# HICL Infrastructure Company Ltd

## Overview of the Company, its Investment Adviser and performance

**Winter 2012**

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Past performance is not a reliable indicator of future performance.

# Overview of HICL Infrastructure Company Ltd ("HICL")

## Background and Objectives

### Background

- Infrastructure investment company registered in Guernsey
- Acquires and manages equity stakes in primarily operational social infrastructure projects
- Launched in 2006 with 15 seed assets from a fund managed by InfraRed
- Premium Listing on London Stock Exchange – now part of the FTSE 250
- Board of four independent directors who oversee on corporate governance and transparency
- Current market cap of £1.17bn (US$1.87bn)[1]
- 4,450 shareholders, mainly UK, split 50/50 retail/institutional
- Competitive and clear fee structure

### Investment Objectives

- Focus on lower risk investments
- Long term holder of assets
- Steady, predictable yield and preservation of capital
- Distributions cash covered
- New investments to deliver shareholder return and realise scale economies
- Long-term shareholder return target of 7% p.a.[2] - (8.8% since IPO[3]), principally cash yield (c.5.6%p.a.[4])

1. As at 30 November 2012. GBP/USD1.6
2. Target return for investors participating in the most recent C Share issue of March 2012
3. As at 30 September 2012. Source: Thomson Reuters Datastream
2. Based on target 7.0p total dividend for FYE 31 March 2013 and Share price of 124.9p as at 30 November 2012.

# The Investment Adviser - InfraRed Capital Partners Ltd

InfraRed's performance record and its continuity are key competitive differentiators

- InfraRed Capital Partners Ltd ("InfraRed") is the investment adviser to HICL and is authorised and regulated by the FSA
- Strong, 15+ year track record in raising and managing 11 value-add infrastructure and real estate funds (excluding HICL)
- Currently c.US$5bn of equity under management
- Independent manager 80% owned by 28 partners following successful spin-out from HSBC Group in April 2011
- London based, with offices in Hong Kong, New York and Paris and around 90 partners and staff
- Team of 17 professionals advising HICL, managing the investments and sourcing new investments
- Strong governance, risk management and transparency culture at HICL and InfraRed

| 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 | Exiting |
| HICL | Listed, secondary, income yield | £1,170[1] | Since 2006 | Evergreen |
| Environmental Fund | Unlisted , greenfield , capital growth | €235 | Since 2009 | Investing |
| Fund III | Unlisted , greenfield , capital growth | $1,215 | Since 2011 | Investing |

1. Market capitalisation as at 30 November 2012.

# The infrastructure asset class

HICL's investment strategy is at the low-risk end of the spectrum

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) | ▸ 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

NB: For a full list of risk factors please refer to pages 8-19 of HICL's C Share Prospectus dated 29 February 2012

# Key characteristics of HICL's investment portfolio

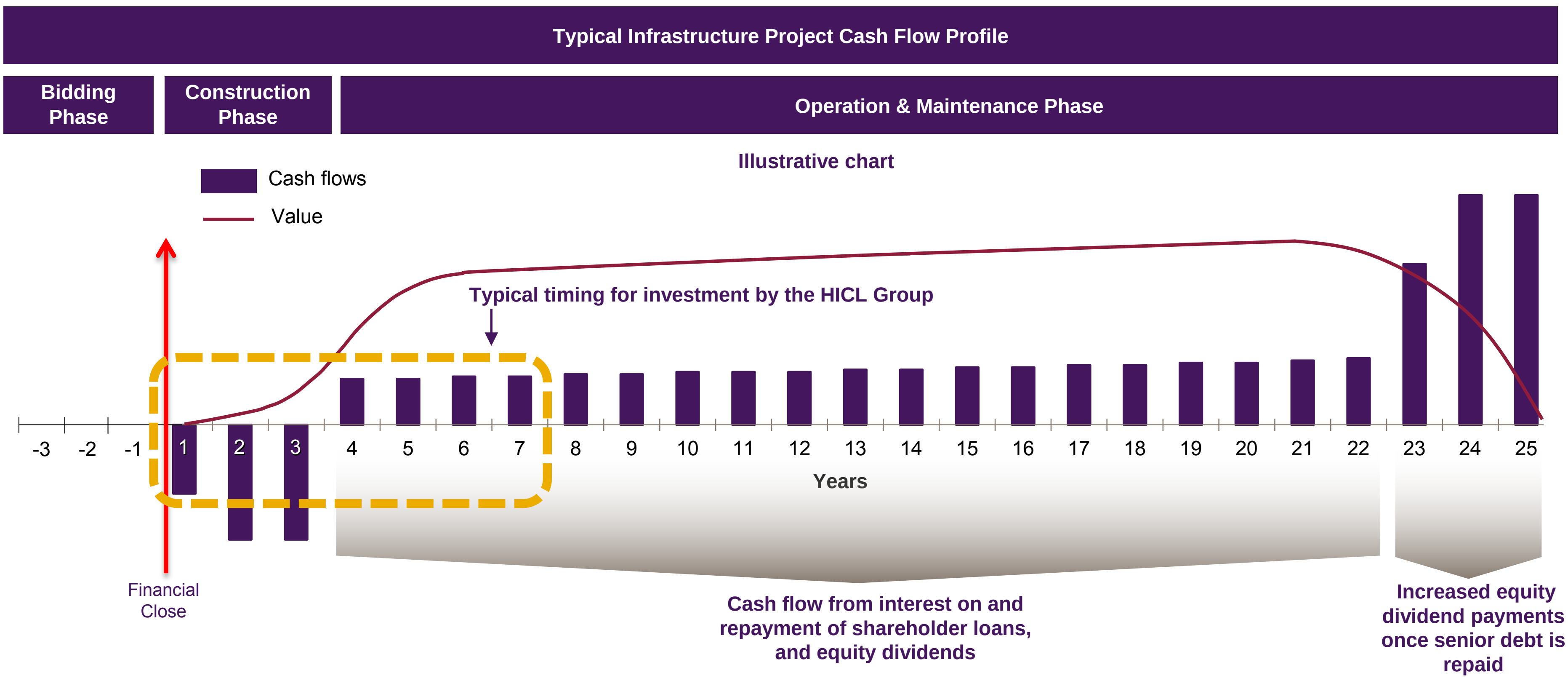
Mitigate risk while optimising long-term yield to shareholders

| | | |
|---|---|---|
| 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 |

NB: For a full list of risk factors refer to pages 8 -19 of HICL's C Share Prospectus of 29 Feb 2012

# Investment cash flow profile over a project's life

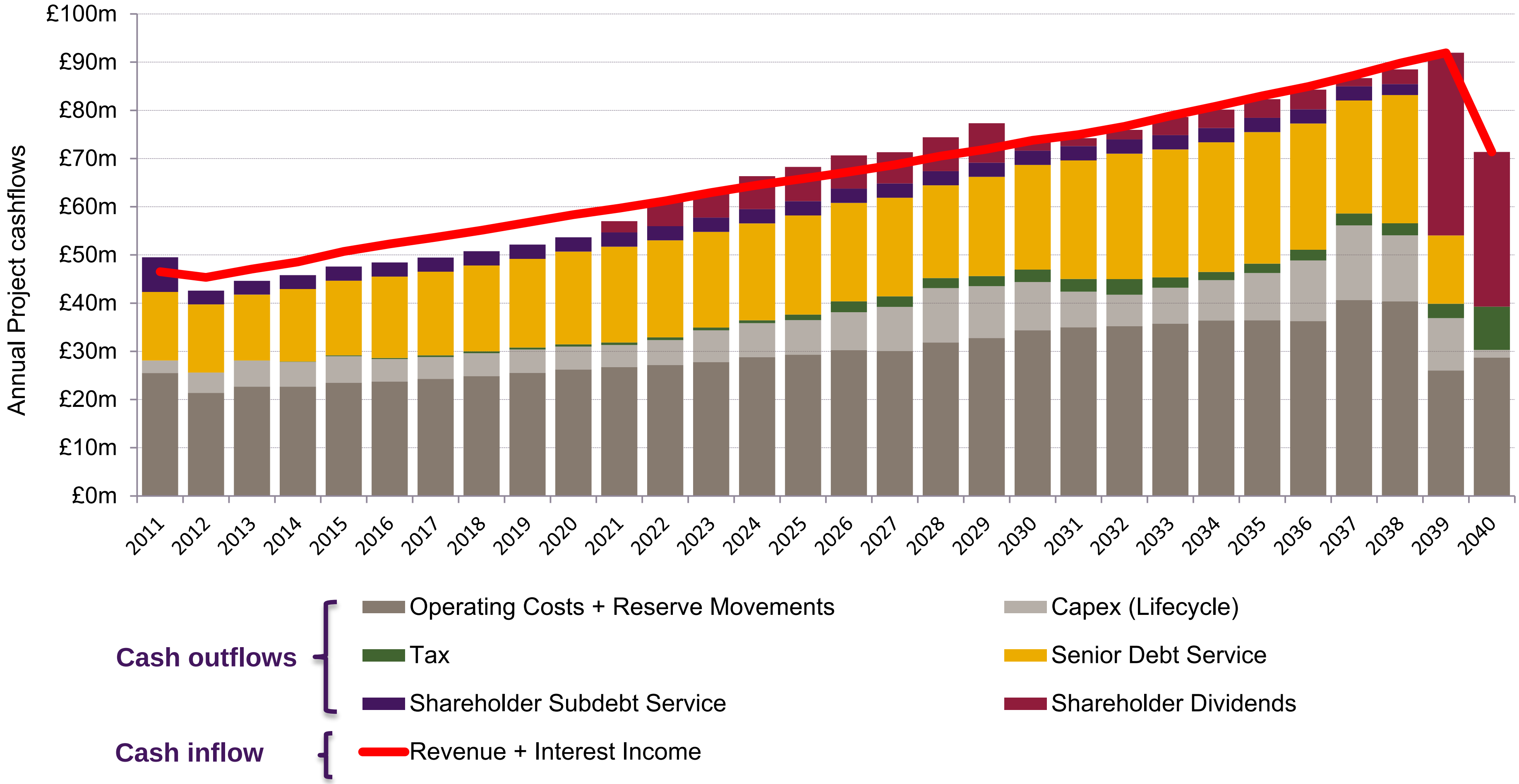
Operational infrastructure projects benefit from long-term, predictable cash flows




Source: InfraRed

# Example project cash inflows & outflows

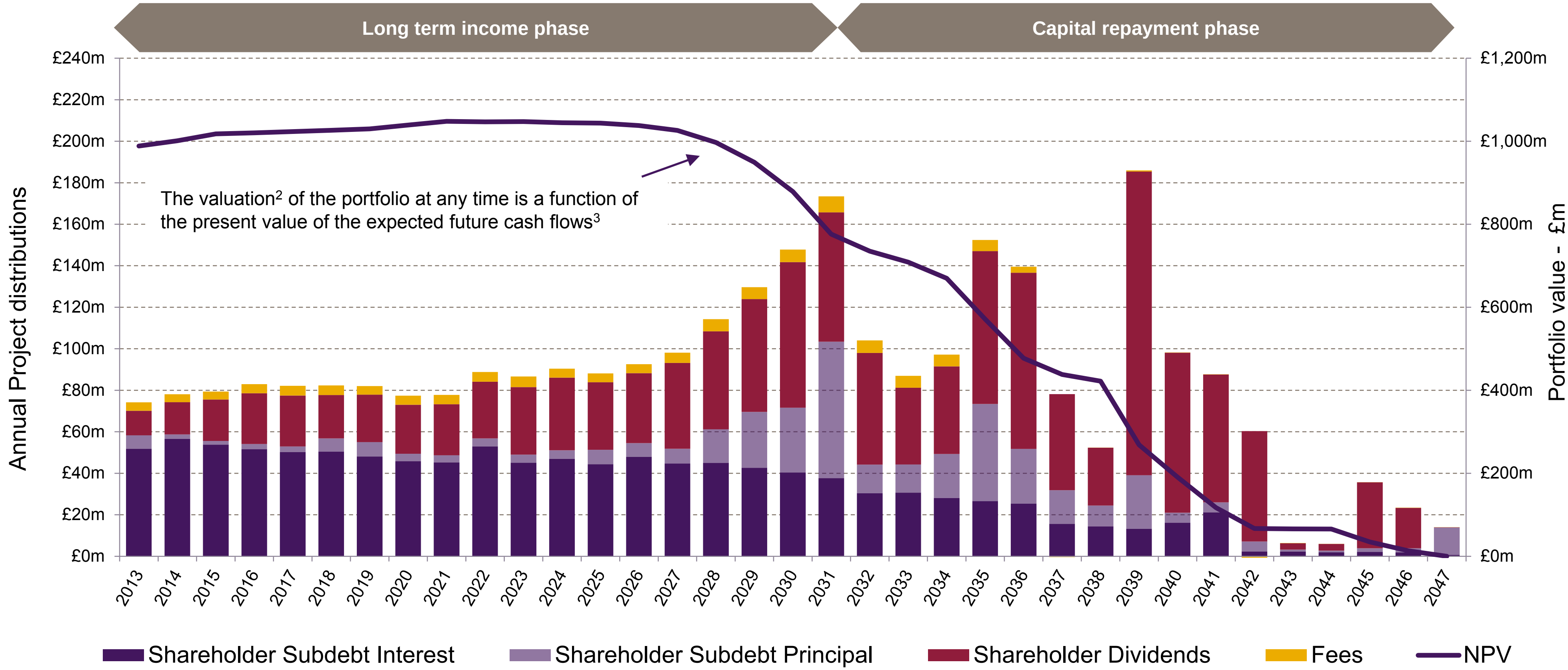
Taken from the Queen Alexandra Hospital case study – September 2010




Source: InfraRed, taken from the project's financial model – data as at September 2010

# HICL cashflow receipts from underlying investment companies[1]

Future profile of aggregated cashflows due to HICL from all projects as at May 2012




Source: InfraRed, May 2012

[1] The illustration represents a target only and is not a profit forecast. There can be no assurance that this target will be met.

