



MTR Corporation

2016 Interim Results

9 August 2016

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

2016 Interim Results

Steady Progress

- Reasonable financial performance
- Modest property development profits

Stable Business Performance

- Hong Kong
 - World leading safety standard and world-class service performance
 - Station Commercial and Property Rental – Positive rental reversions
 - Property Tendering – LOHAS Package 10 awarded
- Outside Hong Kong
 - Good operational performance and reasonable financial results

Sustainable Growth

- Rail Gen 2.0 – Good progress on 4 new rail projects
- Approval of the Express Rail Link Agreement
- Progressing Railway Development Strategy (RDS 2014)
- Shopping centre expansion and property development projects on track
- Pendeltåg concession to start in Dec 2016
- Bidding for Hangzhou Metro Line 5 and South Western Rail Franchise

Financial Highlights

(HK\$m)	1H2016	1H2015	Change
Total revenue	21,307	20,210	↑ 5.4%
Total EBITDA	8,810	8,346	↑ 5.6%
EBITDA margin	41.3%	41.3%	—
EBITDA margin (excluding Mainland China & international subsidiaries)	57.2%	57.0%	↑ 0.2pt
Profit from recurrent businesses⁽¹⁾	4,866	4,516	↑ 7.8%
Property development profit after tax	207	2,311	↓ 91.0%
Profit from underlying businesses⁽¹⁾	5,073	6,827	↓ 25.7%
Investment property revaluation	48	1,362	↓ 96.5%
Reported net profit attributable to equity shareholders ⁽¹⁾	5,121	8,189	↓ 37.5%
Reported EPS (HK\$) ⁽¹⁾	0.87	1.40	↓ 37.9%
Underlying businesses EPS (HK\$)⁽¹⁾	0.86	1.17	↓ 26.5%
Interim ordinary dividend per share (HK\$)	0.25	0.25	—

1. Net of non-controlling interests



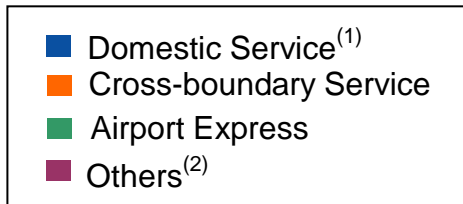
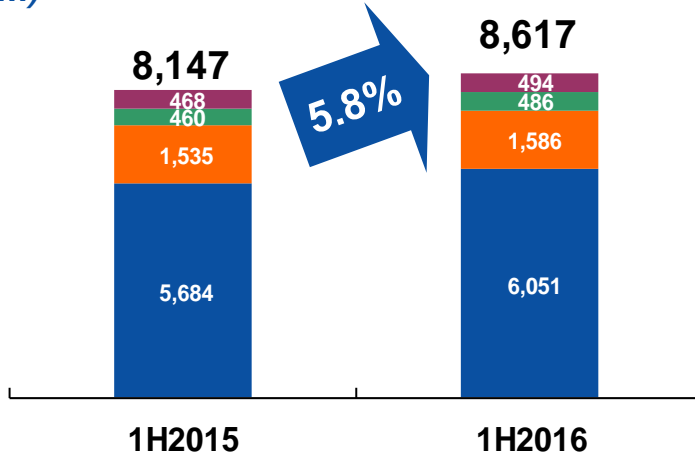
Hong Kong Transport Operations

Hong Kong Transport Operations

Total Patronage: 952.1 million **0.3%**

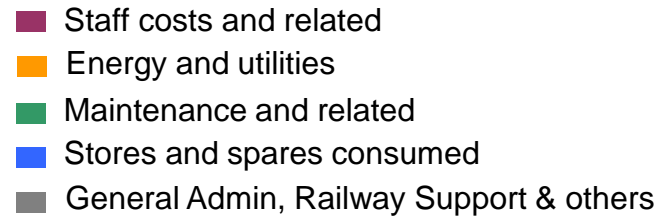
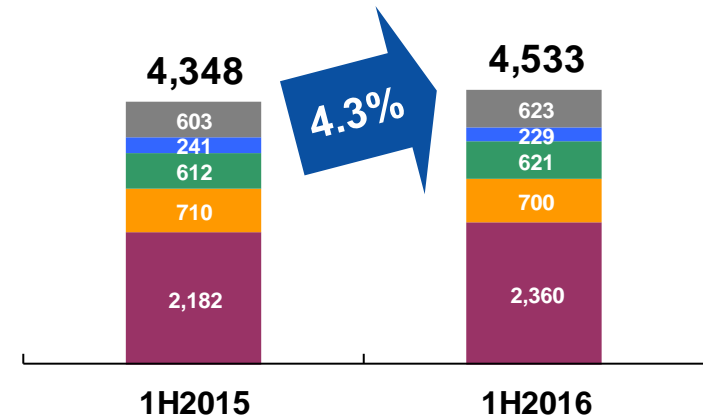
Revenue

(HK\$m)



Cost

(HK\$m)



EBITDA: HK\$4,084m **7.5%**

EBITDA Margin: 47.4% **0.8%pt**

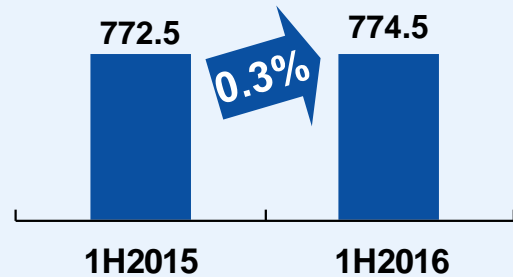
- Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines
- Others comprise Light Rail, Bus, Intercity and other rail related income

Revenue from Hong Kong Transport Operations

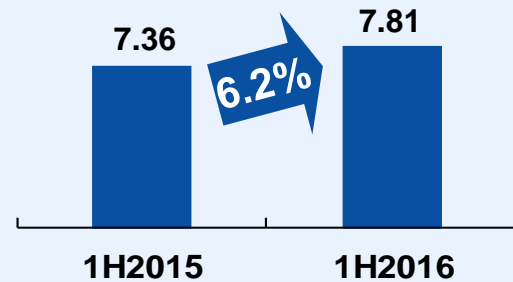
Fare revenue for Domestic Service⁽¹⁾:
HK\$6,051m

