



**MTR Corporation**

**2008 Interim Results**

**5 Aug 2008**

# 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

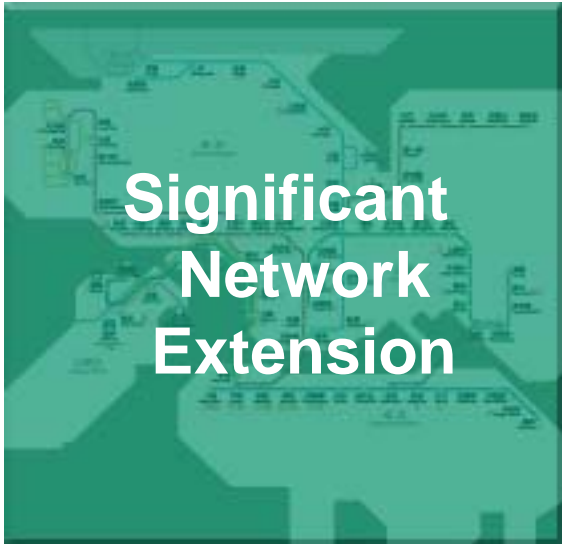
# Solid First Half Achievements

## Strong Financial Results



- Success of Merger demonstrated in strong financial results
- Recurring businesses see significant increases in Revenue and EBITDA
- Net cash generated in 1H08 over HK\$4.2 billion
- Successful pre-sales of the Capitol and Palazzo; profit booking dependent only on Occupation Permit issuance

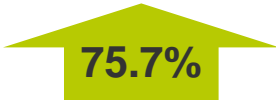

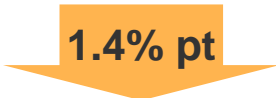
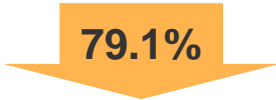



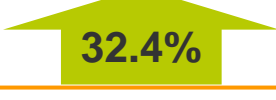
## Significant Network Extension



- 6 new lines being developed
- 3 new approvals:
  - Shatin to Central Link (SCL), Kwun Tong Line Extension (KTE), and Express Rail Link (XRL)
- Good progress on Kowloon Southern Link (KSL), West Island Line (WIL) and South Island Line East (SIL(E))

# Financial performance

(HK\$m)

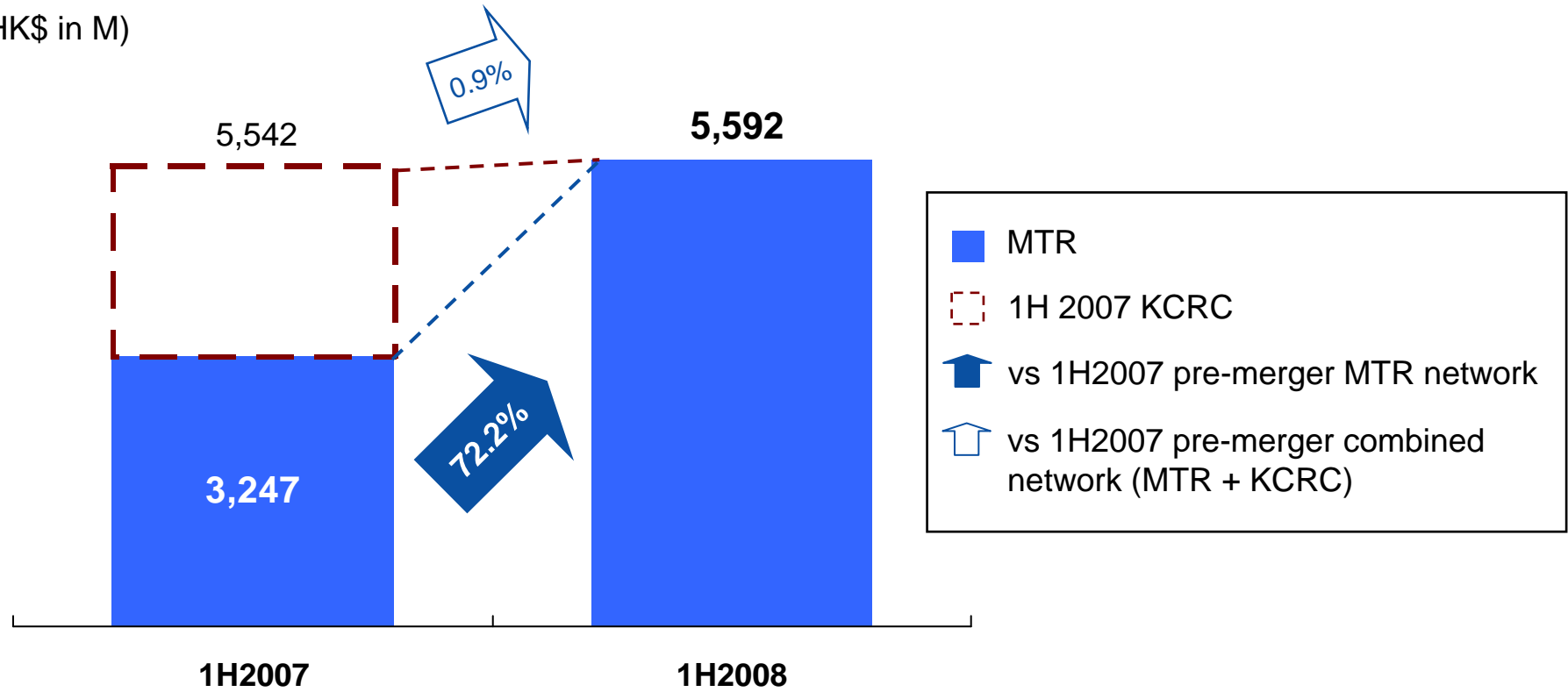
	1H 2008	1H 2007	Change
Total revenue	8,527	4,852	 75.7%
EBITDA	4,796	2,797	 71.5%
EBITDA margin	56.2%	57.6%	 1.4% pt
Property development profit	348	1,664	 79.1%
Underlying profit (excl post-tax investment property revaluation)	2,731	2,050	 33.2%
Reported net profit attributable to equity shareholders	4,689	4,071	 15.2%
Reported EPS (HK\$)	0.83	0.73	 13.7%
Underlying businesses EPS (HK\$)	0.49	0.37	 32.4%
Interim dividend per share (HK\$)	0.14	0.14	

