MEDIA RELEASE

Friday, 26 February 2010

SPARK ANNOUNCES STRONG RESULTS FOR FULL YEAR 2009 AND INITIATES STRATEGIC REVIEW

Spark Infrastructure today announced a strong Full Year 2009 result which includes an increase in total underlying income[1] of 14.5% to $266.0 million compared to the previous corresponding period. This led to an increase in underlying profit before loan note interest and tax of 17.7% to $224.0 million and a final distribution for 2009 of 6.84 cents per security (cps).

The improved performance resulted from continued growth in the regulated electricity distribution networks and non-prescribed business activities[2] within the three electricity distribution businesses in which Spark Infrastructure has a 49% interest – ETSA Utilities, CitiPower and Powercor Australia (Powercor).[3]

Spark Infrastructure also announced it will undertake a Strategic Review with the view to maximising Securityholder value in light of changing market conditions. The review follows steps taken by the Board in May 2009 to address capital and regulatory developments.

FY 2009 Results Highlights

- Spark Infrastructure underlying income was up 14.5%
- Operating cashflows were up 8.3%
- The final distribution for 2009 is 6.84cps taking total distributions for the year to 13.56 cents per security in line with prior guidance
- Prescribed revenue was up 7.6% due to improved tariff mix and increased metering revenue
- The Asset Companies successfully refinanced a total of $1,125 million of debt in 2009 and raised $200 million of new debt to fund future capital expenditure. There are now no debt maturities at the Asset Company level until June 2011.

Spark Infrastructure financial performance	FY 2009 ($m)	FY 2008 ($m)	Variance (%)
Total income (underlying)[1 4]	266.0	232.4	14.5
Profit before loan note interest and tax (underlying) [4]	224.0	190.4	17.7
Operating and investing cashflows (stand alone)	196.9	181.9	8.3

Distributions	FY 2009	FY 2008
Final distribution	6.84cps	9.26cps
Full Year distribution	13.56cps	18.51cps

The Directors declared a final distribution of 6.84cps taking total distributions for the 2009 year to 13.56cps in line with the announcement made in May 2009 which reflects the interest payable on the Loan Notes for the 2009 year. This distribution is a reduction of 4.95cps from the 2008 total distribution of 18.51cps.

Spark Infrastructure had surplus cash reserves of $114.3 million at balance date as a result of the reduced distribution and the operation of the DRP in 2009. These reserves are available for use in the business, including equity contributions for the funding of capital expenditure of the Asset Companies.

Asset Company performance

The Asset Companies maintained steady growth trajectories 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 improve asset performance and reliability. During the period, a total of $467.7million in net capital expenditure (Spark Infrastructure's share $229.2 million) was invested by the Asset Companies which represented an increase of 6.9% over the previous corresponding period. Of the total, 66.4% was growth related. Net capital expenditure is included in the regulated asset bases of the Asset Companies by the electricity regulator and this, in turn, leads to increased operating revenue in future periods.

Aggregated Asset Company performance (100% basis)	FY 2009 ($m)	FY 2008 ($m)	Variance (%)
Total revenue[5]	1,762.0	1,639.8	7.5
Prescribed revenue[6]	1,240.8	1,153.6	7.6
Non-prescribed revenue[2]	521.3	486.2	7.2
EBITDA	1,259.9	1,129.9	11.5
Capital expenditure	467.7	437.7	6.9

All three electricity distribution networks continued to maintain strong network availability ratings in 2009, and were able to maintain high levels of reliability despite extreme weather conditions in the first half of 2009, including the severe bushfires in Victoria which occurred in February 2009. ETSA Utilities, CitiPower and Powercor continue to be the most reliable electricity distribution businesses in Australia.

Distributions

The Directors have declared a final distribution of 6.84cps for the 6 months ended 31 December 2009, taking total distributions for the year to 13.56cps. This is in line with distribution guidance provided earlier in the year. The final distribution for the 2009 year of 6.84cps will be paid on 15 March 2010.

Key dates - March 2010 distribution

Item	Date
Announcement date	Friday, 26 February 2010
Ex date	Wednesday, 3 March 2010
Record date	Wednesday, 10 March 2010
Payment date	Monday, 15 March 2010

Regulatory Resets

The most significant upcoming event for the Asset Companies is the next regulatory reset, which will be effective from 1 July 2010 for ETSA Utilities and from 1 January 2011 for CitiPower and Powercor.

The Australian Energy Regulator (AER) released its draft decision on ETSA Utilities at the end of November 2009, and this was followed by a revised proposal from ETSA Utilities to the Regulator in January 2010. ETSA Utilities now awaits the final regulatory decision, which is due by the end of April 2010. CitiPower and Powercor made their initial submissions to the AER in November 2009 and now await the AER's draft decision which is expected in May 2010. The draft decision for ETSA Utilities included the following over the 5 year reset period:

Over 5 year regulatory period	AER Draft decision	ETSA Submission	Current regulatory period 2005-10
Beta	0.8	0.8	0.9
Gamma (Imputation)	0.65	0.5	0.5
Risk free rate	5.37%	4.22%	5.8%
Debt risk premium (DRP)	4.29%	4.57%	1.65%
Market risk premium (MRP)	6.5%	8.0%	6.0%
Nominal vanilla WACC	10.02%	9.52%	8.95%
Nominal post tax return on equity	10.57%	10.62%	11.2%
Capital expenditure ($Jun 2010)	$1,632m	$2,304m	$886m
Operating expenditure ($Jun 2010)	$1,012m	$1,122m	$760m
Revenue (Nominal)	$3,549m	$3,902m	$2,508m

Debt position

The Asset Companies successfully refinanced a total of $1,125 million of existing debt in 2009 and raised $200 million of new debt to fund future capital expenditure. ETSA Utilities refinanced $750 million of debt which matures in April 2010 by raising $625 million via a United States Private Placement (USPP) in July and completed the remainder through new bank debt in December 2009. In September CitiPower refinanced $175 million which fell due in February 2010; and in October Powercor Australia raised $300 million to refinance $200 million in bank facilities which falls due in September 2010, and to fund expected future capital expenditure requirements. There are no debt maturities at the Asset Company level until June 2011.

