# HICL Infrastructure Company Ltd

Overview of the Company, its Investment Adviser and performance

**Winter 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
- There is a clear 'conflict' policy and each fund has a clearly defined investment strategy

| 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 | £1,542[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 | £302[2] | 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 30 September 2013.

# InfraRed – Team Skills and Experience

- Experienced infrastructure professionals with proven track record
- Well established and respected team
  - Recent additions to portfolio management, asset management and finance
  - Part of a wider infrastructure team of 45
- Detailed, ‘tried and tested’ investment processes
- Active asset management with regular review
- Proactive value management
- Wide range of skills and knowledge of
  - Assets in the portfolio
  - Construction
  - Facilities management
  - Core target sectors
  - Corporate finance and M&A
  - Treasury management

# The Infrastructure Asset Class

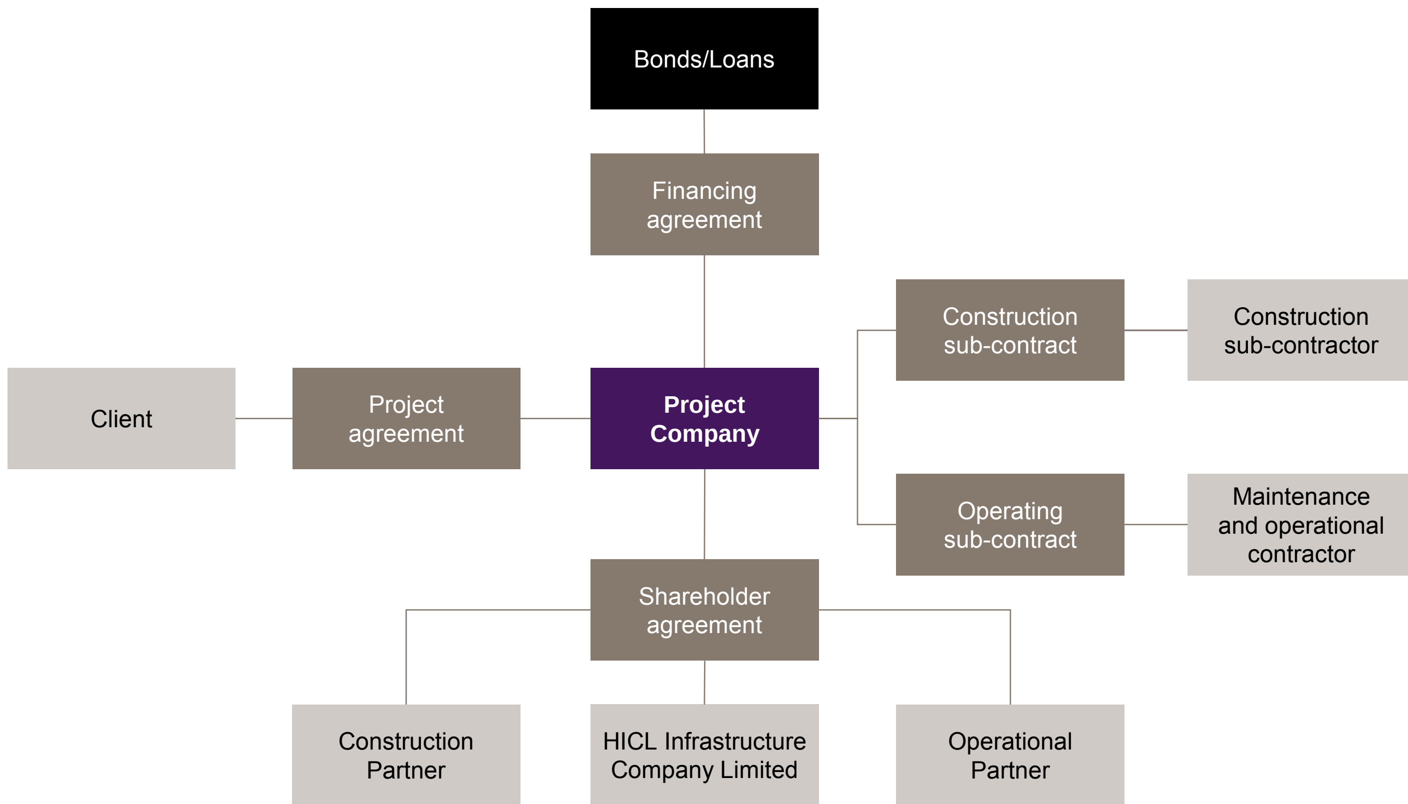
Low — **Revenue risk** — High

| 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

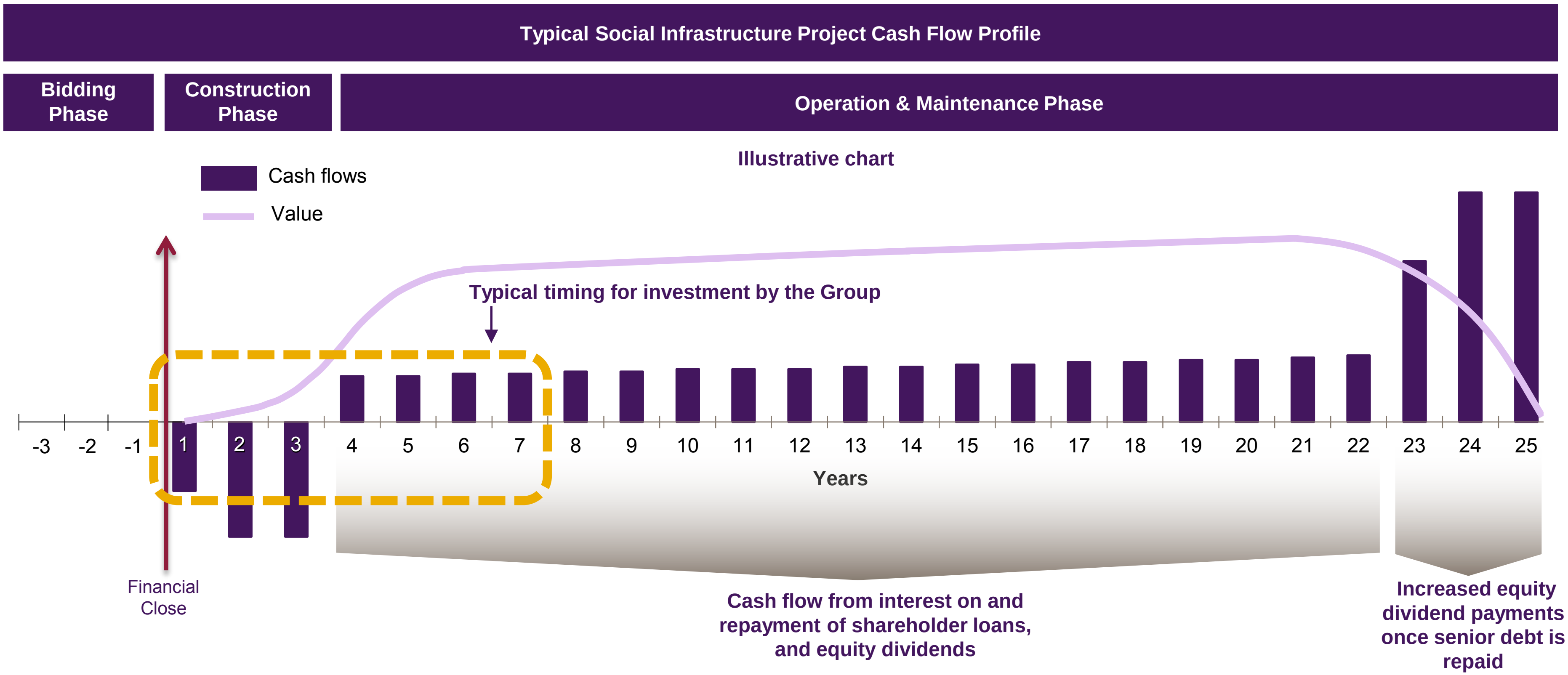
For a full list of risk factors please refer to pages 17-29 of HICL's New Ordinary Share Prospectus dated 26 February 2013

