

# 1H 2022 Financial Results

27 July 2022



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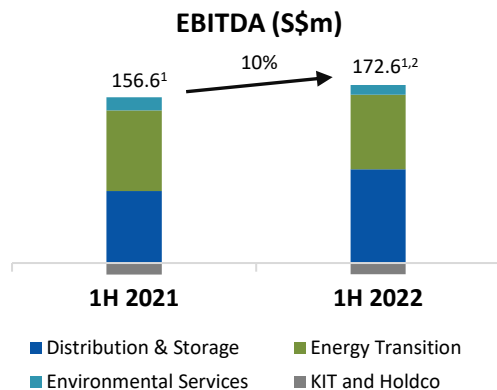
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## 1H 2022 Highlights



# 1H 2022 Highlights

Declared 2.7% year-on-year growth in DPU to 1.91 cents for 1H 2022



- **Steady portfolio performance**, driven by robust operations and growth across the Trust's portfolio
- **Portfolio well-positioned against inflation and higher energy prices** with cost pass through mechanism and availability-based revenue model

## Strengthening cash flow resiliency through portfolio growth and optimization

- **Making headway into the renewables sector**
  - Proposed investment in a European onshore wind platform, growing KIT's renewables exposure to approx. 4% of AUM
  - Exploring solar farm and energy storage projects with Jinko Power in developed APAC and EMEA markets
- **Adding new income streams to the Environmental Services sector**
  - Signed term sheet with sponsor to acquire 50% stake in the Keppel Marina East Desalination Plant
  - Completed the acquisition of the remaining 30% interest in the SingSpring Desalination Plant
- **Strategic review of Ixom:** To potentially unlock value and redeploy capital for growth; target completion in 1H 2023

1. Excluding Basslink's EBITDA contribution

2. Excludes gain on Ixom's divestment of Fiji business (\$\$0.5m) and one-off acquisition related cost incurred for new investments (\$\$31.8m).

Group EBITDA is \$\$141.2m without the adjustments.

# Making Headway in the Renewable Energy Market

Jointly investing with KLP, MEAG and Keppel Corp to acquire 49% stake in onshore wind platform

- Initial Portfolio with 258MW of operating projects and 1.3GW of pipeline potential<sup>1</sup> across the Nordics and UK
- Grow KIT's portfolio with maiden investment in Europe
- Prudent transaction structure with attractive risk allocation
- Accretive investment that enhances cash flow resiliency

## Key Terms of Proposed Investment

<b>Seller</b>	Fred. Olsen Renewables AS (FORAS), a strong and reputable operating partner
<b>Equity Commitment</b>	Proposed Investment of €160m (\$\$233.6m) for KIT and KRI, of which €58.7m (\$\$85.7m) for Initial Portfolio
<b>Expected Completion</b>	3Q 2022 for Initial Completion

1. As of 31 Mar 2022. FORAS is committed to inject, and investors are committed to invest in 49% of eligible FORAS pipeline projects, up to the FundCo capital commitment of EUR480m or within 5 years from the entry into the Subscription Agreement.
2. As of 31 Mar 2022. Consented projects are pipeline projects that obtained all permits.
3. Based on current expectations.
4. As of 31 Mar 2022. Include other onshore wind development projects in Sweden or the UK owned and controlled directly or indirectly 100% by FORAS which have a reasonable prospect of reaching FID within 5 years from the entry into the Subscription Agreement.

## Initial Portfolio

Lista, Norway	Högaliden, Sweden	Fäbodliden, Sweden
		
71.3 MW COD 2012	107.5 MW COD 2021	79.2 MW COD 2015

## Consented portfolio<sup>2</sup>

**5** Projects with combined capacity of 305MW, expecting to reach FID within next 3 years<sup>3</sup>

## Additional pipeline<sup>4</sup>

**10** Additional eligible Projects with combined capacity of 955MW

# Leveraging Sponsor Network for Growth

Signed term sheet with KIH to acquire 50% stake in the Keppel Marina East Desalination Plant

