5 February 2018

HICL Infrastructure Company Limited

Interim Update Statement

The Board of HICL Infrastructure Company Limited ("HICL" or "the Company" or, together with its subsidiaries, "the Group"), the listed infrastructure investment company advised by InfraRed Capital Partners Limited ("InfraRed" or "the Investment Adviser"), is issuing this Interim Update Statement, which relates to the period from 1 October 2017 to 2 February 2018.

Ian Russell, Chairman of HICL Infrastructure Company Limited, said:

"The majority of the portfolio continued to perform in line with expectations during the period, however the compulsory liquidation of Carillion impacted a number of HICL's PPP projects. As an immediate priority, the Company and Investment Adviser activated contingency plans at the affected projects and are working closely with other stakeholders to ensure continued operations. This has been and will continue to be a period of intense activity and the Board would like to recognise and thank everyone involved in maintaining services and the process of transitioning to new providers.

"In parallel, the Investment Adviser's Asset Management Team is working with Carillion's liquidator to ensure funds continue to flow to staff and suppliers, and to pursue the twin objectives of enacting a smooth transition of services to interim arrangements and securing long-term replacement contractors.

"At the time of its Interim Results the Company took a provision against counterparty risk, although the abrupt compulsory liquidation of Carillion was not anticipated. The severity of this outcome necessitated a reassessment of the potential financial impact on the Company. A revised estimate was announced on 26 January 2018. This was the product of a thorough analysis by the Investment Adviser of the actual circumstances of the liquidation. It represents a prudent view of the likely outcome, informed by current information and the experience of both the Board and the Investment Adviser.

"The Board remains confident in the Company's investment proposition and the benefits of a large and diversified portfolio: 116 investments with, at 30 September 2017, a portfolio value of £2.8bn. The Board's confirmation of the dividend guidance to March 2020, in the context recent events, demonstrates the resilience of the portfolio's cash flows and hence the value to shareholders of diversification.

"The Board is also conscious of increased commentary around public-private partnerships, however the Directors continue to believe there is an important role for private investors, including HICL, to provide efficient and well-managed infrastructure assets. The Company takes its role as a responsible investor very seriously and has a long-term, sustainable approach that prioritises working closely with its public sector clients."

Investment Activity

- The Group has a portfolio of 116 investments located in the UK, France, Ireland, the Netherlands, Canada, the USA and Australia.

- As disclosed in the Interim Report, in November 2017 the Group acquired an incremental 33.3% equity interest in the Addiewell Prison PPP project for approximately £12m. HICL now holds 66.7% of the equity and loan stock.

- On 19 December 2017, construction was completed on the N17/18 Road, a PPP project to finance, construct, operate, and maintain 57km of dual carriageway between Gort and Tuam, Ireland, for National Roads Authority, Ireland. During the period the Group subscribed for its shareholder loan commitment of €4.0m.

Portfolio Performance

- The majority of the portfolio continues to perform in line with expectations with no material issues affecting investment performance[1]:

    - Cash generation from the portfolio, excluding the 15 projects affected by the Carillion plc ("Carillion") liquidation, has been in line with expectations.

    - Demand-based assets which are correlated to local GDP represent c.16% of portfolio value, below the 20% self-imposed limit agreed with the Board and previously communicated to shareholders. Within the demand-based assets, toll road traffic and revenue have continued to perform ahead of expectations. High Speed 1 performed in line with expectations.

    - The Group's regulated asset investment, Affinity Water, has continued to perform broadly in line with expectations. The Company and InfraRed continue to actively engage in preparations for the 2019 price review ("PR19") – see Outlook section.

- As previously reported, Carillion entered compulsory liquidation on 15 January 2018:

    - Ten projects within the HICL portfolio had facilities management ("FM") subcontracts with Carillion subsidiaries, and the liquidation of Carillion has triggered loan agreement defaults at most of these projects. There are a further five projects where Carillion was the original construction contractor and held responsibility for latent defect risk, and these are therefore also technically in default under their loan agreements. Projects will be unable to make distributions whilst they remain in default, which is expected to remain the case for a number of months until negotiations with lenders are completed, after which any residual locked-up cash should be capable of being distributed.