# Typical Infrastructure Project Structure



# Investment Cash Flow Profile over a Project's Life

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

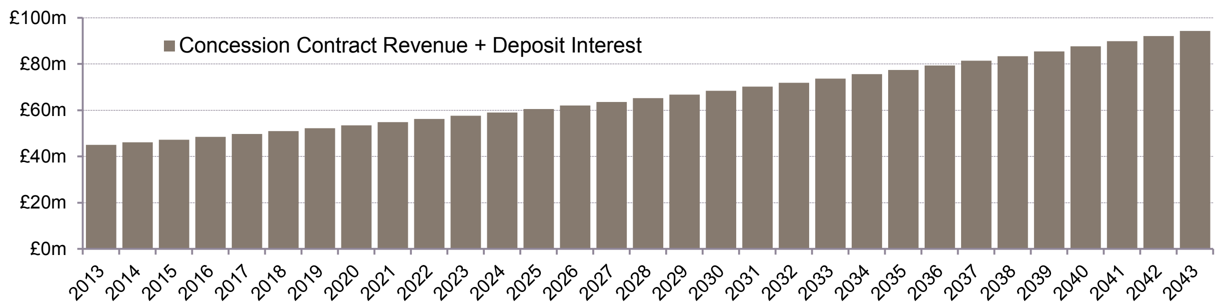



Source: InfraRed

# Valuation - Methodology

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

**Forecast Project Inflows**

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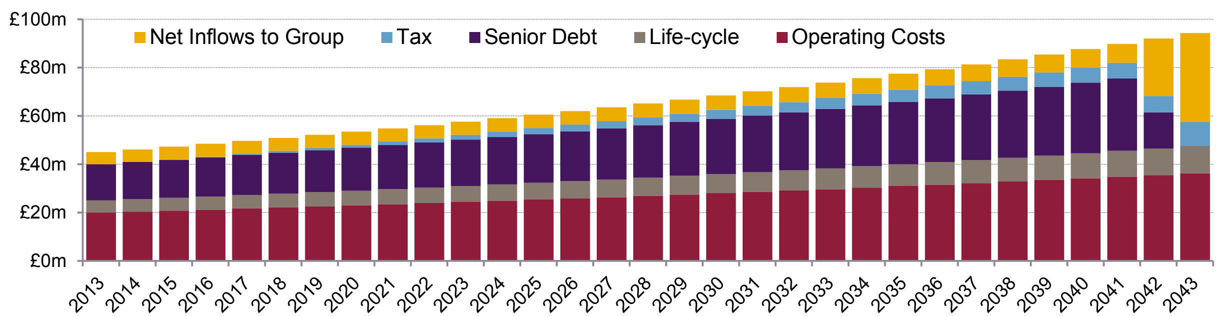
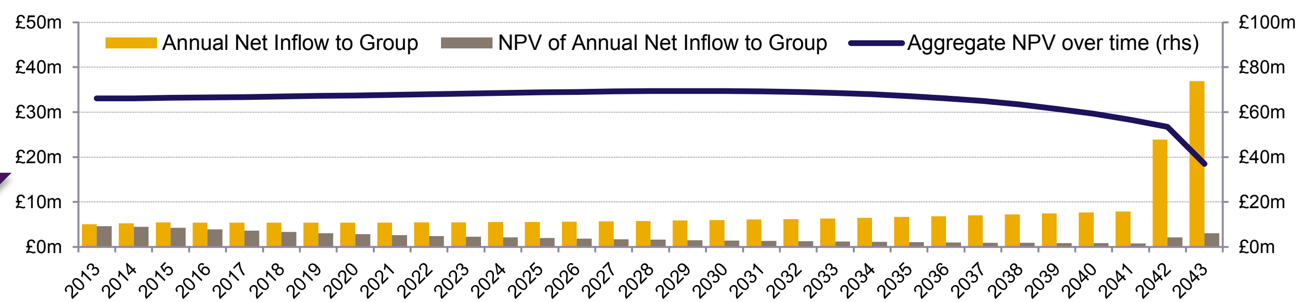
**Forecast Project Outflows**




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

HICL INFRASTRUCTURE

### Structure

- Closed-end investment company registered in Guernsey with over seven year trading history (IPO in March 2006)
- Premium listing on the 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] - (9.4%[3] p.a. since IPO)
- Attractive cash yield (5.4%[4]) with distributions fully cash-covered
- Market cap of over £1.5bn (US$2.4bn)[1] with good share liquidity
- Focus on lower-risk, social and transportation infrastructure investments with public sector clients
- Assets are primarily operational, predominantly availability-based, and principally located in the UK (92%)
- 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 30 September 2013. GBP/USD1.50
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 September 2013. Source: Thomson Reuters Datastream
4. Based on 7.1p target dividends for FYE 31 March 2014 and share price of 129.9p at 30 September 2013.

# Governance

- Independent board of six non-executive Directors
  - Approves and monitors adherence to strategy
  - Intends to act as AIFM under the European Commission's Alternative Investment Fund Managers Directive
  - 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 strategy determined by Board 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

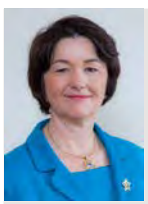
Graham, a UK resident, is an experienced banker and financial practitioner and has been Chairman of the Company since its launch. Appointed a non-executive director of Skipton Building Society in January 2012, he was formerly a non executive director of the Derbyshire Building Society, where he became 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.

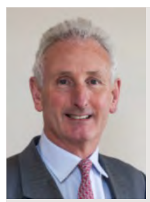
### Sarah Evans, Director

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

| | |
|---|---|
| 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 of 91 investments as at 1 December 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 | Falkirk NPD 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 | Tyne & Wear Fire Stations |

## 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 |

## Health

| | |
|---|---|
| Barnet Hospital | Birmingham Hospitals |
| Birmingham & Solihull LIFT | Bishop Auckland Hospital |
| Blackburn Hospital | Blackpool Primary Care Facility |
| Brentwood Community Hospital | Brighton Hospital |
| Central Middlesex Hospital | Doncaster Mental Health Hospital |
| Ealing Care Homes | Glasgow Hospital |
| Lewisham Hospital | Medway LIFT |
| Newton Abbot 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 |

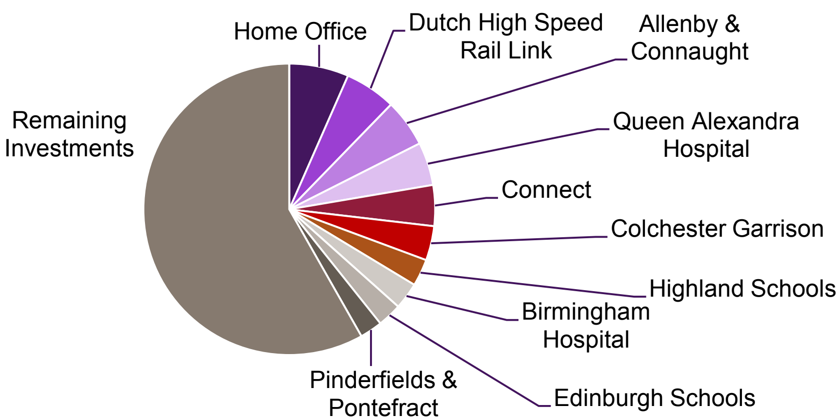
**Key:**

| | |
|---|---|
| Portfolio at 31 March 2013 | Incremental stake acquired |
| Acquired in period to 30 Sept 2013 | Acquired since 30 Sept 2013 |

