

**PCCW**®

# 2006 Interim Results

*For the period ended June 30, 2006*

**September 14, 2006 - Hong Kong**



# Forward-Looking Statements

This presentation contains "forward-looking statements" that are not historical in nature. These forward-looking statements, which may include statements regarding PCCW's future results of operations, financial condition or business prospects, are based on the current beliefs, assumptions, expectations, estimates, and projections of the directors and management of PCCW about the business and the industry and markets in which PCCW operates. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond PCCW's control and are difficult to predict.

Actual results could differ materially from those expressed, implied or forecast in these forward-looking statements for a variety of factors. These factors are set out in PCCW's 2005 Annual Report on Form 20-F filed with the United States Securities and Exchange Commission on May 11, 2006.

# 概覽

蘇澤光

副主席  
兼  
集團董事總經理

# 2006 年上半年財務表現

(百萬美元)

05 年上半年

06 年上半年

綜合收益	1,500	1,811
綜合EBITDA	415	468
期內溢利	141	138
股權持有人 應佔溢利	122	102

董事會宣派中期股息每股港幣 **6.5** 分

# 2006 年上半年業績

## 核心電訊業務 穩定

- ✦ 固網電話線路數目進一步增長，市場佔有率回升至 68%
- ✦ 寬頻業務配合優質增值服務，亦錄得強勁增長

## 電視及內容業務 增長

- ✦ **now** 用戶增加，每用戶平均收益上升，推出更多頻道
- ✦ 全新互動服務：**now** 財經台 **nowshop** **now Game**
- ✦ **moov** – 提供全港最具規模的網上數碼音樂庫

## 不斷創新

- ✦ 成功推出 3G 試用服務
- ✦ **電訊盈科** 流動通訊 應用全球首項流動多媒體電視廣播(CMB)技術
- ✦ 推出 **now** 及 **netvigator** 的跨平台多媒體內容

## 其他業務拓展

- ✦ 電訊盈科企業方案獲得多項大型ICT合約
- ✦ 萃鋒獲得區內多份網絡工程合約
- ✦ 客戶聯絡中心獲得多家大型機構的合約

# 與中國網通的合作

## 寬帶

- 已簽訂收購網通寬帶五成股權的買賣協議
- 已獲准網通寬帶重組，待信息產業部批准，即將與中國網通簽訂各佔五成權益的合營協議

## 寬頻電視

- 萃鋒將會為中國網通提供寬頻電視顧問服務
- 雙方繼續進行磋商，研究由中國網通、電訊盈科及其他战略合作夥伴共同成立合營公司

## 電話指南業務（黃頁）

- 繼續與中國網通磋商，研究與中國網通及其他战略合作夥伴成立合營公司，經營網上及印刷版本的電話指南業務

## 物業發展

- 已經就北京呼家樓地盤的發展計劃最終定稿，包括修訂中國網通電話機樓的原本規劃。北京市政府已展開審批程序
- 完成北京市中心東四區另一個潛在發展項目的可行性研究

## 數據中心合作

- 正與中國網通於廣東拓展新數據中心業務

# 展望

## 核心電訊業務

- ✦ 傳統電話服務業務保持其市場地位
- ✦ 業界已見整合跡象，市場零售價格改善
- ✦ 有穩定的現金流，為發展新業務提供資金



- ✦ 以創新技術在寬頻電視領域保持全球領先地位
- ✦ 推出更多互動及獨家節目內容，以配合持續增長

## 流動電話業務

- ✦ 推薦 3G 試用客戶選用不同的月費計劃
- ✦ 流動電視等創新服務將會令 **電訊盈科** 流動通訊脫穎而出
- ✦ 全面整合的「四網合一」電訊服務

## 其他業務

- ✦ 萃鋒及電訊盈科企業方案帶來新的資金流
- ✦ 憑藉穩定的核心電訊業務及財務實力繼往開來

# *Overview*

*Jack So*

*Deputy Chairman  
&  
Group Managing Director*



# H1'06 Financial Performance

(US\$ million)	H1'05	H1'06
Consolidated Revenue	1,500	1,811
Consolidated EBITDA	415	468
Profit for the Period	141	138
Profit Attributable to Equity Holders	122	102

**The Board Has Declared an Interim Dividend of  
6.5 HK Cents Per Share**

# H1'06 Achievements

## Core Telecom Stabilized

- ✦ Further fixed lines gain and market share returned to 68%
- ✦ Strong broadband growth with high quality VAS

## TV & Content Growth

- ✦ More **now** subscribers, higher ARPU & more channels
- ✦ New interactive services: **now** 財經台 **now** shop **now** Game
- ✦ **moov** – largest on-line digital music library in HK

## Non-stop Innovation

- ✦ Successful 3G trial service
- ✦ World's first CMB Mobile TV technology on **PCCW mobile**
- ✦ Multimedia content from **now** & **netvigator** launched across platforms

## Other Businesses Expanded

- ✦ PCCW Solutions awarded major ICT contracts
- ✦ CASCADE won regional network projects
- ✦ Contact centers received contracts from major corporations

# Co-operation with China Netcom

## Broadband

- Sale & Purchase Agreement for acquisition of 50 percent stake in CNCBB was signed
- Approval for restructuring CNCBB obtained. Pending approval from MII, will soon sign a 50-50 JV agreement with China Netcom

## IPTV

- CASCADE will provide IPTV consultancy services to China Netcom
- Continuing discussions on possibility of a JV between China Netcom, PCCW and other strategic partners

## Directories (Yellow Pages)

- Continuing discussions on possibility of a JV with China Netcom and other strategic partners to operate Internet and printed directories businesses

## Property Development

- Finalized the Hujialou site development scheme including modification of China Netcom telephone exchange, Government approval process underway
- Completed joint feasibility study of potential development site at Dongsu in central Beijing

## Data Center Cooperation

- Jointly developing new data center services with China Netcom in Guangdong

Note: China Netcom is the acronym for China Netcom Communications Group Corporation.  
CNCBB is China Netcom Broadband Corporation Limited

# Outlook

## Core Telecom

- ✦ Retain market position in traditional telephony services
- ✦ Signs of industry consolidation & improvements in market retail prices
- ✦ Stable cash flow to finance new business development



- ✦ Maintain worldwide IPTV leadership with innovations
- ✦ More interactivity & exclusive content to support continued growth

## Mobile

- ✦ Migrate 3G trial users to various pricing plans
- ✦ Innovations such as mobile TV will differentiate **PCCW** mobile
- ✦ Fully integrated telecom services for quadruple play

## Other Businesses

- ✦ New revenue streams from CASCADE and PCCW Solutions
- ✦ Building on core telecom stability and financial strength

