INFRATIL LIMITED

RESULTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2012

13 NOVEMBER 2012

At the half way point of the 2012/13 financial year Infratil is on track to deliver its full year earnings guidance and has committed significant investment capital to underpin future earnings and value growth.

The most notable event for the period was commencement of the $550 million Snowtown II wind farm. This is the single largest investment project ever undertaken by the Infratil group and is projected to provide an annual EBITDAF contribution of $99 million when fully commissioned. The investment is important in its own right and as an indicator of Infratil's ability to initiate high-quality investments outside of New Zealand at a time when local demand for privately provided transport and energy infrastructure is limited.

The half year financial performance and solid capital position has allowed the Infratil Group to declare an interim dividend of 3.25 cents per share, an increase of 8.0% over the prior year. Hedge revaluations and a write-down in the value of Infratil's European airports reduced the Net Parent result to a loss;

- **Net Parent Surplus** was a loss of $17 million against a profit of $50 million last year. The decline was due to ($73 million) of revaluations, write-downs and the result of discontinued operations of $73 million against $6 million of write-ups last year.
- Consolidated Earnings Before Interest, Tax, Depreciation, Amortisation and Financial Adjustments (**EBITDAF**) from continuing operations were $295 million, up 7% on the same period last year.
- A **dividend** of 3.25 cents per share, up 8%, has been declared and will be paid on 14 December to shareholders on the register as at 30 November. The dividend reinvestment plan will continue to operate.
- The group has a comfortable **capital position** and retains bank and capital markets support. Z Energy and TrustPower undertook well-supported bond issues and after balance date Infratil opened a new bond issue.

Operations & Earnings

Each of TrustPower, Wellington Airport, Infratil Energy Australia group and Z Energy (on a current-cost basis) lifted earnings from the same period last year. NZ Bus performance was satisfactory given that last year included rugby world cup income and the current period included a one-off revenue adjustment relating to prior years. In an environment of low growth and vigorous competition these were pleasing outcomes and reflect good positioning and management.

- TrustPower experienced a challenging six months and the financial outcome shows how effectively management have grasped the opportunities presented by the hedge market. The result is particularly pleasing given that New Zealand's hydro lakes experienced their lowest recorded inflows over the 2012 autumn and winter. TrustPower's New Zealand generation was lower as were its sales to retail and commercial customers, but excellent use of hedges and placement in the spot market during the first quarter provided more than an offset. The recently released PwC report on New Zealand's five major power companies again showed TrustPower to be the best managed on the criteria of earnings and returns.

The PwC report also highlighted New Zealand's extremely competitive retail market and a lack of demand growth that is causing postponement of power station construction. In this environment TrustPower's development of opportunities across the Tasman was prescient. Locally TrustPower was also active and was granted amendments to the Rakaia River Water Conservation Order to enable future irrigation development utilising Lake Coleridge.

- Z Energy also faced the challenge of stable consumption, vigorous competition and volatile wholesale fuel prices, and it too delivered increased EBITDAF and shareholder returns when measured on a current cost basis (which adjusts the cost of sales to reflect the current cost of inventory). On this measure Z Energy's EBITDAF for the half year was $100 million, up from $89 million last year. If inventory value changes are included the reported historic cost EBITDAF for the half year was $58 million, down from $77 million in the prior period. All figures include Z Energy's earnings from its holding in Refining NZ.

  Although Z Energy experienced a decline in sales and market share customer surveys indicate it is New Zealand's preferred fuel retailer. By 30 September 2012 the roll-out of the "Z" brand had been completed and 72 tier-1 service stations had been refitted. Over the second half of the year a further 28 sites will be refitted and up to five new service stations will be opened. Work is also progressing on additional storage and terminal facilities.

- Infratil Energy Australia group was the standout performer over the six months, delivering increased customer numbers (470,000 accounts at March 31) and earnings. The latter reflected both improving margins in electricity and gas. Generation had a weaker half and Perth Energy was also slightly down on the prior period due to costs associated with engine repairs. The Australian energy market remains challenging with keen competition for customers and a demanding regulatory environment. IEA's immediate focus remains customer growth and the next target is 500,000 accounts.

