



MTR Corporation

2009 Interim Results

11 August 2009

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

Solid Performance in a challenging environment

Resilient Recurrent Business

- Domestic Rail Business steady
- Continued growth in property rental and management, and station retail
- Advertising and Airport Express impacted
- Vigilant cost control
- EBITDA increased marginally

Property Development

- Good property development profits
- Successful sales of Lake Silver and Le Prestige
- Final stage payments for The Palazzo and The Capitol satisfactory

Growth Initiatives

- Project Agreement signed for West Island Line
- LOHAS Park Station opened
- Kowloon Southern Link and Austin Station open on 16 August
- Beijing Line 4 will open in 4Q 09
- Concession Agreements signed for Shenzhen Line 4 and Shenyang Lines 1 & 2
- Selected as the operator for Stockholm Metro and as “Preferred bidder” for Melbourne Metro network

Financial Highlights

(HK\$m)

	1H 2009	1H 2008	Change
Total revenue	8,630	8,527	↑ 1.2%
EBITDA	4,799	4,796	↑ 0.1%
EBITDA margin	55.6%	56.2%	↓ 0.6%pt
Property development profit	2,147	348	↑ 517.0%
Underlying profit (excl investment property revaluation)	3,903	2,731	↑ 42.9%
Underlying business EPS (HK\$)	0.69	0.49	↑ 40.8%
Interim dividend per share (HK\$)	0.14	0.14	
Reported profit before taxation	5,407	4,696	↑ 15.1%
Reported net profit attributable to equity shareholders*	4,498	4,689	↓ 4.1%
Reported EPS (HK\$)	0.79	0.83	↓ 4.8%

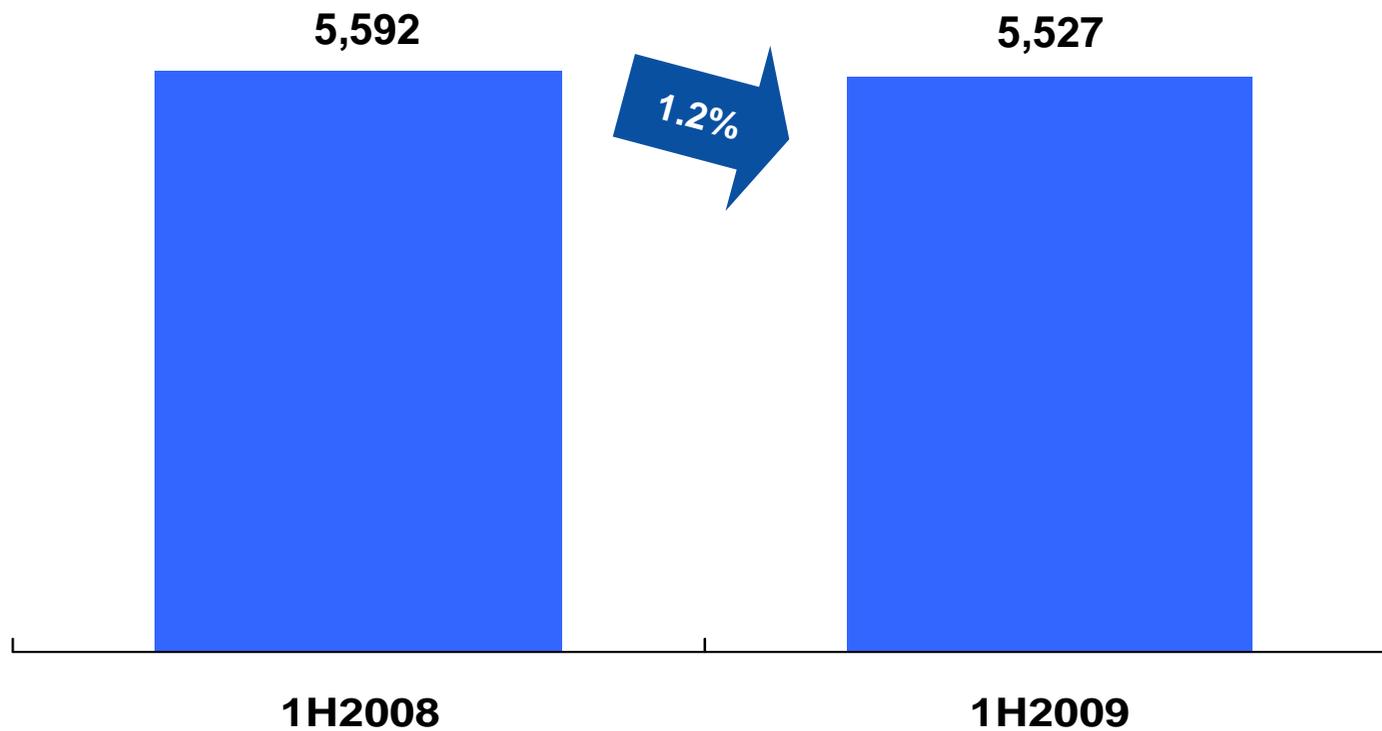
* Include post-tax investment property revaluation

