INFRATIL INTERIM REPORT

September 2018

Infratil owns infrastructure businesses that provide essential services to economies, communities, and individuals. Shareholders receive good risk-adjusted returns if the businesses deliver high-quality service, are efficient, and risks are well managed.

Infrastructure involves the basic structures and facilities needed for the operation of a modern society. What constitutes infrastructure evolves, however Infratil has maintained a consistent approach to delivering its return objectives by investing:

- Where demographic or societal factors are driving long-term demand,
- Where Infratil has expertise and influence,
- Where Infratil has a competitive advantage as an operator and capital provider, and
- Where market structures and regulation support further investment in capacity and capability.

Infratil invests in a portfolio of businesses. Some are mature and strongly cash generative (eg. Trustpower, Wellington Airport), some are earlier stage (eg. Longroad Energy). The portfolio reduces risk through diversification, creates stability of cash flows, and enables Infratil to take a long-term approach to early-stage developments.

A consistent feature of infrastructure is its reliance on capital. Energy, airports, data connectivity, and retirement living all require assets; buildings, structures, equipment, and land.

Reflecting this, Infratil and its businesses have invested $4,128 million over the last decade.

HIGHLIGHTS

Infratil and its businesses are benefiting from satisfactory operating, market, and financial conditions. Pleasingly, this was reflected in shareholder gains over the period.

A highlight of the period was the capital and growth expenditure which will become the foundation of Infratil's returns into the future.

Infratil's full year earnings guidance for FY2019 is now in the range of $580 - $620 million.

VARIABLE	30 SEPTEMBER 2018	COMMENT
Net surplus	$58.5m	$18.8 million increase on last year. (+47%) [2]
Underlying EBITDAF [1]	$338.8m	$54.5 million uplift. (+19%) [2]
Operating cash flow	$142.7m	$11.9 million uplift. (+9%)
Capital expenditure	$301.6m	$162.6 million uplift. (+117%)
Net debt	$916.4m	$85.2 million was on deposit. Net debt comprised 32% of Infratil's capital [3]
Dividends declared	6.25 cents	Making 17 cents for the 2018 calendar year. (+6%)

1. Underlying EBITDAF is a non-GAAP measure of financial performance, presented to show management's view of the underlying business performance. Underlying EBITDAF for Infratil's subsidiaries represents consolidated net earnings before interest, tax, depreciation, amortisation, financial derivative movements, revaluations, and non-operating gains or losses on the sales of investments. Underlying EBITDAF for Infratil's associates (Canberra Data Centres, Longroad Energy, and ANU Student Accommodation) includes Infratil's share of its associates' net profit after tax, other than for RetireAustralia where underlying profit is used when presenting the Group's Underlying EBITDAF. Underlying profit is a common performance measure used by retirement companies and removes the impact of unrealised fair value movements on investment properties, impairment of property, plant and equipment, one-off gains and deferred taxation, and includes realised resale gains and realised development margins.
2. Continuing operations
3. 100% group

REPORT OF THE CHIEF EXECUTIVE

The last five years have been dominated by the repositioning of Infratil's capital into sectors we believe offer long-term growth and which will reward investment.

We are focussed on establishing large-scale platforms targeting four sources of growing demand: decarbonisation, aging populations, travel, and connectivity. While the platforms are at various stages of development, Infratil is well positioned to meet these sources of demand in ways that benefit our shareholders.

The last half year is a vindication of our strategy and how we have positioned:

- Trustpower is seeing electricity demand rising and firming wholesale prices. Although it is unlikely that Trustpower will be undertaking material increases in its generation capacity in the short-term, it is continuing to improve its provision of retail utility services.
- Having just commissioned its first new wind farm, Tilt Renewables has committed to a second in Australia and is developing other prospects in New Zealand and Australia.
- Longroad Energy has commissioned two major utility-scale generation projects in Texas.
- RetireAustralia is progressing development and construction of over 600 new care and accommodation units.
- Wellington Airport will soon conclude the $300 million upgrade of its facilities which has been underway since 2015. It is anticipated that the construction plan for the next five years will be larger than the current one.
- Canberra Data Centres is working to finish construction of a $160 million 21MW data centre and is well advanced with plans to then build a 50MW facility.

Putting capital to work is only half the story as strong execution is required to deliver the earnings and value benefits. On that front too, the latest period was positive:

- Trustpower's earnings and outlook are improving as the gap between New Zealand's electricity demand and supply tightens, and Government policies now being formulated to shift energy demand away from fossil fuels will result in a substantial increase in electricity demand and hence the need for investment into generation.
- Tilt's increased earnings for the latest period reflected improved wind conditions and the commissioning of additional generation capacity.
- Longroad's development activities have delivered significant returns from the sale of its Phoebe solar generation project in Texas.
- Wellington Airport continues its solid performance which has seen annual earnings increase by $15 million and passenger throughput by approximately 880,000 people since it started its current five year investment programme.
- Canberra Data Centres is on track to double its earnings run rate next year from the level when Infratil made its acquisition in 2016.

Alongside the progress occurring at Infratil's core businesses, work is also underway at several of Infratil's other subsidiaries and investments to decide on their future.

NZ Bus is now contracted to provide public transport services in Auckland, Tauranga and Wellington. This will provide a stable earnings base and we are reviewing whether the returns and growth prospects justify retention.

Perth Energy is a long-term option on deregulation of the Western Australian energy market. In 2016 it got into financial difficulties with its retailing activities, but following some truly exceptional management efforts has now been restored to profitable operations and we are reviewing whether to continue to hold the option or if the capital would be better deployed elsewhere.

Infratil is also undertaking a review of its investment in the Canberra student accommodation concession granted by the Australian National University.

More detailed commentary on the individual business units is provided later in this report.

INVESTMENT ACTIVITY

As outlined above and covered in more detail later, the last six months have been a successful period for putting capital to work. Over the period, investment of $301.6 million covered:

Energy	$188.1 million
Transport	$57.5 million
Data	$20.7 million
Social/Other	$35.3 million

The part of these outlays which captured the most attention was the $55.0 million invested in increasing Infratil's ownership of Tilt Renewables as a part of its takeover offer launched in conjunction with Mercury Energy. Some history and explanation:

- Tilt Renewables was listed in October 2016 following its demerger from Trustpower. 51% of the shares were owned by Infratil, 26% by the Tauranga Electricity Energy Trust (TECT), and 23% by other investors.
- In May 2018 Mercury Energy purchased a 19.9% shareholding from TECT at $2.30 a share and received an option to buy the balance of TECT's shareholding at the same price.
- In August 2018, Infratil and Mercury announced a joint-venture offer to acquire the remaining shares in Tilt at $2.30 a share with the intention that Mercury would remain at 19.9% and all additional shares would be purchased by Infratil, including the remaining TECT shareholding.
- As at the date of this Interim Report (12 November 2018) the takeover offer is still open and the joint-venture has lifted its interest to slightly over 84%. Progress has been slower than hoped, which is likely to be due to Tilt's independent directors recommending that shareholders not accept the offer.

Disputes about value are often complex, but on this occasion the issues can be simplified:

Tilt is involved in two activities. On the one hand it is developing new generation. On the other, it owns generation which exposes it to income uncertainty from fluctuating electricity prices (all the electricity it generates is sold into wholesale markets or on contract to other electricity companies). Even with exceptional management, Tilt faces material income and valuation uncertainty.

The Tilt independent directors arrived at a high valuation by using a discount rate range of 5.8%-6.4%pa. for Tilt's Australian operations and 6.1%-6.8%pa. for those in New Zealand.

At Infratil we consider these discount rates to be too low relative to the risks inherent in Tilt's operations. While we consider that Tilt is an excellent company with exciting opportunities and considerable expertise and capability, we also believe that a shareholder in Tilt needs the prospect of a return higher than what is implied by the discount range of 5.8%-6.8%pa.

FINANCIAL

In aggregate, over the half year $301.6 million was invested and operations generated consolidated EBITDAF of $338.8 million and a net parent surplus of $58.5 million. The outcomes were above budget, which is reflected in an increase to Infratil's full year earnings guidance to an expected range of $580 - $620 million.

Infratil's earnings are well diversified; being spread over four sectors, three jurisdictions, and a mixture of mature and early-stage businesses. The emerging benefits of the latter were apparent in the period under review. Canberra Data Centres, Longroad Energy, Tilt Renewables and RetireAustralia; Infratil's growth businesses, jointly contributed $158.8 million to consolidated EBITDAF, up from $80.5 million for the same period last year. Part of the current period earnings are from Longroad's development projects which will fluctuate, but the uplift is illustrative of why Infratil has positioned its capital in this way.

Of Infratil's businesses they are also absorbing the most capital which will underpin future returns.

Along with good outcomes with its businesses, Infratil also had a good period with its capital management. With $111 million of 6.85%pa. bonds maturing in November 2018, Infratil undertook an issue of 4.75%pa. 2025 bonds and 4.85%pa. 2028 bonds, which raised $100m and $146 million respectively.

Investor support for the long-term, fairly priced, bond offers is appreciated and indicative of the regard in which Infratil is held in the debt capital markets.

SHAREHOLDERS

Over the period the Infratil share price rose from $3.10 to $3.57 and a fully-imputed dividend of 10.75cps was paid.

Since 31 March 2009 (ie. for the almost ten year period which has elapsed since the Global Financial Crisis), an Infratil shareholder who had reinvested dividends at the then share price would have seen a compound return of 15.4%pa. (NZX50 14.3%pa.). The return was approximately 62% share price appreciation and 38% dividend.

Infratil's goal is to deliver total returns to its shareholders by investing in businesses which grow in value and provide good cash earnings as they mature. Over the last decade, this has allowed Infratil to steadily lift its dividend. However, with an increasing share of Infratil's earnings coming from outside of New Zealand there are now constraints on the availability of imputation credits. Consequently, we have reviewed our policy. In particular looking at whether Infratil should continue to base its dividend on its free cash flow or should limit pay outs to the amount which can be fully imputed.

