

HY2017 NEWSLETTER

SPARK INFRASTRUCTURE

Suite 5, Level 29, 225 George Street
Sydney NSW 2000

t: +61 2 9086 3600

f: +61 2 9086 3666

e: info@sparkinfrastructure.com

w: www.sparkinfrastructure.com

Spark Infrastructure RE Limited
(ACN 114 940 984; AFSL 290 436)
is the responsible entity for
Spark Infrastructure Trust
(ARSN 116 870 725)



DR DOUG McTAGGART

Dear Securityholder,

We were pleased to announce another solid result for the six months to 30 June 2017, based on the continued strong performance of the businesses in our investment portfolio – Victoria Power Networks, SA Power Networks and TransGrid. Each of them has maintained a sharp focus on sustainable cost management and continued business growth.

The Victorian and South Australian businesses are ranked in the top quartile of efficiency amongst their peers by the Australian Energy Regulator and are industry leaders in terms of safety, reliability and customer service. We are actively managing our interest in TransGrid to move the business to the efficient frontier of performance, much like our investments in Victoria Power Networks and SA Power Networks.

Changing energy landscape is creating opportunity

Networks have a key role to play in facilitating the transition to a low emissions economy, by providing expanded interconnection and access, and greater reliability and stability to the grid.

The nature of much new renewable generation is creating excellent opportunities in the infrastructure connections space for all of our businesses. The changes underscore the importance of transmission interconnection between states to the efficient operation of the National Electricity Market (NEM). They also highlight the importance of maintaining the most optimal and efficient service model.

ALL OF THIS MEANS GREATER INVESTMENT OPPORTUNITIES FOR OUR NETWORKS IN BOTH THE REGULATED AND UNREGULATED PARTS OF THEIR BUSINESSES.

The many changes occurring in the energy landscape are underscoring the importance of ancillary services and creating niche areas of customer demand which network businesses are ideally placed to provide in the most cost-effective manner.

Finkel Review confirms central role of network businesses

Spark Infrastructure contributed in the recent Independent Review into the Future Security of the National Electricity Market Preliminary Report, also known as the Finkel Review. Our submission recognised that new technology is driving extensive changes in how network service providers engage with customers. This applies to every part of the electricity supply chain and is empowering consumers with greater choice, creating demand for new products and services, and thereby creating new business opportunities, both for incumbents and new entrants to the market.

An important recommendation of the Finkel Report is that the Australian Energy Market Operator (AEMO) develops a comprehensive and integrated grid plan to facilitate the development and connection of renewable energy zones. This underpins the importance of TransGrid's north/south and east/west transmission spine in facilitating the expansion of renewable energy, and recognises TransGrid's role in maintaining system security and reliability, as we transition away from ageing coal fired generation.

Endeavour Energy

Earlier this year, the NSW State Government completed its privatisation program of electricity distribution and transmission businesses. As I confirmed at the Annual General Meeting in May 2017, Spark Infrastructure was a bidder for the final asset to be sold, Endeavour Energy, as part of the same consortium which acquired TransGrid in December 2015. Together we undertook a highly disciplined valuation producing a detailed business transformation plan, which included material cost reductions and performance improvements.

On this occasion, we were not successful. In fact, our bid fell well short of the acquisition price announced by the NSW State Government. Had we been successful, we are confident the acquisition would have enhanced Securityholder value and helped to deliver growth in Spark Infrastructure's distributions over the long term.

As always, it was important to us that there be a prudent capital structure in place; that there be no dilution to cashflows to Spark Infrastructure in the near term; and that there be demonstrable long-term accretion. Moreover, Spark Infrastructure did not intend to use any corporate debt for the purposes of the acquisition.

The consortium had negotiated for Spark Infrastructure to provide technical and specialist advice and support to Endeavour Energy, for which Spark Infrastructure would have received additional fees for service. This is tangible recognition of the value Spark Infrastructure can bring through its expertise and experience, and validates our position as an active investment manager.

