



3i Infrastructure Limited

**Annual results to 31 March 2008**

12 June 2008



## Introduction

**Peter Sedgwick**

Chairman, 3i Infrastructure Limited



# Agenda

Highlights

Peter Sedgwick

Chairman, 3i Infrastructure Limited

Business review

Michael Queen

Managing Partner, Infrastructure, 3i Investments plc

Financial review

Stephen Halliwell

CFO, Infrastructure, 3i Investments plc

Closing remarks

Michael Queen



## Highlights

- Good performance over the period
  - Net IPO proceeds 88% invested or committed
  - Total return of 13.1%
- Portfolio performing in line with expectations
- Final dividend of 3.0 pence approved by the Board (bringing total dividend to 5.0 pence per share)
- Raising funds to continue to invest
  - £225 million revolving credit facility signed in March
  - Raising £115 million in a placing and open offer

## Corporate governance and board of Directors



**Peter Sedgwick**  
Independent non-  
executive Chairman



**Phil Austin**  
Independent NXD



**Martin Dryden**  
Independent NXD



**Peter Wagner**  
Independent NXD



**Paul Waller**  
NXD, 3i appointee



**Steven Wilderspin**  
Independent NXD



## Investment review

**Michael Queen**

Managing Partner, Infrastructure, 3i Investments plc



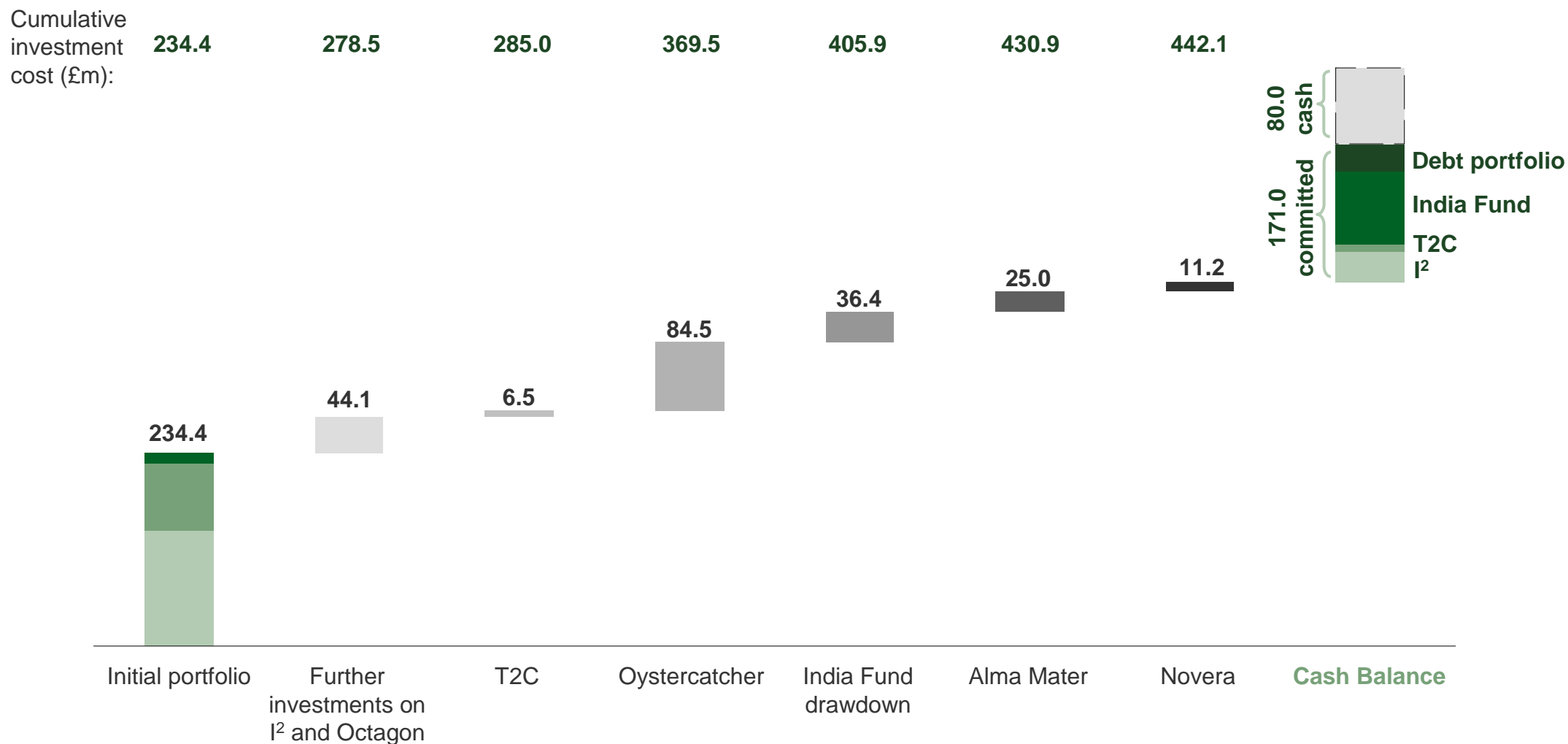
## Performance against objectives

Objective	Status
<ul style="list-style-type: none"> <li>IPO proceeds fully invested within <b>two years</b> of admission →</li> </ul>	<ul style="list-style-type: none"> <li>64% invested and 88% invested or committed at 31 March <b>Ahead</b></li> </ul>
<ul style="list-style-type: none"> <li><b>12% total return</b> on initial net proceeds over the long term →</li> </ul>	<ul style="list-style-type: none"> <li>13.1% total return to 31 March ✓</li> <li>NAV of 108.6p per share, or 105.6p per share post payment of the final dividend</li> </ul>
<ul style="list-style-type: none"> <li>Annualised <b>distribution yield of 5%</b> once fully invested →</li> </ul>	<ul style="list-style-type: none"> <li>Total dividend of 5.0p per share (interim + final), or 5.1%, recommended by the Board ✓</li> </ul>

**£225 million revolving credit facility in place**  
**Raising £115 million in new equity to continue investing**



# Investment activity to 31 March 2008







## The market

Significant investment opportunities across all our regions

### UK & Europe

Well-established role for private investors in infrastructure

- Mature assets in the utilities sector with stable regulatory regimes
- Variety of opportunities across road, rail, sea and air transport
- Increasing focus on social infrastructure due to public sector budget constraints

### North America

Potentially the world's largest infrastructure market

- Legacy of underinvestment
- Limited private sector role at the moment
- Opportunities to refurbish existing assets in transport and utilities
- Potential to become the world's largest infrastructure market

