

BUILDING FOR
**TOMORROW,
TODAY.**

2015 Interim Results

For the six months ended June 30, 2015

August 5, 2015 – 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 HKT'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 HKT about the business, the industry and the markets in which HKT operates. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond HKT'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

Alex Arena

Group Managing Director

(US\$ million)

H1'14

H1'15

% change

Adjusted Funds Flow

204

250

+ 23%

The Board has declared an Interim Distribution of 25.79 HK cents per Share Stapled Unit

Financial Review

Susanna Hui

Group Chief Financial Officer

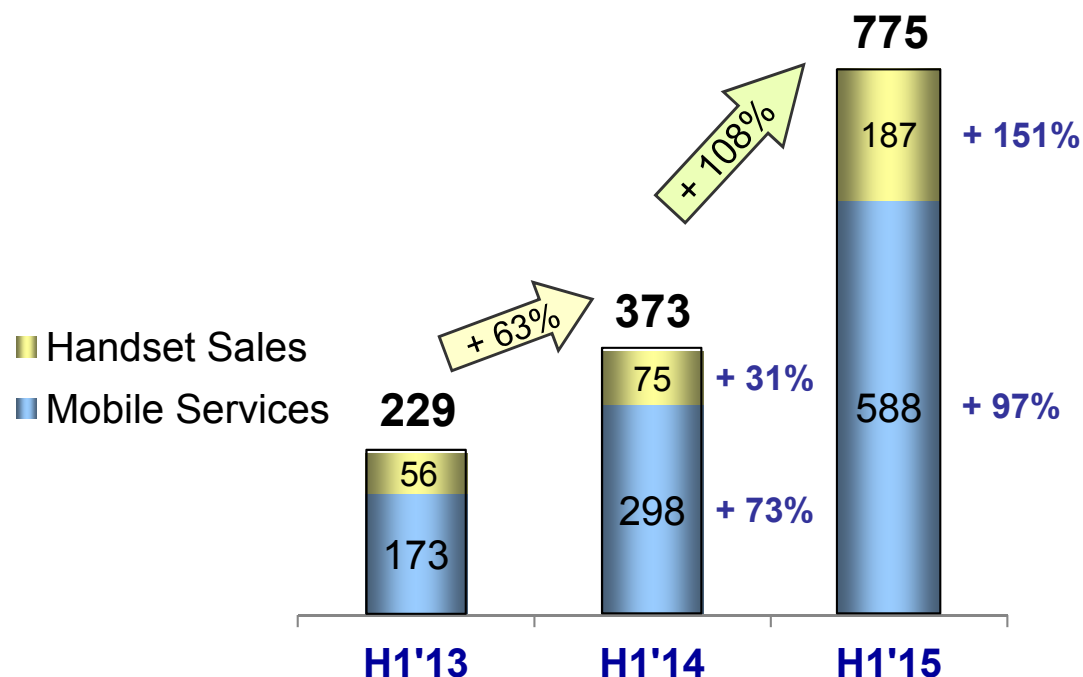
Solid Growth in EBITDA and AFF

(US\$ million)	<u>H1'14</u>	<u>H1'15</u>	% change
<i>Adjusted Funds Flow</i>	204	250	+ 23%
<i>Revenue</i>	1,605	2,048	+ 28%
<i>EBITDA</i>	567	740	+ 30%
<i>EBITDA Margin</i>	35%	36%	
<i>Profit</i>			
<i>Attributable to Holders of Share Stapled Units</i>	180	228	+ 27%

Mobile Synergies Beginning to Materialize

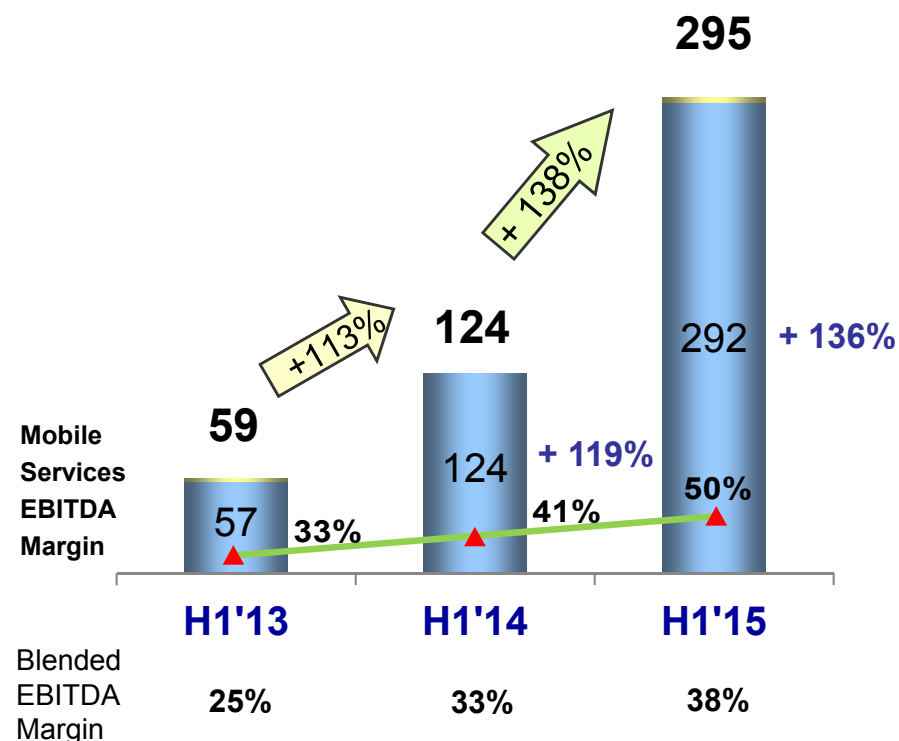
(US\$ million)

Mobile Revenue



- Market leadership with customer base of 4.653M
- Total mobile revenue up 108% driven by 97% increase in mobile services revenue
- Blended post-paid exit ARPU improved to HK\$224 from HK\$216 a year ago
- Strong handset sales as the launch of new popular handsets in H2'14 continued sales momentum in H1'15

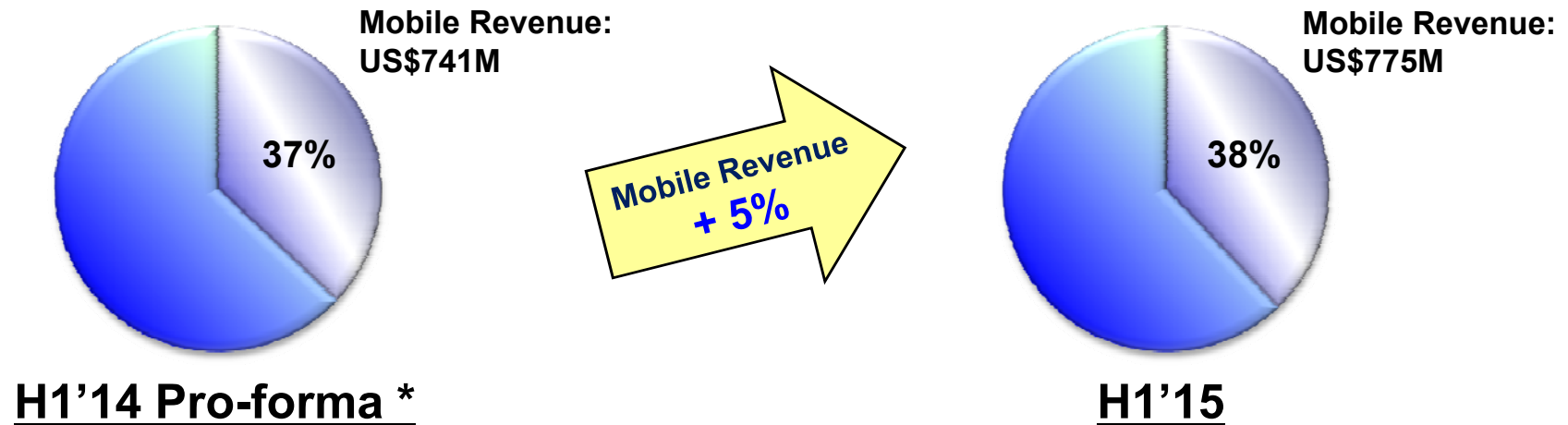
Mobile EBITDA



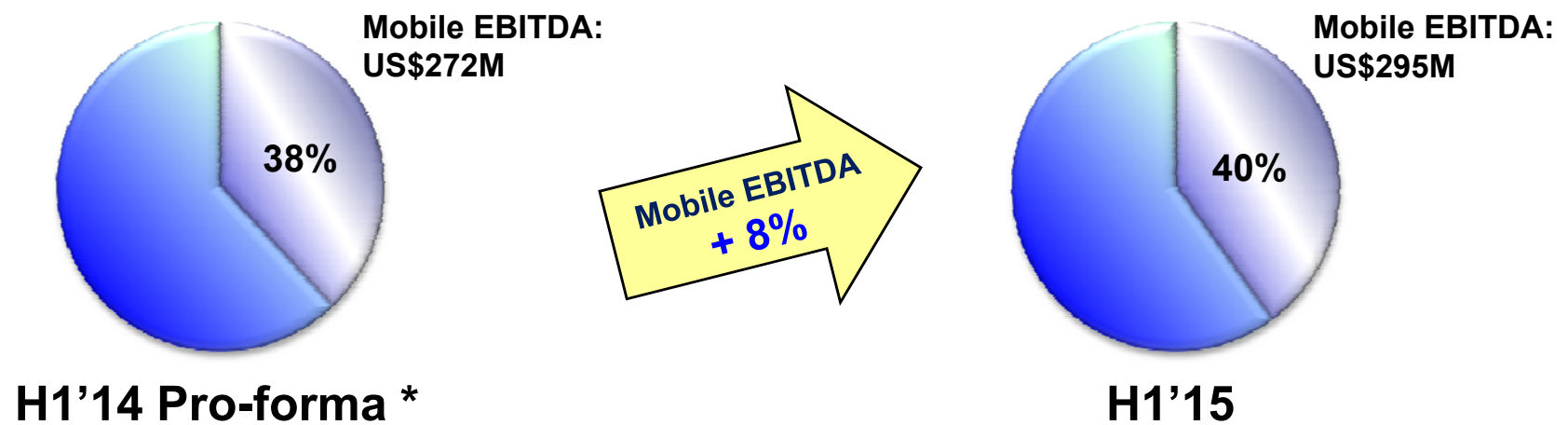
- EBITDA grew by 138% in H1'15
- Margin of mobile services expanded to 50% benefiting from the synergies achieved from cell site integration and higher staff productivity

