

# INFRASTRUCTURE BOND ISSUE FLYER: PIIBs

THIS ISSUE FLYER SETS OUT THE SPECIFIC TERMS OF THE INFRASTRUCTURE BONDS INFRATIL IS OFFERING, AND THE STEPS AN INVESTOR MUST COMPLETE TO TAKE UP THE OFFER. THE ISSUE FLYER IS PART OF, AND SHOULD BE READ TOGETHER WITH, THE INVESTMENT STATEMENT.

## INFRASTRUCTURE BOND PROGRAMME

From time to time Infratil will offer Infrastructure Bonds under the Bond Programme with different features. Infratil is currently offering PIIBs. PIIBs are different to other Infrastructure Bonds previously issued under the Bond Programme because they have no Maturity Date.

Set out in this Issue Flyer are the terms of the PIIBs. Other terms of the Infrastructure Bonds and information on Infratil are included in the other sections of the Investment Statement.

## PIIBs TERMS

### OFFER TIMETABLE

**Opening Date:** The offer is effective immediately.

**Closing Date:** The offer is open until 31 December 2006, but may be extended until 30 September 2007 at the latest if Infratil registers a certificate in accordance with section 37A(1A) of the Securities Act 1978 (which it intends to do), but Infratil may choose to close the offer earlier.

**Issue Date:** The Issue Date for a PIIB will be the date the Bond Registrar processes the completed application and cleared funds for that PIIB. Quotation on NZX is expected to commence on first allotment.

**First Coupon Payment Date:** 15 February 2007.

**No Maturity Date:** PIIBs have no Maturity Date. Accordingly Infratil is not obliged to repay the PIIBs, and Holders of PIIBs cannot require Infratil to repay their PIIBs, unless an event of default or a compulsory acquisition occurs as set out in the Trust Deed which results in an early redemption or conversion of their PIIBs. This means that the only way in which a Holder of PIIBs can cash in his or her investment, other than for the limited circumstances described above, is to sell them.

### Coupon Rate:

- For the period from the Issue Date to (but excluding) the first Rate Set Date, 9% per annum.
- On each Rate Set Date, the Coupon Rate will be reset by Infratil at the rate per annum determined by Infratil to be the aggregate of the applicable One Year Swap Rate plus the Margin.

Infratil will notify Holders of PIIBs of the Coupon Rate by general announcement to NZX. As the One Year Swap Rate (and possibly the Margin) may change on each Rate Set Date, the Coupon Rate may similarly change on each Rate Set Date.

**Rate Set Date:** Each 15 November, commencing on 15 November 2007.

**Margin:** The Margin will be 1.50% per annum, unless the Gearing Ratio which is applicable on the Rate Set Date is 60% or more, in which case the Margin will be increased to the percentage rate per annum set out opposite the Gearing Ratio in the table below which is applicable on that date:

Gearing Ratio	Margin (% p.a.)
Up to (but excluding) 60%	1.50
From (and including) 60% up to (and excluding) 70%	1.75
From (and including) 70% up to (and excluding) 80%	2.25
80% and above	3.00

The Gearing Ratio will be determined by reference to the latest certificate delivered to the Trustee by Infratil under the Trust Deed. More information on what the Gearing Ratio and the One Year Swap Rate mean is set out in the Investment Statement.

**Interest Rate:** The Interest Rate is the same as the Coupon Rate.

**Coupon Payment:** Quarterly on each 15 February, 15 May, 15 August, 15 November.

**Conversion Percentage:** 98%.

**Issue Price:** \$1.00 per PIIB.

**Underwriting:** The offer of PIIBs is underwritten up to an amount of \$100,000,000.

### APPLICATION FOR LISTING.

Application has been made to NZX for permission to list the PIIBs and all the requirements of NZX relating thereto that can be complied with on or before the date of the Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in the Investment Statement.

### MINIMUM SUBSCRIPTION

The minimum investment amount is \$5,000. Above that value any round dollar value is acceptable.

### COUPON PAYMENTS

The first Coupon Payment will reflect the number of days from the Issue Date to the first Coupon Payment Date. This payment will be made to the initial Infrastructure Bond subscriber. All subsequent interest payments will be paid to the person(s) registered as the Bondholder on the relevant date of record.

### HOW TO APPLY

Fill in the Application Form included in the Investment Statement.



# Infratil Infrastructure Bonds

## Investment Statement

FOR THE ISSUE OF INFRASTRUCTURE BONDS BY INFRATIL LIMITED

UNDER ITS INFRASTRUCTURE BOND PROGRAMME

## PUBLIC TRANSPORT



Auckland Bus



Wellington Bus



Auckland Ferry



Employees

## AIRPORTS



Wellington



Kent



Lübeck



Glasgow Prestwick

## ENERGY



TrustPower



Infratil Energy Australia



Energy Developments



Community



# Important Information

[The information in this section is required under the Securities Act 1978]

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

## CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

Questions	Page
What sort of investment is this?	30
Who is involved in providing it for me?	30
How much do I pay?	30
What are the charges?	30
What returns will I get?	30
What are my risks?	32
Can the investment be altered?	33
How do I cash in my investment?	33
Who do I contact with enquiries about my investment?	33
Is there anyone to whom I can complain if I have problems with the investment?	34
What other information can I obtain about this investment?	34

In addition to the information in this document, important information can be found in the current registered Prospectus for the investment. You are entitled to a copy of that Prospectus on request.

## CHOOSING AN INVESTMENT ADVISER

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- whether the adviser gives advice only about particular types of investments; and
- whether the advice is limited to the investments offered by one or more particular financial organisations; and
- whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within 1 month of receiving the advice.

### In addition:

- if an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- if an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

# Chairman's Letter

Dear Investor

Over the last twelve years Infratil has been one of New Zealand's most successful listed companies.

It invests in infrastructure sectors that generally experience growth and where sound management and patience provide the prospect of good returns. Infratil's main activities are:

<b>Renewable and waste to energy electricity generation Energy retailing and trading</b>	<b>New Zealand and Australia</b>
<b>Airports</b>	<b>New Zealand and Europe</b>
<b>Public Transport</b>	<b>New Zealand</b>

When Infratil was established in 1994 its investments were entirely within New Zealand, which, as evidenced by the 2005 \$252 million acquisition of public transport operations in Auckland and Wellington and the proposed further investment in TrustPower, remains a region of focus. However, since 2001 Infratil has also been investing offshore, effectively exporting New Zealand expertise and capital to take advantage of opportunities in Europe and Australia.

Alongside the development of its investments, Infratil has also focussed on developing its funding choices. The Infrastructure Bonds are one of those choices.

Since the first issue was undertaken in 1999, the Infrastructure Bonds have been successful for both Infratil and investors. Their long-term fixed cost has suited the nature of Infratil's businesses and they have provided investors with a solid income stream. We are pleased to now offer our first series of undated, Perpetual Infratil Infrastructure Bonds, or 'PIIBs'.

Infratil manages its investments to provide long-term returns. We aim to grow our businesses rather than just extract capital. We also recognise that companies that provide energy, airports and public transport are part of a society's fabric and must ensure that their consumers and communities directly and indirectly benefit from the companies they host. Similarly, employees must feel a real sense of ownership if they are going to contribute to consumer satisfaction.

After twelve years Infratil has built an impressive track record and its areas of focus continue to offer opportunities. Alongside relatively mature companies such as Wellington Airport and TrustPower, Infratil is involved in several projects we believe will enable the Company to continue its performance of growth and returns. Infratil's new investments have been possible because its past ones have been successful and it has maintained a conservative approach to the use of debt.

The funds raised through this offer of Infrastructure Bonds will be used to replace bank funding and for general investment purposes.

This Investment Statement provides a description of Infratil, its track record, its core activities and its approach. It also sets out the terms of the Infrastructure Bonds.

If you already have an investment in Infratil, we thank you for your continuing support. If this is your first investment into Infratil, welcome.

Yours faithfully



**David Newman**  
Chairman



Directors, from left: **Lloyd Morrison** Managing Director, **David Newman** Chairman, **David Caygill**, **John Peterson**, **Duncan Saville** and **Humphry Rolleston**

# Summary of the Offer

## THE ISSUER

The issuer of each Series of Infrastructure Bonds is Infratil Limited.

## THE INFRASTRUCTURE BOND PROGRAMME

Infratil established the Infrastructure Bond Programme to repay short-term debt and to provide funding for investments. To date, nine Series of Infrastructure Bonds have been issued under the Bond Programme. Three of these have fallen due and been repaid.

From time to time, Infratil will offer Infrastructure Bonds with different features. Each issue of a different type of Infrastructure Bond will be classed as a separate Series. A Series may be of Dated Infrastructure Bonds (ie have a Maturity Date) or Perpetual Infratil Infrastructure Bonds (ie have no Maturity Date), and each Series will have its own Interest Rate and, for Dated Infrastructure Bonds, Maturity Date. Perpetual Infratil Infrastructure Bonds (called 'PIIBs') are different to other Infrastructure Bonds previously issued by Infratil because they have no Maturity Date.

When Infratil wishes to issue Infrastructure Bonds of a new Series it will notify potential investors of the different features in an Issue Flyer.

Where Infratil offers more than one Series of Infrastructure Bonds at the same time, Infratil may decide to close some or one of the Series offers before the others.

Infrastructure Bonds of an aggregate face value of up to \$300 million may be offered under this Investment Statement. However, the actual amount of Infrastructure Bonds issued will depend on market conditions, Infratil's capital requirements and investor demand from time to time.

Application has been made to NZX for permission to list the Infrastructure Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of this Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in this Investment Statement.

## TERMS OF THE INFRASTRUCTURE BONDS

### Type Of Instrument

Infrastructure Bonds are unsecured, unsubordinated, convertible debt obligations of Infratil.

### Coupon Rate

Each Series of Infrastructure Bonds will pay coupon interest at the Coupon Rate per annum specified, or determined in accordance with the terms specified, in the relevant Issue Flyer.

The Coupon Rate for Dated Infrastructure Bonds is fixed for the term of those Infrastructure Bonds.

The Coupon Rate for PIIBs is reset on each Rate Set Date at the rate which Infratil determines to be the Margin plus the applicable One Year Swap Rate. The Margin will be 1.5% per annum, unless the Gearing Ratio which is applicable on the Rate Set Date is 60% or more, in which case the Margin will be increased in accordance with the matrix set out in the Issue Flyer for the PIIBs. As the One Year Swap Rate (and possibly the Margin) may change on each Rate Set Date, the Coupon Rate for PIIBs may similarly change on each Rate Set Date. More information on the Margin, the Gearing Ratio and the One Year Swap Rate is contained in the Glossary on pages 40 to 41 of this Investment Statement.

### Interest Calculation & Payment

Infrastructure Bonds in a Series will pay coupon interest at the Coupon Rate and will yield the Interest Rate as specified, or determined in accordance with terms specified, in the relevant Issue Flyer. Interest will accrue from the Issue Date for the particular Infrastructure Bond.

On the first Coupon Payment Date for an Infrastructure Bond the payment will be made to the initial Infrastructure Bond subscriber. Payment on the first Coupon Payment Date for an Infrastructure Bond will reflect the number of days from the Issue Date to the first Coupon Payment Date for that Infrastructure Bond.

The coupon payment on Coupon Payment Dates, other than the first Coupon Payment Date, for an Infrastructure Bond will be paid to the person(s) registered as the Bondholder on the relevant date of record. The payment amount will reflect the Coupon Rate as specified, or determined in accordance with



terms specified, in the relevant Issue Flyer, the number of days in the period since the previous Coupon Payment Date, and the Face Value of Infrastructure Bonds held.

#### **Issue Date For An Infrastructure Bond**

The date the Bond Registrar processes the completed application and cleared funds.

#### **Maturity Of Dated Infrastructure Bonds**

Dated Infrastructure Bonds will mature on the Maturity Date specified in the relevant Issue Flyer. On maturity they will be repaid for cash or, at Infratil's option, converted into Infratil Shares based on a small discount to the then market price of Infratil Shares. This process will entail Infratil notifying Bondholders not later than 25 Business Days prior to the Maturity Date whether Infratil has elected to:

- Redeem all Infrastructure Bonds in the relevant Series at their \$1.00 Face Value (less any withholding taxes and other deductions) payable in cash.
- or;
- Convert all the Infrastructure Bonds in the relevant Series by issuing the number of Shares obtained by dividing the \$1.00 Face Value by the product of the relevant Conversion Percentage specified in the relevant Issue Flyer and the Market Price. The Market Price will be the average price weighted by volume of all trades of Shares through NZX over the 10 Business Days up to the fifth Business Day before the relevant Maturity Date. Unless the Bondholder pays any withholding tax or other deduction to Infratil before conversion, the number of Shares issued will be adjusted in accordance with the formula in the Trust Deed.

Shares issued upon conversion of the Infrastructure Bonds will rank equally (including as to dividends) with all other Shares.

As PIIBs have no Maturity Date, these provisions do not apply to them. This means that Infratil is not obliged to repay the PIIBs, and Holders of PIIBs cannot require Infratil to repay their PIIBs, unless an event of default or compulsory acquisition occurs as set out in the Trust Deed which results in an early redemption or conversion of the PIIBs. This means that the only way a Holder of PIIBs can cash in his or her investment, other than for the limited circumstances described above, is to sell them. Infratil does, however, have the option of redeeming PIIBs, as described below.

#### **Early Redemption**

Infratil has the right to redeem for cash all or some of the Infrastructure Bonds. The redemption price will be, in respect of any particular Series, the greater of:

- the Face Value plus accrued interest (less any withholding taxes and other deductions); and
- the average price, weighted by volume, of all trades of Infrastructure Bonds of that Series through NZX over the 10 Business Days up to the fifth Business Day before the relevant redemption date.

Where the Infrastructure Bonds of that Series have not traded on NZX on at least half of the relevant 10 Business Days, the average price of the Infrastructure Bonds of that Series for that period will be determined by an Independent Adviser selected by the Trustee in accordance with the Trust Deed.

Unless the Bondholder pays any withholding tax or other deduction required to be paid by Infratil before redemption, the redemption price will be adjusted accordingly as set out in the Trust Deed.

Holders of Infrastructure Bonds that are to be redeemed will be given five Business Days' notice. In the case of Dated Infrastructure Bonds, such notice must be given at a date not less than 25 Business Days before the Maturity Date.

#### **TRUSTEE**

Trustees Executors Limited.

#### **SALE RESTRICTION**

This offer of Infrastructure Bonds is made in accordance with New Zealand law. No person may offer or sell the Infrastructure Bonds to any person outside of New Zealand except in accordance with all of the legal requirements of the relevant jurisdiction including, to the extent relevant, the laws of New Zealand.





New Zealand's wind conditions are amongst the best in the world for generating electricity. Coincidentally hydro power stations provide excellent backup for windfarms. Water can be stored and used when the wind isn't blowing. TrustPower is currently constructing Taranaki Stage III to increase the windfarm's output from approximately 250GWh to 600 GWh (sufficient for 74,000 average households). TrustPower's total renewable generation avoids 1.5 million tonnes of CO<sub>2</sub> emissions a year.



# Infratil

Infratil invests in infrastructure sectors where it has expertise and where the sector is facing growth or structural change. The core attributes of infrastructure as an investment are that it often provides robust growing returns and strong market positions. In addition to this, some infrastructure sectors face factors that have the capacity to provide additional risk-adjusted returns.

While Infratil is a New Zealand based company with the majority of its assets located in New Zealand, it also has material investments in Australia (energy) and Europe (airports), where it has been possible to build on expertise developed domestically.

