asxstatement

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Transfield Services supports outcomes from Transfield Services Infrastructure Fund capital structure review

Transfield Services Limited (ASX Code: TSE) confirmed today that it supported the outcomes of the Transfield Services Infrastructure Fund (ASX Code: TSI) capital structure review. TSE has a 47.5 per cent stake in TSI.

For TSI, the outcomes are expected to result in a renewed capital base and a solid financial platform to deliver attractive distributions to its security holders, while further developing its high quality asset portfolio.

Key outcomes from the review for TSI include:

- Corporate-level debt refinancing with maturity extending May 2015
- An equity raising of $110 million, fully underwritten by Macquarie Capital Advisers and RBS, and supported and partly sub-underwritten by Transfield Services
- The sale of Mt Millar Wind Farm for $191 million, representing a valuation of over 13x FY10F normalised EBITDA attributable to Mt Millar

As part of the TSI equity raising, TSE will be committing up to approximately $53 million through a $24 million partial take-up of its pro-rata institutional entitlement and a $29 million sub-underwriting of the retail offer.

TSE's 47.5 per cent interest in TSI is expected to be diluted depending on the final take-up under the retail offer. For example, if 50 per cent of the retail offer is taken up, TSE's interest in TSI is expected to reduce to 43 per cent.

The outcomes of the review will benefit TSE shareholders through:

- A forecast TSI FY11 distribution of 8.2 cents per security representing a yield of 11.7 per cent (based on an offer price of $0.70 per new security for the Placement and the Entitlement Offer)
- Ongoing access to a pipeline of opportunities from which TSE can benefit through a renewed TSI capital base
- Continuing success and development fees and the provision of ongoing operations and maintenance services provided to TSI assets

TSE confirms that it will incur a one-off after tax equity accounting cost of an estimated $22 million ($16 million non-cash) from TSE's pro-rata share of TSI's sale of the Mt Millar Wind Farm, interest rate swap break costs and other transaction costs. This assumes a 50% take-up of the Retail Offer.

Excluding the net impact of this one-off cost, the Company maintains its FY10 guidance. This one-off cost will also not impact TSE's ability to pay dividends or materially impact full year gearing targets.

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Transfield Services delivers essential services to key industries in the resources and industrial, property and infrastructure sectors. A leading global provider of operations, maintenance, and asset and project management services, Transfield Services has more than 28,000 employees in Australia, New Zealand, the United States, Canada, the United Arab Emirates, Qatar, India, Malaysia, Chile and New Caledonia. Transfield Services Limited is listed on the Australian Securities Exchange.
www.transfieldservices.com

Background

- Transfield Services Infrastructure Fund (TSI) is a dedicated infrastructure fund with a diversified range of high quality infrastructure assets providing predictable, low risk cash flows
- Transfield Services (TSE) currently owns a 47.5% stake in TSI
- TSI announced a capital structure review in June 2009 to ensure access to cost-effective capital to support the development of its portfolio of assets
- TSI today announced the conclusion of this review - the outcomes are supported by TSE
- This presentation addresses the impacts on TSE from the TSI announcement

Impacts on TSE from the TSI review

- TSI's capital structure initiatives are expected to provide TSI with a solid financial platform from which it can continue to deliver sustainable distributions to security holders, while further developing its high quality asset portfolio
- Key outcomes of the review for TSI include:
  - Corporate-level debt refinancing with maturity extending to May 2015
  - An equity raising of $110m, fully underwritten by Macquarie Capital Advisers & RBS, and supported and partly sub-underwritten by TSE
  - The sale of Mt Millar Wind Farm for $191 million, representing a valuation of over 13x FY10F normalised EBITDA attributable to Mt Millar
- TSE will be committing up to approximately $53 million through a $24 million partial take-up of its pro-rata institutional entitlement and a $29 million sub-underwriting of the retail offer.
- TSE's current 47.5% interest in TSI will be diluted to the extent of the final take-up under the retail offer e.g. if 50% of the retail offer is taken up, TSE's interest is estimated to reduce to approximately 43%

Impact on TSE's FY10 results

- A one-off equity accounting cost will be incurred by TSE from the execution of the TSI capital structure review recommendations
  - The size of this cost will depend on TSE's holding in TSI following the equity raising
- Assuming that 50% of the TSI retail offer is taken up, TSE holding in TSI will be diluted to 43% at the conclusion of the equity raising
- On this basis, TSE's share of the one-off cost is estimated to be $22m comprising
  - A non-cash after tax loss of approximately $14m on the sale of Mt Millar Wind Farm;
  - Other after tax transaction costs of approximately $8m ($2m of which are non-cash)
- Excluding the net impact of this one-off cost, the Company maintains its FY10 guidance
- Given the majority non-cash nature of this one-off cost, TSE's ability to pay dividends is not impacted
- If TSE is required to meet its full sub-underwriting obligations the impact on the equity accounted cost is expected to be minimal i.e. if TSE ownership exceeds the expected 43%

Conclusion

- TSE believes that a recapitalised TSI will benefit TSE shareholders
- A forecast TSI FY11 distribution of 8.2 cents per security representing a yield of 11.7% (based on an offer price of $0.70 per new security for the Placement and the Entitlement Offer)
- The renewed capital base will enable TSI to pursue a potential pipeline of opportunities which will generate income and capital upside for TSE's investment
- TSE's relationship with TSI will continue - and provide benefits for both parties through operations and maintenance services, as well as success and development fees