INFRATIL LIMITED

RESULTS FOR THE YEAR ENDED 31 MARCH 2014

13 MAY 2014

FINANCIAL RESULTS / CAPITAL MANAGEMENT

Net parent company surplus for the year was $199 million ($3 million the prior year). Net consolidated operating cash flow was $407 million, up from $288 million.

A final dividend of 7.0 cents per share (6.0 cents prior year) reflects Infratil's strong cash earnings and sound financial position. The dividend will be paid on 16 June to shareholders on the register on 29 May. Given Infratil's current capital position it has been decided that the dividend reinvestment plan will not operate on this occasion.

Infratil has the goal of providing shareholders with growing tangible returns and over the last 4 years the annual dividend has increased from 6.25 cps to this year's 10.75cps. The intention is to maintain dividend growth in the future.

Infratil and its 100% subsidiaries ended the period with $1,062 million of net debt, down from $1,276 million a year prior. Infratil issued a further $162 million of six and nine year bonds while $85 million of bonds matured. Net bank debt and vendor funding fell by $291 million to $73 million.

To drive future earnings and value growth the group committed $616 million of capital to new investments, up from $414 million the previous year.

Two material divestments occurred, $398 million was released from the sale of a 30% shareholding in Z Energy and Kent and Prestwick Airports were sold for nominal consideration.

A net 21.9 million Infratil shares were repurchased under the buyback program for $52.4 million. As at 31 March 2014 Infratil had 561.6 million shares on issue.

COMMENTARY

It was a dynamic year for Infratil and the investments undertaken augur well for future years. It was also a year in which Infratil celebrated entering its third decade and mourned the passing of its Chairman David Newman.

Infratil's raison d'être is to provide its shareholders with good long-term returns via exposure to growth infrastructure. The key lever for long-term value creation is the group's allocation of capital and its positioning for future allocation of capital. On those criteria the last year was more than satisfactory with $616 million of new investment testament of the group's financial capability and the ability to find good opportunities.

The investments are part of a strategy of active asset management. There is no direct link between the release of $398 million from the partial sale of Infratil's interest in Z Energy and the $616 million of new investment, but in a broader sense both are part of portfolio rejuvenation; realising value from assets with more mature risk/return character and investing in ones with greater value potential.

Infratil has always actively assessed the relative merits of holding and selling assets. As discussed below, this reflects how the market for infrastructure investment has evolved and is in response to shareholder desire to see crystallisation of value.

Share buybacks are part of the equation as a company needs to decide if it should be buying its own shares rather than making external capital allocations.

Next year is expected to be at least as active as the last. Snowtown Stage 2 will be completed and hopefully another Australian wind generation project instigated. Trustpower will be seeking more customers for its electricity, gas, internet and telecommunications services and additional irrigation facilities. Wellington Airport's terminal extension will be underway. NZ Bus will be working with Auckland Transport and Greater Wellington on expansion plans. Infratil Energy Australia will be growing customer numbers and also undertaking a review of options to identify what maximises value for Infratil.

The review of Lumo Energy and Direct Connect Australia will compare a continuation of the current organic growth plans against inorganic merger/acquisition options and against divestment. The review may take six months and is being announced to ensure shareholders are kept informed of the proactive initiatives Infratil is undertaking to demonstrate value.

THE FUTURE

Infratil is well placed to deliver above average risk-adjusted returns to its shareholders from its investments in New Zealand and Australian transport, energy, social and age-care infrastructure. It is likely that shareholders will also benefit from initiatives which release capital from mature businesses and prove value.

After FY2013's 30% return shareholders will be disappointed with FY2014's flat outcome. This seems to have been a consequence of the threat of aggressive regulation of New Zealand renewable generators, including Trustpower, and the flood of generator-retailer shares onto the NZX. Both are short-term in nature. Next year it is expected that New Zealand's economy will continue to drive demand for transport and energy and that there will be increasing private provision of infrastructure on both sides of the Tasman.

Guidance for FY2015 earnings before interest, tax, depreciation, amortisation and fair value movements is for the result to be between 6% and 12% higher than this year's $500 million.