Our decision was:

- Infratil should continue to pay a dividend which reflects its free cash flow, even if not fully imputed. However, this may be augmented by use of on-market buy backs if that produces a better net result for shareholders.
- The interim dividend will be 6.25 cents per share (cps) to be paid on 14 December 2018 to shareholders of record as at 27 November 2018. This will carry 1.5 cps of imputation credits.

  The 6.25 cps dividend will bring to 17 cps the total cash dividend paid since 31 March 2018, along with 5.68 cps of imputation credits, which means that in total, dividends will have been imputed to 25% (the maximum level is 28%). Shareholders with a tax-rate below 25% will be indifferent to the lower rate of imputation (except for gaps between the timing of tax deductions and refunds), but shareholders on a higher tax rate will incur additional net tax.

- Looking forward, Infratil's forecasts indicate continued growth in cash dividends should be possible. Although for the next two years imputation credits are likely to be held within the range of 3.5 - 4.5 cps. Decisions about dividends will continue to reflect Infratil's actual cash earnings and financial position.

  The respective merits for all shareholders of dividends and share buy backs will be actively considered.

As noted above, Infratil's objective is to provide shareholders with a rising total return. Cash dividends are part of the return, but the priority is to make good investments that result in consistent growth in capital values.

MANAGEMENT COSTS

Infratil's parent company management is provided on a contractual basis by H.R.L. Morrison & Co. So rather than many employment contracts with each employee, Infratil has just one.

Morrison & Co receives three types of payment by Infratil. It receives a base fee which is approximately 0.8% of the market value of Infratil's equity and parent company net debt. For the six month period this was $11.8 million. It receives payments for certain agreed activities where the Board has determined that there is better value for money in having Morrison & Co provide the service rather than a third party. For the period this was $2.3 million.

Finally, Morrison & Co can receive performance payments when Infratil's non-New Zealand assets have provided a return that is in excess of agreed benchmarks. For the period this was an accrual of $29.4 million. These performance-related fees are explained in the Board Chair Report.

MARKETS, REGULATION, CHANGE

Infratil is actively participating in the policy debate about how to reduce New Zealand's CO_2 emissions. Three potentially very important workstreams are unfolding simultaneously:

- The Zero Carbon Act (ZCA) to set out the overarching goals and structures.
- A Climate Change Commission (CCC) is to be established as the institution which will oversee the implementation of the emission reduction goals and policies as determined by parliament.
- The Emission Trading Scheme (ETS) is to be improved to ensure that a well-functioning market results in fair, robust, prices for emission rights.

Although some emissions in New Zealand now incur a cost and there are other initiatives to encourage emission reduction, once the work summarised above has been finalised, efforts to shift producers, consumers and householders away from using oil, coal and gas will intensify.

In 2018 the average full-year cost per person of the emissions they cause is likely to be less than $100; perhaps $50 per car for land transport, $1.50 per domestic airfare, $20 of a household's electricity cost. In future the cost will rise, as will the benefits of shifting production and consumption to reduce emissions.

Infratil's submissions on the policies is that it will be crucial that the ZCA, CCC and ETS create a stable regulatory environment which encourages investment and behavioural changes which will result in lower emissions.

Each political party in parliament seems to have a unique position on climate change which will make the creation of stable policy and regulation difficult. There are plenty of ways to defer action or to indulge in high profile - high cost - low impact "virtue signalling" gestures. New Zealand has an opportunity to establish a world-leading model to effectively reduce emissions at least cost. Within a year we are likely to have a pretty good idea about whether the opportunity has been taken.

PROSPECTS

The first half of FY2019 was good for Infratil, and the future; immediate and long-term; appears positive.

The capital markets were supportive with long term bond funding and Infratil's shares provided a good return.

Infratil's earlier stage businesses; Canberra Data Centres, Longroad Energy, Tilt Renewables and RetireAustralia; are proving their worth, both from their earnings contributions and with the investment opportunities they are creating.

Infratil's core earnings businesses; Trustpower and Wellington Airport; continue to perform and provide high-quality reliable cash earnings.

Work is underway at several of Infratil's other businesses to determine their long-term role in the Infratil portfolio.

Overall, we are well resourced and well positioned to progress our many growth initiatives and to continue to deliver value and earning gains for Infratil's shareholders.

MARKO BOGOIEVSKI
Chief Executive


+ 2°

REPORT OF THE BOARD CHAIR

Over recent years Infratil's Annual and Interim Reports have combined the reports of the Chief Executive and the Board Chair.

We have determined that there will be benefits for shareholders in providing separate commentaries. A critical role of the Board is to represent shareholders (who elect the directors) in monitoring and managing management. And it improves transparency and clarity if there is a separate report on that topic.

THE ROLE OF THE BOARD: MANAGEMENT OVERSIGHT

The Board has an obligation to ensure that management are creating value for shareholders and that their cost is fair.

The latter test is relatively simple. The cost of Infratil's management can be compared against the management costs of comparable companies and if Infratil's costs are relatively low, it is reasonable to make inferences about fairness. In the long-term management rewards should also be aligned with outcomes for shareholders.

Determining whether management are creating value is more difficult. That requires measurement of performance as well as cost. We like to do this by looking at long-term returns to shareholders; both absolute returns and returns relative to benchmarks over various periods.

As part of assessing the performance of the manager and reporting on this to shareholders, a more explicit forward-looking absolute return benchmark has been established. There are several expected benefits from doing this:

- It will provide transparency to shareholders about the Company's goals and risk appetite.
- It provides further means for shareholders to hold the Board to account for value creation.
- Having a transparent measurable goal means that execution and performance can be more effectively monitored.

INFRATIL'S RETURN GOAL

Since its inception, Infratil has consistently been managed, and all investments have been made, to deliver an absolute return.

For the purpose of determining a return benchmark which we would report to shareholders, we decided that the benchmark should be consistent with that approach. Based on this:

- We looked at the businesses and investments that Infratil owns and estimated the returns an investor would expect to receive from those businesses in the current market.
- The returns were adjusted to take into account Infratil's target leverage and likely management costs.
- This gave a total after-tax return to shareholders of 11-15%pa. over the next ten years.

This process is likely to give rise to some questions:

1. Why choose a ten year period?

- Infratil makes investments for the long-term.
- The long period should take out the effect of shorter-term market fluctuations or noise.
- It should smooth divergences between the returns on Infratil's assets and its shares.
- A large percentage of Infratil's shareholders hold their shares for the long-term.

2. What if Infratil's shareholders consider 11-15%pa. insufficient?

- The figures have been discussed with a number of finance and investment experts and feedback has been positive. Individual shareholders may consider the indicated range insufficient and the relative weight of share buying and selling will signal the net disappointment/support.

3. How will performance be monitored?

- Each year (starting for FY2019) a report by the Board will be included in the Annual Report comparing and explaining actual returns against the 11-15%pa. benchmark.

4. Will this change Infratil?

- We expect the explicit targets to improve transparency and accountability. We do not envisage changes to Infratil's approach to either investing or funding.

5. Should shareholders expect Infratil to deliver 11-15%pa. over the decade?

- Yes. The current outlook for the Infratil portfolio and expected market conditions support the 11-15%pa target.
- It is expected that reporting actual returns against the benchmark will improve the ability of shareholders to draw their own conclusions about manager performance and the risks and returns likely from owning Infratil shares.

6. What if financial markets are disrupted by major events?

- The expectation is that over a period such as ten years, even major financial market events will "play out". For instance, one factor which is relevant to the value of infrastructure is the interest rate on long-dated bonds. If they rise markedly asset values are likely to fall.

However, a reasonable proportion of Infratil's earnings are protected against rises in the Consumer Price Index, so if the interest rate rises have occurred to offset rising prices, then it is reasonable to assume that Infratil's income will also rise over time, which should be reflected in the value of its assets.

- In general, financial markets disruptions should not be an excuse for material under-performance over a decade.

REPORTING

In this interim report we have outlined our planned approach, rather than provide a fully worked example of the anticipated reporting, that will start with the Annual Report.

For the record, between 31 March 2009 and 30 September 2018 an Infratil shareholder who reinvested dividends would have seen a compound return of 15.4%pa.

Over the one year to 30 September 2018, shareholder returns were over 20% and while Infratil's positive operational outcomes have probably been the primary driver, financial market conditions have also have been a factor. As noted above, it is anticipated that markets should not play a material part in determining the ten year return to Infratil's shareholders. Rather, shareholder returns will reflect the earnings and value increases generated by Infratil's businesses, adjusted to take into account leverage and management costs.

MANAGEMENT INCENTIVES

As noted on page 4 of this report, Infratil can pay performance fees to its management if certain return benchmarks are achieved on non-New Zealand investments.

The rationale for incentives only being available on non-NZ investments is that when Infratil first considered investing offshore (initially all investment was domestic) it was recognised by the Board that the cost of undertaking and managing investments outside of New Zealand were likely to be higher.

As at 30 September 2018, a performance fee of $29.4 million was accrued.

- The $29.4 million is an estimate of what Infratil will be required to pay its manager as at 31 March 2019. No payment will occur until independent valuations are finalised as at 31 March 2019.
- Infratil's performance fee comprises three separate parts. One reflects returns on Infratil's entire portfolio of offshore investments which have been held for more than three years. One part reflects returns crystallised when an asset is sold.

  The third part is an "Initial Fee" which is payable on the third balance date after an investment is first made. After this Initial Fee has been paid, the relevant assets join the rest of the portfolio that has been held for a longer period.
- As at 31 March 2019, management will be eligible for an Initial Fee on the following assets, because they all entered the portfolio in mid 2016:

  ANU Student Accommodation
  Canberra Data Centres
  Longroad Energy
  Tilt Renewables
- The performance fee is 20% of the net after tax returns to Infratil over 12%pa. The fee is calculated on the returns of the whole portfolio, not item by item, and accounts for all of Infratil's cash flows relevant to the investment (acquisition cost, loans, interest, dividends, fees, tax, and so on). It also takes into account each asset's fair value.

  The 30 September 2018 accrual is provisional and an independent valuation of each asset will be undertaken to determine the actual 31 March 2019 fee.
- Infratil's 30 September 2018 book value of the four investments is $1,107.4 million whereas the estimated fair value is $1,327.0 million. The average after tax return Infratil has made on these investments is approximately 18%pa. This return would drop to approximately 16.8%pa. after deducting the management performance fee.

