLES



106 ZONES/  
4,664 DISTRIBUTION  
SUBSTATIONS

### POWERCOR



757,082  
CUSTOMERS



561,471  
POLES



141 ZONES/  
83,359 DISTRIBUTION  
SUBSTATIONS

NUMBER OF CUSTOMERS	846,846	323,487	757,082
NUMBER OF EMPLOYEES	2,199	2,026 (reported jointly)	
NETWORK SIZE (KM LENGTH OF ALL LINES)	88,227	7,627	86,389
NETWORK SIZE (KM <sup>2</sup> OF AREA)	178,200	157	145,651
ELECTRICITY SALES VOLUME (GWh)	10,586	5,919	10,333
NETWORK AVAILABILITY	99.95%	99.99%	99.96%
NUMBER OF DISTRIBUTION TRANSFORMERS	74,019	4,664	83,359
NUMBER OF ZONE SUBSTATION TRANSFORMERS	436	106	141
NUMBER OF POLES	725,004	58,276	561,471
PERCENTAGE OF LINES UNDERGROUND	19%	41%	12%
PEAK DEMAND (MWh)	3,145	1,452	2,456

### OWNERSHIP STRUCTURE

SECURITYHOLDERS

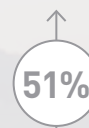


SPARK  
INFRASTRUCTURE



SA POWER NETWORKS

VICTORIA POWER NETWORKS  
CITIPOWER & POWERCOR



CHEUNG KONG  
INFRASTRUCTURE/POWER  
ASSETS HOLDINGS

# SA POWER NETWORKS

SA Power Networks manages South Australia's electricity distribution network, supplying 846,846 residential and business customers in the capital, Adelaide, and all regions across the State. The network is one of the most reliable in Australia, with 99.95% network availability achieved across a State of widely-varied and challenging terrain and extremes of weather.



Anangu  
Pitjantjatjara  
Yankunytjatjara  
Lands

Maralinga  
Tjarutja  
Lands

Yalata Lands

SOUTH  
AUSTRALIA

GREAT  
AUSTRALIAN  
BIGHT

Ceduna

Streaky  
Bay

Whyalla

Port Augusta

Port Pirie

Clare

Barmera

Elizabeth

Murray  
Bridge

Victor  
Harbour

Mount  
Gambier

Port Lincoln

Marleston  
St Marys

NETWORK AVAILABILITY

99.95%

NEXT REGULATORY RESET

JUL 2015

REGULATED ASSET BASE

\$3.86B

CREDIT RATING

A-/A3

- Network Coverage
- Office and Depot Locations
- Depot Locations

## THE AUSTRALIAN ENERGY REGULATOR HAS RANKED SOUTH AUSTRALIA AS THE MOST EFFICIENT STATE IN AUSTRALIA FOR ELECTRICITY DISTRIBUTION.

SA Power Networks is the only electricity distributor in South Australia. This is significant endorsement for a business which delivers services across a very large geographical area known for its low population density, challenging terrain and relatively extreme variations of weather.

In addition, the business has proven itself to be an industry leader in workplace safety. In 2014 it recorded only one lost time injury and prior to that had gone 742 consecutive days without a single lost time injury being recorded.

## OPERATIONAL SUMMARY

SA Power Networks' total distribution revenue for 2014 (net of transmission charges) was \$920 million. This represents an increase of 7.7% from 2013. At 10,586 GWh in 2014, sales volume declined by about 2.0% relative to the 10,803 GWh sold in 2013. This was largely due to lower volumes in response to tariff increases and higher penetration of residential solar photo voltaic (PV) installations.

In 2014, net capital expenditure totalled \$363.8 million, an increase of \$15.3 million or 4.4% from 2013. The increase was primarily related to non-network expenditure upgrading Information Technology infrastructure and supporting business systems.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$830.5 million were achieved in 2014, an increase of \$10.0 million or 1.2% on 2013. This result is primarily due to

higher distribution revenue largely offset by higher operating expenditure. Higher operating expenditure was a consequence of increased vegetation management costs in line with vegetation cost pass through, increased network inspections and higher emergency response costs and guaranteed service level payments arising from extreme weather events. Profit before tax in 2014 of \$366.4 million was \$2.9 million or 0.8% higher than the 2013 result, after including higher depreciation charges of \$7.2 million primarily due to commissioning of increased network and fleet replacement programs.

