



MTR Corporation

2010 Annual Results

3 March 2011

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 2010

*Strong performance from all Hong Kong businesses:
Rail, Non-fare and Property*

*Property tendering programme refined in response to
new government measures*

Growth projects on track

Financial Highlights

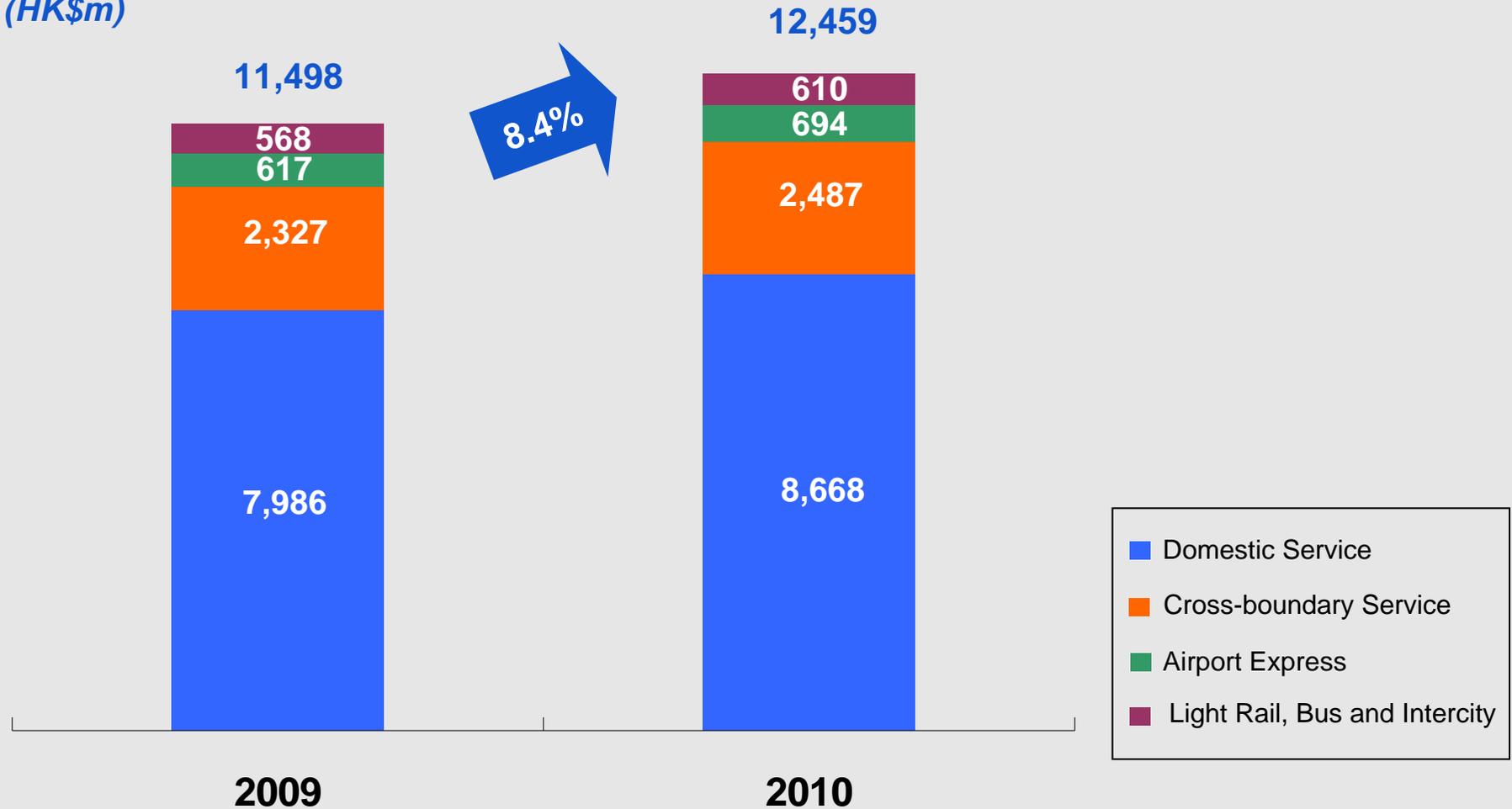
| (HK\$m) | 2010 | 2009 | Change |
|--|--------|--------|--------|
| Total revenue | 29,518 | 18,797 | 57.0% |
| Revenue (excl. railway subsidiaries outside of Hong Kong) | 19,374 | 17,754 | 9.1% |
| Total EBITDA | 10,917 | 9,515 | 14.7% |
| EBITDA (excl. railway subsidiaries outside of Hong Kong) | 10,638 | 9,507 | 11.9% |
| Total EBITDA margin | 37.0% | 50.6% | |
| EBITDA margin (excl. railway subsidiaries outside of Hong Kong) | 54.9% | 53.5% | |
| Property development profit | 4,034 | 3,554 | 13.5% |
| Underlying profit (excl. investment property revaluation) | 8,657 | 7,303 | 18.5% |
| Underlying business EPS (HK\$) | 1.51 | 1.28 | 18.0% |
| Dividend per share (HK\$) | 0.59 | 0.52 | 13.5% |
| Reported profit before taxation | 14,762 | 11,519 | 28.2% |
| Reported net profit attributable to equity shareholders* | 12,059 | 9,639 | 25.1% |
| Reported EPS (HK\$)* | 2.10 | 1.69 | 24.3% |



