



MTR Corporation

2010 Interim Results

12 August 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

Strong Performance in 1H 2010

Strong performance from all HK recurrent businesses

China and overseas businesses making progress with positive contribution

Good property development results under positive market sentiments

Future projects tracking well

Financial Highlights

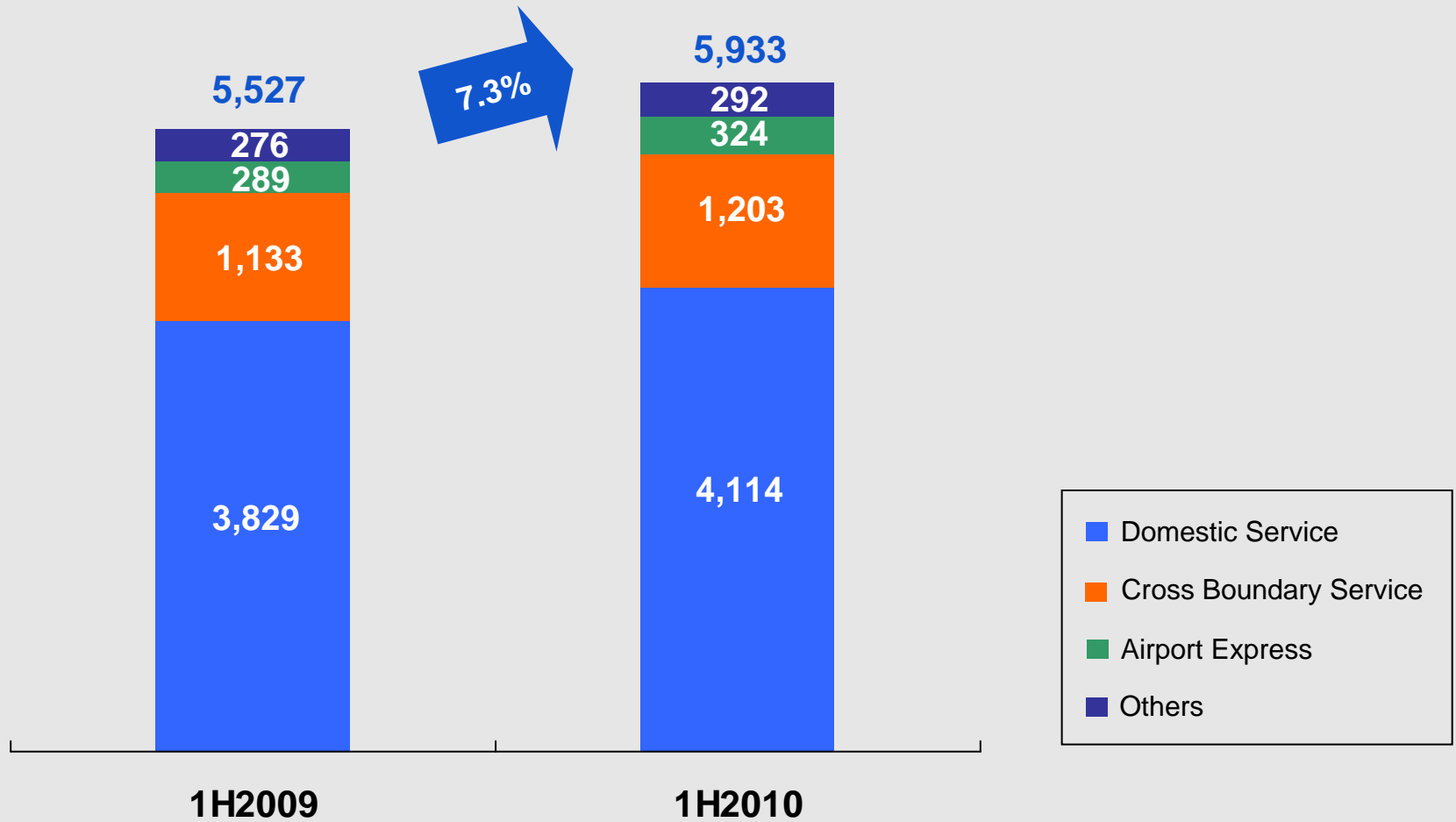
(HK\$m)	1H 2010	1H 2009	Change
Total revenue	14,102	8,630	↑ 63.4%
Revenue (excl. railway franchises outside of Hong Kong)	9,250	8,630	↑ 7.2%
Total EBITDA	5,491	4,806	↑ 14.3%
EBITDA (excl. railway franchises outside of Hong Kong)	5,284	4,806	↑ 9.9%
Total EBITDA margin	38.9%	55.7%	↓ 16.8%pt
EBITDA margin (excl. railway franchises outside of Hong Kong)	57.1%	55.7%	↑ 1.4%pt
Property development profit	3,705	2,147	↑ 72.6%
Underlying profit (excl. investment property revaluation)	5,720	3,903	↑ 46.6%
Underlying business EPS (HK\$)	1.00	0.69	↑ 44.9%
Interim dividend per share (HK\$)	0.14	0.14	
Reported profit before taxation	8,186	5,407	↑ 51.4%
Reported net profit attributable to equity shareholders*	6,639	4,498	↑ 47.6%
Reported EPS (HK\$)*	1.16	0.79	↑ 46.8%

