



MTR Corporation

2012 Annual Results

11 March 2013

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. Jay Walder, CEO

Solid Performance in 2012

Continued solid financial performance across all businesses

Strong operational and safety performance both domestically and internationally

*Key growth milestones achieved –
Shatin to Central Link
Hangzhou Line 1
Beijing Line 14*

Financial Highlights

(HK\$m)

	2012	2011	Change
Total revenue	35,739	33,423	6.9%
Revenue (before Mainland of China & international subsidiaries)	22,953	21,012	9.2%
Total EBITDA	13,083	12,124	7.9%
EBITDA (before Mainland of China & international subsidiaries)	12,481	11,677	6.9%
Total EBITDA margin	36.6%	36.3%	0.3%pt
EBITDA Margin (before Mainland of China & international subsidiaries)	54.4%	55.6%	1.2%pts
Property development profit	3,238	4,934	34.4%
Profit before taxation	15,564	17,669	11.9%
Reported net profit attributable to equity shareholders*	13,532	15,556	13.0%
Reported EPS (HK\$)*	2.34	2.69	13.0%
Profit from underlying businesses	9,775	10,468	6.6%
Underlying businesses EPS (HK\$)	1.69	1.81	6.6%
Dividend per share (HK\$)	0.79	0.76	3.9%

Revamped Strategy



Continue to improve and invest in services

Grow and enhance our HK core businesses

Accelerate our growth in Mainland of China and overseas



Hong Kong Transport Operations

用心聽 用心做

Listening Responding





*1,200 train trips added per week
peak and non-peak*

*4 new external lifts, 1 public toilet,
231 additional seats installed*

*80% passengers interviewed find trains and
platforms less crowded
90% satisfied with waiting time for trains*

Excellent Service Performance in 2012

Continued world-class on-time train service performance of 99.9%

≥5-minute delays decreased by 23%

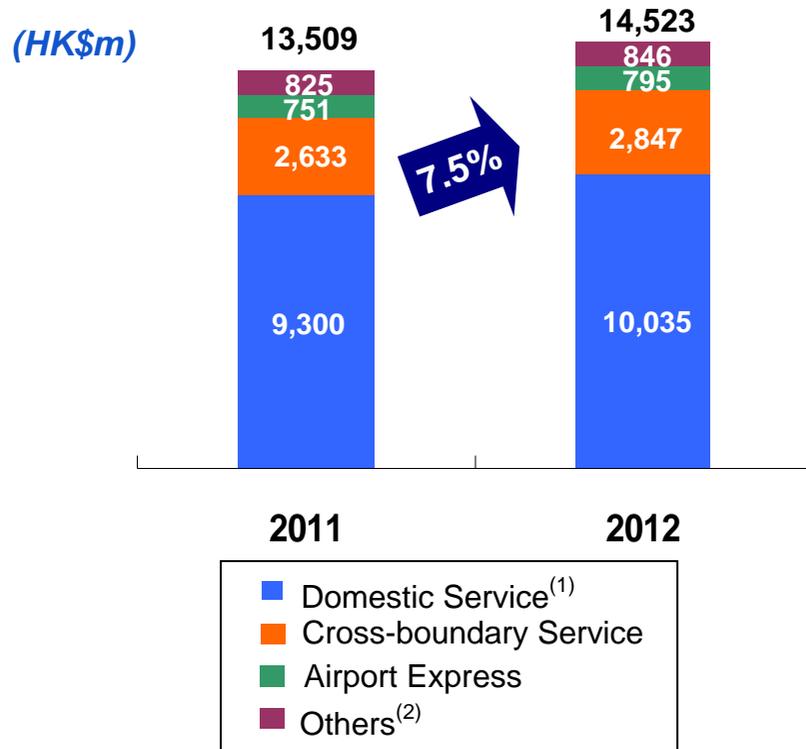
Invested over \$4 billion each year in regular maintenance and upgrades

Hong Kong Transport Operations

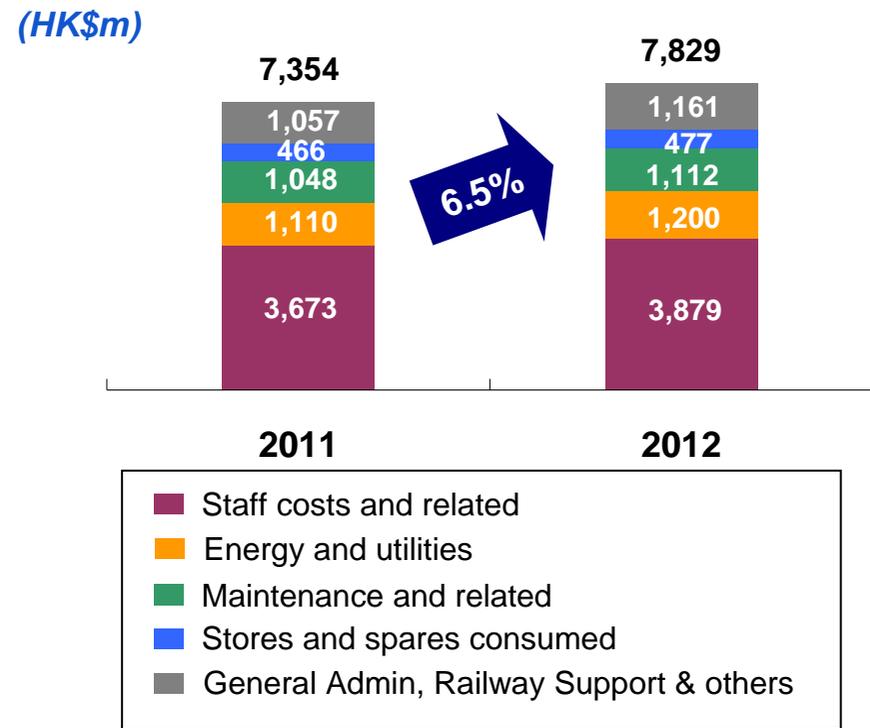
Total Patronage: 1,771 million

↑ 4.7%

Revenue



Cost



EBITDA: HK\$6,694m

↑ 8.8%

EBITDA Margin: 46.1%

↑ 0.5%pt

- 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 Domestic Service⁽¹⁾:
HK\$10,035m