Hong Kong Railway

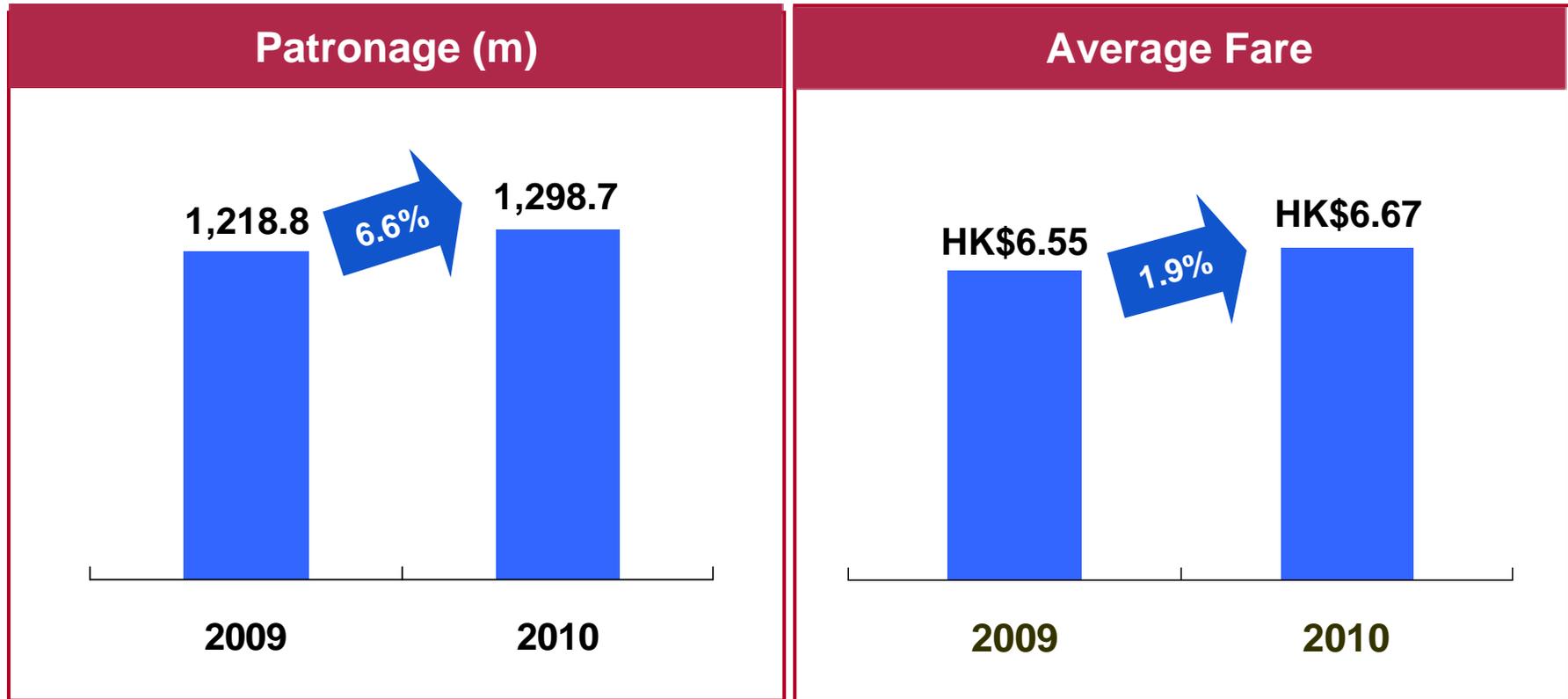
Hong Kong Fare Revenue

(HK\$m)



Domestic Service⁽¹⁾

Fare revenue for Domestic Service: HK\$8,668m  8.5%



1. Domestic Service includes 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

Airport Express and Cross-boundary Service

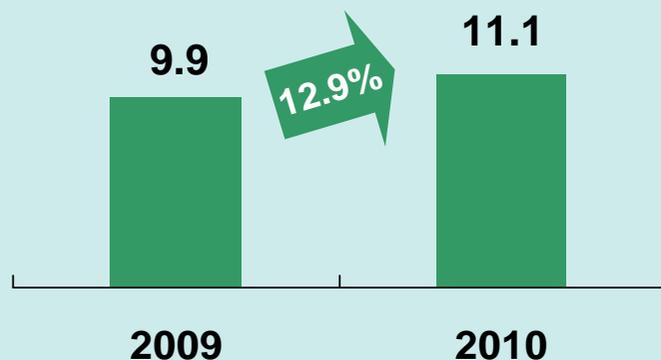
Fare revenue for Airport Express:
HK\$694m

↑ 12.5%

Fare revenue for Cross-boundary Service: HK\$2,487m

↑ 6.9%

Airport Express Patronage (m)



Airport Express Average Fare



Cross-boundary Service Patronage (m)

