



SMRT CORPORATION LTD
(Incorporated in the Republic of Singapore)
(Company Registration Number 200001855H)

**CHAIRMAN'S OPENING REMARKS FOR SCHEME MEETING
HELD AT THE STAR THEATRE, LEVEL 5, THE STAR PERFORMING ARTS CENTRE,
1 VISTA EXCHANGE GREEN, SINGAPORE 138617
ON 29 SEPTEMBER 2016 AT 3.30 P.M. OR AS SOON THEREAFTER FOLLOWING THE
CONCLUSION OR ADJOURNMENT OF THE NRFF EGM HELD AT 2.30 P.M. ON THE SAME
DAY AND AT THE SAME VENUE, WHICHEVER IS LATER**

Ladies and Gentlemen,

Good afternoon. For those of you who have been with us since the earlier EGM, thank you for your patience and for those who have just joined us, thank you for coming to the Scheme EGM .

First, let me say a few words as Chairman of the Company, and also as a fellow shareholder. Like many of you I have been a shareholder for many years, well before I joined the Board.

As shareholders of SMRT, you have been an integral part of the Company's journey since its listing on the Singapore Stock Exchange on 26 July 2000. It has been a tremendous ride over the past 16 years, which has been bumpy in recent times. While some of you may have expressed concerns – you have stuck with us nevertheless. The Board and management are thankful to you for your continued support.

SMRT is now at an important juncture as it transitions to the New Rail Financing Framework or NRFF as it is called. The NRFF is a crucial change to the current rail financing framework, which has become unsustainable. But despite the NRFF being better than the current framework, SMRT will continue to face significant business risks in the future. Our CEO, Desmond Kuek, had earlier shared in great detail those challenges and how many of them are out of SMRT's control.

Today we are all gathered here to collectively decide on the path that SMRT should take from here on. We will be deciding on Temasek's offer to take SMRT private.

I can fully understand that many shareholders have sentimental attachment to and for the company. Many of you have been shareholders from the first day. There is something good about being a shareholder and part of the company that runs the trains you ride in every day. It is understandable that it is difficult to let go of something we all hold dear.

However, we must remember that SMRT is not just any other company. It is an intrinsic part of the daily lives of millions of Singaporeans. On average more than two million train rides are



taken on our rail network EVERY DAY. It is a key infrastructure for Singapore and the Singapore economy. The first and foremost priority of SMRT is to deliver reliable and safe public transport service to the millions of commuters. This has always been the focus of the company, and will continue to remain so in the future. We are now deciding on the best framework for SMRT to best fulfil this core role going forward.

Delivering such high levels of service is an incredibly difficult task. For SMRT, it is made even tougher by an ageing network and challenges in the public policy and regulatory environment on the one hand and the expectations from shareholders of a listed company on the other.

The reality is that that is the environment we have to operate in. So, we must now collectively decide on the path that SMRT should take from here on. A path that allows it to better focus on its core responsibilities and fulfil them without any distractions or added pressures to deliver fair returns to shareholders. The Board has come to the unanimous conclusion that even with the NRFF that path is one of privatising the company. This will give the company greater flexibility to better focus on its core role of delivering safe, high quality and reliable rail service during this transition phase, and ensure high standards of operational excellence.

When Temasek approached us with their offer, the Board deliberated on it and concluded that it should be put to you, the shareholders, to decide. As part of our duty towards you, the Board has also appointed an Independent Financial Adviser to opine on the terms of the Scheme. The IFA has said that the terms of the Scheme from a financial point of view are fair and reasonable. The full advice of the IFA is set out in its letter, which is set out in Appendix 1 to the Scheme Document. In order to make an informed decision, you should read the IFA Letter in its entirety. In addition, independent corporate governance groups, ISS and Glass Lewis have also recommended that shareholders accept the offer.

Having carefully considered the terms of the Scheme and the advice given by the independent financial adviser on the terms of the Scheme, the directors of the Company view the Scheme favourably and are supportive of the acquisition. As such, we have recommended that minority shareholders accept Temasek's privatisation offer.

I do realise that some of you have questions on the Scheme and the Board and the management would be pleased to answer them. But before we open the floor for questions, I would like to invite our CEO, Desmond Kuek, to share more details on the Scheme and the challenges that SMRT will continue to face even under the NRFF.

