

SPARK NEWS



CHAIRMAN'S LETTER

DEAR SECURITYHOLDER,

I am pleased to report that Spark Infrastructure has reported a solid financial result at the half year mark of 2008.

Subject to business conditions for the second half of the year, this has allowed the directors to confirm distribution guidance of 18.51 cents per security for the year ending 31 December 2008, representing an increase of 2.5% over 2007 distributions.

The directors have declared a Half Year 2008 distribution of 9.25 cents per security for the Half Year ended 30 June 2008.

Spark Infrastructure's total underlying income¹ increased by 1.4% to \$108.9 million. This performance resulted from continued strong growth in regulated and unregulated business activities² within the electricity distribution businesses in which

Spark Infrastructure has a 49% interest – ETSA Utilities, CitiPower and Powercor.³

With organic growth at the centre of their strategy, the asset companies will continue to invest in the expansion of their networks and improving asset performance and reliability. Organic growth will continue to be the focus of attention and investment by Spark Infrastructure for the remainder of 2008 and well into 2009.

The most significant upcoming event for our asset businesses 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 businesses have experienced teams in place and preparatory work is well underway.

Spark Infrastructure and the asset businesses continue to enjoy strong support from debt providers. No re-financing of

existing facilities is required at either the Spark level or the asset company level until 2010. The asset companies have A- credit ratings from Standard and Poor's and are well placed to fund their ongoing capital expenditure requirements.

The asset companies operate in regulated industries which possess a high degree of resilience in relation to external economic factors. They generate stable and relatively predictable cashflows which have the effect of substantially insulating Spark Infrastructure from the current difficult market conditions.

Spark Infrastructure has also performed relatively well as an investment, despite the difficult market conditions. During the Half Year to 30 June 2008 it outperformed its benchmark index, the S&P/ASX 200 Industrials Accumulation Index, by 15.2%.

CHAIRMAN'S LETTER CONT.

While we have been disappointed with the absolute performance of the security price, it is clear that the stock's defensive qualities continue to be appreciated by investors.

I would also like to take this opportunity to welcome Ms Laura Reed to the role of Chief Executive Officer. Laura was appointed CEO following the recent departure of Mr Bob Stobbe. Laura brings extensive experience in the Utilities sector to her leadership of Spark Infrastructure and possesses an intimate knowledge of Spark and its asset businesses. She has already made an important contribution to Spark as CFO and the Board looks forward to working with her in her new role.

In closing, I would like to thank you for your ongoing confidence in Spark Infrastructure.



Stephen Johns
Chairman
Spark Infrastructure

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 Infrastructure's operating performance.

2 Unregulated business activities includes customer contributions, meter reading, public lighting and the provision of construction, maintenance and back office services to third parties.

3 ETSA Utilities owns South Australia's only significant electricity distribution business with around 796,000 residential, commercial and industrial customers. CitiPower owns the electricity distribution network in Melbourne's CBD and inner suburbs servicing around 301,000 customers; Powercor has the largest electricity distribution network in Victoria covering 65% of the State and around 680,000 customers.



SMART METERING

CitiPower and Powercor have undertaken significant preparations over the past year for the implementation of advanced metering infrastructure. The roll-out of the smart electricity meters, an initiative led by the Victorian State Government, will assist with the management of demand peaks and the long term planning of capital expenditure.

The instalment of the smart meters is planned to commence in late 2009 with the new technology providing the possibility for positive environmental outcomes including the opportunity for smart applications and demand management. CitiPower and Powercor have also established a core Advanced Metering Unit that will develop, implement and manage its multi-million dollar advanced metering initiative.

The established core business unit will draw on expertise and resources from other business units including Finance, IT, Network Services, Regulation and Customer Service and will assist CitiPower and Powercor deliver this project, which is predicted to be the biggest single reform to the Victorian electricity sector in the next decade.

Subject to regulatory approval, a total of around A\$630 million will be invested in the rollout of smart metering over the next five years.

The South Australian Government is still considering the possible implementation of a similar smart metering scheme throughout that State.

THE ASSET BUSINESSES INCREASE THEIR COMMITMENT TO APPRENTICESHIP RECRUITMENT AND TRAINING

ETSA Utilities, CitiPower and Powercor are ensuring long term business success while demonstrating their commitment to building a sustainable workforce through the recruitment and training of apprentices.

In Victoria, CitiPower and Powercor welcomed an extra 31 new recruits to the fold. The new additions bring the total number of apprentices and trainees with CitiPower and Powercor to 110.

