



Delivering NOW

HY 2013 results – August 2013
Yield, Growth and Quality

Presentation Agenda

1. OVERVIEW
2. PERFORMANCE – SPARK INFRASTRUCTURE
3. PERFORMANCE – ASSET COMPANIES
4. REGULATION
5. SUMMARY AND OUTLOOK

APPENDICES

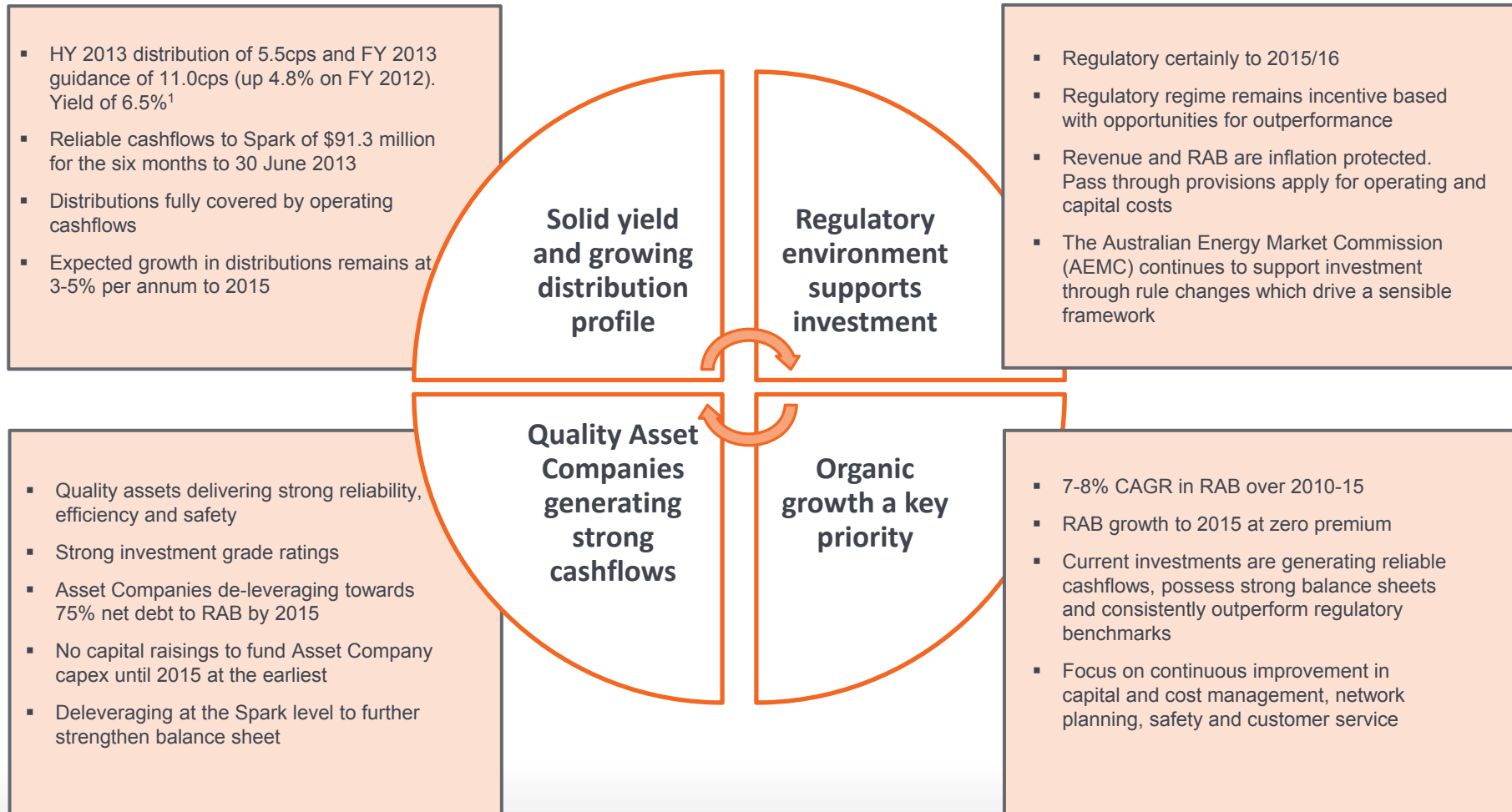


1. OVERVIEW



INVESTMENT PROPOSITION

Yield plus Growth based on Quality



1. Based on FY 2013 distribution guidance of 11.0cps and a closing market price of \$1.68 on Friday, 23 August 2013

FINANCIAL HIGHLIGHTS

Delivering now

Invested in regulated assets with stable cash flows

- ▶ Current Regulatory Asset Base (RAB) of \$8.3 billion (est.) (Spark share \$4.1 billion)
- ▶ Total RAB growth of 3.1% in HY 2013 reflecting net capital expenditure of \$422.3 million (100% basis). 8.7% growth over last 12 months
- ▶ Victoria Power Networks appeal revenues (\$149.0 million) being recovered from 1 January 2013

Asset Companies delivering solid results in line with regulatory decisions

- ▶ Total revenue of \$1,049.2 million (100% ex customer contributions) – up 10.3% on HY 2012
- ▶ Distribution revenue of \$802.5 million – up 8.0% on HY 2012
- ▶ Total operating costs of \$346.3 million (100%) – up 9.6% on HY 2012
- ▶ Aggregate EBITDA of \$702.9 million (100% ex customer contributions) - up 10.7% on HY 2012

Strong balance sheets with enhanced flexibility

- ▶ Asset Company Net debt to RAB at 30 June 2013 is 79.5% (0.2% reduction in half year; 2.3% reduction over last 12 months)
- ▶ No refinancing of Asset Company long term debt maturities until September 2014
- ▶ Refinancing of Spark corporate debt during March 2013 on improved terms and conditions. Paid down \$30.0 million of drawn debt during HY 2013. Standalone gearing less than 1.0%

Growing distributions alongside strong and growing look-through cash flows

- ▶ 5.50cps in HY 2013; guidance of 11.0cps for FY 2013 - up 4.8% on FY 2012
- ▶ Continue to fund distributions from operating cash flows. HY 2013 standalone payout ratio of 87.6% - 80% target for periods to 2015
- ▶ Look through operating cash flow of \$119.2 million in HY 2013 - up 64.8% on HY 2012. Look through payout ratio of 66.0% for HY 2013

OPERATIONAL OVERVIEW

Delivering into the future

Sales volumes and long term trends

- ▶ Total electricity sales volumes for HY 2013 of 13,871 GWh – in line with HY 2012
- ▶ Volumes are expected to trend downwards over the current regulatory periods to 2015

Additional revenue locked in

- ▶ SA Power Networks gained approval for pass through of additional vegetation management costs. \$39.8 million will be recovered in the 2014/15 regulatory year
- ▶ SA Power Networks has signed an initial 3 year contract with the National Broadband Network Company (NBNCo) as a Tier 1 supplier of design and construction services. This construction will roll out the NBN to around 300,000 premises in South Australia

ATO matters

- ▶ Spark Infrastructure (as a tax payer for SA Power Networks) and Victoria Power Networks continue to engage with the ATO on the range of matters under audit previously disclosed. Further progress from the ATO on these matters is expected in the next few months
- ▶ The taxpayers are ready to vigorously defend all ATO matters

Regulatory review processes

- ▶ Limited Merits Review – The Standing Council on Energy and Resources (SCER) decision largely favourable and consistent with Financial Investors Group (FIG) submission
- ▶ Rate of return guidelines - the challenge for the AER is to embrace its new discretion in a manner which promotes investment. Draft Guidelines expected by 30 August 2013
- ▶ Expenditure incentive guidelines – Draft Guidelines issued 9 August 2013. AER proposals support businesses that operate efficiently



2. PERFORMANCE SPARK INFRASTRUCTURE



FINANCIAL HIGHLIGHTS – HY 2013

Spark Infrastructure

	HY 2013	HY 2012	% Change
Spark dps	5.50cps	5.25cps	4.8
Distribution	\$73.0m	\$69.7m	4.8
Distribution payout ratio - standalone	87.6%	87.0%	+0.6%
Distribution payout ratio - lookthrough (post Spark costs)	66.0%	112.2%	-46.2%
Total Asset Company distributions to Spark	\$91.3m	\$90.4m	1.0
Standalone OCF	\$83.3m	\$80.1m	4.1
Standalone OCF per security	6.3cps	6.0cps	4.1
Lookthrough OCF per security (post Spark costs)	8.3cps	4.7cps	64.8
Net debt to RAB (Asset Company level) ¹	79.5%	81.8%	-2.3%

1. Based on Asset Company estimates - including DUOS and AMI RAB.

OPERATING CASHFLOW – HY 2013

Spark Infrastructure

	HY 2013	HY 2012	% Change
	\$m	\$m	%
SA Power Networks - PPC distributions	34.3	34.6	(0.7)
SA Power Networks - other distributions	16.7	15.4	8.2
Victoria Power Networks – sub debt interest	40.3	40.4	(0.2)
Asset Company distributions	91.3	90.4	1.1
Interest received	0.7	0.9	(19.9)
Interest paid	(2.5)	(4.2)	(40.8)
Swap cancellation costs	(2.2)	-	n/m
SDP bid costs	-	(4.6)	n/m
General administrative expenses	(4.0)	(2.4)	68.2
Standalone OCF	83.3	80.1	4.1
Standalone OCF per security	6.3cps	6.0cps	4.1

