

ASX RELEASE

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RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (HY2020)

Highlights:

- Solid financial performance with adjusted look-through EBITDA of \$439.0 million, up 3.6% on HY2019, driven by continued cost efficiencies and growth in regulated and unregulated business
- Standalone net operating cash flow of \$45.0 million, down 64.8% on HY2019, primarily due to tax and related ATO interest payments made during the period totaling \$81.1 million
- Underlying look-through net operating cash flow before tax of \$188.8 million, up 13.0% on HY2019
- Regulated and Contracted Asset Base (RCAB) up 5.8% on HY2019 to \$6,601 million
- Minimal COVID-19 impacts with no interruptions to customer supply, and no significant impacts on operations, maintenance or safety
- SA Power Networks determination finalised; provides revenue and investment certainty for the next 5 years
- First renewables project, 120.5 MW_{DC} Bomen Solar Farm, delivered on time and under budget; commercial operations commenced and generating in line with expectations
- Sale of 19.99% stake in TransGrid by a partner confirms high quality network business, RCAB growth and implied value of growth pipeline
- Strong balance sheet with expanded corporate debt facilities of \$400 million and increased DRP participation
- Interim HY2020 distribution of 7.0 cents per security (cps) declared, with DRP to operate
- FY2020 full year distribution guidance of at least 13.5cps, subject to business conditions
- Distribution covered by underlying look-through net operating cash flows after tax

Spark Infrastructure today released its financial results for the 6 months ended 30 June 2020. The Directors have declared an interim distribution for 2020 of 7.0cps. This was achieved through continued good performance from its high performing, cost efficient and resilient Investment Businesses in a challenging environment.

Spark Infrastructure Chair, Dr Doug McTaggart said: "The Board of Spark Infrastructure is pleased to deliver an interim distribution of 7.0 cents per security to our Securityholders in line with our previous guidance. The high proportion of regulated assets in our portfolio provides us with confidence around cashflows and enables us to deliver growth to support the energy transition while maintaining attractive distributions."

Safe, reliable and efficient networks supporting customers and a low emissions energy future

During COVID-19, Spark Infrastructure's Investment Businesses have ensured continuity of energy supply and the safety of staff and the community. They have also provided support to customers experiencing

hardship, including the waiving or deferring of network charges as a part of the Energy Networks Australia (ENA) network relief package. This aligns with Spark Infrastructure's ESG commitment to supporting the communities in which our businesses operate. Moving forward, our Investment Businesses will have an important role to play in the post COVID-19 green recovery, with increased spending required to expand and build new networks to support the transition to a lower emissions energy sector.

Well positioned for further growth opportunities by investing in Australia's energy transition

Spark Infrastructure is committed to investing in sustainable businesses with a current focus on networks, contracted renewables and storage. A significant pipeline of portfolio growth opportunities in TransGrid together with organic growth in the distribution networks is projected to grow the regulated and contracted asset base (RCAB) at a capital annualised growth rate (CAGR) of over 4% p.a. over the next five years, depending on the timing of projects.

Spark Infrastructure Managing Director, Mr Rick Francis said, "We believe our investment in new transmission through TransGrid and in renewable generation through our Bomen Solar Farm highlights our sustainability credentials as we support and facilitate the country's transition to a lower emissions energy sector. While the ultimate impact of the profound economic shocks, higher unemployment, and unprecedented central bank intervention in financial markets triggered by COVID-19 is yet to fully play out, our investors can draw comfort that Spark Infrastructure and its Investment Businesses continue to perform well and deliver long-term growth and sustainable returns."

The Australian Energy Market Operator's (AEMO) 2020 Integrated System Plan (ISP) highlighted a \$13 billion suite of transmission investment opportunities in the National Electricity Market (NEM) and a requirement for more than 50 GW of new renewable generation and flexible, dispatchable resources. The 2020 ISP creates substantial opportunities for TransGrid to grow its regulated asset base (RAB) and its contracted connections for new renewable generation.

Completion of Bomen Solar Farm

In August 2020 approvals were received from both AEMO and TransGrid for full unconstrained commercial operations at its 120.5MW_{DC}/100MW_{AC} Bomen Solar Farm near Wagga Wagga. The solar farm has been able to export 100% of generation since mid-June 2020 and is currently generating in line with expectations.

Mr Francis said: "This is an important milestone for Spark Infrastructure. We are very pleased to have delivered the Project on time and under-budget. The Project was delivered with the support of Beon Energy Solutions (who is owned by Victoria Power Networks) as EPC contractor, TransGrid providing connection services, and AEMO and TransGrid completing the commissioning process."

"The solar farm demonstrates our capability in delivering renewable generation. We are confident in our Value Build Strategy and that investment in renewables will create a diversified asset portfolio that delivers value for our Securityholders", he added.

The Project supported many local jobs and businesses during construction and is delivering for the community. In partnership with Westpac, Spark Infrastructure has established a community fund to invest \$1 million over ten years to support youth education and biodiversity.

