

3i Infrastructure plc

Half-yearly results to 30 September 2008

3 November 2008



Introduction

Peter Sedgwick

Chairman, 3i Infrastructure Limited



Agenda

Highlights

Peter Sedgwick

Chairman, 3i Infrastructure plc

Business review

Michael Queen

Managing Partner, Infrastructure, 3i Investments plc

Financial review

Stephen Halliwell

CFO, Infrastructure, 3i Investments plc



Highlights

- Results in line with return objectives, with total return of 6.1% on average shareholders' funds
- Interim dividend of 2.1 pence per share, 5% increase from interim 2007
- £115 million raised in placing and open offer completed in July
 - Ample liquidity to invest
 - At 30 September: £329 million cash balance and £225 million revolving credit facility in place and undrawn

Well placed to take advantage of the market opportunity



Investment review

Michael Queen

Managing Partner, Infrastructure, 3i Investments plc



Performance against objectives

Objective		Status	
<ul style="list-style-type: none"> Proceeds fully invested within two years 	→	<ul style="list-style-type: none"> 68% invested; 84% invested and committed since inception at 30 Sept Cash balance at 30 Sept of £329m 	Ahead
<ul style="list-style-type: none"> 12% pa total return on average shareholders' funds 	→	<ul style="list-style-type: none"> 6.1% total return to 30 September NAV of 111.3p per share, or 109.2p per share post payment of the interim dividend 	In line
<ul style="list-style-type: none"> Annualised distribution yield of 5% once fully invested 	→	<ul style="list-style-type: none"> Interim dividend of 2.1p per share 	In line



Market

Infrastructure market opportunity remains good...

- Spending on infrastructure likely to remain significant, driven by
 - Developing markets: favourable demographic trends
 - Developed markets: ageing infrastructure
- Resource-constrained governments unlikely to be able to finance infrastructure spending from public budgets
- Downward pressure on equity and debt pricing provides opportunity

...however, funding environment is a key constraint

- Infrastructure financing reliant on the availability of credit
- Infrastructure asset class has shown resilience to credit contraction, but outlook remains uncertain

Greater focus on risk...

- Refinancing / funding risk has become more important
- Inflation, currency, interest rates and on-going market volatility will also affect infrastructure investors in the short to medium term

...but competitive environment is more benign

- Many competitors effectively forced out of the market, due to liquidity concerns, limited access to capital markets

Liquidity and access to capital key to take advantage of market opportunity



Investment strategy

Investing cautiously

- We have slowed the pace of investment, but are still seeing a good flow of opportunities, as infrastructure investment opportunity remains good
- Focus on highest quality opportunities only
- Vendors' pricing expectations are slow to adjust to changed market
- High levels of opportunities currently

Lower risk assets

- Opportunistic investments in junior debt at discount to par, with equity-like returns and high cash yields

Working within a credit-constrained environment

- Equity likely to become more important in funding mix
- Exploring the possibility of club deals
- Maintaining strong relationships with key lending banks

Maintaining a strong liquidity position

- £115 million in new equity raised in July
- £225 million undrawn credit facility
- Strong balance sheet remains a priority
- Total liquidity £554 million: cash (£329 million) and undrawn funds (£225 million)

Cautious approach to investing
Balance sheet management remains a priority

Investment activity in the period

Investment activity

- £102.9 million invested in the period, of which
- £86.7 million in a portfolio of junior debt instruments
- £19.0 million further investment in I², Alpha Schools, Alma Mater

Investment strategy:



- Cautious approach
- Dislocation in debt markets offers opportunity to invest in debt instruments at below par, generating equity-like return
- Opportunity to de-risk the portfolio while increasing cash yield



New investment - junior debt portfolio

- Pricing at values below par delivers equity-like returns and strong levels of cash yield
- Opportunistic purchases during the period when available pricing has met return objectives of this portfolio
- Average purchase price: 84% of par value
- Average yield to maturity and cash yield: 14% and 11% respectively

Asset	Facility	Investment (£m)
Viridian	Electricinvest Holding Company Limited £500m Junior Facility	28.9
Thames Water	Kemble Water Structure Limited £835m Term Loan Facility	14.5
NGW / Arqiva	Macquarie UK Broadcast Enterprise Limited £475m Junior Facility	32.4
Télédiffusion de France	Tyrol Acquisition 2 SAS €470m Second Lien Facility	10.9

Portfolio performance



AWG

- Special dividend to shareholders from sale of Morrison Utilities Services
- Draft Business Plan for 2010-2015 regulatory period submitted to Ofwat
- €500 million eight-year bond issued in June, providing sufficient funding for current regulatory period



I²

- £12.4 million further investment from the Company, invested in existing projects and stake in North Durham University Hospital
- No distributions made during the period while structural changes completed



Oystercatcher

- Strong income in the period
- Two new jetties operational in Amsterdam, increasing vessel handling capacity and reducing waiting times
- Singapore terminal currently being expanded, with completion expected in Q2 2009



3i India Infrastructure Fund

- Significant progress at Adani Power
 - Main power plant operational in June 2009
 - Significant new projects added, taking total installed capacity to 9,900MW
- Strong revenue and profit growth at Soma with around 30 projects - across sectors such as hydro power, roads and irrigation - currently being executed