FINANCIAL PERFORMANCE - HY 2013

Spark Infrastructure

UNDERLYING RESULTS – HALF YEAR ENDED 30 June 2013	HY 2013 (\$m)	HY 2012 (\$m)	% Change
Total income	156.6	153.7	1.9
General, administrative and employee expenses ¹	(4.3)	(2.6)	64.9
SDP bid costs	-	(4.6)	n/m
Swap cancellation costs	(2.2)	-	n/m
Previously capitalised borrowing costs ²	(1.0)	-	n/m
Interest expense (gross) – senior debt	(2.4)	(4.7)	(49.3)
Profit before loan note interest and tax	146.7	141.8	3.5
Loan Note Interest (Distributions to Securityholders)	(46.4)	(46.7)	(0.6)
Income tax (expense)/benefit ³	(24.3)	1.1	n/m
Profit attributable to Securityholders – underlying	76.0	96.2	(21.0)
Profit attributable to Securityholders – statutory	76.0	88.7	(14.3)

1. HY 2012 includes \$1.3 million of provision write back

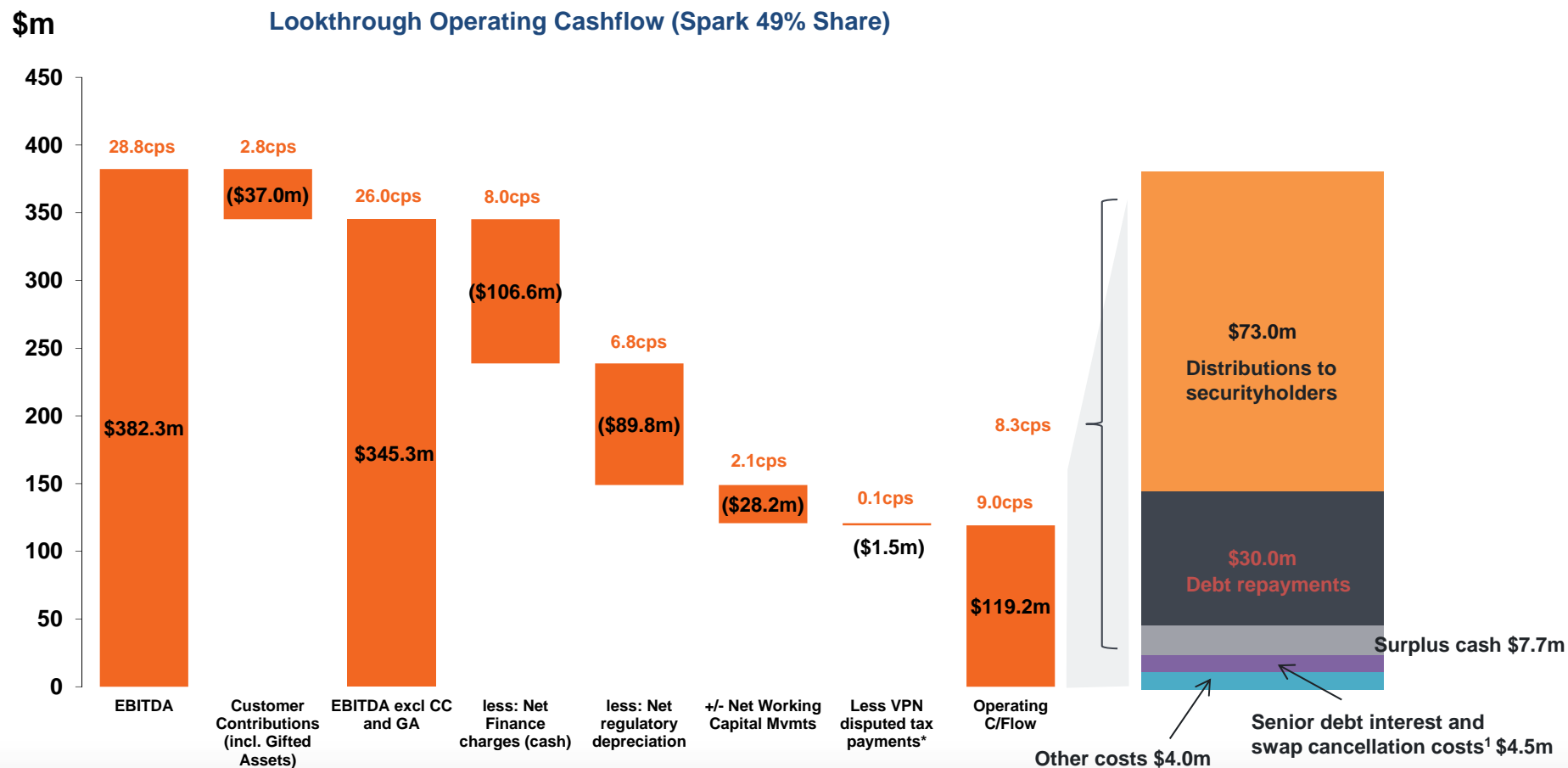
2. Unamortised borrowing costs attached to the old syndicated facilities

3. Previously unrecognised tax losses fully recognised at 31 December 2012. Income tax is currently a non-cash item



OPERATING CASH FLOW MODEL – HY 2013

Asset Companies producing 9.0 cps Operating Cash



* \$3.1 million paid to the ATO by VPN with respect to the disputed 2007 income tax year amended assessment.

1. Including senior debt interest, swap cancellation and re-finance transaction costs



3. PERFORMANCE ASSET COMPANIES



AGGREGATED FINANCIAL PERFORMANCE – HY 2013

(100% results)

SA Power Networks and Victoria Power Networks	HY 2013	HY 2012	Change
HALF YEAR ENDED 30 June 2013 (100% basis)	\$m	\$m	%
Regulated Revenue – DUOS	802.5	743.2	8.0
Regulated Revenue – AMI	69.3	62.6	10.7
Semi-regulated Revenue – Other	43.1	42.2	2.1
Unregulated Revenue	134.3	103.2	30.1
Total Revenue (ex customer contributions)	1,049.2	951.2	10.3
Semi-regulated Revenue – customer contributions	77.3	91.1	(15.2)
Total Revenue	1,126.5	1,042.3	8.1
Total Operating Costs	(346.3)	(316.0)	9.6
EBITDA (ex customer contributions)	702.9	635.2	10.7
EBITDA (incl customer contributions)	780.2	726.3	7.4
EBITDA Margin (ex customer contributions)	67.0%	66.8%	0.2%
Capital Expenditure (Net)	422.3	368.9	14.5

SA POWER NETWORKS – HY 2013

(100% results)

Financial

	HY 2013	HY 2012	Change
	\$m	\$m	%
Regulated revenue – DUOS	418.6	408.5	2.5
Semi-regulated – other	21.3	21.4	(0.5)
Unregulated revenue	67.8	61.9	9.5
Total revenue (ex customer contributions)	507.7	491.8	3.2
Customer contributions incl gifted assets	43.5	60.7	(28.3)
Total revenue	551.2	552.5	(0.2)
Cash operating costs	(150.2)	(141.0)	6.5
EBITDA (ex customer contributions)	357.5	350.8	1.9
EBITDA	401.0	411.5	(2.5)
EBITDA ex customer contributions margin	70.4%	71.3%	(0.9)
Total Capex (net)	183.2	153.2	19.6

1. Excluding adjustments for recovery of STPIS, PV and Q-factor

Operational

	HY 2013	HY 2012	Change	Change %
Customer numbers	836,365	832,072	4,293	0.5
Employee numbers	2,117	2,003	114	5.7
Network availability (%)	99.97%	99.98%	-0.01%	(0.0)
Volume sold (GWh)	5,531	5,523	8	0.1

▶ Regulated distribution revenue:


- CPI-X increase – July 2012 6.63%¹
- \$21 million 2011/12 regulatory year STPIS accrued (HY 2012: \$15 million, HY 2013: \$6 million) - being recovered from 1 July 2013
- No 2012/13 regulatory STPIS accrued

▶ Operating costs up 6.5%:

- Higher unregulated related costs in line with increased revenues
- \$7 million higher superannuation expense (non-cash) resulting from accounting standard amendments

SA POWER NETWORKS

Business update

 Electricity sales volumes	Quantity (GWh)		
	HY 2013	HY 2012	Variance
Residential/Domestic	1,647	1,715	(4.0%)
Hot Water	267	294	(9.2%)
Small Business	2,865	2,809	2.0%
Large Business	688	650	5.8%
Unmetered	64	55	16.4%
Total	5,531	5,523	0.1%

- ▶ **Residential solar penetration** - June 2013: 19.2%, December 2012: 17.6%
- ▶ **Growth in unregulated revenues** - Higher income on major projects, principally Electranet
- ▶ **Photovoltaic (PV) feed-in tariff payments are being recovered**
 - ~\$77 million out of pocket at 30 June 2012
 - ~\$19 million out of pocket at 30 June 2013
- ▶ **Service Target Performance Incentive Scheme (STPIS)** - Provisional 2012/13 regulatory year estimate of ~\$13 million to be confirmed in pricing from 1 July 2014, not accrued in results
- ▶ **Vegetation management costs** - \$39.8 million resulting from approval of pass through application for additional costs for 2012/13 – 2014/15, to be recovered in 2014/15
- ▶ **National Broadband Network (NBN)**- initial 3 year contract signed as a Tier 1 supplier of design and construction services in South Australia

VICTORIA POWER NETWORKS – HY 2013

(100% results)

Financial

	HY 2013	HY 2012	Change
	\$m	\$m	%
Regulated revenue - DUOS	383.9	334.7	14.7
Prescribed metering (AMI)	69.3	62.6	10.7
Semi-regulated other	21.8	20.8	4.8
Unregulated revenue	66.4	41.3	60.8
Total revenue (ex customer contributions)	541.4	459.4	17.9
Customer contributions	33.8	30.4	11.0
Total revenue	575.2	489.8	17.4
Cash operating costs	(196.1)	(175.0)	12.0
EBITDA (ex customer contributions)	345.3	284.4	21.5
EBITDA	379.1	314.8	20.4
EBITDA ex customer contributions margin	63.8%	61.9%	1.9
Total Capex (Inc. AMI)	239.1	215.7	10.8

