

HKT Here _{To} Serve



2018 Annual Results

For the year ended December 31, 2018

February 22, 2019 – Hong Kong

a **PCCW** Group member

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

Susanna Hui
Group Managing Director

2018 Highlights

HKT Produced Another Strong Financial Performance Demonstrating our Continued Market Leadership across All Lines of Business

Transforming from Connectivity Services to a Provider of Innovative Services and Solutions for Smarter Living and Smarter Business Operations

Preparing for 5G and Actively Participating in the Smart City Vision to Create New Business Opportunities and Improve the Quality of Life in Hong Kong

Delivering Yield and Consistent Growth to Unitholders

Final Distribution of 39.17 HK cents per Share Stapled Unit

HK Cents	2018
Interim Distribution	29.12
Final Distribution	39.17
Total Distribution	68.29

Dividend Yield :
5.73% *

(US\$ million)	2011	2012	2013	2014	2015	2016	2017	2018	YoY
Adjusted Funds Flow	306	343	372	430	525	600	630	663	+ 5%



* Based on HKT SSU closing price on the annual results announcement date

Financial Review

Evan Wong
Chief Financial Officer

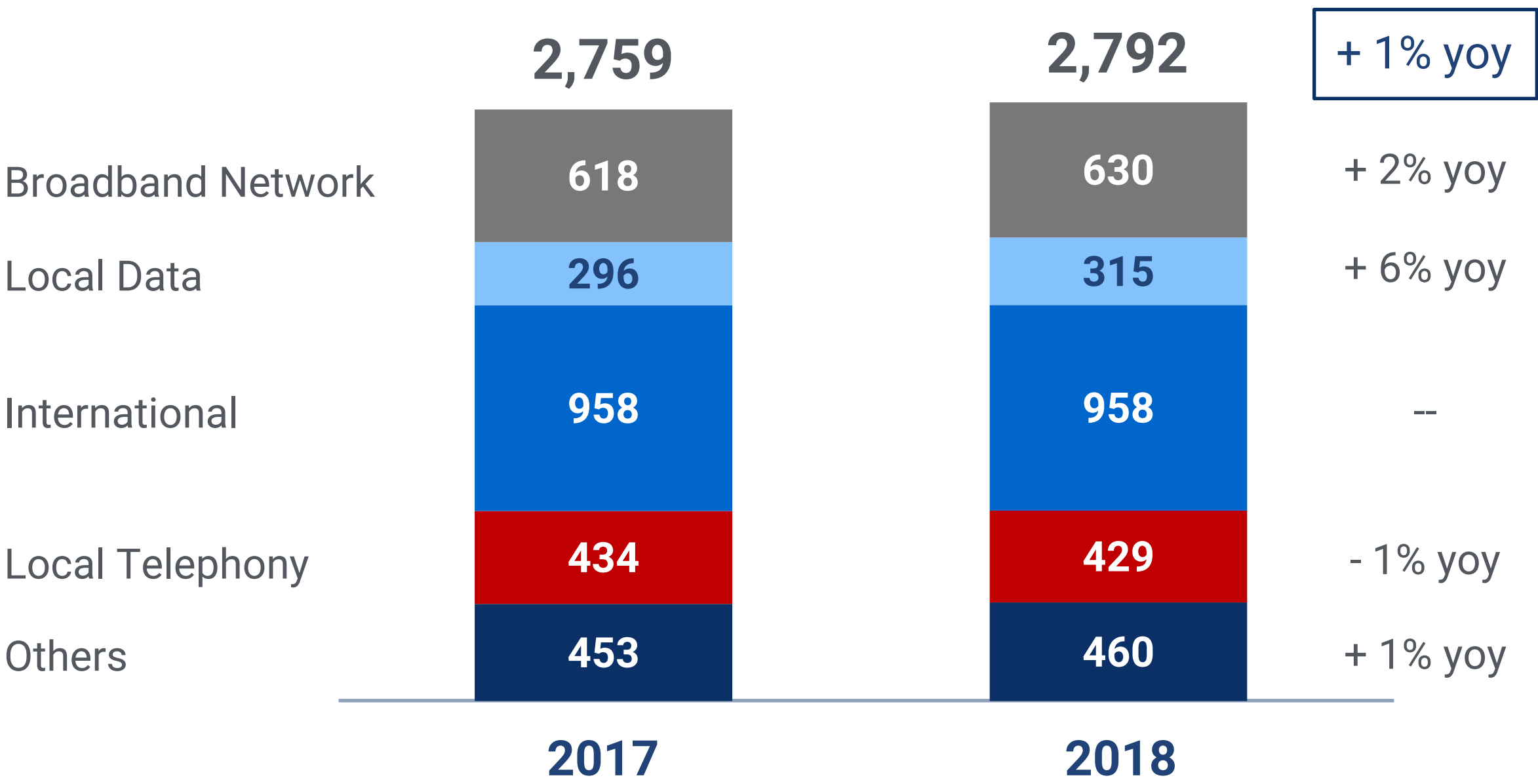
HKT Delivers Another Strong Financial Performance Demonstrating Continued Market Leadership