↑ 7.9%

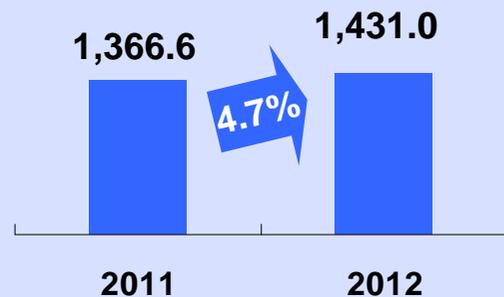
Fare revenue for Cross-boundary Service:
HK\$2,847m

↑ 8.1%

Fare revenue for Airport Express: HK\$795m

↑ 5.9%

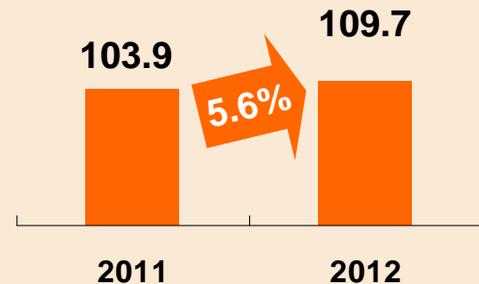
Domestic Service Patronage (m)



Domestic Service Average Fare



Cross-boundary Service Patronage (m)



Cross-boundary Service Average Fare



Airport Express Patronage (m)



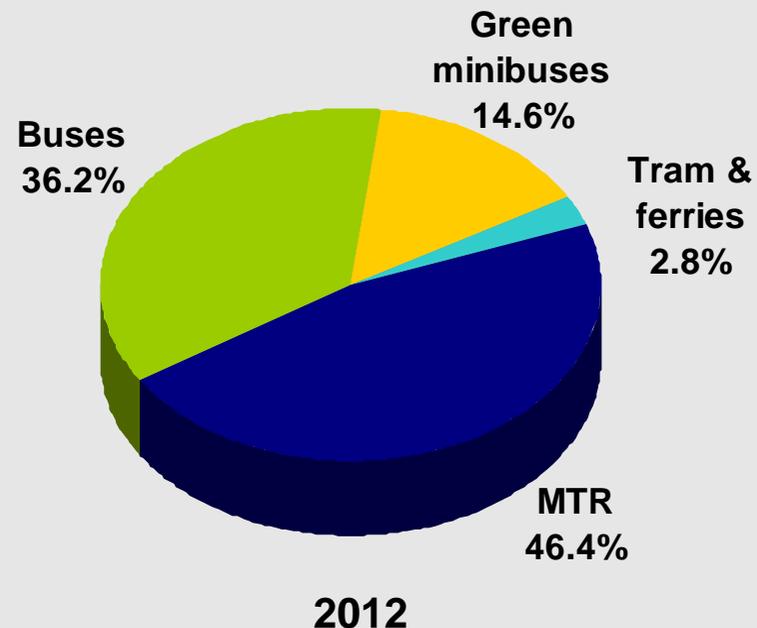
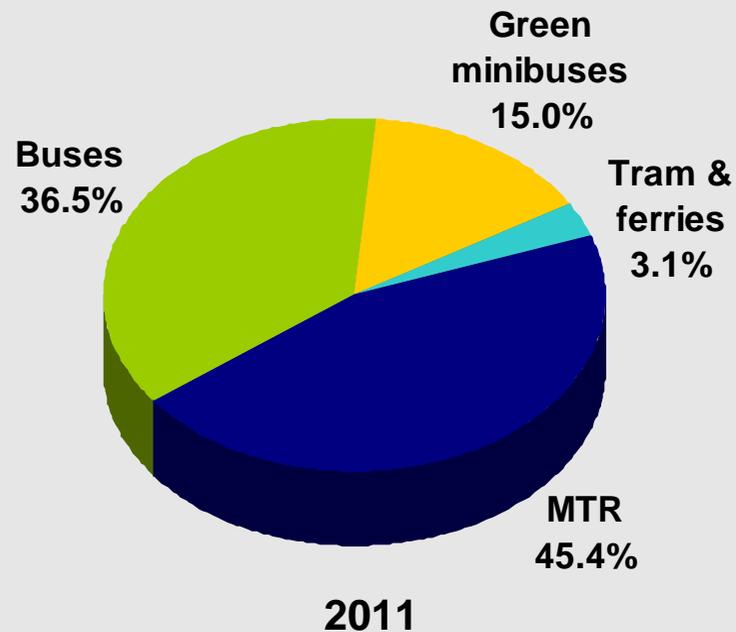
Airport Express Average Fare