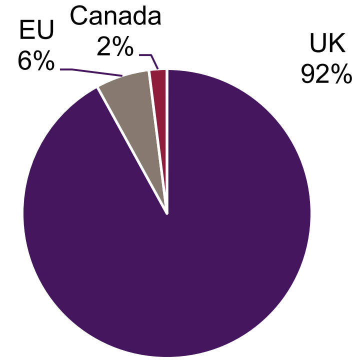
# Portfolio Overview

89 investments diversified by size, location and sector as at 30 September 2013

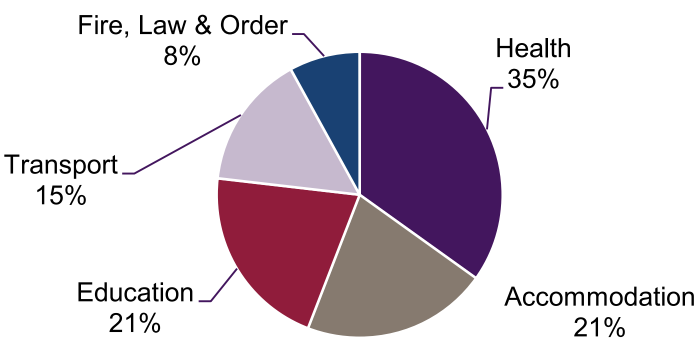
## Size[1]



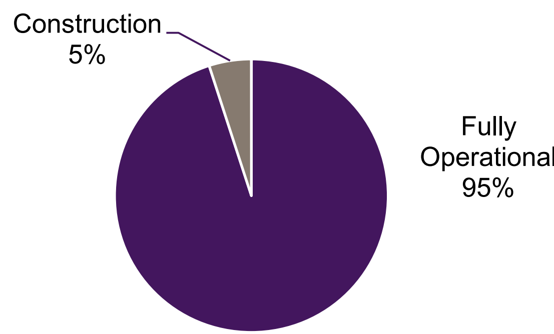

## Geographic Location[1]




## Sector[1]




## Stage of Development[1]

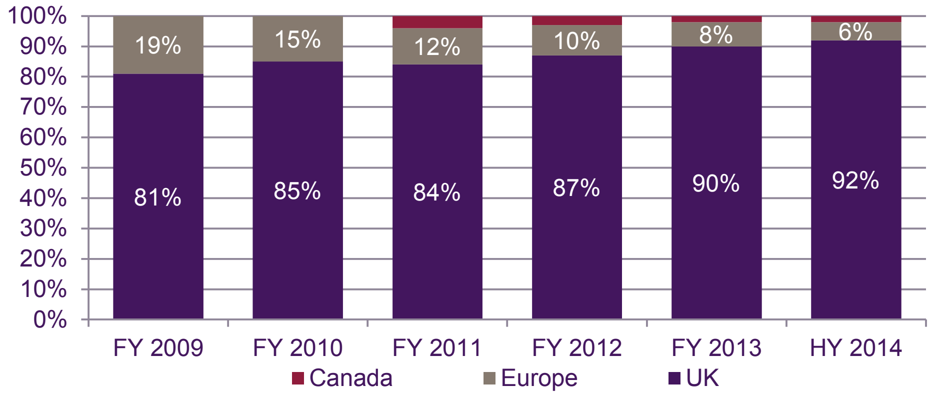



[1] By value, using Directors' valuation as at 30 September 2013

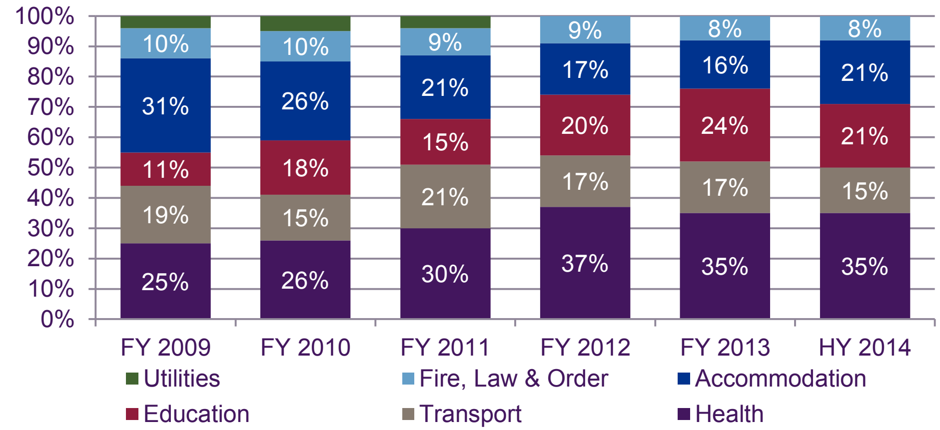
# Portfolio Evolution

Evolution of the Group's portfolio – 31 March 2009 to 30 September 2013[1]

