

# Results for the six months to 30 September 2016

3 November 2016



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*A good return in a productive first half of the year marked by a successful capital raise and a strong level of new investment*

**Richard Laing**  
Chairman



# Today's agenda

**Introduction**

**Richard Laing**

**Business review**

**Ben Loomes**

**Financial review**

**James Dawes**

**Closing remarks**

**Phil White**

**Q&A**

**All**

# HY17 results: achieving all targets for the period

**Good portfolio performance driving NAV growth**

**5%**

Total return on opening NAV

**165.7p**

NAV per share

**Strong level of new investment across target markets**

**£287m**

**Good income progression following new investment**

**£35m**

**Efficient balance sheet**

**£411m**

Total liquidity

**£136m**

Cash balance

**Half year dividend in line with target**

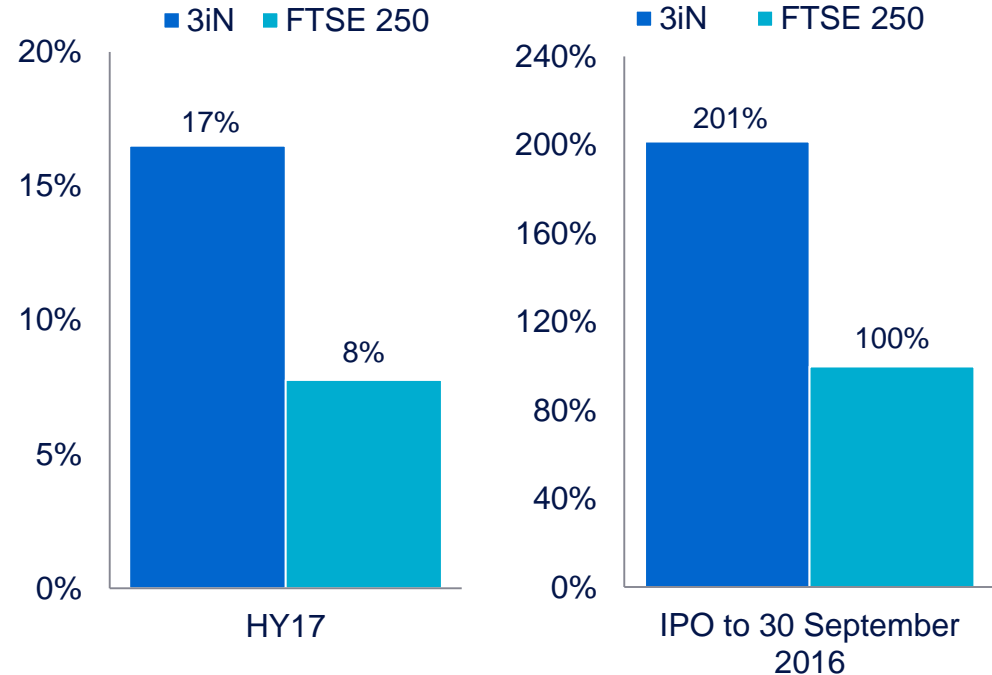
**3.775pps**

# Strong and long-term track record

## Company's performance since IPO in 2007

- 12.3% annualised total shareholder return
- 10.9% annual return based on NAV growth and dividends paid
- Dividend per share has grown each year since IPO
- Low share price volatility through the cycle

## Total shareholder return (%)





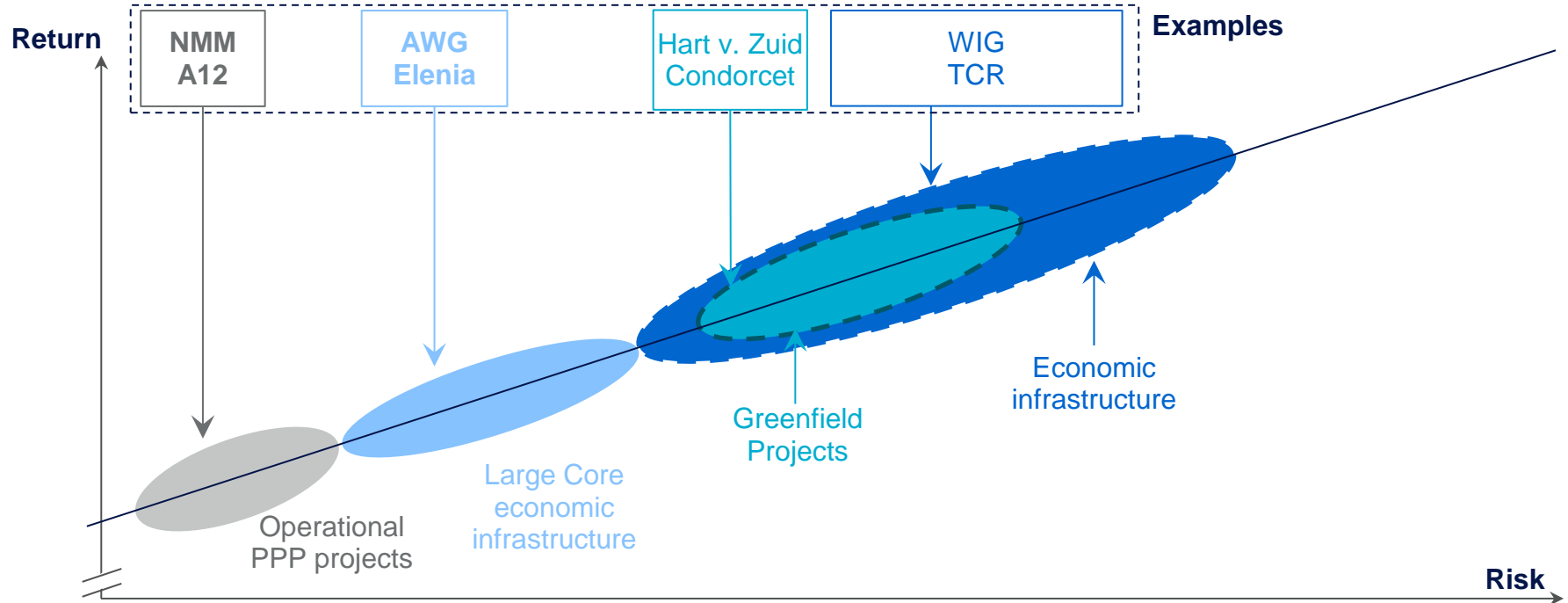
*The portfolio continues to perform well and is now larger and more diverse.*

