



MTR Corporation

2018 Interim Results

9 August 2018

Forward-looking statements

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



Results Highlights and Business Overview

Mr. Lincoln Leong, CEO

Delivering on Strategy

Solid Financial Results

- **Recurrent profits** stable
- **Underlying profits** down 20.5%, decrease mainly due to non-recurrent profit recognised from Tiara development in Shenzhen last year

Good Operational Achievements

- **Hong Kong**
 - World class safety and services performance – best 6 months on-time performance since Merger
 - Station commercial and property rental benefiting from the recovery of retail sector and new retail space at Telford Plaza II and Maritime Square 2
 - Pre-sales of LOHAS Park Package 4, 5 and 6
 - Tenders of Yau Tong Ventilation Building site and Wong Chuk Hang Station Package 3
- **Mainland of China and international businesses**
 - Challenges encountered by Stockholm commuter rail (Pendeltågen), and MTR Express in Sweden, and South Western Railway in the UK
 - Other businesses in line with or above expectations

Delivering on Growth Strategy

- **Hong Kong**
 - Rail Gen 2.0 – Express Rail Link (XRL) and Shatin to Central Link (SCL)
 - Railway Development Strategy 2014 (RDS 2014)
 - 20,000 residential units under development
 - Additional property development opportunities and new shopping centres
- **Mainland of China and international businesses**
 - Operation & maintenance (O&M) contract for Macau Light Rapid Transit Taipa Line
 - Submitted bid for West Coast Partnership franchise in the UK

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	<u>165</u>	<u>(88.0)%</u>
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)



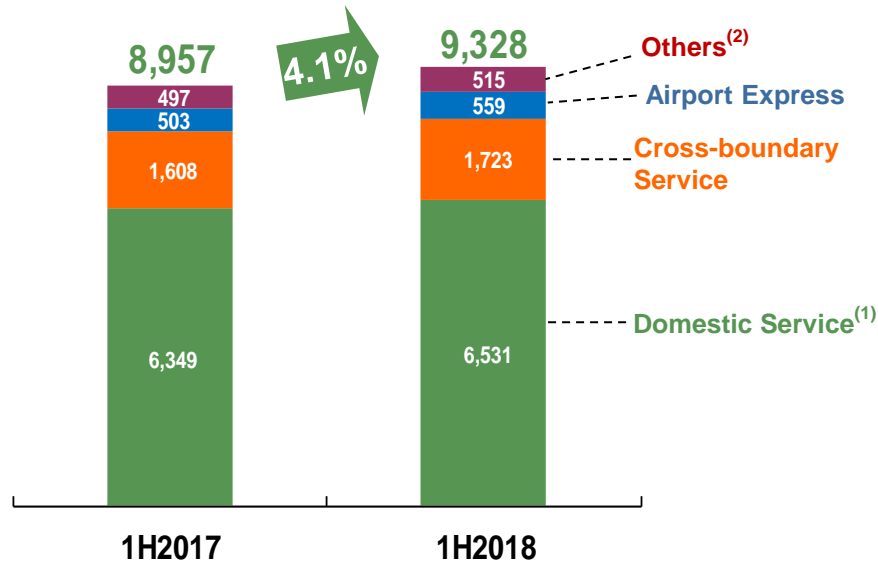
Hong Kong Transport Operations

Hong Kong Transport Operations

Total Patronage: **997.8 million** **2.3%**

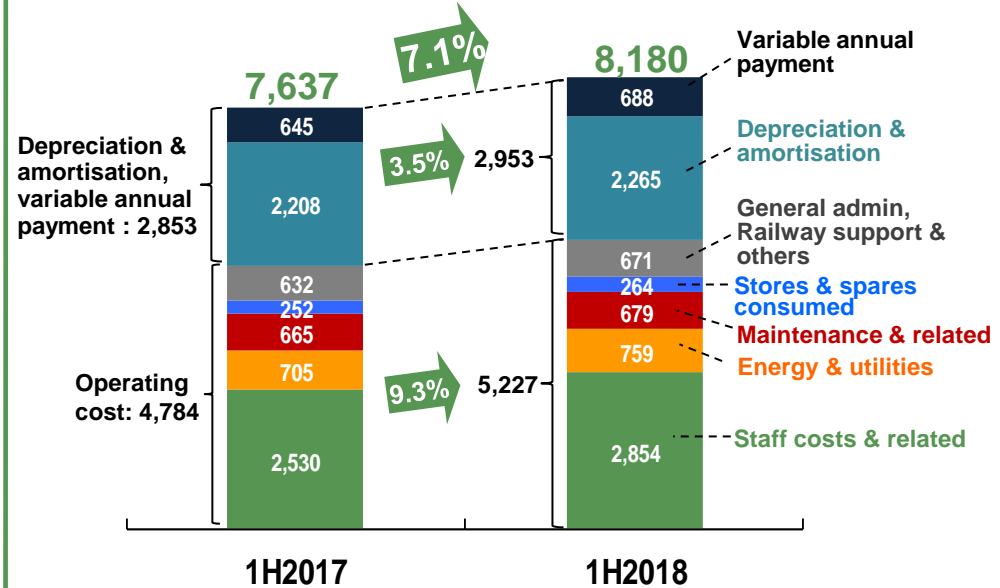
Revenue

(HK\$m)



Cost

(HK\$m)



