

Keppel Infrastructure Trust

Second Quarter and Half Year 2018 Financial Results

17 July 2018



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Key Highlights for 2Q 2018



Distribution per Unit

0.93 cents

Stable DPU of 0.93 cents for 2Q 2018 bringing total DPU to 1.86 cents for 1H 2018



Distribution Yield

7.2%

As at 30 June 2018



Distributable Cash Flows

S\$36.2 million

Stable distributable cash flows of S\$36.2 million for 2Q 2018 and S\$72.5 million for 1H 2018



Net Asset Value

28.8 cents

As at 30 June 2018



Gearing

40.5%

As at 30 June 2018



Hedged Loans

~91%

As at 30 June 2018

Business Updates

City Gas

- Customer base grew by 4.0% from 798,000 as of 2Q 2017 to 830,000 as of 2Q 2018
- Achieved 100% availability in 2Q 2018

Concessions

- Consist of Senoko WTE, Tuas WTE, SingSpring Desalination (“SingSpring”) and Ulu Pandan NEWater plants in Singapore
- Fulfilled all contractual obligations in 2Q 2018
- On 22 May 2018, Hyflux Ltd and some of its subsidiaries (“Hyflux”) , including Hyflux Engineering Pte Ltd, the operator of SingSpring, applied to the Singapore High Court to commence a court supervised process to reorganise their liabilities and business pursuant to Section 211B(1) of the Singapore Companies Act. On 19 June 2018, the Court granted a 6-month moratorium to Hyflux with respect to the application. KIT has been engaging Hyflux and SingSpring’s project lenders to ensure continued operations of SingSpring

KMC

- Unplanned outage in 2Q 2018, with minimal impact to availability

DC One

- Fulfilled all contractual obligations in 2Q 2018
- Stepped up in shell rent in 2Q 2018

Basslink

- On 28 March and 10 April 2018, Basslink announced that a third-party contractor damaged a piece of equipment during the routine maintenance works which resulted in a service outage. There is no damage to the cable itself. The interconnector has since returned to service on 5 June 2018
- Basslink is working with the insurers on claims under its own insurance policy and the third-party contractor’s insurance policy
- This incident is unrelated to the outage in December 2015 and the ongoing dispute with the State of Tasmania
- CRSM was -3.8% in 2Q 2018 (+4.3% in 1H 2018)

Basslink (Outage in December 2015)

- On 5 December 2016, Basslink announced the completion of its investigations into the cause of the outage. Cause of cable failure is “cause unknown”, supporting Basslink’s view that the cable failure was a force majeure event
- Hydro Tasmania (“HT”) disagrees that the outage is a force majeure event and on 20 and 22 December 2017, issued media releases stating that their experts have completed their investigations and alleged that the probable cause of the cable failure was because Basslink operated the cable beyond its design limit and the cable, as designed and constructed, cannot meet the minimum operating requirements
- On 21 March 2018, Basslink received a letter from the State of Tasmania (“State”) alleging that Basslink had breached the Basslink Operations Agreement (“BOA”) and that it had suffered various losses for which Basslink must indemnify (including alleged losses incurred by HT arising from the outage), amounting to over A\$100 million. On 26 March 2018, Basslink received a Notice of Dispute from the State
- On 26 April 2018, Basslink received a letter from the State to refer the dispute to arbitration. Basslink maintains its position that there is no proper basis for these claims. Based on current circumstances and professional advice, Basslink stands by the independent investigation undertaken by CCI and maintains that the outage is a force majeure event. Basslink intends to vigorously defend itself in the arbitration
- Discussions have been ongoing with the banking syndicate on the subsisting defaults under the project financing. Notwithstanding the default, Basslink remains current on the debt and all outstanding payments under the project financing have been fulfilled

2Q 2018 Distributable Cash Flows

Delivered distributable cash flows of **S\$36.2 million** in **2Q 2018**

	2Q FY18 S\$'000	2Q FY17 S\$'000	Remarks
City Gas	10,453	11,590	<ul style="list-style-type: none"> Due to time lag in the adjustment of gas tariffs to reflect actual fuel cost
Concessions	17,678	17,790	<ul style="list-style-type: none"> All plants fulfilled contractual obligations
KMC	10,386	11,339	<ul style="list-style-type: none"> Due to unplanned maintenance work in 2Q 2018, with minimal impact to availability
DC One	1,302	1,087	<ul style="list-style-type: none"> Stepped up in shell rent in 2Q 2018 Met contractual obligations
Others	(3,583)	(3,099)	<ul style="list-style-type: none"> No management fees from CityNet upon cessation as Trustee-Manager of NetLink Trust on 13 April 2017 Higher trust expenses
Total Distributable Cash Flows	36,236	38,707	

