FY2013 NEWSLETTER

Chairman's Report

BRIAN SCULLIN
Chairman
Spark Infrastructure

DEAR SECURITYHOLDERS,

I AM PLEASED TO REPORT THAT IN 2013 OUR INVESTMENTS HAVE RECORDED ANOTHER HIGHLY SATISFACTORY YEAR. THE FINANCIAL AND OPERATIONAL PERFORMANCE OF SA POWER NETWORKS AND CITIPOWER AND POWERCOR (VICTORIA POWER NETWORKS) (TOGETHER THE "ASSET COMPANIES") HAS ONCE AGAIN BEEN EXCELLENT.

The Asset Companies continue to rank among the most efficient businesses of their kind and they have successfully maintained their enviable standards of customer service, reliability and workplace safety. As a result, they are credibly placed as they set about developing their regulatory submissions to the Australian Energy Regulator (AER) for the 2015/2016-20 regulatory periods.

At the Spark Infrastructure level the story is also good. Spark has reduced its drawn debt levels to nil at 31 December 2013 and has delivered another solid return to securityholders, with distributions growing at close to 5% over the prior year.

We are very pleased with these results, which were achieved in an environment of reducing volumes and economic uncertainty and volatility.

It is precisely in times of uncertainty and change that underlying quality is important. Quality assets with an overlay of quality management will inevitably result in quality returns. It is for this reason that I believe Spark Infrastructure continues to perform well and provide securityholders with a quality investment.

As an ASX listed Australian investment vehicle we see our comparative advantage as being our regulatory expertise and our approach to financial management, applied to the long term view of our investment portfolio. Our central value proposition continues to be the delivery of a growing distribution providing an attractive yield plus strong asset growth in quality businesses.

However, it is necessary to recognise that in 2013 our market performance has been impacted by two important issues.

REGULATORY CERTAINTY RESTORED, ATO AUDITS ONGOING

Firstly, there was the AER's 'Better Regulation' program. Lasting the better part of two years, it created a significant degree of uncertainty over the regulated utilities sector, with every aspect of the regulatory regime coming under review. In December 2013 the reviews came to a conclusion, and we have now seen certainty restored to the Australian regulatory regime.

I am also pleased to say that it remains fundamentally unchanged. This is a good thing, as the Australian regime is genuinely 'incentive based' and provides a range of rewards for out-performance against regulatory targets. This system is of significant benefit to the Asset Companies in our portfolio, which operate at the upper end of performance relative to their peers.

While we were not successful in securing every review outcome our way, the final result continues to be supportive of investment and retains a range of in-built protections for investors. Importantly, revenues and the Regulatory Asset Base continue to be inflation protected, with pass-throughs for operating and debt costs.

SAFETY COMES FIRST AT SA POWER NETWORKS

SA Power Networks prides itself on its work safety performance. In October, the company was recognised by the National Safety Council of Australia. The company was selected as a finalist in the Best Safety Leadership Initiative Category by the National Safety Council of Australia's National Safety Awards of Excellence. These awards honour the best practice, people and performance, and recognise organisations that place work health and safety as a cornerstone of business performance. The judges were impressed by SA Power Networks' innovation and commitment to safety as a business priority, its proven return on investment and its compliance with work health and safety standards.

Presenting the recognition was Professor Dennis Else, Brookfield Multiplex Group General Manager Sustainability and Safety at the 21st Annual National Safety Council of Australia /GIO Worker's Compensation National Safety Awards of Excellence. Accepting the recognition on behalf of SA Power Networks was George Karlis, Manager Work Health and Safety.

Secondly, there are the Australian Taxation Office (ATO) audits into the Asset Companies. As we disclosed late in 2013, Spark, its "fellow shareholders" or "partners" and the Asset Companies remain in discussions with the ATO on the full range of matters in dispute.

