



**MTR Corporation**

**2012 Interim Results**

**13 August 2012**

# 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 1H2012

*Good results achieved*

*Continued strong operational performance with  
world class safety standards*

*Growth on track –  
Agreement for Shatin to Central Link signed;  
Hangzhou Line 1 Joint Venture approved*

# 用心聽 用心做

Listening Responding





***Enhance train frequencies***

***More convenient access to stations by lift***

***Add toilet facilities***

***More train service information by new smartphone app***

# Financial Highlights

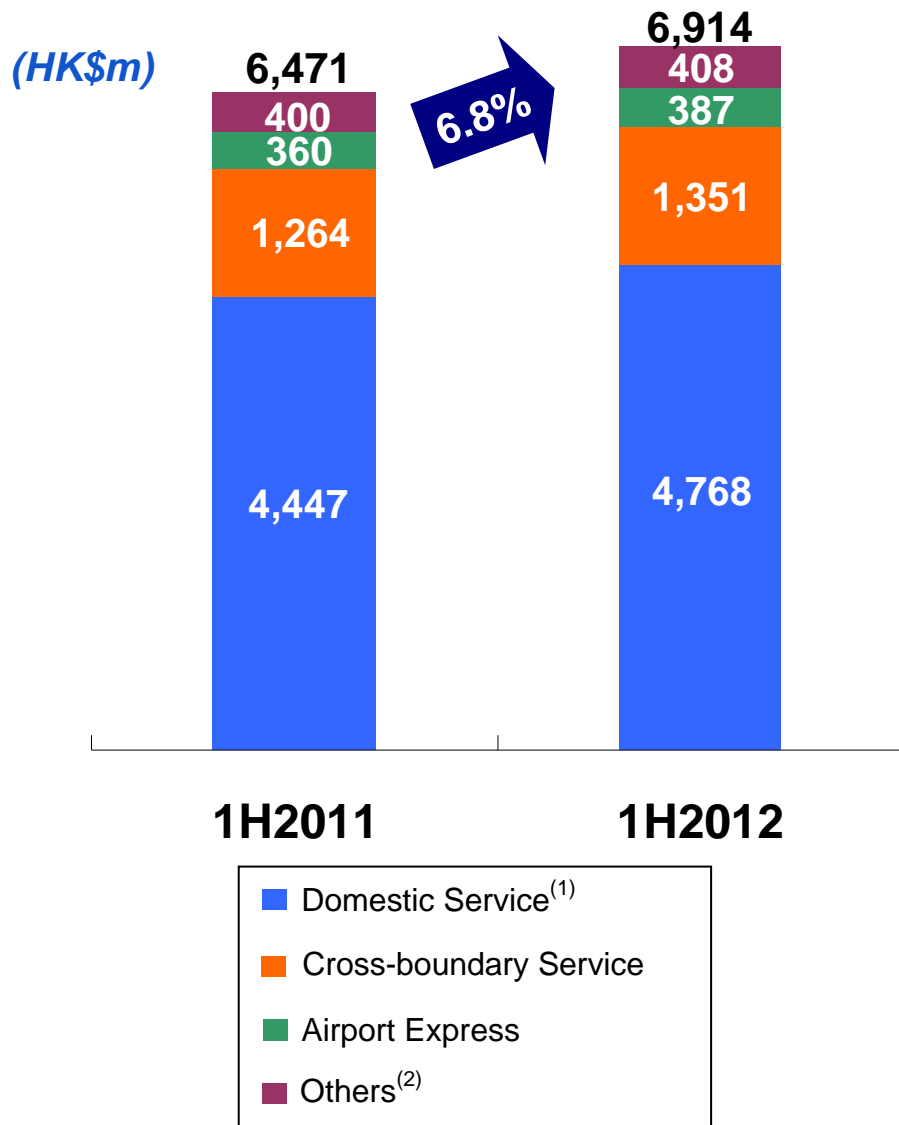
(HK\$m)	1H2012	1H2011	Change
Total revenue	17,154	16,169	6.1%
Revenue (before railway subsidiaries outside of Hong Kong)	10,819	9,998	8.2%
Total EBITDA	6,519	6,001	8.6%
EBITDA (before railway subsidiaries outside of Hong Kong)	6,186	5,755	7.5%
Total EBITDA margin	38.0%	37.1%	0.9%pt
EBITDA margin (before railway subsidiaries outside of Hong Kong)	57.2%	57.6%	0.4%pt
Property development profit	627	1,445	56.6%
Profit before taxation	6,738	9,638	30.1%
Reported net profit attributable to equity shareholders*	5,861	8,777	33.2%
Reported EPS (HK\$)*	1.01	1.52	33.6%
<b>Profit from underlying businesses</b>	<b>4,121</b>	<b>4,369</b>	<b>5.7%</b>
<b>Underlying businesses EPS (HK\$)</b>	<b>0.71</b>	<b>0.76</b>	<b>6.6%</b>
Interim dividend per share (HK\$)	0.25	0.25	



# Hong Kong Transport Operations



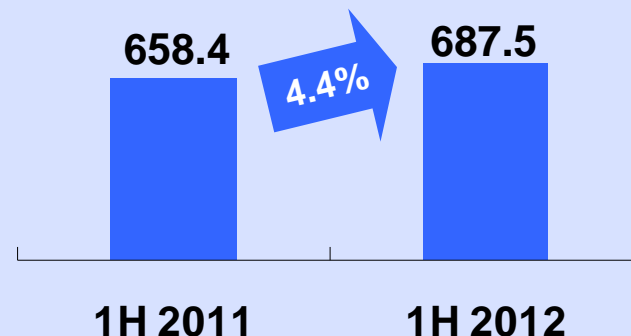
# Revenue from Hong Kong Transport Operations



