



MTR Corporation

2015 Interim Results

13 August 2015

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, CEO

Solid Results

- *Recurrent profits – Steady Growth*
- *Property development profits – Booking of Hemera*

Strong Business Performance

- *Continued world-class railway operations*
- *Active Hong Kong property tendering*
- *Strong pre-sales of Shenzhen Tiara*

Growth on track but Challenges remain

- *Hong Kong new rail projects – programs and costs revised*
- *Expansion of Hong Kong retail property portfolio*
- *Growth outside Hong Kong on track*

Financial Highlights

(HK\$m)

	1H2015	1H2014	Change
Total revenue	20,210	19,471	3.8%
Revenue (excluding Mainland of China & international subsidiaries)	14,029	13,121	6.9%
Total EBITDA	8,346	7,831	6.6%
EBITDA (excluding Mainland of China & international subsidiaries)	8,001	7,403	8.1%
Total EBITDA margin	41.3%	40.2%	1.1%pts
EBITDA margin (excluding Mainland of China & international subsidiaries)	57.0%	56.4%	0.6%pt
Profit from recurrent businesses	4,516	4,186	7.9%
Property development profit after tax	2,311	203	n/a
Profit from underlying businesses	6,827	4,389	55.5%
Reported net profit attributable to equity shareholders ⁽¹⁾	8,189	7,912	3.5%
Reported EPS (HK\$) ⁽¹⁾	1.40	1.36	2.9%
Underlying businesses EPS (HK\$)	1.17	0.76	54.6%
Interim dividend per share (HK\$)	0.25	0.25	

1. Excluding non-controlling interests



Hong Kong Transport Operations

Hong Kong Transport Operations

On time performance maintained at 99.9%
Added over 541 train trips per week
Festive Discount promotion

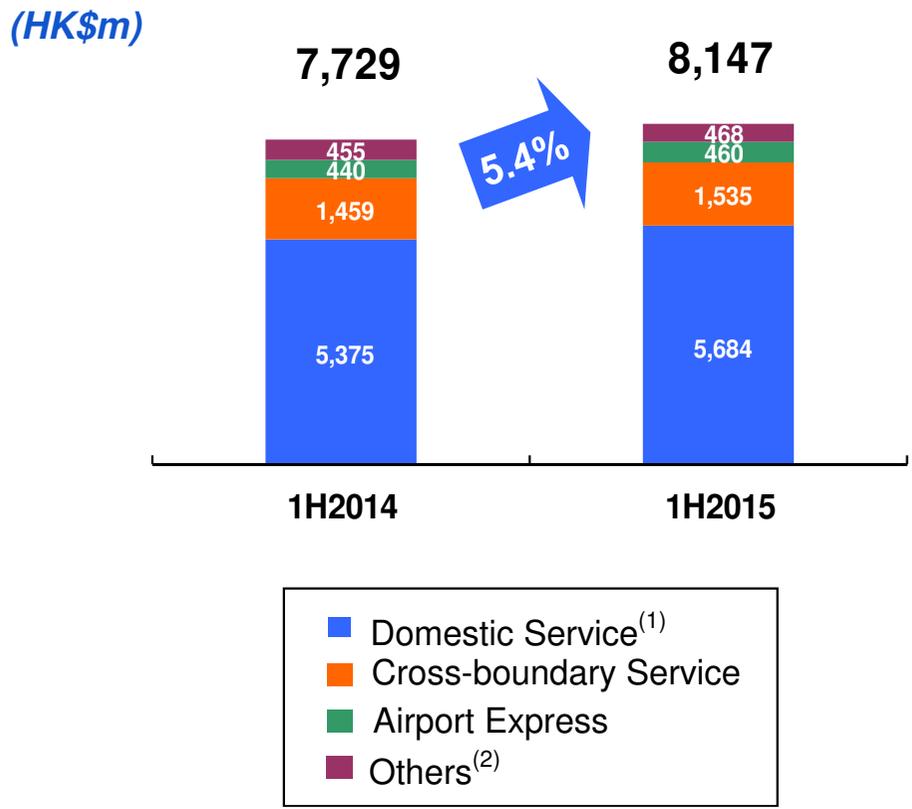
Opening of Sai Ying Pun Station

Over \$6 billion annually for maintenance and renewals
New Renewals: \$6 billion to purchase 93 new 8-car trains
and \$3.3 billion contract for signalling System

