



2009 Annual Results

For the year ended December 31, 2009

March 9, 2010 - Hong Kong



Connect | Inform | Entertain | Serve

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.

概覽

艾維朗

集團董事總經理

2009年宏觀問題－經濟

金融海嘯發生後，經濟顯著疲弱

- 客戶深受打擊，商業活動放緩，部分公司倒閉
- 此外，失業率增加，影響社會的消費能力

2009年宏觀問題 – 監管

在市場偏軟之際，監管當局採取不利公司的決定，令情況雪上加霜

- 特別是取消固網／流動通訊的互連收費(**FMIC**)，使按全年度基礎計算會減少收益約五千萬美元
- 為此，本公司調低成本基礎，以彌補**FMIC**的損失
- 有賴全體員工悉力以赴、捨己為公，成本基礎的調整工作已大致完成

2009年宏觀問題－競爭

電訊業的降價壓力仍未減退

- 電訊盈科選擇有利的時間、地點及方式與同業競爭
- 我們運用以下優點競爭：
 - 透過「四網合一」策略，提供無可比擬的服務
 - 創意
 - 卓越客戶服務
 - 整體服務質量優於同儕
- 我們調低成本基礎，令各項業務的價格具競爭力，同時採取策略以物超所值的價格提供優質服務

2009年業績足以顯示

- 電訊盈科安然度過金融海嘯
- 我們已經調低成本基礎，抵銷監管當局採取不利決定的影響
- 我們各項業務均以高效率與同業競爭；以及
- 我們的市場地位穩固

2009年是電訊盈科轉型的一年

- 我們以更精簡、效率更高的姿態踏入**2010年**
- 我們不斷投資開發嶄新科技、網絡及服務
- 我們再次強調以客為尊的服務
- 相信經濟復蘇時，我們已部署好令整體業務增長

顯著的增長動力

我們的傳統業務持續取得令人滿意業績，下列業務更有長足進展：

- 固網高速寬頻的需求
- 客戶對流動數據寬頻服務的需求
- 內容服務 — 因此我們有意申請本地的免費電視牌照

Overview

Alex Arena

Group Managing Director

2009 Macro Issues - Economy

Clearly a very poor economy following the financial tsunami

- This impacted our customers negatively and we saw a reduction in business activity and some business closures
- Also we saw higher unemployment impacting affordability in the community

2009 Macro Issues - Regulatory

The soft market conditions were compounded by adverse regulatory decisions

- In particular, removal of the fixed/mobile interconnection charge (FMIC) would cost about US\$50m on a full-year basis
- In response, the Company has adjusted its cost base to negate the loss of FMIC
- This adjustment to our cost base is largely complete thanks to the hard work and sacrifice of our dedicated staff

2009 Macro Issues - Competition

Pricing pressure continues unabated in the telecommunications sector

- PCCW chooses when and where to compete and how it wishes to compete
- We compete on the basis of our:
 - *Unrivalled range of services under our quadplay strategy*
 - *Innovation*
 - *Excellent customer service*
 - *Leadership in overall service quality*
- While we have the low cost base to be price competitive across all of our lines of business, our strategy is to give customers the best quality services at a value-for-money price

As 2009 Financial Results Show

- PCCW has weathered the financial tsunami relatively well
- We have adjusted our cost base to counter the impacts of adverse regulatory decisions
- We are competing effectively in all our lines of business; and
- Our market position has consolidated and is secure

2009 a Transformational Year for PCCW

- We have now entered 2010 on a leaner yet stronger basis
- We continue to invest in new technology, our networks and our services
- We have re-emphasized and strengthened our customer-focused services
- We believe that as the economic conditions improve, we are poised for growth across the business as a whole

Notable Growth Momentum

While our traditional lines of business continue to perform satisfactorily, we are seeing particular growth in:

- Fixed high-speed broadband demand
- Customer appetite for mobile broadband data services
- Content services – hence we intend to apply for a Free TV (FTV) service license in Hong Kong

2009 FY Financial Performance

(US\$ million)

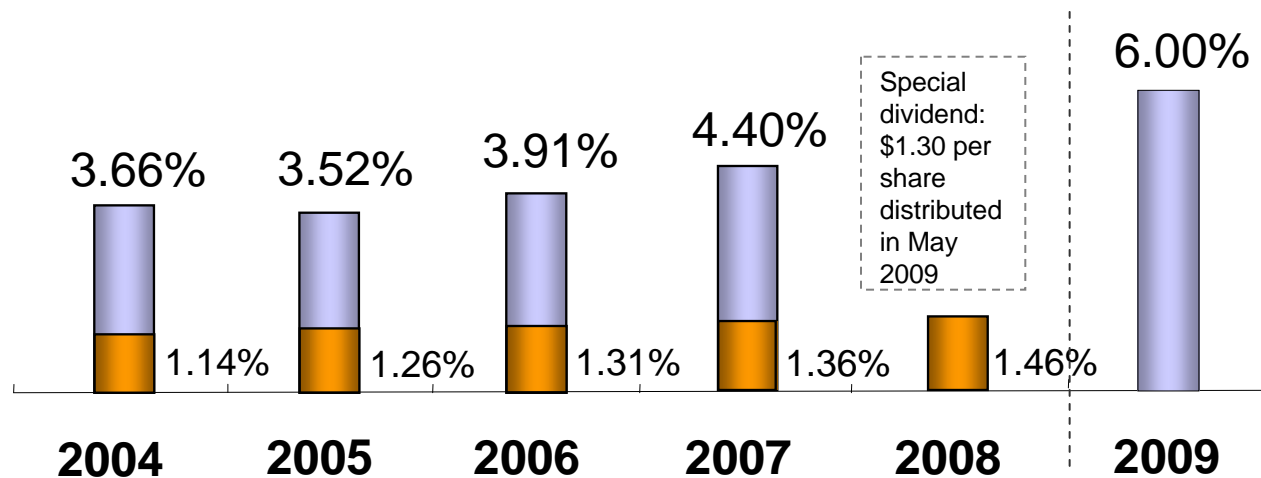
	2008	2009	
Profit <i>Attributable to Equity Holders</i>	163	193	+ 18%
Revenue	4,096	3,215	
Core Business*	2,821	2,674	
EBITDA	1,023	961	
Core Business*	860	861	

* Core business includes telecom, media and ICT businesses

The Board has recommended a final dividend of 13.3 HK cents per share, subject to approval of shareholders

Dividend Yields

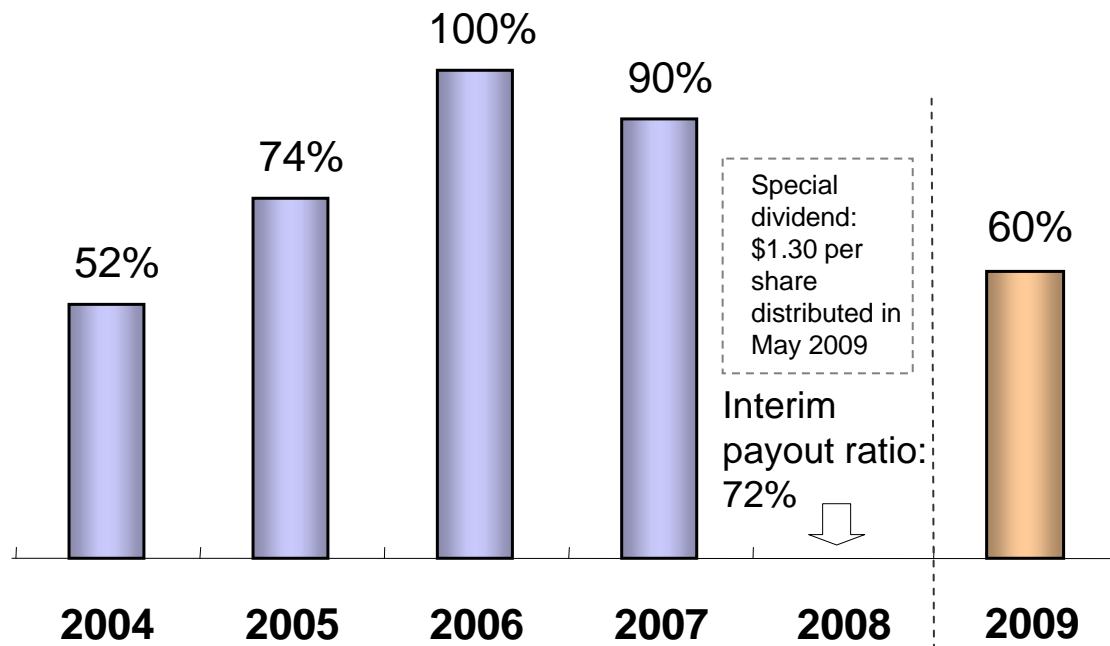
- Total Dividend Yield
- Interim Dividend yield