Business Review

- Hong Kong Railway

Hong Kong Fare Revenue

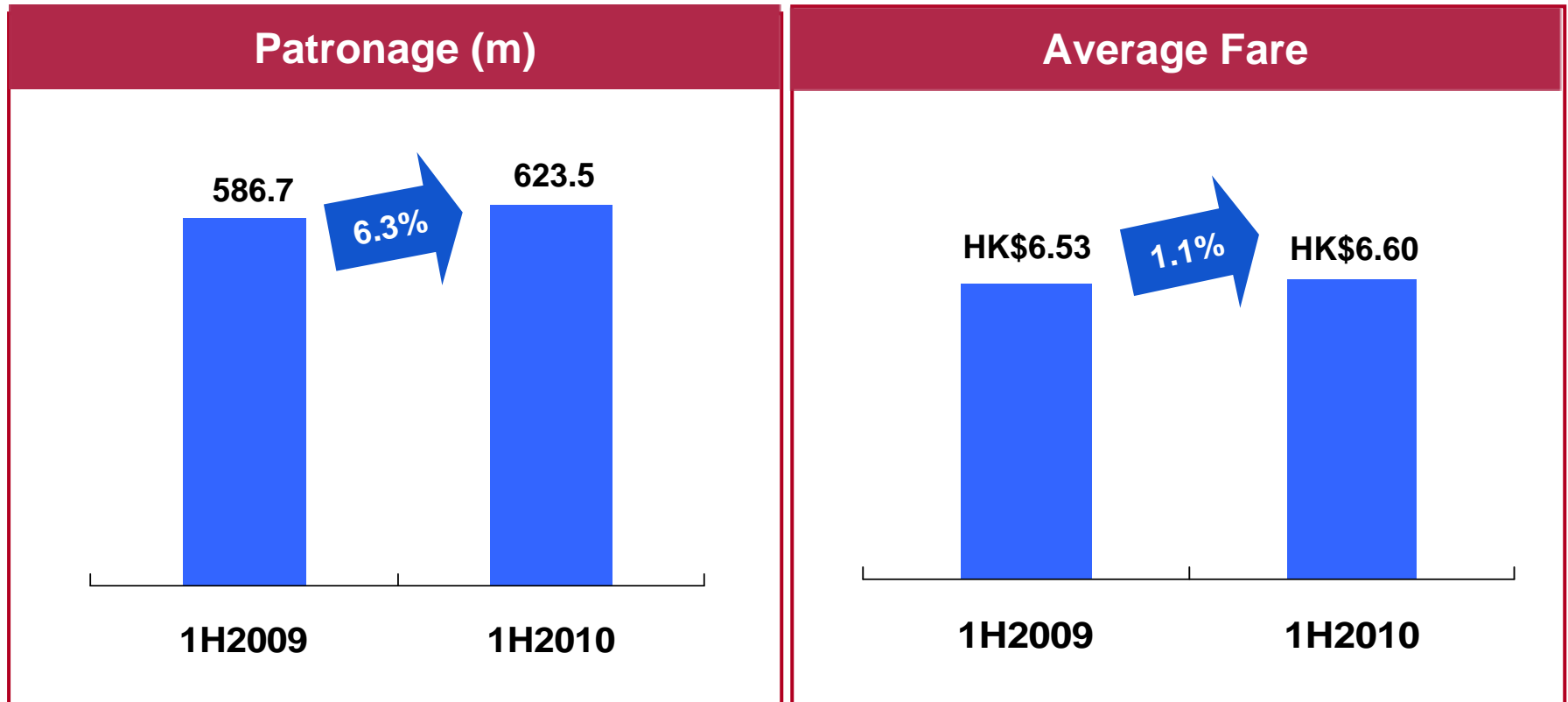
(HK\$m)



Domestic Service⁽¹⁾

Fare revenue for domestic service: HK\$4,114m

↑ 7.4%



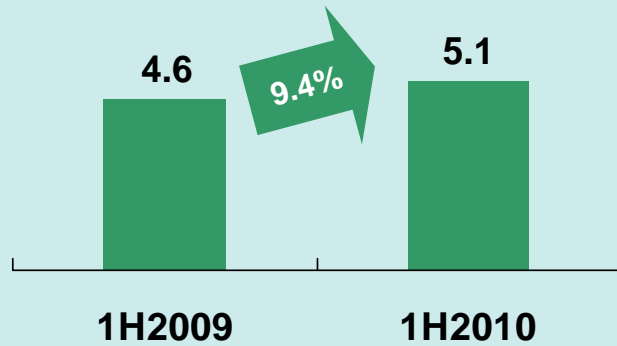
1. Domestic Service includes Tsuen Wan Line, Island Line, Kwun Tong Line, Tung Chung Line, Tseung Kwan O Line, Disneyland Resort Line, as well as East Rail Lines (excluding Cross Boundary), Ma On Shan Line and West Rail Line

Airport Express and Cross Boundary Service

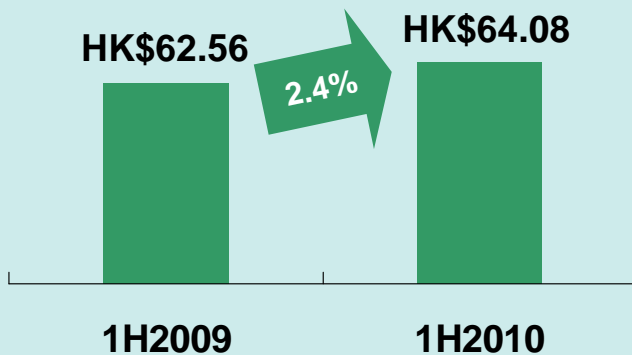
Fare revenue for Airport Express:
HK\$324m

↑ 12.1%

Airport Express Patronage (m)