Spark, its partners and the Asset Companies will seek to resolve all matters as quickly as possible whilst also aiming for the best possible outcome for securityholders. We have already seen some progress with the resolution of one matter in SA Power Networks. While each matter will be dealt with by the ATO on its particular merits, this does show that meaningful engagement can lead to sensible outcomes. Naturally we will keep the market informed of material developments as they occur.

UPCOMING REGULATORY RESETS – REVENUE CAP PREFERRED

Our attention now turns to the next regulatory periods which commence on 1 July 2015 in the case of SA Power Networks, and on 1 January 2016 in the case of Victoria Power Networks (CitiPower and Powercor). The respective regulatory teams in the Asset Companies are firmly focussed on their preparations for this.

SA Power Networks will make its initial submission to the AER in October of this year, while CitiPower and Powercor's submissions will follow six months behind in April 2015. These submissions will put forward the businesses' cases in relation to operating and capital expenditure, the rate of return and other important elements of the regime to apply in the next 5-year regulatory periods.

The first step in the process is the new Framework & Approach paper (F&A paper) for SA Power Networks due to be published by the AER by the end of April 2015. This paper sets down the foundational framework upon which the AER's decision for the next regulatory period will be built.

One of the most important elements relates to the method of revenue recovery. Significantly, SA Power Networks supports the AER's proposal to apply a 'revenue cap' as the means of undertaking its revenue recovery. This would make it indifferent to any fluctuations in electricity sales volumes in the future, and removes the risk which exists in the current environment characterised by volatile and weakening electricity volumes. It would also provide greater encouragement for demand management initiatives. It is expected that CitiPower and Powercor will make a similar election for their F&A paper.

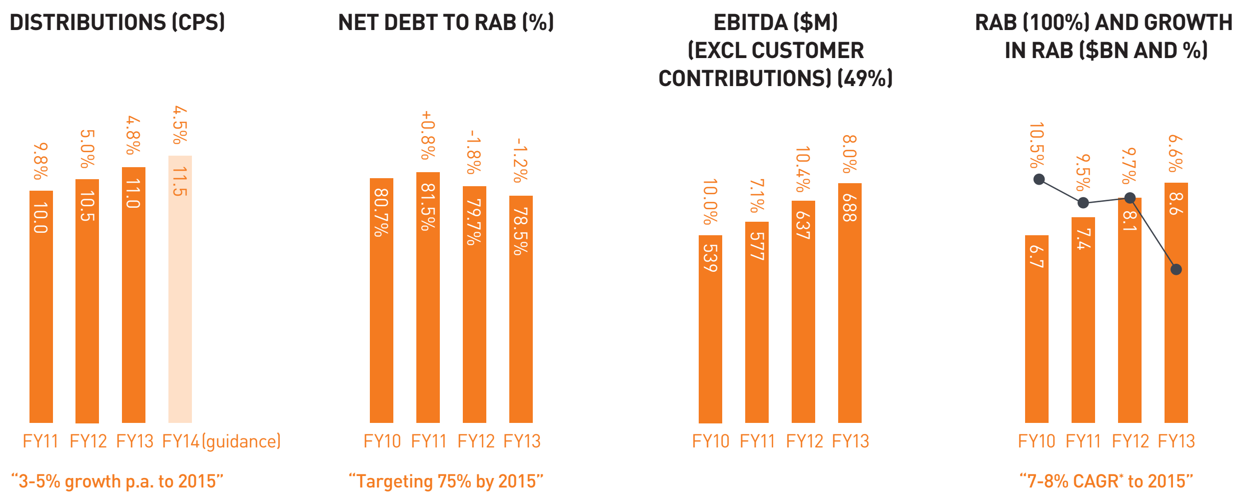
For our part, Spark will remain focussed on oversight of this process and on supporting the significant organic growth available in its existing assets. However we will also consider compelling opportunities for further diversification if and when they arise. Only acquisition opportunities that clearly add value will be considered, with yield accretion a key criterion. I am confident that we have demonstrated the soundness and discipline of our approach in the past.

