



8 November 2018

Results for the six months to 30 September 2018

Performance highlights

<p>£157m, 9.3% Total return</p> <p>226.4p NAV per share</p>	Portfolio is performing well, driving growth in net asset value ('NAV') ahead of target
<p>£132m Total income and non-income cash</p>	Strong growth in income and non-income cash
<p>£196m New investment commitment</p>	Commitment to invest in Tampnet, further diversifying the portfolio
<p>£125m Cash balances</p>	Maintained an efficient balance sheet
<p>4.325p Interim dividend per share</p>	On track to deliver the FY19 dividend target, 10% higher than FY18

Richard Laing, Chairman of 3i Infrastructure plc (the 'Company')

"I am delighted with our performance in the first half of the financial year. The Company continues to outperform its objectives and is on track to deliver the full year dividend target for FY19, up 10% from last year. We remain confident in our business model and strategy."

Performance

The Company generated a total return of 9.3% on opening NAV for the first half, ahead of the target return of 8% to 10% per annum to be achieved over the medium term. The NAV per share increased to 226.4 pence. The portfolio is performing in line with expectations overall, both financially and operationally, with our Investment Manager driving value growth over the period through engaged asset management.

We delivered a Total Shareholder Return ('TSR') of 16.2% in the period (FTSE 250: 6.1%). Since IPO, the Company's annualised TSR was 12.7%, comparing favourably with the broader market (FTSE 250: 8.1% annualised over the same period). The Company has achieved this outperformance with relatively low share price volatility.

Interim dividend

We are announcing the payment of an interim dividend of 4.325 pence per share, scheduled to be paid on 7 January 2019 to holders of ordinary shares on the register on 23 November 2018. The ex-dividend date will be 22 November 2018.

Corporate governance

The Company's Annual General Meeting was held on 5 July 2018. All resolutions were approved by shareholders, including the election and re-election of all Directors to the Board. An Extraordinary General Meeting ('EGM') was held on 17 September 2018, at which shareholders approved the resolution regarding the terms of the new Investment Management Agreement between the Company and 3i Investments plc (the 'Investment Manager'). The Board has continued to engage with shareholders since the EGM, including those who voted against the resolution.

The management and tax residence of the Company moved to the UK on 15 October 2018 with 3i Investments plc as the Alternative Investment Fund Manager. This move mitigates the risk of additional tax costs following the implementation of the tax base erosion and profit shifting ('BEPS') initiative by OECD countries.

Richard Laing

Chairman

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Notes

This report contains Alternative Performance Measures ('APMs'), which are financial measures not defined in International Financial Reporting Standards ('IFRS'). More information relating to APMs, including why we use them and the relevant definitions, can be found in the Company's 2018 Annual Report and Accounts.

For further information regarding the announcement of results for 3i Infrastructure plc please see www.3i-infrastructure.com. The analyst presentation will be made available on this website during the day.

Notes to editors

3i Infrastructure plc is a Jersey-incorporated, closed-ended investment company, tax resident in the United Kingdom (with effect from 15 October 2018), 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 economic infrastructure and greenfield projects in developed economies, principally in Europe, investing in operating businesses and projects which generate long-term yield and capital growth.

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 Manager to 3i Infrastructure plc.

This statement has been prepared solely to provide information to shareholders. It should not be relied on by any other party or for any other purpose. It and the Company's Half-yearly report may contain statements about the future, including certain statements about the future outlook for 3i Infrastructure plc. These are not guarantees of future performance and will not be updated. Although we believe our 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.

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Half-yearly report

Review from the Managing Partner

Portfolio review

Our portfolio is performing well, with strong results and good progress from our two largest investments, Infinis and Wireless Infrastructure Group ('WIG'), as well as from TCR and particularly, Cross London Trains ('XLT'), where all 115 trains in the fleet have now been accepted for operation on the rail network. The trains recently won 'Train of the Year' at the National Rail Awards 2018. We have begun to explore options in relation to our holding in XLT, including a possible sale of the investment.

Oystercatcher's terminals are experiencing challenging market conditions, with soft demand for storage of certain oil product types resulting in downward pressure on pricing and some vacant capacity.

We managed our portfolio actively during the period. We syndicated 50% of our original investment in Attero, a European leader in waste treatment and processing. By reducing the Company's holding in Attero to 25% we have reduced our exposure to uncontracted power price risk and to the energy sector in general. This syndication was part of our strategy for the investment at the time of acquisition; 3i Investments plc will manage and retain governance over the 50% of Attero the Company originally acquired. Attero is benefiting from a lack of capacity for waste treatment across Europe. In October, the Dutch prime minister unveiled a new 120MW steam turbine at Attero's Moerdijk energy-from-waste facility, concluding a key strategic initiative.

Infinis, WIG and TCR were all refinanced during the period. These transactions were secured on attractive terms and provide the refinanced companies with flexibility for further growth and extend their debt maturity profiles, whilst also delivering non-income cash distributions to the Company.

The integration of the Alkane Energy business acquired by Infinis early in 2018 is going well and the enlarged company benefited from strong power prices in the period. WIG signed contracts for two bolt-on acquisitions in October: a portfolio of towers in Ireland and Arqiva's distributed antenna systems business. These acquisitions are value accretive and do not require additional equity investment from the Company.

ESVAGT announced the appointment of Peter Lytzen as CEO with effect from September 2018. The company also announced contracts with MHI Vestas to provide two new wind farm Service Operation Vessels ('SOV') along with an option over a third SOV, underlining its market-leading position in the offshore wind industry.

Valorem has continued to grow its portfolio of wind and solar projects, almost doubling the generating capacity of the business in the two years since acquisition in September 2016.

The portfolio including commitments is analysed below.

Portfolio - Breakdown by value at 30 September 2018

Infinis	15%
WIG	14%
XLT	13%
Tampnet	10%
TCR	10%
ESVAGT	8%
Oystercatcher	8%
Attero	5%
Valorem	4%
Projects portfolio	11%
India Fund	2%

Portfolio - Breakdown by geography at 30 September 2018

UK and Ireland	51%
Continental Europe and Singapore	47%
India	2%

Investment activity

The investment in Attero, which was signed at the end of the last financial year, completed on 14 June 2018. We had a good level of new investment in the period, providing further diversification of our portfolio and broadening our sector and geographic exposure.

