



Dear Shareholder

2020 has been a challenging and unprecedented year, as the COVID-19 crisis continues to have health, social and economic consequences across the world. As a company we are proud of how we responded to the difficulties the pandemic presented to our businesses and the position we now find ourselves in. Our priorities throughout the crisis were to keep our people safe, to keep those who rely on our businesses safe and to meet their needs, and to safeguard the capital of our shareholders.

That pride extends to our portfolio of businesses, many of which have been on the front line in supporting New Zealand during this time. Through our investments in Wellington Airport, Vodafone New Zealand, Trustpower and Tilt Renewables, we have been pivotal in keeping the lines of communication open and the lights on for millions of New Zealanders and Australians during the pandemic.

2020 Highlights

Despite the volatile economic backdrop, Infratil has continued to provide outstanding shareholder returns. Over the twelve months the Infratil share price rose from \$5.03 to \$7.15.

It has also been a year that served to illustrate the benefits of Infratil's diversification, where the progress at CDC Data Centres and the renewable generation projects of Tilt Renewables and Longroad Energy more than balanced the impact of the COVID-19 crisis on businesses such as Wellington Airport and Retire Australia.

Some other notable achievements during the year include:

- CDC's \$330 million expansion into New Zealand with the construction of two 10MW+ Data Centres in Auckland, and the commissioning of CDC's largest Data Centre to date, Eastern Creek 3 (28MW) in Sydney;
- Longroad Energy commenced construction on three solar generation projects amounting to 840MW;
- Tilt Renewables completed construction of the 336MW Dundonnell wind farm in Victoria, Australia and made significant progress on the 133MW Waipipi wind farm in Taranaki. Of particular note, 865,000 hours of work was undertaken at the two construction sites without a single lost time injury. We are extremely proud of this achievement. Tilt Renewables recently announced finalisation of power sales terms for its planned 400MW Rye Park wind generation project to the west of Sydney. This will be Tilt Renewables' largest construction project. To put perspective on the scale of these accomplishments Forsyth Barr reported that over the last five years, Infratil had undertaken more investment in renewable generation than any other New Zealand company;
- Vodafone New Zealand progressed its investment in 5G mobile network infrastructure and upgraded its international fibre links;
- Wellington Airport activity plunged to 1% of normal in April. By November domestic travel was back to 80% of normal levels. International traffic awaits less restrictive border rules which Government has tentatively announced for the first quarter of 2021;
- Infratil announced the acquisition of 56% of Australian diagnostic imaging company Qscan, a new sector with strong growth potential. The Foreign Investment Board of Australia granted its approval on 18 December paving the way for completion of the purchase before the end of 2020;
- Infratil raised \$300 million via an equity issue, enabling funding of growth investments across existing portfolio companies and new opportunities such as Qscan; and
- An offer of Infrastructure Bonds maturing March 2026 has raised \$49 million as at its initial allotment date and remains open, offering a yield of 3.0% per annum.



Qscan magnetic resonance imaging machine. Vodafone 5G installation Auckland.
Tilt Renewables' Waipipi wind farm, Taranaki. Longroad Energy's utility scale solar installation Texas



This month, we also announced a strategic review of our shareholding in Tilt Renewables. We have recently received a number of enquiries in relation to Tilt Renewables and given strong demand for high quality renewables platforms globally, we believe it is prudent to assess alternatives for our shareholding, including divestment of our position. Any decision to pursue a particular proposal would need to demonstrate a material increase in expected returns and shareholder value relative to the current positive outlook. The strategic review is scheduled to be concluded within six months.

Unsolicited bid for 100% of Infratil

In December, the Board confirmed that it had received two non-binding, incomplete and indicative proposals from AustralianSuper to acquire Infratil via a scheme of arrangement. The most recent and revised proposal implied a total offer value of NZ\$7.43 per Infratil share, based on a NZ\$7.43 closing price per Trustpower share as at 8 December 2020. This proposal represented a 22.2% premium to the 8 December 2020 Infratil closing share price.

The Board formed a Committee of Independent Directors and engaged legal (MinterEllisonRuddWatts) and financial (Goldman Sachs) advisors to assist in the assessment of the proposals. The Board considered the proposals' valuations and structures and unanimously rejected both as materially undervaluing Infratil's high quality and unique portfolio of assets on a control basis. The Board is focused on the best interests of shareholders and no action is required by shareholders in relation to AustralianSuper's rejected proposals.

Some commentators have suggested the Board should engage with AustralianSuper to determine their capacity to pay. The Board is not obliged to entertain unsolicited proposals that materially undervalue the portfolio and any bidder will need to put forward a compelling proposition to warrant full engagement. As noted, the Board believes that the AustralianSuper proposal undervalues Infratil and we will ensure we make further information available to assist shareholders ultimately reach their own views on value.

Final thoughts

Much of the recent commentary revealed how many regard Infratil as one of New Zealand's best performing listed investment companies with a range of exceptional, high quality assets. Infratil has returned an average annualised shareholder return after tax and fees in excess of 18% since inception (including reinvested dividends). Over the decade Infratil's shareholder return at a \$7.00 share price is 21.8% per annum. By any measure, this is an excellent return for shareholders and one that reflects the advantages of our long-term approach to ownership, and a desire to have meaningful influence over the businesses we invest in. This is one reason why Infratil is such an attractive asset to bidders who would have to invest much time and energy to pull together a comparable portfolio of assets.

As we look to 2021, we are encouraged by the recovery we are seeing in the economy both locally and globally. We remain confident about the thematic drivers that are driving our capital allocation; communications and digital infrastructure, decarbonisation and aging populations, and look forward to a successful 2021.

The Board and I wish you a safe and happy holiday period.

Kind regards

Mark Tume

Chairman of the Board

22 December 2020