At the same time, ETSA Utilities in South Australia recruited 37 apprentices in 2007, taking their 2007 total number to 116 apprentices. In 2008 it added a further 53 apprentices with a similar number planned in 2009.

The new recruits will undertake a comprehensive four year training program designed to provide them with the skills and expertise they need to build successful careers in the electricity industry.

The apprentice and trainee program helps to address the skilled labour shortage while also addressing the impacts that an ageing workforce will have on the business' operations. The program is essential to building a sustainable workforce, while providing young people with the opportunity to earn nationally recognised qualifications in a high demand industry.

CitiPower and Powercor's new recruits were selected from a field of more than 550 applicants in 2007. The new recruits will work in the electrical trade as lineworkers, electrical fitters, designers, testers and meter technicians. 27 Powercor apprentices and trainees will be assigned to Ballarat with the balance working at other regional locations including Bendigo, Mildura, Shepparton, Warrnambool, Horsham, Geelong, Kyneton and Ardeer in Melbourne's western suburbs. Additionally, four apprentices and trainees will be located at CitiPower's Richmond headquarters in Melbourne.

ETSA Utilities' intake of apprentices included two indigenous recruits and a number of mature aged apprentices taking on new careers in their 40's. 22 apprentices are based in Adelaide while the remainder are located across regional South Australia.



ETSA UTILITIES MANAGES INCREASED ELECTRICITY DEMAND

ETSA Utilities has committed a combined \$3.3 million to upgrade its electricity network in South Australia's Strathalbyn and Adelaide Hills areas in response to increased customer growth and demand.

ETSA Utilities will invest \$1.3 million in the electricity network servicing South Australia's Strathalbyn area and \$2.0 million in the Adelaide Hills area.

The first phase of the project will involve the upgrade of the Strathalbyn substation, where the local customer base has grown by 3.3 percent per annum since 2000-2001. Higher growth levels are expected over the next five years due to residential development in the area.

The Adelaide Hills project comprises the redevelopment of the Hahndorf substation, which currently services about 1500 customers and will include new powerlines, sub-station upgrades and the replacement of hundreds of street transformers. The upgrade will help to ease the 2.5% growth in customer demand which has grown steadily since 2001, with further growth anticipated in the area due to new commercial and tourism developments.

The two projects are part of ETSA Utilities' \$166 million investment in upgrading the South Australian electricity distribution network throughout 2008.

CHIEF EXECUTIVE'S REPORT



Welcome to our September 2008 Newsletter. We have included relevant information about Spark Infrastructure and its asset portfolio to give you an understanding of the asset companies' operations – on which Spark Infrastructure's performance is based.

The asset businesses in our portfolio have experienced steady growth in regulated electricity distribution sales volume of 1.7% above Half Year 2007. They enjoy a strong flow of unregulated business for 2008 including projects in the electricity transmission and mining sectors.

Moreover, they possess a healthy pipeline of organic growth projects including smart metering in Victoria, and projects focussed on enhancing security of supply in Melbourne and Adelaide. Organic growth will remain at the centre of our growth strategy in 2008 and 2009 and this will require significant capital expenditure over the next few years and into the next reset period.

Spark Highlights

Spark distributions	HY 2008	HY 2007	Variance
Distribution per stapled security	9.25 cents	8.53 cents	8.4%
Yield FY 2008 ¹	11.4%		
Spark Financial performance	HY 2008 (\$m)	HY 2007 (\$m)	Variance
Total income (underlying) ^{2,3}	\$108.9	\$107.4	1.4%
Profit before performance fee and loan note interest (underlying) ²	\$88.2	\$85.3	3.4%
Aggregate asset company revenue (Spark share) ^{4,5}	\$390.4	\$366.6	6.5%
Aggregate asset company EBITDA (Spark share) ^{4,5}	\$263.7	\$259.3	1.7%

Asset companies maintain steady growth

The total aggregated revenue of the asset companies for the 6 months to 30 June 2008 was \$796.7 million (Spark's share \$390.4 million), compared with \$748.2 million for the previous Half Year, an increase of 6.5%. This revenue included \$552.6 million in electricity distribution revenue (Spark's share \$270.8 million) and \$244.0 million in revenue derived from unregulated business activities (Spark's share \$119.6 million). Spark's share of aggregated asset company Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was \$263.7 million compared with \$259.3 million at HY 2007, an increase of 1.7%.

During the Half Year, a total of \$181.0 million in net capital expenditure (Spark's share \$88.7 million) was invested by the asset companies. Of the total, 57.5% of this was growth related. The entire capital expenditure is included in the regulated asset base of the asset companies by the electricity regulator and this, in turn, leads to increased operating revenue in future periods.