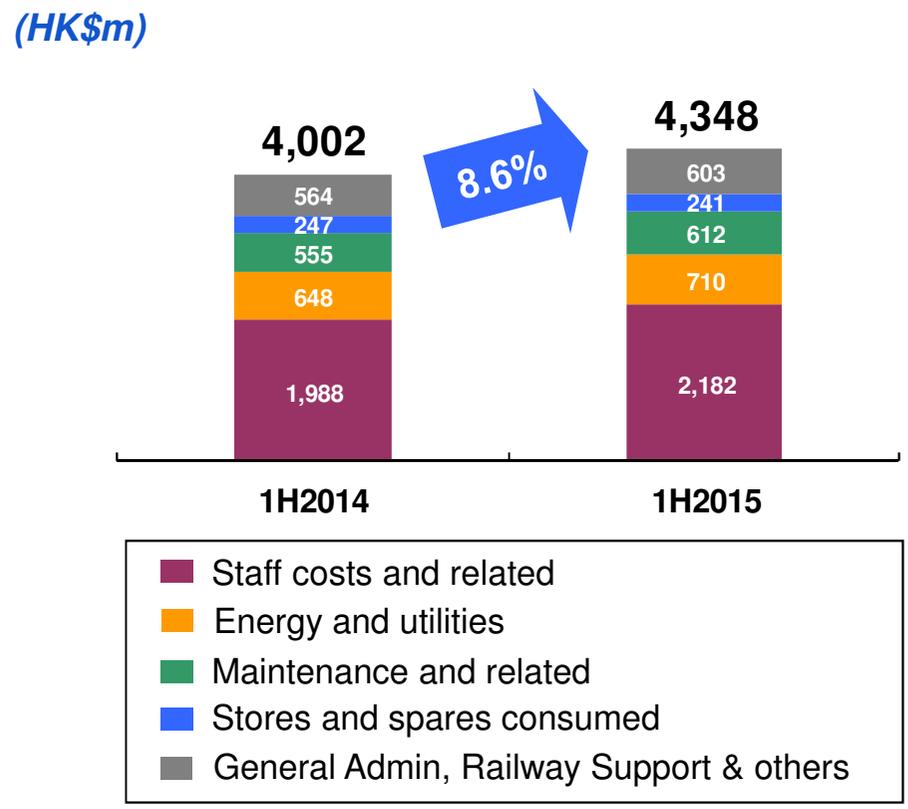
Hong Kong Transport Operations

Total Patronage: 949.4million ↑ 4.4%

Revenue



Cost



EBITDA: HK\$3,799m ↑ 1.9 %

EBITDA Margin: 46.6% ↓ 1.6%pts

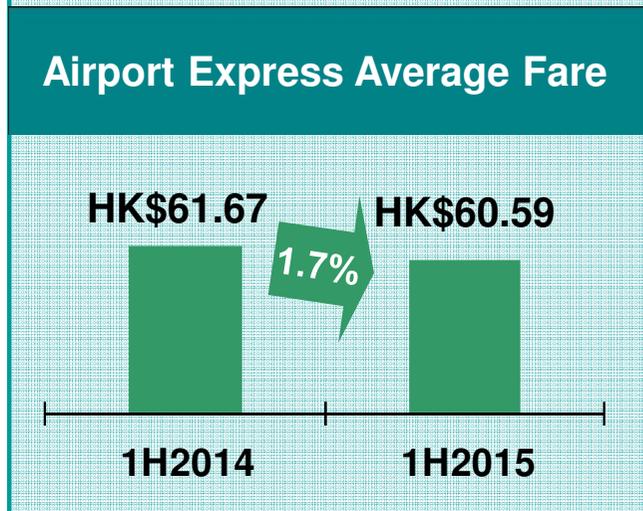
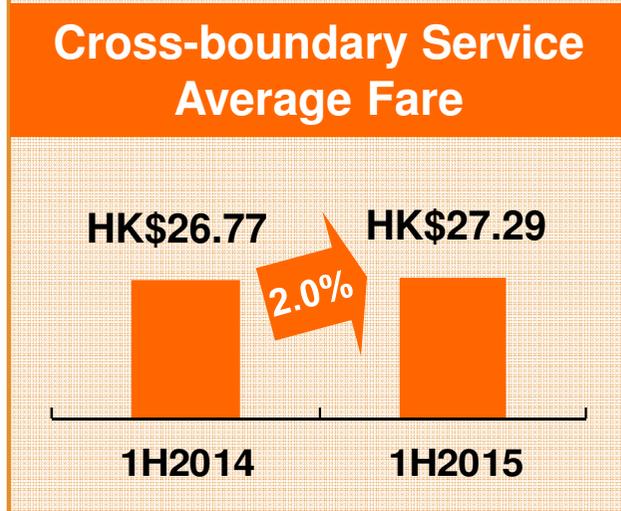
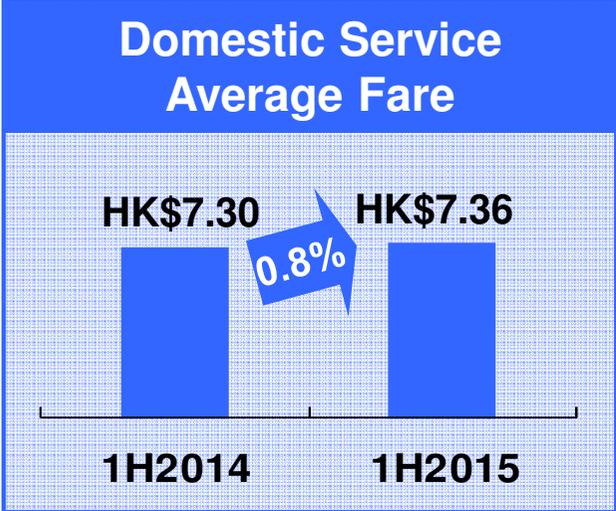
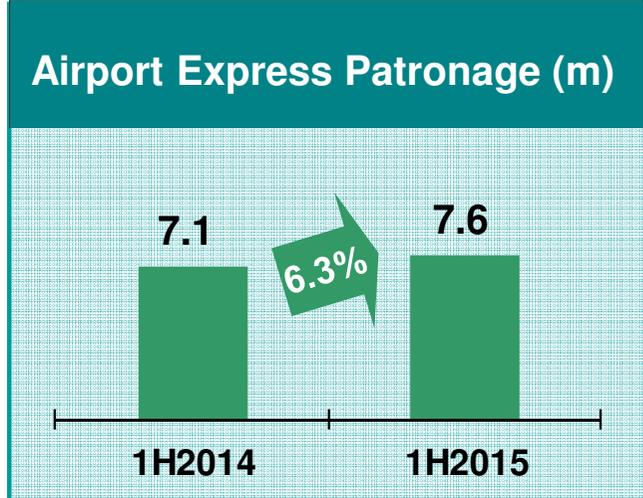
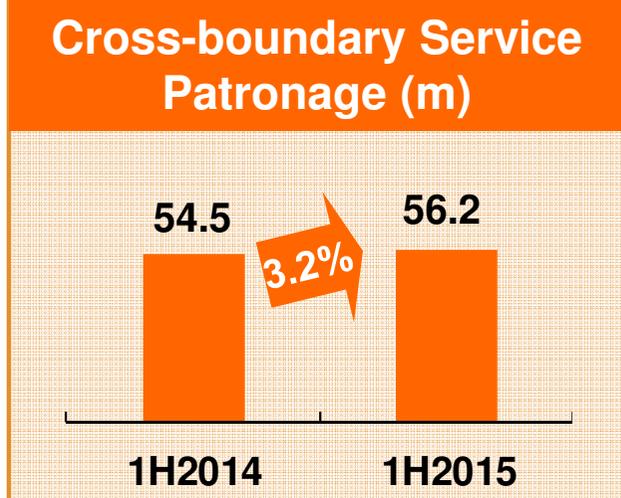
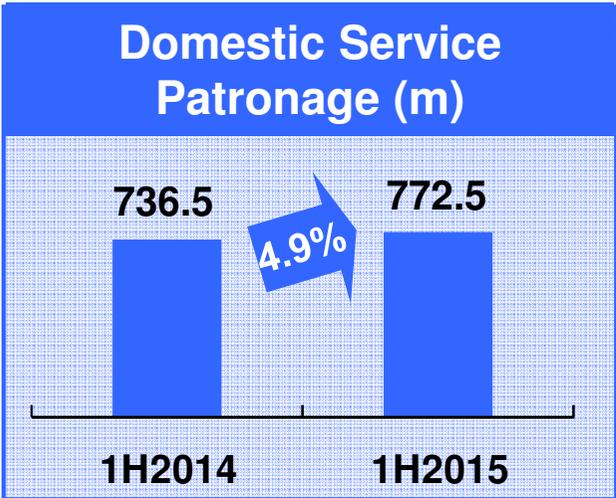
1. Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines
 2. Others comprise Light Rail, Bus, Intercity and other rail related income
 MTR Corporation

Revenue from Hong Kong Transport Operations

Fare revenue for Domestic Service⁽¹⁾:
HK\$5,684m ↑ 5.7%

Fare revenue for Cross-boundary Service:
HK\$1,535m ↑ 5.2%

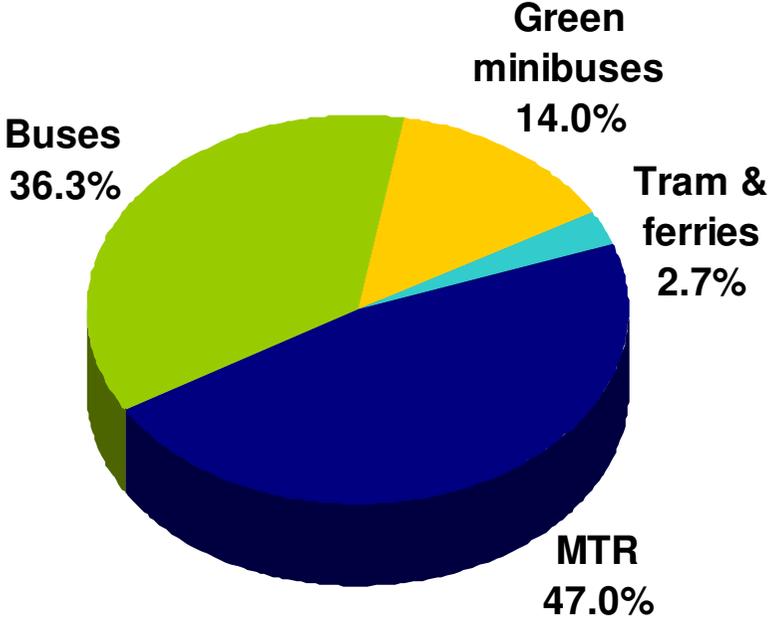
Fare revenue for Airport Express: HK\$460m ↑ 4.5%