GROWTH INVESTMENT INITIATIVES

Over the last five years Infratil has invested $1,973 million including $616 million last year of which the more material parts were Trustpower's $296 million investment into Stage 2 of the Snowtown wind farm, Infratil's $148 million investment to acquire 19.9% of Metlifecare and NZ Bus's $68 million fleet investment.

Year Ended 31 March Investment $Millions	2014	2013	Last 5 Years
Trustpower	$350	$214	$751
Infratil Energy Australia Group	$22	$28	$304
Z Energy	-	$71	$384
Wellington Airport	$20	$12	$93
NZ Bus	$68	$57	$222
Metlifecare	$148	-	$148
Other	$8	$32	$71
Total	**$616**	**$414**	**$1,973**

Other investment activities over the year included progressing consents to build further wind farms in Australia, assessing the Hawkes Bay Regional Council Ruataniwha water-storage scheme, agreement to invest in Australian social infrastructure, Wellington Airport's $250 million expansion plans and investigation of the feasibility of a runway extension that would accommodate direct air services with Asia, and an unsuccessful bid for NZ's largest solid waste management company.

Each of these projects was part of the programme to maintain Infratil's earnings growth and the rejuvenation of Infratil's portfolio of businesses and activities. Each also illustrates key features of Infratil's investment approach:

- Value is critically important. The Ruataniwha and Waste Management outcomes were disappointing, but ultimately neither was offering the prospect of satisfactory returns compared to alternative allocations of capital;
- Good investments tend to involve a combination of long lead times, complexity, the need to understand and manage risk, pre-existing rights, a special relationship, or a quick response to a sudden opportunity. All of these factors reduce competition for an opportunity and allow a successful investor to capture value;
- Infratil seeks to invest in companies with growth potential. Metlifecare and Australian social infrastructure illustrate this. The population is aging and more care facilities are required. Australian Federal and State governments are actively progressing private funding of schools, hospitals and other social infrastructure.

Infrastructure businesses are now highly sought after by investors seeking low-risk returns. For Infratil this creates both challenge and opportunity. New investment into mature low-risk businesses in stable markets is relatively unlikely for Infratil because such businesses will have high values and hence offer lower returns. But Infratil is well placed to capture the return premium that comes with businesses and investment opportunities where there is a need to manage and accommodate uncertainty or complex risks. It also means that as a business transitions from "uncertain" to "mature" or its market becomes more predictable its value is likely to rise markedly.

REALISATIONS

Two divestments occurred last year. One represented a successful example of the transition outlined above, one did not. Z Energy was acquired at a price reflecting market and earning uncertainties and its value rise was due to improvements in both areas. Conversely, the sale of the two UK airports had few successful aspects to report other than that the drag on Infratil's reported results has ceased.

- As at 31 March 2013 Infratil's investment in Z Energy had a book value of $324 million. Over the year this provided dividend and interest income of $43 million and net sale proceeds of $398 million. The retained 20% interest had a market value of $312 million as at 31 March 2014 (at $3.90 per share) giving a total gain for the year of $429 million.

  (The financial statements show that the investment in Z Energy contributed equity earnings of $33 million and a gain on sale of $183 million).

- As at 31 March 2013 Infratil's investment in the UK airports had a book value of $20 million and over the year a further $12 million was contributed to meet costs. Their sale price crystallised a net economic cost of $32 million.

  (The financial statements show a total cost of $101 million including a net $69 million accounting reclassification of previously recognised FX losses).

CONSOLIDATED EARNINGS

Infratil's consolidated earnings and net parent surplus are set out in the following table. Below that is the breakdown of the group's operating surplus before fair value movements. Notable changes from the prior year were:

- Earnings before interest, tax, depreciation, amortisation and fair value movements were $500 million. This was down from $528 million the previous year due to an $18 million reduction in the contribution from Trustpower and $19 million less from Infratil Energy Australia Group. The contribution from other sources was up a net $9 million;
- Interest costs were down $14 million due to lower levels of borrowing;
- Tax increased $39 million, of which approximately $30 million related to unrealised fair value movements and hedges;
- Interest rate, currency and energy price hedges improved a net $67 million;
- The sale of a 30% interest in Z Energy produced a gain of $183 million. Revaluations contributed $36 million ($33 million from the fair-value revaluation of the Metlifecare stake) which was up from a $7 million loss the prior year;
- The disposal of the two UK airports resulted in an expense of $101 million, of which $69 million was a reclassification of amounts held the in foreign currency translation reserves and reflected costs incurred in prior years.