Thank you.



**CEO'S BRIEFING FOR SCHEME MEETING
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Good afternoon, and welcome to our Scheme Meeting for the proposed privatization of SMRT Corporation.

Introduction

On 16 July 2016, a day after the proposed transition of SMRT's existing lines to a New Rail Financing Framework was announced, we received an unsolicited offer by our majority shareholder Temasek Holdings (Private) Limited, for the acquisition of the outstanding shares in SMRT that they do not currently own, by way of a Scheme of Arrangement under the Companies Act.

The SMRT Board deliberated extensively on the proposal with our financial and legal advisors, Bank of America Merrill Lynch and Wong Partnership, and resolved that there is merit for the proposed Scheme to be put to you, our shareholders, for consideration and approval.

On 20 July 2016, a Joint Announcement was made that SMRT and Belford Investments Pte. Ltd, a wholly-owned subsidiary of Temasek Holdings, have entered into an implementation agreement to effect a Scheme for Temasek to acquire all other shares in SMRT that Temasek does not own.

Transaction Summary

The Scheme Document dated 6 Sep 2016 has set out the details on the Scheme. Through Belford Investments Pte. Ltd., Temasek is offering shareholders S\$1.68 per share in the Scheme. The Scheme process requires the approval by shareholders at a Scheme meeting, followed by a sanction by the High Court.

Rationale for Scheme of Arrangement

Temasek's rationale for adopting a Scheme of Arrangement, instead of a General Offer, is that it already owns a majority of shares in SMRT. Its interest is not to increase its shareholding, but to delist the company and take it private. This is better achieved with the "all or nothing" outcome of a Scheme of Arrangement. In addition, a Scheme of Arrangement also allows minority shareholders to determine the outcome as Temasek, being the Offeror, cannot vote.

As President of SIAS Mr David Gerald has noted, the Scheme is a fair process that allows all minority shareholders the right to vote and determine the outcome. The Scheme is also subject to the approval by the High Court.



Scheme Approval Thresholds – Illustrative example

The Scheme requires two thresholds to be approved – a “headcount” test and a “number of shares” test. Assuming there are 5,000 shareholders (3,000 present today and 2,000 who submitted their vote by proxy) at the scheme meeting; and that these 5,000 shareholders hold a total of 100 million shares.

For the scheme of arrangement to be approved, at least 2,501 shareholders out of the 5,000 shareholders need to vote in favour of the scheme to meet the "headcount" test.

In addition, these 2,501 voters need to hold and vote at least 75 million shares out of the 100 million shares to meet the "number of shares" test.

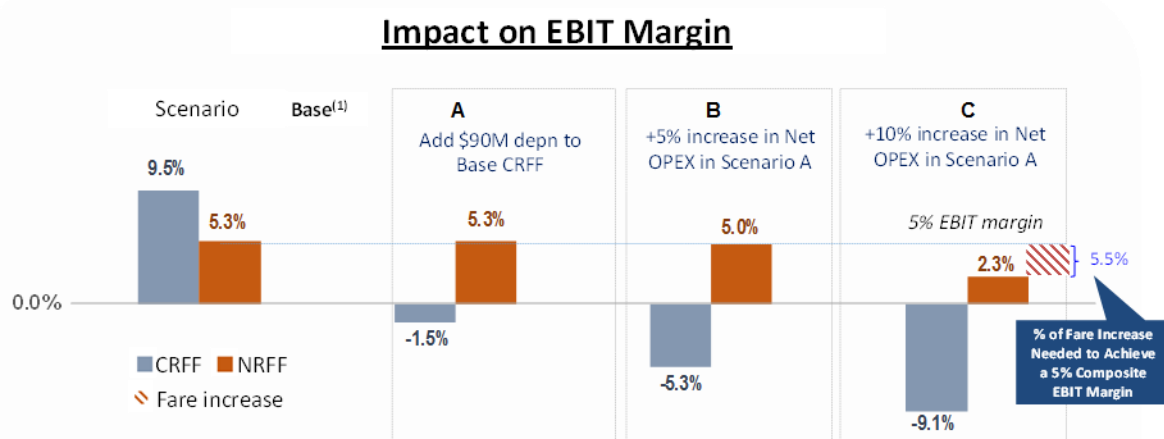
Both these conditions need to be met in order for the Scheme to be successful. If the Scheme does not succeed, then Temasek will not acquire any shares and SMRT will remain listed on the SGX.