1. Excluding adjustments for recovery of STPIS and any other immaterial adjustments

Operational

	HY 2013	HY 2012	Change	Change %
Customer numbers	1,065,211	1,050,951	14,260	1.4
Employee numbers	2,145	1,965	180	9.1
Network availability(%) - CP	99.99%	99.99%	-	-
- PC	99.97%	99.97%	-	-
Volume sold GWh - CP	3,021	2,975	46	1.5
- PC	5,319	5,372	(53)	(1.0)
Volume sold GWh (total)	8,340	8,347	(7)	(0.1)

► Revenue growth:


- CPI-X increases from 1 January 2013 – 8.92% for CitiPower and 9.92% for Powercor¹
- Regulatory appeal revenues included in 1 January 2013 tariffs
- Unregulated revenue growth driven by increased PNS external business activity
- AMI revenue growth driven by continued rollout


► Operating costs up 12.0% reflecting:

- Higher unregulated related costs in line with increased PNS external revenues

VICTORIA POWER NETWORKS

Business update

 Electricity sales volumes	Quantity (GWh)		
	HY 2013	HY 2012	Variance
Residential/Domestic	1,655	1,711	(3.3%)
Small Business	989	977	1.2%
Large Business	2,622	2,633	(0.4%)
Unmetered	53	52	1.9%
Total	5,319	5,373	(1.0%)

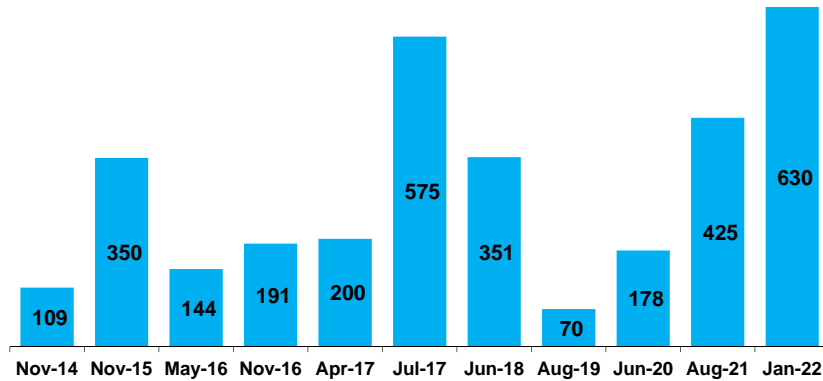
	Quantity (GWh)		
	HY 2013	HY 2012	Variance
Residential/Domestic	613	618	(0.8%)
Small Business	958	975	(1.7%)
Large Business	1,430	1,363	4.9%
Unmetered	20	19	5.3%
Total	3,021	2,975	1.5%

- ▶ **Appeal revenues recovered from 1 January 2013** - Additional \$149.0 million (nominal) appeal revenue due over the remainder of the current regulatory period (reflected in the X-Factors applied from 1 January 2013 until 31 December 2015)
- ▶ **PNS external revenue** - higher level of activity, particularly Endeavour Energy and TransGrid in New South Wales and the Elaine Terminal Station project in Victoria
- ▶ **Service Target Performance Incentive Scheme (STPIS)** - No revenue accrued in HY 2013 with respect to the 2012 regulatory year. Outperformance in 2011 regulatory year will see the recovery of ~\$15 million during FY 2013
- ▶ **Advanced Metering Infrastructure** - At 30 June 2013 ~88% (31 December 2012 ~77%) of the planned smart meter roll-out was complete across CitiPower and Powercor. Equates to ~1 million meters
- ▶ **Residential solar penetration** - June 2013: CitiPower 2.3%, Powercor 10.4%. December 2012: CitiPower 1.8%, Powercor 8.0%

ASSET COMPANIES' DEBT POSITION AT 30 JUNE 2013

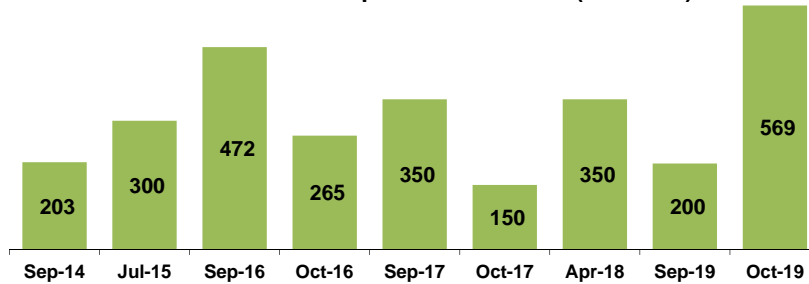
No refinancing of long term senior debt until September 2014

Victoria Power Networks - Capital Markets Debt (\$m 100%)



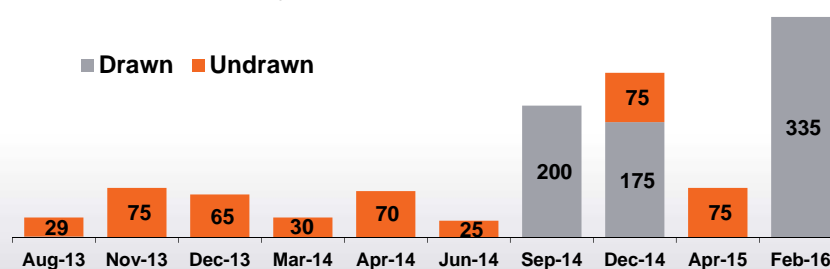
- ▶ Powercor issued \$150 million domestic bonds in March 2013 (maturing November 2015)
- ▶ CitiPower executed a \$100 million 1 year bank facility in June 2013¹

SA Power Networks - Capital Markets Debt (\$m 100%)



- ▶ Next Asset Company long term senior debt maturities:
 - September 2014: SA Power Networks USPP (AUD\$203 million)
 - November 2014: Powercor USPP (AUD\$109 million)

Asset Company Bank Debt Facilities (\$m 100%)



1. \$50 million available until December 2013, \$100 million available until June 2014

TAXATION UPDATE

SA Power Networks – ATO Matters

Background

- ▶ Details of current ATO audits of SA Power Networks Partnership disclosed previously. Refer Appendices to this Presentation and Note 4 of Spark's HY 2013 financial statements for details.

Developments during HY 2013

- ▶ An amended assessment has been issued to Spark for the 2011 income tax year in respect to some of the matters in dispute
- ▶ Objections on those matters consistent with those for the 2007 to 2010 income tax years have been lodged by Spark with the ATO

Status

- ▶ SA Power Networks and the partners continue to be of the opinion that no adjustments are required in relation to the matters under audit, and will vigorously defend their positions
- ▶ No adjustments in relation to these matters have been recognised in the Spark HY 2013 financial statements
- ▶ Notwithstanding the amended assessments, no amount of tax is payable by Spark for the 2007 to 2011 income tax years due to the availability of carried forward tax losses
- ▶ On the basis of all information currently available, Spark's reasonable estimation continues to be that the overall impact of any adjustments that may arise would not be material

TAXATION UPDATE

Victoria Power Networks – ATO Matters

Background

- ▶ Details of current ATO audits of Victoria Power Networks disclosed previously. Refer Appendices to this Presentation and Note 4 of Spark's HY 2013 financial statements for details.

Developments during HY 2013 in respect of the 2007 Income Tax Year

- ▶ The ATO issued an amended Assessment Notice with amendments totalling \$296 million
- ▶ VPN elected to utilise carried forward losses to reduce the ATO's adjustments, resulting in a tax payable balance of \$18m. Under a part payment arrangement, \$3m was subsequently remitted to the ATO
- ▶ VPN lodged objections with the ATO on 26 April 2013
- ▶ The ATO issued a Shortfall Penalty Assessment Notice for \$0.1m and a Shortfall Interest Charge Notice for \$7m

Status

- ▶ Audit activity in relation to the 31 December 2008 to 2010 income tax years continue
- ▶ The ATO has indicated to VPN that it intends to make adjustments in relation to these later years, broadly consistent with those made for the 2007 year
- ▶ The adjustments have not yet been finalised but are likely to be material
- ▶ VPN continues to disagree with the ATO's positions under audit, has sought legal advice and will vigorously defend its position
- ▶ Except for the \$3m part payment amount remitted to the ATO, which is recorded as a current receivable by VPN, no adjustments in relation to these matters have been recognised in the VPN or Spark HY 2013 financial statements

4. REGULATION

REGULATORY ENVIRONMENT

Key principles

The AER has stated the following key principles as the foundation of its Better Regulation program¹:

- ▶ The need to encourage necessary and efficient investment
- ▶ Where possible, economic regulation should be incentive based
- ▶ Guidelines should be the product of extensive consultation and engagement

Industry position:

- ▶ **Investors want certainty** – Following completion of the current reviews it is important that the system be bedded down and allowed to operate for the long term without further tinkering
- ▶ **The rate of return must reflect the real world** – all market evidence suggests that required equity returns do not move in tandem with bond returns
- ▶ **Incentives must be effective for all businesses** - the best performers must continue to be incentivised to improve further, or at least to maintain their standards. This principle must inform the use of benchmarking and the setting of incentives

1. Mr Andrew Reeves, AER Chairman – Energy Networks Association regulation seminar, 24 July 2013

REGULATORY ENVIRONMENT

Completed reviews

SCER¹ Limited Merits Review (LMR)

The Standing Council on Energy and Resources (SCER) issued a decision on the Limited Merits Review system on 6 June 2013

The outcome is largely positive and incorporates the preferred position of the FIG on the two key matters as follows:

1. Retaining the Australian Competition Tribunal (ACT) as the review body
2. In applying for leave to appeal, applicants will be required to establish both error and a materially preferable outcome

The tribunal will also be required to consult with users and consumers as part of its review process, and their participation in reviews will be made easier

Matter has now been finalised

Productivity Commission Report

The Productivity Commission (PC) released its final report into the Electricity Network Regulatory Framework at the end of June.

