



MTR Corporation

2009 Annual Results

9 March 2010

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

2009 - Good Performance in a Year of Economic Recession



Financial Highlights

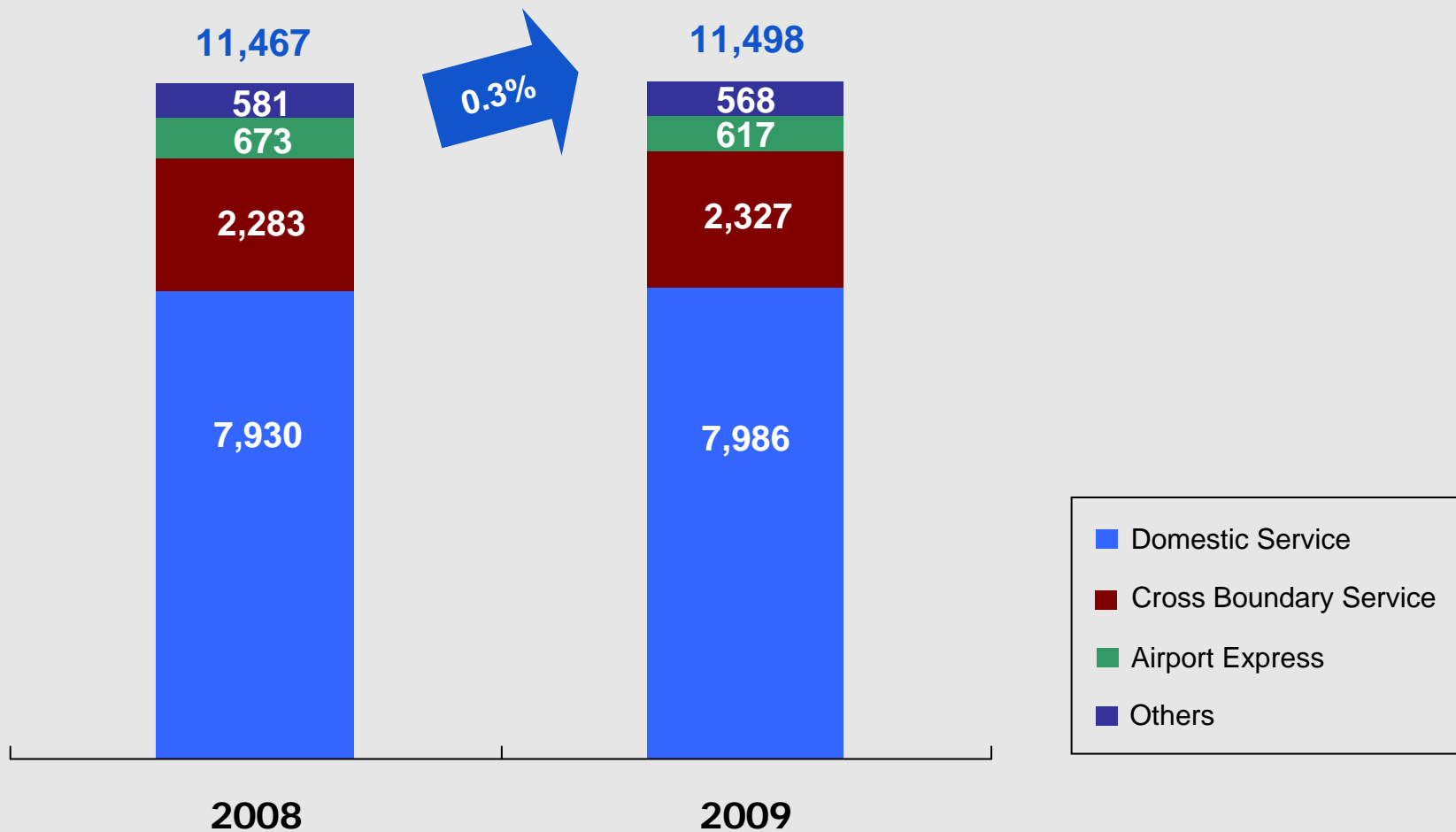
(HK\$m)	2009	2008	Change
Total revenue	18,797	17,628	↑ 6.6%
EBITDA (excl. railway franchises outside of Hong Kong)	9,494	9,325	↑ 1.8%
EBITDA (railway franchises outside of Hong Kong)	8	-	
Total EBITDA	9,502	9,325	↑ 1.9%
EBITDA margin (excl. railway franchises outside of Hong Kong)	53.5%	52.9%	↑ 0.6%pt
Total EBITDA margin	50.6%	52.9%	↓ 2.3%pt
Property development profit	3,554	4,670	↓ 23.9%
Underlying profit (excl. investment property revaluation)	7,303	8,185	↓ 10.8%
Underlying business EPS (HK\$)	1.28	1.45	↓ 11.7%
Dividend per share (HK\$)	0.52	0.48	↑ 8.3%
Reported profit before taxation	11,519	9,027	↑ 27.6%
Reported net profit attributable to equity shareholders*	9,639	8,284	↑ 16.4%
Reported EPS (HK\$)*	1.69	1.47	↑ 15.0%

