2011 Full Year Results

Yield, Growth, Quality

MONDAY, 27 FEBRUARY 2012

INVESTMENT PROPOSITION

Yield plus Growth based on Quality

Yield	- Increased FY11 Distribution to 10.0 cps - Standalone operating cashflow per security of 14.2 cps - Distributions fully covered by standalone and look through operating cashflows - FY12 Distribution Guidance of 10.5 cps, 5% growth on FY11. Yield of 7.5% (based on Spark price of $1.395 at 24 February 2012) - Target payout ratio to 2015 approximately 80% of standalone operating cashflow - DRP remains suspended
Growth	- 9.5% RAB Growth in 2011. 8% CAGR expected 2010 – 2015 - Strong organic investment opportunity at 1x RAB - 14% CAGR in equity investment in Asset Companies' net RABs over 2010-15 - Distribution guidance of 3-5% p.a. growth across 2013-15 - EBITDA (excluding customer contributions) growth - Well positioned to diversify the portfolio of assets
Quality	- Internally managed - No long term debt maturities in 2012 - No regulatory resets until 2015 - Spark's share of Regulated Asset Base now $3.6bn + - Robust Building Block Revenue regime - Prudent gearing, moving towards 75% Net Debt / RAB by 2015

Presentation Agenda

2011 FY Results

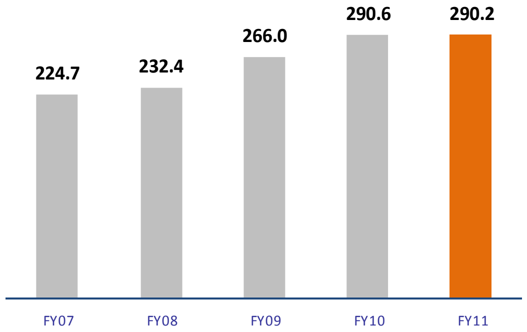
1. HIGHLIGHTS
2. STRATEGY
3. GROWTH
4. PERFORMANCE - SPARK INFRASTRUCTURE
5. PERFORMANCE - ASSET COMPANIES
6. OUTLOOK AND GUIDANCE

1. HIGHLIGHTS

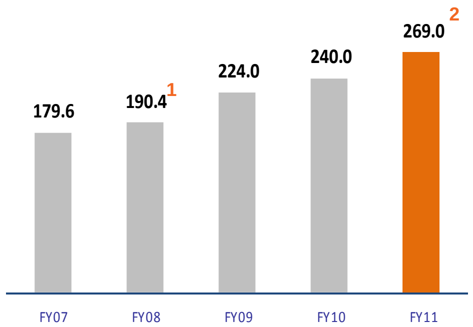
2011 FY Results

FINANCIAL HIGHLIGHTS
Spark Infrastructure

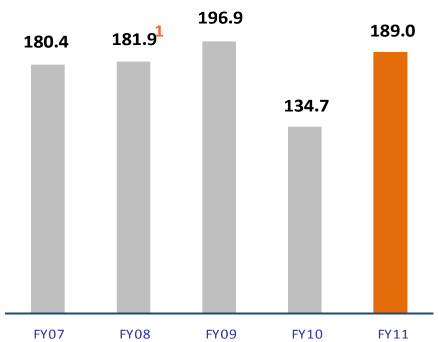
UNDERLYING INCOME ($M)



UNDERLYING PROFIT BEFORE INCOME TAX AND LOAN NOTES INTEREST ($M)



STANDALONE OPERATING CASHFLOWS ($M)



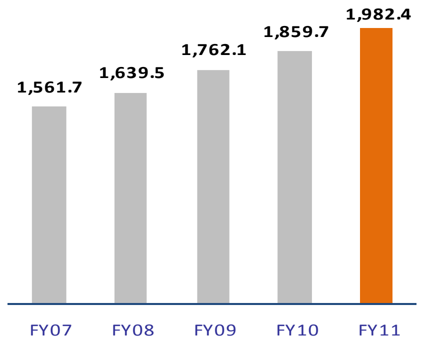
1 Excludes a performance fee of $16.5 million incurred in FY08

2 Excludes Internalisation payment and related transaction costs of $51.5 million incurred in FY11

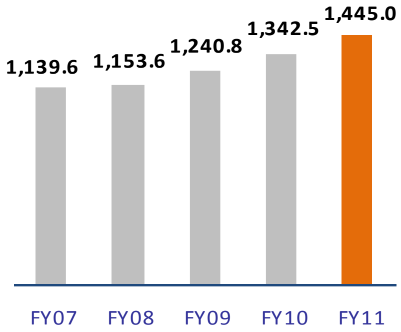
FINANCIAL HIGHLIGHTS

Aggregated Asset Companies (100% results)

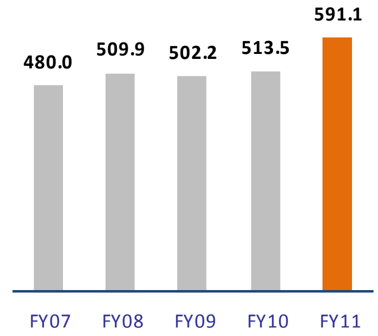
TOTAL REVENUE ($M)



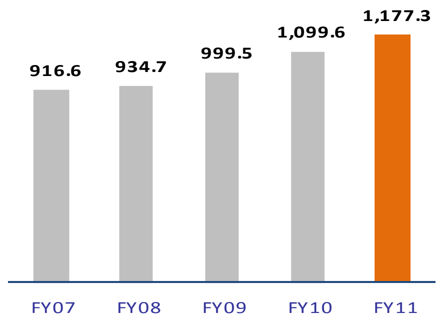
PRESCRIBED REVENUE ($M) (Including AMI)



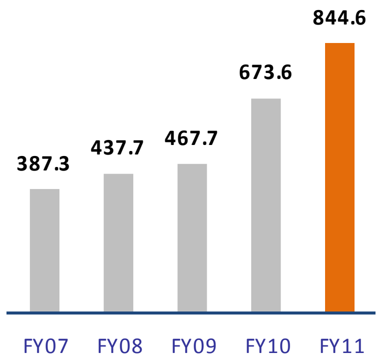
TOTAL OPERATING COSTS ($M)



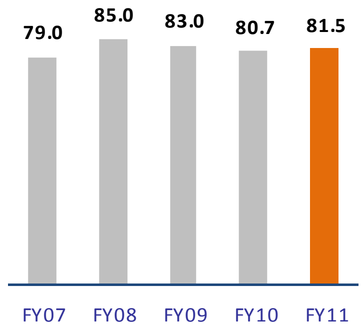
EBITDA ($M) (Excluding customer contributions)



NET CAPITAL EXPENDITURE ($M)



ASSET COMPANY NET DEBT TO RAB (%) [1]



Note: The 2007-2009 comparatives have been adjusted to reflect all metering revenue for CHEDHA as Prescribed Revenue

1. CHEDHA December 2010 RAB adjusted after finalisation of the new regulatory period reset

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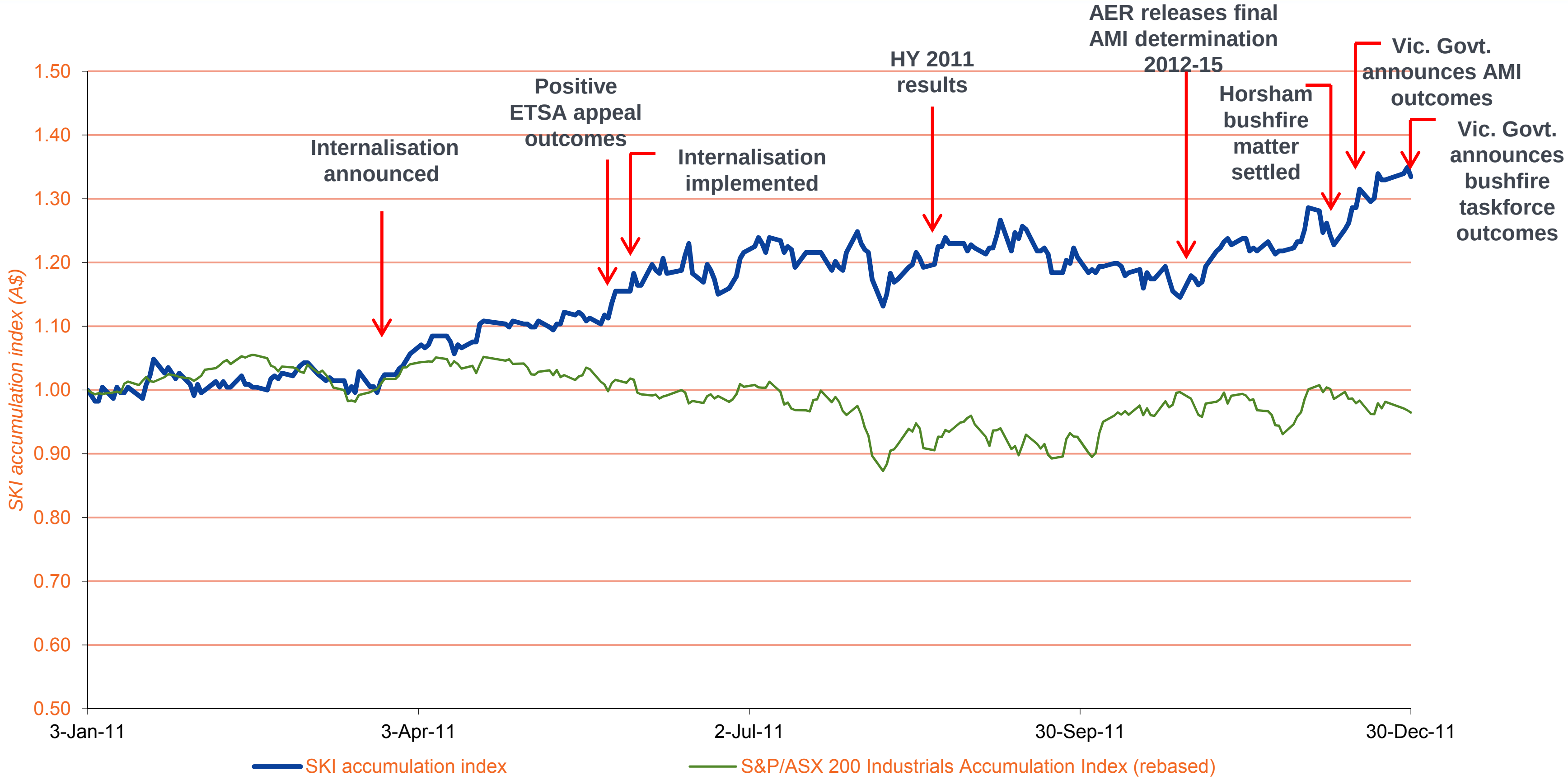
PERFORMANCE HIGHLIGHTS
Delivering according to plan

