



Friday, 14 March 2014

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

Dear Sir / Madam

UK and Europe Investor Presentation

I enclose the Investor Presentation to be delivered to investors in the United Kingdom and Europe on 17-19 March 2014.

Yours faithfully,

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

Alexandra Finley
Company Secretary

A TIME FOR
QUALITY



UK & Europe Investor Presentation
March 2014

Presentation Agenda

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

APPENDICES



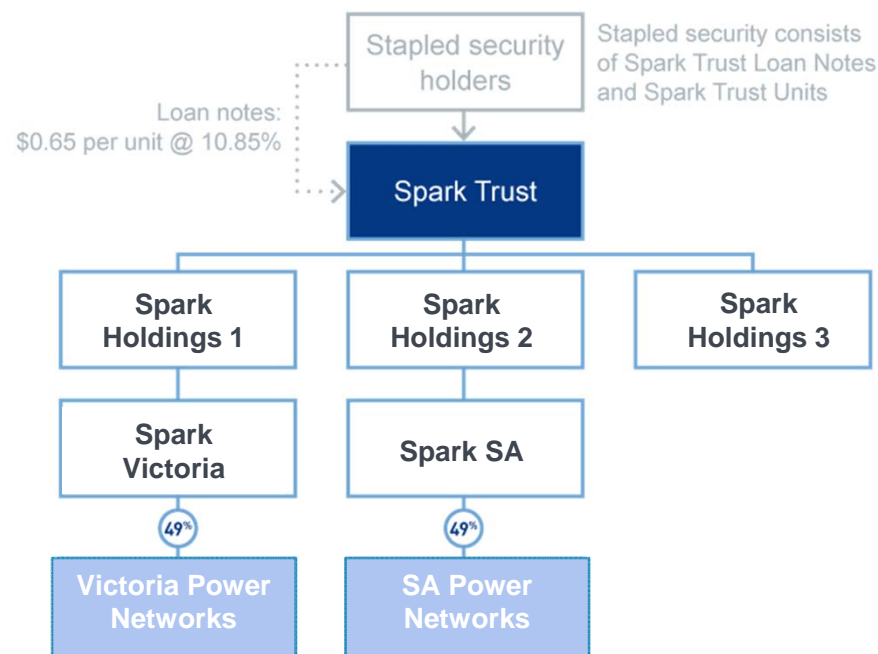
1. OVERVIEW



SPARK INFRASTRUCTURE

Overview

- Australian based specialist infrastructure fund with a portfolio of high quality regulated electricity distribution businesses
- Listed on the ASX in December 2005 with a current market capitalisation of around AUD\$2.2 billion
- Objective is to invest in regulated electricity and gas distribution or transmission assets, or water and sewerage assets in established regulatory jurisdictions (with Australia being a focus in the short term), that offer predictable earnings and reliable cashflows
- Currently holds a 49% interest in SA Power Networks, CitiPower and Powercor (Victoria Power Networks). The remaining 51% is held by Cheung Kong Infrastructure and Power Assets Holdings (both Hong Kong companies).
- The total Regulated Asset Base (“RAB”) of the Asset Companies was around \$8.6 billion at 31 December 2013 (Spark Infrastructure’s share is 49% - \$4.2 billion).



CURRENT ASSET PORTFOLIO

Regulated growth and reliable cashflows



With the exception of South Australia and Victoria, all other electricity distribution and transmission networks in Australia are under State government ownerships

Credit rating
A - / A3

Customers
839,819

Network availability
99.96%

Next regulatory reset
Jul 2015

Credit rating
BBB+ / Baa1

Customers
750,745

Network availability
99.97%

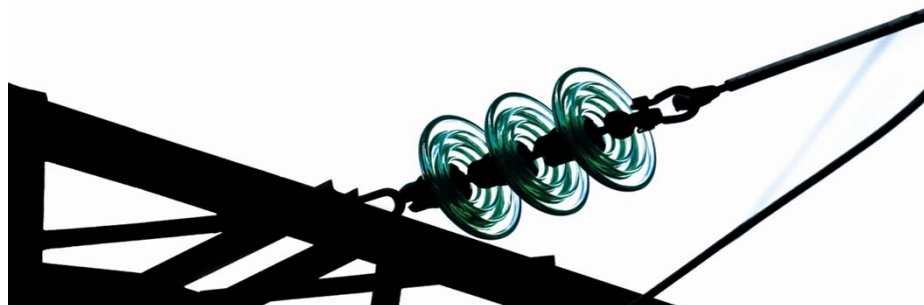
Next regulatory reset
Jan 2016

Credit rating
BBB+

Customers
321,520

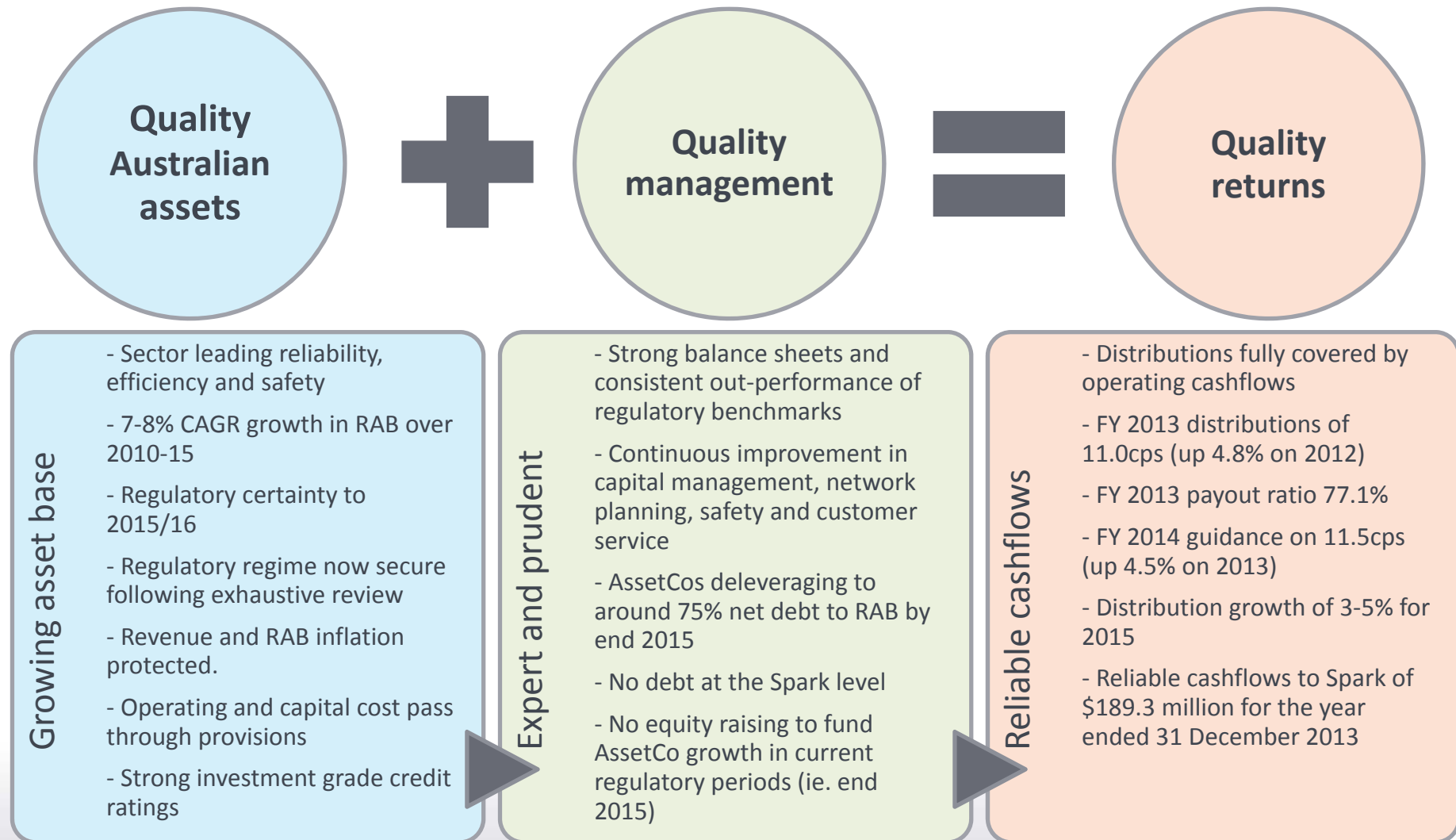
Network availability
99.98%

Next regulatory reset
Jan 2016



INVESTMENT PROPOSITION

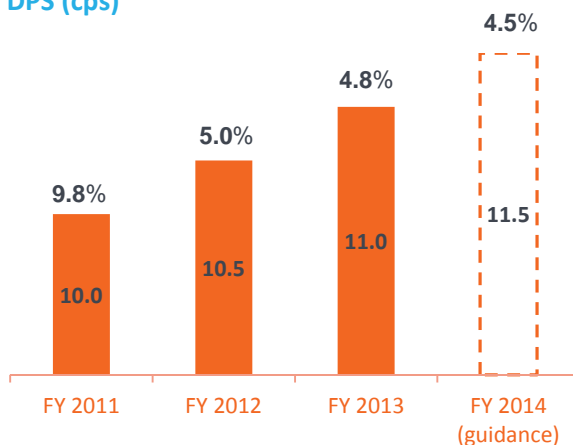
A time for Quality



SCORECARD

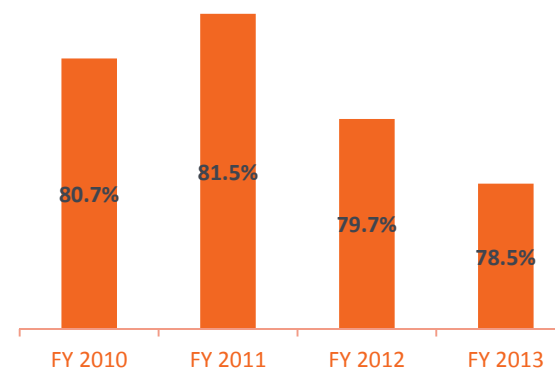
Track record of delivering

DPS (cps)