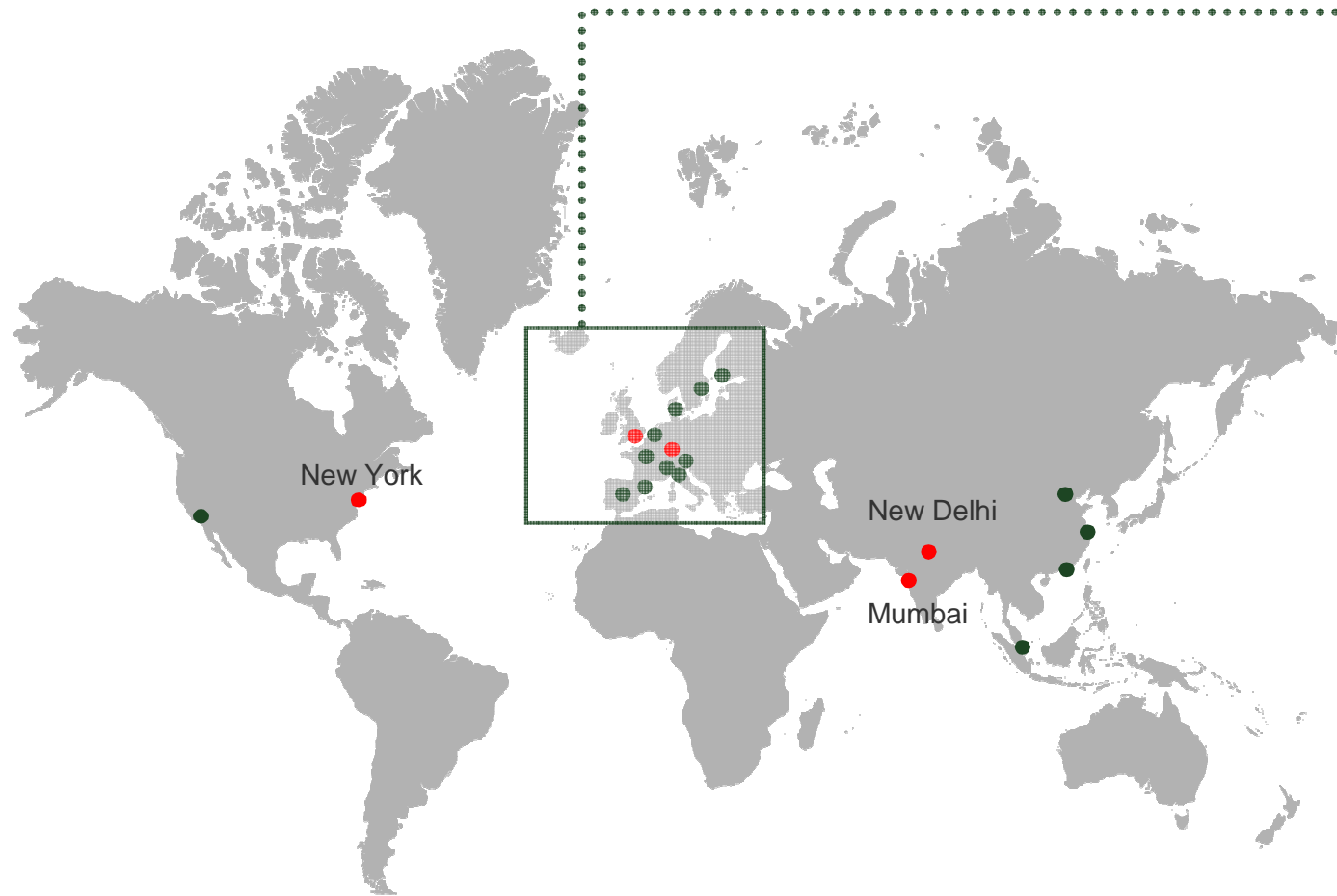
### Asia

We have identified India as the most attractive geography in Asia

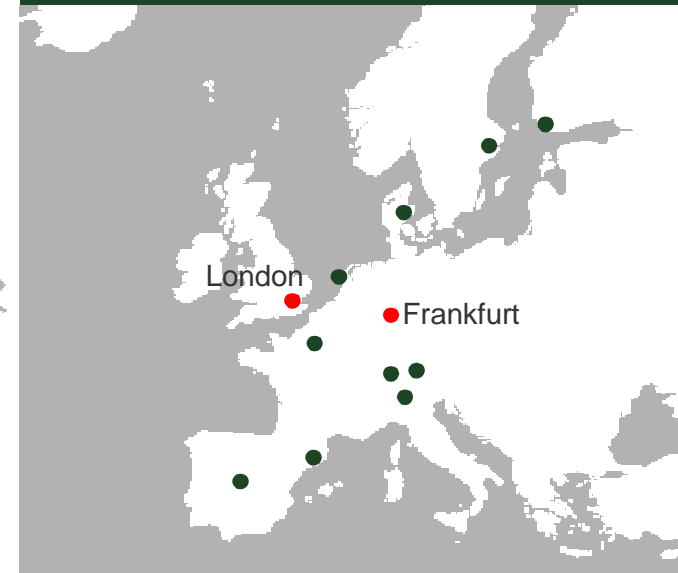
- Indian government estimates investment of \$450 billion by 2012
- 3i India Infrastructure Fund focused on four sectors: power, roads, ports and airports
- Early-stage / greenfield developments
- Opportunity for private equity returns from infrastructure

**A strong market and a growing asset class**

## Internationally Connected



### Europe



- Infrastructure Team operates from 5 offices in key markets
- Access to a global network of 23 offices in 14 countries
- Access to wider network of over 250 investment professionals worldwide