6.5%

Domestic Service Patronage (m)



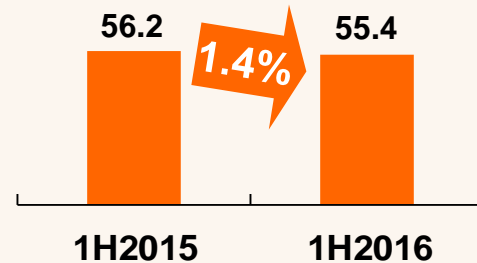
Domestic Service Average Fare (HK\$)



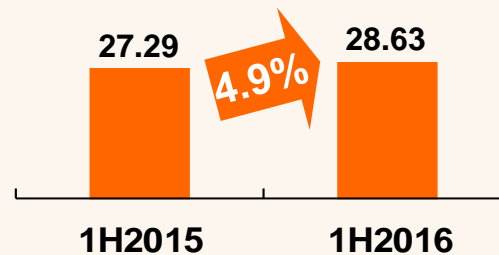
Fare revenue for Cross-boundary Service:
HK\$1,586m

3.3%

Cross-boundary Service Patronage (m)



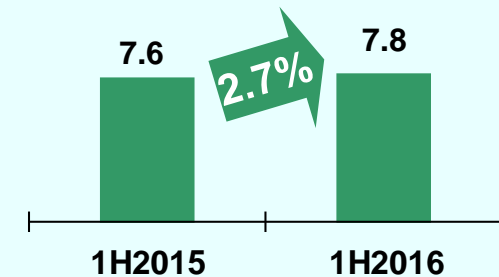
Cross-boundary Service Average Fare (HK\$)



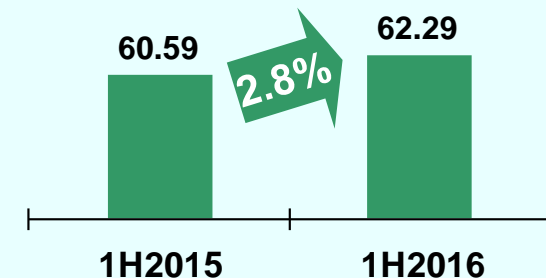
Fare revenue for Airport Express:
HK\$486m

5.7%

Airport Express Patronage (m)



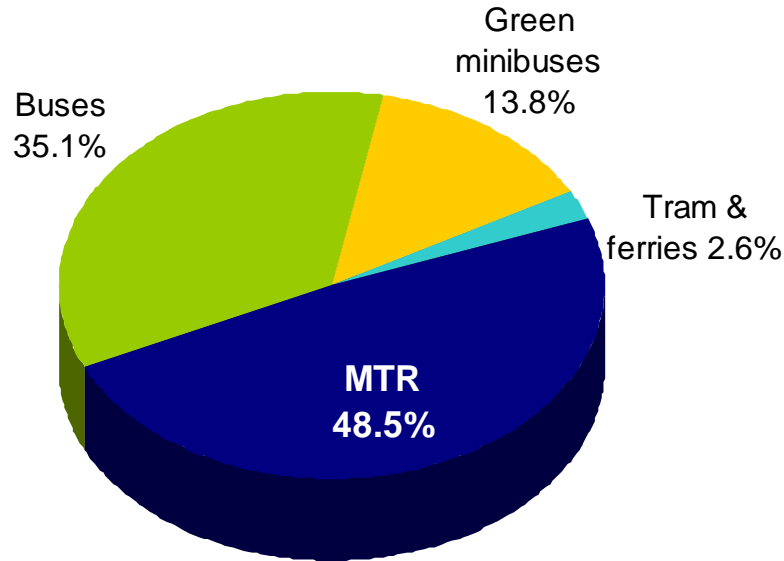
Airport Express Average Fare (HK\$)



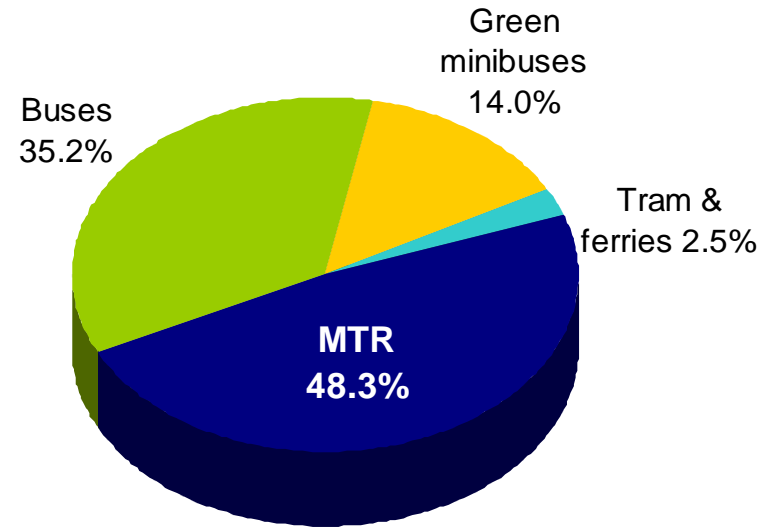
1. Domestic Service comprises the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, Disneyland Resort, East Rail (excluding Cross-boundary Service), West Rail and Ma On Shan lines
MTR Corporation