EBITDA:
HK\$4,101m

1.7%

Margin:
44.0%

2.6% pts

EBIT⁽³⁾:
HK\$1,148m

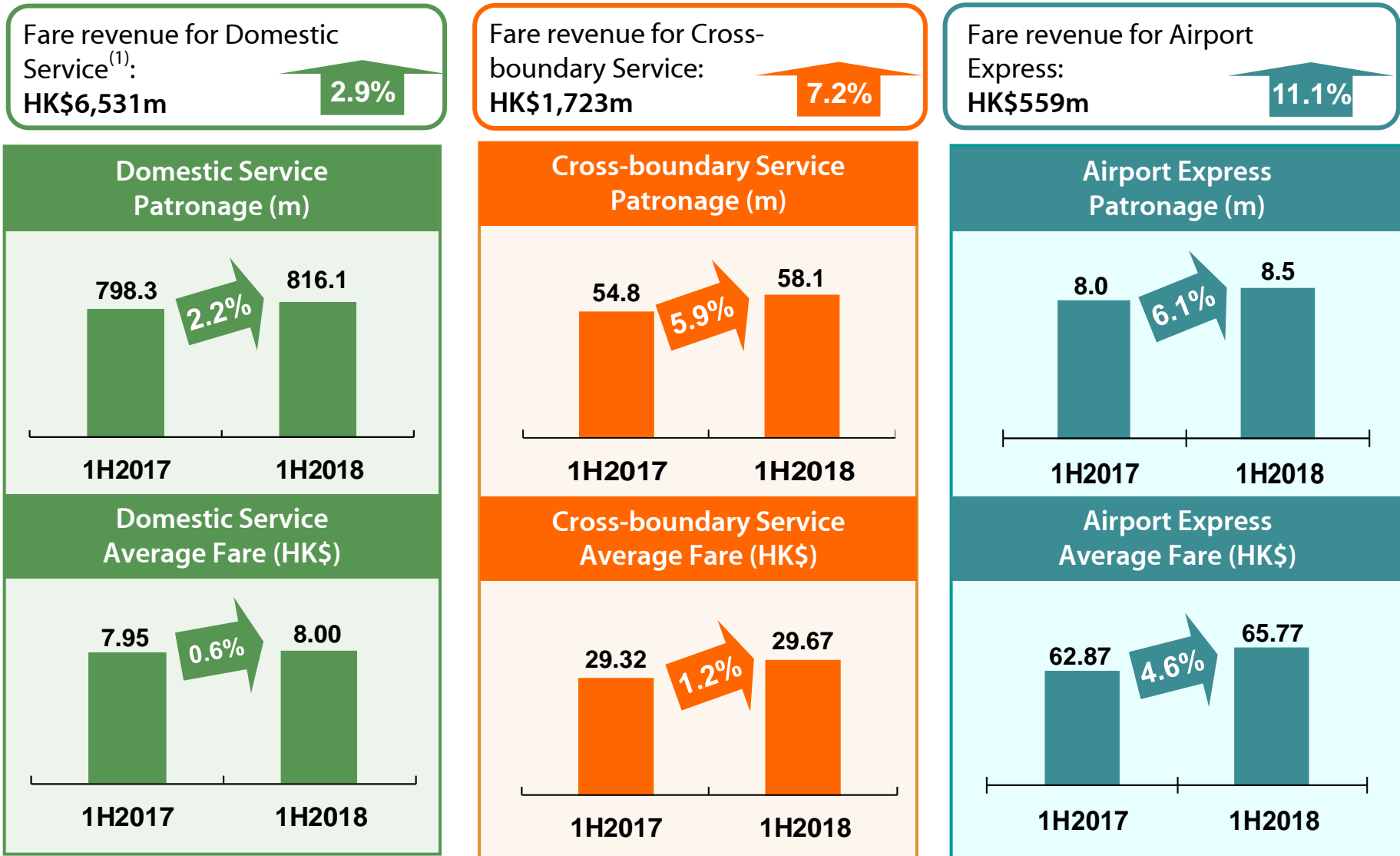
13.0%

Margin:
12.3%

2.4% pts

- 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

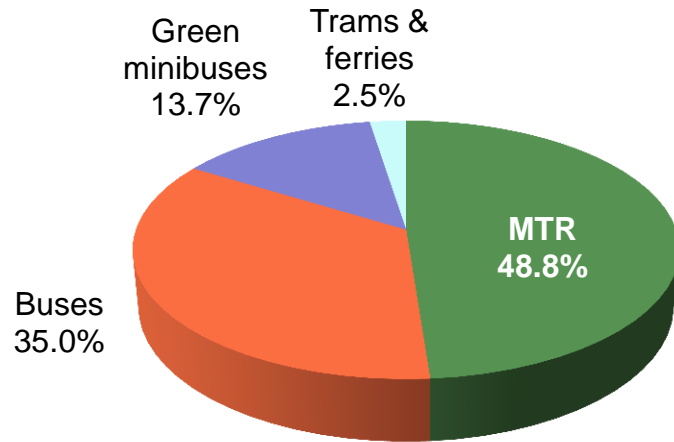
Revenue from Hong Kong Transport Operations



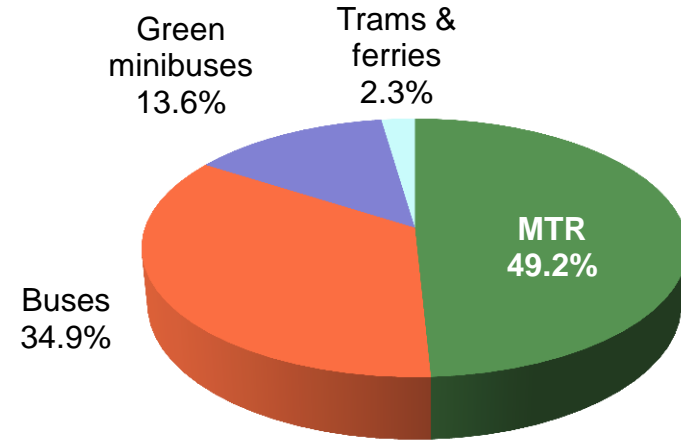
1. Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, South Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines

Market Share

Hong Kong Franchised Public Transport

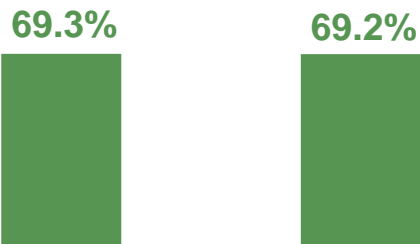


Jan – May 2017

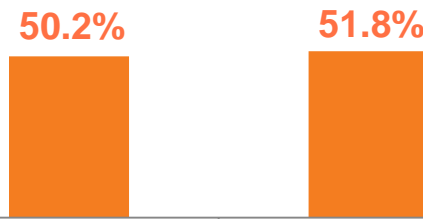


Jan – May 2018

Cross-harbour



Cross-boundary



Airport Express



Jan-May 2017

Jan-May 2018

Jan-May 2017

Jan-May 2018

Jan-May 2017⁽¹⁾

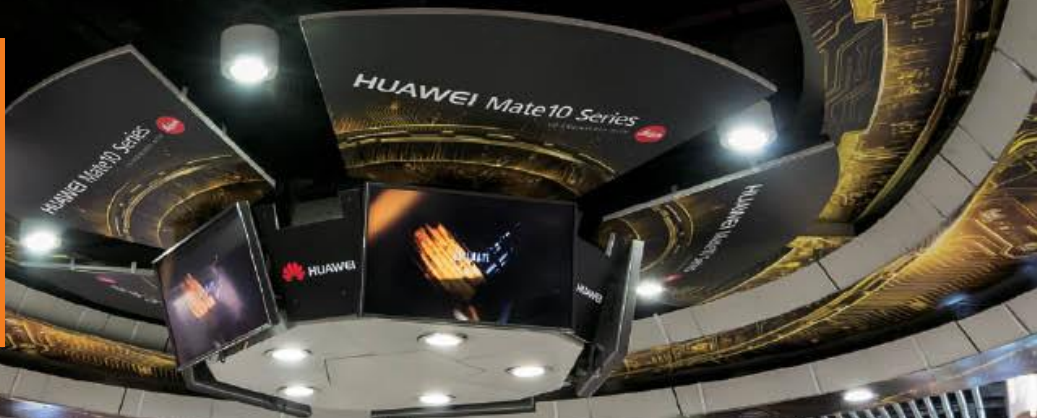
Jan-May 2018⁽¹⁾

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



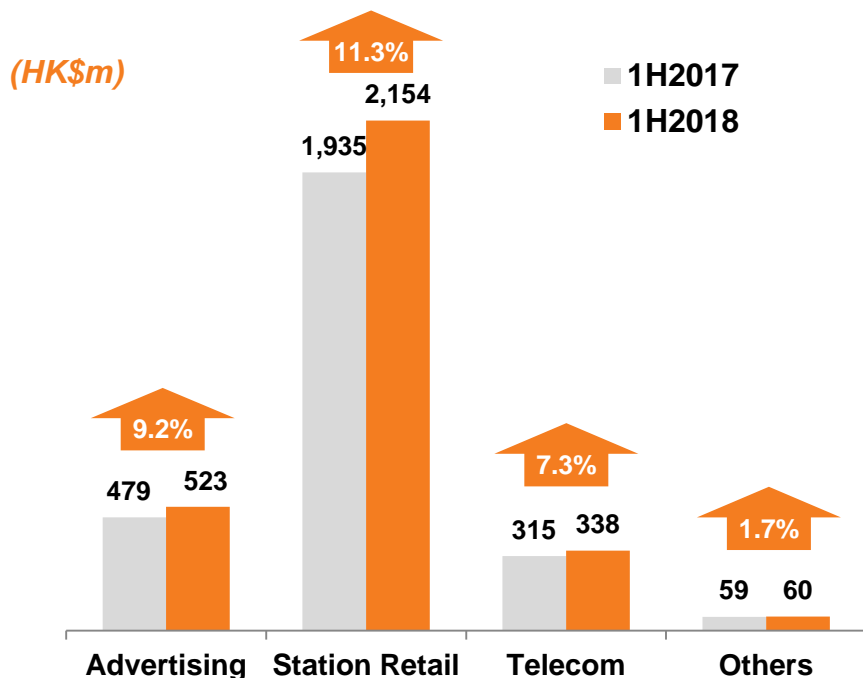
Hong Kong Station Commercial Businesses



Hong Kong Station Commercial Businesses

Revenue: HK\$3,075m ↑ 10.3%	Operating Cost: HK\$268m ↑ 12.1%	EBITDA: HK\$2,807m ↑ 10.1%	Margin: 91.3% ↓ 0.1%pt	Depreciation & Amortisation: HK\$84m ↑ 6.3%	Variable Annual Payment: HK\$309m ↑ 15.3%	EBIT ⁽¹⁾ : HK\$2,414m ↑ 9.6%	Margin: 78.5% ↓ 0.5%pt
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Revenue



- **Advertising** revenue increased mainly due to positive market sentiment, driven by retail spending growth and tourism
- **Station retail**
 - Revenue increased attributable to
 - higher rental revenue at Duty Free Shops
 - positive rental reversion at other station shops
 - increase in retail space
 - 1,422 shops and 58,883 sqm station retail space as at 30 Jun 2018
- **Telecom** revenue increased mainly due to new service contracts and capacity enhancement projects
- **Operating cost** increased due to higher government rent and rates and higher advertising agency commission in line with business growth

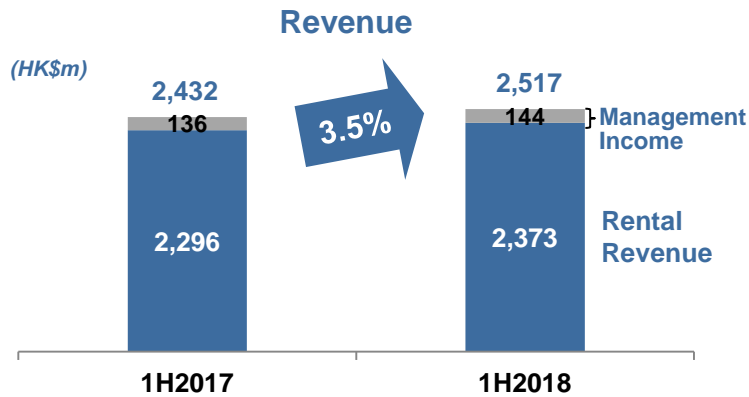
1. After depreciation, amortisation and variable annual payment to KCRC



Hong Kong Property Businesses

Hong Kong Property Rental and Management Businesses

Revenue: HK\$2,517m ↑ 3.5%	Operating Cost: HK\$381m ↑ 10.8%	EBITDA: HK\$2,136m ↑ 2.3%	Margin: 84.9% ↓ 1.0%pt	Depreciation & Amortisation: HK\$6m --- No Change ---	Variable Annual Payment: HK\$2m --- No Change ---	EBIT ⁽¹⁾ : HK\$2,128m ↑ 2.3%	Margin: 84.5% ↓ 1.0%pt
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- Rental reversion recorded a 2.2% fall at shopping malls
- 13 MTR shopping malls and 18 floors at Two IFC were ~100% let as at 30 Jun 2018
- Increase in retail lettable floor area (LFA) of 8,845 sqm⁽²⁾ from the opening of
 - Converted retail space at Telford Plaza II in Jul 2017
 - Maritime Square 2 in Dec 2017
- Investment properties LFA – 30 Jun 2018
 - HK Retail: **218,083** sqm⁽²⁾
 - HK Offices: **39,410** sqm⁽²⁾
 - Others: **17,764** sqm⁽²⁾
- Operating cost increased mainly due to the opening of the new retail space

1. After depreciation, amortisation and variable annual payment to KCRC
 2. Lettable floor area attributable to MTR



Maritime Square 2



Shops at Telford Plaza II

Hong Kong Property Development

Development Profit

- Pre-tax profits of **HK\$158 million** mainly from sales of inventory units and car parking spaces, as well as agency fee income from the West Rail property developments

Property Tender

- Yau Tong Ventilation Building site (~500 units)
- Wong Chuk Hang Station Package 3 (~1,200 units) plus shopping centre

Pre-sale of Property Development Project

Property Development	Launched	Units sold (End-Jun 2018)
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■ MTR

MALIBU (LOHAS Park Package 5)	Mar 2018	97 % of 1,600 units sold
Wings at Sea II (LOHAS Park Package 4)	Oct 2017	63 % of 1,132 units sold
Wings at Sea (LOHAS Park Package 4)	Sep 2017	97 % of 1,040 units sold

■ As Agent for KCRC

PARC CITY (Tsuen Wan West Station (TW5) Cityside site)	Aug 2017	All 953 units sold
Ocean Supreme (Tsuen Wan West Station (TW5) Bayside site)	Jul 2017	99% of 1,436 units sold
Ocean Pride (Tsuen Wan West Station (TW5) Bayside site)	May 2017	99% of 970 units sold
Cullinan West II (Nam Cheong Station)	Nov 2017	44% of 1,188 units sold
Cullinan West (Nam Cheong Station)	Mar 2017	92% of 1,050 units sold
THE PAVILIA BAY (Tsuen Wan West Station (TW6) site)	Jan 2017	99% of 983 units sold
The Spectra (Long Ping Station (North) site)	Mar 2016	98% of 912 units sold



