

MTR Corporation

2007 Interim Results

7 August 2007



Results highlights and business overview

Mr. CK Chow, CEO



First half 2007 achievements

Merger	<ul style="list-style-type: none">■ Key legislative process completed■ EGM in October to seek shareholders' approval
Overseas growth	<ul style="list-style-type: none">■ London Overground concession awarded
Financial performance	<ul style="list-style-type: none">■ Revenue growth driven by patronage increase and strong results from investment property and other businesses■ Continued improvement of Rail performance■ Property Development Profit lower in 1H, but stronger income from Le Point expected in 2H07

Financial performance

(HK\$m)	1H2007	1H2006	Change
Total revenue	4,852	4,566	6.3%
EBITDA	2,797	2,639	6.0%
EBITDA margin	57.6%	57.8%	- 0.2%pt
Property development profit	1,664	4,072	- 59.1%
Underlying profit (excl post-tax inv. property revaluation)	2,050	3,948	- 48.1%
Reported net profit attributable to equity shareholders	4,071	5,167	- 21.2%
Underlying businesses EPS (HK\$)	0.37	0.72	- 48.6%
Interim dividend per share (HK\$)	0.14	0.14	

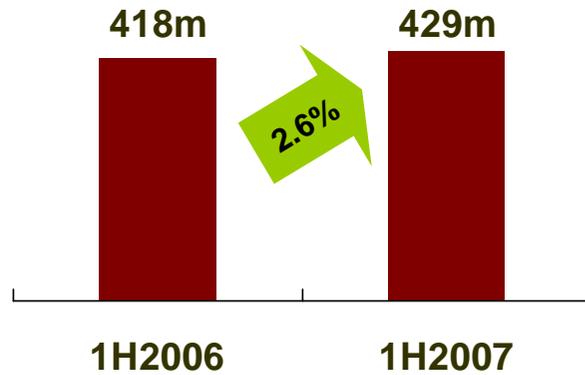
Business Review

- Railway

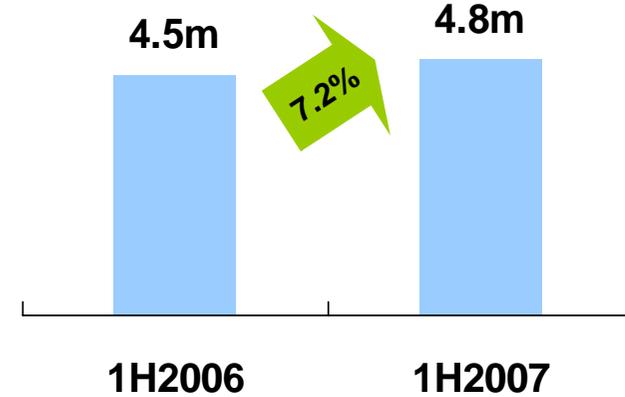


Patronage and average fare

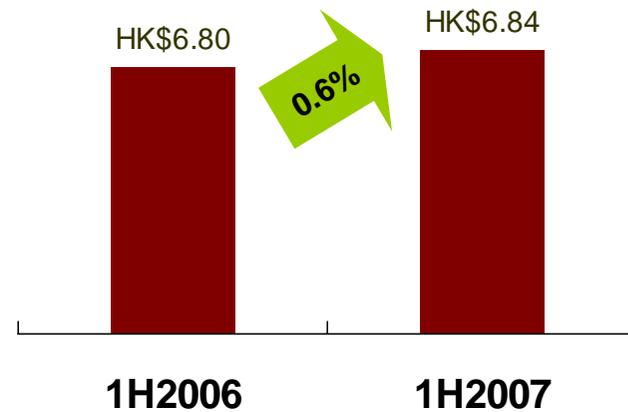
Patronage – MTR Lines



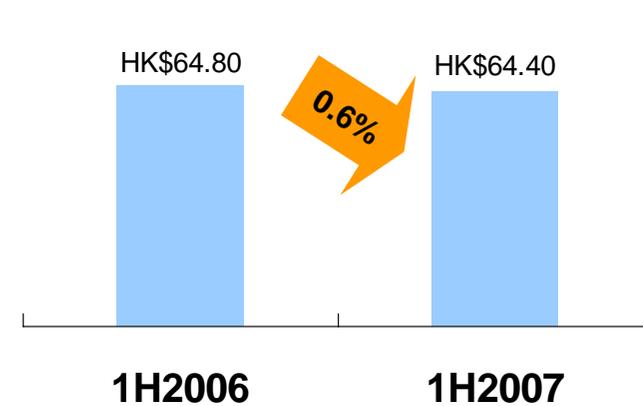
Patronage – Airport Express



Average fare – MTR Lines



Average fare – Airport Express



Business Review

- Station commercial and rail related businesses



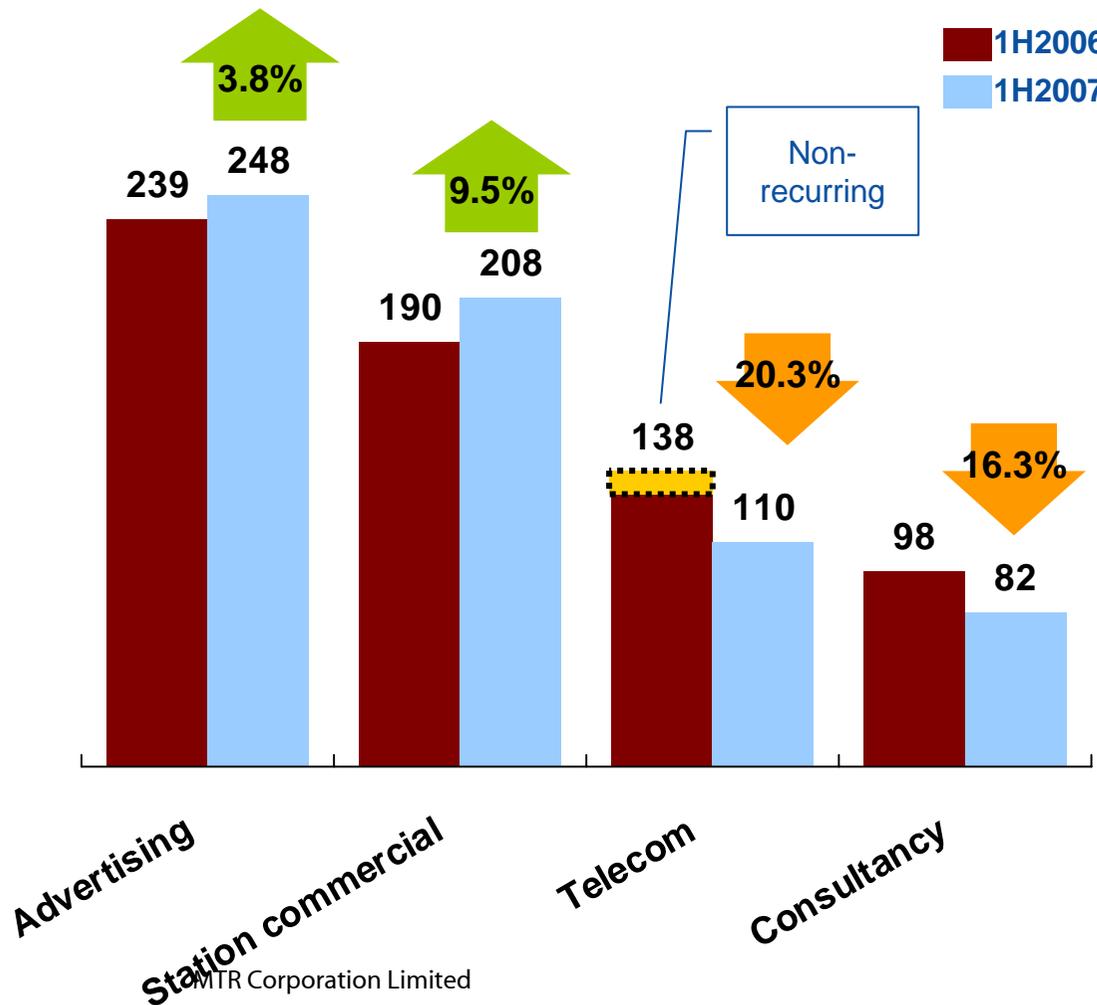
Station commercial and rail related businesses