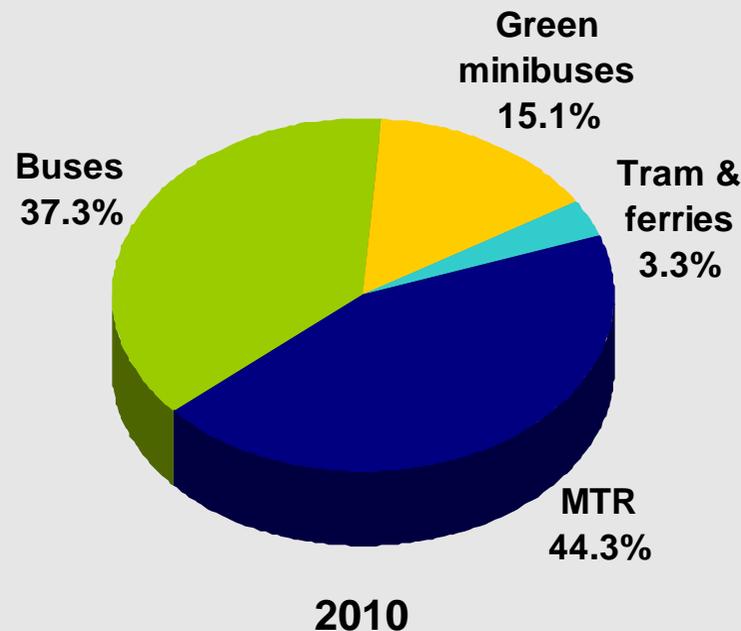
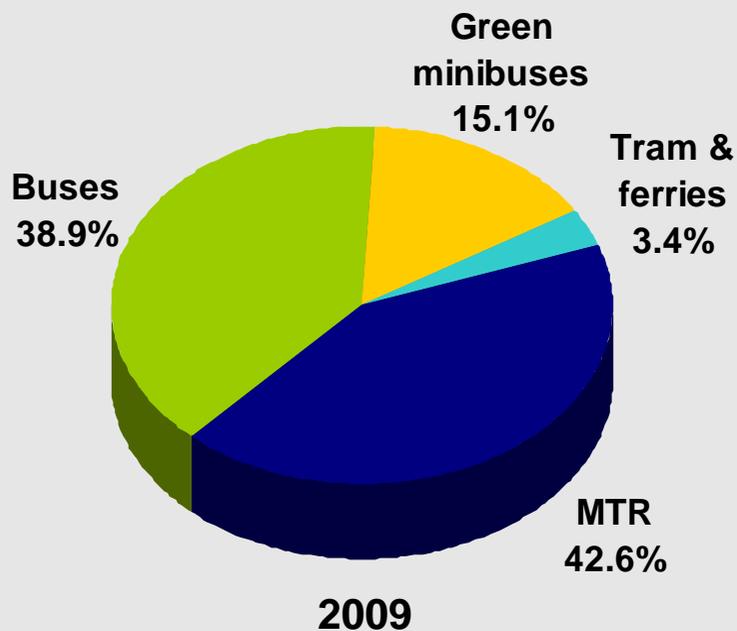


