

TEMASEK



Joint Media Briefing

Temasek and SMRT Corporation Limited

20 July 2016

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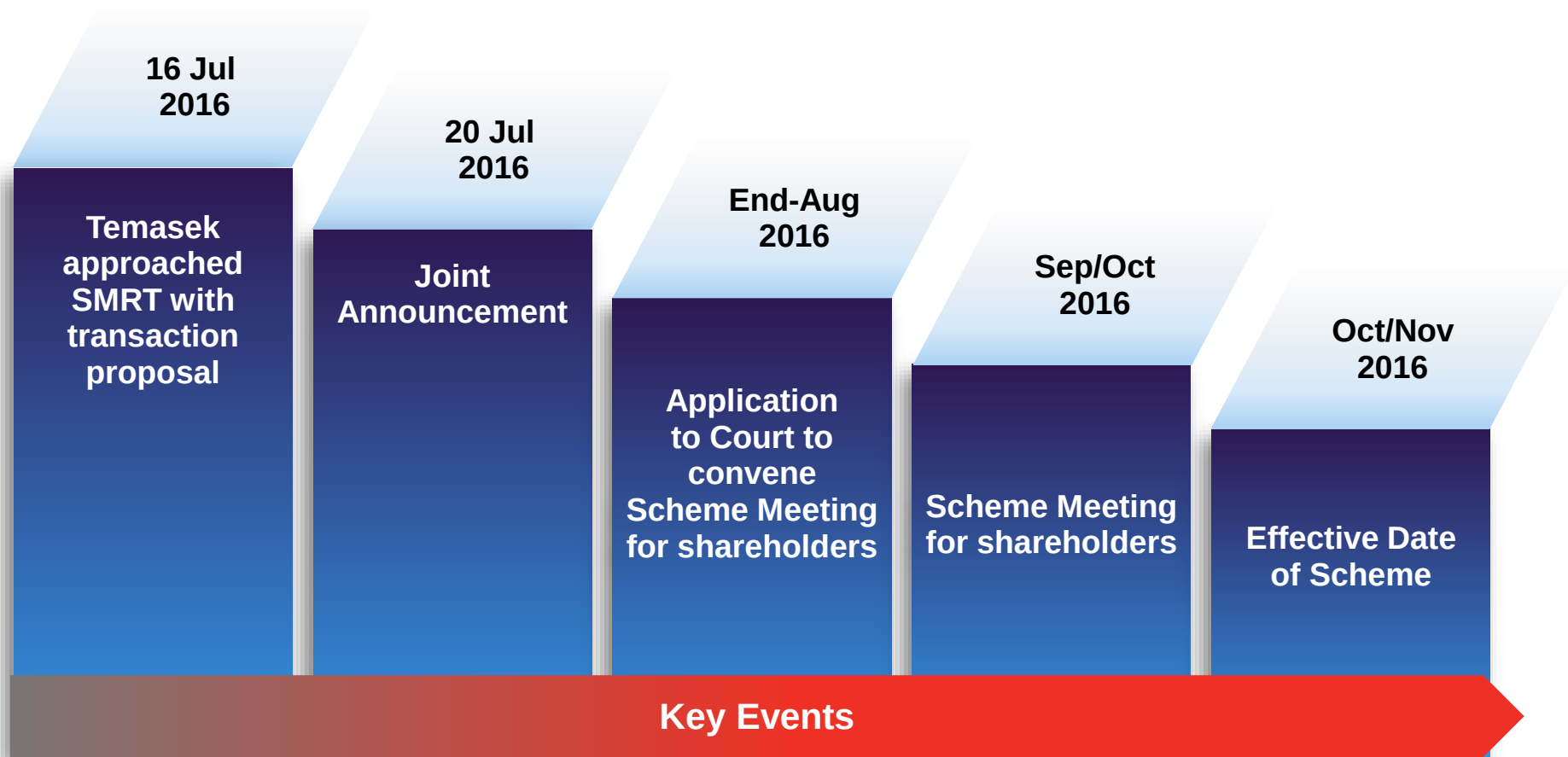
Summary Transaction Overview