Business Review

- Railway

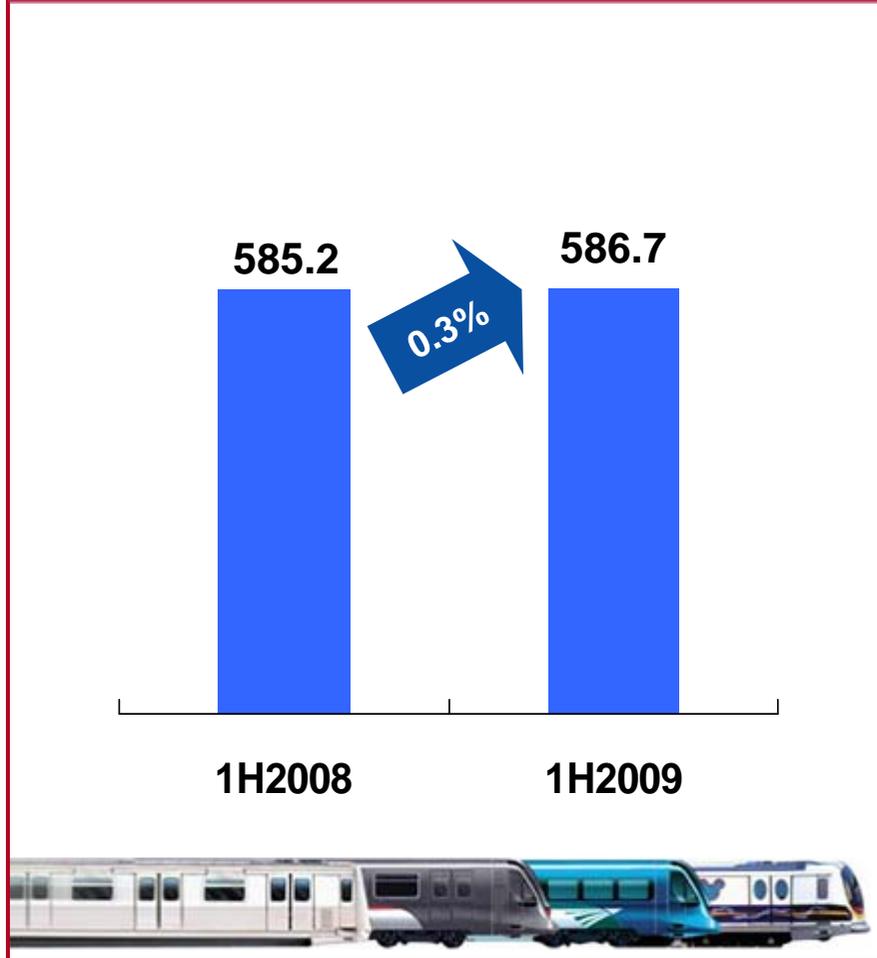
Fare Revenue

(HK\$ in M)



Patronage

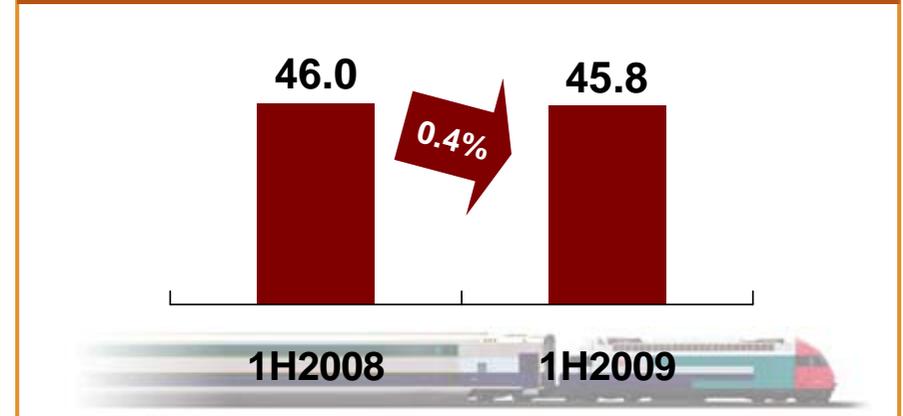
Domestic Service ⁽¹⁾ (m)



Airport Express (m)



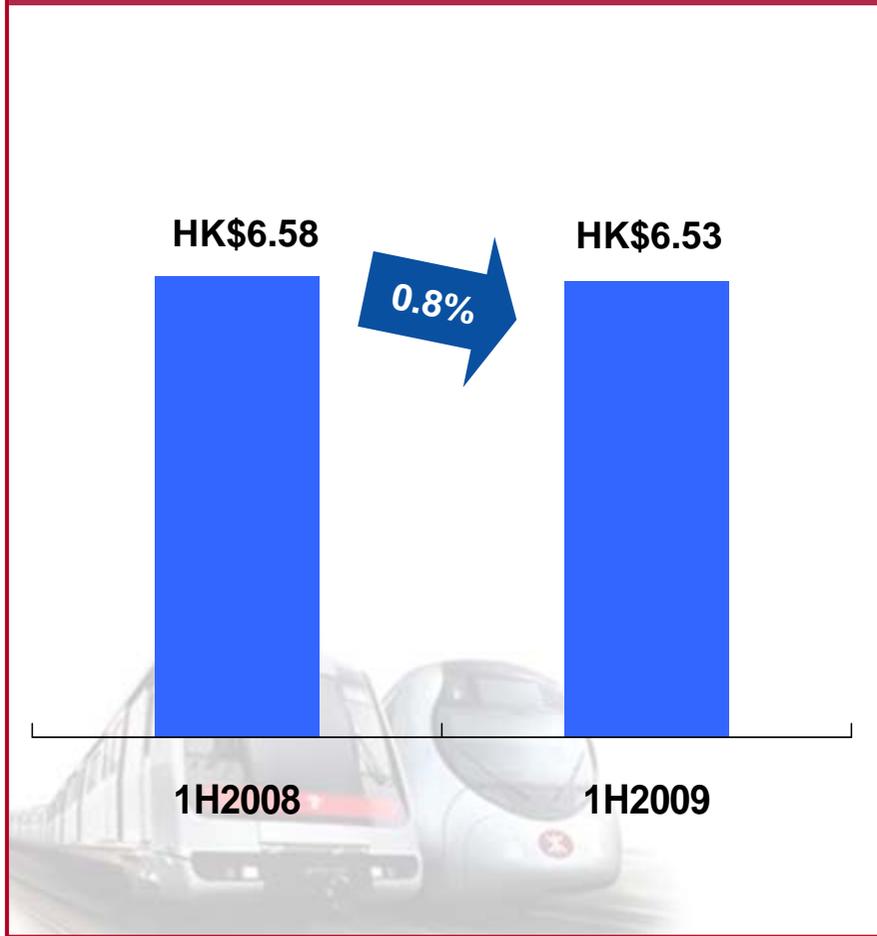
Cross Boundary Service (m)



