

28 February 2020

HICL Infrastructure PLC

("HICL" or "the Company" and, together with its subsidiaries, "the Group"), the London-listed infrastructure investment company managed by InfraRed Capital Partners Limited ("InfraRed" or "the Investment Manager".)

Interim Update Statement

The Board of HICL is issuing this Interim Update Statement, which relates to the period from 1 October 2019 to 28 February 2020.

Ian Russell, Chairman of HICL, said:

"The decisive outcome of the UK general election has eased some of the immediate political pressure on the infrastructure sector. This has been welcomed by the Company and shareholders alike, and both new and existing investors demonstrated their support in the Company's recent tap issuance. Over £117m has been raised to enable accretive acquisitions and the Investment Manager is progressing a pipeline of attractive opportunities.

"Private sector involvement in the responsible delivery of infrastructure brings real benefit to society. Through regulation and contractual requirements, the private sector is accountable to key stakeholders for the quality of its delivery. As a long-term investor in core infrastructure and steward of community assets, HICL takes seriously these responsibilities to both its investors and society as whole.

"The Company is on track to deliver the target dividend for the year ending 31 March 2020 of 8.25p per share, and the Board is pleased to reiterate the targets for the following two years of 8.45p and 8.65p per share¹. In the context of market expectations of 'lower for longer' interest rates, HICL's diversified portfolio of infrastructure investments continues to produce an attractive, long-term yield for the Company's shareholders."

Investment Activity

- ▲ The Group has a portfolio of over 100 investments located in the UK, France, Ireland, the Netherlands, Canada and the USA.
- ▲ In October 2019, the Company announced the completion of the acquisition by Diamond Transmission Partners ("DTP"), a consortium comprising HICL and Diamond Transmission Corporation Limited (a subsidiary of Mitsubishi Corporation), of the transmission assets ("OFTO") associated with the Race Bank Windfarm. This was followed by the completion of the Galloper Windfarm OFTO in February 2020, by the same consortium.
- ▲ As previously reported, DTP has also been selected by Ofgem as the preferred bidder for the Walney Extension wind farm OFTO. Commercial discussions are continuing with Ofgem and the project is expected to close in H1 2020.

- ▲ In November 2019, the Group completed the disposal of its entire equity and subordinated debt interests in two UK PPP projects, the Health & Safety Laboratory in Buxton (UK); and the South West Acute Hospital in Enniskillen (UK), for a combined consideration of c. £52m, which was accretive to NAV and each of the portfolio metrics – total return, yield, inflation linkage and asset life.

Portfolio Performance

- ▲ Cash generation from the portfolio has been in line with expectations at the time of the September 2019 valuation.
- ▲ PPP projects represented 71% of portfolio value at 30 September 2019. The PPP portfolio continues to perform in line with expectations:
 - The Group's two projects in construction, Paris-Sud University (France) and the Blankenburg Connection (Netherlands), continue to make good progress.
 - The construction of a major variation to the Allenby & Connaught PPP, the Army Basing Programme, was completed during the period, providing accommodation for 4,000 troops that have relocated from Germany.
- ▲ The Group's demand-based investments represented 22% of portfolio value at 30 September 2019.
 - The Company's toll roads, the A63 Motorway (France) and Northwest Parkway (USA), have outperformed against 30 September 2019 valuation assumptions. In the quarter to 31 December 2019, traffic on the A63 Motorway was 3.4% ahead of forecast and on Northwest Parkway was 5.6% ahead of forecast. In January 2020, the Investment Manager completed a refinancing of Northwest Parkway. The refinancing was achieved two years ahead of forecast, taking advantage of a favourable interest rate environment.
 - Overall, High Speed 1 ("HS1") has performed in line with 30 September 2019 valuation assumptions, with total train paths 1.4% ahead of forecasts. In January 2020, the Office of Rail and Road published its final determination on the 5-year business plan for Control Period 3. There were no significant changes from the draft determination received in September 2019 and, as discussed in the Interim Report, all costs are passed down to the train operating companies so there will be little impact from the overall determination on HS1's financial performance.
- ▲ Regulated assets represented 7% of portfolio value at 30 September 2019. As part of the 2019 Price Review ("PR19"), Affinity Water (6% of portfolio value at 30 September 2019) has accepted the Final Determination ("FD") from Ofwat on its business plan for Asset Management Period 7 (April 2020 to March 2025) ("AMP7"). Having a resolution of the process allows management to focus on achieving the challenging operational efficiencies required for AMP7.
- ▲ Overall, the PR19 FD moved the key metric of total expenditure towards the proposals made in Affinity Water's final business plan submission in August 2019. The investment requirements to meet forecast capital expenditure in the final determination are

