



Friday, 13 March 2015

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

Dear Sir / Madam

**UK and Europe Investor Presentation**

I enclose the presentation to be delivered to investors in the United Kingdom and Europe on 16-18 March 2015.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Alex Finley". The signature is stylized and cursive.

**Alexandra Finley**  
**Company Secretary**

# INVESTOR PRESENTATION

16-18 March 2015

UK and Europe

THE AUSTRALIAN  
INFRASTRUCTURE  
NETWORK SPECIALISTS





# PRESENTATION AGENDA

1. OVERVIEW
2. REGULATORY ENVIRONMENT
3. GROWTH
4. SPARK INFRASTRUCTURE PERFORMANCE
5. INVESTMENT PORTFOLIO PERFORMANCE
6. SUMMARY AND OUTLOOK
7. APPENDICES

# 1. OVERVIEW

# CURRENT INVESTMENT PORTFOLIO

AUSTRALIAN BASED SPECIALIST INFRASTRUCTURE FUND WITH A PORTFOLIO OF HIGH QUALITY REGULATED ELECTRICITY AND GAS DISTRIBUTION BUSINESSES

	<p>49.0% Interest</p>	<p>SA Power Networks is the sole operator of South Australia's electricity distribution network, supplying around 847,000 residential and commercial customers in all regions and the major population centres.</p>
	<p>49.0% Interest</p>	<p>CitiPower owns and operates the distribution network that supplies electricity to over 323,000 customers in Melbourne's CBD and inner suburbs.</p>
	<p>49.0% Interest</p>	<p>Powercor is the largest distributor of electricity in Victoria, owning and operating a network that serves around 757,000 customers in central and western Victoria and the western suburbs of Melbourne.</p>
	<p>12.4% Economic Interest</p>	<p>DUET's assets include an 80% stake in the Dampier to Bunbury Pipeline (gas transmission) and 100% interest in DBP Development Group (gas pipeline development) in Western Australia, a 100% stake in Multinet Gas Group (gas distribution) and a 66% stake in United Energy Distribution (electricity distribution) both in Victoria</p>

**Objective is to invest in regulated electricity and gas distribution or transmission assets, or water and sewerage assets in established regulatory jurisdictions - with Australia being a focus in the short term - that offer predictable earnings and reliable cashflows**

# CURRENT INVESTMENT PORTFOLIO



Spark Infrastructure's Asset Companies are among the most reliable, efficient and safe businesses of their kind in Australia, and rank above their government owned peers



**Credit rating**  
A - / A3

**Customers**  
846,846

**Network availability**  
99.95%

**Next regulatory reset**  
July 2015

**Credit rating**  
BBB+ / Baa1

**Customers**  
757,082

**Network availability**  
99.96%

**Next regulatory reset**  
Jan 2016

**Credit rating**  
BBB+

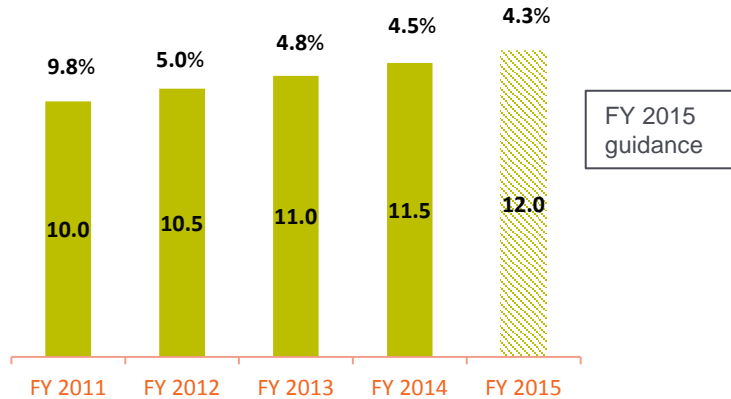
**Customers**  
323,487

**Network availability**  
99.99%

**Next regulatory reset**  
Jan 2016

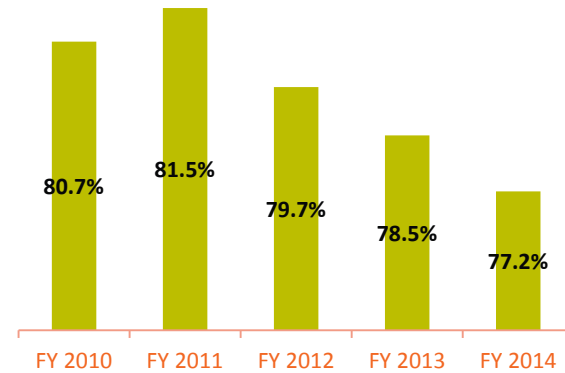
# A PROVEN TRACK RECORD OF DELIVERING

DPS (cps and % growth)



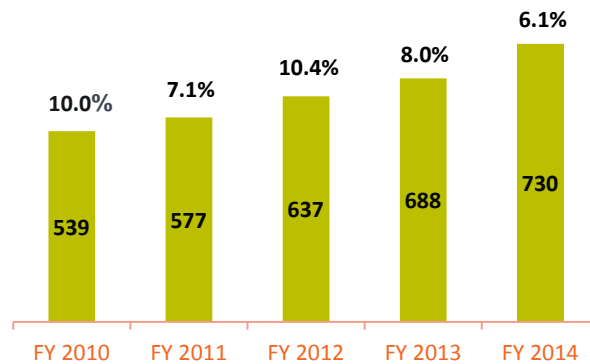
*“3-5% growth p.a. to 2015”*

Net Debt to RAB (%)

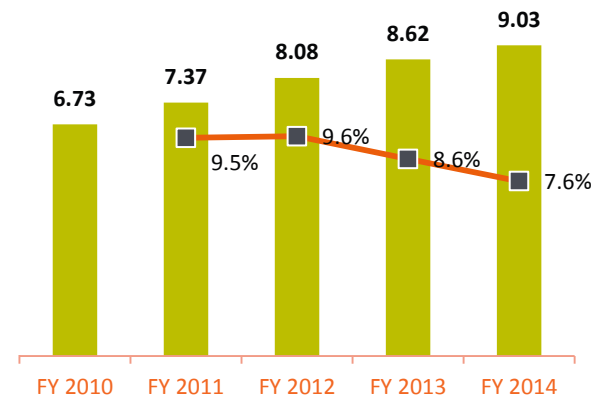


*“Targeting 75% by 2015 in the Asset Companies”*

Asset Company EBITDA (\$M) (excl customer contributions) (49% basis)



Growth in RAB - rolling CAGR<sup>1</sup> (\$bn and %)



*“7-8% CAGR<sup>1</sup> to 2015”*

1. Compound Annual Growth Rate

# FINANCIAL HIGHLIGHTS

## DELIVERING NOW AND INTO THE FUTURE

### Invested in regulated assets with stable cash flows

- ▶ Current Regulatory Asset Base (RAB) of \$9.03 billion (est.) (Spark share \$4.42 billion)
- ▶ RAB growth of 4.8% for FY2014. RAB CAGR<sup>1</sup> of 7.6% since 2010
- ▶ Asset Company net capital expenditure for FY2014 of \$869.8 million

### Asset Companies<sup>2</sup> delivering solid performance year on year

- ▶ Total revenue<sup>3</sup> of \$2,214.8 million – up 4.9%
- ▶ Regulated revenue<sup>4</sup> of \$1,878.8 million – up 6.8%
- ▶ Operating costs of \$725.9 million – up 2.6%
- ▶ Aggregate EBITDA<sup>3</sup> of \$1,488.9 million – up 6.1%

### Growing distributions on back of growing standalone and lookthrough OCF

- ▶ 11.50cps in FY2014; guiding 4.3% growth to 12.0cps for FY2015 (subject to business conditions)
- ▶ Standalone OCF per security up 3.0% to 14.7cps<sup>5</sup>
- ▶ Lookthrough OCF per security up 12.4% to 25.1cps<sup>5</sup>
- ▶ Distributions more than covered by both standalone and lookthrough cashflows
- ▶ Distributions to Spark from Asset Companies of \$206.3 million received in FY2014

### Prudent balance sheet

- ▶ Net debt to RAB at FY2014 is 77.2% (down from 78.5% at FY2013)
- ▶ Strong investment grade credit ratings of A- (S&P) at SA Power Networks, BBB+ (S&P) at CitiPower and Powercor, Spark Baa1 (Moody's)

1. Compound Annual Growth Rate
2. Spark Infrastructure holds 49% interests in SA Power Networks (SAPN) and CitiPower and Powercor Australia (Victoria Power Networks (VPN)) (Asset Companies), results shown on a 100% basis
3. Excludes customer contributions and gifted assets
4. Includes AMI (Advanced Metering Infrastructure) revenue
5. Per security figures calculated using weighted average number of securities for the year.



