



長江和記實業有限公司  
CK HUTCHISON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)  
(Stock code: 1)



# 2018 Interim Results

Operations Analysis

## Disclaimer

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QR code for Operations Analysis

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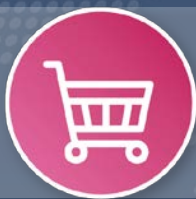
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**Diversification assures Resilience**



**Innovation delivers Growth**

# Agenda



Key  
Strategies



1H 2018  
Results



Retail Focus



Q & A





# Key Strategies

## What are our objectives



- Recurring & Predictable Growth in EPS, CFPS and DPS



- Never compromising financial strength & stability

## How do we achieve them

- Disciplined management of Revenue Growth, Margin & Costs

- Maintain A2 / A- Credit Rating

- Disciplined management of Capital & Investments to ROTC & ROCE targets

- Maintain strong liquidity & flexibility

- EPS and CFPS accretive M&A activities and organic growth in sectors / geographies where we have strong management experience & resources

- Maintain a long and balanced maturity profile

- Technology transformation to capture new cost & revenue opportunities in all businesses

- Actively manage cash flow & working capital



# 1H 2018 Results Highlights





# 1H 2018 Financial Highlights

## Revenue

**\$224.5bn**

**+ 16%**

(+9% in local currencies)

## EBITDA

**\$55.4bn**

**+ 19%**

(+11% in local currencies)

## EBIT

**\$35.4bn**

**+ 16%**

(+8% in local currencies)

## Reported Earnings

**\$18.0bn**

**+ 13%**

(+5% in local currencies)

## EPS

**\$4.67**

**+ 13%**

## DPS

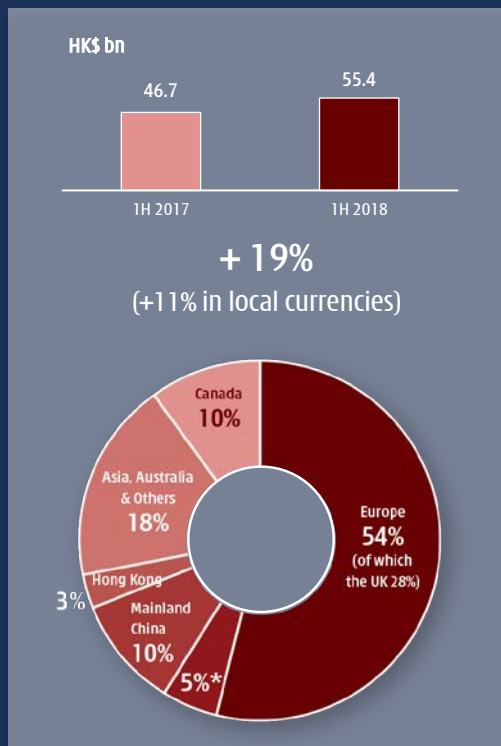
**\$0.87**

**+ 11.5%**

Note: Revenue, EBITDA and EBIT include the Group's proportionate share of associated companies and joint ventures' respective items.



# EBITDA



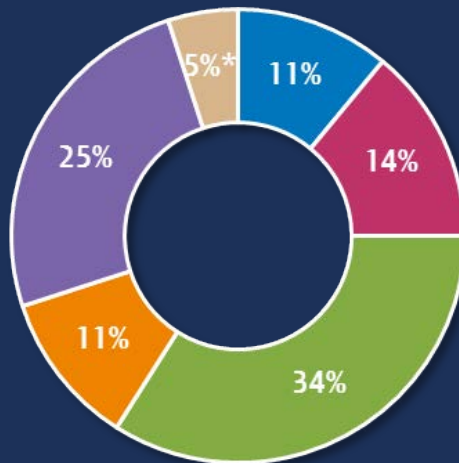
Note 1: Asia, Australia & Others includes Panama, Mexico and the Middle East

Canada includes contribution from the USA for Husky Energy

Note 2: Excluding disposed fixed line business in 2017.

## EBITDA \$55.4bn

+ 19%



\* Represents contributions from Finance & Investments and Others

## Division YOY Growth



+ 9%



+ 15%



+ 20%



+ 47%



3 Group Europe	HAT	3 HK
+ 14%	+ 35%	+ 6% <sup>(2)</sup>





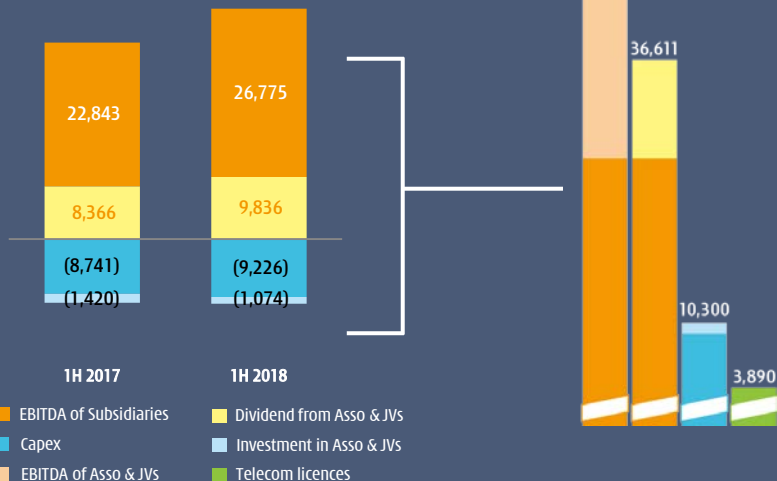
# Operating FCF

## Operating FCF

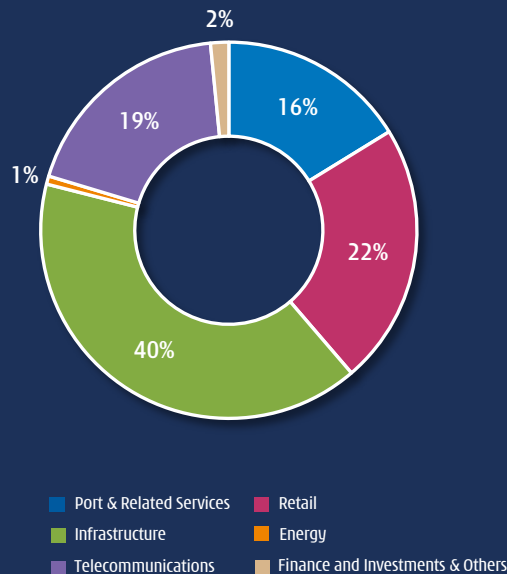
**\$26.3bn**

HK\$ m

**+ 25%**



## Operating FCF by Core Business



Note 1 : Operating FCF (Operating Free Cash Flow) represents EBITDA of Company & subsidiaries and dividends from Asso & JVs less capex of Company & subsidiaries (excluding Telecom licences) and investment in Asso & JVs

Note 2: Operating FCF in 1H 2017 excludes investment in Asso & JVs of HK\$17.2billion for the acquisition of DUET Group



Ports

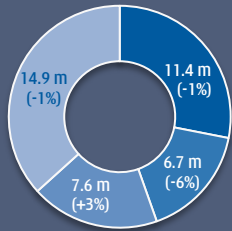
World's leading port network

Assets: **US\$12.9bn**

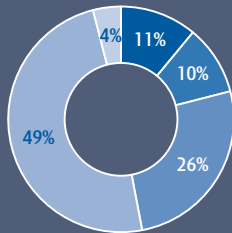
- **290** berths, **52** ports, **26** countries
- **84.7** m twenty-foot equivalent units containers handled in 2017



# Ports

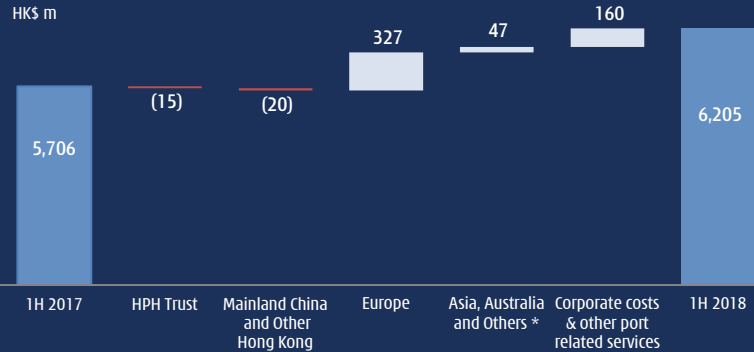


**TEUS**  
**40.6m**  
-1%

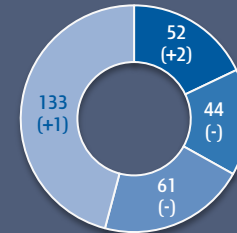
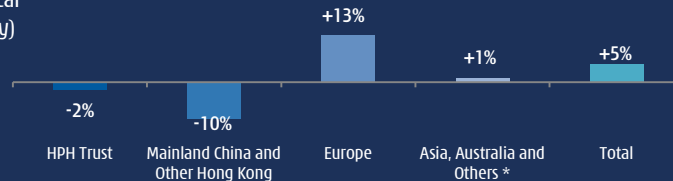


**EBITDA**  
**\$6,205m**  
+9%

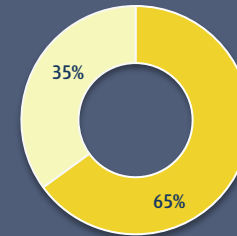
- HPH Trust
- Mainland China and Other Hong Kong
- Europe
- Asia, Australia and Others \*
- Corporate costs & other port related services



**EBITDA**  
YOY change  
% (in local  
currency)



**Berths**  
**290**  
+3 berths



**Volume Mix**  
**65/35**  
(Local / Transshipment)

\* Asia, Australia and Others Includes Panama, Mexico and the Middle East



Retail

World's largest international H&B retailer

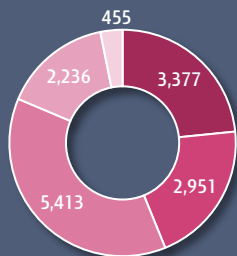
Assets: **US\$27.2bn**

- **14,432** stores in **24** markets with **12** retail brands
- **130m** loyalty members contributed **62%** of total sales

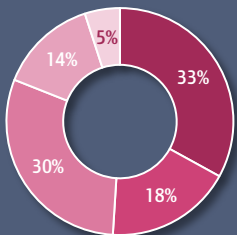




# Retail



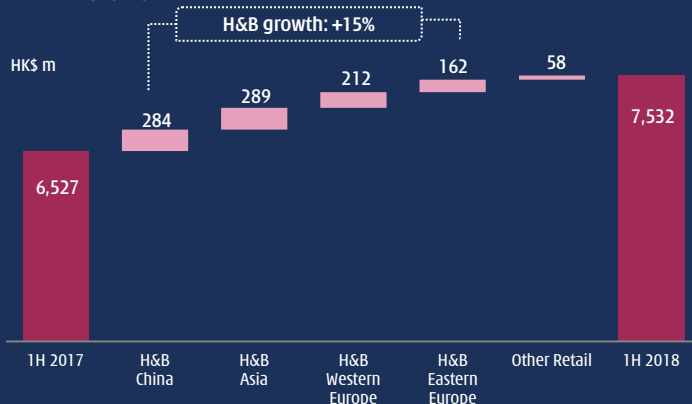
**Store number**  
**14,432**  
+7%



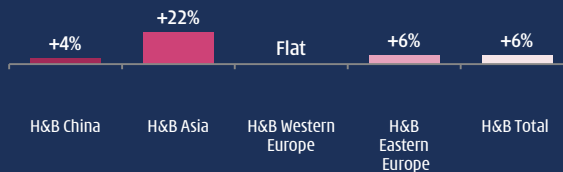
**EBITDA**  
**\$7,532m**  
+15%

- H&B China
- H&B Asia
- H&B Western Europe
- H&B Eastern Europe
- Other Retail

## EBITDA Growth



## H&B EBITDA YOY Change % (in local currency)



## H&B EBITDA Margin %

Region	Margin %
H&B China	20%
H&B Asia	9%
H&B Western Europe	7%
H&B Eastern Europe	13%
H&B Total	10%

## H&B

**Total sales**  
**\$68,474m**  
+17%

**Exclusives sales**  
**34%**  
of total sales

**Loyalty members**  
**130m**

**Loyalty members**  
**62%**  
sales participation

**New Store Investment payback**

**<1 year**

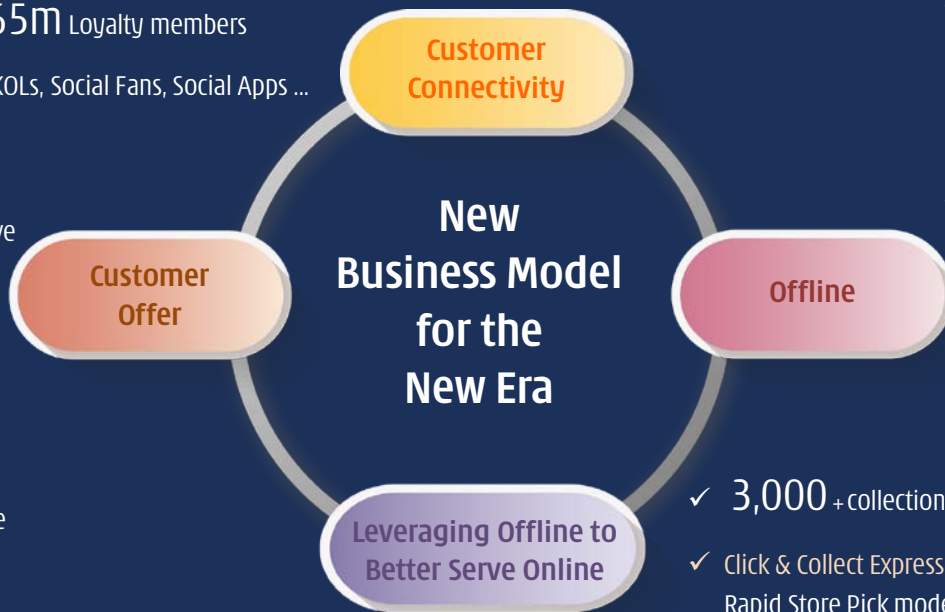


# Retail - Watsons China

## "0 + 0 Strategy"

- ✓ 65m Loyalty members
- ✓ KOLs, Social Fans, Social Apps ...

