

Hyflux Ltd

Second Informal Meeting for Holders of Perpetual Capital Securities and Preference Shares

18 January 2019

Facilitated and Moderated by:



Attended by:



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- This informal meeting is being convened for the purpose of providing the Group's securities holders with an update on the financial position of the Group and the next steps in the reorganisation process.
- Kindly note that:
 - The informal meeting is not intended to and does not amount to a meeting under or in connection with the Trust Deed relating to the securities;
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Meeting Protocol

- Without prejudice
- Informal meeting
- No recording or photo taking
- Identification for Q&A

Agenda

1. Update on reorganisation
2. Strategic investor
3. Liquidation analysis
4. Restructuring process going forward
5. Salim/Medco consortium presentation
6. Timetable and next steps
7. Q&A



Update on reorganisation process

Hyflux

Court-supervised reorganisation process

- Scope of the moratorium under s211B:
 - Limited to 5 companies (the “Applicants”) of the Hyflux Group
 - No legal proceedings can be commenced or continued against the Applicants
 - No enforcement steps can be taken against the Applicants or their assets
- Why the moratorium was needed:
 - Shortage of near term available liquidity
 - Provide the Group with protection and breathing space to formulate a scheme to be proposed to stakeholders to restructure financial obligations
 - Preserve value for all stakeholders
- Moratorium extended to 30 April 2019

Actions taken since Town Hall on 19 July 2018

Ongoing Stabilisation

- Short term liquidity management
- Unlocking liquidity for construction projects
- Cost reduction actions

Stakeholder Management

- Financial creditors
- Trade creditors
- Project stakeholders

Capital Structure

- Asset sale processes (PT Oasis & Tuaspring)
- Rescue financing / new liquidity
- Securing a strategic investor



Asset sales

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Asset sales

Tuaspring:

- Ongoing sale process with support from the secured lender, Maybank (consensual sale process commenced in July 2018)
- The investment by SMI is premised on Tuaspring remaining part of the Hyflux Group
- On a standalone basis (i.e. as not part of the wider restructuring for the Hyflux Group), initial interest would indicate that there would be no surplus proceeds over and above what is owed to Maybank

Asset sales (continued)

PT Oasis:

- Hyflux's 50% interest in PT Oasis (Indonesian consumer products business) was sold in November 2018 for a net consideration of S\$30.4m
- Proceeds are being used to support ongoing operations and alleviated the immediate cash needs and the requirement for rescue financing to be pursued now (court application for rescue financing is currently on hold)



Strategic investor

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Strategic investor

- Following the initial stabilisation phase post Moratorium, the primary focus was on searching for strategic investors
- Key investor categories considered included:
 - Chinese strategic investors
 - SEA conglomerates
 - US and European strategic investors
 - Private Equity
- 16 NDAs signed

Strategic investor (continued)

- Offers ranged from a total investment (equity and shareholders loan) of S\$400 million to S\$600 million.
- Equity portion ranged from S\$250m to S\$432m for equity stakes ranging from approximately 51% to 86.4%. Structures varied.
- Following a careful assessment by the Board, on 18 October 2018 Hyflux entered into an agreement with SM Investments Pte Ltd (SMI), a consortium comprising the Salim group of companies (Salim Group) and Medco group of companies (Medco Group)

Strategic investor (continued)

- The investment seeks to deliver significant long term strategic value to both the Hyflux Group and its stakeholders and contemplates:
 - An equity investment of S\$400 million for 60% equity in Hyflux Ltd; and
 - A shareholder's loan of S\$130 million
 - If required, SMI will provide a S\$30 million rescue financing package prior to completion of the transaction (assuming any rescue financing application is granted by the Singapore court)

Strategic investor (continued)

- Key conditions precedent to completion of the investment:
 - Full and final settlement of Unsecured Financial Debt, Debt Securities (Perpetual Securities and Preference Shares), Contingent Debt and Trade Debt through court sanctioned Schemes of Arrangement or amendments to the existing documents as the case may be;
 - Regulatory approvals; and
 - Approvals of shareholders at an EGM



