



# MTR Corporation

## Company Overview

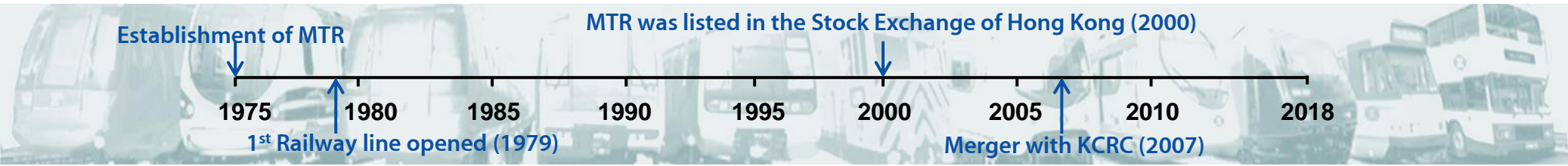
June 2019 to July 2019



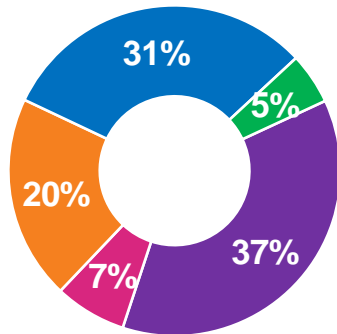
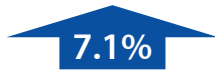
# Forward-looking statements

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.

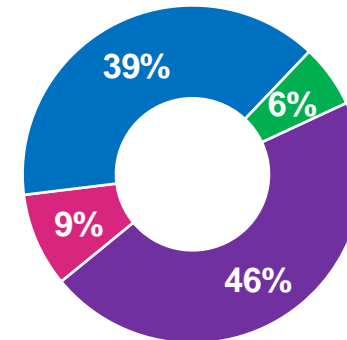
# MTR Today



2018 Underlying Profit<sup>2</sup>  
HK\$11.3 billion



2018 Recurrent Profit<sup>1</sup>  
HK\$9.0 billion

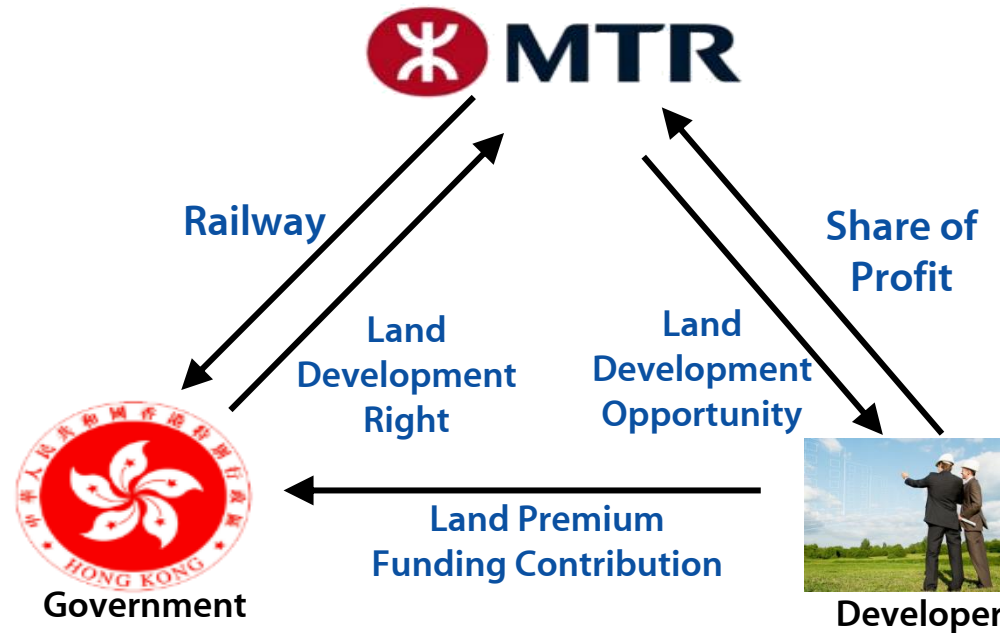


Note:

1. Recurrent Profit: \$9,020M - 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, Other Businesses and project studies and business development expenses)
  2. Underlying Profit: \$11,263M - 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): \$16,008M - Net Profit attributable to Shareholders of the Company arising from Underlying Businesses and Investment Property Revaluation
- # Property development profit mainly from profit booking from Wings at Sea I & Wings at Sea II, sales of car parking spaces and surplus proceeds released from completed property development projects

**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

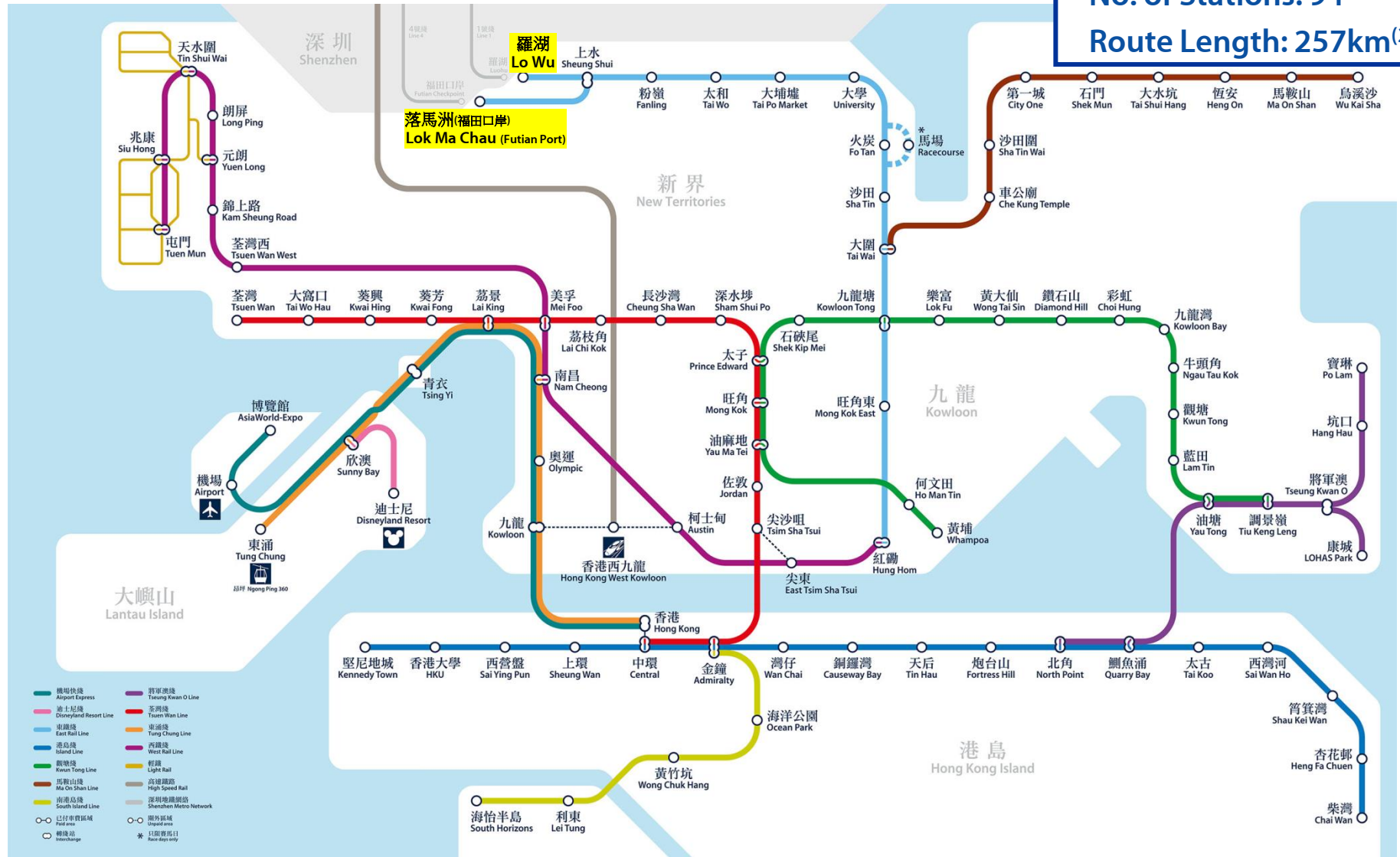


- Total GFA: 1,096,169 sq m (Retail: 82,750 sq m; Office: 231,778 sq m)
- ~5,800 residential units

# HONG KONG TRANSPORT OPERATIONS



# MTR Network

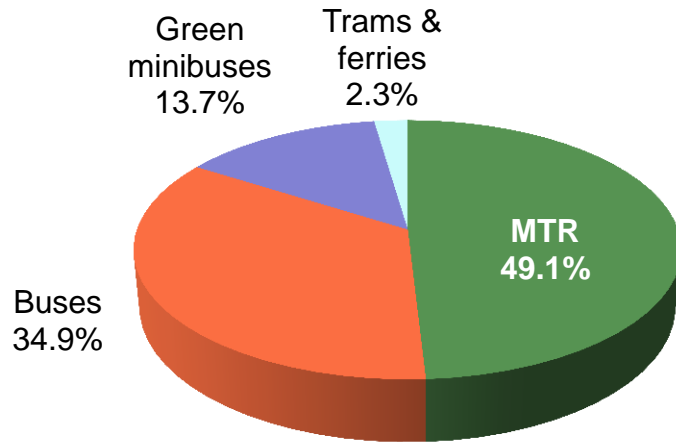


■ 3 Rail Segments: Domestic Service, Airport Express and Cross-boundary Service

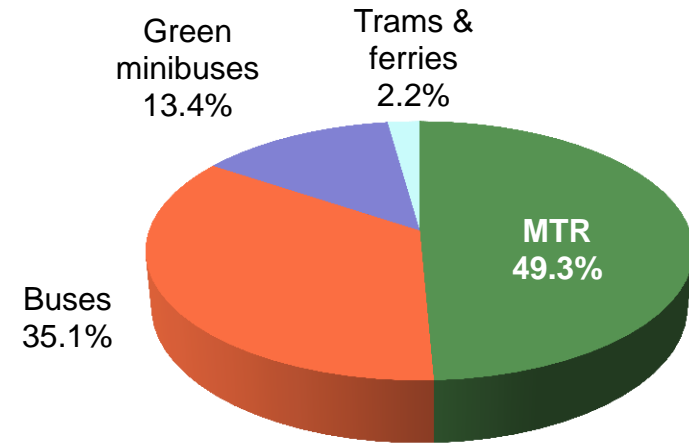
1. 93 heavy rail stations, 1 XRL station (ex. 68 light rail stops)
2. 195km of heavy rail, 36km of light rail, 26 km of XRL