1. 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

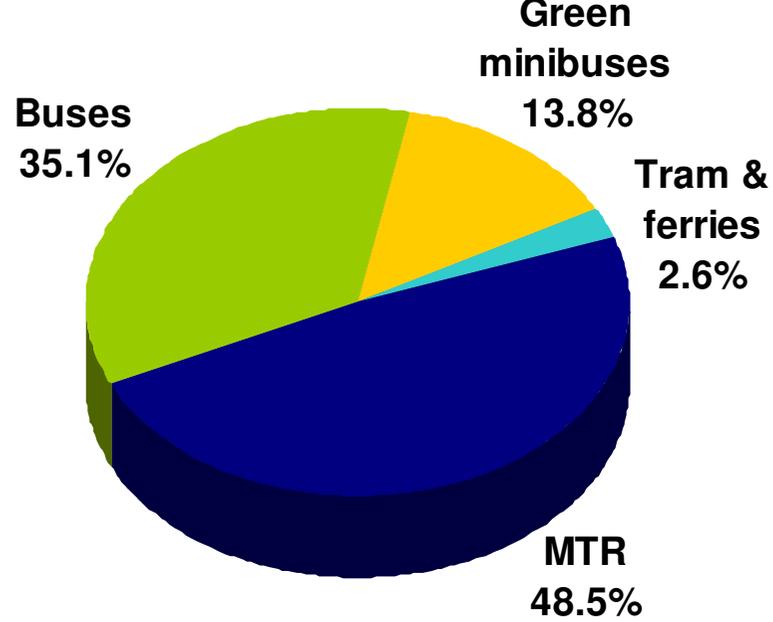
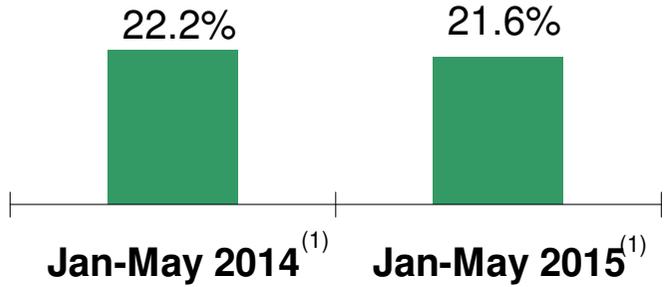
Market Share

Hong Kong Franchised Public Transport



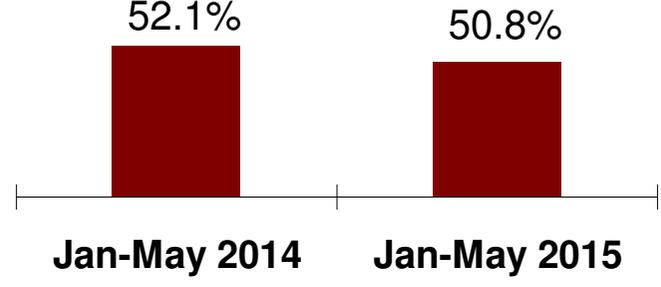
Jan – May 2014

Airport Express

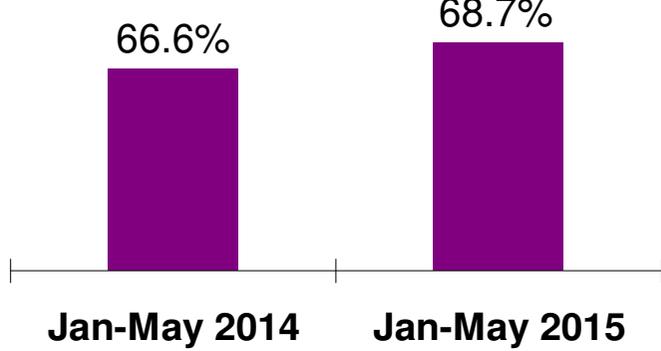


Jan – May 2015

Cross-boundary



Cross-harbour



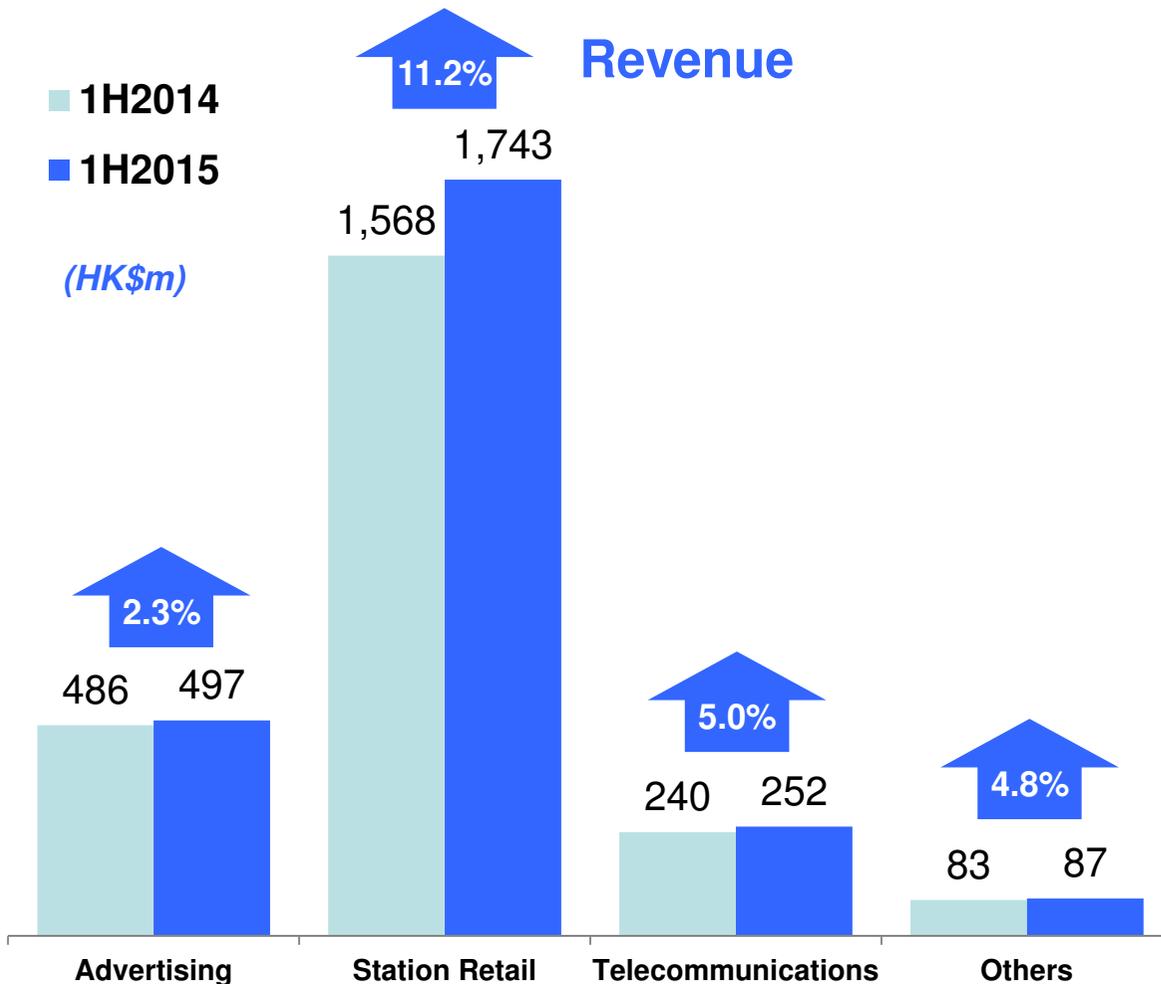
Sources: The Transport Department / Immigration Department / Airport Authority Hong Kong
 1. Calculation based on the proportion of air passenger using Airport Express over the total air passenger figures reported by the Airport Authority Hong Kong



Hong Kong Station Commercial Businesses

Hong Kong Station Commercial Businesses

Revenue: HK\$2,579m ↑ 8.5%	Cost: HK\$247m ↑ 9.3%	EBITDA: HK\$2,332m ↑ 8.4%
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- **Advertising** revenue increased by 2.3% driven by promotional packages
- **Station retail** revenue increased by 11.2%
 - attributable to
 - revenue from shops in new stations
 - higher turnover rent from Duty Free Shop at Lok Ma Chau Station
 - trade mix refinements
 - as at 30 Jun 2015, 1,356 shops and 55,768 sqm station retail space
- **Telecom** revenue increased by 5% mainly due to 4G mobile data capacity projects

