



MTR Corporation

2014 Interim Results

25 August 2014



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

Mr. Lincoln Leong, Acting CEO

Reasonable Performance in 1H2014

Reasonable financial results in 1H2014

Good operational performance at 99.9%

*Construction challenges leading to delays
in Hong Kong rail projects, with costs reviewed
Growth outside Hong Kong on track*

Financial Highlights

(HK\$m)

	1H2014	1H2013	Change
Total revenue	19,471	19,214	↑ 1.3%
Revenue (before Mainland of China & international subsidiaries)	13,121	12,189	↑ 7.6%
Total EBITDA	7,831	7,332	↑ 6.8%
EBITDA (before Mainland of China & international subsidiaries)	7,403	6,872	↑ 7.7%
Total EBITDA margin	40.2%	38.2%	↑ 2.0%pts
EBITDA margin (before Mainland of China & international subsidiaries)	56.4%	56.4%	
HK Property development profit	245	531	↓ 53.9%
Profit before taxation	9,065	7,156	↑ 26.7%
Reported net profit attributable to equity shareholders ⁽¹⁾	7,912	6,158	↑ 28.5%
Reported EPS (HK\$) ⁽¹⁾	1.36	1.06	↑ 28.3%
Profit from recurrent businesses	4,186	3,804	↑ 10.0%
Profit from underlying businesses	4,389	4,251	↑ 3.2%
Underlying businesses EPS (HK\$)	0.76	0.73	↑ 4.1%
Interim dividend per share (HK\$)	0.25	0.25	

1. Excluding non-controlling interests



Hong Kong Transport Operations

Overall Train Operations

Service on-time performance maintained at 99.9%

*As at Jan – Jul 2014 on heavy rail,
total of over 1 million train trips operated
97 delays of \geq 8 mins
8 delays of \geq 31 mins*

用心聽  用心做
Listening Responding

*600 additional weekly train services on heavy rail
to be launched from end August,
Early Bird Pilot Scheme to commence on 1 Sept*

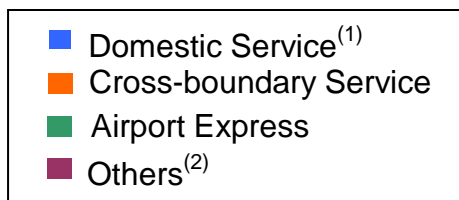
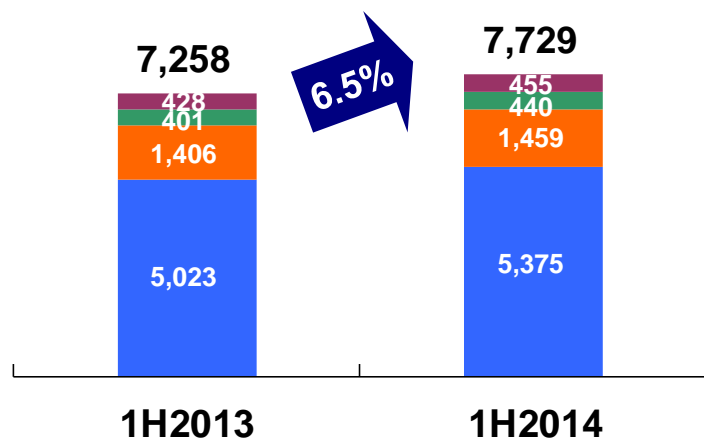
Hong Kong Transport Operations

Total Patronage: 909.4 million

↑ 3.0%

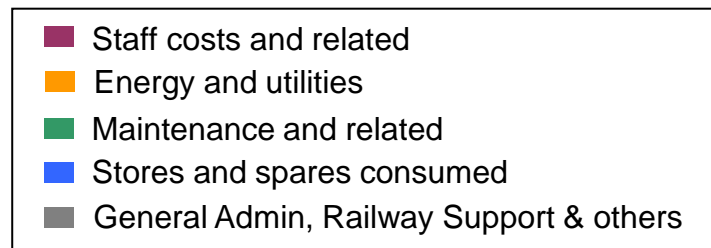
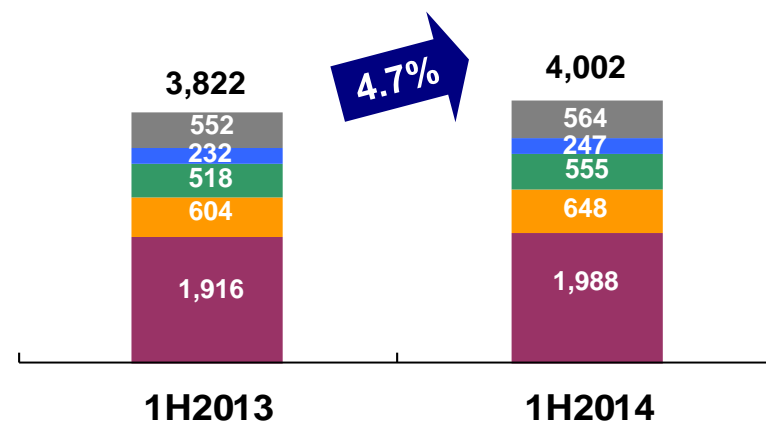
Revenue

(HK\$m)



Cost

(HK\$m)



