



MTR Corporation

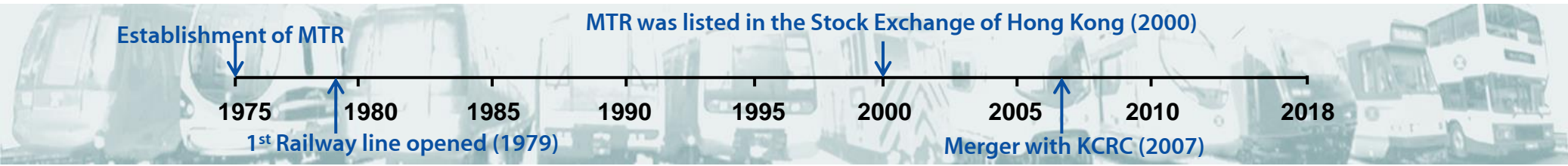
Company Overview

Dec 2018 to Jan 2019

Forward-looking statements

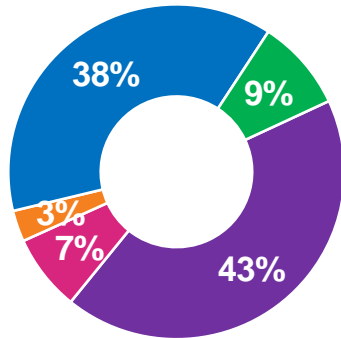
Certain statements contained in this presentation may be viewed as forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.

MTR Today



1H2018 Underlying Profit²
HK\$4.6 billion

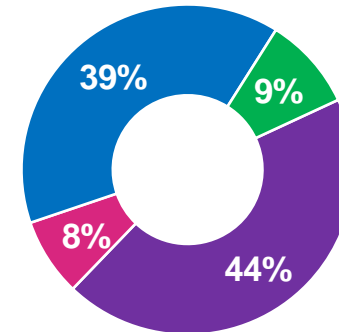
20.5%



- Transport Operations
- Station Commercial
- Property Rental
- Outside Hong Kong
- Property Development[#]

1H2018 Recurrent Profit¹
HK\$4.5 billion

0.1%

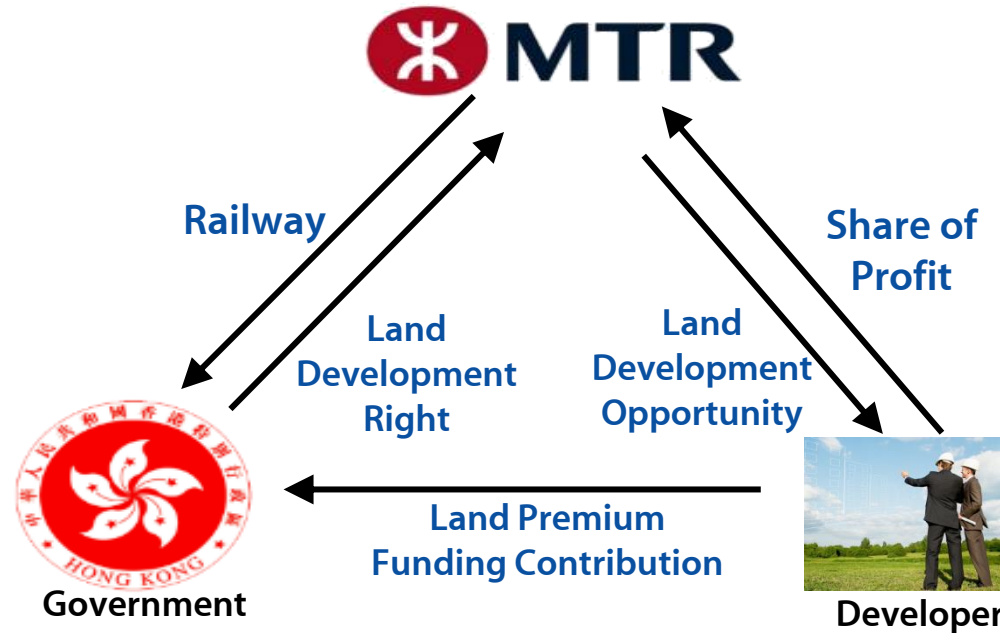


Note:

1. Recurrent Profit: \$4,483M - Net Profit attributable to Shareholders of the Company arising from Recurrent Businesses (comprising Hong Kong Transport Operations, Hong Kong Station Commercial Businesses, Hong Kong Property Rental & Management Businesses, Mainland of China and International Railway, Property Rental and Management Businesses and Other Businesses)
 2. Underlying Profit: \$4,648M - Net Profit attributable to Shareholders of the Company arising from Underlying Businesses (comprising Recurrent Businesses and Property Development Businesses)
 3. Reported Profit (not shown here): \$7,083M - Net Profit attributable to Shareholders of the Company arising from Underlying Businesses and Investment Property Revaluation
- [#] Property development profit mainly from sales of inventory units and car parking spaces, agency fee income from West Rail property developments

Vision: a leading multinational company that connects and grows communities with caring services

Rail + Property Business Model



MTR leads and coordinates the development processes including:

- Agrees with Government amount of property development rights for new rail extension
- Land premium is negotiated with Government on “greenfield basis”*, prior to tender being offered to developers
- Tender property packages to developer partners
- MTR contributes property rights, oversees the design & construction
- Developers usually pay for land premium and development costs; MTR may contribute on a case by case basis
- Profit sharing with MTR by percentage of profits or assets in kind or lump-sum payment

*Greenfield basis = market value ignoring the presence of the railway

Examples of MTR “Rail + Property” Development

Tung Chung Station Development

- Total GFA: 1,030,634 sq m (Retail: 55,793 sq m; Office: 14,913 sq m)
- ~12,400 residential units



Tseung Kwan O LOHAS Park Development

- Total GFA: 1,650,000 sq m (Retail: 46,000 sq m)
- ~25,500 residential units



Kowloon Station Development



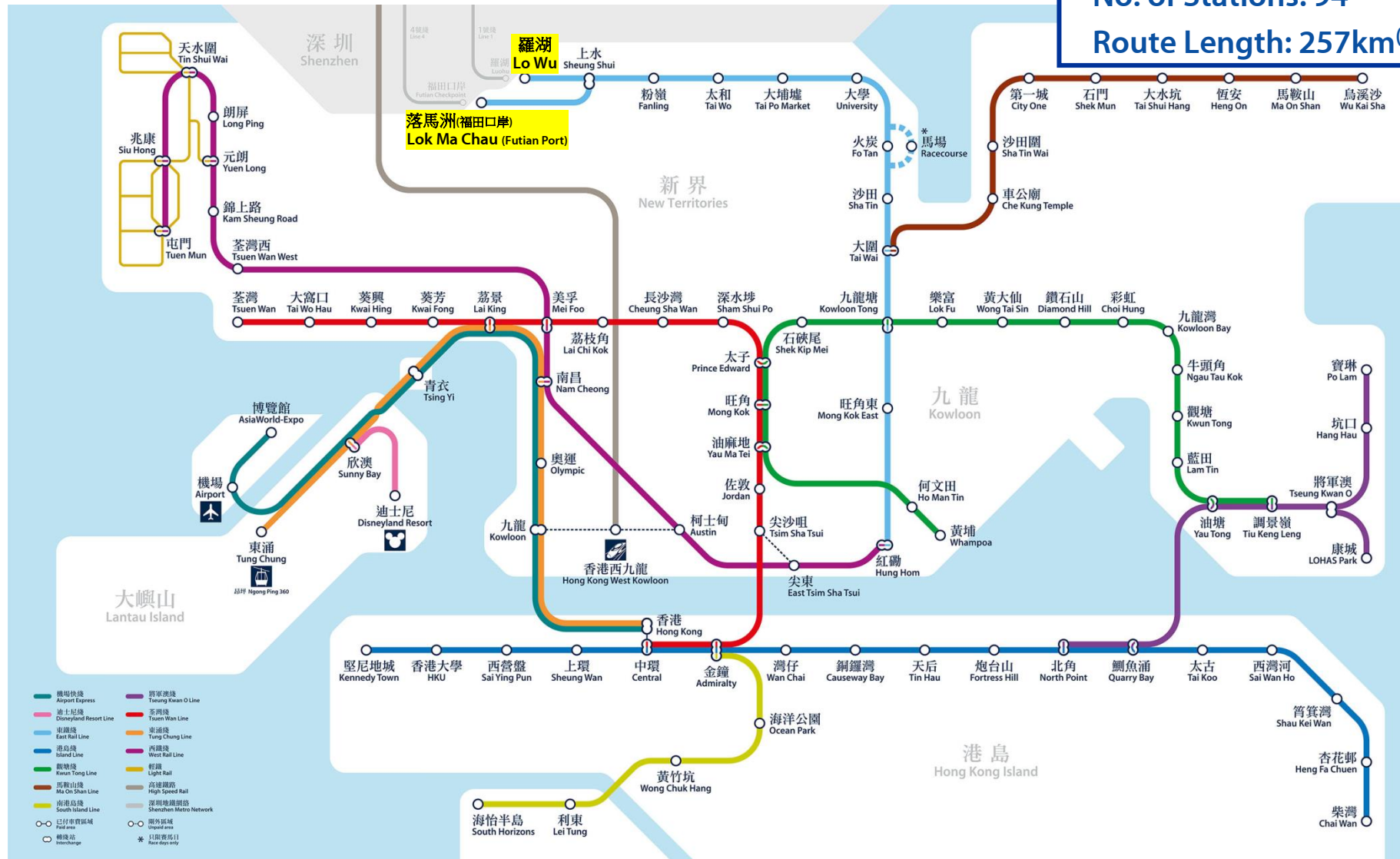
- Total GFA: 1,096,169 sq m (Retail: 82,750 sq m; Office: 231,778 sq m)
- ~5,800 residential units

Hong Kong Transport Operations



MTR Network

No. of Stations: 94⁽¹⁾
Route Length: 257km⁽²⁾

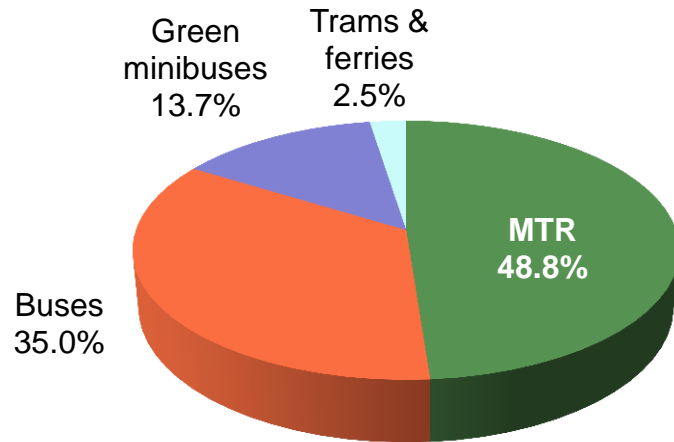


3 Rail Segments: Domestic Service, Airport Express and Cross-boundary Service

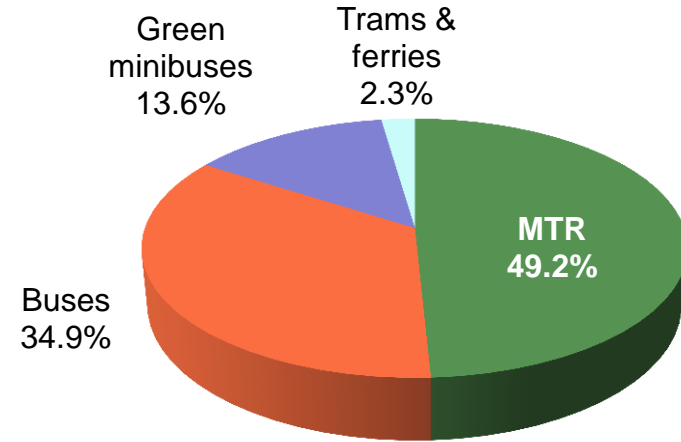
- 93 heavy rail stations, 1 XRL station (ex. 68 light rail stops)
- 195km of heavy rail, 36km of light rail, 26 km of XRL

