3i Infrastructure plc

Annual results 2013

9 May 2013

Presentation of the results for the year to 31 March 2013

Chairman’s introduction

Peter Sedgwick
Chairman

2013 – a successful year for the Company

- Achieved **good growth in NAV**, underpinned by the strong performance of the European portfolio, albeit with continued challenges in India
- Sold Alpha Schools for a **considerable uplift to cost** and ahead of carrying value
- Refinanced the Oystercatcher acquisition debt, **de-risking** the investment
- Agreed a new £200m revolving credit facility on **improved terms**
- Made **significant progress** towards achieving a financial close for the **Thameslink** transaction

Strong performance allowed the Board to declare a 3.52p dividend for the second half, 6.49p in total for the year

Strategic update

- The Board's annual review of strategy assessed our strategy and return objectives in the light of
  - market developments
  - 3i Infrastructure's portfolio performance
- Key conclusions
  - no new investments in India
  - new investment focused on the core infrastructure and PPP markets in the developed world

As a result of the rebalancing of risk and reward across the portfolio, **we updated the financial objectives to a total return of 10% per annum, of which 5.5% to be delivered through dividends to shareholders**

Financial review

Stephen Halliwell

Financial highlights for the year

Improved total return Total return of £89.1m, or 8.6% on opening shareholders' equity (2012: 5.6%)	8.6%
Progressive dividend, exceeding target Total dividend of 6.49p, or 5.5% on opening shareholders' equity	5.5%
Strong portfolio income generation Portfolio income generation in line with last year	£73m
Steady underlying asset performance Growth in EBITDA of underlying investments over the prior year	2.8%

Reconciliation of movements in NAV

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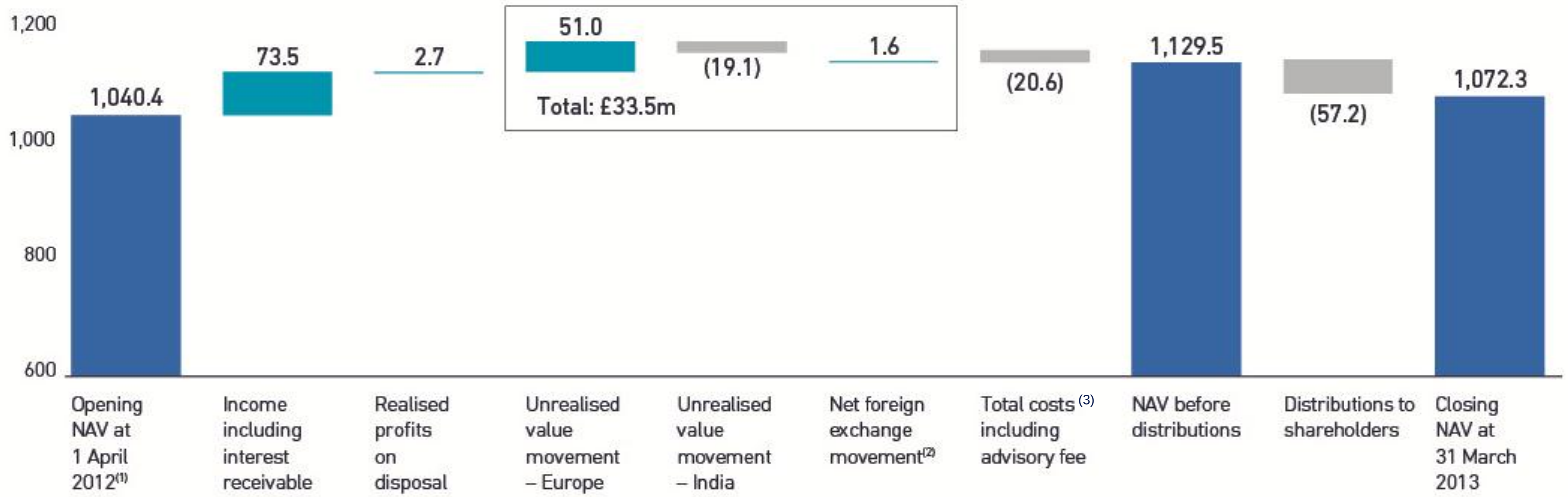
(£m)



Return supported by good income generation and strong value gains for the European portfolio

(1) Net of prior year final dividend
(2) Foreign exchange movements are addressed in slide 12
(3) Includes other movements of £(0.4)m

Dividend progression

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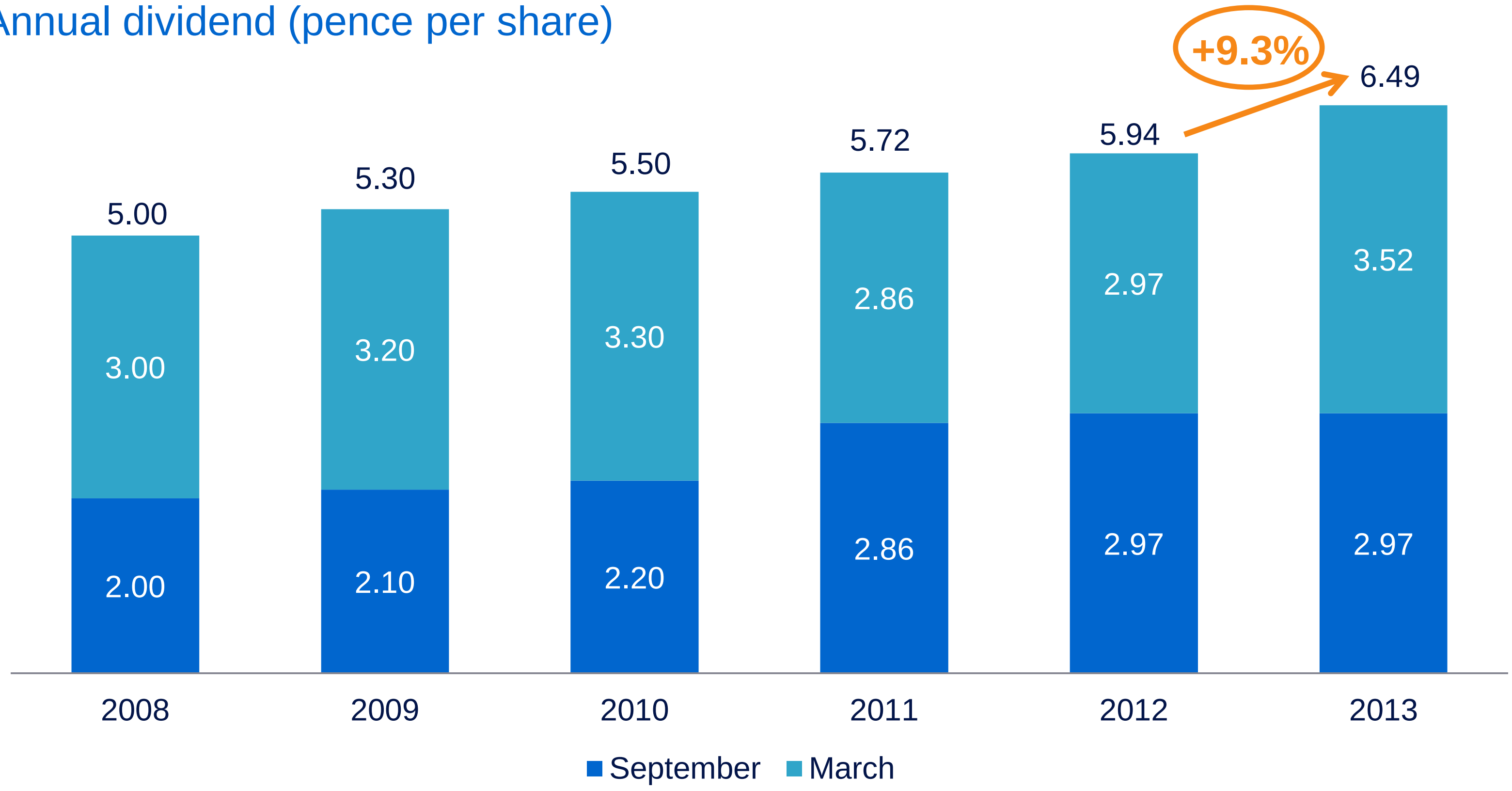
Annual dividend (pence per share)