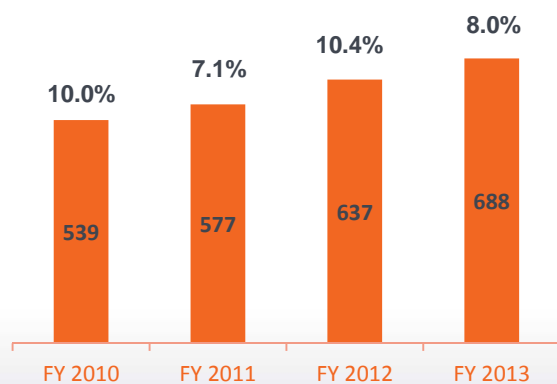
“3-5% growth p.a. to 2015”

Net Debt to RAB (%)

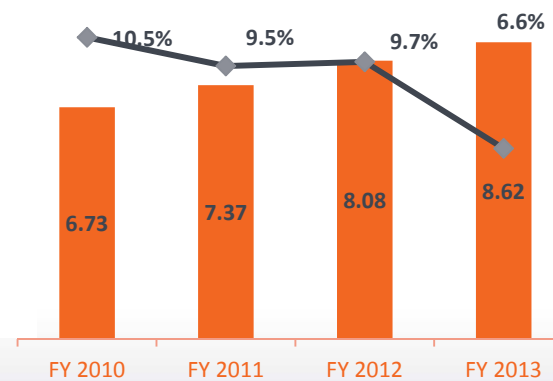


“Targeting 75% by 2015”

EBITDA (\$M) (Excl customer contributions) (49%)



RAB and Growth in RAB (\$bn and %)



“7-8% CAGR* to 2015”

* Compound Annual Growth Rate

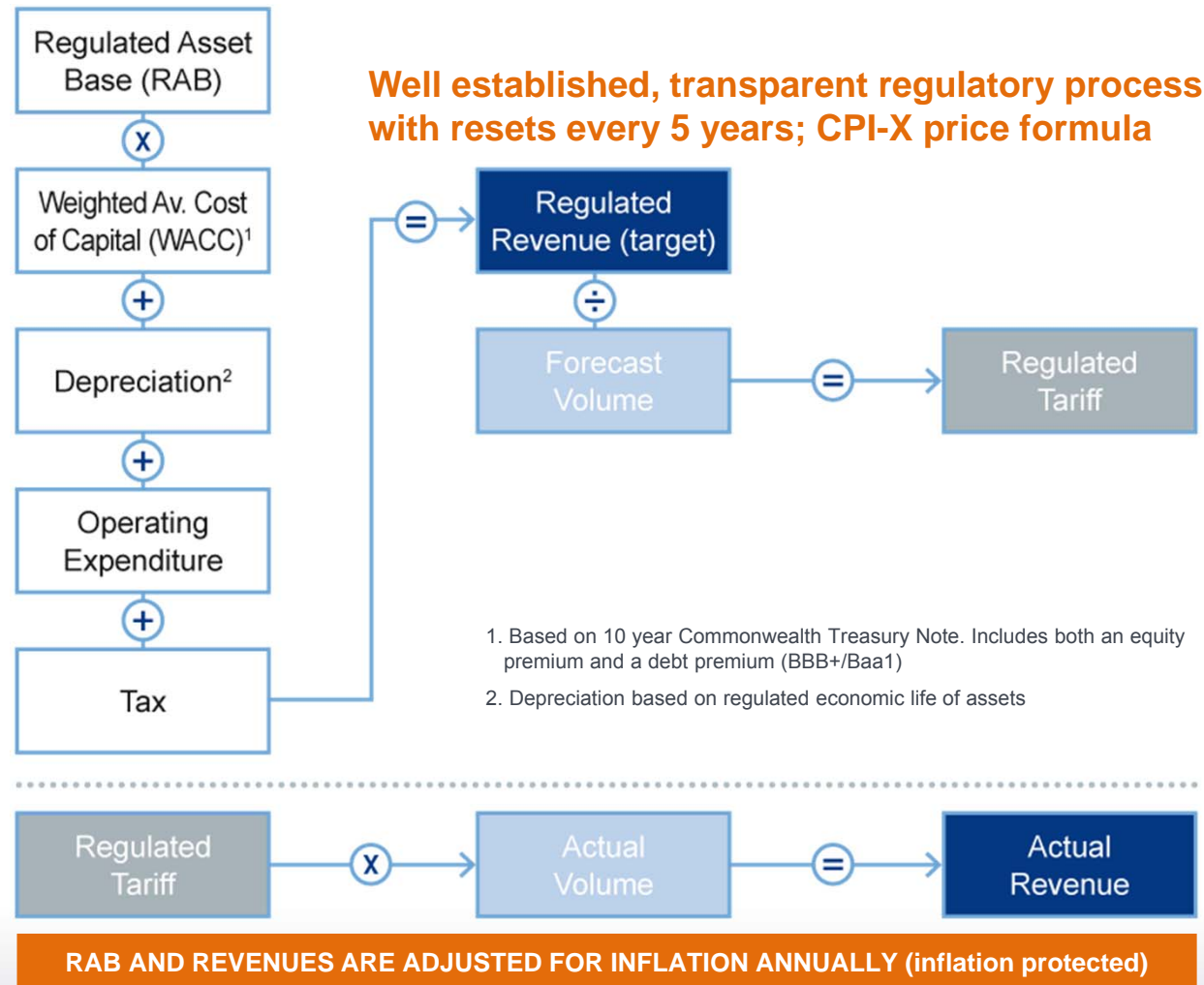


2. REGULATION



CURRENT REGULATORY FRAMEWORK

In-Built protections – Next regulatory resets 2015/2016



CURRENT REGULATORY SETTINGS

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

REGULATORY PERIOD	SA Power Networks ¹ 1 Jul 2010 – 30 Jun 2015	Victoria Power Networks ² 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. VPN 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 SAPN awarded in July 2013

5. Operating expenditure numbers adjusted for efficiency carryover amounts per determinations

6. Revenue numbers not updated for actual CPI

REGULATORY ENVIRONMENT

'Better Regulation' program completed – regulatory certainty restored

- ▶ The regime remains fundamentally unchanged as an incentive based system with a range of in-built protections. An additional capital expenditure incentive scheme will apply for next period
- ▶ WACC returns are likely to be lower but this is mainly due to the prevailing level of bond rates rather than the outcomes of the reviews
- ▶ The Limited Merits Review system, which provides an independent appeal mechanism for Network Service Providers to challenge AER decisions, continues to provide adequate scope for future appeals
- ▶ In November 2013 the AER published Final Guidelines in relation to:
 - Expenditure Assessments
 - Operating and capital expenditure Incentives (EBSS and CESS)
 - Shared Assets
 - Consumer Engagement; and,
 - Confidentiality
- ▶ In December 2013 the AER published the Final Rate of Return Guideline
- ▶ None of the published guidelines, with the exception of the Rate of Return Guideline, is expected to have a material impact on either SAPN or CitiPower and Powercor
- ▶ Detail around Rate of Return Guidelines set out on next slide. Detail around other guidelines set out in the Appendices

REGULATORY ENVIRONMENT

Rate of Return - bond rates and MRP the key variables

- While the AER's Final Guideline represented an improvement on the Draft Guideline released in August 2013 the required return on equity remains below levels proposed to the AER by Spark and its peers in the sector
- The AER has accepted the need for a more qualitative and conceptual assessment requiring the application of judgement but has failed to break the nexus between equity returns and the risk free rate
- Future equity returns will continue to be linked to the prevailing level of bond rates at the time of each regulatory reset
- The Market Risk Premium, currently set at 6.5%, will be reviewed at each regulatory reset to recognise prevailing market conditions – the AER has quoted an indicative range of 5.0% to 7.5%
- The expected Rate of Return will be a key consideration for Spark Infrastructure and the Asset Companies in planning for future levels of investment in their next five year regulatory periods
- The AER has maintained its position on a gamma of 0.5. We expect this will be challenged as part of the future regulatory determinations

	2010-15	2015-20
Risk Free rate (proxy)	10 year Commonwealth bond rate	
Market Risk Premium	6.5%	6.5% subject to review at time of each regulatory reset
Debt costs	20 day average around time of reset	10 year trailing average with 10 year transition period
Equity Beta	0.8	0.7
Gamma	0.25	0.5
Funding assumption	60% debt/40% equity	
Benchmark credit rating	BBB+	

REGULATORY ENVIRONMENT

Business impact and response

1. **Revenue recovery** – SAPN is generally supportive of a revised Framework and Approach Paper which includes a move from a price cap to a revenue cap
2. **Return on equity** – The prevailing return on equity, recognising that this will be impacted by the expected level of bond rates and the MRP at the time of each regulatory reset, will inform planned capital expenditure
3. **Cost of debt** – The move from a spot rate to a 10 year trailing average for the calculation of debt costs will require a change in interest rate/hedging strategy to align with the way in which debt allowances are set.
4. **Expenditure Assessment** – SAPN and VPN will work closely with the AER to promote the use of accurate and consistent data for benchmarking purposes
5. **Expenditure incentives** – SAPN and VPN possess a strong track record of efficient spending within their regulatory allowances and don't expect any negative impacts from the revised regime. New capital expenditure incentive scheme (CESS) applies from next regulatory period
6. **Gamma** – expect this to be challenged as part of individual regulatory determination setting processes in the future