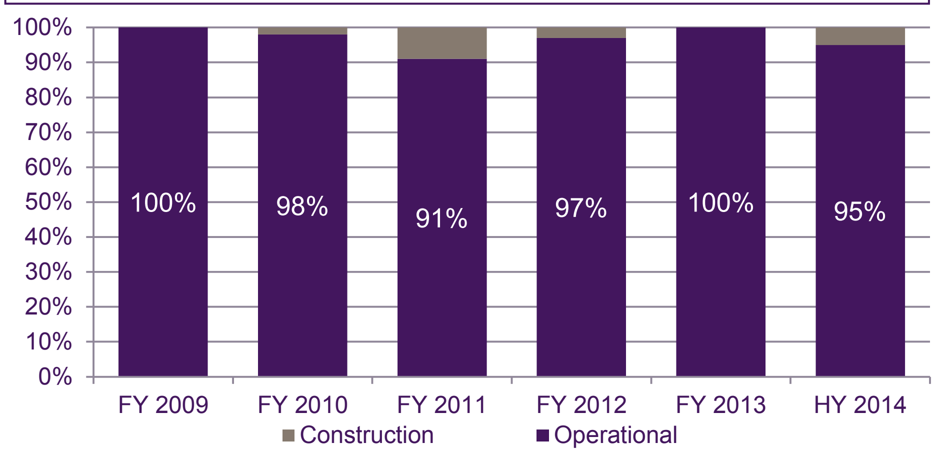
### UK-focused portfolio



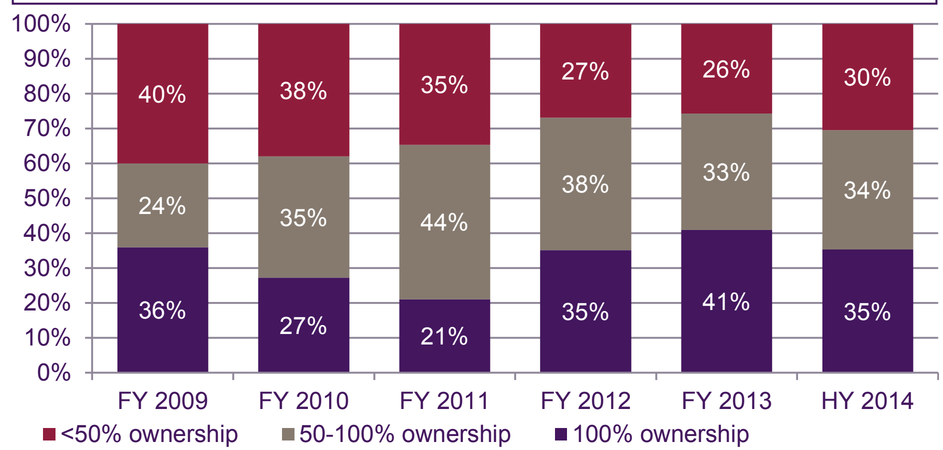

### Good spread across social and transportation infrastructure




### Focused on lower-risk operational projects

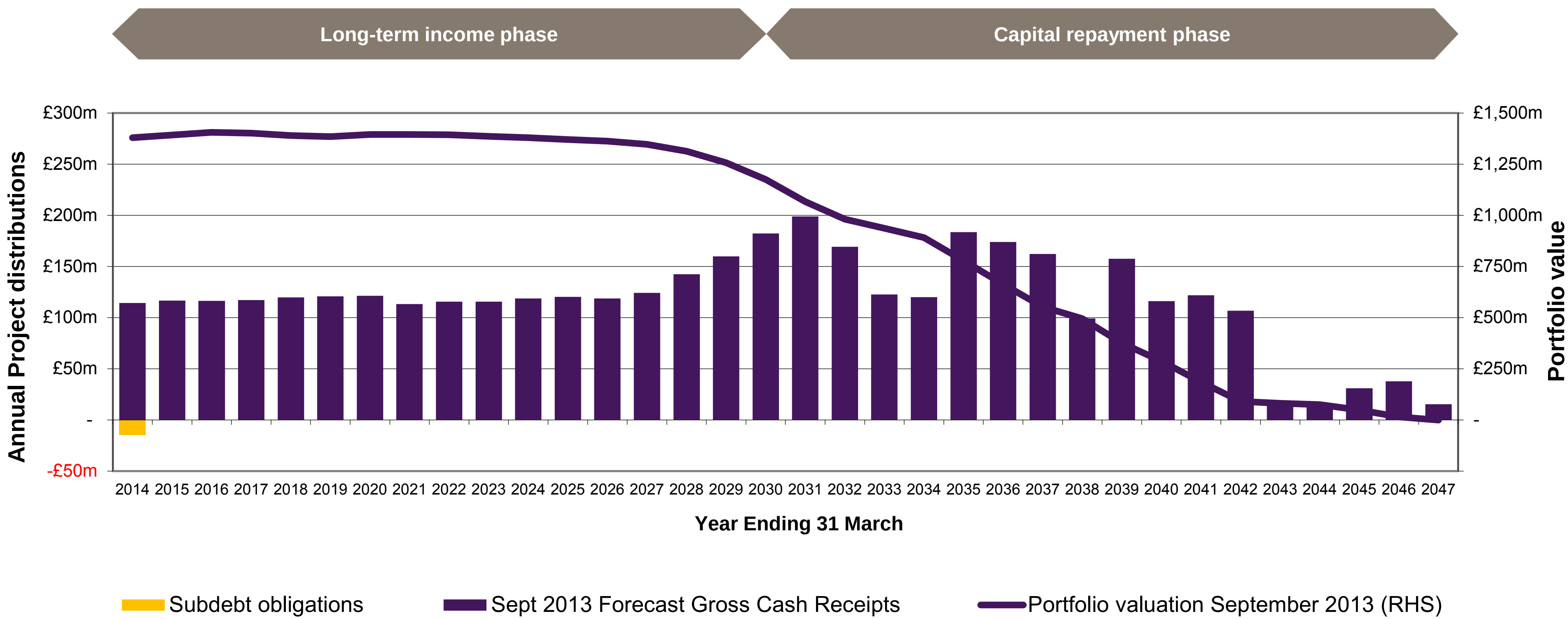



### Opportunities to increase ownership stakes




[1] By value, using Directors' valuation as at 31 March each year from 2009 to 2013, and as at 30 September 2013

# Portfolio - Cashflow Profile[1]




Source: Investment Adviser

1. The illustration represents a target only as at 30 September 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 0.60 and a weighted average discount rate of 8.3 per cent. per annum. These and the value of the Group's portfolio may vary over time.
3. The cashflows and the valuation are from the portfolio of 89 investments as at 30 September 2013 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, Portfolio and Contract Management - Overview[1]

HICL INFRASTRUCTURE

## Asset and Portfolio Management

- One project in construction
  - Allenby & Connaught Ministry of Defence Accommodation project acquired in June 2013
  - Phased project; 537 buildings in total with 12 still in construction
  - Due to achieve final completion in 2014
- Continuing active management of existing portfolio
  - Investment Adviser is increasing asset management resources
  - Building and strengthening relationships with all project stakeholders
  - Ensure effective Group representation at all project company board meetings
- Assurance work on valuation process undertaken by third party

## Contract Management

- Adoption of the UK ‘Voluntary’ Code of Conduct for Operational PFI/PPP Contracts
- A number of variation requests being managed across  the portfolio


1. Slide taken from the Interim Results Presentation for the six months to 30 September 2013

*Picture – construction work at Barnet Hospital - variation*

# Asset and Contract Management - Examples

### 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

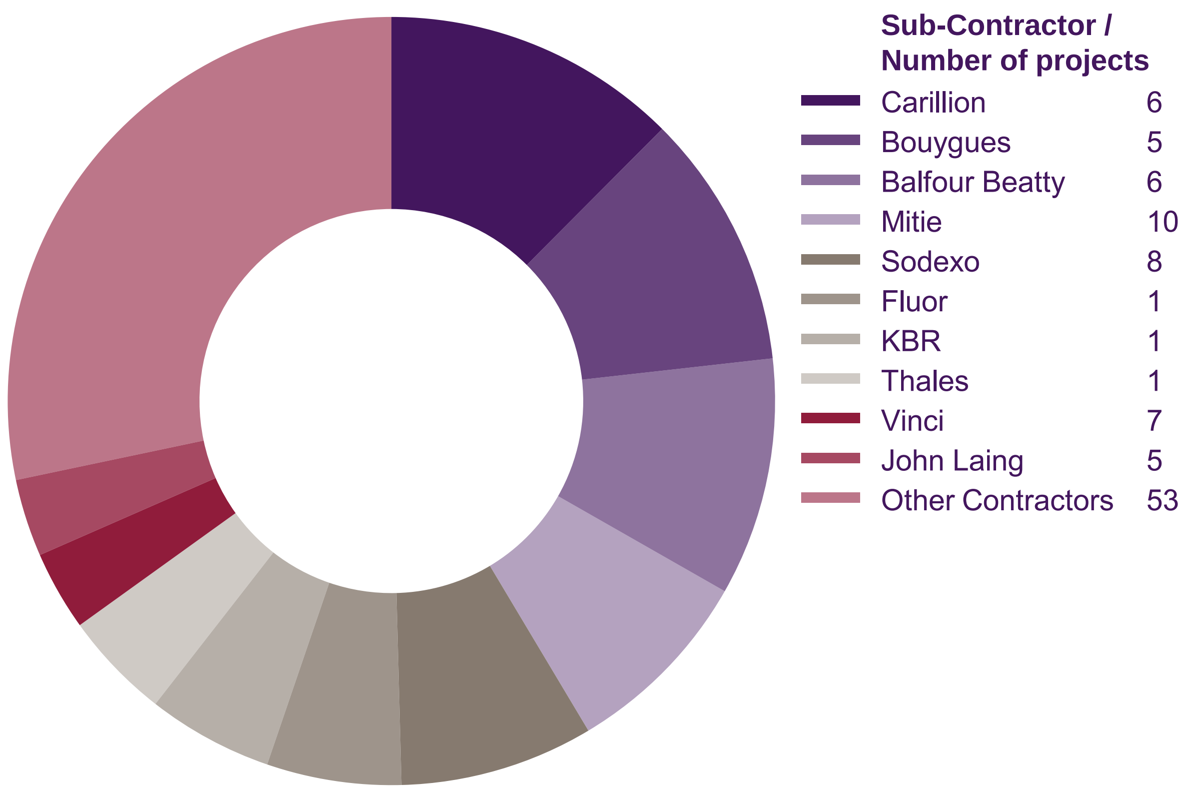
### Stoke Mandeville Hospital - Buckinghamshire