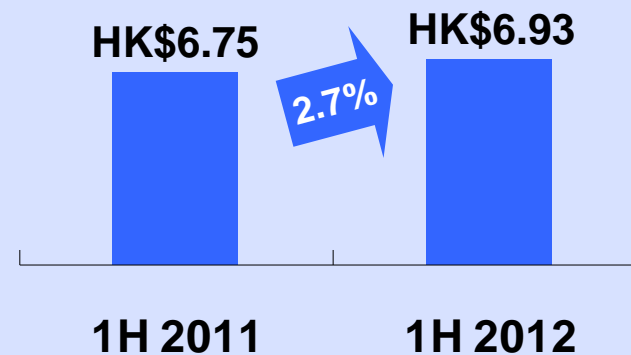
Fare revenue for Domestic Service<sup>(1)</sup>:  
HK\$4,768m



## Domestic Service Patronage (m)



## Domestic Service Average Fare



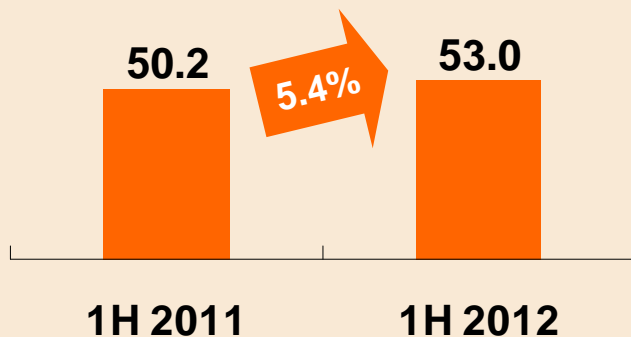
- Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines
- Others comprises Light Rail, Bus, Intercity and other rail related income

# Revenue from Hong Kong Transport Operations

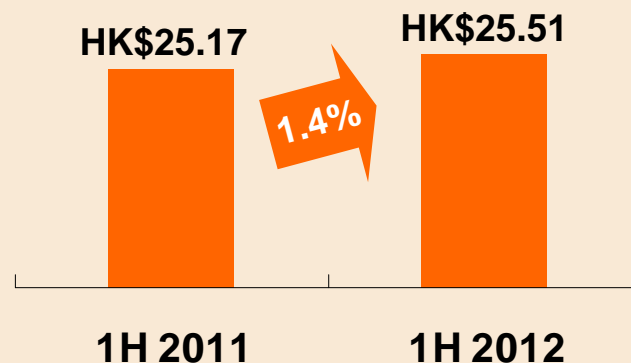
Fare revenue for Cross-boundary Service: HK\$1,351m  6.9%

Fare revenue for Airport Express: HK\$387m  7.5%

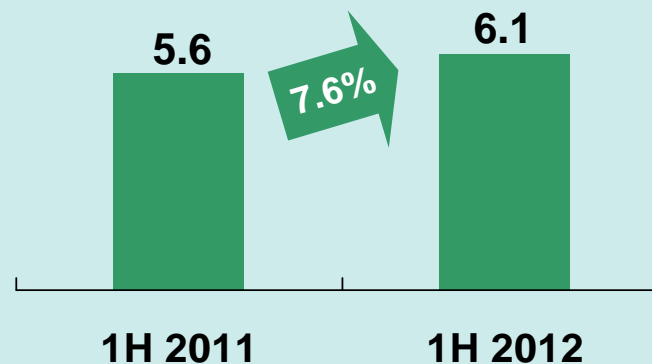
## Cross-boundary Service Patronage (m)