REGULATORY ENVIRONMENT

Key dates

30 April 2014	<ul style="list-style-type: none">▪ SAPN new Framework and Approach paper published by AER
31 October 2014	<ul style="list-style-type: none">▪ SAPN submits its regulatory submission to the AER▪ CitiPower and Powercor new Framework and Approach papers published by AER
30 April 2015	<ul style="list-style-type: none">▪ SAPN Preliminary Determination expected from the AER▪ CitiPower and Powercor submit their regulatory submissions to the AER
1 July 2015	<ul style="list-style-type: none">▪ SAPN new 5-year regulatory period commences (transitional arrangement)
31 October 2015	<ul style="list-style-type: none">▪ CitiPower and Powercor Preliminary Determination expected from the AER▪ SAPN Final Determination expected from the AER
1 January 2016	<ul style="list-style-type: none">▪ CitiPower and Powercor new 5-year regulatory period commences (transitional arrangement)
30 April 2016	<ul style="list-style-type: none">▪ CitiPower and Powercor Final Determination expected from the AER

- Under the transitional arrangements the businesses will operate under the AER's Preliminary Determinations for year 1 of their regulatory periods
- When the Final Determinations are published the AER will make adjustments to revenue recovery arrangements to years 2-5 of the regulatory periods to reflect any changes under a 'no disadvantage' basis

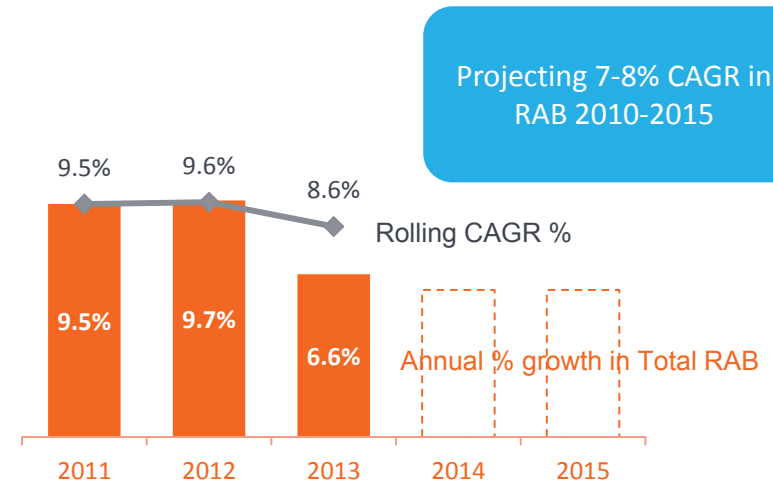
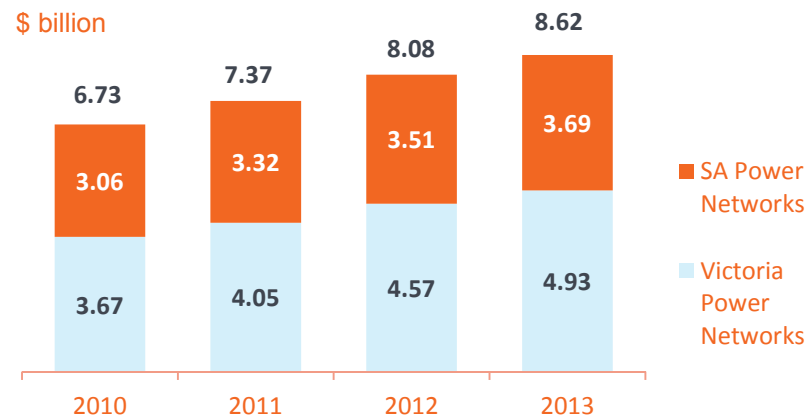


3. GROWTH



RAB GROWTH




RAB growth moving towards 7-8% CAGR for the regulatory period






Source: Asset Companies' estimates, Spark internal projection. VPN figures include AMI RAB

- ▶ FY 2013: 6.6% growth in RAB (incl. AMI) (9.7% in FY 2012)
- ▶ Actual growth in RAB (DUOS) is tracking below regulatory projections due to capital expenditure outperformance
- ▶ 7-8% p.a. CAGR growth in total RAB (incl. AMI) expected over the 5 year regulatory periods to 2015 based on AER decisions and expected capital expenditure outperformance
- ▶ Capital expenditure earns a regulatory return from day one

CAPITAL EXPENDITURE (100%)

\$ million			 		TOTALS	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Growth Capex	181.7	188.6	278.9	260.5	460.6	449.2
Growth Capex AMI	-	-	125.7	177.9	125.7	177.9
Maintenance capex	166.8	143.0	129.8	94.7	296.6	237.7
Total	348.5	331.6	534.4	533.1	882.9	864.7
Increase (%)	5.1%		0.2%		2.1%	




\$ million	Maintenance capex spend		Regulatory depreciation		Less inflation uplift on RAB ¹		Net regulatory depreciation	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
	166.8	143.0	219.1	198.2	(75.3)	(89.9)	143.8	108.3
	31.4	19.3	97.7	90.5	(32.4)	(52.8)	65.3	37.7
	98.4	75.4	191.0	171.8	(59.0)	(93.0)	132.0	78.8
Totals	296.6	237.7	507.8	460.5	(166.7)	(235.7)	341.1	224.8
Spark 49% share	145.3	116.4	248.8	225.6	(81.7)	(115.5)	167.1	110.2

1. For SAPN, adjusted for CPI 'true up' in HY13 (1.25% actual vs 1.92% estimate)

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 SAPN and 1 January each year for VPN (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 (%) Actual (Forecast)	X-Factor ²	Tariff increase (%) Actual/forecast ³		CPI (%) Actual (Forecast)	X-Factor ²	Tariff increase (%) Actual/forecast ³		CPI (%) Actual (Forecast)	X-Factor ²	Tariff increase (%) Actual/forecast ³
Year 1 (1 Jul 10)	2.89 -2.52	-12.14	15.38	Year 1 (1 Jan 11)	2.79 -2.57	6.41	-3.80	Year 1 (1 Jan 11)	2.79 -2.57	-0.11	2.90
Year 2 (1 Jul 11)	3.33 -2.52	-18.10	22.03	Year 2 (1 Jan 12)	3.52 -2.57	-4.00	7.66	Year 2 (1 Jan 12)	3.52 -2.57	-3.00	6.63
Year 3 (1 Jul 12)	1.58 -2.52	-4.97	6.63	Year 3 (1 Jan 13)	2.00 -2.57	-6.78	8.92	Year 3 (1 Jan 13)	2.00 -2.57	-6.36	8.49
Year 4 (1 Jul 13)	2.50 -2.52	-7.00	9.67	Year 4 (1 Jan 14)	2.16 -2.57	-7.80	10.13	Year 4 (1 Jan 14)	2.16 -2.57	-6.70	9.00
Year 5 (1 Jul 14)	- -2.52	-0.89	3.43	Year 5 (1 Jan 15)	- -2.57	-7.80	10.57	Year 5 (1 Jan 15)	- -2.57	-7.20	9.96

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 SAPN awarded in July 2013
3. Figures for SAPN exclude adjustments for STPIS, PV and Q-factor actual and forecast adjustments. Figures for VPN exclude STPIS and any other adjustments.



4. PERFORMANCE SPARK INFRASTRUCTURE



FINANCIAL HIGHLIGHTS

Delivering now

Invested in regulated assets with stable cash flows

- ▶ Regulated returns underpinned by in-built protections within regulatory framework
- ▶ Current Regulatory Asset Base (RAB) of \$8.62 billion (est.) (Spark share \$4.22 billion)
- ▶ Total RAB growth of 6.6% in 2013 reflecting net capital expenditure of \$882.9 million (100% basis)
- ▶ 2010 regulatory decisions and subsequent appeal outcomes provided for strong organic growth

Asset Companies delivering solid results in line with regulatory decisions

- ▶ Total revenue of \$2,110.7 million (100% ex customer contributions) – up 8.9% on FY 2012
- ▶ Distribution revenue of \$1,621.8 million – up 7.6% on FY 2012
- ▶ Total operating costs of \$707.7 million (100%) – up 10.8% on FY 2012
- ▶ Aggregate EBITDA of \$1,403.1 million (100% ex customer contributions) - up 8.0% on FY 2012

Growing distributions alongside strong and growing look-through cash flows

- ▶ 11.0cps in FY 2013; guidance of 11.5cps for FY 2014 (4.5%); 3-5% growth for FY 2015
- ▶ Strong and growing look-through operating cash flows. For FY 2013, distribution more than 2x covered by lookthrough OCF. Standalone payout ratio for FY 2013 was 77.1%.
- ▶ Maintain investment metrics and distributions growth over the current regulatory periods
- ▶ Distributions to Spark from AssetCos of \$203.2 million received in FY 2013 (\$199.3 million in 2012)

Strong balance sheets with enhanced flexibility

- ▶ Net debt to RAB at 31 December 2013 is 78.5% (79.7% at 31 December 2012); reducing to around 75% by end 2015
- ▶ Strong investment grade credit ratings of A- (S&P) at SAPN, BBB+ at CitiPower and Powercor (Spark Baa1 Moody's)

OPERATIONAL OVERVIEW

Delivering into the future

Regulatory regime now settled and continues to provide investment certainty

- ▶ AER Final Guidelines have maintained an incentive based regime with long term certainty, however, returns remain linked to 10 year Commonwealth Government bond yields
- ▶ Most of the modifications to the regulatory regime will not have a material impact on SAPN or VPN
- ▶ Limited Merits Review continues to provide scope to appeal AER decisions where deemed appropriate by the businesses
- ▶ AMI rollout complete for VPN with AMI RAB subject to interim returns in 2014 and 2015, and expected to roll into DUOS RAB from 2016 (to be confirmed by the AER)

Focus on regulatory resets for 2015/16-2020

- ▶ The Asset Companies' preparatory work on their regulatory submissions is well underway – SAPN submission is due by October 2014; VPN submission is due by April 2015
- ▶ The majority of the required capital expenditure in the next regulatory periods will be driven by asset replacement, bushfire prevention and meeting growing customer expectations
- ▶ The expenditure incentive and rate of return environment will be key considerations for the Asset Companies as they prepare their expenditure submissions

