

Chair's statement

3i Infrastructure provides its shareholders with a clear investment proposition, delivering a long-term sustainable return from investing in infrastructure with an attractive mix of income yield and capital appreciation.



We are confident in our defensive portfolio and in our ability to deliver a long-term sustainable return.

Richard Laing
Chair, 3i Infrastructure plc
6 May 2020

The Company's total return objective is to provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term. We achieved a return of 11.4% in the year ended 31 March 2020, exceeding our target and demonstrating the resilience of our portfolio.

The Covid-19 pandemic is affecting most businesses across the world and its ultimate impact on the Company and its portfolio will only be fully understood over time. However, we believe that our strong liquidity position, our defensive portfolio of businesses providing essential services, our exposure to long-term sustainable trends through this diverse group of businesses and our focus on risk mitigation will offer a significant degree of protection to shareholders.

Our purpose is to deliver a long-term sustainable return to shareholders from investing in infrastructure. Consideration of sustainability and broader environmental, social and governance ('ESG') themes are fundamental to our investment process and how we manage our portfolio. This is not new for the Company, but we intend for this report to provide greater insight into how we look at these themes, how we are developing our approach to them, and how we and our portfolio are making a positive impact.

We have updated the description of our business model to make it clearer how ESG themes are considered at each stage. In the Investment Manager's review, Phil White, Managing Partner and Head of Infrastructure at the Investment Manager, outlines why sustainability is important to both 3i and the Company, and how the Investment Manager is evolving its investment and portfolio businesses' management processes.

In this year's Sustainability report, we are introducing the UN Sustainable Development Goals as a framework to describe the impact of our portfolio on the environment and communities in which they operate. We are also introducing a Task Force on Climate-related Financial Disclosures ('TCFD') section, as we work towards meeting the TCFD recommendations in the coming years.

We carefully considered the final dividend recommendation and the target dividend for the next financial year. Many companies have recently cancelled their dividend payments to preserve liquidity, encouraged by regulatory authorities in some cases.

As an investment company, we understand that our dividend is important to many of our shareholders, and we are in a strong liquidity position which will not be materially impacted by the payment of the final dividend. The interim and final dividends are fully covered by income and non-income cash receipts from our portfolio. We have therefore concluded that it is appropriate to recommend a final dividend in line with our target. We have also decided that it is appropriate to set a target dividend for the next financial year, and hope that this will help our shareholders with their financial planning into 2021.

During the year, the Company sold investments in Wireless Infrastructure Group ('WIG') and the UK operational projects portfolio, generating additional value for shareholders. We also made a new investment in Ionisos, adding timely exposure to the healthcare sector to the portfolio. We believe that the portfolio is well balanced and positioned to provide a sustainable mix of income yield and capital appreciation as we look to emerge from the pandemic.

I am grateful to shareholders for their support during our share issue in October 2019, to the Board for its contribution during this very eventful year and to the Investment Manager for its hard work, particularly in helping our portfolio navigate the current uncertainty.



In the 13 years since the initial public offering ('IPO') the Company has delivered an annualised total shareholder return of

11.7%
per annum

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Performance

The Company generated a total return of £224 million in the year ended 31 March 2020, or 11.4% on opening NAV, again exceeding the target of 8% to 10% per annum to be achieved over the medium term. The NAV per share increased to 254.5 pence. We delivered a Total Shareholder Return ('TSR') of -7.3% in the year (FTSE 250: -18.6%), as a consequence of the share price fall in the last few weeks of the financial year following the outbreak of Covid-19. Prior to that, the Company's share price had reached an all time high of 317.5 pence per share. Since IPO, the Company's annualised TSR is 11.7%, comparing favourably with the broader market (FTSE 250: 5.2% annualised over the same period). The Company's share price performance relative to the FTSE 250 has been particularly strong over the last five years.

Portfolio activity

The Company sold WIG for proceeds of approximately £387 million, realising a 27% IRR from this investment, and sold the UK operational projects portfolio for approximately £194 million, realising a 15% IRR. Both these realisations are further examples of excellent origination, asset management and timely divestment by our Investment Manager. Our first investment in healthcare infrastructure, Ionisos, was made during the year for £186 million and we also completed the acquisition of Joulz for £190 million. The Investment Manager's review describes in more detail the realisations and the new investments alongside portfolio developments.

Share issue

We were delighted with the successful placing, in October 2019, of 81 million shares at a price of 275 pence per share, raising gross proceeds of approximately £223 million before expenses. The issue was substantially oversubscribed with strong interest shown by existing and new shareholders, which was reflected in the final issue price achieved, at a significant premium to NAV. The proceeds were used to repay borrowings and provide liquidity to fund our pipeline of potential investments.

5 year 3iN share price and FTSE 250 (to 31 March 2020)



Dividend

Following the payment of the interim dividend of 4.6 pence per share in January 2020, the Board is recommending a final dividend for the year of 4.6 pence per share, meeting our target for the year of 9.2 pence per share, 6.4% above last year's total dividend. We expect the final dividend to be paid on 13 July 2020. Consistent with our progressive dividend policy, we are announcing a total dividend target for the year ending 31 March 2021 of 9.8 pence per share, representing a year-on-year increase of 6.5%.

Corporate governance

The Board aims to uphold the highest standards of corporate governance. The Board has continued to focus on and develop the Company's corporate governance arrangements, committing to observing the requirements of the AIC Code of Corporate Governance (the 'AIC Code') as an appropriate governance framework for an investment company. In February, Samantha Hoe-Richardson was appointed as a non-executive Director. Samantha brings deep expertise and experience, particularly on sustainability and the environment, that will be invaluable to the Company. More detail can be found in the Governance section on pages 74 to 99.

The Company's Annual General Meeting ('AGM') was held on 4 July 2019. All resolutions were approved by shareholders, including the re-election of all Directors to the Board. This year's AGM will be held on 9 July 2020. At the time of writing, we have to assume that the current stay at home and social distancing measures may still be in place at the time of the AGM. We therefore intend to hold the meeting with the minimum number of people legally required to be present and ask that shareholders vote by proxy in advance of the meeting. A conference call including a presentation from the Investment Manager will take place after the meeting is held, also on 9 July 2020, at which shareholders will be given the opportunity to ask questions. Further details will be provided in the notice of meeting and on the Company's website, 3i-infrastructure.com.

Directors' duties

The Directors have a duty to act honestly and in good faith with a view to the best interests of the Company. In accordance with the AIC Code, the Board does this through understanding the views of the Company's key stakeholders (for further details see page 85) and carefully considering how their interests and the matters set out in section 172 Companies Act 2006 of England and Wales have been considered in Board discussions and decision making (for further details see page 71).

Outlook

The past few months have seen significant volatility in both equity and credit markets and falling oil and power prices. In this environment, the infrastructure sector has performed relatively well, demonstrating its value as an asset class. Against this backdrop, the Company has remained disciplined in its investment approach, maintaining a strong cash position and an appropriate level of gearing in the Company's portfolio. We have invested in sectors that benefit from long-term sustainable trends as discussed in greater detail in the Investment Manager's review. Our portfolio consists of defensive businesses providing essential services to their customers. We are delighted to see our latest investment in Ionis playing its part in fighting Covid-19 through the sterilisation of testing kits and personal protective equipment.

Despite the current uncertain economic backdrop we remain confident in our business model. We have strong liquidity to support our portfolio companies if needed and to take advantage of investment opportunities as our markets start to recover from Covid-19.

Richard Laing

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