23 executives in London, New York, Mumbai & Frankfurt

# Investment approach

Asset intensive businesses that provide essential services

## Transport

Airports

Ports

Ferries

Toll roads

Rail & bus

Oil transportation & storage



## Utilities

Power generation

Power transmission

Electricity & gas distribution

Waste processing

Water

Communication networks



## Social Infrastructure

Primary and secondary PFI

Public Private Partnerships

Government accommodation

Healthcare

Education

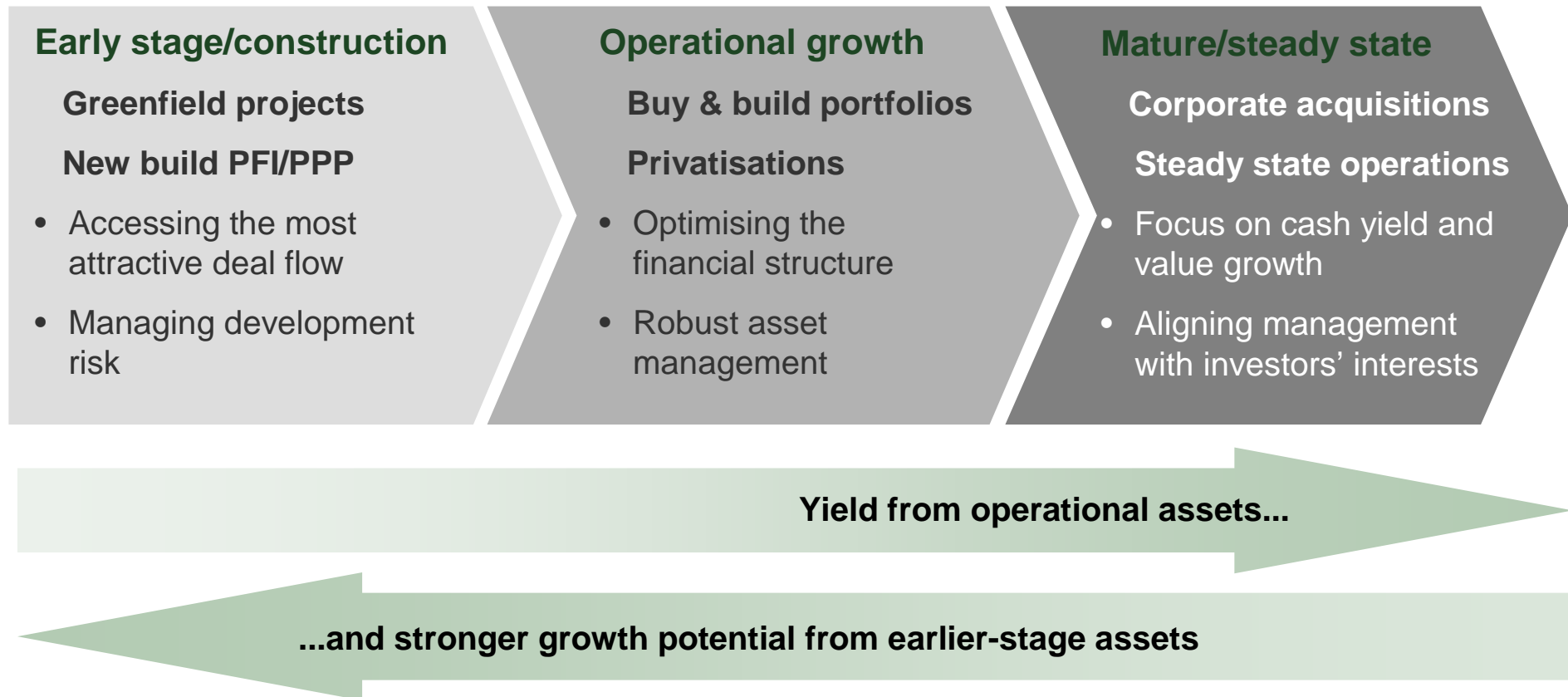
Defence



Predictable cashflows match investors' long-term liabilities



## Diversification of risk/return across asset life

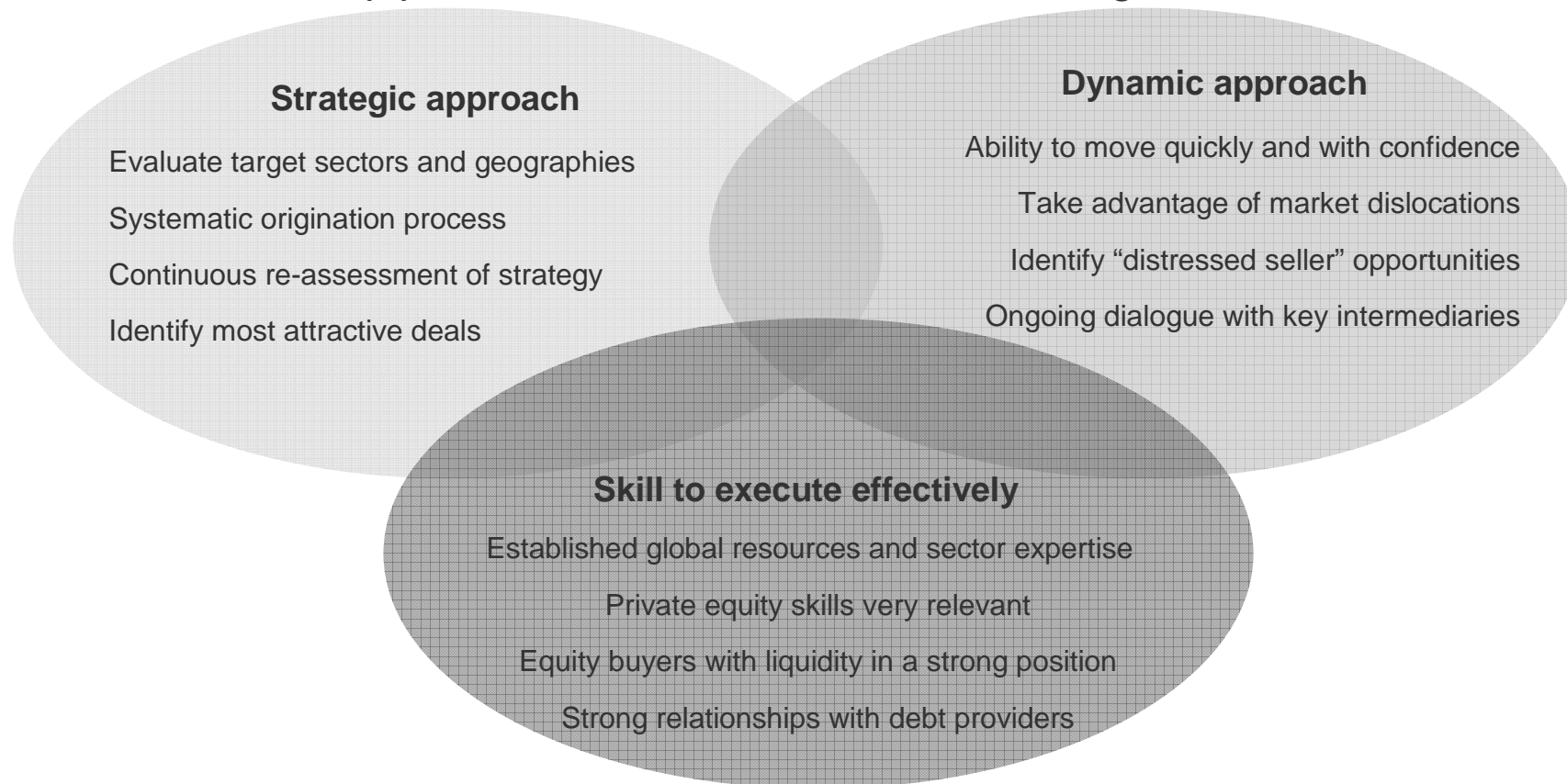


**Balancing returns between capital & yield**



## Delivering on the pipeline

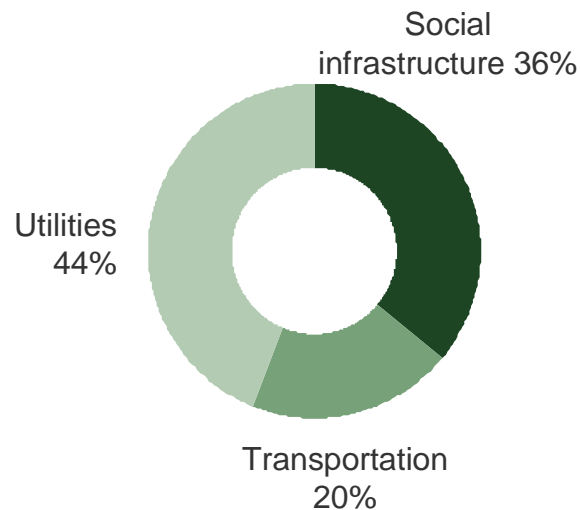
Investment pipeline of c.£1 billion at advanced stage of consideration



