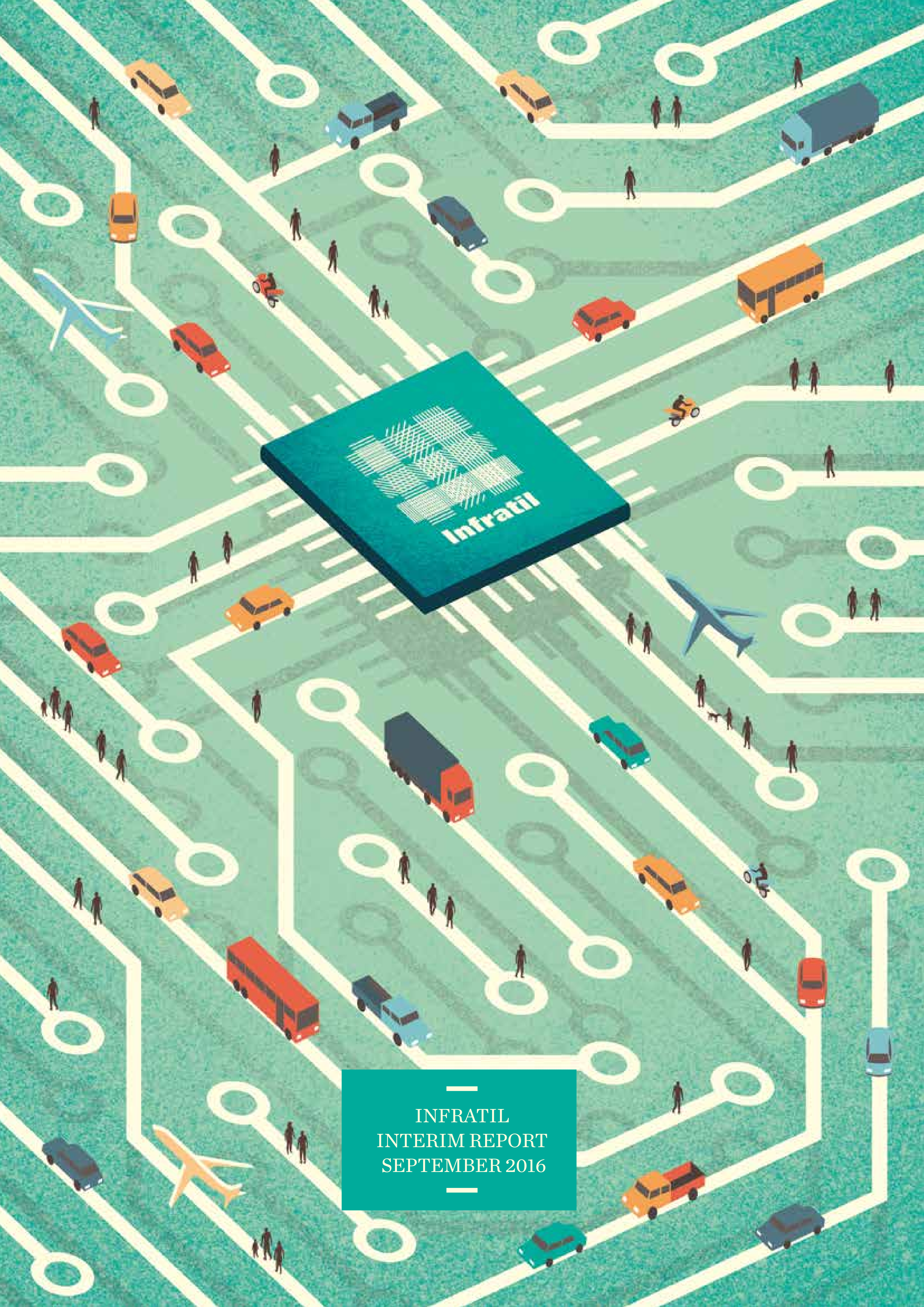


INFRATIL INTERIM REPORT SEPTEMBER 2016

Infratil owns infrastructure businesses that provide essential services to individuals and communities

These businesses create opportunities for profitable growth if they are efficient and provide services and facilities that meet expectations and needs

All of our key businesses require continual refinement and improvement as the demands of individuals and communities evolve and business practices and technology change

Highlights

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Infratil's businesses provide:

- Renewable electricity generation to 278,000 households.
- Telecommunications or internet to 69,000 households.
- Airport facilities to 115,000 people per week.
- Retirement accommodation for almost 12,000 people.
- Student accommodation for 5,000 people.
- Public transport trips for over 1 million per week.
- Critical data storage facilities for key Australian government agencies.

Net parent surplus from continuing operations for the period was $28.9 million compared with $28.3 million for the same period last year.

- The prior period also included gains of $407.1 million from assets sold at that time. There were no asset sales this year.

Consolidated underlying EBITDAF from continuing operations [1] was $246.0 million ($253.1 million for the same period last year and $462.1 million for the last full year).

Guidance for full year underlying EBITDAF is tracking at the bottom end of our previously announced guidance range of $485-$525 million (last year actual $462.1 million). [2]

$599.8 million of capital was invested over the period ($62.4 million the prior period).

- $44.0 million by Wellington Airport
- $42.9 million by NZ Bus, Trustpower, IIP and others
- $16.6 million by RetireAustralia
- $84.8 million to acquire an interest in student accommodation at the Australian National University
- $411.5 million to acquire an interest in Canberra Data Centres

Guidance for full year capital investment is in the range of $700-$750 million ($200.9 million last year).

Net debt of Infratil and wholly owned subsidiaries as at 30 September 2016 was $812.7 million from $295.9 million as at 31 March 2016 (31% of total capitalisation from 14%).

- Over the period $150 million of Infrastructure Bonds were issued refinancing $100 million of 8.5% per annum coupon bonds which matured. The average coupon of the new bonds was 5.1% per annum.
- As at 30 September 2016 a net $194.3 million was on deposit and $246.0 million of bank lines were undrawn. At the start of the period a net $661.1 million was on deposit and $276.0 million was undrawn.

The interim dividend of 5.75 cents per share will be paid on 15 December 2016 to shareholders of record on 28 November 2016. Last year the interim dividend was 5.25 cents.

1. Underlying EBITDAF is a non-GAAP measure of financial performance, presented to show management's view of the underlying business performance. Underlying EBITDAF represents consolidated net earnings before interest, tax, depreciation, amortisation, financial derivative movements, revaluations, gains or losses on the sales of investments, and includes Infratil's share of Metlifecare and RetireAustralia's underlying profits. Underlying profit for Metlifecare and RetireAustralia removes the impact of unrealised fair value movements on investment properties, impairment of property, plant and equipment, excludes one-off gains and deferred taxation, and includes realised resale gains and realised development margins.
2. Guidance is based on management's current expectations and assumptions about the trading performance of Infratil's investments and is subject to risks and uncertainties, is dependent on prevailing market conditions continuing throughout the outlook period and assumes no major changes in the composition of the Infratil investment portfolio. Trading performance and market conditions can and will change, which may materially affect the guidance.

Chairman and Chief Executive Report

The period since 31 March 2016 has seen Infratil establish new positions in a number of new platforms to substantially complete the asset allocation changes which have been underway over the last three years. Over those years approximately $1,500 million has been invested and $ 1,250 million raised from divestment as Infratil has positioned to lift its exposure to growth infrastructure which will drive future returns to shareholders.

