ASX RELEASE

Monday, 27 August 2018

SPARK INFRASTRUCTURE RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Highlights for the 6 months ended 30 June 2018 (HY 2018)

- **Continued good financial performance** with adjusted EBITDA[1,4] of $420.2 million, up 7.6% on previous half year
- **Standalone net operating cash flow**[2] up 6.9% to $130.3 million as a result of 4.3% higher cash distributions from investment businesses
- **Interim distribution of 8.0 cents per security (cps)**, in line with full year 2018 distribution guidance of 16.0 cps, up 4.9% on the previous year
- **Prudent investment in network maintenance and expansion** with regulated and contracted asset base (RCAB[1]) of $5,975 million; up 1.6% since 31 December 2017
- **Final regulatory determination for TransGrid for 2018-2023, received in May 2018** – confirming funding for Powering Sydney's Future capital expenditure project of $235 million and 9 contingent projects
- **ACCC report on electricity pricing, released in July 2018** – recognises the performance of efficient privately-owned networks in delivering value to customers and no evidence of over-investment.

Spark Infrastructure today released its financial results for the 6 months ended 30 June 2018 delivering an increase in distributions to investors, supported by continued efficiency and productivity gains from its high-performing investment portfolio businesses.

Ongoing efficiencies delivering improved affordability and supporting the transition to a lower carbon environment

Announcing the results, Spark Infrastructure Managing Director and Chief Executive Officer, Rick Francis said: "This is another solid result delivered by our investment businesses who continue to lead their peers in performance. In particular, Victoria Power Networks' ongoing reductions in operating costs continue to deliver high reliability and service to customers at lower cost.

"We're also seeing continued growth in TransGrid's renewable energy connections business in NSW, and we see this as an area of ongoing investment and growth.

"Today's result reaffirms our position as Australia's leading ASX listed electricity network owner. Our investment businesses continue to deliver solid financial and operational performance which provides reliable energy network solutions and, over time, leads to lower costs for consumers. This means we are not only delivering more affordable network services to customers now but we are also investing wisely to help Australia's transition to a lower carbon emissions footprint for the future.

"Our focus on continued affordability can also be seen in SA Power Networks' recent 2020-25 draft plan which expects to deliver a $37 reduction in residential customer annual bills and an equivalent $148 reduction for small to medium businesses in 2020/2021," Mr Francis said.

HY 2018 Performance Summary

Spark Infrastructure Financial Performance	HY 2018 ($m)	HY 2017 ($m)	Variance (%)
Adjusted EBITDA[1,4]	420.2	390.5	7.6
Profit before Loan Note Interest and Tax	153.3	138.6	10.6
Cash distributions from investment businesses[2]	138.0	132.3	4.3
Standalone net operating cash flow[2]	130.3	121.9	6.9
Capital expenditure[1]	227.1	186.6	21.7
	HY 2018	**FY 2017**	**Variance (%)**
Regulated and Contracted Asset Base (RCAB)[1] ($m)	5,975	5,880	1.6
Net debt/RCAB[1] (%)	74.1%	73.7%	0.4

Investment Portfolio Highlights

- Ongoing focus on operating efficiencies and growth in unregulated business drives earnings before interest, tax, depreciation and amortisation (EBITDA) growth at Victoria Power Networks and TransGrid.
- Low inflationary environment continues to moderate regulated revenue growth.
- Growth of 12.7% in TransGrid's contracted asset base, predominantly due to new renewable connections.
- Final regulatory determination for TransGrid received in May 2018, effective from 1 July 2018, providing certainty to 2023 to maintain and prudently grow the transmission system in response to the significant changes in the energy market and to support security of supply into the Sydney CBD region.

Victoria Power Networks (CitiPower and Powercor)

Victoria Power Networks performed well in the half with EBITDA[3] growth of 14.6% to $428.3 million.

Capital expenditure grew by 21.0% to $211.1 million largely due to the installation of bushfire mitigation technology as mandated by the Victorian State Government. As a result, Regulated Asset Base (RAB) grew 1.8% to $6,001 million from 31 December 2017.

SA Power Networks

Regulated revenue grew by 2.8%, in line with the regulatory determination, however SA Power Networks' adjusted EBITDA[3,4] decreased by 0.6% in the half to $329.0 million.

