



(Business Trust Registration Number 2007001)  
(Constituted in the Republic of Singapore as a business trust  
pursuant to a trust deed dated 5 January 2007 (as amended))

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**ANNUAL GENERAL MEETING ON 3 JUNE 2020  
RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM  
UNITHOLDERS**

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Keppel Infrastructure Fund Management Pte. Ltd., as Trustee-Manager of Keppel Infrastructure Trust (“KIT”) refers to:

- (a) KIT’s notice of annual general meeting (“AGM”) dated 12 May 2020; and
- (b) the accompanying announcement released on 12 May 2020 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

The Trustee-Manager wishes to inform that the responses to all substantial and relevant questions which have been submitted by unitholders shall be published in this announcement.

Please refer to **Annex A** hereto for the list of substantial and relevant questions, and the Trustee-Manager's responses to these questions.

Winnie Mak/Esther Chua  
Company Secretaries

2 June 2020

## ANNEX A - LIST OF SUBSTANTIAL AND RELEVANT QUESTIONS AND ANSWERS

No.	COVID-19 Impact	Responses
1.	<b>How has the COVID-19 pandemic affected operations and demand at KIT's businesses and assets?</b>	<ul style="list-style-type: none"> <li>• All of KIT's businesses and assets are classified as essential services and they continue to operate in Singapore, Australia and New Zealand during various periods of lockdowns due to the pandemic.</li> <li>• In the Distribution &amp; Network segment, Ixom continues to see healthy demand from the water treatment, hygiene and F&amp;B sectors, though demand for the pulp &amp; paper and building &amp; construction sectors have slowed slightly due to the lockdown measures. We expect the situation to improve with Australia and New Zealand gradually lifting lockdown measures and as businesses start to resume operations.</li> <li>• Ixom is in a highly defensive position to mitigate the impact of COVID-19, supported by healthy demand from customers who operate essential businesses and services, as well as improvements in operational efficiencies, cost control initiatives and working capital optimisation across its business. We are confident that Ixom is well-placed to capture long-term growth opportunities by strengthening its market leading position.</li> <li>• At City Gas, town gas volume remains stable with increased usage by residential customers, which cushioned the softer demand from the commercial &amp; industrial (C&amp;I) customers. We expect demand from C&amp;I customers to gradually improve as Singapore starts lifting circuit breaker measures.</li> <li>• Meanwhile, operations at assets in the Energy and Waste &amp; Water segments remain stable. Keppel Merlimau Cogen Plant, Senoko and Keppel Seghers Tuas Waste-to-Energy Plants, as well as Keppel Seghers Ulu Pandan NEWater and SingSpring Desalination plants continue to fulfill all their availability-based contractual obligations.</li> <li>• We continue to monitor the pandemic situation closely, and work to mitigate the effects of COVID-19 and keep our workers safe across our operations in Singapore, Australia and New Zealand.</li> <li>• We are confident that KIT's well-diversified portfolio of strategic businesses and assets, all of which provide essential products and services, is well positioned to weather this unprecedented period of uncertainty as we continue to deliver long-term sustainable distributions and returns to Unitholders.</li> </ul>
2.	<b>Will KIT be able to maintain its annual distribution of 3.72 cents if the COVID-19 pandemic is prolonged?</b>	<ul style="list-style-type: none"> <li>• KIT's healthy cash position will allow us to support our businesses and assets in this uncertain economic climate.</li> <li>• KIT remain prudent on the usage of cash and will only deploy capital when it supports our goal of delivering sustainable distributions and long-term growth.</li> <li>• At this juncture, we do not expect a material shortfall in distributable cash flows (DCF) that will affect distributions to Unitholders.</li> </ul>