Expected Scheme Timeline

In terms of timeline, assuming the Scheme succeeds today, we will have to apply again to the High Court to sanction the Scheme, then lodge the Court Order with ACRA before the Scheme becomes binding and effective. We expect this to take about 2-3 weeks. Shareholders can expect to be paid on or around 1 Nov 2016 subject to confirmation of court dates.

Business Risks under the NRFF

I had explained earlier, at the EGM on the asset sale under the New Rail Financing Framework, some of the underlying business risks for the company, even under the new framework. Let me recap some of those points using this slide. Using again the FY2016 numbers as illustration, we compare the financial effects of the current framework (blue bars) against new framework (brown bars) under 3 simulated scenarios.



⁽¹⁾Excludes net property tax refund relating to prior years' over assessment

In the base scenario, you can see that NRFF earnings at 5.3% appears lower than the CRFF yield of 9.5% that was achieved last Financial Year. However, that is because the CRFF scenario



has not yet built in the estimated annual depreciation charges relating to the S\$2.8 billion capital expenditure that SMRT is obliged to pay over the next 5 years.

When this is included, as shown in Scenario A, the CRFF falls off to a loss situation, while the NRFF stays at 5.3% because SMRT Trains would no longer be responsible for capex on operating assets. It should be noted that this loss situation reflects the composited fare and non-fare earnings for the rail transit business, meaning that the additional depreciation would effectively wipe out the commercial non-fare earnings of the rail transit business.

Scenario B illustrates the effect of a potential increase in operating expenditures by 5%. Under the CRFF, the losses would continue to mount; while under the NRFF, EBIT margins stay fairly resilient at about 5%.

Scenario C illustrates the effect of a potential increase in operating expenditures by 10%. Under the NRFF, the EBIT margin now falls to 2.3%. Such a scenario is not unthinkable, as we are committed to employing or allocating 700 additional maintenance headcount over the next 3 years for the purpose of improving rail reliability and achieving standards set out by the authorities.

As a reality check, in order for the EBIT margin under this scenario to return to about 5%, fares would have to be adjusted upwards by 5.5%. In all the years of fare adjustments, we note that the highest that fares have ever been adjusted is 2.8%, from FY2014 to FY2015.

The Context for Privatisation

So while the NRFF is more sustainable, it is important to understand that SMRT Trains' ability to achieve an EBIT margin of 5% is not certain.

There remains uncertainty over fare and ridership levels, two key drivers of revenue that are primarily beyond the control of SMRT and which SMRT is unable to project or predict with accuracy. Fares continue to be set by the Public Transport Council, and there is no telling at this point what cannibalization effect there will be on ridership levels on our existing lines with the introduction of new lines under the Land Transport Masterplan up to 2030.

We have pointed out that while we welcome the risk sharing mechanisms that are being introduced in the NRFF, the profit cap and collar mechanism is asymmetrical as the LTA will share up to a maximum of 95% of any excess margin above 5% via a tiered structure. The downside sharing of 50% below a threshold of 3.5% EBIT margin is limited to the quantum of licence charge payable for the year.

We expect the regulatory and operating environment to continue to be challenging due to cost uncertainties and heightened standards, especially in relation to an ageing and expanded network.

