MEDIA RELEASE

Monday, 27 February 2012

SPARK INCREASES DISTRIBUTIONS
BASED ON STRONG PERFORMANCE AND POSITIVE OUTLOOK

Highlights of FY2011

Distributions

- Increased FY2011 distribution to Securityholders of 10.0 cents per security: The full year distribution has been increased to 10.0 cents per security (cps), up from prior guidance of 9.5cps. A final distribution of 5.25cps is payable on 15 March 2012. The Distribution Reinvestment Plan (DRP) remains suspended.

- Guidance of 3-5% p.a. growth in distributions per security for the balance of the current regulatory periods: Distribution growth guidance for FY2013 to FY2015 of between 3-5% p.a. is provided, subject to business conditions. Distributions will be fully covered by operating cashflows, and are not dependent on the operation of the DRP. Distribution guidance is provided for FY2012 of 10.5cps, subject to business conditions, representing growth of 5% on 2011. Spark will be targeting a payout ratio of approximately 80% of standalone operating cashflow for future distributions over the remainder of the current regulatory periods to 2015.

Operational

- Reliable Asset Companies[1] earnings performance: The Asset Companies performed well with EBITDA (excluding customer contributions) of $1,177.3 million (100% basis), 7.1% higher than 2010.

- Positive regulatory appeal outcomes: Spark's Asset Companies were successful in regulatory appeals over the past 12 months. The positive appeal outcomes to date will add approximately $213 million (Spark's 49% share) in revenue over the remainder of the current five year regulatory periods to 2015.

- 9.5% growth in the Regulatory Asset Base (RAB): Total growth of the RAB in 2011 of 9.5% on the back of significant investment of net capital expenditure of $844.6 million (100% basis), 25.4% higher than 2010. Spark's share of RAB is now $3.6 billion. Net debt to RAB overall at the Asset Companies was 81.5% at 31 December 2011.

- Strong Operating Cashflow: FY2011 Operating cashflow per security of 16.2cps on a lookthrough basis and 14.2cps on a standalone basis, fully covering the distributions for the year.

- Strong cash distributions from Asset Companies: Total cash distributions of $211.2 million received from the Asset Companies in accordance with agreed business plans, up 20% on the prior year.

- External Management Arrangements removed: Internalisation was successfully implemented on 31 May 2011, with subsequent cost savings exceeding previous estimates.

"The continued strong cashflows from the Asset Companies have allowed us to exceed our distribution guidance for the current year with a final distribution of 5.25cps, taking total distributions for 2011 to 10.0cps. In addition, we have provided medium term distribution growth guidance of 3-5% per annum to 2015, subject to business conditions", said Brian Scullin, Chairman of Spark Infrastructure.

FY 2011 Financial Results

Spark's financial performance	FY 2011 ($m)	FY 2010($m)	Variance (%)
Total income (underlying)[2 3]	290.2	290.6	-0.1
Profit before Loan Note interest and tax (underlying) [3]	269.0	240.0	+12.1
Net Profit after tax (Underlying)	166.9	78.5	+112.8
Net Profit after tax (Statutory)	82.6	80.9	+2.1
Operating cashflows (stand alone)	189.0	134.3	+40.7
Cash received from Asset Companies (Spark's 49% share)			
ETSA Utilities	111.8	110.8	+0.9
CitiPower and Powercor (CHEDHA)	99.4	65.0	+52.9
Total	211.2	175.8	+20.1

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

Spark's underlying profit before Loan Note interest payable to Securityholders was $269.0 million, an increase of 12.1% on the prior year. This solid growth in Underlying profit largely reflects the benefit of lower fund level operating and financing costs as a consequence of the Internalisation in May 2011 and the Repositioning and equity raising in 2010.

Net profit after tax (Underlying) was impacted by a decrease in Loan Note interest payable to Securityholders of $66.7 million, or 41.7%, to $93.4 million for the year. This was a result of the reduction in Loan Note principal from $1.25 to $0.65 per Loan Note approved by Securityholders as part of the Restructure on 31 December 2010.

"The benefits of the Repositioning and Internalisation undertaken over the past 18 months are now clearly visible. Our underlying position has been considerably strengthened by the reduction in Spark's head office operating costs and debt servicing costs, while at the same time Internalisation has removed management fees and the potential cashflow volatility associated with performance fees," said Ms Laura Reed, Managing Director of Spark Infrastructure.

"Increased distributions from the Asset Companies in accordance with the agreed five year business plans have placed Spark in a strong position with net debt of only 2.5% at balance date", added Ms Reed.

FY2011 Distributions

The Board has declared a cash distribution of 5.25cps for the six months ended 31 December 2011, payable on 15 March 2012, which consists of 3.55cps interest on Loan Notes for the period and a tax deferred amount of 1.70 cps. This takes total distributions for FY2011 to 10.0 cps, 5.3% higher than previous guidance of 9.5cps.

The DRP will remain suspended.