RELIABLE GROWTH IN DISTRIBUTIONS

Spark Infrastructure's Directors have provided distribution guidance for 2014 of 11.5 cents per security (cps). This is an increase of 4.5% over the full year distribution for 2013 of 11.0cps, which in turn, represented a 4.8% increase over 2012. We believe this track record of distribution growth since the business was restructured in 2010 demonstrates the fundamental quality of the current asset portfolio.

We have also once again re-affirmed our distribution growth guidance of 3-5% per annum for 2015 with a target payout ratio of approximately 80% of standalone operational cashflows. As always, distributions are 100% covered by operational cashflows from the Asset Companies and standalone operating cashflows from Spark Infrastructure.

A TRACK RECORD OF DELIVERING



* Compound Annual Growth Rate

Managing Director and Chief Executive Officer's Report

RICK FRANCIS
Managing Director
and Chief Executive Officer
Spark Infrastructure

DEAR SECURITYHOLDERS,

IN 2013, SPARK INFRASTRUCTURE HAS DELIVERED ANOTHER SOLID FINANCIAL PERFORMANCE AND PROFIT RESULT BASED ON QUALITY RETURNS FROM OUR INVESTMENTS AND CHARACTERISED BY FOCUSSED COST CONTROL AND DEBT REDUCTION AT THE SPARK LEVEL.

Our investments continue to generate strong cashflows which are sufficient to simultaneously fund the equity portion of their capital expenditure, to de-gear their balance sheets and to make distributions to their shareholders, including Spark Infrastructure, without the need for any new equity before 2015. Over time, this will mean higher distributions for our securityholders as well as a growing capital investment.

Our balance sheet has never been more strongly positioned to support growth in the Asset Companies. During the year we refinanced all of our debt facilities reducing cost and adding flexibility, and by December we paid down our drawn debt to nil.

SPARK INFRASTRUCTURE DELIVERING SECURE AND GROWING DISTRIBUTIONS

Spark Infrastructure delivered another strong underlying performance for FY 2013 with underlying profit before Loan Note interest to securityholders of $294.5 million, an increase of 6.3% on the previous year. We received cash distributions from the Asset Companies of $203.2 million, up 2.1%.

Overall, operating cashflow at the Spark level was up 6.1% to $189.3 million, and this enabled us to increase our distribution to securityholders by 4.8% to 11.0 cents per security (cps).

As an investment, Spark Infrastructure continues to deliver quality returns. We aim to provide an attractive sustainable yield combined with strong organic growth, based on robust quality assets operating in a stable regulated business environment.

PERFORMANCE SUMMARIES

Spark Infrastructure's financial performance	**FY 2013 ($m)**	**FY 2012 ($m)**	**Variance (%)**
Total income[1]	311.1	299.8	3.8
Profit before Loan Note interest and tax	294.5	277.1	6.3
Net Profit after tax (underlying)[2]	144.7	173.9	(16.7)[3]
Net Profit after tax (statutory)	128.4	173.9	(26.1)[3]
Operating cashflows (standalone)	189.3	178.4	6.1
Cash received from Asset Companies (Spark's 49%)			
SA Power Networks	122.5	118.3	3.6
CitiPower and Powercor (Victoria Power Networks)	80.7	80.9	(0.3)
Total	203.2	199.3	**2.1**

Aggregated Asset Company performance (100%)	**FY 2013 ($m)**	**FY 2012 ($m)**	**Variance (%)**
Prescribed revenue, including			
– Distribution revenue	1,621.8	1,508.0	7.6
– Prescribed metering revenue (AMI)	138.0	122.7	12.5
Non-prescribed revenue[4] (excluding customer contributions)	350.9	307.1	14.3
Total revenue (excluding customer contributions)	**2,110.7**	**1,937.9**	**8.9**
Customer contributions	176.5	176.3	0.1
Total revenue[5]	**2,287.2**	**2,114.2**	**8.2**
EBITDA (excluding customer contributions)	**1,403.1**	**1,299.3**	**8.0**
Net capital expenditure	882.9	864.7	2.1
Net Debt to RAB (Asset Company level)	78.5%	79.7%	-1.2%