# Market Share

## Hong Kong Franchised Public Transport

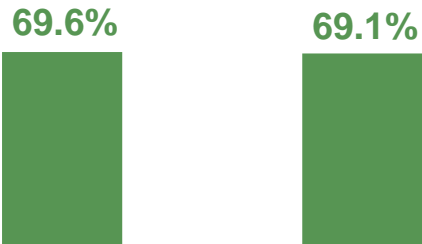


Jan – Dec 2017

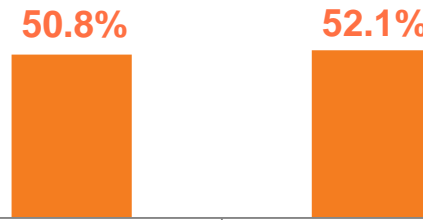


Jan – Dec 2018

### Cross-harbour



### Cross-boundary & HSR



### Airport Express

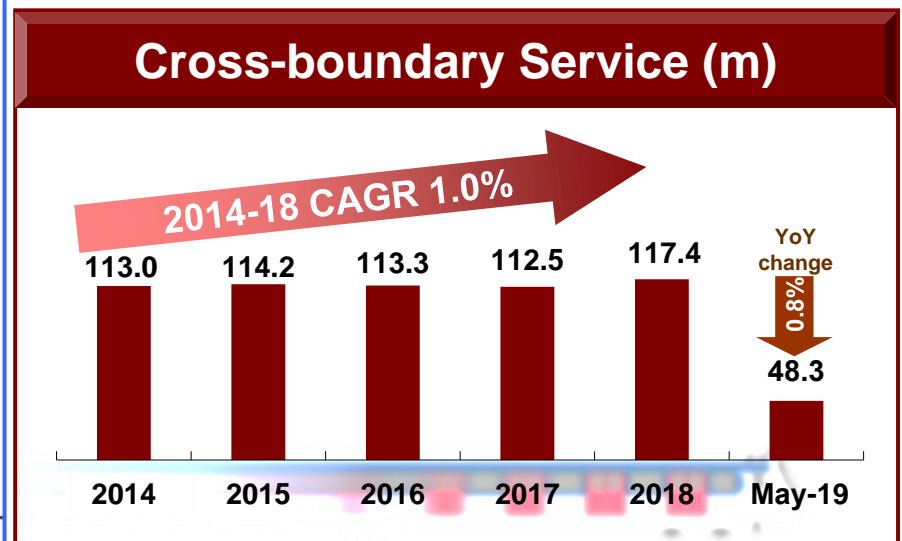
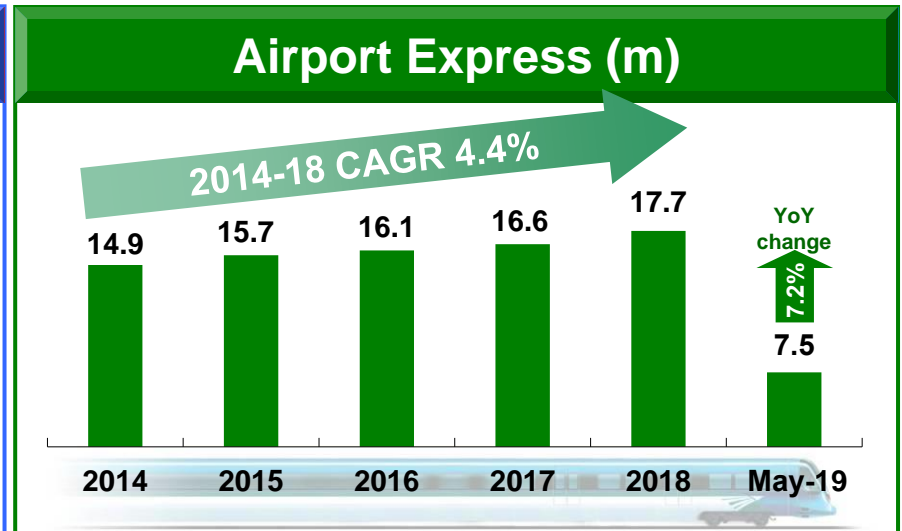
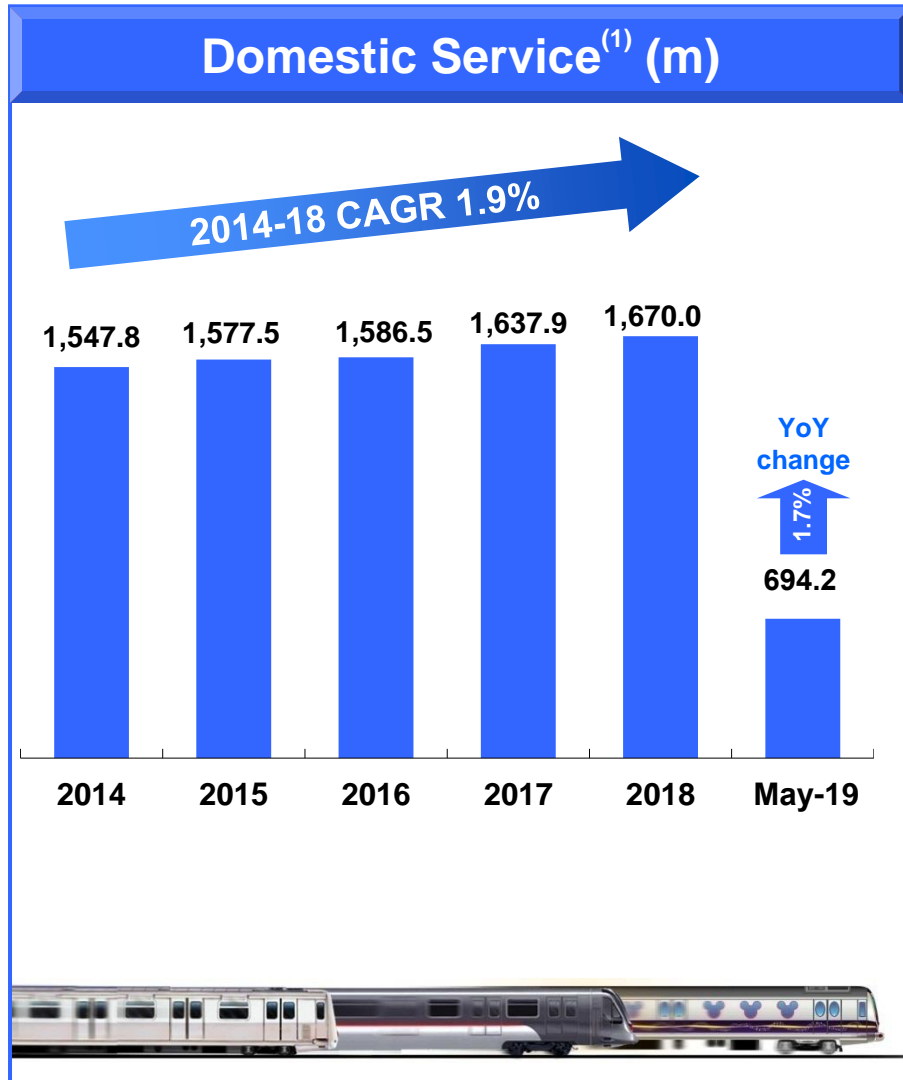


Sources: The Transport Department / Immigration Department / Airport Authority Hong Kong

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



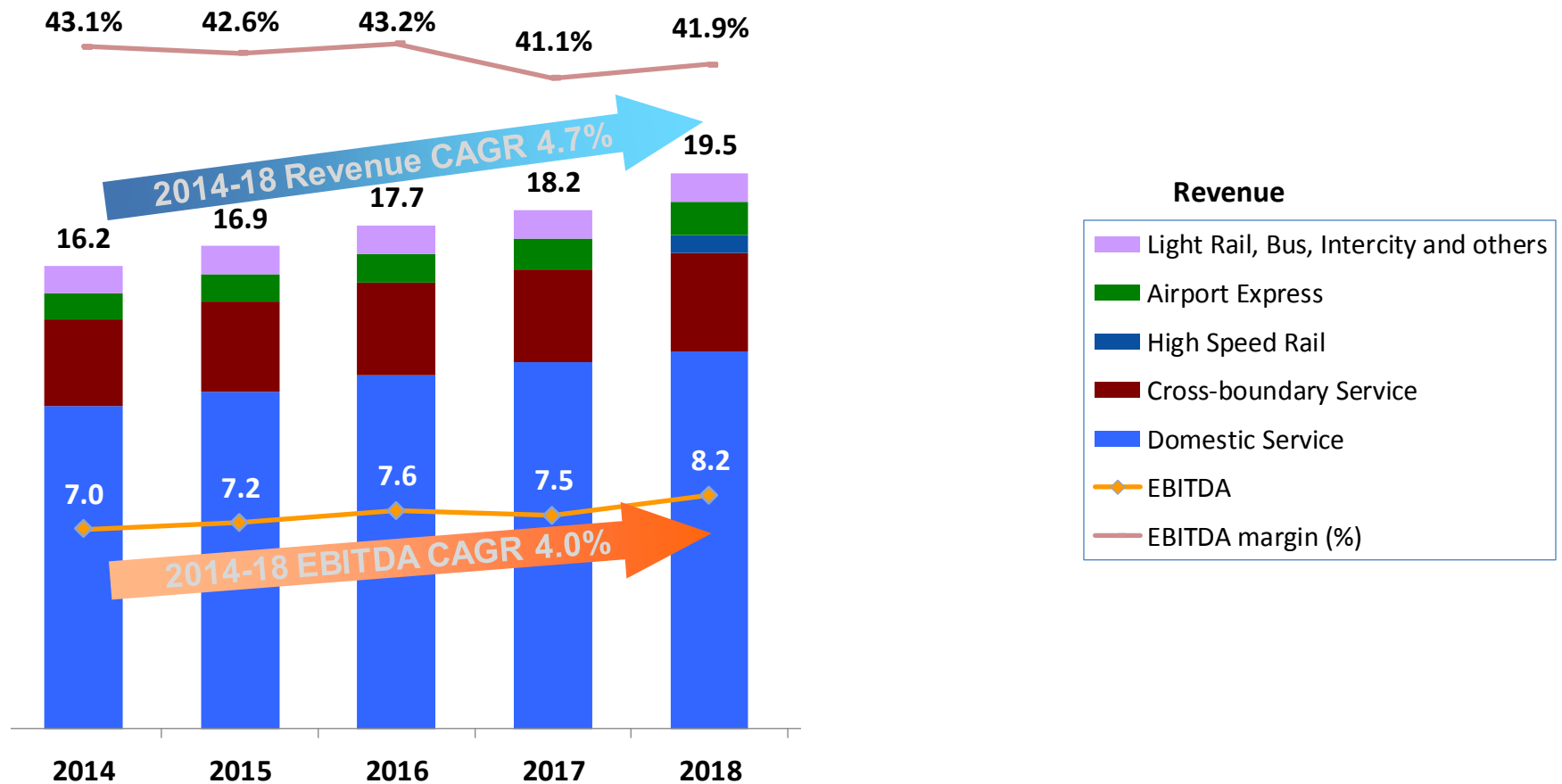
# Patronage



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

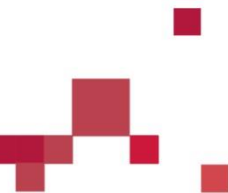
2009: +2.05%, effective in June 2010  
 2011: +5.40%, effective in June 2012  
 2013: +3.60%, effective in June 2014  
 2015: +2.65%, effective in June 2016  
 2017: +3.14%, effective in June 2018

