



MTR Corporation

2013 Interim Results

26 August 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

Continued Solid Performance in 1H2013

Good results - better than 1H2012

*Fare Adjustment Mechanism (FAM)
review concluded*

*Growth strategies on track –
Steady progress on new HK railway projects
Service commencement on Beijing Line 14 Phase 1
China property development kicked off*

Financial Highlights

(HK\$m)	1H2013	1H2012	Change
Total revenue	19,214	17,154	↑ 12.0%
Revenue (before Mainland of China & international subsidiaries)	12,189	10,752	↑ 13.4%
Total EBITDA	7,332	6,428	↑ 14.1%
EBITDA (before Mainland of China & international subsidiaries)	6,872	6,085	↑ 12.9%
Total EBITDA margin	38.2%	37.5%	↑ 0.7%pt
EBITDA margin (before Mainland of China & international subsidiaries)	56.4%	56.6%	↓ 0.2%pt
HK Property development profit	531	627	↓ 15.3%
Profit before taxation	7,156	6,647	↑ 7.7%
Reported net profit attributable to equity shareholders*	6,158	5,785	↑ 6.4%
Reported EPS (HK\$)*	1.06	1.00	↑ 6.0%
Profit from underlying businesses	4,251	4,045	↑ 5.1%
Underlying businesses EPS (HK\$)	0.73	0.70	↑ 4.3%
Interim dividend per share (HK\$)	0.25	0.25	

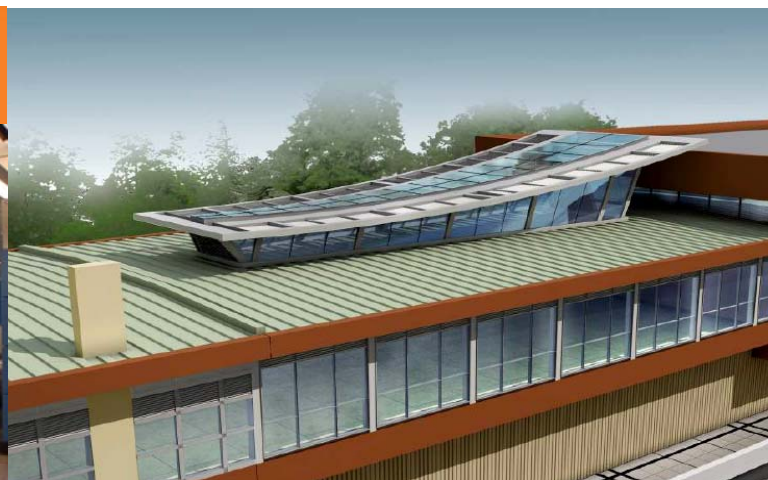
* Excluding non-controlling interests



Hong Kong Transport Operations

用心聽 用心做

Listening Responding





Excellent Service Performance in first 6 months in 2013

*Consistent on-time performance
of 99.9%*

*773.7 million passenger journeys on-time
on Heavy Rail,
increase of 28 million journeys*

用心聽  用心做
Listening Responding

*Inflatable door seals –
Quieter journeys*

*Free Wi-Fi hotspots –
Staying connected*

Refurbishment works continue

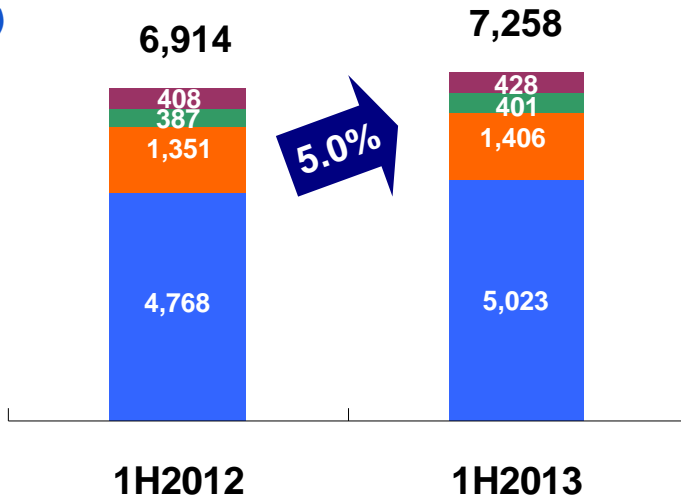
Hong Kong Transport Operations

⁽¹⁾ Total Patronage: 883 million

↑ 3.6%

Revenue

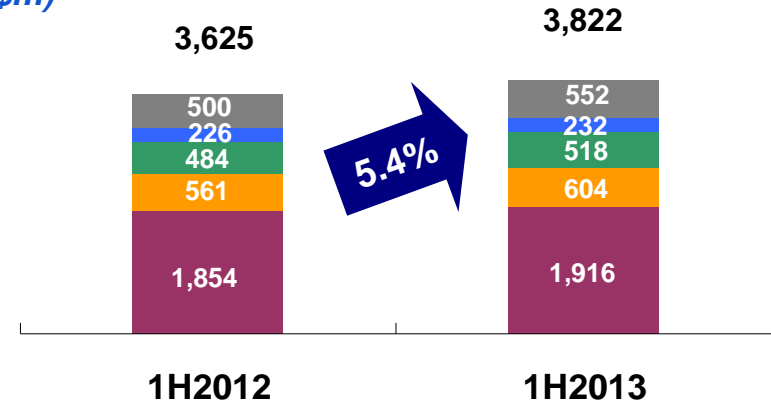
(HK\$m)



- Domestic Service⁽²⁾
- Cross-boundary Service
- Airport Express
- Others⁽³⁾

Cost

(HK\$m)



