



MTR Corporation

2015 Annual Results

11 March 2016

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

- ***6.7% growth in profits from recurrent businesses***
- ***HK\$2.3 billion property development profits mainly from Hemera***

Strong Business Performance

- ***Hong Kong Transport Operations - 2015 performance one of our best***
- ***Active Hong Kong property tendering – 7 tenders since 1 Jan 2015***
- ***Highly successful pre-sales of Tiara in Mainland of China – ~96% sold***
- ***Railway operations outside Hong Kong continued progress***

Sustainable Growth

- ***Signing of Express Rail Link Agreement with Government***
- ***Reasonable progress on new Hong Kong rail extension projects***
- ***On-going expansion of business portfolio outside Hong Kong***

Financial Highlights

(HK\$m)

	2015	2014	Change
Total revenue	41,701	40,156	3.8%
Revenue (excluding Mainland of China & international subsidiaries)	29,129	27,529	5.8%
Total EBITDA	16,120	15,423	4.5%
EBITDA (excluding Mainland of China & international subsidiaries)	15,534	14,617	6.3%
EBITDA margin	38.7%	38.4%	0.3%pt
EBITDA margin (excluding Mainland of China & international subsidiaries)	53.3%	53.1%	0.2%pt
Profit from recurrent businesses	8,565	8,024	6.7%
Property development profit after tax	2,329	3,547	34.3%
Profit from underlying businesses	10,894	11,571	5.9%
Reported net profit attributable to equity shareholders ⁽¹⁾	12,994	15,606	16.7%
Reported EPS (HK\$) ⁽¹⁾	2.22	2.69	17.5%
Underlying businesses EPS (HK\$)	1.87	1.99	6.0%
Ordinary dividend per share (HK\$)	1.06	1.05	1.0%

1. Excluding non-controlling interests



Hong Kong Transport Operations

Hong Kong Transport Operations

Service Performance

- ***Operational performance in 2015 one of our best***
- ***Added 599 train trips per week***
- ***Enhancing connection with customers***

Rail Gen 2.0

- ***Extension of network - four new Hong Kong rail extension projects***
- ***Asset maintenance and replacement programme***
 - *over \$7 billion being spent on Hong Kong network in 2015*
 - *\$6 billion for 93 new 8-car trains and \$3.3 billion for signalling systems*

Island Line Extension

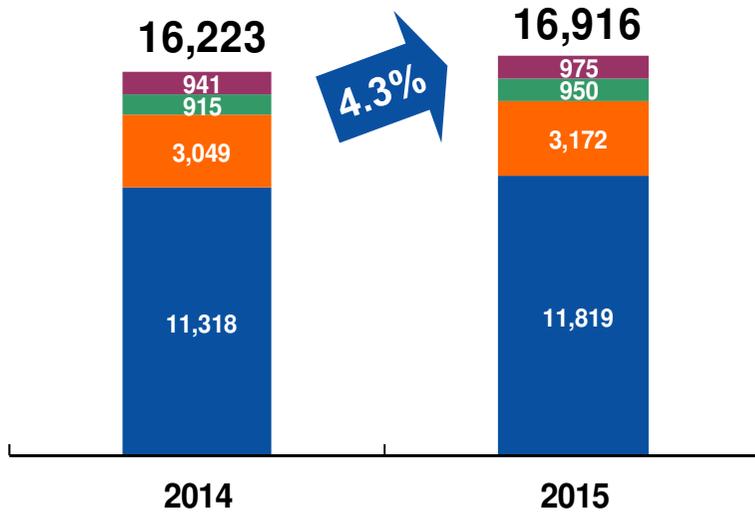
- ***Ki Ling Lane entrance of Sai Ying Pun Station to open later in March***

Hong Kong Transport Operations

Total Patronage: 1,938.2million ↑ 1.8%

Revenue

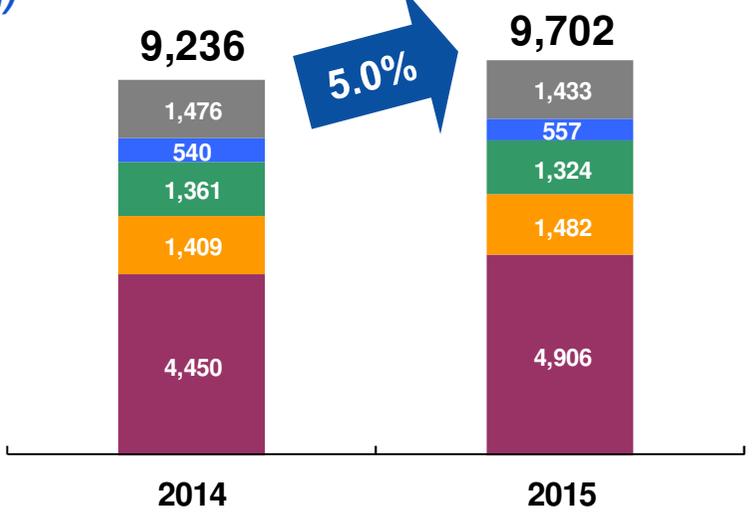
(HK\$m)



- Domestic Service⁽¹⁾
- Cross-boundary Service
- Airport Express
- Others⁽²⁾

Cost

(HK\$m)



- Staff costs and related
- Energy and utilities
- Maintenance and related
- Stores and spares consumed
- General Admin, Railway Support & others