Asset Company highlights

Half Year ended 30 June 2008	ETSA Utilities	Powercor	CitiPower
Sales volume growth			
- Weather related (asset company estimates)	-0.3%	1.1%	1.5%
- Underlying growth	0.9%	1.9%	0.1%
- Total increase (compared to HY 2007)	0.6%	3.0%	1.6%
Customers			
- Customer numbers	796,213	679,609	300,992
- Customer growth (from HY 2007)	1.2%	1.8%	1.2%
Capital expenditure			
- Net	\$57.8m	\$123.2m	
- Percentage increase (compared to HY 2007)	-8.5%	6.9%	
Unregulated revenue			
- Actual results	\$139.1m	\$104.9m	
- Percentage change (compared to HY 2007)	25.9%	7.3%	

¹ Based on the Volume Weighted Average Price of \$1.63 per security for the 20 business days up to and including 20 August 2008.

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 Infrastructure'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 Aggregate revenue of the asset companies excludes transmission revenue which is collected on behalf of others and does not contribute to profit.

⁵ Spark Infrastructure's share equals 49% of the shown total amounts for the asset companies.

CHIEF EXECUTIVE'S REPORT CONT.

Debt position

No re-financing of existing facilities is required at either the Spark level or the asset company level until 2010. In June 2008, Spark Infrastructure successfully refinanced \$200 million of debt at favourable rates in the current market conditions for a three year term. In addition, CHEDHA put in place new debt facilities of \$250 million in July for a period of three years; also on favourable terms in the current market. Spark Infrastructure and the asset businesses continue to enjoy strong support from debt providers.

Future Growth

Spark Infrastructure's existing businesses have demonstrated capacity for organic growth. A significant part of this is based on the regulated electricity distribution networks and is driven by increasing customer numbers and sales volume.

In addition, the Victorian Government has legislated the installation of smart meters across the entire State.

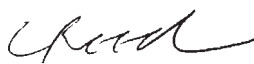
An important element of our organic growth strategy involves capital expenditure in a range of projects such as 'smart metering' in Victoria and the upgrading of the CitiPower and ETSA Utilities networks through 'CBD supply security' projects. The roll-out of Advanced Metering Infrastructure across the CitiPower and Powercor networks is now expected to commence in late 2009 with the majority of the capital expenditure required in 2012-13. Importantly for Spark Infrastructure, the roll-out will require capital expenditure of approximately \$630 million in Victoria, which will be

added to the asset base and generate future revenue.

The asset businesses have also maintained their strong position in unregulated business activity. In South Australia there are a number of mining, defence and other government initiated projects in which ETSA Utilities has the opportunity to participate. In Victoria there are a number of new wind farm projects in which CHEDHA is well placed to participate due to its experience in this area.

Income from unregulated business activities accounted for 30.6% of aggregate revenue in the first half of 2008. While some variation from period to period is normal, the increased capital expenditure allowances granted by the AER to electricity transmission businesses in Victoria and South Australia, along with ongoing demand from the resources sector, provide us with confidence in our ability to maintain this business activity at around 30% of total aggregated revenue over the long term.

In relation to potential acquisitions, Spark Infrastructure will continue to adopt a disciplined approach and will only invest in opportunities that it believes are value accretive to its security holders.



Laura Reed
Chief Executive Officer



PETER TULLOCH, CHAIRMAN OF
ETSA UTILITIES AND MIKE RANN,
PREMIER OF SOUTH AUSTRALIA

**"ETSA UTILITIES IS A
VERY IMPORTANT
CONTRIBUTOR TO
SOUTH AUSTRALIA
[AND] A GREAT
CORPORATE
CITIZEN."**

SOUTH AUSTRALIAN PREMIER
MIKE RANN

POWERING UP SOUTH AUSTRALIA – LAUNCH OF ETSA UTILITIES' CONSULTATION ON THE NEXT REGULATORY RESET

The South Australian Premier, Mr Mike Rann, provided the keynote address at a special invitation-only dinner held at the University of Adelaide's Bonython Hall on the 28th of July. The event launched ETSA Utilities' consultation process aimed at involving key stakeholders in the development of its price reset submission to the Regulator for the next regulatory period (2010-2015).

The special function allowed ETSA Utilities to share its success and future challenges with close to 200 political, business and community-based stakeholders, including the Chair and CEO of the Australian Energy Regulator. The event was hosted by ETSA Utilities' Chairman, Peter Tulloch, and CEO, Lew Owens.

