ASX RELEASE

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RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 (HY2021)

Highlights for HY2021 (in comparison to HY2020):

- Significant growth in the Regulated and Contracted Asset Base (RCAB) in HY2021 – up 4.5% to $6,899 million (aggregated proportional basis), with TransGrid undertaking a number of significant augmentation upgrades to its network supporting the energy transition
- Look-through net operating cash flow before tax up 6.6% to $201.2 million
- Standalone net operating cash flow up 14.7% to $51.6 million
- Good financial performance with look-through EBITDA of $402.1 million, down 7.1% reflecting reduced regulatory returns under new regulatory determinations now in operation
- New determinations for SA Power Networks and Victoria Power Networks provide regulatory certainty for the next 4 and 5 years respectively
- TransGrid successfully reached Final Investment Decision to build EnergyConnect, a 900km high-capacity electricity interconnector between South Australia and New South Wales after receiving a regulatory capital allowance of $1,834 million ($2017-18)
- Growing high quality pipeline of early stage renewables projects, including Dinawan Energy Hub, a renewable energy generation and storage hub for up to 2.5GW situated in the NSW South-West Renewable Energy Zone
- Leading Environmental, Social and Corporate Governance (ESG) credentials
- Strong investment grade balance sheets with corporate debt facilities of $400 million
- Interim 2021 distribution of 6.25 cents per security (cps) declared and will include franking credits of approximately 1.5cps
- Following receipt of a binding Offer to acquire Spark Infrastructure, on 23 August 2021 Spark Infrastructure entered into a Scheme Implementation Deed for an all cash offer at $2.95 per stapled security less any distributions subsequently paid or declared, i.e. $2.8875 per stapled security after payment of the interim distribution for 2021 of 6.25 cps, due for payment on 15 September 2021

Spark Infrastructure today released its financial results for the 6 months ended 30 June 2021. The previously announced distribution for the period of 6.25 cps will be payable on 15 September 2021. It is expected that franking credits of approximately 1.5 cps will be attached to the distribution. The Distribution Reinvestment Plan (DRP) has been suspended for the time being due to the signing of the Scheme Implementation Deed on 23 August 2021.

Spark Infrastructure Chair, Dr Doug McTaggart said: "The Board of Spark Infrastructure is pleased to deliver an interim distribution of 6.25 cents per security to our Securityholders in line with guidance provided at the beginning of 2021. The high proportion of regulated and contracted assets in our portfolio of high quality and scarce essential infrastructure businesses provides us with confidence around cash flows and enables us to deliver sustainable growth to support the energy transition while ensuring our distributions remain attractive and reliable."

Binding Offer to acquire Spark Infrastructure

On 23 August 2021 Spark Infrastructure announced that the Consortium (compromising Ontario Teachers' Pension Plan Board, Kohlberg Kravis Roberts & Co. L.P. and their funds, and Public Sector Pension Investment Board) had completed due diligence and provided Spark Infrastructure with a binding Offer in line with its previous proposal. Spark Infrastructure has now agreed terms of the binding Offer from the Consortium, under which the Consortium will acquire all of the units in the Spark Infrastructure Trust by means of Trust Scheme and all of the loan notes issued by Spark RE by means of Creditors' Scheme.

If the Schemes are implemented, and subject to being on the register at the appropriate record dates, Securityholders will receive total value of $2.95 cash per stapled security before franking credits, plus additional consideration if the Schemes have not been implemented by 15 February 2022.

The total value of $2.95 cash per stapled security comprises:

i. cash consideration from the Consortium of approximately $2.7675 per stapled security, plus
ii. Spark Infrastructure's interim distribution for 2021 of 6.25 cps, plus
iii. a franked special distribution expected to be approximately 12.00cps

The special distribution will be franked to the fullest extent possible, which will provide certain Spark Infrastructure Securityholders who can utilise the full benefit of franking credits with an additional benefit of approximately 5.00 cps.

The Spark Infrastructure Board has unanimously recommended that Securityholders vote in favour of the Schemes, in the absence of a Superior Proposal and subject to an independent expert concluding (and continuing to conclude) that the Schemes are in the best interests of Securityholders.

The Schemes are subject to approval by Securityholders at Scheme meetings which are expected to be held by the end of 2021.

If the Schemes have not been implemented by 15 February 2022, Spark Infrastructure securityholders will be entitled to additional cash consideration of 1.00 cps on 15 February 2022 and approximately 1.00 cps per month thereafter, calculated daily, from that date until implementation.

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

Spark Infrastructure's Investment Businesses are market leaders in productivity, safety and system reliability and have consistently delivered strong performance and sustained efficiency over a long period of time. This means that lower network costs have been able to be passed on to consumers, as well as generating significant outperformance benefits for Securityholders.

