



**MTR Corporation**

**2011 Annual Results**

**8 March 2012**

# 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.**



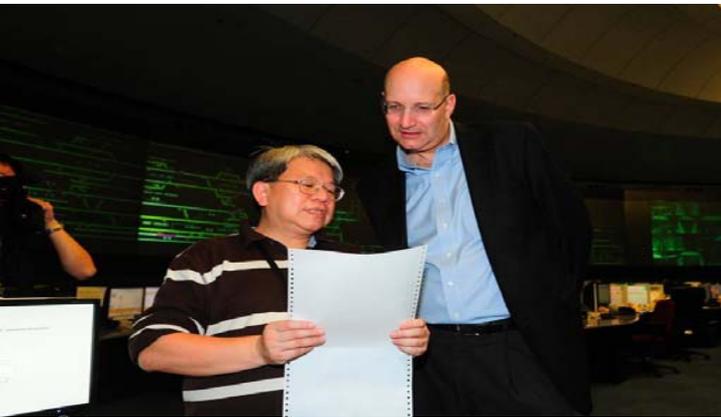
# Results Highlights and Business Overview

# Strong Performance in 2011

*All businesses performed well*

*Good property sales  
as property market remained stable*

*SIL(E) and KTE agreements signed  
All growth projects on track*



# 用心聽 用心做

Listening Responding



用心聽  用心做  
Listening Responding

***Rework train schedules and buy new trains***

***Install more lifts at stations***

***Add toilet facilities***

***Install platform gates***

# Financial Highlights

(HK\$m)	2011	2010	Change
Total revenue	33,423	29,518	13.2%
Revenue (before railway subsidiaries outside of Hong Kong)	21,144	19,374	9.1%
Total EBITDA	12,124	10,917	11.1%
EBITDA (before railway subsidiaries outside of Hong Kong)	11,675	10,638	9.7%
Total EBITDA margin	36.3%	37.0%	0.7%pt
EBITDA margin (before railway subsidiaries outside of Hong Kong)	55.2%	54.9%	0.3%pt
Property development profit	4,934	4,034	22.3%
Profit before taxation	17,669	14,762	19.7%
Reported net profit attributable to equity shareholders*	14,716	12,059	22.0%
Reported EPS (HK\$)*	2.55	2.10	21.4%
<b>Profit from underlying businesses</b>	<b>10,468</b>	<b>8,657</b>	<b>20.9%</b>
<b>Underlying businesses EPS (HK\$)</b>	<b>1.81</b>	<b>1.51</b>	<b>19.9%</b>
Dividend per share (HK\$)	0.76	0.59	28.8%

