



MTR Corporation

2013 Annual Results

11 March 2014



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

Continued Solid Performance in 2013

Solid financial results in 2013

*Sustained growth momentum
in recurrent businesses*

Continued Solid Performance in 2013

Best train service performance in six years

*Over \$5 billion each year
invested in asset maintenance and upgrades*

*Continued Enhancements made
under the Listening • Responding Programme*

Steady increase in ridership

Modest property development profits

Continued Solid Performance in 2013

*Hong Kong new railway projects
proceeded at full steam*

*Marking 35 years of serving HK in 2014
with the opening of West Island Line*

*Good progress in growing our businesses
in the Mainland and internationally*

Financial Highlights

(HK\$m)

	2013	2012 ⁽¹⁾	Change
Total revenue	38,707	35,739	8.3%
Revenue (before Mainland of China & international subsidiaries)	25,461	22,953	10.9%
Total EBITDA	14,399	12,895	11.7%
EBITDA (before Mainland of China & international subsidiaries)	13,608	12,293	10.7%
Total EBITDA margin	37.2%	36.1%	1.1%pts
EBITDA margin (before Mainland of China & international subsidiaries)	53.4%	53.6%	0.2%pt
HK Property development profit	1,396	3,238	56.9%
Profit before taxation	15,027	15,376	2.3%
Reported net profit attributable to equity shareholders ⁽²⁾	13,025	13,375	2.6%
Reported EPS (HK\$) ⁽²⁾	2.25	2.31	2.6%
Profit from recurrent businesses	7,437	6,914	7.6%
Profit from underlying businesses	8,600	9,618	10.6%
Underlying businesses EPS (HK\$)	1.48	1.66	
Dividend per share (HK\$)	0.92	0.79	16.5%

1. Restated due to retrospective adoption of Revised HKAS19, Employee Benefits

2. Excluding non-controlling interests



Hong Kong Transport Operations

用心聽 用心做

Listening Responding



*Over 93,000 additional train trips
since programme began*

*5 new lifts, >300 additional seats
and 52 more wide gates*

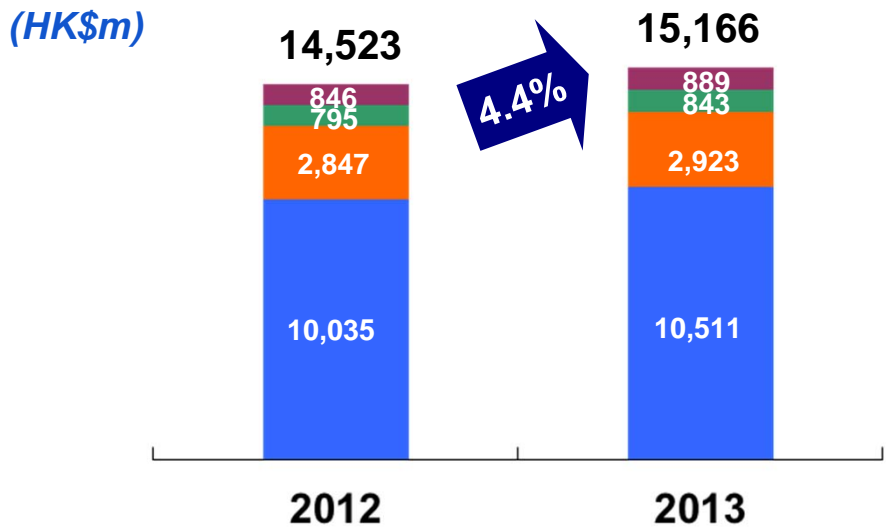
*New apps:
Next Train, Traffic News and MTR Mobile*

Continue to invest in customer service

Hong Kong Transport Operations

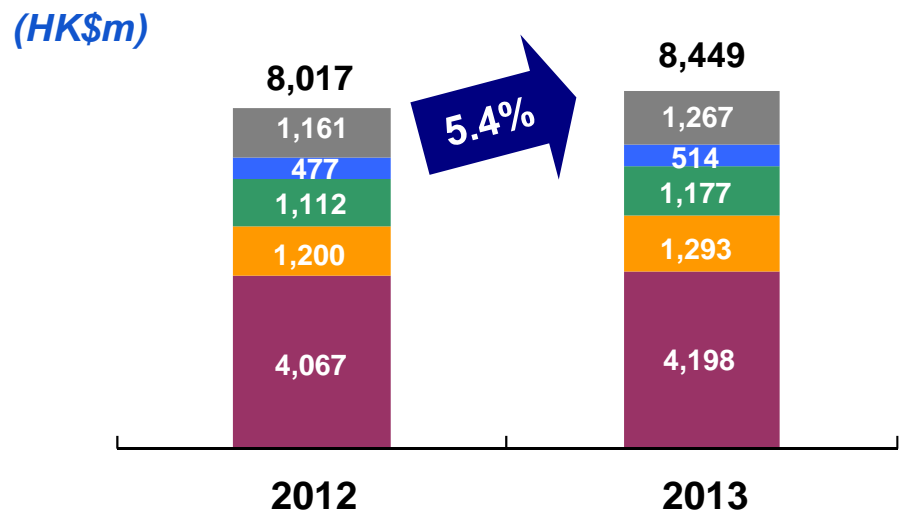
Total Patronage: 1,823.4 million ↑ 3.0%

Revenue



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

Cost



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

EBITDA: HK\$6,717m ↑ 3.2%

EBITDA Margin: 44.3% ↓ 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

Revenue from Hong Kong Transport Operations

Fare revenue for Domestic Service⁽¹⁾:
HK\$10,511m

↑ 4.7%

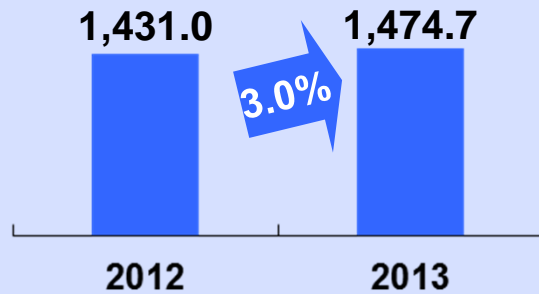
Fare revenue for Cross-boundary Service:
HK\$2,923m

↑ 2.7%

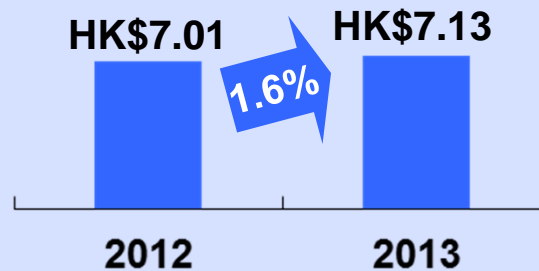
Fare revenue for Airport Express: HK\$843m