## INFRASTRUCTURE INVESTMENT

Infrastructure has several attractions for investors:

- Often the assets cannot be easily replicated, which means they are well placed to benefit from demand and usage growth over the long term.
- While revenue growth can be expected to, at least, keep pace with demand, costs are often relatively static, so the value of the asset is likely to grow.
- In addition to its core attractions, some infrastructure can capture further value uplift through sector change.

Airports are an illustration. Airports have only been subject to private ownership over the last decade and business practices are still developing. Wellington Airport's increasing per-passenger income and enhanced services are outcomes of this new ownership structure. On top of better management, Wellington Airport is also benefiting from increasing air travel and competition between airlines focussing more on filling seats than increasing per-passenger charges. Now Boeing is introducing a new aircraft, the 787, which will be capable of providing direct services to North America and Asia from Wellington's relatively constrained runway. If this aircraft comes to serve Wellington it will provide a further area of activity and potential for value uplift.

## Management

The most important decision any investor makes is in deciding which sector to invest in. Infratil's second priority is to then manage its investments to be "best in sector". Practically that means being efficient and delivering value for money to users.

From this base it may then be possible to grow the relevant company by developing additional services.

Each of Infratil's investments can be measured by the three criteria of Sector – Efficiency – Growth.

In conjunction with these factors, Infratil also focuses on employee and community outcomes.

Delivering good services requires employees that are confident, respected and feel a sense of ownership in their business.

Maintenance of good relations with a wide community of interests is crucial for businesses that are a part of a society's fabric. All of Infratil's material New Zealand investments have been alongside community bodies, local authorities and community trusts. Engaging with local interests is a hallmark of Infratil's approach, and is necessary in achieving success over the long-term.





Lloyd Morrison Managing Director



Bruce Harker



Kevin Baker



Mike Basher



Tim Brown



Rosanne Byrne



Fiona Cameron



Allan Cannell



Chris Chandler



Donald Cheesman



Susan Clifford



Roger Crawford



John Culy



Carl Daucher



Kelly Daykin



Simon Draper



Steve Eskridge



Steven Fitzgerald



Darryl Flukes



Paul Forsyth



Warren Fowler



Paula Horne



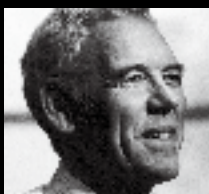
John Howarth



Adrian Jones



Crystal Kerridge



Terry McAlister



Ross Martin



Charles Monheim



Rachel Ockelford



Lib Petagna



Bill Rae



Paul Ridley-Smith



Mark Rodwell



George Royal



Andy Scotland



Matthias Seidenstücker



Adam Stannard



Graeme Sweenie



Graeme Thomson



Kate Thrupp



Ian Turner



Phill Vann



Phil Walker



Graeme Ware



Nick Wareham



Mark Weeden



Glenn Wedlock



Joyce White

## **Airports**

Over the last decade the airport business has undergone significant change due to growing air traffic and increasing private ownership.

Since Infratil acquired its interest in Wellington Airport in 1998, passenger numbers have risen 1,068,000 (30%), income per passenger has risen \$5.27 (72%), costs per passenger have fallen \$0.20 (6%) and \$135 million has been invested in the business.

15 years ago Wellington Airport was a converted aircraft factory that reflected the city's then grey governmental look. It is now a gateway the region is proud of. A 2002 survey of Wellingtonians indicated that 99% approved of the new terminal and 92% accepted paying extra for the improved facilities. Under the ultimate form of government regulation, ownership, few improvements to services had occurred since the airport's opening in 1959.

Infratil believes the airport sector still offers untapped value and that air travel growth will continue to be supported by airline competition and aircraft manufacturers' innovation.

In Europe, where Infratil is undertaking further airport investment these trends are particularly pronounced with the expansion of the European Union's "home" market and the high growth of low-cost carriers such as Ryanair. Infratil's European airports are gaining from growth in air travel, increasing airline competition and a move by airlines to use less congested, "non-hub", airports.

## **Renewable Energy**

Infratil's investment in New Zealand renewable energy benefited from the end of the era of cheap, government subsidised, hydro-power and gas, and the depletion of gas reserves.

Growing demand meant new power stations were needed and these were only commercially viable at higher energy prices. Pushing those energy prices higher than anyone expected, even 5 years ago, have been difficulties securing cost-efficient gas for gas-fired stations, which are potentially the lowest-cost source of electricity. Further costs are added by environmental protection measures as globally governments are introducing policies to encourage electricity generation that does not emit greenhouse gases.

On top of these factors, global supply and demand has pushed up oil and other energy prices.

While the mix of factors is different in Australia, there the energy market is undergoing liberalisation allowing new entrants and the sector is transitioning from largely state ownership.

## **Public Transport**

New Zealand's (especially Auckland's) long-term trend towards use of private cars at the expense of public transport has resulted in pollution, traffic congestion and high projected remediation costs. Some official projections (which seem to change frequently) are for the rate of annual central and local government transport spending in Auckland to double. From a rate of about \$500 million a year to about \$1 billion a year.

Public transport in New Zealand is being encouraged by local and central government as a cost efficient means of reducing road congestion, which is also environmentally benign.

Infratil's investment in public transport in Auckland and Wellington was undertaken in expectation of working with the relevant civic authorities to enhance services and patronage in a cost efficient manner.

## **TRACK RECORD**

Since establishment in 1994, Infratil has raised net equity of \$142 million, has paid gross dividends of \$255 million and, at a share price of \$4.89 and warrant price of \$1.59, has an equity market value of \$1,133 million. Infratil's return to shareholders since establishment has averaged over 20% per annum after tax.

The track record has been based on making a relatively small number of investments, which have been managed and developed over a long period. Making the right investment in the first place has been the biggest hurdle. Incumbency is often of great value.

Businesses such as airports require significant lead-times before they achieve robust profitability. Consenting and construction take years, followed by potentially long periods before gradually rising operating income overtakes costs, which are usually more fixed. Successful investment in these situations requires considerable patience and excellent communication with investors to ensure their expectations are realistic.

## INCOME & COST BREAKDOWN

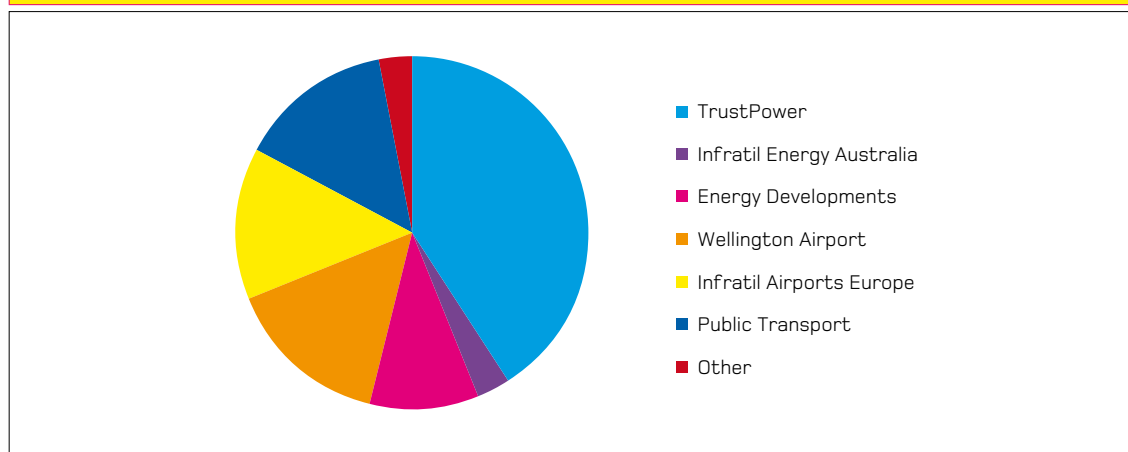
Year ended 31 March 000	2006	2005	2004	2003	2002
TrustPower <sup>1</sup>	\$28,648	\$25,740	\$20,670	\$13,130	\$360
Wellington Airport <sup>2</sup>	\$24,040	\$23,647	\$18,170	\$10,217	\$6,200
Infratil Airports Europe <sup>3</sup>	(\$6,862)	\$3,276	\$3,694	\$2,509	\$1,400
Infratil Energy Australia <sup>4</sup>	(\$2,455)	(\$2,398)	-	-	-
Other income <sup>5</sup>	\$2,830	\$3,135	\$4,136	\$3,643	\$6,174
Infratil interest	(\$29,492)	(\$15,491)	(\$13,271)	(\$13,787)	(\$12,800)
Infratil operating costs <sup>6</sup>	(\$17,616)	(\$15,593)	(\$13,178)	(\$7,585)	(\$6,800)
Operating Surplus	\$7,719	\$22,316	\$20,221	\$8,127	(\$5,466)
Realisations	\$239	\$22,721	\$2,244	\$20,010	\$28,039

1. Infratil equity accounts TrustPower.
2. Infratil consolidates Wellington Airport and deducts minorities. The result reflects Wellington Airport's income and tax benefits to Infratil.
3. Infratil Airports Europe contribution reflects the costs associated with external management and recent acquisitions.
4. Infratil Energy Australia's contribution reflects the expensing of costs associated with starting up.
5. Other income mainly comprises dividends and interest. Infratil has not equity accounted Energy Developments.
6. Infratil's costs include corporate overheads, management, the issue of Bonds and with developing investments.

The figures are from Infratil's Annual Reports or disclosures to NZX.

## INVESTMENT PORTFOLIO

30 September 2006



Listed investments are included at market values. Other investments are included at cost or book values.

## FURTHER INVESTMENTS

Infratil is seeking new investments and encouraging growth from its existing activities. Recent material developments include:

- In 2005 Infratil Airports Europe (a wholly owned subsidiary of Infratil) acquired 90% of Lübeck and 100% of Kent airports. Each of Infratil's three European airports is working to build throughput, services and facilities.



- Wellington Airport is progressing a \$100 million upgrade of airfield, terminal and commercial facilities.
- TrustPower is undertaking a \$180 million expansion of its Tararua Windfarm and is seeking consents for a number of additional wind and hydro power schemes.
- Infratil Energy Australia is growing via the expansion of its retail business and the associated purchase of peaking power stations. Infratil is also increasing its investment into the distributed generator Energy Developments.
- Infratil acquired Auckland and Wellington's major public transport provider for \$252 million in November 2005.

On 31 October 2006 Infratil announced the conditional purchase of Alliant Energy New Zealand Limited by Infratil Energy Limited (a wholly owned subsidiary of Infratil) for \$445 million. See page 14 of this Investment Statement for further details.

Infratil has also entered into a "co-investment" arrangement with the New Zealand Superannuation Fund. Under this arrangement Infratil's management are to manage a portion of the Fund, and as shares in international infrastructure companies are acquired for the Fund Infratil is expected to also make, smaller, parallel investments.

## FUNDING

Infratil invests in industries with robust and reasonably predictable cashflows. Debt can be used to improve shareholder returns without the assumption of undue risk.

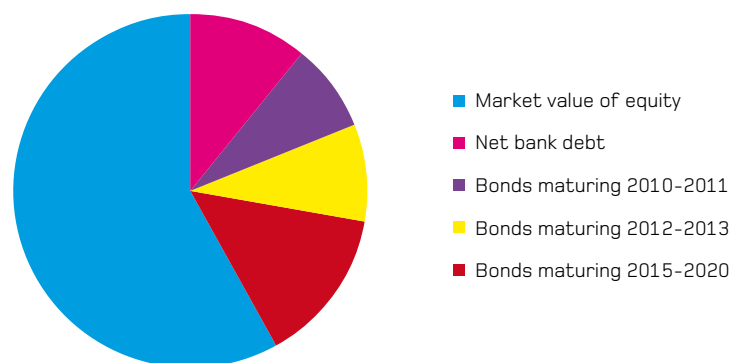
The Infrastructure Bonds provide the majority of Infratil's core debt with funding from banks being used for shorter term requirements.

The companies Infratil has invested in are also prudent and efficient in their use of debt and equity funding. Wellington Airport and TrustPower have relatively low levels of debt funding. Infratil Energy Australia, Victoria Electricity, Infratil Airports Europe and Infratil's public transport operations have no external borrowings above the level of working capital.

As at 30 September 2006 Infratil had net bank borrowings of \$169 million, Bonds of \$509 million and equity securities with a market value of \$941 million.

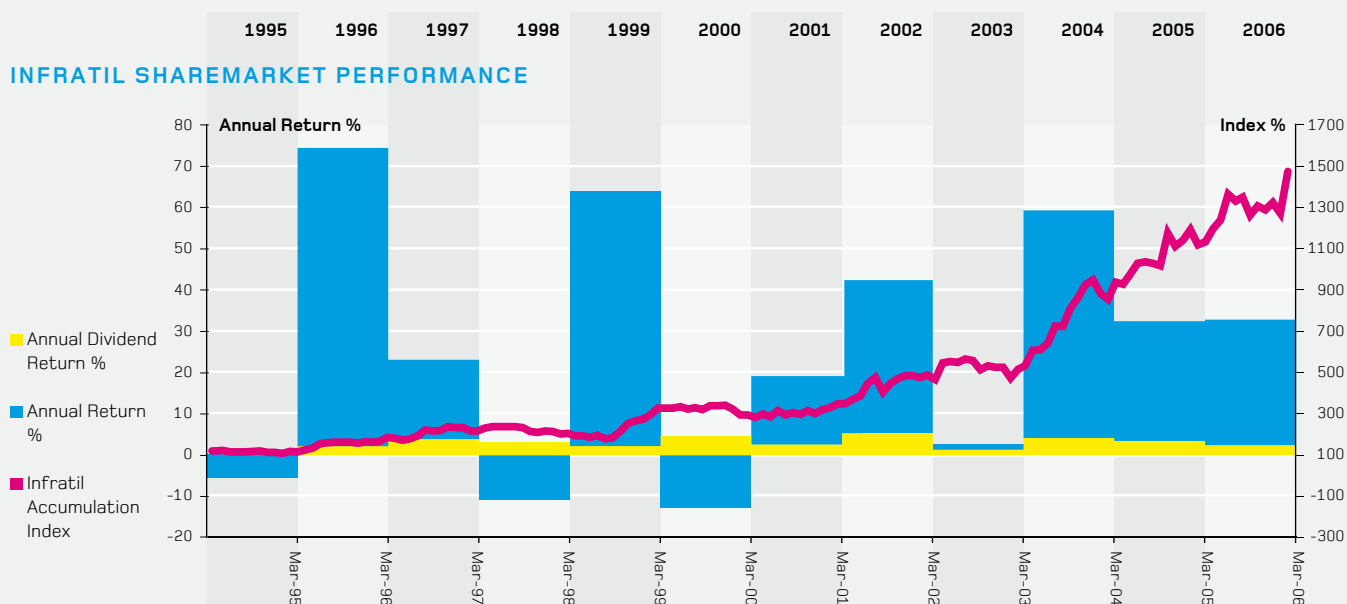
Debt comprises approximately 42% of Infratil's capital.

**Capital Structure at 30 September 2006**



Listed investments are shown at market values. Other investments are shown at cost or book values.

## 12 YEAR RECORD



## INVESTMENT & FINANCIAL PERFORMANCE OF THE INFRATIL GROUP

\$000 (31 March)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operating revenue	2,017	4,994	8,700	12,982	20,283	55,552	68,161	120,857	142,517	148,744	172,000	301,015
EBITDA <sup>1</sup>	1,205	4,330	7,870	7,711	15,154	18,961	24,977	35,093	59,423	63,567	63,823	77,598
Interest	14	50	396	5	714	15,953	23,966	26,180	27,099	25,008	24,925	41,984
Tax	9	246	12	0	0	185	380	1,618	7,088	1,628	54	670
Net Profit	1,182	3,001	5,698	9,862	15,172	11,968	4,898	(5,466)	8,127	20,221	22,316	7,719
Revaluations	(4)	1,340	620	244	11,383	22,200	11,573	28,039	20,010	2,244	22,721	239
DPS (cents)	0	2.66	3.00	5.00	8.00	9.25	9.25	7.00	3.00	9.00	10.5	12.5

1. Earnings before interest, tax, depreciation, amortisations, realisations and revaluations and equity accounting adjustments and after deducting minority interests.

