

HICL Infrastructure Company Limited

£269 million acquisition of a 36.6% interest in Affinity Water

2 May 2017



Important Information



This presentation and subsequent discussion may contain certain forward looking statements with respect to the financial condition, results of operations and business of HICL Infrastructure Company Limited and its subsidiaries (the “Group”). These forward-looking statements represent the Group’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

This presentation relates to the announcement that the Group has signed a contract to acquire an investment in Affinity Water. There is no new material information in this presentation and the portfolio analysis presented is based on information already published by the Group.

Further detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report & Consolidated Financial Statements for the year ended 31 March 2016 and in the New Ordinary Share Prospectus of February 2017 which are available from the Company’s website.

All data is accurate as at 28 April 2017, unless otherwise stated. Past performance is not a reliable indicator of future performance.

- ▲ HICL has announced today that it has reached agreement to acquire a 36.6 per cent. interest in Affinity Water Acquisitions (Investments) Limited (“Affinity Water”)
- ▲ HICL is making the acquisition as part of a consortium (together with DIF Infrastructure and Allianz Capital Partners) which is buying the entire equity interest in Affinity Water. The vendors are funds managed by Morgan Stanley and Infracapital, with a minority interest also being bought out
- ▲ The consideration for HICL’s investment amounts to c.£269m, with completion expected during May
- ▲ Will be funded out of cash resources and the Group’s revolving credit facility
- ▲ Post completion, net funding requirement of circa £230m

Company Overview

Monopoly water supply provider in the South East of England

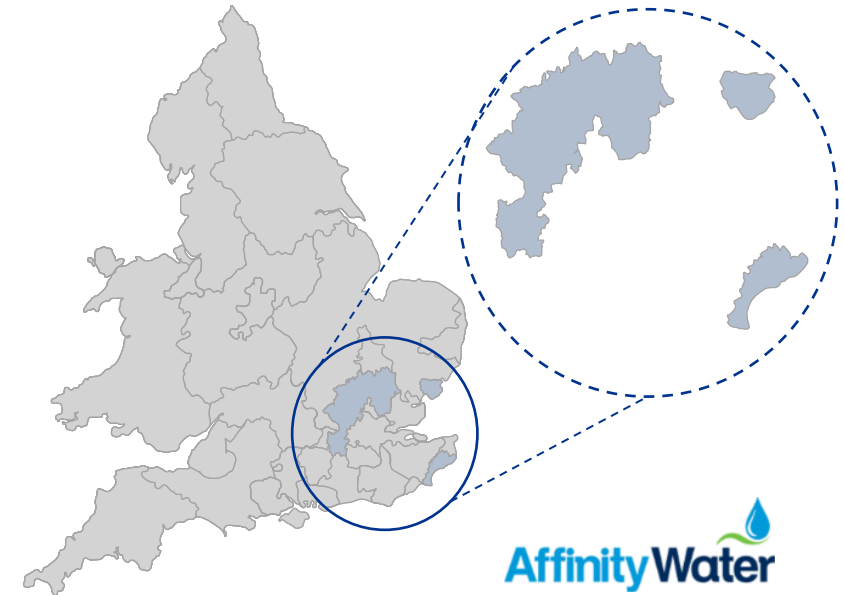
Key Facts

- ▲ Largest Water Only Company in the UK by revenue and population served
- ▲ Has been supplying water for more than 130 years
- ▲ Located in the South East of England, an area where the population is forecast to grow over the next 25 years
- ▲ One of two companies in the UK water sector to earn 'enhanced' status in Ofwat's 2014 price review based on the quality of the business plan

2015/2016 Metrics¹

Revenue	£303 million
Population Served	3.6 million
Customers	1.5 million
Water Network Length	16,500 km of water mains
Water Supplied	900 million litres / day

Affinity Water Supply Area



- ▲ Affinity Water owns and manages the water assets and network in an area of approximately 4,515km² split over three regions, comprising eight separate water resource zones
- ▲ Operates 98 water treatments works