Business Review

- Hong Kong Railway

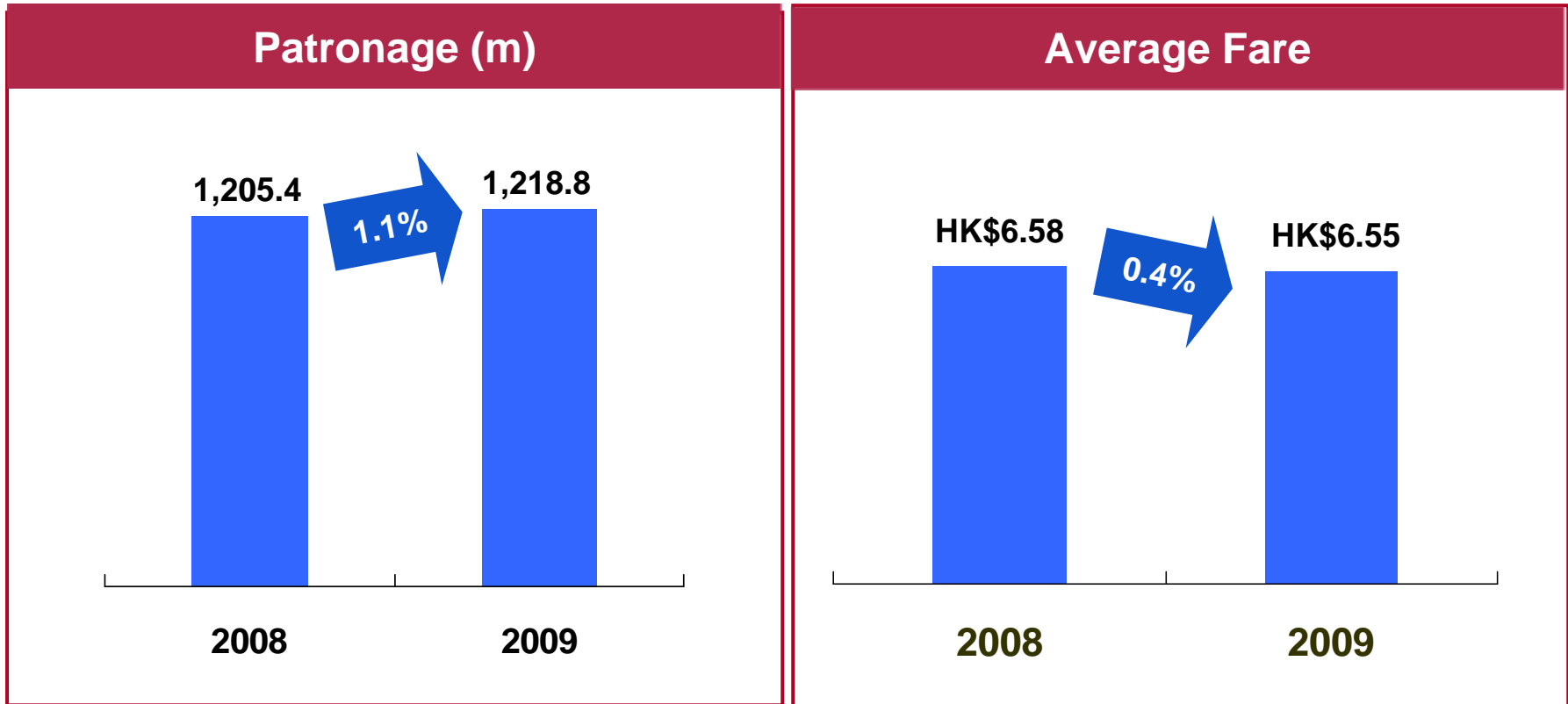
Hong Kong Fare Revenue

(HK\$m)



Domestic Service⁽¹⁾

Fare revenue for domestic service: HK\$7,986m  0.7%



1. Domestic Service includes Tsuen Wan Line, Island Line, Kwun Tong Line, Tung Chung Line, Tseung Kwan O Line, Disneyland Resort Line as well as East Rail Lines (excluding Cross Boundary), Ma On Shan Line and West Rail Line

Airport Express and Cross Boundary Service

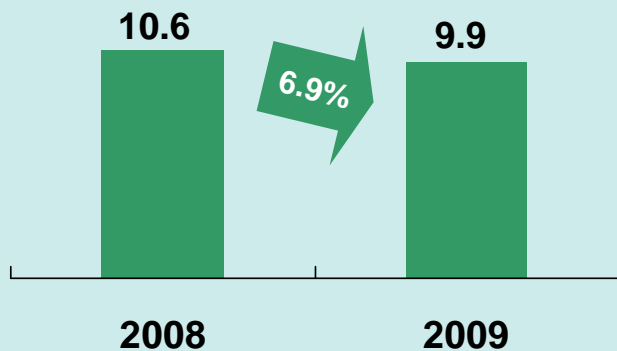
Fare revenue for Airport Express:
HK\$617m



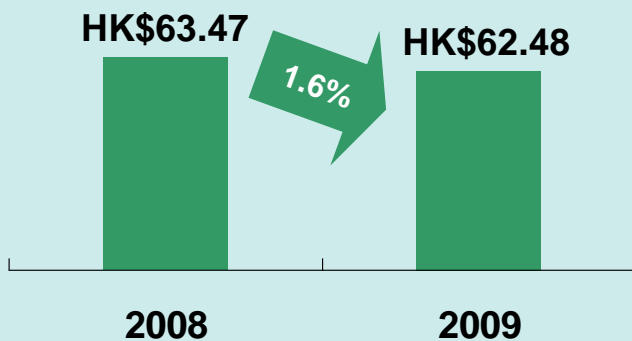
Fare revenue for Cross Boundary Service: HK\$2,327m



