ASX RELEASE

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RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019 (FY2019)

Highlights:

- Solid financial performance with look-through adjusted EBITDA[3] of $859.1 million, up 3.7% on FY2018, driven by cost efficiencies and growth in both the regulated and unregulated sectors
- Look-through net operating cash flow of $379.3 million, up 15.7% on FY2018
- $368 million net growth in regulated and contracted asset base (RCAB) to $6,466 million, up 6.0% since 31 December 2018, based on investment in capital expenditure of $686 million
- Completed construction of the 120MW_{DC}/100 MW_{AC} Bomen Solar Farm, now in commissioning phase. Project remains on budget and on time for commercial operations in Q2 2020
- Multi-billion-dollar potential pipeline of Integrated System Plan priority projects for TransGrid
- Increase in corporate debt facilities to $400 million to support organic growth in TransGrid, renewables and other core business opportunities
- FY2019 distribution of 15.0 cents per security (cps) representing a payout ratio of 67% of look-through net operating cash flow
- FY2020 distribution guidance of at least 13.5cps, subject to business conditions

Spark Infrastructure today released its financial results for the 12 months ended 31 December 2019 delivering 15.0cps of distributions to Securityholders, which represents a payout ratio of 67% of look-through net operating cash flow for the year. This was achieved through continued strong performance and efficiency gains from its high performing investment businesses.

Spark Infrastructure Chair, Dr Doug McTaggart said: “We have delivered a full year distribution of 15.0 cents per security to our Securityholders in line with our previous guidance. Strategically, Spark Infrastructure is well positioned to continue to deliver long-term value through capital growth and distributions.

Once again our network businesses have been acknowledged as leaders in the Australian Energy Regulator’s annual productivity report while the 2020 Integrated System Plan will position TransGrid at the centre of the critical investment required for the National Electricity Market to transition to a sustainable future that is increasingly based on renewable generation.”

Investment in transmission at the heart of Australia’s transition to a lower carbon future

The Australian Energy Market Operator’s (AEMO) draft 2020 Integrated System Plan (ISP) released in late 2019 highlighted a greater than $13 billion suite of transmission investment opportunities in the National Electricity Market (NEM) and a requirement for more than 50 GW of new renewable and flexible generation. The draft 2020 ISP creates substantial opportunities for TransGrid to grow its regulated asset base (RAB) and contracted connections for new renewable generation provided these projects meet appropriate investment criteria.

FY2019 Performance Summary

Spark Infrastructure Financial Performance	FY2019 ($m)	FY2018 ($m)	Variance (%)
Adjusted EBITDA[1,3]	859.1	828.2	3.7
Look-through net operating cash flow	379.3	327.8	15.7
Cash distributions from investment businesses[2]	312.5	305.1	2.4
Underlying standalone net operating cash flow[2,5]	282.0	290.2	(2.8)
Net capital expenditure[1,4]	685.7	491.8	39.4
Regulated and Contracted Asset Base (RCAB)[1,4]	6,466	6,099	6.0
FFO/Net Debt[1](%)	13.5	13.0	0.5
Net debt/RCAB[1,4] (%)	71.9	74.2	(2.3)

Victoria Power Networks (100% basis)

Victoria Power Networks (CitiPower and Powercor) reported a solid performance during the year with adjusted EBITDA[3] of $862.5 million, 4.2% higher than the prior year.

Net capital expenditure was $507.6 million, 2.4% higher than last year largely due to the continuation of the Rapid Earth Fault Current Limiters (REFCL) program and an increase in zone substation replacement projects, partially offset by lower growth capex on network connections and augmentation. As a result, Victoria Power Network's RAB grew to $6,339 million at 31 December 2019, 3.8% higher than at 31 December 2018.

Victoria Power Networks' submitted its regulatory proposals for the period from 1 January 2021 to 30 June 2026 (which includes a separate proposal for a transition period from 1 January 2021 to 30 June 2021) to the Australian Energy Regulator (AER) on 31 January 2020. The Draft Determinations are expected in September 2020.