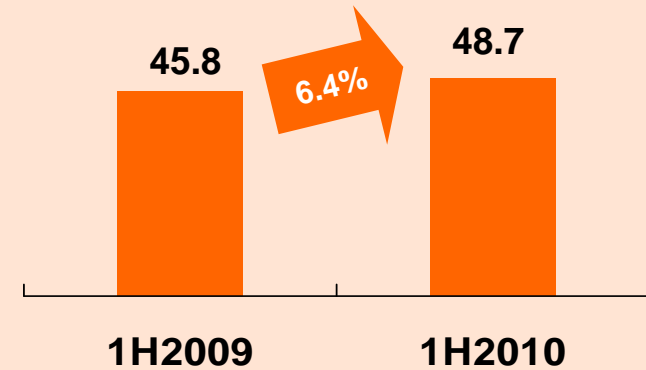
Airport Express Average Fare



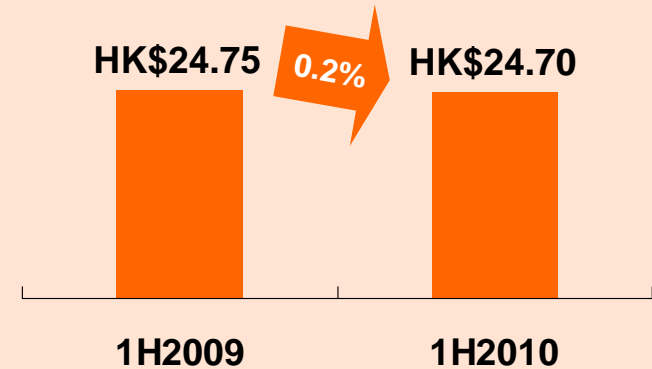
Fare revenue for Cross Boundary Service: HK\$1,203m

↑ 6.2%

Cross Boundary Service Patronage (m)