# Business Review

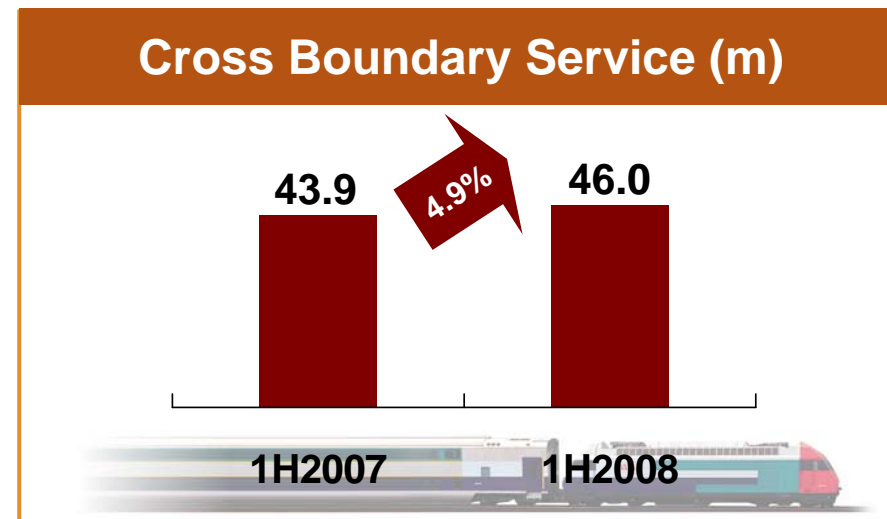
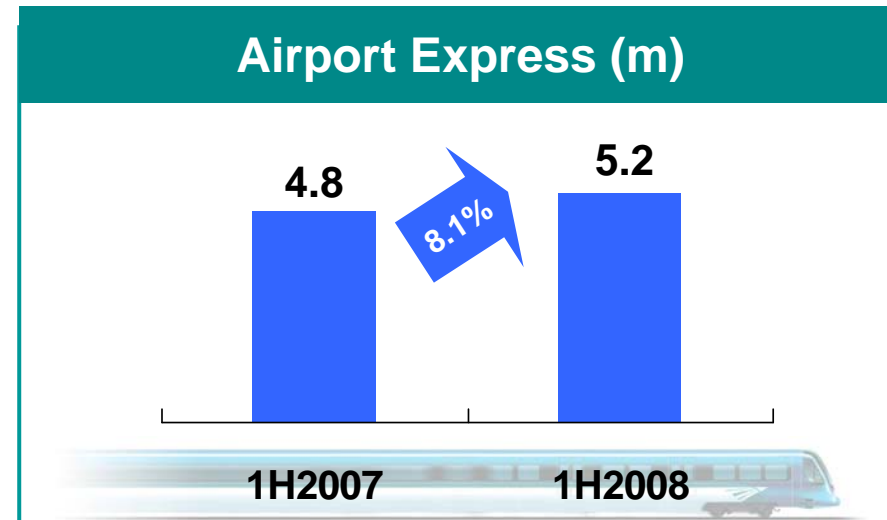
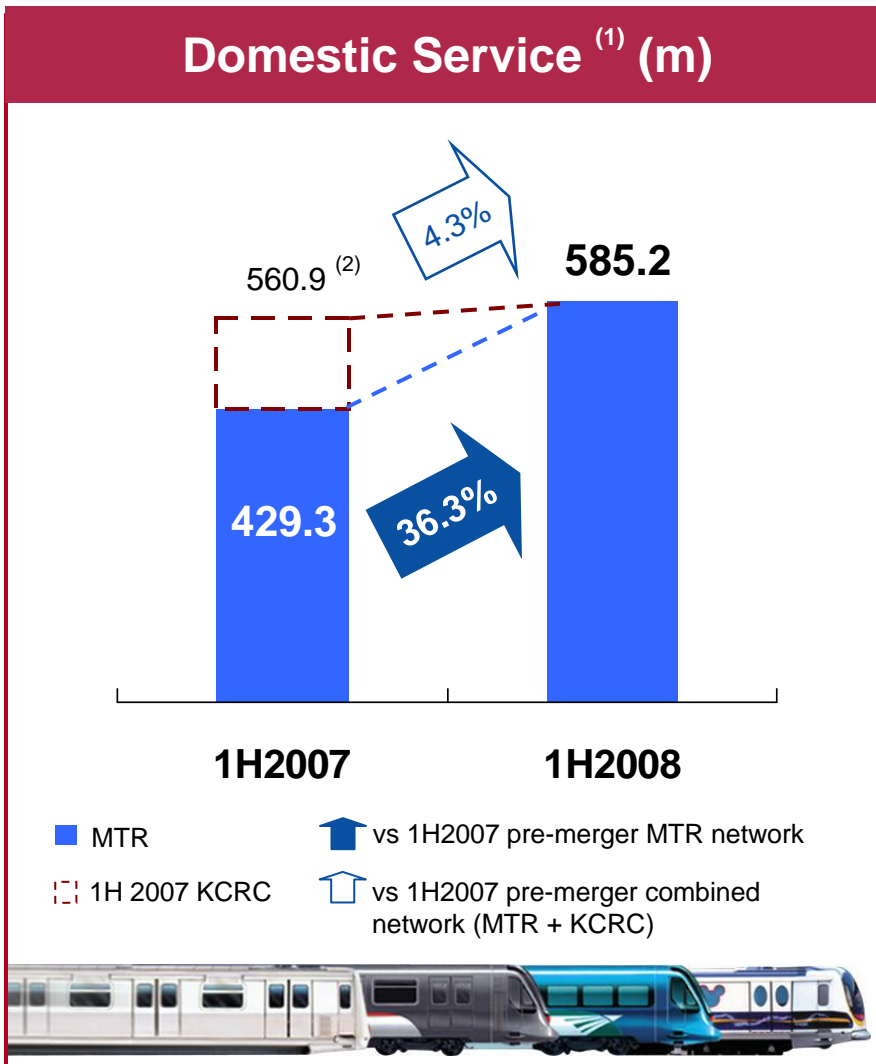
## - Railway

# Fare Revenue

(HK\$ in M)



# Patronage

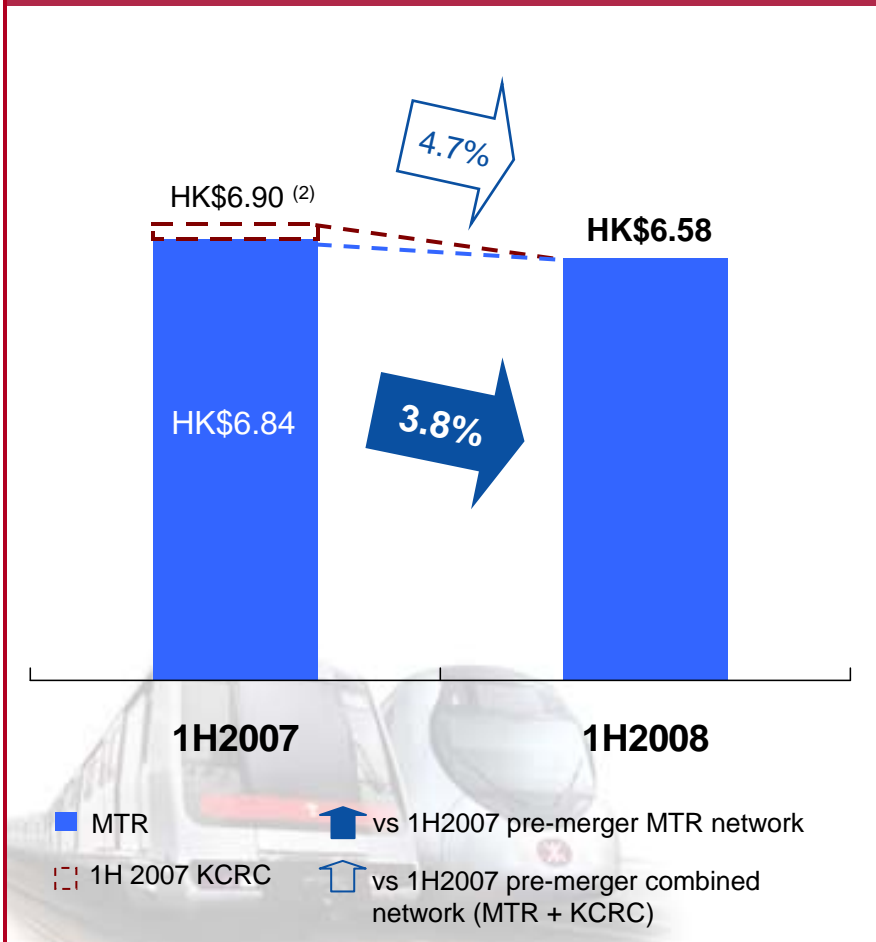


- Domestic Service in 1H08 include Tsuen Wan, Island, Kwun Tong, Tung Chung, Tseung Kwan O, Disneyland Resort as well as East Rail Lines (excluding Cross Boundary), Ma On Shan Line and West Rail Line with effect from 2 Dec 07
- Excluded 28.6m passengers who interchanged between the MTR and KCRC networks. Before the Rail Merger, passengers who interchange between MTR and KCRC lines would have been counted as one passenger under respective MTR and KCRC systems. With the Rail Merger such interchange passenger is only counted as one passenger

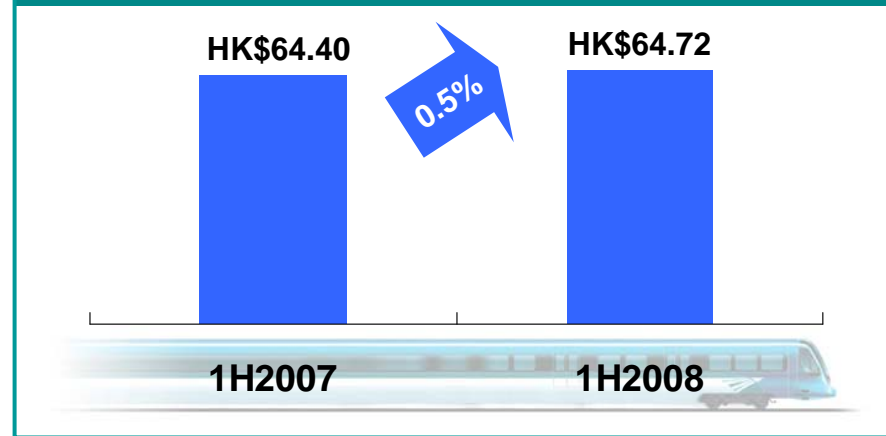


# Average fare

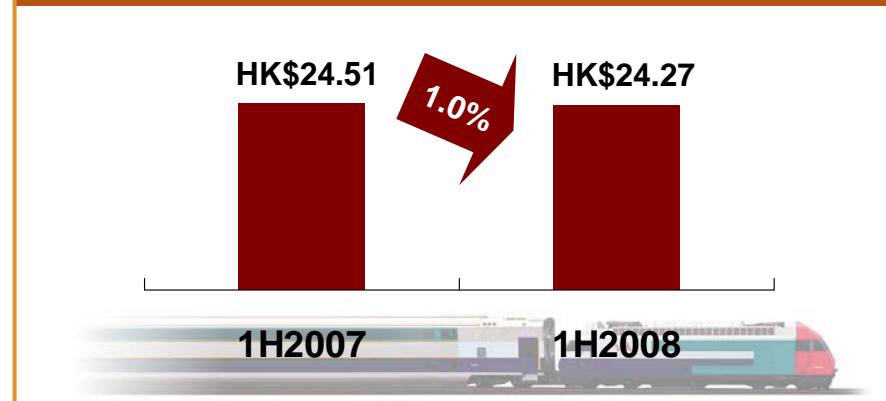
## Average Fare – Domestic Service <sup>(1)</sup>