The report's term of reference was primarily around the use of benchmarking and the operations of transmission interconnectors. However, its various recommendations included all parts of the electricity supply chain from generation through to retail.

Main recommendations:

- Revenue cap should be applied to all electricity distribution businesses
- Consumer participation should be improved and properly funded
- Reliability standards should be relaxed
- Smart meters should be rolled out on a widespread basis
- State owned operators should be privatised
- Solar panel subsidies should be removed
- Benchmarking should be used as a diagnostic tool to assess the reasonableness of bottom up proposals
- State owned enterprises should be required to obtain finance at rates that reflect the risk of their investment
- The AER should use long term trailing averages to estimate the debt risk premium and risk free rate

Matter has now been finalised

1. Standing Council on Energy and Resources

REGULATORY ENVIRONMENT

Ongoing reviews

AER Rate of Return Guidelines	AER Expenditure Forecast Assessment and Incentive Guidelines	AER Shared Assets Guidelines
<ul style="list-style-type: none"> ▪ The AER released its consolidated consultation paper on Friday 10 May ▪ Amongst other things, it proposed the introduction of a range of 'reasonableness checks', consisting of alternative calculation methodologies, as an overlay to the application of the traditionally used Sharp-Lintner CAPM <p>Industry position</p> <ul style="list-style-type: none"> ▪ The Financial Investors Group submission emphasised the need for the AER to embrace the increased discretion afforded to it by the AEMC and to apply this sensibly in the calculation of returns 	<ul style="list-style-type: none"> ▪ The AER issued its Forecast Assessment and Draft Expenditure Incentive Guidelines on 9 August 2013. Its aims are to incentivise Network Service Providers (NSPs) to: <ul style="list-style-type: none"> - Seek efficiency improvements in capital expenditure and opex - Share efficiency losses and gains between the NSP and its customers <p>Main proposed changes</p> <ul style="list-style-type: none"> - The incentive framework for capex will now match that which already exists for opex - penalty for overspending will range from 30% to 100% - Regulatory depreciation will be used to roll forward the RAB - Benchmarking tools are greatly increased and intended to play a far more significant role in the setting of allowances 	<ul style="list-style-type: none"> ▪ In July 2013 the AER issued its Draft Guidelines on shared assets ▪ It sets out how the AER proposes consumers should benefit from the unregulated revenue earned from use of regulated assets <ul style="list-style-type: none"> - Applies where unregulated revenues from shared assets exceed 1% of total annual revenue - AER proposes to reduce regulated revenues by around 10% of the value of unregulated revenues from shared assets <p>Asset Companies' position</p> <ul style="list-style-type: none"> ▪ The Asset Companies do not believe the guideline will have a material effect on the revenue of either SA Power Networks or Victoria Power Networks
<p>Next milestone: Draft guidelines to be published on 30 August 2013</p>	<p>Next milestone: Submissions close 20 September 2013</p>	<p>Next milestone: Submissions close 13 September 2013</p>

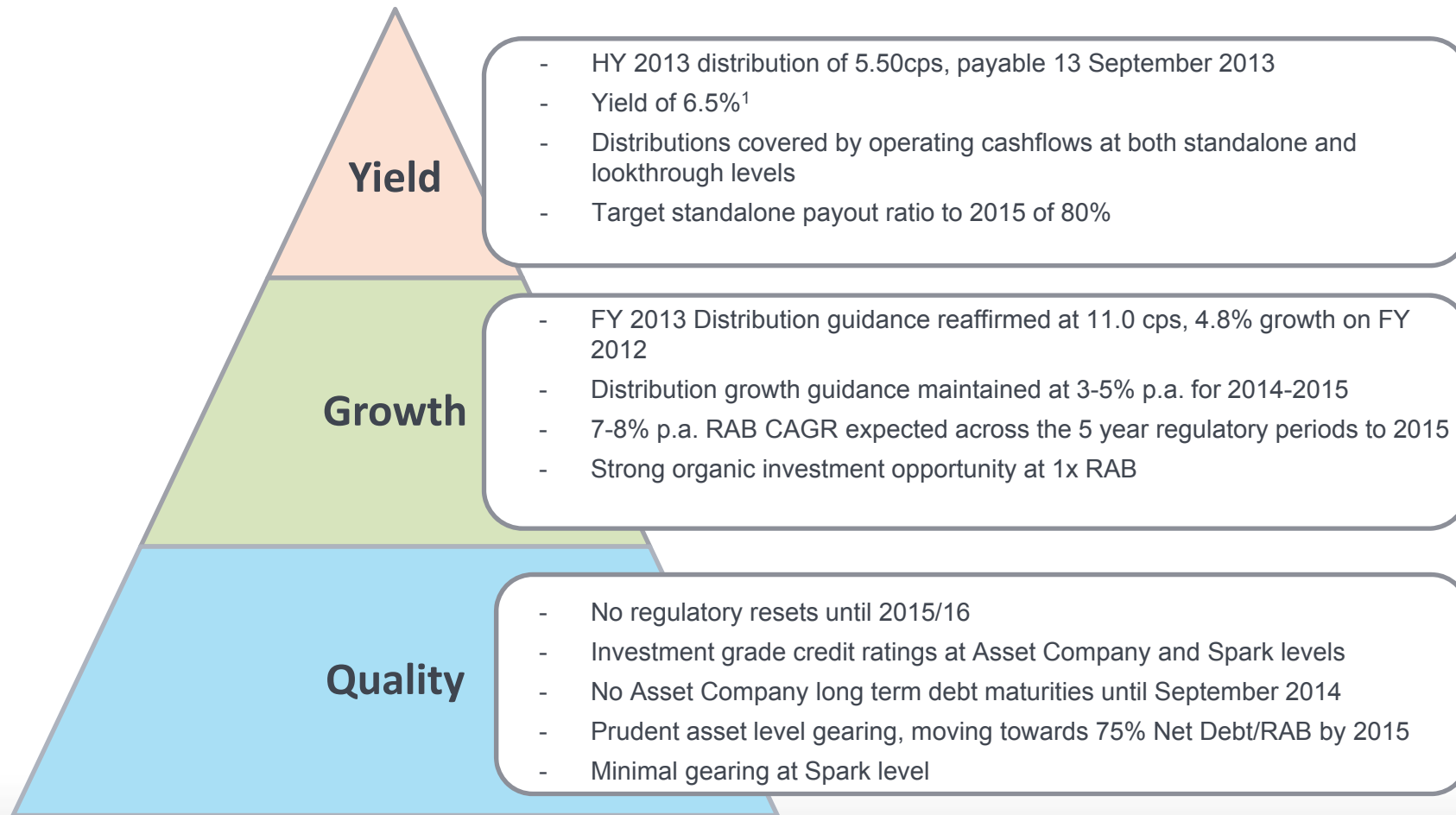


5. SUMMARY AND OUTLOOK



SUMMARY AND OUTLOOK

Yield plus Growth based on Quality



1. Based on FY 2013 distribution guidance of 11.0cps and a closing market price of \$1.68 on Friday, 23 August 2013

FOR FURTHER INFORMATION

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APPENDICES



KEY METRICS

SECURITY METRICS

Market price at 23 August 2013	\$1.68
Market capitalisation	\$2.2 billion

DISTRIBUTIONS

HY 2013 Actual	5.50cps
Comprising	
-Loan Note interest	3.50cps
-Tax deferred amount	2.00cps
FY 2013 Guidance	11.00cps

GEARING AND CREDIT RATINGS

Net book gearing (Spark standalone) ¹	0.2%
Net book gearing (Look through) ¹	56.8%
Asset level credit ratings	SA Power Networks: A-/A3 Powercor: A-/Baa1 ² CitiPower: A-
Spark level credit rating	Baa1

1. Excludes reserves

2. Moody's downgraded its credit rating of Powercor on 17 June 2013

REGULATED ASSET BASE – (Estimates at June 2013)

SA Power Networks (DUOS) (\$bn)	3.58
CitiPower (DUOS) (\$bn)	1.54
Powercor Australia (DUOS) (\$bn)	2.72
CitiPower (AMI) (\$bn)	0.13
Powercor (AMI) (\$bn)	0.36
Victoria Power Networks total (\$bn)	4.75
RAB total (\$bn)	8.33
Net debt/RAB – Asset Companies combined	79.5%
Net debt/RAB - SA Power Networks	78.1%
Net debt/RAB – Victoria Power Networks	80.5%

DEBT POSITION (AT 30 JUNE 2013)

SA Power Networks	\$m
RAB	3,578
Net Debt	2,795
Net Debt/RAB	78.1%
Percentage Hedged (gross)	102.4%
Rolling 12 Month ICR ¹ (x net interest)	3.4 x

Victoria Power Networks	\$m
RAB (Including AMI ²)	4,751
Net Debt	3,825
Net Debt/RAB	80.5%
Percentage Hedged (gross)	97.1%
Rolling 12 Month ICR (x net interest)	2.8 x

SPARK INFRASTRUCTURE	\$m
Total RAB (49% share)	4,081
Net Debt at Spark Level ³	5
Net Debt at Asset Level (49% Share)	3,244
Total Proportionate Net Debt	3,249
Net Debt/RAB – Asset Level	79.5%
Book Gearing Net (Look through) ⁴	56.8%
Spark Look Through Proportion of Hedging (gross)	99.4%

- 1 Calculated as: EBITDA ex customer contributions and gifted assets / net interest expense
- 2 Advanced Metering Infrastructure (AMI)
- 3 Excludes \$5.0 million cash, held for Australian Financial Services Licence (AFSL) purposes
- 4 Excludes reserves

