30 September 2013

Infratil

Dear Shareholder

Infratil tender offer to buy back up to 24.8 million shares on 22 October 2013

Infratil announced on 27 September 2013 that it intends to commence an on-market buyback of up to 24.8 million shares through a tender offer. A copy of that announcement, which includes an update on Infratil, is enclosed. This letter sets out how the buyback will work and how you can participate if you wish to, and the detailed terms.

You are not required to participate. **If you do not wish to sell your Infratil shares, you do not have to take any action.**

If you wish to participate, you should contact your NZX participant share broker before 22 October 2013.

Why is Infratil undertaking a tender offer

Past buybacks have been undertaken in separate smaller parcels, over a period of time, rather than a tender offer. In part this reflects the larger than usual number of shares Infratil is seeking and in part it reflects the desire to create a "liquidity event". Infratil's shares tend to trade in small volumes (given the size of the company) and it is hoped that the tender will spur trading, as well as providing shareholders that wish to cash-out a good opportunity to do so, at a price which represents fair value for both those shareholders and those who choose not to sell shares.

How the buyback will work

Shareholders who wish to participate in the buyback must submit an offer to sell through their NZX participant share broker. Your offer must specify the number of Infratil shares that you wish to sell to Infratil, and the price you wish to offer them for.

Offers must be submitted by NZX participants after 12 p.m. and before 2 p.m. on 22 October 2013 (all times are New Zealand time).

The maximum price Infratil will pay is $2.60 per share (although Infratil reserves the right to change this by market announcement before 10 a.m. on 22 October 2013).

If shareholders offer to sell 24.8 million shares or less in total, all those offers will be accepted in full, and all selling shareholders will receive the highest price at which those shares were offered (up to the maximum price). The following example illustrates:

> *Example 1*: Shareholders offer to sell 15 million shares in total, 10 million shares for $2.50 per share, 5 million shares for $2.60 per share.
>
> *Result:* All offers are accepted in full and Infratil buys back all 15 million shares offered. All shareholders who offered shares receive $2.60 per share (the highest price at which shares were offered).

If shareholders offer to sell more than 24.8 million shares in total, all successful offers will receive the same price, which will be the lowest price at which 24.8 million shares can be bought back. All shares offered below that price will be bought back, and offers at that price will be scaled back proportionately in accordance with the further terms below. The following example illustrates how this will work:

Example 2: Infratil receives offers for 35 million shares, made up as follows:

Price at which shares offered	**Number of shares offered at that price**	**Cumulative number of shares offered**
$2.50 per share	10 million	10 million
$2.53 per share	10 million	20 million
$2.57 per share	9.6 million	29.6 million
$2.60 per share	5.4 million	35 million

The buyback price will be the lowest price at which Infratil can purchase 24.8 million shares, which in this example is $2.57 per share. At $2.53 per share, Infratil can only buy 20 million shares, and at $2.60 per share Infratil would buy 35 million shares.

If you offered shares for less than $2.57 per share, Infratil would purchase all those shares and you would receive $2.57 per share for them. Infratil would then only require 4.8 million of the 9.6 million shares offered for $2.57 per share to buy back 24.8 million shares in total. So, all offers at that price will be reduced by the same proportion needed for Infratil to acquire only 4.8 million shares (in this case, by half). If you had offered to sell 8,000 shares for $2.57 per share, Infratil would buy back 4,000 of those shares at that price. You would retain the remaining 4,000 shares.

If you offered shares for $2.60 per share, your offer would not be accepted and Infratil would not buy back any of those shares.

Buyback timetable

Opening time for offers to be submitted	22 October 2013, 12 p.m.
Closing time for offers	22 October 2013, 2 p.m.
Buyback price and scaling (if any) announced	22 October 2013, as soon as practicable after the closing time
Settlement (acquired shares transferred to Infratil and buyback price paid to NZX participants)	25 October 2013, via the NZX's normal settlement procedures

We expect that shareholders will be notified of their final participation in the buyback by their NZX participant share broker from 23 October 2013.

Who do I contact if I have any queries?

If you have any queries about the buyback and whether you should participate, please consult your financial adviser or an NZX participant.

