11 February 2013

HICL Infrastructure Company Limited

Interim Management Statement

HICL Infrastructure Company Limited (the 'Company'), the listed infrastructure investment company, is issuing this Interim Management Statement ('IMS') in accordance with FSA Disclosure and Transparency Rule 4.3. This statement relates to the period from 1 October 2012 to 11 February 2013. References to the Group below refer to the Company and its wholly-owned corporate subsidiaries.

Highlights

- Investment portfolio performance and cashflow is in line with projections. NAV per share on an Investment basis as at 31 December 2012 rose 1.6p per share to 115.8p (ex-dividend, and 117.6p including 1.8p of accrued dividend) from 114.2p at 30 September 2012 driven primarily by increases in market prices for UK PFI/PPP investments and changes to economic assumptions.

- Seven new UK investments acquired and two additional stakes in existing investments made during the period, for a total consideration of £143.8m.

- A first interim dividend of 3.425p per share was paid on 31 December 2012 and there was a 12 per cent take-up of the scrip dividend alternative. On track for a total dividend per share for the year to 31 March 2013 of 7.0p.

- £105.3m in aggregate of Ordinary Share issuance in November and December has fully utilised the Group's ability to issue by way of 'tap'.

- The Company announced on 31 January 2013 that it intends to raise additional equity capital by way of a Placing, Open Offer and Offer for Subscription of new Ordinary Shares in March 2013.

- The outcome of the Office of National Statistics ("ONS") consultation process on how UK RPI is calculated has left the method of calculation unchanged and hence no impact on the Group's contracted cash flows.

Graham Picken, Chairman of HICL Infrastructure Company Limited, said

"The Directors are pleased with the operating performance of the business and the formal completion of our last remaining asset in construction, the M80 motorway in Scotland.

With seven new investments and one disposal since 30 September 2012, the investment portfolio now comprises 79 social and transportation infrastructure projects in the UK, Europe and Canada. As such, the Company offers investors access to not only the largest and most liquid listed social infrastructure investment vehicle of its kind in Europe, but also a portfolio of assets positioned at the lower-risk, lower volatility end of the infrastructure spectrum. The projects are fully operational and comprise availability-based, long-term contracts with predominantly UK-based public sector clients.

We continue to see strong investor appetite for the Company's shares with the share price trading at a premium to the prevailing NAV per share. Towards the end of 2012, the Company undertook two tap issues at small discounts to the prevailing market price. Both were oversubscribed and the proceeds were deployed immediately to fund previously announced acquisitions. These tap issues have provided a mechanism to manage the share premium while proving NAV accretive to existing shareholders.

With a continuing healthy pipeline of suitable investments and the Company's tap capacity now fully utilised, the Board announced on 31 January that it intends to raise further capital by way of a placing, open offer and offer for subscription of new Ordinary Shares during the first quarter of 2013.

To retain full cash cover on the dividend (1.2x in FYE 31 March 2012) payable to holders of the ordinary shares currently in issue, the Board has decided that the second interim dividend for the year to 31 March 2013 will be declared earlier than usual such that the record and ex-dividend dates will fall prior to the issue of the new Ordinary Shares.

As a capital raising is being considered, the Board has approved a valuation of the investment portfolio as at 31 December 2012 undertaken by the Investment Adviser which results in a NAV on an Investment basis of 115.8p per share (ex-dividend; 117.6p including 1.8p of accrued dividend). The Company remains on track to meet its target of a 7.0p total dividend per share for the year to 31 March 2013."

Portfolio activity and profile

Since 30 September 2012, the Group has made seven new investments, two incremental acquisitions and also undertaken its first disposal (the sale of 50% stake in Doncaster Schools PFI for £5.3m in November) for a total net consideration of £138.5m.

As a result of the above transactions the Group now owns a portfolio of 79 infrastructure investments, all of which are social and transportation infrastructure projects in the UK, Europe and Canada.

These projects have long-term availability-based concessions with public sector clients, none of which require refinancing to meet their long-term business plans. All of the projects are now fully operational following completion of construction of the M80 DBFO Road project in Scotland in December 2012.

The Investment Adviser's team continues to be actively engaged with public sector clients to ensure the projects perform well and, wherever possible, by extending collaboration to find efficiency savings.

Portfolio performance is in line with expectations, with no material matters to report. Cashflow from the portfolio remains to plan and consistent with the Investment Adviser's projections.

Pipeline of new opportunities

The Investment Adviser is seeing a steady flow of suitable new investment opportunities which meet the Company's investment criteria and strategy, as evidenced by the acquisitions completed since 30 September 2012. While the range of vendors of such investments is changing, as banks complete the disposals of non-core assets, for example, the Group has been able to source new investments through well-developed sector relationships.

Furthermore, the on-going acquisition of incremental stakes (a further nine since 31 March 2012), through relationships and/or through pre-emption, also presents a value-accretive means of creating shareholder value.

The Investment Adviser recently announced the opening of an office in Sydney, Australia which, coupled with its other offices in New York and Paris, provides a wider platform for sourcing new opportunities in foreign markets. However, given the different stages of development of infrastructure procurement in overseas markets, the pool of suitable new investment opportunities is still much smaller than in the UK, so the likelihood of a meaningful increase in the overseas component of the Group's portfolio in the near term remains relatively low.