Valuation

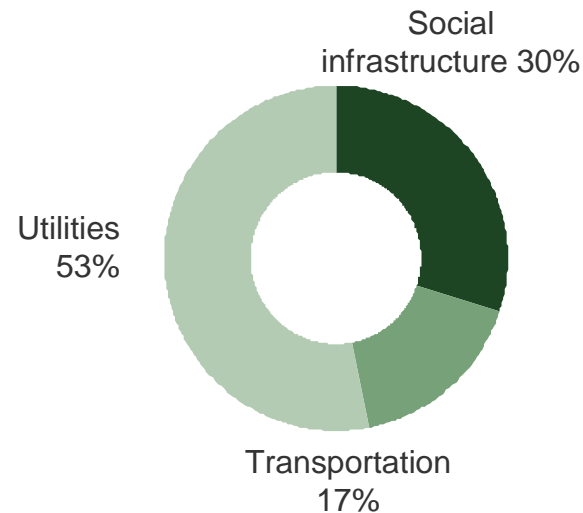
(£m)	Valuation (31/3/2008)	Valuation (30/9/2008)	Value movement*	Income in period	Driver of valuation change
Anglian Water	159.6	152.1	(7.5)	16.5	Strong income due to sale of Morrison Utilities Services
I ²	125.1	150.5	13.0	-	Further investment, cash retained in the fund, operational and structural efficiencies
Oystercatcher	98.3	97.5	(0.8)	3.9	Dividends received, small exchange loss
Junior debt		86.4	(0.3)	3.5	Mark-to-market
3i India Infrastructure	37.7	53.9	19.0	0.3	Good progress in Adani initial construction phase, development pipeline of new generation capacity
Octagon	13.6	13.4	(0.2)	0.5	Income received
Novera	11.2	9.2	(2.0)	-	Mark-to-market
T2C	7.9	5.8	(2.1)	(0.2)	Increase in the discount rate due to delay in construction
Alpha Schools	0.3	7.6	2.6	0.1	Further investment, project nearing completion

* Includes exchange movements

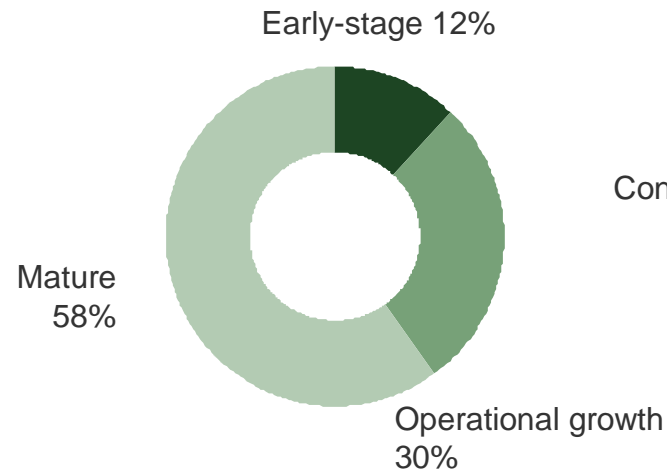
Prudent approach to valuation
Weighted average discount rate: 12%