# *Financial & Business Review*

*Alex Arena*

*Executive Director  
&  
Group Chief Financial Officer*

# Summary P&L

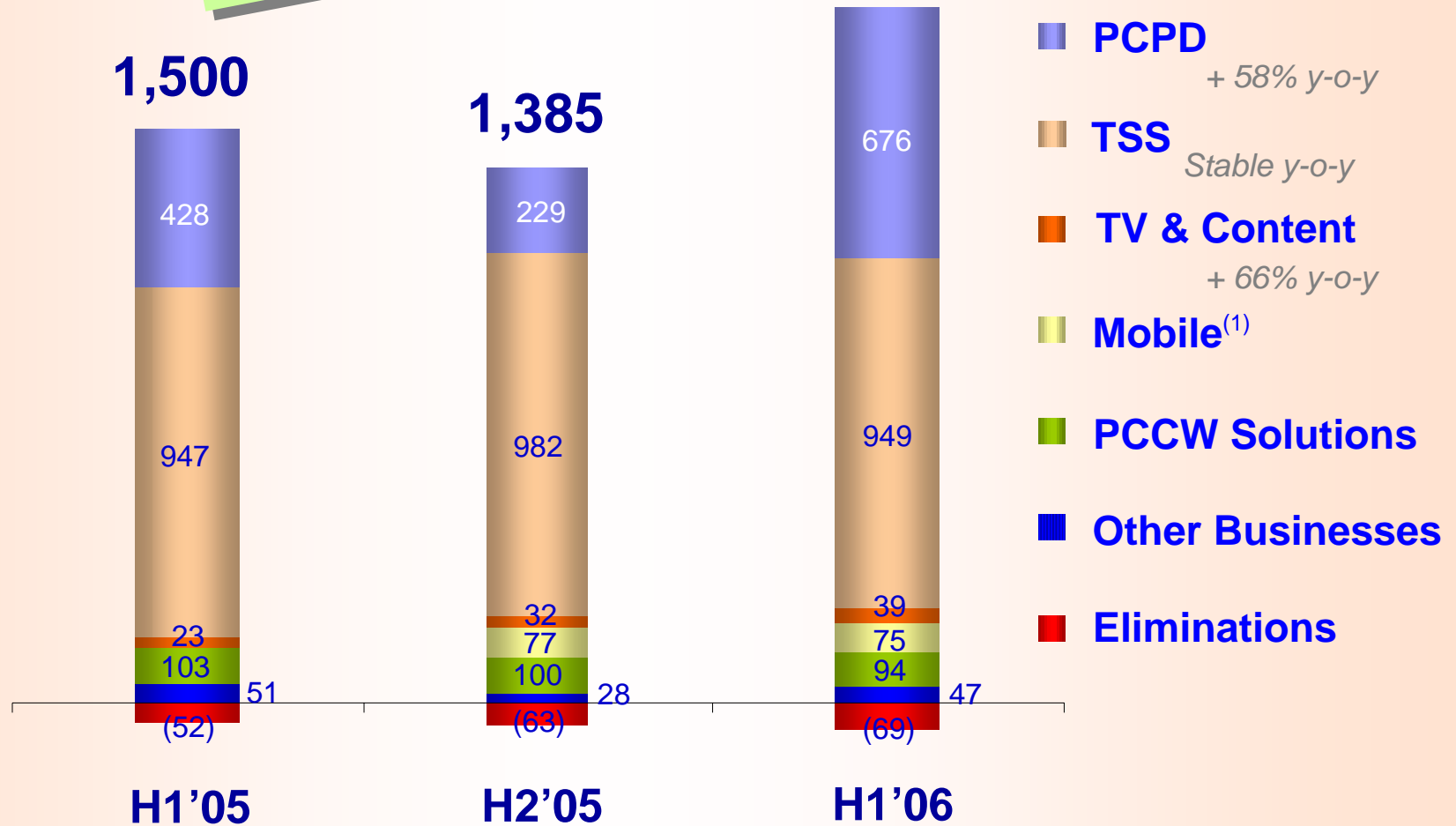
(US\$ million)	H1'05	H1'06
<b>Revenue</b>	<b>1,500</b>	<b>1,811</b>
Cost of Sales	(756)	(969)
General and administrative expenses	(491)	(562)
<b>Operating profit</b>	<b>253</b>	<b>280</b>
Other gains, net	70	13
Finance costs, net	(119)	(79)
Share of results of associates	13	2
<b>Profit before taxation</b>	<b>217</b>	<b>216</b>
Taxation	(76)	(78)
<b>Profit for the period</b>	<b>141</b>	<b>138</b>
<i>Attributable to:</i>		
Equity holders of the Company	122	102
Minority interests	19	36

Note: H1'06 included post-acquisition results of SUNDAY (H1'05: nil)

# Revenue

(US\$ million)

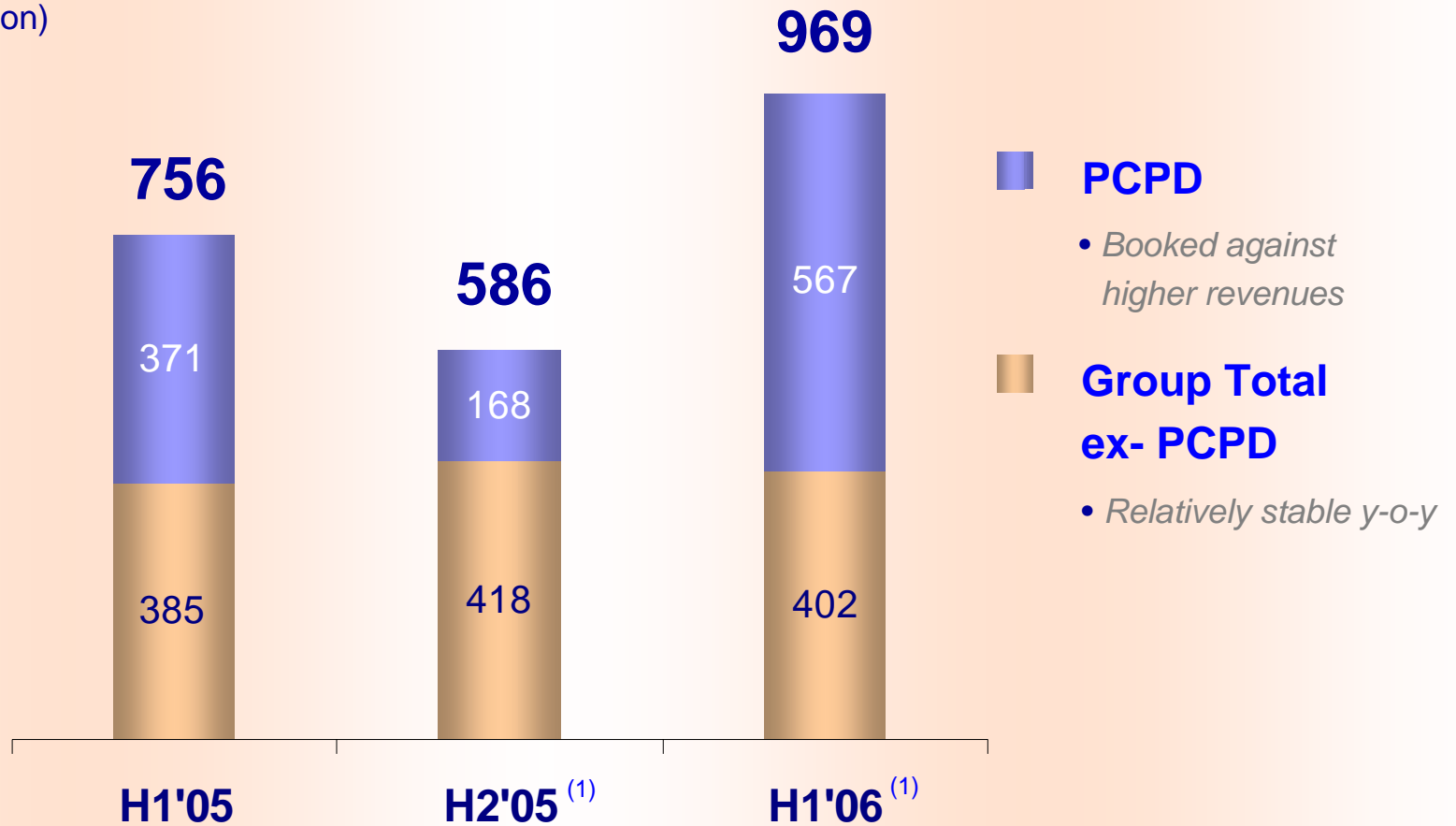
Up 21% y-o-y



(1) Included post-acquisition results of SUNDAY in H2'05 and H1'06

# Cost of Sales

(US\$ million)