- A €220 million (£196 million) investment commitment in Tampnet AS, in a consortium with Danish pension fund ATP, our first investment in fibre telecoms infrastructure. 3i Investments plc will manage the investment on behalf of the consortium. Tampnet provides low latency, high bandwidth connectivity to offshore operations in the North Sea and the Gulf of Mexico. This investment provides an attractive yield for the Company and further diversifies the portfolio's geographic exposure. Completion is subject to certain US regulatory approvals that are expected to be received by the end of the financial year.
- Existing commitments of €45.1 million (£40.1 million) were funded during the period. These comprised:
 - €12.0 million (£10.7 million) in Valorem for the development of its pipeline of wind and solar projects.
 - €10.9 million (£9.5 million) in La Santé prison in France and €22.2 million (£19.9 million) in the A9 motorway in the Netherlands as these projects approach operational status.

The investment pipeline continues to develop well and we are seeing a wide range of opportunities for the Company, including through our platform investments. We remain selective, pursuing those opportunities that would enhance the portfolio while seeking to limit abort cost risk in highly competitive transaction processes.

Outlook

The Company has maintained its high returns performance, outperforming our objectives. The portfolio is demonstrating the resilience inherent in infrastructure businesses and delivering value enhancement from growth initiatives and reduction in risk as early stage investments mature into operation.

Competition for new investments remains intense, but we have a strong origination platform across Europe and an attractive, well-balanced portfolio on which to build.

Phil White

Managing Partner and Head of Infrastructure
3i Investments plc

Financial review

Portfolio and returns

Total return

The Company generated a total return for the six-month period of £156.6 million, representing a 9.3% return on opening shareholders' equity (September 2017: £120.8 million, 7.1%). This performance is significantly ahead of the target return of 8% to 10% per annum over the medium term. Total income and non-income cash of £132.3 million was 64% higher than the same period last year (September 2017: £80.8 million).

This performance was driven by the delivery of planned cash flows and other asset outperformance, particularly from XLT and Infinis. Macroeconomic factors, including the increase in inflation over the short term which benefits revenues across most of our portfolio, have also added to performance. Overall this led to a value increase of £130.9 million in the 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. Accrued income is now classified within 'Investments at fair value through profit or loss' and is included in Table 1. In prior periods, accrued income was classified within 'Trade and other receivables'.

Table 1: Portfolio summary (30 September 2018, £m)

Portfolio assets	Directors' valuation 31 March 2018	Investment in the period	Divestment in the period	Accrued income movement ¹	Value movement	Foreign exchange translation	Directors' valuation 30 September 2018	Allocated foreign exchange hedging	Underlying portfolio income in the period	Asset total return in the period ²
Infinis	310.7	–	(45.7) ³	5.1	37.9	–	308.0	–	10.3	48.2
WIG	300.4	7.1 ⁴	(42.7) ³	2.9	11.6	–	279.3	–	6.9	18.5
XLT	166.3	–	–	1.2	103.6	–	271.1	–	2.4	106.0
TCR	179.5	–	–	6.4	4.7	2.2	192.8	(1.9)	5.7	10.7
ESVAGT	149.1	8.1 ⁴	–	4.4	(1.8)	3.3	163.1	(2.7)	8.5	7.3
Oystercatcher	181.3	–	–	–	(31.7)	5.3	154.9	(4.2)	4.0	(26.6)
Attero	–	88.4 ⁵	(1.3) ⁶	0.2	6.0	1.0	94.3	(0.9)	0.7	6.8
Valorem	54.8	10.7 ⁷	–	0.7	6.7	0.9	73.8	(0.8)	1.3	8.1
	1,342.1	114.3	(89.7)	20.9	137.0	12.7	1,537.3	(10.5)	39.8	179.0
Projects	167.0	29.7 ^{4,7}	(1.0) ³	2.4	(0.2)	0.3	198.2	(0.2)	6.7	6.6
India Fund	36.8	–	–	–	(5.9)	(1.2)	29.7	–	–	(7.1)
Total portfolio	1,545.9	144.0	(90.7)	23.3	130.9	11.8	1,765.2	(10.7)	46.5	178.5
Adjustments related to unconsolidated subsidiaries ⁸	6.4	–	(0.3)	–	0.3	–	6.4	(0.4)	0.3	0.2
Reported in the consolidated financial statements	1,552.3	144.0	(91.0)	23.3	143.0	–	1,771.6	(11.1)	46.8	178.7

1 The movement in accrued income comprises £10.7 million of movement in the period and £12.6 million in relation to the reclassification of the opening balance at 31 March 2018.

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

3 Shareholder loan repaid.

4 Capitalised income.

5 Net of syndication.

6 Represents receipt of realised value gain on syndication.

7 Drawdown of commitment.

8 Income statement adjustments explained in Table 5 and Balance sheet adjustments explained in Table 6.

An analysis of the elements of the total return for the period is shown in Table 2 below.

Table 2: Summary total return (six months to 30 September, £m)

	2018	2017
Capital return (excluding exchange) ¹	130.9	98.6
Foreign exchange movement in portfolio	11.8	13.7
Capital return (including exchange)¹	142.7	112.3
Movement in fair value of derivatives	(10.7)	(22.7)
Net capital return	132.0	89.6
Total income ²	46.3	47.6
Costs	(24.3)	(19.1)
Other net income/(costs) including exchange movements ¹	2.6	2.7
Total return	156.6	120.8

1 Foreign exchange movement in portfolio is shown within Net capital return. Non-portfolio foreign exchange movement is shown within Other net income/(costs).

2 Includes negative bank interest receivable of £0.2 million (September 2017: nil), reflecting the return on euro cash holdings.

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 financial statements are shown in Table 5.

The capital return is the largest element of the total return. The portfolio generated a value gain of £130.9 million in the period to 30 September 2018 (September 2017: £98.6 million), driven primarily by valuation uplifts for the Company's holdings in XLT and Infinis, partially offset by a valuation reduction in Oystercatcher.