EBITDA: HK\$7,214m ↑ 3.2 %

EBITDA Margin: 42.6% ↓ 0.5%pt

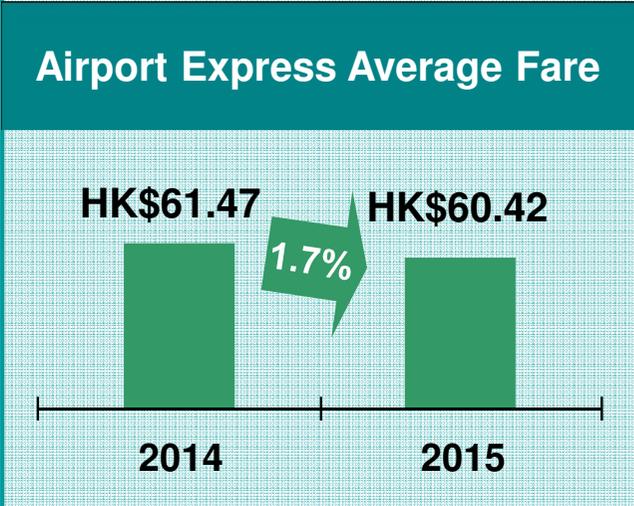
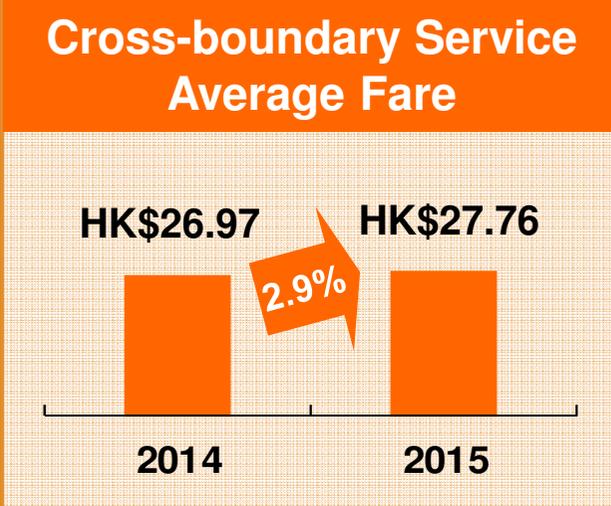
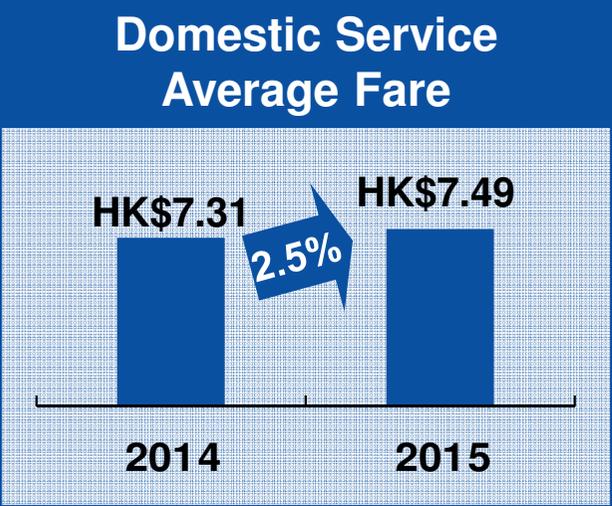
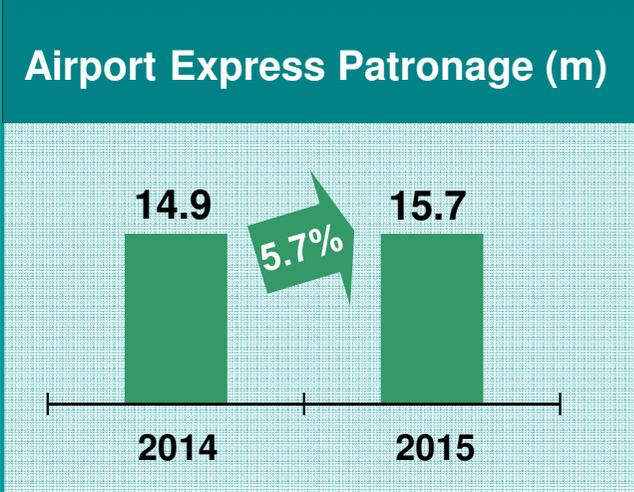
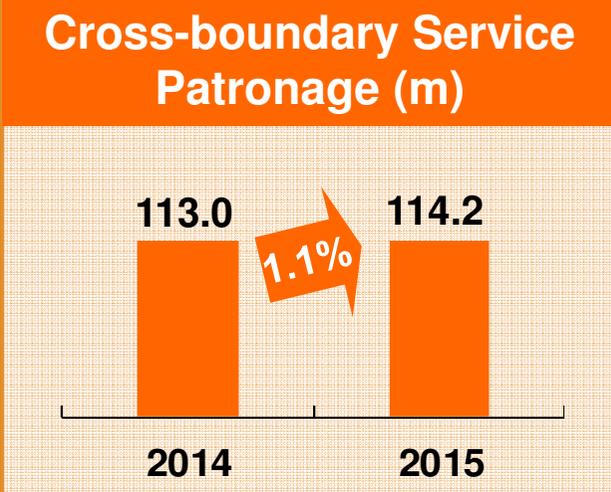
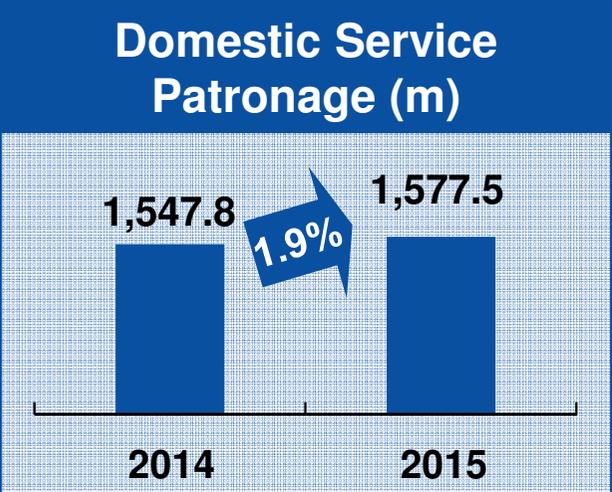
1. Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines
 2. Others comprise Light Rail, Bus, Intercity and other rail related income
 MTR Corporation

Revenue from Hong Kong Transport Operations

Fare revenue for Domestic Service⁽¹⁾:
HK\$11,819m  4.4%

Fare revenue for Cross-boundary Service:
HK\$3,172m  4.0%

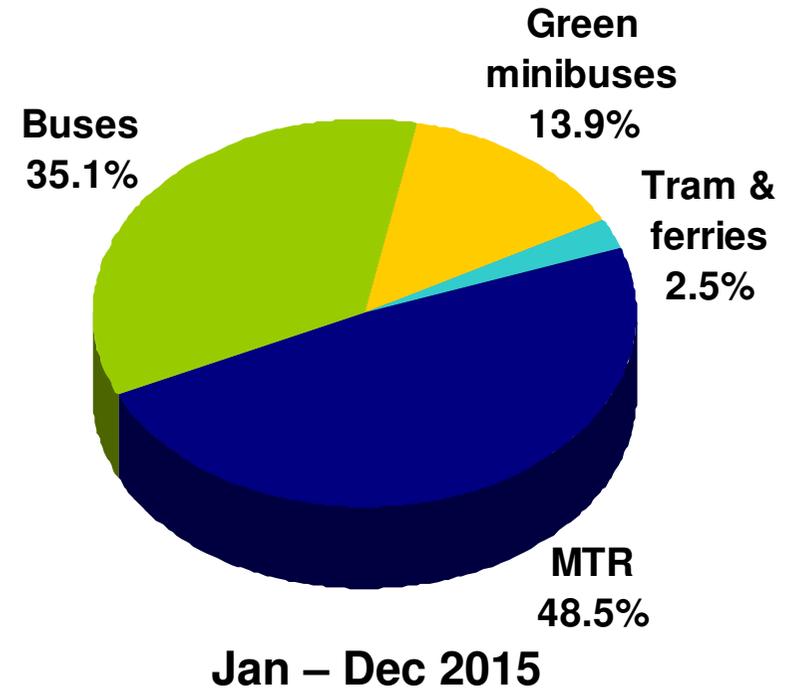
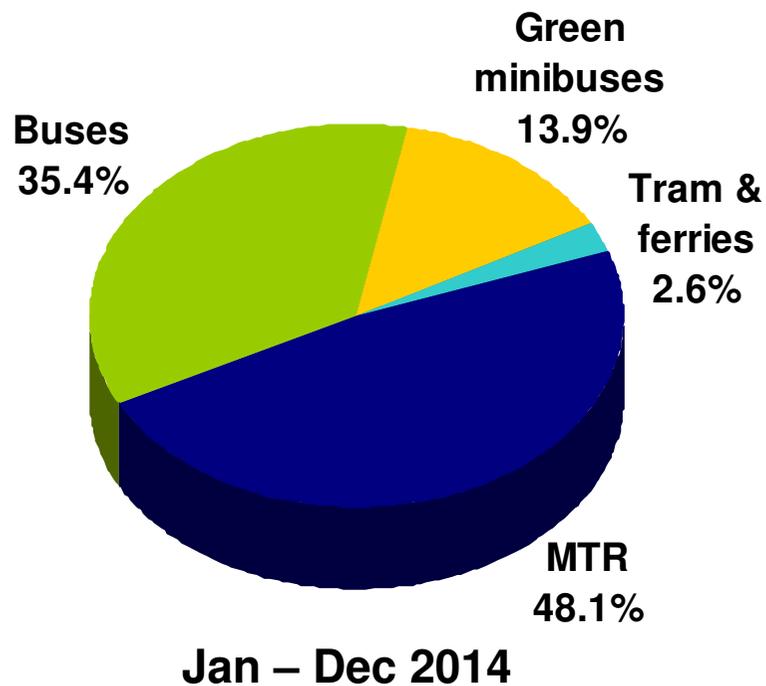
Fare revenue for Airport Express: HK\$950m  3.8%