# OPERATIONAL AND STRATEGIC UPDATE

## DELIVERING NOW AND INTO THE FUTURE

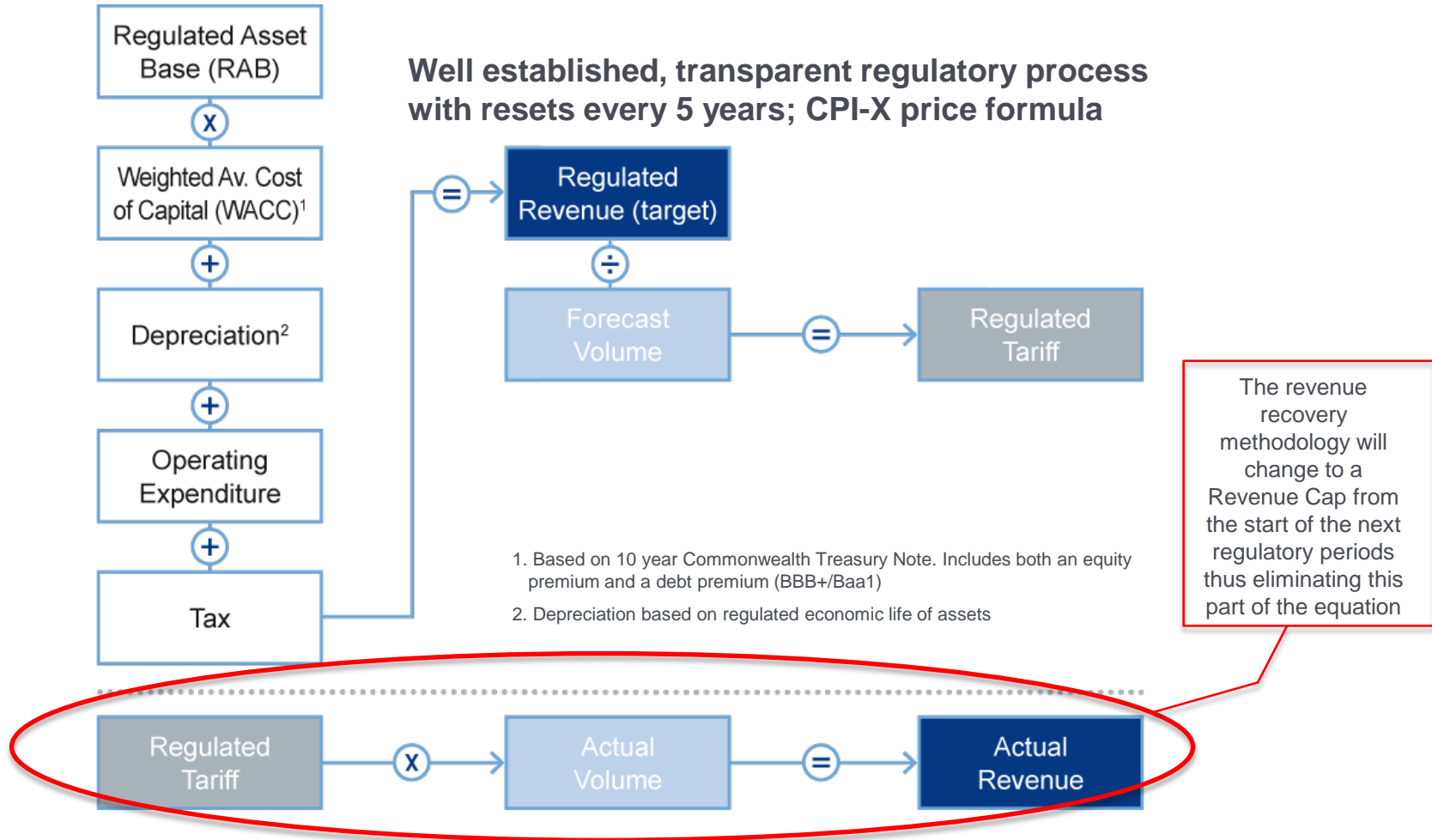
- ▶ SAPN and VPN (CitiPower and Powercor) are performing strongly and benchmarking well against peers
- ▶ SAPN lodged regulatory submissions on 31 October 2014. Victoria Power Networks will lodge by 30 April 2015
- ▶ Volumes decline year on year of 1.8% across the Asset Companies
- ▶ SAPN and VPN focussed on innovation and “future proofing” their network assets in response to changes in operating environment and technology
- ▶ Discussions with the ATO on Asset Company matters are continuing with steady progress
- ▶ Interest in DUET Group acquired in 1H 2014 - cashflow accretive in FY2014
  - Net profit contribution of \$24.9 million
  - Net cashflow of \$9.7 million

## 2. REGULATORY ENVIRONMENT

# CURRENT REGULATORY FRAMEWORK

In-Built protections – Current regulatory periods run to 30 June 2015 and 31 December 2015

Well established, transparent regulatory process with resets every 5 years; CPI-X price formula



**RAB AND REVENUES ARE ADJUSTED FOR INFLATION ANNUALLY (inflation protected)**

# TOP RANKINGS CONFIRMED BY AER BENCHMARKING

- ▶ SA Power Networks, CitiPower and Powercor ranked at the top end in AER Benchmarking report released in November 2014
  - Overall rankings - CitiPower No.1, SA Power Networks No.3 and Powercor No.5
  - The AER Benchmarking report applies Multilateral Total Factor Productivity; and Partial Performance Indicators which provides a means of focussing on a specific aspect of the operation
  
- ▶ AER has reaffirmed its long held position in relation to relative benchmarking performance and regulatory resets – good performers with regulatory credibility should receive ‘lighter touch’ approach based on revealed cost years and historical performance
  - Benchmarking will be used to determine if it is appropriate to rely on a business’ revealed or historical costs
  - Where a business does not benchmark well, the onus of proof will fall on the business to justify why not and if no satisfactory explanation can be provided, have its costs realigned with the relevant industry benchmark
  - NSW network providers draft determinations from the AER were heavily impacted by their poor performance in AER benchmarking report; Final determinations due on 30 April 2015 are relevant to the NSW Government’s proposed sales processes

# SA POWER NETWORKS – 1 July 2015-30 June 2020

## Regulatory submission proposes growth with minimal price impact

- SA Power Networks' proposal, if approved by the AER, would result in a price cut of 1.7% for the average residential consumer in year 1 of the 5-year regulatory period followed by price increases below CPI (less than 2.5% per annum) in years 2-5
  
- SA Power Networks' regulatory submission lodged 31 October 2014 proposes<sup>1</sup>:
  - Total capital expenditure of \$2.5 billion (56% higher than 2010-15)
  - Total operating expenditure of \$1.6 billion (35% higher than 2010-15)
  - Total Revenue<sup>2</sup> of \$4.6 billion (8% higher than 2010-15)
  - WACC of 7.62% and a cost of equity of 10.45%
  
- Proposed capital expenditure would include:
  - Asset replacement - \$756 million
  - Technology, property, equipment and vehicles – \$559 million
  - Network augmentation and security - \$486 million
  - Bushfire prevention and road safety - \$299 million
  - Customer service - \$190 million
  - Cost reflective tariffs and advanced metering - \$76 million
  - Hardening the network (against major weather events) - \$59 million

Sourced from "SA Power Networks Regulatory Proposal: An overview for South Australian Customers"

