BRIEFING TO ANALYSTS & MEDIA
ON THE NEW RAIL FINANCING FRAMEWORK FOR SMRT
15 July 2016

1. [Slide 3] Earlier today, it was announced that LTA and SMRT Trains have agreed to transit the North-South and East-West Lines, Circle Line and Bukit Panjang Light Rail Transit to the New Rail Financing Framework, or "NRFF" for short. SMRT welcomes the transition which will bring SMRT's current rail lines into a financing framework that is more sustainable. This transition comes after extensive consultations with the Land Transport Authority (LTA) since 2011.

2. [Slide 4] In my brief this evening, I will give an overview of the Current Rail Financing Framework (CRFF) and its challenges for us; the structure of the NRFF including the proposed sale of operating assets; and finally, the Group's strategy to ensure sustainable growth going forward.

OVERVIEW OF CURRENT RAIL FINANCING FRAMEWORK

3. [Slide 5] SMRT Trains entered into our existing rail licence for the North-South & East-West Lines with LTA on 1 April 1998, for an initial period of 30 years until 2028. Subsequently, SMRT Trains' wholly-owned subsidiary, SMRT Light Rail obtained the licence to operate the Bukit-Panjang LRT line (BPLRT) on 6 November 1999 for an initial period of 29 years; and SMRT Trains was awarded the licence for the Circle Line (CCL) on 4 May 2009 for a period of 10 years. Under the terms of the existing rail licences, there is a possible extension of each of the licences for 30 years subject to LTA's discretion.

4. Under the existing licences, SMRT Trains operates on an asset-heavy business model. In this model, the operating assets for the respective lines were initially funded by LTA, with an obligation on the operator to buy over these assets according to the dates specified in the respective licences. SMRT Trains is then expected to fund all additions, renewals and replacements relating to the operating assets during the tenure of the existing licences. Infrastructure assets such as stations, depots, tunnels, viaducts, sleepers, ballast, running rails, third rails and power substations are owned by LTA, and LTA is responsible for the renewal and replacement of these assets. All revenue generated from the respective lines is retained by SMRT Trains for the purpose of meeting our service obligations and sustaining the lines.

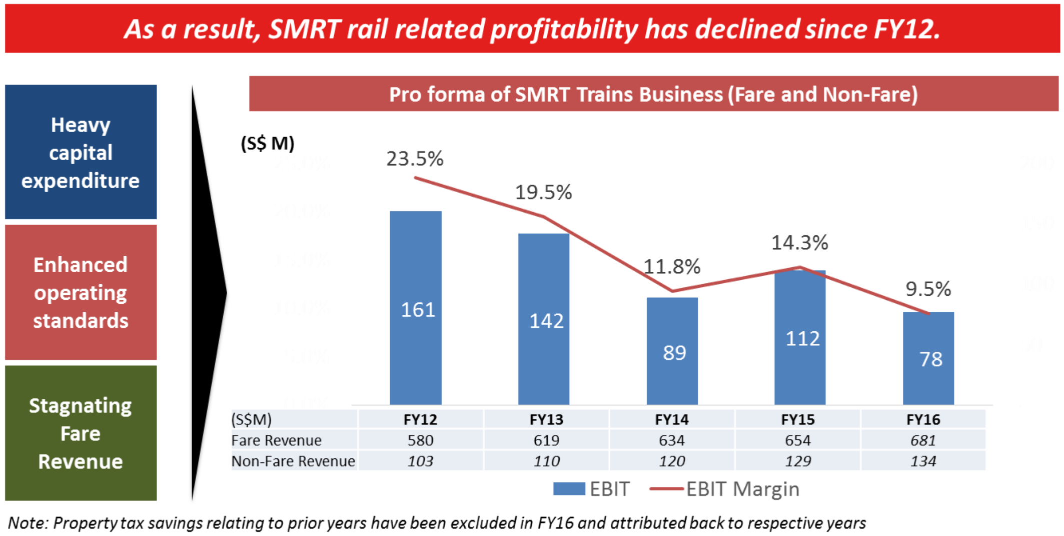
5. [Slide 6] Going forward, it is not possible to sustain the financial obligations under the existing licences and the heavy capital expenditures related to an expanded and ageing network, due to the following factors:

a. [Slide 7] First, rail-related capital expenditure is expected to significantly increase in the future. Over the past 5 years, rail-related capital expenditures have already amounted to about S$1.3 billion, with depreciation charges increasing 11.9% year-on-year. More capital expenditure would be required over the next 5 years and could reach an aggregate estimated capital expenditure spend of about S$2.8 billion, for the replacement of ageing assets in the system and the procurement of new trains and take-over of Circle Line and Boon Lay Extension operating assets, as required under the current licence.