Capital expenditure increased by 26.7% to $207.8 million, which included commencement of the replacement of the undersea cable to Kangaroo Island. As a result, RAB increased 1.7% to $4,119 million from 31 December 2017.

TransGrid

TransGrid performed well in the half with EBITDA[3] growth of 8.2% to $327.5 million on the back of strong regulated business cost control and efficiencies, and coupled with growth in unregulated business services.

A further $44.4 million was invested in the half to support the growth of the unregulated infrastructure services and new connections business. These unregulated projects will become revenue producing in future periods. Total capex for the half was $145.8 million, up 5.4% on the prior period. As a result, RCAB grew 1.1% to $6,771 million from 31 December 2017. As previously mentioned, the new TransGrid Services corporate structure was established in June 2018 to own the new unregulated connection assets and to enable more efficient debt financing of these projects in the future.

Evolution to the new energy future needs a stable and supportive regulatory environment

A number of important energy industry and regulatory policy developments have occurred over the last six months, including TransGrid's Final Regulatory Determination, the inaugural Integrated System Plan by the Australian Energy Market Operator, the final report into the electricity retail market by the Australian Competition and Consumer

Commission (ACCC), the Energy Security Board's National Energy Guarantee and the continuation of a number of reviews into the regulatory system by the Australian Energy Regulator.

Commenting on these developments, Mr Francis said: "The TransGrid revenue determination provides us certainty to 2023 to support and prudently grow the transmission system in response to the significant changes in the electricity market. The decision represents real average declines in network charges to customers over the period that will further improve customer affordability. Together with the current regulatory determinations for our other networks, this provides good cash flow visibility until 2020.

"However, there continues to be an unprecedented level of concurrent and overlapping reviews being undertaken by various energy bodies that have the potential to impact future revenue determinations of energy network businesses. These include the rate of return guideline, regulatory tax allowance review and the legislative changes proposed by the COAG Energy Council to make the rate of return binding.

"We are concerned that in an industry that requires significant investment to transition efficiently to a new energy future and to maintain a focus on energy price affordability, that these changes will add considerable risk and uncertainty to the process. These changes and continued uncertainty have the potential to add significantly to cost, and risk negating the good work that our businesses have been doing to reduce network costs.

"We have seen a significant change in focus with the findings in the final ACCC report which now makes a clear distinction between efficiently run network businesses under private ownership versus publicly-owned networks, and shows that there is no apparent over-investment or gold-plating in privately-owned businesses.

"Notwithstanding that the regulatory rules will always need to keep pace with the evolving market, the underpinnings of the current regulatory system including regulatory returns and incentives still work. The ACCC's findings demonstrate that privately-owned networks have operated responsibly in accordance with the economic regulatory principles. However, many of the current reviews seek to undermine the integrity of the regulatory system and further uncertainties will emerge if changes are made for the wrong reasons. This will increase costs to the long-term detriment of consumers unnecessarily," he added.

HY 2018 Interim Distribution

In line with previous distribution guidance, the Board has declared an interim distribution for 2018 of 8.0 cps. The interim distribution is payable on 14 September 2018, and consists of 3.5 cps interest on Loan Notes for the period and 4.5 cps capital distribution. The key dates for the distribution are as follows:

Ex-date	Tuesday, 4 September 2018
Record date	Wednesday, 5 September 2018
Payment date	Friday, 14 September 2018

The Directors have determined that the Dividend Reinvestment Plan remain suspended.

Distribution Outlook

The Directors have reaffirmed distribution guidance for FY 2018, subject to business conditions, of 16.0 cps, which represents annual growth of 4.9% on FY 2017. Beyond that, we expect growth in distributions per security through to the end of the regulatory determinations in 2020, to be at least CPI, subject to business conditions.

For further information:

Linda Assatoury – Investor Relations
0402 283 769
linda.assatoury@sparkinfrastructure.com

Ben Wilson – Media
0407 966 083

1. On an aggregated proportional basis to Spark Infrastructure
2. Includes $43.1 million of distributions from Victoria Power Networks received by way of repayments of shareholder loans and classified in investing activities for statutory reporting purposes
3. On an 100% ownership basis
4. Excludes SA Power Networks' release of excess December 2016 storm provisions in HY 2018 of $6.2 million (Spark 49% share: $3.0 million) and in HY 2017 of $14.2 million (Spark 49% share: $6.9 million) ultimately not required