Strong dividend progression

Costs

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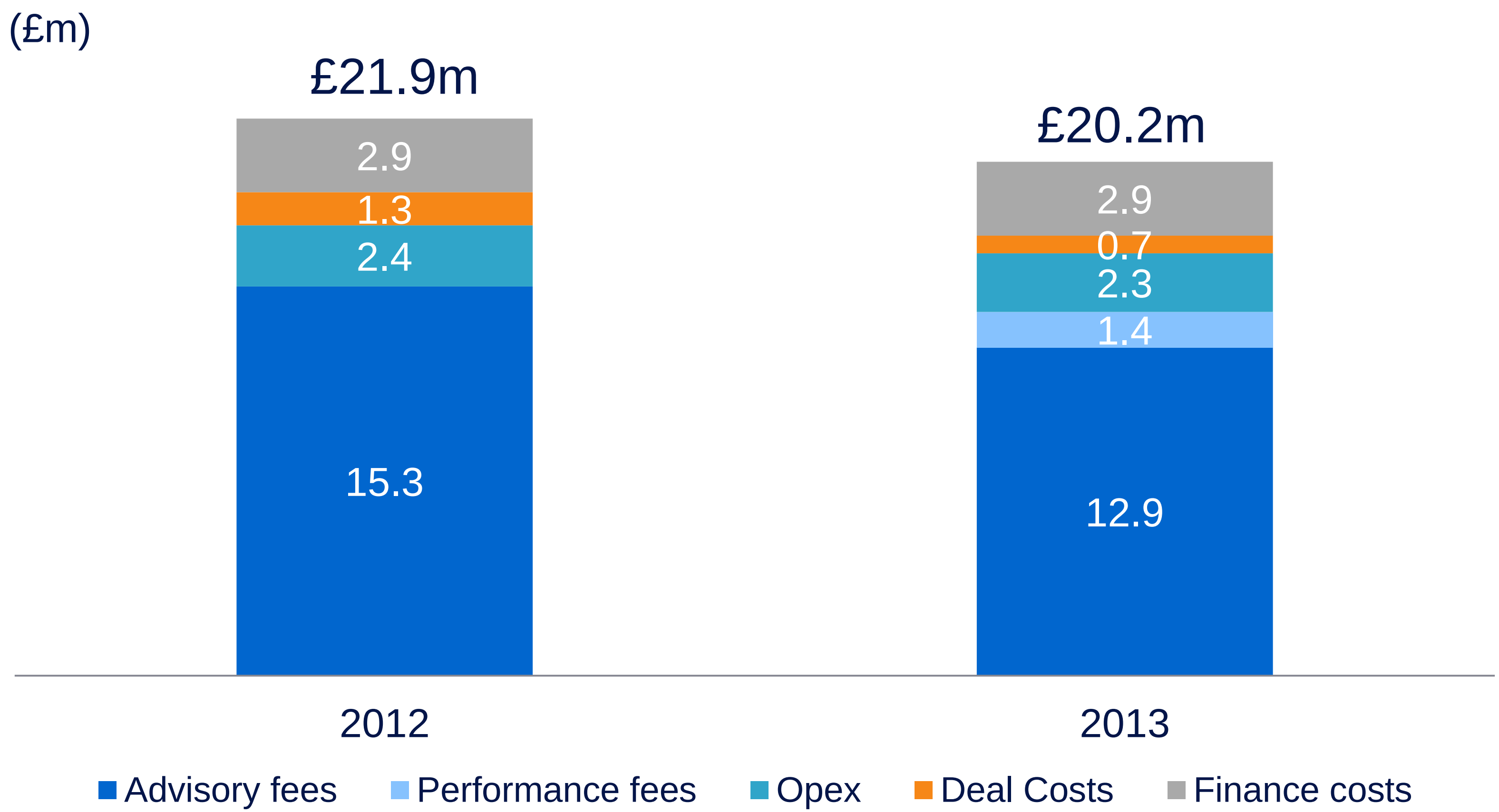

