



2012 Interim Results

For the period ended June 30, 2012

August 10, 2012 - Hong Kong

Forward-Looking Statements

This presentation may contain “forward-looking statements” that are not historical in nature. These forward-looking statements, which include, without limitation, 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, the industry and the 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 forecasted in these forward-looking statements for a variety of factors.

Overview

George Chan

Group Managing Director

Solid Financial Performance

(US\$ million)	Core Business*			Consolidated		
	<u>H1'11</u>	<u>H1'12</u>	% change	<u>H1'11</u>	<u>H1'12</u>	% change
<i>Revenue</i>	1,402	1,418	+ 1%	1,562	1,526	- 2%
<i>EBITDA</i>	453	471	+ 4%	484	492	+ 2%
<i>Profit</i> <i>Attributable to</i> <i>Equity Holders</i>	100	106	+ 6%	106	107	+ 1%

The Board has declared an interim dividend of 5.51 HK cents per share

* Core business includes HKT, Media and Solutions Businesses

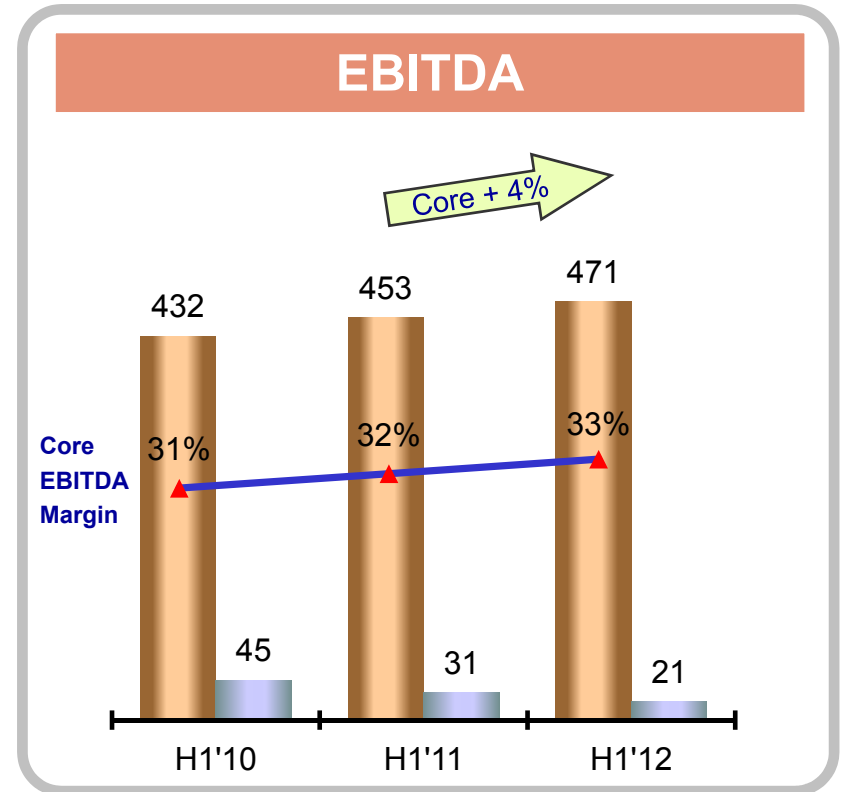
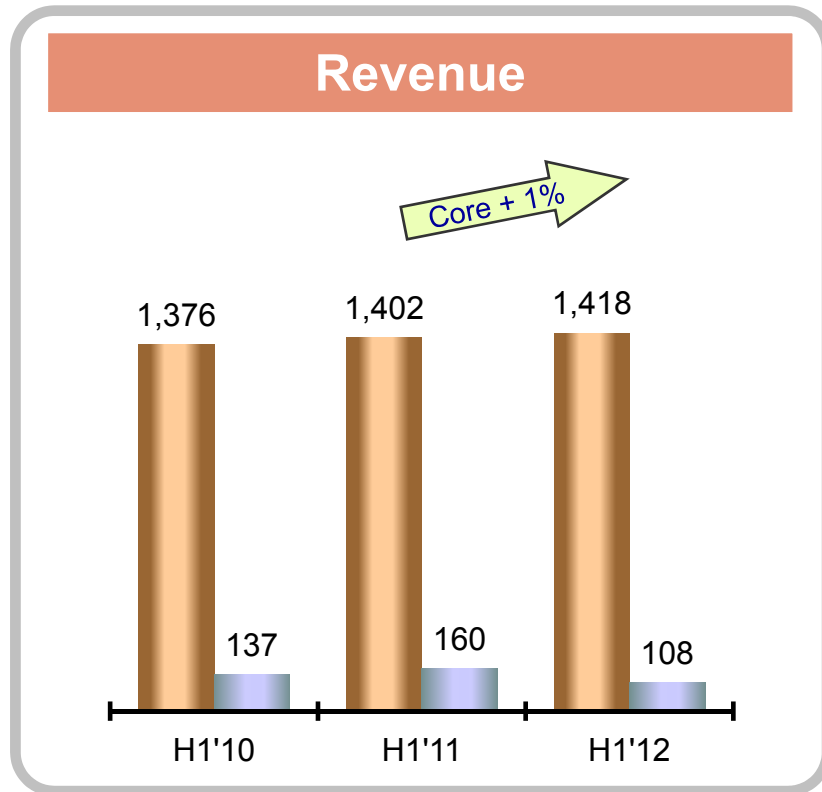
Financial Review