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

EBITDA: HK\$3,436m

↑ 4.5%

EBITDA Margin: 47.3%

↓ 0.2%pt

1. Includes Heavy Rail, Light Rail, Bus and Intercity
2. 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
3. Others comprise Light Rail, Bus, Intercity and other rail related income

Revenue from Hong Kong Transport Operations

Fare revenue for Domestic Service⁽¹⁾:

HK\$5,023m

↑ 5.3%

Fare revenue for Cross-boundary Service:

HK\$1,406m

↑ 4.1%

Fare revenue for Airport Express: HK\$401m

↑ 3.6%

Domestic Service Patronage (m)

687.5 713.3

3.7%

1H2012

1H2013

Domestic Service Average Fare

HK\$6.93

HK\$7.04

1.6%

1H2012

1H2013

Cross-boundary Service Patronage (m)

53.0 54.4

2.8%

1H2012

1H2013

Cross-boundary Service Average Fare

HK\$25.51

HK\$25.83

1.3%

1H2012

1H2013

Airport Express Patronage (m)

6.1 6.4

5.7%

1H2012

1H2013

Airport Express Average Fare

HK\$63.85

HK\$62.55

2.0%

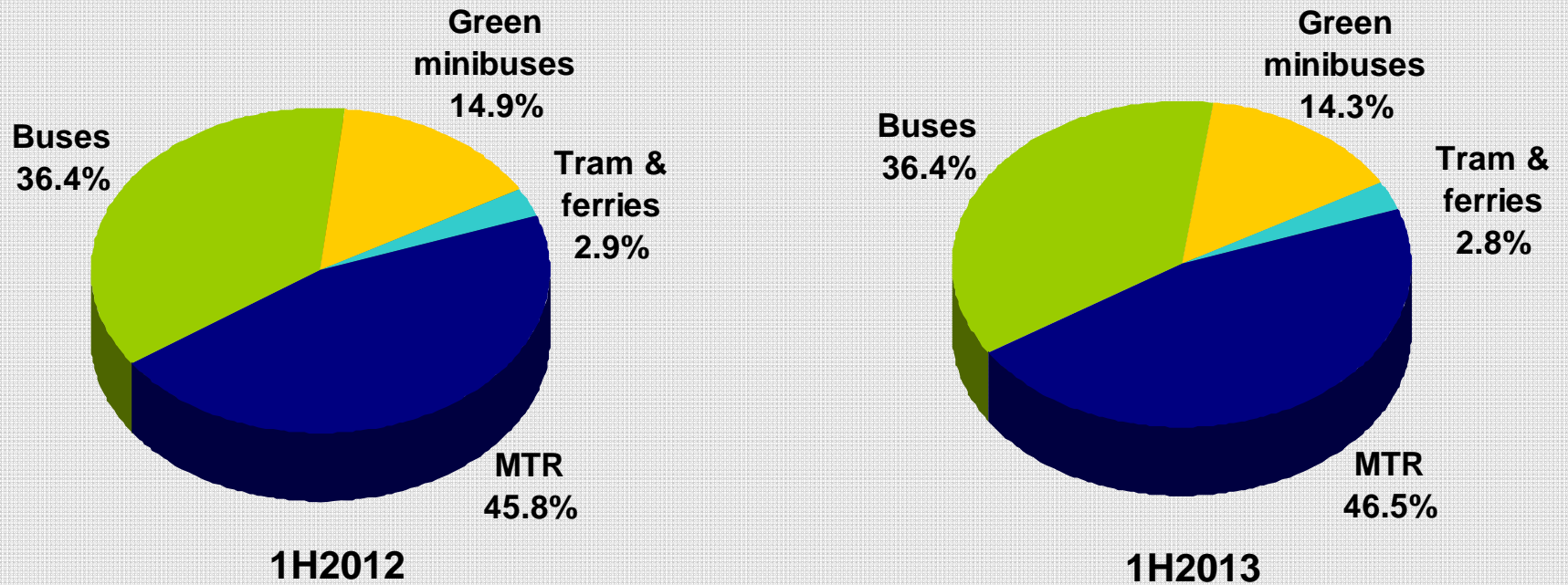
1H2012

1H2013