Liquidation scenario

Liquidation scenario

- Analysis by legal entity
- Large group of c.120 legal entities with an extensive intra-group balances
- Necessarily assumptions based analysis – key assumption is the main EPC business would cease activity while many of the project owning entities would remain outside of insolvency processes (semi-controlled wind down)
- Many assets held outside of Singapore, often in challenging jurisdictions
- Project assets subject to bank security, shareholders agreements and offtaker obligations
- Assumed crystallisation of contingent claims

Hyflux Ltd. capital structure in a liquidation

Stakeholder class	Stakeholder type	Estimated Hyflux Ltd. Liability
Senior unsecured obligations	Bank creditors	\$717m
	Noteholders	\$271m
	Contingent creditors	\$915m
	Total	\$1,903m
Subordinated unsecured obligations	Perpetual security holders	\$500m
	Preference share holders	\$400m
	Total	\$900m

- We have assumed that all contingent claims would crystallise in a liquidation scenario
- All outstanding debt including any accrued interest/coupons up to the scheme cut-off date are proposed to be restructured
- Information as at 31 August 2018

Liquidation scenario (continued)

Applicant entity	Senior unsecured obligations				Subordinated unsecured obligations			
	Low case		High case		Low case		High case	
	S\$m	%	S\$m	%	S\$m	%	S\$m	%
Hyflux Ltd	74.5	3.8%	170.8	8.7%	-	-	-	-

No returns are expected for the Holders of Perpetual Securities and Preference Shares in a liquidation scenario



What the restructuring will involve

Hyflux

What the restructuring will involve

- Restructuring to be effected via a Scheme of Arrangement which stakeholders whose obligations are affected will vote upon
- Hyflux Scheme to include the following classes of stakeholders:
 - Unsecured financial creditors – banks and noteholders
 - Contingent creditors
 - Perpetual Security Holders & Preference Shareholders
- Scheme will be put to each different classes of stakeholders in due course, together with an explanatory statement about the scheme
- An announcement will be made for the filing of proofs of debt

What the restructuring will involve (continued)

- Despite the subordinated status of the Perpetual and Preference share securities, the Proposal will likely include both a cash and equity offer in return for extinguishing existing securities – allow a partial return now and participation in the business going forward



SMI presentation

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Salim-Medco Group

January 2019

Salim Group Overview

One of the largest conglomerate in Asia with over **US\$50 billion** worth of investment

Proven track record to grow companies and create intra-group **Synergies**



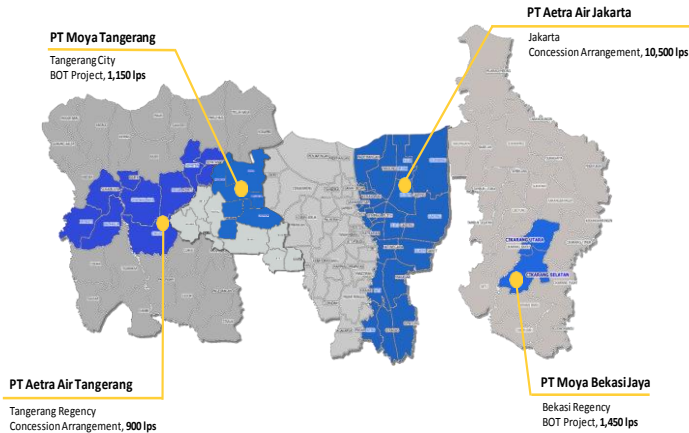
Largest player in various industries including infrastructure, **Electricity** distribution and generation, toll road operator, **Water** treatment and distribution, light rail operations, metal mining, agribusiness, and **many others**



Salim Group's Water Business

Philippines

1. Owns Maynilad Water Services, Inc. the **water and wastewater services provider in Greater Metro Manila** area with concession area of 540 km²
2. Operates and maintains **3** water treatment plants, **20** wastewater plants, **28** pumping stations, **32** reservoirs, **8** mini-boosters, **30** on-line boosters and **7,675** km of water pipelines
3. Customer base of more than 1,358,758 service connections or **9.4 million people**
4. Billed volume of **511** million cubic meters in 2017