Asset Companies generate reliable operating cash flows	► The Asset Companies performed solidly in accordance with the regulatory decisions ► Volumes down due to weather, storm events and economic climate, but offset by tariff increases ► Look-through free cash flows of $236.6 million – equivalent to 17.8 cents per security
Successful appeal outcomes leading to higher future revenues	► Favourable determination of Asset Companies' appeal matters by the Australian Competition Tribunal so far will add approximately $213 million of revenue (49% Spark share) in the current regulatory periods. The additional revenue will be recovered from 1 July 2011 to 30 June 2015 for ETSA, and from 1 January 2013 (expected) to 31 December 2015 for CHEDHA.
Substantial RAB growth	► Total growth in RAB of 9.5% reflecting net capital expenditure of $844.6 million (100% basis)
Strong funding position	► Cash distributions of $211.2 million received from the Asset Companies in accordance with agreed business plans. Spark net gearing 2.5%
Increased distributions to Securityholders	► The Directors have declared a final distribution of 5.25cps which delivers full year distributions of 10.00cps (previous guidance 9.50cps). FY12 Guidance of 10.50 cps
Medium term distribution guidance	► The Directors have provided distribution growth guidance for the remainder of the current regulatory periods of 3-5% per annum, subject to business conditions. ► Target payout ratio to 2015 approximately 80% of standalone operating cashflow
Internalisation delivers reduced cost base	► Base management fees and potential performance fees avoided ► Cost of self management tracking below the previously disclosed target of $5 million in the first year.

PERFORMANCE HIGHLIGHTS

Total Shareholder Return (TSR) of 33.5% in 2011[1]



- TSR of 33.5% in 2011[1]
- Compares well to TSR of 9.7% for S&P/ASX Utilities Index and -3.5% for S&P/ASX 200 Industrials Index
- Investment proposition based on a reliable yield and organic regulated asset growth

1. Source: Bloomberg

2. STRATEGY

2011 FY Results

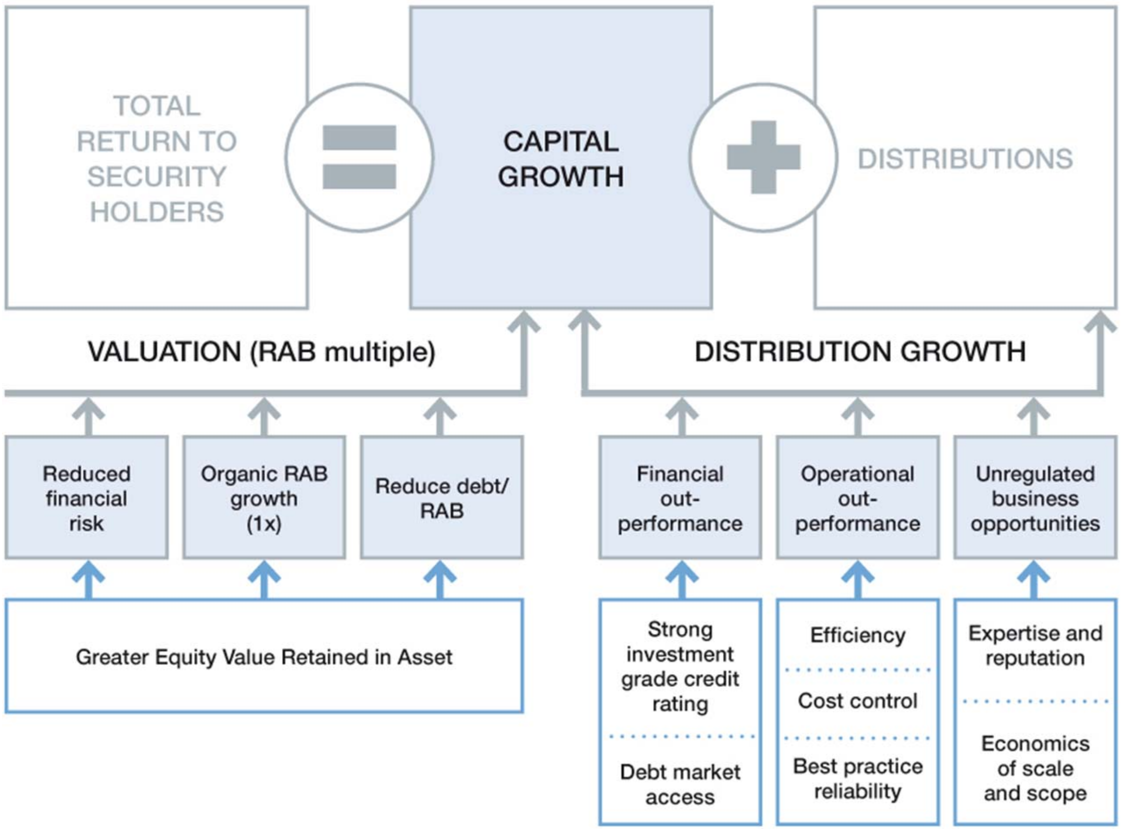
STRATEGIC OVERVIEW

Well positioned for growth

Invested in regulated assets with stable cash flows	► Regulated returns underpinned by built-in protections within regulatory framework ► ETSA Utilities, CitiPower and Powercor final regulatory decisions and appeal outcomes provide for strong organic growth over current five year regulatory periods
Growing distributions alongside strong and growing look-through cash flows	► Strong and growing look-through operating cash flows ► Continue to fund distributions from operational cash flows (80% target payout ratio) from the Asset Companies ► Maintain attractive investment metrics and distributions growth over the current regulatory periods
Ensure prudent approach to gearing and hedging of debt	► Stable credit ratings of A- (S&P) at Asset Companies ► Ready access to capital markets and bank debt at asset and fund levels ► No long term debt refinancing at Asset Companies until February 2013; none at Spark until September 2013
Prioritise ongoing investment in existing asset portfolio	► Strong source of organic growth at zero premium (1.0 x RAB) ► RAB expected to grow by 8% p.a. (CAGR) in current regulatory periods based on AER determinations
Well placed to assess opportunities for diversification that will add value	► Maintain demonstrated discipline in assessing expansion and diversification opportunities ► Must demonstrate increased Securityholder value with yield accretion a key criterion in assessing potential investments ► Investment universe is restricted to regulated assets or comparable investments in electricity distribution and transmission, gas distribution and transmission and water utilities

VALUE DRIVERS

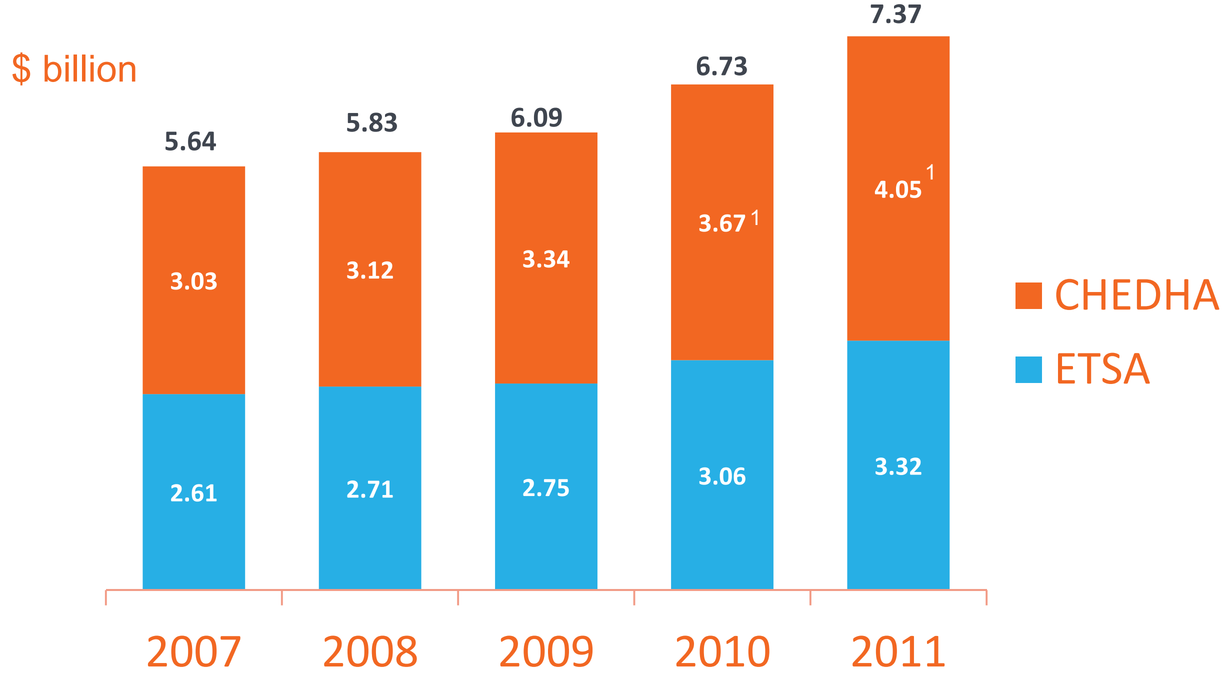
Yield plus capital growth based on quality assets



- Total Shareholder Return in 2011 of 33.5%
- Distribution guidance for 2012 of 10.50 cps – 5% growth on 2011
- Distributions expected to grow by 3-5% per annum from 2013-15

RAB GROWTH

Total RAB now $7.37 billion (100% basis)

