6 August 2019

HICL Infrastructure PLC

Interim Update Statement

The Board of HICL Infrastructure PLC ("HICL" or "the Company" or, together with its subsidiaries, "the Group"), the listed infrastructure investment company managed by InfraRed Capital Partners Limited ("InfraRed" or "the Investment Manager"), is issuing this Interim Update Statement, which relates to the period from 1 April 2019 to 31 July 2019.

Ian Russell, Chairman of HICL Infrastructure PLC, said:

"HICL's performance since 1 April 2019 has been in line with expectations. The Company's well-diversified portfolio of 118 investments continues to demonstrate its resilience and I am therefore pleased to reiterate the target dividend guidance of 8.25p per share for the current financial year and 8.45p per share for the following year.

"The Company has focused on value enhancement through active asset management within its PPP portfolio. Performance of HICL's demand-based assets has been good, with traffic on the toll roads once again ahead of expectations.

"The Board notes the draft determination on Affinity Water's business plan that was published in July. The regulator has accepted a number of Affinity's performance commitments, and acknowledged the company has addressed many of the regulator's concerns, which gives us some confidence. However, elements of the feedback represent significant challenges for the company and constructive negotiations continue.

"Although acquisition activity has been relatively muted in the period since 1 April 2019, the Company has completed the Blankenburg Connection PPP acquisition and the pipeline remains active. The Investment Manager is confident that new opportunities will be secured over the remainder of the calendar year."

Investment Activity

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

- The Company completed its previously announced investment in the Blankenburg Connection PPP project in July 2019, with the Group committing to invest approximately £50m in the form of a deferred equity subscription.

- As previously reported, HICL's partnership with Diamond Transmission Corporation Limited (a subsidiary of Mitsubishi Company) has been selected by Ofgem as the preferred bidder for three OFTO projects; Race Bank, Galloper and Walney Extension. Commercial discussions are continuing with Ofgem with the revised completion timetable being Q3 2019 for Race Bank, Q4 2019 for Galloper and Q1 2020 for Walney Extension.

- The Investment Manager will continue to consider opportunities to optimise key portfolio metrics by making selective strategic disposals that take advantage of ongoing, favourable market conditions. In addition to creating value in excess of that which could be delivered by continued ownership, the rationale for disposals could include realising certain minority positions with limited potential to increase ownership; or the mitigation of portfolio exposure to certain commercial risks.

Portfolio Performance

- Cash generation from the portfolio has been in line with the expectations in the March 2019 valuation.

- PPP projects represented 71% of portfolio value at 31 March 2019. Activity during the period has been focused on active asset management. An example of this came at the Royal Canadian Mounted Police 'E' Division Headquarters (Canada) where a new forensics laboratory, procured as a variation to the original project, entered into service. The capital cost of c. CAD 52m was funded by the client and maintenance services are being delivered through the PPP contract structure. The variation has brought synergies for the client, and a small value enhancement for HICL's investment, but with no change in the project risk profile.

- The Group's demand-based investments represented 21% of portfolio value at 31 March 2019. Of these, the A63 Motorway (France) and the Northwest Parkway (USA) outperformed against the 31 March 2019 valuation assumptions. In the quarter to 30 June 2019, traffic on the A63 Motorway was 4.9% ahead of forecast and on the Northwest Parkway was 6.6% ahead of forecast.

- Regulated assets represented 8% of portfolio value at 31 March 2019. As part of the 2019 Price Review ("PR19"), Affinity Water (7% of portfolio value at 31 March 2019) received a draft determination from Ofwat on its business plan for Asset Management Period 7 (April 2020 to March 2025) ("AMP7"). The company remains in an ongoing negotiation process:
  - The regulator has accepted a number of Affinity's performance commitments, and acknowledged that the company has addressed in its re-submission many of the concerns raised; however,
  - The feedback from the regulator includes a number of adverse elements which may impact the valuation of the Group's investment (see September 2019 Valuation section below).

Dividends and Financing

- The Company announced a final quarterly interim dividend for the financial year ended 31 March 2019 of 2.02 pence per Ordinary Share (the "Q4 Dividend") on 29 May 2019. The shares went ex-dividend on 6 June 2019 and the Q4 Dividend was paid on 28 June 2019.