Although the changes are material, perhaps surprisingly, businesses which three years ago made up 77% of Infratil continue to make up 75% today. Selling Z Energy and Lumo and buying into Canberra Data Centres, RetireAustralia, ANU student accommodation and Longroad are important events but haven't significantly changed Infratil's complexion in their establishment phase.

More importantly, even as some parts of Infratil have changed, goals and strategy have not. Infratil continues to provide its shareholders with exposure to growth infrastructure through businesses which aspire to deliver efficient services and facilities their communities and customers want. We continue to manage risk against any "worst case" event; should it come to pass.

The key growth characteristics of Infratil's core businesses are summarised below. It is important for shareholders to note that while Infratil now has a diverse set of investment platform options, individual investments continue to be at our discretion. Each of the following represents a significant growth opportunity:

Trustpower and Tilt Renewables: Separating Trustpower into two parts will create an improved platform for future investment. "New" Trustpower is a utilities retailer and hydro generator with stable and lower risk cash flows. Tilt on the other hand owns wind powered generation and has enormous renewable generation growth opportunity in Australia.

Longroad: While the total Australian renewable generation targets will require approximately $12 billion of investment over the next five years, the US market is over ten times larger, as are the opportunities. As is the case in Australia, the US renewable market is complicated and being able to understand and manage complex risks in the pursuit of opportunities will be critical and explains why Infratil has partnered with the highest calibre of expertise.

Wellington Airport: The $300 million construction programme now underway will accommodate recent growth and position the Airport for future demand. Its runway extension initiative is on track to create a major economic uplift for the region and New Zealand.

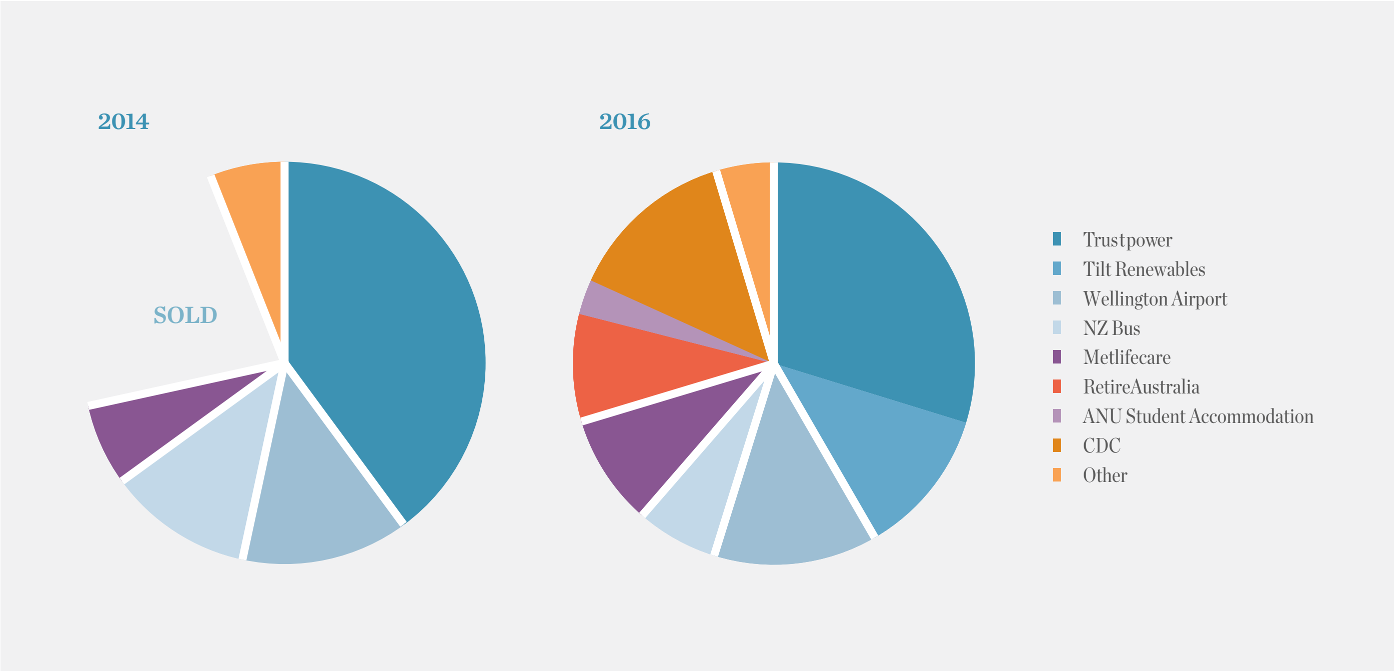
Canberra Data Centres: The astronomical expansion of electronic data and its transmission is giving rise to corresponding data infrastructure and security needs. CDC's proximity to Australian government agencies and unique capability is creating growing demand for its facilities.

NZ Bus: The rapid evolution of bus motive technology is propelling a change from diesel to electric. In New Zealand alone the CO_2 savings from the change will be approximately 100,000 tonnes a year and soon electric buses will also have whole-of-life cost benefits relative to diesels.

Metlifecare & RetireAustralia: New Zealand retirement accommodation is world leading in allowing the elderly to remain in their own homes for as long as possible, even if their care needs grow. Both New Zealand and Australia have growing elderly populations and the lessons learnt in New Zealand about how to better meet resident needs are applicable on the other side of the Tasman.

ANU Student Accommodation: The Australian National University concession creates an opportunity for Infratil and its partner, Commonwealth Superannuation Corporation, to build further accommodation within the Canberra campus.

These businesses create a tremendous exposure to a diverse range of investment opportunities. Establishing platforms with strong tailwinds and good management provides confidence around future capital deployment. Over the last five years with the acquisition of shareholdings in Metlifecare, RetireAustralia, Canberra Data Centres and ANU student accommodation, 65% of the $2,480 million Infratil invested was through subsidiaries (in generation, airport facilities, buses, etc.).



Each business, in its own way, has aspects of exclusivity with regards to its investment activities. Profitably developing renewable generation requires very specialist expertise. Wellington Airport, CDC and the ANU student accommodation provide facilities where substitutes have material additional costs. NZ Bus is New Zealand's largest provider of public transport and has the skills to effectively manage the transition to the new regulatory regime and vehicle electrification. Retirement accommodation and care is highly contested, but requires a diverse range of skills and commitment to service. Even Trustpower's retailing operation has found a way to offer something unique in what is the world's most competitive energy market.

FINANCIAL RESULTS FOR THE PERIOD AND GUIDANCE

Net parent surplus was $28.9 million relative to $28.3 million for the same period last year. This comparison excludes the $407.1 million of gains recorded last year from discontinued operations.

Net operating cash flow was $129.2 million, up from $121.6 million.

Underlying EBITDAF from continuing operations was $246.0 million from $253.1 million in the prior period. All businesses provided improved contributions except Perth Energy and RetireAustralia.

Guidance for full year underlying EBITDAF is tracking at the bottom end of our previously announced guidance range of $485-$525 million, representing a small uplift on the prior year. In the main Infratil's businesses are performing to budget and our current expectations are consistent with our original investment cases for recently acquired assets. Perth Energy's retail business performance has been the one disappointment in six months to 30 September 2016, and a great deal of effort is going into establishing a sustainable forward plan.