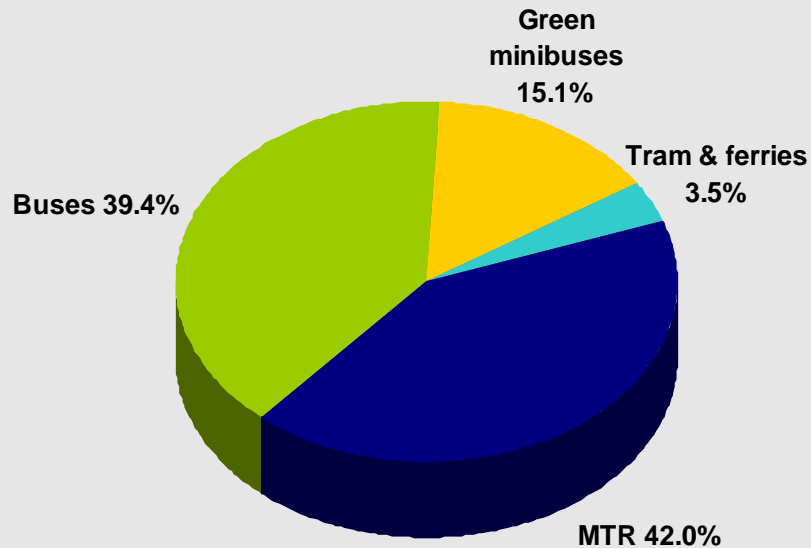


Cross Boundary Service Average Fare

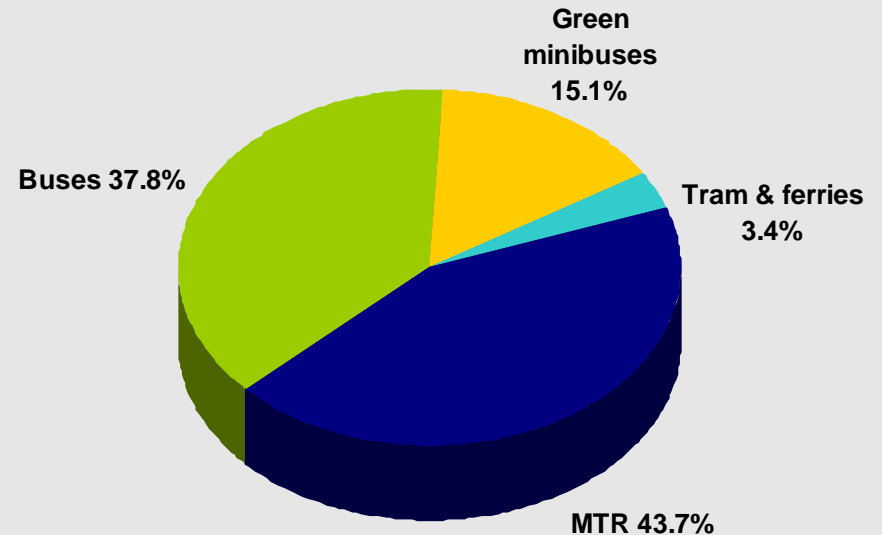


Market Share

Hong Kong Franchised Public Transport

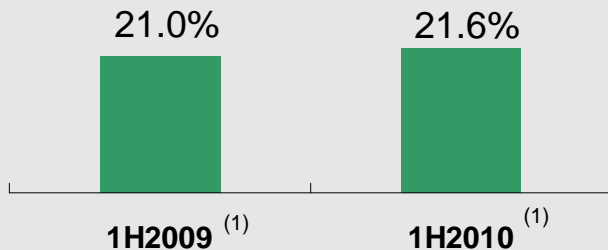


Jan - May 2009

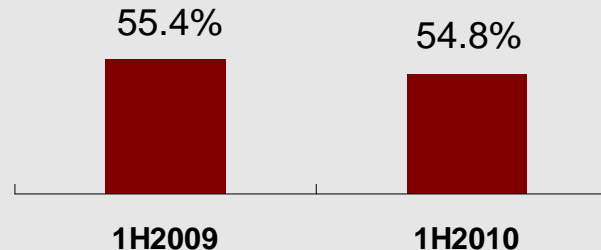


Jan - May 2010

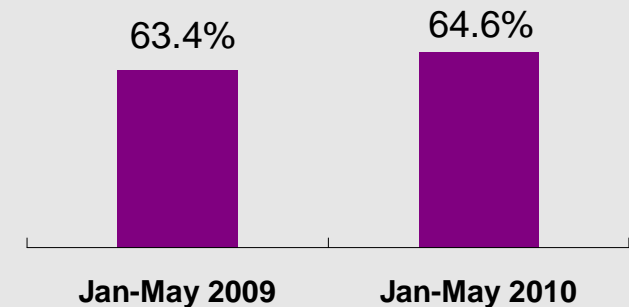
AEL



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 Feb 2009 & Feb 2010

Business Review



- Station commercial and rail related businesses**

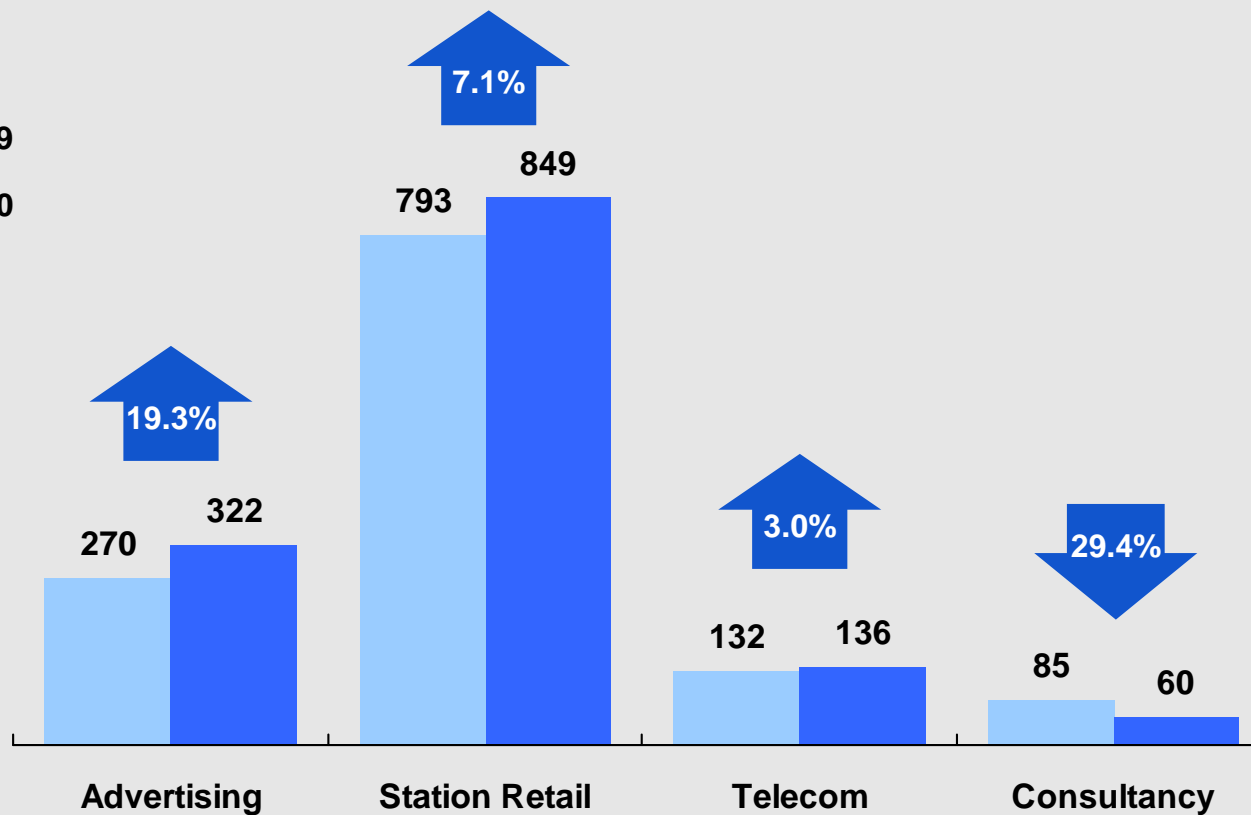
Station commercial and rail related businesses

Revenue for station commercial & rail related businesses:

HK\$1,732m⁽¹⁾  4.8%

(HK\$m)

