



8 July 2014

3i Infrastructure plc – Interim Management Statement

3i Infrastructure plc (“3i Infrastructure” or “the Company”) is an investment company focusing on infrastructure investment opportunities. This Interim Management Statement is issued in accordance with FCA Disclosure and Transparency Rule 4.3. This statement relates to the period from 1 April 2014 to 30 June 2014 (the “period”).

Peter Sedgwick, Chairman of 3i Infrastructure, said: “The European portfolio continued to perform well operationally and financially and to generate good levels of income, consistent with the Company’s objective of paying an annual dividend of 5.5% of its opening net asset value. The Board was pleased with the recent investment in the Ayrshire College primary PPP project. This investment is in line with the Company’s strategy of building its portfolio of primary PPP projects over time, where it can access attractive risk-adjusted returns and enhance the overall portfolio, alongside its European core economic infrastructure portfolio. Core infrastructure will remain the key area of focus for the Company and will represent at least 75% of portfolio value.”

Ben Loomes and Phil White, Managing Partners and Co-heads of Infrastructure, 3i Investments plc, Investment Adviser to the Company, added: “During the period we delivered the first realisation from the 3i India Infrastructure Fund, in line with our strategy, taking advantage of positive market momentum to sell a portion of the Fund’s investment in Adani Power. It is our intention to manage the investments in that Fund for realisation over the next few years. We continue to build on our pipeline of core infrastructure and primary PPP investments and are well placed to bid for a number of investments expected to come to market in the second half of the financial year.”

Investment and realisation activity

On 5 June 2014, the Company announced it had committed to invest £4.6 million in a primary Public Private Partnership (“PPP”) project to build a new campus for Ayrshire College in Kilmarnock, Scotland. The project, procured by Ayrshire College, involves the design, build, finance, operation and maintenance of a new college campus in Kilmarnock, against availability-based payments over a concession period of 25 years. The new campus is part of a wider regeneration strategy in the Kilmarnock area. Construction is expected to be completed in May 2016.

During April and May, the 3i India Infrastructure Fund sold a portion of its holding in Adani Power, a listed company. The sale capitalised on the rally in the share price of that business. On 24 June, a distribution of proceeds of £7.4 million was received from the 3i India Infrastructure Fund. The Company's Investment Adviser, which also manages the 3i India Infrastructure Fund, continues to manage the investments in that fund with the objective of realising them over the next few years. As stated previously, the Company will make no further investments in India.

Portfolio and returns

The Company's European portfolio is performing well. Portfolio income (dividends and interest receivable from portfolio assets) totalled £19.5 million in the period (against £17.9 million in the first quarter to 30 June 2013), reflecting the steady underlying operational and financial performance of the investments.

The valuation of the Company's holding in the 3i India Infrastructure Fund is influenced by a number of market factors, including foreign exchange fluctuations and the movements in the share price of the 3i India Infrastructure Fund's holding in Adani Power. Over the period, the exchange rate of the Indian rupee against sterling remained broadly stable, while shares in Adani Power increased in value by 29%.

As usual, an important element of the determination of the Company's results for the six months to 30 September 2014 will be the valuation exercise carried out on the investment portfolio as at that date. 3i Infrastructure expects to announce its half yearly results in November 2014.

Balance sheet

At 30 June 2014, the Company had cash balances of £90.2 million (after deducting £29.5 million for the final dividend, which is expected to be paid on 11 July 2014) reflecting the Company's investment activity, income received and costs paid in the period. In addition, the Company received a payment of £8.0 million from Elenia, one of its portfolio companies, relating to income capitalised in the previous year.

Investment Advisory Agreement and EGM

On 9 May 2014, the Company announced that it had entered into an agreement (the "Amendment Agreement") with its Investment Adviser to amend the terms of the existing investment advisory agreement between the Company and the Investment Adviser (the "Advisory Agreement"), conditional only on obtaining the approval of both the Jersey Financial Services Commission (now obtained) and the Company's shareholders (other than 3i Group plc) at an Extraordinary General Meeting ("EGM") to be held later today at 11.15 am. The circular and notice of EGM was posted to shareholders on Friday, 20 June 2014.

The principal changes effected by the Amendment Agreement include a reduction in the fee rate for future PPP projects and certain individual renewable energy project investments

and, in response to feedback received from shareholders, the addition of a “high water mark” requirement to the performance fee calculation. With the existing exclusivity arrangements close to expiry, the Company’s Board also agreed an extension of the fixed term of the Advisory Agreement by four years, with one year’s rolling notice thereafter. The term of the exclusivity provisions with the Investment Adviser has been extended to match the term of the Advisory Agreement, provided that the Company maintains sufficient liquidity to continue investing through its cash holdings or undrawn debt facilities.

The Board believes that the Amendment Agreement benefits the Company and achieves improved overall terms for its shareholders for the following reasons:

- it achieves a partial reduction in the advisory fee and introduces a high water mark for the performance fee;
- it secures the specialist asset management services and investment skills of the Investment Adviser over the extended fixed term of the Advisory Agreement; and
- it extends and improves the existing exclusivity arrangements with the Investment Adviser (which were close to expiry).

Accordingly, the Board has recommended that shareholders vote in favour of the resolution to be proposed at the EGM. The results of the EGM will be announced and made available on the Company’s website later today.

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. Its strategy is to maintain a balanced portfolio of investments in order to deliver stable returns to its shareholders, through a mix of income and capital appreciation. Its objective is to provide shareholders with a total return of 10% per annum and, within that overall objective, it targets an annual distribution yield of 5.5%. 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 renewable 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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or selling security holder and will contain detailed information about 3i Group plc, 3i Infrastructure plc, 3i India Infrastructure Fund and management, as applicable, as well as financial statements. No public offering in the United States is currently contemplated.

This statement aims to give an indication of material events and transactions that have taken place during the period from 1 April 2014 to 30 June 2014 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.