*3iN is a differentiated proposition and we have the right team to deliver on that proposition*

**Ben Loomes**

Managing Partner, Infrastructure  
3i Investments plc

# Key investment areas across the risk/return spectrum



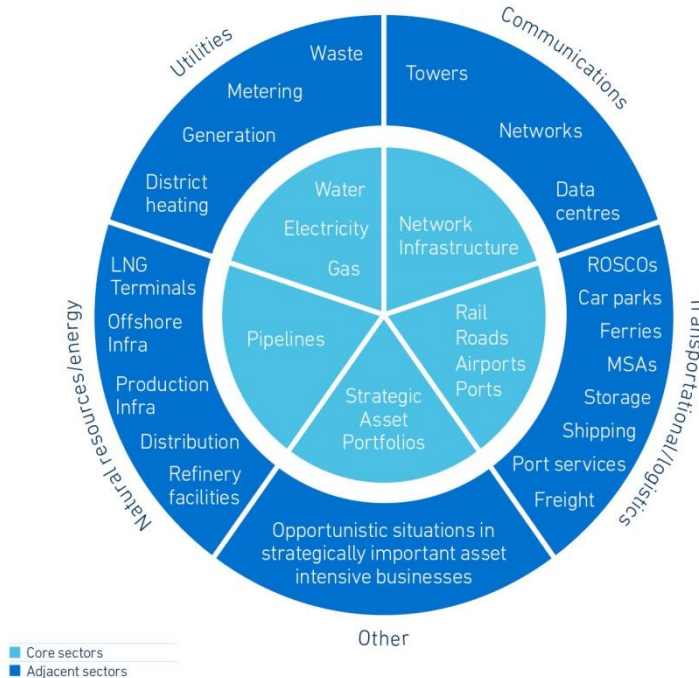
**Compression in implied returns for large Core economic infrastructure**  
**Our investment activity continues to focus on areas of the market offering more attractive risk-adjusted returns, consistent with the Company's investment objectives**



# Continue to see a good flow of new investment opportunities

## Key characteristics:

- Own asset base in perpetuity
- Often provide essential services
- Have a strong market position
- Generate stable cash flows



# Strong development over the last two years

## Growth in portfolio value

- Portfolio value grown from £1,068m at 30 September 2014 to £1,593m at 30 September 2016

## Diversification of portfolio

- Number of assets grown from 20 to 27 over the last two years
- Diversifying the portfolio by geography and sector

## Building income

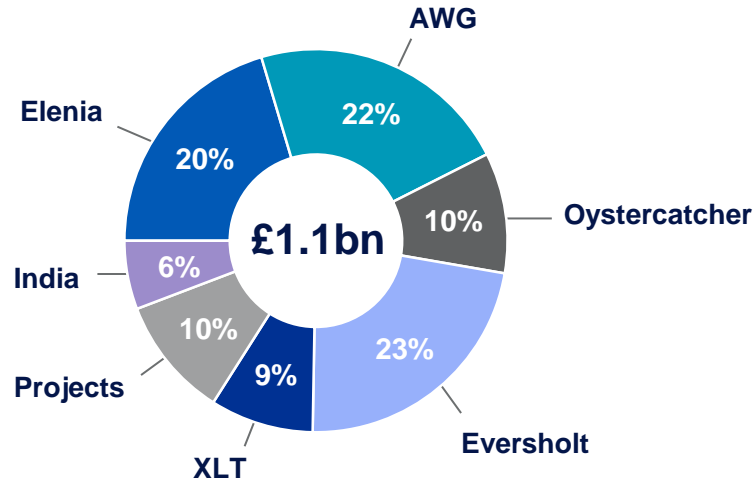
- Good progress in building portfolio income, with new investments completed since HY16 yielding in line with our expectations

## Maximising value for shareholders

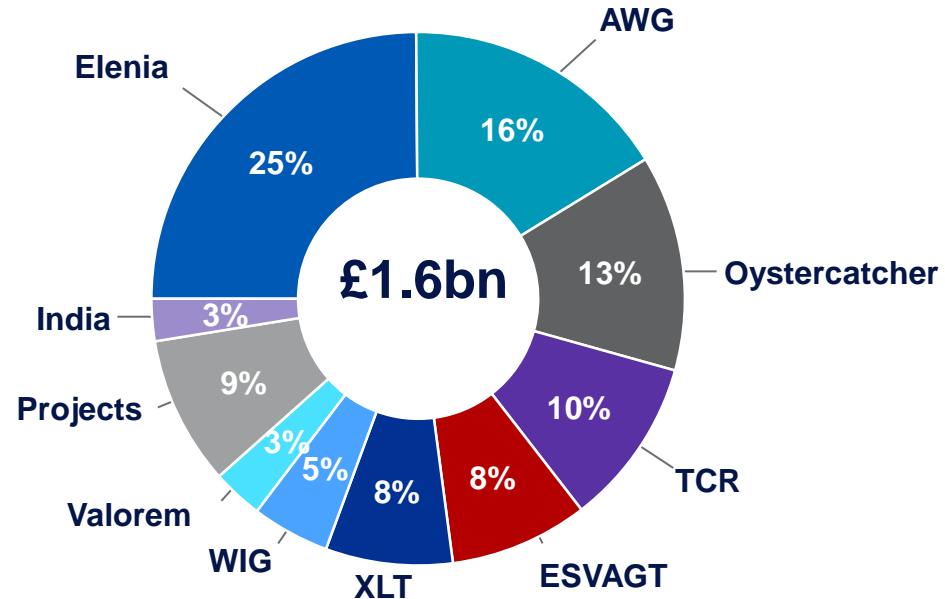
- Generated annualised total shareholder return of 24% over last two years