Costs reduced year-on-year, driven by lower advisory fee rate

Balance sheet

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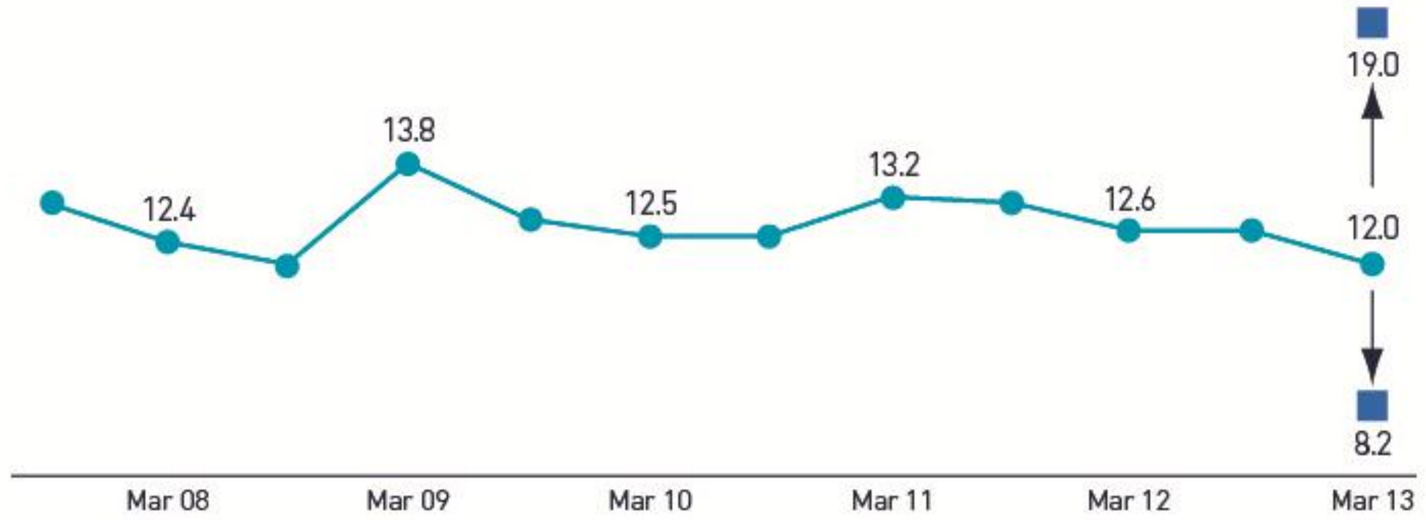
(£m)	Investment basis as at Mar 2013	Investment basis as at Mar 2012	Consolidated basis as at Mar 2013
Investment portfolio	918.7	890.8	1,222.6
Other net assets	5.4	2.4	0.4
Cash and cash equivalents	179.2	173.4	185.3
Borrowings	-	-	(160.6)
Net assets	**1,103.3**	**1,066.6**	**1,247.7**
Shareholders' equity	1,103.3	1,066.6	1,110.0
Non-controlling interest	-	-	137.7
Total shareholders' equity	**1,103.3**	**1,066.6**	**1,247.7**
NAV per share (p)	**125.2**	**121.0**	**125.9**
NAV per share post dividend (p)	**121.7**	**118.0**	**122.4**

Revolving credit facility renewed to maintain strong liquidity

Weighted average discount rate

3i Infrastructure plc

Portfolio weighted average discount rate (%)

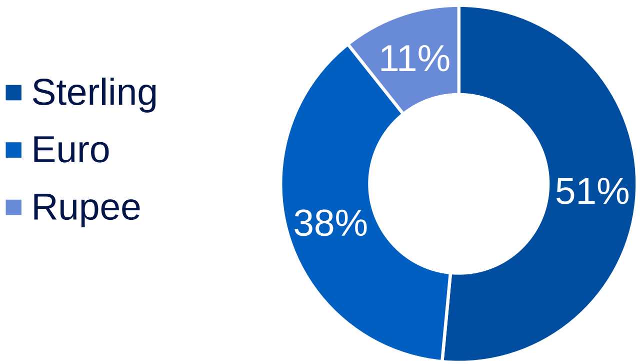


Weighted average discount rate reduced to 12.0%

- AWG – reduced to reflect sale of MFS and comparable transaction valuations
- Oystercatcher – reduced to reflect de-risking following the re-financing

Foreign exchange impact

Portfolio currency exposure (%)



Impact of foreign exchange movements on portfolio value (£m)

	Year to Mar 2013	Six months to Sep 2012	Year to Mar 2012
£/rupee	(0.9)	(4.9)	(16.0)
£/€ (net of hedging)	2.5	(1.0)	(0.3)
Net foreign exchange impact	1.6	(5.9)	(16.3)

Portfolio update and strategic review

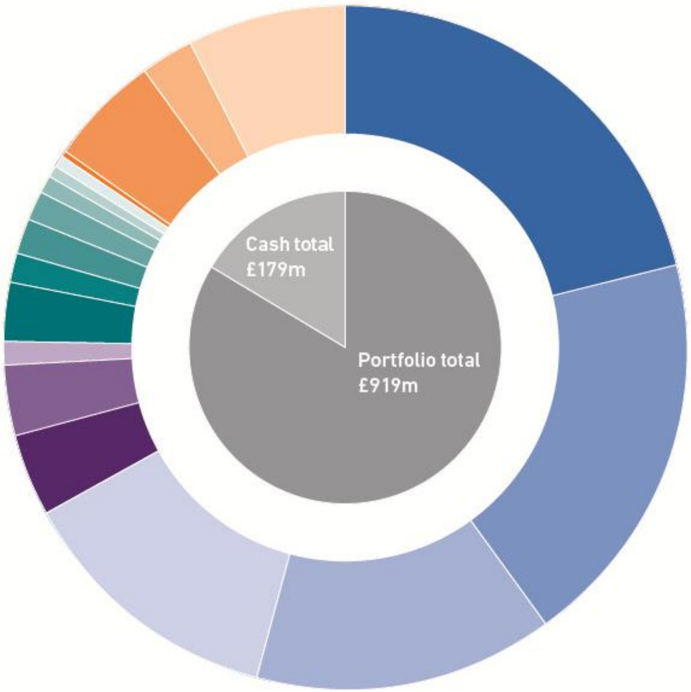
Cressida Hogg

Our portfolio

14
investments

£919m
portfolio value

£179m
cash balances



Investments	£m
Core portfolio	
AWG	231
Elenia	205
Eversholt Rail Group	154
Oystercatcher	141
PFI portfolio	
Elgin	43
Octagon	34
Dalmore	12
3i India Infrastructure Fund	
Krishnapatnam Port	31
KMC Roads	17
Adani Power	17
GVK Energy	15
Soma Enterprise	7
Ind-Barath Utkal	6
Supreme Roads	6
Total portfolio value	919

Cash	
Cash committed to new investment in Dalmore	3
Expected investment in Thameslink	60
Cash committed to final dividend	31
Free cash[1]	85
Total cash	179

1 Includes £25 million committed to the 3i India Infrastructure Fund. The remaining commitment is limited to 15% of the original US$250 million commitment, or US$37.5 million. This amount is unlikely to be drawn in full.