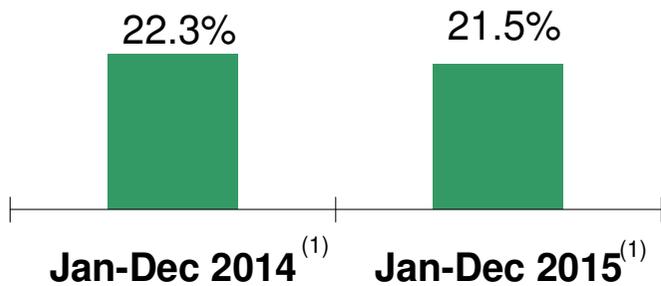
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Market Share

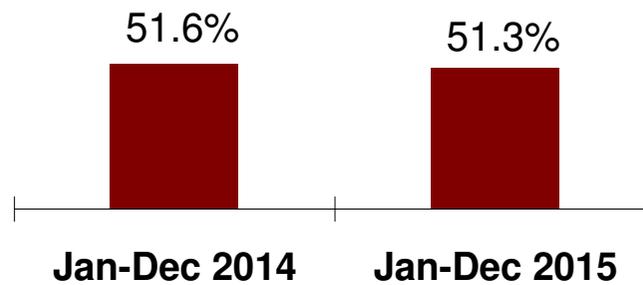
Hong Kong Franchised Public Transport



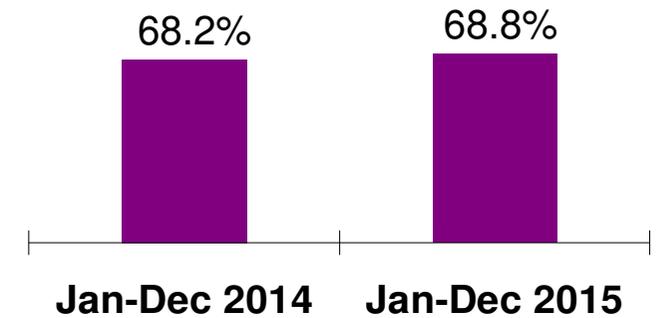
Airport Express



Cross-boundary



Cross-harbour



Sources: The Transport Department / Immigration Department / Airport Authority Hong Kong

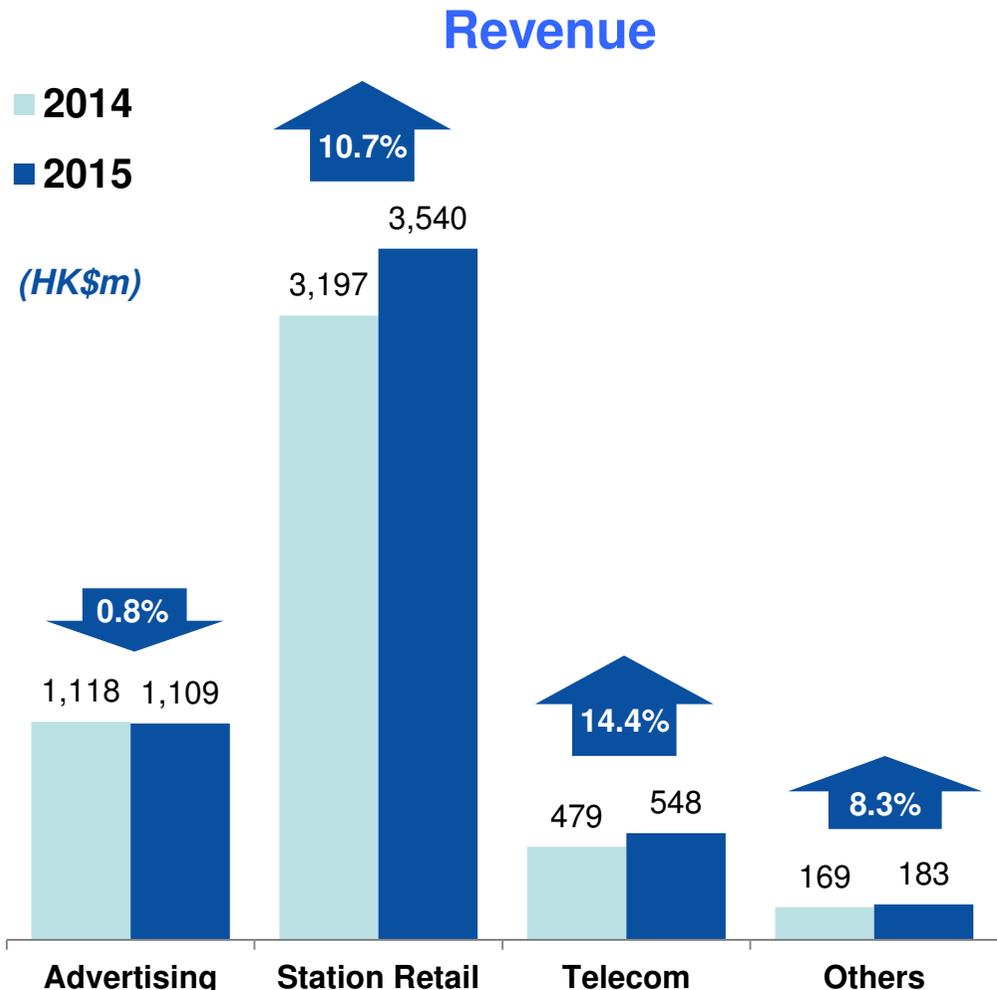
1. Calculation based on the proportion of air passenger using Airport Express over the total air passenger figures reported by the Airport Authority Hong Kong



Hong Kong Station Commercial Businesses

Hong Kong Station Commercial Businesses

Revenue: HK\$5,380m ↑ 8.4%	Cost: HK\$550m ↑ 6.8%	EBITDA: HK\$4,830m ↑ 8.6%
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- **Advertising** impacted by softer advertising market
- **Station retail** revenue increased due to
 - shops in new stations
 - trade mix refinements
 - higher turnover rent from Duty Free Shops at Lok Ma Chau Station
 - as at 31 Dec 2015, 1,362 shops and 56,238 sqm station retail space
- **Telecom** revenue increased mainly due to opening of Western extension of Island Line, a one-off project administration fee and mobile data capacity projects
- **Operating cost** increased mainly due to higher Government rent and rates

