



CK HUTCHISON GROUP TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

2021

Interim Results

Operations Analysis





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Potential Investors and Shareholders should exercise caution when investing in or dealing in the securities of the Company.



Revenue

€4.9bn

-2%

EBITDA ^{(1) (3)}

€2.6bn

+51%

EBIT ^{(1) (3)}

€1.6bn

+77%

Total
Margin

€3.4bn

-5%

Active
Customer ⁽²⁾

41.2mn

-2%

Net
Debt Ratio

6.3%



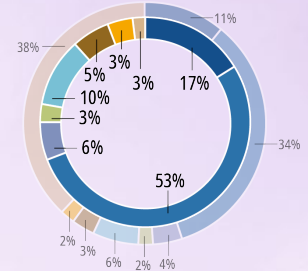
16.8%-pt Y-o-Y

(1) Under Post-IFRS 16 basis, EBITDA and EBIT were €3.1 billion and €1.7 billion respectively.

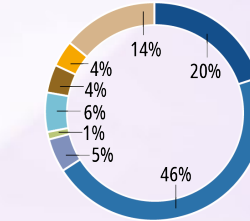
(2) An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

(3) 1H 2021 EBITDA and EBIT include gain on disposal of tower assets completed in 2021 of €2.6 billion and non-cash impairment of goodwill of the Group's Italian telecommunication business of €1.7 billion.

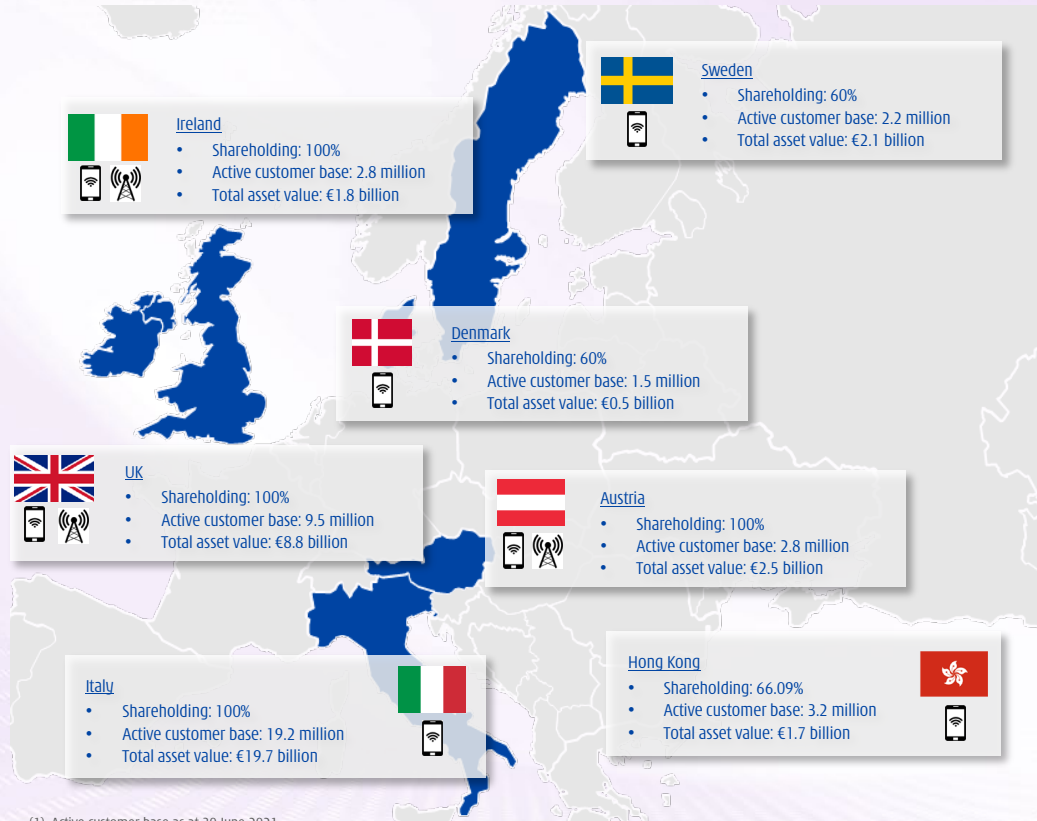
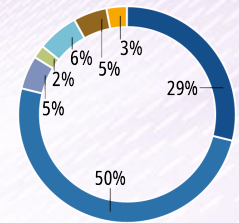
EBITDA ^{(2) (3) (4)}
€2,645m



