INFRATIL LIMITED

REPORT TO SHAREHOLDERS
AUGUST 15, 2011

David Newman

Chairman

- Independent Director since foundation
- Substantial senior management experience
- Chairman Wellington Airport, Director IAE
- Guardian of the NZ Superannuation Fund
- Fellow of NZID

Duncan Saville

Director

- Foundation Director
- Director of Infratil's manager, Morrison & Co
- Director of the manager of Utilico (16.5% Infratil shareholder)
- Extensive investment and utility sector experience
- Fellow of both the Australian Institute of Directors and Chartered Accountants
- Retiring by rotation and available for re-election

Humphry Rolleston

Director

- Independent Director since 2006
- Director of several listed and private companies involved with finance, property, tourism, manufacturing and agriculture
- Fellow of NZID and the Institute of Management
- Retiring by rotation and available for re-election

Mark Tume

Director

- Independent Director since 2007. Chairman of the Audit & Risk Committee
- Director of IEA, several listed, SOE and private companies, Guardian of NZ Superannuation Fund
- Finance industry background

Lloyd Morrison

Director

- Established Infratil in 1994
- Executive Chairman of Infratil's manager, Morrison & Co
- Director of IAE and Auckland International Airport, Chairman of Snapper
- Alternate Director TPW

Marko Bogoievski

Chief Executive & Director

- Joined Morrison & Co in 2008, and Infratil Board 2009
- Substantial experience NZ, USA, finance, operations, sales
- Chairman Z Energy
- Director TrustPower

Anthony Muh

Alternate Director

- Director since 2007, alternate director for Duncan Saville since 2010
- Joined Morrison & Co in 2010 - Hong Kong based
- Finance and investment sector experience
- Fellow of INFINZ and the Hong Kong Securities Institute

Resolution 1 and 2: Re-election of Directors

Infratil

- Re-election of Humphry Rolleston: that Humphry Rolleston who retires by rotation in accordance with the Company's constitution and NZSX Listing Rule 3.3.11, and ASX Listing Rule 14.4, and is eligible for re-election, be elected as a director of the Company.

- Re-election of Duncan Saville: that Duncan Saville who retires by rotation in accordance with the Company's constitution and NZSX Listing Rule 3.3.11, and ASX Listing Rule 14.4, and is eligible for re-election, be elected as a director of the Company.

Resolution 3: Continuation of Infrastructure Bond Programme

Infratil

- That the Company continue to raise finance through the continuation of its Infrastructure Bond Programme by the issue of Dated Infrastructure Bonds (Bonds that have a maturity date) (referred to as "New Infrastructure Bonds"). The New Infrastructure Bonds may be convertible into ordinary shares in the Company in limited circumstances or at the option of the Company. The maximum face amount of New Infrastructure Bonds which may be issued in the period commencing 15 August 2011 and ending at 6 pm on the date of the 2012 Annual Meeting shall not exceed $350,000,000. The key terms and conditions of the New Infrastructure Bonds that are convertible into ordinary shares shall be as set out in the Explanatory Notes relevant to this Resolution 3.

Resolution 4: Directors' Remuneration

Infratil

- The proposal for shareholders is that the aggregate limit of the fees payable to Infratil directors, in their capacity as directors of the Company or any of its subsidiaries, be set at $1,114,531 (plus GST or VAT), an increase of $50,364 over the amount approved in 2010, that the aggregate limit of the fees payable to all directors of subsidiary companies who are not also directors of the Company be set at $1,837,301 (plus GST or VAT), and that the aggregate limit of the fees payable to all directors of the Company and subsidiary companies be set at $2,951,832 (plus GST or VAT), an increase of $273,648 over the amount paid in, or approved for, the period to 31 March 2011.