Station commercial & rail related businesses: HK\$735m

Excluding one-off incomes

unchanged ↑ 2.1%

HK\$m



Advertising

- Growth in line with the market

Station commercial

- Higher rental rate and additional retail space lead to increased station commercial revenue
- Total kiosks area 18,627 sq m

Telecommunications

- Negative impact from 2G rate reduction and 3G cannibalization
- Excluding one-off gain in 1H06, revenue down by 10.6%

External Consultancy

- Delay of project

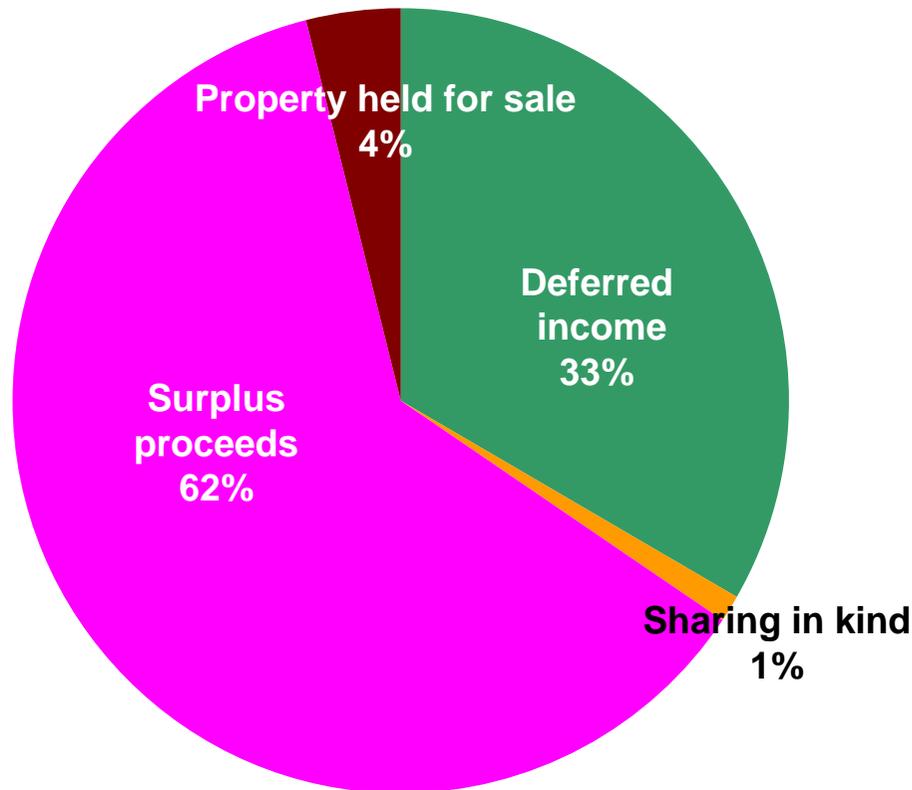
Business Review

- Property and other businesses



Property development

Property development profit
HK\$1,664m



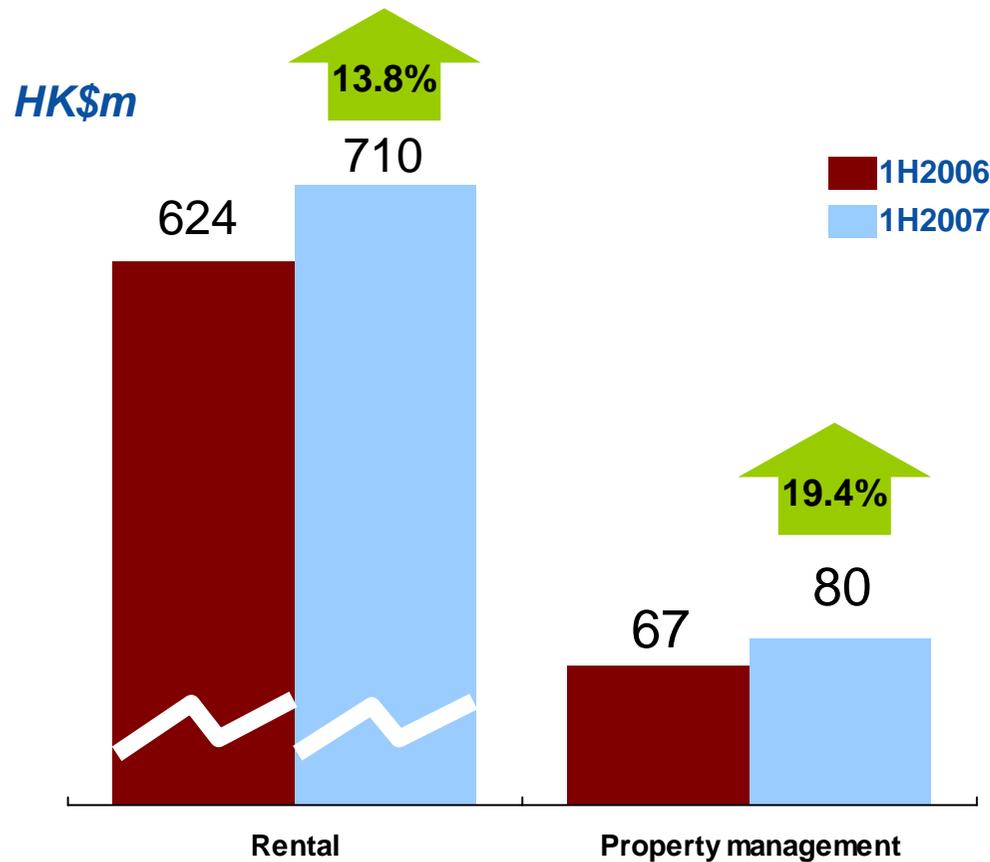
1H2007

- Major profit contributors:
 - Surplus proceeds mainly from Harbour Green and Caribbean Coast
 - Deferred income mostly from Tung Chung developments, and fitting-out of the Elements
- Area 56 in TKO was awarded to a subsidiary of Sun Hung Kai Properties in February 2007
- Profit from Le Point expected in 4Q2007

Rental and property management

Total rental and property management income
HK\$790m

↑ 14.0%



- Growth led by favorable rental renewal and additional space from the Edge and Ginza Mall in Beijing
- Average of 13% growth achieved in the rental renewals at shopping centers
- Phase 1 of Elements likely to open in 4Q2007
- Steady growth in property management with revenue increasing 19.4% to HK\$80m

Other businesses



Ngong Ping 360

- Contributed revenue of HK\$80m
- Over 1.5 million passengers since opening
- Cable car deropement incident resulted in operations suspension. Investigation ongoing



Octopus

- Continued to extend operations beyond transport sector
- 15.4m cards in circulation with average daily transaction value of HK\$78.4m
- MTR's share of post-tax earnings amounted to HK\$42m, increased 50%

Growth opportunities



New projects in Hong Kong

- West Island Line:
 - Continued negotiation with Government on the implementation plan and funding support
 - Gazetting expected later this year
- South Island Line (East):
 - Strong support from local residents
 - Revised submission awaiting Government's decision
- Tseung Kwan O South Station
 - Construction progress on schedule, civil services works substantially completed
 - Expected to open for service in April 2009

