



3i Infrastructure Limited

Interim results to 30 September 2007

22 November 2007



Introduction

Peter Sedgwick

Chairman, 3i Infrastructure Limited



Agenda

Introduction

Peter Sedgwick

Financial review

Stephen Halliwell

Investment review

Michael Queen

Board of Directors



Peter Sedgwick



Phil Austin



Martin Dryden



Peter Wagner



Paul Waller



Steven Wilderspin



Financial review

Stephen Halliwell

CFO, Infrastructure, 3i Investments plc



Key messages

- On track to being fully invested within two years of IPO
- Portfolio delivering returns in line with expectations
 - Total return £33.3m, or 4.8% on opening shareholders' equity
- Board of Directors approved interim dividend of 2.0p per share
- Net asset value per share at 103.1p (pre-dividend), 101.1p (after dividend)

Delivering strategy set out at IPO



Income statement

Period from 16 January to 30 September 2007

| | Investment basis | Consolidated basis |
|--|-------------------------|---------------------------|
| | (£m) | (£m) |
| Unrealised profits on revaluation of investments | 11.3 | 18.8 |
| Portfolio exchange gains / (losses) | 2.4 | 2.4 |
| Portfolio income | 13.6 | 16.2 |
| Treasury interest receivable | 13.0 | 13.0 |
| Investment return | 40.3 | 50.4 |
| Advisory fee payable | (3.8) | (3.8) |
| Operating expenses | (3.2) | (3.2) |
| Finance costs | - | (3.2) |
| Profit after tax “Total return” | 33.3 | 40.2 |
| Attributable to Minority interests | - | (10.9) |
| Attributable to Parent | 33.3 | 29.3 |



Cash flow

Period from 16 January to 30 September 2007

| | Investment basis (£m) | Consolidated basis (£m) |
|--|----------------------------------|------------------------------------|
| Funds raised at IPO | 702.9 | 702.9 |
| Cash invested | (412.7) | (534.7) |
| Borrowings in acquisition subsidiaries | - | 128.7 |
| Income received | 24.6 | 29.3 |
| Operating expenses and formation costs | (15.1) | (18.9) |
| Finance costs | - | (1.1) |
| Other movements | (3.0) | (5.9) |
| Cash and cash equivalents | 296.7 | 300.3 |



