



Half-yearly report

for the six months to 30 September 2017



Contents

Overview

Introduction	1
Performance highlights	2
Chairman's statement	3
Our portfolio	4

Investment Adviser's review

Review from the Managing Partner	7
Portfolio	9
Investment track record	13

Review of investments

Elenia	16
Anglian Water Group ("AWG")	17
Oystercatcher	18
Infinis	19
TCR	20
Cross London Trains ("XLT")	21
ESVAGT	22
Wireless Infrastructure Group ("WIG")	23
Valorem	24
Projects portfolio	25
3i India Infrastructure Fund ("India Infrastructure Fund")	26

Financial and Risk review

Financial review	28
Risk review	37

Accounts and Other information

Independent review report to 3i Infrastructure plc	40
Consolidated statement of comprehensive income	41
Consolidated statement of changes in equity	41
Consolidated balance sheet	42
Consolidated cash flow statement	43
Notes to the accounts	44
Accounting policies	51
Statement of Directors' responsibilities	52
Board of Directors and their functions	52
Investment policy	53
Portfolio valuation methodology	54
Information for shareholders	55

Introduction

Our strategy is to maintain a balanced portfolio of infrastructure investments delivering an attractive mix of income yield and capital appreciation for our shareholders.

We invest across mid-market economic infrastructure and greenfield projects in developed markets, with a focus on the UK and Europe.

This report contains Alternative Performance Measures (“APMs”), which are financial measures not defined in International Financial Reporting Standards. These include Total return on opening net asset value (“NAV”), NAV per share, Total income and non-income cash, and Investment value including commitments. The definition of each of these measures is shown on page 35.

In addition to the APMs, the Interim management report shows portfolio information including cash and other net assets held within intermediate unconsolidated holding companies. A reconciliation of this portfolio information to the information presented in the consolidated financial statements is shown on page 36.

This Half-yearly report has been prepared solely to provide information to shareholders. It should not be relied on by any other party or for any other purpose. This Half-yearly report may contain statements about the future, including certain statements about the future outlook for 3i Infrastructure plc (the “Company”). These are not guarantees of future performance and will not be updated. Although we believe the expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Performance highlights

7.1%

Total return on opening NAV

£121m

Total return for the period

177.0p

NAV per share

Good portfolio performance drove growth in net asset value

- Total return of £121m for the period ahead of the 8% to 10% per annum return target over the medium term.
- Net asset value ("NAV") of £1,817m at 30 September (March 2017: £1,735m).

£81m

Total income and non-income cash

Strong growth in income

- Income growth driven by new investments made in the previous financial year.
- Total income of £48m in the period. In addition, non-income cash of £33m was received.

£10m

Cash balances

Maintained an efficient balance sheet

- Low level of cash held over the period.

£379m

Undrawn RCF balance

Good level of liquidity for investment

- Liquidity available from £500m revolving credit facility, including £200m accordion increase.

3.925p

Interim dividend per share

On track to deliver the dividend target for the year

- Interim dividend of 3.925p per share will be distributed on 8 January 2018.
- On track to deliver the total dividend target for FY18 of 7.85p per share, representing growth of 4% on FY17.

Chairman's statement

“The Company had a good first half of the financial year, with strong growth in income. We are on track to deliver our target dividend of 7.85 pence per share for the year.”

Performance

The Company generated a total return of £120.8 million in the six months to 30 September 2017, or 7.1% of opening NAV, ahead of the target return of 8% to 10% per annum to be achieved over the medium term. The NAV per share increased to 177.0 pence. The portfolio is performing in line with expectation overall, both financially and operationally, with the Investment Adviser driving value growth through engaged asset management over the period.

We delivered a Total Shareholder Return (“TSR”) of 4.9% in the period (FTSE 250: 6.6%). Since IPO, the Company's annualised TSR was 11.5%, comparing favourably with the broader market (FTSE 250: 8.2% annualised over the same period). The Company has achieved this outperformance with relatively low share price volatility.

Interim dividend

We are on track to deliver our target dividend for FY18 of 7.85 pence per share. We are announcing the payment of an interim dividend of 3.925 pence per share, scheduled to be paid on 8 January 2018.

Corporate governance

The Company's Annual General Meeting was held on 6 July 2017. All resolutions were approved by shareholders, including the election and re-election of all Directors to the Board.

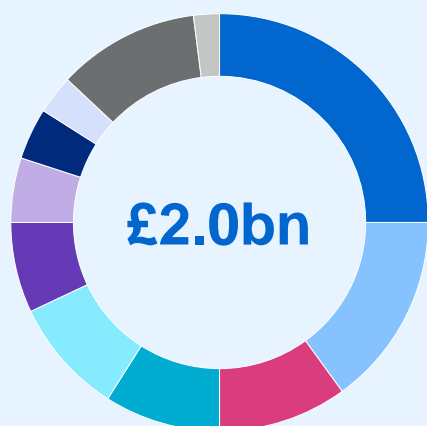
Outlook

We remain confident in our ability to deliver an attractive mix of income yield and capital appreciation for shareholders. The infrastructure market remains competitive, but we have the funding options and market access to continue to invest selectively.



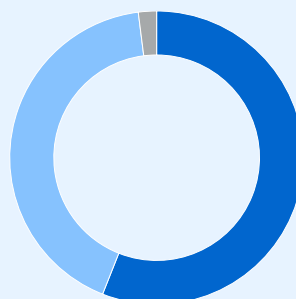
Our portfolio

**Portfolio value
by investment**
at 30 September 2017



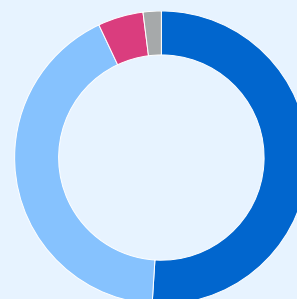
Elenia	25%	ESVAGT	5%
AWG	15%	WIG	4%
Oystercatcher	10%	Valorem	3%
Infinis	9%	Projects	11%
TCR	9%	India	2%
XLT	7%		

**Portfolio value
by geography**
at 30 September 2017



Continental Europe and Singapore	56%
UK and Ireland	42%
India	2%

**Portfolio value
by currency**
at 30 September 2017



EUR	51%
GBP	42%
DKK	5%
INR	2%

28

investments

£1,963m

investment value including commitments

	30 September 2017		31 March 2017	
	Valuation (£m)	% of portfolio	Valuation (£m)	% of portfolio
Economic infrastructure businesses	1,704	87%	1,622	86%
Elenia	498		413	
Anglian Water Group ("AWG")	288		281	
Oystercatcher	191		203	
Infinis	174		184	
TCR	172		164	
Cross London Trains ("XLT")	133		126	
ESVAGT	103		113	
Wireless Infrastructure Group ("WIG")	81		78	
Valorem	64		60	
Projects	221	11%	216	12%
Primary projects	51		63	
Operational projects	170		153	
India Infrastructure Fund (five investments)	38	2%	41	2%
Total investments and commitments	1,963	100%	1,879	100%
Total cash balances	10		20	

The portfolio analysis shown within the "Our portfolio" section includes investment commitments where applicable.

Economic infrastructure businesses

Dynamic businesses that own their asset base in perpetuity

Elenia

Finland: regulated electricity distribution

Anglian Water Group

UK: regulated water utility

Oystercatcher

Belgium, the Netherlands, Malta and Singapore: oil product storage terminals

Infinis

UK: generator of electricity from landfill gas

TCR

Belgium: ground support equipment in airports

Cross London Trains

UK: passenger train fleet for the Thameslink franchise

ESVAGT

Denmark: emergency rescue and response vessels and wind farm service operations vessels

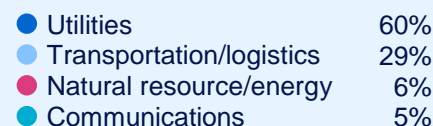
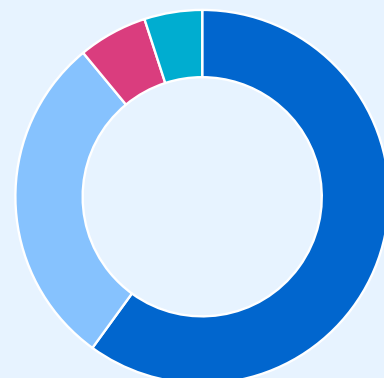
Wireless Infrastructure Group

UK: communication towers

Valorem

France: onshore wind and solar power developer

Economic infrastructure businesses by sector
at 30 September 2017



Greenfield projects

Concession-based projects in construction ("primary") or in operation

Primary projects

A9 and A27/A1, two road projects in the Netherlands

Condorcet Campus, an educational facility project in France

Hart van Zuid, a social accommodation project in the Netherlands

La Santé, a secure accommodation project in France

RIVM, a Government project in the Netherlands

Operational projects

A12, a road project in the Netherlands

Ayrshire College, an educational facility project in the UK

Dalmore Capital Fund, an operational PFI portfolio in the UK

Elgin, a portfolio of 16 school and community healthcare facilities in the UK

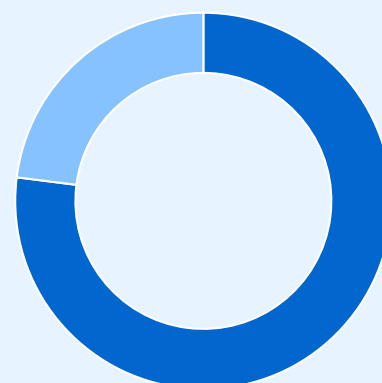
Mersey Gateway, a bridge project in the UK

National Military Museum ("NMM"), a museum facilities project in the Netherlands

Octagon, a healthcare facilities project in the UK

West of Duddon Sands ("WODS") an offshore electricity transmission project in the UK

Projects by type
at 30 September 2017



Investment Adviser's review



Review from the Managing Partner

“Our investments have delivered strong NAV growth and income to the Company, through our focus on engaged asset management.”

Portfolio review

We have a larger and more diversified investment portfolio than ever before, with increased diversity across sector, geography and investment maturity. We continue to be engaged investors and are working closely with our management teams to define their strategic direction and business plans, implement efficient and prudent capital structures, drive operational performance and support continued investment in their asset bases.

Elenia continued to perform strongly during the period. The business has consistently outperformed and we have reflected this in the cash flow projections used to value it.

At Cross London Trains (“XLT”), over 70 trains out of the eventual total of 115 have now been accepted for use on the network by the GTR rail franchise, and performance of the fleet continues to improve in line with expectations.

AWG received the 2017 BITC award for Responsible Business of the Year, important recognition for its Love Every Drop strategy.

We have strengthened the board at Infinis, appointing Tony Cocker (former CEO of E.ON UK) as Chairman of the Board and Scott Longhurst (Group Finance Director at AWG) as Non-executive Director and Chairman of the Audit Committee.

ESVAGT announced that the CEO had resigned. The shareholders expect to be in a position to appoint a successor in the coming months.

Our investments in AWG and Elenia are both subject to ongoing strategic review and as part of these reviews, offers have been invited. It is possible that this may lead to divestment by the Company of either or both holdings, but there can be no certainty as to the outcome.



Phil White
Managing Partner, Infrastructure,
3i Investments plc
8 November 2017

Investment activity

During the first half of the year we engaged with several of our portfolio companies on a number of expansion initiatives:

- We made a small further investment of £2m in Oystercatcher to fund the acquisition by Oiltanking Ghent of additional capacity.
- We agreed to provide further equity of £12m over the next few months to Infinis to fund organic growth, exploiting spare engine and grid connection capacity on its existing sites.
- TCR acquired a company in Australia to provide a footprint for expansion of its business in that country.
- ESVAGT signed a contract with MHI Vestas to provide a new vessel to support maintenance activities for the Deutsche Bucht offshore wind farm.
- Wireless Infrastructure Group launched the UK's first fibre-connected small cell network, attached to lamp posts and traffic lights across Aberdeen's city centre. The small cells enable new network models that deliver faster and higher capacity mobile services.

These demonstrate our commitment to support value-accretive investments by portfolio companies, including investing further equity when needed. This was identified as a focus when we presented our results for the last financial year.

Following the strong level of new investment activity last year, we have seen fewer good opportunities so far this year and have remained disciplined in managing due diligence abort costs. The current pipeline is building well, and we expect to progress several opportunities in the second half of the year.

Outlook

The majority of infrastructure investors remain focused on operational assets with proven track records and stable cash flows. The demand for low risk, yielding investments continues to outpace supply and has kept asset prices high and prospective returns low. While this is most apparent for large core infrastructure in major European economies, such as regulated utilities, we have seen increased competition in our target sectors in mid-market economic infrastructure.

In greenfield projects in the UK and France there are today few PPP projects at procurement stage, although we do expect renewed momentum in those countries in the next few years. We remain busy in the Netherlands through our relationship with Heijmans, and are exploring opportunities in other countries and in other project sectors where the risk profile and returns are attractive.

Demand for infrastructure assets remains high, with record volumes of uninvested capital commitments chasing a limited number of deals in the market. We remain patient around the deployment of our available liquidity, and focused on finding the best opportunities that enhance the portfolio.

About the Investment Adviser

3i Investments plc ("3i Investments"), a wholly-owned subsidiary of 3i Group plc ("3i Group"), acts as the investment adviser (the "Investment Adviser") to the Company through its infrastructure investment team (the "investment advisory team"). The investment advisory team provides advice to the Company on the origination and execution of new investments, on the management of the portfolio and on realisations, as well as on funding requirements.

As the Investment Adviser we aim to provide the Company with access to attractive investment opportunities focusing selectively on transactions that are value enhancing to the portfolio.

The Investment Adviser's team

The Investment Adviser has a team of 29 dedicated infrastructure investment professionals based in London and Paris and can also draw on 3i Group's broader network of offices.

During the first half of the year, the Investment Adviser strengthened its origination, execution and asset management capability with several new hires, alongside further strengthening in support functions.

Portfolio

Table 1 summarises the valuation and movements in the portfolio, as well as the return for each investment, for the period. In accordance with accounting standards, "Investments at fair value through profit or loss" as reported in the Consolidated balance sheet includes, in addition to the portfolio asset valuation, the cash and other net assets held within intermediate unconsolidated holding companies. These amounts are set out at the foot of the table below, to provide a reconciliation between the Directors' valuation of the portfolio assets and "Investments at fair value through profit or loss" reported in the consolidated financial statements. The basis of the portfolio information set out below is consistent with analyses in previous periods.