- 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

# Contractor Counterparty Exposure[1]

Diversified spread of quality supply chain providers

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



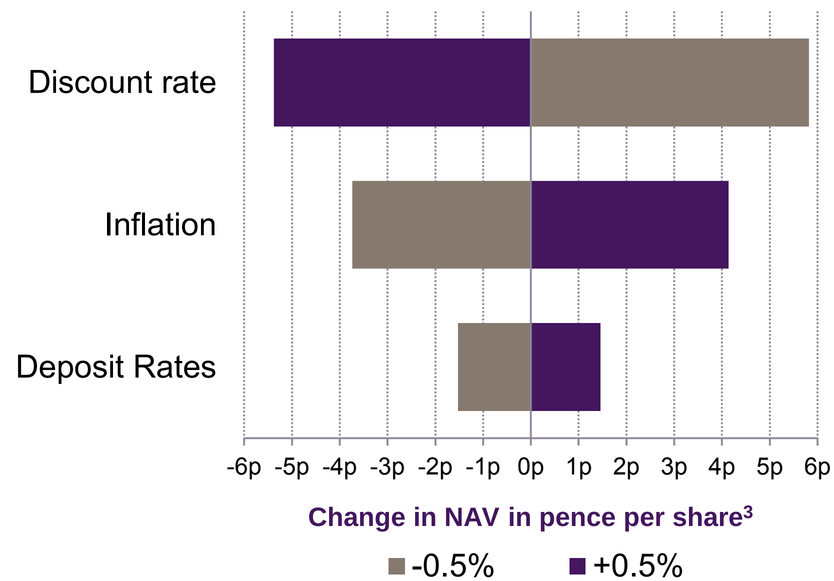

1 By value, as at 30 September 2013, using Directors' valuation.
2 Ten largest exposures shown
3 Where a project has more than one operations contractor in a joint and several contract, the better credit counterparty has been selected (based on analysis by the Investment Adviser).
4 Where a project has more than one operations contractor, not in a joint and several contract, the exposures is split equally among the contractors, so the sum of the pie segments equals the Directors' valuation.
5 Allenby & Connaught is the only project in the portfolio that is in construction, and has Carillion and KBR as the construction contractors on a joint and several basis.

# Valuation – Key Assumptions at 30 September 2013

Key assumptions updated to reflect current consensus forecast

| | | 30 September 2013 | 31 March 2013 |
|---|---|---|---|
| **Discount Rate** | Weighted Average | 8.3% | 8.4% |
| **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 2017<br>3.5% thereafter |
| **Foreign Exchange** | CAD / GBP<br>EUR / GBP | 0.60<br>0.84 | 0.65<br>0.84 |
| **Tax Rate** | UK | 23% | 23% |

**Sensitivity to key macroeconomic assumptions**




- If the annual inflation assumption were 3.75% p.a. (i.e. up 1.0%), expected return[4] from portfolio (before Group expenses) would increase from 8.3% to 8.9%

[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 1,187m shares in issue
[4] Return is expected gross internal rate of return

# Valuation - Discount Rate Analysis as at 30 September 2013

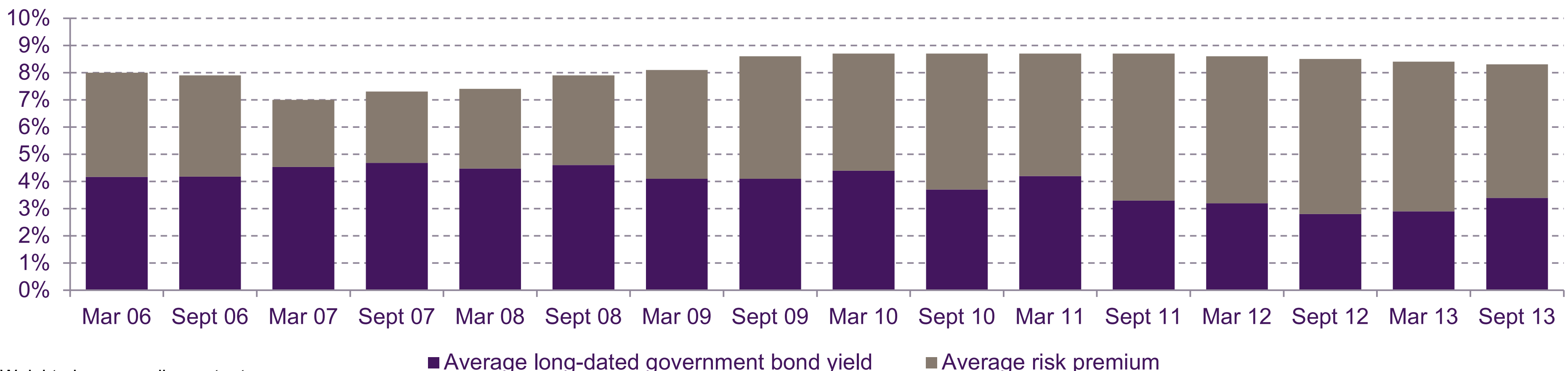
Directors' Valuation as at 30 September 2013

## Market valuation of assets increased in the period

- Discount rates for projects range between 7.9% and 10.0%
- Weighted average discount rate of 8.3%, down from 8.4% at 31 March 2013
- Risk premium over long-dated government bonds reduced 0.6% in the six months to 4.9% from 5.5%

| | Appropriate long-dated government bond yield | | Risk Premium | | Total discount rate[1] 30 Sep 2013 | Total 31 Mar 2013 |
|---|---|---|---|---|---|---|
| UK | 3.4% | + | 4.9% | = | 8.3% | 8.4% |
| Holland | 2.8% | + | 5.6% | = | 8.4% | 8.6% |
| Canada | 3.1% | + | 4.9% | = | 8.0% | 8.1% |
| Ireland | 4.3% | + | 5.5% | = | 9.8% | 10.0% |
| **Portfolio** | **3.4%** | **+** | **4.9%** | **=** | **8.3%** | **8.4%** |