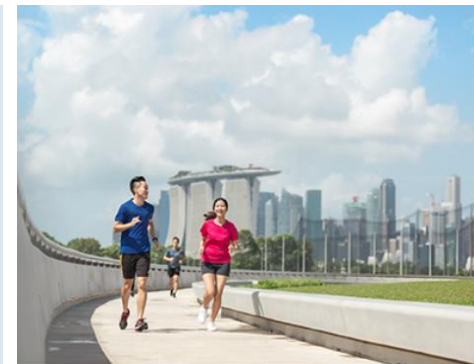


## Key Terms of Proposed Acquisition

Enterprise Value	Approx. S\$355 million
KIT's Economic Interest	100%
Expected Completion	To sign definitive agreements in 4Q 2022, subject to authority approvals
Operations & Maintenance	Marina East Water O&M Pte. Ltd., a wholly owned subsidiary of KIH

## Keppel Marina East Desalination Plant:

- ✓ **Singapore's fourth desalination plant:** Commenced commercial operations in Jun 2020 and has a 25-year concession till 2045, with National Water Agency, PUB
- ✓ **Singapore's first and only large-scale dual mode plant,** which can treat seawater or rainwater drawn from the Marina Reservoir
- ✓ Capable of producing 137,000 cubic metres (about 30 million gallons) of fresh drinking water per day

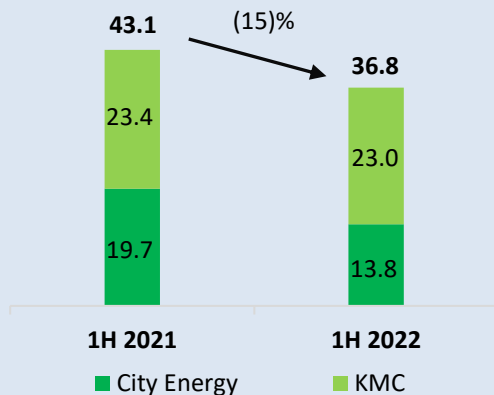


## Business Updates



# Energy Transition

Operational Cash Flows (OCF) (S\$m)



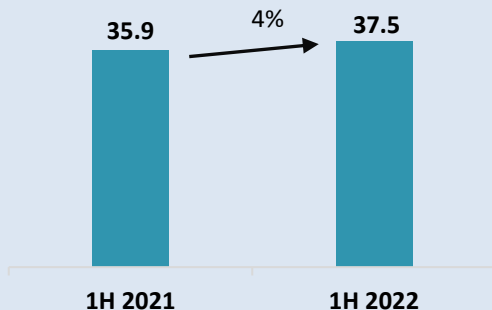
- Lower OCF at City Energy due to the under recovery of fuel costs which will be recovered through higher future tariffs; electricity costs are passed-through to gas tariff

- **Aramco Gas Pipelines Company:**
  - First quarterly contribution expected in 3Q 2022
- **City Energy:**
  - Customer base grew 0.9% YoY to 881,000 as at end-Jun 2022: Gradual improvement of gas demand from the Commercial & Industrial sector; Demand from residential sector remained healthy
  - Driving new growth engines: Launched electric vehicle charging services in Apr 2022; continued to secure new charging sites
- **KMC:**
  - Achieved 99.2% contracted availability in 1H 2022
  - KMC has no tariff exposure to the Singapore wholesale electricity market and has no exposure to fluctuations in fuel oil prices
  - Continued to benefit from lower interest rates, following the achievement of pre-set carbon emission targets as part of the 7-year S\$700 million sustainability-linked loan



# Environmental Services

## Operational Cash Flows (OCF) (S\$m)



- Senoko WTE Plant
- Keppel Seghers Tuas WTE Plant
- Keppel Seghers Ulu Pandan NEWater Plant
- SingSpring Desalination Plant

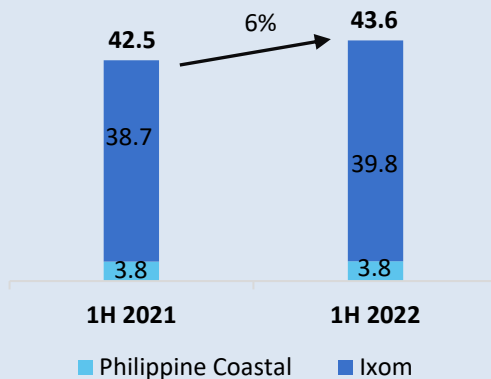
- Higher OCF due mainly to contractual economic benefits accruing to KIT from the acquisition of the remaining 30% stake in the SingSpring Desalination Plant