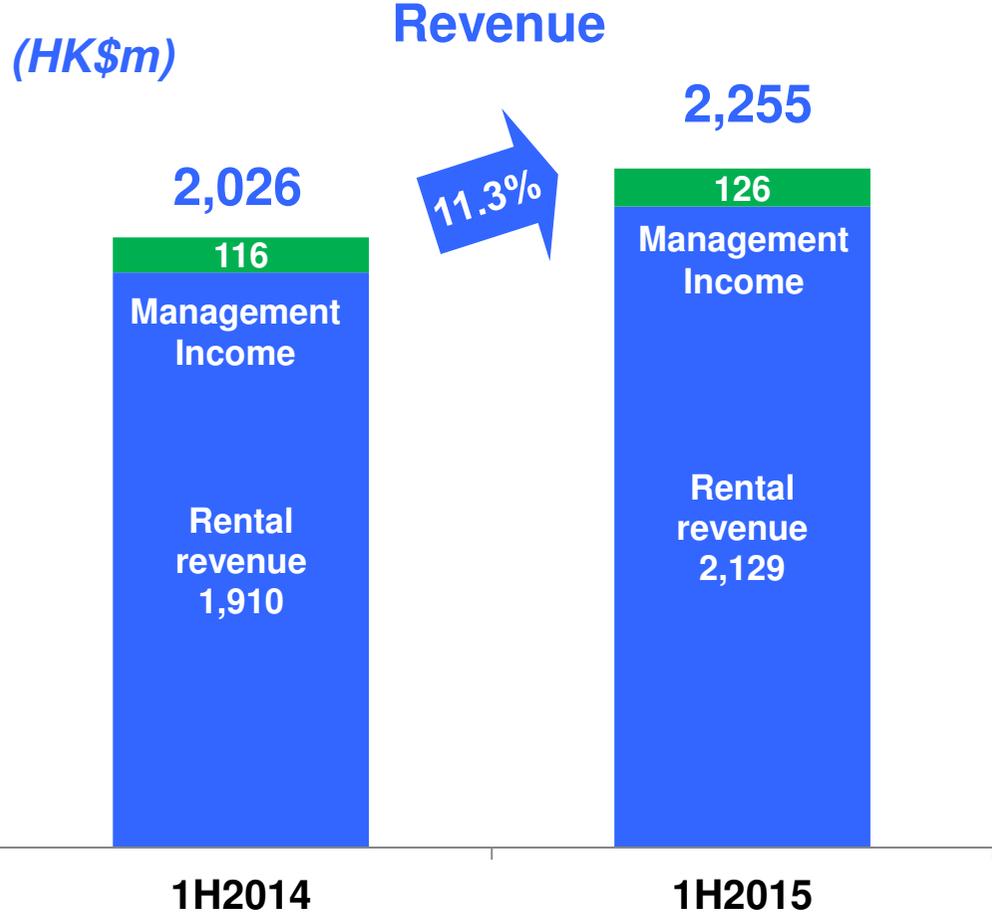
EBITDA Margin:
 90.4% ↓ 0.1%pt



Hong Kong Property Businesses

Hong Kong Property Rental and Management Businesses

Revenue: HK\$2,255m  11.3%	Cost: HK\$357m  7.9%	EBITDA: HK\$1,898m  12.0%
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- Average increase of 12% in rental reversion at shopping malls in Hong Kong
- Higher rental income from Two IFC, including the lease renewed with a major tenant which took effect in July 2014
- MTR shopping malls and the 18 floors at Two IFC remained close to 100% let
- Investment portfolio – 30 June 2015
 - HK Retail: 212,500⁽¹⁾
 - HK Offices: 41,006⁽¹⁾

EBITDA Margin:

84.2%  **0.5%pt**

1. Lettable floor area attributable to MTR

Hong Kong Property Development

Development Profit

- Pretax profits of HK\$2.8 billion mainly from the booking of profit from Hemera (LOHAS Park Package 3)
- Hemera pre-sales launched in April with all 1,648 units sold

Property Tendered Year to Date in 2015

Property tender	LOHAS Park Package 6	Tin Wing Stop Site	LOHAS Park Package 7
<i>Date</i>	Jan 2015	Feb 2015	Jun 2015
<i>Developer partner</i>	A subsidiary of Nan Fung	A subsidiary of Sun Hung Kai	A subsidiary of Wheelock
<i>Gross Floor Area (sq m)</i>	136,970	91,256	115,920 ⁽¹⁾
<i>Units</i>	Not more than 2,400	About 1,500	Not more than 1,250



- As agent for KCRC, awarded Yuen Long Station site to a subsidiary of Sun Hung Kai Properties in August