DPS (HK\$)

Interim	\$0.055	\$0.065	\$0.065	\$0.065	\$0.070	\$ -
Final	\$0.096	\$0.120	\$0.120	\$0.135	\$ -	\$0.133
Special	\$ -	\$ -	\$ -	\$ -	\$1.300	\$ -
Total	\$0.151	\$0.185	\$0.185	\$0.200	\$1.370	\$0.133

Dividend Payout Ratios



DPS (HK\$)

Interim	\$0.055	\$0.065	\$0.065	\$0.065	\$0.070	\$ -
Final	\$0.096	\$0.120	\$0.120	\$0.135	\$ -	\$0.133
Special	\$ -	\$ -	\$ -	\$ -	\$1.300	\$ -
Total	\$0.151	\$0.185	\$0.185	\$0.200	\$1.370	\$0.133

Financial Review

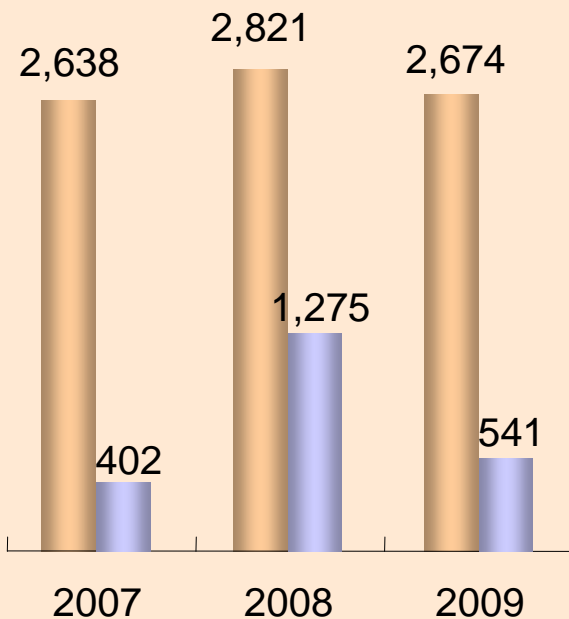
Susanna Hui

Group Chief Financial Officer

Core and PCPD Results

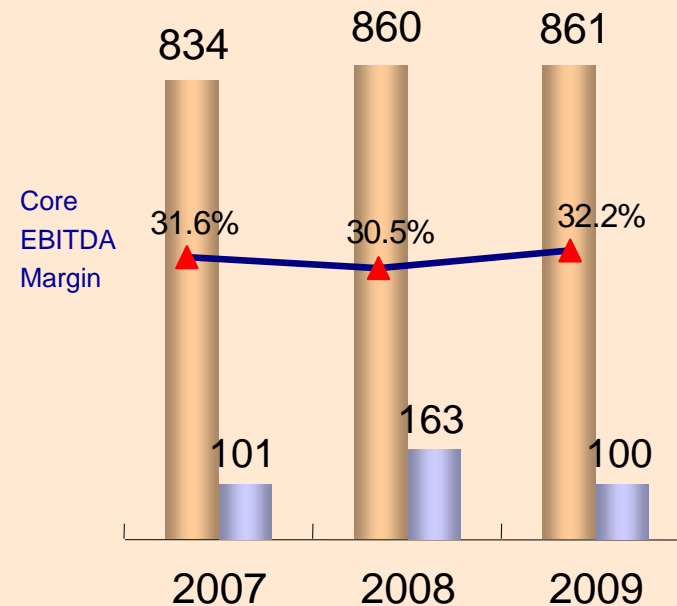
(US\$ million) ■ Core Business* ■ PCPD

Revenue



- Core revenue surpassed 2007 pre-crisis levels despite economic downturn, market competition and FMIC impact
- PCPD revenue comprised ONE Pacific Heights but lower Bel-Air revenue recognition

EBITDA

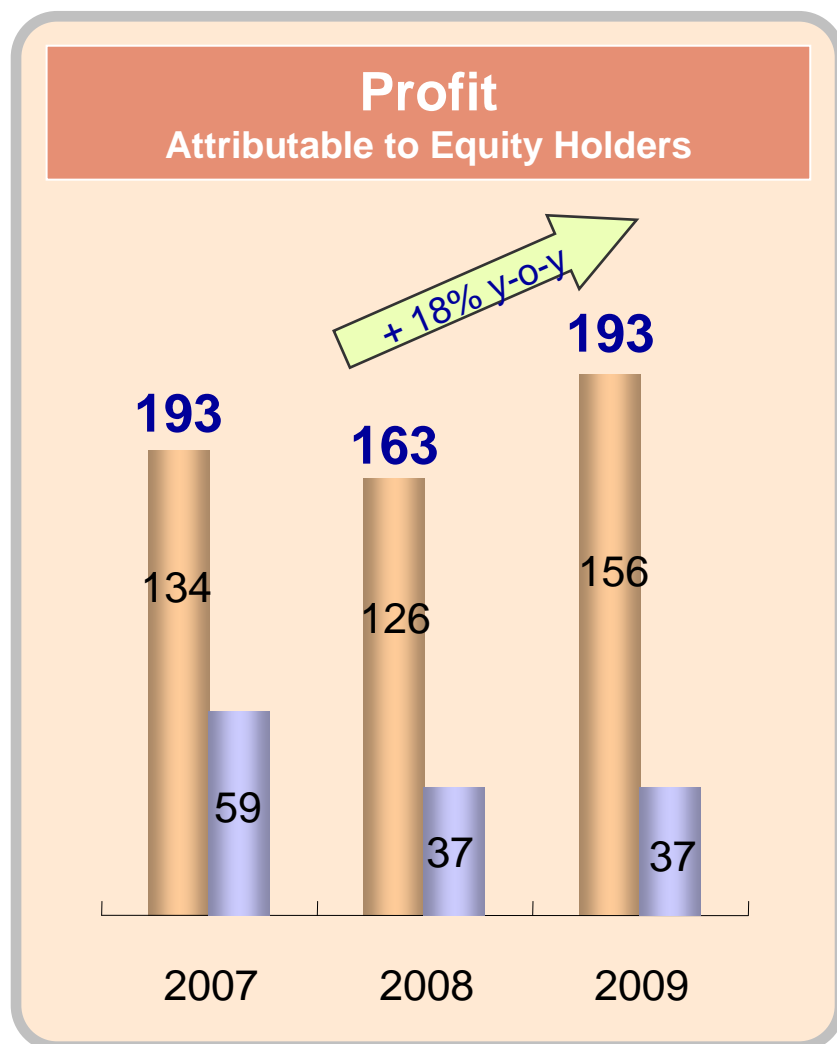


- Core EBITDA margin lifted by higher cost efficiency and turnaround of TV business