    - At the time of its Interim Results, the Company took a provision of £9.4m in respect of counterparty exposure. The provision was based on a probability-adjusted scenario using the information available at that time as to Carillion's financial situation. It did not assume a compulsory liquidation nor make an assessment of the potential impact of such an outcome on the discount rates used to value the affected projects.

- On 26 January 2018 the Company released an estimate of the financial impact on the Company taking into account the actual circumstances of Carillion's liquidation. This estimated impact is re-affirmed as approximately £50m of NAV (equivalent to 2.8p of NAV per share, or 1.8% of NAV per share as at 30 September 2017), which is incremental to the provision discussed above. The analysis is based on the information currently available and utilises the judgement of the Board and the Investment Adviser, which is informed by previous experience of managing the abrupt failure of PPP subcontractors. The estimated impact on NAV includes adjustments to cashflow and a valuation adjustment:
    a) incremental costs for the transition phase and the anticipated timing and costs of securing long-term replacement FM contractors;
    b) potential costs associated with historic liabilities (for example, building defects) where, following Carillion's liquidation, the risk is borne by equity; and
    c) a view of the possible increase in discount rates used to value these projects at 31 March 2018, assuming negotiations to resolve the issues are continuing.

  Each of these three parameters contributed significantly to the assessment of the financial impact, although none represents the majority of this figure.

- The Company has made good progress implementing its contingency plans to transition FM service provision from the administered Carillion subsidiaries into new contractual arrangements. In the short term, all projects are stable, with services running as normal; and one project (representing 1.3% of Portfolio Value at 30 September 2017) has already terminated its FM contract with Carillion and transferred to an interim arrangement with a new service provider.

- The Company continues to work with all stakeholders to secure long-term replacement contractors, which will provide assurance on long-term service provision and release projects from distribution lock up in due course.

Dividends and Financing

▲ The Company announced the second quarterly interim dividend for the financial year ending 31 March 2018 of 1.96 pence per Ordinary Share (the "Q2 Dividend") on 16 November 2017. The shares went ex-dividend on 23 November 2017 and the Q2 Dividend was paid on 29 December 2017. The take-up of the scrip dividend was approximately 2.80% of the Ordinary Shares in issue.

▲ The Company remains on track to deliver aggregate dividends of 7.85p per share this financial year and the Board reaffirms the 8.05p dividend guidance for the next financial year ending 31 March 2019, and the additional guidance of 8.25p for the financial year ending 31 March 2020 that was announced in November 2017 in the Interim Results.

▲ The Investment Adviser estimates that the Group will have drawings on its Revolving Credit Facility of approximately £130m at 31 March 2018. The Board continues to be comfortable with this level of drawing.

- The Group completed the refinancing of its Revolving Credit Facility, with an improved margin of 1.65% over LIBOR, which expires in May 2021. The banking group providing the facility comprise the existing lenders National Australia Bank, Sumitomo Mitsui Banking Corporation, Lloyds Bank, Santander Royal Bank of Scotland, ING and HSBC, with the addition of Credit Agricole as a new lender. The size of the facility remains at £400m.

Issued Capital

- As at 2 February 2018, the Company's issued share capital consists of 1,788,924,039 ordinary shares of 0.01p each, all of which carry voting rights.

Company and Governance

- The Company's Interim Report for the six months ended 30 September 2017 was published on 22 November 2017, and copies were posted to those shareholders who elected to receive a printed copy.

- On 20 December 2017, the Company released a Key Information Document ("KID") in compliance with the Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation that came into effect on 1 January 2018. This document can be found on the Company's website. The Investment Adviser is reviewing the Company's KID in light of guidance published on 24 January 2018 by the Financial Conduct Authority.

- An updated Company Factsheet was published on the Company's website on 21 December 2017.

- Following the renewal of shareholder approval at the AGM of the Board's authority to issue up to 10% of outstanding shares on a non pre-emptive basis during the next 12 months, and the update to the EU Prospectus Regulation, the Company's current tap capacity is now approximately 178.6m shares (limited by the AGM authority).

Outlook

- The next valuation of the HICL Group's portfolio will be at 31 March 2018, and will be published as part of the Company's Annual Results in May 2018. The Company's NAV as at 31 March 2018 will reflect changes in the value of the Group's portfolio (based on changes to assumptions and new investments made in the period).