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

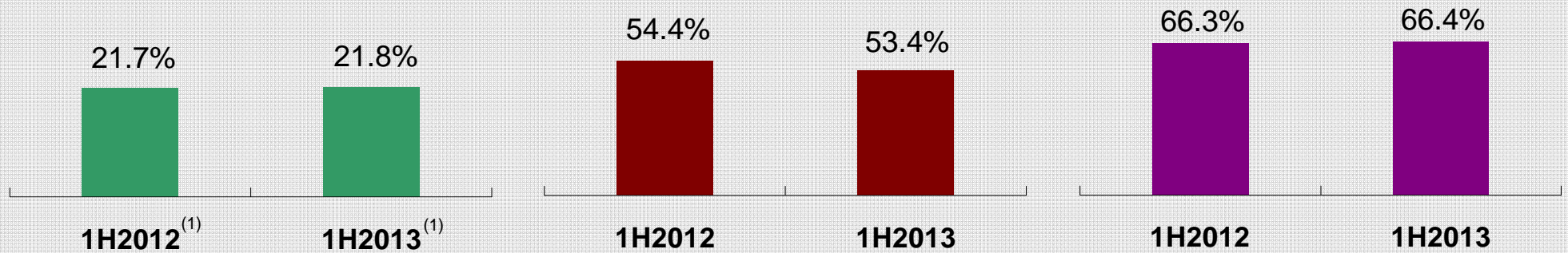
Hong Kong Franchised Public Transport



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\$2,194m

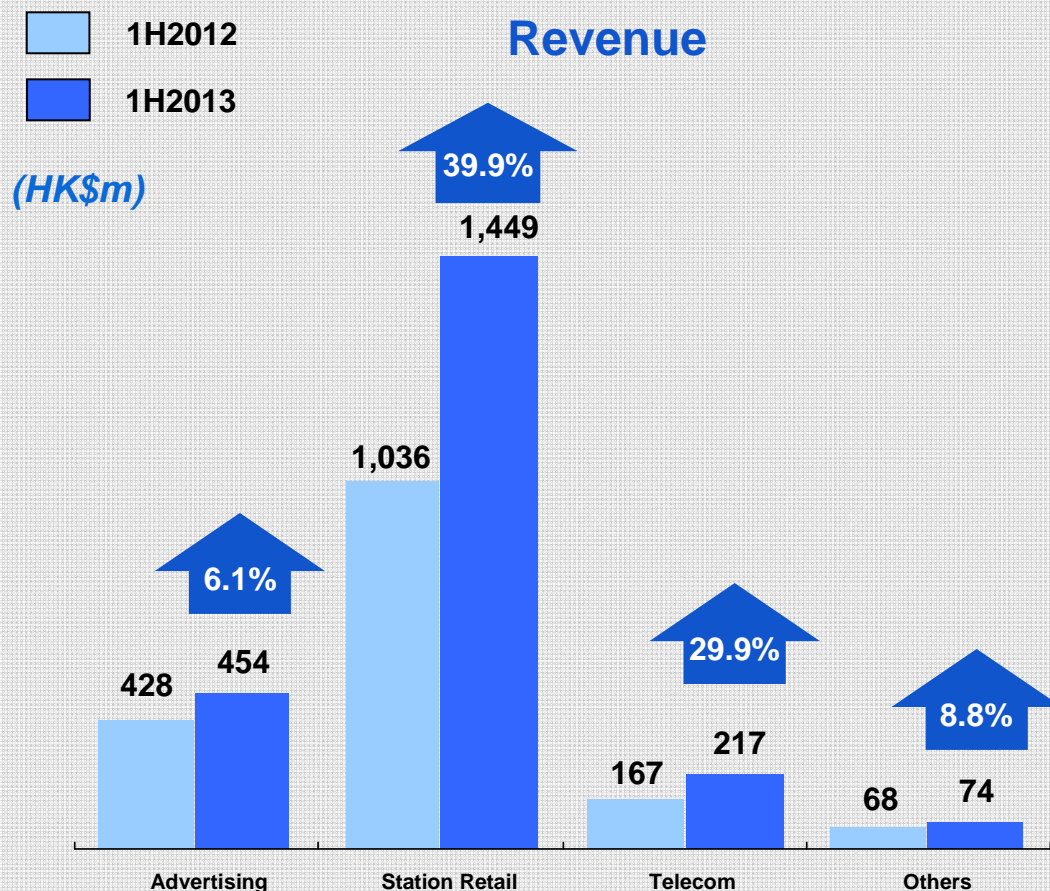
↑ 29.1%

Cost:
HK\$206m

↑ 9.6%

EBITDA:
HK\$1,988m

↑ 31.6%



- Lo Wu and Hung Hom Duty Free license renewed with significant increases effective 1 Jan 2013
- 1,329 shops and 55,946 sqm station retail space as at 30 June 2013
- Telecom – revenue increased due to launch of additional mobile phone services and capacity enhancement projects

EBITDA Margin:

90.6%

↑ 1.7%pts



Hong Kong Property Businesses

Hong Kong Property Rental and Management Businesses

Revenue:
HK\$1,842m

↑ 10.8%

Cost:
HK\$304m

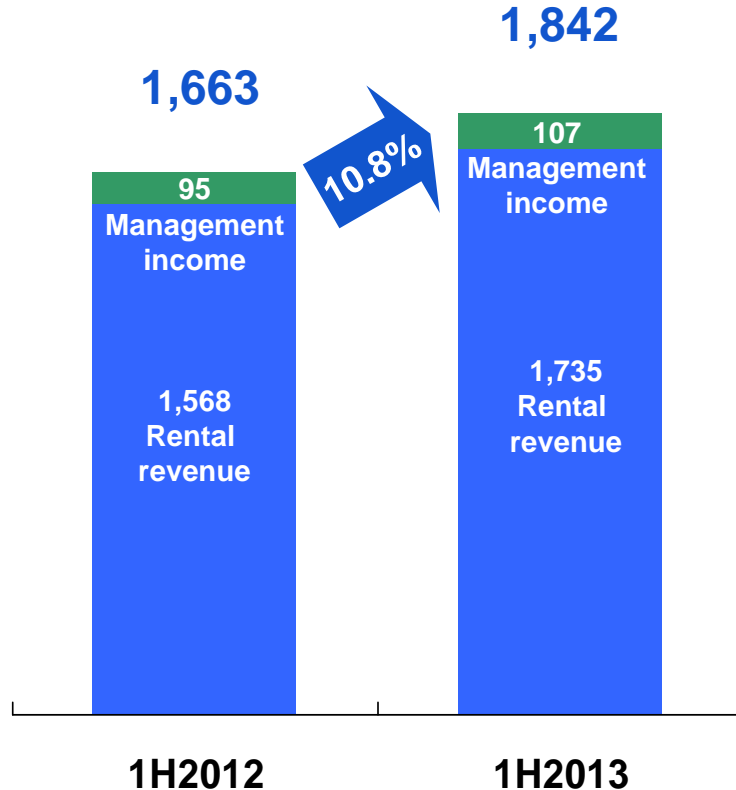
↑ 9.4%

EBITDA:
HK\$1,538m

↑ 11.0%

(HK\$m)

Revenue



- Average increase of 15% 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 – Jun 2013
 - HK Retail: 213,278 sqm⁽¹⁾
 - HK Offices: 40,969 sqm⁽¹⁾

EBITDA Margin:

83.5% ↑ 0.2%pt

1. Lettable floor area attributable to MTR

Hong Kong Property Development

**HK Property development profit:
HK\$531m**



HK Property Development Profit

- Profits derived predominantly from the sale of inventory units at The Riverpark, Lake Silver, Coastal Skyline and Island Harbourview

Land Tendering

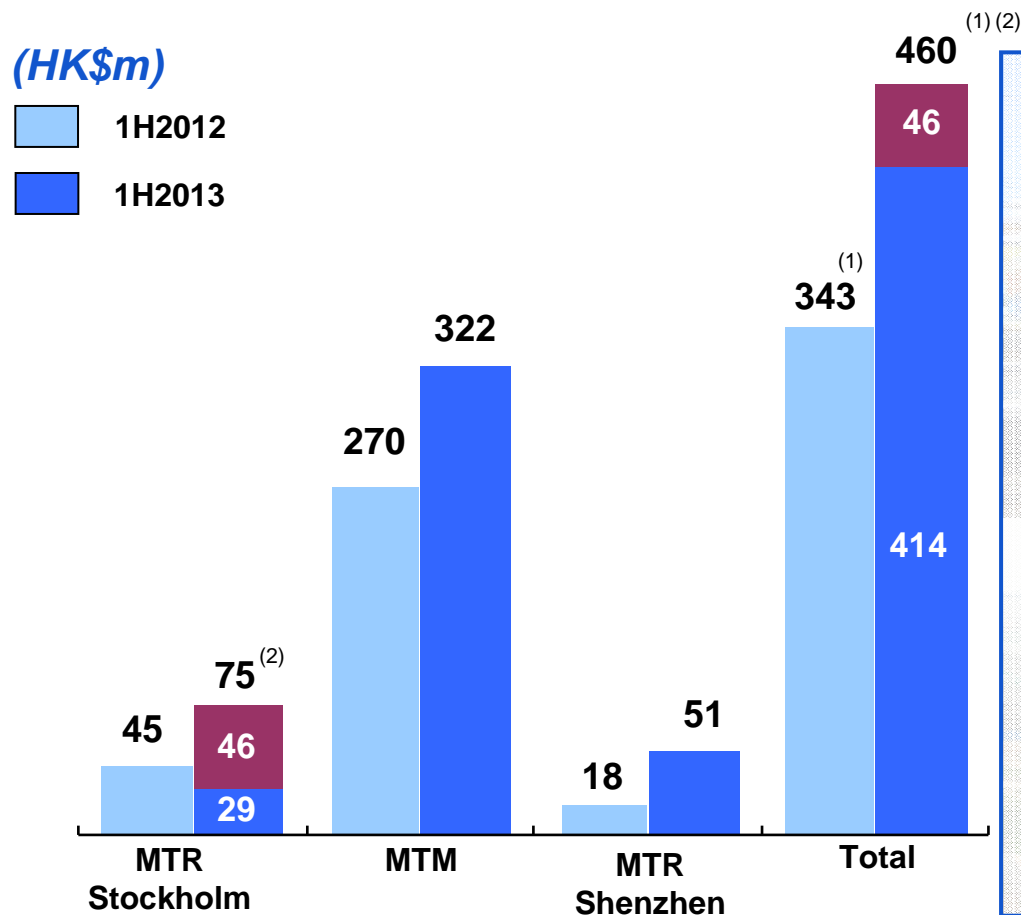
- Long Ping Station (South) awarded to Chinachem in Jun 2013



Mainland of China and International Businesses

Mainland of China and International Businesses - Subsidiaries

EBITDA contribution: HK\$460m



■ MTR Stockholm

- Good operational performance which continues to improve
- Financial performance below expectations due to higher-than-expected operating costs
- One-off receipt on conclusion of electricity arbitration claim

■ 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 for the safety promotion video "Dumb Ways to Die"

■ MTR Shenzhen

- Good operational performance and financial performance improved

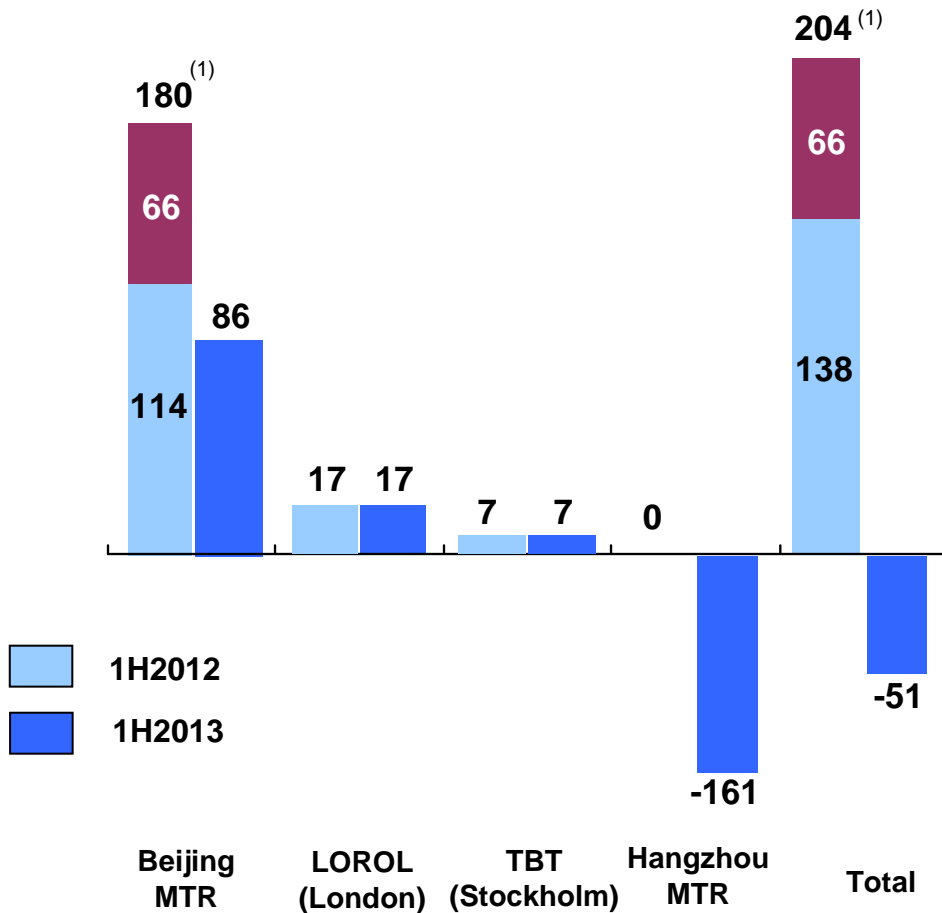
1. Includes EBITDA contribution from Mainland property activities at HK\$12 million and HK\$10 million for 1H2013 and 1H2012 respectively