## Average Fare – Airport Express



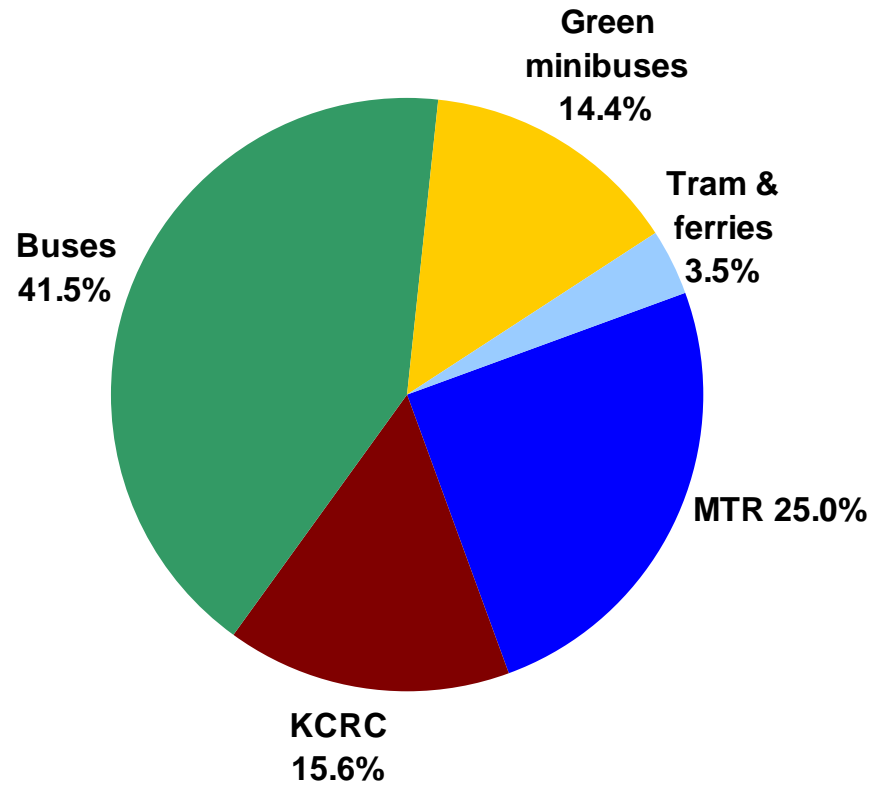
## Average Fare – Cross Boundary



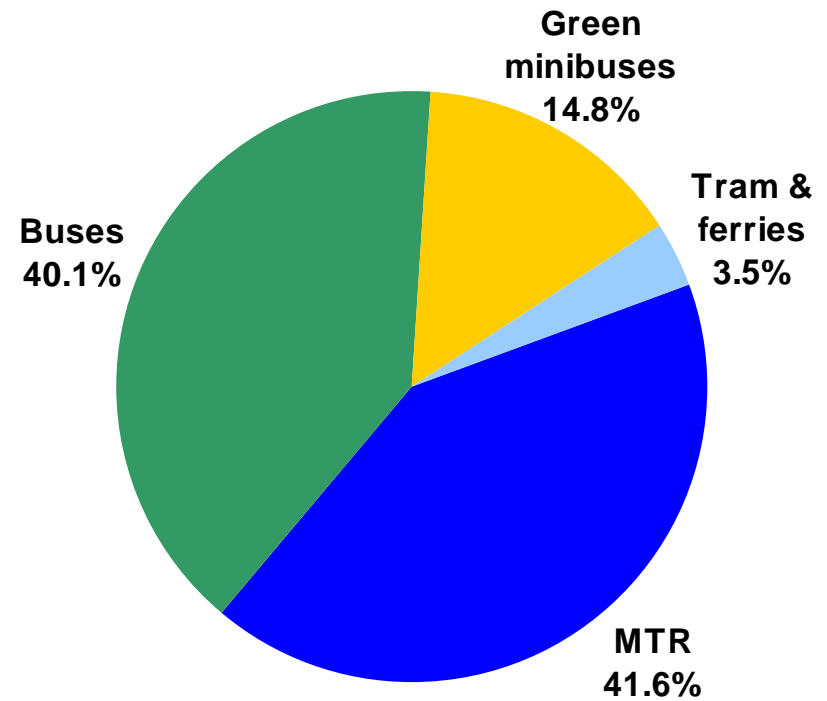
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# Market Share

## Hong Kong Franchised Public Transport



1H2007



Jan – May 2008

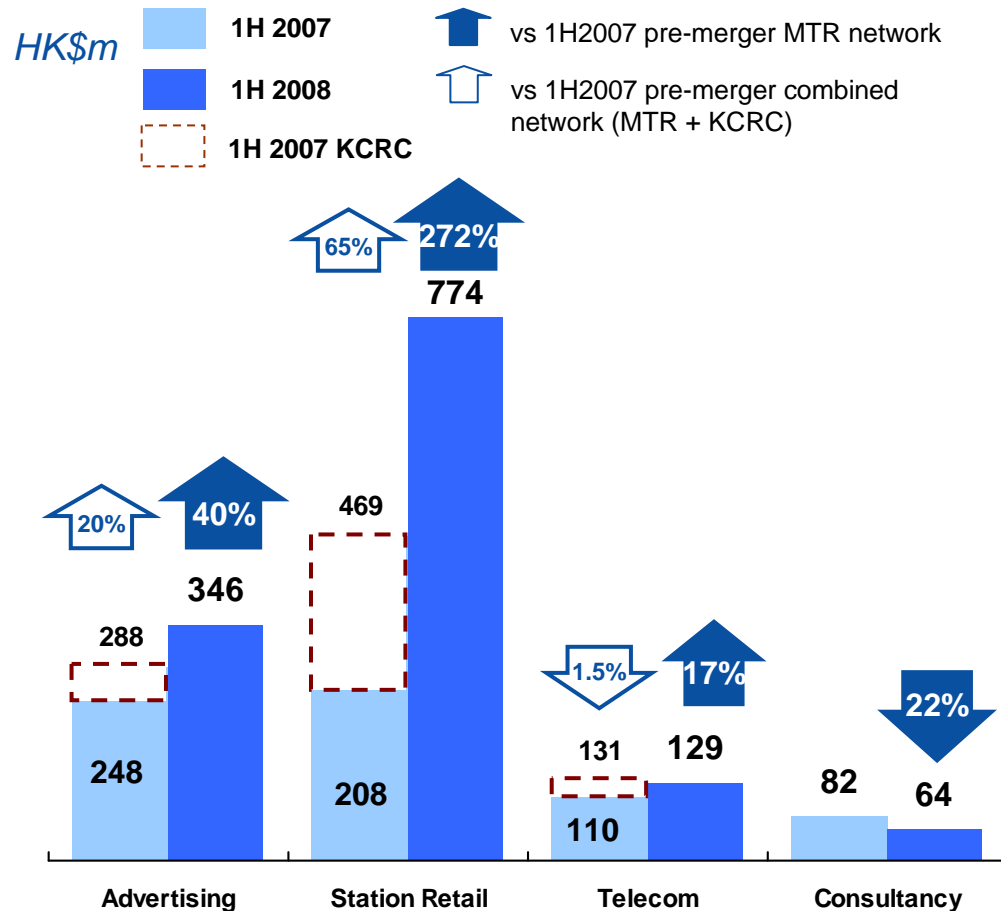
## Business Review

- Station commercial and rail related businesses

# Station commercial and rail related businesses

Station commercial & rail related businesses:  
HK\$1,448m\*

vs pre-merger combined network



- Merger created a step increase in scale, scope and profitability
- Advertising
  - Strong growth from buoyant advertising market and higher patronage
  - Innovative advertising formats introduced
- Station Retail
  - Increased rentals from Retail and Duty Free shops
  - Total kiosks area at 52,727 sq m
- Telecommunications
  - Negative impact from 3G/2G cannibalization
- External Consultancy
  - Reduction of consultancy revenue as the result of a more focused strategy