- Wellington Airport produced a good financial performance from modest passenger growth, new aeronautical charges, continuing improvement of passenger services and good cost control.

  Although the priorities are efficiency and a pleasant experience for users, the Airport is also working through the challenges of attracting new services and coping with the Commerce Commission's new regulatory regime.

  Growth in services requires far more than "build it and they will come". The Airport is required to actively market the merits of Wellington as an airline destination, as well as making sure it meets the requirements of different aircraft.

  The Commerce Commission S56G review process requires the regulator to review the effectiveness of the new information disclosure regime and measure progress in the areas of innovation, quality, pricing and investment. The draft report was mainly positive although it indicated an interim conclusion that the new regime was ineffective at limiting excessive profits. At this stage the complexity of the analysis and the nature of the process, with ongoing involvement by courts, government officials and ministers, makes long-term conclusions uncertain.

- NZ Bus produced a lower EBITDAF contribution as higher operating costs matched revenue growth. Passenger numbers were 1.6% ahead of last year, but the trend is showing strong growth of around 5% adjusted for the prior period rugby world cup passenger benefit.

The key for NZ Bus's longer-term growth and returns remains how public transport is managed and funded in Auckland and Wellington. Seven years after Infratil purchased this business the regulatory and management regime is still under development, however while final outcomes are uncertain, recent progress has been positive. Parliament's Transport Select Committee is reviewing legislation and the Auckland and Wellington transport authorities are developing the long-term incentive-based contracts that will be required once the legislation is enacted. In both regions new public transport network plans are in the final stages of development. NZ Bus is continuing to upgrade its Auckland fleet with 49 new buses introduced into service at a cost of $20 million.

The need for Auckland to have a significantly better bus public transport network was a clear inference from Treasury's recent National State of Infrastructure Report. Treasury has identified that expanding Auckland's road and rail networks over the next 30 years to meet projected demand will cost $700 million a year, which would equate to a 50% rise in the city's rates or 45 cents per litre fuel tax. Bus remains by far the most cost–efficient way to improve urban mobility in New Zealand.

- Snapper suffered a set-back with the decision by Auckland Transport to stop work on attempting to have its ticketing system communicate with Snapper's. Given that Snapper is proven on over 1,000 buses and 3,000 taxis this is disappointing. Infratil Infrastructure Property is progressing completion of the New Lynn centre in partnership with the Auckland Council.
- The European Airports are continuing to operate in a cost minimisation basis. The sales process for both the Glasgow Prestwick and Kent airports has been unsuccessful to date and as a result Infratil took an impairment charge of $43.9 million at the half year to write-down the value of both assets. As at 31 March the revised asset value of the Glasgow and Kent airports was £14.3 million and £7.6 million respectively (including £7.8 million and £3.1 million of investment property in each case). The current intention is to continue to seek a buyer for the airports and work with local stakeholders to review alternatives.

Acquisitions & Divestments

No portfolio transactions were concluded over the period despite an increased level of activity. Management actively reviewed a number of potential acquisition opportunities without concluding a transaction. As noted in the recent Infratil Update, Infratil has the advantage of being able to compare internal investments, such as Snowtown II, against external acquisitions. Investors without choices and facing an extremely low interest rate environment are more willing to "pay up", even if it means then being locked into low returns. As discussed above, efforts to sell Infratil's two remaining European airports were unsuccessful and a review of Infratil's ownership of Perth Energy resulted in a decision to maintain the status quo.

Capital

There were no notable changes to the amount or terms of the debt of Infratil and its 100% owned subsidiaries. After balance date Infratil opened a bond issue to refinance the November 2012 maturity and this is progressing satisfactorily.

As at 30 September 2012 dated-debt provided 40% of the capital of Infratil and its 100% owned subsidiaries (valuing debt at par value and equity at market value).

4.5 million Infratil shares were repurchased and 1.8 million shares were issued under the dividend reinvestment plan. The net outlay was $5 million. Over the six months Infratil's share price rose from $1.89 to $2.17 and a fully imputed dividend of 5 cents was paid, providing an 18% return in the period.