EBITDA: HK\$3,727m

↑ 8.5%

EBITDA Margin: 48.2%

↑ 0.9%pt

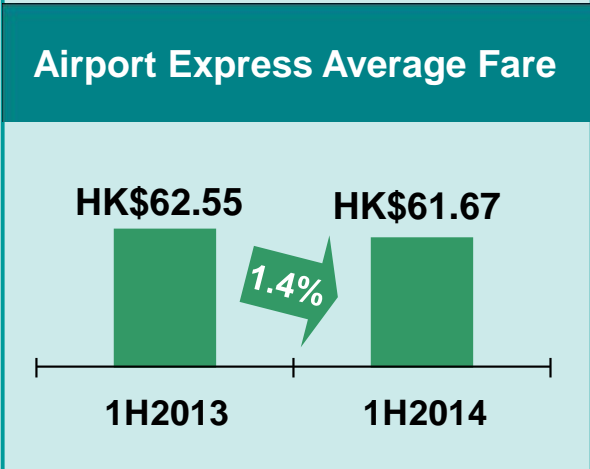
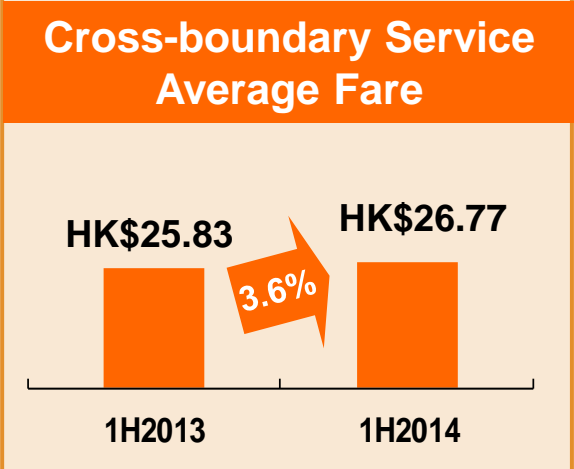
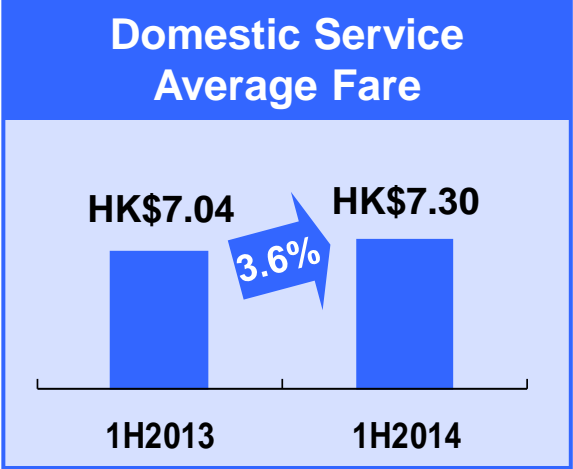
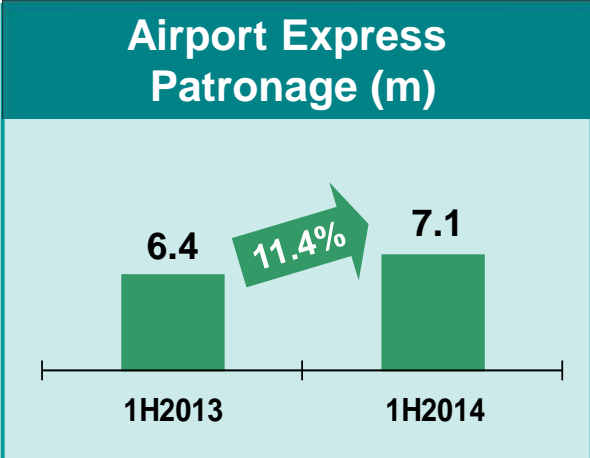
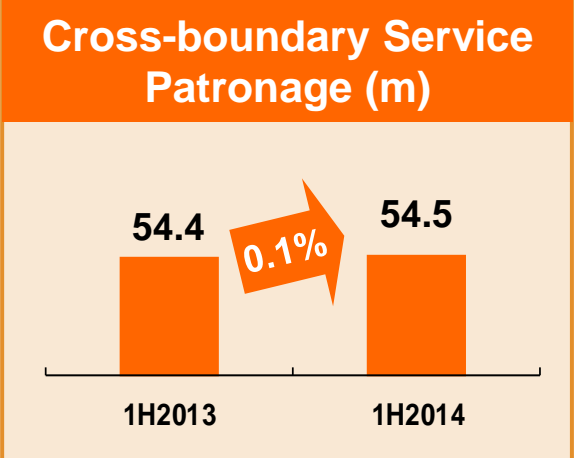
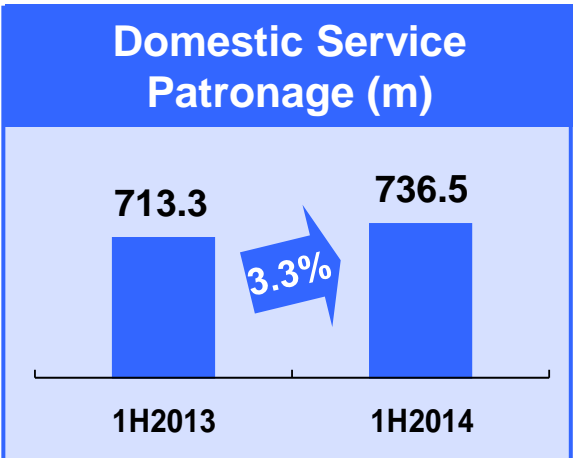
- Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines
- Others comprise Light Rail, Bus, Intercity and other rail related income

