Transfield Services Infrastructure Fund

Annual General Meeting

Museum of Sydney, Wednesday, 13 October 2010 at 10.00am

Speeches

CHAIRMAN'S ADDRESS

Good morning ladies and gentlemen.

There clearly being a quorum present, I declare the meeting open.

I'm Peter Young, Chairman of Transfield Services Infrastructure Fund.

Welcome to the fourth Annual General Meeting of Transfield Services Infrastructure Limited, and concurrent Annual General Meeting of TSI International Limited and general meeting of the unitholders of Transfield Services Infrastructure Trust – collectively known as Transfield Services Infrastructure Fund.

On behalf of the Board, I'd like to thank you for taking the time today to come to our Annual General Meeting to hear more about the performance of your Fund.

We will take the Notice of Meeting as read.

A few words about safety and housekeeping.

There are three emergency exits, two at the front of the theatre, and one at the rear.

Museum of Sydney staff will direct you in the event of an emergency. Visitors will be asked to convene at Farrer Place on Bent Street, which is the first street on your left when you take the Bridge Street exit from the Museum of Sydney.

As a courtesy to others, I'd ask that you please switch off – or switch to silent mode – your phones and electronic devices.

I would like to introduce you to my fellow Directors and Officers. From my immediate right they are:

- Independent Non-Executive Directors, Kate Spargo and David Mathlin
- Non-Executive Director, Peter Goode
- TSI Fund Chief Executive Officer, Steve MacDonald
- TSI Fund Chief Financial Officer, Steve Loxton, and
- Our Company Secretary, Marianne Suchanek.

I would also like to acknowledge two of our Responsible Managers, Josephine Miller, and Albert Jubian, and also Geoff Dutton, our General Manager, Assets.

Also in attendance are Ross Gavin and Anna James from PricewaterhouseCoopers, Transfield Services Infrastructure Fund's auditors.

Before I talk about the year that has past and our strategy for the future I would like to highlight the changes to our senior executive team and Board.

On 28 September we announced that at the conclusion of this meeting Steve Loxton will assume the role of Chief Executive Officer.

Steve's strategic capabilities and financial experience provide the skills we need for the future success of the Fund.

He has made a significant contribution to TSI Fund since he joined as Chief Financial Officer, leading our Capital Structure Review and the successful implementation of the initiatives it identified. As a result, TSI Fund has a significantly strengthened balance sheet and is well placed for the future.

Steve MacDonald, our current CEO, will take up a senior position with our major securityholder Transfield Services Limited. To ensure his experience remains available to the Fund he has been appointed as a Non-Executive Director of Transfield Services Infrastructure Fund and its related entities. His appointment will take effect at the conclusion of this meeting.

On behalf of the Board, I would like to take this opportunity to acknowledge and thank Steve for his significant contribution as Chief Executive Officer. Steve has led TSI Fund since listing in 2007 and through a particularly turbulent period of economic activity.

Steve will later provide an update on our performance for the first three months of this financial year.

Steve will replace Mr Matthew Irwin as a nominee Director of Transfield Services Limited. As previously announced, Matthew resigned from the Board effective 30 September and, given his resignation, Resolution 3, as outlined in the Notice of Meeting, will not be considered.

I would like to thank Matthew for his contribution to TSI Fund and wish him the best in his future endeavours.

On 27 August this year we announced that Ms Kate Spargo will not stand for re-election and therefore retire from the Board at the conclusion of this meeting.

I would also like to thank Kate for her valued contribution to TSI Fund over the last three and half years.

We subsequently announced that Ms Emma Stein will be appointed as an Independent Non-Executive Director to replace Kate at the conclusion of today's meeting.

Emma was formerly the UK Managing Director for French utility Gaz de France's energy retailing operations and currently serves on the boards of Clough Limited, Diversified Utilities Energy Trust and Programmed Maintenance Group. With this wealth of international industry experience I am certain she will be a beneficial addition to the Board.

Emma is here with us today and I would like to welcome her. Consequently TSI Fund will continue to have a Board of five directors, three of which are independent.

The 2010 financial year was an important period for TSI Fund as we implemented three initiatives following the completion of our Capital Structure Review.