SUMMARY

Infratil's directors have been appointed by shareholders to represent their interests and, amongst other things, to ensure management perform and deliver value for money.

To this end the Board has established a ten year absolute return benchmark return of 11-15%pa. Shareholders will be able to compare their returns against this benchmark. We hope this improves transparency and accountability of the Board as well as management.

As at 31 March 2019 management may receive a performance fee on Infratil's investment into ANU Student Accommodation, Canberra Data Centres, Longroad Energy, and Tilt Renewables. If the return on the funds Infratil invested in these investments is over 12%a. after tax, management will be paid 20% of the out-performance. Based on an estimate of the fair market value for these investments being $1,327.0 million, the fee would be $29.4 million.

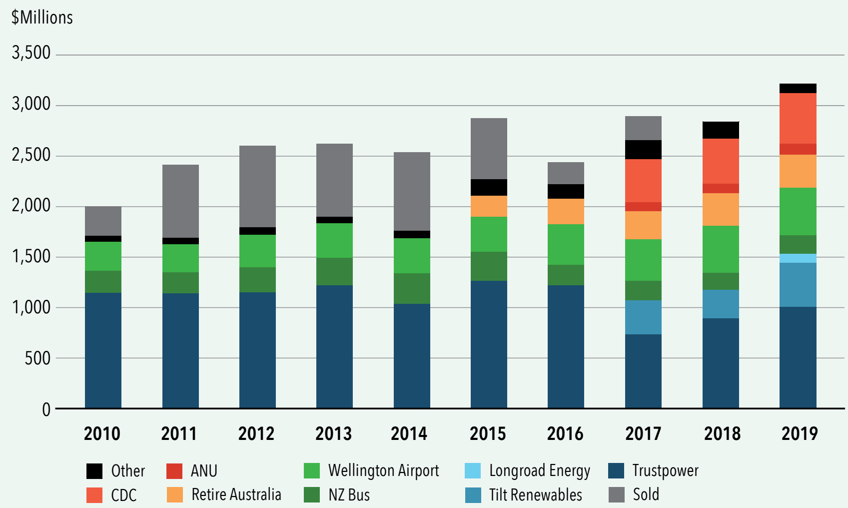
The Board welcomes feedback on these matters, in particular with regards to the information to be included in the Annual Report on the benchmarking exercise.

MARK TUME
Chairman

FINANCIAL TRENDS

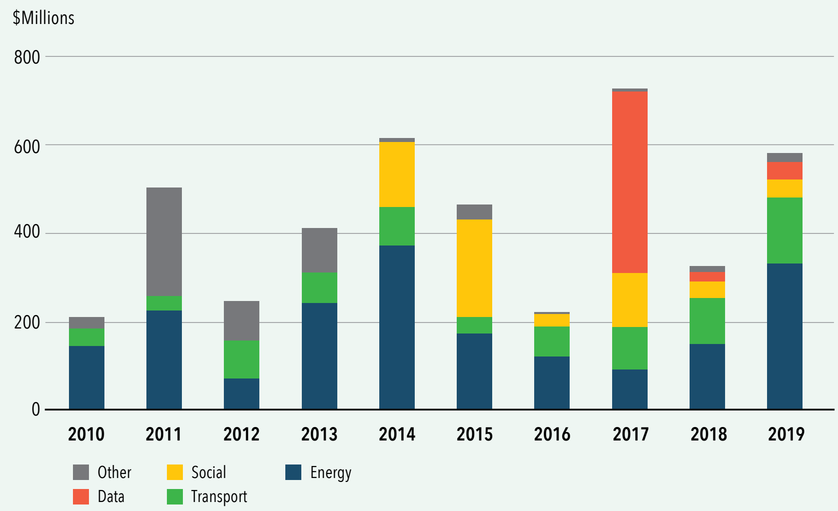
On these two pages are graphs of Infratil's assets, capital investment, funding, earnings, cash flow, and dividends over the decade; along with brief explanations. For the 2019 Financial Year the figures are either as at 30 September 2018 or a mid-point estimate of the full year outcome.

INFRATIL ASSETS



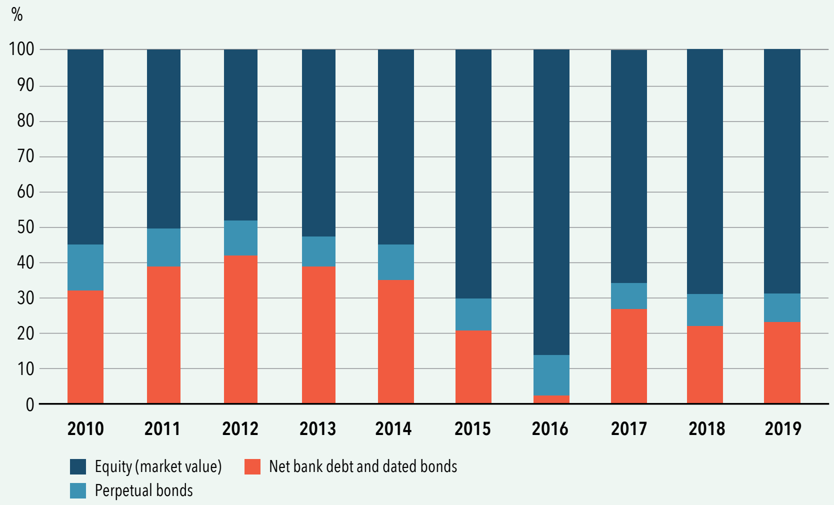
Over the decade $4,128 million was invested and $2,150 million released by divestment. These two factors along with revaluations, write offs and depreciation have resulted in the changes.

CAPITAL INVESTMENT



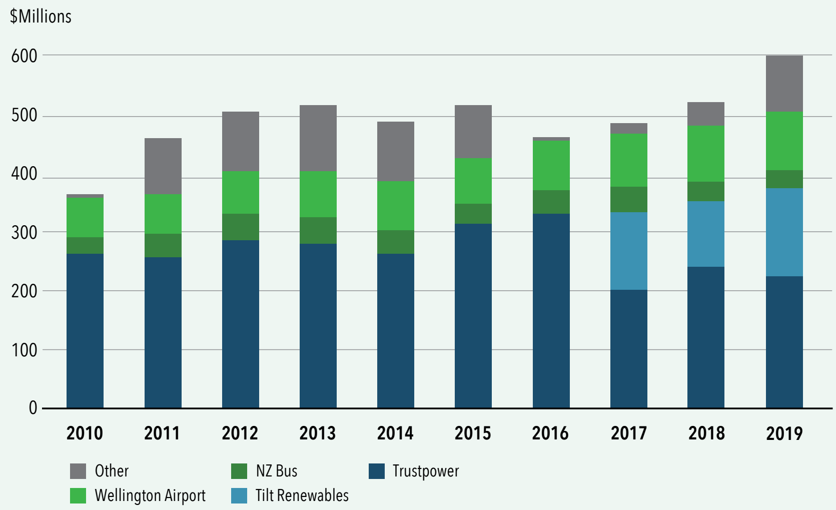
Infrastructure is capital intensive and it is only by deploying capital that it is possible to generate compound growth and returns. Investment includes capital deployed by Infrail's business into operational assets and Infratil's acquisition of shares in those business.

INFRATIL FUNDING



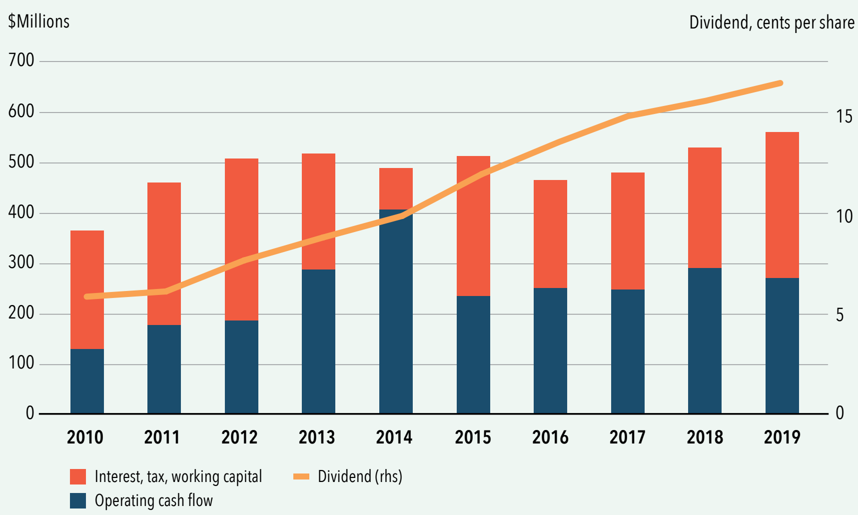
Changes to Infratil's capital structure (the relative use of debt and equity funding) has occurred as businesses have been sold and funds have only gradually been redeployed. The use of debt is bounded by Infratil's policies of preserving credit metrics that are broadly consistent with an Investment Grade credit rating (Infratil is not credit rated) and maintaining availability of funds for investment opportunities.

UNDERLYING EBITDAF



Consolidated earnings have tracked the changing profile of Infratil. The trajectory now emerging reflects the deployment of the capital raised from the sale of Z Energy and Lumo.

OPERATING CASH FLOWS & DIVIDENDS



Operating cash flows are EBITDAF less interest, tax and changes in working capital.

The robust cash earnings have supported the increasing dividends.

FINANCIAL PERFORMANCE & POSITION

Infratil provides audited financial statements annually for years to 31 March. The six month interim accounts to 30 September are reviewed by Infratil's auditors but not audited.

A summary of the interim accounts is provided in this report. The full financial statements are available by contacting Infratil or on its website.

CONSOLIDATED RESULTS

SIX MONTHS ENDED 30 SEPTEMBER $MILLIONS	2018	2017[1]
Operating revenue	$982.0	$926.3
Operating expenses	($658.5)	($646.2)
Depreciation & amortisation	($99.7)	($93.4)
Net interest	($73.3)	($78.9)
Tax expense	($55.3)	($39.5)
Revaluations	$10.9	$26.5
Discontinued operations	-	$2.9
Net profit after tax	**$106.1**	**$97.7**
Minority earnings	($47.6)	($58.0)
Net parent surplus	**$58.5**	**$39.7**

For 2018 the average exchange rates were NZ$/A$0.9222 and NZ$/US$0.6861 (0.9319 and 0.7179 in 2017).