Revenue from Hong Kong Transport Operations

Fare revenue for Domestic Service⁽¹⁾:
HK\$5,375m  7.0%

Fare revenue for Cross-boundary Service:
HK\$1,459m  3.8%

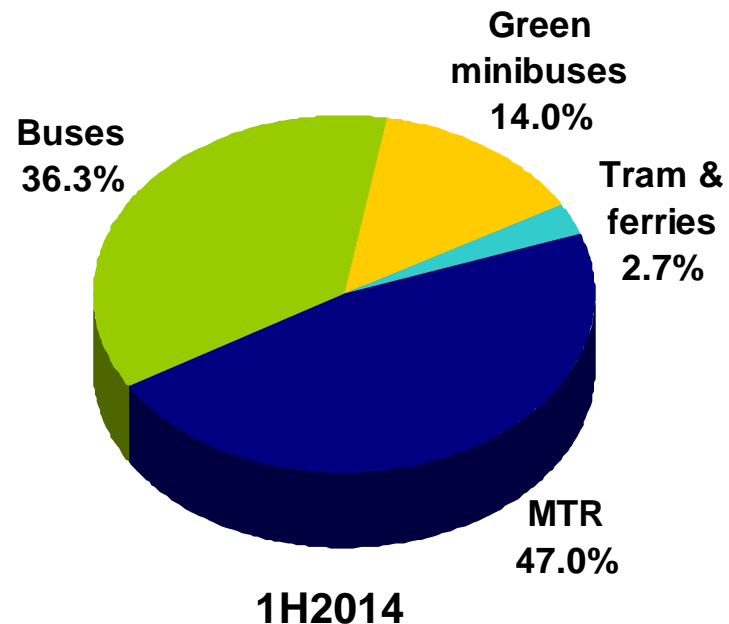
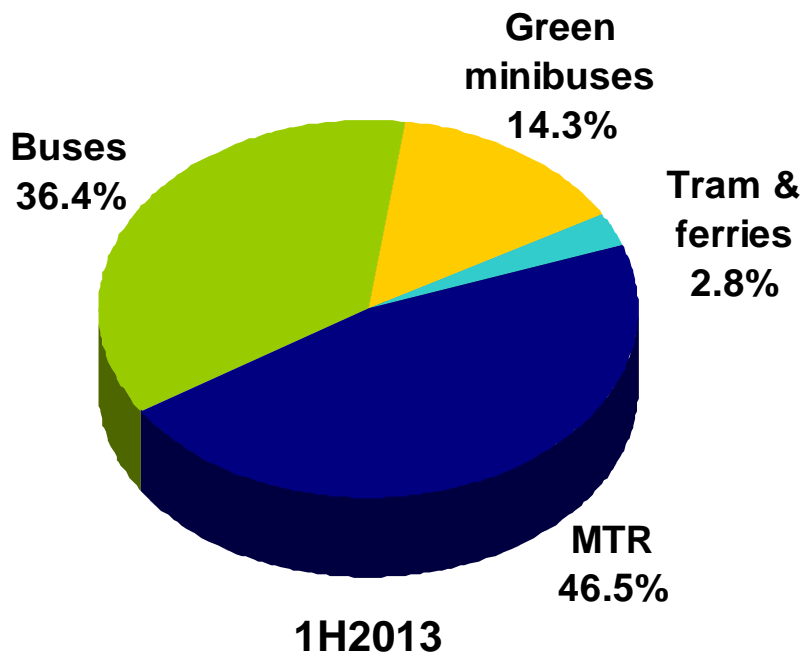
Fare revenue for Airport Express: HK\$440m  9.7%



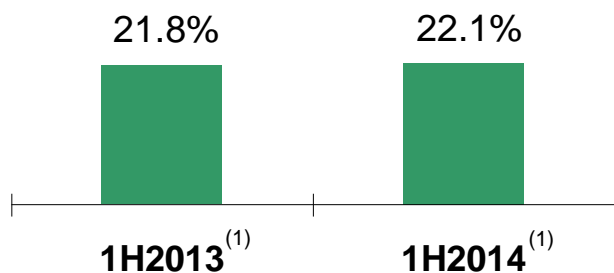
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Market Share