# Larger and more diverse portfolio

Portfolio value: 30 September 2014



Portfolio value: 30 September 2016



**Portfolio continues to perform well operationally and financially**

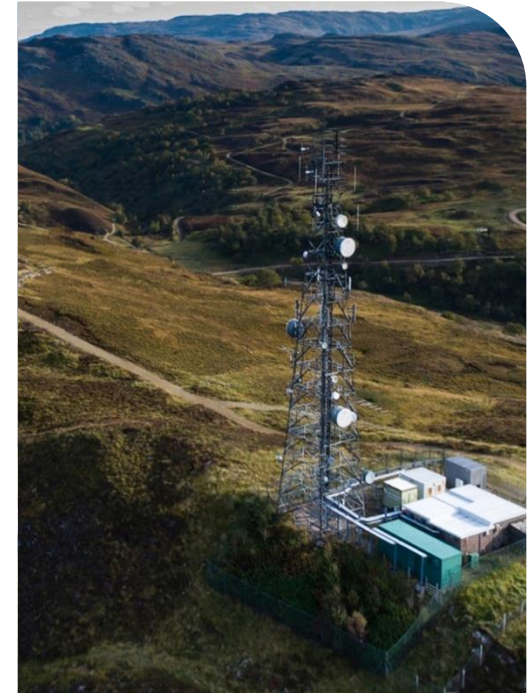
## New investment: Wireless Infrastructure Group

36% interest acquired for c.£75m, alongside existing investor Barings Alternative Investments (formerly Wood Creek Capital) and management

Based in the UK; builds and operates communication towers in rural and urban areas

### Investment highlights:

- Wireless towers are critical pieces of infrastructure with significant barriers to entry
- Cash flows are inflation-linked and are underpinned by long term contracts
- Business is well placed to target further growth in demand for wireless data usage



**Securing an attractive mid-market economic infrastructure investment in a new sector**

## New investment: TCR

50% interest acquired for c.€200m in consortium with Deutsche Asset Management

Based in Belgium; TCR is Europe's leading independent asset owner and lessor of airport ground support equipment ("GSE")

### Investment highlights:

- Provides infrastructure that is critical to the functioning of an airport
- Present at over 100 airports across 12 countries with a diverse contract and customer base
- Leader in its market and is well positioned to grow internationally with the trend towards increased GSE outsourcing
- Contracts benefit from high renewal rates



**Successful consortium arrangement to access larger economic infrastructure asset while managing 3iN's exposure and enhancing portfolio diversification**

## New investment: Valorem

28.5% interest acquired for c.€69m<sup>1</sup>, alongside existing management team

One of the largest independent onshore wind developers in France, having developed over 480MW of capacity over the last 10 years

### Investment highlights:

- Strong political support in France for continued growth in the wind sector
- Low reliance on subsidies compared to other European markets
- 15-year fixed and indexed feed-in tariffs offering low correlation to power prices
- Critical mass of operational assets (c.140 MW) providing immediate yield
- Scalable platform with a significant pipeline of high-quality projects under development



**Sourcing an attractive opportunity on a bilateral basis and diversifying the portfolio by sector and by geography**

## New investment since the half year: **Infinis**

100% interest acquired for c. £185m from Terra Firma

Leading generator of electricity from landfill gas in the UK with total installed capacity of over 300 MW

### **Investment highlights:**

- Over 120 sites geographically dispersed across the UK
- Strong management team focused on maximising yield and driving cost efficiencies
- Potential upside from using spare engine and grid connection capacity to support alternative types of generation
- Cash generation profile complements the existing portfolio well



**Further diversifying the portfolio with an asset providing a strong cash yield**

# Projects portfolio development

FY2014	FY2015	FY2016	FY2017YTD
<ul style="list-style-type: none"> <li>• Mersey Gateway Bridge (UK)               <ul style="list-style-type: none"> <li>– £13.1m</li> </ul> </li> <li>• NMM (NL)               <ul style="list-style-type: none"> <li>– €6.3m</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Ayrshire College (UK)               <ul style="list-style-type: none"> <li>– £4.6m</li> </ul> </li> <li>• RIVM (NL)               <ul style="list-style-type: none"> <li>– €4.8m</li> </ul> </li> <li>• A12 (NL)               <ul style="list-style-type: none"> <li>– €5.3m</li> </ul> </li> <li>• A9 (NL)               <ul style="list-style-type: none"> <li>– €22.3m</li> </ul> </li> <li>• La Santé (FR)               <ul style="list-style-type: none"> <li>– €11.7m</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Condorcet Campus (FR)               <ul style="list-style-type: none"> <li>– €8m</li> </ul> </li> <li>• West of Duddon Sands OFTO (UK)               <ul style="list-style-type: none"> <li>– £23.5m</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hart van Zuid (NL)               <ul style="list-style-type: none"> <li>– €5m</li> </ul> </li> <li>• A27/A1 (NL)               <ul style="list-style-type: none"> <li>– €6.5m</li> </ul> </li> </ul>

Operational Projects

11 new projects since FY2014 for a total investment commitment of c.£100m

Accessing attractive returns in the range of 9-12% per annum

As projects become operational, can be held for yield or sold to crystallise value



## Clear strategic priorities

### Maintaining a balanced portfolio

- Delivering an attractive mix of income yield and capital growth for our shareholders
- Investing in developed markets, with a focus on the UK and Europe

### Managing the portfolio intensively

- Driving value from the Company's portfolio through our engaged asset management approach

### Disciplined approach to new investment

- Focusing selectively on investments that are value enhancing to the Company's portfolio and consistent with its return objectives

### Maintaining an efficient balance sheet

- Minimising return dilution to shareholders from holding excessive cash, while maintaining a good level of liquidity for future investment



*We have proven our flexible funding model during the period  
and we have been successful in building income*

