1 August 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 April 2018 to 31 July 2018.

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

"I am pleased to report encouraging performance by the Company in the period since 1 April 2018 and that the portfolio has performed in line with expectations.

"Both the Board and the Investment Adviser are confident in the Group's outlook and reassured by the robust, resilient nature of the cashflows from a well-diversified portfolio. I am therefore pleased to reiterate the Company's dividend guidance of 8.05p per share for the current financial year and 8.25p per share for the following year.

"The disposal of the Company's interest in the Highland Schools PPP2, and the subsequent reinvestment of the proceeds into an incremental stake in the A63 Motorway, has been a tangible example of the Company's strategy to undertake value-accretive transactions, to optimise the portfolio and to enhance key performance metrics.

"The Investment Adviser has made solid progress resolving the consequences of the Carillion liquidation for those PPP projects in the portfolio that were affected. Commercial terms have been agreed with long-term replacement facilities management subcontractors on six projects and negotiations on a further three projects are progressing in line with expectations. Overall indicative pricing on the replacement subcontracts is in line with expectations built into the March 2018 valuation."

Investment Activity

- The Group has a portfolio of 118 investments located in the UK, France, Ireland, the Netherlands, Canada, the USA and Australia.

- In April 2018, the Company announced it had entered into an agreement to dispose of its 100% equity and subordinated debt interest in the Highland Schools PPP2 Project for £56.2m. The disposal completed in June 2018.

- In the current financial year to date, the Investment Adviser has sourced new investments and a preferred bidder opportunity in HICL's three target infrastructure market segments with a total value of approximately £110m.

- As disclosed in the Company's 2018 Annual Report, in April 2018 HICL:

- acquired an 85% equity interest in the greenfield Paris-Sud University PPP Project in Paris for a total commitment of €20.7m, which includes a loan stock subscription obligation payable following the substantial completion of construction of the project;

- acquired a 75% equity and loan interest in the Belfast Metropolitan College PPP Project for total consideration of £6.4m through an existing joint venture company, Redwood Partnership Ventures 2 Limited, in which the Company has a 75% shareholding; and

- announced the completion of the acquisition of a 50% interest in the Burbo Bank Extension OFTO, a regulated asset, through its partnership with Diamond Transmission Corporation Limited for a total consideration of £10.1m.

▲ Since publication of the Annual Report in June 2018:

- the Company has announced the acquisition of an incremental 7.2% stake in the A63 Motorway, a demand-based asset in France, for a total consideration of €62m, which completed in June 2018;

- HICL's partnership with Diamond Transmission Corporation Limited has been selected by Ofgem as the preferred bidder to own and operate the Race Bank OFTO, a regulated asset, with HICL's 50% share of the consideration expected to be up to £30m when the project reaches financial close in Q1 2019; and

- the Company has completed a transaction to sell a 15% stake in the Oldham Library PPP project to the joint venture partner Kajima for consideration of £0.9m.

Portfolio Performance

▲ Since 1 April 2018, the portfolio has performed in line with expectations with no material[1] issues affecting investment performance:

- Cash generation from the portfolio is in line with expectations, excluding those projects in distribution lock-up due to the Carillion liquidation.

- The Company's performance continues to be underpinned by the resilience of its investments in PPP Projects. During the period, further value enhancement was delivered through the completion of construction of an accommodation project in Northern Europe. This was completed on time and on budget for the public sector client, with the facility now available for use.

- Of the Company's demand-based investments, traffic on the A63 Motorway and Northwest Parkway has continued to perform ahead of budget over the first quarter of the financial year (+2.2% and +7.9% respectively).

- High Speed 1 is performing in line with expectations. Train paths are running slightly behind budget, while operating costs performed ahead of plan. With oversight from the Investment Adviser, High Speed 1 is preparing the business plan submission to its regulator, the Office of Rail & Road, for the third Control Period, which will run from 1 April 2020 to 31 March 2025.

- Affinity Water, one of the Group's regulated asset investments, is performing in line with expectations, except in relation to wholesale operations where operating expenditure has been higher than expected due to pressure on the water supply network as a consequence of recent exceptional weather in the southeast of England. In July 2018, Ofwat confirmed revised guidance for the 2019 price review ("PR19") in relation to the sharing of financial outperformance by water companies – see Valuation section below. The Affinity Water management team is in the process of finalising its PR19 business plan, which is due to be submitted in early September 2018.

▲ The Investment Adviser has been making good progress in resolving the consequences of the liquidation of Carillion for those PPP projects in the portfolio that were affected:

- Ten facilities management subcontracts with Carillion entities have been terminated.

- In May 2018, the Birmingham and Solihull LIFT facilities management subcontract was successfully transitioned to a replacement service provider, Integral, which was already performing services on a group of facilities within the project.

- Nine projects are operating well on interim arrangements with HICL's chosen replacement operators, as identified in the Company's contingency planning, while long-term facilities management subcontracts are commercially negotiated.

- Commercial terms have been agreed on six of the nine projects and the process of securing the relevant consents to finalise subcontracts is under way. Negotiations on the three remaining projects are progressing in line with expectations.

- Overall indicative pricing on the replacement subcontracts is in line with the expectations built into the value reduction taken at March 2018.

- Of the five projects in the portfolio where Carillion had previously performed construction, three are out of distribution lock-up and the remaining two are expected to be out of lock-up by 30 September 2018.

