



(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))

ANNOUNCEMENT

PROPOSED ACQUISITION OF 80% OF THE ENTIRE SHARE CAPITAL OF PHILIPPINE TANK STORAGE INTERNATIONAL (HOLDINGS) INC.

1. INTRODUCTION

Keppel Infrastructure Fund Management Pte. Ltd. (the "**KIT Trustee-Manager**"), acting in its capacity as trustee-manager of Keppel Infrastructure Trust ("**KIT**"), is pleased to announce that KIT and Metro Pacific Investments Corporation ("**MPIC**", together with KIT, the "**Purchasers**") have today entered into a conditional sale and purchase agreement (the "**SPA**") with Government Service Insurance System ("**GSIS**"), Langoer Investments Holding B.V. ("**Langoer**") and Macquarie Infrastructure Holdings (Philippines) Pte. Limited ("**MIHP**", together with GSIS and Langoer, the "**Sellers**") for the purchase of all of the shares in the capital of Philippine Tank Storage International (Holdings) Inc. (the "**Target**" and the purchase, the "**Acquisition**").

Following completion of the Acquisition ("**Completion**"), KIT will indirectly hold 80% of the shares in the capital of the Target. See paragraph 4.1 of this announcement for further details on the structure of the Acquisition.

The Acquisition constitutes a discloseable transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**", and the Listing Manual of the SGX-ST, the "**Listing Manual**").

2. THE TARGET

The Target's subsidiary, Philippine Coastal Storage & Pipeline Corporation ("**PCSPC**"), is the operator of the largest petroleum products import storage facility (the "**Facility**") in the Philippines. The Facility currently has four main areas comprising three tank farms and one marine terminal area. Across these four areas, there are more than 40 underground storage tanks and more than 40 aboveground storage tanks for petroleum product storage.

PCSPC's strategic location in the Subic Bay Freeport Zone provides its clients with a distribution hub with access to the largest economic catchment area in the Philippines – Metro Manila and North Luzon.

The audited net profit and earnings before interest, taxes, depreciation and amortisation¹ of the Target for the financial year ended 31 December 2019 was USD9.4 million (SGD12.6 million²) and USD28.8 million (SGD38.6 million), respectively.

The book value and net asset value of the Target as at 31 December 2019 is USD72.2 million (SGD96.7 million).

3. RATIONALE FOR THE ACQUISITION

3.1. Unique Opportunity to Acquire the Largest³ Petroleum Products Import Storage Facility in the Philippines

PCSPC is the largest petroleum products import storage facility in the Philippines. Located in the Subic Bay Freeport Zone, PCSPC's business is underpinned by:

- **strategic location** – The Subic Bay Freeport Zone is (a) easily accessible by major oil refiners located in North and Southeast Asia, (b) tax-friendly, (c) with deep draft levels to facilitate berthing of specialised vessels, and (d) naturally sheltered from seasonal typhoons;
- **connectivity** – The Subic Bay Freeport Zone is well connected to major demand areas of the Luzon region. Metro Manila, Central and North Luzon account for over 50% of the Philippines' oil product demand;
- **scale** – PCSPC is the largest petroleum products import storage terminal in the Philippines and accounts for approximately 36% of total import terminal capacity⁴ in the country. It is ten times the size of the next largest independent storage terminal. Its assets consist of six berths and 86 storage tanks, with an expected storage capacity of approximately 6 million barrels by early 2021; and
- **essential business** – PCSPC's storage service is essential to its customers who need to store petroleum products in order to distribute and supply in Philippines, or for strategic reasons. Robust operations allowed PCSPC to maintain high

¹ Excludes one-off non-recurring items.

² Unless otherwise stated, an illustrative exchange rate of US\$1.000: S\$1.3391 is used for all conversions from US Dollar amounts into Singapore Dollar amounts in this announcement.

³ Excluding storage capacities within refineries which are captive.

⁴ Source: IHS Markit

levels of operational readiness and continuity throughout various levels of lockdown to contain the COVID-19 pandemic.