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

Market Share

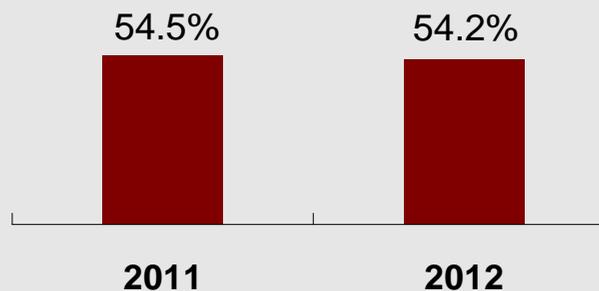
Hong Kong Franchised Public Transport



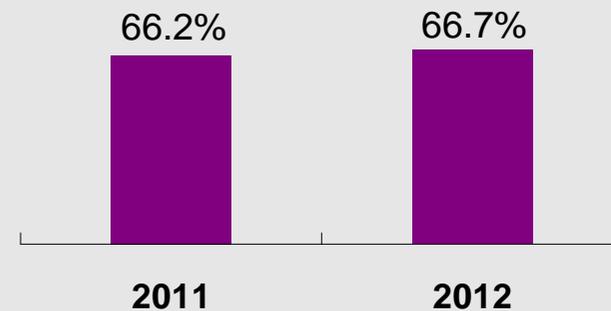
Airport Express



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 Business

Hong Kong Station Commercial Business

Revenue:
HK\$3,680m

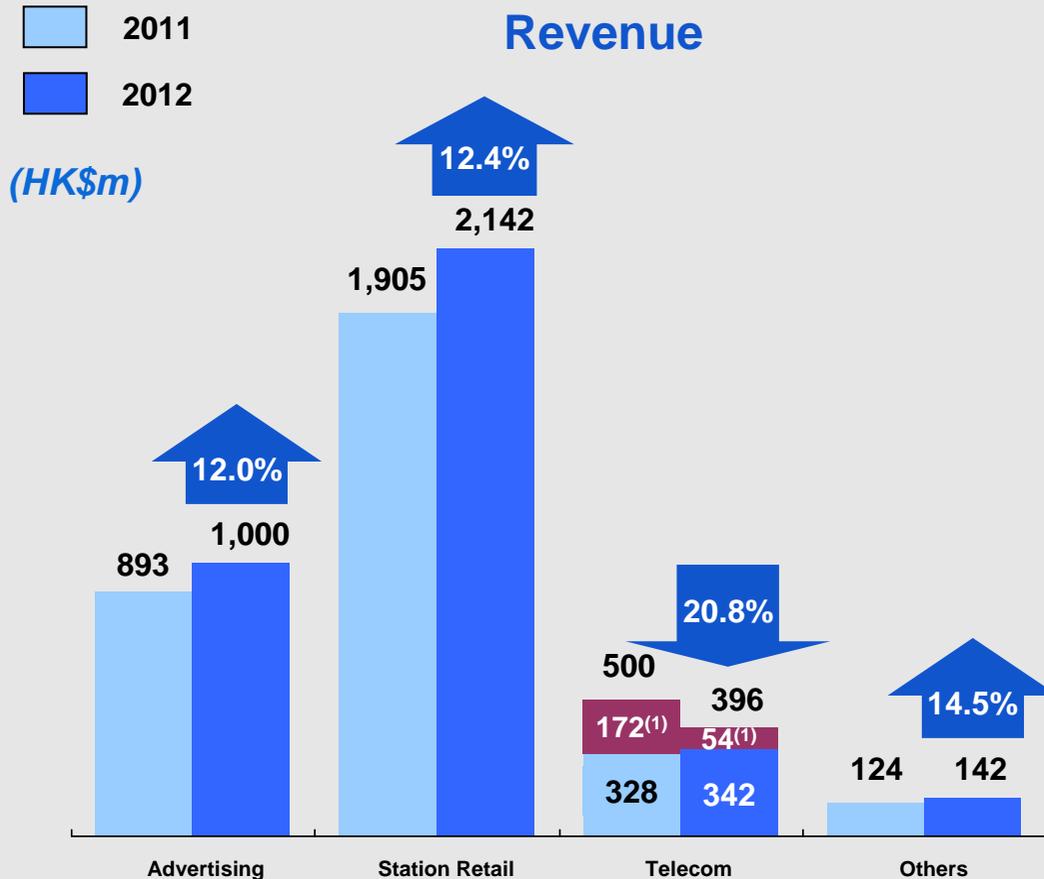
↑ 7.5%

Cost:
HK\$397m

↑ 10.9%

EBITDA:
HK\$3,283m

↑ 7.1%



- Lo Wu and Hung Hom Duty Free license renewed with significant increases effective 1 Jan 2013
- 1,331 shops and 55,898 sqm in total
 - An increase of 37 shops and 966 sqm in 2012
- Telecom - excluding one off income, revenue would have increased by 4.3%
- Station upgrade to provide 4G telecom network services in progress
- Cost increased mainly due to higher agency commission and Government rent & rates

EBITDA Margin⁽²⁾:

89.1% ↑ 0.1%pt

1. One-off 2G termination fee was higher in 2011 vs 2012

2. EBITDA margin excluding 2G termination fee



Hong Kong Property Businesses

Hong Kong Property Rental and Management Businesses

Revenue:
HK\$3,401m

↑ 10.3%

Cost:
HK\$627m

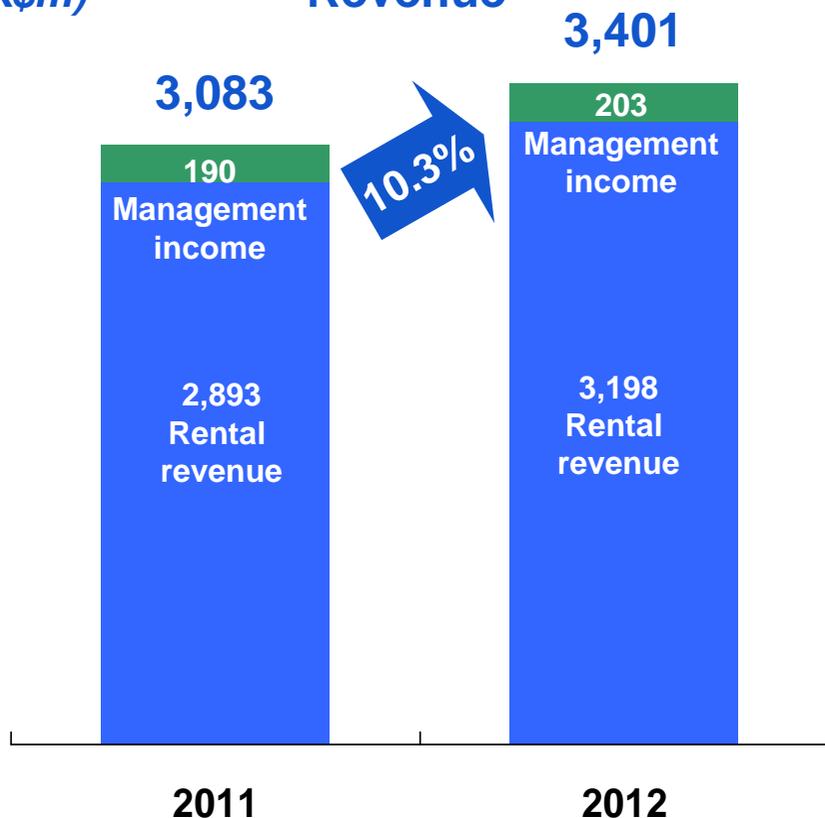
↑ 6.8%

EBITDA:
HK\$2,774m

↑ 11.1%

(HK\$m)

Revenue



- Average increase of 16% in rental reversion at shopping malls in Hong Kong
- “PopCorn”, our 13th shopping mall in HK, opened for business in March 2012 and was well-received by customers
- Two IFC office lease renewed with an existing tenant, new lease effective 1 July 2014
- Investment portfolio – Dec 2012
 - HK Retail: 13 shopping malls totalling 212,612 sqm⁽¹⁾
 - HK Offices: 40,969 sqm⁽¹⁾
- Cost increased mainly due to higher Government rent & rates

EBITDA Margin:

81.6% ↑ 0.6%pt

1. Lettable floor area attributable to MTR

Property Development

Property development profit:
HK\$3,238m



- Profits derived from profit booking at The Riverpark at Che Kung Temple Station and sale of inventory units at Festival City, Lake Silver and The Palazzo
- Pre-sale of The Riverpark at Che Kung Temple Station launched in 1H 2012 with over 83% sold as at 31 Dec 2012

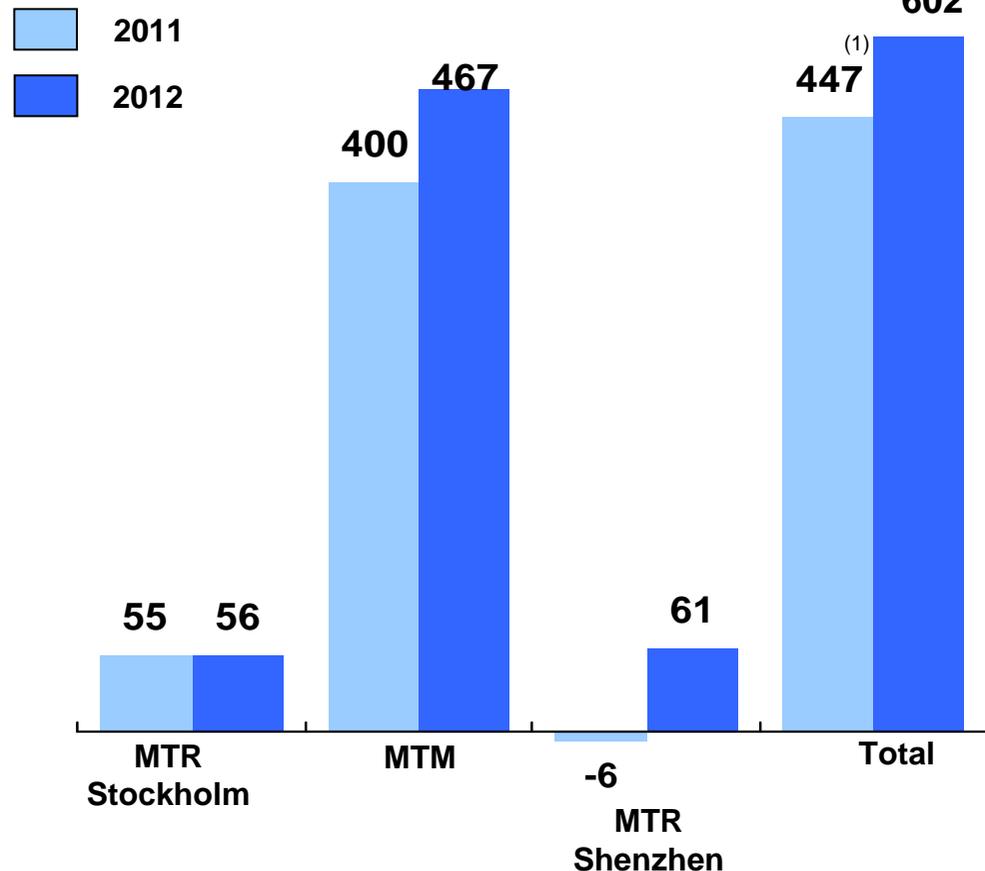


Mainland of China and International Businesses

Mainland of China and International Businesses - Subsidiaries

EBITDA contribution: HK\$602m

(HK\$m)



