

STRATEGIC DIRECTION

CHAIRMAN'S MESSAGE

DISTRIBUTION TO
SECURITYHOLDERS

5.9%

ABOVE FORECAST



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DEAR SECURITYHOLDER,

I am very pleased to report another strong result for Spark Infrastructure in 2007.

Our second year of operation has been characterised by excellent operational and financial performances by our existing assets with strong organic growth within those businesses.

Spark Infrastructure remains solely invested in three quality Australian electricity distribution businesses; ETSA Utilities based in South Australia, and CitiPower and Powercor based in Victoria. These are the assets that were acquired by Spark Infrastructure at the time of listing in December 2005.

Each of these businesses and their associated electricity distribution networks are operated by highly skilled management teams which have consistently exceeded their financial and operational targets over a period of several years. I am pleased to confirm that they have done so again in 2007.

Their results have enabled the Spark Infrastructure Board to increase the total cash distribution to securityholders for 2007 to 18.06 cents per stapled security, an increase of 18.7%* over the previous year and 5.9% above the prospectus/PDS forecast for 2007.

Just as important as the quantum growth is the quality of these distributions which are underpinned by the underlying cash flows of ETSA, CitiPower and Powercor. Along with our conservative gearing and prudent hedging strategy, we believe that this serves to make Spark Infrastructure an attractive and reliable investment, both within the infrastructure sector and across the market generally.

Spark Infrastructure has also reviewed a number of potential acquisitions during 2007.

Whilst we were not successful in making any acquisitions during the year, we achieved strong growth in our existing assets. This means that Spark Infrastructure continues to offer an attractive combination of solid, predictable and growing cashflows from the electricity distribution networks which operate within a regulated environment. In addition there is significant growth potential from the unregulated component of business activity, which includes the construction, operation and maintenance of infrastructure for external parties.

Your Board believes that Spark Infrastructure will continue to enjoy growth from its large capital expenditure programme in relation to the maintaining, upgrading and expanding of its electricity distribution networks. This is set to receive a major boost over the next few years from the implementation of advanced interval meters in the State of Victoria. The main benefit of this new technology is that it will help enable smart applications, demand management and real time pricing. It is also possible that similar demand management initiatives may be pursued by the South Australian Government.

This capital expenditure provides a secure source of earnings growth for Spark Infrastructure as the regulator includes this expenditure in the regulated asset base of the asset companies and this, in turn, leads to additional operating revenue in future years.

In Spark Infrastructure's first two years of operation since its listing on the ASX in December 2005, securityholders have achieved a Total Shareholder Return of 19.0%.* Given the relatively low risk associated with the cashflows of the three asset companies in which Spark has invested, this is indeed a pleasing result.

Spark Infrastructure has established a strong track record since listing and I am confident that we will continue to provide an attractive yield to investors through the strong and dependable cashflows of the asset companies, and that we remain well placed for the future.



STEPHEN JOHNS
CHAIRMAN

SPARK INFRASTRUCTURE

* This is based on the Volume Weighted Average Price of \$1.90 per security for the twenty business days up to and including 21 February 2008, (immediately preceding the announcement of the Full Year results on 25 February 2008), and includes all distributions paid over the period.