Cross-boundary Service Average Fare

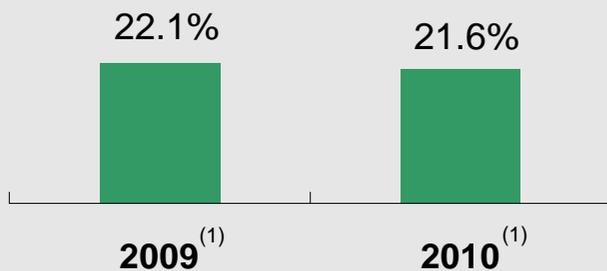


Market Share

Hong Kong Franchised Public Transport



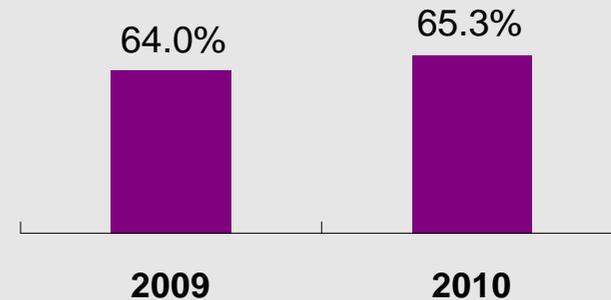
AEL



Cross-boundary



Cross-harbour



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

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



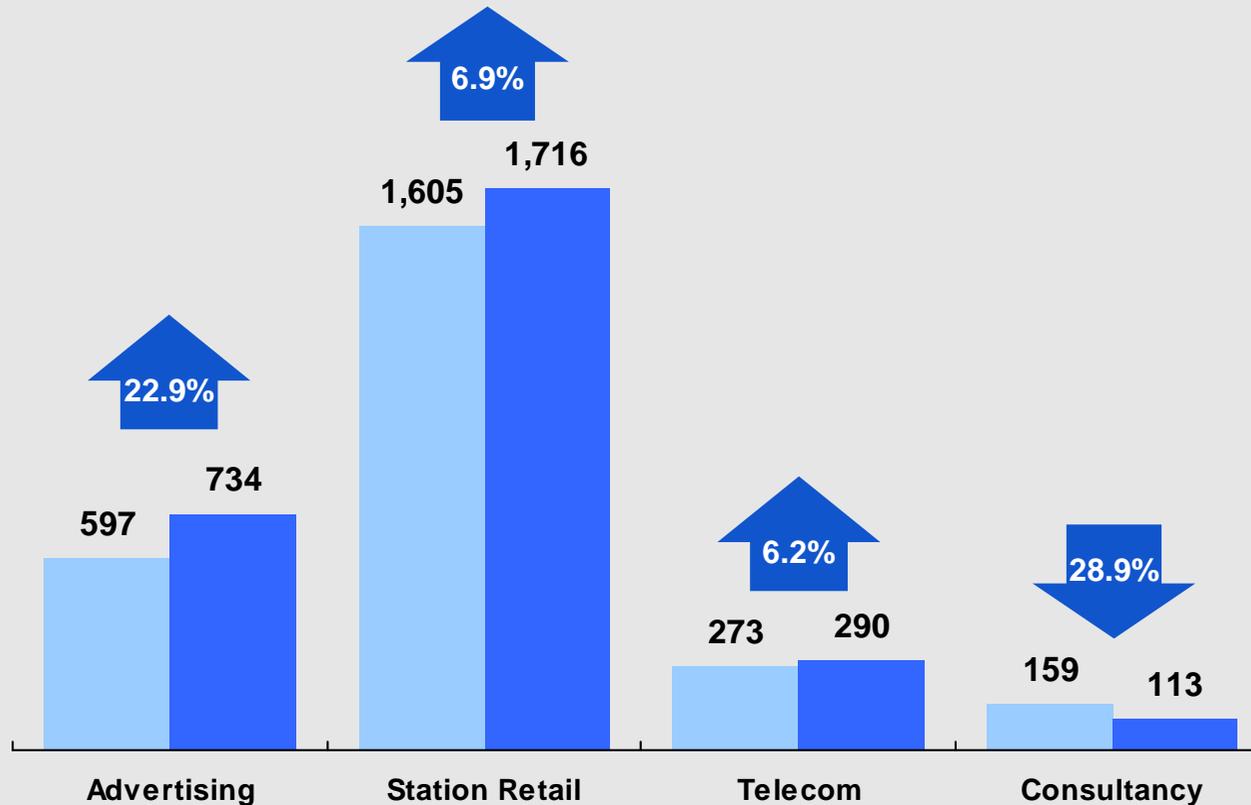
Station Commercial and Rail Related Businesses

Station Commercial and Rail Related Businesses

Revenue for station commercial & rail related businesses:
HK\$3,715m ↑ 11.6%

(HK\$m)