↑ 6.0%

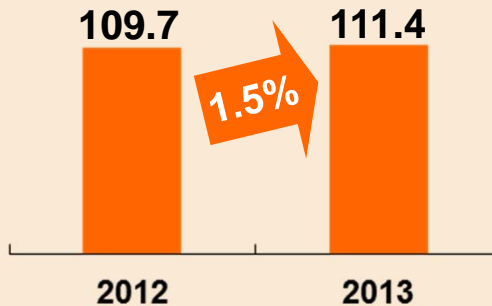
Domestic Service Patronage (m)



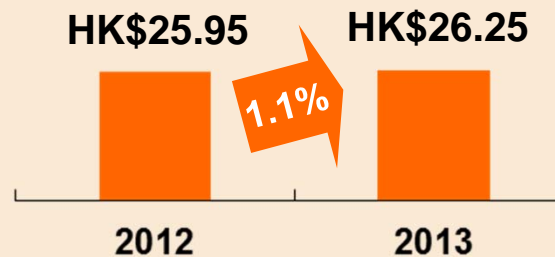
Domestic Service Average Fare



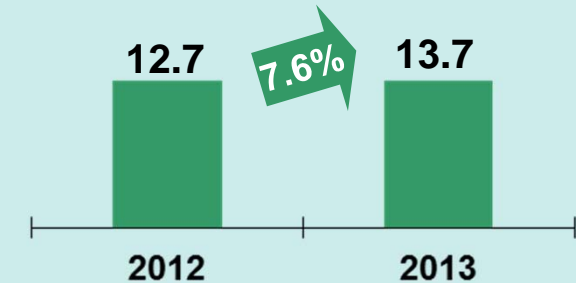
Cross-boundary Service Patronage (m)



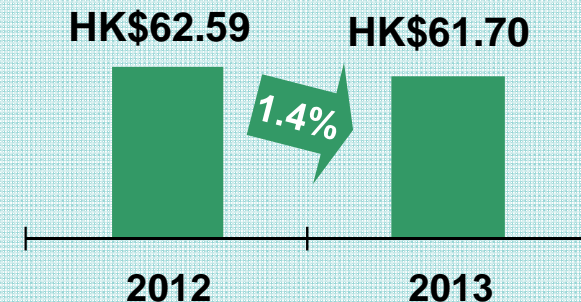
Cross-boundary Service Average Fare



Airport Express Patronage (m)



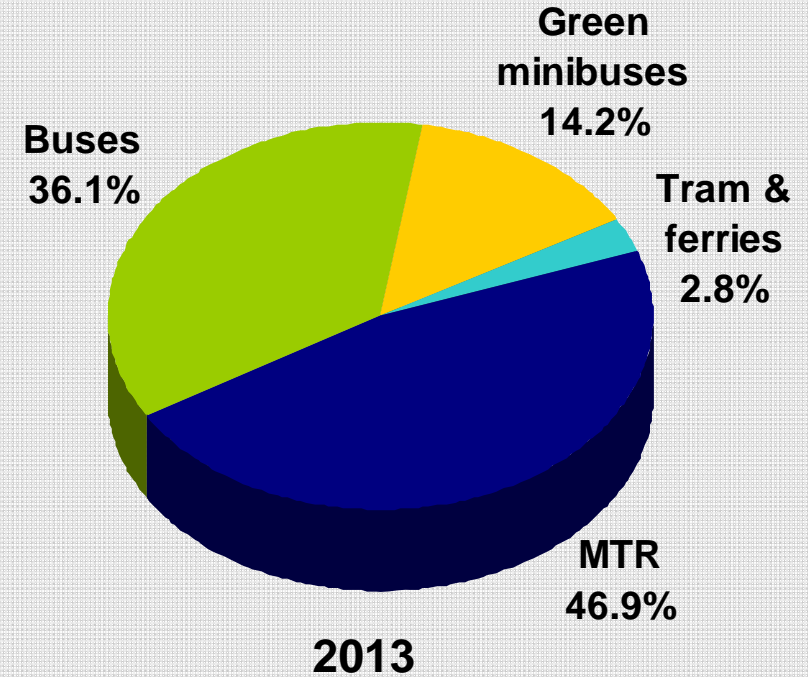
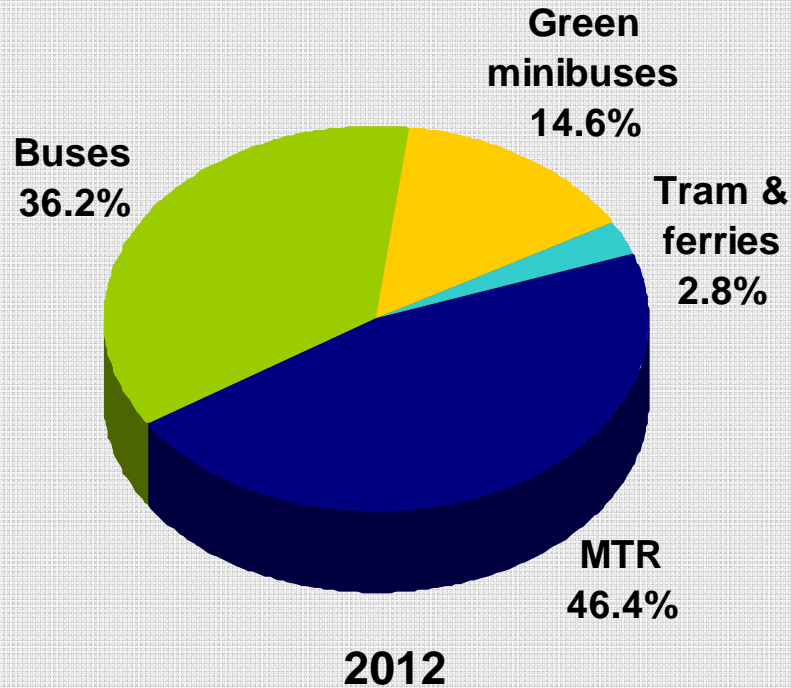
Airport Express Average Fare



