



Monday, 18 November 2013

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

Dear Sir / Madam

**INVESTOR PRESENTATION – SINGAPORE AND HONG KONG**

I enclose the presentation to be delivered to investors in Singapore and Hong Kong on 20-21 November 2013.

Yours faithfully,

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

**Alexandra Finley**  
**Company Secretary**



Delivering  
**NOW**

## **Investor Presentation**

Investor road show - Singapore and Hong Kong  
20-21 November 2013

**Yield, Growth and Quality**

# Presentation Agenda

1. OVERVIEW
2. REGULATION
3. GROWTH
4. HY2013 PERFORMANCE – SPARK INFRASTRUCTURE
5. HY2013 PERFORMANCE – ASSET COMPANIES
6. SUMMARY AND OUTLOOK

APPENDICES



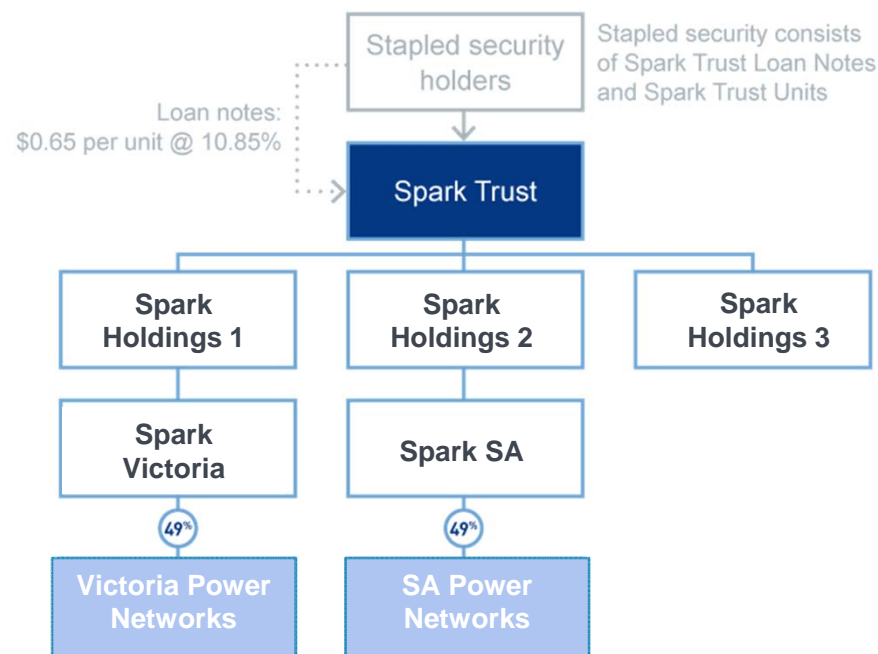
# 1. OVERVIEW



# 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 (formerly known as ETSA Utilities), 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 \$8.3 billion at 30 June 2013 (Spark Infrastructure’s share is 49% - \$4.1 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**  
836,365