Total Assets ⁽⁵⁾
€43,198m



Capex
(excluding licences)
€1,225m



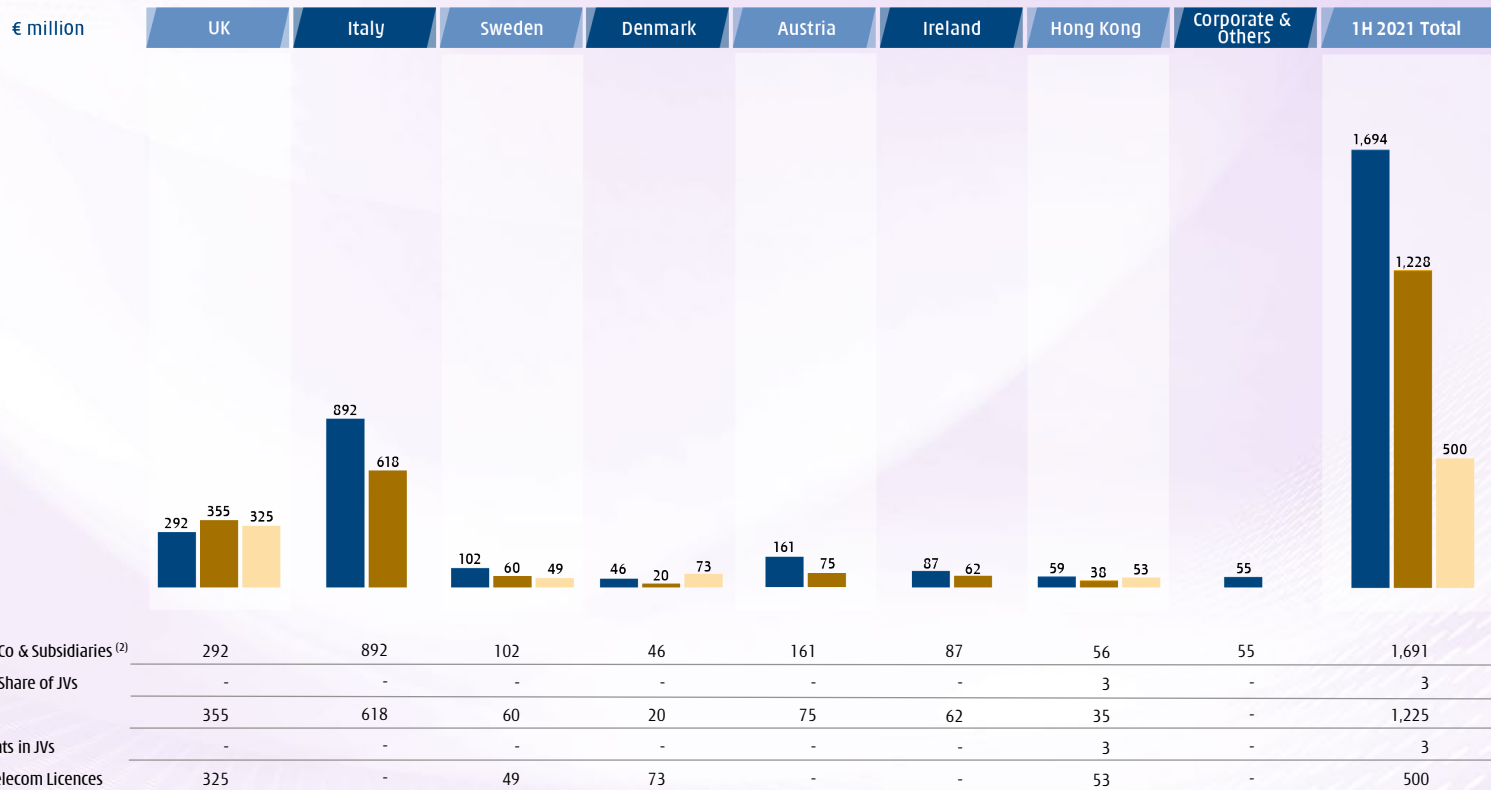
(1) Active customer base as at 30 June 2021.