Table 1: Portfolio summary (30 September 2017, £m)

Portfolio assets	Directors' valuation 31 March 2017	Investment in the period	Divestment in the period	Value movement	Foreign exchange translation	Directors' valuation 30 September 2017	Allocated foreign exchange hedging	Underlying portfolio income in the period	Asset total return in the period ⁵
Elenia	413.1	–	(27.6) ¹	99.7	12.9	498.1	(17.2)	9.2	104.6
AWG	280.8	–	–	7.6	–	288.4	–	4.1	11.7
Oystercatcher	203.3	2.3	–	(9.7)	(4.8)	191.1	4.0	7.1	(3.4)
Infinis	183.7	–	(5.3) ¹	(4.9)	–	173.5	–	6.0	1.1
TCR	164.1	–	–	3.4	4.4	171.9	(5.1)	5.5	8.2
XLT	125.6	–	–	7.5	–	133.1	–	2.4	9.9
ESVAGT	112.7	–	–	(11.9)	2.1	102.9	(1.7)	5.8	(5.7)
WIG	78.4	1.1 ¹	–	1.8	–	81.3	–	2.6	4.4
Valorem	50.0	–	–	1.6	1.6	53.2	(2.1)	1.1	2.2
	1,611.7	3.4	(32.9)	95.1	16.2	1,693.5	(22.1)	43.8	133.0
Primary projects ²	0.1	–	–	–	–	0.1	–	–	–
Operational projects									
Elgin	48.7	–	(0.1) ¹	0.7	–	49.3	–	0.9	1.6
Octagon	45.6	–	–	1.1	–	46.7	–	1.2	2.3
WODS	21.8	0.4 ¹	–	–	–	22.2	–	0.9	0.9
Dalmore	17.6	–	(0.2) ¹	1.1	–	18.5	–	0.3	1.4
Mersey Gateway	–	13.1 ³	–	–	–	13.1	–	–	–
NMM	8.5	–	–	0.1	0.3	8.9	(0.4)	0.1	0.1
A12	6.0	–	–	–	0.2	6.2	(0.2)	0.2	0.2
Ayrshire College	5.0	–	–	–	–	5.0	–	0.2	0.2
	153.3	13.5	(0.3)	3.0	0.5	170.0	(0.6)	3.8	6.7
3i India Infrastructure Fund	40.9	–	–	0.5	(3.0)	38.4	–	–	(2.5)
Total portfolio	1,805.9	16.9	(33.2)	98.6	13.7	1,901.9	(22.7)	47.6	137.2
Adjustments related to unconsolidated subsidiaries ⁴	9.7	–	0.1	(2.5)	–	7.3	1.6	(2.8)	(3.7)
Reported in the consolidated financial statements	1,815.6	16.9	(33.1)	109.8	–	1,909.2	(21.1)	44.8	133.5

¹ Capitalised income and shareholder loan repaid in the period.

² Investments in A9, La Santé, RIVM, Condorcet Campus, Hart van Zuid and A27/A1 primary projects.

³ Drawdown of commitment in September 2017. The bridge opened to traffic on 14 October 2017 and is shown as operational in this report.

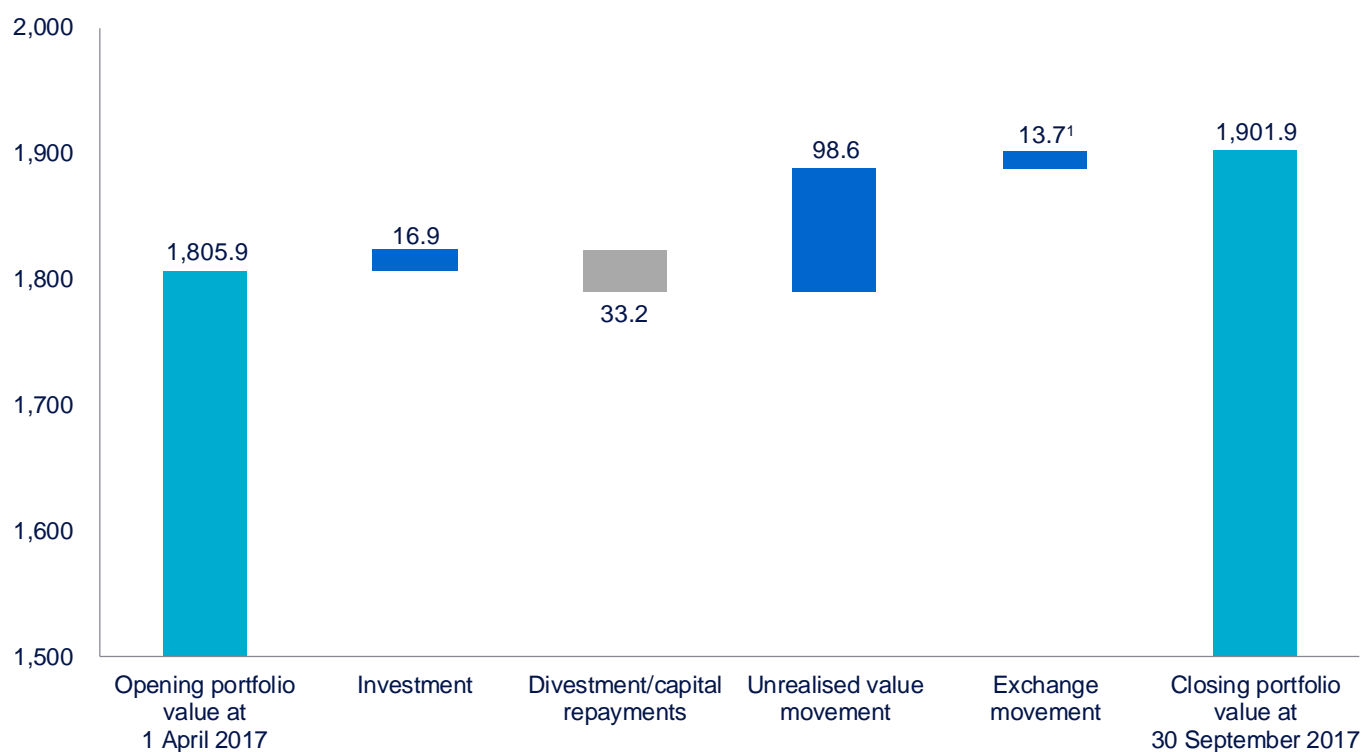
⁴ Income statement adjustments explained in Table 9 and Balance sheet adjustments explained in Table 10 in the Financial review.

⁵ This comprises the aggregate of value movement, foreign exchange translation, allocated foreign exchange hedging and underlying portfolio income in the period.

Movement in portfolio value

The movement in portfolio value was driven principally by unrealised value movements of £98.6 million, the components of which are shown in Table 2. Divestment and capital repayments, shown in Chart 1, includes non-income cash of £33.2 million. Investment during the period includes the drawdown of the £13.1 million commitment to Mersey Gateway.

Chart 1: Reconciliation of the movement in portfolio value (six months to 30 September 2017, £m)



¹ Excludes movement in the foreign exchange hedging programme (see Table 3).

Table 2: Components of value movement (six months to 30 September 2017, £m)

Value movement component	Value movement in the period	Description
Planned value growth	43.3	Net value movement resulting from the passage of time, consistent with the discount rate and cash flow assumptions at the beginning of the period less distributions received in the period.
Other asset performance	47.4	Net movement arising from actual performance in the period and changes to future cash flow projections, including financing assumptions and changes to regulatory determination assumptions.
Discount rate movement	–	Value movement relating to changes in the discount rate applied to the portfolio cash flows.
Macro-economic assumptions	7.9	Value movement relating to changes to macro-economic out-turn or assumptions, eg inflation, interest rates on deposit accounts and taxation rates. This includes changes to regulatory returns that are directly linked to macro-economic variables.
Total value movement before exchange	98.6	
Foreign exchange retranslation	13.7	Movement in value due to currency translation to period-end date
Total value movement	112.3	

Unrealised value movement

Economic infrastructure portfolio

Elenia was valued at £498.1 million at September 2017 (March 2017: £413.1 million), including foreign exchange gains of £12.9 million. The business performed strongly during the period, continuing to increase the resilience of the electricity network and distributing strong levels of cash to the Company. The Electricity Market Act amendments were passed by the Finnish parliament, without any adverse impact on the business. The consistent delivery of objectives by Elenia has been reflected in the cash flow forecasts used in the valuation of the Company's holding.

AWG was valued at £288.4 million at September 2017 (March 2017: £280.8 million). The business performed well during the period, with operational performance and income levels in line with expectations. The valuation benefited from higher expectations of UK RPI. The business is on track to deliver well against its regulatory settlement for the 2015-2020 regulatory period, or AMP6.

Oystercatcher was valued at £191.1 million at September 2017 (March 2017: £203.3 million), including foreign exchange losses of £4.8 million. The five terminals continue to perform well both operationally and financially, with capacity substantially let and a good level of throughput. However, we have moderated certain assumptions for future growth, throughput and pricing to reflect some softening of demand for storage of certain product types. The valuation of Oystercatcher included negative currency movements in the period. The euro and Singapore dollar exposures are partially hedged, as described in Table 3.

Infinis was valued at £173.5 million at September 2017 (March 2017: £183.7 million), after a £5.3 million shareholder loan repayment and consistent with the anticipated long-term decline in value as the landfill gas resource depletes. Part of Infinis's revenues are currently derived from "embedded benefits". In June 2017, Ofgem confirmed its intention to cut the value of the most significant of those benefits, known as "Triads", sooner than had been anticipated. The impact of this change has been factored into the valuation of the Company's holding.

TCR was valued at £171.9 million at September 2017 (March 2017: £164.1 million). The value increased from the delivery of planned cashflows together with currency movements, which were partially offset by the currency hedging programme.

XLТ was valued at £133.1 million at September 2017 (March 2017: £125.6 million). The positive value movement follows the delivery and acceptance of 70 trains and the improvement in performance of the trains in service.

ESVAGT was valued at £102.9 million at September 2017 (March 2017: £112.7 million). The low oil price environment has led to pressure on day rates in contract renewals for certain types of vessel in the oil and gas segment, although ESVAGT is continuing to make good progress in the offshore wind segment.

WIG was valued at £81.3 million at September 2017 (March 2017: £78.4 million), having delivered well against its plans.

Valorem was valued at £53.2 million at September 2017 (March 2017: £50.0 million), increased partly through currency movements.

Projects portfolio

The projects portfolio was valued at £170.0 million at September 2017 (March 2017: £153.3 million). The increase in value reflects the investment of £13.1 million in the Mersey Gateway Bridge project which reached operational status and the good operational performance of the portfolio.

3i India Infrastructure Fund

The India Fund was valued at £38.4 million at September 2017 (March 2017: £40.9 million), after exchange losses of £3.0 million as the Indian rupee weakened against sterling in the period, as shown in Table 3. We continue to make progress towards the realisation of the remaining assets in the India Fund.

Foreign exchange impact

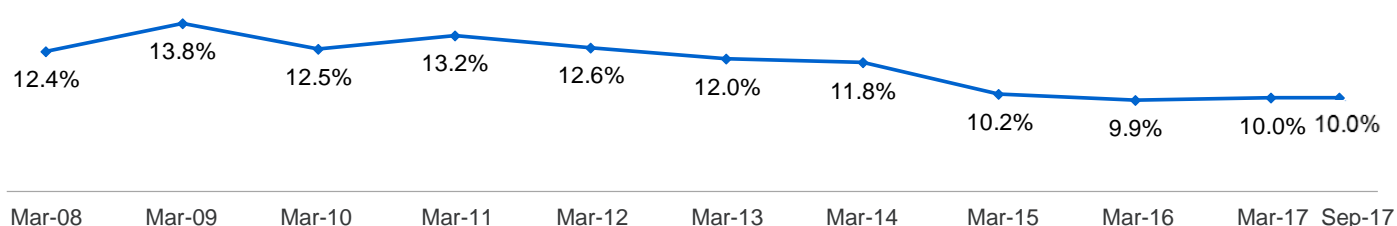
As shown in Table 3, the reported net foreign exchange loss on investments of £9.0 million included a loss of £3.0 million from the Company's exposure to the Indian rupee, which is not hedged and depreciated in value by 7% against sterling in the period.

There was a £16.7 million foreign exchange gain as sterling weakened against other currencies in the period. This was fully offset by a £22.7 million loss on the hedging programme. The hedging programme has been designed to reduce the volatility in the net asset value of the Company from currency movements, but in this period it offset more than the level targeted by the Company. The euro element of the hedging programme is valued using euro forward exchange rates which only partly benefited from the spot exchange rate appreciation as a result of increased interest rate expectations in the UK relative to the Eurozone.

Table 3: Impact of foreign exchange movements on portfolio value (six months to 30 September 2017, £m)

	£/rupee	£/€/SGD/DKK	Net impact
Translation of unhedged assets (£/rupee)	(3.0)	–	(3.0)
Translation of partially hedged assets (£/€/SGD/DKK)	–	16.7	16.7
Reported foreign exchange (losses) / gains on investments	(3.0)	16.7	13.7
Movement in the fair value of derivative financial instruments (€/SGD/DKK hedging)	–	(22.7)	(22.7)
Net foreign exchange loss	(3.0)	(6.0)	(9.0)

Chart 2: Portfolio weighted average discount rate (30 September 2017, %)



Summary of portfolio valuation methodology

Investment valuations are calculated at the half year and at the financial year end by the Investment Adviser and then reviewed and approved by the Board. Investments are reported at the Directors' estimate of fair value at the reporting date.

The valuation principles used are based on International Private Equity and Venture Capital valuation guidelines, generally using a discounted cash flow ("DCF") methodology (except where a market quote is available), which the Board considers to be the most appropriate valuation methodology for unquoted infrastructure equity investments.

Where the DCF methodology is used, the resulting valuation is checked against other valuation benchmarks relevant to the particular investment, including, for example:

- earnings multiples;
- recent transactions;
- quoted market comparables; and
- regulated asset base multiples.

Chart 2 shows the movement in the weighted average discount rate applied to the portfolio at the end of each year since the Company's inception and the position as at September 2017. During the period, the weighted average discount rate remained stable.

The Company's investments in the India Fund and in the Dalmore Capital Fund were valued as the Company's share of net assets held by those funds.