**Network availability**  
99.97%

**Next regulatory reset**  
Jul 2015

**Credit rating**  
A - / Baa1

**Customers**  
745,456

**Network availability**  
99.97%

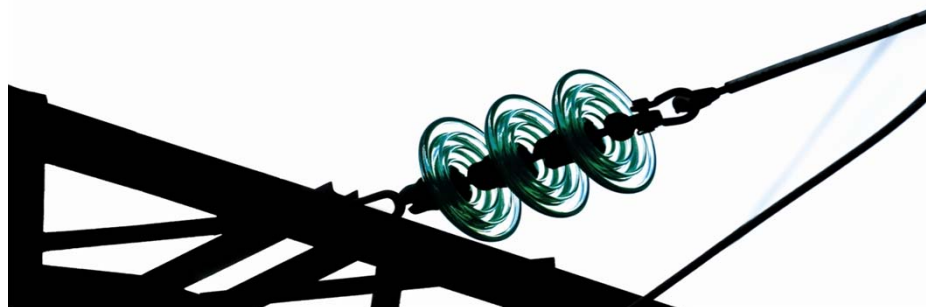
**Next regulatory reset**  
Jan 2016

**Credit rating**  
A -

**Customers**  
319,755

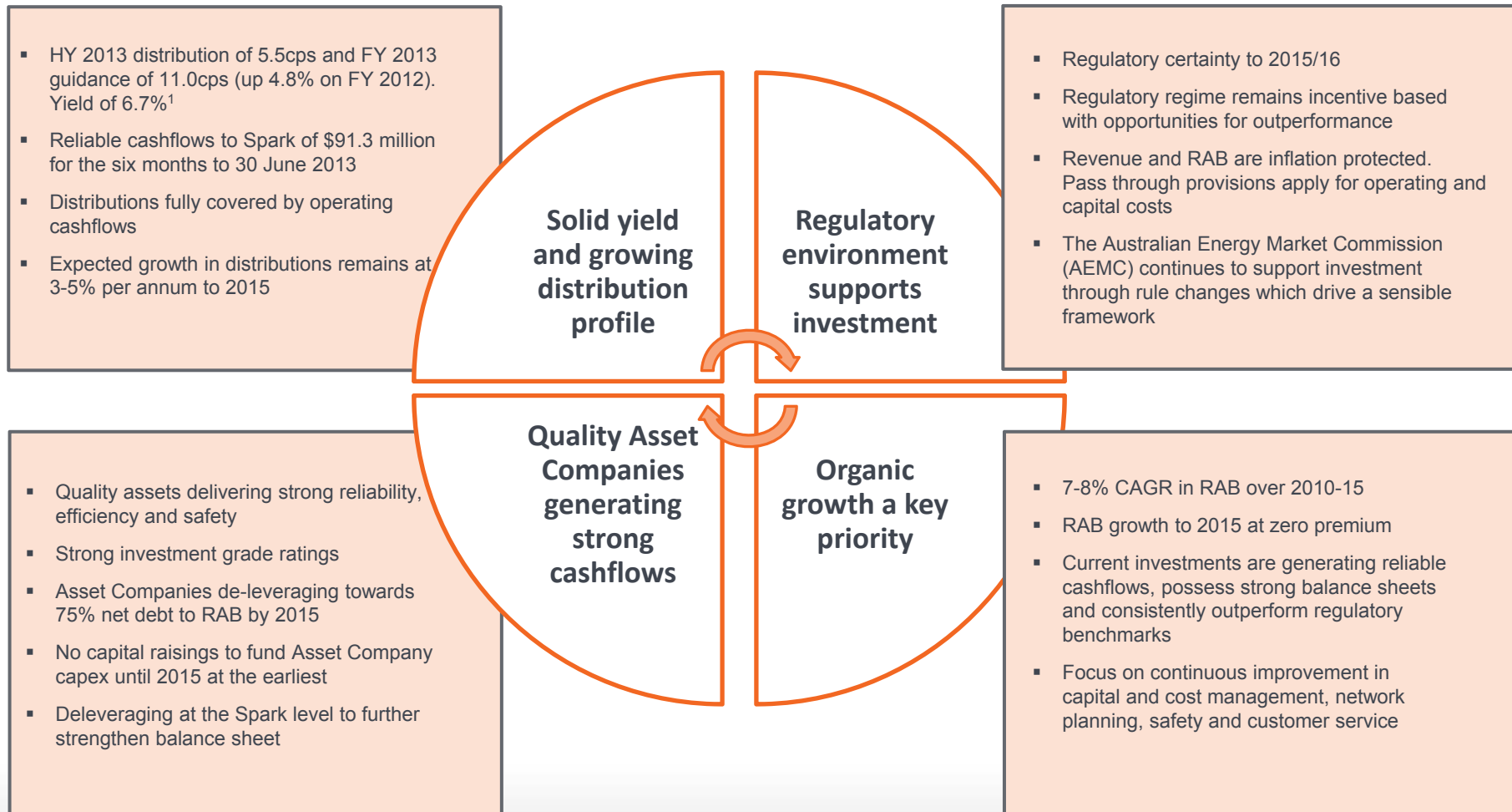
**Network availability**  
99.99%

**Next regulatory reset**  
Jan 2016



# INVESTMENT PROPOSITION

## Yield plus Growth based on Quality



1. Based on FY 2013 distribution guidance of 11.0cps and a closing market price of \$1.64 on Friday, 15 November 2013



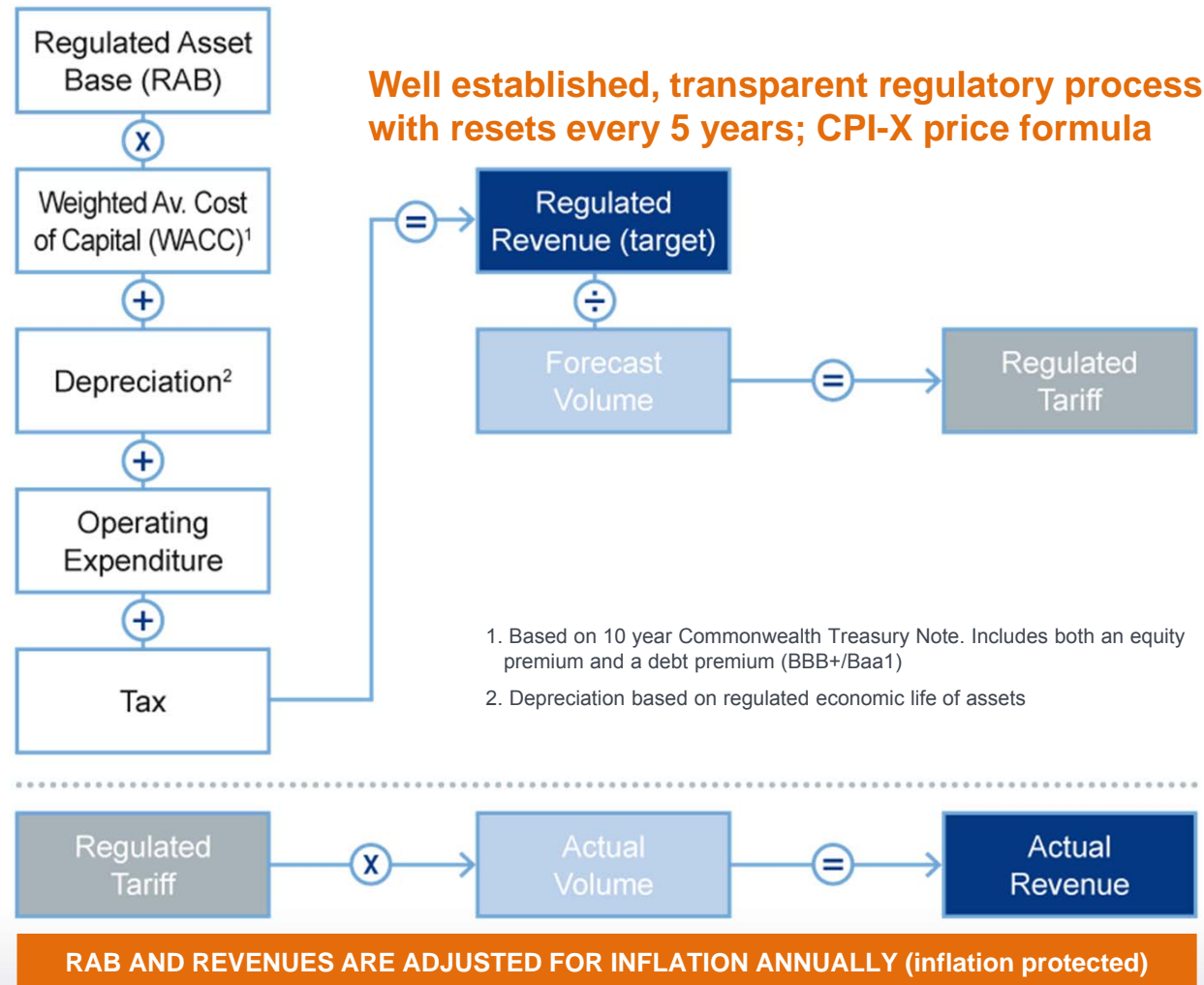
## 2. REGULATION





# CURRENT REGULATORY FRAMEWORK

In-Built protections – No regulatory resets until 2015/2016



# CURRENT REGULATORY SETTINGS TO 2015

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

REGULATORY PERIOD	SA Power Networks <sup>1</sup> 1 Jul 2010 – 30 Jun 2015	Victoria Power Networks <sup>2</sup> 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% <sup>3</sup>
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) <sup>4,5</sup>	\$1,080m	\$997m
Revenue (Nominal) <sup>4,6</sup>	\$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