Pro-forma Comparison Shows Solid Mobile Growth

HKT Revenue



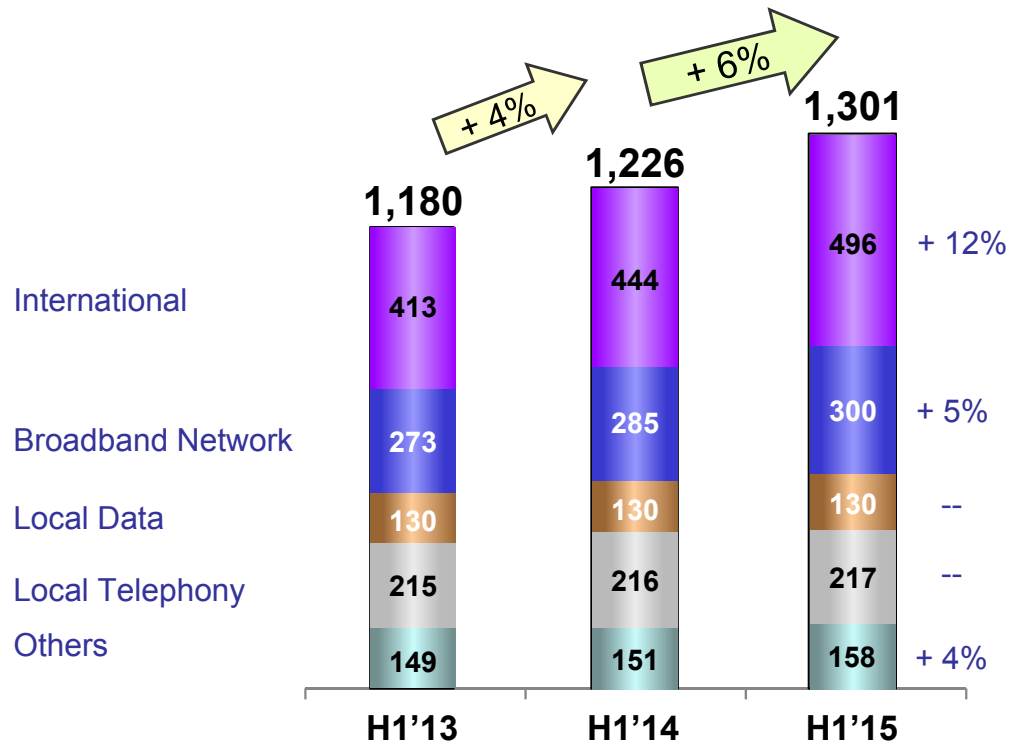
HKT EBITDA



Sustained Growth within TSS

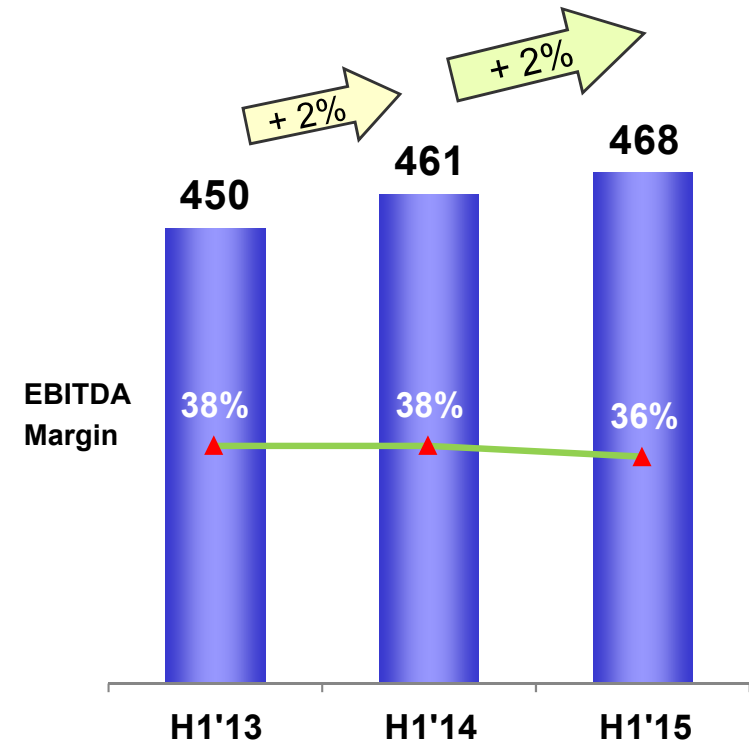
(US\$ million)

TSS Revenue



- **International** – continued to benefit from exponential growth in IP transit traffic requirements from global Internet content providers
- **Broadband** – continued revenue growth driven by customer upgrades to fiber service, take-up of higher speed plans and further pricing improvements

TSS EBITDA

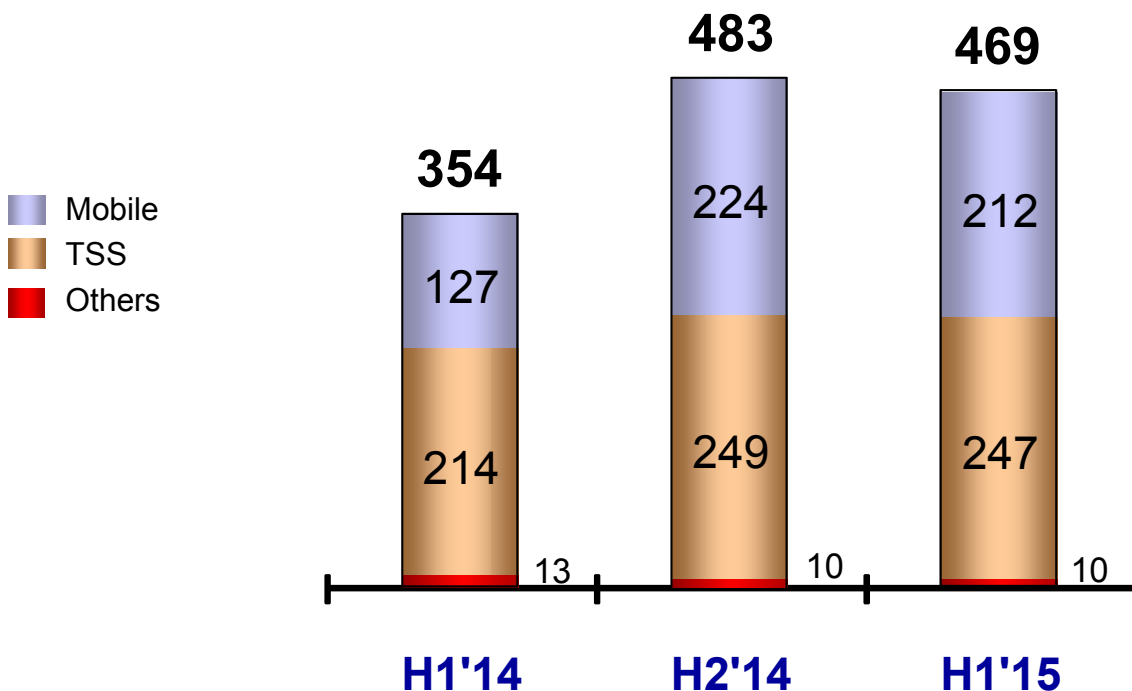


- Steady growth in EBITDA underpinned by balanced mix of businesses

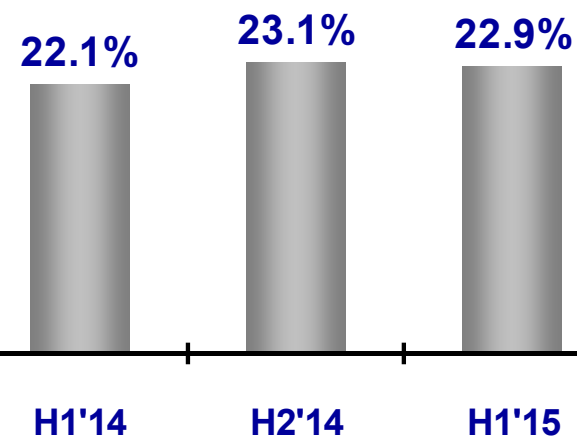
Unlocking of Synergies On Track

(US\$ million)