- ✓ 50% of Sales from Exclusive Products
- ✓ Over 25% of Sales from Imported Products
- ✓ New Store Concepts provide relevant customer experience and specialised services



- ✓ Highly profitable new stores within 1 yr payback
- ✓ Flexible lease terms to adapt dynamic changes in store portfolio  
Over 80% with turnover rent & over 99% with tenant only breaks
- ✓ Room for deeper penetration  
Further store densification in a country with 1.3bn+ population
- ✓ 3,000+ collection and distribution points
- ✓ Click & Collect Express (30mins collection promise)  
Rapid Store Pick model live in 3,000+ stores
- ✓ Click & Deliver Flash (60mins delivery promise)  
Local delivery model now live in 3,000 stores



Infrastructure

World - class infrastructure investor

Assets: **US\$42.2bn**

- Operations in **32** countries
- **26,000**km of water mains
- **30,000**km of sewers
- **11,200**MW power generation capacity
- **471,400**km of power networks
- **107,000**km of gas networks



# Infrastructure



HK\$ m

CKI's reported

NPAT

**\$5,942m**

**+5%**

5,657

5,942

1H 2017

1H 2018

" Excluding a few one-off items in 1H 2017, the 1H 2018 profit contribution from CKI's underlying businesses reported more than 10% profit growth"

CKI's  
Net Debt Ratio

**15.2%**

S&P Credit  
Rating

**A-/Positive**

HK\$ m

EBITDA

Infrastructure Division  
(incl. six co-owned assets)

**\$18,945m**

**+20%**

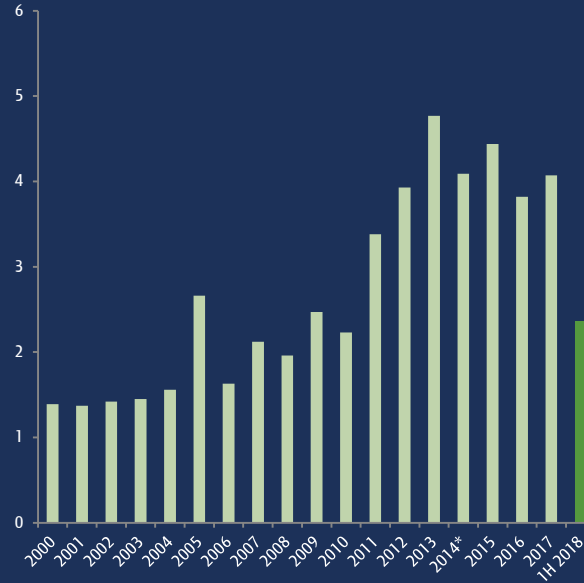
15,841

18,945

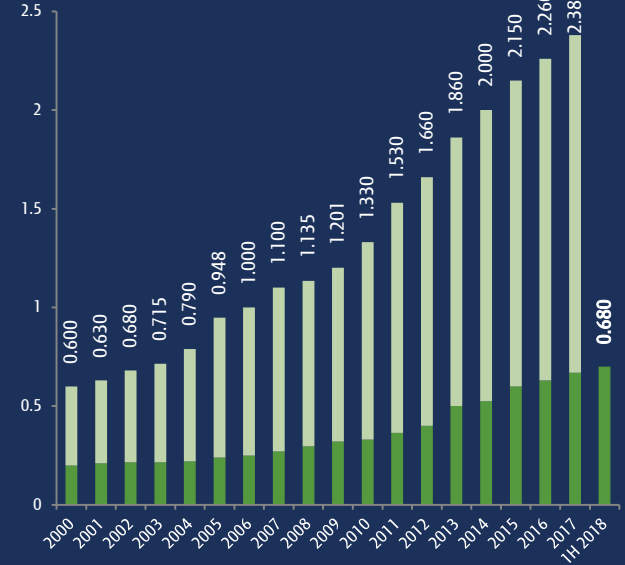
1H 2017

1H 2018

## Earnings and Dividend Growth



Earnings Per Share  
(HK\$)



Dividends Per Share  
(HK\$)

\* Excludes share of one-off gains arising from the spin-off of HKE by PAH and privatisation of Envestra





Energy

One of Canada's largest integrated energy companies

Assets: **US\$8.1 bn**

- **297,900**boe per day
- Liwan natural gas fields in the South China Sea have produced gross sales volumes of more than **11.9**bcm since its first gas in 2014
- **1,900**km pipelines
- **400**mbbl per day refining & upgrading capacity



# Energy



## Net Earnings

**C\$696m**

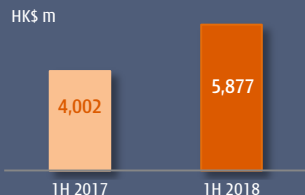
(compared to net loss of C\$22m in 1H 2017)



## Attributable EBITDA to CKHH

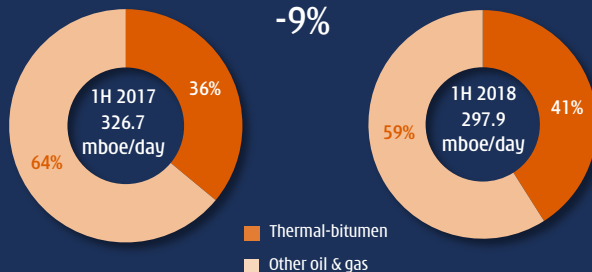
**HK\$5,877m**

+47%

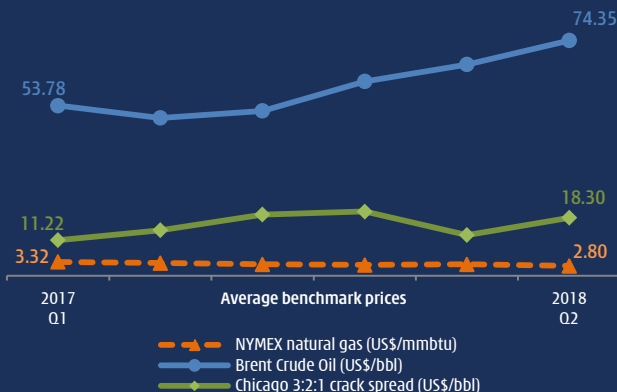


## Production

**297.9** mboe/day



-9%



## Husky's Value Proposition

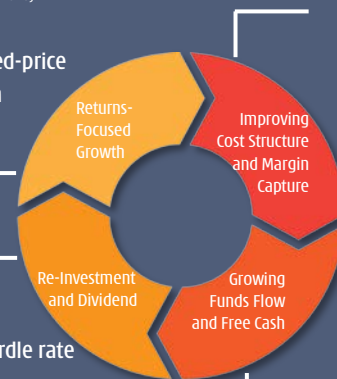
41% from low cost thermal production at C\$11.32/bbl (1H 2018)

15% from fixed-price Asia production

10% IRR new investment hurdle rate at US\$45/bbl WTI or \$2/mcf AECO

Dividend restored in Q4 2017

Increased dividend by **66.67%** in Q2 2018



2018 target earnings breakeven at **US\$42** WTI per barrel

1H 2018 FFO **C\$2,103m** +50%



Telecommunications

Global mobile telecom operator

Assets: **US\$25.3bn**

- Servicing **128.3m** customers in **11** countries
- **4** in-market mobile consolidation deals since 2013
- Over **\$200bn** disposal profit in less than **20** years



# Telecommunications - 3 Group Europe



## Net Customer Service Revenue

**\$28,551m**

+ 7%

(-4% in local currencies)

### KPI



Active mobile customers

**44.6m** -1%



12-month trailing

Net AMPU

**€12.61** -4%



Data Usage

**1,404.84 pb/half yr**

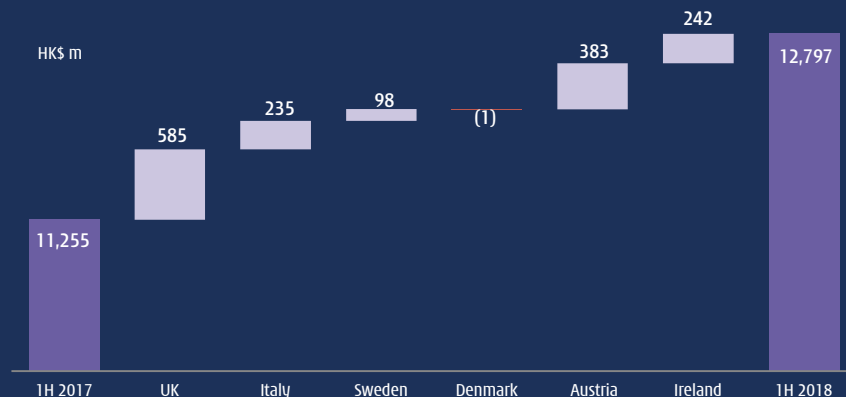
+32%

## EBITDA

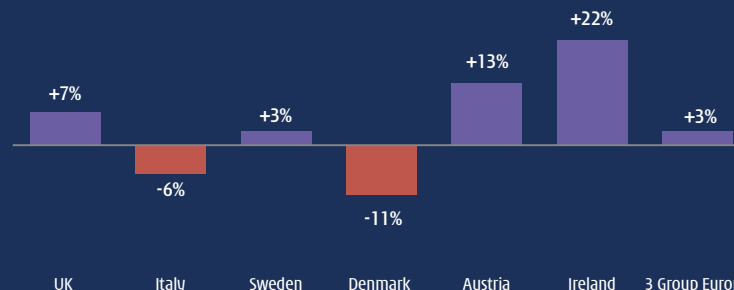
**\$12,797m**

+ 14%

(+3% in local currencies)



EBITDA  
YOY Change  
%(in local  
currency)



EBITDA  
Margin %

Region	EBITDA Margin %
UK	40%
Italy	40%
Sweden	47%
Denmark	36%
Austria	51%
Ireland	37%
3 Group Europe	42%



# Telecommunications - HAT



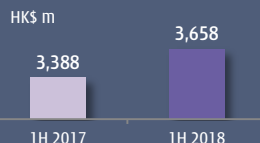
## Total Revenue

**\$4,081 m**

+7%

## Indonesia Focus

### Revenue



Active mobile customers

**52.2m** -19% <sup>(1)</sup>



RGS ARPU

**US\$2.30** +24%

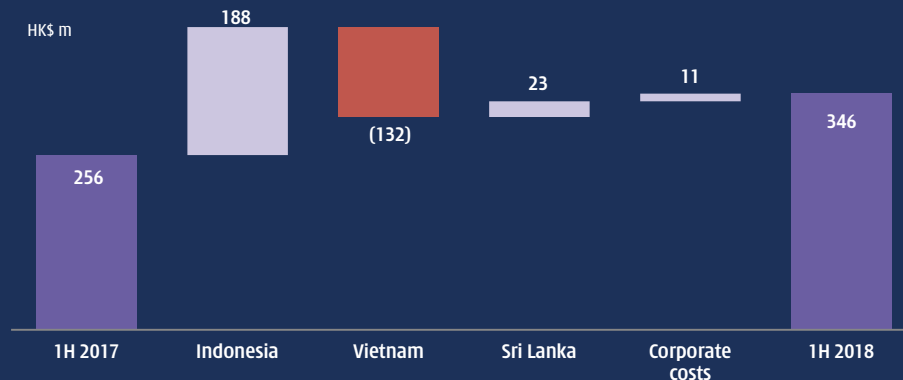


Data Usage

**832.6 pb/half yr**

+112%

**EBITDA**  
**\$346m**  
+35%



**EBITDA**  
YOY Change %  
(in local currency)



Note 1: Reduction primarily due to government imposed subscriber registration impact.



## WIND TRE 50% Acquisition



- ✓ Strategic allocation of capital to underpin increased shareholder returns



- ✓ Earnings & cash flow accretive



- ✓ An important building block in the development of a globally relevant platform



- ✓ Completion expected within 2018



- ✓ Full year synergy run-rate opex 58% achieved at the end of June 2018



- ✓ Re-affirmed CKHH's A2 / A- credit rating



# Telecommunications - Digitalisation initiatives



- ✓ Innovations . Opportunities . Development



- ✓ Global Platform & Enablers supplying our network, expertise & platform to third parties



- ✓ Global Digital Hub for cost reductions



- ✓ Global Data Analytics Platform to capture value from all CKHH Group data assets



- ✓ Leverage on global partnerships (Xiaomi, DCA, Razer, Nordsense.....etc) to bring value to the Group through broadening of revenue base



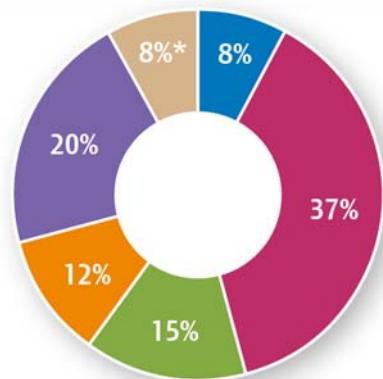


## 2018 Interim Results - Appendix

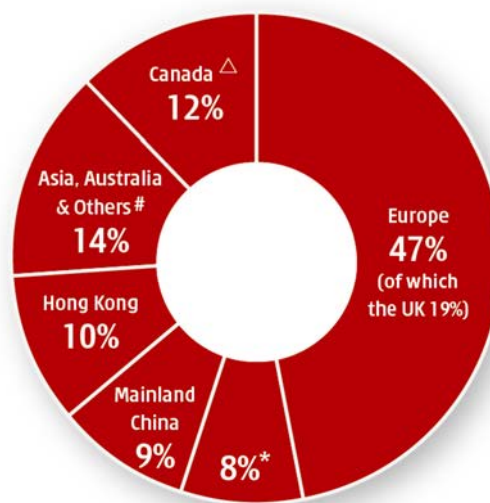
# Business & Geographical Diversification

Total Revenue: HK\$224,507 million

## By Division



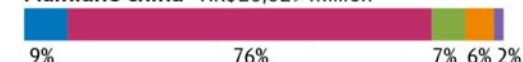
## By Geographical Location



Europe HK\$104,656 million



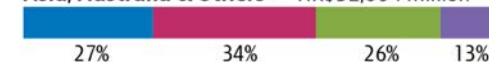
Mainland China HK\$20,629 million



Hong Kong HK\$22,007 million



Asia, Australia & Others# HK\$32,604 million



Canada △ HK\$27,335 million



\* Represents contributions from Finance & Investments and Others

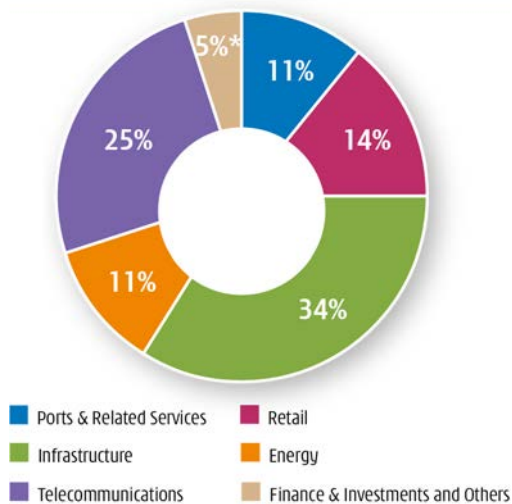
# Includes Panama, Mexico and the Middle East