EQUITY ACCOUNTING PROFITS – HY 2013

100% Basis	SA Power Networks	Victoria Power Networks	Combined	Spark 49% Share
Regulated revenue - distribution and metering	418.6	453.2	871.8	427.2
Semi regulated and unregulated revenue	89.1	88.2	177.3	86.9
Customer contributions and gifted assets	43.5	33.8	77.3	37.9
Total Income	551.2	575.2	1,126.4	551.9
Total Income excl CCs and GAs	507.7	541.4	1,049.1	514.1
Operating Costs	(150.2)	(196.1)	(346.3)	(169.7)
EBITDA (excl CCs and GAs)	357.5	345.5	702.9	344.4
Depreciation and amortisation	(87.9)	(130.2)	(218.1)	(106.9)
EBIT	313.1	249.0	562.1	275.4
Net interest expense (excl Sub Debt)	(101.6)	(118.3)	(219.9)	(107.8)
Subordinated debt interest expense	(35.9)	(81.9)	(117.8)	(57.7)
Net profit before tax	175.5	48.8	224.3	109.9
Tax expense	1.1	(19.2)	(18.1)	(8.9)
Net profit after tax	176.5	29.7	206.2	101.0
less: additional share of profit from preferred partnership capital (PPC) ¹	(34.3)	-	(34.3)	(16.8)
Asset Company Net Profits for Equity Accounting	142.2	29.7	171.9	84.2
49% Basis - Spark Share	69.7	14.5	84.2	84.2
Add back: additional share of profit from preferred partnership capital (PPC) ¹	34.3	-	34.3	34.3
Less: depreciation/amortisation of fair value on uplift of assets on acquisition	(0.3)	(2.4)	(2.8)	(2.8)
Share of equity accounted profits	103.7	12.1	115.8	115.8
Add: interest income from Associates (Victoria Power Networks 49% sub debt)		40.1	40.1	40.1
Total Income from Asset Companies included in Spark Profit and Loss				155.9
Interest income				0.7
Interest expense				(5.6)
Interest expense – Loan Notes				(46.4)
General and administrative expenses				(4.3)
Profit for the period before tax				100.3
Income tax expense				(24.3)
Net profit for the period attributable to Securityholders				76.0

1. Under the partnership agreement, Spark is entitled to an additional share of profit in SA Power Networks.

Note: Numbers may contain rounding errors.



CURRENT REGULATORY SETTINGS TO 2015

SA Power Networks and Victoria Power Networks (100% figures)

REGULATORY PERIOD	SA Power Networks¹ 1 Jul 2010 – 30 Jun 2015	Victoria Power Networks² 1 Jan 2011 – 31 Dec 2015
Beta	0.8	0.8
Risk Free Rate	5.89%	5.08%
Debt risk premium (DRP)	2.98%	3.89% ³
Market risk premium (MRP)	6.50%	6.50%
Nominal vanilla WACC	9.76%	9.49%
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 (\$ 2010)	\$1,636m	\$2,115m
Opex over 5 years (\$ 2010) ^{4,5}	\$1,080m	\$997m
Revenue (Nominal) ^{4,6}	\$3,930m	\$3,845m

1. Figures relate to DUOS incl. Alternative Control Services (ACS) revenue.

2. Figures relate to DUOS only

3. Victoria Power Networks DRP 3.89% following appeal outcomes (3.74% per final 2010 determination)

4. Figures revised for all successful outcomes, including \$39.8 million (nominal dollars) vegetation management costs for SA Power Networks awarded in July 2013


5. Operating expenditure numbers adjusted for efficiency carryover amounts and S-factor amounts per determinations


6. Revenue numbers not updated for actual CPI


REGULATED PRICE PATH

CPI minus X¹

- ▶ Regulated electricity sales revenues are determined by a price path set according to the CPI-X¹ formula. A negative X-Factor means a real increase in distribution tariffs
- ▶ Regulatory pricing period commences on 1 July each year for SA Power Networks and 1 January each year for Victoria Power Networks (CitiPower and Powercor)
- ▶ X-Factors below include all regulatory appeal outcomes
- ▶ Whilst CPI-X is the key underlying driver for tariff increases, the tariff increases implied by reported results includes adjustments for other factors

	CPI (%)		Tariff increase (%)
	Actual (Forecast)	X-Factor ²	Actual/forecast ³
Year 1 (1 Jul 10)	2.89 -2.52	-12.14	15.38
Year 2 (1 Jul 11)	3.33 -2.52	-18.10	22.03
Year 3 (1 Jul 12)	1.58 -2.52	-4.97	6.63
Year 4 (1 Jul 13)	2.50 -2.52	-7.00	9.67
Year 5 (1 Jul 14)	- -2.52	-0.89	3.43




	CPI (%)		Tariff increase (%)
	Actual (Forecast)	X-Factor ²	Actual/forecast ³
Year 1 (1 Jan 11)	2.79 -2.57	6.41	-3.80
Year 2 (1 Jan 12)	3.52 -2.57	-4.00	7.66
Year 3 (1 Jan 13)	2.00 -2.57	-6.78	8.92
Year 4 (1 Jan 14)	- -2.57	-7.80	10.57
Year 5 (1 Jan 15)	- -2.57	-7.80	10.57

	CPI (%)		Tariff increase (%)
	Actual (Forecast)	X-Factor ²	Actual/forecast ³
Year 1 (1 Jan 11)	2.79 -2.57	-0.11	2.90
Year 2 (1 Jan 12)	3.52 -2.57	-3.00	6.63
Year 3 (1 Jan 13)	2.00 -2.57	-7.76	9.92
Year 4 (1 Jan 14)	- -2.57	-6.90	9.65
Year 5 (1 Jan 15)	- -2.57	-7.40	10.16

1. Whilst referred to as "CPI-X", the actual tariff increase formula used by regulator is: $(1+CPI) \times (1-x) - 1$. Source: AER
2. Figures updated for regulatory appeals announced, excluding \$39.8 million (nominal dollars) vegetation management costs for SA Power Networks awarded in July 2013
3. Figures for SA Power Networks exclude adjustments for STPIS, PV and Q-factor actual and forecast adjustments. Figures for Victoria Power Networks exclude STPIS and any other adjustments.

ELECTRICITY SALES VOLUMES

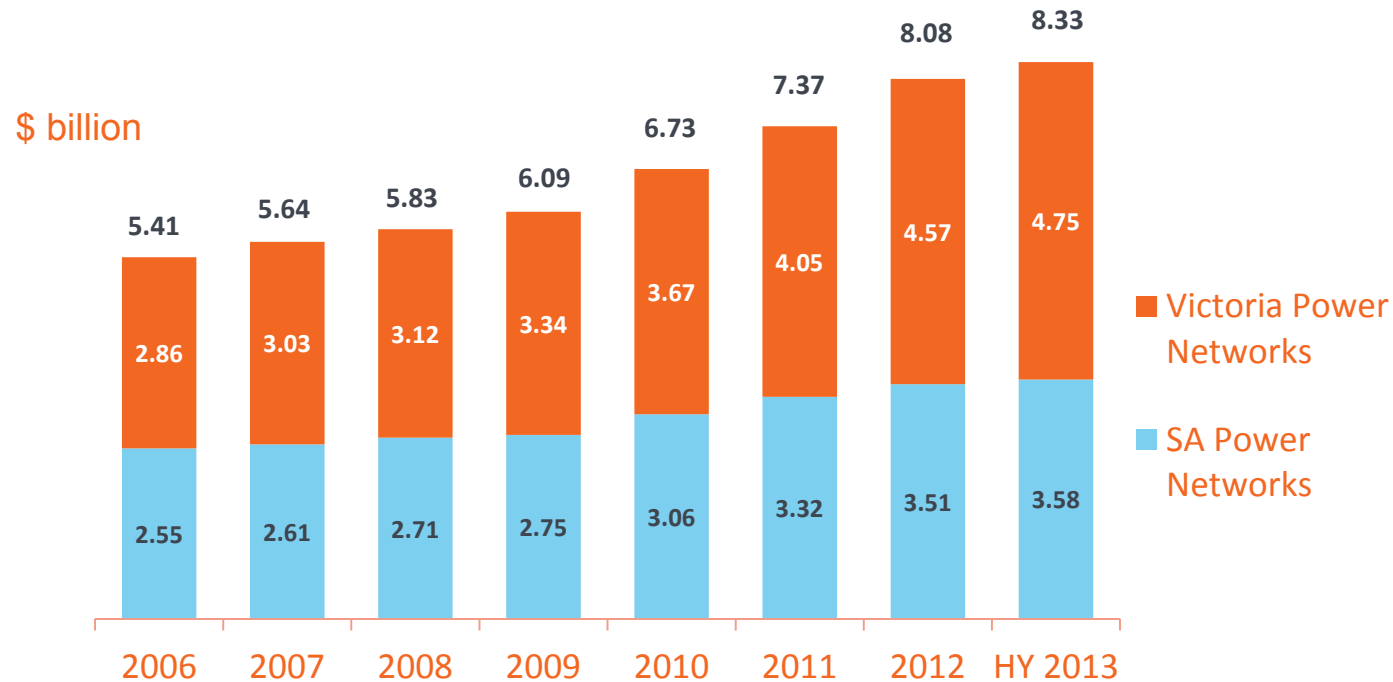
Regulatory allowances v Actual sales (GWh)

Actual volume (AER forecast volume) <i>Growth in actual %</i> (<i>Growth in AER forecast %</i>)	Regulatory year ¹						<i>Cumulative average actual to date</i> (<i>Cumulative average annual forecast change</i>)
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	
	11,504 (11,555)	11,249 (11,618) -2.20%	11,019 (11,422) -2.00%	11,028 (11,264) 0.08%			-1.4% (-0.6%)
		0.5%	-1.7%	-1.4%	-0.6%	0.0%	
	6,210 (6,125)	6,105 (6,180) -1.70%	6,085 (6,227) -0.30%				-1.0% (0.4%)
		0.9%	0.8%	-0.1%	-0.3%	0.6%	
	10,678 (10,585)	10,470 (10,726) -1.90%	10,744 (10,795) 2.60%				0.3% (0.4%)
		1.3%	0.6%	-0.1%	-0.2%	0.3%	