3.2. Blue Chip Customer Base

PCSPC's diversified customer base comprises a government agency, oil and gas conglomerates, multinational corporations and domestic gasoline retailers.

A large majority of PCSPC's customers are on take or pay contracts which mitigate any oil price risk given that it provides storage services. Almost all of PCSPC's contracts are denominated in USD. Fuel stored by customers are for domestic distribution and consumption as well as for strategic purposes.

PCSPC's strong relationship with its customers is built on, among others, its robust operational capabilities and consistent delivery of services through the years.

3.3. Potential for Long-Term Sustainable Growth

The Philippines is projected to be the second largest economy in Southeast Asia by 2024⁵. GDP increased at a compound annual growth rate of 5.7% over the past 10 years⁶ and is projected to grow 6.5% from 2020 to 2021⁷.

Sustained economic growth and healthy demand dynamics will support the long-term demand for various fuel products across multiple industries in the Philippines. The Philippines is an attractive tourist destination in Southeast Asia, with its white sandy beaches and rich biodiversity. Travel and tourism accounted for 12.7% of GDP in 2019⁸. Demand for international and domestic air travel is projected to recover to pre-COVID-19 levels by 2023⁹.

Demand for imported petroleum products (such as jet fuel, gasoline and diesel) could increase by approximately 4.1% p.a. from 2019 to 2030¹⁰. Projected increase in demand for imported transport fuel is expected to drive demand for additional import storage capacity. Approximately 7.0 million barrels of capacity shortfall is expected by 2030 and approximately 11.3 million barrels by 2050¹¹.

⁵ Source: IHS Markit

⁶ Source: IHS Markit

⁷ <https://www.adb.org/countries/philippines/economy>

⁸ <https://psa.gov.ph/tourism/satellite-accounts/id/162606>

⁹ Source: IHS Markit

¹⁰ Source: IHS Markit

¹¹ Source: IHS Markit

3.4. Provides Diversification and Strengthens Sustainability of Cash Flows

The strategic acquisition of the Target is in line with the KIT Trustee-Manager's investment and business strategy of acquiring and investing in good quality infrastructure and infrastructure-like businesses that generate long-term stable cash flows with potential for growth. The business fundamentals of PCSPC meet the key characteristics of KIT's strategic portfolio namely, highly defensive, creditworthy customers and off-takers, provider of essential products and services, and strong growth prospects.

The strategic addition of the Target will diversify and strengthen KIT's cash flows, supporting long-term sustainable distributions.

4. THE ACQUISITION

4.1. Structure

In connection with the Acquisition, the KIT Trustee-Manager and MPIC intend to hold indirectly all of the shares in the capital of the Target following Completion through a company to be incorporated in the Philippines (the "**Philippines Holdco**"). It is contemplated that (a) KIT will indirectly hold 80% of the shares in the Philippines Holdco through an indirect wholly-owned subsidiary of KIT to be incorporated in the Philippines ("**KIT PH SPV**"), and (b) MPIC will indirectly hold 20% of the shares in the Philippines Holdco through a wholly-owned subsidiary of MPIC to be incorporated in the Philippines ("**MPIC PH SPV**").

The KIT Trustee-Manager will provide further details relating to the structure of the Acquisition upon the execution of any definitive agreement(s), in compliance with the requirements of the Listing Manual.

4.2. Consideration

The consideration for the Acquisition ("**Purchase Consideration**") is payable in cash and payable on the Completion Date. The estimated Purchase Consideration for the Acquisition is USD333.8 million (the "**Estimated Purchase Price**"), subject to adjustments after Completion. The Purchase Consideration shall be payable by KIT and MPIC in accordance with their respective shareholding interests in the Target as at the Completion Date (as defined herein), which, in the case of KIT, is 80%. Accordingly, the estimated aggregate amount of the Purchase Consideration payable by KIT is USD267.0 million (SGD357.6 million) (the "**Estimated KIT Purchase Consideration**"), subject to adjustments after Completion.