Portfolio breakdown by value – 30 September 2008

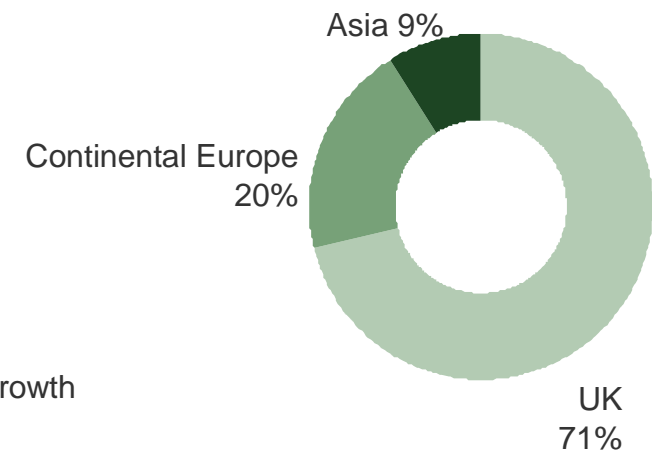
By sector



By maturity



By geography ⁽¹⁾



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



Financial review

Stephen Halliwell

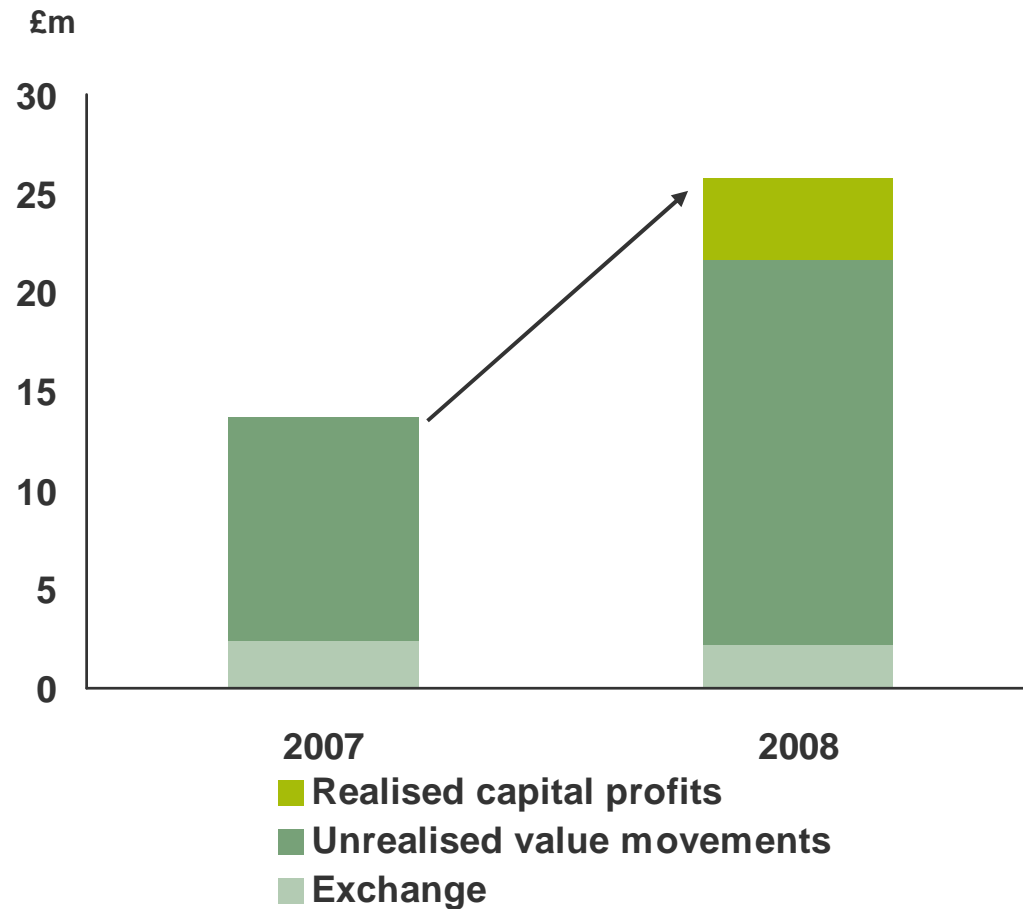
CFO, Infrastructure, 3i Investments plc



Total return

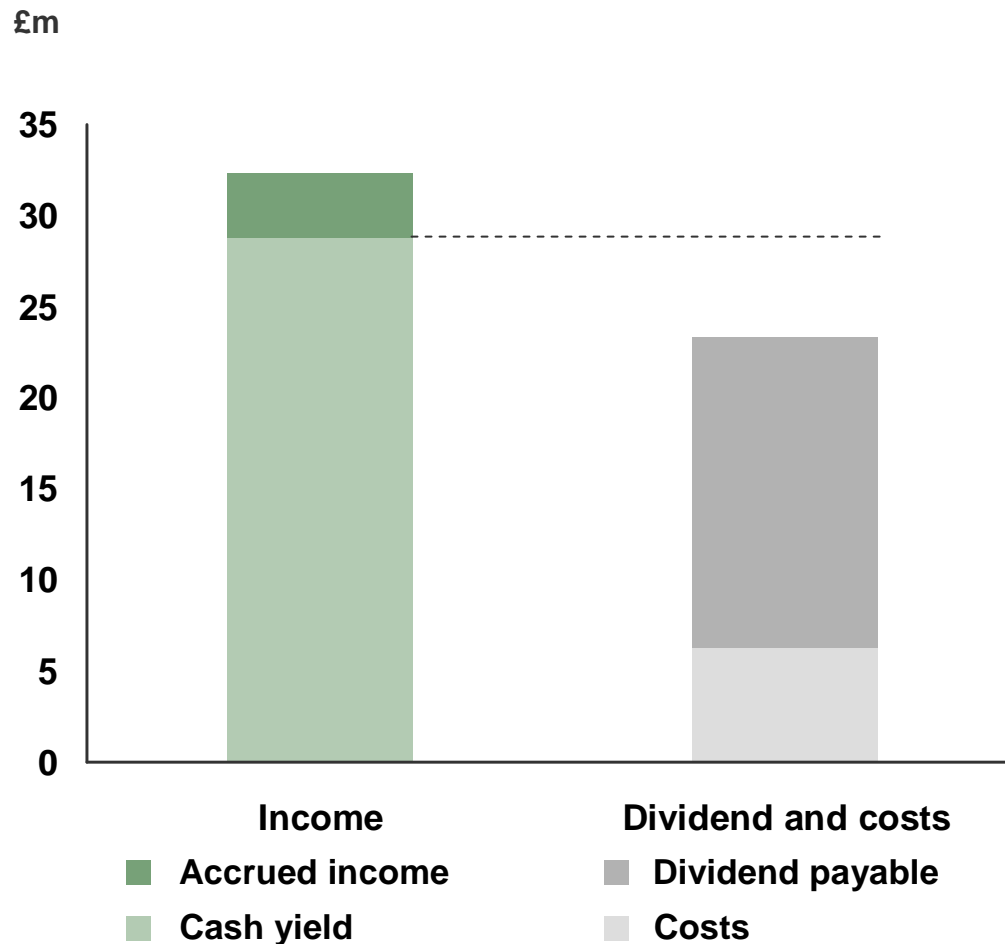
6 months to 30 September 2008	Sept 2008 Investment basis (£m)	Sept 2007 Investment basis (£m)	Sept 2008 Consolidated basis (£m)	Sept 2007 Consolidated basis (£m)
Realised profit on disposal of investments	4.1	-	4.1	-
Unrealised profits on revaluation of investments	19.5	11.3	14.8	18.8
Exchange gains on investments	2.2	2.4	(0.1)	2.4
Portfolio income (net of fees)	23.3	13.6	39.8	16.2
Treasury interest receivable	7.7	13.0	7.7	13.0
Investment return	56.8	40.3	66.3	50.4
Advisory, performance and management fees payable	(4.6)	(3.8)	(5.3)	(3.8)
Operating expenses	(0.9)	(3.2)	(0.9)	(3.2)
Finance and other costs	(0.8)	-	(5.7)	(3.2)
Exchange difference on translation of foreign operations	(0.2)	0.3	2.8	0.3
Total recognised income and expense "Total return"	50.3	33.6	57.2	40.5
Attributable to minority interests	-	-	6.8	10.9
Attributable to equity holders of the parent	50.3	33.6	50.4	29.6
- Total return on average shareholders' equity	6.1%	4.8%	6.1%	4.2%