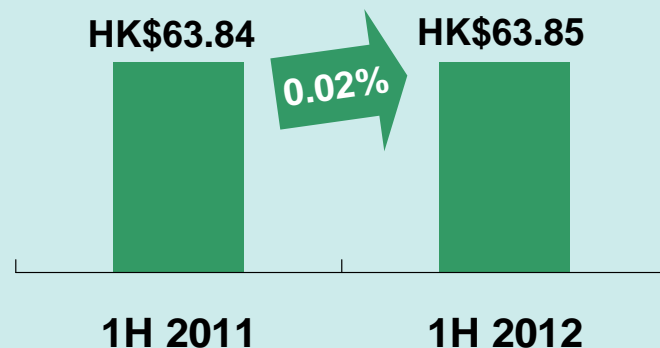
## Cross-boundary Service Average Fare



## Airport Express Patronage (m)

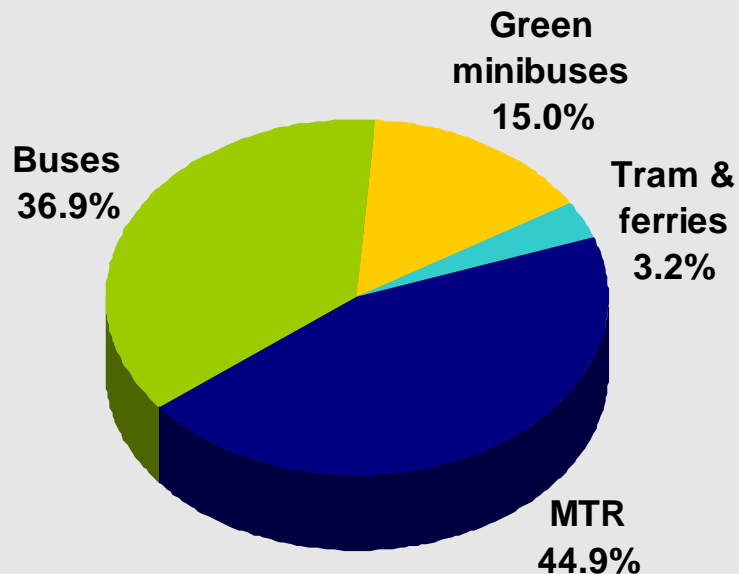


## Airport Express Average Fare

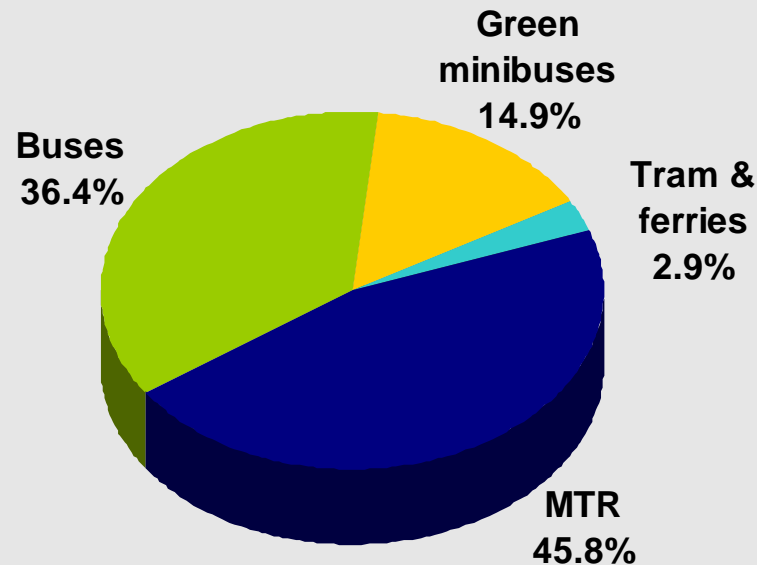


# Market Share

## Hong Kong Franchised Public Transport

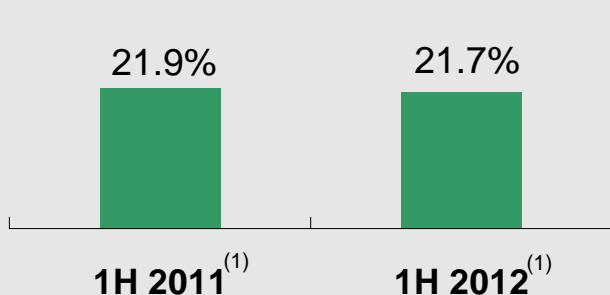


Jan – May 2011

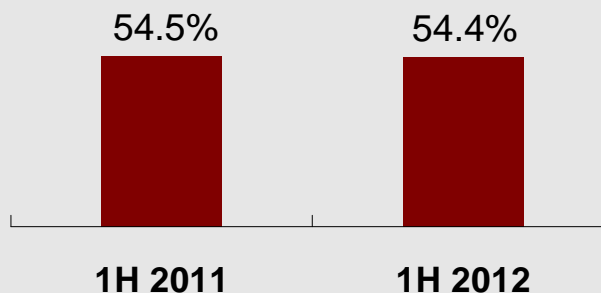


Jan – May 2012

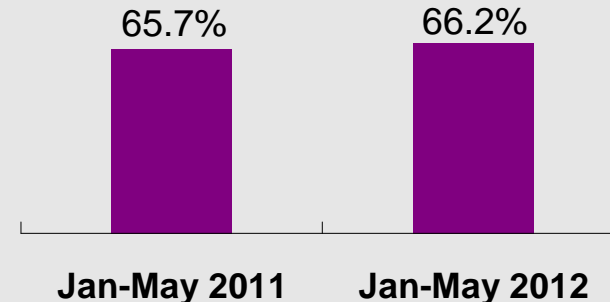