 1H2009
 1H2010



1. Including revenue from Services to KCRC / Government of HK\$215m.
MTR Corporation

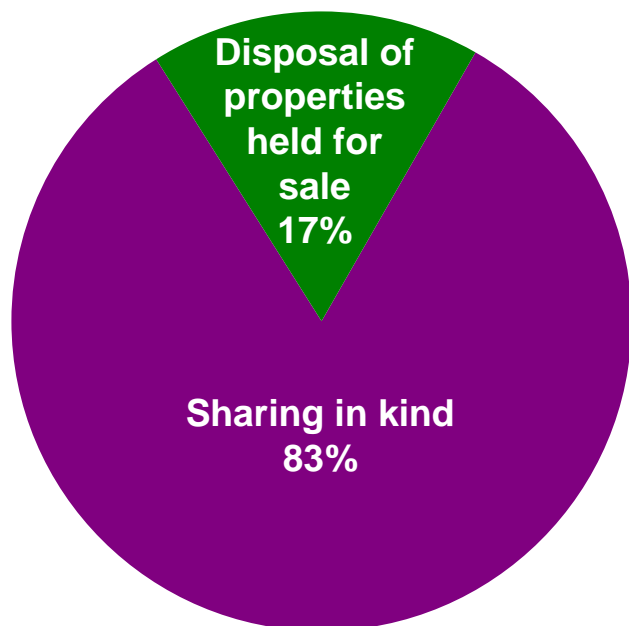
Business Review

- Property businesses

Property development

Property development profit

HK\$3,705m

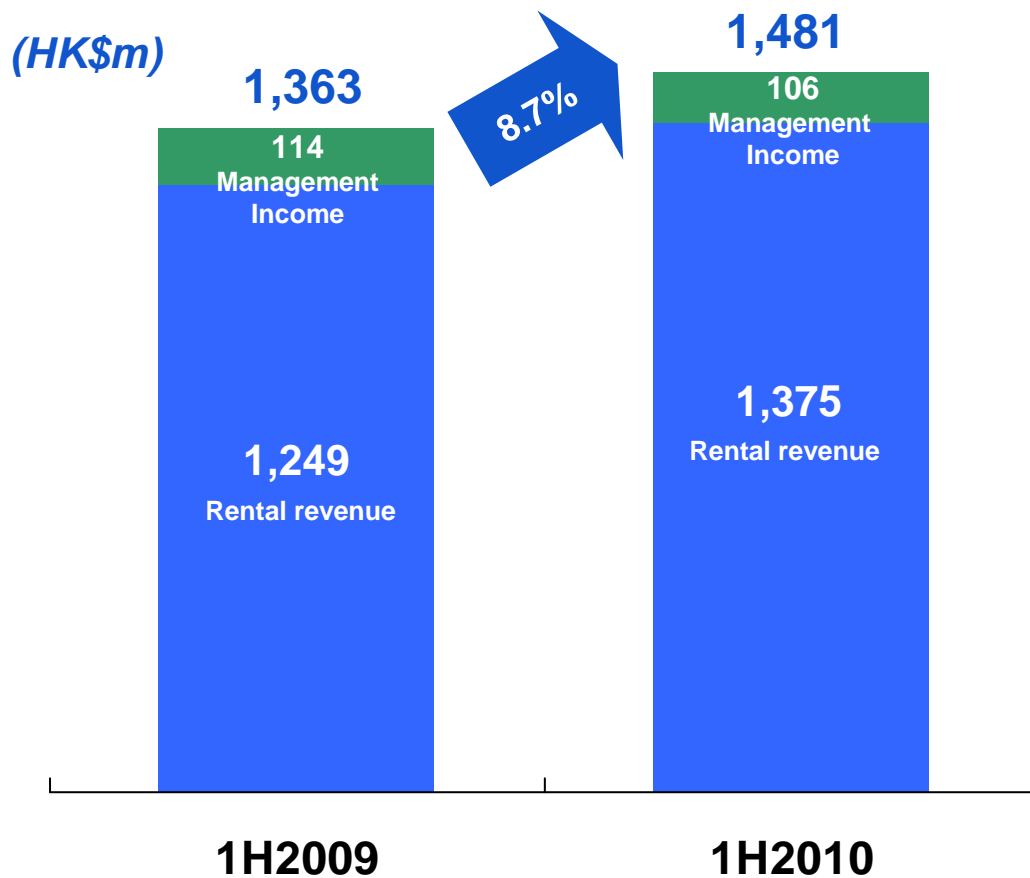


1H2010

- Major contributors to property development profit:
 - Sharing in kind mainly from the booking of Le Prestige at LOHAS Park
 - Disposal of properties held for sales mainly from The Palazzo at Fo Tan, and Lake Silver at Wu Kai Sha
- About 78% of Festival City Phase One have been sold
- Austin Station sites C&D was awarded to a consortium of New World Development and Wheelock Properties in Mar 2010

Property rental and management

Property rental & management
 Revenues⁽¹⁾: HK\$1,481m  8.7%



- Average of 10% increase on rental reversions at shopping centres
- Investment portfolio - Jun 2010
 - HK Retail: 12 shopping centres totalling 225,374 sq m⁽²⁾
 - HK Offices: 41,090 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

Subsidiaries

- **MTR Stockholm (MTRS), Sweden**
 - Takeover of operations on 2 Nov 2009
 - Operational performance on target
- **Metro Trains Melbourne (MTM), Australia**
 - Takeover of operations on 30 Nov 2009
 - Operational performance requires improvement. Measures in place
- **EBITDA contributions from the above subsidiaries totalled HK\$207m**