Year Ended 31 March $Million	2014	2013
Total income [1]	$2,384	$2,400
Operating expenditure	($1,884)	($1,872)
EBITDAF	**$500**	**$528**
Net interest	($181)	($195)
Depreciation & amortisation	($152)	($149)
Tax	($63)	($24)
Revaluation of hedges	$53	($14)
Investment revaluations	$36	($7)
Net gain Z IPO	$183	-
Discontinued operations	($101)	($62)
Minority interests	($76)	($74)
Net parent surplus	**$199**	**$3**

1. Excludes the fair value gain on acquisition of an associate of $33 million, which is included in Investment revaluations.

BREAKDOWN OF OPERATING EARNINGS AND NET SURPLUS BEFORE REVALUATIONS

The following tables show the breakdown of Infratil's earnings, depreciation, amortisation, interest and tax. The top table is for FY2014 and the lower one is for FY2013.

Year Ended 31 March 2014

$Million	EBITDAF	D&A	Interest	Tax	**Total**	Ownership
Parent/Other	($19)	($4)	($94)	($11)	**($127)**	100%
NZ Bus	$40	($27)	-	($1)	**$11**	100%
IEA/Lumo	$61	($25)	($1)	-	**$35**	100%
Perth Energy	$17	($7)	($6)	($1)	**$3**	80%
Wellington Airport	$86	($16)	($19)	($13)	**$39**	66%
Trustpower	$277	($72)	($62)	($38)	**$106**	51%
Z Energy	$33	-	-	-	**$33**	20%
Metlifecare	$5	-	-	-	**$5**	20%
Total	**$500**	**($152)**	**($181)**	**($63)**	**$104**	
IAE	($9)	($3)	-	$11	**($1)**	100%

Year Ended 31 March 2013

$Million	EBITDAF	D&A	Interest	Tax	**Total**	Ownership
Parent/Other	($23)	($6)	($103)	$37	**($95)**	100%
NZ Bus	$44	($26)	-	($2)	**$16**	100%
IEA/Lumo	$80	($25)	($2)	($13)	**$40**	100%
Perth Energy	$18	($10)	($8)	-	**-**	80%
Wellington Airport	$83	($16)	($19)	($9)	**$39**	66%
Trustpower	$295	($66)	($63)	($37)	**$129**	51%
Z Energy	$31	-	-	-	**$31**	50%
Total	**$528**	**($149)**	**($195)**	**($24)**	**$160**	
IAE	($10)	($4)	-	$4	**($10)**	100%

INFRATIL'S ASSETS

As At 31 March $Millions	2014	2013
Trustpower	$1,037	$1,226
Z Energy	$312	$324
Metlifecare	$171	-
Wellington Airport	$351	$342
NZ Bus [1]	$303	$270
Infratil Energy Australia Group [1]	$349	$435
European Airports	-	$21
Other	$78	$65
Total	**$2,601**	**$2,683**

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 NZX share price decreasing from $7.70 to $6.49.

The 2014 20% holding in Z Energy is valued at its $3.90 NZX share price, the 2013 50% holding reflected Infratil's acquisition cost plus subsequent undistributed net income and fair value adjustments. The 19.9% shareholding in Metlifecare is valued at its $4.07 NZX share price.

Changes in the value of Wellington Airport and NZ Bus reflect the difference between the companies' net earnings over the period and any additional capital provided, less payments to shareholders.

Infratil Energy Australia Group's value change is due to the 17% strengthening of the NZ$/A$ exchange rate, a $33 million reduction in working capital and a $19 million decrease in the value of plant and property.