1. Certain amounts have been restated to reflect adjustments made by Tilt Renewables in relation to the treatment of their power purchase agreements as set out in Note 2 of the interim financial statements.

The $43.4 million uplift in net operating earnings was partially offset by a $22.1 million increase in depreciation, amortisation, and tax. Other items balanced out between the periods. The discontinued operations were Trustpower's Australian hydro generation assets that were sold last year.

UNDERLYING EBITDAF

SIX MONTHS ENDED 30 SEPTEMBER $MILLIONS	2018	2017
Trustpower	$129.6	$152.1
Tilt Renewables	$72.5	$52.8
Perth Energy	$25.2	($6.2)
Longroad Energy	$51.1	($5.9)
Wellington Airport	$49.6	$47.3
NZ Bus	$13.2	$17.9
Canberra Data Centres	$30.2	$18.9
RetireAustralia	$5.0	$14.7
ANU Student Accommodation	$5.5	$5.9
Parent/Other	($43.1)	($13.2)
Total	**$338.8**	**$284.3**
Discontinued operations	-	$7.0

Trustpower's earnings last year were due to a period of extraordinary hydrology and wholesale market electricity prices. This year both hydrology and prices were closer to normal. Conversely, Tilt's result last year reflected an unusual period of calm weather. This year generation was more consistent with long-term wind forecasts.

Perth Energy's dramatic improvement was due to improved management of its retail operations and a much lower cost for renewable energy certificates which delivered a one-off benefit. CDC's higher earnings reflected demand growth and past investment in greater capacity. Longroad's $57.0 million increase was largely due to recognition of project development gains.

Parent costs were inflated by the accrual of a management performance fee of $29.4 million which is discussed in the report of the Board Chair.

BREAKDOWN OF THE CONSOLIDATED RESULTS: SIX MONTHS ENDED 30 SEPTEMBER 2018

$MILLIONS	INFRATIL'S SHARE	UNDERLYING EBITDAF	D&A	INTEREST	TAX	REVALUATIONS ADJUSTMENTS	MINORITIES	INFRATIL'S SHARE OF EARNINGS
Trustpower	51%	$129.6	($24.9)	($13.4)	($25.2)	($1.3)	($32.3)	$32.5
Tilt Renewables	58%	$72.5	($47.8)	($16.2)	($6.6)	$7.3	($4.3)	$4.9
Perth Energy	80%	$25.2	($3.0)	($3.6)	($8.3)	-	($2.1)	$8.2
Longroad Energy	40%	$51.1	-	-	-	-	-	$51.1
Wellington Airport	66%	$49.6	($10.9)	($8.7)	($8.8)	$1.3	($9.2)	$13.3
NZ Bus	100%	$13.2	($12.8)	($3.0)	$0.7	($1.7)	-	($3.6)
CDC	48%	$30.2	-	-	-	-	-	$30.2
RetireAustralia	50%	$5.0	-	-	-	($15.3)	-	($10.3)
ANU Student Accomodation	50%	$5.5	-	-	-	-	-	$5.5
Parent/Other		($43.1)	($0.3)	($28.4)	($7.1)	$5.3	$0.3	($73.3)
Total		**$338.8**	**($99.7)**	**($73.3)**	**($55.3)**	**($4.4)**	**($47.6)**	**$58.5**

BREAKDOWN OF THE CONSOLIDATED RESULTS: SIX MONTHS ENDED 30 SEPTEMBER 2017[1]

$MILLIONS	INFRATIL'S SHARE	UNDERLYING EBITDAF	D&A	INTEREST	TAX	REVALUATIONS ADJUSTMENTS	MINORITIES	INFRATIL'S SHARE OF EARNINGS
Trustpower	51%	$152.1	($22.4)	($17.1)	($31.0)	($2.2)	($39.5)	$39.9
Tilt Renewables	51%	$52.8	($40.0)	($16.1)	($3.9)	$16.9	($4.8)	$4.9
Perth Energy	80%	($6.2)	($3.2)	($3.3)	($1.3)	-	$2.8	($11.2)
Longroad Energy	45%	($5.9)	-	-	-	-	-	($5.9)
Wellington Airport	66%	$47.3	($11.5)	($9.5)	($7.5)	$3.9	($12.2)	$10.5
NZ Bus	100%	$17.9	($16.1)	($2.9)	$1.0	($2.1)	-	($2.2)
CDC	48%	$18.9	-	-	-	-	-	$18.9
RetireAustralia	50%	$14.7	-	-	-	($4.2)	-	$10.5
ANU Student Accomodation	50%	$5.9	-	-	-	-	-	$5.9
Parent/Other		($13.2)	($0.2)	($30.0)	$3.2	$10.0	($2.9)	($33.1)
Total		**$284.3**	**($93.4)**	**($78.9)**	**($39.5)**	**$22.3**	**($56.6)**	**$38.2**
Discontinued operations	51%	$7.0	($1.6)	($1.0)	($1.2)	($0.3)	($1.4)	$1.5
		$291.3	**($95.0)**	**($79.9)**	**($40.7)**	**$22.0**	**($58.0)**	**$39.7**

1. Certain amounts have been restated to reflect adjustments made by Tilt Renewables in relation to the treatment of their power purchase agreements as set out in Note 2 of the interim financial statements.

INFRATIL'S ASSETS

$MILLIONS	30 SEPTEMBER 2018	31 MARCH 2018
Trustpower	$995.2	$893.0
Tilt Renewables *	$427.8	$285.9
Perth Energy	$76.2	$61.7
Longroad Energy *	$84.5	$16.0
Wellington Airport	$449.1	$471.9
NZ Bus	$180.0	$167.1
Canberra Data Centres *	$487.8	$453.2
RetireAustralia	$317.0	$319.0
ANU Student Accommodation*	$107.3	$96.1
Other	$88.9	$90.0
Total	**$3,213.7**	**$2,854.0**

For 30 September exchange rates of NZ$/A$ 0.9169 and NZ$/US$ 0.6616 were used (0.9409 and 0.7203 for 31 March).

The values of Trustpower and Tilt Renewables reflect their NZX share prices on the relevant dates. Over the period Infratil invested $55.0 million increasing its ownership of Tilt from 51% to 58%.

The other values are book values excluding deferred tax when capital gains tax is not anticipated. It should be noted that these are not the same as fair market values. For instance Wellington Airport's book value represents approximately 11x that company's EBITDAF and a fair market value would almost certainly be higher.

The management performance fee accrued in these results is based on the four asterisked investments having a fair market value of $1,327.0 million which is $219.6 million more than the 30 September 2018 $1,107.4 million book value.

Infratil's ownership of Longroad has reduced to 40% from 45% previously as a result of an issue of new shares to management.

CAPITAL OF INFRATIL AND 100% SUBSIDIARIES

$MILLIONS	30 SEPTEMBER 2018	31 MARCH 2018
Net bank debt/(deposits)	($85.2)	($221.8)
Dated Infrastructure Bonds	$769.6	$769.6
Perpetual bonds	$231.9	$231.9
Equity at market value	$1,996.6	$1,733.8
Total Capital	**$2,913.0**	**$2,513.5**
Dated debt / Capital	**23.5%**	**21.8%**
Total debt/Capital	**31.5%**	**31.0%**

As at 30 September 2018 Infratil and 100% subsidiaries had $120.9 million on deposit and $354.7 million of bank facilities drawn to $35.7 million.

In November 2018 $111.4 million of 6.85%pa. Infrastructure Bonds were due to mature. To refinance this and to provide additional funds $246.1 million of bonds were issued subsequent to 30 September. They mature in six and ten years and have an average coupon of 4.81%pa.

Over the six months Infratil's share price rose from $3.10 to $3.57 at 30 September 2018. The number of shares on issue did not change.

Infratil has guaranteed $78.5 million of bank facilities for Perth Energy ($76.5 million as at 31 March 2018), which as at 30 September 2018 were drawn to $41.1 million ($42.4 million 31 March 2018).

Infratil guaranteed letters of credit issued by Longroad Energy which as at 30 September 2018 amounted to $71.9 million (31 March 2018 $67.3 million).

CONSOLIDATED OPERATING CASH FLOW

SIX MONTHS ENDED 30 SEPTEMBER $MILLIONS	2018	2017
Underlying EBITDAF	$338.8	$291.3
Net interest	($69.2)	($76.0)
Tax paid	($43.4)	($45.0)
Working capital	($83.5)	($39.5)
Operating cash flow	**$142.7**	**$130.8**

The substantial increase in working capital reflects a A$27 million refund due to Perth Energy for past penalty-rate payments to meet large-scale generation certificate (LGC) obligations which have now been reversed.

It also includes the gap between Infratil's equity accounted earnings from associates and the actual cash received.

TRUSTPOWER

After a number of years when exceptional events or unusual market conditions dominated reporting, Trustpower's latest half year could feel uneventful, even if solid.

Following the demerger of Tilt Renewables, the sale of Green State power and the integration of King Country Energy, the focus at Trustpower is now on optimising the provision of retail utility services; expanding the customer base, improving the quality of services and reducing costs. Described by Trustpower as "all the little things".

One "little things" development worth noting to illustrate Trustpower's pragmatic approach was the announced replacement of its approximately 140,000 residential electricity meters with a "smart" version.

Trustpower is the last of the major retailers to make the switch. It held off because earlier models produced insufficient benefits to offset the cost. Smart meters allow remote monitoring and they record time-of-use consumption. They have the potential to lower retailer costs and they give customers access to time-of-use pricing. In Trustpower's opinion its only now that these benefits have outweighed the cost of the meter and its installation.

Infratil has previously reported how Australian regulators required the installation of smart meters that resulted in a substantial cost to consumers and often few benefits. The lack of such heavy-handed regulation in New Zealand has been vindicated.