Susanna Hui

Group Chief Financial Officer

Sound Results Across Core Businesses

(US\$ million) ■ Core Business* ■ PCPD



- Revenue grew across all core business segments
- Increase in EBITDA underpinned by solid performance of HKT and moderate growth in the Media and Solutions businesses

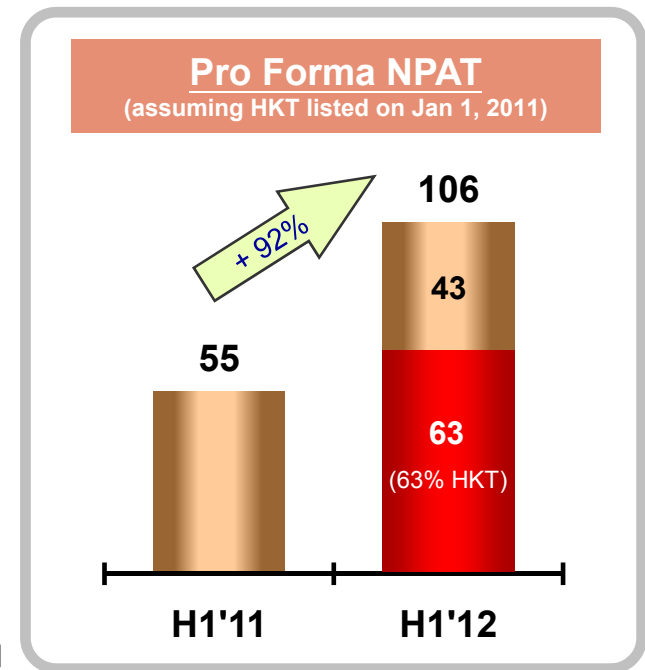
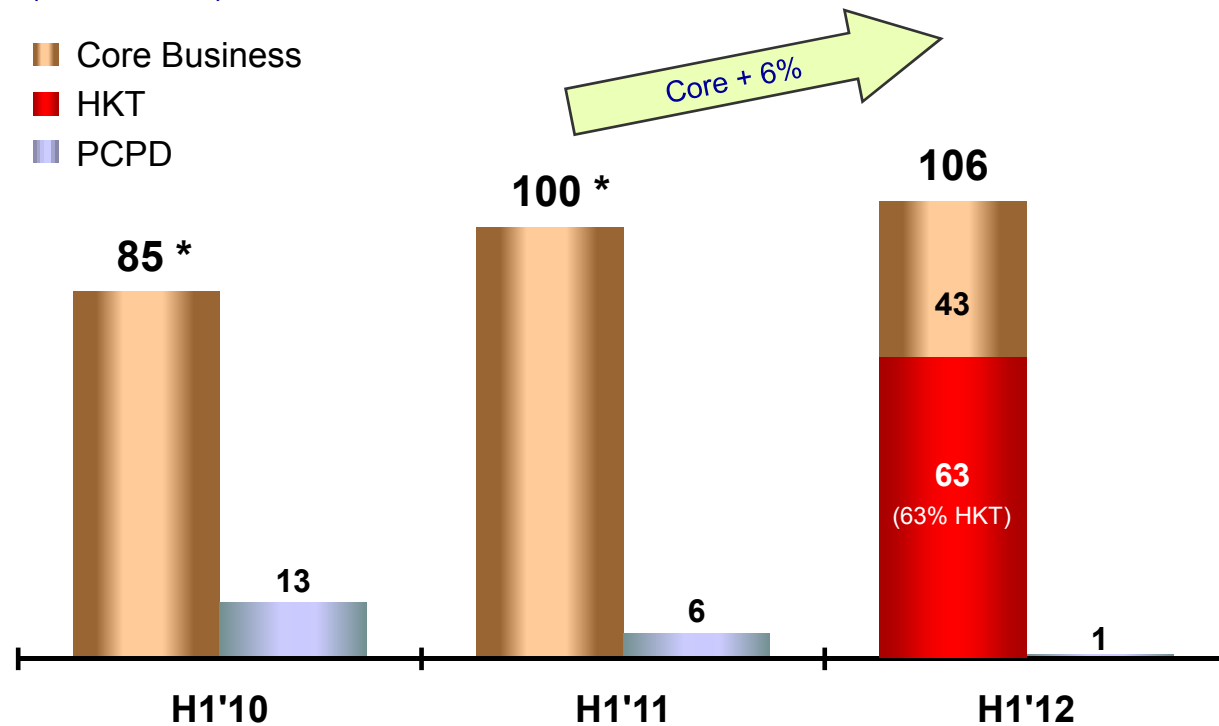
* Core business includes HKT, Media and Solutions Businesses

Continued Profit Growth

Profit Attributable to Equity Holders

(US\$ million)

