Investor & Analyst Morning
20 October 2016
Olivier Brousse
Chief Executive Officer
Decentralised origination

Derek Potts
Group Managing Director – Primary Investment
Primary Investment Overview

Platform through which John Laing secures investments in greenfield infrastructure

Originates and identifies opportunities
Assembles / joins consortia
Management of bid process to achieve preferred bidder or exclusive status
Financial close

Key attributes

- Decentralised international network
- Sector expertise plus technical, financial, commercial skills
- Strong relationships with government bodies, vendors, contractors, operators and lenders
- Strong credentials
International Network/ Decentralised Origination

Network of regional and specialist teams collaborating to originate and execute deals across a wide range of infrastructure sectors

**Transport:** Rail (including rolling stock), roads, street lighting and highways maintenance

**Environmental:** Renewable energy (including wind power, solar power and biomass), water treatment and waste management

**Social infrastructure:** Healthcare, education, justice, public sector accommodation and social housing

John Laing office

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Our Sector Strength

- 120+ investment commitments in PPP and renewable energy to date
- New sectors under consideration: broadband, offshore wind, water
Strong international partners
## Consortia for existing projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Equity investors</th>
<th>Contractor(s) (or turbine manufacturer)</th>
<th>Operator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney Light Rail (Australia)</td>
<td>John Laing, First State Acciona</td>
<td>Acciona</td>
<td>Transdev</td>
</tr>
<tr>
<td>Manchester Waste TPSCO (UK)</td>
<td>John Laing, Viridor, Ineos Chlor</td>
<td>Keppel Seghers</td>
<td>Ineos Chlor</td>
</tr>
<tr>
<td>Nordergründe Wind Farm (Germany)</td>
<td>John Laing, wpd, Gothaer Leben</td>
<td>Senvion</td>
<td>wpd</td>
</tr>
<tr>
<td>New Generation Rolling Stock (Australia)</td>
<td>John Laing, Bombardier, Itochu, Laing O'Rourke</td>
<td>Bombardier, Laing O'Rourke</td>
<td>Bombardier</td>
</tr>
</tbody>
</table>
Shortlisted PPP projects

North America
- George Massey Bridge
- Geordie Howe International Bridge
- LAX People Mover
- Central 70 road

Europe
- National Broadband, RoI

Asia Pacific
- Grafton Prison NSW
- NZ Schools III
- Plus one PPP bid not yet disclosable
Strong and well diversified pipeline

**PPP 30 June 2016**
- Asia Pacific: 33%
- North America: 34%
- Rest of Europe: 24%
- UK: 9%
- Total: £1,337m

**PPP 31 December 2015**
- Asia Pacific: 31%
- North America: 37%
- Rest of Europe: 22%
- UK: 10%
- Total: £1,135m

**Renewable Energy 30 June 2016**
- Asia Pacific: 10%
- North America: 15%
- Rest of Europe: 61%
- UK: 14%
- Total: £441m

**Renewable Energy 31 December 2015**
- Asia Pacific: 14%
- North America: 13%
- Rest of Europe: 67%
- UK: 6%
- Total: £359m
Centralised Investment Committee

Chris Waples
Group Managing Director – Asset Management
Chairman – Investment Committee
Investment Committee – centralised process

**Terms of reference**

- Delegated authority from the Board
- To review primary bidding and investing activities in relation to all proposed investments
- To be independent of the bidding process
- To ensure risk profiles of investments are acceptable and that financial returns are adequate

Investments outside IC terms of reference also require Board approval
Investment Committee – centralised process

Terms of reference

- Delegated authority from the Board
- To review primary bidding and investing activities in relation to all proposed investments
- To be independent of the bidding process
- To ensure risk profiles of investments are acceptable and that financial returns are adequate

Membership

- Group Managing Director, Asset Management (Chairman)
- Group Chief Executive
- Group Finance Director
- Group Managing Director, Primary Investment
- Group General Counsel & Company Secretary
- Other senior managers (with some rotation)

Investments outside IC terms of reference also require Board approval
Investment Committee – flexible approach

Objective is to make consistent and high quality decisions

Investment awareness

- Proactive bid teams
- Detailed knowledge

How we operate

- IC meets as frequently as required
- Membership experienced in all major infrastructure sectors
- Draws on internal specialists and experience

New investment types and countries

- Third party advice taken when required
- Special meetings set up to consider new sectors
Investment Committee – flexible approach

Objective is to make consistent and high quality decisions

New investment types

• Third party advice taken when required
• Special meetings set up to consider new sectors

Speyside Biomass, UK
Investment Committee – what we look at

- Consortium partners
- Financial parameters, including size of commitment and sensitivity analysis
- Risks
- Potential value enhancements / other opportunities
- Key terms of project finance
- Supply chain

- Timetable
- Contractor security package
- Key terms of shareholder agreements
- Competition
- Sector and geography
- Comparison vs other similar investments
- Impact on portfolio
### Key financial parameters