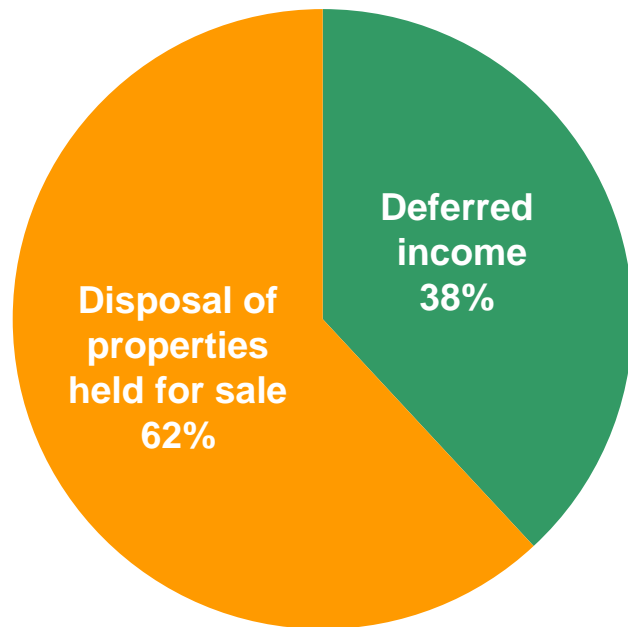
\*Excludes Services to KCRC revenue of \$197m  
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# Business Review

- Property and other businesses

# Property development

Property development profit  
HK\$348m



1H 2008

- Major profit contributors:
  - Disposal of properties held for sale include The Arch and Harbour Green
  - Deferred income from Coastal Skyline, Caribbean Coast and Elements

- Pre-sales of The Capitol was successfully completed with all units sold

Pre-sales of The Palazzo in May with over 80% sold

Profit to be recognized upon issuance of Occupation Permits

- Che Kung Temple awarded in April

# Property rental and management

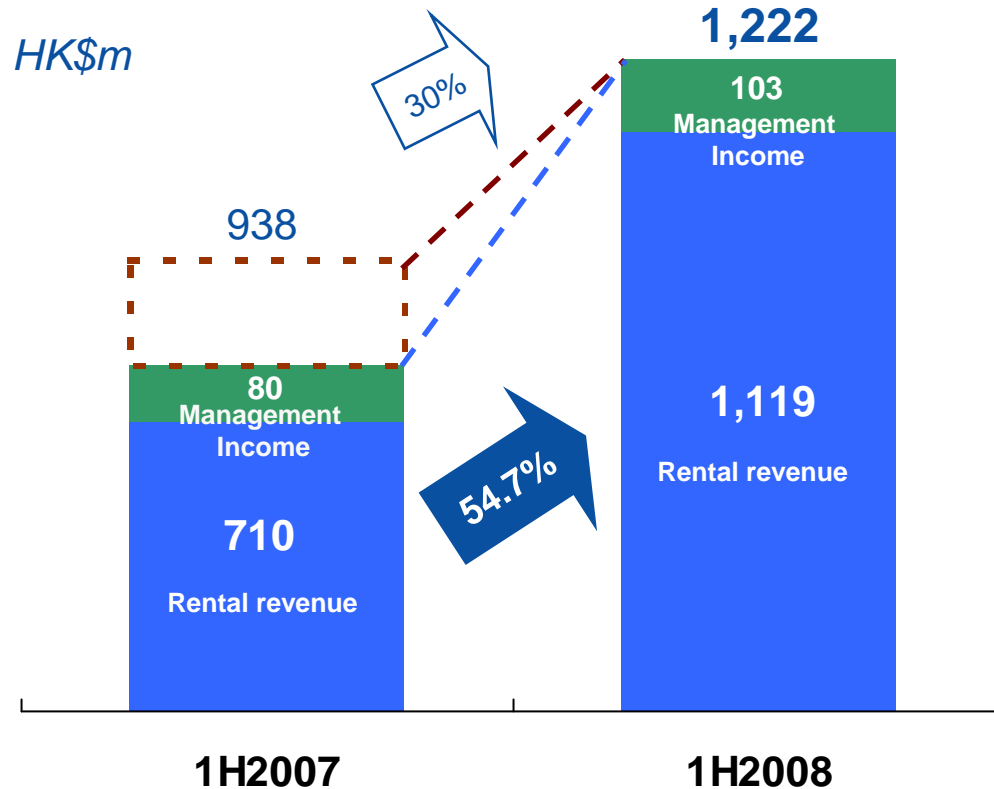
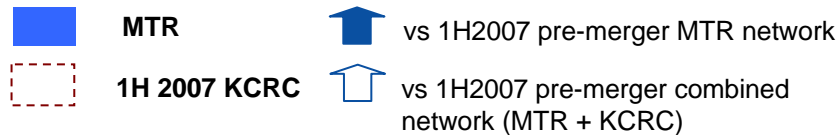
## Property rental & management

revenues: HK\$1,222m

vs. pre-merger  
combined network

↑ 54.7%

↑ 30%



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- Growth driven by Elements Phase 1 and favourable rental reversions

- Average of 21% increase on rental reversion at shopping centres

- Investment portfolio at Jun 08 attributable share of lettable floor area amounted to 252,086 sq m

- Retail: 12 shopping centres totalling 200,668 sq m

- Office: 2 offices totalling 41,215 sq m

- Others: 10,203 sq m

# Other businesses

## Octopus



- 17.4M cards in circulation with average daily transaction value of HK\$86.2M up to Jun 08
- MTR's share of net profit amounted to HK\$78M, up 85.7%