Operating Expenses



Opex to Revenue Ratio

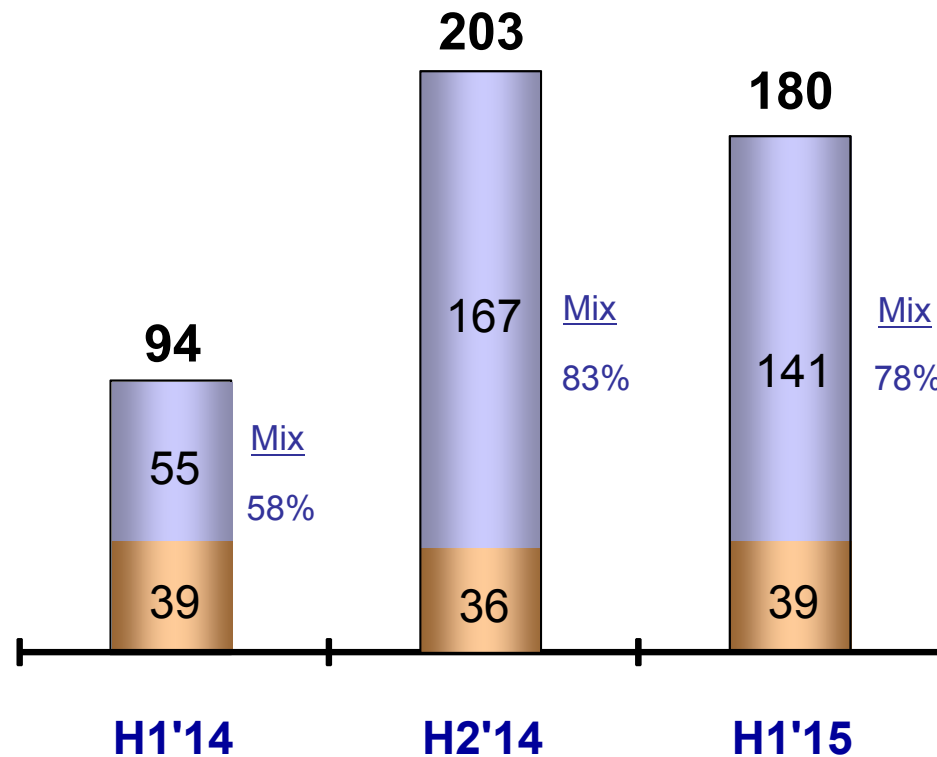


- Opex trended down, largely due to the unlocking of synergies from the CSL acquisition
- Material scope for improvement upon further realization of integration synergies from Mobile business
- Opex to revenue ratio improved slightly to 22.9% in H1'15, compared to 23.1% in H2'14

Customer Acquisition Costs

(US\$ million)

■ Mobile
■ TSS



- Mobile CAC driven by enlarged business scale as well as continued take-up of several popular handsets launched in H2'14
- Benefits of these investments will accrue in coming periods

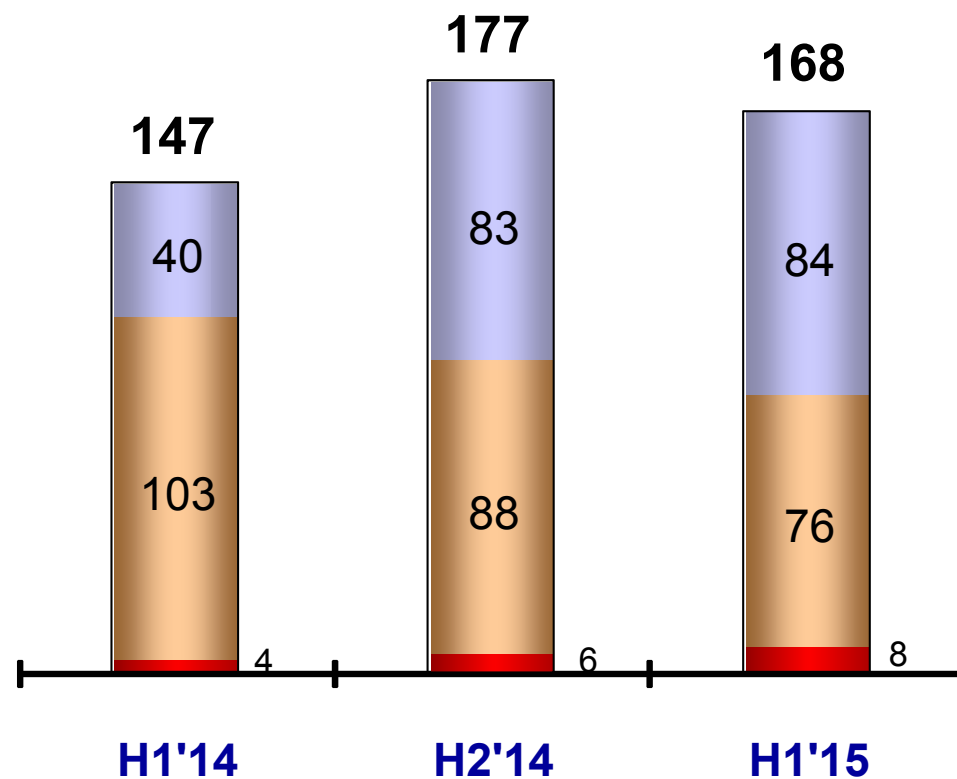
CAC to Revenue Ratio: 5.9% 9.7% 8.8%

FY 2014: 8.0%

Capex Efficiency Continues to Improve from Enhanced Scale and Fixed-Mobile Network Integration

(US\$ million)

Mobile
TSS
Others



- Maintain 10% capex to revenue ratio guidance
- Capex efficiency continues to improve from enhanced scale and fixed-mobile network integration

Capex to Revenue Ratio: 9.1% 8.5% 8.2%

FY 2014: 8.8%

Adjusted Funds Flow

(US\$ million)	H1'14	H2'14	H1'15	YoY
EBITDA	567	746	740	+ 30%
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(98)	(261)	(195)	
Capital expenditures	(146)	(176)	(167)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	323	309	378	+ 17%
Adjusted for:				
Tax payment	(10)	(41)	(10)	
Net finance costs paid	(47)	(55)	(56)	
Changes in working capital	(62)	13	(62)	
Adjusted Funds Flow for the period	204	226	250	+ 23%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	21.00 *	23.30	25.79	
Interim/Final Distribution per Share Stapled Unit (HK cents)	21.00	23.30	25.79	

Income Statement

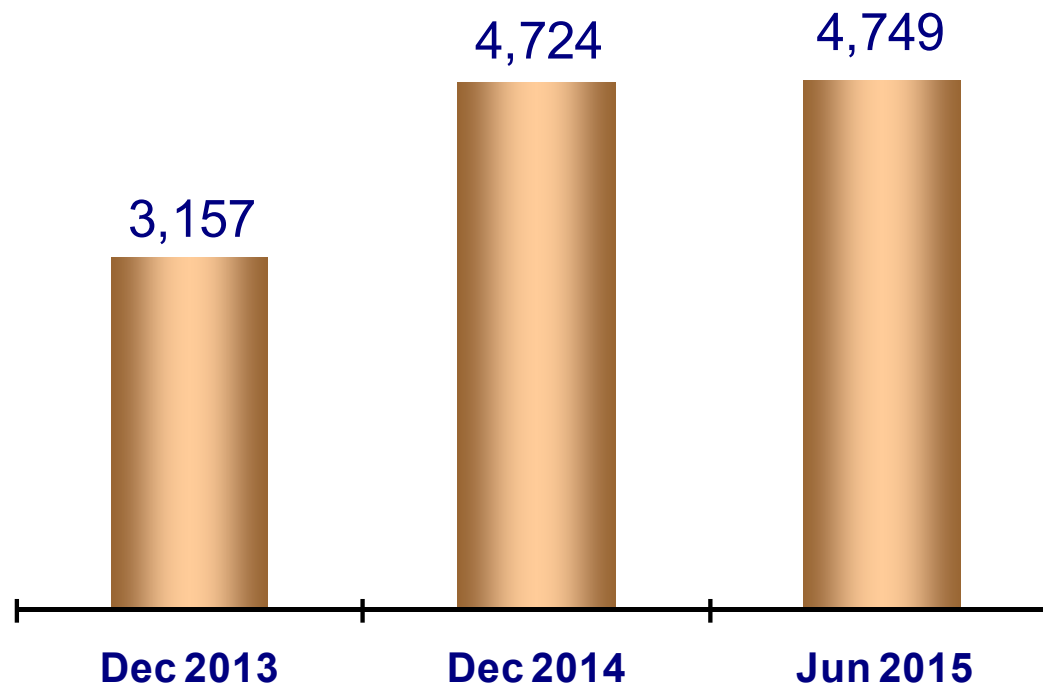
(US\$ million)	<u>H1'14</u>	<u>H1'15</u>	
Revenue	1,605	2,048	+ 28%
Cost of sales	(684)	(839)	
Opex	(354)	(469)	
EBITDA	567	740	+ 30%
Depreciation & Amortization expenses	(301)	(409)	
Net other gains	5	4	
Net finance costs	(58)	(81)	
Share of results of an associate & JVs	—	(2)	
Profit before income tax	213	252	+ 18%
Income tax	(31)	(22)	
<i>Effective tax rate</i>	<i>15%</i>	<i>9%</i>	
Profit for the period	182	230	
Attributable to:			
Holders of Share Stapled Units	180	228	+ 27%
Non-controlling interests	2	2	