1. Including retail and kindergarten

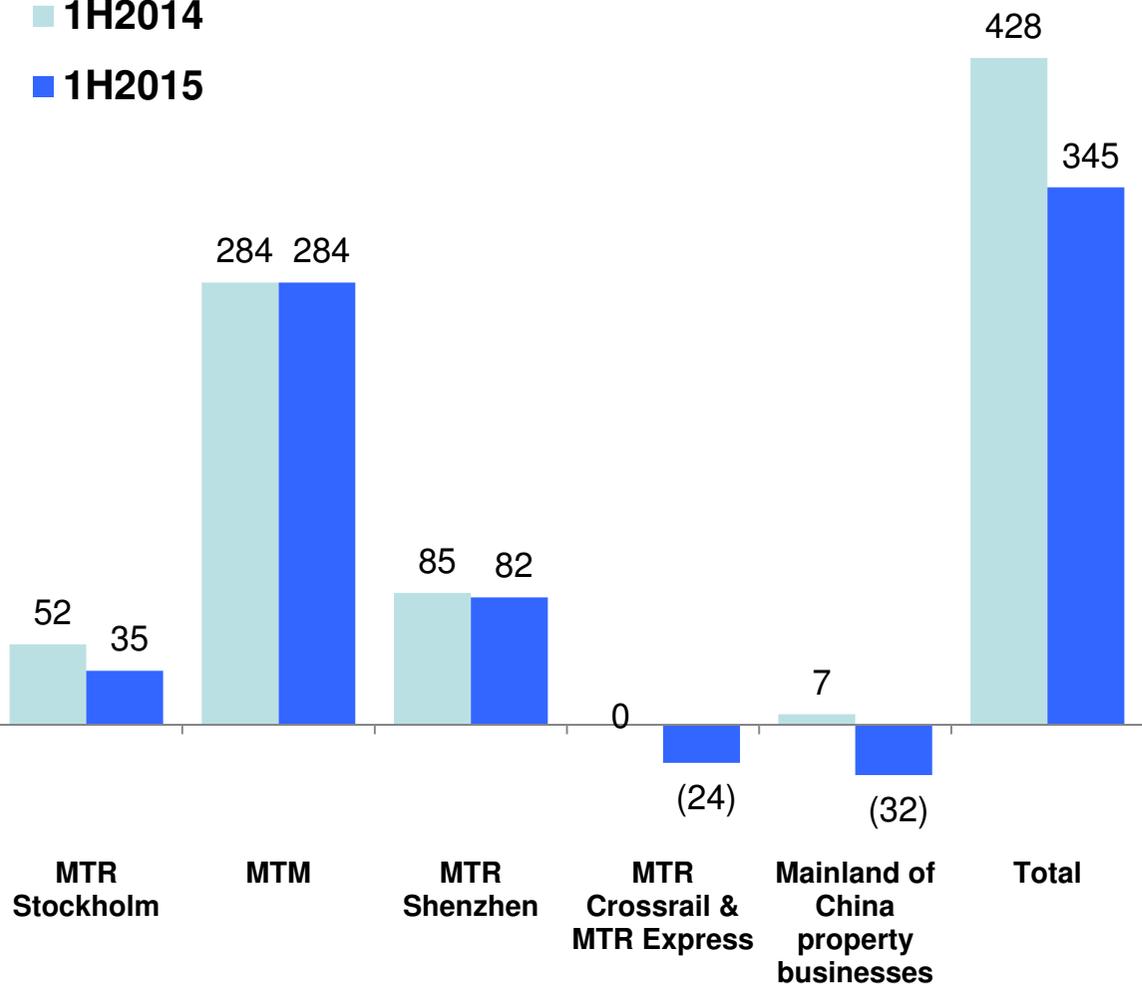


Mainland of China & International Businesses

Mainland of China and International Businesses - Subsidiaries

EBITDA contribution: HK\$345m

(HK\$m)
 ■ 1H2014
 ■ 1H2015

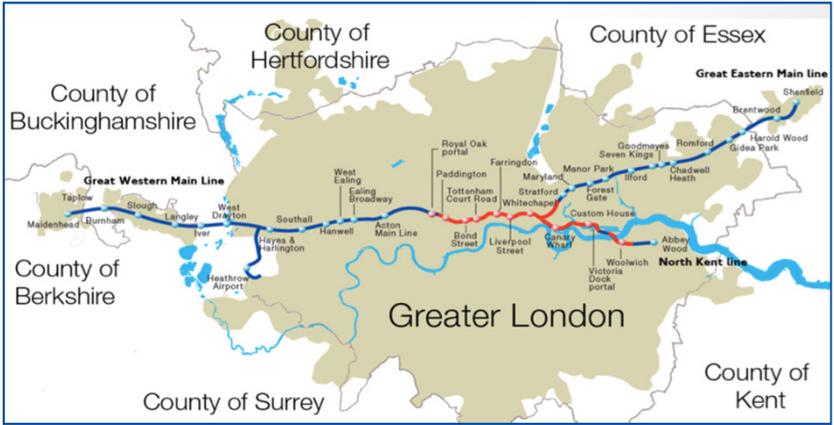


- EBITDA impacted by adverse currency movement and Tiara marketing costs
- MTR Stockholm
 - Good operational performance but higher operating costs
- Metro Trains Melbourne (MTM)
 - Good operational and financial performance
- MTR Shenzhen
 - Good operational performance with average weekday patronage over 496,500
 - Increased passenger revenue offset by higher operating cost due to 4-car to 6-car trains conversion
- MTR Crossrail and MTR Express
 - Both commenced operations in 1H2015
 - Initial operating loss at MTR Express as forecasted
- Mainland of China property businesses
 - Stable profit from property rental and management
 - Marketing costs for the pre-sales of Tiara in Shenzhen expensed as incurred

New Developments – Subsidiaries

Shenzhen Property Development - Tiara

- Launched two batches of pre-sale; over 99% of the 708 units launched sold
- Profit to be booked upon handover of units
- Total GFA: 206,167 sqm; 1,698 units plus commercial area of approximately 10,000 sqm
- Total Investment RMB¥4.1b (estimated) including RMB¥2b land premium
- Part of net profits shared with Shenzhen Municipality to support metro development in Shenzhen



United Kingdom

MTR Crossrail (O&M franchise), London

- Commenced operation of the first section of London Crossrail on 31 May
- First section has 14 stations under the brand name “TfL Rail”
- New modern train fleet will come into service in 2017
- Main tunnel section expected to start operations by late 2018
- 40 stations and 118 km of track upon full service in 2019

Sweden

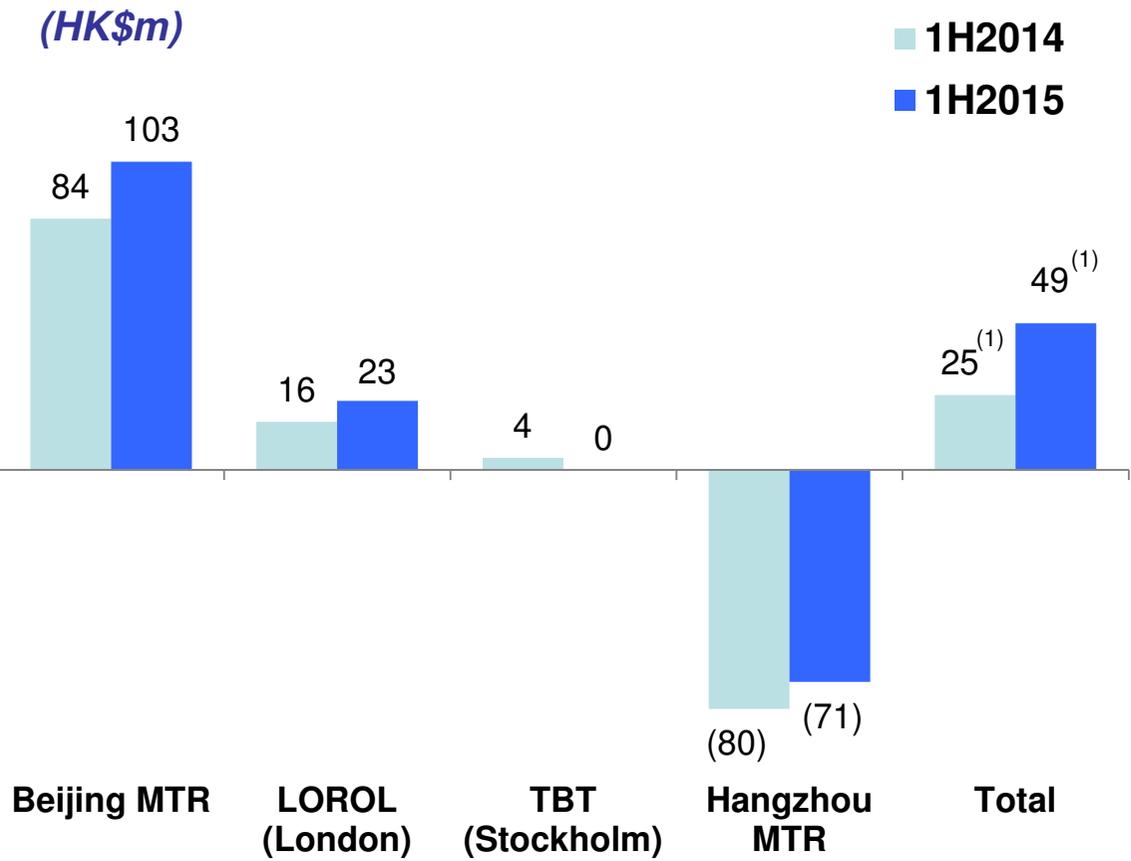
MTR Express

- Operates the intercity services between Stockholm and Gothenburg on 21 March with positive feedback from customers
- Full schedule of 90 weekly train trips by the end of August
- Total equity investment: HK\$123 million



