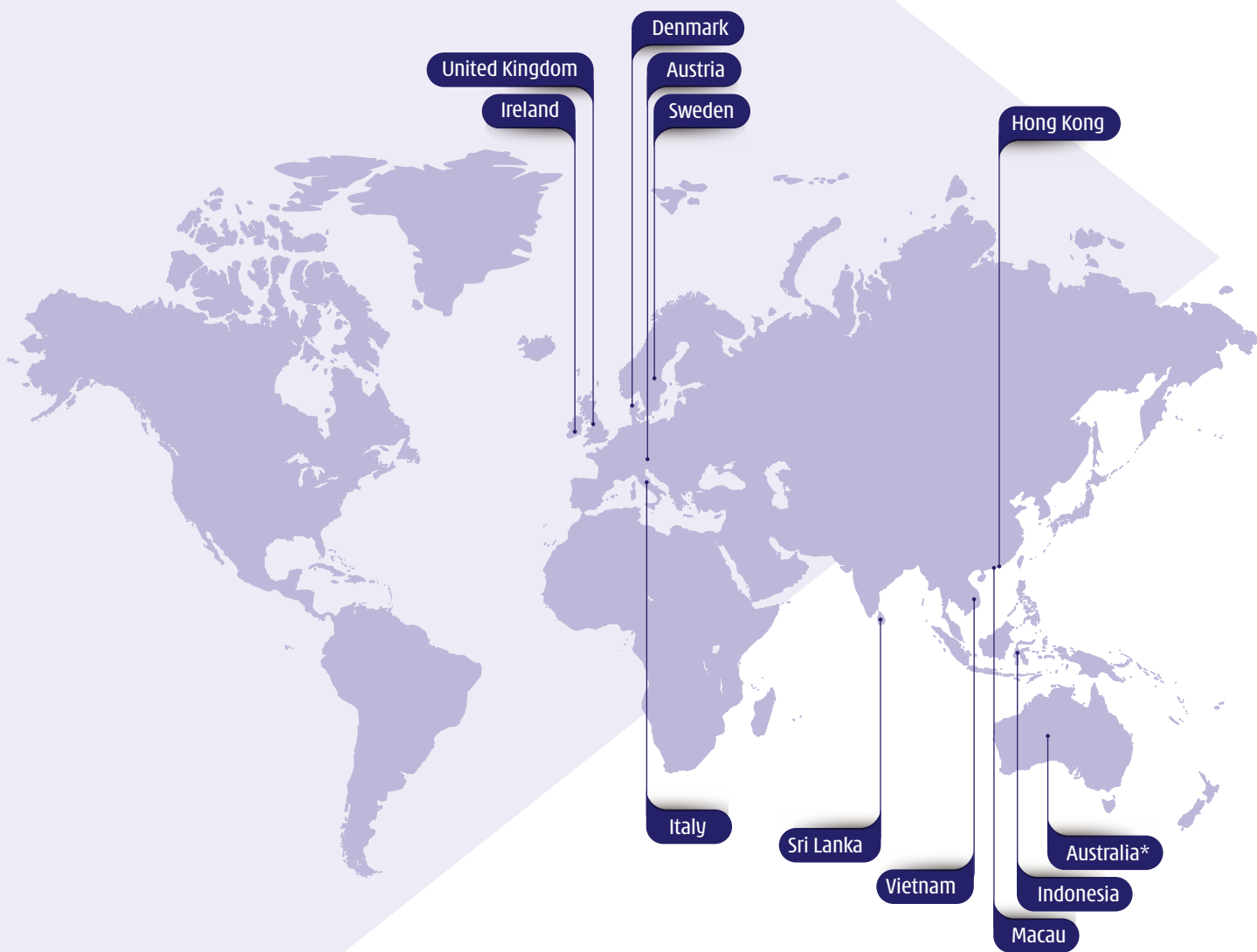


Operations Review

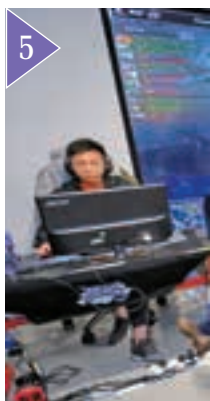


3 UK is voted "UK's Best Network for Data 2018".

Telecommunications



* Hutchison Telecommunications (Australia) Limited ("HTAL"), share of results of Vodafone Hutchison Australia Pty Limited ("VHA"), was included in Finance & Investments and Others division.