ATO matters are progressing

- ▶ The SAPN partners have settled with the ATO concerning the deductibility of rent instalments
- ▶ VPN has received amended assessments from the ATO for the 2007-2010 tax years. Discussions between the parties are ongoing in relation to all matters
- ▶ ATO matters are not expected to impact Spark's distribution policy in 2014-15

Exposure to sales volumes expected to be removed in next regulatory periods

- ▶ SAPN supports the AER's proposal to apply a revenue cap for its 2015-20 regulatory period (making it indifferent to future electricity sales volumes). VPN is likely to follow the same path.
- ▶ Market wide volumes continue to display softness and volatility resulting from customer led initiatives, continued growth in PV solar, improved efficiency of appliances and more rigorous building standards

FINANCIAL HIGHLIGHTS – FY 2013

Spark Infrastructure

	FY 2013	FY 2012	% Change
Spark dps ¹	11.00cps	10.50cps	4.8
Distribution payout ratio - standalone ¹	77.1%	78.1%	(1.0%)
Distribution payout ratio - lookthrough (post Spark costs) ¹	49.2%	50.9%	(1.7%)
Total Asset Company distributions to Spark	\$203.2m	\$199.3m	2.1
Standalone OCF	\$189.3m	\$178.4m	6.1
Standalone OCF per security	14.3cps	13.4cps	6.1
Lookthrough OCF per security (post Spark costs)	22.3cps	20.6cps	8.3
Net debt to RAB (Asset Company level) ²	78.5%	79.7%	(1.2%)

1. On an accrued basis

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

OPERATING CASHFLOW – FY 2013

Spark Infrastructure

	FY 2013	FY 2012	% Change
	\$m	\$m	%
SA Power Networks - PPC distributions	69.6	69.8	(0.2)
SA Power Networks - other distributions	52.9	48.5	9.1
Victoria Power Networks – sub debt interest	80.7	80.9	(0.3)
Asset Company distributions	203.2	199.3	2.1
Interest received	1.1	1.8	(38.9)
Interest paid	(3.2)	(8.4)	(61.9)
Swap cancellation costs	(3.9)	(2.4)	62.5
SDP bid costs	-	(4.6)	n/m
General administrative expenses	(7.9)	(7.3)	8.2
Standalone OCF	189.3	178.4	6.1
Standalone OCF per security	14.3cps	13.4cps	6.1

PROFIT AND LOSS - FY 2013

Spark Infrastructure

UNDERLYING RESULTS	FY 2013 (\$m)	FY 2012 (\$m)	% Change
Total income	311.1	299.8	3.8
General, administrative and employee expenses ¹	(8.2)	(6.2)	32.3
SDP bid costs	-	(4.6)	n/m
Swap cancellation costs	(3.9)	(2.4)	62.5
Previously capitalised borrowing costs ²	(1.0)	-	n/m
Interest expense (gross) – senior debt	(3.5)	(9.5)	(63.2)
Profit before loan note interest and tax	294.5	277.1	6.3
Loan Note Interest (Distributions to Securityholders)	(93.5)	(93.8)	(0.3)
Income tax expense ³	(56.2)	(9.4)	497.9
Profit attributable to Securityholders – underlying	144.7	173.9	(16.8)
Profit attributable to Securityholders – statutory⁴	128.4	173.9	(26.2)

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

2. Unamortised borrowing costs attached to the old syndicated facilities, refinanced in March 2013

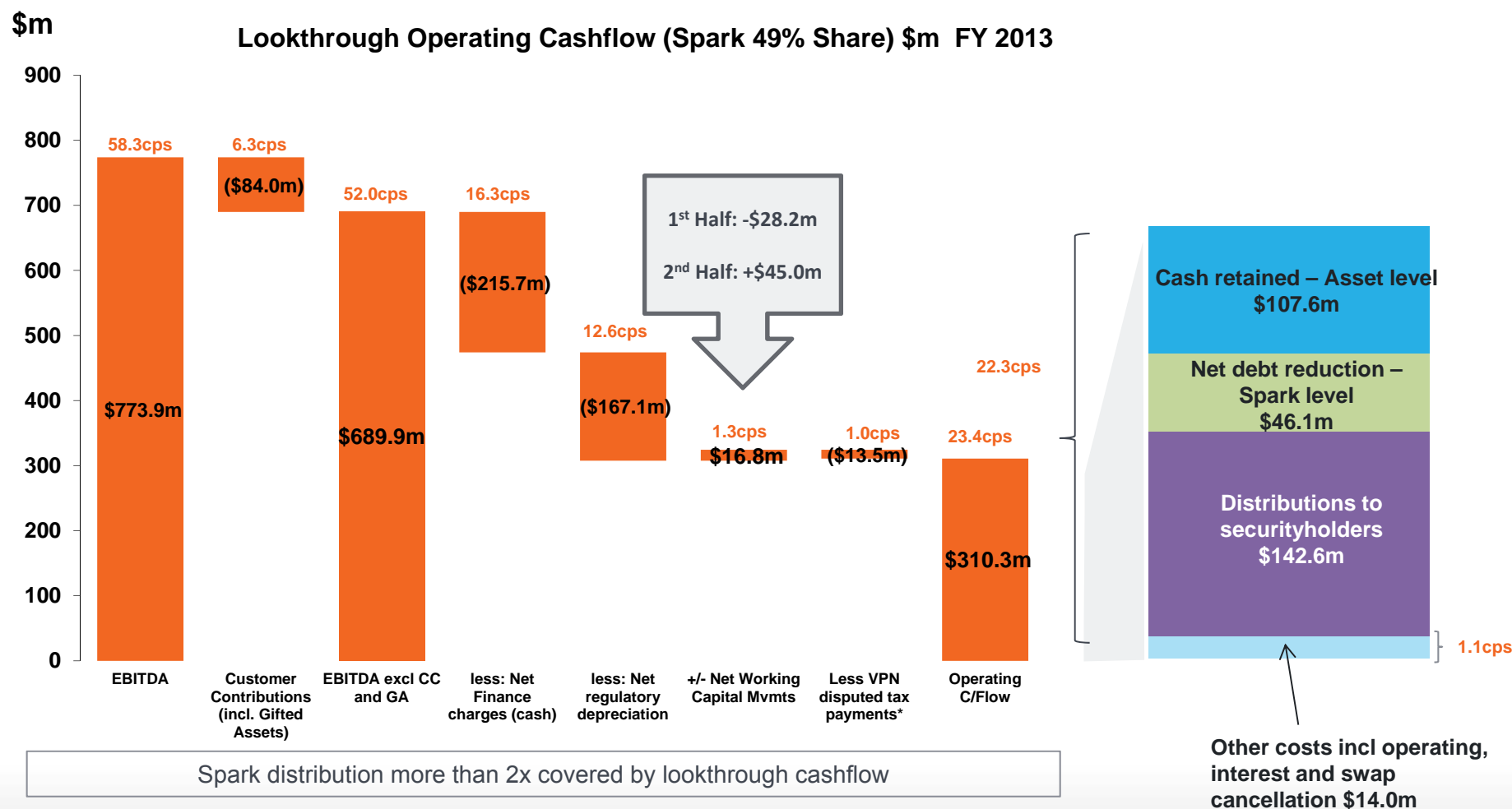
3. Increase in income tax expense driven by unwinding of tax loss position in Spark No. 2, and adjustment for SAPN ATO rent instalment settlement (detailed in Note 4 below)

4. Includes adjustment for SAPN ATO rent instalments settlement (\$16.3 million) – one-off non-cash charge



OPERATING CASH FLOW MODEL – FY 2013

Asset Companies producing 23.4 cps Operating Cash



* \$27.6 million (100% share) paid to the ATO by VPN with respect to the disputed 2007 to 2010 tax year amended assessments



5. PERFORMANCE ASSET COMPANIES



AGGREGATED FINANCIAL PERFORMANCE – FY 2013

(100% results)

SA Power Networks and Victoria Power Networks	FY 2013	FY 2012	Change
(100% basis)	\$m	\$m	%
Regulated Revenue – DUOS	1,621.8	1,508.0	7.6
Regulated Revenue – AMI	138.0	122.7	12.5
Semi-regulated Revenue – Other	85.1	85.2	-
Unregulated Revenue	265.8	221.9	19.8
Total Revenue (ex customer contributions)	2,110.7	1,937.9	8.9
Semi-regulated Revenue – customer contributions incl gifted assets	176.5	176.3	0.1
Total Revenue	2,287.2	2,114.2	8.2
Total Operating Costs	(707.7)	(638.6)	10.8
EBITDA (ex customer contributions)	1,403.1	1,299.3	8.0
EBITDA (incl customer contributions)	1,579.6	1,475.6	7.0
EBITDA Margin (ex customer contributions)	66.5%	67.0%	(0.5%)
Capital Expenditure (Net)	882.9	864.7	2.1

SA POWER NETWORKS – FY 2013

(100% results)

Financial

	FY 2013	FY 2012	Change
	\$m	\$m	%
Regulated revenue – DUOS	854.4	826.1	3.4
Semi-regulated – other	38.8	40.3	(3.7)
Unregulated revenue	129.2	128.3	0.7
Total revenue (ex customer contributions)	1,022.4	994.8	2.8
Customer contributions incl gifted assets	110.3	114.4	(3.6)
Total revenue	1,132.7	1,109.2	2.1
Cash operating costs	(312.2)	(301.5)	3.5
EBITDA (ex customer contributions)	710.2	693.3	2.4
EBITDA	820.5	807.7	1.6
EBITDA ex customer contributions margin	69.5%	69.7%	(0.2%)
Total Capex (net)	348.5	331.6	5.1