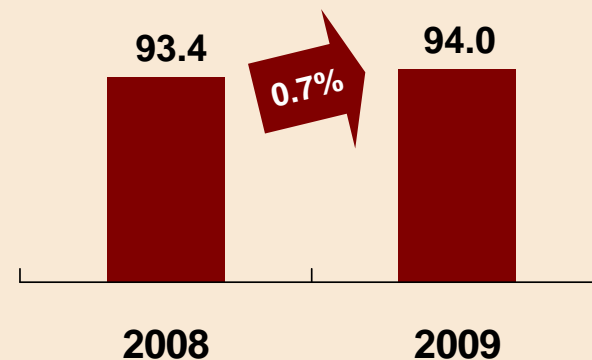
Airport Express Patronage (m)



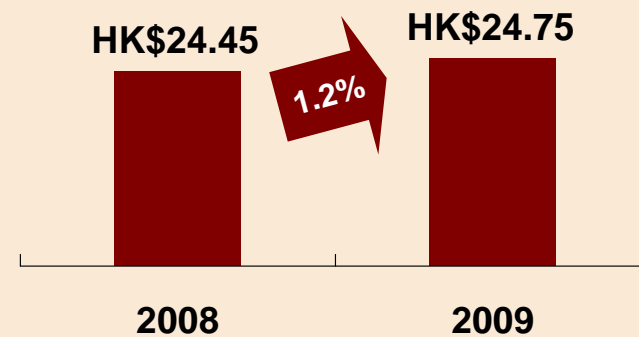
Airport Express Average Fare



Cross Boundary Service Patronage (m)

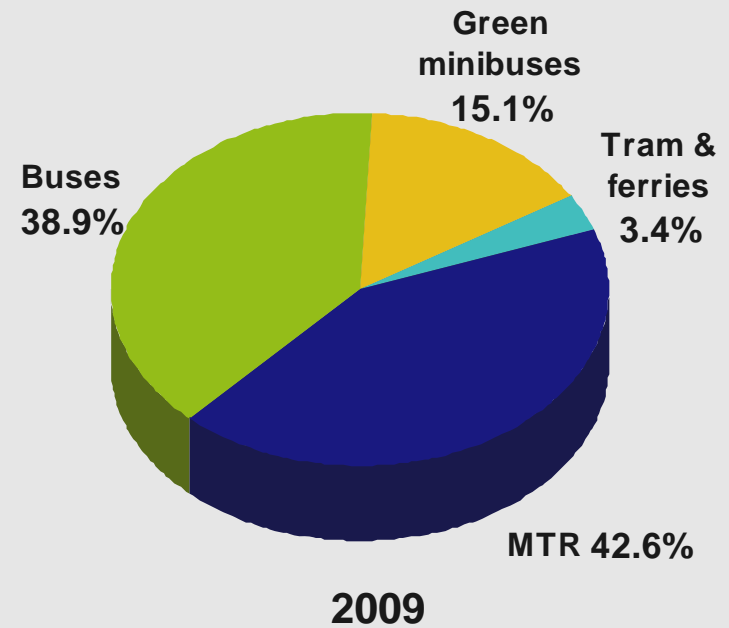
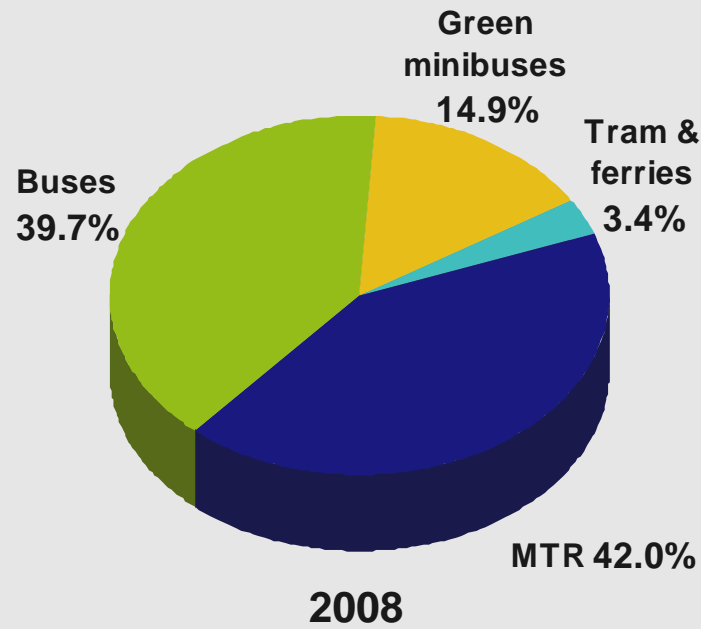


