MEDIA RELEASE

Monday, 23 August 2010

SPARK INFRASTRUCTURE RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2010 BASED ON STRONG PERFORMANCE OF ASSET COMPANIES

Spark Infrastructure today announced another strong underlying Half Year 2010 performance based on consistent growth in the regulated electricity distribution network activities of the three electricity distribution businesses in which Spark Infrastructure has a 49% interest – ETSA Utilities, CitiPower and Powercor Australia (Powercor).[1]

HY 2010 Financial Results

- Spark Infrastructure underlying income was up 9.4%
- Prescribed (regulated) revenue was up 4.5% due to improved tariff mix and increased metering revenue
- Operating cashflows were down 54.4% due to lower levels of distributions and loan repayments from the Asset Companies which were retained to fund regulated capital expenditure growth. The timing of distributions receivable from the Asset Companies across 2010 is also significantly different to that of the prior year, with a larger portion of planned distributions due to be received in the second half of the 2010 year. Spark's share of the Asset Companies' look-through operating cashflow for the period was $84.1m

Spark Infrastructure financial performance	HY 2010 ($m)	HY 2009($m)	Variance (%)
Total income (underlying)[2 3]	150.2	137.3	+9.4%
Profit before loan note interest and tax (underlying) [3]	128.0	117.2	+9.2%
Operating and investing cashflows (stand alone)	44.0	96.4	-54.4%

HY 2010 Highlights

- Spark Infrastructure entered into underwritten refinancing commitments for up to $450 million to refinance all of its existing bank debt facilities, including undrawn debt facilities. The commitments were jointly underwritten by NAB and Westpac. The new facilities and underwritten commitment means, once the new facilities are drawn down to repay existing Spark level debt, there will be no debt maturities at the Spark level until August 2013
- ETSA Utilities commenced its new five year regulatory period on 1 July 2010
- CitiPower and Powercor have provided revised proposals to the Australian Energy Regulator (AER) following the release of the regulator's draft decision in June 2010
- Distribution to Securityholders of 6.72 cents per security declared for HY 2010
- Spark Infrastructure had surplus cash reserves of $87.7 million at balance date. This is available for use in the business, including equity contributions for the funding of capital expenditure of the Asset Companies and to pay distributions to Securityholders.

Strategic Review

In February 2010 Spark Infrastructure announced a Strategic Review to explore and evaluate a wide range of options associated with capital structure, ownership structure and future funding needs.

This arose in the context of changes in the environment for infrastructure investment (particularly in the listed market) over the past 18-24 months, and in the approach to the funding of investment and capital expenditure post the global financial crisis. In addition, the total amount of required capital expenditure of the Asset Companies is expected to roughly double in the next regulatory period and the Asset Companies have indicated they wish to retain a greater proportion of cash from operations to fund the expected rise in capital expenditure. Ensuring that the expected organic growth in the Asset Companies continues to be appropriately funded remains a priority for

Spark Infrastructure and the other shareholders in the Asset Companies. Discussions in relation to business plans which cover the next regulatory period are ongoing.

The Board has put in place governance protocols and established a committee of the Independent Directors to manage any conflicts of interest that may arise within the Strategic Review process and regulate the flow of information as appropriate amongst the Board, the Independent Directors, the Asset Companies, the asset partners (CKI and HKE) and Spark Infrastructure's Manager[4]. The Board, which operates with a majority of Independent Directors, will assess the Strategic Review outcomes.

The Independent Directors have been undertaking detailed evaluation of a range of options and this process continues. Since the Strategic Review was announced in February, there have been a number of milestones in relation to the regulatory reset process for the Asset Companies and extensive discussions with external stakeholders have been undertaken, each with consequential impacts on the Strategic Review timeline.

The Directors will carefully consider all the available options in order to ensure the outcome reached is in the best interests of Securityholders and expect that an outcome to the Strategic Review will be determined by 30 November 2010. Spark Infrastructure will keep the market informed of any developments.

Distributions

The Board has declared a cash distribution of 6.72 cents per security for the six months ended 30 June 2010, payable on 15 September 2010, which consists entirely of interest on Loan Notes for the period.

As previously announced, the Asset Companies have indicated their desire to retain a greater proportion of cash from operations to contribute to the funding of growth capital expenditure. This could limit their cash distributions to their shareholders during the next regulatory period. In turn, this could affect the level of distributions Spark Infrastructure is able to pay to its Securityholders from the cash it receives from the Asset Companies.