Market Share

Hong Kong Franchised Public Transport

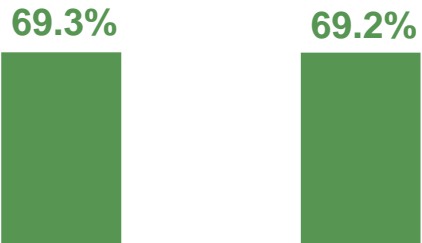


Jan – May 2017

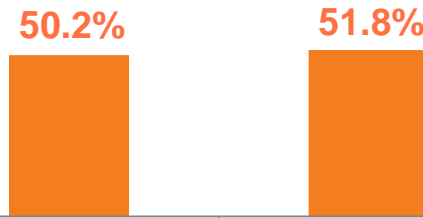


Jan – May 2018

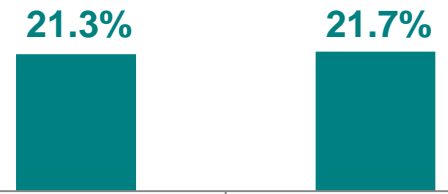
Cross-harbour



Cross-boundary



Airport Express



Jan-May 2017

Jan-May 2018

Jan-May 2017

Jan-May 2018

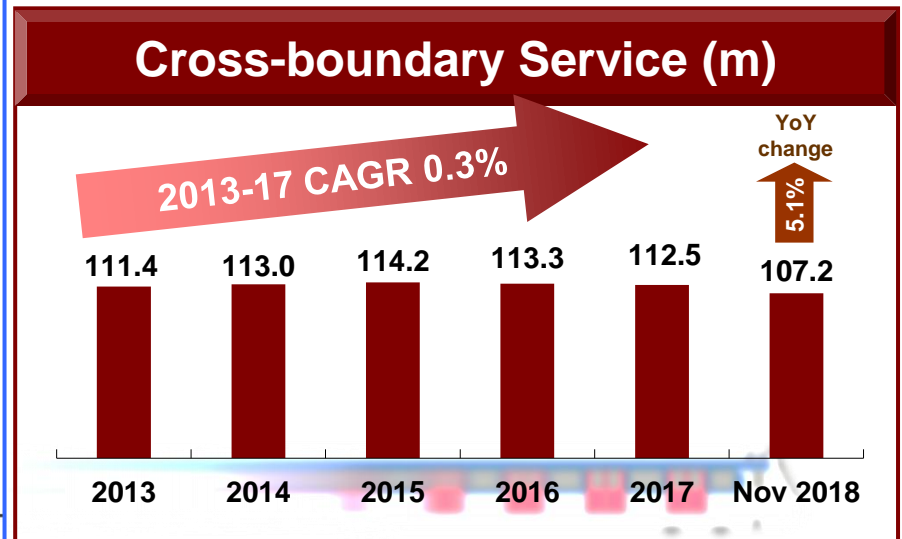
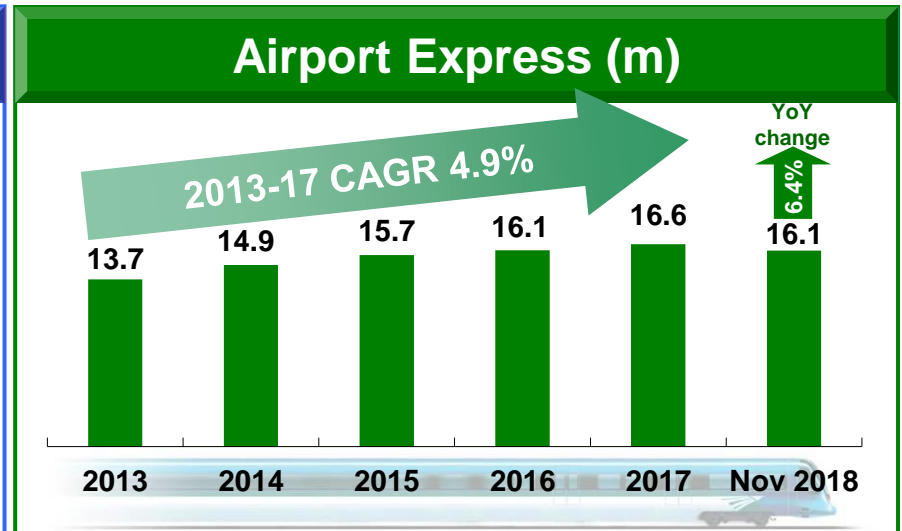
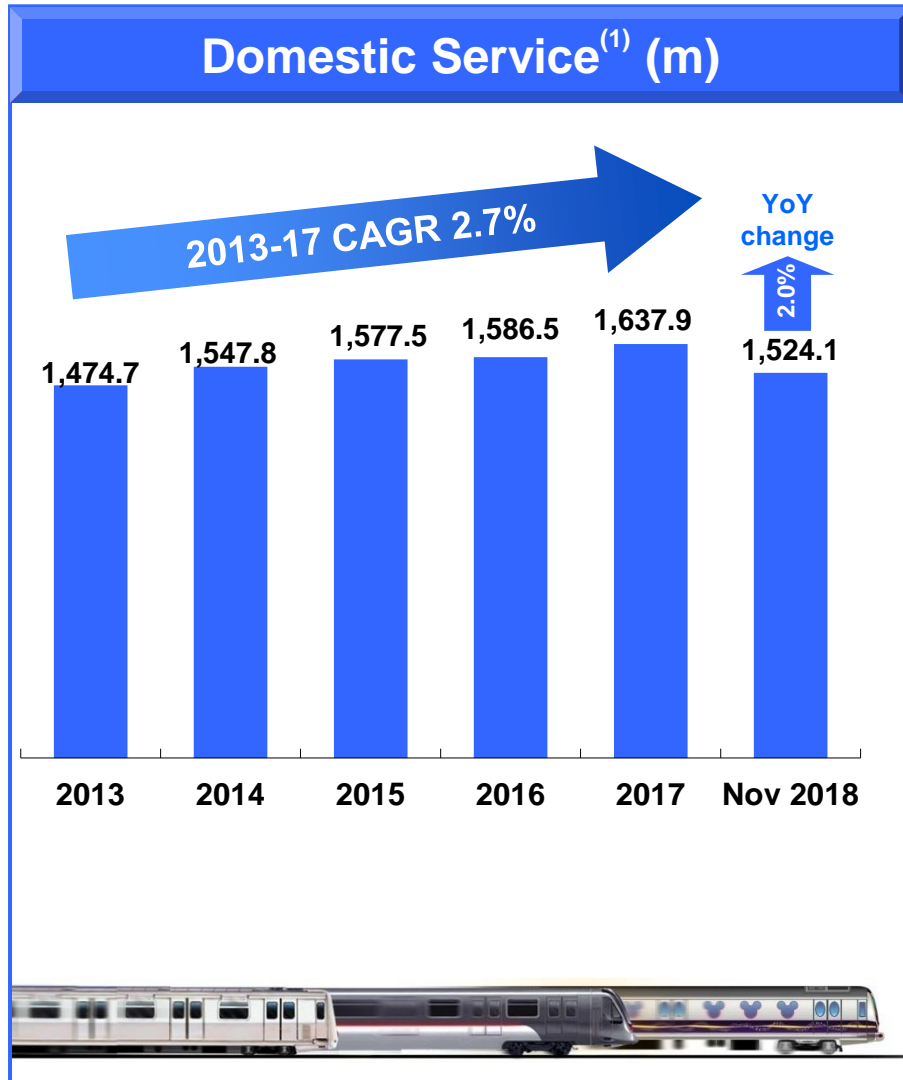
Jan-May 2017⁽¹⁾

Jan-May 2018⁽¹⁾

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

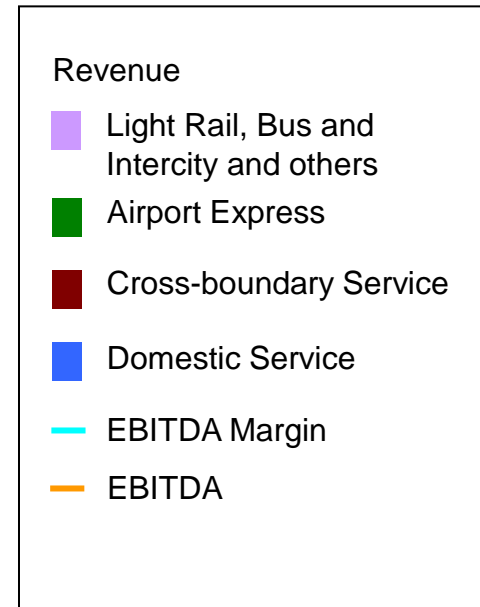
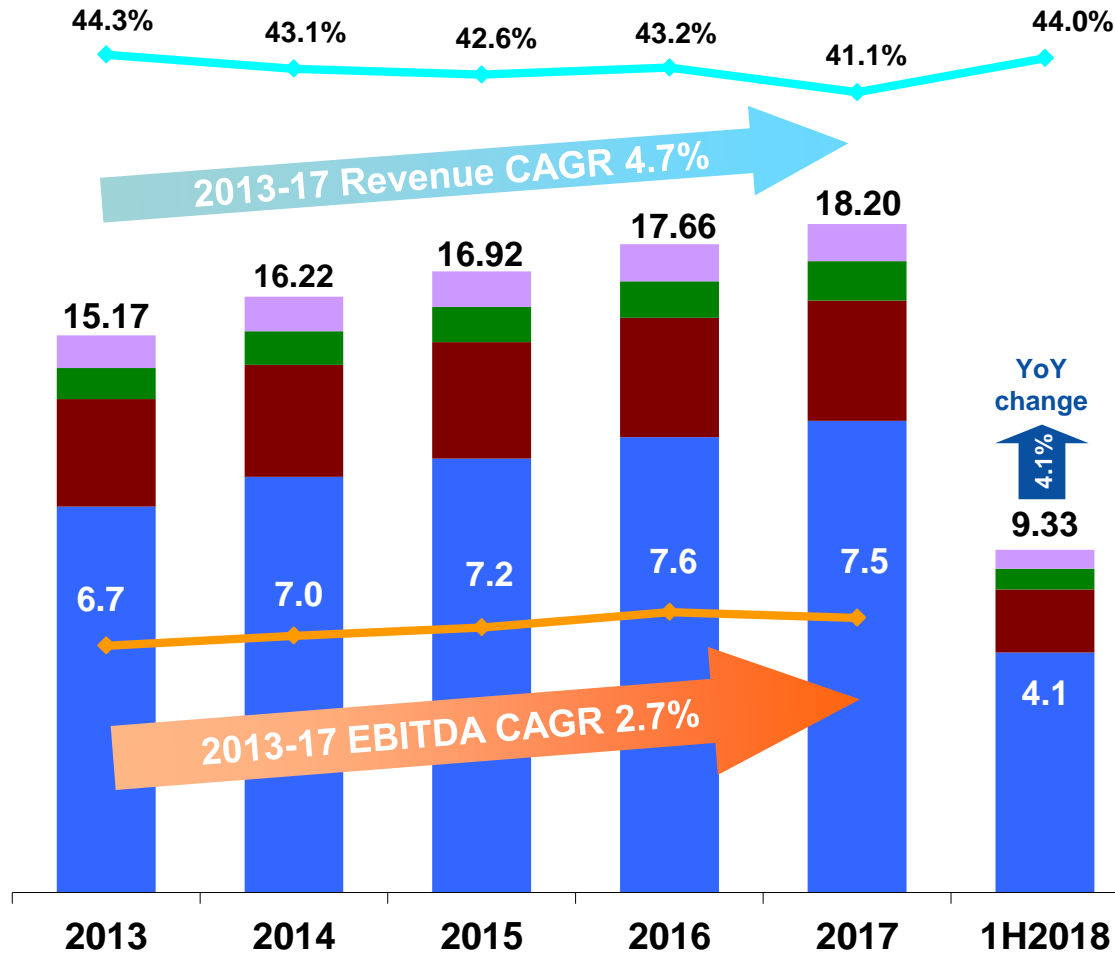
Patronage



1. Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary service), West Rail and Ma On Shan lines

Hong Kong Transport Operations

(HK\$b)



Fare Adjustment Mechanism (FAM)

- FAM – a direct drive mechanism providing a measure of certainty for fare setting
- Next scheduled review in 2022/23

$$\text{Fare Adjustment} = 0.5 * \Delta \text{CCPI} + 0.5 * \Delta \text{WAGE INDEX} - t$$

- Wage index: the yearly percentage change in the Nominal Wage Index (Transportation Sector)
- t: productivity factor

■ Productivity Factor

- t = greater of zero and 0.5 x CAGR in **Productivity** over a **reference period (t = 0 from 2017 to 2022)**

- Productivity: $\frac{\text{HK Transport Operations Revenue}}{\text{HK Transport Operations Expenses}}$

■ Fare Promotions – 3% rebate for Every Octopus Trip for at least 6 months (linked to profitability and service performance arrangements), and others

■ Special applications from 2017 to 2022

- Fare rise under FAM shall be reduced by 0.6 percentage point from 2017 to 2022
- In 2017, it will be followed by a further 10% discount

■ Past Fare Adjustments

2009: +2.05%, effective in June 2010

2011: +5.40%, effective in June 2012

2013: +3.60%, effective in June 2014

2015: +2.65%, effective in June 2016

2017: +3.14%, effective in June 2018

2010: +2.20%, effective in June 2011

2012: +2.70%, effective in June 2013

2014: +4.30%, effective in June 2015

2016: +1.49% (rolled over to 2018/19)