## Ngong Ping 360

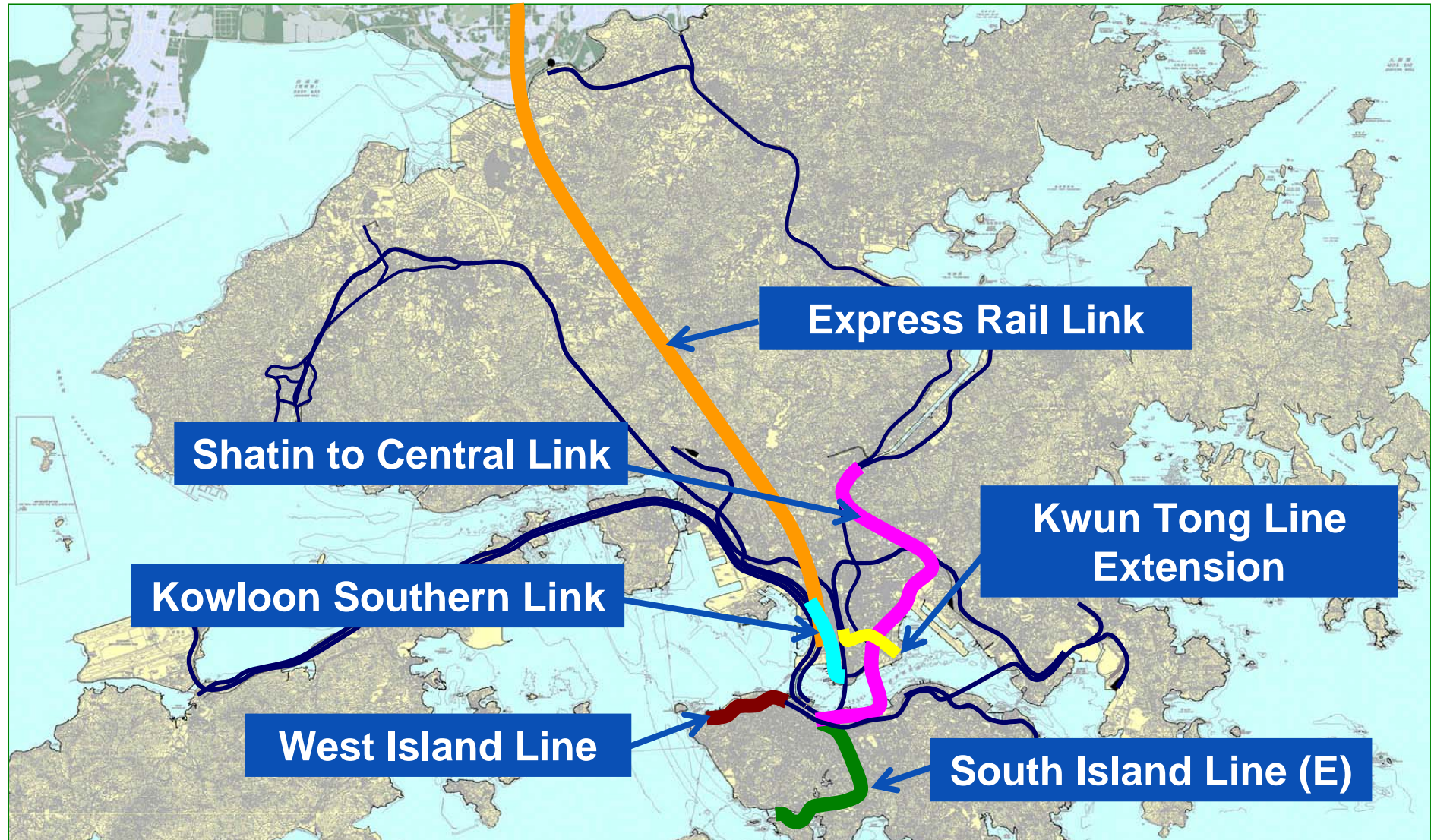


- Contributed revenue of HK\$68M
- Over 770k guests carried for the first six months of 2008
- A number of attractions and events launched to promote usage

