

Monday, 24 August 2015

DIRECTORS PROVIDE DISTRIBUTION GUIDANCE FOR FY2016

Performance highlights (6 months ended 30 June 2015)

- Standalone operating cashflow up 16.7% to \$101.2 million
- Interim distribution declared of 6.0cps, in line with FY 2015 guidance of 12.0cps up 4.3% on 2014
- Standalone payout ratio of 87.0% for HY 2015. Distributions close to 2x covered on a look-through basis
- Asset Company EBITDA (excluding customer contributions) (100% basis) up 12.7% to \$808.4 million
- Asset Company Net Capital Expenditure (100% basis) down 7.1% to \$356.2 million
- Asset Company Regulatory Asset Base (100% basis) up 1.6% to \$9.2 billion
- Asset Company Net Debt to RAB of 76.2% down 1.0% in the last 6 months
- Underlying¹ Profit before Loan Note Interest and Tax up 3.7% to \$140.3 million
- Underlying¹ Net Profit after Tax up 5.0% to \$70.8 million
- Net Profit after Tax down 56.0% to \$39.2 million¹

Spark Infrastructure has today released its results for the 6 months ended 30 June 2015. The Underlying¹ Profit before Loan Note Interest and Tax for the year increased by 3.7% to \$140.3 million compared to the previous corresponding period. The improved performance was a result of higher equity accounted share of profits and interest income from the Asset Companies², partially offset by an unrealised loss on derivative contracts associated with the economic interest in DUET Group.

The Directors have declared an interim distribution of 6.0 cents per security (cps) to be paid on 15 September 2015. This is in line with the previously provided distribution guidance of 12.0cps for 2015, which represents an increase of 4.3% on 2014. The Directors have also provided distribution guidance for 2016 of 12.5cps, subject to business conditions - an increase of 4.2% on 2015. The Directors remain confident of continuing to grow distributions across the next regulatory periods.

Total regulated revenue of the Asset Companies was up 9.2% to \$998.8 million³ with aggregated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), up 12.7% to \$808.4 million.

The Regulated Asset Base (RAB) of the Asset Companies grew by 1.6% in the 6 months ended 30 June 2015 taking the total RAB⁴ to \$9.2 billion (Spark share \$4.5 billion). In aggregate, net debt to RAB at the Asset Company level was 76.2% at 30 June 2015, down 1.0% since 31 December 2014 and down 1.6% from 77.8% on a rolling 12 month basis.

"Spark Infrastructure remains focussed on providing steady and reliable growth in distributions over time and across regulatory periods. The Directors have, for the first time, provided guidance for 2016 of 12.5cps which is the first full year in the next regulatory period and remain confident of delivering annual distribution growth over the next regulatory periods to 2020." said Mr Rick Francis, Managing Director of Spark Infrastructure.

"Spark Infrastructure's distributions are nearly twice covered by operating cashflows from the Asset Companies and the gearing target of 75% net debt to RAB is close to being achieved. Together with their sector leading business improvement programs, this provides significant capacity to continue delivering reliable cashflows to Spark Infrastructure", he added.

"The Asset Companies are responding to changing technology and more engaged customers with evolving demand patterns through innovation and continuous improvement. They are well placed to build on existing strengths and to expand into new areas", said Mr Francis.

Performance summaries

Spark Infrastructure financial performance	HY 2015 (\$m)	HY 2014 (\$m)	Variance (%)
Total Underlying ¹ income ⁵	146.9	144.6	1.6
Underlying ¹ Profit before Loan Note Interest and Tax	140.3	135.3	3.7
Underlying ¹ Net Profit after Tax	70.8	67.5	5.0
Net Profit after Tax (statutory)	39.2	89.0	(56.0)
Operating cashflows (standalone)	101.2	86.7	16.7

Aggregated Asset Company performance (100% basis)	HY 2015 (\$m)	HY 2014 (\$m)	Variance (%)
Prescribed revenue, including			
- Distribution revenue	942.3	855.0	10.2
- Prescribed metering revenue (AMI)	56.5	59.9	(5.7)
Non-prescribed revenue	182.6	152.5	19.7
Total revenue (excluding customer contributions)⁶	1,181.4	1,067.4	10.7
EBITDA (excluding customer contributions)	808.4	717.6	12.7
Net Capital Expenditure	356.2	383.5	(7.1)
Net Debt to RAB (Asset Company level)	76.2%	77.8%	-1.6%

2015 Interim Distribution

The Board has declared an interim cash distribution of 6.0cps for the 6 months ended 30 June 2015, payable on 15 September 2015, which consists of 3.50cps interest on Loan Notes and a return of capital amount of 2.50cps.

The Distribution Reinvestment Plan will remain suspended.

Ex-date	Wednesday, 2 September 2015
Record date	Friday, 4 September 2015
Payment date	Tuesday, 15 September 2015

Outlook

The Directors have provided distribution guidance for the first time for 2016 of 12.5 cps, representing growth of 4.2% on 2015, subject to business conditions. 2016 is the first full year for the Asset Companies under the new regulatory periods.

The next 12 months will see the finalisation of the regulatory reset processes for SA Power Networks, CitiPower and Powercor. Spark Infrastructure anticipates that the new 5 year regulatory periods for the Asset Companies will be characterised by maintaining their sector leading safety performance, high levels of reliability and excellent customer engagement; as well as continuation of their proven efficiency, strong financial performance and consistent RAB growth.

Further information:

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1. An underlying adjustment has been made in the half year 2015 results to reflect the settlement reached with the ATO regarding deductibility of interest for Victoria Power Networks and SA Power Networks ("the Asset Companies"). Consistent with 31 December 2014 an underlying adjustment has also been made to the half year 2014 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.
2. Spark Infrastructure holds 49% interests in electricity distribution businesses SA Power Networks, CitiPower and Powercor Australia (Victoria Power Networks).
3. Including Advanced Metering Infrastructure (AMI) revenue
4. The calculation of RAB at the end of a financial period is an estimate only, and may change as final calculations of regulatory capital expenditure, regulatory depreciation and consumer price indexes (CPI) are made in the future.
5. Includes interest income from associates, Spark Infrastructure's share of equity accounted profits, gains from derivative contracts and other income.
6. 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.