# HICL Infrastructure Company Ltd

Overview of the Company, its Investment Adviser and performance

**Summer 2013**

www.hicl.com

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Past performance is not a reliable indicator of future performance.

# Overview of InfraRed Capital Partners Ltd

InfraRed is the Investment Adviser and Operator

- InfraRed is the investment adviser to HICL and is authorised and regulated by the Financial Conduct Authority
- Strong, 15+ year track record in raising and managing 15 value-add infrastructure and real estate funds (including HICL and TRIG)
- Currently over US$6bn of equity under management
- Independent manager 80.1% owned by 28 partners following successful spin-out from HSBC Group in April 2011[1]
- London based, with offices in Hong Kong, New York, Paris and Sydney, with over 100 partners and staff
- Team of 17 professionals advising the Group, managing the investments and sourcing new investments

| Infrastructure funds | Strategy | Amount (m) | Years | Status |
|---|---|---|---|---|
| Fund I | Unlisted, greenfield, capital growth | £125 | 2001-2006 | Realised |
| Fund II | Unlisted, greenfield, capital growth | £300 | Since 2004 | Materially realised |
| HICL Infrastructure Company Limited ("HICL") | Listed, secondary, income yield | £1,527[2] | Since 2006 | Evergreen |
| Environmental Fund | Unlisted, greenfield, capital growth | €235 | Since 2009 | Investing |
| Fund III | Unlisted, greenfield, capital growth | US$1,217 | Since 2011 | Investing |
| Yield Fund | Unlisted, secondary, income yield | £500 | Since 2012 | Invested |
| The Renewables Infrastructure Group ("TRIG") | Listed , secondary, income yield | £300[3] | Since 2013 | Evergreen |

Source: InfraRed
1. InfraRed is an indirect subsidiary of InfraRed Partners LLP which is 80.1% owned by 28 partners and 19.9% by HSBC Group
2. Market capitalisation as at 10 July 2013.
3. IPO of £300m – listing on 29 July 2013

# InfraRed – Team Skills and Experience

- Experienced infrastructure professionals with proven track record
  - Core team for HICL of 12
  - Four asset managers
  - Part of a wider infrastructure team of 43
- Wide range of skills and knowledge of
  - Assets in portfolio
  - Core target sectors
  - Corporate finance
  - M&A
  - Treasury management
- Detailed, ‘tried and tested’ investment processes
- Active asset management with regular review
- Proactive value management

# The Infrastructure Asset Class

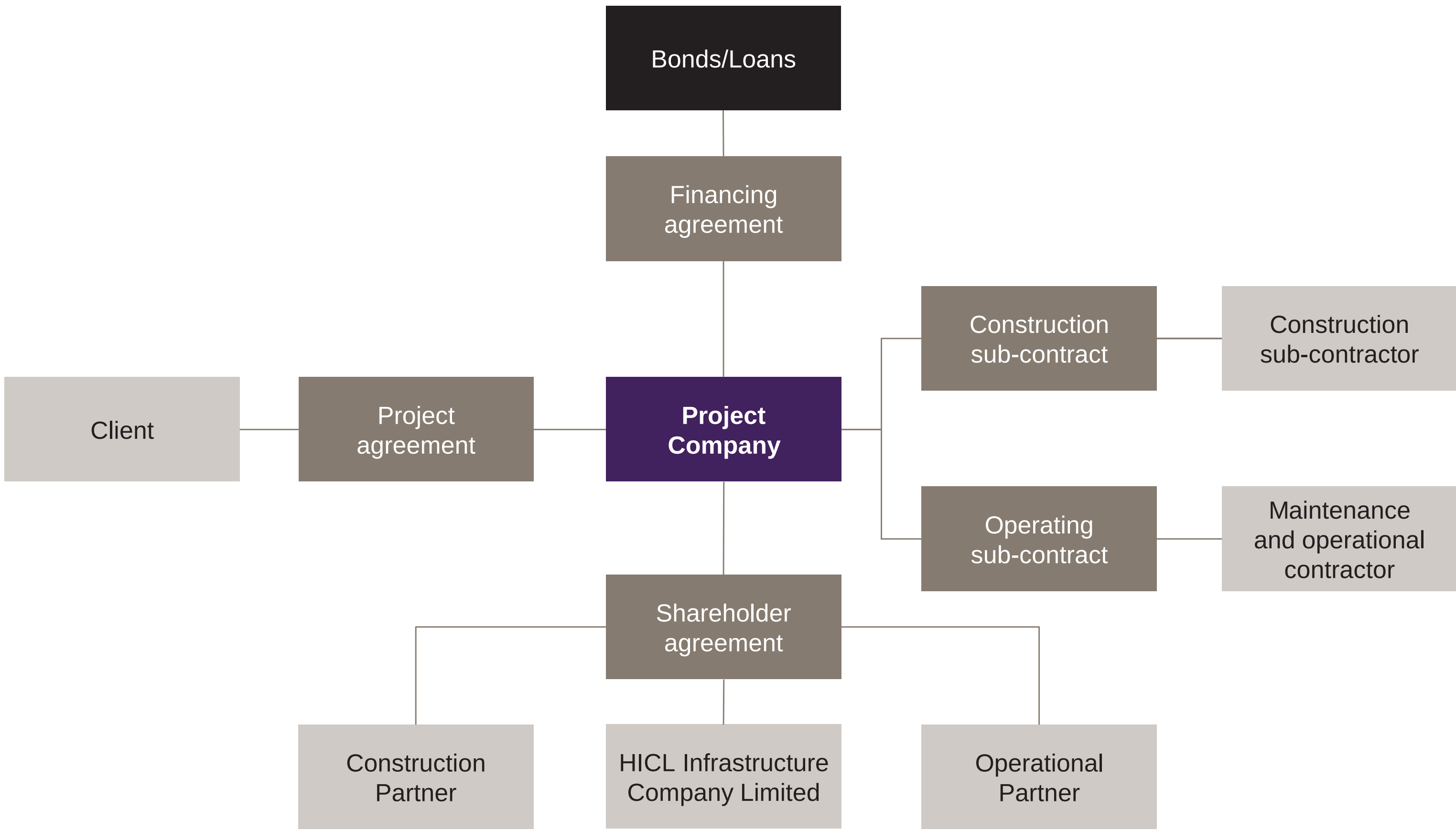
Low — **Revenue risk** — High

| Risk class | Availability | Regulatory | Demand based | Market |
|---|---|---|---|---|
| Investment risks are incremental | ▸ Operating costs<br>▸ Delivery (e.g. service performance) | + Regulatory risk<br>+ Volume risk (low) | + Volume risk (high)<br>+ Known pricing risk | + Competitive risks |
| Examples |  |  |  |  |
| | ▸ Hospitals, schools, government accommodation<br>▸ Availability transport (e.g. road/rail) | ▸ Energy distribution, transmission, storage<br>▸ Water, waste water<br>▸ Renewable energy (off-take or feed-in) | ▸ Real toll roads, tunnels, bridges<br>▸ Light, heavy rail<br>▸ Airports<br>▸ Marine ports | ▸ Merchant power (no off-take)<br>▸ Ferries<br>▸ Service stations<br>▸ Waste |
| | **Lowest risk segment ('public assets')** | **Largely resilient to economic cycle** | **Exposed to economic cycle** | **Private equity style exposure** |

- Revenue risk is also heavily influenced by factors such as geographic jurisdiction and whether a project is operational or still under construction