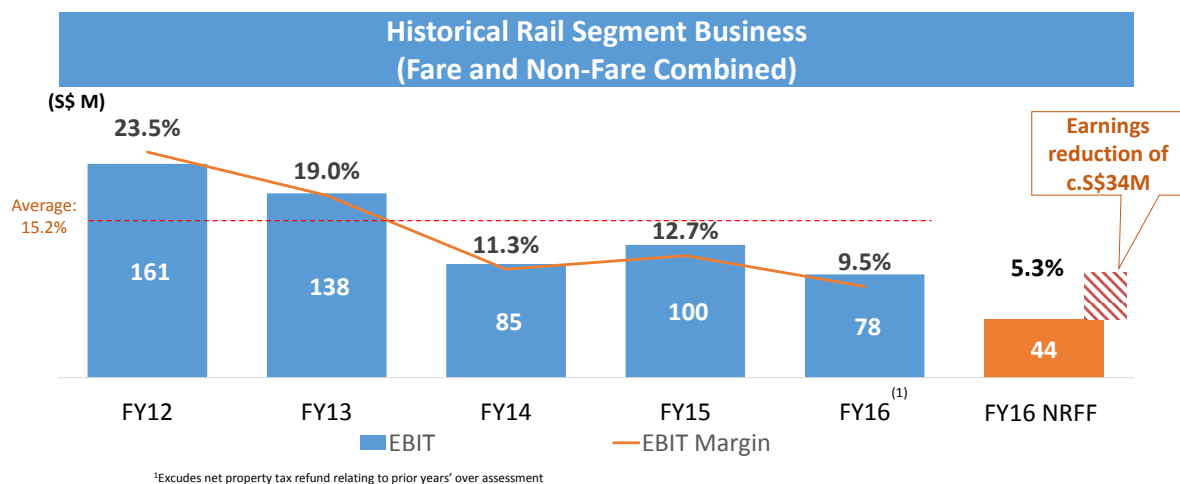
The ongoing renewal of the NSEWL is said to be the biggest modernisation project on a "live" MRT system anywhere in the world, and includes sleeper replacements, re-signalling, third rail and power upgrades, passenger screen doors and escalator refurbishment, as well as train upgrades.



Over the coming years, a significant amount of resources will need to be invested in existing and new multi-year programmes to enhance commuter experience and rail reliability.

Earnings Impact under the NRFF

As a consequence, SMRT Trains' EBIT margin, including its fare and commercial revenue, is expected to be lower than the historical average over the last 5 years as it will be capped at around 5%. Compared to the actual FY2016 EBIT margin of 9.5%, the earnings reduction of approximately S\$34 million (or about 30% of FY2016 Group EBIT) will adversely impact SMRT's ability to maintain the dividend payout expected by shareholders going forward, all else being equal.



Temasek's Reasons for Privatising SMRT

Temasek has stated in our joint statement made on 20 July 2016 that the proposal to move SMRT to private ownership is so that they can more closely collaborate with the Company on system level transformation, including its transition to the new regulatory environment without the distraction of being a listed company. There will be greater flexibility for Temasek to work with SMRT as a private entity to seek sustainable long term solutions as part of its transition.

Temasek believes that the privatisation will enable it to better support SMRT as it retools and reinforces its core skill set in operations, maintenance as well as engineering.

It will also allow minority shareholders to monetise their holdings for cash and avoid uncertainties of the regulatory transition to the New Rail Financing Framework.

Privatisation will remove costs and constraints of being a listed company and allow maximum flexibility for SMRT to focus on its core activities.

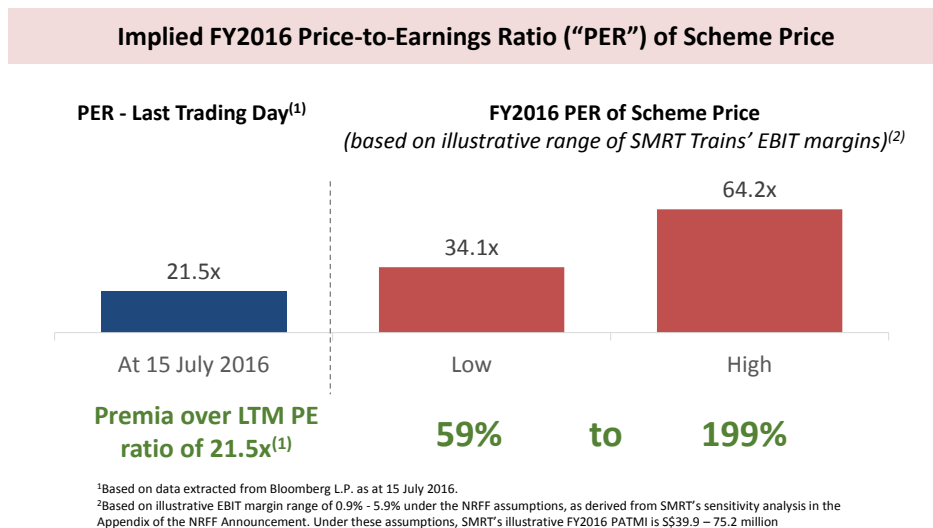
Scheme Price

As mentioned in the transaction summary in an earlier slide, the Scheme Price of S\$1.68 per share is payable in cash if the Scheme is successful. Shareholders were entitled to the final dividend of 2.5 cents per share that was declared for FY2016 and already paid on 4 August 2016.

