

DISCIPLINED INVESTMENT PHILOSOPHY

CEO'S
REPORT

AGGREGATED TOTAL ASSET
COMPANY REVENUE

11.4%

ABOVE 2006



Our success is based entirely on the excellent performance of the asset companies in our portfolio. The three electricity distribution businesses in which Spark Infrastructure has a 49% interest are acknowledged to be among the most efficient and reliable in Australia.

DEAR SECURITYHOLDER,

In 2007 Spark Infrastructure's financial and operational performance has again exceeded its Prospectus/PDS forecasts.

This pleasing result reflects the fact that the businesses in our current portfolio have continued to go from strength to strength, while the management teams which operate them have again proven their quality.

Our success is based entirely on the excellent performance of our portfolio businesses. The three electricity distribution businesses in which Spark Infrastructure has a 49% interest are acknowledged to be among the most efficient and reliable in Australia. This has been confirmed by the relevant regulatory bodies, and affirmed by consumers through independent feedback mechanisms.

Just as our success depends on the performance of our businesses, so their performance depends upon the quality of their management teams and employees. ETSA Utilities, CitiPower and Powercor all have teams of highly skilled and extremely motivated employees.

The large geographical areas covered by their electricity distribution networks mean that most of these employees live and work within their local communities. This leads to a strong level of commitment to achieving local results, which inevitably bears fruit for their customers. I congratulate each of those employees for their hard work and wonderful results.

Each of the businesses in our current portfolio is deeply involved with the urban and rural communities in which they operate; supporting essential services, encouraging local entrepreneurs, and helping people to build social bonds with each other. We see this as an indispensable part of doing business. Healthy communities mean a growing demand for our service, positive recognition from regulators, and increased motivation and lower turnover amongst our employees. All of these factors contribute to defending and increasing our revenues.

Over seventy percent of the asset company revenue is derived from their regulated electricity distribution networks. The regulators set these revenues every five years in a consultative process with the asset companies. This process provides Spark Infrastructure with long term revenue security, built in interest rate and inflation protection and capital expenditure allowances to continue to maintain and grow the asset base.

The businesses in our current portfolio are due for price resets in 2010. For the first time these will be undertaken by the recently created Australian Energy Regulator, following the move away from State based regulation. The businesses' preparations for this are already well underway. Given their current positive ranking against their peers, I am confident that they will continue to meet regulatory expectations.

The total aggregated asset company revenue for 2007 was \$1.56 billion, leading to EBITDA of \$1.08 billion, an increase of 10.9% over 2006. Over the course of the year the asset companies invested a total of \$489.7 million in capital expenditure. \$331.7 million of this was growth capital expenditure to cater for growing customer demand.

In 2007, 29.7% of aggregated asset company revenue was derived from unregulated business activity which includes customer contribution, public lighting and construction, maintenance and asset management of infrastructure for external parties, compared to 24.4% in 2006, and 20.35% in 2005. Our comparative advantage in this field is a key distinguishing factor for our businesses.

Spark Infrastructure and the assets in its current portfolio employ a conservative hedging program which means the group is well insulated from any movement in interest rates. As at 31 December 2007, 90.8% of senior debt was hedged. Moreover, no major financing is required in the underlying businesses until 2010. In addition, ETSA Utilities, CitiPower and Powercor possess strong investment grade credit ratings. Taken together, these measures allow me to report that Spark Infrastructure and its businesses are substantially protected from any refinancing and interest rate risk.

In 2008 our investment strategy will primarily focus on investing in our existing assets. We remain firmly of the view that this is the right path towards achieving profitable long term growth. While we will consider suitable acquisitions at appropriate prices if they arise, we believe that organic growth which can be achieved without paying a premium in the market remains the most attractive option for us.

I am very much looking forward to 2008, and am confident that we will continue to grow securityholder value through prudent investment and profitable growth.



BOB STOBBE
CHIEF EXECUTIVE OFFICER

SPARK INFRASTRUCTURE