Investment and realisation activity

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Investment

- **Dalmore** £11.6m (out of a £15m commitment) invested in the Dalmore Capital Fund, a secondary PFI fund
- **Supreme Roads** £4.9m invested in a portfolio of BOT road projects in India through the India Fund
- **Thameslink** Made significant progress towards financial close

Realisations

- **Alpha Schools** Sold 50% holding in Alpha Schools to HICL for proceeds of £21.2m (vs opening value of £18.5m and cost of £9.1m), generating an IRR of 33.2%
- **T2C** Sold the investment in T2C for a nominal amount

Oystercatcher

Operational highlights for the year

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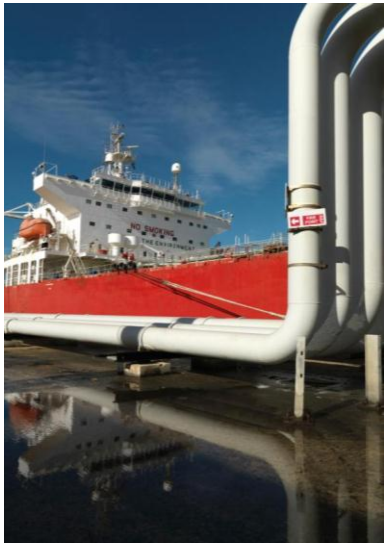
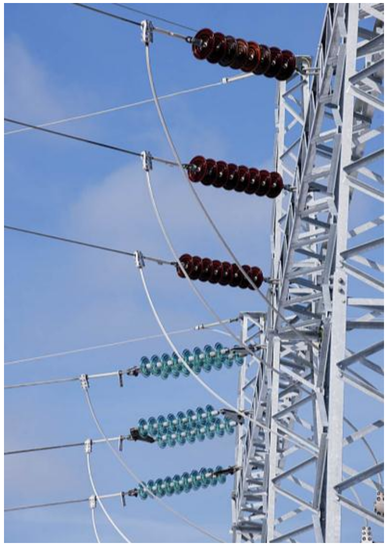
- Refinancing of the acquisition debt facility completed in March 2013, resulting in a de-risking of the investment and allowing a reduction in the discount rate
- Terminals performed ahead of expectations
- EBITDA up 8.4% compared to the prior year
- Customer contracts expiring in 2012 were re-let on improved terms
- In Malta, new LPG pipeline to transport imports to nearby facility completed in June 2012



Elenia (formerly LNI)

Operational highlights for the year

- Post-acquisition corporate reorganisation completed in January, allowing Elenia to pay its first distribution (£20.6m to the Company)
- Rebranding exercise completed last year
- Governance enhanced through appointment of new independent chairmen for both businesses
- Further appointments to executive teams
- Capex plans for the distribution business updated
- Small acquisition by the distribution business reinforces thesis on consolidation opportunities
- Upcoming legislation to improve the reliability of electricity supply is a positive development

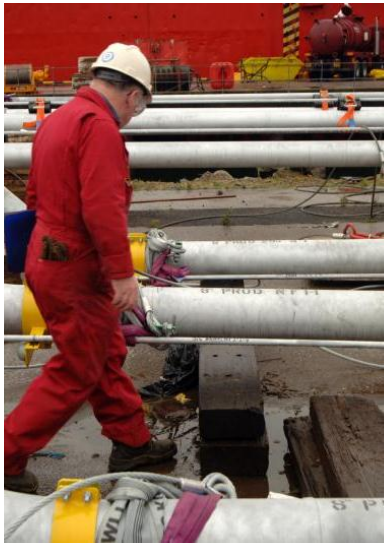


ELENIA

AWG

Operational highlights for the year

- Income down on prior year, due to incremental capex on drought mitigation, as well as to the impact on demand of record rainfall since April 2012
- EBITDA up 2.1% compared to the prior year
- Good progress in implementation of regulatory settlement, with focus on efficiency programme
- Strong performance in customer service against peers – ranked first in Ofwat's SIM performance survey for year to March 2013
- Satisfactory outcome of negotiations with Ofwat on proposed changes to licences
- Sale of MFS completed in November 2012



Eversholt Rail Group

Operational highlights for the year

- EBITDA up 2.8% on the previous year
- Strong cash flows, allowing £6.6m unscheduled shareholder loan repayment
- Eversholt's 395 trains showcased in the Olympics Javelin Service
- "Fresh start" for refranchising programme and scheduled start for East Coast franchise competition in 2014 is positive for the business
- Opportunities in asset management services – Eversholt is providing asset management services to the Thameslink XLT consortium
- £150m raised in a private placing, extending maturity profile of the debt

Social infrastructure investments
Operational highlights for the period

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Elgin

- All 16 projects performing in line with the investment case

Dalmore

- Investment completed in November 2012
- £12m drawn, out of £15m commitment
- All projects performing in line with expectations

Octagon

- Good operational and financial performance
- “Excellent” rating for standards of food, cleanliness, privacy and dignity in an inspection in July by patient representatives, independent validators and NHS staff
- An unannounced inspection by Care Quality Commission in November found the hospital met all essential quality and safety standards inspected

3i India Infrastructure Fund

Operational highlights for the period

Power	Transportation

Power

- Performance affected by
  - availability and pricing of fuel, exacerbated by rupee weakness
  - strain on State Electricity Boards' financial position and their ability to enter into new long-term PPAs
- Government seeking to address these issues, but solutions so far have had a limited impact
- On the positive side, merchant tariffs have remained high

Transportation

- Krishnapatnam Port still affected by iron ore export ban, but performance has been resilient as the business changes its cargo mix
- Mixed performance for the road assets, with challenges in project execution and increases in raw material costs

Focus on realisations over time

Our investment strategy

Social infrastructure/ PPP

Typically **government-backed concessions**, mainly in education, healthcare and accommodation. These investments tend to provide returns between 7%–12%, mostly through income, as well as high inflation correlation.

10%

£89m portfolio value at 31 March 2013

Core infrastructure

These investments typically provide returns between 8%–15%. Key characteristics include low volatility across economic cycles and strong market positions. **These tend to be dynamic businesses that own their asset base in perpetuity, not concessions with a finite life.**

79%

£731m portfolio value at 31 March 2013

Hybrid infrastructure

These investments have **higher risk characteristics**, usually through exposure to greater market or geopolitical risk, and as such seek to provide returns above 15% over the long term.