Cross Boundary Service Average Fare

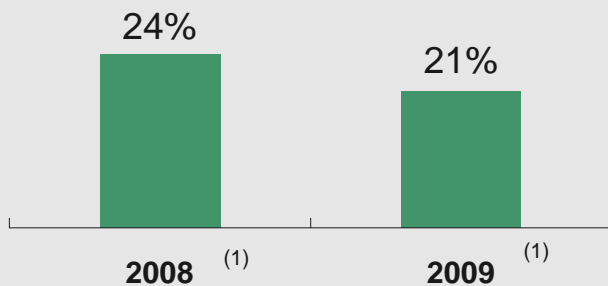


Market Share

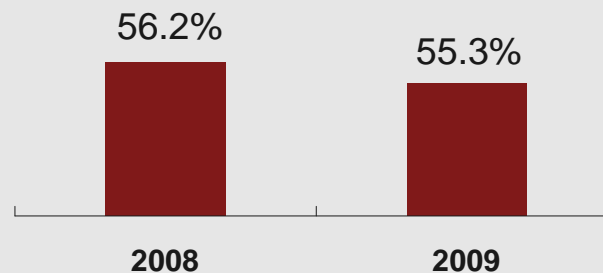
Hong Kong Franchised Public Transport



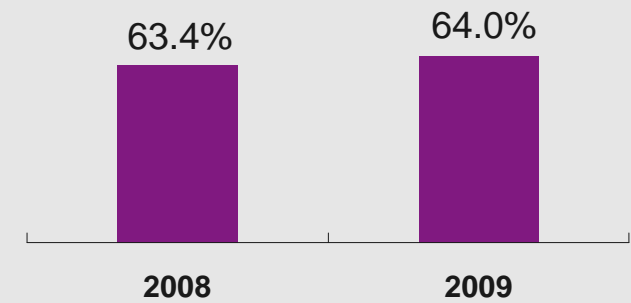
AEL



Cross Boundary



Cross Harbour



Source: The Transport Department / Immigration Department / Airport Express Market Share Survey

(1) Data based on Airport Express Market Share Survey as of Jan/Aug 2008 and Feb/Aug 2009



Business Review

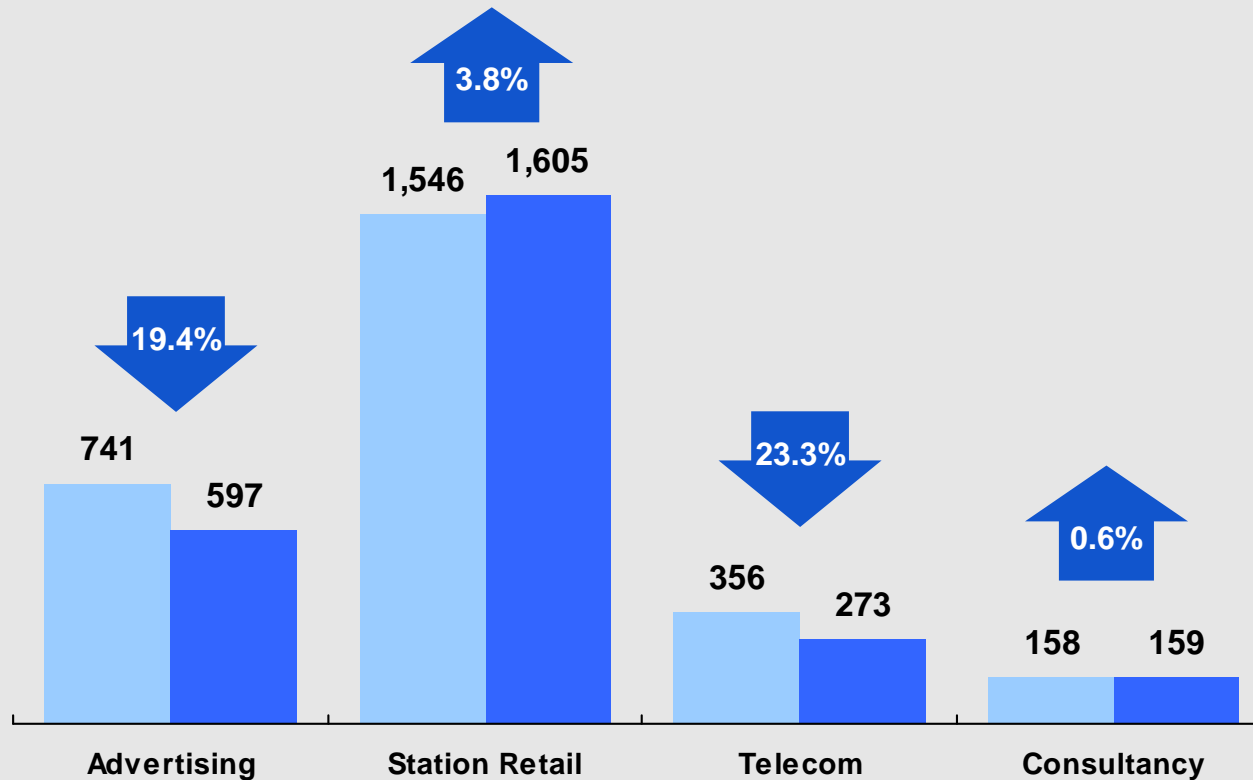
- Station commercial and rail related businesses

Station commercial and rail related businesses

Revenue for station commercial & rail related businesses:
HK\$3,328m  3.5%

(HK\$m)