Capital return



- Unrealised value growth from portfolio
- Return in the period also underpinned by realised profits on disposal of Alma Mater

Portfolio income – strong cash yield



- Return in the period underpinned by strong income generated from the portfolio
- 89% of portfolio income received in cash
- Cash received from portfolio covers interim dividend and costs



Total return

6 months to 30 September 2008	Sept 2008 Investment basis (£m)	Sept 2007 Investment basis (£m)	Sept 2008 Consolidated basis (£m)	Sept 2007 Consolidated basis (£m)
Realised profit on disposal of investments	4.1	-	4.1	-
Unrealised profits on revaluation of investments	19.5	11.3	14.8	18.8
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Operating expenses	(0.9)	(3.2)	(0.9)	(3.2)
Finance and other costs	(0.8)	-	(5.7)	(3.2)
Exchange difference on translation of foreign operations	(0.2)	0.3	2.8	0.3
Total recognised income and expense "Total return"	50.3	33.6	57.2	40.5
Attributable to minority interests	-	-	6.8	10.9
Attributable to equity holders of the parent	50.3	33.6	50.4	29.6
- Total return on average shareholders' equity	6.1%	4.8%	6.1%	4.2%



Balance sheet

	Sept 2008	Sept 2007	Sept 2008	Sept 2007
As at 30 September 2008	Investment basis £m	Investment basis £m	Consolidated basis £m	Consolidated basis £m
Investment portfolio	576.4	426.4	846.0	671.1
Other net assets / (liabilities)	5.1	3.6	3.0	8.3
Cash and cash equivalents	328.7	296.7	333.3	300.3
Borrowings	-	-	(149.8)	(134.8)
Net assets	910.2	726.7	1,032.5	844.9
Shareholders' equity	910.2	726.7	909.0	722.7
Minority interest	-	-	123.5	122.2
	910.2	726.7	1,032.5	844.9
Diluted NAV per share	111.3p	103.1p	111.2p	102.6p

Note: diluted NAV per share post interim dividend is 109.2p

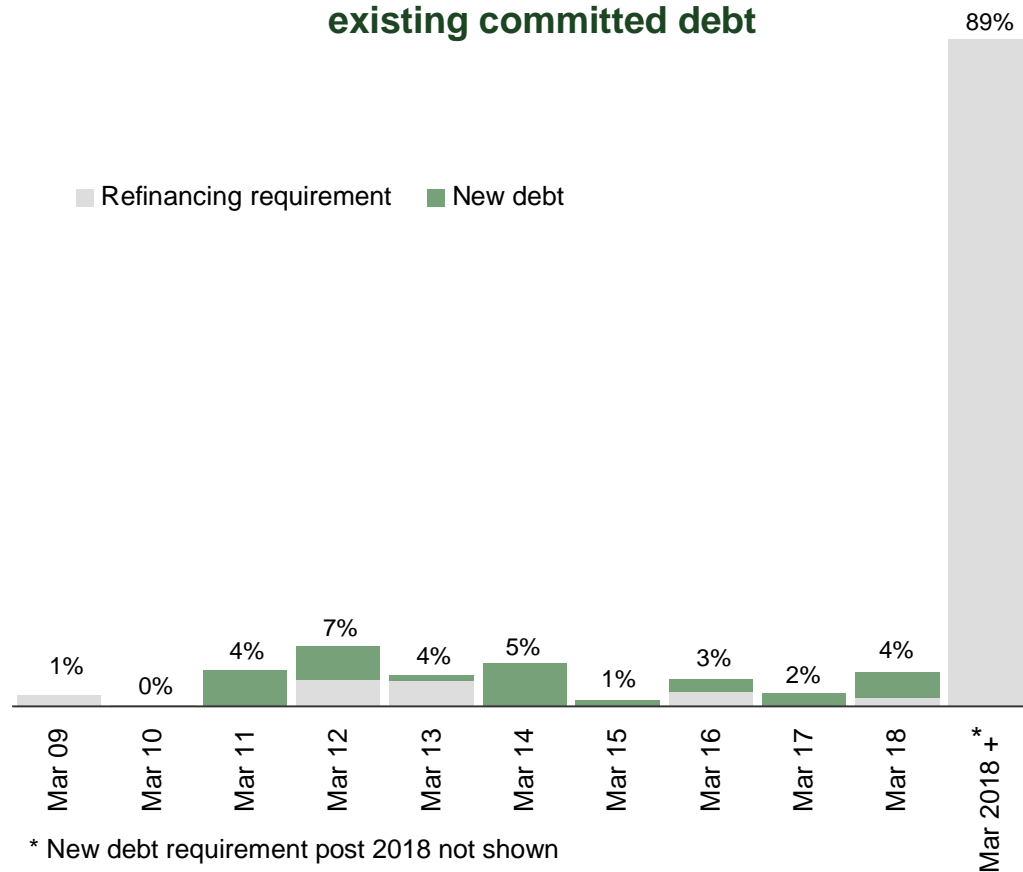


Portfolio analysis

- Refinancing requirement
- Interest rate profile
- Inflation exposure
- Currency exposure

