23 February 2021

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 October 2020 to 22 February 2021.

Ian Russell, Chairman of HICL Infrastructure PLC, said:

"HICL's well-diversified portfolio continues to demonstrate its resilience against an uncertain backdrop, with the impact of the pandemic restricted to the minority of assets exposed to user demand. The Company remains robust, well-capitalised and appropriately positioned to pursue its strategy in the current market.

The priority of the Board remains the effective, long-term stewardship of essential public infrastructure for our investors and for the communities which the assets serve. While the Board is encouraged by the prospect of a degree of recovery from the pandemic over the course of 2021, the Directors' primary focus – and that of the Investment Manager – remains the active management of our assets, especially over the coming months.

The Company remains on track to deliver the target dividend for the current year ending 31 March 2021 of 8.25p per share. Directors are also pleased to reaffirm the 8.25p dividend target for the 2022 financial year."

Portfolio Performance

- The Group has a portfolio of 117 investments located in the UK, continental Europe and North America.

- The impact on HICL's portfolio from movement restrictions as a result of the pandemic has largely been mitigated by the Company's diversification across market segments. 72% of HICL's assets benefit from long-term, availability-based PPP contracts which continue to perform as expected. Active asset management in the period has focused on ensuring that the Company's PPP assets remain available to support the delivery of essential services and that key stakeholders, particularly in healthcare, are supported while operational requirements for the facilities remain heightened.

- The Group's investments with returns sensitive to wider economic performance represented 19% of portfolio value at 30 September 2020. The three largest investments of this type continue to be affected by the pandemic although the specific impacts vary across each asset.

- In relation to High Speed 1 ("HS1"):
  - Performance continued to be supported by contracted train path access charges for domestic services (68% of annual track access revenue in the year to 31 March 2020).

Pre-bookings for domestic train paths until May 2021 are in line with pre-Covid levels; between May 2021 and December 2021 pre-bookings are below pre-Covid levels but the impact on HS1's revenue is almost entirely mitigated by the contractual underpin provided by the Department for Transport. The ability to book 'spot' paths as required remains available to HS1's domestic operator, London & South Eastern Railway.

- In relation to international services, HS1 was insulated from reduced train volumes through to mid-December 2020 due to pre-bookings in place from Eurostar. Thereafter, Eurostar utilised the more flexible 'spot' booking provisions available to it and, as a result, international track access revenues reflect the very low volume of trains currently being run. The recovery in international train path bookings is expected to be dependent on quarantine measures being lifted, which in turn will depend on the speed of the pandemic recovery in both the UK and EU.
- In recent weeks, Eurostar has publicly indicated that the prevailing travel restrictions pose a threat to its viability and that government support is likely to be required. HS1 is working collaboratively with Eurostar to support these efforts where possible and continues to engage with key HS1 stakeholders.
- HS1 has a positive relationship with its lenders and expects to continue to work collaboratively with them over the coming months. HS1 benefits from sufficient liquidity within the group to fund debt service through 2021 in a range of plausible downside scenarios. Notwithstanding this, the Investment Manager continues to work closely with the HS1 management team and co-shareholders in planning for a range of possible outcomes linked to the timing and extent of the recovery in international train services.

▲ The A63 Motorway (France) has performed in line with forecast assumptions at 30 September 2020 in the period to 31 December 2020, despite increased restrictions on movement.

▲ Traffic on Northwest Parkway (USA) has been slightly behind forecast assumptions over the same period, primarily as a result of tighter movement restrictions in response to the Covid-19 'second wave' in late 2020.

▲ The table below compares HICL's valuation assumptions with the actual performance of these three assets for the quarter ended 31 December 2020 and also shows the most recently available data for the month to 14 February 2021:

Values expressed as a percentage of pre-Covid revenues:	**Valuation assumptions[1]** (for the period 01 Oct – 31 Dec 20)	**Actual**	***Delta***	**Month to 14 Feb 2021** (latest available)
A63 Motorway, France	-7%	-6%	***+1%***	**-5%**
Northwest Parkway, USA[2]	-35%	-44%	***-9%***	**-42%**
High Speed 1, UK[3]	-16%	-12%	***+4%***	**-35%[4]**

[1] Assumptions used in the Directors' valuation contained in the Company's Interim Report to 30 September 2020
[2] Traffic volumes used as a proxy for revenue over these time frames for Northwest Parkway.
[3] Estimate, based on latest available management information.
[4] Compares to an assumption of -32% for the period 01 Jan – 31 Mar 21 which was used in the Directors' valuation contained in the Company's Interim Report to 30 September 2020.

- HICL’s regulated assets represented 9% of portfolio value at 30 September 2020 and are performing in line with expectations. In relation to Affinity Water (7% of portfolio value at 30 September 2020), the UK’s Competition and Markets Authority (“CMA”) is expected to release its final determination in respect of those companies that made PR19 appeals by the statutory deadline in mid-March. Affinity Water did not appeal to the CMA; however the outcome of those appeals in respect of allowable cost of capital will be relevant to the company for future asset management periods (2025+). Ian Tyler was appointed as the new Chairman of Affinity Water in January 2021. The Investment Manager and Board look forward to working with him and are encouraged by his extensive experience delivering business transformation across different industry sectors.

- The conclusion of the UK’s transition out of the European Union has not materially impacted the Group. The Board and the Investment Manager will continue to monitor developments closely as the withdrawal process and ongoing trade arrangements evolve following the UK-EU trade deal. Significant adverse impacts are considered unlikely.