Hong Kong Station Commercial



Hong Kong Station Commercial Businesses



Station Kiosks



Telecommunications

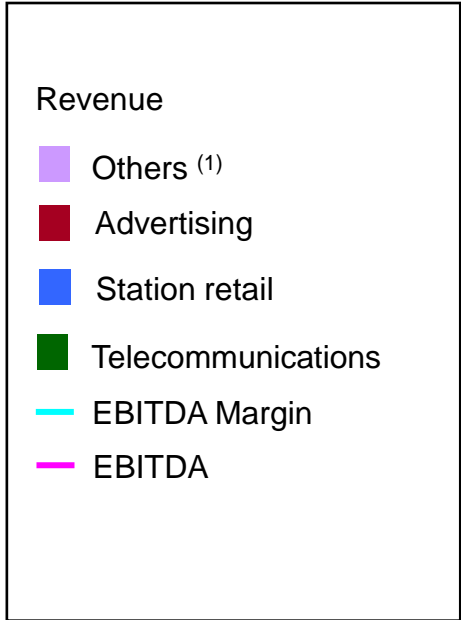
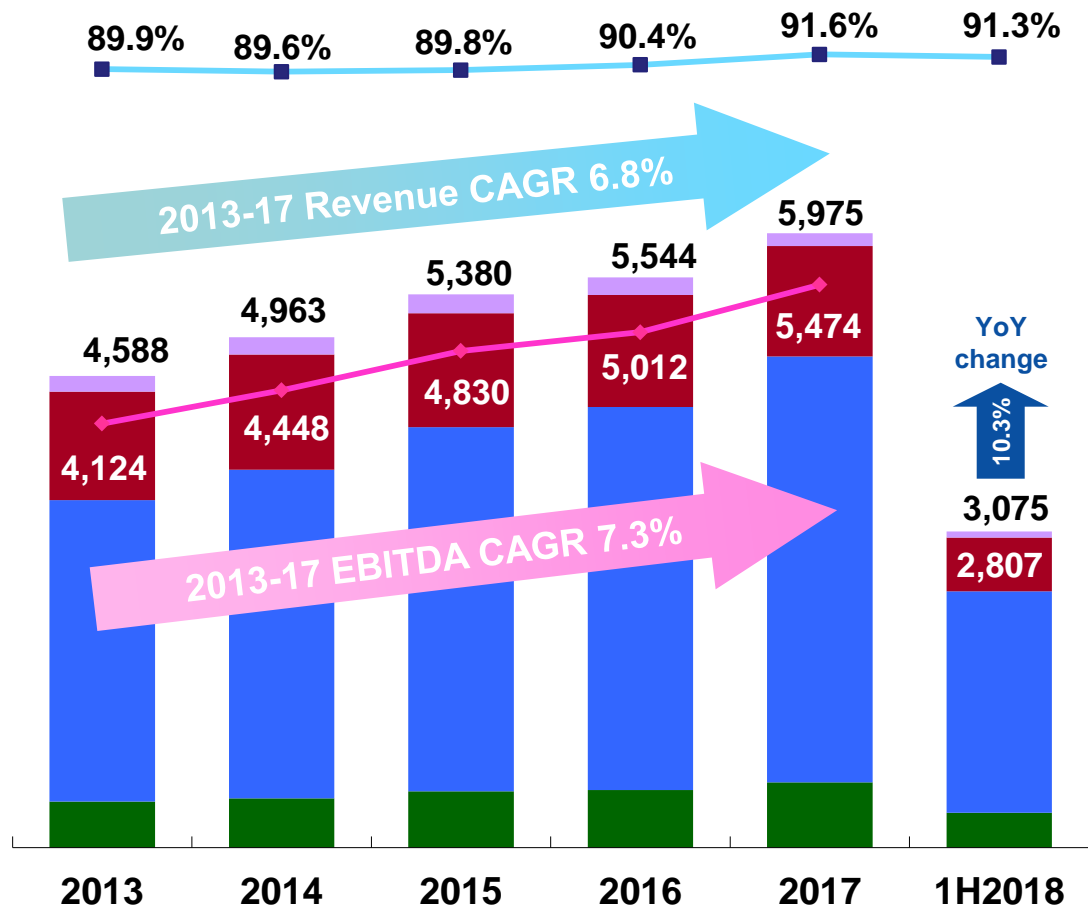


Advertising



Hong Kong Station Commercial

(HK\$m)



1. Include revenues from other station commercial business such as station car park and publications

Hong Kong Property Rental & Management



MTR Investment Property Portfolio

Elements (Retail)



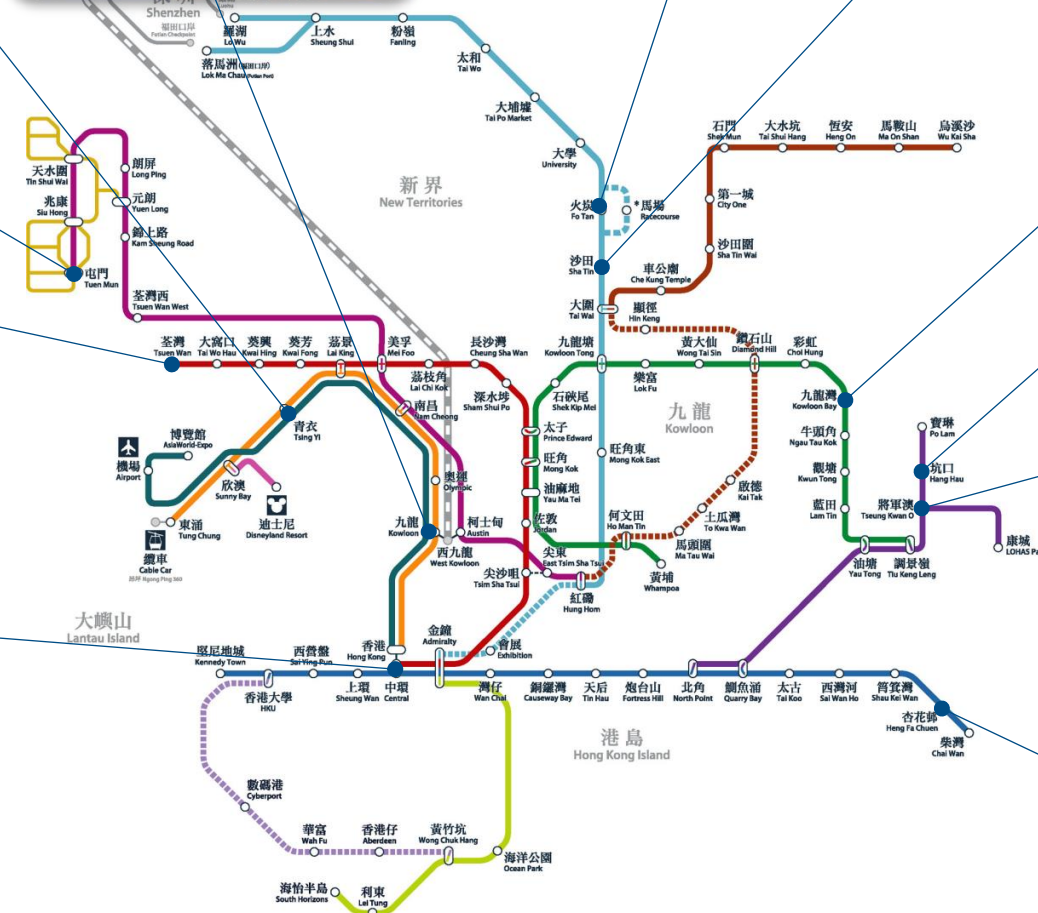
Maritime Square (Retail)



Ocean Walk Hanford Plaza Sun Tuen Mun Shopping Centre (Retail)

Luk Yeung Galleria (Retail)

Two IFC (Offices)



Plaza Ascot (Retail)

Citylink Plaza (Retail)

Telford Plaza (Retail)



The Lane (Retail)

PopCorn 1 & 2 (Retail)

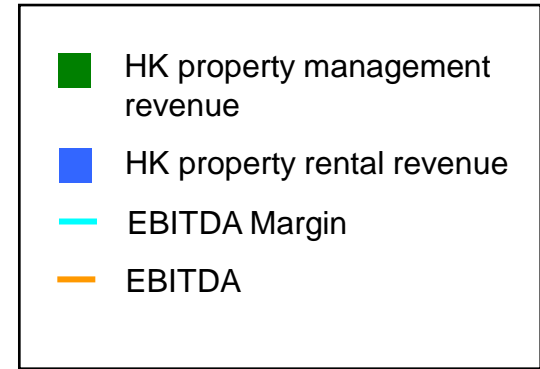
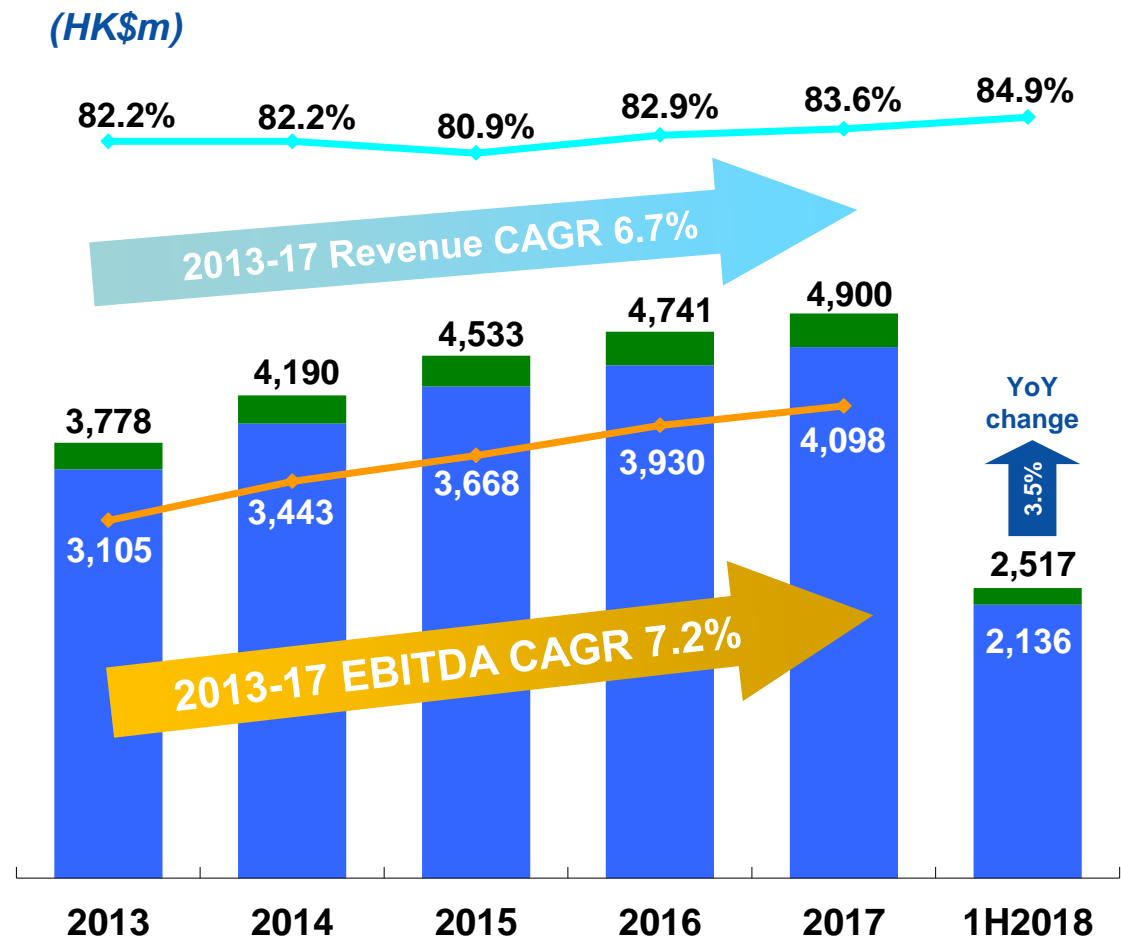


Paradise Mall (Retail)

- 13 malls – 218,083 sqm, Office – 39,410 sqm, Others – 17,764 sqm
- Total Area: 275,257 sqm LFA

* Lettable floor area attributable to MTR, as at 30 Jun 2018

Hong Kong Property Rental and Management



New Investment Property Initiatives

49% increase in attributable GFA of existing retail portfolio



LOHAS Park Shopping Mall

- MTR contribution: HK\$4.98 billion
- Profit sharing in the residential development
- MTR will take ownership of and invest further in fitting out the shopping mall
- Shopping mall GFA: 44,500 sqm
- Expected project completion in end-2020