1. Affinity Water March 2016 Annual Report.

Affinity Water – the investment

- ▲ Regulated asset
 - Regulated by Ofwat under Water Industry Act (1991)
 - Ten Water and Sewerage Companies (“WaSCs”) and eight Water only Companies (“WOCs”) subject to regulation
 - Rules in relation to ownership – special merger regime
- ▲ Expected life of investment
 - Not a finite life concession - rolling 25 year license
- ▲ Existing management team and board
 - Board of two executive directors and five independent non-executive directors, in addition to shareholder directors
 - Chairman is Philip Nolan
- ▲ Regulatory review periods
 - Currently in 6th regulatory period to March 2020 (PR14)
 - Regulatory settlements every five years
 - Negotiation of next period will commence in 2018 (PR19)
- ▲ Capital structure
 - Affinity Water holds a solid investment grade credit rating
 - No HoldCo leverage in acquisition structure
- ▲ Valuation of HICL’s acquisition
 - Full financial model, HICL’s economic assumptions, and other inputs based on due diligence and specialist advice

Investment Rationale and Summary

£269m consideration for 36.6% equity interest in Affinity Water



Supports HICL's Investment Proposition

- ▲ HICL seeks to deliver to shareholders:
 - long-term income from a portfolio of infrastructure investments positioned at the lower end of the risk spectrum, plus an element of capital growth
 - correlation between inflation and returns for long-term investors
- ▲ Affinity Water supports the fulfilment of the investment proposition and is accretive

Consistent with Company's stated acquisition strategy

- ▲ Affinity Water acquisition is in line with HICL's strategy, which is focused on three market segments:
 - PPP projects, regulated assets and demand-based assets
- ▲ HICL also shortlisted on OFTO TR4 and TR5 (Group 1)

Aligned with HICL's risk appetite

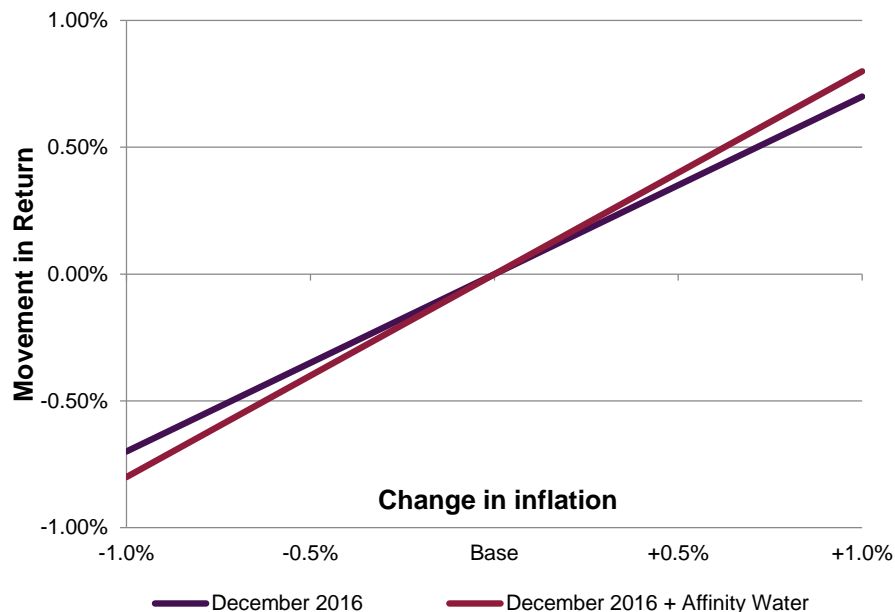
- ▲ Mature regulatory framework
- ▲ Large shareholding and member of InfraRed asset management team on the Affinity Water Board of Directors:
 - greater degree of visibility of performance
 - regular contact with management
 - appropriate influence on key decisions
- ▲ Lower operational risk (e.g. risk of sewage leaks/spills) compared to an investment in a WaSC
- ▲ Robust capital structure
- ▲ GBP investment