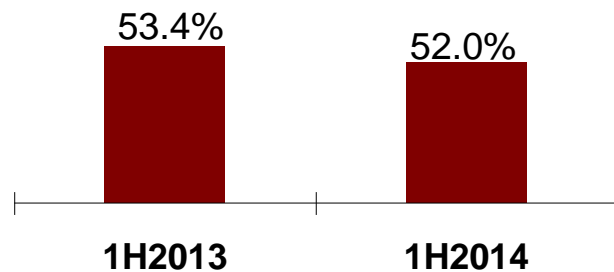
Hong Kong Franchised Public Transport



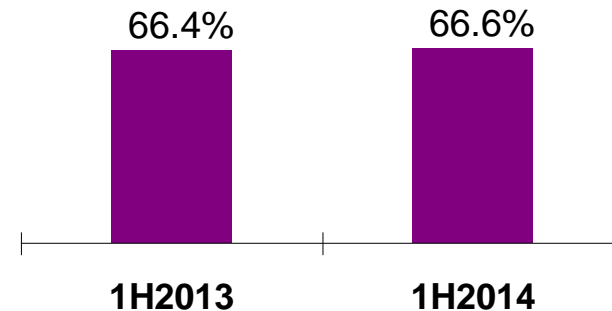
Airport Express



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



Hong Kong Station Commercial

Hong Kong Station Commercial

Revenue:
HK\$2,377m

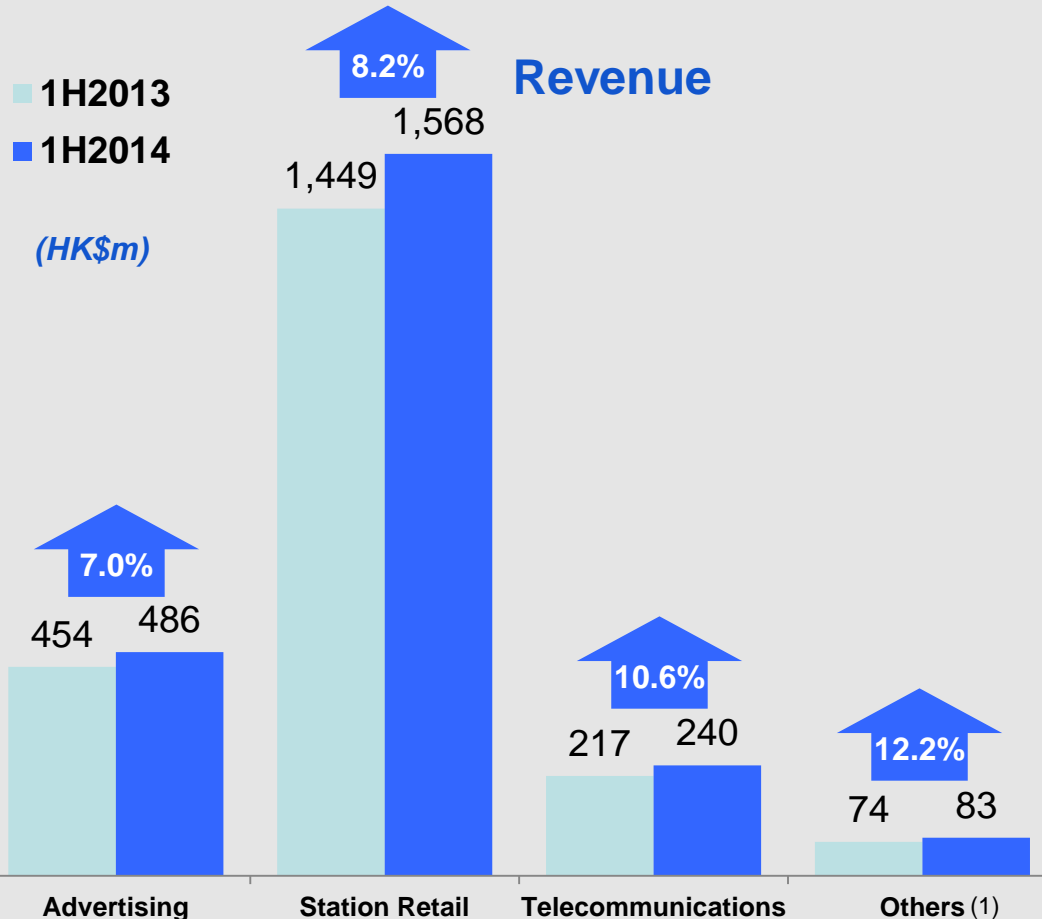
↑ 8.3%

Cost:
HK\$226m

↑ 9.7%

EBITDA:
HK\$2,151m

↑ 8.2%



- Revenue growth driven by increases in shop rental rates and higher turnover rents
- As at 30 June 2014, 1,335 shops and 56,209 sqm of station retail space
- Telecom – revenue increased due to mobile data capacity increases

EBITDA Margin:

90.5% ↓ 0.1%pt

1. Includes mainly car park, MTR Travel, publications and souvenir ticket sales



Hong Kong Property Businesses

Hong Kong Property Rental and Management

Revenue:
HK\$2,026m

↑ 10.0%

Cost:
HK\$331m

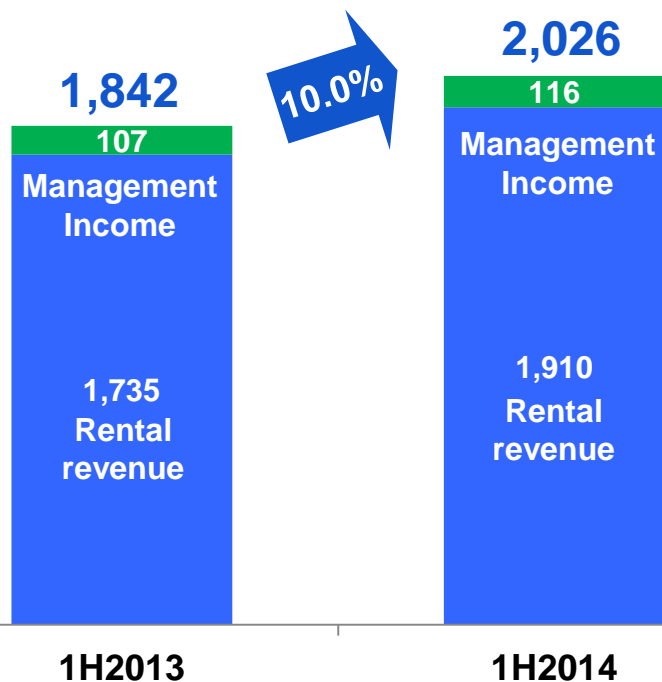
↑ 8.9%

EBITDA:
HK\$1,695m

↑ 10.2%

(HK\$m)

Revenue



- Average increase of 14% in rental reversion at shopping malls in Hong Kong
- Shopping malls renovation works:
 - PopCorn2 common area (completed in 1H2014)
 - Luk Yeung Galleria (target completion by end of this year)
 - Maritime Square Extension project (advance works commenced)
- MTR shopping malls and the 18 floors at Two IFC remained close to 100% let
- Investment portfolio – Jun 2014
 - HK Retail: 213,128 sqm⁽¹⁾
 - HK Offices: 40,969 sqm⁽¹⁾

EBITDA Margin:

83.7% ↑ 0.2%pt

1. Lettable floor area attributable to MTR

Hong Kong Property Development

**HK Property development profit:
HK\$245m**



HK Property Development Profit

- Profits derived from agency fees and sales of our inventory units

Pre-sale Launches in 1H2014

- Grand Austin Site D with over 99% of 691 units now sold
- City Point (which we only act as agent) with over 90% of 1,717 units sold as at July 2014

