

10 February 2014

## HICL Infrastructure Company Limited

### Interim Management Statement

HICL Infrastructure Company Limited ('HICL' or the 'Company'), the listed infrastructure investment company, is issuing this Interim Management Statement ('IMS') in accordance with FCA Disclosure and Transparency Rule 4.3. This statement relates to the period from 1 October 2013 to 7 February 2014. References to the Group below refer to the Company and its wholly-owned corporate subsidiaries.

### Highlights

- ▲ Total net investment during the period of £32.3m as a result of six new investments, three acquisitions of incremental stakes and two disposals which brings the total number of projects in the portfolio to 93;
- ▲ First investments made in France, with pipeline still healthy and a number of overseas investment opportunities being considered;
- ▲ The investment portfolio continues to perform well, and cash inflows from the investments are on track to deliver the targeted 7.1p per share dividend for the year ending 31 March 2014;

Graham Picken, Chairman of HICL Infrastructure Company Limited, said:

"The Directors are pleased with the Company's portfolio performance in the period, underpinned by the Investment Adviser's portfolio and asset management initiatives.

In a competitive market, the Group maintained its pricing discipline and secured a number of attractive acquisitions, including its first two investments in France. The Investment Adviser continues to pursue other opportunities in France.

The investment pipeline remains healthy with a number of opportunities that meet the Company's acquisition strategy for social and transportation investments being progressed in the UK, France, Ireland and Australia.

Further investments in their construction phase will be considered if suitable opportunities arise.

The Group's performance and cash generation gives the Board confidence in the Company's ability to deliver the 7.1p per share dividend target for the current financial year."

### Acquisitions & Disposals

Since 1 October 2013, the Group has undertaken the following investment activity for an aggregate net investment amount of £32.3m:

- ▲ October 2013
  - £9.2m for a 29.1% stake in Falkirk NPD Schools project and a 50% stake in Brighton Hospital
- ▲ January 2014
  - €6.5m (£5.4m) for a 85% stake in the University of Bourgogne academic accommodation project and a 90% stake in the RD901 road project

- the acquisition of three incremental stakes (each 20%) in Derby Schools, Newport Schools and Medway Police projects, and the sale of all of the Group's interests in Swindon Police and Dorset Police projects, for aggregate net disposal proceeds of £5.8m
- £23.5m for a 26% stake in the Royal School of Military Engineering project and a 40% stake in the Sheffield BSF Schools project.

## Portfolio

Following the transactions in the period, the Group currently owns a portfolio of 93 infrastructure investments (89 as at 30 September 2013), all of which are social and transportation infrastructure concessions, with predominantly availability-based income streams. The investments are mainly located in the UK, with two in Canada, two in France, two in Ireland and one in Holland. There are currently four investments in their construction phases, being Allenby and Connaught, RD901, University of Bourgogne accommodation project, and RSME PPP project (Holdfast Training). These account for approximately 7% by value of the current portfolio.

The portfolio is performing as expected and the cash inflows from the investments for the year to 31 March 2014 are in line with the Company's forecasts.

The Board hosted a seminar for shareholders at the Group's flagship project, the Home Office, at the end of November. The Investment Adviser's team provided a detailed insight into the role of the asset management function, its effectiveness in maintaining and enhancing value, and the interaction with other stakeholders in the projects. Feedback from those who attended was positive and it gave the Board an opportunity to meet shareholders.

## Pipeline of new opportunities

The investment climate for assets which meet the Group's acquisition strategy continues to be competitive, although as expected there has been less activity in the last few months. This strongly positive market in the UK is likely to continue in 2014, with more potential acquirers and potentially fewer investments coming to market.

The current investment pipeline includes a number of opportunities outside the UK. The Group is maintaining its pricing discipline and as a result has been unsuccessful at auction on a number of occasions. The Investment Adviser continues to source new investments via its network of relationships and whilst opportunities are being pursued in the UK, the pipeline also consists of attractive opportunities in France, Ireland and Australia.

## Valuation of the Portfolio

The Company values the portfolio twice a year as at 30 September and 31 March. At 30 September 2013 the Company's Net Asset Value per share on an investment basis was 119.6p (after payment of the 3.5p first interim dividend).