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)  
**2018: +3.30%\*, effective in June 2019**

\* The fare adjustment rate for the year 2019/20 should be +3.6%, by applying the FAM formula. After counting the “Affordability-Linked Arrangement”, the result of the overall fare adjustment rate for 2019/20 will be 3.3%, with the remaining +0.3% fare adjustment to be recouped in 2021/22



# HONG KONG STATION COMMERCIAL BUSINESSES



# Hong Kong Station Commercial Businesses



Station Kiosks



Telecommunications

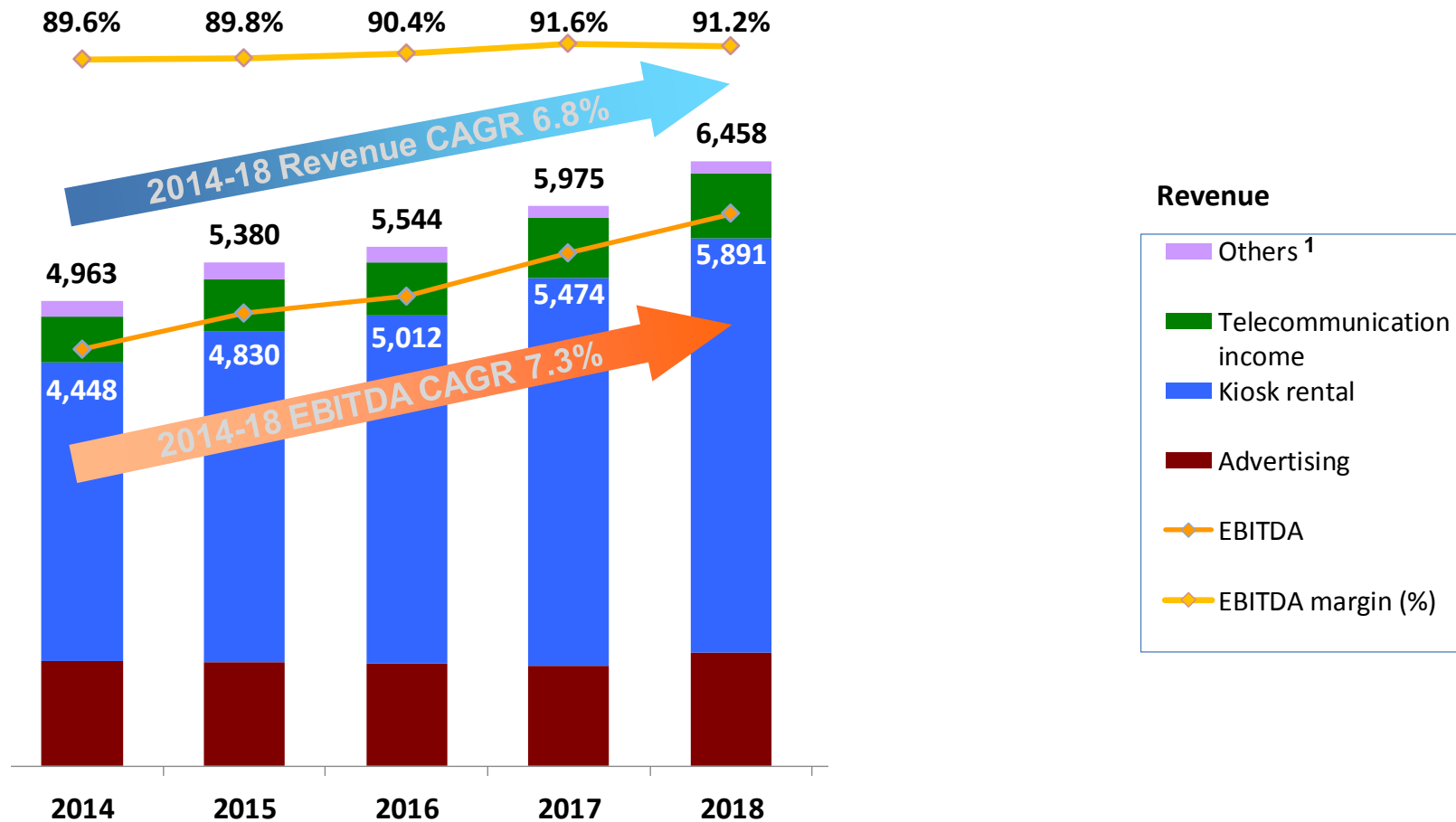


Advertising



# Hong Kong Station Commercial

(HK\$m)



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

# HONG KONG PROPERTY BUSINESSES



# 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)



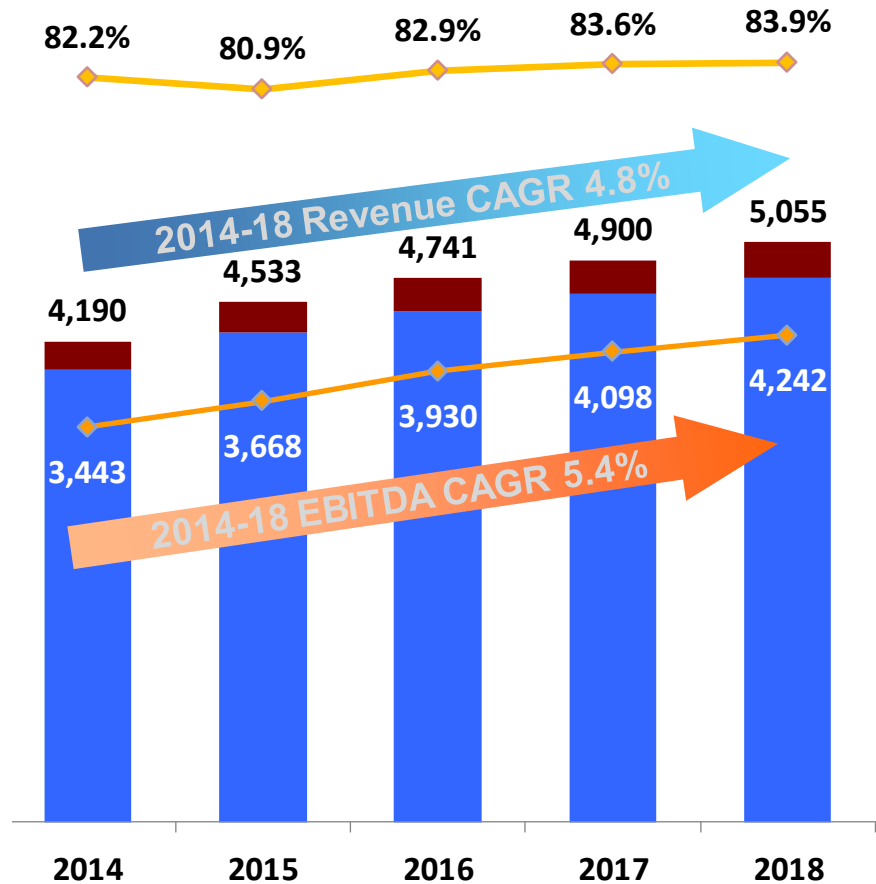
- 13 malls – 217,486 sqm, Office – 39,410 sqm, Others – 17,764 sqm
- Total Area: 274,660 sqm LFA

\* Lettable floor area attributable to MTR, as at 31 Dec 2018

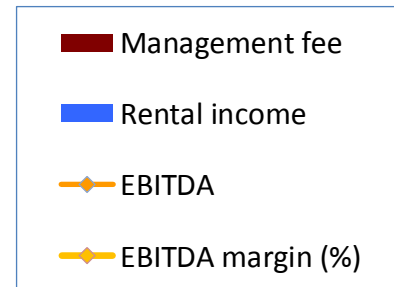


# Hong Kong Property Rental and Management

(HK\$m)



## Revenue



# New Investment Property Initiatives

49% increase in attributable GFA of existing retail portfolio



## 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 2023



## 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



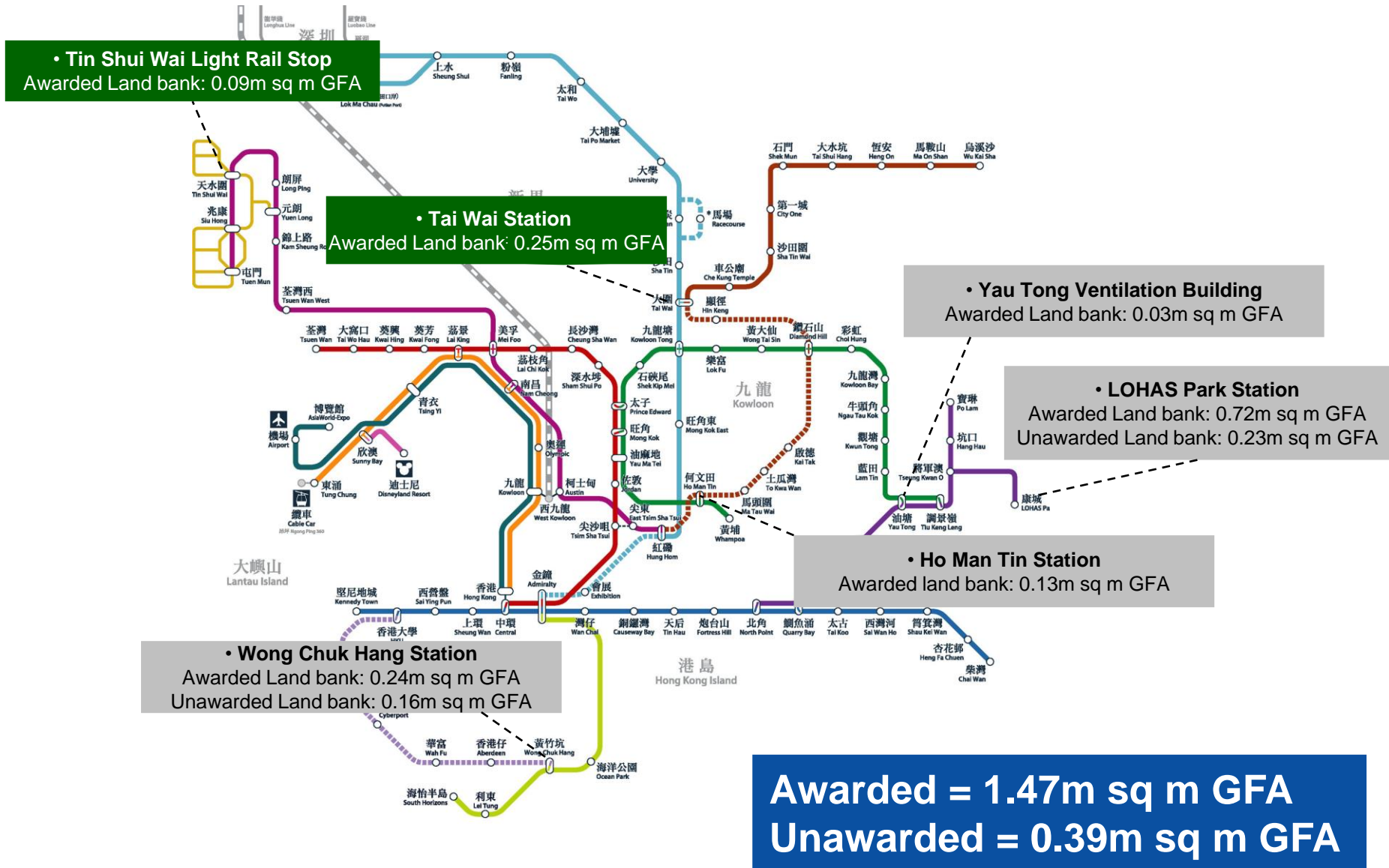
## Wong Chuk Hang Shopping Mall

- Profit sharing in the residential development
- MTR will take ownership of and invest further in fitting out the shopping mall
- Shopping mall GFA: 47,000 sqm
- Expected project completion in 2023