- Core Business
- HKT
- PCPD



Earnings Per Share : 11.51 HK cents (H1'11: 11.33 HK cents)

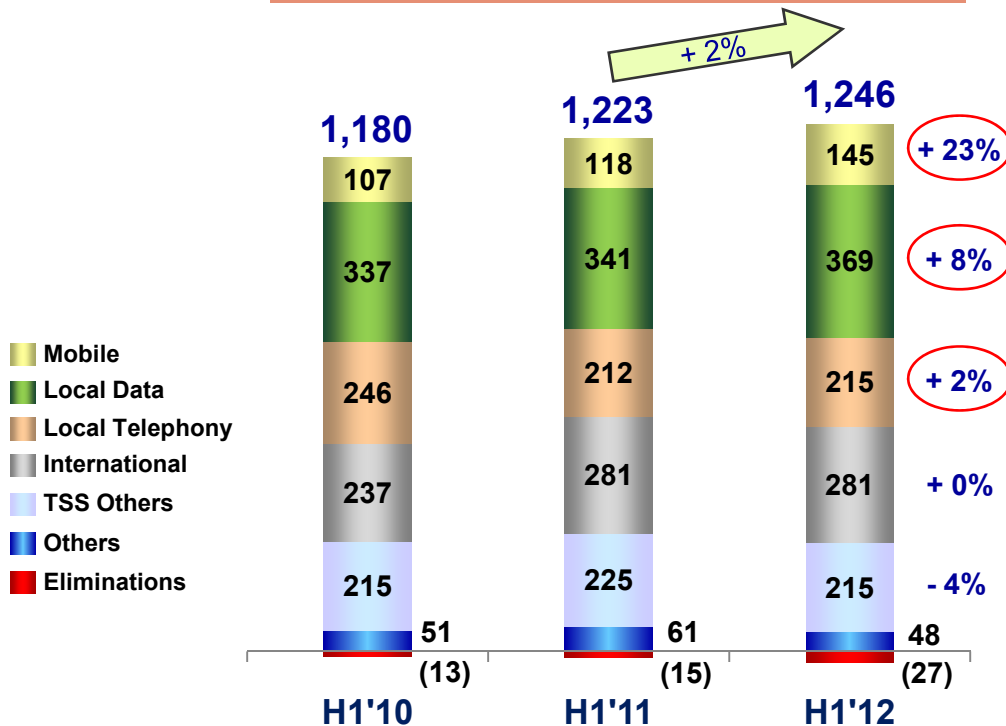
* Including 100% share of HKT's results

HKT Delivers a Solid Performance

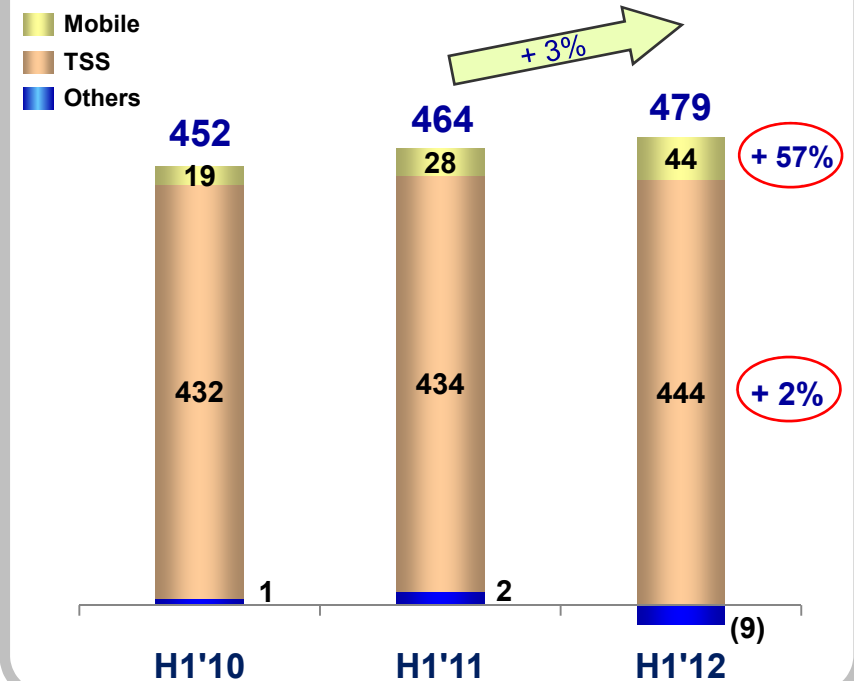
AFF up 6% to US\$183 million, on track to deliver full year target

(US\$ million)