■ Metro Trains Melbourne (MTM)

- Good operational performance
- Good financial performance

■ MTR Stockholm

- Good operational performance
- Financial performance below expectations due to higher-than-expected expenses

■ MTR Shenzhen

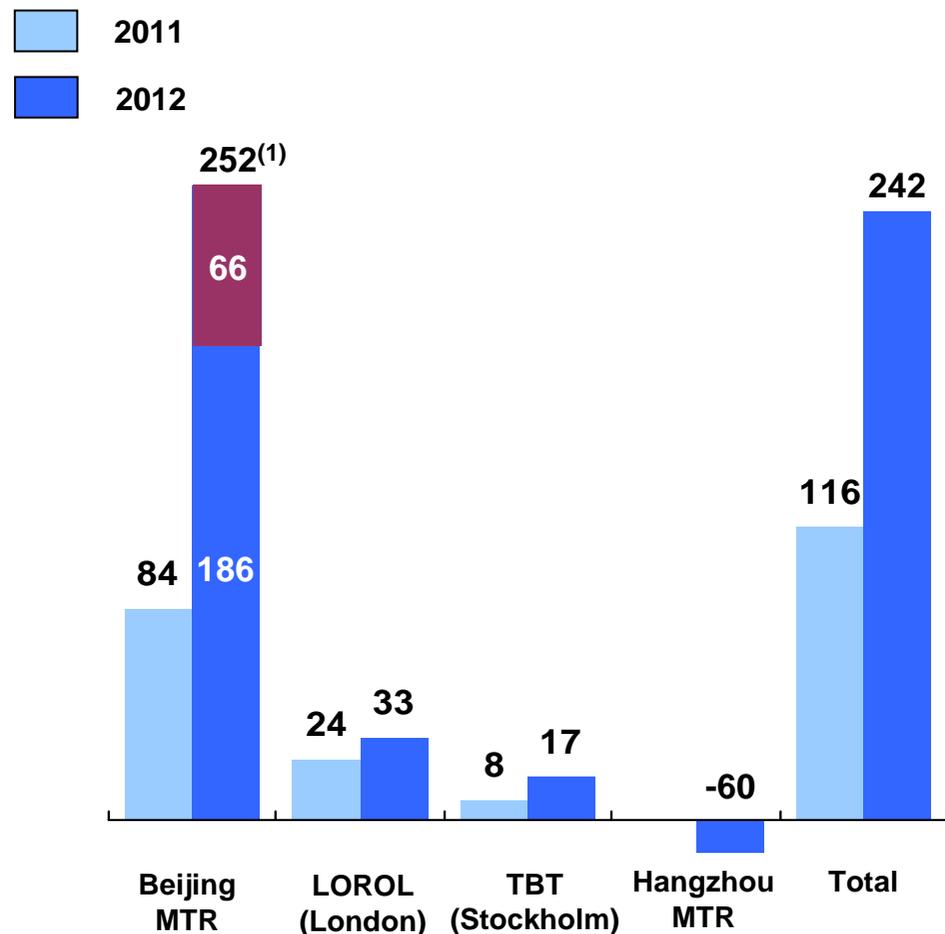
- Good operational performance
- Financial performance below expectations due to lower-than-expected patronage

1. Includes EBITDA contribution from Mainland of China property rental & management businesses at HK\$18 million and -HK\$2 million for 2012 and 2011 respectively

Mainland of China and International Businesses - Associates

Post-tax profit contribution from associates: HK\$242m

(HK\$m)



■ Beijing MTR (BJMTR), Mainland of China

- Over 1 billion passenger carried since opening
- Maintained high levels of punctuality and delivery and ranked amongst the top three metro operators in the Mainland
- Financial results are better than expectation even after adjusting for one-off accounting adjustments changes relating to prior periods

■ London Overground (LOROL), UK

- 2 stations and 12 km added to the network after the completion of the final phase of East London Line
- Good operations performance during the 2012 London Olympics
- Financial performance better than expectation
- Franchise extended to 2016

■ Hangzhou MTR (HZMTR), Mainland of China

- Successful opening of Hangzhou Line 1 in Nov 2012
- 150,000 passenger trips per day

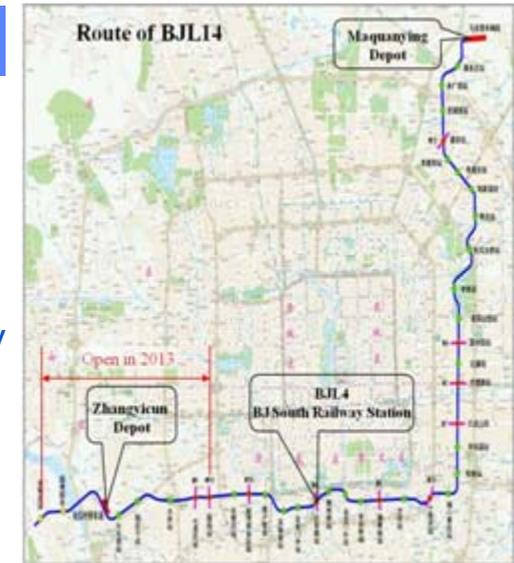
1. Includes one-off accounting adjustments of HK\$66 million relating to prior periods