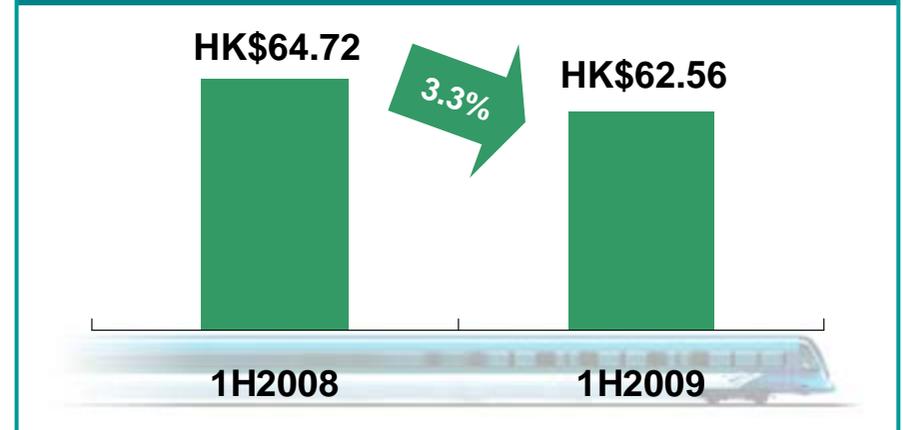
1. Domestic Service includes Tsuen Wan, Island, Kwun Tong, Tung Chung, Tseung Kwan O, Disneyland Resort as well as East Rail Lines (excluding Cross Boundary), Ma On Shan Line and West Rail Line