(US\$ million)	2017	2018	% change
Adjusted Funds Flow	630	663	+ 5%
Revenue	4,239	4,511	+ 6%
Revenue (excl. Mobile Product Sales)	3,707	3,773	+ 2%
EBITDA	1,575	1,610	+ 2%
<i>EBITDA Margin (excl. Mobile Product Sales)</i>	43%	43%	
<i>Overall EBITDA Margin</i>	37%	36%	
Profit Attributable to Holders of Share Stapled Units	608	619	+ 2%

The results for the year ended December 31, 2018 reflects the adoption of several new accounting standards and, for comparative purposes, the results for the year ended December 31, 2017 have been restated as if these new accounting standards had been in place during the year.

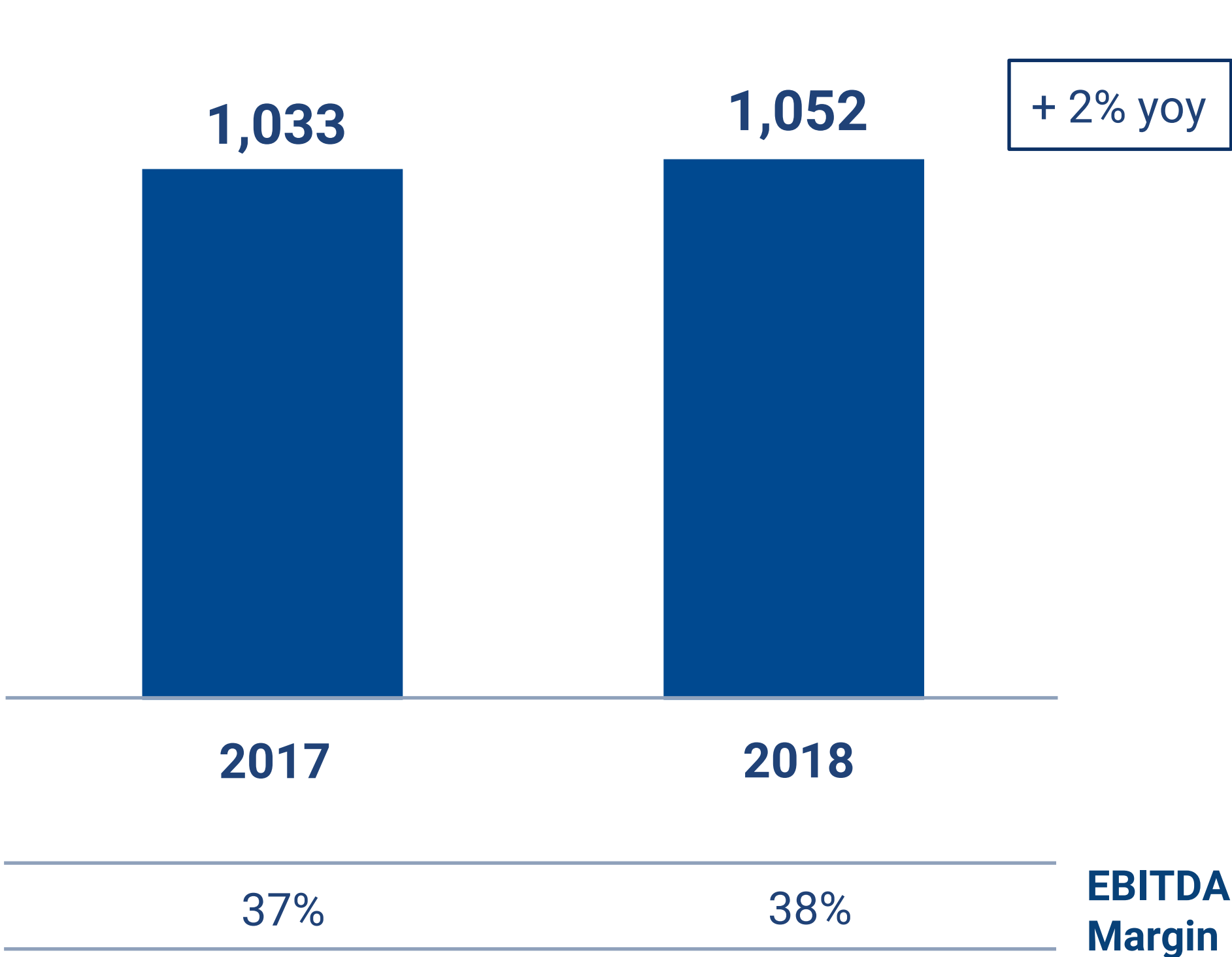
TSS Continues Steady Growth Trajectory

TSS Revenue (US\$ million)



