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HICL Infrastructure PLC
21 May 2025

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HICL Infrastructure PLC

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2025

This announcement contains Inside Information.

The Board of HICL Infrastructure PLC ("HICL", or the "Company") announces Annual Results for the Company for the year ended 31 March 2025. The Annual Report and Accounts are available on the Company's website: http://www.hicl.com.

Highlights

For the year ended 31 March 2025

- The Company's NAV per share decreased by 5.1p (-3.2%) in the year to 153.1p at 31 March 2025, principally driven by the increase in the portfolio's weighted average discount rate to 8.4%.
- Solid operational performance in the year. The portfolio delivered an annualised underlying return of 7.7% (31 March 2024: 9.0%) before the impact of changes to macroeconomic assumptions. HICL's growth assets (45% of portfolio by value) outperformed budget with actual EBITDA growth of 11% year-on-year.
- New dividend guidance of 8.50pps for FY 2027[1] and reaffirmed guidance of 8.35pps for the year to 31 March 2026[1]. This further increase in dividend growth reflects continued improvement in cash generation from the portfolio in the year with cash cover of 1.56x or 1.07x, excluding profits on completed disposals (31 March 2024: 1.05x).
- Completed £244m of divestments (previously announced), taking total realised divestments to £509m over the last 20 months, achieved at or above carrying value and underscoring the robustness of HICL's valuation.
- Continued focus on effective capital allocation in the year, with the initial £50m buyback completed and expanded by a further £100m. In excess of £200m of targeted divestments in the coming year, in line with the Company's active approach to portfolio rotation.
- At the HICL level, net debt stands at £102.2m with significant liquidity of £441.8m available on the Revolving Credit Facility (RCF), providing the company with capital resilience and flexibility.
- To further improve manager alignment with shareholder, the Board and Investment Manager have agreed a revision to the management fee arrangements, transitioning to a fee basis of 50% NAV (previously GAV) and 50% market capitalisation effective from 1 July 2025[3].
- Positive outlook for the Company, with the Group's high-quality assets well-positioned to deliver HICL's total return strategy, notwithstanding macro uncertainty. The Manager's active approach to portfolio rotation has enabled proactive capital allocation to address share price weakness and enhance the balance sheet, positioning HICL to capitalise on the substantial market opportunity for specialist infrastructure investors.
- Published HICL's 2025 Sustainability Report, which can be found on the Company's website at: https://www.hicl.com

1. This is a target only and not a profit forecast. There can be no assurance that this target will be met
2. Defined as the return on the portfolio that includes the unwind of the discount rate and portfolio performance (excluding macro-economic performance)
3. Subject to finalisation of contractual arrangements; the fee basis will be capped at the current GAV-based fee arrangement

Summary Financial Results

(On an Investment Basis[1])

for the year to	31 March 2025	31 March 2024

for the year to	31 March 2025	31 March 2024
Income[2,3]	£97.1m	£105.4m
Profit before tax ("PBT")[4]	£46.0m	£30.6m
Earnings per share ("EPS")	2.3p	1.5p
Dividend per share	8.25p	8.25p

1. The Investment Basis is an Alternative Performance Measure. An explanation of the Investment Basis and a reconciliation to IFRS can be found in the Financial Review from page 36 of the 2025 Annual Report. The basis for calculation is the same as prior years.
2. Includes net foreign exchange loss of £15.3m (2024: loss of £9.8m)
3. Income was £50.0m on an IFRS Basis (2024: £35.2m)
4. PBT was £45.9m on an IFRS Basis (2024: £30.5m)

Net Asset Values	**31 March 2025**	**31 March 2024**
Net Asset Value ("NAV") per share	153.1p	158.2p
Q4 Dividend	2.07p	2.07p
NAV per share after deducting Q4 dividend	151.0p	156.1p

Mike Bane, Chair of HICL, said:

"The Company's share price performance continues to be disappointing. This is despite another year of solid operating results and actions taken to address the discount. I am confident that through disciplined execution of our strategy the Company will continue to demonstrate financial robustness and operational excellence thus proving its inherent value"

Edward Hunt, Head of Core Infrastructure Funds at InfraRed Capital Partners, HICL's Investment Manager, added:

"HICL's high-quality portfolio continues to support the Company's total return proposition, with progression in portfolio cash generation, delivery of portfolio company capex plans and increased earnings from the portfolio's growth assets in the year. Looking forward, the active approach to asset rotation remains a key lever to enhance value and address share price weakness, while further refining the portfolio for long-term success."