Yours sincerely

Marko Bogoievski
Chief Executive

Further terms for Infratil tender offer buyback 2013

Participation in the buyback is open to all Infratil shareholders, including its directors and their associates.

Infratil reserves the right to change the maximum price by NZX and ASX market announcements at any time before 10 a.m. (New Zealand time) on 22 October 2013.

Only NZX participants may submit offers, via the NZX's Special Order Facility. You will need to be a client of the NZX participant for them to be able to submit your offer. You may be charged a brokerage fee by your NZX participant to participate in the buyback. Offers cannot be submitted directly to Infratil, the share registrar or anyone else. The buyback will not be conducted on the ASX.

Prices at which shares are offered must be in whole cents (i.e. fractions of cents are not permitted). If you wish you may submit multiple offers, specifying the different volume of shares you are willing to sell at different prices.

If shareholders offer to sell more than 24.8 million shares in total the following applies:

- The price all successful offerors will receive will be the lowest price at which Infratil can buy back 24.8 million shares from the offers received (the **buyback price**).
- If you offered shares for less than the buyback price, Infratil will purchase all those shares and you will receive the buyback price for them;
- If you offered shares at the buyback price, that offer together with all other offers at the buyback price will be scaled back pro rata (i.e. in the same proportion) to the extent necessary for Infratil to buy back 24.8 million shares in total. Fractions will be rounded down. Infratil would then buy the scaled back number of shares from you. You would receive the buyback price for them, and retain the remaining shares you offered.
- If you offered shares for more than the buyback price, Infratil will not buy back any of those shares.

All offers must be submitted after 12 p.m. on 22 October 2013 and before NZX closes the Special Order Facility for the buyback at 2 p.m. on the same day. NZX participants can amend and withdraw offers submitted by them until the facility closes, but after then the offers are irrevocable. If you wish to participate, or withdraw or amend an offer, you should contact your NZX participant share broker in advance of this time so that they can process your request. Infratil takes no responsibility if the NZX participant you contact does not submit your offer, amendment or withdrawal in time.

Infratil reserves the right to terminate the buyback prior to any offers being accepted if the board considers that any of the following resolutions no longer holds true:

- On 26 September 2013, the board of directors of Infratil resolved under section 63(1) of the Companies Act 1993 to acquire up to a maximum of 24.8 million shares by means of the on-market tender offer buyback to all shareholders described in this letter.

- The Board also resolved the following in relation to the buyback:
  - The acquisition is in the best interests of Infratil, and its shareholders;
  - The terms of the offer and the consideration offered for the shares are fair and reasonable to Infratil and its shareholders;
  - The Board is not aware of any information that either is not available or will not be disclosed to the shareholders:
    - which is material to an assessment of the value of the shares; and
    - as a result of which the terms of the offer and consideration offered for the shares would be unfair to the shareholders accepting the offer or from whom any shares are acquired.

- The reasons for the Board's conclusions in the resolutions above are:
  - acquiring shares where the share price is at or below $2.60 per share (or any other maximum price set as described in this letter) is considered by the Board (taking into account prevailing circumstances) to be an efficient use of capital thereby maximising shareholder value;
  - shareholders have total discretion to choose whether to participate in this buyback. There is no pressure to sell to Infratil; and
  - as an on-market buyback, the purchase price paid by Infratil will not be assessable for income tax as dividends (see further below).
- The Board also resolved that it was satisfied that Infratil will, immediately after acquiring the shares, satisfy the solvency test applied under section 52 of the Companies Act 1993.

As the consideration paid by Infratil under the buyback is not a dividend for New Zealand tax purposes, no imputation credits will be attached. However, shareholders who have special tax status, as a result, for example, of trading securities professionally, should consult their tax advisers, as tax may be payable in some circumstances.

After completion of this buyback, Infratil reserves the right to buy back up to a further 24,831,590 shares pursuant to its ongoing share buyback programme, as outlined in its 2013 Notice of Meeting.