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

21.8%

22.0%

2012 ⁽¹⁾

2013 ⁽¹⁾

Cross-boundary

54.2%

53.4%

2012

2013

Cross-harbour

66.7%

66.7%

2012

2013

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

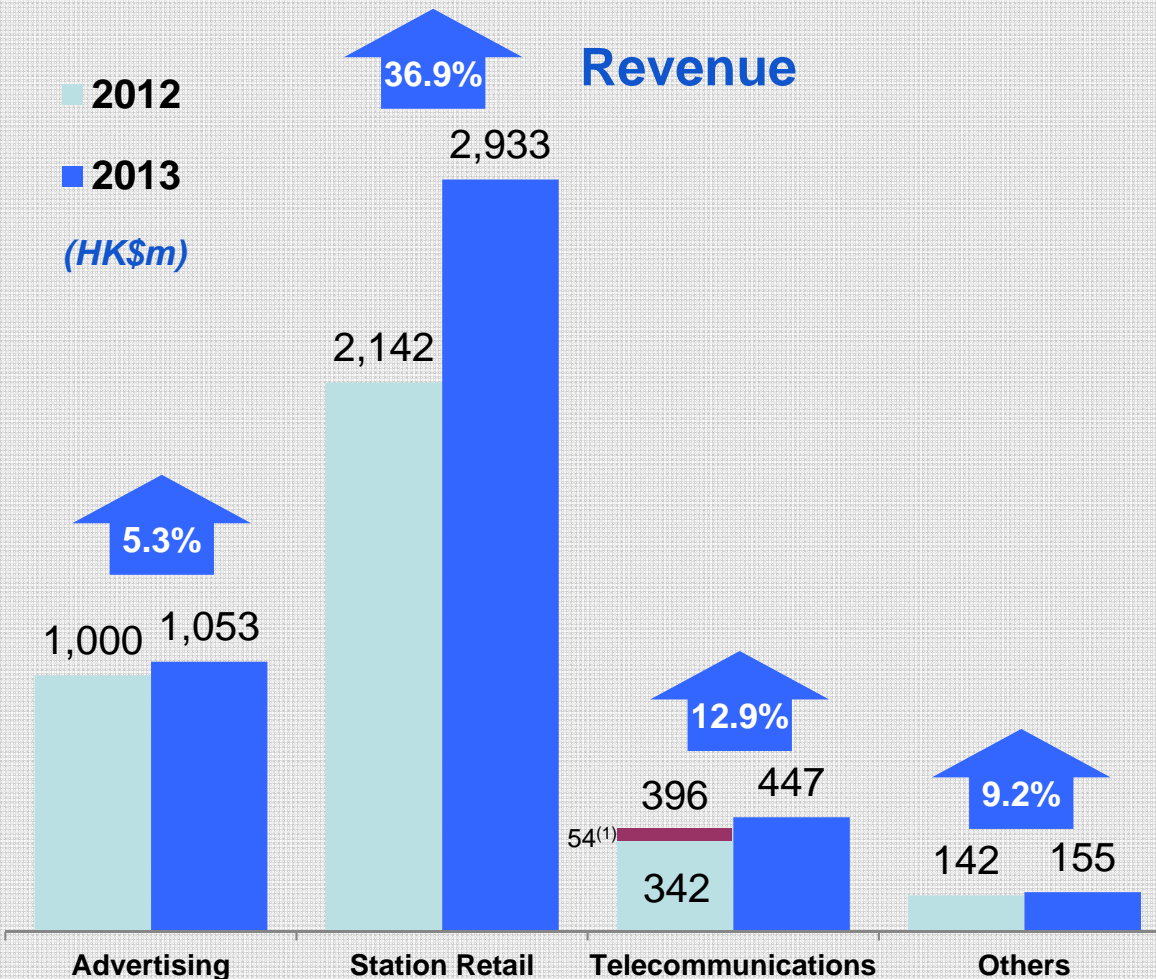
1. Calculation based on the proportion of air passenger using Airport Express over the total air passenger figures reported by the Airport Authority Hong Kong



Hong Kong Station Commercial Business

Hong Kong Station Commercial Business

Revenue: HK\$4,588m ↑ 24.7%	Cost: HK\$464m ↑ 16.9%	EBITDA: HK\$4,124m ↑ 25.6%
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- Lo Wu and Hung Hom Duty Free licenses renewed with significant one-off increases effective from 1 Jan 2013
- 1,336 shops and 56,350 sqm station retail space as at 31 December 2013
- Telecom – revenue increased due to launch of 4G mobile phone services and mobile data capacity increases

EBITDA Margin:
 89.9% ↑ 0.7%pt

1. One-off 2G termination fee in 2012



Hong Kong Property Businesses

Hong Kong Property Rental and Management Businesses

Revenue:
HK\$3,778m

↑ 11.1%

Cost:
HK\$673m

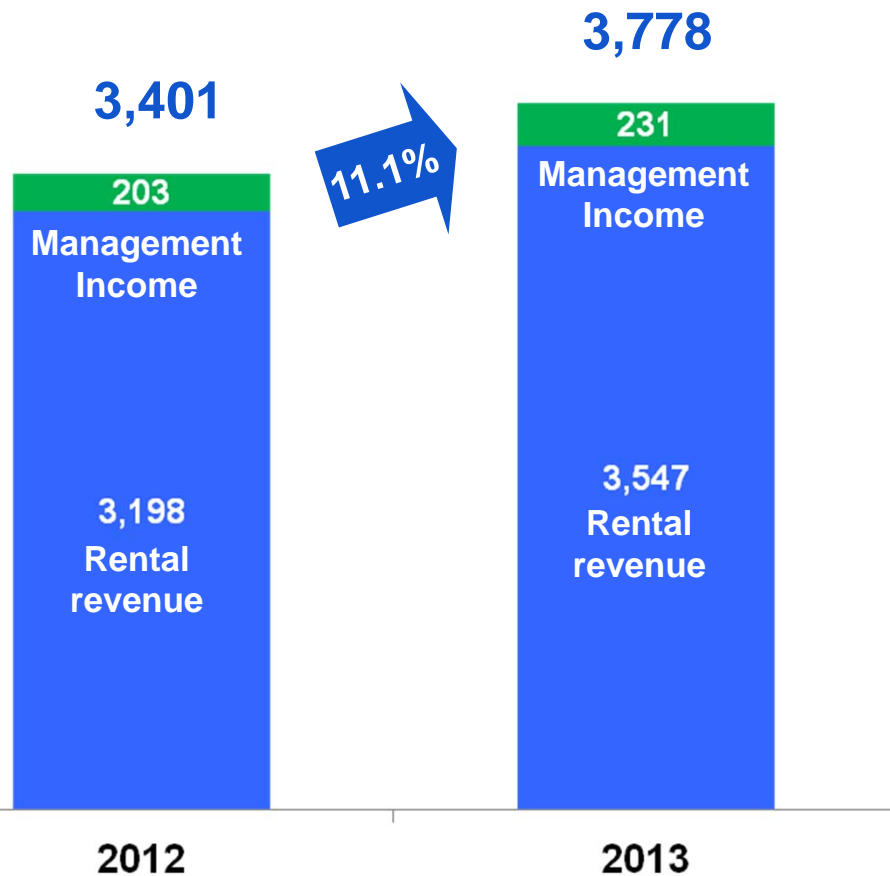
↑ 7.3%

EBITDA:
HK\$3,105m

↑ 11.9%

(HK\$m)