* Core business includes telecom, media and ICT businesses

Core and PCPD Results

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



Core Business

- Core profit soared 24% on the back of solid business performance

PCPD

- Gain on disposal of PRC investment property
- Profit maintained

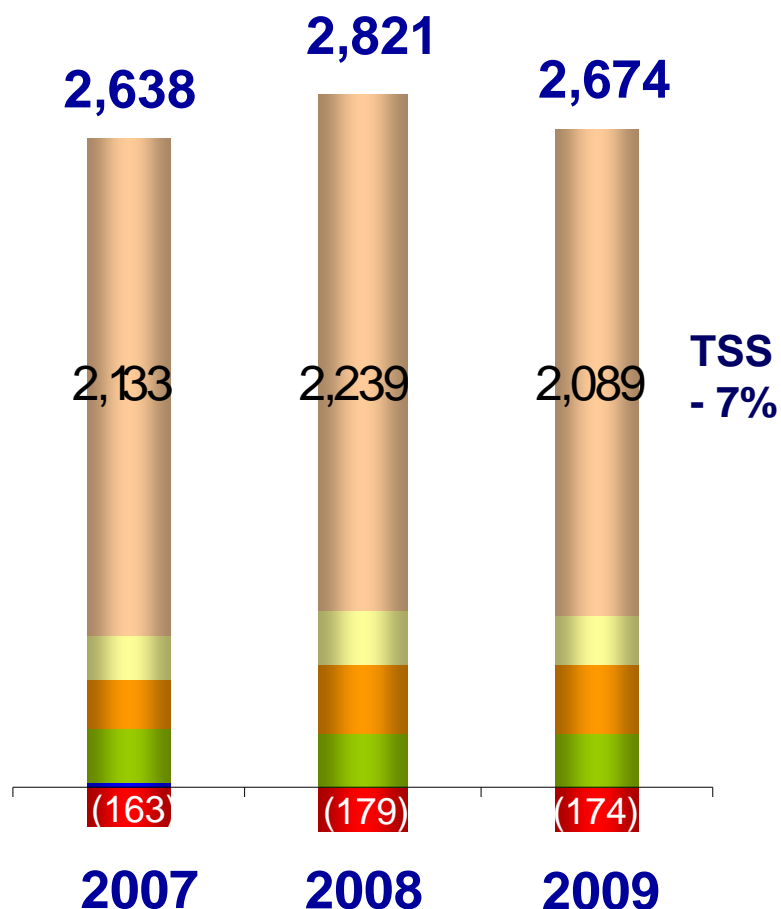
* Core business includes telecom, media and ICT businesses

Core Segments Performance

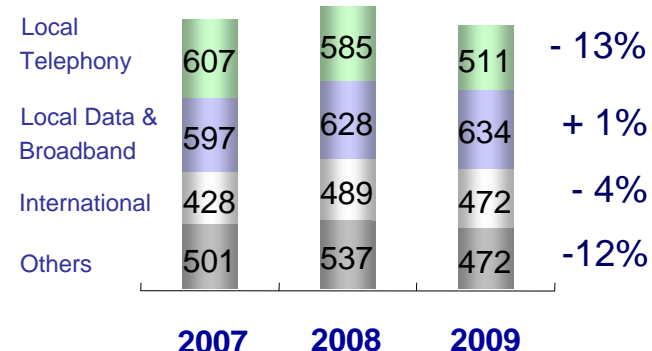
(US\$ million)

Core Revenue

- TSS
- Mobile
- TV & Content
- PCCW Solutions
- Other Businesses
- Eliminations



TSS Breakdown



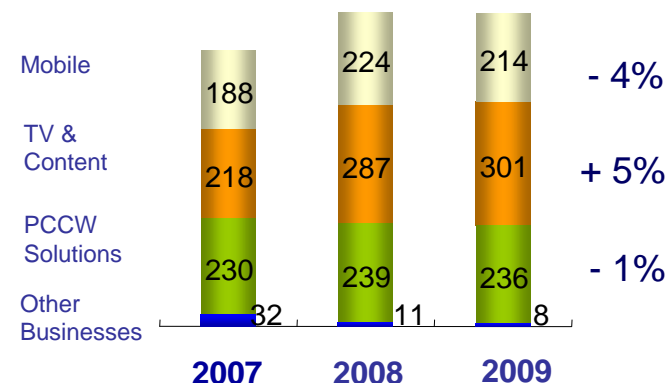
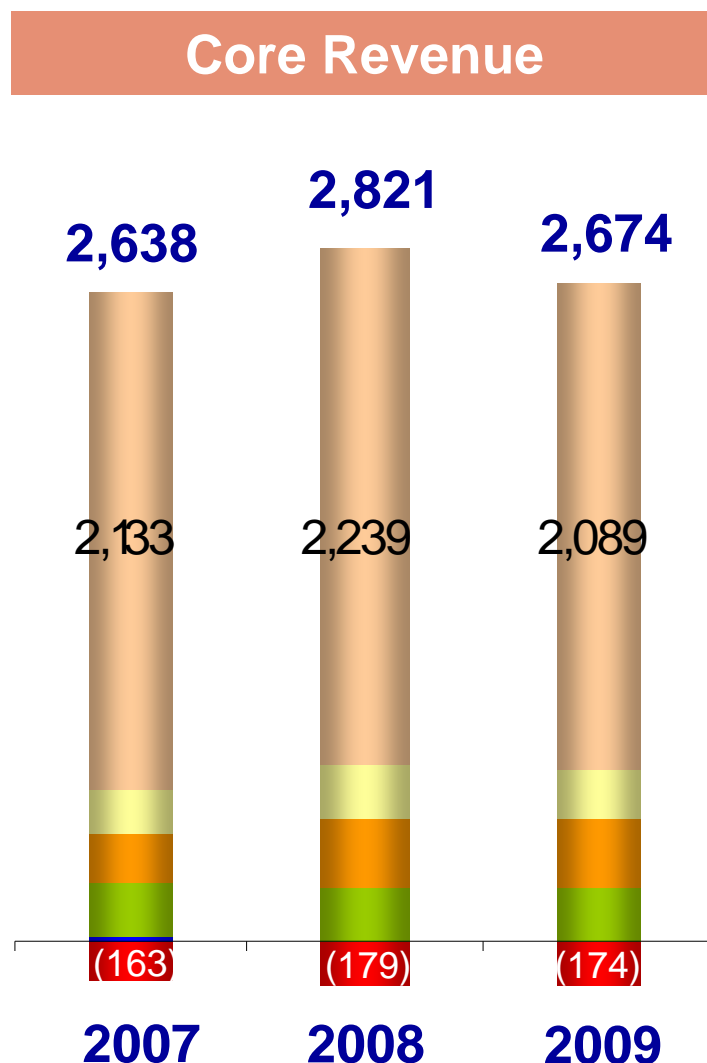
- Overall TSS revenue declined due to end of interconnect regime and shrinkage in business activities in the commercial sector
- Continued growth in broadband customer base with strong and stable ARPU is a key revenue driver
- Teleservices benefited from operation outsourcing trend and expansion into English speaking countries such as US & Philippines

Core Segments Performance

(US\$ million)

Core Revenue

- TSS
- Mobile
- TV & Content
- PCCW Solutions
- Other Businesses
- Eliminations



• Mobile

A 9% increase in mobile service revenue on expanded 3G customer base and higher mobile data revenue; reduction in low-margin handset sales