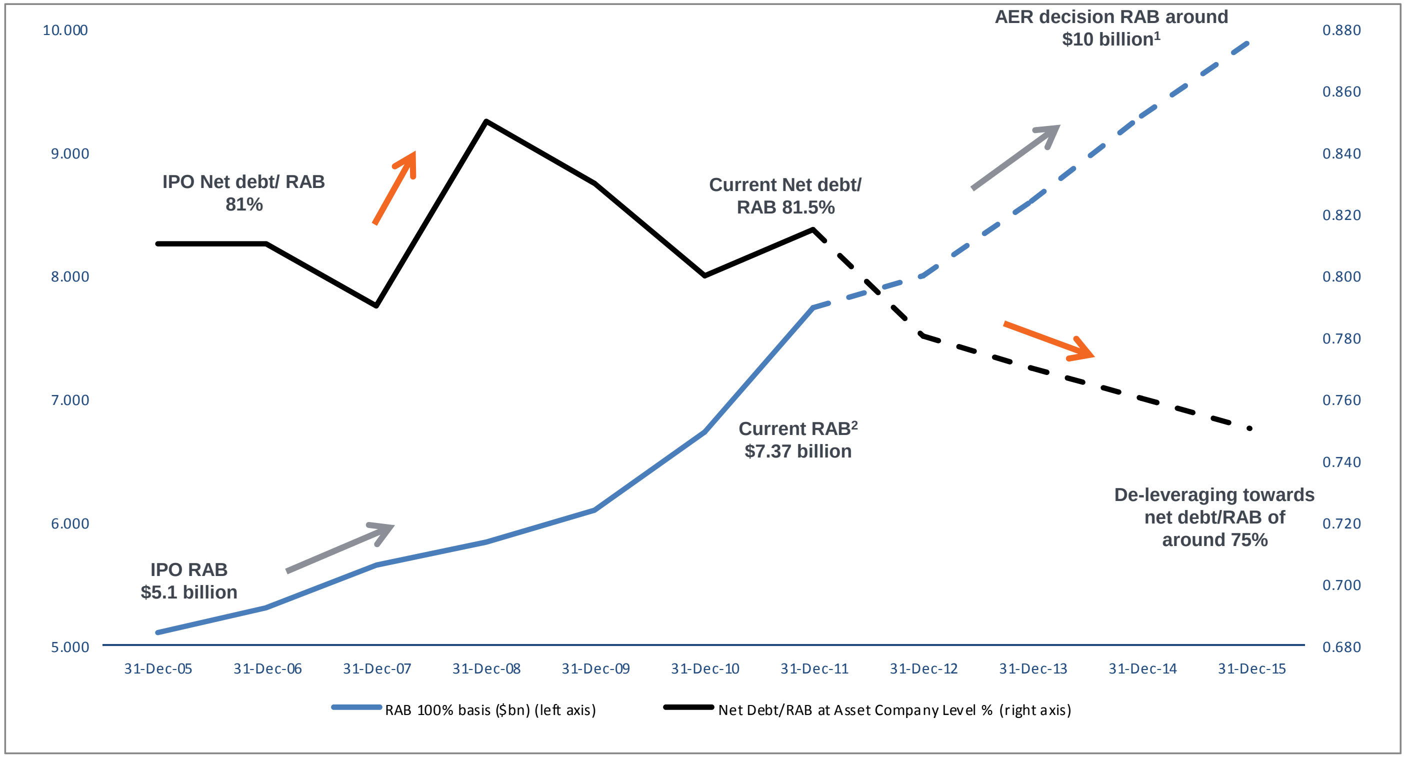


- RAB grew by 9.5% in 2011 - Growth of 8.0% CAGR over the five years of the current regulatory period expected
- Capital expenditure earns the regulatory return from day one
- Net debt to RAB at Asset Company level 81.5% - still on track to achieve 75% level by end 2015
- Equity investment projected to grow over time as RAB grows and gearing falls – 14% CAGR expected over current regulatory periods

1. CHEDHA figures include Advanced Metering Infrastructure RAB

GREATER EQUITY OWNERSHIP – 14% CAGR

Based on growing RAB and lower gearing



LEVERAGE PROJECTED TO FALL WHILE EQUITY INVESTMENT GROWS

1.Based on final AER decisions for current five year regulatory periods and funding of capital expenditure in accordance with 60:40 debt: equity assumption. Actual capital expenditure and funding mix may vary.
2. Asset Companies' Estimate at 31 December 2011

3. GROWTH

2011 FY Results

REGULATED PRICE PATH
CPI minus X

- Regulated electricity sales revenues are determined by a price path set according to the CPI – X formula
- A negative X-Factor means a real increase in distribution tariffs

X FACTORS[1]	Year 1	Year 2	Year 3	Year 4	Year 5
ETSA Utilities	**-12.14** (1 Jul 2010)	**-18.1** (1 Jul 2011)	**-7.0**	**-7.0**	**-0.89**
CitiPower	**6.41** (1 Jan 2011)	**-4.0** (1 Jan 2012)	**-4.0**	**-5.0**	**-5.0**
Powercor Australia	**-0.11** (1 Jan 2011)	**-3.0** (1 Jan 2012)	**-3.0**	**-3.5**	**-4.0**

Actual CPI % *(Forecast CPI %)*	Year 1	Year 2	Year 3	Year 4	Year 5
ETSA Utilities	**2.89** *(2.52)*	**3.33** *(2.52)*	*(2.52)*	*(2.52)*	*(2.52)*
CitiPower	**3.10** *(2.57)*	**3.52** *(2.57)*	*(2.57)*	*(2.57)*	*(2.57)*
Powercor Australia	**3.10** *(2.57)*	**3.52** *(2.57)*	*(2.57)*	*(2.57)*	*(2.57)*

1. The X Factors for ETSA Utilities in years 2-5 incorporate the Australian Competition Tribunal appeal outcomes announced in mid-2011. The X Factors for CitiPower and Powercor in years 3-5 are still to be adjusted for the ACT decision in relation to their appeal matters which is expected later this year

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BUSINESS AND REGULATORY UPDATE

ETSA Utilities

- **Regulatory appeals** – positive outcomes from the Australian Competition Tribunal (ACT) will result in additional revenue of approximately $315 million (Spark share $154 million) over the remainder of the current regulatory period to 2015 – increased revenue from 1 July 2011 (half year benefit in 2011)

- **Key Projects**
  - Major upgrade of electricity supply to Adelaide's Central Business District (CBD)
  - Construction of new major distribution substations at North Adelaide, Happy Valley and Mount Barker
  - Completion of works on the new Mount Barker South, Wudinna and Kadina East connection point substations with ElectraNet
  - Infrastructure works supporting the construction of Adelaide's first desalination plant

- **Photovoltaic panels installation** (and associated cashflow impact)
  - Feed-in tariff payments commenced in 2010/11. Actual installations of solar panels have been much higher than expected
  - Payments are recoverable within current regulatory period to 2015 – the first pass-through application for 2010-11 (Year 1) has been approved for $8.84 million ($7.69 million under recovery plus $1.15 million interest)
  - Pass-through arrangements for 2011/12 onwards are currently being considered by the AER

BUSINESS AND REGULATORY UPDATE
CitiPower and Powercor

- **Regulatory appeals** – positive outcomes from the Australian Competition Tribunal (ACT) will result in additional revenue of at least $120 million (Spark share $58.8 million) over the remainder of the current regulatory period to 2015 – additional outstanding appeal matters to be finalised later this year

- **Advanced Metering infrastructure (AMI)** - In November the AER released its final decision on AMI for CitiPower and Powercor - total capital expenditure allowance of $308.2 million and a total operating expenditure allowance of $127.4 million for 2012-15 (real 2011 figures)
  - Only minor changes between final submission and final decision

- **Bushfire Taskforce –** Total of $750 million over 10 years, including $500 million to be invested by Powercor and SP AusNet and to be recovered through the normal regulatory processes

- **Bushfire litigation –** Powercor's insurers have settled Horsham litigation on a no admission of liability basis
  - Powercor is required to meet the first $5 million of any award of damages or settlement and this was provided for in the 2009 financial accounts
  - The fires at Horsham, Coleraine and Pomborneit/Weerite in February 2009 are treated as one event

- **Key Projects**
  - The Metro Project aims to provide increased electrical infrastructure capacity in Melbourne's north east CBD
  - The CBD Security of Supply Project - expansion of the Victoria Market zone substation marked a significant milestone
  - Major expansion works at the Boovery Queensbury zone substation, adjacent to the CBD and significant underground cabling works undertaken.

4. SPARK INFRASTRUCTURE

Performance

FINANCIAL PERFORMANCE
Key Metrics

- Operating cashflow (Asset level) – 17.8 cps
- Operating cashflow (Look through) – 16.2 cps
- Operating cashflow (Spark) – 14.2 cps
- Total RAB growth in 2011 – 9.5%
- Gearing
  - Net debt to RAB (Asset level) – 81.5%
  - Net gearing (Spark) – 2.5%
- FY11 total distribution declared 10.00cps, comprising:
  - Loan Note interest - 7.05cps
  - Tax deferred - 2.95cps
- FY11 Distribution payout ratio
  - 70% stand alone (77% excluding CHEDHA deferred interest)
  - 62% look through
- No DRP/equity raisings in 2011. No capital injections into Asset Companies.
- Total Shareholder Returns for 2011 – 33.5%