- Fulfilled contractual obligations and operations remained stable
- Higher electricity costs at the Keppel Seghers Ulu Pandan NEWater Plant offset by gains from energy efficiency at the SingSpring Desalination Plant
- Enhanced operational and business continuity of the SingSpring Desalination Plant with KIH's O&M takeover
- Senoko WTE Plant and Keppel Seghers Tuas WTE Plant generate their own electricity and has no exposure to energy price volatility

# Distribution & Storage

## Operational Cash Flows (OCF) (\$m)



- Higher OCF from Ixom due mainly to continued strong performance across all business sectors

### ■ Ixom:

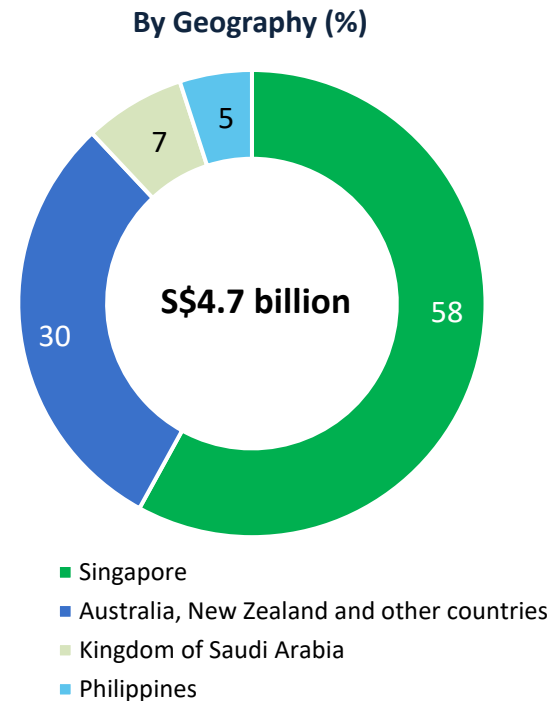
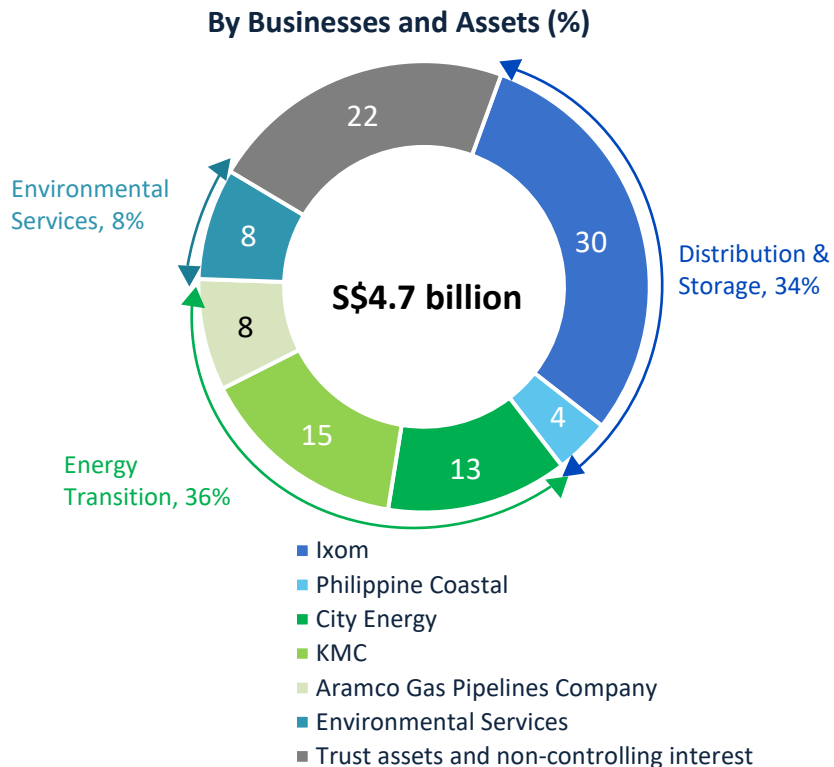
- Robust performance with healthy demand from all sectors
- Expanded product offering with acquisition of Aromatic Ingredients, a Melbourne-based wholesaler, blender and contract manufacturer of essential oils
- Completed acquisition of Bituminous Products, one of Australia's leading manufacturers and suppliers of bitumen-based and associated products for road surfacing and general industrial use
- Strategic review in progress, target to conclude by 1H 2023

