



MEDIA RELEASE

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ASSETS CONTINUE TO DELIVER AS THE FOCUS SHIFTS TO THE NEXT REGULATORY PERIODS

Performance highlights – Spark Infrastructure (6 months ended 30 June 2014)

- Standalone operating cashflow up 4.0% to \$86.7 million
- Profit before Loan Note Interest and Tax up 13.2% to \$166.1 million
- Cash distributions to Spark Infrastructure up 1.4% to \$92.7million
- Interim distribution declared of 5.75cps, in line with FY 2014 guidance of 11.5cps, up 4.5% on 2013
- Standalone payout ratio of 97.3% for HY 2014. Distributions more than 1.5x covered on a look-through basis
- Acquired a 14.1% interest in DUET Group in May; net unrealised gain on revaluation of derivative contracts of \$19.5 million
- Net profit after tax of \$89.0 million, up 17.1% from \$76.0 million
- No drawn debt at Spark Infrastructure level

Spark Infrastructure has today released its results for the 6 months ended 30 June 2014 and is pleased to report a 13.2% increase in Profit before Loan Note Interest and Tax to \$166.1 million and a 4.0% increase in standalone operating cashflows to \$86.7 million based on solid operational results and higher distributions from the Asset Companies¹.

The Directors have declared an interim distribution of 5.75 cents per security (cps) to be paid on 12 September 2014. This is in line with the previously provided distribution guidance of 11.5cps for 2014, an increase of 4.5% on 2013. The Directors have also re-affirmed their guidance for 2015 distribution growth of between 3-5%.

Total regulated revenue of the Asset Companies was up 4.9% to \$915.0 million with aggregated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) excluding customer contributions, up 2.1% to \$717.6 million.

The Regulated Asset Base (RAB) of the Asset Companies grew by 2.8% in the 6 months ended 30 June 2014 taking the total RAB² to \$8.9 billion (Spark share \$4.3 billion) at the end of the period. This follows on from the 6.6% growth in RAB in 2013. In aggregate, net debt to RAB at the Asset Company level was 77.8% at 30 June 2014, down 1.7% over the preceding 12 months.

"Spark Infrastructure's distributions are more than 1.5x covered by the free cashflows generated by SA Power Networks and Victoria Power Networks. At the same time, the strength of these Asset Companies' cashflows allows them to fund their organic growth internally and to continue to progress towards a gearing level of around 75% net debt to RAB, which is expected be achieved by the end of 2015," said Mr Rick Francis, Managing Director of Spark Infrastructure.

"The Asset Companies are firmly focussed on their 'reset' preparations for the next 5-year regulatory periods, which commence on 1 July 2015 for SA Power Networks and 1 January 2016 for Victoria Power Networks. The move to a revenue cap form of revenue recovery, which has been confirmed for SA Power Networks and is expected for Victoria Power Networks, will remove volume risk in the next regulatory periods and will therefore further increase revenue certainty", he added.

1. Spark Infrastructure holds 49% interests in electricity distribution businesses SA Power Networks, CitiPower and Powercor Australia (Victoria Power Networks), ("the Asset Companies").
2. The calculation of RAB at the end of a financial period is an estimate only, and may change as final calculations of regulatory capital expenditure, regulatory depreciation and consumer price indexes (CPI) are made in the future.

Performance highlights – Asset Companies (100% results, for the 6 months ended 30 June 2014)

- EBITDA (excluding customer contributions³) up 2.1% to \$717.6 million
- Electricity distribution revenue up 6.5% to \$855.0 million
- Total revenue (excluding customer contributions³) up 1.7% to \$1,067.5 million
- Electricity sales volumes are down on the previous corresponding period by 2.7% for SA Power Networks and 4.5% for Victoria Power Networks, and are also down on regulatory volume allowances
- Net capital expenditure down 9.2% to \$383.5 million
- Regulatory Asset Base up 2.8% to \$8.9 billion
- Net debt to RAB of 77.8%, reduced 1.7% over the last 12 months

Performance summaries

Spark Infrastructure financial performance	HY 2014 (\$m)	HY 2013 (\$m)	Variance (%)
Total income ⁴	175.3	156.6	12.0
Profit before Loan Note interest and tax	166.1	146.7	13.2
Net Profit after tax	89.0	76.0	17.1
Operating cashflows (standalone)	86.7	83.3	4.0
Cash received from Asset Companies (Spark's 49%)			
SA Power Networks	52.2	51.0	2.4
CitiPower and Powercor (Victoria Power Networks)	40.4	40.3	0.2
Total	92.7	91.3	1.4

Aggregated Asset Company performance (100%)	HY 2014 (\$m)	HY 2013 (\$m)	Variance (%)
Prescribed revenue, including			
- Distribution revenue	855.0	802.5	6.5
- Prescribed metering revenue (AMI)	59.9	69.3	(13.5)
Non-prescribed revenue ⁵ (excluding customer contributions)	152.5	177.4	(14.0)
Total revenue (excluding customer contributions)	1,067.5	1,049.2	1.7
Customer contributions	71.9	77.3	(6.9)
Total revenue⁶	1,139.4	1,126.5	1.1
EBITDA (excluding customer contributions)	717.6	702.9	2.1
Net capital expenditure	383.5	422.3	(9.2)
Net Debt to RAB (Asset Company level)	77.8%	79.5%	-1.7

Outlook

The Asset Companies continue to demonstrate strong growth through the delivery of regulator approved capital expenditure over the five years to 2015. The adoption of a revenue cap as the preferred method of revenue recovery will remove volume risk in the next regulatory periods and will therefore increase revenue certainty for the Asset Companies. SA Power Networks and Victoria Power Networks are generating reliable cashflows which will continue to be used to fund the required equity portion of capital expenditure and to de-gear towards a net debt to RAB level of around 75% by the end of 2015.

The Directors have provided distribution guidance for 2014 of 11.5cps, up from 11.0cps (4.5%) in 2013, subject to business conditions. The Directors have also reaffirmed their previous guidance that Spark Infrastructure intends to grow distributions at between 3-5% in 2015. Future distributions will continue to be fully covered by operating cashflows.

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.

3. Customer contribution (including gifted assets) revenue does not contribute to operating cash flow.

4. Includes interest income from associates, Spark Infrastructure's share of equity accounted profits, gains from derivative contracts and other income.

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

6. Aggregated revenue excludes transmission revenue, which is collected on behalf of others and does not contribute to profit.

2014 Interim Distribution

The Board has declared an interim cash distribution of 5.75cps for the 6 months ended 30 June 2014, payable on 12 September 2014, which consists of 3.50cps interest on Loan Notes and a return of capital amount of 2.25cps.

The Distribution Reinvestment Plan will remain suspended.

Ex-date	Monday, 1 September 2014
Record date	Wednesday, 3 September 2014
Payment date	Friday, 12 September 2014

Further information:

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