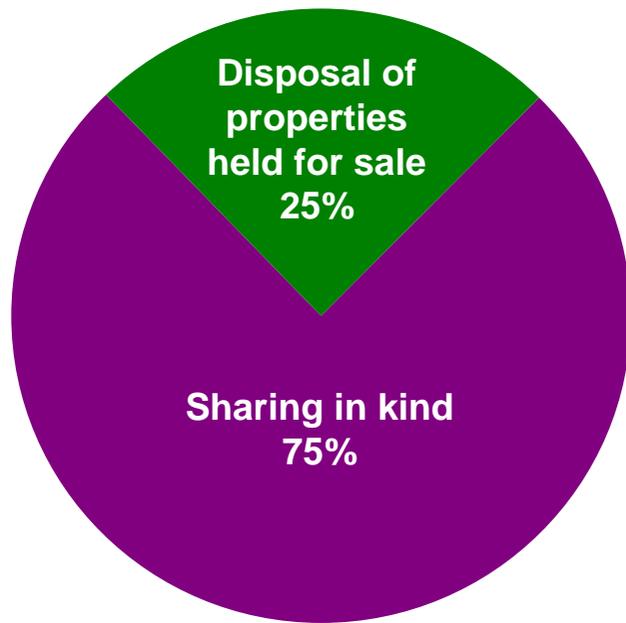
2009
2010



Property Businesses

Property Development

Property development profit:
HK\$4,034m

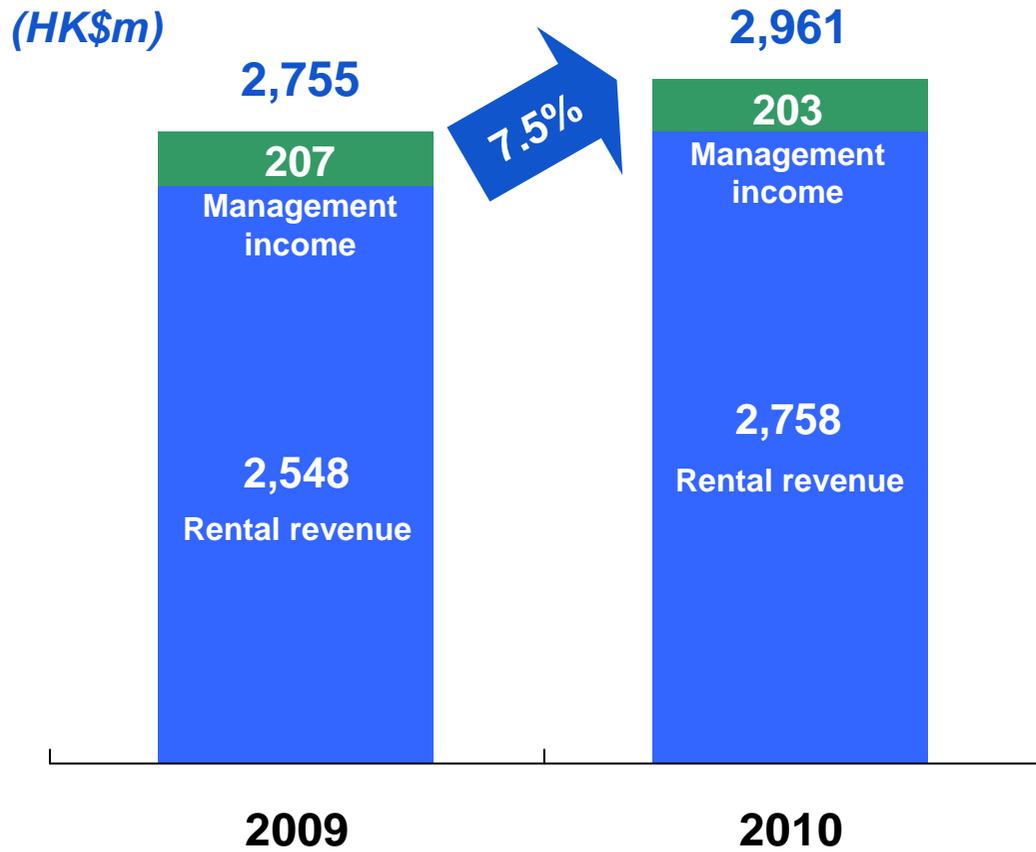


2010

- Major contributors to property development profit:
 - Sharing in kind of Le Prestige at LOHAS Park
 - Disposal of properties held for sale mainly from The Palazzo at Fo Tan, and Lake Silver at Wu Kai Sha
- About 47% of Festival City Phase 1 and 2 have been sold
- Austin Station sites C&D were awarded to a consortium of New World Development and Wheelock Properties in Mar 2010; MTR contributed HK\$3.9 billion as part of the land premium

Property Rental and Management

Property rental and management revenue⁽¹⁾: HK\$2,961m  7.5%



- Average of 14% increase on rental reversions at shopping malls
- Investment portfolio - Dec 2010
 - HK Retail: 12 shopping malls totalling 225,650 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

Subsidiaries

■ MTR Stockholm (MTRS), Sweden

- Takeover of operations on 2 Nov 2009
- Satisfactory operational performance but financial results below expectation

■ Metro Trains Melbourne (MTM), Australia

- Takeover of operations on 30 Nov 2009
- Operational performance enhanced with improvement measures
- Financial performance above expectation

■ MTR Shenzhen (SZMTR), China

- Takeover of Phase 1 of Shenzhen Line 4 in Jul 2010
- Operational and financial performance above expectations

■ EBITDA contributions totalled HK\$279m

Associates

■ Beijing MTR (BJMTR), China

- Good operational and financial performance
- Strong patronage for Beijing Line 4
- Daxing Line, an extension of Beijing Line 4, commenced service on 30 Dec 2010

■ London Overground (LOROL), UK

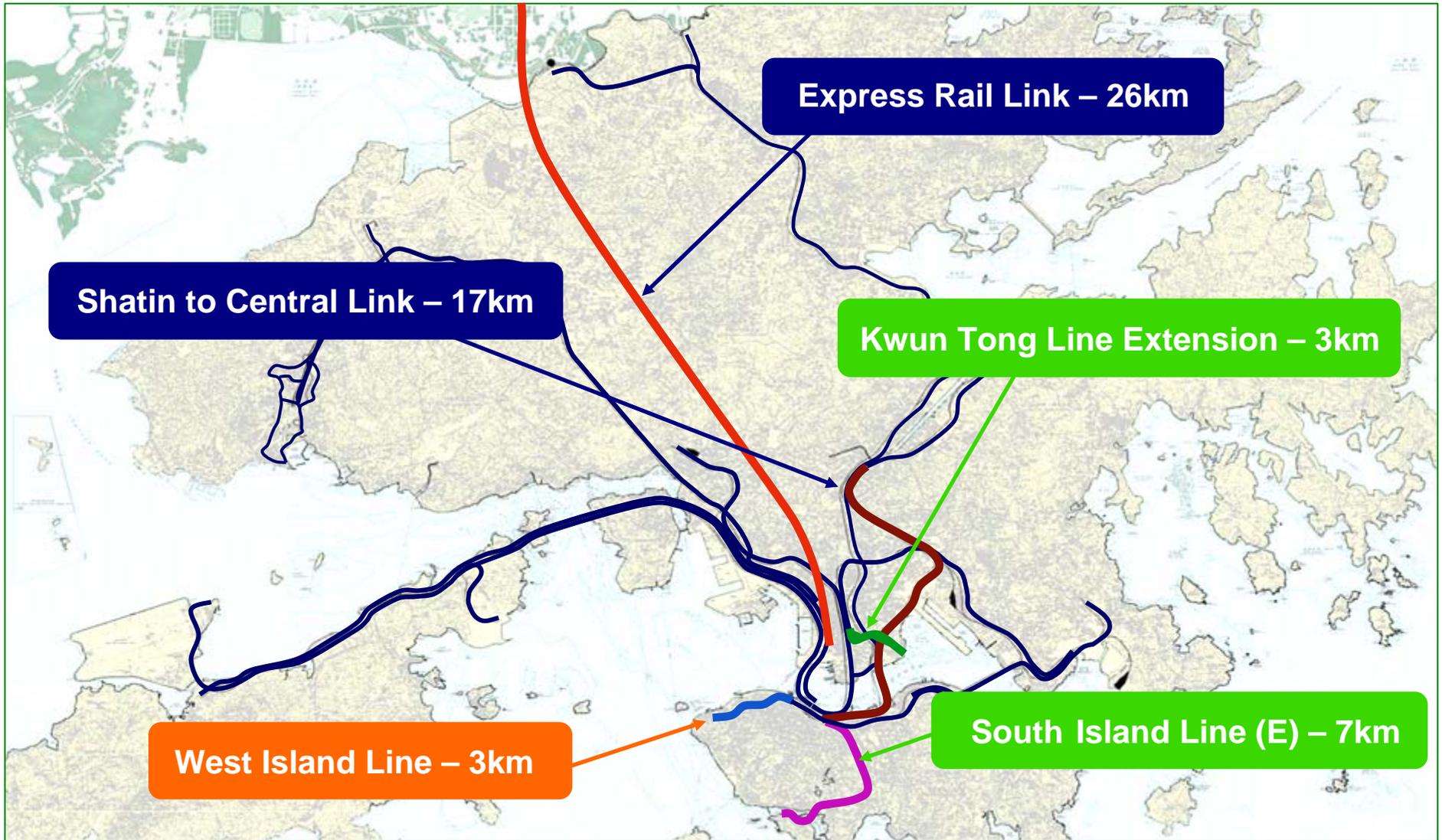
- Performance above expectations
- East London Line started full passenger services in May 2010