EBITDA Margin:
 89.8% ↑ 0.2%pt



Hong Kong Property Businesses

Hong Kong Property Rental and Management Businesses

Revenue:
HK\$4,533m

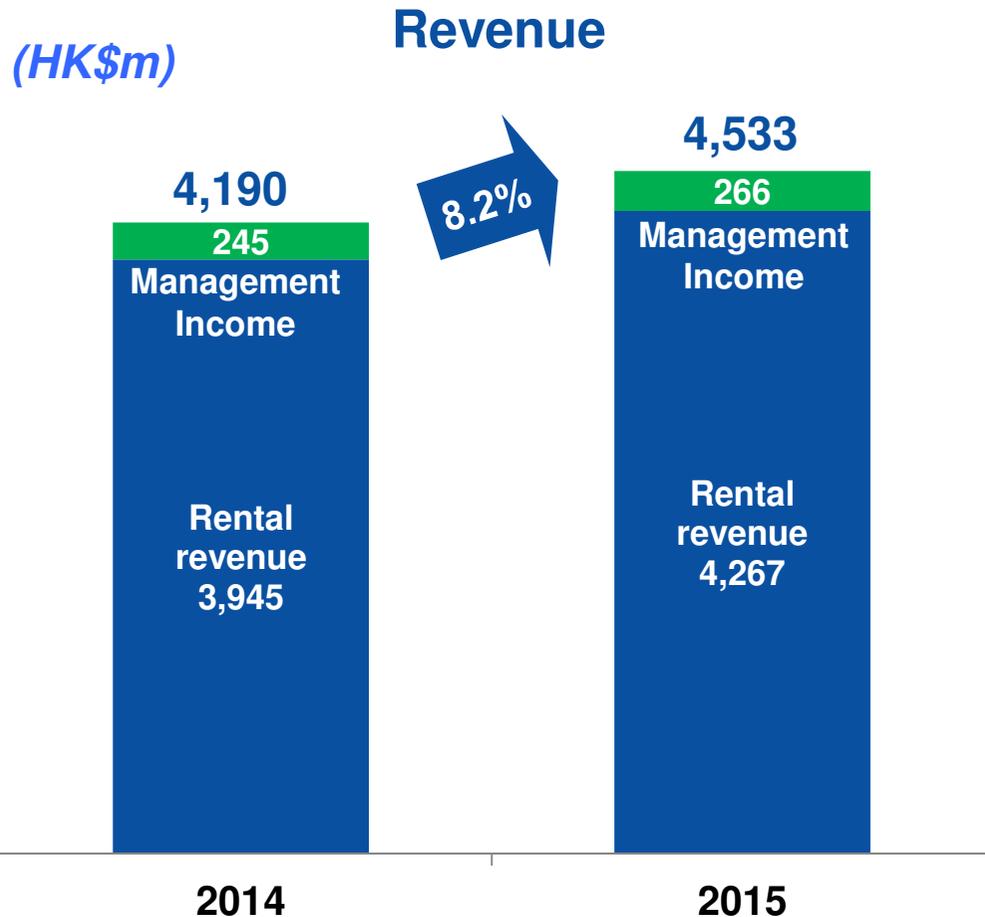
↑ 8.2%

Cost:
HK\$865m

↑ 15.8%

EBITDA:
HK\$3,668m

↑ 6.5%



- Average increase of 12% in rental reversion at shopping malls in Hong Kong
- Operating costs rose by 15.8% mainly due to higher government rent and rates, as well as a one-off provision
- MTR shopping malls and the 18 floors at Two IFC remained close to 100% let
- Investment portfolio – 31 December 2015
 - HK Retail: 212,301 sqm⁽¹⁾
 - HK Offices: 41,006 sqm⁽¹⁾

EBITDA Margin:

80.9%

↓ 1.3%pts

1. Lettable floor area attributable to MTR

Hong Kong Property Development

Development Profit

- Pretax profits of HK\$2.9 billion mainly from
 - booking of profit of HK\$2.6 billion from Hemera (LOHAS Park Package 3)
 - sales of inventory units from The Riverpark at Che Kung Temple Station and car parking spaces at various developments

Pre-sales of Property Development

- Hemera pre-sales launched in April 2015 with all 1,648 units sold



Hong Kong Property Development

Property Tendered in 2015

Property tender	LOHAS Park Package 6	Tin Wing Stop Site	LOHAS Park Package 7	LOHAS Park Package 8	LOHAS Park Package 9
<i>Date</i>	Jan 2015	Feb 2015	Jun 2015	Oct 2015	Dec 2015
<i>Developer partner</i>	A subsidiary of Nan Fung	A subsidiary of Sun Hung Kai	A subsidiary of Wheelock	A subsidiary of Cheung Kong	A subsidiary of Wheelock
<i>Gross Floor Area (sq m)</i>	136,970	91,256	115,920 ⁽¹⁾	97,000	104,920 ⁽²⁾
<i>Units</i>	Not more than 2,400	About 1,500	Not more than 1,250	Not more than 1,430	Not more than 1,780

1. Including retail and kindergarten
2. Including kindergarten

- As agent for KCRC, awarded Yuen Long Station site to a subsidiary of Sun Hung Kai Properties in August 2015 (1,880 units)

Property Tendered in 2016 to date

- LOHAS Park Package 10 awarded to a subsidiary of Nan Fung in March 2016 (75,400 sqm of gross floor area; not more than 1,170 units)

In total, these seven development packages can supply approximately 11,410 residential units when completed



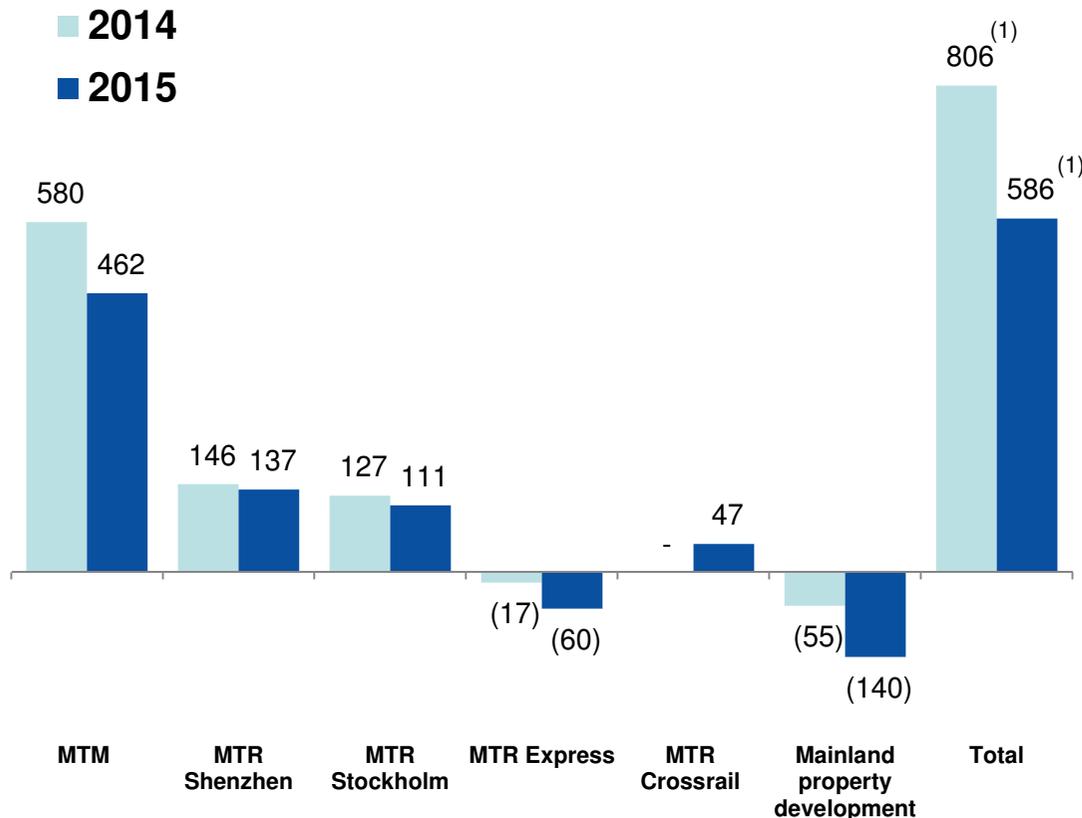


Mainland of China & International Businesses

Mainland of China and International Businesses - Subsidiaries

EBITDA contribution: HK\$586m

(HK\$m)