b. [Slide 8] Second, the costs associated with meeting heightened regulatory standards have increased. Enhanced security and operating standards have contributed to rail operating expenditures increasing by 8.1% year-on-year over the past 5 years. Maintenance-related expenditures over the same 5 year period have increased 12.4% year-on-year to reach 45% of our rail fare revenue in the last Financial Year. SMRT Trains as an operator is obliged to comply with these regulatory standards at our own cost under the CRFF.

c. [Slide 9] Third, actual fares over the years have not kept pace with the cumulative maximum allowable fare adjustments based on the prescribed fare adjustment formula by the Public Transport Council. Over the past 5 years, actual fares only increased by 1.0% year-on-year. Had fares increased in accordance with the prescribed fare adjustment formula since 2001, the CRFF might have been a viable framework with foregone revenues going toward capital and operational expenditures.

6. [Slide 10] As a result of the fare gap, rising operating expenses and the increased capital commitments, a declining trend can be observed in SMRT's rail-related profitability since FY2012, despite the steady increase in non-fare earnings. This trend of declining profitability is expected to persist under the CRFF as the additional capital expenditures and increased depreciation would exert additional pressure on the future cash flows and profits of the SMRT Trains Entities.



7. [Slide 11] The table illustrates the impact of FY2016 CRFF earnings under various market conditions if SMRT Trains had to incur the additional depreciation charges of approximately S$90 million for the S$2.8 billion capital expenditure obligations, assuming a useful life of 30 years was adopted for these assets. Should total revenue remain at actual FY2016 level and operating expenses fluctuate between -10% and +10%, SMRT Trains' EBIT margin would range from 8.0% to -6.6%.

Illustrations of how FY2016 EBIT margin under CRFF may be impacted in different market conditions with the additional depreciation charges

Variations on Operating Expenses (Net of OOI)

Variation on Fare Revenue		-10%	-5%	0%	+5%	+10%
	+5%	12.4%	8.9%	5.4%	1.9%	-1.6%
	+2%	9.8%	6.2%	2.7%	-0.9%	-4.5%
	0%	8.0%	4.4%	0.7%	-3.0%	-6.6%
	-2%	6.2%	2.4%	-1.3%	-5.1%	-8.8%
	-5%	3.2%	-0.7%	-4.5%	-8.4%	-12.2%

Assumptions:
- Actual FY16 Revenue and OPEX used for illustration purposes
- Additional S$90M depreciation cost included in OPEX, assuming that new assets of S$2.8 B in capital expenditure and useful lives of 30 years

THE NEW RAIL FINANCING FRAMEWORK

8. [Slide 12] The Government announced the NRFF in 2008 to facilitate the future expansion of the rapid transit system network in a financially sustainable manner and to inject greater contestability into the rail industry. The NRFF was first implemented in 2011 for the Downtown Line (DTL) MRT System. Although our existing rail licences have not expired, given the limitations described above, the Company and LTA have been in discussion since 2011 on the possibility of an early transition to a new licensing arrangement under the NRFF.

We have concluded discussions, and subject to the approval of shareholders, the Company intends to undertake the Proposed Sale in conjunction with this transition to the NRFF.

9. Under the NRFF, capital investments in operating assets will be made by LTA rather than the operator. LTA will own the operating assets and thereby retain the ability and flexibility to make decisions on capital investments, undertake integrated and holistic long-term planning, and effect the timely purchase of more assets to enhance carrying capacity. As a result of this change, SMRT Trains will operate under an asset-light model, focusing on two main areas: providing quality service to commuters and maintaining the trains to ensure smooth operations.

10. SMRT Trains will have the right to operate its current MRT and LRT lines under a single new licence for a period of 15 years commencing on 1 October 2016, with the possibility of an extension of 5 years subject to parties' mutual agreement.