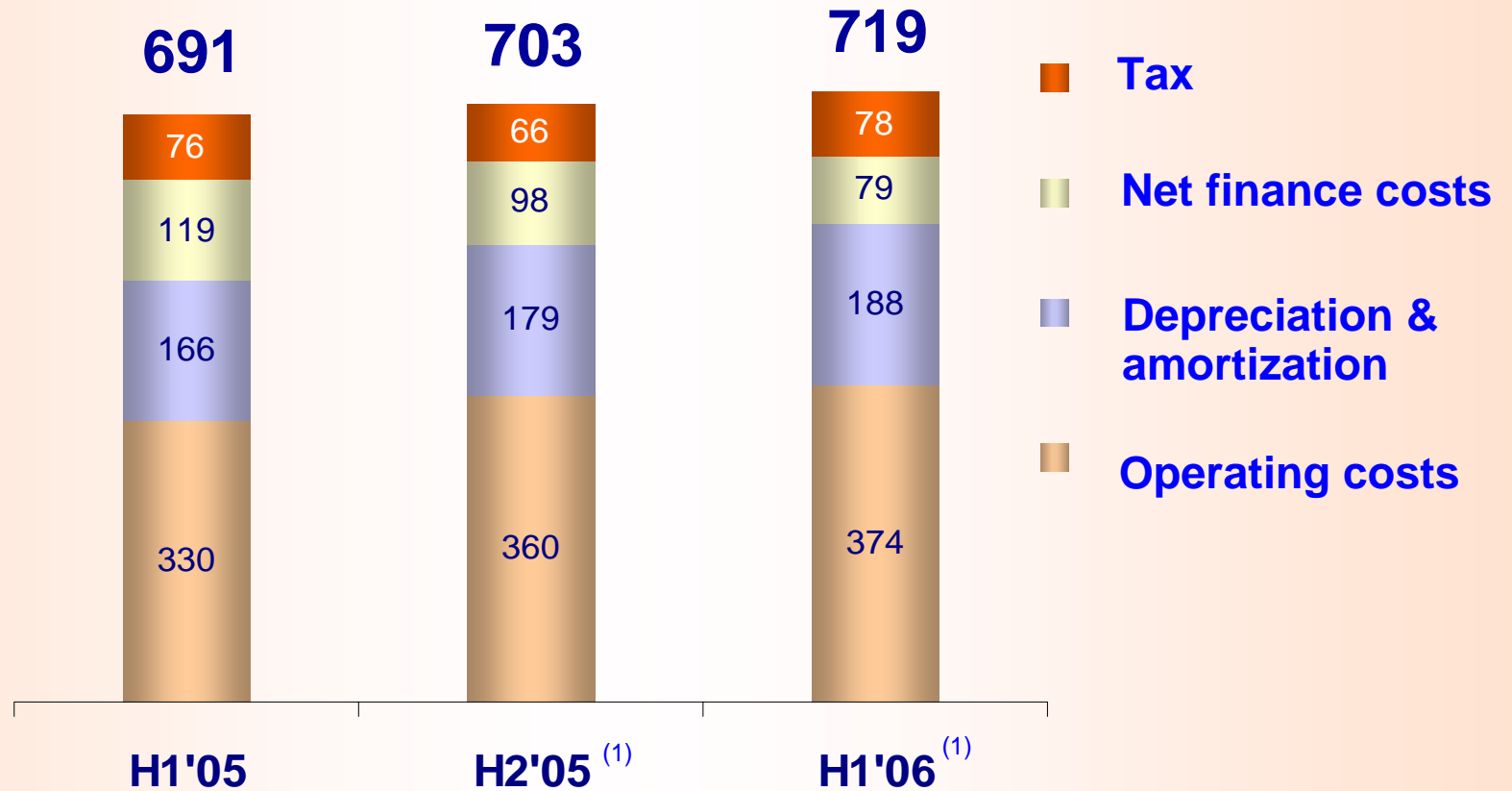


(1) Included post-acquisition results of SUNDAY in H2'05 and H1'06



# Expenses

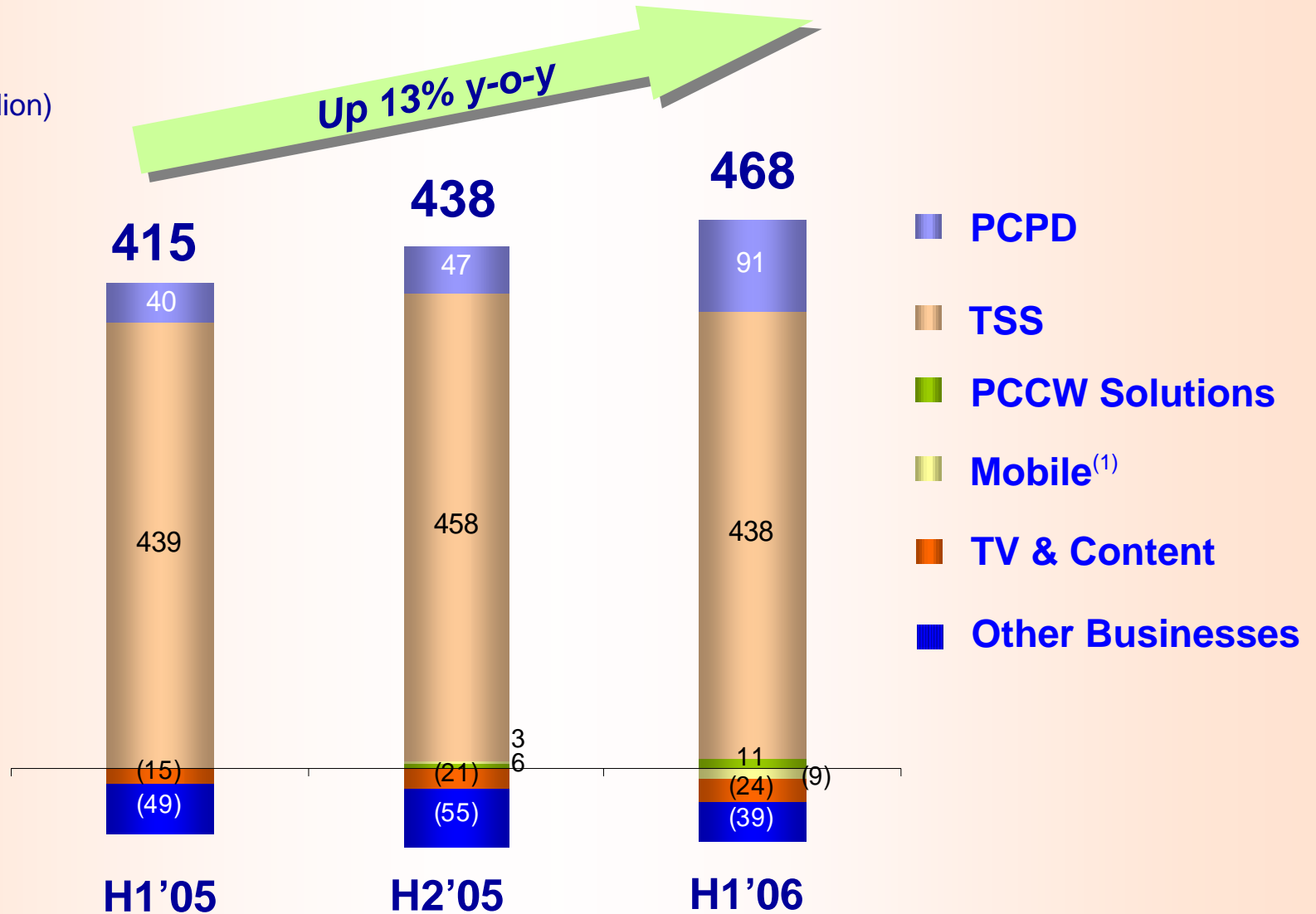
(US\$ million)