SA Power Networks' non-regulated business continued to outperform targets in 2014, with revenue increasing by 14.2% on 2013. Increased revenue from the National Broadband Network contract more than offset reduced demand in major project activity in the transmission space.





SA POWER NETWORKS – THE BEST GRADUATE EMPLOYER IN AUSTRALIA

### SAFETY AND WORKFORCE

SA Power Networks continued its strong focus on nationally-recognised accredited training and an apprenticeship program that surpasses industry requirements. During 2014 there were 148 apprentices in training and a further 27 engineering and IT graduates participating in a three year development program.

In October SA Power Networks was awarded Best Graduate Employer in Australia by the Australian Association of Graduate Employers as voted by graduates.

SA Power Networks maintained its safety certifications against AS/NZS 4801 and OHSAS 18001 in 2014. Under the WorkCover Self Insurance Standards, a Superior Level Rating has been maintained after the triennial re-certification audit in 2012. This is due for renewal in 2015.

In 2014, SA Power Networks achieved accreditation against the stringent safety standards of the Federal Government Building and Construction Occupational Health and Safety Scheme.

In September 2014, SA Power Networks was shortlisted for a national safety award by National Safety Council of Australia in the category of Best Solution of a Work Health and Safety Risk.

Pleasing results are flowing from SA Power Networks' investment in its leadership programs over the past few years. The 2014 results for SA Power Networks leadership effectiveness index shows 92% of leaders recording a good or better result. This is an increase of 3% on the 2013 result.

### CUSTOMER SERVICE

SA Power Networks has an ongoing focus on meeting its reliability standards and improving its customer service performance.

In 2014, SA Power Networks achieved a telephone Grade of Service of 90.6% (of calls answered within 30 seconds) against a target of 88.7%. This is a slight improvement over last year's result.

In terms of reliability, the annual minutes without supply per customer for 2014, as measured by System Average Interruption Duration Index (SAIDI), is 238 minutes, compared to the annual target of 179 minutes. This was due to severe storms which occurred in January, February and June. These four events contributed about 82 minutes, with the severe wind storm on 3–4 February contributing 62 of those minutes. Also as a consequence, Guaranteed Service Level payments for duration and frequency of interruptions for 2014 were unfavourable relative to targets.

The Service Performance Scheme (SPS) was also affected by these weather events with SA Power Networks' performance for 2013/14 approximately \$9 million unfavourable. This is the first unfavourable outcome in a number of years. In response to these events SA Power Networks has undertaken a major review of extended outages to identify areas of improvement. Over the 2010 – 2014 period SA Power Networks was still around \$23 million favourable.

## INNOVATION

SA Power Networks used innovative approaches in a number of areas in 2014. These include but are not limited to Services, Tariffs and Looking to the Future.

### Service Innovation

In recent years, SA Power Networks has developed a range of service information products that add value to its customers. In December 2014 a new mobile device application for reporting and monitoring power outages was released. This customer self-service tool was identified during the Customer Engagement Program (CEP) that supported development of the 2015 – 2020 Regulatory Proposal. That program also identified new service opportunities which were expanded with innovative engagement techniques. Among these were enhanced vegetation management programs that reflect community preferences.

**OPERATORS ARE PRESENTED WITH A REAL TIME VIEW OF THE ENTIRE ELECTRICAL NETWORK, WHICH ALLOWS THEM TO RESPOND SWIFTLY TO UNPLANNED OUTAGES.**

### Tariff Innovation

The Power of Choice reform program seeks to make network charges increasingly cost reflective. SA Power Networks has included voluntary cost reflective tariffs as part of its 2014/15 pricing proposal. By having tariffs which more accurately reflect the cost drivers of a network business, customers will be encouraged to invest efficiently in Distributed Energy Resources as well as to adopt more efficient energy usage behaviours.

### Looking to the Future

In 2011 SA Power Networks developed an industry leading document aimed at providing insights into the future shape of the Electricity Industry. SA Power Networks Regulatory Proposal benefitted significantly from this initiative, to ensure that SA Power Networks is best placed to deliver on the long term interests of customers.