11. During the licence period, SMRT Trains (comprising its rail Fare and Non-Fare business) will pay LTA a licence charge for the right to use the operating assets and operate the lines. The licence charge is structured to enable SMRT Trains to share with LTA the risks (and rewards) associated with uncertainties in relation to revenue from fare collection and fluctuations in operating costs.

12. [Slide 13] In order to share the revenue risk between SMRT Trains and LTA, a Revenue Collar mechanism was determined based on a set of projected revenue figures set by LTA in the NRFF Licence. This is called the "Target Revenue". If the actual revenue deviates from the Target Revenue, the shortfall between 2% and 6% will be shared equally (50%) between SMRT Trains and LTA. LTA will bear 75% of any incremental revenue shortfall beyond 6%.

13. Further, actual overall earnings are calibrated through an EBIT margin Cap and Collar mechanism. If actual EBIT margin falls below 3.5%, 50% of the shortfall is borne by LTA. LTA's sharing of these downside risks is limited to the quantum of the licence charge payable for the financial year. For EBIT margin above 5%, excess will be shared via a tiered structure, up to a maximum of 95%, to LTA.

14. [Slide 14] SMRT Trains may also apply to LTA for a grant if it suffers a net reduction in operating revenue or a net increase in operating costs as a result of certain specified unanticipated events, such as enhancement of operating standards[1] and reduction in rentable spaces. However, SMRT Trains is similarly obliged to reimburse LTA if it has a corresponding net reduction in operating costs or net increase in operating revenue. The grant quantum will

[1] Operating Performance Standards (OPS), Key Performance Indicators (KPI) including Mean Km Between Failure (MKBF), Maintenance Performance Standards (MPS).

be at LTA's discretion after taking into consideration the information provided by SMRT Trains to LTA for deliberation.

15. [Slide 15, 16 and 17] In summary, a comparison of the differences in structure and salient terms of the Existing Licences and the NRFF Licence is set out in the table presented (see appendix).

16. [Slide 18] To recap, the NRFF will reduce the business risks for SMRT Trains in the future as it will offer some protection in terms of fare revenue and profitability. Relieved of our capital expenditure obligations, SMRT Trains will be better positioned to operate and maintain its rail services.

17. LTA's press release states that the licence charge, which comprises fixed and variable components, has been structured by LTA to allow SMRT Trains to achieve a composite (fare and non-fare) EBIT margin of about 5%. This is similar to the historical EBIT margins of comparable asset-light rail operators in other jurisdictions.

18. [Slide 19] It is important to understand that the EBIT margin of SMRT Trains under the NRFF is not a certainty. It is dependent on a myriad of factors that are primarily beyond the control of SMRT Trains and/or which SMRT Trains is unable to project or predict with accuracy. These include (among others) what the Public Transport Council will decide in relation to future fare adjustments and the impact on ridership of new lines in the network. The table is presented for illustration purposes only and does not constitute any form of profit guidance or forecast or forward statement by SMRT Trains of its EBIT margin in the future. It illustrates how the earnings of FY2016 would have been impacted under NRFF under different market conditions. Should total revenue remain at its actual FY2016 level and operating expenses were to fluctuate between -10% and +10%, SMRT Trains' EBIT margin would range from 5.7% to 2.3%.

Illustrations of how FY2016 EBIT margin under NRFF may be impacted in different market conditions

Variations on Operating Expenses (Net of OOI)

Variation on Fare Revenue		-10%	-5%	0%	+5%	+10%
	+5%	5.9%	5.7%	5.5%	5.3%	4.7%
	+2%	5.8%	5.6%	5.4%	5.2%	3.0%
	0%	5.7%	5.5%	5.3%	5.0%	2.3%
	-2%	5.7%	5.4%	5.2%	3.7%	1.6%
	-5%	5.0%	5.0%	5.0%	3.0%	0.9%

Assumptions:

- Actual FY16 Revenue and OPEX adjusted for NRFF depreciation used for illustrative purposes
- NRFF revenue collar computed based on FY16 Revenue as the Target Revenue
- Revenue Share Charge of 10%

