



28 January 2015

3i Infrastructure plc – Trading Update

3i Infrastructure plc (“3i Infrastructure” or “the Company”) is an investment company focusing on infrastructure investment opportunities. This trading statement relates to the period from 1 October 2014 to 31 December 2014 (the “period”) and notes the sale of the Company’s investment in Eversholt Rail Group, announced on 20 January 2015.

Highlights

- On 20 January 2015, the Company announced the sale of its entire stake in Eversholt Rail Group (“Eversholt Rail”), which will generate estimated proceeds of approximately £358 million (subject to completion adjustments and excluding certain transaction costs). In addition to these proceeds, which include £5.9 million of interest receivable, the Company received a dividend of £15.5 million from Eversholt Rail in December 2014, bringing the estimated total proceeds to approximately £374 million, representing an uplift of around £131 million to the position at 30 September 2014 in the Company’s Half-yearly results. It is anticipated that the transaction will close in March 2015.
- The portfolio continues to perform well operationally and financially, generating portfolio income of £28.2 million in the period, including the £15.5 million dividend received from Eversholt Rail in December 2014.
- The Company committed to invest £26.5 million in the period in two new Primary PPP investments, La Santé prison in France and A9 Gaasperdammerweg in the Netherlands.
- The Investment Adviser has been developing its pipeline of investment opportunities and the Company expects to bid on a number of Core infrastructure investments over the coming months. The Company will continue to be disciplined and targeted in the new investment opportunities it pursues, maintaining its focus on investments with clear infrastructure characteristics that deliver attractive risk-adjusted returns to shareholders.

As noted in the Half-yearly results statement, the Board reviews the Company’s strategy on an annual basis. As part of this year’s review, the Board aims to set a sustainable, long-term return objective for the Company and will be assessing an appropriate return target for the future as the divestment of its holding in Eversholt Rail is completed and the pipeline of investment opportunities develops over the coming months. The Board expects to announce any changes to the Company’s return objective before the announcement of the Company’s annual results in May 2015.

Peter Sedgwick, Chairman of 3i Infrastructure, said: “The sale of 3i Infrastructure’s holding in Eversholt Rail will generate an exceptional return for our shareholders. While we generally aim to hold our Core infrastructure investments over the long term, after a careful evaluation of the price offered against our assessment of the long-term potential for the business, we decided that a sale of our holding in the business would generate significant additional value for our shareholders. The other assets in the portfolio continue to perform well and the portfolio overall is generating good levels of income.”

Ben Loomes and Phil White, Managing Partners and Co-heads of Infrastructure, 3i Investments plc, Investment Adviser to the Company, added: “We are proud of what we have achieved with Eversholt Rail through our engaged asset management approach, in partnership with our co-shareholders and the management team. We have been busy developing a healthy pipeline of investment opportunities and the Company looks forward to bidding on a number of Core infrastructure opportunities over the coming months. We will continue to be disciplined in bidding for new investments, maintaining our focus on investments that deliver attractive risk-adjusted returns to the Company’s shareholders.”

Realisation of holding in Eversholt Rail

No realised proceeds were received during the period.

On 20 January 2015, 3i Infrastructure announced it had agreed to sell its entire stake in Eversholt Rail to CK Investments S.A R.L., a company jointly owned by Cheung Kong Infrastructure Holdings Limited and Cheung Kong (Holdings) Limited (together, “CKI”). The sale of the investment will generate estimated proceeds of approximately £358 million (subject to completion adjustments and excluding certain transaction costs). In addition to these proceeds, 3i Infrastructure, through a subsidiary company, also received a distribution of £15.5 million from Eversholt Rail at the end of December 2014, bringing total estimated proceeds to approximately £374 million. These proceeds, which include settlement of all interest receivable on the Company’s shareholder loans to Eversholt Rail (for an amount of £5.9 million), compare to a valuation of the Company’s holding in the business of £240.8 million and interest accrual of £1.2 million at 30 September 2014, and represent an uplift of around £131 million to the valuation and interest due at that date.

3i Infrastructure acquired its interest in Eversholt Rail in December 2010 as part of a consortium with Morgan Stanley Infrastructure Partners and STAR Capital Partners. All of the investors in Eversholt Rail have elected to sell their entire interest in Eversholt Rail to CKI. Completion of the transaction remains conditional upon receiving clearance from the European Commission under the EU Merger Regulation and it is anticipated that the transaction will close in March 2015.