△ Includes contribution from the USA for Husky Energy

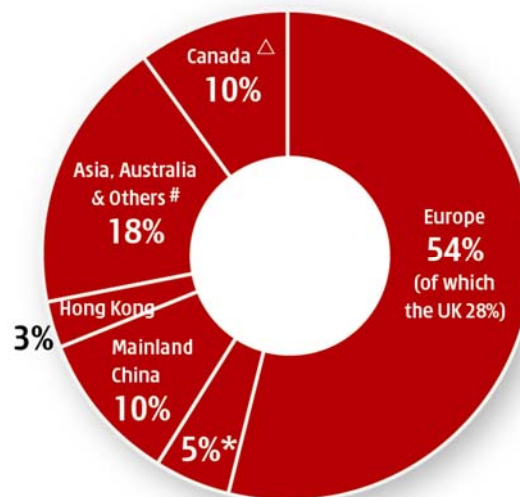
# Business & Geographical Diversification

Total EBITDA: HK\$55,350 million

## By Division



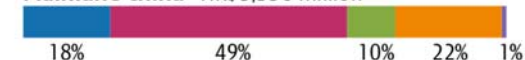
## By Geographical Location



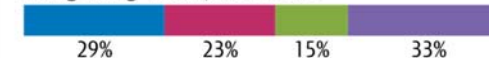
Europe HK\$30,038 million



Mainland China HK\$5,356 million



Hong Kong HK\$1,886 million



Asia, Australia & Others # HK\$9,777 million



Canada Δ HK\$5,335 million



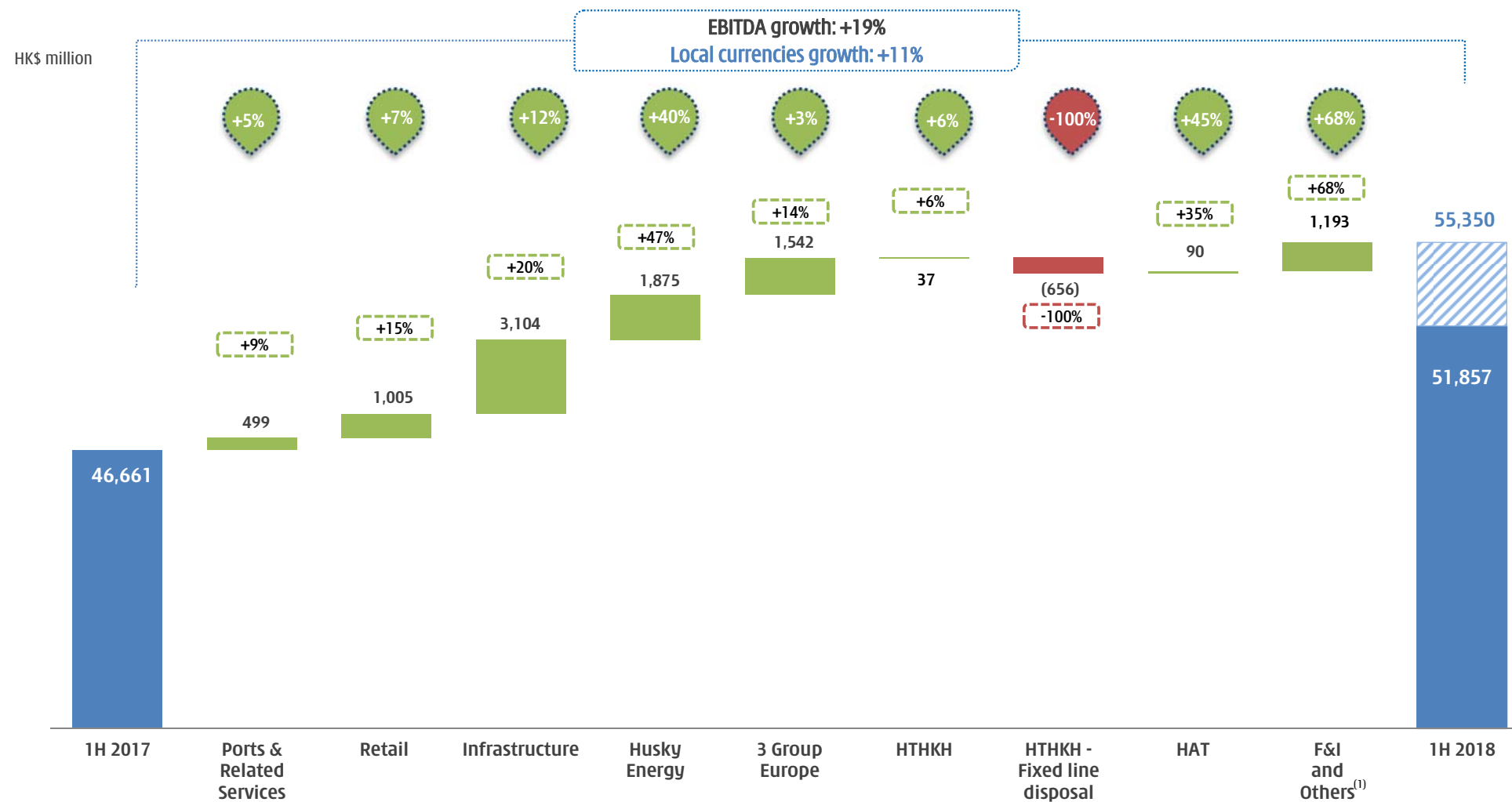
\* Represents contributions from Finance & Investments and Others

# Includes Panama, Mexico and the Middle East

Δ Includes contribution from the USA for Husky Energy

# Business & Geographical Diversification

## Total EBITDA



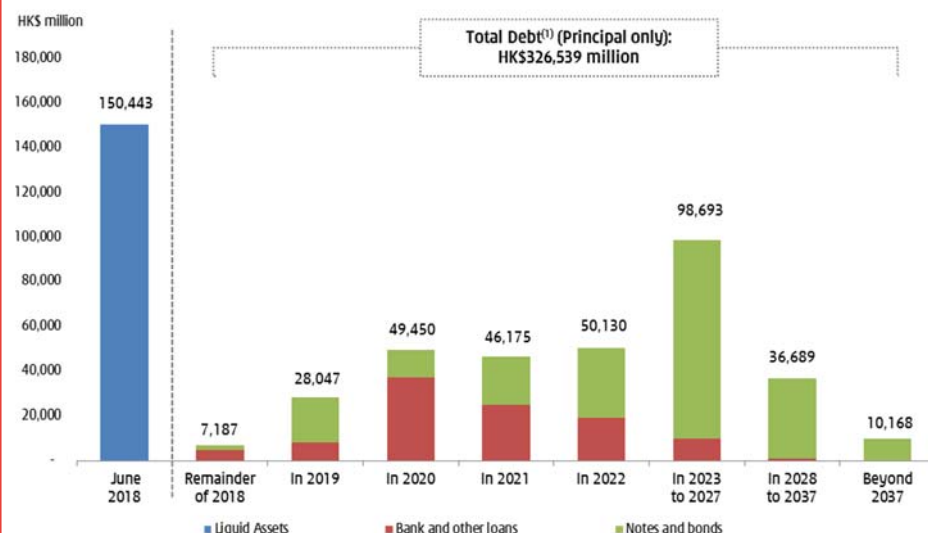
Note (1): F&I and Others includes listed companies (Hutchison China Meditech, Tom Group, CK Life Sciences, Hutchison Telecom Australia (with 50% interest in Vodafone Hutchison Australia) and other unlisted entities.

  - represents local currency change %

 - represents adverse foreign exchange translation impact

# Financial Profile

## Debt Maturity Profile at 30 June 2018 – Principal Only <sup>(1)</sup>



## Net Debt

Net debt as at 30 June 2018 <sup>(2)</sup>	HK\$185,482m
Net debt to net total capital ratio <sup>(2)</sup>	24.1%
Net debt to net total capital ratio (excl. net debt of NW & UK Rails) <sup>(3)</sup>	18.5%

## Credit Ratings

	30 Jun 2018	31 Dec 2017
Moody's	A2 (Stable)	A2 (Stable)
S & P	A- (Positive)	A- (Positive)
Fitch	A- (Stable)	A- (Stable)

Note (1): Excludes unamortised fair value adjustments arising from acquisitions of HK\$9,386 million.

Note (2): Net debt is defined on the Consolidated Statement of Cash Flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

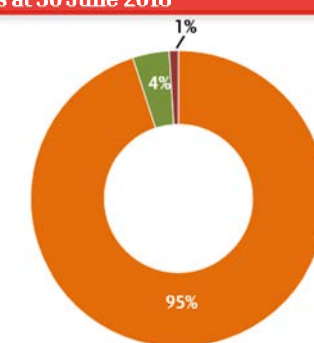
Note (3): Excludes Northumbrian Water and UK Rails' non-recourse investment graded debt, net of the cash balances, of HK\$53,317 million.

Note (4): Impact on 1H 2018 results.

## Currency Sensitivities

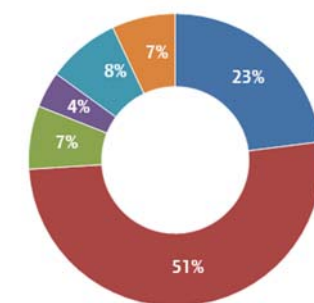
HK\$ billion	10% depreciation GBP against HKD <sup>(4)</sup>	10% depreciation EURO against HKD <sup>(4)</sup>
EBITDA	↓ 1.6	↓ 1.2
Cash & Cash Equivalent	↓ 1.2	↓ 0.6
Gross Debt	↓ 7.5	↓ 10.1
Net Debt	↓ 6.3	↓ 9.5
Net Assets	↓ 14.2	↓ 3.9
Gross Debt / EBITDA (times)	Flat	Flat
Net Debt Ratio (%-point)	↓ 0.2%	↓ 0.8%

## Liquid Assets by Type as at 30 June 2018



■ Cash and cash equivalents  
■ US Treasury notes and listed/traded debt securities  
■ Listed equity securities

## Liquid Assets by Currency as at 30 June 2018



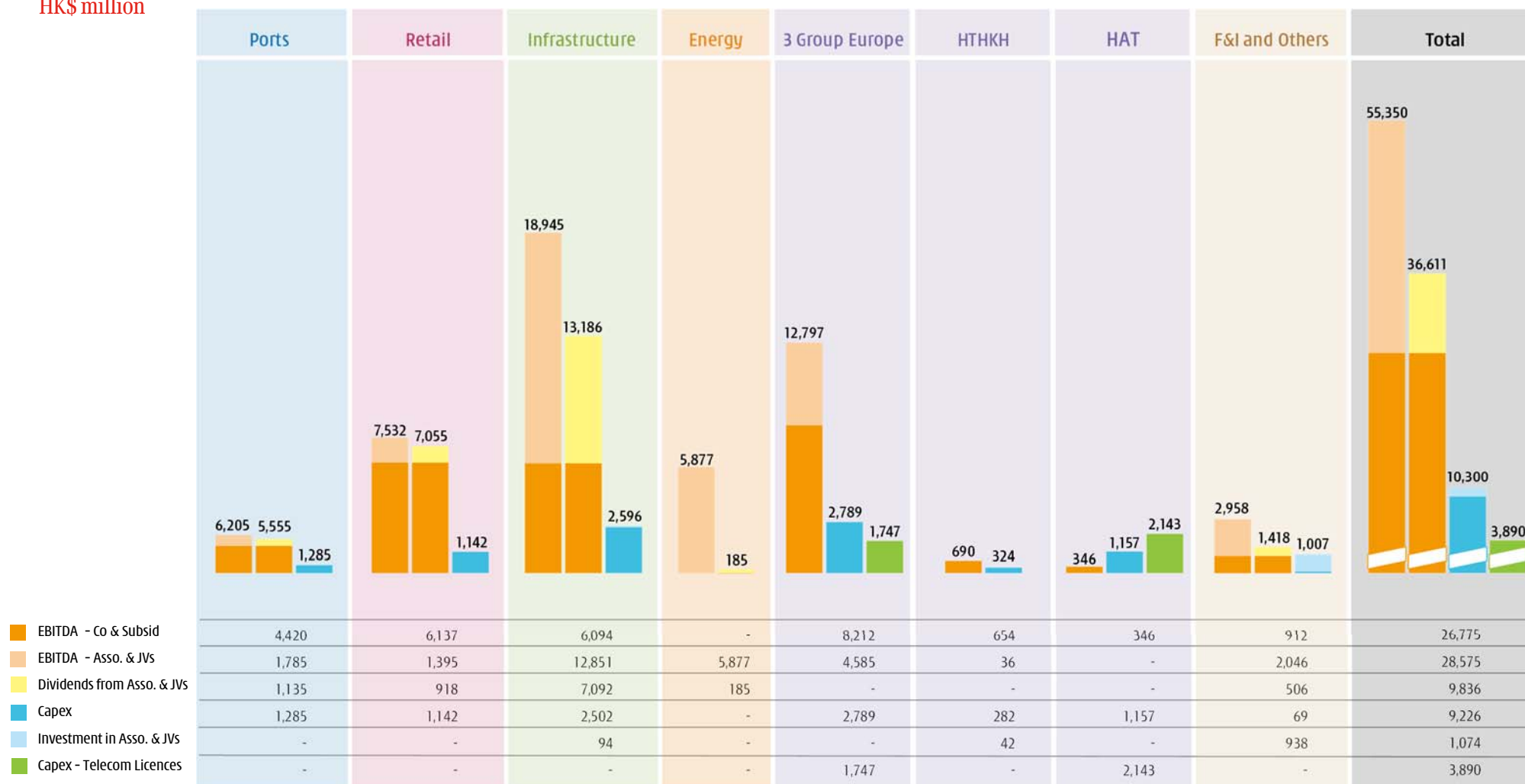
■ HK\$ ■ US\$ ■ RMB  
■ Euro ■ GBP ■ Others

# Financial Profile

## Operating FCF

by division

HK\$ million



Note 1 : Operating FCF (Operating Free Cash Flow) represents EBITDA of Company & subsidiaries and dividends from Asso & JVs less capex of Company & subsidiaries (excluding Telecom licences) and investment in Asso & JVs

# Ports and Related Services

	1H 2018 <sup>(1)</sup> HK\$ million	1H 2017 <sup>(1)</sup> HK\$ million	% Change	% Change in local currencies
Total Revenue	17,591	16,195	+9%	+5%
EBITDA	6,205	5,706	+9%	+5%
EBIT	3,864	3,623	+7%	+3%
Throughput	40.6 million TEU	41.1 million TEU	-1%	N/A

	Throughput (million TEU)			TOTAL REVENUE <sup>(1)</sup> (HK\$ million)				TOTAL EBITDA <sup>(1)</sup> (HK\$ million)			
	1H 2018	1H 2017	% Change	1H 2018	1H 2017	% Change	Local Ccy % Change	1H 2018	1H 2017	% Change	Local Ccy % Change
HPH Trust	11.4	11.5	-1%	1,290	1,310	-2%	-2%	648	663	-2%	-2%
Mainland China and other Hong Kong	6.7	7.1	-6%	1,282	1,225	5%	-3%	635	655	-3%	-10%
Europe	7.6	7.4	3%	5,648	4,736	19%	7%	1,627	1,300	25%	13%
Asia, Australia and others <sup>(2)</sup>	14.9	15.1	-1%	8,799	8,387	5%	5%	3,032	2,985	2%	1%
Corporate costs & other related services	-	-	N/A	572	537	7%	7%	263	103	155%	155%
<b>Total</b>	<b>40.6</b>	<b>41.1</b>	<b>-1%</b>	<b>17,591</b>	<b>16,195</b>	<b>9%</b>	<b>5%</b>	<b>6,205</b>	<b>5,706</b>	<b>9%</b>	<b>5%</b>

Note (1): Total Revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note (2): Asia, Australia and others includes Panama, Mexico and the Middle East.