Market Share

Hong Kong Franchised Public Transport

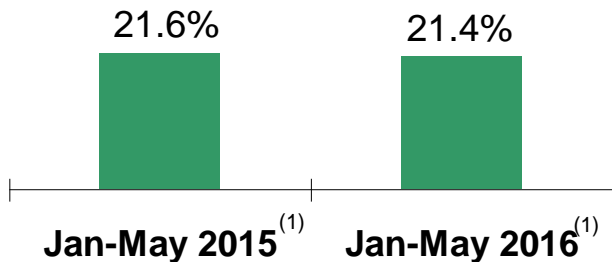


Jan – May 2015

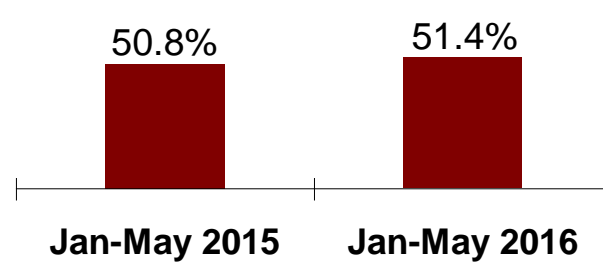


Jan – May 2016

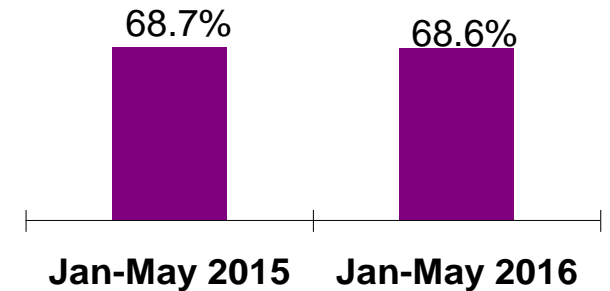
Airport Express



Cross-boundary



Cross-harbour



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

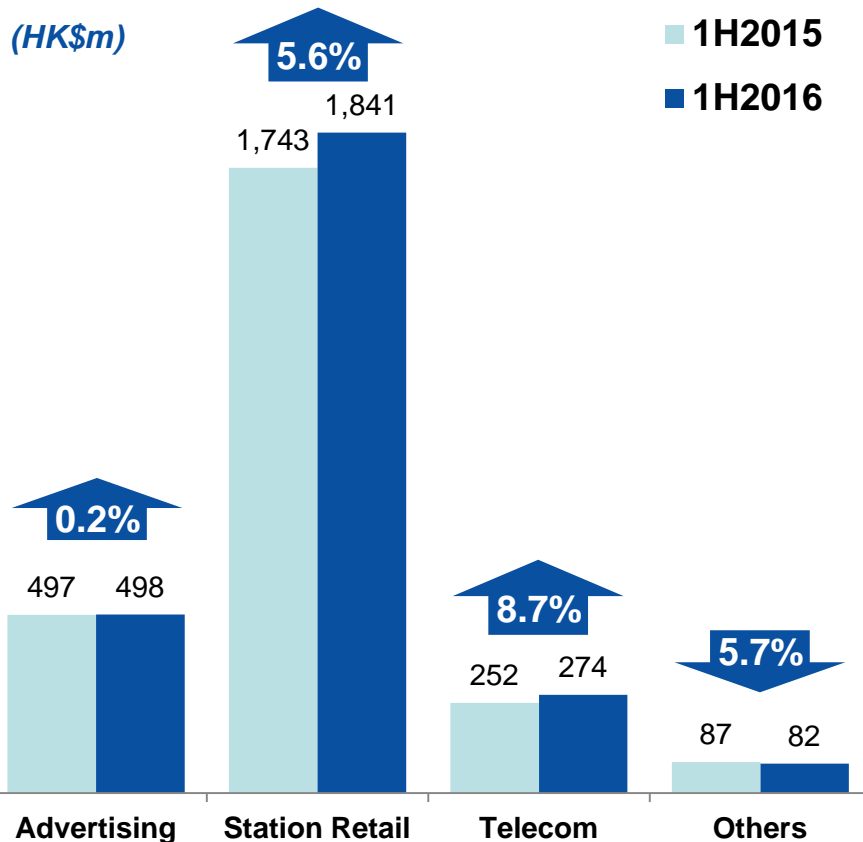
Revenue:
HK\$2,695m **4.5%**

Cost:
HK\$253m **2.4%**

EBITDA:
HK\$2,442m **4.7%**

EBITDA
Margin: 90.6% **0.2%pt**

Revenue



- **Advertising** revenue impacted by more challenging economic environment
- **Station retail**
 - revenue increased attributable to
 - positive rental reversions
 - increase in rents from Duty Free Shops
 - **1,351** shops and **56,110** sqm station retail space as at 30 June 2016
- **Telecom** revenue increased mainly due to mobile data capacity enhancement



Hong Kong Property Businesses

Hong Kong Property Rental and Management Businesses

Revenue:
HK\$2,359m **4.6%**

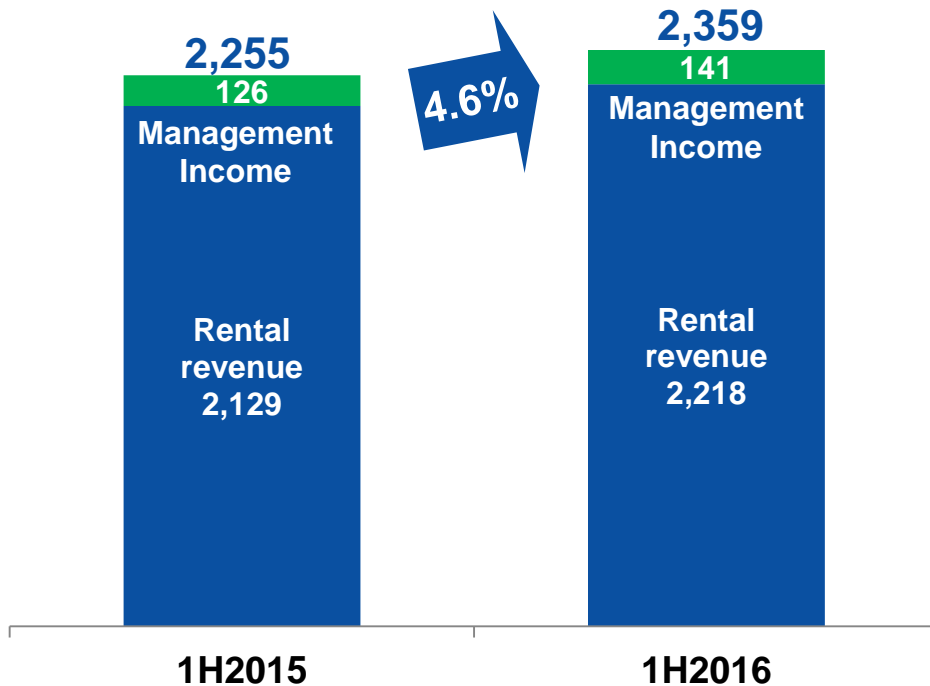
Cost:
HK\$361m **1.1%**

EBITDA:
HK\$1,998m **5.3%**

EBITDA
Margin: 84.7% **0.5%pt**

Revenue

(HK\$m)