- **Broadband** – Achieved 11th consecutive year of revenue growth, driven by continued growth in our FTTH services and value-added services such as Home Wi-Fi and Smart Living
- **Local Data** – Sustained growth momentum reflecting strong enterprise demand for cross-border connectivity solutions and network facility management solutions integrating connectivity, cloud-based storage and ancillary co-location services
- **International** – Driven by growing demand for connectivity services and cross-selling of cloud-based services such as unified communications and managed security; offsetting the industry-wide decline in voice revenue
- **Others** – Increased sales of network equipment for managed network and infrastructure solutions for enterprise customers

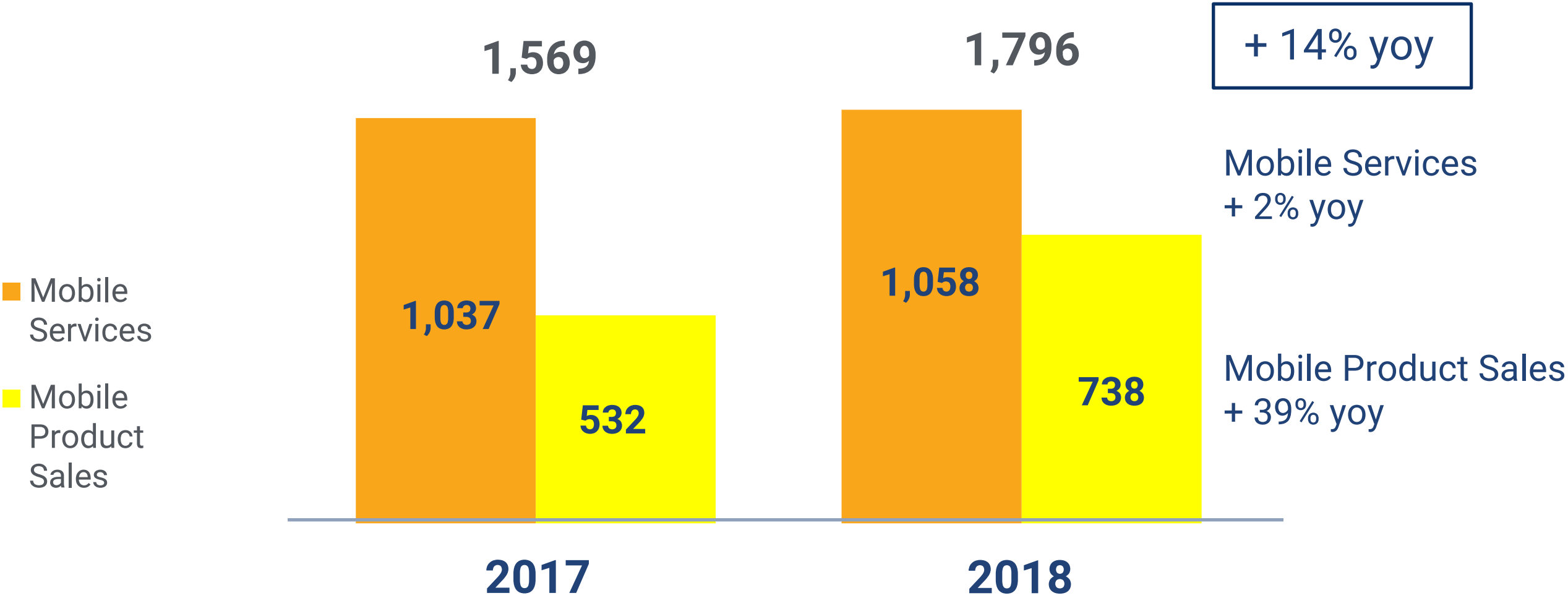
TSS EBITDA (US\$ million)