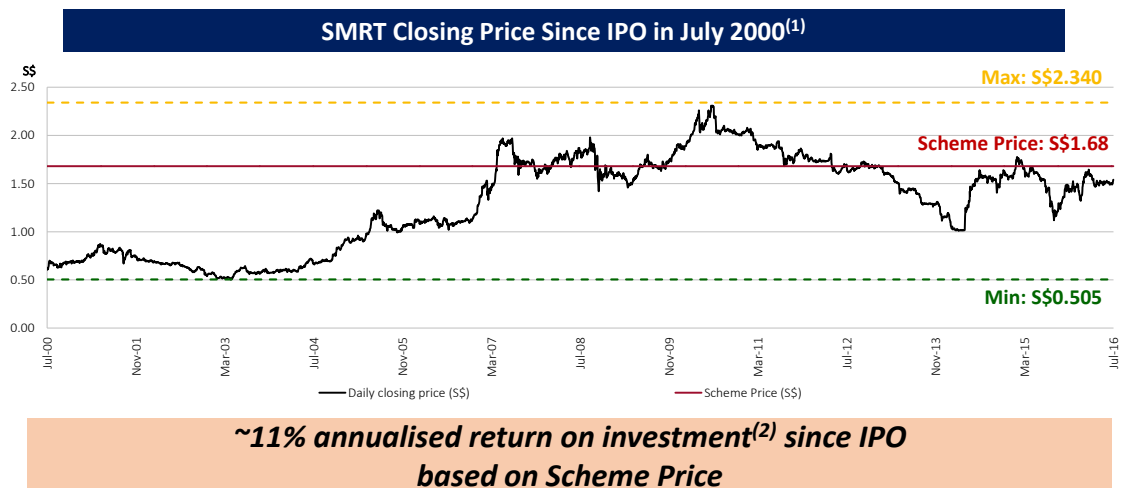


The Scheme price of S\$1.68 represents an implied FY2016 PE ratio of approximately 34x to 64x based on the illustrative range of SMRT Trains' EBIT margins of 0.9% to 5.9% under the NRFF assumptions shown in the earlier sensitivity analysis.

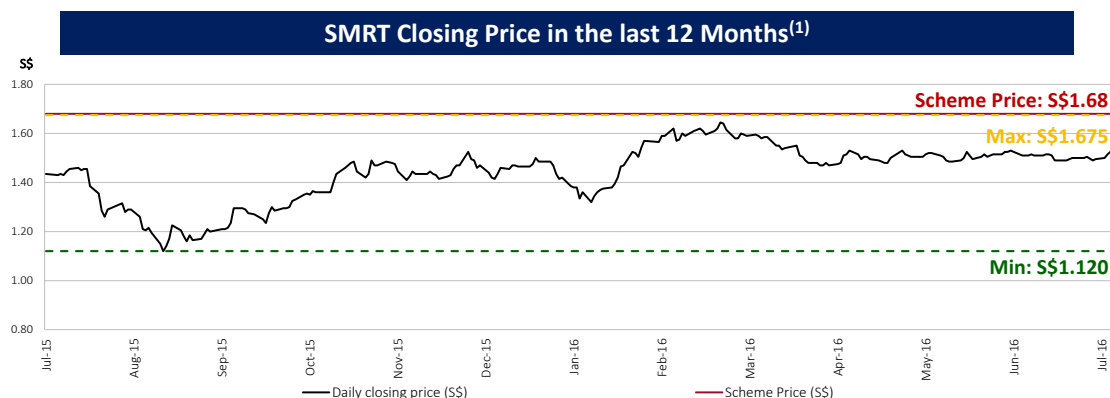
This implied range of PE ratios translates to a premium of 59% to 199% when compared to the LTM PE ratio for the period ending 15 July 2016.