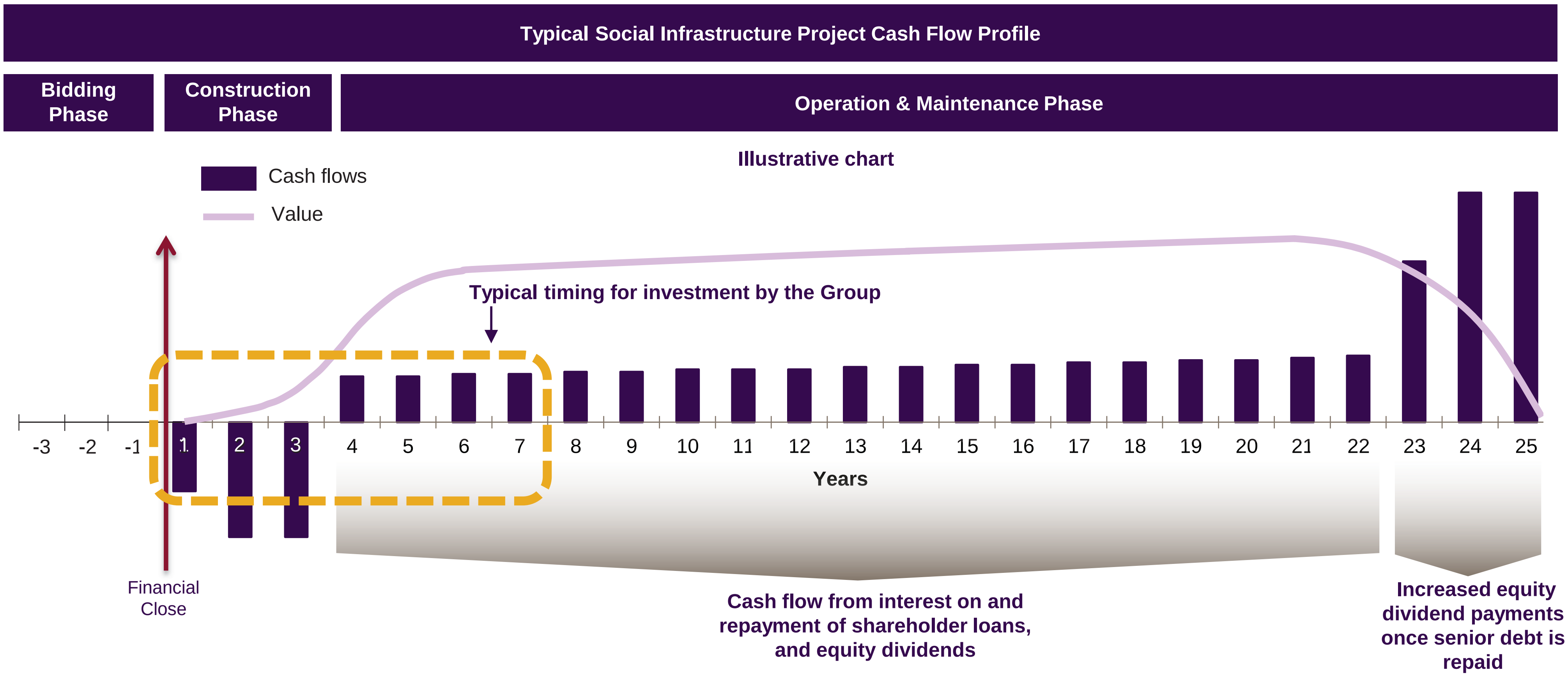
For a full list of risk factors please refer to pages 17-29 of HICL's New Ordinary Share Prospectus dated 26 February 2013

# Typical Infrastructure Project Structure



# Investment Cash Flow Profile over a Project's Life

Operational infrastructure projects benefit from long-term, predictable cash flows




Source: InfraRed

# Valuation - Methodology

Determining the net asset value of the portfolio and the Group (illustrative example)

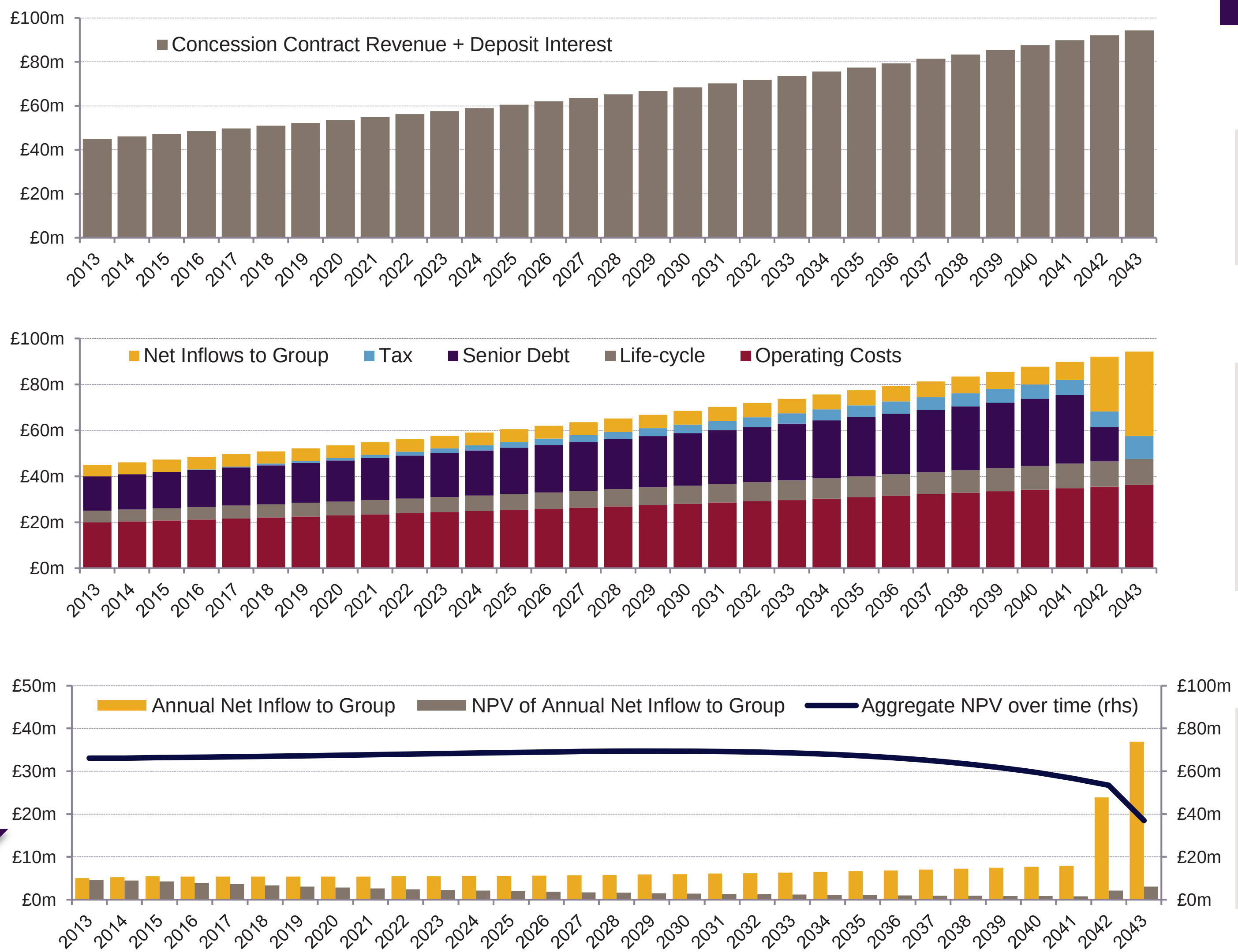
**Forecast Project Inflows**

less

**Forecast Project Outflows**

equals

**Net Inflow from Project to HICL**




**Key Variables/Assumptions**

- Long-term Inflation Rate
- Deposit Interest Rate

- Whole-of-life concession revenue linked to inflation
- Interest income from cash reserves at individual project level

- Tax Rates

- Whole-of-life operating contracts fixed or linked to inflation
- Whole-of-life debt is fixed or inflation-linked
- Net Inflows to HICL in form of dividends, shareholder loan service & directors fees

- Discount Rate
- FX

- Net cashflows in GBP£ discounted to derive project valuation
- All project cashflows aggregated to give Directors' portfolio valuation
- Adjust for other Group net assets/liabilities to get Group NAV

# Introduction to HICL

A leading social & transportation infrastructure investment company

### Structure

- Closed-end investment company registered in Guernsey with seven year trading history (IPO in March 2006)
- Market cap of £1.5bn (US$2.25bn)[1] with premium listing on London Stock Exchange
- Acquires and manages equity stakes in primarily operational social and transportation infrastructure projects
- A diversified portfolio of 89[1] projects
- Board of six independent directors
- InfraRed Capital Partners Limited is the Investment Adviser and Operator

### Investment Attractions

- Long-term shareholder return target of approximately 7% p.a.[2] - (10.0%[3] p.a. actual since IPO)
- Attractive cash yield (5.4%[4]) with distributions fully cash-covered
- Focus on lower-risk, social and transportation infrastructure investments with public sector clients
- Majority of assets are operational, availability-based, located in the UK
- Steady, predictable cashflows (revenues and costs) with inflation linkage
- Low volatility and low correlation with broader equity market
- Competitive and clear fee structure

1. As at 10 July 2013. GBP/USD1.50 Source: Thomson Reuters Datastream
2. Target return for investors participating in the most recent New Ordinary Share issue of February 2013. This is a target only and there is no assurance that this target will be met.
3. As at 30 June 2013
4. Based on 7.0p total dividends for FYE 31 March 2013 and share price of 128.7p at 10 July 2013.

# Governance

- Independent board of six non-executive Directors
  - Approves and monitors adherence to strategy
  - Determines risk appetite
  - Oversees compliance with, and implementation of, regulation
  - Sets Group’s policies
  - Monitors performance against objectives
  - Oversees capital raising (equity or debt) and deployment of cash proceeds
  - Appoints service providers and auditors

- Investment Adviser / Operator: InfraRed Capital Partners Limited, a subsidiary of InfraRed Partners LLP
  - Day-to-day management of portfolio
  - Utilisation of cash proceeds
  - Full discretion within agreed strategy over acquisitions and disposals (through Investment Committee)
  - Authorised and regulated by the Financial Conduct Authority

# HICL Board

Two new Directors joined in May 2013

**Graham Picken,** Chairman

Graham, a UK resident, is an experienced banker and financial practitioner and has been Chairman of the Company since its launch. Appointed a non-executive director of Skipton Building Society in January 2012, he was formerly a non executive director of the Derbyshire Building Society, where he became Chief Executive in February 2008 and led the society to a merger with Nationwide Building Society in December 2008, before standing down at the end of March 2009. Until 2003, Graham's career spanned over thirty years with Midland and HSBC Banks where, before he retired, he was General Manager of HSBC Bank plc responsible for commercial and corporate banking (including specialised and equity finance).