This consultation process is crucial to ETSA Utilities as it will determine the financial

resources available to fund both its operations and the management of the electricity distribution network beyond 2010. ETSA Utilities' price reset submission will reflect the changing demands upon the distribution network in South Australia.

Among the many factors that will drive the investment needs of the network is ongoing strong economic growth in the State. Growing resources and defence sectors, along with forecast major government projects, will require the network to play its role in powering up South Australia.

Mr Rann said "ETSA Utilities is a very important contributor to South Australia" and "a great corporate citizen."

In his address, the Premier outlined the significant growth in the State's economy,

including the mining, defence and education sectors, and the significant investment occurring in infrastructure.

In discussing Government initiatives on climate change, Mr Rann specifically thanked the Board, management and staff for ETSA Utilities' support of the Government's new energy feed-in laws. He also acknowledged ETSA Utilities' support for Government water security projects, such as the imminent desalination plant.

Mr Rann said the energy sector was facing significant challenges in meeting the needs of a growing economy, with one example being a three-fold growth in new mines in South Australia. He said he "looked forward to working with ETSA Utilities" as the State continues to grow.

PROFILE PIECE LEW OWENS



LEW OWENS IS THE CHIEF EXECUTIVE OFFICER AND A DIRECTOR OF ETSA UTILITIES, SOUTH AUSTRALIA'S SOLE ELECTRICITY DISTRIBUTION BUSINESS. HE IS PICTURED AT THE SIR THOMAS PLAYFORD ELECTRICITY MUSEUM OPERATED BY ETSA UTILITIES IN ADELAIDE.

Lew was previously South Australia's economic regulator of electricity, gas, ports and railways for five years and a Chemical Engineer in the mining and oil refining industries. Lew has also fulfilled planning, policy, economic development and energy roles in Government before moving to the gas industry, and now electricity industry.

His first role as CEO commenced in 1990 when he headed up the newly-formed WorkCover Corporation where he had responsibility for Workplace Safety and Compensation in South Australia. In 1996 he became CEO of Funds SA, the (then) \$5 billion superannuation investment fund of the South Australian Government, before moving to regulation in 2000.

Being a CEO for 18 years has not left a lot of time for Lew to develop other interests, although he pursued a personal interest in growing and distilling essential oils (lavender, eucalyptus, various flowers) on a 100 acre property in the Clare Valley in the nineties.

Lew's passion these days is heritage. He is a former President of the National Trust of SA and Director of the Australian Council of National Trusts, and is currently a member of the SA Heritage Council, reporting to the Minister. His pet project is to have SA's Cornish mining sites (Burra and Moonta) linked to the Cornwall World Heritage listing.

"My favourite heritage place is the Sir Hubert Wilkins Memorial homestead at Mt. Byron in the mid-North of South Australia. I see it as a monument to the early settlers who, like my own family, moved northwards in the 1870s and struggled against all the odds to make a

living through times of drought and economic depressions – and to the inspiration and achievements of the generations that followed."

Lew is also a strong supporter of ETSA Utilities' longstanding community programs, through its sponsorship of the Adelaide Symphony Orchestra, Helpmann Academy - for young emerging artists, SA Museum, Adelaide International Film Festival, ETSA Park, Trees for Life and numerous other health and environment charities. ETSA Utilities has recently started a major indigenous development program focussed on employment opportunities and has become a Corporate Leader for Indigenous Employment in the Federal Government program.

ETSA Utilities is an organisation with a strong commitment to safety in the workplace, and in 2006, ETSA Utilities was chosen as the SA Employer of the Year by SafeWork SA. Given Lew's WorkCover background, he is particularly proud of the zero lost time injuries in 2007 – a feat he acknowledges was the result of many years of hard work by his predecessors.

In 2006, Lew initiated his "Six Impossible Dreams" program to challenge the organisation to achieve stretching objectives in a range of key areas: workplace injuries, customer service, network reliability, positive public image, high energy and diversity in the workforce and employee commitment to "making a difference". He reckons if these can be achieved, he'll be the happiest CEO in the business and ETSA Utilities' proud heritage will be assured.



CITIPOWER AND POWERCOR RECOGNISED FOR DEDICATION TO CUSTOMER SERVICE

The latest Energy and Water Ombudsman of Victoria (EWOV) Report has recognised CitiPower and Powercor for its continued dedication to ensuring customer satisfaction and their strong performance in managing customer complaints.