# Hong Kong Businesses

## Recurrent income

*Transport Operations*

*Station Commercial*

*Property Rental and Management*

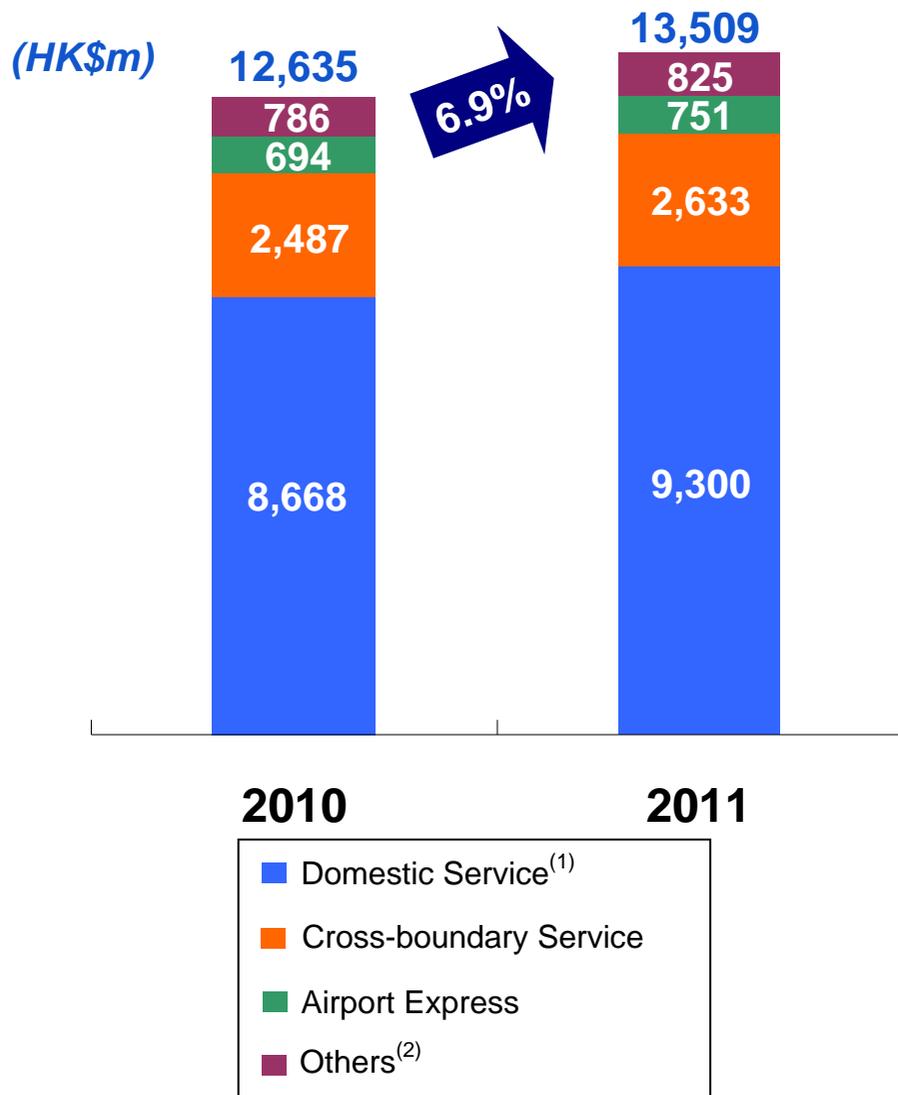
## Non-recurrent income

*Property Development*

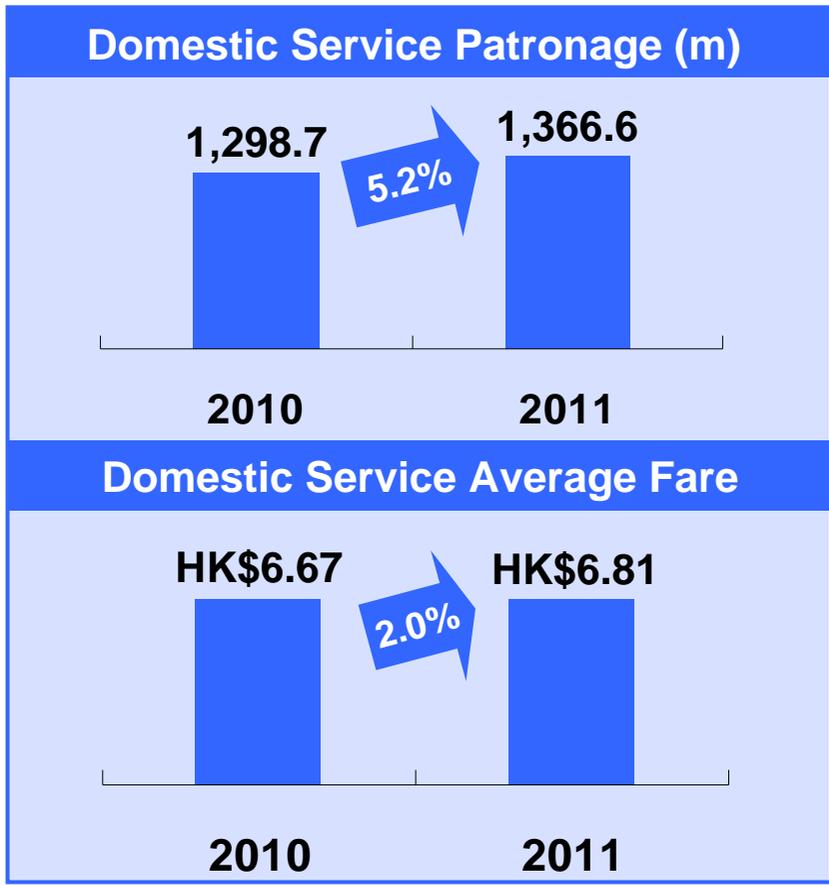


# Hong Kong Transport Operations

# Revenue from Hong Kong Transport Operations



Fare revenue for Domestic Service<sup>(1)</sup>:  
HK\$9,300m



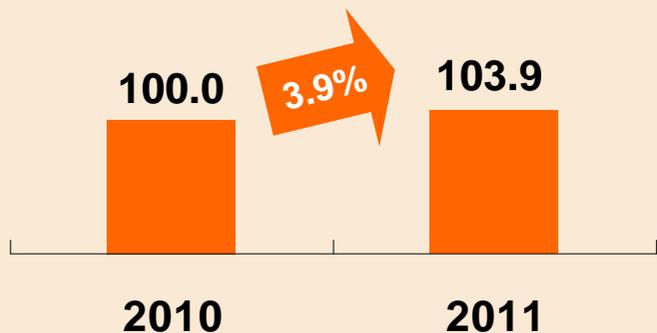
- Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines
- Others comprises Light Rail, Bus, Intercity and other rail related income

# Revenue from Hong Kong Transport Operations

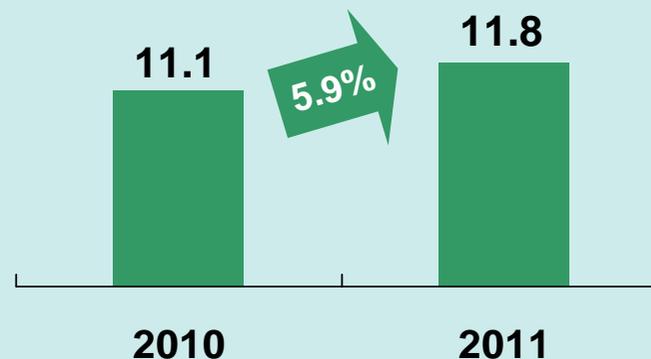
Fare revenue for Cross-boundary Service: HK\$2,633m  5.9%