# Retail

	1H 2018 HK\$ million	1H 2017 HK\$ million	% Change	% Change in local currencies
Total Revenue	83,874	73,557	+14%	+6%
EBITDA	7,532	6,527	+15%	+7%
EBIT	5,992	5,232	+15%	+6%
Store Numbers	14,432	13,507	+7%	N/A

	Store Numbers				Net Store Additions
	1H 2018	1H 2017	% Change		1H 2018
H&B China	3,377	3,014	+12%	H&B China	363
H&B Asia	2,951	2,634	+12%	H&B Asia	317
H&B China & Asia Subtotal	6,328	5,648	+12%	H&B China & Asia Subtotal	680
H&B Western Europe	5,413	5,232	+3%	H&B Western Europe	181
H&B Eastern Europe	2,236	2,166	+3%	H&B Eastern Europe	70
H&B Europe Subtotal	7,649	7,398	+3%	H&B Europe Subtotal	251
<b>H&amp;B Subtotal</b>	<b>13,977</b>	<b>13,046</b>	<b>+7%</b>	<b>H&amp;B Subtotal</b>	<b>931</b>
Other Retail <sup>(1)</sup>	455	461	-1%	Other Retail <sup>(1)</sup>	(6)
<b>Total Retail</b>	<b>14,432</b>	<b>13,507</b>	<b>+7%</b>	<b>Total Retail</b>	<b>925</b>

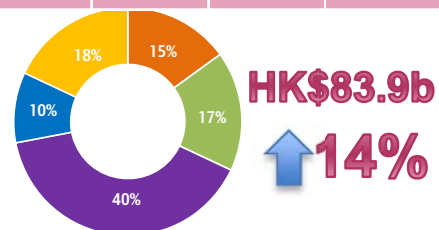
Note (1): Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

# Retail

## Total Revenue

**Total Retail**  **HK\$9.7b**  
**HK\$10.3b**  **Other retail**  
 **HK\$0.6b**

HK\$ million	TOTAL REVENUE			
	1H 2018	1H 2017	% Change	Local Ccy % Change
H&B China	12,353	10,615	+16%	+7%
H&B Asia	14,363	12,106	+19%	+16%
H&B China & Asia Subtotal	26,716	22,721	+18%	+12%
H&B Western Europe	33,685	29,298	+15%	+4%
H&B Eastern Europe	8,073	6,772	+19%	+7%
H&B Europe Subtotal	41,758	36,070	+16%	+4%
<b>H&amp;B Subtotal</b>	<b>68,474</b>	<b>58,791</b>	<b>+17%</b>	<b>+7%</b>
Other Retail	15,400	14,766	+4%	+4%
<b>Total Retail</b>	<b>83,874</b>	<b>73,557</b>	<b>+14%</b>	<b>+6%</b>



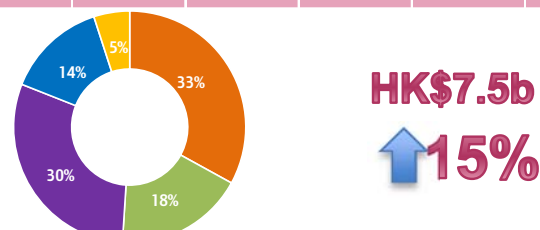
1H 2018  
HK\$83,874 million

- Health & Beauty China
- Health & Beauty Asia
- Health & Beauty Western Europe
- Health & Beauty Eastern Europe
- Other Retail

## Total EBITDA

**Total Retail**  **HK\$947m**  
**HK\$1,005m**  **Other retail**  
 **HK\$58m**

HK\$ million	EBITDA					
	1H 2018	EBITDA Margin %	1H 2017	EBITDA Margin %	% Change	Local Ccy % Change
H&B China	2,470	20%	2,186	21%	+13%	+4%
H&B Asia	1,332	9%	1,043	9%	+28%	+22%
H&B China & Asia Subtotal	3,802	14%	3,229	14%	+18%	+10%
H&B Western Europe	2,259	7%	2,047	7%	+10%	-
H&B Eastern Europe	1,043	13%	881	13%	+18%	+6%
H&B Europe Subtotal	3,302	8%	2,928	8%	+13%	+2%
<b>H&amp;B Subtotal</b>	<b>7,104</b>	<b>10%</b>	<b>6,157</b>	<b>10%</b>	<b>+15%</b>	<b>+6%</b>
Other Retail	428	3%	370	3%	+16%	+16%
<b>Total Retail</b>	<b>7,532</b>	<b>9%</b>	<b>6,527</b>	<b>9%</b>	<b>+15%</b>	<b>+7%</b>



1H 2018  
HK\$7,532 million

- Health & Beauty China
- Health & Beauty Asia
- Health & Beauty Western Europe
- Health & Beauty Eastern Europe
- Other Retail

## Comparable Stores Sales Growth (%)

**Total Retail**  **+2.3%**  
**+2.6%**  **Other retail**  
 **+4.5%**

COMPARABLE STORE SALES GROWTH % <sup>(1)</sup>			
1H 2018		1H 2017	
-1.4%	Adjusted <sup>(2)</sup> +2.0%	-6.2%	Adjusted <sup>(2)</sup> -2.2%
+7.4%		+3.2%	
+3.3%		-1.3%	
+1.5%		+2.4%	
+2.5%		+4.2%	
+1.6%		+2.7%	
+2.3%		+1.3%	
+4.5%		-5.5%	
+2.6%		-	

Note (1): Comparable stores sales growth represents the % change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

Note (2): Adjusted for the CRM sales recovered in the new stores opened in the proximity, comparable stores sales grew by 2.0% instead of a decline of 1.4% in 1H 2018 (1H 2017 comparable stores sales declines reduced from 6.2% to 2.2%).

# Infrastructure

	1H 2018 HK\$ million	1H 2017 HK\$ million	% Change	% Change in local currencies
Total Revenue	34,225	25,918	+32%	+24%
EBITDA	18,945	15,841	+20%	+12%
EBIT	13,242	11,949	+11%	+4%

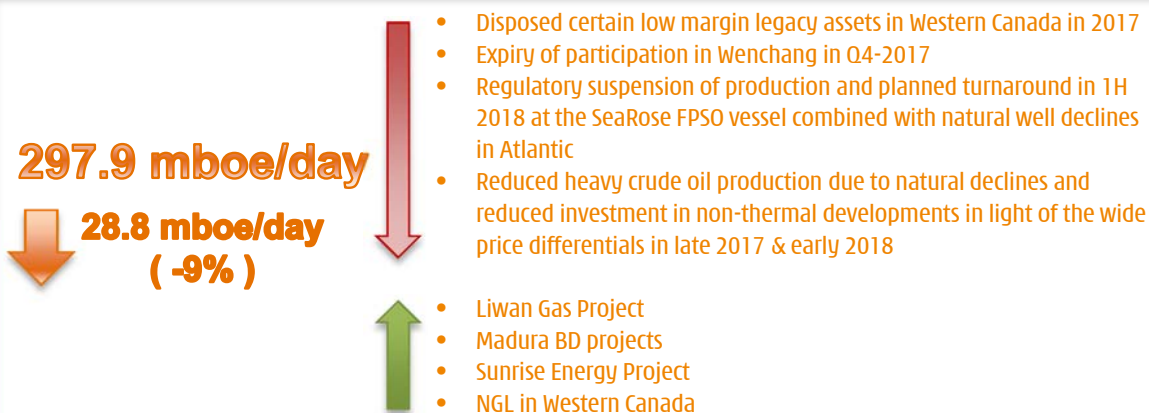
➤ In reported currency, total revenue, EBITDA and EBIT increased compared to 1H 2017, mainly due to contributions from newly acquired businesses.

# Energy

	1H 2018 HK\$ million	1H 2017 HK\$ million	% Change	% Change in local currency
Total Revenue <sup>(1)</sup>	27,315	19,935	+37%	+30%
EBITDA	5,877	4,002	+47%	+40%
EBIT	2,761	839	+229%	+213%
Average Production	297.9 mboe/day	326.7 mboe/day	-9%	N/A

Note (1): The Group's share of Husky Energy's revenue has been reclassified for the first half of 2017.

## Production



## 2018 Updated Guidance

Funds from Operations	C\$4.0b
Free Cash Flow	C\$1.0b
Upstream Production	310 - 320 mboe/day
Thermal Production	126 - 130 mbbls/day
Downstream Throughputs	360 - 370 mbbls/day
Upstream Operating Costs	C\$13.00 - C\$13.50/bbl
Downstream Operating Costs	C\$7.00 - C\$8.00/bbl
Earnings break even oil price	US\$42 WTI
Price Assumptions (2018 Base Case)	
• WTI	US\$60/bbl
• Chicago 3:2:1 Crack	US\$16/bbl
• AECO Natural Gas	C\$2/mmcf
• FX - C\$ / US\$	0.80

# Telecommunications – 3 Group Europe

## Results by Operations

In million	UK GBP		Italy <sup>(1)</sup> EURO		Sweden SEK		Denmark DKK		Austria EURO		Ireland EURO		3 Group Europe <sup>(1)</sup> HK\$	
	1H 2018	1H 2017	1H 2018 Wind Tre (50%)	1H 2017 Wind Tre (50%)	1H 2018	1H 2017	1H 2018	1H 2017	1H 2018	1H 2017	1H 2018	1H 2017	1H 2018	1H 2017
<b>Total Revenue</b>	<b>1,186</b>	<b>1,161</b>	<b>1,246</b>	<b>1,360</b>	<b>3,556</b>	<b>3,646</b>	<b>1,076</b>	<b>1,114</b>	<b>427</b>	<b>386</b>	<b>290</b>	<b>298</b>	<b>36,124</b>	<b>33,215</b>
% change	+2%		-8%		-2%		-3%		+11%		-3%		+9%	
											Local currency growth %		-2%	
- Net Customer Service Revenue	807	799	1,168	1,290	2,362	2,446	927	980	344	315	221	234	28,551	26,696
% change	+1%		-10%		-3%		-5%		+9%		-6%		+7%	
											Local currency growth %		-4%	
- Handset Revenue	286	284	44	51	1,089	1,070	62	58	51	53	35	33	5,410	4,965
- Other Revenue	93	78	34	19	105	130	87	76	32	18	34	31	2,163	1,554
<b>Net Customer Service Margin<sup>(2)</sup></b>	<b>699</b>	<b>701</b>	<b>908</b>	<b>1,030</b>	<b>2,002</b>	<b>2,099</b>	<b>777</b>	<b>834</b>	<b>294</b>	<b>270</b>	<b>195</b>	<b>203</b>	<b>23,672</b>	<b>22,418</b>
% change	0%		-12%		-5%		-7%		+9%		-4%		+6%	
											Local currency growth %		-5%	
Net Customer Service Margin %	87%	88%	78%	80%	85%	86%	84%	85%	85%	86%	88%	87%	83%	84%
<b>Other margin</b>	<b>30</b>	<b>24</b>	<b>31</b>	<b>15</b>	<b>54</b>	<b>65</b>	<b>61</b>	<b>53</b>	<b>14</b>	<b>11</b>	<b>23</b>	<b>21</b>	<b>1,091</b>	<b>743</b>
TOTAL CACS	(370)	(388)	(89)	(115)	(1,359)	(1,451)	(158)	(171)	(58)	(71)	(44)	(51)	(7,268)	(7,296)
Less: Handset Revenue	286	284	44	51	1,089	1,070	62	58	51	53	35	33	5,410	4,965
<b>Total CACS (net of handset revenue)</b>	<b>(84)</b>	<b>(104)</b>	<b>(45)</b>	<b>(64)</b>	<b>(270)</b>	<b>(381)</b>	<b>(96)</b>	<b>(113)</b>	<b>(7)</b>	<b>(18)</b>	<b>(9)</b>	<b>(18)</b>	<b>(1,858)</b>	<b>(2,331)</b>
<b>Operating Expenses</b>	<b>(281)</b>	<b>(280)</b>	<b>(411)</b>	<b>(467)</b>	<b>(625)</b>	<b>(660)</b>	<b>(376)</b>	<b>(364)</b>	<b>(108)</b>	<b>(92)</b>	<b>(115)</b>	<b>(129)</b>	<b>(10,108)</b>	<b>(9,575)</b>
Opex as a % of net customer service margin	40%	40%	45%	45%	31%	31%	48%	44%	37%	34%	59%	64%	43%	43%
<b>EBITDA</b>	<b>364</b>	<b>341</b>	<b>483</b>	<b>514</b>	<b>1,161</b>	<b>1,123</b>	<b>366</b>	<b>410</b>	<b>193</b>	<b>171</b>	<b>94</b>	<b>77</b>	<b>12,797</b>	<b>11,255</b>
% change	+7%		-6%		+3%		-11%		+13%		+22%		+14%	
											Local currency growth %		+3%	
EBITDA margin % <sup>(3)</sup>	40%	39%	40%	39%	47%	44%	36%	39%	51%	51%	37%	29%	42%	40%
<b>Depreciation &amp; Amortisation</b>	<b>(167)</b>	<b>(144)</b>	<b>(189)</b>	<b>(134)</b>	<b>(406)</b>	<b>(319)</b>	<b>(158)</b>	<b>(147)</b>	<b>(71)</b>	<b>(49)</b>	<b>(48)</b>	<b>(40)</b>	<b>(5,309)</b>	<b>(3,745)</b>
<b>EBIT</b>	<b>197</b>	<b>197</b>	<b>294</b>	<b>380</b>	<b>755</b>	<b>804</b>	<b>208</b>	<b>263</b>	<b>122</b>	<b>122</b>	<b>46</b>	<b>37</b>	<b>7,488</b>	<b>7,510</b>
% change	0%		-23%		-6%		-21%		0%		+24%		0%	
											Local currency growth %		-10%	
<b>Capex (excluding licence)<sup>(4)</sup></b>	<b>(125)</b>	<b>(177)</b>	<b>(154)</b>	<b>(173)</b>	<b>(515)</b>	<b>(337)</b>	<b>(70)</b>	<b>(52)</b>	<b>(43)</b>	<b>(38)</b>	<b>(62)</b>	<b>(46)</b>	<b>(4,200)</b>	<b>(4,336)</b>
<b>EBITDA less Capex<sup>(4)</sup></b>	<b>239</b>	<b>164</b>	<b>329</b>	<b>341</b>	<b>646</b>	<b>786</b>	<b>296</b>	<b>358</b>	<b>150</b>	<b>133</b>	<b>32</b>	<b>31</b>	<b>8,597</b>	<b>6,919</b>
<b>Licence<sup>(5)</sup></b>	<b>(165)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,747)</b>	<b>(10)</b>

