

3 March 2023

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 2022 to 2 March 2023.

Mike Bane, Chair of HICL, said:

“HICL’s portfolio continued to perform well in the period, with positive inflation correlation underpinning further NAV growth. Disciplined completion of transactions and successful integration of recent acquisitions into the portfolio remain the key focus for the Board and InfraRed.”

Key Highlights

- ▲ Updated NAV as at 31 December 2022 of 165.8p, a 1.5p increase since 30 September 2022, and a weighted average discount rate of 7.2%. The 1.5p increase was predominantly driven by updates to actual inflation and deposit rates.
- ▲ Good progression of recently signed acquisitions, with Fortysouth¹ successfully completed and consents well advanced on Texas Nevada Transmission.
- ▲ Exclusive pipeline of over £300m in high quality investment opportunities.

Net Asset Value

Given persisting macro-economic volatility, the Company is, by exception to the normal valuation cycle, providing an unaudited Net Asset Value per share as at 31 December 2022 of 165.8p, a 1.5 pence increase relative to 30 September 2022. The net increase is comprised of the following portfolio-specific and macro-economic factors:

- Continued higher actual inflation than assumed at 30 September 2022 in all jurisdictions, prompting revised assumptions with respect to near-term inflation. In particular, UK RPI and CPI assumptions have been revised upwards to 12.5% and 9.75% respectively for FY2023, delivering c. 2p of performance. The Company’s assumptions for FY2024 onwards remain unchanged;
- Increases to deposit rate assumptions in all jurisdictions due to higher prevailing interest rates; and

¹ Aotearoa Towers was re-branded to Fortysouth in December 2022

- Asset-specific adjustments to discount rates. Overall the portfolio's weighted average discount rate increased to 7.2% (30 September 2022: 7.1%), also reflecting the inclusion of Fortysouth.
- Operational performance of the portfolio was broadly in line with expectations;

Looking forward, the portfolio remains well positioned in a higher inflationary environment due to its positive inflation correlation. In the UK, RPI has continued to rise although there are some signs of moderation in CPI. Transaction levels remain muted and there is insufficient evidence to justify a movement in the portfolio reference discount rates.

Investment Activity & Pipeline

- ▲ Completion of the Company's investment in Fortysouth, on 1 November 2022.
- ▲ Consents on Texas Nevada Transmission are well progressed, and completion is expected before the 31 March financial year end.
- ▲ As previously announced, HICL has formally withdrawn from the acquisition of ADTiM SAS due to certain conditions relating to the transaction not being fulfilled.
- ▲ As part of the preferred bidder consortium on the Hornsea II OFTO, HICL has progressed due diligence and transaction negotiations in coordination with Ofgem.
- ▲ HICL remains in exclusive negotiations for a communications asset in Europe.
- ▲ The Company continues to progress its advanced pipeline, exercising strict investment discipline and cognisant of HICL's available funding, as set out in the balance sheet section below.

Portfolio Performance

- ▲ The Company's PPP portfolio performed well, underpinned by its availability-based and inflation-linked revenues. Traffic across HICL's demand-based assets was also in line with forecasts.
- ▲ In the period, Ofwat announced the proposed methodology for the WACC calculation in PR24, with the cost of both equity and debt adjusted upwards to reflect the changing macro-economic conditions. The estimated WACC allowance is higher than that assumed for Affinity Water in the September 2022 valuation, and this will be considered alongside other key PR24 assumptions such as Ofwat's initial views on the operational and financial framework. In combination, this had a small positive impact on the Affinity Water valuation. Affinity Water will submit its business plan to Ofwat in October 2023 with the Draft Determination expected in Spring 2024.
- ▲ The Company's most recent investments, Cross London Trains and Fortysouth, are performing in line with the Investment Manager's expectations. In the case of Fortysouth, the carveout of the business from Vodafone NZ is proceeding in line with plan.

Balance Sheet and Dividends

- ▲ The Company remains on track to deliver its target dividend of 8.25p per share for the financial year to 31 March 2023², and the Company delivered a cash cover of 1.03x in the quarter.
- ▲ At 2 March 2023, the Company had net debt of £139m, comprising cash of £82m and drawings on the RCF of £221m. Including the investment commitments and letters of credit of £289m, the Company has £362m of available liquidity.

Market and Outlook

- ▲ We continue to see a low volume of core infrastructure transactions in the market, however activity is increasing and we note the commencement of a number of opportunities since the beginning of the calendar year. Competition for high quality assets remains robust and is expected to continue to support asset pricing, notwithstanding higher risk-free rates observed across HICL's core markets.
- ▲ Inflation, interest rates and long-term government bond yields remain elevated in all of HICL's core jurisdictions. HICL's defensive positioning through its low beta and peer leading inflation correlation, provides resilience and protects portfolio value.
- ▲ HICL's pipeline remains compelling. Beyond the Company's exclusive opportunities (set out in 'Investment Activity & Pipeline' above), InfraRed has developed an attractive pipeline of core infrastructure opportunities for the Company. These span traditional and modern economy sectors and are situated across the UK, Europe and North America. In particular, the powerful secular tailwinds of digitalisation and decarbonisation continue to drive global infrastructure investment, and HICL is well positioned to selectively pursue this significant investment opportunity.

-Ends-

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² 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") 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 in core infrastructure, which are inherently positioned at the lower end of the risk spectrum.

Further details can be found on the HICL website www.hicl.com.

Investment Manager (InfraRed Capital Partners)

InfraRed Capital Partners is an international infrastructure investment manager, with more than 180 professionals operating worldwide from offices in London, New York, Sydney and Seoul. Over the past 25 years, InfraRed has established itself as a highly successful developer and custodian of infrastructure assets that play a vital role in supporting communities. InfraRed manages US\$14bn+ of equity capital¹ for investors around the globe, in listed and private funds across both income and capital gain strategies.

A long-term sustainability-led mindset is integral to how InfraRed operates as it aims to achieve lasting, positive impacts and deliver on its vision of Creating Better Futures. InfraRed has been a signatory of the Principles of Responsible Investment since 2011 and has achieved the highest possible PRI rating² for its infrastructure business for seven consecutive assessments, having secured a 5 stars rating for the 2021 period. It is also a member of the Net Zero Asset Manager's Initiative and is a TCFD supporter.

InfraRed is part of SLC Management, the institutional alternatives and traditional asset management business of Sun Life. InfraRed represents the infrastructure equity arm of SLC Management, which also incorporates BentallGreenOak, a global real estate investment management adviser, and Crescent Capital, a global alternative credit investment asset manager.

www.ircp.com

¹ Data as at Q3 2022. Equity Capital is calculated using a 5-year average FX rate

² Principles for Responsible Investment ("PRI") ratings are based on following a set of Principles, including incorporating ESG issues into investment analysis, decision-making processes and ownership policies. More information is available at <https://www.unpri.org/about-the-pri>