INFRATIL LIMITED

RESULTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013

12 NOVEMBER 2013

2013 has been extraordinarily busy. Infratil has divested, invested, and introduced a new channel for future investment into Australian infrastructure. It faced some taxing regulatory challenges and threats, and has been active in hedging and risk management. A new form of share buyback was announced and then postponed. And the weather played a part with warm winters in Australia and New Zealand reducing household energy use, while storms closed Wellington Airport for more time than in any single year since the 1970s.

The half year was also Infratil's last period with David Newman as Chairman. David passed away in October; his integrity and long term vision have left an indelible impression and he will be greatly missed. Mark Tume has been appointed by the board to be David's successor as Infratil's Chair.

Financial Results / Capital Management

Net parent company surplus for the six months was $230 million (from a $17 million loss in the same period last year). Net consolidated operating cash flow was $275 million, up from $106 million.

An interim dividend of 3.75 cents per share (from 3.25 cents) is declared. The increase reflects Infratil's higher cash earnings, sound financial position and the goal of providing shareholders with growing tangible returns. The dividend will be paid on 13 December to shareholders on the register as at 29 November. The dividend reinvestment plan will operate.

Infratil and its 100% subsidiaries started the period with net debt of $1,276 million and finished it with $963 million (gearing fell from 48% to 40%: net debt / net debt + equity capitalisation). $85 million of bonds were repaid and $94 million of new bonds were issued to mature in 2022. In addition, $153 million of proceeds from the Z Energy IPO is held by an associate pending distribution to Infratil.

To drive future earnings and value growth the group committed $257 million to capital investments over the half year (from $148 million). Subsequent to balance date Infratil committed to acquire 19.9% of Metlifecare for $148 million and to provide up to A$100 million to "greenfield" infrastructure through Australia Social Infrastructure Partners "ASIP". Excluding Z Energy's capital investment programme, the group is now projecting to invest at least $650 million this financial year ($740 million if Z's capital spending is included).

The Infratil group actively hedges exposures to movements in foreign currency exchange rates, interest rates and the price of energy. The net gain from these activities over the period was $36 million. Hedges had been in place against the possibility of a decline in the value of the Australian dollar (Infratil has Australian investments with a book value of almost $400 million) and with the NZ$ strengthening against the A$ these hedges were terminated realising a net cash gain of $38 million (the accounting gain for the period was $27 million).

Infratil announced an on-market buyback of up to 24.8 million shares through a tender offer at a maximum price of $2.60 per share. This was to occur on 22 October 2013, but was postponed as Infratil was considering investments in Metlifecare and ASIP, which have now been announced. Infratil now intends to complete the buyback on the same terms as originally announced with the tender offer to take place on 5 December 2013.

Investment/Growth Plans

As mentioned, the period since 1 April was extremely busy and several events occurred which were important for Infratil and its future prospects. The most prominent was the sale of 60% of Infratil's shareholding in Z Energy. While crystallising value can feel like winning a race, preparing for the next race and the next source of value creation matters more.

The Z Energy partial sale does illustrate a point we strongly advise our shareholders to note. When Infratil made its investment in Z in 2010 it was against the backdrop of the Global Financial Crisis. Few investors were willing or able to muster $700 million to acquire the New Zealand downstream operations of Shell. Successful investments are successful because many things go right, but it is a huge advantage if the initial investment can be made at a low price. Infratil's stake in Z was acquired at a very attractive valuation.

To achieve this consistently (ie. with a series of investments through different market circumstances) requires preparation, flexibility of approach and focus, and the maintenance of capital availability. Trustpower's investment in the Snowtown wind farms (a total amount approaching $800 million) reflects its considerable sector expertise being invested in several years of project preparation. Infratil's investment into Metlifecare came about after a great deal of research produced a high level of confidence about the potential of the investment, while the commitment to ASIP has followed five years of management engagement with this sector.