Note (1): 3 Group Europe 1H 2018 includes 50% share of Wind Tre's results of which fixed line business revenue was €290 million and EBITDA was €83 million (1H 2017 revenue: €296 million and EBITDA: €91 million). 3 Group Europe Capex and EBITDA less Capex each includes 50% share of Wind Tre's capex for illustrative purposes only.

Note (2): Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note (3): EBITDA margin % represents EBITDA as a % of total revenue excluding handset revenue.

Note (4): Excluding 3 UK's acquisition of UKB for £300 million in May 2017.

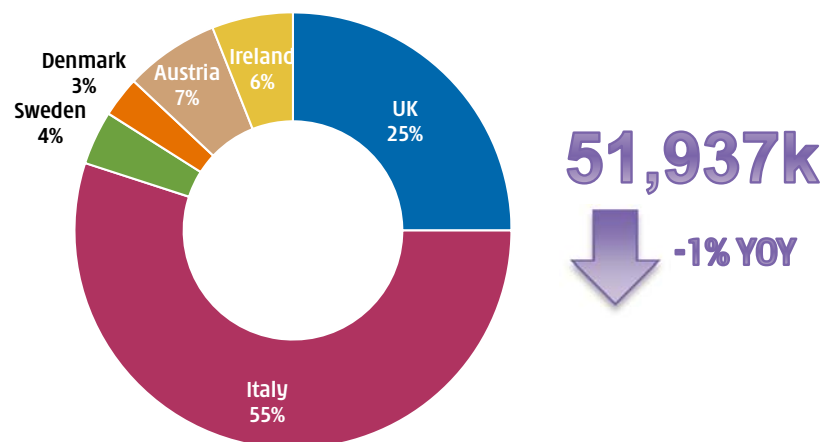
Note (5): 1H 2018 licence cost for UK represents investment for 4x5 MHz of 3.4 GHz spectrum acquired in April 2018. 1H 2017 licence cost for UK represents incidental costs to acquire licence.

# Telecommunications – 3 Group Europe

## Customer Base – Mobile business

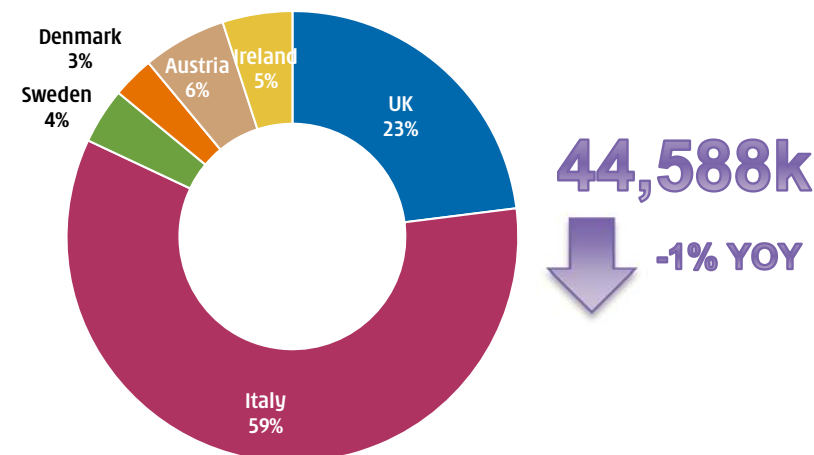
### Total Registered Customers

as at 30 June 2018



### Total Active Customers (1)

as at 30 June 2018



	Customer '000 at 30 June 2018	% Change against	
		30 Jun 2017	31 Dec 2017
UK	12,962	+8%	+3%
Italy (2)	28,646	-5%	-3%
Sweden	2,011	-1%	+1%
Denmark	1,344	+5%	+3%
Austria	3,593	-2%	-1%
Ireland	3,381	+11%	+6%
<b>3 GROUP EUROPE</b>	<b>51,937</b>	<b>-1%</b>	<b>-1%</b>

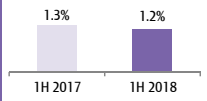
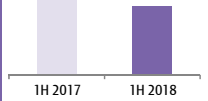
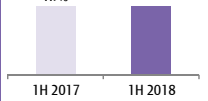
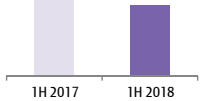
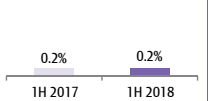
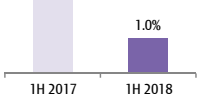
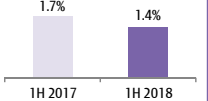
	Customer '000 at 30 June 2018	Contract		% Change against	
		Contract	Non-Contract	30 Jun 2017	31 Dec 2017
UK	10,133	67%	33%	+1%	+1%
Italy (2)	26,226	26%	74%	-3%	-1%
Sweden	1,928	81%	19%	-1%	+1%
Denmark	1,305	62%	38%	+4%	+2%
Austria	2,865	87%	13%	-1%	-1%
Ireland	2,131	59%	41%	+5%	+4%
<b>3 GROUP EUROPE</b>	<b>44,588</b>	<b>45%</b>	<b>55%</b>	<b>-1%</b>	<b>-</b>

Note (1): An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note (2): Italy's customer base was calculated based on 100% of Wind Tre. In addition to the above, Wind Tre has 2.7 million fixed line customers.

# Telecommunications – 3 Group Europe

## Key Business Indicators – Mobile Businesses

		UK	Italy	Sweden	Denmark	Austria	Ireland	3 GROUP EUROPE AVERAGE <sup>(5)</sup>
12-month Trailing Net ARPU <sup>(1)</sup> to 30 Jun 2018	Contract	£17.70	€14.89	SEK223.27	DKK143.21	€19.29	€20.23	€19.06
	Non-Contract	£5.22	€11.29	SEK120.51	DKK89.06	€10.98	€15.65	€10.39
	Blended Total	£13.57	€12.21	SEK207.78	DKK122.87	€18.15	€18.28	€14.87
	% change against 30 Jun 2017	-6%	-3%	+1%	-10%	-	-7%	-4%
12-month Trailing Net AMPU <sup>(2)</sup> to 30 Jun 2018	Blended Total	£11.76	€10.09	SEK175.96	DKK101.53	€15.56	€15.90	€12.61
% change against 30 Jun 2017	-7%	-3%	-	-11%	+1%	-5%	-4%	
Contract Customers' Contribution to Net Customer Service Margin (%)		88%	33%	91%	72%	92%	63%	68%
Contract Activity Ratio (%) <sup>(3)</sup>		98%	93%	100%	100%	100%	98%	97%
Average Monthly Churn Rate of Total Contract Registered Customer Base (%) <sup>(4)</sup>								
LTE Coverage by population (%)		94%	97%	84%	96%	99%	97%	

Note (1): Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the period.

Note (2): Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the period.

Note (3): Contract activity ratio represents active contract customers as a percentage of the total contract registered customer base.

Note (4): Italy's average monthly churn rate was based on 100% of Wind Tre's figures.

Note (5): 3 Group Europe net ARPU, net AMPU and contract customers' contribution to net customer service margin (%) were calculated based on 50% contribution from Wind Tre.

# Telecommunications – HTHKH & HAT

## HTHKH

	1H 2018 HK\$ million	1H 2017 HK\$ million	% Change
Total Revenue	4,021	5,069	-21%
- Mobile operation - service	1,843	1,929	-4%
- Mobile operation - hardware	2,178	1,173	+86%
- Discontinued Fixed operation	-	1,967	-100%
EBITDA	690	1,309	-47%
- Mobile operation	690	653	+6%
- Discontinued Fixed operation	-	656	-100%
EBIT	284	494	-43%
- Mobile operation	284	223	+27%
- Discontinued Fixed operation	-	271	-100%
Active Mobile Customer	3.4 million	3.3 million	+4%

## HAT

	1H 2018 HK\$ million	1H 2017 HK\$ million	% Change	% Change in local currency
Total Revenue	4,081	3,829	+7%	+9%
- Indonesia	3,658	3,388	+8%	+11%
- Vietnam	258	307	-16%	-16%
- Sri Lanka	165	134	+23%	+26%
EBITDA	346	256	+35%	+45%
- Indonesia	645	457	+41%	+47%
- Vietnam	(249)	(117)	-113%	-113%
- Sri Lanka	17	(6)	+383%	+383%
- Corporate costs	(67)	(78)	+14%	+14%
EBIT	69	117	-41%	-27%
- Indonesia	405	322	+26%	+31%
- Vietnam	(282)	(119)	-137%	-137%
- Sri Lanka	13	(8)	+263%	+263%
- Corporate costs	(67)	(78)	+14%	+14%
Active Mobile Customer	64.2 million	75.3 million	-15%	N/A



A.S. Watson Group

A.S. Watson Group

# A.S. Watson Group

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A.S. Watson Group

A.S. Watson Group

## DIGITAL TRANSFORMATION



A member of CK Hutchison Holdings





WORLD'S LARGEST INTERNATIONAL  
**HEALTH & BEAUTY RETAILER**





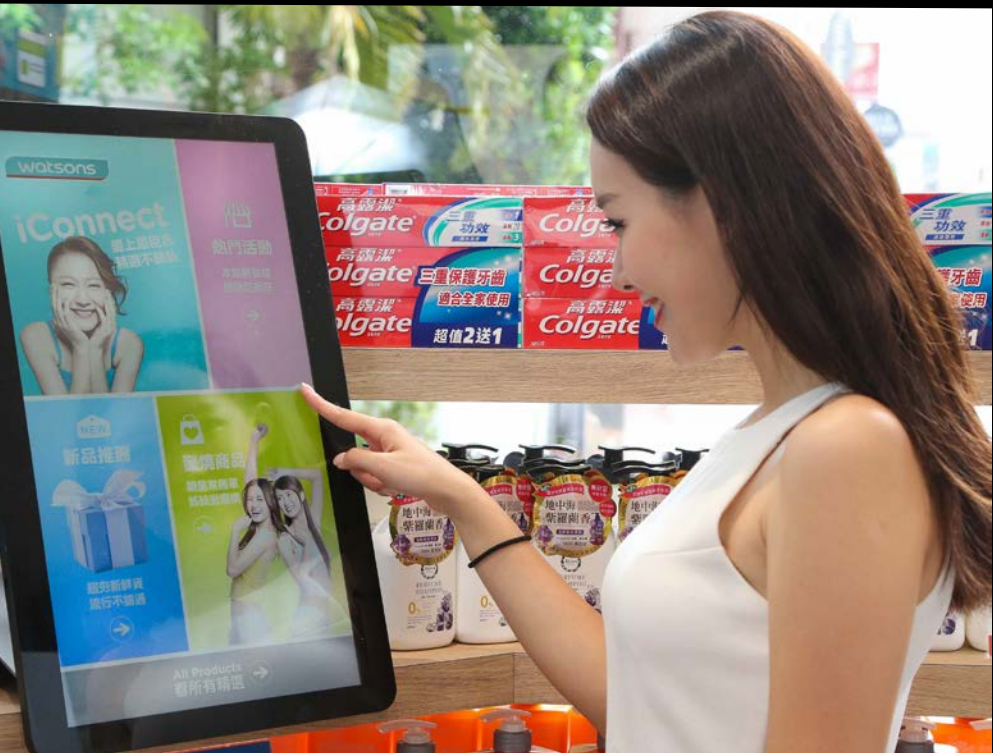
12  
RETAIL BRANDS

24  
MARKETS



14,300+  
RETAIL STORES

4,000  
CITIES



# WORLD'S LARGEST INTERNATIONAL HEALTH & BEAUTY RETAILER

WE REACH

2.4B

POTENTIAL POPULATION

32%

OF WORLD POPULATION

24 MARKETS  
No.1 in 15 Markets



**Health and Beauty China**

Mainland China

**Health and Beauty Asia**

Hong Kong  
Macau  
Taiwan  
Indonesia  
Malaysia  
Philippines  
Singapore  
Thailand  
Turkey

**Health and Beauty Western Europe**

Albania  
Belgium  
Germany  
Ireland  
Luxembourg  
Netherlands  
United Kingdom