Wong Chuk Hang Station Site



Wings at Sea/ Wings at Sea II (LOHAS Park Package 4)



Growth in Hong Kong

Rail Projects under Project Management

Express Rail Link



Progress Achieved (as at end-Jun 2018)

- Structural works at Hong Kong West Kowloon Station complete
- Trial operations commenced on 1 Apr 2018
- Works in the Customs, Immigration & Quarantine (CIQ) and Mainland CIQ (MCIQ) areas, under the purview of the Corporation, are substantially complete but the timely completion of all the CIQ and MCIQ facilities remains on the critical path

Target Completion and Project Cost Estimates

- Target opening date in Sep 2018
- In the final stage of discussions with Government on the arrangements for the future operations of this service



Hong Kong West Kowloon Station



Hong Kong West Kowloon Station

Overall

99.9% complete

Rail Projects under Project Management

Shatin to Central Link (SCL)



Overall Progress - 86% complete

Tai Wai to Hung Hom Section – 97.8% complete

Progress Achieved

- Structural works for all stations substantially complete
- Test running between Hin Keng and Hung Hom stations commenced in Jun 2018

Target Completion

- Originally announced 11-month delay resulting from the discovery of archaeological relics in Sung Wong Toi Station
- Partially recovered due to successful delay recovery measures; commissioning date dependent on the verification of, and safety test on, the Hung Hom Station platform



Hin Keng Station



Hung Hom station

Rail Projects under Project Management

Shatin to Central Link



Hung Hom to Admiralty Section – 70.9% complete

Progress Achieved

- All 11 immersed tube cross-harbour tunnel units installed in Victoria Harbour as by Apr 2018
- Exhibition Centre Station 64.2% complete

Major Challenges

- The major challenge remains the timely completion of works at Exhibition Centre Station

Target Completion

- As announced previously a total delay of 9 months due to a number of issues caused by third parties relating to the new Exhibition Centre Station
- Completion still targeted in 2021



Causeway Bay Typhoon Shelter



Construction Site of Tunnel Ventilation Building at the former Police Officers' Club works site

Rail Projects under Project Management

Shatin to Central Link

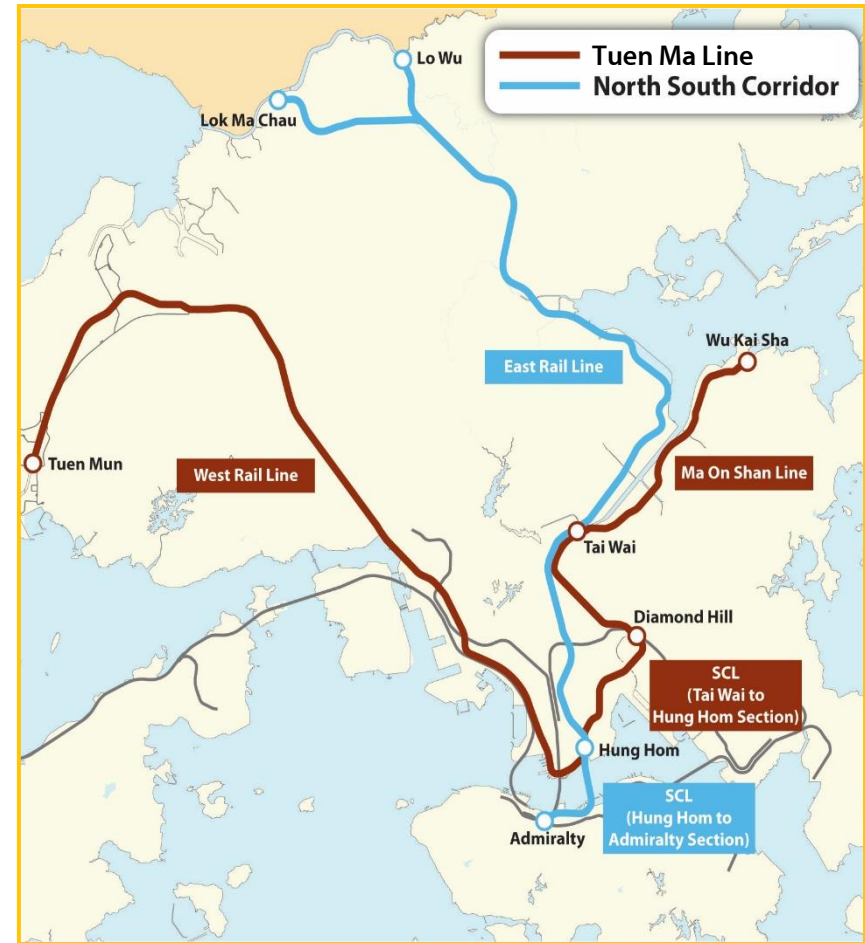


Concerns relating to Construction Works at Hung Hom, To Kwa Wan and Exhibition Centre stations

- Quality and safety of railway projects always our top priority
- Engaged an independent third party to conduct a safety test of the platform at Hung Hom Station Extension
- Cooperating fully with the Commission of Inquiry (COI) appointed by the HKSAR Chief Executive in Council
- Capital Work Committee of the Board to review the processes and procedures within our project management system, assisted by external consultant

SCL Entrustment Agreements

- Detailed review of the latest estimated Cost to Complete for the main construction works submitted to Government on 5 Dec 2017
- Latest estimate increased by HK\$16.5 billion from original HK\$70.8 billion to HK\$87.3 billion; 23% increase