1. Consists of interest income from associates, Spark Infrastructure's share of equity accounted profits and other income.
2. Underlying figures exclude certain non-cash and non-operating items which do not relate to the underlying performance for the period. In 2013 the underlying adjustment related to a non-cash adjustment to with the Australian Taxation Office on the deductibility of rent instalments paid by SA Power Networks. There were no underlying adjustments in 2012.
3. The reduction in Net Profit after Tax (underlying and statutory) is primarily a result of an increase in non-cash income tax expense, largely due to increased deferred tax liabilities in relation to Spark's interes were brought to account in the prior year, income tax expense for accounting purposes is higher in 2013 and for future periods.
4. 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, maintenan
5. Aggregated revenue excludes transmission revenue, which is collected on behalf of others and does not contribute to profit.

Underpinning our strategy is the strong and growing operating cashflow which is being generated by the Asset Companies. The quality of these cashflows and the growth of our equity investment in the RABs of the Asset Companies remains the backbone of the Spark Infrastructure story.

The total aggregated Asset Company revenue for 2013, excluding customer contributions and gifted assets (exc.CC&GA), was $2,110.8 million, which was 8.9% higher than last year. This led to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $1,403.1 million, excluding customer contributions and gifted assets, an increase of 8.0%.

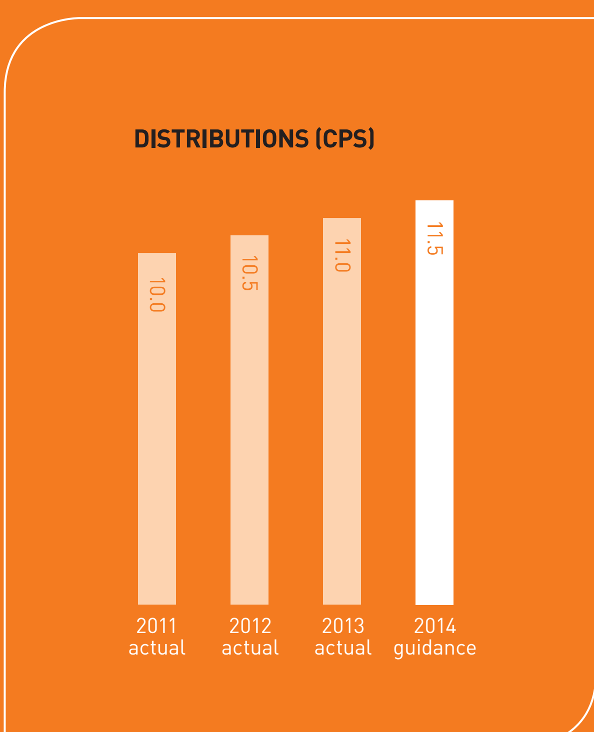
Victoria Power Networks delivered a very strong result with revenue growth of 14.9% and growth in EBITDA (exc.CC&GA) of 14. 1%. This positive result was driven by higher regulated tariffs, reflecting the commencement of recovery of successful appeal revenue from 1 January 2013 and growth in unregulated revenue driven by increased business activity by Powercor Network Services (PNS). Being margin based, PNS was also the main driver behind the rise on operating costs of 17.2%.

SA Power Networks showed solid growth in total revenues of 2.8% and a corresponding growth in EBITDA of 2.4% (exc. CC&GA). Operating costs rose 3.6% due primarily to an increase in labour costs, consisting largely of an increase in the non-cash superannuation expense caused by change in the employee benefits accounting standard."

Electricity sales volumes continue to soften. SA Power Networks volume was down 1.9% on the prior year, while Victoria Power Network's volumes were down 1.7%. The expected move from the existing price cap to a revenue cap form of revenue recovery will remove any impact of volume fluctuations in the future.

