Northern Gas Networks operates, maintains and develops the North of England’s gas distribution network.
Operations Review – Infrastructure
1. Northumbrian Water is one of the 10 regulated water and sewerage companies in England and Wales.

2. Cheung Kong Infrastructure and Power Assets complete the acquisition of Iberwind - Desenvolvimento e Projectos, S.A., a wind energy company in Portugal.

3. New gas-fired generation unit L9 at Lamma Power Station. Unit L10 is scheduled for commission in 2020.

4. UK Rails, the holding company of Eversholt Rail Group, signs a contract with Arriva Rail North Limited to procure and lease out 281 new trains worth £490 million.

5. The Group’s aircraft leasing business has a portfolio of over 60 aircraft leased to commercial airlines.

6. Enviro NZ provides waste collection and disposal services to commercial and residential customers.
The infrastructure division comprises the Group’s 75.67%(1) interest in Cheung Kong Infrastructure Holdings Limited (“CKI”), the Group’s additional interests in six co-owned infrastructure joint ventures (“JVs”), as well as, the aircraft leasing business.

<table>
<thead>
<tr>
<th></th>
<th>2015(2) HK$ millions</th>
<th>2014(2) HK$ millions</th>
<th>Change</th>
<th>Change in Local Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable Revenue</td>
<td>43,844</td>
<td>45,419</td>
<td>-3%</td>
<td>+4%</td>
</tr>
<tr>
<td>Comparable EBITDA</td>
<td>24,147</td>
<td>24,483</td>
<td>-1%</td>
<td>+7%</td>
</tr>
<tr>
<td>Comparable EBIT</td>
<td>18,101</td>
<td>18,215</td>
<td>-1%</td>
<td>+8%</td>
</tr>
</tbody>
</table>

Results including Additional Contributions:

<table>
<thead>
<tr>
<th></th>
<th>2015(2) HK$ millions</th>
<th>2014(2) HK$ millions</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>55,762</td>
<td>45,419</td>
<td>+23%</td>
</tr>
<tr>
<td>Total EBITDA</td>
<td>32,291</td>
<td>24,483</td>
<td>+32%</td>
</tr>
<tr>
<td>Total EBIT</td>
<td>23,477</td>
<td>18,215</td>
<td>+29%</td>
</tr>
</tbody>
</table>

Note 1: In January 2015, CKI completed a share placement and share subscription transaction that resulted in the Group’s interest in CKI reducing from 78.16% to 75.67%. On 1 March 2016, CKI issued new shares in connection with an issue of perpetual capital securities. Subsequent to this transaction, the Group currently holds a 71.93% interest. As these new shares are currently disregarded for the purpose of determining the number of shares held by the public, the Group’s profit sharing in CKI continues to be 75.67%.

Note 2: To reflect the underlying performance of the Infrastructure division in 2015, Comparable Revenue, EBITDA and EBIT exclude the contributions from additional interests in six co-owned JVs with CKI and from the aircraft leasing operations arising from the Reorganisation. 2015 pro forma Total Revenue, EBITDA and EBIT include the full year pro forma contributions from the co-owned JVs and the aircraft leasing operations. 2014 Revenue, EBITDA and EBIT are as presented in HWL’s 2014 Annual Report.

CKI

CKI is the largest publicly listed infrastructure company on the SEHK, with diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management and infrastructure-related businesses, operating in Hong Kong, the Mainland, the UK, the Netherlands, Portugal, Australia, New Zealand and Canada.

CKI announced profit attributable to shareholders of HK$11,162 million, which was lower compared to HK$31,782 million for 2014. The 2014 results include CKI’s HK$19,557 million share of the gain, after consolidation adjustments, arising from Power Assets separately listing its Hong Kong electricity business, by way of the listing of share stapled units jointly issued by HK Electric Investments and HK Electric Investments Limited (collectively as “HKEI”) on the Main Board of the SEHK in January 2014; and a one-off gain of HK$2,236 million upon the completion of the AGN transaction during 2014.

Excluding these one-off items, CKI’s profit attributable to shareholders increased by 12% due to the overall growth of the underlying operations, the accretive contributions from Park’N Fly, AGN, UK Rails and Portugal Renewable Energy, which were acquired during 2014 and 2015, as well as the deferred tax benefit from the reduction in UK tax rates, partly offset by the weaknesses in the British Pound and Australian dollar which resulted in lower reported results on translation to Hong Kong dollars.
Power Assets, a company listed on the SEHK and in which CKI holds a 38.87% interest, announced profit attributable to shareholders of HK$7,732 million, a decrease of 87% compared to last year's profit of HK$61,005 million due to the gain recognised on IPO of HKEI in 2014 and the subsequent reduction in the share of the results of Hong Kong electricity business, partly offset by the accretive contributions from AGN and Portugal Renewable Energy which were acquired in 2014 and 2015 respectively.

In April 2015, UK Rails, a 50/50 joint venture between the Group and CKI, completed the acquisition of Eversholt Rail Group ("Eversholt"). The enterprise value of the transaction was approximately £2,500 million. Eversholt is a major rolling stock company in the UK that leases to train operators a diverse range of rolling stock including regional, commuter and high-speed passenger trains as well as freight locomotives and wagons on long-term contracts. In July 2015, UK Rails entered into a contract to procure and lease out 173 new trains worth £360 million to First Great Western. These AT300 vehicles comprise 22 five-car and 7 nine-car trains. In January 2016, UK Rails entered into a contract to procure and lease out 281 new trains worth £490 million to Arriva Rail North Limited. These vehicles comprise 31 three-car and 12 four-car electric trains, and 25 two-car and 30 three-car diesel trains that all equipped with air conditioning, audio and visual on-board information, power sockets and tables, cycle racks, CCTV, toilets as well as free Wi-Fi.

In November 2015, Portugal Renewable Energy, a 50/50 joint venture between CKI and Power Assets, acquired the entire share capital of Iberwind-Desenvolvimento e Projectos, S.A., a wind power company in Portugal, based on an enterprise value of approximately €978 million.

In March 2016, CKI issued perpetual capital securities with a nominal amount of US$1,200 million for general corporate funding purposes including the redemption of the existing US$1,000 million perpetual capital securities.

**Additional Contributions**

**Co-owned Joint ventures with CKI**

The Group’s six co-owned JVs with CKI include Northumbrian Water, Park’N Fly, AGN, Dutch Enviro Energy (formerly AVR-Afvalverwerking B.V.), Wales & West Utilities and UK Rails. The co-owned operations contributed additional revenue, EBITDA and EBIT of HK$10,441 million, HK$6,752 million and HK$4,653 million respectively in the year.

**Aircraft Leasing**

The aircraft leasing business, including its 50% joint venture, had a total fleet of 66 aircraft which was fully leased at the end of 2015. Over 90% of the aircraft in the portfolio is narrow body aircraft. The operation contributed additional revenue, EBITDA and EBIT of HK$1,477 million, HK$1,392 million and HK$723 million respectively in the year.

The operation has a diversified customer base with over 25 airline customers across more than 15 countries and is expected to generate steady earnings and cashflow for the Group.

Including the Additional Contributions, total revenue, EBITDA and EBIT of this division amounted to HK$55,762 million, HK$32,291 million and HK$23,477 million respectively, which were 23%, 32% and 29% respectively higher than the results reported by HWL for 2014.