As was explained at Infratil's Investor Day in February, and repeated in the March Update, Infratil seeks to make investments in markets where it has a relative advantage and a good prospect of capturing value. This is clearly illustrated by the intention to invest in Australian infrastructure through ASIP. The ASIP type of transactions are complex and with relatively few competing buyers. Infratil has positioned to take advantage of the opportunities by developing the capability to understand them and by being willing to commit capital to "greenfield" developments. These steps may sound easy, but investing for several years in management capability in anticipation of something which may, or may not, come about is not common.

The commitment of $148 million to acquire 19.9% of Metlifecare is a new initiative for Infratil. Aged care is not a sector Infratil has previously pursued. However the sector is subject to highly favourable demand trends, Metlifecare is a good entry point in regards to value and opportunity, and the factors which will drive Metlifecare's success are ones with which Infratil management are well acquainted.

Regulation

While the Infratil group is actively progressing new investments to provide returns to shareholders, the threat to a change to the regulation of New Zealand's electricity market has created a material headwind to the share price. Because regulatory events are hard to value there is a tendency to anticipate the worst. But in fact outcomes tend to be pragmatic and, in the main, reflect common sense. An example is the disclosure regime for New Zealand's three main airports. This provides regulators with transparent and consistent information to enable them to judge whether an airport is operating efficiently, effectively and not extracting excessive earnings.

Much to the chagrin of Wellington Airport's management, the Commerce Commission reported earlier in the year that, by its calculations, Wellington was expected to achieve excess earnings in the year to 31 March 2015. Largely this occurred because this was the first review of any airport under a new regime, which made it difficult to ensure compliance in advance. The Commission's findings have not however resulted in a heavy handed regulatory intervention, rather the Airport has been able to reopen consultation with its major airline customers with the aim of resetting charges.

It is possible to quibble about several aspects of the Commission's findings, but the process is constructive and designed to allow the parties to sort out differences.

In due course it is likely that any changes to the regulation of the electricity industry will be similarly pragmatic. Investors, industry participants, customers and Governments are likely to ultimately want similar outcomes.

Operations

Infratil's businesses faced a mix of challenges and opportunities. The key metrics are current period activities and earnings, and positioning for future growth. For the main part results and positioning were satisfactory or good.

Trustpower

Trustpower's earnings and operations were challenged by extreme retail competition and difficult climatic conditions which reduced both hydro generation and consumer consumption. EBITDAF was down 8% to $153 million, although because of hedge gains NPAT was up 11% to $77 million.

Construction of the $500 million 270MW Snowtown II wind farm in South Australia is on budget and some turbines are now generating.

Trustpower progressed consents for over 1,000MW of additional wind farm capacity in Australia and two further irrigation related developments in New Zealand.

Infratil Energy Australia Group (Lumo, IEA, Perth Energy)

The IEA Group's EBITDAF was ahead of budget at $57 million for the six months despite flat customer numbers and the mildest Victorian winter on record. Last year's higher earnings of $71 million included a boost from a drop in wholesale energy prices and benefitted from a stronger Australian dollar. Unseasonal market conditions in South Australia impacted IEA's generation results where full year earnings are expected to be about A$2 million. For the full year Perth Energy's EBITDAF is expected to slightly improve on last year's A$14 million.

For the half year Lumo's EBITDAF was A$48 million, down from the A$54 million delivered last year. For the second half of the year Lumo is projected to deliver additional EBITDAF of about A$4 million, consistent with last year. The full year EBITDAF forecast represents a 7% margin on sales, down from last year's 8.5% (which benefitted from the decrease in wholesale energy prices).

Lumo slightly increased its customer numbers through a period where regulatory interventions effectively stopped door to door sales. Lumo access to a number of sales channels provides a competitive advantage for customer growth going forward and increasing energy connections from the Direct Connect home movers channel are an early indicator of this. New agreements with gas providers and pipelines have provided both certainty and flexibility for Lumo's gas retail business and above the line marketing activity will be a visible feature in the second half of the year.

