16 July 2020

HICL Infrastructure PLC

"HICL" or "the Company" and, together with its subsidiaries, "the Group", the London-listed infrastructure investment company managed by InfraRed Capital Partners Limited ("InfraRed" or "the Investment Manager".)

Interim Update Statement

The Board of HICL is issuing this Interim Update Statement, which relates to the period from 1 April 2020 to 15 July 2020.

Ian Russell, Chairman of HICL Infrastructure PLC, said:

"I am pleased with the solid progress the Company has made in the period, in both the management of the existing portfolio and the execution of its investment strategy. Importantly, we have continued to ensure that our infrastructure assets have remained available for the communities they serve throughout the pandemic.

"Operational performance of HICL's demand-based assets has been reassuring in the context of the gradual easing of travel restrictions. Revenue on the toll roads is ahead of expectations at the current time, underlining that these investments benefit from strategically important positioning in their respective regions.

"There is continued market appetite for high quality, core infrastructure assets. The Investment Manager has been actively pursuing attractive investment opportunities, with the Company announcing accretive acquisitions in the period, demonstrating HICL's commitment to its strategy of delivering stable and socially responsible long-term returns from core infrastructure investments at the lower end of the risk spectrum.

"The Company has today announced an equity fund raising at an issue price of 164p, a discount to the pre-announcement share price of 5.7%, to pay down the Revolving Credit Facility in respect of these investments and to provide additional resources to fund HICL's near-term pipeline of attractive opportunities."

Investment Activity

- The Group has a portfolio of 118 investments located in the UK, continental Europe and North America.

- In June 2020, the Company announced the completion, by Diamond Transmission Partners ("DTP"), of the acquisition of the transmission assets associated with the Walney Extension Offshore Windfarm located in the Irish Sea. DTP is a consortium comprising HICL and Diamond Transmission Corporation Limited (a subsidiary of Mitsubishi Corporation) and Chubu Electric Power Company Netherlands B.V. (a subsidiary of Chubu Electric Power Co., Inc).

- In June 2020, the Company also announced the acquisition of a further 74% interest in Holdfast Training Services Limited ("Holdfast"), a public-private partnership ("PPP") project that supports the Royal School of Military Engineering. The 30-year PPP was signed in August 2008 and covers the design, construction, refurbishment and maintenance of a number of buildings and training areas across three UK locations on behalf of the UK Ministry of Defence.

Portfolio Performance

- PPP projects represented 72% of portfolio value at 31 March 2020. Activity during the period has been focused on active asset management, particularly ensuring that the portfolio's hospitals, emergency services and schools projects have been fully supported as they deal with stakeholder requirements to respond to the Covid-19 pandemic and subsequently to transition back to business as usual operations over time.

- The Group's demand-based investments represented 20% of portfolio value at 31 March 2020. The table below shows the reduction in revenue levels versus budgeted pre-Covid-19 levels for the quarter ended 30 June 2020, across the three largest GDP-linked demand-based assets:

	Valuation Assumptions (for the period 31 Mar – 30 Jun 20)	**Actual** (for the period 31 Mar – 30 Jun 20)	**Week to 30 June 2020** (latest available)
A63 Motorway, France	-60%	-36%	**-8%**
Northwest Parkway, USA[1]	-75%	-59%	**-44%**
High Speed 1, UK[2]	-12%	-14%	**-14%**

[1] Traffic volumes used as a proxy for revenue over these time frames for Northwest Parkway.
[2] Estimate, based on latest available management information.

- The gradual easing of lockdown conditions in Europe and North America has enabled traffic on the Company's two toll roads, the A63 Motorway (France) and Northwest Parkway (USA), to commence their recovery earlier than assumed in the March 2020 Valuation. The improvement in traffic levels is encouraging and has added to the financial resilience of the assets. Importantly, this recovery reconfirms the strategic positioning of these assets in their respective regions to facilitate, and benefit from, the resumption of movement and economic activity in these areas. Notwithstanding the positive trajectory, we remain mindful that the recovery has a significant course to run and any resumption of restrictions to contain further pandemic waves would weigh on asset performance.

- In relation to High Speed 1 ("HS1"):

  - Contracted train path access charges in relation to HS1's international and domestic services (32% and 68% respectively of annual track access revenue in the year to 31 March 2020) continue to provide a high degree of visibility over short-term revenues out to December 2020.

  - In relation to international services beyond this point, Eurostar International Limited ("EIL") has elected not to pre-book train paths beyond December 2020 and instead utilise the more flexible ‘spot’ booking provisions available to it. Principally this impacts timing of receipt of revenues, as well as train path visibility beyond December 2020. From week commencing 20 July 2020, EIL is scheduling services at approximately 40% of the pre-Covid-19 budgeted level and, from December 2020, for services equivalent to 60% of pre-Covid-19 levels; we expect these levels to continue to increase in line with the broader recovery.

- Domestic train path bookings remain at 100% of the budgeted level, with pre-bookings received out to May 2021.

- Contracted track access charges to December 2020 are sufficient to cover debt service payments in 2020 and the project benefits from significant liquidity to cover debt service through 2021 in a range of plausible downside scenarios.

- Regulated assets represented 8% of portfolio value at 31 March 2020. The acquisition of the Walney OFTO in June 2020 marks the fourth offshore transmission asset in the portfolio. These facilitate, in aggregate, the transmission of green energy to over 1.7m UK homes and are actively supporting the UK’s transition to a low carbon future.