- Average rental reversion of 3.2% at shopping malls
- MTR shopping malls and 18 floors at Two IFC remained ~100% let
- Investment properties – 30 Jun 2016
 - HK Retail: **212,301** sqm⁽¹⁾
 - HK Offices: **39,410** sqm⁽¹⁾

1. Lettable floor area attributable to MTR

Hong Kong Property Development

Development Profit

- Pre-tax profits of HK\$219 million mainly from sundry sources such as sharing in kind at Hemera

Property Tender

- LOHAS Park Package 10 awarded to a subsidiary of Nan Fung Group in March 2016

Presale

- As agent for KCRC, the presale of The Spectra (the Long Ping Station (North) site) launched in March 2016; 42% of 912 units sold up to 30 Jun 2016



LOHAS Park Packages 4, 5, 6 & 7 under construction

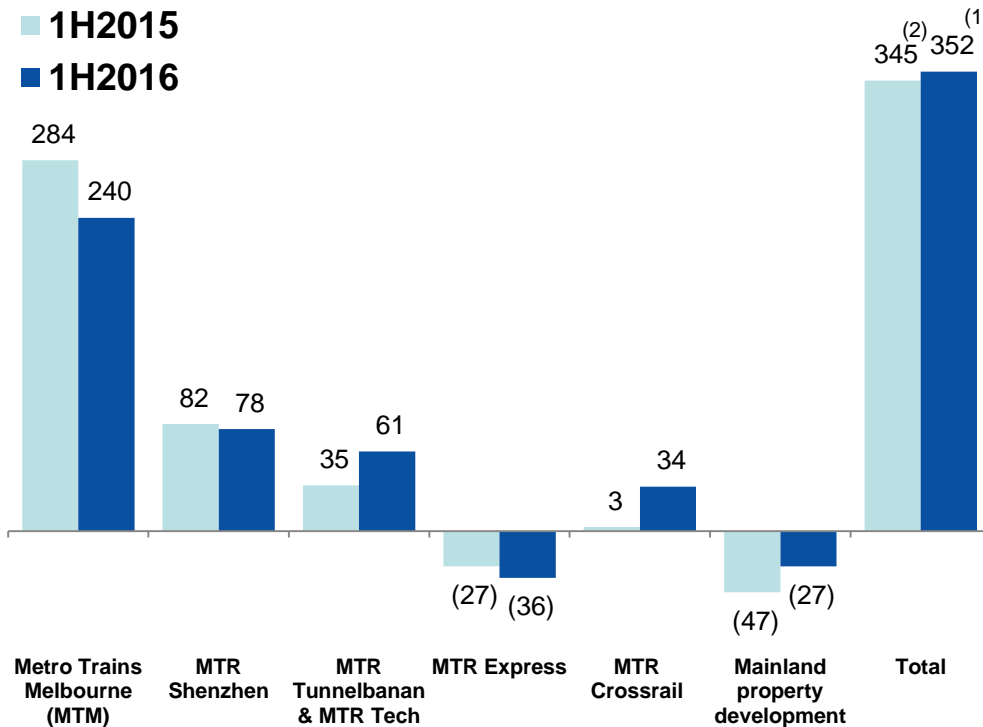


Mainland China & International Businesses

Mainland China and International Businesses - Subsidiaries

EBITDA contribution: **HK\$352m** **2.0%**
 (Constant exchange rate basis: +5.7%)

(HK\$m)



1. Included net operating profit of HK\$2m from the combined results of Mainland China property rental & management, pre-operating expenses of MTR Pendeltåg and Sydney Metro Northwest in 1H2016
 2. Included operating profit of HK\$15m from the Mainland China property rental & management in 1H2015
 3. MTR acquired the remaining 50% interest in Tunnelbanan Teknik Stockholm ("TBT") on 15 Feb 2016. TBT was renamed "MTR Tech" thereafter

■ Metro Trains Melbourne (MTM)

- Decrease in EBITDA due to lower franchise income
- Current concession expires in Nov 2017 – negotiation on extension to commence

■ MTR Shenzhen

- Decrease in EBITDA mainly due to the depreciation of Renminbi
- 7% increase in patronage to 95 million

■ MTR Tunnelbanan & MTR Tech⁽³⁾

- Acquisition of remaining 50% shareholding in MTR Tech in Feb 2016

■ MTR Express

- Patronage continued to be at levels below initial projection
- High levels of customer satisfaction

■ MTR Crossrail

- Good operational performance

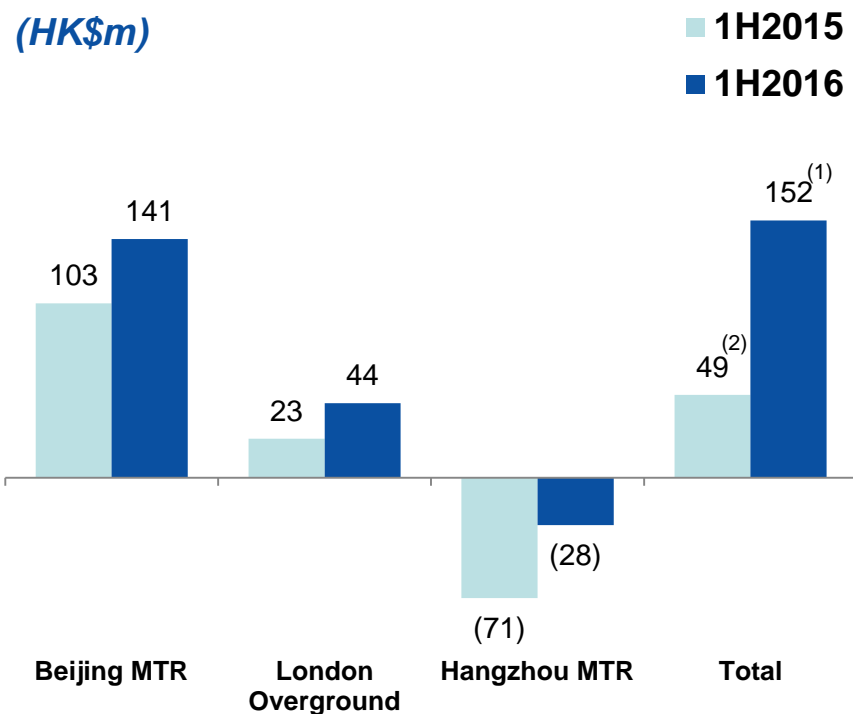
■ Mainland property development

- Tiara profit booking upon handover of units starting in 2H 2016

Mainland China and International Businesses - Associates

Post-tax profit contribution from associates: **HK\$152m** **210.2%**

(Constant exchange rate basis: +222.1%)