Chair's Statement

I am pleased to present another solid set of operating results despite the Company's unsatisfactory share price performance. In the year, your Board and Investment Manager prioritised the completion of significant asset sales and the implementation of the Company's share buyback programme. Further asset sales and an expanded share buyback programme have also been announced. These actions enhance shareholder returns and demonstrate the inherent value of HICL's[1] investment portfolio.

Your Board recognises and shares dissatisfaction with the Company's share price which continues to suffer from macroeconomic, political and financial market volatility. The share price does not reflect HICL's solid underlying performance; nor does it capture the true value of the Company's portfolio. Alongside the Investment Manager, InfraRed[2], we are acutely focused on addressing this value dislocation through further strategic disposals, share buybacks, and enhanced dividend guidance.

The Board has also agreed a reduced management fee incorporating market capitalisation and based on NAV from the previous Gross Asset Value ("GAV") based calculation. The revised fee will be calculated on the average of the Company's most recently published NAV and its daily average closing market capitalisation[3]. This 50:50 fee basis strengthens alignment between the Investment Manager and shareholders. Based on the current share price, the management fee will reduce by 17% and the pro forma Ongoing Charges Ratio will fall to 0.95% (1.10% for 31 March 2025). Subject to finalisation of contractual arrangements, the new fee will apply from 1 July 2025.

Proactive Capital Allocation

Effective capital allocation and accretive portfolio rotation remained important areas of focus for the Board during the year. HICL successfully completed the previously announced amounting to £244m, paid down the Revolving Credit Facility ("RCF") and completed the Company's initial £50m share buyback programme, which provided 0.7p of NAV accretion.

In March 2025, the Board took the decision to increase the pace of share buyback activity and expanded the

In March 2025, the Board took the decision to increase the pace of share buyback activity and expanded the programme by a further £100m running to the end of the calendar year 2025. The return currently implied on buybacks is 11.1%[4], which is compelling compared to alternative uses of capital.

Building on its successful track record of over £1bn in asset sales for HICL since its IPO, the Investment Manager is now targeting at least £200m of further strategic disposals during the coming financial year, enhancing portfolio construction and funding the expanded buyback programme and upcoming investment commitments.

A key enabler of effective capital allocation is the underlying performance of the portfolio. The portfolio delivered a solid operational performance in the year, demonstrating the resilient nature of the underlying assets and the increasing contribution of the Company's growth investments. Higher cash flow generation from the portfolio underpins the Board's decision to reiterate dividend guidance of 8.35pps for the year to 31 March 2026 and issue new dividend guidance of 8.50pps for the year to 31 March 2027. For more information on operational performance please refer to the Investment Manager's Report on pages 16-21.

HICL benefits from a strong balance sheet and solid operational performance; fundamentals that we expect to be recognised in the share price as the Company executes its strategy.

Financial Performance

The Company's NAV per share at 31 March 2025 was 153.1p (March 2024: 158.2p). This result reflects solid operational performance offset by an increase in the weighted average discount rate of the portfolio driven by macroeconomic conditions.

The portfolio delivered an underlying return of 7.7% (March 2024: 9.0%), close to the expected performance of 8.0% (the weighted average discount rate at 31 March 2024). Affinity Water and the growth assets outperformed expectations, substantially offsetting the negative impacts of lower real inflation in the UK and Europe and the recognition of increased forecast cost risk across a subset of UK PPP assets, as disclosed in HICL's 30 September 2024 Interim Report.

The weighted average discount rate used to value the portfolio increased to 8.4% (March 2024: 8.0%), a 40bps average increase in the year. This largely reflects significant increases in government bond yields across HICL's geographies, balanced against relevant transaction data, including the announced acquisition of BBGI Global Infrastructure S.A. and HICL's own current disposal activity. These all provide evidence of consistent and robust valuations for core infrastructure assets.