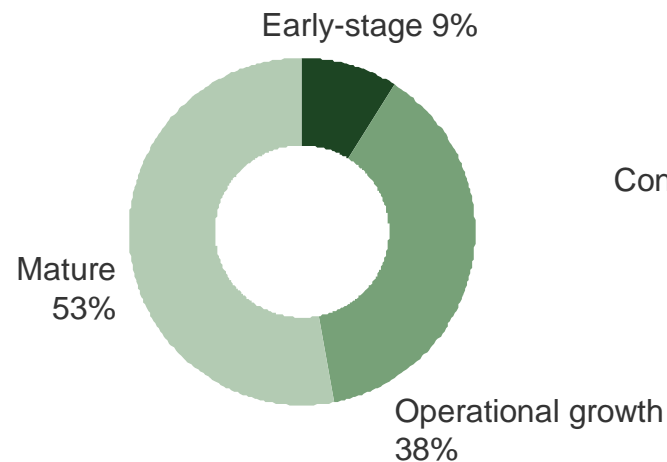
**An experienced investor, positioned to succeed in difficult markets**

## Portfolio breakdown by value – at 31 March

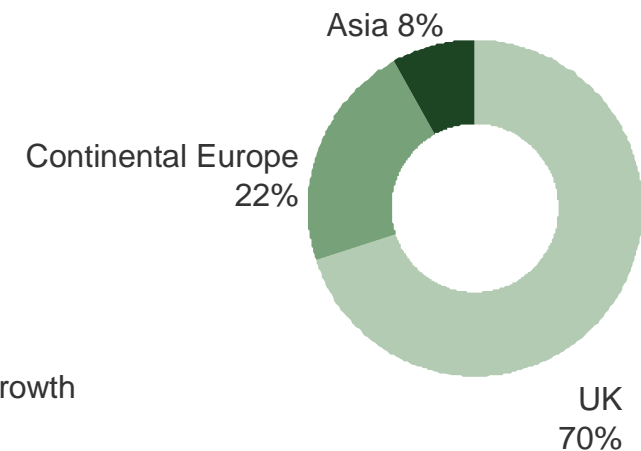
By sector



By maturity



By geography <sup>(1)</sup>

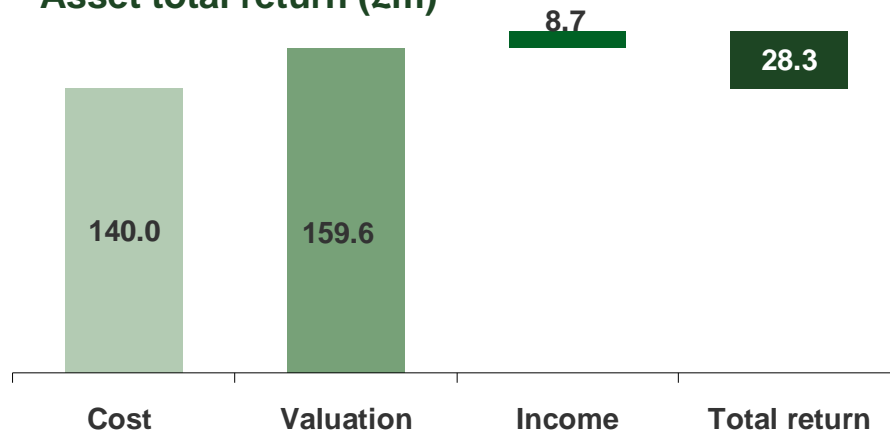


<sup>(1)</sup> Continental Europe includes investment in Oiltanking, with operations in the Netherlands, Malta and Singapore

# Anglian Water Group Limited



Asset total return (£m)



## Interest

- 9% equity interest and loan notes in AWGL

## Description

- Owner of Anglian Water, fourth largest water/waste water company in England and Wales, Morrison Facilities Services and a property development business

## Strategy

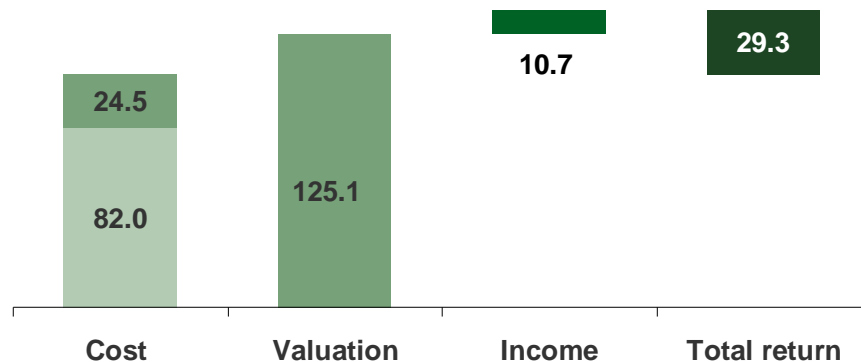
- Deliver a reliable supply of clean, safe drinking water and effective wastewater services at affordable prices
- Meet the challenges of growth and climate change

## Developments in the period

- Refinancing of acquisition debt completed successfully
- AWG received top 'A' score from Ofwat in all four categories of operating expenditure and capital maintenance efficiency for 2006/2007
- Morrison Utility Services sold for £135 million
- Strategic Direction Statement for 2010-2035 published

I<sup>2</sup>

### Asset total return (£m)



### Interest

- 31.2% limited partnership interest

### Description

- Makes and manages investments in PFI projects in the UK and continental Europe
- 84 assets in the portfolio

### Strategy

- Build a diversified portfolio of investments, generating stable long-term returns for investors
- Maximise value through identifying synergies across the portfolio, reducing risk through diversification and optimisation of financial structure

### Developments in the period

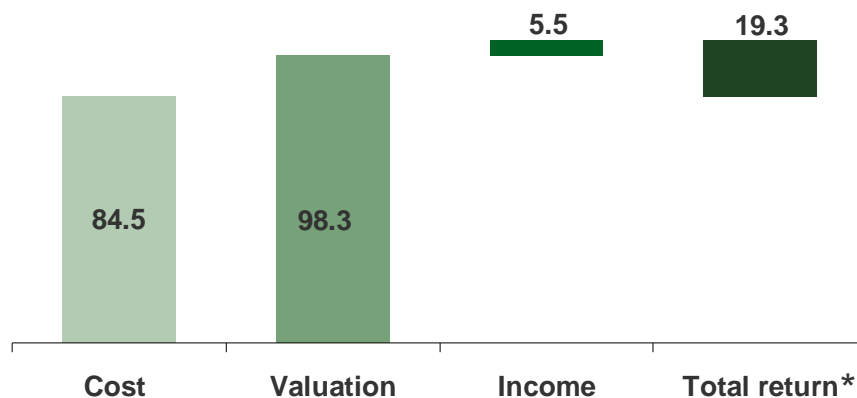
- Three new portfolios acquired, from Alfred McAlpine, Hochtief and through the 'take private' of PFI Infrastructure Limited
- I<sup>2</sup> completed 36 new investments in the period, for a total of £271 million. To fund this, the limited partners together committed a further £80 million to I<sup>2</sup>



## New investment – Oystercatcher



Asset total return (£m)



\* Includes unrealised exchange gains of £15.1 million

### Interest

- 45% equity holding in three Oiltanking subsidiaries through Oystercatcher acquisition company

### Description

- Provider of third-party storage facilities for oil and petroleum products in the Netherlands, Malta and Singapore

### Strategy

- Experienced management teams, supported by Oiltanking's central management expertise and 3i Infrastructure's board representatives, seek to maximise throughput by delivering high-value customer service and to maintain strong safety and environmental standards