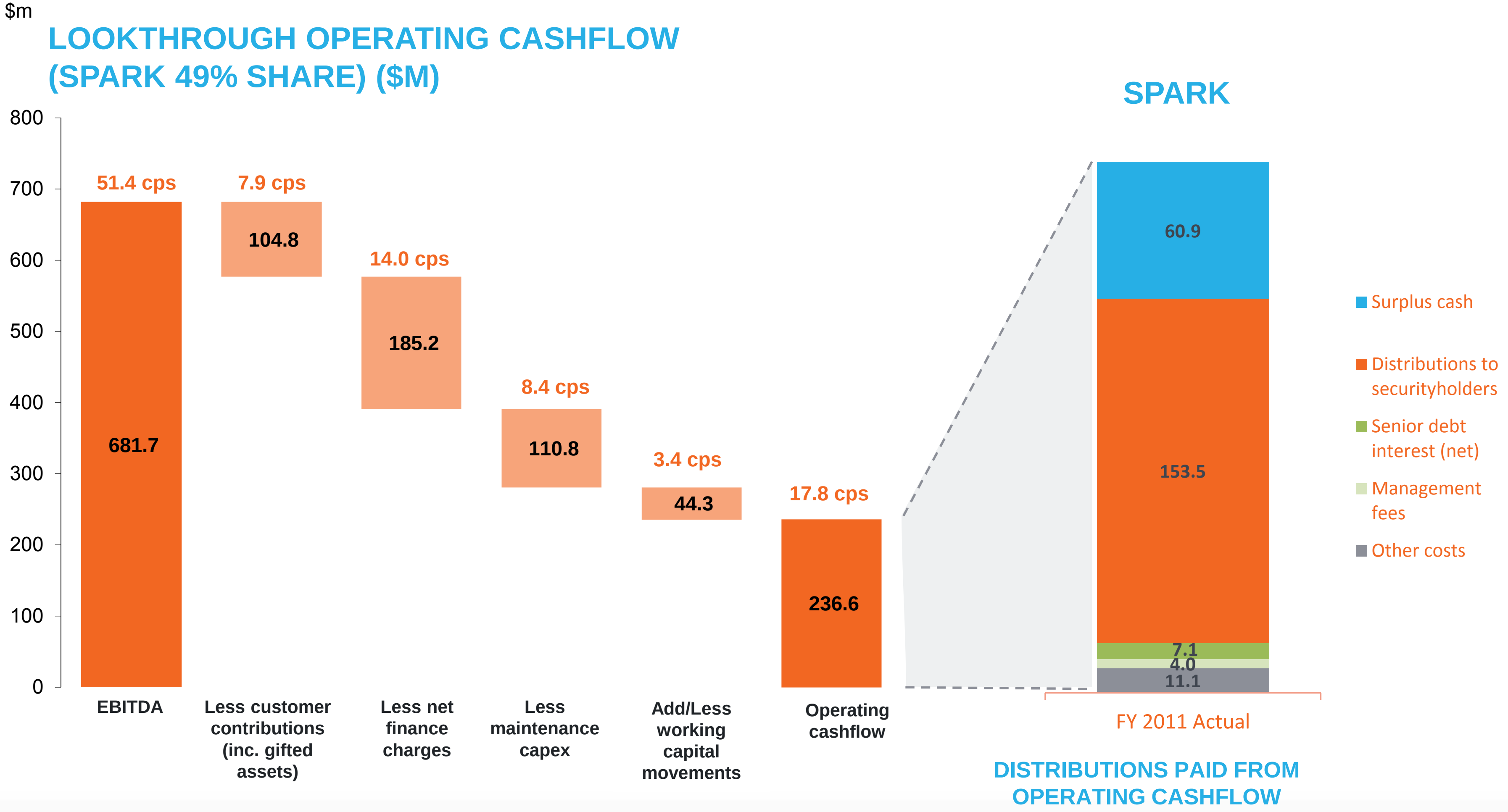
FINANCIAL PERFORMANCE
Spark Infrastructure

UNDERLYING RESULTS – YEAR ENDED 31 DEC 2011	FY 2011 ($m)	FY 2010 ($m)	Variance %
Total income	**290.2**	**290.6**	**0.1%**
Management fees	(3.5)	(8.3)	57.8%
Interest expense (gross) – senior debt	(10.8)	(27.1)	60.1%
General, administrative and employee expenses	(6.8)	(5.3)	28.3%
Repositioning costs	-	(9.9)	-
Profit before loan note interest and tax	**269.0**	**240.0**	**12.1%**
Loan Note Interest (Distributions to Securityholders)	(93.4)	(160.1)	41.7%
Income tax expense	(8.7)	(1.5)	480.0%
Profit attributable to Stapled Securityholders – underlying	**166.9**	**78.5**	**112.6%**
Profit attributable to Stapled Securityholders – statutory	**82.6**	**80.9**	**2.1%**
Operating cashflow [1]	**189.0**	**134.7**	**40.3%**

1 2010 includes $0.3 million CHEDHA loan repayments

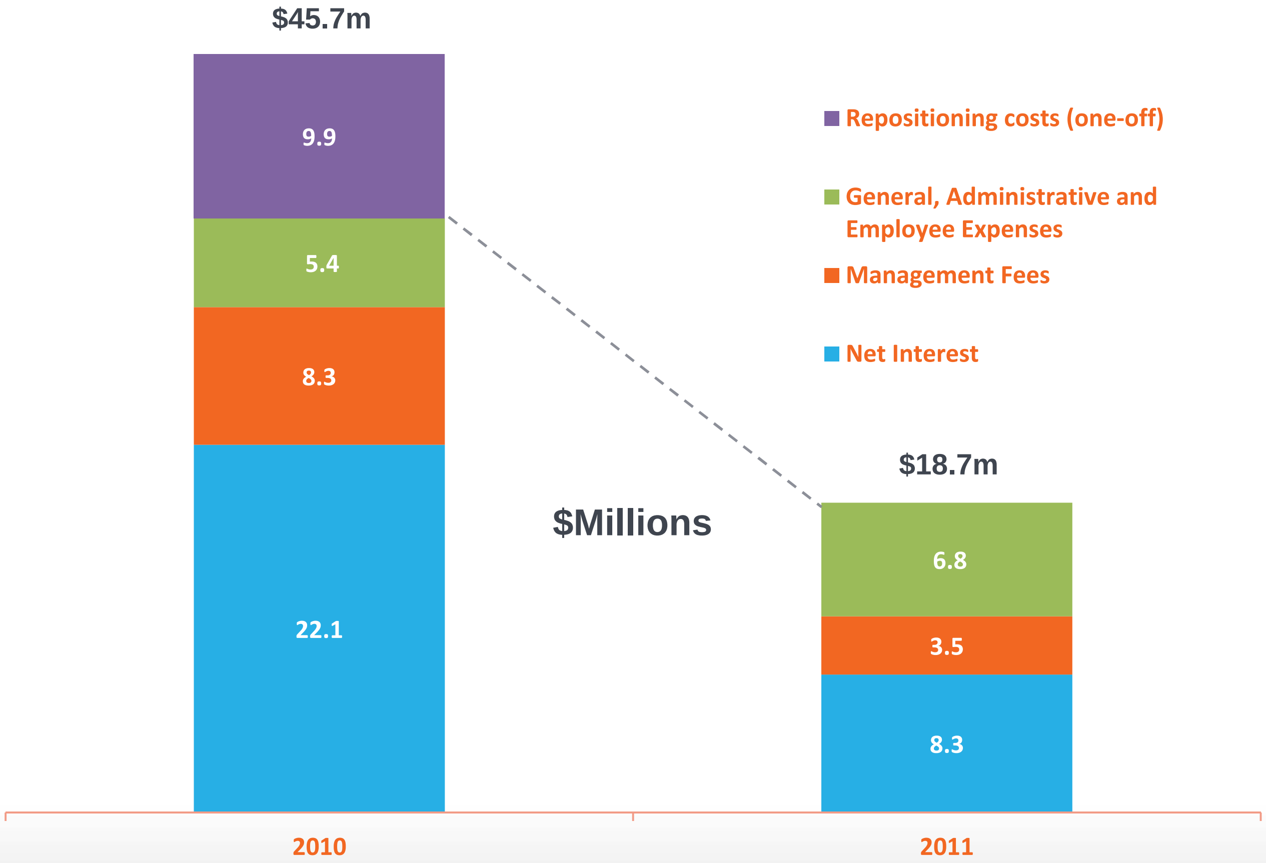
OPERATING CASH FLOW MODEL

Asset Companies producing 17.8 cents free cashflow per Spark security
Distributions fully covered



1 Maintenance capex allowance is calculated as regulatory depreciation net of CPI uplift in RAB (refer to page 37)

SPARK OPERATING COSTS
Benefits of Repositioning and Internalisation



ASSET COMPANY OPERATING CASHFLOW

Sources and uses

- Growth in RAB to 31 December 2011 has been funded without an equity contribution from Spark
- Increased distributions from Asset Companies in FY 2011 consistent with agreed business plans
- Net debt to RAB at Asset Company level is in accordance with agreed business plans and is forecast to reduce to 75% by 2015

OPERATING CASHFLOWS *(Spark 49% share)*	**FY 2011**	**FY 2010**
	$m	$m
EBITDA (excluding customer contributions and gifted assets)	577.2	538.8
Senior debt interest paid (net)	(185.2)	(166.4)
Regulatory depreciation less CPI uplift (maintenance capital expenditure)	(110.8)	(135.4)
Net working capital changes	(44.6)	(16.6)
Operating cashflow from Asset Companies	**236.6**	**220.4**
less: Amounts distributed by Asset Companies[1]	(211.2)	(175.5)
Cash retained by Asset Companies to fund growth or reduce gearing	**25.4**	**44.9**
Growth capital expenditure (net capex less net regulatory depreciation) *(100% results)*	**618.5**	**397.3**
Net debt/RAB (Average Asset Companies)	**81.5%**	**80.7%[2]**

1. Interest deferral of $17.6 million in 2010, received in full in May 2011
2. CHEDHA 31 December 2010 RAB adjusted post finalisation of regulatory period

CAPITAL MANAGEMENT

Focus on funding organic growth (at 31 December 2011)

Net debt Spark Infrastructure level	$57.1 million (drawn $85.0m less available cash $27.9m) Committed undrawn facilities of $165.0million
Gearing - Net Spark stand-alone basis - Net look through basis	 2.5% 57.5%
Credit ratings	Spark Infrastructure: Baa1 (Moody's) Asset Companies: A- (S&P)
Interest cover ratios (12 month figures)	Spark Infrastructure (stand-alone gross) 18.4x Spark Infrastructure (look through) 2.9x