# REGULATORY ENVIRONMENT DEVELOPMENTS

## Better Regulation Process

**The regulatory framework has been under review during 2012 and 2013:**

- ▶ Numerous independent inquiries and reviews – e.g. Productivity Commission
- ▶ National Electricity & Gas Objectives and Regulatory Framework – Australia Energy Markets Commission (AEMC)
- ▶ Australian Energy Regulator (AER) Better Regulation process – new Guidelines and increased consumer involvement

**The AER has stated the following key principles as the foundation of its Better Regulation program<sup>1</sup>:**

- ▶ 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:**

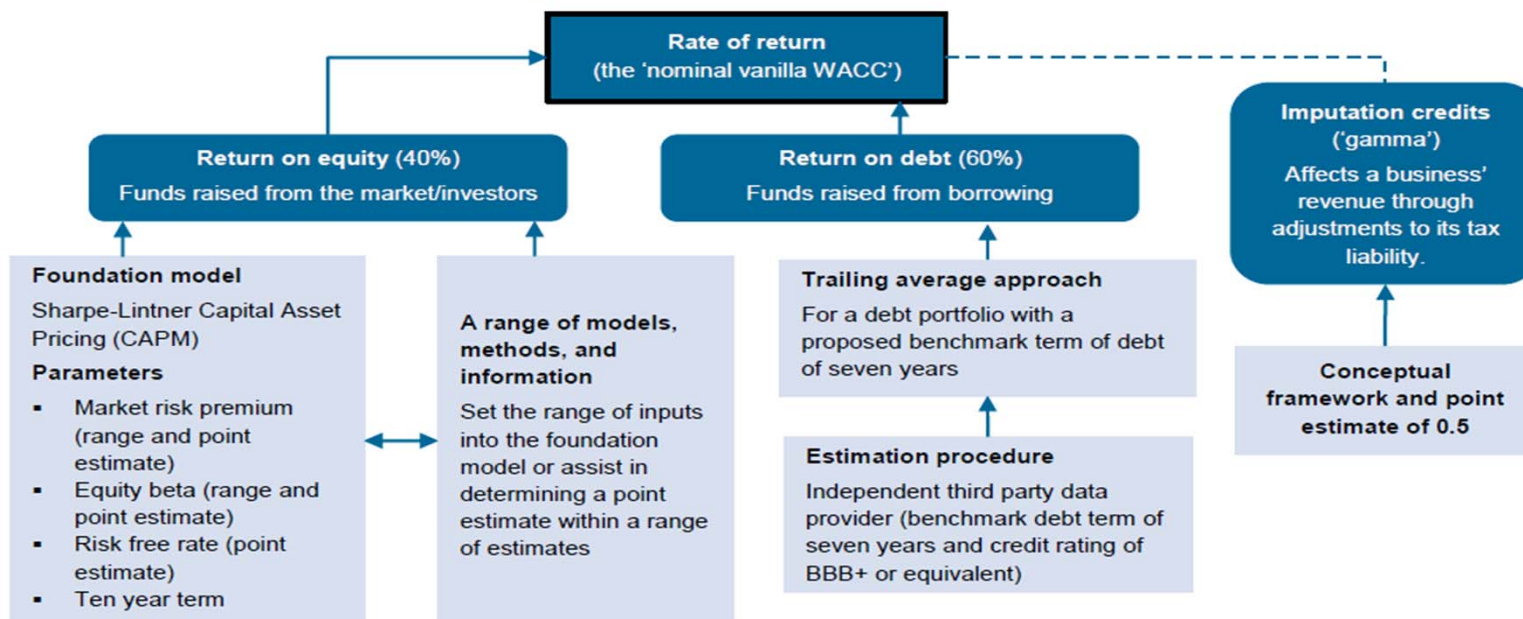
- ▶ **Investors want certainty** – Following completion of the current reviews it is important that the system be bedded down and allowed to operate for the long term without further change
- ▶ **The rate of return must reflect the real world** – all market evidence suggests that required equity returns 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, and should be rewarded accordingly. This principle must form the basis for 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

## Draft Rate of Return Guideline – issued 30 August 2013

### Overview of the rate of return guideline



#### AER Draft position

- Sharp-Lintner CAPM remains central
- Other methodologies to add flexibility
- 7 year trailing average for debt costs
- Indicative gamma of 0.5
- Beta of 0.7

#### Spark and Industry position

- Multi-model approach is more robust
- Other methodologies should carry more weight
- 10 year trailing average is preferable
- Gamma was set at 0.25 on appeal and should remain there
- AER data set is too limited and methodology is flawed – Beta 0.8+