# Hong Kong Property Development



# MTR Land bank<sup>(1)</sup> – 1.86 Million sq m GFA



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 Apr 2019

# Update on Hong Kong Property Development

## Land Tendering

### ■ Tendering activities

- LOHAS Park Package 11 awarded to a consortium formed by Sino Land, K. Wah International and China Merchants Land
- Between now and March 2020, subject to market conditions, aiming to tender out LOHAS Park Package 12 and Wong Chuk Hang Station Package 4

## 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

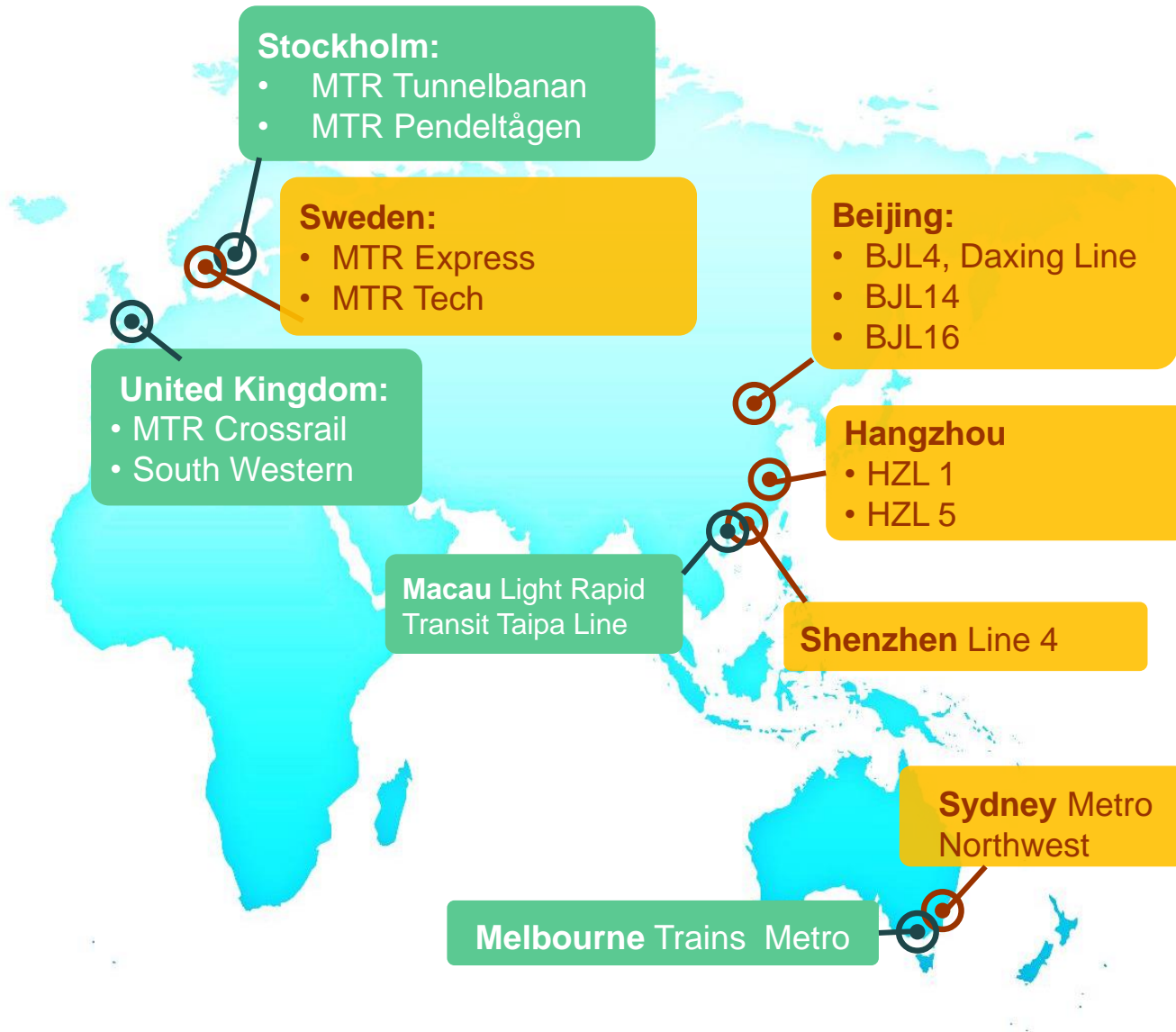
Tendered MTR developments: over 20,000 residential units (GFA : 1.31 million sqm)

	Property Tender	Date of Tender Award	Developer partner (a subsidiary of)	Residential Gross Floor Area (sq m)	No. of units
1	Tai Wai Station	Oct 2014	New World	190,480	3,090
2	LOHAS Park Package 5	Nov 2014	Wheelock	102,336	1,600
3	LOHAS Park Package 6	Jan 2015	Nan Fung	136,970	2,392
4	Tin Wing Stop	Feb 2015	Sun Hung Kai	91,051	1,976
5	LOHAS Park Package 7	Jun 2015	Wheelock	70,260	1,120
6	LOHAS Park Package 8	Oct 2015	Cheung Kong	97,000	1,422
7	LOHAS Park Package 9	Dec 2015	Wheelock	104,110	1,653
8	LOHAS Park Package 10	Mar 2016	Nan Fung	75,400	893
9	Ho Man Tin Station Package 1	Dec 2016	Goldin Financial	69,000	918
10	Wong Chuk Hang Station Package 1	Feb 2017	Road King Infrastructure & Ping An Real Estate	53,600	800
11	Wong Chuk Hang Station Package 2	Dec 2017	Sino Land & Kerry Properties	45,800	600
12	Yau Tong Ventilation Building	May 2018	Sino Land & CSI Properties	30,225	500
13	Wong Chuk Hang Station Package 3	Aug 2018	CK Asset	92,900	1,200
14	Ho Man Tin Station Package 2	Oct 2018	Chinachem Group	59,400	1,000
15	LOHAS Park Package 11	Apr 2019	Sino Land, K. Wah International and China Merchants Land	88,858	1,850

# MAINLAND OF CHINA AND 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)



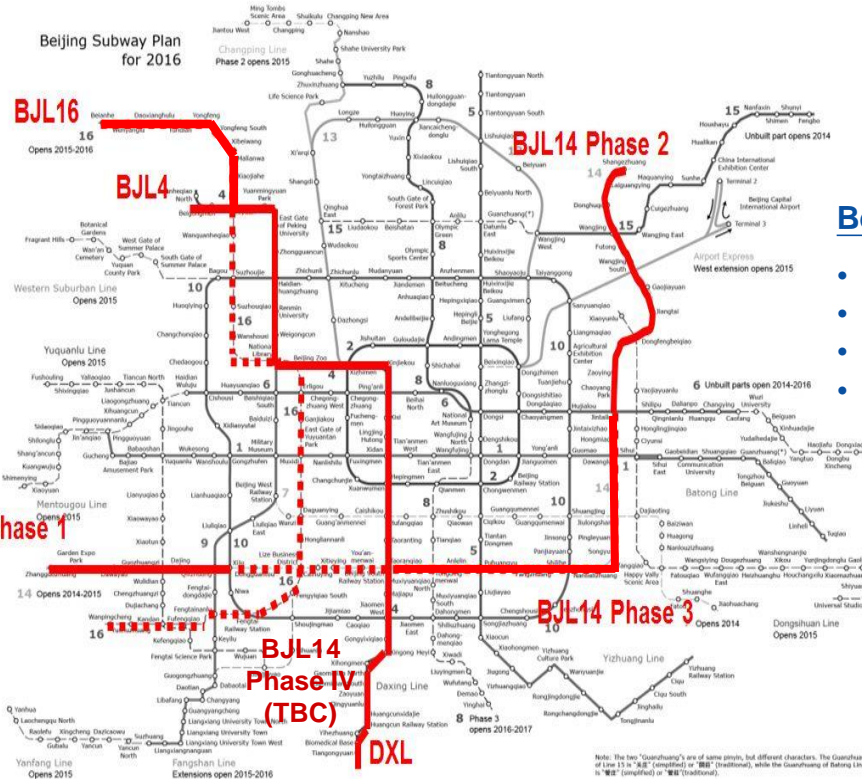
# Existing Businesses on Mainland of China – Beijing

## Beijing Metro Line 16 (BJL16)

- 49%/ RMB 2.45billion
- 50km/ 29 stations
- 30 years
- Phase 1: Dec 2016; full line: 2021

## 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 ; full line: 2021

## 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
- 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 Mar 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 and second section of service in 2015 and 2018, respectively.