Resolution 5: Auditors

- To authorise the Directors to fix the auditor's remuneration

Resolution 6: Purchase of Shares by Morrison & Co

- That in accordance with Rule 7(c) of the Takeovers Code, the purchase by H.R.L. Morrison & Co Limited of 15,000,000 shares in the Company from Utilico Investments Limited on the basis described in the Explanatory Note to this resolution be approved.

Resolution 7: Exercise of Warrants by Morrison & Co

- That, in order to permit H.R.L. Morrison & Co Limited and H.R.L. Morrison & Co Group Limited to retain any increased percentage of voting rights held or controlled by them as a result of the exercise of the IFTWC warrants, allotments by the Company be approved of up to 14,085,242 ordinary shares in aggregate to Utilico Investments Limited, H.R.L. Morrison & Co Limited, Hugh Richmond Lloyd Morrison and John Bentley Morrison as trustees of the H.R.L. Morrison Family Trust, JML Trustee Company Limited as trustee of the JML Trust and Duncan Paul Saville and, individually to each of them, allotments of up to the amount of ordinary shares individually specified in Annexure B to this Notice of Meeting as the maximum individual allotments through the exercise by them of up to 14,085,242 warrants that are presently held by them and are quoted on NZX under the code "IFTWC".

Resolution 8: Impact on Morrison & Co of Continuation of Share Buyback Programme

Infratil

- That, in order to permit H.R.L. Morrison & Co Limited and H.R.L. Morrison & Co Group Limited to retain any increased percentage of voting rights held or controlled by them as a result of the continuation of the acquisitions by the Company of up to 50 million of the Company's ordinary shares on issue ("**Share Buyback Programme**"), such acquisitions be approved on the terms and conditions discussed more fully in the Explanatory Notes to this Resolution and Annexure A below, in circumstances where such acquisitions may result in the percentage of voting securities held or controlled by H.R.L. Morrison & Co Limited and H.R.L. Morrison & Co Group Limited in the Company increasing on the basis set out in the Explanatory Note to this Resolution and Annexure B.

2010/11 – A year of highlights

Infratil

- Significant growth in operating earnings and cash flows with strong momentum leading into 2012 and 2013
- $504m of capital deployed in new investments or high-return capex
- Successful first year of operation for Z Energy (formerly Shell NZ)
- Australian Energy significantly ahead of plan
- Successful refinancing of bonds and bank facilities
- Full year dividend increased 8% to 6.75cps

INFRATIL LIMITED

REPORT TO SHAREHOLDERS
15 AUGUST 2011

Infratil

We're a big part of the NZ economy …

- **Electricity** - 221,000 customers in NZ
- **Fuel** – 7.3m litres of retail and commercial fuel sold every day
- **Public transport** - 225,000 rides per weekday
- **Air travel** - 15,000 passengers through Wellington airport per day
- **Convenience retail** - 164,000 customers through 219 Shell stores
- **Loyalty programmes** - over 2.1m individual Flybuys cardholders
- **Payment services** - 280,000 Snapper cards (including 100,000 co-issued "Hop" cards)

… with a focused and consistent approach

- Consistent approach to capital allocation through market cycles:
  - Active manager targeting long term ownership of growth infrastructure
  - GDP+ growth assets with attractive reinvestment options and inflation resistant earnings
  - Deep sector expertise, particularly in energy and transport
  - Strong emphasis on risk management
  - Complemented by many years of experience in the capital markets

2010/11 – A year of highlights

- Significant growth in operating earnings and cash flows with strong momentum leading into 2012 and 2013
- $504m of capital deployed in new investments or high-return capex
- Successful first year of operation for Z Energy (formerly Shell NZ)
- Australian Energy significantly ahead of plan
- Successful refinancing of bonds and bank facilities
- Full year dividend increased 8% to 6.75cps

We have flexibility to grow …

- Comfortable gearing and strong support from senior lenders
- $1.6bn of consolidated bank facilities as at 31 March 2011 (net bank debt of $600m)
- Confirmation that the NZ retail bond market remains open to quality issuers with a consistent track record
- New sources of capital introduced during 2010/11 (e.g. both TrustPower and NZ Bus accessed export credit facilities and new banking relationships)