<table>
<thead>
<tr>
<th>Financial parameter</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hold to maturity IRR</td>
<td>Hold-to-maturity internal rate of return on the basis that the investment is held until the end of the underlying project life</td>
</tr>
<tr>
<td>Secondary market discount rates</td>
<td>Estimated discount rate range within which the project would be valued in the secondary market once it becomes operational</td>
</tr>
<tr>
<td>Money multiple</td>
<td>Realisation proceeds plus any distributions divided by equity funds injected</td>
</tr>
<tr>
<td>Annualised rate of return</td>
<td>Money multiple divided by term over which investment held expressed as a percentage</td>
</tr>
<tr>
<td>Payback</td>
<td>Number of years over which equity funds injected are recovered from future distributions</td>
</tr>
<tr>
<td>Cash yield profile</td>
<td>Cash yield forecast from the investment once the underlying project is operational</td>
</tr>
</tbody>
</table>
Coffee
Value creation

Chris Waples

Group Managing Director – Asset Management
Valuation methodology

• Valuation of the Group’s investment portfolio carried out at 30 June and 31 December – plus a review at 31 March and 30 September

• Discounted cash flow methodology – based on receipt of cash flows until asset maturity

• Base case discount rate for operational project
  ➢ Derived from secondary market information and other data points
  ➢ Adjusted for project specific risks
  ➢ Premia added to reflect construction risk
  ➢ Construction risk premia reduce over time

• Opinion on valuation at 30 June and 31 December from an independent third party
Valuation methodology – PPP assets

Illustrative example

- IRR 10%-12%
- Initial Construction Period: Value uplift on FC
- Construction Period: 9.25%, 8.25%, 7.25%
- Final Construction Period: Applicable DR
- Operations: A

Time:
- 20%
- 60%
- 20%
Valuation methodology – Renewable energy assets

Illustrative example

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<th>IRR 10%-12%</th>
<th>Construction Period</th>
<th>Ramp Up Period</th>
<th>Operations</th>
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<tr>
<td>9%-10%</td>
<td>C</td>
<td>B</td>
<td>A</td>
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<tr>
<td>8%-9%</td>
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Value uplift on FC

Applicable DR

Time

x months

12 months
Equity value – PPP investment

Potential exit point shortly after construction completion / start of operations
Text book example of a great investment

Forth Valley Royal Hospital
Value enhancement
Forth Valley Royal Hospital

Money multiple
Divested 2012
- assuming FC cash flows and divestment discount rate

Invested 2006

Value enhancements
- Major maintenance savings
- Insurance savings
- SPV savings
- Model optimisation

Money multiple
1.5x

2x
Fair value movement

<table>
<thead>
<tr>
<th>Components</th>
<th>Six months ended 30 June 2016 (£m)</th>
<th>Six months ended 30 June 2015 (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unwinding of discounting</td>
<td>36.6</td>
<td>29.5</td>
</tr>
<tr>
<td>Reduction of construction risk premia</td>
<td>17.4</td>
<td>11.0</td>
</tr>
<tr>
<td>Foreign exchange movements</td>
<td>49.4</td>
<td>(21.0)</td>
</tr>
<tr>
<td>Change in operational benchmark discount rates</td>
<td>27.5</td>
<td>19.3</td>
</tr>
<tr>
<td>Change in power and gas price forecasts</td>
<td>(16.3)</td>
<td>(7.3)</td>
</tr>
<tr>
<td>Value enhancements and other changes</td>
<td>13.6</td>
<td>13.0</td>
</tr>
<tr>
<td><strong>Fair value movement</strong></td>
<td><strong>128.2</strong></td>
<td><strong>44.5</strong></td>
</tr>
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- Embedded value is released as cashflows draw closer and assets move through construction phase
Intercity Express Programme – Case Study

Mark Westbrook
Managing Director – Primary Investments: UK, Ireland, N.Europe
Value Creation Cycle

- Innovative Solution
- Robust Financing Solution
- Value Creation for client and John Laing
- Future Flexibility
- Governance
- Ability to De-risk
- Potential Upsides
Value Creation – Development Phase

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Potential Upsides
Value Creation – Development Phase

Innovative Solution

Robust Financing Solution

2012: Project Grand Prix
InterCity Express Programme

2012 Best Transport Project Award
InterCity Express Programme

2012: Best Pathfinder Project Award
InterCity Express Programme

2012: European PPP Deal of the Year
InterCity Express Programme

2012: European Rolling Stock Deal of the Year
InterCity Express Programme

2014: Rail Deal of the Year
InterCity Express Programme

Potential Upsides

Value Creation for client and John Laing

Future Flexibility

Governance

Innovative Solution

Robust Financing Solution

Value Creation for client and John Laing

Future Flexibility

Governance
Value Creation – Development Phase

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Potential Upsides

Value Creation for client and John Laing

Robust Financing Solution

Future Flexibility

Innovative Solution

Governance

Potential Upsides

Value Creation for client and John Laing

Robust Financing Solution

Future Flexibility

Innovative Solution

Governance
Value Creation – Delivery Phase

- Innovative Solution
- Robust Financing Solution
- Value Creation for client and John Laing
- Potential Upsides
- Ability to De-risk
- Future Flexibility