1H 2018 Distributable Cash Flows

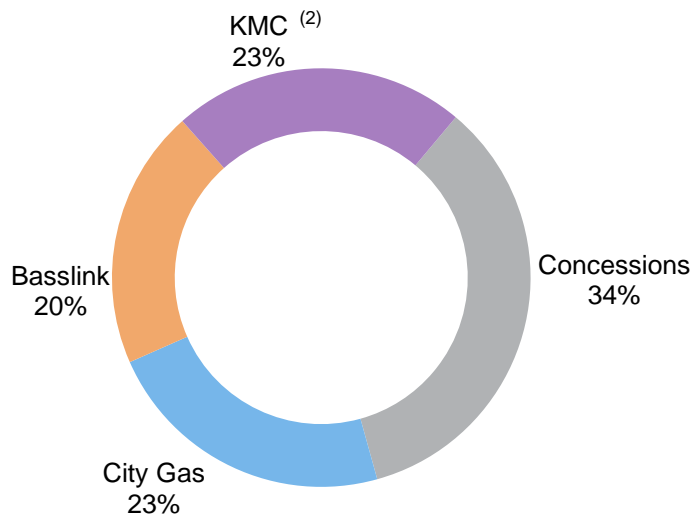
Delivered distributable cash flows of **S\$72.5 million** in **1H 2018**

	1H FY18 S\$'000	1H FY17 S\$'000	Remarks
City Gas	20,709	20,526	<ul style="list-style-type: none"> • Comparable to prior year
Concessions	35,350	35,158	<ul style="list-style-type: none"> • All plants fulfilled contractual obligations
KMC	21,837	22,647	<ul style="list-style-type: none"> • Due to unplanned maintenance work in 2Q 2018, with minimal impact to availability
DC One	2,479	1,532	<ul style="list-style-type: none"> • Stepped up in shell rent in 2Q 2018 • Met contractual obligations
Others	(7,919)	(6,912)	<ul style="list-style-type: none"> • No management fees from CityNet upon cessation as Trustee-Manager of NetLink Trust on 13 April 2017
Total Distributable Cash Flows	72,456	72,951	

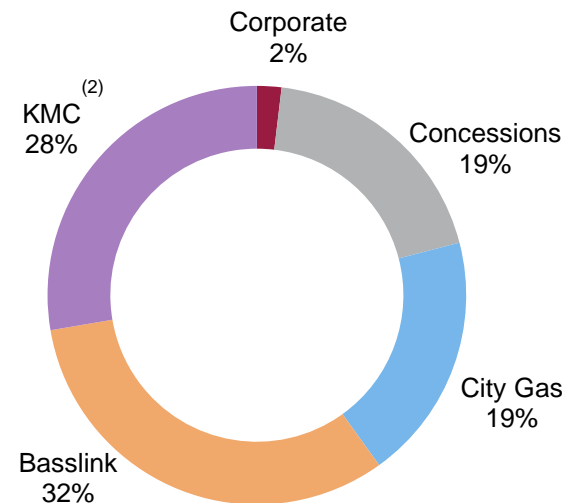
Diversified Portfolio of Core Infrastructure Assets

- Long-term, regular and predictable cash flows generated from a diversified portfolio ranging from Utilities, Power and Telecommunications infrastructure assets

1H 2018 Adjusted EBITDA ⁽¹⁾



Total Assets as at 30 Jun 2018



Notes:

(1) Adjusted EBITDA includes reduction in concession receivables and excludes Trust/corporate expenses

(2) Based on KIT's 51% stake in KMC

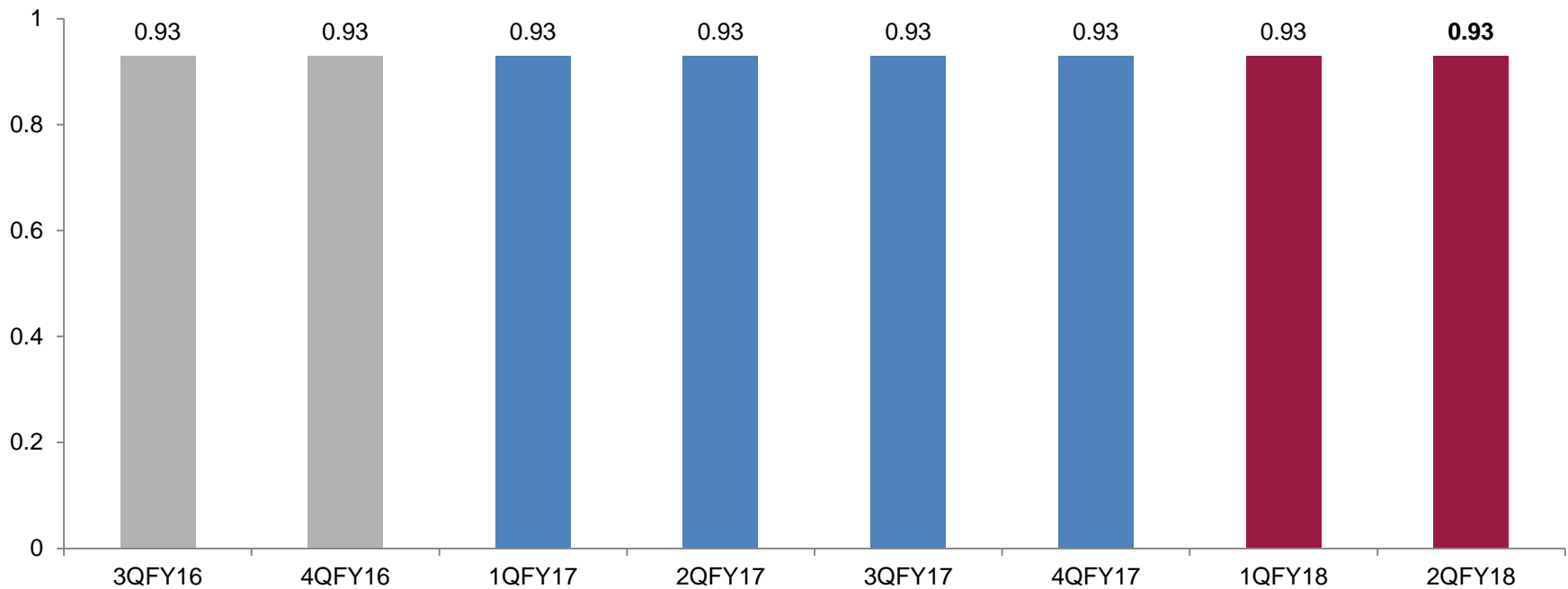
Regular and Stable Returns

DPU (S cents)