Final Guideline expected mid December 2013

# REGULATORY ENVIRONMENT

## Other reviews

Issue	Commentary	Status
<b>Limited Merits Review</b>	<ul style="list-style-type: none"> <li>▪ Largely positive outcome which retains the ability to appeal specific items without opening up the entire decision – not 'de novo'</li> <li>▪ Australian Competition Tribunal (ACT) as the review body</li> <li>▪ Appellants required to establish both error and a materially preferable outcome in applying for leave to appeal</li> </ul>	Finalised – Decision made in June 2013 by the Standing Council on Energy and Resources (SCER)
<b>Productivity Commission Report</b>	<p>Main recommendations:</p> <ul style="list-style-type: none"> <li>▪ Revenue cap should apply to all electricity distribution businesses</li> <li>▪ Consumer participation should be improved and funded</li> <li>▪ Reliability standards should be relaxed</li> <li>▪ Smart meters should be rolled out on a widespread basis</li> <li>▪ State owned operators should be privatised</li> <li>▪ Solar panel subsidies should be removed</li> <li>▪ Benchmarking should be used as a diagnostic tool</li> </ul>	Finalised – Final report into the Electricity Network Regulatory Framework released in June 2013
<b>AER Expenditure Incentive Guideline</b>	<ul style="list-style-type: none"> <li>▪ The incentive framework for capex will now match that which exists for opex - penalty for overspending from 30% to 100%</li> <li>▪ Regulatory depreciation will be used to roll forward the RAB</li> <li>▪ Benchmarking tools are greatly increased and intended to play a far more significant role in the setting of allowances</li> <li>▪ No negative impact on efficient businesses</li> </ul>	Final Guideline expected by the end of November 2013
<b>AER Shared Assets Guideline</b>	<ul style="list-style-type: none"> <li>▪ Applies where unregulated revenues from shared assets exceed 1% of total annual revenue</li> <li>▪ AER proposes to reduce regulated revenues by around 10% of the value of unregulated revenues from shared assets</li> <li>▪ No material effect on the revenue of either SA Power Networks or Victoria Power Networks</li> </ul>	Final Guideline expected by the end of November 2013




## 3. GROWTH





# REGULATED PRICE PATH

## CPI minus X<sup>1</sup>

- ▶ Regulated electricity sales revenues are determined by a price path set according to the CPI-X<sup>1</sup> 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 (%)	X-Factor <sup>2</sup>	Tariff increase (%)
	Actual (Forecast)		Actual/forecast <sup>3</sup>
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

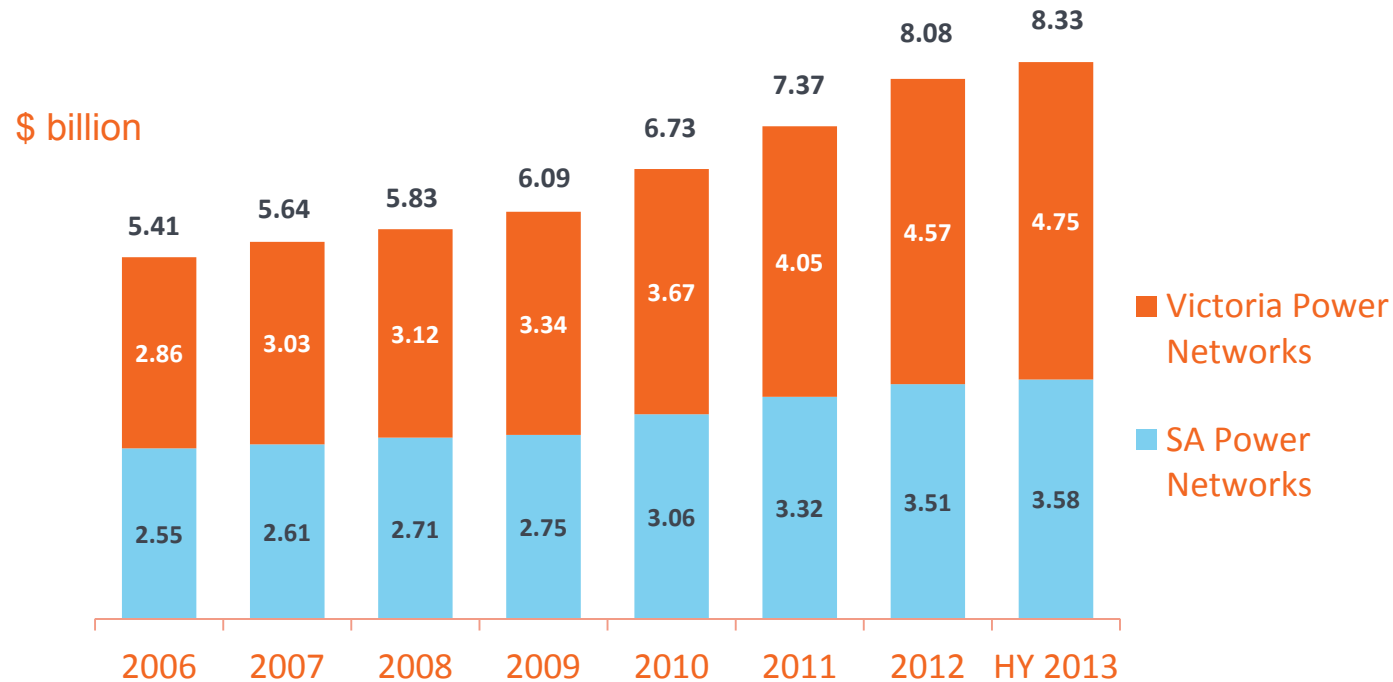
	CPI (%)	X-Factor <sup>2</sup>	Tariff increase (%)
	Actual (Forecast)		Actual/forecast <sup>3</sup>
Year 1 (1 Jan 11)	2.79 -2.57	6.41	-3.80
Year 2 (1 Jan 12)	3.52 -2.57	-4.00	7.66
Year 3 (1 Jan 13)	2.00 -2.57	-6.78	8.92
Year 4 (1 Jan 14)	- -2.57	-7.80	10.57
Year 5 (1 Jan 15)	- -2.57	-7.80	10.57

	CPI (%)	X-Factor <sup>2</sup>	Tariff increase (%)
	Actual (Forecast)		Actual/forecast <sup>3</sup>
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:  $(1+CPI)x(1-x)-1$ . 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.