Maintaining a Solid Financial Position

HKT Gross Debt (1),(2)

(US\$ million)

BBB/Baa2
Investment
Grade Rating



HKT Gross Debt / EBITDA⁽³⁾

3.1x

3.2x ⁽⁴⁾

3.2x

(1) HKT denotes HKT Trust and HKT Limited

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

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

(4) Based on gross debt as at period end divided by HKT FY13 EBITDA and CSL FY13 EBITDA

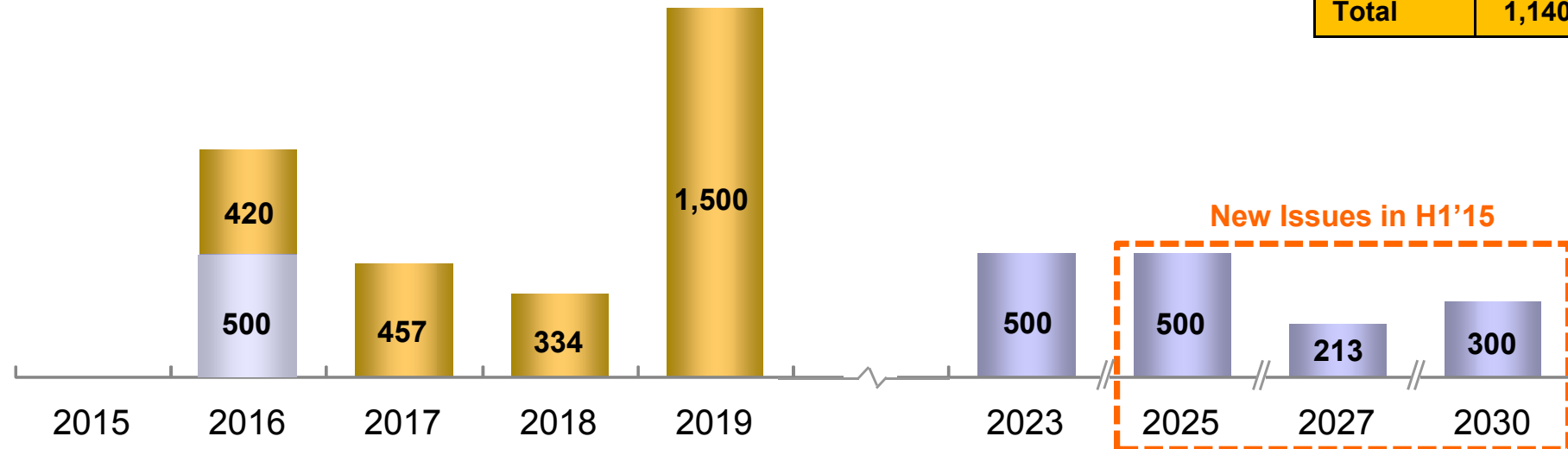
Debt Maturity Profile

As of July 2015

(US\$ million)

Bank Loans
Bonds

Cash Balance *	370
Undrawn Facilities	770
Total	1,140



- Refinanced maturing debt and locked in long-term funding through issuance of 15-year, zero-coupon US\$300 million bonds, 10-year, 3.625% US\$500 million bonds and 12-year, 1.65% €200 million bonds
- Average maturity extended to 5 years
- Current liquidity exceeding US\$700 million in undrawn banking facilities
- Effective interest rate was 2.9% in H1'15