• TV & Content

Market leadership reinforced with more subscriptions and higher ARPU

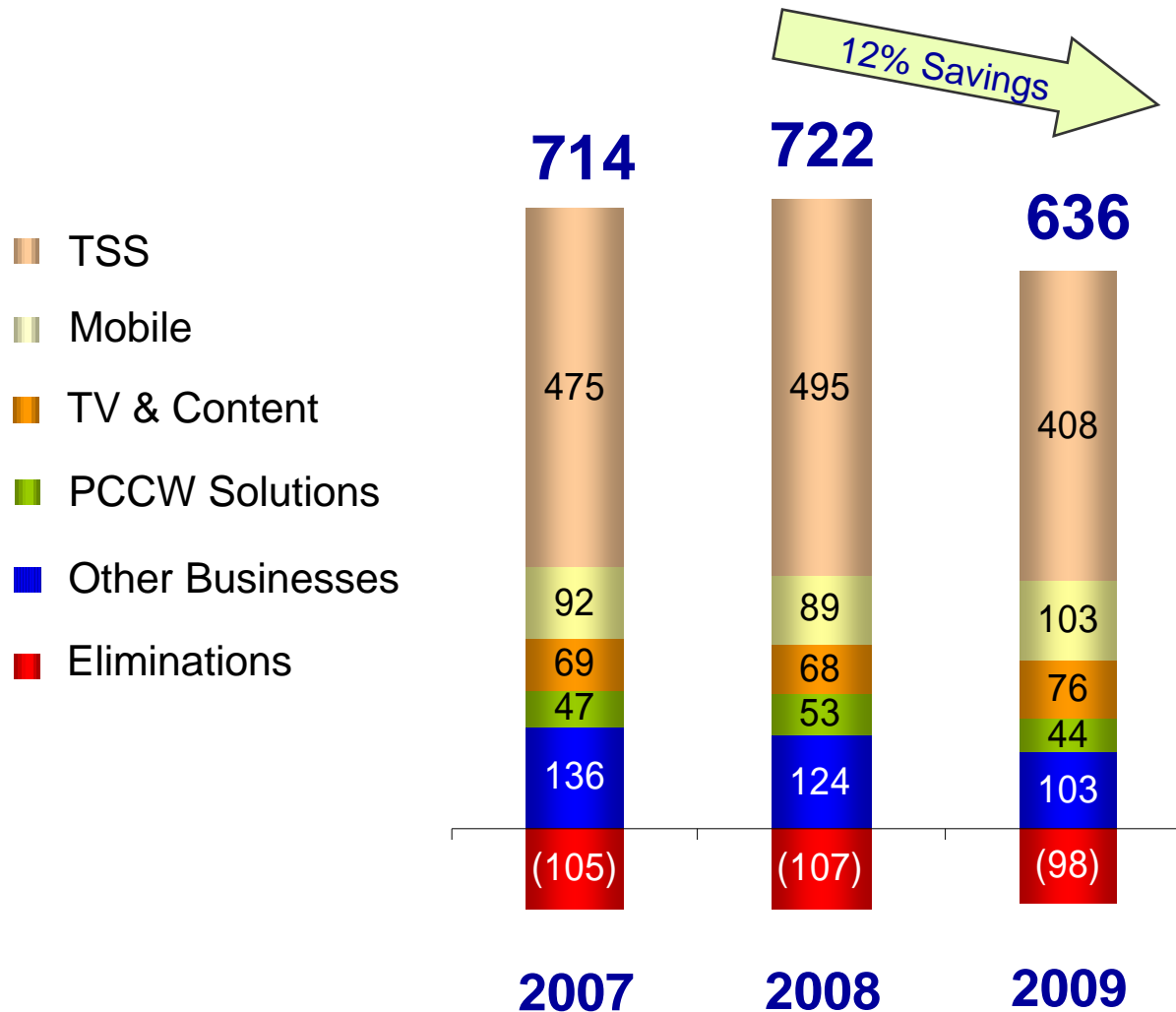
• PCCW Solutions

Stable revenue from IT flagship in both HK and China markets

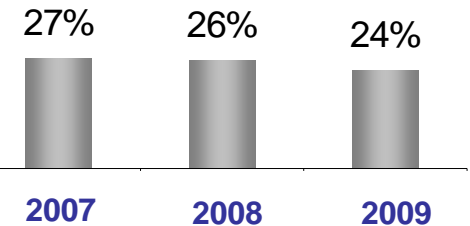
Cost Efficiency

(US\$ million)

Core Operating Expenses



Core Opex to Revenue Ratio



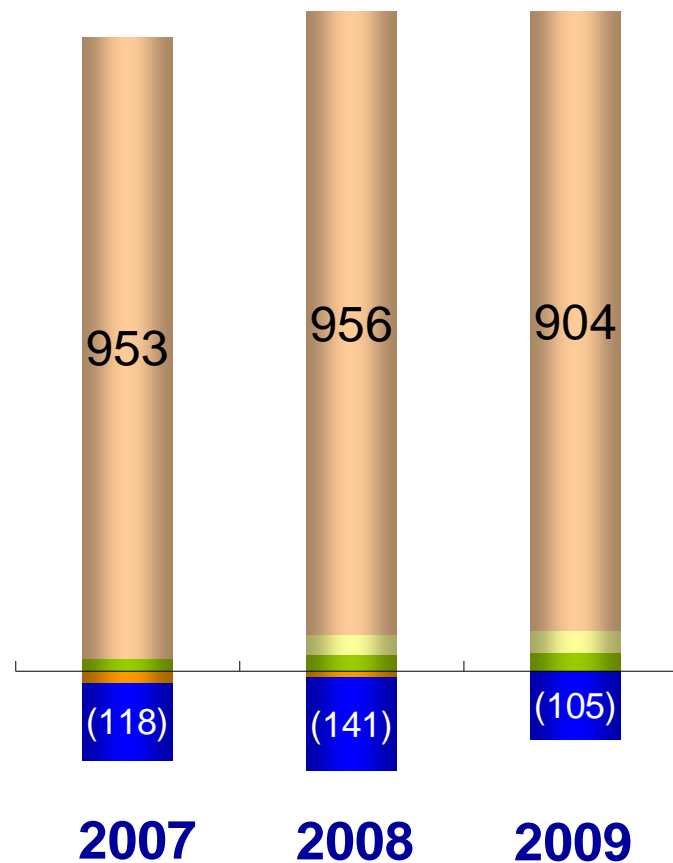
- Dynamic adjustments to the cost base to counter market and regulatory changes – preserving financial strength and resulting in more cost-efficient operations

Core EBITDA

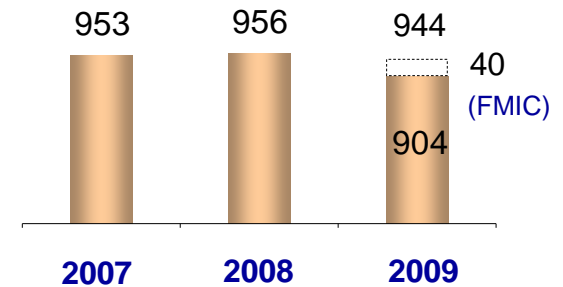
(US\$ million)