The initiatives included the sale of Mt Millar Wind Farm for $191 million, a $110 million fully underwritten Equity Offer and refinancing of TSI Fund's corporate-level debt and extension of the maturity to June 2015.

Mt Millar Wind Farm's $191 million sale price is attractive value for securityholders and represents approximately $2.7 million per megawatt. Developing and expanding our wind portfolio remains one of the key elements of our long-term growth strategy.

We look forward to taking advantage of our unique access to Transfield Services' pipeline of 12 wind farm projects, over which we retain first right of refusal.

Our fully underwritten Equity Offer received strong levels of take-up and I would like to thank the many securityholders that supported the offer.

TSI Fund's major securityholder, Transfield Services Limited supported the Equity Offer by committing to invest up to $52.4 million and held approximately 44.5 per cent of TSI Fund at 30 June 2010.

Our arrangements with Transfield Services ensure ongoing access to engineering expertise and make TSI Fund one of the few infrastructure funds managed by a professional and global engineering services group.

Net debt was reduced to $462 million as at 30 June 2010 from $728 million at 31 December 2009.

The refinancing and extension of our debt from September 2011 to June 2015 has further strengthened our financial position. This will provide security and flexibility as we develop our asset portfolio.

In summary, our stronger balance sheet will support sustainable distributions and improve our ability to fund the long-term growth of our asset portfolio.

Our underlying financial performance for the year was solid, driven by consistent and reliable cashflows from our portfolio of essential infrastructure assets.

We delivered pro-forma financial year 2010 earnings before interest, tax, depreciation and amortisation of $103.6 million. This is $2.4 million ahead of the forecast we provided in the Equity Offer document issued in May 2010.

Excluding the impact of the Capital Structure Review initiatives, underlying FY10 EBITDA was steady at $114.5 million. This is a credible result as it includes a $4 million impact from the one-off reduction in the Townsville Power Station capacity payment and only 11 months contribution from Mt Millar Wind Farm in financial year 2010.

Contributing to the cashflow performance were three distribution payments from LYA totalling $8.7 million.

Our focus over the next financial year will be to deliver on our forecasts and distribution guidance and to execute on four value events that have the potential to improve cashflows and to enhance value to securityholders.

These are:

- concluding the first tranche of LYA's debt refinancing, which was completed on 30 September
- Extending Macarthur Water Filtration Plant concession agreement and the associated refinancing, the successful completion of which was announced today
- evaluating post power purchase agreements for Collinsville Power Station beyond 2016, and
- recontracting Starfish Hill Wind Farm.

As Steve will tell you later, we are making good progress with the two remaining value events.

We will also pursue long-term growth opportunities, including increasing the profitability of existing assets and growing our renewable energy asset portfolio. By taking advantage of our unique access to Transfield Services' wind farm development pipeline we will continue to work towards achieving this outcome.

With all investment decisions we will exercise strict financial discipline to ensure they are value accretive for securityholders.

The TSI Fund Board declared a final distribution of 4.0 cents per security for the 2010 financial year. This is in-line with guidance given in the May 2010 Equity Offer document and brings total 2010 distributions to 10.0 cents per security.

Following requests from securityholders, the Board brought forward the Payment Date of the Final Distribution by 10 days to 20 September 2010.

As we have previously stated, our 2010 financial year distributions were fully funded from operating cash flow, after funding interest and maintenance capital expenditure.

Over 90 per cent of our forecast EBITDA for the 2011 financial year is expected to be derived from contracted revenue, the majority of which is through low risk power purchase style contracts.

With this cashflow visibility, and consistent with our focus on delivering sustainable distributions to sercurityholders, the Board reiterates its guidance for 2011 distributions of 8.2 cents per security.

FY11 distributions will be fully funded from operating cash flow, after funding interest and maintenance capital expenditure.

As your Board, we continue to act in the best interests of you, our securityholders.

We have an independent Board structure underpinned by a robust corporate governance framework.

Our corporate governance statement and the supporting policies are all available on our website and summarised in our Annual Report.

I will now ask our CEO, Steve MacDonald, to give you a more detailed report on TSI Fund's operations and update you on how we have performed in the first three months of this financial year.

CEO'S ADDRESS

Thank you Peter, and I would like to also welcome you to TSI Fund's 2010 Annual General Meeting.