- The Company announced a first quarterly interim dividend for the financial year ending 31 March 2020 of 2.06 pence per Ordinary Share on 23 July 2019 (the "Q1 Dividend"), in line with target guidance. As outlined in the Company's Prospectus dated 4 March 2019, a portion of the Company's dividends will be designated as an interest distribution for UK tax purposes. The interest streaming percentage for the Q1 Dividend is 58%.

- As outlined in the 2019 Annual Report, the Board does not intend to offer a scrip dividend alternative going forward. In lieu of this, the Company's registrar Link Asset Services ("Link"), offers a Dividend Re-Investment Plan that allows investors to elect to have their dividends reinvested into additional shares executed directly by Link.

- The Board re-affirms the target dividend guidance of 8.25 pence per Ordinary Share for the financial year to 31 March 2020 and a target of 8.45 pence per Ordinary Share for the financial year to 31 March 2021[1]. The Company expects the dividend for the year to 31 March 2020 to be fully cash covered.

- Based on the announced acquisition activity and scheduled commitments to existing investments, the Investment Manager estimates that the Group will have a funding requirement of approximately £130m at 30 September 2019. The Board continues to be comfortable with this.

- The Board and Investment Manager continue to assess market conditions when considering potential funding activities, including consideration of capital raising.

Issued Capital

- As at 31 July 2019, the Company's issued share capital consists of 1,791,142,769 ordinary shares of 0.01p each, all of which carry voting rights.

September 2019 Valuation

- The next valuation of the Group's portfolio will be as at 30 September 2019 and will be published as part of the Company's Interim Results in November 2019.

- Key valuation considerations for Affinity Water are expected to include i) analysis of the latest draft determination in relation to its business plan for AMP7, and ii) the impact of the prevailing negative political environment on valuations of private sector investments in UK regulated assets. On the basis of current information, the Investment Manager estimates that, in combination, these factors are likely to lead to a reduction in the Company's valuation of its investment in Affinity Water at 30 September 2019. This could be between £30m and £40m (equivalent to 1.7p - 2.2p, or 1.1% - 1.4%, of NAV per share). Affinity Water remains in a constructive negotiation with the regulator. Accordingly, there may be further changes to the business plan in the final determination that is due to be announced in December 2019.

- UK inflation remains above the Investment Manager's long-term inflation assumption of 2.75%. If maintained, this will offer some (non-material) upside, which would be reflected in the September 2019 valuation.

Company and Governance

- The Company's Annual Report for the year ended 31 March 2019 was published on 11 June 2019, and copies were posted to shareholders who elected to receive a printed copy.

- The Company held its Annual General Meeting ("AGM") on 16 July 2019. All resolutions were passed with a substantial majority.

- Following 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, the Company's current tap capacity is approximately 179.1m shares (limited by the AGM authority).

- As in previous years, and aligned to corporate governance best practice, the existing Directors offered themselves for re-election at the AGM on 16 July 2019 and were duly re-elected. Ms. Frances Davies was appointed to the Board, effective from 1 April 2019. She was proposed for election at the July 2019 AGM and was duly elected by shareholders.

- In June 2019, the Company novated its existing broking arrangements with Canaccord Genuity to Investec Bank to act as the Company's joint broker, alongside RBC Capital Markets.

- During the period, the Investment Manager continued its proactive approach to political engagement on infrastructure funding in the UK, contributing to both the National Infrastructure Commission and Infrastructure Finance Review.

- An updated Key Information Document, based on the costs disclosed in the 2019 Annual Report, was published on the Company's website on 5 June 2019.

- In July 2019, a factsheet was published on the Company's website.

Market and Outlook

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

- The Group has successfully managed a number of projects through construction into operations and as a result the portfolio exposure to construction risk is at a historically low level. The Investment Manager continues to review opportunities to invest in greenfield PPP projects in its core geographies (UK, Europe, North America and Australia / New Zealand).

- The Group's exposure to assets with GDP correlation is currently at its target level and the Group has limited appetite to make further investments in this market segment at present.

- Market dynamics continue to drive competition and keen asset pricing. Pricing discipline remains a key focus of the Group. These market conditions are also favourable for selective strategic disposals. The Investment Manager and the Board will continue to consider opportunities to make value accretive disposals which improve the Company's diversification and portfolio metrics.

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

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HICL Infrastructure PLC

HICL Infrastructure PLC ("HICL" or the "Company", and together with its subsidiaries the "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 Manager (InfraRed Capital Partners)

The Investment Manager 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$12bn 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.