(1) Included post-acquisition results of SUNDAY in H2'05 and H1'06

# EBITDA

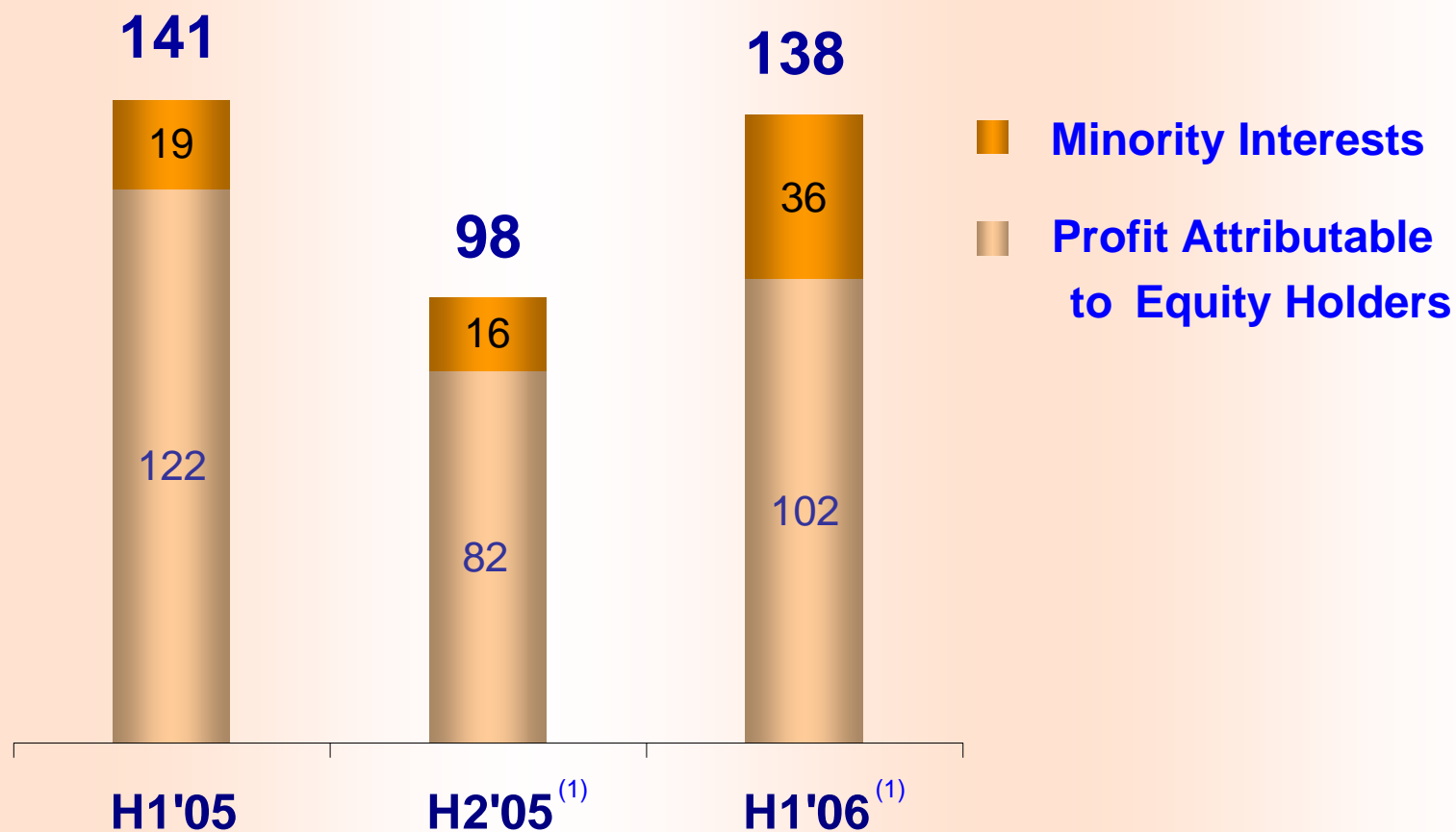
(US\$ million)



(1) Included post-acquisition results of SUNDAY in H2'05 and H1'06

# Profit for the Period

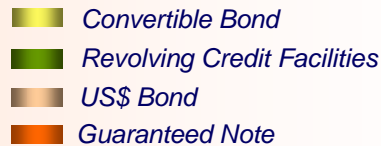
(US\$ million)



(1) Included post-acquisition results of SUNDAY in H2'05 and H1'06

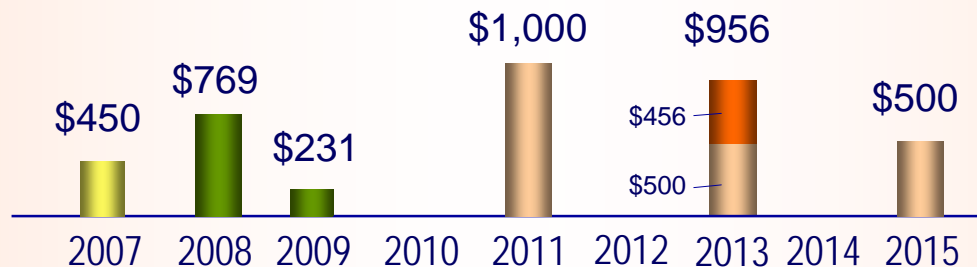
# Debt Profile

(US\$ million)



Gross debt: US\$ 3,906m

As of June 30, 2006



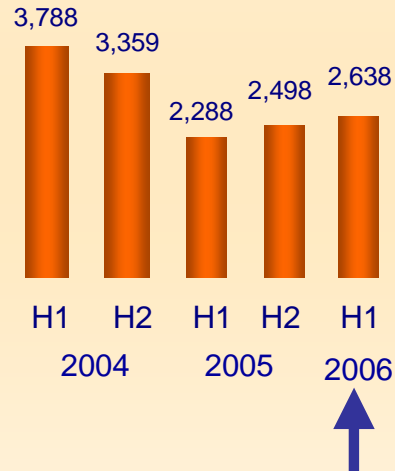
- US\$450m convertible bonds due January 2007 (plus accrued interest and redemption premium) defeased already
- Average debt maturity at approximately 5 years
- Average cost of debt at approximately 6.4%
- Raised US\$827m revolving credit facility at PCCW in July 2006. Total medium term revolving credit lines added up to US\$2.2bn available for liquidity and further debt retirement

