



MTR Corporation

2011 Interim Results

11 August 2011

Forward-looking statements

Certain statements contained in this presentation may be viewed as forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.



Results Highlights and Business Overview

Strong Performance in 1H 2011

Healthy growth of recurrent businesses

*Good property sales
as property market remained active*

*“Rail + Property” confirmed for SIL(E) and KTE
All growth projects on track*

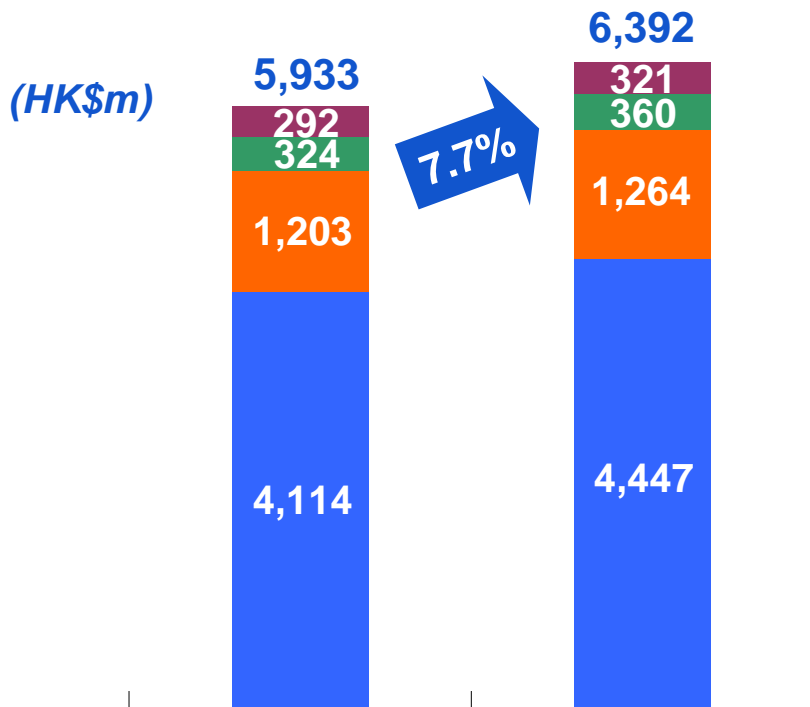
Financial Highlights

(HK\$m)	1H 2011	1H 2010	Change
Total revenue	16,169	14,102	↑ 14.7%
Revenue (excl. railway subsidiaries outside of Hong Kong)	9,998	9,250	↑ 8.1%
Total EBITDA	6,001	5,491	↑ 9.3%
EBITDA (excl. railway subsidiaries outside of Hong Kong)	5,755	5,284	↑ 8.9%
Total EBITDA margin	37.1%	38.9%	↓ 1.8%pts
EBITDA margin (excl. railway subsidiaries outside of Hong Kong)	57.6%	57.1%	↑ 0.5%pt
Property development profit	1,445	3,705	↓ 61.0%
Profit before property revaluation	4,369	5,720	↓ 23.6%
EPS before property revaluation (HK\$)	0.76	1.00	↓ 24.0%
Interim dividend per share (HK\$)	0.25	0.14	
Reported profit before taxation	9,638	8,186	↑ 17.7%
Reported net profit attributable to equity shareholders*	8,050	6,639	↑ 21.3%
Reported EPS (HK\$)*	1.39	1.16	↑ 19.8%