Average fare

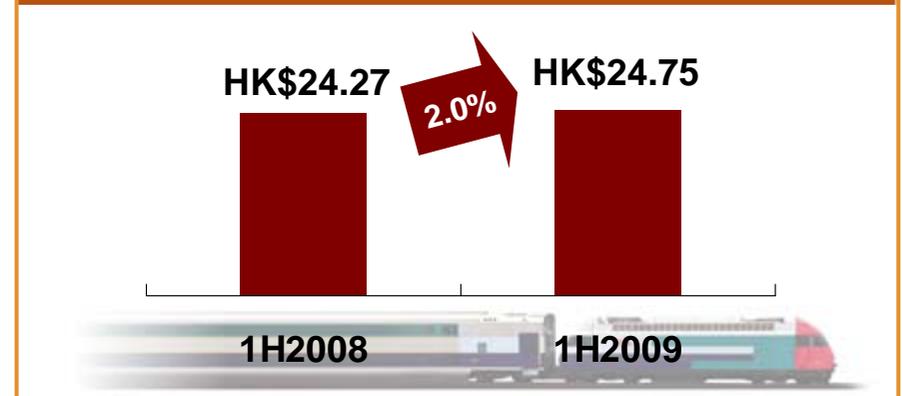
Average Fare – Domestic Service ⁽¹⁾



Average Fare – Airport Express



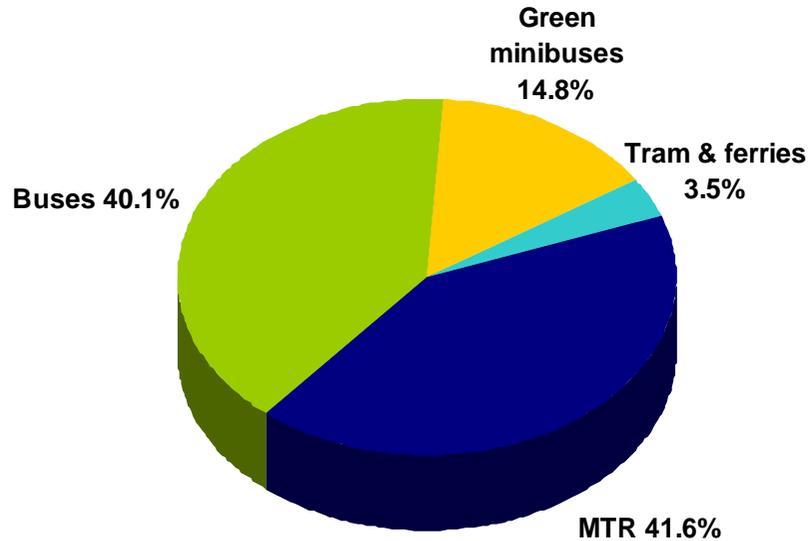
Average Fare – Cross Boundary



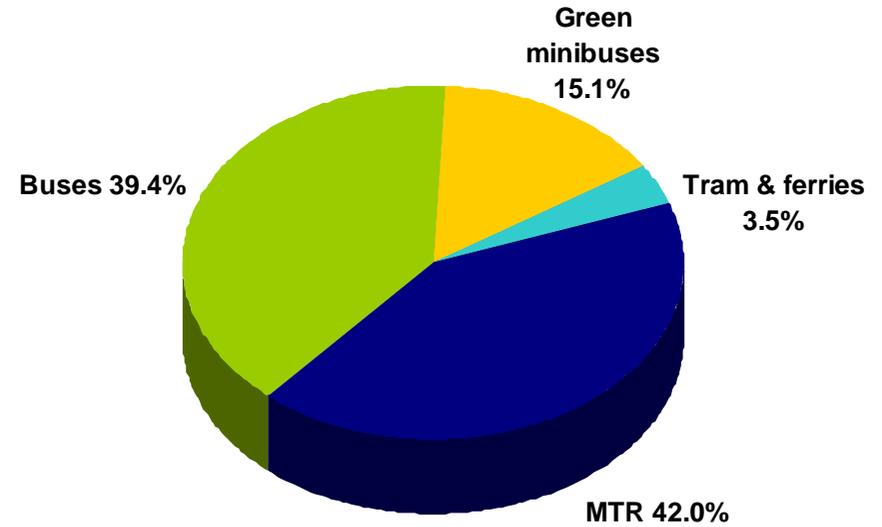
1. Domestic Service includes Tsuen Wan, Island, Kwun Tong, Tung Chung, Tseung Kwan O, Disneyland Resort as well as East Rail Lines (excluding Cross Boundary), Ma On Shan Line and West Rail Line