# 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



# CAPITAL EXPENDITURE (100%)

\$ million			 		TOTALS	
	HY 2013	HY 2012	HY 2013	HY 2012	HY 2013	HY 2012
Growth Capex	104.2	84.8	114.8	113.7	<b>219.0</b>	<b>198.5</b>
Growth Capex AML	-	-	67.1	61.3	<b>67.1</b>	<b>61.3</b>
Maintenance capex	79.0	68.4	57.2	40.7	<b>136.2</b>	<b>109.1</b>
<b>Total</b>	<b>183.2</b>	<b>153.2</b>	<b>239.1</b>	<b>215.7</b>	<b>422.3</b>	<b>368.9</b>
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
	79.0	68.4	104.9	97.6	(20.6)	(25.1)	84.3	72.5
	13.8	8.9	48.8	45.3	(16.1)	(19.8)	32.7	25.5
	43.4	31.8	95.5	86.8	(29.4)	(35.4)	66.1	51.4
<b>Totals</b>	<b>136.2</b>	<b>109.1</b>	<b>249.2</b>	<b>229.7</b>	<b>(66.1)</b>	<b>(80.3)</b>	<b>183.1</b>	<b>149.4</b>
Spark 49% share	66.7	53.5	122.1	112.6	(32.4)	(39.3)	89.7	73.2



## 4. HY 2013 PERFORMANCE SPARK INFRASTRUCTURE



# FINANCIAL HIGHLIGHTS – HY 2013

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 – HY 2013

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
- ▶ Amended Assessment Notices now received by VPN for 2008-2010 tax years
- ▶ The taxpayers are ready to vigorously defend all ATO matters

## Regulatory review processes

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

# 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	76.6
Net debt to RAB (Asset Company level) <sup>1</sup>	79.5%	81.8%	-2.3%

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

# FINANCIAL PERFORMANCE – HY 2013

## Spark Infrastructure

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

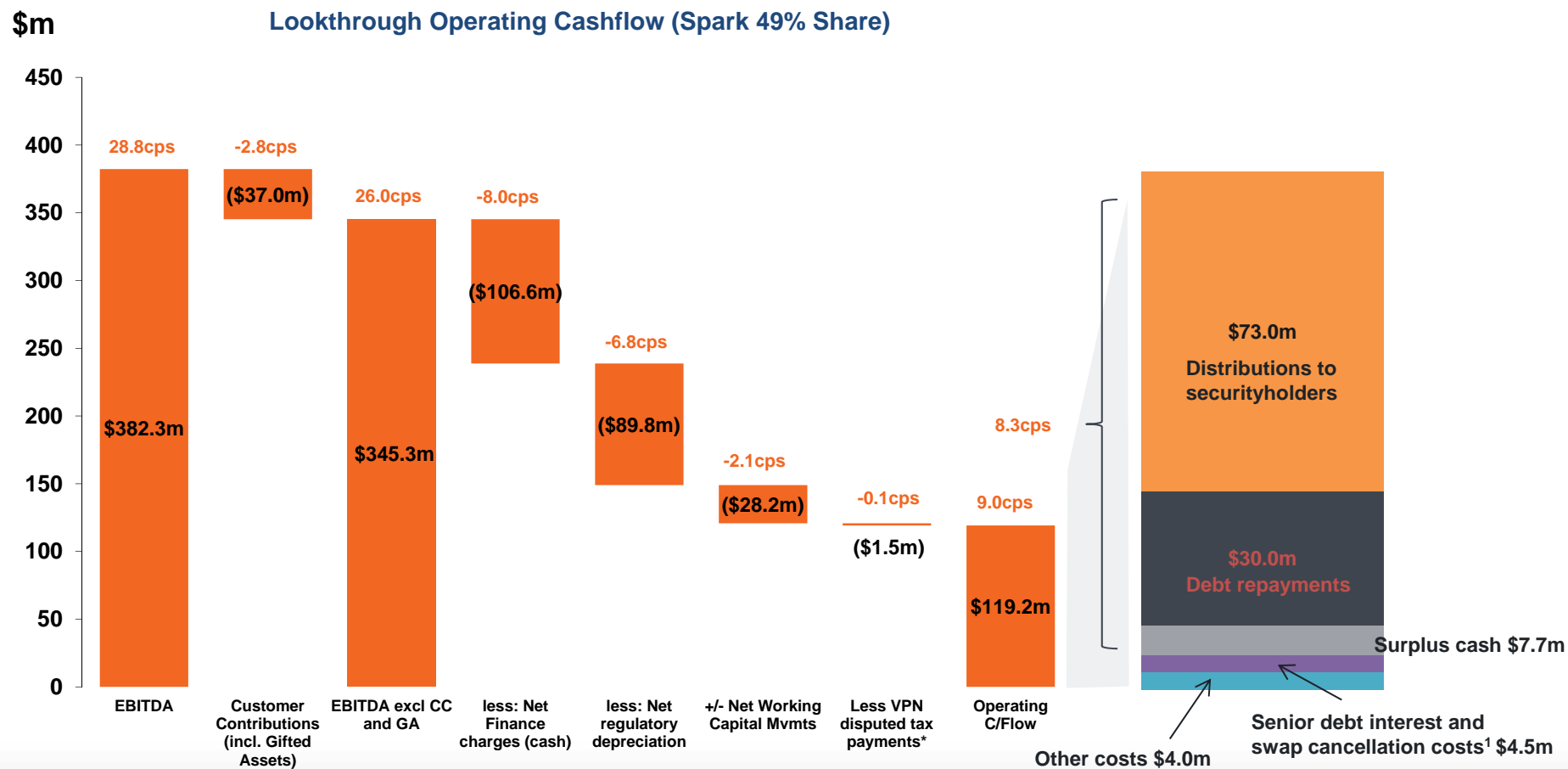
1. HY 2012 includes \$1.3 million of provision write back