HKT Revenue



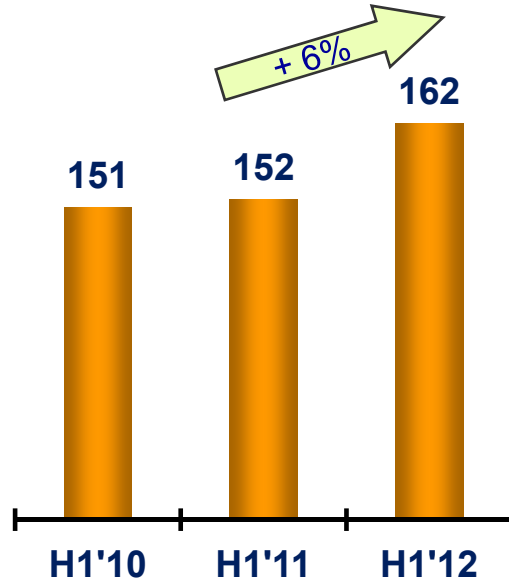
HKT EBITDA



- Significant growth in local data on the back of further fiber roll-out and subscriptions
- Mobile revenue grew an impressive 23% driven by a focus on high value customers and growing data usage
- EBITDA has increased for 3 consecutive interim periods as a result of sustained business and operating improvements

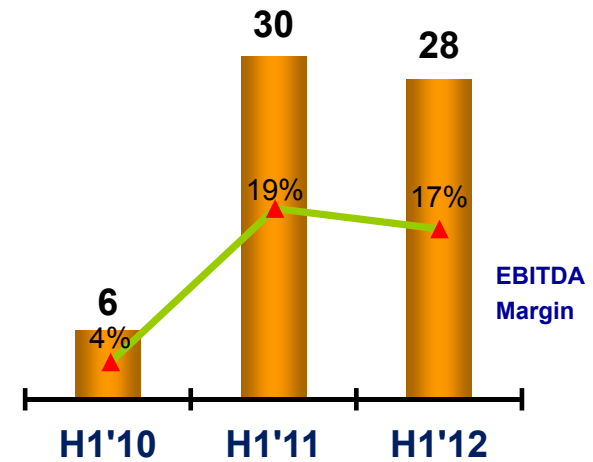
(US\$ million)

Media Revenue



- Subscriber base increased to 1.17 million as a result of enriched content offering, launch of self-produced and co-produced channels and multi-screen strategy
- ARPU expanded to HK\$172 from HK\$167

Media EBITDA

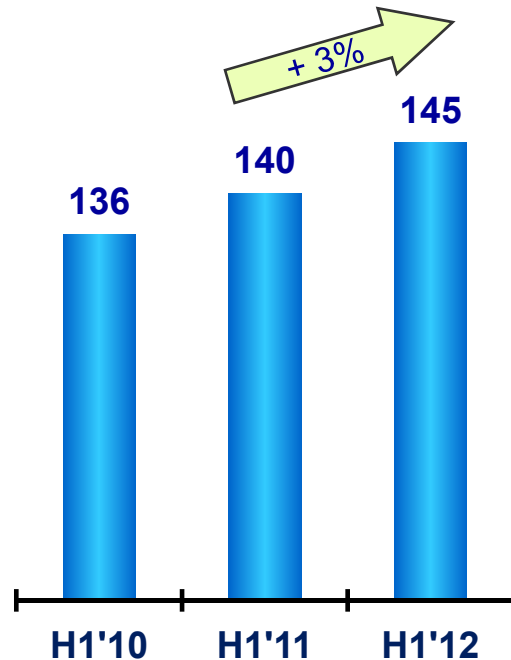


- Slight dip in EBITDA and margins due to investments in self produced and co-produced channels, overseas distribution initiatives and initial costs to prepare for FTA service launch

PCCW Solutions[®] Achieves Steady Growth

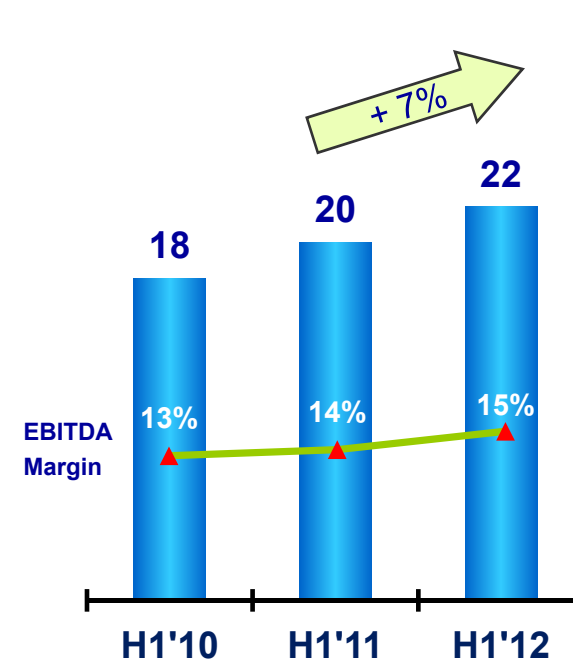
(US\$ million)

Solutions Revenue



- Steady growth of 3% with the order backlog increasing by 9% to almost US\$650 million
- Consolidated market leadership in Hong Kong
- Expanding presence in mainland China market

