

CHAIRMAN'S REPORT



IN 2009, OUR FOCUS WILL REMAIN ON THE OPERATIONS OF OUR THREE ELECTRICITY DISTRIBUTION BUSINESSES. WE WILL SEEK TO TAKE ADVANTAGE OF OPPORTUNITIES FOR ORGANIC GROWTH WITHIN THE EXISTING ASSET PORTFOLIO AND TO PLAN FOR THE REGULATORY RESETS WHICH WILL OCCUR IN 2010 AND 2011.

STEPHEN JOHNS, CHAIRMAN

DEAR SECURITYHOLDER,

I am pleased to report that Spark Infrastructure has again recorded a solid financial result for the 2008 year based on the strong operational performance of ETSA Utilities, CitiPower and Powercor, the three Australian electricity distribution businesses in which Spark Infrastructure has a 49% interest. Each of these businesses and their associated electricity distribution networks is operated by highly skilled management teams which have consistently exceeded their financial and operational targets over a number of years. They also have the benefit of a number of built-in protections provided by the current regulatory provisions.

At the beginning of the year, your Board provided guidance in relation to the 2008 distributions to Securityholders and indicated an increase in the range of 2.0% to 2.5% over the previous year. The total distribution to Securityholders for 2008 is 18.51 cents per stapled security which represents a 2.5% increase over the 2007 year and reflects the upper end of our guidance.

It is important to note that our distributions are underpinned by the operational cashflows of ETSA Utilities, CitiPower and Powercor. This, serves to make Spark Infrastructure a reliable long term investment.

Notwithstanding Spark Infrastructure's solid performance, the past year has proved difficult in view of the volatile financial and economic conditions both here in Australia and internationally. The Directors are very disappointed that Spark Infrastructure's security price has been adversely affected despite the fact that we continue to provide predictable and solid cashflows through our asset companies.

In 2009, our focus will remain on the operations of our three electricity distribution businesses. We will seek to take advantage of opportunities for organic growth within the existing asset portfolio and to plan for the regulatory resets which will occur in 2010. In the case of ETSA Utilities, this will take effect from 1 July 2010 and from 1 January 2011 in the case of CitiPower and Powercor. These resets occur every five years and are the mechanism by which the Australian Energy Regulator (AER) sets the revenue for the asset businesses.

An important element of the regulatory reset process for all regulated infrastructure businesses is the AER's decision on the weighted average cost of capital for infrastructure investment. The AER issued a draft decision in December 2008 which participants in the infrastructure sector have considered unfavourable in a number of respects. Spark Infrastructure has contributed to a joint submission to the AER through the Financial Investors Group, seeking a number of changes. In addition, the asset businesses have participated in a submission to the AER by the Energy Networks Association, the industry group of which they are members, which also seeks changes to the draft decision. The AER's final decision is expected by 1 May 2009.

In providing for future distributions to Securityholders, Spark Infrastructure will continue with its policy that distributions be supported by the operating cashflows of the underlying businesses. In formulating a sustainable distribution policy we also consider prudent cash management in light of prevailing market conditions, future funding needs and the anticipated impact of future regulatory decisions. Accordingly, your Directors

are not currently in a position to provide distribution guidance for 2009 and will review this situation following the release of the AER's final decision on WACC parameters.

Over the three years since the listing of Spark Infrastructure on the Australian Securities Exchange in December 2005, we have demonstrated consistent performance by the asset companies and provided solid distributions to Securityholders. Notwithstanding the current difficult market conditions, your Board believes Spark Infrastructure continues to provide an attractive investment proposition for investors in the infrastructure sector.



STEPHEN JOHNS
CHAIRMAN

SPARK INFRASTRUCTURE