Indonesia

1. Owns majority shares of Moya Holdings Asia Ltd (MHAL), the **largest water treatment plant company in Jakarta**
2. MHAL supply bulk water and retail water in Jakarta, Tangerang Regency, Tangerang City and Bekasi Kabupaten, with a **total population of the area of more than 20 million**
3. Operates and maintains 8 water treatment plants at 4 different regions and cities
4. Recently built more than **700 km of piping** and operates more than **7,000 km of piping network**
5. Installed capacity of **1,200 mld**



Salim Group's Energy Business



MERALCO
FRANCHISE AREA



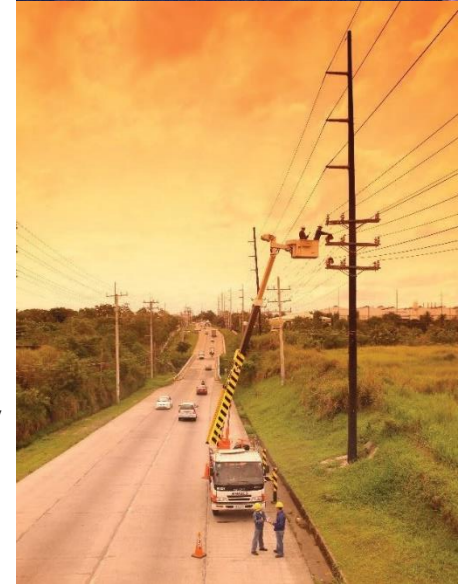
Manila Electric Company (Meralco)

1. Largest private sector electric distribution utility company in the Philippines covering **36 cities** and **75 municipalities** including Metro Manila
2. Franchise area of over **9,685 km²** and serving over **6.5 million** customers
3. Power generating capacity of **1,759 MW** and total planned capacity of **3,693 MW**
4. List of some of its **assets** incl. under construction:
 - 1x455MW Supercritical Coal-Fired Power Plant in Mauban, Quezon
 - 2x600MW Ultra Supercritical Coal-Fired Power Plant in Atimonan, Quezon
 - 2x300MW Circulating fluidized Bed Coal-Fired Power Plant in Subic, Zambales

Pacific Light (PLP)



1. One of the **most efficient and modern** power plant in Singapore fueled solely by liquefied natural gas (**800 MW**)
2. Generation market share of approx. **10%** in Singapore
3. Sold **4,768 GWh** of electricity in 2017
4. In 2017, approx. **90% of sales** was retail, vesting contracts, futures and contracts for difference sales, and the remaining **10%** was for pool market sales

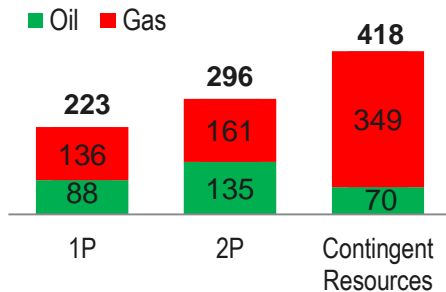


Medco Overview

Oil & Gas



- 10 operated Indonesian assets, 8 producing – **Net ~84 MBOEPD** as of 9M18
 - ~67:33 gas to oil production capacity
 - Gas sold under long-term TOPQ contracts, ~50:50 mix of fixed; commodity linked pricing
 - Operating costs below \$10/boe through 2020
 - Medco Operation **has long term contract to supply Gas and LNG to SembCorp, Chubu Electric, Kyushu Electric and Korea Gas**
- Net Reserves and Contingent Resources**



Power



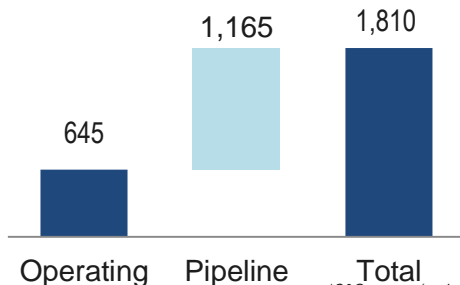
Independent Power Producer (IPP) for 9 operated Indonesian assets with 645 MW gross capacity