### South Western Railway

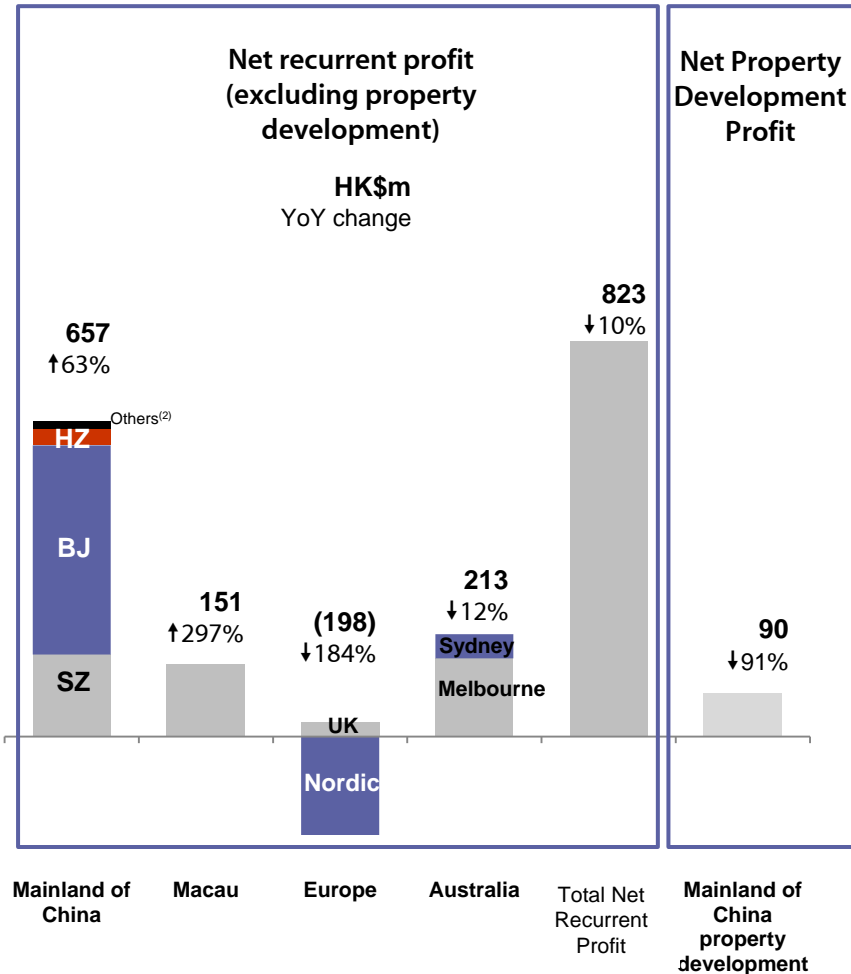
- The new franchise from Aug 2017 for 7 years (with the option for an 11-month extension)
- 70:30 joint venture between FirstGroup and MTR
- 998.2km network serving 203 stations (186 stations operator managed)
- Covers routes between London Waterloo and south western England, including Bristol, Exeter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



## United Kingdom

# Mainland of China and International Businesses

Net profit (excluding property development)<sup>(1)</sup> : **HK\$823m** ↓ 10.3%



## Mainland of China - ↑63%

- **Beijing MTR** – good operational and financial performances
- **MTR Shenzhen** – good operational and financial performances
- **Hangzhou MTR** – Continued strong patronage growth led to first time profit recognition

## Macau - ↑297%

- **Macau LRT Taipa Line** – higher contribution from project consultancy

## Europe - ↓184%

- **MTR Pendeltågen, Sweden** – material loss due to higher than budgeted costs and contract penalties
- **MTR Express, Sweden** – fare revenue remains challenging albeit patronage improved. Loss narrowed in 2H18
- **South Western Rail franchise, UK** – patronage below expectation, breakeven for full-year
- **MTR Crossrail, UK** – good operational performance

## Australia - ↓12%

- **Sydney Metro North West (SMNW)** – decrease in profit contribution, as the profit from project delivery was not repeated in 2018.
- **Metro Trains Melbourne (MTM)** – increase in profit due to the improvement of overall margins under the renewed franchise agreement

1. 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. Does not include project studies and business development expenses.

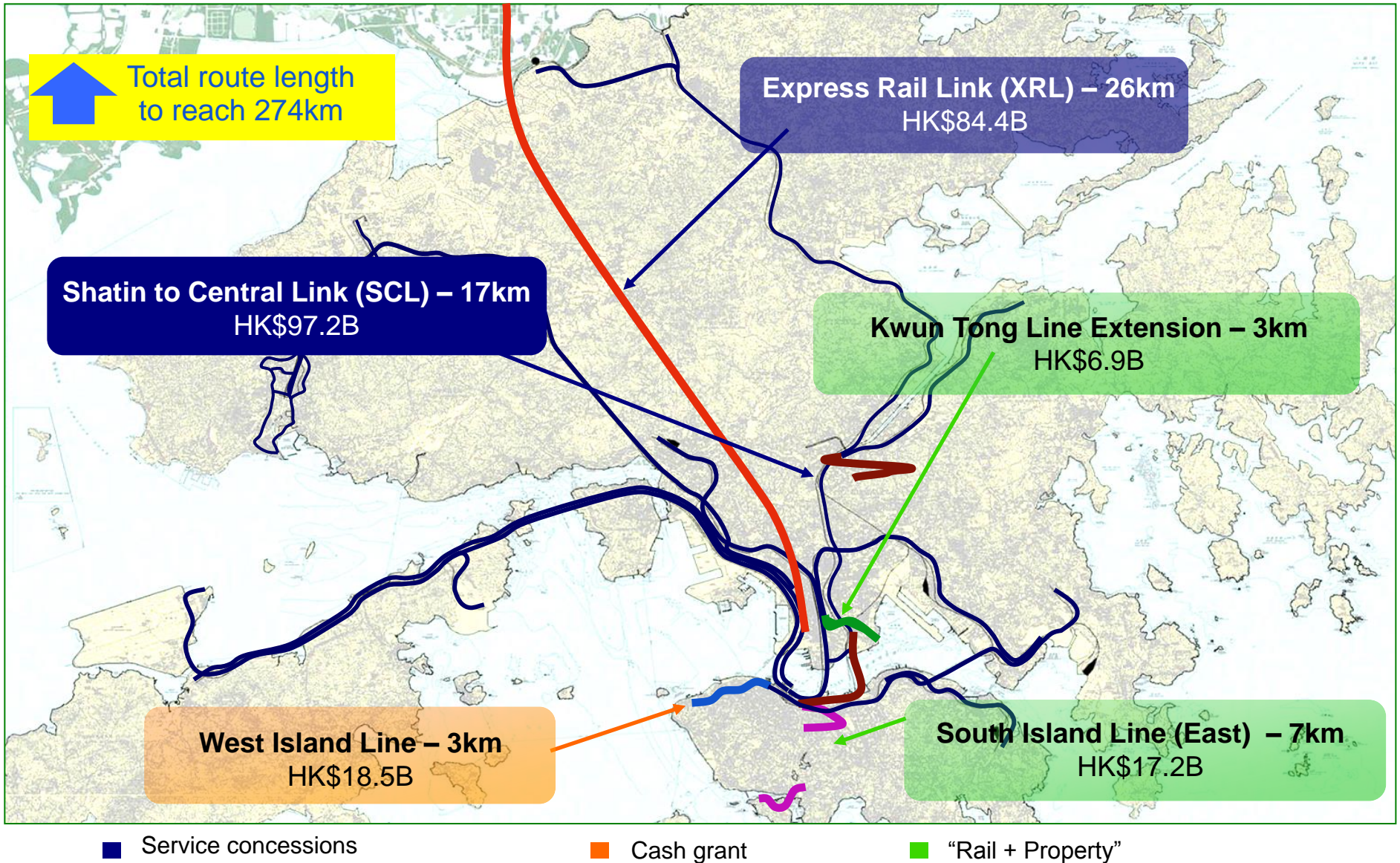
2. Mainland of China property rental and management



# GROWTH INITIATIVES IN HONG KONG



# Unprecedented HK Railway Growth



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

# Guangzhou-Shenzhen-HK High Speed Rail

## Project Background

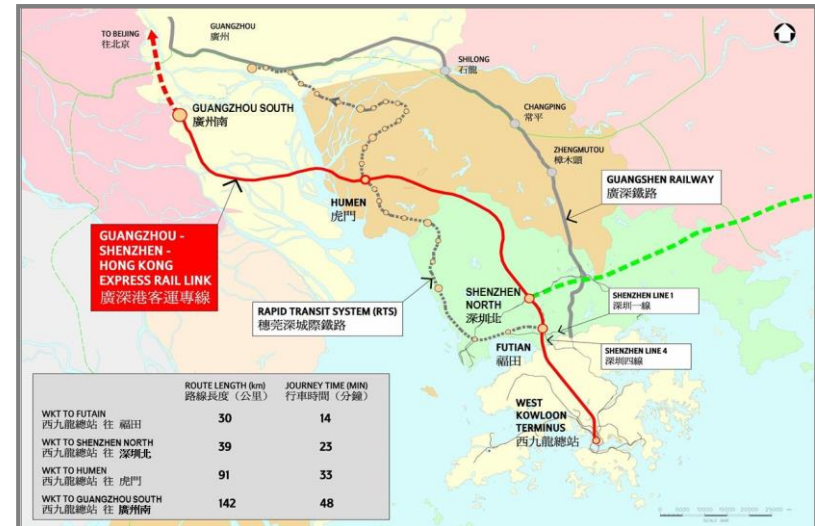
- The 26-km XRL to provide high speed cross-boundary rail services connecting Hong Kong to Shenzhen, Guangzhou and the high speed rail network in Mainland of China

## 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 September 2018

- Average daily patronage was 5.3 million in 2018\*
- Recorded passengers of over 104,000 at West Kowloon Check Point on 7 February 2019





# Rail Projects under Project Management

## Shatin to Central Link (SCL)



- In mid 2018, there were allegations concerning workmanship and timely reporting of certain construction matters, in particular regarding works at Hung Hom Station extension
- Immediate steps were taken to (1) investigate the issues, (2) report the findings to Government and (3) reserve our position against relevant contractors
- Holistic verification and assurance works are ongoing and the overall structural integrity and safety of the Hung Hom Station extension will be assessed based on the detailed data collected in the verification process
- A Commission of Inquiry (COI) was set up by the HKSAR Chief Executive in Council to investigate matters relating to the diaphragm wall and the platform slabs at Hung Hom Station extension.
- On 19 February 2019, Government announced that the terms of reference of the COI had been expanded to cover issues relating to the gaps and deficiencies in the as-constructed drawings and records, for the connecting structures of Hung Hom Station.
- On 26 March 2019, COI released an interim report on its findings and recommendations on matters covered by the original terms of reference. In the report, the Commission finds that the Hung Hom Station Extension diaphragm wall and platform slab construction works are safe.
- The COI is required to submit its report covering the expanded terms of reference to the Chief Executive by 30 August 2019. The COI may submit interim reports on any aspects of the inquiry as it may see fit under the terms of its appointment
- In the meantime, immediate measures have been taken to strengthen monitoring and supervision over all Shatin to Central Link contracts.
- The Capital Works Committee of the Board has also reviewed the Company's project management processes and procedures assisted by an external consultant and has made recommendations for improvements, many of which have already been implemented.