The total movement in NAV for the year to 31 March 2025 was (5.1)p, with (6.9)p relating to the change in discount rates. Total Shareholder Return for the year was 2.0% (March 2024: 1.0%)[5] and earnings per share was 2.3p (March 2024: 1.5p). More detailed explanations of the portfolio's valuation and the discount rate can be found in the Valuation of the Portfolio section, starting on page 42.

The Board and Investment Manager appreciate the importance of enhanced disclosure of operational metrics such as cash generation and earnings, both for current and future shareholders. Further details can be found in the accompanying Investor Presentation for the Annual Results.

Governance

In line with the UK Corporate Governance code, the Board maintains the policy that Directors serve for no more than nine years, other than in exceptional circumstances. The Board and I extend our thanks to Simon Holden and Kenneth Reid who will complete their full nine-year terms on the Board in the coming year. They have both made exceptional contributions to the HICL Board. After a period of transition, Liz Barber assumed Simon's responsibilities as Chair of the Risk Committee in February 2025 and Frances Davies will take over Ken's role as Senior Independent Director and Chair of the Management Engagement Committee as he approaches retirement. I wish Liz and Frances all the best in their new responsibilities.

The Board continues to be proactive in succession planning to ensure it has a mix of appropriate skills and experience. Towards the end of last year, an independent external recruitment process was started with the aim of finding a new Director with a profile and skillset that would best complement that of the remaining Directors. This process concluded recently with the appointment of Graham Sutherland as a non-executive Director, Graham is currently the Chief Executive Officer of First Group plc and will bring considerable infrastructure and listed market currently the Chief Executive Officer of First Group plc and will bring considerable infrastructure and listed market experience to the Board. I am delighted to welcome him to the Board and to HICL.

The Board and Audit Committee have conducted a review of external audit provision. To manage the risk around the longevity of auditor engagement with the current auditors KPMG LLP, the Board intends to appoint Deloitte LLP as HICL's auditor for the financial year starting 1 April 2025, subject to shareholder approval at the 2025 Annual General Meeting ("AGM").

Outlook

The Board has continued to prioritise proactive capital allocation for the benefit of shareholders and to address the current share price. The Investment Manager has repeatedly demonstrated the intrinsic value and solid performance of HICL's investments by completing over £500m of accretive disposals over the last two years. We expect this to continue with £200m of further sales targeted and with proceeds recycled into accretive opportunities - including share buybacks and selective investments offering compelling risk-adjusted returns.

Looking ahead, we expect distributions from the Group's investments to increase as HICL's growth assets mature and PPP assets begin to return capital. Reinvestment of these cash flows is critical to the ability of the Company to maintain and grow its portfolio valuation and long-term earnings base. Appropriately balancing the portfolio between growth assets and higher yielding investments is a key strategic priority for the Board and InfraRed.

In this context, the outlook for infrastructure investment is arguably more compelling than for any other asset class. The increasing importance of private investment in infrastructure globally is in sharp focus as nations, including the UK, look increasingly inwards, renewing legacy infrastructure, responding to global infrastructure megatrends, and aspiring to fulfil ambitious growth agendas. The Investment Manager continues to selectively review investment opportunities for HICL that improve its portfolio composition, including, captive opportunities from existing investments.

HICL remains a highly diversified, long-term investor in critical infrastructure projects, positioned at the forefront of structural market tailwinds. Global demand for infrastructure investment is estimated to reach 68tn by 2040[6]. As a global investor with a recognised track record and a resilient balance sheet, your Company is well positioned to benefit from these opportunities over the coming years.

Mike Bane, Chair
20 May 2025

1 HICL Infrastructure PLC and its subsidiaries are defined as either HICL or the Group throughout the Report. HICL Infrastructure PLC, the Company only, is defined as the Company throughout the report
2 The Investment Manager of HICL Infrastructure Plc, InfraRed Capital Partners Limited ("InfraRed")
3 The base fee payable under the new arrangements will be capped such that the base fee payable will be no higher than under the existing GAV-based arrangements
4 Based on discount rate, adjusted to reflect the share price discount to the NAV as at 31 March 2025, using published discount rate sensitivities as at 31 March 2025
5 Based on interim dividends paid plus change in NAV per share in the year
6 Global Infrastructure Hub (gihub.org), Deloitte. Infrastructure needs defined as new investment, replacement investment and spending on maintenance where the investment will substantially extend the lifetime of an asset but excluding land purchases. Needs determined on the basis that countries match the performance of their best performing peers in terms of the resources they dedicate to infrastructure investment. Investment need calculated from 2024-2040

Investment Manager's Report

HICL's diversified portfolio continues to demonstrate solid operational performance and is intentionally positioned to withstand the current macroeconomic volatility. The quality and diversity of the underlying assets, combined with InfraRed's track record in rotating and enhancing the portfolio, underpin the Company's proactive approach to capital allocation and long-term value creation.