2. Includes one-off receipt on conclusion of electricity arbitration claim at HK\$46 million

Mainland of China and International Businesses - Associates

Post-tax loss from railway associates: -HK\$51m

(HK\$m)



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

Beijing MTR (BJMTR), Mainland of China

- Good operational performance exceeding service targets
- Phase 1 of Beijing Line 14 of 12.4 km opened on schedule in May 2013 with pre-operational expenses incurred
- Non-recurrence of one-off revenue in 1H2012

London Overground (LOROL), UK

- Continued to gain recognition for service excellence
- Won several awards: Best Operational Performance for Right Time Arrivals and Operational Safety Management
- Financial performance remains steady

Hangzhou MTR (HZMTR), Mainland of China

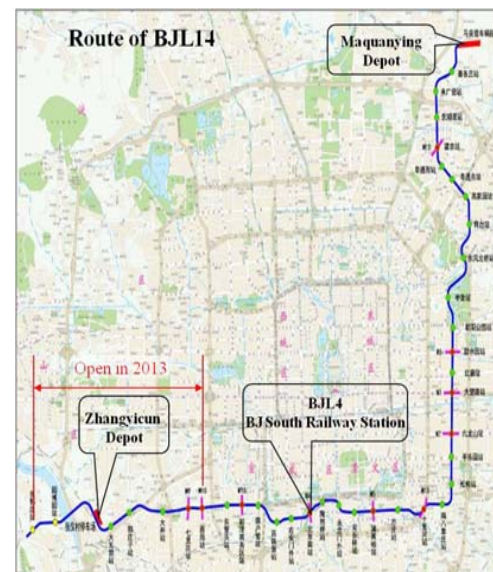
- Opened in Nov 2012
- Good operational performance
- Financial performance below expectations due to patronage

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 2016
- BJMTR Investment: RMB¥15b
- Additional MTR Equity injection into BJMTR: RMB¥2.2b
- Public-Private Partnership (PPP) Model



Shenzhen Property Development

- Self development approach
- Site GFA: 206,167 sqm
 - Commercial area: 10,000 sqm
- Number of units: approximately 1,700
- Phase 1 presales expected in end of 2014
- Total Investment RMB¥4b including RMB¥2b land premium
- Site formation works commenced in April 2013
- Part of net profits shared with Shenzhen Municipality to support metro development in Shenzhen

Expansion outside Hong Kong – Mainland of China

Tianjin Property Development

- Joint venture development with Tianjin Metro (Group) Company Limited
- Bid price: RMB¥2.075b
- MTR's share: 49%
- Site area: 66,888 sqm
- Total GFA: 278,650 sqm
- Residential and commercial use



Expansion outside Hong Kong – International

United Kingdom

Essex Thameside (O&M franchise)

- Bid process to be resumed later in 2013
- Route length 129km, 24 stations, 32 mil passenger trips a year



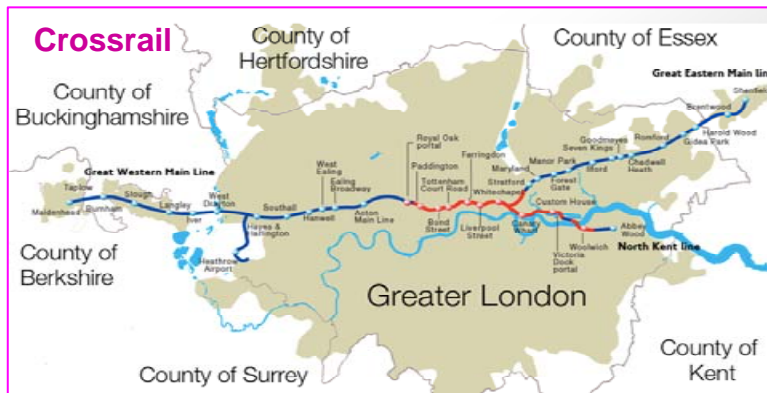
Thameslink (O&M franchise)

- Bid process to be resumed later in 2013
- Route length 1,170km, 235 stations, 240 million passenger trips a year



Crossrail (O&M franchise)

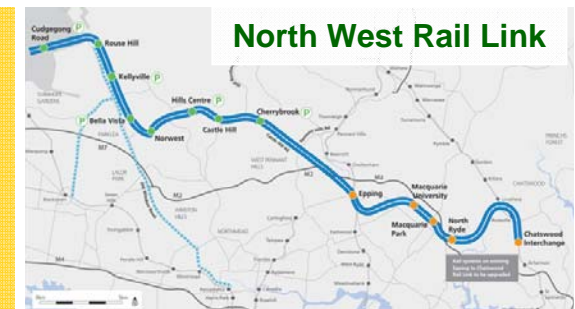
- Shortlisted as 1 of 4 bidders, bid submission targeted in early 2014
- Route length 118km, 35 stations, expected 200 million passenger trips a year