 2008
 2009

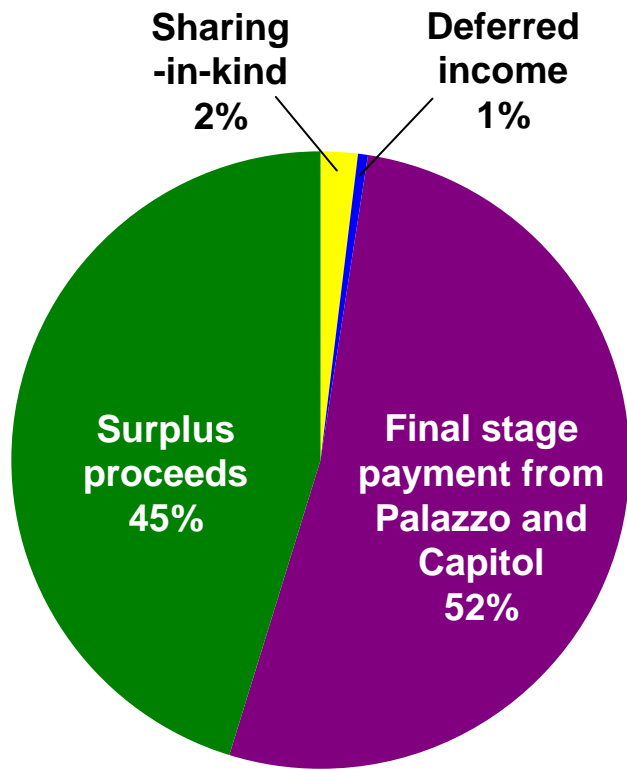


Business Review

- Property businesses

Property development

Property development profit
HK\$3,554m



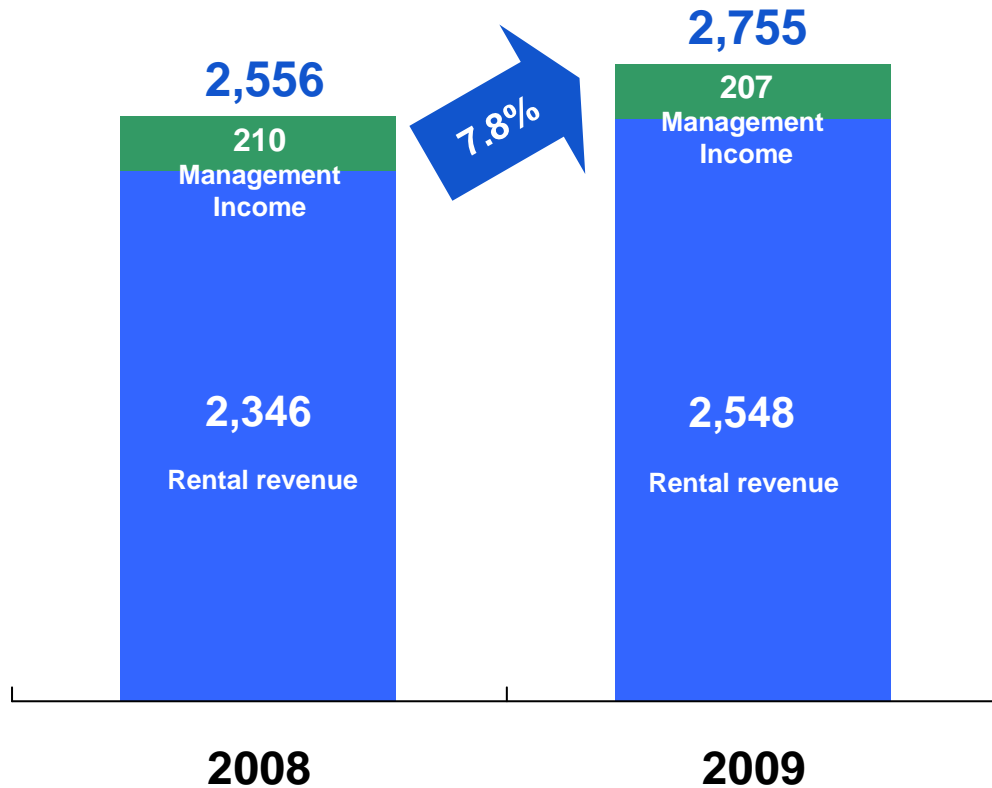
2009

- Strong sales recorded in Lake Silver, Le Prestige and Harbourside
- Major contributors to property development profit:
 - Profit booking relating to the final stage payments from The Palazzo at Fo Tan and The Capitol at LOHAS Park
 - Surplus proceeds mainly from the final profit recognition relating to Harbourside at Kowloon Station, and booking from Lake Silver at Wu Kai Sha
- Austin Station sites C&D was awarded to a consortium of New World Development and Wheelock Properties on 2 Mar 10

Property rental and management

Property rental & management
Revenues⁽¹⁾: HK\$2,755m  **7.8%**

(HK\$m)



1: Including contributions from the Mainland of China
 2: For Hong Kong only

- Growth driven by additional space at Elements Phase 2 and positive rental reversions
- Average of 7% increase on rental reversions at shopping centres despite difficult market conditions
- Investment portfolio⁽²⁾ in Dec 09
 - Retail: 12 shopping centres totalling 223,000 sq m
 - Offices: 41,000 sq m