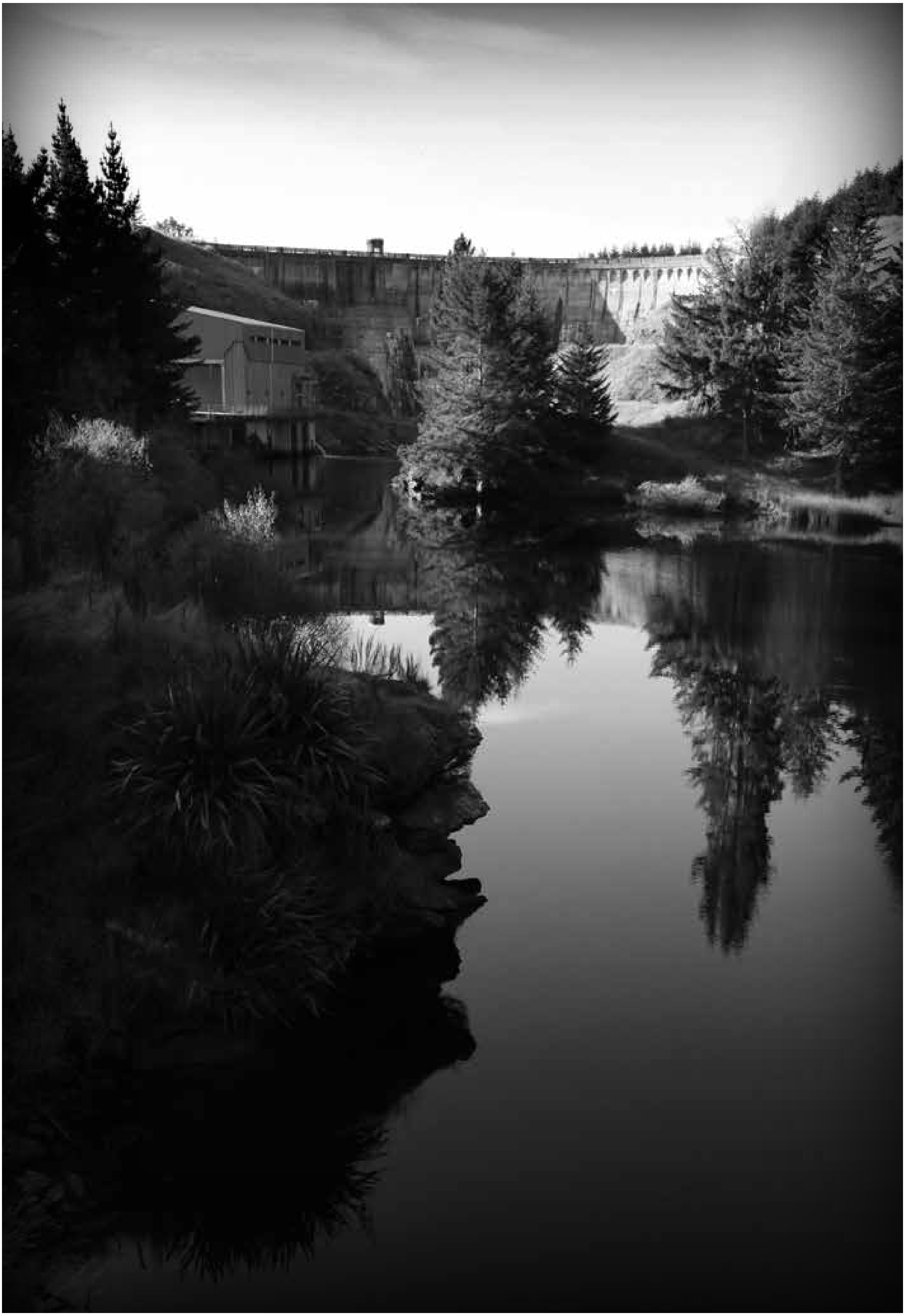
At a more material level, the continuing growth in telecommunication customers is positioning Trustpower as a material participant in this sector with a differentiated product and not just a re-seller of services sourced from other companies.

The electricity industry received a clean report from the Ministerial Inquiry draft report. There is no evidence that either the retailing or generation parts of the New Zealand industry are anything but efficient and highly competitive. Recent complaints by some new-entrant retailers about volatility of wholesale electricity prices appear to be symptomatic of poor business models or taking too much risk.

Electricity demand continues to increase after stagnating for the decade since 2004. This upswing in demand is likely to accelerate as a swath of policy measures are introduced to reduce New Zealand's CO_2 emissions. As always with government interventions, they will be a curate's egg and at least some of the political rhetoric is concerning.

YEAR ENDED 31 MARCH SIX MONTHS ENDED 30 SEPTEMBER	30 SEPTEMBER 2018	30 SEPTEMBER 2017	31 MARCH 2018
Retail electricity sales	1,067 GWh	1,090 GWh	1,784 GWh
Generation	1,166 GWh	1,325 GWh	2,235 GWh
Av. market electricity price	8.3c/kwh	8.9c/kwh	8.8c/kwh
Electricity accounts	270,000	273,000	273,000
Gas accounts	38,000	37,000	37,000
Telecommunication accounts	91,000	80,000	87,000
Customers with multiple services	102,000	94,000	100,000
EBITDAF	**$129.6m**	**$159.1m**	**$243.1m**
Investment spend	$11.4m	$15.9m	$27.9m
Infratil's holding value [1]	$995.2m	$877.0m	$893.0m

1. NZX market value at period end.



TILT RENEWABLES

Tilt's EBITDAF was up 36% on the same period last year. Generation from existing assets was up 17% (144 GWh) and the newly commissioned Salt Creek contributed 57 GWh in its first few months of operation. 31 GWh (4%) of Australian generation was however lost due to transmission system constraints.

Alongside the good operating period, Tilt significantly progressed several development projects.

Salt Creek: Victoria (54 MW. 172 GWh projected average annual generation. Budgeted cost A$105 million. All electricity sold on contract to Meridian Energy Australia until 2030).

Construction of Salt Creek started September 2017 and concluded (on time and under budget) in July 2018 and it is now performing well.

Dundonnell: Victoria (336 MW. 1,230 GWh projected average annual generation. Projected cost A$560 million. 37% of output covered by a support agreement with the Victorian State Government and 50% of output sold on contract. Both contracts will support revenues to 2035).

Tilt expects construction to start in early 2019 and to finish before the end of 2020. Funding is to be met; A$260 million through a pro-rata equity issue with the rest to be debt or from free cash flow. Infratil has indicated its support for Tilt's equity issue.

Waverley: Taranaki (100-130 MW. ~400-500 GWh of annual generation).

Terms have been agreed with Genesis Energy for the long-term offtake of output and a decision to progress construction could be made before the end of FY2019. All environmental approvals are in place.

Progress was also made at **Rye Park** (NSW 300 MW) and **Waddi** (WA 105 MW) wind farms, the **Snowtown** battery (SA 20 MW), and the **Highbury** pumped hydro (SA 300 MW). In addition, Tilt now has more than 750 MW of planning-approved solar projects in Australia.

Wholesale energy prices in the eastern/south Australian states have remained firm care of high gas prices, but regrettably, as was inevitable, the price of Large-scale Generation Certificates (LGCs) has fallen significantly and probably permanently. LGCs are required by retailers and some consumers to indicate that a part of the electricity they sold or used came from renewable sources. As a generator of renewable electricity, Tilt is granted LGCs which it sells into this demand.

The fall in the price of LGCs is due to a growing supply of renewable generation and less favourable Federal Government policies. There is little immediate impact on Tilt's earnings as the prices for the LGCs sold this year and next have been hedged, but future revenues will be lower, in particular from Snowtown 1 when it becomes "merchant" from 2019, and at Salt Creek where LGCs are not included in the power offtake agreement. Reflecting this, Tilt has revalued its generation assets and the lower projected earnings has seen the value of its Australian generation fall by A$128.5 million to A$801.0 million. This reverses a previous value uplift.

Another reminder of the challenging Australian regulatory market came from having 31 GWh of generation curtailed in South Australia because of the system stability constraint put in place by the market operator.

YEAR ENDED 31 MARCH SIX MONTHS ENDED 30 SEPTEMBER ALL AUSTRALIAN $ (UNLESS NOTED)	30 SEPTEMBER 2018	30 SEPTEMBER 2017	31 MARCH 2018
NZ generation	358 GWh	278 GWh	571 GWh
Av. NZ electricity price	7.3c/kwh	7.4c/kwh	6.9c/kwh
NZ revenue	NZ$26.1	NZ$20.6m	NZ$39.2m
Australian generation	712 GWh	591 GWh	1,225 GWh
Av. Aust electricity price (A$)	10.2c/kwh	9.5c/kwh	9.9c/kwh
Australian revenue	$72.5	$56.3m	$121.7m
EBITDAF	**$66.9m**	**$49.3m**	**$103.8m**
Investment spend	$46.7m	$19.7m	$83.6 m
Net debt	$591.2m	$555.0m	$593.1m
Infratil's holding value [1]	NZ$427.8m	NZ$329.1m	NZ$285.9m

1. NZX market value at period end. In the 6 months to 30 September 2018 Infratil invested $55 million increasing its shareholding from 51% to 58%.

LONGROAD ENERGY

Two years after establishment, Longroad's energy services business has become cash flow positive, its development activities have resulted in construction starting on two major generation facilities, one of which has already been sold for a profit, and the pipeline of future opportunities continues to expand.

During the period, Longroad management exercised rights to buy shares in the company to take their ownership to 20%, from 10%. There are now no outstanding equity options.