(2) Reported EBITDA includes one-off gain on disposal of tower assets completed in 1H 2021 of €2.6 billion and non-cash impairment of goodwill of the Group's Italian telecommunication business of €1.7 billion.

(3) The outer pie chart represents EBITDA % mix on a reported basis. The inner pie chart represents underlying EBITDA % mix, which excludes the items mentioned in note (2) above.

(4) Under Post-IFRS 16 basis, EBITDA was €3,095 million.

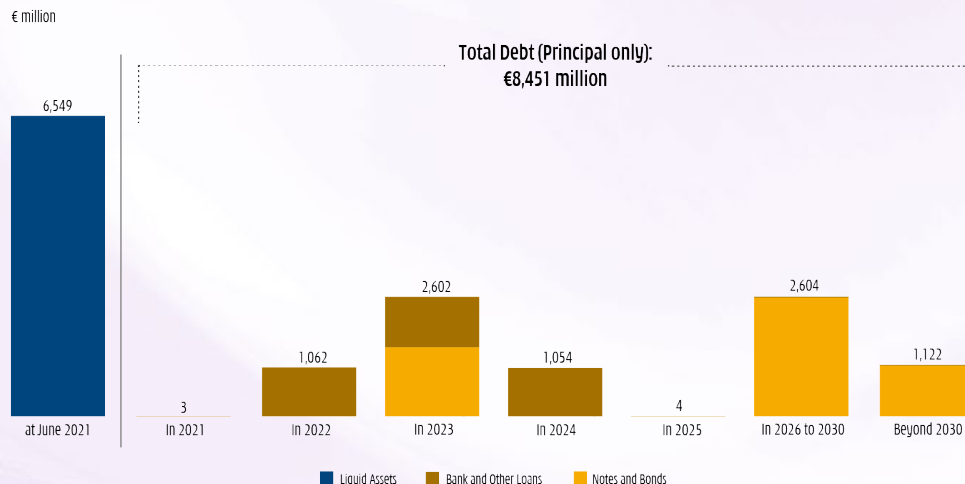
(5) Under Post-IFRS 16 basis, total asset value was €45,273 million.



(1) Operating FCF (Operating Free Cash Flow) represents EBITDA (Pre-IFRS 16 basis) of Company & subsidiaries less capex of Company & subsidiaries (excluding Telecom licences) and investments in JVs.

(2) EBITDA - Co & subsidiaries excludes gain on disposal of tower assets completed in 2021 of €2.6 billion and non-cash impairment of goodwill of the Group's Italian telecommunication business of €1.7 billion.

Debt Maturity Profile



Net Debt

	Jun 2021	Dec 2020	Jun 2020
Net debt ⁽¹⁾	€1.9bn	€5.2bn	€7.3bn
Net debt to net total capital ratio ⁽¹⁾	6.3%	16.6%	23.1%

Credit Ratings

	30 Jun 2021	31 Dec 2020
Moody's	Baa1 (Stable)	Baa1 (Stable)
S & P	A- (Stable)	A- (Stable)
Fitch	BBB+ (Stable)	BBB+ (Stable)

Average Cost of Debt

0.96% flat y-o-y

(1) Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts. Net debt is defined as total bank and other debts less total cash and cash equivalents. Net total capital is defined as total bank and other debts plus total equity (adjusted to exclude IFRS 16 effects) net of total cash and cash equivalents. The consolidated net debt to net total capital ratio under IFRS 16 basis, after including IFRS 16 impact in total equity is 6.1%.