Fare revenue for Airport Express: HK\$751m  8.2%

## Cross-boundary Service Patronage (m)



## Airport Express Patronage (m)



## Cross-boundary Service Average Fare

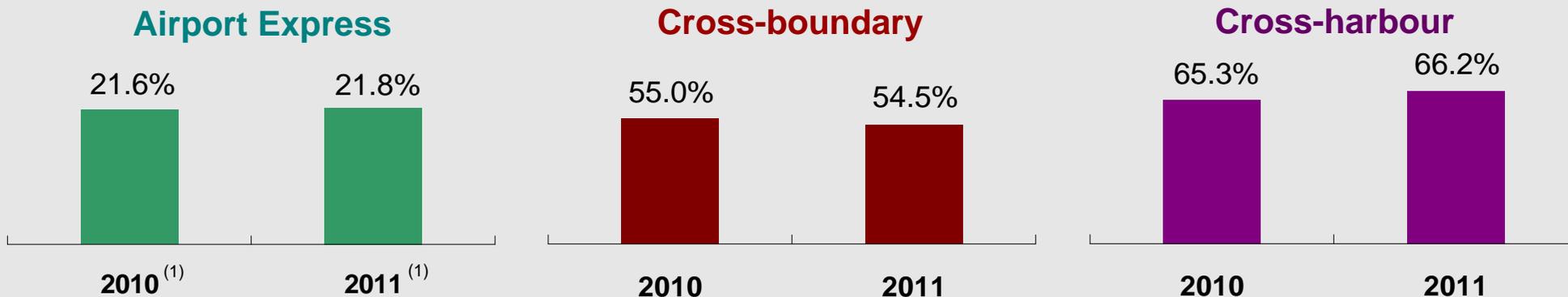
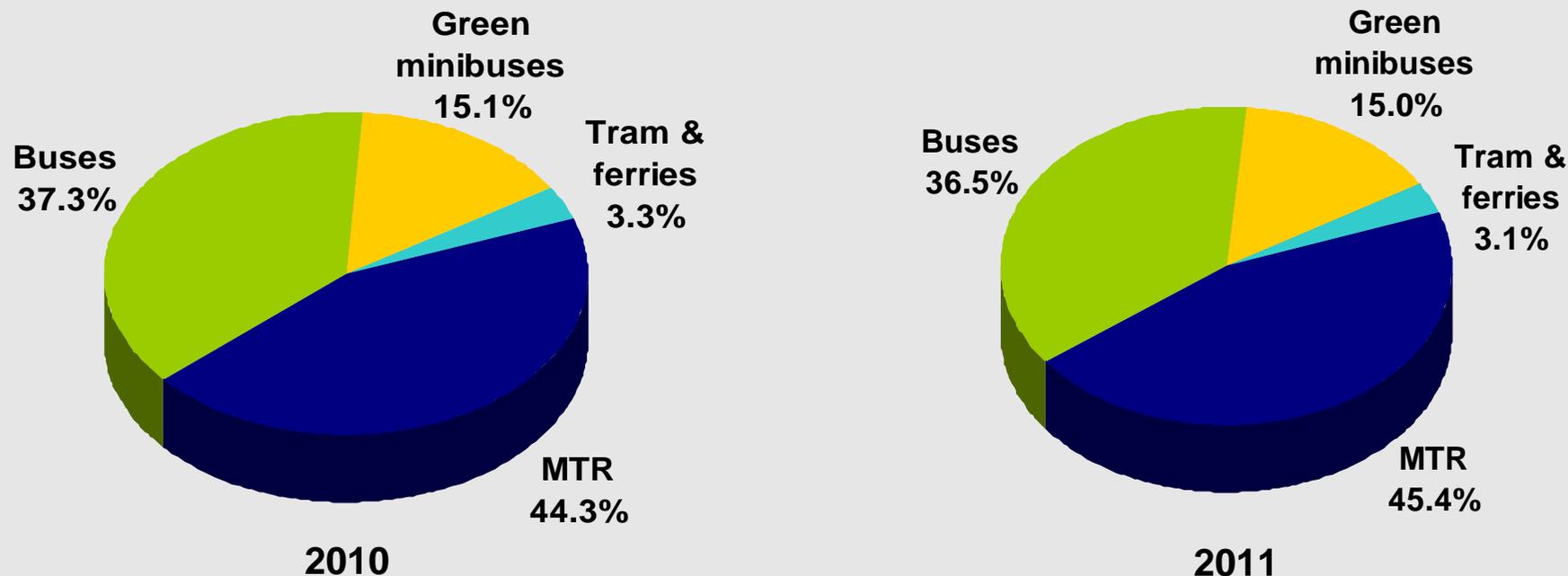