No.	Financials	Responses
3.	<p><b>According to note 43, page 139 of the Report to Unitholders 2019, Ixom recorded revenue of \$915.2 million but registered an accounting loss of \$11.8 million in FY 2019. Will such losses impact KIT's overall performance?</b></p>	<ul style="list-style-type: none"> <li>• Ixom recorded a one-off transaction cost and fair value adjustment of \$31.9 million in relation to the acquisition that was completed on 19 February 2019 (please refer to note 45, page 142 of the Report to Unitholders 2019).</li> <li>• Excluding this one-off transaction cost and fair value adjustment of \$31.9 million, profit for the period from 19 February 2019 to 31 December 2019 would have been \$14.2 million.</li> <li>• Ixom's FY 2019 accounting loss is a result of the one-off items above and is not expected to impact its ongoing distributable cashflow performance.</li> </ul>
4.	<p><b>In note 43, page 139 of the Report to Unitholders 2019, can you please explain the losses incurred by Keppel Merlimau Cogen Plant (KMC) and Basslink in FY 2019?</b></p>	<ul style="list-style-type: none"> <li>• The net loss recorded at KMC was mainly due to depreciation and amortisation, which is a non-cash item and has no impact to operational performances of the asset.</li> <li>• The net loss position of Basslink was mainly due to lower base facility fee attributed to the outage in August 2019, fair value loss on derivative financial instruments, as well as depreciation and amortisation.</li> <li>• Notwithstanding the losses incurred, the assets generated positive Funds from Operations in FY 2019.</li> </ul>
5.	<p><b>On page 70 of the Report to Unitholders 2019, Total Liabilities amounted to \$3.3 billion compared to Cash and Cash Equivalents of \$445.3 million. How is KIT managing the loans on its balance sheet?</b></p>	<ul style="list-style-type: none"> <li>• KIT's loans are backed by business and assets that generate adequate cash flows to service its loans at the individual business and asset levels.</li> <li>• Maturing loans are refinanced into longer term tenures to match their asset life and the Trustee-Manager is in the process of refinancing loans that are maturing.</li> <li>• All asset-level loans have no recourse to KIT.</li> <li>• We remain committed to maintain a healthy balance sheet that will support our growth plans and safeguard returns to Unitholders.</li> </ul>
6.	<p><b>On page 115 of the Report to Unitholders 2019, it is reported that KMC recorded an impairment loss, where is this reflected in the Income Statement?</b></p>	<ul style="list-style-type: none"> <li>• This relates to the impairment loss on the investment in KMC recorded in the Trust's statement of Profit and Loss in the "Other losses – net" line item in note 47, page 143 of the Report to Unitholders 2019.</li> <li>• Impairment loss on investment in subsidiaries will be eliminated in the consolidation of the group financial statements.</li> </ul>

7.	<p>It was shared in the FY 2019 results announcement that approximately 90% of interest rate risk is hedge. On the sensitivity analysis disclosed on page 98 of the Report to Unitholders 2019, why is there no gain recognised in the Income Statement from the lower assumed interest rate to offset the hedging loss recognised in equity?</p>	<ul style="list-style-type: none"> <li>• For borrowings which interest rates are hedged using derivatives like interest rate swaps, changes in market interest rate will affect the fair value of these derivatives recorded in the Balance Sheet.</li> <li>• The fair value changes are correspondingly recorded as “Other Comprehensive Income/Equity”, as reflected in note 4b(ii), Page 98 of the Report to Unitholders 2019.</li> <li>• As such, no gain or loss is recognised in the profit or loss for hedged exposures, as the interest expense in the Income Statement already reflects the hedged interest rate.</li> <li>• The “Profit &amp; Loss” column in note 4b(ii), Page 98 of the Report to Unitholders 2019 only reflects the additional impact to the Income Statement on any remaining unhedged exposures.</li> </ul>
8.	<p>Cash and cash equivalents grew from \$179.8m in FY 2018 to \$445.3m in FY 2019. What is the rationale for holding so much cash?</p>	<ul style="list-style-type: none"> <li>• The year-on-year increase in cash and cash equivalents was due to (1) the issuance of \$300m perpetual securities in June 2019, (2) divestment of DC One in October 2019 and (3) cash position from the consolidation of Ixom for FY 2019.</li> <li>• KIT’s healthy cash position allows the Trustee-Manager to pursue opportunistic acquisitions.</li> </ul>
9.	<p>In note 24, page 128 of the Report to Unitholders 2019, why is the interest rate for Notes Payable to Non-Controlling Interest so high? Is the yearly interest expense \$44m (approximately 17% of \$260m of Note payable)? Can the Notes be redeemed and refinanced at a much lower interest rate?</p>	<ul style="list-style-type: none"> <li>• The Notes held by non-controlling interest mainly refers to the notes issued by Keppel Merlimau Cogen Pte. Ltd. (KMC) to its shareholders KIT (51%) and Keppel Infrastructure (KI) (49%) during the acquisition of KMC in 2015.</li> <li>• The Notes are issued under the Qualifying Project Debt Securities administered by the Monetary Authority of Singapore, which allows KMC to repatriate cash to its shareholders in a tax efficient manner.</li> <li>• The interest payments from the notes are the means which KMC return cashflow to KIT and KI.</li> <li>• Repatriation of excess cash from KMC to its shareholders through dividends would be less tax efficient.</li> </ul>
10.	<p>Do you foresee any issue refinancing the Basslink loan that is due in November this year?</p>	<ul style="list-style-type: none"> <li>• The extension of the loan to November 2020 was to allow Basslink to complete the arbitration.</li> <li>• We continue to keep Basslink’s lenders updated on the progress of the arbitration proceedings. Basslink will work closely with lenders to secure a further extension, should the arbitration be delayed beyond November 2020.</li> <li>• Basslink will seek to secure a long-term refinancing package post-arbitration.</li> </ul>
11.	<p>Even with the acquisition of Ixom, KIT maintained a stable distribution of 3.72 cents per Unit. Will KIT prioritise Unitholders’ interests and create sustainable long-term value, which will lead to higher distribution per Unit?</p>	<ul style="list-style-type: none"> <li>• The Trustee-Manager is focused on delivering sustainable distributions over the long-term.</li> <li>• The strategic addition of Ixom provides greater stability in terms of KIT’s distributions to Unitholders and flexibility to pursue growth opportunities.</li> </ul>