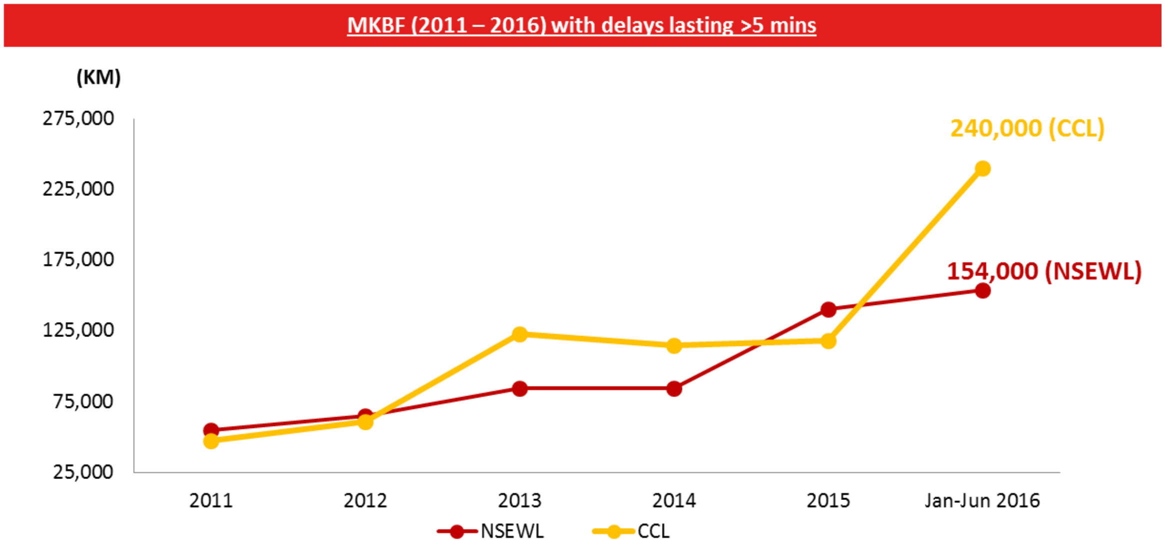
19. Shareholders should note that the ability to achieve an EBIT margin of about 5% is subject to the following factors: (a) SMRT Trains continuing to improve operational productivity to

offset increase in operating expenses; (b) SMRT Trains meeting the KPIs, OPS and MPS prescribed under the NRFF Licence thereby not incurring any financial penalties for failure to do so; (c) LTA, while exercising its discretion, duly compensates SMRT Trains by way of grant(s) for the additional costs or reduced revenue that SMRT Trains will incur or suffer arising in the event of any changes made by LTA to the KPIs, OPS, MPS, codes of practice and other events; and (d) PTC adjusting fares in accordance with the fare adjustment formula.

COMMITMENT TO STRENGTHEN RAIL RELIABILITY

20. [Slide 20] It is important that I use this occasion to reiterate that we remain committed to meeting the network's higher capacity needs and reliability requirements, in accordance with the Maintenance Performance Standards set out by LTA. To achieve this, SMRT Trains will continue to employ or allocate at least 700 additional maintenance headcount or equivalent to approximately 20% increase, over the next three years. This is in addition to the 30% increase in technical workforce that SMRT Trains had made in the last three years. We will also continue to make further investments in service quality enhancements.

21. [Slide 21] Managing rail assets optimally to achieve a high level of system performance, even as the network ages and capacity expands, requires continual effort and consistent investment of resources. While there is certainly more to be done to reduce the number of major disruptions, we are encouraged that our efforts have already brought about significant improvements in rail reliability. Under the NRFF, LTA has set out new Maintenance Performance Standards to improve maintenance performance and consequently the reliability of the rail system. One key performance measure is the Mean Kilometres Between Failure. With ongoing efforts, SMRT Trains has improved its MKBF by nearly threefold from 65,000 km in 2012 on the North-South and East-West Lines to 154,000 km as at end-June 2016. On the Circle Line, our MKBF improved nearly 4-fold from 61,000 km in 2012 to 240,000 km as at June 2016.