Australia

North West Rail Link (PPP)

- 1 of 2 consortiums shortlisted
- Tender expected in Dec 2013
- Route length 23km
- 13 stations (8 new & 5 retrofit)





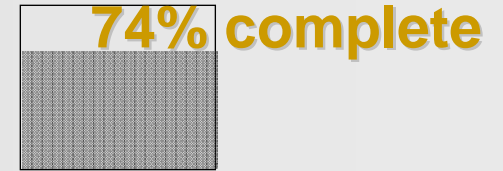
Growth Initiatives in Hong Kong

Existing New Projects in Hong Kong

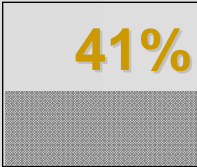
West Island Line



- Construction commenced in 2009
- Target project completion next year
- Cash Grant Model



41% complete



- Construction commenced in 2011
- Target project completion in 2015
- Rail + Property Model

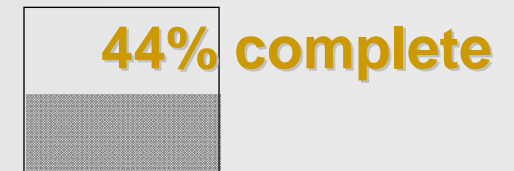


South Island Line (East)

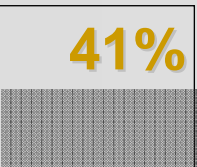
Kwun Tong Line Extension



- Construction commenced in 2011
- Target project completion in 2015
- Rail + Property Model



41% complete



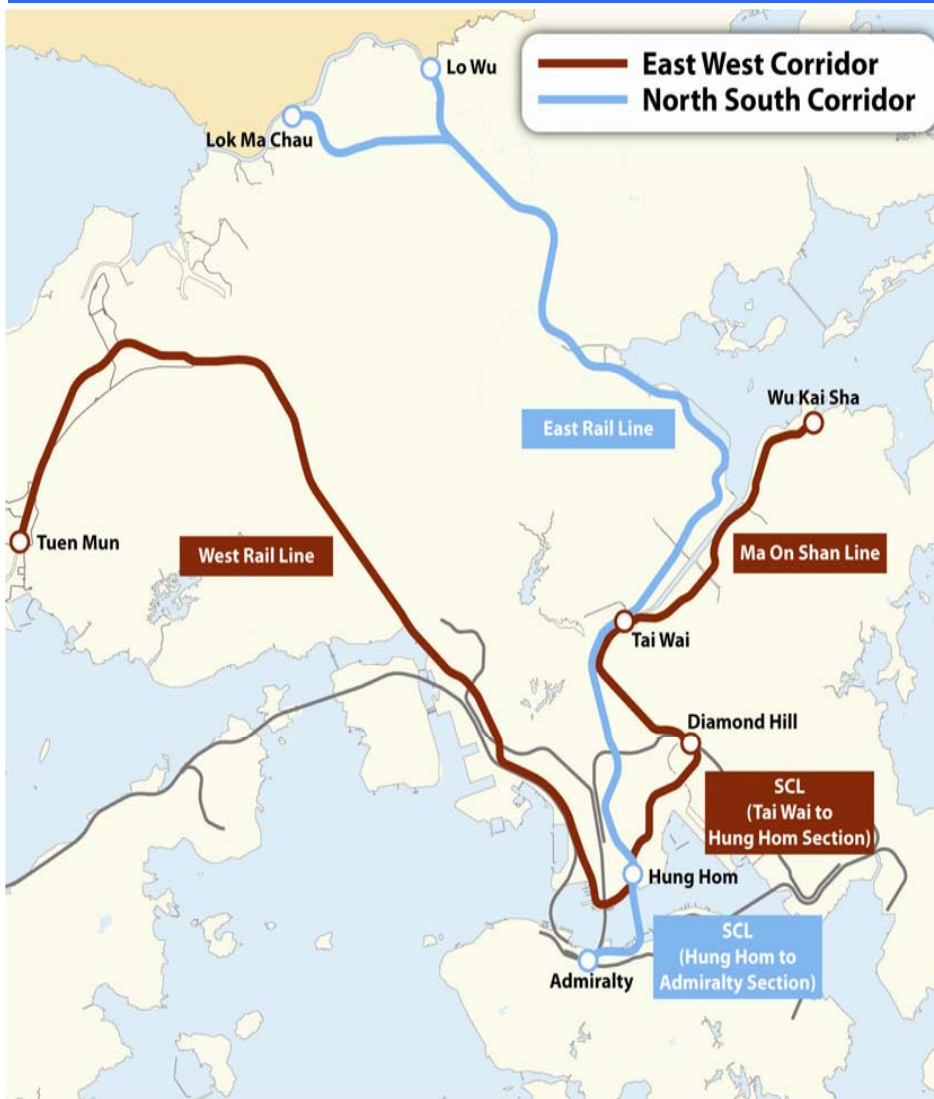
- Construction commenced in 2010
- Target project completion in 2015
- Concession Model