### Developments in the period

- Additional storage tanks opened in Malta and the Netherlands, increasing capacity by 16% and 21% respectively
- Additional land leased in Singapore for construction of additional capacity (+10%)

## New investment – 3i India Infrastructure Fund



### Interest

- US\$250 million commitment – no additional fees payable by 3i Infrastructure to 3i Group

### Description

- US\$1.2 billion fund set up by 3i Group to invest in Indian infrastructure
- Cornerstone commitments of US\$250 million by 3i Group and 3i Infrastructure

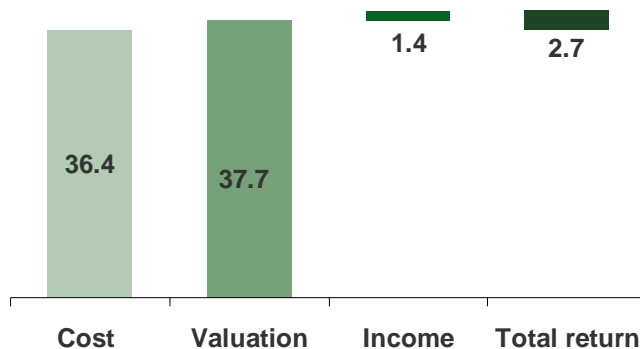
### Strategy

- Build a diversified portfolio of assets with a primary focus on ports, airports, roads and power
- Fund expects to make its investments over two to four years

### Developments in the period

- Final closing at US\$1.2 billion announced in April
- Minority investment in Adani Power Limited completed in September
- Minority investment in Soma Enterprise Limited in November
- Total draw-downs of US\$76.7 million (£36.4 million) from the Company

### Asset total return (£m)





## Financial review

**Stephen Halliwell**

CFO, Infrastructure, 3i Investments plc



## Total return

Period from 16 January 2007 to 31 March 2008	Investment basis (£m)	Consolidated basis (£m)
Unrealised profits on revaluation of investments	48.5	68.6
Exchange gains on investments	18.1	1.2
Portfolio income (net of fees)	24.4	37.0
Treasury interest receivable	21.7	21.8
<b>Investment return</b>	<b>112.7</b>	<b>128.6</b>
Advisory, performance and management fees payable	(17.5)	(19.0)
Operating expenses	(3.9)	(3.9)
Finance and other costs	(1.4)	(13.2)
Exchange difference on translation of foreign operations	0.6	17.5
<b>Total recognised income and expense "Total return"</b>	<b>90.5</b>	<b>110.0</b>
Attributable to minority interests	-	20.7
<b>Attributable to equity holders of the parent</b>	<b>90.5</b>	<b>89.3</b>
<b>- Total return on opening shareholders' equity</b>	<b>13.1%</b>	<b>12.9%</b>



**Performance indicator:**  
Total return of **12%** per annum on net IPO proceeds, to be achieved over the long term



**Status:**  
**13.1%** achieved in the first reporting period



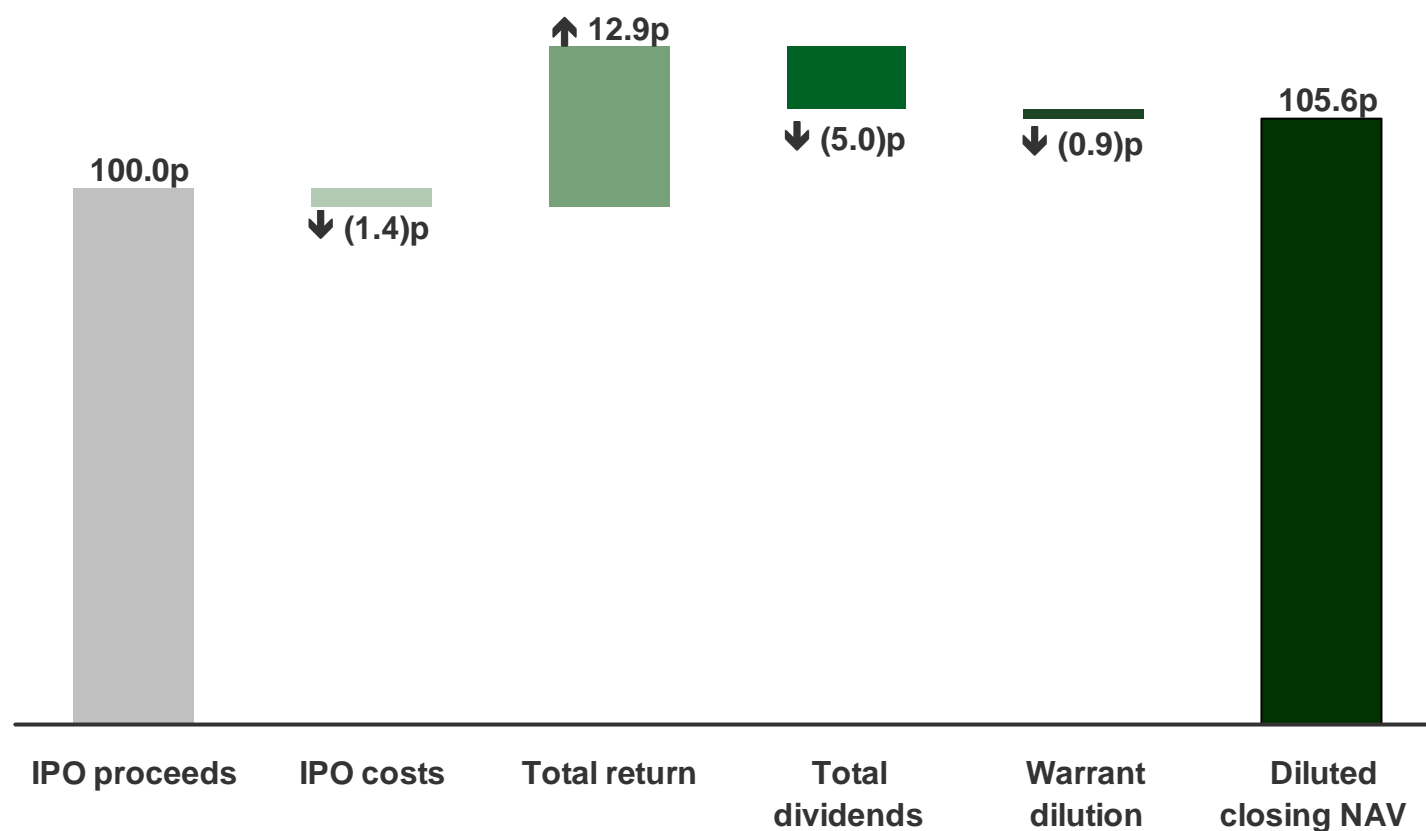
## Balance sheet

As at 31 March 2008	Investment basis £m	Consolidated basis £m
Investment portfolio	489.7	765.1
Other net assets	26.2	27.4
Cash and cash equivalents	253.7	259.6
Borrowings	-	(156.1)
<b>Net assets</b>	<b>769.6</b>	<b>896.0</b>
Shareholders' equity	769.6	768.3
Minority interest	-	127.7
	<b>769.6</b>	<b>896.0</b>
<b>Diluted NAV per share</b>	<b>108.6p</b>	<b>108.5p</b>