## FINANCIAL POSITION OF THE INFRATIL GROUP

\$000 (31 March)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Investments	41,243	92,690	108,621	124,805	183,880	203,381	161,917	218,376	247,935	377,053	430,183	475,553
Non-Current Assets <sup>1</sup>					225,072	288,680	413,345	522,892	492,856	478,123	484,448	1,114,109
Current Assets <sup>1</sup>	8,029	16	35,628	12,527	9,327	7,810	37,901	57,126	51,016	59,901	87,903	115,236
<b>Total Assets</b>	<b>49,272</b>	<b>92,706</b>	<b>144,249</b>	<b>137,332</b>	<b>418,279</b>	<b>499,871</b>	<b>613,163</b>	<b>798,394</b>	<b>791,807</b>	<b>915,077</b>	<b>1,002,534</b>	<b>1,704,898</b>
Current liabilities <sup>2</sup>	184	11,075	5,109	6,423	43,725	9,467	25,554	19,454	20,158	22,247	63,123	332,731
Non-Current liabilities <sup>2</sup>					150,492	162,450	213,538	188,038	176,312	147,066	117,418	97,177
Bonds					43,555	121,451	150,620	170,620	170,620	154,646	233,939	481,607
<b>Total Liabilities</b>	<b>184</b>	<b>11,075</b>	<b>5,109</b>	<b>6,423</b>	<b>237,772</b>	<b>293,368</b>	<b>389,712</b>	<b>378,112</b>	<b>367,090</b>	<b>323,959</b>	<b>414,480</b>	<b>911,515</b>
Infratil Net Debt <sup>2</sup>	0	8,787	0	0	88,555	151,451	174,620	140,139	156,062	158,400	238,655	621,612
Outside Equity in Subsidiaries					39,344	37,985	61,734	100,311	95,319	50,343	57,372	127,590
Shareholder Equity	49,088	81,631	139,140	130,909	141,163	168,518	161,717	319,917	329,398	540,775	530,662	665,793
Total Equity	49,088	81,631	139,140	130,909	180,507	206,503	223,451	420,282	424,717	591,118	588,054	793,383
Net Assets <sup>3</sup>	54,100	130,800	241,300	215,700	327,800	333,900	322,900	434,600	406,200	544,400	835,100	1,158,400
Shares on Issue	50,012	112,517	199,606	190,763	189,320	189,328	185,808	185,872	183,414	226,685	219,299	218,939

1. Since March 1999, assets and liabilities have reflected the consolidation of Wellington Airport, since March 2001 the first of the European airports, since March 2004 Infratil Energy and since 2006 public transport operations.

2. The consolidated liabilities include the liabilities of Wellington Airport which are not guaranteed by Infratil and Infratil has no direct obligation for their repayment. Current and Non-current liabilities include Bonds which have been separately identified. Infratil Net Debt shows the net amount of debt for which Infratil is liable.

3. Net Assets is shareholders equity plus the difference between cost and market value for Infratil's listed investments.

All figures are from Infratil's 2006 Annual Report

# TrustPower

TrustPower is a Tauranga based renewable electricity generation and retailing company. Infratil has a 35% shareholding, which at 30 September 2006 had a market value of \$732 million.

TrustPower has hydro generation facilities at 11 South Island and 7 North Island sites and a wind farm in the Tararua Ranges near Palmerston North.

Infratil has been a cornerstone shareholder in TrustPower since 1994 and has played an instrumental role in TrustPower's strategic direction from when it was formed from the Tauranga Electric Power Board as an electricity lines company with less than 50,000 customers and a part shareholding in one hydro generation station.

TrustPower is listed on the NZX and is owned by Infratil 35%, Tauranga Energy Consumers Trust 28%, Alliant Energy New Zealand Limited 24%, and 13,000 other investors with relatively small parcels. On 31 October 2006, Infratil announced the conditional purchase of Alliant Energy New Zealand Limited by Infratil Energy Limited (a wholly owned subsidiary of Infratil) for \$445 million. The purchase is conditional on TrustPower shareholder approval, which will be sought in December 2006. Settlement of the purchase is scheduled for 29 December 2006. Infratil anticipates on-selling some TrustPower shares so as to leave itself with a shareholding of at least 50.1% in TrustPower.

## RENEWABLE GENERATION

TrustPower's existing generation output is approximately 2,000 GWh (sufficient for 250,000 households) in a year of normal wind and rainfall. This generation (together with plant currently under construction) will prevent approximately 1.5 million tonnes of CO<sub>2</sub> emission a year.

The power stations are at 19 locations around New Zealand and TrustPower's 220,000 customers are located reasonably close by, which reduces transmission cost and risk, and assists with maintaining community support. Those affected by the power stations are also the people who use their output.

New Zealand's recent growth in generation capacity has come from medium to smaller facilities such as TrustPower's Tararua windfarm. This station has been developed in three stages, with the first 48 wind turbines commissioned in 1999, 55 added in 2004 and a further 31 much larger machines now being installed. The 103 turbines of Stages I and II produce enough electricity for 32,000 households, Stage III's 93MW will provide power for a further 42,000 homes.

TrustPower's power stations are a good base from which to increase capacity and current development projects include:

- Tararua Wind upgrade, 93MW \$180 million. Commissioning from February 2007.
- Waipori Hydro upgrade, 5MW \$5 million. Commissioning July 2007.
- Wairau Hydro 62MW. Arnold Hydro 43MW. Waipori Wind 200MW. Consent applications underway.

TrustPower's dispersed, smaller scale, hydro power stations are well placed to operate in conjunction with adjacent windfarms. When the wind isn't blowing the hydro will provide back up generation.

## ELECTRICITY RETAILING & RISK MANAGEMENT

In addition to its generation activities, TrustPower has also developed a strong retail business based on providing excellent service. As a necessary complement to generation and retailing, TrustPower is proactive in managing the price risks inherent to electricity. Notably in the year to 31 March 2006, TrustPower successfully managed a marked increase in wholesale energy prices without pressure on retail margins.

## FINANCIAL PERFORMANCE

For the year to 31 March 2006, TrustPower delivered Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$186 million.



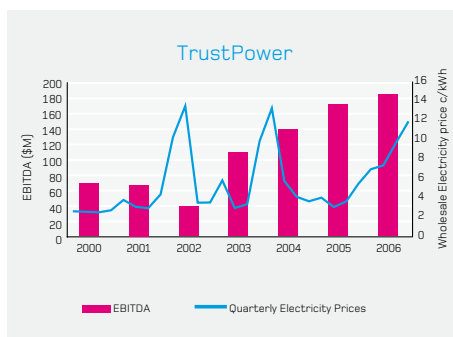


The Waipori hydro scheme comprises 4 power stations fed from Lake Mahinerangi, inland from Dunedin. It produced its first electricity in 1907. TrustPower is undertaking a \$20 million upgrade at present and has lodged applications for a nearby windfarm of 200MW capacity.

Waipori Hydro



Tararua Windfarm



Tararua Windfarm Stage III

Year Ended 31 March (\$M)	2006	2005	2004	2003	2002	2001	2000
Revenue	677	612	632	663	604	508	429
EBITDA <sup>1</sup>	186	173	140	110	39	67	69
Net Profit After Tax <sup>2</sup>	81.4	73.2	61.9	47.0	1.0	23.5	26.8
Dividends <sup>3</sup> (cps)	23.0	19.5	17.5	11.3	8.0	8.6	8.3
SHF <sup>4</sup>	896	883	866	604	598	623	596
Borrowings	360	360	380	239	179	146	146
Customers	220,000	225,000	224,000	274,000	280,000	280,000	220,000
Generation (GWh)	1,791	2,071	1,738	1,672	1,522	1,613	1,498

<sup>1</sup> EBITDA -is a measure of free cashflow generated by the business being net operating earnings before interest, tax, depreciation, and amortisation.

<sup>2</sup> For the 2000 year the net profit after tax excludes an extraordinary gain of \$2.697 million.

<sup>3</sup> Adjusted for share split.

<sup>4</sup> Including convertible notes.

TrustPower Limited does not guarantee the Infrastructure Bonds.

# Infratil Energy Australia

Infratil Energy Australia's operations comprise energy retailing, risk management and generation. While the activities are relatively small they are a good base from which to build and they are capable of being successful notwithstanding their small scale. Large incumbent retailers and generators do not appear to have any intrinsic cost or expertise advantage.

As at 30 September 2006 Infratil had invested \$59 million in Infratil Energy Australia, which in the 6 months to 30 September 2006 contributed \$5.6 million to Infratil, before depreciation and interest of \$0.6 million. This was the first positive half year contribution from these operations, and the priority remains growth, which carries associated costs.

## RETAIL

Victoria Electricity (VE) was established in 2004 to build an energy retailing operation. Infratil backed a management team with energy retailing expertise in New Zealand as the deregulating Australian market appeared attractive for a low-cost retailer based on direct marketing and sharing cost savings with consumers.

Over the 3 years to 31 March 2006 Infratil had invested A\$15.3 million into VE. The majority of this amount has been placed on deposit by VE as security for electricity purchases, a prudential requirement of the market regulator. Approximately A\$4.1 million had been expensed as VE has been establishing its customer base, which has been growing at a rate of approximately 5,000 customers a month. By 30 September 2006 VE had 119,000 billed electricity and gas customers in Victoria and South Australia ("billed customers" are those that have actually received an account, which can be several months after they have "signed up"). The intention is to continue to invest to grow.

The VE management own options over approximately 40% of that company's equity.

## ENERGY RISK MANAGEMENT

Australian energy prices are significantly more volatile than New Zealand's and while this risk may be contractually transferred to third parties, in the long run this represents a material opportunity cost and would also result in dependency on counterparties. Consequently, a second plank of Infratil Energy Australia's strategy of building an energy business has been to invest in energy trading and risk management expertise, which is a core strength of Infratil's management.

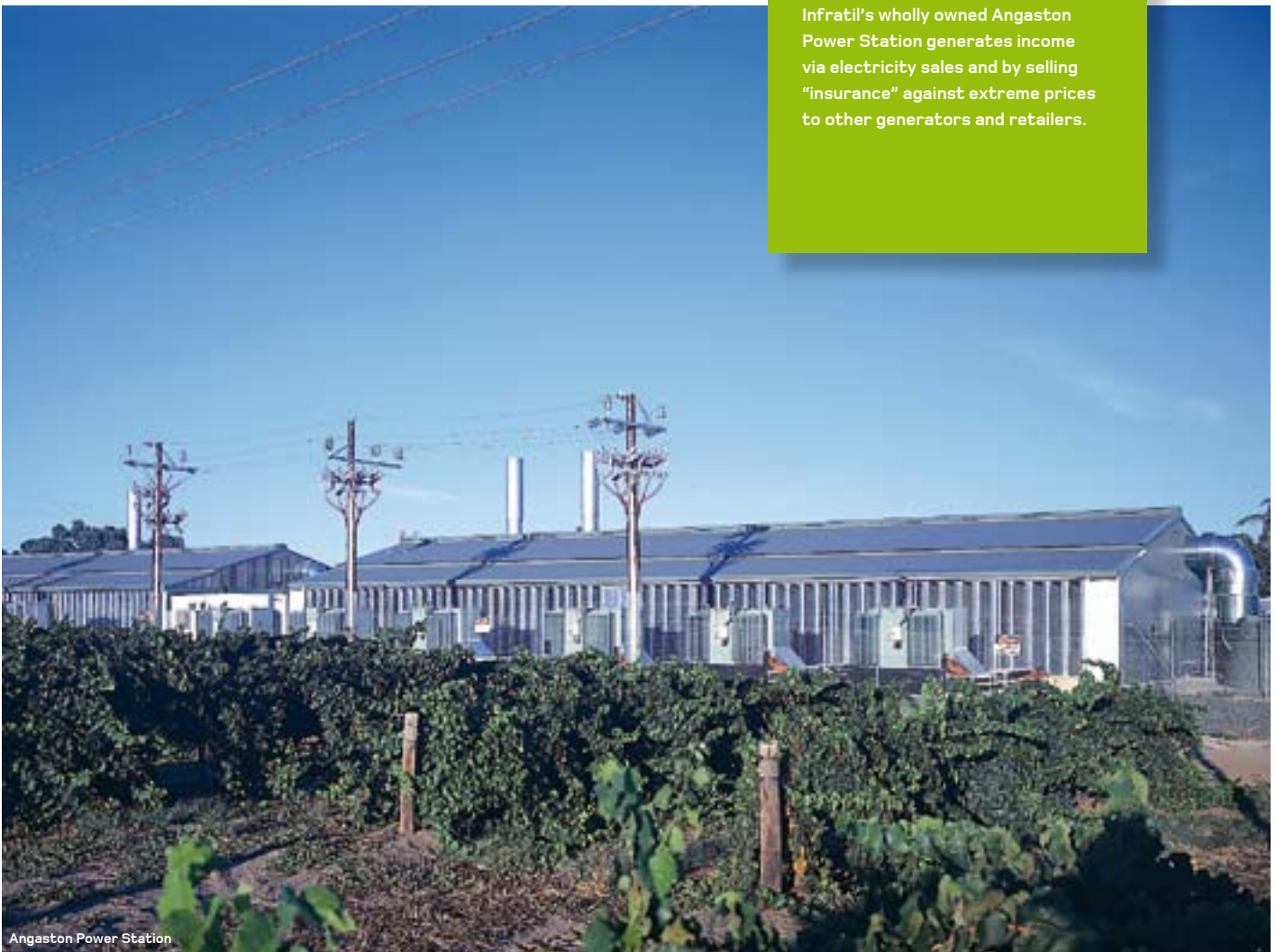
## GENERATION

In March 2006 Infratil acquired the Angaston power station located in South Australia for approximately A\$20 million. This power station comprises 16 diesel engines with the capacity to generate 40 MW (sufficient for approximately 45,000 households). As a standby generator Angaston is likely to only operate during the 100, or so, hours a year when prices are very high. Notwithstanding this relatively low level of output, the investment is expected to be cashflow positive by selling "insurance" against extreme prices to other generators or retailers.

Subsequently Infratil has agreed to invest in expanding the capacity of Angaston and to purchase another South Australian diesel reserve peaking power station at Lonsdale (20MW), subject to agreement on final documentation and satisfaction of all conditions precedent.



Infratil's wholly owned Angaston Power Station generates income via electricity sales and by selling "insurance" against extreme prices to other generators and retailers.

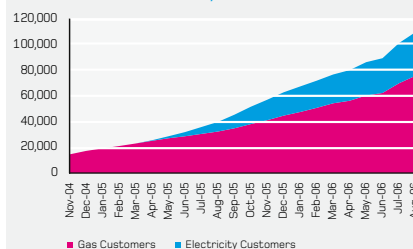


Angaston Power Station



Martin Foreman, Aneta Graham and Darryl Flukes

Victoria Electricity Total Billed Accounts



Inside Angaston Power Station

Year Ended 31 March	30 September 2006 *	2006	2005
Billed customers	119,179	76,950	22,986
Generation capacity (MW)	70	40	-
Contribution	A\$4.5m	(A\$2.6m)	(A\$2.0m)

\* The contribution is for the 6 months ended 30 September 2006. The generation capacity is for plant that is owned, contracted or under order.

Infratil Energy Australia does not guarantee the Infrastructure Bonds.

