29 September 2015

3i Infrastructure plc – Pre-close update

3i Infrastructure plc ("3i Infrastructure" or "the Company") announces its trading update as it enters the close period for the six months ending 30 September 2015. The data in this statement relates to the period from 1 April 2015 to 28 September 2015 (the "period").

Highlights

- In a competitive market, the Company achieved a good level of investment in the period, completing three new investments for a total consideration of £187 million. These new investments were:
  - £111 million investment in a 50% interest in the Danish company ESVAGT, a leading provider of emergency rescue and response vessels and related services to the offshore energy sector, in and around the North Sea and the Barents Sea;
  - £53 million investment in a 45% interest in each of Oiltanking Terneuzen B.V. in the Netherlands and Oiltanking Ghent N.V. in Belgium, acquired from Oiltanking GmbH; and
  - £23 million investment in a 50% interest in the West of Duddons Sands Offshore Transmission Owner ("WODS OFTO") project in the UK.

  These investments in the mid-market economic infrastructure and low-risk energy sectors are expected to deliver attractive risk-adjusted returns to the Company, consistent with its return objectives.
- The European portfolio, which represents approximately 95% of the total portfolio by value, continues to perform well, both financially and operationally. In particular, the valuation of Elenia at 30 September 2015 is expected to benefit from proposed changes to the regulated allowed return for electricity distribution companies in Finland. The performance of the Company's investment in the India Fund was weak in the period, largely due to further depreciation of the rupee against sterling.
- Portfolio income totalled £26.8 million in the period, in line with expectations. This compares to income of £32.6 million in the six month period ending 30 September 2014, which included income of £7.8 million from the Company's interest in Eversholt Rail, which was sold in April 2015. In addition to the reduced interest receipts following the sale of Eversholt Rail, portfolio income in the period reflects a lower dividend received from Anglian Water Group, following the implementation of the regulatory settlement for the 2015-2020 period. Portfolio income is expected to increase in the second half of the financial year to 31 March 2016, as income is earned from the recent new investments.

- The Company manages its balance sheet and liquidity position actively in order to minimise returns dilution from holding surplus cash balances, while at the same time maintaining a good level of liquidity for future investment. At 28 September 2015, the Company's cash balance was £48 million and the undrawn balance of its Revolving Credit Facility ("RCF") was £284 million. Together, this provides the Company with a healthy level of liquidity for future investment and is cost effective for the Company due to the attractive terms achieved when the RCF was extended in May 2015.
- Following the announcement made in May 2015 in conjunction with the publication of the Company's annual results, a special dividend of £150 million was paid to shareholders on 31 July 2015. The Extraordinary General Meeting held on 7 July 2015 approved a proposed share consolidation, which took place on 8 July 2015, as well as a proposed change to the Company's investment concentration limit.

Peter Sedgwick, Chairman of 3i Infrastructure, said: "The Company has had a busy first half-year. In a competitive market, we are pleased to have completed three new investments for a total consideration of £187 million. This new investment in the period largely replaces the Company's investment in Eversholt Rail which was sold earlier this year and which was valued at £241 million at 30 September 2014. The total proceeds generated from the sale of the Company's interest in Eversholt Rail were £381 million (including a distribution of £15.5 million paid in December 2014), which represented a significant premium to the previous valuation and an exceptional return for shareholders. In light of this exceptional return and consistent with our objective of managing an efficient balance sheet, the Company returned £150 million of capital to shareholders in July. The Company's European portfolio continues to perform well, both financially and operationally, delivering income in line with expectations. Supported by our outlook for the Company's European portfolio, including the new investments completed in the period, as well as by significant realised capital profits, we remain on track to deliver a full year dividend for FY2016 of 7.25 pence per share and to grow this progressively beyond FY2016."

Ben Loomes and Phil White, Managing Partners and Co-heads of Infrastructure, 3i Investments plc, Investment Adviser to the Company, added: "We have had a good first half-year performance. Demand for large Core infrastructure investments in Europe continues to be strong, with recent transactions providing evidence of higher asset prices and therefore lower implied projected returns. This continues to benefit the valuation of the Company's existing portfolio of Core investments, while at the same time shaping our new investment focus towards targeting the mid-market economic infrastructure and the primary PPP and low-risk energy project sectors, where we can access attractive risk-adjusted returns consistent with the Company's overall return objectives. In this context, we were pleased to complete three new investments in the period, demonstrating the Investment Adviser's ability to access attractive investments in the Company's target market segments. We continue to build the Company's investment pipeline and we are assessing a broad range of early stage opportunities."

Investment and realisation activity

The Company completed three new investments in the period, for a total consideration of £187 million.

On 7 July 2015, the Company announced that it had entered into an agreement to jointly acquire, with AMP Capital, 100% of ESVAGT from Maersk Group. Headquartered in

Esbjerg, Denmark, ESVAGT is a leading provider of emergency rescue and response vessels and related services to the offshore oil and gas industry, in and around the North Sea and the Barents Sea. ESVAGT has been operating since 1981, employs over 800 people and owns a fleet of 43 vessels. It has an established position as a leading provider of emergency response and rescue services in offshore Denmark and Norway, as well as a growing presence in the UK and offshore wind services segments. ESVAGT's leading market position in its core markets, with contracted revenue streams and best-in-class operating model, is expected to continue to deliver an attractive and stable long-term yield. The transaction completed on 17 September 2015 following the receipt of clearance from the European Commission under the EU Merger Regulation. The Company invested £111 million (including transaction costs) to acquire its 50% interest.