1. All figures have been adjusted for inflation and therefore all quoted changes are real

2. Based on a proposed Weighted Average Cost of Capital of 7.62%, Gamma of 0.25 and an opening value of the Regulated Asset Base of \$3.8 billion

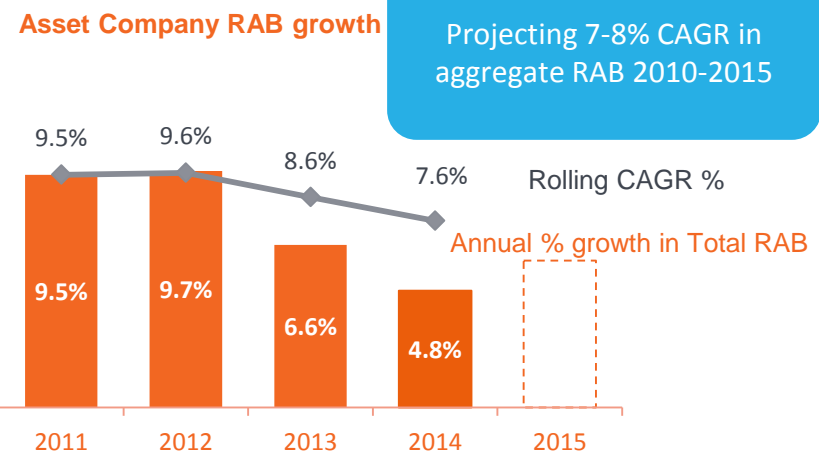
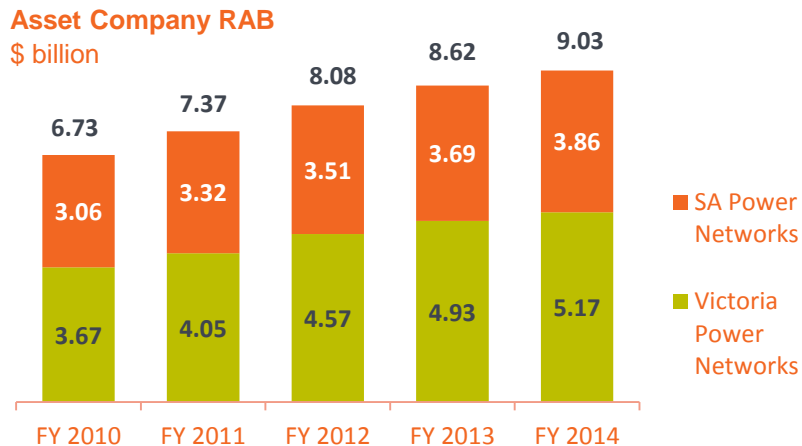
# REGULATORY TIMELINE

<b>30 April 2015</b>	<ul style="list-style-type: none"> <li>▪ SAPN Draft Determination expected from the AER</li> <li>▪ CitiPower and Powercor submit their regulatory submissions to the AER</li> </ul>
<b>1 July 2015</b>	<ul style="list-style-type: none"> <li>▪ SAPN new 5-year regulatory period commences (transitional arrangement)</li> </ul>
<b>2 July 2015</b>	<ul style="list-style-type: none"> <li>▪ SAPN submits revised regulatory submission to the AER</li> </ul>
<b>31 October 2015</b>	<ul style="list-style-type: none"> <li>▪ CitiPower and Powercor Preliminary Determinations expected from the AER</li> <li>▪ SAPN Final Determination expected from the AER</li> </ul>
<b>1 January 2016</b>	<ul style="list-style-type: none"> <li>▪ CitiPower and Powercor new 5-year regulatory period commences (transitional arrangement)</li> </ul>
<b>6 January 2016</b>	<ul style="list-style-type: none"> <li>▪ CitiPower and Powercor submit revised regulatory submissions to the AER</li> </ul>
<b>30 April 2016</b>	<ul style="list-style-type: none"> <li>▪ CitiPower and Powercor Final Determinations expected from the AER</li> </ul>

- Under the transitional arrangements the businesses will operate under the AER's Preliminary Determinations for year 1 of their regulatory periods
- When the Final Determinations are published the AER will make adjustments to revenue recovery arrangements to years 2-5 of the regulatory periods to reflect any changes under a 'no disadvantage' basis

# 3. GROWTH

# SA POWER NETWORKS AND VICTORIA POWER NETWORKS - REGULATED ORGANIC GROWTH



Source: Asset Companies' estimates, Spark Infrastructure internal projection. VPN figures include AMI RAB

- ▶ 7-8% p.a. CAGR growth in total RAB (incl. AMI) expected over the 5 year regulatory periods to 2015 based on AER decisions and expected capital expenditure outperformance
- ▶ Capital expenditure earns a regulatory return from day one



## ACQUISITION OF INTEREST IN DUET GROUP

- ▶ In 2014, Spark Infrastructure entered into derivative contracts to acquire a minimum interest equivalent to 185.9 million securities in DUET Group at an average entry price of ~\$2.16 per security. Minimum interest currently equates to 12.4% economic interest
- ▶ Consistent with Spark Infrastructure's strategy of investing in quality regulated and long-lived infrastructure assets in Australia
- ▶ Prudently funded via a mix of new equity and embedded funding in the derivative contracts
- ▶ Net gain of \$24.9 million on derivative contracts (before transaction fees) recognised in 2014
- ▶ First payment under the derivative contracts of \$15.8 million (reflecting the DUET Group June 2014 final distribution) was received in August 2014 and a second payment of \$16.3 million (reflecting the FY 2015 interim distribution) was received in February 2015
- ▶ Since acquisition, Spark has varied the terms of some of the derivative contracts and may make further amendments as it deems appropriate

# PROPOSED LEASES OF ELECTRICITY NETWORKS

- ▶ Empirical evidence<sup>1</sup> shows that distribution network charges have increased significantly more in government owned businesses than in equivalent privatised businesses
  
- ▶ Spark Infrastructure's Asset Companies are among the most reliable, efficient and safe businesses of their kind in Australia, and rank above their government owned peers
  - **Reliability** – Network availability: SAPN - 99.95%; CitiPower – 99.99%; Powercor – 99.96%
  - **Safety** - In FY2014, SAPN recorded zero LTIs and VPN recorded 1 LTI
  - **Efficiency** – Consistent outperformance of regulatory benchmarks and allowances - neither SAPN or VPN have overspent their regulatory allowances since being privatised
  - **Consumer engagement** – Delivering industry leading programs which have been praised by consumer groups and held up by the Australian Energy Regulator as best practice examples for others to follow
  
- ▶ No formal processes have commenced and this is subject to outcomes of an election to be held 28 March 2015

1. "Electricity network services : Long term trends in prices and costs" EY, June 2014 Commissioned by NSW Treasury

# 4. SPARK INFRASTRUCTURE PERFORMANCE

# FINANCIAL HIGHLIGHTS – FY 2014

## SPARK INFRASTRUCTURE

	FY 2014	FY 2013	% Change
Spark Infrastructure dps <sup>1</sup>	11.50cps	11.00cps	4.5
Payout ratio - standalone <sup>1,2</sup>	81.5%	77.1%	+4.4%
Payout ratio - lookthrough (post Spark Infrastructure net costs) <sup>1,2</sup>	47.7%	49.2%	-1.5%
Total Asset Company distributions to Spark	\$206.3m	\$203.2m	1.5
Standalone OCF	\$206.9m	\$189.3m	9.3
Standalone OCF per security <sup>3</sup>	14.7cps	14.3cps	3.0
Lookthrough OCF per security (post Spark Infrastructure costs) <sup>3</sup>	25.1cps	22.3cps	12.4
Net debt to RAB (Asset Company level) <sup>4</sup>	77.2%	78.5%	-1.3%