# Rail Projects under Project Management

## Shatin to Central Link (SCL)



### Tuen Ma Line

(Tai Wai to Hung Hom Section) – 99.5% complete

### Progress Achieved

- Structural works for all stations have been substantially completed
- Fitting-out, building services and electrical and mechanical works inside the stations mostly completed



*Sung Wong Toi station*



*Hung Hom station*

# Rail Projects under Project Management

## Shatin to Central Link



Hung Hom to Admiralty Section – 75.7% complete

### Progress Achieved

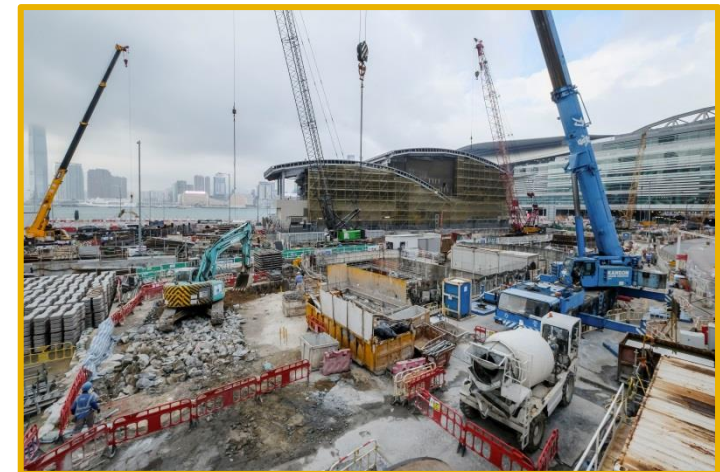
- All tunnel boring excavation works completed
- All 11 immersed tube units for the cross-harbour rail tunnel installed by April 2018

### Major Challenges

- Construction progress has been affected by late site handover, incomplete entrusted works by other parties and unfavourable ground conditions at Exhibition Centre Station
- However, bulk excavation is expected to complete in the first half of 2019



Construction Site of SCL at Admiralty Station



Construction Site of SCL at Exhibition Centre Station

# Rail Projects under Project Management

## Shatin to Central Link

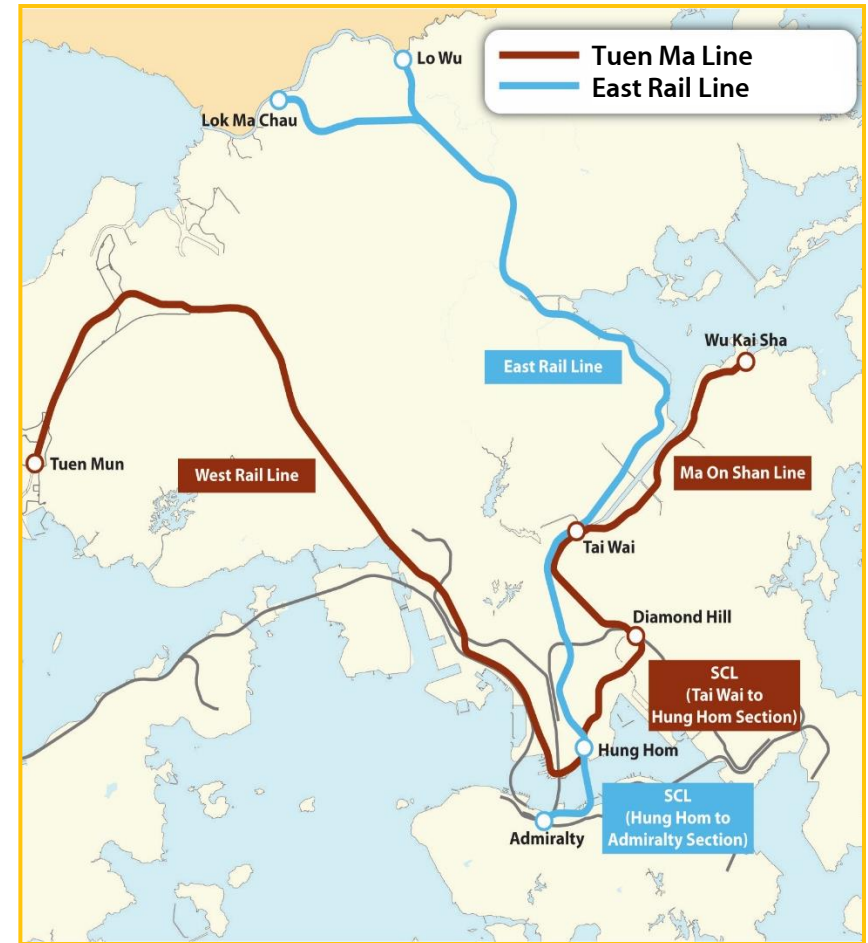


### Funding

- Government is responsible for funding the Shatin to Central Link
- The latest estimated cost was HK\$87.3 billion, as of December 2017 – additional funding will therefore be required
- The Company intends to carry out a further review and revalidation of the cost-to-complete (CTC) within 2019, taking account of the outcome of the verification and assurance works and the associated delays.
- The Company continues to exercise rigorous cost control with the objective of ensuring that construction costs are contained so far as possible

### Phased opening of Tuen Ma Line

- Depending on the outcome of the holistic review of the Hung Hom Station extension and any remedial works which may result from the review, options for commissioning of the Tuen Ma Line (including phased opening scenarios) are being formulated

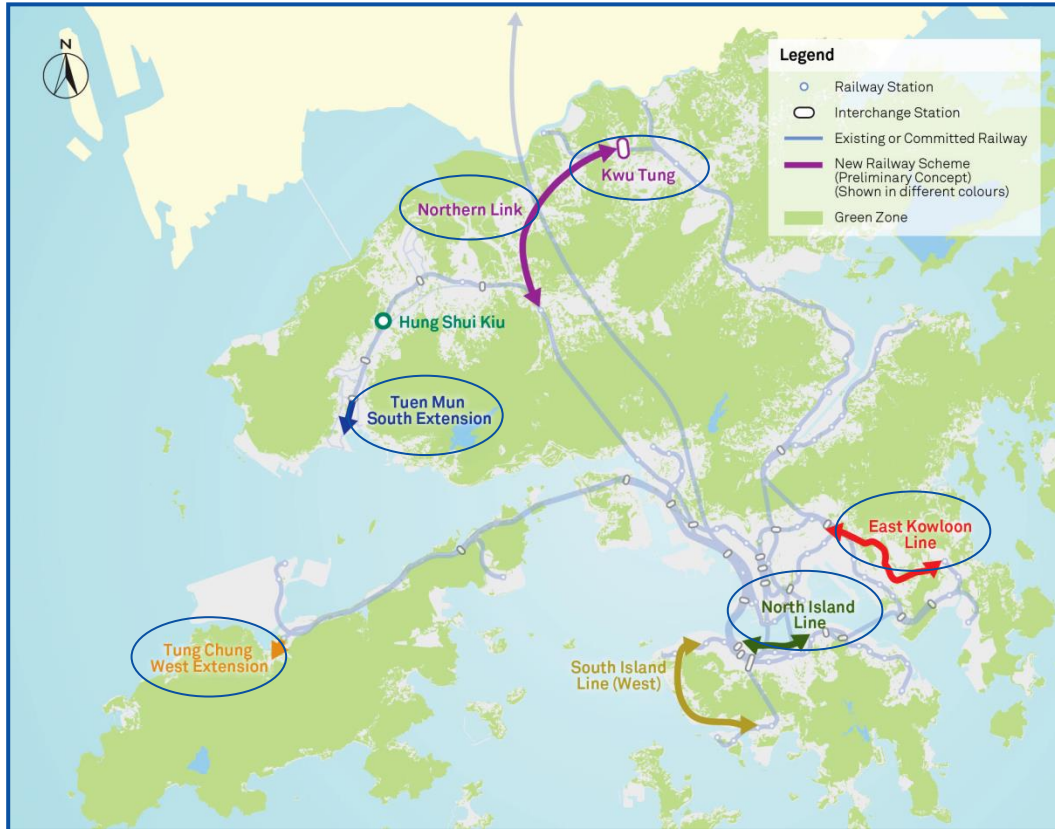


Overall

88.7% complete

# Railway Development Strategy 2014

 Total route length of about 34.8km



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

# Financial Results



# Financial Highlights

## Contribution from Recurrent Businesses

2018 (HK\$m)	Recurrent Businesses		
	Hong Kong <sup>(1)</sup>	Outside of Hong Kong <sup>(1)</sup>	Total
Revenue	32,993	20,877	53,870
Change (YoY)	5.6%	21.4%	11.2%
Recurrent profits	8,197	823	9,020
Change (YoY)	7.0%	(10.3%)	5.1%