Revenue



- Average increase of 16% in rental reversion at shopping malls in Hong Kong
- MTR shopping malls and the 18 floors at Two IFC remained close to 100% let
- Investment portfolio – Dec 2013
 - HK Retail: 213,334 sqm⁽¹⁾
 - HK Offices: 40,969 sqm⁽¹⁾

EBITDA Margin:

82.2% ↑ 0.6%pt

1. Lettable floor area attributable to MTR

Hong Kong Property Development

**HK Property development profit:
HK\$1,396m**



HK Property Development Profit

- Profits derived predominantly from the sale of inventory units at The Riverpark, and car parking spaces at various residential properties

Pre-sale Launches in 2H2013

- The Austin Site C with all units sold, Occupation Permit expected in this year for profit to be booked
- Century Gateway II (which we only act as agent) with 99.6% of 911 units sold

Land tendering

- Tin Wing Stop (Light Rail) was put out for tender in December but no tenders were accepted



Mainland of China & International Businesses

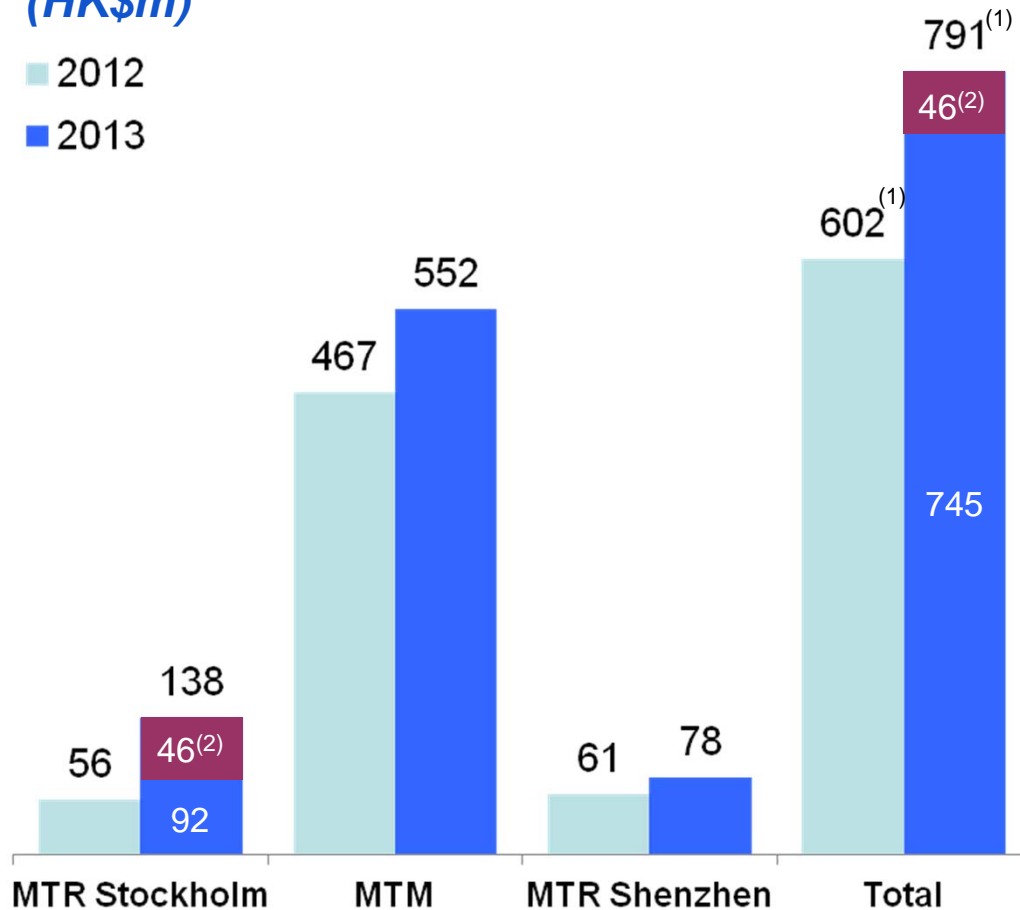
Mainland of China and International Businesses - Subsidiaries

EBITDA contribution: HK\$791m

(HK\$m)

■ 2012

■ 2013



■ MTR Stockholm

- Operational performance continues to improve
- Received recognition from the Swedish Institute of Quality for “Successful Business Development in 2013”

■ Metro Trains Melbourne (MTM)

- Good operational and financial performance
- Won the prestigious ‘Ad Campaign of the Year’ and ‘Ad of the Year’ in AdNews Agency of the Year Awards in Feb 2013 for the safety related advertising campaign