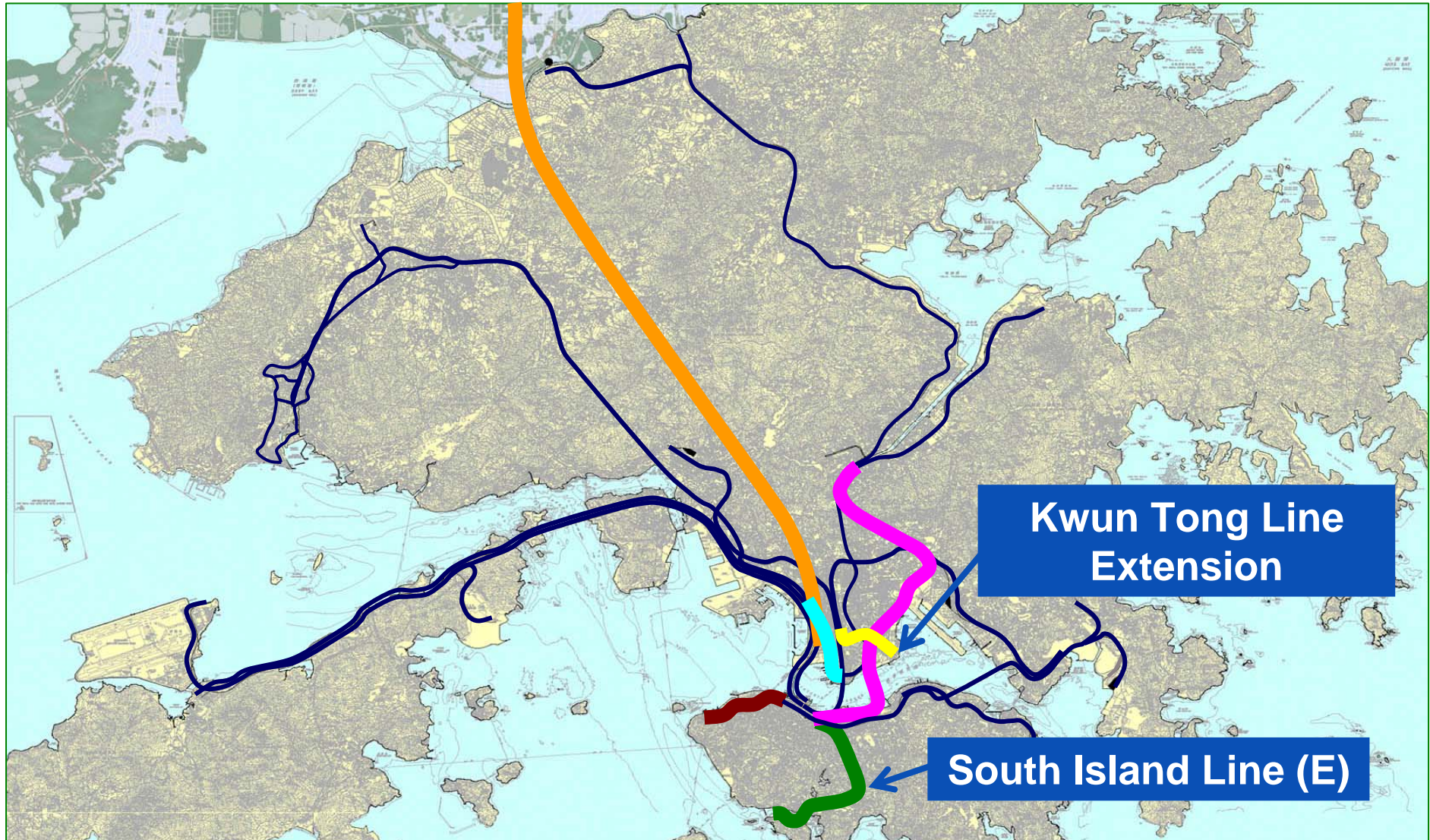


# Growth opportunities

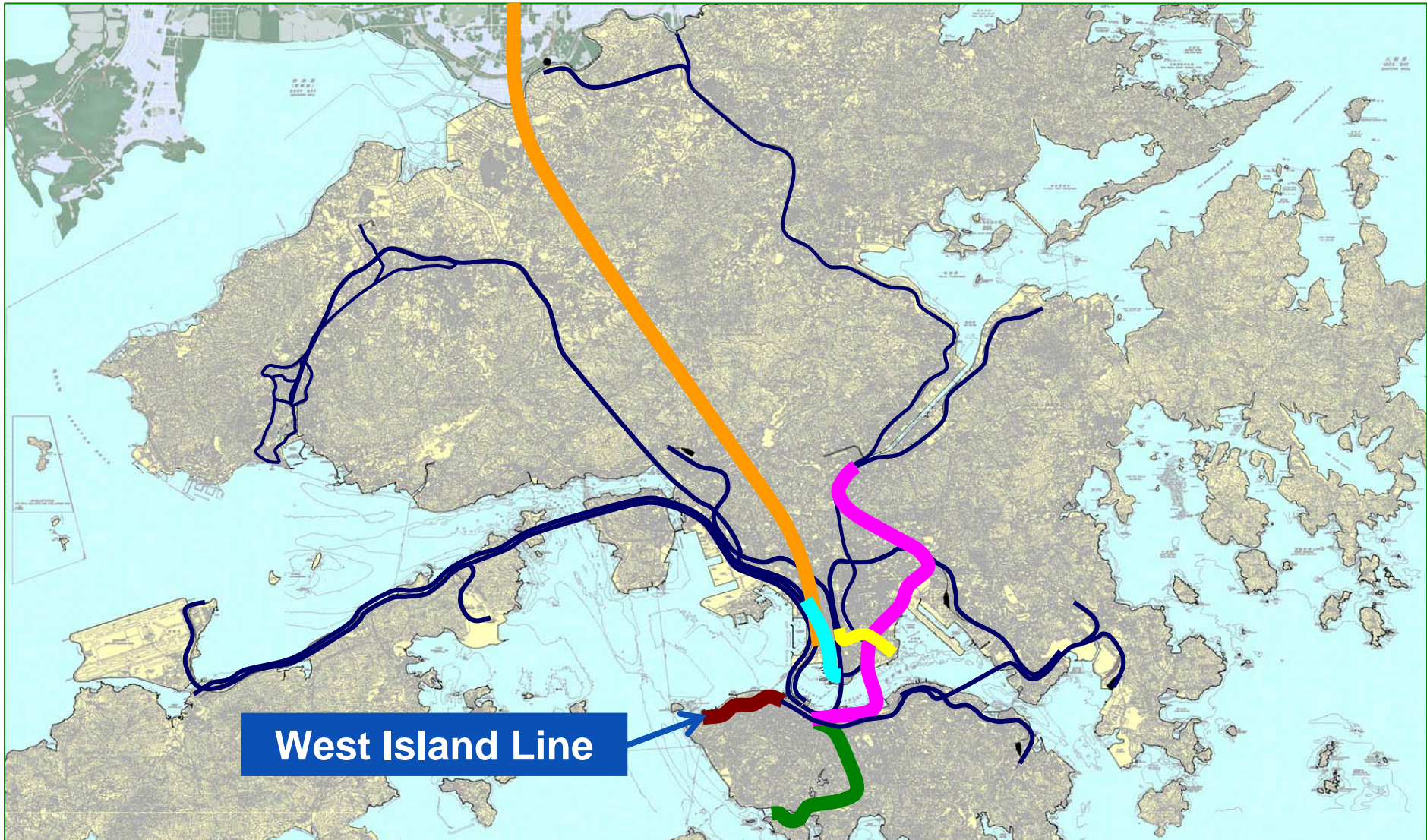
# New projects in Hong Kong



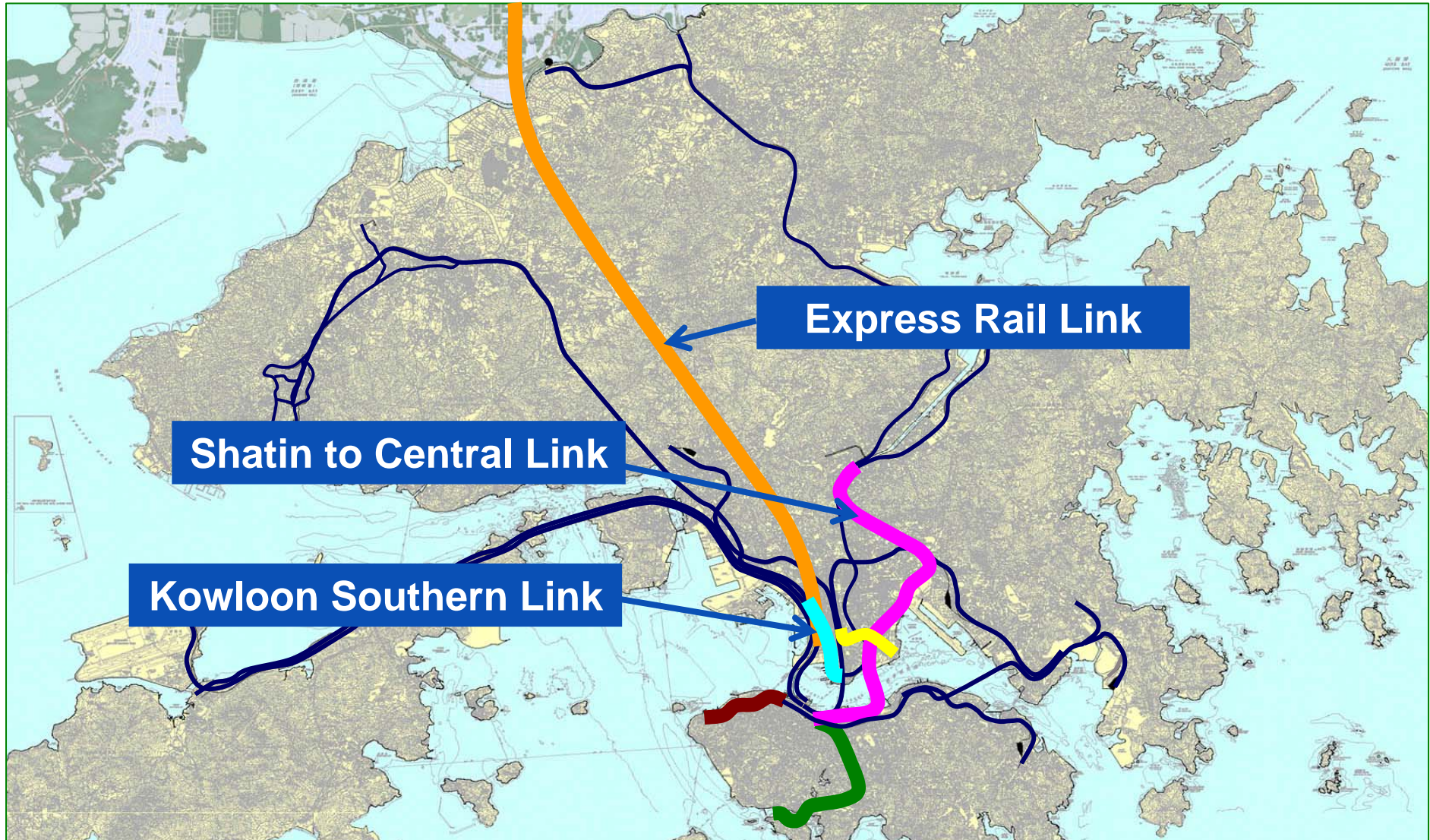
# New projects in Hong Kong – “Rail +Property” Model