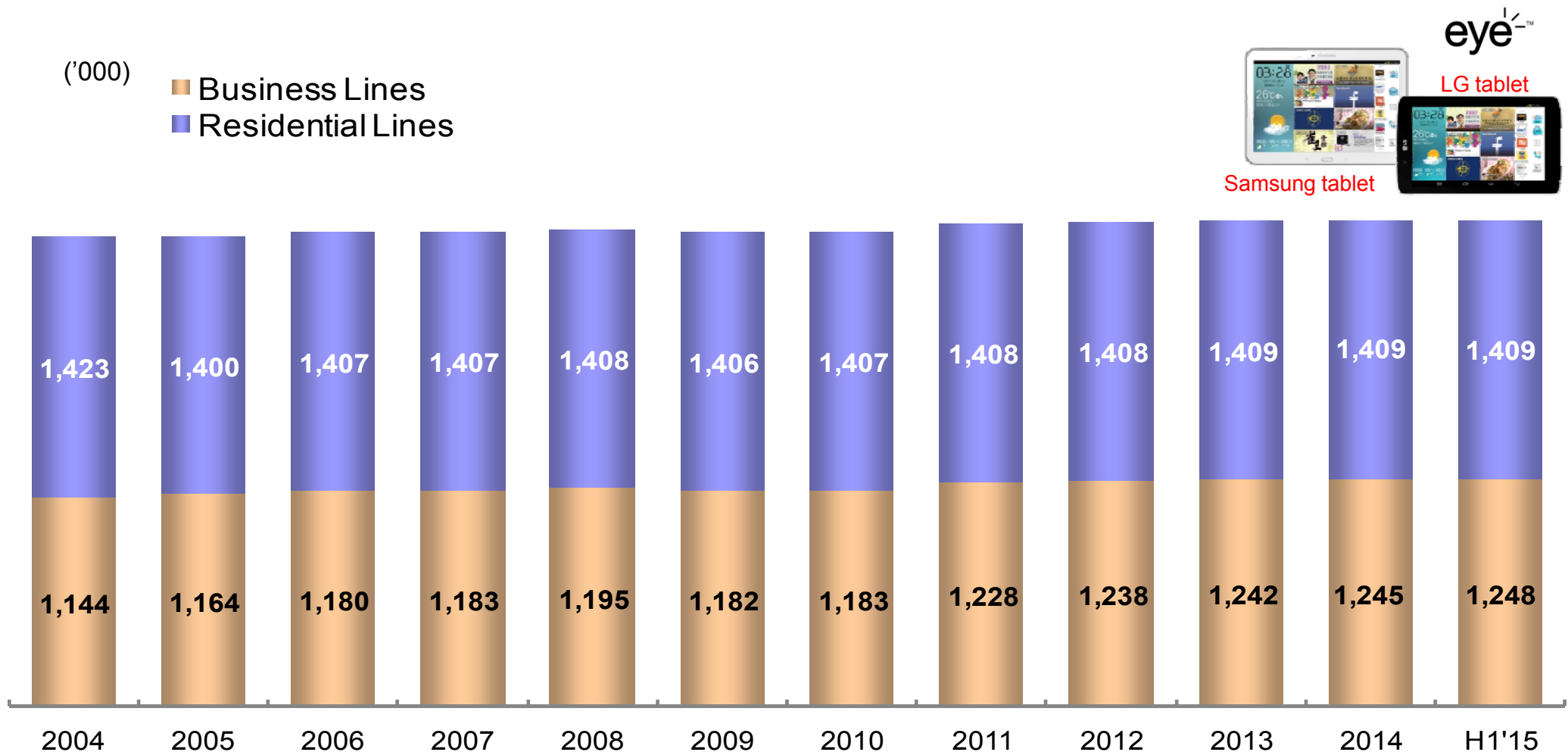
Business Review

Alex Arena

Group Managing Director

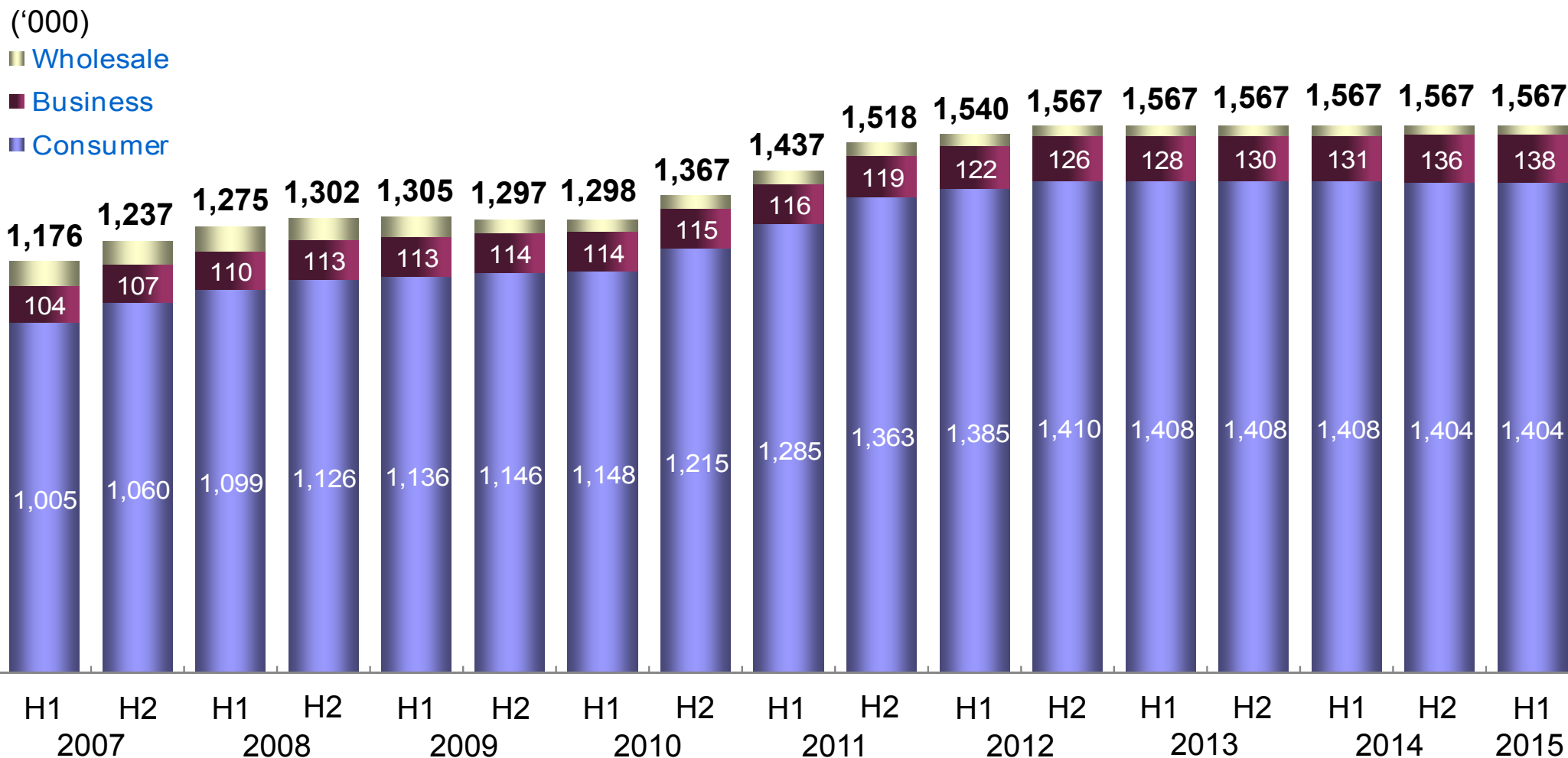
Stable Fixed-line Business

Solid Customer Base Maintained Since 2004



Consolidated Position in Broadband

- Consolidated broadband market position with churn rate of around 1%
- Market conditions became more challenging since H2'14 because of economic slowdown, reduced spending in the market and competitors' price discounting



Continued Growth of Fiber Customers



網上行光纖入屋，以穩定流暢的本地及海外頻寬
全面支援雲端、智能家居等多媒體的應用，為你提供優質的上網體驗！

今日 已為你準備全城最靚目的
寬頻及流動通訊優惠！



立即致電2888 1888後按1 或 親臨HKT專門店
或 登入www.netvigator.com了解詳情

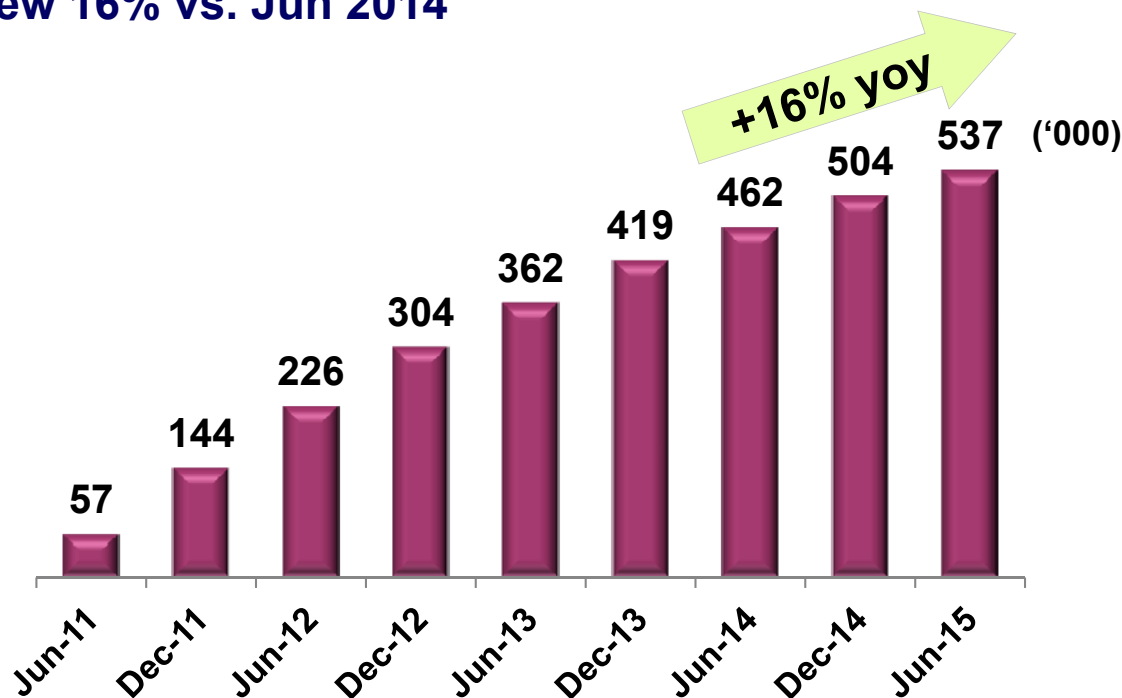
廣告內容如有更改，恕不另行通知。廣告內容以HKT Telecom (Hong Kong Telecommunications Limited) 為準。

HKT

電訊盈科集團成員

HKT Here To Serve

- Fiber-To-The-Home (FTTH) service continued to attract new customers and existing customers for service upgrade
- 537K customers enjoying FTTH service as of Jun 2015, grew 16% vs. Jun 2014



- Growing fiber customer base creates future upgrade opportunity to higher speed, higher price service plans
- 650K customer enjoying high speed service (FTTH and VDSL) as of June 2015

10G PON is Here!

- 1) HK's first 10Gbps service is now available to all of the residential premises within HKT's FTTH-Ready coverage for subscription
- 2) Ideal to fulfill high bandwidth, high reliability application needs at home such as home office, online gaming, high resolution video streaming
- 3) Commercial package complemented with HKT cloud storage service uHub plus  and anti-virus protection service F-Secure Safe Anywhere  at a monthly rate of HK\$2,888 plus one-off installation fee



Wide Availability of our Fiber Network

網上行

WEATHER 7:45am
BUILDING FOR TOMORROW TODAY.

科技瞬息萬變
網上行不斷拓展網絡及提升服務
為你今日及未來的生活需要
做好準備!

網上行光纖入屋，以穩定流暢的本地及海外頻寬
全面支援雲端、智能家居等多媒體的應用，為你提供優質的上網體驗!

今日 已為你準備全城最優目的
寬頻及流動通訊優惠!

立即致電2888 1888接洽1 或 親臨HKT專門店
或 登入www.netvigator.com了解詳情

HKT 電訊盈科集團成員

FTTB-ready (87.1%)*
(supporting speeds of up to
100Mbps)

**1.5M or above
(98%)**

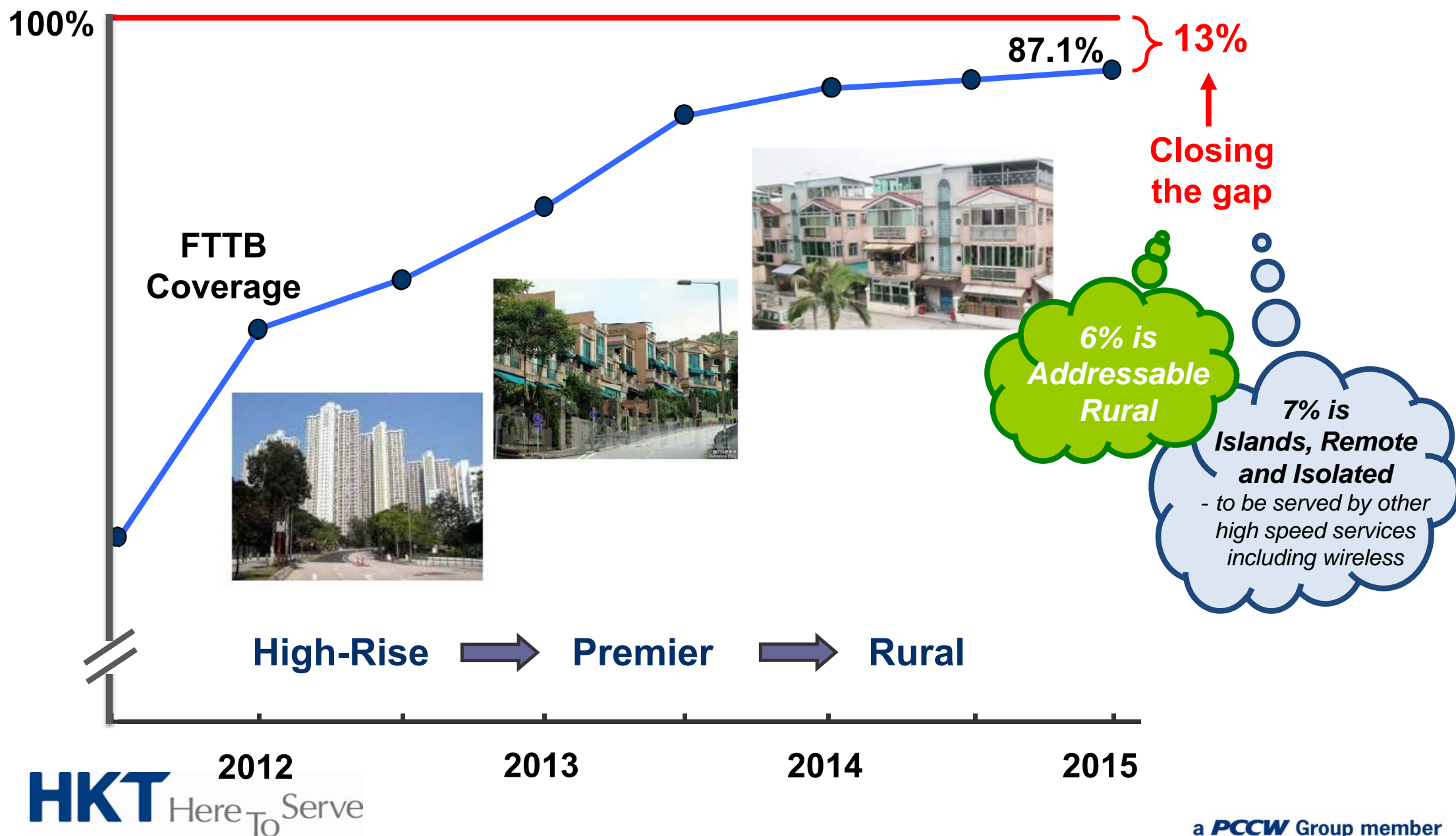
**FTTH-ready
(81.8%)****
(supporting speeds up to
10Gbps)