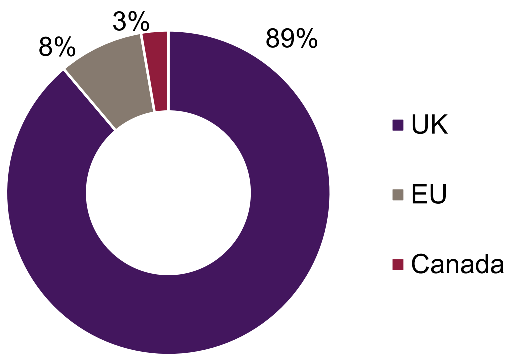
[2] The illustration assumes exchange rates of EUR/GBP of 0.83; C$ /GBP of 0.63 and a weighted average discount rate of 8.6%p.a. These assumptions and value of the Group's portfolio may vary over time.

[3] The cashflows and the valuation are from the portfolio as at May 2012 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.

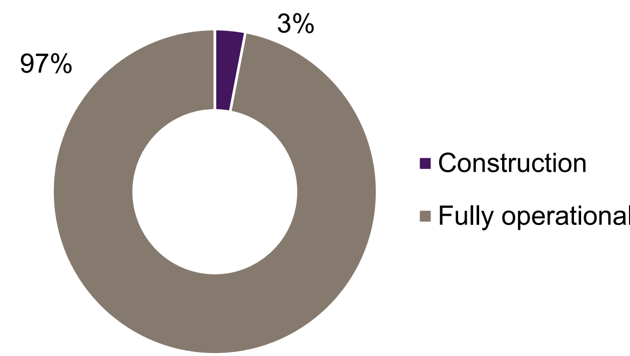
# Stable, attractive, long-term, low-risk portfolio

Analysis of the portfolio at 30 September 2012[1]

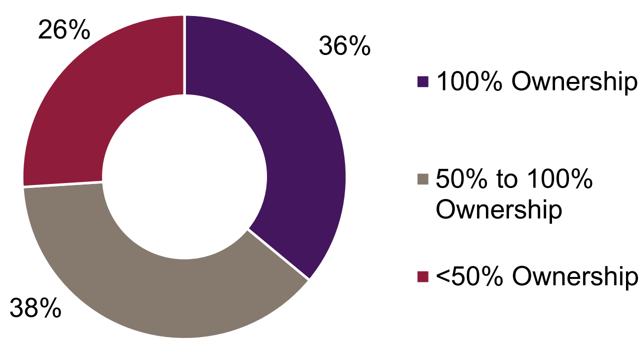
### Geographic spread



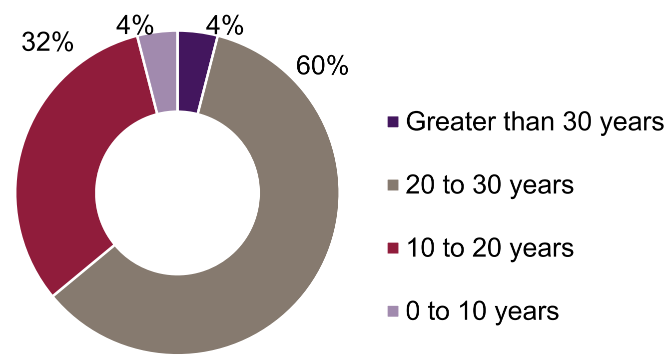

### Operational status




### Level of ownership




### Average concession life (23.4 years)




[1] By value, using Directors valuation as at 30 September 2012

# Diversified portfolio

73 investments valued at £1,015.9m at 30 September 2012 - ten largest investments represent c.49% by value[1]

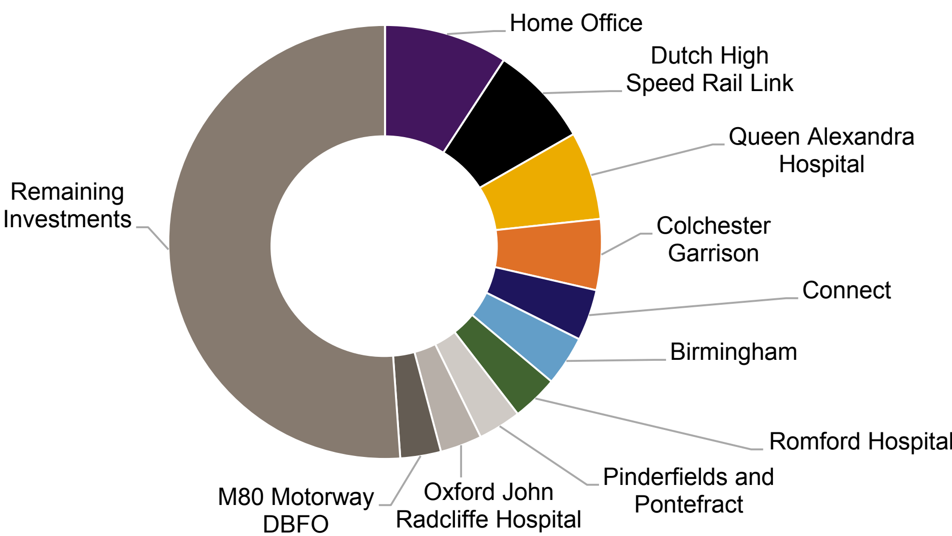
**Home Office Headquarters**

**Dutch High Speed Rail Link**

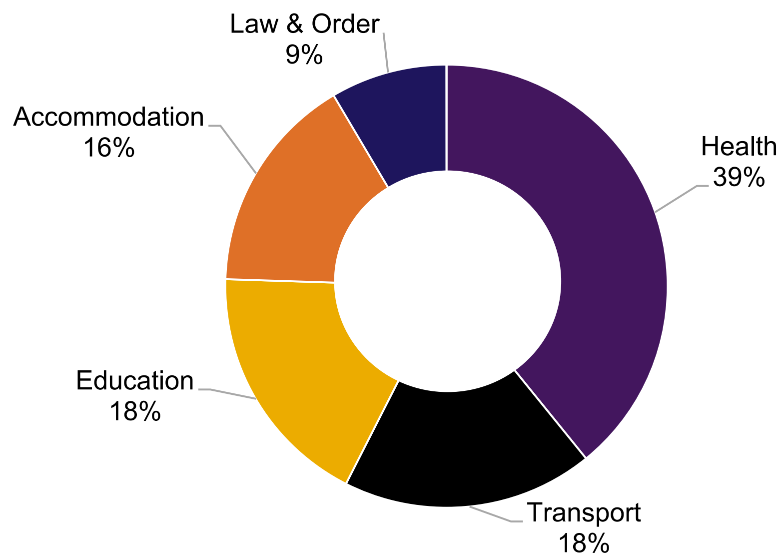
**Colchester Garrison**

**Oxford John Radcliffe Hospital**

## Ten largest investments[1]




## Focus on social infrastructure[1]




[1] By value, using Directors' valuation as at 30 September 2012

# Current portfolio

Portfolio as at 30 November 2012, showing changes since 31 March 2012

| Education | | Law & Order | Health | | Accommodation | Transport |
|---|---|---|---|---|---|---|
| Barking & Dagenham Schools | Boldon School | Dorset Fire & Rescue | Barnet Hospital | Bishop Auckland Hospital | Colchester Garrison | A249 Road |
| Bradford Schools | Cork School of Music | Dorset Police | Birmingham Hospitals | Birmingham & Solihull LIFT | Health & Safety Headquarters | A92 Road |
| Conwy Schools | Croydon School | D & C Firearms Training Centre | Blackburn Hospital | Blackpool Primary Care Facility | Home Office | Connect PFI |
| Darlington Schools | Defence Sixth Form College | Exeter Crown Courts | Brentwood Community Hospital | Central Middlesex Hospital | Newcastle Libraries | Dutch High Speed Rail Link |
| Derby Schools | Doncaster Schools | GMPA Police Stations | Doncaster Mental Health Hospital | Ealing Care Homes | Oldham Library | Kicking Horse Canyon P3 |
| Ealing Schools | Haverstock School | Medway Police | Glasgow Hospital | Lewisham Hospital | | M80 Motorway DBFO |
| Fife Schools* | Fife Schools 2 | MPA Firearms Training Facility | Newton Abbott Hospital | Nuffield Hospital | | NW Anthony Henday P3 |
| Health & Safety Labs | Helicopter Training Facility | MPA SEL Police Stations | Oxford Churchill Oncology | Oxford John Radcliffe Hospital | | |
| Highland Schools PPP | Irish Grouped Schools | Sussex Custodial Centre | Pinderfields & Pontefract Hospitals | Queen Alexandra Hospital | | |
| Kent Schools | Manchester School | Swindon Police | Romford Hospital | Sheffield Hospital | | |
| Newport Schools | North Tyneside Schools | Tyne & Wear Fire Stations | Staffordshire LIFT | Stoke Mandeville Hospital | | |
| Norwich Schools | Oldham Schools | | West Middlesex Hospital | Willesden Hospital | | |
| Rhondda Schools | Renfrewshire Schools | | | | | |
| Sheffield Schools | South Ayrshire Schools | | | | | |
| Wooldale Centre for Learning | | | | | | |

**Key:**

| | |
|---|---|
| Portfolio at 31 March 2012 | Disposal since 30 September 2012 |
| Acquired since 31 March 2012 | Acquired since 30 September 2012 |
| Additional stake acquired since 31 March 2012 | Additional stake acquired since 30 Sept 2012 |

* Contract to acquire additional stake in Fife signed but is yet to complete

# Active asset management

Working with stakeholders to preserve and enhance value

## Value Preservation

- Client engagement
- Efficiency savings initiatives
- Regular performance reviews
- Appropriate controls and risk management processes
- Managing the projects to agreed business plans and budgets
- Ensuring rigorous financial reporting and management information regimes are maintained
- ESG initiatives
- Counterparty exposure monitoring

## Value Enhancement

- Portfolio insurance arrangements and other bulk purchasing
- Spend-to-save initiatives
- Project variations
- Treasury management
- If appropriate, capital restructuring of existing funding
- Tax optimisation
- Release of cash reserves
- Acquisition of other co-shareholder interests