Operational Highlights

HICL's portfolio delivered a solid annualised underlying return of 7.7% for the year ended 31 March 2025 (31 March 2024: 9.0%) before the impact of changes to reference discount rates and macroeconomic assumptions. This was broadly in line with expectations, with outperformance from HICL's growth assets (notably Affinity Water as described below) offset by specific adjustments applied to a subset of UK PPP assets, as set out in HICL's 2024 Interim Report.

Further details can be found in the Valuation of the Portfolio section of this report starting on page 42.

Operational performance overview

The operational performance of the portfolio, which spans a diverse range of sectors and geographies, was generally in line with the Investment Manager's expectations during the year.

The performance of HICL's growth assets exceeded expectations over the course of the year, demonstrating the importance of InfraRed's active management of both portfolio composition and of the individual assets.
Affinity Water's ("Affinity") final determination for AMP8 (2025- 2030) resulted in a modest valuation uplift and is expected to lead to the resumption of equity distributions during the financial year ending 31 March 2026. Over the past five years, InfraRed has worked extensively with co-shareholders to reposition the business, notably by building a new executive management team led by CEO Keith Haslett. As a result, Affinity has improved its capital structure, enhanced operational performance, and created a constructive working relationship with key stakeholders, including Ofwat.

This is reflected in the positive outcome of the regulatory process, which in turn will enable Affinity to make a meaningful contribution to HICL's portfolio through a stable yield and a growing capital base. As previously disclosed, the Group has formally committed to support future growth in the business with a c.£50m equity investment expected to be made in this financial year.

London St. Pancras Highspeed ("LSPH", formerly known as High Speed 1) received a positive regulatory determination from the Office of Road and Rail ("ORR") in January which, while value neutral to LSPH, allows both lower maintenance costs over the next five years and lower track access charges payable by train operators. Shortly after the year end, the ORR formally confirmed depot capacity is sufficient for a second international operator and LSPH launched a growth incentive package to encourage new international train paths. Each of these factors support the viability for new international operators, which remains a key strategy priority for the growth of the asset and increasing equity cash flow to HICL.

Fortysouth, Texas Nevada Transmission and Altitude Infra continued to perform well in the year, with all three companies investing extensively to grow the size and earnings potential of their respective networks.
HICL's growth portfolio expects to deploy over £450m in capital expenditure in the next five years, materially increasing the asset base from which more revenues can be earned.

HICL's PPP assets, which make up 57% of the Directors' Valuation, benefit from availability-based contracted revenues and fixed-rate debt. The adjustments made in respect a subset of HICL's UK PPP assets in September 2024, which reflected increased forecast cost risk associated with facility condition, remain appropriate and day-to-day service delivery has been strong, as reflected by over 99%[1] asset availability achieved over FY25.

Further details on the operational performance of HICL's ten largest assets can be found starting on page 22.

HICL's business model delivering value

The proactive management of portfolio composition is central to HICL's business model and as always has been a key area of focus for InfraRed during the year.

As the ongoing macroeconomic backdrop continues to weigh on the Company's share price, InfraRed has prioritised actions that seek to address the share price discount to NAV.

Portfolio construction

The Investment Manager completed the disposals of Northwest Parkway and half of the Group's investment in the Hornsea II OFTO, both announced in the previous financial year and together generating proceeds of £244m. Sold at a premium to carrying value, these transactions support the portfolio's valuation and enabled the recycling of proceeds into share buybacks.