12.	<p><b>Can the Trustee-Manager elaborate further on the reasons for issuing perpetual securities as part of its S\$1 billion Multicurrency Debt Issuance Programme? Are the perpetual securities classified as equity? Is there a set limit on the amount of Perpetual Securities that may be issued and the maximum gearing for the Trust?</b></p>	<ul style="list-style-type: none"> <li>• The issuance of perpetual securities allows KIT to diversify its sources of funding at a lower cost of equity and manage gearing levels which will provide KIT with a healthy debt headroom to pursue long-term growth opportunities.</li> <li>• Under the accounting rules, the perpetual securities issued by KIT are classified as equity and therefore do not affect our gearing ratios.</li> <li>• The Trustee-Manager will only look to issue further notes/perpetuals that will support the growth of the Trust and sustainability of distributions to Unitholders.</li> <li>• There is no specific gearing limit for Business Trusts. That said, the Trustee-Manager adopts a prudent approach and will manage KIT's gearing levels effectively.</li> </ul>
No.	Operations	Responses
13.	<p><b>Does the low oil price environment affect KIT's businesses?</b></p>	<ul style="list-style-type: none"> <li>• KIT's businesses do not have any direct exposure to movements in oil prices.</li> <li>• Specifically, at KMC and City Gas, oil prices are a direct cost pass through and have no impact to the financial performance of these assets.</li> </ul>
14.	<p><b>Is the arbitration process for Basslink expected to conclude this year? What are management plans for Basslink after the conclusion of the arbitration?</b></p>	<ul style="list-style-type: none"> <li>• Arbitration is progressing according to the current agreed schedule. KIT is unable to share further details at this time. KIT will share updates if and when there are developments.</li> <li>• That said, Basslink is a strategic and valuable asset and currently the only electricity interconnector between the mainland Australia and Tasmania. It has an estimated useful life of 65 years and the Basslink Services Agreement has 11 years left on its contract, with an option for a 15-year extension.</li> <li>• We constantly review various strategic options with respect to Basslink, to ensure that it contributes positively back to KIT and its Unitholders.</li> </ul>
15.	<p><b>In the 1Q 2020 results, the Profit and Funds from Operations from City Gas declined 46% and 25% respectively. Given that City Gas is a mature business, can you please help Unitholders understand the reasons for the drop?</b></p>	<ul style="list-style-type: none"> <li>• The year-on-year decline in City Gas performance was due to the time lag in adjustment of gas tariffs to reflect actual fuel cost during the quarter.</li> <li>• City Gas over-recovered in 1Q 2019 and under-recovered in 1Q 2020.</li> <li>• The effect of the adjustment in gas tariffs balances out over time and has a neutral impact to City Gas's overall performance.</li> </ul>