Land tendering

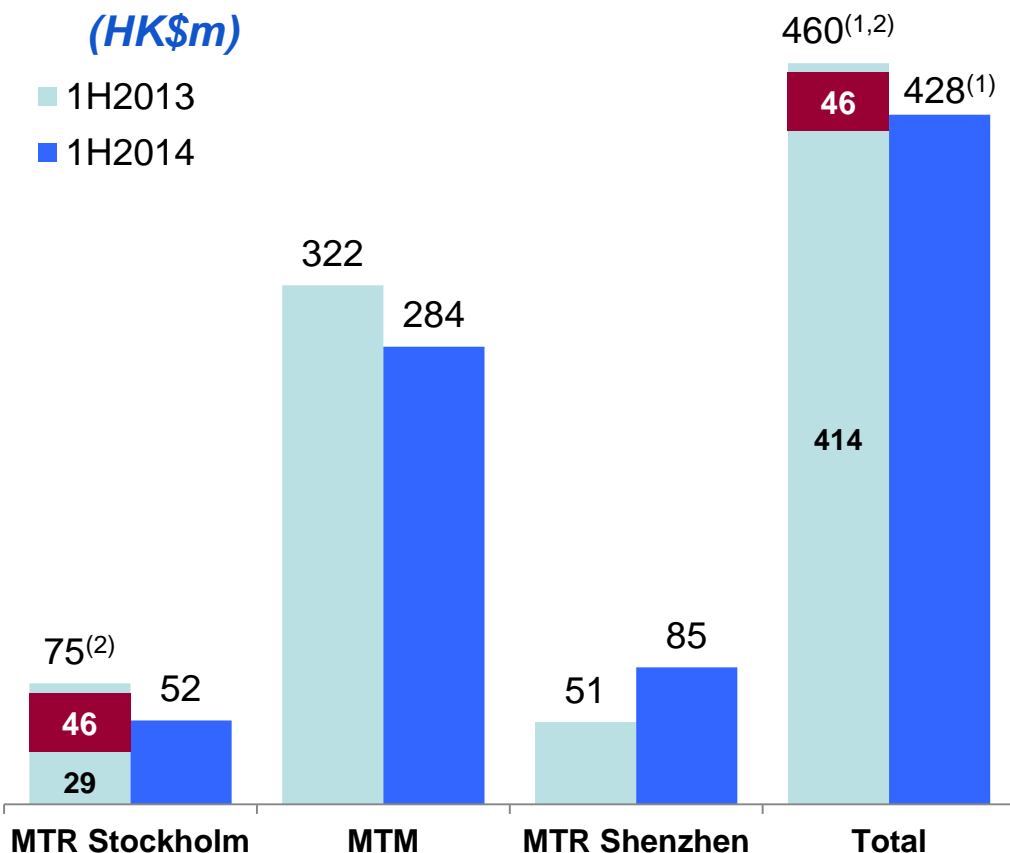
- LOHAS Park Package 4 tender was awarded to a subsidiary of Sun Hung Kai in April 2014



Mainland of China & International Businesses

Mainland of China and International Businesses – Rail Subsidiaries

EBITDA contribution: HK\$428m



■ Sweden

■ MTR Stockholm

- Good operational performance
- One-off profit recognised in 2013 not repeated in 2014

■ MTR Express

- Aim to launch service by early next year after delivery of new trains

■ Metro Trains Melbourne (MTM)

- Good operational and financial performance
- EBITDA dropped mainly due to currency movements, in constant terms, EBITDA would have been similar with last year

■ MTR Shenzhen

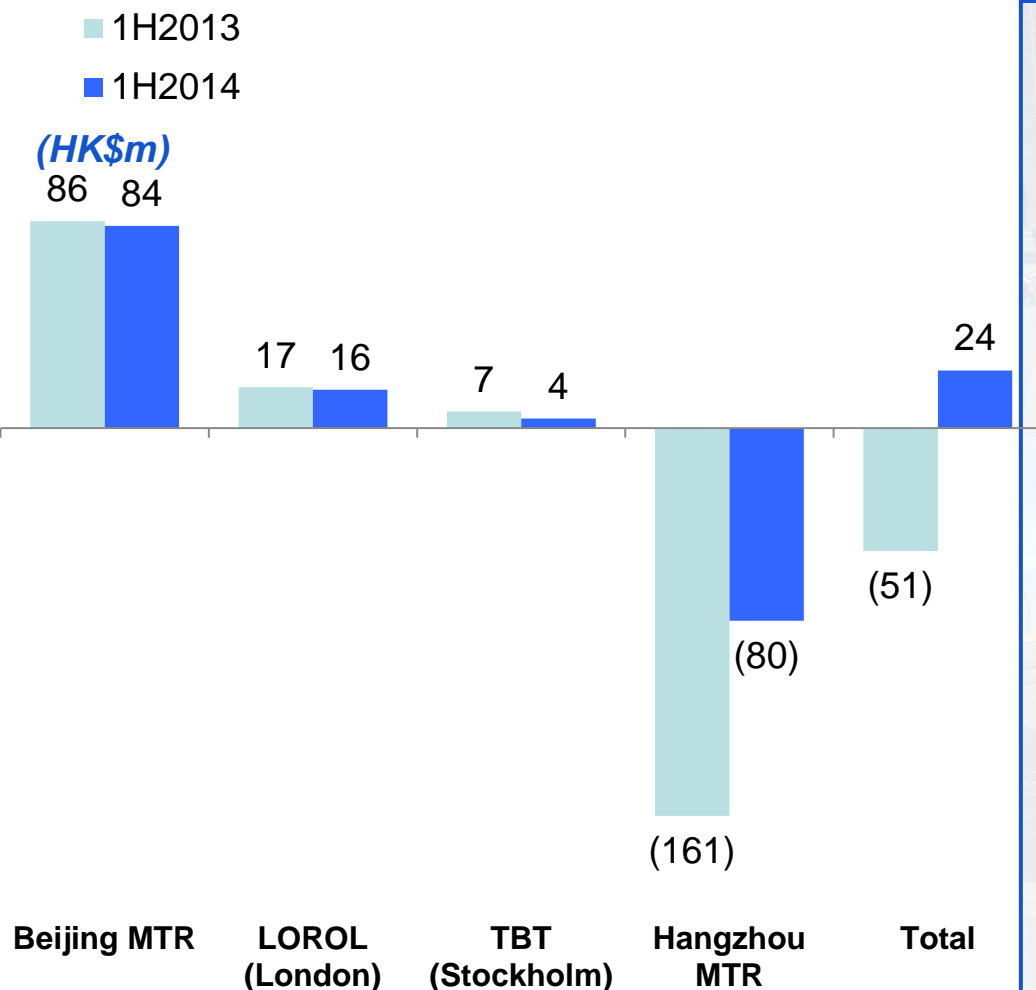
- Operational performance exceeded targets
- Project to convert the existing 4-car fleet to 6-car fleet in progress and expected to complete by first quarter in 2015