Tai Wai Shopping Mall

- MTR contribution: HK\$7.5 billion
- Profit sharing in the residential development
- MTR will take ownership of and invest further in fitting out the shopping mall
- Shopping mall GFA: 60,620 sqm
- Expected project completion in 2022



Future shopping mall of 47,000 sqm at **Wong Chuk Hang**

Hong Kong Property Development



MTR Land bank⁽¹⁾ – 1.98 Million sq m GFA

• Tin Shui Wai Light Rail Stop
Awarded Land bank: 0.09m sq m GFA

• Tai Wai Station
Awarded Land bank: 0.25m sq m GFA

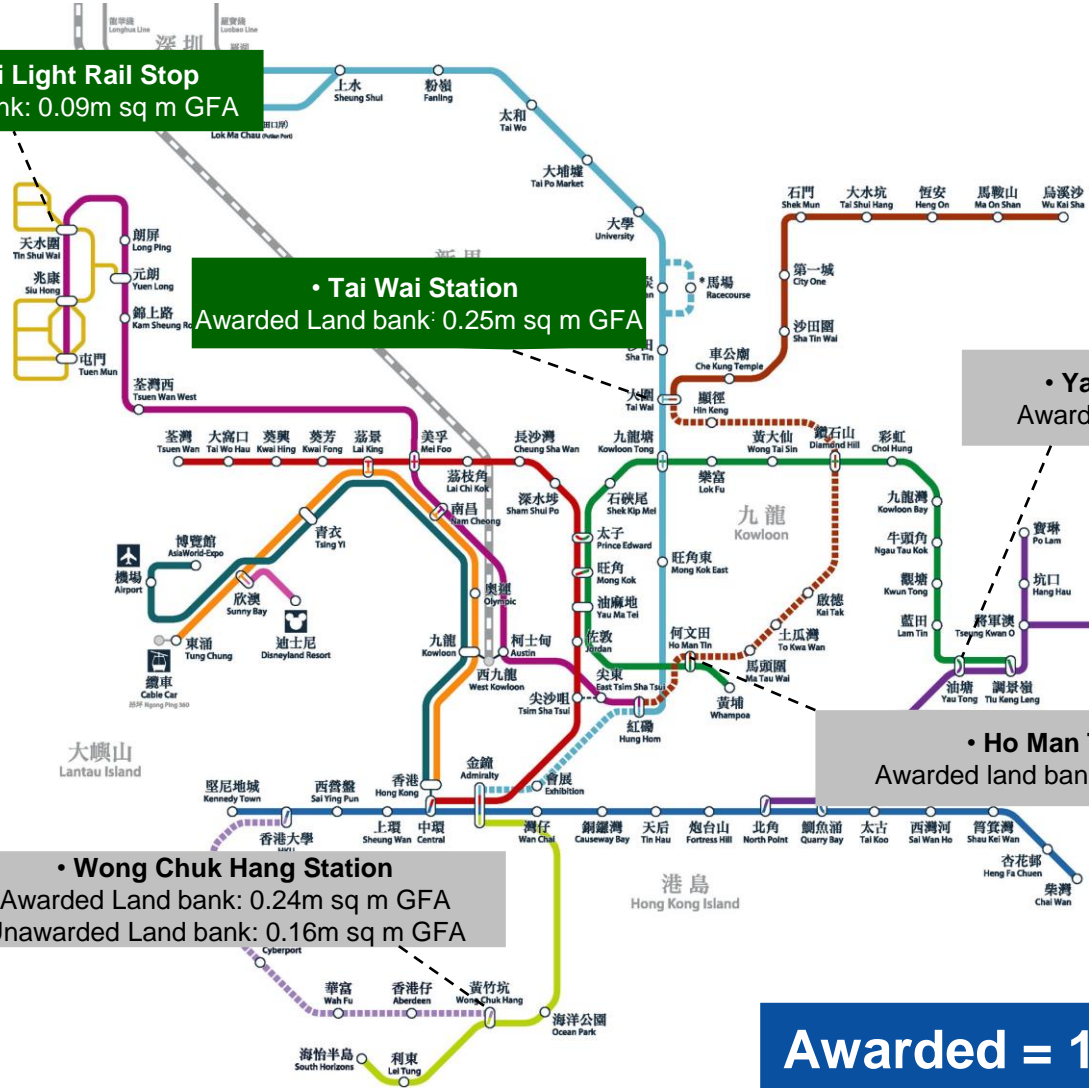
• Yau Tong Ventilation Building
Awarded Land bank: 0.03m sq m GFA

• LOHAS Park Station
Awarded Land bank: 0.76m sq m GFA
Unawarded Land bank: 0.32m sq m GFA

• Ho Man Tin Station
Awarded land bank: 0.13m sq m GFA

• Wong Chuk Hang Station
Awarded Land bank: 0.24m sq m GFA
Unawarded Land bank: 0.16m sq m GFA

Awarded = 1.50m sq m GFA
Unawarded = 0.48m sq m GFA



■ MTR Land bank ■ Land bank acquired from KCRC

1. Definitions of landbank:
 - Property development rights granted by the Government as part of the "Rail + Property" model or through acquisition from KCRC
 - Where profit has not yet been recognised, status in Aug 2018

Update on Hong Kong Property Development

Land Tendering

■ Tendering activities

- Yau Tong Ventilation Building Property Development awarded to Sino Land and CSI Properties in May 2018
- Wong Chuk Hang Station Package 3 awarded to CK Asset in Aug 2018
- Ho Man Tin Station Package 2 awarded to Chinachem Group in Oct 2018
- Between now and March 2019, subject to market conditions, aiming to tender out LOHAS Park Package 11

Property Sales

- Pre-sales of LOHAS Park property development packages
- Pre-sales of West Rail residential projects where we act as agent for KCRC
- Sales of inventory units or car parks, subject to market conditions

Hong Kong Property Development

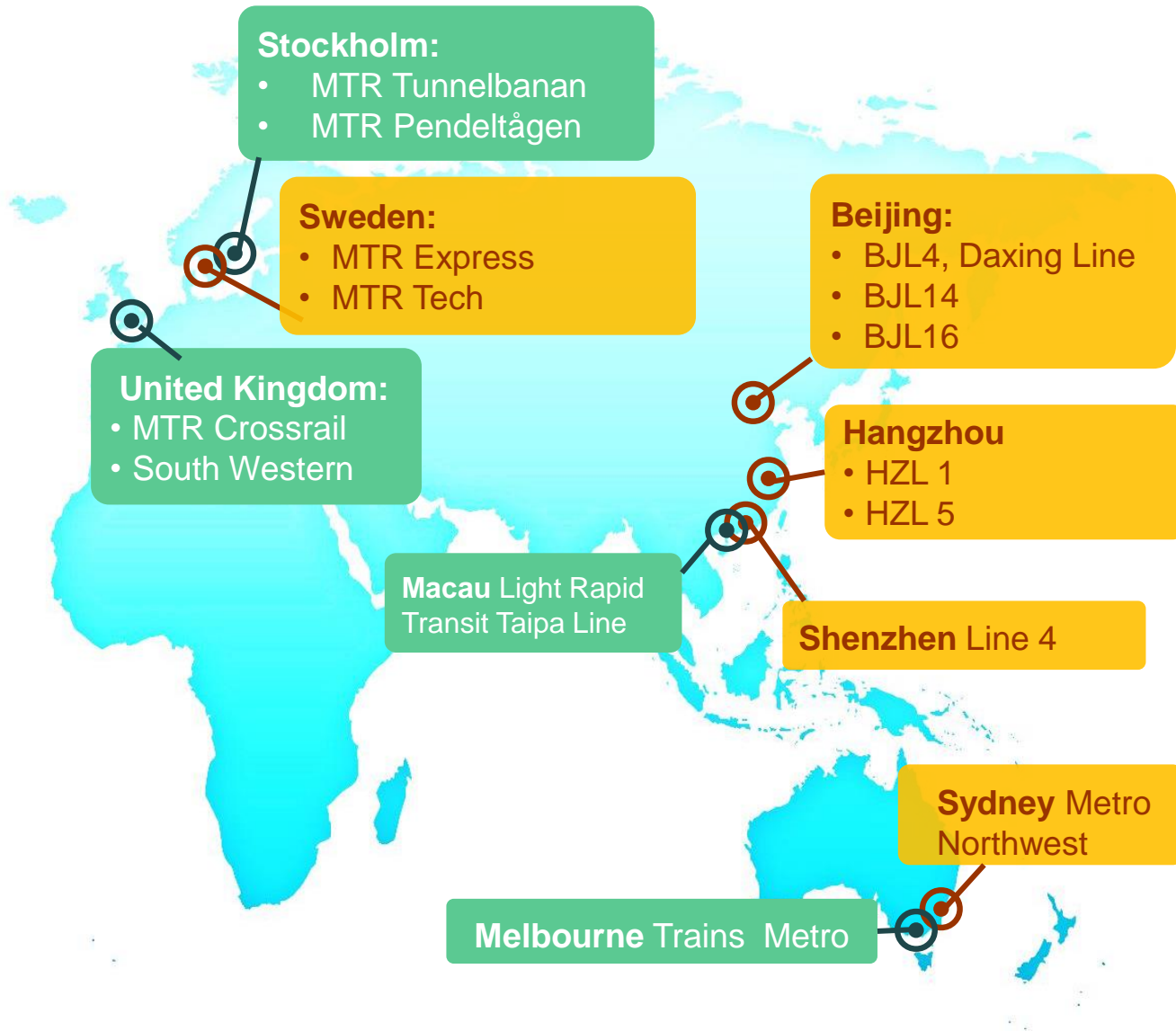
Tendered MTR developments: Over 21,000 residential units (GFA : over 1.34 million sqm)

	Property Tender	Date of Tender Award	Developer partner (a subsidiary of)	Residential Gross Floor Area (sq m)	Units sold
1	LOHAS Park Package 4	Apr 2014	Sun Hung Kai	122,302	~2,170
2	Tai Wai Station	Oct 2014	New World	190,480	~3,090
3	LOHAS Park Package 5	Nov 2014	Wheelock	102,336	~1,600
4	LOHAS Park Package 6	Jan 2015	Nan Fung	136,970	1,540 / 2,392
5	Tin Wing Stop	Feb 2015	Sun Hung Kai	91,051	~1,970
6	LOHAS Park Package 7	Jun 2015	Wheelock	70,260	~1,120
7	LOHAS Park Package 8	Oct 2015	Cheung Kong	97,000	~1,430
8	LOHAS Park Package 9	Dec 2015	Wheelock	104,110	~1,650
9	LOHAS Park Package 10	Mar 2016	Nan Fung	75,400	~900
10	Ho Man Tin Station Package 1	Dec 2016	Goldin Financial	69,000	~960
11	Wong Chuk Hang Station Package 1	Feb 2017	Road King Infrastructure & Ping An Real Estate	53,600	800
12	Wong Chuk Hang Station Package 2	Dec 2017	Sino Land & Kerry Properties	45,800	600
13	Yau Tong Ventilation Building	May 2018	Sino Land & CSI Properties	30,225	~500
14	Wong Chuk Hang Station Package 3	Aug 2018	CK Asset	~92,900	~1,200
15	Ho Man Tin Station Package 2	Oct 2018	Chinachem Group	59,400	~900

Mainland of China & International Businesses



Mainland China and Overseas Strategies



Asset Light

- Focus on “asset light” operating rail concessions
- Franchise operations in UK, Stockholm and Melbourne

Asset Heavy

- Invest in urban rail networks in the Mainland of China
- Focus on development of rail networks within cities
- Operating rail businesses in Mainland China (Beijing, Shenzhen and Hangzhou), Sweden (MTR Express) and Australia (North West Rail Link)

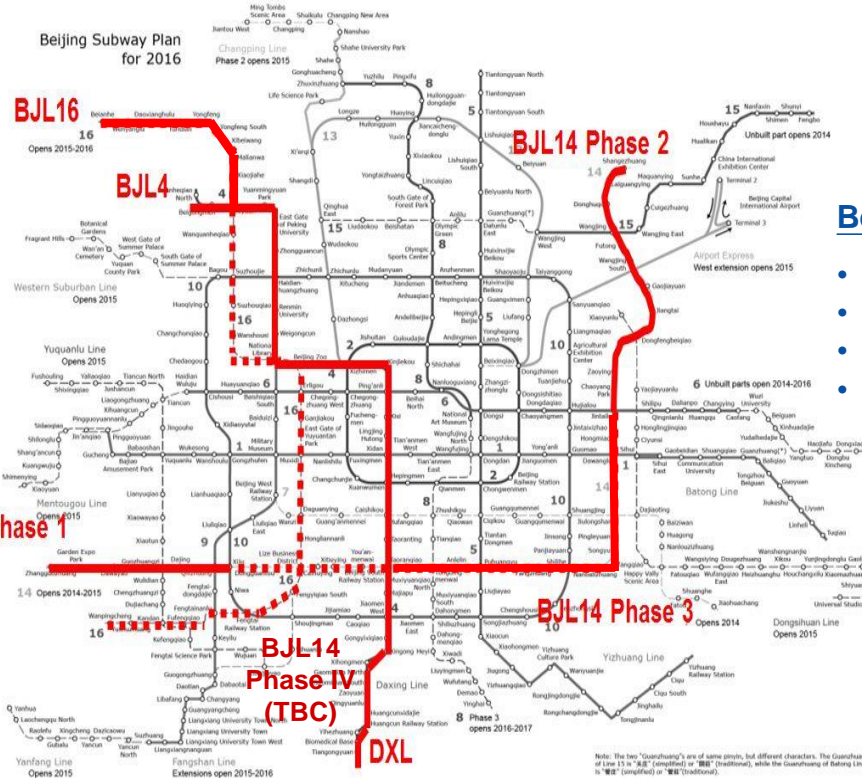
Existing Businesses on Mainland of China – Beijing