1. On an accrued basis

2. For FY 2014 calculated using securities outstanding at 31 December 2014 (1.466bn securities)

3. For FY 2014 calculated using weighted average securities outstanding during the period (1.408bn securities)

4. Based on Asset Company estimates - including DUOS and AMI RAB

# OPERATING CASHFLOW – FY 2014

## SPARK INFRASTRUCTURE

	FY 2014	FY 2013	% Change
	\$m	\$m	%
SA Power Networks - PPC distributions	69.6	69.6	-
SA Power Networks - other distributions	55.4	52.9	4.7
Victoria Power Networks – sub debt interest	81.2	80.7	0.6
<b>Asset Company distributions</b>	<b>206.3</b>	<b>203.2</b>	<b>1.5</b>
Distributions from derivative contracts	15.8	-	n/m
<b>Asset Company and derivative contracts' distributions</b>	<b>222.1</b>	<b>203.2</b>	<b>9.3</b>
Interest received	1.7	1.1	53.4
Finance costs paid on borrowings	(1.5)	(3.2)	54.3
Swap cancellation costs	-	(3.9)	n/m
Finance costs paid - derivative contracts	(6.1)	-	n/m
General administrative expenses	(9.2)	(7.9)	(16.8)
<b>Standalone OCF</b>	<b>206.9</b>	<b>189.3</b>	<b>9.3</b>

# PROFIT AND LOSS – FY 2014

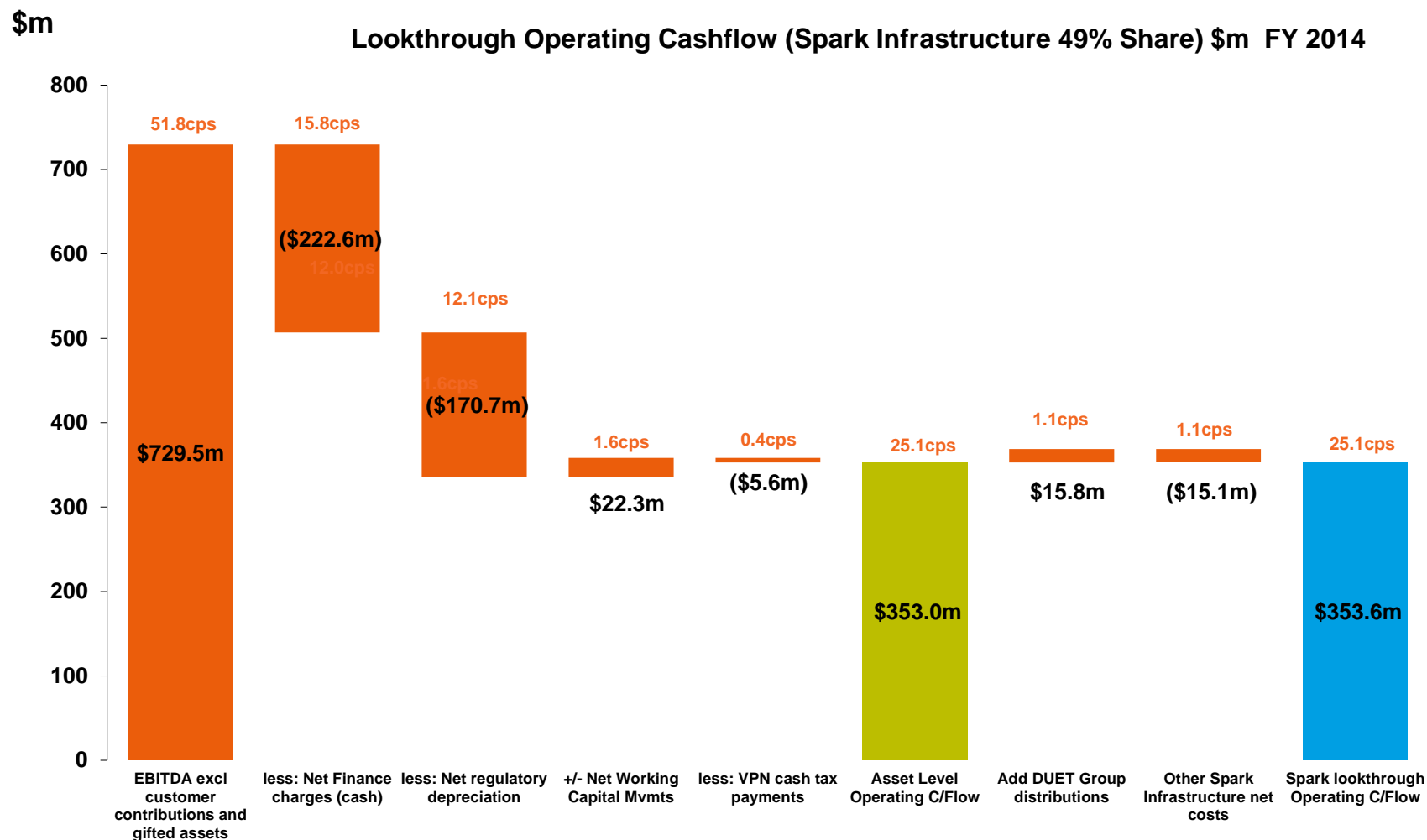
## SPARK INFRASTRUCTURE

\$m	FY 2014	FY 2013 Statutory	FY 2013 Underlying	% Change Underlying
Income from associates and interest income <sup>1</sup>	263.9	311.1	235.8	11.9
Gain on derivative contracts (net of financing)	24.9	-	-	n/m
<b>Total income</b>	<b>288.8</b>	<b>311.1</b>	<b>235.8</b>	<b>22.4</b>
General, administrative and employee expenses	(11.3)	(8.2)	(8.2)	(38.3)
Transaction costs on derivative contracts	(3.3)	-	-	n/m
Swap cancellation costs	-	(3.9)	(3.9)	n/m
Previously capitalised borrowing costs <sup>2</sup>	-	(1.0)	(1.0)	n/m
Interest expense (gross) – senior debt	(2.1)	(3.5)	(3.5)	41.4
<b>Profit before Loan Note interest and tax</b>	<b>272.1</b>	<b>294.5</b>	<b>219.2</b>	<b>24.1</b>
Loan Note Interest (Distributions to Securityholders)	(103.4)	(93.5)	(93.5)	(10.5)
Income tax expense	(40.6)	(72.5)	(33.6)	(20.6)
<b>Profit attributable to Securityholders</b>	<b>128.1</b>	<b>128.4</b>	<b>92.1</b>	<b>39.2</b>

1. From 1 January 2014 Spark Infrastructure changed its basis of estimating the fair value of customer contributions and gifted assets from 'depreciated replacement cost' to estimating the net present value of the future cashflows expected to be derived from the specific extension or modification to the network, resulting in a \$43m reduction in share of post-tax income from associates (\$62m pre-tax) in FY14. At this stage the Asset Companies continue to use 'depreciated replacement cost' to estimate fair value for these transactions.
2. Unamortised borrowing costs attached to the old syndicated facilities, refinanced in March 2013.

# OPERATING CASH FLOW MODEL – FY 2014

Spark Infrastructure distribution more than 2x covered by lookthrough cashflow



Notes:

1. All cents per security figures calculated using weighted average securities during the period (1.408bn securities)
2. Other Spark Infrastructure net costs include distribution from derivative contracts, operating costs, interest and derivative finance costs

# 5. INVESTMENT PORTFOLIO PERFORMANCE



# AGGREGATED FINANCIAL PERFORMANCE – FY 2014

(100% results – SA Power Networks & Victoria Power Networks)

SA Power Networks and Victoria Power Networks	FY 2014	FY 2013	Change
(100% basis)	\$m	\$m	%
Regulated Revenue – DUOS	1,763.5	1,621.8	8.7
Regulated Revenue – AMI	115.4	138.0	(16.4)
Semi-regulated Revenue – Other	85.4	85.1	0.4
Unregulated Revenue	250.5	265.8	(5.8)
<b>Total Revenue (ex customer contributions)</b>	<b>2,214.8</b>	<b>2,110.7</b>	<b>4.9</b>
<i>Semi-regulated Revenue – customer contributions incl gifted assets</i>	<i>147.4</i>	<i>176.5</i>	<i>(16.5)</i>
<b>Total Revenue</b>	<b>2,362.1</b>	<b>2,287.2</b>	<b>3.3</b>
Total Operating Costs	(725.9)	(707.7)	(2.6)
<b>EBITDA (ex customer contributions)</b>	<b>1,488.9</b>	<b>1,403.1</b>	<b>6.1</b>
<b>EBITDA (incl customer contributions)</b>	<b>1,636.3</b>	<b>1,579.6</b>	<b>3.6</b>
<b>EBITDA Margin (ex customer contributions)</b>	<b>67.2%</b>	<b>66.5%</b>	<b>+0.7%</b>
Capital Expenditure (Net)	869.8	882.9	(1.5)