Directors' interests in Infratil shares (as at 26 September 2013)

Director	Beneficial interests	Non beneficial interests
A Muh	76,843	-
D A R Newman	27,645	-
H J D Rolleston	36,332	-
D P Saville	-	109,387,026
M Tume	31,724	-
M Bogoievski	-	-
P Gough	-	-

27 September 2013

Infratil Market Update and Share Buyback

1. Context

Infratil has generated total shareholder returns of 17.8% per annum since listing in 1994. This long-term performance has been sustained through a number of market cycles and is a result of active investment and ongoing capital management initiatives.

Following the recent partial sale of Z Energy, Infratil has significant capital flexibility and a strong capital structure. The capital position is supported by strong cash flow and earnings momentum and confidence surrounding recent investments. The outlook shows a growing pipeline of internal investment options and a number of external opportunities to re-position the portfolio to achieve higher absolute returns to shareholders.

Given the significance of the changes, Infratil is providing an interim update of its outlook and capital position. The update includes confirmation of a significant share buyback and expectations of higher future dividends.

Infratil believes a buyback of Infratil shares provides compelling value for remaining shareholders. Infratil investments are performing well and quality infrastructure assets are in demand from investors. Based on current market dynamics, Infratil considers that its net asset value per share is substantially higher than the current market price. Infratil therefore intends to commence an on-market buyback of up to 24.8 million shares through a tender offer at a maximum share price of $2.60 per share on 22 October 2013. Infratil's shares tend to trade in relatively small volumes and the tender offer is designed to encourage trading while providing an opportunity for existing shareholders to sell or hold at values that are fair to all shareholders. The intended aggregate buyback levels will not prejudice Infratil's credit position.

Infratil also intends to ensure that shareholders benefit from the Company's robust cash flow and funding position via higher dividends. Over the last five years dividends have risen from 6.25cps to 9.25cps (last year the uplift was 1.25cps) and this rate of growth is expected to be maintained. The interim dividend for the current year will be announced on 12 November.

On the investment horizon, there are a number of established renewable energy options underway and other future options are under review. In addition Infratil is aware of adjacent investment opportunities in water and irrigation and it will increasingly look to enter positions in its core sectors in markets where compelling investment cases are evident.

2. Strategic Direction

Infratil has built a strong portfolio of businesses which now present strong growth and capital management options. Infratil's near term focus is to maintain earnings and cash flow momentum and execute on the strong pipeline of investment and development opportunities. At the same time Infratil is aware of the increased attractiveness of infrastructure to domestic and international investors and where there are opportunities to deliver value early to shareholders (such as the Z Energy IPO), it will do so.

Infratil believes the allocation of some capital to early stage and higher growth investments will be the driver of future out-performance, and Infratil's investments in Z Energy and Lumo are strong reminders of the success of this strategy. Nevertheless, Infratil will continue to adopt a relatively conservative stance to financial market risks and approach to new geographies.

The near term portfolio plan is as follows:

Buy Well Positioned Assets at Reasonable Value

- Infratil is focusing its external origination on more complex infrastructure in less competed spaces
- Infratil will continue to be opportunistic across its home markets of Australasia and across a broad range of sectors, particularly where we can add value through Morrison & Co's operational skill set and risk management capability.

Sell Positions at Strong Valuations

- Continue to assess the holding value of all current assets against divestment and alternative options

Address Underperformance

- Ensure all material assets are operating at plan or near plan levels
- UK Airports (sell, or make cash neutral)

Expose Equity to Investments with Higher Growth Rates

- Allocate additional capital to sectors with strong tailwinds – e.g. irrigation, renewables
- On-going seeding of longer-term greenfield and development initiatives
- Limited exposure to emerging markets (with important caveats)

Develop Platform Opportunities

Infratil has identified a number of development areas where our capital flexibility, operational skill and relationships have created the potential for new long-term investment platforms. These platforms have the potential to offer a consistent pipeline of future investment opportunities after key early-stage risks are mitigated and revenue is contracted on a long-term basis at attractive rates of return.

Infratil has previously outlined the potential of the Australian wind development program, largely through TrustPower. This platform opportunity includes operational wind farms, greenfield development and a growing set of options over future development sites. Both TrustPower and Infratil are currently reviewing opportunities to accelerate the development of these future sites.