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



## 5. HY 2013 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
<b>Total Revenue (ex customer contributions)</b>	<b>1,049.2</b>	<b>951.2</b>	<b>10.3</b>
Semi-regulated Revenue – customer contributions	77.3	91.1	(15.2)
<b>Total Revenue</b>	<b>1,126.5</b>	<b>1,042.3</b>	<b>8.1</b>
Total Operating Costs	(346.3)	(316.0)	9.6
<b>EBITDA (ex customer contributions)</b>	<b>702.9</b>	<b>635.2</b>	<b>10.7</b>
<b>EBITDA (incl customer contributions)</b>	<b>780.2</b>	<b>726.3</b>	<b>7.4</b>
<b>EBITDA Margin (ex customer contributions)</b>	<b>67.0%</b>	<b>66.8%</b>	<b>0.2%</b>
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
<b>Total revenue (ex customer contributions)</b>	<b>507.7</b>	<b>491.8</b>	<b>3.2</b>
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
<b>EBITDA (ex customer contributions)</b>	<b>357.5</b>	<b>350.8</b>	<b>1.9</b>
EBITDA	401.0	411.5	(2.5)
<b>EBITDA ex customer contributions margin</b>	<b>70.4%</b>	<b>71.3%</b>	<b>(0.9)</b>
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%<sup>1</sup>
- \$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 – HY 2013

## Business update

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

- ▶ **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
<b>Total revenue (ex customer contributions)</b>	<b>541.4</b>	<b>459.4</b>	<b>17.9</b>
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
<b>EBITDA (ex customer contributions)</b>	<b>345.3</b>	<b>284.4</b>	<b>21.5</b>
EBITDA	379.1	314.8	20.4
<b>EBITDA ex customer contributions margin</b>	<b>63.8%</b>	<b>61.9%</b>	<b>1.9</b>
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 Powercor<sup>1</sup>
- 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 – HY 2013

## Business update

 <b>Electricity sales volumes</b>	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%
<b>Total</b>	<b>5,319</b>	<b>5,373</b>	<b>(1.0%)</b>

	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%
<b>Total</b>	<b>3,021</b>	<b>2,975</b>	<b>1.5%</b>

- ▶ **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%

# TAXATION UPDATE

## SA Power Networks – ATO Matters

### Background

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

### Developments during 2013

- ▶ An amended assessment has been issued to Spark (as a partner in the SAPN partnership) 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
- ▶ SAPN continues to provide information and responses to queries to the ATO as requested

### 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 to Note 4 of Spark's HY 2013 financial statements for details

### Developments during 2013

- ▶ In March the ATO issued an amended Assessment Notice in respect of the 2007 tax year
- ▶ VPN elected to utilise carried forward losses to reduce the ATO's adjustments, resulting in a tax payable balance of \$18m
- ▶ Subsequently, the ATO also issued a Shortfall Penalty Assessment Notice for \$0.1m and a Shortfall Interest Charge Notice for \$7m for the 2007 tax year.
- ▶ Under a part payment arrangement, \$3m of tax payable was subsequently remitted to the ATO, along with \$1.5m of shortfall interest
- ▶ In November the ATO issued further amended Assessment Notices for the 2008, 2009 and 2010 tax years. Given the ongoing discussions between VPN and the ATO, the ATO has currently only made adjustments for the interest denial on shareholder loans for the 2008 tax year. The ATO has not yet formalised a view on penalties or shortfall interest for these tax years
- ▶ VPN elected to utilise carried forward losses to reduce the ATO's adjustments, resulting in tax payable balances of \$44m for 2008, \$5m for 2009 and \$20m for 2010, totalling \$69m. Under a part payment arrangement a total of \$34.5m is expected to be remitted to the ATO, being half of the tax payable balances
- ▶ VPN has lodged objections with the ATO for all matters in each relevant tax year

### Status

- ▶ VPN is currently engaged in discussions with the ATO in relation to the interest denial on shareholder loans
- ▶ VPN continues to disagree with the ATO's positions under audit, has sought legal advice and will vigorously defend its position
- ▶ The \$3m part payment amount remitted to the ATO for the 2007 tax year, along with the \$34.5 million to be remitted to the ATO shortly for the 2008-2010 tax years are recorded as a current receivable by VPN