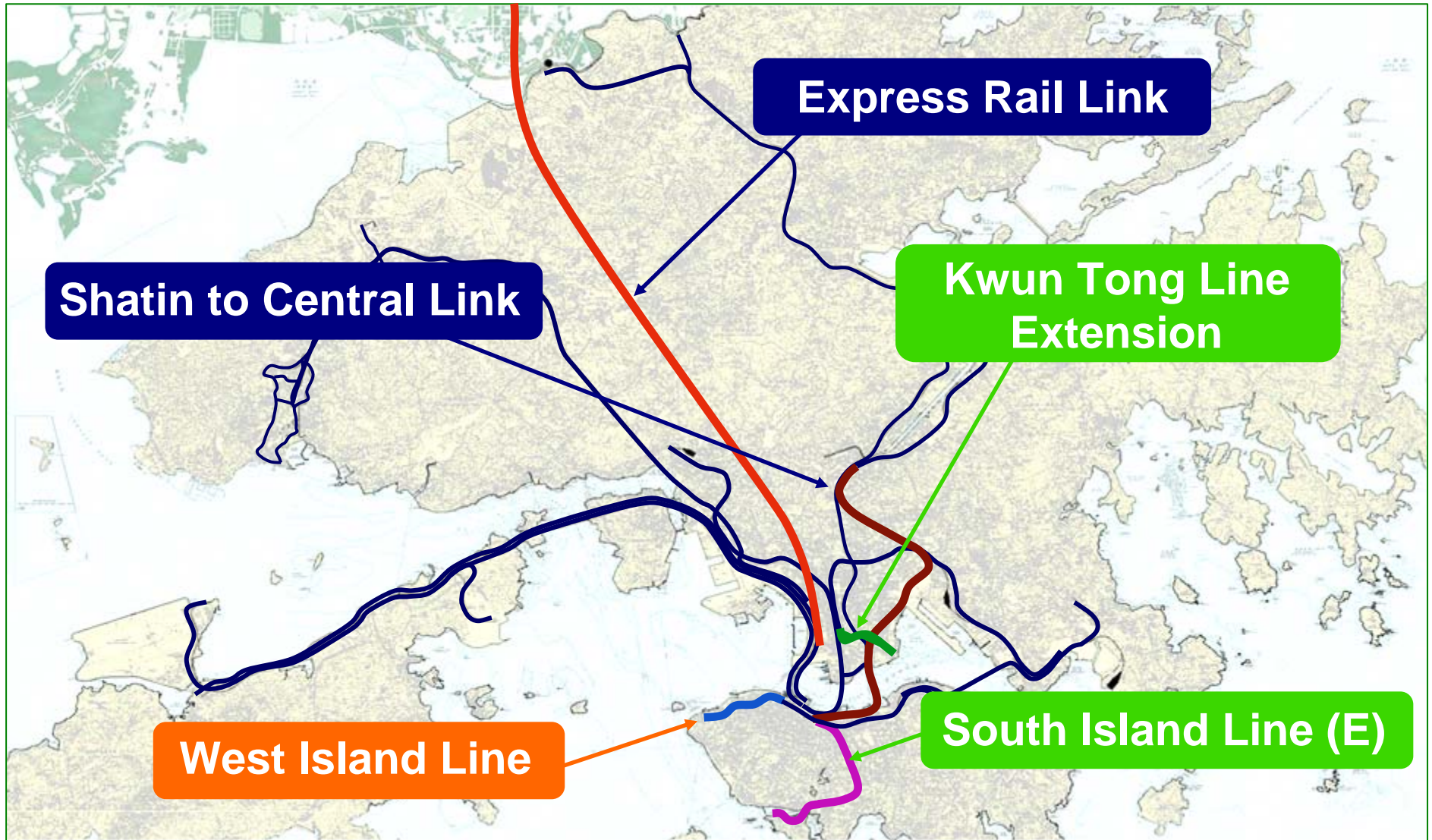
Associates

- **Beijing MTR**
 - Strong patronage
 - Good operational performance
 - Share of loss HK\$1m
- **Post-tax profit contribution from other rail associates, mainly LOROL⁽¹⁾, amounted to HK\$6m**

1. Including a loss contribution of HK\$5m 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

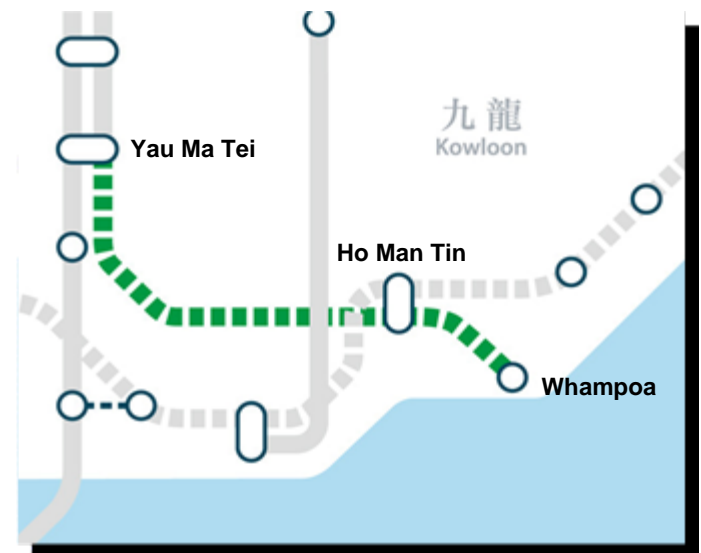
- All Government funding support received
- All civil contracts awarded
- Construction making good progress as planned

South Island Line - East

- Amended gazette in Jun 2010
- Detailed design substantially completed
- Wong Chuk Hang site rezoning proposal agreed by Town Planning Board

Kwun Tong Line Extension

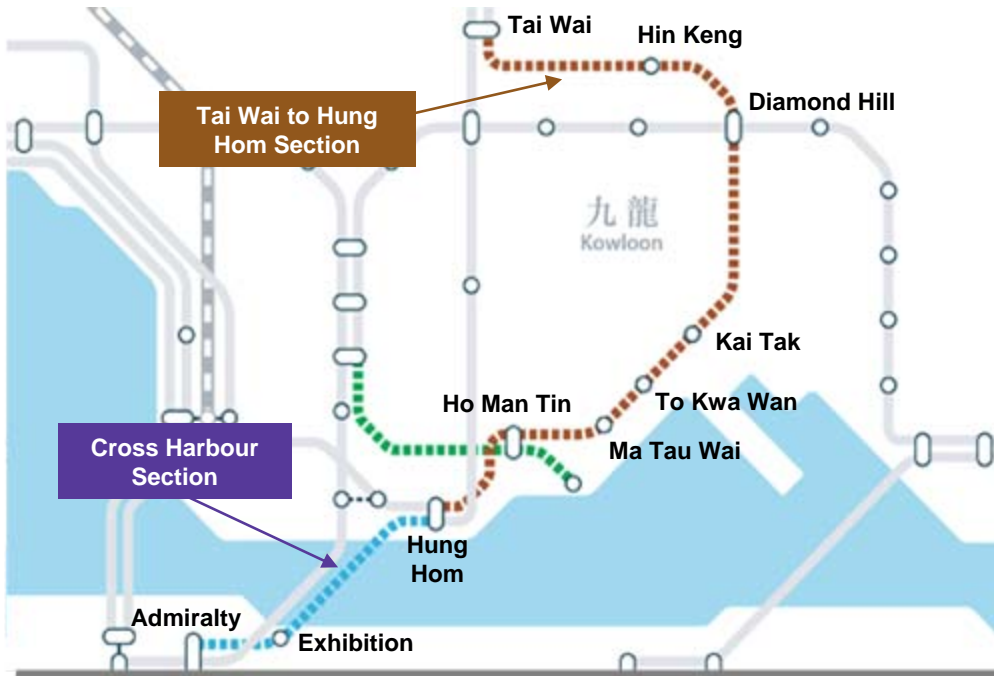
- Amended gazette in Jun 2010
- Detailed design commenced