**John Hallam,** Director

John, a Guernsey resident, is a former partner of PricewaterhouseCoopers having retired in 1999 after 27 years with the firm both in Guernsey and in other countries. He is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1971. He is currently chairman of Dexion Capital Ltd and Partners Group Global Opportunities Ltd, as well as being a director of a number of other financial services companies, some of which are London-listed. He served for many years as a member of the Guernsey Financial Services Commission from which he retired in 2006 having been its Chairman for the previous three years.

**Sarah Evans,** Director

Sarah, a Guernsey resident, is a Chartered Accountant and a director of several other listed investment funds, as well as an unlisted fund of hedge funds and the Guernsey subsidiary of a global bank. She spent over six years with the Barclays Bank plc group from 1994 to 2001. During that time she was a treasury director and, from 1996 to 1998, was the Finance Director of Barclays Mercantile, where she was responsible for all aspects of financial control and operational risk management. Previously she ran her own consultancy business advising financial institutions on all aspects of securitisation. From 1982-88 she was with Kleinwort Benson, latterly as head of group finance.

**Susie Farnon,** Director

Sally-Ann Farnon (known as Susie), resident in Guernsey, is a fellow of the Institute of Chartered Accountants in England and Wales and qualified in 1983. She was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit KPMG Channel Islands from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of The States of Guernsey Audit Commission and The Guernsey Public Accounts Committee. She is Vice-Chairman of The Guernsey Financial Services Commission and a Non-Executive Director of a number of property and investment companies. She is a director of several other public companies.

**Chris Russell,** Director

Chris is a Guernsey resident non-executive director of investment and financial companies in the UK, Hong Kong and Guernsey. He is Chairman of F&C Commercial Property Trust Ltd and a Deputy Chairman of the UK trade body, the Association of Investment Companies. Chris was formerly a director of Gartmore Investment Management Plc, where he was Head of Gartmore's businesses in the US and Japan. Before that he was a holding board director of the Jardine Fleming Group in Asia. He is a Fellow of the UK Society of Investment Professionals and a Fellow of the Institute of Chartered Accountants in England and Wales.

**Ian Russell,** Director

Ian Russell, CBE, is resident in the UK and is a qualified accountant. He was Finance Director and then CEO of Scottish Power plc and spent 8 years as Finance Director at HSBC Asset Management.

He is currently the Chairman of Johnston Press plc and a non-executive director of British Polythene Industries plc, Mercantile Investment Trust plc and British Assets Trust plc. Ian was previously a non-executive director of The Scottish Investment Trust plc.

# Key characteristics of HICL's investment portfolio

Mitigate risk while optimising long-term yield to shareholders

HICL INFRASTRUCTURE

| | |
|---|---|
| Secondary, operational assets | Reduces exposure to construction risk |
| Social infrastructure | Reduces market risk |
| PFI/PPP/P3 contracts with public sector | Reduces counterparty credit risk |
| Price-certain, availability contracts with inflation-linked revenues | Predictable, low-volatility cash flow |
| Long-term, non-recourse project debt to match term of concession life | No refinancing risk |
| UK and developed markets | Reduces political & legal risk |
| Diversified portfolio | Reduces concentration risk |
| No gearing at Group level except acquisition bridge | Reduces financial risk and cash drag , and enhances asset visibility for shareholders |

For a full list of risk factors please refer to pages 17 -29 of the New Ordinary Shares Prospectus of 26 Feb 2013

# Current Portfolio

Portfolio as at 1 July 2013

HICL INFRASTRUCTURE

## Education

- Barking & Dagenham Schools
- Boldon School
- Bradford Schools
- Conwy Schools
- Cork School of Music
- Croydon School
- Darlington Schools
- Defence Sixth Form College
- Derby Schools
- Ealing Schools
- Edinburgh Schools
- Fife Schools
- Fife Schools 2
- Haverstock School
- Health & Safety Labs
- Helicopter Training Facility
- Highland Schools PPP
- Irish Grouped Schools
- Kent Schools
- Manchester School
- Newport Schools
- North Tyneside Schools
- Norwich Schools
- Oldham Schools
- Perth & Kinross Schools
- Rhondda Schools
- Renfrewshire Schools
- Sheffield Schools
- South Ayrshire Schools
- West Lothian Schools
- Wooldale Centre for Learning

## Fire, Law & Order

- **Addiewell Prison**
- Dorset Fire & Rescue
- Dorset Police
- D & C Firearms Training Centre
- Exeter Crown Courts
- **Gloucester Fire & Rescue**
- Greater Manchester Police Stations
- Medway Police
- Metropolitan Police Training Centre
- South East London Police Stations
- Sussex Custodial Centre
- Swindon Police
- Tyne & Wear Fire Stations

## Health

- Barnet Hospital
- Birmingham Hospitals
- Birmingham & Solihull LIFT
- Bishop Auckland Hospital
- Blackburn Hospital
- Blackpool Primary Care Facility
- Brentwood Community Hospital
- Central Middlesex Hospital
- Doncaster Mental Health Hospital
- Ealing Care Homes
- Glasgow Hospital
- Lewisham Hospital
- **Medway LIFT**
- Newton Abbott Hospital
- Nuffield Hospital
- Oxford Churchill Oncology
- Oxford John Radcliffe Hospital
- Pinderfields & Pontefract Hospitals
- Queen Alexandra Hospital
- **Redbridge & Waltham Forest LIFT**
- Romford Hospital
- **Salford Hospital**
- Sheffield Hospital
- **South West Hospital, Enniskillen**
- Staffordshire LIFT
- Stoke Mandeville Hospital
- **Tameside General Hospital**
- West Middlesex Hospital
- Willesden Hospital

## Accommodation

- **Allenby & Connaught MOD Accommodation**
- Colchester Garrison
- Health & Safety Headquarters
- Home Office
- **Miles Platting Social Housing**
- Newcastle Libraries
- Northwood MoD HQ
- Oldham Library
- **University of Sheffield Accommodation**

## Transport

- A249 Road
- A92 Road
- Connect PFI
- Dutch High Speed Rail Link
- Kicking Horse Canyon P3
- M80 Motorway DBFO
- NW Anthony Henday P3

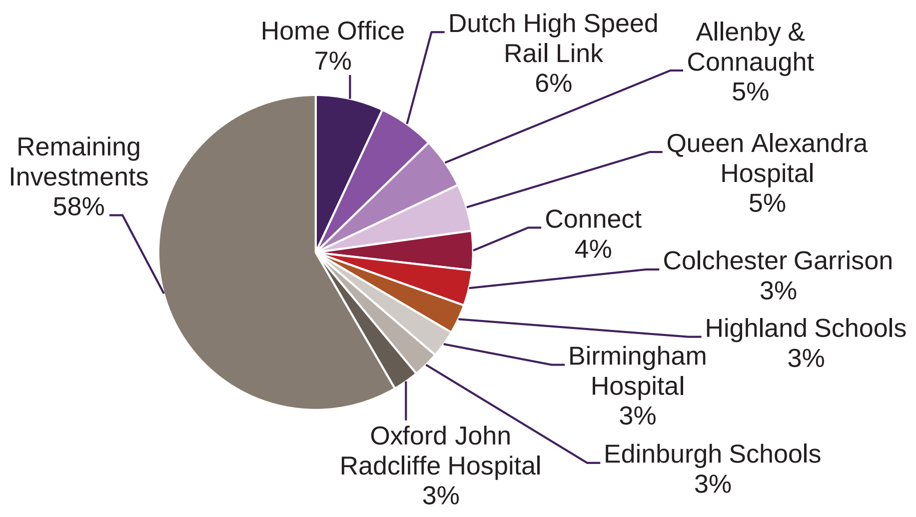
**Key:**

| | |
|---|---|
| Portfolio at 31 March 2013 | **Acquired since 31 March 2013** |

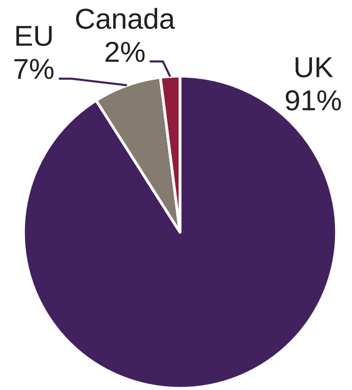
# Portfolio Overview

89 investments diversified by size, location and sector as at 1 July 2013

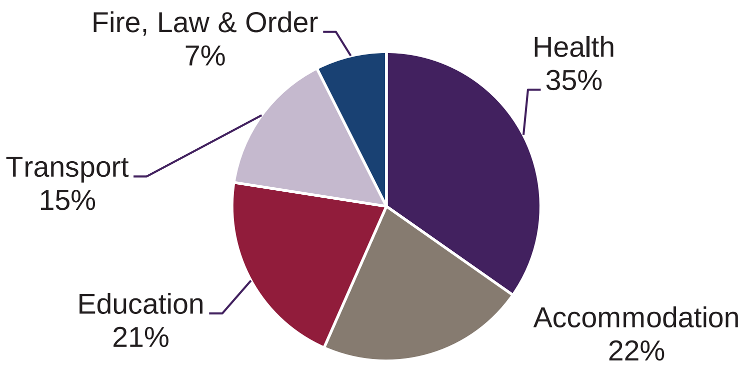
## Size[1]



