



# ASX RELEASE

Monday, 28 August 2017

## REGULATED ELECTRICITY NETWORKS CONTINUE DRIVE ON EFFICIENCY TO BENEFIT CONSUMERS

### Highlights (6 months ended 30 June 2017 (HY2017))

- Interim distribution declared of 7.625 cents per security (cps), in line with previous distribution guidance of 15.25 cps, up 5.2% on 2016
- HY2017 Results vs adjusted Prior Period<sup>1</sup>:
  - Standalone Operating Cashflow<sup>2</sup> up 6.2% to \$121.9 million
  - Profit before Loan Note Interest and Tax up 14.3% to \$138.7 million
  - Net Profit after Tax up 2.9% to \$48.9 million
- Victoria Power Network's ongoing efficiency initiatives are delivering a further \$27.0 million p.a. in savings in 2017, building on the 'World CLASS' efficiency program which achieved sustainable savings of \$151.0 million p.a., relative to its 2013 baseline
- SA Power Network's 'Powering Ahead' efficiency program commenced in the second half of 2017
- TransGrid submitted its first regulatory proposal (FY2018-2023) under private ownership to the Australian Energy Regulator in January 2017
- TransGrid continuing to drive efficiency and change in its operations and unregulated revenue up 22.6% reflecting strong growth of its unregulated infrastructure connections business

Spark Infrastructure has today released its results for the 6 months ended 30 June 2017. Profits and Standalone Operating Cashflows were both up on the adjusted Prior Period results. For better comparison, the Prior Period results have been adjusted to exclude Spark Infrastructure's net interest in derivative contracts associated with DUET Group which was disposed of during HY2016.

Profit before Loan Note Interest and Tax for the half year increased by 14.3% to \$138.7 million compared to the Prior Period. The increase mainly reflects a greater equity accounted share of profits from SA Power Networks, although all three investment businesses have performed strongly during the period with a strong focus on delivering an efficient cost base to be shared with consumers.

During HY2017 Victoria Power Networks and SA Power Networks have operated in the second year of their current regulatory periods and are recovering the additional revenues as provided for in their final determinations. Offsetting this is a lower growth in regulated distribution revenues due to actual inflation being lower than the AER forecast.

Commenting on the opportunities for the investment businesses created by recent industry developments, Dr Doug McTaggart, Chair of Spark Infrastructure said:

"Our network businesses are well placed to support the transition towards centrally delivered renewable generation. The Finkel Report, which represents a blueprint for re-shaping the energy market, emphasises the critical role of electricity networks and recommends that networks take a leading role in the provision of system strength and inertia and in the building of critical infrastructure to connect prospective renewable generation zones".

“We support the Finkel Report’s recommendations around strengthening the Australian Energy Market Operator and the governance framework,” he added.

Mr Rick Francis, Managing Director of Spark Infrastructure, commented:

“Our businesses continue to maintain a sharp focus on cost management. To survive and thrive in this changing market we must continue to operate efficiently and proactively deliver to customers’ demands. SA Power Networks and Victoria Power Networks have historically done well in this regard, and we are ensuring that TransGrid seeks to emulate their class-leading performance”.

“New renewable generation is creating excellent opportunities in the infrastructure connections space for all of our businesses, and underscores the importance of transmission interconnection between States to the efficient operation of the National Electricity Market”, said Mr Francis.

“Regulation is absolutely necessary, however it must support and not hinder efficient investment, otherwise the key objectives of the Finkel Report – a secure and reliable energy source, lower emissions and affordability – will not be met”, he added.

## **HY2017 Performance Summary**

<b>Spark Infrastructure Financial performance</b>	<b>HY 2017 (\$m)</b>	<b>Adjusted<sup>1</sup> HY 2016 (\$m)</b>	<b>Variance (%)</b>	<b>Statutory HY 2016 (\$m)</b>
Total income <sup>3</sup>	150.2	132.9	13.0	138.7
Profit before Loan Note Interest and Tax	138.7	121.4	14.3	127.2
Net Profit after Tax	48.9	47.5	2.9	51.6
Standalone Operating Cashflows <sup>2</sup>	121.9	114.8	6.2	130.0

## **HY2017 Interim Distribution**

In line with previous distribution guidance, the Board has declared an interim cash distribution for HY2017 of 7.625 cps. The interim distribution is payable on 15 September 2017, and consists of 3.50 cps interest on Loan Notes for the period and 4.125 cps capital distribution. The interim distribution is unfranked and will be made by the Spark Infrastructure Trust.

The Directors have determined that the Distribution Reinvestment Plan will remain suspended.

Ex-date	Tuesday, 5 September 2017
Record date	Wednesday, 6 September 2017
Payment date	Friday, 15 September 2017

## **Outlook for Distributions**

The Directors have also reaffirmed distribution guidance for 2017 and 2018, subject to business conditions, of 15.25 cps and 16.0 cps, representing annual growth of 5.2% and 4.9% respectively.

Further information:

**Mario Falchoni**  
General Manager, Investor Relations and Corporate Affairs

**Phone: 02 9086 3607**  
**Mobile: 0418 401 415**

1. Prior Period (HY2016) results have been adjusted to exclude Spark Infrastructure’s net interest in derivative contracts associated with DUET Group which was disposed of during HY2016
2. Includes \$36.2 million of distributions from Victoria Power Networks received by way of repayments of shareholder loans and classified as investing activities for statutory reporting purposes.
3. Includes interest income from Associates, Spark Infrastructure’s share of equity accounted profits and other income.