1. 3 Sweden opens its new headquarters in Stockholm.
2. CK Hutchison acquires 100% ownership of Wind Tre and becomes sole owner of Italy's leading mobile operator.
3. 3 Indonesia brings mobile lifestyle experience powered by 4G LTE to over 9,300 villages in more than 300 cities.
4. 3 Denmark opens its flagship store in the middle of Stroget in Copenhagen - one of the world's longest pedestrian shopping streets.
5. The two-storey 3LIVE flagship store in Hong Kong accommodates a variety of performances and activities such as esports competitions, mini concerts and festive events.
6. 3 Ireland is the country's second largest mobile operator with 98% LTE coverage nationwide.

Operations Review – Telecommunications

The Group's telecommunications division consists of the 3 Group businesses in Europe ("3 Group Europe"), a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the SEHK, and Hutchison Asia Telecommunications ("HAT"). 3 Group Europe is a pioneer of high-speed mobile telecommunications and mobile broadband technologies with businesses in six countries across Europe. HTHKH holds the Group's interests in mobile operations in Hong Kong and Macau, with the fixed operation fully disposed of in October 2017. HAT holds the Group's interests in the mobile operations in Indonesia, Vietnam and Sri Lanka.

Group Performance

3 Group Europe

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	78,411	70,734	+11%	+7%
- Net customer service revenue	61,813	56,002	+10%	+7%
- Handset revenue	12,282	11,295	+9%	
- Other revenue	4,316	3,437	+26%	
Net Customer Service Margin ⁽¹⁾	50,558	46,756	+8%	+5%
<i>Net customer service margin %</i>	82%	84%		
Other Margin	2,903	1,646	+76%	
Total CACs	(15,813)	(16,296)	+3%	
Less: Handset revenue	12,282	11,295	+9%	
Total CACs (net of handset revenue)	(3,531)	(5,001)	+29%	
Operating Expenses	(21,169)	(19,064)	-11%	
<i>Opex as a % of net customer service margin</i>	42%	41%		
EBITDA	28,761	24,337	+18%	+14%
<i>EBITDA Margin % ⁽²⁾</i>	43%	41%		
Depreciation & Amortisation	(11,098)	(7,770)	-43%	
EBIT	17,663	16,567	+7%	+3%

Note 1: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 2: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

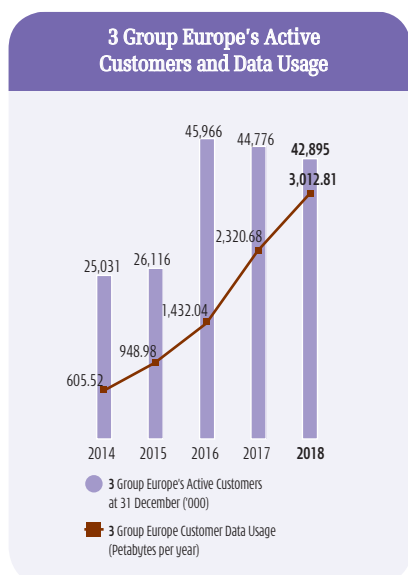
The Group successfully executed the acquisition of the remaining 50% interest of Wind Tre in September 2018. Wind Tre has been contributing accretively as a wholly-owned subsidiary for four months in 2018. As a result, net customer service revenue and net customer service margin in local currencies for the 3 Group Europe increased by 7% and 5% respectively compared to last year. Operationally, active customer growth in 2018 was hindered by aggressive competition in Italy with the entry of a new competitor in the market during the year. Other operations in Europe continued to grow their active customer bases while customer numbers remained stable in the UK. The proportion of contract customers as a percentage of registered customers increased slightly from 39% in 2017 to 40% at 31 December 2018. Margin generated by contract customers accounted for approximately 67% of overall net customer service margin, an increase from 66% in 2017. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer base improved from 1.6% in 2017 to 1.4% for the year.

3 Group Europe's net ARPU and net AMPU both decreased by 8% to €14.06 and €11.88 respectively compared to 2017, primarily due to the increased proportion of Wind Tre customers which have a lower net ARPU and net AMPU, as well as keen competition in all markets.

Total data usage increased 30% compared to last year to approximately 3,013 petabytes in 2018. Data usage per active customer was approximately 71.9 gigabytes per user in 2018 compared to 53.8 gigabytes per user in 2017.

