

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MTR CORPORATION LIMITED

香港鐵路有限公司

(the "Company")

(Incorporated in Hong Kong with limited liability)

(Stock Code: 66)

INSIDE INFORMATION - STOCKHOLMS PENDELTÅG

The Company operates four rail businesses in Sweden via wholly owned subsidiaries: Stockholm Metro (Stockholms tunnelbana), MTRX, the Stockholm commuter rail service (Stockholms pendeltåg) and Mälartåg regional traffic.

In December 2015, MTR Nordic AB, a wholly owned subsidiary of the Company, was awarded the concession to operate and manage Stockholms pendeltåg. Operation of the service commenced on 11 December 2016 for a period of 10 years, with the concession scheduled to terminate in 2026. Stockholms pendeltåg is operated by MTR Pendeltågen AB, a wholly owned subsidiary of MTR Nordic AB.

As noted in the Company's 2022 annual report, operations of Stockholms pendeltåg during the 2022 financial year were challenging due to a shortage of operational staff and maintenance issues, and the Company was working hard to improve its financial performance. In the Company's 2023 interim report, it was noted that Stockholms pendeltåg continued to face challenges from a shortage of local drivers and maintenance issues during the first six months of 2023, the Company was working hard to improve the financial situation of this business, which had been operating at a loss, and was reviewing its options for how best to proceed. Further, as previously announced by AB Storstockholms Lokaltrafik (the Stockholm Public Transport Authority) ("**SL**"), the Stockholms pendeltåg assignment agreement would not be extended when it ends in 2026.

MTR Pendeltågen AB and SL have been engaged in a constructive dialogue with the aim of remedying the situation that has arisen and have reached mutual agreement on the following solution.

On 1 November 2023, MTR Pendeltågen AB and SL entered into a supplemental agreement (the "**Supplemental Agreement**") regarding the early termination of MTR Pendeltågen AB's assignment agreement. Pursuant to such agreement, (i) MTR Pendeltågen AB's assignment agreement to operate and manage Stockholms pendeltåg shall be terminated on 2 March 2024 (the "**Termination Date**") and handed over to a new operator and (ii) MTR Pendeltågen AB shall pay SEK 580 million (approximately HK\$406 million) comprising an "exit fee" of SEK 280 million (approximately HK\$196 million) in relation to SL's additional costs connected with the early termination and a payment of SEK 300 million (approximately HK\$210 million) to settle other outstanding issues relating to the operation and management of Stockholms pendeltåg. In addition, MTR Pendeltågen AB will transfer certain inventory, spares and assets to the new operator on the Termination Date for no consideration.

Given the above and the need to provide for wind-down costs, certain assets which will need to be written off and the net costs anticipated to be incurred in meeting MTR Pendeltågen AB's obligations

under the assignment agreement until the Termination Date, the Company estimates that it will need to recognise a charge of approximately SEK 1.0 billion (being approximately HK\$700 million) to its consolidated statement of profit or loss for the year ending 31 December 2023.

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Investors should exercise caution in their dealings in the securities of the Company.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Background

The Company operates four rail businesses in Sweden via wholly owned subsidiaries: Stockholm Metro (Stockholms tunnelbana), MTRX, the Stockholm commuter rail service (Stockholms pendeltåg) and Mälartåg regional traffic.

In December 2015, MTR Nordic AB, a wholly owned subsidiary of the Company, was awarded the concession to operate and manage Stockholms pendeltåg. Operation of the service commenced on 11 December 2016 for a period of 10 years, with the concession scheduled to terminate in 2026.

Stockholms pendeltåg is operated by MTR Pendeltågen AB, a wholly owned subsidiary of MTR Nordic AB.

Stockholms pendeltåg connects Sweden's capital city with surrounding county areas. It consists of four rail lines with a total length of 247 kilometres serving 54 stations and running over 100 million passenger journeys a year.

Recent Issues

As noted in the Company's 2022 annual report, operations of Stockholms pendeltåg during the 2022 financial year were challenging due to a shortage of operational staff and maintenance issues, and the Company was working hard to improve its financial performance. In the Company's 2023 interim report, it was noted that:

- (i) Stockholms pendeltåg continued to face challenges from a shortage of local drivers and maintenance issues during the first six months of 2023;
- (ii) the Company was working hard to improve the financial situation of this business, which had been operating at a loss, and was reviewing its options for how best to proceed; and
- (iii) as previously announced by SL, the Stockholms pendeltåg assignment agreement would not be extended when it ends in 2026.

Since June 2023, commuter rail traffic in the Stockholm region has continued to be subject to serious disruptions caused by the ongoing shortage of local drivers and maintenance issues. These factors have contributed to a greatly reduced and unreliable range of services with cancelled, irregular and delayed departures.