The £509m of divestments undertaken over the past 20 months reflect InfraRed's long-standing approach to accretive asset recycling and strategic portfolio construction. Disposal candidates are derived from
thorough and regular screening of the portfolio, with each asset assessed on its contribution to four key portfolio metrics (total return, yield, inflation correlation and weighted average asset life). This quantitative analysis is then refined to account for the impact on geographical or sector diversification and the portfolio risk profile. Generally, assets with lower than average returns, low inflation correlation, and shorter asset lives, which often includes mature PPPs, are selected as potential disposal candidates. Through its multidisciplinary global investments team, the Investment Manager will identify potential bidders for specific asset types or classes and run disposal processes tailored to each opportunity.

InfraRed will also consider more opportunistic asset disposals in special situations where outsized returns are available and the economic case for sale is compelling. This was the case with HICL's sale of Northwest Parkway in February 2024 to a strategic buyer, alongside co-shareholders, where the sale price represented a 30% premium to valuation and generated over 2p per share of portfolio outperformance.

This value-driven framework will continue to underpin InfraRed's approach as we seek to execute the £200m disposal programme announced by the Company in March 2025. Significant progress has been made already and the Manager continues to advance negotiations.

In line with the Investment Manager's active portfolio management strategy, we continue to see opportunities for new investment. InfraRed considers that opportunities provided within the portfolio from existing assets present compelling risk-adjusted returns, including organic growth capex deployment, bolt-on acquisitions and strategic expansion. The current market backdrop also provides the opportunity to capitalise on third-party transactions, where these represent special situations. The Investment Manager's global presence, deep relationships and active transaction pipeline across different strategies ensure that, where attractive situations arise, HICL has the capacity to make high-quality additions to its portfolio. Investment decisions continue to be benchmarked to the risk and return proposition available from alternative uses of capital, including share buybacks.

1. Calculated based on total unitary charge revenue received (i.e. less all deductions) as a proportion of total contractual revenue

Specialist asset management

The Company's strong operational performance is underpinned by InfraRed's team of over 30 expert asset managers focused on maximising long-term asset value throughout the investment lifecycle. Based in London, New York, and Sydney, the team is supported by specialist operating partners in key sectors and markets. This substantial asset management capability continues to develop alongside InfraRed's broader investment activities across core and value-add strategies.

Across HICL's growth investments, InfraRed's asset managers work closely with asset-level management teams to execute business plans, explore expansion opportunities and enhance capital structures. This was evidenced in the year across several of HICL's large investments: securing a successful price review on Affinity Water; developing the conditions to support a second international operator on LSPH; construction of a new rate case for Texas Nevada Transmission's regulated business; exploration of international expansion for Altitude Infra; and EBITDA enhancement initiatives at Fortysouth. This hands-on management approach supports long-term earnings growth for these investments and strengthens HICL's investment proposition for sustainable income and capital growth.

In a significant milestone for the Company, Blankenburg Tunnel successfully reached its availability date during the year in line with the original construction timescales. The project consists of two three-lane motorways, incorporating below-river and land-based tunnels, and was opened to the public in December 2024. InfraRed's specialist asset managers worked closely with the client and construction contractors to navigate the challenges caused by Covid-19 and subsequent supply chain disruption, exacerbated by the conflict in Ukraine. The successful delivery of this construction programme adds to InfraRed's extensive track record, having now managed 18 construction assets on behalf of HICL which have generated over 5.0p of NAV outperformance since the Company's IPO in 2006.

As long-term investors in critical infrastructure, InfraRed employs an active asset management approach focused on maintaining quality, safety, and service for HICL's clients and end users. For the Company's PPP investments, a focus on long-term facility condition remains key to long-term investment performance.

This includes a proactive approach to handback, effective and timely delivery of lifecycle works, and appropriate management of construction defects as and when they arise. Significant progress was made in the period on the delivery of capital works to improve facility condition at Southmead Hospital and Pinderfields and Pontefract Hospital, as set out on page 28 and 29.

InfraRed utilises in-house expertise alongside industry partners to coordinate capital works programmes with responsible contractors for specific sectors and geographies. By collaborating proactively with partners, the Investment Manager ensures service continuity for the communities served by HICL's assets while protecting and enhancing long-term shareholder value.

Additional information on asset management initiatives which help to preserve and enhance value across HICL's largest investments is set out starting on page 22.

Buyback programme

As of 31 March 2025, HICL had bought back 51.8m shares under the buyback programme. The weighted average return on shares repurchased to date was 33%, and has resulted in 0.9p of NAV accretion for shareholders.