Investment track record

As shown in Chart 3, since its launch in 2007, the Company has built a portfolio that has provided:

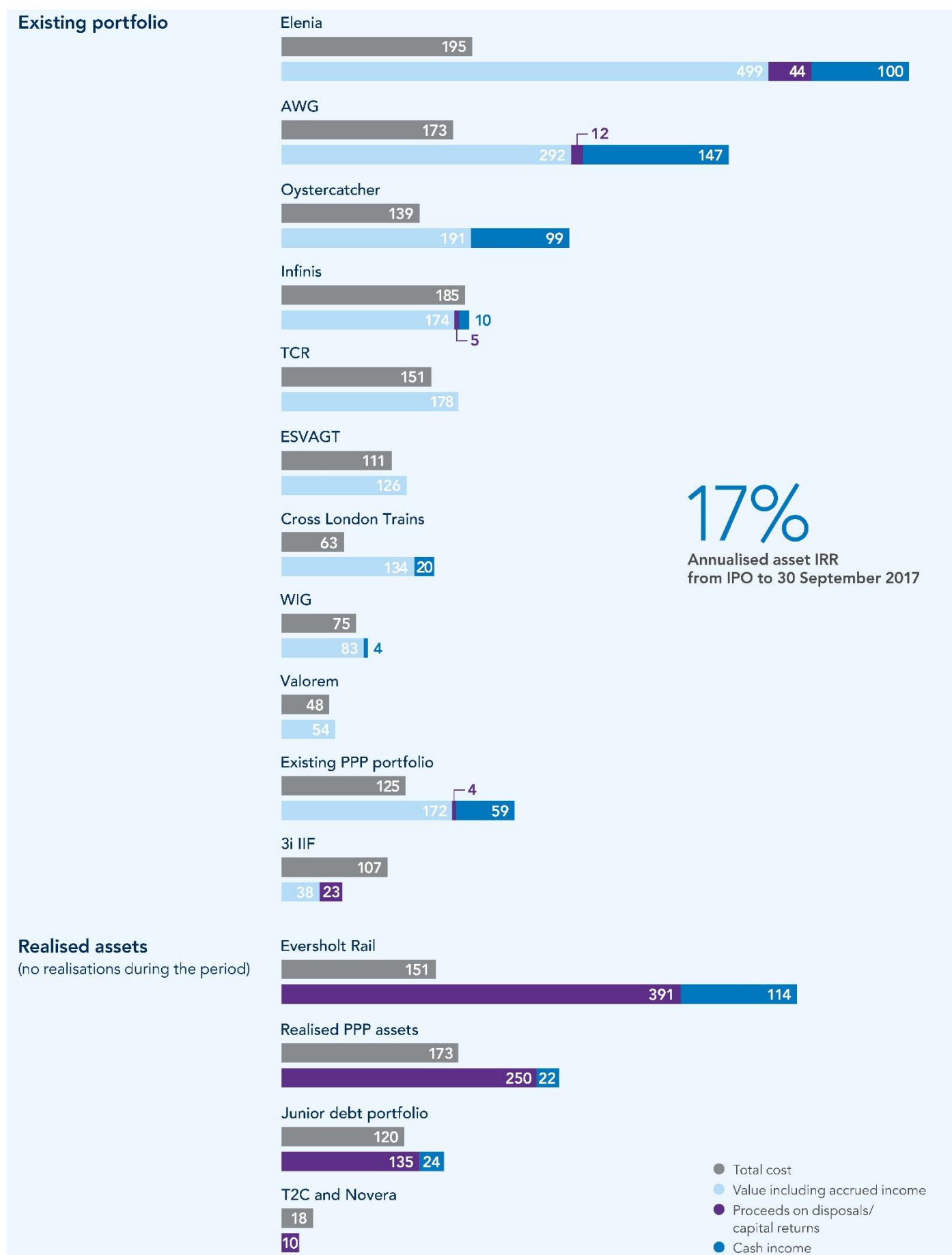
- significant income, supporting the delivery of an increasing annual dividend;
- consistent capital growth; and
- strong capital profits from realisations.

These have underpinned a 17% annualised asset IRR since the Company's inception. The European portfolio generated strong returns, in line with, or in many cases ahead of, expectations.

These returns were underpinned by substantial cash generation in the form of income or capital profits. Indeed, many investments have returned a significant proportion of their cost through income in a relatively short time.

The value created through this robust investment performance was crystallised in a number of instances through well managed realisations, shown as "Realised assets" in Chart 3. While the Company is structured to hold investments over the long term, it has sold assets where compelling offers have generated additional shareholder value. This was the case with Eversholt Rail in 2015, which generated an IRR in excess of 40%.

The valuation of the India Fund has continued to be affected by currency and macro-economic issues, as well as a number of issues related to specific investments.

Chart 3: Portfolio asset returns throughout holding period (since inception, £m)

Review of investments



Elenia



Performance

Cost	£194.8m
Closing value	£498.1m

Ownership	39.3%
Date invested	January 2012
Management team HQ	Tampere, Finland
Country	Finland
Currency	EUR
Sector	Utilities

Developments in the period

Elenia's two businesses (electricity distribution and district heating) continue to perform strongly.

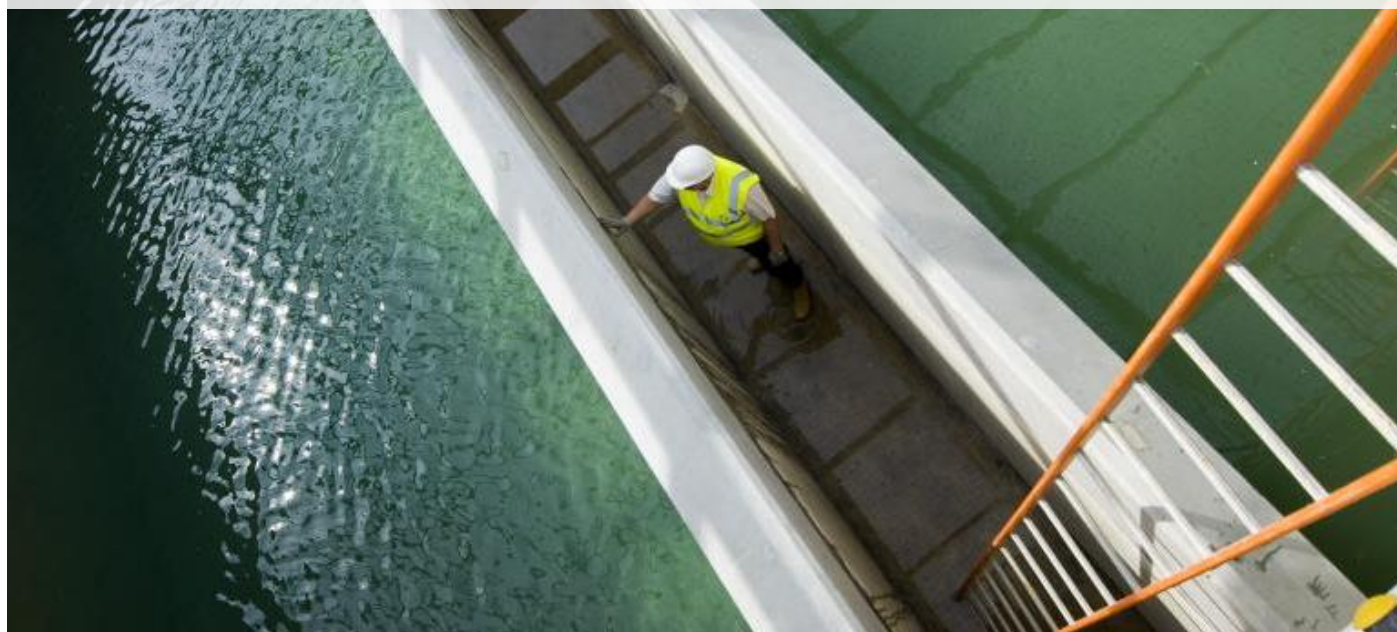
The proportion of buried cables increased in line with expectation to reach 31% and 46% (vs. 9% and 31% at the start of 2012) of the medium and low-voltage networks respectively. This is strongly incentivised by the regulatory model in order to improve the networks' long-term resilience to bad weather.

During the period, Elenia continued to take advantage of the favourable credit market conditions and, since March 2017, issued €214 million of new bonds with maturities between 2028 and 2034 on attractive terms. Following the agreement concluded in December 2016 to provide third-party customer service to Jyväskylän Energia, two further contracts were signed with other neighbouring networks (Tampereen Sähkölaitos and Auris Kaasunjakelu) in May 2017.

Electricity Market Act amendments

The Finnish Parliament approved amendments to the legislation of the Electricity Market Act, effective from 1 September 2017, that limit the size and frequency of future tariff rises. These amendments are not expected to have a material impact on Elenia.

Anglian Water Group (“AWG”)



Performance

Cost	£161.9m
Closing value	£288.4m

Ownership	10.3%
Date invested	March 2007
Management team HQ	Huntingdon, UK
Country	UK
Currency	GBP
Sector	Utilities

Developments in the period

AWG continued to perform well. There were no major operational incidents during the period and water resource levels are normal for this point in the year. The company remains focused on implementing its cost efficiency and capital spending programmes to drive value through the current regulatory period (2015–2020).

In July 2017, the company won the Responsible Business of the Year award in the BiTC Gala Awards and Peter Simpson won the Highest Rated CEO award from Glassdoor, ahead of business leaders from various industries and international companies including Google, Microsoft, Nationwide and Rolls Royce.

Non-household retail market opening

AWG was ready for the split of the retail and wholesale businesses, when the non-household retail market opened on 1 April 2017. The company agreed to enter into a joint venture with Northumbrian Water to exploit opportunities in this market. The JV was completed in August and is expected to deliver additional shareholder value through cost saving synergies, sales growth and a possible multi-utility offering.

Anglian
Water
Group

Oystercatcher



Performance



Ownership	45%
Date invested	August 2007 and June 2015
Management team HQ	Various
Country	Netherlands, Belgium, Malta and Singapore
Currency	EUR
Sector	Transportation/Logistics

Developments in the period

The five terminals all performed well in the period, generating EBITDA in line with or ahead of budgeted levels. Each terminal enjoys a strong position in its market and benefits from Oiltanking's reputation for excellent service standards. Capacity at each location remains substantially let.

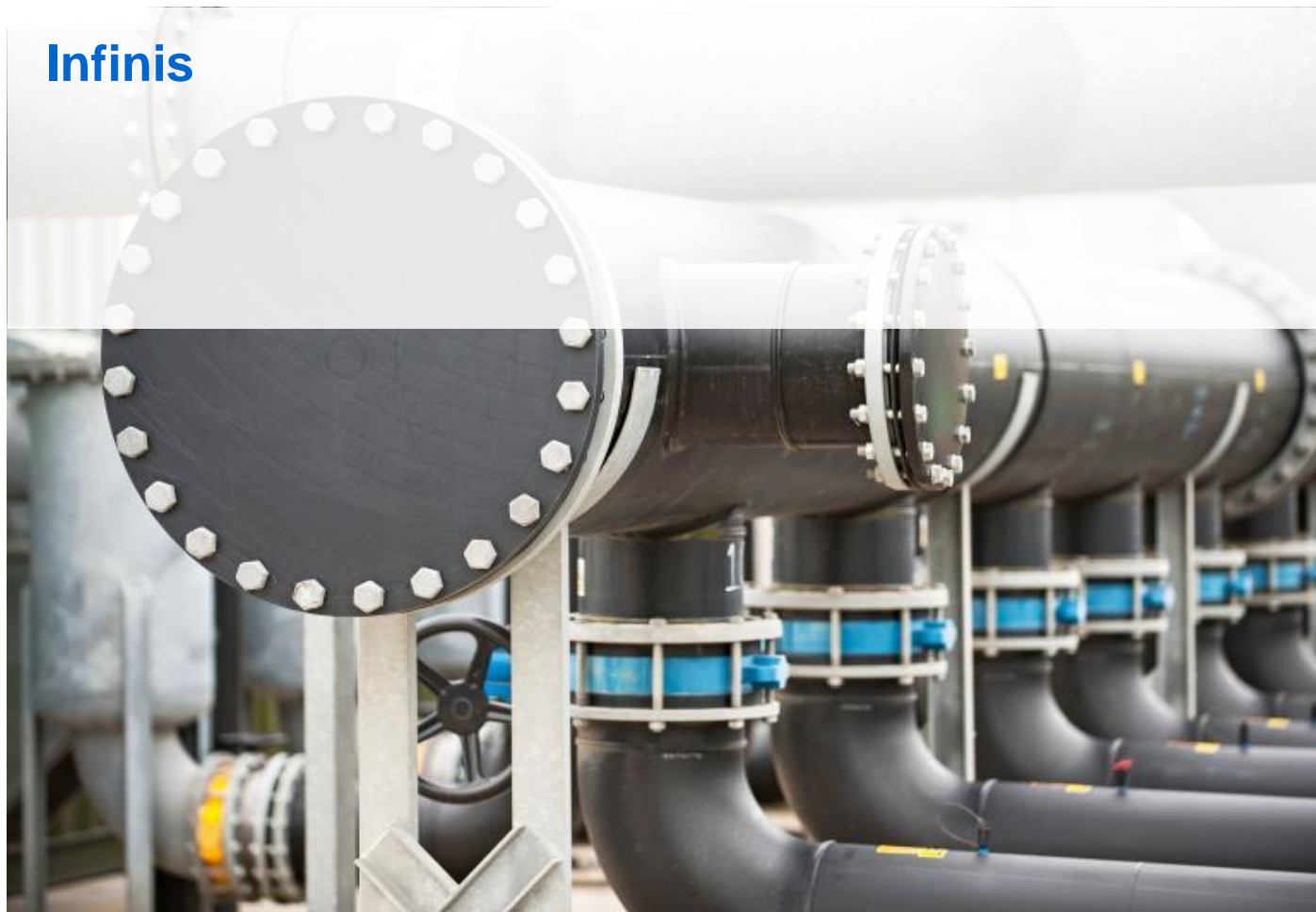
In Singapore, favourable conditions underpin the terminal's key activity, which is gasoline storage and provision of associated services. During the period, a new marine jetty entered operation. This additional jetty capacity will improve customer turnaround times and further cement the competitive position of the terminal.

Customer demand for capacity generally remains strong, but we have seen some softening of demand for storage of certain product types.