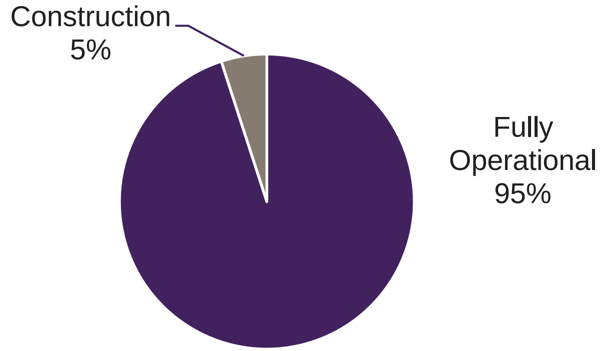

## Geographic Location[1]




## Sector[1]




## Stage of Development[1]

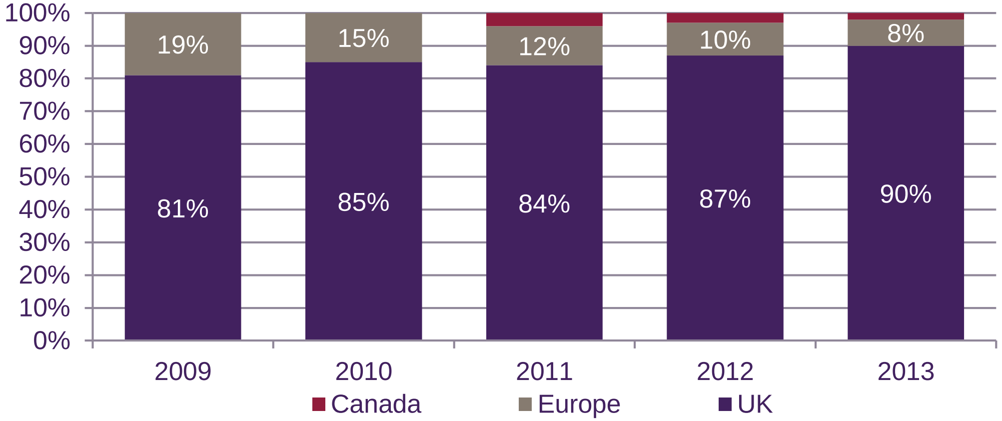



[1] By value, using Directors' valuation as at 31 March 2013 plus acquisitions at cost up to 1 July 2013

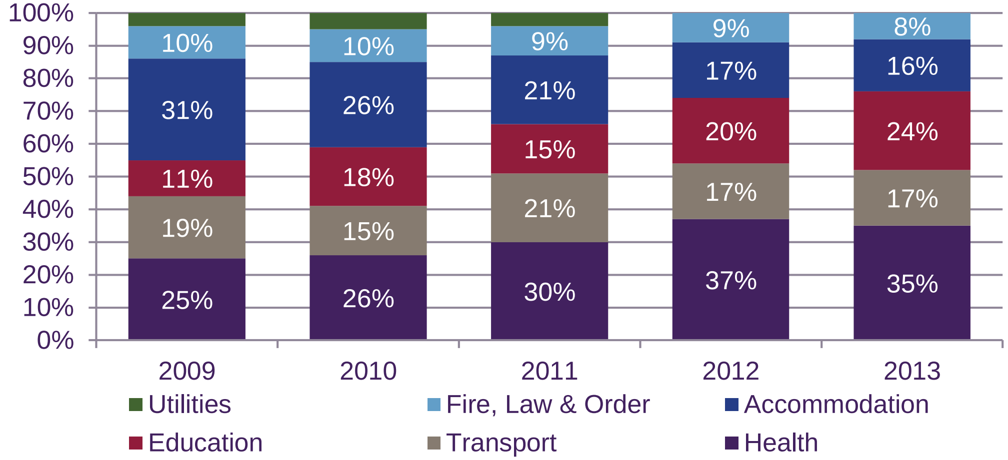
# Portfolio Evolution

Evolution of the Group's portfolio – last 5 years to 31 March 2013[1]