The UK Airports were sold. Other investments are mainly iSite, Snapper and Infratil Infrastructure Property.

DEBT OF INFRATIL AND WHOLLY OWNED SUBSIDIARIES AND THE MARKET VALUE OF INFRATIL'S EQUITY

As At 31 March $Millions	2014	2013
Bank and vendor net debt	$73	$364
Fixed maturity bonds	$754	$677
Perpetual bonds	$235	$235
Market value equity	$1,269	$1,382
Total Capital	**$2,331**	**$2,658**
100% group net debt/total capital	46%	48%

Over the year Infratil repurchased a net 21.9 million shares. 561.6 million shares were on issue as at 31 March 2014.

OPERATIONS

For FY2014 Infratil's businesses delivered earnings before interest, tax, depreciation and amortisation within the guidance range, but 5% lower than the prior year. The main reasons for this were Trustpower's lower level of New Zealand hydro generation and soft wholesale prices, weakness in the $AUD impacting the reported IEA result, and a lower contribution from NZ Bus.

TRUSTPOWER

EBITDAF was down 6% to $277 million due to a combination of dry weather reducing Trustpower's hydro generation while wholesale energy prices were depressed by overall generation oversupply.

Retail margin income was up as customer numbers grew, but this was offset by higher marketing and operating costs. Australian generation was up 11GWh at Snowtown Stage 1 and 139GWh was produced from Snowtown Stage 2 turbines as the project started to become operational.

From next year the financial impact of Snowtown Stage 2 will become more apparent and by FY2016 the two Snowtown wind farms are forecast to be providing almost a third of Trustpower's free cash flow after debt servicing (almost 20 cents per share or $60 million pa.).

Trustpower is consented to build additional generation on both sides of the Tasman. In New Zealand new capacity is unlikely for some years, but in Australia new build is likely if the Australian Government sticks to its goal of having 20% of national generation from renewable sources by 2020.

While Trustpower withdrew from the Hawkes Bay Regional Council irrigation project, work is still underway to use Coleridge storage to provide an additional 100,000 hectares in mid Canterbury. This project has an off-farm cost estimated to be in the range of $270-$480 million.

Year ended 31 March	2014	2013
NZ sales volume	3,512GWh	3,683GWh
NZ generation	2,209GWh	2,330GWh
Australian generation	536GWh	386GWh
Electricity customers	224,000	206,000
Other customers	68,000	43,000
EBITDAF	$277m	$295m
Investment spend	$350m	$214m
Infratil cash income	$64m	$64m
Infratil holding value	$1,037m	$1,226m

INFRATIL ENERGY AUSTRALIA GROUP (LUMO, IEA, PERTH ENERGY)

IEA Group's EBITDAF of A$69 million was a strong underlying result for the period. It was down A$8 million on the prior year but A$7 million of this occurred in the first half of the year and mainly it reflected a lower contribution from generation activities.

Lumo had been expected to struggle to repeat FY2013's earnings which had benefited from a windfall when wholesale prices fell sharply that year. Energy retailers also had the challenges of accommodating regulatory interventions which made it harder to gain customers from door to door channels. However Lumo largely met both the earnings and growth challenges.

Over the first six months of the year customer gains amounted to only +3,031, but this recovered to +21,484 in the second half as Lumo changed its sales strategy and channels via the internet and Direct Connect.

Retail margins increased and offset higher costs as Lumo expensed a greater proportion of its customer acquisition costs and increased spending on marketing and customer services. The upgrade to services resulted in Lumo receiving a Canstar Blue award for having the most satisfied electricity customers in Victoria.

Perth Energy EBITDAF improved 8% as it maintained plant availability after last year's outages. Retail sales increased slowly, but margins were compressed due to increased competition in the Western Australia market.

For FY2015, IEA Group EBITDAF is forecast to be similar to FY2014 and in a range of A$63 million to A$70 million. Lumo's customer numbers are expected to grow, but generation revenue for both IEA and Perth are likely to be under pressure.