### ■ Philippine Coastal:

- Utilisation rate of 78.3% as at end-Jun 2022, up from 77.3% as at end-Mar 2022; secured new contracts from key customers
- Converting several gas oil tanks to support the increase in storage demand for economical grade gasoline

# Portfolio Breakdown

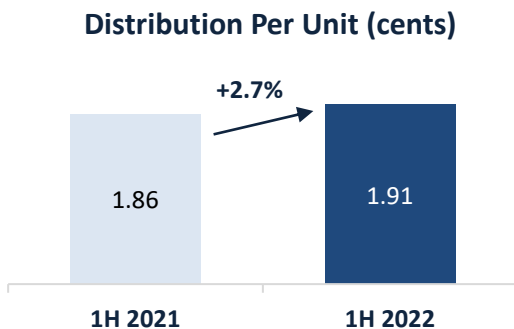
as at 30 Jun 2022



# Finance and Capital Management

# Distributable Income

Higher DPU of 1.91 cents for 1H 2022



	1H 2022 S\$'000	1H 2021 S\$'000	+ / (-) %
<b>Energy Transition</b>	<b>36,751</b>	43,090	(14.7)
- City Energy	<b>13,768</b>	19,723	(30.2)
- KMC	<b>22,983</b>	23,367	(1.6)
<b>Environmental Services</b>	<b>37,464</b>	35,945	4.2
<b>Distribution &amp; Storage</b>	<b>43,630</b>	42,485	2.7
- Ixom	<b>39,837</b>	38,723	2.9
- Philippine Coastal	<b>3,793</b>	3,762	0.8
<b>Operational Cash Flows</b>	<b>117,845</b>	121,520	(3.0)
<b>KIT and Holdco<sup>1</sup></b>	<b>(30,277)</b>	(20,872)	(45.1)
<b>Distributable Income<sup>2</sup></b>	<b>87,568</b>	100,648	(13.0)

## Distribution

for the period from 1 Jan to 30 Jun 2022

**DPU** 1.91 cents

**Ex-Date** 3 August 2022

**Record Date** 4 August 2022





**Payment Date** 12 August 2022

1. Comprises Trust expenses and distribution paid/payable to perpetual securities holders, management fees and financing costs. The higher costs were due to the issuance of the Series 2 perpetual securities on 9 Jun 2021 as well as the Series 3 and 4 Medium Term Notes on 1 Dec 2021 and 5 May 2022 respectively.
2. "Free Cash Flow to Equity" has been re-named to "Distributable Income (DI)", with no change to computation, i.e. DI is computed as Funds from Operations less mandatory debt repayment and other charges, credits or adjustments as deemed appropriate by the Trustee-Manager.

# Balance Sheet

## Building a strong balance sheet to support growth plans

- Comfortable debt headroom for growth: S\$0.7b to 45% net gearing level
- Undrawn committed credit facilities: \$153m

	<b>Net gearing</b> 31.1%
	<b>Weighted average interest rate</b> 2.5%
	<b>Net debt / EBITDA</b> 4.2x
	<b>Loans hedged</b> ~90.0%

Balance Sheet (S\$'m)	30 Jun 2022	31 Dec 2021
<b>Cash</b>	549	817
<b>Borrowings</b>	2,004	1,730
<b>Net debt</b>	1,455	913
<b>Total assets</b>	4,699	4,501
<b>Total liabilities</b>	2,968	2,761
<b>Annualised Group EBITDA</b>	345 <sup>1,2</sup>	318 <sup>2,3</sup>

1. Excludes gain on Ixom's divestment of Fiji business (S\$0.5m) and one-off acquisition related cost incurred for new investments (S\$31.8m). Group annualised EBITDA is S\$313.8m without the adjustments.

2. Includes annualised share of profits from Philippine Coastal, based on equity accounting

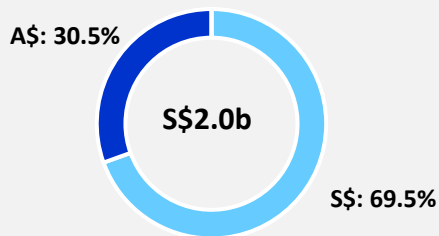
3. Excludes loss on derecognition of Basslink following the voluntary administration (S\$161.9m), one-off acquisition related cost incurred and expenses related to a fair value review exercise undertaken by Ixom following its acquisitions of assets and businesses (S\$6.5m), impairment loss on Ixom's assets mainly in relation to the cessation of operations of a long-term customer (S\$21.7m). Group EBITDA is S\$127.5m without the adjustments.