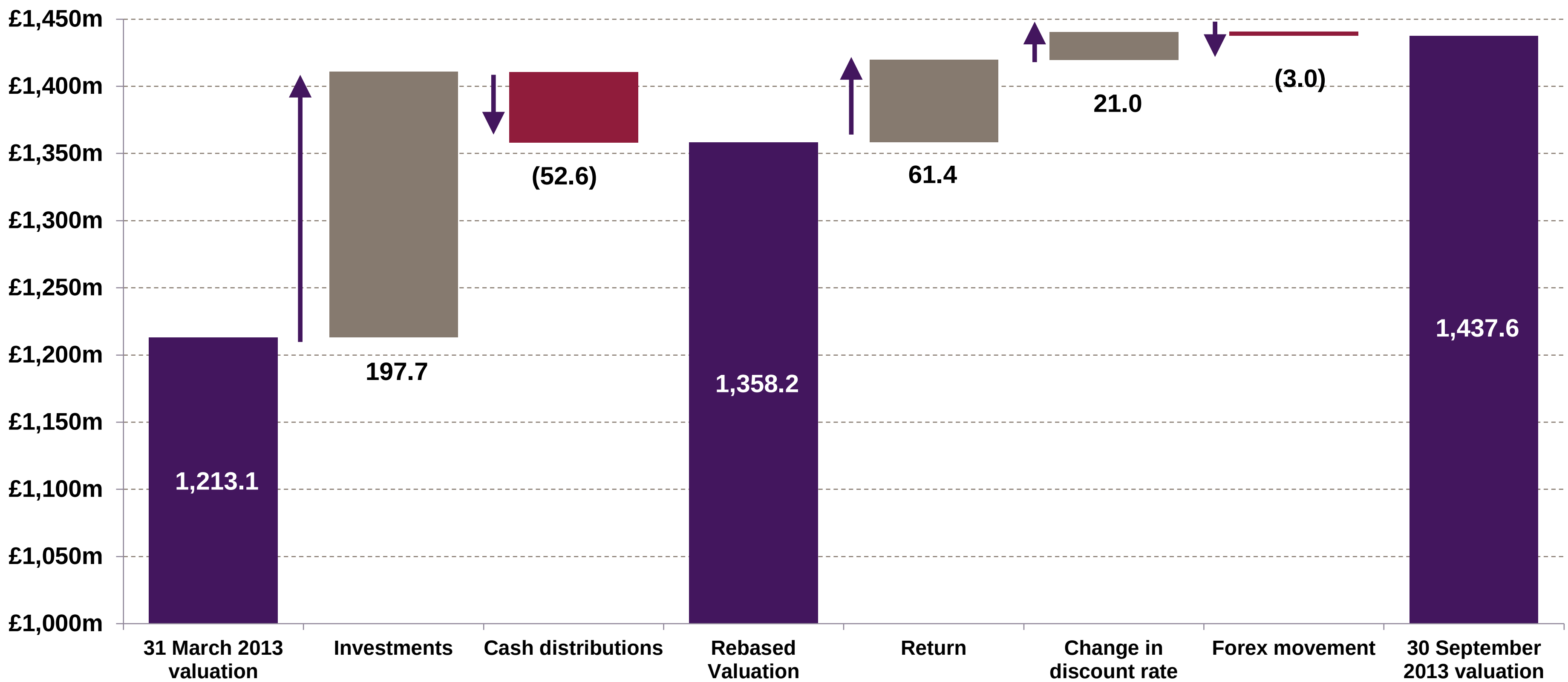
**Discount rates since launch**




[1] Weighted average discount rate

# Analysis of Change in Directors' Valuation – six months to 30 September 2013

Valuation movements driven by portfolio performance and accretive acquisitions




- "Return" comprises the unwinding of the discount rate; project outperformance; actual inflation above 2.75%; and accretive acquisitions.
- Annualised portfolio return for six months to 30 September is 9.0% (being £61.4m Return on Rebased Valuation of £1,358.2m)

# Financial Performance – Six months to 30 September 2013

Good operating performance and increased dividend

- Interim dividend of 3.5p per share declared – on track for target dividend of 7.1p per share for the year to 31 March 2014
- Company's results characterised by sound underlying portfolio performance coupled with growth in the net asset value per share
- Cash receipts from portfolio companies in line with expectations
- Dividend cash covered 1.5 times (year to 31 March 2013: 1.38 times)
- Ongoing Charges Percentage[1] 1.15% annualised for the 6 month period (year to 31 March 2013: 1.19%)

| All figures stated on an investment basis | Six months to 30 September 2013 | Six months to 30 September 2012 |
|---|---|---|
| **Profit before valuation movement** | **£29.6m** | **£22.0m** |
| Valuation movements | £41.8m | £20.2m |
| Profit before tax | £71.4m | £42.2m |
| **Earnings per share** | **6.2p** | **4.9p** |
| **Interim dividend** | **3.5p** | **3.425p** |

| | Six months to 30 September 2013 | Year to 31 March 2013 |
|---|---|---|
| **NAV per share (before interim dividend)** | **123.1p** | **120.0p[2]** |
| **NAV per share (after interim dividend)** | **119.6p** | **116.4p** |
| **Net cash** | **£33.8m** | **£146.0m** |

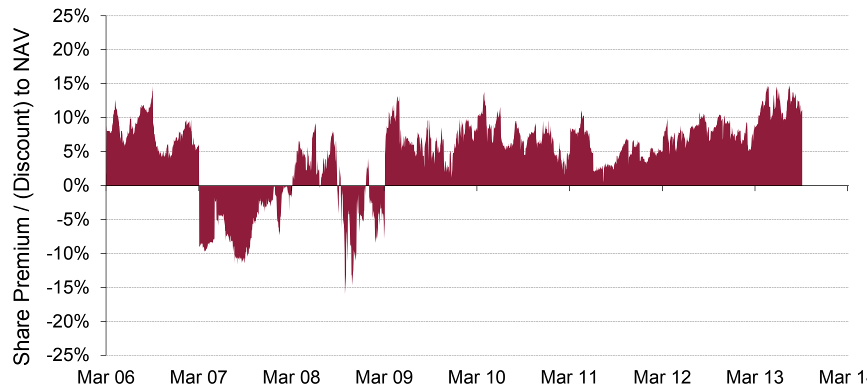
1 Ongoing Charges Percentage as defined by the AIC
2 The NAV per share is that applicable to the 976m Ordinary Shares in issue as at 1 March 2013 (as the shares issued pursuant to the 140m capital raising in March 2013 were not eligible for the second interim dividend of 3.575p)

# Market Performance – IPO to 30 September 2013

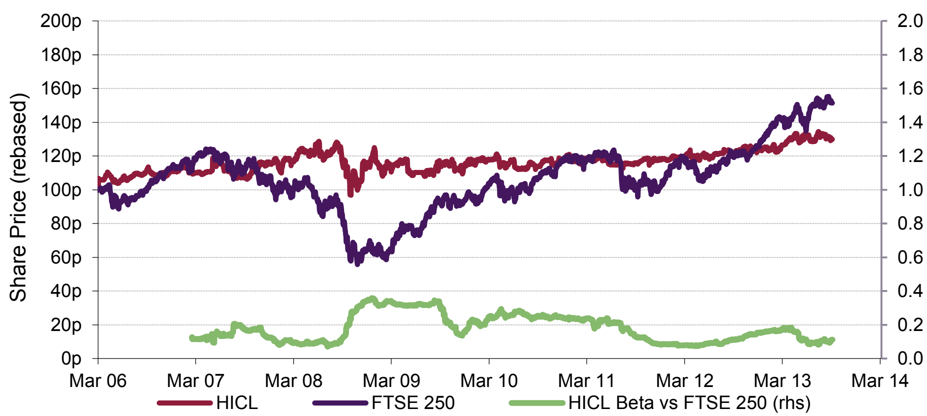
Total shareholder return since launch in March 2006 to 30 September 2013 was 9.4%[1] p.a.