Sale of TransGrid stake during the period

The sale of the 19.99% stake in TransGrid by Wren House to Ontario Municipal Employees Retirement System of Canada completed in July 2020. The stake was offered to Spark Infrastructure and other securityholders in February 2020 in accordance with the pre-emptive process under the Securityholders Deed. After careful evaluation, Spark Infrastructure elected not to exercise its pre-emptive rights.

Spark Infrastructure purchased its 15.01% equity investment in TransGrid in December 2015 for \$734.3 million. The implied equity value of Spark Infrastructure's stake in TransGrid on a proportional basis represents an approximate compound annual increase of 4.0% p.a. together with an approximate average distribution yield of 4.6% p.a.. The transaction reflects the improved business performance of TransGrid, growth in regulated and contracted assets and the significant potential growth pipeline.

HY2020 Performance Summary

Spark Infrastructure Financial Performance	HY2020 (\$m)	HY2019 (\$m)	Variance (%)
Adjusted EBITDA ^{1,2}	439.0	423.9	3.6
Underlying Standalone Net Operating Cash Flow ³	110.7	137.1	(19.3)
Standalone Net Operating Cash Flow	45.0	128.0	(64.8)
Net capital expenditure ^{1,4}	293.1	290.4	0.9
Regulated and Contracted Asset Base (RCAB) ^{1,4}	6,601	6,237	5.8
FFO/Net Debt ¹ (%)	14.3%	14.4%	-0.1%
Net debt/RCAB ^{1,4} (%)	74.6%	73.8%	+0.8%

Look-through cash flows (Spark Infrastructure share)	HY2020 (\$m)	HY2019 (\$m)	Variance (%)
Underlying net operating cash flow (before tax)	188.8	167.1	13.0
Underlying net operating cash flow (after tax) ³	169.8	158.7	7.0
<i>Growth Capex (Spark Infrastructure share)</i>			
Victoria Power Networks	92.2	38.9	137.0
SA Power Networks	16.0	34.3	(53.4)
TransGrid	28.7	18.8	52.7
Bomen Solar Farm	7.1	38.3	(81.5)
Total Growth Capex	144.0	130.3	10.5
Cash distributions from Investment Businesses ⁵	136.8	152.6	(10.4)

1. On an aggregated proportional basis to Spark Infrastructure.
2. Normalising non-cash adjustments:
- HY2020: excludes Victoria Power Networks (\$1.0m positive) and SA Power Networks (\$0.2m positive) revaluation adjustments to employee entitlements provisions.
- HY2019: excludes Victoria Power Networks (\$4.6m negative) and SA Power Networks (\$1.7m positive) revaluation adjustment to employee entitlements provisions.
3. Includes corporate tax paid of \$19.0m in 2020 representing half of the 2019 tax liability for the SIH1 and SIH2 tax groups. 2019 includes tax paid of \$8.5m representing half of the 2018 tax liability for SIH2 tax group. Excludes Spark Infrastructure other tax paid of \$55.3 million comprised of \$34.4 million tax paid in relation to a number of historical years, net monthly tax instalments of \$1.9m and \$19.0m of tax paid in relation to H2 2019. 2019 excludes other tax paid of \$5.4m in relation to H2 2018. Also excludes VPN and SAPN cash tax paid of \$15.2m and \$2.0m as the benefit of franking credits will be distributed to Spark Infrastructure in future years.
4. Includes public lighting RAB and Bomen Solar Farm.
5. Victoria Power Networks distributions include both interest on and repayment of shareholder loans. Repayments of loan principal are classified as investing activities for statutory reporting purposes.

On a look-through basis, underlying net operating cash flow before tax was \$188.8 million, 13.0% higher than the prior period. The Investment Businesses invested \$144.0 million in growing their asset bases during the period, including \$108.2 million in distribution assets and \$28.7 million in transmission assets, in addition to the \$7.1 million invested in the Bomen Solar Farm.

Cash distributions from the Investment Businesses to Spark Infrastructure decreased by 10.4% to \$136.8 million. Total distributions received from Victoria Power Networks were \$78.4 million, up 3.3% and distributions received from SA Power Networks were \$46.8 million, down \$8.4 million in line with expectations as they enter their new regulatory period from mid-year.

Total distributions received from TransGrid were \$11.6 million, down \$9.9 million. The decrease was primarily due to TransGrid retaining a portion of surplus cash to assist in funding growth in its regulated and contracted asset bases.

Victoria Power Networks (100% numbers)

Victoria Power Networks (CitiPower and Powercor) delivered a robust performance for the period, notwithstanding the disruption in the State, with total revenue of \$584.9 million, 2.0% higher than the prior period largely due to higher regulated revenue of \$494.7 million, 4.2% higher than the prior period. EBITDA was \$436.6 million, 5.6% higher than the prior period due to higher revenue, higher Beon margin and lower operating costs.

Net capital expenditure was \$311.5 million, an increase of 41.0%, due largely to the continuation of the Rapid Earth Fault Current Limiters (REFCL) program, an increase in the pole replacement program and the development of new depots. COVID-19 has not impacted the delivery of Victoria Power Network's capital program which is ahead of schedule as at 30 June 2020. As a result, Victoria Power Network's RAB grew to \$6,520 million at 30 June 2020, 5.4% higher than at 30 June 2019.