1. Excluding adjustments for recovery of STPIS, PV and Q-factor
2. Includes term contractors

Operational

	FY 2013	FY 2012	Change	Change %
Customer numbers	839,819	834,554	5,265	0.6
Employee numbers ²	2,169	2,039	130	6.4
Network availability (%)	99.96	99.96	0.00	-
Volume sold (GWh)	10,803	11,016	(213)	(1.9)

► Revenue up 2.8% reflecting:


- CPI-X increase¹ – July 2012 (6.63%) and July 2013 (9.67%)
- FY 2013 ~\$6 million 2011/12 regulatory year STPIS accrued (FY 2012:~\$15 million)
- No 2012/13 regulatory year STPIS accrued (~\$12 million expected)
- \$3 million of NBN unregulated revenue

► Operating costs up 3.5% reflecting:

- Increased costs reflecting CPI increases as allowed for in the regulatory decision
- Initial NBN contract costs

SA POWER NETWORKS

Business update

 Electricity sales volumes	Quantity (GWh)		
	FY 2013	FY 2012	Variance
Residential/Domestic	3,260	3,456	(5.7%)
Hot Water	559	614	(8.9%)
Small Business	5,506	5,487	0.3%
Large Business	1,358	1,349	0.6%
Unmetered	120	111	8.5%
Total	10,803	11,016	(1.9%)
(Residential solar penetration)	21.2%	17.6%	3.6%

- ▶ **Volumes** - Decline in volumes primarily being driven by residential customers. Actual volumes down on regulatory allowances (see Appendix)
- ▶ **Photovoltaic (PV) feed-in tariff payments are being recovered**
 - ~\$46 million out of pocket at 31 December 2012
 - ~\$16 million out of pocket at 31 December 2013
- ▶ **Service Target Performance Incentive Scheme (STPIS)** - Provisional 2012/13 regulatory year estimate of ~\$12 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

SA POWER NETWORKS

Business update

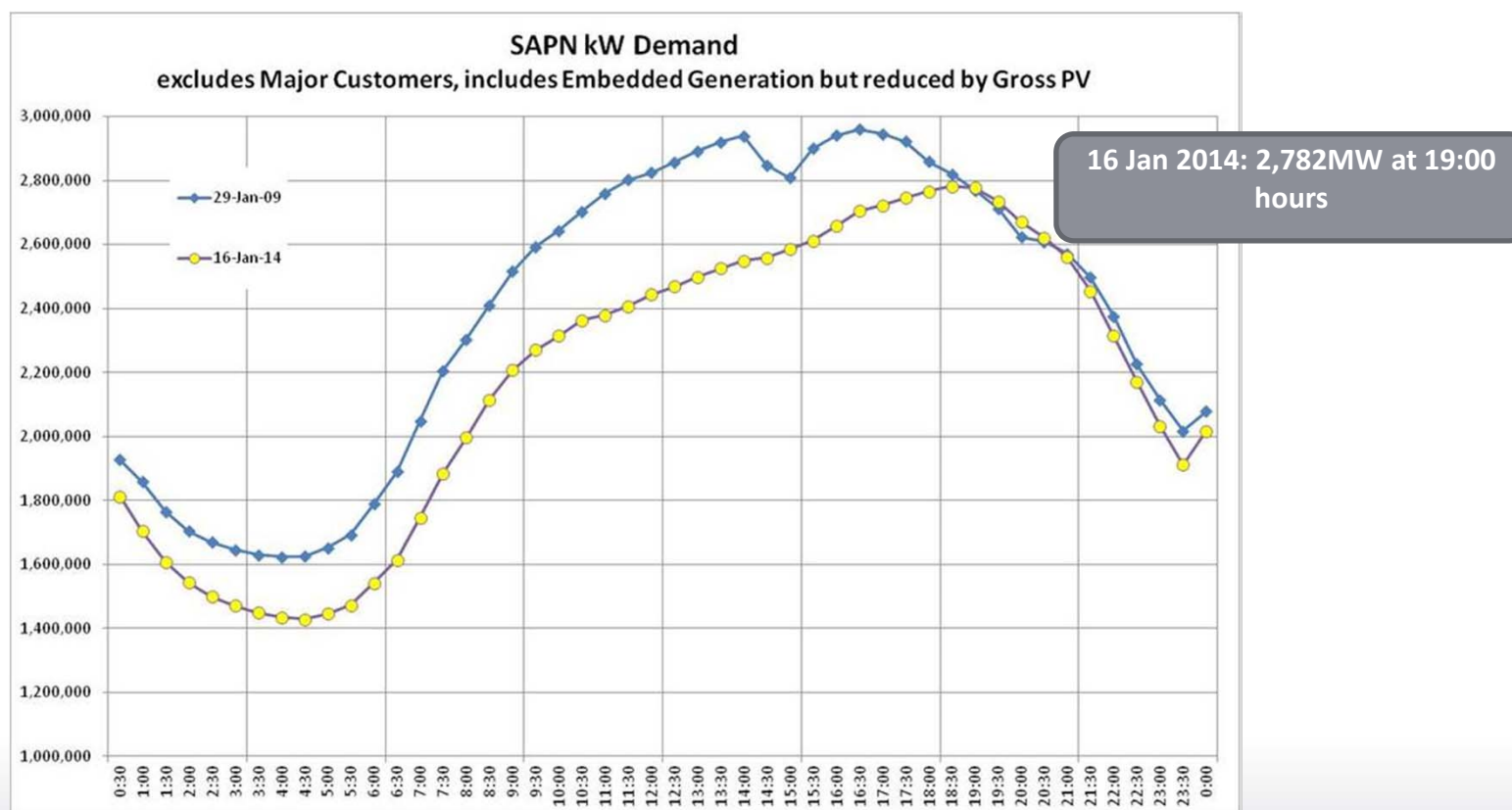
- ▶ **Robust Network** - January heatwave - 13-17 January 2014 weather event. 5 days over 42 degrees, 2 thunderstorms, 2 MED's¹, 300 personnel available during the day
- ▶ **Health, Safety and Environment** - 0 Lost Times Injuries (LTI). Maintained safety certifications against AS/NZS 4801 and the International Standard OHSAS 18001. Under the WorkCover Self Insurance Standards, a Superior Level Rating was received after the triennial recertification audit.
- ▶ **Solar PV** – 548 MW installed at year end (427MW 30 June 13, 366MW 31 December 2012). PV helped reduce stress on the network during heatwave. Peak shifting to outside PV output times
- ▶ **Regulatory reset preparation** - Will require a significant capital works program to address ageing infrastructure. The AER has referenced SAPN's stakeholder consultation approach and profiled as an example to other NSPs²
- ▶ **CaMS** – Initial 3 year contract signed with NBNCo as a Tier 1 supplier of design and construction services in South Australia:
 - \$12m upfront payment (cash);
 - \$3m revenue and costs incurred in FY13 (P&L)Expanding with a presence established in Darwin.
- ▶ **Network Technology** - Moves to introduce Smart ready metering for new and replacement meters

1. Major Event Days
2. Network Service Providers

SA POWER NETWORKS

Business update

- **Solar PV** - Solar is reducing the impact on the network during the day but shifting the peak demand to later in the evening



VICTORIA POWER NETWORKS – FY 2013

(100% results)

Financial	FY 2013	FY 2012	Change	Operational	FY 2013	FY 2012	Change	Change %
	\$m	\$m	%					
Regulated revenue - DUOS	767.4	681.8	12.6	Customer numbers	1,072,265	1,058,301	13,964	1.3
Prescribed metering (AMI)	138.0	122.7	12.4	Employee numbers	2,012	1,990	22	1.1
Semi-regulated other	46.3	44.9	3.3	Network availability(%) - CP	99.98	99.99	(0.01)	-
Unregulated revenue	136.6	93.7	45.8	- PC	99.97	99.98	(0.01)	-
Total revenue (ex customer contributions)	1,088.3	943.1	15.4	Volume sold GWh - CP	5,981	6,085	(104)	(1.7)
Customer contributions incl gifted assets	66.2	61.9	6.9	- PC	10,556	10,744	(188)	(1.8)
Total revenue	1,154.5	1,005.0	14.9	Volume sold GWh (total)	16,537	16,829	(292)	(1.7)
Cash operating costs	(395.5)	(337.1)	17.2					
EBITDA (ex customer contributions)	692.8	606.0	14.4					
EBITDA	759.0	667.9	13.6					
EBITDA ex customer contributions margin	63.7%	64.3%	(0.6%)					
Total Capex (Inc. AMI)	534.4	533.1	0.2					

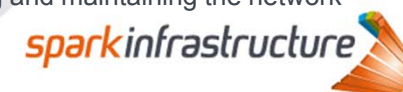
1. Excluding adjustments for recovery of STPIS and any other immaterial adjustments

► Revenue up 15.4% reflecting:

- CPI-X¹ increases from 1 January 2013 – CitiPower (8.92%) and Powercor (8.49%)
- Regulatory appeal revenues recovered in 2013 and onwards
- \$15m of STPIS recovered in 2013 tariffs (due to 2011 outperformance)
- Powercor VBRC pass through recovery in DUOS
- Unregulated revenue growth driven by increased PNS external business activity
- AMI revenue growth driven by growing AMI asset base. Rollout practically complete at year end


► Operating costs up 17.2% reflecting:


- Higher PNS external activity
- General costs and operating and maintaining the network



VICTORIA POWER NETWORKS

Business update

 Electricity sales volumes	Quantity (GWh)		
	FY 2013	FY 2012	Variance
Residential/Domestic	1,270	1,287	(1.4%)
Small Business	1,894	2,018	(6.2%)
Large Business	2,779	2,740	1.4%
Unmetered	39	40	(2.4%)
Total	5,981	6,085	(1.7%)
(Residential solar penetration)	2.4%	1.8%	0.6%

 Electricity sales volumes	Quantity (GWh)		
	FY 2013	FY 2012	Variance
Residential/Domestic	3,374	3,466	(2.6%)
Small Business	1,986	2,010	(1.2%)
Large Business	5,091	5,163	(1.4%)
Unmetered	105	103	1.6%
Total	10,556	10,744	(1.8%)
(Residential solar penetration)	11.1%	8.0%	3.1%

- ▶ **Appeal revenues recovered from 1 January 2013** - Additional \$149 million (nominal) appeal revenue reflected in X-Factors applied from 2013 to 2015
- ▶ **Service Target Performance Incentive Scheme (STPIS)** - Collected \$15 million in 2013 due to 2011 outperformance. A further \$20 million to be received in 2014 (due to 2012) and preliminary estimates indicate \$12 million benefit for 2013 year (to be collected 2015).