■ Beijing MTR

- Profit increased by HK\$38 million - enhanced efficiency with more lines under operation
- Combined average weekday patronage of Beijing Metro Line 4 and Daxing Line increased by 5% to 1.25 million in 1H2016
- Average weekday patronage of Beijing Metro Line 14 recorded 537,000 in 1H2016

■ Hangzhou MTR

- Net loss reduced by 60.6% mainly due to higher fare revenue
- Patronage in 1H2016 up 15% to 96.7 million

■ London Overground

- Current concession to expire in Nov 2016

■ Tianjin TJ Metro MTR

- Challenges include complexity of the basement construction and weak demand for office properties

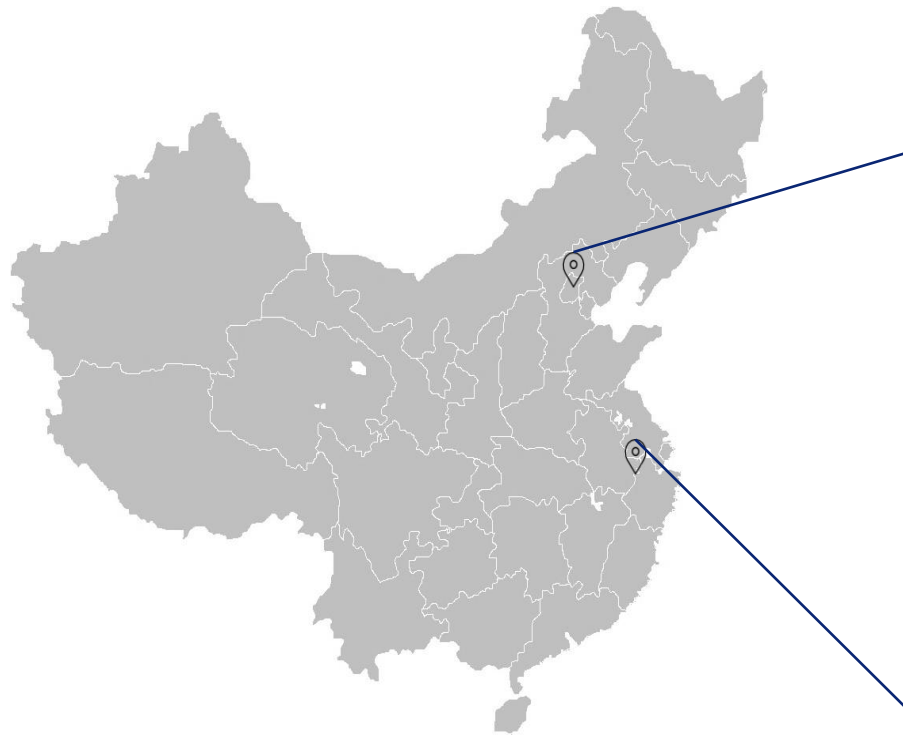
1. Included net loss of HK\$5m from combined results of TBT up to 15 Feb 2016, Tianjin TJ Metro MTR and associate related to Sydney Metro Northwest in 1H2016

2. Included loss of HK\$6m from associate related to Sydney Metro Northwest in 1H2015



Growth Initiatives Outside of Hong Kong

Growth Initiatives - Mainland China



Beijing

■ Beijing Metro Line 16

- PPP Concession for 30 years
- Route length: 50km (29 stations)
- Phase 1: end of 2016; full line: after 2017
- BJMTR Investment: ~RMB¥15b
- MTR equity injection : ~RMB¥2.45b
- Construction works have started

- Possible bid for **Airport Express** to the new airport in Daxing area

Hangzhou Metro Line 5

- Bid submitted May 2016 for 25-year PPP concession
- Route length: 51.5km (38 stations)
- Joint venture: MTR (49%); Hangzhou Metro (51%)
- Expected to be announced in 2H 2016

Growth Initiatives – International

Sweden

Stockholms Pendeltåg

- Awarded the O&M concession in Dec 2015
- 10-year concession with an option to extend for 4 more years
- 241km of route length and 53 stations
- Commuter train service in the greater Stockholm area
- Legal challenge by a failed bidder resolved
- To start operation in Dec 2016



South Western Train route map

MTR Tech

- Acquired the remaining 50% shareholding in Tunnelbanan Teknik Stockholm (TBT) in Feb 2016
- TBT was renamed MTR Tech
- Rolling stock maintenance for the metro network in Stockholm fully under our management

United Kingdom

South Western Rail Franchise

- Tender to be submitted in Sep 2016
- O&M Concession period: 7 years
- Joint venture between MTR (30%) and FirstGroup (70%)

Australia

Sydney Metro Northwest (SMNW)

- Construction work started with progress in accordance with programme
- Exploring potential participation in the future extension of the line



Train model for testing on Sydney Metro Northwest



Growth Initiatives in Hong Kong

MTR Owned Projects



Ho Man Tin Station



Station Art at Whampoa Station

Kwun Tong Line Extension



Progress Achieved

- **Ho Man Tin Station** - structural works and major E&M equipment installation completed
- **Whampoa Station** - station structure completed and E&M works substantially completed
- Train testing is progressing well

Target Completion and Project Cost Estimates

- Target opening date: Oct 2016
- Project cost estimate remains at **HK\$7.2 billion** (excluding capitalised interest)



99% complete

MTR Owned Projects

South Island Line (East)



Progress Achieved

- **Admiralty Station** - cavern structural works and platform completed, fit-out and E&M works progressing
- **South Horizon Station** - statutory inspections completed in Jun 2016
- **Lei Tung Station** - structural works completed, fitting-out and E&M works near completion