Growth Initiatives outside of Hong Kong

Expansion outside of Hong Kong – Mainland of China

Beijing Line 14

- Concession Agreement initialled in Nov 2012, subject to approval by relevant authorities in the Mainland
- Route length: 47km
- Number of stations: 37 (10 interchange stations)
- Phase 1 is expected to open in mid 2013 while Phase 2 is expected by end of 2014 and Phase 3 in 2016
- BJMTR Investment: RMB15bn
- Additional MTR Equity injection RMB2.2bn
- Public-Private Partnership (PPP) Model



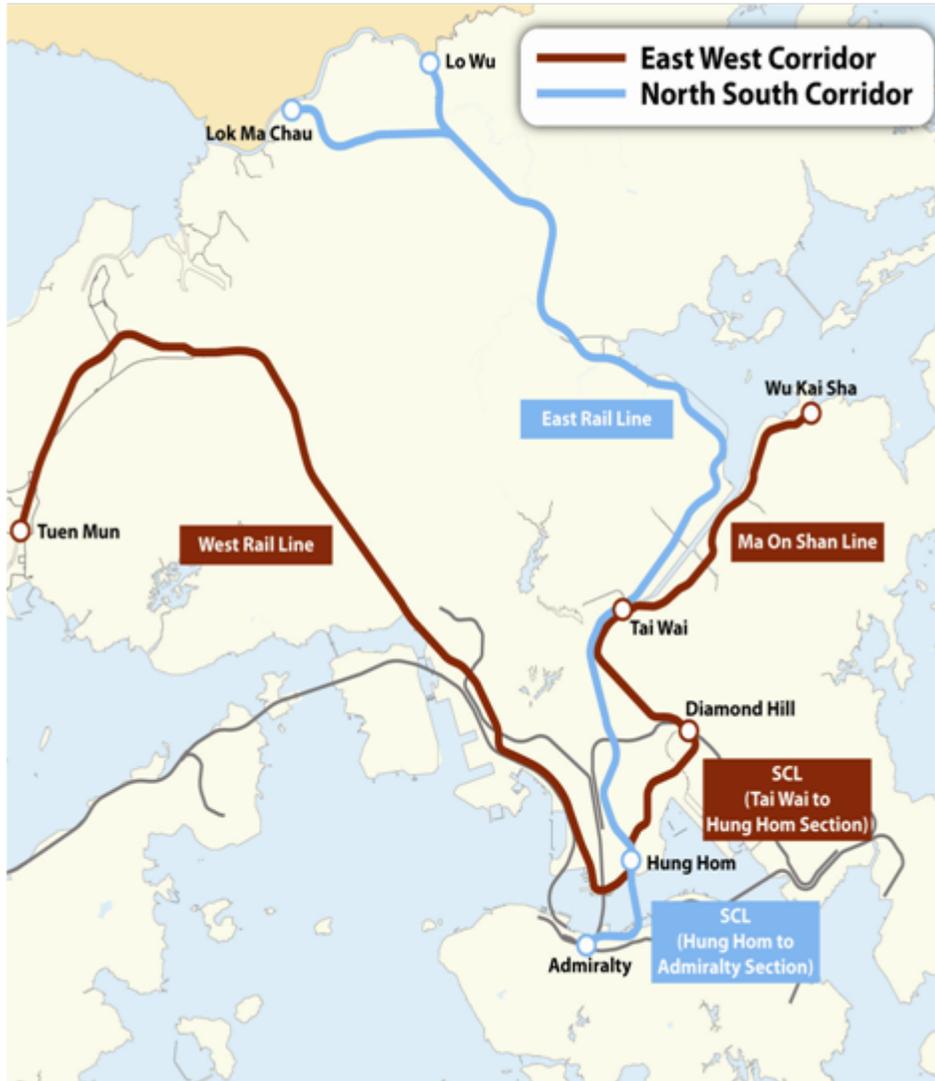
Shenzhen Property Development

- Self development approach  
- Site GFA: 206,167 sqm
 - Commercial area: 10,000 sqm
- Number of units: 2,000
- Phase 1 presales expected in 2014
- Total Investment amount about RMB4bn, including land premium at RMB2bn

Growth Initiatives in Hong Kong

Existing New Projects in Hong Kong

Shatin to Central Link



- Entrustment Agreement signed with Government in May 2012
- Construction commenced in June 2012
- Target to commence service in 2018 for Tai Wai to Hung Hom Section, and in 2020 for Hung Hom to Admiralty Section
- Concession Model



Existing New Projects in Hong Kong

West Island Line



- Construction commenced in 2009
- Target to commence service in 2014
- Cash Grant Model

65% complete

30% complete

- Construction commenced in 2011
- Target to commence service in 2015
- Rail + Property Model

South Island Line (East)



Kwun Tong Line Extension



- Construction commenced in 2011
- Target to commence service in 2015
- Rail + Property Model