Valuation of the Portfolio

The Company routinely values the portfolio twice a year as at 30 September and 31 March. At 30 September 2012, the Company's Net Asset Value per share on an investment basis ('NAV') was 114.2p per share (after payment of the 3.425p first interim dividend).

As the Company is considering raising capital by way of an issue of new Ordinary Shares, the Investment Adviser has prepared a fair market valuation for each of the Group's investments as at 31 December 2012 which the Board has approved.

This is based on discounted cashflow analysis of future forecast cashflows of the Group. The key economic assumptions used in this valuation are (i) government bond yields in the countries in which the investments are located; (ii) the risk premium of each investment; (iii) foreign exchange rates; (iv) bank deposit rates; and (v) inflation.

According to the Directors' valuation, the Company's NAV per share on an Investment basis at 31 December 2012 rose by 1.6p per share to 115.8p (ex-dividend; 117.6p including 1.8p of accrued dividend) from 114.2p at 30 September 2012. The increase is attributable primarily to a combination of

- the operational performance of the portfolio in line with projections;
- a reduction of 0.1% p.a. (from 8.5% as at 30 September 2012 to 8.4% as at 31 December 2012) in the weighted average discount rate, being a reflection of slightly more competitive market conditions coupled with the M80 DBFO Road project becoming operational;
- a reduction in the UK corporate tax rate assumption from 24% to 23% given the move to this lower rate in the UK with effect from 6 April 2013; and
- tap issuance of 88.3m new shares at a premium to the Company's NAV.

These changes more than offset the effect of an extension of the 1.00% p.a. assumption for short-term deposit interest rates for one further year to 31 March 2017 (from 31 March 2016 for the 30 September 2012 valuation), as well as a reduction in the average rate thereafter from 3.75% p.a. to 3.50% p.a., both of which reflect continuing low interest rate expectations in the UK.

Given the ONS's recent recommendation to leave the formula used for calculating RPI and RPIX unchanged, the long-term UK inflation rate assumption applied in the December valuation of 2.75% is unchanged from September 2012.

Capitalisation, gearing, and hedging

With materially all of the proceeds of the Group's £250m C Share issue in March 2012 already invested by 30 September 2012, the £138.5m of net acquisitions (taking into account the disposal proceeds) since 1 October 2012 was primarily funded through two tap issues of Ordinary Shares totalling £105.3m. Following the take-up of the scrip dividend in December the Group has a net funding requirement of approximately £30m. There remains capacity of up to £70m for further investments through drawings under the Group's £100m debt facility.

Having issued the maximum number of ordinary shares permitted on a non-pre-emptive basis, the Company has announced it is considering a formal equity capital raising by way of a placing, open offer and offer for subscription of new Ordinary Shares. The precise quantum and pricing of this equity issue is expected to be announced later this month.

The Group has drawn down under its debt facilities to meet the net funding requirement and to provide a letter for credit in relation to a future loan note subscription for £12.7m, due to be paid in April 2013. There is no interest rate hedge currently in place as the Group expects the debt facility to be repaid from the proceeds of the equity capital raising.

Foreign exchange risk from non-sterling assets continues to be hedged through debt drawings and forward sales, both in the relevant currency. As a result, the Group expects any currency movements to have minimal impact on the Company's NAV and investment income.

Dividends

On 15 November 2012, the Company declared a first interim dividend of 3.425p per share for the year to 31 March 2013. This was paid to shareholders on 31 December 2012. A scrip dividend alternative was offered and there was a 12 per cent take-up, resulting in an additional 3,044,058 ordinary shares being issued on 31 December 2012.

As a result of the planned issue of new Ordinary Shares, the Board intends to declare a second interim dividend for the year ending 31 March 2013 on or before the publication of the prospectus for the issue of new Ordinary Shares.

Outlook

Infrastructure remains in the spotlight globally due to the lack of public sector capital to fund the renewal and/or the new construction of critical social and transport infrastructure projects around the world, as well as the need to create economic growth and employment in times of recession and austerity.

The UK Government has announced its PF2 procurement framework and an increase in the size of the National Infrastructure Plan to over 550 projects costing some £310bn. While it will take time for these projects to come to market, it highlights the potential investment opportunity for private capital in a sector with an established track record.

The Company welcomes PF2 as it provides the possibility of more investment opportunities in the future, albeit it is too early to determine whether the reward for risk pricing will meet the Company's investment policy. Nevertheless, with a good pipeline of existing social and transportation infrastructure assets in the UK secondary market, as well as evolving procurement programmes in other developed and economically stable markets around the world, the Company is positive about future growth prospects. Further acquisitions are expected to be made in the coming months.

Ends

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HICL Infrastructure Company Limited

The Company is a long term investor in infrastructure projects which are predominantly in their operating phase and yielding steady returns. It was the first infrastructure investment company to be listed on the London Stock Exchange. It currently owns a portfolio of 79 infrastructure investments, all of which are social infrastructure projects, and is seeking further suitable investment opportunities which fit its stated Investment Strategy.

Further details of the Company can be found on its website www.hicl.com.

This IMS provides an explanation of material events and transactions that have taken place during the period from 1 October 2012 to 11 February 2013 and their impact on the financial position of the Group. The opinions stated herein reflect the Investment Adviser’s and the Board's current views. They are subject to a number of risks and uncertainties and could change. Factors which could cause or contribute to such differences include, but are not limited to, general economic and market conditions and specific factors affecting the financial prospects or performance of individual investments owned by the Group.

Investment Adviser

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

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