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**TELECONFERENCE BRIEFING<sup>1</sup> ON THIRD QUARTER FY2010  
FINANCIAL RESULTS ENDED 31 DECEMBER 2009 BY LIM  
CHENG CHENG, EXECUTIVE VICE PRESIDENT & CHIEF  
FINANCIAL OFFICER, 27 JANUARY 2010, 5.45 PM**

Good evening, ladies and gentlemen, members of the media, analysts and investors.

I am Lim Cheng Cheng, Executive Vice President and Chief Financial Officer of SMRT Corporation, addressing the conference call briefing on SMRT's third quarter results for the financial year 2010 ended 31 December 2009.

**GROUP HIGHLIGHTS [SLIDE 2]**

I will begin with the Group Highlights for the third quarter of financial year 2010 as compared to the same period last year. Group revenue increased 2.6 per cent to 224.7 million dollars from a year ago due mainly to higher MRT ridership, contribution from Circle Line Stage 3, rental revenue and fees from overseas projects, partially offset by fare reduction.

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<sup>1</sup> Speech is based on results presentation which was sent via SGXNet along with the media release and financial statements after 5:00pm on 27 January 2010. These are available online at [www.smrt.com.sg](http://www.smrt.com.sg). All figures are in Singapore dollars.

Other operating income was higher by 6.9 million dollars in the quarter due mainly to higher other maintenance and related income and insurance compensation for rail assets of 4.8 million dollars.

Operating profit was 1.3 million dollars lower due mainly to impairment of goodwill, higher staff and related costs and higher scheduled repairs and maintenance costs, partially offset by increased revenue, higher other operating income and lower energy costs. Excluding the impact of the impairment of goodwill, operating profit for the quarter would have been 5.4 million dollars higher as compared to a year ago.

Net profit after tax for the quarter was 4.8 per cent lower at 39.2 million dollars.

For the first nine months of financial year 2010, Group revenue was up marginally at 670 million dollars. Net profit after tax increased 13 per cent to 140.2 million dollars mainly attributed to increased revenue, higher other operating income and lower energy costs, partially offset by higher staff and related costs, increased scheduled repairs and maintenance costs and impairment of goodwill.

Year-to-date Economic Value Added was 109 million dollars, 20.5 per cent higher. Basic earnings per share was 9.2 cents or 12.9 per cent higher.

## **OPERATING EXPENSES [3]**

With regards to the individual expense items in the quarter, staff and related costs were 7.9 per cent or 5.3 million dollars higher due mainly to increased headcount and salary adjustments, partially offset by jobs credit. The increased headcount was due mainly to the operation of Circle Line Stage 3, increased train runs and more bus service leaders hired. SMRT's headcount stood at 6,712 as at 31 December 2009 as compared to 6,002 a year ago.

Repairs and maintenance costs increased by 3 million dollars due mainly to more scheduled repairs and maintenance for Bus and Train operations.

Energy costs dropped by 3.1 million dollars or 10.2 per cent to 27.1 million dollars due mainly to lower energy prices.

Of the 27.1 million dollars, electricity costs accounted for 18.1 million dollars and was slightly lower than last year due mainly to lower average tariff partially offset by higher electricity consumption. Diesel cost was 9 million dollars, 2.4 million dollars lower due mainly to lower diesel prices.

The impairment of goodwill allocated to the Bus operations of 6.6 million dollars arises as the long term bus ridership growth trend is expected to decline. The projection had taken into account the expansion of the rail network and the increase in transfer rebates in

2008 and 2009. The increase in transfer rebates reduces the cost to the commuters in transferring between buses and trains. As a result, the travel pattern of commuters is expected to shift in favour of journeys by train and shorter bus trips. In addition, the requirement to provide additional services under the Quality of Service standards increased operating costs which are not fully offset by incremental bus revenue from these services.

### **BALANCE SHEET & CASH FLOW HIGHLIGHTS [4]**

Total assets increased by 81.9 million dollars due mainly to higher cash and cash equivalents, higher interest in associates and higher inventories, partially offset by lower property, plant and equipment, lower other investments, lower trade and other receivables, lower tax recoverable and lower intangible assets.

Interest in associates increased due mainly to the acquisition of 49 per cent equity interest in Shenzhen Zona on 30 October 2009. Inventories increased as a result of the purchase of inventories for Circle Line Stage 3.

The decrease in property, plant and equipment was due mainly to depreciation charges. Other investments classified as current decreased due mainly to the maturing of promissory notes and fixed rate bonds in the second quarter of financial year 2010. The decrease in tax recoverable was due mainly to net tax refund

received. Intangible assets decreased as a result of the impairment of goodwill allocated to the Bus operations.

The total CAPEX incurred in the third quarter of financial year 2010 was lower at 21.3 million dollars as compared to 47.7 million dollars a year ago due mainly to lower capex from Train and Bus operations.