### Airport Express



### 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



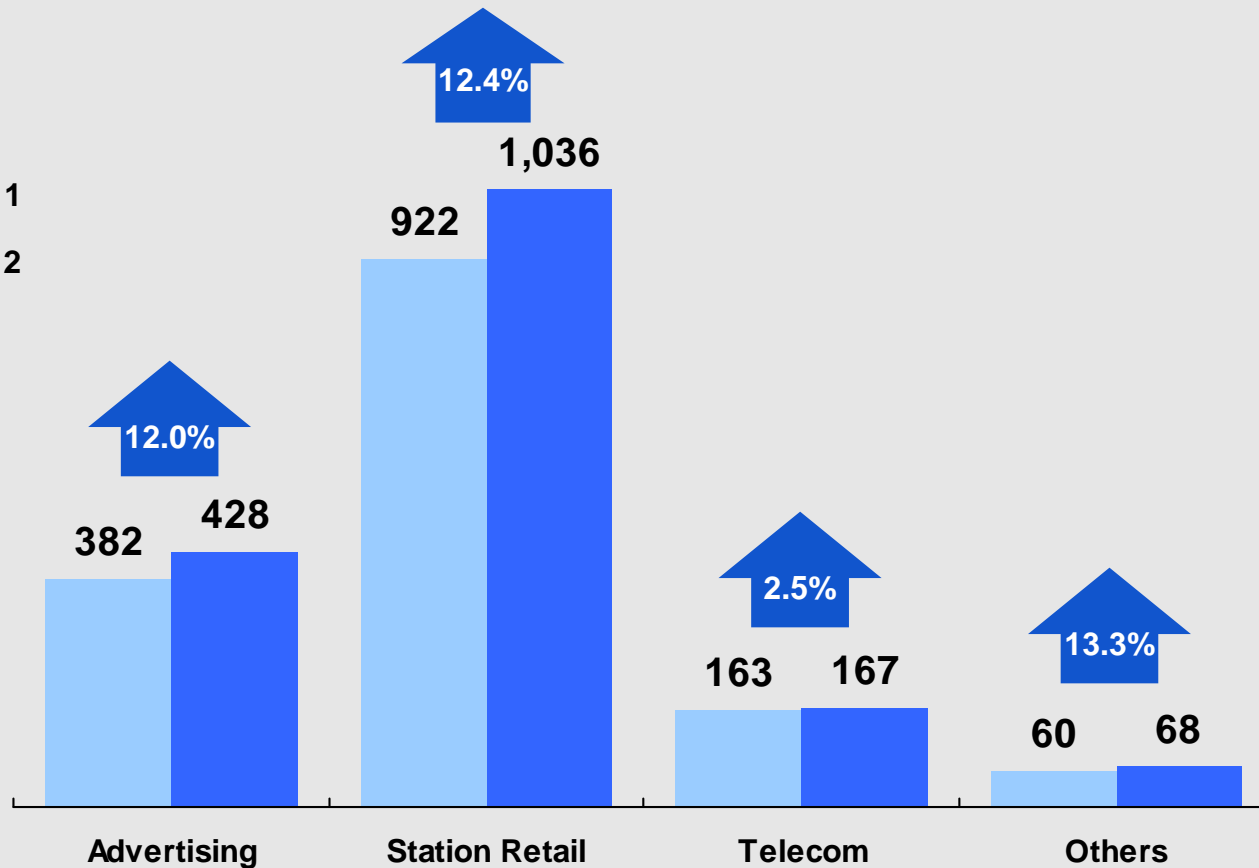
# Hong Kong Station Commercial Business

# Hong Kong Station Commercial Business

Hong Kong station commercial revenue:  
 HK\$1,699m ↑ 11.3%

(HK\$m)

1H 2011  
 1H 2012



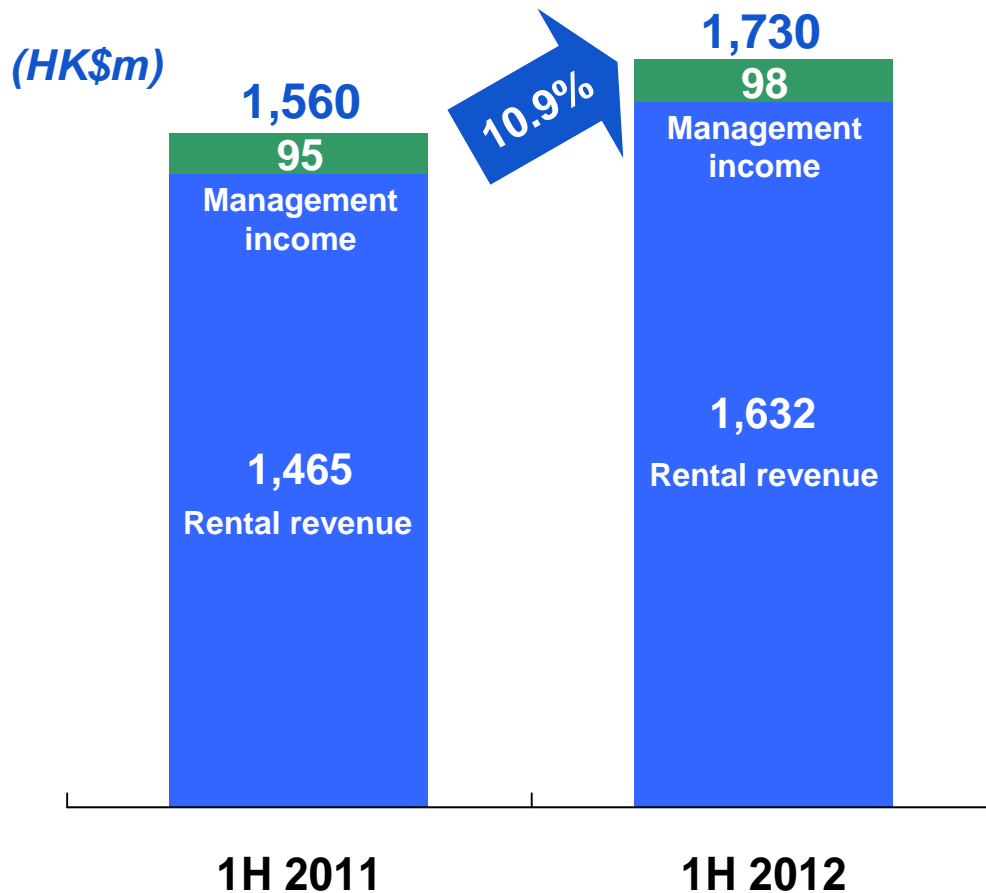
1. Others comprises mainly MTR Travel, publication and station car park.