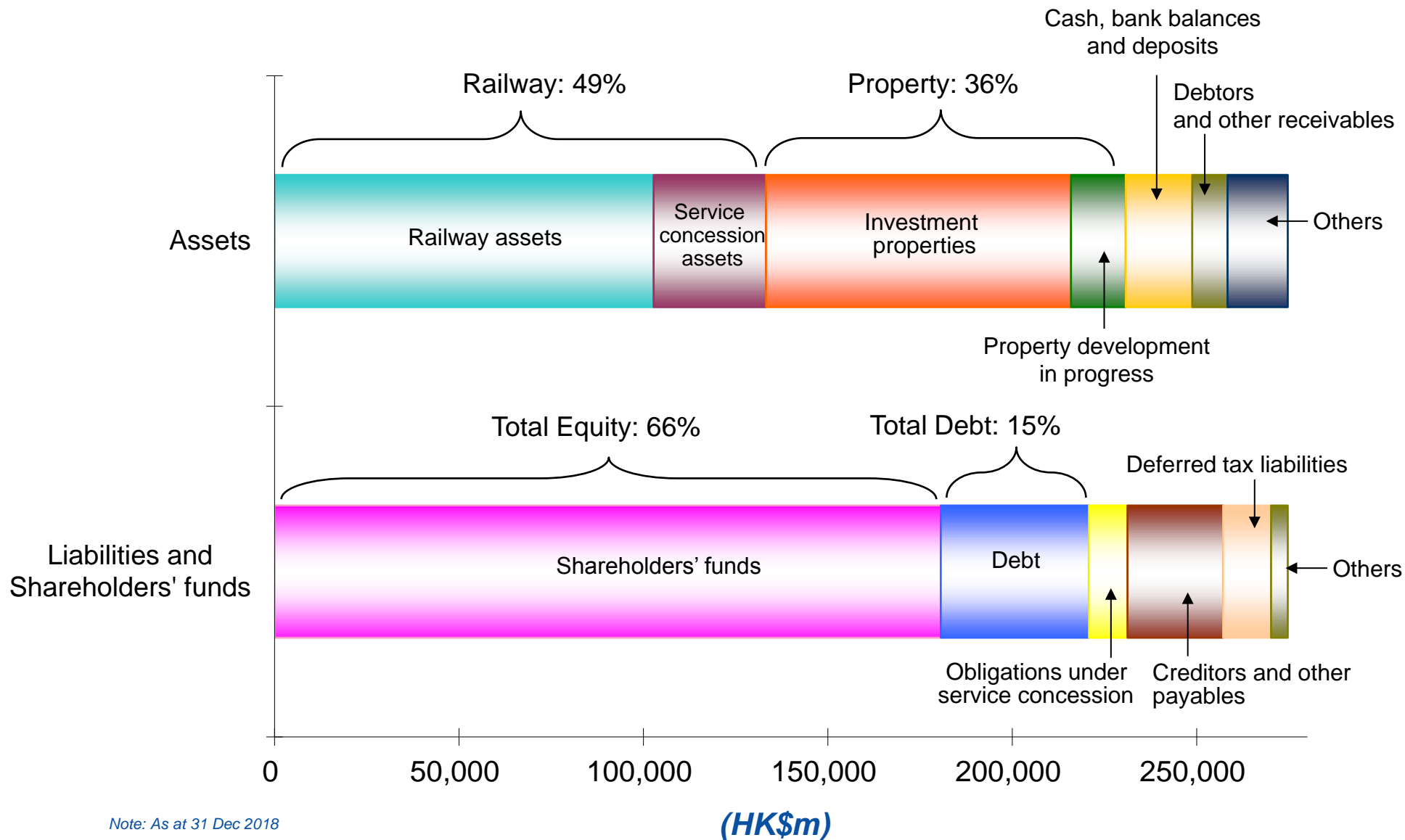
## Net Profit

(HK\$m)	2018	Change (YoY)
<b>Profit from recurrent businesses<sup>(2)</sup></b>	<b>9,020</b>	<b>5.1%</b>
Post-tax profit from property development		
Hong Kong	2,153	135.0%
Mainland of China	90	(91.2%)
Sub-total	<u>2,243</u>	<u>15.9%</u>
<b>Profit from underlying businesses<sup>(2)</sup></b>	<b>11,263</b>	<b>7.1%</b>
Investment property revaluation	4,745	(24.8%)
<b>Reported net profit attributable to shareholders of the company<sup>(2)</sup></b>	<b>16,008</b>	<b>(4.9%)</b>
Reported EPS (HK\$) <sup>(2)</sup>	2.64	(6.7%)
Underlying businesses EPS (HK\$) <sup>(2)</sup>	<b>1.86</b>	<b>5.1%</b>
Ordinary dividend per share (HK\$)	1.20	7.1%

1. Recurrent business profit from Hong Kong includes HK transport operations, HK station commercial, HK property rental and management, other businesses (mainly project management services to Government, Ngong Ping 360, and consultancy) and project studies and business development expenses. Recurrent business profit outside of Hong Kong excludes project studies and business development expenses.

2. Net of non-controlling interests (2018: HK\$148m; 2017: HK\$56m)

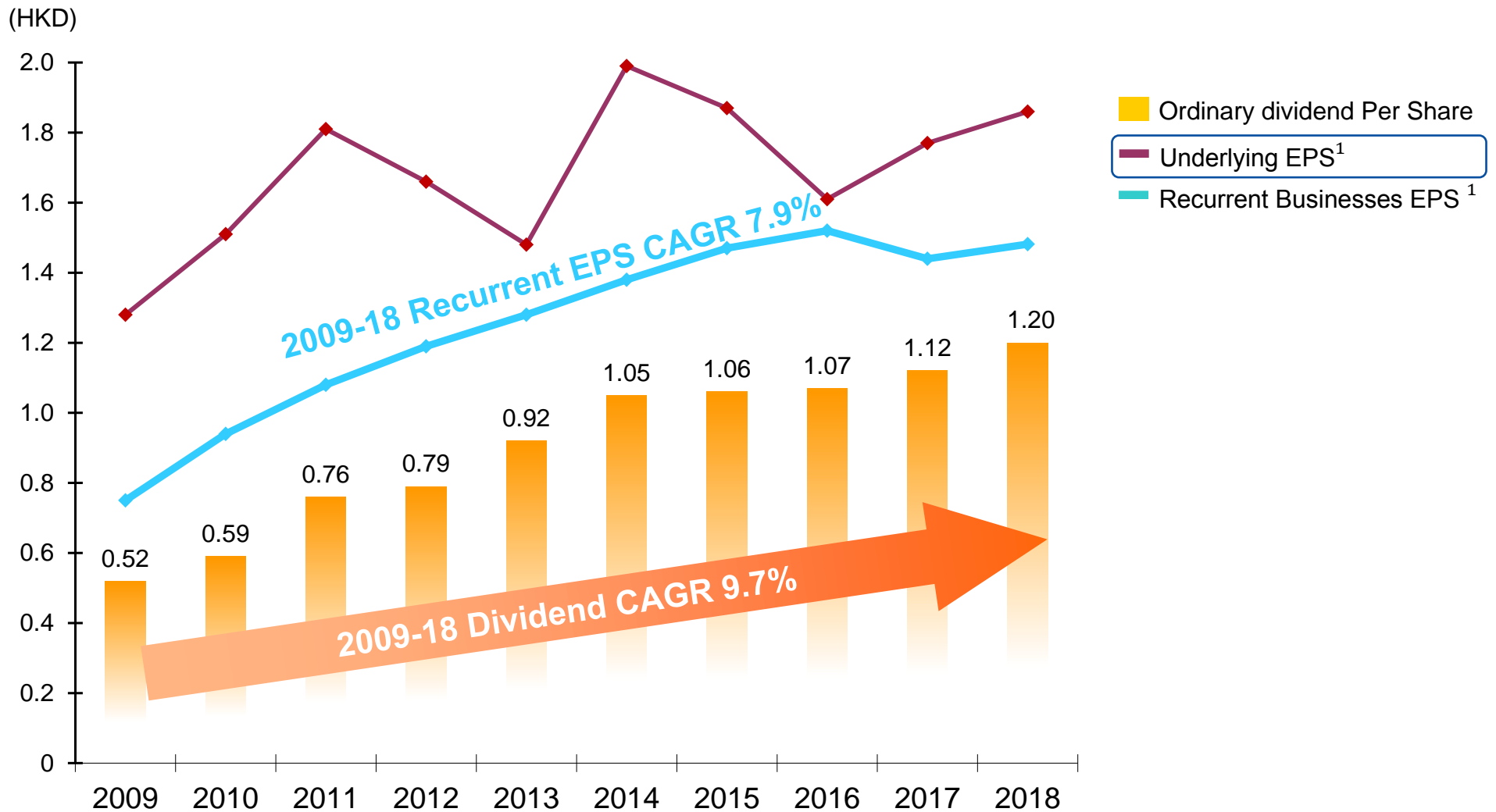
# Consolidated Balance Sheet



Note: As at 31 Dec 2018



# Progressive Dividend Policy



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



# Appendix

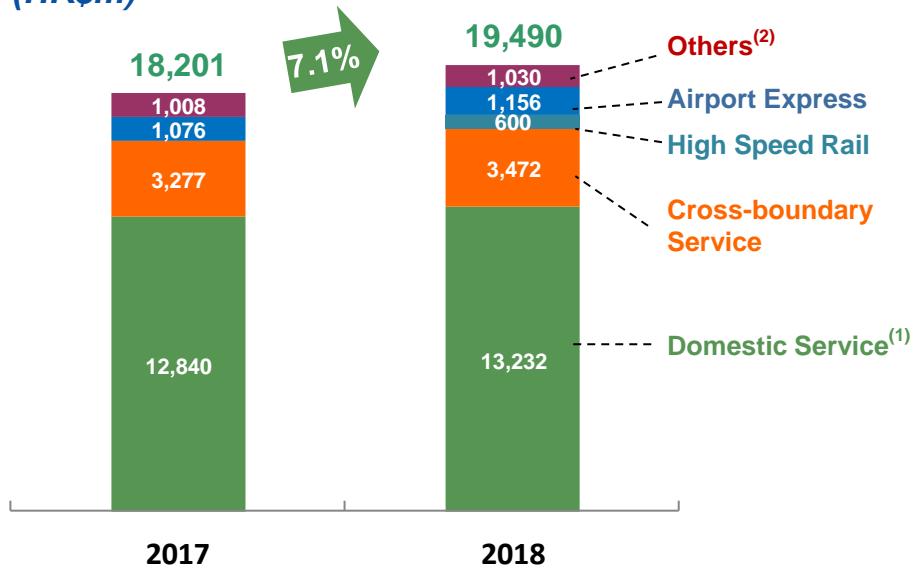
# Hong Kong Transport Operations

Total Patronage: **2.04 billion**

**2.2%**

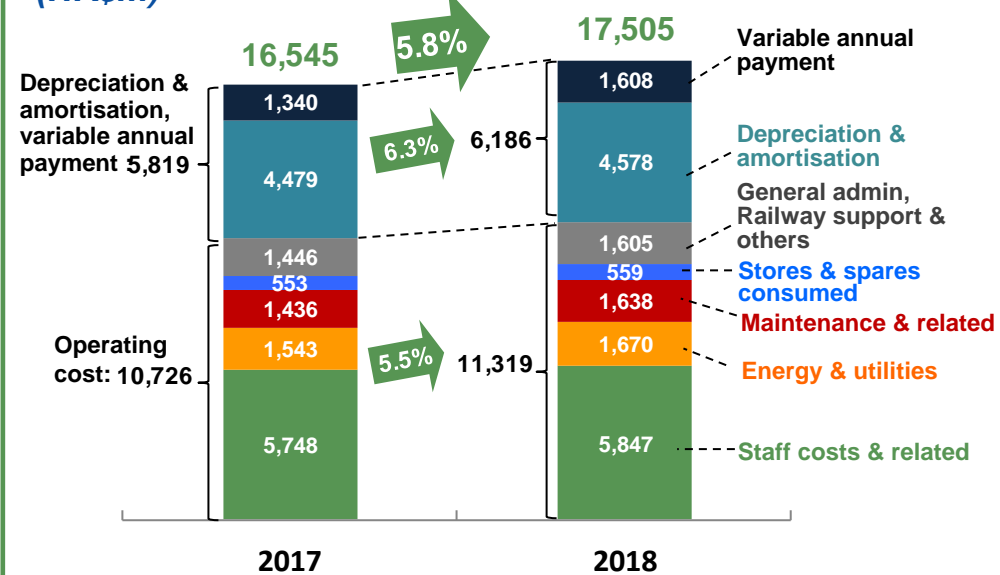
## Revenue

(HK\$m)



## Cost

(HK\$m)