22. [Slide 22] Since 2012, we have been focused on our multi-year programmes to renew and upgrade the ageing rail network while keeping trains running and managing the increased ridership. The transformation of the North-South and East-West Lines is a complex engineering project and this modernisation effort will lead to an upgraded and renewed rail system that will allow SMRT to run more trains, carry more passengers and provide a safe and reliable service for our commuters across the MRT network. At present, we have completed sleeper replacement works on the North-South Line and are about two-thirds through on the East-West Line.

23. The third rail system, which supplies power to the trains, is currently being changed out at a rate of 150 metres every night. To complete all 82,000 metres will take us through to early 2017. We also started upgrading works on the ageing power substations in early 2015, and the expansion of network power supply to meet the higher loading requirement is underway.

24. In parallel, a new signalling system is being installed, based on Communication-Based Train Control (CBTC) technology, which will reduce the headway between trains during peak periods from 120 to 100 seconds. Together with more trains injected to the network, we expect capacity to improve by as much as 20%. Re-signalling works will be completed by the end of this year on the North-South Line, and 2018 on the East-West Line. The implementation is complex, and we are taking time to test and commission the new system carefully to ensure a smooth and safe roll-out.

25. New trains on all our lines have been procured to increase capacity and availability. 24 of the 45 new trains for the NSEWL, and 24 more for the Circle Line and 13 more for the Bukit Panjang LRT have been delivered. At the same time, we are addressing the end-of-life

reliability of our oldest Kawasaki trains, and refurbishing our second generation Siemens trains which have been in service since the mid-90s.

26. [Slide 23] Beyond renewal and upgrading projects, a holistic revamp of the maintenance regime is also underway. This involves building up the engineering and technical professional workforce, enhancing our maintenance processes with ISO 55001 certification and the operationalization of a Maintenance Operation Centre (MOC) for more responsive recovery and fault finding, with advanced sensors to monitor the condition of trains, trackside infrastructure and station equipment.

PROPOSED ASSET SALE

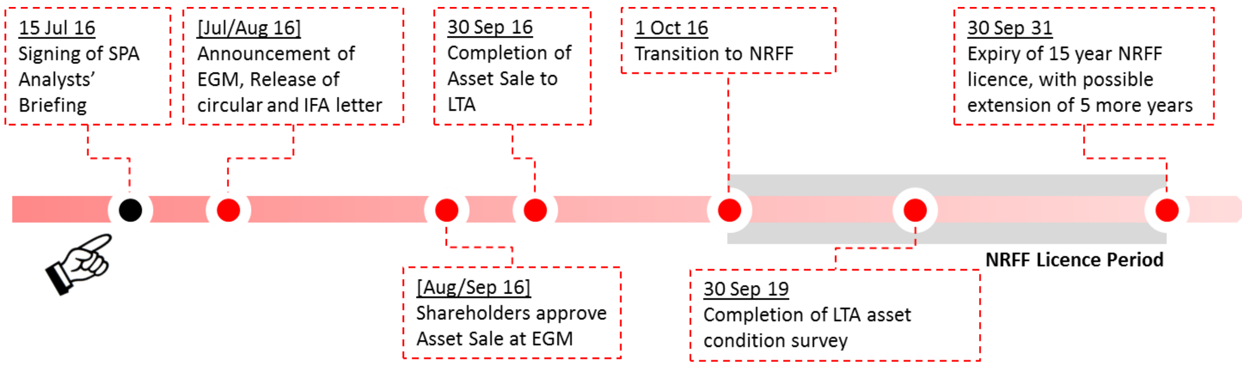
27. [Slide 24] As part of the transition to the NRFF, LTA will purchase the operating assets of the North-South, East-West and Circle Lines held by SMRT Trains as well as the operating assets of the Bukit Panjang Light Rail Transit held by SMRT Trains' wholly-owned subsidiary, SMRT Light Rail Pte. Ltd. at their estimated Net Book Value of S$991 million (S$1,060 million including GST) as at 30 September 2016, payable over three years. Valuation of the assets for sale based on NBV consideration is consistent with past rail transactions with LTA.

28. [Slide 25] Payment for the assets will be made in tranches: S$797 million will be made on the initial completion date, with the balance of the consideration payable over the next three anniversaries of the completion date. SMRT Trains has provided warranties on the conditions of the assets. LTA will also carry out an assessment of the condition of the assets and is entitled to withhold payment for assets requiring rectification or replacement.