Note: diluted NAV per share post final dividend is 105.6p



## Reconciliation of movements in NAV per share



Performance indicator:

Annual distribution yield, on full investment of IPO proceeds, of **5%** of the net IPO proceeds



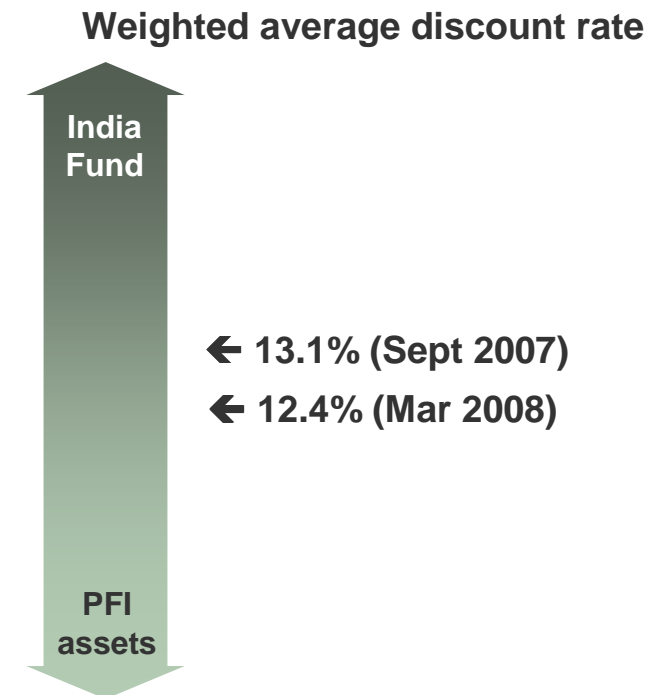
Status:

total dividend of **5.0p** per share, or **5.1%** of net IPO proceeds

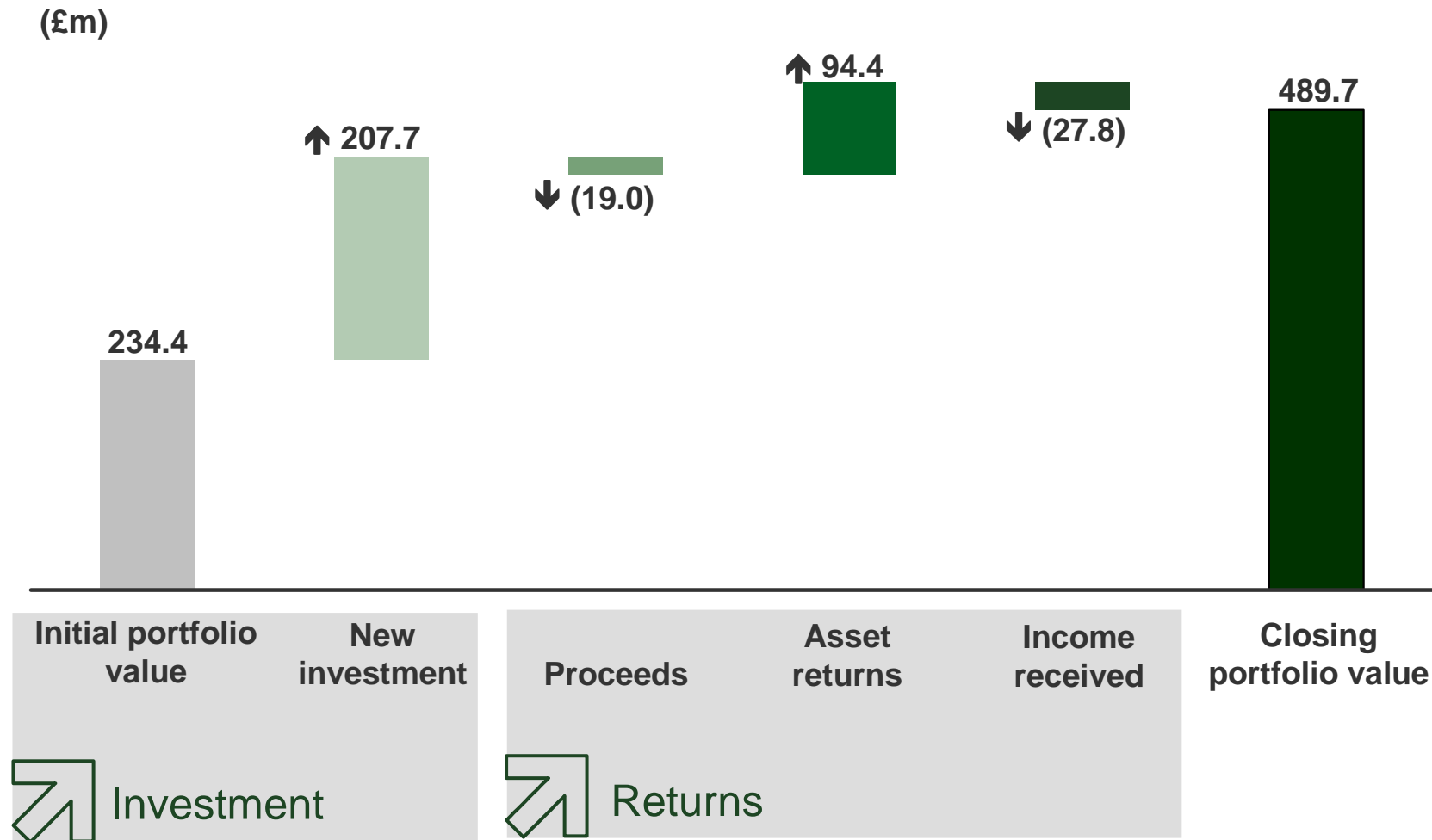


# Valuation

- Valuation policy
  - IPEVC guidelines
- Methodology
  - Discounted cash flow basis
  - Share of Fund net assets
  - Quoted – closing bid price
  - Sales basis