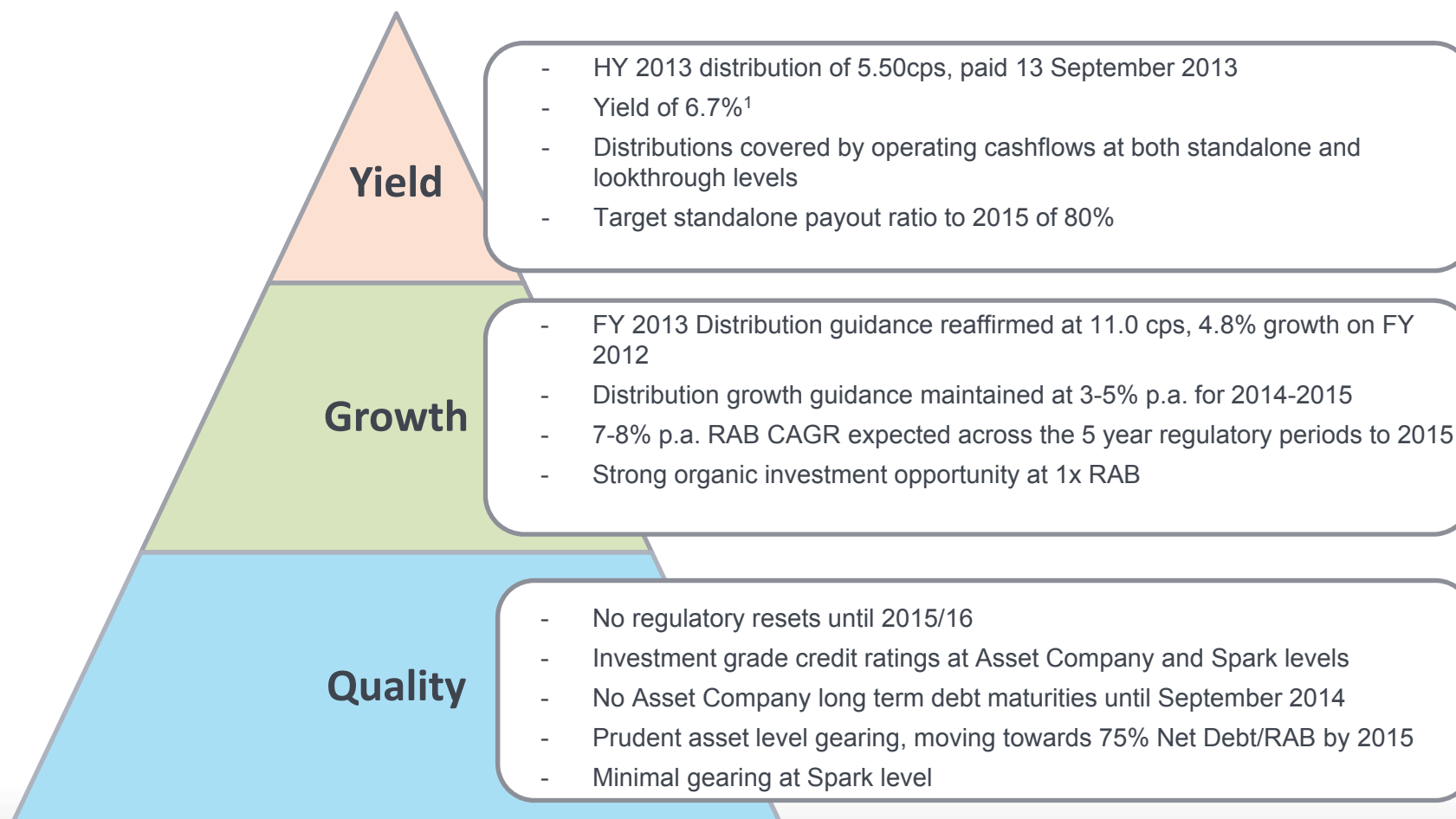
## 6. SUMMARY AND OUTLOOK





# 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 \$1.64 on Friday, 15 November 2013

# FOR FURTHER INFORMATION

Please contact

Mario Falchoni

General Manager, Investor Relations and Corporate Affairs

Spark Infrastructure

P: + 61 2 9086 3607

F: + 61 2 9086 3666

[mario.falchoni@sparkinfrastructure.com](mailto:mario.falchoni@sparkinfrastructure.com)



# APPENDICES



# KEY METRICS

## SECURITY METRICS

Market price at 15 November 2013	\$1.64
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) <sup>1</sup>	0.2%
Net book gearing (Look through) <sup>1</sup>	56.8%
Asset level credit ratings	SA Power Networks: A-/A3 Powercor: A-/Baa1 <sup>2</sup> 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)

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

# 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)
<b>Asset Company distributions</b>	<b>91.3</b>	<b>90.4</b>	<b>1.1</b>
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
<b>Standalone OCF</b>	<b>83.3</b>	<b>80.1</b>	<b>4.1</b>
<b>Standalone OCF per security</b>	<b>6.3cps</b>	<b>6.0cps</b>	<b>4.1</b>

# DEBT POSITION (AT 30 JUNE 2013)

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

<b>Victoria Power Networks</b>	<b>\$m</b>
RAB (Including AMI <sup>2</sup> )	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

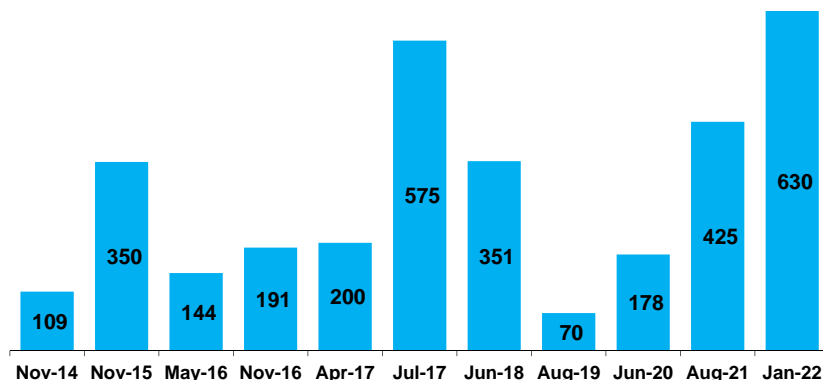
<b>SPARK INFRASTRUCTURE</b>	<b>\$m</b>
Total RAB (49% share)	4,081
Net Debt at Spark Level <sup>3</sup>	5
Net Debt at Asset Level (49% Share)	3,244
Total Proportionate Net Debt	3,249
Net Debt/RAB – Asset Level	79.5%
Book Gearing Net (Look through) <sup>4</sup>	56.8%
Spark Look Through Proportion of Hedging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

# ASSET COMPANIES' DEBT POSITION AT 30 JUNE 2013

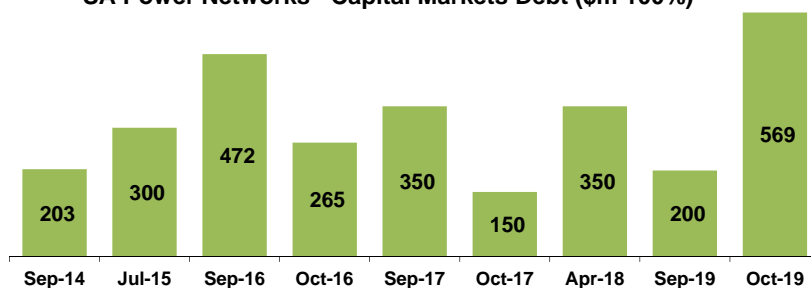
No refinancing of long term senior debt until September 2014

