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MEDIA RELEASE

Friday, 26 August 2011

SPARK RAISES DISTRIBUTIONS
BASED ON SOLID PERFORMANCE BY THE ASSET COMPANIES

Highlights of HY 2011

- Asset Companies[1] deliver solid performance: The Asset Companies performed well in HY2011 despite lower sales volumes due to mild weather and lower consumption in the small commercial sector, which is believed to be a result of the impacts of subdued economic conditions and the floods in Victoria.
- Higher Asset Company distributions: Strong cash distributions of $106.8 million received from the Asset Companies in accordance with agreed business plans, including payment by CHEDHA of $17.6 million of interest deferred from 2010.
- Increased distributions to Securityholders: The Directors have raised their full year distribution guidance to 9.5 cents per security (cps), up from 9.25cps. Accordingly, they have declared an interim distribution of 4.75cps, payable on 15 September 2011.
- Higher future revenues: A favourable determination of appeal matters by the Australian Competition Tribunal for ETSA Utilities will add $154.4 million of revenue (Spark's 49% share) in the current regulatory period. This additional revenue will be recovered from 1 July 2011 to 30 June 2015.
- Strong cash position: The Directors have decided that Internalisation will be funded from existing cash reserves and, as a consequence, the DRP will not be reactivated for the September 2011 distribution.
- Internalisation and reduced cost base: Spark Infrastructure's previous external management arrangements have been terminated, eliminating base management fees and the potential for future performance fees, as well as creating a self managed group with enhanced alignment of interests, continuity of management and greater autonomy over decision-making.

"Our investment in the Asset Companies continues to provide Spark with very strong cashflows. This has allowed us to once again increase our distribution guidance for the current year to 9.5cps, up from 9.25cps. This is 4.3% higher than the original guidance for 2011 of 9.11cps provided last year. Accordingly we have declared an interim distribution of 4.75 cps. We remain confident of further growing distributions over the remainder of the current regulatory periods to 2015", said Stephen Johns, Chairman of Spark Infrastructure.

The Asset Companies have around four years remaining of their current five year regulatory periods with clearly determined capital and operating allowances, cost pass-throughs, established price paths, and reliable cashflows.

Spark Infrastructure's Underlying profit before Loan Note interest payable to Securityholders was $119.2 million, a decrease of 6.9% on the previous corresponding period. The Underlying profit reflects lower Asset Company earnings caused principally by the following events in the current period:

- lower sales volumes due to mild weather and lower consumption in the small commercial sector, which is likely a function of the impacts of subdued economic conditions and the floods in Victoria;
- lower customer contributions (non cash revenue item), largely in ETSA Utilities due to the completion of a large infrastructure project in 2010; and
- higher operating expenditure associated with vegetation clearance, storms in South Australia and floods in Victoria.

If customer contributions, which don't impact the Asset Companies' net cashflows, are excluded, then their EBITDA has risen by 1.8% from the previous corresponding period to $546.0 million.

Stronger Asset Company earnings are forecast for the second half of the year as a result of higher revenues from ETSA Utilities resulting from the successful regulatory appeals and from their annual price adjustment to tariffs taking effect from 1 July 2011.

HY 2011 Financial Results

Spark Infrastructure financial performance	HY 2011 ($m)	HY 2010($m)	Variance (%)
Total income (underlying)[2 3]	131.0	150.2	(12.7)
Profit before Loan Note interest and tax (underlying) [3]	119.2	128.0	(6.9)
Net Profit after tax (Statutory)	8.9	53.6	(84.0)
Operating cashflows (stand alone)	92.9	43.6	112.8
Cash received from Asset Companies (Spark's 49% share)			
ETSA Utilities	48.1	35.3	36.3
CitiPower and Powercor (CHEDHA)	58.7	27.7	111.9
Total	106.8	63.0	69.5

Statutory net profit after tax is down by $44.7 million on the prior period. For the reasons outlined above, equity accounted earnings from the Asset Companies were down by $17.2 million on the prior period. In addition, the statutory result was impacted by two other significant items, being:

- the immediate expensing of the payment and costs of $51.0 million associated with the Internalisation approved by Securityholders on 20 May 2011; and
- a decrease in Loan Note interest of $23.0 million due to the reduction in the Loan Note principal owing to Securityholders approved as part of the Restructure in 2010.