# Property Businesses

# Property Rental and Management

Property rental and management revenue<sup>(1)</sup>: HK\$1,730m

↑ 10.9%



- Average increase of 15% in rental reversion at shopping malls in Hong Kong
- “PopCorn”, our 13<sup>th</sup> shopping mall in HK, opened for business in March 2012 and was well-received by customers
- Investment portfolio - Jun 2012
  - HK Retail: 13 shopping malls totalling 212,082 sq m<sup>(2)</sup>
  - HK Offices: 40,969 sq m<sup>(2)</sup>

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

# Property Development

Property development profit: HK\$627m



- Profits derived from the sale of inventory units, mainly Festival City in Tai Wai
- Pre-sale of The Riverpark at Che Kung Temple Station launched with about 53% sold as at 30 June 2012

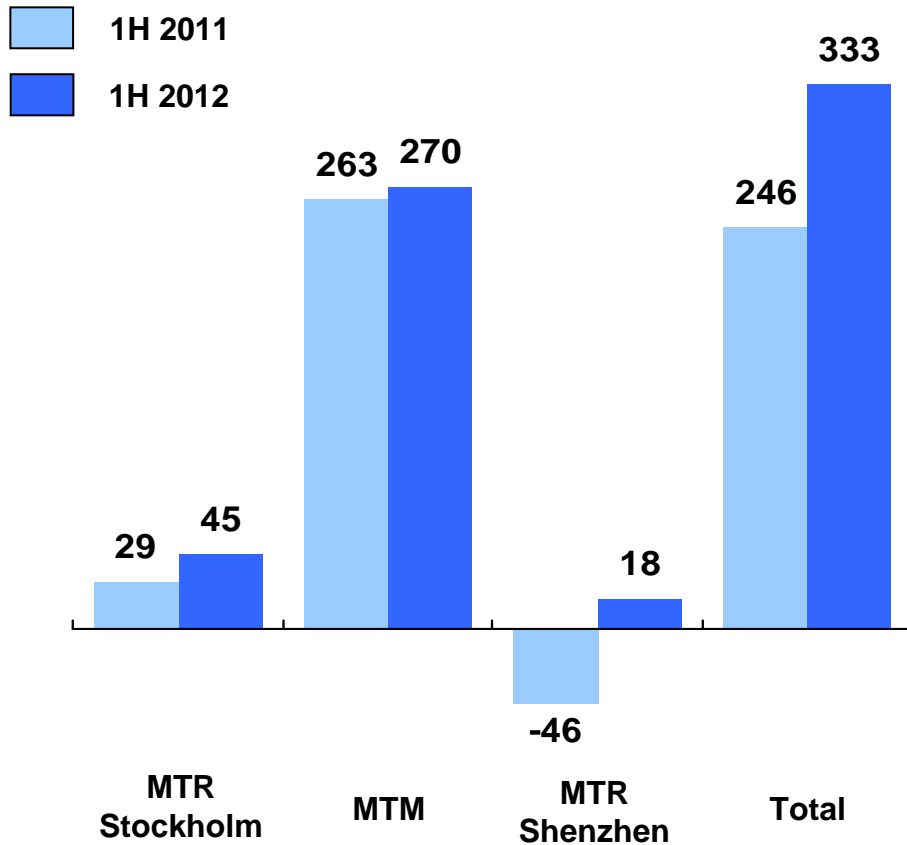


# Mainland and Overseas Businesses

# Mainland and Overseas Rail Businesses

EBITDA contribution from subsidiaries: HK\$333m

(HK\$m)

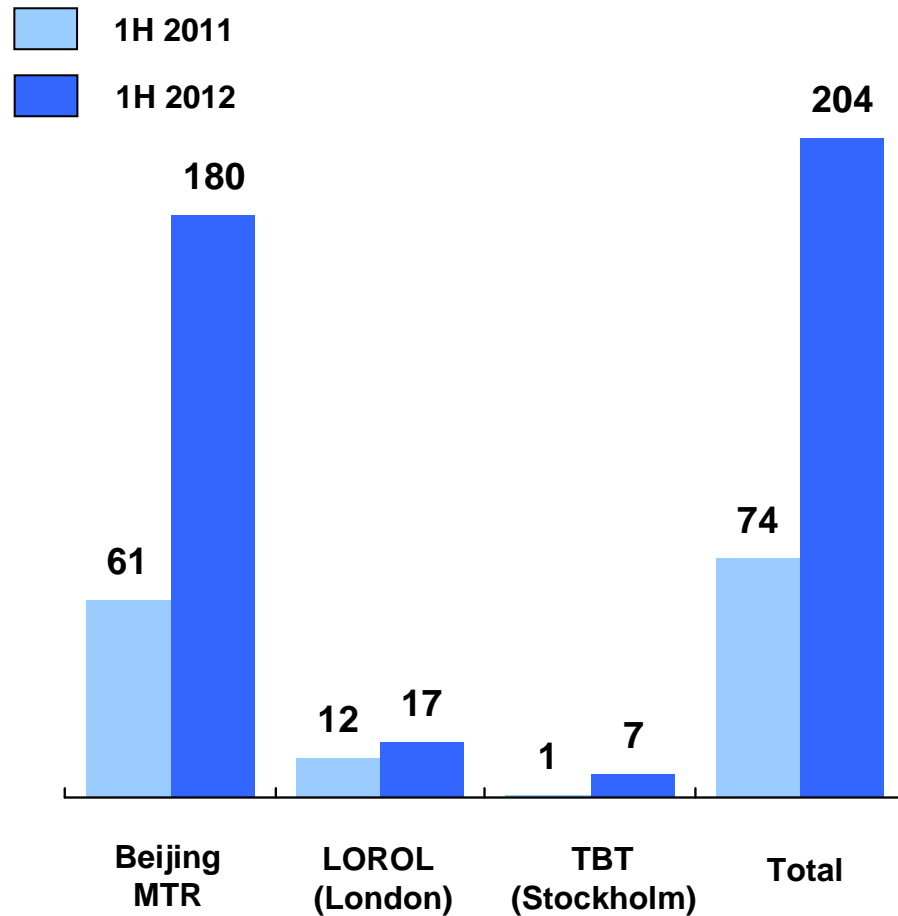


■ Operational performance in all subsidiaries exceeded contractual requirements

# Mainland and Overseas Rail Businesses

Post-tax profit contribution from associates: HK\$204m

(HK\$m)



