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3 March 2025

HICL Infrastructure PLC

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

Interim Update Statement and Capital Allocation Update

The Board of HICL is issuing this Interim Update Statement, which relates to the period from 1 October 2024 to 28 February 2025. It includes an update on the Company's approach to Capital Allocation.

Mike Bane, Chair of HICL, said:

"HICL's high-quality portfolio continues to demonstrate resilient performance despite broader macro and political volatility. The Board is pleased to announce an immediate and significant expansion of the Company's share buyback programme taking advantage of the weakness in the Company's share price. This will be funded by further targeted asset sales and, if necessary in the short term, the Company's unutilised Revolving Credit Facility."

Key Highlights

- Operational performance across the portfolio was in line with expectations, with Affinity Water receiving its final regulatory determination which will enable the resumption of distributions in the financial year ending March 2026.
- The Board announces a significant expansion of the Company's buyback programme by a further £100m, commencing today and running to 31 December 2025. This builds on the initial £50m share buyback programme which completed last week.
- Targeted divestments in excess of £200m will be pursued in the coming year to fund the buyback expansion and the existing investment commitments of c. £110m. The Company will use up to £50m of its Revolving Credit Facility ("RCF") capacity to bridge to the receipt of disposal proceeds.
- The Company remains on track to deliver its target dividend of 8.25p per share for the financial year to 31 March 2025, with cash generation in the period in line with expectations. Forecast dividend cash cover for the year to 31 March 2025 is also expected to be in line with previous guidance. Further dividend guidance is expected to be provided in May.
- Compared with 30 September 2024, risk-free rates have increased across HICL's core jurisdictions, most notably in the UK and US. All else being equal, were the discount rate to be increased in the UK

and US by between 20 and 40 basis points, this would translate to an overall NAV reduction of between c. 2p and c. 4p per share. However, there are also recent, relevant transaction data which support HICL's current discount rates.

- Mark Tiner has joined InfraRed as the new CFO for HICL effective as of 24 February 2025. Mark was previously CFO of Cordiant Digital Infrastructure Limited.
- Following a robust tender process, and to ensure auditor rotation obligations are met, the Board intends to appoint Deloitte LLP as the Company's new auditor, for the financial year starting 1 April 2025, subject to shareholder approval at the 2025 Annual General Meeting.

Portfolio Performance

- Operational performance across the portfolio in the period was in line with expectations, demonstrating the resilient nature of the underlying assets. Notable updates are included below.
- Ofwat published its final determination for AMP8 (2025-2030) for Affinity Water in the period, which was formally accepted by the company on 17 February 2025. The final determination reflects several positive movements by Ofwat which are expected to lead to a modest increase in the overall valuation of the business. These movements include:
 - The allowed WACC of 4.03% in real terms has increased from Ofwat's draft determination WACC of 3.72%, which was adopted in HICL's September 2024 valuation.
 - The total allowed expenditure of £2.34bn over the five-year period is significantly higher (+23%) than the draft determination allowance of £1.90bn.
 - Ofwat has removed proposals for a gearing cap of 70% and associated dividend restrictions. Nevertheless, the focus of rating agencies on financial resilience is expected to require a further deleveraging of the business in AMP8, which runs until 2030.
- As a result of the final determination, HICL expects that dividends from Affinity Water will resume during the financial year ending 31 March 2026. In line with previous disclosure, HICL has now formally committed to support future growth in the business with a c. £50m equity investment, expected to be made before 31 March 2026.
- In January, High Speed 1 (which recently rebranded to London St. Pancras Highspeed) also received a positive regulatory determination from the Office of Road and Rail. The lower maintenance costs required over the next five years reflect the high quality of the physical assets and will result in reduced track access charges payable by train operators. The track access charges within the scope of the regulatory review are passed through to Network Rail High Speed so there is no direct impact on the company. However, lower track access charges may have a positive impact on the number of train paths booked in the medium-term, particularly in the context of discussions with potential new international operators which continue to progress.
- Texas Nevada Transmission submitted its draft rate case for Cross Texas Transmission to its regulator, setting out planned spending over the next five years. A decision is expected by the end of June 2025.
- HICL's PPP assets performed in line with expectations, including those UK PPPs where specific adjustments to forecast costs were made as part of the 30 September 2024 valuation.

Capital Allocation and Buyback Updates

- The Company completed its initial £50m share buyback programme on 28 February 2025. As at 28 February 2025, 41,366,815 shares have been re-purchased and are held in treasury. This has created 0.7p of NAV accretion for shareholders.