1. June year end for SA Power Networks, December year end for CitiPower and Powercor

RAB GROWTH

RAB of \$8.33 billion (100% basis)



- ▶ HY 2013: 3.1% growth in RAB (incl. AMI)
- ▶ 12 months to 30 June 2013: 8.7% growth in RAB (incl. AMI)
- ▶ 7-8% p.a. CAGR growth in RAB (incl. AMI) expected over the 5 year regulatory periods to 2015

Source: Asset Companies' estimates. Victoria Power Networks figures include AMI RAB

TAXATION UPDATE

SA Power Networks – ATO Matters

- ▶ Previously disclosed at FY 2012 that amended assessments had been issued to all partners for the 2007 to 2010 tax years. Matters in dispute include:
 - a) Rent instalments under land lease;
 - b) Internal labour and motor vehicle costs on self constructed assets;
 - c) Denial of deductions for a part of the interest cost incurred by SA Power Networks on its subordinated debt under Part IVA, not Division 974
- ▶ An amended assessment has now been issued to Spark for the 2011 tax year with respect to (a) and (b) above
- ▶ Objections to all amended assessments have been lodged with the ATO by Spark
- ▶ SA Power Networks and the partners are of the opinion that no adjustments are required in relation to these items, and will vigorously defend their positions
- ▶ No adjustments in relation to these matters have been recognised in the Spark HY 2013 financial statements
- ▶ Notwithstanding the amended assessments, no amount of tax is payable by Spark for the 2007 to 2011 years due to the availability of carried forward tax losses
- ▶ On the basis of all information currently available, Spark's reasonable estimation is that the overall impact of any adjustments that may arise would not be material

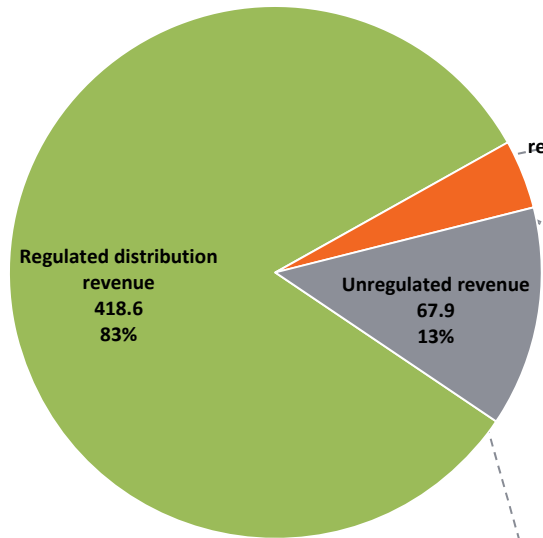
TAXATION UPDATE

Victoria Power Networks – ATO Matters

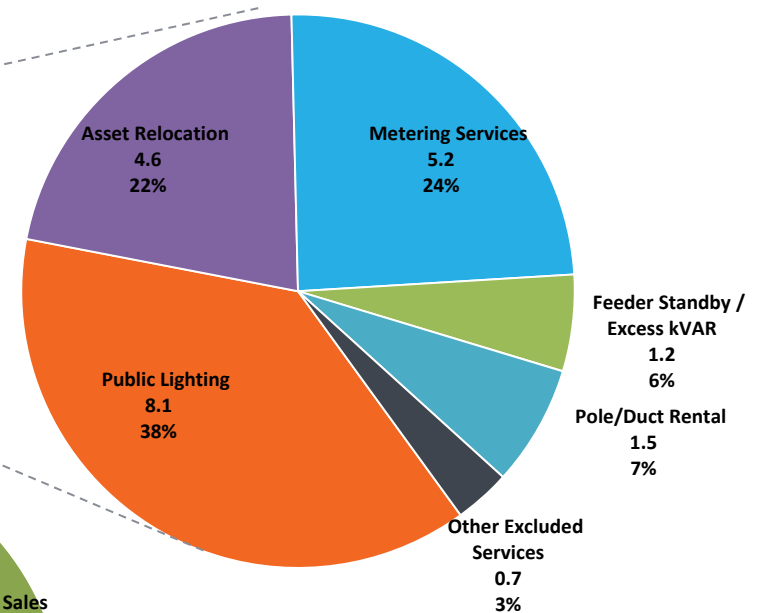
- ▶ Previously disclosed at FY 2012 that the ATO had notified Victoria Power Networks of its intention to make material adjustments in relation to the 2006 and 2007 tax years. The adjustments reflect the following:
 - a) a denial of deductions for interest paid by Victoria Power Networks on certain shareholder loans during the 2006 and 2007 tax years on the basis that Division 974 or (in the alternative) Part IVA applies;
 - b) a denial of deductions for certain labour costs and motor vehicle running costs incurred in the 2007 tax year;
 - c) the recognition of assessable income for assets transferred by customers to entities within the Victoria Power Networks consolidated group in the 2007 tax year;
 - d) a denial of deductions for rebates paid to customers by entities within the Victoria Power Networks consolidated group in the 2007 tax year; and
 - e) a further consequential increase in the allowance of depreciation for the labour costs, motor vehicle running costs and transferred assets in the 2007 tax year.
- ▶ Subsequently, the ATO issued an Amended Assessment Notice for the 2007 tax year, consistent with the adjustments above. In aggregate these amendments totalled \$296.0 million. Victoria Power Networks continues to disagree with the ATO's positions on the matters under audit, has sought legal advice and will vigorously defend its position.
- ▶ Victoria Power Networks elected to utilise carried forward losses to reduce the ATO's adjustments, resulting in a tax payable balance of \$18.1 million. Under a part payment arrangement, \$3.1 million was remitted in respect of the 2007 tax year.
- ▶ On 26 April 2013, Victoria Power Networks lodged notices of objection with the ATO in relation to the amended assessment for the 2007 tax year.
- ▶ The ATO has issued a Shortfall Penalty Assessment Notice for \$0.1 million and a Shortfall Interest Charge Notice for \$7.0 million in respect of the 2007 tax year. No payment, as yet, has been remitted to the ATO. Victoria Power Networks is in discussion with the ATO to have a part payment arrangement applied to the shortfall interest charge consistent with the arrangement in place for the primary tax payable balance.
- ▶ While audit activity in relation to the years ended 31 December 2008 to 31 December 2010 continues, the ATO has indicated to Victoria Power Networks that it intends to make adjustments in relation to these later years broadly consistent with those made for the 2007 tax year. The adjustments for those years have not yet been finalised but are likely to be material. Further clarity is expected from the ATO in the next few months

SA Power Networks revenue breakdown – HY 2013

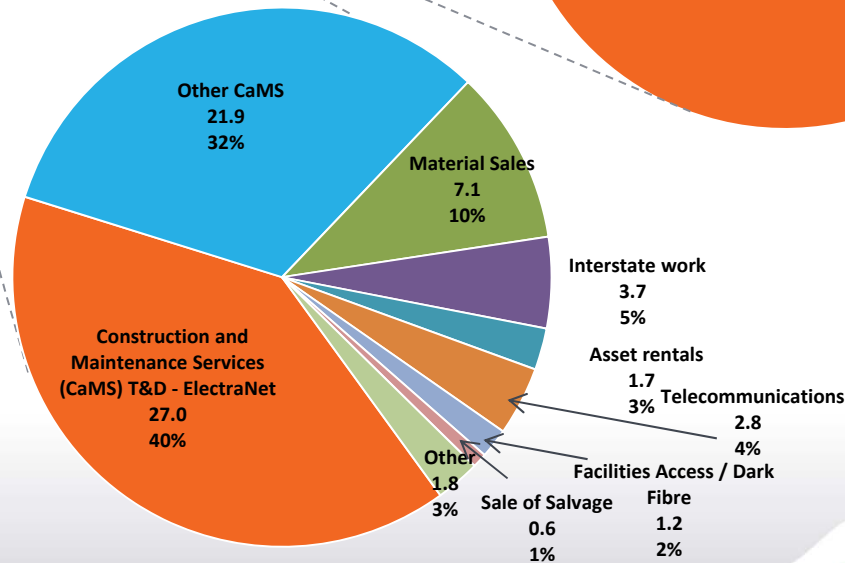
Total revenue excl customer Contributions (\$m)



Semi-regulated revenue excl customer contributions (\$m)

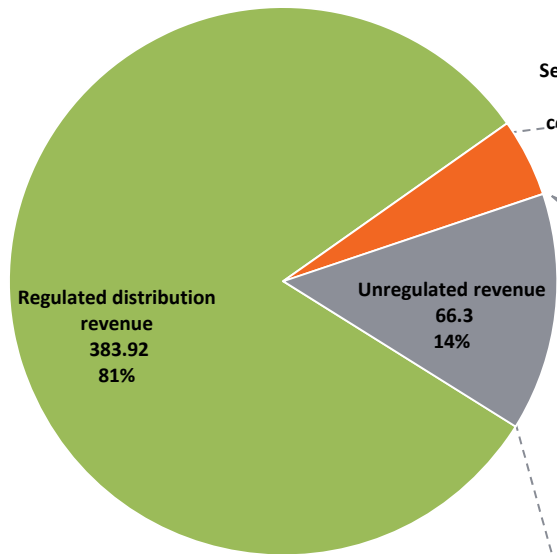


Unregulated revenue (\$m)