# SA POWER NETWORKS – FY 2014



(100% results)

## Financial

	FY 2014	FY 2013	Change
	\$m	\$m	%
Regulated revenue – DUOS	920.0	854.4	7.7
Semi-regulated – other	39.5	38.8	1.8
Unregulated revenue	147.5	129.2	14.2
<b>Total revenue (ex customer contributions)</b>	<b>1,107.0</b>	<b>1,022.4</b>	<b>8.3</b>
<i>Customer contributions incl gifted assets</i>	<i>80.4</i>	<i>110.3</i>	<i>(27.1)</i>
<i>Total revenue</i>	<i>1,187.3</i>	<i>1,132.7</i>	<i>4.8</i>
Operating costs	(356.8)	(312.2)	14.3
<b>EBITDA (ex customer contributions)</b>	<b>750.2</b>	<b>710.2</b>	<b>5.6</b>
<i>EBITDA</i>	<i>830.5</i>	<i>820.5</i>	<i>1.2</i>
<b>EBITDA ex customer contributions margin</b>	<b>67.8%</b>	<b>69.5%</b>	<b>(1.7%)</b>
Total Capex (net)	363.8	348.5	4.4

## Operational

	FY 2014	FY 2013	Change	Change %
Customer numbers	846,846	839,819	7,027	0.8
Employee numbers	2,199	2,169	30	1.4
Network availability (%)	99.95%	99.96%	-0.01%	-
Volume sold (GWh)	10,586	10,803	(217)	(2.0)

### ► Revenue growth of 8.3%:

- CPI-X increase for regulatory years 2013/2014 and 2014/2015 of 9.67%<sup>1</sup> and 3.84%<sup>1</sup> respectively;
- DUOS revenue includes ~\$20m of vegetation management cost passthrough (~\$40m across 2014/15 regulatory year);
- 14.2% growth in unregulated revenues reflect growth in NBN revenues (additional \$35m), partly offset by lower ElectraNet spending (down \$13m)

### ► Operating costs up 14.3%:

- Vegetation management up \$13m to \$37m. Spend in line with regulatory allowance including additional pass-through;
- GSL<sup>2</sup> costs up \$6m primarily due to January and February severe weather events;
- Higher costs associated with increased unregulated business, including NBN.

1. Excluding adjustments for recovery of STPIS, PV, vegetation management appeal passthrough and other immaterial adjustments  
 2. Guaranteed Service Levy

# SA POWER NETWORKS

## Business update



Electricity sales volumes	Quantity (GWh)		
	FY 2014	FY 2013	Variance
Residential/Domestic	3,223	3,260	(1.1%)
Hot Water	561	559	0.4%
Small Business	5,442	5,506	(1.2%)
Large Business	1,236	1,358	(9.0%)
Unmetered	124	120	3.0%
<b>Total</b>	<b>10,586</b>	<b>10,803</b>	<b>(2.0%)</b>
(Residential solar penetration)	23.0%	21.2%	+1.8%

- ▶ **Sales Volumes** – Decline in volumes primarily driven by small and large business customers. Actual volumes 4.8% down on regulatory allowances (for 2014/15 regulatory year)
- ▶ **Revenue recovery** – AER has confirmed the move from a price cap to a revenue cap. Revenue cap will remove volume risk in the next regulatory period
- ▶ **Service Target Performance Incentive Scheme (STPIS)** –
  - 2012/2013 regulatory year: \$13m recovered from 1 July 2014 evenly over the 2014/15 regulatory year
  - 2013/2014 regulatory year: ~ \$9m penalty deferred to the 2016/17 regulatory year
- ▶ **Vegetation management costs** – \$40 million resulting from approval of pass through application for additional costs for 2012/2013 – 2014/2015. Pass through recoveries from 1 July 2014
- ▶ **National Broadband Network (NBN)** – \$42 million of revenue in FY2014 (FY2013: \$7m)

# SA POWER NETWORKS

## KEY BUSINESS ISSUES



- ▶ **Regulatory reset** – Proposal submitted to AER 31 October 2014
- ▶ **Robust network and ability to respond to major events**
  - January 2014 heatwave: 5 days of 42C+, 2 thunderstorms, 2 Major Event Days, 300 personnel mobilised
  - Feb 3 2014 windstorm: 700 outages (incl 370 wires down). More than half of affected customers restored by early afternoon
  - Other Major Event Days in June, October, November, however the bulk of GSL costs incurred in the first half of the year
- ▶ **Solar PV – ~174k installations** (~157k 31 December 2013). PV is shifting peak, but also helping reduce stress on the network during heatwaves
- ▶ **STPIS**
  - Performance for latest regulatory year (2013/2014) impacted by adverse weather events. Expected to be negative (~\$9m)
  - Cumulatively during the regulatory reset from 1 July 2010 to 30 June 2014 the performance is positive (~\$23m)
- ▶ **2015 tariffs approved** – Contribution of distribution charges to average total residential customers' electricity bills are only 37%, with SA Power Networks only contributing 17% of the total bill increase since 2000.
- ▶ **Unregulated revenues** – CaMS revenues benefiting from NBN contract, but continue to be impacted by reduced ElectraNet activity



# VICTORIA POWER NETWORKS – FY 2014

(100% results)



## Financial

	FY 2014	FY 2013	Change
	\$m	\$m	%
Regulated revenue - DUOS	843.5	767.4	9.9
Prescribed metering (AMI)	115.4	138.0	(16.4)
Semi-regulated other	45.9	46.3	(0.8)
Unregulated revenue	103.0	136.6	(24.6)
<b>Total revenue (ex customer contributions)</b>	<b>1,107.8</b>	<b>1,088.3</b>	<b>1.8</b>
<i>Customer contributions incl gifted assets</i>	67.0	66.2	1.2
<i>Total revenue</i>	1,174.7	1,154.5	1.8
Operating costs	(369.1)	(395.5)	(6.7)
<b>EBITDA (ex customer contributions)</b>	<b>738.7</b>	<b>692.8</b>	<b>6.6</b>
<i>EBITDA</i>	805.7	759.0	6.1
<b>EBITDA ex customer contributions margin</b>	<b>66.7%</b>	<b>63.7%</b>	<b>3.0%</b>
Total Capex (Inc. AMI)	506.0	534.4	(5.3)

## Operational

	FY 2014	FY 2013	Change	Change %
Customer numbers	1,080,569	1,072,266	8,303	0.8
Employee numbers	1,971	2,012	(41)	(2.1)
Network availability(%) - CP	99.99%	99.98%	0.01%	-
- PC	99.96%	99.97%	-0.01%	-
Volume sold GWh - CP	5,919	5,981	(62)	(1.0)
- PC	10,333	10,556	(223)	(2.1)
Volume sold GWh (total)	16,252	16,537	(285)	(1.7)

### ► Revenue growth of 1.8%:

- CPI-X from 1 January 2014 – 10.13% for CitiPower and 9.00% for Powercor<sup>1</sup>
- STPIS benefit of \$20m recovered (FY2013: \$15m), and Powercor VBRC<sup>2</sup> pass through \$9.7m (FY2013: \$10.3m)
- AMI revenues decreased as RAB depreciates post roll out
- Unregulated revenue reflects lower PNS third party works (\$33m decrease), primarily a result of the Elaine Terminal Station project completion in 2013 (\$23m)

### ► Operating costs down 6.7%:


- Reduction in PNS third party works related costs
- Reduction in vegetation management costs (\$10m reduction)


1. Excluding adjustments for recovery of STPIS, VBRC and any other immaterial adjustments  
 2. Victoria Bushfire Royal Commission