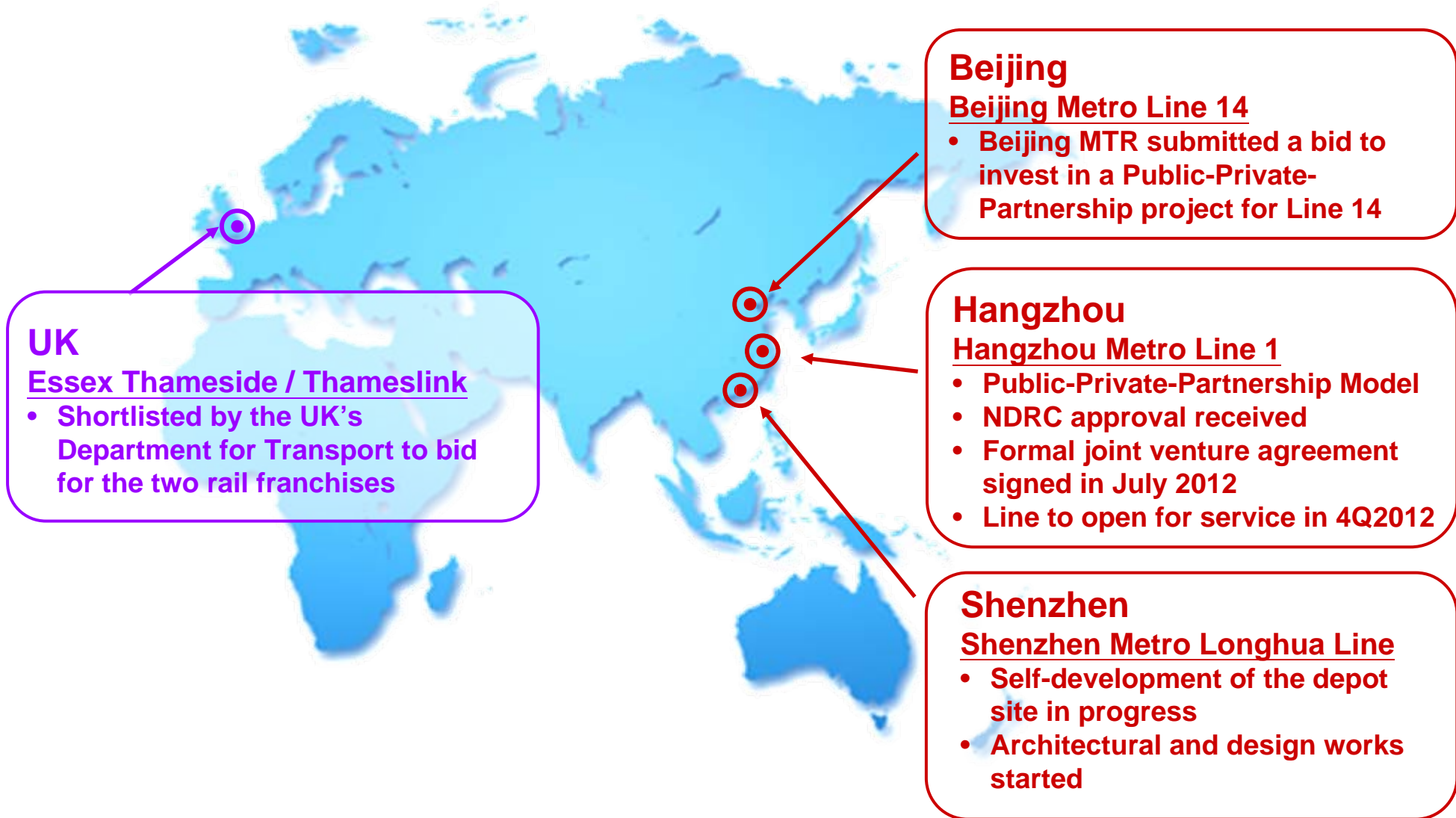
## ■ Beijing MTR (BJMTR), China

- Operational performance exceeded concession requirements
- Financial results benefited from one-off accounting adjustments relating to prior periods

## ■ London Overground (LOROL), UK

- Awarded the title of London's Public Transport Operator of the Year for the second year in a row, and chosen as the World's Most Improved Metro