Solutions EBITDA

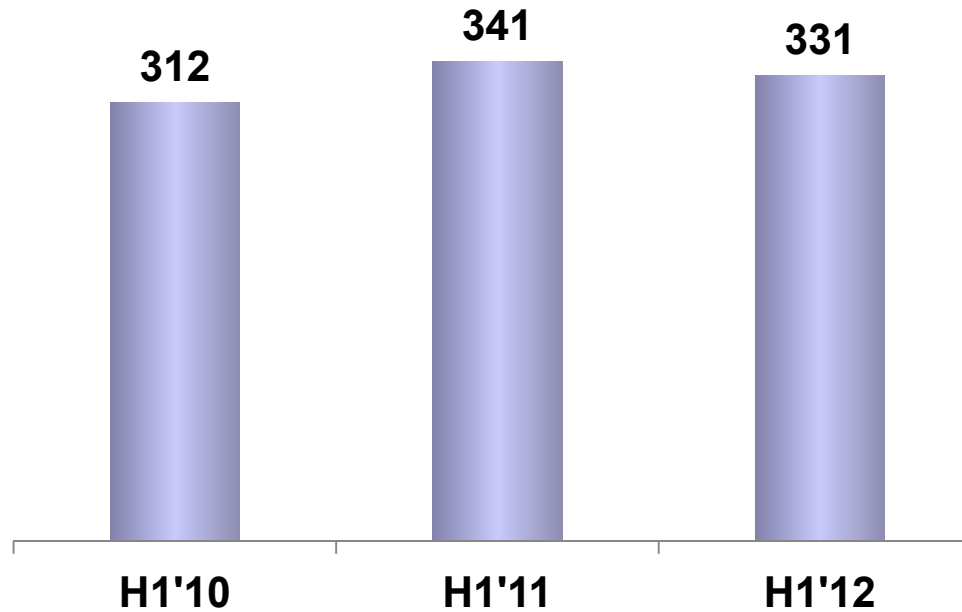


- Continued expansion of EBITDA margins to 15% driven by increased productivity and higher utilization of existing data centre infrastructure

Focus on Cost Efficiencies

(US\$ million)

Core Operating Expenses



- Focus on improving opex efficiencies
- Improved management of staff costs through increased productivity

Core Opex to Revenue Ratio:

23%

24%

23%

Financial Performance

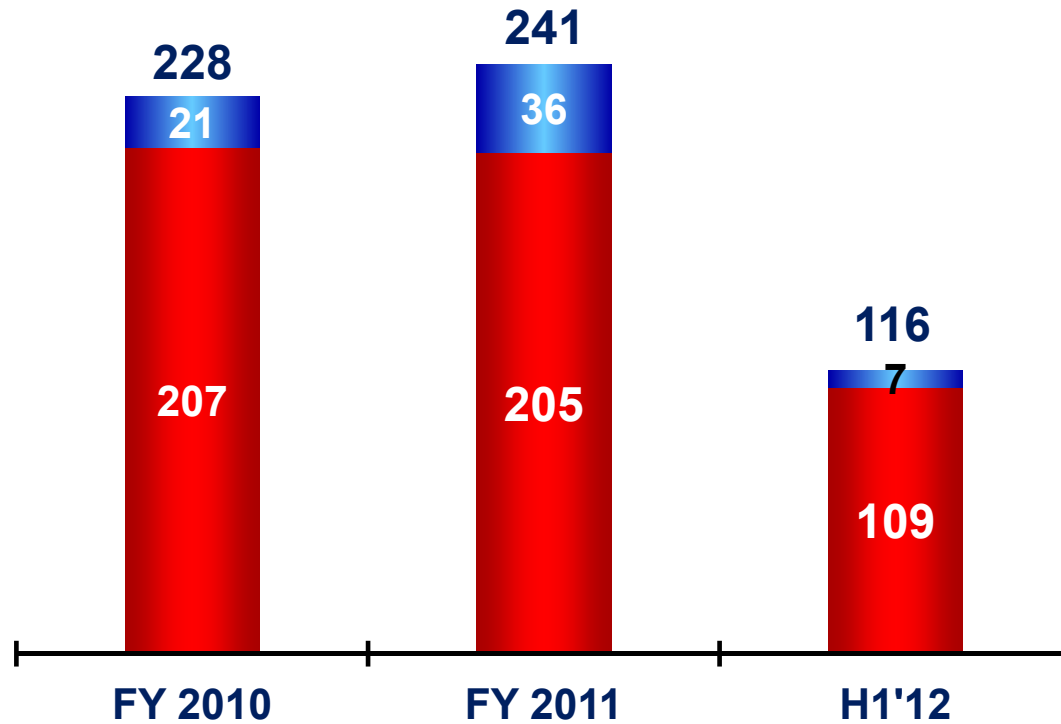
(US\$ million)	Core			Group		
	H1'11	H1'12		H1'11	H1'12	
Revenue	1,402	1,418	+ 1%	1,562	1,526	- 2%
Cost of sales	(608)	(616)		(705)	(677)	
Operating expenses	(341)	(331)		(373)	(357)	
Depreciation & Amortization	(248)	(270)		(251)	(273)	
Net other gains	11	-		13	2	
Net finance costs	(85)	(47)		(94)	(57)	
Associates and JVs	(1)	(6)		(1)	(6)	
Profit before income tax	130	148		151	158	
Income tax	(28)	13		(38)	6	
<i>Effective tax rate</i>	21%	NA		25%	NA	
Profit for the period	102	161	+ 57%	113	164	+ 45%
Non-controlling interests	(2)	(55)		(7)	(57)	
Profit attributable to equity holders of the Company	100	106	+ 6%	106	107	+ 1%
EBITDA	453	471	+ 4%	484	492	+ 2%
Earnings per share (in HK cents)				11.33	11.51	

