



Tuesday, 15 May 2012

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

Dear Sir / Madam

CONFIRMATION OF PARTICIPATION IN SDP SALE PROCESS

I enclose a statement which confirms Spark's participation in the recently concluded sale process for the Sydney Desalination Plant.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Alex Finley".

Alexandra Finley
Company Secretary

MEDIA RELEASE

Tuesday, 15 May 2012

SPARK INFRASTRUCTURE CONFIRMS PARTICIPATION IN BID FOR SYDNEY DESALINATION PLANT

Spark Infrastructure has confirmed it submitted a bid as part of the sales process for the Sydney Desalination Plant (SDP) run by the NSW State Government. Spark has consistently applied a highly disciplined approach in its examination of investment opportunities and believes it submitted a competitive price that would have resulted in immediate yield accretion for its Securityholders coupled with growth in long-term securityholder value.

Spark's interest in SDP was based on the uniqueness of the offering and that SDP's risk profile was in line with Spark's long held investment mandate and consistent with its current investments in its electricity distribution businesses. The key elements that attracted Spark to this opportunity were:

- **Yield accretion from day one** – The acquisition would have been immediately yield accretive to Spark Securityholders based on SDP's strong and reliable cashflows.
- **Accretive to Securityholder Value** – The investment in SDP would have been net present value accretive to Spark using current weighted average cost of capital (WACC) estimates used by equity research analysts to value Spark¹. In addition, the Regulated Asset Base (RAB) multiple implied by Spark's acquisition price was less than the multiple currently inferred for its existing businesses reflecting the secure nature of the regulated cashflows and the strong contractual protections provided by the vendor.
- **Regulated asset** – SDP is an asset regulated by the Independent Pricing and Regulatory Tribunal of NSW (IPART) and therefore displays a predictable earnings profile and reliable cashflows using the well established "Building Blocks" approach, with revenue certainty for the next five years from 1 July 2012 to 30 June 2017.
- **Indifferent as to operating mode** – IPART's revenue approach for SDP is such that the owner is financially indifferent as to whether the asset is in operating mode or not.
- **Experienced Asset Operator under long term contract** – Under Spark's proposal SDP would have been operated and maintained under a long term operating agreement with an experienced Asset Operator who was involved in the design and construction of SDP and hence has an intimate knowledge of the asset.

Spark will continue to adhere to its well established investment criteria, which includes consideration of assets which have the following characteristics:

- Electricity and gas distribution or transmission, or water and sewerage assets in established jurisdictions (with Australia being a focus in the short term), that offer predictable earnings and reliable cashflows;
- Subject to independent and transparent regulation by appropriate bodies (e.g. the Australian Energy Regulator or IPART), or supported by long term contractual arrangements with reliable counterparties;
- Yield accretive, either immediately or within a relatively short timeframe;
- Value accretive over the long term – offering the opportunity for low double digit returns on equity investment, using risk-adjusted return metrics appropriate for the relevant investment opportunity;
- Display a similar risk profile to the assets in its current portfolio; and
- Offer the opportunity for strategic diversification, by asset class, geography, regulatory regime and/or timing.

1. Based on a WACC at the top end of the range currently used by equity research analysts to value Spark – Source: Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, Macquarie Research Equities

"While we are disappointed to have been unsuccessful in this process, we are satisfied that our bid was both competitive and consistent with our well established investment criteria, and would have complemented our existing asset portfolio well", said Laura Reed, Managing Director of Spark Infrastructure.

"Supporting the substantial organic growth in our existing assets will remain our primary focus going forward. Our current assets are in the midst of an exciting period of growth with regulator approved capital expenditure forecast to drive a compound annual growth of 8% in their Regulatory Asset Bases to 2015" she said.

Further Information:

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