IPPs with PLN under long-term take or pay contracts

Specialized in clean and renewable IPPs

Third party O&M contracts with 2,489 MW existing contract

IPP Gross Capacity

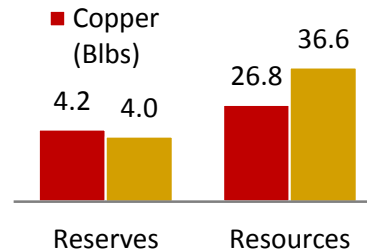


Mining



- Batu Hijau open pit porphyry copper and gold mine, Sumbawa Indonesia
- Developing phase 7 of the existing mine site
- Exploring Elang and further prospective resources
- Progressing Smelter Development

Copper & Gold Mineral Reserves and Resources



*O&G reserve (mboe) and Power capacity (MW) data as of 9M18; Mining data as of 2H18

Energy & Natural Resources Company **Focused in Indonesia**



Block A



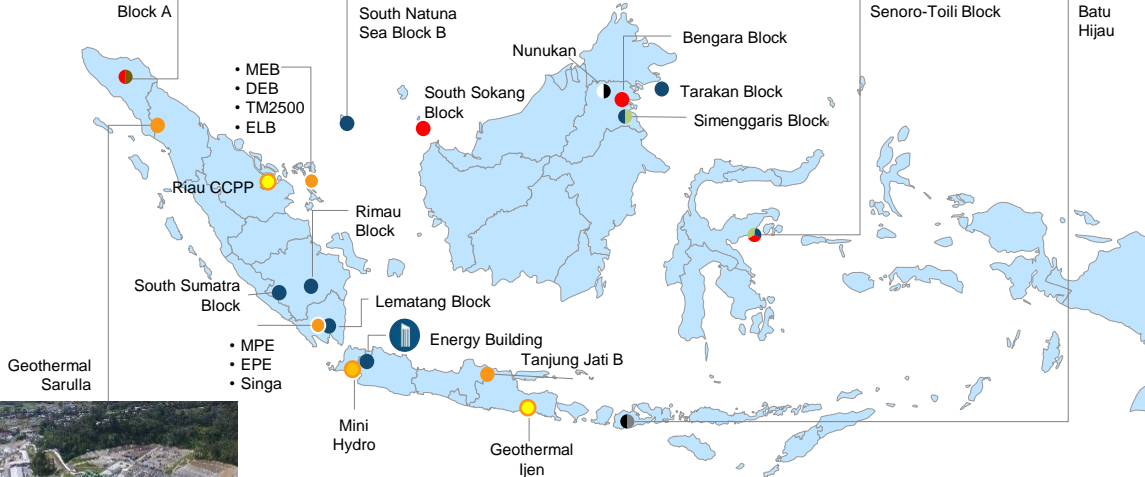
South Natuna Sea Block B



Senoro-Toili Block

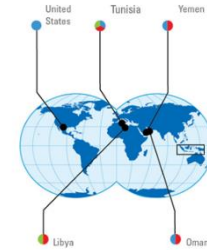


Batu Hijau

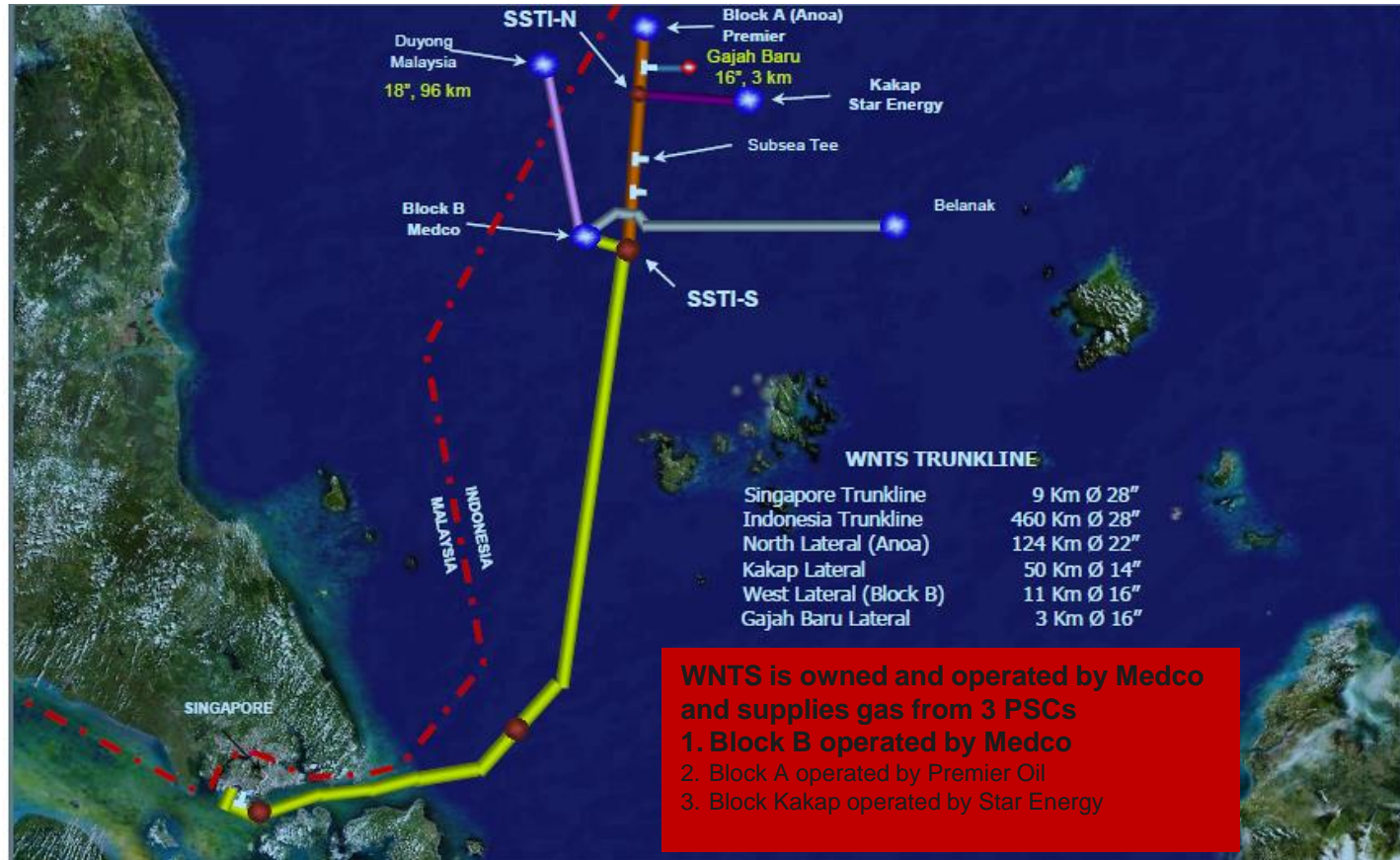


Geothermal Sarulla

International Assets



West Natuna Transportation System Pipeline Infrastructure

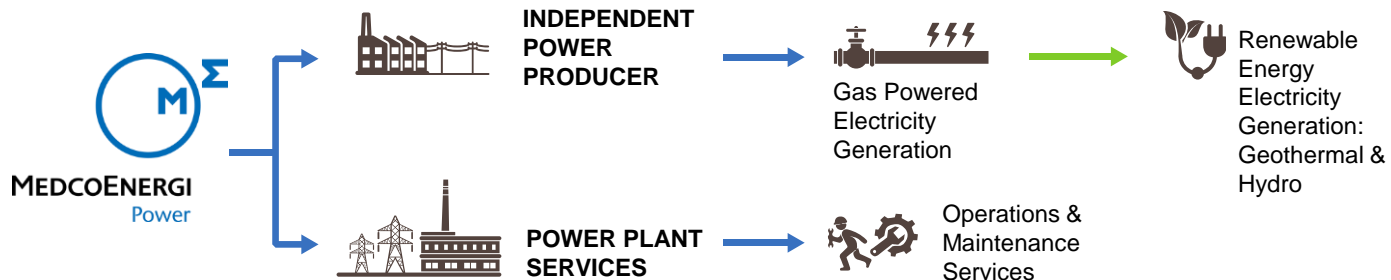


Medco Offshore **Operatorship** in South Natuna

South Natuna Sea Block B - Offshore Facilities