The Directors consider that the Underlying results provide the clearest explanation of Spark's operating performance during the period.

"Increased distributions from the Asset Companies have placed Spark in a strong position with cash reserves of $15.9 million, and un-drawn facilities of $150.0 million, at balance date. Given our strong financial position, even after taking into account the recent Internalisation payment, the Directors have decided not to reactivate the Distribution Reinvestment Plan for the September 2011 distribution", said Mr. Johns.

The New Spark – Yield plus Growth

Spark Infrastructure's investment proposition is based on a solid yield combined with growth. The yield is underpinned by reliable earnings and cashflows with regulated revenues determined by the Australian Energy Regulator (AER), a growing asset base, a stable operating environment and well run Asset Companies, and an experienced, independent Board and management team.

Spark's investment proposition seeks to deliver increasing value based on the following elements:

- The Regulated Asset Bases (RABs) of the Asset Companies are expected to grow at 8% p.a. compound annual growth rate (CAGR) from $6.8 billion as at December 2010 to around $10 billion over the current five year regulatory periods as a result of a substantial increase in growth capital expenditure approved by the Regulator;
- At the same time, the Asset Companies plan to deleverage their balance sheets with their ratio of net debt to RAB expected to reduce towards 75% by the end of 2015; and
- As a result, Spark's equity investment in the Asset Companies' RAB is projected to grow by 14% p.a. (CAGR) over the regulatory periods ending 2015.

"The Directors remain confident of the future prospects of the Asset Companies based on their current business plans which reflect expected strong earnings and cashflows over the current regulatory periods to 2015", said Mr Johns.

HY 2011 Distributions

The Board has declared a cash distribution of 4.75 cps for the six months ended 30 June 2011, payable on 15 September 2011, which consists of 3.5cps interest on Loan Notes for the period and a tax deferred amount of 1.25 cps.

The distribution reinvestment plan will remain suspended at this point in time.

Key dates - September 2011 distribution

Item	Date
Announcement date	Friday, 26 August 2011
Ex date	Wednesday, 31 August 2011
Record date	Tuesday, 6 September 2011
Payment date	Thursday, 15 September 2011

Asset Company performance

Regulated electricity distribution sales revenue was negatively impacted by milder weather across the operating areas and generally subdued economic conditions, however, total revenue still grew strongly in line with the current regulatory decisions. Regulated revenue was $676.6 million, up 5.0% on the previous corresponding period.

Unregulated revenue is derived from a range of sources and includes revenues underpinned by long term contracts with electricity transmission businesses ElectraNet in South Australia and SP AusNet in Victoria.

- In June 2011, ETSA Utilities was awarded a new contract to supply construction and maintenance services to ElectraNet with revenue of $300 million for the first five years. With option periods, this contract may extend to a total of eight years.
- In August 2011, Powercor Network Services was advised by SP AusNet that the construction and maintenance contract, which ends in April 2012, was renewed for a further five years with revenue up to $50 million over the five year period.

Organic growth remains the core element of Spark Infrastructure's growth strategy with the Asset Companies continuing to invest in the renewal and expansion of their networks to maintain, and where possible, enhance asset performance and reliability.

During the period, a total of $352.7 million in net capital expenditure (Spark Infrastructure's share $172.8 million) was invested by the Asset Companies which represented an increase of 38.5% over the previous corresponding period. Net capital expenditure is included in the RAB of the Asset Companies by the AER and this, in turn, leads to increased regulated revenue in future periods.