2Q FY18 DPU: **0.93 Singapore cents**

Book closure date: 25 July 2018

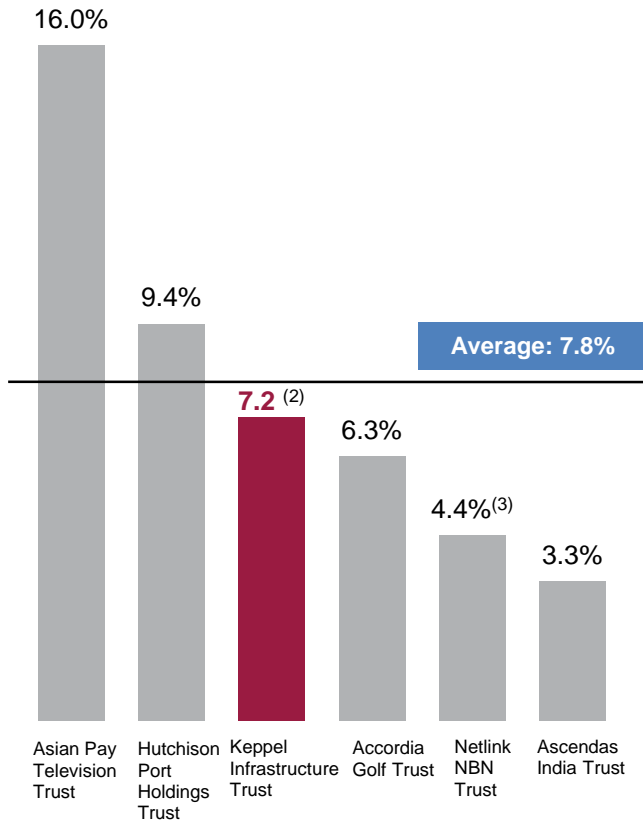
Distribution Payment date: 17 Aug 2018



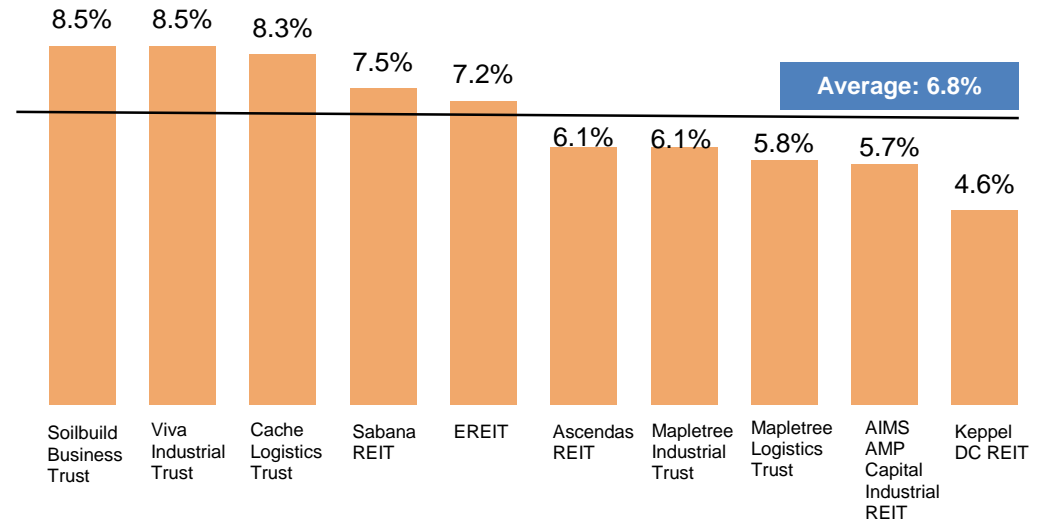
Regular and Stable Returns

Distribution Yield (1)

Infrastructure Trusts



Singapore Industrial REITs



(1) Source: Bloomberg's dividend yield data as at 30 June 2018

(2) Based on market closing price of S\$0.52 as at 30 June 2018

(3) Based on 3.24 cents per unit declared for the Trust's first distribution period from 19 July 2017 to 31 March 2018

Strong Balance Sheet

S\$m	As at 30 June 2018	
	Total	Excluding Basslink
Cash	217	167
Borrowings	1,785	1,078
Net debt	1,568	911
Total assets	3,875	2,900
Total liabilities	2,623	1,708
Annualised EBITDA	221	175
Net gearing	40.5%	31.4%
Net debt / EBITDA	7.1X	5.2X

Sustainable gearing backed by

- / Long term contracts expiring between 2024 and 2046
- / Creditworthy customers and City Gas' large and stable customer base
- / Recurring and stable revenue streams