# Energy Developments

Energy Developments is a Brisbane based waste to energy and remote area electricity generator. Its generation plant uses a wide range of fuels including waste gas from rubbish dumps, methane leaching from coal seams, and transportable fuels such as distillate and liquefied and compressed natural gas for remote locations.

Infratil owns 25% of Energy Developments which as at 30 September 2006 had cost \$151 million and had a market value of \$195 million.

As a company with significant investment opportunities Energy Developments provides a relatively low dividend and over the year to 31 March 2006 Infratil dividend income from Energy Developments amounted to \$1.4 million.

## GENERATION OPERATIONS

Energy Developments' expertise is in low cost development and management of relatively small-scale power stations and related energy facilities, at very diverse locations. It takes little electricity price risk with approximately 90% of output sold on long-term contracts.

In addition to income from electricity sales, revenue is also derived from government schemes that incentivise the removal of greenhouse gases. Rubbish dumps and mine coal seams leak methane and the collection and burning of this gas results in receiving greenhouse credits in Australia and Europe. In the year to 30 June 2006 Energy Developments' income from these sources amounted to A\$23.2 million (total earnings before tax, interest, depreciation and amortisation for the year were A\$86.2 million).

As at 30 June 2006 Energy Developments operated at 63 sites in Australia, Asia, USA and Europe and had installed capacity of 445 MW, a 19 MW increase over the year. 57 of the sites use rubbish dump or coal seam methane, while 6 sites are remote power generating from distillate or natural gas. Many of these sites have fuel quantity and quality challenges and greenhouse credit schemes are prone to change so a diversity of projects and regulatory regimes assists Energy Developments manage and spread its risks.

## DEVELOPMENT PROJECTS

Energy Developments is working to commission a further 103 MW of plant at a total cost of approximately A\$260 million.

The most major project is the A\$210 million West Kimberley Power Scheme which involves Energy Developments constructing a plant to produce Liquefied Natural Gas that will then be transported by road tankers to four power stations in the Kimberley region of Western Australia. These power stations, plus one other that uses diesel as fuel, will be built, owned and operated by Energy Developments.

The other major new project is the 32MW A\$43 million German Creek scheme in central Queensland that is due for completion in 2007. This will be fuelled by methane leaking from coal seams. Because methane is a particularly noxious greenhouse gas this project will attract substantial Australian government grants.

These are important undertakings for Energy Developments as it positions for further opportunities in LNG and greenhouse credit power schemes.

In addition to these larger scale projects, Energy Developments is also adding generation capacity in Europe.



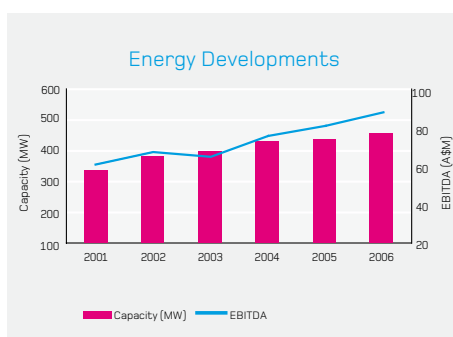


German Creek

Energy Developments' A\$443 million, 32MW German Greek power scheme is due for completion this year. The A\$210 million West Kimberly project is due for completion in 2007. It entails building 4 power stations of 61MW capacity and a plant to produce 200 tonnes a day of liquefied natural gas.



Carbon Limestone Landfill Gas, USA



LNG Plant Process Skid Karratha

## FINANCIAL PERFORMANCE

Year Ended 30 June (A\$M)	2006	2005	2004	2003	2002	2001
Revenue	159.7	144.9	128.1	117.4	120.4	102.0
EBITDA	86.2	79.6	74.7	64.5	66.8	60.7
Profit after tax	26.5	26.0	18.6	16.8	20.8	18.9
Capacity (MW)	445	426	420	389	373	329
Dividend (cps)	4.0	3.5	1.5	0.0	2.6	5.3

Years ended 30 June. In 2003 and 2004 write offs reduced reported profit to losses.

Energy Developments Limited does not guarantee the Infrastructure Bonds.

# Public Transport New Zealand

In November 2005 Infratil acquired the New Zealand public transport interests of Stagecoach plc. These comprise bus services operating in greater Auckland and Wellington and the Fullers Ferries operating on the Waitemata Harbour and Hauraki Gulf. The acquisition included over 1,000 buses, 9 ferries, a number of depots and over 2,000 employees. The purchase cost was \$252 million.

Over the last fifty years, especially in Auckland, public transport has played a backseat role to the private car. In Auckland public transport patronage has declined from approximately 150 trips per capita in the 1950s to about 40 trips last year.

There are sound reasons to believe that over the next decade public transport will regain ground from the private car. Private motoring costs are likely to rise and government (central and local) is changing its policy goals in favour of public transport.

For government the benefits of supporting public transport are compelling. It is cheaper, and quicker, to upgrade bus services than to build more roads. Countering urban sprawl, which is a policy objective in its own right, also benefits from enhanced public transport. However, transport funding is highly political and how and when Government's policy aspirations are translated into action is uncertain.

The other attraction of the acquired businesses is that they are well managed, have strong market positions and, notwithstanding these advantages, have historically delivered relatively low returns on capital employed. Consequently they offer a reasonable prospect of enhanced returns if they continue to be cost efficient and offer good, popular, services.

## OPERATIONS

New Zealand's model for urban public transport entails:

- Private bus and ferry companies register the services they are willing to provide without any local authority assistance.
- Civic authorities in Wellington and Auckland (Greater Wellington Regional Council and Auckland Regional Transport Authority) identify additional services they want operated and tender these "non commercial" routes. Usually a tender specifies service requirements and maximum fares and the provider will tender for a "top up" subsidy.

While this model has delivered relatively cost-efficient public transport it is subject to ongoing review which means uncertainty. However, given the overall policy goal, to expand the use of public transport, Infratil's bus and ferry operations are well placed to be able to expand their scale and scope of services.

## AUCKLAND PUBLIC TRANSPORT

Infratil intends that its bus and ferry operations fulfil their potential by being the most efficient, lowest cost providers of public transport at the same time as having the best services and customer interface.

Operationally the objective is to ensure that passengers, rather than officials, remain the primary customers.

## WELLINGTON PUBLIC TRANSPORT

Wellington's public transport is popular because of its frequency, reliability, and relative comfort and friendliness. Another feature of Wellington is the use of electric trolley buses which are better regarded by users than diesels. Greater Wellington Regional Council and Infratil have agreed to renew the trolley buses at a cost of approximately \$30 million.

When Infratil acquired Stagecoach's NZ public transport operations the purchase price included a \$3m deposit that had been paid on the acquisition of 74% of Mana Coach Services (Mana). This acquisition was progressed by Infratil until stopped by the High Court, which ruled that the acquisition would have substantially lessened competition within the Wellington bus market. This resulted in a \$500,000 fine and imposition of \$600,000 of costs on Infratil and the 74% holding being acquired by a third party. Infratil has retained 26% of Mana and provides this company with loan funding. Infratil may still increase its shareholding in Mana, in the event legal impediments are removed.



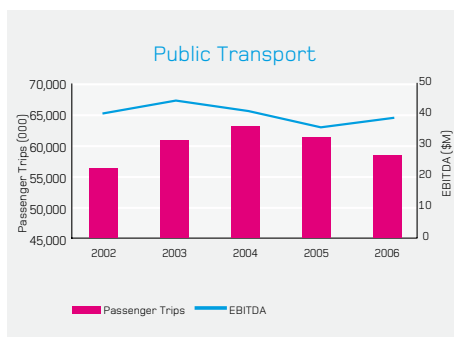


The Flyer Service to Wellington Airport

Wellington public transport is popular and cost efficient. The challenge is to continue to improve and to replicate this success in Auckland.



Eastbourne Bus Service



Fullers Ferry

## FINANCIAL & OPERATIONAL PERFORMANCE

Year Ended 30 April (M)	2006 *	2005	2004	2003	2002
<b>Auckland (bus and ferry)</b>					
Passenger Trips (000)	37,800	41,975	44,299	42,603	39,423
Net subsidy	\$41.7	\$33.8	\$34.3	\$31.9	\$27.9
Fare income	\$71.0	\$75.3	\$79.4	\$79.0	\$72.8
<b>Wellington (bus)</b>					
Passenger Trips (000)	20,700	19,719	19,117	18,539	17,145
Net subsidy	\$17.2	\$16.4	\$13.8	\$11.9	\$11.4
Fare income	\$28.0	\$26.8	\$26.4	\$24.6	\$23.6
<b>Group</b>					
EBITDA *	\$39.0	\$35.7	\$41.4	\$45.1	\$40.6
Capital investment	\$12.0	\$28.6	\$18.9	\$22.1	\$10.4

\* annualised to 31 March. Earnings before interest, tax, depreciation and amortisation

Infratil's public transport operations do not guarantee the Infrastructure Bonds

# Wellington Airport

Wellington Airport is the hub of New Zealand's domestic aviation network and the international airport of the Capital and the surrounding regional population of approximately 500,000 people. The Airport is 8 kilometres from the centre of Wellington City on a 110 hectare freehold site.

Infratil acquired its 66% interest in Wellington Airport when the Crown sold its shareholding in 1998. The remaining 34% is owned by Wellington City Council. Wellington Airport is shown in Infratil's 31 March 2006 Statement of Financial Position at \$286 million.

Since Infratil acquired its interest in Wellington Airport, passenger numbers have risen 1,068,000 (30%), income per passenger has risen \$5.27 (72%), costs per passenger have fallen \$0.20 (6%) and total earnings before interest, tax, depreciation and amortisation have increased \$31.5 million (202%). Over the same period \$135 million has been invested in enhancing and expanding facilities and services.

Wellington Airport is rated by Standard & Poor's as an A-/Stable/A2 credit reflecting "the airport's strong business position, stable domestic business passenger base and growing international passenger numbers".

## AIRPORT ACTIVITIES

After 5 years when throughput rose close to 200,000 passengers a year, growth has slowed. In the year to 31 March 2006 4,006,576 domestic (down 0.2% on the previous year) and 564,990 international passengers (down 3.7%) reflected static airline capacity using the Airport.

Growth in passenger numbers has tended to occur in steps. Over 2003 and 2004 Air New Zealand (the main airline user of Wellington Airport) introduced its lower cost Express service, initially domestically and then on the Tasman. Over these two years international passenger numbers rose 32% and domestic passengers 16%, a total of over 700,000 travellers. Stimulation has also come from Qantas initiating domestic services in New Zealand (2001) and Pacific Blue starting on the Tasman (2004).

The sequence of developments tends to run: greater competition between airlines, increased capacity, lower fares, more innovative and appealing services, more people travelling. For a region like Wellington, where discretionary recreational and social travel tends to be short-stay (people visiting for a few days) the cost and convenience of air travel are important determinants of whether a trip happens or not (because travel costs and time will make up a large share of a trip's budget and time).

Wellington Airport is actively working to encourage better airline services to Wellington and to market the central New Zealand region. It supports marketing campaigns, airline services and a vibrant competitive aviation market. It is also focussed on ensuring that the Airport experience is as pleasant and efficient as possible.

Work is underway on a \$10 million improvement to the international terminal which may be expanded, dependant on the outlook for passenger growth. A \$23 million upgrade to runway safety also commenced during the year and will be completed by March 2007. Stage two of this project, expected to cost about a third of stage one, is likely to start shortly.

## COMMERICAL DEVELOPMENTS

Over recent years Wellington's Eastern suburbs have experienced a marked uplift in values. This has resulted in more lucrative uses for land becoming possible. The Airport has been able to develop land that was previously held as a buffer between the airport and surrounding residential areas. Stage one of the "off airport" retail centre is expected to be fully tenanted by the end of calendar 2006, providing \$3 million in annual income. Stage two is being progressed.

The airport has also significantly upgraded its outdoor signage and last year acquired one of New Zealand's major "out of home" advertising companies.





Wellington Airport

Approximately 7 million people pass through Wellington Airport's terminal each year. It is the region's gateway and a core part of its transport infrastructure. It is on a 110 hectare site and has approximately 500,000 people living within an hour's ground travel.



Icebreaker at the airport



Wellington Airport Terminal Development

## FINANCIAL PERFORMANCE

Year Ended 31 March (\$M)	2006	2005	2004	2003	2002	2001	2000	1999
Total revenue	66.1	58.4	53.7	47.5	37.1	35.8	31.3	29.1
Aeronautical revenue	41.6	40.5	38.6	33.6	24.0	24.1	22.0	21.1
Passenger services revenue	16.1	15.5	13.3	12.0	11.3	9.9	8.1	6.0
Property revenue	4.3	2.4	1.9	1.9	1.8	1.8	1.1	1.0
EBITDA*	47.1	44.3	38.7	33.8	24.6	23.6	19.1	16.1
Net Income attributable to shareholders	31.3	31.0	23.6	14.7	8.7	8.2	6.9	6.6

EBITDA is earnings before interest, tax, depreciation and amortisation.

Wellington International Airport Limited does not guarantee the Infrastructure Bonds.

# Infratil Airports Europe

In 2001 Infratil made its first investment in a European airport with the \$48.5 million acquisition of 67% of Glasgow Prestwick Airport. Since then Infratil has expanded its European airport investments by:

- Acquiring the rest of Glasgow Prestwick Airport to achieve 100% (2004).
- Acquiring 100% of Kent Airport for UK£18 million (August 2005).
- Acquiring 90% of Lübeck Airport for an initial payment of Euro10 million (December 2005).

In the year to 31 March 2006 Glasgow provided earnings before interest, tax and depreciation of £4.3 million (£3.8 million the prior year). However, the overall contribution from Infratil Airports Europe was a \$6.9 million loss. This net cost reflects the need to invest substantial resources in the development of the airports and was anticipated when Kent and Lübeck were acquired. Operating losses are expected for a number of years. The more attractive are the opportunities, the greater will be the propensity to invest in their realisation.

The book value of Glasgow Prestwick Airport together with the cost of the two recently acquired airports amounts to approximately \$258 million.

## EUROPEAN AIR TRAVEL

Infratil's investment in these airports has been encouraged by developments in European aviation since it was deregulated approximately a decade ago. This gave rise to the advent of low-cost carriers such as Ryanair, easyJet and Wizz, and last year over 200 million people, equivalent to half of the European population, travelled on low cost air services within Europe.

This growth in air travel is causing airport congestion, resulting in low-cost passenger and freight airlines looking for more cost-efficient alternative airports. In addition, more airlines are flying point-to-point services (eg. directly between Glasgow and Rome, rather than Glasgow to London to Rome as would have been the case a few years ago).

Infratil's three airports are being positioned to benefit from these developments. The scale of opportunity is apparent from the size of the London market. BAA's three London airports saw 124 million passengers and 1.8 million tonnes of freight transited in 2005. BAA is planning to spend £2.7 billion building a second runway at Stansted Airport and is part way through a £5 billion project to build a new terminal at Heathrow. Kent Airport cost Infratil £18 million (7% of the projected cost of Stansted's new runway).

## GLASGOW PRESTWICK AIRPORT

Glasgow Prestwick Airport is one of two airports that serve the city of Glasgow and Scotland's south west.

In addition to a vibrant passenger business it is also a base for dedicated freight services. Glasgow Prestwick is Scotland's only major airport with the facilities to accommodate Boeing 747 freight aircraft. After a period where the decline in Scottish air freight adversely impacting Glasgow Prestwick, throughput has stabilised. Over the medium to long term Glasgow Prestwick is expected to benefit from air freight's strong rate of growth and the trend to dedicated freighters as fewer passenger aircraft carry freight.