Railway Businesses outside of Hong Kong

Railway businesses outside of Hong Kong

Railway franchises

- **MTR Stockholm (MTRS), Sweden**
 - Takeover of operations on 2 Nov 2009

- **Metro Trains Melbourne (MTM), Australia**
 - JV with UG Rail Services and John Holland where MTR owns 60%
 - Takeover of operations on 30 Nov 2009

- **EBITDA contributions from the above franchises totalled HK\$8m**

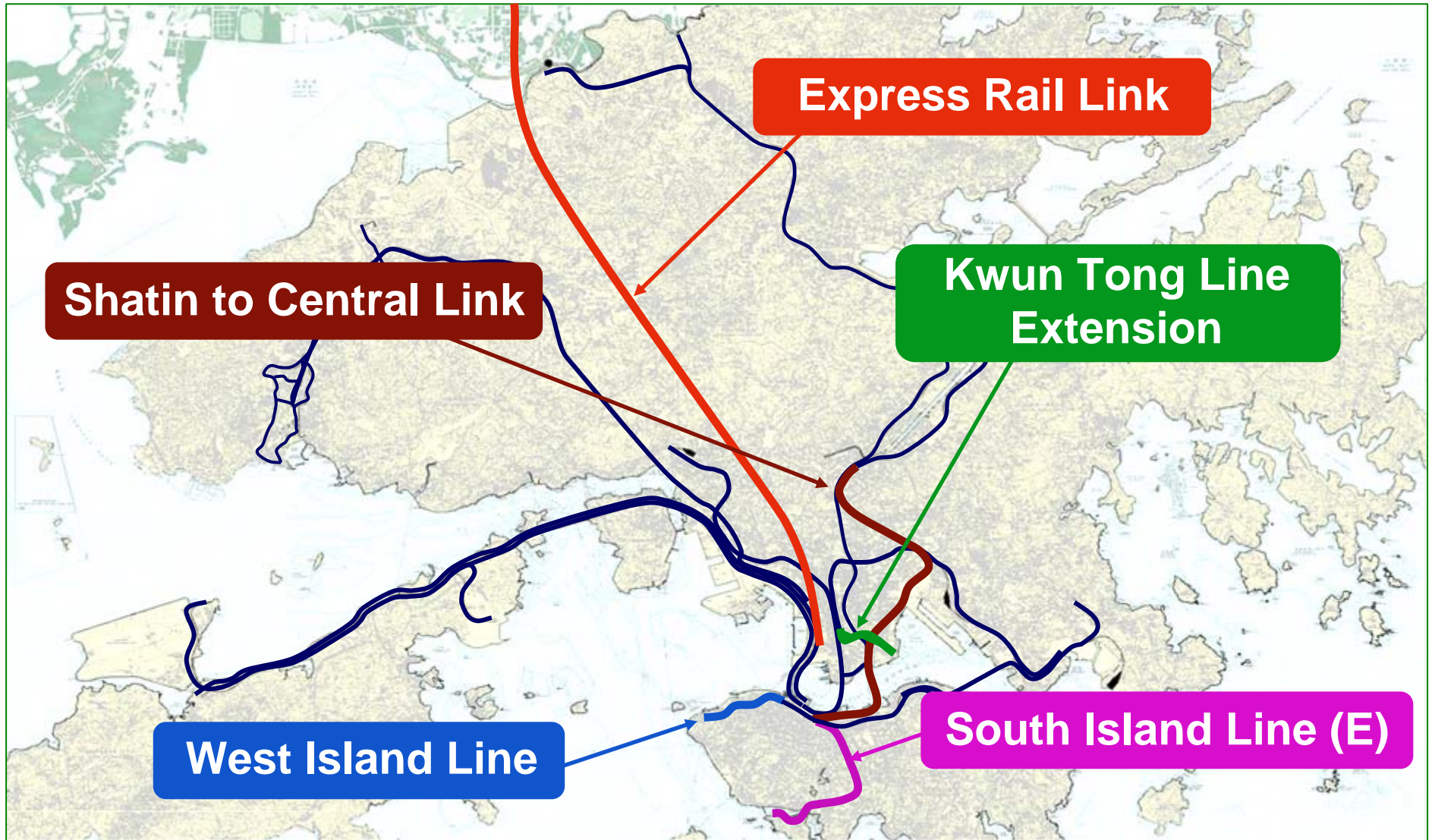
Railway associates

- **Share of loss from Beijing MTR was HK\$5m**
- **Post-tax profit contribution from other rail associates, mainly LOROL⁽¹⁾, amounted to HK\$16m**

1. Including a loss contribution of HKD1m from Stockholm associate TBT

Growth Initiatives

New Projects in Hong Kong on Track



MTR Ownership Projects

West Island Line

- Project Agreement signed in July 2009
- Construction has started
- Expected service commencement in 2014

South Island Line - East

- Project gazetted in July 2009
- Detailed design commenced
- Rail + Property Model

Kwun Tong Line Extension

- Project gazetted in Nov 2009
- Detailed design underway
- Rail + Property Model