Service Concession Projects

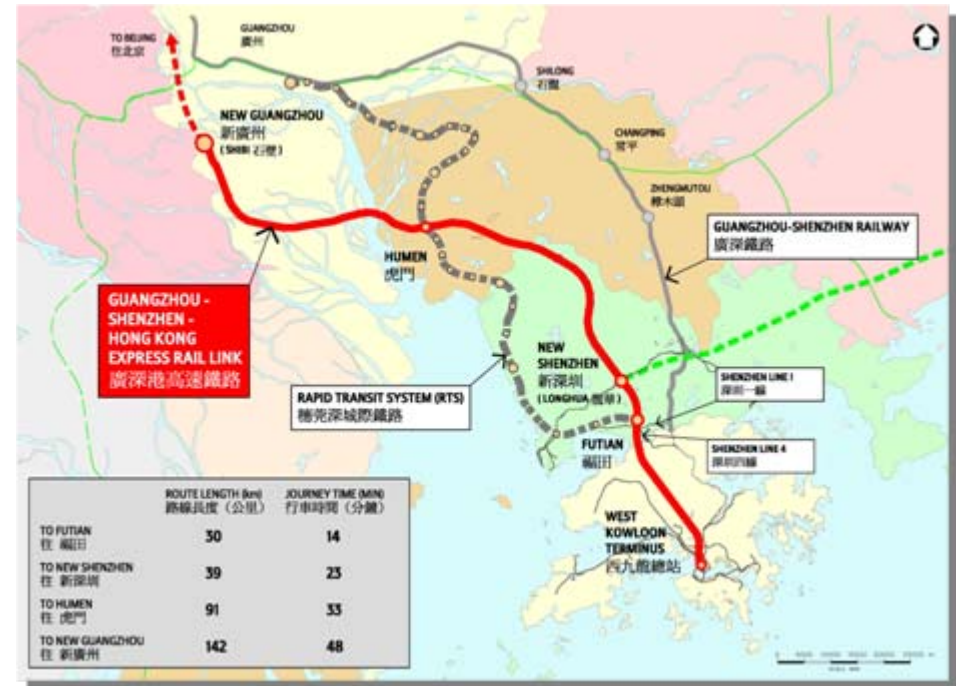
Shatin to Central Link

- Detailed design commenced



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

- Entrustment Agreement signed with Government in Jan 2010
- Construction commenced



Expansion in the Mainland

Beijing

Daxing Metro Line

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

Hangzhou

Hangzhou Metro Line 1

- Concession Agreement signed in Mar 10
- Agreement is subject to final approval by relevant authorities

Shenzhen

Shenzhen Metro Line 4

- Take-over of Phase 1 operations on 1 Jul 2010
- Civil works for Phase 2 substantially completed
- Full line operation expected mid 2011



Public-Private-Partnership Model



Cash grant



Operations & Maintenance Franchise

Financial Results

Income statement

(HK\$m)	<u>1H2010</u>	<u>1H2009</u>	<u>% change</u>
Hong Kong fare revenue	5,933	5,527	7.3
Non-fare, rental and management revenues	3,317	3,103	6.9
Railway franchise revenue outside of Hong Kong	4,852	-	
Total turnover	14,102	8,630	63.4
Operating expenses excl. railway franchises outside of Hong Kong	(3,966)	(3,824)	(3.7)
Operating expenses - railway franchises outside of Hong Kong	(4,645)	-	
EBITDA excl. railway franchises outside of Hong Kong	5,284	4,806	9.9
Total EBITDA	5,491	4,806	14.3
Property development profit	3,705	2,147	72.6
Total operating profit	9,196	6,953	32.3
Depreciation & amortisation and merger related expenses	(1,537)	(1,478)	(4.0)
Interest and finance charges	(656)	(854)	23.2
Investment properties revaluation	1,101	712	54.6
Share of profit of non-controlled subsidiaries & associates	82	74	10.8
Profit before tax	8,186	5,407	51.4
Taxation	(1,482)	(910)	(62.9)
Reported net profit attributable to equity shareholders*	6,639	4,498	47.6
Reported earnings per share (HK\$)	1.16	0.79	46.8
Profit from underlying businesses (excl. inv. property revaluation net of related tax)	5,720	3,903	46.6
Underlying businesses EPS (HK\$)	1.00	0.69	44.9
Interim dividend per share (HK\$)	0.14	0.14	

* Excluding non-controlling interest of HK\$65 million and HK\$(1) million in 1H2010 and 1H2009 respectively.