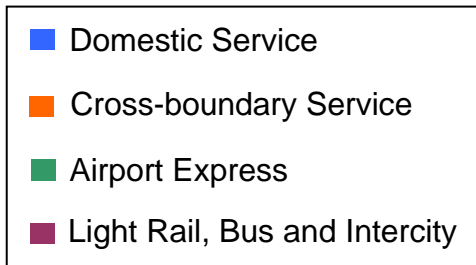
Hong Kong Railway

Hong Kong Fare Revenue

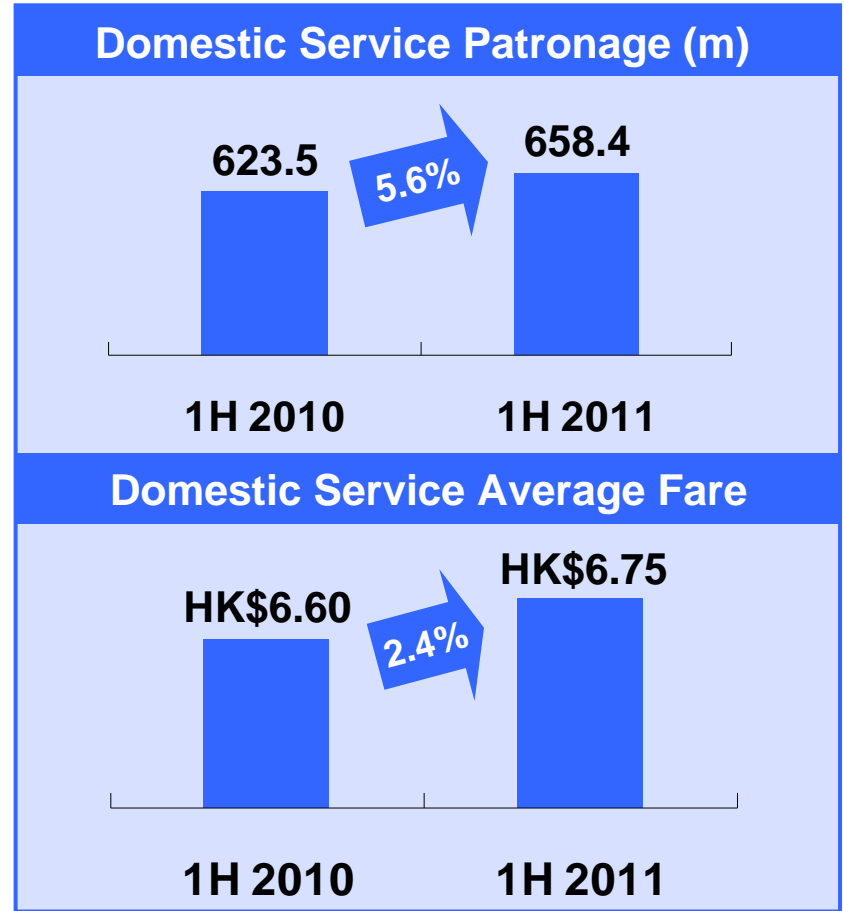


1H 2010

1H 2011



Fare revenue for Domestic Service⁽¹⁾:
 HK\$4,447m ↑ 8.1%



1. Domestic Service includes the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines

Hong Kong Fare Revenue

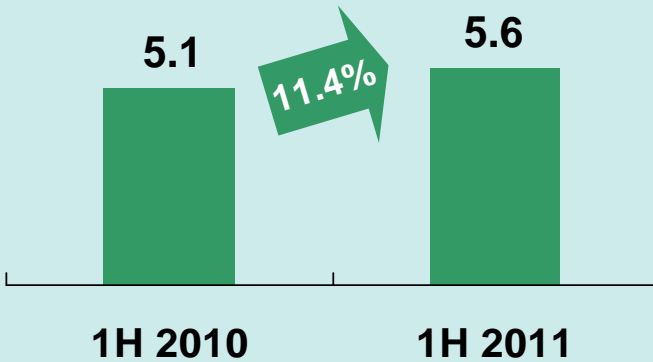
Fare revenue for Airport Express:
HK\$360m

↑ 11.1%

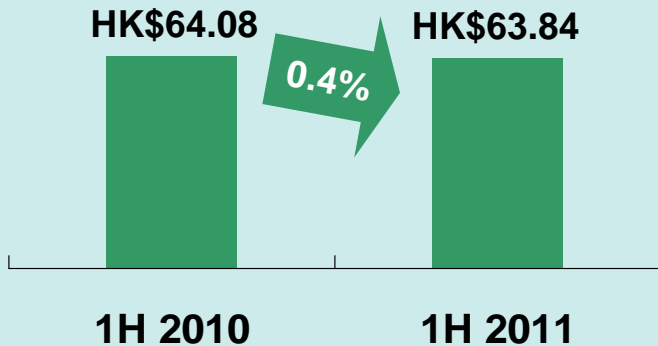
Fare revenue for Cross-boundary
Service: HK\$1,264m

↑ 5.1%

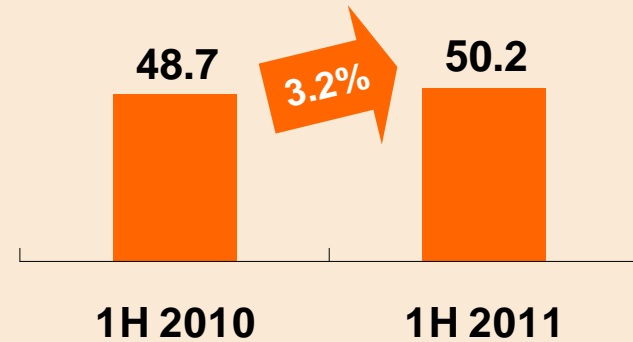
Airport Express Patronage (m)



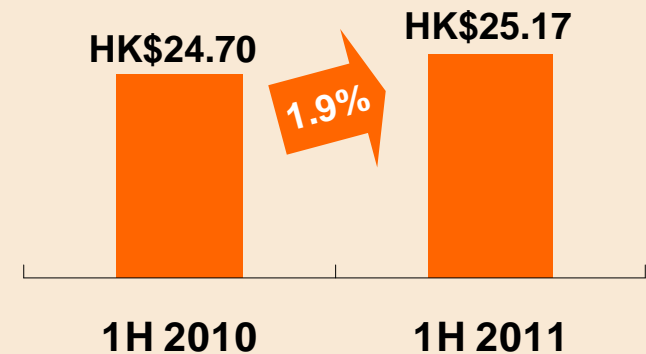
Airport Express Average Fare



Cross-boundary Service Patronage (m)