29. SMRT Group’s total debt level is expected to be at S$762 million on 30 September 2016. To be prudent, the Company intends to use part of the net proceeds from the Proposed Sale to retire some of our existing debt. A portion of this debt was used to fund investments in rail operating assets. We will also pay the IRAS approximately S$159 million as a tax payable on the difference between the sale proceeds and the residual capital allowances relating to the operating assets. In addition, we will invest in the strengthening and further development of our rail engineering competencies for service reliability. SMRT does not intend to use the proceeds from the asset sale to pay any special dividend to shareholders of SMRT Corporation Ltd.

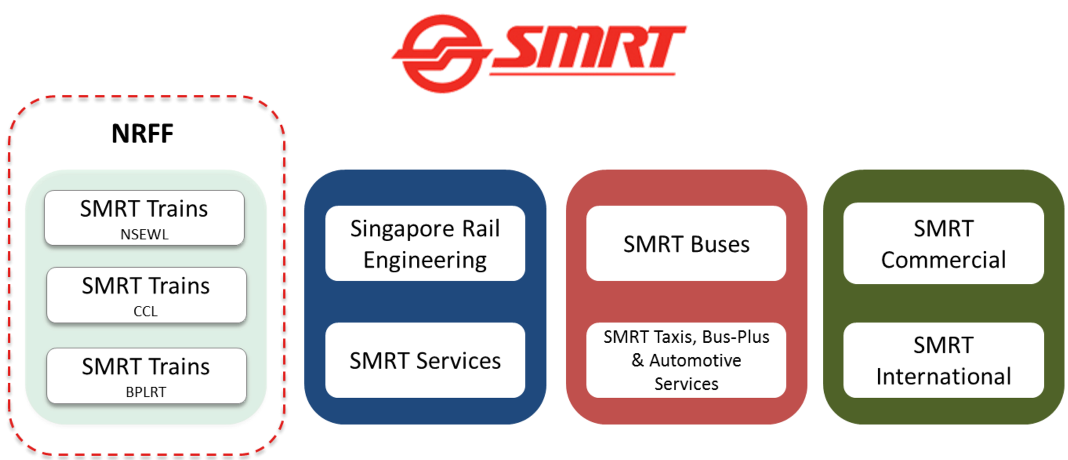
30. [Slide 26] In terms of financial impact, if the Proposed Sale had been effected on 31 March 2016, the Group's NTA per Share would see a change of less than 1% as at 31 March 2016. PrimePartners has been engaged as the Independent Financial Adviser to the Board of Directors, and they have opined that the terms of the Proposed Sale are fair and reasonable.

31. [Slide 27] The Proposed Sale is deemed a "major transaction" under Listing Rule 1014, and shareholders' approval will be sought at an EGM to be convened on a date that will be notified shortly. If approved, SMRT Trains is expected to transit to the NRFF on 1 October 2016.