A number of factors are likely to impact positively upon the Company's net asset value per share as at 31 March 2014. As noted above, the imbalance in the UK between supply and demand may lead to a reduction in the weighted average discount rate used to value the Group's portfolio, while the reduction in UK corporation tax rates from 23% to 21% from 6 April 2014 will also have a positive impact on valuation. On the down side, short term deposit rates look set to continue at current levels for longer than previously expected and inflation is currently closer to the Company's assumed long-term level of 2.75% p.a., which means that the positive contribution to value from inflation will be less than in recent reporting periods.

## **Capitalisation and gearing**

The Investment Adviser is currently in discussions with its relationship banks regarding the renewal, increase and extension of the Group's £100m revolving debt facility to £150m with the final maturity pushed back to May 2016 from February 2015. Negotiation of detailed terms is expected to be concluded by 31 March 2014.

Following the recent acquisitions, the Company currently has a net funding requirement of circa £23m, and has authority to issue a further 52m shares by way of tap issuance, when appropriate.

## **Dividends**

The Company declared a first interim dividend of 3.5p per share for the year to 31 March 2014 on 14 November, which was paid to shareholders on 31 December 2013. A scrip dividend alternative was offered and there was an 11.0% take-up, resulting in an additional 3,472,848 ordinary shares being issued on 31 December 2013.

## **Regulation and Governance**

As previously reported the Company is complying with the updated Association of Investment Companies (AIC) Code of Corporate Governance issued in February 2013. The Company will be adopting the revised IFRS 10 accounting standards regarding the accounting treatment of Investment Entities in its financial statements for the year ending 31 March 2014. Essentially these require the Company to prepare IFRS financial statements which do not consolidate subsidiaries. These statements are similar to the Company's results presented on a pro-forma Investment basis.

Following formal implementation of the Alternative Investment Fund Managers Directive (AIFMD), the Company is taking advantage of the transitional provisions which extend the deadline for authorisation or registration until 22 July 2014. As the Company is regarded as an Alternative Investment Fund (AIF), the Board has taken legal and regulatory advice, and intends to register the Company as a self-managed AIF.

As announced on 6 January 2014, in relation to the FCA's rules concerning non-mainstream pooled investments, the Board confirmed that it conducts the Company's affairs, and intends to continue to conduct the Company's affairs, such that the Company would qualify for approval as an investment trust if it were resident in the United Kingdom, and that IFAs should therefore be able to recommend the Company's shares to ordinary retail investors.

## **Outlook**

As the Group's portfolio of investments is performing as expected the Board remains confident that the target dividend per share of 7.1p for this financial year will be achieved, and that the guidance for the subsequent financial year to 31 March 2015 of 7.25p per share remains appropriate.

Whilst recent market activity has been relatively subdued, the investment pipeline remains healthy with further social and transportation investments currently under consideration in the UK, France, Ireland and Australia. Both the Board and the Investment Adviser are cautious in relation to larger UK transactions where intense competition may make acquisition prices unattractive. Acquisitions made in the near term are expected to be funded from the Group's debt facility and residual tap capacity.

Ends

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## HICL Infrastructure Company Limited

The Company is a long term investor in infrastructure projects which are predominantly in their operating phase and yielding steady returns. It was the first infrastructure investment company to be listed on the London Stock Exchange. It currently owns a portfolio of 93 infrastructure investments, all of which are social or transportation infrastructure projects, and is seeking further suitable investment opportunities which fit its stated Investment Strategy. This includes social and transportation projects under construction.

Further details of the Company can be found on its website [www.hicl.com](http://www.hicl.com).

This IMS provides an explanation of material events and transactions that have taken place during the period from 1 October 2013 to 7 February 2014 and their impact on the financial position of the Investment group. These indications reflect the Investment Adviser's and the Board's current views. 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 owned by the Group.

## Investment Adviser

The Investment Adviser to the Company is InfraRed Capital Partners Limited, whose infrastructure investment team has successfully invested in infrastructure projects since 1997.

InfraRed Capital Partners Limited is authorised and regulated by the Financial Conduct Authority.