The public-private partnership ("PPP") space may provide interesting opportunities for Infratil in the near term and an initial investment in this area is under active investigation. Across Australasia there is a substantial pipeline of availability-based PPPs that will come to market over the next 5 years, although there is a limited set of investors that are prepared to take greenfield development risk, and have the operational capability to assess, structure and manage operational risk in these complex transactions. Infratil's core operating skills can play an active role in managing the risks of these projects from initial development, and provide shareholders with attractive risk adjusted returns. Infratil believes mature operational PPPs are highly attractive to a broad range of investors, offering attractive cash yields and CPI protection, and a diverse portfolio of projects would provide an attractive investment platform for these investors.

3. Strong Performance from Existing Investments and Guidance Update

Infratil's major businesses are performing in line with expectations. The key drivers for performance in the 2013/14 financial year are continued solid results for TrustPower, Infratil Energy Australia (IEA), Wellington Airport (WIA) and NZ Bus. TrustPower and IEA continue to perform well in markets with lower wholesale energy prices. WIA continues to benefit from a robust domestic market and from strong trans-Tasman passenger levels. NZ Bus patronage has been slightly below prior year, while fare revenue has held up well and is slightly above the prior year.

TrustPower's Snowtown II wind farm project, the largest single investment ever undertaken by the Infratil group, remains on track for completion next year and TrustPower also continues to make progress with irrigation schemes in New Zealand. There is concern over the opposition parties' proposals around the future structure of the NZ electricity market and TrustPower continues to engage with all stakeholders to ensure that future regulation provides the optimal balance between competitive pricing and energy security.

At Wellington Airport work continues on its terminal and passenger services upgrades, repricing of aeronautical charges to ensure they address Commerce Commission concerns, and evaluation of the feasibility of expanding Wellington's runway to accommodate long-haul services with Asia.

Infratil Energy Australia has had a stable period for customer numbers, generation capability and earnings, and is responding to several major regulatory developments and the continuing evolution of that market. The Company remains well placed to resume growth in the second half of the year.

New Zealand Bus is continuing to renew its fleet and to engage with Auckland Transport and Greater Wellington Regional Council over the new contracting regime which is expected to be introduced in 2014. The outlook for increasing use of public transport in both regions are excellent.

The most significant capital management event in the year to date was completion of the sale of 30% of Z Energy for net proceeds of $398 million. The value of Infratil's remaining 20% interest in Z Energy is currently $302 million at the current market price of $3.77 per share. This compares to the previous carrying value of the 50% interest in Z Energy reported in the March 2013 financial statements of $324 million.

Looking ahead, Infratil expects most of its growth from its energy investments, following the completion of the Snowtown II wind farm in South Australia (expected to be completed by September 2014) and continued growth from IEA as it grows its customer base in Australia. Based on its current investments and forecasts, Infratil is confident of EBITDAF growth of over 10% p.a. through to 2017, delivering over $700 million of group EBITDAF by this time.

Infratil provides the following updated guidance for the financial year ending 31 March 2014 to reflect the partial sale of Z Energy shares and current business conditions. The guidance update assumes no other major changes in the Infratil portfolio. The operating cash flow includes receipt of a $25 million special dividend paid by Z Energy prior to the IPO.

Infratil Consolidated Group (NZ$ million) Earnings	**2013/14 Guidance (September 2013) (1)**	**2013/14 Guidance (May 2013)**	**2012/13 Actual**
EBITDAF – continuing activities (2)(3)	500 – 540	520 – 560	528
Depreciation & amortisation	150 – 170	150 - 170	149
Net interest expense	195 – 205	200- 210	195
Net gain/(loss) on derivatives (4)	25 – 35	-	(14)
Net gain/(loss) on asset realisations and revaluations (5)	360 – 370	-	(6)

Infratil Consolidated Group Cash Flows (NZ$ million)	**2013/14 Guidance (September 2013) (1)**	**2013/14 Guidance (May 2013)**	**2012/13 Actual**
Operating cash flow	300 – 340	250 – 280	288
Capital expenditure (6)	490 – 545	490 – 545	343
Proceeds from divestments	398	-	-