While we were soundly out-bid for this asset, we have no regrets. As always, we applied our financial discipline to a rigorous due diligence process and bid at a level where the investment was expected to deliver long-term asset growth and sustainable growth in distributions for Spark Infrastructure Securityholders.

MANAGING DIRECTOR'S REPORT

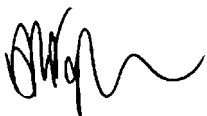
Reliable growth in distributions

In line with previous distribution guidance, the Board has declared an interim cash distribution for HY2017 of 7.625 cents per security (cps). The interim distribution is payable on 15 September 2017, and consists of 3.50 cps interest on Loan Notes for the period and 4.125 cps capital distribution. The interim distribution will be made by the Spark Infrastructure Trust.

The Directors have also reaffirmed distribution guidance for 2017 and 2018, subject to business conditions, of 15.25 cps and 16.0 cps, representing annual growth of 5.2% and 4.9% respectively. This continues Spark Infrastructure's long track record of delivering reliable growth in distributions.

I am delighted to be leading Spark Infrastructure at such a dynamic, challenging and exciting period in the Australian energy sector. I look forward to keeping you updated on our progress in the future.

Yours faithfully,



DR DOUG McTAGGART
Chairman
Spark Infrastructure



RICK FRANCIS

Dear Securityholder,

In August 2017, Spark Infrastructure released its results for the six months ended 30 June 2017. Profits and Standalone Operating Cashflows were both up on the adjusted¹ Prior Period results.

Profit before Loan Note Interest and Tax for the half year increased by 14.3% to \$138.7 million compared to the Prior Period. The increase mainly reflects a greater equity accounted share of profits from SA Power Networks, although all three investment businesses have performed strongly during the period with a strong focus on delivering an efficient cost base to be shared with consumers.

Our businesses continue to maintain a sharp focus on cost management. To survive and thrive in this changing market we must continue to operate efficiently and proactively deliver to customers' demands. Victoria Power Networks and SA Power Networks have historically done well in this regard, and we are ensuring that TransGrid seeks to emulate their class-leading performance.

HY2017 performance summary

Spark Infrastructure's active management philosophy, coupled with the current core focus areas, ensures that we maintain a portfolio of quality assets with a good combination of proven excellence and future potential. We will continue to actively manage these businesses in 2017 and beyond, in conjunction with our investment partners, to ensure they are well positioned to participate and grow in the changing times ahead.

Portfolio performance – focus on cost-management and business growth

We continue to be focussed on delivering efficiency gains across the portfolio and on ensuring the businesses are properly supported to take advantage of the regulated and unregulated business opportunities arising from the changing energy landscape.

Victoria Power Networks' "World CLASS" program, which was established to create a more commercial and lean organisation, is now complete. It delivered sustainable total expenditure savings of \$151 million per annum between 2014 and 2016, off its 2013 baseline. While the "World CLASS" program has formally been completed, the business has continued to focus on strategy, programs and change, with a further \$27 million per annum of incremental benefits being identified or delivered during HY2017.

SA Power Networks formally launched its "Powering Ahead" efficiency program earlier this month. The business was already implementing comparable initiatives to Victoria Power Networks with the new program targeting benefits of at least \$40 million per annum.

SPARK INFRASTRUCTURE FINANCIAL PERFORMANCE	HY2017 (\$m)	Adjusted ¹ HY2016 (\$m)	Variance (%)	Statutory HY2016 (\$m)
Total income ²	150.2	132.9	13.0	138.7
Profit before Loan Note Interest and Tax	138.7	121.4	14.3	127.2
Net Profit after Tax	48.9	47.5	2.9	51.6
Standalone Operating Cashflows ³	121.9	114.8	6.2	130.0

1. Prior Period (HY2016) results have been adjusted to exclude Spark Infrastructure's net interest in derivative contracts associated with DUET Group which was disposed of during HY2016
2. Includes interest income from Associates, Spark Infrastructure's share of equity accounted profits and other income
3. Includes \$36.2 million of distributions from Victoria Power Networks received by way of repayments of shareholder loans and classified as investing activities for statutory reporting purposes

NETWORKS HAVE A KEY ROLE TO PLAY IN FACILITATING THE TRANSITION TO A LOW EMISSIONS ECONOMY, BY PROVIDING EXPANDED INTERCONNECTION AND ACCESS, AND GREATER RELIABILITY AND STABILITY TO THE GRID.