**James Dawes**

CFO, Infrastructure  
3i Investments plc

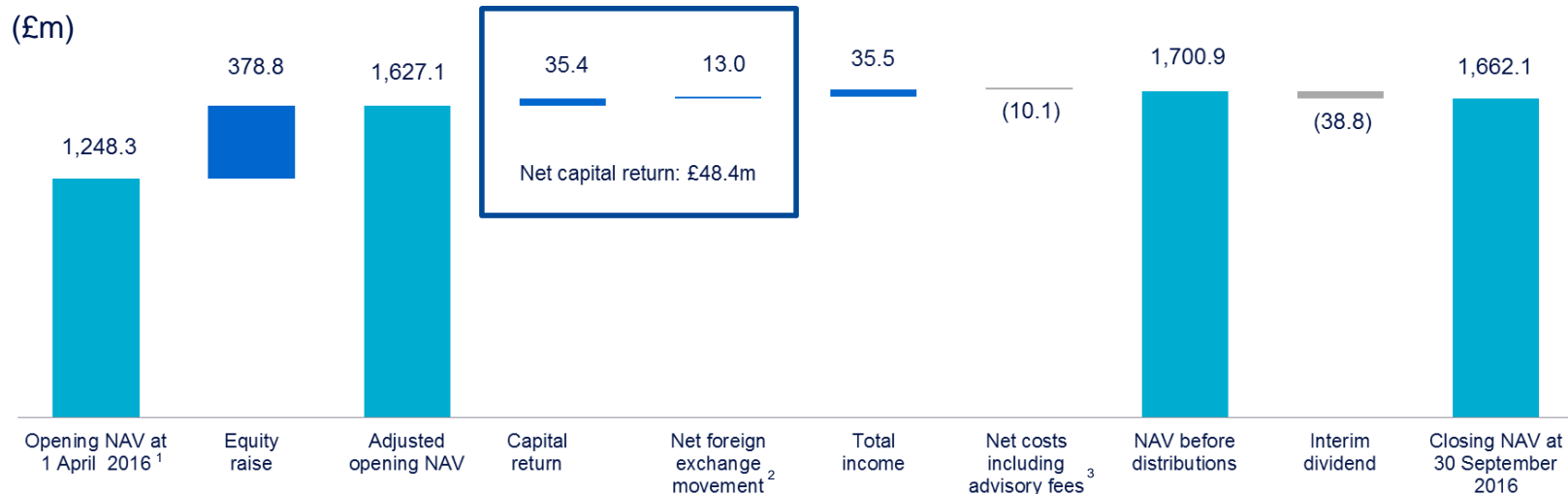
# Proving our flexible funding model

Funding	Availability
Cash	<ul style="list-style-type: none"> <li>Cash balance of <b>£136m</b> at 30 September 2016 (8% of NAV)</li> </ul>
RCF	<ul style="list-style-type: none"> <li>Undrawn RCF of <b>£275m</b> (£300m facility extended to May 2019)</li> </ul>
RCF Accordion	<ul style="list-style-type: none"> <li>RCF increased by <b>£200m</b> to £500m through accordion feature, subsequently reduced back to £300m following capital raise</li> </ul>
Equity Tap	<ul style="list-style-type: none"> <li>An equity tap issue could raise c.<b>£200m</b> if required</li> </ul>
Open Offer	<ul style="list-style-type: none"> <li>Offer and placing raised <b>£385m</b> in June 2016, significantly oversubscribed</li> </ul>

Access to a range of funding sources whilst maintaining an efficient balance sheet

# Good NAV progression

## Half year return driven by good performance of the portfolio in income and capital return



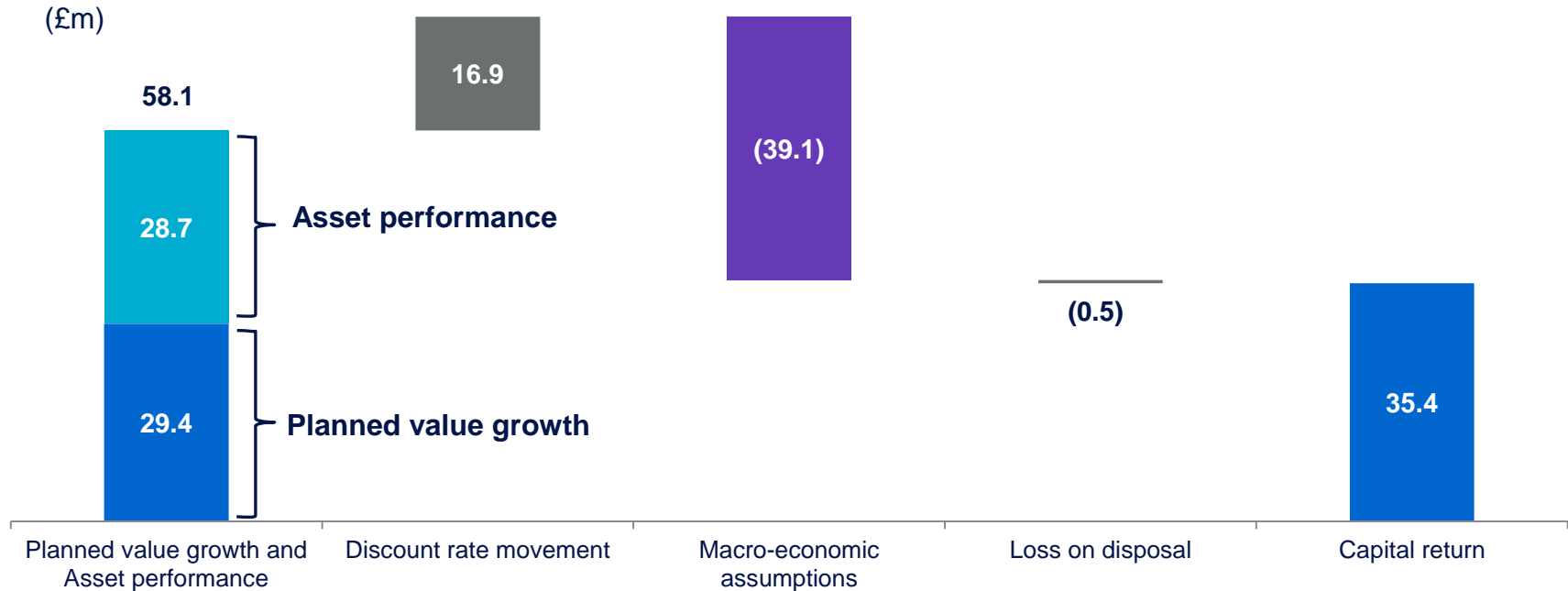
**Closing NAV of 165.7pps, reducing to 161.9pps after payment of interim dividend of 3.775pps**

