1 March 2019

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 2018 to 28 February 2019.

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

"I am pleased to present an update on the Company's activities in the period since the Interim Results. Portfolio performance overall has been steady, with some operational challenges alongside positive value enhancements and progress in a number of areas.

"The Company is still on track to achieve the target dividend of 8.05p per share for the year to 31 March 2019. The confidence the Board has in the foreseeable cashflows also allows us to reiterate the guidance previously published of 8.25p per share for the next financial year to March 2020 and 8.45p per share for the following year to March 2021.

"The Board announced in November 2018 that we believed it was in the best interests of shareholders as a whole to move the domicile of the Company's investment business from Guernsey to the UK. Shareholder approval for this will be sought at an EGM on 26 March 2019, following the publication on or shortly after 4 March 2019 of the EGM Circular and a Prospectus for the listing of the new UK plc's shares. UK residency should help to mitigate the potential impact of future changes in the continually evolving cross-border tax landscape and the new UK plc will be aligned geographically with the majority of its shareholders and the bulk of its portfolio."

Investment Activity

- The Group has a portfolio of 117 investments located in the UK, France, Ireland, the Netherlands, Canada and the USA.

- In November 2018, the Company announced that its consortium with Diamond Transmission Corporation Limited (a subsidiary of Mitsubishi Corporation) had been selected by Ofgem as the preferred bidder to own and operate the Galloper offshore windfarm transmission infrastructure, a regulated asset, with HICL's 50% share of the consideration expected to be approximately £15m when the project reaches financial close in H2 2019. The consortium is now preferred bidder on two bids for offshore transmission owner ("OFTO") projects, the other being the Race Bank OFTO which is due to reach financial close in Q2 2019.

- In the Company's Interim Report published in November 2018, the Company confirmed it had entered into an agreement to dispose of its 9.7% interest in AquaSure Desalination

PPP project (Australia). This disposal completed in November 2018, following the receipt of third-party consents and the consideration of AUD$161m (£90.1m).

- Fulfilling a commitment made in 2014, the Company completed the acquisition of a further 40% interest in the N17/N18 Gort to Tuam Road (PPP) in the Republic of Ireland for consideration of €23m.

Portfolio Performance

- Since 1 October 2018, the portfolio has performed in line with expectations with no material[1] issues affecting investment performance.

- The resilience of PPP projects (70% of portfolio value at 30 September 2018) remains at the core of the Company's long-term performance. During the period, further value enhancement was delivered through the completion of the construction phase of the Irish Primary Care Centres PPP project.

- InfraRed's Asset Management team has continued to resolve the residual implications of the Carillion liquidation on the PPP project portfolio. The process of transferring interim facilities management arrangements to new, long-term subcontracts has proceeded in line with plan.

    - New subcontracts for Queen Alexandra Hospital and Northwood MoD Headquarters were signed during the period, meaning that eight projects have now successfully been through this process.

    - Overall pricing on the replacement subcontracts remains in line with the expectations built into the valuation at 30 September 2018.

    - The new facilities management counterparties, which were endorsed by both public sector clients and lenders, are Bouygues, Engie, Integral and Skanska.

    - Four projects on which Carillion had previously acted as construction contractor, and which entered default when the company went into liquidation, have remedied the default.

    - Post-completion works at Southmead Hospital, relating to demolition and residual road construction, for which Carillion would have been responsible as the original construction contractor, have been procured by the project company contracting directly with local contractors.

- Contingency planning has been under way at a small number of assets where the facilities management counterparty has been assessed as financially weak.

- Demand-based assets (22% of portfolio value at 30 September 2018; within this, 19% with returns correlated to GDP) continued to perform well in the period:

    - The performance of the High Speed 1 concessionaire ("HS1") remains consistent with that forecast in the 30 September 2018 valuation. Whilst revenue was slightly behind budget, operational expenditure savings resulted in EBITDA marginally ahead of budget for the year to date. Plans are in place to mitigate the potential impact of an unfavourable Brexit deal on Eurostar services which, in the event of disruption to border controls, could lead to delayed or cancelled services, thus impacting train path revenues.