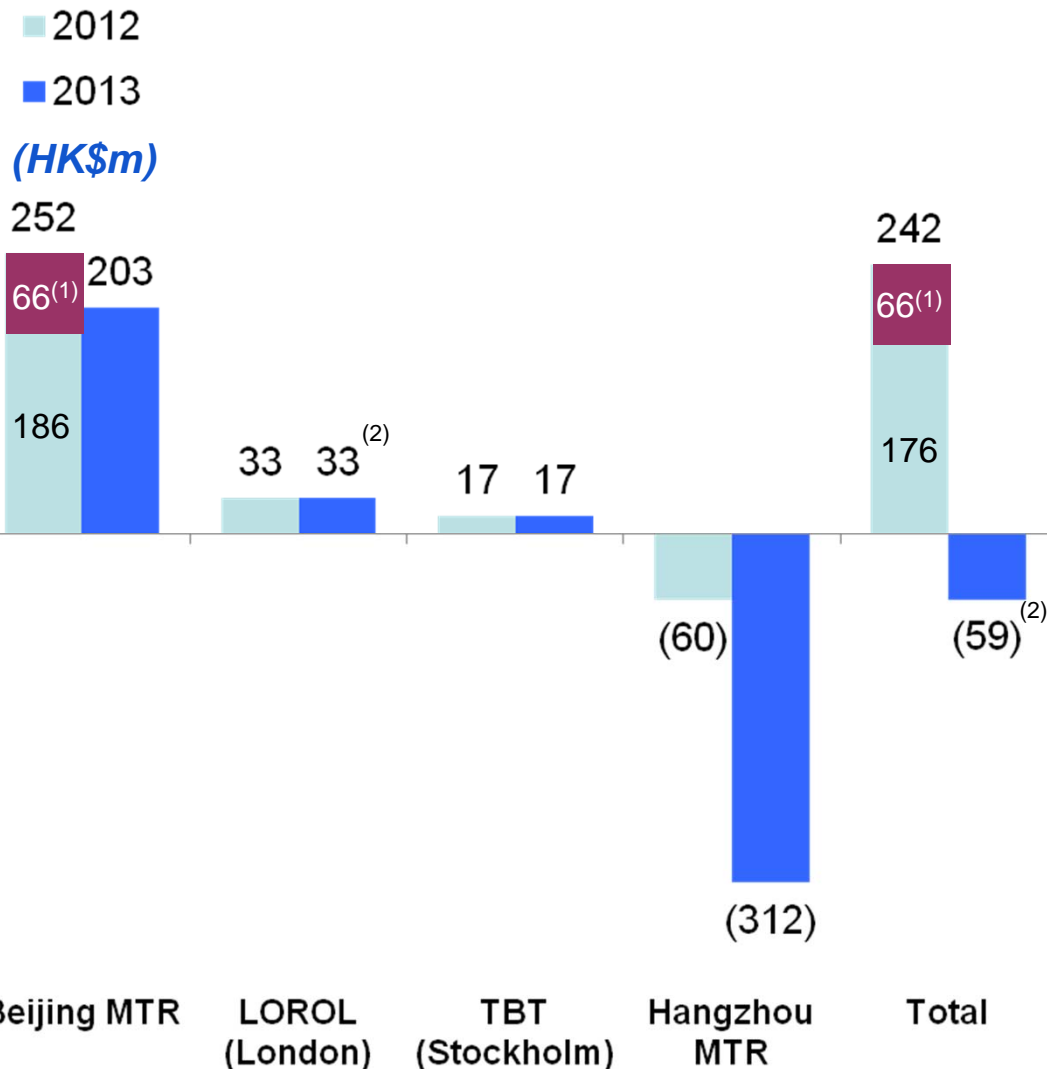
■ MTR Shenzhen

- Operational performance exceeded targets and contractual commitments
- Awarded ISO14001:2004 by Bureau Veritas

1. Includes EBITDA contribution from Mainland property activities at HK\$23 million and HK\$18 million for 2013 and 2012 respectively
 2. One-off recovery of energy cost charged for prior years

Mainland of China and International Businesses - Associates

Analysis of results by associates: Loss of HK\$59m



■ Beijing MTR (BJMTR), Mainland of China

- Good operational performance exceeding service targets
- Ranked among top three operators in Mainland China by the National Metro Association
- Phase 1 of Beijing Line 14 opened in May 2013

■ London Overground (LOROL), UK

- Continued to deliver excellent service
- Continued to win impressive awards including the European Commuter Operator of the Year 2012
- Franchise extended for two years to Nov 2016

■ Hangzhou MTR (HZMTR), Mainland of China

- Celebrated its first year of operation in Nov 2013
- Operational performance exceeded target
- Financial performance below expectations but has shown improvement with the opening of Hangzhou East high speed rail station

1. One-off accounting adjustments relating to prior periods
 2. Included a management fee income booked under consultancy business

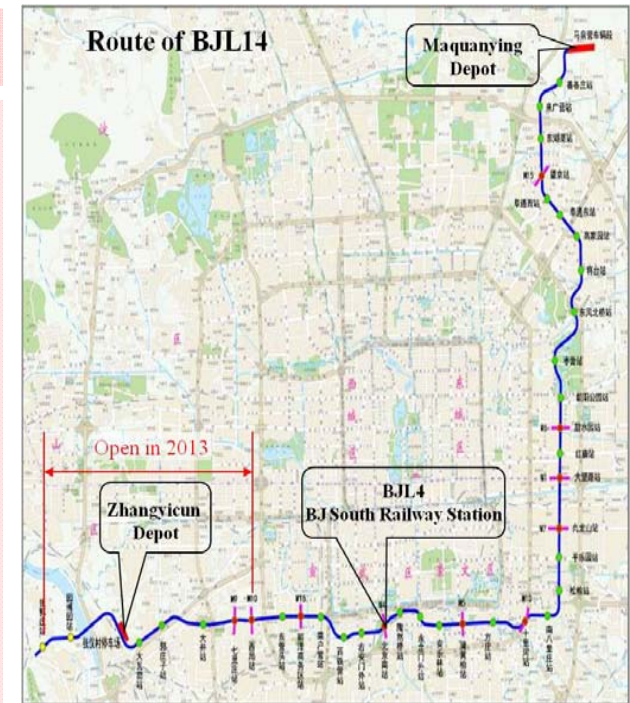


Growth Initiatives outside of Hong Kong

Expansion outside Hong Kong – Mainland of China

Beijing Line 14

- Concession Agreement initialled in Nov 2012
- Route length: 47.3 km
- Phase 1 opened on 5 May 2013 while Phase 2 is expected by 2014 and Phase 3 in 2015
- BJMTR Investment: RMB¥15b
- Additional MTR Equity injection into BJMTR: RMB¥2.2b
- Currently on O&M fee basis
- Public-Private Partnership (PPP) Model starts when full line opens
- 10 interchange stations (1 with Beijing Line 4)



MTR Corporation

Beijing Line 16



- Bid submitted in February
- Route length: 50 km (29 stations)
- Phase 1 targeted to open by end of 2016, full line service by end of 2017
- PPP Model (O&M until full line opens)

Expansion outside Hong Kong – Mainland of China

Shenzhen Property Development

- Self development approach
- Site GFA: 206,167 sqm, commercial area: 10,000 sqm
- Number of units: approximately 1,700
- Total Investment RMB¥4b (estimated) including RMB¥2b (approx.) land premium
- Superstructure construction commenced in Dec 2013
- Phase 1 presales expected in 4Q 2014
- Part of net profits shared with Shenzhen Municipality to support metro development in Shenzhen



Tianjin Property Development

- Associate investment with Tianjin Metro (Group) Company Limited
- Land price of RMB¥2.075b paid in 2H 2013
- MTR's share: 49%
- Site area: 66,888 sqm
- Total GFA: 278,650 sqm
- Residential and commercial use

Expansion outside Hong Kong – International

Sweden

MTR Express

- New express train service between Stockholm and Gothenburg, the two largest cities in Sweden
- Aim to launch service by early next year after delivery of brand new trains
- Route length: 455km, 110 train trips a week



Australia

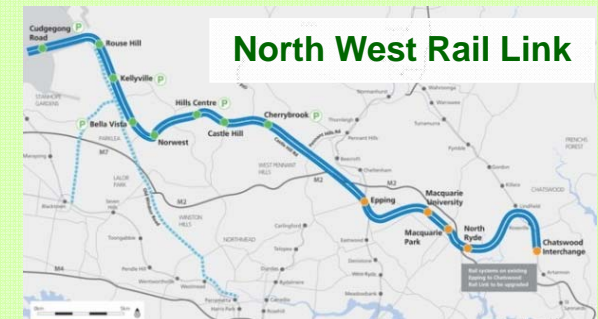
North West Rail Link (PPP)

- 1 of 2 consortiums shortlisted
- Bid submitted in Dec 2013 with results expected in 2014
- Route length 23km, 13 stations (8 new & 5 retrofit)