1 - Net of final dividend for the prior year

2 - Foreign exchange movements are detailed on slide 41

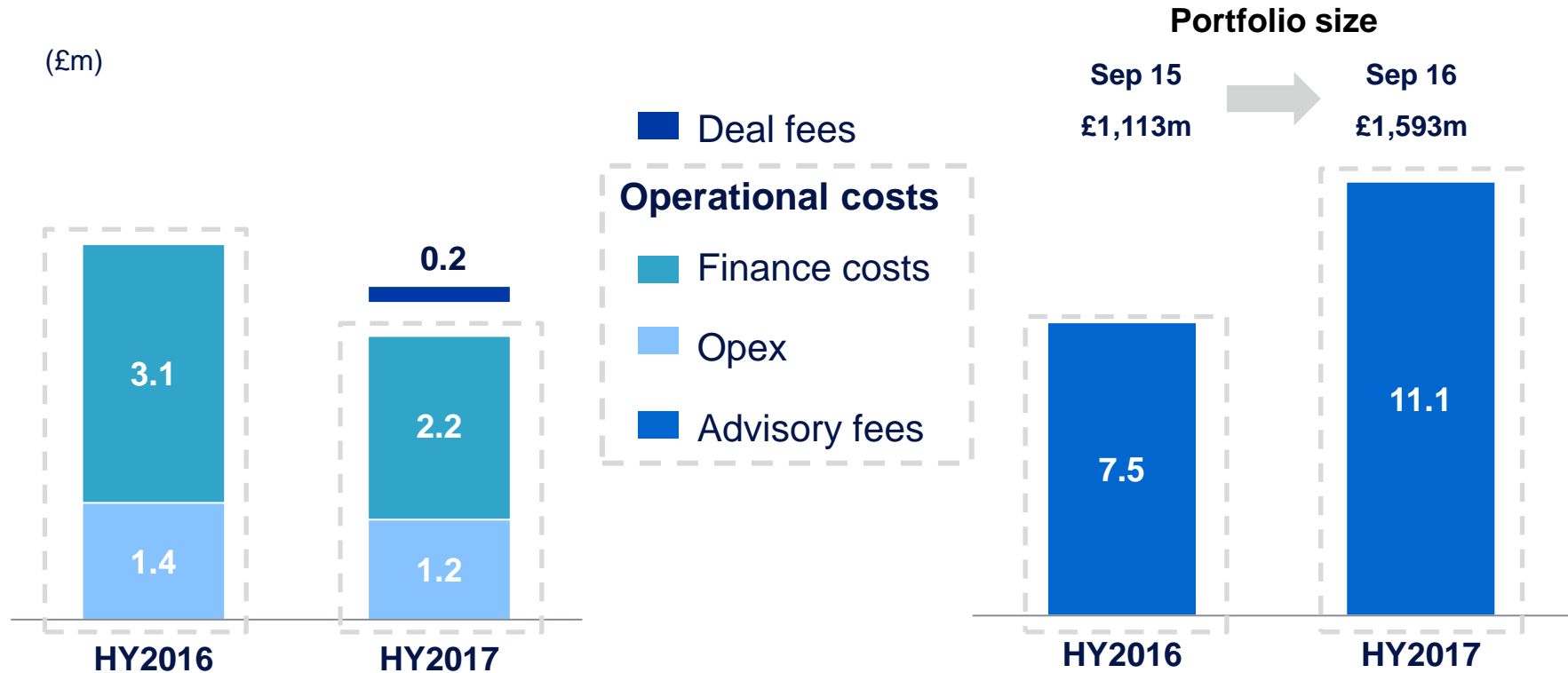
3 - Includes non-portfolio exchange

# Asset performance drives value growth



**Value growth from asset performance and delivery of plans**

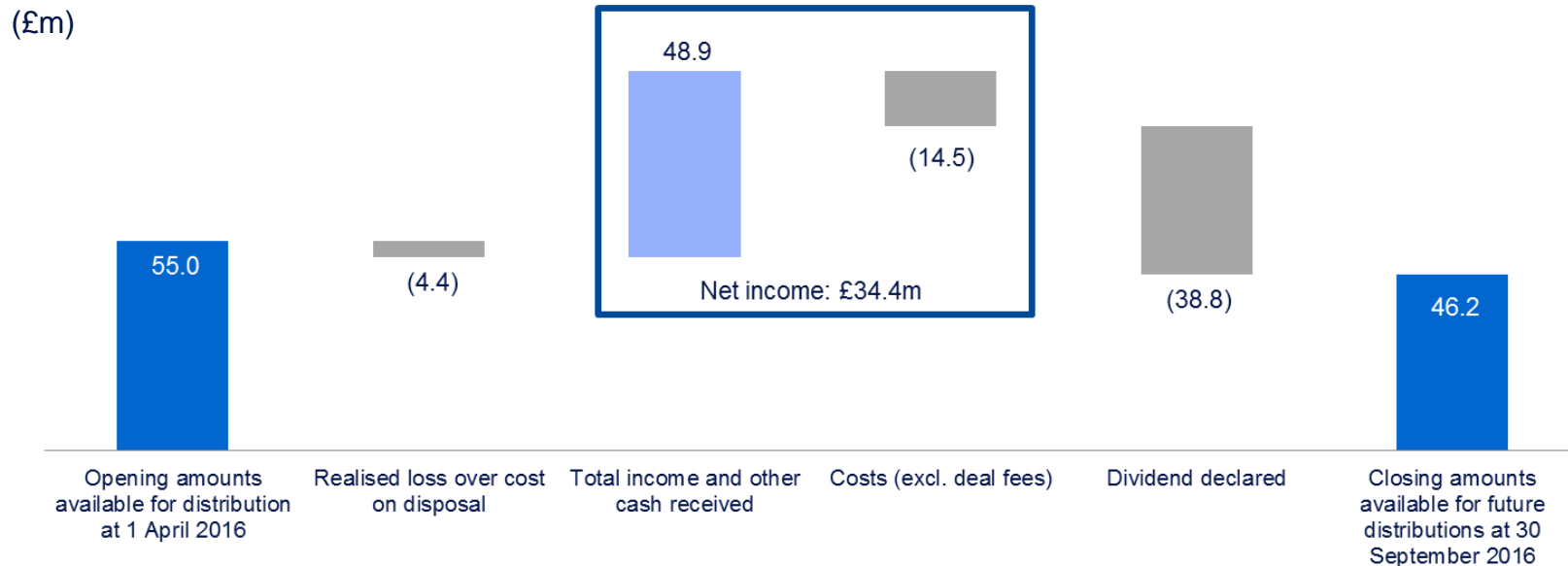
# Disciplined cost management



Ongoing focus on costs drives operational efficiency

# Dividend almost covered

## Interim dividend of 3.775pps, or £38.8m



**Interim dividend coverage shortfall covered by dividend reserves**



## *Closing remarks*

**Phil White**

Managing Partner, Infrastructure  
3i Investments plc



# A differentiated investment proposition

**Achieving all of our targets for the period**



**Further diversifying the portfolio and building income**



**A proven flexible funding model**



**A strong team with a long term track record**





## Q&A

# Appendix



# 3i's European Infrastructure senior team

## c.25 investment professionals based in London and Paris



Ben Loomes, Managing Partner



Phil White, Managing Partner



Bernardo Sottomayor  
Partner



John Cavill  
Partner



Nigel Middleton  
Partner



Scott Moseley  
Partner



Stéphane  
Grandguillaume  
Partner



Aaron Church  
Director



Anna Dellis  
Director



Antoine Matton  
Director



Daniel  
Schulenburg  
Director



Faraidon  
Saheb-Zadha  
Director



Matt Barker  
Director



Stéphane Duhr  
Director



Tim Short  
Director

**Dedicated legal, financial and investor relations support**

# Attractive and differentiated investment proposition

## Economic infrastructure businesses

Businesses generally:

- own their asset base in perpetuity
- provide essential services
- have a strong market position
- generate stable cash flows

Some businesses may have some characteristics which, through our engaged asset management approach, can enhance returns, including:

- growth opportunities
- demand/market risk
- greater operational complexity

Equity investments in such investments are expected typically to be between **£50m and £250m**

Returns are typically expected to be between **9% and 14%** per annum

## Greenfield Projects

### Primary PPP

PPPs to build, commission and operate infrastructure such as government buildings, social infrastructure and roads.

Equity investments are typically expected to be between **£5m and £50m**

Returns are typically expected to be between **9% and 12%** per annum

### Low-risk energy

Low-risk energy projects, other means of energy generation, transmission and storage, telecommunication, accommodation and transport projects.

**We focus on economic infrastructure businesses where value can be added to enhance returns as well as on primary PPP and low-risk energy projects**

# Portfolio summary

## 30 September 2016 (£m)



Portfolio assets	Directors' valuation 31 March 2016	Investment in the period	Divestment in the period	Value movement	Foreign exchange translation	Directors' valuation 30 September 2016	Profit/ (loss) on disposal	Underlying portfolio income in the period	Allocated foreign exchange hedging	Asset total return in the period
<b>Economic Infrastructure businesses</b>										
Elenia	362.4	-	(13.5) <sup>1</sup>	15.6	31.8	396.3	-	9.8	(29.8)	27.4
Anglian Water Group	255.0	-	-	5.6	-	260.6	-	3.5	-	9.1
Oystercatcher	186.9	-	-	3.9	17.7	208.5	-	6.5	(16.6)	11.5
TCR	-	150.9	-	(1.1)	12.3	162.1	-	1.9	(7.3)	5.8
ESVAGT	121.6	-	-	1.1	11.1	133.8	-	5.4	(10.5)	7.1
Cross London Trains	108.7	-	-	14.0	-	122.7	-	2.4	-	16.4
WIG	-	74.7	-	0.5	-	75.2	-	1.6	-	2.1
Valorem	-	47.9	-	0.2	0.8	48.9	-	0.1	(0.8)	0.3
	1,034.6	273.5	(13.5)	39.8	73.7	1,408.1	-	31.2	(65.0)	79.7
<b>Projects</b>										
Primary Projects <sup>2</sup>	0.1	-	-	-	-	0.1	-	-	-	-
<b>Operational projects</b>										
Elgin	45.7	-	-	0.8	-	46.5	-	1.0	-	1.8
Octagon	42.0	-	-	(1.5)	-	40.5	-	1.6	-	0.1
WODS	22.4	-	(0.9) <sup>1</sup>	-	-	21.5	-	0.7	-	0.7
Dalmore	18.3	-	-	(0.3)	-	18.0	-	0.5	-	0.2
NMM	6.1	-	-	1.4	0.6	8.1	-	0.1	(0.5)	1.6
Ayrshire College	-	4.6 <sup>3</sup>	-	-	-	4.6	-	-	-	-
A12	-	4.5 <sup>3</sup>	-	-	0.1	4.6	-	0.1	-	0.2
	134.6	9.1	(0.9)	0.4	0.7	143.9	-	4.0	(0.5)	4.6
<b>3i India Infrastructure Fund</b>	52.9	-	(12.0)	(4.3)	4.1	40.7	(0.5)	-	-	(0.7)
<b>Total portfolio</b>	1,222.1	282.6	(26.4)	35.9	78.5	1,592.7	(0.5)	35.2	(65.5)	83.6
Balance sheet adjustments related to unconsolidated subsidiaries	6.7	-	-	1.5	-	8.2	-	-	-	-
Income statement adjustments related to unconsolidated subsidiaries	-	-	-	-	-	-	-	(2.3)	(1.2)	(2.0)
Reported in the Consolidated financial statements	1,228.8	282.6	(26.4)	115.9	-	1,600.9	(0.5)	32.9	(66.7)	81.6

<sup>1</sup> Capitalised income and shareholder loan repaid in the period.

<sup>2</sup> Investments in the Mersey Gateway Bridge, A9, La Santé, RIVM, Hart van Zuid and Condorcet Campus primary projects.

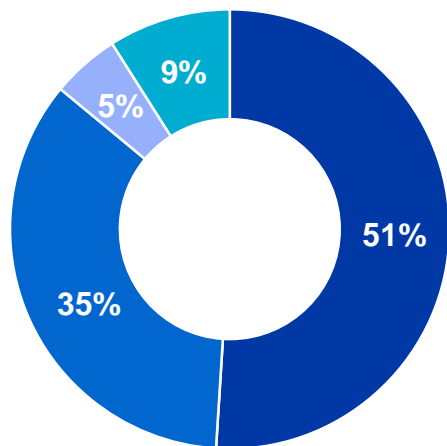
<sup>3</sup> Drawdown of commitment.