Segmental profits of underlying businesses

<i>(HK\$m)</i>	<u>1H2010</u>	<u>1H2009</u>
Hong Kong railway and related businesses	1,972	1,357
Railway businesses outside of Hong Kong (including franchises and associates)	134	9
Property rental, management and other businesses	1,197	1,188
Property developments	3,711	2,172
Tax and others ^{(1) (2)}	<u>(1,294)</u>	<u>(823)</u>
Underlying net profit attributable to equity shareholders	<u><u>5,720</u></u>	<u><u>3,903</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. Excluding investment property revaluation related tax
 2. Including contributions from Octopus Holdings Limited, as well as project studies and business development expenses

Balance sheet

(HK\$m)

30 Jun 2010

31 Dec 2009

Assets

Investment properties	42,201	40,993
Other property, plant and equipment	77,197	77,844
Service concession assets	19,789	19,351
Property management rights	31	31
Property development in progress	9,006	6,718
Cash and cash equivalents	10,287	7,115
Investment in bank floating rate notes	3,201	-
Debtors, deposits and payments in advance	4,451	2,428
Loan to a property developer	1,966	1,916
Properties held for sale	2,552	3,783
Amounts due from the Government and other related parties	377	12,788
Others	<u>3,950</u>	<u>3,527</u>
	<u>175,008</u>	<u>176,494</u>

Liabilities

Debt	19,597	23,868
Creditors and accrued charges	16,260	20,497
Obligations under service concession	10,609	10,625
Current taxation	1,205	430
Deferred tax liabilities	13,175	12,804
Others	<u>2,024</u>	<u>1,817</u>
	<u>62,870</u>	<u>70,041</u>
<u>Total equity</u>	<u>112,138</u>	<u>106,453</u>

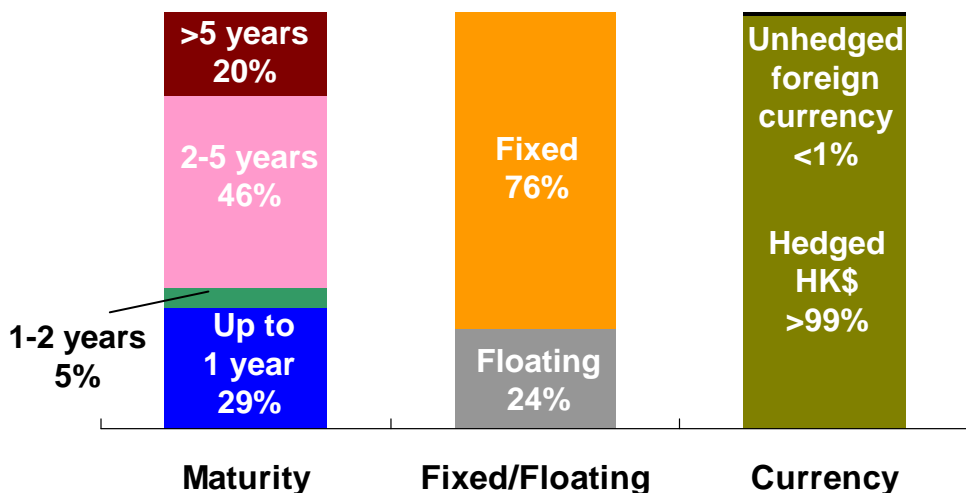
Cash flow

(HK\$m)

	<u>1H2010</u>	<u>1H2009</u>
<u>Cash Inflow</u>		
Cash from operations before tax payment	5,934	4,771
Receipts in respect of property development	2,097	2,523
Others	153	57
Inflows before Government funding support	8,184	7,351
Government funding support for West Island Line project	12,252	-
Total inflows	20,436	7,351
<u>Cash Outflow</u>		
Tax paid	(334)	(194)
Capital expenditure	(7,747)	(2,210)
Net interest paid	(422)	(657)
Investment in associates	-	(55)
Merger related expenditures	-	(12)
Net (payments for) / receipts from purchase / sale of investment in securities	(57)	240
Changes in working capital	28	4
Dividends paid	(1,089)	(962)
Total outflows	(9,621)	(3,846)
Net cash generated	10,815	3,505
Net facilities repaid	(4,474)	(3,277)
Purchase of bank floating rate notes	(3,197)	-
Increase in cash	3,144	228

Financing and credit ratios

Debt profile (30 Jun 2010)



Total borrowings outstanding:
HK\$19,597m; reduction of HK\$4,271m
from 31 Dec 2009

Average borrowing cost:
4.4%

0.8%
point

Net interest expense:
HK\$656m

23.2%

Compared to 1H2009 figures

	Jun 2010	Dec 2009
Net Debt/Equity ratio ⁽¹⁾	15.0%	25.8%
Interest coverage	12.2x	6.9x

Note: Interest coverage for Dec 2009 was 7.1x

1. Including obligations under service concession and loan from minority shareholders of a subsidiary as components of debt, and investment in bank floating rate notes as component of cash

Outlook

Outlook

■ Recurrent businesses

- Continued economic recovery should benefit our recurrent businesses. However, the rate of growth may be lower in the 2H of 2010, due to the higher base in the 2H of 2009.
- Variable lease payment to KCRC will start from December this year, 3 years after the implementation of the merger, as stipulated in the agreement.
- In the Mainland of China, we do not expect Shenzhen Line 4 to make positive contributions to our operating profit until some time after the opening of the full line.

■ Property development

- Our profit share of the small shopping centre at Area 56 TKO is a “sharing in kind”; profit booking is based on occupation permit issuance which may be issued later this year. However, the centre is not expected to open until late 2011.
- Profit recognition of Festival City at Tai Wai, net of acquisition cost, is not likely to start before 2011.
- We are planning for the tendering of Nam Cheong Station and Tai Wai Station sites over the next 6 months. Nam Cheong Station is a West Rail development site where we only act as agent.