Service Concession Projects

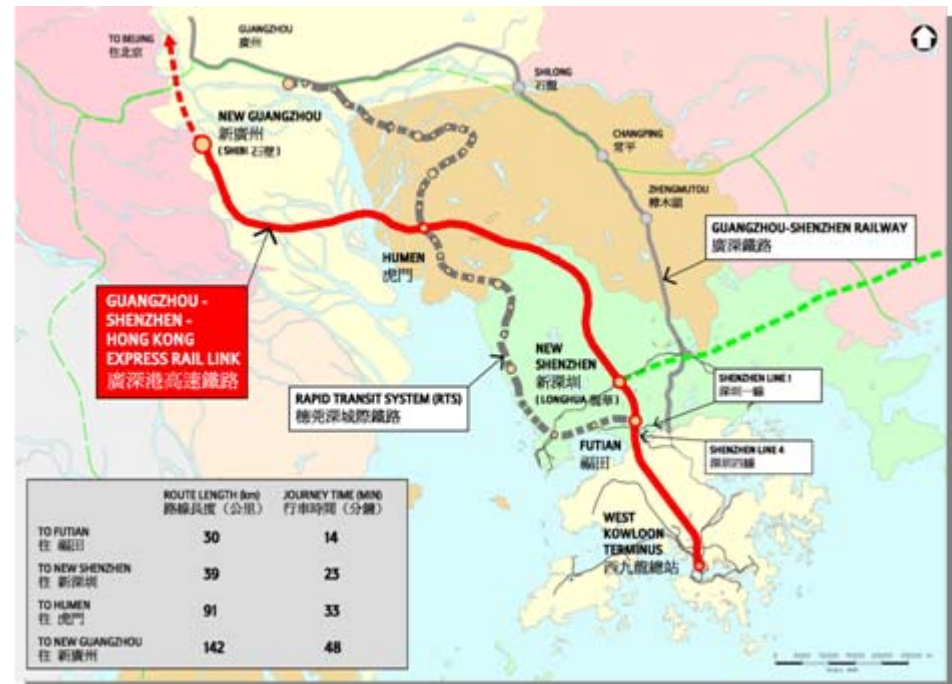
Shatin-to-Central Link

- Detailed design underway



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

- 26 km of High Speed Rail
- Entrustment Agreement signed on 26 Jan 2010
- Construction has started
- Expected to commence service in 2015



Expansion opportunities in the Mainland of China

Beijing

Daxing Metro Line

- Concession Agreement signed on 30 Dec 09 for Operations & Maintenance
- Target to commence service by end 2010

Shenyang

Shenyang Metro Line 1 &2

- Concession Agreement signed on 7 May 09
- Operations & Maintenance Franchise with Shenyang Metro Group where MTR owns 49%
- Target to commence service in 2010/2012

Shenzhen

Shenzhen Metro Line 4

- Concession Agreement signed on 18 Mar 09
- Cash grant model to bridge funding gap for a commercial return
- Civil works over 90% completed
- Take over of Phase 1 operations in mid 2010, and full line operation in mid 2011

Hangzhou

Hangzhou Metro Line 1

- Entered into Concession Agreement on 4 Mar 10
- Agreement is subject to approval by relevant authorities
- Public-Private-Partnership project by Joint Venture company where MTR owns 49%



Public-Private-Partnership Model



Cash grant



Operations & Maintenance Franchise

Financial Results

Income statement

<i>(HK\$m)</i>	<u>2009</u>	<u>2008</u>	<u>% change</u>
Hong Kong fare revenue	11,498	11,467	0.3
Non-fare, rental and management revenues	6,256	6,161	1.5
Railway franchise revenue outside of Hong Kong	1,043	-	
Total turnover	18,797	17,628	6.6
Operating expenses excl. railway franchises outside of Hong Kong	(8,260)	(8,303)	0.5
Operating expenses - railway franchises outside of Hong Kong	(1,035)	-	
EBITDA excl. railway franchises outside of Hong Kong	9,494	9,325	1.8
Total EBITDA	9,502	9,325	1.9
Property development profit	3,554	4,670	(23.9)
Total operating profit	13,056	13,995	(6.7)
Depreciation & amortisation and merger related expenses	(2,991)	(2,983)	(0.3)
Interest and finance charges	(1,504)	(1,998)	24.7
Investment properties revaluation	2,798	(146)	N/A
Share of profit of non-controlled subsidiaries & associates	160	159	0.6
Profit before tax	11,519	9,027	27.6
Taxation	(1,880)	(747)	(151.7)
Reported net profit attributable to equity shareholders	9,639	8,284	16.4
Reported earnings per share (HK\$)	1.69	1.47	15.0
Profit from underlying businesses (excl. inv. property revaluation net of related tax)	7,303	8,185	(10.8)
Underlying businesses EPS (HK\$)	1.28	1.45	(11.7)
Final dividend per share (HK\$)	0.38	0.34	11.8
Total dividend per share (HK\$)	0.52	0.48	8.3

Segmental profits of underlying businesses

<i>(HK\$m)</i>	<u>2009</u>	<u>2008</u>
Hong Kong railway and related businesses	2,890	2,611
Railway businesses outside of Hong Kong (including franchises and associates)	19	32
Property rental, management and other businesses	2,274	1,935
Property developments	3,603	4,666
Tax and others ^{(1) (2)}	<u>(1,483)</u>	<u>(1,059)</u>
Underlying net profit attributable to equity shareholders	<u><u>7,303</u></u>	<u><u>8,185</u></u>

Note:

All segmental profits shown are pre-tax profits. Interest cost relating to the interest-free loan to developer has been allocated to property developments

1. Excludes investment property revaluation related tax

2. Includes contributions from Octopus Holdings Limited, as well as project studies and business development expenses

Balance sheet

(HK\$m)