# Solid Credit Fundamentals

## Net Debt

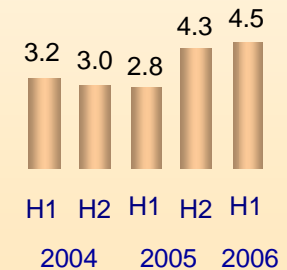
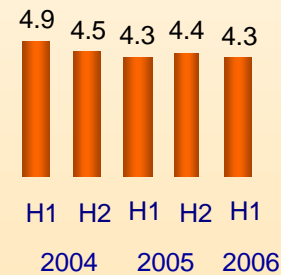
(US\$ million)

■ PCCW consolidated  
■ HKTC only

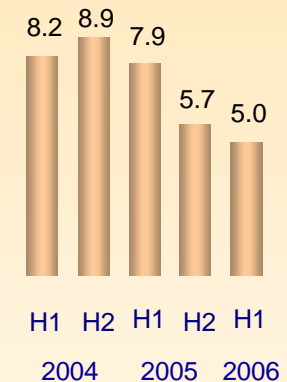
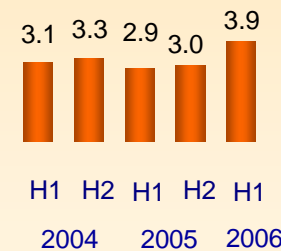


**Gross Debt up 4.5% h-o-h to US\$ 3,906 m**  
**Net Debt up 5.6% h-o-h to US\$ 2,638 m<sup>(3)</sup>**  
**Net Debt/ EBITDA<sup>(1)</sup> as of H1'06 is 2.9**

## Gross Debt/ EBITDA<sup>(1)</sup>



## EBITDA/ Interest<sup>(2)</sup>



(1) Based on the gross debt/ net debt as at period end divided by EBITDA for the last 12-month period

(2) Based on EBITDA for the period divided by gross interest plus finance fees

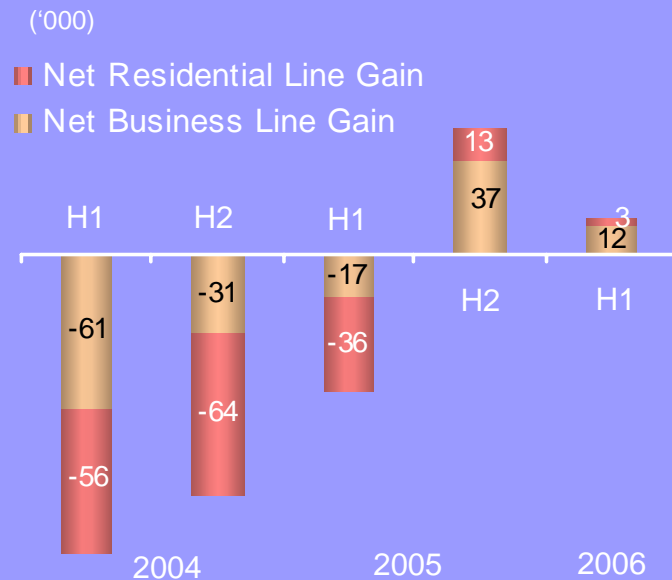
(3) Net debt refers to the principal amount of short-term and long-term borrowings, minus cash and cash equivalent and certain restricted cash

\* Historical figures have been restated

# *Operational & Strategic Review*

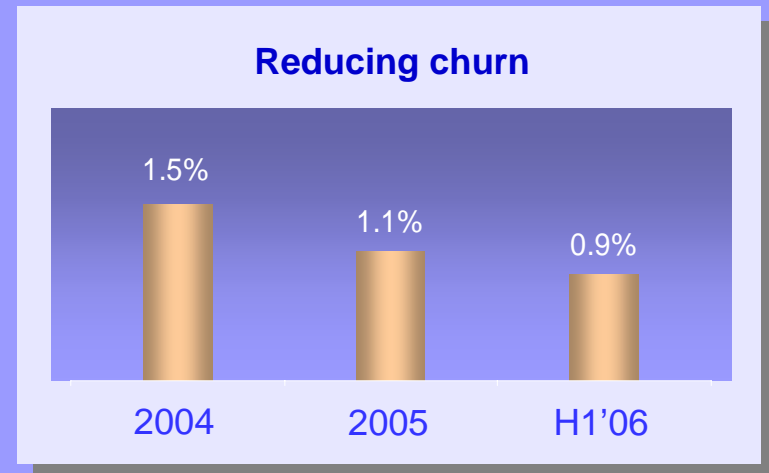
# Recovery of Fixed Line Business

## Continued Growth in Fixed Line



- Achieved growth in both residential and business lines every month since July 2005
- Focusing on increasing ARPU

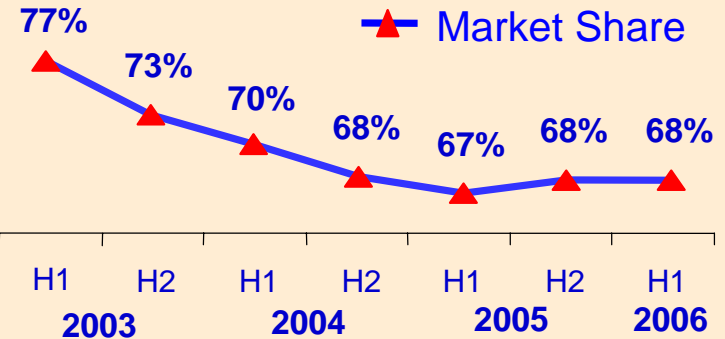
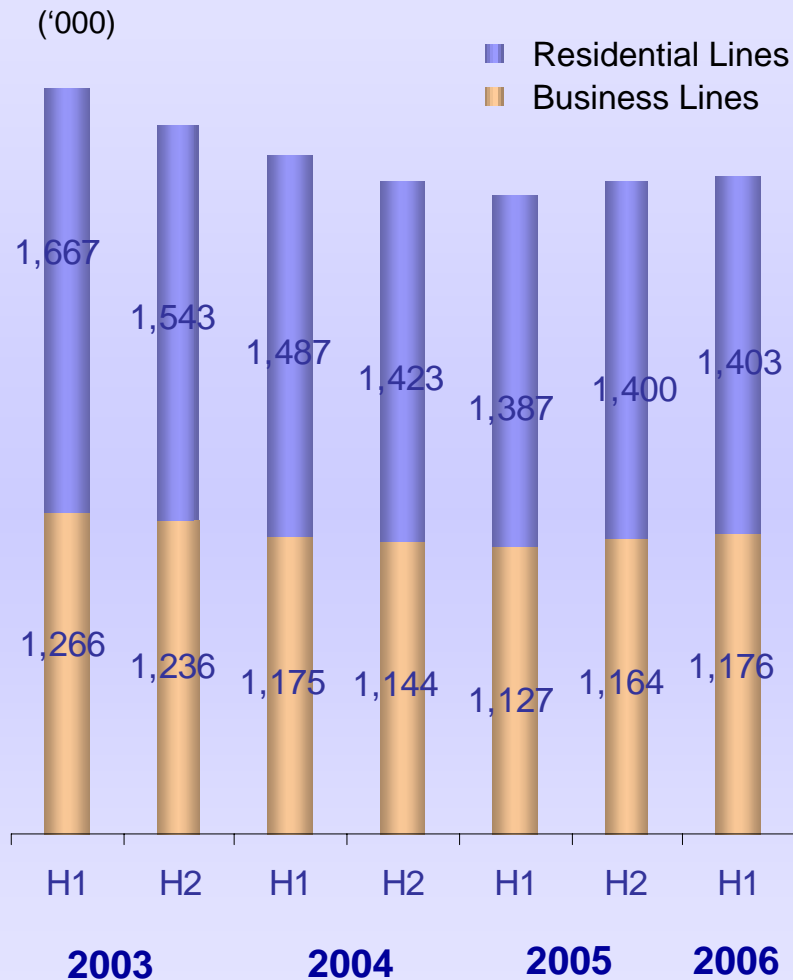
## Effective Retention Strategy