In million	UK GBP		Italy EURO		Sweden ⁽¹⁾ SEK		Denmark ⁽¹⁾ DKK		Austria ⁽¹⁾ EURO		Ireland ⁽¹⁾ EURO		3 Group Europe before one-off ⁽¹⁾⁽²⁾ EURO			
	1H 2021		1H 2020		1H 2021		1H 2020		1H 2021		1H 2020		1H 2021			
													1H 2020			
													Normalised ⁽¹⁾ Tower assets Reported			
Total Revenue	1,176	1,116	2,085	2,324	3,259	3,249	1,102	1,127	425	417	279	294	4,616	4,765	-	4,765
% change	+5%		-10%		-		-2%		+2%		-5%		-3%			
Total margin	719	713	1,580	1,740	2,111	2,019	873	880	312	309	217	229	3,263	3,399	-	3,399
% change	+1%		-9%		+5%		-1%		+1%		-5%		-4%			
TOTAL CACs	(457)	(391)	(141)	(176)	(636)	(1,105)	(118)	(123)	(59)	(50)	(36)	(39)	(841)	(830)	-	(830)
Less: Handset Revenue	358	280	103	141	411	877	46	49	51	45	34	35	647	629	-	629
Total CACs (net of handset revenue)	(99)	(111)	(38)	(35)	(225)	(228)	(72)	(74)	(8)	(5)	(2)	(4)	(194)	(201)	-	(201)
Operating Expenses	(368)	(351)	(650)	(747)	(849)	(809)	(459)	(460)	(143)	(135)	(128)	(130)	(1,489)	(1,551)	51	(1,500)
Opex as a % of total margin	51%	49%	41%	43%	40%	40%	53%	52%	46%	44%	59%	57%	46%	46%	44%	44%
Gain from disposal of tower assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	252	251	892	958	1,037	982	342	346	161	169	87	95	1,580	1,647	51	1,698
% change	-		-7%		+6%		-1%		-5%		-8%		-4%			
EBITDA margin % ⁽³⁾	31%	30%	45%	44%	36%	41%	32%	32%	43%	45%	36%	37%	40%	40%		41%
Depreciation & Amortisation	(208)	(165)	(519)	(386)	(586)	(540)	(203)	(200)	(72)	(71)	(64)	(59)	(980)	(784)	(7)	(791)
EBIT	44	86	373	572	451	442	139	146	89	98	23	36	600	863	44	907
% change	-49%		-35%		+2%		-5%		-9%		-36%		-30%			
Reported EBITDA less Capex	(55)	59	274	610	425	520	197	321	86	131	25	34	390	939		
EBITDA per above	252	251	892	958	1,037	982	342	346	161	169	87	95	1,580	1,647		
Proforma contribution from Tower assets	-	-	-	-	-	144	-	57	-	20	-	11	-	51		
Reported EBITDA	252	251	892	958	1,037	1,126	342	403	161	189	87	106	1,580	1,698		
% Improvement (Reduction)	-		-7%		-8%		-15%		-15%		-18%		-7%			
EBIT per above	44	86	373	572	451	442	139	146	89	98	23	36	600	863		
Proforma contribution from Tower assets	-	-	-	-	-	125	-	51	-	16	-	9	-	44		
Reported EBIT	44	86	373	572	451	567	139	197	89	114	23	45	600	907		
% Improvement (Reduction)	-49%		-35%		-20%		-29%		-22%		-49%		-34%			

(1) As the disposals of tower assets in Denmark, Austria and Ireland were completed in December 2020 and in Sweden was completed in January 2021, comparison was made against normalised 1H 2020 results which exclude the proforma contribution from tower assets of these operations for comparability purpose. The % changes in EBITDA and EBIT are compared against the normalised 1H 2020 numbers.

(2) 3 Group Europe results do not include one-off items in 1H 2021, which represented gain on disposal of tower assets completed in 1H 2021 of €2.6 billion and non-cash impairment of goodwill of the Group's Italian telecommunication business of €1.7 billion (1H 2020: nil).

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

In million	3 Group Europe before one-off ⁽¹⁾⁽²⁾				HTHKH		Corporate and others		CKHGT	
	EURO				HK\$		HK\$		EURO	
	1H 2021	1H 2020			1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020
		Normalised ⁽¹⁾	Tower assets	Reported						
Total Revenue	4,616	4,765	-	4,765	2,565	1,982	101	196	4,901	5,021
% change	-3%				+29%		-48%		-2%	
Total margin	3,263	3,399	-	3,399	1,486	1,570	14	25	3,424	3,586
% change	-4%				-5%		-44%		-5%	
TOTAL CACS	(841)	(830)	-	(830)	(252)	(258)	-	-	(869)	(860)
Less: Handset Revenue	647	629	-	629	166	149	-	-	665	646
Total CACS (net of handset revenue)	(194)	(201)	-	(201)	(86)	(109)	-	-	(204)	(214)
Operating Expenses	(1,489)	(1,551)	51	(1,500)	(848)	(830)	498	(184)	(1,526)	(1,619)
Opex as a % of total margin	46%	46%		44%	57%	53%	NA	NA	45%	45%
Gain from disposal of tower assets	-	-	-	-	-	-	25,259	-	2,620	-
Impairment of goodwill	-	-	-	-	-	-	(15,472)	-	(1,669)	-
EBITDA	1,580	1,647	51	1,698	552	631	10,299	(159)	2,645	1,753
% change	-4%				-13%		+6577%		+51%	
EBITDA margin % ⁽³⁾	40%	40%		41%	23%	34%			62%	40%
Depreciation & Amortisation	(980)	(784)	(7)	(791)	(453)	(415)	(3)	(2)	(1,029)	(840)
EBIT	600	863	44	907	99	216	10,296	(161)	1,616	913
% change	-30%				-54%		+6495%		+77%	
Reported EBITDA less Capex	390	939			228	526	10,298	(166)	1,420	981
EBITDA per above	1,580	1,647								
Proforma contribution from Tower assets	-	51								
Reported EBITDA	1,580	1,698								
% Improvement (Reduction)	-7%									
EBIT per above	600	863								
Proforma contribution from Tower assets	-	44								
Reported EBIT	600	907								
% Improvement (Reduction)	-34%									