- Steady EBITDA growth underpinned by diversified business portfolio
- EBITDA margin further improved to 38% reflecting sustained improvement in operating efficiencies

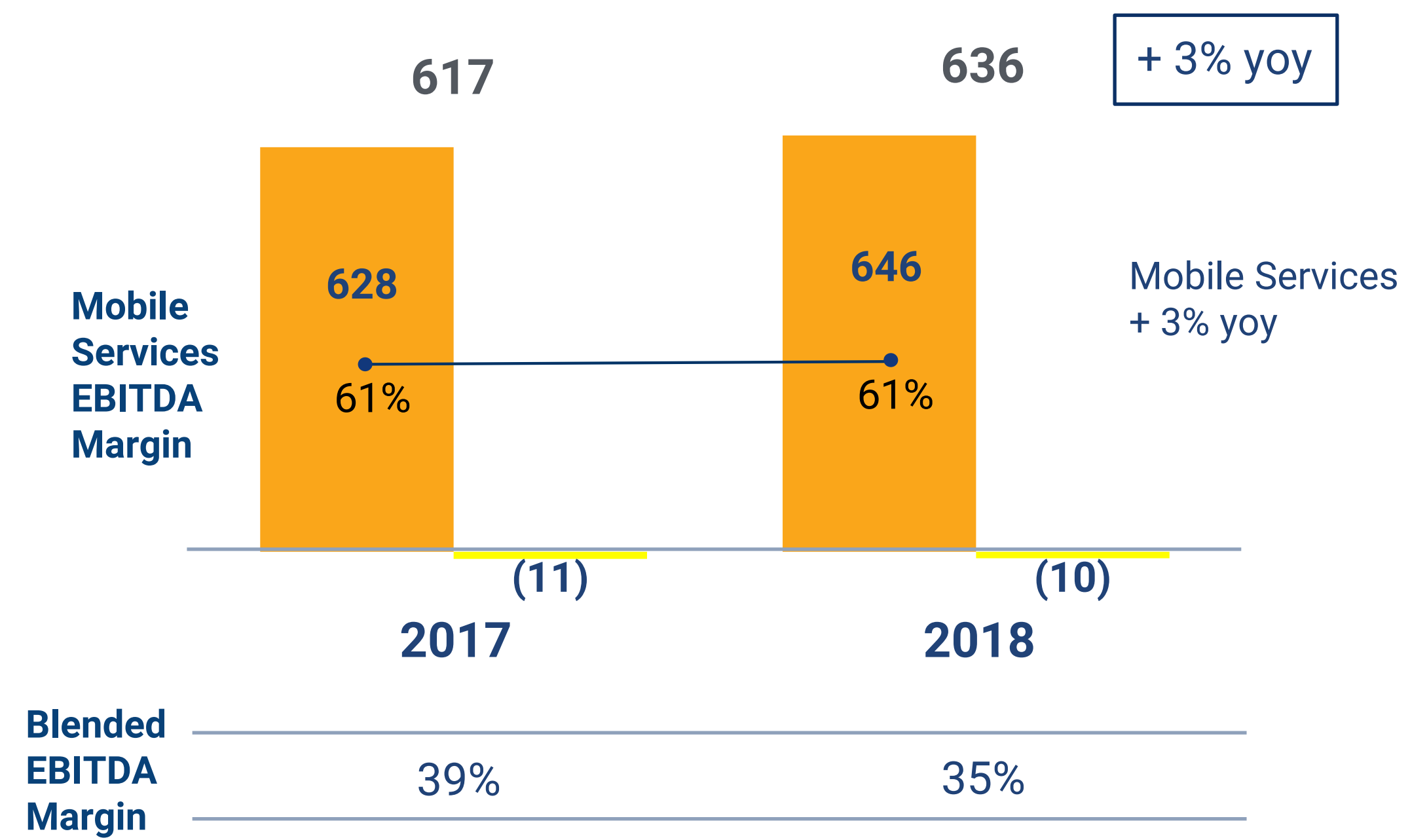
Mobile Strengthens Market Leadership

Mobile Revenue (US\$ million)



