MEDIA RELEASE

Tuesday, 22 February 2011

SPARK INFRASTRUCTURE REPORTS STRONG RESULTS FOR 2010 AND RAISES FUTURE DISTRIBUTION GUIDANCE

Spark Infrastructure today announced strong full year results for the 2010 year. Underlying profit before Loan Note interest to Securityholders was $240.0 million, an increase of 7.1% on the previous year.

The Directors have declared a final cash distribution of 6.82 cents per security (cps) for the December 2010 half year, bringing the full year's distribution to 13.54 cps.

Highlights of 2010

- Good operational performances of the three Asset Companies in which Spark holds a 49% interest – ETSA Utilities in South Australia, and CitiPower and Powercor Australia in Victoria[1].
- Satisfactory regulatory determinations for the Asset Companies from the Australian Energy Regulator (AER) for the new five year regulatory period to 2015.
- Successful completion of the $295 million equity raising in October 2010, and the corporate restructuring of Spark Infrastructure in December 2010.

As a result of the above factors and the in principle agreement reached with Spark's co-shareholders in relation to the Asset Companies' business plans for the period to 2015[2], Directors have increased their distribution guidance for 2011 to 9.25 cps, up from 9.11 cps previously.

"We now have clarity for the new five year regulatory period and this, together with our strong cash position, has given us confidence at this point in the regulatory cycle to increase the distribution guidance for 2011", said Stephen Johns, Chairman of Spark Infrastructure.

FY 2010 Financial Results

Spark Infrastructure financial performance	FY 2010 ($m)	FY 2009($m)	Variance (%)
Total income (underlying)[3 4]	290.6	266.0	+9.2
Profit before Loan Note interest and tax (underlying) [4]	240.0	224.0	+7.1
Operating and investing cashflows (stand alone)	134.7	196.9	-31.6

- Strong cash distributions from Asset Companies of $175.8 million in accordance with agreed business plans.
- Operating and investing cashflows have declined in the period as a result of the retention of cash by the Asset Companies to fund capital expenditure and to reduce gearing.
- Spark Infrastructure had cash reserves of $89.3 million, and undrawn facilities of $125.0 million, at balance date.

The New Spark

Spark Infrastructure successfully completed an extensive Repositioning in 2010. This included:

- an equity raising to reduce debt and fund future organic growth of the Asset Companies, and
- simplification of Spark's corporate structure to increase transparency and financial flexibility.

These initiatives have established the framework for Spark Infrastructure to support, and in turn benefit from, the strong organic growth expected in the Asset Companies. The value this will deliver to our Securityholders is based on the following elements:

1. Growing equity ownership
   - The Regulated Asset Bases (RABs) of the Asset Companies are expected to grow from $6.8 billion to around $10 billion over the new five year regulatory period as a result of a substantial increase in growth capital expenditure.
   - At the same time, the Asset Companies plan to deleverage their balance sheets with their ratio of net debt to RAB expected to decline from around 80% at 31 December 2010 towards 75% by the end of 2015.

2. Predictable cashflows from the Asset Companies
   - The regulatory outcomes for the new five year period are now largely established, thereby providing a high degree of certainty for cashflows in the medium term.
   - These outcomes, together with the business plans adopted by the Asset Companies for the new cycle, provide a sound basis for growing distributions over the new five year period.

3. Streamlined structure
   - Simplified structure with the creation of a single ASX listed entity is expected to provide broader investor appeal.

"As announced at the conclusion of the Strategic Review in September last year, Spark Infrastructure has shifted from a business focussed primarily on a high yield to an investment offering a solid distribution yield and capital growth through the Group's equity investment in the Asset Companies' Regulatory Asset Bases. The change in the composition of the overall return to Securityholders should appeal to longer term investors", said Mr Johns.

Distributions

The Board has declared a final cash distribution of 6.82 cps for the six months ended 31 December 2010, payable on 15 March 2011, which consists entirely of interest on Loan Notes for the period.

Previously, the distribution guidance for the final distribution for 2010 was around 5.6cps based on a revised method for calculating Spark Infrastructure's Loan Note interest obligations[5]. As a consequence of an independent review of the method of calculation, the Directors have decided to maintain the original method of calculation of Loan Note interest[5]. This will result in a payment of 6.82cps for the six months to 31 December 2010, but will not have an impact on the level of distributions anticipated for future periods.

In addition, the Directors have increased their distribution guidance for 2011 to 9.25 cps, up from 9.11 cps. The Directors are confident of growing distributions over the new five year regulatory period, subject to business conditions.

The Directors have decided that the distribution reinvestment plan (DRP) will remain suspended at this point in time.

The Directors also confirm that except for the possible future operation of the DRP they do not expect to raise further equity capital to fund future organic growth in the Asset Companies over the new five year regulatory period.

Key dates - March 2011 distribution

Item	Date
Announcement date	Tuesday, 22 February 2011
Ex date	Wednesday, 2 March 2011
Record date	Tuesday, 8 March 2011
Payment date	Tuesday, 15 March 2011

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 $673.6 million in net capital expenditure (Spark Infrastructure's share $330.1 million) was invested by the Asset Companies which represented an increase of 44.0% over the previous year. Of the total, 70.7% was growth related. Net capital expenditure is included in the RAB of the Asset Companies by the AER and this, in turn, leads to increased regulated revenue in future periods.