Growth outside of Hong Kong

Mainland of China

Beijing Line 4

- Tendering for E&M Works Contracts substantially completed
- Senior operations team in place
- Target for completion in 2009

Shenzhen Line 4

- Supporting Shenzhen Government to seek central government's approval

Other potential projects

- Continue to pursue other opportunities in Beijing, Shenzhen, Wuhan, Hangzhou and Suzhou

UK / Europe

- Won operating franchise for London Overground through JV with Laing Rail
- Cost based operating concession for 7 years starting 11 Nov 2007

Proposed rail merger with KCRC

- **The Rail Merger Bill together with the key subsidiary legislation have been passed by the Legislative Council**
- **Circular of the transaction containing information of the proposal with recommendations from the Independent Board Committee and Independent Financial Adviser, will be dispatched to shareholders**
- **EGM, to seek shareholders' approval, will follow in October**
- **Should the merger be approved by independent shareholders, subject to a Commencement Notice to enact the Merger Bill, the merger could be implemented before the end of the year**

Proposed rail merger with KCRC

- **For shareholders, value creation will come from:**
 - ✓ Significant rail growth
 - ✓ Substantial addition to the successful Rail and Property Model
 - ✓ Value-enhancing transaction for MTR
 - ✓ Attractive transaction structure
- **The travelling public will benefit from immediate fare reductions and more convenient rail services**
- **Extensive preparation for merger integration substantially completed**
 - **Planning for the combined organization structure, systems and processes largely completed**
 - **Pre-merger cultural integration activities in progress**

Financial Results

Mr. Lincoln Leong, Finance Director



Income statement

<i>(HK\$m)</i>	<u>1H2007</u>	<u>1H2006</u>	<u>% change</u>
Fare revenue	3,247	3,138	3.5
Non-fare and rental, management and other revenue	1,605	1,428	12.4
Turnover	4,852	4,566	6.3
Operating expenses	(2,055)	(1,927)	(6.6)
EBITDA	2,797	2,639	6.0
Property development profit	1,664	4,072	(59.1)
Total operating profit	4,461	6,711	(33.5)
Depreciation	(1,348)	(1,315)	(2.5)
Interest	(654)	(739)	11.5
Investment properties revaluation gain	2,450	1,478	65.8
Share of profit from non-controlled subsidiaries & associates	42	16	162.5
Profit before tax	4,951	6,151	(19.5)
Taxation	(879)	(984)	10.7
Reported net profit attributable to equity shareholders*	4,071	5,167	(21.2)
Reported earnings per share (HK\$)	0.73	0.94	(22.3)
Profit from underlying businesses (excl. inv. property revaluation net of deferred tax)	2,050	3,948	(48.1)
Underlying businesses EPS (HK\$)	0.37	0.72	(48.6)
Dividend per share (HK\$)	0.14	0.14	-

Segmental income statement of underlying businesses

<i>(HK\$m)</i>	<u>1H2007</u>	<u>1H2006</u>
Railway and related businesses	206	37
Property ownership, management & other businesses	615	559
Property developments	1,638	4,061
Tax and others (*)	(409)	(709)
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Underlying net profit attributable to equity shareholders	2,050	3,948
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Note:

All segmental incomes shown are pre-tax profits. Interest cost relating to the interest-free loan to developer has been allocated to property developments.

* Excludes deferred tax on investment property revaluation

Balance sheet

<i>(HK\$m)</i>	<u>30 Jun 2007</u>	<u>31 Dec 2006</u>
<u>Assets</u>		
Investment properties	25,013	22,539
Fixed assets	83,812	84,404
Railway construction in progress	276	232
Property development in progress	3,200	3,297
Cash and cash equivalents	413	310
Debtors, deposits and payments in advance	1,957	1,894
Loan to a property developer	3,442	3,355
Properties held for sale	2,164	2,018
Others	<u>2,757</u>	<u>2,372</u>
	<u>123,034</u>	<u>120,421</u>
<u>Liabilities</u>		
Debt	25,170	28,152
Deferred income	1,226	1,682
Deferred tax liabilities	10,374	9,453
Creditors	5,525	3,639
Others	<u>442</u>	<u>709</u>
	<u>42,737</u>	<u>43,635</u>
<u>Total equity</u>	<u><u>80,297</u></u>	<u><u>76,786</u></u>