The level of sophistication and activity from customers is steadily increasing and with that comes changes in preferences and usage patterns. By the end of the year SA Power Networks will have over 170,000 customers with solar PV, with some 600MW of residential solar PV capacity connected to the network.

SA Power Networks continues to upgrade the SCADA (network data communications) system to the

Advanced Distribution Management System (ADMS) supplied by Telvent/Schneider Electric which went live in December 2014. The SCADA/ADMS is a software solution set that enables the control room, field services and management to efficiently and effectively manage the real time operation of SA Power Networks' electricity grid. Operators are presented with a real time view of the entire electrical network, which allows them to respond swiftly to unplanned outages. The ability to see the network in real time also enables more accurate program writing and switching in the field.

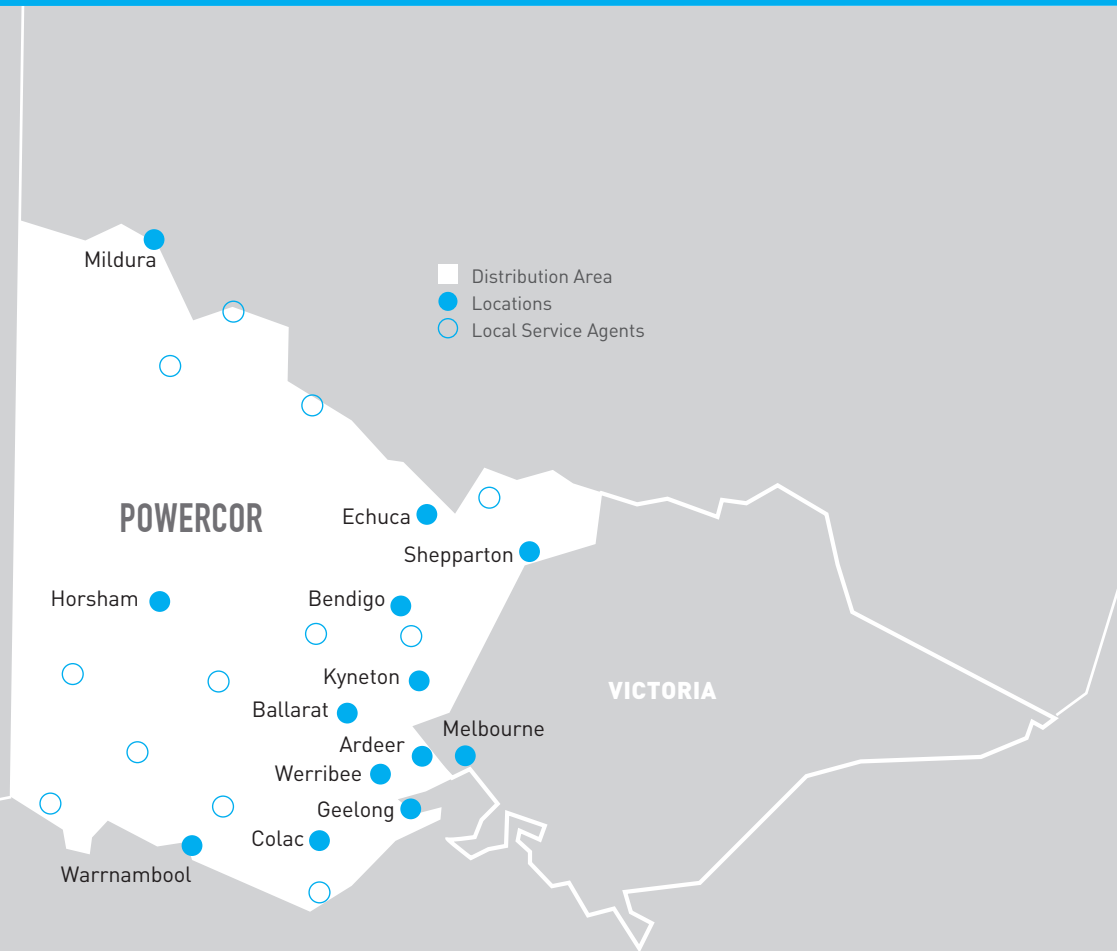
Expected benefits of the ADMS include:

- reduced manual processes;
- improved visibility of unplanned outages; and
- improved efficiency of planned outages and switching.