Market Share

Hong Kong Franchised Public Transport

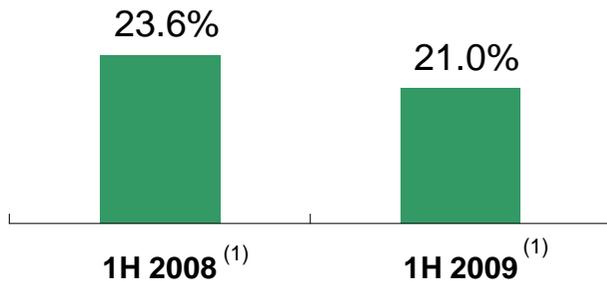


Jan - May 2008

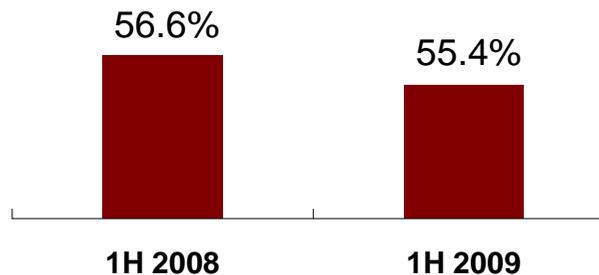


Jan - May 2009

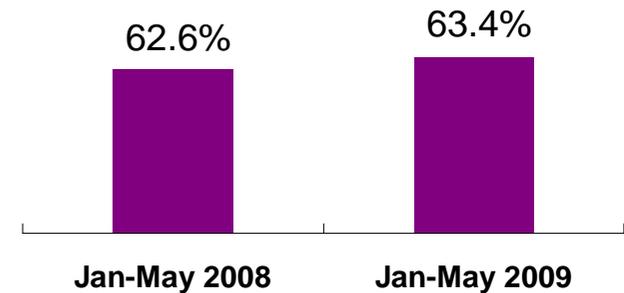
AEL



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 2008 & Feb 2009

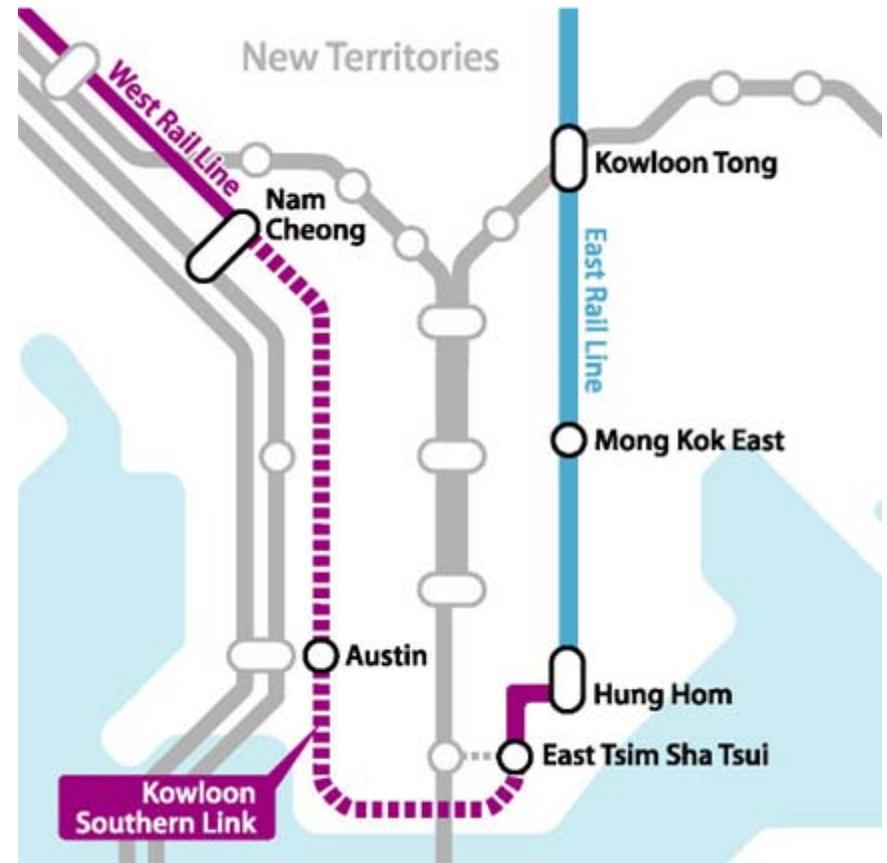
LOHAS Park Station

- Commencement of operations on 26 July 09



Kowloon Southern Link

- Final stage of preparation
- Will commence service on 16 Aug 2009



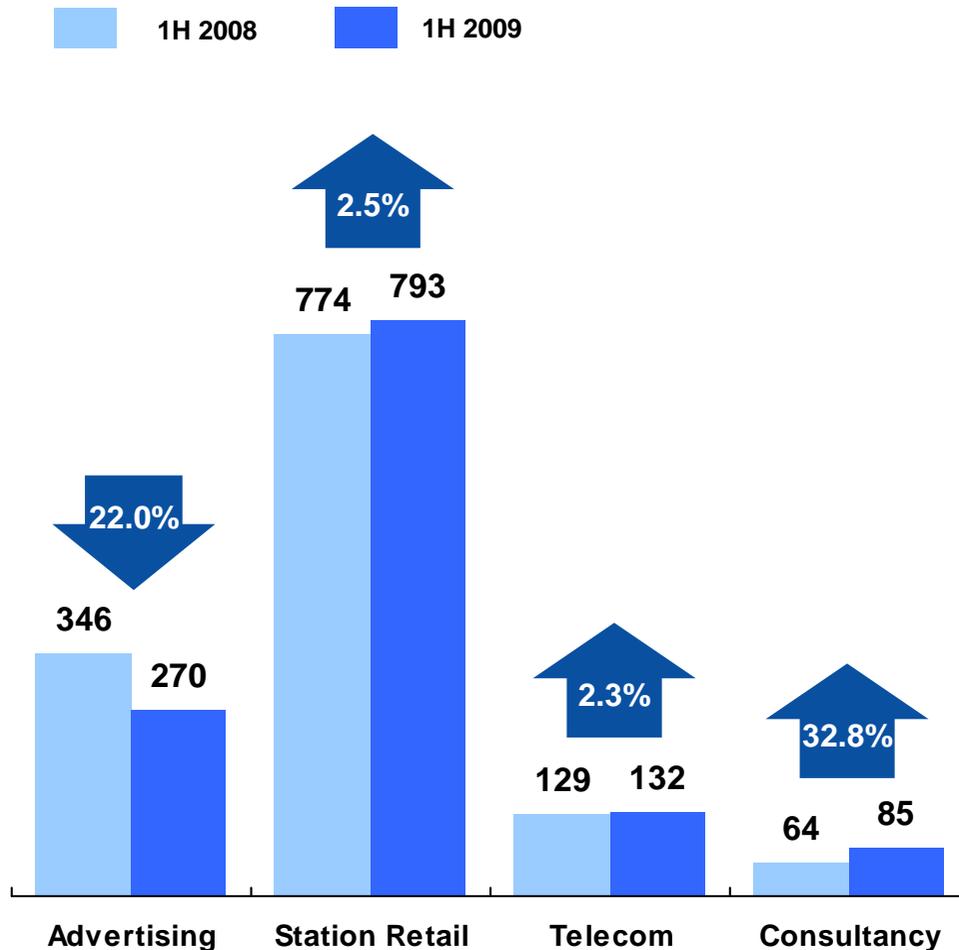
Business Review

- Station commercial and rail related businesses

Station commercial and rail related businesses

Revenue for Station commercial & rail related businesses: HK\$1,653m

↑ 0.5%



■ Advertising

- Significantly impacted by poor economy
- Continue to introduce innovative advertising formats

■ Station Retail

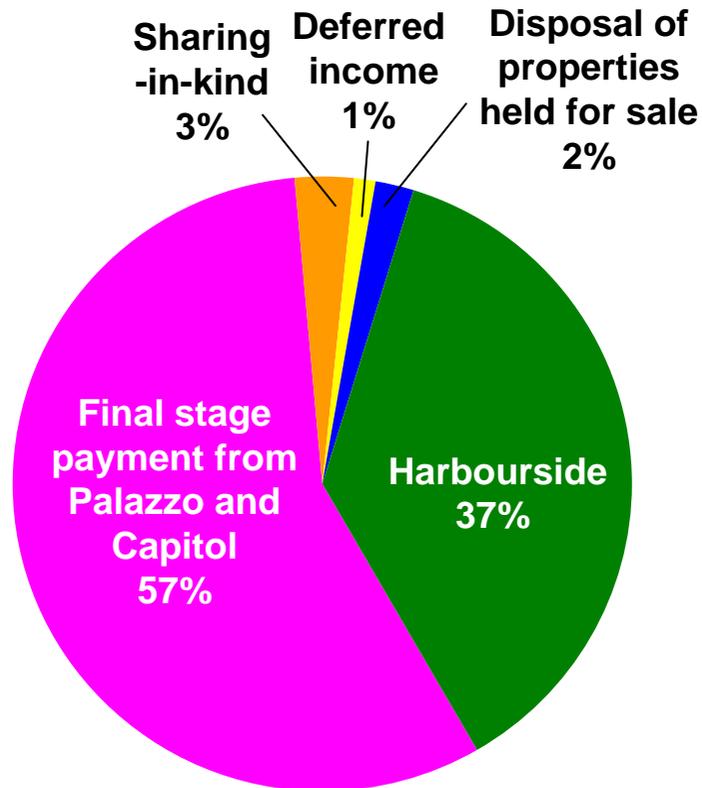
- Benefited from 41 new shops and positive rental reversions
- Stable rental revenue from Duty Free shops
- Total 1,209 shops