Beijing Metro Line 16 (BJL16)

- 49%/ RMB 2.45billion
- 50km/ 29 stations
- 30 years
- Phase 1: Dec 2016; full line: after 2019

Beijing Metro Line 4 (BJL4)

- 49%/ RMB 700 million
- 28km/ 24 stations
- 30 years
- Sep 2009



Beijing Metro Line 14 (BJL14)

- 49% ownership/ RMB 2.45billion
- 47.3km/ 37 stations
- 30 years
- Phase 1: May 2013; Phase 2: Dec 2014; Phase 3: Dec 2015

Daxing Line

- O&M contract
- 22km/ 11 stations (Southward extension of BJJ4)
- 10 years
- Dec 2010

Metro Line
• % Ownership/ equity investment
• Route length/ no. of stations
• Concession period
• Year of service commencement

Existing Businesses on Mainland of China – Shenzhen and Hangzhou; Macau

Shenzhen Metro Line 4 (Longhua Line)

- 100%/ RMB 2.4 billion
- 20.5 km/ 15 stations
- 30 years
- Jun 2011



Hangzhou Metro Line 1

- 49%/ RMB 2.2 billion
- 54km/ 34 stations (including a 5.7km 3-station extension under O&M)
- 25 years
- Nov 2012

Hangzhou Metro Line 5

- Up to 60%/ RMB 2.6 billion
- 51.5km/ 38 stations
- 25 years
- Around end-2019

Macau Light Rapid Transit Taipa Line

- O&M contract of ~HK\$5.71 billion
- 9.3 km/ 11 stations
- 80 months
- 2019

Metro Line

- % Ownership/ equity investment
- Route length/ no. of stations
- Concession period
- Year of service commencement



Existing Overseas Operations - Sweden

Stockholm Metro

MTR Tech

- Total investment: HK\$180 million (for 50% interest in TBT)
- 100% ownership
- Rolling stock maintenance for the metro network in Stockholm fully under our management
- Feb 2016

Stockholm Metro (MTR Stockholm)

- O&M concession for 8 years to 2017
- 6-year extension from 2017 to 2023
- 100% ownership
- Contract amount: HK\$20 billion
- 108km/ 100 stations
- Since Nov 2009



MTR Express

- Total investment: HK\$830 million
- 100% ownership
- 457km intercity service between Stockholm & Gothenburg
- Since 21 March 2015

Intercity Service

Commuter Service

Stockholm Commuter Rail (MTR Pendeltågen)

- O&M concession for 10 years (with option to extend a further 4 years)
- 100% ownership
- Contract amount: SEK30 billion (14 years)
- 247km/ 53 stations
- Since Dec 2016



Existing Overseas Operations

Australia

Melbourne's Metropolitan Rail Services

- O&M concession for 7 years (plus a 3-year option)
- 60% ownership
- 390km and 217 stations
- 8-year concession since Nov 2009; new franchise to start on 30 Nov 2017

Sydney Metro Northwest (PPP)

- Equity investment: AUD63 million
- 36km high capacity rapid transit between Chatswood and Rouse Hill
- Design and delivery of railway system and O&M for 15 years
- To commence in 2019

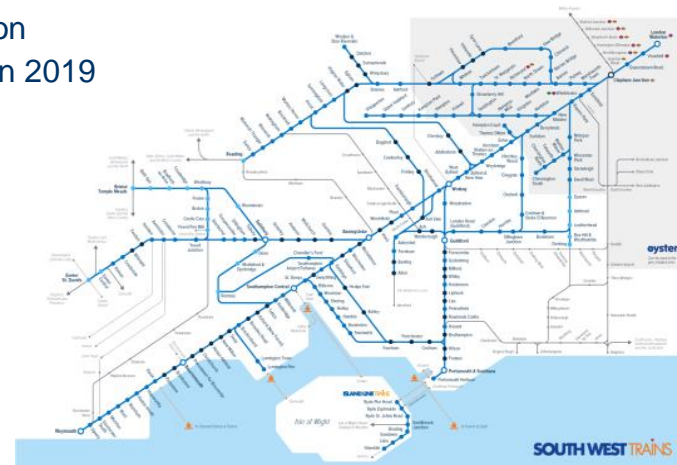


MTR Crossrail

- O&M concession for 8 years (with an option to extend 2 more years to 10 years)
- 100% ownership
- Contract amount: GBP1.4 billion
- 118km and 40 stations, including 42km of new tunnels across London
- Commenced first section of service in May 2015; full line operation in 2019

South Western Railway

- The new franchise from Aug 2017 for 7 years (with the option for an 11-month extension)
- 70:30 joint venture between FirstGroup and MTR
- 998.2km network serving 203 stations (186 stations operator managed)
- Covers routes between London Waterloo and south western England, including Bristol, Exeter and Portsmouth

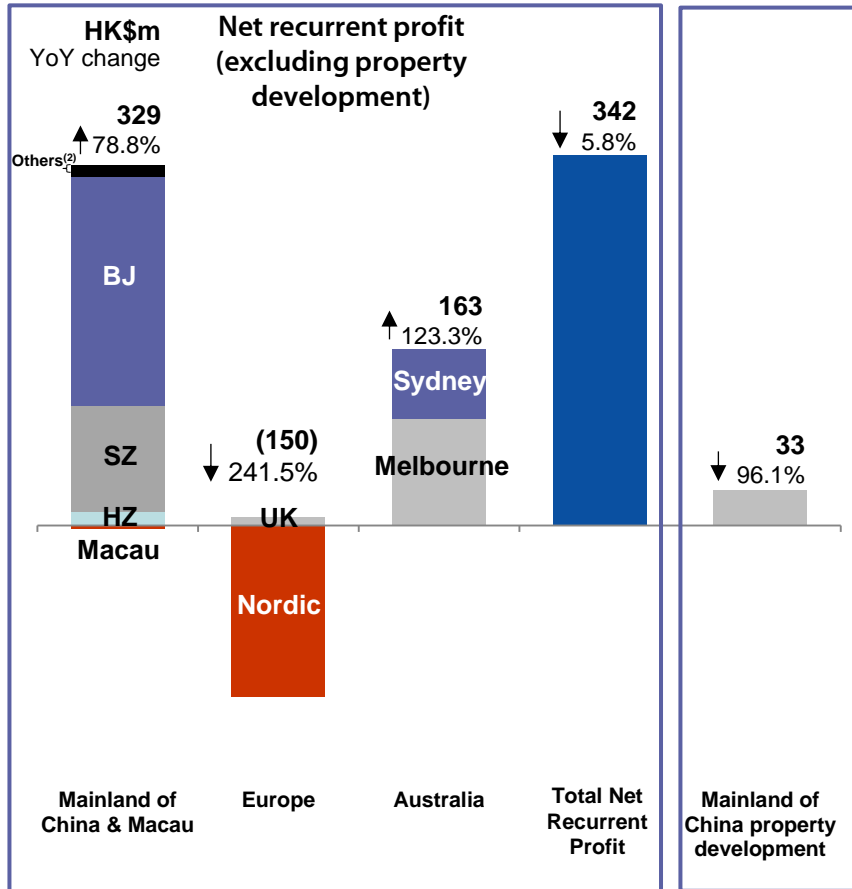


United Kingdom

Mainland China and International Businesses

Total Net Recurrent Profit (excluding property development)⁽¹⁾

: HK\$342m ↓ 5.8%



Recurrent Profit

Mainland of China & Macau - ↑ 78.8%

- **Beijing MTR** – increase due to good operation and financial performance
- **MTR Shenzhen** – increase due to higher patronage
- **Hangzhou MTR** – achieved profitability with increased patronage

Europe - ↓ 241.5%

- **MTR Pendeltågen (Stockholm commuter rail), Sweden** – material loss due to cost increase and penalties
- **MTR Express, Sweden** – patronage improvement but still loss-making
- **South Western Rail franchise, UK** – revenue below expectation leading to a slight loss
- **MTR Crossrail** – enhanced service performance

Australia - ↑ 123.3%

- **Sydney Metro Northwest (SMNW)** – profit recognition from design and delivery works
- **Metro Trains Melbourne (MTM)** – higher income from operations and project works

Property Development

Mainland of China Property Development

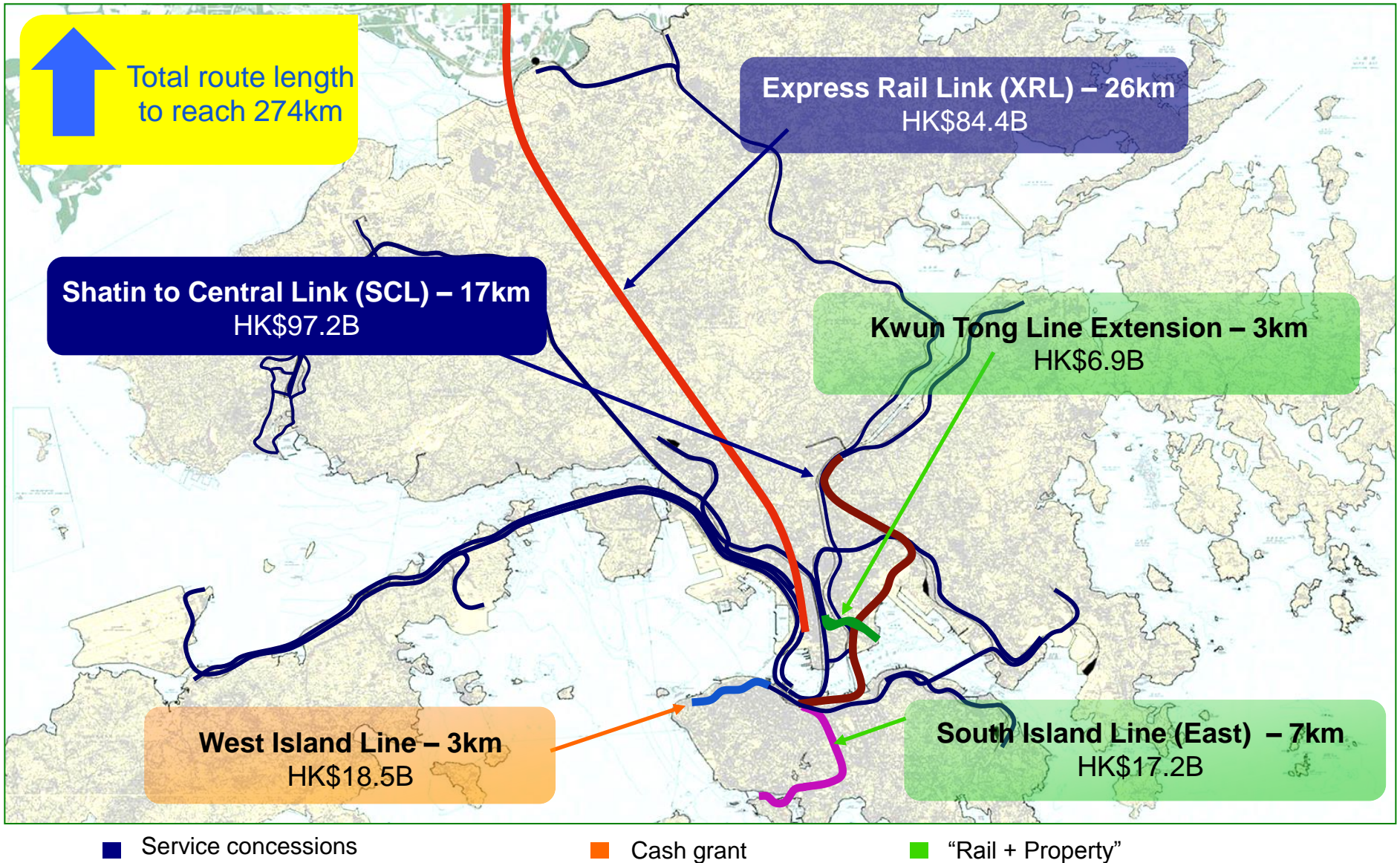
- **Tiara, Shenzhen** – profit booking from Tiara last year was not repeated this year