## Good Share liquidity[1]

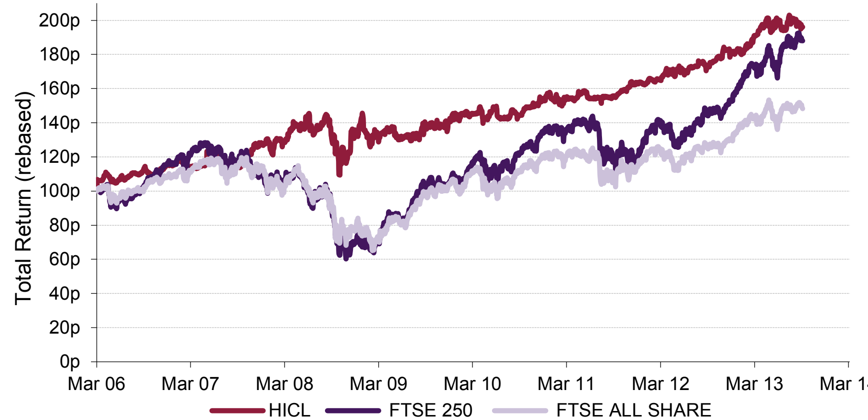

## Shares have traded at a sustained premium to NAV[2]




## Low correlation with the broader equity market[2]




## Outperformance of FTSE250 (4%) and FTSE All Share (32%)[2]




1. Source: Bloomberg – Based on 90 day rolling average
2. Source: Thomson Reuters Datastream – period 28 March 2006 to 30 September 2013

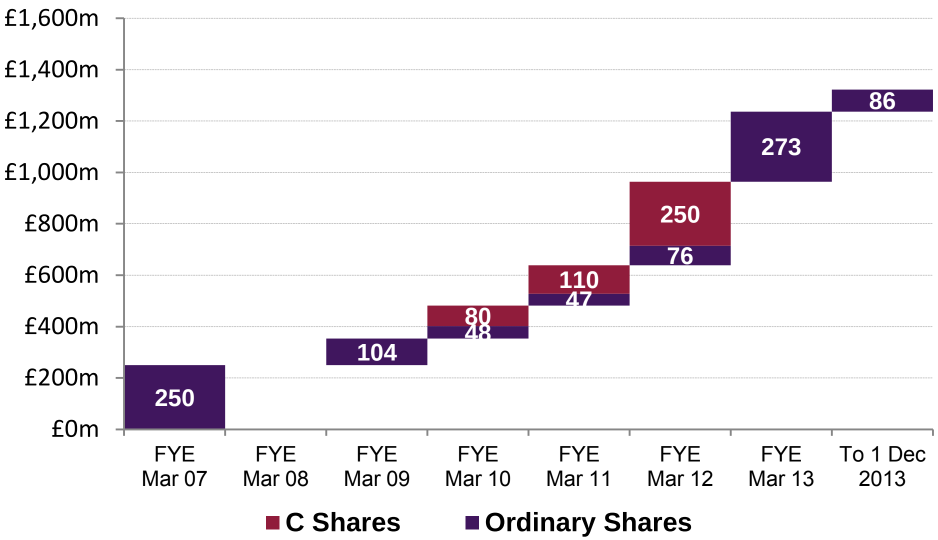
Past performance is not a reliable indicator of future performance. Investments can fluctuate in value.

# Capital Raising Approach and History

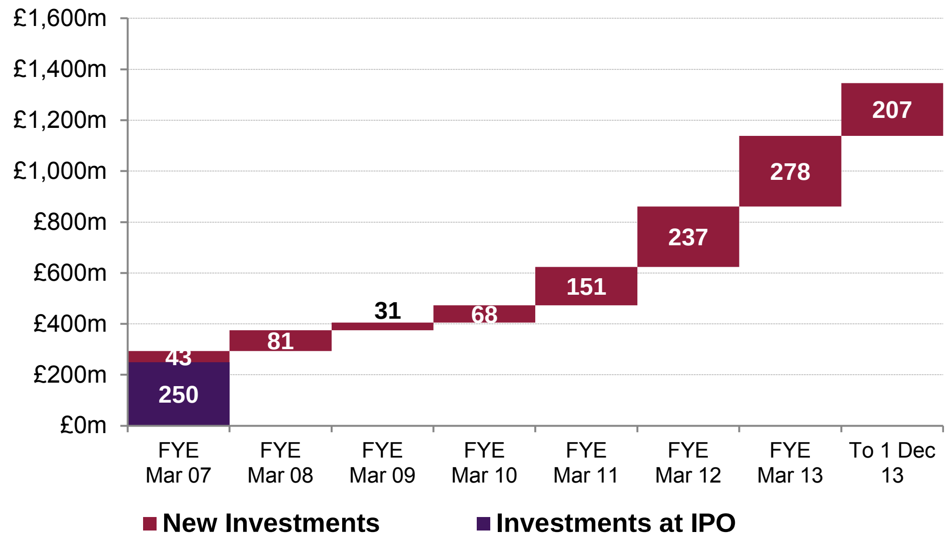
HICL's innovative financing approach has several benefits for shareholders

- 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
- 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 1 December 2013**




**132 Acquisitions[1] since IPO to 1 December 2013 totaling £1.345bn**




1. Split into 93 new investments and 39 acquisitions of incremental stakes in existing investments.

# Market Developments[1]

Secondary market continues to be active, with primary market activity varying by geography

### UK secondary market

- Current pricing levels are attracting more sellers to the market looking to sell assets and recycle capital
- The attractive yield premium to Government bonds is encouraging more competition

### UK primary market

- Progress in procurement of new projects under the National Infrastructure Plan
  - Priority Schools Building Programme - total funding requirement of £500m across 5 batches
- As new projects are procured in the UK, this will start to create further opportunities for the Group to invest in

### Overseas markets

- Primary procurement in the major economies of Western Europe continues at different rates
  - Starting to see some interesting secondary market opportunities
- Canada still has an active primary procurement programme, and stakes in projects that were commissioned over the last 2 to 5 years are expected to emerge in the secondary market
- In the USA, more than 30 states have passed enabling legislation in respect of PPP, and there is a growing primary pipeline of opportunities. These are expected to lead to secondary market investments in due course
- The Australian market is more mature and there is a good primary pipeline of social infrastructure with a steady, relatively small, pipeline of secondary projects
- InfraRed has offices in Paris, New York and Sydney to assist in capturing these opportunities

1. Slide taken from the Interim Results Presentation for the six months to 30 September 2013

# HICL Group Strategy[1]

- Manage existing portfolio
  - Add value through active management
  - Engage with public sector clients to generate cost savings

- Source and evaluate investment opportunities which are:
  - Predominantly social and transportation infrastructure
    - PFI/PPP/P3 concession contracts with public sector clients
    - Availability-based revenues with inflation-linkage
  - Of possible interest, if risk/return appropriate:
    - infrastructure debt, transmission lines, small utilities and toll roads with mitigated traffic risk