# New projects in Hong Kong – Capital Grant by Government

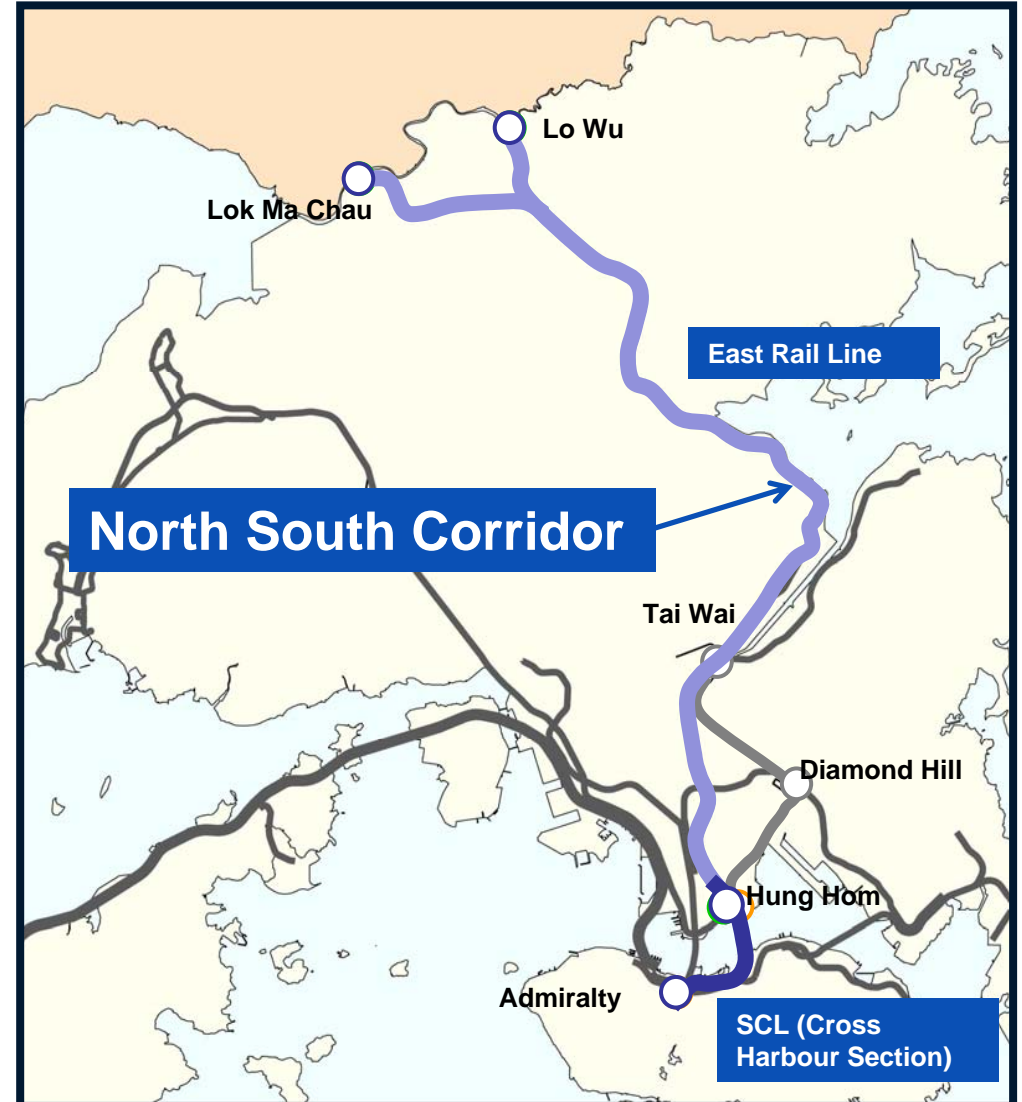
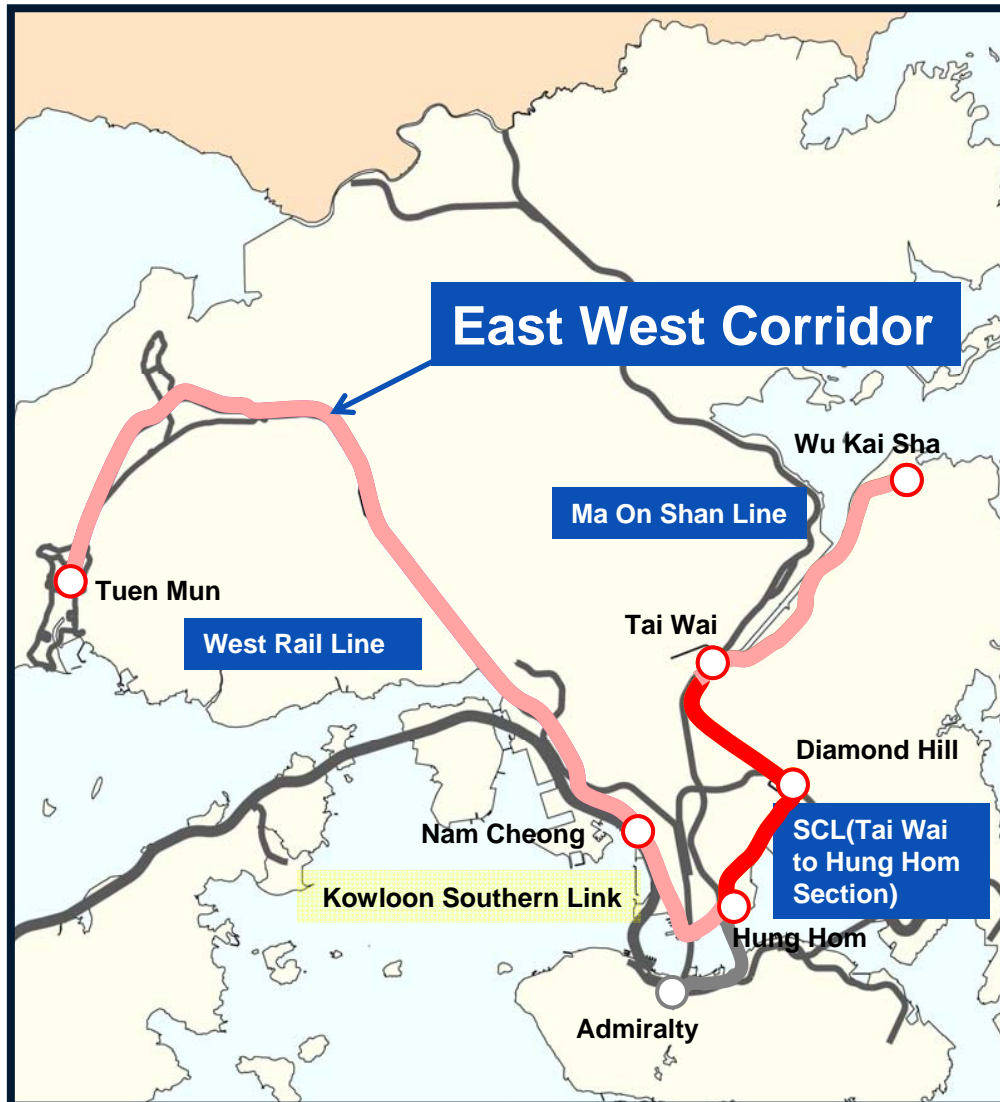


# New projects in Hong Kong – Service Concession

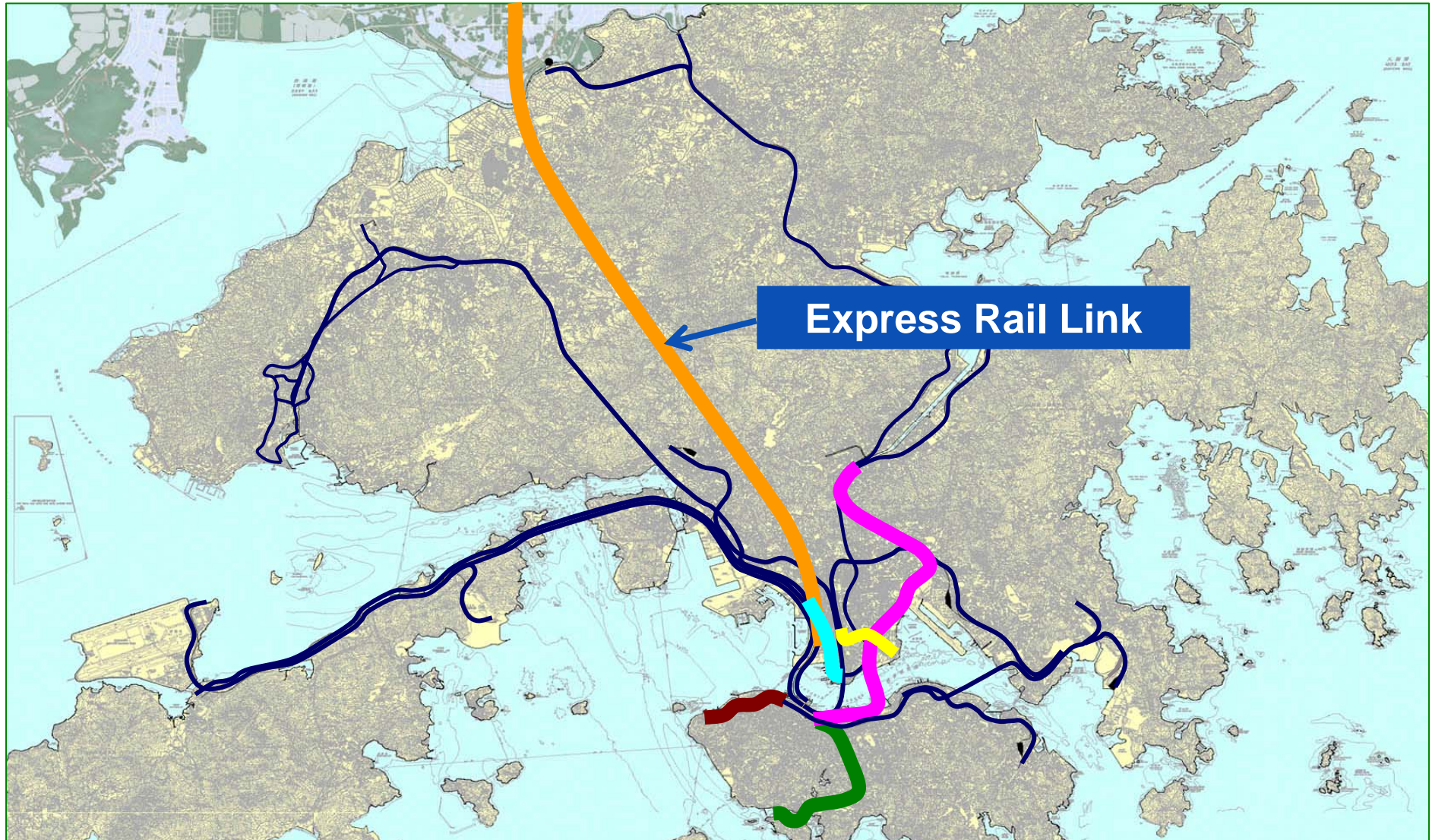


# New projects in HK - Service Concession

## - Shatin-to-Central Link



# New projects in Hong Kong – Service Concession



# Growth outside of Hong Kong

## Mainland of China

### Beijing Metro Line 4

- Construction progressing
- Target completion by end 2009

### Shenzhen Metro Line 4

- Progress being made in NDRC approval

### Other potential projects

- Submitted bid in Hangzhou
- Continue to pursue opportunities in Shenyang, Suzhou and Wuhan

## Europe

### London (LOROL)

- Cost based operating concession for 7 years started Nov 07
- Financial and operating performance on target