At 31 December 2013 the Asset Companies' gearing level as measured by net debt to Regulated Asset Base (RAB) was 78.5%, down from 79.7% last year. They remain on track to de-lever to around 75% net debt to RAB by the end of 2015. In accordance with our previous statements the majority of the de-levering will occur towards the back end of the regulatory period as the rate of capital expenditure growth slows and revenues increase from cumulative tariff increases. This continues to provide strong growth in Spark Infrastructure's proportional equity ownership of the Asset Companies' asset bases.

Over the next 12-18 months the Asset Companies will be focussed on their submissions to the AER for the next regulatory periods. These commence on 1 July 2015 in the case of SA Power Networks and on 1 January 2016 in the case of Victoria Power Networks. It gives me comfort to know that we have the highest quality regulatory and management teams working on it for us at the asset level, led by Rob Stobbe at SA Power Networks and Tim Rourke at Victoria Power Networks.



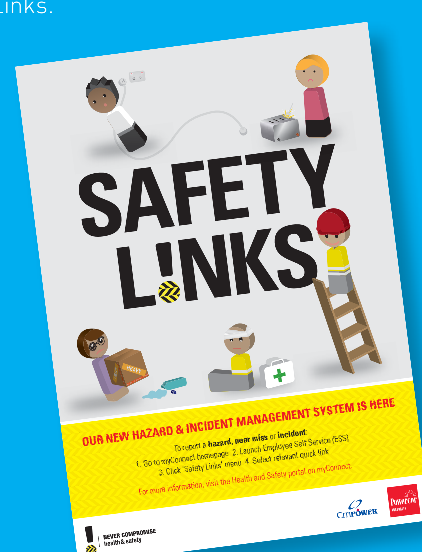
deferred tax balances of $16.3 million resulting from a settlement

t in SA Power Networks. As all previously unrecognised tax losses

ce and back office services to third parties.

SAFETY GETS AN UPGRADE AT VICTORIA POWER NETWORKS

CitiPower and Powercor have gone digital with their Safety Links reporting system. The online system replaces the manual process of employees having to complete a paper form to report safety hazards and incidents. In doing so, the businesses aim to improve efficiency, analyse and identify incident trends, improve the safety and risks to employees, and prevent future injuries. Over 800 employees have already completed training and information sessions on Safety Links.



ATO agreement reached on rental instalments for SA Power Networks

In January of this year Spark Infrastructure announced the acceptable resolution of one of the matters under ATO audit pertaining to SA Power Networks – the deduction of rental instalments on the 200 year lease arrangements which apply to that business.

The ATO agreed to the preservation of all deductions already made (up to 31 December 2012) but the taxpayers will not claim any further deductions in respect of the matter. As a result Spark Infrastructure has reported a one-off non-cash tax expense for the year ended 31 December 2013 of $16 million. Importantly, no cash payment is due to the ATO and there will be no further adjustments relating to this matter in future.

While this outcome is not material to the business and there are several other matters which for the moment remain unresolved, it does show that progress is possible and that meaningful discussions with the ATO can reach mutually acceptable conclusions. We will continue to update the market as matters develop.