- From its Portland Maine operations centre, Longroad technicians monitor and manage 425 solar and six wind generation facilities spread from New England to Hawaii. 684 MW of the capacity is owned by Longroad and 552 MW is managed for other owners. The services team monitor and manage each site 24/7, dealing with grid operators and responding to performance issues in real time, either remotely or in coordination with site personnel. They also undertake analysis of each facility to ensure optimal performance and coordinate maintenance.
- Construction commenced on Longroad's US$397 million 250 MWac Phoebe solar photovoltaics generation project in Winkler County, Texas, with completion expected in the second half of 2019. Project revenues have been secured with 89% of the 738 GWh of projected annual generation covered by a long-term contract with Shell Energy. Longroad's interest in this project has already been entirely sold to Innergex Renewable Energy which is building a portfolio of such investments. This enabled Longroad to crystallise the project's value and to free up its capital for further development opportunities.
- Construction also started on the US$300 million 238 MW Rio Bravo wind farm in Starr County, Texas. US$200 million of the funding has been committed from 3rd party lenders with the balance to be drawn from shareholders. Generation revenues have been secured with 80% of the projected 800 GWh per year of output covered by a long-term contract with Citigroup Energy. Rio Bravo is due to be completed in mid 2019, with a decision on retention or sale expected before then. The investment environment for quality contracted renewable generation assets is highly competitive.
- The Longroad team are continuing to progress the development pipeline of solar-PV and wind generation projects, which is now approximately 8,000 MW. A number of immediate opportunities are being pursued to capitalise on the investment made in Tax Credit qualified wind turbines and solar panels which are exempt from the Federal solar import tariffs.

As at 30 September 2018 Infratil had provided $62.0 million to Longroad net of distributions, which has a book value of $84.5 million.

31 MARCH PERIOD FIGURES ARE YE 31 DECEMBER 2017 30 SEPTEMBER PERIOD FIGURES 9 MONTHS NZ$ MILLION UNLESS NOTED	30 SEPTEMBER 2018	31 MARCH 2018
Infratil aggregate investment amount	$137.9m	$66.8m
Infratil capital received back	$75.9m	$28.9m
Infratil share of accounting gains/(losses)	$22.5m	($21.9m)
Infratil book value	$84.5m	$16.0m
Period EBITDAF [1]	**US$35.6m**	**(US$5.6m)**
Period net surplus before tax [1]	US$74.3m	(US$22.6m)
Period operating cash flow [1]	US$12.9m	(US$5.3m)
Owned generation	684 MW	684 MW
Managed generation	1,236 MW	1,236 MW
Employees	81 people	74 people

1. Longroad has a 31 December financial year. US$ figures are for the year ended 31 December 2017 and for the nine months ended 30 September 2018.

PERTH ENERGY

After three disappointing years, Perth Energy has restored its profitability, for which diligent management deserve considerable credit.

The result benefited from a A$16.1 million gain from Perth Energy's management of a part of its 2017 and 2018 obligations to surrender Large-scale Generation Certificates (LGCs), which are created by renewable generators. As an energy retailer, Perth Energy is obliged to surrender LGCs for a proportion of the electricity it supplies to customers. To meet this obligation for electricity sold in 2017 and early 2018, Perth Energy chose to pay the regulator the shortfall charge of A$65/MWh as opposed to surrendering LGCs which at that time had a market value of circa A$87/MWh.

The market value of LGCs has now fallen to A$25/MWh as new renewable supply has come on-line and Perth Energy has been able to secure options to buy LGCs at about that price to cover the 2017 and 2018 obligations previously met via the shortfall charge. In 2021 and 2022 Perth Energy, will surrender the LGCs purchased on market and will receive a cash refund of approximately A$27 million for the shortfall payments. The net gain of these transactions has been recognised in the half year results as a reduction in energy costs. This approach to surrendering LGCs is in accordance with the Renewable Energy Act which expressly contemplated the lumpy nature of renewable investments and consequent LGC price volatility.

This was however only part of the reason for the improved result. Generation activities continue to do well and retailing is experiencing the benefit of having restructured its hedge contracts on the one hand and, on the other, from focussing on more profitable customer segments. Greater integration of the generation and retailing activities is also continuing to provide benefits in the form of a lower energy cost for the retail book.

With profitability restored this is an opportune time to review Infrail's ten year involvement in Perth Energy. The original expectation was that the Western Australian market was going to liberalise and would be attractive for investors with access to expertise. However, progress on market reforms were slower than originally anticipated, although they are continuing. This may make it a good time to recommit, or it may be best to pass the opportunity to other market participants.

YEAR ENDED 31 MARCH SIX MONTHS ENDED 30 SEPTEMBER ALL AUSTRALIAN $ (UNLESS NOTED)	30 SEPTEMBER 2018	30 SEPTEMBER 2017	31 MARCH 2018
Generation revenue	$13.8m	$12.5m	$29.8m
Retail revenue	$110.3m	$122.3m	$245.8m
Other revenue	$4.6m	$2.6m	$13.8m
Operating and energy costs	($105.4m)	($143.2m)	($294.8m)
EBITDAF	**$23.3m**	**($5.8m)**	**($5.3m)**
Infratil's holding value	NZ$76.2m	NZ$61.9m	**NZ$61.7m**

WELLINGTON AIRPORT

Wellington Airport experienced a solid operating period. Relative to last year; international passengers were up 4.3%, domestic travellers were up 4.8%, and EBITDAF was up 4.8%.

In the second half of the year the $300 million development programme that commenced in 2015 will be concluded. Over the same period, plans for the next five years will be progressed.

Airport management are making strides towards carbon-neutral operations. Waste and energy consumption are declining and trees are being planted under the Trees That Count scheme.

International passenger growth was mainly from the Singapore service which commenced in 2016 and is continuing to build. Utilisation was boosted by the airline changing the inter-link to Melbourne from Canberra.

During winter Airbus trialled their new A350 aircraft at Wellington to ascertain its safe operating guidelines. This was arranged by the Airport in the hope that once the aircraft is certified, airlines will use it in Wellington as it enters their fleets. It is indicative of the Airport's proactive approach to accommodating and simulating growth.

Timely investment in facilities lowers airlines' operating costs and provides a pleasant and convenient experience for passengers. Stimulating growth takes the form of route marketing, support agreements with airlines, initiatives to get aircraft certification, and projects such as that underway to extend the runway to allow direct air links between central New Zealand and Asia and North America.

However, at present the Airport is facing an array of regulatory headwinds. Progressing the consents required for the runway extension remains parked pending a decision by the aviation safety agency. Government is to impose a new levy on some people who visit New Zealand. Aviation security and boarder charges are all increasing.

With consultation about to start with airlines about their needs and the Airport's plans for the period to 2023, management are working through the consequences of the Commerce Commission's recent reports on the five year plans of Auckland and Christchurch Airports.

A different challenge was finally surmounted with the opening of the Airport's multi-level car park and transport hub. The high cost of this facility (over $70,000 per car park) reflects Wellington's constrained and small site and tectonic environment.

YEAR ENDED 31 MARCH SIX MONTHS ENDED 30 SEPTEMBER	30 SEPTEMBER 2018	30 SEPTEMBER 2017	31 MARCH 2018
Passengers Domestic	2,716,264	2,592,615	5,249,358
Passengers International	448,316	429,823	895,605
Aeronautical income	$40.6m	$37.6m	$76.2m
Passenger services income	$20.5m	$20.1m	$40.3m
Property/other	$6.3m	$6.1m	$12.2m
Operating costs	($17.8m)	($16.5m)	($33.3m)
EBITDAF	**$49.6m**	**$47.3m**	**$95.4m**
Investment spend	$44.8m	$40.3m	**$85.1m**
Infratil's holding value [1]	$449.1m	$397.5m	$471.9m

1. Infratil's share of net assets excluding deferred tax at period end.


PORE AIRLINES
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NZ BUS

NZ Bus delivered an EBITDAF of $13.2 million, which included $3.1 million of one off costs from reorganisation and re-contracting, and the effect of a lag between higher fuel costs and indexed contract income.

Compared to the prior period, the results were affected by lower advertising revenues which reflects the new contract terms, reduced charter revenue as the business focussed on public transport services, the withdrawal from the Hutt Valley, and a reduced Go Wellington business.

After the current year, earnings are expected to grow. Tauranga will be operating and revenue growth is also anticipated from contract indexation and variations.

Contacted income covers indexed costs (such as this year's increased diesel price) and largely insulates operators against fluctuations in patronage. There are only a small number of exceptions to this regime, such as Wellington's Airport Flyer.

The Auckland and Wellington service networks have now been fully implemented with both central Auckland and Wellington contracts commencing in July 2018 and northern Auckland contracts in October. Tauranga is to go live in December 2018.

One key requirement with the new contracts is punctuality. Missed or late services incur penalties. However, by working with transport agencies persistent discrepancies and traffic congestion caused by road-works can be accommodated by amending timetables.

NZ Bus is continuing its trial of battery-electric buses with its converted trolley prototype having now completed over 15,000 in-service kilometres of operation in Wellington over the last 6 months. Further roll-out of this innovative product is under discussion with Greater Wellington Regional Council.

The business is nearing the end of the strategic review started earlier in the year.

YEAR ENDED 31 MARCH SIX MONTHS ENDED 30 SEPTEMBER	30 SEPTEMBER 2018	30 SEPTEMBER 2017	31 MARCH 2018
Passengers North	17,585,310	17,727,128	34,248,220
Passengers South	5,949,132	10,934,497	20,961,696
Bus distance (million kilometres)	18.4m	18.2m	40.0m
Bus numbers	918	1,027	1,001
Passenger income	$34.4m	$58.0m	$109.6m
Contract income	$63.7m	$50.8m	$103.8m
EBITDAF	**$13.2m**	**$17.9m**	**$33.4m**
Investment spend	$12.7m	$11.4m	$19.1m
Infratil's holding value	$180.0m	$179.0m	$167.1m


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CANBERRA DATA CENTRES

By 30 September 2018, CDC's EBITDAF run rate was A$71 million up from A$69 million as at 31 March 2018. Projections are for FY19 growth in revenues to exceed budget and for an end of year EBITDAF run rate of over A$83 million.

Demand from CDC's core customer group of government agencies continues to grow, as does utilisation associated with cloud computing service providers. The latter offer software tools and services which require considerable data storage and processing capability; both in their own right and for their customers.

Construction of the A$150 million 21MW Fyshwick 2 data centre is on time and on budget with occupation by clients to start before the end of the year.

Although construction is not yet finished, utilisation of Fyshwick 2 is already sufficiently contracted to justify CDC starting site preparation work for the 50MW Hume 4 centre at CDC's other Canberra campus. This would represent a very substantial increase in CDC's capacity and would be one of the largest data centres in Australia.