Victoria Power Networks commenced year two of its five-year regulatory period on 1 January 2017, while SA Power Networks entered year three of its five-year regulatory period on 1 July 2017. This means that both businesses have commenced recovery of the additional revenues provided for in their respective final determinations – being \$626 million for SA Power Networks and \$180 million for Victoria Power Networks.

TransGrid continues to deliver efficiency improvements and is growing its non-regulated business 2017 revenues, while it awaits its draft determination from the Australian Energy Regulator, expected in late September 2017. The opportunity register for infrastructure connections continues to be strong, while the Finkel Report recommendations are also strongly supportive of the role networks, and in particular electricity transmission, will play going forward.

All three businesses have also undertaken significant refinancings this year at attractive margins across a number of different markets, which will ensure they continue to have efficient capital structures for the foreseeable future.

The changing environment is full of opportunity for efficient networks

It is important, amidst the daily reports of change and price pressures in the Australian energy market, that we remember the value provided to consumers by efficient, privately operated electricity networks.

Private investment in the sector has delivered measurable benefits to energy consumers. Productivity improved significantly after privatisation occurred in the electricity sector, in Victoria in 1995 and in South Australia in 2000, and privately owned electricity network businesses have consistently led the way in the Australian Energy Regulator's benchmarking reporting. This has

been achieved while at the same time maintaining or improving services and reliability.

Work undertaken by the five Victorian based electricity distribution businesses for their joint submission to the Australian Competition and Consumer Commission's (ACCC's) recent inquiry into retail electricity supply and pricing shows that network costs are lower today – both in absolute dollar terms and as a percentage of the average bill – than they were in 1995 when these networks were privatised. At the same time retail and generation costs account for nearly half of the annual residential electricity bill in Victoria, while the total costs from transmission and distribution networks represent less than 30% of an average consumer's bill.

Networks have a key role to play in facilitating the transition to a low emissions economy, by providing expanded interconnection and access, and greater reliability and stability to the grid.

I look forward to keeping you updated on our progress in taking hold of the various opportunities being created by the changing energy landscape and on our success in growing the businesses on behalf of Securityholders.



RICK FRANCIS
Managing Director and
Chief Executive Officer



Community partnership with Western Bulldogs

Powercor has partnered with the Western Bulldogs Football Club, demonstrating the company's commitment to serving the community as the state's largest electricity distributor for Western Melbourne and Victoria. The partnership will support diversity and inclusion initiatives in the community over a three-year period. Some of these initiatives include:

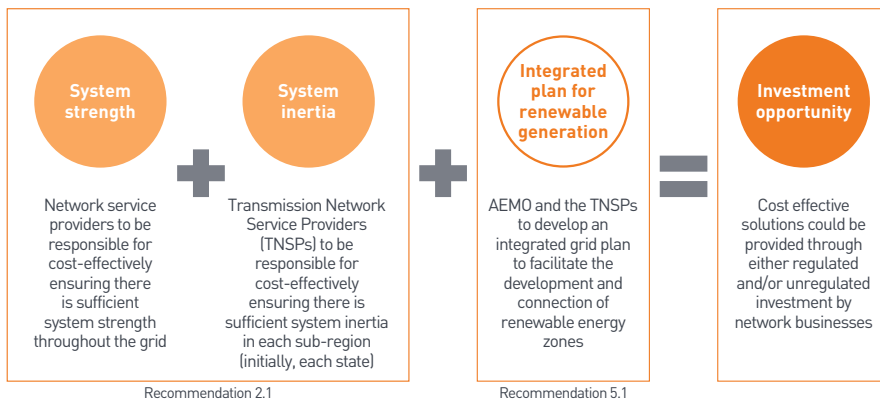
- a program that attracts, retains and develops talented male and female players, particularly young people from Asian, African and Indigenous backgrounds;
- a community health initiative that encourages men in Melbourne's western suburbs to lead healthier lives through nutrition, physical activity and mental health;
- an initiative to help more than 2,000 new refugees and migrants with low English language skills to develop self-reliance and integrate successfully into the broader community;
- a six month project that provides teenagers in Western Victoria with hands-on opportunities to build capabilities in leadership, teamwork, communication, goal setting and resilience so they can connect, contribute and grow as leaders in their community; and
- the sponsorship of the Western Bulldogs' AFL Women's Team to support female role models in non-traditional sports.