- On 28 February 2019, HS1 published a consultation document in relation to the regulatory Control Period 3 ("CP3"), which runs from April 2020 to March 2025. Informal discussions have been on-going with a number of stakeholders and this step in the regulatory review process is a formal opportunity for HS1's stakeholders to provide feedback on the company's draft business plan for CP3. The regulatory process is set out in the concession agreement and determines the level of maintenance and renewals expenditure for company's assets during CP3. While the regulatory process reviews HS1's charges to operators on the route, as well as station renewal charges, it does not consider the initial construction costs, recovery of which is enshrined in the concession agreement. The regulatory process seeks to balance the need to fully fund HS1's costs, including pre-funding long term renewals, with the affordability of charges to operators.

- Traffic on the Company's toll road investments for the period was mixed. Traffic volume in the quarter was 4.7% higher than budget on Northwest Parkway, and 6.2% lower than budget on the A63 Motorway due to the disruption caused by the "gilets jaunes" movement in November and December 2018. Despite this, year-to-date revenue on the A63 is materially in line with expectations.

▲ Performance of regulated assets (8% of the portfolio value at 30 September 2018) was slightly behind expectations in the period:

  - Wholesale operations at Affinity Water remain under pressure and the senior management team continues to implement changes to drive improved efficiencies, including the transition from outsourced to in-house management of subcontractors.

  - While the company continues to strive to meet Ofwat's efficiency thresholds, significant weather events in the South East of England resulted in higher than planned leakage-related call-outs, and performance is consequently behind plan.

  - On 31 January, the initial determination from Ofwat on Affinity Water's business plan for the 2019 price review ("PR19") was published, and the company was placed in the Significant Scrutiny category. This is disappointing and the company's management team is focused on addressing the key areas of Ofwat's feedback as part of a re-submission that is due in April 2019. Shareholder representatives, including InfraRed asset managers, are actively supporting the company through this process. Ofwat's decision whether to apply financial penalties has been delayed pending the business plan resubmission, with a final determination due at the end of the current calendar year.

Dividends and Financing

▲ The Company announced a second quarterly interim dividend for the financial year ending 31 March 2019 of 2.01 pence per Ordinary Share (the "Q2 Dividend") on 14 November 2018. The shares went ex-dividend on 22 November 2018 and the Q2 Dividend was paid on 31 December 2018. The take-up of the scrip dividend was approximately 2.52% of the Ordinary Shares in issue.

- The third quarterly interim dividend for the financial year ending 31 March 2019 of 2.01 pence per Ordinary Share (the "Q3 Dividend") was declared earlier than previously announced in the Company's Scrip Dividend Circular, on 12 February 2019. The Relevant Quarterly Ex-Dividend Date and Relevant Quarterly Dividend Payment Date were also moved forward by a week to 21 February 2019 and 22 March 2019, respectively. This was done in order to allow sufficient time to administer the scrip option in respect of the Q3 Dividend ahead of the expected change in the Company's domicile.

- The Company is still on track to deliver its target dividend of 8.05 pence per Ordinary Share for the financial year to 31 March 2019, and the Board reiterates a target dividend of 8.25 pence per Ordinary Share for the financial year to 31 March 2020 and 8.45 pence per Ordinary Share for the financial year to 31 March 2021.

- The Company expects the dividend for the year to 31 March 2019 to be fully cash covered, despite lower portfolio cash generation attributable to the distribution lock-ups resulting from the Carillion liquidation and the impact on distributions from operational challenges at Affinity Water.

- In February 2019, the Company completed the extension of its £400m revolving credit facility for a further year, to May 2022.

- Based on all the announced acquisition and disposal activity, and the status of current potential investment activity, the Investment Adviser estimates that the Group's net funding requirement as at 31 March 2019 will be c. £145m. The Board will take account of market conditions when considering the timing of activities to manage the Company's funding position, which could include additional strategic disposals and / or capital raising.

Issued Capital

- As at 28 February 2019, the Company's issued share capital consists of 1,790,679,605 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 2018 was published on 11 December 2018, and copies were posted to shareholders who elected to receive a printed copy.