31% complete

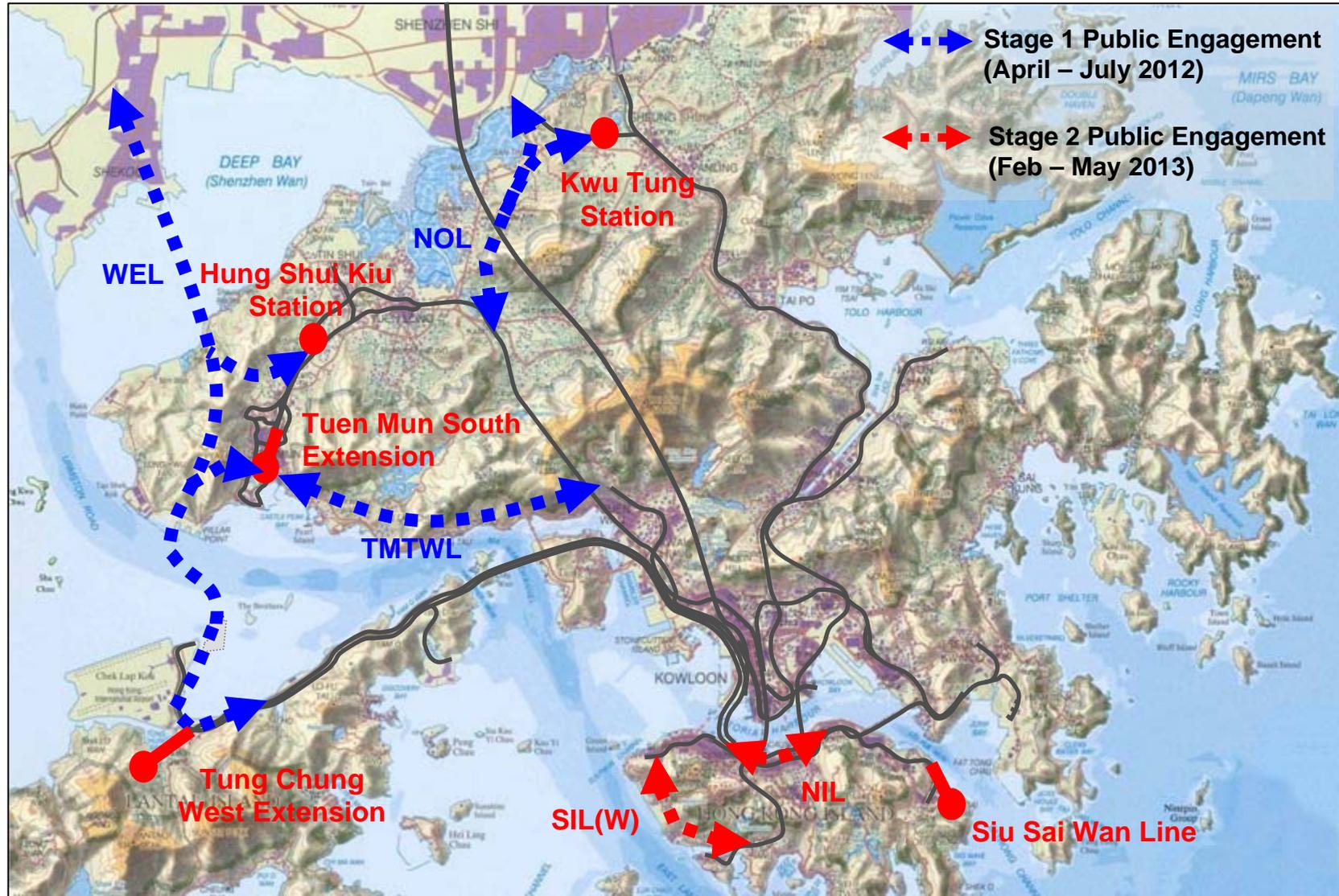
31% complete

- Construction commenced in 2010
- Target to commence service in 2015
- Concession Model

Express Rail Link HK Section



Railway Development Study Update (RDS-2U) Stage 1 and Stage 2 Public Engagement





Financial Results

Mr. Lincoln Leong, Deputy CEO

Income Statement

(HK\$m)	2012	2011	% change
Revenue from Hong Kong transport operations	14,523	13,509	7.5
Revenue from HK station commercial, HK property rental and management businesses	7,081	6,505	8.9
Revenue from Mainland of China & International Subsidiaries	12,786	12,411	3.0
Revenue from other businesses	1,349	998	35.2
Total revenue	35,739	33,423	6.9
Operating expenses before Mainland of China & International Subsidiaries	(10,472)	(9,335)	(12.2)
Expenses relating to Mainland of China & International Subsidiaries	(12,184)	(11,964)	(1.8)
EBITDA excluding Mainland of China & International Subsidiaries	12,481	11,677	6.9
Total EBITDA	13,083	12,124	7.9
Property development profit	3,238	4,934	(34.4)
Total operating profit	16,321	17,058	(4.3)
Variable annual payment	(883)	(647)	(36.5)
Depreciation & amortisation	(3,208)	(3,206)	(0.1)
Interest and finance charges	(879)	(921)	4.6
Investment property revaluation	3,757	5,088	(26.2)
Share of profit of non-controlled subsidiaries & associates	456	297	53.5
Profit before taxation	15,564	17,669	(11.9)
Income tax	(1,893)	(1,981)	4.4
Reported net profit attributable to equity shareholders*	13,532	15,556	(13.0)
Reported earnings per share (HK\$)	2.34	2.69	(13.0)
Profit from underlying businesses	9,775	10,468	(6.6)
Underlying businesses EPS (HK\$)	1.69	1.81	(6.6)
Final dividend per share (HK\$)	0.54	0.51	5.9
Total dividend per share (HK\$)	0.79	0.76	3.9

* Excluding non-controlling interests of HK\$139 million and HK\$132 million in 2012 and 2011 respectively.

Segmental Profits of Underlying Businesses

<i>(HK\$m)</i>	<u>2012</u>	<u>2011</u>	<u>%change</u>
Hong Kong railway and related businesses after variable annual payment	5,165	4,560	13.3
Mainland of China and international businesses (including associates)	606	405	49.6
Hong Kong property rental and management	2,764	2,490	11.0
Others ⁽¹⁾	(87)	112	(177.7)
Pre-tax recurrent profits	<u>8,448</u>	<u>7,567</u>	11.6
Tax on recurrent profits	(1,377)	(1,324)	(4.0)
Post-tax recurrent profits	7,071	6,243	13.3
Pre-tax property development profits	3,238	4,945	(34.5)
Tax on property development profits	(534)	(720)	25.8
Post-tax property development profits	2,704	4,225	(36.0)
Profit from underlying businesses	<u>9,775</u>	<u>10,468</u>	(6.6)

Note:

All segmental profits shown are pre-tax profits.