Total CACS, net of handset revenue in contract bundled plans, totalled HK\$3,531 million in 2018, 29% lower than 2017, while operating expenses increased 11% to HK\$21,169 million due to the additional 50% share acquired in Wind Tre and increased spending on network and IT transformation projects.

The EBITDA and EBIT growth was due to the accretive contribution from additional share of Wind Tre, improved net customer service margins and disciplined spending on customer acquisition costs, partly offset by increased spending on network and IT transformation projects to build a more agile, flexible and sustainable operating model to cater for the future.



Operations Review – Telecommunications

3 Group Europe - Results by operations

In million	UK GBP		Italy ⁽³⁾ EURO	
	2018	2017	2018 Wind Tre (50% /100%)	2017 Wind Tre (50%)
Total Revenue	2,439	2,425	3,271	2,734
<i>% change</i>	+1%		+20%	
- Net Customer Service Revenue	1,647	1,636	2,982	2,590
<i>% change</i>	+1%		+15%	
- Handset Revenue	675	622	137	105
- Other Revenue	117	167	152	39
Net Customer Service Margin⁽⁴⁾	1,429	1,427	2,276	2,061
<i>% change</i>	-		+10%	
<i>Net Customer Service Margin %</i>	87%	87%	76%	80%
Other margin	62	52	140	32
TOTAL CACS ⁽⁸⁾	(840)	(848)	(227)	(217)
Less: Handset Revenue	675	622	137	105
Total CACS (net of handset revenue)	(165)	(226)	(90)	(112)
Operating Expenses	(574)	(551)	(954)	(876)
<i>Opex as a % of net customer service margin</i>	40%	39%	42%	43%
EBITDA	752	702	1,372	1,105
<i>% change</i>	+7%		+24%	
<i>HKD equivalent</i>	7,860	7,087	12,601	9,793
<i>EBITDA margin %⁽⁵⁾</i>	43%	39%	44%	42%
Depreciation & Amortisation⁽⁸⁾	(311)	(265)	(472)	(298)
EBIT	441	437	900	807
<i>% change</i>	+1%		+12%	
			Wind Tre (100%)	Wind Tre (100%)
Capex (excluding licence) ⁽⁶⁾	(462)	(459)	(968)	(975)
EBITDA less Capex ⁽⁶⁾	290	243	1,040	1,235
Licence ⁽⁷⁾	(166)	(2)	(517)	-

Note 3: 3 Group Europe 2018 includes 50% share of Wind Tre's results from January to August 2018 and 100% share from September to December 2018, of which Wind Tre's fixed line business revenue was €675 million and EBITDA was €226 million. 2017 includes 50% share of Wind Tre's results, of which fixed line business revenue was €542 million and EBITDA was €193 million. Capex (excluding licence), EBITDA less Capex and Licence represent 100% of Wind Tre's results for both 2018 and 2017 for comparability purposes.

Note 4: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 5: EBITDA margin % represents EBITDA as a % of total revenue excluding handset revenue.

	UK		Italy ⁽⁹⁾	
	2018	2017	2018	2017
Total registered customer base (million)	13.2	12.6	27.1	29.5
Total active customer base (million)	10.0	10.1	24.5	26.6
Contract customers as a % of the total registered customer base	53%	55%	27%	25%
Contract customers' contribution to the net customer service margin (%) ⁽¹⁰⁾	88%	87%	37%	32%
Average monthly churn rate of the total contract registered customer base (%)	1.2%	1.3%	2.0%	2.2%
Active contract customers as a % of the total contract registered customer base	98%	98%	92%	94%
Active customers as a % of the total registered customer base	76%	80%	90%	90%
LTE coverage by population (%)	94%	94%	97%	95%
Full year data usage per active customer (Gigabyte)				

Note 9: Italy KBIs were calculated based on 100% of Wind Tre's figures, except for contract customers' contribution to net customer service margin (%), which was calculated based on 50% contribution from Wind Tre for January to August 2018 and on 100% contribution from September 2018 onwards.