- While Covid-19 has presented challenges to the performance of Affinity Water in some areas, something which the regulator has acknowledged across the water sector, the company has been agile in its response to the virus and continues to engage with the wider industry and Ofwat. The company has implemented working from home for many staff and rigorously developed and implemented Covid-19 safe working protocols for water production and network operations, to be able to continue to deliver essential activities, outside of work in customers’ homes. Affinity Water has been working closely with communities and other utilities, supporting customers through payment plans, prioritising vulnerable customers and supporting those facing financial difficulties possibly for the first time, which the company has provisioned for.

Dividends and Financing

- The Company announced a final quarterly interim dividend for the financial year ended 31 March 2020 of 2.07 pence per Ordinary Share (the "Q4 Dividend") on 13 May 2020. The shares went ex-dividend on 4 June 2020 and the Q4 Dividend was paid on 30 June 2020. The interest streaming percentage for the Q4 Dividend was 39%, bringing the total streaming percentage for the financial year ended 31 March 2020 to 54%, in line with the Directors’ expectation of approximately 60%, as outlined in the Company’s Prospectus dated 4 March 2019.

- The Company announced a first quarterly interim dividend for the financial year ending 31 March 2021 of 2.06 pence per Ordinary Share (the "Q1 Dividend") on 15 July 2020. The interest streaming percentage for the Q1 Dividend will be 56%.

- The Board remains comfortable that cash generation from the portfolio remains in line with forecast and re-affirms the target dividend guidance of 8.25 pence per Ordinary Share for the financial year to 31 March 2021[3].

- Based on previously announced acquisition activity and advanced pipeline opportunities, the Company has announced today its proposal to raise additional equity capital through the issue of new Ordinary Shares by way of non-pre-emptive tap issuance, priced at 164.0p per Ordinary Share.

Issued Capital

- As at 15 July 2020, the Company's issued share capital consists of 1,863,642,769 ordinary shares of 0.01p each, all of which carry voting rights.

- Following the Company's July 2020 Annual General Meeting ("AGM") when shareholders granted the Board authority to issue up to 10% of outstanding shares on a non pre-emptive basis, the Company's current tap capacity is approximately 186.4m shares (limited by the AGM authority), prior to the proposed additional capital raising announced today.

September 2020 Valuation

- The next valuation of the Group's portfolio will be as at 30 September 2020 and will be published as part of the Company's Interim Results in November 2020.

- Institutional investors continue to view core infrastructure as an important source of stable income during a time of uncertainty, and current asset pricing reflects this. If current market conditions are sustained, and the downward pressure on discount rates observed at the beginning of the year (as discussed in the Company's May 2020 Annual Report) persists, this would be expected to be recognised in the September 2020 Valuation.

- After a period of volatility during March 2020, interest rates have settled at a lower level than earlier in the year which, if sustained to September 2020, are expected to be reflected in the valuation assumptions.

- Within the portfolio, based on current information, each of the following is expected to have an immaterial impact on the September 2020 Valuation:

  - An increase in the liability for the remediation of construction quality issues at one of the portfolio's healthcare assets, where the responsibility for resolution resides with the Group.

  - The remainder of the PPP portfolio is expected to deliver outperformance in the period, driven by accretive investment and lifecycle savings.

  - As disclosed in the Company's May 2020 Annual Report, the Company's three GDP-linked demand-based assets (18% by value as at 31 March 2020) were valued using the median of economist forecasts for GDP for the calendar years 2020 and 2021, collated up to 27 April 2020. In the period, the Investment Manager has seen a deterioration in median GDP forecasts for 2020 and 2021 in each of the USA, France and the UK. Additionally, the trajectory for the recovery of international train paths on HS1 is behind HICL's expectation, which is expected to negatively impact the Company's forecast train paths beyond the current contracted period to December 2020.

Company and Governance

- The Company's Annual Report for the year ended 31 March 2020 was published on 20 May 2020, and copies were posted to shareholders who elected to receive a printed copy.
- The Company held its Annual General Meeting ("AGM") on 14 July 2020. All resolutions were passed with a substantial majority.
- As in previous years, and aligned to corporate governance best practice, the existing Directors offered themselves for re-election at the AGM on 14 July 2020 and were duly re-elected. Ms Rita Akushie was appointed to the Board effective from 1 January 2020. She was proposed for election at the July 2020 AGM, and was duly elected by shareholders.
- An updated Key Information Document, based on the costs disclosed in the May 2020 Annual Report, was published on the Company's website on 4 June 2020.

Market and Outlook

- Whilst uncertainty stemming from Covid-19 continues to create a degree of volatility in financial markets, the resumption of transaction activity in the sector demonstrates continued investor appetite for core infrastructure assets. InfraRed has, and will continue to, pursue acquisitions in line with HICL's stated strategy and execute on its attractive pipeline of opportunities, in line with HICL's objective of growing a diversified portfolio of investments in assets that share underlying characteristics of cash flow quality, defensive market positioning and criticality.
- The pipeline remains focused on HICL's core geographies (UK, Europe, North America and Australia / New Zealand) and comprises further investments within HICL's existing sectors, as well as sectors essential to the functioning of a modern economy (e.g. infrastructure to support the energy transition and communications infrastructure), where these meet the Company's clearly defined core infrastructure characteristics.
- The Investment Manager and the Board will also continue to consider opportunities to make accretive disposals where these improve portfolio construction. Overall, the Company continues to be well-positioned to identify and act on new opportunities to further enhance the Company's portfolio construction and improve key portfolio metrics.

[3] 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 over 100 infrastructure investments, HICL is seeking further suitable opportunities, which are positioned at the lower end of the risk spectrum within core infrastructure.

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 190 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 90 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.