FUNDING AND CAPITAL STRUCTURE

Net debt of Infratil and 100% subsidiaries as at 30 September 2016 was $812.7 million (31% of capitalisation), from $295.9 million (14% of capitalisation) as at 31 March 2016. Net bank deposits and undrawn bank commitments were $440.3 million, from $937.1 million.

The low level of debt funding utilised at the start of the period reflected recent asset sales and was sub-optimal for a company with Infratil's risk profile.

Over the period, $100 million of 8.5% per annum coupon bonds matured. $150 million of bonds with coupons of 4.9% per annum and 5.5% per annum were issued. Signalling its commitment to bondholders, Infratil also established a bond buy back capability which may be exercised if the bond market ceases to provide fair pricing of Infratil's Infrastructure Bonds.

SHAREHOLDER RETURNS

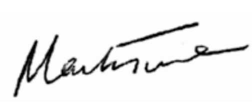
An interim dividend of 5.75 cents per share fully imputed will be paid in December. This is the sixth year in a row Infratil has lifted the dividend and the annual dividend now provides an after tax return of approximately 5% per annum on the recent $3.00 share price.

The current share price in the market is a disappointing measure of what we believe to be Infratil's intrinsic value and credible growth prospects. It is never clear whether sharemarket prices reflect market supply/demand dynamics or some more potentially long-term circumstance. As our paramount goal is delivering good risk-adjusted returns to our shareholders, we are taking the underperformance relative to that aspiration seriously.

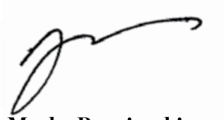
ANNUAL MEETING & GOVERNANCE

Infratil's 2016 annual meeting was held in Wellington on 24 August. All resolutions were passed, including to reappoint Mark Tume and Alison Gerry as directors. The meeting presentation is available on the website and minutes of the meeting are available on request.

At the annual meeting Duncan Saville stepped down as a director after 23 years. Duncan is an inspirational and constant supporter. Everyone who works with him enjoys and benefits from the experience and he leaves an indelible mark on Infratil and its people. Subsequently Peter Springford has been appointed to the board as an independent director. Peter brings considerable business experience to the role and we welcome him to Infratil.



Mark Tume
Chairman



Marko Bogoievski
Chief Executive

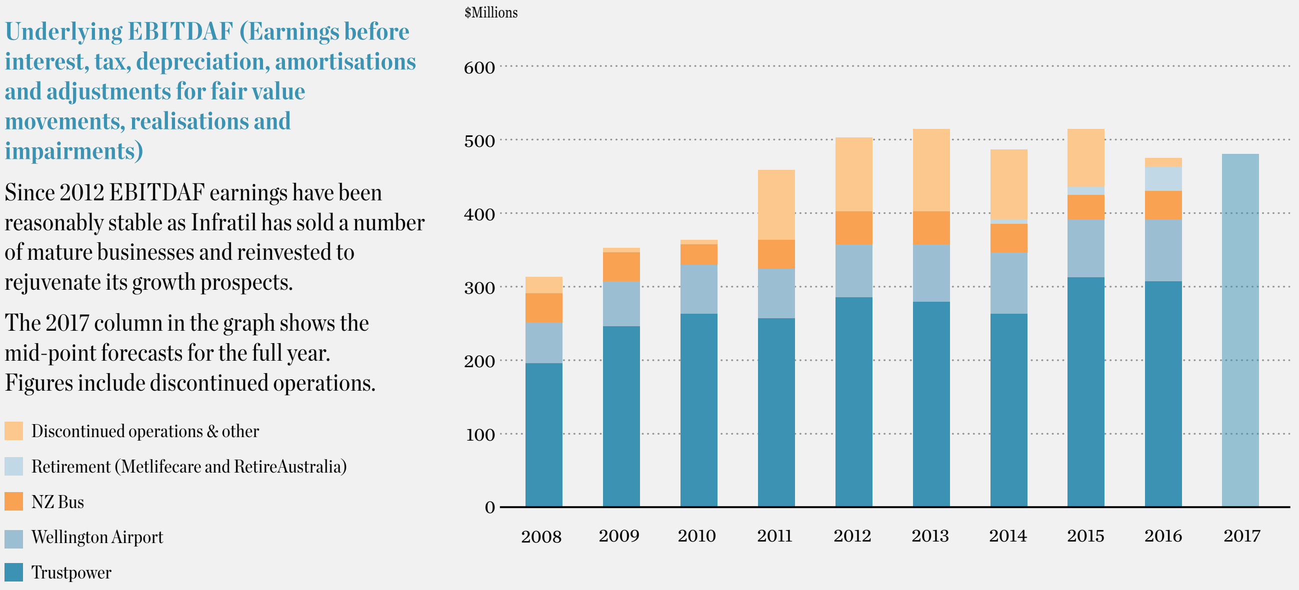
Infratil: A Decade of Financial Trends

THE GRAPHS SHOW THE EVOLUTION OF INFRATIL'S PORTFOLIO OF BUSINESSES, UNDERLYING EBITDAF, CASH FLOW, DIVIDEND, ASSET AND CAPITAL STRUCTURE.

Underlying EBITDAF (Earnings before interest, tax, depreciation, amortisations and adjustments for fair value movements, realisations and impairments)

Since 2012 EBITDAF earnings have been reasonably stable as Infratil has sold a number of mature businesses and reinvested to rejuvenate its growth prospects.

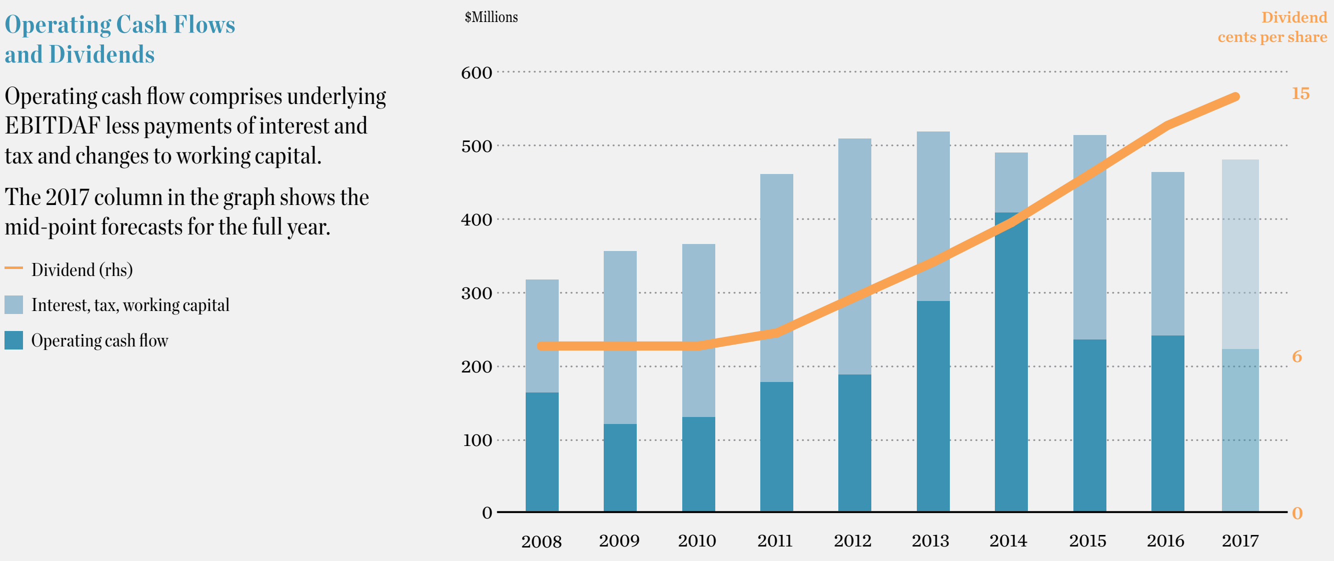
The 2017 column in the graph shows the mid-point forecasts for the full year. Figures include discontinued operations.