Sweden SEK		Denmark DKK		Austria EURO		Ireland EURO		3 Group Europe ⁽⁹⁾ HK\$	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
7,113 -5%	7,508	2,186 -3%	2,246	881 +8%	812	591 -2%	603	78,411 +11%	70,734
4,699 -3%	4,868	1,875 -3%	1,936	692 +6%	655	443 -5%	465	61,813 +10%	56,002
2,198 216	2,396 244	120 191	126 184	125 64	120 37	77 71	74 64	12,282 4,316	11,295 3,437
3,982 -4%	4,149	1,567 -3%	1,613	589 +7%	553	389 -3%	401	50,558 +8%	46,756
85%	85%	84%	83%	85%	84%	88%	86%	82%	84%
109 (2,745)	124 (3,187)	133 (285)	135 (350)	30 (141)	22 (159)	51 (90)	43 (118)	2,903 (15,813)	1,646 (16,296)
2,198 (547)	2,396 (791)	120 (165)	126 (224)	125 (16)	120 (39)	77 (13)	74 (44)	12,282 (3,531)	11,295 (5,001)
(1,263) 32%	(1,332) 32%	(807) 51%	(716) 44%	(228) 39%	(194) 35%	(227) 58%	(231) 58%	(21,169) 42%	(19,064) 41%
2,281 +6%	2,150	728 -10%	808	375 +10%	342	200 +18%	169	28,761 +18%	24,337
2,066	1,968	906	961	3,475	3,025	1,853	1,503	28,761	24,337
46%	42%	35%	38%	50%	49%	39%	32%	43%	41%
(843)	(595)	(318)	(289)	(146)	(100)	(105)	(79)	(11,098)	(7,770)
1,438 -8%	1,555	410 -21%	519	229 -5%	242	95 +6%	90	17,663 +7%	16,567
(1,254)	(836)	(225)	(201)	(123)	(115)	(118)	(109)		
1,027	1,314	503	607	252	227	82	60		
-	-	-	-	-	-	(1)	(19)		

Note 6: 2017 excludes 3 UK's acquisition of UKB for £300 million and 3 Austria's acquisition of Tele2 for €100 million.

Note 7: Licence cost for UK represents investment for 4 x 5 MHz of 3.4 GHz spectrum acquired in April 2018 and incidental costs to acquire licence in 2017. Licence cost for Wind Tre in 2018 represents investment for 20 MHz of 3.6 - 3.8 GHz and 200 MHz of 26.5 - 27.5 GHz spectrums in October 2018, whereas the cost for Ireland in 2017 relates to investment for 100MHz of 3.6 GHz licence.

Note 8: 2018 included the effect under the adoption of HKFRS 15 of HK\$858 million capitalisation impact on Total CACs and HK\$912 million amortisation impact on Depreciation & Amortisation. Net impact to 3 Group Europe was a reduction in EBIT of HK\$54 million.

Sweden		Denmark		Austria		Ireland		3 Group Europe	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
2.0	2.0	1.4	1.3	3.7	3.6	3.6	3.2	51.0	52.3
2.0	1.9	1.3	1.3	2.9	2.9	2.2	2.1	42.9	44.8
75%	82%	60%	61%	69%	69%	38%	38%	40%	39%
90%	93%	71%	74%	92%	91%	63%	64%	67%	66%
1.8%	2.0%	1.9%	2.2%	0.2%	0.2%	1.1%	1.9%	1.4%	1.6%
100%	100%	100%	100%	100%	100%	98%	98%	97%	97%
96%	96%	97%	97%	80%	80%	62%	64%	84%	86%
86%	84%	98%	98%	99%	99%	98%	94%	-	-
								71.9	53.8

Note 10: 3 Group Europe contract customers' contribution to net customer service margin in 2018 was calculated based on 50% contribution from Wind Tre from January to August 2018 and 100% contribution from September 2018 onwards, whereas 2017 was calculated based on 50% contribution from Wind Tre.

Key Business Indicators

	Registered Customer Base					
	Registered Customers at 31 December 2018 ('000)			Registered Customer Growth (%) from 31 December 2017 to 31 December 2018		
	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	6,243	7,007	13,250	+10%	+1%	+5%
Italy ⁽¹²⁾	19,796	7,266	27,062	-11%	–	-8%
Sweden	519	1,517	2,036	+46%	-7%	+3%
Denmark	551	820	1,371	+8%	+3%	+5%
Austria	1,126	2,548	3,674	–	+1%	+1%
Ireland	2,223	1,342	3,565	+11%	+12%	+12%
3 Group Europe Total	30,458	20,500	50,958	-5%	+1%	-3%

	Active ⁽¹¹⁾ Customer Base					
	Active Customers at 31 December 2018 ('000)			Active Customer Growth (%) from 31 December 2017 to 31 December 2018		
	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	3,129	6,897	10,026	-4%	+1%	–
Italy ⁽¹²⁾	17,760	6,696	24,456	-10%	-2%	-8%
Sweden	438	1,517	1,955	+60%	-7%	+3%
Denmark	511	820	1,331	+8%	+3%	+4%
Austria	387	2,542	2,929	-2%	+1%	+1%
Ireland	880	1,318	2,198	–	+12%	+7%
3 Group Europe Total	23,105	19,790	42,895	-8%	–	-4%

Note 11: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note 12: Italy's customer base as at 31 December 2018 and 31 December 2017 were calculated based on 100% of Wind Tre. In addition to the above, Wind Tre's has 2.7 million fixed line customers.