The Estimated Purchase Price was arrived at on a willing-buyer and willing-seller basis after arm's length negotiations, taking into consideration, among others, the investment

thesis of the Target, its defensive and growth characteristics, and the rationale for and benefits of the Acquisition.

4.3. Conditions to Completion

Completion is estimated to take place by 29 January 2021 or such other date as may be agreed between the Purchasers and the Sellers (the "**Completion Date**"). Completion is conditional on there being no finding that, in order to comply with relevant local laws, will require PCSPC to incur costs exceeding a certain threshold as set out in the SPA.

Further, the Purchasers may terminate the SPA by notice in writing to the Sellers if (a) a material breach of certain warranties subsists immediately prior to Completion, or (b) a material breach of certain obligations of the Sellers is subsisting immediately prior to Completion.

4.4. Terms

The SPA contains customary provisions relating to the Acquisition, including representations and warranties and pre-completion covenants regarding the operation of the business, limitations of the Sellers' liabilities and other commercial terms.

5. METHOD OF FINANCING

The KIT Trustee-Manager intends to fund the Estimated KIT Purchase Consideration with existing cash, a two-year bridge facility ("**Bridge Facility**") at KIT and part of the proceeds from a six-year senior secured loan at the Target ("**Term Loan**"). The Term Loan is non-recourse to KIT and will partly be used to refinance the existing debt at the Target.

Post-Acquisition, the KIT Trustee-Manager intends to repay the Bridge Facility with proceeds from equity and debt capital market issuances at the appropriate time, taking into account the then prevailing market conditions and the interests of holders of units in KIT ("**Unitholders**").

6. FINANCIAL EFFECTS

6.1. Assumptions

The pro forma financial effects of the Acquisition presented below are strictly for illustration purposes and do not reflect the actual financial position of the KIT and its subsidiaries (the "**KIT Group**") following Completion. They have been prepared based on the latest audited financial statements of KIT for the financial year ended 31 December 2019 or, as the case may be, latest announced unaudited financial statements of KIT for the six-month period ended 30 June 2020, taking into account the Estimated

Purchase Price, Estimated KIT Purchase Consideration and estimated acquisition expenses as well as the assumption that the Acquisition is intended to be funded by internal funds and debt.

6.1. Pro Forma Net Profits

The net profits, after adjusting for estimated interest expenses, attributable to the Acquisition for the six-month period ended 30 June 2020 is approximately USD3.4 million (approximately SGD4.6 million).

6.2. Pro Forma Funds from Operation ("FFO")¹²

The FFO, after adjusting for estimated interest expenses, attributable to the Acquisition for the six-month period ended 30 June 2020 is approximately USD5.2 million (approximately SGD7.0 million).

6.3. Pro Forma Net Asset Value ("NAV")

The table below sets out the pro forma financial effects of the Acquisition on the NAV per unit in KIT as at 31 December 2019, as if the Acquisition was completed on 31 December 2019:

	Actual	Adjusted for the Acquisition
NAV per Unit (SG cents)	26.5	26.2 ¹³

6.4. Pro Forma Distribution per Unit¹⁴ ("DPU")

The table below sets out the pro forma financial effects of the Acquisition on KIT's declared DPU for the financial year ended 31 December 2019, as if the Acquisition was completed on 1 January 2019 and KIT indirectly held 80% of shares in the Target through to 31 December 2019:

	Actual	Adjusted for the Acquisition
DPU (SG cents)	3.72	3.72

¹² "FFO" means profit after tax adjusted for reduction in concession or lease receivables, transaction costs, non-cash interest and current cash tax, maintenance capital expenditure, non-cash adjustments and non-controlling interest adjustments.

¹³ The slight reduction in NAV per Unit is mainly due to the estimated acquisition expenses.

¹⁴ Rule 1010(9) of the Listing Manual requires that the issuer disclose the effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year. The effect of the Acquisition on the distributable income per Unit is disclosed instead as it is a more appropriate measure for a business trust.