■ Post-tax profit contribution totalled HK\$22m⁽¹⁾

1. Including profit contribution 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
- Construction making good progress as planned
- New Kennedy Town Swimming Pool and David Trench Rehabilitation Centre to open in 1H 2011
- Target to commence service in 2014

South Island Line - East

- Wong Chuk Hang site rezoning proposal agreed by Town Planning Board
- Scheme authorized in Nov 2010
- Commencement of service in 2015

Kwun Tong Line Extension

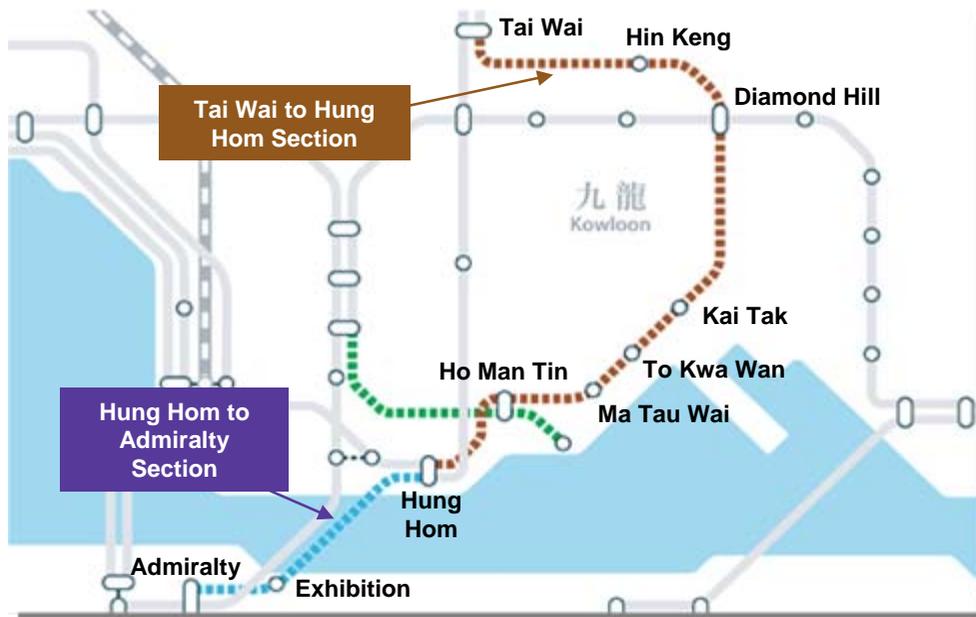
- Scheme authorized in Nov 2010
- Commencement of service in 2015