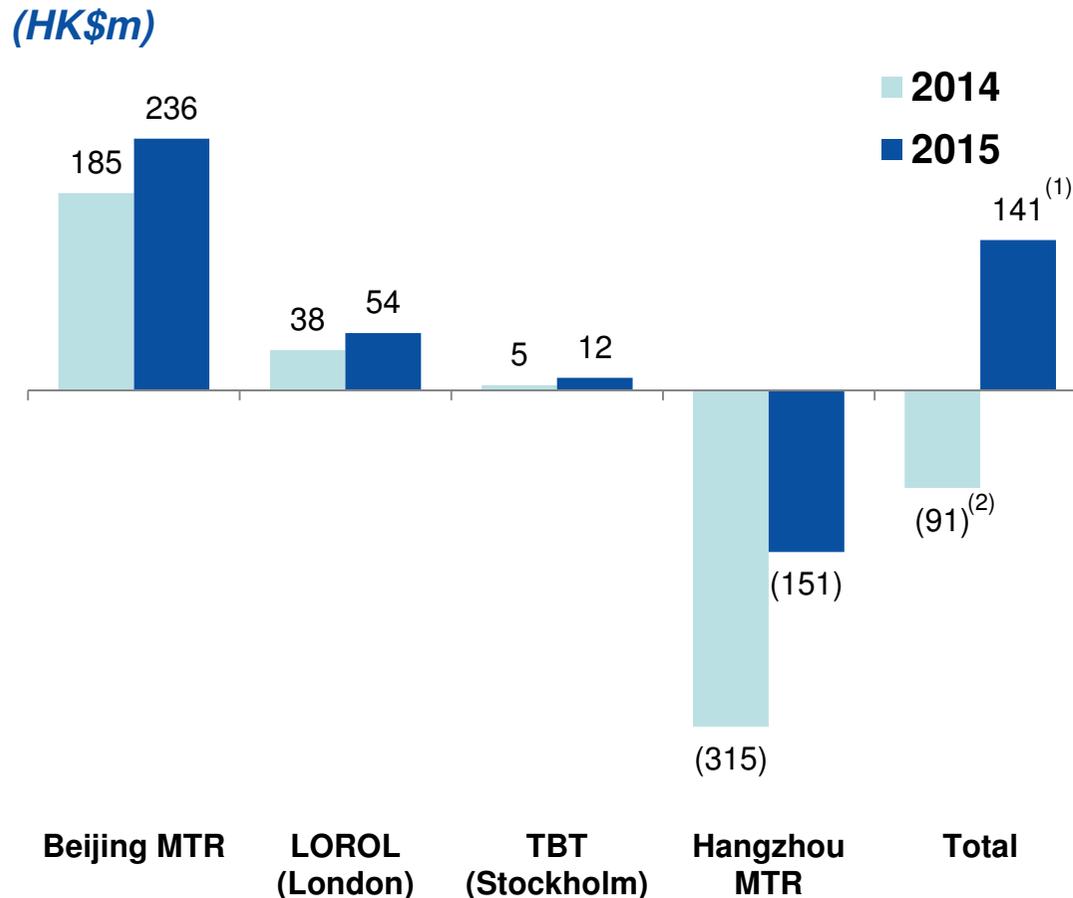


- EBITDA impacted by adverse currency movements, reduced project income from MTM, MTRX losses and Tiara marketing costs
- Metro Trains Melbourne (MTM)
 - Good operational results but reduced project income
- MTR Shenzhen
 - Good operational performance with a 12% increase in patronage to 189.4 million
 - Increased passenger revenue offset by higher operating cost due to 4-car to 6-car trains conversion
- MTR Stockholm (MTRS)
 - Excellent operational performances
 - Stockholm Metro operating concession extended in Sep 2015 for a further 6 years to Nov 2023
- MTR Express (MTRX)
 - Positive customer satisfaction but patronage and financial performance below forecasts
- MTR Crossrail
 - Significant improvements in operational performance since takeover
 - Financial performance in line with expectation
- Mainland property development
 - Marketing costs for the pre-sales of Tiara in Shenzhen expensed as incurred
- On constant exchange rate basis and excluding the new start-up operations and Tiara marketing expenses, EBITDA for railway subsidiaries would have decreased by 2.9%

1. Included operating profit of HK\$25m and HK\$29m from the Mainland of China property rental & management, and Sydney Metro Northwest in 2014 and 2015 respectively

Mainland of China and International Businesses - Associates

Post-tax profit contribution from associates: HK\$141m



■ Beijing MTR (BJMTR)

- Combined average weekday patronage of Beijing Metro Line 4 and Daxing Line decreased by 4.6% to 1.24 million in 2015, mainly due to fare increase across Beijing Metro System in Dec 2014
- Patronage drop did not impact profitability due to higher fares and fare compensation and lower interest expenses, partially offset by an increase in operating costs

■ Hangzhou MTR (HZMTR)

- Patronage in 2015 up 23% to 176.9 million
- Net loss reduced by 52.1% mainly due to higher fare revenue, fare subsidy, and a number of one-off adjustments

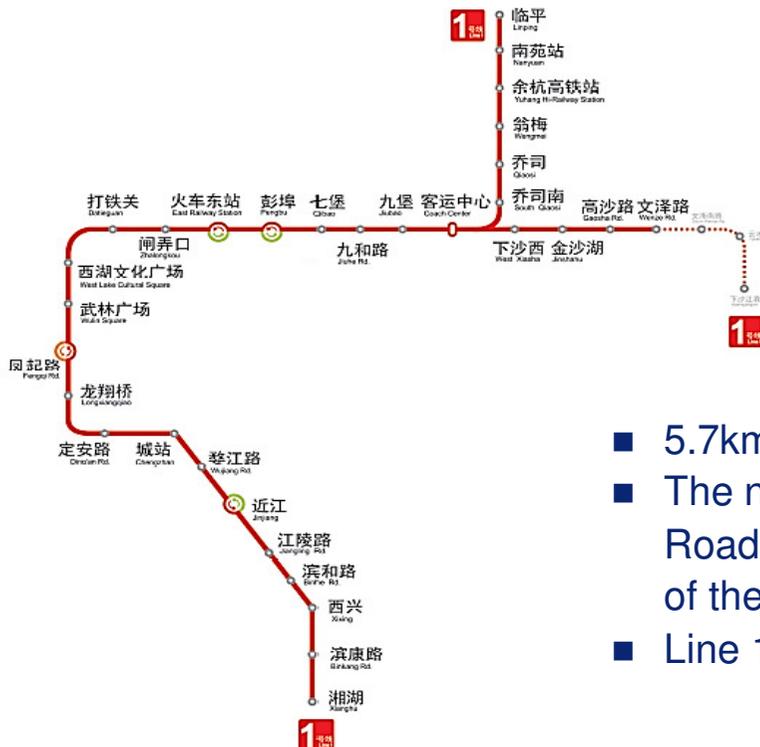
1. Included operating loss of HK\$10m from associate related to Sydney Metro Northwest in 2015