**West Middlesex Hospital**

**Exeter Crown Court**

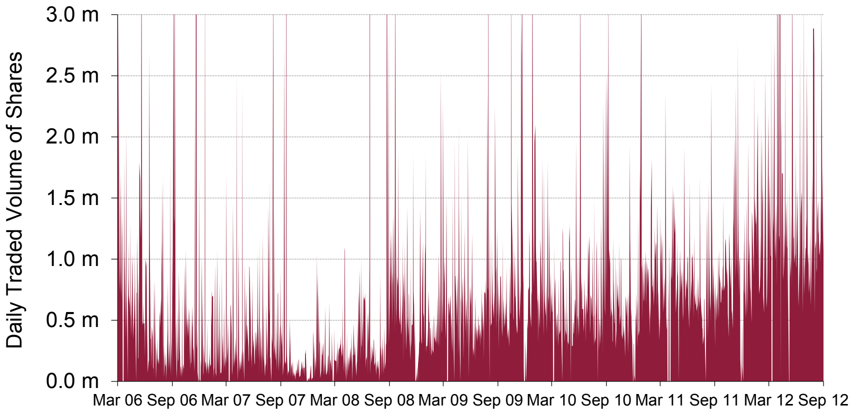
**Highlands School PPP**

**Bishop Auckland Hospital**

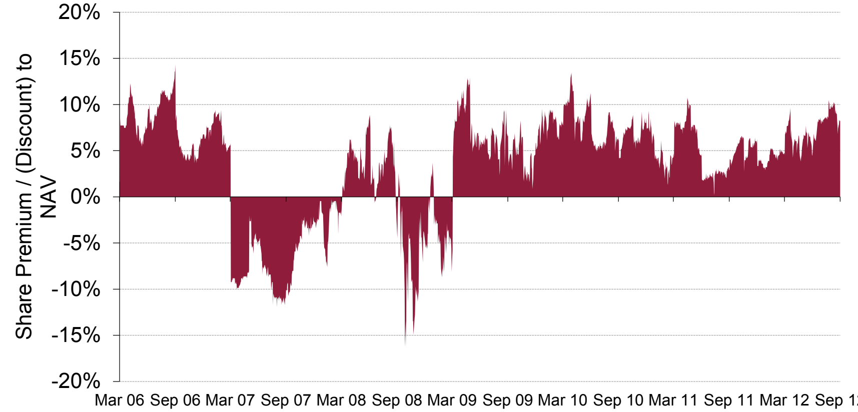
# Strong share price performance and liquidity

Total shareholder return of 8.8% since IPO[1]

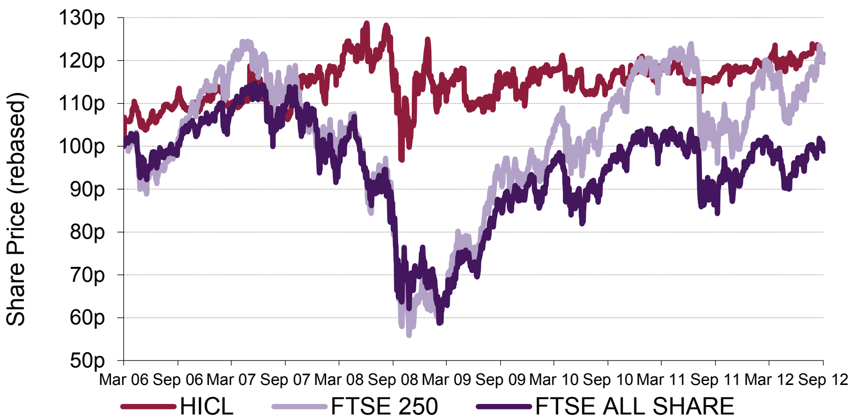
### Average daily traded volume has increased to over 2m



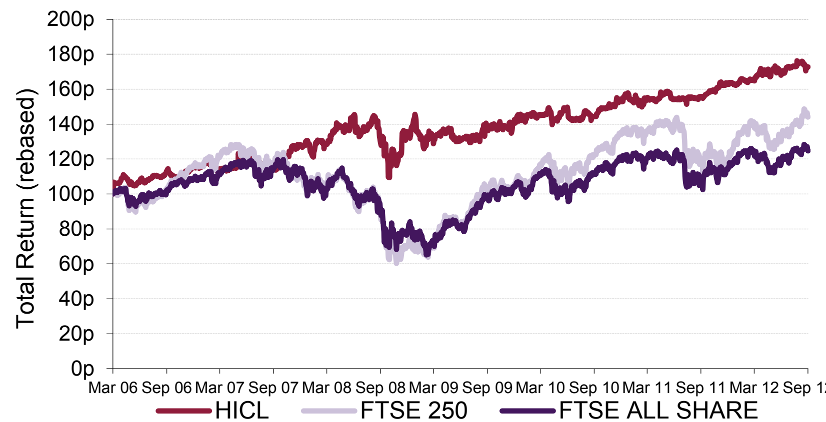

### Shares trade at a small premium to NAV




### Low correlation (0.04) with the broader equity market




### Outperformance of FTSE250 (20%) and FTSE All Share (39%)



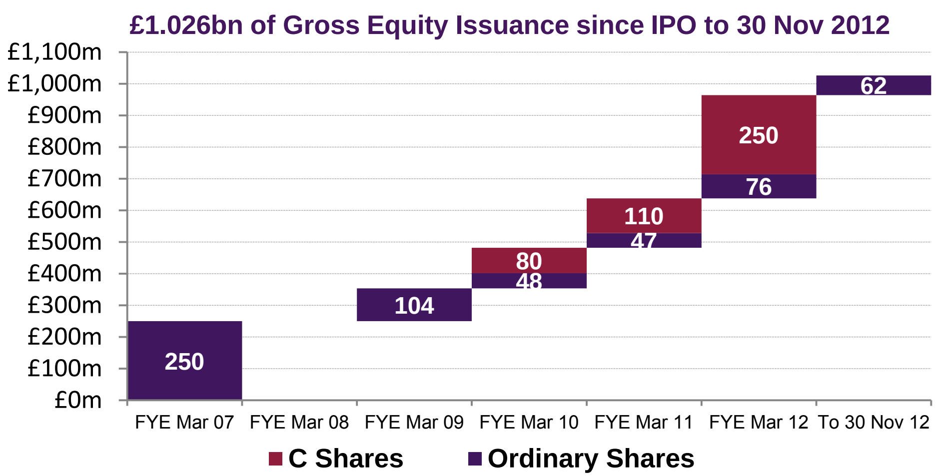

1. Source: Thomson Datastream – launch to 30 September 2012

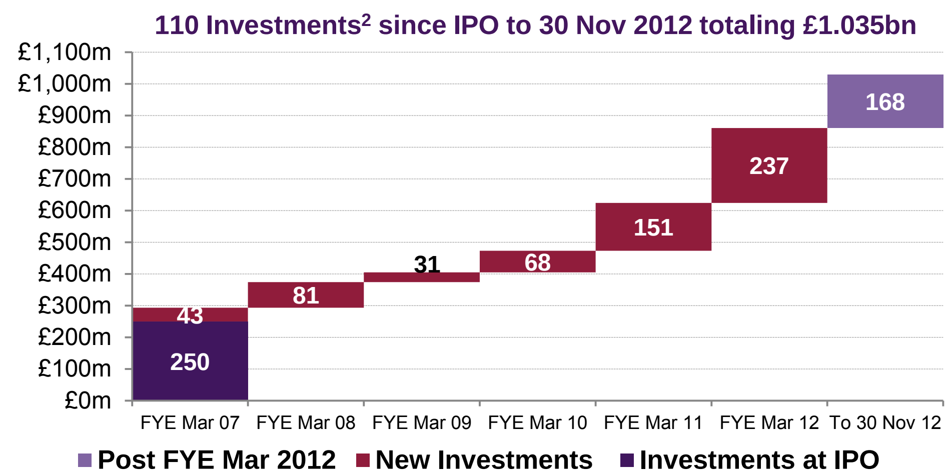
All data for the period from 28 March 2006 until 30September 2012. Source: Thomson Datastream. Past performance is not a reliable indicator of future performance. Investments can fluctuate in value.

# Approach to capital raising

HICL's innovative financing approach has several benefits for shareholders

- HICL has raised c.£1.026bn of equity since launch in March 2006 - £250m at IPO and £776m 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
  - shares issued at small premium to the prevailing NAV per share
- C share issues to repay more significant drawings and, if appropriate, pre-fund pipeline investments
  - C shares convert on a NAV to NAV basis[1], so existing shareholders' NAV per share is not diluted
- £250m of C Share proceeds in March 2012 materially all invested by 30 September 2012 (repaying acquisition debt and financing new acquisitions)
- £62.1m ordinary share tap issue on 23 November 2012 to finance acquisitions made since 30 September including an unconditional acquisition due to complete in the coming months



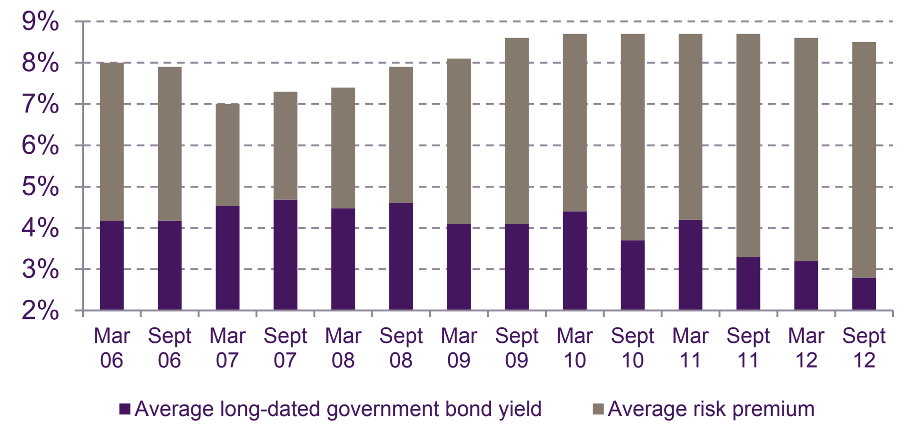

1. NAV of each C share (being gross proceeds received of 100p per share less issue costs), to NAV per Ordinary Share
2. Split into 78 new investments (including a signed but not yet complete acquisition as at 30 November 2012) and 32 acquisitions of incremental stakes in existing investments.

# Valuation methodology

## HICL provides detailed disclosure of its valuation methodology

- Semi-annual valuation and NAV reporting:
  - Consistent with industry standards
  - Carried out by Investment Adviser; Approved by Directors; Independent third party opinion for Directors
- DCF methodology on investment cash flows
  - Discount rate comprising risk free rate plus investment specific premium
  - For risk free, average of 20 and 30 year government bonds (matching concession lengths)
- Discount rates[1] for PFI/PPP/P3 projects range between 8.1% and 10.0%
  - Discount rate for UK operational projects reduced by 10bps from March 2012 to 8.5%
  - Discount rate for construction projects remains at 9.0%
  - Weighted average rate of 8.5%, down from 8.6% at 31 March 2012

**Weighted average discount rates since launch**




| | Appropriate long-dated government bond yield | | Risk Premium | | Total discount rate 30 Sept 2012 | Total 31 Mar 2012 |
|---|---|---|---|---|---|---|
| UK | 2.9% | + | 5.6% | = | 8.5% | 8.6% |
| Holland | 2.5% | + | 6.2% | = | 8.7% | 8.8% |
| Canada | 2.3% | + | 5.8% | = | 8.1% | 8.2% |
| Ireland | 5.5% | + | 4.5% | = | 10.0% | 11.0% |
| **Portfolio** | **2.8%** | **+** | **5.7%** | **=** | **8.5%** | **8.6%** |

1. Discount rates applied in valuations as at 30 September 2012: Source: InfraRed

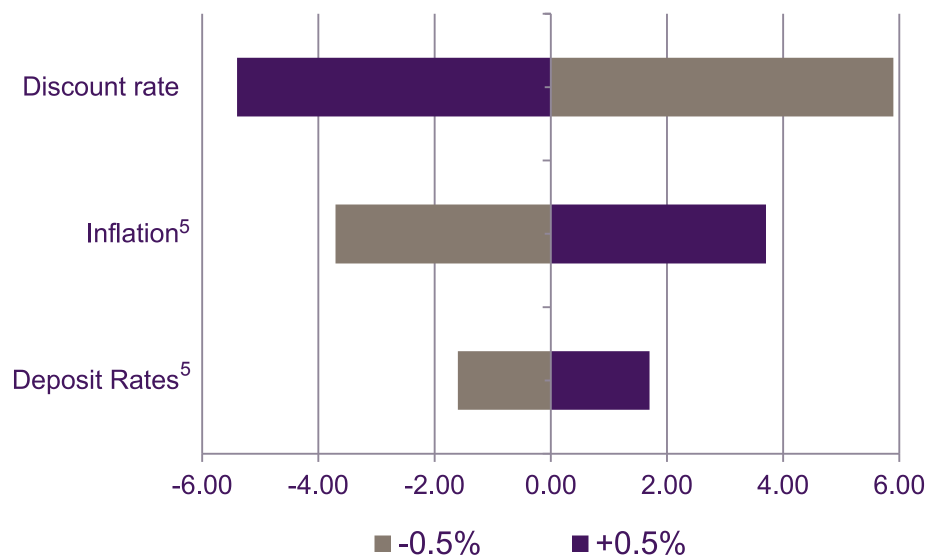
# Key valuation assumptions

## Key assumptions as at 30 September 2012

- **Inflation assumptions**[1]
  - UK 2.75% pa - both RPI[2] and RPIx[2] (March 2012: 2.75% pa)
  - EURO 2.00% pa (March 2012: 2.00% pa)
  - Canada 2.00% pa (March 2012: 2.00% pa)
- **Deposit rates (UK)**
  - 1.0% pa to 31 March 2016, 3.75% thereafter (March 2012: 1.0% pa to March 2015 and 3.75% thereafter)
- **Foreign exchange**
  - CAD$/GBP 0.63 (March 2012: 0.63)
  - EU€/GBP 0.80 (March 2012: 0.83)
- **Tax rate**
  - UK tax rate of 24% (March 2012: 24%)