Major Challenge - Admiralty Station

- Very tight timetable to complete remaining works

Target Completion Date and Project Cost Estimates

- Target completion by the end of 2016
- Existing construction challenges and the remaining tight construction timetable may put the opening date at risk
- Project cost estimate remains at HK\$16.9 billion (excluding capitalised interest) although there is a risk that this amount may be exceeded, the excess (if any) is not expected to be material



Ocean Park Station



An artist's impression of the new entrance E of Admiralty Station on Rodney Street

97% complete



Rail Projects under Project Management

Express Rail Link (XRL)



Progress Achieved

- **Tunnel** works 97% complete
- **West Kowloon Terminus (WKT)** 73% complete
 - All segments for V-trusses of the Station Entrance Building erected
 - Station Entrance Building permanent steel structure de-propped in May 2016

Major Challenges

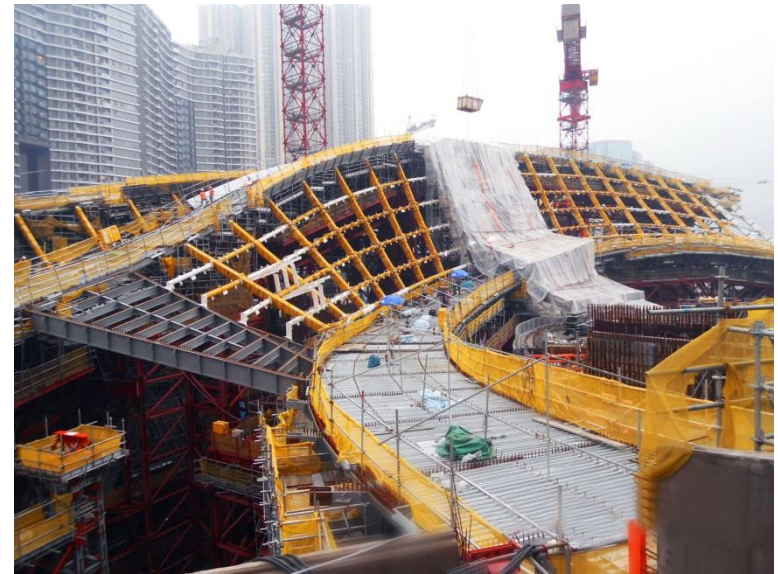
- Erection of external glass wall cladding at WKT
- Maintaining the pace of concreting works and internal wall constructions

XRL Arrangements

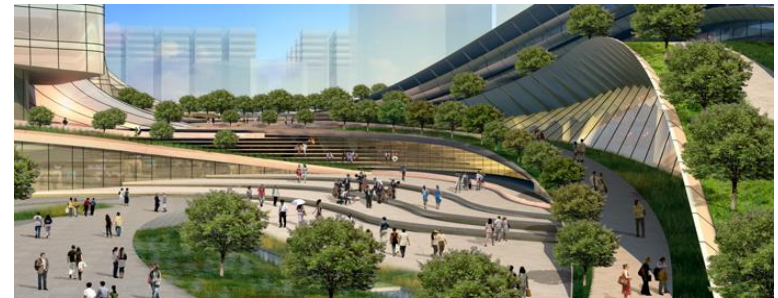
- Signing of XRL Agreement on 30 Nov 2015
- Approved by independent shareholders on 1 Feb 2016
- Approval by LegCo on 11 Mar 2016
- First tranche of special dividend of HK\$2.2 per share paid on 13 Jul 2016

Target Completion and Project Cost Estimates

- Completion timetable remains **3Q 2018**, with project cost estimate remaining at **HK\$84.42** billion



Erection of all V-Trusses at West Kowloon Terminus



Photomontage of West Kowloon Terminus

82% complete



Rail Projects under Project Management

Shatin to Central Link



Progress Achieved

- **East West Corridor (EWL)**
 - Overall completion of tunnel excavation expected later in Aug 2016
 - Stage one modification works at Hung Hom Station southern concourse completed and reopened to public in Mar 2016

- **North South Corridor (NSL)**
 - Uptrack tunnel drive from Causeway Bay to Exhibition Station about 81% complete
 - Immersed tube tunnel units production 62% complete as at Jun-end



59% complete



74% complete



35% complete

Rail Projects under Project Management

Shatin to Central Link



Major Challenges

- EWL: an 11-month delay due to archaeological finds at **To Kwa Wan Station** site
- NSL: a 6-month delay due to anticipated late hand-over of critical sites for construction of **Exhibition Station**

Target Completion and Project Cost Estimates

- Target completion dates: EWL in **2019** and NSL in **2021**
- Project cost estimate will need to be revised upwards significantly to include factors such as the additional HK\$4.1 billion relating to the archaeological finds
- Complete a detailed review of the project cost estimate in the **2H 2017**