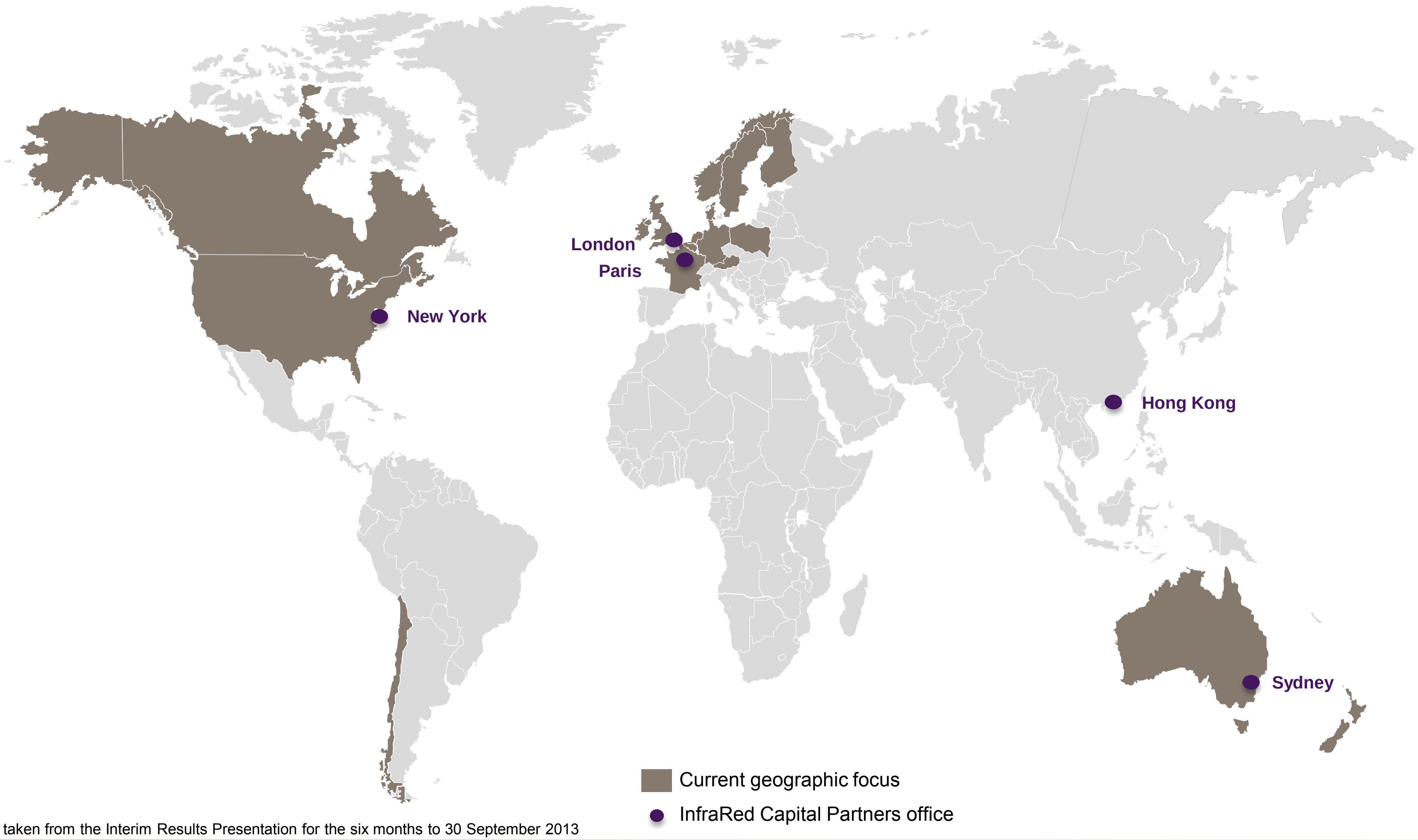
- Maintain position by
  - Continuing to adhere to clear, stated strategy and deliver target returns
  - Ensure portfolio delivers to plan, or better
  - Focused investment strategy, with new acquisitions adding value to current portfolio
  - Improving disclosure and analysis, and being at forefront of governance

- Deliver sustainable distributions – confident of achieving target 7.1p per share for year to 31 March 2014 and 7.25p for year to 31 March 2015

- Seek some NAV growth through selective acquisitions

1. Slide taken from the Interim Results Presentation for the six months to 30 September 2013

# Geographic Focus[1]




1. Slide taken from the Interim Results Presentation for the six months to 30 September 2013

# Pipeline and Sourcing[1]

A reputation for delivering

- Acquisitions over the period and in the pipeline continue to exhibit the following characteristics
  - Long-term social and transportation infrastructure investments – mainly PFI/PPP/P3 concessions
  - Range of investment sizes
  - Sourced from a variety of vendors, via auction and through relationships
- Unsuccessful in a number of auction processes – outbid on price, in some cases by fair margin
  - Maintaining price discipline – investments in period have been value accretive
- Closely monitor bid costs – controlling unsuccessful bid costs by avoiding highly competitive scenarios
- Where successful, comes from industry relationships and our reputation for deliverability, particularly:
  - Having funding available
  - Depth of resources for due diligence
  - Pricing appropriately
  - Delivering the transaction on time
- Promising pipeline across sectors and geographies within existing investment strategy
- Continue to evaluate interesting overseas opportunities - in France, Australia, Ireland and Canada in particular

1. Slide taken from the Interim Results Presentation for the six months to 30 September 2013

# Summary of Six months to 30 September 2013[1]

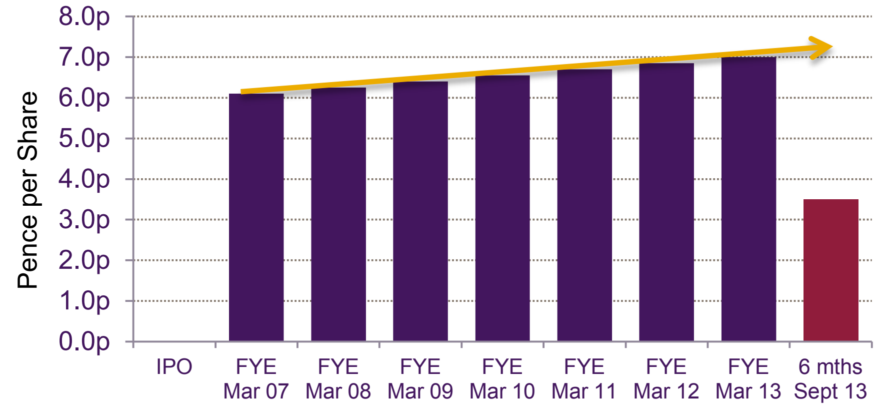
### Portfolio performance

- Size and diversity of portfolio increasing, thereby generating further scale economies and reducing single asset-specific risk
- Assets performing and distributing cash to Group as expected
- Value growth from pro-active asset management, judicious acquisitions, and accretive equity issuance
- Promising pipeline of new investment opportunities from the market and from the existing portfolio
- All equity capital raised invested in period – debt facility utilised reducing cash drag

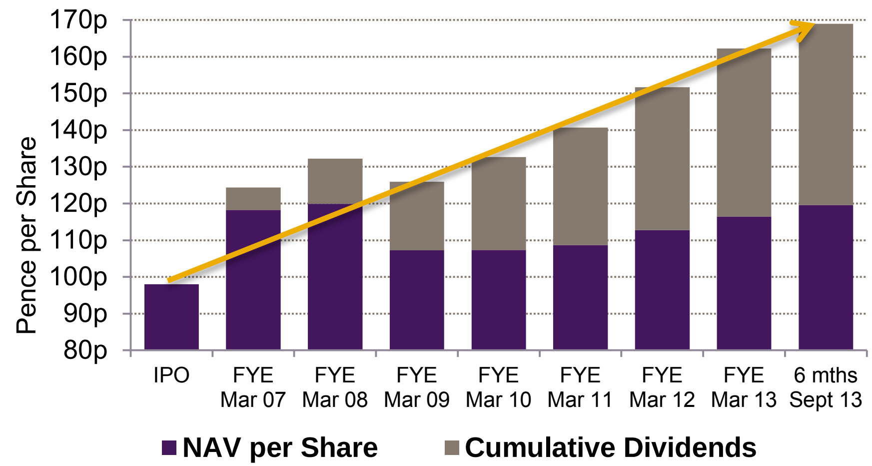
### Distributions and Performance

- Interim dividend of 3.5p declared
- Scrip dividend alternative
- Total shareholder return of 5.8% in the six month period
- Board confident target distribution for the year to 31 March 2014 of 7.1p per share achievable
- Guidance for year to 31 March 2015 of 7.25p per share

**Annual Dividends since IPO**




**NAV Growth and Cumulative Dividends since IPO**




1. Slide taken from the Interim Results Presentation for the six months to 30 September 2013