Operating Cash Flows and Dividends

Operating cash flow comprises underlying EBITDAF less payments of interest and tax and changes to working capital.

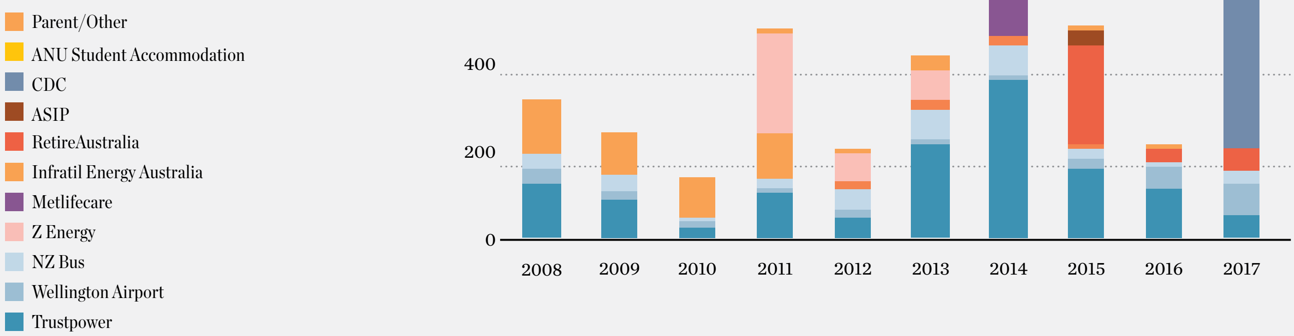
The 2017 column in the graph shows the mid-point forecasts for the full year.



Investment Outlays

Over the decade Infratil has invested $4,068 million (the 2017 investment amounts include projections for the second half of the year).

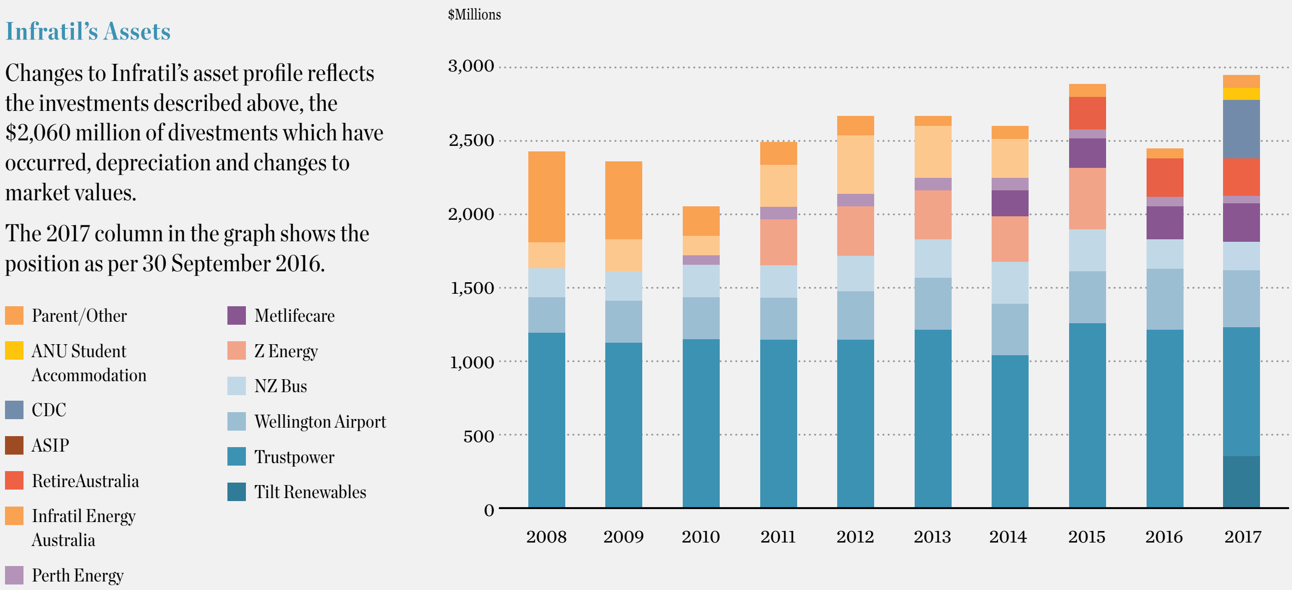
The 2017 column in the graph shows the mid-point forecasts for the full year.



Infratil's Assets

Changes to Infratil's asset profile reflects the investments described above, the $2,060 million of divestments which have occurred, depreciation and changes to market values.

The 2017 column in the graph shows the position as per 30 September 2016.



Infratil's Capital Structure

The proportion of Infratil's funding provided by equity (at market value) and perpetual and dated debt.

The 2017 column in the graph shows the position as per 30 September 2016.

Infratil's Financial Performance & Position

CONSOLIDATED RESULTS

$ Millions	6 months to 30 September 2016	6 months to 30 September 2015	12 months to 31 March 2016
Revenue	**$971.2**	**$892.5**	**$1,775.7**
Expenses	**($717.9)**	**($623.9)**	**($1,284.3)**
Depreciation & amortisation	($88.5)	($84.6)	($172.1)
Net interest	($79.6)	($91.6)	($169.9)
Tax expense	($22.4)	($20.9)	($24.8)
Revaluations	$0.1	($7.8)	($65.4)
Minority earnings	($34.0)	($35.4)	($57.2)
Net profit continuing operations	**$28.9**	**$28.3**	**$2.0**
Discontinued operations	-	$407.1	$436.3
Net parent surplus	**$28.9**	**$435.4**	**$438.3**

Revenues and **Expenses** increased due to the increasing energy retailing activities of Trustpower and Perth Energy.

Net interest fell due to lower interest rates and the amount of cash held following disposals. Last year also included a $5 million one-off cost reflecting a charge incurred by Trustpower due to an IRD ruling.

Revaluations are mark to market and realised losses on hedges used to cover energy, interest rate and foreign exchange rate risks.

Discontinued operations – No businesses were sold during the period (Z Energy and iSite last year).

For the current period an average NZ$/A$ exchange rate of 0.9401 was used. The rate was 0.9176 for the same period last year and 0.9201 for FY16.