Core EBITDA

- TSS
- Mobile
- TV & Content
- PCCW Solutions
- Other Businesses
- Eliminations

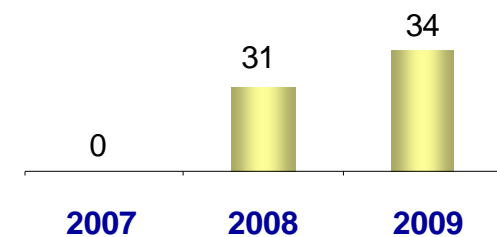


TSS



- Steady performance after normalizing FMIC impact

Mobile



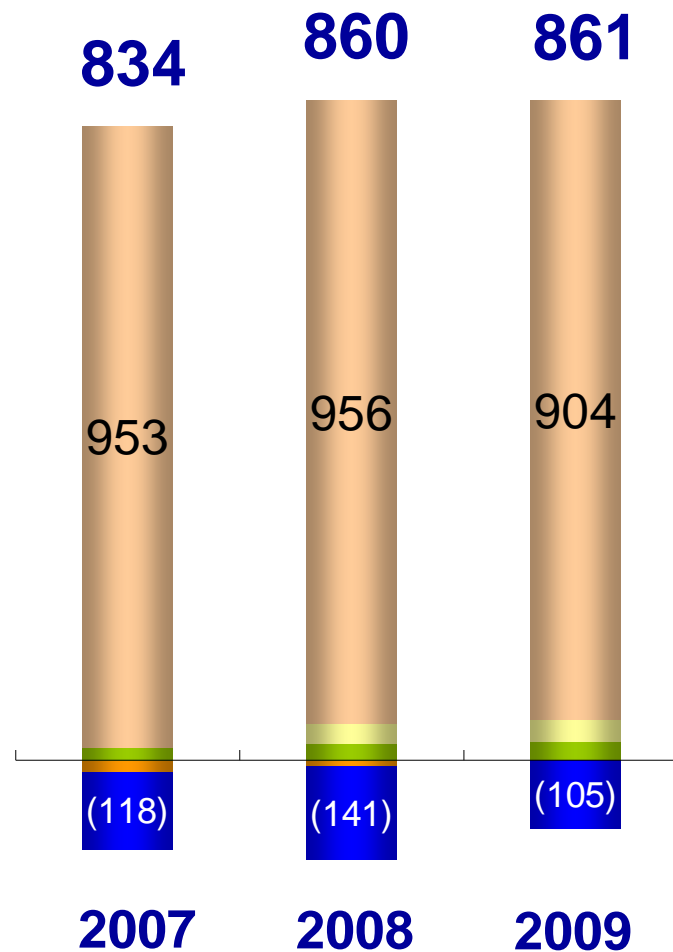
- Shrugged off intense competition to post further EBITDA growth benefiting from more high-end 3G customers and higher data revenue

Core EBITDA

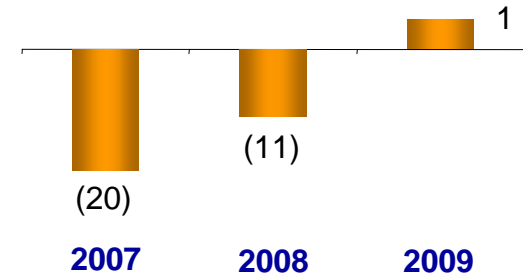
(US\$ million)

Core EBITDA

- TSS
- Mobile
- TV & Content
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- Other Businesses
- Eliminations

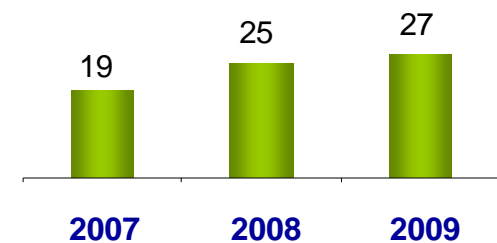


TV & Content



- Significant profitability milestone achieved in 2009

PCCW Solutions



- Continued upward trending EBITDA provided solid contribution

Group Performance

(US\$ million)	2008	2009	
Revenue	4,096	3,215	
<i>Core Business</i>	2,821	2,674	
Cost of sales	(2,288)	(1,571)	
<i>Gross margin</i>	44%	51%	
Operating expenses	(785)	(683)	
EBITDA	1,023	961	
<i>Core Business</i>	860	861	
<i>EBITDA margin</i>	25%	30%	
Depreciation and amortization	(476)	(485)	
Operating profit	547	476	
Other gains/(losses)*	(94)	24	
Interest income	25	2	
Finance costs	(189)	(190)	
Results from associates & JVs	(3)	(7)	
Profit before income tax	286	305	
Income tax	(91)	(75)	
Minority interests	(32)	(37)	
Profit attributable to equity holders of the Company	163	193	+18%

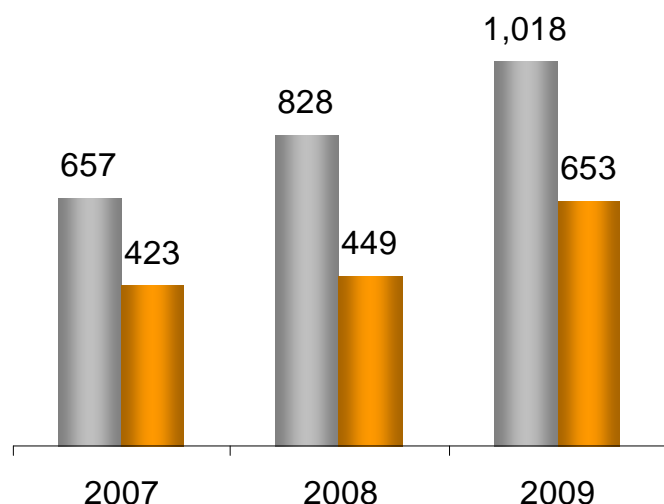
* Includes restructuring costs & losses on fixed assets

Liquidity & Capital Resources

Net Operating Cash Flow

(US\$ million)

- Group Net Cashflow from Operating Activities
- Core Business Operating Cash Flow minus Capex



- Strong and steady operating cash flow and proven access to additional capital ensure sufficient cash to meet foreseeable obligations

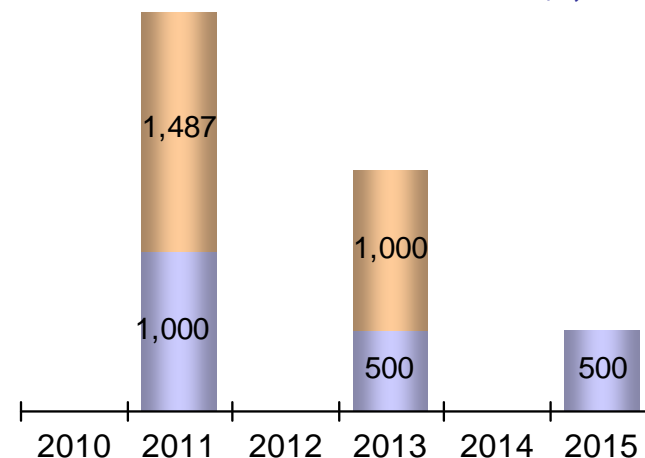
Debt Profile

(US\$ million)

As of December 31, 2009

- Long-term Revolving Credit & Term Loan Facilities
- US\$ Bonds

Gross debt: US\$4,521m

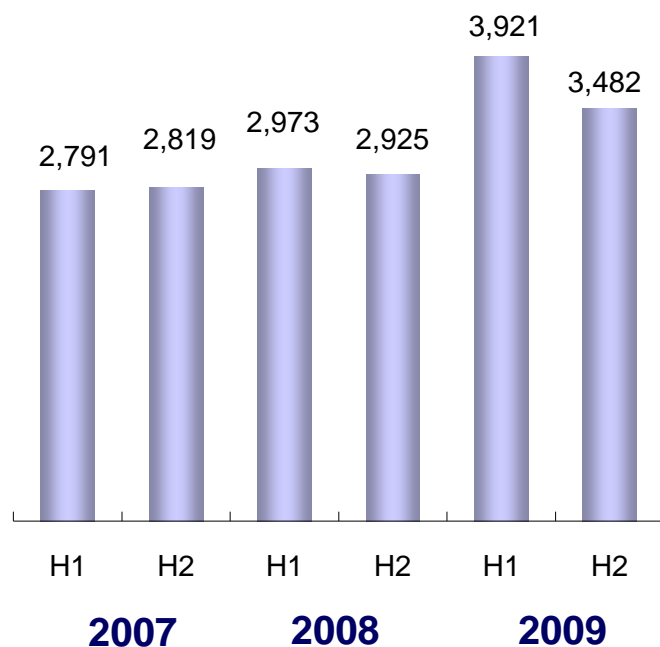


- Average cost of debt reduced to approximately 4.1% from 5.0% p.a. in low interest rate environment

Credit Fundamentals

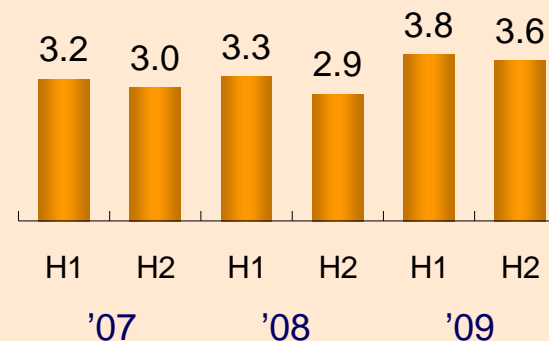
Net Debt ⁽³⁾

(US\$ million)