1. On attributable basis comprising net profit from Mainland of China and international business (MC&IB) subsidiaries net of non-controlling interests, and share of profit or loss from MC&IB associates and joint venture
 2. Mainland of China Property rental and management

Growth Initiatives in Hong Kong



Unprecedented HK Railway Growth



* Project cost estimates (before capitalised interest) subject to regular review

Rail Projects under Project Management

Express Rail Link (XRL)

Project Background

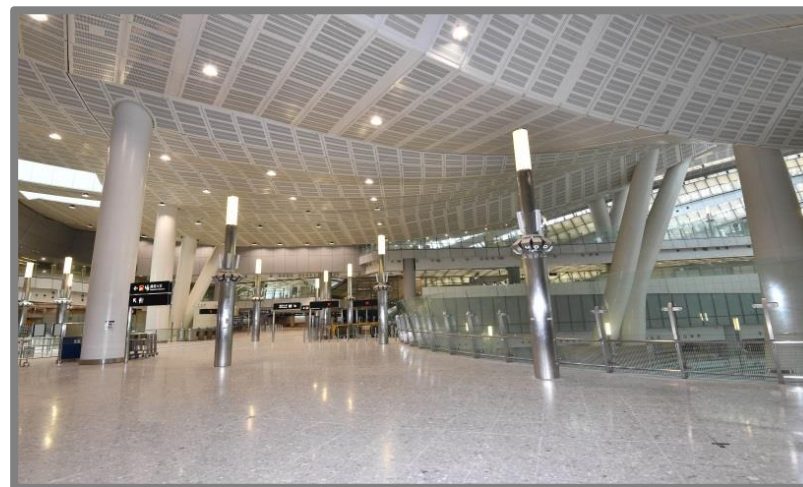
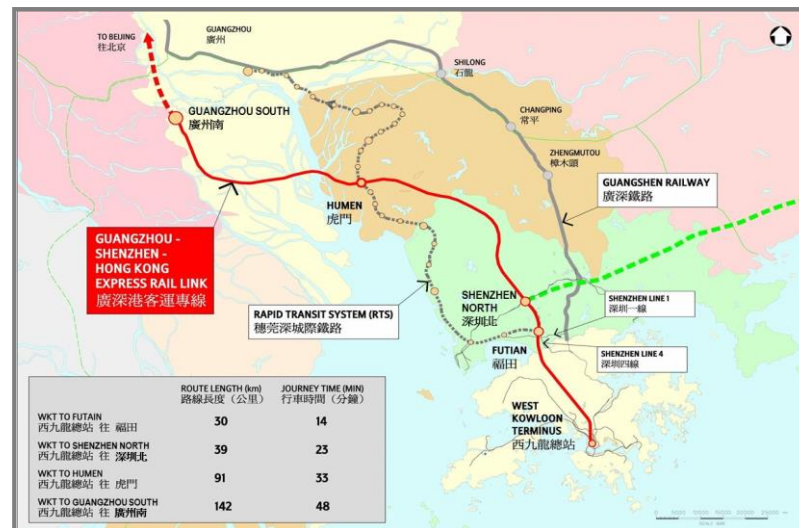
- The 26-km XRL to provide high speed cross-boundary rail services connecting Hong Kong to Shenzhen, Guangzhou and the high speed rail network in Mainland of China

10 years concession with the government

- A fair and symmetrical concession
- KCRC will pay MTR a fixed payment of HK\$8B over 10 years
- MTR will pay KCRC 35% of the fare and non-fare revenue over 10 years
- Any excess or shortfall greater than 15% of the projected patronage will be borne between MTR and KCRC at 30% and 70% respectively
- MTR will receive compensation of up to \$1.5B from KCRC, for patronage loss in existing cross-boundary and intercity services.

Opened on 23 Sep 2018

- First-month total patronage was 1.5 million
- Recorded 80,020 passengers at West Kowloon Check Point on 5 Oct



Rail Projects under Project Management

Shatin to Central Link

Project Background

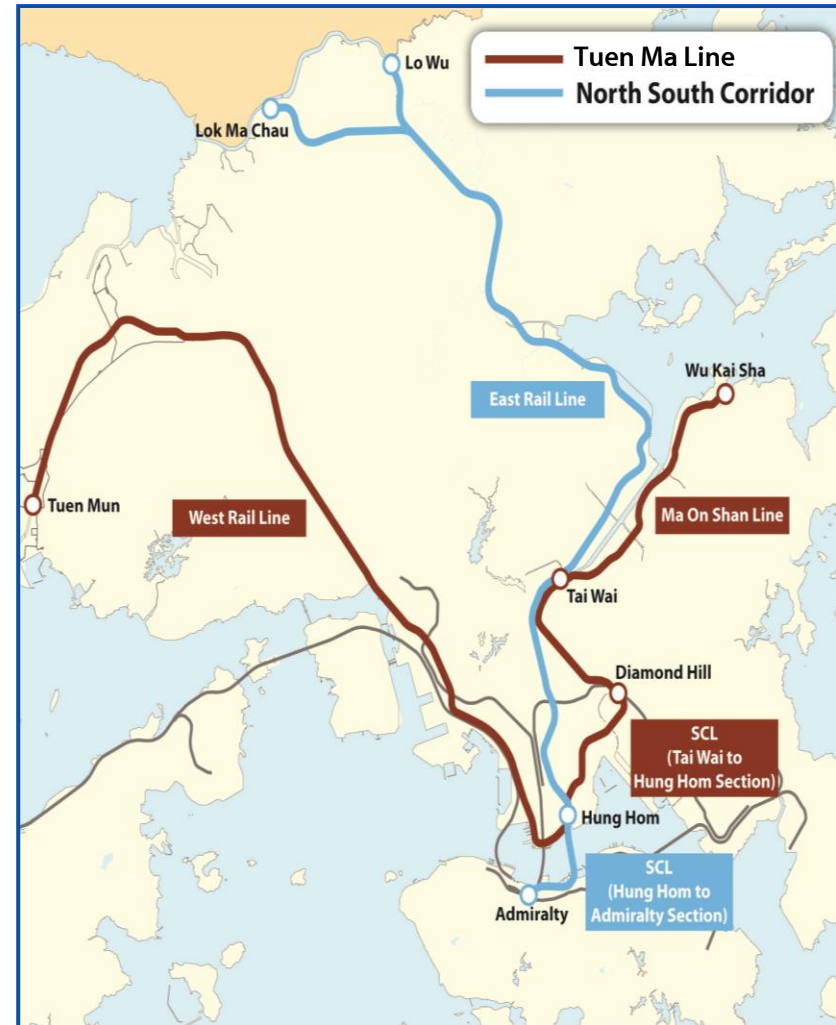
- SCL comprises two sections, the Tai Wai to Hung Hom and Hung Hom to Admiralty sections
- New link across the New Territories, serving residential and working population of 640,000
- Entrustment Agreement signed with Government in May 2012
- Construction commenced in June 2012

Project Progress

- Overall completion at 86% as at 30 Jun 2018
 - Tai Wai to Hung Hom Section at 97.8%
 - Hung Hom to Admiralty Section at 70.9%

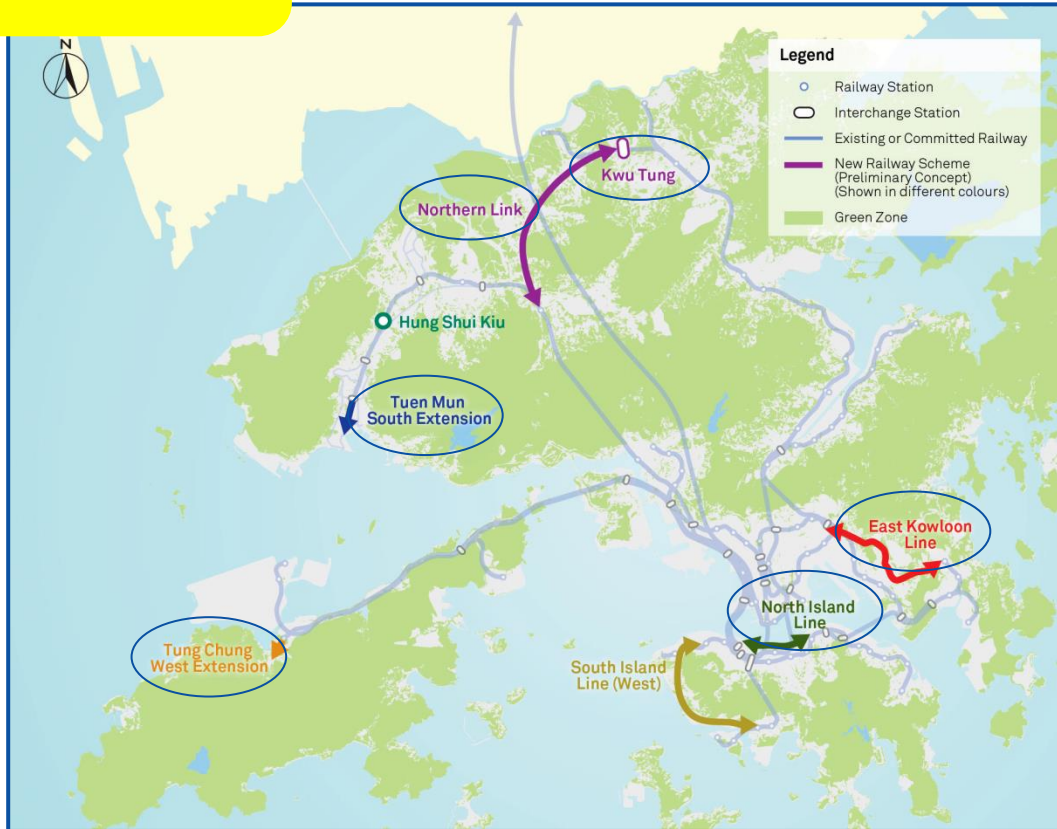
Target Completion

- Tai Wai to Hung Hom Section - commissioning date dependent on the verification of, and safety test on, the Hung Hom Station platform
- Hung Hom to Admiralty target completion currently expected to be in 2021



Railway Development Strategy 2014

 Total route length of about 34.8km



Project	Route Length (km)
Tuen Mun South Extension	2.4
Northern Link (and Kwu Tung Station)	10.7
East Kowloon Line	7.8
Tung Chung West Extension (and Tung Chung East Station)	1.5
North Island Line	5.0
Hung Shui Kiu Station	-
South Island Line (West)	7.4
Total	34.8

Financial Results



Financial Highlights

Contribution from Recurrent Businesses

1H2018 (HK\$m)	Recurrent Businesses		
	Hong Kong ⁽¹⁾	Outside of Hong Kong	Total
Revenue	15,920	10,453	26,373
Change (YoY)	5.1%	30.4%	13.9%
Recurrent profits	4,141	342 ⁽²⁾	4,483
Change (YoY)	0.6%	(5.8)%	0.1%