VICTORIA POWER NETWORKS

Business update

- ▶ **Reliability** – continued strong performance throughout 2013 with Powercor network availability 99.97% and CitiPower 99.98%, (remaining the most reliable urban network in Australia). Collectively Networks outperformed the regulatory reliability target (STPIS).
- ▶ **Robust Network** – January 2014 only relatively minor heat related outages experienced. Fires across western Victoria resulted in some network damage and impacts to customers. Repairs, including approximately 100 pole replacements, were completed in a safe and timely manner.
- ▶ **Health, Safety and Environment** – continued strong performance in year across leading and lagging indicators. Remains the number one focus for the business.
- ▶ **Consumption** – overall consumption down 1.7% compared to 2012 across both Networks with Powercor impacted by continued solar penetration (with 71,447k installations at year end) and CitiPower more influenced by energy efficiency initiatives (lighting and building upgrades).
- ▶ **PNS** - external unregulated business continues to perform well with 2013 revenue of \$136.6m up 42.9% from 2012.
- ▶ **Smart Meter roll out** – AMI program practical completion with 1.1m meters installed. Program delivered on time and on budget. These meters together with business applications provide an unprecedented live view of VPN's networks.

TAXATION UPDATE

SA Power Networks – ATO Matters

Background

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

Recent developments

- ▶ The SAPN partners have agreed terms of settlement with the ATO concerning the deductibility of rent instalments
- ▶ No cash tax is payable by Spark as a result of the settlement
- ▶ No adjustments are required to rent instalment deductions claimed in prior tax years up to the 2012 tax year and no deductions will be claimed in future tax years
- ▶ Spark has reported a one-off, non-cash income tax expense item of \$16.3m in the FY 2013 financial statements

Status

- ▶ SAPN and the partners continue to be of the opinion that no adjustments are required in relation to the remaining matters under audit, and will vigorously defend their positions
- ▶ Aside from the rent instalment settlement, no further adjustments in relation to these matters have been recognised in the Spark FY 2013 financial statements
- ▶ Notwithstanding the amended assessments, no amount of tax is payable by Spark for the 2007 to 2011 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 further adjustments that may arise would not be material

TAXATION UPDATE

Victoria Power Networks – ATO Matters

Background

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

Recent developments

- ▶ In November 2013 the ATO issued amended assessments for the 2008 to 2010 tax years with aggregate adjustments of \$413.3m. (No adjustments have been made at this stage in respect of VPN's interest deductions claims for the 2009 and 2010 tax years)
- ▶ VPN elected to utilise carried forward losses to reduce the ATO's adjustments, resulting in an aggregate tax payable balance of \$69.3m. Under part payment arrangements, \$34.7m was subsequently remitted to the ATO. The ATO has not yet issued formal notices regarding any shortfall interest charges and penalties for these years
- ▶ VPN has lodged objections with the ATO on all matters for each relevant tax year

Status

- ▶ Amended assessments have now been received from the ATO for the 2007-2010 tax years
- ▶ If the ongoing interest deduction discussions are not resolved favourably then VPN would expect further significant adjustments to be received for the 2009 and 2010 tax years
- ▶ After taking into account the current ATO adjustments (including years prior to Spark's IPO in 2005) for all years up to the 2010 tax year and potential further adjustments on interest deduction claims for the 2009 and 2010 tax years, VPN expects remaining carried forward tax losses available for use will be ~\$50m
- ▶ VPN continues to disagree with the ATO's positions on the matters, has sought legal advice and will vigorously defend its position
- ▶ Except for the part payment amounts remitted to the ATO (recorded as receivables by VPN), no further adjustments in relation to these matters have been recognised in the VPN or Spark FY 2013 financial statements

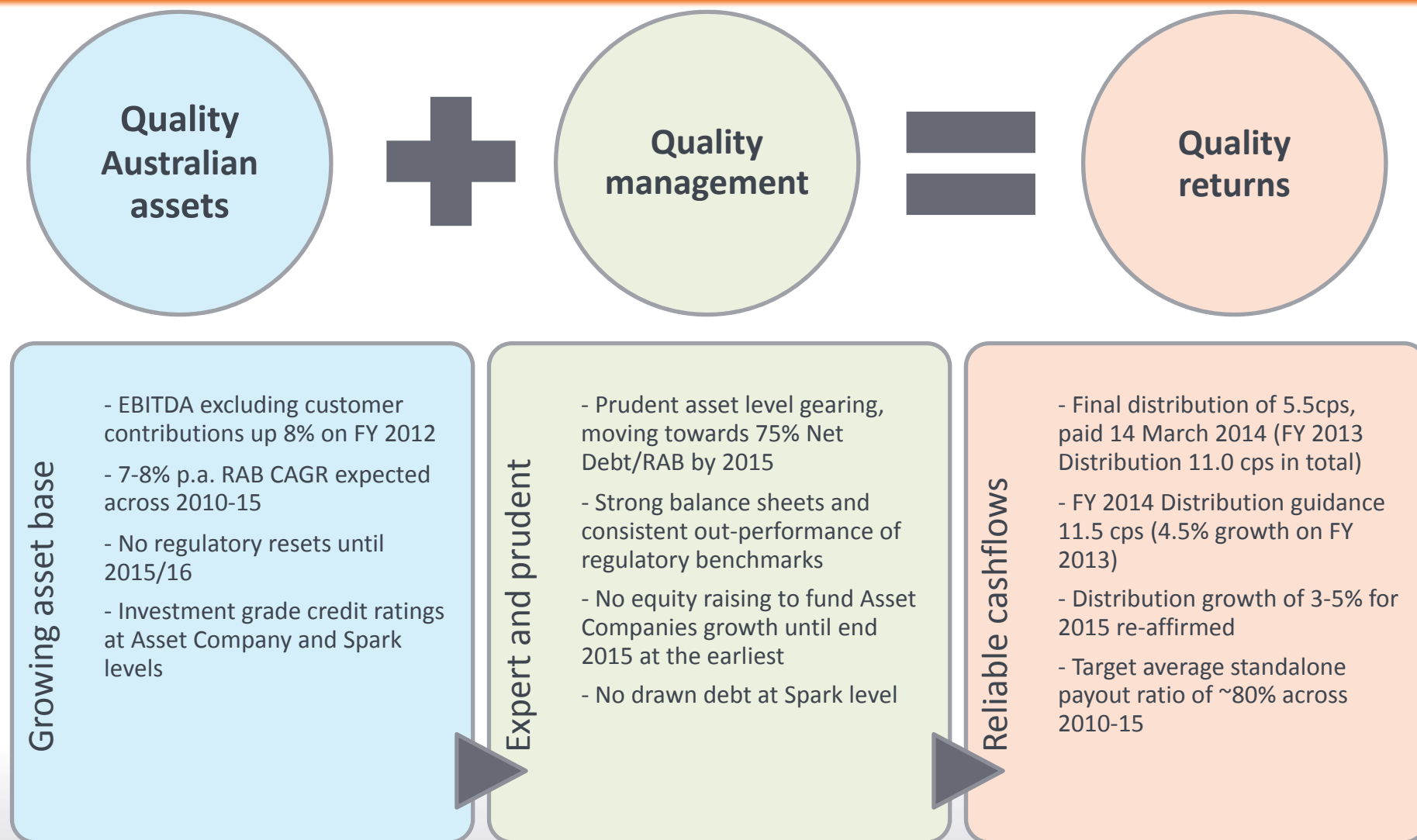


6. SUMMARY AND OUTLOOK



SUMMARY AND OUTLOOK

A time for Quality



FOR FURTHER INFORMATION

Please contact

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APPENDICES



KEY METRICS

SECURITY METRICS

Market price at 12 March 2014	\$1.66
Market capitalisation	\$2.2 billion

DISTRIBUTIONS

FY 2013	11.00cps
Comprising	
- Loan Note interest	7.05cps
- Tax deferred amount	3.95cps
FY 2014 Guidance	11.50cps

GEARING AND CREDIT RATINGS

Net book gearing (Look through) ¹	56.6%
Asset level credit ratings	SA Power Networks: A-/A3 Powercor: BBB+/Baa1 CitiPower: BBB+
Spark level credit rating	Baa1

1. Excludes reserves

SA Power Networks (DUOS) (\$bn)	3.69
CitiPower (DUOS) (\$bn)	1.58
Powercor Australia (DUOS) (\$bn)	2.82
CitiPower (AMI) (\$bn)	0.15
Powercor (AMI) (\$bn)	0.38
Victoria Power Networks total (\$bn)	4.93
RAB total (\$bn)	8.62
Net debt/RAB – Asset Companies combined	78.5%
Net debt/RAB - SA Power Networks	76.2%
Net debt/RAB – Victoria Power Networks	80.3%

DEBT POSITION (AT 31 DECEMBER 2013)

SA Power Networks	\$m
RAB	3,686
Net Debt	2,809
Net Debt/RAB	76.2%
Percentage Hedged (gross)	102.4%
Rolling 12 Month ICR ¹ (x net interest)	3.5 x