In line with this project SA Power Networks has commenced a feeder automation project. The aim of the project is to deploy remote control switching devices on up to 75 of the worst performing distribution feeders in an effort to reduce the restoration time for customers. SA Power Networks commenced installation of field devices in August 2014 and aims to implement the automated supply restoration capabilities of the ADMS from early 2017.

# VICTORIA POWER NETWORKS

The Powercor Australia and CitiPower networks are managed by a joint management team and workforce within the Victoria Power Networks group of companies. CitiPower and Powercor Australia own and operate two of the five fully regulated electricity distribution networks in Victoria under the regulatory supervision of the Australian Energy Regulator.



NETWORK AVAILABILITY

99.96%

REGULATED ASSET BASE

\$3.37B

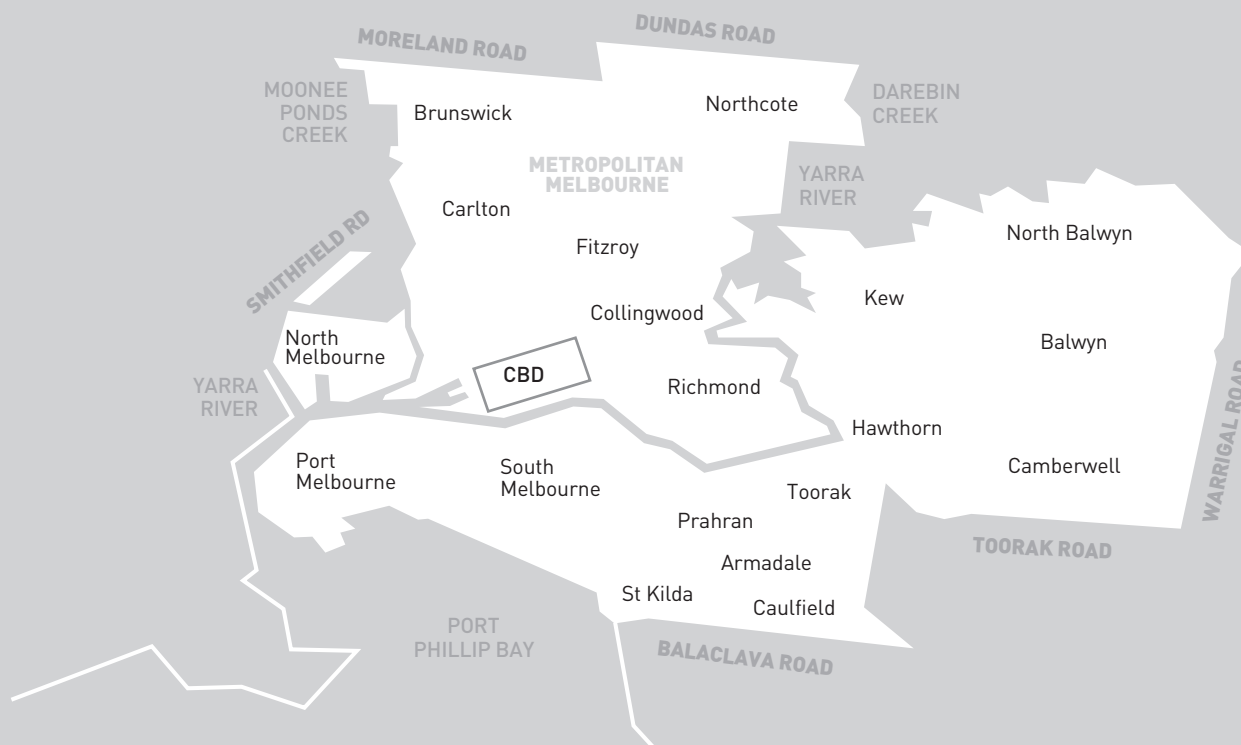
NEXT REGULATORY RESET

JAN 2016

CREDIT RATING

BBB+/Baa1

## MELBOURNE CITIPOWER



Powercor Australia is the largest distributor of electricity in Victoria, owning and operating a network that serves 757,082 customers in central and western Victoria and the western suburbs of Melbourne.

# 757,082

CitiPower owns and operates the distribution network that supplies electricity to 323,487 customers in Melbourne's CBD and inner suburbs. These include some of Australia's largest companies, public transport systems and sporting venues.