Follow-on investments

We have been progressing a number of follow-on investment opportunities with the terminal companies. On 2 May 2017, Oiltanking Ghent acquired 100% of Belgotank NV, a company which owns 82,000 cubic metres of tank capacity located on the Oiltanking Ghent site. These provide a mix of small tanks which are complementary to the business's existing tank portfolio. On 25 September 2017, Oystercatcher made a follow-on equity investment of €2.4 million into Oiltanking Ghent to part fund that acquisition.



Performance



Ownership	100%
Date invested	December 2016
Management team HQ	Northampton, UK
Country	UK
Currency	GBP
Sector	Utilities

Developments in the period

The business has performed well operationally and financially since our acquisition in December 2016, although long-term power price forecasts have decreased. As expected in our investment case, Infinis was a strong contributor to the Company's income in the period, counter-balancing some other growth-orientated businesses in the portfolio.

Good progress has been made identifying opportunities to exploit the business's spare engine and grid connection capacity. Together with the management team, we are reviewing projects in non-landfill gas generation activities, with 30MW of reserve power generation now under development. The Company has agreed to provide further equity of £12 million to support these projects.

In August 2017, Infinis appointed Tony Cocker as Chairman of the Board and Scott Longhurst as Non-executive Director and Chairman of the Audit Committee. Tony was previously CEO of E.ON UK. Scott is currently Group Finance Director at AWG and Managing Director of AWG's non-regulated business.

Embedded benefits

Part of Infinis's revenues are currently derived from "embedded benefits". In June 2017, Ofgem confirmed its intention to cut the value of the most significant of those benefits, known as "Triads", sooner than had been anticipated. The impact of this change has been factored into the valuation of the Company's holding.



TCR



Performance



Ownership	46%
Date invested	July 2016
Management team HQ	Brussels, Belgium
Country	Active in 11 European countries and in Malaysia
Currency	EUR
Sector	Transportation/Logistics

Developments in the period

TCR performed well during the period. Contract renewal in its core European markets remains very high, demonstrating the defensive nature of the cashflows and TCR's strong position in a growing market.

In the last six months, TCR has expanded its footprint (notably in Italy and Germany) and added new asset classes to its offering. It has won contracts with new customers including British Airways and Norwegian Air and has started operating the first equipment pooling system in the UK at Luton Airport.

Outside Europe, TCR continues to expand its foothold in Malaysia through additional contract wins with Malaysian Airlines. In Australia, it acquired Emerge Engineering & Maintenance, the leading local repair and maintenance business with workshops at six major airports. This provides TCR with an entry point to the Australian market.



Cross London Trains (“XLT”)



Performance

Cost

£62.7m

Closing value

£133.1m

Ownership	33%
Date invested	June 2013
Management team HQ	London, UK
Country	UK
Currency	GBP
Sector	Transportation/Logistics

Developments in the period

The Cross London Train programme continued to make good progress. The programme aims to deliver the contracted fleet of 115 class 700 trains by the second half of 2018 to operate across the Thameslink network.

Siemens had manufactured 95 trains as at 30 September 2017, out of which 70 had been accepted by the GTR rail franchise. The performance of the delivered trains continues to improve at the expected rate.

The Investment Adviser's attention remains focused on both improving train performance and the ongoing acceptance of new trains. The discount rate remained unchanged from the previous period. It is expected to be reduced over time as the fleet becomes operational and the risk to the programme decreases.

XLT Cross London Trains

ESVAGT



Performance



Ownership	50%
Date invested	September 2015
Management team HQ	Esbjerg, Denmark
Country	Denmark, Norway and UK
Currency	DKK
Sector	Natural Resources/ Energy

Developments in the period

The market conditions in which ESVAGT operates remain challenging. The low oil price environment has reduced production profitability and is negatively impacting exploration investment in the North Sea, leading to a reduced utilisation rate for ESVAGT's vessels. In this context, we have continued to focus on the cost base and increasing ESVAGT's market share in the UK. We have also seen some improvements in the supply dynamics as competitors are retiring off-contract, older tonnage.

Offshore wind business

ESVAGT has maintained its position as a Service Operations Vessel ("SOV") market leader and has recently announced a new contract with MHI Vestas. The pipeline of new opportunities continues to grow and ESVAGT is currently shortlisted amongst the final bidders for two ongoing tenders. This may lead to an equity injection from shareholders to fund the construction of new vessels.

Management changes

During the period, ESVAGT announced that the CEO had resigned. The shareholders expect to be in a position to appoint a successor in the coming months.

ESVAGT

Wireless Infrastructure Group (“WIG”)



Performance



Ownership	31%, 36% economic interest
Date invested	June 2016
Management team HQ	Bellshill, UK
Country	UK
Currency	GBP
Sector	Communications

Developments in the period

WIG's core tower business performed well in the period, supporting customers with the expansion of their networks to deliver greater wireless bandwidth and geographic coverage, and increased resilience. WIG's organic growth is benefiting from new greenfield infrastructure investment including new communication towers and fibre-connected small cell networks.

WIG's small cell business unit delivers high capacity infrastructure into large public venues such as shopping centres, office blocks and stadiums. The business unit is targeting new infrastructure opportunities in busy outdoor city locations and recently announced its first 5G-ready deployment in Aberdeen.

WIG continues to review opportunities to acquire new towers where these are complementary to the existing portfolio.

Valorem



Performance



Ownership	28.5%
Date invested	September 2016
Management team HQ	Begles, France
Country	France
Currency	EUR
Sector	Utilities

Developments in the period

Since acquisition in September 2016, Valorem has grown its existing onshore wind asset base from 142MW in operation to 191MW as at 30 September 2017. These projects sell their electricity through 15-year fixed-indexed power purchase agreements to EDF.

The pipeline has also developed in line with expectations, with 42MW currently in construction and 630MW in advanced pipeline.

Since our investment, Valorem has closed its first 36MW of photovoltaic projects, and secured a feed-in-tariff for an additional 32MW in the last photovoltaic tariff auction in June 2017.

To support the company's expansion and strengthen the senior management team, Frédéric Lanoé was appointed COO in May 2017.

French tariff regime

New wind tariff regimes were adopted in 2016 and 2017, which were more favourable than previously anticipated. Valorem has secured tariffs for c.460MW, or c.75% of its advanced wind pipeline in France under the 2016 contracts.



Projects portfolio



Performance



Developments in the period

Overall, the projects in the Company's portfolio continued to perform well during the period. All operational assets delivered a good level of income. The two assets which turned operational in the previous financial year (Ayrshire College and A12) are performing well.

In the Company's greenfield projects portfolio, the Mersey Gateway Bridge opened to traffic in October 2017, following the drawdown of the Company's investment commitment during the period.

After initial delays, construction has commenced on the RIVM project in the Netherlands. The Company has reached an agreement to sell its economic exposure in the project to its co-shareholder.

3i India Infrastructure Fund



Performance



Partnership interest	20.9%
Date invested	March 2008
Management office	Mumbai
Country	India
Fund currency	US dollars
Sectors	Power and transportation

Portfolio

The India fund portfolio is being managed for realisation over the next few years. The portfolio contains five remaining investments.

Krishnapatnam Port has a concession to develop, operate and maintain the port of Krishnapatnam in the state of Andhra Pradesh.

KMC Roads has a portfolio of “build-operate-transfer” (“BOT”) road projects, comprising projects which are both operating and under construction, among the largest portfolios of its kind in India.

Supreme Roads is building a portfolio of BOT road projects.

Soma Enterprise is an infrastructure developer in India, which focuses mainly on BOT road projects, but also on projects in the hydro power, irrigation, railways, power transmission and urban infrastructure sectors.

GVK Energy has a portfolio of power generation projects (4,047MW), diversified by fuel type and geography.

The India fund now represents less than 2% of the Company's portfolio.

Financial and Risk review



Financial review

“We have seen a significant increase in the level of income and non-income cash received by the Company. The interim dividend is fully covered, and we maintain an efficient balance sheet.”

Key financial measures (six months to 30 September)

	2017	2016
Total return ¹	£120.8m	£73.8m
Net asset value per share	177.0p	165.7p
Total income ²	£47.6m	£35.5m
Portfolio asset value ²	£1,901.9m	£1,592.7m
Cash balances ²	£10.1m	£135.9m
Total liquidity ³	£388.8m	£411.0m

1 IFRS Total comprehensive income for the period.

2 Reconciliation of measures to the financial statement balances is set out in Tables 9 and 10.

3 Includes cash balances of £10.1 million and £378.7 million undrawn balances available under the Company's revolving credit facility.



James Dawes
CFO, Infrastructure
8 November 2017

Returns

Total return

The Company generated a total return for the period of £120.8 million, representing a 7.1% return on opening shareholders' equity (September 2016: £73.8 million, 5.0%). This performance is ahead of the target return of 8% to 10% per annum over the medium term, and significantly ahead of the total return for the same period last year.

This performance was driven by the delivery of planned cashflows and other asset outperformance, particularly from Elenia. Macro-economic factors, including the increase in inflation over the short term which benefits revenues across most of our portfolio, have also added to performance. There were no changes to the discount rates used to value the assets in the period.

Total income of £47.6 million in the period has grown substantially since the same period last year, reflecting the yield on investments made during the last financial year. The dividend to shareholders is supported by this growth in income, together with non-income cash receipts of £33.2 million during the period, which was also higher than the £12.5 million in the same period last year. These non-income cash receipts reflect distributions from underlying portfolio companies, which would usually be income to the Company, but that are instead distributed as a repayment of investment for a variety of reasons. Whilst non-income cash does not form part of the Total return shown in Table 4, it is included when considering dividend coverage.

The Company's performance is assessed by the Board based on the following measures:

- capital return: unrealised value movements due to changes to the carrying valuation of assets across the period (or since acquisition, if shorter) including the impact of foreign exchange movements relating to portfolio assets; or realised capital profits or losses generated from the sale or partial sale of portfolio assets above or below their carrying valuation;
- movement in fair value of derivatives for foreign currency hedging;
- total income: interest and dividends from underlying portfolio assets, interest on cash holdings and transaction fees receivable;
- costs: advisory and performance fees, Board and other operating costs, transaction fees payable and finance costs relating to the Company's revolving credit facility; and
- other net income/costs: includes other income and foreign exchange movements principally relating to euro balances held on deposit in relation to future commitments to fund investment.

Table 4 shows an analysis of these elements of the return. The financial statements' classification of these components of total return includes transactions within unconsolidated subsidiaries as the Company adopts the Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) basis for its reporting. The non-material adjustments required to reconcile this analysis to the consolidated financial statements are shown in Table 9.

Table 4: Summary total return (six months to 30 September, £m)

	2017	2016
Capital return	112.3	113.9
Movement in fair value of derivatives	(22.7)	(65.5)
Net capital return	89.6	48.4
Total income	47.6	35.5
Costs	(19.1)	(14.7)
Other net income/costs including exchange movements	2.7	4.6
Total return	120.8	73.8

Capital return

The net capital return for the period is the largest element of the total return described in Table 4. Foreign exchange movements, after accounting for the hedging programme, reduced the net capital return by £9.0 million, as shown in Table 3, having been slightly beneficial in the same period last year. Despite this, the net capital return was 85% higher than for the first half last year.

We aim to deliver steady NAV growth for shareholders, and the foreign exchange hedging programme enables us to do this by reducing our exposure to fluctuations in the foreign exchange markets. The residual impact after hedging comes from movement in the Indian rupee, which is not cost effective to hedge, and the impact of changing interest rate expectations in the UK and continental Europe which affects future foreign exchange rates.

Unrealised value movement, including foreign exchange movements

The portfolio generated an unrealised value gain of £112.3 million in the period to 30 September 2017 (September 2016: £114.4 million). This comprised a £98.6 million value increase (September 2016: £35.9 million) and a £13.7 million foreign exchange gain (September 2016: £78.5 million).

The portfolio achieved good returns, driven by valuation uplifts for the Company's holding in Elenia, AWG, TCR, XLT and the Projects portfolio. There was a valuation reduction of £14.5 million in Oystercatcher and £9.8 million in ESVAGT, including foreign exchange movements. These value movements are described in the Movement in portfolio value section of the Investment Adviser's review on page 10.

The Company did not dispose of any investments during the period.

Net capital return

Net capital return, including the loss of £22.7 million in the fair value of foreign currency hedging derivatives, was £89.6 million (September 2016: £48.4 million).

Movements in the fair value of derivatives reflected a loss of £22.7 million (September 2016: loss of £65.5 million) in the fair value of the euro, Singapore dollar and Danish krone hedging programme. This offset the foreign exchange gain in the European portfolio of £16.7 million (September 2016: £74.4 million).

Table 5: Reconciliation of the movement in net asset value (six months to 30 September 2017, £m)

Opening NAV at 31 March 2017¹	1,695.9
Capital return (excluding exchange)	98.6
Net foreign exchange movement ²	(9.0)
Total income	47.6
Net costs including advisory fees ³	(16.4)
Closing NAV at 30 September 2017	1,816.7

1 Net of final dividend for the prior year of £38.7 million.

2 Foreign exchange movements are described in Table 3.

3 Includes non-portfolio exchange.

Income

Total income

Total income of £47.6 million (September 2016: £35.5 million) comprised portfolio income of £47.6 million (September 2016: £35.2 million) and interest receivable on cash balances of nil (September 2016: £0.3 million).

Portfolio income

The portfolio generated income of £47.6 million in the period (September 2016: £35.2 million). Of this amount, £9.5 million was through dividends (September 2016: £9.0 million) and £38.1 million through interest on shareholder loans (September 2016: £26.2 million). The most significant reason for the period-on-period increase was the contribution of £15.2 million (September 2016: £3.6 million) from a full period's income from the recent investments in Infinis, TCR, WIG and Valorem, as shown in Table 6.

The Company accrued interest of £9.2 million from Elenia in the period (September 2016: £9.8 million). The small period-on-period decrease is due to the partial repayment of the loan in the intervening period.

AWG paid dividends of £1.7 million in the period (September 2016: £1.1 million); the Company also accrued interest of £2.4 million (September 2016: £2.4 million). The dividend was higher than the dividend received in the comparable period last year, in line with AWG's plan and reflecting the continued good performance of the business.

The Company received dividends of £7.1 million from Oystercatcher in the period (September 2016: £6.5 million). This is broadly in line with the comparable period last year and partly reflects the appreciation of the euro compared to the equivalent period last year.

Interest income of £5.8 million was accrued from ESVAGT in the period (September 2016: £5.4 million). The small period-on-period increase is due to the impact of foreign exchange movements as the DKK denominated loan appreciated in the period.

The Company received interest payments of £2.4 million from XLT, in line with the same period last year.