Demand-Driven Core Capex

(US\$ million)

Media, Solutions & Others

HKT



- Capex to revenue ratio remains within the below 10% guidance
- HKT capex remains demand-driven particularly to meet fiber and mobile services
- Light capex spending required for the Media & Solutions businesses

Core Business

Capex to Revenue Ratio:

8%

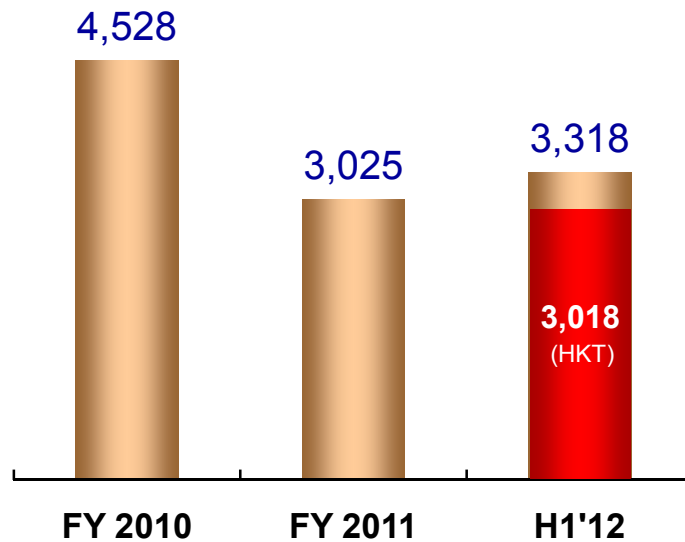
8%

8%

Strong Financial Position

Gross Debt⁽¹⁾

(US\$ million)



Gross Debt /
EBITDA⁽²⁾

4.8x 3.1x 3.4x

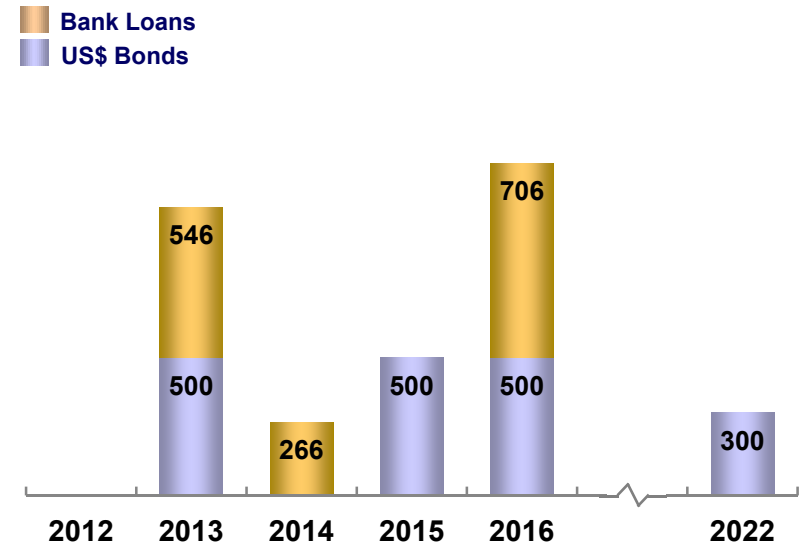
(1) Gross debt refers to the principal amount of short-term and long-term borrowings

(2) Based on gross debt as at period end divided by EBITDA for the 12-month period

Debt Maturity Profile

(US\$ million)

As at June 30, 2012



- PCCW issued a US\$300m 10-year unrated bond at a coupon of 5.75%
- Next debt repayment at HKT is only due in 2013, and HKT has ample liquidity of US\$1.1b in undrawn bank facilities