Key dates - March 2012 distribution

Item	Date
Announcement date	Monday, 27 February 2012
Ex date	Wednesday, 29 February 2012
Record date	Tuesday, 6 March 2012
Payment date	Thursday, 15 March 2012

Asset Company performance

EBITDA (excluding customer contributions)[4] grew by 7.1% to $1,177.3 million from $1,099.6 million in 2010. Nevertheless, growth was more modest than expected. Regulated electricity distribution sales volume was negatively impacted by the milder weather across the operating areas and generally subdued economic conditions. However, revenue still grew strongly due to higher tariffs in line with the current regulatory decisions. Prescribed revenue was $1,445.0 million, up 7.6% on the prior year, with distribution revenue of $1,323.5 million up 7.1% and prescribed metering revenue (including Advanced Metering Infrastructure) in CHEDHA of $121.5 million, up 14.1%.

During the year, a total of $844.6 million in net capital expenditure (Spark's 49% share $413.9 million) was invested by the Asset Companies, an increase of 25.4% over the prior year. All net capital expenditure is added to the Asset Companies' RABs which leads to increasing revenue in future periods.

Aggregated Asset Company performance (100% basis)	FY2011($m)	FY2010 ($m)	Variance (%)
Prescribed revenue, including	1,445.0	1,342.5	+7.6
- Distribution revenue	1,323.5	1,236.0	+7.1
- Prescribed metering Revenue (Including AMI)	121.5	106.5	+14.1
Non-prescribed revenue[5] (excluding customer contributions)	323.4	270.6	+19.5
Total revenue (excluding customer contributions)	1,768.4	1,613.1	+9.6
Customer contributions	214.0	246.6	-13.2
Total revenue[6]	1,982.4	1,859.7	+6.6
EBITDA (excluding customer contributions)	1,177.3	1,099.6	+7.1
Net capital expenditure	844.6	673.6	+25.4

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 on capital expenditure, and the opportunity to benefit from out-performance against regulatory benchmarks.

Positive appeal outcomes for ETSA Utilities and the CHEDHA businesses (CitiPower and Powercor) mean higher revenues in the current 5-year regulatory period. A favourable determination of appeal matters by the Australian Competition Tribunal (ACT) for ETSA Utilities will add $154.4 million of revenue (Spark's 49% share) while the partial resolution by the ACT of appeals by CHEDHA is likely to add $58.8 million (Spark's 49% share). A decision in relation to a number of CHEDHA's outstanding appeal matters is expected later this year.

We also note that in accordance with the current regulatory decisions, there will be real price increases each year in all businesses, and therefore increased revenues, over the balance of the current 5-year regulatory periods.

Financial position

The Asset Companies have no long term debt maturities until February 2013 (CHEDHA) and April 2013 (ETSA). At the Spark level, its 3-year revolving facility (which is currently fully undrawn) matures in September 2013, while its 4-year term loan (fully drawn $85.0 million) matures in September 2014.

At 31 December 2011, Spark Infrastructure had available funding sources of $192.9 million, comprising cash on hand of $27.9 million[7] and committed undrawn facilities of $165.0 million. Net gearing at the Spark level was 2.5%[8].

At the Asset Company level, overall Net Debt to RAB was 81.5%, marginally up on the prior year. The 75% forecast for Net Debt to RAB is still expected to be reached by the end of the current regulatory periods in 2015, in accordance with agreed 5-year business plans.

The Asset Companies are rated A- by Standard and Poor's, while Spark Infrastructure is rated Baa1 by Moody's. All ratings were reaffirmed during FY2011 and are on a stable outlook.

A reliable investment proposition - Yield plus Growth based on Quality

Spark's investment proposition is based on robust and sustainable cash distributions combined with growth. Distributions are underpinned by reliable earnings and cashflows with regulated revenues determined by the Australian Energy Regulator (AER), a growing regulated asset base, a stable operating environment, 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) over the current five year regulatory periods to around $10 billion by the end of 2015 as a result of a substantial increase in growth capital expenditure approved by the AER;
- 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' net RAB is projected to grow by 14% p.a. (CAGR) over the same period to 2015.

"We are very happy with the market response to the Internalisation of the external management arrangements completed earlier in the year. This has streamlined our head-office cost base. Looking forward, the Directors are also 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 Scullin.

Outlook

The Asset Companies are in the midst of an exciting period of growth. The AER has approved capital expenditure over the current five year regulatory periods which will drive growth in the RABs of the Asset Companies at 8% p.a. (CAGR). The timing of expenditure, including the continued roll-out of the AMI project in Victoria, saw actual RAB growth in 2011 across the businesses of 9.5%.

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' net 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 the end 2015.

The Directors have provided guidance for FY2012 distribution growth of 5% to 10.5cps, and in addition a medium term distribution growth target range of 3-5% per annum to 2015, subject to business conditions. Spark will be targeting a payout ratio of approximately 80% of standalone operating cashflow for future distributions over the remainder of the current regulatory periods to 2015.

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.
2 Underlying figures exclude certain non-cash and non-operating items which do not relate to the underlying performance for the period under review.
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 Customer contributions and gifted assets revenue are a pass-through which do not contribute to operating cashflow.
5 Non-prescribed business activities includes semi-regulated activities such as meter reading (ETSA), and public lighting; and unregulated activities such as the provision of construction, maintenance and back office services to third parties.
6 Aggregated revenue excludes transmission revenue, which is collected on behalf of others and does not contribute to profit.
7 Excluding $5.0 million of cash held for AFS Licence purposes.
8 Loan Notes principal attributable to Securityholders is not classified as debt for gearing calculations. Net gearing is net of cash on hand (excluding $5.0 million of cash held for AFS Licence purposes).