# VICTORIA POWER NETWORKS

## Business update



 <b>Electricity sales volumes</b>	Quantity (GWh)		
	FY 2014	FY 2013	Variance
Residential/Domestic	1,201	1,270	(5.5%)
Small Business	1,824	1,894	(3.7%)
Large Business	2,858	2,779	2.8%
Unmetered	37	39	(5.0%)
<b>Total</b>	<b>5,919</b>	<b>5,981</b>	<b>(1.0%)</b>
(Residential solar penetration)	2.8%	2.4%	+0.4%

 <b>Electricity sales volumes</b>	Quantity (GWh)		
	FY 2014	FY 2013	Variance
Residential/Domestic	3,298	3,374	(2.2%)
Small Business	1,985	1,986	(0.0%)
Large Business	4,945	5,091	(2.9%)
Unmetered	105	105	(0.3%)
<b>Total</b>	<b>10,333</b>	<b>10,556</b>	<b>(2.1%)</b>
(Residential solar penetration)	12.6%	11.1%	+1.5%

- ▶ **Revenue recovery** – AER confirmed move to a revenue cap for next regulatory period
- ▶ **STPIS**

Regulatory year	Amount (\$m)	Recovery year
2011	15	2013
2012	20	2014
2013	14	2015
2014	(9)	2016
<b>Cumulative</b>	<b>40</b>	

# VICTORIA POWER NETWORKS

## KEY BUSINESS ISSUES



- ▶ **Regulatory reset effective 1 Jan 2016** – Submission due to the AER in April 2015. Preparations well progressed
- ▶ **2015 tariffs approved** – Contribution of distribution charges to average total residential customers' electricity bills are only 21% for CitiPower and 27% for Powercor
- ▶ **Powercor Network Services (PNS) third party work** –
  - Ausnet Services revenues roughly in line vs FY2013;
  - One off large project in prior year: Elaine Terminal Station project for Meridian Energy (\$23m of revenue in FY 2013);
  - QLD and NSW markets are experiencing lower project activity, reduced demand and capital expenditure constraints



# VICTORIA POWER NETWORKS

## WORLD CLASS OPERATIONS PROGRAM

- ▶ AER benchmarking shows CitiPower and Powercor to be amongst the most efficient distributions businesses
- ▶ The objective is to build from this position towards world class levels of efficiency, for the benefit of customers, staff and shareholders
- ▶ Areas of focus and opportunity:
  - ▶ Increasing efficiency and removing 'red tape' across the business - has enabled reduction of ~100 positions across support areas,
    - ▶ redeployment and reinvestment in people across frontline areas (including apprentices)
  - ▶ Improved contractor management, more rigorous and competitive tendering and policy reviews
  - ▶ New centralised and refreshed procurement function set to deliver significant value across medium to longer term
  - ▶ Streamlined maintenance processes and avoidance of unnecessary maintenance
  - ▶ Numerous field workforce productivity initiatives
  - ▶ Longer term system replacements initiated:
    - Workforce management
    - End to end connections
    - Design processes

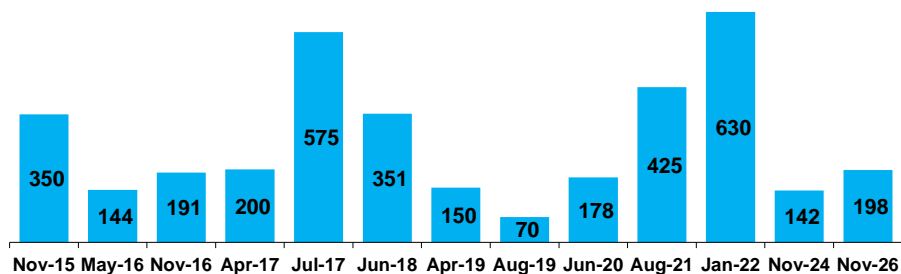




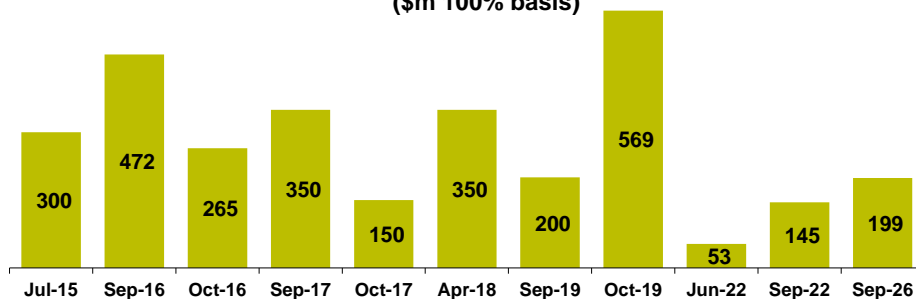
# ASSET COMPANIES' DEBT POSITION AT 31 DECEMBER 2014

## 100% basis – SA Power Networks & Victoria Power Networks

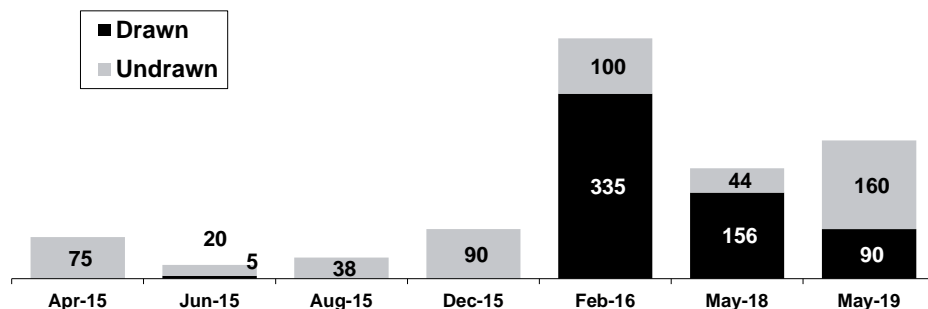
Victoria Power Networks - Capital Markets Debt  
(\$m 100% basis)



SA Power Networks - Capital Markets Debt  
(\$m 100% basis)



Asset Company Bank Debt Facility Maturities (\$m 100% basis)



### ▶ CitiPower

- ▶ placed \$150m of domestic floating rate notes in February 2014 (maturing April 2019)
- ▶ executed a \$200m 4 year revolving bank facility in June 2014 (maturing May 2018)

### ▶ Powercor

- ▶ executed a \$250m 5 year syndicated bank facility in June 2014 (maturing May 2019)
- ▶ executed a \$300m 18 month bank facility in June 2014 (subsequently repaid and cancelled)
- ▶ placed a US\$300m USPP in September 2014, with two tranches of \$142m and \$148m expiring in November 2024 and November 2026 respectively

### ▶ SAPN

- ▶ placed a US\$370m USPP in May 2014, with 8 and 12 year maturities (June 2022, September 2022 and September 2026)

# ASSET COMPANY TAXATION UPDATE

## Progress during FY2014

### Developments during FY 2014

- ▶ ATO advised VPN in May 2014 that it will not pursue its position re Division 974 (debt/equity), which concluded that matter for all years in question
- ▶ Continued steady progress, no subsequent updates to previously disclosed position
- ▶ All other matters with the ATO remain ongoing, including Part IVA
- ▶ No further updates on SAPN matters
- ▶ SAPN and VPN remain engaged in discussions with the ATO

### Outlook

- ▶ The developments during 2014, in particular the withdrawal of the Division 974 matter, demonstrated continued progress on ATO matters
- ▶ Spark Infrastructure and the Asset Companies remain engaged with the ATO on the various matters and will provide updates as they emerge

*Full details of ongoing ATO matters disclosed in the Spark Infrastructure Financial Statements*

## 6. SUMMARY & OUTLOOK

# A TIME FOR QUALITY



- ▶ SAPN and VPN
  - Businesses benchmarking strongly against Australian peers
  - Strong RAB growth of 7-8% CAGR across 2010-2015 (7.6% across period to date)
  - Asset level gearing of 77.2%, moving towards 75% Net debt to RAB by end 2015
  - Regulatory reset processes well underway in both businesses
- ▶ Distributions comfortably covered by both standalone and lookthrough cashflows
- ▶ FY 2015 Distribution guidance of 12.0cps (subject to business conditions) (4.3% growth on FY 2014) – delivering reliable yield.
- ▶ Distribution guidance for FY 2016 and beyond to be provided as soon as appropriate, with objective of providing long term guidance similar to 2011-2015