(as of July 2015)

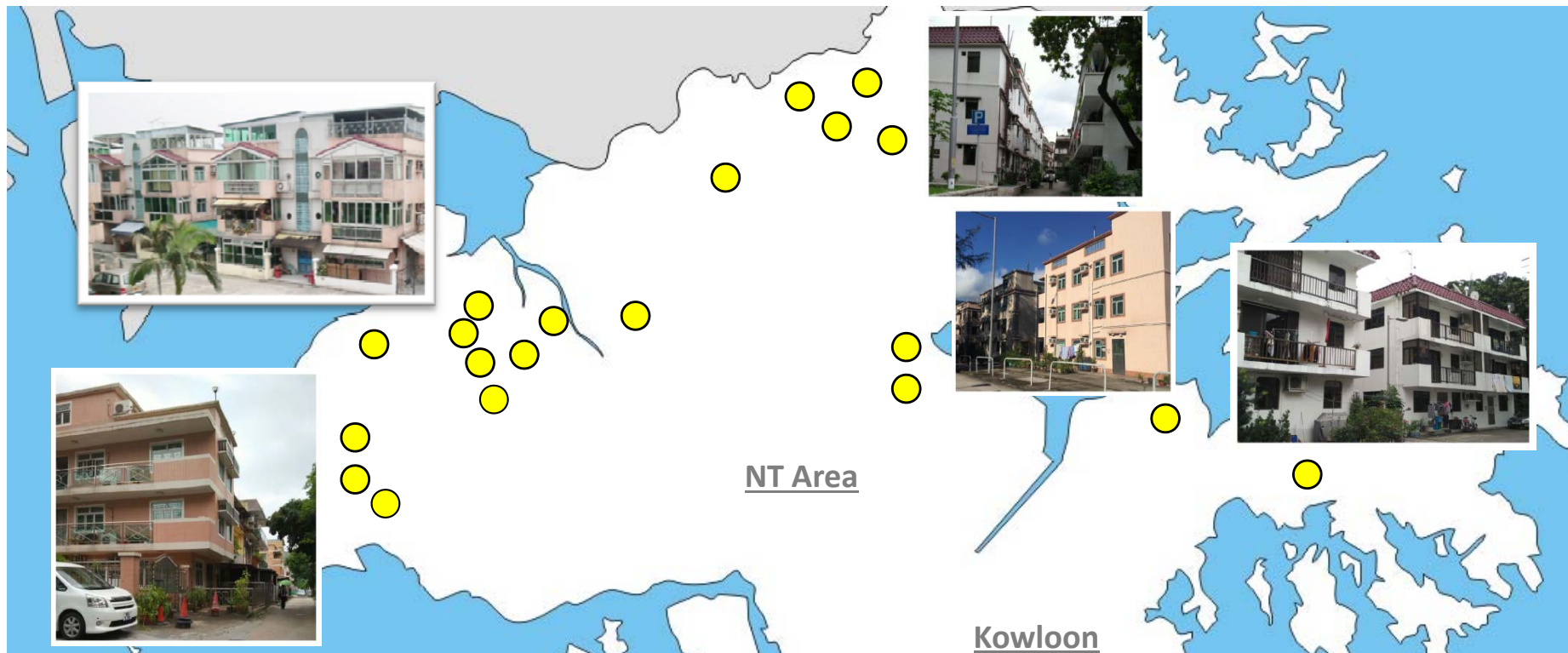
* FTTB-ready means FTTH service can be available within 29 days of receiving a service order, building management access permitting

** FTTH-ready means FTTH service can be available within 4 days of receiving a service order

Our Path to Territory-Wide Fiber Broadband



Expand our Fiber Network to Rural Area



- Most rural housing is in clusters and already covered by HKT's existing infrastructure
- We can leverage this existing infrastructure to extend our fiber network
 - Up to 10G service will be available
- High retention rates in rural areas when we roll out our high speed services
- Aim to complete next phase of expansion by end of 2016

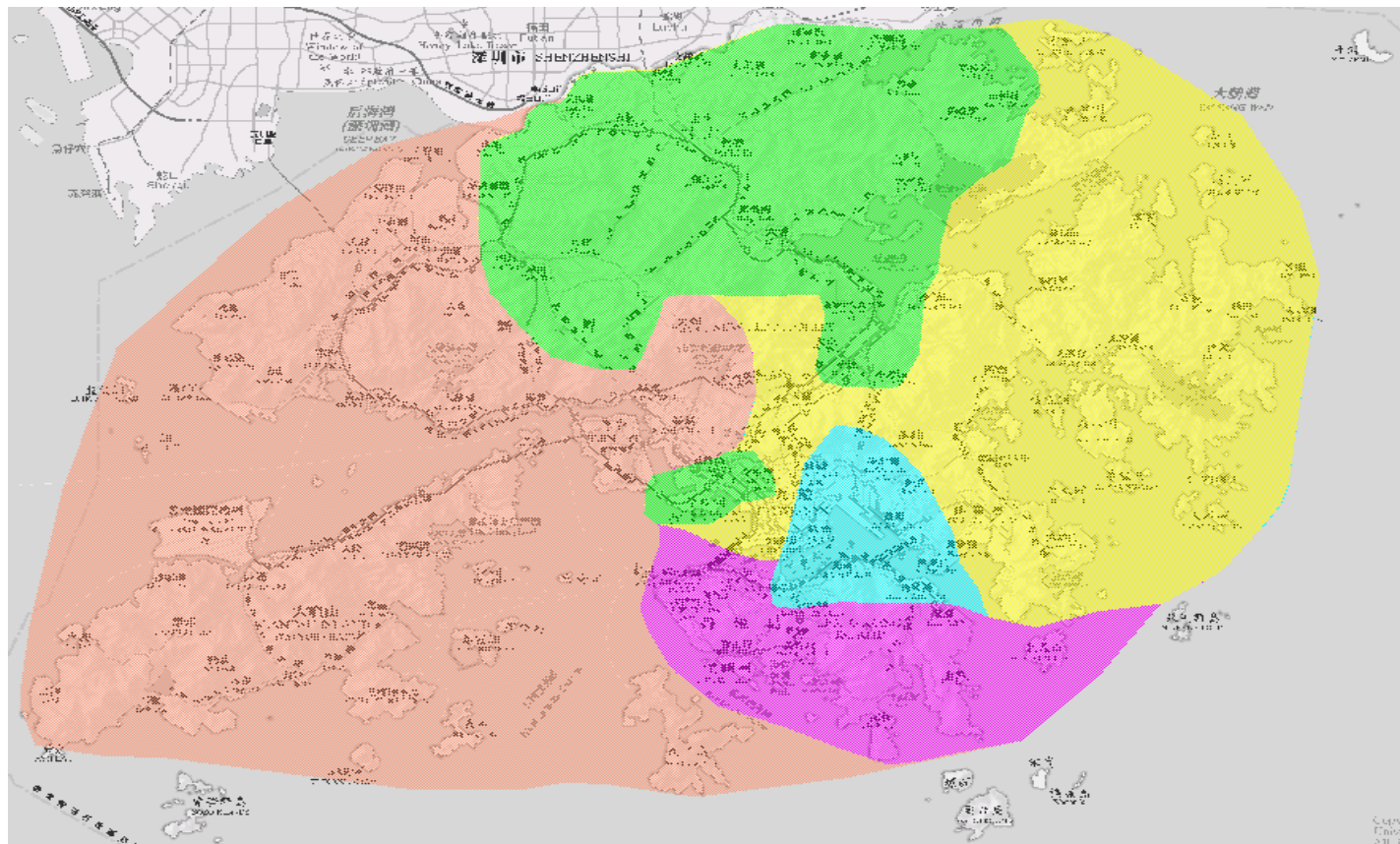
Sustained Strong Performance in Mobile Business



- **Total customer base of 4.653M**
 - **Post-paid customer base of 3.147M**
- **Post-paid exit ARPU of HK\$224**
- **Mobile data represents 69% of total services revenue**
- **IDD and roaming represent 18% of total services revenue**
- **80% of post-paid customers are smart device users**
- **Post-paid churn rate was 1.4%**