Total liabilities increased by 58.7 million dollars due mainly to higher interest-bearing borrowings of 50 million dollars and higher trade and other payables of 12 million dollars.

Interest-bearing borrowings increased due mainly to the 150 million dollars fixed rate notes issued in October 2009, partially offset by the repayment of 100 million dollars fixed rate notes in December 2009. Trade and other payables increased due mainly to the second tranche of consideration of RMB 80 million (approximately 16 million Singapore dollars) payable for the acquisition of 49 per cent equity interest in Shenzhen Zona.

Cash and cash equivalents stood at 349.2 million dollars. As compared to a year ago, net cash inflow from operating activities of 62.3 million dollars was lower due mainly to lower cash generated from operations, partially offset by a net tax refund received in the quarter.

Net cash outflow from investing activities of 70.5 million dollars was higher due mainly to payment for investment in an associate, partially

offset by lower purchase of property, plant and equipment, other investments and increased proceeds from disposal of other investments.

Net cash inflow from financing activities increased by 50 million dollars due mainly to proceeds from the 150 million dollars fixed rate notes issued in October 2009, partially offset by the repayment of 100 million dollars fixed rate notes in December 2009.

In the quarter, free cash flow from operations was higher at 34.9 million dollars as compared to 33.1 million dollars a year ago.

Let us proceed to the segmental performance for the third quarter of financial year 2010.

### **SEGMENTAL PERFORMANCE - TRAIN [5]**

Revenue from Train operations increased by 2.1 million dollars to 121.8 million dollars due to higher ridership from North South line and East West line and contribution from Circle Line Stage 3, partially offset by the fare reduction. Quarterly operating profits rose 9 per cent to 37.2 million dollars, due mainly to higher revenue and other operating income, partially offset by higher repair and maintenance costs and staff and related expenses.

## **SEGMENTAL PERFORMANCE - BUS [6]**

Revenue from Bus operations decreased by 2.4 million dollars to 48.8 million dollars due mainly to lower average fare. Bus operations posted a higher operating loss of 1.9 million dollars as compared to 1.4 million dollars a year ago due mainly to lower revenue, higher repair and maintenance expenses, partially offset by lower diesel costs.

## **SEGMENTAL PERFORMANCE - RENTAL [7]**

Rental revenue grew 16.2 per cent to 16.9 million dollars as a result of better yield and increased space following the redevelopment of commercial spaces at various MRT stations. Consequently, operating profit rose 13.6 per cent to 13.3 million dollars.

A total of 33 stations have been refurbished as at 31 December 2009 as compared to 28 stations as at 31 December 2008.

## **SEGMENTAL PERFORMANCE – OTHERS [8]**

LRT operations posted a lower operating loss at 0.1 million dollars on account of lower operating expenses, partially offset by lower revenue.

Taxi operations posted an operating profit of 0.9 million dollars as compared to an operating loss of 0.2 million dollars as a result of

improved hired-out rates and lower other operating expenses as a result of a smaller average holding fleet.

Advertising revenue increased by 0.2 million dollars to 6.2 million dollars and operating profits increased by 0.2 million dollars to 4.4 million dollars due mainly to continued efforts throughout the quarter, resulting in increased advertising on trains and MRT stations.

Revenue from Engineering and Other Services was 40.5 per cent higher at 11.2 million dollars and quarterly operating profits more than doubled to 3.6 million dollars. This was due mainly to increased contribution from consultancy and overseas projects.

In the quarter, we continued to expand our business development overseas as well as grow our sale of proprietary products. In Korea, we have won a two-year contract to provide project management consultancy to the Shinbundang Metro Line, a 18.5 kilometres fully automatic driverless metro system in the city of Seoul. We have also achieved our first major win for the sale of our Staris system, a proprietary rail travel information system.

## **BUSINESS OUTLOOK [9]**

Here is the outlook for the fourth quarter of financial year 2010 as compared with the same quarter last year.

Group revenue is expected to be higher. This is due mainly to higher Train ridership and fees from overseas projects, partially offset by lower average fare due to fare reduction and increase in transfer rebates.

Group operating expenses are expected to be higher due mainly to more scheduled repairs and maintenance and increase in ramp-up costs for the progressive opening of the remaining Circle Line stations. Staff and related costs is also expected to be higher as headcount is expected to increase with the operation of Circle Line Stage 3, increased train runs and recruitment of bus service leaders.

For the next 12 months, the profitability of the Group including Bus operations continues to be impacted by the fare reduction package ending June 2010 and volatility in diesel prices. Jobs credit scheme will be at stepped down rates for six months from January to June 2010.

The future implementation of central bus planning and market contestability may further impact Bus operations.

This marks the end of my briefing. I will now hand over to the moderator for the question and answer session. Thank you.