Dividends and Financing

▲ The Company announced a final quarterly interim dividend for the financial year ended 31 March 2018 of 1.97 pence per Ordinary Share (the "Q4 Dividend") on 16 May 2018. The shares went ex-dividend on 24 May 2018 and the Q4 Dividend was paid on 29 June 2018.

▲ The Scrip Share Reference Price in respect of the Q4 Dividend was less than the prevailing NAV per Ordinary Share. In such circumstances, the Board determined that it was not in the best interests of shareholders as a whole to offer a scrip dividend alternative. Accordingly, all shareholders entitled to receive the dividends on the record date received cash.

- The Company announced a first quarterly interim dividend for the financial year ending 31 March 2019 of 2.01 pence per Ordinary Share on 18 July 2018, in line with guidance.

- The Board will keep the Scrip Dividend Alternative under review each quarter, and shareholders who have previously completed a Scrip Dividend Mandate to receive Scrip Shares are advised that their Scrip Dividend Mandate remains in place for future periods.

- The Board re-affirms the dividend guidance of a target 8.05 pence per Ordinary Share for the financial year to 31 March 2019 and a target 8.25 pence per Ordinary Share for the financial year to 31 March 2020. The dividend for the financial year to 31 March 2019 is expected to be cash covered, albeit at a reduced level due to distribution lock-ups at a number of projects affected by the Carillion liquidation.

- Based on all the announced acquisition and disposal activity, and scheduled commitments to existing investments, the Investment Adviser estimates that the Group will have drawings on its Revolving Credit Facility ("RCF") of approximately £150m at 30 September 2018. The Board continues to be comfortable with this level of drawing.

Issued Capital

- As at 31 July 2018, the Company's issued share capital consists of 1,789,556,677 ordinary shares of 0.01p each, all of which carry voting rights.

Company and Governance

- The Company's Annual Report for the year ended 31 March 2018 was published on 11 June 2018, and copies were posted to shareholders who elected to receive a printed copy.

- The Company held its Annual General Meeting ("AGM") on 17 July 2018. All resolutions were passed with a substantial majority.

- 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 approximately 179.0m shares (limited by the AGM authority).

- Mr. Michael (Mike) Bane was appointed to the Board, effective from 1 July 2018. He was proposed for election at the July 2018 AGM and was duly elected by shareholders.

- As in previous years, and aligned to corporate governance best practice, the Directors offered themselves for re-election at the AGM on 17 July 2018 and were duly re-elected.

- An updated Key Information Document, based on the costs disclosed in the 2018 Annual Report, was published on the Company's website on 27 July 2018.

September 2018 Valuation

- The next valuation of the HICL Group's portfolio will be as at 30 September 2018 and will be published as part of the Company's Interim Results in November. Recent market activity is a key consideration for the valuation; high-profile acquisitions made by managers of unlisted funds will be considered as part of the September 2018 valuation with regard to any read-across to the carrying value of investments within the portfolio. The Investment Adviser is analysing market pricing to evaluate whether the risk premia implied in the discount rates used in the 31 March 2018 valuation reflect competitive dynamics in the infrastructure asset class.

- Elsewhere in the portfolio, the following non-material[1] valuation movements are in aggregate expected to be value neutral for the September 2018 valuation:

  - As noted in the Company's Annual Report, in April 2018 Ofwat published a consultation document that introduced proposed new measures for PR19 around the sharing of gains from financial outperformance. Both Affinity Water and the Investment Adviser responded to the consultation. Ofwat made minor amendments to the final guidelines that were published on 3 July 2018. The overall impact is not expected to be material in terms of HICL's NAV.

  - 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 September 2018 valuation.

  - Construction of an accommodation project in Northern Europe was completed in the period. This will be reflected in the September 2018 valuation through a lower discount rate being used to value the project. The upside, whilst not material in terms of HICL's NAV, demonstrates the ongoing value enhancements provided by the PPP portion of HICL's portfolio.

  - The Company's demand-based investments in the A63 Motorway, in France, and the Northwest Parkway, in the USA, continue to outperform against the 31 March 2018 valuation assumptions.

Market and Outlook

- The Investment Adviser continues to seek appropriate opportunities across the key market segments identified in the Company's Acquisition Strategy. These are: PPP projects; regulated assets; demand-based; and an opportunistic approach to assessing corporate assets (e.g. rolling stock) with contracted revenues and with long-term counterparty arrangements.

- The Group's portfolio currently has historically low exposure to construction risk on greenfield PPP projects. The Investment Adviser is reviewing a number of opportunities in this area across HICL's target geographies (UK, Europe, North America and Australia/NZ).

- Following the recent incremental investment in the A63 Motorway, at present the Group has limited appetite to make further acquisitions of demand-based assets with GDP-correlated returns.

- The Company continues to bid for OFTOs in the UK alongside its consortium partner, Diamond Transmission Corporation Limited (a subsidiary of Mitsubishi Corporation).

- Recent secondary market transactions across HICL's target market segments have seen unlisted capital competing selectively for certain high-profile assets, with the pricing achieved higher than might have been expected. Pricing discipline therefore remains important in the current market. The Board and the Investment Adviser will seek to take advantage of favourable market conditions to optimise the HICL portfolio by strategically disposing of assets to generate additional value and facilitate opportunities to make selective acquisitions that enhance portfolio diversification and the Company's accretion metrics. The flexibility intrinsic in the Company's RCF will be used to smooth the timing of these transactions.

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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 118 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 (InfraRed Capital Partners)

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 over 130 professionals it manages in excess of US$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 over 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.