## Airport Express Average Fare



# Market Share

## Hong Kong Franchised Public Transport



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



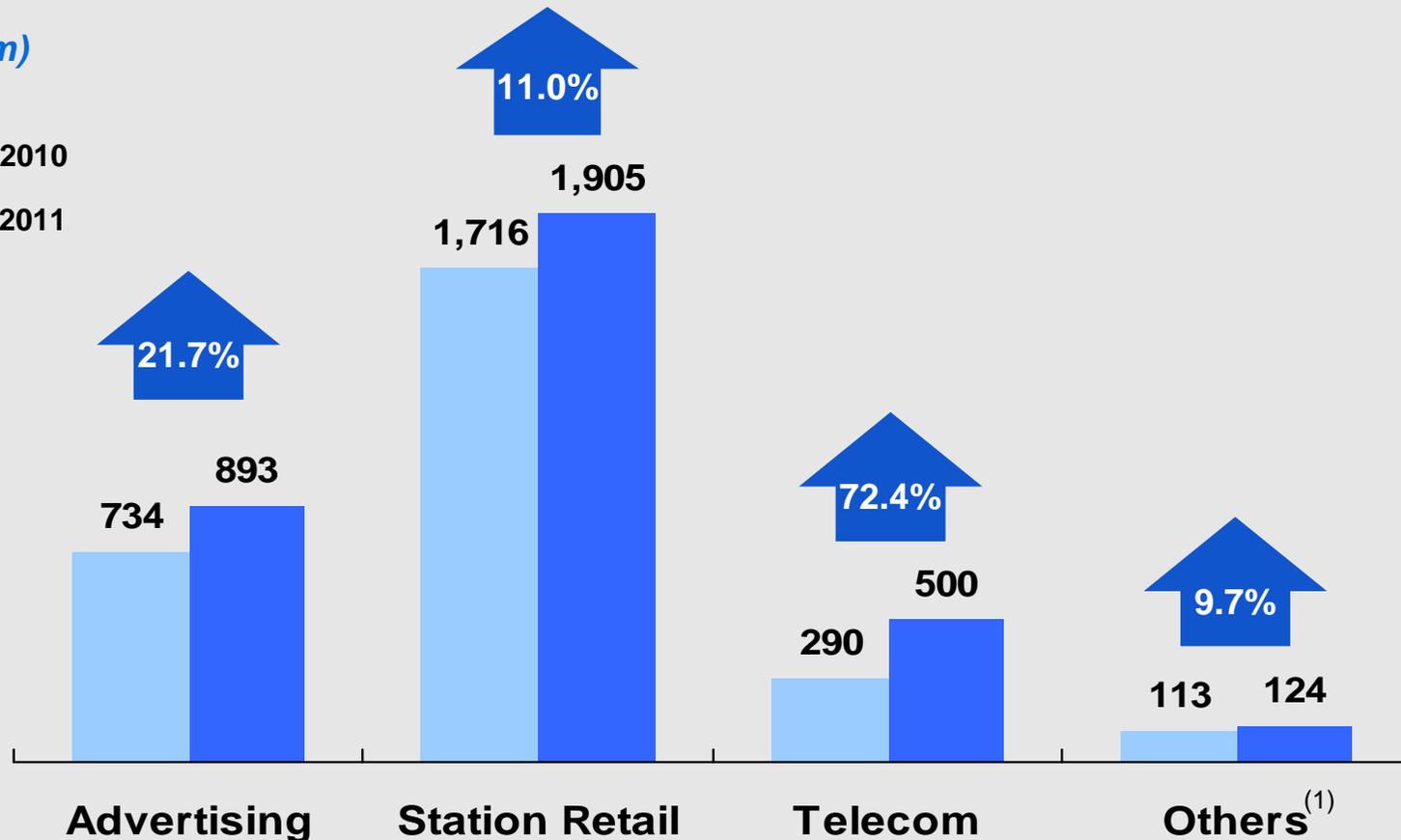
# Hong Kong Station Commercial Business

# Hong Kong Station Commercial Business

Hong Kong station commercial revenue:  
**HK\$3,422m** ↑ 19.9%

(HK\$m)

2010  
 2011

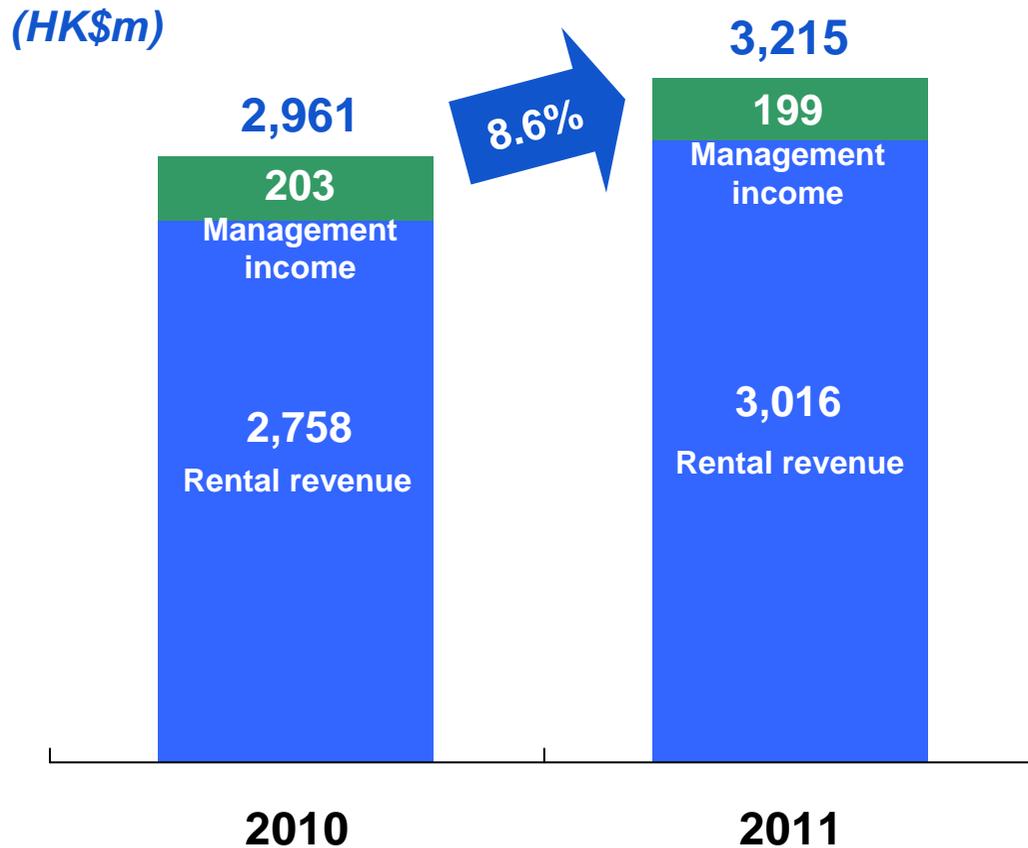


1. Others comprises mainly MTR Travel, publication and station car park.

# Property Businesses

# Property Rental and Management

Property rental and management revenue<sup>(1)</sup>: HK\$3,215m  8.6%

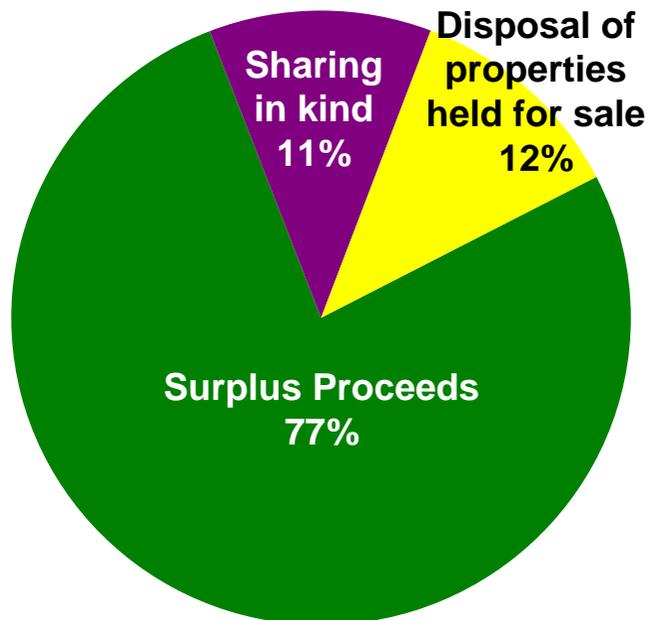


- Average of 16% increase in rental reversion at shopping malls
- Investment portfolio - Dec 2011
  - HK Retail: 12 shopping malls totalling 226,622 sq m<sup>(2)</sup>
  - HK Offices: 41,000 sq m<sup>(2)</sup>