1. Includes EBITDA contribution from Mainland property activities at HK\$7 million and HK\$12 million for 1H2014 and 1H2013 respectively

2. One-off recovery of energy cost charged for prior years

Mainland of China and International Businesses – Rail Associates

Analysis of results by rail associates: Profit of HK\$24m



- **Beijing MTR (BJMTR), Mainland of China**
 - Good operational performance exceeding service targets
 - Phase 2 of Beijing Line 14 targeted to open later this year
- **London Overground (LOROL), UK**
 - Continued to deliver excellent service
 - Franchise extended for two years to Nov 2016
- **Hangzhou MTR (HZMTR), Mainland of China**
 - Operational performance exceeded target
 - Reduction in losses due to patronage increase

Mainland of China & International Businesses – Property Development Projects

Shenzhen Property Development

- Wholly owned self development project
- Site GFA: 206,167 sqm, commercial area: 10,000 sqm
- Number of units: approximately 1,700
- Total Investment at RMB¥4b (estimated) including RMB¥2b (approx.) land premium
- Phase 1 presales expected in early 2015
- Part of net profits shared with Shenzhen Municipality to support metro development in Shenzhen



Tianjin Property Development

- Joint venture between MTR (49%) and Tianjin Metro (Group) Company Limited (51%)
- Land premium of RMB¥2.075b paid in 2H 2013
- Total GFA: 278,650 sqm
- Residential and commercial use
- Design works in progress



Growth Initiatives outside of Hong Kong

Expansion outside Hong Kong – International

United Kingdom

Crossrail (O&M franchise), London

- Selected as operator
- 8 year concession with an option to extend for another 2 years
- Route length 118km, 40 stations, 42 km of new tunnels
- To commence service in phases from 2015 to 2019



Australia

North West Rail Link (PPP), Sydney

- MTR consortium named preferred operator
- Includes design, construction, financing, operations and maintenance of the new 36km rail line with project completion targeted in 2019
- Partners in consortium: John Holland, UGL Rail Services, Leighton Contractors and Plenary Group
- MTR equity investment at approximately AUD65M



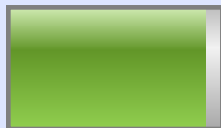
Projects in Hong Kong

MTR Owned Projects in Hong Kong

West Island Line

- Target to open in December 2014 should works continue to proceed at the current rate
- Some works at Sai Ying Pun Station not as advanced as expected
- Back-up plan in place to bypass Sai Ying Pun Station
- Announcement to be made in October this year relating to opening arrangements
- Latest estimated project cost increasing from HK\$17.2 billion to HK\$18.5 billion.

93% complete



MTR Owned Projects in Hong Kong

South Island Line (East)

- Complexity of works at Admiralty Station - original target opening in end 2015 not possible
- Good progress achieved:
 - Track-laying completed between Ocean Park Station and Aberdeen Channel Bridge
 - Wong Chuk Hang Depot civil works completed
- Latest estimated project cost increasing from HK\$13.5 billion to HK\$15.2 billion.

73% complete




MTR Owned Projects in Hong Kong



Kwun Tong Line Extension

- Challenging circumstances at Whampoa Station - original target opening in 2H2015 not possible
- Major progress achieved:
 - Site formation works for the Ho Man Tin Station completed
 - Piling works in Whampoa site completed
- Project cost is within the original budget