Powercor's partnership enhances the company's aim to build healthier and more resilient communities.

Finkel Report recognises central role for network businesses

The Finkel Report, which represents a blueprint for reshaping the energy market based on a package of 50 recommendations, emphasises the critical role of electricity networks and recommends that networks take a leading role in the provision of system strength and inertia and in the building of critical infrastructure to connect prospective renewable generation zones.

Recommendations 2.1 and 5.1 provide a concrete mechanism for network businesses to participate in the transition to greater penetration of renewable energy and the variety of business opportunities that this creates.



Portfolio businesses attract strong support from debt investors

In March 2017, Victoria Power Networks placed US\$80 million of bonds in the US private placement (USPP) market, which mature in June 2027. Total proceeds raised amounted to approximately A\$106 million, which were used to refinance debt maturities expiring in July 2017. This transaction, combined with placements into the Hong Kong private placement market in February 2017, raised total funds of approximately A\$503 million. These raisings covered Victoria Power Networks' refinancing requirements for 2017.

In August 2017, Victoria Power Networks placed A\$150 million of Australian Medium Term Notes (AMTNs), maturing in August 2027. These proceeds will be used to supplement the group's liquidity position and fund the continued asset growth of Victoria Power Network's network businesses.

Also in August 2017, SA Power Networks issued \$550 million of AMTNs. The placement consisted of \$375 million of seven-year fixed rate AMTNs maturing in August 2024 and \$175 million of five-year floating rate AMTNs maturing in August 2022. The issuances complete the balance of SA Power Networks' refinancing of the \$500 million AMTN debt maturing in September and October 2017, and provide funding for new capital expenditure.

In July 2017, TransGrid placed US\$727 million and A\$25 million of senior secured notes into the USPP market. The notes were issued in four tranches maturing over a 10 to 17 year period. The funds, which will be used to repay debt maturing in June 2019, will be received in October 2017.

Cross currency swaps were simultaneously executed to convert the local currency into Australian dollars where appropriate.



NICK SCHIFFER, CFO, SPARK INFRASTRUCTURE

Nick Schiffer joins Spark Infrastructure as CFO

In July, Spark Infrastructure appointed Nick Schiffer as Chief Financial Officer. Nick brings over 20 years of financial and investment experience. He joins Spark from Credit Suisse, having served as Managing Director, with responsibility for investment banking within the energy, transport and general infrastructure sectors. Nick was also a key advisor to local and global investors for the Australian infrastructure and utilities sectors.

Commenting on his appointment, Rick Francis, Managing Director of Spark said: "Nick has a deep understanding of debt and equity markets, with active experience across capital management, treasury and taxation. Nick's executional excellence across a range of sectors and transactions, together with his experience in investor relations and management, will further broaden and deepen the expertise of the Spark Infrastructure team."