Business Review

- Property and other businesses

Property development

Property development profit
HK\$2,147m



1H 2009

■ Major contributors:

- Profit booking relating to the final stage payments from The Palazzo at Fo Tan and The Capitol at Lohas Park
- Recognition of final profit split with the developer relating to Harbourside at Kowloon Station

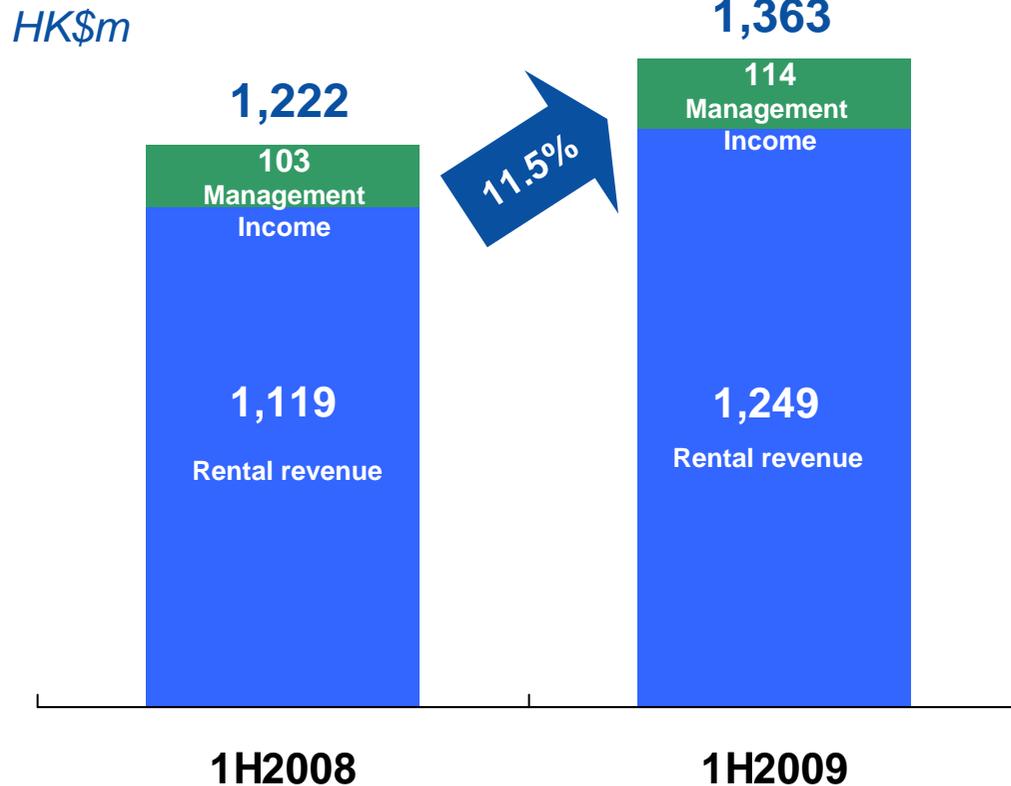
■ Successful sales of Lake Silver at Wu Kai Sha and Le Prestige at Lohas Park

Property rental and management

Property rental & management

revenues: HK\$1,363m

↑ 11.5%



- Growth driven by additional space at Elements Phase 2 and positive rental reversions
- Average of 4.6% increase on rental reversions at shopping centres
- 98% occupancy
- Investment portfolio at Jun 09
 - Retail: 12 shopping centres totalling 222,189 sq m
 - Offices: 2 offices totalling 41,059 sq m
 - Others: 10,402 sq m

Other businesses

Octopus

- 19.5M cards in circulation with average daily transaction value of HK\$94.2M
- MTR's share of net profit amounted to HK\$68M, down 12.8% due to lower international revenues