**EBITDA:**  
HK\$8,171m

**9.3%**

**Margin:**  
41.9%

**0.8%  
pt.**

**EBIT<sup>(3)</sup>:**  
HK\$1,985m

**19.9%**

**Margin:**  
10.2%

**1.1%  
pts.**

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

	2018	2017	Favourable/ (adverse) change	
			HK\$m	%
<b>(HK\$m)</b>				
HK transport operations	19,490	18,201	1,289	7.1
HK station commercial and HK property rental & management businesses	11,513	10,875	638	5.9
Mainland of China & international railway, property rental and management subsidiaries	20,877	17,194	3,683	21.4
Other businesses	1,990	2,174	(184)	(8.5)
	<b>53,870</b>	<b>48,444</b>	<b>5,426</b>	<b>11.2</b>
Mainland of China property development	60	6,996	(6,936)	(99.1)
<b>Total revenue</b>	<b>53,930</b>	<b>55,440</b>	<b>(1,510)</b>	<b>(2.7)</b>
Operating expenses excluding Mainland of China & international subsidiaries <sup>(1)</sup>	(15,026)	(14,523)	(503)	(3.5)
Expenses relating to Mainland of China & international railway, property rental and management subsidiaries <sup>(2)</sup>	(20,001)	(16,244)	(3,757)	(23.1)
Expenses relating to Mainland of China property development	(35)	(4,682)	4,647	99.3
<b>Total operating expenses</b>	<b>(35,062)</b>	<b>(35,449)</b>	<b>387</b>	<b>1.1</b>
EBITDA excluding Mainland of China & international subsidiaries	17,967	16,727	1,240	7.4
EBITDA relating to Mainland of China & international railway, property rental and management subsidiaries	876	950	(74)	(7.8)
EBITDA relating to Mainland of China property development	25	2,314	(2,289)	(98.9)
<b>Total EBITDA</b>	<b>18,868</b>	<b>19,991</b>	<b>(1,123)</b>	<b>(5.6)</b>
HK property development profit	2,574	1,097	1,477	134.6
<b>Total operating profit</b>	<b>21,442</b>	<b>21,088</b>	<b>354</b>	<b>1.7</b>
Depreciation & amortisation	(4,985)	(4,855)	(130)	(2.7)
Variable annual payment	(2,305)	(1,933)	(372)	(19.2)
Interest and finance charges	(1,074)	(905)	(169)	(18.7)
Investment property revaluation	4,745	6,314	(1,569)	(24.8)
Share of profit of associates and joint venture	658	494	164	33.2
<b>Profit before taxation</b>	<b>18,481</b>	<b>20,203</b>	<b>(1,722)</b>	<b>(8.5)</b>
Income tax	(2,325)	(3,318)	993	29.9
Non-controlling interests	(148)	(56)	(92)	(164.3)
<b>Reported net profit attributable to shareholders of the Company</b>	<b>16,008</b>	<b>16,829</b>	<b>(821)</b>	<b>(4.9)</b>
Reported earnings per share (HK\$)	2.64	2.83	(0.19)	(6.7)
<b>Profit from underlying businesses</b>	<b>11,263</b>	<b>10,515</b>	<b>748</b>	<b>7.1</b>
<b>Underlying businesses EPS (HK\$)</b>	<b>1.86</b>	<b>1.77</b>	<b>0.09</b>	<b>5.1</b>
<b>Final ordinary dividend per share (HK\$)</b>	<b>0.95</b>	<b>0.87</b>	<b>0.08</b>	<b>9.2</b>
<b>Total ordinary dividend per share (HK\$)</b>	<b>1.20</b>	<b>1.12</b>	<b>0.08</b>	<b>7.1</b>

Note 1: Includes project studies and business development expenses

Note 2: Excludes project studies and business development expenses

# Consolidated Statement of Financial Position

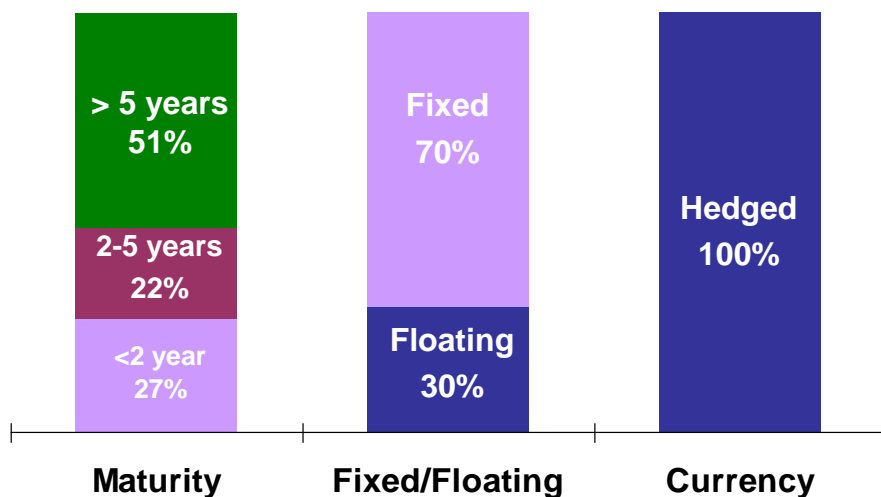
	31 Dec 2018	31 Dec 2017	Increase/ (Decrease)	
			HK\$m	%
<i>(HK\$m)</i>				
<b>Assets</b>				
Investment properties	82,676	77,086	5,590	7.3
Other property, plant and equipment	102,776	102,889	(113)	(0.1)
Service concession assets	30,473	29,797	676	2.3
Property development in progress	14,840	14,810	30	0.2
Interests in associates & joint venture	8,756	6,838	1,918	28.0
Properties held for sale	1,369	1,347	22	1.6
Debtors and other receivables	9,576	7,058	2,518	35.7
Amounts due from related parties	2,088	2,570	(482)	(18.8)
Cash, bank balances and deposits	18,022	18,354	(332)	(1.8)
Others	4,111	3,019	1,092	36.2
<b>Total Assets</b>	<b>274,687</b>	<b>263,768</b>	<b>10,919</b>	<b>4.1</b>
<b>Liabilities</b>				
Debts	40,205	42,043	(1,838)	(4.4)
Creditors and other payables	25,947	28,166	(2,219)	(7.9)
Current taxation	1,161	1,080	81	7.5
Amounts due to related parties	2,676	2,226	450	20.2
Obligations under service concession	10,409	10,470	(61)	(0.6)
Deferred tax liabilities	12,979	12,760	219	1.7
Others	691	597	94	15.7
<b>Total Liabilities</b>	<b>94,068</b>	<b>97,342</b>	<b>(3,274)</b>	<b>(3.4)</b>
<b>Total Equity</b>	<b>180,619</b>	<b>166,426</b>	<b>14,193</b>	<b>8.5</b>

# Cash Flow

(HK\$m)	2018	2017	Favourable/ (adverse) change	
			HK\$m	%
<b>Cash Inflow</b>				
Cash flows from operations	12,929	22,239	(9,310)	(41.9)
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	645	588	57	9.7
Receipts from property developments	4,235	3,344	891	26.6
Others	493	517	(24)	(4.6)
<b>Total inflows</b>	<b>18,302</b>	<b>26,688</b>	<b>(8,386)</b>	<b>(31.4)</b>
<b>Cash Outflow</b>				
Tax paid	(2,162)	(1,408)	(754)	(53.6)
Purchase of tax reserve certificates	(462)	(1,816)	1,354	74.6
Capital expenditure				
- Hong Kong existing rail	(5,441)	(5,226)	(215)	(4.1)
- Hong Kong new rail	(416)	(1,342)	926	69.0
- Property related	(965)	(1,753)	788	45.0
- Mainland of China and international railway related	(140)	(202)	62	30.7
Fixed and variable annual payments	(2,683)	(2,537)	(146)	(5.8)
Investments in/ loan to associates & joint venture	(1,840)	(402)	(1,438)	(357.7)
Net interest paid	(842)	(578)	(264)	(45.7)
Dividends paid to shareholders of the company	(1,281)	(15,358)	14,077	91.7
Others	(315)	(102)	(213)	(208.8)
<b>Total outflows</b>	<b>(16,547)</b>	<b>(30,724)</b>	<b>14,177</b>	<b>46.1</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>1,755</b>	<b>(4,036)</b>	<b>5,791</b>	<b>143.5</b>
Cash (outflow)/inflow from net borrowings	(1,552)	1,494	(3,046)	(203.9)
<b>Net cash inflow/(outflow)</b>	<b>203</b>	<b>(2,542)</b>	<b>2,745</b>	<b>108.0</b>

# Financing and Credit Ratios

## Company Debt Profile (31 Dec 2018)<sup>(1)</sup>



Consolidated group borrowings outstanding:

**HK\$40,205m** (HK\$42,043m as at 31 Dec 2017)

Average borrowing cost: **2.8%**



Net interest expense: **HK\$1,074m**



Compared to 2017 figures

	31 Dec 2018	31 Dec 2017
<b>Net Debt / Equity ratio<sup>(2)</sup></b>	18.1%	20.6% <sup>(3)</sup>
<b>Interest cover</b>	2018 13.6x	2017 15.0x

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 a developer relating to a land premium payment was excluded from the cash balance, the Group's net-debt- to-equity ratio at 31 Dec 2017 would have been 23.7%

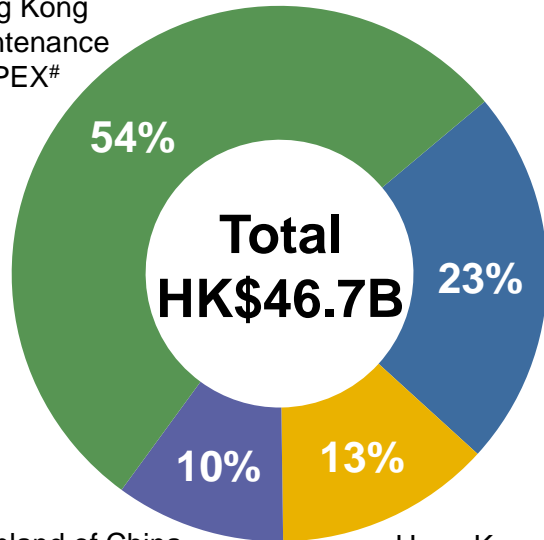


# Capital Expenditure & Investments



2019-2021

Hong Kong  
Maintenance  
CAPEX#



Hong Kong  
Property

Mainland of China  
& Overseas

Hong Kong  
New Railway Projects

Estimated spend:  
 2019 - HK\$16.7 billion  
 2020 - HK\$14.7 billion  
 2021 - HK\$15.3 billion  


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 Total - HK\$46.7 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 May 2019 (YoY%)
- Domestic services	Up 1.7%
- Airport express	Up 7.2%
- Cross-boundary services	Down 0.8%
- High-speed-rail	~56,000 (daily average)
Fare	Mid-2019
- FAM	Up 3.3%*
Total tenant sales turnover	Jan to May 2019 (YoY%)
Station commercial	
- Station kiosks	Flat#
- Duty free shops	-ve#
Shopping malls	
- Elements	Up low-teen digit
- Shopping malls excluding Elements	Flat
Industry statistics	Jan to May 2019 (YoY%)
- Hong Kong retail sales	Down 1.8%
- Hong Kong tourist arrivals	Up 14.9%

Source: Company data and government figures

\*The fare adjustment rate for the year 2019/20 should be +3.6%, by applying the FAM formula. After counting the "Affordability-Linked Arrangement", the result of the overall fare adjustment rate for 2019/20 will be 3.3%, with the remaining +0.3% fare adjustment to be recouped in 2021/22

#High Speed Rail (HSR) related sales turnover figures are excluded for YoY comparison (HSR service commenced on 23 September 2018)



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