- Chris Russell has completed almost nine years' service and will therefore step down from the Board on 31 March 2019. A recruitment process, supported by an external recruitment firm, is under way to find a replacement non-executive Director.

- At the 2018 AGM, shareholders authorised the issue of up to 10% of the issued share capital at that time on a non pre-emptive basis during the following 12 months. The Company's current tap capacity is approximately 179.1m shares (limited by the AGM authority).

- The Company will publish an EGM Circular and a Prospectus relating to the issue of new shares in the UK plc on or shortly after 4 March 2019. The EGM is scheduled for 26 March 2019 and will be held at the offices of Aztec Group, secretary to the Company, in Guernsey. Shareholders are invited to vote on the proposals, either in person or via a proxy, but in any event should complete the form of proxy by the deadline in the Circular of 11.00am on 22 March 2019, in accordance with the instructions in the EGM Circular.

- In February 2019, the Company appointed RBC Capital Markets to act as its joint corporate broker alongside Canaccord Genuity Limited.

March 2019 Valuation

- The next valuation of the Group's portfolio will be as at 31 March 2019 and will be published as part of the Company's Annual Results in May 2019.

- A final view of the total cost of the resolution of the issues arising from the liquidation of Carillion is expected to be included in the Annual Results in May 2019.

- A number of value enhancements during the period resulted in non-material increases to the Company's NAV which will be reflected in the 31 March 2019 valuation:

    - Construction of the last of 14 primary care centres across the Republic of Ireland was completed in the period. This will be reflected in the 31 March 2019 valuation through a lower discount rate being used to value the investment on the Irish Primary Care Centres PPP project, resulting in a slight uplift to NAV.

    - The signing of replacement facilities management contracts for the Queen Alexandra Hospital and the Northwood MoD Headquarters in the period, and the consequent de-risking this represents, will be reflected in a review of the discount rates used to value these projects as at 31 March 2019.

    - Canadian P3 road project Northwest Anthony Henday commenced a variation to upgrade its existing lighting system to a LED solution during the period. This upgrade is expected to represent a small increase to the project's valuation.

- In relation to the macroeconomic assumptions used in the Company's valuation of the portfolio, the new 'Tax Plan 2019' came into effect in the Netherlands on 1 January 2019. The corresponding reduction in the corporate tax rate will deliver a small NAV uplift to the Company's three projects based in the country: Zaanstad Penitentiary, the A9 Road, Breda Court and Dutch High Speed Rail Link.

- The previously reported building defects and operational issues at a hospital PPP are proving challenging to resolve and are expected to result in a reduction in the value of this project at 31 March 2019, resulting in a small NAV movement.

- Negotiations with Ofwat will continue over the coming months in relation to the submission of Affinity Water's PR19 business plan and, to the extent new information becomes available, this will be considered as part of the 31 March 2019 valuation of the investment.

- The Company notes the new, recently proposed House of Lords consultation on RPI calculation methodology. No material new information has been made available since the previous review in 2012, and no specific change has yet been put forward; accordingly this is not expected to impact the March 2019 valuation.

Market and Outlook

- The Group's portfolio has historically had low exposure to construction risk on greenfield PPP projects. The Investment Adviser continues to seek opportunities in this area across HICL's target geographies (UK, Europe, North America and Australia / New Zealand).

- Following the incremental investment in the A63 Motorway, the Group is close to the 20% limit on demand-based assets with GDP-correlated returns and therefore there is limited appetite to seek further acquisitions of this type at this time.

- Regulated assets remain of interest where appropriate opportunities can be found. The Company continues to bid for OFTOs in Ofgem's Tender Round 5 in the UK, alongside consortium partner, Diamond Transmission Corporation Limited (a subsidiary of Mitsubishi Corporation).

- Market pricing generally remains elevated and competition is high for good quality assets in HICL's target markets. The Investment Adviser regularly assesses opportunities and, where deemed appropriate, makes bids on behalf of HICL with a strong focus on maintaining the discipline necessary to ensure that new acquisitions improve the Company's accretion metrics for the portfolio.

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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 117 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 150 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 80 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.