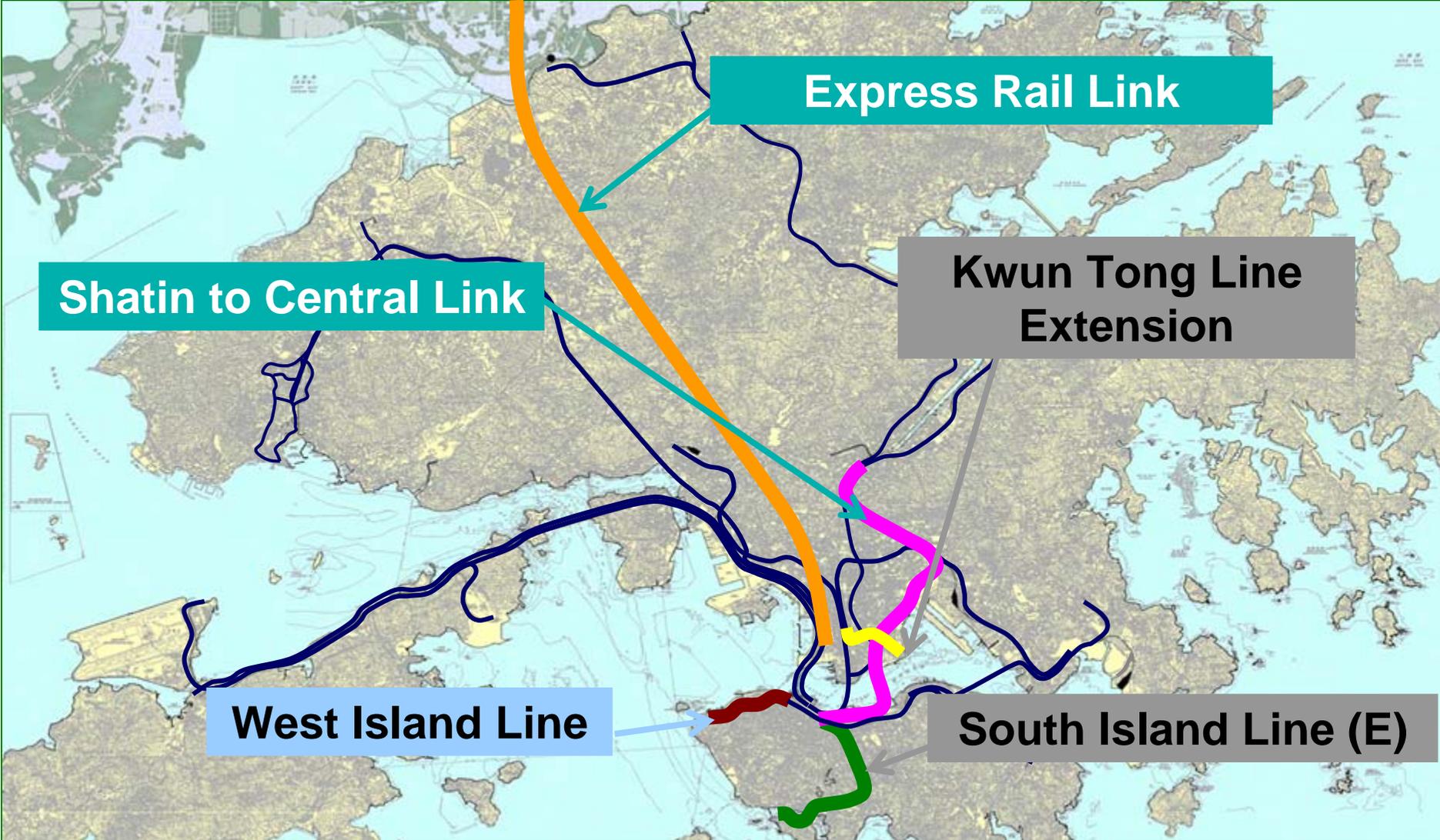
Ngong Ping 360

- Revenue of HK\$87M , up 27.9%
- Over 745k guests carried in 1H 2009
- Crystal Cabins launched



Growth Initiatives

New Projects in Hong Kong on Track



Express Rail Link

Shatin to Central Link

Kwun Tong Line Extension

West Island Line

South Island Line (E)

■ "Rail + Property" model

■ Service concession

■ Cash grant

West Island Line

- Project Agreement signed on 13 Jul 2009
- Construction has started
- Expected service commencement in 2014

South Island Line - East

- Project gazetted on 24 July 09
- Rail + Property Model
- Expected service commencement in 2015



Achieving important milestones in China

Beijing

Beijing Metro Line 4

- Final preparation for service commencement
- Expected to open for services in 4Q 2009

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 (Line 1) & 2012 (Line 2)

Shenzhen

Shenzhen Metro Line 4

- Concession Agreement signed on 18 Mar 09
- Expected to be in full line operation in 2011

-  Public-Private-Partnership Model
-  Cash grant
-  Operations & Maintenance Franchise

International growth – New franchises

Stockholm, Sweden Stockholm Metro

- Selected as operator in Jan 2009
- Continue with mobilization to takeover franchise in Nov 2009



Melbourne, Australia MTM

- Selected as the Preferred Bidder in Jun 2009
- JV with UGL Rail and John Holland where MTR owns 60%
- Commencement of operation expected in Dec 2009



Financial Results

Income statement

<i>(HK\$m)</i>	<u>1H 2009</u>	<u>1H 2008</u>	<u>% change</u>
Fare revenue	5,527	5,592	(1.2)
Non-fare and rental and management income	3,103	2,935	5.7
Turnover	8,630	8,527	1.2
Operating expenses	(3,831)	(3,731)	(2.7)
EBITDA	4,799	4,796	0.1
Property development profit	2,147	348	517.0
Total operating profit	6,946	5,144	35.0
Depreciation & amortisation	(1,464)	(1,517)	3.5
Merger related expenses	(7)	(24)	70.8
Interest and finance charges	(854)	(1,078)	20.8
Investment properties revaluation gain	712	2,080	(65.8)
Share of profit of non-controlled subsidiaries & associates	74	91	(18.7)
Profit before tax	5,407	4,696	15.1
Taxation	(910)	(8)	
Reported net profit attributable to equity shareholders*	4,498	4,689	(4.1)
Reported earnings per share (HK\$)	0.79	0.83	(4.8)
Profit from underlying businesses (excl. inv. property revaluation net of deferred tax)	3,903	2,731	42.9
Underlying businesses EPS (HK\$)	0.69	0.49	40.8
Interim dividend per share (HK\$)	0.14	0.14	