# FOR FURTHER INFORMATION

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# 7. APPENDICES

# KEY METRICS

## SECURITY METRICS

Market price at 12 March 2015 (\$)	2.05
Market capitalisation (\$)	3.0 billion

## DISTRIBUTIONS

FY 2014	11.50cps
Comprising	
- Loan Note interest	7.05cps
- Tax deferred amount	4.45cps
FY 2015 Guidance	12.00cps

## CREDIT RATINGS

Asset level credit ratings	SA Power Networks: A-/A3 Powercor: BBB+/Baa1 CitiPower: BBB+
Spark level credit rating	Baa1

## REGULATED ASSET BASE – (Estimates at December 2014)

<b>SA Power Networks (DUOS) (\$m)</b>	<b>3,862</b>
CitiPower (DUOS) (\$m)	1,657
Powercor (DUOS) (\$m)	3,022
CitiPower (AMI) (\$m)	136
Powercor (AMI) (\$m)	352
<b>Victoria Power Networks total (\$m)</b>	<b>5,167</b>
<b>RAB total (\$m)</b>	<b>9,029</b>
Net debt/RAB – Asset Companies combined	77.2%
Net debt/RAB - SA Power Networks	74.2%
Net debt/RAB – Victoria Power Networks	79.5%

# DEBT POSITION (AT 31 DECEMBER 2014)

SA Power Networks	\$m
RAB	3,862
Net Debt	2,866
Net Debt/RAB	74.2%
Percentage Hedged (gross)	93.5%
Rolling 12 Month ICR <sup>1</sup> (x net interest)	3.7 x

Victoria Power Networks	\$m
RAB (Including AMI <sup>2</sup> )	5,167
Net Debt	4,108
Net Debt/RAB	79.5%
Percentage Hedged (gross)	99.1%
Rolling 12 Month ICR (x net interest)	3.0 x

SPARK INFRASTRUCTURE	\$m
Total RAB (49% share)	4,424
Gross Debt at Spark Level	-
Net Debt/RAB – Asset Level	77.2%
Book Gearing Net (Look through) <sup>3</sup>	54.1%
Spark Look Through Proportion of Hedging (gross)	96.7%

1 Calculated as: EBITDA ex customer contributions and gifted assets / net interest expense

2 Advanced Metering Infrastructure (AMI)

3 Excludes reserves



# CAPITAL EXPENDITURE (100%)

	SA Power Networks		CITIPOWER Powercor AUSTRALIA		TOTALS	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Growth Capex	182.6	181.7	354.5	278.9	<b>537.1</b>	<b>460.6</b>
Growth Capex AMI	-	-	26.0	125.7	<b>26.0</b>	<b>125.7</b>
Maintenance capex	181.2	166.8	125.5	129.8	<b>306.7</b>	<b>296.6</b>
<b>Total</b>	<b>363.8</b>	<b>348.5</b>	<b>506.0</b>	<b>534.4</b>	<b>869.8</b>	<b>882.8</b>
Change vs pcp (%)	4.4%		-5.3%		-1.5%	

	Maintenance capex spend		Regulatory depreciation		Less inflation uplift on RAB		Net regulatory depreciation	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014 <sup>1</sup>	FY 2013	FY 2014	FY 2013
SA Power Networks	181.2	166.8	238.9	219.1	(84.7)	(75.3)	154.2	143.8
CITIPOWER	25.6	31.4	102.7	97.7	(37.3)	(32.4)	65.4	65.3
Powercor AUSTRALIA	99.9	98.4	198.1	191.0	(69.2)	(59.0)	128.8	132.0
<b>Totals</b>	<b>306.7</b>	<b>296.6</b>	<b>539.7</b>	<b>507.8</b>	<b>(191.3)</b>	<b>(166.7)</b>	<b>348.4</b>	<b>341.1</b>
Spark 49% share	150.3	145.3	264.4	248.8	(93.7)	(81.7)	170.7	167.1

1. For SAPN, CPI uplift on RAB is estimated by: In H1 2014, actual March 2014 CPI of 2.92% with 'true up' for CPI actual vs estimate for FY 2013 RAB estimate (1.46% being 2.92% over 6 months, vs 1.56%). In H2 2014, CPI movement March to September 2014 as a proxy for a half year CPI forecast for June to December 2014 (0.95%). For VPN, CPI uplift on RAB is estimated by September 2013 CPI of 2.16% (which is applied to the FY 2014 opening RAB for the full FY 2014).

# CURRENT REGULATORY SETTINGS TO 2015

## SA Power Networks and Victoria Power Networks (100% figures)




REGULATORY PERIOD	SA Power Networks <sup>1</sup> 1 Jul 2010 – 30 Jun 2015	Victoria Power Networks <sup>2</sup> 1 Jan 2011 – 31 Dec 2015
Beta	0.8	0.8
Risk Free Rate	5.89%	5.08%
Debt risk premium (DRP)	2.98%	3.89% <sup>3</sup>
Market risk premium (MRP)	6.50%	6.50%
Nominal vanilla WACC	9.76%	9.49%
Nominal post tax return on equity (2010 decision)	11.09%	10.28%
Gamma (Imputation)	0.25 (following successful appeal)	0.25 (following successful appeal)
Net capex over 5 years (\$ 2010)	\$1,636m	\$2,115m
Opex over 5 years (\$ 2010) <sup>4,5</sup>	\$1,080m	\$997m
Revenue (Nominal) <sup>4,6</sup>	\$3,930m	\$3,845m

1. Figures relate to Distribution Use Of Service (DUOS) incl. Alternative Control Services (ACS) revenue.
2. Figures relate to DUOS only
3. VPN DRP 3.89% following appeal outcomes (3.74% per final 2010 determination)
4. Figures revised for all successful outcomes, including \$40m (nominal dollars) vegetation management costs for SAPN awarded in July 2013
5. Operating expenditure numbers adjusted for efficiency carryover amounts per determinations
6. Revenue numbers not updated for actual CPI

# REGULATED PRICE PATH

## CPI minus X<sup>1</sup>




- ▶ Regulated electricity sales revenues are determined by a price path set according to the CPI-X<sup>1</sup> formula. A negative X-Factor means a real increase in distribution tariffs
- ▶ Regulatory pricing period commences on 1 July each year for SA Power Networks and 1 January each year for Victoria Power Networks (CitiPower and Powercor)
- ▶ X-Factors below include all regulatory appeal outcomes
- ▶ Whilst CPI-X is the key underlying driver for tariff increases, the tariff increases implied by reported results includes adjustments for other factors

	CPI (%)		Tariff increase (%)		CPI (%)		Tariff increase (%)		CPI (%)		Tariff increase (%)
	Actual	X-Factor <sup>2</sup>	Actual/forecast <sup>3</sup>		Actual	X-Factor <sup>2</sup>	Actual/forecast <sup>3</sup>		Actual	X-Factor <sup>2</sup>	Actual/forecast <sup>3</sup>
Year 1 (1 Jul 10)	2.89 (2.52)	-12.14	15.38	Year 1 (1 Jan 11)	2.79 (2.57)	6.41	-3.80	Year 1 (1 Jan 11)	2.79 (2.57)	-0.11	2.90
Year 2 (1 Jul 11)	3.33 (2.52)	-18.10	22.03	Year 2 (1 Jan 12)	3.52 (2.57)	-4.00	7.66	Year 2 (1 Jan 12)	3.52 (2.57)	-3.00	6.63
Year 3 (1 Jul 12)	1.58 (2.52)	-4.97	6.63	Year 3 (1 Jan 13)	2.00 (2.57)	-6.78	8.92	Year 3 (1 Jan 13)	2.00 (2.57)	-6.36	8.49
Year 4 (1 Jul 13)	2.50 (2.52)	-7.00	9.67	Year 4 (1 Jan 14)	2.16 (2.57)	-7.80	10.13	Year 4 (1 Jan 14)	2.16 (2.57)	-6.70	9.00
Year 5 (1 Jul 14)	2.92 (2.52)	-0.89	3.84	Year 5 (1 Jan 15)	2.31 (2.57)	-7.80	10.29	Year 5 (1 Jan 15)	2.31 (2.57)	-7.20	9.68

1. Whilst referred to as "CPI-X", the actual tariff increase formula used by the regulator is:  $(1+CPI) \times (1-x) - 1$ . Source: AER
2. Figures updated for regulatory appeals announced, excluding \$40m (nominal dollars) vegetation management costs for SAPN awarded in July 2013 (this is a passthrough and does not impact X-factors)
3. Figures for SA Power Networks exclude adjustments for STPIS, PV and Q-factor actual and forecast adjustments. Figures for Victoria Power Networks exclude STPIS and any other adjustments.