**12-month Trailing Average Revenue per Active User⁽¹³⁾ ("ARPU")
to 31 December 2018**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2017
United Kingdom	£5.00	£24.51	£18.23	+1%
Italy ⁽¹⁶⁾	€10.32	€14.54	€11.44	-9%
Sweden	SEK117.26	SEK342.66	SEK300.66	+1%
Denmark	DKK89.31	DKK152.39	DKK128.42	-8%
Austria	€10.63	€22.71	€21.09	-3%
Ireland	€15.35	€23.23	€20.00	-8%
3 Group Europe Average⁽¹⁷⁾	€9.60	€23.55	€16.52	-8%

**12-month Trailing Net Average Revenue per Active User⁽¹⁴⁾ ("Net ARPU")
to 31 December 2018**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2017
United Kingdom	£5.00	£17.67	£13.59	-2%
Italy ⁽¹⁶⁾	€10.32	€14.54	€11.44	-9%
Sweden	SEK117.26	SEK223.18	SEK203.44	-2%
Denmark	DKK89.31	DKK139.00	DKK120.11	-8%
Austria	€10.63	€18.74	€17.65	-4%
Ireland	€15.35	€18.75	€17.36	-8%
3 Group Europe Average⁽¹⁷⁾	€9.79	€18.41	€14.06	-8%

**12-month Trailing Net Average Margin per Active User⁽¹⁵⁾ ("Net AMPU")
to 31 December 2018**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2017
United Kingdom	£4.34	£15.33	£11.79	-2%
Italy ⁽¹⁶⁾	€8.12	€12.54	€9.29	-11%
Sweden	SEK93.41	SEK190.46	SEK172.38	-3%
Denmark	DKK75.63	DKK115.42	DKK100.30	-7%
Austria	€9.34	€16.42	€15.47	-1%
Ireland	€13.73	€16.32	€15.26	-7%
3 Group Europe Average⁽¹⁷⁾	€7.91	€15.92	€11.88	-8%

Note 13: ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 14: 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 year.

Note 15: 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 year.

Note 16: Italy's ARPU, Net ARPU and Net AMPU for 2018 and 2017 were calculated based on Wind Tre's figures.

Note 17: 3 Group Europe ARPU, Net ARPU and Net AMPU in 2018 were calculated based on 50% contribution from Wind Tre from January to August 2018 and 100% contribution from September 2018 onwards, whereas 2017 were calculated based on 50% contribution from Wind Tre.

Operations Review – Telecommunications

United Kingdom

EBITDA increased by 7% in local currency compared to 2017 mainly driven by more stringent CACs and operating costs control, as well as higher other margin through various initiatives, partly offset by higher costs incurred for network and IT transformation projects. The 1% increase in EBIT in local currency was due to additional depreciation on a higher asset base and accelerated depreciation charges on certain network assets to be replaced under the network and IT transformation projects.

Italy

In Italy, EBITDA and EBIT in local currency grew by 24% and 12% respectively over 2017, reflecting the accretive contribution from the acquisition of the additional 50% share in Wind Tre during the year.

Wind Tre is the leading mobile operator in Italy with approximately 27.1 million registered mobile customers and approximately 2.7 million fixed-line customers as at 31 December 2018. Wind Tre's mobile active customer base decreased 8% when compared to 2017 mainly due to a new market entrant intensifying price competition targeting low value customers. Encouragingly, the decline in customer base stabilised in the fourth quarter of 2018 and average monthly churn reduced to 2.7% from 3.3% in the third quarter.

Sweden

Sweden, where the Group has a 60% interest, reported 6% EBITDA growth in local currency compared to last year, mainly due to lower operating costs from stringent cost control, partly offset by lower net customer service margin driven by 3% lower net AMPU from keen market competition. However, EBIT decreased 8% in local currency from last year primarily due to higher depreciation and amortisation from an enlarged asset base.