Glasgow Prestwick's main passenger airline customer is Ryanair, the highly successful low-cost airline. Ryanair's aggressive very-low-cost approach has resulted in the Airport's passengers rising from less than 1 million in 2000 to an anticipated 2.5 million this year.



Glasgow Prestwick: 340 hectares. 2.0 million people within an hour's land travel



Gleneagles Castle

Kent: 296 hectares. 1.5 million people within an hour's land travel



Canterbury Cathedral

Lübeck: 220 hectares. 4.5 million people within an hour's land travel



Historic Lübeck Centre

## FINANCIAL & OPERATIONAL PERFORMANCE

Year ended 31 March (£M)	2006	2005	2004	2003	2002	2001
<b>Glasgow Prestwick</b>						
Total aero income	15.3	13.3	13.0	12.8	10.6	8.4
Passenger services contribution	5.9	5.4	4.9	4.0	3.6	2.4
Property contribution	2.6	2.5	2.7	1.3	1.4	1.4
Aeronautical costs	14.3	13.1	12.4	9.8	8.9	7.8
EBITDA <sup>1</sup>	4.3	3.8	4.5	5.0	3.6	2.2
Passengers	2,368,755	2,190,705	1,969,458	1,483,000	1,309,000	988,000
Freight tonnes	28,176	33,288	38,028	41,100	42,630	42,164
<b>Kent &amp; Lübeck</b>						
Net costs <sup>2</sup>	(3.7)	(0.5)				
Passengers	156,362					
Freight tonnes	8,957					

1. Earnings before interest tax and depreciation. For 2004 EBITDA excludes management fees which are consolidated by Infratil.

2. Net costs include acquisition and external management cost.

Infratil Airports Europe does not guarantee the Infrastructure Bonds.

## KENT AIRPORT

The August 2005, \$47 million acquisition of Kent Airport is a good example of Infratil's investment approach. Kent has considerable operational and financial potential and was acquired at a price well below replacement-cost from the financial administrator of its previous owner.

The price reflected the Airport's level of commercial aeronautical activity at the time of acquisition. Growing use is the priority of Infratil's management team. The immediate goal is to develop Kent as a major freight facility. In due course Kent Airport may also become an attractive option for passenger services as the Airport has a population catchment of approximately 1.5 million people within 1 hour's road travel and congestion is increasing at London's other airports. Upgrades to rail and road infrastructure in England's south east should further assist the Airport's land access.

Since its acquisition, Infratil's management has attracted 3 regular freight customers to the Airport and Cosmos Holidays has announced it will offer passenger flights to Virginia in the US for 2007, joining an expanded charter program of 3 Spanish destinations offered by Seguro Holidays.

It will take time before Kent makes a positive earnings contribution. In the medium term it is well placed to attract traffic due to its location, excellent facilities, the increasing congestion of the major London airports, and the calibre of management Infratil has in Europe.

## LÜBECK AIRPORT

90% of Lübeck Airport was acquired from the City of Lübeck in December 2005. The cost (including assumption of shareholder loans) was Euro 10 million (NZ\$17 million).

At the time of acquisition Lübeck had approximately 600,000 annual passenger movements on services to London Stansted, Glasgow Prestwick, Milan Bergamo, Pisa, Stockholm Skavsta and Shannon and has subsequently gained services with Gdansk, provided by Wizz Air (central and eastern Europe's largest low-cost airline).

Lübeck Airport is 9 kilometres from Lübeck city and 60 kilometres from the centre of Hamburg, Germany's second largest city. It has good passengers and business catchments and many local tourist attractions. At present a link between the Airport and the surrounding motorway network is under construction.

The Airport's runway length represents a restriction on activity and if this limitation can be removed it is likely that utilisation will grow, requiring a major upgrade to terminal facilities. A planning approval process is underway which it is hoped will result in the necessary consents being available by the end of 2007.

## PASSENGER CATCHMENTS

	Population within an hour by road/rail	Road/rail connections	Runway Length	Existing Services
<b>Glasgow Prestwick</b>	2.0 million	Glasgow 44 minutes by train from the station linked to the terminal. 31 miles by motorway	2,987m	19 weekly dedicated freighters. 23 scheduled passenger destinations
<b>Kent</b>	1.5 million	London central 110 kilometres (1 hour 45 minutes). 1 hour to the M25 London ring road. Upgraded rail connection to London to open in 2009.	2,752m	3 regular freight users 2 charter passenger destinations
<b>Lübeck</b>	4.5 million	New motorway links under construction. 60km (45 minutes) from the centre of Hamburg.	2,100m	2 airlines provide scheduled services



# Outlook

The key determinant of returns over the long term is the sector in which the investment is made. Infratil's objective is to offer its Share and Bond Holders a well managed company that has invested in good sectors.

Over the last 12 years returns to investors in infrastructure have generally been good. Most infrastructure sectors have done well and have provided robust, above average, returns.

Many companies in the sector combine the properties of being conventional in their services, expensive to replicate, and invigorated with the recent arrival of commercial management. For instance, airports have been around for over 60 years, but, in the main, it is only a decade since they became subject to private ownership. With commercial management they have entirely redefined service standards, operational goals and acceptable returns on capital. Users, local communities and investors have all benefited, as have the prior civic owners who have released capital for other uses.

There are good reasons for maintaining a positive outlook for the sector.

## LONG TERM ORIENTATION

Infratil is a long-term investor with a specific focus on the infrastructure sector. Within these constraints Infratil has been flexible in how it has gone about achieving its objective of outperforming other utilities on a risk-adjusted basis.

The willingness to take a long-term view carries the risk that something unexpected disrupts the targeted outcome. Supply, demand, technology developments, community relations, Government policies and general economic factors all fluctuate.

Government involvement and influence remain a problematic issue for any infrastructure investor. The attitude towards economic regulation is often likened to a pendulum, swinging between light-handed oversight and heavy-handed controls. Over the last decade New Zealand's regulatory regime has gradually swung towards intervention.

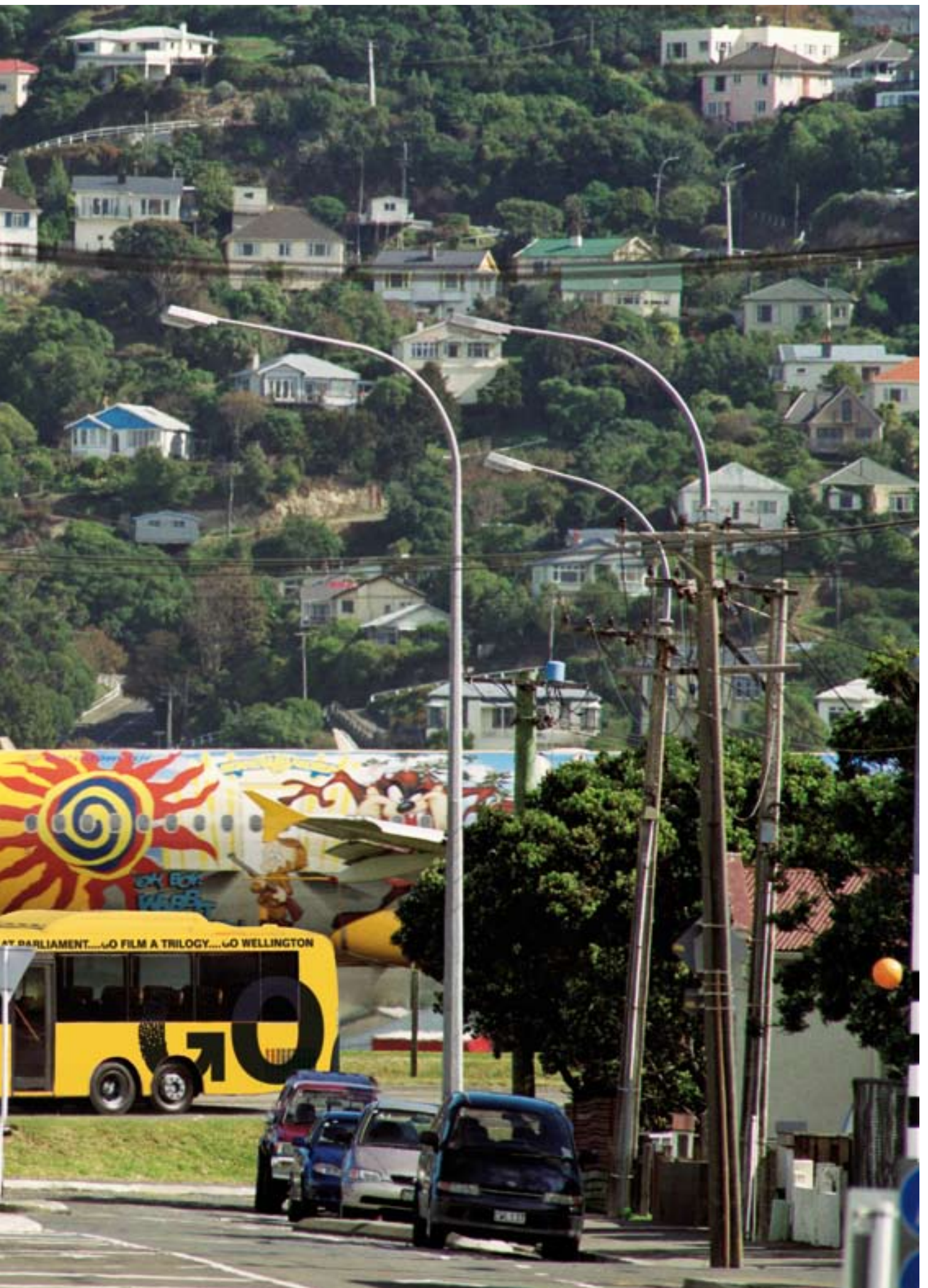
Regulation is often appropriate and desirable, but random and ill-considered regulation is a core risk faced by any long-term investor.

A fundamental attraction of the sector is that demand for airport services, energy and public transport are unlikely to diminish. In these sectors neither fashion nor technology is likely to usurp the roles of existing providers, at least in the foreseeable future. Also, Government and civic authorities are not likely to revert to absolute prioritisation of the private car over public transport.

Infratil's objective is to build on its expertise and to find and develop further investments while ensuring its existing interests perform to their capacity.







# Questions and Answers

## REQUIRED BY SCHEDULE 3D OF THE SECURITIES REGULATIONS 1983

### WHAT SORT OF INVESTMENT IS THIS?

The Infrastructure Bonds are unsecured, unsubordinated convertible debt obligations of Infratil. Details of how the Infrastructure Bonds are converted are found on page 5 of this Investment Statement.

Infratil is able to offer both Dated Infrastructure Bonds (ie. have a Maturity Date) and PIIBs (ie. have no Maturity Date) under this Investment Statement.

As PIIBs have no Maturity Date, Infratil is not obliged to repay the PIIBs, and Holders of PIIBs cannot require Infratil to repay their PIIBs, unless an event of default or compulsory acquisition occurs as set out in the Trust Deed which results in an early redemption or conversion of the PIIBs. This means that the only way a Holder of PIIBs is able to cash in his or her investment, other than for the limited circumstances described above, is to sell them.

Infratil does, however, have the option of redeeming PIIBs – see “Early Redemption” on page 31 of this Investment Statement, which applies to all Infrastructure Bonds.

The Maturity Date (for Dated Infrastructure Bonds only), Coupon Rate, Conversion Percentage, Coupon Payment Dates, any additional information required to comply with the Securities Act 1978 or the Listing Rules, and any special terms and conditions applicable to a Series of Infrastructure Bonds will be specified in the Issue Flyer for that Series.

Shares issued upon conversion of any Series of Infrastructure Bonds will rank equally (including as to dividends) with all other Shares. A summary of the rights and conditions attaching to Shares is set out on page 39 of this Investment Statement.

### WHO IS INVOLVED IN PROVIDING IT FOR ME?

The issuer of the Infrastructure Bonds is Infratil Limited, a company incorporated in New Zealand. Infratil's registered office is at 97 The Terrace, Wellington.

Infratil was formed in 1994 to invest in New Zealand's infrastructure assets. Since formation, Infratil has been active in the electricity, ports, airport, public transport and renewable energy/waste to energy sectors. Also see “Infratil” on pages 8 to 27 of this Investment Statement.

If Shares are issued upon conversion of the Infrastructure Bonds, they will also be issued by Infratil.

Trustees Executors Limited is the trustee for the Infrastructure Bonds. Its address is Level 1, 50-64 Customhouse Quay, PO Box 10-519 Wellington.

### HOW MUCH DO I PAY?

Each Series of Infrastructure Bonds is payable in full at the time of application by the applicant's payment of the Issue Price per Infrastructure Bond specified

in the relevant Issue Flyer. Payment is to be made to Infratil Limited, c/o Link Market Services Limited, PO Box 384, Ashburton, New Zealand. The minimum investment amount in each Series of Infrastructure Bonds is \$5,000. Above that value any round figure is acceptable. There is no cooling off period in respect of the Infrastructure Bonds.

### WHAT ARE THE CHARGES?

No charges will be payable by subscribers for any Infrastructure Bonds other than the Issue Price. Brokerage fees may be payable if Infrastructure Bonds are purchased or sold through a broker on the secondary market.

### WHAT RETURNS WILL I GET?

Infratil Limited is the person legally liable to pay all of the following returns on the Infrastructure Bonds. It is not possible to quantify as at the date of this Investment Statement the amount of returns you will receive, and therefore no such amount can be promised by Infratil. The return on each Infrastructure Bond will depend on the following factors:

#### Interest

Infrastructure Bonds in a Series will pay coupon interest at the Coupon Rate and will yield the Interest Rate as specified, or determined in accordance with terms specified, in the relevant Issue Flyer. Interest will accrue from the Issue Date for the particular Infrastructure Bond.

On the first Coupon Payment Date for an Infrastructure Bond the payment will be made to the initial Infrastructure Bond subscriber. Payment on the first Coupon Payment Date for an Infrastructure Bond will reflect the number of days from the Issue Date to the first Coupon Payment Date for that Infrastructure Bond.

The payment on Coupon Payment Dates, other than the first Coupon Payment Date, for an Infrastructure Bond will be paid to the person(s) registered as the Bondholder on the relevant date of record. The payment amount will reflect the Coupon Rate specified, or determined in accordance with terms specified, in the relevant Issue Flyer, the number of days in the period since the previous Coupon Payment Date, and the Face Value of Infrastructure Bonds held.

The returns on Dated Infrastructure Bonds will be fixed on, and calculated from, the Issue Date for the Infrastructure Bond.

The returns on PIIBs will be reset on each Rate Set Date at the rate which Infratil determines to be the Margin plus the One Year Swap Rate. The Margin will be 1.5% per annum, unless the Gearing Ratio which is applicable on the Rate Set Date is 60% or more, in which case the Margin will be increased in accordance with the matrix



set out in the Issue Flyer for the PIIBs. As the One Year Swap Rate (and possibly the Margin) may change on each Rate Set Date, the returns on PIIBs may similarly change on each Rate Set Date. More information on the Margin, the Gearing Ratio and the One Year Swap Rate is contained in the Issue Flyer for the PIIBs and the Glossary on pages 40 – 41 of this Investment Statement.

The returns for both Dated Infrastructure Bonds and PIIBs will depend on the Coupon Rate applicable to the particular Infrastructure Bond, the amount invested and any applicable taxes.