# Financial Results

# Income statement

<i>(HK\$m)</i>	<u>1H 2008</u>	<u>1H 2007</u>	<u>% change</u>
Fare revenue	5,592	3,247	72.2
Non-fare and rental and management income	2,935	1,605	82.9
Turnover	8,527	4,852	75.7
Operating expenses	(3,731)	(2,055)	(81.6)
<b>EBITDA</b>	<b>4,796</b>	<b>2,797</b>	<b>71.5</b>
Property development profit	348	1,664	(79.1)
Total operating profit	5,144	4,461	15.3
Depreciation & amortisation	(1,517)	(1,348)	(12.5)
Merger related expenses	(24)	-	NA
Interest and finance charges	(1,078)	(654)	(64.8)
Investment properties revaluation gain	2,080	2,450	(15.1)
Share of profit of non-controlled subsidiaries & associates	91	42	116.7
Profit before tax	4,696	4,951	(5.2)
Taxation	(8)	(879)	99.1
Reported net profit attributable to equity shareholders*	4,689	4,071	15.2
Reported earnings per share (HK\$)	0.83	0.73	13.7
<b>Profit from underlying businesses (excl. inv. property revaluation net of deferred tax)</b>	<b>2,731</b>	<b>2,050</b>	<b>33.2</b>
<b>Underlying businesses EPS (HK\$)</b>	<b>0.49</b>	<b>0.37</b>	<b>32.4</b>
Interim dividend per share (HK\$)	0.14	0.14	

\* Exclude minority interest of HK\$1 million

# Segmental income statement of underlying businesses

<i>(HK\$m)</i>	<u>1H2008</u>	<u>1H2007</u>
Railway and related businesses	1,265	206
Property ownership, management and other businesses	913	615
Property developments	347	1,638
Tax and others <sup>(1)</sup> <sup>(2)</sup>	206	(409)
	<hr/>	<hr/>
<b>Underlying net profit attributable to equity shareholders</b>	<b><u><u>2,731</u></u></b>	<b><u><u>2,050</u></u></b>

*Note:*

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

*1. Excludes deferred tax on investment property revaluation*

*2. 1H2008 income tax includes effect of the decrease in Hong Kong Profits Tax rate from 17.5% to 16.5% on deferred tax balances*

# Balance sheet

(HK\$m)

	<u>30 Jun 2008</u>	<u>31 Dec 2007</u>
<b><u>Assets</u></b>		
Investment properties	39,856	37,723
Other property, plant and equipment	78,658	79,444
Service concession assets	15,274	15,250
Property management rights	37	40
Railway construction in progress	538	424
Property development in progress	10,973	9,066
Cash and cash equivalents	660	576
Debtors, deposits and payments in advance	2,471	5,167
Loan to a property developer	3,624	3,532
Properties held for sale	511	756
Others	<u>4,717</u>	<u>3,690</u>
	<u>157,319</u>	<u>155,668</u>
<b><u>Liabilities</u></b>		
Debt	29,978	34,050
Obligations under service concession	10,671	10,685
Deferred income	246	515
Deferred tax liabilities	12,578	12,574
Others	<u>8,793</u>	<u>6,807</u>
	<u>62,266</u>	<u>64,631</u>
<b><u>Total equity</u></b>	<u><u>95,053</u></u>	<u><u>91,037</u></u>

# Cash flow

(HK\$m)

	<u>1H2008</u>	<u>1H2007</u>
Cash from operations	4,669	2,981
Receipts from property	3,222	3,136
Government grant for WIL	400	-
Receipts from investments in non-controlled subsidiary and associate	132	-
<b>Total inflows</b>	<u>8,423</u>	<u>6,117</u>
Capital expenditure	(1,930)	(1,062)
Net interest paid	(630)	(786)
Investment in Beijing Line 4	(515)	(103)
Merger related expenditures	(204)	(50)
Changes in working capital	(32)	(56)
Dividends paid	(870)	(777)
<b>Total outflows (*)</b>	<u>(4,181)</u>	<u>(2,834)</u>
<b>Net cash generated</b>	<u>4,242</u>	<u>3,283</u>
<b>Net facilities repaid</b>	<u>(4,183)</u>	<u>(3,176)</u>
<b>Increase in cash</b>	<u>59</u>	<u>107</u>

\*Cash outflows to meet financial obligations and capital investment  
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# Operating expenses

Total operating expenses before interest, depreciation and amortisation in 1H2008: HK\$3,731M

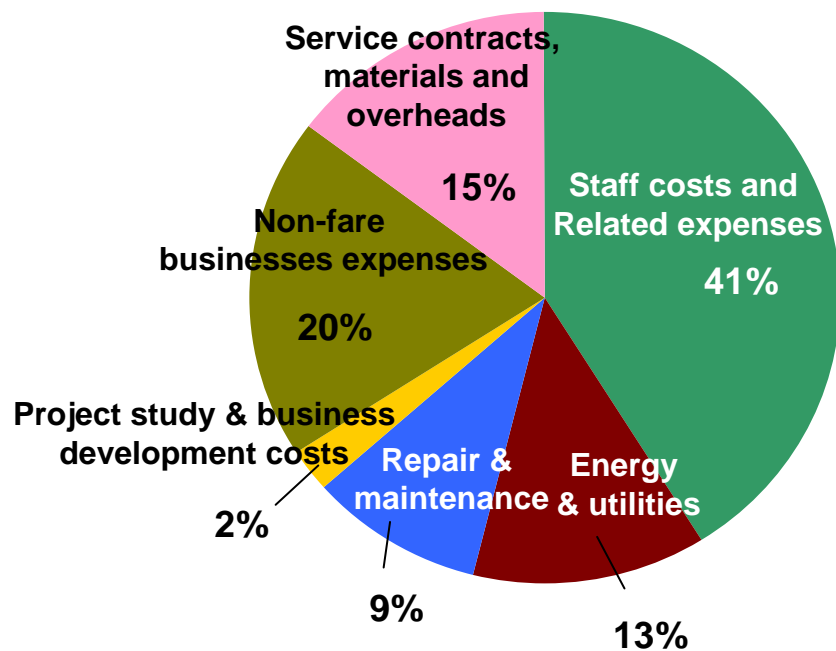
↑ 81.6%

vs. pre-merger combined network

↑ 3.8%

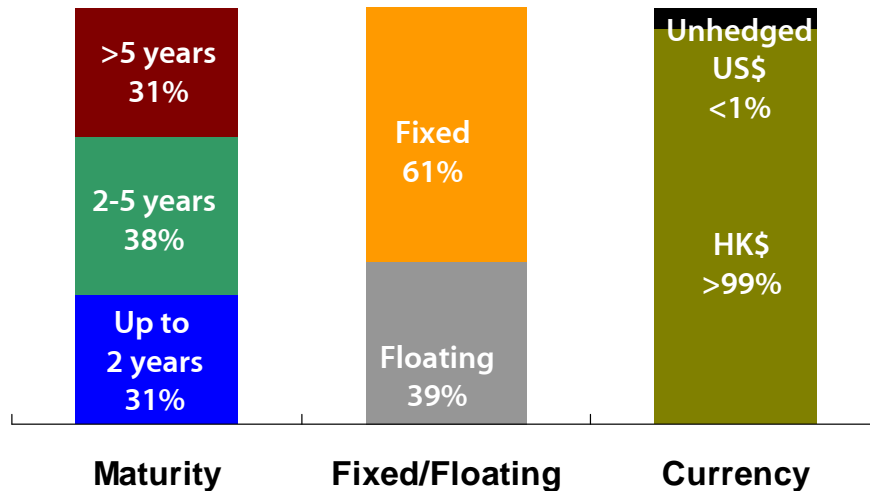
Operating margin of 56.2%

↓ 1.4% point



# Financing and credit ratios

## Debt profile (30 June 2008)



Total borrowings outstanding:  
HK\$29,978m; reduction of HK\$4,072m  
from 31 Dec 2007

Average borrowing cost:  
4.7%

1.0%  
point

Net interest expense:  
HK\$1,078m

64.8%

Compared to 1H2007 figures

Net Debt/Equity ratio

Jun 2008

42.1%

Dec 2007

48.5%

Interest coverage

Jun 2008

4.2x

Jun 2007

5.7x

Note: Interest coverage for Dec 2007 was 9.0x

# 2008 Outlook



# Outlook for second half of 2008

- **Uncertainties and volatilities in global economy could impact Hong Kong in 2H**
- **Rail and rail-related businesses:**
  - Full year impact of Merger's enhancement to rail and rail related businesses
- **Property development**
  - Profit bookings for The Capitol and Palazzo, depend on issuance of Occupation Permits. For acquired KCRC sites such as Palazzo, profit recognition will be net of acquisition costs
  - Tendering of Tsuen Wan West 7, which is a West Rail property project, will take place shortly. MTR acts only as an agent
  - Elements Phase 2 is expected to open in Q4 2008