1. Including contributions from the Mainland of China  
 2. Lettable floor area

# Property Development

Property development profit:  
HK\$4,934m



2011

## ■ Major contributors to property development profit:

- Surplus proceeds from Festival City in Tai Wai
- Sharing in kind of our share of the shopping mall at Tseung Kwan O Area 56
- Disposal of properties held for sale mainly from The Palazzo at Fo Tan, and Lake Silver at Wu Kai Sha

■ About 73% of all 3 phases of Festival City have been sold. Occupation Permit was issued in December 2011

■ Property development rights granted for sites in Wong Chuk Hang and Ho Man Tin under the “Rail + Property” model for South Island Line (East) and Kwun Tong Line Extension

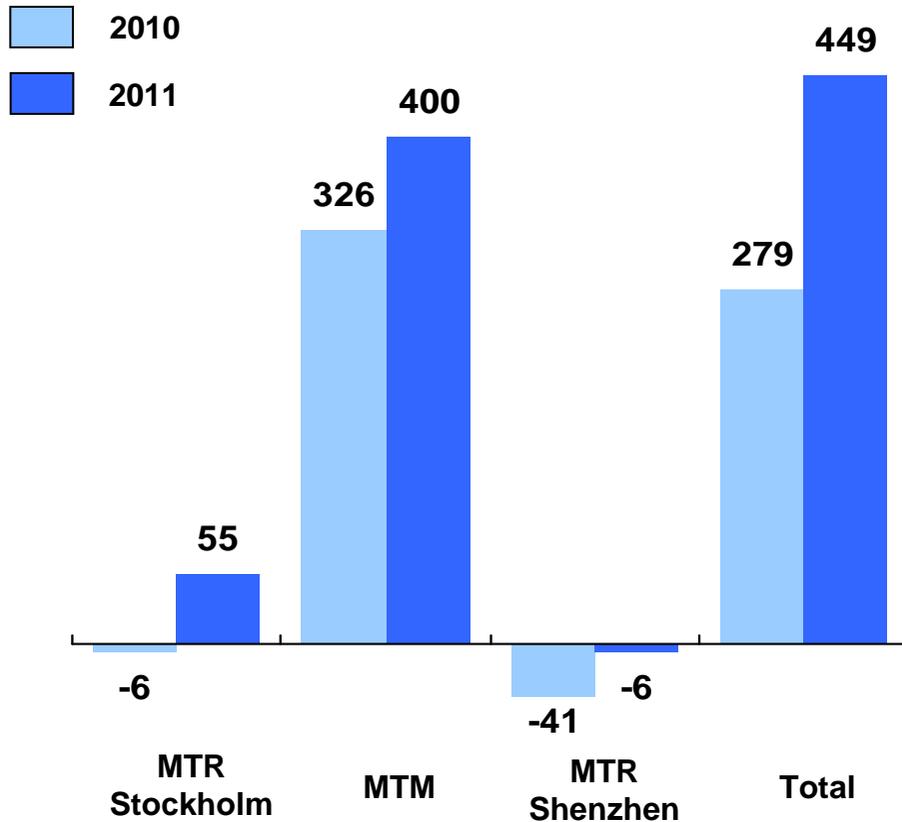


# Mainland and Overseas Rail Businesses

# Mainland and Overseas Rail Businesses

EBITDA contribution from subsidiaries: HK\$449m

(HK\$m)