Aggregated Asset Company performance (100% basis)	FY 2010($m)	FY 2009 ($m)	Variance (%)
Total revenue[6]	1,859.7	1,762.1	5.5
Prescribed revenue[7]	1,342.5	1,240.8	8.2
Non-prescribed revenue[8]	517.2	521.3	(0.8)
EBITDA	1,346.1	1,259.9	6.8
Capital expenditure	673.6	467.7	44.0
Distributions paid (Spark's 49% share)			
ETSA Utilities	110.8	102.8	7.8
CitiPower and Powercor (CHEDHA)	65.0	132.2	(50.8)

In November 2010 CHEDHA deferred $17.6 million (Spark Infrastructure's share) of sub-ordinated interest payable. This interest is forecast to be paid in the first half of 2011, including compound interest. No further interest deferral is expected under the current Asset Company business plans.

New five year regulatory periods

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 against regulatory benchmarks.

The AER released its final decision for ETSA Utilities in May 2010 and this took effect from 1 July 2010. It released its final decisions for CitiPower and Powercor in October 2010 and these took effect from 1 January 2011.

The AER's final decisions confirm strong growth in capital expenditure, future revenues and in the RAB for each of the Asset Companies. In fact, capital expenditure is expected to roughly double compared to the past five year regulatory period.

In addition, ETSA Utilities was 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. If successful in relation to the matter pertaining to the level of its opening RAB this will result in an uplift to its opening RAB of up to $127 million and additional revenue of up to $51 million over the new five year regulatory period. An outcome on this is expected shortly.

An outcome in relation to gamma is not expected until the second quarter of 2011. A positive outcome on this matter may also be of benefit to CitiPower and Powercor as they have also appealed a number of elements of their final decisions, including gamma. The resolution of the CitiPower and Powercor appeal is also expected in the second quarter of 2011. Spark Infrastructure notes that the final AER decision (which is subject to appeal) included gamma of 0.5 for CitiPower and Powercor, compared to 0.65 for ETSA Utilities.

Importantly for our investors, the regulatory decisions include nominal post tax returns on equity of 11.09% for ETSA Utilities and 10.28% for CitiPower and Powercor, based on risk free rates of 5.89% and 5.08% respectively. Debt risk premiums in the recent decisions have also increased significantly over the prior regulatory period to compensate for the prevailing market conditions which have seen debt costs rise.

Debt position

At 31 December 2010, Spark Infrastructure's net debt position (net of cash on hand and on deposit) was $35.7 million which equates to a standalone net gearing ratio of only 1.6%. Spark Infrastructure has no debt maturities until September 2013 while the Asset Companies have no debt maturities until December 2011 when $350 million falls due for Powercor. It is well progressed in the refinancing of this maturity.

At the end of the period, Spark Infrastructure's net gearing including its proportionate share of the Asset Companies' debt, was 54.7%[9], with effective interest rate hedging of 99.4% on a net debt basis.

At 31 December 2010 Spark Infrastructure had available funding sources of $214 million (comprising undrawn debt facilities of $125 million and cash of $89 million).

The Asset Companies continue to maintain an A- credit rating from Standard and Poor's, while Spark Infrastructure is rated Baa1 by Moody's. Both ratings are on stable outlook.

Outlook

The Asset Companies are entering an exciting period of growth. The AER has approved capital expenditure over the next five years that will drive increased growth in the RABs of the Asset Companies. Correspondingly, increased revenues of the Asset Companies have also been approved by the regulator.

Funding of this capital expenditure in line with the AER's assumptions will lead to long term growth in Spark Infrastructure's equity investment in the Asset Companies' RABs.

Given the commencement of the new regulatory periods for ETSA Utilities, CitiPower and Powercor, the Asset Companies are at a point in the regulatory cycle which offers the greatest degree of certainty.

The Directors look forward to the future with confidence, and subject to business conditions, believe that Spark will have the ability to grow distributions over the new five year regulatory period.

Except for the possible activation of the DRP in the future, the Directors do not expect to raise further new equity capital to fund future organic growth in the Asset Companies over the new five year regulatory period.

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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 310,000 customers; Powercor owns the largest electricity distribution network in Western Victoria covering 65% of the State and around 716,000 customers. ETSA owns South Australia's only significant electricity distribution business with around 820,000 residential, commercial and industrial customers.

2 The Asset Company business plans are subject to business conditions and annual review.

3 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.

4 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.

5 Securityholders approved a reduction in the face value of Loan Notes from $1.25 to $0.65 at an Extraordinary General Meeting held on 9 December 2010. This took effect from the Implementation Date of the Restructure on 31 December 2010. The interest rate is unchanged at 10.85%. Previous distribution guidance was based on an interpretation of the Loan Note Trust Deed using a calculation period from 15 September 2010 to 14 March 2011, with interest on the revised Loan Note face value of $0.65 applying from mid-December 2010. This would have resulted in a lower interest calculation for the distribution payable on 15 March 2011. We have now confirmed that Loan Note interest is payable for the periods from 1 January to 30 June, and from 1 July to 31 December, which corresponds to the interest payment periods used by Spark Infrastructure since listing on the ASX in 2005. Distributions continue to be payable on 15 March and 15 September each year.

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

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

8 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.

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