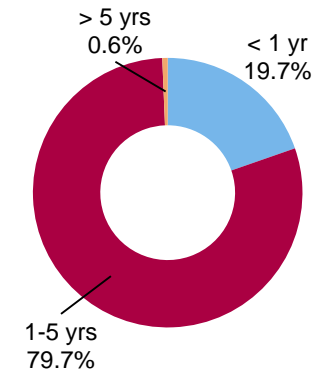
Prudent Capital Management

Debt Overview

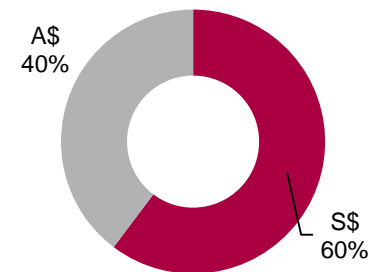
- / Hedged ~91% of total loans
- / Other than KIT corporate loan, rest of the loans are non-recourse
- / Maintain stable interest rate of 4-5%
 - Singapore average: 3-4%
 - Australian average: 6-7%
- / Weighted average term to expiry of ~1.7 years
 - Refinancing of KIT corporate loan and City Gas loan is in progress
- / S\$711.2m (A\$700.8m)⁽¹⁾ Basslink loan
 - Interest rate substantially hedged
 - Natural currency hedge for A\$ cash flows
 - All residual cash flows used for debt service
 - No dependence on Basslink's cash flows for distribution
 - No cash flow exposure to near term A\$ forex movement