(1) As the disposals of tower assets in Denmark, Austria and Ireland were completed in December 2020 and in Sweden was completed in January 2021, comparison was made against normalised 1H 2020 results which exclude the proforma contribution from tower assets of these operations for comparability purpose. The % changes in 3 Group Europe's EBITDA and EBIT are compared against the normalised 1H 2020 numbers.

(2) 3 Group Europe results do not include one-off items in 1H 2021, which represented gain on disposal of tower assets completed in 1H 2021 of €2.6 billion and non-cash impairment of goodwill of the Group's Italian telecommunication business of €1.7 billion (1H 2020: nil).

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

Total Revenue

€4,616m -3%

KPI



Active mobile customers

38.0m -2%



12-month trailing Net AMPU

€11.35 +1%



Data Usage

3,331 pb/ half yr +30%

5G capabilities

Over 90% population FDD coverage and over 33% TDD coverage

20 MHz of 700MHz spectrum acquired in 1H 2021 to complement 5G rollout

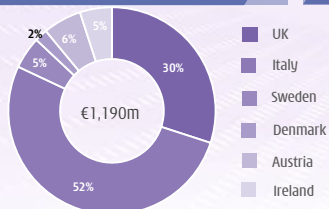
Live 5G cluster outside Copenhagen was launched in December 2020

Launched high-speed 5G in Gothenburg with whole city coverage within 2021

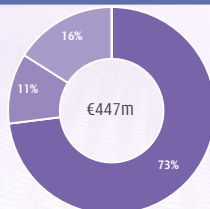
Live with 60% population coverage for handset and FWA along with supporting connected products