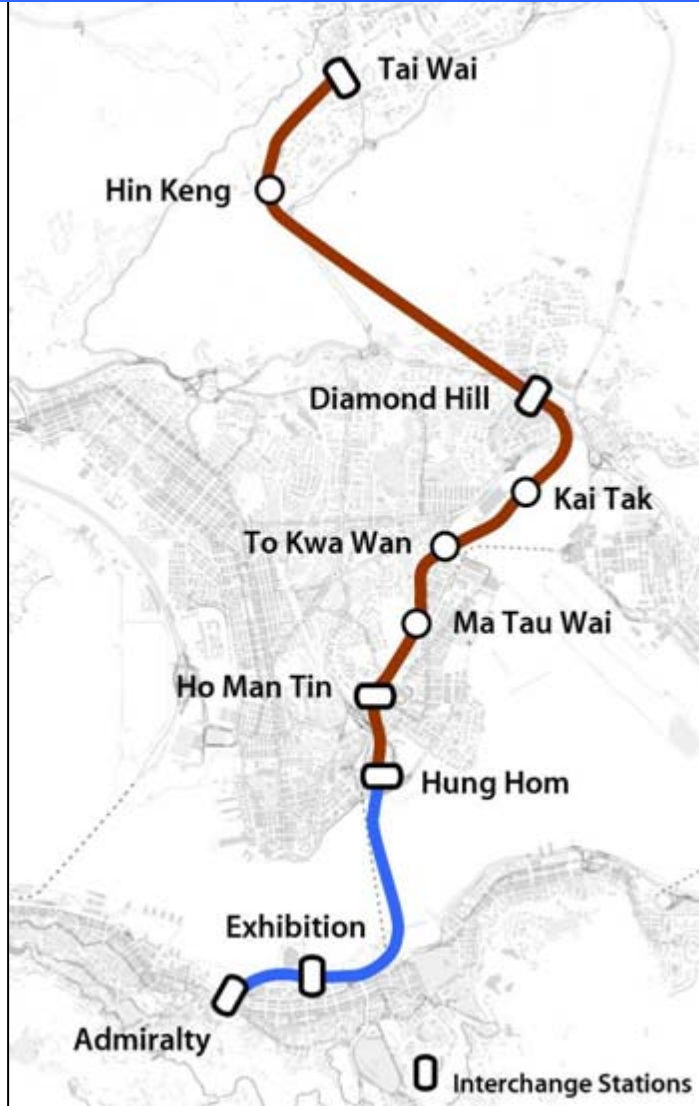
# Expansion outside of Hong Kong



# Growth Initiatives

# New Projects in Hong Kong

## Shatin to Central Link



- Entrustment Agreement signed with Government on 29 May 2012
- Construction commenced in June 2012
- Target to commence service in 2018 for Tai Wai to Hung Hom Section, and in 2020 for Hung Hom to Admiralty Section



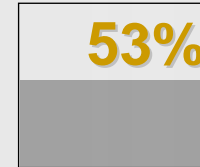
# New Projects in Hong Kong

West Island Line



- Construction commenced in 2009
- Target to commence service in 2014

**53% complete**



**19% complete**

- Project Agreement signed in May 2011
- Target to commence service in 2015



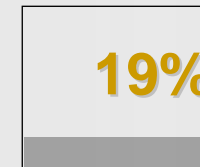
South Island Line (East)

Kwun Tong Line Extension



- Project Agreement signed in May 2011
- Target to commence service in 2015

**19% complete**



**22% complete**

- Entrustment Agreement signed with Government in Jan 2010
- Target to commence service in 2015



Express Rail Link HK Section

# Going forward





# Financial Results

# Income Statement

<i>(HK\$m)</i>	1H2012	1H2011	% change
Revenue from Hong Kong transport operations	6,914	6,471	6.8
Revenue from HK station commercial, property rental and management businesses	3,429	3,087	11.1
Revenue from railway subsidiaries outside of Hong Kong	6,335	6,171	2.7
Revenue from other businesses	476	440	8.2
<b>Total revenue</b>	<b>17,154</b>	<b>16,169</b>	<b>6.1</b>
Operating expenses before railway subsidiaries outside of Hong Kong	(4,633)	(4,243)	(9.2)
Expenses relating to railway subsidiaries outside of Hong Kong	(6,002)	(5,925)	(1.3)
<b>EBITDA excluding railway subsidiaries outside of Hong Kong</b>	<b>6,186</b>	<b>5,755</b>	<b>7.5</b>
<b>Total EBITDA</b>	<b>6,519</b>	<b>6,001</b>	<b>8.6</b>
Property development profit	627	1,445	(56.6)
<b>Total operating profit</b>	<b>7,146</b>	<b>7,446</b>	<b>(4.0)</b>
Variable annual payment	(402)	(301)	(33.6)
Depreciation & amortisation	(1,613)	(1,611)	(0.1)
Interest and finance charges	(432)	(459)	5.9
Investment property revaluation	1,740	4,408	(60.5)
Share of profit of non-controlled subsidiaries & associates	299	155	92.9
<b>Profit before taxation</b>	<b>6,738</b>	<b>9,638</b>	<b>(30.1)</b>
Income tax	(796)	(775)	(2.7)
<b>Reported net profit attributable to equity shareholders*</b>	<b>5,861</b>	<b>8,777</b>	<b>(33.2)</b>
Reported earnings per share (HK\$)	1.01	1.52	(33.6)
<b>Profit from underlying businesses</b>	<b>4,121</b>	<b>4,369</b>	<b>(5.7)</b>
<b>Underlying businesses EPS (HK\$)</b>	<b>0.71</b>	<b>0.76</b>	<b>(6.6)</b>
Interim dividend per share (HK\$)	0.25	0.25	0.0

\* Excluding non-controlling interests of HK\$81 million and HK\$86 million in 1H2012 and 1H2011 respectively.

# Segmental Profits of Underlying Businesses

(HK\$m)	<u>1H 2012</u>	<u>1H 2011</u>	<u>%change</u>
Hong Kong railway and related businesses after variable annual payment	2,517	2,241	12.3
Railway businesses outside of Hong Kong (including associates)	388	189	105.3
Property rental and management	1,388	1,218	14.0
Others <sup>(1)</sup>	<u>(21)</u>	<u>57</u>	N/A
Pre-tax recurrent profits	4,272	3,705	15.3
Tax on recurrent profits	(675)	(647)	
Post-tax recurrent profits	3,597	3,058	17.6
Pre-tax property development profits	627	1,455	(56.9)
Tax on property development profits	(103)	(144)	
Post-tax property development profits	524	1,311	(60.0)
<b>Profit from underlying businesses</b>	<b><u><u>4,121</u></u></b>	<b><u><u>4,369</u></u></b>	<b>(5.7)</b>

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 profit / loss from consultancy, Ngong Ping 360 and Octopus Holdings Limited, project study and business development expenses as well as services to KCRC / Government.