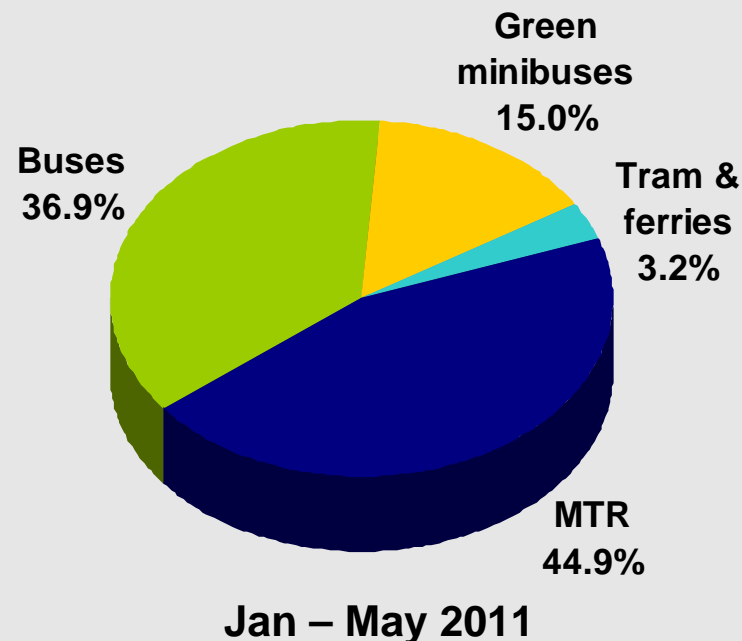
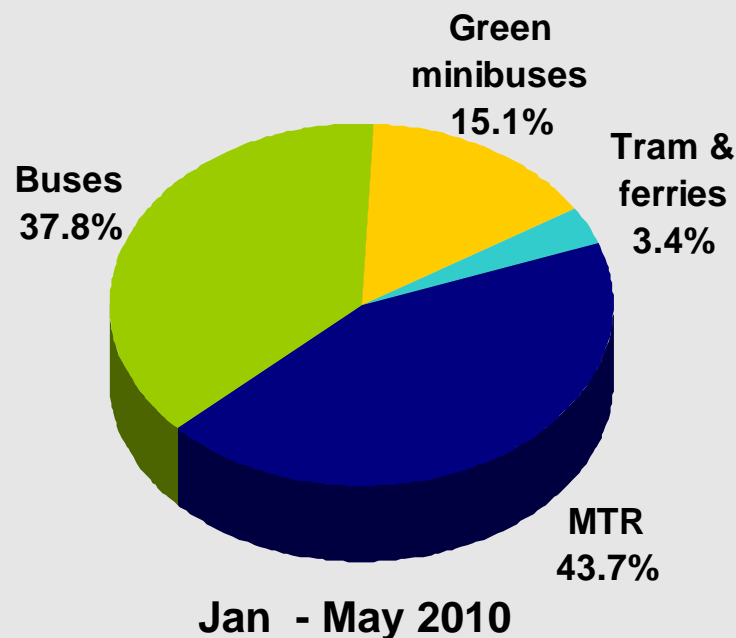


Cross-boundary Service Average Fare

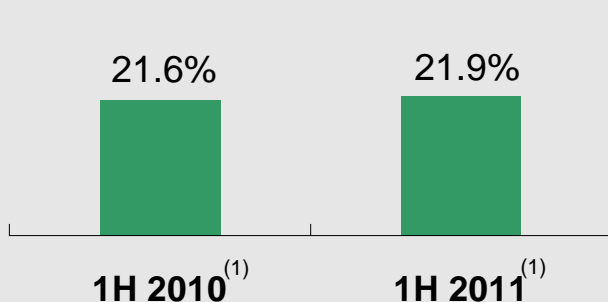


Market Share

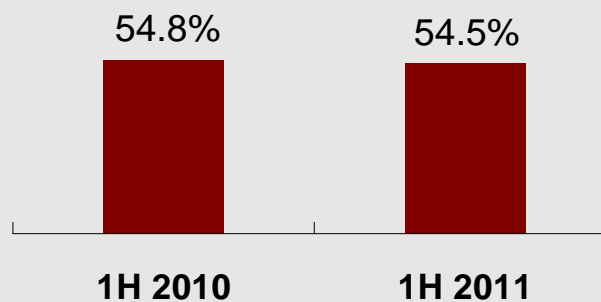
Hong Kong Franchised Public Transport



Airport Express



Cross-boundary



Cross-harbour



Sources: The Transport Department / Immigration Department / Airport Authority Hong Kong

1. Calculation based on the proportion of air passenger using Airport Express over the total air passenger figures reported by the Airport Authority Hong Kong



Station Commercial and Rail Related Businesses

Station Commercial and Rail Related Businesses

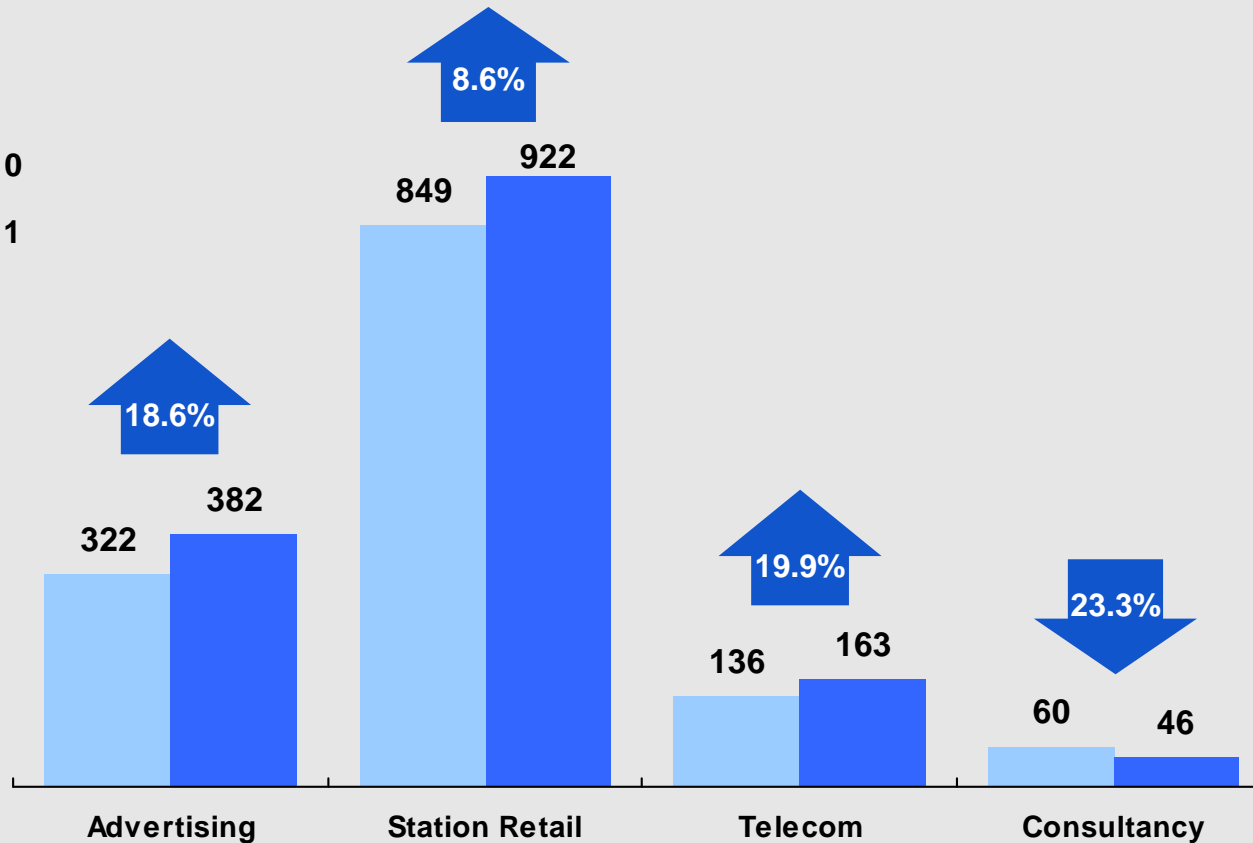
Revenue for station commercial & rail related businesses:

HK\$1,930m

↑ 11.4%

(HK\$m)

1H 2010
1H 2011

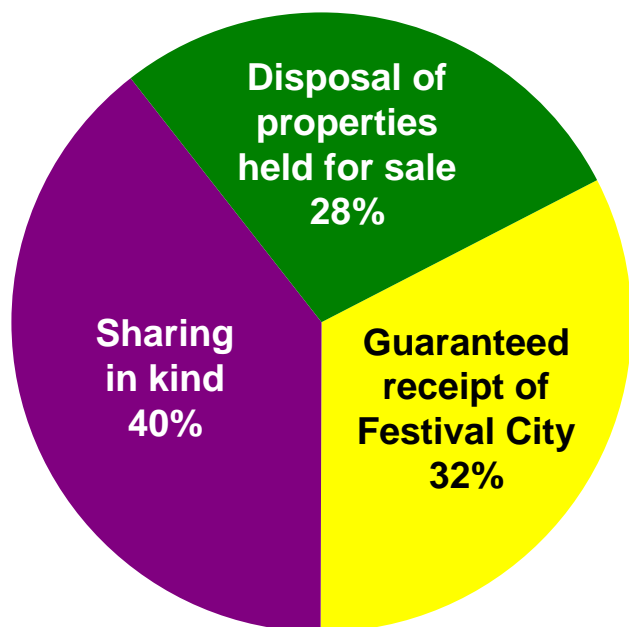


Property Businesses

Property Development

Property development profit:

HK\$1,445m



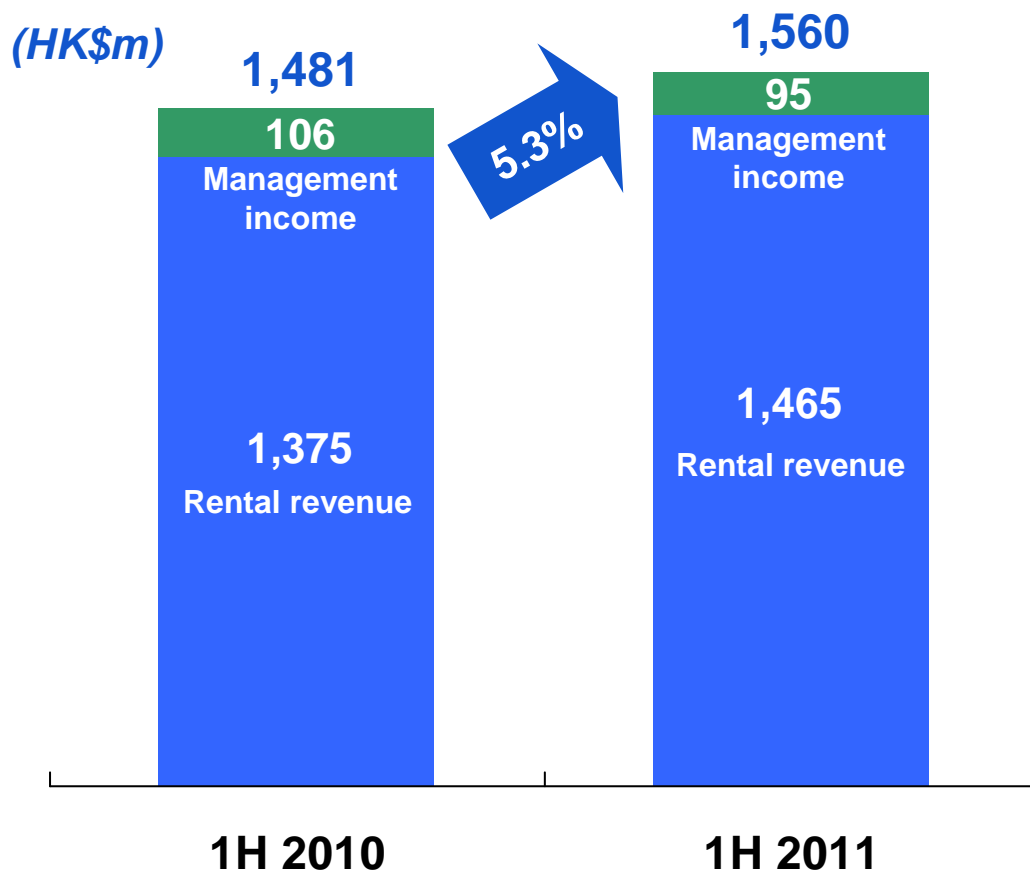
1H 2011

- Major contributors to property development profit:
 - Sharing in kind of our share of the shopping mall at Tseung Kwan O Area 56
 - Guaranteed receipt of Festival City at Tai Wai
 - Disposal of properties held for sale mainly from The Palazzo at Fo Tan, and Lake Silver at Wu Kai Sha
- About 97% of Festival City Phases 1 and 2 have been sold. Profit recognition dependent only on Occupation Permit
- Property development rights granted for sites in Wong Chuk Hang and Ho Man Tin under the “Rail + Property” model for South Island Line (East) and Kwun Tong Line Extension

Property Rental and Management

Property rental and management revenue⁽¹⁾: HK\$1,560m

↑ 5.3%



- Average of 15% increase in rental reversion at shopping malls
- Investment portfolio - Jun 2011
 - HK Retail: 12 shopping malls totalling 225,625 sq m⁽²⁾
 - HK Offices: 41,000 sq m⁽²⁾

1. Including contributions from the Mainland of China
 2. Lettable floor area

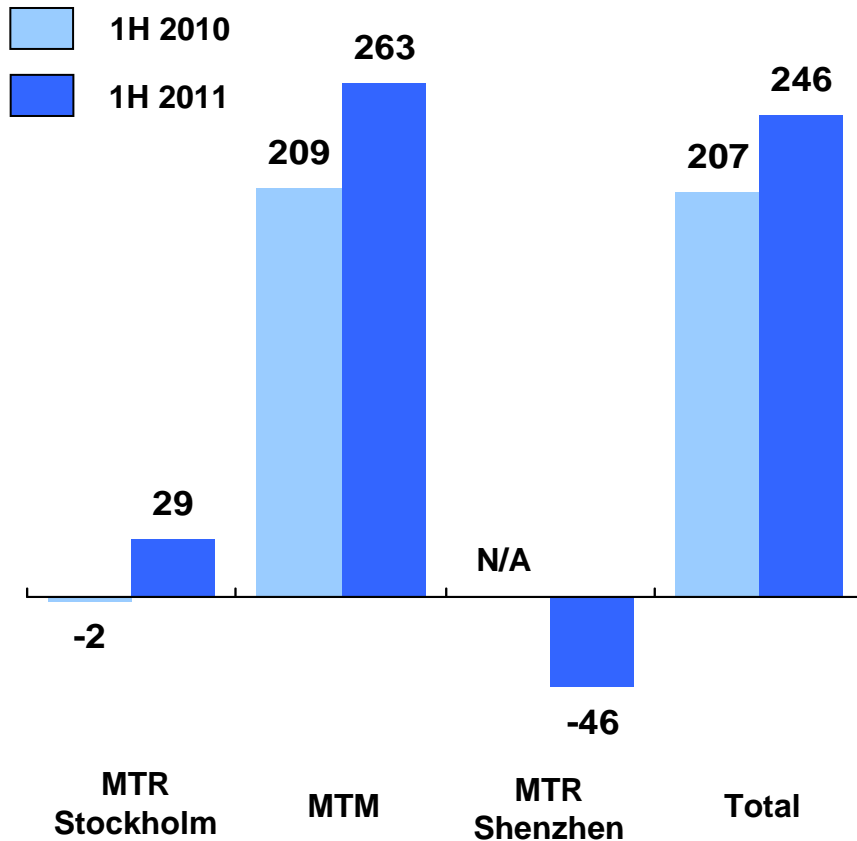


Mainland and Overseas Rail Businesses

Mainland and Overseas Rail Businesses

EBITDA contribution from subsidiaries: HK\$246m

(HK\$m)



■ MTR Stockholm (MTRS), Sweden

- Improvements in both operational and financial performance

■ Metro Trains Melbourne (MTM), Australia

- Operational performance interrupted by industrial action at the start of the year. Measures in place and performance recovered in recent months
- Financial performance in line with expectation