First operator to launch 5G offers in Austria

Capex



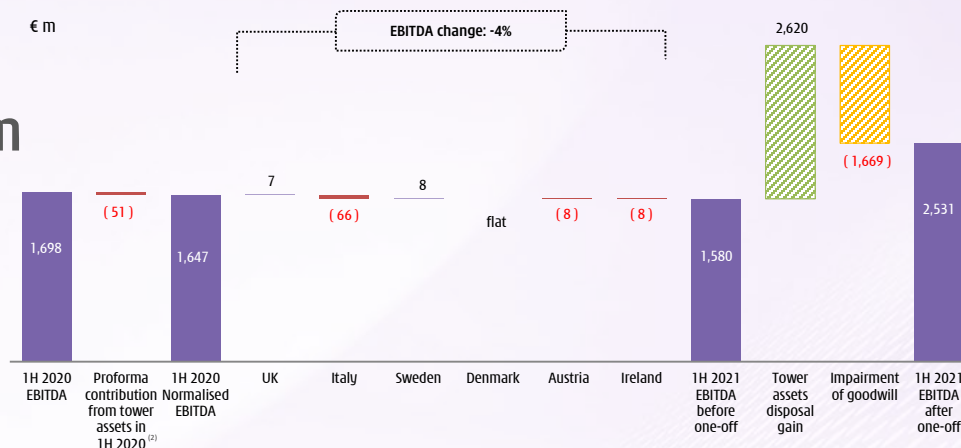
Licence



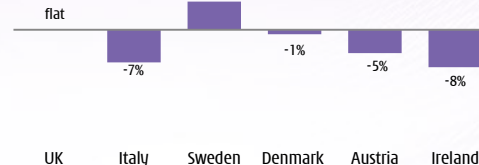
EBITDA⁽¹⁾

€2,531m

+49%



EBITDA Change % (in local currencies)⁽²⁾

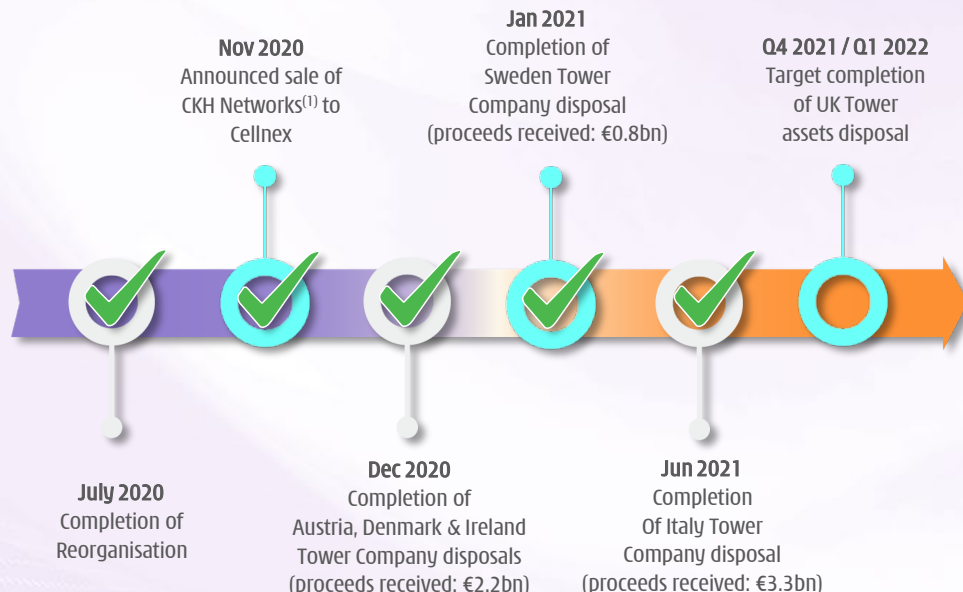


EBITDA Margin %

31% 45% 36% 32% 43% 36%

(1) Under Post-IFRS 16 basis, EBITDA was €2,002 million.

(2) As the disposals of tower assets in Denmark, Austria and Ireland were completed in December 2020 and in Sweden was completed in January 2021, comparison was made against normalised 1H 2020 results which excludes the proforma contribution from tower assets of these operations for comparability purpose.



Key Updates

Total proceed: €10bn⁽²⁾

- €8.6 billion cash and €1.4 billion Cellnex shares⁽³⁾
- All countries completed except UK, which is currently going through regulatory process
- Aggregated proceeds of €6.3 billion received to date
- Total net gain of €4.3 billion recognised
- 1H 2021 net impact to CKHGT EBITDA is around €50 million for the countries completed in Dec 2020 (Austria/Ireland/Denmark) and Jan 2021 (Sweden). Italy closed on 30 Jun 2021 and net impact will be from 2H 2021 onwards

Use of Cash Proceeds

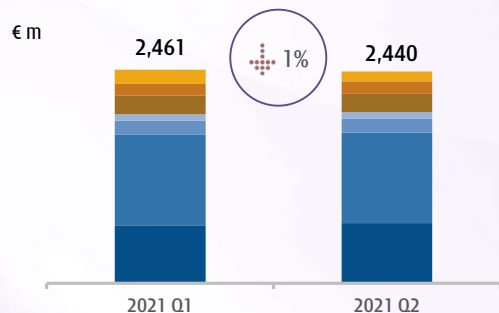
- Optimise capital structure and returns to shareholders through:
 - Reduce indebtedness (approximately €4.3 billion deployed since Dec 2020)
 - CKHH on-market share buyback programmes (approximately HK\$460 million deployed since Mar 2021)
- General corporate purposes

(1) Tower companies holding interests in approximately 25k sites in Austria, Denmark, Ireland, Italy, Sweden and the United Kingdom.