Balance sheet

As at 30 September 2007

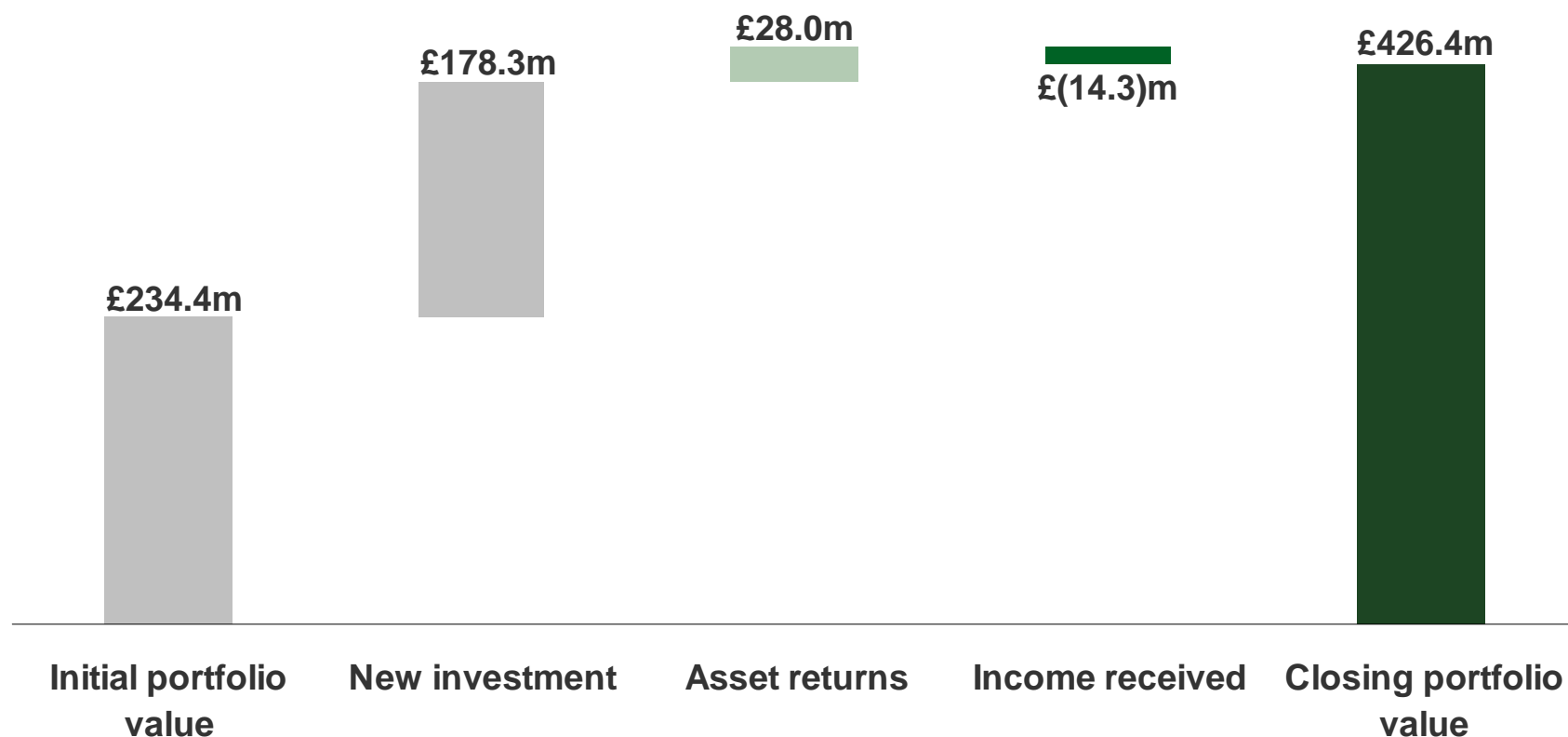
| | Investment basis (£m) | Consolidated basis (£m) |
|------------------------------|----------------------------------|------------------------------------|
| Investment assets | 426.4 | 671.1 |
| Other net assets | 3.6 | 8.3 |
| Cash and cash equivalents | 296.7 | 300.3 |
| | 726.7 | 979.7 |
| Borrowings | - | 134.8 |
| Shareholders' equity | 726.7 | 722.7 |
| Minority interest | - | 122.2 |
| | 726.7 | 979.7 |
| Diluted NAV per share | 103.1 | 102.6 |



Valuation methodology

- Valuation policy
 - IPEVC guidelines
- Methodology
 - Discounted cash flow basis
 - Share of Fund net assets
 - Quoted – closing bid price
 - Sales basis

Reconciliation in movement in portfolio value



Weighted average discount rate: 13%



Investment review

Michael Queen

Managing Partner, Infrastructure, 3i Investments plc



What 3i Infrastructure set out to do

- Invest in infrastructure assets
 - **Asset intensive** businesses
 - Providing **essential services** over the long term
 - Often on a **regulated basis**
 - Revenues and/or costs subject to **long term contracts**
- Direct equity or equivalent investments
- Board representation
- IPO proceeds fully invested within **two years** of admission
- **12% total return** objective on initial net proceeds over the long term
- Of which **annualised distribution yield of 5%**, once the Company is fully invested