Debt Breakdown

Debt Repayment Profile



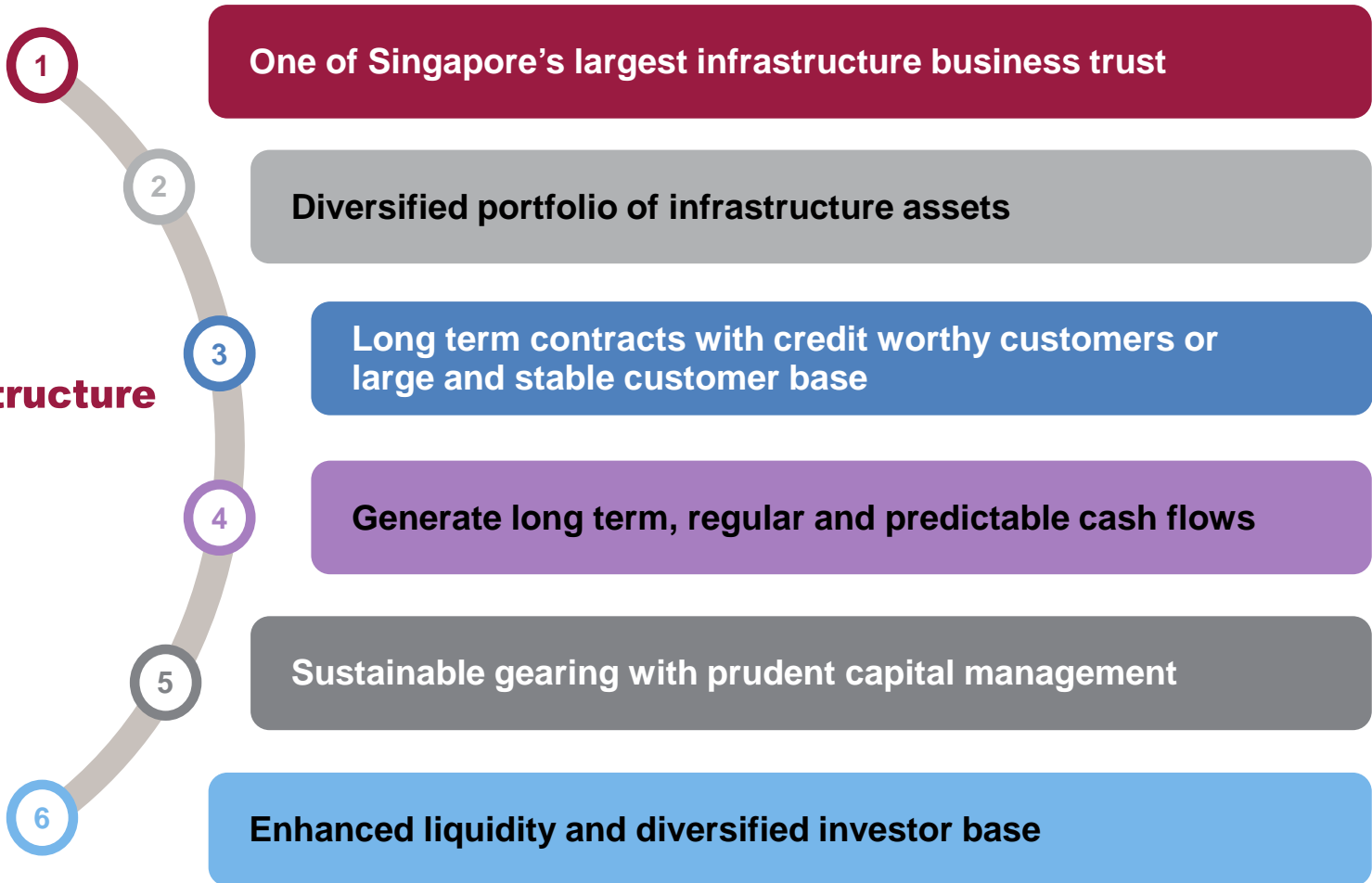
Debt Breakdown by Currency



⁽¹⁾ Based on exchange rate of A\$1.00 = S\$1.0148

Well-Positioned to Deliver Long-term Value and Growth

Keppel Infrastructure Trust



Appendix I: Additional Information

2Q 2018 Results: City Gas

	2Q FY18 S\$'000	2Q FY17 S\$'000	Change %	1H FY18 S\$'000	1H FY17 S\$'000	Change %
Revenue	85,734	80,026	7.1	167,837	157,495	6.6
Other income	458	399	14.8	789	699	12.9
Other (losses)/gains - net	(106)	(161)	(34.2)	22	(822)	N/M
Expenses						
Fuel and electricity costs	(33,941)	(28,511)	19.0	(65,651)	(57,617)	13.9
Gas transportation costs	(23,439)	(23,100)	1.5	(46,749)	(46,298)	1.0
Depreciation and amortisation	(692)	(684)	1.2	(1,382)	(2,118)	(34.7)
Operation and maintenance costs	(2,507)	(2,409)	4.1	(4,494)	(4,440)	1.2
Staff costs	(5,925)	(5,755)	3.0	(11,634)	(11,387)	2.2
Finance costs ⁽¹⁾	(7,791)	(7,539)	3.3	(15,497)	(14,976)	3.5
Other operating expenses	(6,936)	(6,553)	5.8	(13,806)	(13,001)	6.2
Profit before tax	4,855	5,713	(15.0)	9,435	7,535	25.2
Income tax expense	(920)	(1,010)	(8.9)	(1,757)	(1,348)	30.3
Net profit after tax	3,935	4,703	(16.3)	7,678	6,187	24.1
Funds from operations⁽²⁾ attributable to KIT	10,453	11,590	(9.8)	20,709	20,526	0.9

⁽¹⁾ Includes QPDS interest payable to KIT

⁽²⁾ Funds from Operations ("FFO") is defined as profit after tax adjusted for reduction in concession/lease receivables, transaction costs, non-cash interest and current cash tax, maintenance capex, non-cash adjustments and non-controlling interests adjustments

2Q 2018 Results: Concessions

	2Q FY18 S\$'000	2Q FY17 S\$'000	Change %	1H FY18 S\$'000	1H FY17 S\$'000	Change %
Revenue	22,777	23,274	(2.1)	46,115	46,478	(0.8)
Other income	134	114	17.5	270	219	23.3
Expenses						
Fuel and electricity costs	(2,360)	(2,306)	2.3	(5,032)	(4,572)	10.1
Depreciation and amortisation	(1,764)	(1,763)	0.1	(3,527)	(3,526)	0.0
Operation and maintenance costs	(11,061)	(11,780)	(6.1)	(22,441)	(23,824)	(5.8)
Finance costs ⁽¹⁾	(5,873)	(5,962)	(1.5)	(11,691)	(11,713)	(0.2)
Other operating expenses	(1,272)	(1,434)	(11.3)	(2,584)	(2,658)	(2.8)
Profit before tax	581	143	>100.0	1,110	404	>100.0
Income tax expense	(130)	(136)	(4.4)	(252)	(283)	(11.0)
Net profit after tax	451	7	>100.0	858	121	>100.0
Funds from operations attributable to KIT	19,506	19,618	(0.6)	39,005	38,813	0.5

⁽¹⁾ Includes QPDS interest payable to KIT and non-controlling interest

2Q 2018 Results: Basslink

	2Q FY18 A\$'000	2Q FY17 A\$'000	Change %	1H FY18 A\$'000	1H FY17 A\$'000	Change %
Revenue	4,114	21,722	(81.1)	25,372	41,499	(38.9)
Other income	240	235	2.1	482	432	11.6
Other losses - net	(1,003)	(1,377)	(27.2)	(8,217)	(2,729)	>100.0
Expenses						
Fuel and electricity costs	(48)	(72)	(33.3)	(119)	(139)	(14.4)
Depreciation and amortisation	(4,440)	(4,443)	(0.1)	(8,878)	(8,884)	(0.1)
Staff costs	(740)	(740)	0.0	(1,337)	(1,306)	2.4
Operation and maintenance costs	(1,115)	(1,186)	(6.0)	(2,099)	(2,476)	(15.2)
Finance costs	(12,147)	(11,844)	2.6	(24,260)	(23,686)	2.4
Other operating expenses	(1,203)	(883)	36.2	(2,042)	(1,630)	25.3
Loss/(Profit) before tax	(16,342)	1,412	N/M	(21,098)	1,081	N/M
Income tax	-	-	-	-	-	-
Net loss/(profit) after tax	(16,342)	1,412	N/M	(21,098)	1,081	N/M
Funds from operations attributable to KIT	(9,889)	7,836	N/M	(1,976)	13,964	N/M