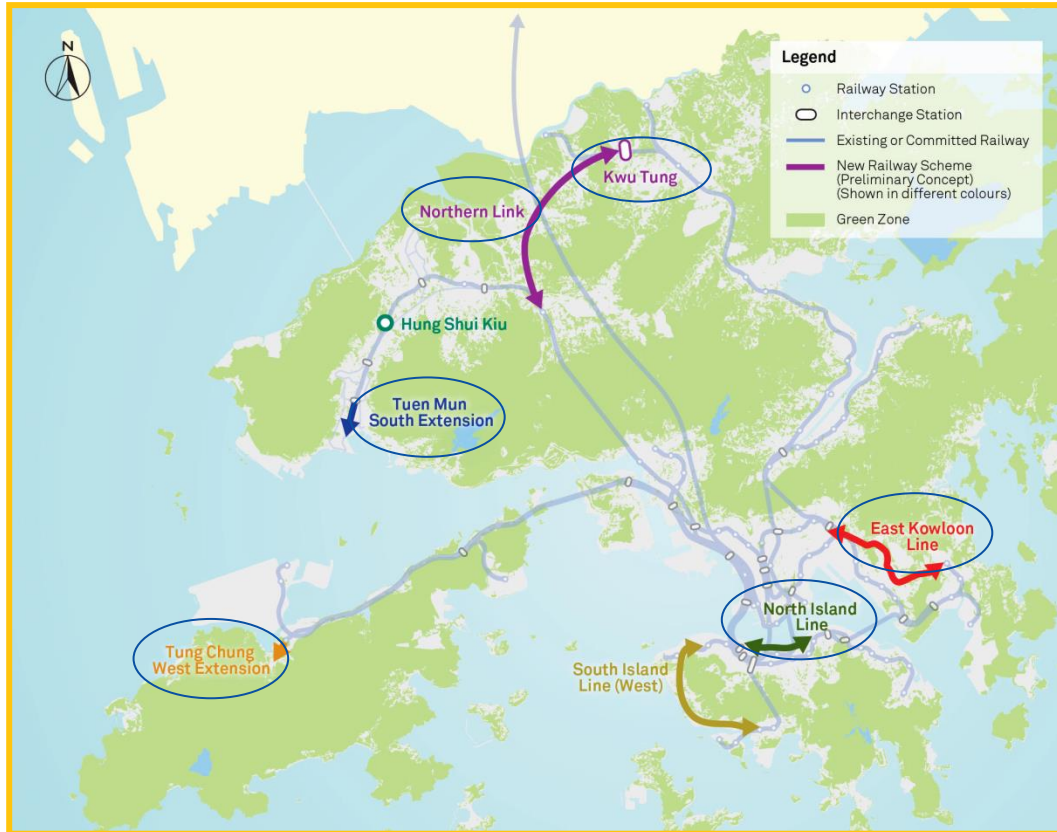


Overall

86.0% complete

Railway Development Strategy 2014

Five project proposals submitted to Government



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

New Investment Property Initiatives

49% increase in attributable GFA of existing retail portfolio



An artist's impression of LOHAS Shopping Mall

1. LOHAS Park Shopping Mall

GFA: 44,500sqm

Target opening: End-2020

40% complete



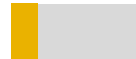
An artist's impression of Tai Wai Shopping Mall

2. Tai Wai Shopping Mall

GFA: 60,620sqm

Target opening: End-2022

20% complete



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

Hong Kong Property Development

Tendered MTR developments: Over 20,000 residential units (GFA : over 1.28 million sqm)

	Property Tender	Date of Tender Award	Developer partner (a subsidiary of)	Residential Gross Floor Area (sq m)	Units	Latest Project Status			
						Design	Foundation	Superstructure	Pre-sale
1	LOHAS Park Package 4	Apr 2014	Sun Hung Kai	122,302	~2,170	Completed	Completed	In progress	In progress
2	Tai Wai Station	Oct 2014	New World	190,480	~3,090	Completed	In progress	In progress	
3	LOHAS Park Package 5	Nov 2014	Wheelock	102,336	~1,600	Completed	Completed	In progress	In progress
4	LOHAS Park Package 6	Jan 2015	Nan Fung	136,970	~2,390	Completed	Completed	In progress	
5	Tin Wing Stop	Feb 2015	Sun Hung Kai	91,051	~1,970	Completed	In progress		
6	LOHAS Park Package 7	Jun 2015	Wheelock	70,260	~1,120	Completed	Completed	In progress	
7	LOHAS Park Package 8	Oct 2015	Cheung Kong	97,000	~1,430	Completed	Completed	In progress	
8	LOHAS Park Package 9	Dec 2015	Wheelock	104,110	~1,650	Completed	Completed	In progress	
9	LOHAS Park Package 10	Mar 2016	Nan Fung	75,400	~900	Completed	Completed	In progress	
10	Ho Man Tin Station Package 1	Dec 2016	Goldin Financial	69,000	~960	In progress	In progress		
11	Wong Chuk Hang Station Package 1	Feb 2017	Road King Infrastructure & Ping An Real Estate	53,600	800	In progress			
12	Wong Chuk Hang Station Package 2	Dec 2017	Sino Land & Kerry Properties	45,800	600	In progress			
13	Yau Tong Ventilation Building	May 2018	Sino Land & CSI Properties	30,225	~500	In progress			
14	Wong Chuk Hang Station Package 3	Aug 2018	CK Asset	~92,900	~1,200				

Hong Kong Property Development

Siu Ho Wan Depot, Lantau Island

- ~14,000 residential units, subject to necessary zoning and other statutory approvals
- Environmental Impact Assessment approved by Government in Nov 2017
- Draft Outline Zoning Plan gazetted on 29 Mar 2018



Siu Ho Wan Depot, Lantau Island

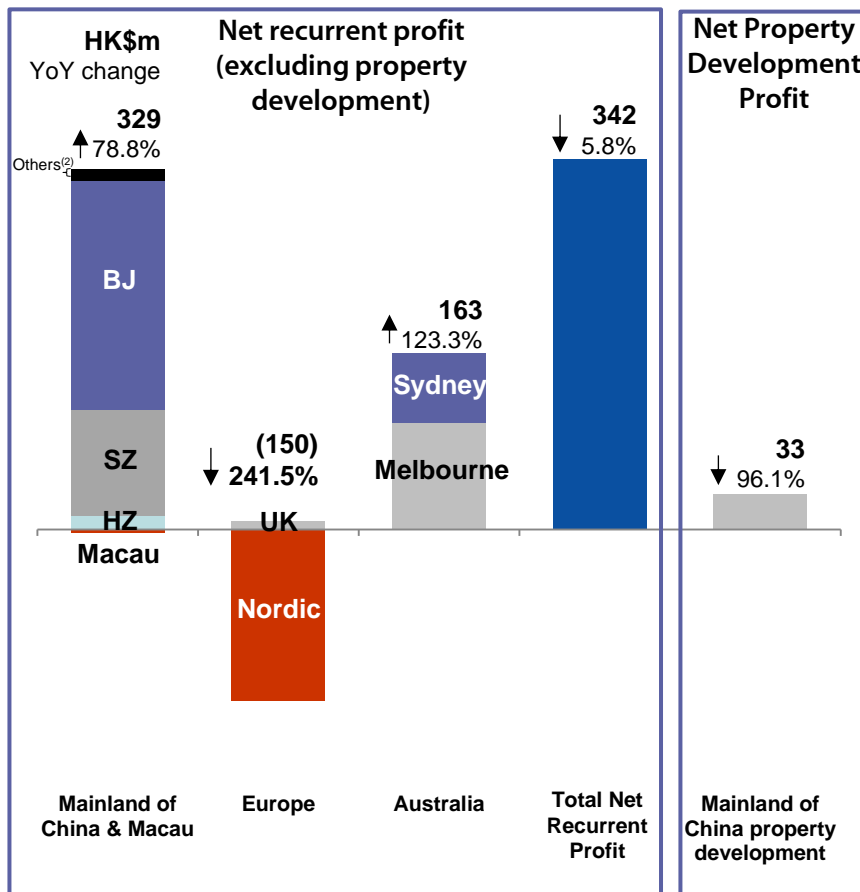


Mainland of China & International Businesses



Mainland of 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
MTR Corporation