SA Power Networks (100% basis)

SA Power Networks' adjusted EBITDA[3] was $682.2 million, 3.8% higher than last year due to higher revenue and higher Enerven margin partially offset by higher operating costs.

Net capital expenditure was $405.6 million or 4.5% lower than last year due to lower network connection and augmentation growth capex partially offset by higher maintenance capex. RAB increased to $4,340 million at 31 December 2019, 2.2% higher than at 31 December 2018.

SA Power Networks' revised regulatory proposal for the period from 1 July 2020 to 30 June 2025 was lodged with the AER in December 2019 and closely aligns with the AER's Draft Determination. The Final Determination is expected in April 2020.

TransGrid (100% basis)

TransGrid performed steadily during the year with EBITDA of $681.0 million, 1.8% higher than the prior year. Lower unregulated and other revenues were more than offset by higher regulated revenue and lower unregulated and other operating costs.

New, long-dated contracted revenue will commence following contracted asset base (CAB) capital expenditure of $238.6 million, which was $160.2 million or 204% higher than the prior year. Regulated capex for the year was $254.7 million, 32.0% higher than last year. As a result, Regulated and Contracted Asset Base (RCAB) grew to $7,126 million at 31 December 2019, 4.4% higher than at 31 December 2018.

Look-through cash flow

Look-through (Spark Infrastructure share)	**FY2019 ($m)**	**FY2018 ($m)**	**Variance (%)**
Aggregated adjusted EBITDA[1] from operations	859.1	828.2	3.7
Net operating cash flow	**379.3**	**327.8**	**15.7**
Net growth capex (Spark Infrastructure share)			
Victoria Power Networks	112.9	103.9	8.6
SA Power Networks	45.2	76.1	(40.6)
TransGrid (RAB and CAB)	45.5	18.8	142.0
Spark Infrastructure (Bomen Solar Farm construction)	164.2	-	n/m
Investing cash flow	**367.8**	**198.8**	**85.0**
Cash distributions from investment businesses[2]	**312.5**	**305.1**	**2.4**

On a look-through basis, net operating cash flow for Spark Infrastructure was $379.3 million, 15.7% higher than the prior year. This was after deducting an allowance of $276.3 million for net regulatory depreciation to RAB compared with $257.6 million last year. On an aggregated look-through basis, Spark Infrastructure and its investment businesses invested $367.8 million in growing their asset bases during the year, including $158.1 million in distribution assets, $45.5 million in transmission and connection assets and $164.2 million in acquisition and construction of the Bomen Solar Farm which remains on budget and on track for commercial operations to commence in Quarter 2, 2020.

Cash distributions from the investment businesses to Spark Infrastructure increased by 2.4% to $312.5 million reflecting solid operational performance from the businesses.

Increase in Corporate Debt Facilities

Today, Spark Infrastructure has executed $400.0 million of bilateral corporate debt facilities maturing in February 2023, replacing its previous $120.0 million bilateral facilities. The new facilities diversify the Group's banking relationships, which include previous lenders the Commonwealth Bank of Australia, MUFG Bank Ltd and Mizuho Bank Ltd, and now includes Westpac Banking Corporation, Sumitomo Mitsui Banking Corporation and China Construction Bank Corporation. These committed facilities will provide the debt funding for the Bomen Solar Farm and increased investment capital flexibility to fund potential projects including the pipeline of major ISP projects at TransGrid.

Strategy and Outlook

Mr Francis welcomed AEMO's draft 2020 ISP and the release of the New South Wales Electricity Strategy commenting that, "As a key region within the NEM, New South Wales has a pivotal role to play in the transition of the electricity system. The NSW Electricity Strategy identifies and plans for the retirement of more than 80% of the State's coal-fired generation fleet over the next 15 years. The New South Wales government will seek legislative powers to advance investment in ISP priority transmission infrastructure and support renewable energy zones."

TransGrid has the potential to invest in several significant growth projects including:

- Upgrade to the QNI interconnector, which is expected to be completed by 2021-2022.
- Project EnergyConnect, an interconnector between South Australia and New South Wales that passes through renewable energy zones in each region. The AER has recently determined that this project satisfies the net benefits requirement in the RIT-T application. If the associated contingent project application is approved by the AER, this project is expected to commence construction in mid-2021 and be completed by 2023-2024.
- HumeLink, an augmentation to reinforce the New South Wales Southern Shared Network and increase transfer capacity between Snowy Hydro and the state's demand centres, which is expected to be completed in by 2024-2025.