NEWS FROM THE INVESTMENT PORTFOLIO

VICTORIA POWER NETWORKS



(L TO R) ROBERT SLOPER, POWERCOR, HANNAH CAIRNS AND BRIDGETTE STEPHENSON, HEADSPACE, AND AARON HUGHES, POWERCOR, WITH A ROLL OF THE CONDUCTOR WIRE

Recycling proceeds see \$75,000 donated to local charities

Victoria Power Networks fosters a culture of innovative thinking and creative solutions within the organisation. Recently, Construction Project Leader Robert Sloper, a finalist in the 2017 "Living our Values" Awards, came up with an idea to recycle a large section of decommissioned powerline and donate the funds to charity.

The decommissioned line was constructed in 2011 to power Iluka's Kulwin mine and had a five-year lifespan – the expected life of the mine. The line contained

40 kilometres of premium quality aluminium in the conductor wire, which was sold to a metal merchant to be re-smelted into items ranging from fridges and microwaves to medical equipment.

Employees from Mildura, Ouyen and Horsham volunteered their time to remove the wire, and local businesses wound the line by hand. The sale raised \$76,000 which supported charities in the Mallee region, including a kiosk and picnic area for a residential lake, Headspace and other local community projects.

Privately owned Victorian networks deliver benefits to consumers

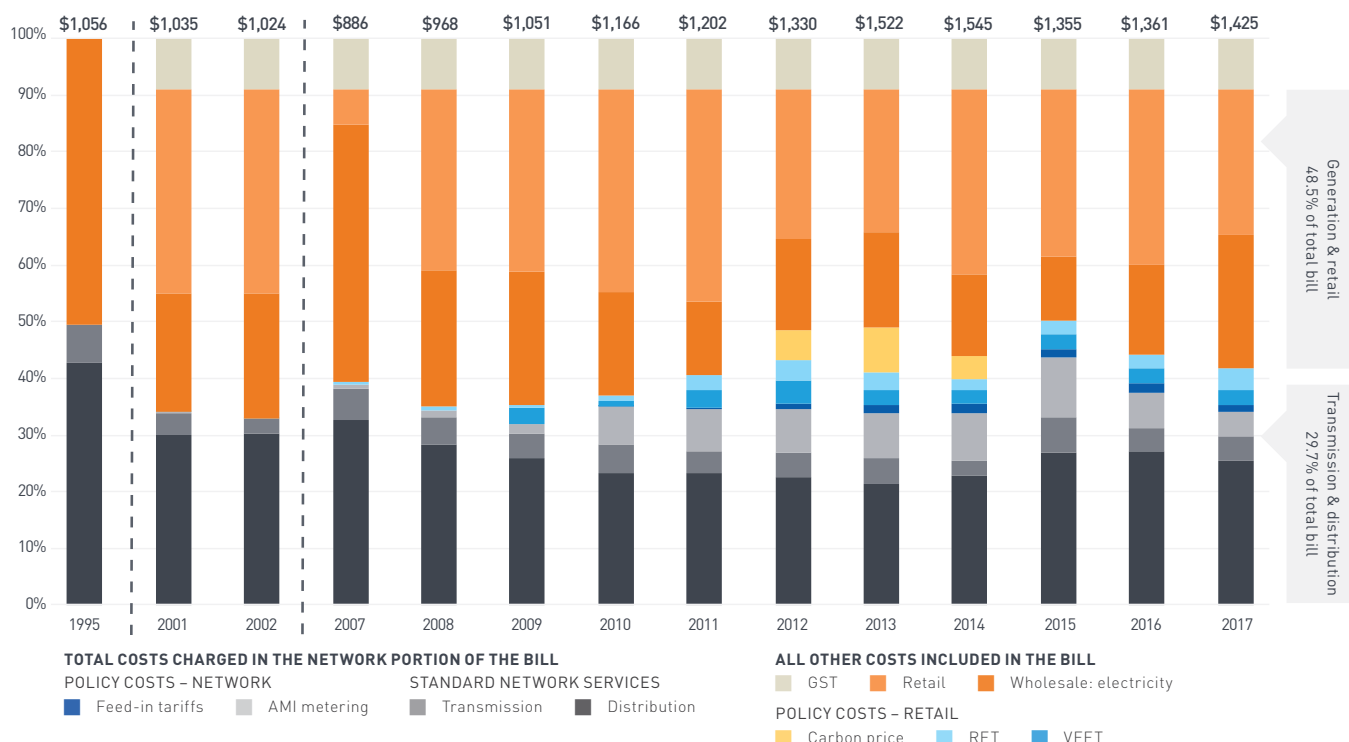
In June 2017, the five Victorian electricity distribution networks, which include CitiPower and Powercor, commissioned some expert research as part of their joint submission to the ACCC's Inquiry into retail electricity supply and pricing.