- Strong brand preference built on high quality and service innovation
- Customer loyalty strengthened
- Average monthly churn narrowing: current churn rate less than 1%

# From Stabilization to Growth

## Fixed Lines



## Back to Growth




- Market share returned to 68%
- ARPU stabilization in H1'06
- Stable customer base supports growth in related areas
- Rising retail IDD volume +11% y-o-y
- Increasing sales of **now**, **net navigator** and mobile services
- More innovative services to come



## Broadband Lines Continue to Grow



## Broadband Drivers

- Steady 16% growth outpacing the market at 7%
- Strategy to enrich Netvigator's premium quality services with full range of VAS & content offerings
  -  the largest on-line digital music library launched in April on [now.com.hk](http://now.com.hk)
-  continues to be a strong driver
  - 69% of consumer broadband lines have  installed
- Churn rate remains less than 1%
- Market has increased retail prices

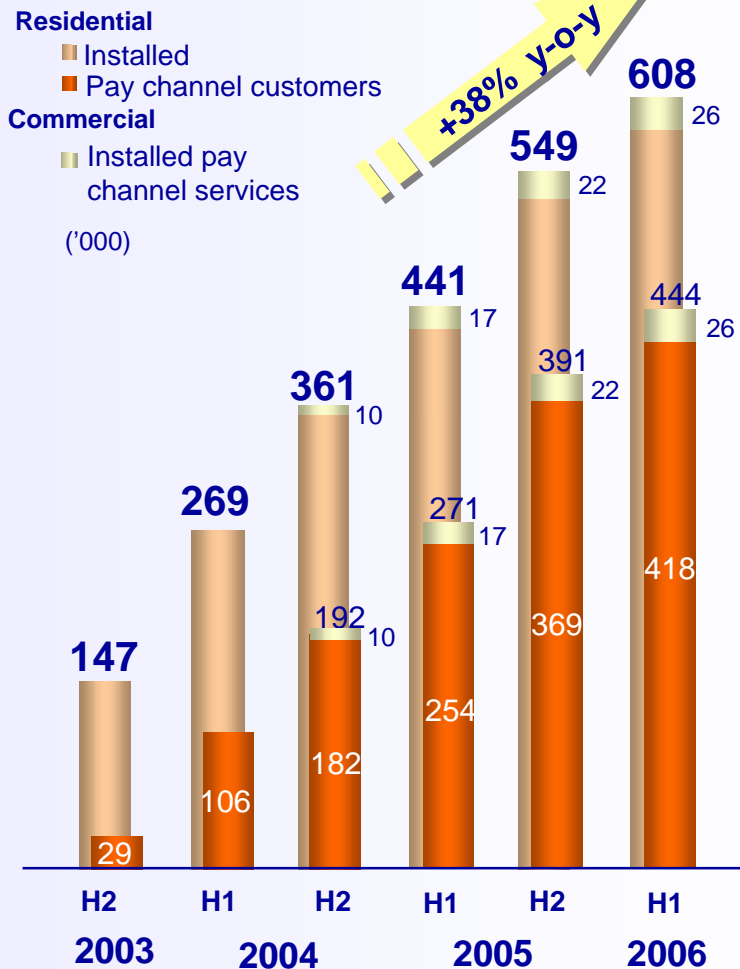


# Momentum Continues

Strong Demand for **now** TV

Reached **654,000** at end of August

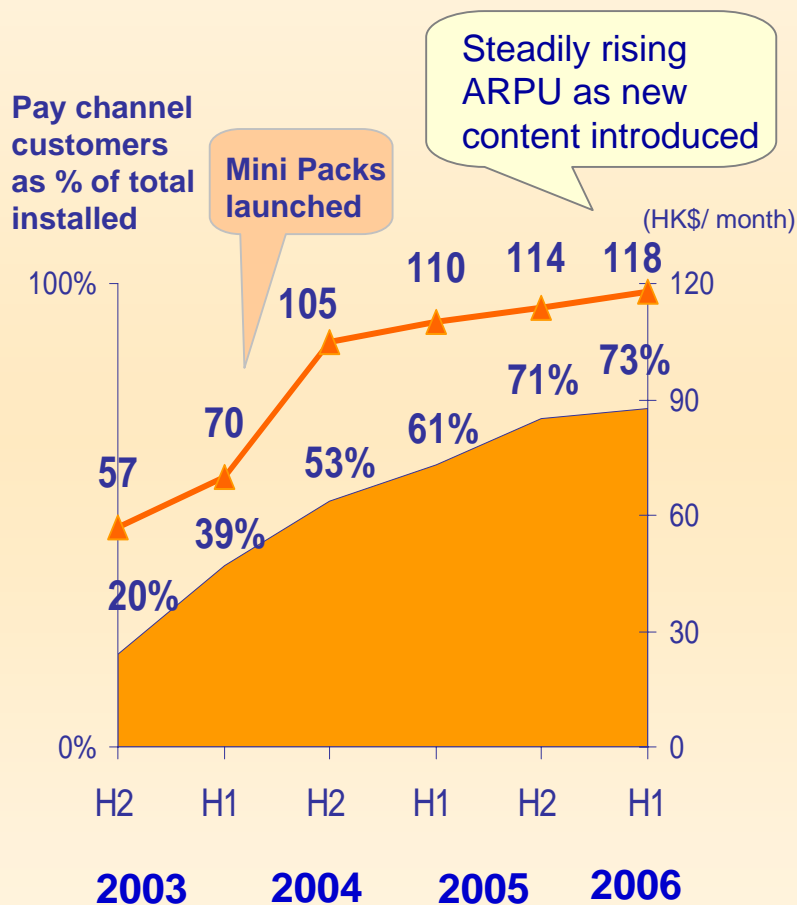
**now** Drivers



- **Quality, quantity, and variety of content:** 118 channels
- **38 exclusive channels:** ESPN, STAR SPORTS, HBO, STAR Movies, Mei Ah, and more
- **Best selection of local content:** TVB Pay Vision, NOW Business News, 24-hr ATV News, STAR Chinese Movies, etc
- **Newly launched:** UEFA Champions League exclusive, HBO Signature Plus 1, National Geographic Wild, AXN, TV5, and A1
- **HDTV** trial in progress

