



12 September 2014

Conclusion of strategic review of Infratil Energy Australia

Infratil's Board announced today that it has concluded the broad strategic review which commenced on 13 May and has agreed to sell Lumo Energy and Direct Connect Australia to Snowy Hydro Limited for cash consideration of A\$605 million plus an adjustment amount for final working capital. The transaction is unconditional and is expected to complete on 30 September 2014.

Infratil has owned the Australian businesses since 2004, during which time Lumo Energy has grown to become the fourth largest participant in the National Electricity Market ("NEM"), servicing over 540,000 customers in Victoria, South Australia, New South Wales and Queensland. Direct Connect Australia is the market leading utilities connections provider with exclusive relationships with more than 3,200 real estate agents across Australia. The combined businesses employ just over 600 people based primarily in Melbourne. The portfolio includes a 163.4MW portfolio of diesel peaking generators in South Australia and New South Wales and a power station development site in Bamarang.

Snowy Hydro own and operate the 3,950MW Snowy Mountains Scheme, an integrated water and hydro-electric power project located in Australia's Southern Alps, the 300MW Valley Power gas-fired power station and the 320MW Laverton North gas-fired power station both located in Victoria and are the parent company of Red Energy, a retailer selling electricity and gas to around 400,000 customers in the Victorian, South Australian and New South Wales markets.

Snowy Hydro provides an array of financial hedge and insurance products to participants in the NEM. They are a leading provider of peak, renewable electricity to the NEM and a fully integrated Australian energy business with an excellent track record in financial performance, engineering innovation, workplace culture and business practices. They currently employ over 650 personnel in Cooma, Jindabyne, Talbingo, Khancoban, Cabramurra, La Trobe Valley, Sydney and Melbourne.

The combined businesses will create the fourth largest integrated generator and retailer in Australia's NEM servicing nearly 1 million customers with a complete portfolio of products and services.

Infratil is delighted with the outcome of the strategic review which saw active participation from a wide range of domestic and international parties. CEO Marko Bogoevski said "the sale heralds the start of the next chapter for Australia's energy market and Infratil is very proud of the business we have built to enable market consolidation of this size and scale."

Marko noted that the sale followed nine years of active management guiding the business from start-up through to becoming a significant market participant. “The sale of the Infratil Energy Australia assets and the recent partial divestment of Z Energy both show the strength and flexibility of Infratil’s operationally-focused model. Following completion Infratil will assess the full suite of capital management alternatives against ongoing opportunities for new investment.”

Paul Broad, CEO, Snowy Hydro said “this outcome is a win-win for the customers and staff of both Lumo and Red. The two businesses are complementary and will thrive within the Snowy Hydro group.”

The final NZ\$ proceeds are dependent on the amount of working capital as at the completion date and the NZ\$:A\$ exchange rate. After sale costs, Infratil estimates that the net proceeds will be in the range of \$646 million to \$664 million based on an NZ\$ to A\$ rate of 0.895. The carrying value of the businesses reported in the March 2014 financial statements was NZ\$275 million, and the reported gain on sale at completion date is expected to be in the range of NZ\$343 million to NZ\$361 million. The sale businesses reported a combined EBITDAF of NZ\$61 million in the financial year to 31 March 2014. Sales costs in respect of the transaction are estimated at NZ\$57 million, including an international portfolio incentive fee estimated at NZ\$44 million payable to Infratil manager H.R.L Morrison & Co under the terms of the management agreement.

Marko Bogoevski
Chief Executive Officer
Infratil Limited