31 Dec 2009

31 Dec 2008

Assets

Investment properties	40,993	37,737
Other property, plant and equipment	77,290	77,804
Service concession assets	19,351	15,463
Property management rights	31	35
Railway construction in progress	-	658
Property development in progress	6,718	7,895
Cash and cash equivalents	7,115	793
Debtors, deposits and payments in advance	2,428	7,190
Loan to a property developer	1,916	3,720
Properties held for sale	3,783	2,228
Amounts due from the Government and other related parties	12,788	426
Others	<u>4,081</u>	<u>5,389</u>
	<u>176,494</u>	<u>159,338</u>

Liabilities

Debt	23,868	31,289
Creditors and accrued charges	20,497	5,334
Obligations under service concession	10,625	10,656
Deferred tax liabilities	12,804	12,220
Others	<u>2,247</u>	<u>2,017</u>
	<u>70,041</u>	<u>61,516</u>
<u>Total equity</u>	<u>106,453</u>	<u>97,822</u>

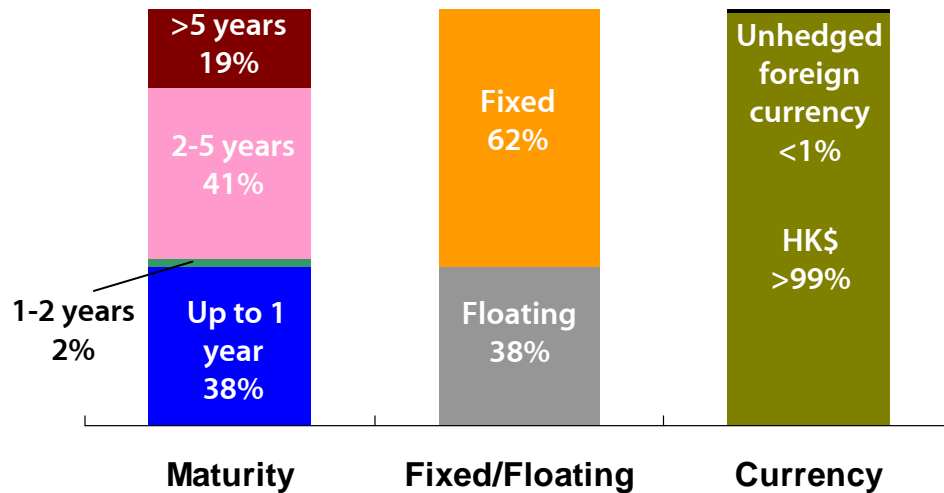
Cash flow

(HK\$m)

	<u>2009</u>	<u>2008</u>
<u>Cash Inflow</u>		
Cash from operations before tax payment	9,479	9,498
Receipts from property developers and property purchasers	11,784	4,448
Government funding support for WIL	-	400
Loan repayment from a property developer	2,000	-
Receipts from minority shareholders, non-controlled subsidiaries and associates	174	132
Net receipts (payments) from sale/purchase of investment in securities	236	(47)
Proceeds from disposal of fixed assets	<u>43</u>	<u>48</u>
Total inflows	23,716	14,479
<u>Cash Outflow</u>		
Tax paid	(1,372)	(577)
Fixed annual payment on service concession assets	(750)	(750)
Capital expenditure	(5,391)	(5,931)
Net interest paid	(1,134)	(1,445)
Investment in associates	(72)	(528)
Merger related expenditures	-	(316)
Changes in working capital	19	31
Dividends paid	<u>(1,362)</u>	<u>(1,265)</u>
Total outflows	(10,062)	(10,781)
Net cash generated	13,654	3,698
Net facilities repaid	<u>(7,294)</u>	<u>(3,538)</u>
Increase in cash	<u>6,360</u>	<u>160</u>

Financing and credit ratios

Debt profile (31 Dec 2009)



Total borrowings outstanding:
 HK\$23,868m; reduction of HK\$7,421m
 from 31 Dec 2008

Average borrowing cost:
 3.7%

1.1%
 point

Net interest expense:
 HK\$1,504m

24.7%

Compared to 2008 figures

	Dec 2009	Dec 2008
Net Debt/Equity ratio⁽¹⁾	25.8%	42.1%
	2009	2008
Interest coverage	7.1x	6.0x

1: Including obligations under service concession and loan from minority shareholders of a subsidiary as components of debt

Outlook

Outlook

■ Recurrent businesses

- Patronage will benefit from economic recovery and the full year operation of Kowloon Southern Link and LOHAS Park station.
- Fares review will take place in June and adjustment will be in accordance with the Fare Adjustment Mechanism.
- Property rental and station retail businesses are subject to market rates at the time of reversion.
- Railway businesses outside of Hong Kong will see the full year impact of the franchises.

■ Property development

- Occupation Permit (OP) for Le Prestige has been received and profit will be recognized in 1H10.
- Our share of the small shopping centre at Area 56 TKO is “sharing in kind”; OP is expected later this year.
- Pre-sales for units at Tai Wai Maintenance Centre will commence shortly. However, profit recognition, net of acquisition cost, is not expected until 2011.
- We are planning for the Nam Cheong Station site and LOHAS Park package 4 tenders in the next 6 months. Nam Cheong Station is a West Rail development site where we only act as agent.