Infratil Monthly Operational Report

20 November 2012

Infratil's Monthly Operational Report for October 2012 is available here.

Infratil Interim Result for the six months ended 30 September 2012 was announced on 13 November. The presentation and webcast are available http://www.infratil.com/for-investors/company-results/

Infratil's offer of 6.85% November 2018 bonds has closed to public subscriptions. It remains open for now to pre-allocated broker subscriptions. The final issue amount is expected to be approximately \$110 million.

TrustPower

TrustPower's six month result showed the company's ability to produce good stable earnings notwithstanding intense competition in the retail sector and the impact of unpredictable weather on renewable generation, household consumption and wholesale market prices. The table copied below shows TrustPower's generation, sales and wholesale market prices and its semi-annual EBITDAF results over the last eight quarters.

TrustPower Quarterly Generation & Sales (GWh) and prices (\$ per MWh)

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|--|---------|---------|---------|---------|---------|---------|---------|----------|
| GWh | Dec '10 | Mar '11 | Jun '11 | Sep '11 | Dec '11 | Mar '12 | Jun '12 | Sept '12 |
| NZ Generation | 534 | 524 | 705 | 709 | 614 | 554 | 604 | 688 |
| Aust Generation | 81 | 96 | 84 | 93 | 94 | 105 | 89 | 97 |
| Mass Market Sales | 438 | 386 | 455 | 529 | 399 | 378 | 432 | 478 |
| ToU Sales | 533 | 534 | 571 | 582 | 535 | 511 | 541 | 535 |
| Av. spot price of purchases | \$61 | \$64 | \$45 | \$85 | \$80 | \$105 | \$127 | \$66 |
| Av. spot prices of generation | \$57 | \$48 | \$42 | \$80 | \$74 | \$98 | \$135 | \$64 |
| EBITDAF* | | \$126m | | \$162m | | \$138m | | \$166m |

^{*} Semi-annual

2012 saw the lowest level of recorded autumn/winter inflows into the South Island hydro lakes, but since August inflows have recovered and by the end of October storage was 122% of average, up from 113% at the start of the month. North Island lake storage was stable at slightly over the average for this time of year. Electricity prices, both spot and

in the hedge market, have responded accordingly, after peaking in June/July prices are now well down.

The other key take-out from TrustPower's half year was its ability to find productive investments in a market with limited demand growth and hence need for additional generation. The commencement of Snowtown II wind farm construction was the headline event. TrustPower also made good progress with its plans to increase its involvement with Canterbury irrigation.

Environment Canterbury indicated it would support a variation to TrustPower's Rakaia River Water Conservation Order which would allow TrustPower to use its Coleridge hydro reservoir for irrigation as well as power generation. The next regulatory step is approval by the Minister of the Environment. The scope of this project is extensive. It could provide irrigation for up to 80,000 hectares and require an investment of up to \$500 million (excluding irrigation infrastructure) over the long-term.

The Electricity Authority has issued a proposal to change the allocation of Transpower's grid charges. Transpower is investing in a substantial upgrade of the national grid and the pricing review is to ascertain who will pay for this. At present the Authority calculates that 7% of an average household bill goes to Transpower and that this will rise to 10%; that is about an extra \$60 a year for a household paying \$2,000 per annum for electricity.

The Authority's initial proposal is complex and will require time to digest as there is the potential for numerous unintended consequences. TrustPower will be submitting on the proposal during the industry consultation.

Infratil Energy Australia/Lumo

Increase in customer numbers for the year

Lumo customer numbers continued to grow with 476,315 customer accounts by the end of October, up 59,092 over the same time last year.

| | October 2012 | October 2011 | Variance |
|-----------------------|-----------------|-----------------|----------|
| Electricity customers | 331,211 | 290,032 | 14.2% |
| Gas customers | 145,104 | 127,191 | 14.1% |
| Total customers | 476,315 | 417,223 | 14.2% |

Energy Price Regulation

Energy prices continue to be a hot topic across Australia's eastern seaboard states. Over recent years, increases in network charges, changes to renewable energy targets, and the introduction of the carbon price have contributed significantly to increases in

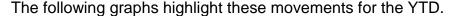
retail energy prices. This has led to retail electricity prices increasing by approximately 40% over the past three years. Given energy prices have become a key cost of living concern for consumers, both Federal and State Governments continue to undertake reviews of energy pricing.