Infratil may suspend interest payments in certain circumstances, but interest will continue to accrue on the Face Value of the Infrastructure Bonds at the Coupon Rate specified, or determined in accordance with terms specified, in the relevant Issue Flyer while payment is suspended. All interest, payment of which has been suspended, will be payable as soon as the event allowing for suspension terminates and the payment of that interest will not cause such an event to exist. The Trust Deed provides for interest payments to be suspended by notice to the Trustee where:

- Infratil's Directors believe on reasonable grounds that the payment would be likely to result in a breach of the solvency test under the Companies Act 1993.
- The payment would be likely to result in any member of the Issuer Group breaching any covenant, warranty or undertaking given to any Senior Creditor in respect of Borrowed Money Indebtedness (each as defined in the Trust Deed).
- The payment would be likely to result in any member of the Issuer Group breaching any other legal obligation.

### Principal

On the Maturity Date for a Series of Dated Infrastructure Bonds, as specified in the relevant Issue Flyer Infratil will, at its election:

- Make a redemption payment of \$1.00; or
- Convert all of the Infrastructure Bonds in that Series held by a Bondholder by the issue of Shares. The number of Shares issued per Infrastructure Bond will be obtained by dividing the \$1.00 Face Value by the product of the Conversion Percentage applicable to that Series and the Market Price of Shares at that time. Shares issued upon conversion of the Infrastructure Bonds will receive the same dividends and have the same entitlements on the liquidation of Infratil as all other Shares.

As PIIBs have no Maturity Date, these provisions do not apply to them. This means that Infratil is not obliged to repay the PIIBs, and Holders of PIIBs cannot require Infratil to repay their PIIBs, unless an event of default or compulsory acquisition occurs as set out in the Trust

Deed which results in an early redemption or conversion of the PIIBs. This means that the only way a Holder of PIIBs can cash in his or her investment, other than for the limited circumstances described above, is to sell them.

### Taxation

Resident withholding tax ("RWT") will be deducted, where appropriate, at the rate required by law from payments made to Bondholders unless the Bondholder provides Infratil with the appropriate exemption certificate and Infratil is permitted by the terms of section NF 2 (7) of the Income Tax Act 2004 to make the payment free of RWT.

Non-resident withholding tax ("NRWT") will be deducted, where appropriate, at the rate required by law from payments made to Bondholders who are not New Zealand residents. Non New Zealand resident Bondholders may receive interest without deduction of NRWT as Infratil has registered the Infrastructure Bonds with the Inland Revenue Department and will, at the request of Bondholders from time to time pay the approved issuer levy (currently 2% of amounts treated as interest) in respect of interest payments. Infratil will pay this levy. Bondholders will be obliged to reimburse Infratil the amount of these levy payments.

Dividends on Shares will be subject to New Zealand income tax.

Actual withholding and other tax considerations may vary depending on the specific circumstances of investors and accordingly investors should seek their own tax advice as to the tax treatment of Infrastructure Bonds acquired by them. This summary reflects current taxation laws, which may change over time.

### Early redemption

Infratil has the right to redeem for cash all or some of the Infrastructure Bonds. The redemption price will be, in respect of any particular Series, the greater of:

- the Face Value plus accrued interest (less any withholding taxes and other deductions); and
- the average price, weighted by volume, of all trades of Infrastructure Bonds of that Series through NZX over the 10 Business Days up to the fifth Business Day before the relevant redemption date.

Where the Infrastructure Bonds of that Series have not traded on NZX on at least half of the relevant 10 Business Days, the average price of the Infrastructure Bonds of that Series for that period will be determined by an Independent Adviser selected by the Trustee in accordance with the Trust Deed.

Unless the Bondholder pays any withholding tax or other deduction required to be paid by Infratil before redemption, the redemption price will be adjusted accordingly as set out in the Trust Deed.

Holders of Infrastructure Bonds that are to be redeemed will be given five Business Days' notice. In the case of Dated Infrastructure Bonds, such notice must be given at a date not less than 25 Business Days before the Maturity Date.

### UNCLAIMED MONEYS

Where a payment made to a Bondholder is returned unclaimed or an amount is due to a Bondholder whose address is unknown, Infratil will retain such amounts until claimed by the Bondholder. Any payment that is unclaimed for more than three years may be forfeited by the Bondholder (subject to the Unclaimed Moneys Act 1971). While unclaimed, Infratil has no responsibility for investing or paying interest on unclaimed amounts.

### NO GUARANTEE OF SECURITIES

None of the Infrastructure Bonds, the Shares or payments thereunder are guaranteed by any person.

### WHAT ARE MY RISKS?

- A rise in interest rates and other market factors may decrease the market price of the Infrastructure Bonds.
- The market for the Infrastructure Bonds or Shares may become illiquid or cease to exist.
- As PIIBs have no Maturity Date, Infratil is not obliged to repay those Infrastructure Bonds unless an event of default or a compulsory acquisition occurs as set out in the Trust Deed which results in an early redemption or conversion of the PIIBs, or Infratil exercises its right to redeem the PIIBs. This means that the only way a Holder of PIIBs is able to cash in his or her investment, other than for the limited circumstances described above, is to sell the them.
- If Infratil's financial performance is worse than expected, the future market price of an Infrastructure Bond may be less than the Issue Price paid for them. Further, the future market price of a Share obtained following conversion of an Infrastructure Bond may decline after such conversion or exercise.
- The value and profitability of Infratil's investments in energy, public transport and airport companies and any other infrastructure and utility companies are dependent on management performance and investment decision making at Infratil and investee company levels, natural disasters (eg. earthquakes and pandemics), adverse world events (eg. terrorist attacks reducing air travel), macro-economic factors affecting general trading circumstances (eg. local or global recessions), regulatory interventions (eg. Airport price control), changes to taxation regimes and financial market risk (eg. rising interest rates and/or an increase in the value of the New Zealand dollar against the Australian and/or United Kingdom

currencies or other changes that adversely affect asset values), and changes to public initiatives in fields such as control of greenhouse gas emissions and the procurement of public transport services. The value of equity investments is more volatile when the issuer has higher debt levels, so higher debt levels may be an additional investment risk.

- Infratil's creditworthiness may decline due to circumstances beyond its control and for reasons that are not specific to Infratil, eg. a recession in one of the markets where Infratil has invested, or due to regulatory or legal matters germane to offshore investment, such as changes in tax rules in either New Zealand or in a jurisdiction where Infratil has funds invested.
- The major risk to investors is an inability to recover their original investment and accrued interest on their Infrastructure Bonds. The inability to recover the original investment and accrued interest could arise (among other reasons) because Infratil is placed in receivership, liquidation, or in statutory management. Investors could receive none of or less than the returns mentioned above if Infratil became insolvent for any reason. These factors and risks may also affect the ability of Infratil to pay interest on, or redeem, the Infrastructure Bonds for cash and to pay dividends on the Shares.
- There are very limited events of default in respect of the Infrastructure Bonds, which are described on page 37 of this Investment Statement.

If Infratil was placed in liquidation, Bondholders will rank behind the holders of charges on Infratil's assets, and equally among themselves and with other unsecured, unsubordinated creditors of Infratil (other than creditors preferred solely by operation of law). Infratil has an existing bank facility with Bank of New Zealand, ANZ National Bank Limited and the Hong Kong and Shanghai Banking Corporation. The principal borrower in the Infratil Group is Infratil Finance Limited (a wholly owned subsidiary of Infratil). Infratil and each of its material wholly owned subsidiaries guarantee the borrowings of Infratil Finance Limited from its banks and various covenants and subordination arrangements have been made with those banks to ensure that the indebtedness due to them has structural priority to the claims of the Bondholders in respect of the assets of the Infratil Group.

- If Infratil is placed in liquidation Shareholders will rank behind all creditors (including Bondholders), both secured and unsecured.
- If Infratil became insolvent no Bondholder or Shareholder will be required to pay any further amounts.

## CAN THE INVESTMENT BE ALTERED?

The terms of Infrastructure Bonds may only be altered by an amendment to the Trust Deed. Other than certain minor, technical, or other amendments not prejudicial to Bondholders, which may be made by agreement between the Trustee and Infratil, changes to the Trust Deed will require authorisation by Extraordinary Resolution of Bondholders. Bondholders in each Series of Infrastructure Bonds will usually vote in respect of the Extraordinary Resolution as one class and not in separate classes for each Series.

In accordance with the Listing Rules and the Trust Deed, the rights of Bondholders may not be altered without the approval (by a 75% majority of votes of those entitled to vote and voting) of each "interest group". In broad terms, an "interest group" is a group of Bondholders whose rights are affected by the proposed alteration in the same way. For these purposes, the issue of further Shares, Infrastructure Bonds or other securities which rank equally with, or in priority to, the Infrastructure Bonds, whether as to voting rights, distributions, dividends or otherwise, is deemed not to be an action affecting the rights of Bondholders. For most matters Bondholders of different Series will be a single "interest group" and will vote as a single class on matters generally affecting all Bondholders the same way. Bondholders of a single Series would vote as a single "interest group" to approve alterations specific to that Series.

In accordance with the Listing Rules, the Constitution and sections 116 and 117 of the Companies Act 1993, the rights of Shareholders may not be altered without the approval (by a 75% majority of votes of those entitled to vote and voting) of each "interest group". In broad terms, an "interest group" is a group of Shareholders whose rights are affected by the proposed alteration in the same way. For these purposes, the issue of further Shares or other securities which rank equally with, or in priority to, the Shares, whether as to voting rights, distributions, dividends or otherwise, is deemed not to be an action affecting the rights of Shareholders.

## HOW DO I CASH IN MY INVESTMENT?

Holders of Dated Infrastructure Bonds will be entitled to repayment when the Infrastructure Bonds mature on the Maturity Date specified in the Issue Flyer.

As PIIBs have no Maturity Date, Infratil is not obliged to repay those Infrastructure Bonds. This means that the only way a Holder of PIIBs can cash in his or her investment, other than for the limited circumstances described below, is to sell them.

Holders of Infrastructure Bonds (both Dated Infrastructure Bonds and PIIBs) can require Infratil to

repay their Infrastructure Bonds if an event of default or compulsory acquisition occurs as set out in the Trust Deed which results in an early redemption or conversion of the Infrastructure Bonds.

Infratil does, however, have the option of redeeming the Infrastructure Bonds (including PIIBs), as described under the heading "Early Redemption" on page 5 of this Investment Statement.

A Bondholder may sell Infrastructure Bonds at any time. The amount received may differ from what was paid for them. Such differences may reflect different levels of market interest rates, other market factors, levels of accrued interest and factors relating to the market perception of Infratil.

Application has been made to NZX for permission to list the Infrastructure Bonds and all requirements of NZX relating thereto that can be complied with on or before the date of this Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in this Investment Statement. The Shares are already listed on NZX. Infrastructure Bonds and Shares may be freely transferred, subject to the Takeovers Code and other relevant provisions in the Constitution, the Trust Deed and the Listing Rules. It is expected, on the basis of the market which has developed in respect of previous issues of similar, listed, Infratil bonds, that there will be a secondary market. Infratil gives no assurances as to the existence or characteristics of such secondary market. Bondholders are advised to contact their broker. Sales through a broker will normally attract brokerage fees.

Infratil will not provide compensation for any losses incurred from selling Infrastructure Bonds. Infratil is not prohibited from buying Infrastructure Bonds, but this is not currently intended.

## WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

### The Issuer

Company Secretary  
Infratil Limited  
97 The Terrace  
PO Box 320  
Wellington  
Telephone: 04 473 3663

### Trustee:

Corporate Business Manager  
Trustees Executors Limited  
Level 1  
50-64 Customhouse Quay  
PO Box 10-519  
Wellington  
Telephone: 0800 806 781

## IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Complaints about the investment may be made to the Issuer using the contact details set out below.

### The Issuer

Company Secretary  
Infratil Limited  
97 The Terrace  
PO Box 320  
Wellington  
Telephone: 04 473 3663

In addition, you may refer a complaint to the Trustee.

### The Trustee:

Corporate Business Manager  
Trustees Executors Limited  
Level 1  
50-64 Customhouse Quay  
PO Box 10-519  
Wellington  
Telephone: 0800 806 781

There is no ombudsman for this type of investment and therefore no complaints can be made to an ombudsman.

## WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

### Registered Prospectus & Financial Statements

Details of the terms of the Infrastructure Bond Programme and further information about Infratil are contained in the Prospectus and the financial statements of Infratil. A copy of the Prospectus, financial statements for the year ended 31 March 2006, any documents filed to extend the life of the Prospectus and other documents relating to Infratil (including its Constitution) are filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection on the website of the Companies Office at [www.companies.govt.nz](http://www.companies.govt.nz).

In addition, investors may obtain a copy of the Prospectus and a copy of the most recent financial statements of Infratil, free of charge, from Infratil or any member of NZX.

### Ongoing Reports to Bondholders

All Bondholders on the relevant record dates will be distributed half yearly unaudited financial statements for the first six months of each financial year, and annual audited financial statements.

Infratil is also required to make half yearly and annual announcements to NZX, and such other announcements as required by NZX's Listing Rules from time to time.

### On Request Information

Copies of the most recent Prospectus (including any documents extending its application), the Trust Deed (including Series Supplements), the most recent Annual Report, the most recent financial statements and further copies of the most recent Investment Statement (including Issue Flyers) are available, free of charge, on written request to the Company Secretary of Infratil.

Copies of the latest and previous annual and half year reports can also be viewed and downloaded from Infratil's web site: <http://www.infratil.com>

### TRUST DEED

The Trust Deed contains information relating to the rights of Bondholders.

A copy is kept on the public file of Infratil and is available for inspection at Infratil's registered office, 97 the Terrace, Wellington. A copy is also filed with the Registrar of Companies and can be viewed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz).

The following is a summary of the main terms that will apply to each Series of Infrastructure Bonds that are not summarised elsewhere in this Investment Statement. Capitalised words and expressions appearing in this section and not otherwise defined in this Investment Statement are defined in the Trust Deed.

### Trust Deed & Trustee

All terms and conditions relating to each Series of Infrastructure Bonds, except for the terms contained in the relevant Series Supplement or Issue Flyer, are set out in full in a trust deed ("Trust Deed") dated 11 November 1999 and entered into between Trustees Executors Limited ("Trustee") as amended by deeds dated 14 August 2003, 10 December 2004, 18 February 2005, 26 August 2005, 6 October 2005, 20 December 2005, and 15 November 2006.

A summary of the principal provisions of the Trust Deed, which are not described elsewhere in this Investment Statement, are set out in the Prospectus.

The Trustee acts as trustee for the Bondholders in respect of each Series of Infrastructure Bonds, and not in respect of Infratil's Shares.

Under the Trust Deed, the Trustee represents the interests of all Bondholders. As convertible securities, the Infrastructure Bonds differ from other debt securities in their limited rights to payment in cash. The Trustee has the following duties under clause 1 of the Fifth Schedule to the Securities Regulations 1983 ("Fifth Schedule Duties"):

- (a) The Trustee shall exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deed or of the terms of the



offer of Infrastructure Bonds has occurred and, except where it is satisfied that the breach would not materially prejudice the security (if any) of the Infrastructure Bonds or the interests of Bondholders, shall do all things as it is empowered to do to cause any breach of those terms to be remedied; and

- (b) The Trustee shall exercise reasonable diligence to ascertain whether or not the assets of Infratil that are or may be available, by way of security or otherwise, are sufficient or likely to be sufficient to discharge the amounts of Infrastructure Bonds as they become due.

The Trustee entered the Trust Deed on the basis that its Fifth Schedule Duties will be interpreted to take into account that:

- (a) the terms of issue of the Infrastructure Bonds allow suspension of interest, and to this extent, payment by Infratil cannot be compelled;
- (b) the remedy for default under the Trust Deed is redemption in cash or conversion into Shares at the option of the Bondholder;
- (c) the Infrastructure Bonds have characteristics similar to shareholders' equity;
- (d) as some provisions of the Trust Deed derive from the Listing Rules, the Trustee is entitled to assume that Infratil is complying with these provisions and the Listing Rules in the absence of notice, and may act accordingly having regard to the actions of NZX in relation to non compliance;
- (e) the PIIBs have no Maturity Date,

and therefore shall be limited to the maximum extent permitted by Section 62(1) of the Securities Act 1978. The Trustee substantially monitors Infratil in accordance with the Trust Deed and Bondholders are deemed to know and accept the interpretation of the Trustee's Fifth Schedule Duties as described above.