Work is progressing to ascertain demand, costs, and to secure funding. A decision to commence construction could be made before the end of this financial year.

Management are committed to CDC's core remaining at its two Canberra campuses, but work is also underway to ascertain the merits of a data centre in another region.

For the Australian data centre sector as a whole, there is both strong growth in demand and revenue, and considerable investment occurring in capacity. In this context, CDC's objective is to continue to meet the needs of its core customer base with a suite of services and capabilities tailored to government, cloud, and nationally critical infrastructure.

As illustrated by the high level of pre-contracted utilisation of Fyshwick 2, it is practicable to ensure that supply and demand remain in step.

YEAR ENDED 31 MARCH SIX MONTHS ENDED 30 SEPTEMBER ALL AUSTRALIAN $ (UNLESS NOTED)	30 SEPTEMBER 2018	30 SEPTEMBER 2017	31 MARCH 2018
Capacity	39MW	39MW	39MW
Space utilization	91%	74%	78%
EBITDAF	**$31.7m**	**$22.7m**	**$55.8m**
Investment spend	$43.0m	$11.0m	$45.8m
Net debt	$364.6m	$328.6m	$330.5m
Infratil earnings	NZ$30.2m	NZ$18.9m	NZ$56.1m
Infratil's holding value	NZ$487.8m	NZ$435.2m	NZ$453.2m

RETIRE AUSTRALIA

RetireAustralia is making good progress developing new apartments and care facilities. As previously indicated, FY2019 is to be a year of almost no capacity increase, followed by receipt of over 600 units over the following three years. This forecast remains intact.

RetireAustralia is also on track to be able to offer care services to all its residents in NSW and South Australian villages in 2019; with Queensland to be brought on line as new villages are completed in 2020.

Underlying profit was A$9.1 million down from A$27.3 million last year. This reflected fewer sales of new units (A$5.7 million lower contribution) and a lower rate of increase in unrealised deferred management fees (A$6.7 million from A$17.9 million). Reported profit was a negative A$19.0 million as against last year's positive A$19.5 million, due to revaluation of units of -1.2% after last year's +4.3%. The adjustment from reported to underlying profit is:

A$ MILLIONS	SEPTEMBER 2018	SEPTEMBER 2017
Reported profit	($19.0m)	$19.5m
Back out revaluations	$21.5m	($12.7m)
Add development margins	$1.1m	$6.8m
Add resale gains	$5.6m	$5.3m
Add Deferred tax	-	$8.4m
Underlying profit	$9.1m	$27.3m

Earnings for this year are being adversely impacted by the downturn of the Australian residential property market and by adverse media coverage of the retirement living and aged care sectors' which was a contributing factor behind the Federal Government announcing a Royal Commission into Australian aged care quality, services and cost.

In the long term this will be helpful for the sector, or at least for the good operators, but in the short term such inquiries tend to cast a cloud until they report, which may mean restricted demand for retirement village accommodation through 2019.

Although the inquiry is only into aged care, the public does not discriminate between retirement villages and residential aged care.

Only a small percentage of RetireAustralia's residents receive government funded home care services provided by third-parties or RetireAustralia's home care team. RetireAustralia actively participates in industry and regulatory forums seeking to improve the experience of the 200,000 people who live in Australian retirement villages.

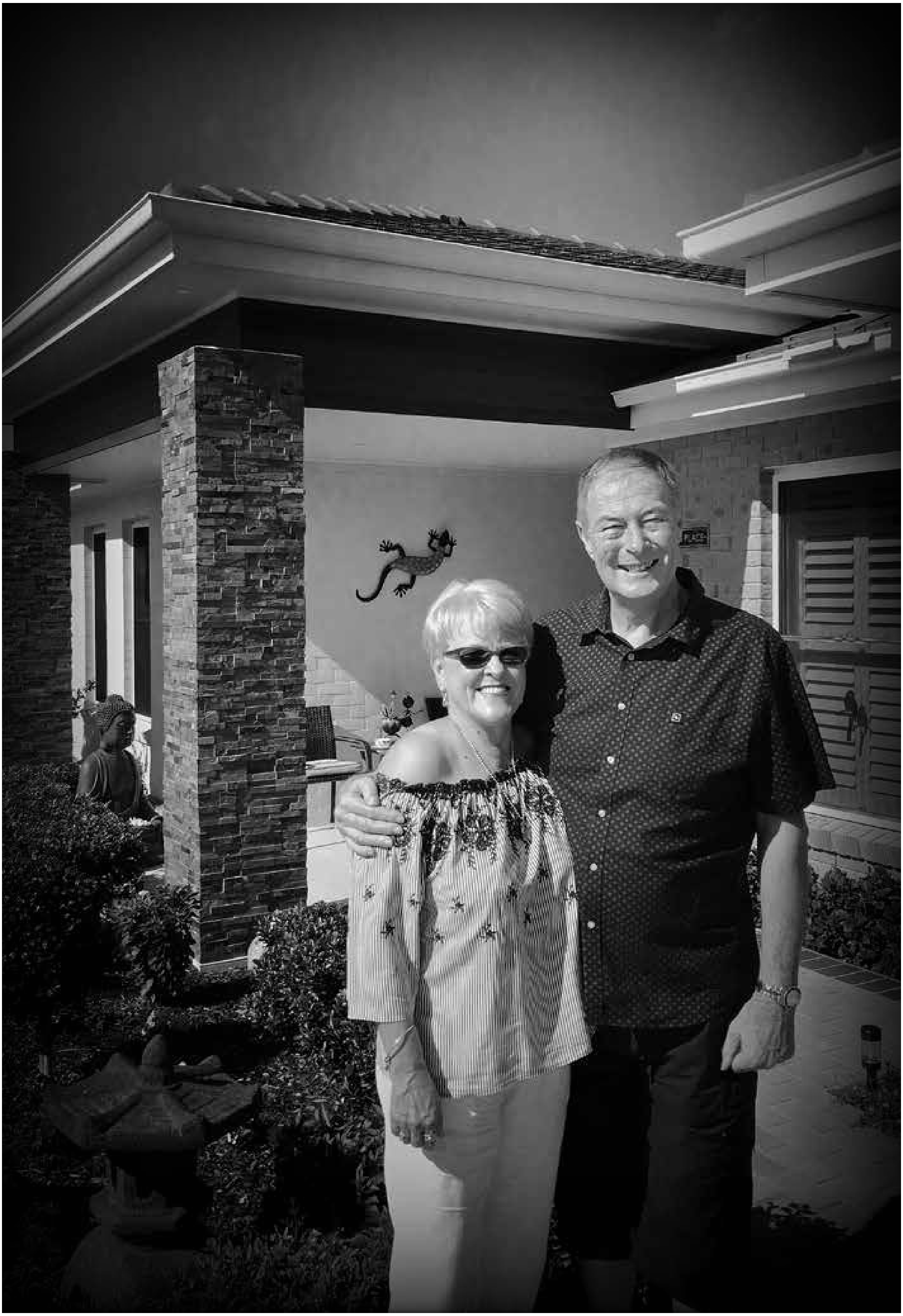
The other market headwind is coming from a weak residential property market particularly in Sydney and Melbourne. RetireAustralia is monitoring the list prices of the units it has for sale to ensure they are consistent with the local market.

RetireAustralia's consented village developments are:

- Burleigh Golf Club. New village. Brisbane. 177 units
- Fancutts Tennis Centre, Lutwyche. New village. Brisbane. 216 units
- Tarragindi Bowls Club. New village. Brisbane. 94 units
- Wood Glen. NSW. Existing village. Central Coast. 69 units
- Glengara. Existing village. Central Coast. 70 units
- Forresters Beach. Existing village. Central Coast. 75 units

YEAR ENDED 31 MARCH SIX MONTHS ENDED 30 SEPTEMBER ALL AUSTRALIAN $ (UNLESS NOTED)	30 SEPTEMBER 2018	30 SEPTEMBER 2017	31 MARCH 2018
Residents	4,953	4,985	4,968
Serviced apartments	465	465	465
Independent living units	3,520	3,483	3,509
Unit resales	128	131	238
Resale gain per unit	$133,504	$136,000	$131,513
New unit sales	9	39	51
New unit average value	**$778,778**	**$631,400**	**$621,588**
Occupancy receivable /unit [1]	$107,770	$99,920	$104,306
Embedded resale gain/unit [1]	$41,874	$44,100	$43,112
Underlying profit	$9.1m	$27.3m	$33.7m
Net profit after tax	($19.0m)	$19.5m	($8.3m)
Capex	$29.3m	$38.4m	$66.4m
Net external debt	$173.4m	$230.2m	$153.3m
Infratil's holding value	NZ$317.0m	NZ$287.1m	NZ$319.0m

1. The values are estimates of point in time value. What RetireAustralia would receive in cash for deferred occupancy fees and capital gains if all residents left and the occupancy rights were resold on that particular date. The resale values were estimated by independent valuers based on market and actual transactions.



OTHER INVESTMENTS

AUSTRALIAN NATIONAL UNIVERSITY STUDENT ACCOMMODATION

The portfolio of 4,184 apartments and rooms are fully occupied for the 2018 academic year, with significant demand unmet. To increase capacity, Infratil contributed $9.1 million to acquire 50% of the concession for an additional 450 apartments which are being built by the University as a part of its Union Court project.

The project also includes retail, recreational and office space, which will add to the vibrancy of the campus and improve the amenity and surrounds for the students living there. The new apartments are expected to be completed in time for the 2019 academic year.

For the six months, ANU Student Accommodation provided Infratil with $5.5 million of income. As at 30 September 2018 the holding had a book value of $107.3 million inclusive of the $9.1 million payment towards the capacity increase.

The investment is providing exactly the type of solid cash income and incremental growth opportunities originally contemplated. However, Infratil is now reviewing the investment as it seems likely that opportunities to scale up via other universities will be limited.

SNAPPER

Snapper is now providing fare collection services directly to Greater Wellington Regional Council and all Metlink buses now accept Snapper. This is a significant development, requiring new equipment, new fares (peak/off-peak, tertiary, and a transfer discount across the network), new tools for reporting and analysing data, and services that monitor performance. These improvements have been seamless, a great achievement given the well-documented issues with the new network.