# 323,487

NETWORK AVAILABILITY

## 99.99%

REGULATED ASSET BASE

## \$1.79B

NEXT REGULATORY RESET

## JAN 2016

CREDIT RATING

## BBB+

## THE AUSTRALIAN ENERGY REGULATOR HAS RANKED CITIPOWER AS THE MOST EFFICIENT NETWORK IN AUSTRALIA, WHILE POWERCOR, WHICH AS A RURAL NETWORK FACES TOUGHER HURDLES, ALSO RANKED IN THE TOP FIVE NETWORKS FOR EFFICIENCY.

CitiPower and Powercor are building on this success through a range of continuous improvement initiatives designed to achieve world class levels of efficiency. With benchmarking an increasingly prominent part of the regulatory environment, the delivery of excellent performance will be a key driver of value creation.

### OPERATIONAL SUMMARY

Victoria Power Networks has performed well in a changing environment during 2014. Distribution revenue was impacted by energy efficiency initiatives, increased solar take up and changes in customer behaviour towards energy conservation in response to rising electricity prices. Total solar connections as at December 2014 were 16% higher than the previous year.

CitiPower's total regulated revenue in 2014 was \$290.1 million, up 5.7% on 2013, including all metering revenue and excluding pass-through transmission revenue. Electricity sales volume was 5,919 GWh, compared to 5,981 GWh in 2013. Total regulated revenue for the Powercor network was \$668.7 million, up 6% on 2013, including all metering revenue and excluding pass-through transmission revenue. Electricity sales volume for Powercor was 10,333 GWh compared to 10,556 GWh in 2013.

The distribution tariffs charged to retailers by CitiPower and Powercor rose respectively by 10.73% and 8.13% on 1 January 2015. The distribution tariff portion was in line with what was approved by the Australian Energy Regulator and set at the beginning of the regulatory period. Following the approved adjustment to tariffs, the 2015 contribution of distribution charges to CitiPower customers' electricity bills is only 21 per cent, the lowest in Australia and for Powercor customers' bills the distribution charge is only 27 per cent. In other states the contribution can exceed 50 per cent. For example, a CitiPower residential customer on one of the more common tariffs pays \$271 per year in distribution network charges – the lowest in Australia. Powercor customers on the same tariff pay around \$382 per year – the lowest of all rural distribution businesses.

### CUSTOMER SERVICE PERFORMANCE

CitiPower and Powercor customer satisfaction was recorded at 80% and 85% respectively in 2014. These very high levels of satisfaction are unprecedented and customers appear to be noticing the company's commitment to its core value of 'Make it easy for your customer'.

In addition, in 2013-2014 CitiPower and Powercor outperformed other Victorian distribution businesses in the Energy Water Ombudsman Victoria annual reports, coming in at number one and number two respectively with the lowest number of complaints. Its Customer Contact Centres take more than one million calls annually, with 78% and 76% of fault calls for CitiPower and Powercor respectively answered within 30 seconds. Whilst the preferred method of contact for most customers is the telephone, increasing use of the internet, SMS alerts, email and other advancing digital technologies such as the release of Australia's first outage app, mean customers can now connect using the channel of their choice.

Satisfaction among retailers was again strong at 92% whilst the Major Customer satisfaction rating came in at 74%.

Powercor possesses one of the highest reliability ratings for rural electricity distribution networks in Australia at 99.96% network availability

99.96%

CitiPower operates with a reliability rating of 99.99% network availability

99.99%





SAFETY IS THE TOP PRIORITY

## SAFETY AND WORKFORCE

CitiPower and Powercor's Health and Safety Management System is certified to the AS/ NZS 4801- Occupational Health and Safety Management Systems Standard.

The Health and Safety Management System is supported by a strong Health and Safety structure with Health and Safety Committees at all locations, and a Health and Safety Steering Committee chaired by the Chief Executive Officer. The Steering Committee met five times in 2014, with meetings held at a variety of locations across the business.

In 2014, CitiPower and Powercor (employees and contractors) recorded 11 Lost Time Injury (LTI) and 39 Medical Treatment Injuries (MTIs). CitiPower and Powercor's WorkCover premium for 2014/15 continues to be well below the average of all participants in the WorkCover scheme.

The business launched Never Compromise Safety Rules to ensure continued focus on its aspiration to live and work safely. It also released the Never Compromise Safety App enabling employees to report hazards

and near miss incidents, and provides latest safety news and incident advice direct to staff devices.