# Portfolio breakdown by geography and maturity

## As at 30 September 2016

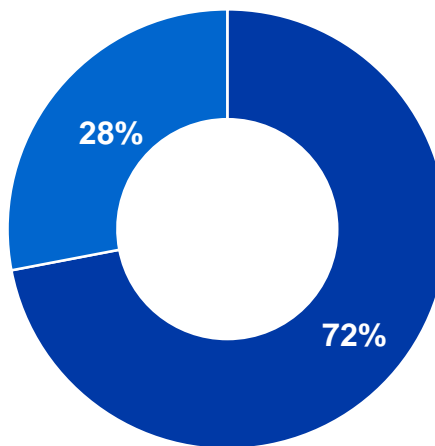


### Economic infrastructure businesses by sector



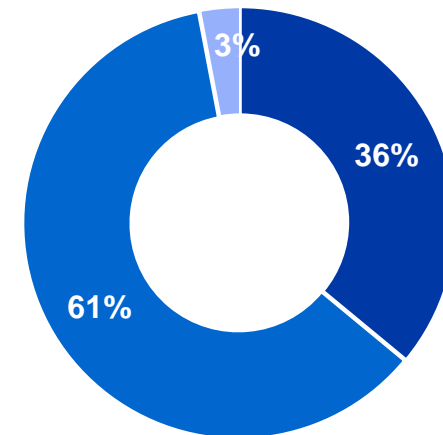
- Utilities
- Transport
- Communications
- Energy

### Projects by type



- Operational projects
- Primary projects

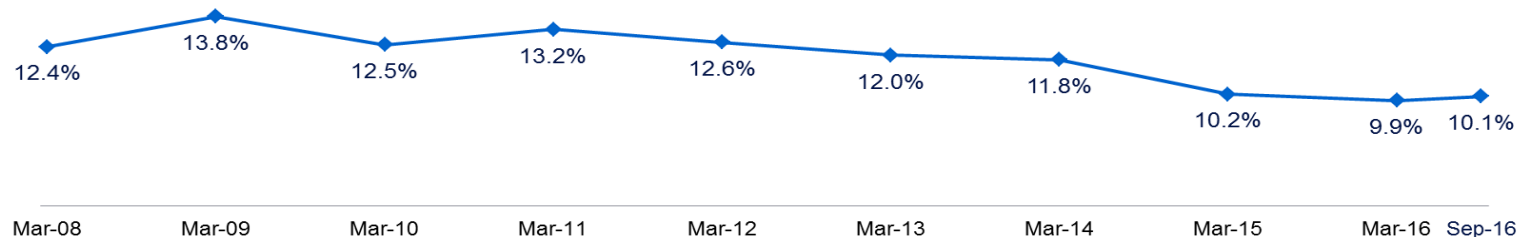
### Portfolio by geography



- UK and Ireland
- Continental Europe and Singapore
- India

# Weighted average discount rate

## Portfolio weighted average discount rate (%)

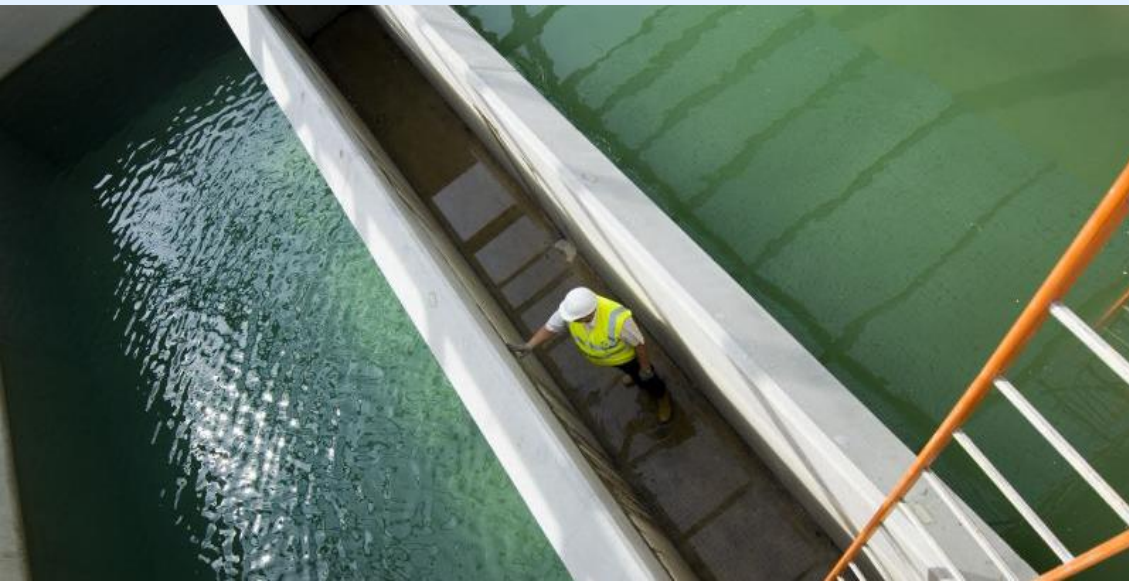


### Changes in the weighted average discount rate (WADR) driven by:

- Reduction in the discount rate used to value mature UK Operational Projects reflecting the recent downwards trend in discount rates applied to the value of comparable funds
- Reduction in the discount rate used to value WODS reflecting its similarity to operational projects
- The addition of new investments in TCR, WIG and Valorem which are valued using discount rates that are above the previous WADR



# Portfolio



## Operational highlights for the period



Cost	£183.2m
Closing value	£396.3m
Equity interest	39.3%
Opening value	£362.4m
Income in the period	£9.8m
Divestment in the period <sup>1</sup>	£(13.5)m
Value movement in the period	£15.6m
Net exchange movement in the period <sup>2</sup>	£2.0m
Asset total return in the period	£27.4m

<sup>1</sup> Capitalised income of £1.9 million and shareholder loan repaid of £11.6 million in the period. Opening cost was £194.8 million.

<sup>2</sup> Exchange movement of £31.8m and allocated foreign exchange hedging movements of £(29.8)m

- Good operational and financial performance
- Elenia has continued the roll-out of its long-term investment plan which is designed to improve security of supply
  - Network investments were €59m in the first half of 2016 (€118m on a rolling twelve month basis)
  - The underground cabling rate increased as planned to c. 35%
- Elenia increased its prices by 9.4% with effect from 1 April 2016. New legislation proposed to regulate future price increases is not expected to have a material impact on the value of Elenia
- €82m of new bonds were issued on attractive terms, with the proceeds used to repay bank debt and fund capital expenditure

## Operational highlights for the period



- Operational performance in line with expectations
- Business focused on:
  - Cooperating with Ofwat to shape the future of the water industry
  - Implementing the cost efficiency and capital spending programmes for AMP6
  - Implementing initiatives to optimise performance against Outcome Delivery Incentives
  - Preparing for the non-household retail market opening in April 2017

Cost

£161.9m

Closing value

£260.6m

Equity interest	10.3%
Opening value	£255.0m
Income in the period	£3.5m
Value movement in the period	£5.6m
Asset total return in the period	£9.1m

# Oystercatcher

## Operational highlights for the period



Cost	£137.1m
Closing value	£208.5m
Equity interest	45.0%
Opening value	£186.9m
Income in the period	£6.5m
Value movement in the period	£3.9m
Net exchange movement in the period <sup>1</sup>	£1.1m
Asset total return in the period	£11.5m

- Continued strong trading conditions with periods of contango (when the spot or cash price of a commodity is lower than the forward price) in key product markets
- Strong trading conditions partially offset by reduction in demand for storage in parts of Europe, and impact of additional storage capacity in the Singapore region
- The market position of the five terminals ensures that capacity remains substantially let and contract renewals are agreed on good terms
- Capital investment projects to expand capacity and improve customer offering are being explored

<sup>1</sup> Exchange movement of £17.7m and allocated foreign exchange hedging movements of £(16.6)m.