Governance

- Agility Trains West (Board)
  - Chief Executive Officer
  - Implementation Director
  - Transition & Operations Director
  - Commercial Director
  - Fleet Manager
  - Transition & Operations Manager (GWML)
  - Transition & Operations Manager (ECML)
  - Fleet Engineer
  - Contract Performance Analyst
  - Contract Performance Analyst

- Agility Trains East (Board)
  - Finance Director
  - Finance Manager (GWML)
  - Finance Manager (ECML)
  - Accounts Assistant
Value Creation – Delivery Phase

- Innovative Solution
- Robust Financing Solution
- Potential Upsides
- Value Creation for client and John Laing
- Future Flexibility
- Governance
- Ability to De-risk

Design | Manufacture | Test | Final Acceptance | Operations
Value Creation – Delivery Phase

- Innovative Solution
- Robust Financing Solution
- Value Creation for client and John Laing
- Ability to De-risk
- Future Flexibility
- Potential Further Efficiencies
- Governance

Further Efficiencies

Potential

Refinancing

Approved

Efficiencies
Illustrative impact of macro-economic factors

Patrick Bourke - Group Finance Director
Illustration of impact of change in portfolio value discount rates

<table>
<thead>
<tr>
<th>Summary balance sheet</th>
<th>30 June 2016 (£m)</th>
<th>0.25% increase in portfolio value discount rate</th>
<th>0.25% decrease in portfolio value discount rate</th>
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<tr>
<td>Portfolio value</td>
<td>945.2</td>
<td>(30.2)</td>
<td>31.6</td>
</tr>
<tr>
<td>Cash collateral</td>
<td>145.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-portfolio assets</td>
<td>0.5</td>
<td></td>
<td></td>
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<tr>
<td>Total investments</td>
<td>1,090.9</td>
<td></td>
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<tr>
<td>Other long term assets</td>
<td>5.0</td>
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<td>Total Liabilities</td>
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<td></td>
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<td>Net Assets</td>
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- Portfolio value is sensitive to the discount rate
- Weighted average discount rate at 30 June 2016 was 9.1%
- Recent movements in secondary market rates have been c25-30 basis points
- 0.25% change has an impact of +/- £30m
Illustration of impact of change in IAS 19 pension discount rates

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- Present value of pension fund liabilities based on discount rate derived from high quality corporate bonds yields
- Discount rate at 30 June 2016 was 2.85%
- Sensitivity to 0.25% change is illustrated all other things being equal
- Sensitivity does not take account of hedging or change in value of pension fund assets
Illustration of impact of change in foreign exchange rates

<table>
<thead>
<tr>
<th>Summary balance sheet</th>
<th>30 June 2016 (£m)</th>
<th>5% strengthening of currency vs Sterling</th>
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<td>Portfolio value</td>
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- At 30 June 2016, 54% of the portfolio was denominated in overseas currencies
- 5% movement of each relevant currency against Sterling would decrease or increase the value of overseas investments by c£25m
- Cash collateral at 30 June 2016 included AU$92.4m and US$24.5m
- Pension fund assets at 30 June 2016 include £202.5m in overseas equities
- Movements would be partly offset by hedges
### Illustration of impact of change in inflation rates

**Summary balance sheet**

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- Based on a sample of PPP investments, the Group estimates a 0.25% increase in inflation would result in a valuation uplift of c£14m for the PPP investments in the portfolio at 30 June 2016

- 0.25% decrease in inflation would result in a valuation reduction of c£13m

- Inflation changes in one jurisdiction do not mean the same change in all jurisdictions in which the Group invests

- Impact on renewable energy projects depends on whether energy prices react to changes in inflation

- Changes in inflation also impact the pension fund liabilities and consequently the pension deficit *(all other things being equal)*

- Pension fund sensitivity does not take account of hedging or change in value of pension fund assets
Other macro-economic factors

- Corporation tax rates
  - Changes in corporation tax rates impact the value of investments
  - Impact depends on specific tax rates in each jurisdiction in which we invest
  - Recent reduction from 18% to 17% in the future UK tax rate increased portfolio value by £1.7m at 30 June 2016

- Deposit rates
  - Under project finance arrangements, projects in which we invest tend to hold significant cash balances
  - Changes in deposit rates affect value of investments
  - Reductions in long-term deposit rate forecasts in several jurisdictions led to a £6m reduction in the portfolio value at 30 June 2016

- Power prices
  - Against the overall portfolio valuation at 30 June 2016, we estimate that a +/- 5% movement in power price forecasts would have an impact of approximately +/- 0.7% of total portfolio value
Conclusion
Lunch