Victoria Power Networks	\$m
RAB (Including AMI ²)	4,932
Net Debt	3,959
Net Debt/RAB	80.3%
Percentage Hedged (gross)	98.6%
Rolling 12 Month ICR (x net interest)	2.8 x

SPARK INFRASTRUCTURE	\$m
Total RAB (49% share)	4,223
Gross Debt at Spark Level	-
Net Debt at Asset Level (49% Share)	3,316
Total Proportionate Net Debt ³	3,288
Net Debt/RAB – Asset Level	78.5%
Book Gearing Net (Look through) ⁴	56.6%
Spark Look Through Proportion of Hedging (gross)	100.2%

1 Calculated as: EBITDA ex customer contributions and gifted assets / net interest expense

2 Advanced Metering Infrastructure (AMI)

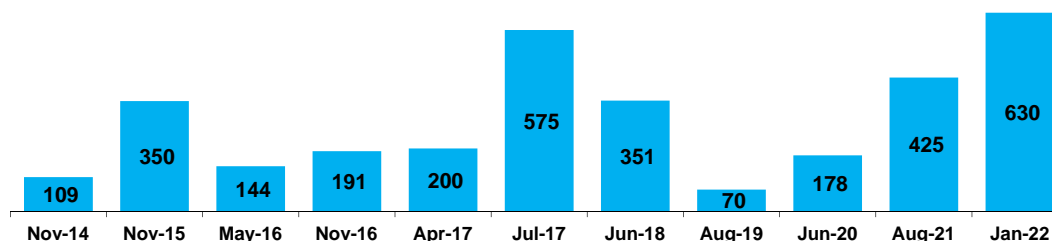
3 For Spark level net debt, excludes \$5.0 million cash, held for Australian Financial Services Licence (AFSL) purposes

4 Excludes reserves

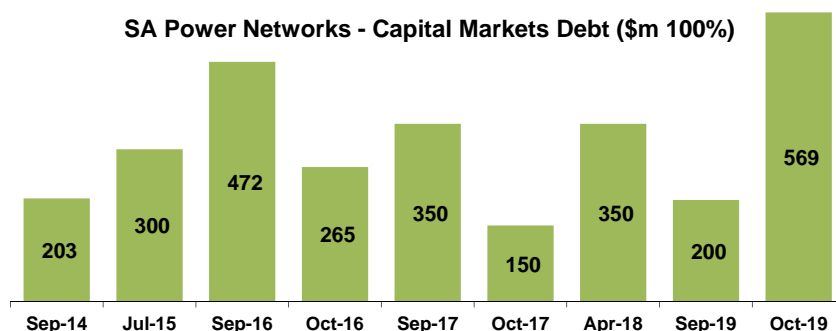
ASSET COMPANIES' DEBT POSITION AT 31 DEC 2013

100% basis

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

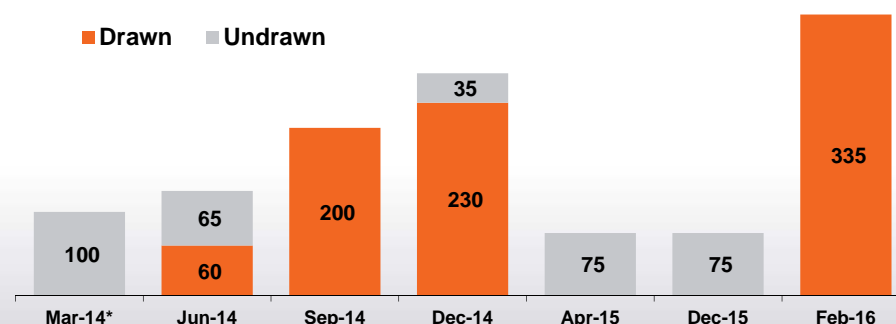


SA Power Networks - Capital Markets Debt (\$m 100%)



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

■ Drawn ■ Undrawn



▶ Powercor issued \$150 million domestic bonds in March 2013 (maturing November 2015)

▶ CitiPower executed a \$100 million 1 year bank facility in June 2013 (now re-financed as follows):

▶ CitiPower issued \$150 million of domestic floating rate bonds in February 2014 (maturing April 2019)

▶ Next Asset Company long term senior debt maturities:

- September 2014: SAPN USPP (AUD\$203 million)
- November 2014: Powercor USPP (AUD\$109 million)

* Facilities have subsequently been extended for a further two years

EQUITY ACCOUNTING PROFITS – FY 2013

100% Basis \$m	SA Power Networks	Victoria Power Networks	Combined	Spark 49% Share
Regulated revenue - distribution and metering	854.4	905.4	1,759.8	862.3
Semi regulated and unregulated revenue	168.0	182.9	350.9	171.9
Customer contributions and gifted assets	110.3	66.2	176.5	86.5
Total Income	1,132.7	1,154.5	2,287.2	1,120.7
Total Income excl CCs and GAs	1,022.4	1,088.3	2,110.7	1,034.2
Operating Costs	(312.2)	(395.4)	(707.7)	(346.8)
EBITDA (excl CCs and GAs)	710.2	692.9	1,403.0	687.5
Depreciation and amortisation	(181.3)	(268.8)	(450.1)	(220.5)
EBIT	639.2	490.3	1,129.4	553.4
Net interest expense (excl Sub Debt)	(205.2)	(243.2)	(448.4)	(219.7)
Subordinated debt interest expense	(72.5)	(165.1)	(237.6)	(116.4)
Net profit before tax	361.5	82.0	443.5	217.3
Tax benefit/(expense)	2.0	(38.7)	(36.7)	(18.0)
Net profit after tax	363.5	43.3	406.8	199.3
less: additional share of profit from preferred partnership capital (PPC) ¹	(69.6)	-	(69.6)	(34.1)
Asset Company Net Profits for Equity Accounting	293.9	43.3	337.2	165.2
49% Basis - Spark Share	144.0	21.2	165.2	165.2
Add back: additional share of profit from preferred partnership capital (PPC) ¹	69.6	-	69.6	69.6
Less: depreciation/amortisation of fair value on uplift of assets on acquisition	(0.8)	(4.9)	(5.7)	(5.7)
Share of equity accounted profits	212.8	16.3	229.1	229.1
Add: interest income from Associates (Victoria Power Networks 49% sub debt)		80.9	80.9	80.9
Total Income from Asset Companies included in Spark Profit and Loss				310.0
Interest income				1.0
Interest expense				(8.4)
Interest expense – Loan Notes				(93.5)
General and administrative expenses				(8.2)
Profit for the period before tax				200.9
Income tax expense				(56.2)
Non-recurring income tax expense - rent instalments				(16.3)
Net profit for the period attributable to Securityholders				128.4

1. Under the partnership agreement, Spark is entitled to an additional share of profit in SAPN.
Note: Numbers may contain rounding errors.




UNDERLYING ADJUSTMENTS – FY 2013

UNDERLYING ADJUSTMENTS	Underlying result (\$m)		Spark tax expense relating to SAPN ¹ (\$m)		Reported result (\$m)	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Total income – incl. associates and interest	311.1	299.8	-	-	311.1	299.8
Profit before Loan Notes interest and Income Tax	294.5	277.1	-	-	294.5	277.1
Profit attributable to Securityholders	144.7	173.9	(16.3)	-	128.4	173.9
Operating cashflow	189.3	178.4	-	-	189.3	178.4

1. Deed of Settlement was entered into with the ATO in relation to SAPN Rental Instalment payments. This resulted in a one-off, non-cash income tax expense item of \$16.3 million, reflecting the impact of this settlement on Spark Infrastructure's (tax payer's) deferred tax liability.

ELECTRICITY SALES VOLUMES


Regulatory allowances v Actual sales (GWh)



Actual volume (AER forecast volume) <i>Growth in actual %</i> (Growth in AER forecast %)	Regulatory year ¹						<i>Cumulative average actual to date (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) -2.2% (+0.5%)	11,019 (11,422) -2.0% (-1.7%)	11,025 (11,264) +0.1% (-1.4%)	(11,194) (-0.6%)	(11,194) (0.0%)	 (-1.4%) (-0.6%)
	6,210 (6,125)	6,105 (6,180) -1.7% (+0.9%)	6,085 (6,227) -0.3% (+0.8%)	5,981 (6,218) -1.7% (-0.1%)	(6,201) (-0.3%)	(6,237) (+0.6%)	 (-1.2%) (+0.4%)
	10,678 (10,585)	10,470 (10,726) -1.9% (+1.3%)	10,744 (10,795) +2.6% (+0.6%)	10,556 (10,781) -1.8% (-0.1%)	(10,761) (-0.2%)	(10,797) (+0.3%)	 (-0.4%) (+0.4%)

1. June year end for SAPN, December year end for CitiPower and Powercor

SEMI REGULATED REVENUES

FY 2013 vs FY 2012 (100% figures)

	FY 2013	FY 2012	Variance
	(\$m)	(\$m)	(\$m)
Public Lighting	16.1	15.7	0.4
Asset Relocation	6.7	10.1	(3.4)
Metering Services	10.7	9.7	1.0
Feeder Standby / Excess kVAR	2.4	2.3	0.1
Pole/Duct Rental	1.9	1.8	0.1
Other Excluded Services ¹	1.0	0.7	0.3
TOTAL²	38.8	40.3	(1.5)


 	FY 2013	FY 2012	Variance
	(\$m)	(\$m)	(\$m)
Public Lighting	15.4	13.2	2.2
New Connections	9.0	9.3	(0.3)
Special Reader Activities	7.2	7.8	(0.6)
PV installation	3.0	5.2	(2.2)
Service Truck Activities	4.1	5.5	(1.4)
Other	7.7	3.9	3.8
TOTAL	46.3	44.9	1.3

1. Includes profit/loss on asset disposals

2. Does not include Alternative Control Services (ACS) revenue, which is reported as part of DUOS revenue

UNREGULATED REVENUES



FY 2013 vs FY 2012 (100% figures)

	FY 2013	FY 2012	Variance
	(\$m)	(\$m)	(\$m)
Construction and Maintenance Services (CaMS) T&D - ElectraNet	46.7	54.7	(8.0)
Other CaMS	40.1	39.0	1.1
Material Sales	15.0	13.0	2.0
Interstate work	7.5	6.3	1.2
Asset rentals	3.4	3.3	0.1
Telecommunications ¹	8.2	2.8	5.4
Facilities Access / Dark Fibre	2.4	2.5	(0.1)
Sale of Salvage	1.4	1.9	(0.5)
Other	4.6	4.7	(0.1)
TOTAL	129.2	128.3	0.9

1. Includes NBN revenues

UNREGULATED REVENUES (cont.)