# Capital Management

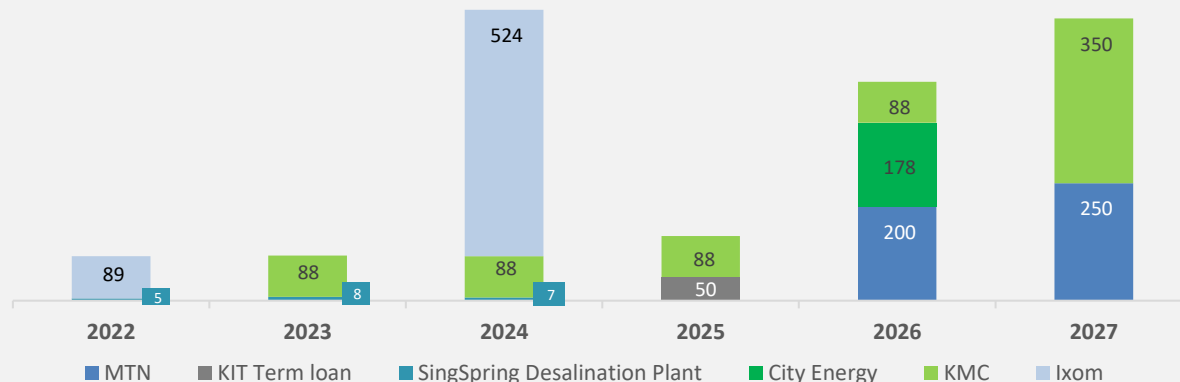
## Well-diversified debt maturity profile

- Issued \$250m notes in May 2022 as part of the \$2b Multicurrency Debt Issuance Programme
- Mitigate impact of currency fluctuations: 71% of foreign distributions hedged
- Weighted average term to maturity of 3.2 years for debt profile<sup>1</sup>
- With 90% hedge<sup>2</sup>, a 100 bps change in interest rate would have an approx. 1% impact to 1H 2022's Distributable Income

**Debt Breakdown by Currency**  
as at 30 Jun 2022



**Debt Maturity Profile**  
as at 30 Jun 2022 (S\$'m)



1. As at 30 Jun 2022

2. Based on a consolidated basis

# Commitment to Sustainability



# Advancing Sustainability, Driving Performance

Committed to achieving operational excellence that is led by our environmental, social and governance strategy and sustainability initiatives

## MSCI ESG

# 'A' rating

In 2021, KIT maintained a rating of 'A' in the MSCI ESG Ratings assessment.

## Board Diversity

# 33.3%

Two out of six directors on the Board are female



Published KIT's first Sustainability Report for FY2016 in accordance with the Global Reporting Initiative (GRI) guidelines



Keppel Capital supports the United Nations (UN) Global Compact



KIT's first sustainability-linked loans for the Keppel Merlimau Cogen Plant



Align sustainability approach with nine out of 17 UN Sustainable Development Goals



Expanded reporting to include business air travel activities under Scope 3 emissions for FY2020



Formed dedicated Board Environmental, Social, and Governance (ESG) Committee



Set ESG targets



Alignment with the Task Force on Climate-Related Financial Disclosures

2022



2024

2030

## Key environmental targets



30% carbon intensity reduction by 2030 from 2019 levels



Increase exposure to renewable energy by up to 25% of equity-adjusted AUM by 2030

2017

2020



2021



# Continued Community Engagements

Uplifting communities wherever we operate

- Keppel Capital dedicated more than 400 volunteering hours to support community outreach efforts in 1H 2022

Tree planting at the Labrador Nature Reserve, as part of Keppel's pledge to plant 10,000 trees in Singapore over the next 5 years to enhance biodiversity and beautify the city.