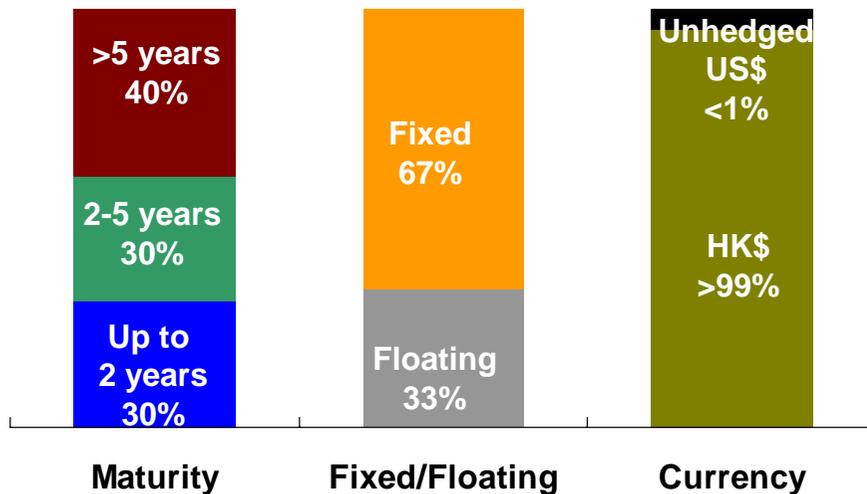
Cash flow

<i>(HK\$m)</i>	<u>1H2007</u>	<u>1H2006</u>
Cash from operations	2,981	2,728
Receipts from property	3,136	584
Total inflows	<u>6,117</u>	<u>3,312</u>
Capital expenditure	(1,062)	(1,339)
Interest paid	(791)	(830)
Investment in an associate	(103)	(100)
Changes in working capital	(101)	(24)
Dividends paid	<u>(777)</u>	<u>(767)</u>
Total outflows (*)	<u>(2,834)</u>	<u>(3,060)</u>
Net cash inflow before one-off loan to developer	3,283	252
Loan to a developer (TKE Area 86 package 2)	<u>-</u>	<u>(4,000)</u>
Net cash generated / (deficit)	3,283	(3,748)
Financed by:		
Net facilities (repaid) / drawdown	(3,176)	3,760
Increase in cash	107	12

* Cash outflows to meet financial obligations and capital investment
MTR Corporation Limited

Financing and credit ratios

Debt profile (30 June 2007)



■ Total borrowings outstanding:
HK\$25,170m - decreased HK\$2,982m
from 31 Dec 2006

■ Average borrowing
cost: 5.7%

0.2%
point

■ Net interest expense :
HK\$654m

11.5%

Compared to 1H2006 figures

June 2007

Dec 2006

Debt/Equity ratio

31.4%

36.7%

Interest coverage

5.7x

6.7x

2007 Outlook



Outlook for 2H2007

- **Rail and rail related businesses**
 - Continued to benefit from Hong Kong's economic growth
 - Expect steady performance
 - Telecommunication likely to be adversely impacted by further cannibalization of 2G users by 3G
- **Property**
 - **Property development:**
 - Occupation Permit of Le Point expected in 4Q2007
 - Recognition of balance of property deferred income (HK\$1.1bn) over next 18 months
 - Possible tendering of Area 86 Package 3 in 2H2007
 - May recognize profit from Area 86 package 1 in 2008 depending on pre-sale and OP
 - Investment property revenue will benefit from
 - Opening of Elements in 4Q2007
 - Full year impact of the Edge and Beijing Ginza Mall

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.