- In UK, consultation on way RPI calculated underway – range of possible outcomes - impact on NAV too early to quantify
- If inflation is 3.75% pa (i.e. up 1.0% pa), expected return[4,5] from portfolio (before Group expenses) increases from 8.5% to 9.2%

**Sensitivity to key macroeconomic assumptions (change NAV in pence/share)[3]**



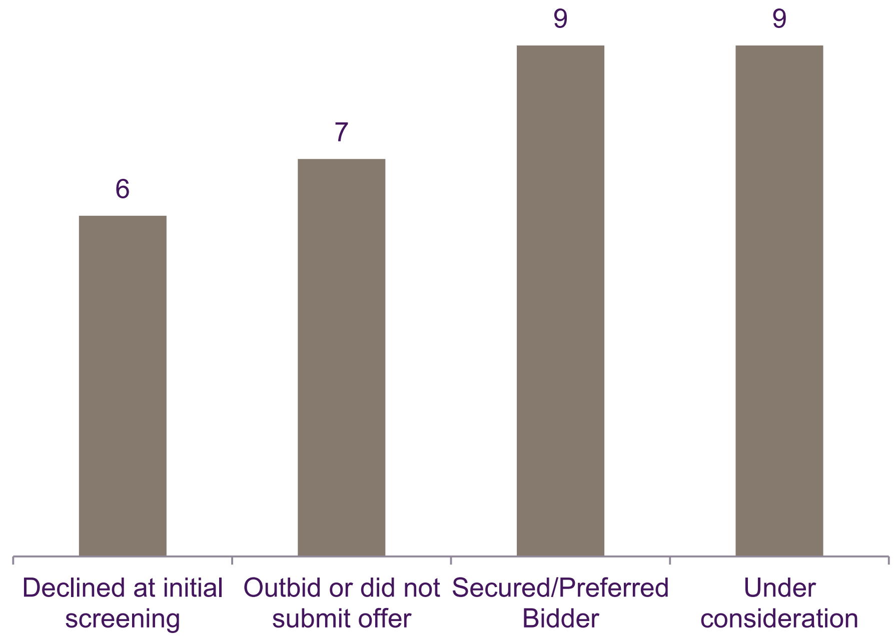

1. Some project income fully indexed, whilst others partially indexed
2. Retail Price Index and Retail Price Index excluding Mortgage Interest Payments
3. Based on 885m shares in issue
4. Return is expected IRR
5. Analysis is based on the Group's 20 largest investments, pro-rata for the whole portfolio

# Secondary market and HICL investment  pipeline

## Steady pipeline of new opportunities

- Many new types of investment opportunities, but still a cautious approach:
  - Social Infrastructure (PFI/PPP/P3) - operational and in construction
  - Renewable energy, toll roads, and infrastructure debt investments
  - Availability, contracted or proven-demand models being considered
  - Still mainly UK, but increasingly in EU, Australia and Canada
  - Both single assets and portfolios
  - Number of processes at an advanced stage
- Acquiring incremental stakes in existing investments will continue
- New vendors in the market balanced by new acquirers
  - More competition for larger assets / portfolios
  - Off-market potential via relationships with vendors

## 31 opportunities reviewed since April 2012[1]




Source: HICL Interim Results Presentation of 21 November 2012
1. As at 30 September 2012

# Summary highlights

### Investment Strategy & Portfolio

- A large, liquid, listed infrastructure fund providing investors access to long-term PFI/PPP/P3 projects with stable portfolio yield
- Diversified investment portfolio
- Low-risk approach to infrastructure investing

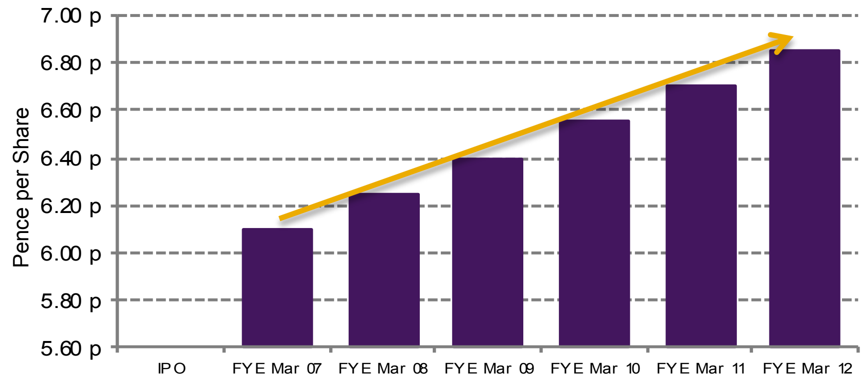
### Performance

- Outperformance of, and very low correlation with, UK listed equity market
- 8.8%p.a.[1] total shareholder return since IPO in 2006
- Portfolio cashflows are positively correlated with inflation (+1% p.a. RPI ≈ +0.7% gross IRR)
- 2.2% p.a. average dividend growth (covered 1.6x for 6 months to 30 September 2012) producing 5.6% p.a. cash dividend yield[2]
- Further dividend growth above 7.0p reviewed annually and dependent on forecast long-term operating performance and macro-economic conditions

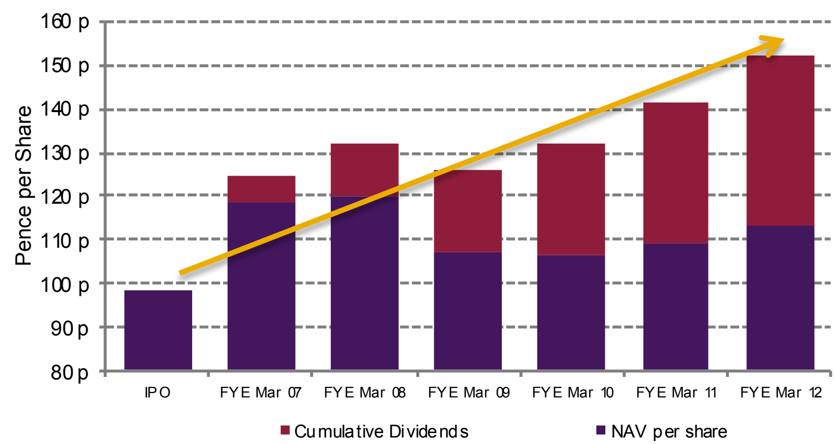
### Management

- Independent Board and premium listing - strong governance and transparency
- Well-established, external Investment Advisor with experienced team
- Transparent and competitive fees (1.19% TER[3]) with economies of scale

**Annual Dividends since IPO**




**NAV Growth and Cumulative Dividends since IPO**




[1] As at 30 September 2012 Source: Thomson Reuters Datastream
[2] Based on target total dividends for FYE 31 March 2012 of 7.0p and a share price at 30 November 2012 of 124.9p
[3] Annualised figure for 6 months to 30 September 2012
Past performance is not a reliable indicator of future performance

# HICL Infrastructure Company Ltd

## Appendices

**Winter 2012**

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Past performance is not a reliable indicator of future performance.

# The Investment Adviser

InfraRed Capital Partners Ltd

# InfraRed Capital Partners – Secondary Infrastructure team

Over 270 years combined infrastructure experience

**Werner von Guionneau**
CEO, InfraRed
Inv Committee[1]

**Chris Gill**
Deputy CEO, InfraRed
Inv Committee[1]

**Tony Roper**
Director, InfraRed
Inv Committee[1]

**Keith Pickard**
Director, Infrastructure
Inv Committee[1]

**Erwan Fournis**
Director, Infrastructure
Inv Committee[1]

**Gareth Craig**
Director, InfraRed
Inv Committee[1]

**David Foot**
Investment Director

**James O'Halloran**
Investment Director

**Amanda Caines**
Investment Executive

**Eugene Kinghorn**
Financial Controller

**Maria Janusz**
Management Accountant

**Tim Bowden**
Investment Director

**Albane Psaume**
Analyst

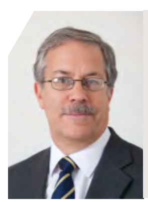
**Xiaonan Chen**
Analyst

**Sean Watson**
Analyst

**Fabien Villacampa**
Analyst

**Geoff Quaife**
Asset Management

**Mark Wayment**
Asset Management



**Robert Newton**
Asset Management

**Mark Holden**
Asset Management

**Robin Hubbard**
Investor Relations

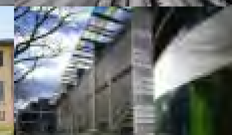
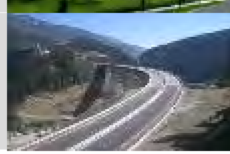
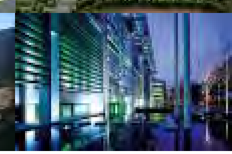
[1] Member of the InfraRed Capital Partners Ltd HICL Investment Committee.

# InfraRed – infrastructure skills and experience

- Experienced infrastructure professionals with proven track record
  - Core team for HICL of 12
  - Four asset managers, with further recruitment planned
  - Part of a wider infrastructure team of 39
- 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

# Evolution of InfraRed's infrastructure business

## More than 110 investments over a 15 year period

| InfraRed Infrastructure Funds and Investments | | |
|---|---|---|
| **Principal Investments[1]** | ▲ 10 investments (9 realised) across Europe<br>▲ Exit via auctions and IPO |   |
| **Fund I** | ▲ 14 investments across Europe<br>▲ Exited via IPO in 2006 |   |
| **Fund II** | ▲ 22 investments across Europe and North America<br>▲ Planning realisation |   |
| **Environmental Infrastructure Fund** | ▲ 8 investments across Europe and Australia<br>▲ Substantial investment pipeline |   |
| **Fund III** | ▲ Fund Size $1.215bn<br>▲ 5 investments<br>▲ Substantial investment pipeline |   |
| **HICL** | ▲ 78 Investments made[2]; 1 disposal; 1 redemption<br>▲ IPO in 2006 with market cap of £250m<br>▲ Joined FTSE 250 in 2008<br>▲ Market cap at 30 November 2012 of c.£1.17bn |   |

| Milestones | |
|---|---|
| **1994** | Mandate to advise UK government on PFI programme |
| **1997** | First infrastructure investment |
| **2000** | Crédit Commercial de France (including HSIL) acquired by HSBC |
| **2001** | Infrastructure Fund ("Fund I") raised (£125 million) |
| **2005** | Infrastructure Fund II ("Fund II") raised (£300 million) |
| **2006** | Exit of Fund I through IPO of HICL Infrastructure Company Ltd. ("HICL") |
| **2008** | Offices opened in Hong Kong, Paris and New York |
| **2010** | Environmental Infrastructure Fund raised (€235million) |
| **2011** | InfraRed becomes independent<br>Infrastructure Fund III ("Fund III) raised (US$1.215bn)<br>HICL completes largest acquisition to date (portfolio of 26 PFI/PPP projects for £143.4m) |
| **2012** | HICL completes oversubscribed £250m C Share equity raising |

1. Principal investments made while part of Charterhouse and HSBC
2. Includes one incomplete but unconditional investment as at 30 November 2012

Source: InfraRed; Pictures are for illustrative purposes only
Figures as at 30 November 2012

# Evolution of InfraRed's real estate business

## More than 100 investments over 22 year period

| InfraRed Real Estate Funds and Investments | | |
|---|---|---|
| **Principal Investments** | ▲ 51 investments (40 realised)<br>▲ Mixture of assets across retail, industrial and office in the UK and continental Europe |  |
| **Shopping Centre Funds I to III** | ▲ 14 investments (realised)<br>▲ Shopping centres in town centres |  |
| **UK Active Property Fund** | ▲ 22 investments (19 realised)<br>▲ Commercial property assets throughout the UK |  |
| **China Real Estate Fund** | ▲ 10 investments (1 fully realised and 1 partially realised)<br>▲ 7 development projects and 3 pre-IPO investments<br>▲ All in mainland China |  |
| **European Active Real Estate Fund** | ▲ 12 investments (2 full realisations)<br>▲ 2 co-investments completed , another in progress<br>▲ Commercial property assets |  |

| Milestones | |
|---|---|
| 1998 | Shopping Centre Fund I raised (£40m) |
| 1999 | Charterhouse London Residential Property Fund raised (£100m) |
| 1999 | Shopping Centre Fund II raised (£50m) |
| 2000 | Crédit Commercial de France (including HSIL) acquired by HSBC |
| 2003 | UK Active Property Fund raised (£105m) |
| 2004 | Shopping Centre Fund III raised (£75m) |
| 2008 | China Real Estate Fund raised ($710m) |
| 2008 | European Active Real Estate Fund raised (€400m) |
| 2010 | Segregated mandate to invest in Asia and Europe ($200m) |
| 2011 | InfraRed becomes independent |