At the current depressed share price levels, share buybacks represent an attractive risk and return proposition versus alternative uses of capital. The Investment Manager continues to assess this regularly against the risk-adjusted returns available from new investment opportunities, including follow-on investments in existing assets, and will continue to provide market insights to the Board in support of future capital allocation decisions.

Buybacks to date have been funded through a combination of proceeds from asset disposals and modest use of the Revolving Credit Facility ("RCF"). The Board and InfraRed intend to utilise up to £50m of the RCF as a bridge to proceeds from further targeted disposals, where the share price discount to NAV is in excess of 15% at the time of drawing.

Financial highlights

HICL's NAV per share decreased by 5.1p over the year to 153.1p at 31 March 2025 (March 2024: 158.2p). The key driver of this move alongside payment of 8.25p of dividends per share, was an increase in discount rates which, together with adverse FX movements, more than offset the portfolio's solid operating performance, including returns from HICL's growth assets, with Affinity Water providing the largest positive NAV contribution in the year.

The weighted average discount rate used to value the portfolio was increased by 40bps over the year to 8.4%, of which 10bps relates to the previously highlighted increased forecast cost risk across a subset of UK PPP assets. The balance largely reflects significant increases in government bond yields across HICL's key geographies, most significantly in early 2025. In the year, the portfolio's weighted average risk-free rate increased by 80bps, reflecting higher government bond yields in all of HICL's geographies. These macroeconomic changes were balanced against relevant transaction data, including the announced acquisition of BBGI Global Infrastructure and HICL's own live transaction data, which suggest highly robust valuations for core infrastructure assets.

HICL's weighted average discount rate of 8.4% implies a weighted average equity risk premium of 3.5% which InfraRed believes to be appropriate for HICL's high-quality portfolio of core infrastructure assets. In line with HICL's well-established processes, InfraRed's proposed valuation is reviewed by a third-party external valuation expert and is one of the primary areas of focus during the year-end reporting process.

Recognising the value of buybacks at the current share price, combined with confidence in the Investment Manager's ability to deliver further disposals, the Group's RCF was drawn down by £10m in March 2025 to fund ongoing share repurchases. The Company will use up to £50m of the facility to bridge to the receipt of targeted disposal proceeds. In May 2025, the Company successfully extended the facility for 12 months on the same terms.

To provide greater insight into the quality and growth potential of the portfolio, the Investment Manager has provided expanded disclosure regarding HICL's key growth assets and overall portfolio metrics.
This disclosure provides increased visibility on operating metrics such as cash flow and capex deployment and is intended to assist shareholders and analysts in their standalone assessment of the Group and comparison against a wider range of listed infrastructure peers.

Further information on HICL's financial performance can be found in the Financial Review section starting on page 36.

Governance

The Investment Manager has agreed to alter its fee structure, subject to finalisation of contractual arrangements, to incorporate market capitalisation into the fee basis such that the fees payable will be based on an equal weighting of (i) the Company's average closing daily market capitalisation, and (ii) the most recently published semi-annual NAV. The fee will be capped at the amount that would have been paid under the GAV-based regime, if the fee basis had not been amended.

This evolution of the fee structure is the Company's sixth since IPO and further enhances alignment with shareholders. On behalf of HICL, InfraRed manages assets in eight countries, spanning seven sectors, utilising InfraRed's international platform and benefitting from over 60 InfraRed staff across specialist investment, portfolio, asset and central management teams. Individuals typically receive HICL shares as part of compensation awards, further strengthening alignment. Not least, strong manager alignment has been substantively demonstrated through the execution of over £500m of accretive asset sales in the last 20 months, enhancing portfolio construction while substantially reducing management fees.

Ensuring a consistent and specialist service to the Company is of critical importance to the Investment Manager. Mark Tiner joined InfraRed as CFO for HICL, effective in February 2025. Mark was previously CFO of Cordiant Digital Infrastructure Limited and brings a wealth of experience and expertise to the firm. Mark leads all financial activities undertaken by InfraRed on behalf of HICL, supported by dedicated portfolio management and finance teams, and he also joins HICL's Investment Committee.