CitiPower and Powercor's Mental Health program received the Minister's Award for Mental Health Excellence at the 2014 Victorian Public Health Awards. The Award acknowledges the achievements of CitiPower and Powercor in improving the understanding and awareness of mental illness and providing support services to employees.

The business also invested heavily in training and development for its employees, with a focus on leadership, mentoring and career development.

In 2014, CitiPower and Powercor welcomed a record 49 new apprentices and trainees into the business, the largest intake in the company's history. These trainees and apprentices will work from 11 locations around Victoria. CitiPower and Powercor have trained more than 419 apprentices and trainees since 2001.

## INNOVATION

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

The CitiPower and Powercor networks are the industry leaders in the Victorian rollout of smart meters, and have met all Government smart meter deployment targets. The business has installed smart meters for more than one million customers across the networks and is working with customers to help them get the most from their meter and the extra choice and control this advanced technology offers.

Solar and wind power are increasingly being integrated into the CitiPower and Powercor networks. Nearly

74,000 Powercor customers and more than 5,100 CitiPower customers have installed solar panels since 2009, with a combined capacity of almost 210,000 and 15,800 kilowatts respectively.

The business will continue to invest in the development of a smarter network incorporating advanced technologies that enable more efficient capital investment, improved safety and reliability as well as widespread integration of renewable energy sources as more customers choose to invest in small-scale generation. In particular, the installation of smart meters and better communications capability is central to the development of smart grids and better management of the network. This enables CitiPower and Powercor to respond quickly and cost efficiently to network faults through remote control that improves response time and creates a safer network.

Having the best performing smart meter program in Victoria has enabled the business to leverage this technology to

build greater functionality. This includes tamper alarms to secure the network from theft, better management of peak demand, as well as faster and more efficient investigation into quality of supply issues for customers. It also delivers enhanced outage management, giving the ability to remotely survey the network after a major storm event ensuring that all customers have been reconnected.

In recognition of this, CitiPower and Powercor received the Award for Innovation at the prestigious Australian Business Awards for its world first Meter Outage Notification (MON) system. The system uses Advanced Metering Infrastructure to automatically notify the business of customer outages by way of real time two-way communication system. This has improved how the business manages fault and outage identification and restoration activities. It can reduce the time a customer is without supply and delivers significant savings to the business.

**CITIPOWER  
AND POWERCOR  
RECEIVED THE  
AWARD FOR  
INNOVATION AT  
THE PRESTIGIOUS  
AUSTRALIAN  
BUSINESS  
AWARDS FOR ITS  
WORLD FIRST  
METER OUTAGE  
NOTIFICATION  
SYSTEM**

# SUSTAINABILITY

## SA POWER NETWORKS

### Environment and Sustainability

SA Power Networks continued its success in a number of environmental management and sustainability areas in 2014.

SA Power Networks is a member of the ECO-Buy Program, which aims to increase the demand and use of sustainable products and services. The Program provides SA Power Networks with resources and support to develop and improve its sustainable procurement. As part of this initiative, SA Power Networks continued its focus on incorporating environmental risk assessment processes and environmental criteria into all contracts for suppliers to the business.

Over 2014, expanded recycling and resource recovery systems continued to achieve positive results, with a significant improvement in the organisation's recycling rate from 8% in 2009 to an average of 38% in 2014. With the bulk of SA Power Networks' general waste going to an advanced alternative fuels facility

for re-processing, only 7% is being sent to landfill – a huge improvement on the estimated 92% in 2009.

In addition, SA Power Networks continued to closely monitor and report organisational energy and water use throughout the year. Initiatives to reduce energy and water consumption are identified and actioned by the Resource Efficiency Working Group. In October, SA Power Networks submitted its annual report under Federal Government's National Greenhouse and Energy Reporting Scheme.

The year also saw the formation of a cross functional Substation Oil Containment Working Group to improve the processes, systems and implementation of oil containment related works across the business. Risk assessments were conducted for a variety of high, medium and selected low risk oil filled assets and associated oil containment solutions were implemented.



NETWORK INNOVATION CENTRE, A HUB FOR RESEARCH AND EDUCATION

## Community

As South Australia's sole electricity distributor, SA Power Networks has a significant role in the community and this is reflected through a diverse sponsorship and community support program.