# now TV Strategy for Higher ARPU

## Pay Channel Customers & ARPU



## now TV ARPU Drivers

### Full range of pricing plans

- A La Carte
- Mini Packs – min \$138
- Value Packs – \$288 and Super \$388
- TVB Packs – local content attracting new customer segments

### New interactivity services

-  Interactive shopping mall
-  Popular casual games for the whole family
-  Real time stock quotes
- Plus  

# New Content on **now** TV



**UEFA Champions League**



AXN- delivering BIG Buzz, BIG Thrills, BIG Action and BIG Adventure 24 hours a day



About the animal kingdom and the wildlife in our world

**TV5MONDE**

A 24-hour all French channel providing news, drama series, documentaries, sports, film and entertainment programs



Asia's Number 1, Adventure lifestyle channel

***All HBO Channels Exclusive from July 2006***

# UEFA Champions League **Exclusive**

## Content on Multiple Platforms



- Broadcasting 77 games live
- Simultaneous broadcast up to 4 games
- All 125 games on demand on



now.com.hk

- Broadcasting all 125 games live
- **now** / **ESPN** jointly developed UEFA Champions League on-line Challenge Games



PCCW mobile

- Video clips of all 125 games
- Content includes preview, match highlights, etc. from **now**

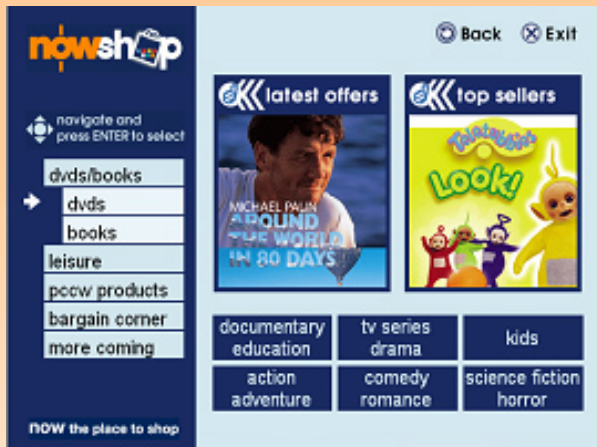




# New Interactive Services on **now** TV



- **now** TV the place to shop
- Interactive shopping mall
- DVDs/Books, Kids/Sports, Leisure, PCCW Products, Bargain Corner & more



**Mall out of the box!!**



- Stock Market Express – Real Time Quotes
- Stock quotes, FX spot rates and gold prices
- Transactional capabilities to come



- A selection of casual games for the whole family
- Currently 8 games on free trial for high ARPU customers
- Major enhancement by November '06



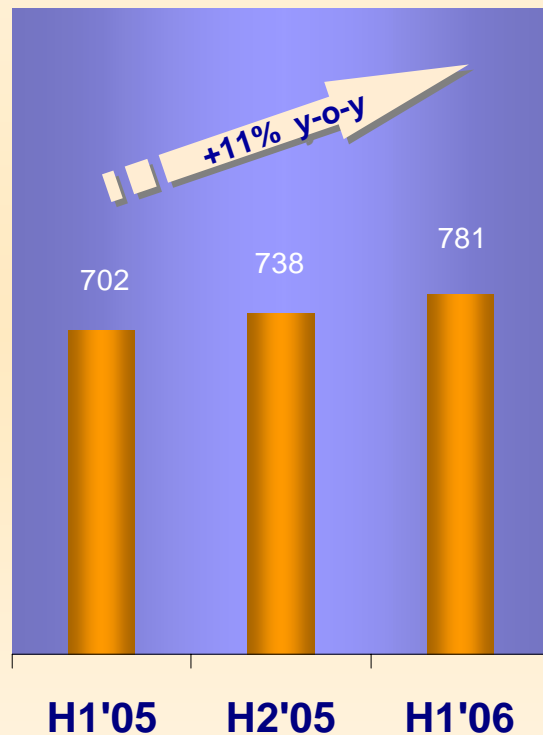
# To Reiterate **now**<sup>TV</sup> 2006 Targets

- Exceed 750,000 installed customers
- Continue to enrich the user experience through more interactivity and access to more content
- Further increase in ARPU and percentage of pay channel customers
- Introduce HDTV
- **Achieve EBITDA breakeven by end 2006**

# 2G Mobile Business Performance

## Growing 2G Subscriber Base

('000)



- **Continued growth in 2G subscribers**
  - *Marketing to a wider PCCW customer base*
  - *Network coverage & service quality enhanced with more cell sites*
- **Market share rose in face of severe competition**
- **2G opex stable despite increase in subscribers**



# **PCCW** mobile Migrating 3G Trial Users

- **Very valuable feedback received from 3G trial**
  - *Understanding of viewing habits and content preference*
  - *Added 3G cell sites with more comprehensive coverage*
  - *Enhanced reliability and network resilience*
- **Opened up our 3G network to new customers in August**
- **Migration of 3G trial users to pricing packages underway**



# now on PCCW mobile

- Exclusive **now** content made available to **PCCW mobile** customers
- Utilizing CMB technology, content can be broadcast more efficiently and to a large group of users
- Initial programming will include local & international news, finance & sports:



MOBILE **ESPN**

- Other entertainment and infotainment available soon:



# Quadruple Play


## Complete Platform for Integrated Services

### Fixed-line

- Continued line gain
- Market share returned to 68%



### Broadband

- 998k lines, up 16% y-o-y
-  moov music library launched



### Pay TV

- 608k subscribers, up 38% y-o-y
- HDTV in trial



### Mobile

- Migrating PCCW 3G trial users
- Launched Mobile TV



# Appendix

# New Reporting Segments

## TSS

- Local telephony
- Broadband access services
- IDD
- Local & International data
- Sales of CPE
- Technical maintenance & subcontracting
- Teleservices business

## TV & Content

- now TV
- now.com.hk

## Mobile

- 2G & 3G mobile business

## PCCW Solutions

- PCCW ICT services & solutions (HK & PRC)
- CTJV

## PCPD

- Bel-Air
- Other Property Development Projects
- Facilities Management

## Other Businesses

- Directories
- UK Broadband
- Taiwan
- Corporate Functions

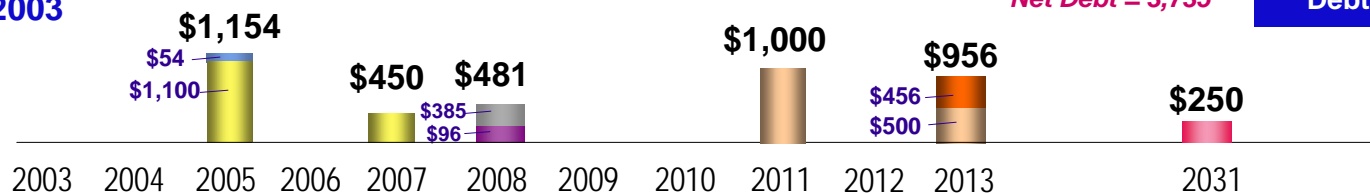
# PCCW Consolidated Debt Maturity Profile

(US\$ million)