In addition to the Fifth Schedule Duties, the Trustee's obligation to monitor the interests of Bondholders may be summarised as being to act on behalf of the Bondholders in the limited circumstances provided for in the Trust Deed. The Trustee's powers and duties are accordingly circumscribed.

#### **Interest Rate and Payment**

Infrastructure Bonds in a Series will pay coupon interest at the Coupon Rate and will yield the Interest Rate as specified, or determined in accordance with terms specified, in the relevant Issue Flyer. Interest will accrue from the Issue Date for the particular Infrastructure Bond.

On the first Coupon Payment Date for an Infrastructure Bond the payment will be made to the initial

Infrastructure Bond subscriber. Payment on the first Coupon Payment Date for an Infrastructure Bond will reflect the number of days from the Issue Date to the first Coupon Payment Date for that Infrastructure Bond.

The payment on Coupon Payment Dates, other than the first Coupon Payment Date, for an Infrastructure Bond will be paid to the person(s) registered as the Bondholder on the relevant date of record. The payment amount will reflect the Coupon Rate specified, or determined in accordance with terms specified, in the relevant Issue Flyer, the number of days in the period since the previous Coupon Payment Date and the Face Value of Infrastructure Bonds held.

#### **Compulsory Acquisition**

If any person, or group of Associated Persons, becomes entitled or bound to compulsorily acquire Shares held by any minority Shareholders, Bondholders will be given the option to redeem their Infrastructure Bonds for cash at their \$1.00 Face Value plus accrued interest (less any withholding taxes and other deductions) or convert their Infrastructure Bonds by the issuance of the number of Shares obtained by dividing the \$1.00 Face Value by the product of the relevant Conversion Percentage and the Market Price. Unless the Bondholder pays any withholding tax or other deduction to Infratil before conversion, the number of Shares issued will be adjusted in accordance with the formula in the Trust Deed.

If any person, or group of Associated Persons, acquires beneficial ownership of 90% or more of all Infrastructure Bonds such person will become bound to offer to acquire the balance of the outstanding Infrastructure Bonds at prices that an Independent Expert has determined to be fair.

#### **Ranking Of Shares Issued Upon Conversion**

Shares issued upon conversion of Infrastructure Bonds will rank *pari passu* in all respects (including as to dividends) with all other Shares then on issue.

#### **New Issues of Securities**

Subject to compliance by Infratil with its Constitution, the Trust Deed, and the Listing Rules, Infratil shall be entitled from time to time to issue further securities, including Shares and convertible securities, ranking equally with, or in priority to, the Infrastructure Bonds.

#### **Transfers**

Infrastructure Bonds may be transferred in the same manner and subject to substantially similar restrictions (including Takeovers Code requirements) as Shares.

#### **Voting Rights**

Infrastructure Bonds are not Shares and do not generally carry any voting rights at meetings of Shareholders. In accordance, however, with the Listing Rules, the Constitution and the Trust Deed, Bondholders will have

the right to vote on certain matters. To the maximum extent permitted by the Listing Rules, the Constitution and the Trust Deed, Bondholders of all Series will vote together as one class in respect of matters to be determined by Bondholders independent of other classes of securities and with Shareholders and other holders of securities of Infratil in relation to such matters to be considered by holders of all classes of securities.

### **Infrastructure Bond Priority**

Unless and until converted, the amounts owing in respect of the Infrastructure Bonds shall, in the liquidation of Infratil, rank *pari passu* with unsecured and unsubordinated creditors of Infratil, other than creditors preferred solely by operation of law.

### **Negative Pledge**

Infratil has covenanted not to create or permit to subsist security over its assets to any person unless at the same time the benefit of such security is extended equally and rateably to Bondholders in respect of the Infrastructure Bonds.

### **Financial Covenant**

Under the Trust Deed Infratil covenants, for the benefit only of Holders of Bonds issued prior to 1 November 2006 and, until such time as all of those Bonds have been redeemed or converted, the Trustee that on the last day of each financial year and half-year of Infratil (and, if at any time Infratil has covenanted with any bank to comply with a balance sheet financial covenant on a day other than the last day of each financial year and half-year, then during the currency of that covenant such additional day or days) during the currency of any Series of Infrastructure Bonds issued prior to 1 November 2006, Borrowed Money Indebtedness of the Issuer Group shall not exceed 50% of Tangible Assets as at that date. In this covenant, terms are defined substantially as follows:

“Borrowed Money Indebtedness” of the Issuer Group means the aggregate financial indebtedness of each member of the Issuer Group (excluding any guarantee, indemnity or similar obligation of one member in respect of the financial indebtedness of any other member) and including the Infrastructure Bonds.

“Issuer Group” means Infratil and those of its subsidiaries that, as at the date of the Trust Deed or from time to time, guarantee any financial indebtedness of Infratil or any of its subsidiaries that, in turn, guarantees any financial indebtedness of Infratil.

“Market Value” of an asset on any date means:

- (a) in relation to an investment in securities listed on the NZSE or any Recognised Stock Exchange (for the purposes of the NZSE Listing Rules) the value determined by reference to the closing price of the relevant securities on that date; and

- (b) in relation to any other asset, its cost or, if an assessed value (i.e. the value determined by an Independent Expert) has been obtained, the most recent such assessed value.

“Tangible Assets” means, at any date, the aggregate on a consolidated basis of the Market Value of all tangible assets (determined in accordance with NZ GAAP) of the Issuer and its subsidiaries as at that date.

If Infratil breaches this covenant it shall have a 30 day grace period to remedy the default from the date Infratil receives written notice from the Trustee requiring the default to be remedied. Failure to remedy the default shall entitle the Holders of Bonds issued prior to 1 November 2006 to require, at their election by Extraordinary Resolution, immediate repayment of the \$1.00 Face Value of the Infrastructure Bonds or conversion by the issuance of the number of Shares obtained by dividing the \$1.00 Face Value by the product of the relevant Conversion Percentage and of the Market Price. All accrued interest (less any withholding taxes and other deductions) will also be payable by Infratil. For the avoidance of doubt, this covenant will cease to apply once all Bonds issued prior to 1 November 2006 have been converted or redeemed in accordance with the Trust Deed, and neither Holders of Bonds issued after 1 November 2006 nor the Trustee to the extent it represents those Holders have the benefit of this covenant.

### **Suspension of Interest**

The Trust Deed provides for interest payments to be suspended by notice to the Trustee where:

- (a) Infratil's Directors believe on reasonable grounds that the payment would be likely to result in a breach of the solvency test under the Companies Act 1993;
- (b) the payment would be likely to result in any member of the Issuer Group breaching any covenant, warranty or undertaking given to any Senior Creditor under the terms on which any Borrowed Money Indebtedness was advanced or provided to Infratil; or
- (c) the payment would be likely to result in any member of the Issuer Group breaching any other legal obligation.

While interest payments are suspended, interest will continue to accrue on the Infrastructure Bonds at the Coupon Rate specified, or determined in accordance with terms specified, in the relevant Issue Flyer and such accrued interest will be paid by Infratil when the above circumstances in (a)-(c) no longer exist and such payment will not cause any such circumstance to exist.

While any payment of any interest on the Infrastructure Bonds is suspended under the Trust Deed, it will not pay or make any distribution (as defined in section 2 of the Companies Act 1993) to its Shareholders or provide any financial assistance for the acquisition of its Shares.

## Events of Default

The Trust Deed provides for limited events of default. The events of default are:

- If Infratil defaults in payment of interest on the Infrastructure Bonds for 14 days (other than where interest is suspended under the Trust Deed).
- If Infratil defaults in payment of any other moneys payable under the Trust Deed for a period of 14 days after a written demand is made.
- If an order is made, or an effective resolution is passed, for the dissolution of Infratil (other than for the purpose of a reconstruction or amalgamation approved by the Trustee).
- If a receiver is appointed, an encumbrancer takes possession or sells any material part of Infratil's assets, any step is taken to appoint or with a view to appointing a statutory manager of Infratil, or Infratil or any associated person is declared at risk pursuant to the Corporations (Investigation and Management) Act 1989.
- If Infratil enters into an arrangement or compromise with creditors without the prior written consent of the Trustee.
- Or any other default by Infratil under the Trust Deed that continues for more than 30 days after Infratil receives written notice from the Trustee specifying and requiring the default to be remedied.

At any time after the occurrence of an Event of Default (other than an Event of Default which is a breach of the Financial Covenant described on page 36 of this Investment Statement), the Trustee may, and shall if directed to do so by an Extraordinary Resolution of Bondholders, declare the Face Value of the Infrastructure Bonds, together with accrued interest, to be immediately due and payable. Upon such declaration, each Bondholder may by written notice to Infratil, require the Infrastructure Bonds to be redeemed in cash (less any withholding taxes and other deductions) or by the issuance of the number of Shares obtained by dividing the Face Value by the product of the relevant Conversion Percentage and the Market Price, which shall be done by Infratil. Infratil also shall pay any accrued interest (less any withholding taxes and other deductions) to the Bondholder.

At any time after the occurrence of an Event of Default which is a breach of the Financial Covenant described on page 36 of this Investment Statement and which occurs prior to the time that all Bonds issued prior to 1 November 2006 (in this section "relevant Bonds") have been either redeemed or converted in accordance with the Trust Deed, the Trustee may, and shall if directed to do so by an Extraordinary Resolution of holders of relevant Bonds, declare the Face Value of all the

relevant Bonds, together with accrued interest, to be immediately due and payable. Upon such declaration, each Holder of relevant Bonds may by written notice to Infratil, require the relevant Bonds to be redeemed in cash (less any withholding taxes and other deductions) or by the issuance of the number of Shares obtained by dividing the Face Value by the product of the relevant Conversion Percentage and the Market Price, which shall be done by Infratil. Infratil also shall pay any accrued interest (less any withholding taxes and other deductions) to the Bondholder.

As neither Holders of Infrastructure Bonds issued after 1 November 2006 nor the Trustee to the extent it represents those Holders have the benefit of the Financial Covenant described on page 36 of this Investment Statement, a breach of that Financial Covenant will not of itself, for Holders of Bonds issued after 1 November 2006 or the Trustee to the extent it represents those Holders, constitute an Event of Default.

## Buybacks

In accordance with the Listing Rules, the Trust Deed and the Constitution, Infratil may acquire Infrastructure Bonds (which may then be cancelled).

## Further Issues Of Infrastructure Bonds

Infratil is permitted by the Trust Deed to issue further Series of Infrastructure Bonds from time to time.

## Infratil's Obligations Under the Trust Deed

For so long as any of the Infrastructure Bonds are outstanding, Infratil has undertaken a number of obligations to the Trustee on behalf of the Bondholders, including the obligations set out below.

Infratil will file a copy of each Series Supplement to the Trust Deed in the Companies Office.

Infratil will use its reasonable endeavours to ensure that the Shares and Infrastructure Bonds remain listed on NZX while there are any Infrastructure Bonds outstanding or until the Infrastructure Bonds no longer qualify for listing

Infratil is to provide the Trustee and each Bondholder with audited financial statements in respect of itself, and audited consolidated financial statements in respect of itself and its subsidiaries, by the earlier of: (a) 90 days after the end of each financial year; (b) the date upon which they are provided to Shareholders, and (c) the date on which they are provided to NZX. Infratil is to provide the Trustee and each Bondholder with unaudited financial statements in respect of itself, and unaudited consolidated financial statements in respect of itself and its subsidiaries, by the earlier of: (a) 60 days after the end of the first half of each financial year; (b) the date upon which they are provided to Shareholders, and (c) the date on which they are provided to NZX.



Infratil shall provide the Trustee, at the same time as it provides the financial statements above, a separate report from its auditors stating:

- (a) whether or not in the performance of their duties as auditors they have become aware of any matter which, in their opinion, is relevant to the exercise or performance of the powers of duties conferred or imposed on the Trustee by the Trust Deed or the Securities Act 1978 or by law or regulation, and if so giving particulars thereof;
- (b) whether or not their audit has disclosed any matter calling in their opinion for further investigation by the Trustee in the interests of the Bondholders and, if so, giving particulars thereof;
- (c) that they have perused each Directors' reporting certificate given since the last report by the auditors and that, so far as matters which they have observed in the performance of their duties are concerned, the statements made in each such certificate are correct; and
- (d) that they have performed an audit of the register.

Infratil shall provide to the Trustee a signed certificate on behalf of the Directors, set out in the form provided in the schedule 2 to the Trust Deed, within one month of the end of each of the above financial reporting periods or such other time period permitted by the Trustee.

Infratil shall provide to the Trustee a signed certificate on behalf of the Directors within one month of the end of each of its financial years and half-years certifying the Gearing Ratio as at the end of the financial year, or as the case may be, half-year.

Infratil will, at all times, comply with the provisions of, and its obligations under, the Companies Act 1993 and the Securities Act 1978 (and regulations thereunder and exemption notices issued pursuant thereto), and the Listing Rules, for so long as any Series of Infrastructure Bonds is listed, except if the relevant Bondholders have specified otherwise by Extraordinary Resolution.

Infratil will send to the Trustee a copy of each notice that it sends to any of NZX, the Bondholders, Shareholders, and the Companies Office.

Infratil will pass all resolutions and take all other action necessary to ensure that the required number of Shares are issued to each Bondholder on conversion of that Bondholder's Infrastructure Bonds in accordance with the terms of issue of the Infrastructure Bonds.

#### **Alterations To Trust Deed**

The terms of the Trust Deed may be altered if the alteration is approved by an Extraordinary Resolution of Bondholders. The Trustee and Infratil may agree to an alteration without the approval of an Extraordinary

Resolution of Bondholders if:

- (a) it is necessary or desirable to correct a manifest error, or to comply with the requirements of any statute, statutory regulations, or the Listing Rules;
- (b) it is of a formal or technical nature;
- (c) in the opinion of the Trustee it is not, or is not likely to become, prejudicial to the general interests of the Bondholders; or
- (d) it is in the interests of the Bondholders to amend the Trust Deed to accommodate changes in the law in New Zealand relating to securities.

#### **Trustee Provisions**

Infratil pays for the Trustee's services and all expenses incurred by the Trustee in relation to the Trust Deed. The Trustee has the power to invest any money held by it which are subject to the trusts of the Trust Deed. Subject to the Securities Act 1978:

- (a) the Trustee may obtain and act, or not act, on:
  - (i) the opinion or advice of specified professionals and experts (e.g., barrister, solicitor, valuer, chartered accountant);
  - (ii) a certificate signed by two Directors of Infratil on any matter prima facie within the knowledge of Infratil, or that any transaction, step or thing is expedient or commercially desirable and not detrimental to Bondholders interests; or
  - (iii) any statement in any certificate or report given under the Trust Deed;
- (b) the Trustee shall not be responsible for relying on any resolution purporting to be passed at a meeting of Bondholders where the Trustee believes the resolution to have been properly passed;
- (c) the Trustee shall not be responsible for money subscribed for the Infrastructure Bonds or the application of such money;
- (d) the Trustee shall use reasonable diligence to ascertain whether Infratil has breached the Trust Deed or the terms and conditions of issue of the Infrastructure Bonds;
- (e) the Trustee has absolute discretion in relation to the exercise of its powers, authorities, trusts and discretions under the Trust Deed and may refrain from exercising them unless directed by Extraordinary Resolution of the Bondholders;
- (f) the Trustee can determine all questions arising in relation to the Trust Deed as between itself and the Bondholders, and such determination shall bind the Trustee and Bondholders;

- (g) only the Trustee can exercise the powers, rights and remedies conferred on it under the Trust Deed, except a Bondholder may exercise such powers, rights and remedies with prior written consent of the Trustee or where the Trustee has failed to exercise such power, right or remedy after being directed to do so by Extraordinary Resolution of Bondholders;
- (h) the Trustee can delegate any of the trusts, powers, authorities vested in it by the Trust Deed;
- (i) the Trustee shall consider the interests of Bondholders as a whole and not the consequences to individual Bondholders resulting from their residence or domicile in a place other than New Zealand; and
- (j) unless Infratil consents in writing, the Trustee shall not disclose confidential information made available by Infratil to Bondholders unless required by law, any ruling binding on it or a court order.