Notes:

1. This guidance update is based on current expectations and assumptions in respect to future performance and are subject to risks and uncertainties. Actual results could differ materially.
2. Continuing activities excludes the Infratil Airports Europe segment which is held for sale.
3. EBITDAF outlook has been reduced for 2013/14 to reflect the lower ownership in Z Energy. EBITDAF represents earnings before interest, tax, depreciation and amortisations and fair value gains/losses and asset revaluations or realisations.
4. Derivatives gains and losses include a cash foreign exchange gain of $38 million realised in August 2013 on A$ foreign exchange sell position held.
5. Net gains on realisations and revaluations includes the estimated gain on sale of Z Energy of $187 million and the gain of $173 million on revaluation of Infratil's remaining interest in Z to its current market value of $302 million
6. Capital expenditure excludes share of Z capex included in previous guidance

The above outlook excludes potential developments with Glasgow Prestwick and Kent Manston airports. The current book value of the remaining UK airport assets is NZ$20 million and will be subject to review prior to the finalisation of the half-year results.

4. Robust Capital Position and Stronger Dividends

Infratil's major businesses and investments are well positioned in their sectors to deliver strong future performance and it has a robust capital position.

For the 2013/14 financial year, Infratil guidance includes just over $200 million EBITDAF from its wholly owned investments and from its partly owned investments in TrustPower, WIA, Z Energy and Perth Energy.

These businesses are also expected to contribute just under $150 million of operating cash flow after interest and tax. The wholly owned investments' EBITDAF is expected to be in line with that reported for the 2012/13 financial year while the operating cash flow is expected to be around 15% ahead of that reported for the 2012/13 financial year.

Looking further ahead, Infratil is confident of growth in its income due to the quality and diversification of its investments, recent capital deployed to improve future earnings, and options held within those existing businesses for other new investment. Examples of recent capital expenditure is the investment in Snowtown II wind farm, fleet upgrades for NZ Bus, the expansion of facilities at WIA, and customer acquisition and growth expenditure for Lumo.

Infratil's current capital position shows debt diversified across the NZ bond market with excellent duration, term bank debt, working capital and credit guarantee facilities with NZ and international banks, and an export credit facility for bus fleet procurement. Current debt capacity exceeds $700 million, and non-wholly owned subsidiaries also have the capital available to fund their growth plans.

Infratil's current capital structure is characterised by:

Infratil 100% Group NZ$ million	**September 2013 Actual**	**31 March 2013 Actual**
Net bank/vendor borrowing/(deposits)	($105)	$364
Fixed maturity bonds	$686	$677
Perpetual bonds	$235	$235
Market capitalisation[(1)]	$1,430	$1,382
Total capital	$2,246	$2,658
Dated debt/Total capital	26%	39%
Total debt/Total capital	36%	48%

Notes:

1. Market capitalisation is calculated by valuing the number of Infratil shares on issue at the NZX market price of the shares on the relevant date (24 September 2013: $2.44; 31 March 2013: $2.37).

While Infratil has no borrowings under its $476 million of bank facilities, the 100% group does have $85 million drawn on the Bus fleet procurement facility and $11 million by IEA under the vendor facility provided by Cummins. Bank deposits are $201 million.

Infratil's debt maturity profile is very comfortable, with no bond maturities until November 2015. Significant head room in bank facilities illustrates Infratil's strong bank support for existing business and potential development opportunities.

Infratil facilities maturity profile:

31 March Year Ends	2014	2015	2016	2017	>4 years	>10 years
Bonds	-	-	152.8	100.0	433.0	234.9
Infratil bank facilities	168	113	118	77	140	
Vendor finance	9.9	1.5				
100% subsidiaries facilities	6.4 (2. NZB)	79.5 (1. IEA) 12.7 (2. NZB)	12.7 (2. NZB)	12.7 (2. NZB)	54.9 (2. NZB)	

Notes:
1. IEA working capital and guarantee facility which is on an annual renewal.
2. NZ Bus export credit guarantee fleet procurement facility.