- Mobile Services revenue benefited from continued growth in post-paid customer base, customers upgrading to premium 1010 service as well as recent positive price actions
- Driving customer spending through wide offering of value-added services, including various roaming services
- Post-paid customers up 1% to 3.247M, with post-paid exit ARPU increasing 2% to HK\$198 from HK\$195 in H1'18
- Higher Mobile Product Sales benefited from our offering of a wide range of choices of handset brands and models

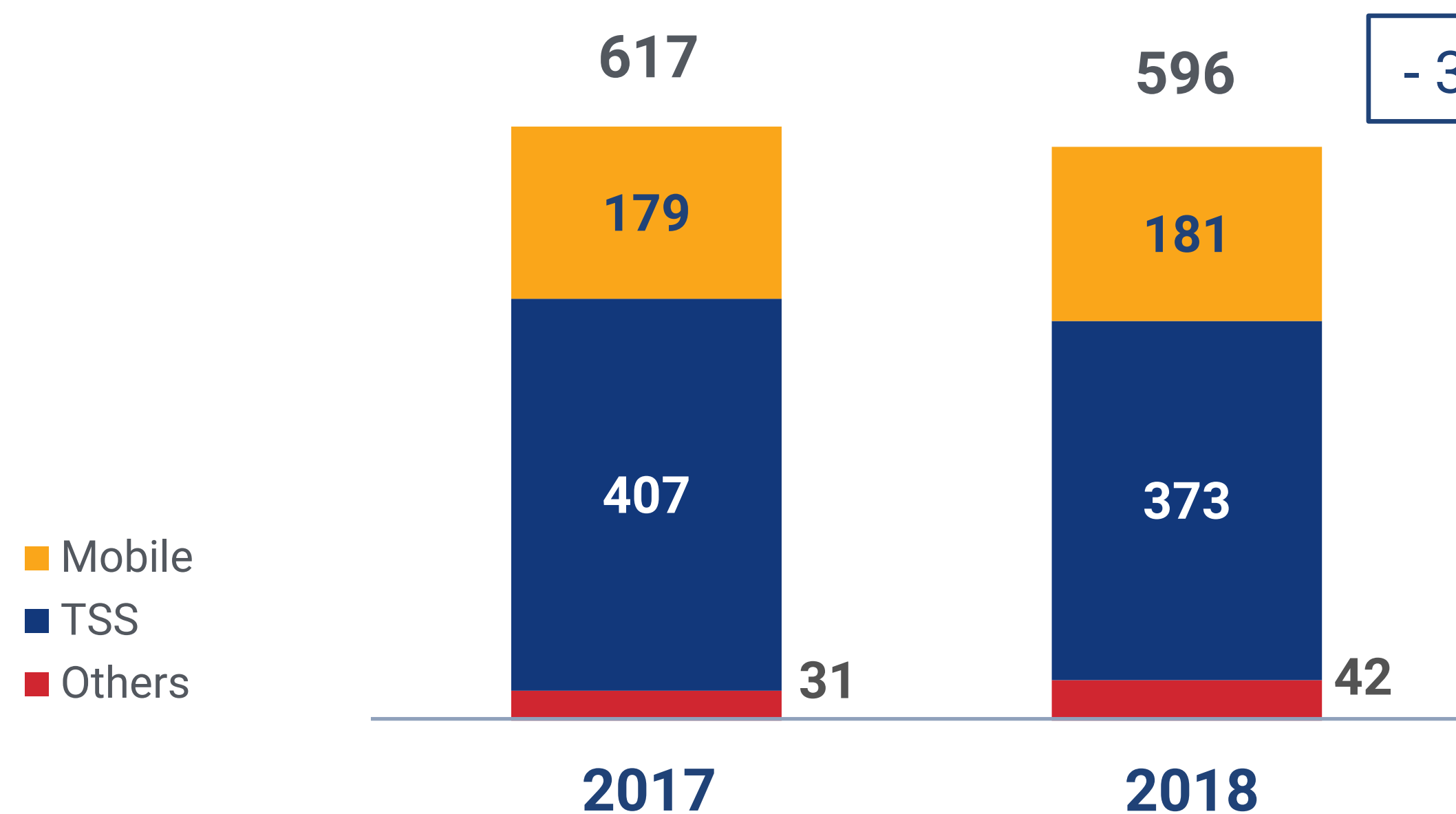
Mobile EBITDA (US\$ million)