Hin Keng Station

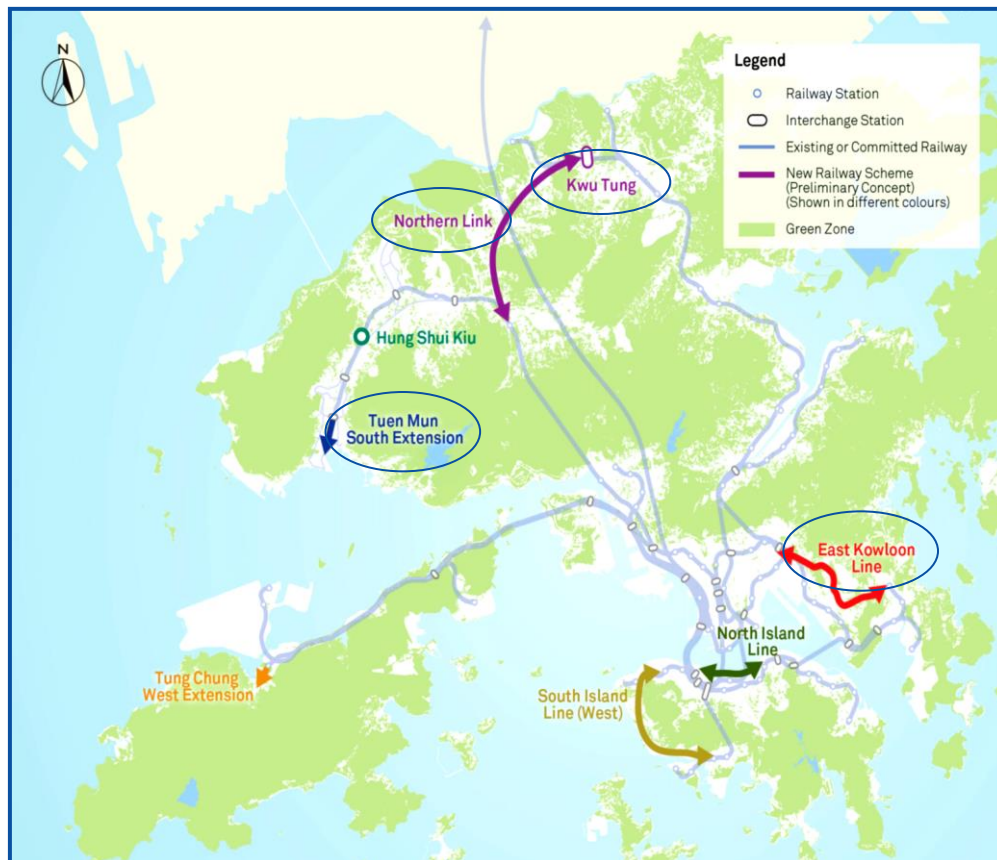


The new Hung Hom Station concourse after improvement works

Railway Development Strategy 2014

New Railway Projects

- Seven new rail projects to be implemented in phases
- Invited to submit project proposals for **Northern Link (including Kwu Tung Station), Tuen Mun South Extension and East Kowloon Line**
- Technical studies for these future lines underway



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

New Investment Property Initiatives

40% increase in attributable GFA of existing retail portfolio

Tai Wai Shopping Mall



An artist's impression of Tai Wai Mall

- GFA: 60,620 sqm
- Target opening in 2H 2021

LOHAS Park Shopping Mall



An artist's impression of LOHAS Mall

- GFA: 44,500 sqm
- Target opening in end-2020

Maritime Square Extension



An Artist's impression of Maritime Square Extension

- GFA: 12,100 sqm
- Target opening in 2H 2017

Telford Plaza



Telford Plaza

- GFA: 3,400 sqm
- Target opening in 2H 2017

Hong Kong Property Development

Tendered MTR developments: Over 16,000 residential units (GFA : ~990,000 sqm)

Property Tender	Date of Tender	Developer partner (a subsidiary of)	Gross Floor Area (sq m)	Units	Project Status		
					Design	Foundation works	Superstructure
LOHAS Park Package 4	Apr 2014	Sun Hung Kai	122,302	~2,200	Completed	Completed	Started in 1Q16
Tai Wai Station	Oct 2014	New World	190,480	~2,900	Completed	Started in 1Q16	To start in 2H2016
LOHAS Park Package 5	Nov 2014	Wheelock	102,336	~1,600	Completed	Completed	
LOHAS Park Package 6	Jan 2015	Nan Fung	136,970	=<2,400	Completed	In progress	
Tin Wing Stop	Feb 2015	Sun Hung Kai	91,051	~1,900	Completed	Railway migration works in progress	
LOHAS Park Package 7	Jun 2015	Wheelock	70,260	=<1,250	Completed	In progress	
LOHAS Park Package 8	Oct 2015	Cheung Kong	97,000	=<1,430	In progress		
LOHAS Park Package 9	Dec 2015	Wheelock	104,110	=<1,780	In progress		
LOHAS Park Package 10	Mar 2016	Nan Fung	75,400	~1,170	In progress		

- Other potential property developments: Siu Ho Wan Depot and Yau Tong Ventilation Building



Financial Results

Mr. Herbert L.W. Hui, Finance Director

Consolidated Profit and Loss Account

(HK\$m)	1H2016	1H2015	% change
HK transport operations	8,617	8,147	5.8
HK station commercial, HK property rental and management businesses	5,054	4,834	4.6
Mainland China & international subsidiaries	6,526	6,181	5.6
Other businesses	1,110	1,048	5.9
Total revenue	21,307	20,210	5.4
Operating expenses before Mainland China & international subsidiaries	(6,323)	(6,028)	(4.9)
Expenses relating to Mainland China & international subsidiaries	(6,174)	(5,836)	(5.8)
Total operating expenses	(12,497)	(11,864)	(5.3)
EBITDA excluding Mainland China & international subsidiaries	8,458	8,001	5.7
Total EBITDA	8,810	8,346	5.6
HK property development profit	219	2,811	(92.2)
Total operating profit	9,029	11,157	(19.1)
Variable annual payment	(867)	(786)	(10.3)
Depreciation & amortisation	(2,008)	(1,880)	(6.8)
Interest and finance charges	(268)	(295)	9.2
Investment property revaluation	48	1,362	(96.5)
Share of profit of associates	297	166	78.9
Profit before taxation	6,231	9,724	(35.9)
Income tax	(1,037)	(1,446)	28.3
Reported net profit attributable to equity shareholders⁽¹⁾	5,121	8,189	(37.5)
Reported earnings per share (HK\$)	0.87	1.40	(37.9)
Profit from underlying businesses⁽¹⁾	5,073	6,827	(25.7)
Underlying businesses EPS (HK\$)	0.86	1.17	(26.5)
Interim ordinary dividend per share (HK\$)	0.25	0.25	—

1. Net of non-controlling interests of HK\$73 million and HK\$89 million in 1H2016 and 1H2015 respectively

Segmental Profits of Underlying Businesses

<i>(HK\$m)</i>	<u>1H2016</u>	<u>1H2015</u>	<u>% change</u>
HK transport operations ⁽¹⁾	1,631	1,508	8.2
Hong Kong station commercial ⁽¹⁾	2,121	2,038	4.1
Hong Kong property rental and management ⁽¹⁾	1,989	1,889	5.3
Mainland China and international railway, property rental & management (including railway associates)	599	387	54.8
Project studies & business development expenses	(130)	(95)	(36.8)
Others ⁽²⁾	172	148	16.2
EBIT on recurrent businesses	6,382	5,875	8.6
Interests on recurrent profit ⁽³⁾	(429)	(312)	(37.5)
Tax on recurrent profit	(1,087)	(1,047)	(3.8)
Post-tax recurrent profit	4,866	4,516	7.8
Post-tax HK property development	194	2,344	(91.7)
Post-tax Mainland China property development	13	(33)	N/A
Post-tax property development profit	207	2,311	(91.0)
Profit from underlying businesses	5,073	6,827	(25.7)

Note:

All segmental profits shown are pre-tax profits.