THE RECONCILIATION OF NET PARENT SURPLUS TO UNDERLYING EBITDAF

$ Millions	6 months to 30 September 2016	6 months to 30 September 2015	12 months to 31 March 2016
Net parent surplus	**$28.9**	**$435.4**	**$438.3**
Minority earnings	$34.0	$35.4	$57.2
MET & RA property revaluations	($35.1)	($29.6)	($58.4)
MET & RA realised resale gains	$7.9	$7.2	$14.2
MET & RA development margin	$3.5	$5.1	$ 7.9
MET & RA deferred tax and non-recurring	$2.1	$1.8	$ 2.7
NZ Bus depot lease provision	-	-	$4.2
Trustpower demerger costs	$8.7	-	-
CDC transaction costs	$5.6	-	-
Loss/(gain) foreign exchange /derivatives	$0.4	$8.5	$13.6
Realisation, revaluation and impairment	($0.5)	($0.7)	$51.8
Discontinued operations	-	($407.1)	($436.3)
Depreciation & amortisation	$88.5	$84.6	$172.1
Net interest	$79.6	$91.6	$169.9
Tax	$22.4	$20.9	$24.8
Underlying EBITDAF	**$246.0**	**$253.1**	**$462.2**

The shaded area reflects the adjustments to give an underlying figure for EBITDAF. They remove the effect of one-off events and in the case of the two retirement companies they remove the impact of unrealised fair value movements on investment properties and include realised gains and development margins.

BREAKDOWN OF CONSOLIDATED RESULTS BEFORE REVALUATIONS: SIX MONTHS ENDED 30 SEPTEMBER 2016

$ Millions	Underlying EBITDAF	D&A	Interest	Tax	Total	Ownership
Trustpower	$184.8	($59.4)	($35.2)	($18.9)	$71.3	51%
Wellington Airport	$43.7	($10.0)	($12.1)	($7.3)	$14.3	66%
NZ Bus	$25.0	($16.0)	($0.3)	($1.5)	$7.2	100%
Metlifecare	$7.4	-	-	-	$7.4	20%
RetireAustralia	$7.1	-	-	-	$7.1	50%
Parent/Other	($22.0)	($3.2)	($32.0)	$5.4	($51.8)	-
Total	**$246.0**	**($88.6)**	**($79.6)**	**($22.3)**	**$55.5**	

BREAKDOWN OF CONSOLIDATED RESULTS BEFORE REVALUATIONS: SIX MONTHS ENDED 30 SEPTEMBER 2015

$ Millions	Underlying EBITDAF	D&A	Interest	Tax	Total	Ownership
Trustpower	$184.2	($57.2)	($44.0)	($20.2)	$62.8	51%
Wellington Airport	$41.8	($8.2)	($8.5)	($6.5)	$18.6	66%
NZ Bus	$22.7	($15.4)	($0.4)	($0.5)	$6.4	100%
Metlifecare	$6.2	-	-	-	$6.2	20%
RetireAustralia	$10.4	-	-	-	$10.4	50%
Parent/Other	($12.3)	($3.7)	($38.7)	$6.3	($48.4)	-
Total	**$253.1**	**($84.5)**	**($91.6)**	**($20.9)**	**$56.0**	
Discontinued operations	$16.2	($0.7)	-	($0.7)	$14.8	-
Total	**$269.3**	**($85.2)**	**($91.6)**	**($21.6)**	**$70.9**	

UNDERLYING EBITDAF

$ Millions	6 months to 30 September 2016	6 months to 30 September 2015	12 months to 31 March 2016
Trustpower	$184.8	$184.2	$329.4
Wellington Airport	$43.7	$41.8	$86.1
NZ Bus	$25.0	$22.7	$42.0
Metlifecare	$7.4	$6.2	$12.4
RetireAustralia	$7.1	$10.4	$21.1
Parent/Other	($22.0)	($12.2)	($28.9)
Underling EBITDAF (continuing)	**$246.0**	**$253.1**	**$462.1**
Discontinued operations	-	$16.2	$18.4

"Other" includes Perth Energy which has fallen from a $1.1 million contribution in the comparable period last year to a $9.7 million cost this year.

CONSOLIDATED OPERATING CASH FLOW

$ Millions	6 months to 30 September 2016	6 months to 30 September 2015	12 months to 31 March 2016
Underlying EBITDAF (continuing)	$246.0	$253.1	$462.1
Net interest	($75.5)	($87.4)	($161.8)
Tax paid	($28.8)	($28.7)	($51.8)
Working capital /other	($12.5)	($31.6)	($16.4)
Discontinued operations	-	$16.2	$18.4
Operating cash flow	$129.2	$121.6	$250.5

INFRATIL'S ASSETS

$Millions	30 September 2016	31 March 2016
Trustpower	$1,230.0	$1,223.6
Wellington Airport	$389.7	$408.9
NZ Bus	$193.9	$201.5
Metlifecare	$265.1	$222.7
RetireAustralia	$255.3	$252.9
Canberra Data Centres	$401.3	-
Australian National University Student Accommodation	$82.7	-
Other	$137.1	$142.4
Total	**$2,955.1**	**$2,452.0**

Values exclude 100% subsidiaries' cash balances and deferred tax where CGT does not apply. Otherwise what are shown are Infratil's book values or with listed companies the NZX valuation on the relevant date.

Changes to the values of Trustpower and Metlifecare are due to changes in listed share prices. Changes in the value of Wellington Airport, NZ Bus and RetireAustralia reflect the difference between the companies' net surplus over the period and payments to shareholders, and in the case of RetireAustralia changes to the NZ$/A$ exchange rate.

Canberra Data Centres and ANU student accommodation were acquired during the last half year.

"Other" includes iSite, Snapper, Infratil Infrastructure Property, Perth Energy and ASIP.

For 30 September 2016 a NZ$/A$ exchange rate of 0.9490 was used. The rate was 0.9027 for 31 March 2016.

INFRATIL'S LIABILITIES AND RISK MANAGEMENT

$ Millions	30 September 2016	31 March 2016
Net bank debt, (cash), (receivables) of Infratil and 100% subsidiaries	($194.3)	($661.1)
Dated bonds	$773.6	$723.6
Perpetual bonds	$233.4	$233.4
Market value equity	$1,822.0	$1,844.4
Total capital	**$2,634.7**	**$2,140.3**
Dated debt / capital	22%	2.9%
Debt / capital	30.8%	13.8%

Over the period, $100 million of bonds matured and $150 million was raised with a new bond issue.

As at 30 September 2016 Infratil and 100% subsidiaries had $307.2 million of committed bank funding of which $246.0 million was undrawn ($343.5 million and $276.0 million respectively on 31 March 2016).

Trustpower

Trustpower's half year to 30 September 2016 was a period of operational and financial stability.

Excluding separation costs of $8.7 million, Trustpower's EBITDAF for the latest period was almost the same as last year.

Following the separation of Trustpower into two parts which occurred on 28 October 2016:

- "New" Trustpower will comprise hydro generation facilities in New Zealand producing about 1,725 GWh and Australia 244 GWh and utilities retail activities in New Zealand.
- Tilt will comprise wind generation in New Zealand (producing about 650 GWh 29% of the national total) and Australia (1,270 GWh or 11% of the national total). Tilt also has a substantial portfolio of development projects. All output will be sold via the wholesale market, largely on long-term contracts.

On a pro-forma basis and excluding separation costs, for the half year Trustpower's EBITDAF was $118.7 million and Tilt's $66.1 million. After the split one Trustpower share which had a $7.00 NZX value was replaced with one Tilt share worth about $2.00 and one Trustpower share worth about $5.00.

TILT RENEWABLES

The rationale for creating the separate entity Tilt is the immense demand for new renewable generation in Australia. To meet the Australian government 2020 target requires that approximately 5,000 MW of renewable capacity be built (to generate about 15,000 GWh a year). This will cost $10-15 billion.

Tilt has development plans of about 2,000 MW (1,199 MW is consented) of wind and solar capacity. Tilt was created because it is believed that it is better for this scale of investment to occur in a standalone corporate entity to provide focus and transparency.