Mainland of China and International Businesses - Associates

Post-tax profit contribution from associates: HK\$49m



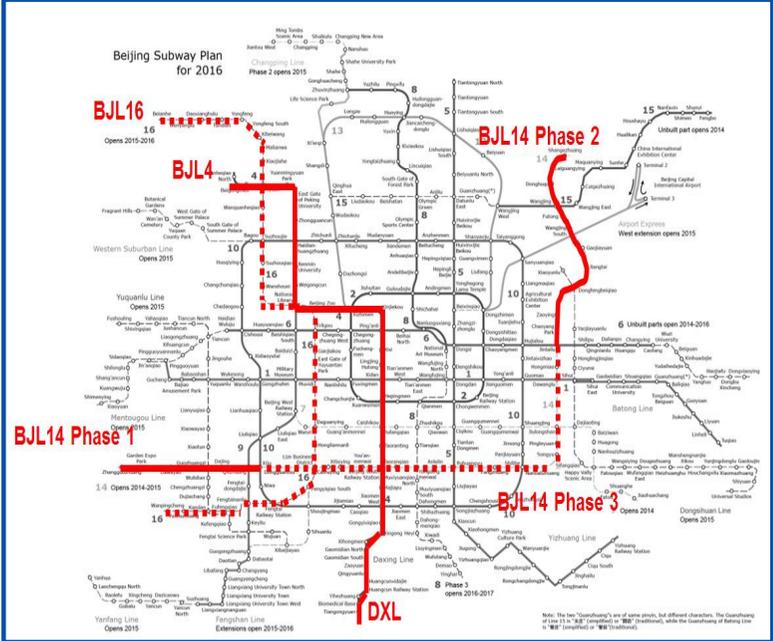
- Beijing MTR (BJMTR), Mainland of China**
 - Fare increase across Beijing Metro System on 28 Dec 2014
 - Average weekday patronage in 1H 2015 dropped 8% to 1.18 million
 - Patronage drop not impact profitability due to the inelastic nature of the business
- Hangzhou MTR (HZMTR), Mainland of China**
 - Patronage in 1H 2015 up 25% to 84.1 million with average weekday over 450,000
 - Revenue growth from increased patronage partially offset by higher interest expenses

1. Included operating loss of HK\$6m from associate related to Sydney Metro Northwest in 1H2015 and profit of HK\$1m from associate related to Tianjin property development in 1H2014

New Developments - Associates

Beijing Metro Line 14

- Phase 2 of Line 14 opened in Dec 2014
- Phase 1 and 2 recorded 25.6 million passenger trips and an average weekday patronage of 161,000
- Phase 3 under construction, expected to open by end-2015, full line operation after 2017
- BJMTR Investment: RMB¥15b
- Additional MTR equity injection into BJMTR: RMB¥2.45b



Tianjin Property Development

- Joint venture between MTR (49%) and Tianjin Metro (51%)
- Total investment: RMB¥5b (estimated) including RMB¥2.075b land premium
- Total GFA: 278,650 sqm
- Residential and commercial use
- Working on the development planning permits and construction consent
- Construction targeted to commence in 2H 2015



Growth Initiatives Outside Hong Kong

Growth Initiatives Outside Hong Kong



Beijing

Beijing Metro Line 16, PPP

- Concession Agreement initialled on 8 Feb 2015
- Construction works have started, Phase 1 expected to open in 2016, full line service after 2017
- BJMTR Investment RMB¥15b
- Potential MTR additional equity injection into BJMTR: up to RMB¥2.45b

United Kingdom

London Overground (LOROL), re-franchise

- Preparing tender for the re-franchise of the London Overground concession



Sweden

Stockholm Pendeltåg, O&M concession

- Submitted a bid for the 10-year concession with an option to extend for 4 years
- Commuter train service connecting Stockholm and outer County area
- 53 stations and 241km of route length



Growth Initiatives in Hong Kong

MTR Owned Projects

South Island Line (East)

Project Background

- The 7-km SIL(E) will extend MTR services from Admiralty to the Southern District of Hong Kong Island
- The first metro service to the Southern District serving residential and working population of about 350,000

Progress Achieved

- At Admiralty Station, excavation works mostly completed including most of the underpinning works beneath the Island Line
- Construction of the Nam Fung Tunnel lining complete and track installation in progress

87% complete



MTR Owned Projects

South Island Line (East)

Major Challenges

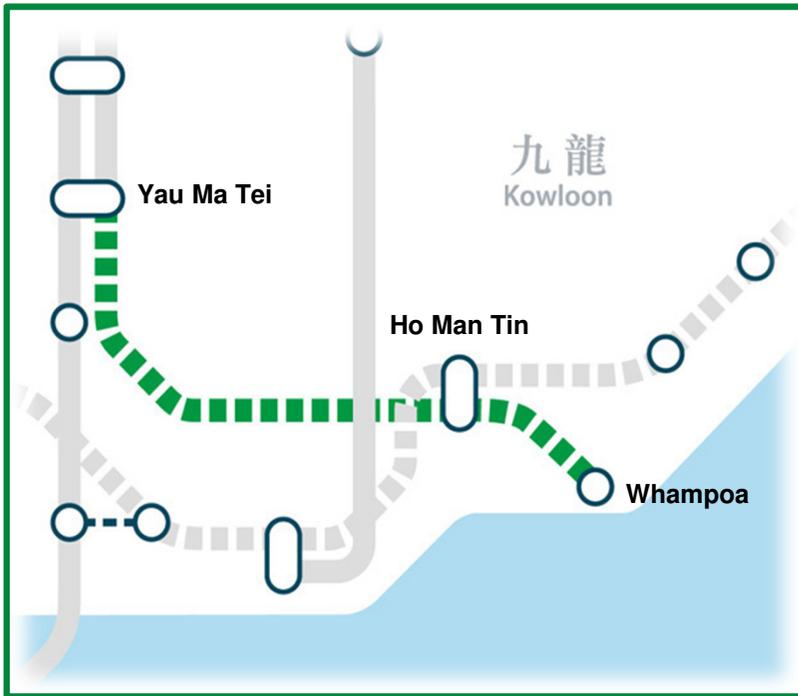
- Completion of the extension of Admiralty Station

Target Completion Date and Project Cost Estimates

- Estimated completion date remains end-2016
- With complexity of works and continued labour shortage, the estimated project cost has been increased to HK\$16.9 billion (excluding capitalised interest)



MTR Owned Projects



Kwun Tong Line Extension

Project background

- The 2.6-km KTE will extend the Kwun Tong Line from its current terminus at Yau Ma Tei Station to new stations in Ho Man Tin and Whampoa
- To serve the communities with residential and working population of 192,000

Progress Achieved

- At Whampoa Station
 - Structural works for East and West Concourses 46% complete
 - Platform tunnel partially broken through in July
- Ho Man Tin Station topped out in June



81% complete

MTR Owned Projects



Kwun Tong Line Extension

Major Challenges

- Whampoa Station – Remaining Excavation of the platform tunnel and the building of the Station

Target Completion and Project Cost Estimates

- Revised target completion timetable – 3Q or 4Q 2016
- Longer programme together with construction challenges and labour shortage have resulted in an increase in the estimated project cost to HK\$7.2 billion (excluding capitalised interest)

Rail Projects under Project Management

Express Rail Link

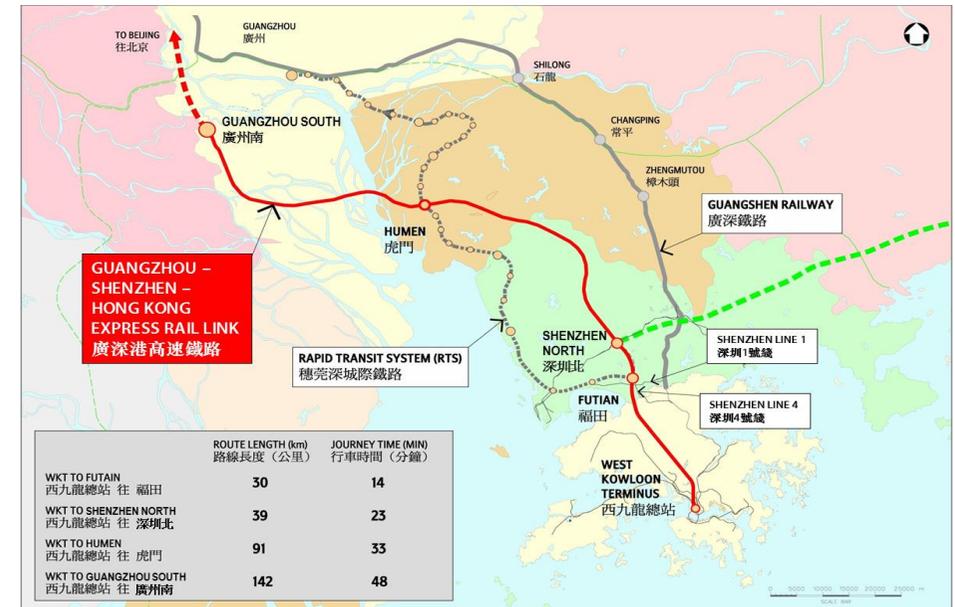
Project Background

- The 26-km XRL to provide high speed cross-boundary rail services connecting Hong Kong to Shenzhen, Guangzhou and the high speed rail network in Mainland of China