This will be my last presentation to you as TSI Fund's Chief Executive Officer before I officially hand over the reins to Steve Loxton at the conclusion of this meeting.

As Peter indicated, I would like to provide you with an update on how we have performed operationally in the first three months of the year. I will also update you on the progress we have made against the strategic priorities that Peter has already mentioned and which we identified in our full year results presentation in August.

I'll first look at the performance of our thermal power stations.

These photos are of our wholly owned power stations – Kemerton in Western Australia, and Townville and Collinsville, which are both in North Queensland.

Each delivered to expectations in 2010 and have continued to perform well over the first three months of this financial year, including Townsville, which is operating at over 99 per cent availability.

Scheduled maintenance work is currently underway on unit 5 at Collinsville. Once completed we expect the station to continue its upward performance trend of the last three years. As highlighted in our Annual Report, availability at the station increased from 86 per cent in 2008 to 95 per cent at the end of last year.

BP Kwinana Power Station, of which we own a 30 per cent stake, has performed well over the last three months since a bearing failure in May.

Following the subsequent unplanned outage, an insurance recovery related to the bearing failure at the plant has been positive, with $2.5 million already received, resulting in minimal P&L impact.

Operationally, Loy Yang A, of which we own a 14 per cent stake, has been performing to expectations, although revenue has been impacted by low pool prices.

Earlier this year LYA secured one of the largest power deals in Australia's history with Alcoa Australia and its joint venture partners to provide electricity to two Victorian smelters until 2036. This reflects its status as one of Australia's largest and most important providers of electricity and supports its strong long-term outlook. As announced to the market on 30 September, LYA has successfully re-financed a major tranche of its debt. This is one of the four value events for FY11, which I'll discuss in more detail shortly.

Looking at the wider market, there continues to be uncertainty regarding the implementation of an emissions trading scheme or carbon tax.

We, like most in the energy industry, are keen for certainty on this issue but are fortunate that our wholly-owned assets are substantially protected from the potentially negative financial impacts of a carbon tax, given their long-term contractual arrangements.

The photos on the slide show our three wind farms;

- Starfish Hill, which is situated near Kangaroo Island about an hour and a half's drive south of Adelaide
- Windy Hill, situated south west of Cairns in North Queensland, and
- Toora, which sits on a ridge overlooking the small town of Toora in South Gippsland, Victoria.

The energy generated from Toora and Windy Hill is sold under long-term contracts to Energy Australia and Ergon. Starfish Hill's energy is currently being sold on the merchant market.

All three wind farms have continued their good operating performance in the first three months of the financial year. This follows from a combined availability level of more than 96 per cent in the last financial year.

We are proud of this market leading operating performance and it is particularly pleasing that it has been recognised by the industry.

In June 2010, Australia's Asset Management Council awarded Starfish Hill's operation and maintenance team with a Silver Award. The Council awards organisations which it believes make the most significant contribution to the advancement of asset management in Australia and internationally, so this recognition should not be taken lightly.

As I mentioned, power generated by Starfish Hill is currently being sold on the merchant (or spot) market. The financial performance of the farm has therefore been impacted by the low prices on the spot market and deflated prices on the renewable energy certificate market.

However, there have been some pleasing regulatory developments over the last six months, which we expect will help address this issue. In June, the Federal Government passed legislation which will create a separate Renewable Energy Certificate market for large-scale renewable energy generation, such as wind farms, starting 1 January 2011.

This should benefit TSI Fund by lifting the demand for our wind energy once the scheme comes into effect in January 2011. This includes improving our ability to recontract the energy generated by Starfish Hill.

Securing a long-term contract for Starfish Hill has been identified as one our priorities, which I will discuss in more detail shortly.

On the screen you can see photos of our two 50 per cent owned water filtration plants, Macarthur and Yan Yean.

Macarthur is located near Appin in New South Wales and supplies filtered water to more than 200,000 Sydney Water customers in Western Sydney. We announced today that Macarthur's contract with Sydney Water has been extended until 2030.

Yan Yean is located 30 kilometres north of Melbourne. The Plant supplies Melbourne with filtered water during peak use periods, which generally occur in the warmer months.

Both plants are fully contracted and have performed in line with contract requirements over the last three months, continuing to provide reliable, low risk cashflows to TSI Fund.