Source: InfraRed; Pictures are for illustrative purposes only
Figures as at 30 November 2012

# HICL Infrastructure Company Ltd

www.hicl.com

# Understanding listed investment companies

The fundamentals of HICL and similar vehicles

## Overview

- An investment company is a closed-end collective investment fund which invests in a diversified portfolio of assets which are often very difficult to access or replicate independently.
- Most invest in a wide range of different sectors and assets around the world, both in listed securities as well as in private equity, property, bonds, infrastructure and other illiquid asset classes.
- Infrastructure investment companies invest in private infrastructure project companies that are very difficult for all but the largest institutional investors to access
- There are over 400 investment companies, which include investment trusts, offshore investment companies, venture capital trusts (VCTs) and split capital companies, many of which have existed for more than 50 years[1].
- Some investment companies have an internal fund management team, but many, like HICL, contract with an external investment adviser to provide fund and asset management services

## HICL as a listed infrastructure investment company

- Registered in Guernsey with dividends paid gross
- Independent non-executive Board (4 directors) with external investment adviser (InfraRed Capital Partners) on an arm's length contract (12 months termination notice)
- HICL, as one of the largest investment companies, has a premium, main board London Stock Exchange ("LSE") listing and maintains the highest levels of regulation, transparency and governance
- Typical investor protections such as pre-emption rights and other good governance provisions are in place
- Investment Adviser prepares semi-annual net asset value ("NAV") valuations. The Board then takes a third-party valuation opinion
- Share price and valuation is based on discount/premium to NAV rather than comparable Sales/EBITDA/PE multiples
- The Company can seek to manage the premium/discount by issuing new shares when demand is strong and/or undertake share buy-backs into treasury when a discount arises (subject to the LSE's Listing Rules and HICL's Memorandum & Articles of Incorporation)
- HICL reports against the governance code of the Association of Investment Companies ("AIC", the industry body)

[1] Source: Association of Investment Companies

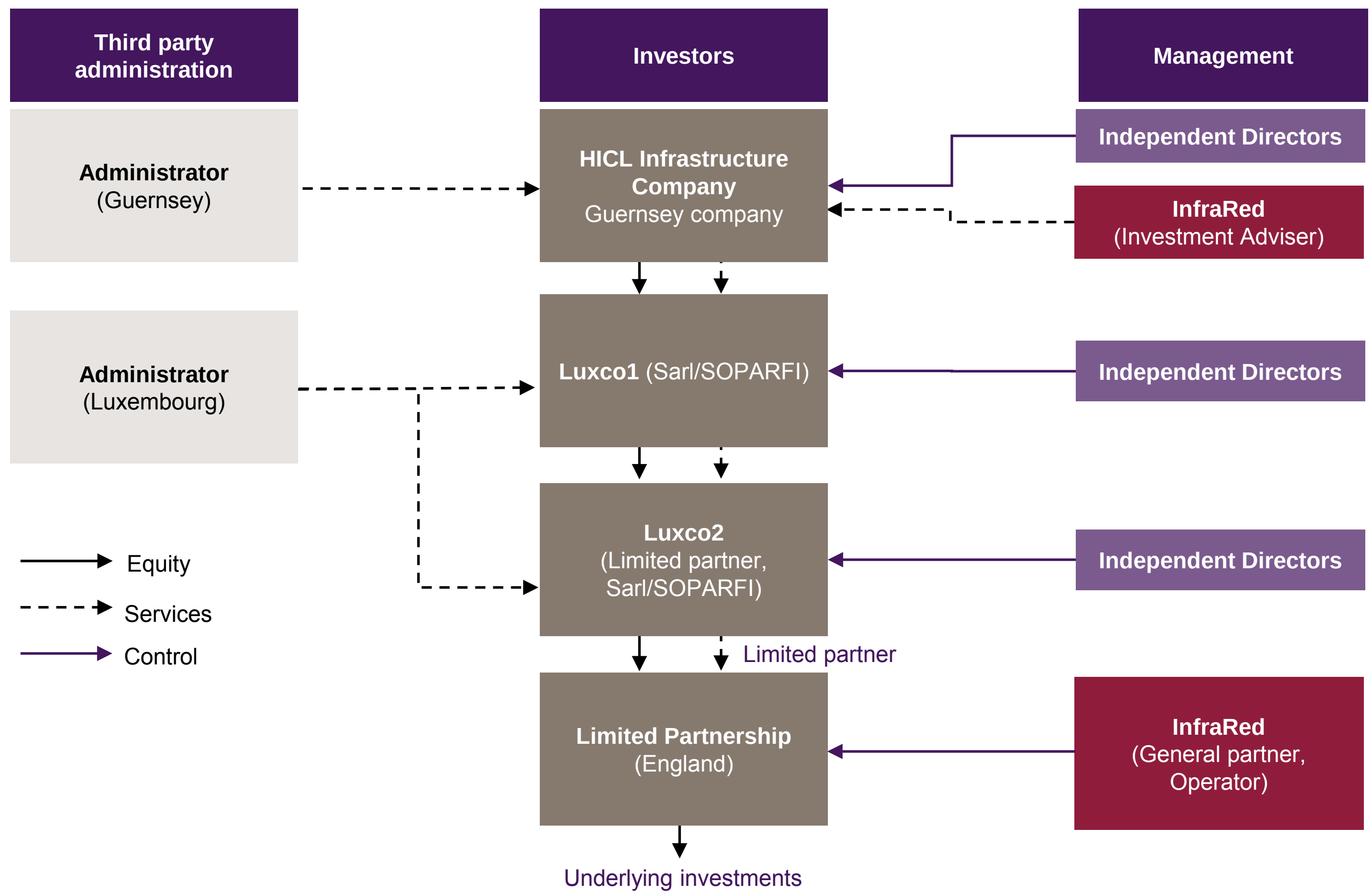
# Overview

## The largest, most liquid and longest-established London-listed infrastructure company

| | |
|---|---|
| **Company** | ▲ Guernsey registered Investment Company |
| **Listing** | ▲ Listed in March 2006 on Main Board of the London Stock Exchange with a premium listing (ticker: HICL.L), the Company strives to provide the highest standards of disclosure and transparency<br>▲ Part of FTSE 250<br>▲ Shares have traded at a premium to NAV per share for over 3 years |
| **Management** | ▲ Board of 4 independent directors<br>▲ Investment Adviser: InfraRed Capital Partners Ltd (authorised and regulated by the FSA) |
| **Return** | ▲ Stated target 7% total return to shareholders based on an investment in the C Share issue in March 2012<br>▲ Positive inflation correlation<br>▲ Low correlation to equities |
| **Distributions** | ▲ Consistent annual growth of 0.15p per share p.a. for the last 5 years to 6.85p for year to 31 March 2012<br>▲ Target 7.0p per share distribution for year to March 2013[1] |
| **PFI/PPP concessions** | ▲ Long-term concessions, partially inflation-linked, with public sector or government backed revenue streams |
| **Equity** | ▲ As at 30 November 2012, 937m shares in issue equating to a market cap of £1.17bn |
| **Debt financing** | ▲ £100m revolving 3 year debt facility at Group level allows new acquisitions to be made<br>▲ Multi-currency and with ability to use for letters of credit<br>▲ Lenders are The Royal Bank of Scotland and National Australia Bank |

1. Investors should note that no assurance or guarantee can be given that this will be achieved

# HICL Group structure diagram



# Reporting & Information

Regular investor communication with sector leading detailed disclosure

- Listed Company – complying with UKLA procedures and good corporate governance
- March year end – annual results announced in May and interims in November.  AGM in July/August
- Interim distributions declared in May & Nov – paid June and Dec
- Two Interim Management Statements – Feb and Aug
- Website – www.hicl.com
- Factsheet – updated quarterly
- Investor meetings, lunches and site visits
- Broker coverage – covered by analysts from Canaccord Genuity[1], Oriel Securities, Jefferies, Numis, RBC and JP Morgan Cazenove

1. Broker to the company and formerly known as Collins Stewart

# Governance

- Independent board of four non-executive Directors
  - Appointed by shareholders
  - 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 over acquisitions and disposals (through Investment Committee)
  - Authorised and regulated by the FSA

# HICL Board

**Graham Picken**
Chairman

Graham Picken is an experienced banker and financial practitioner and has been Chairman of the Company since its launch. Recently appointed a non-executive director of Skipton Building Society, 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.

**Sarah Evans**
Director

Sarah Evans is a Chartered Accountant and is a non-executive director of several other listed investment funds, as well as an unlisted fund of hedge funds. She is a member of the Institute of Directors. Sarah spent over six years with the Barclays Bank PLC group from 1994 to 2001. Prior to joining Barclays, Sarah ran her own consultancy business advising financial institutions on all aspects of securitisation. From 1982 to 1988 Sarah was with Kleinwort Benson, latterly as head of group finance.

**Chris Russell**
Director

Chris is a Guernsey resident and a non-executive director of a number of investment and financial companies. He is also 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, and before that was a holding board director of the Jardine Fleming Group in Asia. He is a Fellow of the Society of Investment Professionals and a Fellow of the Institute of Chartered Accountants.

**John Hallam**
Director

John lives in Guernsey, is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1971. He is a former partner of PricewaterhouseCoopers, having retired in 1999 after 27 years with the firm spent both in Guernsey and in other countries. John was, until January 2006, Chairman of the Guernsey Financial Services Commission and is currently a non-executive director of a number of financial services companies, some of which are listed on the LSE.

# The Investment Portfolio

# Focus on risk-mitigated secondary assets

Identify and manage investment risks of acquisitions to meet existing portfolio's risk-adjusted return profile

**Construction / operation:**
Cost and time overruns, service delivery

- Subcontracting to experienced partners
- Fixed cost turnkey contracts
- Liquidated damages

**Financial:**
Inflation, interest rates, taxes, refinancing

- Indexation
- Hedging
- Structuring
- Adequate debt maturities

**INVESTOR RETURN**

- Focus on Availability projects (government income)
- Careful asset selection

**Revenue:**
Volume, price and competitive risk

- Developed market focus
- Counterparty due diligence

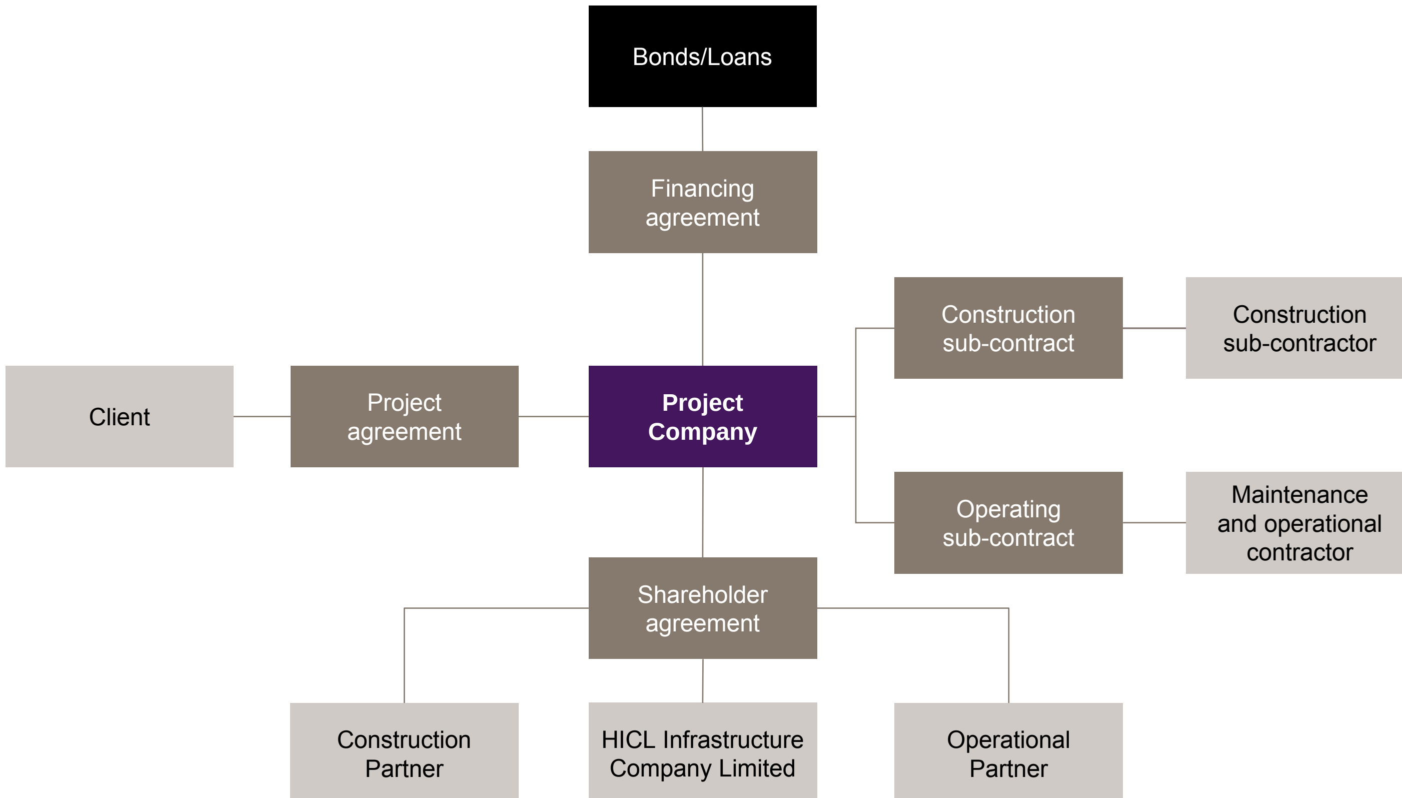
**Counterparty:**
Default risks (government, contractor, operator)