Z Energy

Z's contribution to Infratil's EBITDAF was $22 million, up from $8 million the prior year.

Somewhat overshadowing this was Infratil's sale of 120 million of its 200 million Z Energy shares. The following table indicates the value crystallised:

	Aggregate	Per Infratil Share
31 March 2013 book value	$324 million	$0.55
Cash received from Z	$37 million	$1.27
Share sale net proceeds	$398 million	
Residual holding value	$307 million	
Gain over the period	**$418 million**	**$0.71**

The $742 million aggregate of the cash received plus the market value of the residual holding can be compared against the average broker analyst value of Infratil's Z Energy shareholding in May 2013, which was slightly over $500 million. The $240 million underestimation of value equates to $0.41 per Infratil share.

NZ Bus

EBITDAF was stable on the same period last year, but patronage was a disappointing 2% lower.

NZ Bus and its regulatory partners, Auckland Transport and Greater Wellington Regional Council, are progressing the design and implementation of the new network plans and contracting regime. These are by far the largest changes to public transport in Auckland and Wellington for decades and are taking time to effect. Meanwhile NZ Bus is investing in its fleet and new systems to improve customer service and business efficiency. By the end of September 222 new British ADL buses had been delivered into the Auckland fleet and 60 into Wellington. A further 72 of these buses are on order.

Less noticeably for other road users, but of great note to passengers, NZ Bus is also rolling out the Telematics fleet monitoring system. This provides detailed information on bus speed, acceleration and breaking and a gives driver's a tool they can use to provide passengers with a significantly smoother ride, as well as reducing fuel use and enabling proactive management of maintenance requirements.

Wellington Airport

Relative to the prior period, passenger numbers were up almost 150,000 people or 6% and EBITDAF was up almost 8% to $43 million.

Management initiated consultation with the major airline customers with the aim of resetting aeronautical charges from mid-2014 and two separate bond issues were concluded to refinance the $100 million of bonds which matured after the end of the period.

Unfortunately users of the Airport were inconvenienced by the work required to change the road access to the terminal, but the new configuration has been welcomed since it opened. Wellington Airport has the most convenient public transport and car parking and drop off facilities of any major New Zealand airport.

The potential for direct air services between Wellington and Asia became a high profile issue during the local authority elections and a strong level of public support was obvious. The Airport is consulting with all interested parties about the potential for extension of the runway to enable such services to operate and is undertaking preparation for the necessary regulatory processes. Wellington City Council has pledged to participate in a joint venture with the Airport to progress resource consents if feasibility scoping justifies this step.

Infratil Airports Europe

Following a drawn out process Infratil has agreed to sell Kent Airport and is working towards the sale of Prestwick Airport to the Scottish Government. It is hoped both transactions are concluded later this year.

These investments were unsuccessful for Infratil and illustrate the potential for "game changing" events. Five years ago such airports were much sought after by investors, but the GFC and onerous green taxes on airlines materially changed the prospects of "edge of city" airports which were reliant on robust air traffic growth driving demand.

While the financial outcomes were very poor, Infratil has shown that it is a responsible owner even during very lean times. The airports were kept operational and will be sold in better condition than they were purchased. Best wishes are extended to the new owners and the management and staff who have done a great job through a trying period.

Snapper Services

Snapper continues to innovate and drive transaction volumes and value in the Wellington region, adding to the Snapper and 2 degrees mobile partnership with a partnership with Wellington City Council so that Snapper can be used to pay for roadside car parking.

Conclusion

Infratil is exceptionally positioned to maintain robust and growing returns for its shareholders by investing in high quality infrastructure opportunities.

Infratil's portfolio of businesses is well placed to deliver increased earnings, as underlined by the projection of this year's group investment and capital outlay being at least $650 million.

Capital providers continue to be supportive.