- Spark's corporate structure is designed to support the funding of organic growth in the Asset Companies – minimising the need for external equity calls while delivering investors a strong distribution yield
- Spark has sufficient capital to fund its portion of organic growth requirements in the Asset Companies for 2012 – the DRP will remain suspended as a consequence
- Interest rate hedging policy in line with regulatory periods. Spark hedging to Sept 2015
- ETSA Utilities, CitiPower and Powercor all had their A- credit ratings re-affirmed in December 2011 and August 2011 respectively
- Moody's reaffirmed Spark's Baa1 rating in December 2011

DEBT POSITION AT 31 DECEMBER 2011
Conservative and carefully managed

- No re-financings of long term debt at Asset Company level until February 2013
- No re-financings at Spark level until September 2013

ETSA UTILITIES	$m
RAB	3,317
Net Debt	2,601
Net Debt/RAB	78.4%
Spark Share of net debt	1,274
Percentage Hedged (gross)	98.4%

CITIPOWER AND POWERCOR (CHEDHA)	$m
RAB (Including AMI)	4,052
Net Debt	3,404
Net Debt/RAB	84.0%
Spark Share of net debt	1,668
Percentage Hedged (gross)	96.8%

SPARK INFRASTRUCTURE	$m
Total RAB (49% share)	3,611
Net debt at Spark Infrastructure level	57
Net debt at asset level (49% Share)	2,943
Total proportionate net debt	2,995
Net Debt/RAB (incl. Spark)	82.9%
Total equity and Loan Notes (book)	2,171
Gearing net (Look through)	57.5%
Hedged at Spark level	100%
Spark look through proportion of hedging (gross)	97.5%

- Estimated Net debt/RAB at 31 December 2011 is 81.5% at the Asset Company level

5. ASSET COMPANIES

Performance

AGGREGATED FINANCIAL PERFORMANCE (100% RESULTS)

ETSA, CitiPower and Powercor **Full Year ended 31 December 2011**	**FY 2011** **$m**	**FY 2010** **$m**	**Variance** **%**
Regulated Revenue – DUOS	1,323.5	1,236.0	7.1
Regulated Revenue – Prescribed metering	121.5	106.5	14.1
Semi-regulated Revenue – other	82.6	63.4	30.3
Unregulated revenue	240.8	207.2	16.2
Total revenue (excl. customer contributions)	1,768.4	1,613.1	9.6
Semi-regulated Revenue – customer contributions	214.0	246.6	(13.2)
Total Revenue	**1,982.4**	**1,859.7**	**6.6**
Total operating costs	591.1	513.6	15.1
EBITDA (excl. customer contributions)	**1,177.3**	**1,099.6**	**7.1**
EBITDA	**1,391.3**	**1,346.1**	**3.4**
Capital expenditure (net)	844.6	673.6	25.4

ETSA UTILITIES
(100% results)

Financial	FY 2011 ($m)	FY 2010 ($m)	Variance %
Regulated revenue	696.0	595.0	17.0
Customer contributions	132.2	159.8	(17.3)
Semi-regulated other	47.8	36.3	31.7
Unregulated revenue	139.9	110.0	27.2
Total revenue	1,015.9	901.1	12.7
Cash operating costs	298.7	240.5	24.2
EBITDA (Excluding Customer Contributions)	585.0	500.8	16.8
EBITDA	717.2	660.6	8.6
Total capital expenditure	313.2	240.3	30.3

Operational	FY 2011	FY 2010	Variance
Customer numbers	829,674	820,387	9,287
Employee numbers	1,914	1,833	81
Network availability (%)	99.97	99.94	0.03
Volume sold (GWh)	11,093	11,320	(227)
Sales volume growth			
Underlying[1] (%)	-0.3	-0.3	-
Weather[1] (%)	-1.7	-0.8	(0.9)
Total[1] (%)	-2.0	-1.1	(0.9)

- DUoS revenue increased by 17.0%, including the half year benefit of July 2011 tariff increases
- The total volume delivered decreased by 2.0% from 11,320 GWh to 11,093 GWh in the Current Year due largely to mild weather
- Increases in semi-regulated and unregulated business activity will drive a corresponding increase in operating costs

1. Asset Companies' estimates

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CITIPOWER AND POWERCOR
(100% results)

Financial	FY 2011 ($m)	FY 2010 ($m)	Variance %
Regulated revenue	627.5	641.0	(2.1)
Prescribed metering	121.5	106.5	14.1
Customer contributions	81.8	86.8	(5.8)
Semi-regulated other	34.8	27.1	28.4
Unregulated revenue	100.9	97.2	3.8
Total revenue	966.5	958.6	0.8
Cash operating costs	292.4	273.1	7.1
EBITDA (Excluding Customer Contributions)	592.3	598.7	(1.1)
EBITDA	674.1	685.5	(1.7)
Total capital expenditure	531.4	433.3	22.6

Operational		FY 2011	FY 2010	Variance
Customer numbers		1,043,682	1,025,685	17,997
Employee numbers		1,957	1,988	(31)
Network availability	- CitiPower	99.99	99.99	-
	- Powercor	99.96	99.96	-
Volume sold GWh	- CitiPower	6,105	6,210	(105)
	- Powercor	10,470	10,678	(208)
Sales volume growth				
Underlying[1]	- CitiPower	0.4	0.7	(0.3)
	- Powercor	0.5	2.9	(2.4)
Weather[1]	- CitiPower	-2.1	0.2	(2.3)
	- Powercor	-2.5	-1.0	(1.5)
Total[1]	- CitiPower	-1.7	0.9	(2.6)
	- Powercor	-2.0	1.9	(3.9)

- Electricity distribution revenue was down by 2.1% due to lower demand caused by subdued economic conditions and mild weather in the operating areas, partially offset by higher tariffs
- Operating expenditure increased by 7.1%, largely reflecting known cost increases related to the operations of the regulated businesses as allowed for in the current 5-year regulatory period

1. Asset Companies' estimates

6. OUTLOOK AND GUIDANCE

OUTLOOK AND GUIDANCE

Yield	- Yield of 7.5% - based on FY12 Distribution Guidance of 10.5 cps and Spark price of $1.395 at 24 February 2012 - Distributions covered by operating cashflows - Target payout ratio to 2015 approximately 80% of standalone operating cashflow
Growth	- FY12 Distribution Guidance of 10.50 cps, 5% growth on FY11 - Distribution guidance of 3-5% p.a. growth across 2013-15 - 8% CAGR in RAB expected 2010-15 - Strong organic investment opportunity at 1x RAB
Quality	- Internally managed - No long term debt maturities in 2012 - No regulatory resets until 2015 - Prudent gearing, moving towards 75% Net Debt / RAB by 2015

FOR FURTHER INFORMATION

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KEY METRICS

SECURITY METRICS

Market Price (24 February 2012)	$1.395
Market capitalisation	$1.85 billion

DISTRIBUTIONS

FY 2011	10.00cps
Comprising	
- Loan Note interest	7.05cps
- Tax deferred amount	2.95cps

FINANCIALS

Net gearing (Spark standalone)	2.5%
Net gearing (Look through)	57.5%
Asset level credit rating	A- (S&P) stable
Fund level credit rating	Baa1 (Moody's) stable

REGULATED ASSET BASE – Estimate 31 DECEMBER 2011

ETSA Utilities ($m)	3,317
CitiPower (DUOS) ($m)	1,351
Powercor Australia (DUOS) ($m)	2,353
CitiPower (Advanced Metering Infrastructure) ($m)	101
Powercor (Advanced Metering Infrastructure) ($m)	246
Regulated asset base total ($m)	7,368
Enterprise Value/RAB (un-adjusted)	1.34
Enterprise Value/RAB (adjusted for total revenue exc. customer contributions)	1.10
Net debt/RAB – Asset Co Level	81.5%
Net debt/RAB - ETSA Utilities	78.4%
Net debt/RAB - CHEDHA (CitiPower and Powercor)	84.0%

Appendix 1

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UNDERLYING ADJUSTMENTS

Non-cash related and Internalisation costs

UNDERLYING ADJUSTMENTS	Underlying result ($m)		MTM interest swaps[1] ($m)		Spark tax expense[2] ($m)		Internalisation costs ($m)		Reported result ($m)	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Total income – Inc. associates and interest	290.2	290.6	0.2	(1.6)	-	-	-	-	290.4	289.5
Profit before income tax and Loan Notes interest	269.0	240.0	0.2	(1.6)	-	-	(51.5)	-	217.7	238.4
Profit attributable to Securityholders	166.9	78.5	0.2	(1.6)	(33.0)	4.1	(51.5)	-	82.6	80.9
Operating cashflow	189.0	134.7	-	-	-	-	-	-	189.0	134.7

(1) Favourable/(Unfavourable) movement in mark-to-market of 'ineffective' interest rate swaps under AASB139
(2) Income tax expense due to items recognised directly in equity relate to Spark Infrastructure Holdings No.2

Appendix 2

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REGULATORY SETTINGS

ETSA Utilities, CitiPower and Powercor (100% figures)

- Successful appeal outcomes will result in additional revenue of approximately $315 million for ETSA Utilities and approximately $120 million for CitiPower and Powercor, in the current regulatory period to 2015

REGULATORY PERIOD	**ETSA Utilities** 1 Jul 2010 – 30 Jun 2015	**CitiPower and Powercor** 1 Jan 2011 – 31 Dec 2015
Beta	0.8	0.8
Risk Free Rate	5.89%	5.08%
Debt risk premium (DRP)	2.98%	3.74%
Market risk premium (MRP)	6.5%	6.5%
Nominal vanilla WACC	9.76%	9.4%
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 ($June 2010)	$1,637m	$2,092m
Opex over 5 years ($June 2010)	$1,066m	$1,027m
Revenue (Nominal)	$3,949m[1]	$3,815m[1]

(1) Includes successful appeal outcomes. A number of outstanding appeal matters for CHEDHA are expected to be finalised later this year.