Cost

£111.1m

Closing value

£133.8m

Equity interest	50%
Opening value	£121.6m
Income in the period	£5.4m
Value movement in the period	£1.1m
Net exchange movement in the period <sup>1</sup>	£0.6m
Asset total return in the period	£7.1m

- Acquired in September 2015, in a joint investment with AMP Capital
- ESVAGT has performed in line with plan despite the low oil price environment
- The business continues to make good progress in the wind segment and ERRV market
  - During 2016, ESVAGT won a new wind support contract with Vestas and a new ERRV (Group 1) contract with Hess Oil Denmark

<sup>1</sup> Exchange movement of £11.1m and allocated foreign exchange hedging movements of £(10.5)m.



# Cross London Trains

## Operational highlights for the period

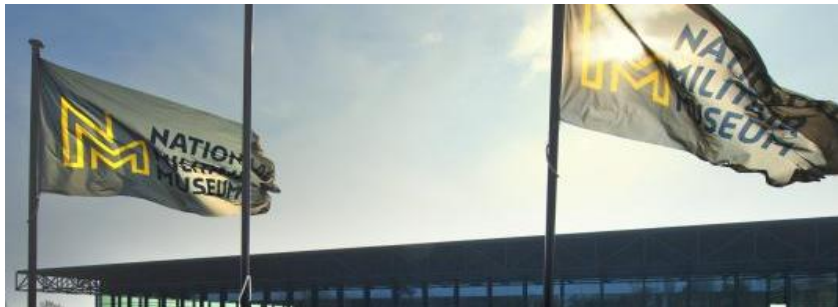


Cost	£61.8m
Closing value	£122.7m
Equity interest	33.3%
Opening value	£108.7m
Income in the period	£2.4m
Value movement in the period	£14.0m
Asset total return in the period	£16.4m

- Good progress made by Siemens with the manufacturing of the trains
  - 54 trains completed and delivered for testing, 31 of which were delivered for testing in the UK
- Business focusing on the acceptance of the units for passenger service in the UK, a complex process involving all stakeholders and led by the Thameslink franchise holder (GTR)
- Conditional acceptance of the first 14 units as at 30 September 2016, with the delivery programme scheduled to complete in 2018

# Projects

## Operational highlights for the period



Cost	£108.9m
Closing value	£143.9m
Opening value	£134.6m
Net investment in the period	£8.2m
Income in the period	£4.0m
Value movement in the period	£0.4m
Net exchange movement in the period <sup>1</sup>	£0.2m
Asset total return in the period	£4.6m

**Note:** In addition to the value of the investments shown above (Elgin, Octagon, Dalmore, NMM, WODS, A12 and Ayrshire College), the Company also has undrawn commitments to primary PPP projects totalling £57.2m. The total invested and committed portfolio value at 30 September 2016 was £201.1m. Opening cost was £100.7m.

<sup>1</sup> Exchange movement of £0.7 and allocated foreign exchange hedging movements of £(0.5)m.

- All assets in the operational PPP portfolio performed well, delivering good levels of income
- Hart van Zuid investment completed in April
- Commitment to invest €6.5 million to acquire 60% interest in the A27/A1 motorway primary PPP project, located in the Netherlands, announced in October 2016
- Ayrshire College and A12 became operational in the first half of the year

# Foreign exchange impact

## Six months to 30 September 2016



Impact of foreign exchange movements on portfolio value (£m)	£/rupee	£/€/SGD/DKK	Net impact
Translation of unhedged assets (£/rupee)	4.1	-	4.1
Translation of partially hedged assets (£/€/SGD/DKK)	-	74.4	74.4
<b>Reported foreign exchange gains on investments</b>	<b>4.1</b>	<b>74.4</b>	<b>78.5</b>
Movement in the fair value of derivative financial instruments (€/SGD/DKK hedging)	-	(65.5)	(65.5)
<b>Net foreign exchange gains</b>	<b>4.1</b>	<b>8.9</b>	<b>13.0</b>

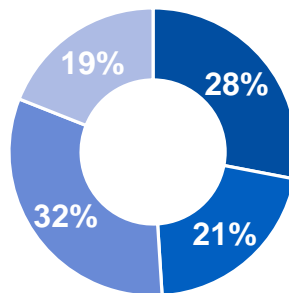


# Sensitivities to total return

## Inflation linkage

### Assets with revenues:

- Directly linked to UK inflation
- Directly linked to Finnish inflation
- Partly linked to inflation<sup>1</sup>
- Not linked to inflation



### Sensitivity (for European assets only)

+1% point

-1% point

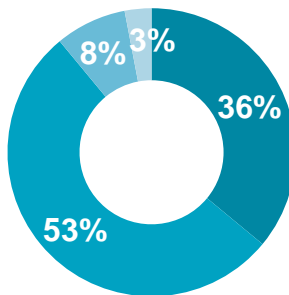
Change in inflation over  
underlying assumption for  
next 2 years

£41.8m

£(41.6)m

## Foreign exchange

- Sterling
- Euro/SGD
- DKK
- INR



### Sensitivity

+5%

-5%

Change in foreign  
exchange rate<sup>2</sup>

£9.2m

£(8.8)m

<sup>1</sup> Predominantly linked to Singapore and Danish inflation.

<sup>2</sup> The sensitivity calculation assumes that the hedging programme movements are fully effective.

# 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 include
  - acts as Investment Committee / approves investment opportunities
  - responsible for determination and supervision of strategy and investment policy
  - supervises monitoring of investments and approves divestments

## 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
- Advisory fee of 1% for new primary PPP and renewable energy project investments
- Performance fee of 20% of the growth in Net Asset Value, above a hurdle of 8%, with a high water mark requirement

3i Infrastructure plc