MTR Pendeltågen AB and SL have been engaged in a constructive dialogue with the aim of remedying the situation that has arisen and have reached mutual agreement on the following solution.

On 1 November 2023, MTR Pendeltågen AB and SL entered into the Supplemental Agreement. Pursuant to such agreement, (i) MTR Pendeltågen AB's assignment agreement to operate and manage Stockholms pendeltåg shall be terminated on the Termination Date and handed over to a new operator and (ii) MTR Pendeltågen AB shall pay SEK 580 million (approximately HK\$406 million) comprising an "exit fee" of SEK 280 million (approximately HK\$196 million) in relation to SL's additional costs connected with the early termination and a payment of SEK 300 million (approximately HK\$210 million) to settle other outstanding issues relating to the operation and management of Stockholms pendeltåg. In addition, MTR Pendeltågen AB will transfer certain inventory, spares and assets to the new operator on the Termination Date for no consideration.

Financial Impact on the Company

As noted above, the Supplemental Agreement provides that MTR Pendeltågen AB shall pay SEK 580 million (approximately HK\$406 million) to SL, comprising an "exit fee" of SEK 280 million (approximately HK\$196 million) in relation to SL's additional costs connected with the early termination and a payment of SEK 300 million (approximately HK\$210 million) to settle other outstanding issues relating to the operation and management of Stockholms pendeltåg. This latter amount of SEK 300 million (approximately HK\$210 million) has already been provided for in the consolidated accounts of the Company.

The Company estimates that it will need to recognise an additional charge of approximately SEK 1.0 billion (being approximately HK\$700 million) to its consolidated statement of profit or loss for the year ending 31 December 2023.

This additional charge will be comprised of (i) the "exit fee" of SEK 280 million (approximately HK\$196 million) payable to SL pursuant to the Supplemental Agreement; (ii) a provision for the inventory, spares and assets to be transferred to the new operator for no consideration; and (iii) a provision for wind-down costs and certain assets which will need to be written off. Other net costs are anticipated to be incurred in meeting MTR Pendeltågen AB's obligations under the assignment agreement until the Termination Date and these have been included in the overall estimate of this additional charge.

With the exception of the amount payable to SL pursuant to the Supplemental Agreement, as of the date of this announcement it is not possible to provide exact values for the other components of the charge, but it is reasonably believed that the overall estimate of SEK 1.0 billion (being approximately HK\$700 million) constitutes a fair estimation of the likely outcome.

General

The directors of the Company, having taken into account the ongoing operational challenges facing Stockholms pendeltåg and the financial situation of this business, have concluded that entering into the Supplemental Agreement is in the interests of the Company as a whole. Accordingly, they approved the entry by the Company into the Supplemental Agreement.

As noted in the Company's 2023 interim report, operations at Mälartåg over the first six months of 2023 were also impacted by a shortage of local drivers and maintenance issues and the Company is trying to improve the financial performance of this business as well. If the issues cannot be resolved in the near term, the financial sustainability of this contract may be impacted and a loss provision will need to be considered. The Company is currently studying options as to the way forward for this business.

Investors should exercise caution in their dealings in the securities of the Company. The price of the Company's shares may be subject to fluctuations.

By Order of the Board
Gillian Elizabeth Meller
Company Secretary

Hong Kong, 1 November 2023

As at the date of this announcement:

Members of the Board: Dr Rex Auyeung Pak-kuen (*Chairman*)**, Dr Jacob Kam Chak-pui (*Chief Executive Officer*), Andrew Clifford Winawer Brandler*, Dr Bunny Chan Chung-bun*, Walter Chan Kar-lok*, Dr Dorothy Chan Yuen Tak-fai*, Cheng Yan-kee*, Hui Siu-wai*, Sunny Lee Wai-kwong*, Rose Lee Wai-mun*, Jimmy Ng Wing-ka*, Carlson Tong*, Sandy Wong Hang-yee*, Adrian Wong Koon-man*, Professor Anna Wong Wai-kwan*, Christopher Hui Ching-yu (*Secretary for Financial Services and the Treasury*)**, *Secretary for Transport and Logistics* (Lam Sai-hung)**, *Permanent Secretary for Development (Works)* (Ricky Lau Chun-kit)** and *Commissioner for Transport* (Angela Lee Chung-yan)**

Members of the Executive Directorate: Dr Jacob Kam Chak-pui, Jeny Yeung Mei-chun, Margaret Cheng Wai-ching, Linda Choy Siu-min, Carl Michael Devlin, Herbert Hui Leung-wah, Dr Tony Lee Kar-yun, Gillian Elizabeth Meller, David Tang Chi-fai and Sammy Wong Kwan-wai

* *independent non-executive Director*

** *non-executive Director*

This announcement is made in English and Chinese. In case of any inconsistency, the English version shall prevail.