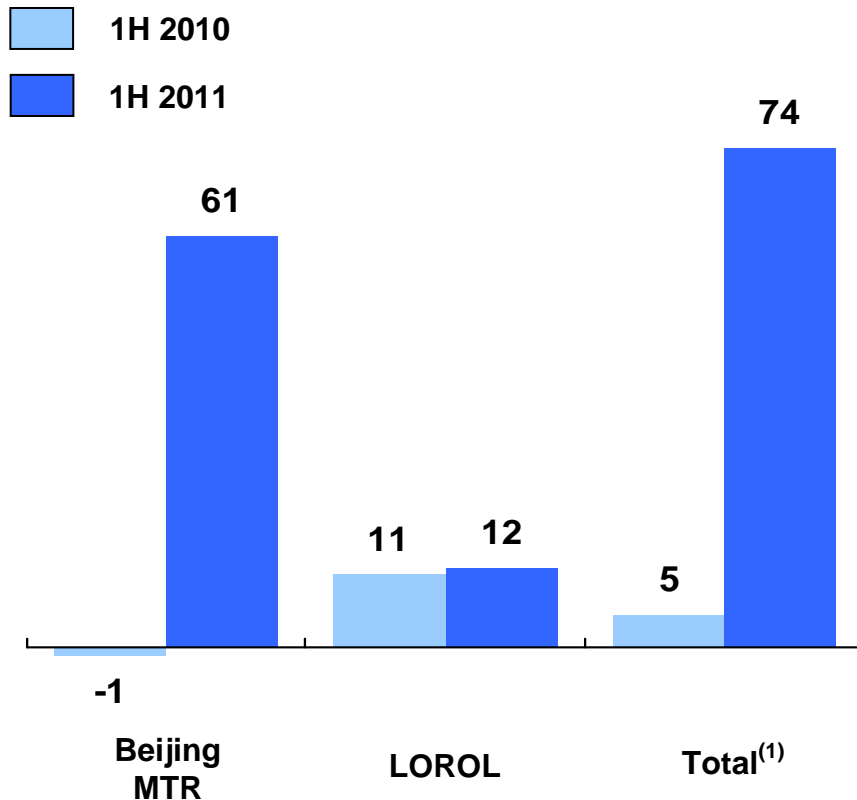
■ MTR Shenzhen (SZMTR), China

- Opening of Phase 2 of Longhua Line in June 2011
- Operational performance exceeded requirement

Mainland and Overseas Rail Businesses

Post-tax profit contribution from associates⁽¹⁾: HK\$74m

(HK\$m)



■ Beijing MTR (BJMTR), China

- Good operational and financial performance
- Strong patronage for Beijing Line 4 and Daxing Line

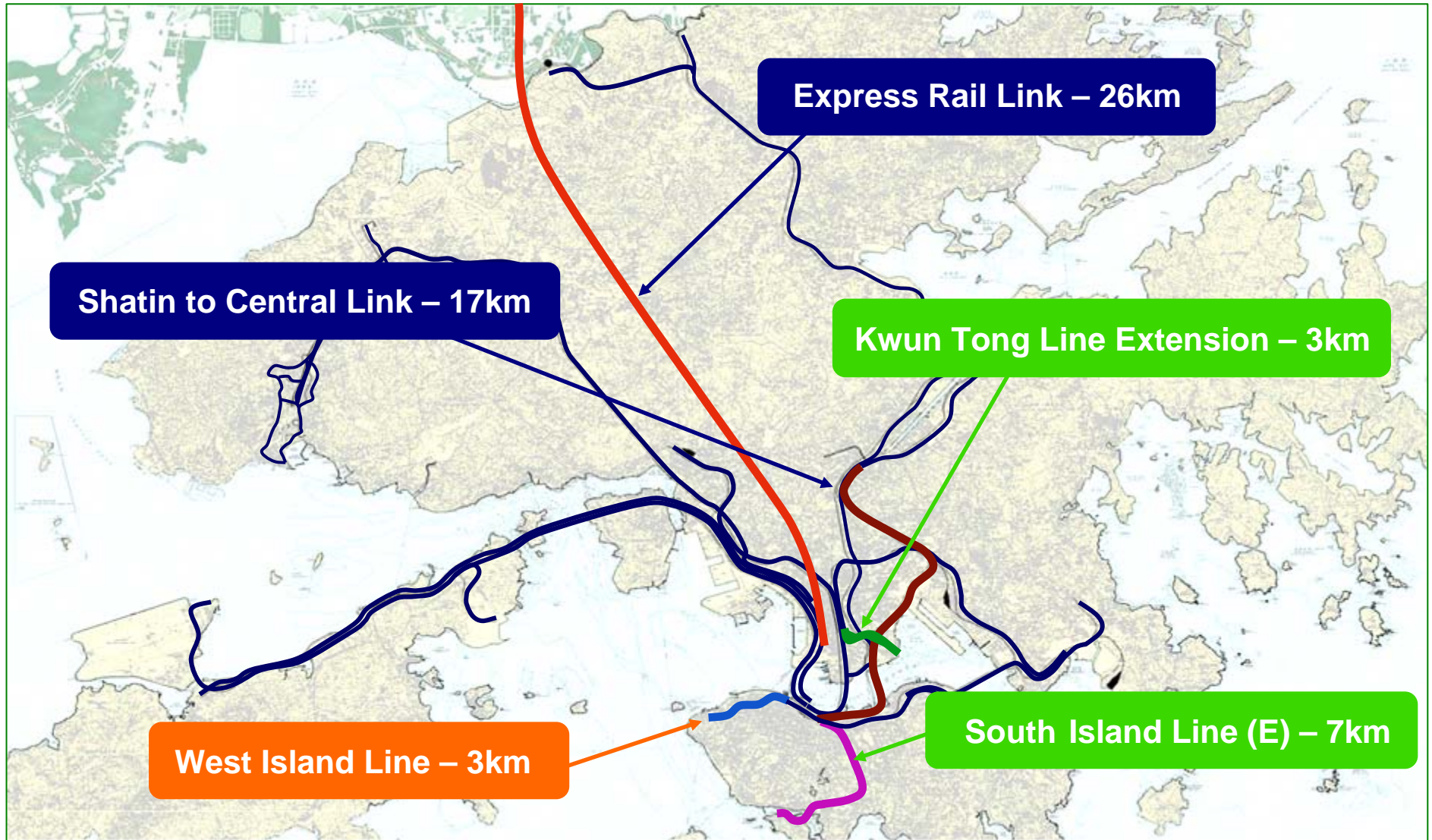
■ London Overground (LOROL), UK

- Operational performance above expectations. Recognised as UK's top performing train operating company for the year ending April 2011

1. Including profit or loss contribution from Stockholm associate TBT

Growth Initiatives

New Projects in Hong Kong on Track



■ Service concession

■ Cash grant

■ "Rail + Property"