"NEW" TRUSTPOWER

In New Zealand Trustpower owns a diverse portfolio of small to medium sized hydro generation stations in nine distinct regional catchments. In a year of average rainfall, they will generate approximately 1,725 GWh (sufficient for about 250,000 households). They range from Waipori in Otago, commissioned in 1911 to Patea in Taranaki, commissioned in 1984. Measured by generation output 43% of Trustpower's capacity was commissioned before 1940, a further 40% was commissioned 1940-1970 and the remaining 17% was built after 1970.

They are a stable and reliable asset base and in all probability will continue to generate indefinitely. Across New Zealand generation is in a period of stability. 80-85% is renewable and there is not a single large generation construction project underway anywhere. The future of Tiwai Point smelter and the Huntly power station are the main uncertainties, but in some ways they balance out.

Retailing on the other hand continues to be highly competitive and the challenge for all retailers is to lower costs while still providing satisfactory services. Trustpower's multi-utility offering remains unique in New Zealand and continues to be attractive to consumers. 84,000 of Trustpower's customers take at least two of electricity, gas, telephone or internet, up from 77,000 six months ago.

Trustpower also owns three hydro stations in Australia with a projected average output of 244 GWh.

Year ended 31 March Six months ended 30 September	30 September 2016	30 September 2015	31 March 2016
NZ output sold	2,116 GWh	2,147 GWh	4,032 GWh
Hydro generation	1,043 GWh	1,023 GWh	1,842 GWh
Wind generation	1,033 GWh	948 GWh	1,921 GWh
Electricity accounts	278,000	252,000	277,000
Telco & gas accounts	100,000	79,000	93,000
Av. NZ generation spot price	5.5c/kwh	5.4c/kwh	6.4c/kwh
EBITDAF[1]	**$184.8m**	**$184.2m**	**$329.4m**
Investment spend	$26.2m	$15.4m	$119.3m
Infratil cash income	$33.5m	$33.5m	$67.1m
Infratil's holding value[2]	$1,230m	$1,185m	$1,223.6m

1. For the latest period this excludes $8.7 million of separation costs
2. NZX market value at period end

Wellington Airport

The first stage of the expansion to Wellington Airport's domestic terminal was unveiled and officially opened by Prime Minister John Key.

The first stage of the expansion to Wellington Airport's domestic terminal was unveiled and officially opened by Prime Minister John Key on the 9th of November. The next major project to improve visitor convenience and comfort, the land-transport hub (including almost 1,000 car parks), is substantially progressed. The first stage of the international terminal expansion was also completed as were the final designs for the planned hotel, for which construction tenders are now being sought.

The most notable event of the period was the advent on the 21st of September, of Singapore Airlines' Wellington-Canberra-Singapore service. This is the culmination of many years work by the airline, Wellington and Canberra airports and regional economic development agencies. At present it operates each Monday, Wednesday, Friday and Sunday and all parties are working to ensure that it attracts sufficient demand to warrant an increase to daily operation.

The demand this service generates, and the evidence it provides of people coming to New Zealand who would not otherwise have come, will be taken into consideration when decisions are being made about extending the Airport's runway. Consents for this construction were lodged with the regional and city councils and after public submissions and consultation, with the Environment Court. The process and key issues are set out in Infratil's Update report released in September 2016.

Domestic passenger traffic grew 6% relative to the same period last year, reflecting a number of service enhancements. International passenger numbers were down 2%; a pause for breath after the 17% uplift last year with all the decline occurring on the Brisbane route.

Wellington Airport received the accolade of "New Zealand Airport of the Year" from the NZ Airports Association. This reflects well on all the people who work at, and for, the Airport.

Year ended 31 March Six months ended 30 September	30 September 2016	30 September 2015	31 March 2016
Passengers Domestic	2,520,872	2,388,201	4,899,326
Passengers International	411,587	419,139	897,316
Aeronautical income	$33.9m	$32.2m	$67.6m
Passenger services income	$18.5m	$17.7m	$35.7m
Property/other	$6.0m	$5.7m	$9.8m
Operating costs	($14.7m)	($13.8m)	($27.0m)
EBITDAF	**$43.7m**	**$41.8m**	**$86.1m**
Investment spending	$44.0m	$28.0m	$56.7m
Infratil cash income	$38.8m	$39.5m	$39.5m
Infratil's holding value [1]	$389.7m	$325m	$408.9m

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

NZ Bus

NZ Bus continues its programme to improve the reliability and quality of the rides it provides passengers, the depots used by its staff, and its cost and operational efficiency.

In the reporting period NZ Bus has seen relatively flat public transport use with Auckland passengers slightly down on the prior period and Wellington passengers slightly up. Contract revenue increased as NZ Bus has negotiated contract variations for some peak capacity services and is introducing new double decker buses to central Auckland routes.

Continued focus on operational efficiency has reduced maintenance costs and fuel costs were also lower; contributing to a strong earnings result.

NZ Bus continues to be very active in two major areas impacting the sector. One involves New Zealand regional transport agencies recontracting urban bus public transport and the other involves assessing the impact of technology on bus motive power.

While NZ Bus has been positioning for the new Public Transport Model for some time, tender and negotiations of routes and prices presents challenges and uncertainties. However, with around 50% of its Auckland contracts and 40% of its Wellington contracts being bi-lateral negotiations, NZ Bus is well positioned.

It is also apparent that major changes in technology will impact bus motive power. Internationally there is considerable investment in electric vehicles (EVs) and automated vehicles (AVs) and NZ Bus expects that these technologies will impact public transport in the near term. NZ Bus is planning to refurbish its Wellington trolley bus fleet with Wrightspeed electric power trains, and the trial of a refurbished bus will commence in late 2016. If the trial is successful NZ Bus will roll-out this technology across the trolleys, and will also look to adapt diesel buses and introduce it into new fleet (including double deckers). NZ Bus is working collaboratively with Wellington Regional Council to adopt this change in Wellington in 2017 and is seeking to distinguish itself as the leading electric bus operator in the markets in which it operates.

At the end of October NZ Bus ceased being the major operator of public transport services in South Auckland having not won those tenders. NZ Bus has supported its people through this change and successfully transferred those affected into other NZ Bus positions or other roles, minimising as far as possible the impact on staff. NZ Bus is grateful to all South Auckland staff and passengers for their support and contribution over its many years of operation in South Auckland.

The focus of the period ahead will be public transport tenders in Wellington and Auckland, the negotiation of NZ Bus' other services and the introduction of new technology initiatives in both markets.

Year ended 31 March Six months ended 30 September	30 September 2016	30 September 2015	31 March 2016
Patronage north	20,361,401	20,535,380	39,165,255
Patronage south	10,985,550	10,778,264	20,743,515
Bus distance (million kilometres)	23.1	23.7	46.5
Bus numbers	1,090	1,075	1,071
Passenger income	$69.5m	$70.3m	$133.9m
Contract income	$48.1m	$46.0m	$91.5m
EBITDAF	**$25.0m**	**$22.7m**	**$42.0m**
Capital spending	$12.3m	$4.8m	$11.2m
Infratil's holding value [1]	$193.9m	$275.6m	$201.5m

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

RetireAustralia

Under chief executive Alison Quinn, who took up her role at the start of the period, RetireAustralia continues to progress its goals of improved provision of in-home and specialist care, and increased scale through development.