The WODS OFTO project reached financial close on 21 August 2015, with 3i Infrastructure investing £23.5 million for its 50% holding. The project, which is now fully commissioned, operates under a licence awarded by Ofgem, the UK's electricity regulator, with 20-year availability-based cash flows.

Following the receipt of the required regulatory approvals, on 5 June 2015 the Company completed the acquisition of a 45% interest in each of Oiltanking Terneuzen B.V. in the Netherlands and Oiltanking Ghent N.V. in Belgium from Oiltanking, for a total consideration of £78 million (including transaction costs), including £52.6 million in equity provided by the Company and £25.2 million of additional debt funding raised in Oystercatcher, which now holds the two investments alongside its existing 45% stakes in Oiltanking Amsterdam, Oiltanking Malta and Oiltanking Singapore.

As announced previously, the Company completed the sale of its holding in Eversholt Rail to CK Investments S.A.R.L on 16 April 2015, generating net cash proceeds of £365 million. In addition to these proceeds, the Company received a distribution of £15.5 million from Eversholt Rail in December 2014. The valuation of the Company's interest in Eversholt Rail was £240.8 million at 30 September 2014.

Portfolio and returns

The Company's European portfolio continues to perform in line with expectations. Portfolio income (dividends, interest receivable and any fees received from portfolio assets) totalled £26.8 million in the period (against £32.6 million in the six-month period to 30 September 2014, including income of £7.8 million from the Company's interest Eversholt Rail which was sold in April 2015). In addition to the reduced interest receipts following the sale of Eversholt Rail, portfolio income in the period reflects a lower dividend received from Anglian Water Group, following the implementation of the regulatory settlement for the 2015-2020 period from 1 April 2015 and a conservative approach to distributions while UK inflation remains low. Good levels of income were received from the operational PPP portfolio, including from the National Military Museum project which became operational during the last financial year, as well as from Oystercatcher, which had not paid a dividend in the corresponding period last year as it prepared for a refinancing. Looking ahead, portfolio income is expected to increase from the second half of FY2016, as income is earned from the new investments completed in the period.

During the period, the Finnish Energy Authority, which regulates electricity distribution in Finland, released a second draft of its guidelines for the next two regulatory periods (from January 2016 to December 2023). These refine and clarify the regulator's proposals to change the calculation of the allowed return on capital for the industry, and certain other parameters. While some aspects of the regulatory determination remain to be decided, this second draft reinforces the regulator's intent to address the low allowed return on capital experienced by all distribution companies over recent years. When taken together with the increase seen in the Finnish Government bond yield to which the allowed return remains linked, we anticipate that these changes and our confidence in their likely implementation will reflect positively in the Company's valuation of Elenia at the September period end.

The valuation of the Company's holding in the 3i India Infrastructure Fund, which represented 5% of portfolio value at 31 March 2015, is influenced by a number of market factors, including foreign exchange rates. Over the period, the exchange rate of the Indian rupee against sterling depreciated by 8%, resulting in foreign exchange losses of £5.1 million. In addition, the share price of Adani Power fell by 48% during the period, resulting in a reduction in the value of the Company's holding of £3.5 million.

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

Balance sheet

The Company manages its balance sheet and liquidity position actively, ensuring it maintains adequate liquidity to pursue new investment opportunities, while not diluting shareholder returns by holding surplus cash balances. At 28 September 2015, the Company had a cash balance of £48 million, which was significantly reduced after the completion of three new investments in the period and the payment of the ordinary and special dividends. The Company continues to maintain a healthy level of liquidity to pursue its new investment pipeline, and at 28 September 2015 had an undrawn balance under its RCF of £284 million.

Return of capital and Extraordinary General Meeting

On 12 May 2015, the Company announced that it would return £150 million to shareholders by way of a special dividend of 17.0 pence per share. The Company also announced a 9 for 10 share consolidation, subject to shareholder approval at an Extraordinary General Meeting, to neutralise the impact of the payment of the special dividend on the share price. The share consolidation was approved by the shareholders and was implemented shortly after the Extraordinary General Meeting, on 8 July 2015. The special dividend was paid to shareholders on 31 July 2015.

At the Extraordinary General Meeting, the proposed increase to the investment concentration limit from 20% to 25% of gross assets was also approved.

Ends

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

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

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This statement aims to give an indication of material events and transactions that have taken place in the period from 1 April 2015 to 28 September 2015 and their impact on the financial position of 3i Infrastructure plc. These indications reflect the Board's current view. They are subject to a number of risks and uncertainties and could change. Factors which could cause or contribute to such differences include, but are not limited to, general economic and market conditions and specific factors affecting the financial prospects or performance of individual investments within the portfolio of 3i Infrastructure plc.