 **63% complete**

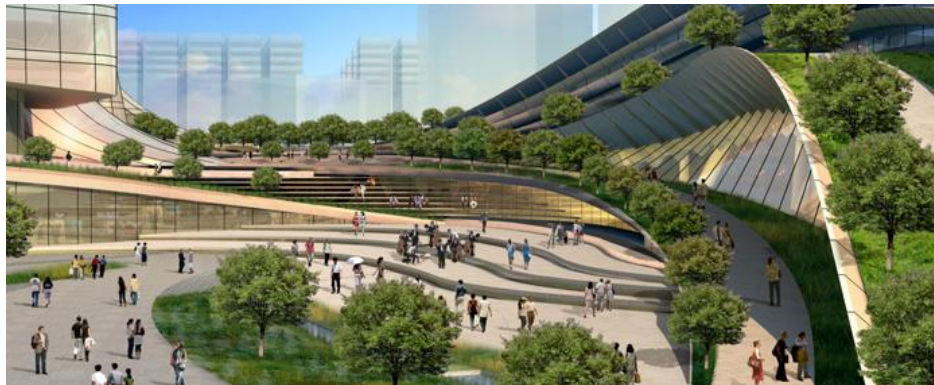
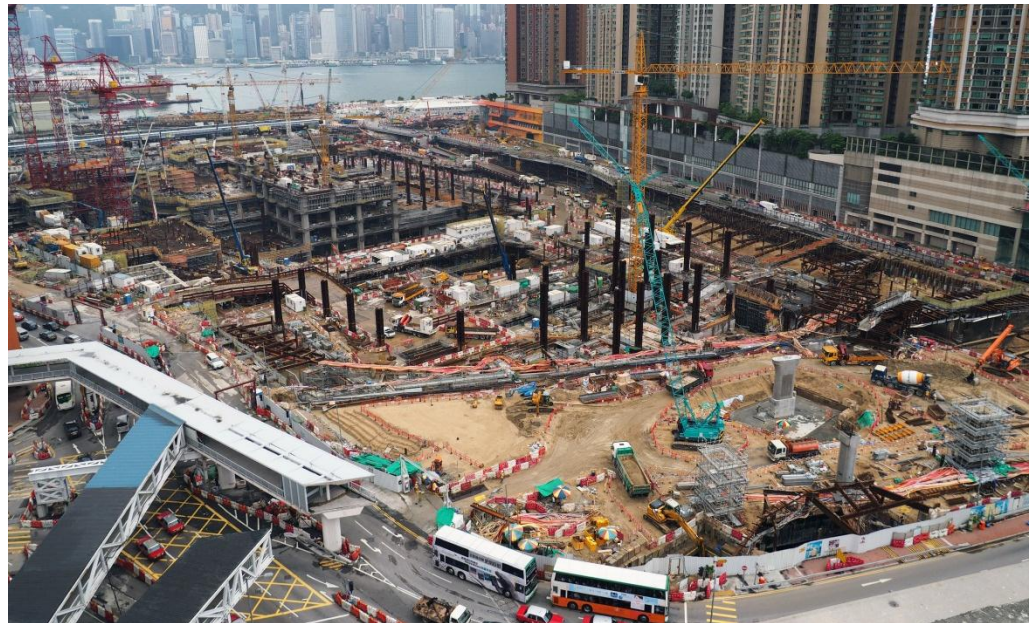


MTR Entrusted Projects in Hong Kong

Express Rail Link

- Revised opening date by end 2017
- Milestones:
 - Breakthrough of tunnel under Tai Mo Shan
 - Damaged Tunnel-boring machine Fan-Li-Hua restarted
- First Independent Board Committee (IBC) report published in July and implementation of recommendations ongoing
- Latest estimate to complete the project at HK\$71.52 billion

60% complete



MTR Entrusted Projects in Hong Kong

Shatin to Central Link

- Progress currently 11 months behind schedule
- Archaeological artifacts unearthed and inevitably affecting the project programme
- Other challenges include:
 - Exhibition Station – Site access delayed due to non-SCL related works
 - Ma Tau Wai Station - diaphragm wall construction not as advanced as expected
- We will closely monitor the situation and put in measures to catch up as much as we can



17% complete





Financial Results

Mr. Stephen Law, Finance Director

Consolidated Income Statement

(HK\$m)	1H2014	1H2013	% change
Revenue from HK transport operations	7,729	7,258	6.5
Revenue from HK station commercial, HK property rental and management businesses	4,403	4,036	9.1
Revenue from Mainland of China & international subsidiaries	6,350	7,025	(9.6)
Revenue from other businesses	989	895	10.5
Total revenue	19,471	19,214	1.3
Operating expenses before Mainland of China & international subsidiaries	(5,718)	(5,317)	(7.5)
Expenses relating to Mainland of China & international subsidiaries	(5,922)	(6,565)	9.8
Total operating expenses	(11,640)	(11,882)	2.0
EBITDA excluding Mainland of China & international subsidiaries	7,403	6,872	7.7
Total EBITDA	7,831	7,332	6.8
HK property development profit	245	531	(53.9)
Total operating profit	8,076	7,863	2.7
Variable annual payment	(701)	(589)	(19.0)
Depreciation & amortisation	(1,688)	(1,641)	(2.9)
Interest and finance charges	(274)	(435)	37.0
Investment property revaluation	3,523	1,907	84.7
Share of profit of associates	129	51	152.9
Profit before taxation	9,065	7,156	26.7
Income tax	(1,063)	(900)	(18.1)
Reported net profit attributable to equity shareholders⁽¹⁾	7,912	6,158	28.5
Reported earnings per share (HK\$)	1.36	1.06	28.3
Profit from underlying businesses	4,389	4,251	3.2
Underlying businesses EPS (HK\$)	0.76	0.73	4.1
Interim dividend per share (HK\$)	0.25	0.25	0.0

1. Excluding non-controlling interests of HK\$90 million and HK\$98 million in 1H2014 and 1H2013 respectively.

Segmental Profits of Underlying Businesses

<i>(HK\$m)</i>	<u>1H2014</u>	<u>1H2013</u>	<u>% change</u>
HK railway and related businesses after variable annual payment	3,565	3,275	8.9%
Mainland of China and international businesses (including railway associates)	359	292	22.9%
Hong Kong property rental and management	1,688	1,533	10.1%
Others ⁽¹⁾	(83)	(5)	N/A
EBIT on recurrent businesses	<u>5,529</u>	<u>5,095</u>	8.5%
Interests on recurrent profits	(289)	(441)	34.5%
Tax on recurrent profits	(1,054)	(850)	(24.0%)
Post-tax recurrent profits	4,186	3,804	10.0%
Pre-tax HK property development profits	245	531	(53.9%)
Tax on HK property development profits	(42)	(84)	50.0%
Post-tax property development profits	203	447	(54.6%)
Profit from underlying businesses	4,389	4,251	3.2%

Note:

All segmental profits shown are pre-tax profits.