## ■ MTR Stockholm (MTRS), Sweden

- Improvements in both operational and financial performance

## ■ Metro Trains Melbourne (MTM), Australia

- Improvement in both operational and financial performance

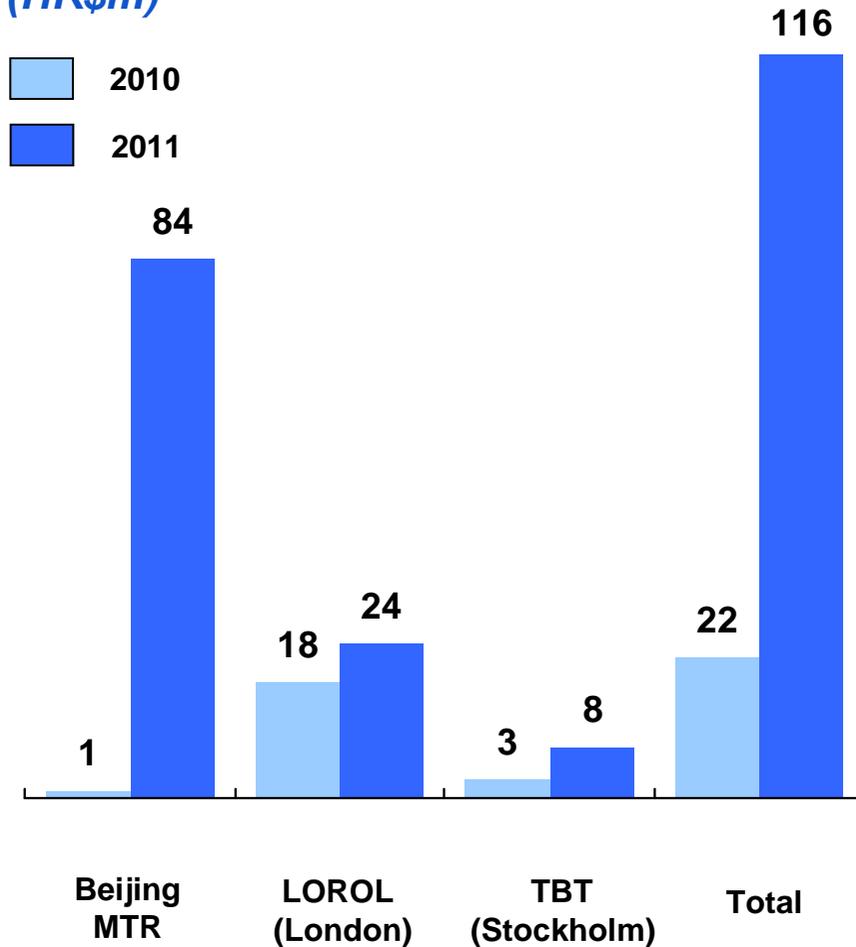
## ■ MTR Shenzhen (SZMTR), China

- Opening of Phase 2 of Longhua Line in June 2011
- Operational performance exceeded requirement

# Mainland and Overseas Rail Businesses

Post-tax profit contribution from associates: HK\$116m

(HK\$m)



## ■ Beijing MTR (BJMTR), China

- Good operational and financial performance
- Strong patronage for Beijing Metro Line 4 and Daxing Line

## ■ London Overground (LOROL), UK

- Good operational performance. Retained position as one of the top performing train operating companies in UK



# Expansion on the Mainland

## Hangzhou

### Hangzhou Metro Line 1

- Public-Private-Partnership Model
- Concession Agreement signed in Mar 2010
- Agreement is subject to final approval by relevant authorities

Beijing

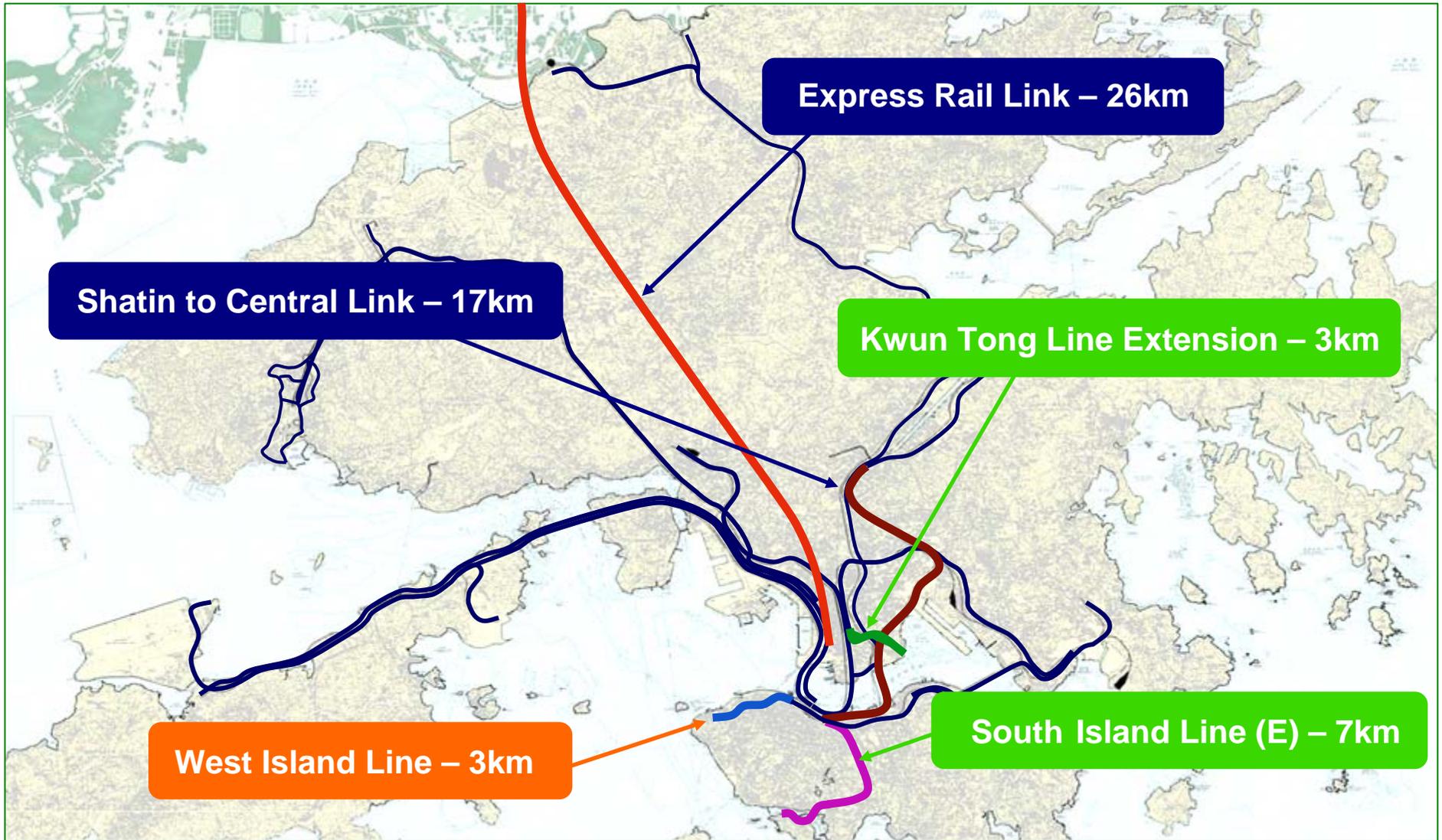
## Shenzhen

### Shenzhen Metro Longhua Line

- Acquired the land use right for a site above the depot of the line

# Growth Initiatives

# New Projects in Hong Kong on Track



■ Service concession

■ Cash grant

■ "Rail + Property"