37 new units were completed and sold in the six month period through to September 2016. They were all "brownfield development", that is within existing retirement villages and delivered an average 22% development margin. Over the second half of the year it is anticipated that a further 110 units will be completed of which 75 are likely to be sold in that period, again with development margins of about 22%.

The strategy of growing a greenfield development pipeline was also progressed with RetireAustralia acquiring four sites in south east Queensland and initiating town planning consent and development work. In due course these sites could accommodate the construction of approximately 575 units. RetireAustralia is also progressing the acquisition of additional land which could allow the construction of a further 250 units. Each of these projects will have a combination of independent living and care apartments so as to be able to deliver on the goal of providing consumers with a continuum of care.

To supplement this platform, an enhanced care offering to existing residents is also being progressed with pilot programmes underway in New South Wales and South Australia. In addition to working on in-house care provision, consideration is being given to acquisition options. These developments will position RetireAustralia for regulatory changes which will encourage more consumer directed care for the elderly from March 2017.

Modelling itself on what occurs in New Zealand, RetireAustralia is progressively rolling out a new standard contract for occupancy in independent living units. The simplified and clear terms have meet a positive response from the market place and offer enhanced financial returns to the business in both the short and long-term.

Year ended 31 March Six months ended 30 September	30 September 2016	30 September 2015	31 March 2016
Residents	5,369	5,252	5,245
Serviced apartments	484	484	484
Independent units	3,365	3,296	3,334
Unit resales	170	182	376
Resale cash gain per apartment/unit	A$102,800	A$105,900	A$106,000
New unit sales	30	59	102
New unit average price	A$560,00	A$531,000	A$535,300
Occupancy receivable / unit [1]	A$84,470	A$79,783	A$79,600
Embedded resale gain / unit [1]	A$32,702	A$29,197	$A28,300
Underlying profit	A$13.0m	A$19.2m	A$38.8m
Net profit after tax	A$29.9m	A$28.8m	A$38.8m
Infratil's holding value	NZ$255.3m	NZ$241.6m	NZ$252.9m

1. The values are point in time estimates of what RetireAustralia would receive in cash for deferred occupancy fees and capital gains if all residents left on that particular date

Metlifecare

Under new Chief Executive, Glen Sowry, Metlifecare has redefined its strategic goals: to increase its commercial intensity and maximise asset values, accelerate its development programme in high growth and strong yield locations, and to drive its competitive positioning and differentiate itself from the competition.

Metlifecare's 2016 results reported in August demonstrated the quality of its portfolio, the strength of its resales and its improving capacity to add new units. It has built an excellent foundation for future growth and has developed its capability to deliver future value.

Significant growth in resales has been driven by the strength of the property market, Metlifecare's concentration of activity in Auckland and the Bay of Plenty and increased focus on sales value optimisation. Capacity for further improvement includes building local market knowledge, better managing its customer mix, and a fit for purpose refurbishment programme.

Accelerating the development programme will be underpinned by increased capability, by bringing functions in-house, and by introducing new systems and processes for tighter development control. Metlifecare's land bank enables development of new units in the immediate three-year horizon and beyond, and the Company is looking at new opportunities to add to its land holdings. This also entails considering the evolving requirements of customers and the connectivity residents seek with their local communities.

Metlifecare historically has focused on independent living and not all villages have traditional care facilities. Continuum of care, from independent living through to hospital care, is increasingly becoming necessary and is being offered in all new Metlifecare villages.

A critical part of delivering to residents is highly engaged and qualified staff and Metlifecare is investing in development opportunities and career pathways for its people.

YE 30 June	2016	2015	2014	2013	2012
Units	4,025	4,033	3,900	3,836	3,512
Care beds	354	359	359	359	359
Unit resales	430	403	397	424	294
Resale cash gain	$177,000	$142,000	$124,000	$124,000	$110,000
New unit sales	138	87	61	113	36
New unit av. value	$576,000	$561,000	$563,000	$433,000	$567,000
Embedded val/unit	$208,000	$155,000	$130,000	$118,000	$113,0000
Underlying profit	$66.1m	$52.4m	$46.0m	$33.5m	$18.2m
Dividend cps	5.75	4.5	3.75	3.0	2.0
NTA per share	$5.32	$4.29	$3.75	$3.46	$3.04

Canberra Data Centres

Following the receipt of regulatory approval, Infratil completed its acquisition of 48% of Canberra Data Centres on 14 September 2016 for A$385.7 million (NZ$411.5 million).

48% was also acquired by Infratil's partner Commonwealth Superannuation Corporation, with the remaining 4% rolled over by existing CDC management shareholders. Taking into account its net debt, CDC's enterprise value at the time of purchase was approximately A$1,075 million.

In the year to 30 June 2016 CDC delivered earnings EBITDAF of A$46 million. Growth in the current year has been affected by the Federal Election temporarily delaying purchase decisions, but medium term targets have not changed

At the time of the acquisition CDC operated three data centres across two campuses (Hume 1, 2 and Fyshwick 1), providing 30 MW of capacity. In October 2016, CDC commissioned a fourth facility (Hume 3) which will add a further 9 MW of capacity when fully fitted out with pod infrastructure and customer equipment. Management are in the early stages of planning the development of a further 18 MW facility at the Fyshwick campus which will commence construction as existing capacity is contracted.

CDC is a beneficiary of significant growth in outsourced data storage and computing infrastructure demand. This growth is driven by the digitisation of existing processes and the development of new data intensive applications. CDC's state of the art facilities and modular approach to development are highly attractive to customers seeking to outsource their data centre requirements.

For those unfamiliar with data centres; on its website CDC provides an excellent video showing a walk-through of its Fyshwick 1 facility: http://canberradatacentres.com.au/content/news

In essence the Fyshwick 1 data centre is a highly secure warehouse which has its own generation (as back up to the grid), cooling capability (also with a backup), and multiple connections to data transmission fibre networks, including a dedicated Government network known as ICON. Users place their own computing equipment in racks within the facility and CDC provides physical security, electricity, cooling and connectivity. The Fyshwick 1 data centre has 5,000m^2 of space and 18 MW of available power capacity.

Canberra Data Centres offers Infratil exposure to growing demand for data storage and processing, an industry leading management team led by CEO Greg Boorer, a strong existing customer base, and a pipeline of future development opportunities.

Australian National University Student Accommodation

On 4 August 2016 Infratil completed the acquisition for A$82.5 million (NZ$84.6 million) of a 50% shareholding in a student accommodation concession granted by the Australian National University based in Canberra. The other 50% was acquired by Infratil's transaction partner Commonwealth Superannuation Corporation.

The concession is for 30 years and provides the partners with the net rental revenue from nine on-campus purpose built student residences comprising 3,760 beds, and a new 500 bed residence now under construction.

The long-term concession includes responsibility for the provision of facilities, building maintenance, management services and lifecycle replacement. The University retains responsibility for marketing and managing student applications, processing rental agreements, cleaning and providing pastoral care to residents.

The concession provides the investors with a stable, long-term inflation-linked cash flow along with rights and protections regarding the development of additional residences on campus.

The investment is attractive for its low-risk cash flows, upside, and as an excellent entry point to a growth sector.