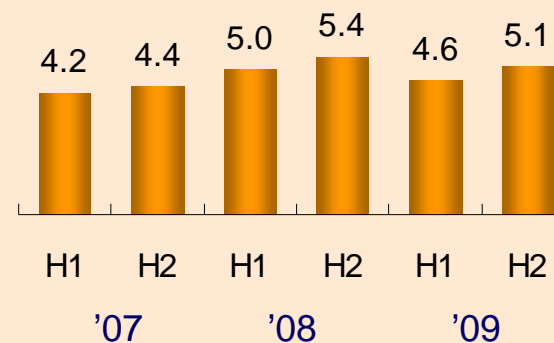


- Net Debt/EBITDA ⁽¹⁾ as of Dec 31, 2009 was 3.6x
- Net debt position improved due to strong operating cash flow

Net Debt/EBITDA ⁽¹⁾



EBITDA/Interest ⁽²⁾



(1) Based on net debt as at period end divided by EBITDA for the 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

Business Review

Alex Arena

Group Managing Director

Quadplay Update

Fixed line

PCCW Fixed Line®



IPTV

now TV



Broadband

netvigator®



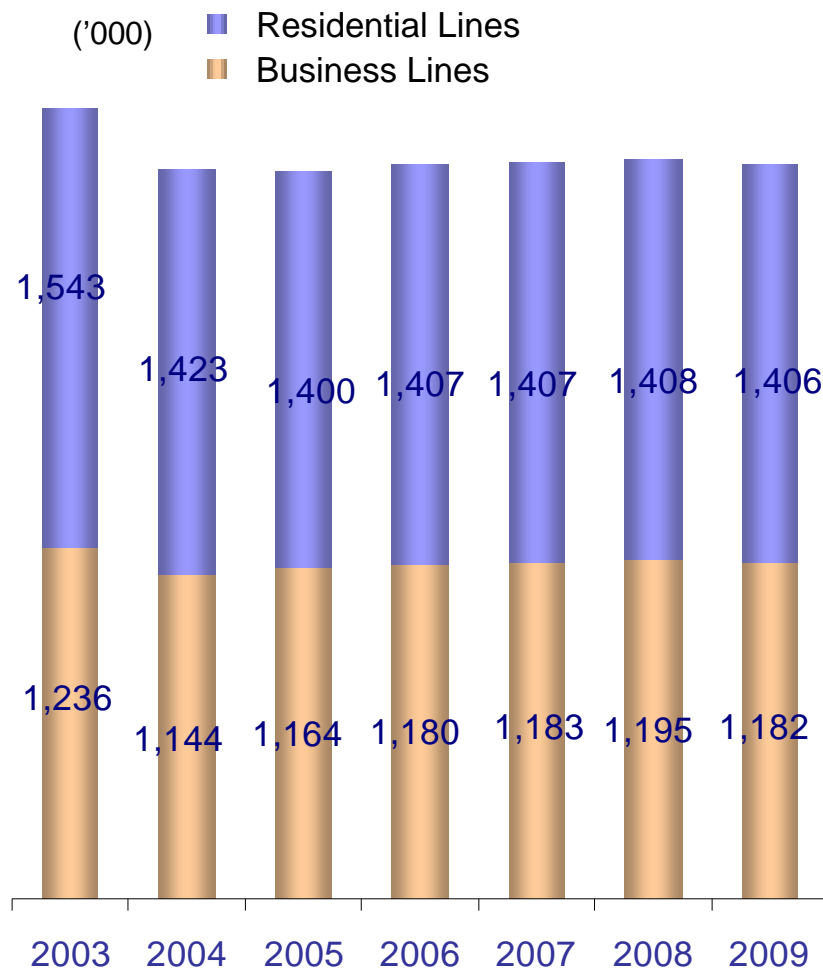
Mobile

PCCW mobile®



Stable Fixed-line Business

Solid Customer Base Maintained Since 2004



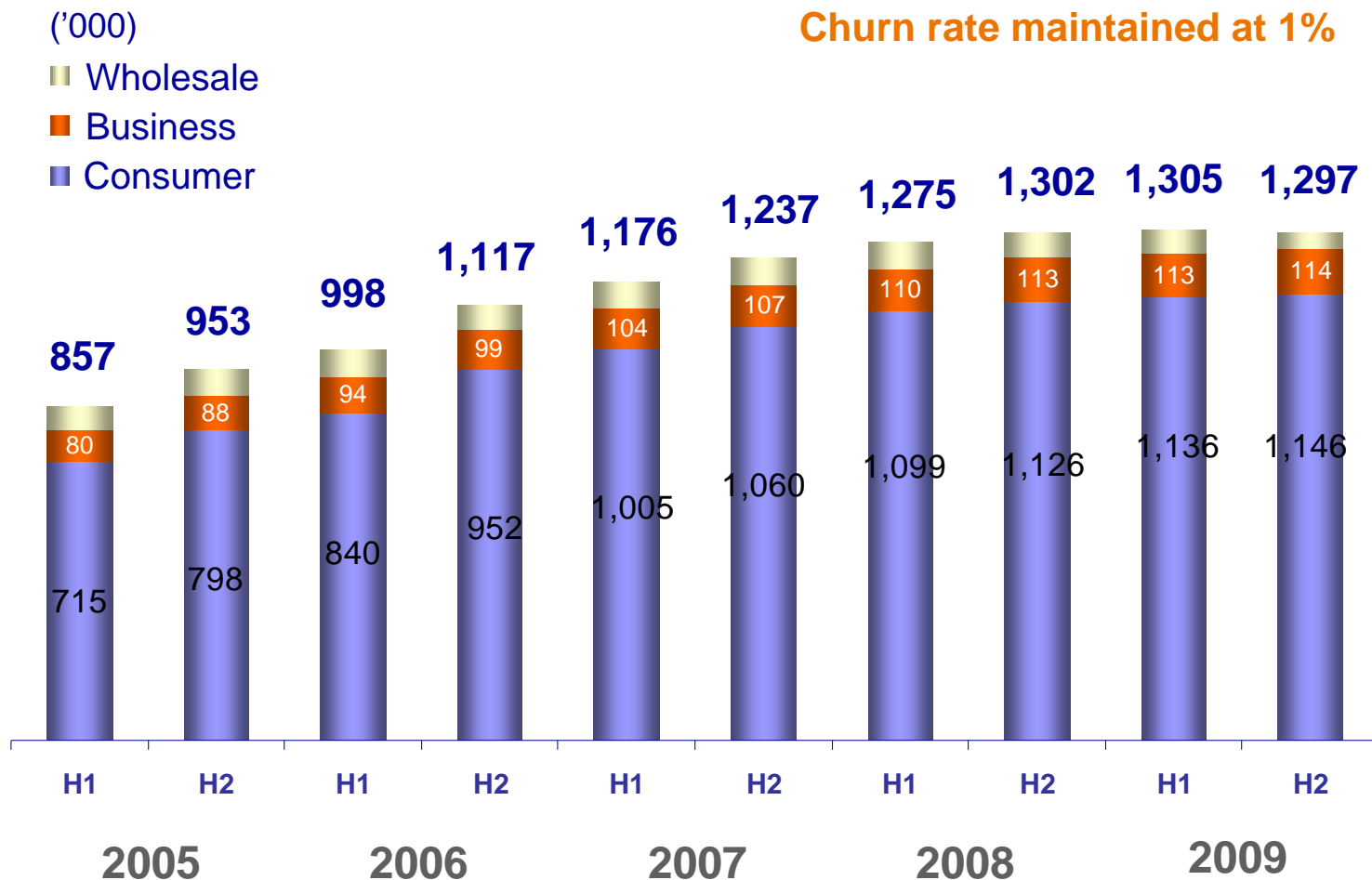
PCCW eye Multimedia Services

- **eye** now the de facto fixed-line phone for new line service, and more customers are receptive to upgrade
- High price premium over traditional fixed line
- Enhance customer stickiness, facilitate ARPU uplift and create new market
- Revitalizing fixed-line and demonstrating our quadplay innovation and leadership