Dividends and Financing

- The second quarterly interim dividend for the financial year ending 31 March 2021 of 2.06 pence per Ordinary Share (the "Q2 Dividend") was paid on 31 December 2020. The interest streaming percentage for the Q2 Dividend was 59%.

- On 17 February 2021, the Company announced a third quarterly interim dividend for the financial year ending 31 March 2021 of 2.06 pence per Ordinary Share (the "Q3 Dividend"), in line with target guidance. The interest streaming percentage for the Q3 Dividend is 84%.

- The Company remains on track to deliver its target dividend of 8.25 pence per Ordinary Share for the financial year ending 31 March 2021, with cash cover in line with guidance at 0.8 to 0.9 times.

- The Board has taken the view that a continuation of the current level of dividend is prudent in the current environment. In line with HICL’s dividend policy, the Company is targeting a dividend of 8.25p per share for the year ending 31 March 2022, which is expected to be fully cash-covered.

- In November 2020, the Company agreed a new Letter of Credit Facility (”LCF”) to support existing and future commitments to projects in construction. The facility is initially sized at £60m with an uncommitted £225m accordion. The six-year maturity (to 31 December 2026) appropriately matches the long-dated tenor of the Group’s construction commitments. The use of the LCF in this manner enables greater flexibility for shorter-term use of HICL's existing £400m Revolving Credit Facility ("RCF") to support execution of the Company's pipeline.

Issued Capital

- As at 22 February 2021, the Company’s issued share capital consists of 1,936,813,501 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-preemptive basis, and the tap issue of 73,170,732 new shares later that month, the Company's current tap capacity now stands at approximately 113m shares.

March 2021 Valuation

- The next valuation of the Group's portfolio will be as at 31 March 2021 and will be published as part of the Company's Annual Results in May 2021.

- On 25 November 2020, the UK Government published its response to the UKSA's proposed reform of the Retail Price Index ("RPI"), with the result that the calculation of RPI is now expected to align to the Consumer Price Index including owner occupiers' housing costs ("CPIH") from 2030. This potential change has not moved market expectations for RPI, with twenty-five-year RPI swap rates currently above where they were at 30 September 2020.

- Given the ongoing uncertainty regarding the longevity and effects of the pandemic, the Investment Manager continues to monitor valuation drivers that affect the Company's demand-based assets, namely: discount rates; the trajectory of economic recovery; and the longer-term traffic growth profile for the assets.

- Sustained demand from institutional investors for the defensive attributes typical of core infrastructure has led to higher asset prices being observed in the period. To the extent this dynamic is sustained it is likely to result in downward pressure on discount rates. The Investment Manager also notes the expected negative impact of lower interest rate forecasts, negative movements in foreign exchange (net of hedging), and lower historic inflation.

- The Company remains cognisant of the ongoing impact of restrictions of movement on HS1, in particular, noting the increased risk posed to asset level liquidity by the continuation of the very low level of international services, as well as the greater risks associated with forecasting post-Covid traffic levels for the asset.

Company and Governance

- The Company's Interim Report for the six months ended 30 September 2020 was published on 25 November 2020, with copies posted to shareholders who elected to receive a printed version.

- HICL became a Taskforce on Climate-related Financial Disclosures ("TCFD") Supporter in October 2020 demonstrating the Company's commitment to enhanced disclosure on this important pillar of the Group's sustainability approach and its role as a key value preservation activity for the long term.

- The Company's climate change impact assessment on the portfolio is ongoing and will conclude ahead of HICL's Annual results in May 2021. This initiative will provide valuable information for the effective management of HICL's investments well into the future, as well as positioning HICL to report to shareholders in line with the TCFD framework.

Market and Outlook

- The HICL portfolio has shown significant resilience, although the backdrop of Covid-19 continues to weigh on the performance of a minority of the Company's investments. The successful stewardship of our critical public assets during this period is the Group's priority. While the successful development and delivery of vaccination programmes in HICL's core markets is a cause for optimism, undoubtedly challenges remain in the months ahead. The Investment Manager's resources, expertise and active management philosophy position the Company well to respond effectively.

- The investment outlook for the core infrastructure market remains positive. This is underpinned by heightened institutional investor demand across geographies for the key attributes of core infrastructure. This enduring demand, combined with limited supply, has served to elevate asset pricing. In this environment InfraRed's structured approach to evaluating asset quality, in combination with pricing discipline, ensures the Company will pursue acquisitions only where it is prudent to do so and where they would enhance the investment proposition.

- The Investment Manager continues to cultivate and maintain an attractive pipeline of opportunities for the Company, across its established geographies and sectors. This includes select opportunities within those core infrastructure themes critical to the operation of the modern economy such as communications (e.g. fibre networks) and energy transition (e.g. smart meters, district utilities). With over £350m available under its RCF, the Company is in a strong position to make acquisitions where investment opportunities are accretive to key portfolio metrics.

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Enquiries

InfraRed Capital Partners Limited	+44 (0) 20 7484 1800 / info@hicl.com
Harry Seekings	
Keith Pickard	
Edward Hunt	
Teneo	+44 (0) 7342 031051 / HICL@teneo.com
George Hutchinson	
Haya Herbert-Burns	
Investec Bank plc	+44(0) 20 7597 4952
David Yovichic	
RBC Capital Markets	+44 (0) 20 7653 4000
Matthew Coakes	
Aztec Financial Services (UK) Limited	+44(0) 203 818 0246
Chris Copperwaite	
Sarah Felmingham	

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 117 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.