As Australia's energy mix moves increasingly toward renewables, including the huge take up of roof-top solar, the transport of electricity through transmission and distribution networks has become increasingly critical. Spark Infrastructure is uniquely positioned to participate in delivering this energy transition through expansion and innovation in its Investment Businesses, as well as through building out its renewables platform.

Unlike many other energy related companies in the sector, Spark Infrastructure has no exposure to legacy fossil fuel assets and is gaining increased recognition for its strong ESG credentials in expanding and reinventing the green-network grid.

Sustainability and Environmental, Social, and Corporate Governance (ESG) focus

As a long-term investor, the focus Spark Infrastructure places on sustainability extends beyond its financial commitments. In 2020, the Board endorsed Spark Infrastructure's priority environmental, social and governance metrics, which encapsulate the non-financial performance of the Investment Businesses in the areas considered to have the most material impact on Securityholder value.

A number of the metrics identified relate directly to the critical role Spark Infrastructure plays in Australia's energy transition, including Australia's response to the threat of climate change. Direct investment in renewable generation through the Bomen Solar Farm saw the displacement of more than 68,000 tonnes of carbon dioxide equivalent in its six months of operations in 2021. This is expected to equate to approximately 150,000 tonnes over a full 12 month period.

The Investment Businesses contribute directly to decarbonisation through connecting renewable energy to their networks and delivering it to customers. In 2020 33% of the energy transported through their networks was renewable, compared to 28% in 2019 and this trend is expected to continue.

The safety and wellbeing of employees is a key priority with over 5,400 people across the Investment Businesses. Spark Infrastructure recognises the value of positively contributing to the communities in which it operates. As part of the Bomen Solar Farm investment, Spark Infrastructure has recently finalised an initiative to provide Mount Austin High School with $500,000 over 10 years as part of the $1m community fund, created in conjunction with Westpac, to provide support to the local Wagga Wagga community.

These commitments could not be achieved without a robust governance framework. Spark Infrastructure's disciplined financial and risk management practices, which are instilled in the Investment Businesses, ensure that the best outcomes for Securityholders, employees and the wider community will be maintained.

TransGrid facilitating Australia's renewables transition building new electricity interconnectors

TransGrid continues to undertake significant augmentation updates to its network. The most notable investment decision in the period was the commencement of Project EnergyConnect. EnergyConnect is a 900km high voltage electricity transmission line connecting Wagga Wagga in NSW to Robertson in SA, with a short spur line into northwest Victoria. It is a significant $2.2 billion joint project to be delivered by TransGrid in NSW and ElectraNet in SA. On completion, it is expected to deliver net savings to consumers of up to $64 p.a. per household in NSW and $100 p.a. per household in SA, and is forecast to unlock around $3 billion of additional renewable generation investment.

Spark Infrastructure Managing Director Rick Francis said: "This is the first major electricity project to receive a green-light under AEMO's Integrated System Plan (ISP) for the east coast. It is a critical piece of national transmission infrastructure and is fundamental to Australia's transition to renewable energy to decarbonise the power industry and will benefit consumers for decades to come. Spark Infrastructure was instrumental in working with TransGrid and the Clean Energy Finance Corporation (CEFC) to secure a $295 million hybrid security instrument without which TransGrid's credit metrics would have been materially and negatively impacted such that EnergyConnect would have been unfinanceable and unable to proceed."

The next Major Project under AEMO's ISP is HumeLink, a new 500kV transmission line which will carry electricity from new generation sources, including the expanded Snowy 2.0 Hydro scheme. The Project Assessment Conclusion Report (PACR) for HumeLink was published on 29 July 2021, with a Contingent Project Assessment submission expected in the first quarter of 2022. The forecast capex for the preferred option is $3.3 billion, including environmental offset costs of $935 million.

"The recently published PACR for HumeLink is an important next step in committing to the delivery of AEMO's ISP, assisting Australia to meet its climate change targets, helping deliver lower energy prices for consumers, and enhancing grid stability and reliability. HumeLink is expected to deliver net benefits of $491 million to consumers (in present value terms over the assessment period) and will increase the transfer capacity between Southern NSW and the major load centres of Sydney, Newcastle and Wollongong, and reduce the need for new dispatchable generation investment to support renewable generation," Mr Francis said.

Spark Renewables – Dinawan Energy Hub

The proposed Dinawan Energy Hub is located at the heart of NSW's South-West Renewable Energy Zone (REZ) and has potential for 2.5GW of wind, solar and battery energy storage capacity. Spark Renewables has been working closely with landowners to secure the land to develop this renewable energy hub. Dinawan Energy Hub is expected to connect to the new EnergyConnect transmission line and is strategically well positioned for access to the HumeLink and VNI West interconnectors, all projects under AEMO's ISP. If positively evaluated, the proposed Dinawan Energy Hub is expected to be developed in stages and could provide up to 2.5GW of new renewable generation capacity, which is enough electricity to power more than a million homes and offset more than 5 million tonnes and carbon dioxide emissions.