# ELECTRICITY SALES VOLUMES

## Regulatory allowances v Actual sales (GWh)

Actual volume (AER forecast volume) <i>Gap to regulatory forecasts %</i>	Regulatory year <sup>1</sup>						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	<i>Gap to regulatory forecasts - cumulative to date %</i>
	11,504 (11,555)	11,249 (11,618)	11,019 (11,422)	11,025 (11,264)	10,652 (11,194)	(11,194)	-3.4%
	6,210 (6,125)	6,105 (6,180)	6,085 (6,227)	5,981 (6,218)	5,919 (6,201)	(6,237)	-3.0%
	10,678 (10,585)	10,470 (10,726)	10,744 (10,795)	10,556 (10,781)	10,333 (10,761)	(10,797)	-2.2%

1. June year end for SAPN, December year end for CitiPower and Powercor


# UNDERLYING ADJUSTMENTS – FY 2014


UNDERLYING ADJUSTMENTS	Underlying result (\$m)		Customer contributions and gifted assets <sup>1</sup> (\$m)		Spark Infrastructure tax expense <sup>2</sup> (\$m)		Reported result (\$m)	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Total income – Inc. associates and interest	288.9	235.8	-	75.2	-	-	288.9	311.0
Profit before Loan Note interest and income tax	272.1	219.3	-	75.2	-	-	272.1	294.5
Profit attributable to Securityholders	128.1	92.1	-	52.6	-	(16.3)	128.1	128.4
Operating cashflow	206.9	189.3	-	-	-	-	206.9	189.3

1. From 1 January 2014 Spark Infrastructure changed its basis of estimating the fair value of customer contributions and gifted assets from 'depreciated replacement cost' to estimating the net present value of the future cashflows expected to be derived from the specific extension or modification to the network. The Underlying Adjustments reflect the FY 2013 impact had the FY 2014 changes made to the basis of estimating fair value been made in FY 2013.
2. Income tax expense on ATO settlement regarding rent instalments.

# SEMI REGULATED REVENUES

FY 2014 vs FY 2013 (100% figures)

	FY 2014	FY 2013	Variance
	(\$m)	(\$m)	(\$m)
Public Lighting	17.4	16.1	1.3
Asset Relocation	6.8	6.7	0.1
Metering Services	11.0	10.7	0.3
Feeder Standby / Excess kVAR	2.3	2.4	(0.1)
Pole/Duct Rental	1.9	1.9	0.0
Other Excluded Services <sup>1</sup>	0.1	1.0	(0.9)
<b>TOTAL<sup>2</sup></b>	<b>39.5</b>	<b>38.8</b>	<b>0.7</b>


	FY 2014	FY 2013	Variance
	(\$m)	(\$m)	(\$m)
Public Lighting	13.4	15.4	(2.0)
New Connections	9.5	9.0	0.5
Special Reader Activities	5.7	7.2	(1.5)
PV installation	2.9	3.0	(0.1)
Service Truck Activities	4.6	4.1	0.5
Recoverable works	2.3	-	2.3
Other	7.5	7.7	(0.2)
<b>TOTAL</b>	<b>45.9</b>	<b>46.4</b>	<b>(0.5)</b>



1. Includes profit/loss on asset disposals

2. Does not include Alternative Control Services (ACS) revenue, which is reported as part of DUOS revenue

# UNREGULATED REVENUES

## FY 2014 vs FY 2013 (100% figures)

	FY 2014 (\$m)	FY 2013 (\$m)	Variance (\$m)
Construction and Maintenance Services (CaMS) T&D - ElectraNet	33.1	46.7	(13.6)
Other CaMS	38.2	40.1	(1.9)
Material Sales	16.3	15.0	1.3
Interstate work	5.6	7.5	(1.9)
Asset rentals	3.5	3.4	0.1
NBN	42.1	7.0	35.1
Other Telecommunications	0.9	1.2	(0.3)
Facilities Access / Dark Fibre	2.3	2.4	(0.1)
Sale of Salvage	1.2	1.4	(0.2)
Other	4.3	4.6	(0.3)
<b>TOTAL</b>	<b>147.5</b>	<b>129.2</b>	<b>18.3</b>

 	FY 2014 (\$m)	FY 2013 (\$m)	Variance (\$m)
PNS Resources <sup>1</sup>	40.5	73.1	(32.6)
PNS Transmission and Distribution - SP AusNet	20.8	22.7	(1.9)
SLA Revenue (SA Power Networks and TOA*) <sup>2</sup>	14.4	14.7	(0.3)
Material Sales	6.5	6.2	0.3
Telecommunications	2.8	4.5	(1.7)
Wellington Electricity* Management Fees	3.6	4.0	(0.4)
Joint Use of Poles	3.1	3.0	0.1
Property Rental	0.6	0.6	0.0
Other <sup>3</sup>	10.7	7.9	2.8
<b>TOTAL</b>	<b>103.0</b>	<b>136.6</b>	<b>(33.6)</b>

\*100% owned by CKI and PAH

1. Significant decrease in PNS Resources revenue driven by non-recurring the Elaine Terminal Station project from FY 2013 (\$23m), and due to the QLD and NSW markets experiencing lower project activity as a result of government direction, reduced demand and capital expenditure constraints.
2. \$14.1m SA Power Networks, \$0.3m TOA
3. Includes profit/loss on asset disposals and duct rental

# USEFUL LINKS

**Spark Infrastructure** [sparkinfrastructure.com](http://sparkinfrastructure.com)  
Fact Book [sparkinfrastructure.com/investor/reports/fact-books](http://sparkinfrastructure.com/investor/reports/fact-books)

**SA Power Networks** [sapowernetworks.com.au](http://sapowernetworks.com.au)  
[talkingpower.com.au](http://talkingpower.com.au)

**Citi Power and Powercor** [powercor.com.au](http://powercor.com.au)  
[talkingelectricity.com.au](http://talkingelectricity.com.au)

**Australian Energy Regulator**  
[aer.gov.au](http://aer.gov.au)

Advanced Metering Infrastructure cost recovery and charges for 2012-15  
[aer.gov.au/node/10216](http://aer.gov.au/node/10216)

Regulatory determinations South Australia 2010 – 2015  
[aer.gov.au/node/4](http://aer.gov.au/node/4)

Regulatory submissions South Australia 2015-2020  
[aer.gov.au/node/20941](http://aer.gov.au/node/20941)

Regulatory determinations Victoria 2010 – 2015  
[aer.gov.au/node/2039](http://aer.gov.au/node/2039)

Performance reports Victoria  
[aer.gov.au/node/14950](http://aer.gov.au/node/14950)

**Australian Energy Market Commission** [aemc.gov.au](http://aemc.gov.au)

**Australian Competition and Consumer Commission** [acc.gov.au](http://acc.gov.au)

**Energy Networks Association** [ena.asn.au](http://ena.asn.au)

**Essential Services Commission of South Australia** [escosa.sa.gov.au](http://escosa.sa.gov.au)

**Essential Services Commission (Victoria)** [esc.vic.gov.au](http://esc.vic.gov.au)

**Standing Council on Energy and Resources** [scer.gov.au](http://scer.gov.au)



# CORPORATE CONTACT DETAILS

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