The value increase in XLT of £103.6 million reflects a reduction in the discount rate following the material reduction of risk in the investment as a result of the acceptance into operation of all 115 trains.

Infinis completed a full refinancing in August 2018 which reduced the all-in cost of debt and will be used to fund growth capital expenditure. This led to a value increase of £37.9 million in the period and also facilitated a £45.7 million repayment of shareholder loan.

Also in August 2018, WIG completed a refinancing on more favourable terms than assumed in our investment case, which led to an £11.6 million value uplift and resulted in a £42.7 million repayment of shareholder loan.

The value reduction in Oystercatcher of £31.7 million was driven principally by lower profit expectations over the near term, reflecting continued softness in demand for storage for certain oil product types. This is discussed in more detail in the Risk review section of this report.

During the period, the Company sold its equity investment in the RIVM project to an existing shareholder at book value and the corresponding commitment was cancelled with no impact on the capital return. This followed extended delays in agreeing an appropriate design for the building.

The weighted average discount rate used in the valuation of the portfolio reduced slightly to 10.2% at September 2018 (March 2018: 10.5%). This was driven by the reduction in risk at XLT, offset by the investment in Attero at a higher discount rate.

The movement in foreign exchange rates generated an £11.8 million gain in the period (September 2017: £13.7 million). This was offset by the movement in the value of derivatives of £10.7 million (September 2017: £22.7 million). We aim to deliver steady NAV growth for shareholders. The foreign exchange hedging programme supports this objective by reducing our exposure to fluctuations in the foreign exchange markets.

Total income of £46.3 million (September 2017: £47.6 million) comprised portfolio income of £46.5 million (September 2017: £47.6 million), with income from new investments made during the last financial year replacing the income from AWG and Elenia which were sold. This was offset by negative interest receivable on euro cash balances of £0.2 million (September 2017: nil).

The income by portfolio company is shown in Table 1 above. The dividend to shareholders is supported by this income, together with non-income cash receipts of £86.0 million during the period, which was higher than the £33.2 million received 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 2, it is included when considering dividend coverage. Total income and non-income cash is shown in Table 7 below.

Costs

Advisory fees and performance fees

During the period to 30 September 2018, the Company incurred advisory fees of £14.1 million (September 2017: £12.7 million). The increase is due to new investment activity in the intervening period and growth in the value of the portfolio.

The annual performance hurdle of 8% was exceeded in the first half of the year, as the total return for the period was 9.3%, resulting in an accrual for a performance fee payable of £5.6 million (September 2017: nil). For an explanation of how advisory and performance fees are calculated please refer to Note 9 of the financial statements.

Fees payable

Fees payable on investment activities include third-party costs for transactions that did not reach, or have yet to reach, completion and the reversal of third-party costs for transactions that have successfully reached completion and were subsequently borne by the relevant portfolio holding company. For the period to 30 September 2018, fees payable totalled £0.2 million (September 2017: £1.9 million).

Other operating and finance costs

Operating expenses, comprising Directors' fees, service provider costs and other professional fees, totalled £1.6 million in the period (September 2017: £1.3 million). This included one-off costs of £0.5 million associated with the move of the management and tax residence of the Company to the UK.

Finance costs of £2.8 million in the period (September 2017: £3.2 million) comprised £1.6 million of interest and fees for the Company's new £300 million revolving credit facility, and a further £1.2 million in relation to deferred arrangement fees for the old revolving credit facility.

Ongoing charges ratio

The ongoing charges ratio measures annual operating costs, as disclosed in Table 3 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 1.74% for the period to 30 September 2018 (September 2017: 1.60%). This increase was due to investment activity in the period.

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. The ratio including the performance fee was 2.06% (September 2017: 1.60%).

Table 3: Ongoing charges (six months to 30 September, annualised £m)

	2018	2017
Investment Manager's fee	28.3	25.4
Auditor's fee	0.3	0.3
Directors' fees and expenses	0.5	0.5
Other ongoing costs	1.7	2.2
Total ongoing charges	30.8	28.4
Ongoing charges ratio	1.74%	1.60%

Balance sheet

The net asset value at 30 September 2018 was £1,835.0 million (March 2018: £1,710.2 million). The principal components of the net asset value are the portfolio assets, cash holdings, the fair value of derivative financial instruments and other net assets and liabilities, principally relating to advisory and performance fees payable. A summary balance sheet is shown in Table 4.

At 30 September 2018, the Company's net assets after the deduction of the interim dividend were £1,799.9 million (March 2018: £1,678.4 million after deduction of the final dividend).

Table 4: Summary balance sheet (£m)

	As at 30 September 2018	As at 31 March 2018
Portfolio assets	1,765.2	1,545.9
Cash balances	124.9	284.6
Borrowings	–	–
Derivative financial instruments	(46.8)	(37.3)
Other net assets/(liabilities)	(8.3)	(83.0)
Net asset value	1,835.0	1,710.2

IFRS requires cash or other net assets and liabilities held within intermediate holding companies to be presented as part of the fair value of the investments in the financial statements. 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 6.

Cash is principally held in AAA-rated money market funds. The Company has a £300 million revolving credit facility ('RCF') in order to maintain a good level of liquidity for further investment whilst minimising dilution of returns from holding excessive cash balances. This is a three-year facility, refinanced in April 2018 to May 2021 with a reduction in margin and commitment fee.

At 30 September 2018, the Company had utilised £16.9 million of the RCF to issue letters of credit for undrawn commitments to projects comprising €6.6 million (£5.9 million) for the A27/A1 project, €7.9 million (£7.0 million) for the Condorcet project and €4.5 million (£4.0 million) for the Hart van Zuid project.

The liability for derivative financial instruments reflects the foreign exchange hedging programme described above.

The movement in Other net assets and liabilities from the prior year end predominantly reflects a decrease in the performance fee payable.

Net asset value per share

The total net asset value per share at 30 September 2018 was 226.4p (March 2018: 211.0p). This reduces to 222.1p (March 2018: 207.1p) after the payment of the interim dividend of 4.325p (March 2018: final dividend of 3.925p).