Value Accretive Investment added to portfolio

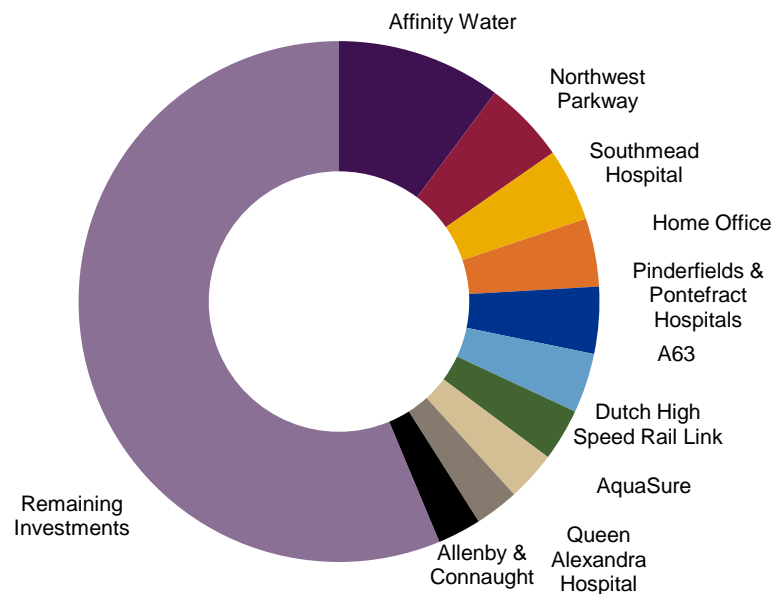
Portfolio of 115 infrastructure investments¹

- ▲ Inflation correlation increases by 0.1%, from 0.7% to 0.8%²
- ▲ Increases portfolio weighted average life by approximately 7.7 years to 32.2 years³
- ▲ Investment return higher than the 7.4% portfolio weighted average discount rate used for the valuation as at 31 December 2016

Inflation Correlation



10 largest investments⁴

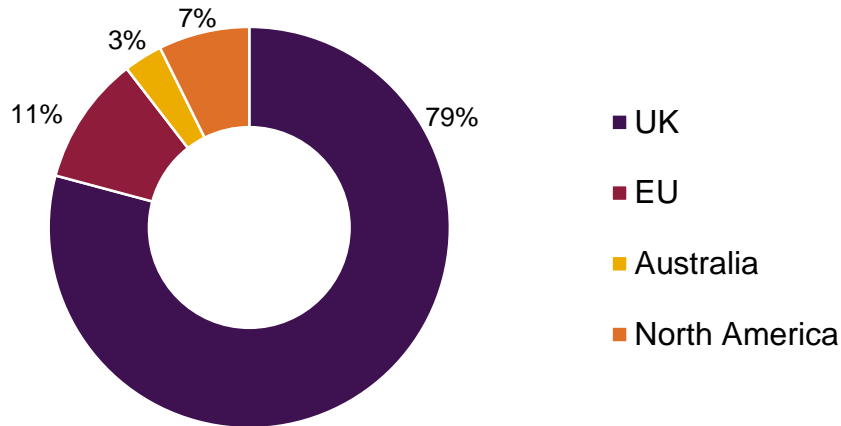


1. Based on the portfolio as at 31 March 2017 plus the Affinity Water investment.
 2. If inflation 1% higher than base case valuation assumption in each and every forecast period, portfolio return will be 0.8% p.a. higher (0.7% at December 2016).
 3. Based on the portfolio as at 31 December 2016 plus the Affinity Water investment. Calculated using a 100-year asset life for Affinity Water.
 4. Based on the portfolio value as at 31 December 2016 plus subsequent acquisitions at cost.