Focusing on Independent Power Producer and Operation & Maintenance Businesses



645 MW IPP Operating Asset, 2,489 MW O&M Business, 339 MW Under Construction

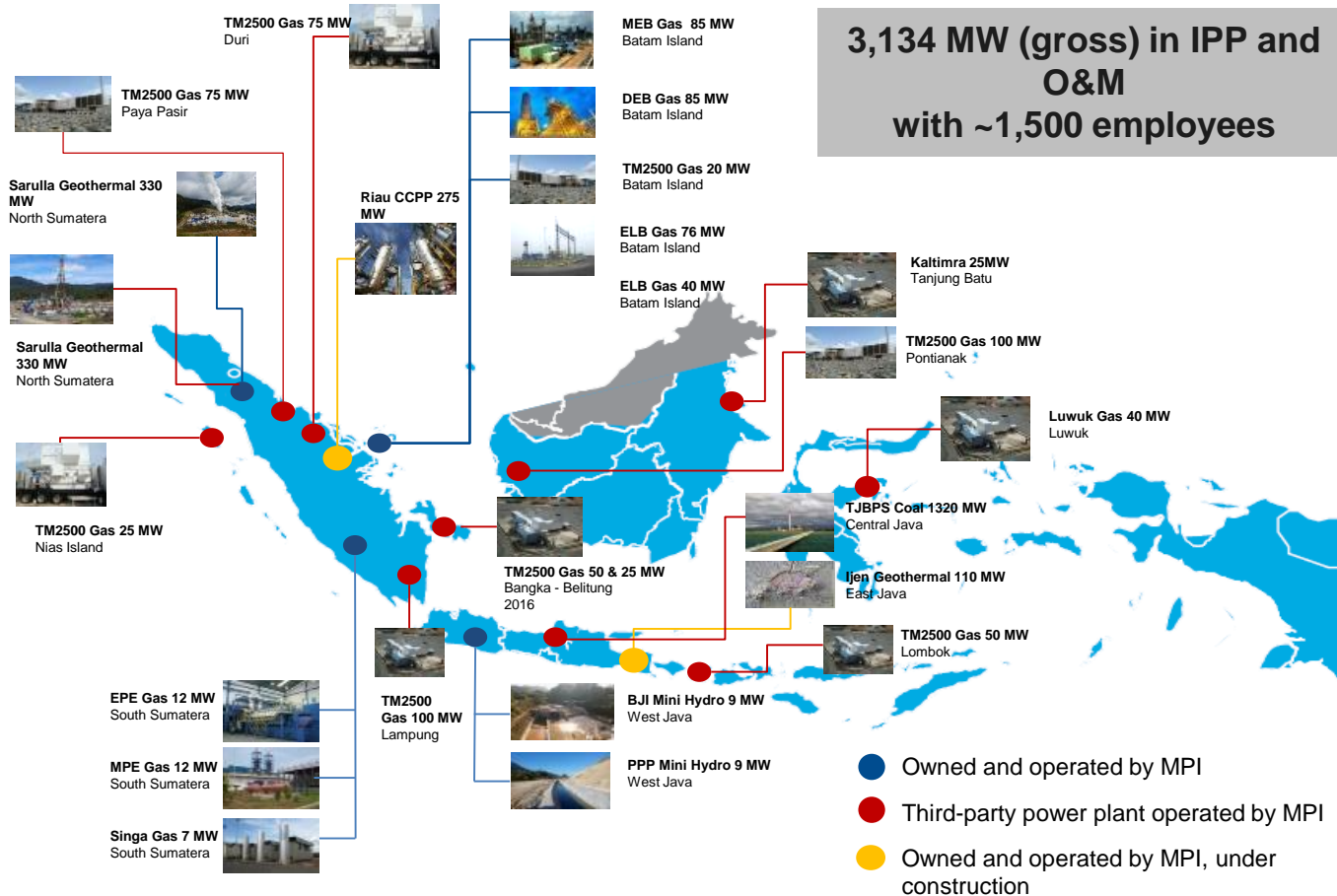
BUSINESS STRATEGY

- Clean energy, primarily gas and geothermal assets
- Focus on Western Indonesia (access to gas and geothermal resources), also selectively looking for opportunities in Central and Eastern Indonesia
- Currently generating 3,134 MW (gross IPP and O&M combined) with target growth to 5,000 MW
- Expand the O&M services business
- Extract greater synergies within MEI Group