significant; in order to meet them shareholders have, as set out in the August 2019 business plan, agreed to forgo dividends during AMP7. Following the FD, credit ratings agency Standard and Poor's have downgraded the senior secured debt ratings of Affinity Water by one notch alongside downgrades for three other UK water utilities. This downgrade was expected and it is not anticipated to negatively impact the value of Affinity Water.

Dividends and Financing

- ▲ The second quarterly interim dividend for the financial year ending 31 March 2020 of 2.06 pence per Ordinary Share (the "Q2 Dividend") was paid on 31 December 2019. The interest streaming percentage for the Q2 Dividend was 55%.
- ▲ On 26 February 2020, the Company announced a third quarterly interim dividend for the financial year ending 31 March 2020 of 2.06 pence per Ordinary Share (the "Q3 Dividend"), in line with target guidance. The interest streaming percentage for the Q3 Dividend is 66%.
- ▲ The Company remains on track to deliver its target dividend of 8.25 pence per Ordinary Share for the financial year to 31 March 2020, and the Board reiterates a target dividend of 8.45 pence per Ordinary Share for the financial year to 31 March 2021 and 8.65 pence per Ordinary Share for the financial year to 31 March 2022¹. The Company expects the dividend for the year to 31 March 2020 to be fully cash covered.
- ▲ On 21 January 2020, the Company hosted a Capital Markets Seminar for institutional investors and equity analysts. The presentation provided insight into a) how InfraRed focuses on stakeholder engagement and investment in technology to drive active management of the portfolio; b) examples of value enhancement for HICL's shareholders and wider stakeholders; and c) HICL's vision for continuing to build and diversify its portfolio of core infrastructure investments in an evolving market. No material new information was disclosed at the presentation and the slides are available on the HICL website.

Issued Capital

- ▲ As at 28 February 2020, the Company's issued share capital consists of 1,863,642,769 ordinary shares of 0.01p each, all of which carry voting rights.
- ▲ In November 2019, the Company undertook a materially oversubscribed tap issue, raising gross proceeds of £100m through the issue of 62,500,000 new Ordinary Shares. The Issue Price per Ordinary Share was 160.0p, and the proceeds were used to repay the net funding requirement as well as to facilitate the pursuit of new attractive investment opportunities.
- ▲ In response to ongoing demand, the Company issued a further 10,000,000 new Ordinary Shares in January 2020 by way of tap issuance at the prevailing market price of 171.4p, raising gross proceeds of £17.1m.
- ▲ Following the Company's July 2019 Annual General Meeting ("AGM") when shareholders granted the Board authority to issue up to 10% of outstanding shares on a non pre-

emptive basis, and the two tap issues discussed above, the Company's current tap capacity is approximately 106.6m shares (limited by the AGM authority).