MTR Ownership Projects

West Island Line

- Construction making good progress as planned
- New Kennedy Town Swimming Pool and David Trench Rehabilitation Centre opened in 1H 2011
- Target to commence service in 2014

South Island Line (East)

- Project Agreement signed in May 2011
- Development right for a site at Wong Chuk Hang was granted
- Construction has started
- Target to commence service in 2015

Kwun Tong Line Extension

- Project Agreement signed in May 2011
- Development right for a site at Ho Man Tin was granted
- Construction has started
- Target to commence service in 2015



Service Concession Projects

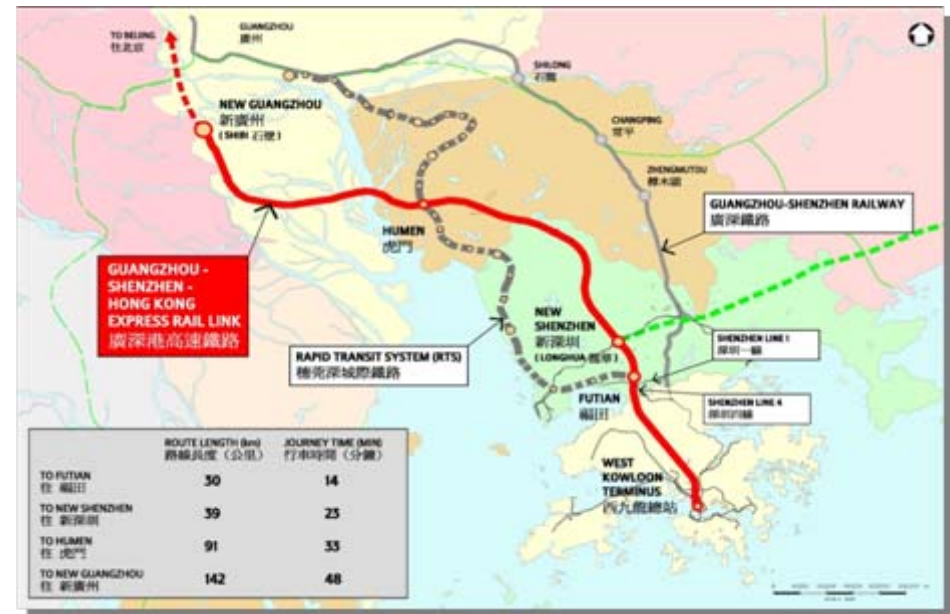
Shatin to Central Link

- Advance funding approved in Feb 2011
- Entrustment Agreement signed with Government in May 2011 for advance works in Admiralty and Ho Man Tin
- Detailed design in progress



Guangzhou - Shenzhen - Hong Kong Express Rail Link (HK section)

- Entrustment Agreement signed with Government in Jan 2010
- Construction in progress for service commencement in 2015



Expansion on the Mainland



Hangzhou

Hangzhou Line 1

- Public-Private-Partnership Model
- Concession Agreement signed in Mar 2010
- Agreement is subject to final approval by relevant authorities

Beijing

Shenzhen

Financial Results

Income Statement

<i>(HK\$m)</i>	<u>1H 2011</u>	<u>1H 2010</u>	<u>% change</u>
Hong Kong fare revenue	6,392	5,933	7.7
Non-fare, rental and management revenues	3,606	3,317	8.7
Revenue from railway subsidiaries outside of Hong Kong	6,171	4,852	27.2
Total revenue	16,169	14,102	14.7
Operating expenses excl. railway subsidiaries outside of Hong Kong	(4,243)	(3,966)	(7.0)
Operating expenses - railway subsidiaries outside of Hong Kong	(5,925)	(4,645)	(27.6)
EBITDA excl. railway subsidiaries outside of Hong Kong	5,755	5,284	8.9
Total EBITDA	6,001	5,491	9.3
Property development profit	1,445	3,705	(61.0)
Total operating profit	7,446	9,196	(19.0)
Variable annual payment for rail concession	(301)	-	N/A
Depreciation & amortisation	(1,611)	(1,537)	(4.8)
Interest and finance charges	(459)	(656)	30.0
Investment properties revaluation	4,408	1,101	300.4
Share of profit of non-controlled subsidiaries & associates	155	82	89.0
Profit before taxation	9,638	8,186	17.7
Income tax	(1,502)	(1,482)	(1.3)
Reported net profit attributable to equity shareholders*	8,050	6,639	21.3
Reported earnings per share (HK\$)	1.39	1.16	19.8
Profit before property revaluation	4,369	5,720	(23.6)
EPS before property revaluation (HK\$)	0.76	1.00	(24.0)
Interim dividend per share (HK\$)	0.25	0.14	78.6

* Excluding non-controlling interests of HK\$86 million and HK\$65 million in 1H 2011 and 1H 2010 respectively.