Investment Partners



Michael Queen



Cressida Hogg



Neil King



Girish Baliga



Anil Ahuja



Chris Rowlands



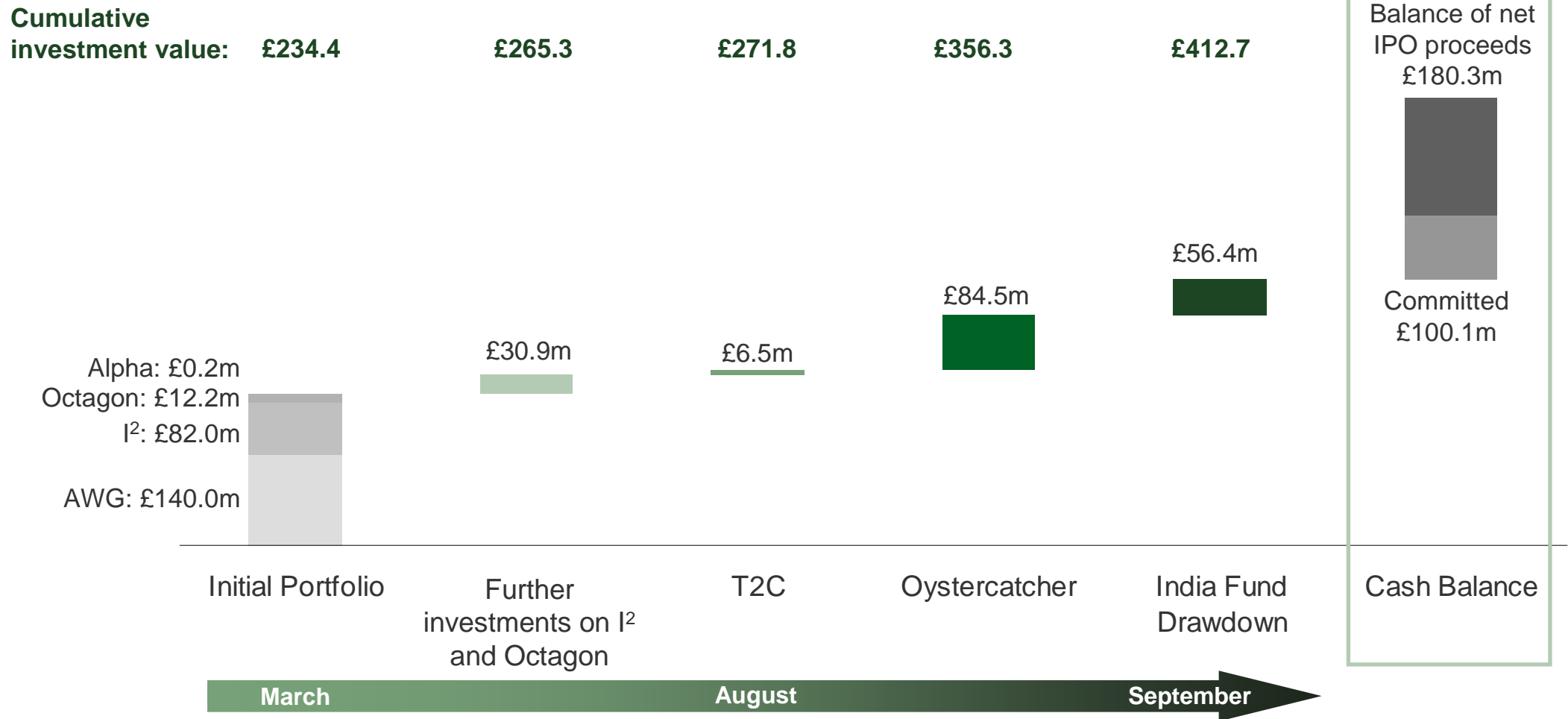
Paul Waller



Richard Kilner

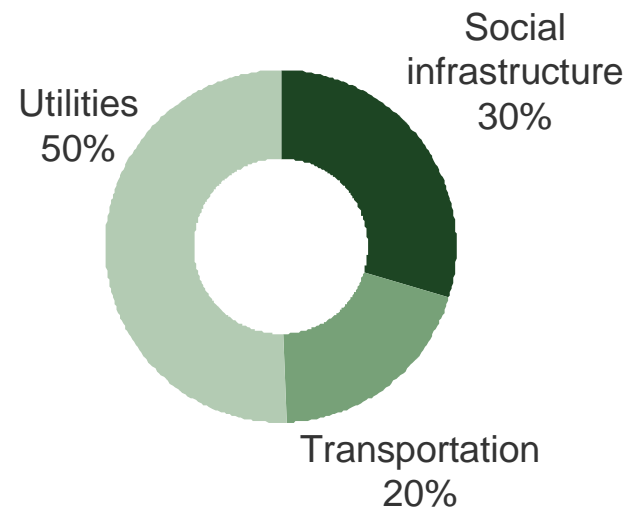


Investment activity since IPO

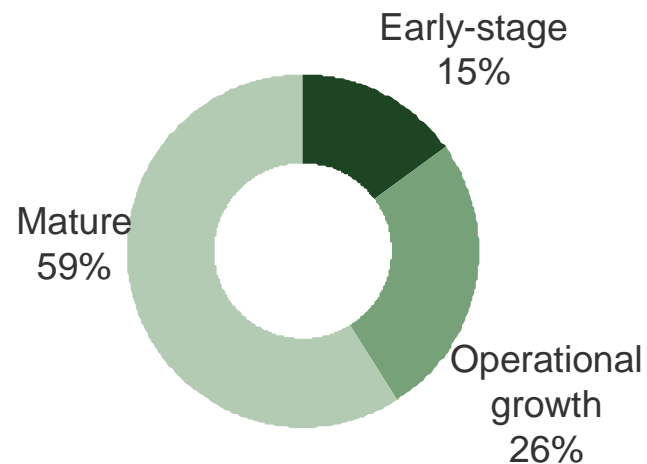


Portfolio breakdown by value

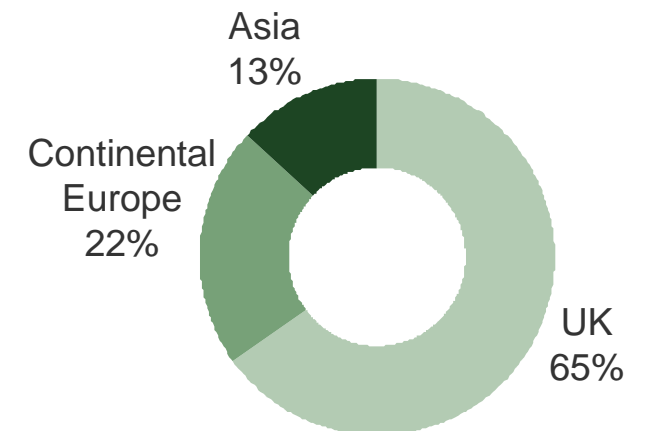
By sector



By maturity



By geography ⁽¹⁾



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

Initial portfolio – Anglian Water Group



Interest