A varied number of organisations were partners in 2014:

- Adelaide Symphony Orchestra
- Country Arts
- Asthma Assist
- Employee Foundation
- Guide Dogs SA
- University of Adelaide – Science and Engineering Challenge

Specific gender diversity sponsorships included continued naming rights of the Adelaide United Lady Reds women's soccer team, who compete in the national women's soccer league; the UN Women's Breakfast and the YWCA – The Power of Women conference.

The SA Power Networks Employee Foundation also supports a number of worthy causes. In September 2014 the Employee Foundation reached an important milestone by donating its millionth dollar to charity. This is a significant achievement for such a young foundation, started in 2006. Over 800 employees have been involved with donations and fund raising activities.

## VICTORIA POWER NETWORKS

### Environment and Sustainability

CitiPower and Powercor have in place comprehensive structures for managing environmental impacts and risks. Compliance with environmental legislation and regulation is viewed as a minimum requirement.

The business has an Environmental Management System (EMS) which is certified to the international standard ISO 14001. The EMS provides a framework for identifying and managing environmental issues and risks.

It has developed and implemented a whole-of-business environmental strategy which is complemented by a comprehensive communication strategy. The business has an Environmental Steering Committee which is supported by employees with specific environmental responsibilities. All offices and depots also have a Site Environmental Representative and a number now have Green Teams – groups of employees with an interest in identifying and implementing environmental improvements.

CitiPower and Powercor are committed to minimising their environmental impact in addition to managing factors such as hazardous substances. The business also focusses on key areas including material and resource efficiency, and recycling and waste.

## CITIPOWER AND POWERCOR HAVE AN ENVIRONMENTAL MANAGEMENT SYSTEM (EMS) WHICH IS CERTIFIED TO THE INTERNATIONAL STANDARD ISO 14001.

The Climate Change Policy and Strategy seeks to manage the impacts of climate change on assets and operations, and to work to reduce its contribution to climate change. These strategies have been embedded operationally within the business, and greenhouse issue considerations now form part of business as usual activities and are overseen by the executive Environmental Steering Committee.

As a signatory to the Energy Supply Association of Australia's (ESAA) Sustainable Practice Framework, CitiPower and Powercor also report each year against the key indicators of the Framework.

CitiPower and Powercor continue to annually submit National Greenhouse and Energy Reporting to the Clean Energy Regulator in accordance with the NGER Act 2007.



## Community

CitiPower and Powercor have strong connections within the communities they serve. The businesses play an important role as an employer, supporting local communities, with a workforce of more than 2000 employees across 14 locations – in many areas as a major employer creating jobs for people who want to live and work in regional Victoria. In addition to this, the CitiPower and Powercor networks indirectly employ many hundreds of contractors, suppliers and business partners who fulfil a range of roles for the business.

The Business' Relationship Managers proactively engage large customers to ensure early involvement in supporting customers' changing and proposed energy needs supporting economic development across our operating network.

**THE BUSINESSES SUPPORT  
LOCAL COMMUNITIES, WITH  
A WORKFORCE OF MORE THAN  
2000 EMPLOYEES ACROSS  
14 LOCATIONS.**

The CitiPower and Powercor networks also have strong links with the community through various partnerships, sponsorships and other support. Through the workplace giving scheme, employees contributed more than \$32,000 in 2014 to a range of charities and organisations.

CitiPower and Powercor takes an active partnership approach to sponsorship in the communities it serves. CitiPower and Powercor extended its sponsorship reach in the last few years to include a number of events in support of Country Fire Authority and State Emergency Services, which has helped to forge a strong relationship between essential services and emergency management entities. The business also continued its strong commitment to the community and the environment through the partnership with Landcare Australia supporting such activities as revegetation projects and improvement of natural habitat.



EXCELLENT CUSTOMER SATISFACTION AND COMMUNITY CONSULTATION

# CORPORATE CONTACT DETAILS

## REGISTERED OFFICE

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### Chief Financial Officer

Greg Botham

### Company Secretary

Alexandra Finley

### Investor Relations

Mario Falchoni

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as the responsible entity for  
Spark Infrastructure Trust  
(ARSN 116 870 725)

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having regard to their  
objectives, financial situation  
and needs.