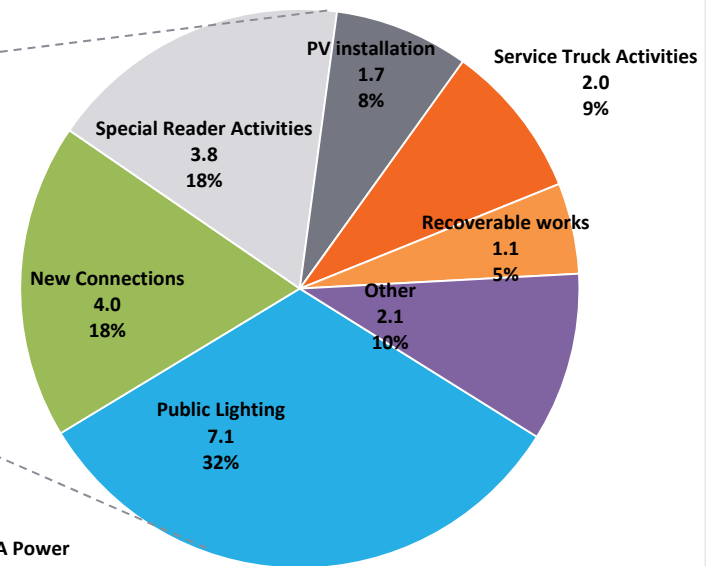


Victoria Power Networks revenue breakdown – HY 2013

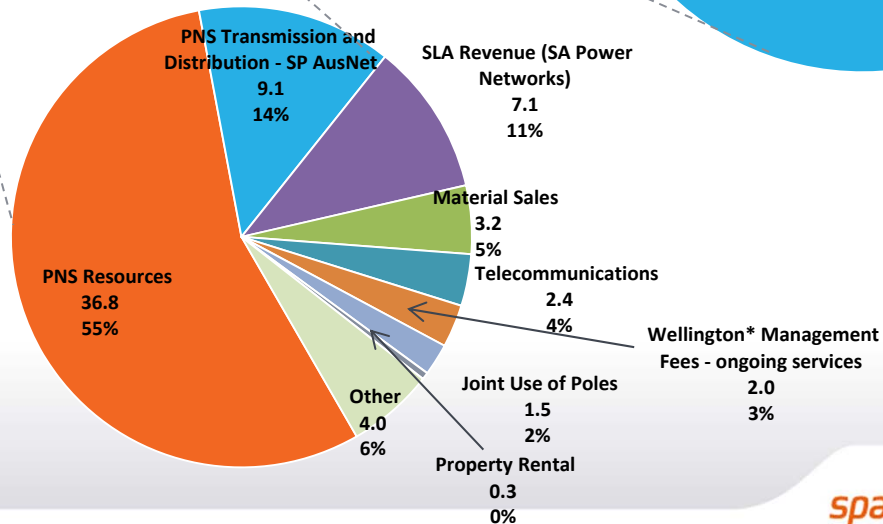
Total revenue excl customer contributions (\$m)



Semi-regulated revenue excl customer contributions (\$m)




Unregulated revenue (\$m)





*100% owned by CKI and PAH

SEMI REGULATED REVENUES

HY 2013 vs HY 2012 (100% figures)

 SA Power Networks	HY 2013	HY 2012	Variance
	(\$m)	(\$m)	(\$m)
Public Lighting	8.1	7.9	0.2
Asset Relocation	4.6	5.6	(1.0)
Metering Services	5.2	4.9	0.3
Feeder Standby / Excess kVAR	1.2	1.1	0.1
Pole/Duct Rental	1.5	1.5	0.0
Other Excluded Services ¹	0.7	0.4	0.3
TOTAL²	21.3	21.4	(0.1)


 	HY 2013	HY 2012	Variance
	(\$m)	(\$m)	(\$m)
Public Lighting	7.1	6.5	0.6
New Connections	4.0	4.2	(0.2)
Special Reader Activities	3.8	4.1	(0.3)
PV installation	1.7	1.7	0.0
Service Truck Activities	2.0	2.4	(0.4)
Recoverable works	1.1	0.9	0.2
Other	2.1	1.0	1.1
TOTAL	21.8	20.8	1.0

1. Includes profit/loss on asset disposals

2. Does not include ACS revenue, which is reported as part of DUOS revenue



UNREGULATED REVENUES

HY 2013 vs HY 2012 (100% figures)

 SA Power Networks	HY 2013	HY 2012	Variance
	(\$m)	(\$m)	(\$m)
Construction and Maintenance Services (CaMS) T&D - ElectraNet	27.0	23.2	3.8
Other CaMS	21.9	19.9	2.0
Material Sales	7.1	7.6	(0.5)
Interstate work	3.7	3.2	0.5
Asset rentals	1.7	1.8	(0.1)
Telecommunications	2.8	1.8	1.0
Facilities Access / Dark Fibre	1.2	1.4	(0.2)
Sale of Salvage	0.6	1.1	(0.5)
Other	1.8	1.9	(0.1)
TOTAL	67.8	61.9	5.9

UNREGULATED REVENUES (cont.)

HY 2013 vs HY 2012 (100% figures)

 	HY 2013	HY 2012	Variance
	(\$m)	(\$m)	(\$m)
PNS Resources	36.8	9.6	27.2
PNS Transmission and Distribution - SP AusNet	9.1	10.4	(1.3)
SLA Revenue (SA Power Networks)	7.1	6.6	0.5
Material Sales	3.2	3.3	(0.1)
Telecommunications	2.4	3.4	(1.0)
Wellington* Management Fees - ongoing services	2.0	2.1	(0.1)
Joint Use of Poles	1.5	1.4	0.1
Property Rental	0.3	0.5	(0.2)
Other ¹	4.0	4.0	0.0
TOTAL	66.4	41.3	25.1