Dividend and dividend cover

The Board has proposed an interim dividend for the period of 4.325 pence per share, or £35.1 million in aggregate (September 2017: 3.925 pence; £40.3 million). This is half of the Company's target full year dividend for FY19 of 8.65 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 dividend cover surplus for the period is £79.3 million (September 2017: surplus of £24.4 million). The dividend is also fully covered excluding the proceeds from portfolio company refinancing activity in the period.

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. Further detail on the definition of APMs can be found in the 2018 Annual report and accounts.

In addition to the APMs, the half-yearly report shows portfolio information including cash and other net assets held within intermediate unconsolidated holding companies. Tables 5 and 6 show a reconciliation of this portfolio information to the information presented in the financial statements. The calculation of 'Total income and non-income cash' is shown in Table 7.

Table 5: Reconciliation of summary total return (six months to 30 September 2018, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries	Financial statements
Capital return (excluding exchange) ¹	130.9	0.3 ^{2,3,4}	131.2
Foreign exchange movement in portfolio	11.8	–	11.8
Capital return (including exchange)¹	142.7	0.3	143.0
Movement in fair value of derivatives	(10.7)	(0.4) ²	(11.1)
Net capital return	132.0	(0.1)	131.9
Total income	46.3	0.3 ³	46.6
Costs	(24.3)	–	(24.3)
Other net income/(costs) including exchange movements ¹	2.6	(0.2) ⁴	2.4
Total return	156.6	–	156.6

- Foreign exchange movement in portfolio is shown within Net capital return. Non-portfolio foreign exchange movement is shown within Other net income/(costs).
- 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.
- Portfolio income of £0.3 million received within unconsolidated subsidiaries in the prior year but distributed to the Company in the current period. These are reflected in capital returns as they reduce the carrying value of these subsidiaries.
- Other income of £0.2 million received within unconsolidated subsidiaries but retained to meet operating expenses. These are reflected in capital returns as they increase the carrying value of these subsidiaries.

Table 6: Reconciliation of summary balance sheet (as at 30 September 2018, £m)

	Underlying portfolio asset aggregate returns and costs	Adjustments for transactions in unconsolidated subsidiaries ¹	Financial statements
Portfolio assets	1,765.2	6.4	1,771.6 ²
Cash balances	124.9	(2.3) ³	122.6
Borrowings	–	–	–
Derivative financial instruments	(46.8)	(0.3) ⁴	(47.1)
Other net assets	(8.3)	(3.8)	(12.1)
Net asset value	1,835.0	–	1,835.0

- 'Investments at fair value through profit or loss' in the financial statements includes £2.3 million of unrestricted cash balances and £3.8 million of other net assets within intermediate unconsolidated holding companies and a £0.3 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.
- Described as 'Investments at fair value through profit or loss' in the financial statements.
- Cash balances held in unconsolidated subsidiaries totalled £2.3 million.
- A £0.3 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.

Table 7: Total income and non-income cash (six months to 30 September, £m)

	2018	2017
Total income	46.3	47.6
Non-income cash	86.0	33.2
Total	132.3	80.8

Risk review

Review of principal risks and uncertainties

External risks – market and competition

The European economic infrastructure market is competitive, with strong demand especially for large core assets. This has continued to support value gains for existing assets in the portfolio. In this challenging environment, the Investment Manager leverages 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 in the UK is running ahead of long-term targets and forecasts show that this is expected to continue over the next 12 months. This short-term increase has been beneficial for the assets with inflation-linked revenues, but the benefit has been partially offset by increases in inflation-linked costs. European headline inflation increased in the period but core inflation rates remain low.

Interest rates increased slightly during the period, but overall remained low. Refinancings for WIG, Infinis and TCR were completed on improved terms. Were there to be sustained material increases in long-term interest rates, this could reduce the demand for, and valuation of, infrastructure assets.

The Company is exposed to movements in sterling exchange rates against a number of currencies, most significantly the euro. During the period sterling depreciated against most currencies, primarily driven by continued uncertainty over the terms of the UK's departure from the EU.

The Company's policy is to hedge substantially its direct euro and Danish krone exposures and indirect Singapore dollar and Norwegian krone exposures. The Indian rupee exposure remains unhedged due to the significant costs associated with hedging this currency. During the period, foreign exchange gains were recognised from all currency exposures except the Indian rupee, with losses from the hedging programme substantially offsetting these gains. The Board monitors the effectiveness of the Company's hedging policy on a regular basis.

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. Approximately 25% of the revenues for Attero are from the sale of heat and power which are also impacted by fluctuations in the power price. Power prices increased during the period.

Gate fees for waste treatment across Europe have been rising caused by lack of capacity in the market. This trend is likely to benefit Attero in customer contract renewals.

The increase in the oil price has supported a recovery in the utilisation rate for ESVAGT vessels.

Oystercatcher has continued to see softening of demand for storage of certain oil product types, including fuel oil and gasoil with some empty capacity and contract renewals at lower rates. Storage of fuel oil is impacted by uncertainty around the consequences of the IMO 2020 regulations on the fuel oil used in shipping. The forward oil price curve is downward sloping, after the rise in spot prices, reducing demand for non-strategic storage.

External risks – regulatory and tax

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. It is possible that this could impact the valuation of Infinis, but our expectation is that this would not be material.

Further to the ongoing monitoring of the tax changes resulting from the OECD's Base Erosion and Profit Shifting ('BEPS') initiative and in particular in relation to BEPS Action 6, which concerns the prevention of treaty abuse, the Company moved its tax residence and management from Jersey to the UK with effect from 15 October 2018. The Company intends to operate as a UK approved investment trust with effect from that date.

In relation to BEPS Action 4, the expected impact of changes to interest deductibility rules in the UK and some European countries continues to be reflected in the valuation of the Company's investments as at 30 September 2018. The Netherlands and France have recently announced proposed changes to their interest limitation rules, due to come into effect from 1 January 2019, to reflect the requirements of BEPS Action 4. As in the UK, these rules are expected to include an exemption for businesses engaged in public benefit infrastructure which should benefit the Company's projects portfolio. We will continue to monitor the position as the rules are debated and implemented in the relevant local European jurisdictions.