The Strategic Review continues to explore a range of options including proposals that involve asset sales or a change of control of Spark Infrastructure, changes in corporate structure, changes in capital structure and capital raisings. The eventual outcome of the Strategic Review may impact the composition of the total return to Securityholders in relation to the balance between distribution yield and capital growth, in future periods.

Therefore, the Directors are not in a position to provide guidance on future distributions at this time and note that historical distributions are not indicative of future distributions.

It is expected that the outcome of the Strategic Review will be determined by 30 November 2010, and that Directors will be able to provide future distribution guidance by this date. It should be noted that the interest rate applicable to the Loan Notes (currently 10.85%) is due to be reset on 30 November 2010. The interest rate can either be reset to the prevailing swap rate or bank bill rate plus 4%, or left unchanged.

Key dates - September 2010 distribution

Item	Date
Announcement date	Monday, 23 August 2010
Ex date	Thursday, 26 August 2010
Record date	Wednesday, 1 September 2010
Payment date	Tuesday, 15 September 2010

Asset Company performance

The Asset Companies maintained steady growth paths in relation to customer numbers, revenue and earnings figures. Organic growth remains at the core of the Asset Companies' growth strategies, which continue to invest in the renewal and expansion of their networks to maintain and where possible enhance asset performance and reliability. During the period, a total of $254.6 million in net capital expenditure (Spark Infrastructure's share $124.8 million) was invested by the Asset Companies which represented an increase of 36.7% over the previous corresponding period. Of the total, 70.4% was growth related. Net capital expenditure is included in the Regulated Asset Base (RAB) of the Asset Companies by the regulator and this, in turn, leads to increased operating revenue in future periods.

Aggregated Asset Company performance (100% basis)	HY 2010($m)	HY 2009 ($m)	Variance (%)
Total revenue[5]	889.6	880.4	+1.0
Prescribed revenue[6]	644.5	616.8	+4.5
Non-prescribed revenue[7]	245.1	263.6	-7.0
EBITDA	664.4	627.9	+5.8
Capital expenditure	254.6	186.2	+36.7

All three electricity distribution networks continued to maintain strong network availability ratings in the first half of 2010. ETSA Utilities, CitiPower and Powercor continue to be the most reliable electricity distribution businesses of their kind in Australia.

Regulatory Resets

The AER has maintained the same building block arrangements for revenue allocation. Service and efficiency incentive mechanisms are similar in nature to those which applied in the previous regulatory period. The regulatory framework continues to provide a range of in-built protections to investors including inflation protection for revenue and for the Regulated Asset Base, immediate returns for capital expenditure, and the opportunity to benefit from out-performance.

The AER released its final decision for ETSA Utilities in May 2010. This took effect from 1 July 2010. The AER's decision confirms strong growth in capital expenditure, future revenues and in the Regulated Asset Base. However, ETSA Utilities has been granted a review by the Australian Competition Tribunal of the AER's decision regarding the value of imputation credits (gamma) and the level of its opening RAB. Hearings on this matter are expected to commence on 13 September 2010 and a decision is expected in November 2010. ETSA Utilities' regulatory framework over the current 5 year regulatory period compared to the recently expired period is as follows:

ETSA Utilities (June year end)	2010-2015	2005-2010
Beta	0.8	0.9
Risk Free Rate (Nominal)	5.89%	5.8%
Debt risk premium (DRP)	2.98%	1.65%
Market risk premium (MRP)	6.5%	6.0%
Nominal vanilla WACC	9.76%	8.95%
Nominal post tax return on equity	11.09%	11.2%
Gamma (Imputation)	0.65	0.5
Net capex over 5 years ($June 2010)	$1,643m	$886m
Opex over 5 years ($June 2010)	$1,066m	$760m
Revenue (Nominal)	$3,637m	$2,518m

The AER released its draft decision for all electricity distribution businesses in Victoria, including CitiPower and Powercor in June 2010. The AER's draft decisions were disappointing in a number of aspects particularly in relation to the amount of capital expenditure permitted to renew infrastructure and maintain reliability to consumers.