Year ended 31 March	2014	2013
Generation capacity	285MW	285MW
Customer accounts	515,285	490,770
Lumo earnings contribution	A$53m	A$58m
Generation earnings contribution	A$3m	A$9m
Perth earnings contribution	A$15m	A$14m
Other	(A$2m)	(A$4m)
EBITDAF	**A$69m**	**A$77m**
Hedge revaluations	(A$16m)	A$4m
Depreciation and asset revaluations	(A$16m)	(A$15m)
Amortisation	(A$16m)	(A$14m)
External interest	(A$7m)	(A$7m)
Tax	(A$1m)	(A$11m)
Net current assets (ex. tax and derivatives)	A$88m	A$122m
Fixed assets [1]	A$246m	A$260m
IEA/Lumo external debt	(A$4m)	(A$15m)
Perth Energy external debt	(A$57m)	(A$70m)
Book value IEA/Lumo	**NZ$275m**	**NZ$350m**
Book value Perth Energy	**NZ$74m**	**NZ$85m**

1. IEA's generation was reduced in value by A$10m as a result of lower generation prices. Perth's generation was reduced in value by A$3m reflecting depreciation of A$8m and revaluation gains of A$5m.

NZ BUS

NZ Bus made steady progress in respect to improvements in service, reliability, and investment in fleet and technology, but experienced disappointing passenger growth and produced an EBITDAF which was below budget.

Over the year 135 new buses were introduced into the fleet bringing to 345 the number of new ADL buses now operated in Auckland and Wellington. In addition to providing passengers with new buses, they are also being driven more smoothly as drivers take advantage of the telematics monitoring system on the fleet. Passengers are expressing their approval of both upgrades.

Over the year NZ Bus further improved its health and safety practices and received the top-ranking partnership accreditation from ACC.

Bus patronage however is dependent on factors outside of the NZ Bus' control. The key to making people use public transport rather than their cars is reliability/frequency and relative cost. Frequency and fares are set by regional transport agencies and reliability depends on road management and in particular the provision of bus ways so that a bus (with 40 people aboard) is not caught up with car congestion (with one occupant).

Auckland Transport is now actively working to progress a wide range of initiatives to increase patronage, but in Wellington the preoccupation with trains and long regulatory lead times are impediments.

Earnings were also reduced by a significant engineering cost resulting from the imposition of new regulatory requirements.

Year ended 31 March	2014	2013
Passengers Auckland region	37,591,015	37,482,829
Passengers Wellington region	20,373,202	20,331,222
Passenger income	$128m	$127m
Contract income	$89m	$87m
EBITDAF	**$40m**	**$44m**
Capital spending	$68m	$57m
Infratil holding value	$303m	$270m

WELLINGTON AIRPORT

Wellington Airport met its earnings budget, but experienced modest passenger growth. However, over the next five years domestic passenger numbers are projected to rise at an average annual rate of 80,000 and international passengers by over 40,000.

Last year's changes to the origins and destinations of the passengers using the Airport illustrate the crucial impact of airline services. Christchurch, Auckland, Sydney and Melbourne routes experienced good growth while numbers on regional services were down. In all cases passenger numbers followed the capacity offered by airlines which explains why Wellington Airport actively markets to airlines and offers incentive terms for growth.

The 2013 tie-up between Qantas and Emirates is an example of connectivity stimulating demand. Most of Wellington's 26,000 increase in international passengers seen last year were people crossing the Tasman as a part of a longer international trip.

It illustrates the stimulatory effect of better air services which is a key factor behind the region's demand for an extension to the Airport's runway to accommodate long-haul jet services. While there is no doubt that such services would be used by the passengers who are now travelling between Wellington and the northern hemisphere via east-coast Australia or Auckland, they would also attract a lot of people not now travelling to Wellington or New Zealand.

With or without long-haul services, traffic is increasing and Airport management spent the last year consulting with airlines over facilities expansion as well as investigating initiatives such as the construction of a hotel and increased car parking. A $250 million capital works programme has been mapped out for the next five years and work is expected to get underway soon.

In June Wellington Airport is also expected to conclude its consultation with its airlines over aeronautical charges and, on average, this should lower prices by $1 per passenger.