# MTR Ownership Projects

## West Island Line

- Construction progressing as planned
- Target to commence service in 2014

## South Island Line (East)

- Project Agreement signed in May 2011
- Development right for a site at Wong Chuk Hang was granted
- Construction in progress
- Target to commence service in 2015

## Kwun Tong Line Extension

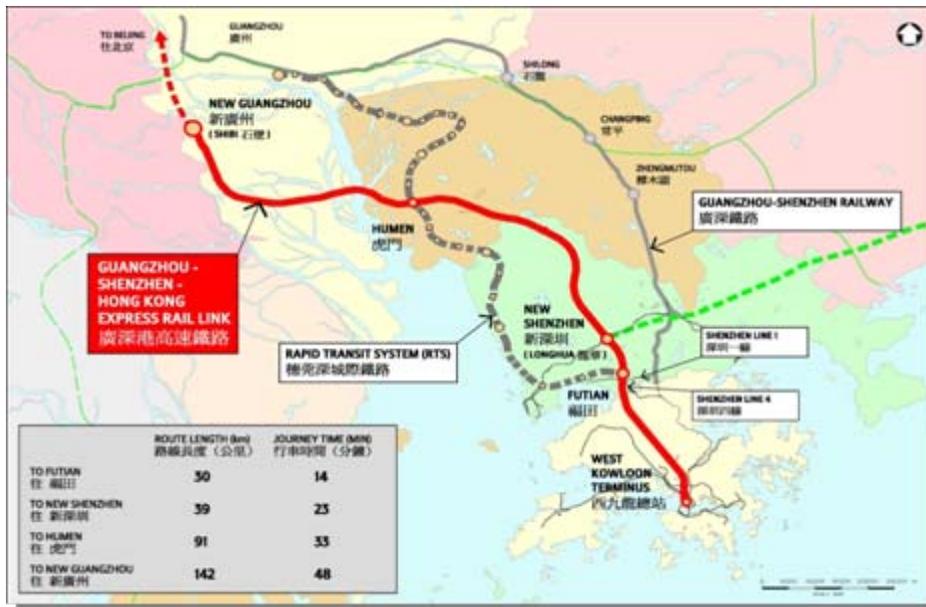
- Project Agreement signed in May 2011
- Development right for a site at Ho Man Tin was granted
- Construction in progress
- Target to commence service in 2015



# Service Concession Projects

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

- Entrustment Agreement signed with Government in Jan 2010
- Construction progressing as planned
- Target to commence service in 2015



## Shatin to Central Link

- Entrustment Agreement signed with Government in May 2011 for advance works in Admiralty and Ho Man Tin
- Detailed design of the Tai Wai to Hung Hom section was substantially completed



# Financial Results

# Income Statement

(HK\$m)	2011	2010	% change
Revenue from Hong Kong transport operations	13,509	12,635	6.9
Revenue from HK station commercial, property rental and management businesses	6,637	5,814	14.2
Revenue from railway subsidiaries outside of Hong Kong	12,279	10,144	21.0
Revenue from other businesses	998	925	7.9
<b>Total revenue</b>	<b>33,423</b>	<b>29,518</b>	<b>13.2</b>
Operating expenses before railway subsidiaries outside of Hong Kong	(9,469)	(8,736)	(8.4)
Expenses relating to railway subsidiaries outside of Hong Kong	(11,830)	(9,865)	(19.9)
<b>EBITDA excluding railway subsidiaries outside of Hong Kong</b>	<b>11,675</b>	<b>10,638</b>	<b>9.7</b>
<b>Total EBITDA</b>	<b>12,124</b>	<b>10,917</b>	<b>11.1</b>
Property development profit	4,934	4,034	22.3
<b>Total operating profit</b>	<b>17,058</b>	<b>14,951</b>	<b>14.1</b>
Variable annual payment	(647)	(45)	(1,337.8)
Depreciation & amortisation	(3,206)	(3,120)	(2.8)
Interest and finance charges	(921)	(1,237)	25.5
Investment property revaluation	5,088	4,074	24.9
Share of profit of non-controlled subsidiaries & associates	297	139	113.7
<b>Profit before taxation</b>	<b>17,669</b>	<b>14,762</b>	<b>19.7</b>
Income tax	(2,821)	(2,590)	(8.9)
<b>Reported net profit attributable to equity shareholders*</b>	<b>14,716</b>	<b>12,059</b>	<b>22.0</b>
<b>Reported earnings per share (HK\$)</b>	<b>2.55</b>	<b>2.10</b>	<b>21.4</b>
<b>Profit from underlying businesses</b>	<b>10,468</b>	<b>8,657</b>	<b>20.9</b>
<b>Underlying businesses EPS (HK\$)</b>	<b>1.81</b>	<b>1.51</b>	<b>19.9</b>
Final dividend per share (HK\$)	0.51	0.45	13.3
Total dividend per share (HK\$)	0.76	0.59	28.8

\* Excluding non-controlling interests of HK\$132 million and HK\$113 million in 2011 and 2010 respectively.