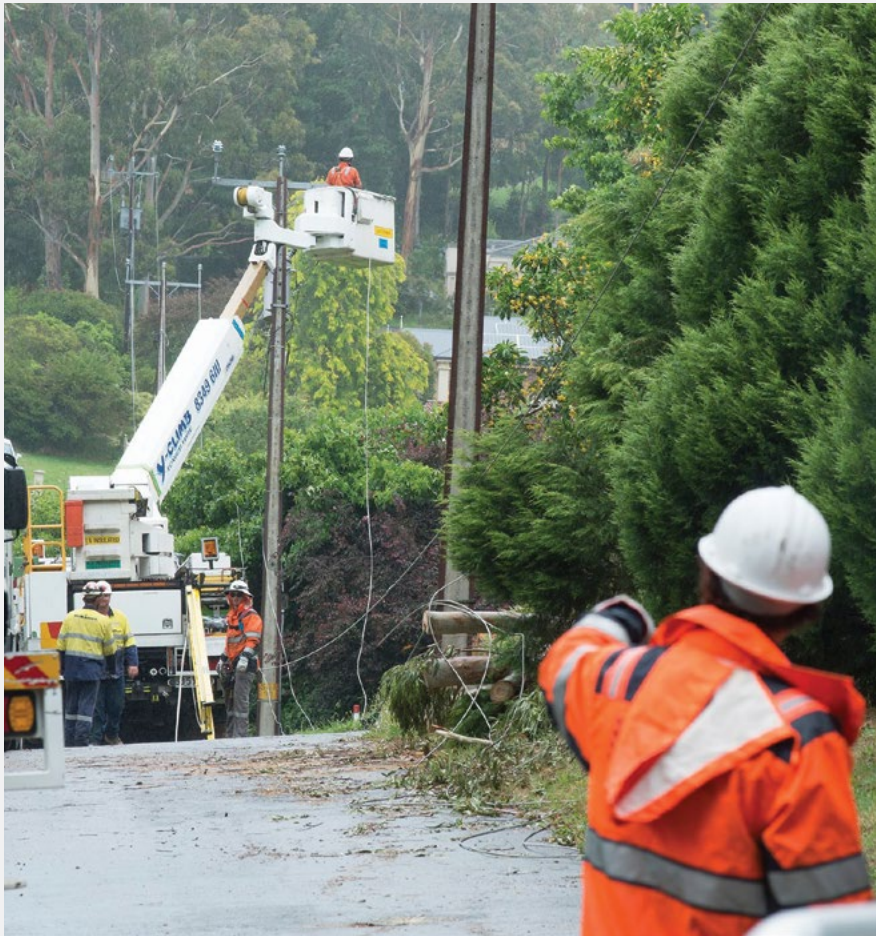
The analysis shows that network costs are lower today – both in absolute dollar terms and as a percentage of the average bill – than they were in 1995 when these networks were privatised. At the same time retail and generation costs account for nearly half of the total paid by the average consumer.

This is powerful evidence that efficient, privately owned electricity networks like CitiPower and Powercor, deliver cheaper prices to consumers, while continuing to maintain the highest levels of safety and reliability.

NETWORK COSTS ARE LOWER NOW THAN IN 1995 – BOTH IN ABSOLUTE TERMS AND AS A % OF THE TOTAL BILL.