Sustainability

The Investment Manager remains committed to ensuring high levels of governance around HICL's sustainability strategy, which is embedded throughout InfraRed's investment and asset management processes and is central to HICL's long-term business model. During the year, the Board appointed a specialist consultant to independently assess the adherence of the InfraRed's data management and reporting approach to compliance with the International Auditing and Assurance Standards Board ("IAASB") criteria in respect of HICL's sustainability-related performance metrics. This independent review confirmed that InfraRed's Basis of Preparation document, which sets out the Investment Manager's approach to producing these metrics, met the characteristics of suitable criteria required for an independent third-party assurance engagement.

This year, amidst a backdrop of heightened political focus on UK infrastructure, the Investment Manager assessed its infrastructure delivery at a subset of HICL's hospital assets using data from the NHS Estates Returns Information Collection ("ERIC"). InfraRed found that HICL's acute hospital in England and Wales across various metrics indicative of infrastructure quality.

Further information on HICL's sustainability ambitions and the Group and Investment Managers' progress towards them can be found in HICL's standalone Sustainability Report, available on the Company's website under 'Investors Reports and publications'. The highlights can be found on page 32 of this report.

Risk management

HICL's key risk appetite statement, approach to risk management and governance structure are set out in the Risk and Risk Management section, starting on page 49. Commentary relating to the Group's principal risks is set out below.

Political and regulatory risk

Geopolitics

Geopolitical risk remained elevated during the year, with conflicts in the Middle East and Ukraine continuing to contribute to volatility in public markets. HICL has no direct exposure to either region, and the portfolio remains well insulated from secondary effects such as supply chain disruption.

Equity and bond markets were also affected by global political events in some of HICL's core jurisdictions, including changes of government in France and Germany and in the US, contributing to higher government bond yields across HICL's jurisdictions, feeding into discount rates. To date, there has been limited direct impact on the performance of the Group's assets, with the Company's core infrastructure investments inherently insulated from changes in trade policy or deglobalisation.

The announcement of general and specific tariffs from the US government and retaliatory measures from other nations have increased economic uncertainty. HICL has no direct exposure to the first order effects of tariffs. Given the nature and geographic footprint of the Company's assets, we do not currently expect any material impact on the performance of the Group's investments but there remains the risk of secondary order effects such as increased supply chain costs.

UK infrastructure policy

During the year, the UK Government launched several initiatives aimed at modernising ageing or outdated infrastructure and support growth. These include the consultation for a 10 Year Infrastructure Strategy paper which is due to be released in June 2025, the creation of the National Infrastructure and Service Transformation Authority ("NISTA"), and the Public Accounts Committee's inquiry into the use of private finance to fund infrastructure investment in the UK. InfraRed actively contributes to this discussion through its various industry and trade organisation memberships, including as a founder member of the Association of Infrastructure Investors in PPPs ("AIIPs"). An increase in dialogue between the public and private sectors on the important role of private capital in infrastructure is expected to lead to new investment opportunities for HICL as well as provide a positive policy backdrop to existing PPP investments.

Regulatory risk

Regulatory risk for the Company decreased in the year, with both Affinity and LSPH receiving positive final determinations covering the five-year period starting 1 April 2025. In the nearer term, the findings of the Independent Commission into the UK water sector (which is due to report in mid-2025) may result in changes to regulation.

While the outcome is still uncertain, InfraRed is actively participating in the process and expects a balanced set of recommendations from the Commission.

During the year, Texas Nevada Transmission submitted its draft rate case for Cross Texas Transmission ("CTT") to the regulator, setting out planned spending over the next five years and a proposed cost of equity allowance. CTT benefits from straightforward and transparent regulation and as well as the expertise and track record of CTT's operator and co-shareholder, LS Power. A decision is expected in the summer of 2025, with the risk of a reduced spending or cost of equity allowance balanced against the potential for outperformance.

More broadly, InfraRed mitigates regulatory risk by managing regulatory exposures across jurisdictions and regulators. The 23% of the portfolio with regulated revenues comprises eight investments, in three countries, spanning four different regulatory frameworks.

Facility condition risk

Following a thorough review as part of the September 2024 valuation process, InfraRed identified and recognised an increase in forecast cost risk associated with defect remediation and lifecycle delivery on a subset of HICL's PPP assets. PPPs currently constitute 57% of the Group's portfolio, and lifecycle risk and reward is borne by the relevant portfolio company for 59% of these. InfraRed is comfortable that the adjustments made in September remain appropriate and continues to closely monitor the appropriateness of asset-level lifecycle forecasts.