2. Included net operating loss of HK\$4m from associate related to Tianjin property development and associate related to Sydney Metro Northwest in 2014

Mainland of China and International Businesses - New Development

Beijing Metro Line 14

- Phase 3 Middle Section opened on 26 Dec 2015
- Route length (full line): 47.3km (37 stations)
- Concession period: 30 years
- Average weekday patronage of West and East sections at about 196,000 in 2015
- BJMTR Investment: approximately RMB¥15b
- Additional MTR equity injection into BJMTR: RMB¥2.45b
- PPP commenced on 31 Dec 2015



Hangzhou Metro Line 1

- 5.7km 3 station-Extension opened on 24 Nov 2015
- The new extension stretches from the existing Wenzhe Road Station to the Xiasha District in the eastern part of the city
- Line 1 extension under operating concession

Mainland of China Property Developments - New Development

Shenzhen Property Development - Tiara

- About 96% of 1,698 units sold by the end of 2015
- Profit to be booked upon handover of units to buyers
- Total GFA: 206,167 sqm, including a 10,000 sqm retail centre
- 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



Tianjin Property Development

- Joint venture between MTR (49%) and Tianjin Metro (51%)
- Mix-use project: residential and commercial use
- Total GFA: 278,650 sqm (Offices approximately 60,000 sqm)
- Obstacles encountered includes softening market demand for offices and significant increase in construction cost
- Potential revision to design schemes and general layout plan



Growth Initiatives Outside of Hong Kong

Growth Initiatives – International

Sweden

Stockholm Commuter Rail Systems (Stockholms Pendeltåg)

- Awarded the O&M concession in Dec 2015
- 10-year concession with an option to extend for 4 more years
- 241km of route length and 53 stations
- Commuter train service in the greater Stockholm area
- To start in Dec 2016
- Subject to a legal challenge by one of the failed bidders



Tunnelbanan Teknik Stockholm (TBT)

- Acquired the remaining 50% shareholding in TBT in 1Q 2016
- Rolling stock maintenance for the metro network in Stockholm fully under our management



Growth Initiatives in Hong Kong

MTR Owned Projects

South Island Line (East)

Progress Achieved

- At Admiralty Station extension
 - Underpinning excavation works were substantially complete
 - Construction of the concrete structure of the station box was approximately 80% complete
 - Fit-out and Electrical & Mechanical (“E&M”) works are now in progress
- Structural lining of Nam Fung Tunnel complete in Aug 2015
- Fitting-out and E&M works at Ocean Park and Wong Chuk Hang stations, as well as Wong Chuk Hang Depot complete

Major Challenges

- Completion of the remaining structural works in close proximity to operational railway at Admiralty Station

Target Completion Date and Project Cost Estimates

- Estimated completion date remains at end-2016
- Project cost estimate remains at HK\$16.9 billion (excluding capitalised interest)



93% complete



MTR Owned Projects



Kwun Tong Line Extension

Progress Achieved

- At Whampoa Station, platform tunnel connecting the East and West concourses fully excavated in July 2015
- Ho Man Tin Station structure topped out in Jun 2015 and E&M works progressing
- The whole extension was electrified in Feb 2016

Major Challenges

- Completion of the remaining structural works at Whampoa Station

Target Completion and Project Cost Estimates

- Target completion remains 3Q/4Q 2016
- Project cost estimate remains at HK\$7.2 billion (excluding capitalised interest)



91% complete

Rail Projects under Project Management

Express Rail Link (XRL)

Progress Achieved

- Completion of tunnel excavation in Dec 2015
- West Kowloon Terminus (WKT)
 - Excavation 98% complete
 - Concrete structure 70% complete

Major Challenges

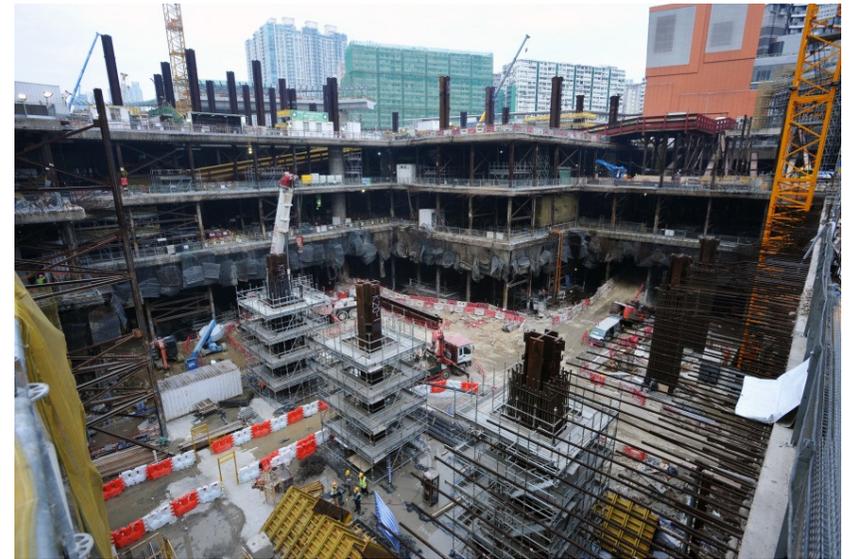
- Completion of the complicated roof structure for the WKT Station and maintaining the pace of concreting works and internal wall constructions

XRL Arrangements

- Signing of XRL Agreement on 30 Nov 2015
- Approved overwhelmingly by independent shareholder on 1 Feb 2016
- Approval from LegCo still awaited

Target Completion and Project Cost Estimates

- Subject to funding approval being obtained from LegCo before works have to be suspended, the completion timetable remains at 3Q 2018, with a project cost estimate of HK\$84.42 billion