Marko Bogoievski Chief Executive	Mark Tume Chairman

Summary Financial Measures

Consolidated Earnings

$Millions	½ Sep 2013	½ Sep 2012	Change	FY Mar 2013
EBITDAF (continuing operations) [1]	285.1	295.1	(10.0)	527.6
Depreciation & amortisation	(73.4)	(72.7)	(0.7)	(148.7)
Net interest	(91.2)	(97.2)	6.0	(195.4)
Tax expense	(36.3)	(29.4)	(6.9)	(24.1)
Net gain on Z IPO	182.5	-	182.5	-
Revaluations [2]	39.4	(25.8)	65.2	(20.3)
Discontinued operations	(28.8)	(47.3)	18.5	(62.1)
Net profit after tax	277.3	22.7	254.6	77.0
Minorities	(47.3)	(39.2)	(8.1)	(73.6)
Net parent surplus	230.0	(16.5)	246.5	3.4

1. Earnings before interest, tax, depreciation, amortisation and fair value adjustments.
2. Revaluation of energy, interest rate and FX derivatives, and net investment realisations/(impairments).

Guidance for the Year Ended 31 March 2013

$Millions	Range	Comment
EBITDAF (normalised) [1]	$500 - $540	Unchanged from September Market Update
Net interest	($195 - $205)	Unchanged from September Market Update
Operating cash flows	$360 - $400	Updated
Depreciation & amortisation	$150 - $170	Unchanged from September Market Update
Group investment	$650 - $710	Updated (excludes Z projected capital spending)

1. Earnings before interest, tax, depreciation, amortisation and fair value adjustments. Z Energy's contribution as an associate is forecast on a current-cost basis.

Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Adjustments (EBITDAF)

$Millions	½ Sep 2013	½ Sep 2012	FY Mar 2013
Trustpower	153.2	166.1	294.8
Infratil Energy Australia	57.4	71.2	97.7
Wellington Airport	42.4	39.5	83.0
NZ Bus	21.5	21.8	44.1
Other, eliminations, etc.	(11.2)	(11.4)	(23.0)
Z Energy (Associate) [1]	21.8	7.9	31.0
EBITDAF (continuing)	285.1	295.1	527.6
Discontinued operations	(6.3)	(4.2)	(9.9)
Total EBITDAF	278.8	290.9	517.7

1. Accounting Z Energy's contribution on a current-cost basis would decrease the current period contribution to $21.0 million and increase the prior period amount to $23.2 million.

Asset Values

$Millions	30 Sep 2013	31 Mar 2013
Trustpower	1,121	1,226
Wellington Airport	337	342
NZ Bus [1]	285	270
Infratil Energy Australia [1]	395	435
Z Energy	307	324
European Airports	-	21
Other	219	64
Total	2,664	2,682

1. Values exclude 100% subsidiaries' cash balances and deferred tax where CGT does not apply.

Changes to the value of Trustpower are due to its share price decreasing from $7.70 to $7.04. The 20% holding in Z Energy is valued at its share price of $3.84. Changes in the value of Wellington Airport and NZ Bus reflect the difference between the companies' net earnings over the period and payments to shareholders. The change to IEA's value reflects the 10% strengthening of the NZ$/A$ exchange rate and changes in the value of electricity price hedges and working capital. The value of Manston and Glasgow Prestwick airports has been fully impaired from the 31 March 2013 valuations. Other investments include iSite, Snapper and property, and $153 million of undistributed proceeds held in Aotea Energy from the Z IPO.

Debt of Infratil and wholly owned subsidiaries and the market value of Infratil's equity

$Millions	30 Sep 2013	31 Mar 2013
Net debt of 100% subsidiaries	42	364
Fixed maturity bonds	686	677
Perpetual bonds	235	235
Market value equity	1,454	1,406
Total capital	2,417	2,682
100% group net debt/total capital	40%	48%

Over the six months 2.9 million shares were reissued under the Infratil dividend reinvestment plan and 0.1 million perpetual bonds were repurchased.