- As noted in the Portfolio Performance section above, the Investment Adviser expects the impact of the Carillion liquidation to be approximately £50m of NAV (equivalent to 2.8p of NAV per share, or 1.8% of NAV per share as at 30 September 2017), which is incremental to a £9.4m provision for counterparty risk included in the Company's Interim Results.

- UK inflation remains above the Investment Adviser's long-term inflation assumption of 2.75%. If this is maintained to the financial year end this will offer some upside, which would be reflected in the March 2018 valuation.

- Elsewhere in the portfolio, the following non-material[1] valuation movements are in aggregate expected to be marginally positive for the March 2018 valuation:

  - In December 2017, Ofwat published its final methodology for PR19, which covers the regulatory period from 2020 to 2025. Some aspects of the final methodology are more positive than expected, however other key aspects may adversely impact Affinity Water's business plan. Accordingly, the Investment Adviser expects to see a net overall reduction in the valuation of the Group's investment at 31 March 2018.

  - As noted in the Portfolio section, traffic and revenue have been above expectations for both Northwest Parkway and the A63 Motorway. On the basis that this performance is sustained to the financial year-end, this would provide some upside in the March 2018 valuation.

  - In December 2017, the Tax Cuts and Jobs Act was passed by Congress and resulted in a cut to the federal corporation tax rate in the USA from 35% to 21%, alongside increased restrictions on the tax deductibility of interest costs. The net effect of this is expected to be a small upside to the valuation of the Group's investment in the Northwest Parkway.

  - The French government has proposed lowering corporation tax rate in France from 33% to 25%, which is lower than the 28% from 2019 assumed in the September 2017 valuation. This is expected to provide some upside to the valuation of the Group's French investments.

- The Investment Adviser continues to seek appropriate opportunities across the key market segments identified in the Company's Acquisition Strategy. These are: PPP projects (e.g. social and transportation projects); regulated assets (e.g. gas and electricity transmission and distribution; district heating); demand-based assets (e.g. operational toll road concessions and student accommodation); and an opportunistic approach to assessing corporate assets (e.g. rolling stock) with contracted revenues and with long-term counterparty arrangements.

- The Group announced its preferred bidder status on the Burbo Bank OFTO in July 2017, and this is expected to reach financial close in April 2018. The Group expects to submit a bid for the Race Bank OFTO project in February 2018 and is shortlisted on a further three OFTO bids that are due to be submitted during the remainder of 2018 and early 2019.

- Geographically, the Group remains focused on the UK, select European markets, North America and Australia / New Zealand.

- The investment pipeline remains muted and, in the near term, is expected to comprise selective PPP opportunities and OFTO bids.

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[1] Defined as 1% of NAV or greater.

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HICL Infrastructure Company Limited

HICL Infrastructure Company Limited ("HICL" or the "Company", and together with its subsidiaries the "HICL Group") is a long-term investor in infrastructure assets which are predominantly operational and yielding steady returns. It was the first infrastructure investment company to be listed on the London Stock Exchange.

With a current portfolio of 116 infrastructure investments, HICL is seeking further suitable opportunities which are positioned at the lower end of the risk spectrum, in three target markets segments: PPP projects; regulated assets; and demand-based assets.

Further details can be found on the HICL website, www.hicl.com.

Investment Adviser

The Investment Adviser to HICL is InfraRed Capital Partners Limited ("InfraRed") which has successfully invested in over 200 infrastructure projects since 1997. InfraRed is a leading international investment manager focused on infrastructure and real estate. It operates worldwide from offices in London, Hong Kong, New York, Seoul and Sydney. With circa 130 professionals it manages in excess of USD 10bn of equity capital in multiple private and listed funds, primarily for institutional investors across the globe. InfraRed is authorised and regulated by the Financial Conduct Authority.

The infrastructure investment team at InfraRed consists of circa 70 investment professionals, all with an infrastructure investment background and a broad range of relevant skills, including private equity, structured finance, construction, renewable energy and facilities management.

InfraRed implements best-in-class practices to underpin asset management and investment decisions, promotes ethical behaviour and has established community engagement initiatives to support good causes in the wider community. InfraRed is a signatory of the Principles of Responsible Investment.

Further details can be found on InfraRed's website, www.ircp.com.