11%

£99m portfolio value at 31 March 2013

Focus on our core infrastructure capabilities to deliver stable returns and our enhanced dividend yield to our shareholders

Portfolio performance

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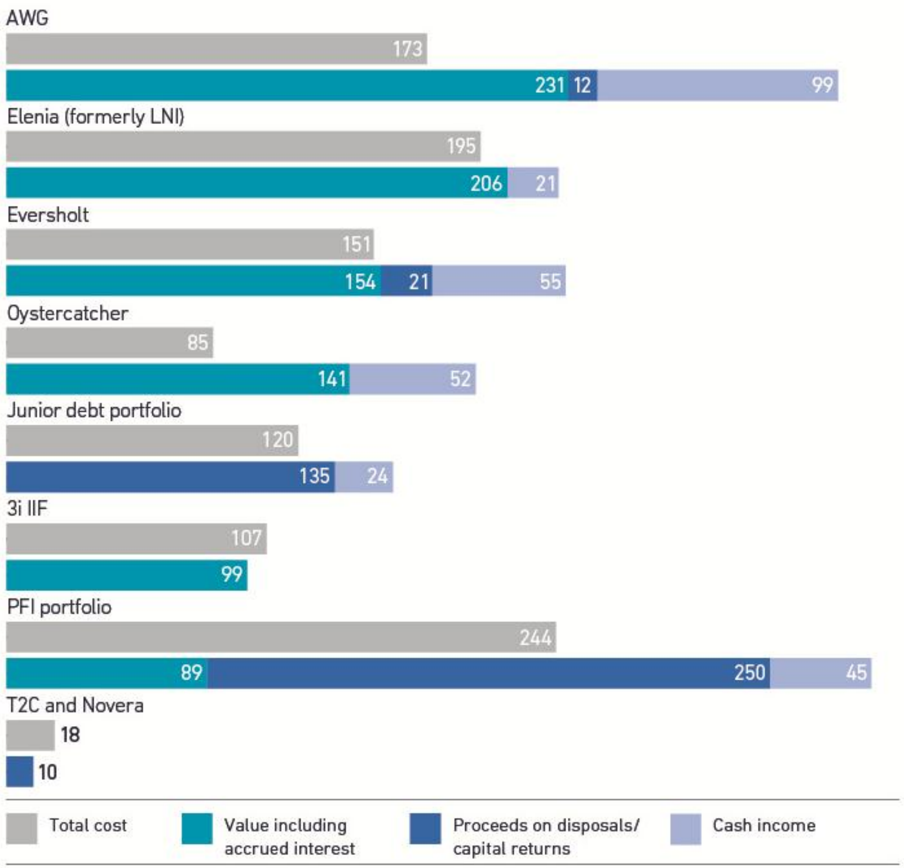
Portfolio asset return throughout holding period (£m)



16%

asset IRR since IPO

Strong asset IRR since IPO underpinned by performance of core and social infrastructure investments

Our market

- Demand for infrastructure assets continues to grow, as investors seek yield in a low interest rate environment
- As infrastructure M&A volumes remain muted, price points have risen across the infrastructure market, driving down projected returns
- Economies, particularly in Europe, struggle to recover, but this may result in PPP opportunities as governments try to stimulate growth
- India remains challenging due to slowing growth, a growing fiscal deficit and currency volatility – no successor fund in that market

Outlook

- There are challenges, but the infrastructure market offers attractive opportunities for skilled investors
- We are seeing good investments in our focus markets of core infrastructure and PPP

Strategic update

Core portfolio bedrock	Diverse portfolio with strong track record of returns provides a bedrock for future development
Target opportunities	Attractive market opportunity in core infrastructure and PPP projects for skilled investors
Return volatility	Low return volatility in Europe diluted by higher volatility in returns from the India Fund
Portfolio balance	Portfolio to be rebalanced over time in favour of less volatile and higher yielding core and PPP infrastructure
Specialist advisory skills	Investment Adviser well placed to target the market opportunity and to drive value from the portfolio

Total return objective of **12%**, to be achieved over the long term

Annual distribution yield of **5%** of opening NAV

Annual total return objective of **10%** of opening NAV

Annual distribution yield of **5.5%** of opening NAV

Portfolio balance

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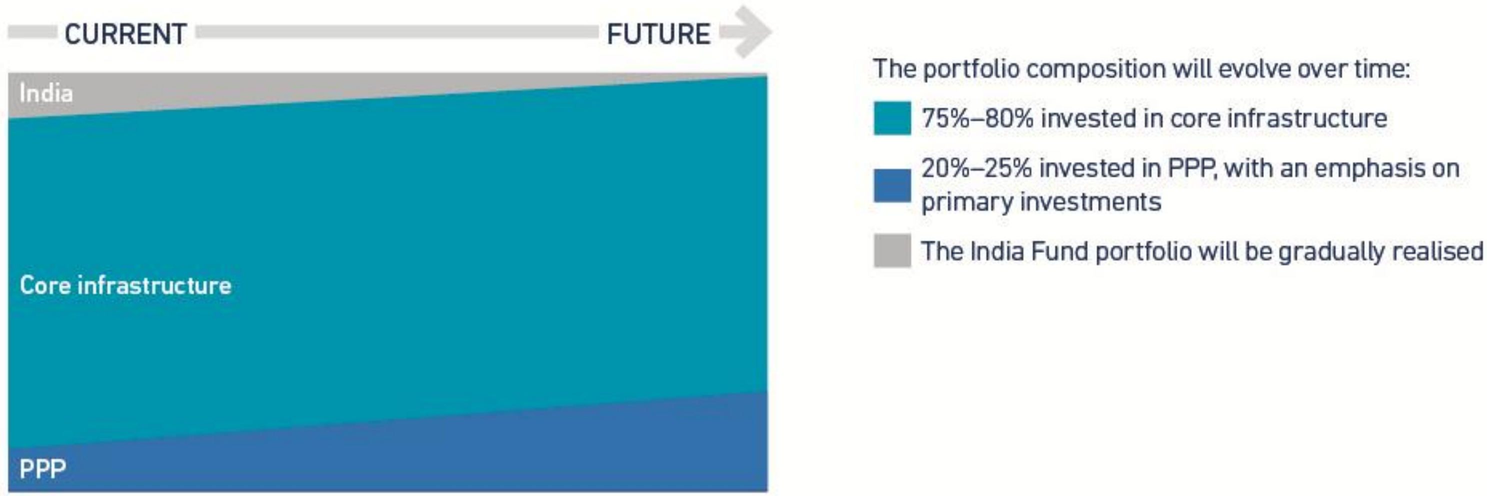

Over time, the portfolio will rebalance in favour of **less volatile** core infrastructure and PPP project investments in the developed world, which can deliver a **balance of yield and capital growth**

Our investment proposition

- We have a portfolio and strategy in place to deliver a 10% annual return and the enhanced dividend objective with **reduced volatility**
- The European portfolio continues to deliver returns ahead of our expectations and provides a **bedrock for future development**
- The market in our focus northern European regions provides **attractive opportunities**
- With its **market leading track record**, the Investment Adviser is well placed to access these