**Health and Beauty Eastern Europe**

Czech Republic  
Hungary  
Latvia  
Lithuania  
Poland  
Russia  
Ukraine

**Other Retail**

Mainland China  
Hong Kong  
Macau



# WE FOCUS ON HIGH GROWTH CATEGORIES

SKINCARE



HEALTH & WELLBEING



COSMETICS



PERSONAL CARE





# SPEED OF EXPANSION

1 NEW STORE  
EVERY 7 HOURS

WE ARE NOT JUST BUILDING PHYSICAL STORES,  
BUT **CUSTOMER CONNECTIVITY.**



# LOYALTY MEMBER ENGAGEMENT

The world's largest active retail loyalty member base



**130<sup>+</sup>M**  
LOYALTY MEMBERS

EQUIVALENT TO **10<sup>TH</sup>**  
POPULATED COUNTRY ON EARTH

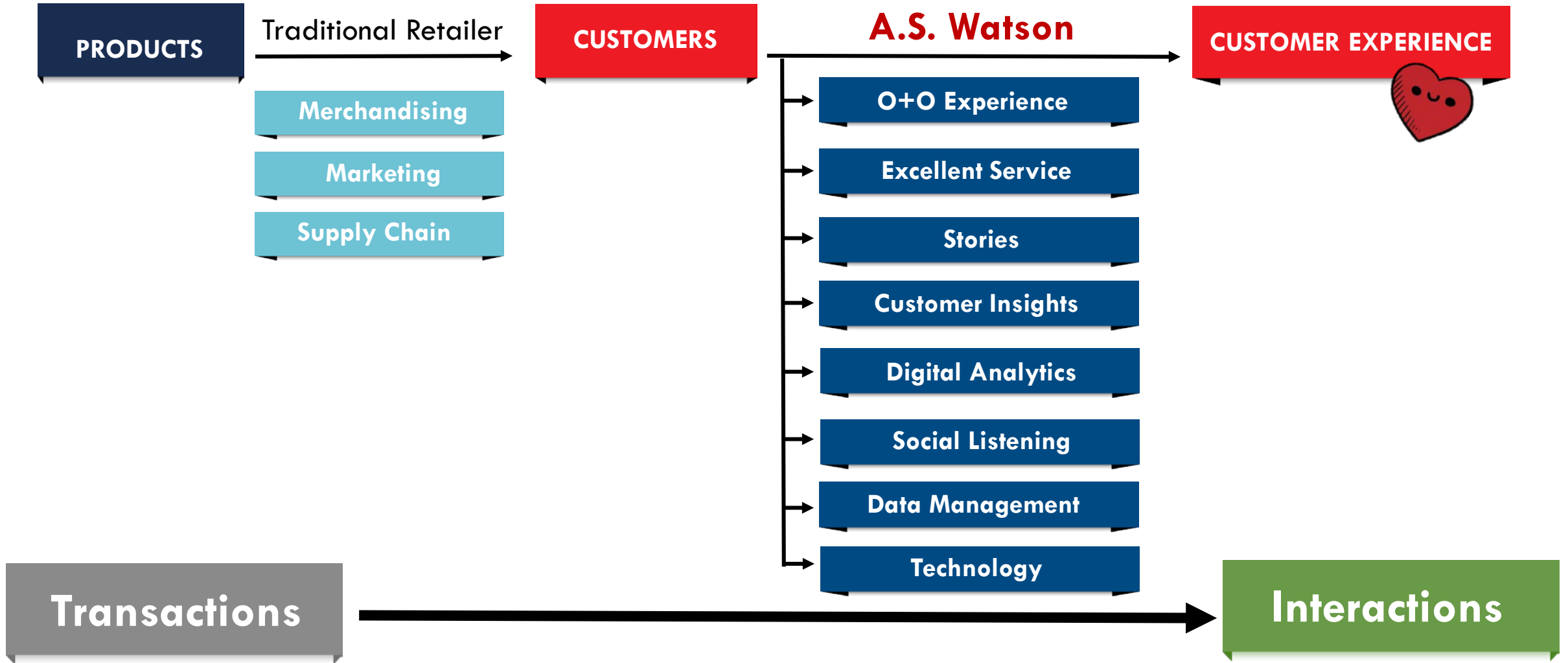




**NEW**

# NORMAL in RETAIL

**MORE** Science . Precision . Collaboration

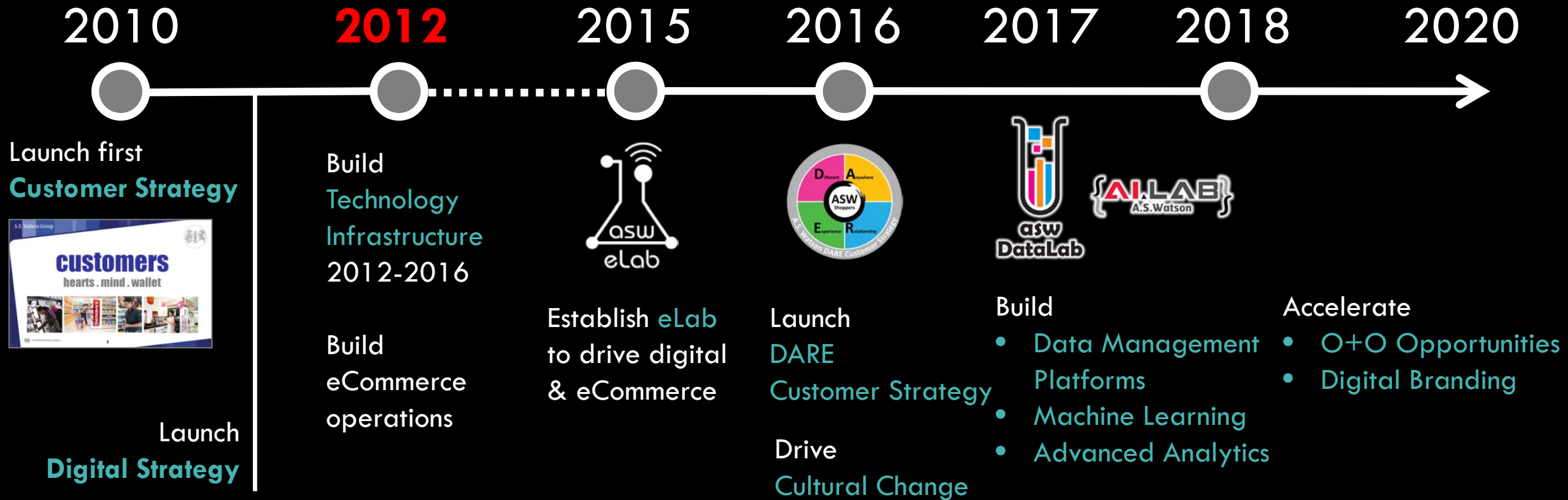


# CUSTOMER CONNECTIVITY IN CHINA



# ASW DIGITAL TRANSFORMATION SINCE 2012

Technology Investment, Strategic Realignment & Cultural Change





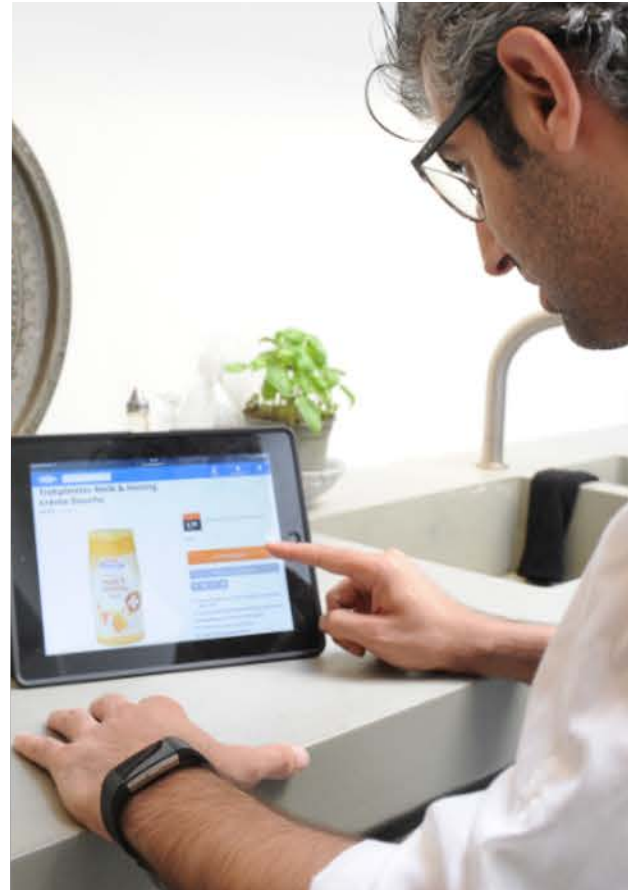
# OUR **DARE** CUSTOMER STRATEGY

Technology Enabled Customer Centric Approach

**D**IFFERENT



**A**NYWHERE



**R**ELATIONSHIP



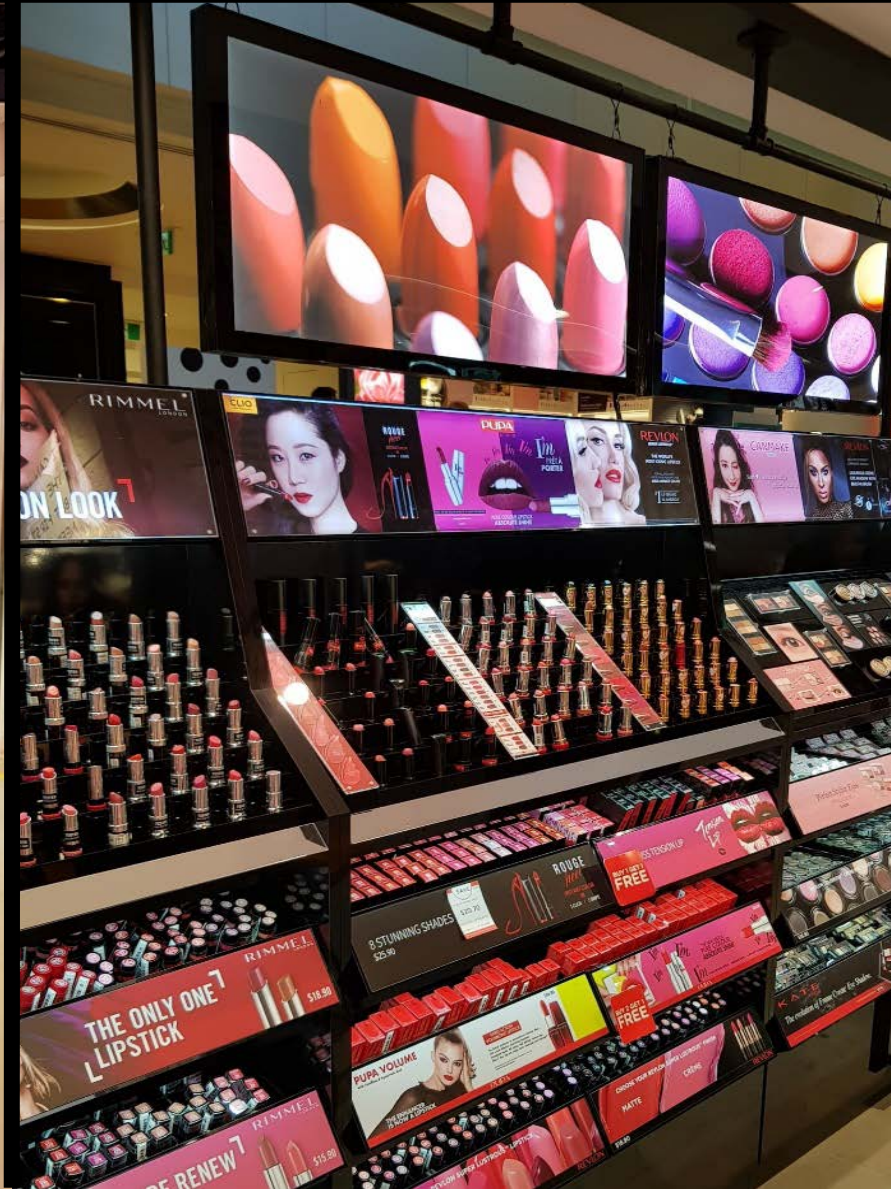
**E**XPERIENCE





# STORE FORMATS

OVER **20** DIFFERENT STORE FORMATS







# CUSTOMER SERVICE

130,000+

CUSTOMER SERVICE ADVISORS







# HEALTH & BABY

**3,800+**  
HEALTH PROFESSIONALS









# COLORLAB

## MORE EXPERIENCES & SPECIALISED SERVICES





# ROSSMANN

## NEW SMALL STORE FORMAT AN O+O TEST STORE IN POLAND







# EXCLUSIVES

**\$30+ BILLION**  
EXCLUSIVES ANNUAL SALES  