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% numbers)

SA Power Networks' performed steadily during the half with total revenue of \$475.4 million, 2.3% higher than the prior period largely due to higher regulated revenue of \$430.0 million, 4.2% higher than the prior period. EBITDA was \$361.6 million, 7.0% higher than the prior period due to higher revenue, higher Enerven margin and lower operating costs.

Net capital expenditure was \$177.1 million or 20.5% lower than last period due to lower network connection, augmentation and maintenance capex. RAB increased to \$4,372 million at 30 June 2020, 1.3% higher than at 30 June 2019.

SA Power Networks' Final Determination for the period from 1 July 2020 to 30 June 2025 was issued by the AER in June 2020. The Final Determination was broadly in line with expectations and provides regulatory certainty for the next 5 years.

TransGrid (100% numbers)

TransGrid's transmission revenue for the period was \$381.5 million, an increase of 0.7% on the prior period, and was negatively impacted by a \$3.4 million rebate associated with the ENA relief package. While connections revenue has continued to increase period on period, aggregated unregulated revenue decreased by 15.3% to \$63.0 million primarily due to the completion of the Western Sydney Airport asset relocation project in 2019. Operating costs increased 11.2% to \$114.1 million. However, included in the current period costs is an amount of \$9.3 million relating to bushfire remediation costs which will likely qualify as a pass through and be recovered in future periods. EBITDA was \$326.6 million, 7.2% lower than the prior period.

Capital expenditure was \$310.3 million, 34.7% higher than the prior period. Regulated capital expenditure increased by 64.6% to \$204.6 million mainly due to early investment in major projects including QNI, EnergyConnect, Humelink and VNI. This was in addition to the ramp up of augmentation projects including

Powering Sydney's Future and Stockdill Switching Station. New, long-dated contracted revenue will commence following unregulated capital expenditure of \$105.7 million which was in line with the prior period expenditure. RCAB grew to \$7,317 million at 30 June 2020, 5.3% higher than at 30 June 2019.

Strategy and Outlook

Spark Infrastructure has experienced minimal impact to date from the effects of COVID-19 as a result of its robust and highly defensive Investment Businesses, with no significant impacts on operations, maintenance or safety.

SA Power Networks final regulatory decision for the period commencing 1 July 2020 was broadly in line with expectations. This outcome provides confidence for the allowances in the Victoria Power Networks final decision due in April 2021. Together these regulatory decisions will provide revenue certainty for the next five years.

The new regulatory decisions for SA Power Networks and Victoria Power Networks will put downward pressure on revenues for those businesses. This reflects the sustained low interest rate and low inflation environment. These regulatory decisions in combination with Spark Infrastructure becoming tax payable will result in an adjusted distribution profile for the next 5 year regulatory period.

Our strategy remains unchanged. For Value Enhance, organic growth in the distribution businesses and the substantial growth pipeline in TransGrid, supported by AEMO's 2020 ISP, is expected to deliver a compound annual growth rate in RCAB over the next five years of over 4% p.a.. For Value Build, we will continue to take a disciplined approach to look for further opportunities in contracted renewables and storage. Our substantial balance sheet capacity with the ongoing operation of the Distribution Reinvestment Plan is expected to be sufficient to fund this growth pipeline while also maintaining an investment grade rating. Importantly, we expect regulated assets to remain in excess of 85% of our overall portfolio.

This growth agenda will see Spark Infrastructure shift its focus to deliver a mix of growth plus sustainable yield for Securityholders.

Distributions

In line with previous distribution guidance, the Directors have declared an interim distribution for 2020 of 7.0cps. The interim distribution is payable on 15 September 2020 and will comprise 3.5cps interest on Loan Notes for the period and 3.5cps capital distribution.

The Directors have determined that the Distribution Reinvestment Plan (DRP) will remain in operation and participating Securityholders will be issued Spark Infrastructure stapled securities at a 2% discount to the price specified under the DRP rules.

The key dates for the distribution are as follows:

Item	Date
Announcement date	Tuesday, 25 August 2020
Ex-date	Thursday, 3 September 2020
Proposed DRP pricing date (5 trading days)	Thursday, 3 September 2020 – Wednesday, 9 September 2020
Distribution record date	Friday, 4 September 2020
DRP record date	Monday, 7 September 2020
Payment date	Tuesday, 15 September 2020
Allotment date for DRP	Tuesday, 15 September 2020

The Directors have reconfirmed distribution guidance for FY2020, subject to business conditions, of at least 13.5cps. As noted above, this comprises 7.0cps attributable to the first half and at least 6.5cps attributable to the second half. The staggered approach reflects the step-up in tax payable in 2020 as previously foreshadowed and the impact of SA Power Network's new 5-year regulatory period which commenced on 1 July 2020.

The distribution is fully covered by underlying look-through net operating cash flows consistent with prior years, with Spark Infrastructure having achieved a cumulative average payout ratio of 73% over the last four and a half years.

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