HY2021 Performance Summary

Spark Infrastructure Financial Performance	HY2021 ($m)	HY2020 ($m)	Variance (%)
Look-through EBITDA[1]	402.1	432.8	(7.1)
Underlying Standalone Net Operating Cash Flow[2]	78.1	110.3	(29.2)
Standalone Net Operating Cash Flow	51.6	45.0	14.7
Cash distributions from Investment Businesses	109.7	136.8	(19.8)
Net capital expenditure[3,4]	323.0	293.1	10.2
Regulated and Contracted Asset Base (RCAB)[3,4]	6,899	6,601	4.5
FFO/Net Debt[1](%)	11.7%	13.4%	-1.7%
Net debt/RCAB[3,4] (%)	72.0%	74.6%	-2.6%
Look-through cash flows (Spark Infrastructure share)			
Underlying net operating cash flow (before tax)	201.2	188.8	6.6
Underlying net operating cash flow (after tax)[2]	173.8	169.8	2.4
Growth Capex (Spark Infrastructure share)			
Victoria Power Networks	121.7	92.2	32.0
SA Power Networks	7.2	16.0	(55.0)
TransGrid	63.5	28.7	121.3
Total Growth Capex	192.5	136.9	40.6

1. On an aggregated proportional basis of investment businesses to Spark Infrastructure and includes Bomen Solar Farm and corporate, interest and tax costs.
2. Includes corporate tax paid of $27.4m in 2021, which represents the half of the 2020 tax liability for the SIH1 and SIH2 tax groups. 2020 tax paid of $19.0m represents half of the 2019 tax liability for the SIH2 tax group. Excludes other tax paid of $25.0m.
3. On an aggregated proportional basis of investment businesses to Spark Infrastructure.
4. Includes public lighting RAB and Bomen Solar Farm.

On a look-through basis, underlying net operating cash flow before tax was $201.2 million, 6.6% higher than the prior period. The Investment Businesses invested $192.4 million in growth capex during the half, including $128.9 million in distribution assets and $63.5 million in transmission assets.

Total distributions received from Victoria Power Networks were $68.6 million, down $9.8 million and distributions received from SA Power Networks were $34.3 million, down $12.5 million. The distribution reductions from SA Power Networks and Victoria Power Networks were as anticipated and reflect their entry into their new regulatory determinations with lower regulatory revenues from 1 July 2020 and 1 July 2021 respectively (Note: Victoria Power Networks operated under a transition period from 1 January 2021).

Total distributions received from TransGrid were $6.8 million, down $4.8 million. The decrease was primarily due to TransGrid retaining a portion of operating cash for significant capital expenditure growth related to major ISP projects and other regulated projects.

Victoria Power Networks (100% numbers)

In October 2020, the AER released a final decision to extend Victoria Power Networks' (CitiPower and Powercor) electricity distribution determinations for the 2016-20 regulatory control period for an additional six months from 31 December 2020 albeit applying the new lower rate of return instrument, with a transitional period of 1 January 2021 to 30 June 2021.

The businesses Final Distributions for the period from 1 July 2021 to 30 June 2026 were issued by the AER in April 2021 and were broadly in line with expectations, providing regulatory certainty for the next 5 years.

Victoria Power Networks performed well during the period with total revenue of $524.5 million (excluding Beon), 10.3% lower than the prior period largely due to reduced regulated revenue of $434.3 million, down 12.2%. Regulated revenues were also impacted by the exclusion of incentive scheme revenue for the transitional period. EBITDA was $389.4 million, down 10.8% on the prior period due to lower revenue, partially offset by a higher Beon margin and lower operating costs.

Net capital expenditure was $323.4 million, an increase of 3.8%, due largely to the continuation of the Rapid Earth Fault Current Limiters program, IT infrastructure spend relating to AEMO's 5 minute settlement rule change and field services expenditure. As a result, Victoria Power Networks' RAB grew to $6,858 million at 30 June 2021, 5.2% higher than at 30 June 2020.

SA Power Networks (100% numbers)

SA Power Networks' Final Determination for the period from 1 July 2020 to 30 June 2025 was issued in June 2020 and was broadly in line with expectations, providing regulatory certainty for the next 4 years.

SA Power Networks performed steadily during the period with total revenue of $467.7 million (excluding Enerven), a reduction of 1.6% on the prior period. Regulated revenue was $410.4 million, down 4.6%, with all other revenue streams (excluding Enerven) being higher than the prior period, primarily driven by increases to public lighting, asset relocation and metering works. EBITDA was $329.3 million, down 8.9% due to lower regulated revenue, higher operating costs as a result of increased non-regulated works and a lower Enerven margin.