The Projects portfolio generated income of £3.8 million (September 2016: £4.0 million). Of this amount, £0.7 million was through dividends (September 2016: £1.4 million) and £3.1 million was through interest (September 2016: £2.6 million).

The portfolio also delivered non-income cash of £33.2 million (September 2016: £12.5 million) in the period. The largest contribution being £27.6 million from Elenia (September 2016: £11.6 million), together with £5.3 million from Infinis (September 2016: nil). These are distributions received by the Company in the form of shareholder loan repayments. Due to commercial or accounting reasons, a portfolio company may not distribute its cash available as a dividend. These types of distributions are included in our dividend cover calculations as they are viewed as being income in nature.

Interest receivable on cash balances

There was no interest income from cash and cash equivalents in the period (September 2016: £0.3 million), reflecting a decrease in the average cash balances held during the period compared to the same period last year. At 30 September 2017, the Company's cash balance was £10.1 million (September 2016: £135.9 million) including unrestricted cash held within intermediate unconsolidated holding companies.

Table 6: Breakdown of portfolio income (six months to 30 September, £m)

	2017		2016		Comments
	Dividends	Interest	Dividends	Interest	
Elenia	–	9.2	–	9.8	Lower due to shareholder loan repayments
AWG	1.7	2.4	1.1	2.4	
Oystercatcher	7.1	–	6.5	–	Higher due to exchange movements in the period
TCR	–	5.5	–	1.9	Reflects a full period of ownership
ESVAGT	–	5.8	–	5.4	Higher due to exchange movements in the period
XLT	–	2.4	–	2.4	
Infinis	–	6.0	–	–	Reflects a full period of ownership
WIG	–	2.6	–	1.6	Reflects a full period of ownership
Valorem	–	1.1	–	0.1	Reflects a full period of ownership
Projects portfolio	0.7	3.1	1.4	2.6	
Total	9.5	38.1	9.0	26.2	

Costs

Advisory fees and performance fees

During the period to 30 September 2017, the Company and its unconsolidated subsidiaries incurred advisory fees of £12.7 million (September 2016: £11.1 million). The increase is due to new investment activity in the intervening period. The advisory fee, payable to 3i plc, is calculated as 1.0% to 1.5% of the Gross Investment Value, which is based on the opening portfolio value and the cost of any new investments or commitments made during the year. The advisory fee for new project investments is 1.0%. For non-project investments the advisory fee is 1.5% reducing to 1.25% for any proportion of an asset held for more than five years. As several of the Company's investments have been held for more than five years, the advisory fee rate chargeable for those investments (eg AWG, three of the five terminal investments held within Oystercatcher, Elenia, Octagon, Elgin and various assets within the 3i India Fund) is 1.25%.

An annual performance fee is also payable by the Company, amounting to 20% of returns above a hurdle of 8% of the growth in net asset value per annum, adjusting for the impact of share capital raised and subject to a high watermark requirement. This hurdle was not achieved in the first half of the year, as the total return for the period was 7.1%. For a more detailed explanation of how advisory and performance fees are calculated and of the high watermark definition, please refer to Note 9 of the consolidated financial statements.

Fees payable

Fees payable on investment activities include costs for transactions that did not reach, or have yet to reach, completion and the reversal of costs for transactions that have successfully reached completion and were subsequently borne by the portfolio company. For the period to 30 September 2017, fees payable totalled £1.9 million (September 2016: £0.2 million).

Other operating and finance costs

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £1.3 million in the period (September 2016: £1.2 million).

Finance costs of £3.2 million (September 2016: £2.2 million) in the period comprised £2.5 million of arrangement, commitment and utilisation fees for the Company's £300 million revolving credit facility, together with £0.7 million in relation to the arrangement and commitment fees for the additional £200 million accordion increase in the facility which was arranged during the period.

Ongoing charges ratio

The ongoing charges ratio measures annual operating costs, as disclosed in Table 7 below, against the average net asset value over the reporting period.

The Company's ongoing charges ratio is calculated in accordance with the Association of Investment Companies ("AIC") recommended methodology, and was 1.60% for the period to 30 September 2017 (September 2016: 1.68%).

The AIC methodology does not include performance fees or finance costs. However, the AIC recommends that the impact of performance fees on the ongoing charges ratio is noted, where performance fees are payable. The cost items that contributed to the ongoing charges ratio are shown below. As no performance fee was accrued in the period, no additional disclosure is required.

Table 7: Ongoing charges (six months to 30 September, annualised £m)

	2017	2016
Investment Adviser's fee	25.4	22.2
Auditor's fee	0.3	0.3
Directors' fees and expenses	0.5	0.5
Other ongoing costs	2.2	2.0
Total ongoing charges	28.4	25.0
Ongoing charges ratio	1.60%	1.68%

Balance sheet

The net asset value at 30 September 2017 was £1,816.7 million (March 2017: £1,734.6 million). The principal components of the net asset value are the portfolio assets, cash holdings, other financial assets, borrowings, the fair value of derivative financial instruments and other net assets and liabilities, principally relating to accrued interest.

The financial statements require cash or other net assets and liabilities held within intermediate holding companies to be presented as part of the fair value of the investments. The Directors consider that it is helpful for users of the accounts to be able to consider the valuation of the Company's portfolio assets and total aggregate cash and net assets/liabilities within the Company and its unconsolidated subsidiaries. The non-material adjustments required to provide this analysis are shown in Table 10.

At 30 September 2017, the Company's net assets after the deduction of the interim dividend were £1,776.4 million (March 2017: £1,695.9 million). A summary balance sheet is shown in Table 8.

Cash and other assets

Cash balances at 30 September 2017 totalled £10.1 million (March 2017: £20.0 million), including £3.4 million (March 2017: £2.9 million) of unrestricted cash balances held within intermediate unconsolidated holding companies. In addition, an amount of £19.6 million (March 2017: £32.1 million), held on the balance sheet as "Other financial assets", comprises cash held on deposit in a third-party bank account on behalf of the A9 project. The balance reduced in the year following the Company's investment in the Mersey Gateway bridge project.

Cash on deposit was managed actively by the Investment Adviser and there are regular reviews of counterparties and their limits by the Board. Cash is principally held in AAA-rated money market funds.

The movement in Other net assets and liabilities from the prior year, reflects a decrease in the performance fee accrual and an increase in portfolio income accrued.

Borrowings

The Company has a £300 million revolving credit facility ("RCF") in order to maintain a good level of liquidity for further investment whilst minimising returns dilution from holding excessive cash balances. This is a three-year facility, and the maturity date was extended in April 2016 by one year to May 2019 and further extended in April 2017 to May 2020. In April 2017, the Company increased the size of the Facility by a further £200 million on a temporary basis to March 2018.

At 30 September 2017, the Company had drawn £90 million of cash from the RCF, which was primarily used to fund the investment in Infinis in December 2016, and issued letters of credit for undrawn commitments to projects comprising €6.6 million (£5.8 million) for the A27/A1 project, €4.8 million (£4.3 million) for the RIVM project, €11.7 million (£10.3 million) for the La Santé project, €7.9 million (£6.9 million) for the Condorcet project and €4.5 million (£4.0 million) for the Hart van Zuid project.

Table 8: Summary balance sheet (£m)

	As at 30 September 2017	As at 31 March 2017
Portfolio assets	1,901.9	1,805.9
Cash balances	10.1	20.0
Other financial assets	19.6	32.1
Borrowings	(90.0)	(100.0)
Derivative financial instruments	(62.5)	(52.5)
Other net assets/(liabilities)	37.6	29.1
Net asset value	1,816.7	1,734.6

Net asset value per share

The total net asset value per share at 30 September 2017 was 177.0p (March 2017: 169.0p). This reduces to 173.1p (March 2017: 165.2p) after the payment of the interim dividend of 3.925p (March 2017: 3.775p). There are no dilutive securities in issue.

Dividend and dividend cover

The Board has proposed an interim dividend for the period of 3.925 pence per share, or £40.3 million in aggregate (September 2016: 3.775 pence; £38.7 million). This is in line with the Company's target of paying a full year dividend for FY18 of 7.85 pence per share.

When considering the coverage of the proposed dividend, the Board assesses the income earned from the portfolio, interest received on cash balances and any additional non-income cash distributions from portfolio assets which do not follow from a disposal of the underlying assets, as well as the level of ongoing operational costs incurred in the period. The Board also takes into account any surpluses retained from previous years, and net capital profits generated through asset realisations, which it considers available as dividend reserves for distribution.

The interim dividend cover surplus is £24.4 million (September 2016: shortfall of £4.4 million). The Board is therefore proposing that the interim dividend payment is made in line with the Company's FY18 full year dividend target. The retained amount available for distribution, following the payment of the interim dividend, will be £66.8 million (March 2017: £42.4 million).

The Company targets a progressive dividend per share. The dividends paid by the Company since inception are shown in Chart 4 below, together with the dividend target for this financial year.

Chart 4: Dividend track record since IPO (pence per share)



Alternative Performance Measures (“APMs”)

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies.

The table below defines our APMs.

APM	Purpose	Calculation	Reconciliation to IFRS
Total return on opening NAV	A measure of the overall financial performance of the Company. For further information see the Key performance indicators in our Annual report.	It is calculated as the total return of £120.8 million, as shown in the Consolidated statement of comprehensive income, as a percentage of the opening NAV of £1,734.6 million net of the final dividend for the previous year of £38.7 million.	The calculation uses IFRS measures.
NAV per share	A measure of the NAV per share in the Company.	It is calculated as the NAV divided by the total number of shares in issue at the balance sheet date.	The calculation uses IFRS measures and is set out in note 6 to the accounts.
Total income and non-income cash	A measure of the income and other cash receipts by the Company which support the payment of expenses and dividends.	It is calculated as the total income from underlying portfolio assets plus the repayment of shareholder loans not resulting from the disposal of an underlying portfolio asset.	The reconciliation of Total income to IFRS is shown in Table 9. The proceeds from partial realisations of investments is shown in Table 1.
Investment value including commitments	A measure of the size of the investment portfolio including the value of further contracted future investments committed by the Company.	It is calculated as the portfolio asset value plus the amount of the contracted commitment.	The calculation uses portfolio assets shown in the reconciliation in Table 10, together with the value of contracted future commitments of £51 million.

In addition to the APMs, the Interim management report shows portfolio information including cash and other net assets held within intermediate unconsolidated holding companies. Tables 9 and 10 show a reconciliation of this portfolio information to the information presented in the consolidated financial statements.

Table 9: Reconciliation of summary total return (six months to 30 September 2017, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries	Financial statements
Capital return	112.3 ¹	(2.5) ^{2,3}	109.8
Movement in fair value of derivatives	(22.7)	1.6 ²	(21.1)
Net capital return	89.6	(0.9)	88.7
Total income	47.6	(2.8) ³	44.8
Costs	(19.1)	4.0 ³	(15.1)
Other net income/(costs)	2.7	(0.3) ³	2.4
Total return	120.8	–	120.8

1 Capital return includes a £13.7 million foreign exchange gain.

2 Movement in fair value of derivatives relating to hedging specific to the Oystercatcher subsidiary, reclassified as capital return, as it is monitored by the Board as part of the unrealised value movement in Oystercatcher.

3 Costs of £4.0 million were incurred within unconsolidated subsidiaries, comprising predominantly fees paid directly to 3i Group (£2.4 million), operating expenses (£0.1 million) and transaction fees (£1.5 million). These are reflected in capital returns or income as they have reduced either the carrying value or the income distributed from these subsidiaries.

Table 10: Reconciliation of summary balance sheet (as at 30 September 2017, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries ¹	Financial statements
Portfolio assets	1,901.9	7.3 ^{3,4}	1,909.2 ²
Cash balances	10.1	(3.4) ³	6.7
Financial assets	19.6	–	19.6
Borrowings	(90.0)	–	(90.0)
Derivative financial instruments	(62.5)	(1.5) ⁴	(64.0)
Other net assets	37.6	(2.4)	35.2
Net asset value	1,816.7	–	1,816.7

1 “Investments at fair value through profit or loss” in the financial statements includes £3.4 million of unrestricted cash balances and £2.4 million of other net liabilities with or within intermediate unconsolidated holding companies and a £1.5 million reclassification of derivative liabilities relating to the Oystercatcher subsidiary. These adjustments reclassify these balances to show the underlying value of the portfolio assets, the total cash holdings and other net assets/(liabilities) position, as monitored by the Board.

2 Described as “Investments at fair value through profit or loss” in the consolidated financial statements.

3 Cash balances held in unconsolidated subsidiaries totalled £3.4 million.

4 A £1.5 million derivative liability relating to hedging specific to the Oystercatcher subsidiary is reclassified as Portfolio assets, as it is monitored by the Board as part of the valuation of Oystercatcher.

Risk review

Review of principal risks and uncertainties

External risks – market and competition

The markets in which the Company seeks to invest, and in particular the European economic infrastructure market, are competitive, with strong demand for large core assets. This has supported value gains for existing assets in the portfolio. In this challenging environment, the Investment Adviser continues to leverage its network and skills to seek investments that can continue to deliver attractive risk-adjusted returns to the Company's shareholders.

The terms on which the UK will leave the EU are uncertain, and could create a generally less favourable financial environment for the Company and its investments. The majority of the Company's investments are in domestic businesses with limited cross-border trading. This mitigates the risk to the Company of the UK leaving the EU without a trade deal.

Inflation, particularly in the UK, is running ahead of long term targets and forecasts show this is set to continue over the next 12 months. This short-term increase has been beneficial for the assets with inflation-linked revenues, but partially offset by increases in costs. Non-UK inflation remained low in the period but increased in some countries.

Interest rates remained low throughout the period. Elenia has continued to take advantage of the favourable credit market conditions and, since March 2017, has issued €214 million of new bonds with maturities between 2028 and 2034 on attractive terms.

There was significant currency volatility in the half year, with sterling depreciating by 3.1% against the euro and Danish krone, whilst appreciating 7.8% and 4.0% against the Indian rupee and Singapore dollar respectively. The Company's objective is to hedge substantially its euro, Danish krone and Singapore dollar exposure (associated with the investment in Oiltanking Singapore within the Oystercatcher valuation). The revaluation of the hedging programme for the euro, Singapore dollar and Danish krone is impacted by movements in forward exchange rates which are influenced by interest rate movements and therefore not necessarily matched exactly by an equivalent change in the spot exchange rate at which the assets are translated.