Segmental Profits before Property Revaluation

<i>(HK\$m)</i>	<u>1H 2011</u>	<u>1H 2010</u>	<u>%change</u>
Hong Kong railway and related businesses after variable annual payment	2,246	1,974	13.8
Railway businesses outside of Hong Kong (including associates)	189	134	41.0
Property rental and management	1,218	1,172	3.9
Others ⁽¹⁾	52	43	
Pre-tax recurrent profit	3,705	3,323	11.5
Property development	1,455	3,711	(60.8)
Tax	(791)	(1,314)	
Profit before property revaluation	4,369	5,720	(23.6)

Note:
 All segmental profits shown are pre-tax profits. Interest cost relating to the interest-free loan to developer has been allocated to property development
 1. Including contributions from consultancy, Ngong Ping 360, Octopus Holdings Limited, services to KCRC / Government, as well as project studies and business development expenses

Balance Sheet

<i>(HK\$m)</i>	<u>30 Jun 2011</u>	<u>31 Dec 2010</u>
<u>Assets</u>		
Investment properties	50,585	45,314
Other property, plant and equipment	77,068	77,276
Service concession assets	24,301	21,467
Railway construction in progress	2,075	-
Property development in progress	9,121	9,128
Cash, bank balances and deposits	16,453	13,334
Investment in bank medium term notes	3,629	3,627
Debtors, deposits and payments in advance	3,450	3,057
Loan to a property developer	-	1,975
Properties held for sale	1,323	1,936
Amounts due from the Government and other related parties	1,000	330
Others	3,322	4,221
	<u>192,327</u>	<u>181,665</u>
<u>Liabilities</u>		
Debts	22,628	21,057
Creditors and accrued charges	16,864	15,491
Obligations under service concession	10,733	10,749
Current taxation	1,341	1,018
Deferred tax liabilities	14,764	13,854
Others	2,361	2,203
	<u>68,691</u>	<u>64,372</u>
<u>Total equity</u>	<u>123,636</u>	<u>117,293</u>

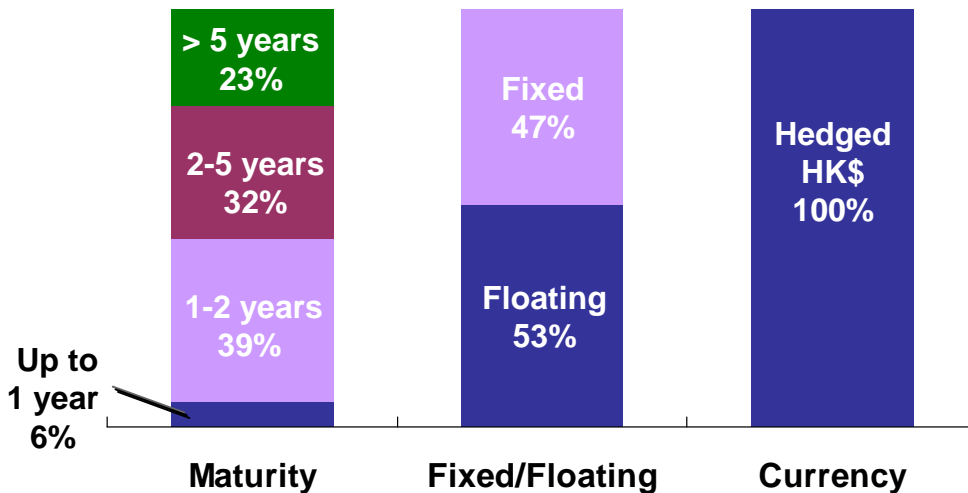
Cash Flow

(HK\$m)

	<u>1H 2011</u>	<u>1H 2010</u>
<u>Cash Inflow</u>		
Cash from operations before tax payment	6,174	5,934
Receipts in respect of property development	3,018	2,097
Others	66	78
Inflows before Government grant	<u>9,258</u>	<u>8,109</u>
Government grant for West Island Line project	-	12,252
Total inflows	<u>9,258</u>	<u>20,361</u>
<u>Cash Outflow</u>		
Tax paid	(354)	(334)
Variable annual payment for rail concession	(45)	-
Capital expenditure		
- New rail	(3,297)	(2,722)
- Existing rail	(1,153)	(703)
- Property related	(193)	(4,247)
Net interest paid	(248)	(422)
Changes in working capital	20	28
Others	(55)	(57)
Dividends paid	<u>(2,325)</u>	<u>(1,089)</u>
Total outflows	<u>(7,650)</u>	<u>(9,546)</u>
Net cash inflow before financing	1,608	10,815
Net facilities drawdown / (repayment)	1,520	(4,474)
Purchase of bank medium term notes	-	(3,197)
Increase in cash	<u>3,128</u>	<u>3,144</u>

Financing and Credit Ratios

Debt profile (30 Jun 2011)



Total borrowings outstanding:
HK\$22,628m; increase of HK\$1,571m
from 31 Dec 2010

Average borrowing cost:
3.1%

1.3%
points

Net interest expense:
HK\$459m

30.0%

Compared to 1H 2010 figures

Net Debt/Equity ratio⁽¹⁾

Jun 2011

Dec 2010

10.9%

12.8%

Interest cover

1H 2011

1H 2010

13.4x

12.2x

Note: Interest cover for 2010 was 10.5x

1. Including obligations under service concession and loan from holders of non-controlling interests of a subsidiary as components of debt, and investment in bank medium term notes as component of cash

Outlook

Outlook

■ Recurrent businesses

- The global economy remains fragile. With uncertainties in Europe and the U.S., we are cautious but still remain optimistic for the second half of 2011. With our businesses being sensitive to the local economy, continued economic growth in Hong Kong will benefit our transportation, advertising and rental businesses.
- Full year of Variable Annual Payment to KCRC.
- The shopping mall at TKO Area 56 is expected to open for business in 1H 2012.

■ Property development

- Booking of property development profits for all three phases of Festival City dependent only on issuance of Occupation Permit. Such permit expected towards end of the year.
- Over the next 6 months, subject to market conditions, we may tender out our Tai Wai Station and Tin Shui Wai Light Rail sites. For West Rail development sites, where we act only as agent, we expect to tender out the Nam Cheong Station site and Tsuen Wan West (TW5) sites.