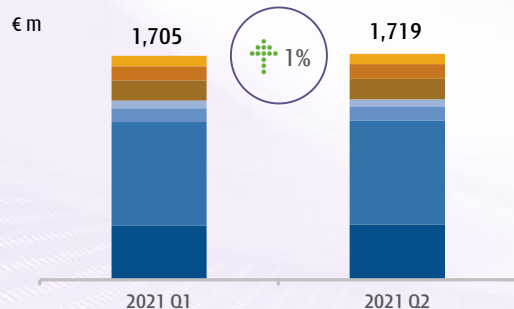
(2) €9.5bn attributable to CKHGT.

(3) New Cellnex shares equating to approximately 5% pro forma stake.

Revenue



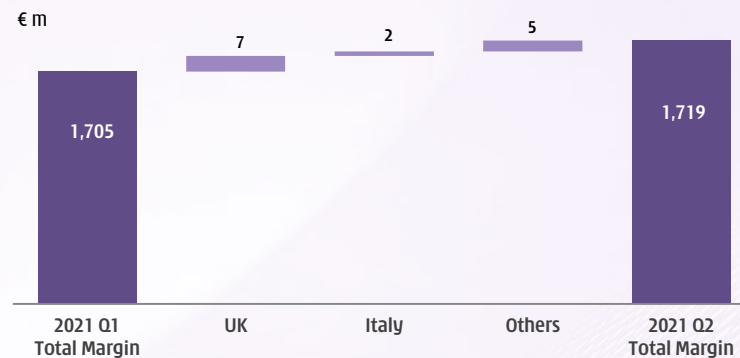
Total Margin



■ UK ■ Italy ■ Sweden ■ Denmark
■ Austria ■ Ireland ■ Hong Kong ■ Corporate & others

Total Margin

€1,719m
+1%



Total Margin
Change %
(in local currencies)

flat

flat

UK

Italy

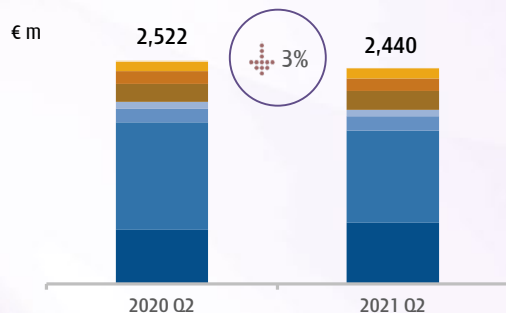
Total Margin %

86%

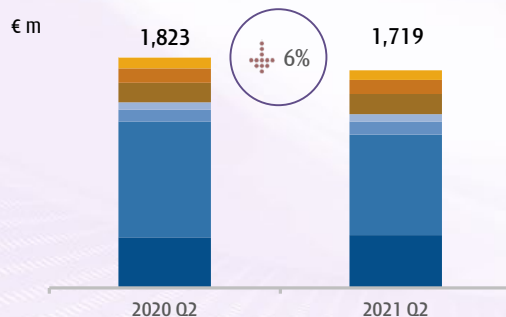
80%

(1) Total margin % represents total margin as a % of total revenue excluding handset revenue.

Revenue



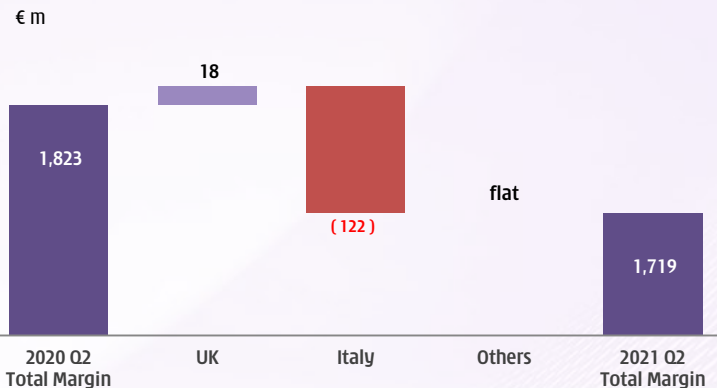
Total Margin



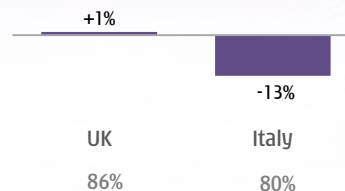
■ UK ■ Italy ■ Sweden ■ Denmark
■ Austria ■ Ireland ■ Hong Kong ■ Corporate & others

Total Margin

€1,719m
-6%



Total Margin
Change %
(in local currencies)



Total Margin %⁽¹⁾

86%

80%

(1) Total margin % represents total margin as a % of total revenue excluding handset revenue.