Year ended 31 March	2014	2013
Passengers domestic	4,683,931	4,646,724
Passengers international	753,355	726,898
Aeronautical income	$68m	$64m
Passenger services income	$34m	$33m
Property/other income	$9m	$9m
Operating costs	($25m)	($23m)
EBITDAF	**$86m**	**$83m**
Capital spending	$20m	$12m
Infratil cash income	$35m	$30m
Infratil holding value	$351m	$342m

INFRATIL AIRPORTS EUROPE

Infratil concluded its sale of Glasgow Prestwick and Kent airports.

Z ENERGY

Z Energy produced a net profit of $95 million for the year ended 31 March 2014 and replacement cost EBITDAF of $219 million.

Z's transformation from a small part of a multinational to a stand-alone New Zealand managed company is graphically illustrated by EBITDAF. Over the five years prior to Infratil and NZ Super's purchase of Shell's New Zealand operations they produced average replacement cost EBITDAF of $120 million.

Z Energy is projecting strong growth in the future and earnings will have grown significantly since ownership was repatriated, and the growth is forecast to arise from initiatives which will be good for New Zealand. The number of service stations is being increased as is their offering of non-fuel products. Z is building a bio-fuel plant to convert tallow into diesel. In addition, Z and BP are to work together to lower their crude importing and refining costs.

One outstanding aspect of Infratil's participation in the transformation of Z Energy is that local investors, communities and motorists have all been winners, and the journey is not over yet.

SNAPPER SERVICES

Snapper continues to innovate and drive transaction volumes and value in the Wellington region. Its track record as a technology start-up is remarkable.

In its core functions, of providing payment tools for transport it can be used to catch a GO Wellington bus, a Valley Flyer bus, any of Wellington's 800 taxis (5 taxi companies), cable car and harbour ferries and Whangarei's buses.

Outside of this core it can be used to pay for roadside car parking in Wellington City, merchandise at anyone of 245 shops and its payment capability can be loaded onto 2 Degrees mobile phones.

METLIFECARE

Infratil seeks to invest in sectors which are growing, where well managed companies have an opportunity to put more capital to work, and where the entry investment cost offers a good prospect of above average returns.

The purchase of 19.9% of Metlifecare for $148 million or $3.53 per share met all of these criteria.

INFRATIL IFRASTRUTURE PROPERTY

IIP was established to ensure that Infratil's property holdings were managed with focused and specialised expertise and the benefits of this approach are now coming through. A number of the bus depots have been developed into higher value use and a number of new depot investments have occurred.

The $30 million New Lynn development has been largely concluded in partnership with Auckland Council and parts of stage one were sold during the year with the remainder likely to be sold during FY2015. IIP is now working with Auckland Council on the development of the balance of the New Lynn site and a new town centre redevelopment in Papatoetoe.

In Wellington a site has been acquired and is being developed as a depot for NZ Bus and a number of other initiatives for NZ Bus are being progressed.

AUSTRALIAN SOCIAL INFRASTRUCTURE

Infratil agreed to provide A$100 million to this sector via the Australian Social Infrastructure Partnership (ASIP) and the first, A$12 million, investment under this agreement has occurred since 31 March 2014.

The huge increase in the use of this type of funding is likely to mean that opportunities grow exponentially and, as with any market in its early stages, these are likely to evolve rapidly.

Leighton Contractors who are part of the ASIP syndicate are currently participating in bids for Queensland schools, NSW rail and Victorian roads.

CONCLUSION

Infratil is well positioned to maintain robust and growing returns for its shareholders. New Zealand and Australian transport, energy, social and age-care infrastructure are benefiting from economic and societal trends and Infratil is well placed in each sector.

It is also expected that shareholders will benefit from initiatives which release capital from, and demonstrate the value of, Infratil's more mature businesses.

Solid cash flow, well positioned businesses with positive outlooks, and a strong capital structure are expected to support continued dividend growth. The pursuit of investment opportunities will also allow for the continued evolution of Infratil's businesses and the achievement of increasing absolute returns and value.

Marko Bogoievski Chief Executive	Mark Tume Chairman