34% OF TOTAL SALES



**Bird's Nest**



**Skin Advanced**

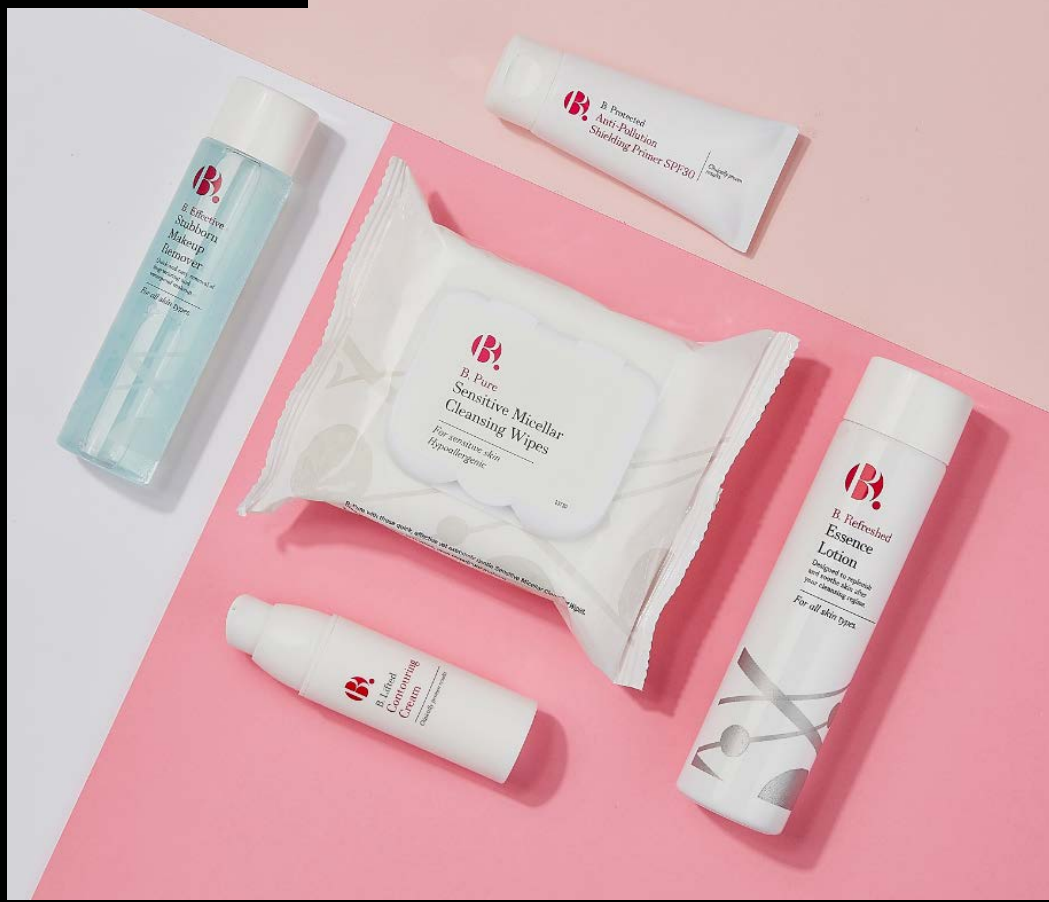


**Aa Kode**





## B. Skincare



## BE Creative Make Up



## B. Makeup



## Kruidvat



## ONLY YOU







# EXPERIENCES **OUTSIDE** OF STORES

GLOBAL HEALTH CAMPAIGN **#GetActive**

Reached **60M+** customers online & offline





# TECHNOLOGY INVESTMENT



**\$1,000 M**

INVESTMENT TO  
ACCELERATE  
**DIGITAL**  
TRANSFORMATION  
2012 - 2020







# DIGITAL EXPERIENCE







DIGITAL

# StyleMe Virtual Makeup

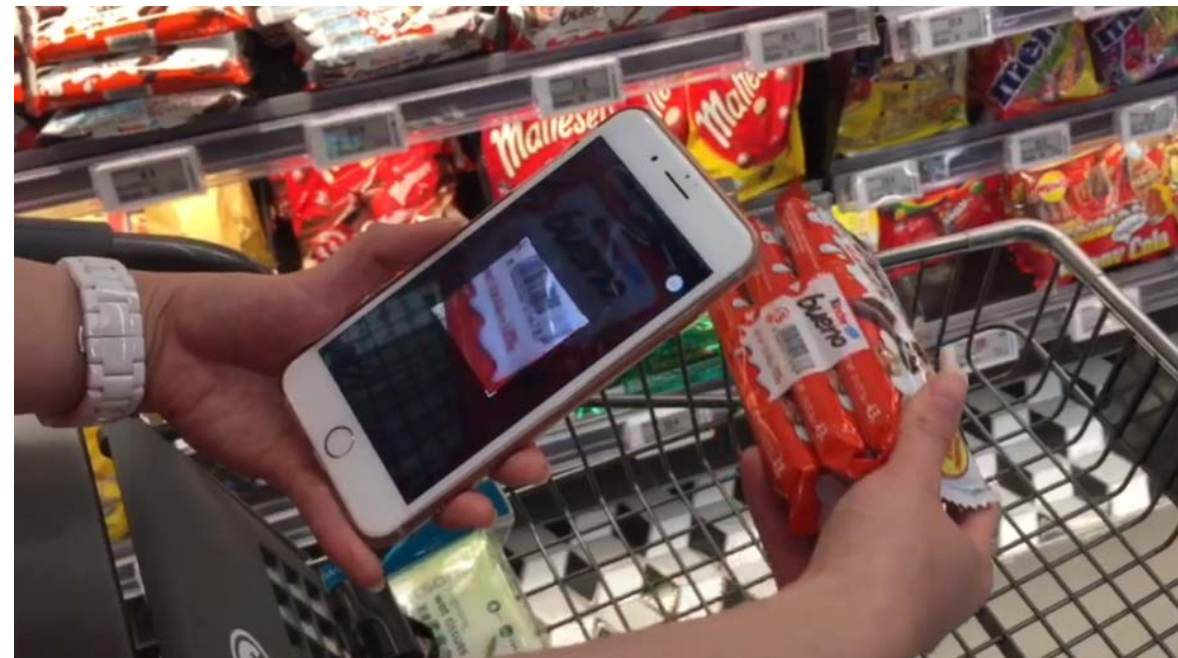






DIGITAL

# Self Checkout / Scan & Go Modules





**DIGITAL**

# **Self Checkout / Scan & Go Module**

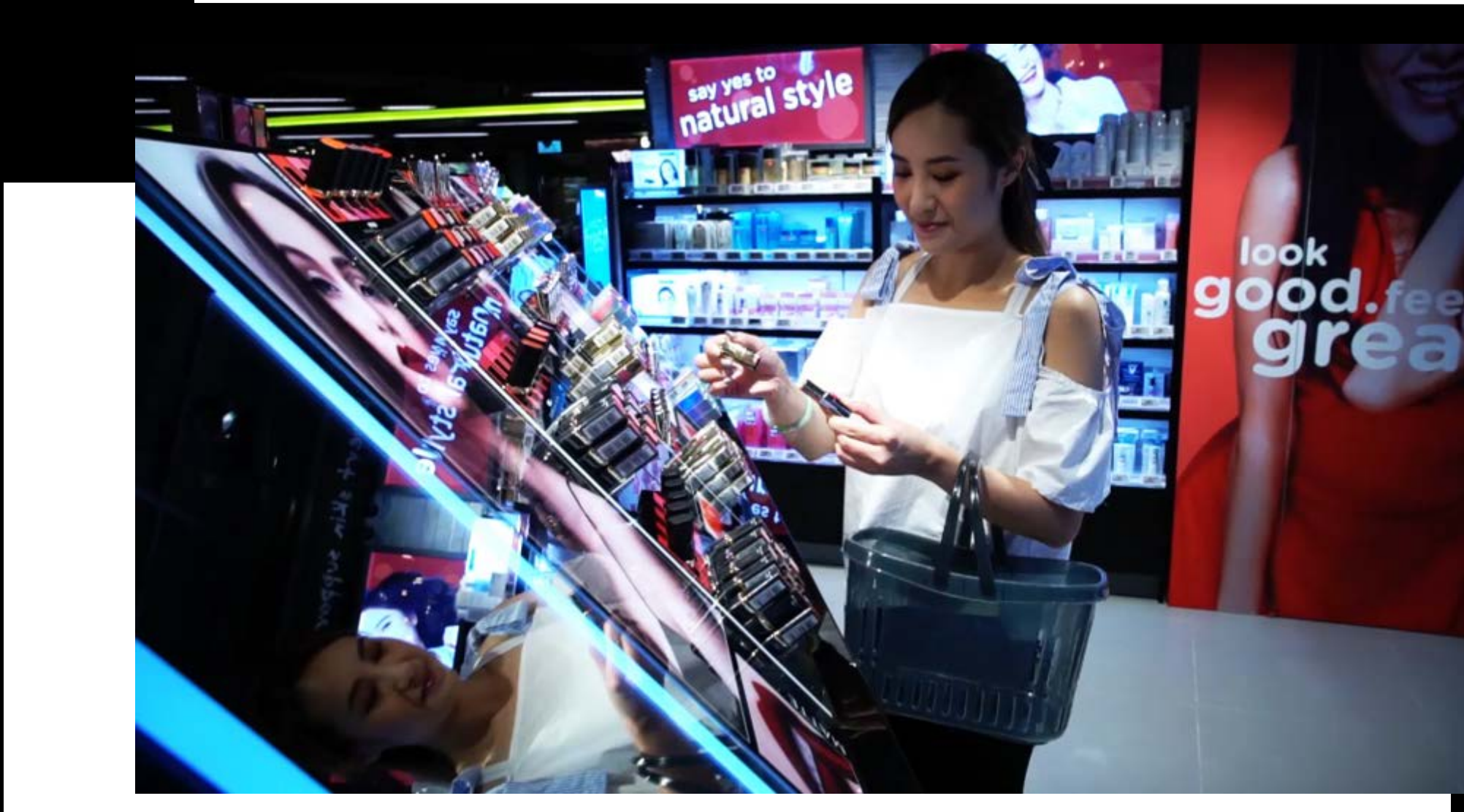






DIGITAL

# Self Checkout RFID Module





# CONNECT

## 600M+

WEBSITE VISIT PER YEAR



A.S. Watson Group

# 80M+ SOCIAL MEDIA FOLLOWERS



## 'WE LISTEN TO THEM ON SOCIAL'



177k Followers



Ashleigh Walsh  
@Ashlee\_Walsh

B. Flawless Silk foundation, as with all their products, is cruelty and gluten free. It had good coverage for day make-up, lasted on my face all day. I will definitely continue using it for my day make up.

Sentiment **95%** Positive



454k Followers



Ashleigh Walsh  
@EphannieA

B Beauty Matte Bronzer in Dark 03  
@Superdrug @OfficialBBeauty  
#DarkSkinSwatch #SuperdrugLoves