1. Includes profit/loss on asset disposals and duct rental

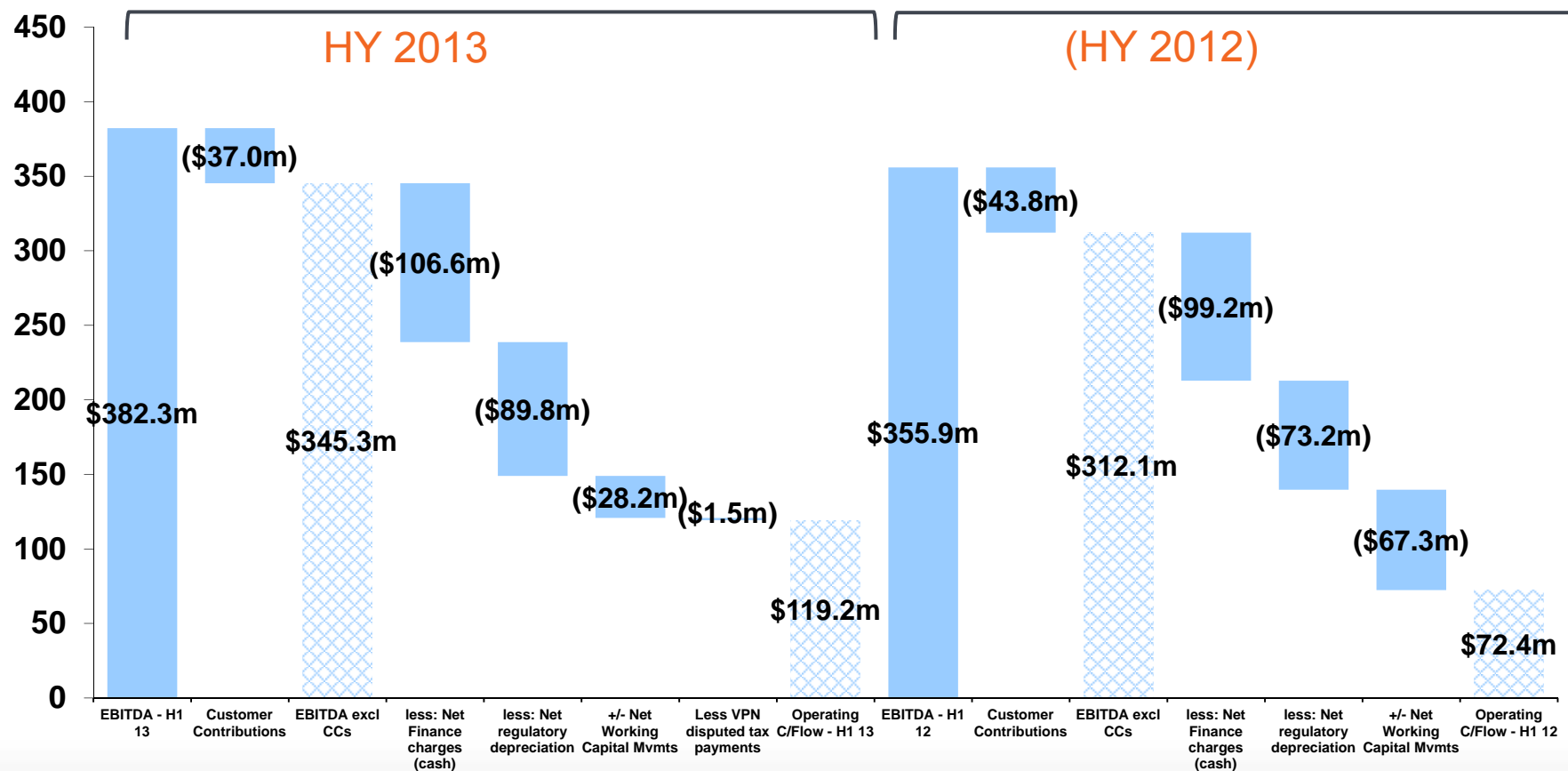
*100% owned by CKI and PAH

OPERATING CASH FLOW MODEL – HY 2013

Aggregated Asset Companies

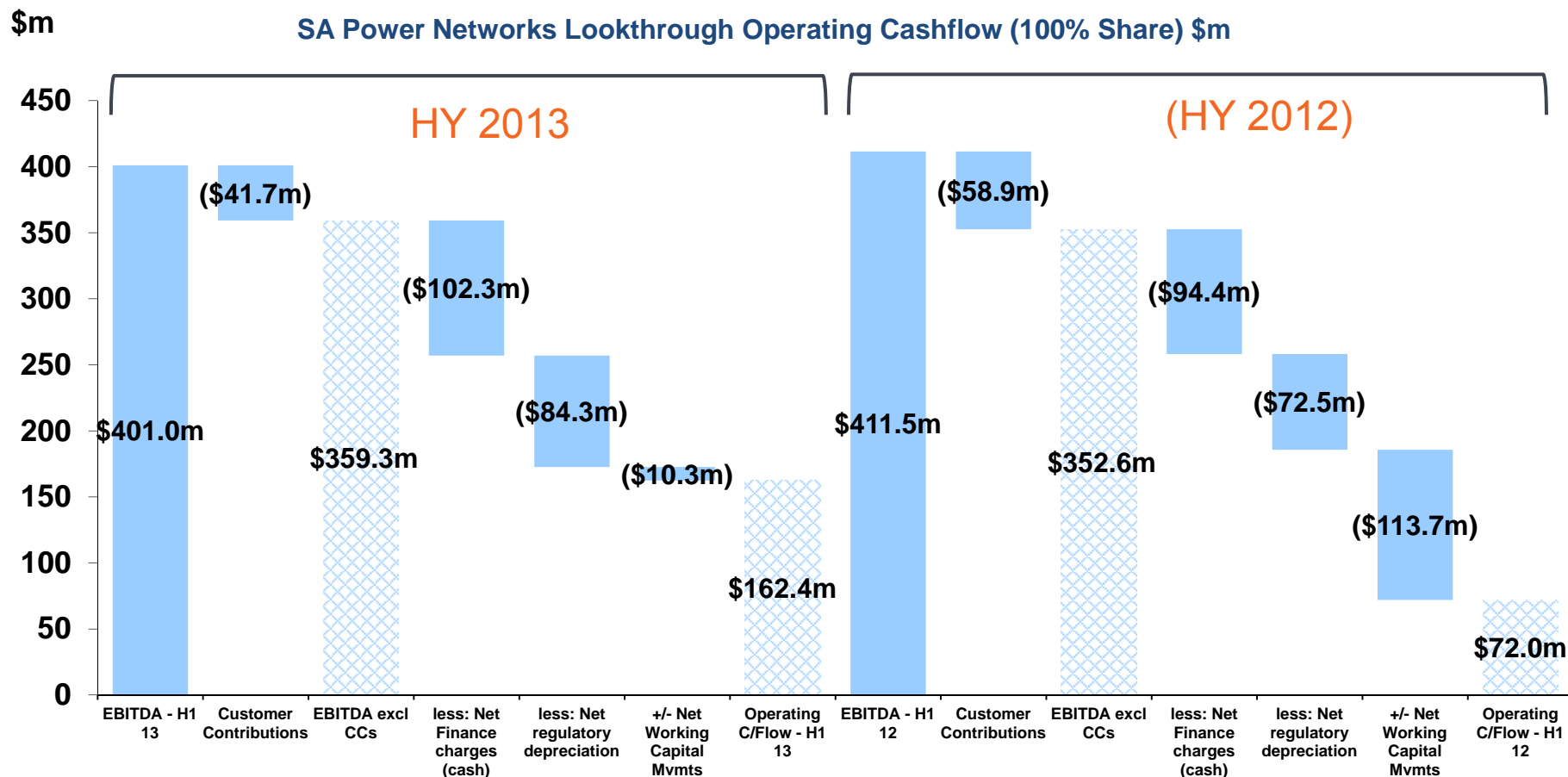
\$m

Combined Lookthrough Operating Cashflow (Spark 49% Share) \$m



OPERATING CASH FLOW MODEL – HY 2013

SA Power Networks



Note re maintenance capex:

Net regulatory depreciation is a proxy for maintenance capex. It is calculated as regulatory depreciation net of CPI uplift on RAB.

CPI uplift on RAB is estimated by:

In HY 2012, CPI based on actual March 2012 CPI of 1.58%.

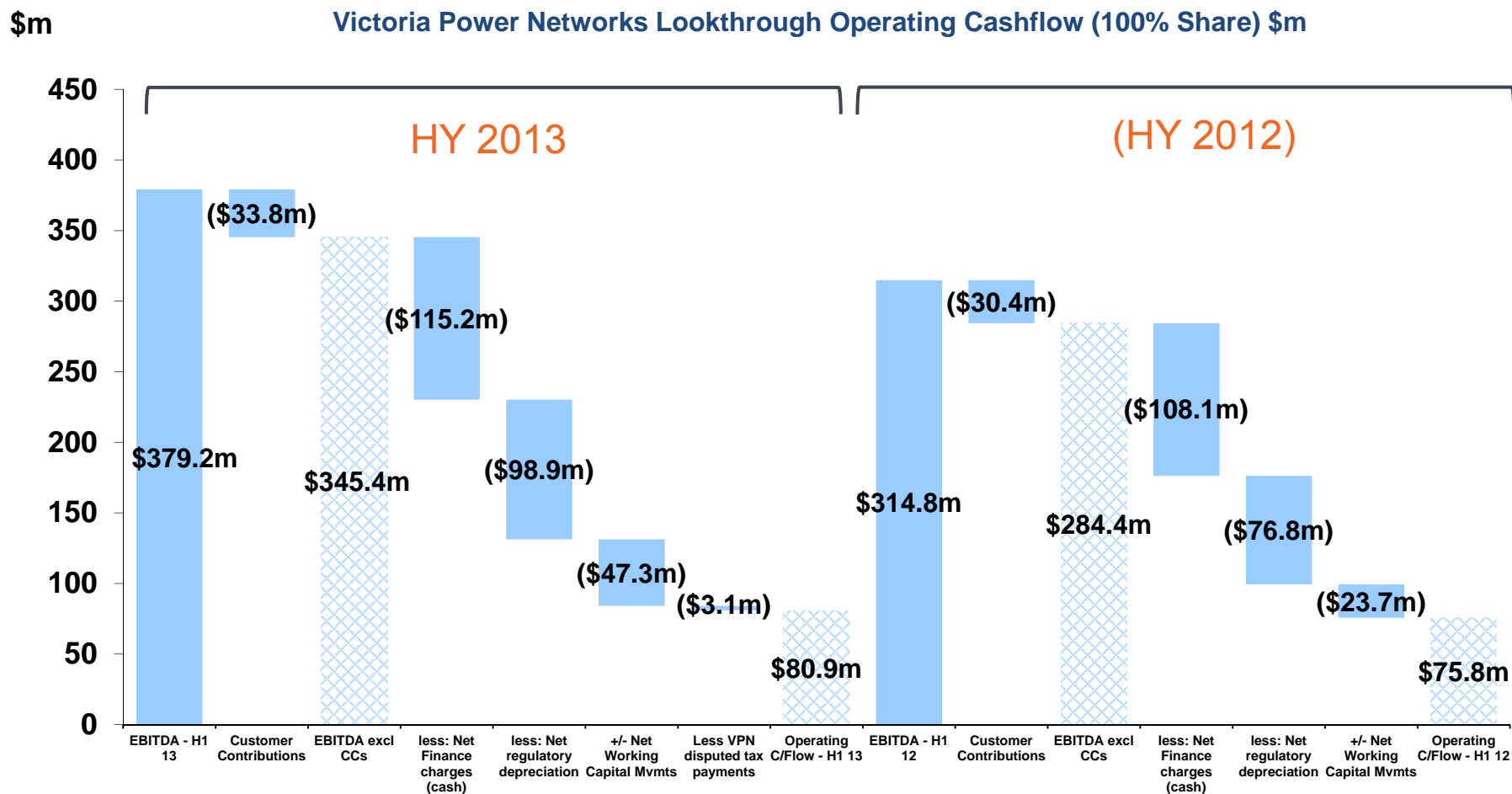
In HY 2013, CPI is based on actual March 2013 CPI of 2.50% with 'true up' for CPI actual vs estimate for HY 2012 (1.25% being 2.50% over 6 months, vs 1.90%).

CPI is based on 'All groups CPI' for weighted average of 8 capital cities, not seasonally adjusted (Source: ABS). March on March (released April)



OPERATING CASH FLOW MODEL – HY 2013

Victoria Power Networks (VPN)



Note re maintenance capex:

Net regulatory depreciation is a proxy for maintenance capex. It is calculated as regulatory depreciation net of CPI uplift on RAB.

CPI uplift on RAB for DUOS is estimated by:

In HY 2012, estimation based on regulatory allowance CPI of 2.57%.

In HY 2013, estimation based on actual September 2012 CPI of 2.00%.

CPI is based on 'All groups CPI' for weighted average of 8 capital cities, not seasonally adjusted (Source: ABS). September on September (released October)



CAPITAL EXPENDITURE (100%)

\$ million	SA Power Networks		CITIPOWER Powercor AUSTRALIA		TOTALS	
	HY 2013	HY 2012	HY 2013	HY 2012	HY 2013	HY 2012
Growth Capex	104.2	84.8	114.8	113.7	219.0	198.5
Growth Capex AML	-	-	67.1	61.3	67.1	61.3
Maintenance capex	79.0	68.4	57.2	40.7	136.2	109.1
Total	183.2	153.2	239.1	215.7	422.3	368.9
Increase (%)	19.6		10.8		14.5	

\$ million	Maintenance capex spend		Regulatory depreciation		Less inflation uplift on RAB		Net regulatory depreciation	
	HY 2013	HY 2012	HY 2013	HY 2012	HY 2013	HY 2012	HY 2013	HY 2012
SA Power Networks	79.0	68.4	104.9	97.6	(20.6)	(25.1)	84.3	72.5
CITIPOWER	13.8	8.9	48.8	45.3	(16.1)	(19.8)	32.7	25.5
Powercor AUSTRALIA	43.4	31.8	95.5	86.8	(29.4)	(35.4)	66.1	51.4
Totals	136.2	109.1	249.2	229.7	(66.1)	(80.3)	183.1	149.4
Spark 49% share	66.7	53.5	122.1	112.6	(32.4)	(39.3)	89.7	73.2

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