1. Encompassing profit / loss from consultancy, Ngong Ping 360 and Octopus Holdings Limited, project study and business development expenses (including mobilization and support costs for Hangzhou Line 1 of HK\$137million and HK\$33 million in 2012 and 2011 respectively) as well as services to KCRC / Government.

Balance Sheet

(HK\$m)

31 Dec 2012

31 Dec 2011

Assets

Investment properties	55,314	51,453
Other property, plant and equipment	76,088	76,687
Service concession assets	24,492	23,928
Railway construction in progress	7,458	3,566
Property development in progress	10,430	11,964
Cash, bank balances and deposits	18,664	16,100
Investment in bank medium term notes	-	2,626
Debtors, deposits and payments in advance	4,474	3,964
Properties held for sale	3,016	3,757
Amounts due from related parties	785	402
Interest in associates	3,825	948
Others	2,369	2,475
	<u>206,915</u>	<u>197,870</u>

Liabilities

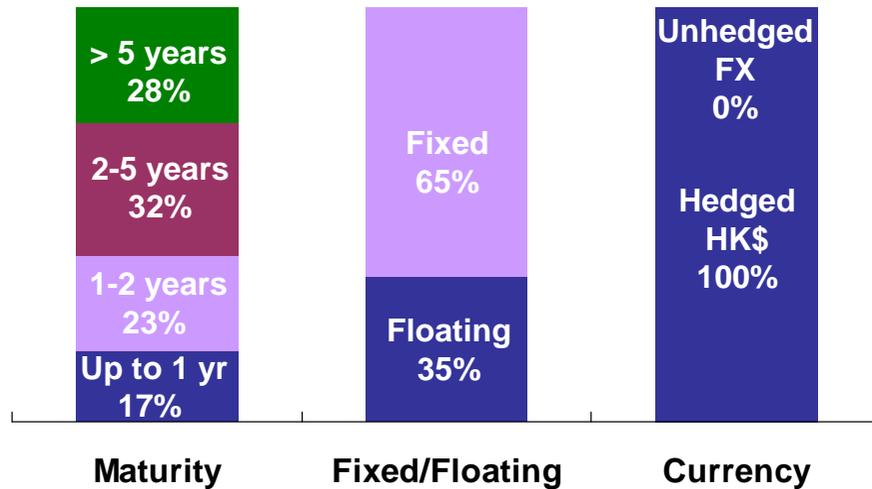
Debts	23,577	23,168
Creditors and accrued charges	15,119	16,402
Obligations under service concession	10,690	10,724
Current taxation	406	597
Deferred tax liabilities	9,857	9,498
Others	2,786	2,832
	<u>62,435</u>	<u>63,221</u>
<u>Total Equity</u>	<u>144,480</u>	<u>134,649</u>

Cash Flow

<i>(HK\$m)</i>	<u>2012</u>	<u>2011</u>
<u>Cash Inflow</u>		
Cash flows from operating activities before tax payment	13,151	12,200
Working capital movements	1,550	289
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	637	638
Receipts in respect of property development	5,677	3,593
Others	645	146
Total inflows	<u>21,660</u>	<u>16,866</u>
<u>Cash Outflow</u>		
Tax paid	(1,799)	(2,103)
Fixed and variable annual payment	(1,397)	(795)
Capital expenditure		
- New rail	(7,254)	(6,611)
- Existing rail	(2,327)	(2,102)
- Property related	(1,544)	(1,330)
Net (payment)/receipt in respect of entrustment works of Shatin to Central Link	(148)	170
Net interest paid	(438)	(421)
Investment in an associate	(2,734)	-
Others	-	(29)
Dividends paid	(4,519)	(3,842)
Total outflows	<u>(22,160)</u>	<u>(17,063)</u>
Net cash outflow before financing	<u>(500)</u>	<u>(197)</u>
Net facilities drawdown	385	1,979
Redemption of bank medium term notes	2,624	1,000
Increase in cash	<u>2,509</u>	<u>2,782</u>

Financing and Credit Ratios

Debt profile (31 Dec 2012)



Total borrowings outstanding
increasing HK\$409m to HK\$23,577m

Average borrowing cost:
3.3%

0.2%
point

Net interest expense:
HK\$879m

4.6%

Compared to 2011 figures

Net Debt/Equity ratio ⁽¹⁾	Dec 2012	Dec 2011
	10.9%	11.4%
Interest cover	2012	2011
	13.2x	14.5x

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

- Continued economic growth in Hong Kong will benefit our recurrent businesses, increasing patronage, enhancing rental reversions as well as furthering our advertising business.
- The 5 year review of the FAM is being conducted and is planned to be concluded by end March, with implementation of the mechanism in June 2013 as it has been in previous years. It should be noted that the financial costs of some of the concessions and promotions given in June 2012 at the last FAM review would continue to be an expense in 2013.

■ Property development

- Based on the existing construction programme, profit booking in 2013 is not expected for any of our current property projects under development. However, sale of inventory units may contribute to property development profits.
- Over the next twelve months, subject to market conditions, we aim to tender the Tai Wai Station site, Tin Shui Wai Light Rail Station site and another site at LOHAS Park Package IV. For West Rail property development, where we are agent for the relevant subsidiaries of KCRC, the Long Ping (South) site may also be tendered.

Q&A