As Peter mentioned earlier, we announced four value events as priorities for this financial year.

I'm pleased to say that as of today we have delivered on two of the four events.

LYA announced to the market on 30 September 2010 that it has successfully refinanced a $455 million tranche of senior bank debt and a $35 million working capital facility, both for a five year term. The new senior debt facility was well supported by a syndicate of existing and new lenders, including three new Japanese banks.

The banks' support of LYA reflects its status as one of Australia's largest and most important providers of electricity, providing 30 per cent of Victoria electricity needs. The banks' positive view on LYA was also reinforced by the landmark contract it recently signed with Alcoa.

Following the refinancing, LYA will apply its significant surplus free cash to pay down debt, which will strengthen its future equity position and therefore the value of TSI Fund's investment in LYA.

As a result of LYA's decision to pay down debt, TSI Fund is unlikely to receive cash from our investment in LYA during the next three years.

This outcome has no impact on TSI Fund's FY11 distribution guidance of 8.2 cents per security or its medium-term distribution guidance of at least 8.2 cents per security. FY11 distributions will continue to be funded from operating free cashflow, after funding interest and maintenance capex.

Today we announced the successful concession extension and refinancing of the Macarthur Water Filtration Plant for a further ten years until 2030. This has resulted in an improvement to our cash position which I'll discuss in a moment.

Over the remainder of the year our focus will be to execute our two remaining key value events.

We continue to evaluate a number of options for Collinsville Station post the expiry of its current power purchase agreement, which is due to finish in 2016.

As part of this process we are looking at potential conversion options, including solar and coal seam gas. The station is strategically located in northern Qld, which is one of Australia's most significant growth centres and we hope to be able to give clarity on its long-term future before the end of financial year.

We expect to recontract Starfish Hill once the Renewable Energy Certificate market improves following the implementation of the revised legislation on 1st January.

Today we announced a $25 million improvement to TSI Fund's cash position. This follows the successful concession extension and refinancing of the Macarthur Water Filtration Plant, and the ownership restructure of partner, United Utilities Australia.

A portion of the $25 million in cash will impact TSI Fund's FY11 EBITDA, with the balance applied to the Macarthur Water shareholder loan. This benefit will be partially offset by TSI Fund not executing its extended operating agreement for Collinsville Power Station for the FY11 summer months.

The extended operating agreement for Collinsville has not been executed due to the prevailing low electricity pool prices in Queensland. The contract will be reviewed on an annual basis and there is no impact on the power station's long-term power purchase agreement.

The net impact on TSI Fund is expected to be an $8.6 million increase to FY11 EBITDA to $104 million. FY11 net profit after tax is expected to be at least 25 per cent higher than the May 2010 Equity Offer Document forecast.

This net increase in cash is a positive outcome which strengthens TSI Fund's already healthy financial position.

FY11 distribution guidance of 8.2 cents per security remains unchanged, as does TSI Fund's medium-term distribution guidance of at least 8.2 cents per security. FY11 distributions will continue to be funded from operating free cash flow, after funding interest and maintenance capital expenditure.

In concluding, I would like to take this opportunity to thank the Board for their guidance and my colleagues for their support over the three and a half years since the Fund listed and I have been CEO. I would also like to congratulate Steve on his appointment and wish him and the team all the best for the future.

We have come through a particularly tough economic period and I believe the Fund is well placed to deliver ongoing value to you, our securityholders.

I will now hand back to the Chairman for the formal part of the meeting.

CHAIRMAN'S CLOSING STATEMENT

On closing, I would like to take the opportunity to highlight TSI Fund's value proposition.

- We have substantially contracted revenue streams from a high quality portfolio of essential assets
- We have a significant position in renewable energy with access to a pipeline of new renewable energy projects
- We benefit from a unique relationship with a leading global engineering company, Transfield Services, who operate and maintain our assets to the highest standards
- We are delivering consistent sustainable returns to securityholders, and

- We have improved our cash position, revitalised our Board, have a new energetic management team in place and put TSI Fund in the best position its experienced since the IPO.

I would like to thank my fellow Board Members, CEO Steve MacDonald, CFO Steve Loxton, General Manager Assets, Geoff Dutton and the Transfield Services team who have led us through this important year.

And, I also thank you for your continuing support of TSI Fund.