The exposure to the Indian rupee remains unhedged. In relation to this exposure, the Board's assessment remains that the cost of hedging the exposure would outweigh the potential benefits, primarily due to the significant interest rate differential between sterling and the rupee. The Board monitors the effectiveness of the Company's hedging policy on a regular basis. The impact from foreign exchange hedging derivatives was greater than the impact of translation of the portfolio due to the unhedged Indian rupee and partially unhedged Singapore dollar exposures, and movements in forward exchange rates as a result of increased interest rate expectations in the UK relative to the Eurozone.

The revenues of Infinis are underpinned by the inflation-linked UK Renewables Obligation Certificate ("ROC") regime until 2027, while the valuation of the business is also dictated by the evolution of long term power prices and by fluctuations in the power price. This resulted in some volatility in the value of this investment which has impacted the valuation negatively for this half year.

The low oil price environment continues to negatively impact exploration investment in the North Sea, leading to a reduced utilisation rate for ESVAGT following competition from vessels previously servicing the exploration market. There have been recent signs of improvement in customer demand as older tonnage leaves the market. We view the current oil price environment as an opportunity for ESVAGT to streamline its cost base and consolidate its market leading position.

Oystercatcher has seen some softening of demand for storage of certain product types, although customer demand for capacity generally remains strong.

External risks – regulatory and tax

The Finnish Parliament has approved amendments to the Electricity Market Act, effective from 1 September 2017, that limit the size and frequency of future tariff rises. These amendments are not expected to have a material impact on Elenia.

The Company's investment in Infinis is exposed to regulatory risk around "embedded benefits". In June 2017, Ofgem confirmed its intention to cut the value of one of those benefits, known as "Triads", sooner than had been anticipated. Ofgem will publish the conclusions of its Significant Code Review by early 2019, with implementation due to come into effect from the 2020/21 charging year. This is likely to impact the valuation of Infinis but it is not expected to be material.

As noted in previous reports, the Company and its Investment Adviser are monitoring and considering the relevance to the Company of the development of tax changes recommended by the OECD's Base Erosion and Profit Shifting ("BEPS") project.

In November 2016, the BEPS project group published a Multilateral Instrument ("MLI") which provides countries with a mechanism to amend their tax treaties for several of the BEPS recommendations, including the BEPS Action 6 recommendations concerning the prevention of instances of treaty abuse. The MLI was signed by over 70 countries in June 2017. Countries will now seek to bring the terms of the MLI into domestic law, with many European countries expected to do so over the next year.

The Company is reviewing the extent to which tax treaty changes resulting from the MLI may impact investment returns under the Company's existing and future investment holding structures. The Company is considering whether it would be beneficial to move tax domicile to the UK to mitigate the impact of treaty changes.

Strategic risks

Given the increase in the size of the investment portfolio over the last 18 months, with greater diversity across sector, geography and investment maturity, the Investment Adviser has focused much of its effort on asset management in the period. The businesses acquired during the financial year to March 2017 are performing well, supported by this level of activity. The Company is not under pressure to make new investments, particularly in the current competitive environment, however significant progress has been made in replenishing the pipeline of investment opportunities that the team is reviewing. We have developed a number of these opportunities during the first half of FY18 and expect to make further progress in the second half of the year.

During the period, the Company had to balance the liquidity available for funding requirements of its pipeline of investments with the objective of running its balance sheet efficiently. The Board assesses the Company's liquidity requirements regularly, and makes use of a revolving credit facility to provide funding on a short-term basis. In April 2017, the Company increased the size of the facility from £300 million to £500 million on a temporary basis to March 2018 to ensure that there is sufficient liquidity to progress pipeline opportunities. The maturity date of the facility was extended by one year to May 2020.

The projects portfolio is based on long-term contracts with public sector counterparties. There is a risk, particularly in the UK, that the public sector may wish to terminate these contracts early. In most cases, the contracts have robust provisions which set out the basis on which investors will be compensated in the event of early termination at the request of the public sector. Where such provisions do not exist, termination and associated compensation is subject to mutual agreement. The Company's projects portfolio is widely diversified by counterparty and legal jurisdiction, and represents 11% of the total portfolio including investment commitments. Overall, we consider the risk of a material loss arising from widespread early termination of the projects to be low.

The Company notes the manifesto commitment by the UK Labour Party to bring water companies into public ownership.

Investment risks

Following the record level of investment in the last financial year, the Company has a larger and more diverse portfolio. In line with the Company's investment focus, these new investments have characteristics which may increase volatility in returns from time to time, for example from exposure to market power prices or demand risk.

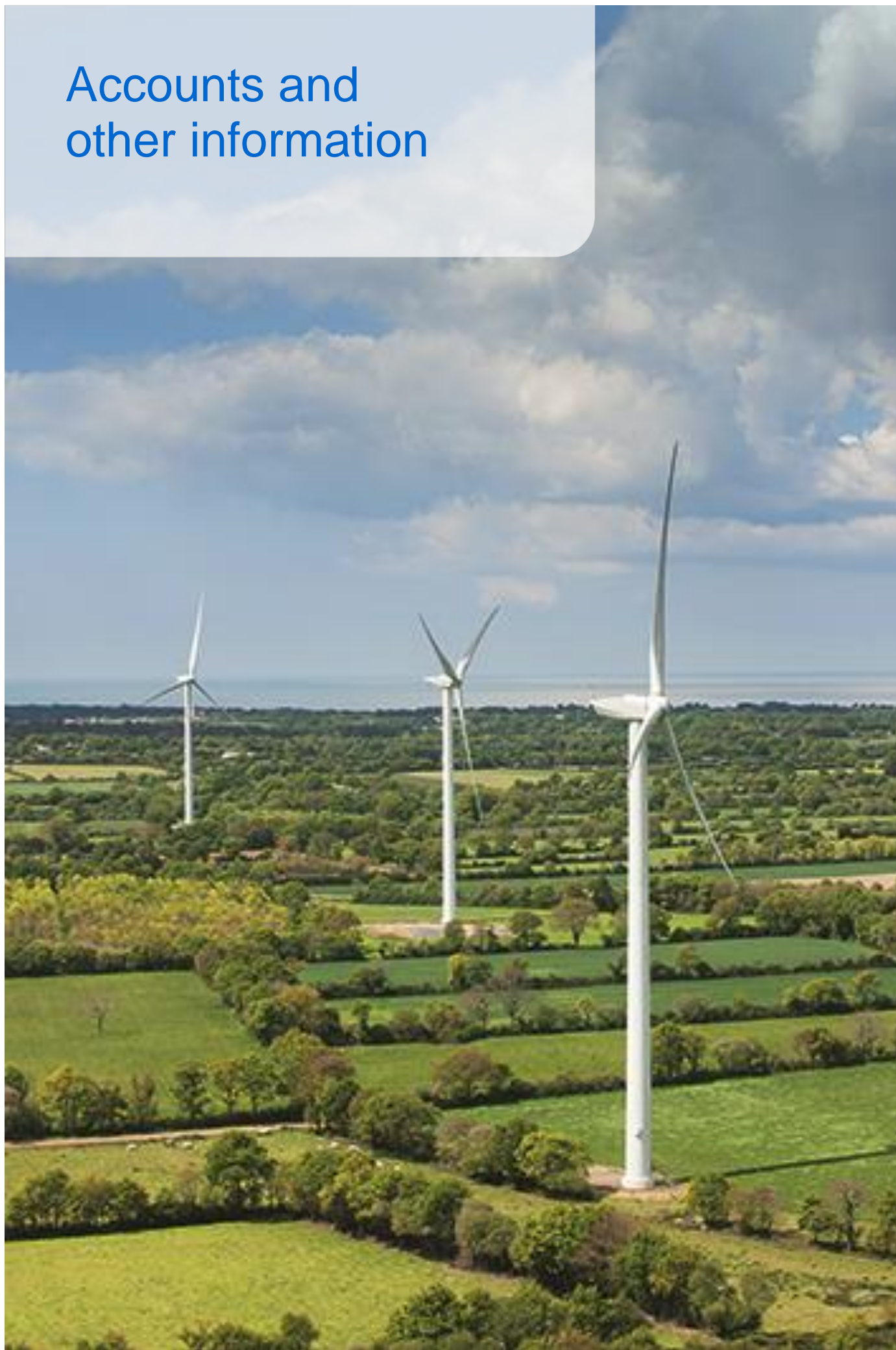
Ongoing access to debt markets is important to assets in the portfolio, particularly as existing debt matures. Changes in the terms and availability of debt finance, including from underlying performance of portfolio assets, could impact valuations.

The performance of the investments in the India Fund remains weak. The remaining portfolio, which now represents less than 2% of the Company's portfolio, is being managed for realisation.

Operational

The Investment Adviser's team grew during the period, with a number of new appointments outlined in the Managing Partner's report. Considerable resources are available to support the delivery of the Company's objectives.

Accounts and other information



Independent review report to 3i Infrastructure plc

Introduction

We have been engaged by 3i Infrastructure plc (“the Company”) to review the condensed set of financial statements in the Half-yearly report for the six months ended 30 September 2017 which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, notes 1 to 9 to the accounts and the accounting policies section. We have read the other information contained in the Half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in the Basis of preparation section of the Accounting policies, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in the Half-yearly report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-yearly report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

London, United Kingdom

Date: 8 November 2017

Notes

- 1 The maintenance and integrity of the 3i Infrastructure plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed financial statements since they were initially presented on the web site.
- 2 Legislation in Jersey governing the preparation and dissemination of condensed financial statements may differ from legislation in other jurisdictions.

Consolidated statement of comprehensive income

for the six months to 30 September

	Notes	Six months to 30 September 2017 (unaudited) £m	Six months to 30 September 2016 (unaudited) £m
Net gains on investments at fair value through profit or loss	4	109.8	115.4
Investment income		44.8	32.9
Fees payable on investment activities		(0.4)	0.2
Interest receivable		–	0.3
Investment return		154.2	148.8
Advisory and performance fees payable	2	(10.3)	(8.9)
Operating expenses		(1.2)	(1.1)
Finance costs		(3.2)	(2.2)
Movement in the fair value of derivative financial instruments		(21.1)	(66.7)
Other income		1.0	0.8
Exchange movements		1.4	3.1
Profit before tax		120.8	73.8
Income taxes	3	–	–
Profit after tax and profit for the period		120.8	73.8
Total comprehensive income for the period		120.8	73.8
Earnings per share			
Basic and diluted (pence)	6	11.8	7.9

Consolidated statement of changes in equity

for the six months to 30 September

	Notes	Stated capital account £m	Retained reserves £m	Total shareholders' equity £m
For the six months to 30 September 2017 (unaudited)				
Opening balance at 1 April 2017		560.4	1,174.2	1,734.6
Total comprehensive income for the period		–	120.8	120.8
Dividends paid to shareholders of the Company during the period	7	–	(38.7)	(38.7)
Closing balance at 30 September 2017		560.4	1,256.3	1,816.7
For the six months to 30 September 2016 (unaudited)				
Opening balance at 1 April 2016		181.6	1,095.4	1,277.0
Issue of shares	5	378.8	–	378.8
Total comprehensive income for the period		–	73.8	73.8
Dividends paid to shareholders of the Company during the period	7	–	(28.7)	(28.7)
Closing balance at 30 September 2016		560.4	1,140.5	1,700.9

Consolidated balance sheet

as at 30 September

	Notes	30 September 2017 (unaudited) £m	31 March 2017 (audited) £m
Assets			
Non-current assets			
Investments at fair value through profit or loss	4	1,909.2	1,815.6
Investment portfolio		1,909.2	1,815.6
Derivative financial instruments	4	1.9	4.4
Total non-current assets		1,911.1	1,820.0
Current assets			
Derivative financial instruments	4	1.7	1.3
Trade and other receivables		41.0	35.1
Other financial assets		19.6	32.1
Cash and cash equivalents		6.7	17.1
Total current assets		69.0	85.6
Total assets		1,980.1	1,905.6
Liabilities			
Non-current liabilities			
Derivative financial instruments	4	(45.8)	(43.4)
Trade and other payables		(4.6)	(3.8)
Loans and borrowings		(90.0)	(100.0)
Total non-current liabilities		(140.4)	(147.2)
Current liabilities			
Trade and other payables		(1.2)	(5.4)
Derivative financial instruments		(21.8)	(18.4)
Total current liabilities		(23.0)	(23.8)
Total liabilities		(163.4)	(171.0)
Net assets		1,816.7	1,734.6
Equity			
Stated capital account	5	560.4	560.4
Retained reserves		1,256.3	1,174.2
Total equity		1,816.7	1,734.6
Net asset value per share			
Basic and diluted (pence)	6	177.0	169.0

The consolidated financial statements and related Notes on pages 41 to 50 were approved and authorised for issue by the Board of Directors on 8 November 2017 and signed on its behalf by:

Steven Wilderspin
Director

Consolidated cash flow statement

for the six months to 30 September

	Six months to 30 September 2017 (unaudited) £m	Six months to 30 September 2016 (unaudited) £m
Cash flow from operating activities		
Purchase of investments	(2.3)	(278.0)
Proceeds from partial realisations of investments	32.9	18.9
Proceeds from full realisations of investments	–	7.2
Investment income ¹	37.6	18.2
Fees received on investment activities	–	0.2
Fees paid on investment activities	0.4	(0.9)
Operating expenses paid	(1.2)	(1.1)
Interest received	–	0.3
Advisory and performance fees paid	(14.1)	(27.9)
Amounts paid on the settlement of derivative contracts	(12.7)	(4.7)
Temporary loan to unconsolidated subsidiaries	–	(2.0)
Other income received	1.0	0.7
Net cash flow from operations	41.6	(269.1)
Cash flow from financing activities		
Proceeds from issue of share capital	–	385.0
Transaction costs for issue of share capital	–	(6.2)
Fees and interest paid on financing activities	(3.8)	(2.3)
Dividends paid	(38.7)	(28.7)
Repayment of revolving credit facility	(10.0)	–
Net cash flow from financing activities	(52.5)	347.8
Change in cash and cash equivalents	(10.9)	78.7
Cash and cash equivalents at the beginning of the period	17.1	47.5
Effect of exchange rate movement	0.5	0.6
Cash and cash equivalents at the end of the period	6.7	126.8

1 Investment income includes dividends of £0.3 million (September 2016: £0.5 million) and interest of £14.1 million (September 2016: £3.3 million) received from portfolio assets held directly by the Company and distributions of £23.2 million (September 2016: £14.4 million) received from unconsolidated subsidiaries.