The Victorian Asset Companies have submitted their revised proposals and now await the AER's final decision which is expected in October 2010. The revised proposals include challenges to the AER's position in relation to capital and operating expenditure allowances, treatment of efficiency carry-over amounts, energy volume forecasts, pass throughs and alternative control services. The final decision will take effect from 1 January 2011. The AER's draft decision in comparison to the current regulatory period is as follows:

CitiPower and Powercor (December year end)	2011-2015	2006-2010
Beta	0.8	1.0
Risk Free Rate (Nominal)	5.65%	5.27%
Debt risk premium (DRP)	3.25%	1.43%
Market risk premium (MRP)	6.5%	6.0%
Nominal vanilla WACC	9.68%	8.61%
Nominal post tax return on equity	10.85%	11.27%
Gamma (Imputation)	0.65	0.5
Net capex over 5 years ($June 2010)	$1,576m	$1,412m
Opex over 5 years ($June 2010)	$807m	$831m
Revenue (Nominal)	$3,413m	$3,090m

Debt position

On 29 June 2010 Spark Infrastructure announced that it had entered into underwritten refinancing commitments to refinance up to $450 million for all of its existing bank debt facilities, including undrawn debt facilities. The commitments were jointly underwritten by NAB and Westpac.

The first new debt facility of $250 million will be used to repay Spark Infrastructure's existing $225 million debt maturity due in December 2010, leaving $25 million of undrawn debt facilities. This new facility comprises a 3-year revolving facility of $165 million and a 4-year term loan of $85 million. Syndication for this first tranche is well progressed.

The second new debt facility of up to $200 million is intended to refinance Spark Infrastructure's existing $200 million debt maturity that comes due in June 2011. This facility will comprise a 3-year revolving facility of $135 million and a 4-year term loan of $65 million. The timing and final amount for the syndication of this debt facility is contingent on the outcomes of the Strategic Review and will be re-assessed over the next few months.

At 30 June 2010, Spark Infrastructure's net debt position (net of cash on hand and on deposit) was $337.3 million. Spark Infrastructure also currently holds two undrawn working capital facilities of $50 million each which will be cancelled as part of the new arrangements. After completion of the refinancings, Spark Infrastructure will have no debt maturities until August 2013 while the Asset Companies have no debt maturities until June 2011 when $350 million falls due for Powercor.

At the end of the period, Spark Infrastructure's net gearing including its proportionate share of the Asset Companies' debt, was 60.4%[8], with effective interest rate hedging of 89.5%.

Outlook

The Asset Companies continue to experience steady growth in regulated electricity distribution revenues and have maintained a steady flow of non-prescribed revenues in their respective businesses.

Given the commencement of the new regulatory period for ETSA Utilities and the upcoming release of the AER's final decision for CitiPower and Powercor, the portfolio of Asset Companies is approaching the point in the regulatory cycle which offers the greatest degree of certainty. Spark Infrastructure notes that ETSA Utilities has been granted leave to appeal by the Australian Competition Tribunal in relation to the value of imputation credits (gamma) and the level of its opening RAB; while the AER's final decision for CitiPower and Powercor is expected in October 2010 following the consideration of revised submissions from the Asset Companies.

Future distributions will be subject to the outcome of the Strategic Review and finalisation of the Asset Company business plans. Therefore guidance for future periods cannot be provided at this stage. The Strategic Review is well advanced and the Board will keep the market appropriately informed of developments.

Further information:

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1 Spark Infrastructure holds 49% interests in three electricity distribution businesses – being ETSA Utilities based in South Australia, and CitiPower and Powercor based in Victoria. CitiPower owns the electricity distribution network in Melbourne's CBD and inner suburbs servicing around 308,000 customers; Powercor owns the largest electricity distribution network in Western Victoria covering 65% of the State and around 706,000 customers. ETSA owns South Australia's only significant electricity distribution business with around 817,000 residential, commercial and industrial customers.

2 Underlying figures exclude certain non-cash and non-operating items which do not relate to the year's underlying performance. The directors consider that underlying figures provide a clearer explanation of Spark's operating performance.

3 Consists of interest income from associates, Spark Infrastructure's share of equity accounted profits and other income less movements in financial instruments taken to the Profit & Loss account by the associates.

4 The Manager of Spark Infrastructure is 50% jointly owned by Cheung Kong Infrastructure (CKI) and RREEF Infrastructure (RREEF).

5 Aggregate revenue excludes transmission revenue, which is collected on behalf of others and does not contribute to profit.

6 All metering related revenue is included in Prescribed Revenue for CHEDHA.

7 Non-prescribed business activities includes semi-regulated activities such as customer contributions, meter reading, and public lighting; and unregulated activities such as the provision of construction, maintenance and back office services to third parties.

8 Excludes the Loan Notes principal attributable to Securityholders which is subordinated to senior debt. Net gearing is net of cash on hand.