Refinancing requirement

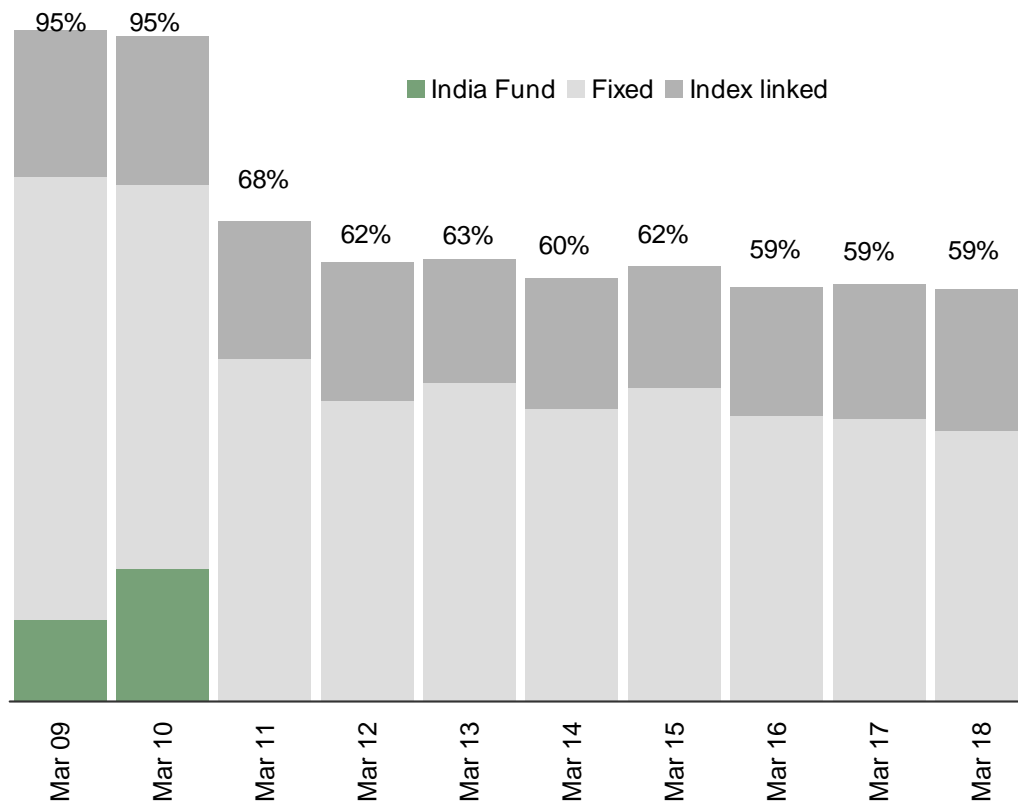
Annual refinancing and new debt as a % of existing committed debt



- Very limited refinancing / new debt required in the short term
- AWG successfully issued a €500 million bond in June 2008
- 89% of refinancing due post 2018

Interest rate profile

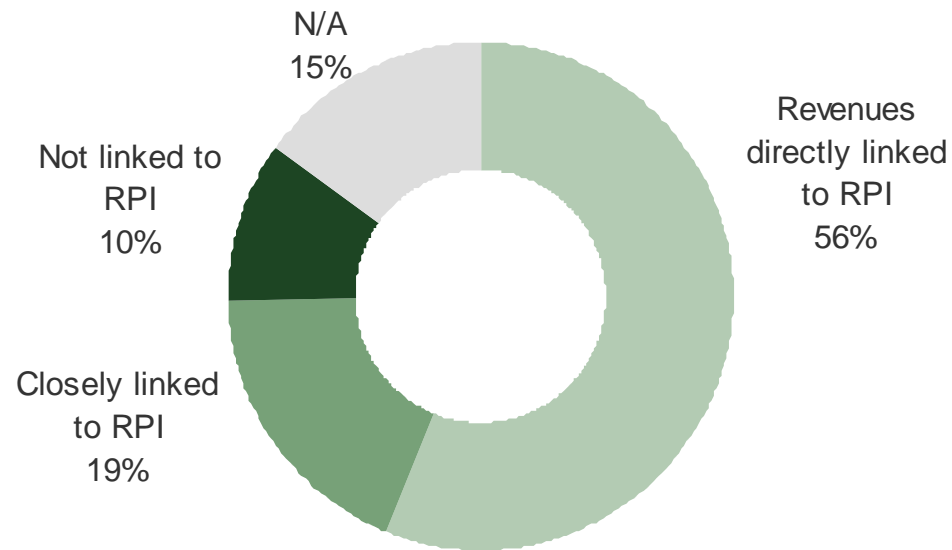
Hedged debt as a % of the debt balance



- Majority of debt is fixed-rate
- 1% change to UK/CE portfolio has a valuation impact of £(17) million

Inflation exposure

Asset exposure to inflation by value



- Current inflation assumptions are prudent
- 2.5% inflation rate assumed in the models in the UK / CE



Currency exposure

- Exposures
 - Transaction
 - Reporting
- Hedging
 - Euro
 - Indian Rupee



Investment review

Michael Queen

Managing Partner, Infrastructure, 3i Investments plc



Closing remarks

- On track towards achieving return and distribution objectives
- Uncorrelated return and strong yield
- The portfolio has a low risk profile, with low refinancing risk
- Market prospects for infrastructure remain positive
- With ample liquidity to invest, 3i Infrastructure is well placed to take advantage of the market opportunity