Reconciliation of net cash flow to movement in net debt

for the six months to 30 September

	Six months to 30 September 2017 (unaudited)	Six months to 30 September 2016 (unaudited)
Change in cash and cash equivalents	(10.9)	78.7
Repayment of revolving credit facility	10.0	–
Change in net (debt)/cash resulting from cash flows	(0.9)	78.7
Movement in net debt	(0.9)	78.7
Net (debt)/cash and cash equivalents at the beginning of the period	(82.9)	47.5
Effect of exchange rate movement	0.5	0.6
Net (debt)/cash and cash equivalents at the end of the period	(83.3)	126.8

Notes to the accounts

1 Operating segments

The Directors review information on a regular basis that is analysed by portfolio segment; being Economic Infrastructure businesses, the Projects portfolio and the India fund, and by geography. These segments are reviewed for the purpose of resource allocation and the assessment of their performance. In accordance with IFRS 8, the segmental information provided below uses these segments for the analysis of results as it is the most closely aligned with IFRS reporting requirements. The Group is an investment holding company and does not consider itself to have any customers.

The following is an analysis of the Group's investment return, profit before tax, assets, liabilities and net assets by portfolio segment for the six months to 30 September 2017:

For the six months to 30 September 2017 (unaudited)	Economic Infrastructure businesses £m	Projects portfolio £m	India Fund £m	Unallocated £m	Total £m
Investment return	152.2	7.0	(2.5)	(2.5)	154.2
Profit/(loss) before tax	131.7	6.4	(2.5)	(14.8)	120.8
For the six months to 30 September 2016 (unaudited)					
Investment return	142.3	5.4	(0.7)	1.8	148.8
Profit/(loss) before tax	77.3	4.9	(0.7)	(7.7)	73.8
As at 30 September 2017 (unaudited)					
Assets	1,740.0	191.6	38.5	10.0	1,980.1
Liabilities	(70.7)	(1.8)	–	(90.9)	(163.4)
Net assets	1,669.3	189.8	38.5	(80.9)	1,816.7
As at 31 March 2017 (unaudited)					
Assets	1,656.9	187.5	41.2	20.0	1,905.6
Liabilities	(65.3)	(0.5)	–	(105.2)	(171.0)
Net assets	1,591.6	187.0	41.2	(85.2)	1,734.6

The following is an analysis of the Group's investment return, profit before tax, assets, liabilities and net assets by geography for the six months to 30 September 2017:

For the six months to 30 September 2017 (unaudited)	UK and Ireland ¹ £m	Continental Europe ² £m	Asia £m	Total £m
Investment return	31.7	125.0	(2.5)	154.2
Profit/(loss) before tax	18.0	105.3	(2.5)	120.8
For the six months to 30 September 2016 (unaudited)				
Investment return	28.7	120.8	(0.7)	148.8
Profit/(loss) before tax	17.3	57.2	(0.7)	73.8
As at 30 September 2017 (unaudited)				
Assets	848.0	1,093.6	38.5	1,980.1
Liabilities	(90.8)	(72.6)	–	(163.4)
Net assets	757.2	1,021.0	38.5	1,816.7
As at 31 March 2017 (unaudited)				
Assets	848.8	1,015.6	41.2	1,905.6
Liabilities	(105.4)	(65.6)	–	(171.0)
Net assets	743.4	950.0	41.2	1,734.6

1 Including Channel Islands. All centrally incurred costs have been deemed to be incurred in the UK and Ireland while recognising these costs support allocations across geographies.

2 Continental Europe includes all returns generated from and investment portfolio value relating to the Group's investments in Oiltanking, including those derived from its underlying business in Singapore.

1 Operating segments continued

The Group generated 20.6% (September 2016: 19.3%) of its investment return in the period from investments held in the UK and Ireland, 81.0% (September 2016: 81.2%) of its investment return from investments held in continental Europe and (1.6)% (September 2016: (0.5)%) from its investments held in Asia. During the period, the Group generated 97.1% (September 2016: 95.6%) of its investment return from investments in Economic Infrastructure businesses, 4.5% (September 2016: 3.6%) from investments in Projects and (1.6)% (September 2016: (0.5)%) from its investment in the India Fund. Given the nature of the Group's operations, the Group is not considered to be exposed to any operational seasonality or cyclicity that would impact the financial results of the Group during the period or the financial position of the Group at 30 September 2017.

2 Advisory and performance fees payable

	Six months to 30 September 2017 (unaudited) £m	Six months to 30 September 2016 (unaudited) £m
Advisory fee payable directly from the Company	10.3	8.9
Performance fee	—	—
	10.3	8.9

Total advisory and performance fees payable by the Company for the period to 30 September 2017 were £10.3 million (September 2016: £8.9 million). In addition to the fees described above, management fees of £2.4 million (September 2016: £2.2 million) were paid to 3i plc from unconsolidated subsidiary entities. Note 9 provides further details on the calculation of the advisory fee, performance fee and management fees.

3 Income taxes

Profits arising from the operations of the Company are subject to tax at the standard corporate income tax rate in Jersey of 0% (September 2016: 0%). The subsidiary of the Company has provided for taxation at the appropriate rates that are applicable in the country in which the subsidiary operates. The returns of the subsidiary are largely not subject to tax.

4 Investments at fair value through profit or loss and financial instruments

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted and in active markets)	Quoted equity investments
Level 2	Inputs other than quoted prices included in Level 1 that are observable in the market either directly (ie as prices) or indirectly (ie derived from prices)	Derivative financial instruments held at fair value
Level 3	Inputs that are not based on observable market data	Unquoted investments and unlisted funds

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) for each reporting period.

4 Investments at fair value through profit or loss and financial instruments continued

At 30 September 2017, the Group held the following classes of financial instruments that are measured at fair value. For all other assets and liabilities, their carrying value approximates to fair value. During the period ended 30 September 2017, there were no transfers of financial instruments between levels of the fair value hierarchy (March 2017: nil).

Financial instruments classification

	As at 30 September 2017 (unaudited)			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	1,909.2	1,909.2
Derivative financial instruments	–	3.6	–	3.6
	–	3.6	1,909.2	1,912.8
Financial liabilities				
Derivative financial instruments	–	(67.6)	–	(67.6)
	As at 31 March 2017 (audited)			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	1,815.6	1,815.6
Derivative financial instruments	–	5.7	–	5.7
	–	5.7	1,815.6	1,821.3
Financial liabilities				
Derivative financial instruments	–	(61.8)	–	(61.8)

Reconciliation of financial instruments categorised within Level 3 of fair value hierarchy

	As at 30 September 2017 (unaudited) £m
Level 3 fair value reconciliation	
Opening fair value	1,815.6
Additions	16.9
Disposal proceeds and repayment	(33.1)
Fair value movement (including exchange movements)	109.8
Closing fair value	1,909.2
	As at 31 March 2017 (audited) £m
Level 3 fair value reconciliation	
Opening fair value	1,228.8
Additions	469.2
Disposal proceeds and repayment	(33.0)
Fair value movement (including exchange movements)	150.6
Closing fair value	1,815.6

All unrealised movements on investments and foreign exchange movements are recognised in profit or loss in the consolidated statement of comprehensive income during the period and are attributable to investments held at the end of the period.

The holding period of the investments in the portfolio is expected to be greater than one year. Therefore, investments are classified as non-current unless there is an agreement to dispose of the investment within one year and all relevant regulatory approvals have been received. It is not possible to identify with certainty where any investments may be sold within one year.

4 Investments at fair value through profit or loss and financial instruments continued

Unquoted investments

The Group invests in private companies which are not quoted on an active market. These are measured in accordance with the International Private Equity Valuation guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted investments can be found in the Portfolio valuation methodology section.

The Group's policy is to fair value both the equity and debt investments in infrastructure assets together where they will be managed and valued as a single investment, were invested at the same time and cannot be realised separately. As at 30 September 2017, the fair value of unquoted investments was £1,883.4 million (March 2017: £1,788.3 million). Individual portfolio asset valuations are shown within the Portfolio summary on page 9.

The majority of the assets held within Level 3 are valued on a discounted cash flow basis, hence, the valuations are sensitive to the discount rate assumed in the valuation of each asset. Other significant unobservable inputs include the long-term inflation rate assumption and interest rates assumption used to project the future cash flows.

A discussion of discount rates applied can be found on page 13. Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £179.4 million (March 2017: £167.4 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £215.3 million (March 2017: £200.1 million).

The majority of assets held within Level 3 have revenues that are linked, partially linked or in some way correlated to inflation. The long-term inflation rate assumptions for the country of domicile of the investments in the portfolio range from 5.0% (India) (March 2017: 5.0%) to 2.0% (Finland) (March 2017: 2.0%) but with the majority at 2.5% (UK RPI) (March 2017: 2.5%). Changing the inflation rate assumption may result in consequential changes to other assumptions used in the valuation of each asset. The impact of increasing the inflation rate assumption by 1% for the next two years would increase the value of the portfolio by £41.8 million (March 2017: £41.3 million). Decreasing the inflation rate assumption used in the valuation of each asset by 1% for the next two years would decrease the value of the portfolio by £38.6 million (March 2017: £40.9 million).

The valuations are sensitive to changes in interest rates, which may result from: (i) unhedged existing borrowings within portfolio companies; (ii) interest rates on uncommitted future borrowings assumed within the asset valuations; and (iii) cash deposits held by portfolio companies. These comprise a wide range of interest rates from short-term deposit rates to longer-term borrowing rates across a broad range of debt products. Increasing the cost of borrowing assumption for unhedged borrowings and any future uncommitted borrowing and the cash deposit rates used in the valuation of each asset by 1% would reduce the value of the portfolio by £121.1 million (March 2017: £111.6 million). Decreasing the interest rate assumption used in the valuation of each asset by 1% would increase the value of the portfolio by £120.4 million (March 2017: £114.0 million). This calculation does not take account of any offsetting variances which may be expected to prevail if interest rates changed; the most significant impact would be in the portfolio assets with regulated returns where the future allowed return may also be influenced by the interest rate.

Unlisted fund

The Company invests in one externally managed fund, the Dalmore Capital Fund, which is not quoted in an active market. The Company considered the valuation techniques and inputs used in valuing this fund to ensure they are reasonable and appropriate and therefore the NAV of this fund may be used as an input into measuring its fair value. In measuring this fair value, the NAV of the fund is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, illiquid nature of the investments and other specific factors of the fund and fund manager. The Company classifies the fair value of this investment as Level 3. As at 30 September 2017, the fair value of unlisted funds was £18.5 million (March 2017: £17.6 million). The fund NAV reflects a 30 September 2017 valuation date (2017: 31 March 2017 valuation date). A 10% adjustment in the fair value of the fund would result in a £1.8 million (March 2017: £1.8 million) change in the valuation.

Intermediate holding companies

The Company invests in a number of intermediate holding companies that are used to hold the unquoted investments, valued as referred to above. All other assets and liabilities of the intermediate holding companies are held either at fair value or at a reasonable approximation to fair value. The fair value of these intermediate holding companies therefore approximates to their NAV and the Company classifies the fair value as Level 3. As at 30 September 2017, the fair value of the other assets and liabilities within these intermediate holding companies was £7.3 million (March 2017: £9.7 million).

4 Investments at fair value through profit or loss and financial instruments continued

Over-the-counter derivatives

The Company uses over-the-counter foreign currency derivatives and interest rate swaps to hedge foreign currency movements and interest rates respectively. The derivatives are held at fair value which represents the replacement cost of the instruments at the balance sheet date. The valuation technique incorporates various inputs including foreign exchange spot and forward rates, interest rate curves, and uses present value calculations. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

Valuation process for Level 3 valuations

Valuations are the responsibility of the Board of Directors of the Company. The valuation of unquoted investments, debt and unlisted funds held by the Group is performed on a half-yearly basis by the valuation team of the Investment Adviser and reviewed by the Investment Committee of the Investment Adviser. The valuations are also subject to quality assurance procedures performed within the valuation team. The valuation team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. On a half-yearly basis, the Investment Committee presents the valuations to the Board. This includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with significant fair value changes. The Investment Committee considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen. Any changes in valuation methods are discussed and agreed with the Audit and Risk Committee before being approved by the Board.

5 Issued capital

The Company is authorised to issue an unlimited number of shares with no fixed par value (March 2017: same).

	As at 30 September 2017 (unaudited)		As at 31 March 2017 (audited)	
	Number	£m	Number	£m
Issued and fully paid				
Opening balance	1,026,549,746	1,272.8	793,216,413	887.8
Issued as part of open offer and placing	–	–	233,333,333	385.0
Closing balance	1,026,549,746	1,272.8	1,026,549,746	1,272.8

Aggregate issue costs of £13.1 million arising from IPO and subsequent share issues were offset against the stated capital account in previous years. In addition, the stated capital account was reduced by Court order on 20 December 2007 with an amount of £693.1 million transferred to a new, distributable reserve which has been combined with retained reserves in these accounts.

In the prior year, the Company issued a further 233.3 million shares further to an open offer and placing at an issue price of 165.0 pence per share or an aggregate amount of £385.0 million. Issue costs of £6.2 million arising from this offer were offset against the stated capital account. As at 30 September 2017, the residual value on the stated capital account was £560.4 million.

6 Per share information

The earnings and net assets per share attributable to the equity holders of the Company are based on the following data:

	Six months to 30 September 2017 (unaudited)	Six months to 30 September 2016 (unaudited)
Earnings per share (pence)		
Basic and diluted	11.8	7.9
Earnings (£m)		
Profit after tax for the period	120.8	73.8
Number of shares (million)		
Weighted average number of shares in issue	1,026.5	936.0
	As at 30 September 2017 (unaudited)	As at 31 March 2017 (audited)
Net assets per share (pence)		
Basic and diluted	177.0	169.0
Net assets (£m)		
Net assets	1,816.7	1,734.6

7 Dividends

	As at 30 September 2017 (unaudited)		As at 30 September 2016 (unaudited)	
Declared and paid during the period	pence per share	£m	pence per share	£m
Prior year final dividend paid on ordinary shares	3.775	38.7	3.625	28.7
	3.775	38.7	3.625	28.7

The Company proposes paying an interim dividend of 3.925 pence per share (September 2016: 3.775 pence) which will be payable to those shareholders that are on the register on 24 November 2017. On the basis of the shares in issue at 30 September 2017, this would equate to a total interim dividend of £40.3 million (September 2016: £38.7 million).