Mitigation

Risk

Note: The above diagram is not intended as a complete assessment of risks associated with this type of investment. Your attention is drawn to the Risk Factors in the HICL prospectuses

# Typical infrastructure project structure

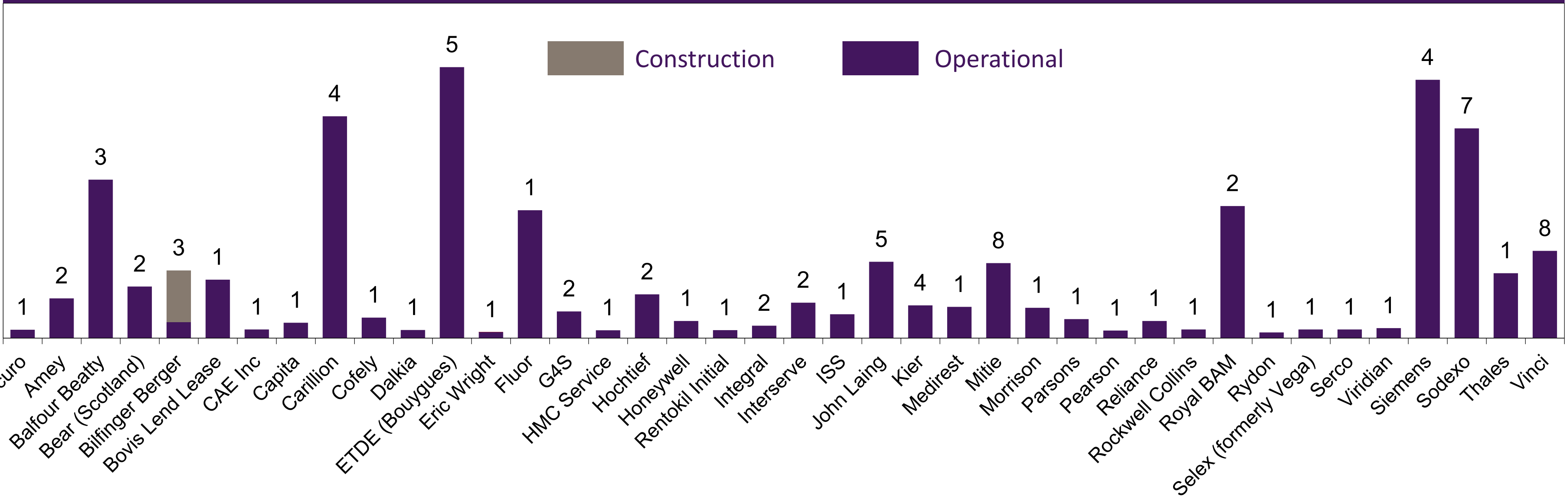


# Risk management - contractor counterparty exposure[1]

Diversified spread of quality supply chain providers

- Quarterly Investment Adviser and Board review of counterparty exposure and credit risk
- All counterparties performing
- Good spread ensures no over-reliance on single entity
- Acquisitions have increased counterparty diversity

**Contractor Exposure [1]** **(number is no. of projects; size of bar is relative size of exposure)**

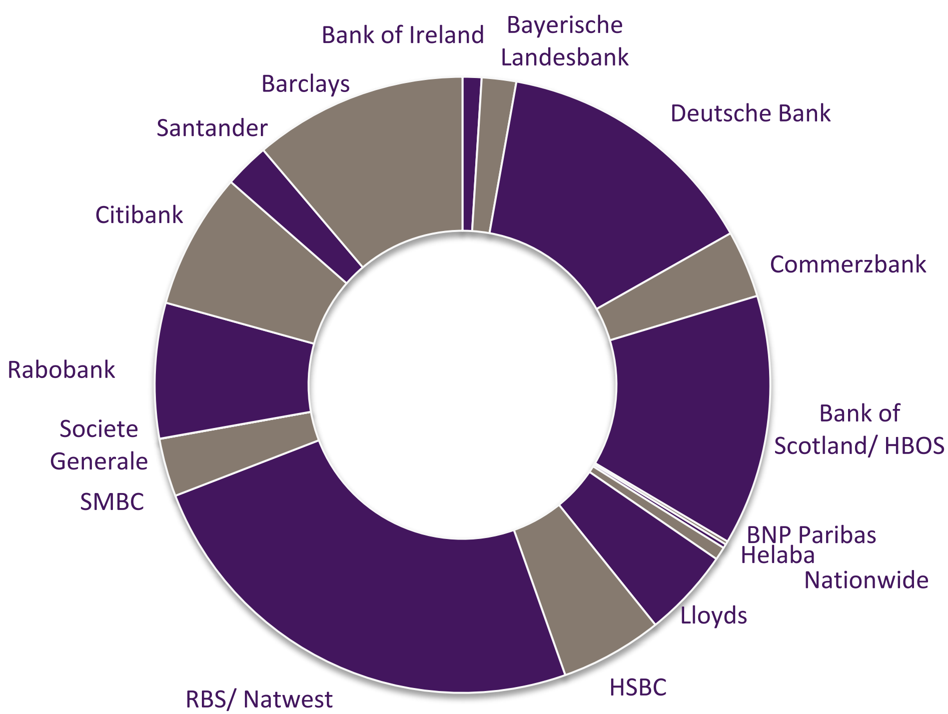



1. By value, as at 30 September 2012, using Directors' valuation.

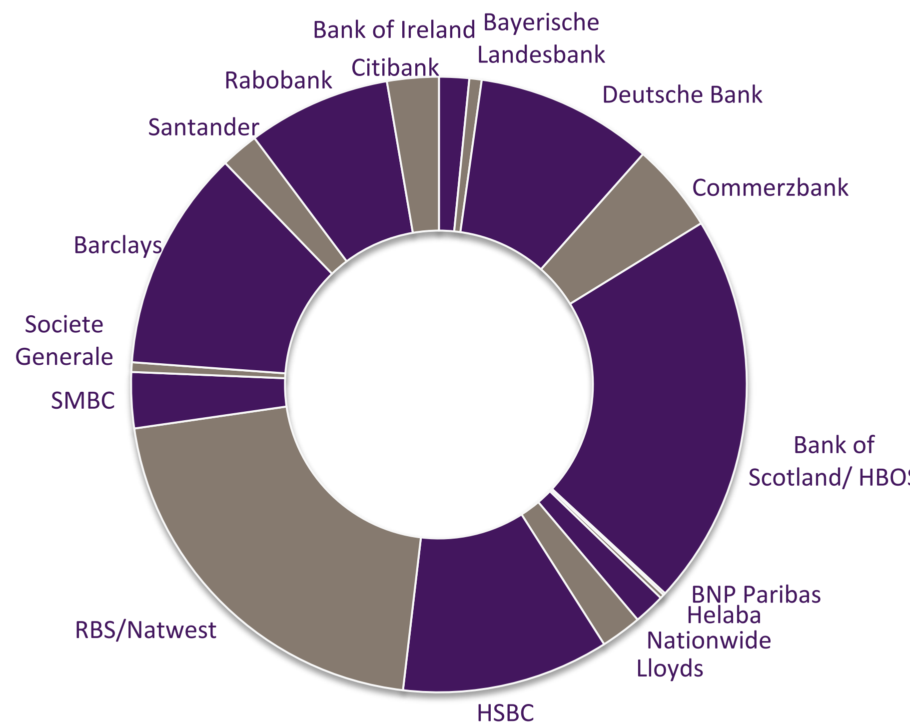
# Risk management - cash deposit analysis

Analysis as at 30 September 2012

## Exposure to banks by deposit value



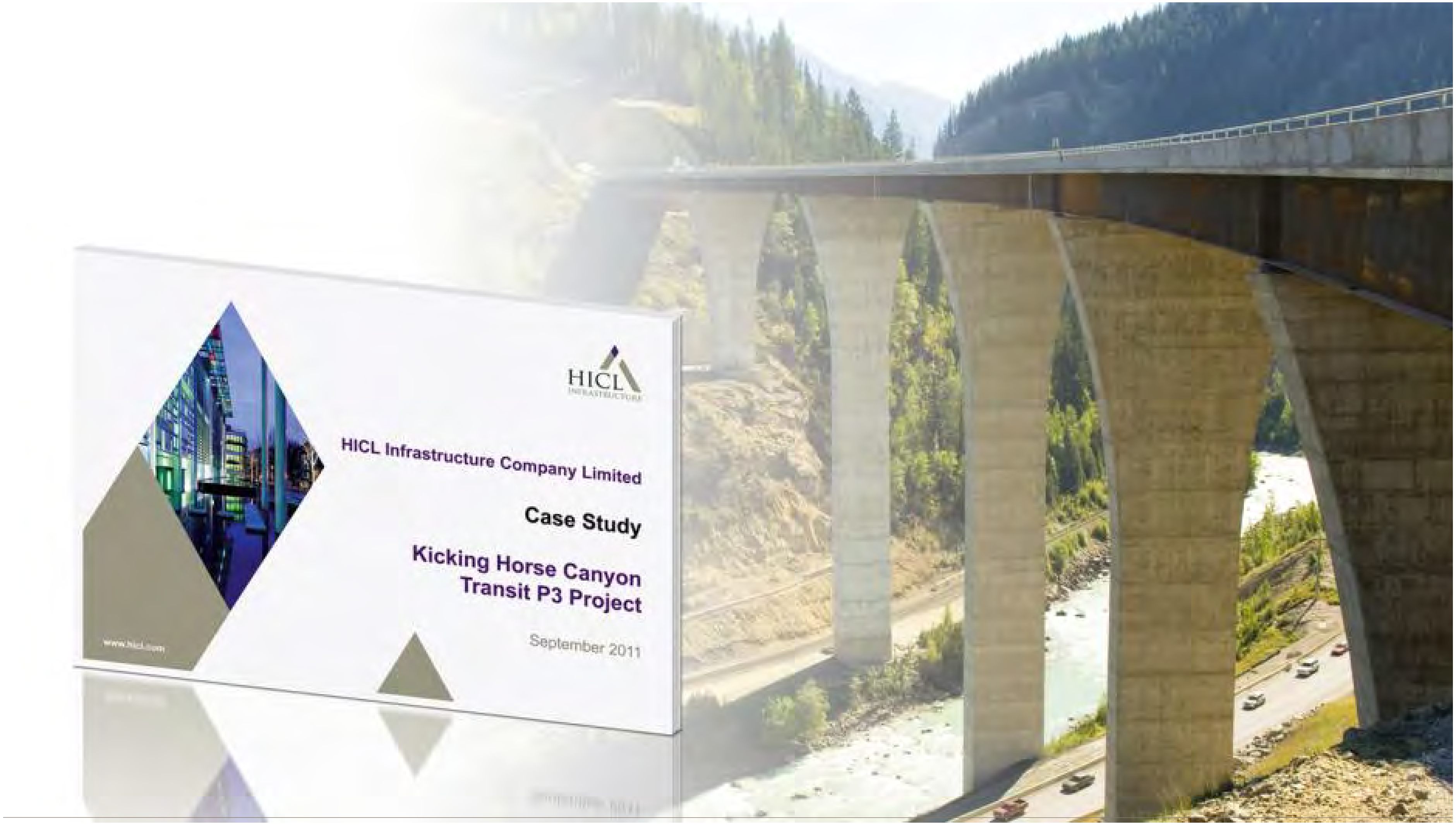

## Exposure to banks by project value




Based on analysis by the Investment Adviser of the portfolio as at 30 September 2012. The Deposit Value chart looks at £553m deposits made by projects (regardless of the Group's percentage holding) at 30 September 2012. The Project Value chart considers this exposure related to the Directors' Valuation of the portfolio as at 30 September 2012.