Excursion to River Safari with beneficiaries from the Muscular Dystrophy Association (Singapore) (MDAS), our first outing in more than two years

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# Additional Information



# Diversified Portfolio with Maiden Investment in the Middle East

## Completed the investment in Aramco Gas Pipelines Company

- Part of a global consortium to acquire a 49% stake in Aramco Gas Pipelines Company, which holds a 20-year lease-and-lease-back agreement over the usage rights of Aramco's gas pipelines network
- Aramco Gas Pipelines Company will receive quarterly tariff payments backed by a minimum volume commitment from Aramco, which will retain full ownership and operational control of the gas pipelines network
- World's largest energy infrastructure deal in 2021, investing alongside leading infrastructure investors including BlackRock Real Assets and Saudi-based Hassana Investment Company

### Investment merits:

- ✓ Invest in a strong and growing business backed by favourable gas demand dynamics
- ✓ Top-tier counterparty with strong operational track record
- ✓ Strongly contracted nature of investment with downside protection
- ✓ Supports the transition of the Saudi economy towards a more sustainable energy future
- ✓ Enhances resiliency of KIT's portfolio



<b>Lease Perimeter</b>	Aramco's gas pipelines and related critical assets
<b>KIT's Equity Investment</b>	US\$250m
<b>Proposed Funding of KIT's Equity Investment</b>	Existing internal resources and debt facilities










# Exploring Renewable Opportunities in APAC and EMEA Markets

Signed MOU with Jinko Power to jointly explore solar farm and energy storage projects

- Jinko Power to identify up to 1,000MW of developmental and operational assets in key developed markets of APAC, Europe and the Middle East for KIT's consideration
- Aligns with ESG target to increase exposure to renewable energy by up to 25% of KIT's equity-adjusted AUM by 2030
- Strong counterparty: Jinko Power is one of China's largest independent solar power producer companies with a proven track record of developing, financing and constructing photovoltaic solar projects globally
- KIT and Jinko will enter into separate investment agreements to acquire and hold the respective assets through special purpose vehicles



# Portfolio Overview

			Description	Customer and contract terms	Primary source of cash flows
Energy Transition		<b>City Energy</b>	Sole producer and retailer of piped town gas	Over 860,000 commercial and residential customers	Fixed margin per unit of gas sold, with fuel and electricity costs passed through to consumer
		<b>Keppel Merlimau Cogen</b>	1,300MW combined cycle gas turbine power plant	Capacity Tolling Agreement with Keppel Electric until 2030 with option for 10-year extension (land lease till 2035, with 30-year extension)	Fixed payments for meeting availability targets
		<b>Aramco Gas Pipelines Company</b>	Holds a 20-year lease and leaseback agreement over the usage rights of Aramco's gas pipelines network	Aramco, one of the largest listed companies globally (rated A1 / stable by Moody's)	20-year period from 2022
Environmental Services		<b>Senoko WTE Plant</b>	Waste-to-energy plant with 2,310 tonnes/day waste incineration concession	NEA, Singapore government agency - concession until 2024 (Singapore - AAA credit rating)	Fixed payments for availability of incineration capacity
		<b>Tuas WTE Plant</b>	Waste-to-energy plant with 800 tonnes/day waste incineration concession	NEA, Singapore government agency - concession until 2034 (Singapore - AAA credit rating)	Fixed payments for availability of incineration capacity
		<b>Ulu Pandan NEWater Plant</b>	One of Singapore's largest NEWater plants, capable of producing 148,000m <sup>3</sup> /day <sup>(1)</sup>	PUB, Singapore government agency - concession until 2027 (Singapore - AAA credit rating)	Fixed payments for the provision of NEWater production capacity
		<b>SingSpring Desalination Plant</b>	Singapore's first large-scale seawater desalination plant, capable of producing 136,380m <sup>3</sup> /day of potable water	PUB, Singapore government agency - concession until 2025 (land lease till 2033) (Singapore - AAA credit rating)	Fixed payments for availability of output capacity
Distribution & Storage		<b>Ixom</b>	Industrial infrastructure business in Australia and New Zealand, supplying and distributing key water treatment chemicals, as well as industrial and specialty chemicals	Over 8,000 customers comprising municipals and blue-chip companies	Payments from customers for delivery of products and provision of services based on agreed terms.
		<b>Philippine Coastal</b>	The largest petroleum products storage facility in the Philippines, located in the tax-friendly Subic Bay Freeport Zone	Blue-chip customers	USD-denominated "take-or-pay" contracts with no direct exposure to petroleum price and volume risk