Service Concession Projects

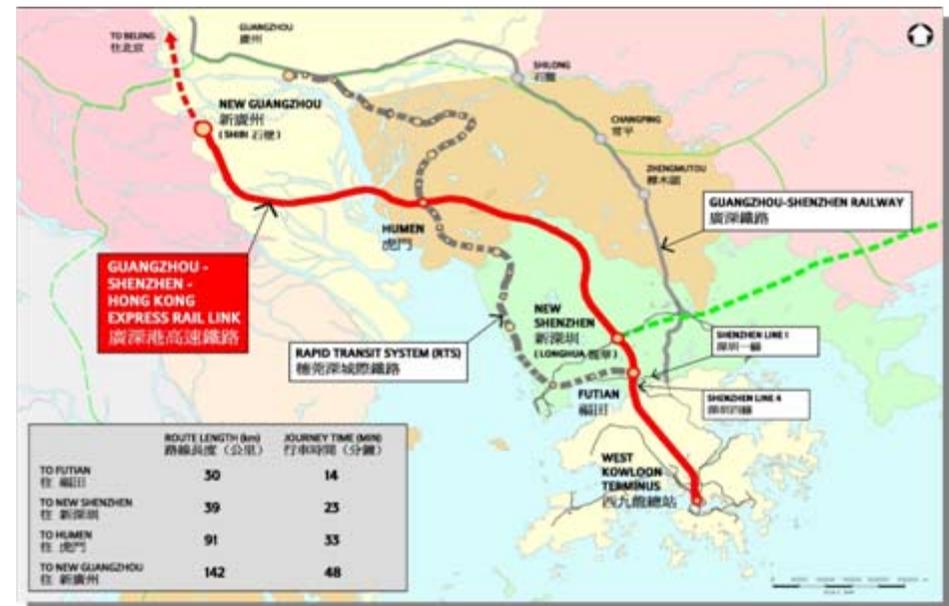
Shatin to Central Link

- Gazetted on 26 Nov 2010
- Advanced funding approved on 18 Feb 2011
- Station designs and construction planning are being progressed



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

- Entrustment Agreement signed with Government in Jan 2010
- Construction in progress for service commencement in 2015



Expansion on the Mainland

Shenzhen

Shenzhen Metro Line 4

- Construction of Phase 2 making good progress
- Full line operation expected in mid 2011

Hangzhou

Hangzhou Metro Line 1

- Concession Agreement signed in Mar 2010
- Agreement is subject to final approval by relevant authorities

- Public-Private-Partnership Model
- Cash grant

Financial Results

Income Statement

| <i>(HK\$m)</i> | <u>2010</u> | <u>2009</u> | <u>% change</u> |
|---|--------------|--------------|-----------------|
| Hong Kong fare revenue | 12,459 | 11,498 | 8.4 |
| Non-fare, rental and management revenues | 6,915 | 6,256 | 10.5 |
| Revenue from railway subsidiaries outside of Hong Kong | 10,144 | 1,043 | 872.6 |
| Total turnover | 29,518 | 18,797 | 57.0 |
| Operating expenses excl. railway subsidiaries outside of Hong Kong | (8,736) | (8,247) | (5.9) |
| Operating expenses - railway subsidiaries outside of Hong Kong | (9,865) | (1,035) | (853.1) |
| EBITDA excl. railway subsidiaries outside of Hong Kong | 10,638 | 9,507 | 11.9 |
| Total EBITDA | 10,917 | 9,515 | 14.7 |
| Property development profit | 4,034 | 3,554 | 13.5 |
| Total operating profit | 14,951 | 13,069 | 14.4 |
| Variable annual payment arising from the Rail Merger | (45) | - | N/A |
| Depreciation & amortisation and merger related expenses | (3,120) | (3,004) | (3.9) |
| Interest and finance charges | (1,237) | (1,504) | 17.8 |
| Investment properties revaluation | 4,074 | 2,798 | 45.6 |
| Share of profit of non-controlled subsidiaries & associates | 139 | 160 | (13.1) |
| Profit before tax | 14,762 | 11,519 | 28.2 |
| Taxation | (2,590) | (1,880) | (37.8) |
| Reported net profit attributable to equity shareholders* | 12,059 | 9,639 | 25.1 |
| Reported earnings per share (HK\$) | 2.10 | 1.69 | 24.3 |
| Profit from underlying businesses (excl. inv. property revaluation net of related tax) | 8,657 | 7,303 | 18.5 |
| Underlying businesses EPS (HK\$) | 1.51 | 1.28 | 18.0 |
| Final dividend per share (HK\$) | 0.45 | 0.38 | 18.4 |
| Total dividend per share (HK\$) | 0.59 | 0.52 | 13.5 |

* Excluding non-controlling interests of HK\$113 million in 2010

Segmental Profits of Underlying Businesses

| <i>(HK\$m)</i> | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Hong Kong railway and related businesses | 4,066 | 2,890 |
| Railway businesses outside of Hong Kong (including associates) | 154 | 19 |
| Property rental, management and other businesses | 2,409 | 2,274 |
| Property developments | 4,045 | 3,603 |
| Tax and others ^{(1) (2)} | (2,017) | (1,483) |
| Underlying profit attributable to equity shareholders | <u>8,657</u> | <u>7,303</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

| <i>(HK\$m)</i> | <u>31 Dec 2010</u> | <u>31 Dec 2009</u> |
|---|-----------------------|-----------------------|
| <u>Assets</u> | | |
| Investment properties | 45,314 | 40,993 |
| Other property, plant and equipment | 77,276 | 77,844 |
| Service concession assets | 21,467 | 19,351 |
| Property development in progress | 9,128 | 6,718 |
| Cash, bank balances and deposits | 13,334 | 7,115 |
| Investment in bank medium term notes | 3,627 | - |
| Debtors, deposits and payments in advance | 3,057 | 2,428 |
| Loan to a property developer | 1,975 | 1,916 |
| Properties held for sale | 1,936 | 3,783 |
| Amounts due from the Government and other related parties | 330 | 12,788 |
| Others | <u>4,221</u> | <u>3,558</u> |
| | <u>181,665</u> | <u>176,494</u> |
| <u>Liabilities</u> | | |
| Debts | 21,057 | 23,868 |
| Creditors and accrued charges | 15,491 | 20,497 |
| Obligations under service concession | 10,749 | 10,625 |
| Current taxation | 1,018 | 430 |
| Deferred tax liabilities | 13,854 | 12,804 |
| Others | <u>2,203</u> | <u>1,817</u> |
| | <u>64,372</u> | <u>70,041</u> |
| <u>Total equity</u> | <u><u>117,293</u></u> | <u><u>106,453</u></u> |