Given Infratil's confidence around its outlook and surplus of imputation credits, Infratil is signalling a stronger bias towards dividend growth in the future. In the 2012/13 financial year, dividends were increased by 15.6% to 9.25 cps from 8.0 cps and Infratil believes it is well positioned to achieve continued growth of these levels over the next 2 – 3 years. Infratil will consider its interim dividend for the 2013/14 financial year following the finalisation of the half year result in early November.

5. 24.8 million on-market share buyback

Infratil has a successful track record of adding value to shareholders through buybacks, which are executed when the share price is trading below fair value. The overriding considerations have been that buybacks must be in the best interests of Infratil, beneficial to remaining shareholders and that the terms are fair and reasonable to Infratil and remaining shareholders.

Since 2008 Infratil has bought back 44.4 million shares at an average price of $1.87, providing liquidity for those shareholders who wish to exit and value for the remaining shareholders.

A buyback of 24.8 million shares is consistent with Infratil's previously signalled position and is expected to cost approximately $65 million (based on a maximum offer price of $2.60 per share). A buyback at this level will largely preserve capital capacity for business developments and new investments and leave capacity to increase future dividend payments (assuming future profitability and returns meet target levels).

Infratil intends to effect the buyback by making an on-market tender offer using NZX's Special Order Facility on 22 October 2013. Infratil shareholders have a choice as to whether they wish to participate in the tender. All shareholders will be sent a document next week setting out the terms of the offer and how they can participate if they wish to.

In summary, shareholders wishing to participate will need to offer to sell their shares by price and volume through an NZX accredited broker. Offers must be submitted by NZX participants after 12 p.m. and before 2 p.m. on 22 October 2013.

If less than 24.8 million shares are offered for sale, Infratil will buyback all shares at the highest price at which those shares were offered (up to the maximum price). If shareholders offer to sell more than 24.8 million shares in total, all successful offers will receive the same price, which will be lowest price at which 24.8 million shares can be bought back. All shares offered below that price will be bought back, and offers at that price scaled back proportionately.

Infratil will reserve the right to adjust the maximum price by market announcement prior to 10 a.m. on 22 October and terminate the offer at any time if the Directors consider that it no longer is in the best interests of Infratil.

6. Infratil Net Asset Values

Infratil has historically presented investment net asset values as a combination of market values (with listed investments) and book values.

Given the proposed buyback, Infratil is providing additional assumptions reflecting current market dynamics for infrastructure assets. The values represent Infratil's current view of the equity values for partly owned businesses and enterprise values for wholly owned businesses.

Investment	Valuation approach	Key Metrics	$ million
TrustPower (50.7% owned) (1)	NZX listed value $7.02 per share	228,000 customers 730 MW renewable generation (270 MW under construction)	1,118
Z Energy (20% owned) (1)	NZX listed value $3.77 per share		302
Lumo (2)	Customer numbers and generation at current market value Other assets at book value	494,000 customers (A$500 – A$700 per customer) 164 MW peaking generation (A$135m - $147m) Prepaid gas and other assets A$51m	481 - 607
Perth Energy (80% owned)(2)	Generation market value Customer numbers	120 MW peaking generation (A$117m – A$128m) Retail business A$18 - $26m Net debt A$49m	78 -96
WIA (66% owned)	International airport EBITDAF multiples	5.5 m pax $83m EBITDAF EBITDAF multiple 12 – 15 times Debt $274m	476 – 640
NZ Bus	Public transport operator EBITDAF multiple	60 m pax $48m EBITDAF EBITDAF multiple 5.5 – 6.5 times	264 - 312
Other	Book value	Snapper, iSite, Infratil Infrastructure property	75
Total Infratil Investment Valuations			2,793 – 3,149
Infratil Corporate costs/management agreement (3)			(170)
Infratil Net Debt			(816)
Net Equity Value			**1,808 – 2,164**
Value per share			**$3.08 - 3.69**

Notes:

1. TrustPower and Z Energy share prices on 24 September 2013.
2. Australian assets based on foreign exchange rate of NZ$ to A$ of 0.88.
3. The value of the H.R.L. Morrison & Co management agreement reflects average broker estimates.