Item	Overview
Transaction structure	Scheme of Arrangement for all issued and paid-up ordinary shares in SMRT, other than those already held by Temasek (the “Scheme Shares”)⁽¹⁾ - Temasek currently owns 54.0% in SMRT
Offeror	Belford Investments Pte. Ltd., a wholly owned subsidiary of Temasek
Scheme Price	S\$1.68 in cash for each Scheme Share
Shareholder approval threshold⁽²⁾	1) 75% in value of the Scheme Shares voted at the Scheme Meeting; and 2) Majority in number of shareholders present and voting at the Scheme Meeting
Can Temasek vote?	No. Minority shareholders will decide on the outcome.
Other approvals sought	1) High Court of the Republic of Singapore (“Court”) to sanction Scheme 2) Singapore Exchange Securities Trading Limited (“SGX-ST”) for the delisting of SMRT
Independent Financial Advisor (“IFA”)	IFA to be appointed by Board of Directors of SMRT for the purpose of making a recommendation to shareholders
Financial Advisors	1) Financial Advisor to Temasek: Credit Suisse 2) Financial Advisor to SMRT: Bank of America Merrill Lynch

(1) Under Section 210 of the Companies Act, Chapter 50 of Singapore, and the Singapore Code on Take-overs and Mergers.

(2) In person or proxy.

Expected Transaction Timeline⁽¹⁾



(1) These are indicative timelines. Actual dates will be announced in due course.

The Context

Temasek and the Company accept NRFF as part of a regulatory transition; but there remain significant business risks and challenges beyond SMRT's control

1 Uncertainty over fare increases and ridership

- Fare levels and revenue will continue to be dependent on a myriad of factors
- Uncertainty over future fare adjustments and the impact on ridership of new lines

2 Profit cap and collar mechanism is asymmetrical

- LTA will share up to 95% of any incremental EBIT margin exceeding 5%
- LTA's downside risk is limited to the quantum of licence charge payable

3 Challenges in the regulatory environment

- Costs and uncertainties associated with an ageing and expanded network
- Delivery of higher rail reliability and service in line with heightened Maintenance Performance Standards

4 Existing and new multi-year programmes

- Reinforce core engineering capabilities by increasing maintenance headcount and deepening skillsets
- Enhance commuter experience through further development and training of service staff
- Enhance rail reliability and develop a best-in-class asset management system

Privatising SMRT

1

Focus on primary role

- Deliver safe and high quality rail service to commuters in Singapore
- No short term pressures of being a listed company

2

Retool and reinforce core skillsets

- Enables Temasek to closely support SMRT as it retools and reinforces core skillsets in operations, engineering and maintenance

3

Monetisation opportunity for current shareholders

- Allow minority shareholders to monetise holdings for cash through the Scheme and avoid uncertainties of the transition

4

Remove costs and distractions associated with listing requirements, including quarterly reporting

Temasek will closely support SMRT in its primary role in delivering safe, high quality and reliable rail service in Singapore

Scheme Price

1

Scheme Price for each Share is S\$1.68 in cash

- Total cash consideration of approximately S\$1.18 billion⁽¹⁾ for c.702 million shares
- Shareholders will be entitled to the final (tax exempt one-tier) dividend of 2.5 cents per share for FY2016

2

Scheme Price represents implied FY2016 price-to-earnings ratio (“PER”) range of 34.1x – 64.2x, based on illustrative range of SMRT Trains EBIT margins

- Based on illustrative EBIT margin range of 0.9% – 5.9% under the NRFF⁽²⁾ assumptions, SMRT’s illustrative FY2016 PATMI is S\$39.9 – 75.2 million

3

This implied PER range translates to a premium over relevant historical last 12 month (“LTM”) PERs of SMRT

- 58.7% - 198.6% premia over the LTM PER until 15 July 2016 (“Last Trading Day”) of approximately 21.5x⁽³⁾
- 52.3% - 186.6% premia over the average rolling LTM PER over past one year prior to Last Trading Day: 22.4x⁽³⁾

(1) Based on SMRT’s total ordinary shares outstanding of 1,526,516,090 less Offeror’s existing holdings of 824,400,030 SMRT shares, as at 15 July 2016, multiplied by the Scheme Price.

(2) As derived from SMRT’s sensitivity analysis in the Appendix of the NRFF Announcement.

(3) Based on data extracted from Bloomberg L.P. as at 15 July 2016.

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