- 9% equity interest and loan notes in Anglian Water Group Limited

Description

- Owner of Anglian Water, the fourth largest water/waste water company in England and Wales, Morrison plc (support services) and a property development business

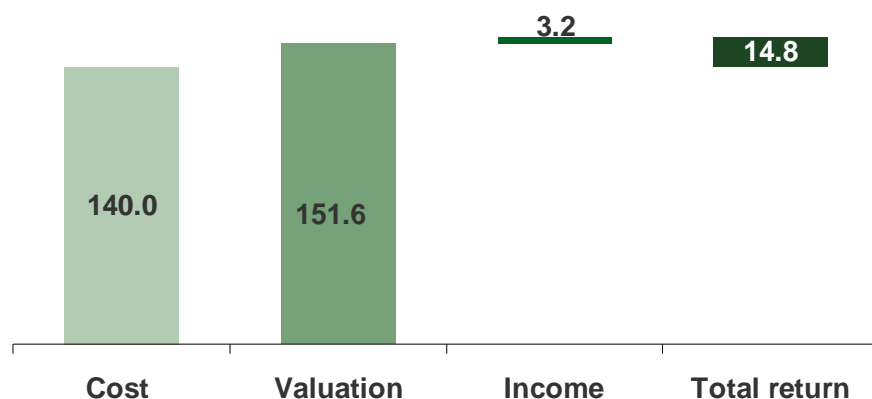
Strategy

- Deliver a high-quality, reliable service to customers through strong operational management
- Efficient financing of capital programme

Developments in the period

- Refinancing of acquisition debt completed on favourable terms
- 180-day post-acquisition plan completed with management