Spark Infrastructure's next debt maturity falls due in December 2010, when a $225 million tranche of its syndicated bank facility matures. Spark Infrastructure is in the process of refinancing this debt facility.

At the end of the period, Spark Infrastructure's net gearing including its proportionate share of the Asset Companies' debt, was 60.7%[7], with effective interest rate hedging of 93.0%.

Strategic Review

Spark Infrastructure will undertake a Strategic Review to consider its capital structure, ownership structure and future funding needs. The Strategic Review follows on from steps taken by the Board in May 2009 to address capital and regulatory developments. At that time, the Board announced two measures, the retention of cash reserves from the operations of the Asset Companies through a reduction in distributions and activation of the distribution reinvestment plan to retain cash reserves. These measures were designed to meet Spark Infrastructure's funding requirements for the forecast increased growth capital expenditure requirements of its Asset Companies until the end of 2010.

At the same time, the Board said it would continue to review the appropriateness of Spark Infrastructure's capital structure in light of changing market conditions and, in particular, its future funding needs as and when there was further clarity on the decisions around the regulatory resets for the Asset Companies for the next five year period. The AER issued its draft determination on ETSA Utilities on 30 November 2009, and is expected to release its final decision in April 2010. Its draft decisions for CitiPower and Powercor are expected by the end of May 2010.

Spark Infrastructure and its 51% partners at the Asset Company level (Cheung Kong Infrastructure and Hong Kong Electric) are reviewing business plans for the three Asset Companies. In doing so, Spark Infrastructure recognises that the environment for infrastructure investment (particularly in the listed market) has changed significantly in the past 18-24 months as has 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.

The Asset Companies have indicated their desire to retain a greater proportion of cash from operations to modestly reduce their gearing levels and to contribute to the funding of this capital expenditure. This would limit their cash distributions to their shareholders during the next regulatory period. In turn, this would affect the level of distributions Spark Infrastructure is able to pay to its Securityholders from the cash it receives from the Asset Companies.

Notwithstanding the impact that this would have on the cash resources of Spark Infrastructure, it is important to note that the increased capital expenditure enhances the long term value of the Asset Companies through a higher revenue base.

As part of the Strategic Review, it is expected that a wide range of options will be explored and evaluated. These options include changes in corporate structure, changes in capital structure, capital raisings and proposals that involve asset sales or a change of control of Spark Infrastructure.

In light of the Strategic Review process, the Directors have suspended the operation of the Dividend Reinvestment Plan for the distribution payable in March 2010.

Independent Directors

The Board, which operates with a majority of Independent Directors, will assess the Strategic Review outcomes. The Board has put in place governance protocols and established a committee of 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.

Appointment of Advisers

Spark Infrastructure has appointed Deutsche Bank to act as financial advisor in relation to this Strategic Review. Investec Bank (Australia) Limited has been appointed to provide advice to the Independent Directors and will work closely with Deutsche Bank.

Outlook

The Asset Companies continue to experience steady growth in regulated electricity distribution revenues and have maintained the flow of non-prescribed revenue in their respective businesses. Their current level of operational performance is expected to continue in 2010. However, the Directors note that operating returns of the Asset Companies in 2010 and beyond will be impacted by the resets for the next five year regulatory period, which are still in the process of being determined by the AER.

Future distribution policy will be subject to the outcomes of the Strategic Review and therefore guidance for 2010 cannot be provided at this stage. The Strategic Review is likely to take several months and the Board will keep the market appropriately informed of developments in accordance with its continuous disclosure obligations.

Further information:

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1 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.
2 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.
3 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 305,000 customers; Powercor owns the largest electricity distribution network in Western Victoria covering 65% of the State and around 699,000 customers. ETSA owns South Australia's only significant electricity distribution business with around 813,000 residential, commercial and industrial customers.
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 Aggregate revenue of the Asset Companies 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 This excludes the Loan Notes principal attributable to Securityholders which is subordinated to senior debt. Net gearing is net of cash on hand.

Spark Infrastructure

Spark Infrastructure is a specialist listed infrastructure fund. Its objective is to invest in regulated utility infrastructure in Australia and overseas.

This includes electricity and gas distribution and transmission and regulated water and sewerage assets which offer relatively low risk and stable cash flows, facilitating the payment of relatively predictable distributions to investors and offer the potential for long-term capital growth. Spark Infrastructure currently owns a 49% share of three quality electricity distribution businesses – CitiPower and Powercor based in Victoria and ETSA Utilities based in South Australia.

The manager of Spark Infrastructure is 50% jointly owned by Cheung Kong Infrastructure (CKI) and RREEF Infrastructure (RREEF). CKI is the largest publicly listed infrastructure company in Hong Kong with diversified investments in a range of infrastructure related businesses, including energy, transportation and water infrastructure. RREEF is the infrastructure investment arm of Deutsche Asset Management, the asset management business of Deutsche Bank AG.