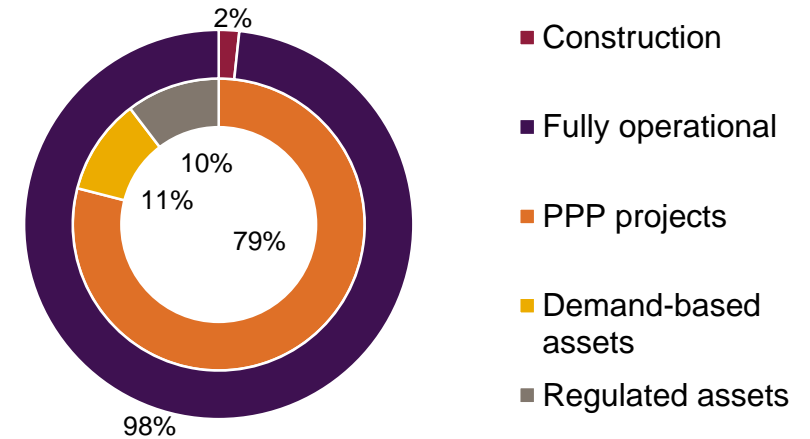
Impact on HICL Portfolio

Portfolio size of £2,640million¹

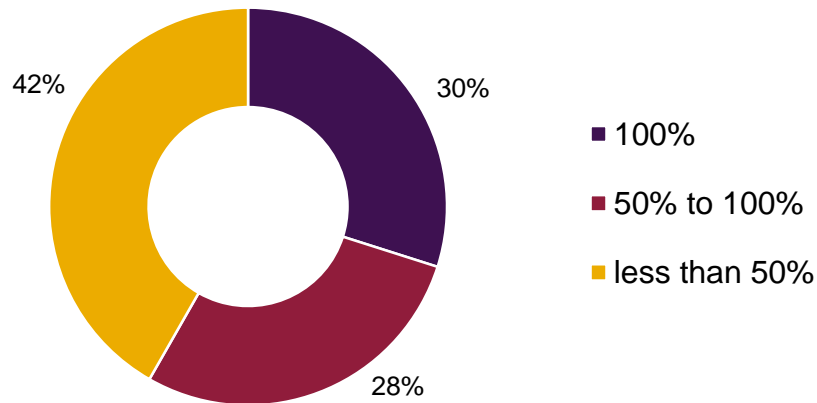
Geographic Location²



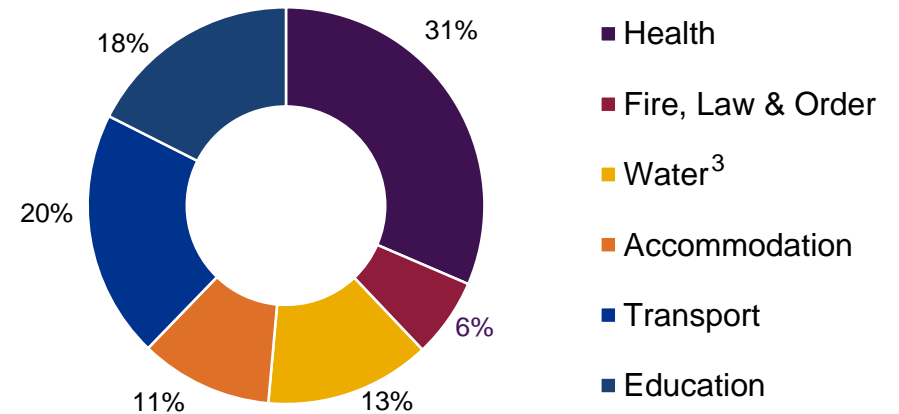
Investment Segment & Status²



Ownership Analysis²



Sector²



1. Based on the portfolio as at 31 December 2016 plus subsequent investments at cost, including Affinity Water.

2. Labels are rounded to the nearest percent.

3. Water includes Affinity Water and Aquasure Desalination Plant