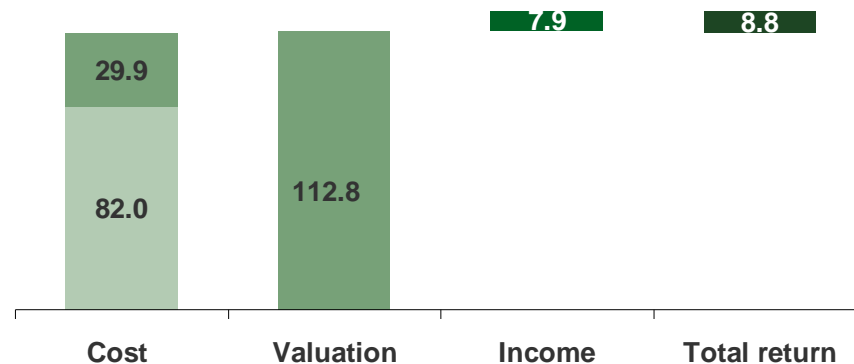
Asset total return (£m)



Initial portfolio – I²



Asset total return (£m)



Interest

- 31.2% limited partnership interest

Description

- Infrastructure investment fund
- Makes and manages investments in secondary market public and private infrastructure projects

Strategy

- Build a diversified portfolio of PFI assets, generating stable returns for investors
- Create portfolio synergies, optimise operational efficiencies and develop appropriate financial structuring

Developments in the period

- Two new portfolios acquired
- Income returns generated through portfolio restructuring

New investment – Oystercatcher



Asset total return (£m)



Interest

- 45% equity holding in three Oiltanking subsidiaries through Oystercatcher acquisition company

Description

- Provider of third-party storage facilities for petroleum products in Amsterdam, Malta and Singapore

Strategy

- Partner with experienced management teams, supported by Oiltanking's central management expertise, to deliver high-value customer service
- Drive strong operational performance to maintain steady capital growth

Developments in the period

- Transaction completed

New investment – 3i India Infrastructure Fund



Interest

- US\$250 million commitment – no additional fees payable by 3i Infrastructure to 3i Group

Description

- Fund set up by 3i Group to invest in Indian infrastructure assets, with a target size of US\$1 billion
- Cornerstone commitments of US\$250 million by 3i Group and 3i Infrastructure

Strategy

- Exposure to diversified portfolio of assets in rapidly growing Indian infrastructure market
- Strong 3i team on the ground
- 3i Group MoU with IIFCL

Developments in the period

- First closing announced in September with total commitments of US\$500 million
- Minority investment in Adani Power Limited completed in September, drawing down commitments of £56.4 million from 3i Infrastructure



Market environment

-
- | | | |
|---|---|--|
| <ul style="list-style-type: none">• Market opportunity for infrastructure investment remains strong | → | <ul style="list-style-type: none">• Significant infrastructure requirements in the US and Europe• Strong GDP growth in Asia – India in particular |
|---|---|--|
-
- | | | |
|---|---|--|
| <ul style="list-style-type: none">• Competition resulting in pricing pressure in mature markets | → | <ul style="list-style-type: none">• Auctions still predominant in Europe and the US• Size of opportunity in Asia limits competition for individual assets |
|---|---|--|
-
- | | | |
|--|---|---|
| <ul style="list-style-type: none">• Defensive characteristics of infrastructure asset class still attractive to debt providers | → | <ul style="list-style-type: none">• Infrastructure transactions still being financed in the debt markets• Long-term impact of credit market turbulence difficult to assess |
|--|---|---|
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Closing remarks

- On track to achieve full investment within two years of Admission
- Returns and strategic development in line with objectives
- Market prospects for infrastructure remain positive
- First dividend announced by the Company