2Q 2018 Results: KMC

	2Q FY18 S\$'000	2Q FY17 S\$'000	Change %	1H FY18 S\$'000	1H FY17 S\$'000	Change %
Revenue	30,577	32,537	(6.0)	63,181	64,960	(2.7)
Other income	10	117	(91.5)	16	521	(96.9)
Other gains	-	4	(100.0)	2	3	(33.3)
Expenses						
Depreciation and amortisation	(18,923)	(18,902)	0.1	(37,856)	(37,787)	0.2
Operation and maintenance costs	(4,641)	(4,826)	(3.8)	(9,282)	(9,660)	(3.9)
Finance costs ⁽¹⁾	(26,895)	(26,837)	0.2	(53,441)	(53,434)	0.0
Other operating expenses	(1,369)	(1,395)	(1.9)	(2,737)	(2,815)	(2.8)
Loss before tax	(21,241)	(19,302)	10.0	(40,117)	(38,212)	5.0
Income tax credit	52	105	(50.5)	52	227	(77.1)
Net loss after tax	(21,189)	(19,197)	10.4	(40,065)	(37,985)	5.5
Funds from operations attributable to KIT	10,386	11,339	(8.4)	21,837	22,647	(3.6)

⁽¹⁾ Includes QPDS interest payable to KIT and non-controlling interest

2Q 2018: Distributable Cash Flows

S\$'000	City Gas	Concessions	Basslink	KMC	Others	Group
Profit/(loss) after tax	3,935	451	(16,577)	(21,189)	19,636	(13,744)
Add/(less)						
Reduction in concessions/lease receivables	-	13,727	-	-	-	13,727
Non-cash finance cost	99	5	1,615	163	27	1,909
Other non-cash items	(280)	-	334	705	(872)	(113)
Adjustment for cash tax paid/deferred tax	43	77	-	(52)	(4)	64
Depreciation and amortisation	692	1,764	4,468	18,923	-	25,847
QPDS interest	6,338	5,150	-	21,815	(22,370)	10,933
Maintenance capital expenditure incurred	(3)	(10)	(136)	-	-	(149)
FFO from joint venture	-	-	-	-	1,851	1,851
Sub-total	10,824	21,164	(10,296)	20,365	(1,732)	40,325
Less: FFO attributable to non-controlling interests	(371)	(1,658)	-	(9,979)	-	(12,008)
Funds from operations	10,453	19,506	(10,296)	10,386	(1,732)	28,317
Mandatory debt repayment	-	(1,828) ⁽¹⁾	N/A	-	(549)	
Distributable cash flows	10,453	17,678	- ⁽²⁾	10,386	(2,281)	36,236 ⁽³⁾

⁽¹⁾ 70% of SingSpring debt repayment

⁽²⁾ Not dependent on Basslink's cash flows for distribution

⁽³⁾ Excludes Basslink

2Q 2017: Distributable Cash Flows

S\$'000	City Gas	Concessions	Basslink	KMC	Others	Group
Profit/(loss) after tax	4,703	7	1,492	(19,197)	19,932	6,937
Add/(less)						
Reduction in concessions/lease receivables	-	13,350	-	-	-	13,350
Non-cash finance cost	97	7	1,265	156	26	1,551
Other non-cash items	89	942	865	662	(704)	1,854
Adjustment for cash tax paid/deferred tax	(64)	22	-	(106)	18	(130)
Depreciation and amortisation	684	1,763	4,646	18,902	-	25,995
QPDS interest	6,339	5,150	-	21,815	(22,371)	10,933
Maintenance capital expenditure incurred	(32)	-	(50)	-	-	(82)
FFO from joint venture	-	-	-	-	1,618	1,618
Sub-total	11,816	21,241	8,218	22,232	(1,481)	62,026
Less: FFO attributable to non-controlling interests	(226)	(1,623)	-	(10,893)	-	(12,742)
Funds from operations	11,590	19,618	8,218	11,339	(1,481)	49,284
Mandatory debt repayment	-	(1,828) ⁽¹⁾	-	-	(531)	8,407
Distributable cash flows	11,590	17,790	- ⁽²⁾	11,339	(2,012)	38,707 ⁽³⁾

⁽¹⁾ 70% of SingSpring debt repayment

⁽²⁾ Not dependent on Basslink's cash flows for distribution

⁽³⁾ Excludes Basslink

1H 2018: Distributable Cash Flows

S\$'000	City Gas	Concessions	Basslink	KMC	Others	Group
Profit/(loss) after tax	7,678	858	(21,545)	(40,065)	38,262	(14,812)
Add/(less)						
Reduction in concessions/lease receivables	-	27,411	-	-	-	27,411
Non-cash finance cost	196	11	3,280	323	54	3,864
Other non-cash items	(475)	69	7,297	1,367	(1,743)	6,515
Adjustment for cash tax paid/deferred tax	22	181	-	(52)	4	155
Depreciation and amortisation	1,382	3,527	9,106	37,856	-	51,871
QPDS interest	12,607	10,244	-	43,390	(44,496)	21,745
Maintenance capital expenditure incurred	(14)	(10)	(166)	-	-	(190)
FFO from joint venture	-	-	-	-	3,573	3,573
Sub-total	21,396	42,291	(2,028)	42,819	(4,346)	100,132
Less: FFO attributable to non-controlling interests	(687)	(3,286)	-	(20,982)	-	(24,955)
Funds from operations	20,709	39,005	(2,028)	21,837	(4,346)	75,177
Mandatory debt repayment	-	(3,655) ⁽¹⁾	N/A	-	(1,094)	
Distributable cash flows	20,709	35,350	- ⁽²⁾	21,837	(5,440)	72,456 ⁽³⁾