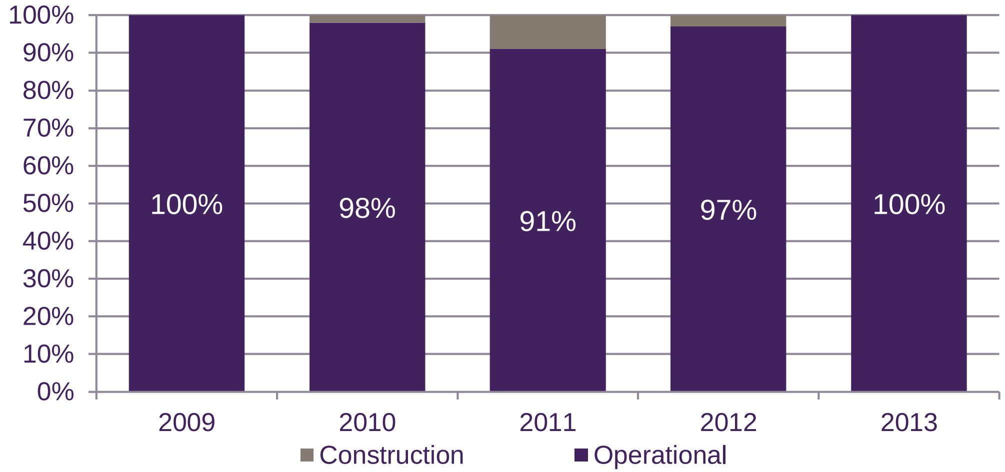
**UK-focused portfolio**



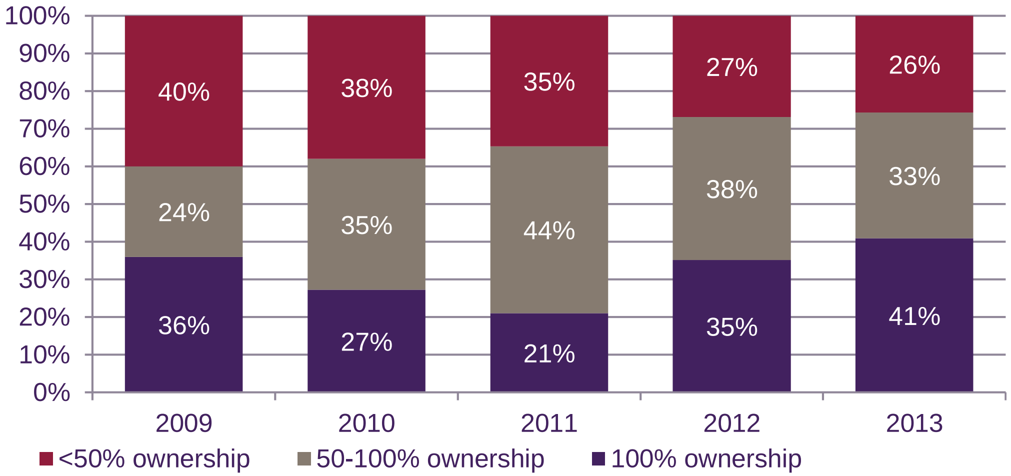

**Good spread across social and transportation infrastructure**




**Focused on lower-risk operational projects**

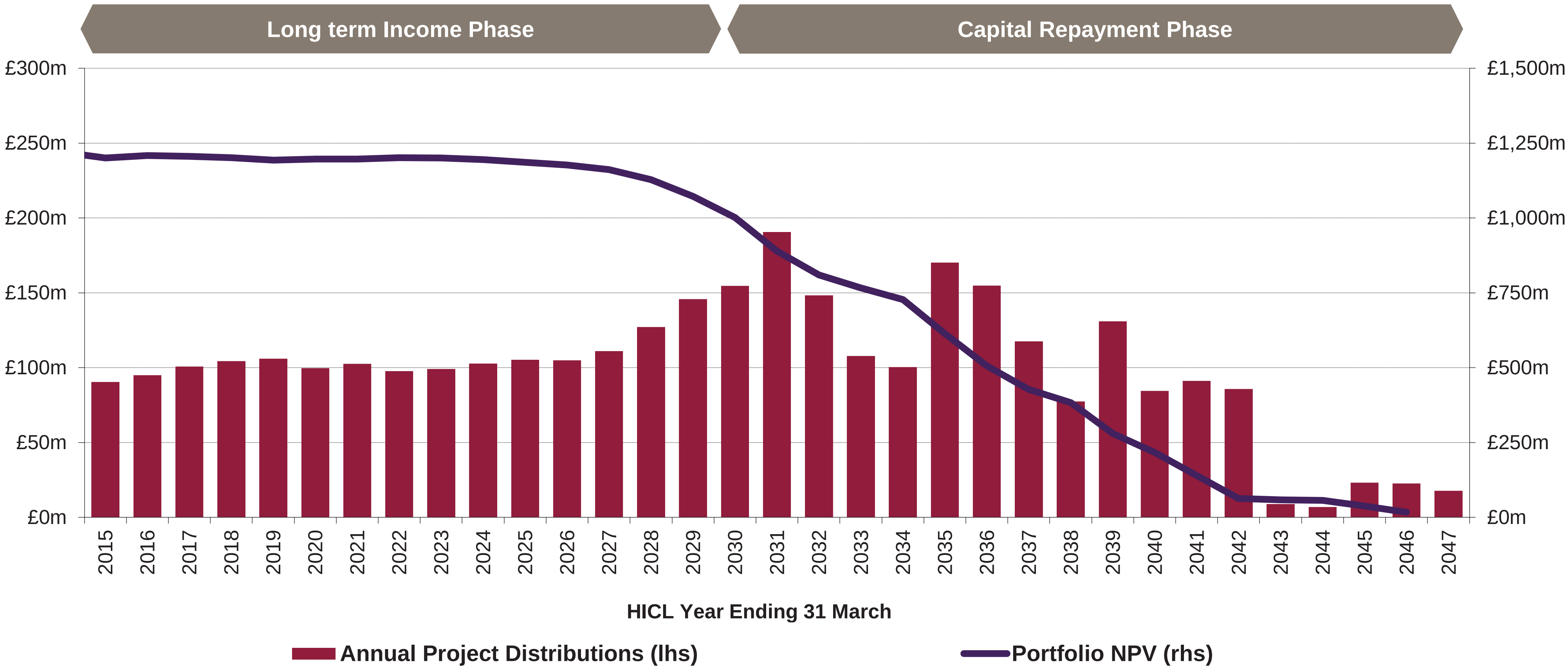



**Opportunities to increase ownership stakes**




[1] By value, using Directors valuation as at 31 March each year from 2009 to 2013

# Portfolio - Cashflow Profile[1]




Source: Investment Adviser

1. The illustration represents a target only as at 31 March 2013 and is not a profit forecast. There can be no assurance that this target will be met.
2. The illustration assumes a Euro to Sterling exchange rate of 0.84, a Canadian dollar to Sterling exchange rate of 0.65 and a weighted average discount rate of 8.4 per cent. per annum. These and value of the Group's portfolio may vary over time.
3. The valuation is of the portfolio of 79 investments and does not include other assets or liabilities of the Group, and assumes that during the period illustrated above (i) no new investments are purchased, (ii) no existing investments are sold and (iii) the Group suffers no material liability to withholding taxes, or taxation on income or gains

# Asset and Contract Management - Overview

## Asset Management

- Continuing active management of existing portfolio
  - Resolving operational issues involving the clients and/or the subcontractors
  - Building effective relationships with all parties
  - Group representation at all project company board meetings
- New investments performing to plan
- Greater engagement initiatives with local communities driven by project companies
- Home Office project won London Planning Awards for “Best Built Project – Five Years On”

## Contract Management

- Good relationships with clients achieved through active engagement and inclusion in project meetings
- Cost saving initiatives are a regular item on the agenda
- Multiple variations proceeding – largest currently £19m
- Ongoing focus on ESG principles throughout the portfolio with good success in energy management


*Picture – construction work at Barnet Hospital - variation*

# Asset and Contract Management - Examples

HICL INFRASTRUCTURE

### Dutch High Speed Rail Link, The Netherlands

- This project involved the design & construction of two new sections of high-speed rail track between Amsterdam and the Belgian border
- Noise attenuation is a critical issue with high speed rail lines and the Group is helping to facilitate a project variation comprising a pilot study in respective of different noise attenuation methodologies, especially on bends in the track
- This will involve testing rail dampening as well as noise absorption materials between, and at the side of, the tracks

### Met Police Specialist Training Centre, London

- This specialist facility for public order training and specialist firearms training was completed in 2003
- In addition to specialist training arenas (planes, trains, tube station, stables, stadium) the centre accommodates 305 students plus classrooms. Canteen, leisure & fitness areas.
- A spend-to-save initiative costing several £m has resulted in an 11% energy consumption reduction and the generation of 85,323kWh of electricity through the installation of PV panels; a voltage optimiser; occupancy sensors; enhanced boiler strategies; and additional metering

### Stoke Mandeville Hospital - Buckinghamshire

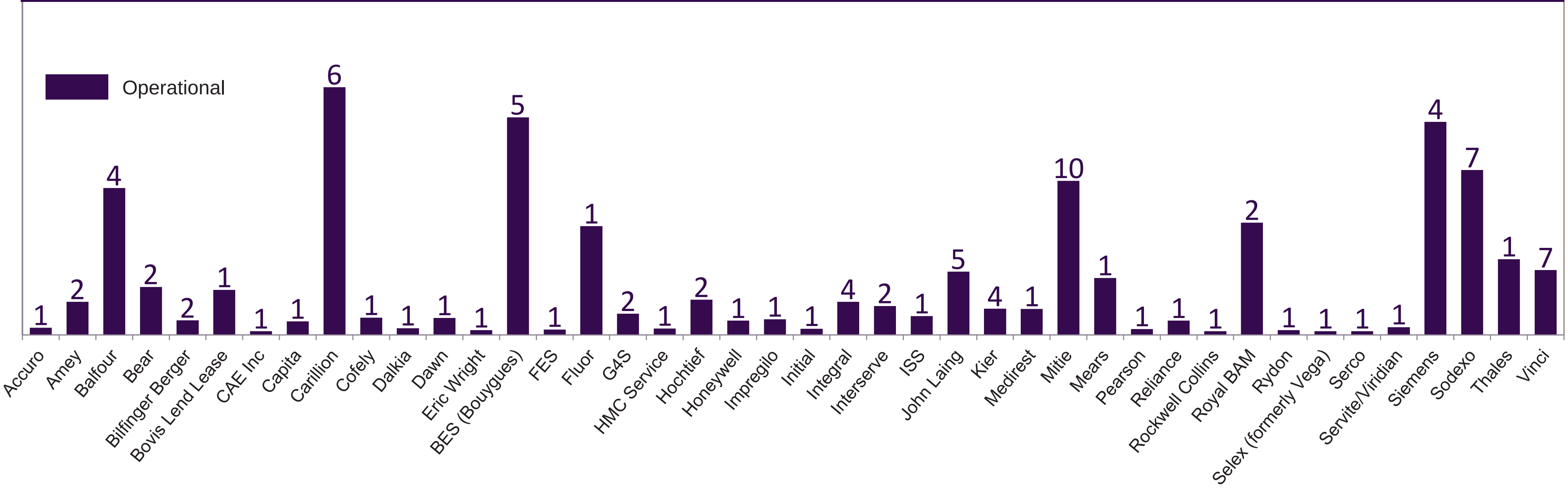
- Stoke Mandeville hospital is synonymous with spinal injuries and it is here that the Paralympic Games were founded by pioneering neurologist Professor Sir Ludwig Guttmann in 1948
- In recognition of this fact, in 2012 the shareholders funded the improvement of the landscaping at the front of the hospital and the construction of a new roundabout specifically to commemorate the London Paralympics
- A special dedication ceremony was held and Stoke Mandeville was the confluence point of the four Olympic torch routes before heading to the Olympic Stadium in London

# Portfolio - Contractor Counterparty Exposure

Diversified spread of quality supply chain providers

- Counterparties performing
- Good spread ensures no over-reliance on single entity
- Quarterly reviews by Investment Adviser
- Acquisitions continue to increase counterparty diversity

**Contractor exposure[1] (legend = number of projects)**



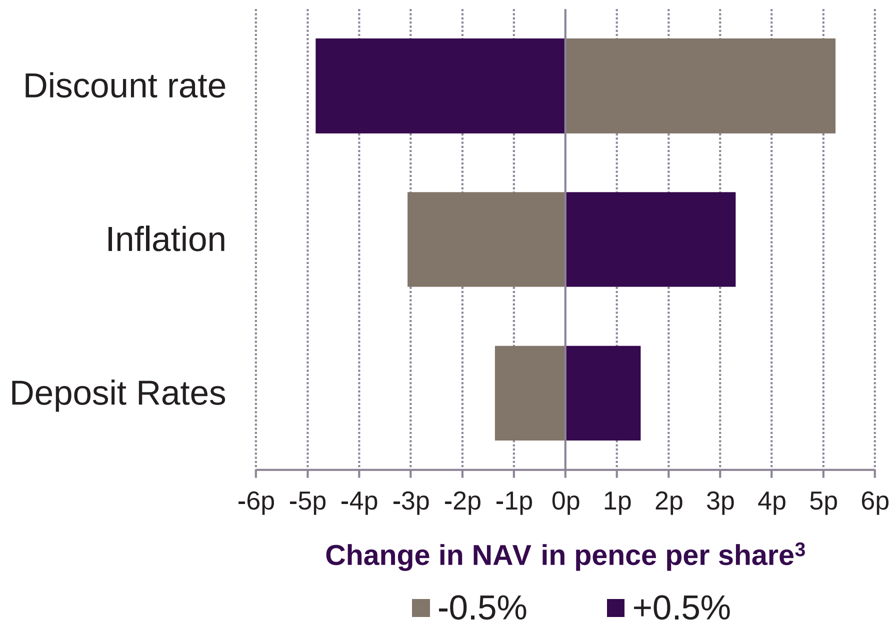

[1] By value, as at 31 March 2013, using Directors' valuation. Some projects have more than one contractor so sum of the bars is greater than portfolio valuation.