FY 2013 vs FY 2012 (100% figures)

 	FY 2013	FY 2012	Variance
	(\$m)	(\$m)	(\$m)
PNS Resources ¹	73.1	31.0	42.1
PNS Transmission and Distribution - SP AusNet	22.7	19.3	3.4
SLA Revenue (SA Power Networks and TOA) ²	14.7	13.1	1.6
Material Sales	6.2	6.4	(0.2)
Telecommunications	4.5	5.1	(0.6)
Wellington* Management Fees	4.0	4.1	(0.1)
Joint Use of Poles	3.0	2.9	0.1
Property Rental	0.6	0.8	(0.2)
Other ³	7.9	11.0	(3.1)
TOTAL	136.6	93.7	42.9

*100% owned by CKI and PAH

1. Significant increase in PNS Resources revenue driven by higher than planned activity for the provision of network services to third parties, particularly with respect to Endeavour Energy and TransGrid in New South Wales and the Elaine Terminal Station project, for Meridian Energy Australia, in Victoria.
2. \$13.6m SA Power Networks, \$1.1m TOA
3. Includes profit/loss on asset disposals and duct rental

REGULATORY ENVIRONMENT

Expenditure assessment – Increased use of benchmarking

Operating expenditure forecast assessment

- The AER has retained the revealed cost approach to forecasting opex using the actual opex in the base year, expected to be the penultimate year, of the regulatory period to determine base expenditure
- If the AER identifies inefficiencies in actual base year expenditure, it will either use a different year of actual expenditure to set base opex, or adjust actual base year expenditure by a benchmark opex figure
- It will add step changes and then trend forward to reflect forecast changes in scale, input costs and productivity

Capital expenditure forecast assessment

- AER will apply a broader range of assessment techniques to aid its assessment
- It will then drill down further to assess subcategories at lower levels

Benchmarking techniques

- Greater weight placed on benchmarking techniques when assessing expenditure
- The AER will apply both economic benchmarking and category level benchmarking to inform its assessment
- The proposed economic benchmarking techniques include Total Factor Productivity, data envelopment analysis and econometric analysis

REGULATORY ENVIRONMENT

Expenditure incentives – A bigger carrot and a bigger stick

Capital expenditure sharing scheme (CESS)

- The AER will apply a symmetrical CESS to all NSPs – 30% reward for underspending and a 30% penalty for overspending
- The CESS is continuous as it provides the same reward/penalty in each year of the regulatory control period
- The same form of CESS is likely to apply to all NSPs
- The AER may adjust the CESS rewards where a material proportion of capex is deferred

Depreciation

- The AER will use forecast depreciation as the default approach for rolling forward the Regulatory Asset Base in future regulatory periods
- Where no CESS applies, or there are concerns of persistent overspending or inefficiency, the AER may apply actual depreciation

Ex post reviews

- The AER will undertake ex post reviews of the efficiency and prudence of capex that is spent in the regulatory years commencing after 30 November 2013
- The AER can ‘only take into account information and analysis that the NSP could reasonably be expected to have considered or undertaken at the time that it undertook the relevant capital expenditure’
- The AER cannot exclude capex from the RAB on efficiency grounds if the NSP has spent below its total regulatory capex allowance
- The AER will also have the ability to exclude capitalised opex and inflated related party margins.

REGULATORY ENVIRONMENT

Shared Assets – modest claw-back of revenue

- The Shared Assets Guideline sets out how the consumers should benefit from the unregulated revenue earned from use of regulated assets
- Shared assets are assets that are used to provide standard control services and semi-regulated or unregulated services, for example pole rental
- Applies where semi-regulated or unregulated revenues from shared assets exceed 1% of total regulated revenue
- The AER will reduce regulated revenues by 10% of the forecast value of semi-regulated or unregulated revenues from shared assets
- VPN expects that PNS unregulated revenue will be excluded from the scheme
- SAPN estimates that the amount of revenue captured by this guideline will not be material

TAXATION UPDATE

SA Power Networks – ATO Matters

- ▶ Previously disclosed at HY 2013 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; and
 - c) Denial of deductions for a part of the interest cost incurred by SAPN on its subordinated debt under Part IVA, not Division 974
- ▶ An amended assessment had also been issued to all partners for the 2011 tax year with respect to (a) and (b) above
- ▶ Objections to all amended assessments had been lodged with the ATO by Spark
- ▶ The SAPN partners have subsequently agreed terms of settlement with the ATO concerning (a) above
 - ▶ No cash tax is payable as a result of this settlement
 - ▶ No adjustments are required in relation to (a) above in prior income tax years up to the 2012 tax year, and no deductions will be claimed in future income tax years
 - ▶ Spark has reported a one-off, non-cash income tax expense item of \$16.3m in the FY 2013 financial statements
- ▶ SAPN and the partners continue to be of the opinion that no adjustments are required in relation to the remaining matters under audit, and will vigorously defend their positions
- ▶ Aside from the settlement of (a) above, no further adjustments in relation to these matters have been recognised in the Spark FY 2013 financial statements
- ▶ Notwithstanding the amended assessments, no amount of tax is payable by Spark for the 2007 to 2011 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 further adjustments that may arise would not be material

TAXATION UPDATE

Victoria Power Networks – ATO Matters

- ▶ Previously disclosed at HY 2013 that an amended assessment had been issued for the 2007 tax year, consistent with the following adjustments:
 - a) a denial of deductions for interest paid by VPN 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 VPN consolidated group in the 2007 tax year;
 - d) a denial of deductions for rebates paid to customers by entities within the VPN 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
- ▶ In aggregate these amendments totalled \$296m. VPN elected to utilise carried forward losses to reduce the ATO's adjustments, resulting in a tax payable balance of \$18.1m. Under a part payment arrangement, \$3.1m was remitted in respect of the 2007 tax year
- ▶ The ATO had issued a shortfall penalty assessment notice for \$0.1m and a shortfall interest charge notice for \$7.0m in respect of the 2007 tax year. Under a part payment arrangement, \$1.2m was remitted in respect of the shortfall interest charge
- ▶ In November 2013 the ATO issued amended assessments for the 2008 to 2010 tax years with aggregate amendments of \$413.3m (excluding VPN's interest deductions claims for the 2009 and 2010 tax years)
- ▶ VPN elected to utilise carried forward losses to reduce the ATO's adjustments, resulting in an aggregate tax payable balance of \$69.3m. Under part payment arrangements, \$34.7m was subsequently remitted to the ATO. The ATO has not yet formalised its view on any shortfall interest charges and penalties for these years
- ▶ VPN has lodged objections with the ATO on all matters for each relevant tax year
- ▶ VPN continues to disagree with the ATO's positions under audit, has sought legal advice and will vigorously defend its position
- ▶ Except for the part payment amounts remitted to the ATO (recorded as receivables by VPN), no further adjustments in relation to these matters have been recognised in the VPN or Spark FY 2013 financial statements

NON-AUSTRALIAN SECURITYHOLDERS

Tax and Securities Regulation

- ▶ **Distributions** - Interest paid on Loan Notes to non-resident holders should be exempt from withholding tax
- ▶ **Disposal** – non-Australian holders should not be subject to Capital Gains Tax on disposal of Spark securities provided they:
 - Have not held an interest of 10% or more in the Stapled Securities for at least 12 months in the 24 months before the disposal, and
 - Do not hold the Securities at any time in connection with carrying on a business at or through a permanent establishment in Australia
- ▶ **Eligible Securityholders** - No action has been taken to register or qualify the Stapled Securities in any jurisdiction outside Australia or New Zealand. Accordingly, under securities laws applicable in each of the relevant European jurisdictions, only certain institutional, professional and qualified investors will be eligible to invest
- ▶ **Tax Treaties** - Tax treatment of interest, distributions and disposals of Spark securities may also be affected by applicable tax treaties
- ▶ **Disclaimer** - This is a general high level summary only and not intended to be comprehensive. Investors should consult their tax adviser for advice on the tax implications for them of investing in Spark securities

USEFUL LINKS

Spark Infrastructure www.sparkinfrastructure.com

Fact Book <http://sparkinfrastructure.com/investor/reports/fact-books>

SA Power Networks www.sapowernetworks.com.au

Citi Power and Powercor Australia www.powercor.com.au

Australian Energy Regulator www.aer.gov.au

Advanced Metering Infrastructure cost recovery and charges for 2012-15

<http://www.aer.gov.au/node/10216>

Regulatory determinations South Australia 2010 – 2015

<http://www.aer.gov.au/node/4>

Regulatory determinations Victoria 2010 – 2015

<http://www.aer.gov.au/node/7208>

<http://www.aer.gov.au/node/7210>

Comparative performance report Victoria

<http://www.aer.gov.au/node/483>

Australian Energy Regulator News

<http://www.aer.gov.au/node/450>

Australian Energy Market Commission www.aemc.gov.au

Energy Networks Association www.ena.asn.au

Essential Services Commission of South Australia www.escosa.sa.gov.au

Essential Services Commission (Victoria) www.esc.vic.gov.au

Standing Council on Energy and Resources www.scer.gov.au

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