Additional financial information

Valuation summary

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(£m)	Value March 2012	Invest-ment in year	Divest-ment in year	Value move-ment	Forex trans-lation	Value March 2013	Profit on disposal	Income in year	Asset TR in year
AWG	209.4	-	-	21.2	-	**230.6**	-	15.5	**36.7**
Elenia	201.0	-	-	0.6	3.9	**205.5**	-	20.6	**25.1**
Eversholt	154.2	-	(6.6)	6.0	-	**153.6**	-	17.8	**23.8**
Oystercatcher	118.2	-	-	21.3	1.9	**141.4**	-	11.2	**34.4**
3i India Infrastructure Fund	114.2	4.9	-	(26.3)[1]	6.3	**99.1**	-	-	**(20.0)**
Elgin	42.0	-	(0.3)	1.2	-	**42.9**	-	3.4	**4.6**
Octagon	33.3	-	-	0.7	-	**34.0**	-	2.6	**3.3**
Alpha Schools	18.5	-	(18.5)	-	-	**-**	2.7	1.5	**4.2**
Dalmore Capital Fund	-	11.6	-	-	-	**11.6**	-	0.2	**0.2**
T2C[2]	-	-	-	-	-	**-**	-	-	**-**
	890.8	**16.5**	**(25.4)**	**24.7**	**12.1**	**918.7**	**2.7**	**72.8**	**112.3**

(1) Includes a £7.2m negative impact from US$/rupee exchange movements
(2) T2C was sold in the year for a nominal amount

Portfolio diversification at 31 March 2013

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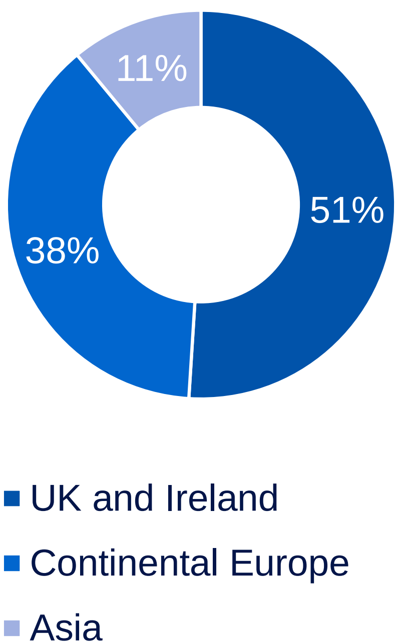
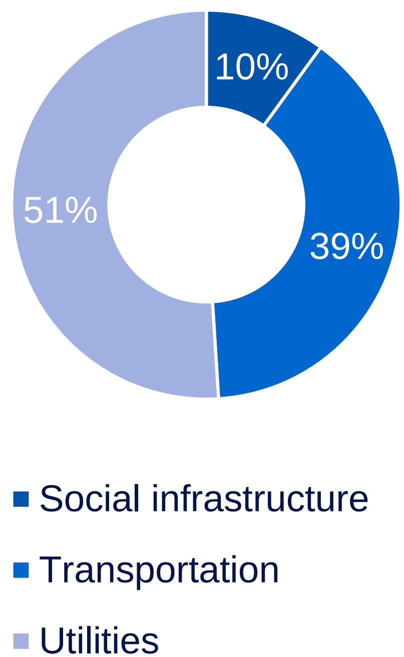
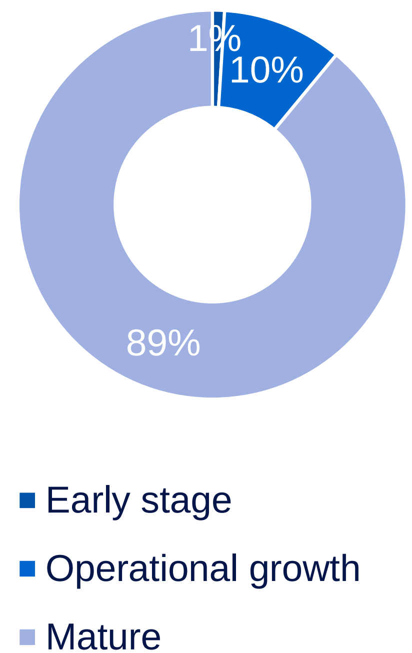
By geography



By sector



By maturity



Total return for the year to 31 March 2013

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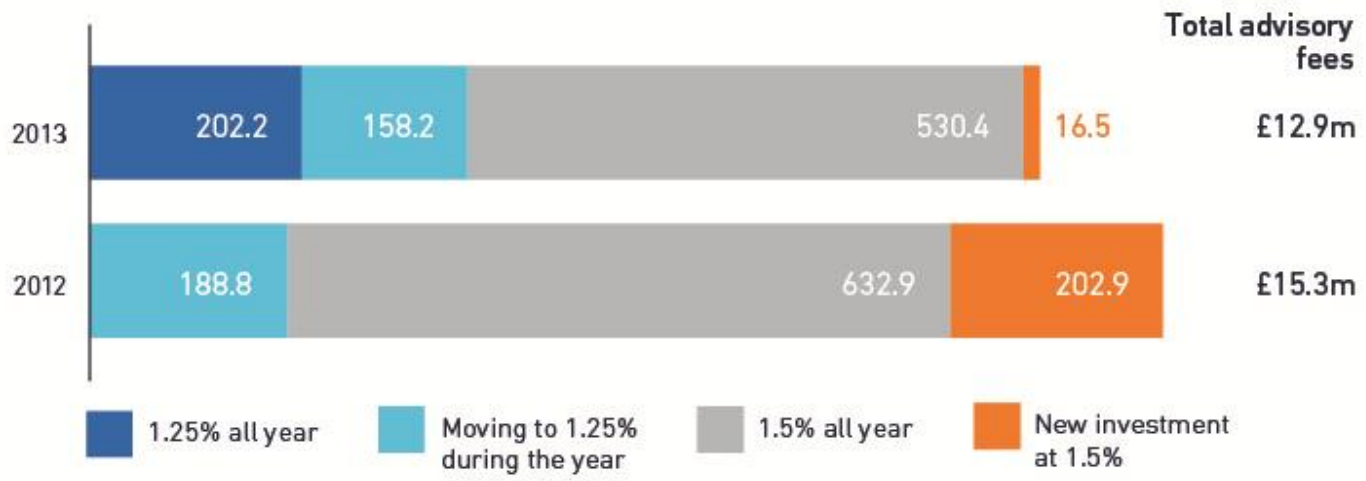
(£m)	Investment basis 31 Mar 2013	Investment basis 31 Mar 2012	Consolidated basis 31 Mar 2013
Realised profits/(losses) over fair value on disposal of investments	2.7	(4.7)	2.7
Unrealised profits on the revaluation of investments	24.7	7.0	34.4
Foreign exchange gains/(losses) on investments	12.1	(4.3)	-
Capital return/(loss)	**39.5**	**(2.0)**	**37.1**
Portfolio income	72.8	73.1	98.4
Fees payable on investment activities	(0.7)	(1.3)	(0.7)
Interest receivable	0.7	1.5	0.7
Investment return	**112.3**	**71.3**	**135.5**
Fees and operating expenses and finance costs	(19.5)	(20.6)	(35.6)
Movements in the fair value of derivative financial instruments	(3.3)	5.3	(0.3)
Other net (expense)/income	(0.3)	0.3	(0.3)
Profit before tax	**89.2**	**56.3**	**99.3**
Income taxes	(0.1)	(0.3)	(0.1)
Profit after tax and profit for the period	**89.1**	**56.0**	**99.2**
Exchange difference on translation of foreign operations	-	-	12.6
Profit attributable to non-controlling interests for the period	-	-	(19.5)
Total comprehensive income ("Total return")	**89.1**	**56.0**	**92.3**
Total return as a % of shareholders' equity	8.6%	5.6%	8.8%