# Valuation – Key Assumptions as at 31 March 2013

Key assumptions updated to reflect current consensus forecast

| | | 31 March 2013 | 31 March 2012 |
|---|---|---|---|
| **Discount Rate** | Weighted Average | 8.4% | 8.6% |
| **Inflation[1]** | UK (RPI[2] & RPIx[2])<br>Euro (CPI)<br>Canada (CPI) | 2.75%<br>2.00%<br>2.00% | 2.75%<br>2.00%<br>2.00% |
| **Deposit Rates** | UK Short Term<br>UK Long Term | 1.0% to 31 Mar 2017<br>3.5% thereafter | 1.0% to 31 Mar 2015<br>3.75% thereafter |
| **Foreign Exchange** | CAD / GBP<br>EUR / GBP | 0.65<br>0.84 | 0.63<br>0.83 |
| **Tax Rate** | UK | 23% | 24% |

**Sensitivity to key macroeconomic assumptions**




- If the annual inflation assumption is 3.75% pa (i.e. up 1.0%), expected return[4] from portfolio (before Group expenses) would increase from 8.4% to 9.0%

[1] Some project income fully indexed, whilst some partially indexed
[2] Retail Price Index and Retail Price Index excluding Mortgage Interest Payments
[3] Based on 1,116m shares in issue
[4] Return is expected gross internal rate of return

# Valuation - Discount Rate Analysis

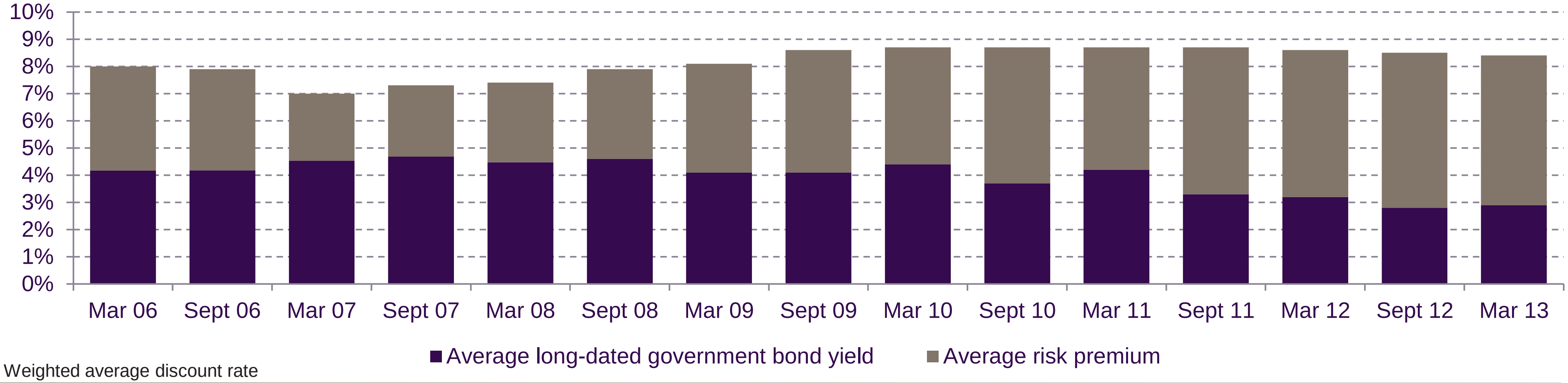
Directors' Valuation as at 31 March 2013

## Market valuation of assets increased in the year

- Discount rates for projects range between 8.0% and 10.0%
- Weighted average discount rate of 8.4%, down from 8.6% at 31 March 2012
- Risk premium over long-dated government bonds increased 0.1% in the year to 5.5%

| | Appropriate long-dated government bond yield | | Risk Premium | | Total discount rate[1] 31 Mar 2013 | Total 31 Mar 2012 |
|---|---|---|---|---|---|---|
| UK | 2.9% | + | 5.5% | = | 8.4% | 8.6% |
| Holland | 2.4% | + | 6.2% | = | 8.6% | 8.8% |
| Canada | 2.5% | + | 5.6% | = | 8.1% | 8.2% |
| Ireland | 5.5% | + | 4.5% | = | 10.0% | 11% |
| **Portfolio** | **2.9%** | **+** | **5.5%** | **=** | **8.4%** | **8.6%** |

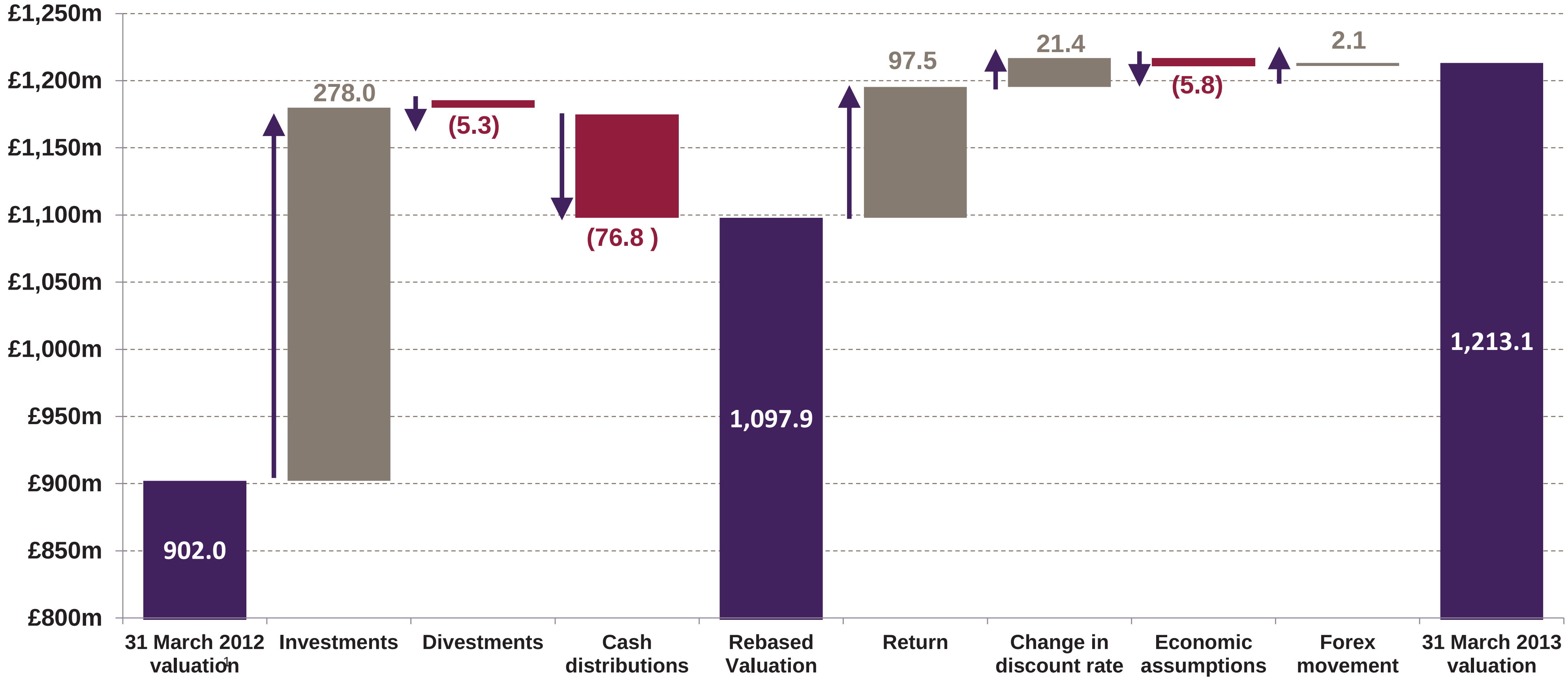
**Discount rates since launch**




[1] Weighted average discount rate

# Analysis of Change in Directors' Valuation - Year to 31 March 2013

Valuation movements driven by portfolio performance and accretive acquisitions




- "Return" comprises the unwinding of the discount rate; cost efficiencies in managing projects; value-accretive acquisitions; and variations.
- Portfolio return for year to 31 March 2013 is 8.9% (being £97.5m return on rebased Valuation of £1,097.9m)