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 Manager focused significant effort on asset management in the period. The businesses acquired during the financial year to March 2018 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 the Investment Manager has a good pipeline of investment opportunities that the team is reviewing. We developed a number of these opportunities during the first half of FY19 and expect to make further progress in the second half of the year. Our platform investments made further progress during the period with the signing by WIG of contracts to acquire a portfolio of towers in Ireland and the distributed antenna systems business from Arqiva, and with the completion of the investment in Alkane Energy by Infinis.

During the period, the Company had to balance the liquidity available to fund its pipeline of investments with the objective of running its balance sheet efficiently. The Company made use of its revolving credit facility to provide funding on a short-term basis during the period.

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 the associated compensation are 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 acquisition of Alkane Energy by Infinis and the investment in Attero both completed during the period. These investments are exposed to uncontracted power prices. To manage the risk of this exposure, half of the Company's investment in Attero was syndicated to two institutions, with the Investment Manager retaining governance over these syndicated holdings.

Investment risks

Following the record level of investment in the last financial year and the investment commitment to Tampnet during the period, 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 as a consequence of the underlying performance of portfolio assets, could impact valuations. Refinancing risk reduced in the period following the placement of new long-term debt at WIG, Infinis and TCR.

Operational

3i Investments plc became the Company's Investment Manager on 15 October 2018, replacing its previous role as Investment Adviser. The new investment management agreement has a minimum term of four years, retaining the proven quality and competence of the 3i Investments plc infrastructure team across Europe, together with its potential to continue its record of high performance.

Following the change to investment management in the UK, the Company appointed Citibank Europe plc as its depositary on 15 October 2018. Citibank Europe plc will perform the functions required of a depositary of an alternative investment fund that is incorporated outside the EEA, such as the Company, which has an EEA entity, such as 3i Investments plc, as its alternative investment fund manager. The Company will continue to retain an administrator and a registrar in Jersey.

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 financial report for the six months ended 30 September 2018 which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 9 to the accounts and the accounting policies section. We have read the other information contained in the half-yearly financial 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 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 Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

As disclosed in the accounting policies, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial 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 financial 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 Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 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 financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor
London, United Kingdom
Date: 7 November 2018

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 2018 (unaudited) £m	Six months to 30 September 2017 (unaudited) £m
Net gains on investments at fair value through profit or loss	4	143.0	109.8
Investment income		46.8	44.8
Fees payable on investment activities		(0.2)	(0.4)
Fees receivable on investment activities		–	–
Interest receivable/(payable)		(0.2)	–
Investment return		189.4	154.2
Movement in the fair value of derivative financial instruments		(11.1)	(21.1)
Advisory and performance fees payable	2	(19.7)	(10.3)
Operating expenses		(1.6)	(1.2)
Finance costs		(2.8)	(3.2)
Other income		0.5	1.0
Exchange movements		1.9	1.4
Profit before tax		156.6	120.8
Income taxes	3	–	–
Profit after tax and profit for the period		156.6	120.8
Total comprehensive income for the period		156.6	120.8
Earnings per share			
Basic and diluted (pence)	6	19.3	11.8

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 2018 (unaudited)				
Opening balance at 1 April 2018		560.4	1,149.8	1,710.2
Total comprehensive income for the period		–	156.6	156.6
Dividends paid to shareholders of the Company during the period	7	–	(31.8)	(31.8)
Closing balance at 30 September 2018		560.4	1,274.6	1,835.0

	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

Consolidated balance sheet

as at 30 September

	Notes	30 September 2018 (unaudited) £m	31 March 2018 (audited) £m
Assets			
Non-current assets			
Investments at fair value through profit or loss	4	1,771.6	1,552.3
Investment portfolio		1,771.6	1,552.3
Derivative financial instruments	4	1.2	1.5
Total non-current assets		1,772.8	1,553.8
Current assets			
Derivative financial instruments	4	2.7	4.3
Trade and other receivables		2.5	14.1
Cash and cash equivalents		122.6	282.0
Total current assets		127.8	300.4
Total assets		1,900.6	1,854.2
Liabilities			
Non-current liabilities			
Derivative financial instruments	4	(21.1)	(29.7)
Trade and other payables		–	(5.9)
Total non-current liabilities		(21.1)	(35.6)
Current liabilities			
Derivative financial instruments	4	(29.9)	(13.7)
Trade and other payables		(14.6)	(94.7)
Total current liabilities		(44.5)	(108.4)
Total liabilities		(65.6)	(144.0)
Net assets		1,835.0	1,710.2
Equity			
Stated capital account	5	560.4	560.4
Retained reserves		1,274.6	1,149.8
Total equity		1,835.0	1,710.2
Net asset value per share			
Basic and diluted (pence)	6	226.4	211.0

The Financial statements and related Notes were approved and authorised for issue by the Board of Directors on 7 November 2018 and signed on its behalf by:

Wendy Dorman
Director

Consolidated cash flow statement

for the six months to 30 September

	Six months to 30 September 2018 (unaudited) £m	Six months to 30 September 2017 (unaudited) £m
Cash flow from operating activities		
Purchase of investments	(128.3)	(2.3)
Proceeds from partial realisations of investments	90.6	32.9
Proceeds from full realisations of investments	0.4	–
Investment income ¹	19.8	37.6
Fees paid on investment activities	(0.4)	0.4
Operating expenses paid	(1.4)	(1.2)
Interest receivable	(0.2)	–
Advisory and performance fees paid	(106.3)	(14.1)
Amounts paid on the settlement of derivative contracts	(1.3)	(12.7)
Temporary loan to unconsolidated subsidiaries	(0.3)	–
Other income received	0.6	1.0
Net cash flow from operations	(126.8)	41.6
Cash flow from financing activities		
Fees and interest paid on financing activities	(2.7)	(3.8)
Dividends paid	(31.8)	(38.7)
Drawdown of revolving credit facility	50.6	–
Repayment of revolving credit facility	(50.6)	(10.0)
Net cash flow from financing activities	(34.5)	(52.5)
Change in cash and cash equivalents	(161.3)	(10.9)
Cash and cash equivalents at the beginning of the period	282.0	17.1
Effect of exchange rate movement	1.9	0.5
Cash and cash equivalents at the end of the period	122.6	6.7