Mainland of China Businesses – Current Operations

Beijing

- **Beijing Metro Line 4 and Daxing Line, PPP**
 - Patronage: 214 million, down 1.9% (1.3 million/weekday)
- **Beijing Metro Line 14, PPP**
 - Patronage: 112 million up 6.6% (717,000/weekday)
- **Beijing Metro Line 16, PPP**
 - Patronage: 16 million, up 43% (99,000/weekday)
- **Contribution to MTR**
 - HK\$211 million, up 70.2% YoY

Hangzhou

- **Hangzhou Metro Line 1, PPP**
 - Patronage: 128 million up 19.3% (718,000/weekday)
- **Hangzhou Metro Line 5, PPP**
 - Signed concession agreement on 26 Jun 2017
 - 25 years PPP concession
 - Route length: 51.5km (38 stations)
 - Joint venture between MTR (60%) and Hangzhou Metro (40%)
 - Total investment by joint venture: RMB 10.9 billion
 - MTR's 60% equity investment: RMB 2.6 billion
- **Contribution to MTR**
 - HK\$13 million up from loss of HK\$29 million in 1H2017

Tianjin

- Shopping centre of ~91,000 sqm GFA at Beiyunhe site under construction
- We will take ownership of the shopping centre when the centre is completed

Shenzhen

- **Shenzhen Metro Line 4, PPP**
 - Patronage: 109 million up 10.2% (605,000/weekday)
- **Contribution to MTR**
 - HK\$97 million, up 56.5% YoY

International - Current Operations

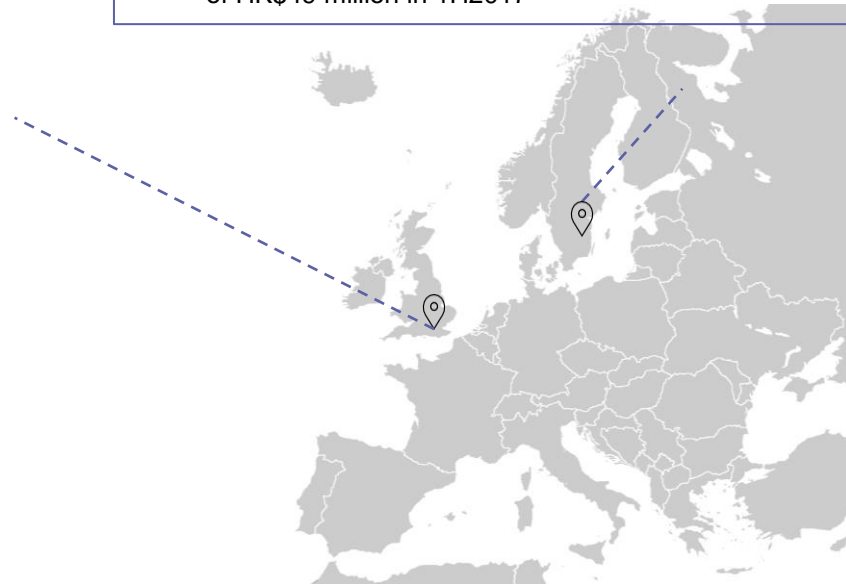
Europe

United Kingdom

- **TfL Rail/ Elizabeth Line (MTR Crossrail)**
 - Services between Paddington Station and Heathrow Airport commenced in May 2018
 - Contribution to MTR: HK\$29 million up 45% YoY
- **South Western Railway franchise**
 - Takeover of the franchise in Aug 2017
 - MTR (30%) and FirstGroup (70%)
 - Share of loss due to revenue below expectation
 - An independent review was commissioned in Apr 2018 by the UK government
 - Contribution to MTR: loss of HK\$21 million, down 133.3% YoY

Sweden

- **Stockholm Metro and MTR Tech**
 - Stockholm Metro delivered high level of operational performance and customer satisfaction
 - MTR Tech continued to provide rolling stock maintenance for Stockholm Metro
 - Contribution to MTR: HK\$95 million, down 29.6% YoY
- **MTR Express**
 - Passenger numbers continue to increase
 - Contribution to MTR: loss of HK\$25 million down 38.9% YoY
- **Stockholms commuter rail (MTR Pendeltågen)**
 - Material loss due to increase in operating costs and significant penalty relating to punctuality and customer satisfaction
 - Implementing a turnaround plan to improve service levels and financial position
 - Contribution to MTR: loss of HK\$130 million, down from profit of HK\$49 million in 1H2017



International – Current Operations

Australia



Sydney Metro Northwest (SMNW)

- All track laying works complete
- Construction works for the depot and stations, and pre-operational planning are progressing
- Train testing underway
- Contribution to MTR: HK\$68 million, up from HK\$4 million in 1H2017

Metro Trains Melbourne (MTM)

- The renewed concession commenced at end-Nov 2017
- Continued to deliver even higher service levels and support the State Government for its infrastructure projects
- Contribution to MTR: HK\$99 million, up 32% YoY

An aerial photograph of a city, likely Copenhagen, Denmark, featuring a large bridge with a red tram and a blue train crossing a canal. The city skyline includes a prominent church spire and various buildings. A purple text box is overlaid on the left side of the image.

Growth Initiatives in Mainland of China & International Businesses

Mainland of China and Macau Businesses – Growth Initiatives

Chengdu

- **Strategic cooperation with Chengdu Rail Transit Group** covers metro PPP and Transit Oriented Development (TOD)
- **Memorandum of Understanding** signed to conduct joint TOD studies on the potential integrated development of stations along Chengdu's metro lines

Beijing

- **Letter of Intent** signed with BIIC in Jan 2017
 - Extended strategic cooperation to other rail-related property development projects
- **Letter of Intent** signed with Daxing District People's Government of Beijing Municipality and BIIC in Nov 2017
 - Studies on the southward extension of Beijing Daxing Line, Nanzhaolu Depot capacity expansion and integrated property development

Guangdong-Hong Kong-Macau Greater Bay Area

- **Macau Light Rapid Transit Taipa Line**
 - Awarded a MOP5.88 billion contract for O&M services in Apr 2018
 - 80-month service period
 - Route length: 9.3 km (11 stations)
- **Shunde**
 - Partnership with Country Garden and Foshan Shunde District Metro (**Shunde Metro**)
 - Provide TOD technical assistance to a mixed-use property development adjacent to Shunde Chencun Station (~391,500 sqm GFA)