In conjunction with Snowy 2.0, these projects are designed to deliver grid strength, reliability and renewable energy connectivity in the NEM. These projects are contingent on further approvals by the AER and will need to meet a number of criteria before reaching a financial investment decision. Should the projects progress, Spark Infrastructure has a number of funding options available to it, such as retained earnings or cash, asset level or senior corporate debt, and new equity including utilising the Distribution Reinvestment Plan (DRP).

Mr Francis said: "We will continue to deliver our three-part strategy to seek efficiency gains, maximise out-performance, and invest across regulated and contracted opportunities and be a leading owner of essential services infrastructure. We will maintain a prudent approach to capital management, drawing upon a flexible suite of capital sources and maintaining investment grade credit ratings at both the asset and corporate level."

"We are well placed to respond to the exciting pipeline of opportunities in front of us and our investment businesses. This represents a shift in focus as we transition to deliver a combination of increasing capital growth and distributions to our Securityholders over the near term', Dr McTaggart added.

As previously disclosed, key regulatory decisions for SA Power Networks and Victoria Power Networks will put downward pressure on revenues for those businesses, which reflects the sustained low interest rate and low inflation environment. In addition, the initial Federal Court tax ruling in February 2019 has brought forward the cash tax expense. Victoria Power Network's appeal hearing on the Federal Court decision has been deferred until May 2020 (with an outcome expected later in 2020).

Distributions

The Directors have declared a final distribution for 2019 of 7.5cps delivering a full year distribution for 2019 of 15.0cps being paid to Securityholders. The final distribution is payable on 13 March 2020 and consists of 3.55cps interest on Loan Notes for the period and 3.95cps capital distribution.

The Directors have determined that the DRP will remain in operation and participating Securityholders will be issued Spark Infrastructure stapled securities at a 2.0% discount to the price specified under the DRP Rules.

The key dates for the distribution are as follows:

Item	Date
Announcement date	Tuesday, 25 February 2020
Ex-date	Tuesday, 3 March 2020
Proposed DRP pricing date (5 trading days)	Tuesday, 3 March 2020 – Monday, 9 March 2020
Distribution record date	Wednesday, 4 March 2020
DRP record date	Thursday, 5 March 2020
Payment date	Friday, 13 March 2020
Allotment date for DRP	Friday, 13 March 2020

The Directors have provided distribution guidance for FY2020, subject to business conditions, of at least 13.5cps comprising 7.0cps attributable to the first half of 2020 and at least 6.5cps attributable to the second half. This distribution guidance reflects the step-up in tax payable for 2020 as previously foreshadowed and the expected impact of the commencement of SA Power Network's new 5-year regulatory period from 1 July 2020.

The distribution is expected to be covered by look-through net operating cash flows consistent with prior years, with Spark Infrastructure having achieved an average payout ratio of 71% over the last four years.

For further information:

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1. On an aggregated proportional basis to Spark Infrastructure
2. Includes $42.8 million repayment of shareholder loans from Victoria Power Networks (classified as investing activities for statutory reporting purposes)
3. Normalising non-cash adjustments:
   - FY2019: excludes Victoria Power Networks ($6.7m negative) and SA Power Networks ($0.8m positive) revaluation adjustments to employee entitlements provisions and $3.4m public lighting dispute provision writeback
   - FY2018: excludes Victoria Power Networks ($0.8m positive) and SA Power Networks ($1.3m positive) revaluation adjustment to employee entitlements provisions, release of excess December 2016 storm provisions ultimately not required $3.0m and $4.9m public lighting dispute provision
4. Includes public lighting RAB and Bomen Solar Farm (under construction)
5. Includes corporate tax paid related to FY2018 ($16.9m) and excludes corporate tax paid related to other periods ($21.9m) and Bomen Solar Farm pre-production and acquisition costs ($3.8m)