1 Investment income includes dividends of £0.4 million (September 2017: £0.3 million) and interest of £9.9 million (September 2017: £14.1 million) received from portfolio assets held directly by the Company and distributions of £9.5 million (September 2017: £23.2 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 2018 (unaudited)	Six months to 30 September 2017 (unaudited)
Change in cash and cash equivalents	(161.3)	(10.9)
Drawdown of revolving credit facility	(50.6)	–
Repayment of revolving credit facility	50.6	10.0
Change in net cash/(debt) resulting from cash flows	(161.3)	(0.9)
Movement in net cash/(debt)	(161.3)	(0.9)
Net cash/(debt) at the beginning of the period	282.0	(82.9)
Effect of exchange rate movement	1.9	0.5
Net cash/(debt) at the end of the period	122.6	(83.3)

In the above reconciliation there were no non-cash movements.

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 2018:

For the six months to 30 September 2018 (unaudited)	Economic Infrastructure businesses £m	Projects portfolio £m	India Fund £m	Unallocated £m	Total £m
Investment return/(loss)	189.3	6.8	(7.1)	0.4	189.4
Profit/(loss) before tax	178.4	6.6	(7.1)	(21.3)	156.6
For the six months to 30 September 2017 (unaudited)					
Investment return/(loss)	152.2	7.0	(2.5)	(2.5)	154.2
Profit/(loss) before tax	131.7	6.4	(2.5)	(14.8)	120.8
As at 30 September 2018 (unaudited)					
Assets	1,541.2	199.0	29.7	130.7	1,900.6
Liabilities	(56.4)	(1.0)	–	(8.2)	(65.6)
Net assets	1,484.8	198.0	29.7	122.5	1,835.0
As at 31 March 2018 (audited)					
Assets	1,364.7	167.9	36.9	284.7	1,854.2
Liabilities	(48.2)	(1.3)	–	(94.5)	(144.0)
Net assets	1,316.5	166.6	36.9	190.2	1,710.2

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 2018:

For the six months to 30 September 2018 (unaudited)	UK and Ireland ¹ £m	Europe ² £m	Asia £m	Total £m
Investment return/(loss)	178.0	18.5	(7.1)	189.4
Profit/(loss) before tax	154.4	9.3	(7.1)	156.6
For the six months to 30 September 2017 (unaudited)				
Investment return/(loss)	31.7	125.0	(2.5)	154.2
Profit/(loss) before tax	18.0	105.3	(2.5)	120.8
As at 30 September 2018 (unaudited)				
Assets	1,137.2	733.7	29.7	1,900.6
Liabilities	(8.3)	(57.3)	–	(65.6)
Net assets	1,128.9	676.4	29.7	1,835.0
As at 31 March 2018 (audited)				
Assets	1,223.1	594.2	36.9	1,854.2
Liabilities	(94.6)	(49.4)	–	(144.0)
Net assets	1,128.5	544.8	36.9	1,710.2

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 investment in Oystercatcher, including those derived from its underlying business in Singapore.

1 Operating segments continued

The Group generated 94.0% (September 2017: 20.6%) of its investment return in the period from investments held in the UK and Ireland and 9.8% (September 2017: 81.0%) of its investment return from investments held in continental Europe. During the period, the Group generated 100.2% (September 2017: 97.1%) of its investment return from investments in Economic Infrastructure businesses, 3.6% (September 2017: 4.5%) from investments in Projects and (3.8)% (September 2017: (1.6)% 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 2018.

2 Advisory and performance fees payable

	Six months to 30 September 2018 (unaudited) £m	Six months to 30 September 2017 (unaudited) £m
Advisory fee payable directly from the Company	14.1	10.3
Performance fee	5.6	–
	19.7	10.3

Total advisory and performance fees payable by the Company for the period to 30 September 2018 were £19.7 million (September 2017: £10.3 million). In addition to the fees described above, no management fees (September 2017: £2.4 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 2017: 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.

The table below shows the classification of financial instruments held at fair value into the fair value hierarchy at 30 September 2018. For all other assets and liabilities, their carrying value approximates to fair value. During the period ended 30 September 2018, there were no transfers of financial instruments between levels of the fair value hierarchy (March 2018: nil).

Trade and other receivables on the Balance sheet includes £1.3 million of deferred finance costs relating to the arrangement fee for the revolving credit facility. This has been excluded from the table below as it is not categorised as a financial instrument.

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

Financial instruments classification

	As at 30 September 2018 (unaudited)			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	1,771.6	1,771.6
Trade and other receivables	–	1.2	–	1.2
Cash and cash equivalents	122.6	–	–	122.6
Derivative financial instruments	–	3.9	–	3.9
	122.6	5.1	1,771.6	1,899.3
Financial liabilities				
Trade and other payables	–	(14.6)	–	(14.6)
Derivative financial instruments	–	(51.0)	–	(51.0)
	–	(65.6)	–	(65.6)
	As at 31 March 2018 (audited)			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investments at fair value through profit or loss	–	–	1,552.3	1,552.3
Trade and other receivables	–	12.8	–	12.8
Cash and cash equivalents	282.0	–	–	282.0
Derivative financial instruments	–	5.8	–	5.8
	282.0	18.6	1,552.3	1,852.9
Financial liabilities				
Trade and other payables	–	(100.6)	–	(100.6)
Derivative financial instruments	–	(43.4)	–	(43.4)
	–	(144.0)	–	(144.0)

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

	As at 30 September 2018 (unaudited) £m
Level 3 fair value reconciliation	
Opening fair value	1,552.3
Additions	144.0
Disposal proceeds and repayment	(91.0)
Movement in accrued income	23.3
Fair value movement (including exchange movements)	143.0
Closing fair value	1,771.6
	As at 31 March 2018 (audited) £m
Level 3 fair value reconciliation	
Opening fair value	1,815.6
Additions	398.5
Disposal proceeds and repayment	(1,188.4)
Fair value movement (including exchange movements)	526.6
Closing fair value	1,552.3

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.