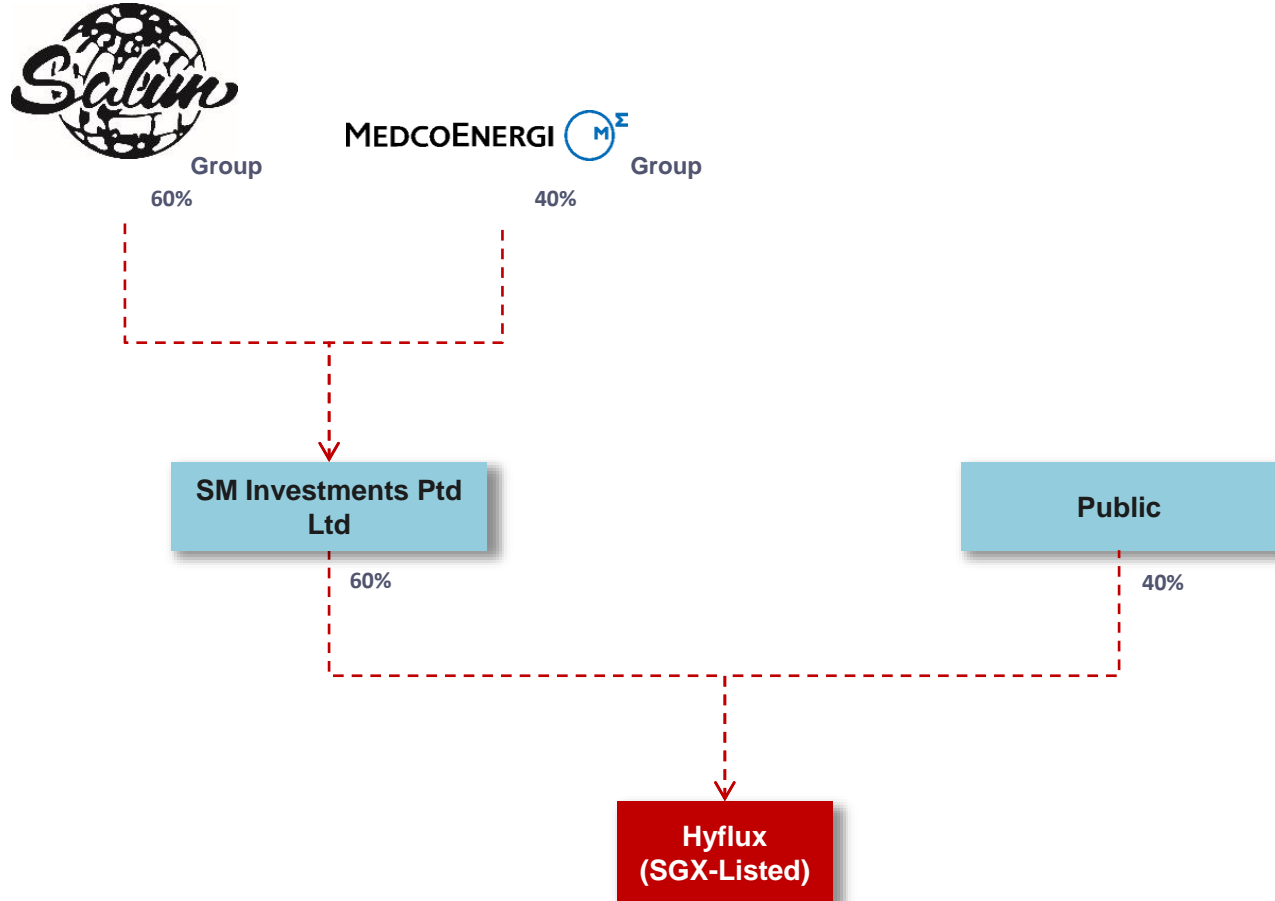
BUSINESS ENVIRONMENT

- Contracts are Long Term (20-30 years), Take-or-Pay sales to PLN
- Indonesia commitments to International targets to grow clean energy electricity capacity
- Capitalize on regulations to encourage turn-key power generation from gas producers
- Regional costs of generation as a benchmark for renewable energy prices

Medco Power Footprint



Local Ownership



Business Plan


Short-term Plan

- 1. Rebuild Hyflux & new team**
 - Reestablish **Hyflux as a Leading Singapore Technology Company**
 - ✓ Water treatment, Desalination
 - ✓ Waste management, waste-to-energy
 - ✓ Integrated water and power plant (IWPP)
 - **Expand power business** by leveraging Salim-Medco's capabilities and operations
- 2. Refocus company's vision and mission**
 - Focus on water treatment and supply; power
- 3. Enhance structure, process, and system**
 - Reporting line, decision making, accountability, oversight
 - Governance, control, checks and balances
 - Identification of opportunities
 - Partner selection
 - Investment criteria and selection
 - Post-investment monitoring
- 4. Enhance financial discipline**
 - Optimal capital structure
 - Consolidated, group-wide approach to debt and risk management
 - Cost control
- 5. Separate internal operations into two key groups:**
 - (a) EPC, O&M, design, R&D, membrane manufacturing (e.g, Development Companies); and
 - (b) Management, investment and monitoring of project companies (e.g., Asset Management)

Medium and Long-term Plan

- 1. Explore synergies within the Salim and Medco Group**
 - Attractive EPC, project management, O&M opportunities available within the Group
 - Access, competitive strength, and network spread around the region, especially in Indonesia and Philippines