Denmark

The operation in Denmark, where the Group has a 60% interest, reported 10% and 21% decrease in EBITDA and EBIT in local currency respectively compared to last year, mainly due to lower net customer service margin as VAT reclaim was not recognised from August 2017 onwards. Underlying EBITDA, without the VAT reclaim benefit in 2017, would be flat against last year while EBIT would be 6% lower in local currency due to higher depreciation and amortisation from an enlarged asset base and full year impact from new licence recognised in mid-2017.

Austria

EBITDA grew by 10% in local currency compared to 2017, mainly due to higher contribution from the newly acquired fixed operation, Tele2, in November 2017. EBIT decreased by 5% in local currency to €229 million in 2018 as a result of higher depreciation and amortisation from an enlarged asset base.

Ireland

EBITDA and EBIT in local currency were 18% and 6% respectively higher than 2017 due to lower operating cost from disciplined spending and the inclusion of receivables write-off relating to voluntarily churned customers in 2017. Favourable tariff changes were offset by keen market competition and the adverse impact of the EU roaming regulation. 3 Ireland continued to realise synergies during the year and have now substantially achieved the operating expense synergy run rate of €103 million targeted at the time of the acquisition of O₂ Ireland in 2014.

Hutchison Telecommunications Hong Kong Holdings

	2018 HK\$ million	2017 HK\$ million	Change
Total Revenue	7,912	9,685	-18%
- Mobile operation - service	3,662	3,831	-4%
- Mobile operation - hardware	4,250	2,899	+47%
- Discontinued Fixed operation	-	2,955	
EBITDA	1,371	4,337	-68%
- Mobile operation	1,371	1,314	+4%
- Discontinued Fixed operation	-	989	
- Disposition gain	-	2,034	
EBIT	553	707	-22%
- Mobile operation	553	445	+24%
- Discontinued Fixed operation	-	410	
- Disposition gain and accelerated depreciation	-	(148)	
Total active customer base ('000)	3,276	3,328	-2%

HTHKH announced its 2018 profit attributable to shareholders of HK\$404 million. EBITDA was 68% lower as compared to last year mainly due to the disposal of the fixed-line telecommunications business and the associated gain on disposal in October 2017. The adverse variance at EBIT level is lower at a 22% reduction against last year primarily due to the accelerated depreciation charges in 2017 which did not recur in 2018.

Hutchison Asia Telecommunications

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	8,220	7,695	+7%	+13%
- Indonesia	7,314	7,049	+4%	+10%
- Vietnam	561	352	+59%	+59%
- Sri Lanka	345	294	+17%	+26%
EBITDA	1,028	558	+84%	+106%
- Indonesia	1,636	1,185	+38%	+48%
- Vietnam	(494)	(478)	-3%	-3%
- Sri Lanka	36	6	+500%	+533%
- Corporate costs	(150)	(155)	+3%	+3%
EBIT	321	226	+42%	+77%
- Indonesia	1,067	873	+22%	+31%
- Vietnam	(613)	(493)	-24%	-24%
- Sri Lanka	18	2	+800%	+800%
- Corporate costs	(151)	(156)	+3%	+3%
Total active customer base ('000)	49,827	74,959	-34%	

HAT had an active customer base of approximately 49.8 million at the end of 2018, which represents 34% decrease compared to last year, primarily due to 49% decrease in Indonesia's customer base as the government-imposed subscriber registration since April 2018 resulted in a significant number of forced disconnections of multi-SIM users. Indonesia and Vietnam represent 64% and 24% of the total active customer base respectively.

HAT reported revenue, EBITDA and EBIT of HK\$8,220 million, HK\$1,028 million and HK\$321 million respectively, representing 7%, 84% and 42% increase compared to 2017, primarily driven by better operating performance in Indonesia. Despite the drop in active customer base, Indonesia operation reported revenue and margin growth through focusing on higher margin customers, promoting recharge activities and improving distribution strategies. This is partly offset by the margin decline in Vietnam as a result of strong competition, aggressive pricing in the market and delays in network rollout. The EBITDA growth was partly offset by higher depreciation and amortisation with the continued network rollout and enhancements in Indonesia and Vietnam, as well as additional amortisation of the new spectrum licences in Indonesia.

In November 2018, the Group completed the acquisition of Etisalat Lanka and now holds 85% interest in the enlarged Sri Lanka telecommunication business.