## Reconciliation in movement in portfolio value



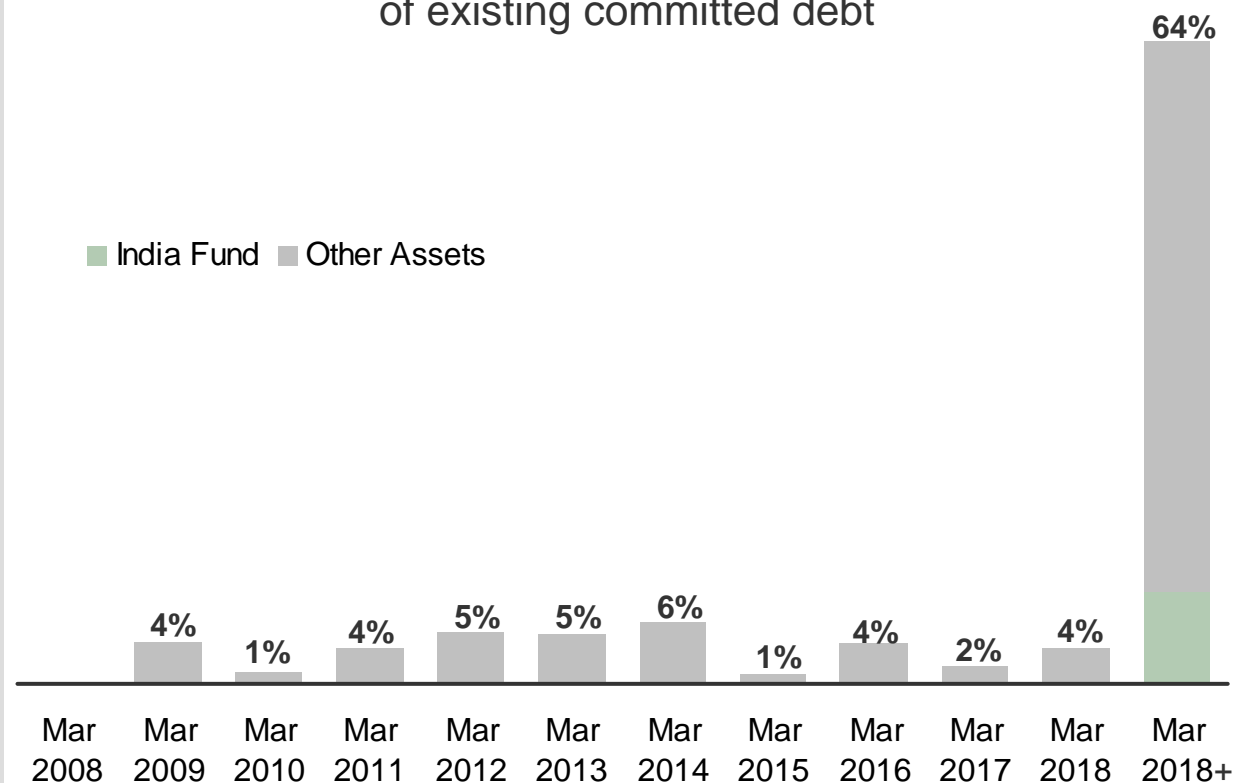


## Debt maturity profile

 Long-term financing in place

 64% of the existing committed debt needs to be raised after 2018

Annual refinancing and new debt as a % of existing committed debt





## Closing remarks

**Michael Queen**

Managing Partner, Infrastructure, 3i Investments plc



## Key terms of the offering

- Placing & Open Offer of £115 million at 106 pence per share
- 3i Group (46% shareholder) will subscribe for £25 million of new shares under the Open Offer – remaining 3i Group entitlement is being placed firm with investors
- New placing shares will not rank for proposed 2007/8 final dividend of 3p<sup>(1)</sup>
- Terms of existing warrants will be adjusted
- Net proceeds to be invested in further infrastructure assets globally

<sup>(1)</sup> Subject to Board and shareholder approval



## Offering timetable

- Record date for entitlement under Open Offer: 10 June 2008
- Announcement of Placing & Open Offer and Final Results: 12 June 2008
- Ex-entitlement date under Open Offer: 12 June 2008
- Ex-dividend date (2007/8 final dividend): 18 June 2008
- Closing of Open Offer: 3 July 2008
- Admission and commencement of dealings of new shares: 9 July 2008



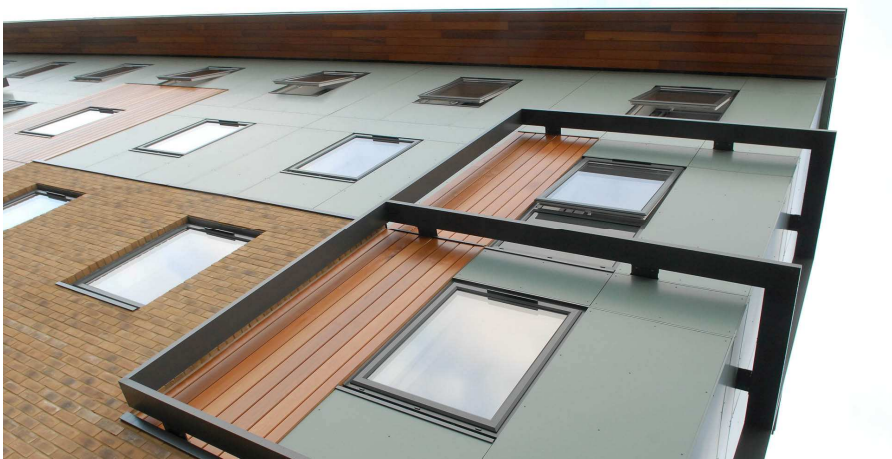
## Closing remarks

- On track to achieve full investment within two years of Admission
- Return and distribution objectives achieved ahead of targets
- Market prospects for infrastructure remain positive
- Taking advantage of new market opportunities
- Raising £115 million in new equity to continue to invest

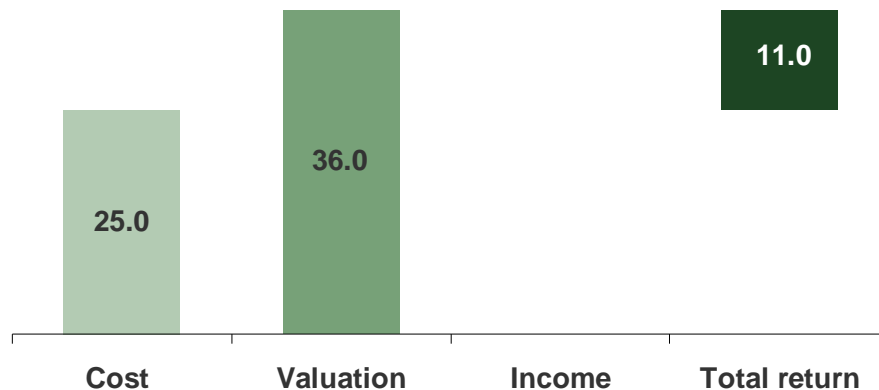


## Appendix

## New investment – Alma Mater



Asset total return (£m)



### Interest

- 40.7% equity holding acquired from 3i Group pursuant to an option granted at IPO

### Description

- Invests in UPP Group, a portfolio of companies responsible for building, managing, operating and maintaining accommodation at universities in England

### Strategy

- UPP aims to provide good quality, affordable accommodation and maintain it to a high standard
- UPP targets to expand its portfolio from 17,000 to 35,000 rooms by 2010

### Developments in the period

- An offer to purchase 3i Infrastructure's interest in Alma Mater has been received and accepted in principle
- Sale being negotiated



## New investment – debt portfolio

- Temporary dislocation in credit market created an opportunity to invest in debt facilities at a discount to face value
- Pricing of these facilities delivers attractive, equity-like returns and high cash yields
- Since the period end 3i Infrastructure has made further commitments to invest in these facilities

Asset	Facility	Investment as at 12 June (£m)
Viridian	Electricinvest Holding Company Limited £500m Junior Facility	28.9
Thames Water	Kemble Water Structure Limited £825m Term Loan Facility	14.5
NGW / Arquiva	Macquarie UK Broadcast Enterprise Limited £475m Junior Facility	33.3
Télédiffusion de France*	Tyrol Acquisition 2 SAS €470m Second Lien Facility	5.8