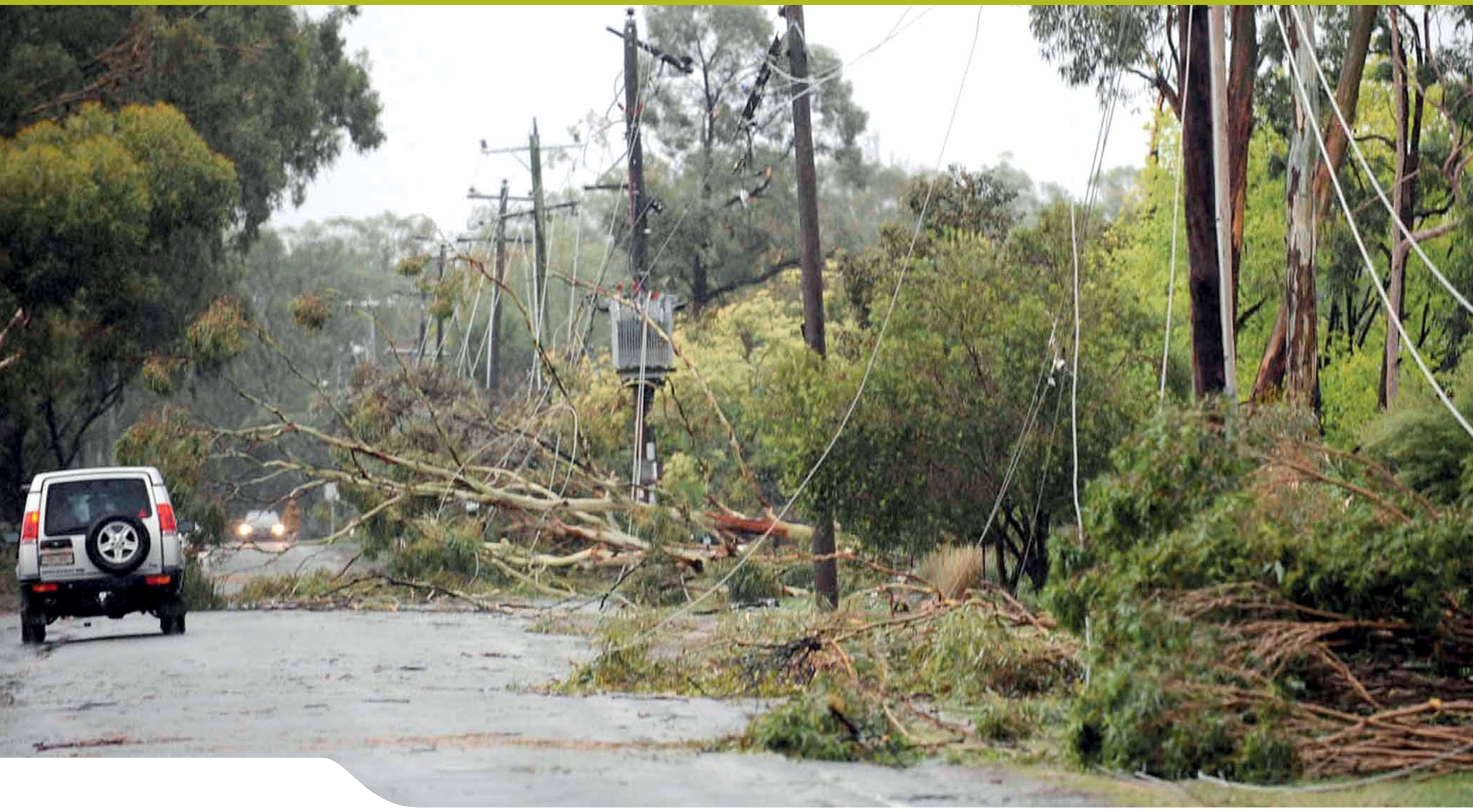
SA POWER NETWORKS AND CITIPOWER AND POWERCOR WORK QUICKLY TO RESTORE POWER AFTER WILD WEATHER

The start of 2014 brought one of the worst summertime weather events causing widespread damage to the electricity distribution networks across the southern States of Australia.

In South Australia winds gusting up to 90kmh brought down numerous trees, with at least 90,000 residential and business customers affected by the storm. SA Power Networks was quick to respond, mobilising all available crews and support staff from across the state to assist in responding to about 700 outage reports, including 570 wires down. By that afternoon, more than half of the customers already had power restored as crews worked overnight to continue to ensure the safety to the community, clear fallen trees, replace equipment and poles and restore power as quickly as possible.

The storm ranked as one of the worst metropolitan summertime wind-related events in living memory. Given the extent of damage, it was a major emergency recovery operation with major rebuilding of sections of the network that were smashed by downed trees and tree limbs. SA Power Networks is proud of the quick response and dedication of personnel to assist the community.