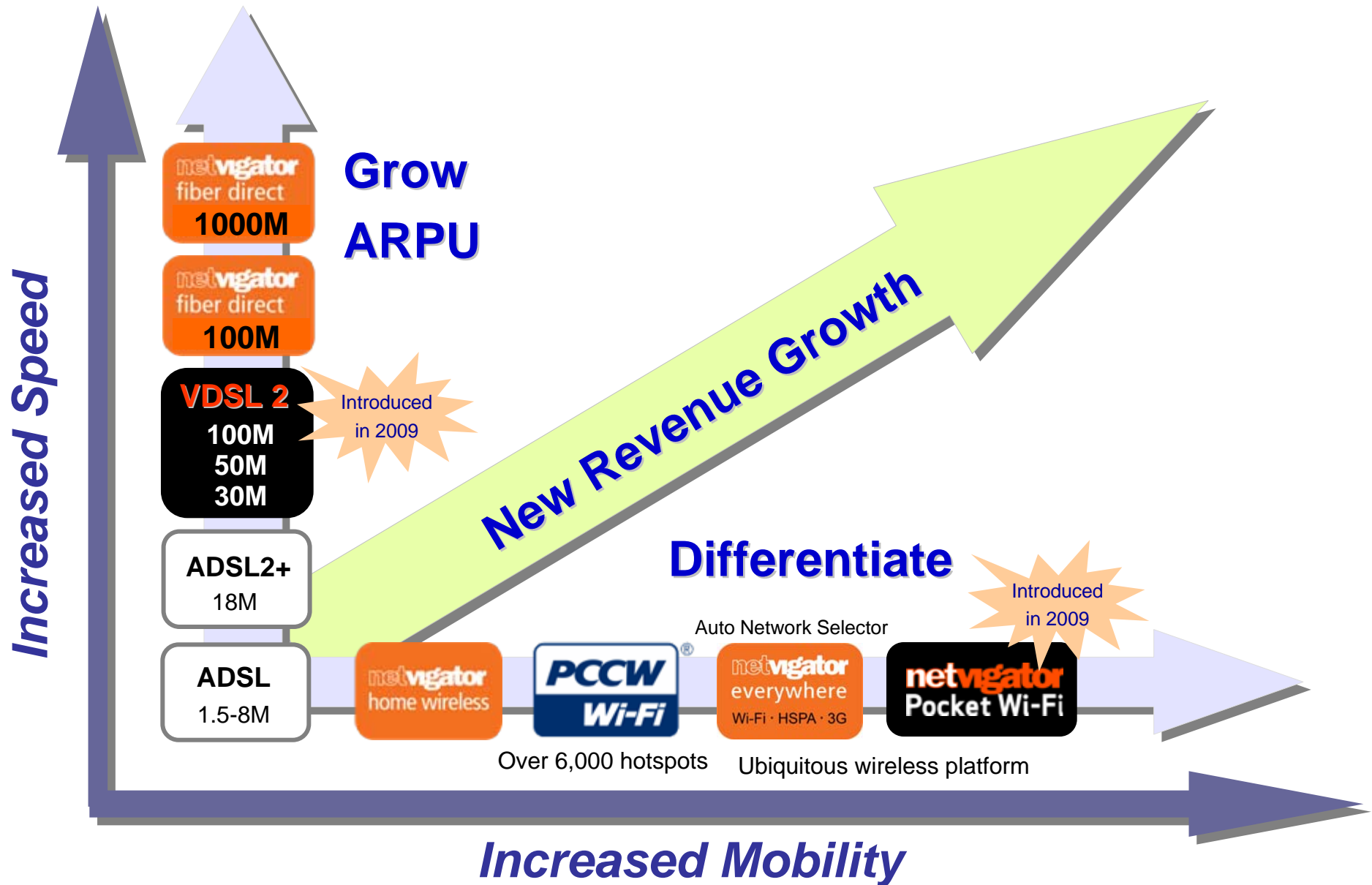


Market Leader in Broadband

Consumer Broadband Continues to Grow Despite Fierce Competition



Unique and Successful Broadband Strategy



Netvigator Redefines Broadband Service

Netvigator Broadband Also Includes: Wi-Fi, Wireless and Content



Home fixed line broadband
up to 1,000M



High speed outdoor broadband,
over 6,000 Wi-Fi hotspots in town



19 free now TV channels &
4 self-produced channels



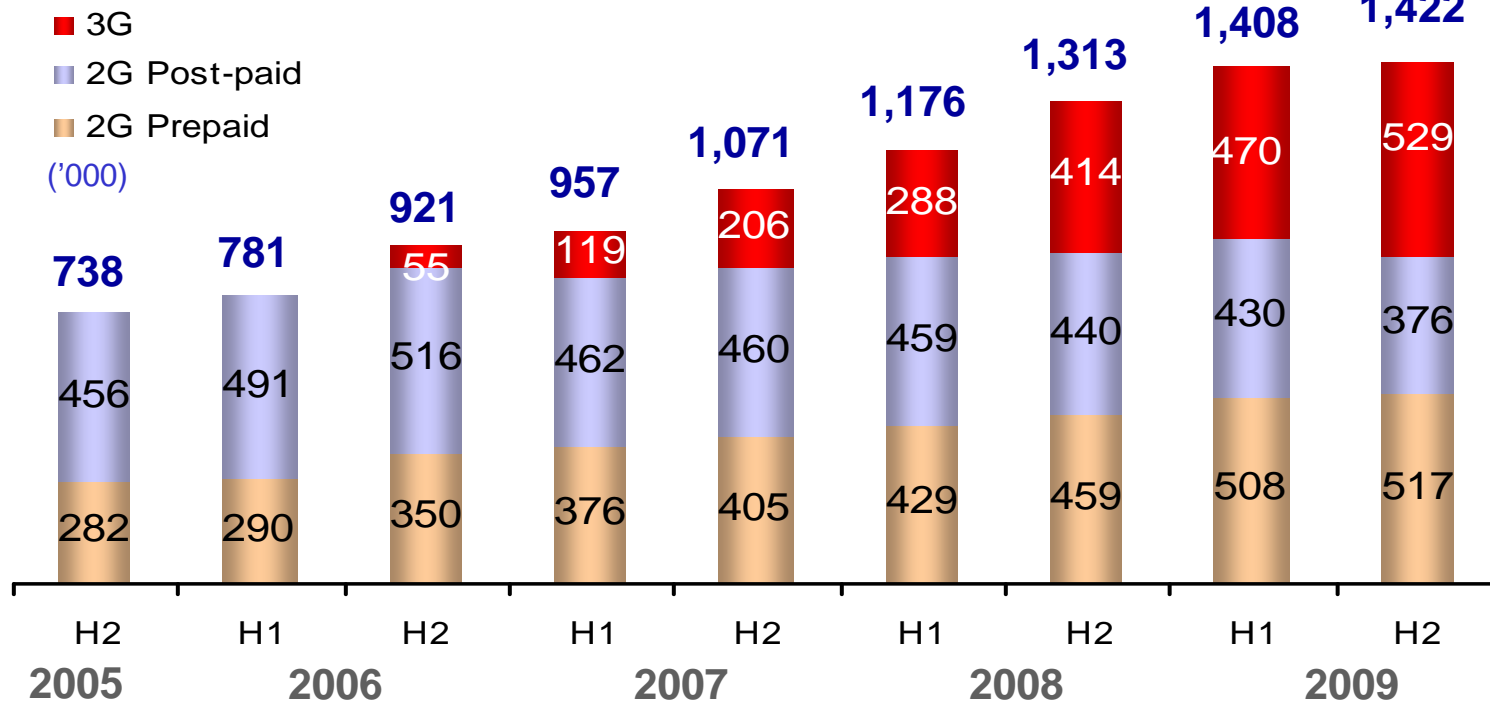
Ubiquitous mobile broadband
anytime anywhere