Appendix



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

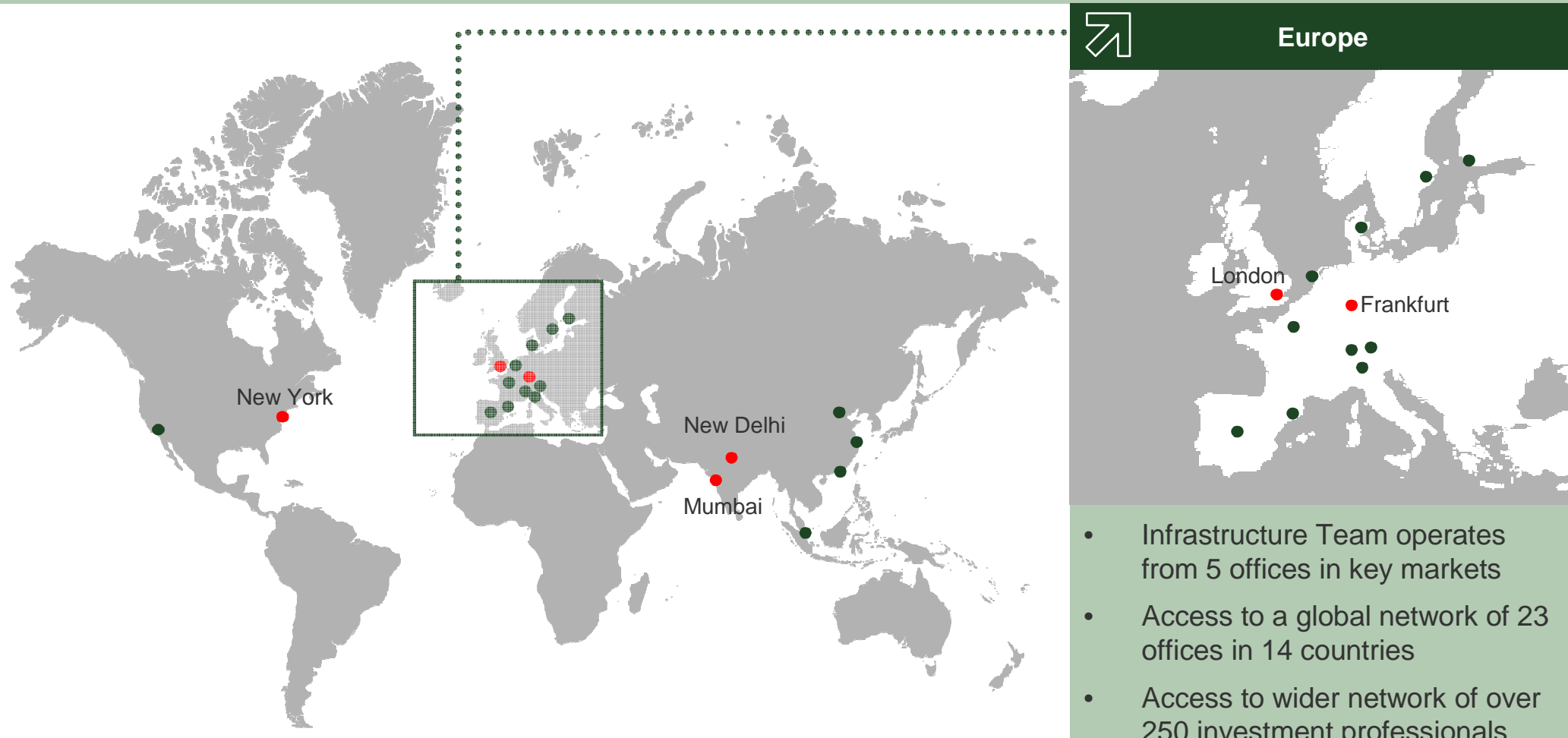
Asia

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



25 executives in London, New York, Mumbai & Frankfurt