* Exclude minority interest of HK\$1 million

Segmental income statement of underlying businesses

<i>(HK\$m)</i>	<u>1H2009</u>	<u>1H2008</u>	<u>% change</u>
Railway and related businesses	1,357	1,312	3.4
Property ownership, management and other businesses	1,092	866	26.1
Property developments	2,172	347	525.9
Tax and others ^{(1) (2)}	(718)	206	
	<hr/>	<hr/>	
Underlying net profit attributable to equity shareholders	<u><u>3,903</u></u>	<u><u>2,731</u></u>	42.9

Note:

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

1. Excludes deferred tax on investment property revaluation

2. 1H2008 income tax includes effect of the decrease in Hong Kong Profits Tax rate from 17.5% to 16.5% on deferred tax balances

Balance sheet

(HK\$m)

30 Jun 2009

31 Dec 2008

Assets

Investment properties	38,894	37,737
Other property, plant and equipment	76,834	77,804
Service concession assets	17,401	15,463
Property management rights	33	35
Railway construction in progress	706	658
Property development in progress	8,052	7,895
Cash and cash equivalents	997	793
Debtors, deposits and payments in advance	5,800	7,190
Loan to a property developer	3,816	3,720
Properties held for sale	2,932	2,228
Others	<u>4,243</u>	<u>5,815</u>
	<u>159,708</u>	<u>159,338</u>

Liabilities

Debt	27,880	31,289
Obligations under service concession	10,641	10,656
Deferred income	132	156
Deferred tax liabilities	12,360	12,220
Others	<u>7,286</u>	<u>7,195</u>
	<u>58,299</u>	<u>61,516</u>
Total equity	<u>101,409</u>	<u>97,822</u>

Cash flow

(HK\$m)

1H2009

1H2008

Cash Inflow

Cash from operations before tax

4,771

4,672

Receipts from property

2,523

3,222

Government grant for WIL

0

400

Receipts from investments in non-controlled subsidiary and associate

40

132

Total inflows

7,334

8,426

Cash Outflow

Tax paid

(194)

(3)

Capital expenditure

(2,193)

(1,930)

Net interest paid

(657)

(630)

Investment in associates

(55)

(515)

Merger related expenditures

(12)

(204)

Changes in working capital & others

244

(32)

Dividends paid

(962)

(870)

Total outflows (*)

(3,829)

(4,184)

Net cash generated / (used)

3,505

4,242

Net facilities (repaid) / drawdown

(3,277)

(4,183)

Increase in cash

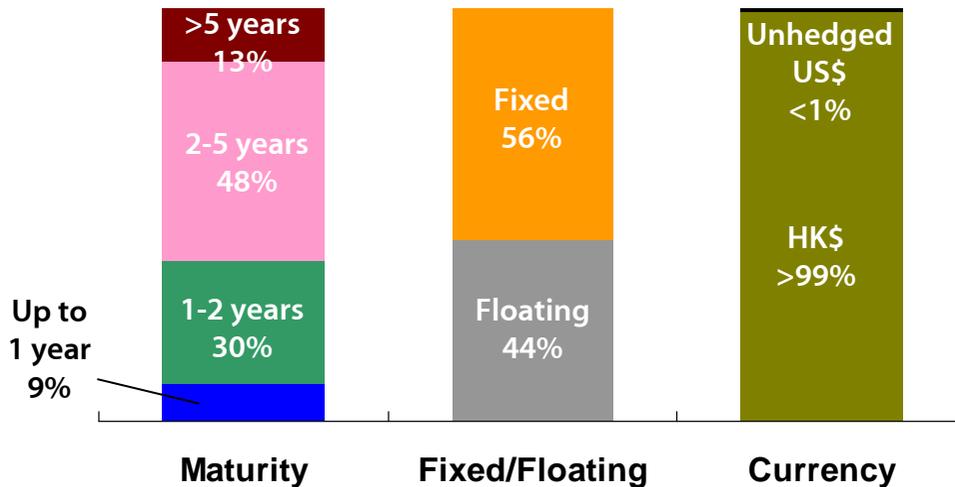
228

59

*Cash outflows to meet financial obligations and capital investment

Financing and credit ratios

Debt profile (30 June 2009)



Total borrowings outstanding:
HK\$27,880m; reduction of HK\$3,409m
from 31 Dec 2008

Average borrowing cost:
3.6%

1.1%
point

Net interest expense:
HK\$854m

20.8%

Compared to 1H2008 figures

Net Debt/Equity ratio

Jun 2009

37.0%

Dec 2008

42.1%

Interest coverage

Jun 2009

6.9x

Jun 2008

4.2x

Note: Interest coverage for Dec 2008 was 6.0x

Outlook

Outlook

■ Recurrent businesses

- Operating environment will continue to be challenging in our Domestic Rail business. However, opening of Kowloon Southern Link will mitigate patronage reduction.
- Advertising and Airport Express revenues will continue to be affected.
- Station retail and investment property reversions will depend on market conditions, but have proven to be resilient.
- Cost control remains a focus.

■ Property development

- Profit recognition for Lake Silver, net of acquisition costs, will be booked in 2H of 2009.
- Le Prestige is a “sharing in kind” project. Profit recognition will depend solely on issuance of OP, likely in late 2009 or early 2010.
- Our share of the small shopping centre at Area 56 TKO is also a “sharing in kind” project; OP is expected in 2010.
- Pre-sales consent for units at Tai Wai Maintenance Centre is being processed. Profit recognition is not expected until 2011.
- Depending on market conditions, we may tender for KSL Sites C&D and Nam Cheong Station site before the end of Q1 2010. For Nam Cheong, MTR acts as an agent only.