Progress Achieved

- West Kowloon Terminus 53% complete
- Excavation of Ngau Tam Mei to Tai Kong Po tunnels completed in March
- Overall tunnel excavation 97% complete

71% complete



Rail Projects under Project Management

Express Rail Link

Major Challenges

- Completion of West Kowloon Terminus (WKT)
- Excavation of the cross-boundary tunnel

Target Completion and Project Cost Estimates

- Submitted the latest cost estimate and target completion date for XRL to Government on 30 June
 - Revised completion timetable estimated 3Q 2018
 - Total project cost estimated at HK\$85.3 billion



Rail Projects under Project Management

Shatin to Central Link

Project Background

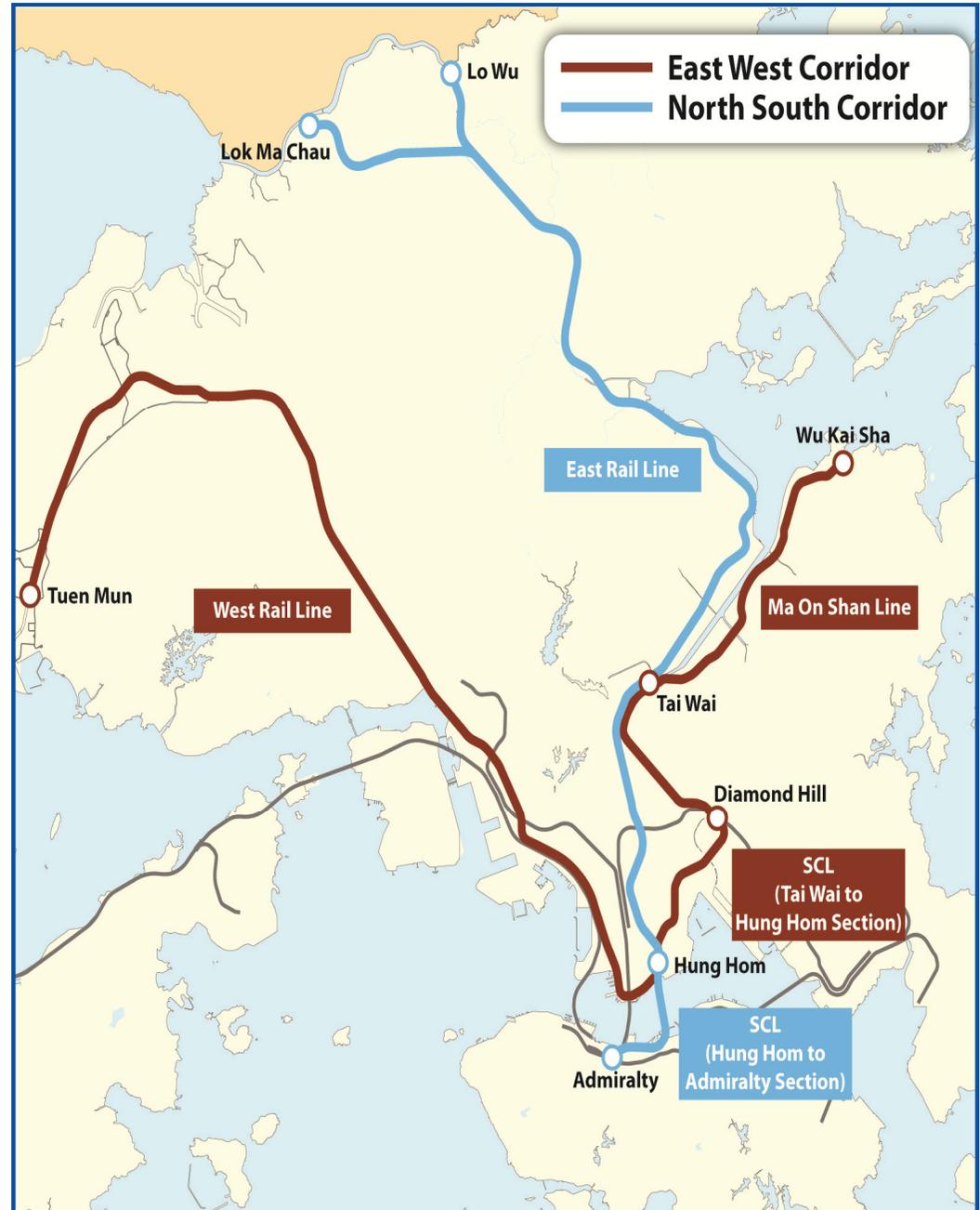
- SCL comprises two sections, the East West Corridor and North South Corridor
- New link across the New Territories, serving residential and working population of 640,000

Progress Achieved

- East West Corridor 50% complete
 - Up-track tunnel from Kai Tak to Diamond Hill broke through in March
 - Up-track tunnel from Diamond Hill to Ma Chai Hang was completed in June
 - Topping out of Hin Keng Station and Kai Tak Station in April and July
- North South Corridor 15% complete



37% complete



Rail Projects under Project Management

Shatin to Central Link

Major Challenges

- East-West Corridor: archaeological finds at To Kwa Wan Station site has led to an 11-month delay
- North-South Corridor: continued late handover of a construction site for the new Exhibition Station is already causing a 6-month delay

Target Completion and Project Cost Estimates

- Target completion date: East-West Corridor in 2019 and North-South Corridor in 2021
- We are undertaking a re-evaluation of the estimated project cost as well as target completion date and expect to report to Government early next year



Railway Development Strategy 2014



Project	Route Length (km)
Northern Link / Kwu Tung Station	10.7
Tuen Mun South Extension	2.4
Tung Chung West Extension	1.5
South Island Line (West)	7.4
North Island Line	5.0
East Kowloon Line	7.8
Hung Shui Kiu Station	-
Total	34.8

New Investment Property Initiatives

Tai Wai Shopping Mall



- MTR contribution: HK\$7.5 billion
- MTR will take ownership of and invest further in fitting out the shopping mall
- Shopping mall GFA: 60,620 sqm
- Target opening in 2021

LOHAS Park Shopping Mall



- MTR contribution: HK\$4.98 billion
- MTR will take ownership of and invest further in fitting out the shopping mall
- Shopping mall GFA: 44,500 sqm
- Target opening end-2020

New Investment Property Initiatives

Maritime Square Extension

- Adding 12,100 sqm of gross floor area to Maritime Square Shopping Centre in Tsing Yi
- Main construction works commenced in Jun 2015
- Estimated cost at HK\$2.4 billion (excluding capitalised interest)
- Target opening end-2017



Telford Plaza

- Conversion of office space into additional retail space
- Adding 3,400 sqm of gross floor area
- Estimated cost at HK\$550 million (excluding capitalised interest)
- Target opening in mid-2017





Financial Results

Mr. Stephen Law, Finance Director

Consolidated Income Statement

(HK\$m)