Aggregated Asset Company performance (100% basis)	HY 2011($m)	HY 2010 ($m)	Variance (%)
Prescribed revenue[5]	676.6	644.5	5.0
Non-prescribed revenue[6] (excluding customer contributions)	170.4	117.3	45.3
Customer contributions (non-cash)	108.1	127.8	(15.4)
Total revenue[4]	**955.1**	**889.6**	**7.4**
EBITDA	654.1	664.4	(1.6)
EBITDA (excluding customer contributions)	546.0	536.6	1.8
Net capital expenditure (excluding customer contributions)	352.7	254.6	38.5

Regulatory framework and appeal outcomes

The regulatory framework continues to provide a range of in-built protections to investors including inflation protection for revenue and the Regulated Asset Base, immediate returns for capital expenditure, and the opportunity to benefit from out-performance against regulatory benchmarks. Importantly for our investors, the regulatory decisions handed down last year include nominal post-tax returns on equity of 11.09% for ETSA Utilities and 10.28% for CitiPower and Powercor, based on risk free rates of 5.89% and 5.08% respectively.

As announced on 26 May 2011, ETSA Utilities received favourable decisions from the Australian Competition Tribunal (ACT) in relation to the value of imputation credits (gamma) and the level of its opening RAB. Together, these decisions will result in an additional $315 million in revenue over the current regulatory period to 2015.

CitiPower and Powercor also appealed a number of elements of their final decisions, including gamma. The resolution of the CitiPower and Powercor appeal is expected in the final quarter of 2011. Spark Infrastructure notes that their final AER decision (which is subject to appeal) included gamma of 0.5 for CitiPower and Powercor, compared to 0.25 as determined by the ACT for ETSA Utilities. A lower gamma results in higher revenue.

We also note that in accordance with the current regulatory decisions, there will be real price increases in all businesses (ETSA Utilities, CitiPower and Powercor), and therefore increased revenues, over the balance of the regulatory periods.

Financial position

At 30 June 2011, Spark Infrastructure's net debt position (net of cash on hand and on deposit) was $84.1 million, which equated to a standalone net gearing ratio of only 3.7%. Spark Infrastructure has no debt maturities until September 2013 while the Asset Companies have no debt maturities until July 2012. At 30 June 2011 Spark Infrastructure had available funding sources of $165.9 million.

At the end of the period, Spark Infrastructure's look through net gearing (including its proportionate share of the Asset Companies' net debt), was 56.6%[7], with effective interest rate hedging of 97.4% on a gross debt basis.

The Asset Companies continue to maintain A- credit ratings from Standard and Poor's, while Spark Infrastructure is rated Baa1 by Moody's. All ratings are on a stable outlook.

Outlook

The Asset Companies have commenced an exciting period of growth. The AER has approved capital expenditure over the current five year regulatory periods that will drive growth in the RABs of the Asset Companies at 8% p.a. (CAGR). Funding of this capital expenditure in line with the AER's assumptions will lead to growth in Spark Infrastructure's equity investment in the Asset Companies' RABs of around 14% p.a. (CAGR). De-leveraging will also reduce the ratio of net debt to RAB towards 75% at the Asset Company level by end 2015.

The Directors have increased distribution guidance for 2011 to 9.5 cps, and remain confident of growing distributions over the current five year regulatory periods, subject to business conditions.

Further information:

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1 Spark Infrastructure holds 49% interests in three electricity distribution businesses – being ETSA Utilities based in South Australia, and CitiPower and Powercor based in Victoria. CitiPower owns the electricity distribution network in Melbourne's CBD and inner suburbs servicing around 312,000 customers; Powercor owns the largest electricity distribution network in Western Victoria covering 65% of the State and around 722,000 customers. ETSA is South Australia's only significant electricity distribution business with around 825,000 residential, commercial and industrial customers.

2 Underlying figures exclude certain non-cash and non-operating items which do not relate to the underlying performance for the period under review. The Directors consider that underlying figures provide a clearer explanation of Spark's operating performance.

3 Consists of interest income from associates, Spark Infrastructure's share of equity accounted profits and other income less movements in financial instruments taken to the Profit & Loss account by the associates.

4 Aggregated revenue excludes transmission revenue, which is collected on behalf of others and does not contribute to profit.

5 All metering related revenue is included in Prescribed Revenue for CHEDHA.

6 Non-prescribed business activities includes semi-regulated activities such as meter reading, and public lighting; and unregulated activities such as the provision of construction, maintenance and back office services to third parties.

7 Excludes the Loan Notes principal attributable to Securityholders which is subordinated to senior debt. Net gearing is net of cash on hand.