Advisory fee rate

Portfolio analysis by advisory fee rate (£m)



- Fees are charged on opening portfolio value and the cost of new investment on the following basis
  - 1.5% for assets held for less than five years
  - 1.25% for assets held for more than five years
  - 1.5% for new investment

Income, costs and dividends to shareholders

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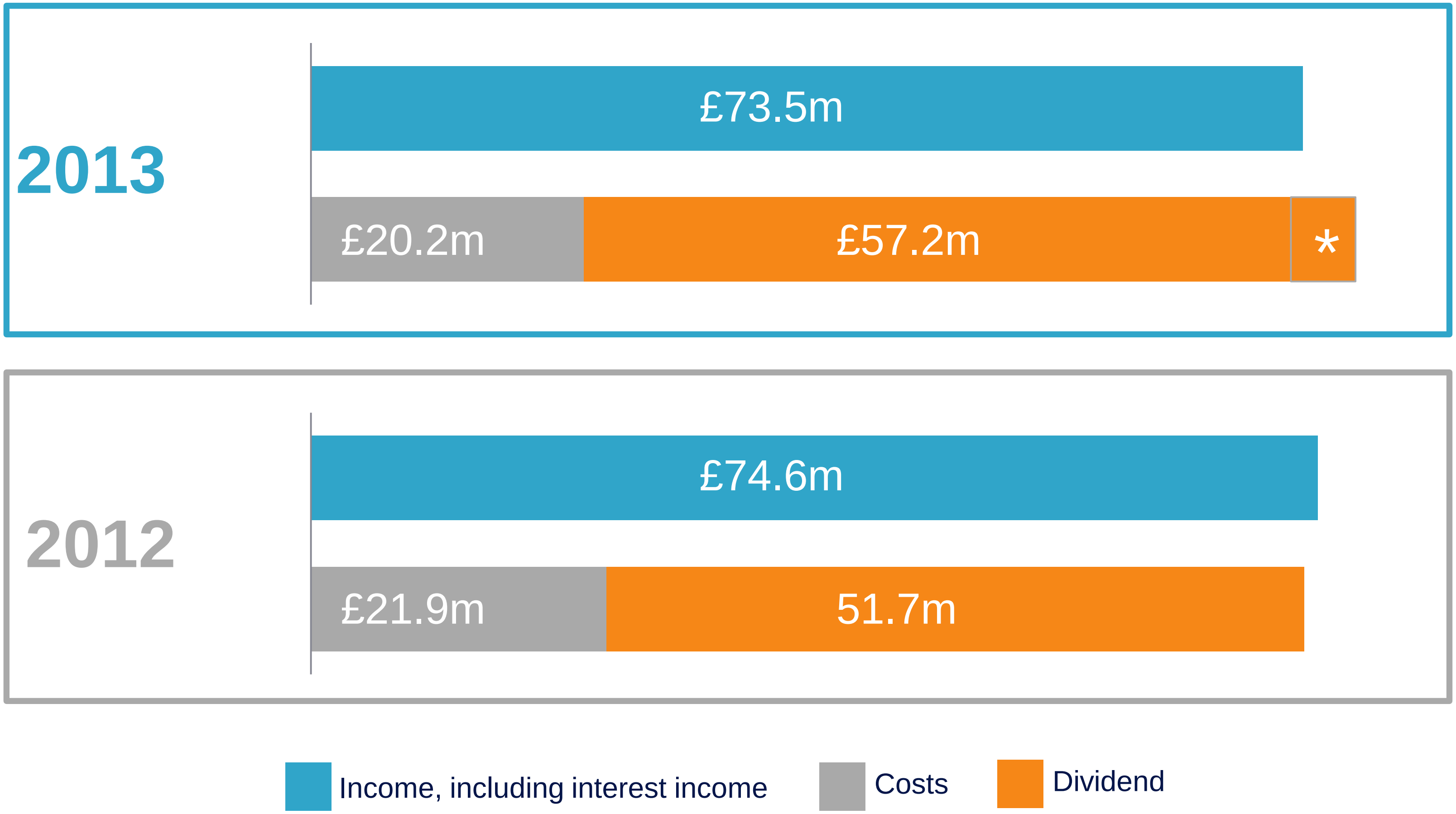


* Attributable to increase of dividend payment to 5.5% of opening NAV

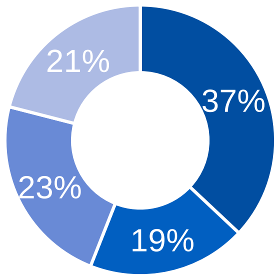
Sensitivities

3i Infrastructure plc

Inflation linkage

Assets with revenues:

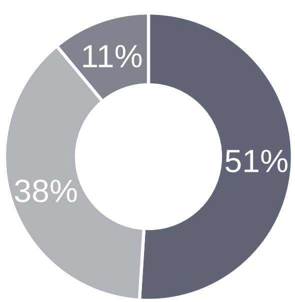
- Directly linked to UK inflation
- Directly linked to Finnish inflation
- Partly linked to inflation
- Not linked to inflation