It was a similar story across the border in Victoria. With consistently high temperatures in January and February exceeding 40 degrees, the CitiPower and Powercor networks came under pressure as peak demand reached new heights. In addition, an extensive lightning band across the west of the State contributed to several fires across the Powercor operational areas, creating further threats to the maintenance of uninterrupted service delivery. The business responded brilliantly, keeping the number of customers affected and the duration of service interruptions to a minimum.



New Stakeholder Website "Talking Electricity" launched by CitiPower and Powercor

Following on from the success of SA Power Networks' "Talking Power" website, CitiPower and Powercor have launched Talking Electricity (www.talkingelectricity.com.au), a dedicated customer and stakeholder engagement website.

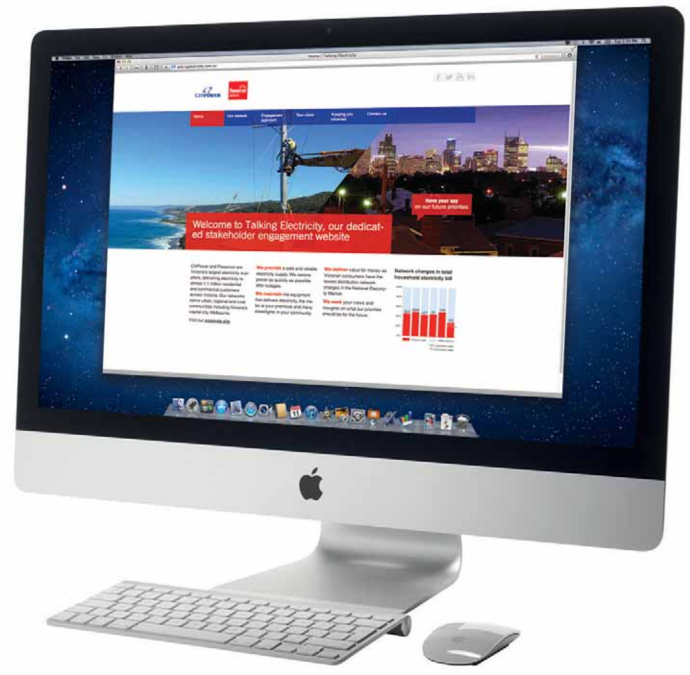
The website is a key channel and one-stop-shop for keeping its 1.1 million customers informed and aware of opportunities to participate in the organisation's engagement activities, as it develops its 2016-2020 business plans and regulatory proposals.

As regulated utilities, CitiPower and Powercor's prices are approved by the Australian Energy Regulator (AER). Every five years the businesses must provide proposals to the AER which detail its forecast work programs and revenue requirements. The AER then assesses the proposals and makes decisions on the revenues or prices they can earn or charge during that five year period.

Understanding customers' and stakeholders' views and desired outcomes is vital for this critical business planning process and the development of the organisation's regulatory proposals.

Over the next 12 months customers and stakeholders will be invited to participate in a number of activities, including regional engagement fora, asset tours, surveys and focus groups, which will enable us to gauge their views and gather input which will help shape our future business plans and our regulatory proposals.

The Talking Electricity website will support all engagement activities, ensuring customers and stakeholders have a dedicated channel to stay informed and the ability to provide insights to help shape our directions and priorities.



ADVANCED METERING INFRASTRUCTURE PROJECT COMPLETED!

The installation of "Advanced Metering Infrastructure" or Smart Meters to 1.1 million customers was completed on time and on budget in December last year by CitiPower and Powercor.

The roll-out of smart meters was delivered at the lowest cost to customers when compared to its peers across the State and was the only program to achieve practical completion by the end of 2013 as originally envisaged.

The smart meters deliver benefits such as remote reading, remote connection services, remote service checking during outages to improve fault response, on-line portals and new in-home displays.

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