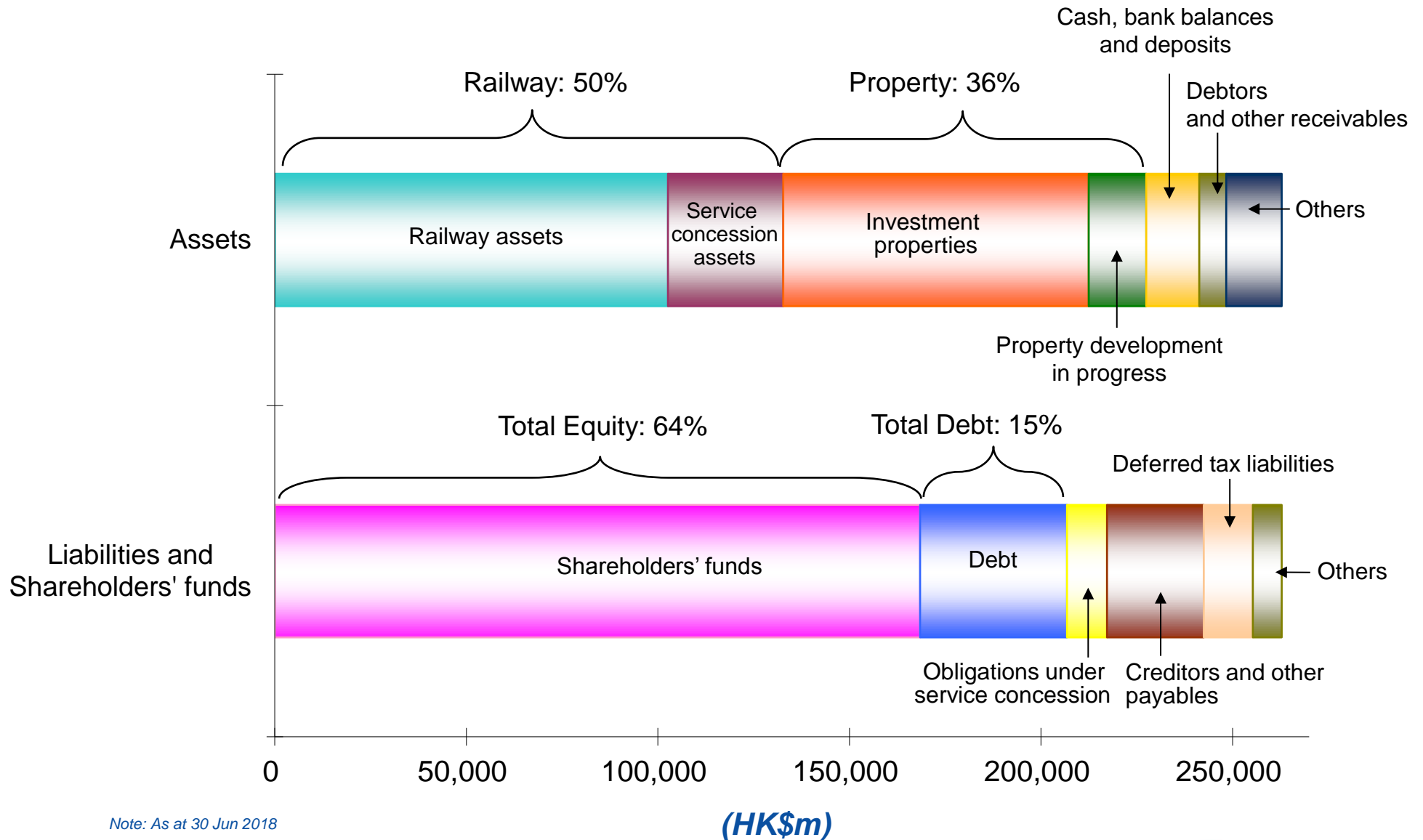
Net Profit

(HK\$m)	1H2018	Change (YoY)
Profit from recurrent businesses⁽²⁾	4,483	0.1%
Post-tax profit from property development		
Hong Kong	132	(74.6)%
Mainland of China	33	(96.1)%
Sub-total	165	(88.0)%
Profit from underlying businesses⁽²⁾	4,648	(20.5)%
Investment property revaluation	2,435	49.2%
Report net profit attributable to shareholders of the company⁽²⁾	7,083	(5.3)%
Reported EPS (HK\$) ⁽²⁾	1.18	(7.1)%
Underlying businesses EPS (HK\$) ⁽²⁾	0.77	(22.2)%
Ordinary dividend per share (HK\$)	0.25	-

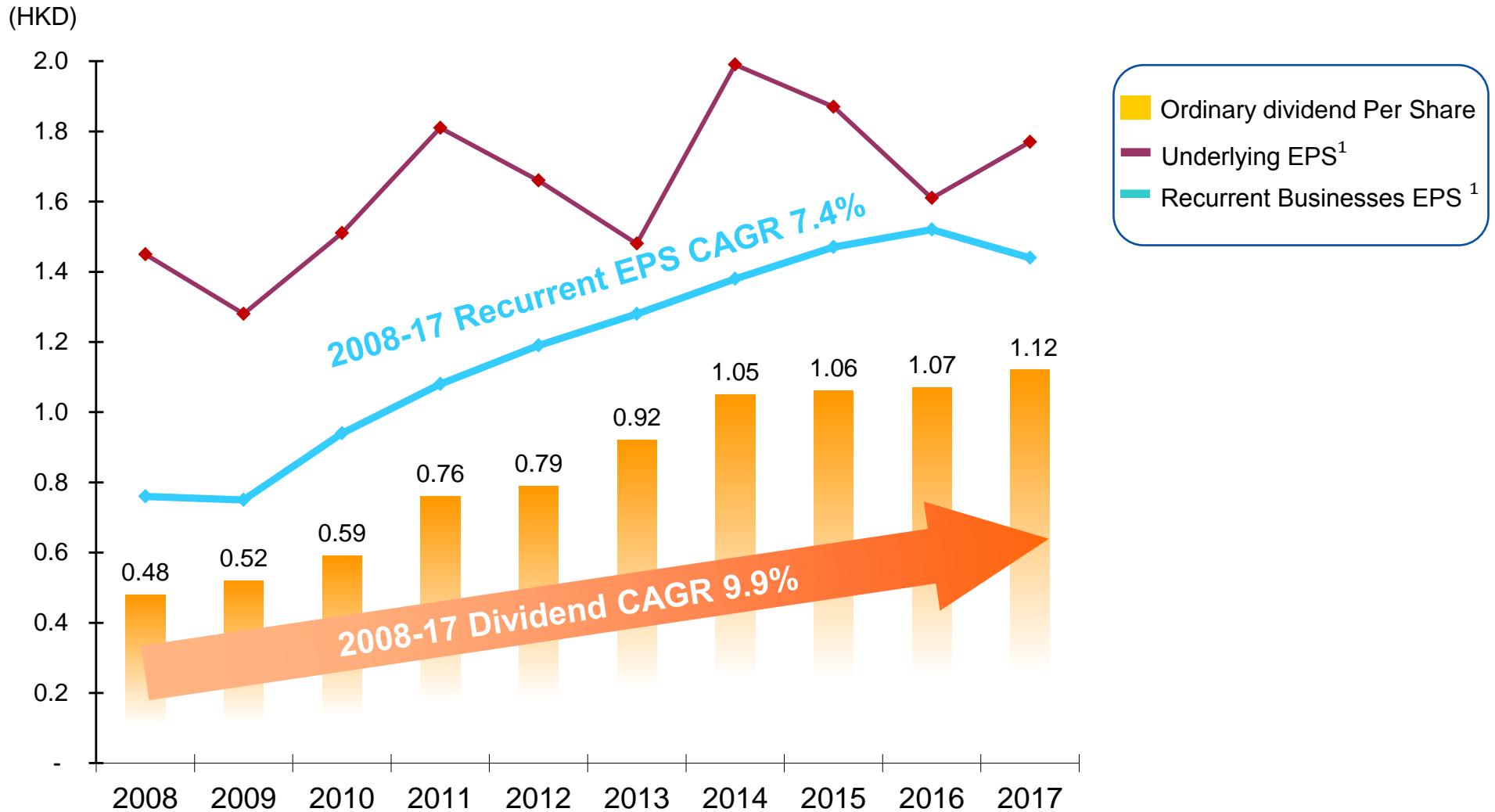
1. Hong Kong recurrent businesses include HK transport operations, HK station commercial, HK property rental and management, other businesses (mainly project management services to Government, Ngong Ping 360, consultancy business and MTR Academy) and project studies and business development expenses

2. Net of non-controlling interests (1H2018: HK\$88m; 1H2017: HK\$53m)

Consolidated Balance Sheet



Progressive Dividend Policy



1. 2012 figures restated due to retrospective adoption of Revised HKAS19, Employee Benefits



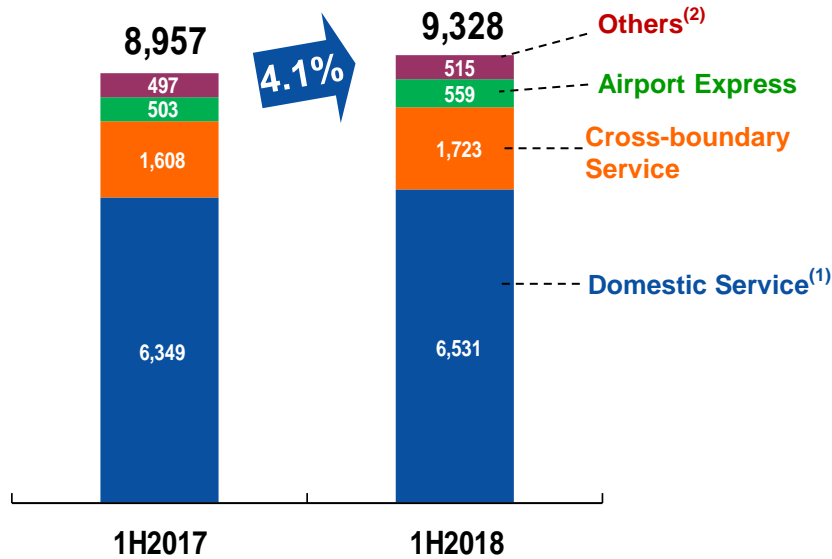
Appendix

Hong Kong Transport Operations

Total Patronage: 997.8 million **2.3%**

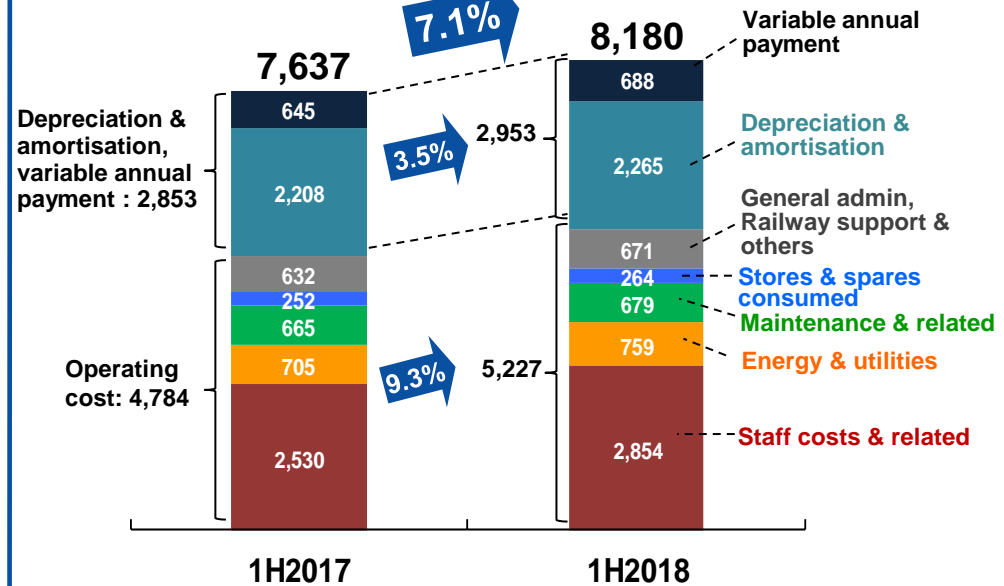
Revenue

(HK\$m)



Cost

(HK\$m)