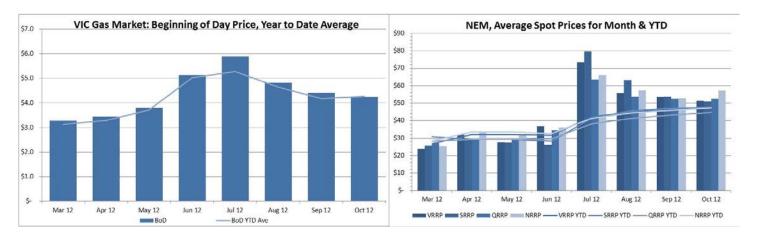
The Federal Government's Energy White Paper (released 8 November 2012) sets out a strategic policy framework for the next four years to address challenges in Australia's energy sector and position Australia for a long term transformation in the way we produce and use energy over the next 20 years. Amongst other areas, the paper calls for a clear timetable for retail price controls to be dumped where there is effective competition, or otherwise a "pathway" to deregulation and competition should be established.

Spot Prices – Victorian Gas and Electricity Market

Electricity market prices in the NEM remain depressed due to falling demand impacted by penetration of roof top solar and an oversupply of generation impacted by Renewable Energy Target (RET) which has incentivised wind generation investment (excluding the impact of carbon, which was introduced on 1 July 2012).

Gas prices in Victoria have increased this year from prior years as a result of retailers maintaining more balanced portfolios, increased residential demand due to cooler than average weather, increased gas fired generation as a result of Victorian power station outages and gas production plant outages.





Z Energy

Z Energy's results for the six months ended 30 September 2012 showed Current Cost EBITDAF of \$97 million compared to \$83 million for the same period last year. Guidance for the full year Current Cost EBITDAF of between \$185-\$200 million was reaffirmed.

Z reported that it was on track to finish refitting its larger service stations this financial year. Refitted shops are delivering a 6% increase in sales relative to their pre refit

levels. Work is also progressing on consenting for an additional 35 million litres of fuel storage at the ports of Lyttelton and Mount Maunganui. If this \$40 million investment progresses the increased storage will help deliver a more secure fuel supply chain to customers and enable larger, more cost-effective fuel deliveries into these ports.

With limited growth in fuel consumption, the priority is to improve efficiency and maintain returns, while also continuing to invest in service and reliability. The Company has also agreed to sell and lease back 44 retail service stations to release \$84 million for reinvestment into the business.

NZ Bus

Two important documents that will provide long-term certainty to the public transport landscape were open for submission in October – Government's Land Transport Management Bill ("LTMA") and Auckland Transport's Regional Public Transport Plan ("RPTP").

The LTMA will set the framework for the Public Transport Operating Model which was developed collaboratively between central government, local government and the industry over the last three years. It will allow regional transport agencies to tender, or negotiate, long term contracts with operators, and implementation should begin in mid-2013. NZ Bus is a strong supporter of PTOM and has submitted to the Transport Select Committee with the aim of ensuring that the LTMA closely aligns with the PTOM framework.

NZ Bus also supports Auckland's RPTP. This is the plan for public transport growth and the guidelines of how Auckland Transport intends to bring this growth about.

The changes now underway are positive. They offer greater certainty in the operating environment, risk sharing between operators and funders, and long-term, sustainable contracts.