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



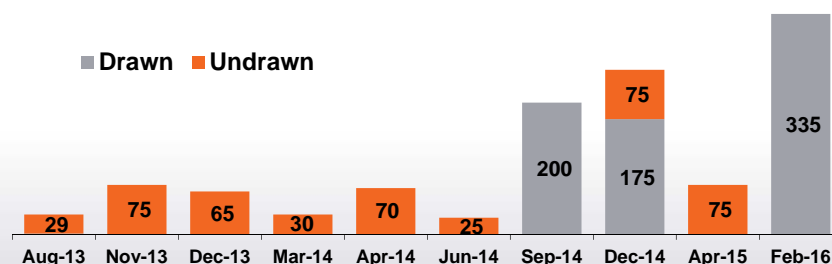
- ▶ Powercor issued \$150 million domestic bonds in March 2013 (maturing November 2015)
- ▶ CitiPower executed a \$100 million 1 year bank facility in June 2013<sup>1</sup>

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

# 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 <sup>1</sup>						<i>Cumulative average actual to date</i> (Cumulative average annual forecast change)
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	
	11,504 (11,555)	11,249 (11,618) -2.20% (+0.5%)	11,019 (11,422) -2.00% (-1.7%)	11,028 (11,264) +0.08% (-1.4%)	(11,194)	(11,194)	-1.4% (-0.6%)
	6,210 (6,125)	6,105 (6,180) -1.70% (+0.9%)	6,085 (6,227) -0.30% (+0.8%)	(6,218) (-0.1%)	(6,201) (-0.3%)	(6,237) (+0.6%)	-1.0% (+0.4%)
	10,678 (10,585)	10,470 (10,726) -1.90% (+1.3%)	10,744 (10,795) +2.60% (+0.6%)	(10,781) (-0.1%)	(10,761) (-0.2%)	(10,797) (+0.3%)	+0.3% (+0.4%)

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



# EQUITY ACCOUNTING PROFITS – HY 2013


<b>100% Basis</b>	<b>SA Power Networks</b>	<b>Victoria Power Networks</b>	<b>Combined</b>	<b>Spark 49% Share</b>
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
<b>Total Income</b>	<b>551.2</b>	<b>575.2</b>	<b>1,126.4</b>	<b>551.9</b>
<b>Total Income excl CCs and GAs</b>	<b>507.7</b>	<b>541.4</b>	<b>1,049.1</b>	<b>514.1</b>
Operating Costs	(150.2)	(196.1)	(346.3)	(169.7)
<b>EBITDA (excl CCs and GAs)</b>	<b>357.5</b>	<b>345.5</b>	<b>702.9</b>	<b>344.4</b>
Depreciation and amortisation	(87.9)	(130.2)	(218.1)	(106.9)
<b>EBIT</b>	<b>313.1</b>	<b>249.0</b>	<b>562.1</b>	<b>275.4</b>
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)
<b>Net profit before tax</b>	<b>175.5</b>	<b>48.8</b>	<b>224.3</b>	<b>109.9</b>
Tax expense	1.1	(19.2)	(18.1)	(8.9)
<b>Net profit after tax</b>	<b>176.5</b>	<b>29.7</b>	<b>206.2</b>	<b>101.0</b>
less: additional share of profit from preferred partnership capital (PPC) <sup>1</sup>	(34.3)	-	(34.3)	(16.8)
<b>Asset Company Net Profits for Equity Accounting</b>	<b>142.2</b>	<b>29.7</b>	<b>171.9</b>	<b>84.2</b>
<b>49% Basis - Spark Share</b>	<b>69.7</b>	<b>14.5</b>	<b>84.2</b>	<b>84.2</b>
Add back: additional share of profit from preferred partnership capital (PPC) <sup>1</sup>	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)
<b>Share of equity accounted profits</b>	<b>103.7</b>	<b>12.1</b>	<b>115.8</b>	<b>115.8</b>
Add: interest income from Associates (Victoria Power Networks 49% sub debt)		40.1	40.1	40.1
<b>Total Income from Asset Companies included in Spark Profit and Loss</b>				<b>155.9</b>
Interest income				0.7
Interest expense				(5.6)
Interest expense – Loan Notes				(46.4)
General and administrative expenses				(4.3)
<b>Profit for the period before tax</b>				<b>100.3</b>
Income tax expense				(24.3)
<b>Net profit for the period attributable to Securityholders</b>				<b>76.0</b>



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

Note: Numbers may contain rounding errors.

# SEMI REGULATED REVENUES

HY 2013 vs HY 2012 (100% figures)

	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 <sup>1</sup>	0.7	0.4	0.3
<b>TOTAL<sup>2</sup></b>	<b>21.3</b>	<b>21.4</b>	<b>(0.1)</b>


 	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
<b>TOTAL</b>	<b>21.8</b>	<b>20.8</b>	<b>1.0</b>

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)

	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)
<b>TOTAL</b>	<b>67.8</b>	<b>61.9</b>	<b>5.9</b>

# 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 <sup>1</sup>	4.0	4.0	0.0
<b>TOTAL</b>	<b>66.4</b>	<b>41.3</b>	<b>25.1</b>

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

\*100% owned by CKI and PAH

# 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](http://www.sparkinfrastructure.com)

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

**SA Power Networks** [www.sapowernetworks.com.au](http://www.sapowernetworks.com.au)

**Citi Power and Powercor Australia** [www.powercor.com.au](http://www.powercor.com.au)

**Australian Energy Regulator** [www.aer.gov.au](http://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/14950>

Australian Energy Regulator News

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

**Australian Energy Market Commission** [www.aemc.gov.au](http://www.aemc.gov.au)

**Energy Networks Association** [www.ena.asn.au](http://www.ena.asn.au)

**Essential Services Commission of South Australia** [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)

Performance reports South Australia

<http://www.escosa.sa.gov.au/electricity-overview/market-information/energy-performance-monitoring.aspx>

**Essential Services Commission (Victoria)** [www.esc.vic.gov.au](http://www.esc.vic.gov.au)

**Standing Council on Energy and Resources** [www.scer.gov.au](http://www.scer.gov.au)

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