Dandenong Rail Corridor (PPP)

- MTR led consortium to take forward the project to transform the Dandenong Rail Corridor in Melbourne
- Subject to the finalization of procurement and financing of the project, construction to start in 2015

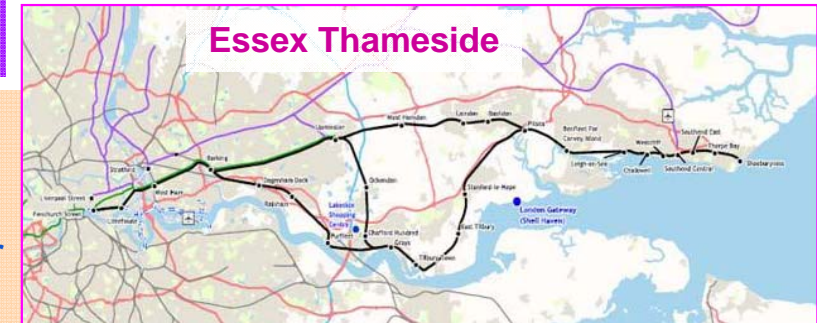


Expansion outside Hong Kong – International

United Kingdom

Essex Thameside (O&M franchise)

- Bid submitted in Dec 2013
- Route length 129km, 26 stations, 32 mil passenger trips a year



Thameslink (O&M franchise)

- Bid submitted in Dec 2013
- Route length 1,170km, 235 stations, 240 mil passenger trips a year



Crossrail (O&M franchise)

- Bid submitted in Feb 2014
- Route length 118km, 35 stations, expected 200 mil passenger trips a year



ScotRail (O&M franchise)

- Shortlisted for tender in Nov 2013
- Bid expected to be submitted in April 2014
- Route length 2,759km, 357 stations,
- Expected 81 mil passenger trips a year



Growth Initiatives in Hong Kong

Existing New Projects in Hong Kong

West Island Line

- First of our new railway projects to be completed
- Construction works and track laying complete
- Overhead lines energized
- Testing and commissioning to commence later this year



84% complete



Existing New Projects in Hong Kong

South Island Line (East)

- Structural work for Ocean Park and Wong Chuk Hang Stations completed
- First of the 10 new SIL(E) train sets arrived in February this year
- Target project completion in 2015

55% complete



Kwun Tong Line Extension

- Excavation at Ho Man Tin station 95% completed
- Construction of station structure commenced
- Target project completion in 2015

54% complete



Existing New Projects in Hong Kong

Express Rail Link

- Excavation work and concrete structure casting for West Kowloon Terminus is underway
- All tunnel boring machines in operation and making satisfactory progress
- Track work and overhead line installations underway in tunnels
- First 8-car train in testing and expected to arrive later this year
- Target project completion in 2015

51% complete



Existing New Projects in Hong Kong

Shatin to Central Link

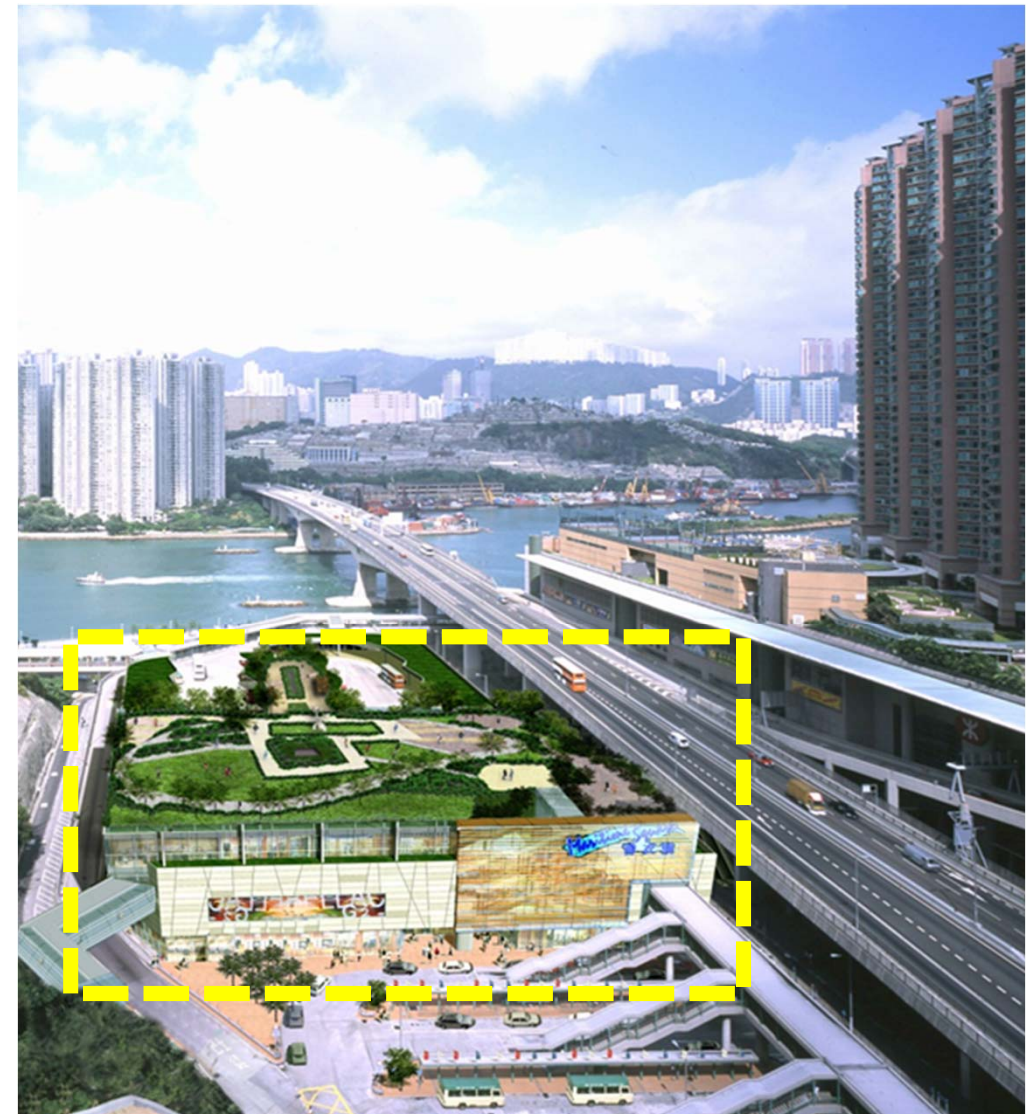
- Contracts valued at over \$38 billion dollars awarded
- Construction of tunnels and stations for Tai Wai to Hung Hom Section, and modification works for existing Ma On Shan Line in full progress
- Target project completion for the first phase in 2018, and the second phase crossing the harbour in 2020