Investment income of £46.8 million (2017: £44.8 million) comprises dividend income of £0.4 million (2017: £0.3 million), interest of £36.1 million (2017: £21.6 million) and distributions of £10.3 million (2017: £22.9 million) from unconsolidated subsidiaries.

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. The Directors consider that equity and debt share the same characteristics and risks and they are therefore treated as a single unit of account for valuation purposes and a single class for disclosure purposes. As at 30 September 2018, the fair value of unquoted investments was £1,746.3 million (March 2018: £1,527.3 million). Individual portfolio asset valuations are shown in Table 1 in the Financial review.

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.

Increasing the discount rate used in the valuation of each asset by 1% would reduce the value of the portfolio by £149.9 million (March 2018: £130.1 million). Decreasing the discount rate used in the valuation of each asset by 1% would increase the value of the portfolio by £175.7 million (March 2018: £151.9 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 2018: 5.0%) to 2.0% (Netherlands) (March 2018: 2.0%) but with the majority at 2.5% (UK RPI) (March 2018: 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 be to increase the value of the portfolio by £32.0 million (March 2018: £39.1 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 £33.0 million (March 2018: £38.6 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 £33.0 million (March 2018: £56.3 million). Decreasing the interest rate assumption used in the valuation of each asset by 1% would increase the value of the portfolio by £32.6 million (March 2018: £54.3 million). This calculation does not take account of any offsetting variances which may be expected to prevail if interest rates changed, including the impact of inflation discussed above.

Unlisted funds

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 that they are reasonable and appropriate and that, 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 2018, the fair value of unlisted funds was £18.9 million (March 2018: £18.6 million). The fund NAV reflects a 30 September 2018 valuation date (2018: 31 March 2018 valuation date). A 10% adjustment in the fair value of the fund would result in a £1.9 million (March 2018: £1.9 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 2018, the fair value of the other assets and liabilities within these intermediate holding companies was £6.4 million (March 2018: £6.4 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

The valuations on the Balance sheet are the responsibility of the Board of Directors of the Company. The Investment Manager provides a valuation of unquoted investments, debt and unlisted funds held by the Group on a half-yearly basis. This is performed by the valuation team of the Investment Manager and approved by the valuation committee of the Investment Manager. 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. The valuation committee of the Investment Manager 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. On a half-yearly basis, the Investment Manager 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. 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 2018: same).

	As at 30 September 2018 (unaudited)		As at 31 March 2018 (audited)	
	Number	£m	Number	£m
Issued and fully paid				
Opening balance	810,434,010	1,272.8	1,026,549,746	1,272.8
Share consolidation	–	–	(216,115,736)	–
Closing balance	810,434,010	1,272.8	810,434,010	1,272.8

Aggregate issue costs of £19.3 million arising from IPO and subsequent share issues have been 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. As at 30 September 2018, the residual value on the stated capital account was £560.4 million.

On 29 March 2018, the Company paid a special dividend of £425.0 million to shareholders. In order to maintain the comparability of the Company's share price before and after the special dividend, a share consolidation took place. The share consolidation ratio was 15 new ordinary shares for every 19 existing shares.

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 2018 (unaudited)	Six months to 30 September 2017 (unaudited)
Earnings per share (pence)		
Basic and diluted	19.3	11.8
Earnings (£m)		
Profit after tax for the period	156.6	120.8
Number of shares (million)		
Weighted average number of shares in issue	810.4	1,026.5
	As at 30 September 2018 (unaudited)	As at 31 March 2018 (audited)
Net assets per share (pence)		
Basic and diluted	226.4	211.0
Net assets (£m)		
Net assets	1,835.0	1,710.2

7 Dividends

Declared and paid during the period	As at 30 September 2018 (unaudited)		As at 30 September 2017 (unaudited)	
	pence per share	£m	pence per share	£m
Prior year final dividend paid on ordinary shares	3.925	31.8	3.775	38.7
	3.925	31.8	3.775	38.7

The Company proposes paying an interim dividend of 4.325 pence per share (September 2017: 3.925 pence) which will be payable to those shareholders that are on the register on 23 November 2018. On the basis of the shares in issue at 30 September 2018, this would equate to a total interim dividend of £35.1 million (September 2017: £40.3 million).

8 Contingent liabilities

As at 30 September 2018, the Company had issued €19.0 million (re-translated £16.9 million) in the form of letters of credit, drawn against the Revolving Credit Facility, for future investments into the A27/A1, Hart Van Zuid and Condorcet PPP projects (March 2018: €57.7 million, £50.6 million). During the period, the letters of credit relating to the A9 and La Santé PPP projects were cancelled following the investment in those projects.

9 Related parties

Transactions between the Company and 3i Group

3i Group plc ('3i Group') has a direct and indirect interest of 33.3% (March 2018: 33.6%) in the ordinary shares of the Company. This classifies 3i Group as a 'substantial shareholder' of the Company as defined by the Listing Rules.

In 2007 the Company 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 to the India Fund. No commitments (March 2018: nil) were drawn down by the India Fund from the Company during the period. In total, commitments of US\$183.7 million or £140.9 million re-translated had been drawn down at 30 September 2018 (March 2018: US\$183.7 million or £130.9 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 2018, the outstanding commitment was US\$37.5 million, or £28.8 million re-translated (March 2018: US\$37.5 million or £26.7 million).

In the prior year, 3i Networks Finland Limited, a subsidiary of 3i Group, received a priority profit share from 3i Networks Finland LP, an unconsolidated subsidiary of the Company. Following the sale of Elenia, which was the only investment held by 3i Networks Finland LP, no further priority profit share is expected to be paid. During the period, no fee (September 2017: £1.1 million) was payable in this regard to 3i Group, of which the Company's share

9 Related parties continued

was nil (September 2017: £1.0 million). There was therefore nothing to offset in this regard against the total advisory fee payable by the Company. As at 30 September 2018, no fee remained outstanding (March 2018: nil).