# Balance Sheet

<i>(HK\$m)</i>	<u>30 Jun 2012</u>	<u>31 Dec 2011</u>
<b><u>Assets</u></b>		
Investment properties	53,226	51,453
Other property, plant and equipment	76,150	76,687
Service concession assets	23,980	23,928
Railway construction in progress	5,373	3,566
Property development in progress	12,293	11,964
Cash, bank balances and deposits	21,794	16,100
Investment in bank medium term notes	1,702	2,626
Debtors, deposits and payments in advance	4,647	3,964
Properties held for sale	1,240	3,757
Amounts due from related parties	538	402
Others	3,630	3,423
	<u>204,573</u>	<u>197,870</u>
<b><u>Liabilities</u></b>		
Debts	26,302	23,168
Creditors and accrued charges	15,984	16,402
Obligations under service concession	10,701	10,724
Current taxation	871	597
Deferred tax liabilities	9,568	9,498
Others	3,451	2,832
	<u>66,877</u>	<u>63,221</u>
<b><u>Total equity</u></b>	<u><u>137,696</u></u>	<u><u>134,649</u></u>

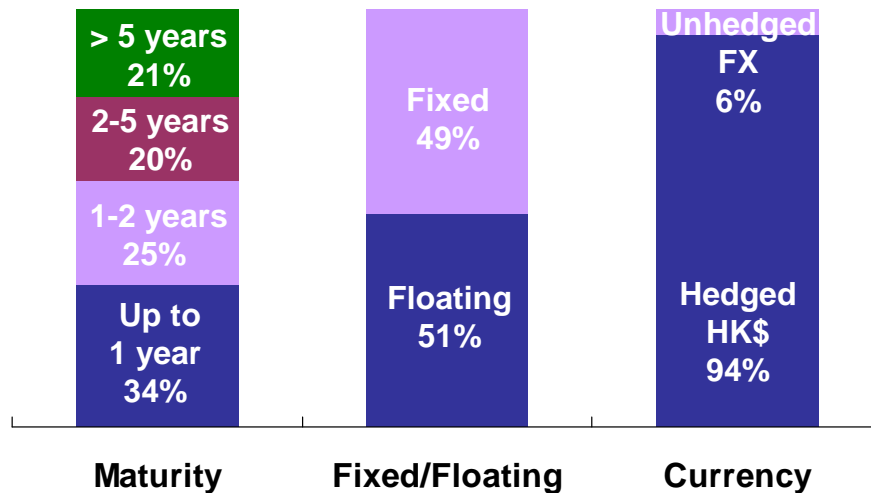
# Cash Flow

(HK\$m)

	<u>1H 2012</u>	<u>1H 2011</u>
<b><u>Cash Inflow</u></b>		
Cash generated from operations before working capital changes	6,540	6,038
Working capital changes	1,277	136
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	637	-
Receipts in respect of property development	2,625	3,018
Others	217	66
<b>Total inflows</b>	<b><u>11,296</u></b>	<b><u>9,258</u></b>
<b><u>Cash Outflow</u></b>		
Tax paid	(479)	(354)
Variable annual payment	(647)	(45)
Capital expenditure		
- New Rail	(3,525)	(2,858)
- Existing Rail	(1,178)	(1,153)
- Property Related	(397)	(193)
Net payment in respect of entrustment works of Shatin to Central Link	(118)	(439)
Net interest paid	(330)	(248)
Others	(22)	(35)
Dividends paid	(3,020)	(2,325)
<b>Total outflows</b>	<b><u>(9,716)</u></b>	<b><u>(7,650)</u></b>
<b>Net cash inflow before financing</b>	<b>1,580</b>	<b>1,608</b>
Net facilities drawdown	3,193	1,520
Redemption of bank medium term notes	921	-
<b>Increase in cash</b>	<b><u>5,694</u></b>	<b><u>3,128</u></b>

# Financing and Credit Ratios

## Debt profile (30 June 2012)



Total borrowings outstanding  
increasing HK\$3,134m to HK\$26,302m

Average borrowing cost:  
3.3%

0.2%  
point

Net interest expense:  
HK\$432m

5.9%

Compared to 1H2011 figures

Net Debt/Equity ratio <sup>(1)</sup>	Jun 2012	Dec 2011
	9.9%	11.4%
Interest cover <sup>(2)</sup>	1H 2012	1H 2011
	12.1x	13.4x

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

2. Interest cover for full year 2011 was 14.5x

# Outlook

# Outlook

## ■ Recurrent businesses

- A number of our recurrent businesses are less sensitive to economic changes, but slowing growth in Hong Kong, together with the additional fare concessions announced in May of this year, will impact overall growth of such businesses.
- As we approach the fifth anniversary of the merger with KCRC, later on this year will see the first review of the FAM. We will work with Government on this review.

## ■ Property development

- Timing of profit bookings for The Riverpark at Che Kung Temple Station will depend firstly on revenue from sales of units exceeding development costs, and secondly, on the receipt of Occupation Permit (OP). We expect to receive OP for this development later this year.
- Over the next six months or so, subject to market conditions, we aim to re-tender the Tai Wai Station site and tender the Tin Shui Wai Light Rail site. As agent for the relevant subsidiaries of KCRC on West Rail property developments, we may also tender the Long Ping Station (North) and Long Ping Station (South) sites.