



# ASX RELEASE

Monday, 27 February 2017

## DELIVERING GROWTH IN DISTRIBUTIONS

### Highlights (12 months ended 31 December 2016)

- Standalone Operating Cashflow<sup>1</sup> up 47.4% to \$305.6 million
- Final distribution declared of 7.25cps, in line with 2016 guidance of 14.5cps up 20.8% on 2015
- Distributions fully covered on both a standalone and look-through basis
- Underlying Profit before Loan Note Interest and Tax down 14.1% to \$225.8 million
- Underlying Net Profit after Tax down 32.3% to \$81.1 million
- Statutory Net Profit after Tax down 7.9% to \$81.1 million
- Orderly divestment of the economic interest in DUET Group during the year
- VPN's World CLASS efficiency program achieving \$167.0 million p.a. in savings
- TransGrid growing its unregulated infrastructure connections business – seven connection agreements negotiated in the past twelve months

Spark Infrastructure has today released its results for the 12 months ended 31 December 2016. Standalone operating cashflow was up 47.4% on the previous corresponding year to \$305.6 million. Distributions from the investment portfolio were up across the board.

The Underlying Profit before Loan Note Interest and Tax for the year decreased by 14.1% to \$225.8 million compared to the previous corresponding year. The decrease in underlying profit resulted mainly from lower equity accounted share of profits from SA Power Networks (SAPN) and Victoria Power Networks (VPN) who have been operating under the revenue allowances provided in their Preliminary Determinations for the first year of their new regulatory periods. This result included the first full year of contribution from TransGrid which was acquired on 16 December 2015.

The Final Determinations for SAPN and VPN now received from the Australian Energy Regulator (AER) provide for significantly higher revenues than their respective Preliminary Determinations with the additional revenues (plus interest) being recovered over years 2-5 of the respective regulatory periods (i.e. from 1 July 2016 for SAPN and from 1 January 2017 for VPN) under a 'no disadvantage true up' mechanism. SAPN will recover an additional \$626 million of revenue and VPN an additional \$180 million of revenue, relative to their Preliminary Determinations, over the remaining years of their current regulatory periods.

Commenting on the results, Dr Doug McTaggart, Chair of Spark Infrastructure said, "Spark Infrastructure's investment portfolio continues to demonstrate strong cashflow generating capacity. Our standalone cashflows in 2016, which include the first full year of distributions from TransGrid and a step-up in distributions from VPN, are up 47% for 2016. We are pleased to reaffirm our forward distribution guidance of 15.25cps for 2017 and continuing to grow by around 5% to 16cps in 2018".

"Our electricity distribution networks continue to be among the most efficient businesses in the market. This has been confirmed once again in the independent regulator's recent 2016 Benchmarking report which ranks CitiPower, SAPN and Powercor as the top three networks. VPN's World CLASS program is a prime example of the efficiency focus; delivering annual savings of \$167 million", said Mr. Rick Francis, Managing Director of Spark Infrastructure.

"TransGrid continues to deliver against the acquisition business plan with its focus on cultural transformation, efficiency improvements and growing non-regulated business revenues. The pipeline of opportunity for its infrastructure services business, connecting renewable generation to the grid, is substantially greater and moving faster than we forecast at the time of acquisition," said Mr. Francis.

"TransGrid's regulatory proposal for the 2018-2023 regulatory period, submitted to the AER in January, also includes additional capital expenditure designed to cater for growth and improved security of supply in NSW. We also see great opportunity to provide increased network interconnection across the National Electricity Market that we believe will benefit consumers across the eastern states by delivering a reliable supply of energy from both traditional and renewable sources," Mr. Francis added.

## Performance summary

Spark Infrastructure financial performance	2016 (\$m)	2015 (\$m)	Variance (%)
Total Underlying income <sup>2</sup>	243.9	280.6	(13.1)
Underlying Profit before Loan Note Interest and Tax	225.8	262.8	(14.1)
Underlying Net Profit after Tax	81.1	119.7	(32.3)
Net Profit after Tax (statutory)	81.1	88.0	(7.9)
Standalone operating cashflows <sup>1</sup>	305.6	207.4	47.4

## 2016 Final Distribution

In line with guidance the Board has declared a final cash distribution for 2016 of 7.25 cps. The final distribution is payable on 15 March 2017, and consists of 3.55 cps interest on Loan Notes for the period and 3.70 cps capital distribution. Distributions are fully covered by both standalone and look-through operating cashflows. The final 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	Friday, 3 March 2017
Record date	Monday, 6 March 2017
Payment date	Wednesday, 15 March 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:

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1. Includes \$65.0 million of distributions from Victoria Power Networks received by way of repayments of shareholder loans and classified in investing activities for statutory reporting purposes.
2. Includes interest income from associates, Spark Infrastructure's share of equity accounted profits, gains from derivative contracts and other income.