Appendix 3

CAPITAL EXPENDITURE

Growing the asset base (100% figures)

Capital expenditure earns a full regulatory return from day one

$ million	ETSA Utilities		CitiPower Powercor Australia		TOTALS	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Growth Capex	176.8	126.6	265.8	209.9	**442.6**	**336.5**
Growth Capex AMI	-	-	180.6	139.0	**180.6**	**139.0**
Maintenance capex	136.4	113.7	85.0	84.4	**221.4**	**198.1**
Total	**313.2**	**240.3**	**531.4**	**433.3**	**844.6**	**673.6**
Increase (%)	30.3		22.6		25.4	

Net regulatory depreciation = Maintenance capital expenditure

$ million	Maintenance capex spend		Regulatory depreciation		Less inflation uplift on RAB		Net regulatory depreciation	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
ETSA Utilities	136.4	113.7	185.0	171.3	(90.0)	(74.4)	95.0	96.9
CitiPower	20.4	33.8	80.2	79.9	(35.2)	(15.9)	45.0	64.0
Powercor Australia	64.6	50.6	148.1	143.5	(62.0)	(28.1)	86.1	115.4
Totals	**221.4**	**198.1**	**413.3**	**394.9**	**(187.2)**	**(118.5)**	**226.1**	**276.3**
Spark 49% share	108.5	97.1	202.5	193.4	(61.5)	(58.0)	110.8	135.4

Appendix 4

SEMI REGULATED REVENUES

12 months to 31 December 2011 (100% figures)

ETSA Utilities	FY 2011 ($m)	FY 2010 ($m)	Variance ($m)
Public Lighting	15.2	15.0	0.2
Asset Relocation	18.4	8.5	9.9
Metering Services	9.1	8.0	1.1
Feeder Standby / Excess kVAR	2.6	2.4	0.2
Pole/Duct Rental	1.7	1.7	-
Other Excluded Services	0.8	0.7	0.1
TOTAL	**47.8**	**36.3**	**11.5**

CitiPower / Powercor Australia	FY 2011 ($m)	FY 2010 ($m)	Variance ($m)
Public Lighting	12.1	9.7	2.4
New Connections	8.7	5.0	3.7
Special Reader Activities	6.8	9.9	(3.1)
Other	7.2	2.5	4.7
TOTAL	**34.8**	**27.1**	**7.7**

Appendix 5

UNREGULATED REVENUES

12 months to 31 December 2011 (100% figures)

ETSA Utilities	FY 2011 ($m)	FY 2010 ($m)	Variance ($m)
Construction and Maintenance Services (CaMS)	85.8	66.0	19.8
Telecommunications	7.5	5.5	2.0
Asset rentals	3.4	2.5	0.9
Material Sales	16.4	14.8	1.6
Interstate work	5.6	6.2	(0.6)
Facilities Access / Dark Fibre	2.7	2.6	0.1
Sale of Salvage	2.2	2.3	(0.1)
Other	16.3	10.1	6.2
TOTAL	**139.9**	**110.0**	**29.9**

CitiPower Powercor Australia	FY 2011 ($m)	FY 2010 ($m)	Variance ($m)
Powercor Network Services (PNS)	47.1	43.6	3.5
Telecommunications	6.1	7.0	(0.9)
Material Sales	5.9	6.6	(0.7)
Management Services	18.2	17.9	0.3
Joint Use of Poles rental	3.0	2.7	0.3
Property Rental	1.1	1.3	(0.2)
Docklands Revenue	2.1	2.1	-
Other	17.4	16.0	1.4
TOTAL	**100.9**	**97.2**	**3.7**

Appendix 6

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OPERATING CASHFLOW – FY 2011

Spark Infrastructure

	FY 2011	FY 2010
	$m	$m
ETSA - PPC distributions	69.6	69.6
ETSA - other distributions	42.1	41.2
CHEDHA – sub debt interest	81.8	64.7
CHEDHA – 2010 sub debt interest	17.6	-
CHEDHA – sub debt principal repayment	-	0.3
Asset Company distributions	**211.2**	**175.8**
Interest received on cash balances	2.8	4.8
Interest paid on senior debt	(9.9)	(26.7)
Management fees (pre Internalisation)	(4.0)	(8.3)
Other (includes self management costs from 1 June 2011)	(11.1)	(10.9)
Stand Alone Net Operating Cashflow[1]	**189.0**	**134.7**
Stand Alone Net Operating Cashflow per security[2]	**14.2cps**	**12.3cps**

Distributions	**10.0cps**	**13.6cps**
Distribution pay-out ratio (stand alone)	**70%**	**119%**

1. Includes $0.3 million distribution received from CHEDHA in prior corresponding period which was classified as investing cashflow
2. 2011 operating cashflow per security calculated with reference to 1.327 billion weighted average securities (2010: 1.093 billion)

Appendix 7

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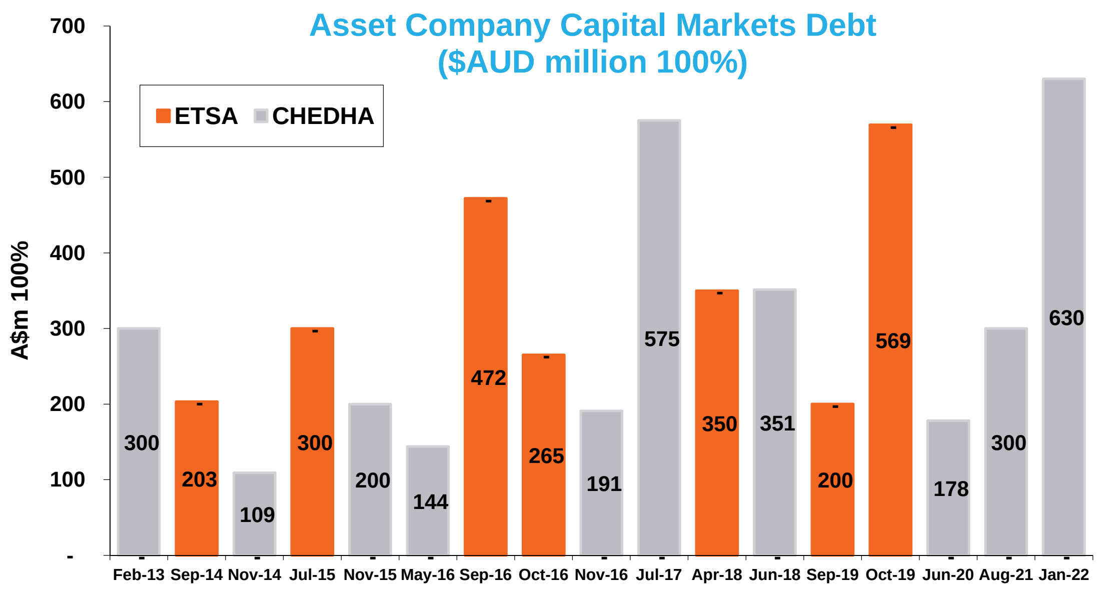
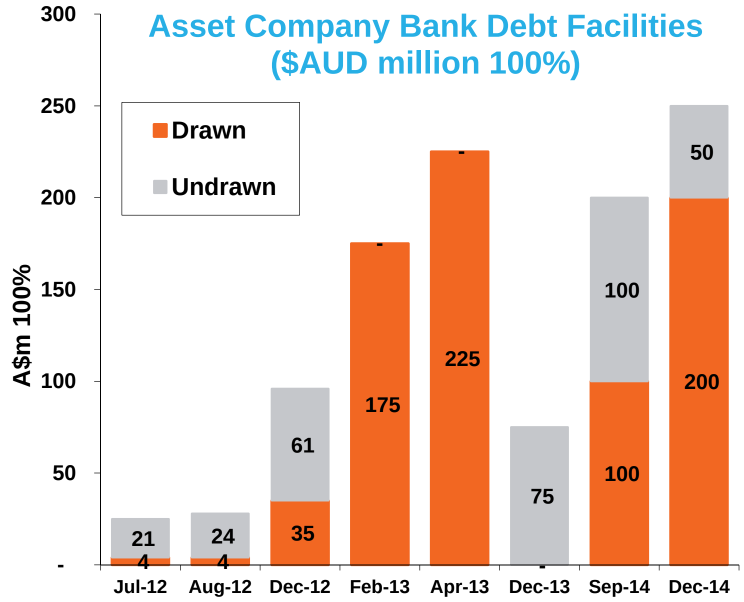
DEBT POSITION AT 31 DECEMBER 2011

No Asset Company refinancing in 2012 and maturities well spread





- No re-financings at Spark Infrastructure level until September 2013 ($165 million) and September 2014 ($85 million)
- Undrawn bank facilities at Spark of $165.0 million
- Cash balances total $106.3 million – Spark $27.9 million, Asset Companies $78.4 million
- The Asset Companies have no re-financings of long term debt until February 2013

Appendix 8

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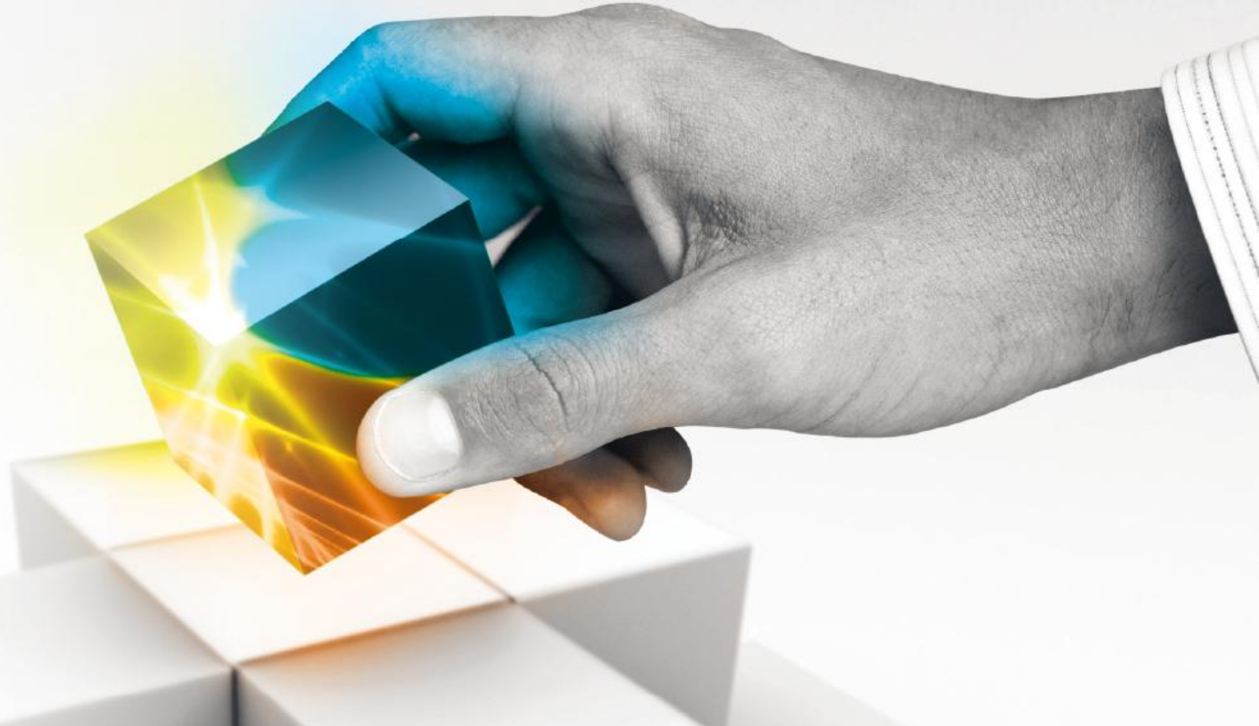