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

Consolidated Balance Sheet

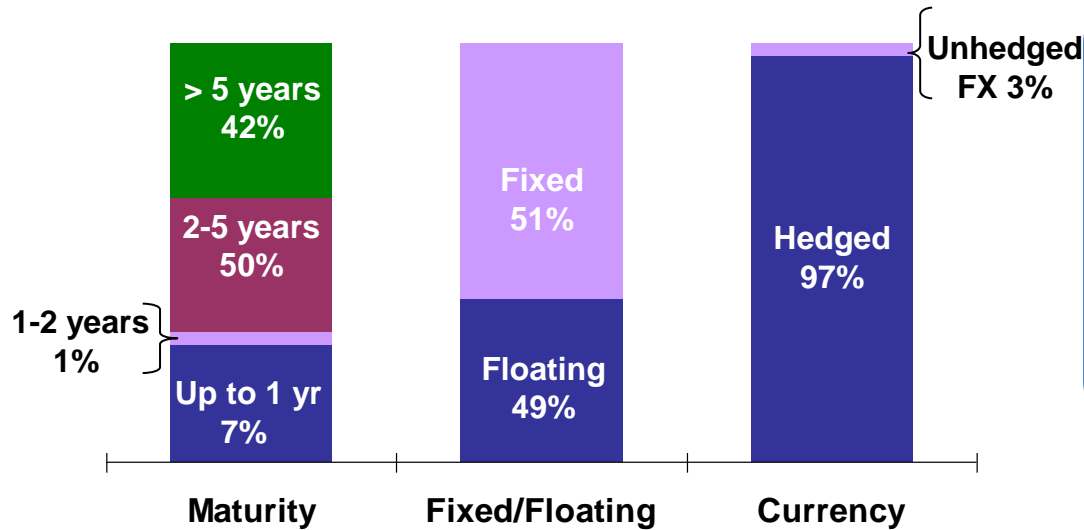
<i>(HK\$m)</i>	<u>30 Jun 2014</u>	<u>31 Dec 2013</u>
<u>Assets</u>		
Investment properties	64,982	61,285
Other property, plant and equipment	75,528	76,277
Service concession assets	25,842	25,594
Railway construction in progress	14,888	11,548
Property development in progress	9,217	11,233
Cash, bank balances and deposits	18,328	17,297
Debtors, deposits and payments in advance	2,656	3,621
Properties held for sale	1,100	1,105
Amounts due from related parties	1,236	654
Interest in associates	5,673	5,277
Others	2,136	1,932
	<u>221,586</u>	<u>215,823</u>
<u>Liabilities</u>		
Debts	21,080	24,511
Creditors and accrued charges	14,956	13,793
Obligations under service concession	10,631	10,658
Amounts due to related parties	4,346	1,388
Current taxation	905	349
Deferred tax liabilities	10,397	10,289
Others	2,442	2,133
	<u>64,757</u>	<u>63,121</u>
<u>Total Equity</u>	<u><u>156,829</u></u>	<u><u>152,702</u></u>

Cash Flow

<i>(HK\$m)</i>	<u>1H2014</u>	<u>1H2013</u>
Cash Inflow		
Cash flows from operating activities before tax payment and working capital	7,843	7,369
Working capital movements	1,009	486
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	652	661
Receipts in respect of Hong Kong property development	3,643	2,422
Others	57	74
Total inflows	<u>13,204</u>	<u>11,012</u>
Cash Outflow		
Tax paid	(420)	(460)
Variable annual payment	(1,247)	(883)
Capital expenditure		
- New rail	(2,967)	(3,603)
- Existing rail	(1,367)	(1,400)
- Property related	(1,703)	(2,395)
- Shenzhen Metro Longhua Line related	(192)	(254)
Investment in an associate	(294)	-
Net (payment)/receipt in respect of entrustment works of Shatin to Central Link	(51)	36
Net interest paid	(437)	(288)
Dividends paid	(26)	(3,209)
Total outflows	<u>(8,704)</u>	<u>(12,456)</u>
Net cash inflow/(outflow) before financing	<u>4,500</u>	<u>(1,444)</u>
Net (repayment) of loans	<u>(3,438)</u>	<u>(106)</u>
Increase/(Decrease) in cash	<u>1,062</u>	<u>(1,550)</u>

Financing and Credit Ratios

Debt profile (30 Jun 2014)



Total borrowings outstanding
at HK\$21,080m (HK\$24,511m as at 31 Dec 2013)

Average borrowing cost:
3.7%

0.2%
point

Net interest expense:
HK\$274m

37.0%

Compared to 1H2013 figures

Net Debt/Equity ratio⁽¹⁾

Jun 2014

Dec 2013

8.6%

11.8%

Interest cover

1H2014

1H2013

12.4x

11.6x

1. Including obligations under service concession and loan from holders of non-controlling interests of a subsidiary as components of debt



Outlook

Outlook

Recurrent Business

- Global outlook remains uncertain - Mainland of China growth in a more measured pace
- Hong Kong rail business - stable patronage growth
- Station commercial and property rental businesses - affected by rental renewals and reversions, which will depend on market conditions.

Property Development

- Booking for The Austin (Site C) dependent on OP – expected in 2H2014
- Booking for Grand Austin (Site D) dependent on OP – expected in end 2014/early 2015
- LOHAS Park Package 3 dependent on presales and OP – presales expected later this year and OP expected in 4Q 2014.
- On property tendering of our own sites up till year end, subject to market conditions, the following sites may be tendered:
 - Tai Wai Station
 - Package 5 at LOHAS Park
 - Tin Wing Stop (Light Rail)