16.	<p><b>Contract period for three out of the four concession Plants will be expiring soon, has the Trustee-Manager started discussions on renewals for the plants? The Waste &amp; Water segment has contributed close to 40% of KIT's distributable cash flows in FY 2019 and there are no guarantees that the contracts will be renewed, what are the Trustee-Manager's plans to make up for the potential 40% loss in cash flows?</b></p>	<ul style="list-style-type: none"> <li>• Discussions with the relevant authorities around the extension of the plants will likely take place closer to the end of the concession period.</li> <li>• KIT has a diversified portfolio to minimise such impact and ensure the long-term sustainability of distributions.</li> <li>• Our evergreen businesses, Ixom and City Gas will provide sustainability to distributions going forward and long-term growth opportunities.</li> <li>• The Trustee-Manager continues to pursue growth opportunities and acquisitions that will enlarge and diversify KIT's portfolio of strategic businesses and assets.</li> </ul>
17.	<p><b>Basslink's Funds from Operations (FFO) has been on the downtrend, please explain the reasons for the decline from FY 2017 to FY 2019</b></p>	<ul style="list-style-type: none"> <li>• Basslink recorded a lower FFO performance for FY 2018 due to the unplanned outage in March 2018, as a result of equipment damage by a third-party contractor during routine maintenance work, relevant costs relating to this outage were covered by insurance.</li> <li>• FY 2019 FFO performance was affected by an unplanned outage due to a low voltage cable failure that was located at an above ground section in the transition station in Gifford, Victoria. The plant otherwise performed as expected and according to budget.</li> <li>• KIT does not depend on Basslink for distributions to Unitholders, we are working towards an outcome where Basslink will start to contribute to KIT post the outcome of the arbitration proceedings.</li> </ul>
<b>No.</b>	<b>Growth Strategy</b>	<b>Responses</b>
18.	<p><b>What is the long-term capital allocation target by business and by geography for KIT?</b></p>	<ul style="list-style-type: none"> <li>• The Trustee-Manager aims to deliver long-term returns, and we continue to evaluate opportunities in the sectors which we are currently invested in, as well as highly defensive businesses and assets which have predictable cash flows and opportunities for growth and expansion.</li> <li>• There is no fixed capital allocation target. In our drive to grow KIT, we look for businesses and/or assets that are defensive in nature with high barriers to entry, have a market leading position and are providers of essential products and services.</li> <li>• The current pandemic has caused deal flows to slow in the near-term, but we continue to be on the lookout for potential acquisitions that will be able to deliver long-term growth for the Trust and Unitholders.</li> </ul>

19.	Singapore will phase out internal combustion engine vehicles by 2040, how does the Trustee-Manager see KIT participating in the trend towards electrification?	<ul style="list-style-type: none"> <li>• KIT is currently the 51% owner of a 1,300 MW gas-fired generation plant in Singapore and is therefore a significant investor in Singapore’s electricity market and well positioned to evaluate any increase in electrification of the economy.</li> <li>• The Trustee-Manager is open to opportunities that will support our goal of providing long-term sustainable distributions and growth for our Unitholders.</li> <li>• Potential opportunities will need to be evaluated in a holistic manner to ensure it meets our stringent investment criteria to ensure cash flows are sustainable and highly defensible.</li> </ul>
No.	Others	Responses
20.	Of the six directors on the board, two of the directors were absent for one/two board meetings and other board committee meetings. Did the directors who were absent from the board committee meetings participate by telephone or any other means of communication? What were the extenuating circumstances, if any, that led the directors to be absent for the board meetings?	<ul style="list-style-type: none"> <li>• If a Director were unable to attend a Board or Board committee meeting, he/she would still receive all the papers and materials for discussion at that meeting. He/She would review them and advise the Chairman of the Board or the Board committee chairman of his/her views and comment on the matters to be discussed so that they may be conveyed to other members at the meeting.</li> <li>• At the same time, the Trustee-Manager’s Constitution permits Board meetings to be held by way of conference by telephone or any other electronic means of communication by which all persons participating are able, contemporaneously, to hear and be heard by all other participants.</li> <li>• Further, the Directors meet without the presence of Management on a need-be basis to discuss matters such as Board processes, corporate governance initiatives, succession planning, and performance management and remuneration matters.</li> </ul>