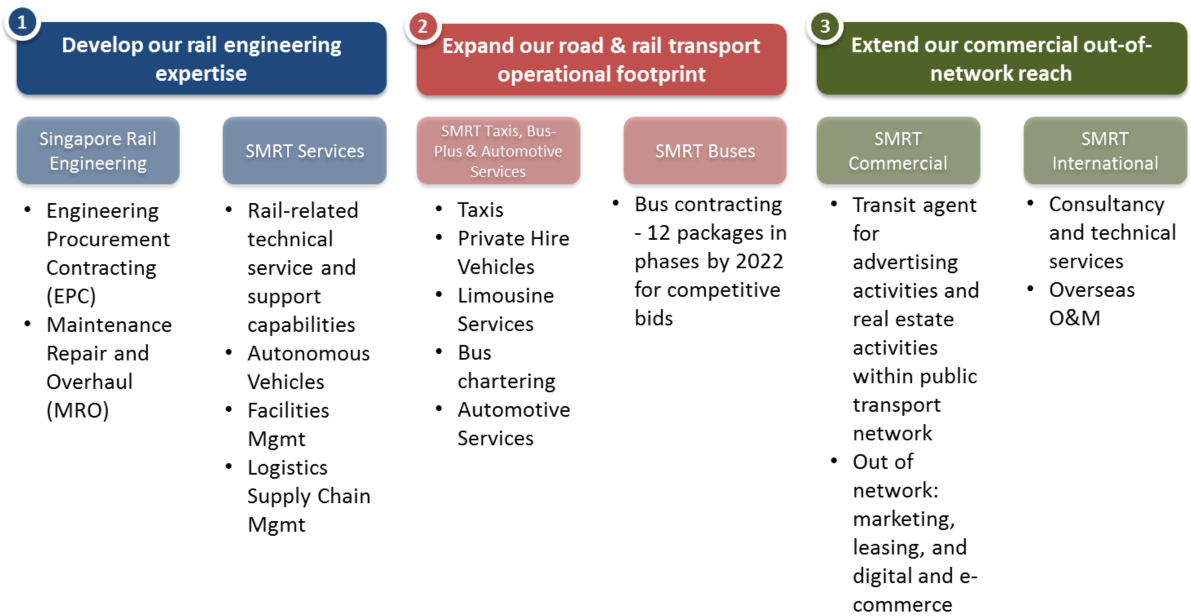


ENSURING SUSTAINABLE GROWTH

32. [Slide 28] The NRFF is not expected to affect SMRT's other existing non-rail business areas. It will also not affect the terms and conditions of employment of our workers.



33. The Group will continue to pursue business growth in line with our core competencies. Going forward, the Group's strategy for growth will be anchored on the strengths of our core public transport operations and adjacent capabilities. [Slide 29] Based on these competencies, we will seek new growth opportunities to: (1) develop our rail engineering expertise; (2) expand our road and rail transport operational footprint; and (3) extend our commercial out-of-network reach. Specifics on these will be updated when appropriate.



34. [Slide 30] Thank you.

Appendix

	CRFF	NRFF
Operating model	• Asset-heavy operator.	• Asset-light operator.
Infrastructure assets	• Owned by LTA and maintained by the operator.	• Owned by LTA and maintained by the operator
Operating assets	• After the initial period, the operating assets will be owned and maintained by the operator. The operator as the asset owner bears all costs associated with the ownership and maintenance of the operating assets.	• LTA will retain ownership over the operating assets for the term of the licence; however, the operator will be responsible for maintenance.
Licence charge	• The operator does not pay a licence charge to LTA.	• The operator pays a licence charge to LTA which will go into the Railway Sinking Fund.
Fare revenue risk	• Fare revenue risk is borne by the operator.	• Under the NRFF licence, the fare revenue risk will be shared between SMRT Trains and LTA via revenue sharing mechanism (collar) • 50% sharing from LTA for revenue shortfall between 2% and 6% • 75% sharing from LTA for incremental revenue shortfall beyond 6%
Fares and concessions	• Fares and concessions are dependent on the decisions and policies of the Public Transport Council and the Singapore government. • As approved by the Public Transport Council, SMRT Trains has borne and continues to bear the cost of travel concessions for trains and buses for senior citizens, undergraduates, students, children and full time National Servicemen. The cost of concessions borne by SMRT Trains has increased over the years and amounted to about S$60 million in FY2016.	• Fares and concessions continue to be dependent on the decisions and policies of the Public Transport Council and the Singapore government. • SMRT Trains will have to continue to bear the cost of existing concessions as well as new travel concessions, if so approved by the Public Transport Council.
Profitability risk	• No risk sharing.	• Under the NRFF Licence, overall earnings will be calibrated through a Profit Cap and Collar mechanism. • Should EBIT margin exceed 5%, excess will be shared via a tiered structure with a prescribed percentage of up to a maximum of 95% of the incremental being shared with LTA • 50% sharing of the shortfall for EBIT margin below 3.5%
Tenure	• Existing Licence for the NSEW Line: initial term of 30 years expiring in 2028 with possible renewal term of 30 years expiring in 2058. • Existing Licence for the CCL Line: initial term of 10 years expiring in 2019, with possible renewal term of 30 years expiring in 2049. • Existing Licence for the BPLRT Line: initial term of 29 years expiring in 2028 with possible renewal term of 30 years expiring in 2058.	• The NRFF Licence is a single licence which covers the NSEWL Line, CCL Line and BPLRT Line. • It will have an initial term of 15 years expiring in 2031, with the possibility of extension at LTA's discretion until 2036.