Key Financials

£ m	2021 Q2	2020 Q2	% Variance	2021 Q1	% Variance
Total Revenue	595	546	+9%	581	+2%
Total Margin	360	357	+1%	359	-
Total Margin (%)	86%	87%	-1%-pts	90%	-4%-pts
Capex	(155)	(94)	↑ 65%	(152)	↑ 2%
Licence	(280)	-		-	
Net ARPU (£)	12.82	12.62	+2%	12.79	-
Net AMPU (£)	11.32	10.96	+3%	11.26	+1%
Active customer ('000)	9,449	9,562	-1%	9,307	+2%
Active contract customer ('000)	7,730	7,259	+6%	7,569	+2%
Monthly average contract churn (%)	1.2%	1.2%		1.3%	

Results Highlights

- Volatile market landscape with various scales of lockdowns during the pandemic
- Encouragingly, total margin has been relatively stable year-on-year as well as quarter on quarter
- Total margin % remains strong through retention of higher value customers and contribution from high margin revenue streams
- Lower active customer base year on year mainly due to non-contract churn from MVNO competition, encouragingly, base has grown quarter on quarter. Furthermore, the proportion of active contract customers continues to increase (Q2 2021: 82%; Q2 2020: 76%; Q1 2021: 81%), providing stable margin contributions
- Contract churn % has been stable partly due to lockdowns as well as strong retention initiatives.
- Capex increased against Q2 2020 as 3UK progresses to complete IT transformation and 5G rollout plans
- Acquired 20MHz of 700MHz license in Q2 2021, further strengthening 3UK's spectrum holding and complements 5G rollout.

Key Financials

€ m	2021 Q2	2020 Q2	% Variance	2021 Q1	% Variance
Total Revenue	1,043	1,214	-14%	1,042	-
Total Margin	791	913	-13%	789	-
Total Margin (%)	80%	80%	-	80%	-
Capex	(190)	(212)	+10%	(428)	+56%
Net ARPU (€)	10.91	11.00	-1%	11.01	-1%
Net AMPU (€)	9.41	9.26	+2%	9.41	-
Active customer ('000)	19,230	20,326	-5%	19,357	-1%
Active contract customer ('000)	9,479	9,683	-2%	9,608	-1%
Monthly average contract churn (%)	1.4%	1.2%		1.4%	

Results Highlights

- Intense competition has seen active customer base decline, in particular for non-contract customers. The trend has relatively stabilised since Wind Tre launched second brand "Very" Mobile in 2020 to compete in the prepaid segment
- Revenue declined year on year as a result but margin % remained strong at approximately 80%. Encouragingly, both revenue and margin remained stable quarter on quarter.
- Positive AMPU trend year on year as a result of customer value management initiatives
- After lockdowns during Q2 2020, churn rates slightly increased but remained relatively stable during 1H 2021.
- Strategically maintaining a high proportion of active contract customers at approximately 50%, in a predominantly prepaid market
- Best network with fastest upload and download speed based on independent survey, a solid platform for 5G rollout.
- A non-cash impairment of goodwill of the Group's Italian telecommunication business was recognised in light of heightening competition in the Italian market.



Sustainability

2020 Sustainability Report released with updated Group goals. Four priorities identified for 2021 and 2022:

1. Take action on climate change



2. Seize the opportunity of sustainability



- ✓ Committed to the **Science Based Target Initiative**.
- ✓ Short & long term **emissions reduction** roadmap underway.
- ✓ Disclosed to the **CDP** (including scope 3 **emissions**).
- ✓ Ongoing rollout of **5G and smart solutions** crucial to enabling vast emissions reductions across industries.

2020 Sustainability Report released with updated Group goals. Four priorities identified for 2021 and 2022:

3. Create great places to work



4. Pandemic support

Be a Better Phone Friend



- ✔ **Diversity and inclusion and employee engagement** identified as focus areas.
- ✔ Sustainability progressively being linked to compensation schemes.
- ✔ Partnerships announced with **Samaritans** and **Aware** in the UK and Ireland to address **mental health** issues.
- ✔ Ongoing initiatives to **zero-rate access** to healthcare and educational websites and **donate devices and connectivity** to support the most vulnerable.