- 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

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

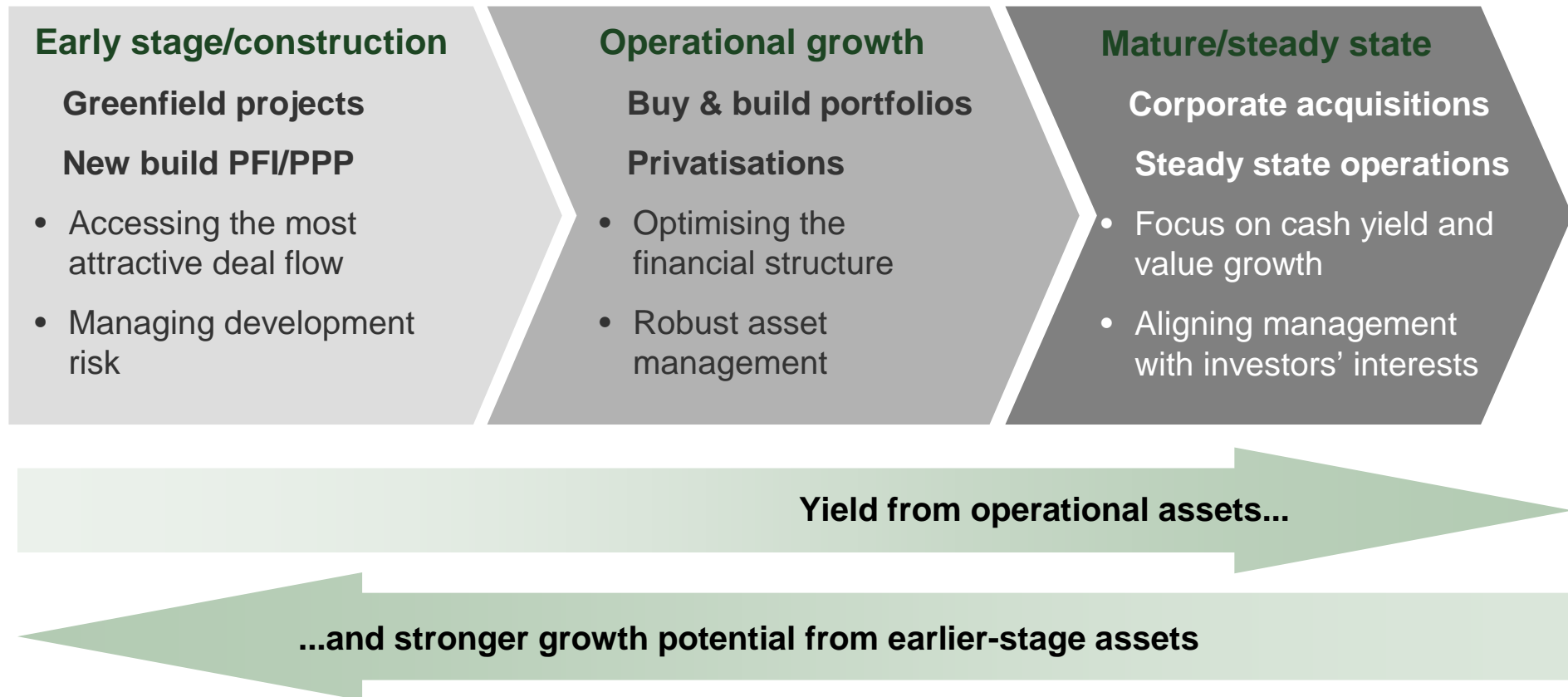
Education

Defence



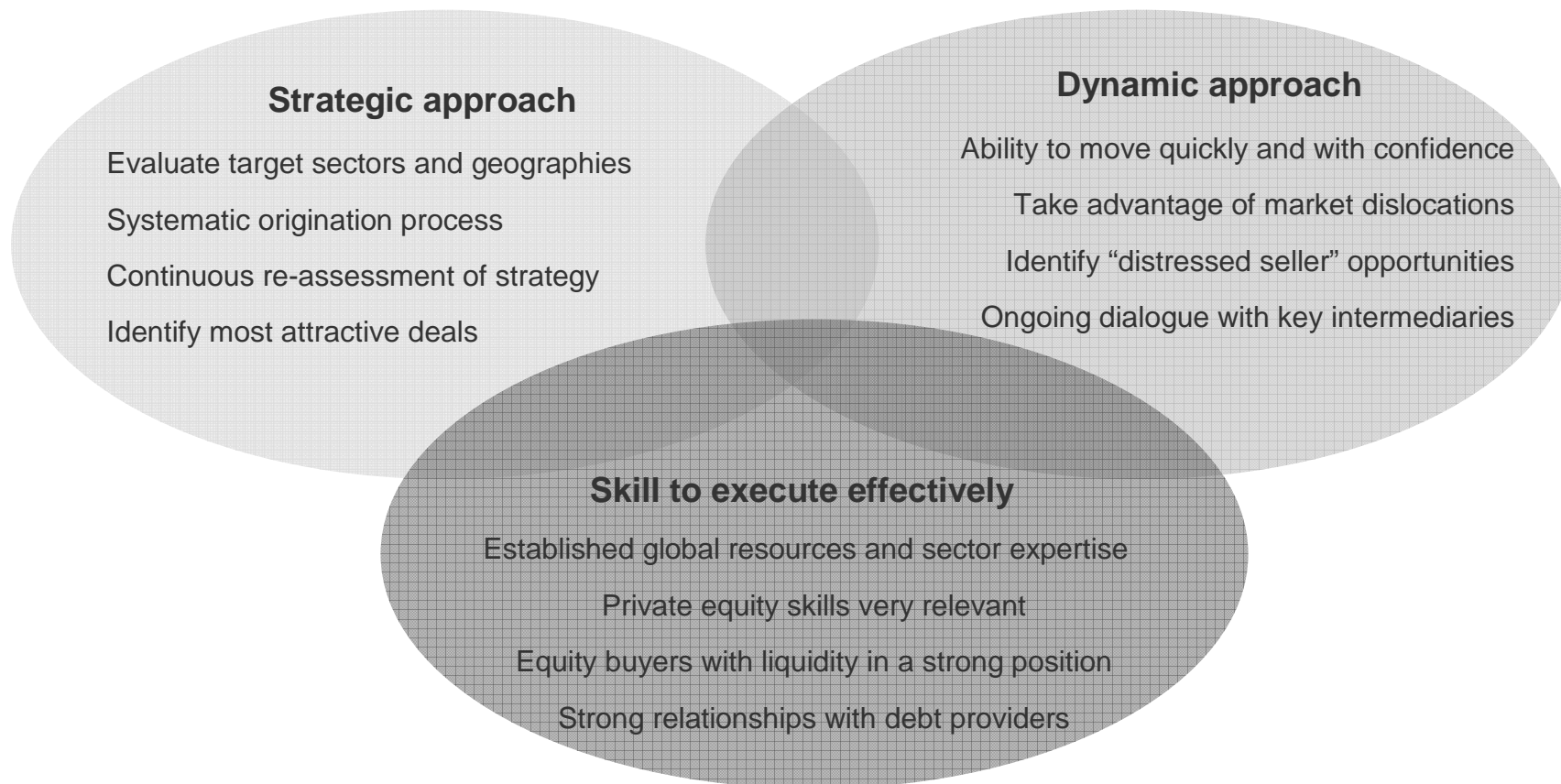
Predictable cashflows match investors' long-term liabilities