Prospects, Markets, Regulation

The demand for transport and energy infrastructure is inextricably linked to the state of the wider economy. Limited economic growth means little or no growth in demand for electricity, motor fuels and even air travel and public transport. However the Infratil group has found ways to lift earnings from incremental improvements and targeted investment. We remain positive about our ability to deliver higher earnings and value until economic growth rates improve.

Regulatory developments continue to be mixed. The Commerce Commission’s review of airports and the new public transport regulatory regime have already been noted.

New Zealand's carbon market has functioned effectively at exposing New Zealand consumers and producers to the international price of carbon. With carbon prices being very low there was some expectation that Government would significantly alter the ETS, however the proposed changes are more incremental. A higher carbon cost would be an advantage to Infratil.

Infratil is consistently growing its earnings and net asset values and has the financial flexibility to take advantage of future opportunities. We believe our businesses are also meeting the expectations of our customers and continue to make positive contributions to their communities.

Marko Bogoievski
Chief Executive

David Newman
Chairman

Summary Financial Measures

Consolidated Earnings

$Millions	½ Sep 2012	½ Sep 2011	Change	FY Mar 2012
EBITDAF (continuing operations) 1	295.1	276.4	18.7	520.2
Depreciation & amortisation	(72.7)	(64.0)	(8.7)	(133.7)
Net interest	(97.2)	(92.3)	(4.9)	(187.2)
Tax expense	(29.4)	(36.9)	7.5	(58.4)
Revaluations 2	(25.8)	10.9	(36.7)	23.5
Discontinued operations	(47.3)	(5.3)	(42.0)	(37.4)
Net profit after tax	22.7	88.8	(66.1)	127.0
Minorities	(39.2)	(38.6)	(0.6)	(75.4)
Net parent surplus	(16.5)	50.2	(67.7)	51.6

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	$530-$560	Unchanged from initial indications
Net interest	($190 - $200)	Unchanged from initial indications
Operating cash flows	$250 - $280	$10m less than original guidance
Depreciation & amortisation	$145 - $155	Unchanged from initial indications
Group investment 2	$415 - $475	$175-$195m more than original guidance

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.
2. Inclusive of 100% of Z Energy's projected capital spending.

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

$Millions	½ Sep 2012	½ Sep 2011	Change	FY Mar 2012
TrustPower	166.1	161.6	+3%	300.2
Infratil Energy Australia	71.2	46.2	+54%	64.4
Wellington Airport	39.5	35.7	+11%	76.3
NZ Bus	21.8	24.0	-9%	46.0
Other, eliminations, etc.	(11.4)	(9.5)	-20%	(19.0)
Z Energy (Associate) 1	7.9	18.4	-57%	52.3
EBITDAF (continuing)	295.1	276.4	+7%	520.2
Discontinued operations	(4.2)	(3.5)	-20%	(11.9)
Total EBITDAF	290.9	272.9	+7%	508.3

1. Accounting Z Energy's contribution on a current-cost basis would increase the current period contribution to $23.2 million and the prior period amount to $22.8 million.

Asset Values

$Millions	30 Sep 2012	31 Mar 2012
TrustPower	1,274	1,154
Wellington Airport	315	326
NZ Bus [1]	254	246
Infratil Energy Australia [1]	496	477
Z Energy	322	331
European Airports	28	70
Other	67	65
Total	2,756	2,669

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 rising from $7.25 to $8.00. Changes in the value of Wellington Airport, NZ Bus and Z Energy reflect the difference between the companies' net earnings over the period and payments to shareholders. The change to IEA's value reflects changes in the value of electricity price hedges, working capital and the NZ$/A$ exchange rate. The value of Kent and Glasgow Prestwick airports has been impaired by $44 million from the 31 March 2012 valuations.

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

Debt & Equity $Millions	30 Sep 2012	31 Mar 2012
Net debt of 100% subsidiaries	397	363
Fixed maturity bonds	623	623
Perpetual bonds	235	236
Market value equity	1,268	1,109
Total Capital	2,523	2,331
100% subsidiary net debt/total capital	16%	15%
Net dated debt/total capital	40%	42%

Over the six months a net 2.7 million shares and 0.5 million perpetual bonds were repurchased. 100%-owned subsidiary net debt increased $34 million.