The Ombudsman's Report acknowledged that the number of enquiries and complaints made against CitiPower and Powercor have dropped significantly from a combined total of 179 cases in 2006 to 154 cases in 2007, throughout the July - December period.

This is a notable achievement for the electricity industry, as CitiPower and Powercor provide power to 39% of the state's electricity distribution customers, from Melbourne's CBD and inner suburbs, through central and western Victoria.

This achievement recognises the company's dedication to providing quality customer service to its extensive customer base. The improved levels of customer satisfaction have predominantly been the result of improved electricity reliability within the CitiPower and Powercor networks.



AUSTRALIAN ENERGY REGULATOR DINNER HOSTED BY SPARK INFRASTRUCTURE

In April 2008, Spark Infrastructure hosted a dinner with its largest investors and the Australian Energy Regulator (AER). The guest speaker was Mr Steve Edwell, Chairman of the AER, who was accompanied by the AER's CEO, Ms Michelle Groves.

The event provided Spark's major shareholders with the opportunity to increase and broaden their awareness and understanding of the AER's role within the Australian utilities sector.

The AER regulates the wholesale electricity market and electricity transmission and distribution networks in the National Electricity Market (NEM). The AER's core role is to make and amend electricity transmission revenue regulatory decisions, make electricity distribution revenue regulatory decisions, and develop and publish service standards to be applied to electricity networks.

Further information about the AER can be accessed at www.aer.gov.au.



CITIPOWER AND POWERCOR NETWORKS COMBINED

CitiPower and Powercor have retained their status as the most reliable urban and rural electricity distribution businesses in Australia, respectively. In order to support future growth and maintain the existing high levels of reliability, management of the two networks has been streamlined. This has now been successfully completed with a new management team in place that comprises a blend of representatives from each business.

The General Manager of Electricity Networks, Garry Audley, led the formation of the new structure following his appointment in 2007. He is now responsible for a consolidated team known as Electricity Networks which consists of approximately 300 employees who are well placed to meet the challenges ahead.



IMPORTANT NOTICE TO SECURITYHOLDERS – SAVE TIME AND MONEY

Have you ever thought it would be easier to have your distributions from Spark Infrastructure deposited directly into your bank account rather than having to bank a cheque? Would you prefer not to receive a mailed copy of the Company's Annual Report? Have you advised your tax file number?

We encourage you to take advantage of these opportunities by completing the enclosed forms and returning them to Computershare Investor Services using the reply paid envelope or sending to:

**GPO BOX 7115
SYDNEY NSW 2001
FAX: 02 8235 8150**

ETSA UTILITIES' PRACTICAL ROLE IN INDIGENOUS FUTURE

ETSA Utilities has signalled its commitment and support for reconciliation with Australia's Indigenous population by becoming participants in the Corporate Leaders for Indigenous Employment Project, an initiative led by the Department of Education, Employment and Workplace Relations.

ETSA Utilities became part of the program at a ceremony held on the 3rd of March 2008. Other participating organisations include ANZ Bank, the Australian Football League (AFL), Boral Limited, Deloitte Touche Tohmatsu, Ford Motor Company, McDonalds, Qantas and Woolworths.

ETSA Utilities CEO Lew Owens said the company was committed to providing real opportunities for Indigenous Australians.

"We recognise we have a corporate responsibility to provide employment opportunities for Indigenous people, but also believe there is a strategic advantage for our business in doing so," Mr Owens said.

"It is a practical response to the workforce needs of ETSA Utilities - an organisation servicing an extensive network across South Australia amidst the challenges of recruiting and retaining local people; our aging workforce and ensuring we have a skilled and diverse workforce."

"As South Australia's electricity distributor, a significant portion (80 percent) of our network is in non-metropolitan areas. That means we have depots and responsibilities across the State and are keen to provide employment opportunities for locals in particular Indigenous communities.

"We also have a broad range of career opportunities and a very strong commitment to training," Mr Owens added.

ETSA Utilities has a target of employing 12 Indigenous apprentices and three business trainees in 2009. It has recently received \$1.4 million in matching funding from the Commonwealth Government for the construction of a training facility for field workers on indigenous land at Davenport near Port Augusta. Construction is due to commence in late 2008.

UPCOMING EVENTS

FEBRUARY 2009

Monday 23rd Full Year Results
2008 – posted with ASX

APRIL 2009

Thursday 23rd Annual General Meeting

SECURITYHOLDER ENQUIRIES

If you have any questions regarding your securityholding, including change of address details, please contact:

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Sydney NSW 2000
Tel: 1300 730 579**

For all other enquiries please contact:

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