If we compare the Scheme Price against SMRT's historical trading prices, a shareholder who had invested at IPO would have earned an average annual return on investment of 11% if the Scheme is successful, assuming all dividends received over time had been reinvested into SMRT shares.



The Scheme Price is also above SMRT's highest traded price (of S\$1.675) in the last 12 months prior to the announcement of the Scheme.



***Scheme Price above SMRT's highest traded price
in the 12-month period⁽¹⁾***

¹Up to Last Trading Day prior to announcement of the Scheme, being 15 July 2016

Recommendation of the IFA and other research houses

SMRT has appointed Rothschild as the Independent Financial Adviser on the Scheme, and they have concluded that from a financial point of view, the terms of the scheme are fair and reasonable.

All the research houses covering SMRT's stock have unanimously recommended that shareholders Accept the Offer. In addition, corporate governance groups like ISS and Glass Lewis have also recommended that investors vote in favour of the Scheme.

	<u>Pre-NRFF Announcement</u>	<u>Post-NRFF Announcement</u>	<u>Recommendation</u>
Macquarie	1.10	1.00 ↓	ACCEPT
CIMB Securities	1.40	1.17 ↓	ACCEPT
Nomura	1.40	1.28 ↓	ACCEPT
DBS Vickers Securities	1.53	1.28 ↓	ACCEPT
Phillip Capital	1.42	1.35 ↓	ACCEPT
Maybank Kim Eng	1.40	1.36 ↓	ACCEPT
UOB Kay Hian Securities	1.48	1.40 ↓	ACCEPT
OCBC Investment Research	1.55	1.45 ↓	ACCEPT
RHB OSK	2.25	1.76 ↓	ACCEPT
Deutsche Bank Research	2.42	2.52 ↑	ACCEPT

***In addition, Institutional Shareholder Services Inc. and Glass Lewis have
recommended that shareholders vote FOR the Scheme***

Conclusion

Based on the IFA's recommendation, the Independent Directors have unanimously recommended that Scheme Shareholders vote in favour of the Scheme at today's Scheme Meeting.

We look forward to addressing your questions. Thank you.



**CHAIRMAN'S CLOSING REMARKS FOR SCHEME MEETING
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The vote is now completed. 84.83% of the number of Scheme Shareholders represented by votes either in person or by proxy have voted FOR. 92.89% of the number of Scheme Shares represented by votes in person or by proxy have voted FOR.

Based on the results of the vote, the resolution has been approved by a majority in number of the Scheme Shareholders present and voting, either in person or by proxy, at this Meeting, such majority representing not less than three-fourths in value of the Scheme Shares voted at this Meeting. Therefore, I declare the resolution carried.

Thank you all for your vote. The motion has been approved. I know it has been a tough decision for many of you to let go of a company that you have supported and been a part of for many years. The Board and the management would like to thank you for all your support. You have made history by being a part of this historic event. It is historic in terms of the size for the turnout for a corporate action event, and in terms of the evolution of the rail transport financing and structural framework your decision today will bring about.

I would also like to take this opportunity to thank you on behalf of Temasek. The Scheme is still subject to court approval but assuming that court approval is granted, SMRT will be working closely with Temasek to ensure that SMRT continues to deliver a reliable and safe public transport of the highest quality.



RESPONSIBILITY STATEMENT

The directors of the Company (including any who may have delegated detailed supervision of the preparation of this transcript) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this transcript are fair and accurate and that no material facts have been omitted from this transcript, the omission of which would make any statement in this transcript misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted from published or publicly available sources, the sole responsibility of the directors of the Company has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this transaction.

FORWARD-LOOKING STATEMENTS

This transcript may contain statements regarding the business of SMRT Corporation Limited (the "Company") and its subsidiaries that are forward looking in nature. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy" and similar expressions or future or conditional verbs such as "will", "would", "shall", "should", "could", "may" and "might".

These statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. They are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes and regulatory developments. Accordingly, actual results may differ materially from those targeted, expected, projected or described in such forward-looking statements. Shareholders, investors and others should not place undue reliance on such forward-looking statements, and neither the Company nor its management undertakes any obligation to update publicly or revise any forward-looking statements.