⁽¹⁾ 70% of SingSpring debt repayment

⁽²⁾ Not dependent on Basslink's cash flows for distribution

⁽³⁾ Excludes Basslink

1H 2017: Distributable Cash Flows

S\$'000	City Gas	Concessions	Basslink	KMC	Others	Group
Profit/(loss) after tax	6,187	121	1,137	(37,985)	35,569	5,029
Add/(less)						
Reduction in concessions/lease receivables	-	26,570	-	-	-	26,570
Non-cash finance cost	193	13	2,549	314	2,769	5,838
Other non-cash items	744	1,465	1,746	1,125	(837)	4,243
Adjustment for cash tax paid/deferred tax	(797)	93	-	(226)	84	(846)
Depreciation and amortisation	2,118	3,526	9,416	37,787	-	52,847
QPDS interest	12,608	10,244	-	43,390	(44,497)	21,745
Maintenance capital expenditure incurred	(131)	-	(50)	-	-	(181)
FFO from joint venture	-	-	-	-	2,590	2,590
Sub-total	20,922	42,032	14,798	44,405	(4,322)	117,835
Less: FFO attributable to non-controlling interests	(396)	(3,219)	-	(21,758)	-	(25,373)
Funds from operations	20,526	38,813	14,798	22,647	(4,322)	92,462
Mandatory debt repayment	-	(3,655) ⁽¹⁾	N/A	-	(1,058)	
Distributable cash flows	20,526	35,158	- ⁽²⁾	22,647	(5,380)	72,951 ⁽³⁾

⁽¹⁾ 70% of SingSpring debt repayment

⁽²⁾ Not dependent on Basslink's cash flows for distribution

⁽³⁾ Excludes Basslink

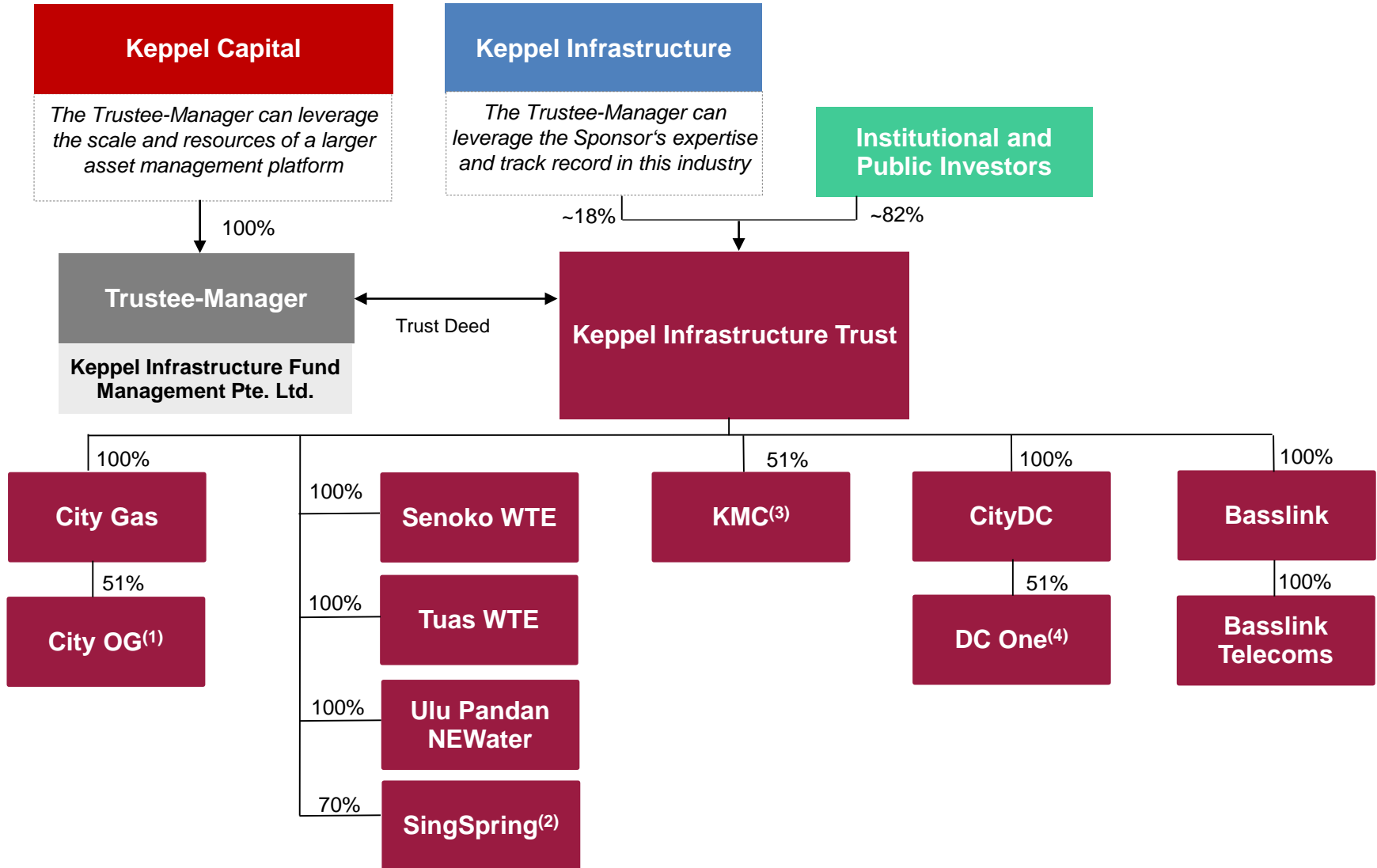
Loan Profile

Entity	Amount (S\$m)	Loan Maturity	Repayment
City Gas	178.0	Feb 2019	Bullet*
SingSpring	55.3	Dec 2024	Amortising
Basslink	711.2 (A\$700.8m)	Nov 2019	Amortising*
KMC	700.0	Jun 2020	Bullet*
KIT	145.6	Feb 2019	Bullet*