Investment activity

3i Infrastructure committed to invest £26.5 million in new investments and invested £2.6 million in existing assets in the period. New investment commitments were made in the La Santé and A9 Gaasperdammerweg Public Private Partnership (“PPP”) projects in France and the Netherlands respectively.

On 14 November 2014, the Company announced it had committed to invest €11.7 million (£9.1 million) to acquire an 80% holding in the La Santé prison Primary PPP project in Paris, with the balance held by subsidiaries of Vinci Construction and GDF Suez. The project involves the design, build, refurbishment, finance and maintenance of various buildings for La Santé, and will also include the provision of facilities management services once construction is complete, which is expected to be by the end of 2018.

On the same date, the Company also announced it had committed to invest €22.3 million (£17.4 million) to acquire a 45% holding in A9 Gaasperdammerweg, a Primary PPP project involving the design, build, management, maintenance and financing of the existing and new infrastructure of the A9 motorway between Diemen and Holendrecht in the Netherlands. The project will reconstruct and expand the A9 motorway between these junctions, including a bridge over the river Gaasp. It will also include the construction of an approximately three kilometre overground tunnel.

On 15 December 2014, the final outstanding commitment of €3.1 million (£2.4 million) was invested in the Company’s existing investment in the National Military Museum (“NMM”), a PPP project in the Netherlands, following the successful completion of the project. NMM, which is situated in the Soesterberg Air Base Park in the Netherlands, is a specially designed facility with a floor area of 35,000 m². NMM opened to the public in December 2014.

Finally, the remaining undrawn commitment to the Dalmore Capital Fund of £0.2 million was drawn down in the period.

As noted in 3i Infrastructure’s Half-yearly results statement, the Company has also achieved preferred bidder status for the West of Duddon Sands Offshore Transmission Owner (or “OFTO”) project in the UK, with an expected investment commitment of c. £26 million.

Portfolio and returns

The Company’s European portfolio is performing well. Portfolio income (dividends, interest receivable and any fees received from portfolio assets) totalled £28.2 million in the period, including the dividend of £15.5 million received from Eversholt Rail at the end of December 2014, reflecting the steady underlying operational and financial performance of the European investments. Total portfolio income for the nine months to 31 December 2014 was £60.9 million (£64.3 million for the nine months to 31 December 2013). During this period, the Company received a lower dividend from Anglian Water Group (“AWG”) than in the same period last year. Following the publication of the final determination from Ofwat

in December 2014 and expectations of reducing UK inflation, the Company does not expect a further dividend from AWG in the financial year ending 31 March 2015.

As usual, an important element of the determination of the Company's results for the year to 31 March 2015 will be the valuation exercise carried out on the investment portfolio as at that date. 3i Infrastructure expects to announce the results of this valuation exercise together with its annual results in May 2015.

As noted above, in December 2014, AWG received its final determination from Ofwat for the regulatory period beginning on 1 April 2015. The Investment Adviser is working closely with the portfolio company to finalise its assessment of the impact of the final determination on its business plan. The results of this review will be reflected in the Company's valuation of its holding in AWG at 31 March 2015.

Market conditions and annual strategy review

The Board noted in the Company's Half-yearly results statement that prices for infrastructure assets, particularly in Core infrastructure, continue to rise, resulting in a compression in implied returns. This remains the case today, as evidenced by the outcome of recent sale processes. While the returns compression in the infrastructure market has positive value implications for the Company's existing European portfolio, these competitive market conditions make it more challenging for the Company to find new investment opportunities in Core infrastructure consistent with its current annual return objective.

As noted in the Half-yearly results statement, the Board reviews the Company's strategy on an annual basis, taking market developments into account. As part of this year's review, the Board will review the Company's return objective in order to ensure that this is sustainable over the long-term. The Board will be assessing the appropriate return target for the future as the divestment of its holding in Eversholt Rail is completed and the pipeline of investment opportunities develops over the coming months. The outcome of the Board's review is expected to be communicated to the market before the announcement of the Company's annual results in May 2015.

Balance sheet

At 31 December 2014, the Company had cash balances of £65.0 million, after deducting the Company's interim dividend of £29.8 million, which was paid on 8 January 2015. The estimated proceeds from the sale of the Company's holding in Eversholt Rail of approximately £358 million are expected to be received in March 2015.

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 core economic infrastructure in developed economies, principally in Europe, in the utilities and transportation sectors, investing in operational businesses which generate long-term yield and can provide capital growth. It 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 October 2014 to 31 December 2014 and also notes the sale of the Company's investment in Eversholt Rail Group, announced on 20 January 2015. 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.