Business Review

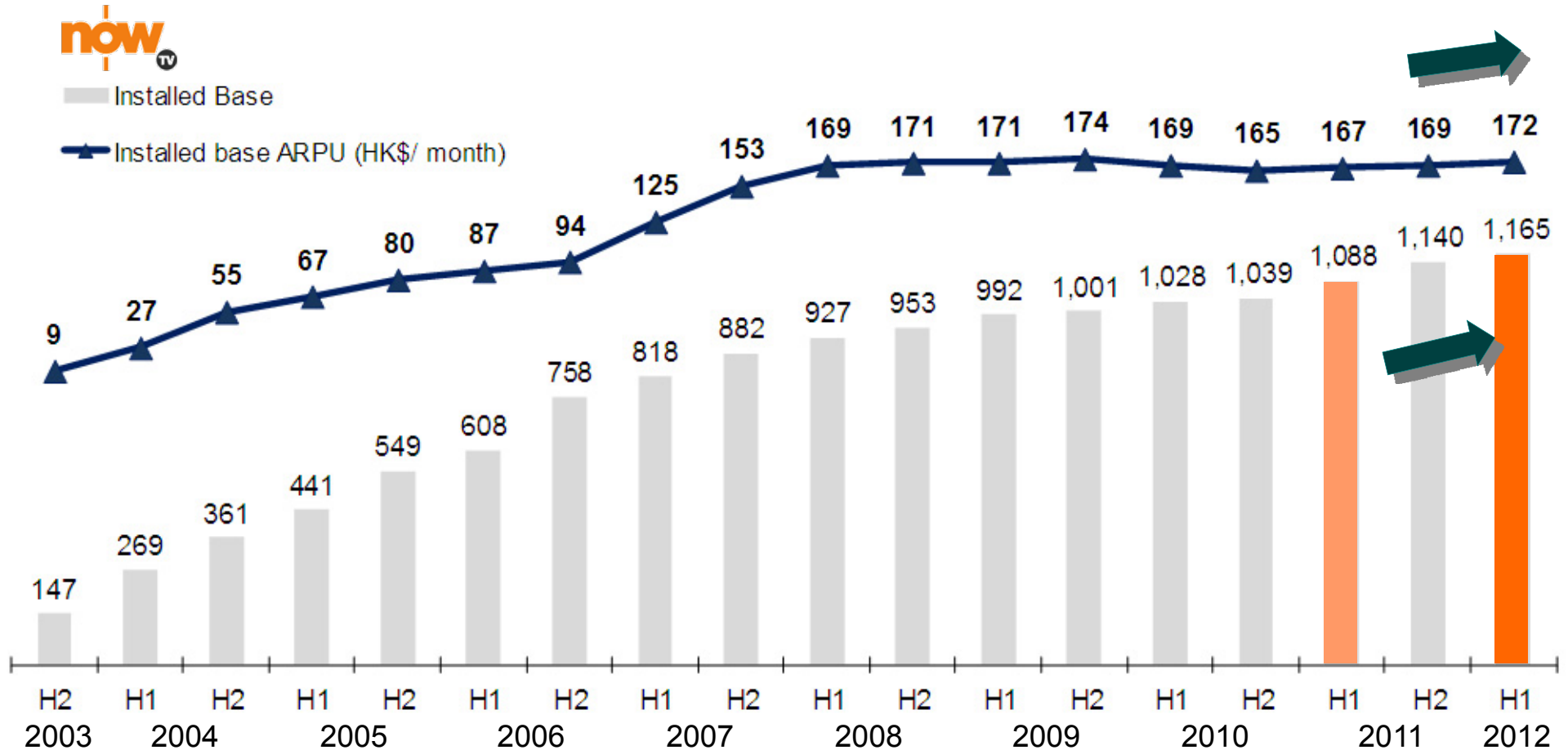
George Chan

Group Managing Director

Media Business

Steady Customer & ARPU Growth

- Both ARPU and customer base demonstrated **good growth momentum** driven by successful customer acquisition and up-selling activities surrounding exclusive premium content.



Strong Brand Preference by Both Advertisers & Consumers



Amongst Advertisers...



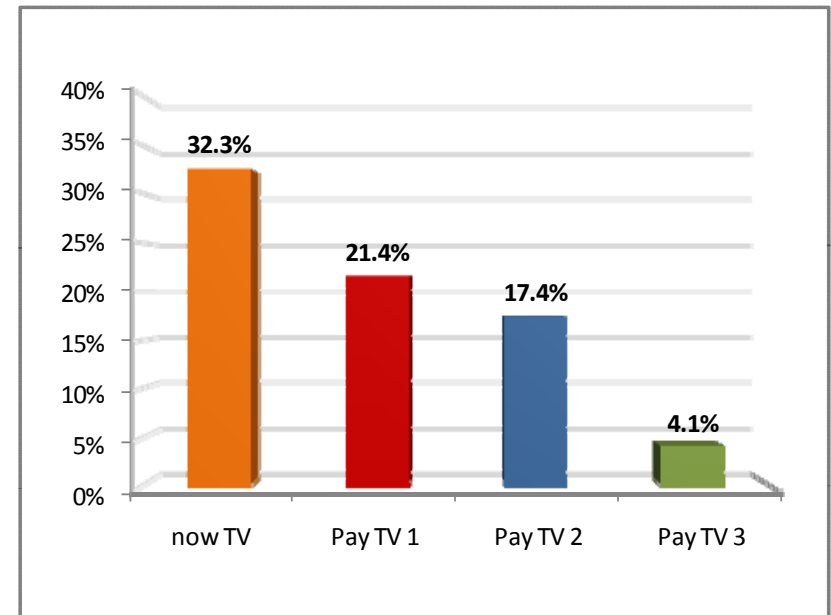
TV Ranking Survey ¹

Rank	TV Broadcaster
1	TVB
2	now TV
3	Turner Broadcasting
4	Fox International Channel
5	Bloomberg
6	SPE Networks
7	BBC
8	Discovery Networks Asia
9	NBC Universal
10	Fashion TV

Most Preferred
PAY TV
Broadcaster

Amongst Consumers...