New Initiative in Hong Kong

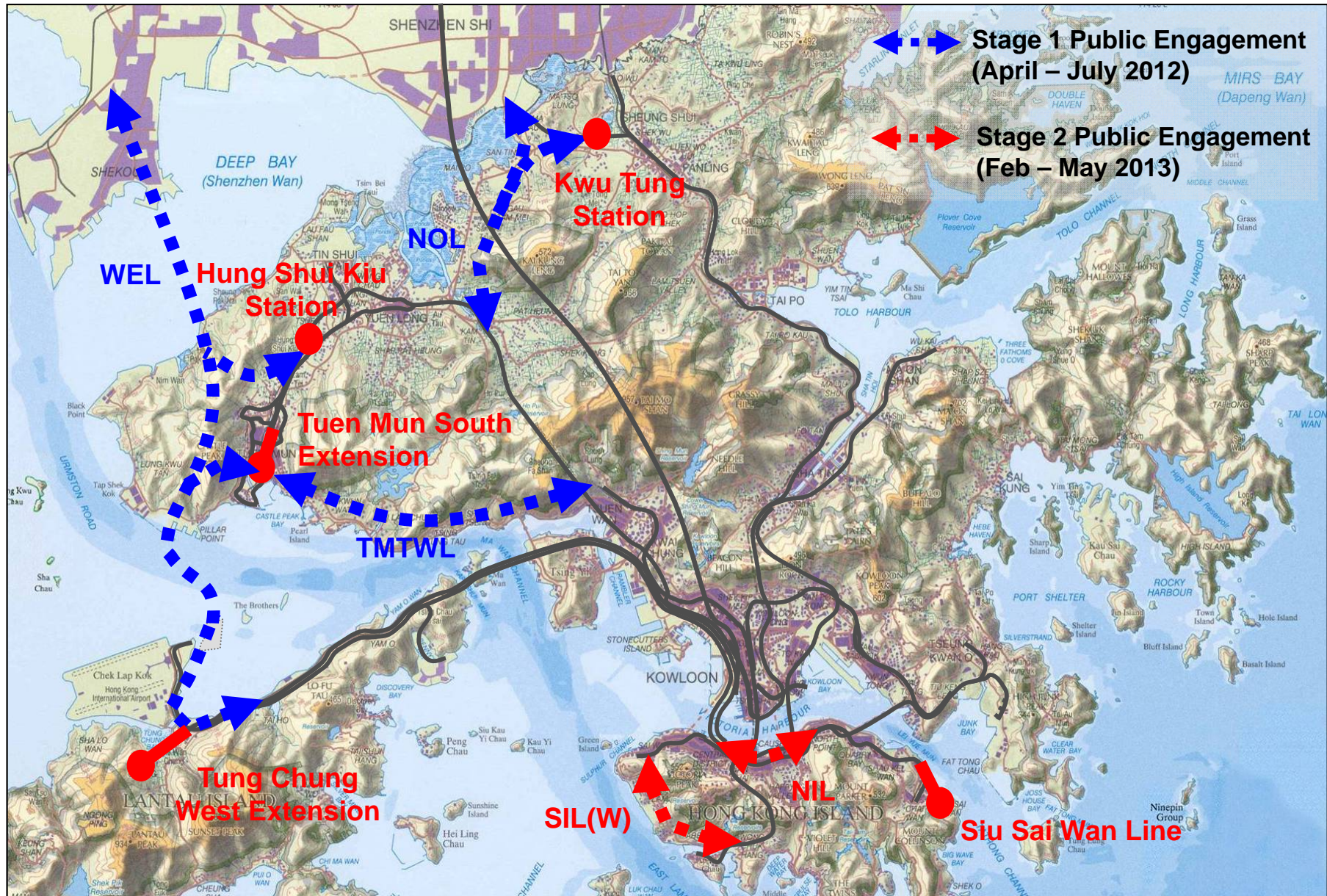
Tsing Yi Lorry Park Project

- Building on the success of Maritime Square in Tsing Yi, we shall convert Tsing Yi Lorry Park into a shopping mall
- This will add another 12,100 sqm Gross Floor Area
- Design works in progress, conversion works planned to commence in 2014 with target completion in end 2017



The new Maritime Square to be converted from the existing Tsing Yi Lorry Park

Railway Development Study Update (RDS-2U)





Financial Results

Mr. Stephen Law, Finance Director

Consolidated Income Statement

(HK\$m)	2013	2012 ⁽¹⁾	% change
Revenue from HK transport operations	15,166	14,523	4.4
Revenue from HK station commercial, HK property rental and management businesses	8,366	7,081	18.1
Revenue from Mainland of China & international subsidiaries	13,246	12,786	3.6
Revenue from other businesses	1,929	1,349	43.0
Total revenue	38,707	35,739	8.3
Operating expenses before Mainland of China & international subsidiaries	(11,853)	(10,660)	(11.2)
Expenses relating to Mainland of China & international subsidiaries	(12,455)	(12,184)	(2.2)
Total operating expenses	(24,308)	(22,844)	(6.4)
EBITDA excluding Mainland of China & international subsidiaries	13,608	12,293	10.7
Total EBITDA	14,399	12,895	11.7
HK property development profit	1,396	3,238	(56.9)
Total operating profit	15,795	16,133	(2.1)
Variable annual payment	(1,247)	(883)	(41.2)
Depreciation & amortisation	(3,372)	(3,208)	(5.1)
Interest and finance charges	(732)	(879)	16.7
Investment property revaluation	4,425	3,757	17.8
Share of profit of associates	158	456	(65.4)
Profit before taxation	15,027	15,376	(2.3)
Income tax	(1,819)	(1,862)	2.3
Reported net profit attributable to equity shareholders⁽²⁾	13,025	13,375	(2.6)
Reported earnings per share (HK\$)	2.25	2.31	(2.6)
Profit from underlying businesses	8,600	9,618	(10.6)
Underlying businesses EPS (HK\$)	1.48	1.66	
Final dividend per share (HK\$)	0.67	0.54	24.1
Total dividend per share (HK\$)	0.92	0.79	16.5

1. Restated due to retrospective adoption of Revised HKAS19, Employee Benefits

2. Excluding non-controlling interests of HK\$183 million and HK\$139 million in 2013 and 2012 respectively.

Segmental Profits of Underlying Businesses

<i>(HK\$m)</i>	<u>2013</u>	<u>2012⁽²⁾</u>	<u>% change</u>
Hong Kong railway and related businesses after variable annual payment	5,642	4,977	13.4
Mainland of China and international businesses (including railway associates)	524	606	(13.5)
Hong Kong property rental and management	3,092	2,764	11.9
Others ⁽¹⁾	(152)	(87)	(74.7)
Pre-tax recurrent profits	9,106	8,260	10.2
Tax on recurrent profits	(1,669)	(1,346)	(24.0)
Post-tax recurrent profits	7,437	6,914	7.6
Pre-tax HK property development profits	1,396	3,238	(56.9)
Tax on HK property development profits	(233)	(534)	56.4
Post-tax property development profits	1,163	2,704	(57.0)
Profit from underlying businesses	8,600	9,618	(10.6)