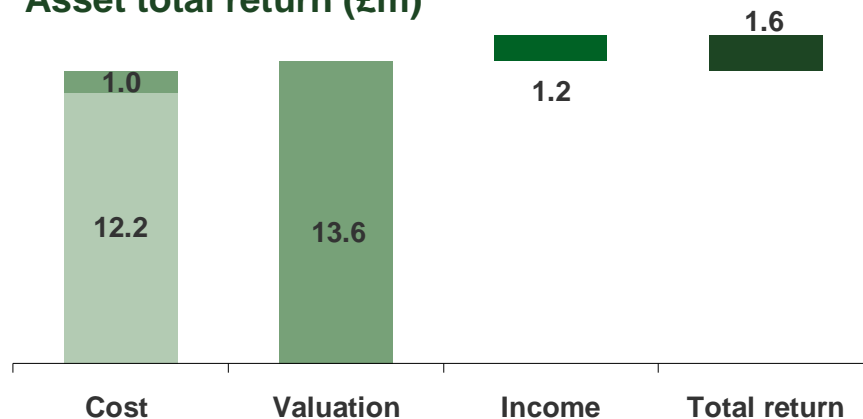
\* Investment made since the period end



## Initial portfolio - Octagon



Asset total return (£m)



### Interest

- 26.3% equity interest and loans

### Description

- Concession company under a 35-year PFI contract to build, operate and maintain the Norfolk and Norwich University Hospital
- Receives RPI-linked payments from the NHS Trust to cover services and building maintenance

### Strategy

- Management team, with close shareholder involvement, focuses on ensuring delivery of first-class service levels to the hospital

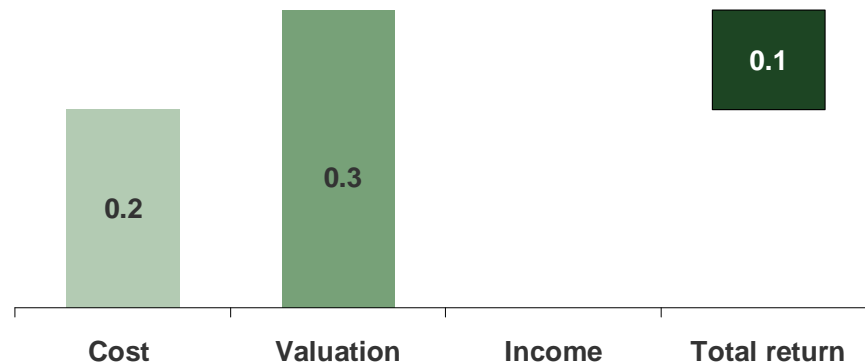
### Developments in the period

- Octagon maintained record of no service failures and unavailability deductions since commencing operations
- 3i Infrastructure increased original holding in Octagon to 26.3% from 25%

## Initial portfolio – Alpha Schools



Asset total return (£m)



### Interest

- 50% equity interest
- Commitment to invest a further £7.6 million in loan notes

### Description

- Concession company under a 30-year PFI contract to build, operate and maintain 11 new schools on 10 sites in the Highland region of Scotland
- Receives RPI-linked payment from the Highland Council to cover services and building maintenance

### Strategy

- Management team focussed on timely completion of construction and handover of the schools, delivery of first-class service and on excellent relationship with Council

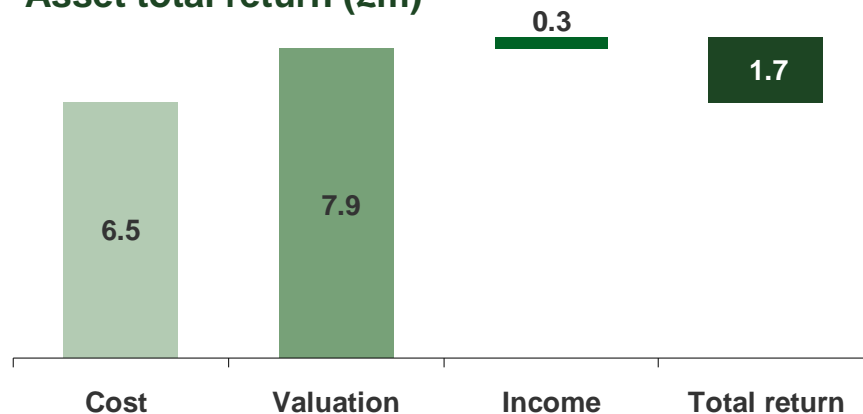
### Developments in the period

- Five schools (out of 11 projects) completed
- Services delivered with no performance deductions

## New investment – T2C



Asset total return (£m)



### Interest

- 16.7% equity interest and loans

### Description

- Construction of a new-build waste to energy plant to generate heat and power from refuse-derived fuels
- 15-year fixed price 'take or pay' contract

### Strategy

- Management team focussed on the timely completion of construction and commencement of operations
- Managing uncertainties in waste supply and ash disposal through contractual arrangement is also key

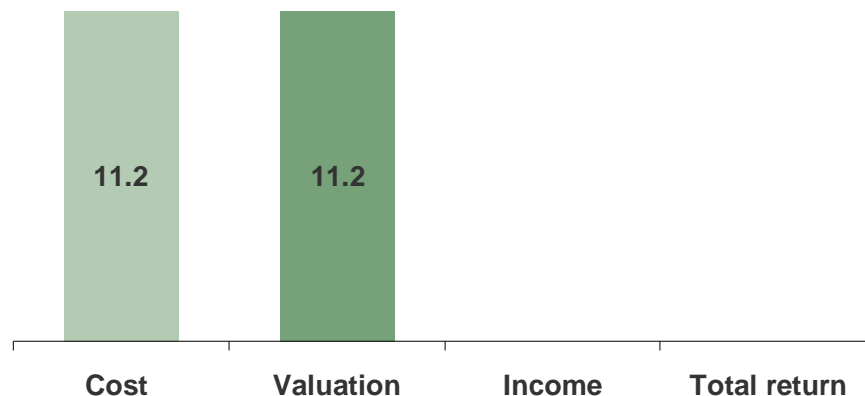
### Developments in the period

- Construction progressing well and expected to complete in the second quarter of 2009
- Final operating license received in February 2008

## New investment – Novera



Asset total return (£m)



### Interest

- 10.0% equity interest

### Description

- Established, UK-focussed renewable energy company which generates electricity from wind, waste and landfill gas

### Developments in the period

- In February 2008 3i Infrastructure confirmed it had approached the board of Novera and that it was considering a cash offer for the company at a price of 90p / share
- Infinis Energy Limited, a third party, subsequently acquired a 28.2% holding in Novera
- 3i Infrastructure confirmed on 2 June that it will not make a formal offer



## Investment Partners



Michael Queen



Cressida Hogg



Neil King



Girish Baliga



Anil Ahuja



Chris Rowlands



Paul Waller



Richard Kilner

## Governance

Board of  
Directors

- Independent Chairman, four independent non-executive directors and 3i Group appointed non-executive director
- Committed to observe requirements of the Combined Code
- Responsibilities:
  - Acts as investment committee / approves investment opportunities
  - Responsible for determination and supervision of investment policy
  - Supervises the monitoring of investments

3i Investments  
(Investment Adviser)

- Advises the Board on:
  - Origination and completion of investments
  - Realisation of investments
  - Funding requirements
  - Management of the portfolio