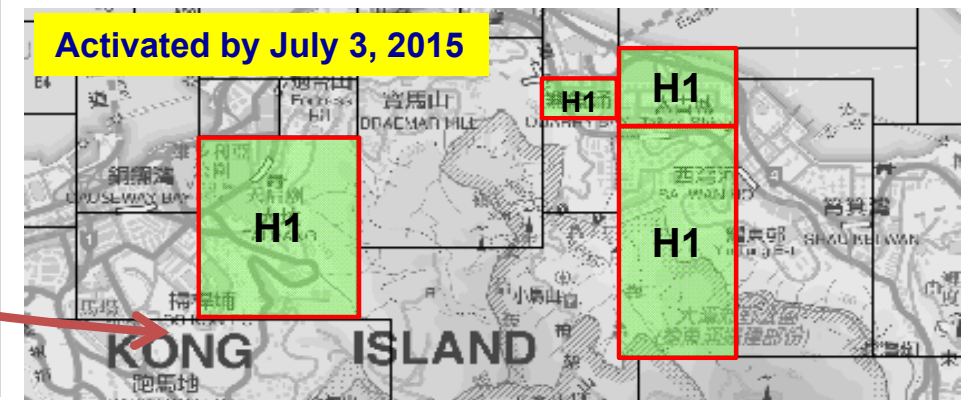
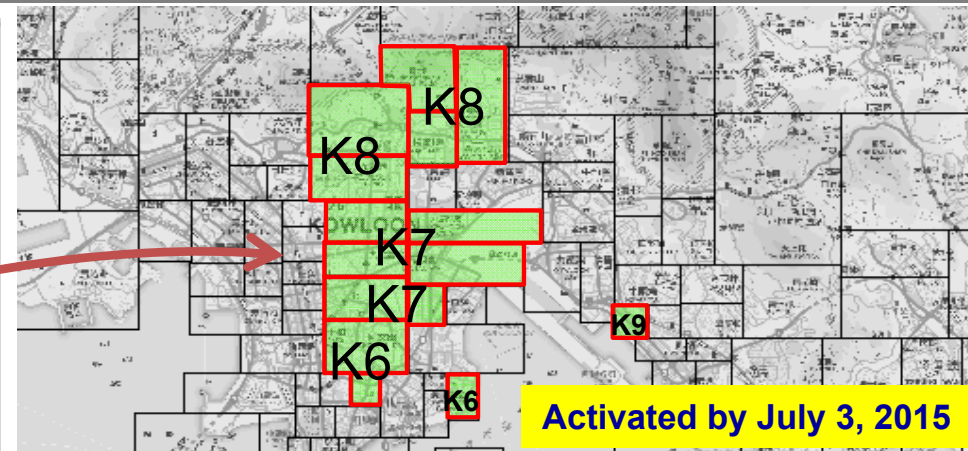
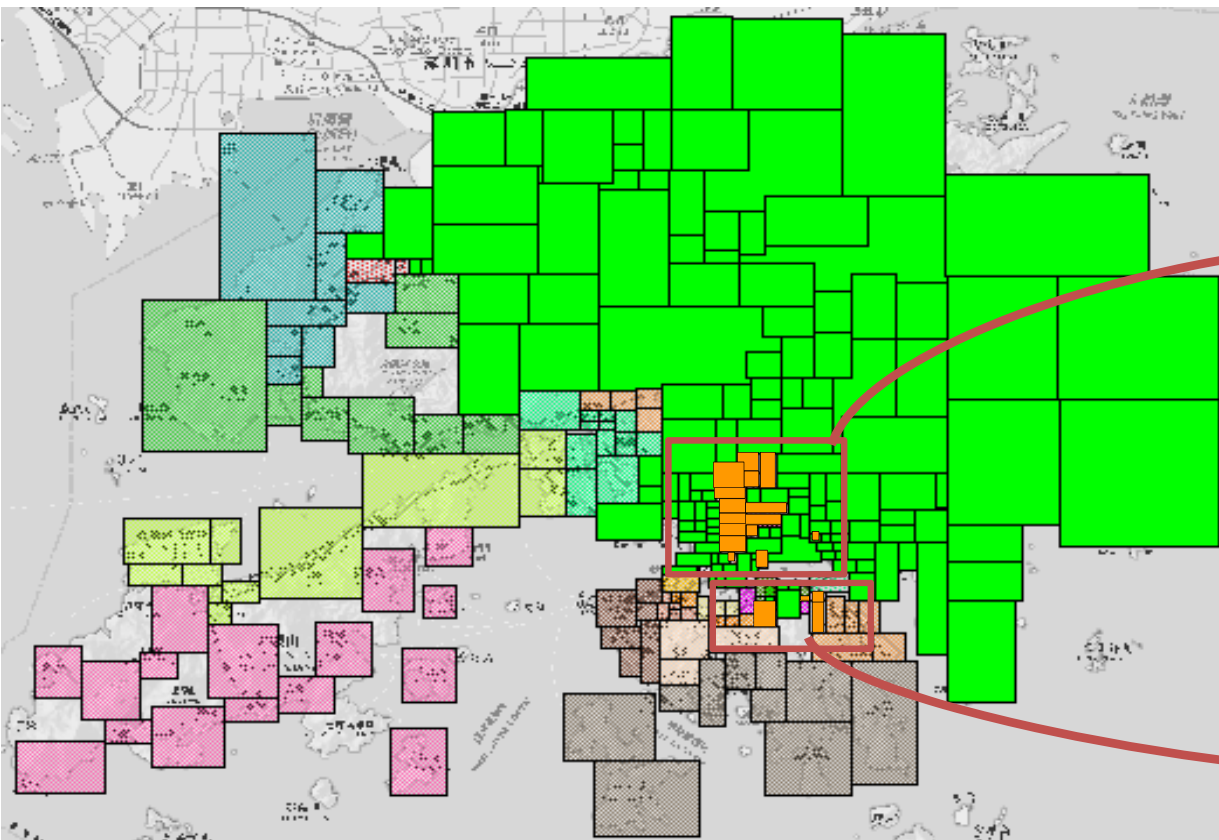
** Figures stated as at June 30, 2015 or for the six months ended June 30, 2015*

Network Integration Upgrade Plan



- Cell site integration making good progress and according to plan
- High traffic CSL cell sites upgraded with HKT's 1000Mbps fiber backhaul
- Expect to complete integration into one unified radio network by the end of 2015

Significant Progress on Cell Site Integration



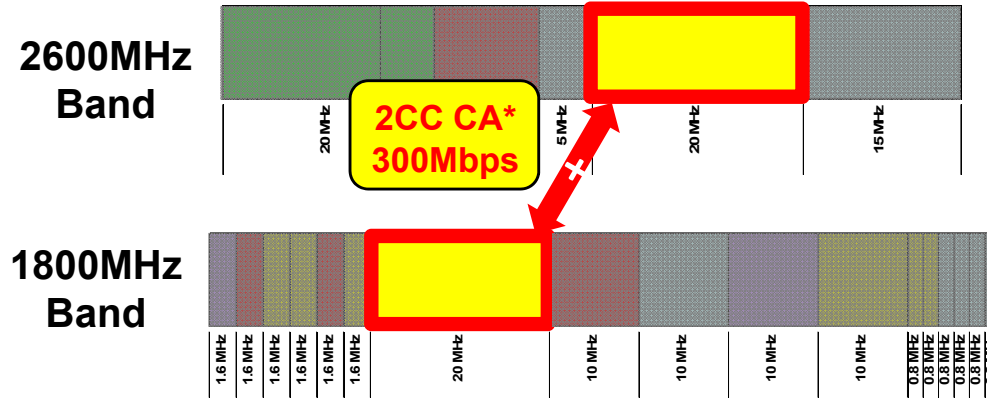
Site Integration Progress (H1'15)	No. of Sites	Total Before Integration	Sites Integrated (1H'15)		Sites Yet To Integrate	Site Count (1H'15)	Change after Integration
			Before	After			
	Serving HKT Customers	2,482	1,272	1,518	1,210	2,728	+ 246 (10%)
	Serving CSL Customers	2,191	1,051	1,518	1,140	2,658	+ 467 (21%)
	Total :	4,673	2,323	1,518	2,350	3,868	- 805

- A total of **1,518 integrated sites**, representing **51% completion** (vs. target of 3,000)
- No. of sites serving HKT & CSL customers increased by **246 (+10%)** & **467 (+21%)** respectively
- A total of **805 sites** removed, representing **48% of target reduction**
- The 805 sites removed represent **approx. 35% saving** in cell sites