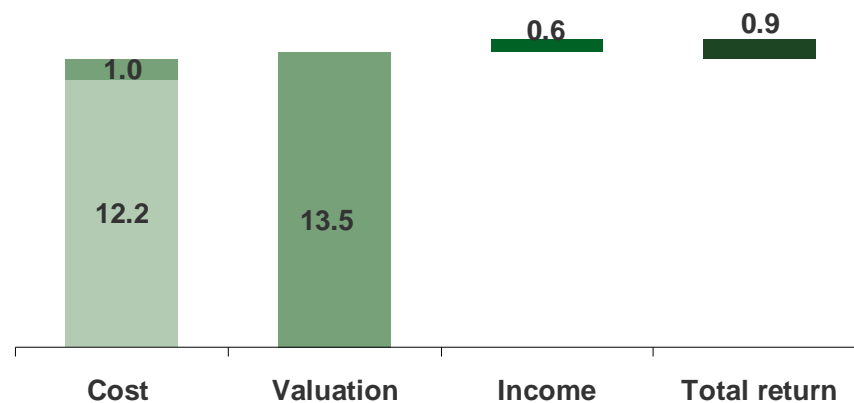


Appendix

Initial portfolio - Octagon



Asset total return (£m)



Interest

- 26.3% equity interest and loans

Description

- £229 million project to build and maintain Norfolk and Norwich University Hospital
- NHS Trust committed to making RPI-linked payments to cover use and maintenance of buildings

Strategy

- Work with management and consortium members to maintain excellent relationship with NHS Trust and Regional Health Authority
- Deliver first-class service levels for the Hospital

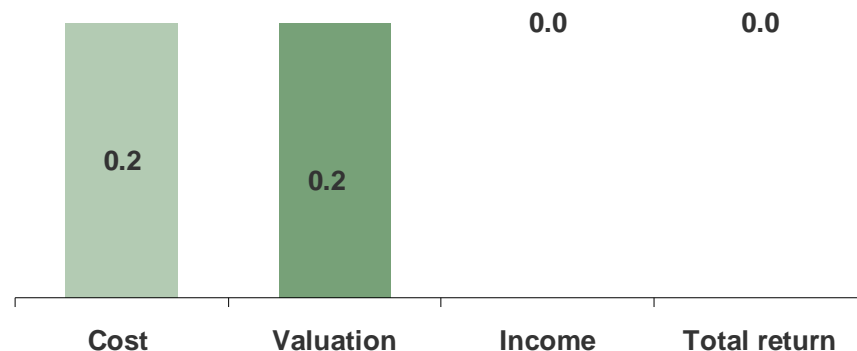
Developments in the period

- Increased original holding in Octagon to 26.3% from 25%

Initial portfolio – Alpha Schools



Asset total return (£m)



Interest

- 50% equity interest
- Commitment to invest a further £7.6 million in loan notes

Description

- £134 million project to build and refurbish 11 new schools in Scotland under a 30-year PFI contract

Strategy

- Monitor and influence completion of all projects to a high standard and tight timetable
- Opportunity on completion to refinance and return an ongoing yield to shareholders

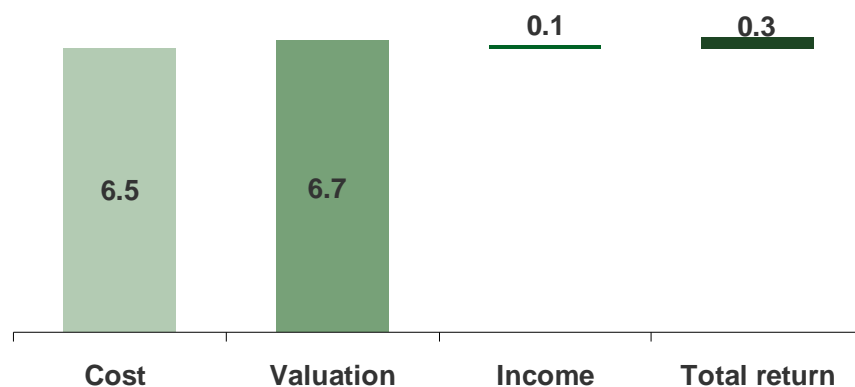
Developments in the period

- Five schools (out of 11 projects) completed and handed over during the period
- Developing good relationship with Highland Council

New investment – T2C



Asset total return (£m)



Interest

- 16.7% equity interest and loans

Description

- Construction of a new-build waste to energy plant to generate heat and power from refuse-derived fuels

Strategy

- Monitor and influence the construction phase to ensure project remains on track and delivers full benefit of technology
- Successful completion of construction should enable refinancing

Developments in the period

- Started construction on receipt of preliminary planning licence
- Construction progressing in line with agreed step plan

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