	1H2015	1H2014	% change
Revenue from HK transport operations	8,147	7,729	5.4
Revenue from HK station commercial, HK property rental and management businesses	4,834	4,403	9.8
Revenue from Mainland of China & international subsidiaries	6,181	6,350	(2.7)
Revenue from other businesses	1,048	989	6.0
Total revenue	20,210	19,471	3.8
Operating expenses before Mainland of China & international subsidiaries	(6,028)	(5,718)	(5.4)
Expenses relating to Mainland of China & international subsidiaries	(5,836)	(5,922)	1.5
Total operating expenses	(11,864)	(11,640)	(1.9)
EBITDA excluding Mainland of China & international subsidiaries	8,001	7,403	8.1
Total EBITDA	8,346	7,831	6.6
HK property development profit	2,811	245	n/a
Total operating profit	11,157	8,076	38.2
Variable annual payment	(786)	(701)	(12.1)
Depreciation & amortisation	(1,880)	(1,688)	(11.4)
Interest and finance charges	(295)	(274)	(7.7)
Investment property revaluation	1,362	3,523	(61.3)
Share of profit of associates	166	129	28.7
Profit before taxation	9,724	9,065	7.3
Income tax	(1,446)	(1,063)	(36.0)
Reported net profit attributable to equity shareholders⁽¹⁾	8,189	7,912	3.5
Reported earnings per share (HK\$)	1.40	1.36	2.9
Profit from underlying businesses	6,827	4,389	55.5
Underlying businesses EPS (HK\$)	1.17	0.76	54.6
Interim dividend per share (HK\$)	0.25	0.25	

1. Excluding non-controlling interests of HK\$89 million and HK\$90 million in 1H2015 and 1H2014 respectively.

Segmental Profits of Underlying Businesses

<i>(HK\$m)</i>	<u>1H2015</u>	<u>1H2014</u>	<u>% change</u>
HK Transport operations ⁽¹⁾	1,508	1,669	(9.6)
Hong Kong Station Commercial ⁽¹⁾	2,038	1,896	7.5
Mainland of China and international railway, property rental & management (including railway associates)	387	359	7.8
Hong Kong property rental and management ⁽¹⁾	1,889	1,688	11.9
Project studies & Business Development expenses	(95)	(263)	n/a
Others ⁽²⁾	148	180	(17.8)
EBIT on recurrent businesses	5,875	5,529	6.3
Interests on recurrent profits	(312)	(289)	(8.0)
Tax on recurrent profits	(1,047)	(1,054)	0.7
Post-tax recurrent profits	4,516	4,186	7.9
Post-tax HK property development	2,344	203	n/a
Post-tax Mainland of China property development	(33)	-	n/a
Post-tax property development profits	2,311	203	n/a
Profit from underlying businesses	6,827	4,389	55.5

Note:

All segmental profits shown are pre-tax profits.

1. After variable annual payment to KCRC

2. Includes profit / loss from consultancy, Ngong Ping 360 and Octopus Holdings Limited and services to Government

Consolidated Statement of Financial Position

(HK\$m)

Assets

	<u>30 Jun 2015</u>	<u>31 Dec 2014</u>
Investment properties	67,121	65,679
Other property, plant and equipment	79,275	78,279
Service concession assets	27,236	26,698
Railway construction in progress	17,598	16,229
Property development in progress	15,327	7,490
Cash, bank balances and deposits	14,353	18,893
Debtors, deposits and payments in advance	6,243	3,797
Properties held for sale	1,188	1,076
Amounts due from related parties	1,227	1,073
Interest in associates	6,124	5,797
Others	2,346	2,141
	<u>238,038</u>	<u>227,152</u>

Liabilities

Debts	18,885	20,507
Creditors and accrued charges	20,106	16,421
Obligations under service concession	10,590	10,614
Current taxation	2,121	996
Deferred tax liabilities	10,960	10,977
Others	8,021	4,155
	<u>70,683</u>	<u>63,670</u>
<u>Total Equity</u>	<u>167,355</u>	<u>163,482</u>

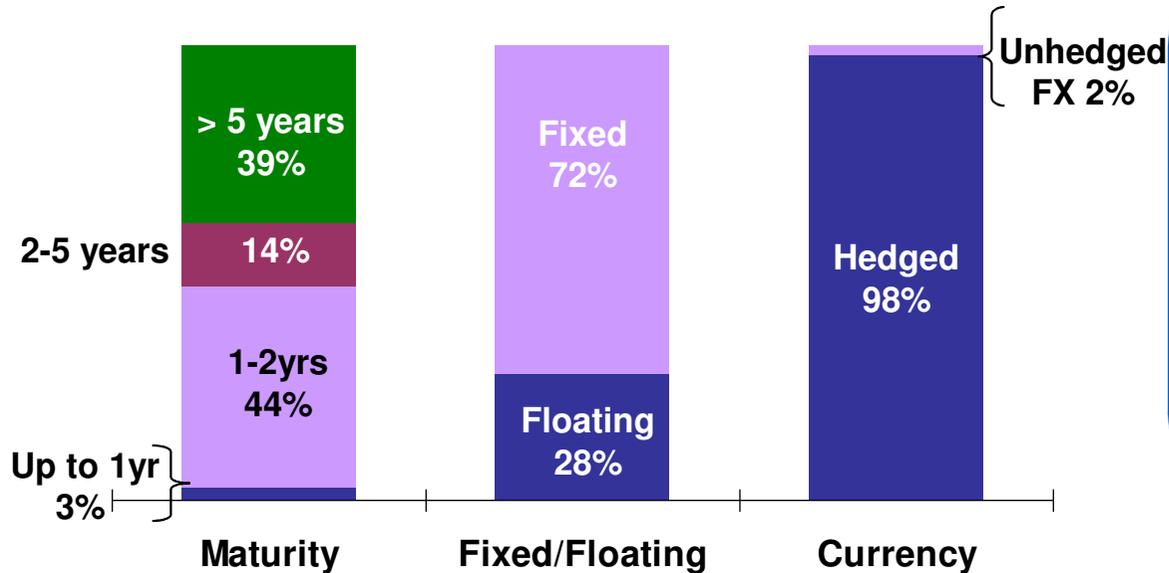
Cash Flow

(HK\$m)

	<u>1H2015</u>	<u>1H2014</u>
<u>Cash Inflow</u>		
Cash flows from operating activities before tax payment and working capital	8,433	7,843
Working capital movements	999	1,009
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	653	652
Receipts in respect of property development	2,440	3,643
Others	386	6
Total inflows	12,911	13,153
<u>Cash Outflow</u>		
Tax paid	(358)	(420)
Variable annual payment	(1,472)	(1,247)
Capital expenditure		
- Hong Kong New rail	(2,395)	(2,967)
- Hong Kong Existing rail	(1,876)	(1,329)
- Property related	(8,069)	(1,703)
- Mainland of China and international railway related	(717)	(230)
Investment in associates	(161)	(294)
Net interest paid	(278)	(437)
Dividends paid	(31)	(26)
Others	(150)	-
Total outflows	(15,507)	(8,653)
Net cash (outflow)/ inflow before financing	(2,596)	4,500
Net drawdown of loans	(1,916)	(3,438)
(Decrease)/ Increase in cash	(4,512)	1,062

Financing and Credit Ratios

Debt profile (30 Jun 2015)⁽¹⁾



Total borrowings outstanding
at HK\$18,885m (HK\$20,507m as at 31 Dec 2014)

Average borrowing cost:
3.6%

0.1%pt

Net interest expense:
HK\$ 295m

7.7%

Compared to 1H2014 figures

Net Debt/Equity ratio⁽²⁾

Jun 2015

Dec 2014

9.1 %

7.6%

Interest cover

1H2015

1H2014

16.6x

12.4x

1. Company level that excludes the mainland of China and overseas subsidiaries

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



Outlook

Recurrent Businesses

Transport Operation

Hong Kong patronage growth to benefit from the full year effect of the opening of the Western Extension of the Island Line and dependent on economic growth

Station Retail and Property Rental Businesses

Rental renewals and reversion subject to market conditions

Businesses outside Hong Kong

May be impacted by currency movements

Property Development Businesses

Shenzhen

Pre-sales will continue at Tiara; profit booking will only take place when the sold units are handed over to buyers

Hong Kong

Subject to market conditions, we aim to tender out 2 or 3 more packages at LOHAS Park over the next 6 months or so