Superior Mobile Network

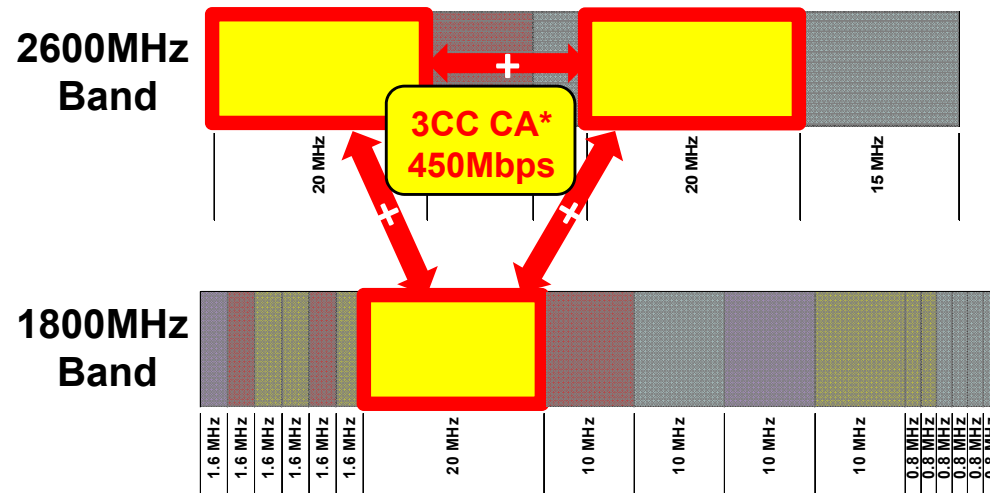
**First in
Hong Kong**

**LTE-A 300Mbps
Network
Launched in
December 2014**



**First in
Hong Kong**

**Plan to Launch
LTE-A 450Mbps
In Early 2016**



Continued Innovation and Enhanced Customer Service

HKT continues to lead:

1) The Club

- A major initiative in loyalty, rewards, customer retention and an enhanced customer experience
- Launched in December 2014

THE  CLUB™

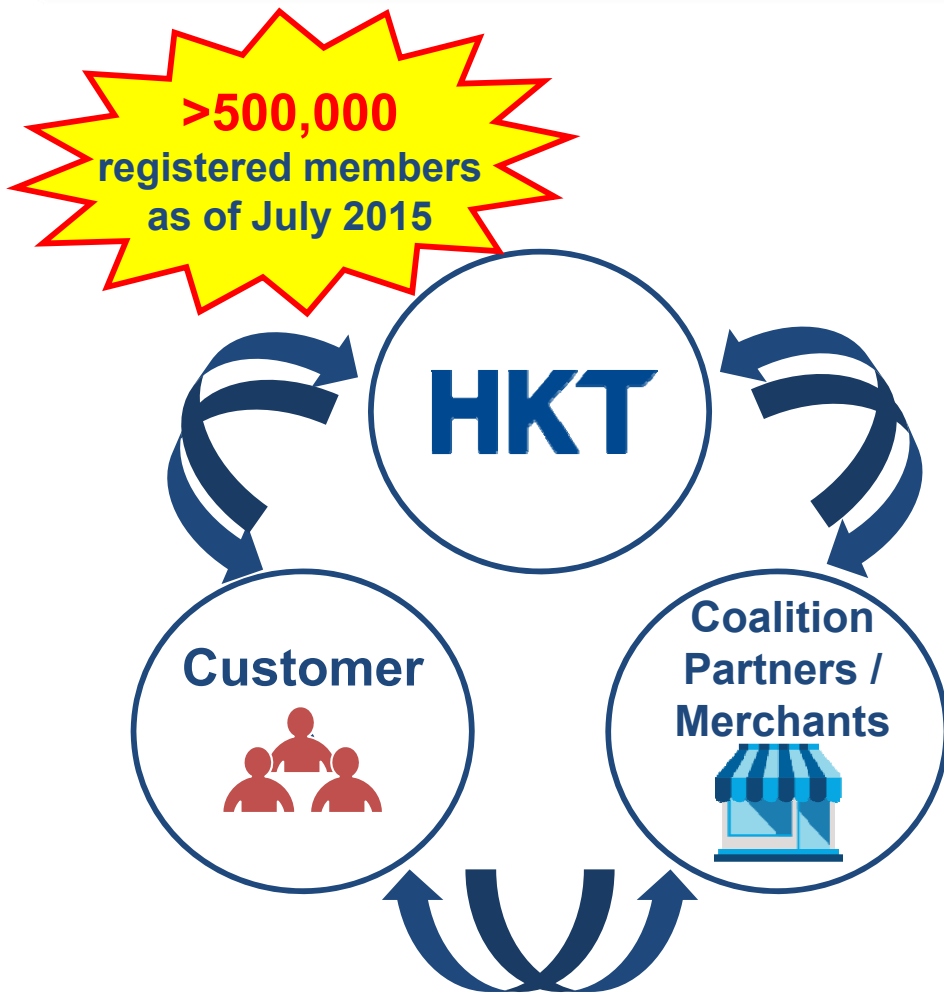
2) Unleashing Mobile Payments

- A major innovation and new service for HKT customers
- Launched in July 2015

 Tap&Go™
拍住賞

THE CLUB[™] Loyalty and Rewards Program

A Unified Customer Reward Program across HKT's Different Line of Businesses that Drives Value to HKT, Customers and Partners



- A strategic program to combine loyalty, payments and partners to become the best loyalty coalition in Hong Kong
- Offers free membership and tier benefits to club members, while the program also creates up-sell / cross-sell opportunities to HKT and partners / merchants
- Create different services and benefits to cater for different needs of specific segments
 - **Membership Benefits:** Invitation to exclusive events, privileges to HKT & partners' services/products, access to concierge services
 - **Membership Tiers:**
 - Black (*by invitation only*)
 - Platinum / Gold / Silver
 - Blue (*non-HKT customers*)




New Mobile Payment Service

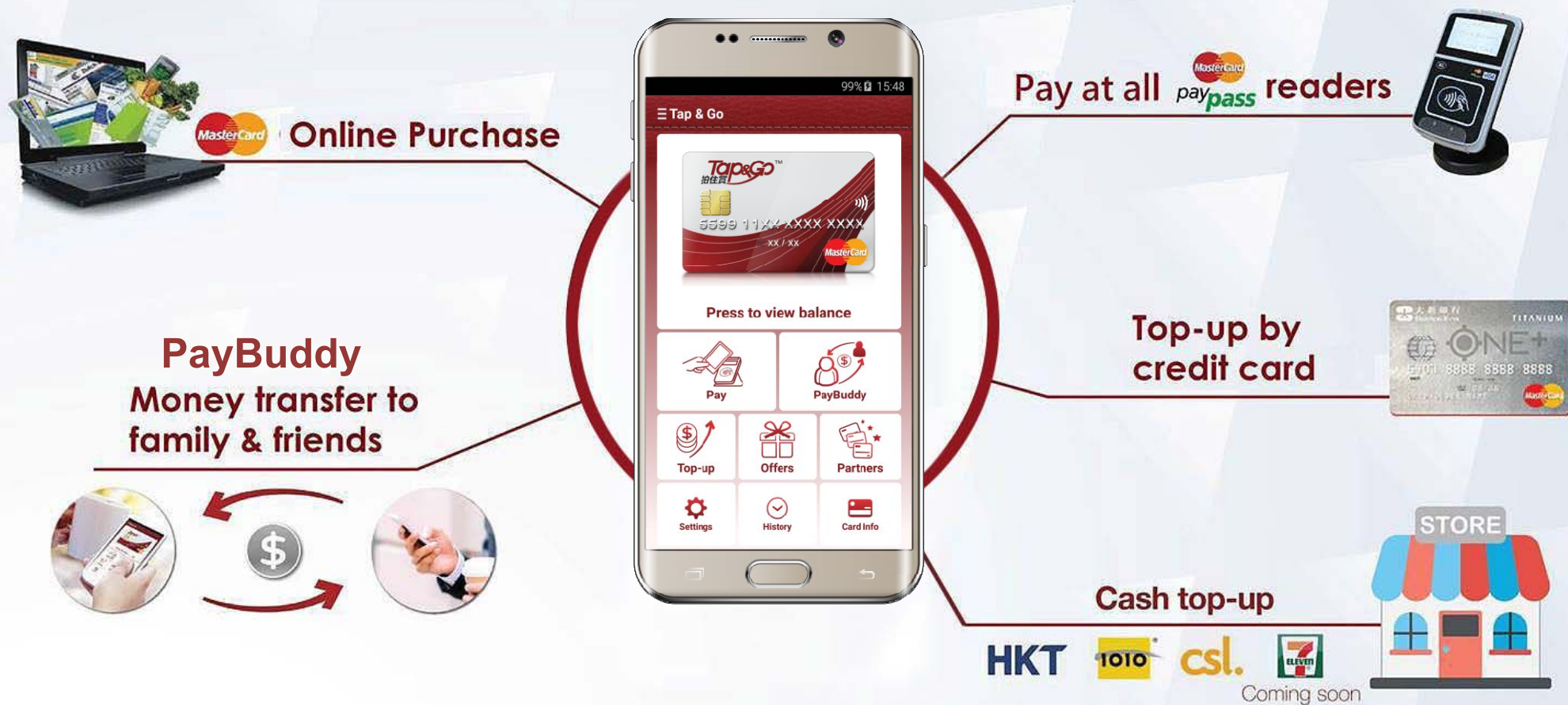


New Mobile Payment Service

Unleash the capabilities of NFC and all-in-one SIM to bring a new convenient and secure payment experience for customers



- A new payment service which enables customers to use their mobile phones to make payments at more than three million retail terminals in Hong Kong and overseas, for online purchase and transfer money to family and friends
- Customers will receive rewards through THE  CLUB™ encouraging faster adoption and higher usage
- Reinforces HKT's service innovation leading to enhanced customer experience and greater customer loyalty



Highlights



Core Business performing well, resilient in the face of soft economy and competition



Broadband benefiting from the significant investment in our fiber-rich network and customers migrating to higher speeds (500Mbps or above)



Mobile network integration on track, ARPU is strengthening and churn is reducing



The Club and Tap&Go poised to strengthen our business going forward