Composition (%) of the annual residential electricity bill in Victoria¹





CREWS WORKED AROUND THE CLOCK TO RESTORE POWER LINES

Independent Commission confirms SA Power Networks' solid performance in December storms

The December 2016 storm caused substantial damage to metropolitan Adelaide and the Adelaide Hills region with winds of up to 120 kilometres per hour. More than 180,000 residents were left without power. While SA Power Networks responded as quickly as possible to restore power, in terms of minutes without supply, residents experienced an entire year's impact in one storm.

Following the storms, the Essential Services Commission of South Australia investigated the company's response. The report acknowledged the severity and unprecedented damage of the storm, and confirmed that SA Power Networks' approach, management and crew resourcing were appropriate, and that power was restored as soon as practicable, considering the level of damage. The company is working towards improving communications to customers via SMS for major events in the future.



UNDERSEA CABLE TO BE LAID

Under the sea!

SA POWER NETWORKS WILL UPGRADE THE CURRENT UNDERSEA CABLE BETWEEN KANGAROO ISLAND AND CAPE JARVIS, SA.

The current undersea cable is reaching the end of its life, and the company will double the current capacity with a 20,000 kVA /33,000 volt (33kV) cable to ensure enough capacity to manage the energy demands for the next 30 years.

The submarine cable will be a continuous 15 kilometre-long cable weighing 600 tonnes. It will consist of a core of three copper cables, insulation, lead sheathing, brass tape cover, steel wire armouring and plastic covering. The robust cable will also include fibre optics for communications, which SA Power Networks will make available to customers.

The infrastructure project is estimated to cost \$39 million, and should be completed by mid-2018.



WHITE ROCK WINDFARM

Milestone with 100th substation

TransGrid has completed the construction of the substation and transmission line, which supports the installation of 70 wind turbines at White Rock Wind Farm, three months ahead of schedule, marking the 100th substation in its network. The wind farm, located outside of Glen Innes, NSW, currently produces 175 megawatts of energy.

The NSW Government has recently approved the construction and further operation of up to 119 wind turbines, which would result in the generation of up to 400 megawatts of additional renewable energy.

Tesla trial

TransGrid will begin testing Tesla 'Powerpack' batteries for use in demand management across NSW, with the first 250 kW/500 kWh 'Powerpack' to be installed at the City of Sydney's Alexandra Canal Works this year.

TransGrid will use the trial to research how battery storage can help manage and distribute energy flow during peak usage times. Testing will be conducted remotely and in real-time.

As part of the trial in Sydney, TransGrid will also investigate if demand management using solar and wind power can reduce capital expenditure, which would eventually lead to energy savings for customers.



TRANSGRID TRIALS BATTERIES FOR USE IN DEMAND MANAGEMENT

TransGrid sees opportunity in renewable energy

CEO of TransGrid, Paul Italiano, recently presented at the Australian Clean Energy Summit on the opportunity for NSW to become a world-class renewable energy generation hub, forming a new backbone of renewable energy generation.

AEMO projects that coal generation will reduce from 74% of NEM generation in 2016-17, to 24% in 2035-36. With wind and solar currently accounting for about 5% of the generation in the NEM, based on AEMO's estimate, Australia will need to connect up to 22 gigawatts of new large-scale wind and solar generation before 2036.

An important project which is currently underway is the upgrade of the existing transmission network that encompasses Snowy Hydro and the western part of the NSW network. The clean energy precinct that it would support could deliver a large renewable energy geographic footprint to help supply consistent clean energy. This energy could be exported throughout the states of the NEM, to Queensland, Victoria and South Australia – resulting in cheaper electricity for all consumers and reliable energy during peak demand.

SPARK INFRASTRUCTURE

Suite 5, Level 29, 225 George Street
Sydney NSW 2000

t: +61 2 9086 3600

f: +61 2 9086 3666

e: info@sparkinfrastructure.com

w: www.sparkinfrastructure.com

Spark Infrastructure RE Limited
(ACN 114 940 984; AFSL 290 436)
is the responsible entity for
Spark Infrastructure Trust
(ARSN 116 870 725)