… and investment will drive future earnings

Infratil

FY 31 March ($Millions)	2011	2012
TrustPower	$109	$60-$75
Australian Energy	$116	$25-$35
Wellington Airport	$15	$25-$35
European Airports	$7	$8-$12
Public Transport	$18	$55-$65
Z Energy(1)	$239	$80-$95
Total	$504	$250 - $315

- **TrustPower** – Mahinerangi wind farm, irrigation, diesel peaker, generation enhancement, and customer care and billing systems
- **Australian Energy –** generation plant in WA and SA, organic customer growth and ongoing system enhancements
- **Wellington Airport –** completion of international terminal, car park expansion, new private aircraft hangar, and further apron developments
- **Public Transport –** NZ Bus fleet upgrade to meet future growth and regulatory requirements and Snapper growth
- **Z Energy** – rebranding and reformatting of retail service stations

(1) For 2011, includes $210m investment in 50% of the equity in Shell NZ

Nearing the end of a consolidation phase

- 2008 - 2010 saw a strong focus on rebalancing the portfolio and consolidation around the core Australasian holdings
- Emphasis on improving current performance and growth in free cash flow and earnings
- Sale of non-strategic or low-potential assets
- Considerable capital management activity, including equity raising, and rollover of long-dated debt – leading to stronger credit metrics and better financial flexibility
- Program to build significant new capability and breadth in the management team

Infrastructure is a "hot" sector

- Since 2005, 163 infra funds have raised a total of USD $146bn. USD $50bn of this remains unspent(1)
- Over 100 funds are fundraising currently, seeking a further USD $86bn(1)
- Most funds targeting "pure" private market infrastructure in developed markets
- Fiscal pressures and concerns about sovereign credit ratings means private capital is needed
- USA needs to spend $2 trillion over the next five years to replace core infrastructure(1)
- Increased demand for infrastructure capital in emerging markets

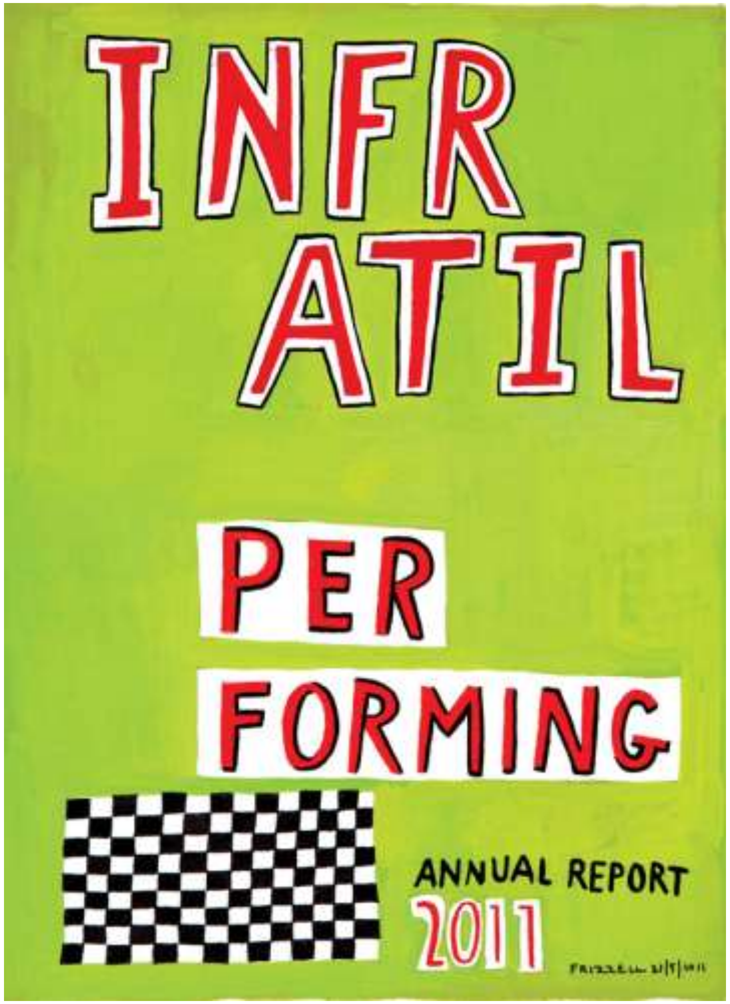
Our definition of infrastructure:

- **Long-lived assets that facilitate the production of goods and services**
- **Promise of long term, stable, inflation-resistant returns**
- **Growth infrastructure – defensive utility attributes + exposure to high return commercial revenues, demand risk, greenfield risk, or commodity risks**
- **Typically involved in sectors with strong positive macro trends (or industry restructuring)**

(1) Prequin Global Infrastructure Report 2011

Our current thinking ...

Infratil



- Long term indicators suggest that 2011 and 2012 are likely to be a good time to reset new positions for the next 15 years
- Public markets are starting to present more value than private markets
- Good time to lock-in long term debt and committed financing at attractive all-in costs
- Current business development activity is focused on targeted sectors and is highlighting interesting opportunities in Australia & NZ and abroad

New phase = new emphasis

Infratil

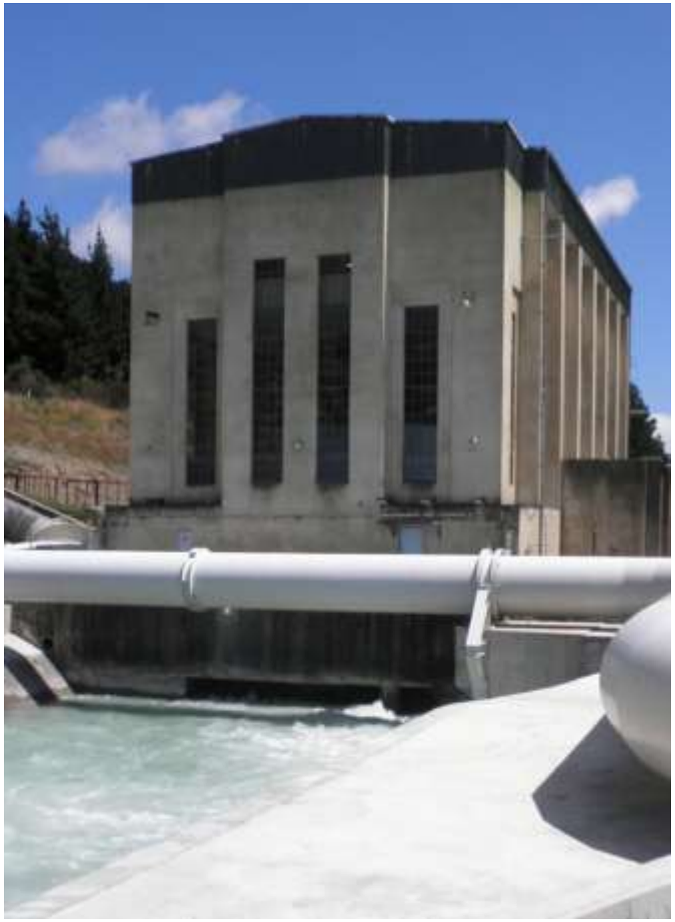
- Complete the sale of businesses or assets with limited growth potential
- Actively scanning origination opportunities and co-investment partners outside of Australia and New Zealand
- Ensure capital structure and risk management systems can sustain inevitable shocks and future volatility
- Look to reset or reinforce positions for the next 15 years of growth