Sentiment **94%** Positive





# RELATIONSHIP

*To become customers  
most-loved brands*





# DATA SCIENCE

# Build Competitive Advantages



From transaction to **INTERACTION**  
using Data Science



A.S. Watson Group

# USING DATA SCIENCE FOR DECISION MAKING AND CUSTOMER ENGAGEMENT

**130+M**  
CUSTOMER DATA



COMPANY DATA

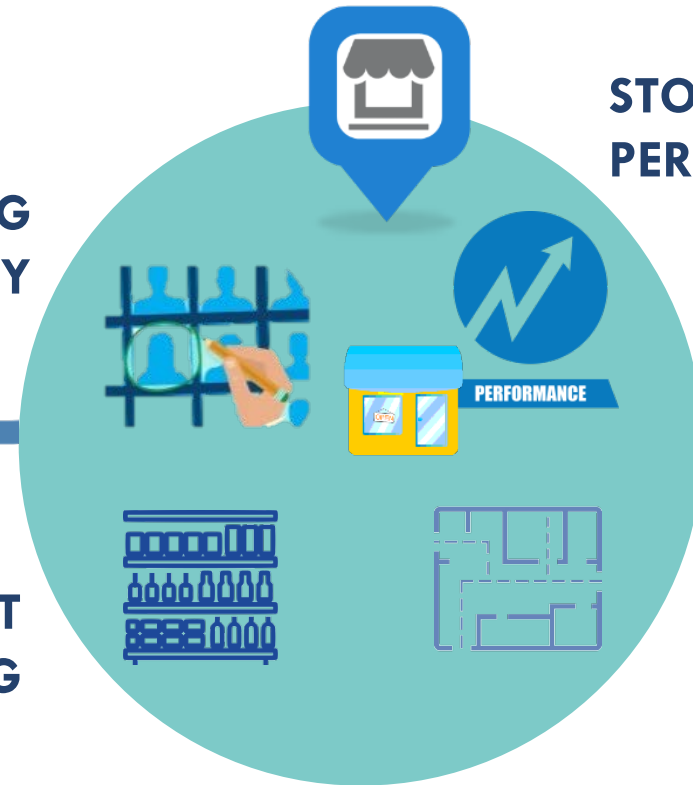


MARKET DATA



MARKETING STRATEGY

ASSORTMENT PLANNING



STORE STRATEGY

STORE PERFORMANCE

SPACE PLANNING

IT & DATA SECURITY GOVERNANCE

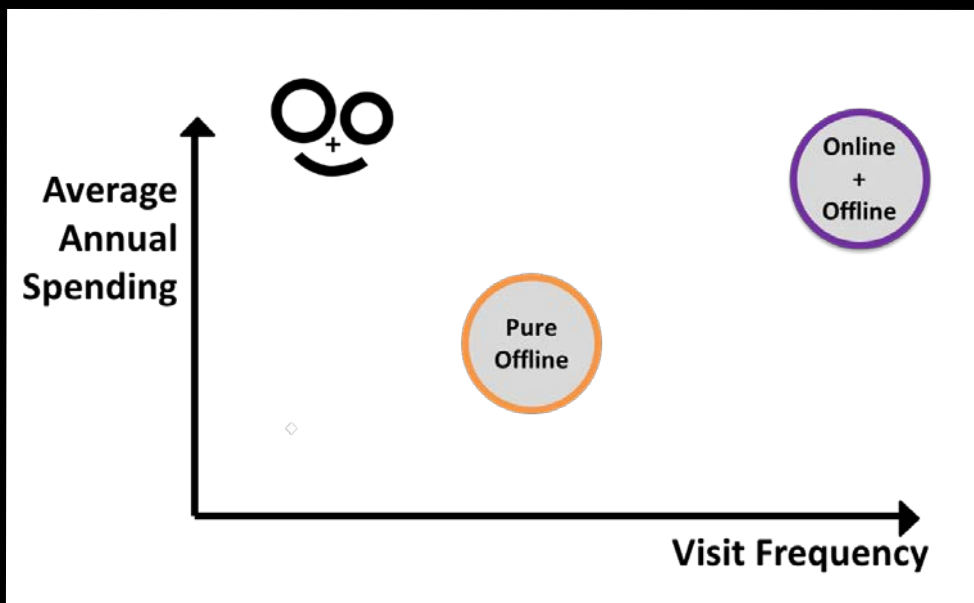






MORE

O+O SHOPPERS BRING US MORE BUSINESS



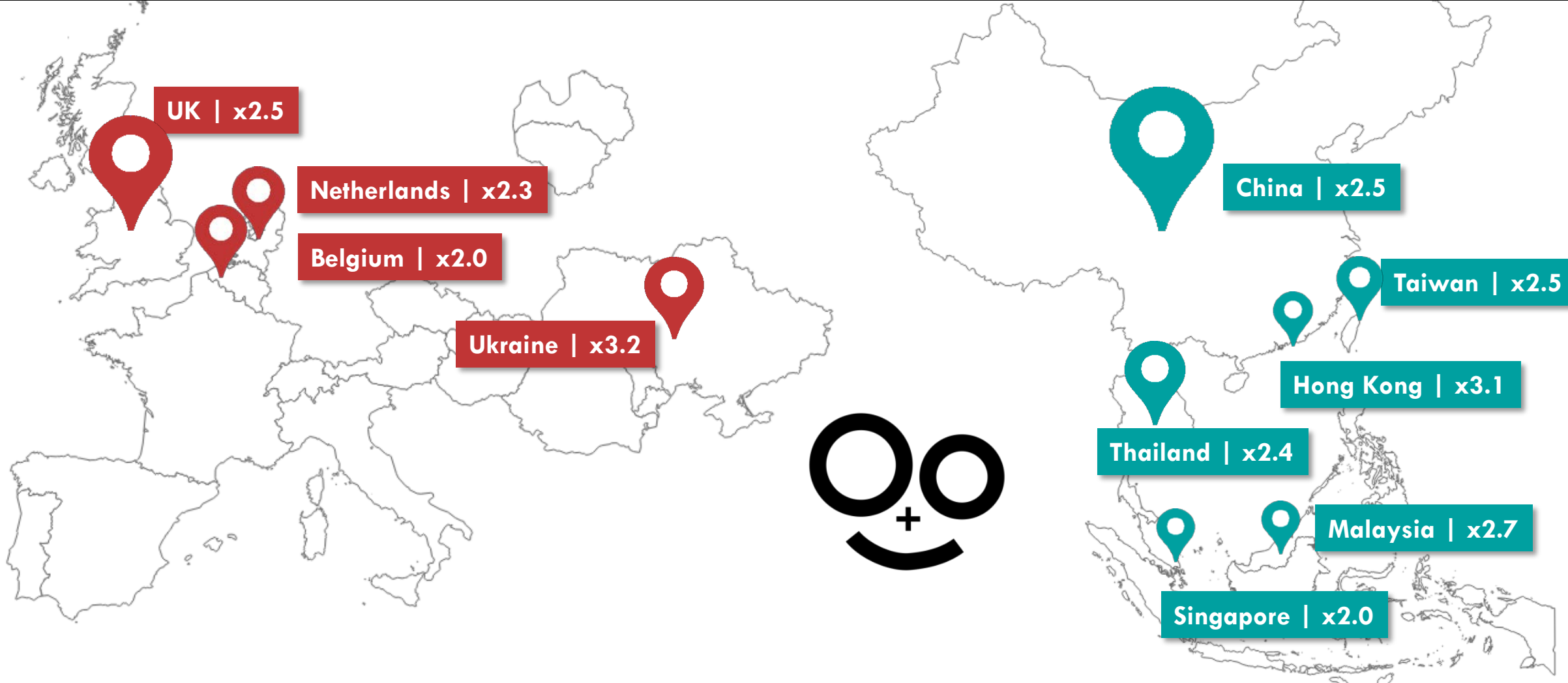
Customer Spend **2-3x** More

Visit Frequency **2x** More

Stronger customer **Loyalty**



# O+O SHOPPERS BRING US MORE BUSINESS





# MORE

# 20-30% **CLICK & COLLECT** SHOPPERS BUY MORE



## CLICK & COLLECT

Here is your order ready for pick up ... do you want to try this new product ?

# HAALPUN kruidvat.nl



WELKOM BIJ KRUIDVAT  
KASSA IS GELOTEN

Click & Collect  
15-50% Buy More

Spaarpunten? Doneer ze aan KWF! **Doneer bij de kassa 500 PUNTEN**  
 Spaarpunten? Doneer ze aan KWF! **Doneer bij de kassa 100 PUNTEN**  
 Doneer bij de kassa **100 PUNTEN**  
**Kruidvat**  
 NU HIER VERKRIJGBAAR

Lebara PREPAID simkaart **€4,99**  
 prepaid sim-kaart 15 + 50MB  
 €10 €25 €50 €100  
 OFWAARDEBO  
 €25 BELLEGEO

3x 1



# O+O SHOPPERS BRING US MORE BUSINESS

## Original C&C

Online



Skin Care



Hair Care



Oral Care



Fragrances



A.S. Watson



Skincare

Health

Sun Care

Cosmetics

Baby

Additional Purchase

In Store



# UNIQUE O+O MATRIX RETAIL MODEL

## ENABLED BY DIGITAL TRANSFORMATION

	Receive Goods <b>IN STORE</b>	Receive Goods <b>AT HOME</b>
Select Goods <b>IN STORE</b>	 <b>Store</b> <ul style="list-style-type: none"><li>• 14,000+ stores for shoppers to experience and select</li><li>• <b>24 markets in Asia &amp; Europe, 4,000 cities</b></li><li>• Immediate pick up</li></ul>	 <b>Store to Door</b> <ul style="list-style-type: none"><li>• 14,000+ stores for shoppers to experience and select</li><li>• Order in store, Deliver to Home</li></ul>
Select Goods <b>ONLINE</b>	 <b>Click &amp; Collect</b> <ul style="list-style-type: none"><li>• Select on website/mobile, <b>Collect in 10,500+ stores</b></li><li>• Picking in stores allow <b>quick collection time</b>, eg 30 mins in China</li></ul>	 <b>Click &amp; Deliver</b> <ul style="list-style-type: none"><li>• Select on website/mobile, Deliver to Home</li><li>• Picking in stores allow <b>quick delivery time</b>, eg 60 mins in China</li></ul>



# IN-STORE VIDEO ANALYTICS TECHNOLOGY

TO OPTIMISE SPACE PLANNING & IN-STORE EXPERIENCE FOR BETTER CONVERSION



# Visualized Reporting

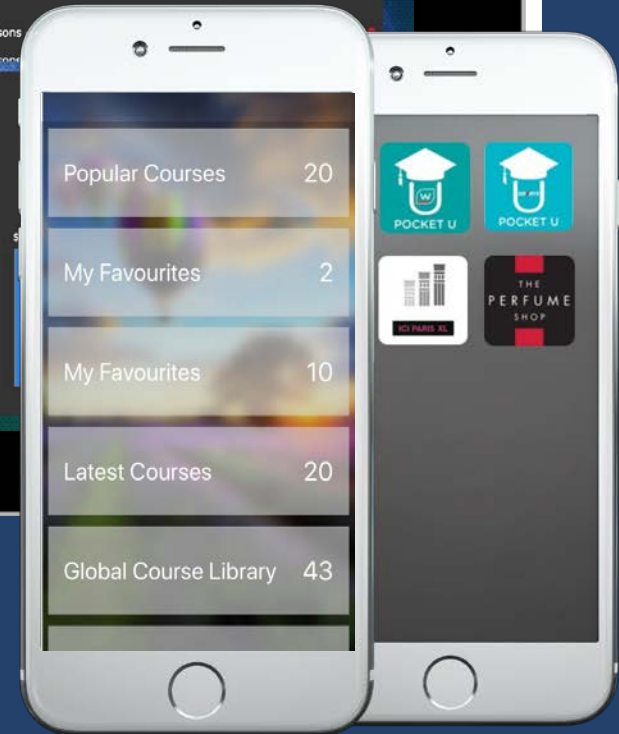
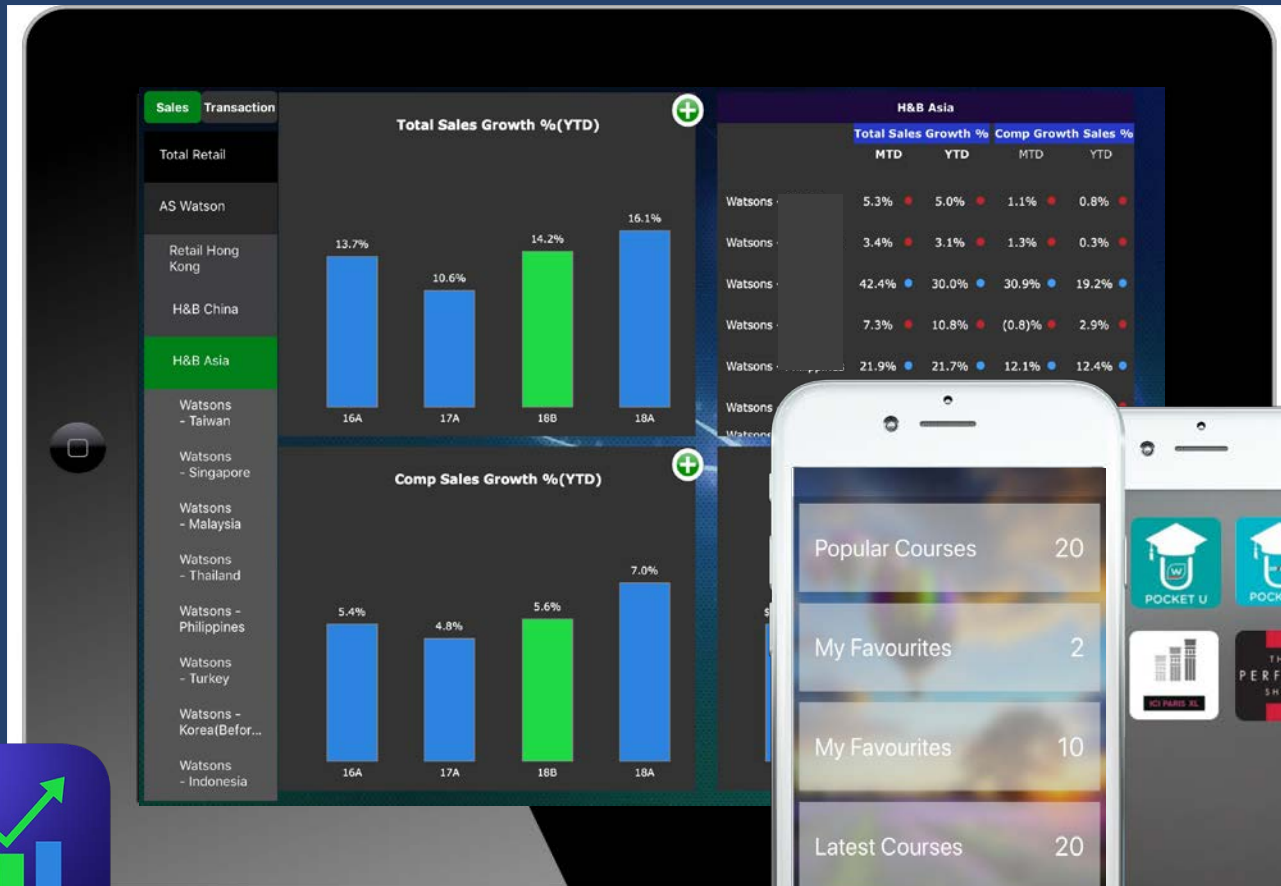
Enables easy and instant access to data and insights to support decision making





# DIGITAL TOOLS FOR MANAGEMENT & STORE TEAMS

## AS PART OF THE DIGITAL TRANSFORMATION







# STAFF SOCIAL APP

## ADDED NEW **SOCIAL ROLE** FOR IN-STORE BEAUTY ADVISORS



**100M Exposure in 9 months**





# TRANSFORMING PEOPLE STRATEGY

AS PART OF THE DIGITAL TRANSFORMATION

## Project Salesforce 2020

**70%**

Gen Y/Z Customers

**70%**

Gen Y/Z Store Staff

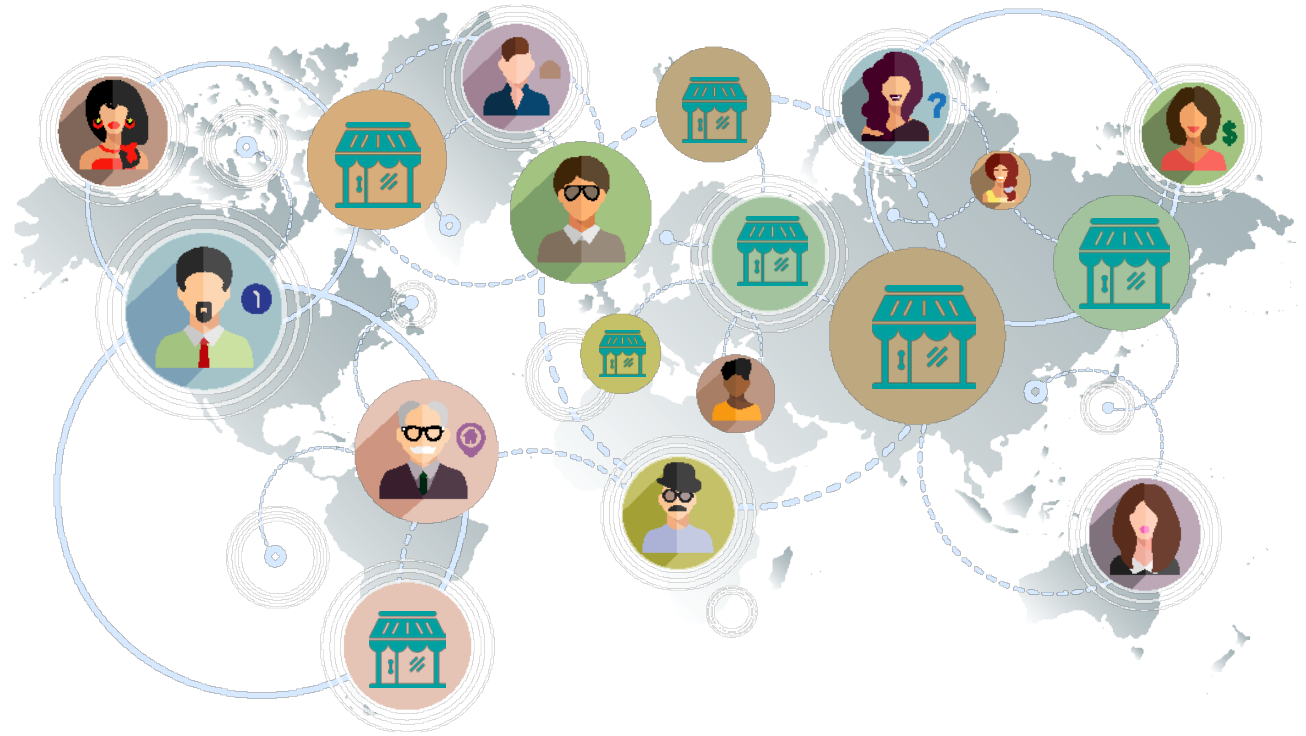




BEFORE DIGITAL TRANSFORMATION...  
WE BUILT A NETWORK OF STORES



WITH DIGITAL TRANSFORMATION...  
WE ARE BUILDING CUSTOMER CONNECTIVITY  
THROUGH O+O INTEGRATED PLATFORM







# A.S. Watson Group