Express Rail Link HK Section

Existing New Projects in Hong Kong

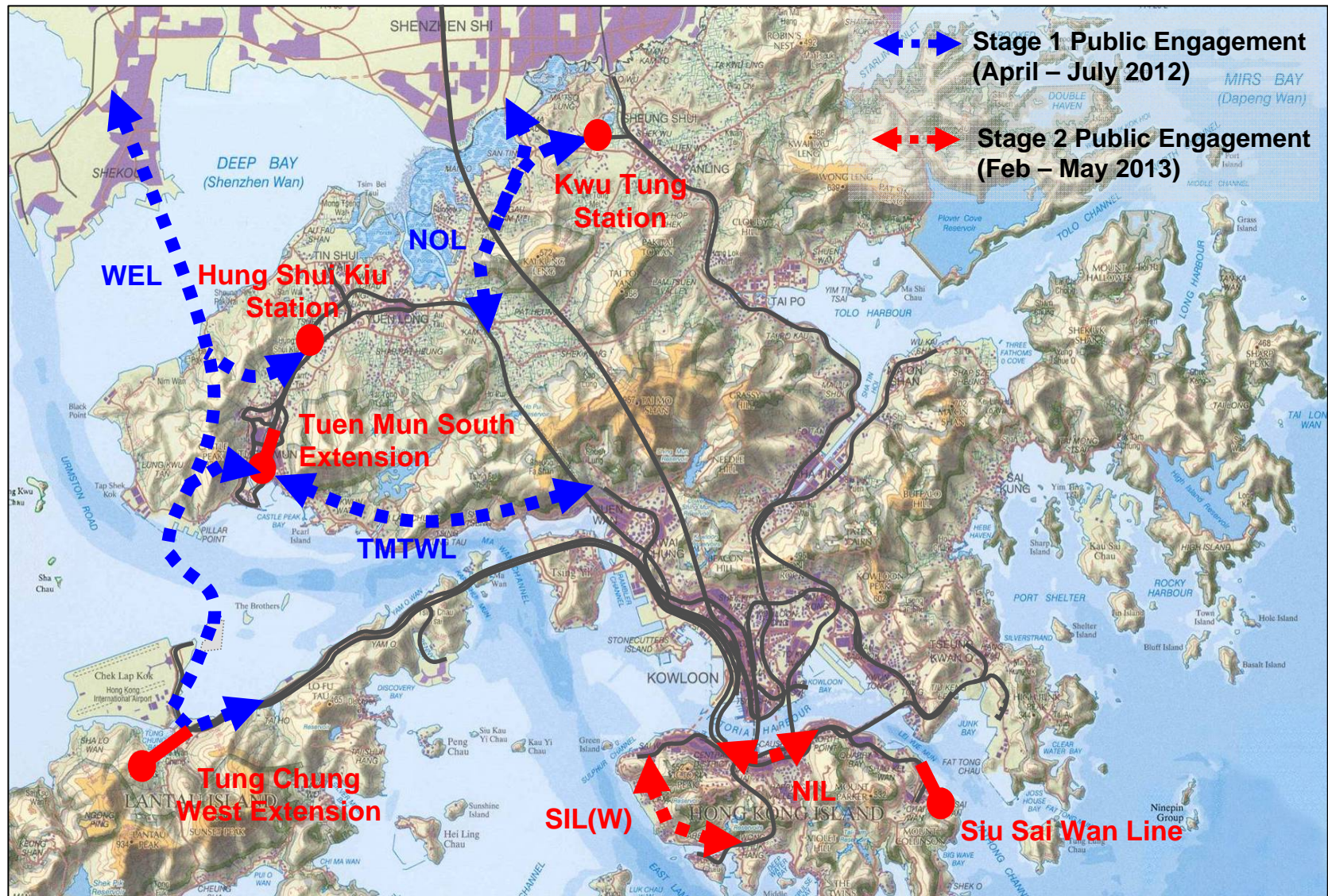
Shatin to Central Link



- Construction commenced in June 2012
- Civil works in progress and E&M contracts award in progress
- Target to commence service in 2018 for Tai Wai to Hung Hom section, and in 2020 for Hung Hom to Admiralty section
- Concession Model



Railway Development Study Update (RDS-2U)





Financial Results

Mr. Stephen Law, Finance Director

Income Statement

(HK\$m)	1H2013	1H2012	% change
Revenue from HK transport operations	7,258	6,914	5.0
Revenue from HK station commercial, HK property rental and management businesses	4,036	3,362	20.0
Revenue from Mainland of China & international subsidiaries	7,025	6,402	9.7
Revenue from other businesses	895	476	88.0
Total revenue	19,214	17,154	12.0
Operating expenses before Mainland of China & international subsidiaries	(5,317)	(4,667)	(13.9)
Expenses relating to Mainland of China & international subsidiaries	(6,565)	(6,059)	(8.4)
Total operating expenses	(11,882)	(10,726)	(10.8)
EBITDA excluding Mainland of China & international subsidiaries	6,872	6,085	12.9
Total EBITDA	7,332	6,428	14.1
HK property development profit	531	627	(15.3)
Total operating profit	7,863	7,055	11.5
Variable annual payment	(589)	(402)	(46.5)
Depreciation & amortisation	(1,641)	(1,613)	(1.7)
Interest and finance charges	(435)	(432)	(0.7)
Investment property revaluation	1,907	1,740	9.6
Share of profit/(loss) of associates	51	299	(82.9)
Profit before taxation	7,156	6,647	7.7
Income tax	(900)	(781)	(15.2)
Reported net profit attributable to equity shareholders*	6,158	5,785	6.4
Reported earnings per share (HK\$)	1.06	1.00	6.0
Profit from underlying businesses	4,251	4,045	5.1
Underlying businesses EPS (HK\$)	0.73	0.70	4.3
Interim dividend per share (HK\$)	0.25	0.25	0.0

* Excluding non-controlling interests of HK\$98 million and HK\$81 million in 1H2013 and 1H2012 respectively.