**Dec 2003**

Net Debt = 3,735

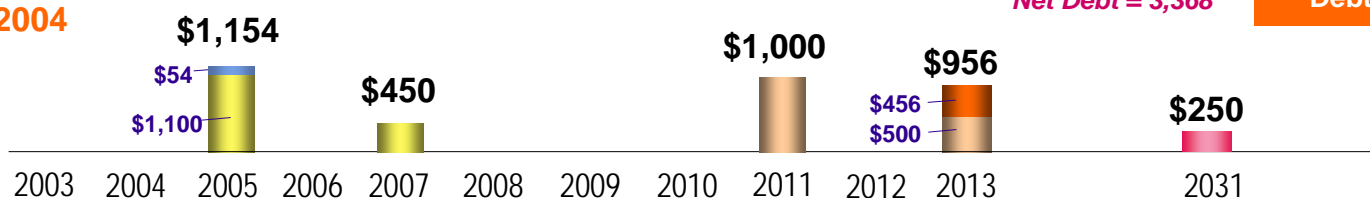
Debt<sup>1</sup> to EBITDA = (4,424 / 948) = 4.67x



**Dec 2004**

Net Debt = 3,368

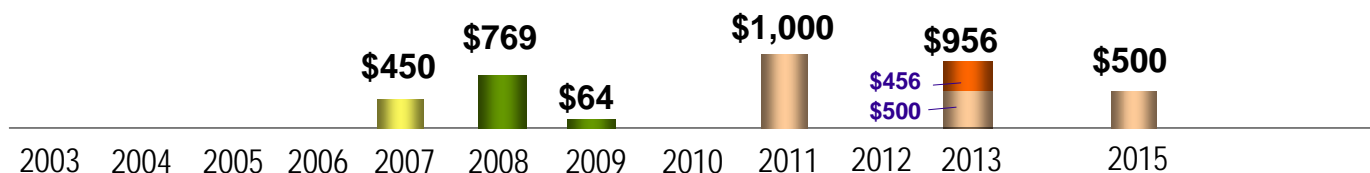
Debt to EBITDA = (3,816 / 842) = 4.53x



**Dec 2005**

Net Debt = 2,498

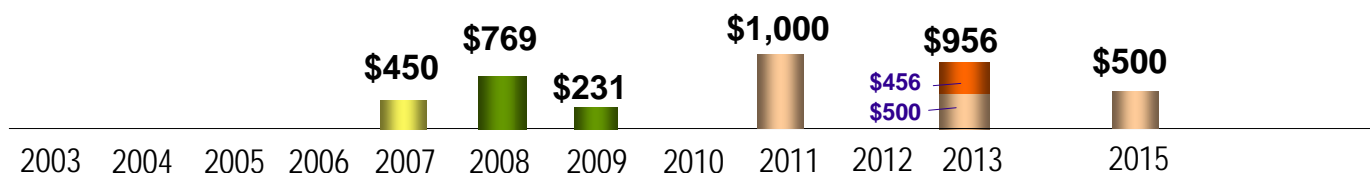
Debt to EBITDA = (3,739 / 853) = 4.38x



**Jun 2006**

Net Debt = 2,638

Debt to EBITDA = (3,906 / 906) = 4.31x



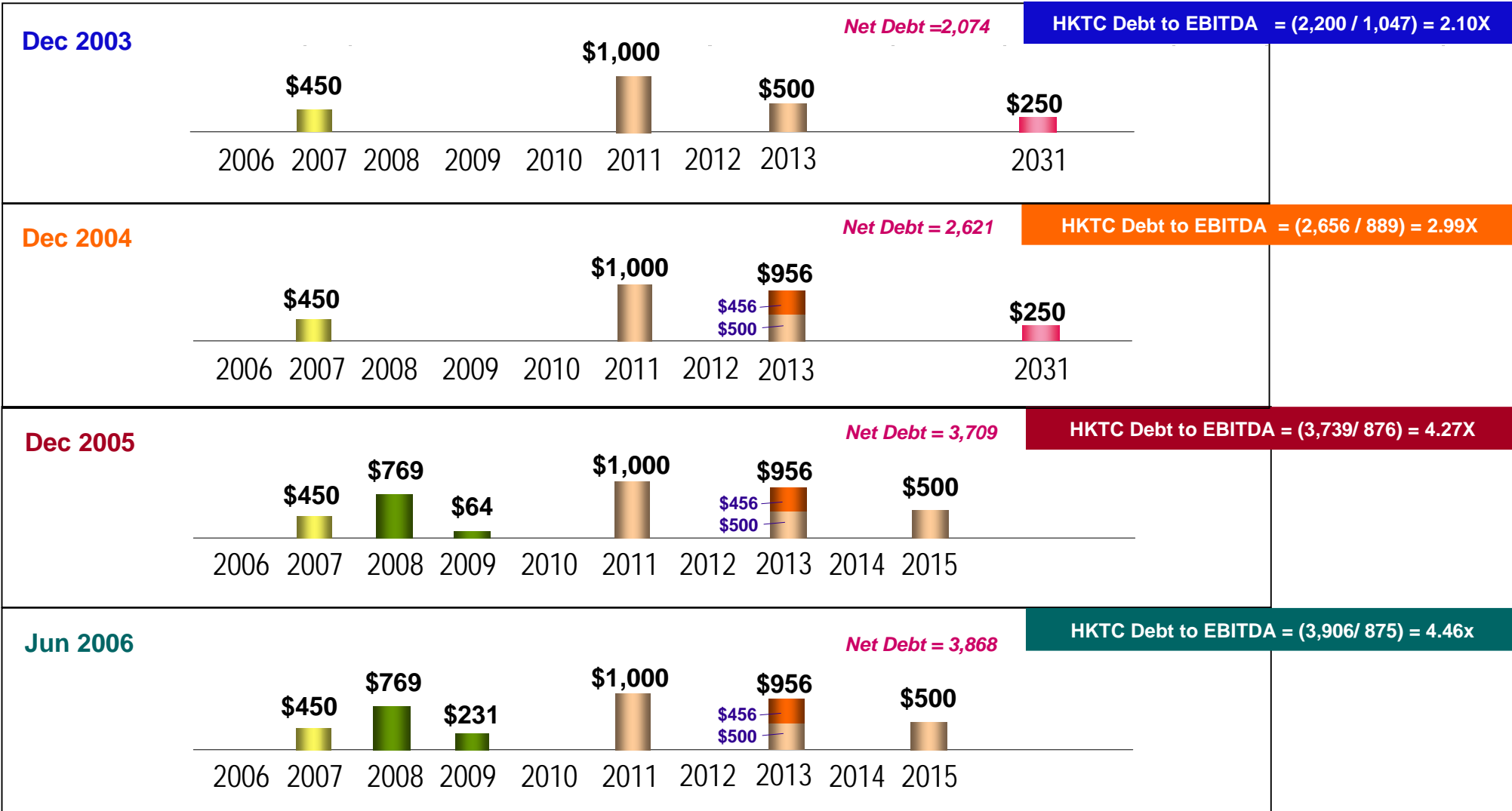
- HK\$750m Term Loan Facility
- Mandatory Convertible Note
- HK\$3,003m Term Loan Facility
- Revolving Credit Facilities

- Convertible Bonds
- Japanese Yen Bond
- US\$ Bond
- 7.88% Guaranteed Note

<sup>1</sup> Includes Beijing property RMB loan

# HKTC Debt Maturity Profile

(US\$ million)



- Revolving Credit Facilities
- Convertible Bonds
- Japanese Yen Bond
- US\$ Bond
- 7.88% Guaranteed Note