The planning and delivery of lifecycle spending is particularly important as PPP assets approach the end of their concessions. Within the next ten years HICL has 43 projects (16% of the portfolio by value) scheduled for transfer to the public sector, the first of which is in the financial year ending 31 March 2026. The risks relating to handback are substantially, but not entirely, mitigated for the 41% of the PPP portfolio where lifecycle risk is borne by the facilities management contractor.

Client relationships

In respect of the PPP portfolio, the Investment Manager continues to highlight that long-term partnership frameworks inherently carry certain risks, which can be heightened by broader operational and financial challenges facing the UK public sector. In certain sectors, such as UK healthcare, this pressure can translate into actions that could prove adverse to the interests of the PPP, including with respect to service delivery.
The disposal of the Tameside Hospital PPP in the period for a nominal sum illustrates this risk. Although InfraRed generally enjoys excellent working relationships with HICL's public sector clients and such instances are not representative of the broader portfolio, further disputes could result in reduced or withheld payments of contracted revenues.

Macroeconomic risk

Macroeconomic risk

The macroeconomic climate continues to weigh on listed market valuations for real assets, including for HICL. Financial markets remain volatile, with geopolitical unrest and concerns around sovereign indebtedness balanced with the potential tailwinds from future reductions in interest rates. InfraRed remains confident in the quality and valuation of HICL's portfolio, which has been supported by market transactions, including for listed portfolios. While this dynamic prevents HICL raising new equity at present, the Investment Manager has clearly demonstrated its ability to progress the Company's strategy nonetheless through portfolio rotation.

If inflation were to decrease more rapidly than projected, this may put downward pressure on cash generation and dividend cover given the Company's cash flows are correlated to inflation. HICL's valuation forecasts are below long-term market expectations, and short-term inflation fluctuations are not expected to significantly impact dividend cover. The Board's dividend guidance has been rigorously stress-tested by InfraRed against multiple macroeconomic scenarios, including a return to low inflation.

Market and outlook

HICL is well positioned to deliver its total return strategy, notwithstanding a volatile macroeconomic backdrop. The Company's investments benefit from robust capital structures and long-term protected revenues, strategically brought together in a portfolio that delivers both resilient yields and long-term growth. This underlying asset quality and strategic portfolio construction have underpinned stronger cash generation in the year and prompted the Board's revised dividend guidance.

InfraRed continues to review high-quality investment opportunities for HICL, within a highly disciplined framework for capital allocation. Macroeconomic volatility presents variable market conditions and attractive opportunities to experienced investors. InfraRed's approach remains highly selective, focused on special situations and opportunities through existing investments where higher returns can be achieved. New investment opportunities will continue to be appraised against alternative uses of capital, including further share buybacks.

HICL's balance sheet is highly resilient, enabling a flexible and opportunistic approach to value creation. This has been exemplified by HICL's accretive portfolio rotation strategy, delivering over £500m of disposals above carrying value over the last 20 months. This activity not only provides a reliable signal of underlying portfolio value, but has enabled accretive rotation into attractive investments, debt reduction and share buybacks.

InfraRed continues to observe strong long-term drivers for infrastructure investment, underpinned by entrenched infrastructure megatrends, and independent from the economic cycle. Effective Government responses to this significant infrastructure 'gap' continue to be developed in real time, including the recent announcement of a €500bn infrastructure fund in Germany, and the 10 Year Infrastructure Strategy due in the UK this summer. Set against public sector balance sheets that are increasingly stretched across developed markets, the role for private capital is expected to be substantial and the opportunity for specialist investors, such as HICL, enduring.

1 Source: Global Infrastructure Hub (gihub.org), Deloitte

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board authorised signatory:

Aztec Financial Services (UK) Limited

Company Secretary
20 May 2025

Publication of documentation

The above information is an extract of information from HICL's Annual Report. The Annual Report has been submitted to the National Storage Mechanism and will shortly be available for inspection at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism. It can also be obtained from the Company Secretary or from the Investors section of the Company's website, at www.HICL.com.