# Kicking Horse Canyon

One of the case studies available from the HICL website



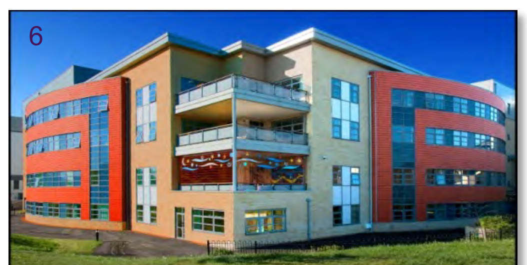
# New investments in the Half Year to 30 September 2012

Total investments of £106.4m

- **May 2012**
  - Additional 14% stake in the Colchester Garrison[1] project for £15m. Group's interest now 56%.
  - Completion of the acquisition of a 19.5% interest in the Connect PFI project for £39.0m.
  - Acquisition of a 30% interest in the Birmingham Hospitals[2] project for £34.6m from a division of RBS.
- **July 2012**
  - Acquisition of a 75% interest in a primary care facility in Blackpool[3] for £2.9m.
- **August 2012**
  - Additional interests acquired in four PFI projects for a total consideration of £10m taking the Group's total interests in these projects to 66.67% on Romford Hospital[4], 44.4% on Fife Schools* and 100% on both Exeter Crown Courts[5] and Stoke Mandeville Hospital[6].
- **September 2012**
  - Acquisition for £4.9m of incremental stakes in Dorset Fire & Rescue[7] (final 33%) and Ealing Care Homes (further 16%).







* Due to complete shortly

# New investments – since 30 September 2012

Further investment activity since period end up to 30 November 2012

- **October 2012**
  - Acquisition of 30% stakes in two operational LIFT companies, the Birmingham & Solihull[1] LIFTCo and the Staffordshire[2] LIFTCo.
  - Further interest in the Connect PFI Project acquired giving the Group a 28.5% interest overall.
  - £3.9m acquisition from The Miller Group of a 30% interest in the Fife Schools 2 PPP, a 25 year concession for nine primary schools and one special education needs facility.

- **November 2012**
  - The Group signed an unconditional contract to acquire a £30.6m investment in a UK PFI project, the details of which remain confidential pending completion.
  - Doncaster Schools PFI investment was sold for £5.3m in November, generating a small profit on disposal.


HICL INFRASTRUCTURE

# Latest Results

Six months to 30 September 2012

# Financial highlights

Interim results for half year to 30 September 2012

## Six month's performance

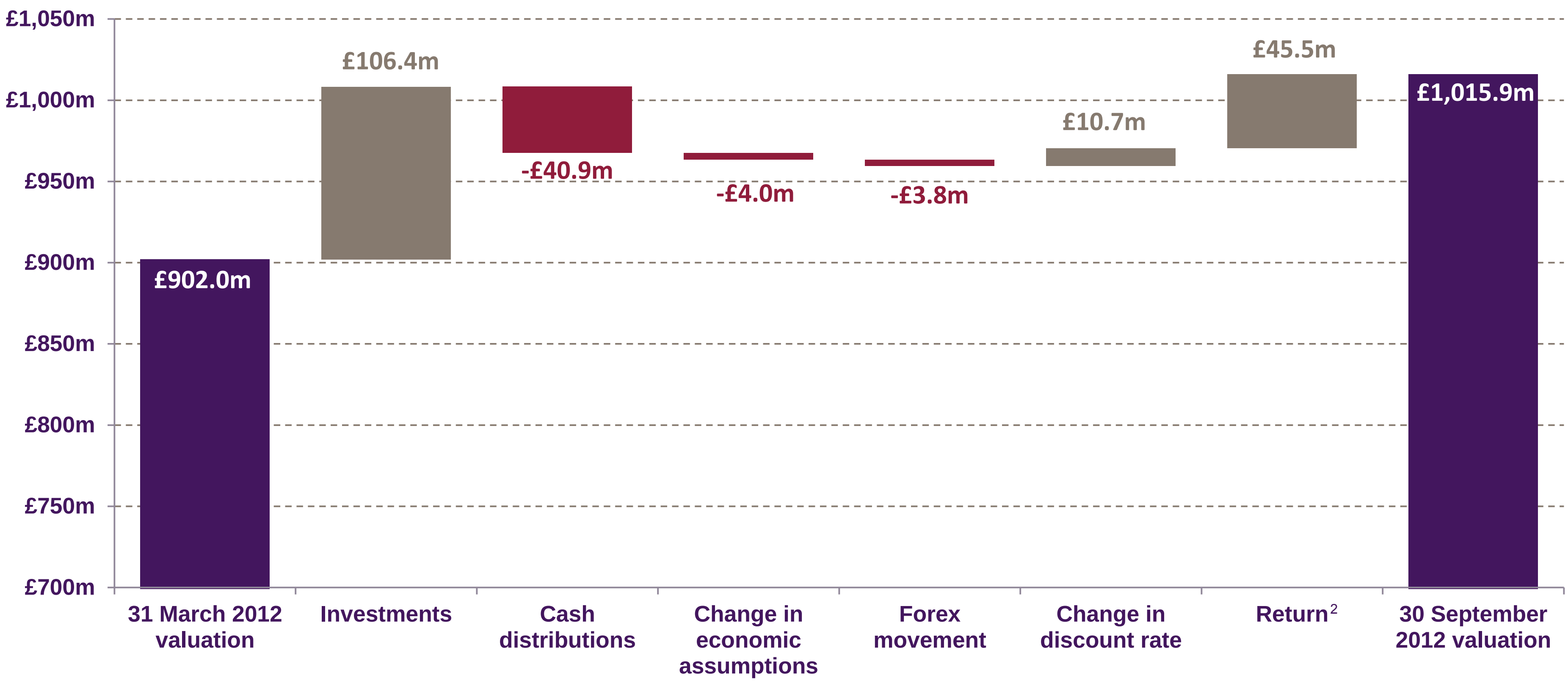
- Interim dividend of 3.425p per share declared 15 November 2012
- Strong portfolio performance
- Dividend cash covered 1.6x (2011: 1.6x)
- Total expense ratio 1.19% for the period (year to 31 March 2012: 1.34%)

| All figures stated on an investment basis | Six months to 30 September 2012 | Six months to 30 September 2011 |
|---|---|---|
| **Profit before valuation movement** | **£22.0m** | **£15.7m** |
| Valuation movements | £20.2m | £15.0m |
| Profit before tax[1] | £42.2m | £30.7m |
| **Earnings per share** | **4.9p** | **5.0p** |
| **Interim dividend** | **3.425p** | **3.35p** |
| | 30 September 2012 | 31 March 2012 |
| **NAV per share (before interim dividend)** | **117.6p** | **116.3p** |
| **NAV per share (after interim dividend)** | **114.2p** | **112.8p** |

1 Consolidated IFRS profit before tax was £87.4m & consolidated profit attributable to the Company was £75.8m

# Analysis of change in Directors' valuation

Valuation movements driven by acquisitions and portfolio performance




1. To reconcile to the IFRS investments at fair value as at 30 September 2012, subsidiaries of £406.8m must be deducted.
2. The "Return" component includes the unwind of the discount rate; the impact of actual inflation above the valuation assumption; and the operational performance of the project companies

# Summary income statement

| | Six months to 30 September 2012 | | | Six months to 30 September 2011 | | |
|---|---|---|---|---|---|---|
| **£m** | **Investment basis** | **Consolidation adjustments** | **IFRS Basis** | **Investment basis** | **Consolidation adjustments** | **IFRS Basis** |
| Total Income | 30.9 | 123.2 | 154.1 | 21.7 | 82.0 | 103.7 |
| Expenses and finance costs | (8.9) | (128.9) | (137.8) | (6.0) | (86.9) | (92.9) |
| **Profit/(loss) before valuation movement** | **22.0** | **(5.7)** | **16.3** | **15.7** | **(4.9)** | **10.8** |
| Fair value movements | 20.2 | 50.9 | 71.1 | 15.0 | 38.5 | 53.5 |
| Tax and non-controlling interests | (0.1) | (11.5) | (11.6) | - | (5.5) | (5.5) |
| **Earnings** | **42.1** | **33.7** | **75.8** | **30.7** | **28.1** | **58.8** |
| **Earnings per share** | **4.9p** | | **8.9p** | **5.0p** | | **9.6p** |

# Expenses & finance costs

| | Six months to 30 September 2012 | Six months to 30 September 2011 |
|---|---|---|
| **£m** | **Investment basis** | **Investment basis** |
| Interest income | 0.1 | 0.1 |
| Interest expense | (2.1) | (0.8) |
| Investment Adviser fees | (6.1) | (4.7) |
| Auditor fees – KPMG – for the Group | (0.1) | (0.1) |
| Directors' fees and expenses | (0.1) | (0.1) |
| Other expenses | (0.6) | (0.4) |
| **Expenses & finance costs** | **(8.9)** | **(6.0)** |
| | | |
| **Total Expense Ratio (TER)** [1] | **1.19%** | **1.27%** |
| **Ongoing Charge Percentage** [2] | **1.18%** | **1.30%** |

1. Annualised, as at 30 September 2012 based on operating expenses of £6.9m less £0.7m one-off acquisition costs and NAV of £1,041.2m. Year to 31 March 2012 was 1.34%
2. Calculated using the methodology set out by the AIC

# Summary balance sheet

| £m | As at 30 September 2012 Investment basis | As at 30 September 2012 Consolidation adjustments | As at 30 September 2012 IFRS basis | As at 31 March 2012 Investment basis | As at 31 March 2012 Consolidation adjustments | As at 31 March 2012 IFRS basis |
|---|---|---|---|---|---|---|
| **Investments at fair value** | **1,015.9** | **(406.8)** | **609.1** | **902.0** | **(377.7)** | **524.3** |
| Other non-current assets | - | 2,326.4 | 2,326.4 | - | 2,224.3 | 2,224.3 |
| Working capital | (7.9) | 23.6 | 15.7 | (12.0) | 21.8 | 9.8 |
| Net cash/(borrowings) | 33.2 | (1,384.0) | (1,350.8) | (116.3) | (1,357.0) | (1,473.3) |
| Other non-current liabilities | - | (511.2) | (511.2) | - | (498.6) | (498.6) |
| Non-controlling interests | - | (10.0) | (10.0) | - | (8.4) | (8.4) |
| **Net assets[1] attributable to Ordinary shares** | **1,041.2** | **38.0** | **1,079.2** | **773.7** | **4.4** | **778.1** |
| NAV per share (before dividend) | 117.6p | | 121.9p | 116.3p | | 117.0p |
| **Net assets[2] attributable to C Shares** | **-** | **-** | **-** | **246.8** | **-** | **246.8** |
| NAV per C Share | - | | - | 98.7p | | 98.7p |

1. Net assets attributable to the Group net of non-controlling interests
2. The C shares were converted into Ordinary shares in April 2012