Sensitivity (for European assets only)	+1% point	-1% point
Change in inflation over underlying assumption for next 2 years	£17.7m	£(19.2)m

Foreign exchange

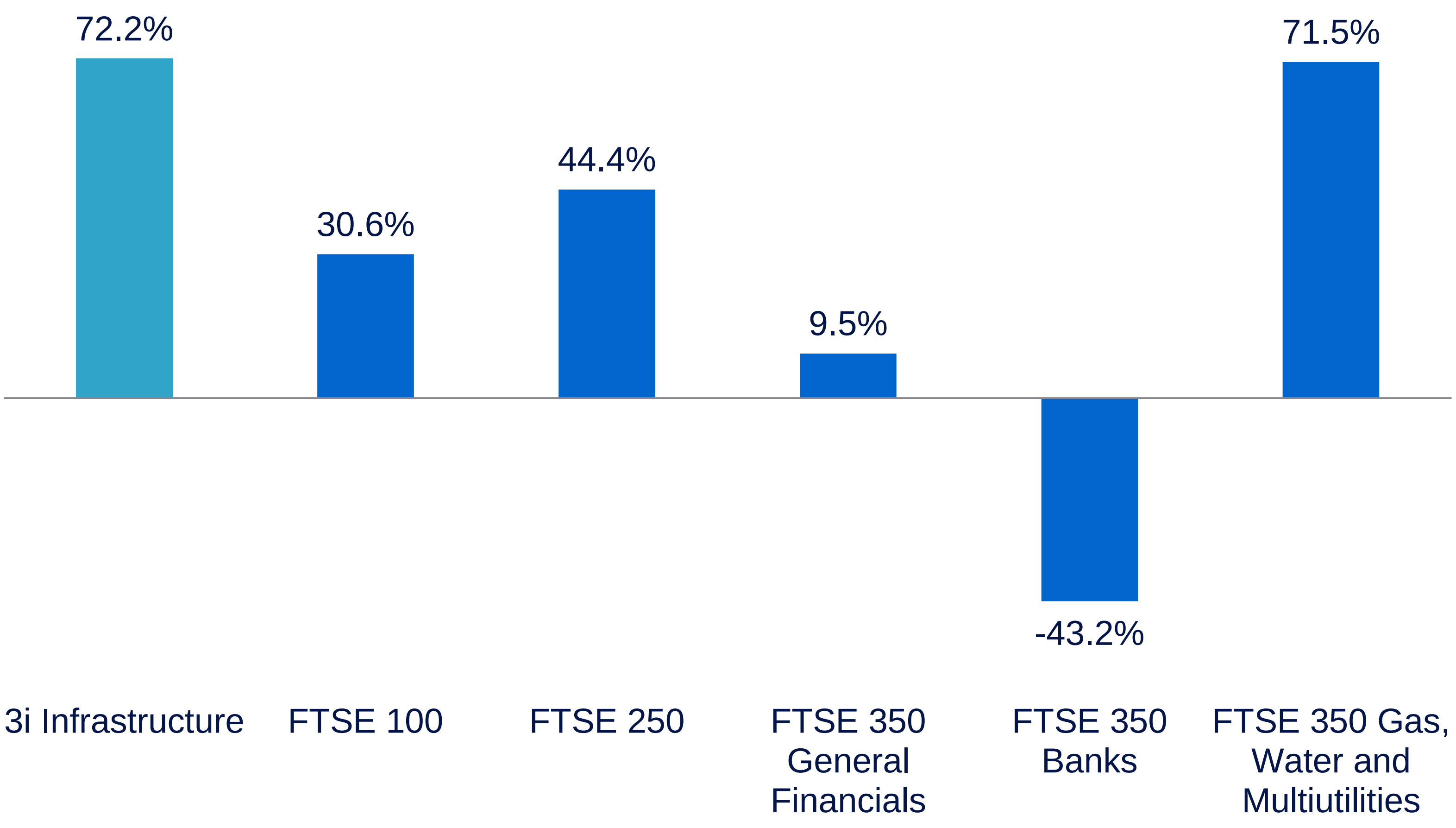
- Sterling
- Euro
- Rupee



Sensitivity	+5%	-5%
Change in foreign exchange rate	£5.8m	£(5.5)m

Total shareholder return

Total shareholder return (31 March 2007 – 31 March 2013)



Source: Bloomberg
Calculated as share price performance with net dividends reinvested in security / index

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About 3i Infrastructure

Governance and fees

Board of Directors	▪ Independent Chairman, five independent non-executive directors and one 3i Group appointed non-executive director ▪ Committed to observe requirements of the UK Corporate Governance Code ▪ Responsibilities - acts as investment Committee / approves investment opportunities - responsible for determination and supervision of investment policy - supervises monitoring of investments
Investment Adviser	▪ Advises the Board on - origination and completion of investments - realisation of investments - funding requirements - management of the portfolio
Fees	▪ Advisory fee of 1.5% of Gross Investment Value, reducing to 1.25% for any portion of an asset held for more than five years ▪ Performance fee of 20% of the growth in Net Asset Value, above a hurdle of 8%

Senior members of the London Investment Advisory team

Cressida Hogg
Managing Partner

- 17 years at 3i, Managing Partner of the Infrastructure business line since 2009
- Co-founded 3i's Infrastructure business in 2005
- Manages the team and leads relationship with 3i Infrastructure's Board
- Member of the AWG board of directors

Neil King
Partner

- Joined 3i in 2005 at the foundation of the Infrastructure business line
- More than 20 years of experience in infrastructure market
- Responsible for origination activities
- Member of the Eversholt board

Phil White
Partner

- Joined 3i in 2007 shortly after 3i Infrastructure's IPO
- 20 years of experience in infrastructure market
- Responsible for portfolio management activities
- Member of the Elenia, Eversholt and Oiltanking boards

Scott Moseley
Partner

- Joined 3i in 2007 shortly after 3i Infrastructure's IPO
- 12 years of experience in infrastructure market
- Focused on investment origination and execution
- Member of the Elenia board

Stephen Halliwell
CFO

- 14 years at 3i, joined the Infrastructure team in 2007 shortly after 3i Infrastructure's IPO
- 21 years of experience in various finance roles
- Manages the operational, financial and reporting requirements of the Infrastructure business line

A stable team in place since 2007

Sector focus

Asset intensive businesses, providing essential services

Transport

- Airports
- Ports
- Toll roads
- Rail
- Oil transportation and storage

Utilities

- Water
- Electricity and gas distribution
- Midstream energy
- Waste processing
- Communication networks

Social infrastructure

- Healthcare
- Education
- Defence
- Government accommodation