- The concession will be immediately cash flow positive and the yield is expected to be stable and resilient. The risks associated with the cost of maintaining the residences have been contracted out to Spotless, the leading provider of such facility services in Australia and New Zealand. The main residual risk is if students cease to use the accommodation, but given the calibre of ANU it is regarded as highly unlikely that it will fail to draw students and the residences fail to maintain their near 100% historic occupancy rate.
- While the projected cash returns from the investment were attractive in their own right, there is an upside from providing further accommodation on the ANU campus as demand rises. As noted, the Infratil-CSC partnership has contractual rights in this regard.
- Globally, universities are taking a more active role in providing accommodation as student numbers rise.
- ANU is generally recognised as "best in class" with its residences and it is hoped that the concession transaction will be a template for similar opportunities elsewhere.

Longroad Energy Holdings

Recent data indicates that 2016 may be the first year in two centuries when growth in renewable energy production outstrips the growth in energy extracted from coal and oil.

Certainly for the first year ever, new production of electricity from wind, hydro, solar and geothermal sources is calculated to have increased by more than generation from coal, oil and gas fired power stations.

Not coincidentally, on the 4th of November 2016 the Paris Accord formally came into force and has now been ratified by 100 countries (including New Zealand, Australia, USA and China). After the 1992 Rio Earth Summit, the 1997 Kyoto Protocol and the 2009 Copenhagen Agreement it's easy to be blasé, but the Paris Accord is more likely to stick and to result in steps being taken to reduce greenhouse gas emissions, including from power generation.

The effect of the regulatory commitment and improving economics is captured in a report recently published by McKinsey. Over the next 35 years they are forecasting demand for electricity to grow twice as fast as demand for transport fuels. By 2050, they expect electricity to account for a quarter of all energy demand compared with 18% now, with 77% of the new capacity coming from wind and solar. By 2050, non-hydro renewables are expected to account for more than a third of global power generation up from 6% now.

New Zealand has pre-empted this transition with over 80% of its electricity generation coming from renewable sources. With the growth that is occurring elsewhere the Kiwi expertise can be exported as, say, individuals shifting to Australia, or by New Zealand owned companies such as Trustpower/Tilt investing in renewable generation in Australia. Clearly the latter approach produces much more benefit for New Zealand.

What Infratil has achieved in Australia through the success of Tilt Renewables, it is now attempting to replicate in the USA through Longroad; a joint venture between Infratil (45%), the New Zealand Superannuation Fund (45%) and the USA management team (10%).

The intention is to develop a portfolio of construction-ready renewable generation projects (wind and solar), with the following features and stages:

The management team have a strong track record of delivering renewable power stations. The getting together of two New Zealand partners and the team was serendipitous, but is a very good fit. They provide local knowledge, relationships and expertise, we provide, capital, discipline and, of course, expertise.

The USA electricity market is in fact 50 state markets, overlayed with a number of Federal initiatives to support renewables. It is complex, large, and offers a high level of value transparency.

The process for developing a power project entails: (a) Getting rights from a land owner over a propitious site. (b) Collecting the sun/wind data and information about factors that could influence the quantity or value of generation. (c) Defining the risk/value of output, for instance by negotiating a long-term power offtake agreement with a local energy retailer or corporate electricity consumer. (d) Negotiating grid access, terms for the provision of generation plant and construction.

With these ingredients in place the next stage is financing the construction and deciding on ownership. In the USA there is a highly developed funding market for renewable generation projects; including Federal tax subsidies which are offered to incentivise the construction of this form of generation. Once the financing is in place, Longroad will decide whether to sell the project, or to retain ownership; i.e. Whether to extract an upfront development fee or to retain an income generating asset.

The three Longroad partners have indicated an initial willingness to invest US$100 million (Infratil's share NZ$65 million). It is expected that this will be sufficient to enable the development of a material portfolio of projects. However, the funding for construction and ownership will be provided on a case by case basis and will be controlled by Infratil and the New Zealand Superannuation Fund.

Other Investments

PERTH ENERGY

Perth Energy's retail business has experienced a significant deterioration in trading conditions during the period. The primary causes include high fixed price product purchase arrangements relative to the current market and the limited availability of wholesale hedging products as a result of changes to the wholesale electricity market structure in Western Australia, where Perth Energy is one of the few private participants. A substantially new management team is seeking to establish a sustainable forward plan for the retail business, which should show improvement in the 6 months to 31 March 2017.

Perth Energy's generation continues to perform well and provides valuable peak capacity to the market, and will further benefit from an announced removal of excess capacity.

SNAPPER

Snapper continues to develop in both local and international markets. Subject to final contract negotiations Snapper is to be appointed by the Wellington Regional Council to provide bus ticketing service for the network that is to be deployed in Wellington from 2018. This would see Snapper being used for all bus journeys in the Wellington region.

Snapper is also enhancing the experience of users, for instance through a partnership with Activata to provide a wider retail reload network and greater flexibility around refunds and balance transfers. A new self-service kiosk has also been developed and is being deployed. The website has also been refreshed to better meet the requirements of those who prefer to access the internet via smartphones and tablets.

Internationally, the National Transport Authority in Ireland has successfully deployed Snapper's mobile reload solution for their Leap cardholders. There are over a million active Leap cards and the objective was to enable users to be able to reload cards while waiting for a bus or tram.

The application was launched in January 2016 and quickly overtook other ways of reloading, processing over €1 million per month. This development was undertaken in partnership with Vix Technologies.

As a result of this success, Snapper was invited to provide ticketing services in Riga, Latvia and it is now working with local smartcard system, RigasKarte, to implement improvements to its mobile and PC reload services. It is also working on the early stages of similar projects in Northern Ireland (with Parkeon) and Melbourne (with NTT Data).

To participate in these developments Snapper has been experimenting with an intern and graduate programme to help it attract and develop necessary skills. This has proven to be highly successful and the majority of Snapper's development work is now undertaken by teams made up of interns and graduates overseen by experienced senior staff. Recent recruitment through the competitive Summer of Tech internship programme saw Snapper sign up eight interns in the face of competition from Powershop, Xero and TradeMe.

INFRATIL INFRASTRUCTURE PROPERTY

IIP continues to work with NZ Bus to enhance its depots, in particular at Kilbirnie and Halsey Street and at two new sites in Auckland which are under due diligence.

The master plan resource consent for the Halsey Street land would allow a total of 87,000m² of commercial development which in stage one includes a 120 room hotel, carpark, and tourism venture. Final negotiations are underway with tenants and discussions are underway with tenants for stage two.

The earlier development in New Lynn is now 90% leased and IIP is working with Auckland Council to develop the rest of the site.

ENVISION VENTURES FUND

Last year Infratil committed US$25 million to an Envision "infra-tech" fund to get exposure to technology businesses which could have a material impact on Infratil's activities.

So far Infratil has made contributions of US$4.8 million (NZ$7.0 million) to the Fund, which currently has five small investments.

The investment in Envision continues to augment our direct infra-tech activities in Australasia and help Infratil prepare for change before it is forced to.

AUSTRALIAN SOCIAL INFRASTRUCTURE PARTNERS (ASIP)

To access Public-Private Partnership investment opportunities Infratil invested into ASIP with an A$100 million capital commitment of which it has invested A$28.7 million to date.

The two projects in which ASIP holds an interest are the Queensland Aspire Schools (Aspire Schools) and the New Royal Adelaide Hospital (NRAH). The Aspire Schools project continues to perform well for the fund while NRAH currently is working through the commissioning phase of the project. Commissioning challenges have impacted the planned completion date with technical completion of the hospital expected early 2017.

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