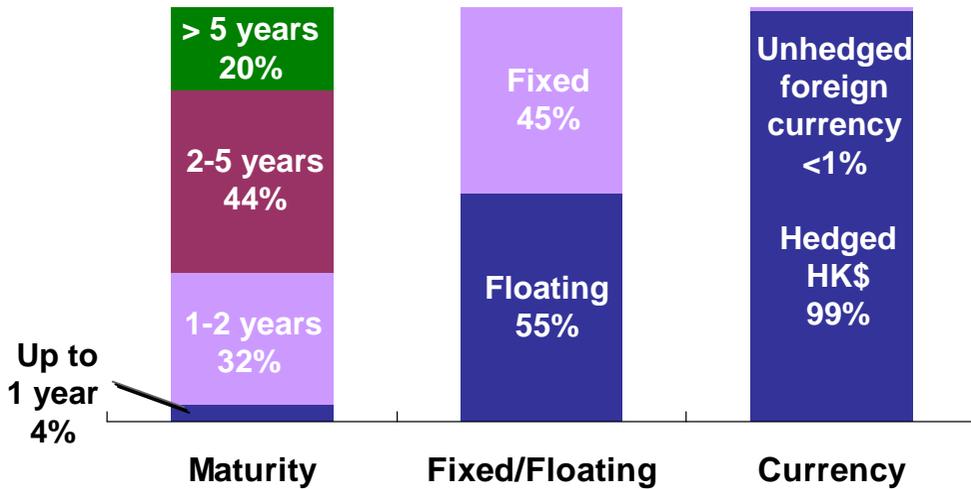
Cash Flow

(HK\$m)

| | <u>2010</u> | <u>2009</u> |
|---|-----------------|----------------|
| <u>Cash Inflow</u> | | |
| Cash from operations before tax payment | 11,918 | 9,479 |
| Receipts in respect of property development | 5,249 | 13,784 |
| Others | 166 | 218 |
| Inflows before Government funding support | 17,333 | 23,481 |
| Government funding support for West Island Line project | 12,252 | - |
| Total inflows | 29,585 | 23,481 |
| <u>Cash Outflow</u> | | |
| Tax paid | (1,011) | (1,372) |
| Fixed annual payment on service concession assets | (750) | (750) |
| Capital expenditure | | |
| - New rail | (5,766) | (2,560) |
| - Existing rail | (1,953) | (2,250) |
| - Property related | (4,617) | (531) |
| Net interest paid | (757) | (1,134) |
| Changes in working capital | 65 | 19 |
| Others | (61) | 113 |
| Dividends paid | (1,872) | (1,362) |
| Total outflows | (16,722) | (9,827) |
| Net cash inflow before financing | 12,863 | 13,654 |
| Net facilities repayment | (3,015) | (7,294) |
| Purchase of bank medium term notes | (3,624) | - |
| Increase in cash | 6,224 | 6,360 |

Financing and Credit Ratios

Debt profile (31 Dec 2010)



Total borrowings outstanding:
HK\$21,057m; reduction of HK\$2,811m
from 31 Dec 2009

Average borrowing cost:
4.3%

0.6%
point

Net interest expense:
HK\$1,237m

17.8%

Compared to 2009 figures

| | | |
|--------------------------------------|----------|----------|
| Net Debt/Equity ratio ⁽¹⁾ | Dec 2010 | Dec 2009 |
| | 12.8% | 25.8% |
| Interest coverage | 2010 | 2009 |
| | 10.5x | 7.1x |

1. Including obligations under service concession and loan from holders of non-controlling interests of a subsidiary as components of debt, and investment in bank medium term notes as component of cash

Outlook

Outlook

■ Recurrent businesses

- Patronage of our Hong Kong rail business would benefit from continued economic growth.
- Rental reversion of our station commercial and property rental businesses will be in line with market. Advertising business should see further recovery.
- Full year of Variable Annual Payment to KCRC.
- In the Mainland of China, we expect to open Phase 2 of Shenzhen Line 4 in the middle of 2011.

■ Property development

- Occupation Permit for the small shopping mall at Area 56 TKO was received in January 2011 and profit will be booked based on the value of our share of the mall. The mall will open for business in early 2012.
- Timing of profit recognition of Festival City at Tai Wai, net of acquisition cost, is dependent on the success of further sales and the issuance of Occupation Permit for Phase 3.
- From now on until the end of 2011, subject to market conditions, we may tender out Tai Wai Station site and the Tin Shui Wai Light Rail site. For West Rail development sites, where we act only as agent, we may tender out the Nam Cheong Station site and Tsuen Wan West site No. 5.