* To be refinanced upon maturity

Appendix II: Overview of KIT

Keppel Infrastructure Trust Structure






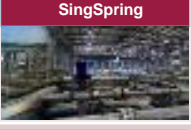
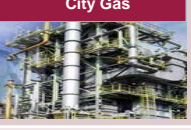



(1) Osaka Gas Singapore Pte. Ltd. holds the remaining 49% equity interest in City OG.

(2) Hyflux Ltd holds the remaining 30% equity interest in SingSpring.

(3) Keppel Energy holds the remaining 49% equity interest in KMC.

(4) WDC Development Pte. Ltd. holds the remaining 49% equity interest in DC One.

Portfolio Overview

	Asset	Business	Customer	Contract Terms	Cash Flows
SINGAPORE	 <p>Senoko WTE Plant</p>	2,310 tonnes/day waste incineration concession	NEA, Singapore government agency	2024	Principally fixed availability payment
	 <p>Tuas WTE Plant</p>	800 tonnes/day waste incineration concession	NEA, Singapore government agency	2034	Principally fixed availability payment
	 <p>Ulu Pandan NEWater</p>	148,000 m ³ /day ¹ NEWater concession	PUB, Singapore government agency	2027	Approximately half fixed, and half variable payments
	 <p>SingSpring</p>	136,380 m ³ /day seawater desalination concession	PUB, Singapore government agency	2025 <i>(Underlying land lease till 2033)</i>	Principally fixed availability payment
	 <p>City Gas</p>	Sole producer and retailer of piped town gas	Over 800,000 commercial and residential customers	N.A.	Stable fees with fuel and electricity costs passed through to consumer
	 <p>KMC</p>	1,300MW Combine Cycle Gas Turbine power plant capacity tolling agreement	Keppel Electric	2030, with option for 10-year extension <i>(Underlying land lease till 2035, with 30-year extension)</i>	Principally fixed availability payment
	 <p>DataCentre One</p>	Data centre	One-Net, 100% subsidiary of MediaCorp, SG national broadcaster	2036, with option for 8-year extension	Contractual lease revenue
AUST	 <p>Basslink</p>	Owner and operator of the Basslink Interconnector between the States of Victoria and Tasmania	Hydro Tasmania <i>(Owned by Tasmania state government)</i>	2031, with option for 15-year extension	87.5% availability payments, 65% indexed to Australia CPI






¹ Ulu Pandan has an overall capacity of 162,800m³ of which, 14,800m³ is undertaken by Keppel Seghers.

KIT Investment Criteria

KIT Investment Criteria

- KIT aims to provide Unitholders with **long-term, regular and predictable distributions** by pursuing investments that exhibit the characteristics listed below

Portfolio of highly strategic assets

Utilities Infra		Power Infra		Telecoms Infra
City Gas	Singapore Concessions	KMC	Basslink	DataCentre One
				

1	Long-term, regular and/or predictable cash flows	✓	✓	✓	✓	✓
2	Long-term contracts or concessions / customer stability	✓ ⁽¹⁾	✓	✓	✓	✓
3	Creditworthy or reputable off-takers	✓ ⁽²⁾	✓	✓	✓	✓
4	Diversification of asset class risks	✓	✓	✓	✓	✓
5	Jurisdictions with well-developed legal framework	✓	✓	✓	✓	✓

(1) City Gas is the sole producer and retailer of town gas in Singapore and has been in operation for over 100 years.
 (2) City Gas has a large, diversified customer base and is not reliant on any single customer.

Three-pronged Growth Strategy

1 Organic Growth from Existing Portfolio

Solid Stable Base

- Stable cash flows
- Scale and liquidity
- Strong balance sheet

Potential Upsides

- Organic growth of City Gas
 - Higher penetration of gas water heaters
 - 38,000 new HDB units expected over 2018-2019; 23,000 new private residential units from 2018-2020
- Stable positive contributions from DataCentre One
- Basslink
 - Use all cash flows to repay debt
- Potential adjustment in KMC tolling fees after initial 15-year period

2 Keppel Synergy

Keppel Capital

- Co-investment, bridge financing and incubation opportunities
- Non-energy and non-environmental space asset management

Keppel Infrastructure

- Keppel Group's energy and environmental infrastructure arm
- Operation and maintenance, as well as development and industry expertise
- ROFRs for 49% of KMC, as well as other assets owned and developed by Sponsor
- Co-investment and incubation opportunities

3 Acquisition Strategy

KIT New Investments

- Assets that generate long term stable cash flows with some growth
- Singapore and other developed markets in Asia or Europe
- Co-invest with likeminded partners to reduce ticket size/risk and gain diversification
- Transaction types:
 - Availability based assets (utilities, transmission, storage and pipelines)
 - Customised sale and leaseback transaction
 - Inflation + assets (transportation and telecoms)
- Selected greenfield investments with experienced operators, limited construction exposures and equity cheque funded entirely by debt

Thank You

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