Most Preferred Pay TV Brand ²



Rated by Clients, Advertisers and Agencies



Brand Equity Leads to Premium Pricing and Customer Loyalty

1. Data source: 2012 TV Ranking Survey

2. Data source: TNS Brand Health T

Q2 2012.

Compelling Content Captures Customers Who Demand Quality

SPORTS

Mainstream and niche events

Soccer



Tennis



Basketball



Golf



MOVIES

22 movie channels with 1,300+ hrs on demand



KIDS & EDUCATION

26 channels & on-demand learning and edutainment content



Original Production & Co-Production

- **Quality Chinese programs to satisfy the under-served middle and higher income segments in Hong Kong**
- **Builds up a content library for overseas distribution**



Star studded variety and talk shows from Hunan TV re-packaged to appeal to HK & overseas Chinese viewers.



Financial news & in-depth analysis by industry experts for the investor.



Hottest entertainment news and exclusive celebrity interviews with an impartial viewpoint.



Innovative interactive game show, travel, food, lifestyle and Asian drama programs targeting the discriminating subscriber.



Drama gems from Hairun Media Group selected and edited for HK & overseas audience.



Chinese movie channel from Huayi Brothers (華誼兄弟), We Pictures (導演陳可辛) and Edko Films (安樂影片).

Innovative Services Extend Reach & Attract Premium Customers

- **PCCW Solutions** provides the leading technology to enhance **now TV's** customer experience.

OTT Services

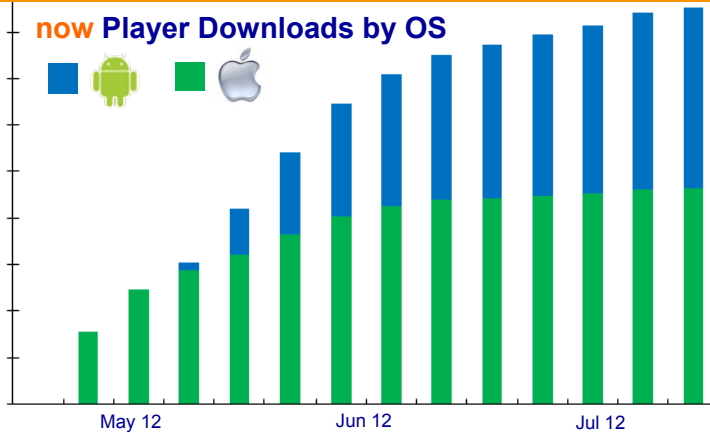


Over **880K+** now apps downloads - attracting new and existing now TV subscribers



No. 1 Top Free App (iPad)*

No. 1 Top Free Entertainment App (iPhone)*



HD Services

- **23** HD channels & on-demand content
- Most comprehensive in town
- Additional Revenue at \$28/mth for HD Activation



MOOV – new MOOV App launched on iOS and Android for both streaming and download.

Service Innovation Creates Potential for New Revenue Streams

Solutions Business

Increasing IT Demand from Diverse Business Sectors

- More companies outsource their IT : reliable, cost efficient, never out-dated
- As a market leader in HK and China, PCCW Solutions benefits from this trend
- Experienced strong demand from increasingly diverse sectors

Public Sector

- **HK Police** – mission critical information system: upgrading of system for electronic crime reporting, analysis of crime trends and database management to enhance investigation efficiency

Consumer

- **Young fashion brand successfully using social media overseas** – design and implementation of mobile apps that are fun, engaging and stimulating sales

Retail

- **Leading Hong Kong retail grocery chain** – implementation of a business intelligence system to analyze sales data to enhance inventory control and procurement decisions

Real Estate

- **Leading HK property developer** – implementation of a system to enhance the leasing process and help maximize rental income

Solid Business Momentum

- Total secured backlog increased to US\$647M at end of June 2012, creating need for additional infrastructure and human resources
- Hong Kong's data center capacity utilization increased from 86% to 95%
- To meet customer demand, secured 97,000 sq ft. space to build new data centers in Hong Kong, including conversion of an entire industrial building
- Expanded headcount by 200+ IT professionals to service pipeline of secured projects



Capture Market Opportunities with 3 Growth Drivers

Connecting China to the World

Support large Mainland customers like **Tencent 腾讯** to expand into international markets and  to enhance operation efficiency with world-class software and MNC customers like **CREDIT SUISSE** for their China operations

Digital Economy

New task force to build tailored digital solutions to help clients in multiple industries (including FMCG, tourism and airline) use innovative online tools to reach new customers, enrich user experience, lower cost of sales, and enhance operation safety

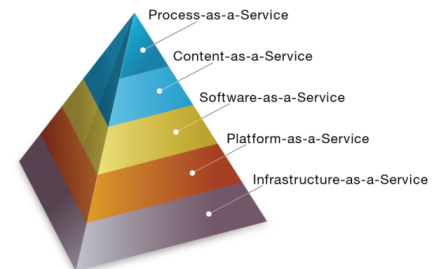
Cloud Computing

Launched



PCCW Solutions[®]
Enterprise Solutions
Superstore Alliance

a cloud service to make sophisticated IT services accessible to SMEs



Solid Financial Performance

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