Hangzhou

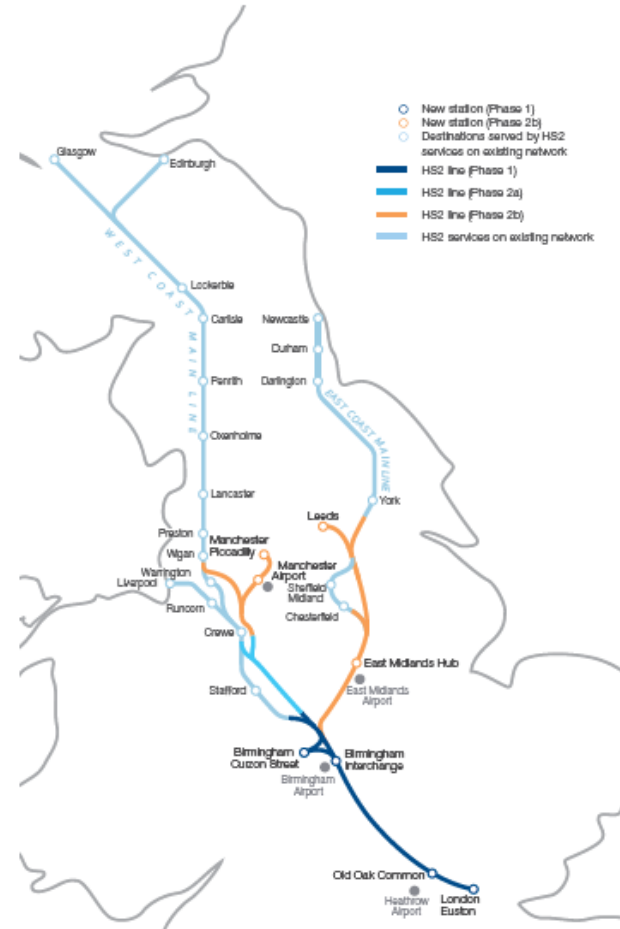
- Pursuing another rail project and a rail related development

International – Growth Initiatives

Europe

West Coast Partnership Franchise, United Kingdom

- O&M concession for West Coast Main Line from Apr 2019 to 2026; subsequent operation of integrated service with new High Speed Two (HS2) line up to 2031
- 75% : 25% partnership with an associated company of China Railway Corporation being minority shareholder
- Bid submitted in Jul 2018



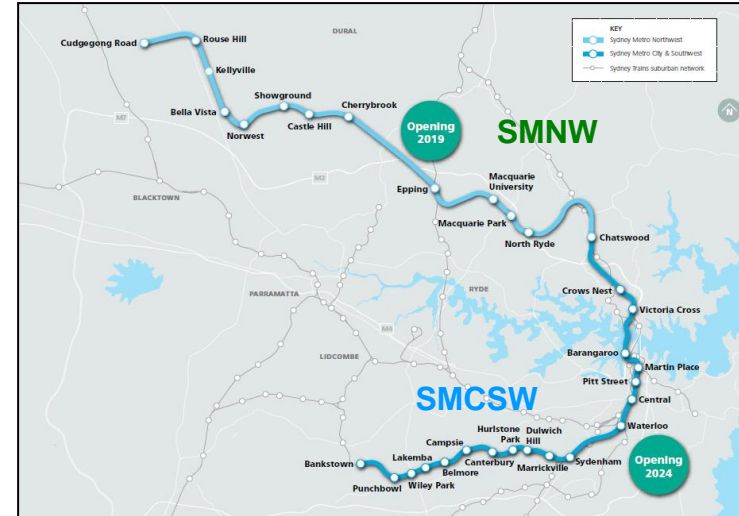
HS2 Route Map, The West Coast Partnership Stakeholder Briefing Document

International – Growth Initiatives

Australia

Sydney Metro City & Southwest (SMCSW)

- 30km extension of SMNW; civil and related works to be undertaken by Transport for New South Wales (TfNSW)
- Entered into a commitment deed with TfNSW in Dec 2017 - proposal to be submitted in late 2018 to deliver and integrate trains and systems, as well as to operate the SMCSW line



Sydney Metro Alignment from Sydney Metro Industry Briefing

Canada



Existing system map from Go Transit

Toronto Regional Express Rail

- Project will transform the existing GO Transit diesel-rail commuter system into an electrified railway network in Greater Toronto and Hamilton area
- Project revised to a design-build-finance-operate-maintain (DBFOM) project
- Pre-qualification bid to be submitted in September; short-listed bidders expected to be announced by end-2018



Financial Results

Mr. Herbert L.W. Hui, Finance Director

Consolidated Profit and Loss Account

	1H2018	1H2017	Favourable/ (adverse) change	
			HK\$m	%
(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

Segmental Profits of Underlying Businesses

	<u>1H2018</u>	<u>1H2017</u>	<u>Favourable/ (adverse) change</u>	
<i>(HK\$m)</i>			<u>HK\$m</u>	<u>%</u>
Hong Kong transport operations ⁽¹⁾	1,148	1,320	(172)	(13.0)
Hong Kong station commercial ⁽¹⁾	2,414	2,202	212	9.6
Hong Kong property rental and management ⁽¹⁾	2,128	2,080	48	2.3
Mainland of China and international railway, property rental & management (including share of EBIT from railway associates and joint venture) ⁽²⁾	697	663	34	5.1
Project studies & business development expenses	(214)	(159)	(55)	(34.6)
Others ⁽³⁾	135	(4)	139	N/A
EBIT on recurrent businesses	6,308	6,102	206	3.4
Interest on recurrent business profit ⁽⁴⁾	(742)	(597)	(145)	(24.3)
Tax on recurrent business profit ⁽⁵⁾	(1,083)	(1,027)	(56)	(5.5)
Post-tax recurrent business profit	4,483	4,478	5	0.1
HK property development profit after tax	132	519	(387)	(74.6)
Mainland of China property development profit after tax and interest	33	851	(818)	(96.1)
Post-tax property development profit	165	1,370	(1,205)	(88.0)
Profit from underlying businesses	4,648	5,848	(1,200)	(20.5)

Note:

All segmental profits shown are pre-tax profits.

1. After depreciation, amortisation and variable annual payment to KCRC

2. Net of non-controlling interests

3. Includes profit from consultancy business, MTR Academy and Ngong Ping 360, and share of EBIT from Octopus Holdings Limited