In addition, the Trustee is obliged to comply with its Fifth Schedule Duties, as described under the heading “Trust Deed and Trustee” above.

The Trustee is also indemnified by Infratil in respect of all liabilities and expenses incurred by it in the execution of the powers or trusts under the Trust Deed, and against all actions, costs, claims and demands in relation to the Trust Deed except where the Trustee fails to act with reasonable care and diligence. The Bondholders will not be liable for any liability of the Trustee acting as trustee under the Trust Deed.

The Trust Deed contains provisions for meetings of Bondholders. Meetings may be convened by Infratil or the Trustee, and are required to be convened on the request of Bondholder(s) holding not less than 10% of all the Infrastructure Bonds. At least 14 days’ notice of each meeting is required to be given.

The meetings are to be held in the city in which the registered office of Infratil is situated, or at such other place as the Trustee determines or approves. Each Bondholder is entitled to attend in person or by proxy and vote at the meeting. The quorum required for passing an Extraordinary Resolution is the holders of a majority of the Infrastructure Bonds. The quorum for any other business is the holders of at least 10% of the Infrastructure Bonds. An Extraordinary Resolution of Bondholders binds all Bondholders and the Trustee.

The Trust Deed also provides for Infratil to establish a register of Infrastructure Bonds. The register records the details of each Series of Infrastructure Bonds and Bondholders. Except for the payment on the first Coupon Payment Date for an Infrastructure Bond payments will be made to the person named as Bondholder in the register on the date of record and if more than one person is named, payments will be made to the first person named.

Neither the Trustee nor any other person, guarantees or will guarantee any principal or interest or other amount in respect of the Infrastructure Bonds or Shares issued on conversion thereof.

## SUMMARY OF THE INFRATIL SHARES

The following description has been included in this Investment Statement to provide investors with a summary of the material rights, privileges, restrictions and conditions attaching to the Shares that may be issued on conversion of any Infrastructure Bonds. The rights, privileges, restrictions and conditions attaching to Shares are set out in full in the Constitution.

Holders of Shares are entitled to dividends as and when declared subject only to rights of holders of other shares from time to time entitled to special or prior rights to dividends. The Directors may declare dividends out of moneys available to be distributed as dividends. As at the date of this Investment Statement there are no shares entitled to special or prior rights to dividends.

A holder of a Share is entitled on a poll to one vote for each Share held at all general meetings of members of Infratil, other than a meeting of holders of a specific class of share.

In the event of the winding up of Infratil, after payment of outstanding debts and subject to the prior rights attaching to any shares from time to time ranking senior to the Shares, the remaining assets of Infratil would be applied in paying all surpluses to holders of Shares in proportion to the amount paid up on such Shares held by them. All Shares allotted on the conversion of the Infrastructure Bonds will be credited as fully paid. As at the date of this Investment Statement there are no shares ranking senior to the Shares.

The Constitution permits there to be not less than three nor more than ten Directors or such other number as is fixed by ordinary resolution of Infratil. As at the date of this Investment Statement there are six Directors. The Constitution requires that at the annual meeting of Shareholders in every year at least one third of the Directors for the time being (if one third is not a whole number then the nearest whole number) shall retire from office. The Directors to retire at an annual meeting shall be those Directors who have been longest in office since their last election. The retiring Directors are eligible for re-election.

# Glossary

Words defined in the Glossary at the rear of this Investment Statement are used in this Investment Statement with an initial capital letter.

<b>Board</b>	Means the board of directors of Infratil.
<b>Bondholder</b>	Means a person whose name is recorded in Infratil's register as the holder of an Infrastructure Bond.
<b>Bond Programme</b>	Means the programme under which Infratil may issue Infrastructure Bonds as described in the Investment Statement and Prospectus.
<b>Bond Registrar</b>	Means Link Market Services Limited.
<b>Bond Series</b>	Means Series.
<b>Borrowed Money Indebtedness</b>	Has the meaning set out on page 36 of this Investment Statement
<b>Business Day</b>	Means a day on which NZX is open for trading.
<b>Constitution</b>	Means the constitution for the time being of Infratil.
<b>Conversion Percentage</b>	Means the percentage specified as the Conversion Percentage in the relevant Issue Flyer.
<b>Coupon Payment Dates</b>	Means the dates specified as such in the relevant Issue Flyer.
<b>Coupon Rate</b>	Means the rate per annum specified as such in the relevant Issue Flyer or the rate determined in accordance with the terms specified in the relevant Issue Flyer.
<b>Dated Infrastructure Bond</b>	Means an Infrastructure Bond with a Maturity Date.
<b>Face Value</b>	Means \$1.00 per Infrastructure Bond.
<b>Gearing Ratio</b>	Means, on a particular date, the ratio of Borrowed Money Indebtness of the Issuer Group to Tangible Assets on that date. The Gearing Ratio is determined by reference to the most recent certificate delivered to the Trustee by Infratil under the Trust Deed.
<b>Independent Expert</b>	Means an investment banker, chartered accountant or other financial adviser (in each case, being appropriately qualified having regard to the purpose of the appointment) selected by the Board and approved by the chairperson for the time being of the Institute of Chartered Accountants of New Zealand, or means an expert appointed in accordance with the Listing Rules, as appropriate.
<b>Infrastructure Bond or Bond</b>	Means one redeemable convertible bond with a face value of \$1.00 issued pursuant to the Prospectus.
<b>Infratil</b>	Means Infratil Limited.
<b>Infratil Group</b>	Means Infratil and its subsidiaries.
<b>Interest Rate</b>	Means the rate per annum specified as such in the relevant Issue Flyer or the rate determined in accordance with the terms specified in the relevant Issue Flyer.
<b>Investment Statement</b>	Means this Investment Statement prepared for the purposes of the Securities Act 1978 and the Securities Regulations 1983 relating to the Infrastructure Bonds dated 16 November 2006, and where the Investment Statement is being read in the context of a particular Series, includes the Issue Flyer for that Series.
<b>Issue Date</b>	Means in relation to a particular Infrastructure Bond, the date the Bond Registrar processes the completed application and cleared funds for the Infrastructure Bond.
<b>Issue Flyer</b>	Means a document specifying the terms and conditions applying to a particular Series of Infrastructure Bonds, not being a Series Supplement.



<b>Issuer Group</b>	Means Infratil and those of its subsidiaries that, as at the date of the Trust Deed or from time to time, guarantee any financial indebtedness of Infratil or any of its subsidiaries that, in turn, guarantees any financial indebtedness of Infratil.
<b>Issue Price</b>	Means the amount specified as such in the relevant Issue Flyer.
<b>Listing Rules</b>	Means the Listing Rules of NZX, as in place from time to time.
<b>Margin</b>	Means, for a Series of PIIBs, the rate per annum specified as such in the relevant Issue Flyer.
<b>Market Price</b>	See "Maturity of Dated Infrastructure Bonds" on page 5 of this Investment Statement.
<b>Maturity Date</b>	Means the date specified as such in the relevant Issue Flyer. PIIBs have no Maturity Date.
<b>NZX</b>	Means New Zealand Exchange Limited.
<b>One Year Swap Rate</b>	On any day means the rate per annum expressed on a percentage yield basis and rounded up to the nearest two decimal places which is:  (a) the average of the bid and offered swap rates displayed at or about 11 am on that day on page FISWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a one year term; or  (b) if a rate is unable to be determined in accordance with paragraph (a) or if Infratil forms a view that the rate so determined is not an accurate reflection of market rates the average of the mean bid and offered swap rates quoted by three registered banks in New Zealand at or about 11 am on that day for an interest rate swap with a one year term.
<b>Organising Participant</b>	First NZ Capital Securities Limited.
<b>Perpetual Infratil Infrastructure Bond</b>	Means an Infrastructure Bond with no Maturity Date.
<b>PIIB</b>	Means a Perpetual Infratil Infrastructure Bond.
<b>Prospectus</b>	Means the prospectus prepared by Infratil and dated 16 November 2006 for the Bond Programme.
<b>Rate Set Date</b>	Means the date specified as such in the relevant Issuer Flyer. The Rate Set Date applies only to PIIBs.
<b>Series</b>	Means Infrastructure Bonds identified as being of a particular series and having the same Maturity Date (in the case of Dated Infrastructure Bonds), Coupon Rate, Coupon Payment Dates, Conversion Percentage, Interest Rate and otherwise issued, or to be issued, on the same terms and conditions.
<b>Series Supplement</b>	Means the document in the form of Schedule 2 to the Trust Deed specifying the terms of a Series and that has been completed in compliance with the Trust Deed.
<b>Share</b>	Means a fully paid ordinary share issued by Infratil.
<b>Shareholder</b>	Means a person whose name is recorded in Infratil's share register as the holder of Shares.
<b>Takeovers Code</b>	Means the takeover code recorded in the Takeovers Code Approval Order 2000.
<b>Tangible Assets</b>	Has the meaning set out on page 36 of this Investment Statement
<b>Trust Deed</b>	Means the trust deed dated 11 November 1999 as amended by deeds dated 14 August 2003, 10 December 2004, 18 February 2005, 26 August 2005, 6 October 2005, 20 December 2005 and 15 November 2006, which sets out the rights and obligations of the Trustee, Bondholders and Infratil and, where the Trust Deed is being read in the context of a particular Series, the Series Supplement for such Series.
<b>Trustee</b>	Means Trustees Executors Limited.

# Directory

## DIRECTORS

D A R Newman (Chairman)  
D F Caygill  
H R L Morrison  
J K Peterson  
H J D Rolleston  
D P Saville

## INTERNET ADDRESS

www.infratil.com  
email: info@infratil.com

## REGISTERED OFFICE

97 The Terrace  
PO Box 320  
Wellington  
Telephone 04 473 3663

## AUDITORS

KPMG  
Maritime Tower  
10 Customhouse Quay  
PO Box 996  
Wellington

## MANAGER

Morrison & Co Infrastructure Management Limited  
97 The Terrace  
PO Box 1395  
Wellington  
www.hrlmorrison.com

## TRUSTEE

Trustees Executors Limited  
Level 1, 50-64 Customhouse Quay  
PO Box 10-519  
Wellington

## SHARE REGISTRAR

Link Market Services Limited  
138 Tancred Street  
PO Box 384  
Ashburton  
Telephone: 03 308 8887  
email: lmsenquiries@linkmarketservices.com

## SOLICITORS TO THE TRUSTEE

Buddle Findlay  
State Insurance Tower  
1 Willis Street  
PO Box 2694  
Wellington

## SOLICITORS TO THE ISSUER

Russell McVeagh  
Vodafone on the Quay  
157 Lambton Quay  
PO Box 10-214  
Wellington  
www.russellmcveagh.com

## BROKERS/BANK SELLING AGENTS TO THE ISSUE

### ABN AMRO Craigs Limited

102-104 Spring Street, Tauranga  
Telephone 0800 272442

### ANZ National Bank Limited

Level 7, 1 Victoria Street, Wellington  
Telephone 0800 626966

### Bank of New Zealand

1 Willis Street, Wellington  
Telephone 0800 739707

### Direct Broking Limited

2nd Floor, 154 Featherston Street, Wellington  
Telephone 0800 800372

### First NZ Securities Limited

Level 20, 23-29 Albert Street, Auckland  
Telephone 0800 805584

### Forsyth Barr Limited

Cnr Lambton Quay and Johnston Street,  
Wellington  
Telephone 0800 367227

### McDouall Stuart Securities Limited

Level 6, 28 Brandon Street, P.O. Box 1886,  
Wellington  
Telephone 0800 577777

### Westpac Institutional Bank

P O Box 691, Wellington  
Telephone 0800 489222

# Application Form

To apply for Infratil Infrastructure Bonds please fill in the following section and mail it to the following address:

## Infratil Limited

C/- Link Market Services, PO Box 384, Ashburton, New Zealand

Applications may also be lodged with any member of NZX or the Organising Participant to the Bond Programme, or any other channel approved by NZX.

## Investor Details

Title	First name	Surname	IRD Number
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

Corporate Name	IRD Number
<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

Common Shareholder Number	Existing Infratil Shareholder or Bondholder Number
<input type="text"/>	<input type="text"/>

## Payment of Interest

Bank account details if direct credit is required

Account Name(s)	Bank	Branch	Account Number	Suffix
<input type="text"/>	<input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

## Resident Withholding Tax Election (Tick One)

<input type="checkbox"/> 19.5%	<input type="checkbox"/> 33%	<input type="checkbox"/> 39%	<input type="checkbox"/> Exempt (provide certificate)
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## Address / Phone Number / Email

<input type="text"/>	
<input type="text"/>	<input type="text"/>

## Bond Series and Amount to be Invested

Series and total value of Infrastructure Bonds applied for.

Series	Application Amount
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

Payments are to be made in New Zealand dollars by cheque or bank draft, drawn on a New Zealand bank. Cheques or bank drafts should be made payable to "Infratil Limited" and crossed "A/c Payee Only".

Please note that the minimum investment amount in each Bond Series is \$5,000. Above that value any round dollar value is acceptable.

Signature / Signatures	Date
<input type="text"/>	<input type="text"/>



## ACKNOWLEDGEMENT

Having completed and signed the application form above the applicant:

1. acknowledges the applicant has read and understands the Investment Statement, and agrees with the Terms of the Application printed on this form below;
2. confirms all of the information printed on this form is true.

## TERMS OF THE APPLICATION

3. The applicant offers to subscribe for Infrastructure Bonds on the terms set out in this application form, the relevant Issue Flyer, the Investment Statement and the Prospectus dated 16 November 2006 and agrees that the offer cannot be revoked.
4. Upon receipt of this application form and cleared funds Infratil will allot Infrastructure Bonds to the applicant in accordance with the relevant Issue Flyer, the Investment Statement and the Prospectus dated 16 November 2006 unless Infratil declines the application.
5. Applications by individuals must be signed personally. Joint applications must be signed by all applicants. Only the address of the first named applicant will be recorded by the Bond Registrar.
6. An application by a company must be completed by authorised persons and in the manner required by that company and relevant law.
7. Expressions defined in the Investment Statement and the Prospectus have the same meaning in this application.
8. Infratil reserves the right to decline any application in whole or part without giving any reason. Infratil will not accept oversubscriptions. In the event an application is declined Infratil will return the application form and cheque as soon as possible to the applicant, and in any case within 10 business days from receipt of the application by Infratil.
9. Infratil will not pay interest on any moneys refunded to an applicant where the application is declined.

## PUBLIC TRANSPORT



Auckland Bus



Wellington Bus



Auckland Ferry



Employees

## AIRPORTS



Wellington



Kent



Lübeck



Glasgow Prestwick

## ENERGY



TrustPower



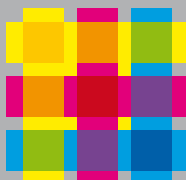
TrustPower



Infratil Energy Australia



Energy Developments



**Infratil**