Segmental Profits of Underlying Businesses

<i>(HK\$m)</i>	<u>1H2013</u>	<u>1H2012</u>	<u>%change</u>
Hong Kong railway and related businesses after variable annual payment	2,834	2,426	16.8
Mainland of China and international businesses (including railway associates)	292	395	(26.1)
Hong Kong property rental and management	1,533	1,381	11.0
Others ⁽¹⁾	(5)	(21)	76.2
Pre-tax recurrent profits	<u>4,654</u>	<u>4,181</u>	11.3
Tax on recurrent profits	(850)	(660)	(28.8)
Post-tax recurrent profits	3,804	3,521	8.0
Pre-tax HK property development profits	531	627	(15.3)
Tax on HK property development profits	(84)	(103)	18.4
Post-tax property development profits	447	524	(14.7)
Profit from underlying businesses	<u>4,251</u>	<u>4,045</u>	5.1

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.

Balance Sheet

<i>(HK\$m)</i>	<u>30 Jun 2013</u>	<u>31 Dec 2012</u>
<u>Assets</u>		
Investment properties	57,340	55,314
Other property, plant and equipment	75,532	76,088
Service concession assets	24,932	24,492
Railway construction in progress	9,780	7,458
Property development in progress	10,803	10,430
Cash, bank balances and deposits	17,060	18,664
Debtors, deposits and payments in advance	3,338	4,246
Properties held for sale	2,041	3,016
Amounts due from related parties	755	785
Interest in associates	4,273	4,258
Others	1,942	1,936
	<u>207,796</u>	<u>206,687</u>
<u>Liabilities</u>		
Debts	23,231	23,577
Creditors and accrued charges	13,519	16,530
Obligations under service concession	10,671	10,690
Current taxation	739	406
Deferred tax liabilities	9,734	9,587
Others	3,319	2,786
	<u>61,213</u>	<u>63,576</u>
<u>Total Equity</u>	<u><u>146,583</u></u>	<u><u>143,111</u></u>

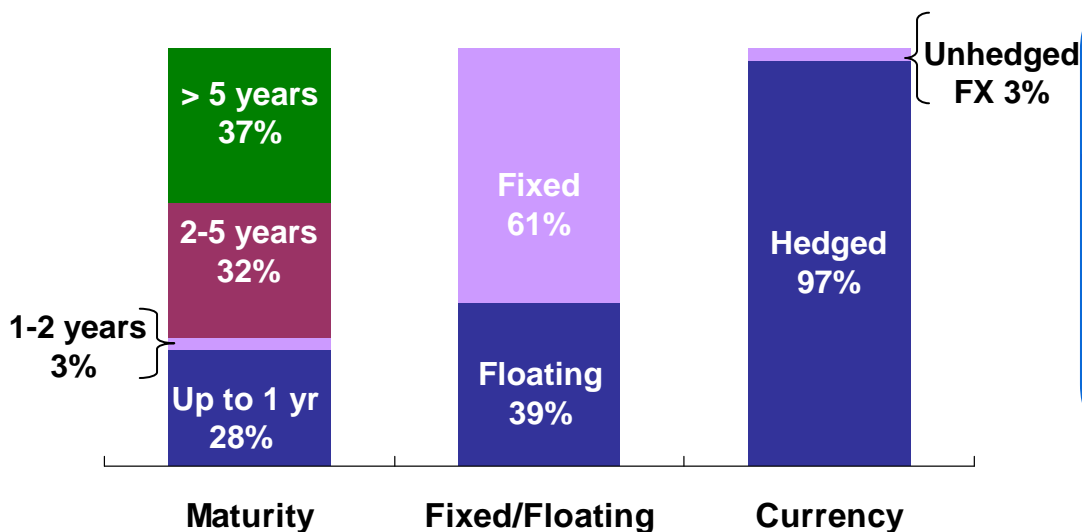
Cash Flow

(HK\$m)

	<u>1H2013</u>	<u>1H2012</u>
Cash Inflow		
Cash flows from operating activities before tax payment	7,369	6,449
Working capital movements	486	1,368
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	661	637
Receipts in respect of property development	2,422	2,625
Net receipt/(payment) in respect of entrustment works of Shatin to Central Link	36	(118)
Others	74	195
Total inflows	<u>11,048</u>	<u>11,156</u>
Cash Outflow		
Tax paid	(460)	(479)
Variable annual payment	(883)	(647)
Capital expenditure		
- New rail	(3,857)	(3,486)
- Existing rail	(1,400)	(1,217)
- Property related	(2,395)	(397)
Net interest paid	(288)	(330)
Dividends paid	(3,209)	(3,020)
Total outflows	<u>(12,492)</u>	<u>(9,576)</u>
Net cash (outflow)/inflow before financing	<u>(1,444)</u>	<u>1,580</u>
Net (repayment)/drawdown of loans	(106)	3,193
Redemption of bank medium term notes	-	921
(Decrease)/increase in cash	<u>(1,550)</u>	<u>5,694</u>

Financing and Credit Ratios

Debt profile (30 Jun 2013)



Total borrowings outstanding
at HK\$23,231m (HK\$23,577m as at 31 Dec 2012)

Average borrowing cost:
3.5%

↑
0.2%
point

Net interest expense:
HK\$435m

↑
0.7%

Compared to 1H2012 figures

Net Debt/Equity ratio ⁽¹⁾	Jun 2013	Dec 2012
	11.6%	11.0%
Interest cover	1H2013	1H2012
	11.6x	11.9x

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

Outlook

Outlook

■ Recurrent businesses

- Uncertainties continue to hang over the global economy with signs of slowdown in the Mainland economy in recent months from its growth in past years.
- All of our recurrent businesses in and outside Hong Kong remains robust. However, these may, to some extent, be affected by the changes in the global economy.

■ Property development

- As mentioned before, based on the existing construction programme, we do not expect booking of development profits from property projects under development in the second half of this year, but may have profit contribution from the sale of inventory units. Looking forward, we expect the next projects for pre-sale will be The Austin (Austin Station Site C) and LOHAS Park Package 3, depending on market conditions.
- Depending on 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 4.

Q&A