In the prior year, 3i Osprey GP Limited, a subsidiary of 3i Group, received a priority profit share from 3i Osprey LP, an unconsolidated subsidiary of the Company. Following the sale of Anglian Water Group, which was the only investment held by 3i Osprey LP, no further priority profit share is expected to be paid. During the period, no fee (September 2017: £2.1 million) was payable in this regard to 3i Group, of which the Company's share was nil (September 2017: £1.4 million). There was therefore nothing to offset in this regard against the total advisory fee payable by the Company. As at 30 September 2018, no fee remained outstanding (March 2018: nil).

The management and tax residence of the Company moved to the UK on 15 October 2018 with 3i Investments plc, a subsidiary of 3i Group, being appointed as the Company's Alternative Investment Fund Manager that will provide its services under an Investment Management Agreement ('IMA'). Prior to this date, 3i Investments plc acted as the exclusive Investment Adviser to the Company and provided its services under an Investment Advisory Agreement ('IAA'). 3i Investments plc also acts as the investment manager of the India Fund. 3i plc, another subsidiary of 3i Group, together with 3i Investments plc, provides support services to the Company, which it is now doing pursuant to the terms of the IMA.

Under the IAA, an annual advisory fee was payable to 3i Investments plc based on the gross investment value of the Group at the end of each financial period. While the IAA is replaced by the IMA with effect from 15 October 2018, the basis of calculating the fees, for both the ongoing fee and the performance fee, will continue to apply as under the IAA in respect of the financial year to 31 March 2019. 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 in relation to certain investments in greenfield projects. The fee accrues throughout a financial period and quarterly instalments are payable on account of the fee for that period. The fee is paid to 3i plc and 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 2018, £14.1 million (September 2017: £12.7 million) was payable and £1.5 million (March 2018: £3.9 million) remained due to 3i plc at 30 September 2018. No fees were paid directly from unconsolidated subsidiary entities to 3i plc (September 2017: £2.4 million).

With effect from 1 April 2019, the basis of calculating the fees under the IMA will move to an annual management fee payable on a tiered basis: 1.4% per annum in respect of the portion of the gross investment value of the Group up to £1.25 billion; 1.3% per annum in respect of the portion of the gross investment value above £1.25 billion up to £2.25 billion; and 1.2% in respect of the portion of the gross investment value above £2.25 billion. Unlike under the IAA, the Group's gross investment value will be calculated for the purposes of the management fee on a time weighted average basis for the financial period in question. Also, the Group will pay a one-off transaction fee in respect of any investment acquired by the Group on or after 1 April 2019 equal to 1.2% of the acquisition price of that investment. Any transaction fee paid by the Group in respect of any investment which is disposed of (in whole or part) within 12 months of being acquired may, at the option of the Board, be offset against future transaction fees which would otherwise be payable to 3i Investments plc.

The IAA also provided for an annual performance fee to be payable to 3i Investments plc. This became payable when the Group's total return for the period exceeded 8% ('the performance hurdle'). If the performance hurdle was exceeded, the performance fee was equal to 20% of the Group's total return in excess of the performance hurdle for the relevant financial period. In addition, the performance fee included a high water mark requirement so that, before payment of a performance fee, besides the 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 exceeded for the period to 30 September 2018 and therefore a £5.6 million performance fee was recognised (September 2017: nil). The outstanding balance payable as at 30 September 2018 was £5.6 million (March 2018: £89.8 million).

Under the IMA, with effect from 1 April 2019, the performance fee will continue to be equal to 20% of the Group's total return in excess of 8%, but any performance fee will be payable in three equal annual instalments. The second and third instalments will only be payable if either (a) the Group's performance in the year in which that instalment is paid also triggers payment of a performance fee in respect of that year or (b) if the Group's performance over the three years starting with the year in which the performance fee is earned exceeds the 8% hurdle on an annual basis. There will be no high water mark requirement.

9 Related parties continued

Under the IMA, the Investment Manager's appointment may be terminated by either the Company or the Investment Manager giving the other not less than 12 months' notice in writing, but subject to a minimum term of four years from 15 October 2018, 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 Manager may also terminate the agreement on two months' notice given within two months of a change of control of the Company.

Prior to the replacement of the IAA by the IMA, the Company also paid 3i plc an annual fee for the provision of support services, under a UK Support Services Agreement. This agreement was terminated on 15 October 2018 and these support services (which are ancillary and related to the investment management service) are now also provided under the IMA. In consideration of the provision of support services under the IMA, the Company will pay the Investment Manager an annual fee of £1.0 million. The cost for the support services incurred for the period to 30 September 2018 was £0.4 million (September 2017: £0.4 million). The outstanding balance payable as at 30 September 2018 was £0.2 million (March 2018: £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 2018.

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 2018. They should be read in conjunction with the consolidated financial statements for the year to 31 March 2018, 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 7 November 2018.

The Half-yearly Financial Statements do not constitute statutory accounts. The statutory accounts for the year to 31 March 2018, 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. 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 2018, except for the adoption of the new accounting standards, IFRS 15 and IFRS 9. There is no material impact from these new accounting standards becoming effective during the period.

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 'Interim Financial Reporting' as adopted by the European Union;
- the Half-yearly 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

7 November 2018

Board of Directors and their functions

Richard Laing

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

Doug Bannister

Non-executive Director.

Wendy Dorman

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

Robert Jennings CBE

Non-executive Director.

Ian Loble

Non-executive Director.

Paul Masterton

Senior Independent Director and chairman of the Remuneration 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 Manager, that that is the most appropriate and effective means of investing), which may be advised or managed either by the Investment Manager 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 management fee payable under the Investment Management Agreement and the relevant proportion of any performance fee will be deducted from the annual performance fee, if payable, under the Investment Management 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 the Company 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 Financial 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	22 November 2018
Record date for interim dividend	23 November 2018
Interim dividend expected to be paid	7 January 2019
Full year results expected date	9 May 2019

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

email: 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.

Investor relations and general enquiries

For all investor relations and general enquiries about 3i Infrastructure plc, please contact:

Investor relations
3i Infrastructure plc
16 Palace Street
London, SW1E 5JD

email: IRTeam@3i.com
Telephone +44 (0)20 7975 3131

or 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/investors/shareholder-centre for details of how to register.

Frequently used registrars' forms can be found on our website at www.3i-infrastructure.com/investors/shareholder-centre.

3i Infrastructure plc

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