76% complete

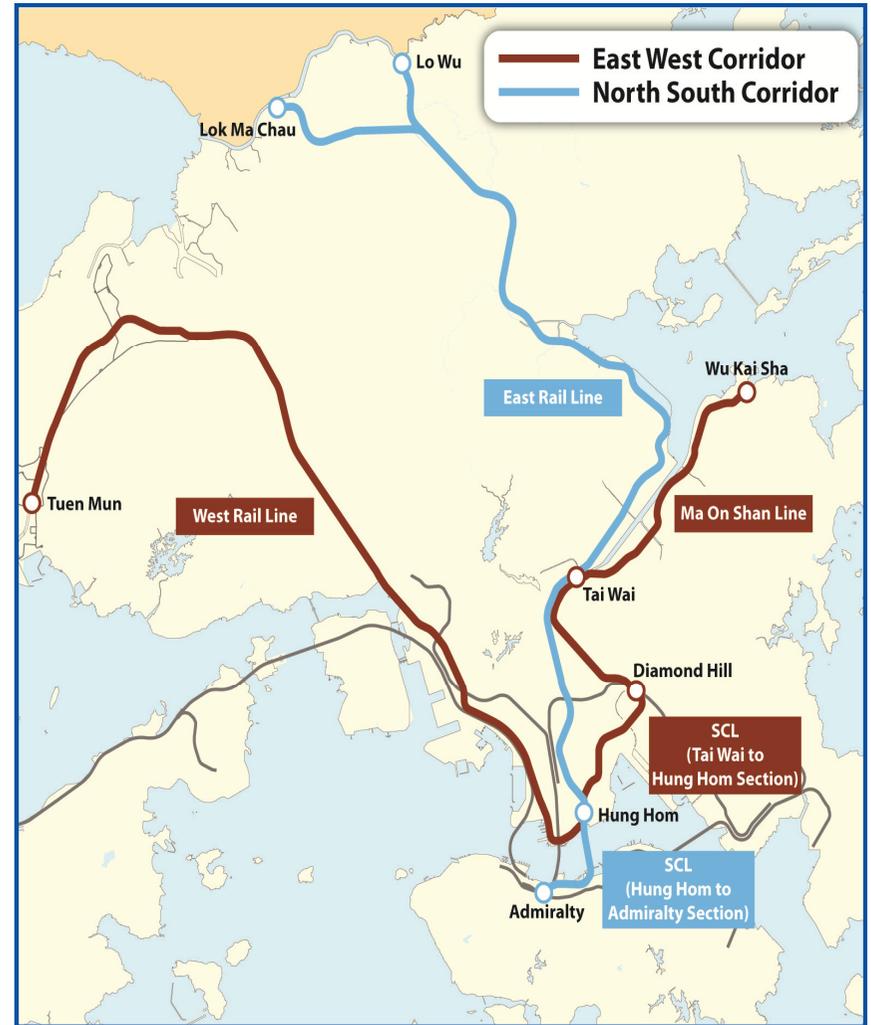


Rail Projects under Project Management

Shatin to Central Link (SCL)

Progress Achieved

- East West Corridor (EWL) 63% complete
 - About 74% of tunnel excavation works had been completed
 - Revision to the design of To Kwa Wan Station due to archaeological finds substantially complete
 - Modification works on station platforms of Ma On Shan Line for 8-car train 95% complete
- North South Corridor (NSL) 23% complete
 - Re-provisioning of the new Wan Chai Swimming Pool completed in Oct 2015
 - Immersed tube cross-harbour tunnel contract about 26% complete at year end



48% complete



63% complete



23% complete

Rail Projects under Project Management

Shatin to Central Link (SCL)

Major Challenges

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

Target Completion and Project Cost Estimates

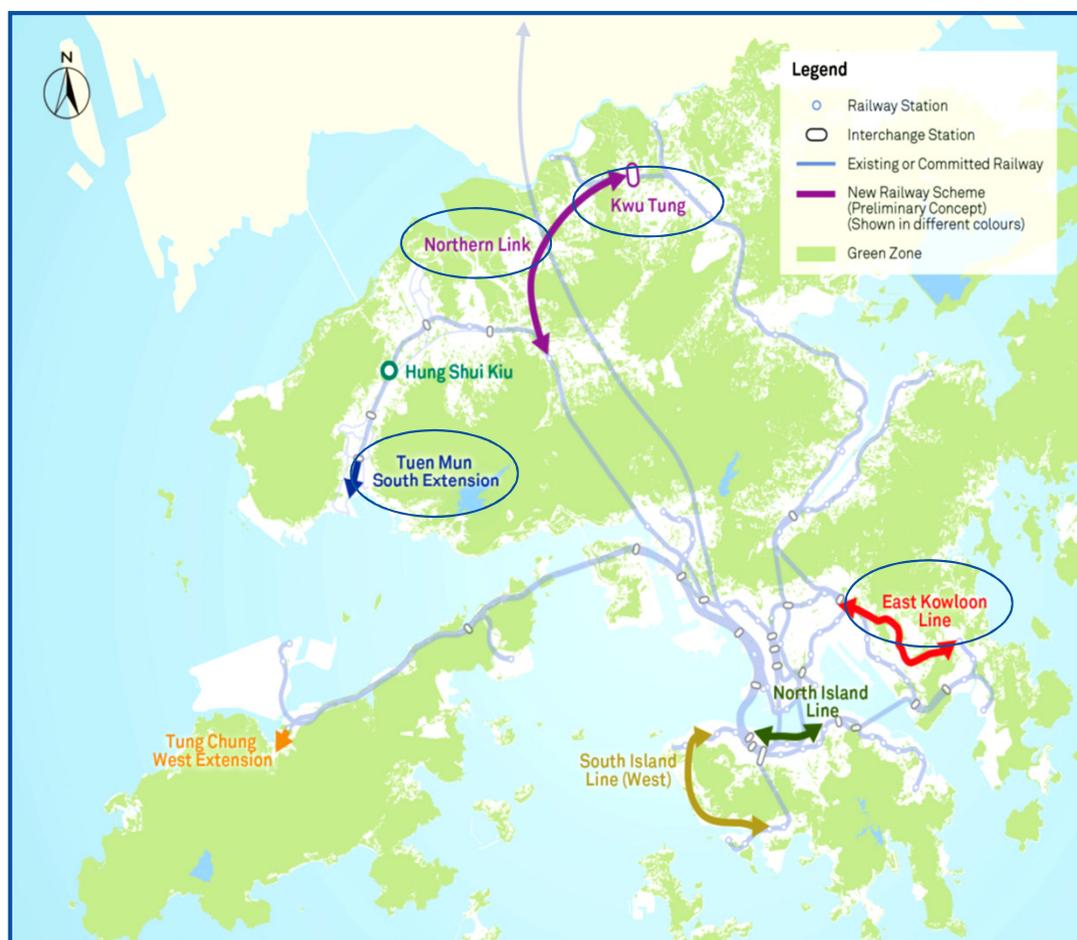
- Target completion date: East-West Corridor in 2019 and North-South Corridor in 2021
- We are reviewing the project cost estimate and target completion dates
- The review will be completed later in 2016, after which we will report the findings to Government



Railway Development Strategy 2014

Policy Address in Jan 2016

- Government plans to take forward seven new railway projects in phases
- Policy Address sets out the Tuen Mun South Extension, Northern Link (and Kwu Tung Station) and East Kowloon Line as priorities
- We continue to work with Government in taking forward these rail expansion plans



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



- Shopping mall GFA: 60,620 sqm
- Target opening in 3Q2021
- MTR contribution: HK\$7.5 billion (plus fit-out cost)
- Profit sharing in the residential development
- MTR will retain ownership of the mall and bear the fit-out costs

LOHAS Park Shopping Mall



- Shopping mall GFA: 44,500 sqm
- Target opening 4Q2020
- MTR contribution: HK\$4.98 billion (plus fit-out cost)
- Profit sharing in the residential development
- MTR will retain ownership of the mall and bear the fit-out costs

New Investment Property Initiatives

Maritime Square Extension

- Adding 12,100 sqm of gross floor area to Maritime Square Shopping Centre in Tsing Yi
- Estimated cost at HK\$2.4 billion (excluding capitalised interest)
- Main construction works commenced in Jun 2015
- Target opening 4Q2017



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)
- Conversion works commenced in Dec 2015
- Target opening in 2Q2017





Financial Results

Mr. Stephen Law, Finance Director

Consolidated Profit and Loss Account

(HK\$m)	2015	2014	% change
Revenue from HK transport operations	16,916	16,223	4.3
Revenue from HK station commercial, HK property rental and management businesses	9,913	9,153	8.3
Revenue from Mainland of China & international subsidiaries	12,572	12,627	(0.4)
Revenue from other businesses	2,300	2,153	6.8
Total revenue	41,701	40,156	3.8
Operating expenses before Mainland of China & international subsidiaries	(13,595)	(12,912)	(5.3)
Expenses relating to Mainland of China & international subsidiaries	(11,986)	(11,821)	(1.4)
Total operating expenses	(25,581)	(24,733)	(3.4)
EBITDA excluding Mainland of China & international subsidiaries	15,534	14,617	6.3
Total EBITDA	16,120	15,423	4.5
HK property development profit	2,891	4,216	(31.4)
Total operating profit	19,011	19,639	(3.2)
Variable annual payment	(1,649)	(1,472)	(12.0)
Depreciation & amortisation	(3,849)	(3,485)	(10.4)
Interest and finance charges	(599)	(545)	(9.9)
Investment property revaluation	2,100	4,035	(48.0)
Share of profit of associates	361	121	198.3
Profit before taxation	15,375	18,293	(16.0)
Income tax	(2,237)	(2,496)	10.4
Reported net profit attributable to equity shareholders⁽¹⁾	12,994	15,606	(16.7)
Reported earnings per share (HK\$)	2.22	2.69	(17.5)
Profit from underlying businesses	10,894	11,571	(5.9)
Underlying businesses EPS (HK\$)	1.87	1.99	(6.0)
Final ordinary dividend per share (HK\$)	0.81	0.80	1.3
Total ordinary dividend per share (HK\$)	1.06	1.05	1.0