Diversification of risk/return across asset life



Balancing returns between capital & yield

Delivering on the pipeline



An experienced investor, positioned to succeed in difficult markets

Anglian Water Group Limited



Portfolio detail

Equity interest	9%
Date invested	March 2007
Cost	£140.0m
Directors' valuation	£152.1m
Income in the period	£16.5m
Asset total return in the period	£9.0m
Valuation basis	DCF

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

- Sale of Morrison Utilities Services completed, generating strong dividend flows to shareholders
- Draft water business plan for 2010-2015 regulatory period submitted to Ofwat
- €500 million bond issued in June, providing sufficient funding for current regulatory period

|2



Portfolio detail

Equity interest	31.2%
Date invested	March 2007
Cost	£118.5m
Directors' valuation	£150.5m
Income in the period	-
Asset total return in the period	£13.0m
Valuation basis	DCF

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

- £12.4 million draw-down from 3i Infrastructure, to finance existing projects and acquisition of stake in North Durham University Hospital
- Income distributions retained in the fund while structural review is undertaken

Oystercatcher



Portfolio detail

Equity interest	45.0%
Date invested	August 2007
Cost	£84.5m
Directors' valuation	£97.5m
Income in the period	£3.9m
Asset total return in the period*	£3.1m
Valuation basis	DCF

* Includes £0.8 million of unrealised exchange loss

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

- Two new jetties operational in Amsterdam, increasing vessel handling capacity and reducing waiting times
- Singapore terminal currently being expanded, and due to be completed in Q2 2009

Octagon



Portfolio detail

Equity interest	26.3%
Date invested	March 2007
Cost	£13.2m
Directors' valuation	£13.4m
Income in the period	£0.5m
Asset total return in the period	£0.3m
Valuation basis	DCF

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

- Maintained record of no service failures and unavailability deductions since commencing operations
- New General Manager and Finance Director appointments made to succeed retiring incumbents in 2008

Novera



Portfolio detail

Equity interest	8.6%
Date invested	February 2008
Cost	£11.2m
Directors' valuation	£9.2m
Income in the period	-
Asset total return in the period	£(2.0)m
Valuation basis	Quoted equity

Description

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

Strategy

- Novera operates in landfill gas and wind development
- Potential to develop new operations in energy from waste
- Novera's strategy is to continue to grow scale domestically and to expand internationally

Developments in the period

- 3i Infrastructure acquired a 10% equity interest in Novera in February 2008
- 3i Infrastructure's holding was diluted to 8.6% following an equity placing by Novera in which it did not participate

Alpha Schools



Portfolio detail

Equity interest	50.0%
Date invested	March 2007
Cost *	£5.0m
Directors' valuation	£7.6m
Income in the period	£0.1m
Asset total return in the period	£2.7m
Valuation basis	DCF

* The Company has committed to invest a further £2.7 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

- Timely completion of construction and handover of schools
- Delivery of first-class service
- Excellent relationship with Council

Developments in the period

- Five schools completed and handed over in the period
- Eleventh and final school (Millburn Academy) handed over on 6 October
- Certain works still to be performed at various sites until October 2009

T2C



Portfolio detail

Equity interest	16.7%
Date invested	August 2007
Cost	£6.5m
Directors' valuation	£5.8m
Income in the period	£(0.2)m
Asset total return in the period *	£(2.3)m
Valuation basis	DCF

* Asset total return includes £0.1 million of unrealised exchange loss

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 focused 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 contractor forecasting a delay in completion
- 3i Infrastructure working with management and contractor to minimise delays

3i India Infrastructure Fund



Portfolio detail

Equity interest	20.9%
Date invested	Sept 2007
Cost	£33.6m
Directors' valuation	£53.9m
Income in the period	£0.3m
Asset total return in the period *	£19.3m
Valuation basis	Share of LP Fund (DCF basis in Fund)

* Includes £3.1 million of unrealised exchange gain

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

- Significant progress at Adani Power – advances in initial construction phase of main power plant and capacity additions elsewhere in India
- Adani Power monitoring market for potential IPO
- Soma progressing well, with 30 projects across sectors such as hydro, roads and irrigation being executed



Junior debt portfolio

Portfolio detail

Date invested	April – Sept 2008
Cost	£86.7m
Directors' valuation	£86.4m
Income in the period	£3.5m
Asset total return in the period *	£3.3m
Valuation basis	Quoted debt

Strategy

- Build a portfolio of debt instruments issued by infrastructure businesses
- Pricing at values below par delivers equity-like returns and strong levels of cash yield

Developments in the period

- Opportunistic purchases during the period when available pricing has met return objectives of this portfolio

Asset	Facility	Investment (£m)
Viridian	Electricinvest Holding Company Limited £500m Junior Facility	28.9
Thames Water	Kemble Water Structure Limited £835m Term Loan Facility	14.5
NGW / Arqiva	Macquarie UK Broadcast Enterprise Limited £475m Junior Facility	32.4
Télédiffusion de France	Tyrol Acquisition 2 SAS €470m Second Lien Facility	10.9

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