Sector Review

Infratil

TPW – Core strength with growing options

- Earnings consistent with prior year
- Valuable pipeline of material investment options:
  - Secured consents for approximately 400MW of wind farm and 120MW of hydro developments in the South Island during the year
  - Significant future irrigation options (principally Canterbury/Coleridge)
  - 2nd stage 250MW Snowtown Wind Farm in SA
  - 2nd stage Mahinerangi Wind Farm
- Positive long-term benefits from the proposed mixed ownership model and partial privatisation of SOE's



Z – Performing ahead of expectations

- Market leader in most sectors with approximately 30% market share
- Excellent first year performance with higher market share, volumes and earnings
- ~70 transition projects completed by the end of January with new independent capability and continued emphasis on safe, high quality operations
- Employee morale and motivation remains strong throughout all of these changes
- Extensive research project informed decisions around both Brand and new customer offers

Z is much more than a simple rebrand...

- Considered decision to change from Shell based on extensive research
- Post that decision, further consumer testing of potential brands and retail offers
- 10 Retail pilots operating between June and October
- Supported by full marketing campaign
- Expected completion between March to June 2012
- Staff and customer response has been very positive
- See the brand story on www.z.co.nz


a new forecourt promise
a new POS system
a refit of stores
diesel at all lanes
espresso coffee
great food
stretchy hoses at all our pumps
hotel style bathrooms
touch screens in store
Wash
countdown
Te Atatu
196.6
Diesel
172.9

Australian Energy – reaping rewards

- Australian energy market is a sector still emerging from government ownership and monopoly provision
- Recently privatised NSW market will provide opportunities for committed players
- Lumo and IEA are building customer incumbency and generation capacity
- No straight line growth, but expect rewards for growing into a maturing (and consolidating) market
- Growth in operating earnings reflects 5+ years of investment and capability build

WIAL– steady growth despite challenges

Infratil

- EBITDAF +6% to $72 million despite relatively flat aviation market
- Completion of new international terminal
- Future activity
  - Airline schedules indicate that FY12 will show growth
  - Car park & domestic terminal expansion
- Regulation/Pricing consultation
  - Court review of Commerce Commission information disclosure requirements
  - Five-yearly consultation to set 1 April 2012 aeronautical prices

Public transport – key metrics show promise

- Encouraging earnings improvement
  - Strong patronage growth in Auckland
  - Positive growth in more mature Wellington market
- Major refurbishment of bus fleet
  - Investment in 158 new buses through significant bus procurement contract with ADL UK (local assembly by Tauranga-based Kiwi Bus Builders)
- Improving contracting environment and relationship with Auckland Transport and GWRC
- Snapper growth and rollout to Auckland
  - worked with Auckland Transport on introduction of the “Hop Card” in May 2011

2012 EBITDAF Outlook – growth to continue

Infratil

FY 31 March ($Millions)	FY 2011	FY 2012 Outlook
EBITDAF - normalised	$443	$460 - $490
Net Interest	($168)	($180 - $190)
Operating Cash Flow	$179	$150 - $170

- 2012 EBITDAF range $460-$490m - major assumptions:
  - Incremental gains for TrustPower, Wellington Airport, NZ Bus & Z Energy
  - Slight reduction in contribution from Infratil Energy Australia
- Improvements and benefits from previous capital investment
  - Kwinana, Port Stanvac and Mahinerangi power stations full year contribution
  - continued customer growth in IEA
  - Z: benefits expected from re-brand, new retail offers and further volume growth

Confidence in the long-term outlook

Infratil

- Capital investment program and recent portfolio decisions have built a strong platform for growth in free cash flow and earnings
- Operating leverage and optionality a feature of our core businesses:
  - Z Energy only one year into a multi-year restructuring of the New Zealand fuels industry
  - TrustPower development pipeline in Australia and New Zealand
  - continuing changes and consolidation of the Australian energy market creating opportunities for committed integrated players
- Infratil's expertise and access to capital will continue to draw opportunities
  - organisational capability to address attractive opportunities (including a track record of high quality project management and delivery)

For more information:

www.infratil.com

Infratil