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 as well as services to Government.
2. Restated due to retrospective adoption of Revised HKAS19, Employee Benefits

Consolidated Balance Sheet

<i>(HK\$m)</i>	<u>2013</u>	<u>2012⁽¹⁾</u>
<u>Assets</u>		
Investment properties	61,285	55,314
Other property, plant and equipment	76,277	76,088
Service concession assets	25,594	24,492
Railway construction in progress	11,548	7,458
Property development in progress	11,233	10,430
Cash, bank balances and deposits	17,297	18,664
Debtors, deposits and payments in advance	3,621	4,246
Properties held for sale	1,105	3,016
Amounts due from related parties	654	785
Interest in associates	5,277	4,258
Others	1,932	1,936
	<u>215,823</u>	<u>206,687</u>
<u>Liabilities</u>		
Debts	24,511	23,577
Creditors and accrued charges	13,793	16,530
Obligations under service concession	10,658	10,690
Current taxation	349	406
Deferred tax liabilities	10,289	9,587
Others	3,521	2,786
	<u>63,121</u>	<u>63,576</u>
<u>Total Equity</u>	<u><u>152,702</u></u>	<u><u>143,111</u></u>

1. Restated due to retrospective adoption of Revised HKAS19, Employee Benefits

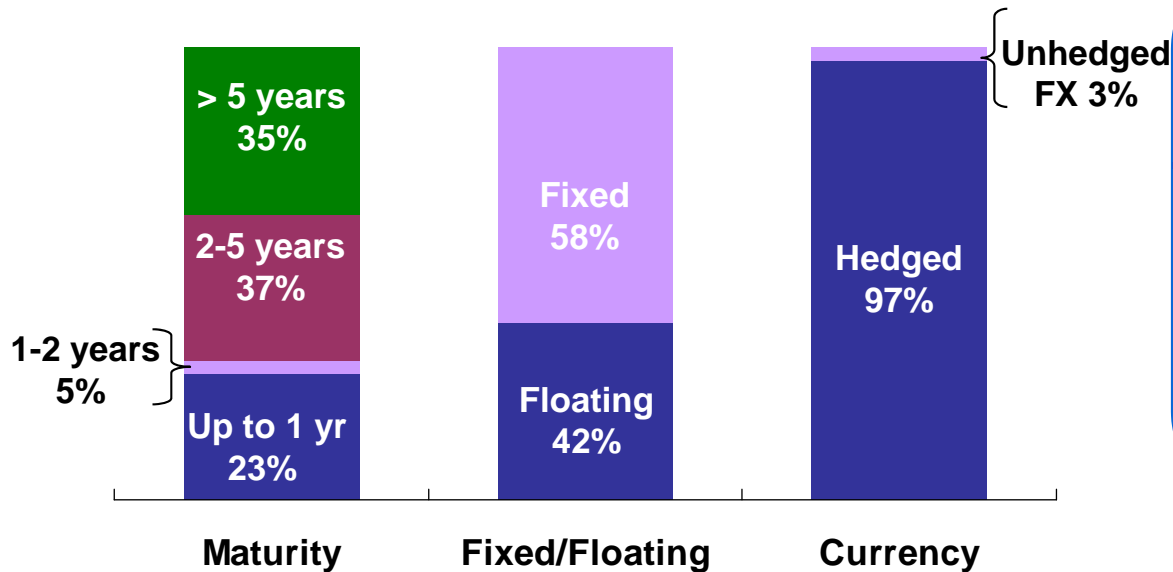
Cash Flow

(HK\$m)

	<u>2013</u>	<u>2012</u>
Cash Inflow		
Cash flows from operating activities before tax payment and working capital	14,551	12,963
Working capital movements	895	1,738
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	661	637
Receipts in respect of property development	3,937	5,677
Others	341	497
Total inflows	<u>20,385</u>	<u>21,512</u>
Cash Outflow		
Tax paid	(1,343)	(1,799)
Fixed and variable annual payment	(1,633)	(1,397)
Capital expenditure		
- New rail	(6,849)	(6,353)
- Existing rail	(2,868)	(2,376)
- Property related	(3,062)	(1,544)
- Shenzhen Metro Longhua Line related	(577)	(852)
Investment in an associate	(1,111)	(2,734)
Net interest paid	(752)	(438)
Dividends paid	(4,772)	(4,519)
Total outflows	<u>(22,967)</u>	<u>(22,012)</u>
Net cash outflow before financing	(2,582)	(500)
Net drawdown of loans	1,223	385
Redemption of bank medium term notes	-	2,624
(Decrease)/increase in cash	<u>(1,359)</u>	<u>2,509</u>

Financing and Credit Ratios

Debt profile (31 Dec 2013)



Total borrowings outstanding
at HK\$24,511m (HK\$23,577m as at 31 Dec 2012)

Average borrowing cost:
3.6%

0.3%
point

Net interest expense:
HK\$732m

16.7%

Compared to 2012 figures

	Dec 2013	Dec 2012
Net Debt/Equity ratio⁽¹⁾	11.8%	11.0% ⁽²⁾
Interest cover	11.5x	13.0x

1. Including obligations under service concession and loan from holders of non-controlling interests of a subsidiary as components of debt

2. Restated due to retrospective adoption of Revised HKAS19, Employee Benefits



Outlook

Outlook

- Global outlook remains challenging, with signs of slowdown in the economy in the Mainland of China in recent months from its outstanding growth in past year. Despite the uncertain outlook for the world economy, the Company should maintain its growth momentum in 2014.
- This year, the Company is celebrating its 35th year of passenger operation and we are excited to open our West Island Line at the end of this year. All of our recurrent businesses in Hong Kong should remain solid. Our core business remains in Hong Kong, and we are committed to continue providing world-class transport service to the people in Hong Kong.
- On property development, subject to market conditions, we expect to launch the presale of Austin Station Site D and LOHAS Park Package 3 this year. Building on the success of our investment properties, we shall convert the Tsing Yi Lorry Park into Maritime Square. Design works are in progress and the conversion works are planned to commence later this year.
- Our businesses outside of Hong Kong should make a higher contribution to revenue. The Company will continue to look for new business opportunities to seek good returns. In the coming year, subject to bidding results, we will focus on Beijing Line 16, the PPP projects in Australia and the railway concession projects in the UK.



Q&A