- 2. Synergize existing and future power businesses of Salim-Medco with Hyflux**
- 3. Hyflux to become not only water treatment, desalination and EPC company but potentially water supply company.**
 - Potential synergy in water resources with Salim Group.
- 4. Usage of land**
 - Potential **land base** for the company's future expansion


Potential Synergies within **Medco-Salim** Group



EPC Consortium for Smelter



EPC Consortium for Gas-Fired Power Plant



Jakarta Township Water Treatment




Bintan Waste-to-Energy




Water Reservoir Development



Batam Waste-to-Energy



Other Synergies with Salim's Water Businesses



Other Synergies with Salim-Medco Power Businesses



Medco's Gas Supply for Power Plant



Other Waste-to-Energy Projects in Indonesia



Indicative timetable and next steps

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Indicative timetable and next steps

February

- By mid-February: (a) restructuring proposal (scheme) to be proposed and (b) filing of application to court for convening the scheme meeting to vote on the restructuring proposal / scheme

March

- 13 March: Another series of town hall meetings for the holders of (i) MTNs (ii) perps and prefs (iii) ordinary shares to discuss the scheme that has been proposed
- In the week of 25-29 March: Scheme meeting
- By end of March, if the scheme meeting is successful, court application for sanction of the scheme
- Mid-March to early April: Procuring governmental and regulatory approvals

April

- 5 April: EGM for shareholders' approval of relevant feature of restructuring proposal / scheme



Q&A – moderated by SIAS

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Thank You!