Six months of negotiations between NZ Bus and representatives of the Auckland Tramways Union and First Union on a new Collective Agreement were successfully concluded when union members voted to accept the new terms. A significant effort has been underway to reshape the Company's values and to deliver reliability to customers, staff, partners and shareholders. The new collective agreement in Auckland is a step in this direction.

NZ Bus' October patronage was 1% lower than the same month last year, however the result was a positive 4% when adjusted for the different number of working days and the effect of last year's Rugby World Cup. For the 12 months to the end of October patronage was up 3% or almost 1.7 million passenger trips.

| Auckland | October | 7 months to 31 October | 12 months to 31 October |
|----------|-----------|---------------------------|----------------------------|
| 2011 | 3,362,582 | 23,068,239 | 37,687,561 |
| 2012 | 3,252,195 | 23,423,054 | 39,067,951 |
| Change | -3.3% | 1.5% | 3.7% |

| Wellington | October | 7 months to 31 October | 12 months to 31 October |
|------------|-----------|---------------------------|----------------------------|
| 2011 | 1,676,523 | 12,315,772 | 20,252,951 |
| 2012 | 1,747,707 | 12,417,573 | 20,535,153 |
| Change | 4.2% | 0.8% | 1.4% |

Wellington Airport

October's domestic traffic showed the benefits of a series of competitive offers from Jetstar and Air New Zealand, while international showed the disadvantage of being compared to the high point of Rugby World Cup, being down 15%. For the month passenger numbers on trunk services were up 6% while regional traffic increased 2.2% over October 2011.

In November Air New Zealand commenced its daily Wellington-Auckland nightrider service with a \$29 flat fare and Jetstar began operating an enhanced Wellington schedule which offers a 50% increase in capacity with Auckland and Christchurch.

In October Wellington backed a submission of the NZ Airports Association to the Ministry of Transport on the proposed Qantas-Emirates alliance. In New Zealand airline alliances are regulated by the Ministry of Transport rather than the competition regulator as occurs, for instance, in Australia.

Emirates and Virgin Blue have been the main source of new traffic on the Tasman over the last decade and the AirNZ-Virgin Blue alliance was only allowed after the airlines gave assurances to the regulators on both sides of the Tasman.

The tie-ups between Qantas and Emirates and between AirNZ and Virgin Blue are part of a regional trend which is seeing an increased level of cross ownership and binding alliance commitments.

Wellington Airport was also subject to its own regulatory review in October with the Commerce Commission releasing its draft report on the effectiveness of the new disclosure regime which has now been operating for about a year. The Commission's draft findings were:

 Wellington's new pricing structure is more efficient than the previous arrangement and the Airport is appropriately innovative and is providing services that reflect consumers' demands.

- The findings were less sanguine that the disclosures would limit excess profits, although their calculations indicated this is a future rather than current concern.
 Wellington sets its airline charges for five year periods and it is the latter years about which the Commission has concerns.
- The Commission reached no conclusion as to whether Wellington was efficient, was investing appropriately or was sharing efficiency gains with users. But this was due to the limited number of disclosures which have occurred since the regime was introduced in 2011.

Submissions on the draft report are due 30 November and the Commission is expected to provide its final report to Ministers in December.

| | Domestic Month | Domestic 12 Months | International Month | International 12 Months |
|---------------|-------------------|-----------------------|------------------------|----------------------------|
| October 2011 | 386,387 | 4,411,638 | 75,849 | 693,874 |
| October 2012 | 405,665 | 4,521,866 | 64,630 | 720,793 |
| Annual change | 1.8% | 3.9% | 14.8% | 1.8% |

Snapper

Snapper's Mobile developments have attracted local and international attention and the company is working with both Payments NZ and the Asia Pacific Smart Card Association on common standards for mobile payments implementations. This will lead to more handsets being able to support Snapper Mobile and other contactless payments products.

Snapper was recognised at the Deloitte Fast 50 as Wellington's fastest growing technology company and as New Zealand's 18th fastest growing company overall with revenue growth of nearly 300 percent.