REGULATORY CHANGE PROPOSALS: AN INDUSTRY RESPONSE

Protecting investment in essential infrastructure

spark infrastructure

MONDAY, 27 FEBRUARY 2012

CURRENT REGULATORY FRAMEWORK

In-Built protections

Regulated Asset Base (RAB)

x

Weighted Av. Cost of Capital (WACC)[1]

+

Depreciation[2]

+

Operating Expenditure

+

Tax

Well established, transparent regulatory process with resets every 5 years; CPI -X[3] price formula

= Regulated Revenue (target)

÷

Forecast Volume = Regulated Tariff

1. Based on 10 year Commonwealth Treasury Note. Includes both an equity premium and a debt premium (BBB+/Baa1)
2. Depreciation based on regulated economic life of assets
3. X factor in the first year of the regulatory period was 6.41 for CitiPower, -0.11 for Powercor, and -12.14 for ETSA Utilities – a negative X factor results in an increase in prices above CPI

Regulated Tariff x Actual Volume = Actual Revenue

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

The X Factors for ETSA Utilities in years 2-5 of its 5 year regulatory period incorporate the Australian Competition Tribunal appeal outcomes announced earlier this year.

PROPOSED CHANGES

The Australian Energy Regulator's change proposals

► Cost of capital estimation and review process

- Move to a single converged cost of capital review arrangement locked-in between periodic reviews
- Remove the 'persuasive evidence' test which provides constraints around its discretion
- Change the rules for estimation of the debt risk premium
- Grant itself the right to bring forward a cost of capital review earlier than its designated timeline

► Capital and operating allowance decision framework

- Remove requirement for the AER to reject a proposed expenditure allowance which 'reasonably reflects' the expenditure criteria
- Remove consideration of the costs of an operator 'in the circumstances'
- Grant the AER discretion to not consider certain expenditure factors

► Capital expenditure incentives

- Remove the requirement that all capital expenditure be rolled into the future RAB of the network – only 60% of expenditure in excess of the allowance to be added

► Changes to the regulatory process

- Prevent businesses from making supporting submissions on their own regulatory proposals
- Make adjustments to the standard decision timeframes including lengthened cost of capital review process

► AER designed incentive mechanisms

- New incentive mechanisms similar to those previously undertaken by the Essential Services Commission of Victoria

Source: AER's proposed changes to the National Electricity Rules - September 2011

AN INDUSTRY RESPONSE

10 good reasons to defend investment certainty

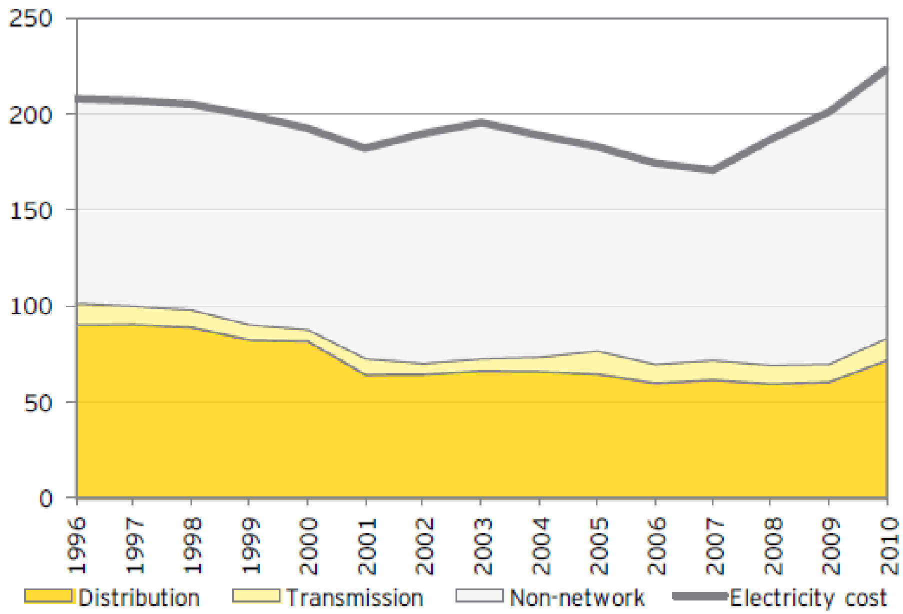
1. The AER's proposed changes are premature
2. The evidence for change is not compelling
3. Many of the proposed rule changes conflict with established policy considerations
4. A number of the rule change provisions represent a reversion to old and discarded jurisdictional arrangements
5. The rule changes seek to reduce accountability and scrutiny of AER decisions
6. Additional discretion for the AER is not warranted given the demonstrated potential for regulatory error
7. History shows that the current rules have not placed significant limitations on regulatory judgement
8. Rejection to date of every businesses' forecast demonstrates the current arrangements have not restricted the ability of the AER to substitute forecasts
9. Retention of consideration of circumstances of the relevant business is essential, particularly for distribution businesses operating in rural and remote areas
10. Retention of the persuasive evidence test in WACC reviews is important to establish a minimum evidentiary threshold and promote certainty and predictability of the allowed return

Source: Financial Investor Group. AEMC Consultation Papers: rule change proposals relating to the economic regulation of electricity (ERC0134 and ERC0135) and gas (GRC0011) networks. 8 December 2011

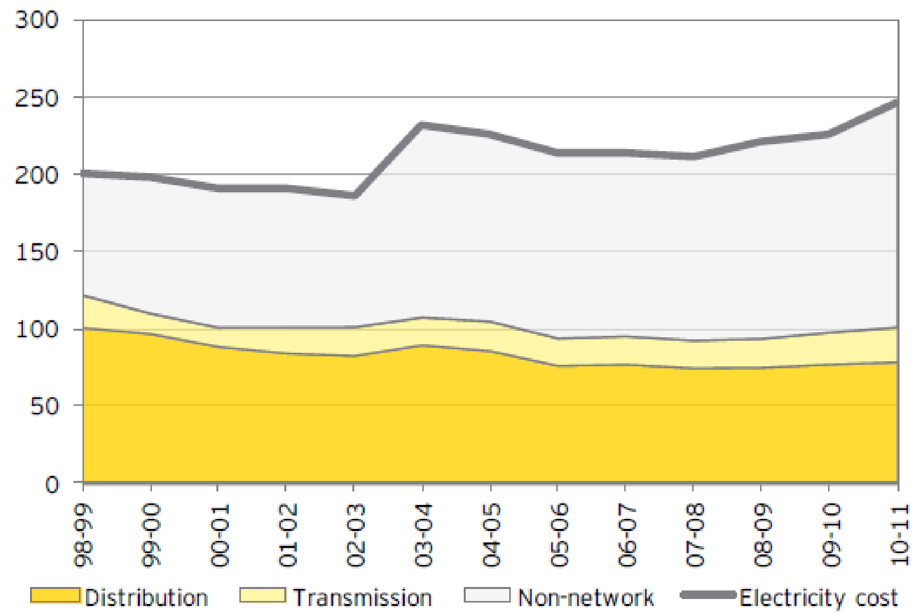
THE COST OF ELECTRICITY

Electricity costs by component

Victoria – 1996 to 2010 ($/MWh, real 2010)



South Australia – 1996 to 2010 ($/MWh, real 2010)

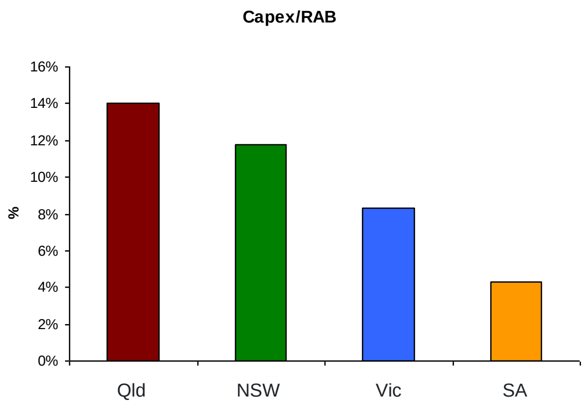


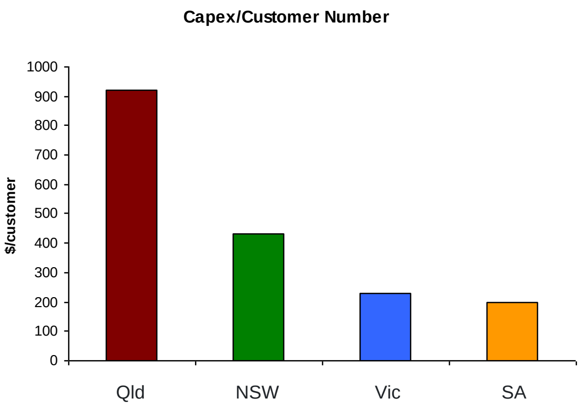
- Network costs per MWh decreased in real terms between 1996 to 2010 by 35%in absence of government mandated roll out of AMI and 18% after including the costs of roll out of AMI.
- Wholesale energy and retailers' costs (non network costs) have increased by 31% in real terms.
- Electricity prices and typical bills for domestic customer have increased by 7% in real terms over 2006-10.