March 2020 Valuation

- ▲ The next valuation of the Group's portfolio will be as at 31 March 2020 and will be published as part of the Company's Annual Results in May 2020.
- ▲ As discussed in the HICL Interim Report in November 2019, the UK Government has indicated that it will not lower the UK corporation tax rate to 17% as previously planned. If confirmed in the forthcoming March 2020 UK Budget, 19% will be held as an ongoing assumption for the UK corporation tax rate and, all else being equal, would have a negative impact on NAV per share of circa 1.8p.
- ▲ The UK infrastructure market has seen increased activity following the general election result in December 2019, with a significant easing of the political risk hanging over the sector. The Investment Manager has also noted increased asset pricing in a number of recent Eurozone and North American auction processes. Both these factors are expected to create downward pressure on the respective UK, Eurozone and North American discount rates, which would be positive for the March 2020 valuation.
- ▲ Interest rates continue to be depressed in both the UK and Eurozone, and if this persists, will be reflected in lower long-term deposit rate assumptions which would be negative for the March 2020 valuation.
- ▲ Following the UK general election, Sterling has been pushed higher against all major portfolio currencies such that the foreign exchange gains recognised in the first half of the financial year were broadly reversed by 31 December 2019.
- ▲ UK and European inflation rates have been below the Investment Manager's long-term inflation assumptions. If maintained, this will result in some valuation downside which would be reflected in the March 2020 valuation.

Company and Governance

- ▲ The Company's Interim Report for the six months ended 30 September 2019 was published on 20 November 2019, with copies posted to shareholders who elected to receive a printed version.
- ▲ In December 2019, the Company announced the appointment of Rita Akushie as a non-executive Director with effect from 1 January 2020. Ms Akushie has over 20 years of experience in finance roles for housing associations and charities, and brings a perspective that is complementary to the existing Directors.
- ▲ In December 2019, the Investment Manager announced an agreement whereby Sun Life Financial Inc. (together with its subsidiaries and joint ventures, "Sun Life") would purchase a majority stake in InfraRed. The transaction is expected to close during the first half of 2020, after which InfraRed will operate as a distinct business under SLC Management, Sun Life's alternative asset management business.

Market and Outlook

- ▲ The Group's exposure to assets with GDP correlation is currently at its target level. However, the Group will look to make further investments in this market segment in proportion to the growth of the portfolio.
- ▲ The Investment Manager continues to assess opportunities across the core infrastructure market, seeking opportunities in essential community assets with strong cashflow quality and defensive market positions.
- ▲ The investment pipeline remains healthy, with both greenfield and brownfield PPP opportunities in the UK, Europe and North America, as well as an increase in the attractiveness of selective assets which benefit from high quality revenues from corporate counterparties.

¹ This is a target only and not a profit forecast. There can be no assurance that this target will be met.

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HICL Infrastructure PLC

HICL Infrastructure PLC ("HICL" or the "Company", and together with its subsidiaries the "Group") is a long-term investor in infrastructure assets which are predominantly operational and yielding steady returns. It was the first infrastructure investment company to be listed on the London Stock Exchange.

With a current portfolio of over 100 infrastructure investments, HICL is seeking further suitable opportunities, which are positioned at the lower end of the risk spectrum within core infrastructure.

Further details can be found on the HICL website www.hicl.com.

Investment Manager (InfraRed Capital Partners)

The Investment Manager to HICL is InfraRed Capital Partners Limited ("InfraRed") which has successfully invested in over 200 infrastructure projects since 1997. InfraRed is a leading international investment manager focused on infrastructure and real estate. It operates worldwide from offices in London, Hong Kong, New York, Seoul and Sydney. With over 150 professionals it manages in excess of US\$12bn of equity capital in multiple private and listed funds, primarily for institutional investors across the globe. InfraRed is authorised and regulated by the Financial Conduct Authority.

The infrastructure investment team at InfraRed consists of over 85 investment professionals, all with an infrastructure investment background and a broad range of relevant skills, including private equity, structured finance, construction, renewable energy and facilities management.

InfraRed implements best-in-class practices to underpin asset management and investment decisions, promotes ethical behaviour and has established community engagement initiatives to support good causes in the wider community. InfraRed is a signatory of the Principles of Responsible Investment.

Further details can be found on InfraRed's website www.ircp.com.