- In light of the significant discount to NAV at which the Company's shares have continued to trade, the Board is announcing the deployment of a further £100m towards share buybacks to commence from today running to the end of the calendar year. The return currently implied on the repurchase of the Company's shares is 11.0%¹, which offers a compelling return over alternative uses of capital.
- To fund this expanded programme and to meet the Company's upcoming investment commitments, the Investment Manager is targeting in excess of £200m of disposals during the year. This builds on its track record of securing attractive pricing on over £500m of accretive disposals since March 2023.
- Recognising the value of share buybacks at the current share price, and given the confidence of the Investment Manager in delivering the targeted disposals, the Board has determined to utilise HICL's RCF to bridge between share buybacks and future disposal proceeds up to £50m and where the discount to NAV is greater than 15% at the time of drawing.
- The Company's £400m RCF is currently undrawn and matures on 30 June 2026. Discussions to extend the term of the facility have commenced and are expected to be concluded by May 2025.
- New investments in the financial year ending March 2026 are expected to be limited to existing commitments of c. £50m, which is to support Affinity Water's investment programme. Beyond this, in the financial year ending March 2027, HICL has long-standing commitments of c. £60m relating to the funding of Blankenberg Tunnel and the B247 road following the completion of their construction phases.
- Should the Investment Manager materially exceed the £200m target for disposals, the Board will consider the application of excess proceeds in line with its disciplined capital allocation framework. This will include consideration of selective acquisition activity alongside further share buybacks.

Financial Performance and Valuation

- The Company is on track to deliver its target dividend of 8.25p per share for the financial year to 31 March 2025, with cash generation in the year in line with expectations. Forecast dividend cash cover for the year to 31 March 2025 is also expected to be in line with previous guidance. The Board expects to provide further dividend guidance in the annual results in May 2025.
- Inflation for the six months to 31 March 2025 is tracking slightly ahead of the assumptions used in the Company's 30 September 2024 valuation for the UK and USA, and slightly behind the assumptions used for the Eurozone and New Zealand. If this trend were to continue, it would be expected to result in a positive impact on NAV per share of c. 0.3p.
- Long-term government bond yields in the UK and USA have increased by c. 50 basis points since the Company's valuation at 30 September 2024 with smaller increases observed in the Eurozone, New Zealand and Canada. Should risk-free rates persist at these levels, the equity risk premium implied in the Company's discount rate would reduce. In assessing the adequacy of the equity risk premium across the portfolio, the Company will consider the movement in implied equity risk premium versus the prior reporting date of 30 September 2024, as well as the previous high watermark for government bond yields at 30 September 2023, where HICL last increased reference discount rates. This analysis is set out in the table below:

	30 September 2023	30 September 2024	28 February 2025
Weighted Average Discount Rate	8.0%	8.1%	8.1%
Weighted Average Long-Term Government Bond Yield ²	4.7%	4.2%	4.7%

Weighted Average Equity Risk Premium	3.3%	3.9%	3.4%
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- In addition to the above portfolio analysis, the Company will evaluate the implied equity risk premium in each of HICL's core markets so that significant country-specific increases in risk-free rates are duly considered and will also take into consideration the risk premium implied in HICL's current share rating. The more significant increases in long-term government bond yields in the USA and UK since 30 September 2024 are notable; an increase of between 20 and 40 basis points in the discount rate for those two jurisdictions would translate to an overall NAV reduction of between c. 2p and c. 4p per share. The Board will continue to evaluate this position as further data becomes available ahead of 31 March 2025.
- Finally, pricing data points from market transactions provide a pertinent input to the adequacy of the Company's discount rate. The recently announced cash offer for BBGI Global Infrastructure S.A. provides a highly relevant data point for the Company's PPP portfolio and appears to be strongly supportive of HICL's valuation approach for these assets. Beyond this, the number of relevant infrastructure transactions observed in private markets continues to trend below longer-term averages, with wider variability in competitive tension for assets.

Market and Outlook

- The Board has taken the capital allocation decisions outlined in this announcement because of the discount at which the Company's shares trade. Transactions that we have undertaken, as well as those seen in the wider market, clearly evidence the intrinsic value of HICL's portfolio and we continue to expect to take advantage of this dynamic to drive greater returns to shareholders.
- The underlying portfolio has remained insulated from macro and political volatility in the period and continues to perform well. Cashflow growth is in line with expectations and continues a positive trend, which will be enhanced by the resumption of distributions from Affinity Water. The Board expects to provide further dividend guidance in the Company's Annual Results, scheduled to be announced in May.
- The broader market and political backdrop for private investment in infrastructure remains supportive. The Company is encouraged by the positive political rhetoric in support of private investment in infrastructure, particularly in the UK, and its critical role in delivering much needed economic growth. This approach is expected to benefit existing holdings as well as provide new opportunities for selective investment.
- The Investment Manager sees attractive investment opportunities for the Company, including the repurchase of the Company's own shares where these offer a superior risk and return proposition. Disciplined capital allocation remains front of mind and the Board is focused on delivering the significant capital allocation plan set out in this Interim Update Statement in support of the Company's share price.

-Ends-

¹ Based on the discount rate, adjusted to reflect the share price discount to the NAV using published discount rate sensitivities as at 30 September 2024, gross of any costs of borrowing against the Company's RCF.

² Geographically weighted average calculated using an average of 20-year and 30-year government bond yields as at 28 February 2025.

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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)

The Investment Manager to HICL is InfraRed Capital Partners Limited ("InfraRed") which has successfully invested in infrastructure projects since 1997. InfraRed is a leading international investment manager, operating worldwide from offices in London, New York, Seoul, Madrid and Sydney and managing 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 100 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.