# Segmental Profits of Underlying Businesses

<i>(HK\$m)</i>	<u>2011</u>	<u>2010</u>	<u>%change</u>
Hong Kong railway and related businesses after variable annual payment	4,560	4,064	12.2
Railway businesses outside of Hong Kong (including associates)	412	154	167.5
Property rental and management	2,483	2,298	8.1
Others <sup>(1)</sup>	112	45	148.9
Pre-tax recurrent profit	7,567	6,561	15.3
Tax for recurrent profit	(1,324)	(1,164)	
Post-tax recurrent profit	6,243	5,397	15.7
Pre-tax property development profit	4,945	4,045	22.2
Tax for property development profit	(720)	(785)	
Post-tax property development profit	4,225	3,260	29.6
Profit from underlying businesses	<u>10,468</u>	<u>8,657</u>	20.9

*Note:*  
 All segmental profits shown are pre-tax profits. Interest cost relating to the interest-free loan to developer has been allocated to property development  
 1. Including contributions from consultancy, Ngong Ping 360, Octopus Holdings Limited, services to KCRC / Government, as well as project study and business development expenses

# Balance Sheet

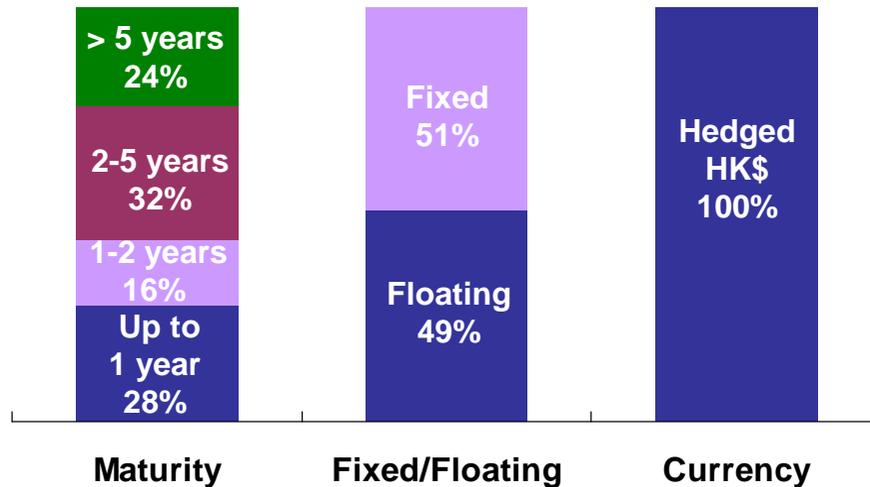
<i>(HK\$m)</i>	<u>31 Dec 2011</u>	<u>31 Dec 2010</u>
<b><u>Assets</u></b>		
Investment properties	51,453	45,314
Other property, plant and equipment	76,687	77,276
Service concession assets	23,928	21,467
Railway construction in progress	3,566	-
Property development in progress	11,964	9,128
Cash, bank balances and deposits	16,100	13,334
Investment in bank medium term notes	2,626	3,627
Debtors, deposits and payments in advance	3,964	3,061
Loan to a property developer	-	1,975
Properties held for sale	3,757	1,936
Amounts due from related parties	402	330
Others	3,426	4,217
	<u>197,873</u>	<u>181,665</u>
<b><u>Liabilities</u></b>		
Debts	23,168	21,057
Creditors and accrued charges	16,402	15,491
Obligations under service concession	10,724	10,749
Current taxation	597	1,018
Deferred tax liabilities	15,105	13,854
Others	2,832	2,203
	<u>68,828</u>	<u>64,372</u>
<b><u>Total equity</u></b>	<u><u>129,045</u></u>	<u><u>117,293</u></u>

# Cash Flow

<i>(HK\$m)</i>	<u>2011</u>	<u>2010</u>
<b>Cash Inflow</b>		
Cash from operating activities before tax payment	12,489	11,920
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	638	-
Receipts in respect of property development	3,593	5,249
Others	348	166
Inflows before West Island Line government grant	<u>17,068</u>	<u>17,335</u>
Government grant for West Island Line project	-	12,252
<b>Total inflows</b>	<u>17,068</u>	<u>29,587</u>
<b>Cash Outflow</b>		
Tax paid	(2,103)	(1,011)
Fixed and variable annual payment	(795)	(750)
Capital expenditure		
- New rail	(6,611)	(5,766)
- Existing rail	(2,102)	(1,953)
- Property related	(1,330)	(4,617)
Net interest paid	(421)	(757)
Changes in working capital	34	63
Others	(95)	(61)
Dividends paid	(3,842)	(1,872)
<b>Total outflows</b>	<u>(17,265)</u>	<u>(16,724)</u>
<b>Net cash inflow / (outflow) before financing</b>	<u>(197)</u>	<u>12,863</u>
Net facilities drawdown / (repayment)	1,979	(3,015)
Sale / (Purchase) of bank medium term notes	1,000	(3,624)
<b>Increase in cash</b>	<u>2,782</u>	<u>6,224</u>

# Financing and Credit Ratios

## Debt profile (31 Dec 2011)



Total borrowings outstanding:  
HK\$23,168m; increase of HK\$2,111m  
from 31 Dec 2010

Average borrowing cost:  
3.1%

1.2%  
points

Net interest expense:  
HK\$921m

25.5%

Compared to 2010 figures

Net Debt/Equity ratio <sup>(1)</sup>	Dec 2011	Dec 2010
	11.9%	12.8%
Interest cover	2011	2010
	16.4x	10.5x

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

- Slowing economic growth may lead to a slow-down in the rate of patronage growth in our Hong Kong rail business.
- Station commercial and property rental are generally stable businesses and rental reversions in 2012 will be dependent on prevailing market rates.
- Our advertising business is economically sensitive and growth rates may be tempered if economic growth weakens.
- The shopping mall at TKO Area 56 is expected to open for business in 1H 2012.

## ■ Property development

- Booking of property development profits of the Che Kung Temple development will be dependent on the progress of pre-sales, which is expected to start in 2012, as well as the issuance of Occupation Permit (OP). It is currently expected that OP will be issued in the last quarter of 2012.
- From now until the end of 2012, subject to market conditions, we may tender out the Tai Wai Station and Tin Shui Wai Light Rail sites. For West Rail development sites, where we only act as agent, we may tender out the Long Ping (North), Long Ping (South) and re-tender Tsuen Wan West Station TW5 (Bayside) sites.