1. After variable annual payment to KCRC

2. Includes profit from consultancy and Ngong Ping 360, and share of profit from Octopus Holdings Limited

3. This includes our share of interest and finance charges incurred by associates

Consolidated Statement of Financial Position

(HK\$m)

30 Jun 2016

31 Dec 2015

Assets

Investment properties	68,902	68,388
Other property, plant and equipment	79,116	79,576
Service concession assets	27,792	27,755
Railway construction in progress	20,545	19,064
Property development in progress	18,236	17,983
Cash, bank balances and deposits	25,182	12,318
Debtors, deposits and payments in advance	3,676	5,135
Properties held for sale	1,086	1,139
Amounts due from related parties	1,661	1,636
Interests in associates	7,250	5,912
Others	2,527	2,197
Total Assets	255,973	241,103

Liabilities

Debts	27,067	20,811
Creditors and accrued charges	33,065	22,860
Amounts due to related parties	24,602	1,858
Obligations under service concession	10,534	10,564
Current taxation	1,501	953
Deferred tax liabilities	11,328	11,209
Others	2,637	2,677
Total Liabilities	110,734	70,932

Total Equity

145,239

170,171

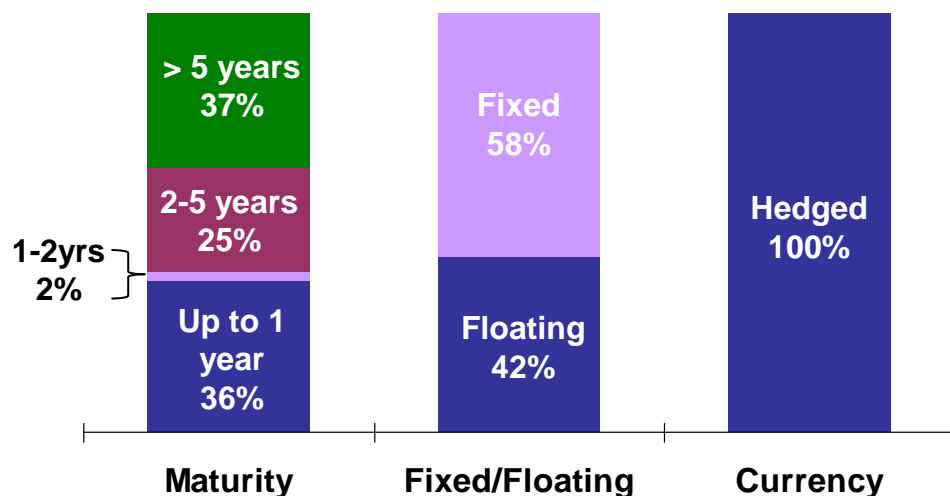
Cash Flow

(HK\$m)

	<u>1H2016</u>	<u>1H2015</u>
Cash Inflow		
Cash flows from operating activities before tax payment and working capital movements	8,833	8,433
Working capital movements	538	999
Receipt of government subsidy for Shenzhen Metro Longhua Line operation	625	653
Receipts in respect of property development	5,062	2,440
Others	734	386
Total inflows	15,792	12,911
Cash Outflow		
Tax paid	(589)	(358)
Variable annual payment	(1,649)	(1,472)
Capital expenditure		
- Hong Kong New rail	(2,054)	(2,395)
- Hong Kong Existing rail	(2,128)	(1,876)
- Property related	(1,026)	(8,069)
- Mainland China and international railway related	(49)	(717)
Investment in/ net loan to associates	(1,260)	(161)
Net interest paid	(167)	(278)
Dividends paid	(31)	(31)
Others	(129)	(150)
Total outflows	(9,082)	(15,507)
Net cash inflow/ (outflow) before financing	6,710	(2,596)
Net drawdown/ (repayment) of loans	6,204	(1,916)
Increase/ (Decrease) in cash	12,914	(4,512)

Financing and Credit Ratios

Debt profile (30 Jun 2016)⁽¹⁾



Total borrowings outstanding⁽²⁾:

HK\$27,067m (HK\$20,811m as at 31 Dec 2015)

Average borrowing cost⁽²⁾ : 3.1%

0.5%pt

Net interest expense⁽²⁾ : HK\$268m

9.2%

Compared to 1H2015 figures

Net Debt / Equity ratio ⁽²⁾	Jun 2016	Dec 2015
	8.6%#	11.3%
Interest cover	1H2016	1H2015
	14.6x	16.6x

If the XRL special dividend totalling approximately HK\$25.9 billion had been paid as at 30 June 2016, the Group's net debt to equity would have increased from 8.6% to 26.4%

1. Company level that excludes the debts of Mainland China and overseas subsidiaries

2. Consolidated group level includes obligations under service concession and loan from holders of non-controlling interests of a subsidiary as components of debt



Outlook

Recurrent Businesses

Hong Kong Transport Operations

- Opening of Kwun Tong Line Extension and South Island Line (East) targeted for later this year

Station Commercial and Property Rental Businesses

- Rental reversions subject to market conditions
- Advertising business challenged by economic conditions

Businesses outside Hong Kong

- Opening of Beijing Metro Line 16 and take-over of Stockholms Pendeltåg
- Strong HK dollar may have an adverse impact on profits

Property Development Businesses

Hong Kong

- Over the next 6 month or so, subject to market conditions, expect to tender out LOHAS Park Package 11, and first package for Ho Man Tin Station and Wong Chuk Hang Depot and, as KCRC agent, first package of Kam Sheung Road Station site

Shenzhen - Tiara

- Profit booking depending on handover of units - low-rise units expected to hand over before the end of 2016
- High-rise units (vast majority of the project) to be handed over in 2017