PCCW mobile Performance

Continue Growing PCCW mobile Base

Revenue & ARPU

- Total service revenue up 9% y-o-y
- 3G exit ARPU HK\$183
- Blended (2G + 3G) post-paid exit ARPU HK\$138



Targeting High-end Customers to Enhance Profitability

Unique Offerings for Smartphones

PCCW Has Engineered Its High Speed Networks and Its Content Services to Meet the Needs of Smartphones

Smart Service

- Exclusive quadplay content and services



Smart Connectivity

- Strongest network: HSPA + Fiber
- PCCW Wi-Fi with over 6,000 hotspots

Smart Data

- Mobile data price-cap protection
- Hassle-free data usage gives you peace of mind

Smart Apps

- Exclusive tailor-made applications
 - HD on mobile TV player
 - News always on
 - MOOV player
 - NETSync on mobile

Over 70% of Our New Handset-plan Subscribers Chose Smartphones as Their Handset

Developing the Smartphone Market

Engineering Ingenuity



- Introduced exclusive customized U-Android interface - helping grow penetration in different segments

Open to All Smartphones

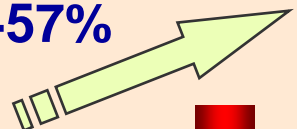


- Creative concierge service satisfying customers with various smartphone needs

Mobile Data Usage & Revenue Surging

3G Data Revenue

+57%

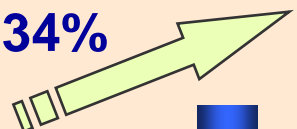


2008

2009

Mobile Data Revenue

+34%



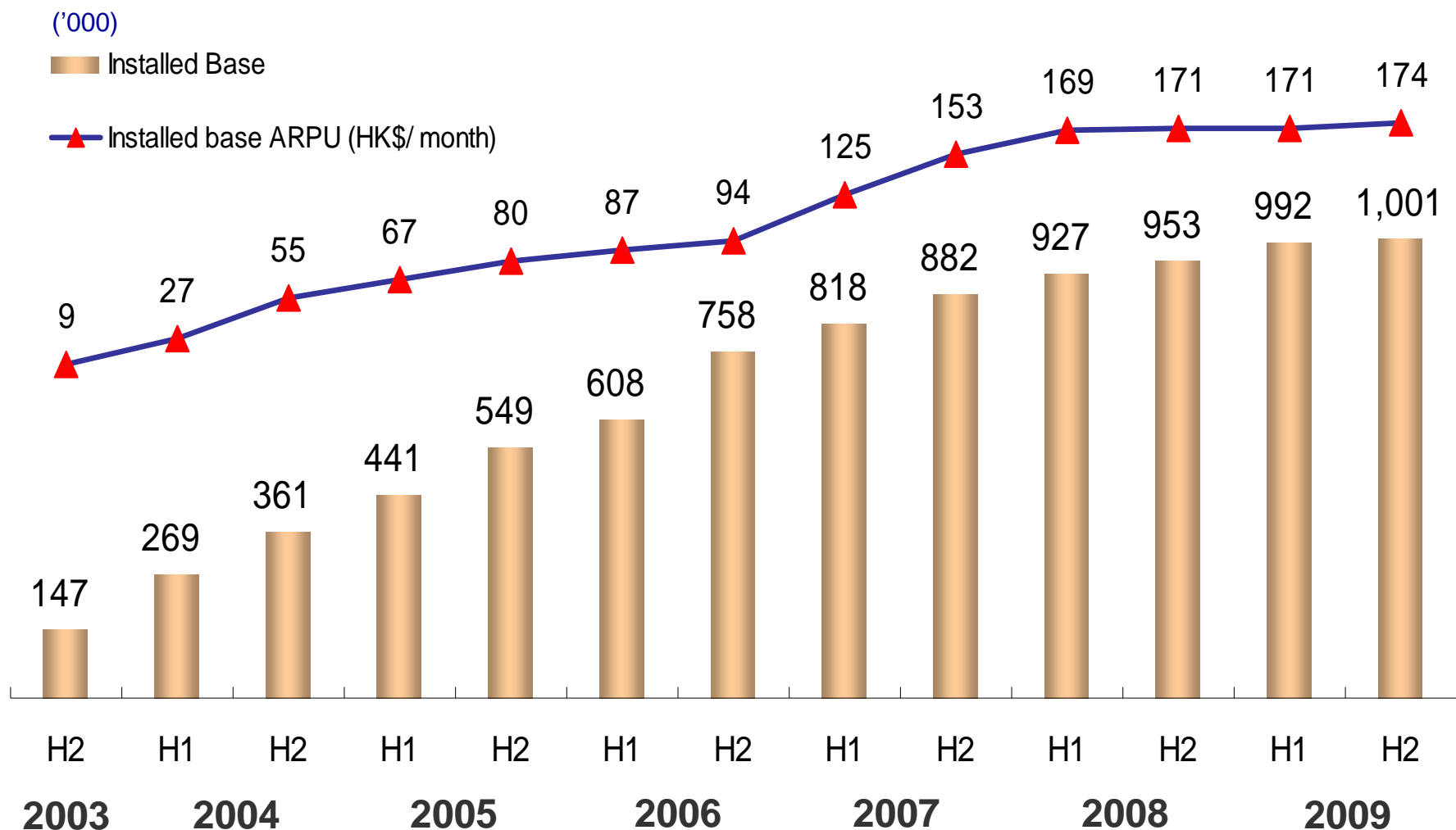
2008

2009

Data Revenue Growth

- **Total data revenue increased by 34% y-o-y**
 - 3G data revenue which represents 36% of 3G service revenue, surged by 57% y-o-y
- **Leadership in wireless broadband continues to fuel growth of mobile data usage and revenue**

Steady **now** Growth Momentum



- Widest and most comprehensive spectrum of sports content** with world-class football such as Spanish La Liga, Italia Serie A, Copa del Rey, all tennis grand slams and other popular international sports including World Snooker Tour, World Athletics Championships, World Volleyball Championships, Badminton Super Series and golf tours etc.

Key Football Content 2010



Most Comprehensive Tennis 2010 – All 4 Grand Slams and over 700 Hours of ATP Tour



now Select offers convenient time shifting for key sports properties such as La Liga, Italia Serie A, FA Cup, ATP, J-League etc.

Key International Sports Content 2010



Capturing Growth Opportunities

- Market Leader of general entertainment** offering both breadth and depth in content line-up with the most and the newest 1st run home entertainment proposition on pay-TV:

now TV - The obvious choice for smart viewers!

Best Offer in Town!
\$138 monthly (GST Inclusive)
*Free 1st run home entertainment proposition

now TV offers the best program!
Get the latest local & Hollywood movies plus TV series with the greatest number of titles available.

now TV	The other pay-TV service
1,200+ movies (more than 30 new releases)	Approximately 500 titles (2 new releases)
More than 27 TV series (more than 10 new releases)	Only 3 TV series (2 new releases)
200+ popular TV series (more than 10 new releases)	Only 1 TV series (1 new release)
More than 100 TV series (more than 10 new releases)	Only 1 TV series (1 new release)
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ONLY PCCW

- Enhance Customer Viewing Experience**
 - Compelling HD content
 - New content offerings



2009 a Transformational Year for PCCW

- We have now entered 2010 on a leaner yet stronger basis
- We continue to invest in new technology, our networks and our services
- We have re-emphasized and strengthened our customer-focused services
- We believe that as the economic conditions improve, we are poised for growth across the business as a whole