4. Includes our share of interest and finance charges incurred by associates and joint venture

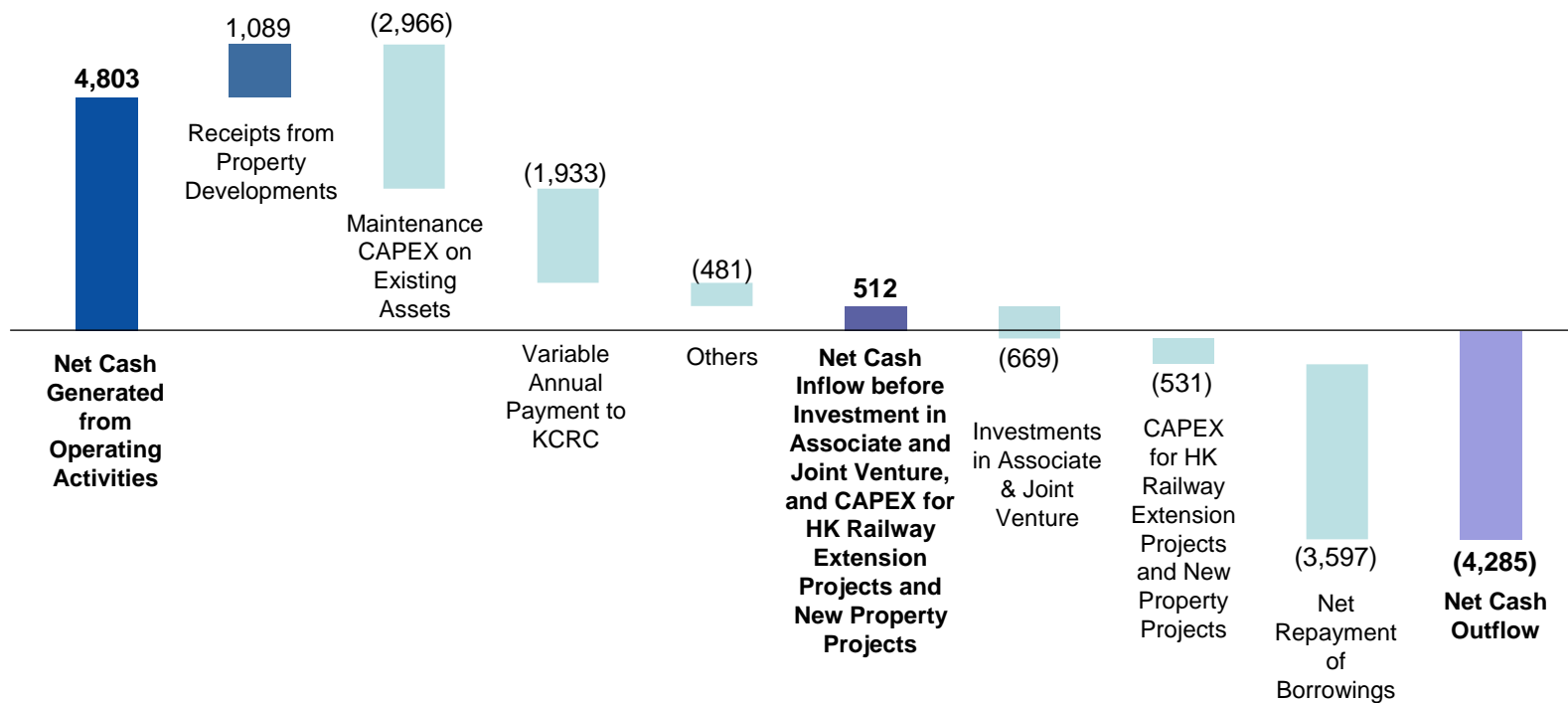
5. Includes our share of tax incurred by associates and joint venture

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

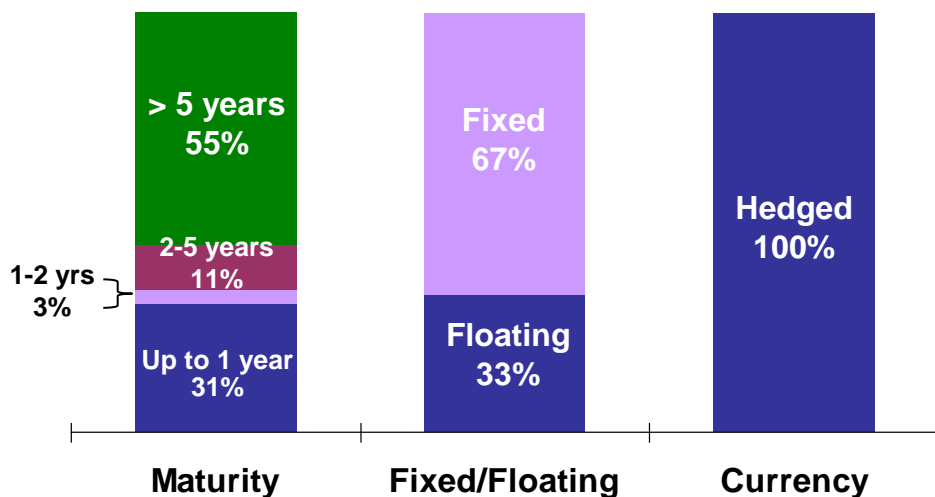
Cash Flow (for the 6 months ended 30 Jun 2018)

(HK\$m)



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

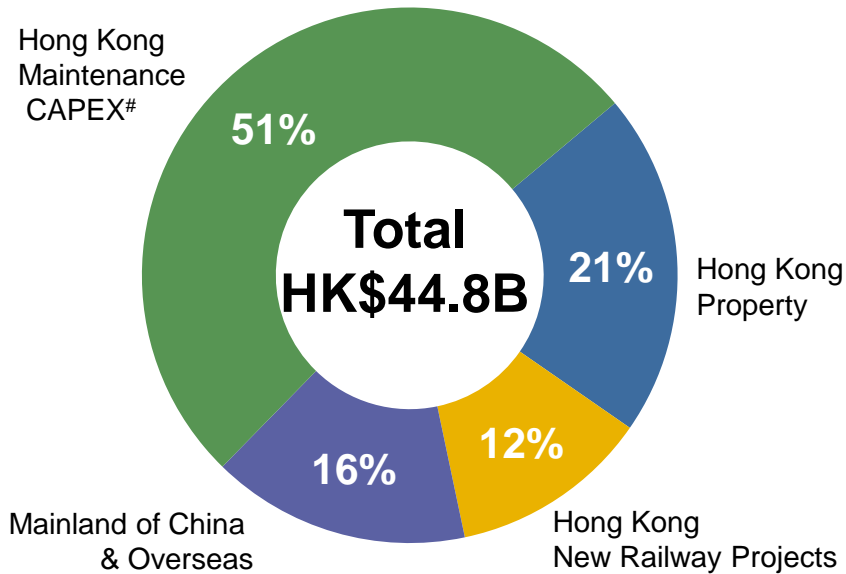
2. Including obligations under service concession and loan from holders of non-controlling interests as components of debt

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



Outlook

Outlook

Hong Kong Transport Operations

- Finalising operating arrangements with Government on the High Speed Rail service – opening expected in September 2018
- Strong economic growth and rebound in tourist arrivals should underpin passenger volume growth

Station Commercial and Property Rental

- Recent trends in station commercial and property rental businesses expected to improve in line with market conditions
- Progressing LOHAS Park and Tai Wai shopping centre projects
- Plus new Wong Chuk Hang shopping centre

Business Outside of Hong Kong

- Challenges remain at Stockholm commuter rail in Sweden and South Western Railway franchise in the UK that will continue to affect our financial performance
- Other rail franchises expected to perform in line with expectations

Property Development Businesses

- Profit booking of LOHAS Park Package 4 subject to the receipt of Occupation Permit, currently expected at end-2018
- Over the next 6 months or so, subject to market conditions, aiming to tender out Ho Man Tin Station Package 2 and LOHAS Park Package 11