



2 July 2015

3i Infrastructure plc – Trading update

3i Infrastructure plc (“3i Infrastructure” or “the Company”) is an investment company focusing on infrastructure investment opportunities. This trading statement relates to the period from 1 April 2015 to 30 June 2015 (the “period”).

Highlights

- Following the receipt of clearances from the European Commission under the EU Merger Regulation, on 5 June 2015 the Company completed the acquisition of 45% stakes in each of Oiltanking Terneuzen B.V. (“OTT”) and Oiltanking Ghent N.V. (“OTG”) from Oiltanking GmbH, for an aggregate consideration of €107 million (£77 million).
- The West of Duddon Sands Offshore Transmission Owner (“OFTO”) project reached commercial close on 12 June 2015. Financial close is expected later this summer, with the total investment for the project expected to be approximately £25 million.
- Following EU Merger Regulation clearance, on 16 April 2015 the Company completed the sale of its holding in Eversholt Rail Group (“Eversholt Rail”).
- The portfolio continues to perform in line with expectations, generating portfolio income of £14.0 million in the period. This compares to £19.5 million in the first quarter to 30 June 2014, which included income of £3.9 million from Eversholt Rail. In addition to the reduced interest receipts following the sale of Eversholt Rail, portfolio income was down period-on-period due to a lower dividend received from Anglian Water Group (“AWG”).
- The Company’s liquidity position remains strong, with a pro forma cash balance of £160 million as at 30 June 2015 (after deducting £32 million for the payment of the final dividend for FY2015, which is due to be paid on 10 July 2015, and after deducting the £150 million special dividend announced on 12 May 2015, which is due to be paid on 31 July 2015), and £284 million of undrawn Revolving Credit Facility (“RCF”).
- The Investment Adviser continues to develop its pipeline of new investment opportunities, targeting investments in mid-market operational economic infrastructure and primary PPP and low-risk energy projects. As noted in the Company’s results announcement in May 2015, the Investment Adviser is evaluating new investment opportunities in adjacent infrastructure market sectors consistent with the Company’s return objectives.

Peter Sedgwick, Chairman of 3i Infrastructure, said: “The European portfolio continues to perform well. As expected, the completion of the sale of Eversholt Rail in April and a reduced dividend from AWG resulted in lower portfolio income in the period compared to the corresponding period last year. Supported by our outlook for the European portfolio and significant realised capital profits, we remain on track to deliver a full year dividend for FY2016 of 7.25 pence per share and to grow this progressively beyond FY2016.”

Ben Loomes and Phil White, Managing Partners and Co-heads of Infrastructure, 3i Investments plc, Investment Adviser to the Company, added: “As we have noted previously, significant and growing demand for large European Core infrastructure investments has driven asset prices higher and projected returns lower in this sector. Recent transactions, including notably the sale of the Company’s investment in Eversholt Rail, have further evidenced the material returns compression in the large Core infrastructure market. These conditions have had a positive impact on the valuation of the Company’s portfolio of large Core investments, which were acquired in a more favourable prospective returns environment. Going forward, we are seeing more attractive risk-adjusted returns available from investments in the mid-market economic infrastructure and primary PPP project and low-risk energy sectors where we have been active.

During the period, we are pleased to have completed the investment in the OTT and OTG oil storage terminals alongside Oiltanking, and to have reached commercial close on the West of Duddon Sands OFTO project. We continue to develop our investment pipeline in mid-market economic infrastructure and primary PPP and low-risk energy projects.”

Investment and realisation activity

Following the receipt of the required regulatory approval, on 5 June 2015 the Company completed the acquisition of a 45% interest in each of OTT in the Netherlands and OTG in Belgium from Oiltanking GmbH, for a total consideration of €107 million (excluding transaction costs). Of the total consideration, €72 million relates to equity provided by the Company, with the balance of €35 million financed by way of additional debt funding raised in Oystercatcher, which will hold the two investments alongside its existing 45% holdings in Oiltanking Amsterdam, Malta and Singapore. The two investments are good examples of our ability to secure mid-market economic infrastructure assets, capable of delivering resilient cash flows and returns in line with the Company’s objectives.

Having achieved preferred bidder status for the West of Duddon Sands Offshore Transmission Owner (or “OFTO”), the Company reached commercial close on the project on 12 June 2015 and expects to reach financial close later this summer. As previously announced, the Company’s investment in the project is expected to total £25 million.

On 16 April 2015, following clearance from the European Commission under the EU Merger Regulation, the Company completed the sale of its holding in Eversholt Rail to CK Investments S.A.R.L, a company jointly owned by Cheung Kong Infrastructure Holdings Limited and Cheung Kong (Holdings) Limited.

Portfolio and returns

The Company's European portfolio continues to perform in line with expectations. Portfolio income (dividends, interest receivable and any fees received from portfolio assets) totalled £14.0 million in the period (against £19.5 million in the first quarter to 30 June 2014, including income of £3.9 million from Eversholt Rail). In addition to the reduced interest receipts following the sale of Eversholt Rail, portfolio income was down period-on-period due to a lower dividend received from Anglian Water Group ("AWG") following the implementation of the regulatory settlement for the 2015-2020 regulatory period ("AMP6") from 1 April 2015 and a conservative approach to distributions while UK inflation remains at subdued levels.

The valuation of the Company's holding in the 3i India Infrastructure Fund ("India Fund") is influenced by a number of market factors, including foreign exchange fluctuations and the movements in the share price of the India Fund's holding in Adani Power. Over the period, the exchange rate of the Indian rupee against sterling depreciated by 7.7%, resulting in foreign exchange losses of £4.9 million, and the share price of Adani Power decreased by 39%, resulting in a reduction in the value of the Company's holding of £2.8 million.

As usual, an important element of the determination of the Company's results for the six months to 30 September 2015 will be the valuation exercise carried out on the investment portfolio at that date. 3i Infrastructure expects to announce its half yearly results in November 2015.

Balance sheet

At 30 June 2015, the Company had a pro forma cash balance of £160 million, after deducting the final dividend of £32 million (3.62 pence per share) which is due to be paid on 10 July 2015 and the special dividend of £150 million (17.0 pence per share) which is due to be paid on 31 July 2015.

As announced on 12 May 2015, on 7 May the Company increased the size of its RCF from £200 million to £300 million. The combination of the increased RCF and £150 million special dividend reduces the impact on returns of holding material cash balances, while maintaining a good level of liquidity for further investment. The undrawn RCF balance, at 30 June 2015, was £284 million.

Ends

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3i Infrastructure plc is a Jersey-incorporated, closed-ended investment company, listed on the London Stock Exchange and regulated by the Jersey Financial Services Commission. The Company is a long-term investor in infrastructure businesses and assets. The Company's market focus is on core economic infrastructure in developed economies, principally in Europe, in the utilities and transportation sectors, investing in operational businesses which generate long-term yield and can provide capital growth. It also has investments in social infrastructure and is building its exposure to primary PPP and low risk energy projects.

3i Investments plc, a wholly-owned subsidiary of 3i Group plc, is authorised and regulated in the UK by the Financial Conduct Authority and acts as Investment Adviser to 3i Infrastructure plc.

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This statement aims to give an indication of material events and transactions that have taken place in the period from 1 April 2015 to 30 June 2015 and their impact on the financial position of 3i Infrastructure plc. These indications reflect the Board's current view. They are subject to a number of risks and uncertainties and could change. Factors which could cause or contribute to such differences include, but are not limited to, general economic and market conditions and specific factors affecting the financial prospects or performance of individual investments within the portfolio of 3i Infrastructure plc.