1. Excluding non-controlling interests of HK\$144 million and HK\$191 million in 2015 and 2014 respectively.

Segmental Profits of Underlying Businesses

<i>(HK\$m)</i>	<u>2015</u>	<u>2014</u>	<u>% change</u>
HK transport operations ⁽¹⁾	2,493	2,710	(8.0)
Hong Kong station commercial ⁽¹⁾	4,230	3,927	7.7
Mainland of China and international railway, property rental & management (including railway associates)	852	611	39.4
Hong Kong property rental and management ⁽¹⁾	3,650	3,427	6.5
Project studies & business development expenses	(304)	(454)	33.0
Others ⁽²⁾	289	351	(17.7)
EBIT on recurrent businesses	11,210	10,572	6.0
Interests on recurrent profits	(726)	(595)	(22.0)
Tax on recurrent profits	(1,919)	(1,953)	1.7
Post-tax recurrent profits	8,565	8,024	6.7
Post-tax HK property development	2,416	3,584	(32.6)
Post-tax Mainland of China property development	(87)	(37)	(135.1)
Post-tax property development profits	2,329	3,547	(34.3)
Profit from underlying businesses	10,894	11,571	(5.9)

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)

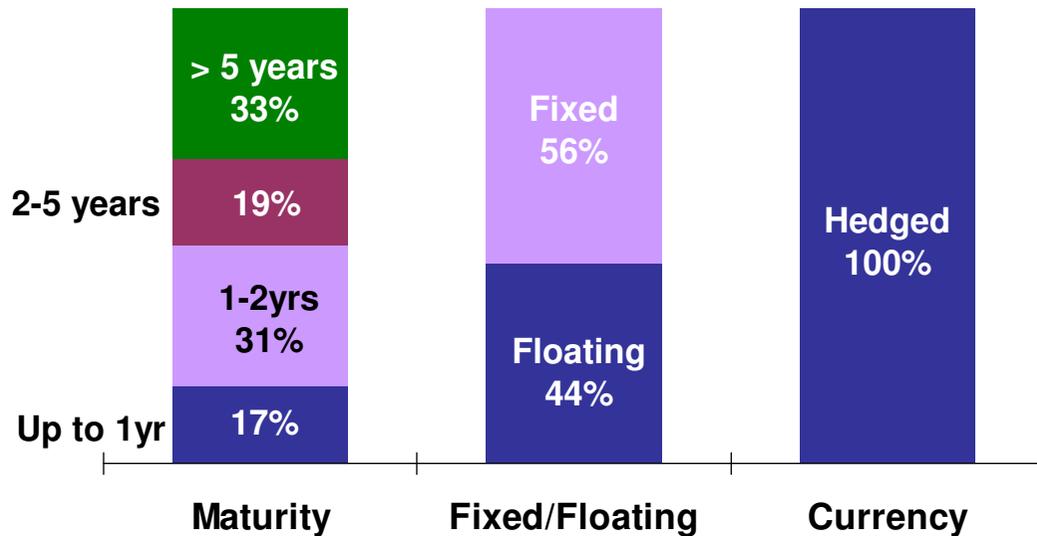
	<u>31 Dec 2015</u>	<u>31 Dec 2014</u>
<u>Assets</u>		
Investment properties	68,388	65,679
Other property, plant and equipment	79,576	78,279
Service concession assets	27,755	26,698
Railway construction in progress	19,064	16,229
Property development in progress	17,983	7,490
Cash, bank balances and deposits	12,318	18,893
Debtors, deposits and payments in advance	5,135	3,797
Properties held for sale	1,139	1,076
Amounts due from related parties	1,636	1,073
Interests in associates	5,912	5,797
Others	2,197	2,141
	<u>241,103</u>	<u>227,152</u>
<u>Liabilities</u>		
Debts	20,811	20,507
Creditors and accrued charges	22,860	16,421
Obligations under service concession	10,564	10,614
Current taxation	953	996
Deferred tax liabilities	11,209	10,977
Others	4,535	4,155
	<u>70,932</u>	<u>63,670</u>
<u>Total Equity</u>	<u><u>170,171</u></u>	<u><u>163,482</u></u>

Cash Flow

<i>(HK\$m)</i>	<u>2015</u>	<u>2014</u>
Cash Inflow		
Cash flows from operating activities before tax payment and working capital movements	16,186	15,513
Working capital movements	103	1,006
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	653	652
Receipts in respect of property development	8,234	9,176
Others	940	375
Total inflows	<u>26,116</u>	<u>26,722</u>
Cash Outflow		
Tax paid	(2,169)	(1,127)
Fixed and variable annual payment	(2,222)	(1,997)
Capital expenditure		
- Hong Kong New rail	(4,760)	(6,340)
- Hong Kong Existing rail	(4,216)	(2,889)
- Property related	(11,983)	(2,588)
- Mainland of China and international railway related	(711)	(542)
Investment in associates	(152)	(294)
Net interest paid	(577)	(602)
Dividends paid	(5,905)	(5,097)
Others	(150)	-
Total outflows	<u>(32,845)</u>	<u>(21,476)</u>
Net cash (outflow)/ inflow before financing	(6,729)	5,246
Net drawdown/ (repayment) of loans	150	(3,649)
(Decrease)/ Increase in cash	<u>(6,579)</u>	<u>1,597</u>

Financing and Credit Ratios

Debt profile (31 Dec 2015)⁽¹⁾



Total borrowings outstanding

at HK\$20,811m (HK\$20,507m as at 31 Dec 2014)

Average borrowing cost:
3.5%

0.1%pt

Net interest expense:
HK\$599m

9.9%

Compared to 2014 figures

Net Debt/Equity ratio⁽²⁾

Dec 2015

Dec 2014

11.3 %

7.6%

Interest cover

2015

2014

14.4x

15.2x

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

Hong Kong Transport Operations

- *Targeting to open Kwun Tong Line Extension and South Island Line (East) in the second half of 2016 but challenges remain*

Station Retail and Property Rental Businesses

- *Rental reversions subject to market conditions*
- *Advertising business more sensitive to economy*

Businesses outside Hong Kong

- *Strong HK dollar may have an adverse impact on profits*

Property Development Businesses

Hong Kong

- *No new MTR projects subject to pre-sales*
- *Over the next 12 months or so, subject to market conditions, we will tender out three property development packages, with one more at LOHAS Park and our first property packages at both Ho Man Tin and Wong Chuk Hang*

Shenzhen - Tiara

- *Booking of profits relating to low-rise units sold, subject to project progress*
- *Booking of high-rise units will likely take place in 2017, subject to construction progress*