At the same time, Snapper has also released a beta version of its account-based ticketing service, RideBank, which allows transport authorities to offer a complete digital experience for public transport users. This is similar to the transition banks went through when they moved from branches to mobile banking. RideBank lets a customer set up an account which their public transport fares are billed against meaning no need to reload a card, and the ability to fix trips so the correct amount is always paid. It allows integration of public transport with other forms of transport such as ride-sharing (e.g. Uber), car-sharing (e.g. Mevo) and bike-sharing (e.g, Onzo) meaning that Transport Authorities can provide a fully integrated transport experience - reducing congestion and emissions.

Infratil is seeking a new home for Snapper with a preference for an owner who can leverage Snapper's capability. Snapper has demonstrated that it can deliver locally and internationally and the ideal new owner would have global exposure to the public transport market to enable further growth.

INFRATIL INFRASTRUCTURE PROPERTY

In September, construction started on the first stage of IIP's planned development of its 1.7 hectare site in Auckland's Wynyard Quarter. The first building is a $66 million seven story 154 room Travelodge Hotel which also contains office space, 385 car parks and ground floor retail. The hotel will be open well before the 2021 America's Cup regatta.

NZ Bus continues to lease the balance of the site for its central city depot.

The reduced size of NZ Bus means that some sites currently used for depots can either be sold or developed for higher value uses. The highest profile opportunity is the Kilbirnie depot in Wellington. This 2.4 hectare property is located in a residential area with good access to shops, restaurants, schools and recreational facilities. It is zoned to allow medium density apartments, which would be an ideal development at a time when Wellington's lack of residential properties is causing considerable angst.

ENVISION VENTURES FUND

(now rebranded as Clearvision Ventures Funds)

During the period, Infratil provided Clearvision with an additional US$3.3 million. Infratil has committed up to US$25 million of which US$13.0 million has now been advanced. Infratil's book value of the investment was $18.1 million as at 30 September 2018. The other two partners in Clearvision, Schneider Electric and Envision China, have committed a combined US$125 million.

The additional funds enabled Clearvision to invest in Boston based Climacell which provides hyper accurate weather forecasts. It was established by individuals from the Harvard Business School and the MIT Sloan School of Management, some of whom were military jet pilots who had experienced the challenge of flying in unknown weather. Climacell builds forecasts by collating sensor data from a wide range of sources; cars which transmit location specific information about air temperature, wind and windscreen-wiper status, wireless communication devices where the strength of signal indicates ambient moisture, etc. Climacell can forecast down to a few metres and a few minutes, which is useful for airports, taxis, airlines, venues and hedge funds.

Another of Clearvision's companies used by hedge funds (and others) is Orbital Insights which uses AI to interpret information from publicly available satellite images to forecast retail sales (counting cars in Walmart parking lots), to forecast Tesla's growth by counting vehicles arriving and departing from its production facilities, as well as to assist with recovery after storms.

The portfolio is tracking to expectations with ChargePoint continuing to be the top performer. Around the world it now has over 60,000 electric vehicle charging stations. Autogrid is also best in class as a supplier of advanced electricity grid applications and management.

AUSTRALIAN SOCIAL INFRASTRUCTURE PARTNERS (ASIP)

The A$1.85 billion Royal Adelaide Hospital has now been open and operating at full capacity for 12 months. During that time approximately 85,000 inpatients and 400,000 outpatients have received treatment.

The teething issues associated with commencing service delivery in such a complex environment have been largely resolved. Resolution of legacy construction issues between the State and the hospital's builder is also pending with an arbitration decision on claims expected in coming months.

ASIP's Queensland Schools continue to operate in accordance with contractual requirements. A refinancing of the debt associated with these assets has recently been concluded and the facilities now match the remaining 21 years of the concession.

CLIMATE CHANGE

Wellington Airport personnel planting native trees on Miramar Peninsula with Te Molu Kairangi and Trees that Count.

CLIMATE CHANGE, REGIONAL DEVELOPMENT, INFRASTRUCTURE PLANNING & PROCUREMENT: GOVERNMENT POLICY

Infratil management are actively participating in three areas of interesting government policy development which have the aim of:

- Reducing New Zealand's greenhouse gas emissions
- Stimulating investment into New Zealand's regions to lift their prosperity and provision of jobs
- Improving central government's capacity to anticipate infrastructure needs and to see the needs met

CLIMATE CHANGE

Quite possibly the most material long-term outcome of the current Government will be the regulations and institutions it creates to limit national emissions of CO_2. Broadly there are two approaches which can be followed. One involves placing a cost on emissions, to encourage individuals and businesses to change their behaviour to reduce the cost they incur and hence emissions. The other involves direct government interventions which penalise or ban emissions and subsidise or oblige non-emitting behaviour.

Infratil has expressed its unequivocal support for the former approach; policies which place a cost on emissions and let individuals and businesses make their own decisions.

Bans and subsidies have been shown in almost all instances to carry a high cost for each tonne of CO_2 avoided.

However, there are two key areas where government will have to take steps beyond just creating a cost on carbon emissions.

- Leakage. Ensuring that steps taken in New Zealand don't push activities to other countries where the activity will continue with even greater emissions. For instance, if the Tiwai Point aluminium smelter closed, New Zealand CO_2 emissions would fall by approximately 1.2 million tonnes a year (although longer term this saving would probably be closer to only 700,000 tonnes as other uses for the electricity used at the smelter emerge). But if production shifted to a country with coal and gas fired electricity generation smelting the same amount of alumina could result in 4.2 million tonnes a year of emissions.

  Local virtuousness would have cost 3,000 people their jobs and increased global annual CO_2 emissions by 3.5 million tonnes.
- Alternatives. If the price of CO_2 emissions were \$100/tonne it would add about 30 cents/litre to the price of petrol. Tough on the person who can only use a car to get to work. Alternatives will need to be available to provide choices and to enable people to change their behaviour.

The key point made in Infratil's submissions on the Zero Carbon Bill and the Emission Trading Scheme is that if the new rules, regulations and institutions are sensible and stable, investors such as Infratil will provide capital for renewable electricity and the infrastructure required to smooth the path to New Zealand's low-carbon future. At least some of the proposals now under consideration will not lead to this outcome.

Copies of Infratil's submissions are available on the Ministry for the Environment website or by contacting Infratil.

Infratil also produced an Update newsletter on the topic of investing in renewable generation which sets out a simple formula for reducing energy emissions at the least cost. In essence, the less that Government meddles with electricity generation the more available will be capital to expand capacity and the lower will be the price of electricity. A low electricity price will make for an easier transition away from oil, gas, and coal for motorists, producers and householders.

Any direct intervention by government will create distortions and will result in higher electricity prices, less reliability, or large subsidies at a time when government resources will be needed elsewhere to smooth the transition to a low carbon economy. https://infratil.com/assets/Uploads/20180928-Infratil-Update-Newsletter-Sept-2018.pdf

PROVINCIAL GROWTH FUND

One of the largest costs faced by New Zealand relates to building transport, social, municipal and energy infrastructure to accommodate Auckland's population growth. Since Infratil was established in 1994 the Auckland population has risen by approximately 600,000 people, almost 50% of the national population increase over that period. People are attracted to Auckland because of jobs.

Other than by restricting immigration and where people can live or work, the only alternative is to stimulate economic activity in the provinces. And given the scale of the Auckland infrastructure cost, the programme to boost the amount of work elsewhere needs to be substantial.

The PGF is an innovative and brave initiative to encourage and expand investment in the West Coast, Waikato, Te Tau Ihu, Taranaki, Tairawhiti, Southland, Otago, Northland, Manawatu-Whanganui, Hawke's Bay, Chatham Islands, and Bay of Plenty. It is clearly more risky for government to allocate capital to job-creation in these areas than it is to keep spending on Auckland infrastructure. But if it works it will be a much better allocation of national resources.

Infratil has indicated to the Minister in charge of the PGF, Hon Shane Jones, and his team a willingness to co-invest with the fund and a number of ideas have been put forward.

INFRASTRUCTURE FORECASTING AND IMPLEMENTING

Government is consulting over the establishment of a new agency which would be tasked with developing forecasts of infrastructure needs and with helping to meet those needs.

Infratil's submission supported the intension and made two main suggestions:

- The forecast of infrastructure needs should avoid proscribing solutions. If needs are known, an open-minded approach to how they should be met could well result in proposals that were innovative and better than the obvious.

  Urban mobility is one example. It is generally recognised that alternatives to private cars are required and there has probably never been as many options. Trams, ride-share vehicles, bikes/scooters/cars which are available to anyone to use and leave as suits, electric bikes/scooters, and possibly even autonomous vehicles. An approach to meet increasing demand for mobility which was entirely open-minded could well result in something much better than tried-and-tested.

  Not surprisingly, Infratil considers the current model of entirely government designed, funded and owned provision of infrastructure to have fundamental shortcomings.

- The agency should have a high level of capability, which means well paid and incentivised staff, and good governance. Not a radical seeming suggestion, but actually it probably is.

Copies of Infratil's submission is available on The Treasury website or by contacting Infratil.

One point which became clear during preparation of Infratil's submissions on the Climate Change and Infrastructure policies, was how helpful the officials were in the Ministry for the Environment and The Treasury. Any questions were promptly and thoroughly addressed and individuals were very accessible.

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N Lough

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Calendar

Final Dividend Paid
18 June 2018

Annual Meeting
24 August 2018

Infratil Update Publication
September 2018

Half Year End
30 September 2018

Interim Report Release
13 November 2018

Interim Dividend Paid
14 December 2018

Financial year end
31 March 2019

Updates/Information

Infratil produces an Annual Report and Interim Report each year. It also produces other Update newsletters on matters of relevance to the Company. Most recently Infratil produced an Update in September 2018 on investing in Electricity Generation.

In addition, Infratil produces occasional reports on the operations of its subsidiaries. These are available at www.infratil.com.

All Infratil's reports and releases are on its website, which also contains profiles of Infratil's businesses and links.

Infratil