EBITDA:
HK\$4,101m

1.7%

Margin: **2.6% pts**
44.0%

EBIT⁽³⁾:
HK\$1,148m

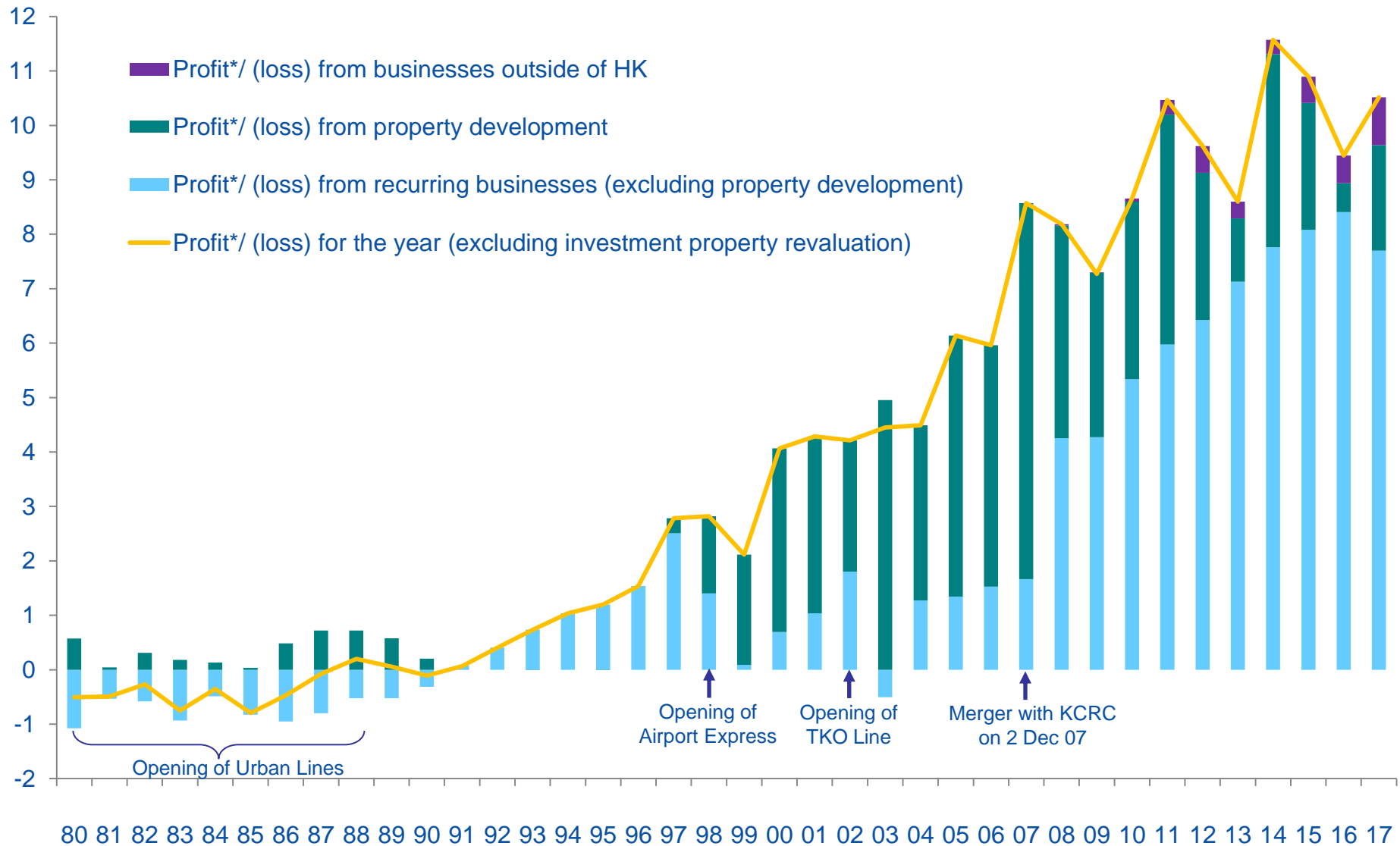
13.0%

Margin: **2.4% pts**
12.3%

- Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines
- Others comprise Light Rail, Bus, Intercity and other rail related income
- After depreciation, amortisation and variable annual payment to KCRC

Contributions to Underlying Profits

(HK\$b)



* Profits were on pre-tax basis prior 2002, and on post-tax basis from 2002 onwards

Consolidated Profit and Loss Account

(HK\$m)	1H2018	1H2017	Favourable/ (adverse) change	
			HK\$m	%
HK transport operations	9,328	8,957	371	4.1
HK station commercial and HK property rental & management businesses	5,592	5,220	372	7.1
Mainland of China & international railway, property rental and management subsidiaries	10,453	8,015	2,438	30.4
Other businesses	1,000	968	32	3.3
	26,373	23,160	3,213	13.9
Mainland of China property development	0	6,844	(6,844)	(100.0)
Total revenue	26,373	30,004	(3,631)	(12.1)
Operating expenses excluding Mainland of China & international subsidiaries	(7,009)	(6,549)	(460)	(7.0)
Expenses relating to Mainland of China & international railway, property rental and management subsidiaries	(10,043)	(7,565)	(2,478)	(32.8)
Expenses relating to Mainland of China property development	(17)	(4,658)	4,641	99.6
Total operating expenses	(17,069)	(18,772)	1,703	9.1
EBITDA excluding Mainland of China & international subsidiaries	8,911	8,596	315	3.7
EBITDA relating to Mainland of China & international railway, property rental and management subsidiaries	410	450	(40)	(8.9)
EBITDA relating to Mainland of China property development	(17)	2,186	(2,203)	N/A
Total EBITDA	9,304	11,232	(1,928)	(17.2)
HK property development profit	158	622	(464)	(74.6)
Total operating profit	9,462	11,854	(2,392)	(20.2)
Depreciation & amortisation	(2,461)	(2,390)	(71)	(3.0)
Variable annual payment	(999)	(915)	(84)	(9.2)
Interest and finance charges	(580)	(403)	(177)	(43.9)
Investment property revaluation	2,435	1,632	803	49.2
Share of profit of associates and joint venture	286	180	106	58.9
Profit before taxation	8,143	9,958	(1,815)	(18.2)
Income tax	(972)	(2,425)	1,453	59.9
Reported net profit attributable to shareholders of the Company⁽¹⁾	7,083	7,480	(397)	(5.3)
Reported earnings per share (HK\$)	1.18	1.27	(0.09)	(7.1)
Profit from underlying businesses⁽¹⁾	4,648	5,848	(1,200)	(20.5)
Underlying businesses EPS (HK\$)	0.77	0.99	(0.22)	(22.2)
Interim ordinary dividend per share (HK\$)	0.25	0.25	-	-

1. Net of non-controlling interests of HK\$88 million and HK\$53 million in 1H2018 and 1H2017 respectively

Consolidated Statement of Financial Position

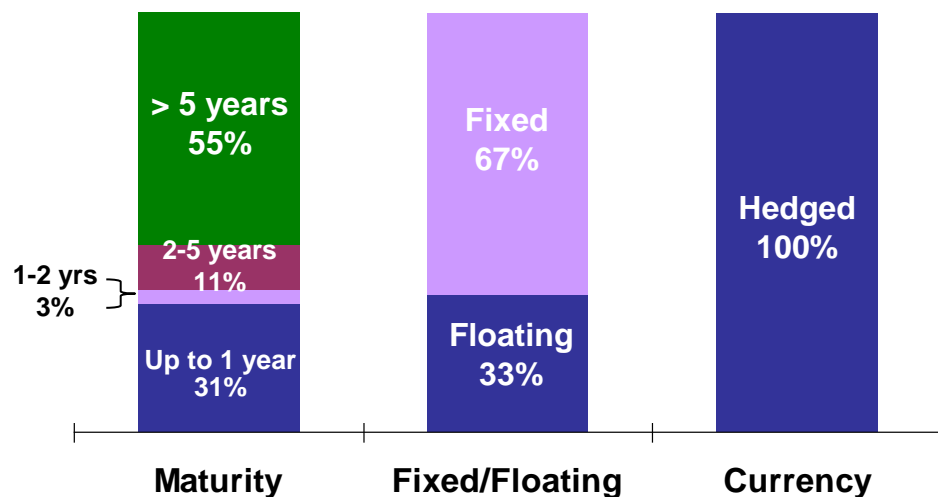
(HK\$m)	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>	<u>Increase/ (Decrease)</u>	
			<u>HK\$m</u>	<u>%</u>
<u>Assets</u>				
Investment properties	79,739	77,086	2,653	3.4
Other property, plant and equipment	102,602	102,889	(287)	(0.3)
Service concession assets	30,096	29,797	299	1.0
Property development in progress	15,024	14,810	214	1.4
Interests in associates & joint venture	7,694	6,838	856	12.5
Properties held for sale	1,311	1,347	(36)	(2.7)
Debtors and other receivables	7,034	7,058	(24)	(0.3)
Amounts due from related parties	2,083	2,570	(487)	(18.9)
Cash, bank balances and deposits	13,837	18,354	(4,517)	(24.6)
Others	3,394	3,019	375	12.4
Total Assets	262,814	263,768	(954)	(0.4)
<u>Liabilities</u>				
Debts	38,355	42,043	(3,688)	(8.8)
Creditors and other payables	25,271	28,166	(2,895)	(10.3)
Current taxation	1,442	1,080	362	33.5
Amounts due to related parties	5,597	2,226	3,371	151.4
Obligations under service concession	10,439	10,470	(31)	(0.3)
Deferred tax liabilities	12,797	12,760	37	0.3
Others	495	597	(102)	(17.1)
Total Liabilities	94,396	97,342	(2,946)	(3.0)
Total Equity	168,418	166,426	1,992	1.2

Cash Flow

	<u>1H2018</u>	<u>1H2017</u>	<u>Favourable/ (adverse) change</u>	
<i>(HK\$m)</i>			<u>HK\$m</u>	<u>%</u>
<u>Cash Inflow</u>				
Cash flows from operations	4,845	8,747	(3,902)	(44.6)
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	645	588	57	9.7
Receipts from property developments	1,089	452	637	140.9
Others	271	195	76	39.0
Total inflows	6,850	9,982	(3,132)	(31.4)
<u>Cash Outflow</u>				
Tax paid	(681)	(216)	(465)	(215.3)
Purchase of tax reserve certificates	(6)	(155)	149	96.1
Capital expenditure				
- Hong Kong existing rail	(2,653)	(2,310)	(343)	(14.8)
- Hong Kong new rail	(233)	(801)	568	70.9
- Property related	(516)	(866)	350	40.4
- Mainland of China and international railway related	(44)	(45)	1	2.2
- Others	(51)	(58)	7	12.1
Variable annual payment	(1,933)	(1,787)	(146)	(8.2)
Investments in associates & joint venture	(669)	-	(669)	N/A
Net interest paid	(485)	(380)	(105)	(27.6)
Others	(267)	(54)	(213)	(394.4)
Total outflows	(7,538)	(6,672)	(866)	(13.0)
Net cash outflow before financing	(688)	3,310	(3,998)	N/A
Net (repayment)/ borrowing	(3,597)	2,106	(5,703)	N/A
Net cash (outflow)/ inflow	(4,285)	5,416	(9,701)	N/A

Financing and Credit Ratios

Company Debt Profile (30 Jun 2018)⁽¹⁾



Consolidated group borrowings outstanding:

HK\$38,355m (HK\$42,043m as at 31 Dec 2017)

Average borrowing cost: **2.7%**

0.2%pt

Net interest expense: **HK\$580m**

43.9%

Compared to 1H2017 figures

Net Debt / Equity ratio⁽²⁾	Jun 2018	Dec 2017
	20.8%	20.6%⁽³⁾
Interest cover	1H2018	1H2017
	11.6x	18.4x

1. Excludes Mainland of China and overseas subsidiaries debts

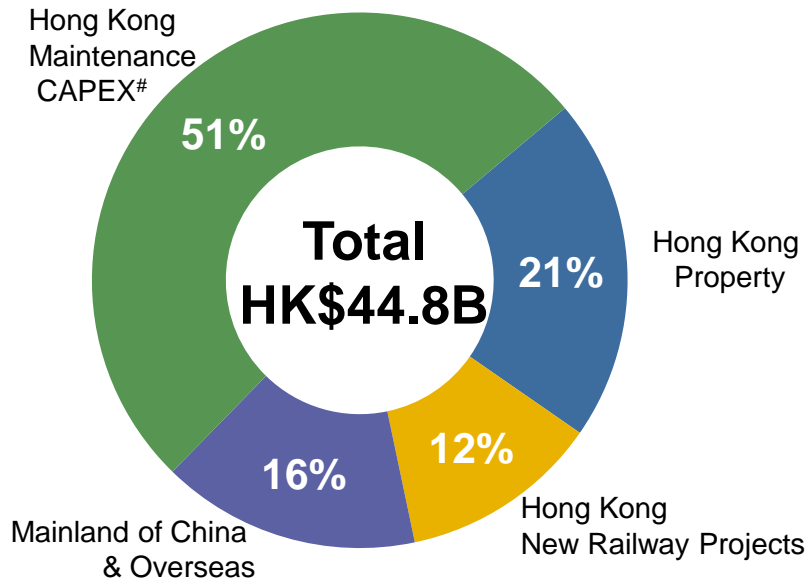
2. Including obligations under service concession and loan from holders of non-controlling interests as components of debt

3. If the cash received from developers relating to the land premium payment for Wong Chuk Hang Station Package 2 (which was paid to Government in 2018) was excluded from the cash balance, the Group's net-debt-to-equity ratio as at 31 Dec 2017 would have been 23.7%

Capital Expenditure & Investments



2018-2020



Estimated spend:
 2018 - HK\$12.6 billion
 2019 - HK\$16.4 billion
 2020 - HK\$15.8 billion

 Total - HK\$44.8 billion

Includes the Maintenance CAPEX for the Existing Railway Assets and Advance Railway Works related to SCL
 The Advance Railway Works related to SCL involve modifications to or upgrades or expansion of assets for which MTR is responsible under the existing service concession agreement with KCRC. This will predominantly be covered by the reduction in future maintenance CAPEX during the construction period of SCL Project which MTR would have otherwise incurred

Business Update

Patronage	Jan to Nov 2018 (YoY%)
- Domestic services	Up 2.0%
- Airport express	Up 6.4%
- Cross-boundary services	Up 5.1%
- High-speed-rail	50,400 (daily average up to end-Nov)
Fare	Mid-2018
- FAM rise	3.14%
Total tenant sales turnover	Jan to Sep 2018 (YoY%)
Station commercial	
- Station kiosks	Up mid-single digit
- Duty free shops	Up low-single digit
Shopping malls	
- Elements	Up high teens
- Shopping malls excluding Elements	Up low teens
Industry statistics	Jan to Sep 2018 (YoY%)
- Hong Kong retail sales	Up 11.1%
- Hong Kong tourist arrivals	Up 9.5%

Source: Company data and government figures



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