8 Contingent liabilities

As at 30 September 2017, the Company had issued €35.5 million (re-translated £31.2 million) in the form of letters of credit, drawn against the Revolving Credit Facility, for the investments into the A27/A1, RIVM, La Santé, Hart Van Zuid and Condorcet PPP projects (March 2017: €35.5 million, £30.3 million).

9 Related parties

Transactions between the Company and 3i Group

3i Group plc ("3i Group") holds 33.6% (March 2017: 33.8%) of the ordinary shares of the Company. This classifies 3i Group as a "substantial shareholder" of the Company as defined by the Listing Rules.

The Company has committed US\$250 million to the 3i India Infrastructure Fund ("the India Fund") to invest in the Indian infrastructure market. 3i Group also committed US\$250 million of investment capital to the India Fund. No commitments (March 2017: nil) were drawn down by the India Fund from the Company during the period. In total, commitments of US\$183.7 million or £137.1 million re-translated had been drawn down at 30 September 2017 (March 2017: US\$183.7 million or £146.8 million) by the India Fund from the Company. As the India Fund has reached the end of its investment period, the Company's outstanding commitment to the India Fund is limited to 15% of the original US\$250 million commitment. At 30 September 2017, the outstanding commitment was US\$37.5 million, or £28.0 million re-translated (March 2017: US\$37.5 million or £30.0 million).

9 Related parties continued

3i Networks Finland Limited, a subsidiary of 3i Group, receives a priority profit share from 3i Networks Finland LP, an unconsolidated subsidiary of the Company. During the period, £1.1 million (September 2016: £1.0 million) was payable directly to 3i Group, of which the Company's share was £1.0 million (September 2016: £0.9 million) and which was therefore offset against the total advisory fee payable by the Company. As at 30 September 2017, nil remained outstanding (March 2017: nil).

3i Osprey GP Limited, a subsidiary of 3i Group, receives a priority profit share from 3i Osprey LP, an unconsolidated subsidiary of the Company. During the period, £2.1 million (September 2016: £1.9 million) was payable directly to 3i Group, of which the Company's share was £1.4 million (September 2016: £1.2 million) and which was therefore offset against the total advisory fee payable by the Company. As at 30 September 2017, £0.4 million remained outstanding (March 2017: £0.3 million).

3i Investments plc, a subsidiary of 3i Group, acts as the exclusive Investment Adviser to the Company and provides its services under an Investment Advisory Agreement ("IAA"). It also acts as the manager for the India Fund. 3i plc, another subsidiary of 3i Group, together with 3i Investments plc, provides support services to the Company.

Under the IAA, an annual advisory fee is payable to 3i plc based on the Gross Investment Value of the Group at the end of each financial period. Gross Investment Value is defined as the total aggregate value (including any subscription obligations) of the investments of the Group as at the start of a financial period plus any investment (excluding cash) made during the period valued at cost (including any subscription obligations). The applicable annual rate is 1.5%, dropping to an annual rate of 1.25% for investments that have been held by the Group for longer than five years. A lower fee of 1% per annum is applicable for any investments in greenfield projects. The advisory fee accrues throughout a financial period and quarterly instalments are payable on account of the advisory fee for that period. The advisory fee is not payable in respect of cash or cash equivalent liquid temporary investments held by the Group throughout a financial period. For the period to 30 September 2017, £12.7 million (September 2016: £11.1 million) was payable and nil (March 2017: nil) remained due to 3i plc at 30 September 2017. This amount includes fees of £2.4 million (September 2016: £2.2 million) which were paid directly from unconsolidated subsidiary entities to 3i plc.

The IAA also provides for an annual performance fee to be payable to 3i plc. This becomes payable when the Adjusted Total Return per ordinary share (being mainly the closing Net Asset Value per share aggregated with any distributions made in the course of the financial period and any accrued performance fees relating to the financial period) for the period exceeds the Target Total Return per share, being the Net Asset Value per ordinary share equal to the opening Net Asset Value per ordinary share, adjusted for the issue of new equity in the period, increased at a rate of 8% per annum ("the performance hurdle"). If the performance hurdle is exceeded, the performance fee will be equal to 20% of the Adjusted Total Return per share in excess of the performance hurdle for the relevant financial period, multiplied by the weighted average of the total number of shares in issue over the relevant financial period. In addition, the performance fee includes a high water mark requirement so that, before payment of a performance fee, besides the 8% performance hurdle, the return must also exceed the performance level in respect of which any performance fee has been paid in the previous three financial years. The performance hurdle and high water mark requirement was not exceeded for the period to 30 September 2017 and therefore no performance fee was recognised (September 2016: nil). The outstanding balance payable as at 30 September 2017 was nil (March 2017: £3.9 million).

Under the IAA, the Investment Adviser's appointment may be terminated by either the Company or the Investment Adviser giving the other not less than 12 months' notice in writing, to expire no earlier than 8 May 2019, unless 3i Investments plc has previously ceased to be a member of 3i Group, or with immediate effect by either party giving the other written notice in the event of insolvency or material or persistent breach by the other party. The Investment Adviser may also terminate the agreement on two months' notice given within two months of a change of control of the Company.

Pursuant to the UK Support Services Agreement, the Company also pays 3i plc an annual fee for the provision of support services. Such remuneration is payable quarterly in arrears. The cost incurred for the period to 30 September 2017 was £0.4 million (September 2016: £0.4 million). The outstanding balance payable as at 30 September 2017 was £0.2 million (March 2017: £0.2 million).

Accounting policies

Basis of preparation

These financial statements are the unaudited Half-yearly condensed consolidated financial statements (the “Half-yearly Financial Statements”) of 3i Infrastructure plc (the “Company”), a company incorporated and registered in Jersey, and its consolidated subsidiary (together referred to as the “Group”) for the six-month period ended 30 September 2017.

The Half-yearly Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) and the accounting policies set out in the Annual report and accounts 2017. They should be read in conjunction with the consolidated financial statements for the year to 31 March 2017, as they provide an update of previously reported information. The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability and cash flows.

The Half-yearly Financial Statements were authorised for issue by the Directors on 8 November 2017.

The Half-yearly Financial Statements do not constitute statutory accounts. The statutory accounts for the year to 31 March 2017, prepared under IFRS as adopted by the European Union, and on which the auditors issued a report, which was unqualified, have been filed with the Jersey Financial Services Commission.

The preparation of the Half-yearly Financial Statements in conformity with IFRS requires the Board to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. There is no material impact from new accounting standards becoming effective during the period. All accounting policies and related estimates used in the preparation of the Half-yearly Financial Statements are consistent with those stated in the Annual report and accounts 2017. The presentation of “Net gains on investments at fair value through profit or loss” in the consolidated statement of comprehensive income now includes realised gains and losses over opening fair value on the disposal of investments which had previously been disclosed separately.

Statement of Directors' responsibilities

The Directors, who are required to prepare the financial statements on a going concern basis unless it is not appropriate, are satisfied that the Group has the resources to continue in business for the foreseeable future and that the financial statements continue to be prepared on a going concern basis.

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements have been prepared in accordance with IAS 34 as adopted by the European Union;
- the interim report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance; and
- the Half-yearly report includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

The Directors of 3i Infrastructure plc and their functions are listed below.

By order of the Board

Richard Laing

Chairman

8 November 2017

Board of Directors and their functions

Richard Laing

Non-executive Chairman and chairman of the Nominations Committee and the Management Engagement Committee.

Paul Masterton

Senior Independent Director and chairman of the Remuneration Committee.

Wendy Dorman

Non-executive Director.

Ian Loble

Non-executive Director.

Doug Bannister

Non-executive Director.

Steven Wilderspin

Non-executive Director and chairman of the Audit and Risk Committee.

Investment policy

The Company aims to build a diversified portfolio of equity investments in entities owning infrastructure businesses and assets. The Company seeks investment opportunities globally, but with a focus on Europe, North America and Asia.

The Company's equity investments will often comprise share capital and related shareholder loans (or other financial instruments that are not shares but that, in combination with shares, are similar in substance). The Company may also invest in junior or mezzanine debt in infrastructure businesses or assets.

Most of the Company's investments are in unquoted companies. However, the Company may also invest in entities owning infrastructure businesses and assets whose shares or other instruments are listed on any stock exchange, irrespective of whether they cease to be listed after completion of the investment, if the Directors judge that such an investment is consistent with the Company's investment objectives. The Company will, in any case, invest no more than 15% of its total gross assets in other investment companies or investment trusts which are listed on the Official List.

The Company may also consider investing in other fund structures (in the event that it considers, on receipt of advice from the Investment Adviser, that that is the most appropriate and effective means of investing), which may be advised or managed either by the Investment Adviser or a third party. If the Company invests in another fund advised or managed by 3i Group, the relevant proportion of any advisory or management fees payable by the investee fund to 3i plc will be deducted from the annual advisory fee payable under the Investment Advisory Agreement and the relevant proportion of any performance fee will be deducted from the annual performance fee, if payable, under the Investment Advisory Agreement. For the avoidance of doubt, there will be no similar set-off arrangement where any such fund is advised or managed by a third party.

For most investments, the Company seeks to obtain representation on the board of directors of the investee company (or equivalent governing body) and in cases where it acquires a majority equity interest in a business, that interest may also be a controlling interest.

No investment made by the Company will represent more than 25% of the Company's gross assets, including cash holdings, at the time of the making of the investment. It is expected that most individual investments will exceed £50 million. In some cases, the total amount required for an individual transaction may exceed the maximum amount that the Company is permitted to commit to a single investment. In such circumstances, the Company may consider entering into co-investment arrangements with 3i Group (or other investors who may also be significant shareholders), pursuant to which 3i Group and its subsidiaries (or such other investors) may co-invest on the same financial and economic terms as the Company. The suitability of any such co-investment arrangements will be assessed on a transaction-by-transaction basis and would be subject to Board approval. Depending on the size of the relevant investment and the identity of the relevant co-investor, such a co-investment arrangement may be subject to the related party transaction provisions contained in the Listing Rules and may therefore require shareholder consent.

The Company's Articles require its outstanding borrowings, including any financial guarantees to support subsequent obligations, to be limited to 50% of the gross assets of the Group (valuing investments on the basis included in the Group's accounts).

In accordance with Listing Rules requirements, the Company will only make a material change to its investment policy with the approval of shareholders.

Portfolio valuation methodology

A description of the methodology used to value the investment portfolio of 3i Infrastructure and its consolidated subsidiary ("the Group") is set out below in order to provide more detailed information than is included within the accounting policies and the Investment Adviser's review for the valuation of the portfolio. The methodology complies in all material aspects with the "International Private Equity and Venture Capital valuation guidelines" which are endorsed by the British Private Equity and Venture Capital Association and Invest Europe.

Basis of valuation

Investments are reported at the Directors' estimate of fair value at the reporting date in compliance with IFRS 13 Fair Value Measurement. Fair value is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.

General

In estimating fair value, the Directors seek to use a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the overall portfolio. The methodology that is the most appropriate may consequently include adjustments based on informed and experience-based judgments, and will also consider the nature of the industry and market practice. Methodologies are applied consistently from period to period except where a change would result in a better estimation of fair value. Given the uncertainties inherent in estimating fair value, a degree of caution is applied in exercising judgments and making necessary estimates.

Investments may include portfolio assets and other net assets/liabilities balances. The methodology for valuing portfolio assets is set out below. Any net assets/liabilities within intermediate holding companies are valued in line with the Group accounting policy and held at fair value or approximate to fair value.

Quoted investments

Quoted equity investments are valued at the closing bid price at the reporting date. In accordance with International Financial Reporting Standards, no discount is applied for liquidity of the stock or any dealing restrictions. Quoted debt investments will be valued using quoted prices provided by third-party broker information where reliable or will be held at cost less fair value adjustments.

Unquoted investments

Unquoted investments are valued using one of the following methodologies:

- Discounted Cash Flow ("DCF")
- Proportionate share of net assets
- Sales basis
- Cost less any fair value adjustments required

DCF

DCF is the primary basis for valuation. In using the DCF basis, fair value is estimated by deriving the present value of the investment using reasonable assumptions and estimation of expected future cash flows and the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The terminal value attributes a residual value to the investee company at the end of the projected discrete cash flow period. The discount rate will be estimated for each investment derived from the market risk-free rate, a risk-adjusted premium and information specific to the investment or market sector.

Proportionate share of net assets

Where the Group has made investments into other infrastructure funds, the value of the investment will be derived from the Group's share of net assets of the fund based on the most recent reliable financial information available from the fund. Where the underlying investments within a fund are valued on a DCF basis, the discount rate applied may be adjusted by the Company to reflect its assessment of the most appropriate discount rate for the nature of assets held in the fund. In measuring the fair value, the net asset value of the fund is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, illiquid nature of the investments and other specific factors of the fund.

Sales basis

The expected sale proceeds will be used to assign a fair value to an asset in cases where offers have been received as part of an investment sales process. This may either support the value derived from another methodology or may be used as the primary valuation basis. A marketability discount is applied to the expected sale proceeds to derive the valuation where appropriate.

Cost less fair value adjustment

Any investment in a company that has failed or, in the view of the Board, is expected to fail within the next 12 months, has the equity shares valued at nil and the fixed income shares and loan instruments valued at the lower of cost and net recoverable amount.

Information for shareholders

Financial calendar

Ex-dividend date for interim dividend	23 November 2017
Record date for interim dividend	24 November 2017
Interim dividend expected to be paid	8 January 2018
Full year results	May 2018

Registrars

For shareholder services, including notifying changes of address, the registrar details are as follows:

Link Market Services (Jersey) Limited
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands

e-mail: registrars@linkgroup.je
Telephone: +44 (0)1534 847 000
Shareholder helpline: 0871 664 0300

Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Link Group are open between 9.00am–5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Website

For full up-to-date investor relations information including the latest share price, recent reports, results presentations and financial news, please visit our investor relations website **www.3i-infrastructure.com**

If you would prefer to receive shareholder communications electronically, including your annual reports and notices of meetings, please go to **www.3i-infrastructure.com/shareholder-services/registrar-e-communications** for details of how to register.

Frequently used registrars' forms can be found on our website at
www.3i-infrastructure.com/shareholder-services/registrar-e-communications

3i Infrastructure plc

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Annual report online

To receive shareholder communications electronically in future, including annual reports and notices of meetings, please go to:

[**www.3i-infrastructure.com**](http://www.3i-infrastructure.com)

for details of how to register.