# Financial Performance – Year to 31 March 2013

Good operating performance; long-term distribution target achieved

- Second interim dividend of 3.575p per share taking aggregate dividends for the year to 7.0p per share
- Strong portfolio performance again driven by cost efficiencies, asset enhancements and value-accretive acquisitions
- Cash receipts from portfolio companies in line with expectations
- Dividend cash covered 1.38 times (2012: 1.23 times)
- Ongoing Charges Percentage[2] 1.19% for the year (2012: 1.38%)

| All figures stated on an investment basis | Year to 31 March 2013 | Year to 31 March 2012 |
|---|---|---|
| **Profit before valuation movement** | **£49.9m** | **£33.2m** |
| Valuation movements | £43.2m | £28.8m |
| Profit before tax | £93.1m | £62.0m |
| **Earnings per share** | **10.4p** | **9.8p** |
| **Total dividend for the year** | **7.00p** | **6.85p** |
| **NAV per share (before second interim dividend)** [1] | **120.0p** | **116.3p** |
| **NAV per share (after second interim dividend)** | **116.4p** | **112.8p** |
| **Net cash** | **£146.0m** | **£129.4m** |

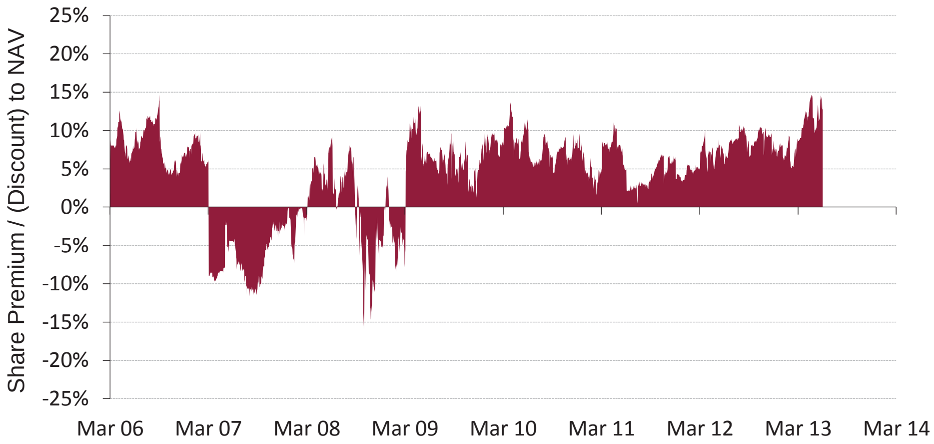
1 The NAV per share is that applicable to the 976m Ordinary Shares in issue as at 1 March 2013 (as the shares issued pursuant to the 140m capital raising in March 2013 were not eligible for the second interim dividend of 3.575p)
2 Ongoing Charges Percentage as defined by the AIC

# Market Performance – IPO to 30 June 2013

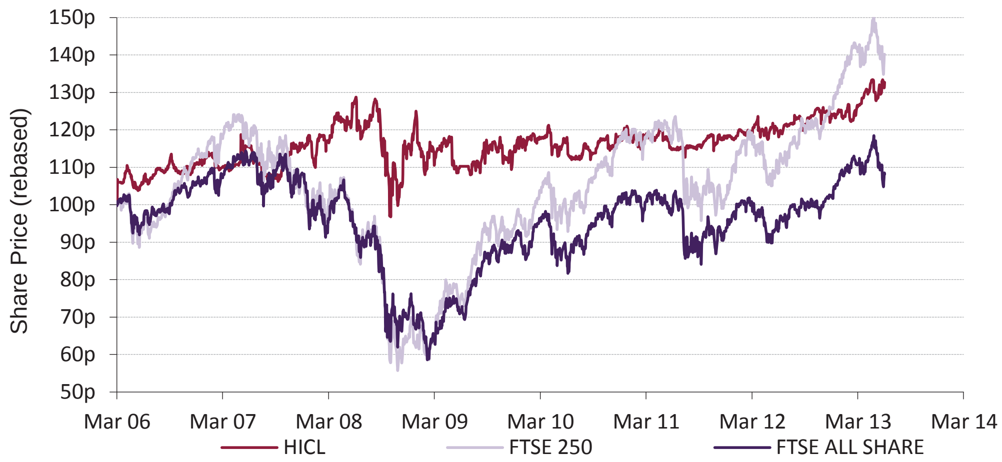
Total shareholder return of 10.0%[1] p.a. since launch in March 2006

**Ave. daily trading volume (rolling 3 month basis)[2]**

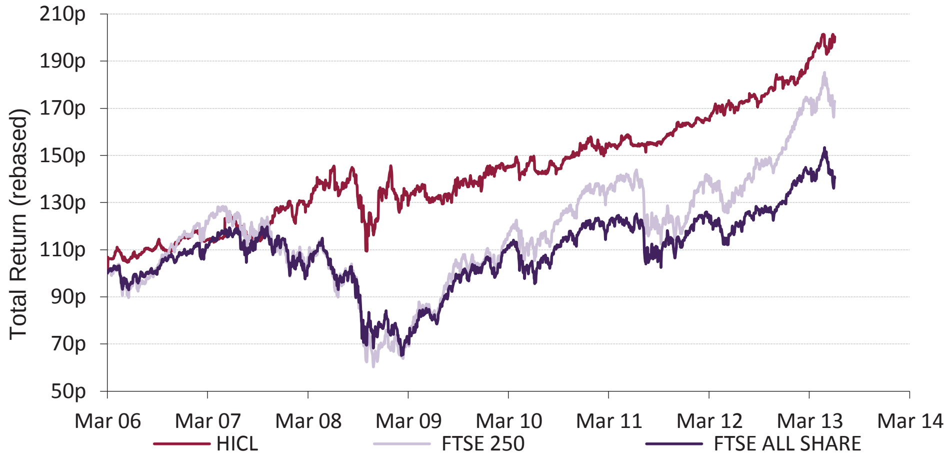

**Shares have traded at a sustained premium to NAV[1]**




**Low correlation with the broader equity market[1]**




**Outperformance of FTSE250 (16%) and FTSE All Share (43%)[1]**




1. Source: Thomson Reuters Datastream 2. Source: Bloomberg

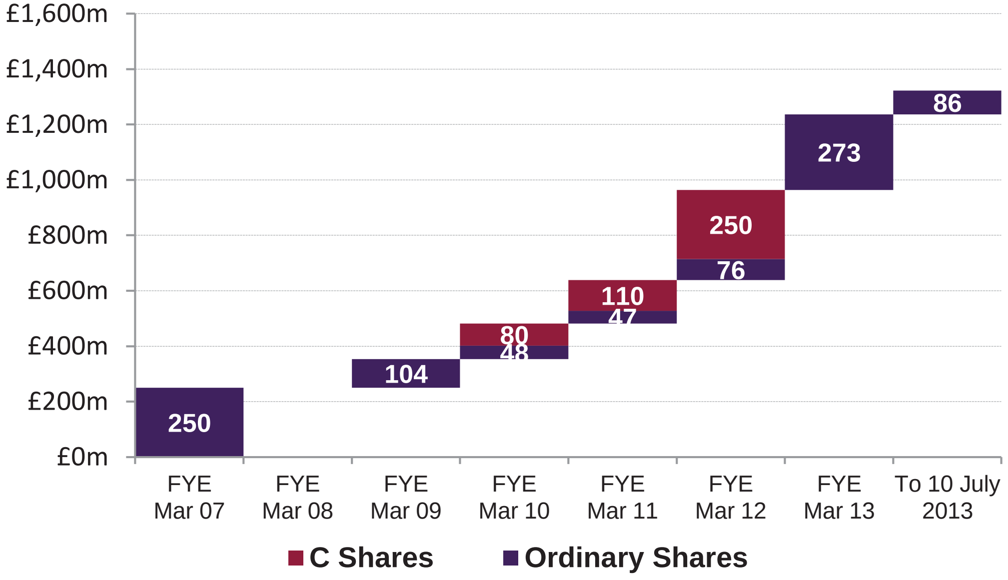
Past performance is not a reliable indicator of future performance. Investments can fluctuate in value.