Net capital expenditure was $161.3 million or 8.9% lower due to lower network connection, and augmentation and maintenance capex in line with the new regulatory determination. SA Power Networks' RAB increased to $4,410 million at 30 June 2021, 0.9% higher than at 30 June 2020.

TransGrid (100% numbers)

TransGrid's total revenue for the period was $478.2 million, an increase of 8.5% on the prior period, due both to higher regulated revenue of $406.8 million, up 6.6% and continued growth in connections revenue. Connections revenue has continued to increase period on period, with overall aggregated unregulated revenue increasing by 13.0% to $71.2 million.

Regulated operating expenses increased by $0.8 million or 1.0% to $82.1 million. The prior period included bushfire remediation costs of $9.3 million (2021: $2.4 million) as a result of damage sustained during the November and December 2019 bushfires. Excluding this amount regulated operating expenses increased by 10.7% due to additional costs associated with TransGrid's revenue reset proposal and additional maintenance costs. Unregulated operating expense and other costs were $41.4 million, an increase of $8.6 million, mainly due to increased infrastructure connections and additional project development costs to support the acceleration of TransGrid's expanding connections pipeline, which is delivering increased contracted revenue growth. Overall EBITDA was $354.7 million, 8.6% higher than the prior period.

Total capital expenditure was $564.1 million, an increase of $253.3 million or 81.8% on the prior period. Regulated capital expenditure increased by $302.1 million to $506.7 million mainly due to investment in major augmentation/ISP projects including EnergyConnect, Powering Sydney's Future, QNI Minor upgrade and VNI upgrade projects. Contracted capital expenditure was $57.4 million, down $48.3 million, due to a lower solar farm connections and telecommunications capital expenditure.

Continued investment in the augmentation and maintenance of the regulated network is added to TransGrid's RAB, generating regulated TUoS revenue in future periods. Unregulated capital expenditure invested by TransGrid will result in increased contracted revenues. The contracted revenue increases progressively as each project is completed and then escalates with inflation over their 25-30 year contract periods. RCAB grew to $8,049 million at 30 June 2021, 10.0% higher than at 30 June 2020.

Bomen Solar Farm (100% numbers)

As referenced at the time of the 2020 full year result, Bomen Solar Farm experienced a one-off 3 week outage in January due to a substation fault. Following rectification, the plant has performed well in the first half of 2021, generating total revenues of $6.3 million underpinned by PPA agreements with Westpac and Flow Power. Bomen Solar Farm generated 84.0 GWh of renewable energy during the period.

Business Outlook

New 5-year regulatory decisions for both SA Power Networks and Victoria Power Networks are in force from 2021. These new regulatory decisions have put downward pressure on revenues for those businesses, largely due to sustained low interest rates affecting regulatory returns and the low inflationary environment. The businesses now have revenue certainty for the next 4-5 years under which to operate. Now that the new determinations are in operation, we expect both businesses to closely review all operating and capital expenditure plans, with a view to minimising any non-essential or discretionary expenditure.

Our strategy remains unchanged, being Value Enhance, Value Build and Value Acquire. We remain committed to growing our contracted renewables business and have built an exciting pipeline of high quality development opportunities. As always, we remain cautious and disciplined in the evaluation of these opportunities given the uncertainty and volatility that currently exists in these markets.

Whilst it appears that we will remain in a low interest rate environment for a while to come, there are signs of a pick-up in inflation. Our regulated revenues are inflation-linked and hence will benefit directly from any increase in inflation in future periods, which enhances the scarcity value of our high quality and essential service infrastructure businesses.

Interim Distribution for 2021 and Distribution Reinvestment Plan (DRP)

On 1 July 2021, the Directors of Spark Infrastructure announced an interim distribution for 2021 of 6.25cps, in line with guidance. The interim distribution is scheduled to be paid on 15 September 2021 and will consist of 3.50 cps interest on Loan Notes for the period and a trust distribution of 2.75 cps (components of which will be provided in due course). It is also expected that franking credits of approximately 1.5 cps will be attached.

In light of the Scheme Implementation Deed signed on 23 August 2021, the Directors have determined to suspend the DRP in accordance with the DRP rules. As a result of the suspension of the DRP, all Securityholders who held Spark Infrastructure securities as at 8 July 2021, being the distribution record date, will receive the interim distribution in cash.

The key dates for the distribution are confirmed as follows:

Item	**Date**
Ex-date	Wednesday, 7 July 2021
Distribution record date	Thursday, 8 July 2021
Announcement date	Tuesday, 24 August 2021
Distribution payment date	Wednesday, 15 September 2021

For further information:

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