



# MEDIA RELEASE

Monday, 26 August 2013

## DELIVERING QUALITY EARNINGS AND A GROWING ASSET BASE

Spark Infrastructure has today released its results for the 6 months ended 30 June 2013 and is pleased to report a 3.4% increase in profit before Loan Note interest and tax of \$146.7 million based on solid operational results from SA Power Networks and CitiPower and Powercor (Victoria Power Networks)<sup>1</sup>.

The Directors have declared an interim distribution of 5.5 cents per security (cps) to be paid on 13 September 2013, which is consistent with the 2013 full year distribution guidance of 11.0cps, up 4.8% on 2012. The Directors have also re-affirmed their guidance for 2014 and 2015 distribution growth of between 3-5% per annum.

Total regulated revenue of the Asset Companies was up 8.2% to \$871.8 million with aggregated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), excluding customer contributions, up 10.7% to \$702.9 million.

The Regulated Asset Base (RAB) of the Asset Companies grew by 3.1% in the 6 months ended 30 June 2013, taking the estimated total RAB to \$8.3 billion (Spark share \$4.1 billion). On a rolling 12 month basis the growth in RAB was 8.7%. This follows on from the 9.7% growth for the full year to December 2012.

"Growth in the RAB coupled with the gradual de-leveraging of net debt to RAB is what underpins the growth in our distributions. Alongside this growth, the Asset Companies have also delivered sustainable outperformance of not only operating expenditure and capital expenditure benchmarks, but also customer service and reliability targets", said Rick Francis, Managing Director of Spark Infrastructure.

"Offsetting flat volumes, we expect to see growing revenues from the Asset Companies based on approved tariff increases as we move into the second half of the current regulatory periods. This has already started in Victoria with the addition of successful appeal revenues, recovery of which commenced from 1 January 2013, while the South Australian business will recover its additional vegetation management costs and receive design and construction service revenue associated with the NBN from 2014", he added.

"Spark Infrastructure refinanced its corporate facilities in March on favourable terms and conditions and has paid down a further \$30.0 million of debt in the period, resulting in gearing at the Spark level of less than 1%. Our balance sheet remains strongly positioned to support growth in the Asset Companies when it is required and to deal with any changes in business conditions", said Mr Francis.

### Performance highlights – Spark Infrastructure (6 months ended 30 June 2013)

- Cash distributions to Spark Infrastructure up 1.0% to \$91.3 million
- Standalone operating cashflow up 4.1% to \$83.3 million
- Underlying profit before Loan Note Interest and tax up 3.4% to \$146.7 million
- Statutory net profit after tax of \$76.0 million, down from \$88.7 million
- Half Year distribution declared of 5.5cps, up 4.8% on HY 2012 (standalone payout ratio 87.6%) payable on 13 September 2013 - fully cash covered
- Corporate debt facilities refinanced on favourable terms and conditions
- Pay-down of further \$30.0 million of Spark Infrastructure fund level debt

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<sup>1</sup> Spark Infrastructure holds 49% interests in electricity distribution businesses SA Power Networks (formerly ETSA Utilities), CitiPower and Powercor Australia (Victoria Power Networks, formerly known as CHEDHA), ("The Asset Companies")

## Performance highlights - Asset Companies (100% results for the 6 months ended 30 June 2013)

- EBITDA (excluding customer contributions<sup>2</sup>) up 10.7% to \$702.9 million
- Electricity distribution revenue up 8.0% to \$802.5 million
- Total revenue (excluding customer contributions) up 10.3% to \$1,049.2 million
- Net capital expenditure up 14.5% to \$422.3 million
- Regulatory Asset Base (RAB) up 3.1% to \$8.3 billion, (up 8.7% on a rolling 12 month basis)
- Net debt to RAB of 79.5%, down 0.2% (reduced by 2.3% on a rolling 12 month basis)
- SA Power Networks appointed as Tier 1 provider to NBNCo in South Australia
- SA Power Networks gained approval for pass through of additional vegetation management costs. \$39.8 million will be recovered from 1 July 2014

## Performance summaries

Spark Infrastructure's financial performance	HY 2013 (\$m)	HY 2012 (\$m)	Variance (%)
Total income <sup>3</sup>	156.6	153.7	1.9
Profit before Loan Note interest and tax	146.7	141.8	3.4
Net Profit after tax (underlying) <sup>4</sup>	76.0	96.2	(21.0)
Net Profit after tax (statutory)	76.0	88.7	(14.3)
Operating cashflows (standalone)	83.3	80.1	4.1
<b>Cash received from Asset Companies (Spark's 49%)</b>			
SA Power Networks	51.0	50.0	2.0
CitiPower and Powercor (Victoria Power Networks)	40.3	40.4	(0.3)
<b>Total</b>	<b>91.3</b>	<b>90.4</b>	<b>1.0</b>

Aggregated Asset Company performance (100%)	HY 2013 (\$m)	HY 2012 (\$m)	Variance (%)
Prescribed revenue, including			
- Distribution revenue	802.5	743.2	8.0
- Prescribed metering revenue (AMI)	69.3	62.6	10.7
Non-prescribed revenue <sup>5</sup> (excluding customer contributions)	177.3	145.4	21.9
<b>Total revenue (excluding customer contributions)</b>	<b>1,049.2</b>	<b>951.2</b>	<b>10.3</b>
Customer contributions	77.3	91.1	(15.2)
<b>Total revenue<sup>6</sup></b>	<b>1,126.4</b>	<b>1,042.3</b>	<b>8.1</b>
<b>EBITDA (excluding customer contributions)</b>	<b>702.9</b>	<b>635.2</b>	<b>10.7</b>
Net capital expenditure	422.3	368.9	14.5
Net Debt to RAB (Asset Company level)	79.5%	81.8%	-2.3%

## Outlook

The Asset Companies are in the midst of a period of strong growth through the delivery of Australian Energy Regulator (AER) approved capital expenditure over the five years to 2015. Funding of this capital expenditure in line with the AER's assumptions (i.e. 60% debt funded) will lead to long term growth in Spark Infrastructure's equity investment in the Asset Companies' RABs.

Subject to business conditions, the Directors have reaffirmed their previous guidance that Spark Infrastructure will look to grow distributions at between 3-5% per annum out to 2015. Such future distributions will be fully covered by operating cashflows, and are not dependent on the operation of the Distribution Reinvestment Plan.

Spark Infrastructure will continue to target a payout ratio of approximately 80% of standalone operating cashflows for distributions across the current regulatory periods to 2015.

<sup>2</sup> Customer contributions (including gifted assets) revenue do not contribute to free cash flow

<sup>3</sup> Consists of interest income from associates, Spark Infrastructure's share of equity accounted profits and other income

<sup>4</sup> Underlying figures exclude certain non-cash and non-operating items which do not relate to the underlying performance for the period. Underlying adjustments are prior year only. There are no underlying adjustments for 2013.

<sup>5</sup> Non-prescribed business activities includes semi-regulated activities such as meter reading (SA Power Networks), and public lighting; and unregulated activities such as the provision of construction, maintenance and back office services to third parties

<sup>6</sup> Aggregated revenue excludes transmission revenue, which is collected on behalf of others and does not contribute to profit

**HY 2013 Distribution**

The Board has declared a final cash distribution of 5.5cps for the 6 months ended 30 June 2013, payable on 13 September 2013, which consists of 3.5cps interest on Loan Notes and a tax deferred amount of 2.0cps. The Distribution Reinvestment Plan will remain suspended.

Ex-date	Thursday, 29 August 2013
Record date	Wednesday, 4 September 2013
Payment date	Friday, 13 September 2013

Further information:

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