# Capital Raising Approach and History

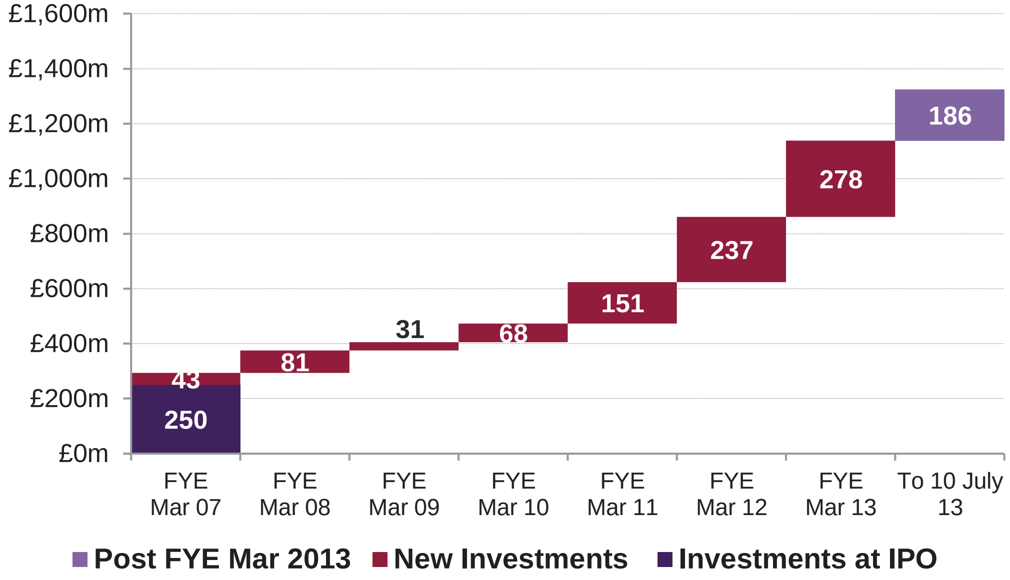
HICL's innovative financing approach has several benefits for shareholders

- HICL has raised c.£1.3bn of equity since launch in March 2006 - £250m at IPO and £1.07bn through subsequent share issues
- Acquisitions are normally debt-funded initially to avoid cash drag and to give shareholders visibility over the new investments
- £100m 3 year revolving credit facility at Group level to temporarily bridge finance acquisitions pending issuance of new equity; effective maximum gearing of <10%
- Non-pre-emptive Ordinary Share "tap" issues (max. 10% of issued shared capital p.a.) are used to repay drawings for investments made
- Larger Ordinary Share or C Share issues to repay more significant drawings and, if appropriate, pre-fund pipeline investments

**£1.323bn of Gross Equity Issuance since IPO to 10 July 2013**




**127 Acquisitions[1] since IPO to 10 July 2013 totaling £1.324bn**




1. Split into 91 new investments and 36 acquisitions of incremental stakes in existing investments.

# Market Developments – The Group's Investment Policy & Strategy[1]

The Group's focus on social and transportation infrastructure remains unchanged

## Main focus

- Social and transportation infrastructure (such as PPP/PFI/P3) concessions
  - Predominantly availability-based contracts
  - Countries with developed programmes:
    - UK, Europe, Canada, Australia
  - Project phase
    - Mainly operational
    - Some assets in construction to achieve element of NAV growth

## Possible secondary interest

- Debt funding of infrastructure projects (without taking an equity interest), where attractively priced and appropriately structured
- Toll roads where there is proven demand history and an appropriate risk/return profile;
- Regulated utilities and transmission systems, if of an appropriate scale, and where long-term feed-in / off-take agreements are in place
- Operational renewable energy projects such as wind farms, solar parks or hydro-electric schemes, where there are suitable contractual structures in place which enable the Group to secure long-term income streams, comparable in nature to those in social infrastructure projects

## What does not fit the current strategy

- Renewable energy projects where multiple variables combine to increase overall risk /return outside similar parameters to social infrastructure
- Demand–based 'economic' infrastructure , such as airports and ports, where revenue is function of usage and paid by users

## Outside policy

- Non-core infrastructure
  - e.g. ferries, motorway service stations, care homes

1. As at 22 May 2013

# Market Developments – Update[1]

Secondary market active but primary market activity varies by geography

HICL INFRASTRUCTURE

### Positive developments in the secondary market as the asset class matures

- Continuing to see  range of new investment opportunities which fit the Group's investment strategy
- Some social infrastructure debt being priced at levels which are beginning to look attractive
- Uncertainty removed as a result of 'no change' outcome of the Office of National Statistics' RPI review
- The UK Government demonstrated its commitment to existing PFI projects when faced with a financially struggling London healthcare trust
- Attractiveness of the asset class is encouraging new investors

### Clarification of procurement methodology should help to unlock the UK primary market pipeline

- Successor to PFI – PF2 – launched in December 2012
  - Refinement of PFI in many areas to ensure more efficient procurement and greater value for money
  - Equity stakes from public sector and equity competition at final bid stages to reduce cost of capital
  - Positive for the economy and for the infrastructure sector, but limited progress to date
- 39 PFI projects still in procurement with capital costs of £5.4bn[1]
- 2012 National Infrastructure Plan – 576 projects worth £310bn
- New Priority School building programme commencing

### Globally, pool of opportunities is increasing as countries develop their PPP/P3 procurement programmes

- Number of northern European markets active, with some activity
- Active programmes in Canada, USA  and Australia, plus a number of countries seeking to utilise PPP as a procurement method

1. As at 22 May 2013
2. Data as at March 2012. Source: HM Treasury

# Market Developments - Pipeline and Sourcing[1]

Strong industry relationships and reputation continue to deliver

- Acquisitions over the last 12 months and in the pipeline have similar characteristics
  - Generally long-term social and transportation infrastructure investments
  - Mix of single assets and portfolios
  - Some processes at an advanced stage
- Evaluated around 50 new investment opportunities in detail over the last year
- Bid to acquire PPP investments in Belgium, France, Germany, and Holland in the year – lost to local investors
- Disciplined approach to prices paid for acquisitions
  - Participated in 15 auction processes and been successful on three
- Careful bid cost management
- Successful focus on relationships leading to direct negotiations
- Developed a reputation and skill set that delivers:
  - funding available;
  - depth of resources for due diligence;
  - trust and reliability when it comes to delivery on time and on price
- Healthy pipeline with five exclusive opportunities worth over £100m
- Potential for further incremental follow-on investments of up to £150m over next three years

1. As at 22 May 2013 based on year to 31 March 2013

# Summary[1]

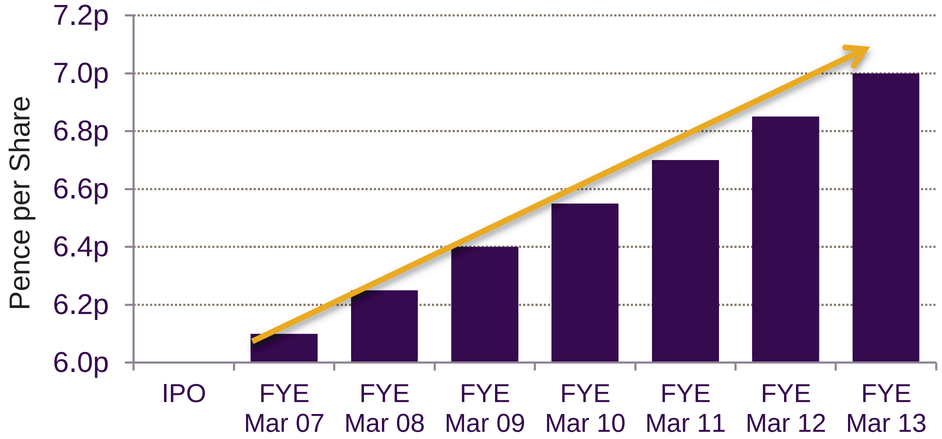
### Portfolio performance

- Size and diversity of portfolio increasing, thereby generating further scale economies and reducing risk
- Assets performing and distributing cash to Group as expected
- Value growth through pro-active asset management, judicious acquisitions, and accretive equity issuance
- Steady pipeline of new investment opportunities from the market and from the existing portfolio
- March equity capital proceeds fully invested by end of June, ahead of plan

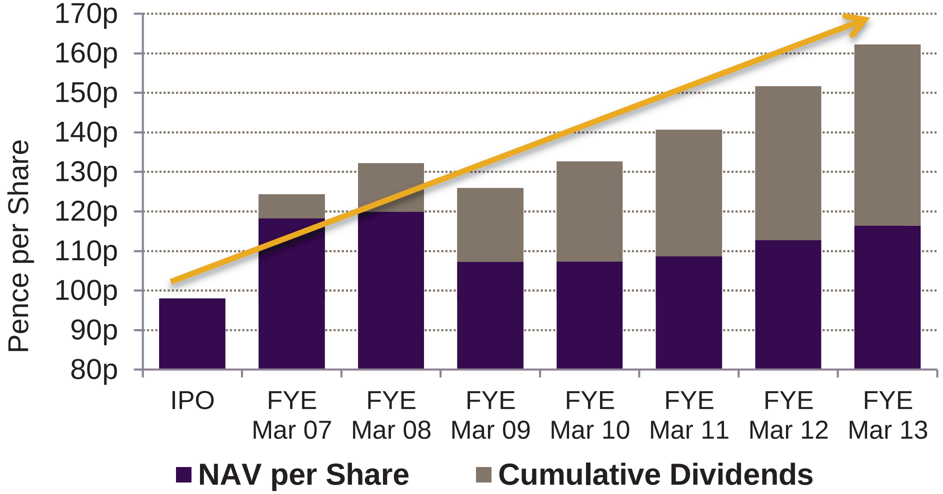
### Distributions and Performance

- Target distribution of 7.0p per share for year to 31 March 2013 now met
- Total returns of 10.0%[2] p.a. since IPO based on share price appreciation plus dividends
- Supportive and evolving shareholder base
- Board has set target distribution for the year to 31 March 2014 of 7.1p per share

**Annual Dividends since IPO**




**NAV Growth and Cumulative Dividends since IPO**




1. Slide taken from Annual Results Presentation for the year to 31 March 2013
2. For the period from IPO to 30 June 2013