6.5. Pro Forma Gearing¹⁵

The table below sets out the pro forma financial effects of the Acquisition on the gearing of the Group for the financial year ended 31 December 2019, as if the Acquisition was completed on 31 December 2019:

	Actual	Adjusted for the Acquisition
Gearing (%)	32.8	38.0

7. Call Option

KIT is in discussions with MPIC on a proposed grant of a call option ("**Call Option**") to MPIC. It is contemplated that (a) the Call Option will allow MPIC (or a subsidiary of MPIC) to have a right to purchase from KIT (or a subsidiary of KIT) up to 30 per cent. of the interest in the Philipplines Holdco, and (b) in the event that MPIC (or a subsidiary of MPIC) exercises the Call Option to purchase from KIT (or a subsidiary of KIT) 30 per cent. of the interest in the Philipplines Holdco, KIT and MPIC will each have an equal interest in the Target.

The KIT Trustee-Manager will provide further details of the Call Option upon the execution of any definitive agreement(s), in compliance with the requirements of the Listing Manual.

8. Other Information

8.1. Directors' Service Contracts

No person is proposed to be appointed as a director of the KIT Trustee-Manager in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

8.2. Interests of Directors and Controlling Unitholders

As at the date of this announcement and to the best of the KIT Trustee-Manager's knowledge, based on information available to the KIT Trustee-Manager as at the date of this announcement, save for the unitholding interests in KIT held by certain directors of the KIT Trustee-Manager and by the controlling Unitholders, none of the directors of the KIT Trustee-Manager or the controlling Unitholders has an interest, direct or indirect, in the Acquisition.

¹⁵ Gearing means net debt of the KIT Group divided by the total assets of the KIT Group.

8.3. Disclosure under Rule 1006 of the Listing Manual

The relative figures¹⁶ for the Acquisition under Rules 1006(b) and 1006(c) of the Listing Manual are as follows:

	Acquisition (SGD million)	KIT Group (SGD million)	Percentage (%)
<u>Rule 1006(b)</u> FFO attributable to the Target compared with the FFO of the KIT Group, in each case, for the six-month period ended 30 June 2020 ¹⁷	9.2	127.4	7.2
<u>Rule 1006(c)</u> Estimated KIT Purchase Consideration compared with KIT's market capitalisation as at 7 December 2020	357.6	2,744.7	13.0

As the relative figures for the Acquisition under Rule 1010 of the Listing Manual exceed 5% but do not exceed 20%, the Acquisition is classified as a "discloseable transaction" under Chapter 10 of the Listing Manual.

8.4. Document for Inspection

Copies of the SPA are available for inspection during normal business hours at the registered office of the KIT Trustee-Manager (prior appointment with the KIT Trustee-Manager will be required) at 1 Harbour Front Avenue, #18-01 Keppel Bay Tower, Singapore 098632 from the date of this announcement up to and including the date falling three months from the date of this announcement.

¹⁶ The relative figure under Rule 1006(d) of the Listing Manual in relation to the number of Units issued by KIT as consideration for the Acquisition, compared with the number of Units previously in issue, is not applicable to the Acquisition as the KIT Purchase Consideration will be paid entirely in cash.

¹⁷ The SGX-ST has ruled that KIT is permitted to use FFO as the base for the calculation of the relative figure in Rule 1006(b) of the Listing Manual, on the basis of KIT's submissions that FFO of the KIT Group is more reflective (than net profits) of the underlying business performance of the KIT Group.

BY ORDER OF THE BOARD
KEPPEL INFRASTRUCTURE FUND MANAGEMENT PTE. LTD.
(Company Registration Number: 200803959H)
As Trustee-Manager of Keppel Infrastructure Trust

Marc Tan/Esther Chua
Company Secretaries
8 December 2020

IMPORTANT NOTICE

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the KIT Trustee-Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the KIT Trustee-Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units. The past performance of KIT is not necessarily indicative of the future performance of KIT. This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the KIT Trustee-Manager's current view on future events.