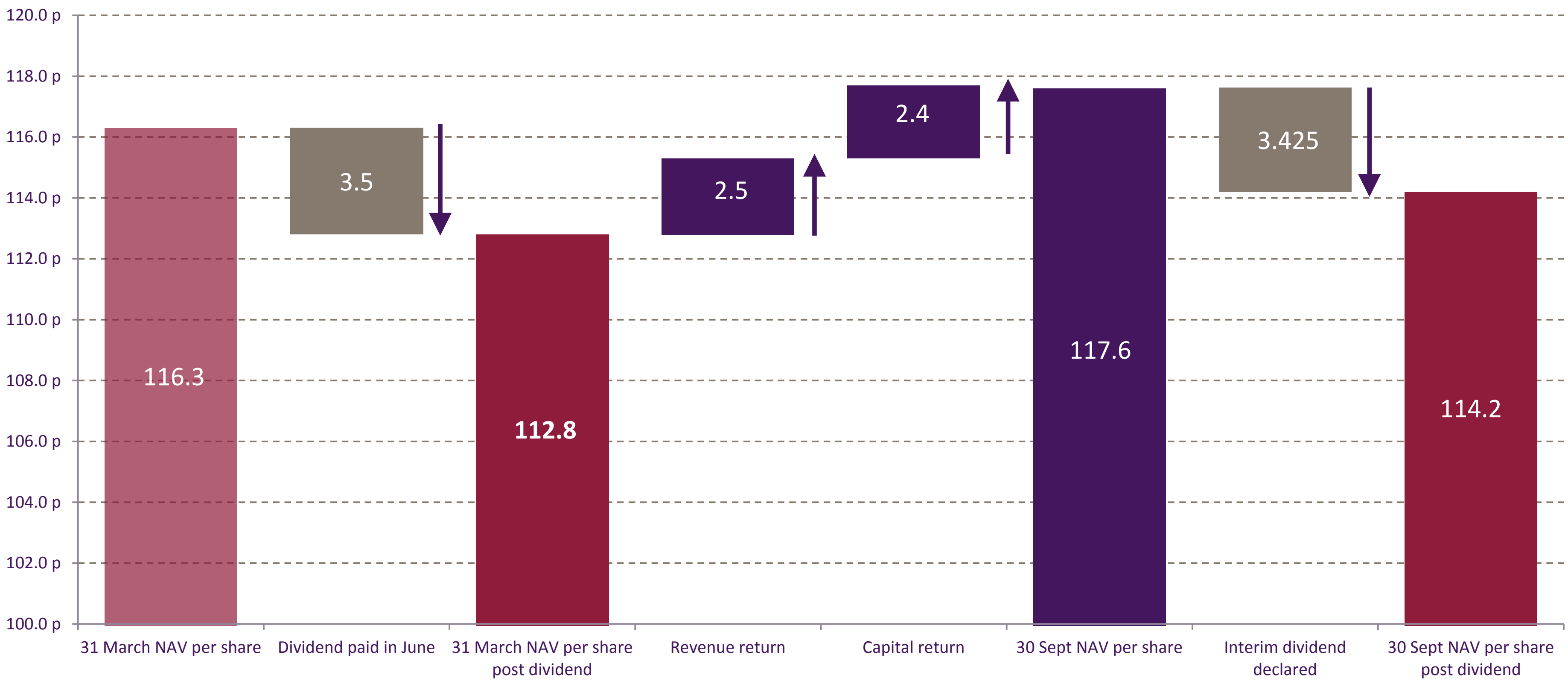
# Summary cash flow

| | Six months to 30 September 2012 | | Six months to 30 September 2011 | |
|---|---|---|---|---|
| **£m** | **Investment basis** | | **Investment basis** | |
| **Net cash at start of period** | | **126.6** | | **54.7** |
| Cash from investments | 40.9 | | 29.2 | |
| Operating and finance costs outflow | (7.3) | | (4.3) | |
| **Net cash inflow before acquisitions/financing** | | **33.6** | | **24.9** |
| Redemption of investment | | - | | 30.0 |
| Cost of new investments | | (109.3) | | (71.9) |
| Forex movement on borrowings/hedging[1] | | 2.6 | | 1.0 |
| Share capital raised net of costs | | 1.2 | | 40.1 |
| Distributions paid | | | | |
| Relating to operational investments | (20.4) | | (15.7) | |
| Relating to investments in construction | (1.1) | | (2.4) | |
| | | **(21.5)** | | **(18.1)** |
| **Net cash at end of period** | | **33.2** | | **60.7** |

1. Forex movements includes both cash settlement and revaluation of Euro and Canadian dollar borrowings/hedging at period end.

# Analysis of change in NAV per share

31 March 2012 to 30 September 2012



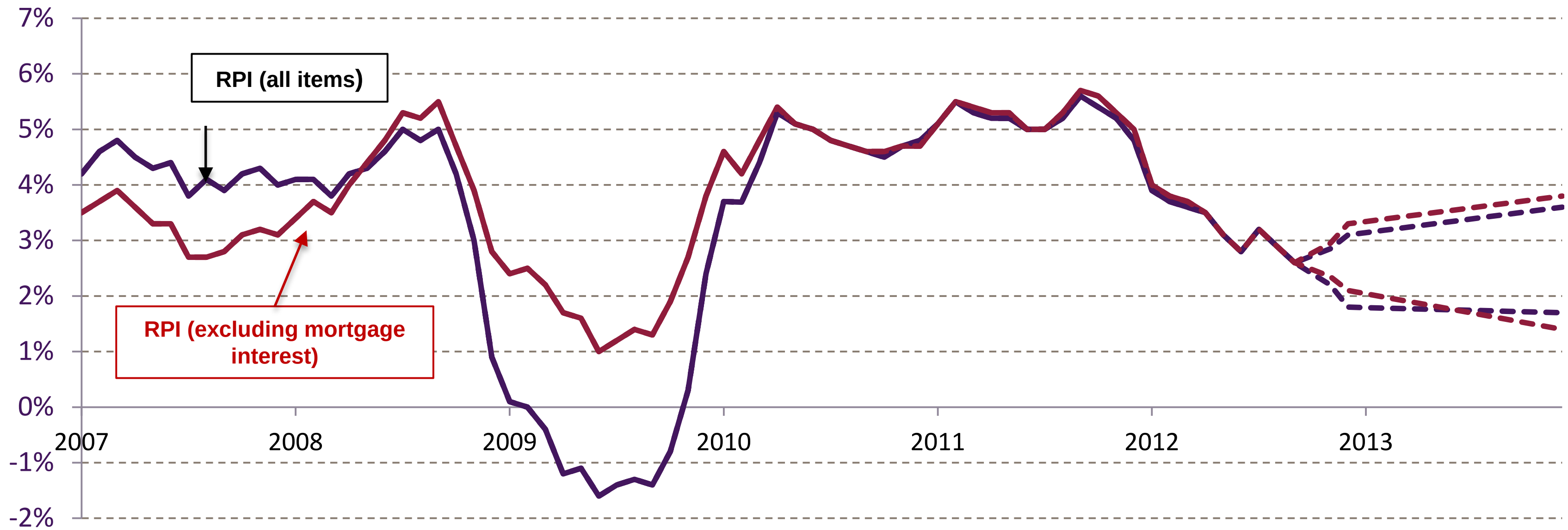
# Valuation Methodology and Assumptions

Six months to 30 September 2012

www.hicl.com

# UK Inflation – actual & forecast

- UK RPI was 2.6% in September 2012, with forecasts showing it declining in next 15 months
- Wide range of forecasts
- Valuation assumptions – simple proxy of possible outcomes
- Consultation on how UK RPI is calculated underway

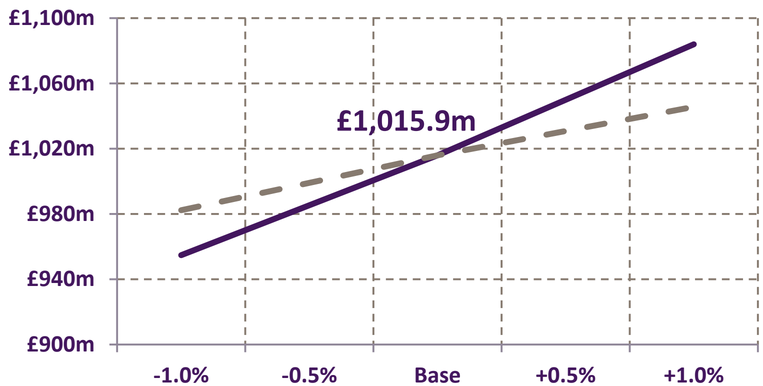



1. Source – Office for National Statistics, HM Treasury a comparison of independent forecasts September 2012

# Positive inflation correlation

## Sensitivity to inflation depends on a project's initial structuring[1]

- PFI/PPP/P3 projects' income and costs linked to RPI/RPIx[3] in UK and CPI in Holland and Canada
  - Valuation based on 2.75% pa RPI/RPIx in UK and 2.0% pa CPI in EU and Canada
  - Availability payments fully or partially indexed to inflation
  - Operating costs also indexed to inflation
  - Financing costs can be indexed-linked and some projects have long-term RPI hedges in place



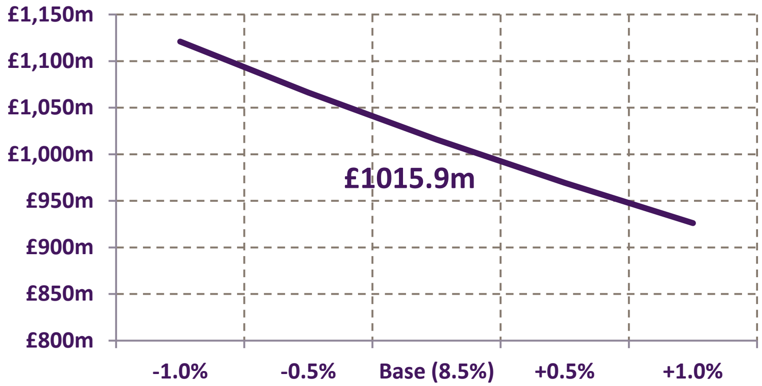

**Purple line -** Sensitivity changing assumption each and every year to maturity
**Grey line -** Sensitivity changing assumption for next five years only – base case thereafter

| | Directors' valuation | NAV per share |
|---|---|---|
| Valuation | £1,015.9m | 117.6p |
| **Changing inflation assumption across whole portfolio[1]** | **Change** | **Implied NAV per share** |
| +0.5% increase all years | + £34.0m | +3.8p |
| -0.5% decrease all years | - £30.6m | - 3.5p |
| **Changing inflation assumption of UK part of portfolio[2]** | **Change** | **Implied NAV per share** |
| +0.5% increase all years | + £32.8m | +3.7p |
| -0.5% decrease all years | - £29.2m | - 3.3p |

All figures as at 30 September 2012
1. Analysis is based on the Group's 20 largest investments, pro-rata for the whole portfolio
2. Analysis is based on the Group's 20 largest UK investments, pro-rata for the UK portfolio only
3. Retail Price Index and Retail Price Index excluding Mortgage Interest Payments

# Discount rates

## Portfolio weighted average discount rate of 8.50%




| | Directors' valuation | NAV per share |
|---|---|---|
| Valuation | £1,015.9m | 117.6p |
| | **Change** | **Implied NAV per share** |
| +0.5% increase | - £46.6m | - 5.3p |
| -0.5% decrease | + £50.4m | + 5.7p |

- DCF rates for PFI/PPP/P3 assets have remained flat in the period

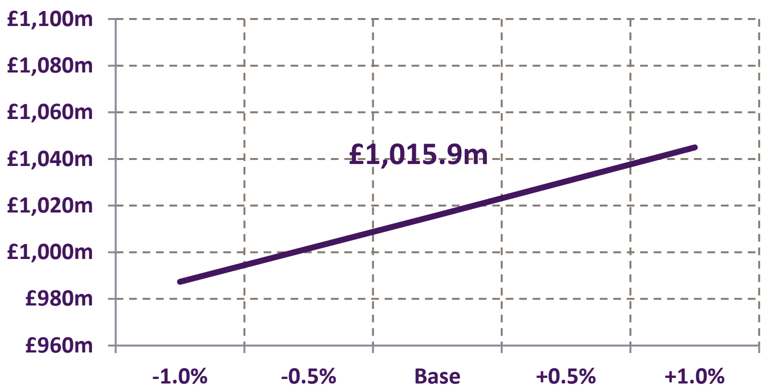
| Date | Weighted average government bond yield | Weighted average risk premium | Weighted average discount rate | Weighted average const. phase premium | Weighted average ops. phase premium |
|---|---|---|---|---|---|
| 31 March 2011 | 4.2% | 4.5% | 8.7% | 5.1% | 4.4% |
| 30 September 2011 | 3.3% | 5.4% | 8.7% | 5.8% | 5.3% |
| 31 March 2012 | 3.2% | 5.4% | 8.6% | 5.8% | 5.4% |
| **30 September 2012** | **2.8%** | **5.7%** | **8.5%** | **6.2%** | **5.7%** |

1. Sensitivity analysis based on the 73 investments as at 30 September 2012

# Deposit rate sensitivity

## Positive sensitivity results from large cash deposit at projects' level[1,2]

- Financing structure typically includes cash reserve accounts
  - e.g. Debt service reserve account, Lifecycle reserve account, Change in law reserve account
- Debt financing in each project hedged to interest rate exposure




| | Directors' valuation | NAV per share |
|---|---|---|
| **Valuation** | **£1,015.9m** | **117.6p** |
| | **Change** | **Implied NAV per share** |
| **+0.5% increase all years** | **+ £14.6m** | **+ 1.6p** |
| **-0.5% decrease all years** | **- £14.3m** | **- 1.6p** |

1. Analysis based on 20 largest investments as at 30 September 2012
2. Changing all future periods assumption from the base assumption - all other assumptions unchanged.