# 1H 2022: Distributable Income

S\$'000	Energy Transition	Environmental Services	Distribution & Storage	KIT and Holdco <sub>1</sub>	Group
<b>Profit after tax</b>	(30,573)	(1,973)	35,676	1,215	4,345
<b>Add/ (less) adjustments:</b>					
Reduction in concession / lease receivables	26	30,844	-	-	30,870
Transaction costs in relation to acquisition <sup>2</sup>	-	-	5,121	26,704	31,825
Tax paid	(1,008)	(1,516)	(23,688)	(3)	(26,215)
Maintenance capex	(5,080)	(49)	(10,281)	-	(15,410)
Non- cash interest	375	5	1,448	104	1,932
Income tax expense	863	359	12,180	907	14,309
Depreciation and amortisation	40,468	3,715	30,807	-	74,990
Share of results of joint venture	-	-	(4,036)	-	(4,036)
QPDS interest expenses to KIT	34,737	10,244	-	(44,981)	-
Perp securities holder	-	-	-	(13,463)	(13,463)
FFO from joint venture	-	-	4,474	-	4,474
Payment of upfront fee and legal fees	-	-	-	(758)	(758)
Other adjustments	(1,030)	71	(6,183)	(2)	(7,144)
NCI	(2,027)	-	(1,207)	-	(3,234)
<b>Funds from Operations</b>	<b>36,751</b>	<b>41,700</b>	<b>44,311</b>	<b>(30,277)</b>	<b>92,485</b>
Less: Mandatory debt repayment	-	(4,236) <sup>3</sup>	(681)	-	(4,917)
<b>Distributable Income</b>	<b>36,751</b>	<b>37,464</b>	<b>43,630</b>	<b>(30,277)</b>	<b>87,568</b>

1. Comprises Trust expenses and distribution paid/payable to perpetual securities holders, management fees and financing costs

2. Due to one-off acquisition related cost incurred for new investments which are reversed through "Transaction costs in relation to acquisition" to reflect actual funds from operations

3. 100% of SingSpring debt repayment



# 1H 2021: Distributable Income

SS\$'000	Energy Transition	Environmental Services	Distribution & Storage	KIT and Holdco <sup>1</sup>	Group
<b>Profit after tax</b>	(25,952)	(1,017)	(14,050)	30,987	(10,032)
<b>Add/ (less) adjustments:</b>					
Reduction in concession / lease receivables	22	30,304	-	-	30,326
Transaction costs in relation to acquisition	-	-	725 <sup>3</sup>	-	725
Tax paid	(1,997)	(1,427)	(11,076)	(32)	(14,532)
Maintenance capex	(3,430)	(21)	(9,459)	-	(12,910)
Non-cash interest	362	6	2,595	50	3,013
Income tax expense	1,745	(89)	2,744	18	4,418
Depreciation and amortisation	41,733	3,715	45,399	-	90,847
Share of results of joint venture	-	-	251	-	251
QPDS interest expenses to KIT	34,737	9,761	-	(44,498)	-
Perp securities holder	-	-	-	(7,846)	(7,846)
FFO from joint venture	-	-	3,762	-	3,762
Payment of upfront fee and legal fees	(248)	-	-	-	(248)
Other adjustments	(2,630)	19	38,080 <sup>2</sup>	449	36,018
NCI	(1,252)	(2,439)	(847)	-	(4,538)
<b>Funds from Operations</b>	<b>43,090</b>	<b>38,912</b>	<b>58,124</b>	<b>(20,872)</b>	<b>119,254</b>
Less: Basslink's FFO	-	-	(15,639) <sup>4</sup>	-	(15,639)
Less: Mandatory debt repayment	-	(2,967) <sup>5</sup>	-	-	(2,967)
<b>Distributable Income</b>	<b>43,090</b>	<b>35,945</b>	<b>42,485</b>	<b>(20,872)</b>	<b>100,648</b>

1. Comprises Trust expenses and distribution paid/payable to perpetual securities holders, management fees and financing costs

2. Due to fair value movements on long term interest rate hedge, one-off Basslink's arbitration provision and impairment loss on Ixom's assets in relation to cessation of operations of a long-term customer

3. Due to one-off acquisition related cost incurred for acquisition of ABP which are reversed through "Transaction costs in relation to acquisition" to reflect actual funds from operations at Ixom

4. Not dependent on Basslink's cash flows for distribution

5. 70% of SingSpring debt repayment

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