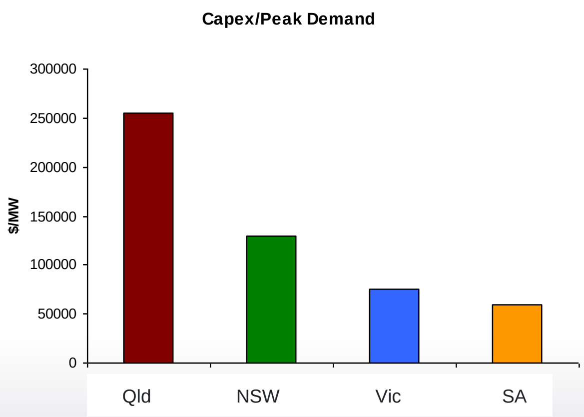
- Network costs per MWh decreased in real terms between 1998 to 2010 by 17%.
- Wholesale energy and retailers' costs have increased by 86% in real terms.
- Electricity prices and typical bills for domestic customer have increased by 6% in real terms over 2003-10.

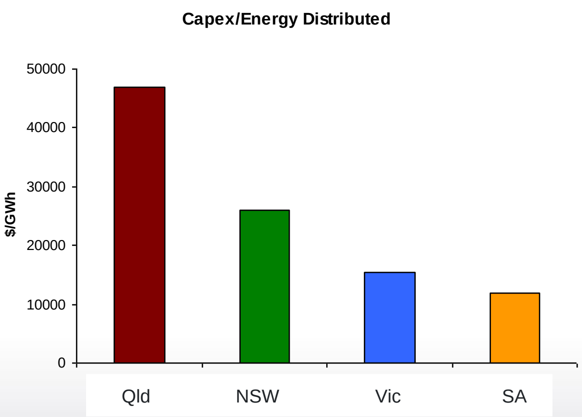
Source: Financial Investor Group. AEMC Consultation Papers: rule change proposals relating to the economic regulation of electricity (ERC0134 and ERC0135) and gas (GRC0011) networks. 8 December 2011

STATE BASED COMPARISON
Benchmarking capital expenditure





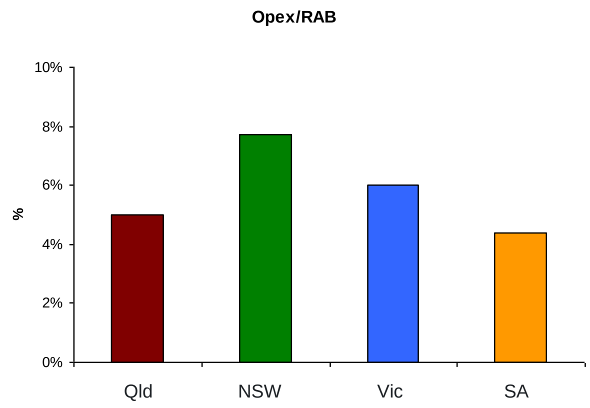


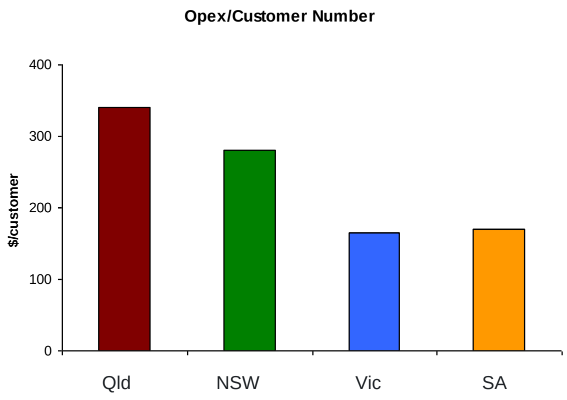


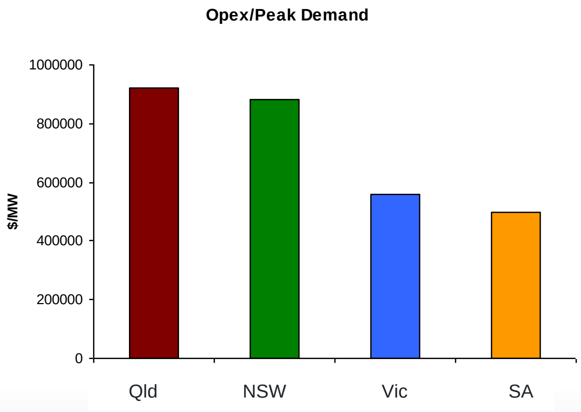
Source: AER Final Decisions 2010: South Australia and Victoria

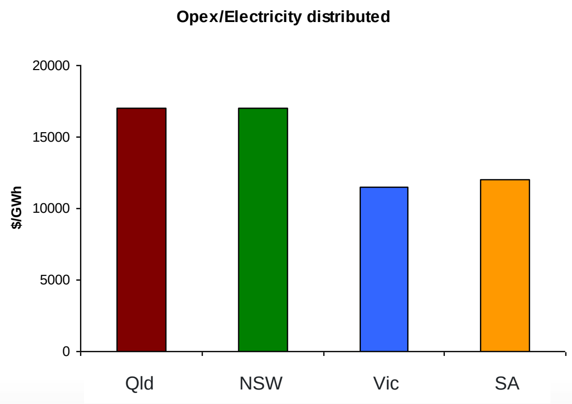
STATE BASED COMPARISON

Benchmarking operating expenditure







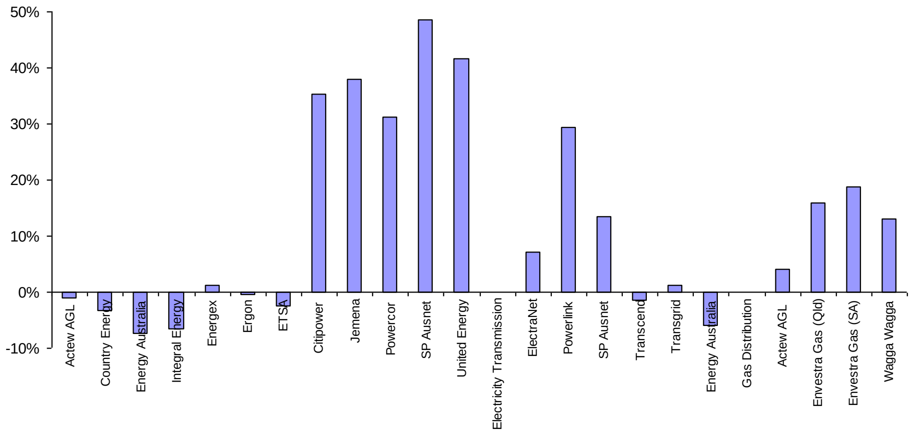


Source: AER Final Decision (Victoria)

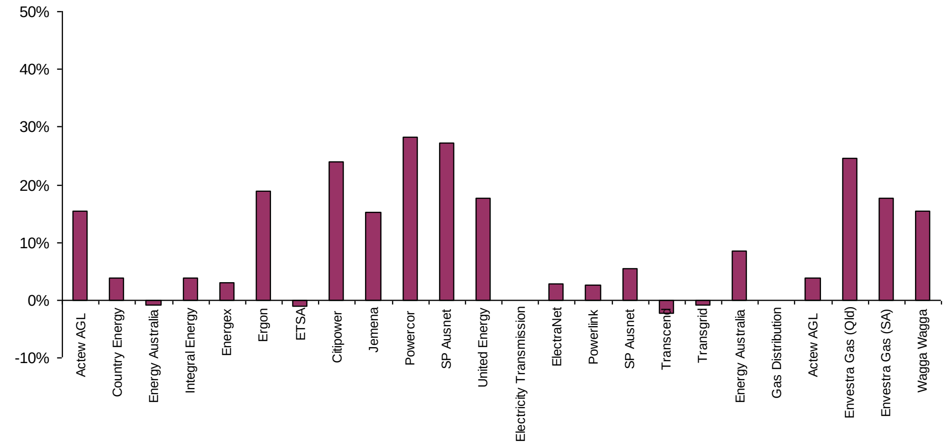
Source: AER Final Decisions 2010: South Australia and Victoria

AER DECISIONS
Draft compared with final

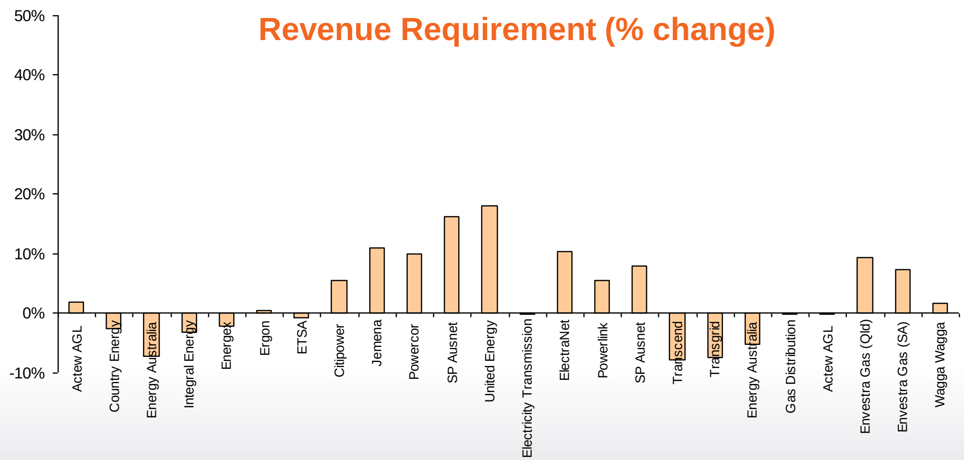
Capital Expenditure (% change)



Operating Expenditure (% change)



Revenue Requirement (% change)



Source: AER Final Decisions: most recent for each business