- Total Mobile EBITDA up 3% in 2018
- Mobile Services EBITDA also grew by 3% and held margin steady at 61%

Operational Focus Leads to Further Cost Efficiencies

Operating Expenses (US\$ million)



- Opex savings of 3% in 2018, benefiting from sustained improvements in operating efficiencies
- Slight increase in Others opex to drive new growth verticals such as Club Travel and HKT Financial Services

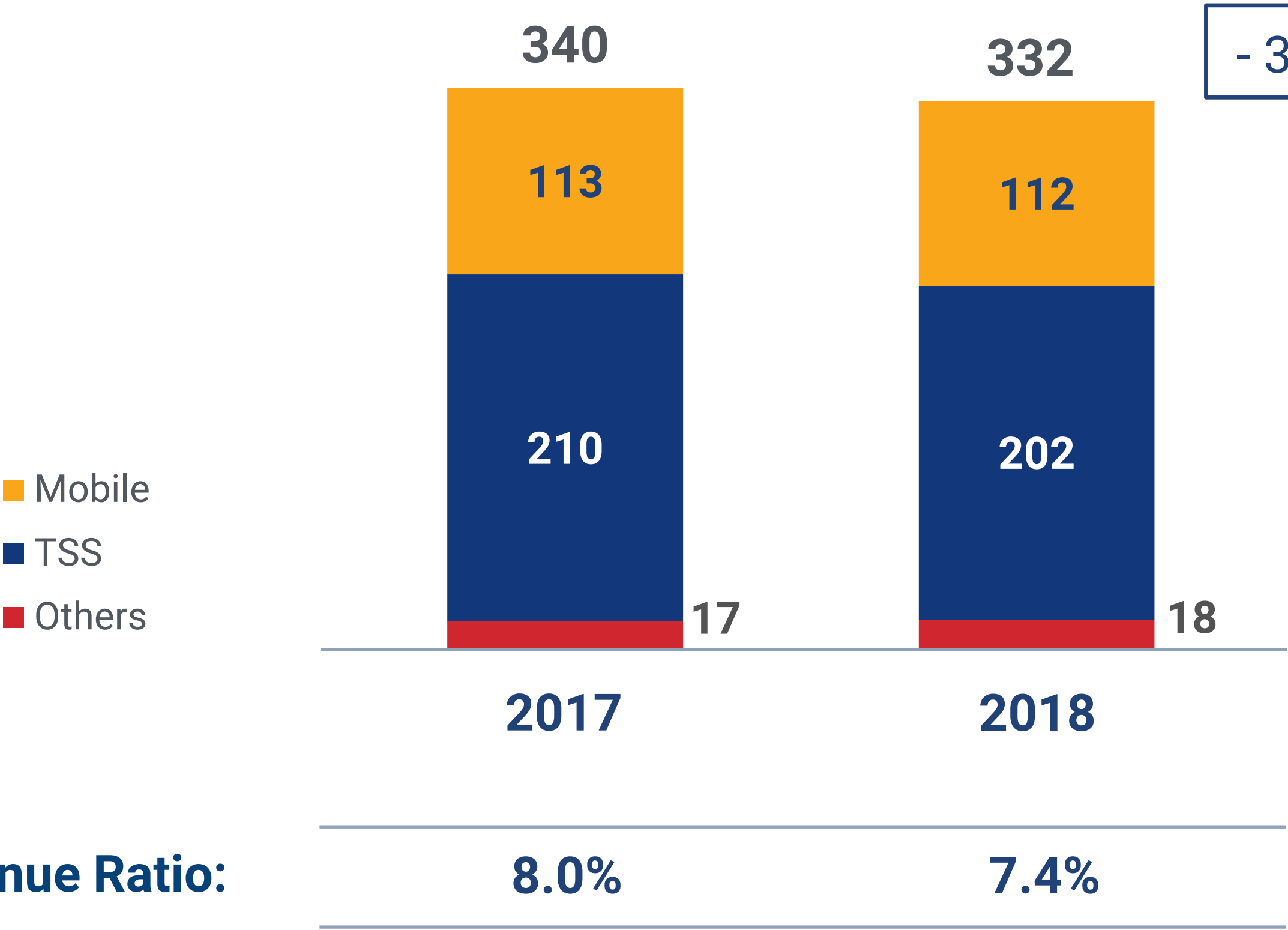
Opex to Revenue Ratio:

14.5%

13.2%

Capex Efficiency Reflecting Network Scale and Modernization

Capex (US\$ million)



- 3% yoy

- Capex to revenue ratio improved to 7.4%
- Mobile capex reflected coverage expansion and infrastructure enhancement to prepare for 5G rollout
- TSS spend reflected continued demand for fiber broadband connectivity, customized solutions for enterprises, IoT related services and the Smart City development

Adjusted Funds Flow (US\$ million)

	2017	2018	YoY Better/ (Worse)
EBITDA	1,575	1,610	+ 2%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees:			
Capital expenditures	(333)	(325)	
Customer acquisition costs and licence fees	(141)	(160)	
Fulfillment costs	(55)	(48)	
Right-of-use assets	(213)	(214)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	833	863	+ 4%
Adjusted for:			
Tax payment	(91)	(89)	
Net finance costs paid	(106)	(109)	
Changes in working capital	(6)	(2)	
Adjusted Funds Flow for the year	630	663	+ 5%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	64.87	68.29	
Interim Distribution (HK cents)	28.12	29.12	
Final Distribution (HK cents)	36.75	39.17	
Total Distribution for the year (HK cents)	64.87	68.29	

Income Statement (US\$ million)

	2017	2018	YoY Better/ (Worse)
Revenue	4,239	4,511	+ 6%
Cost of sales	(2,047)	(2,305)	(13)%
Opex	(617)	(596)	+ 3%
EBITDA	1,575	1,610	+ 2%
Depreciation & amortization expenses	(683)	(685)	
Net other losses	(19)	–	
Net finance costs	(147)	(173)	
Share of results of associates & JVs	(1)	(2)	
Profit before income tax	725	750	+ 3%
Income tax	(115)	(129)	(12)%
<i>Effective tax rate</i>	16%	17%	
Profit for the year	610	621	+ 2%
Attributable to:			
Holders of Share Stapled Units	608	619	+ 2%
Non-controlling interests	2	2	

Solid Financial Position

Investment Grade Credit Ratings

BBB/Baa2
Investment
Grade Rating

(US\$ million)	As of Dec 2017	As of Dec 2018
Gross Debt ⁽¹⁾	5,043	5,178
Gross Debt to EBITDA ⁽²⁾	3.20x	3.22x
Cash Balance ⁽³⁾	470	392
Undrawn Facilities	731	849 ⁽⁴⁾

(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

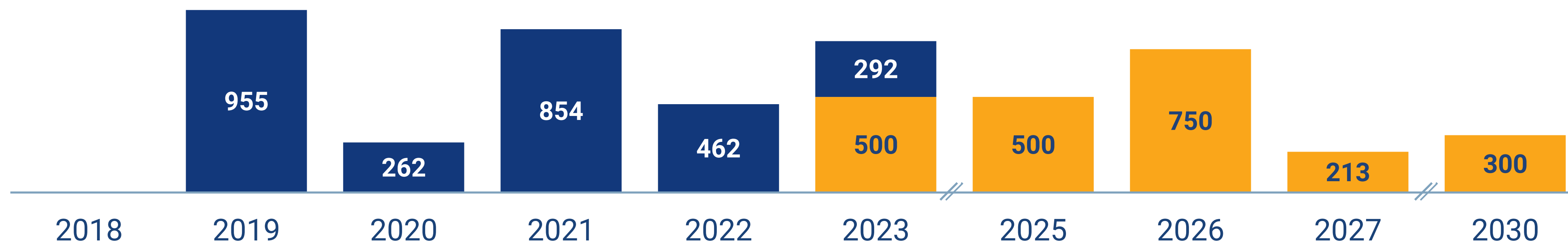
(3) Including short-term deposits

(4) Undrawn and committed facilities as at Feb 22, 2019

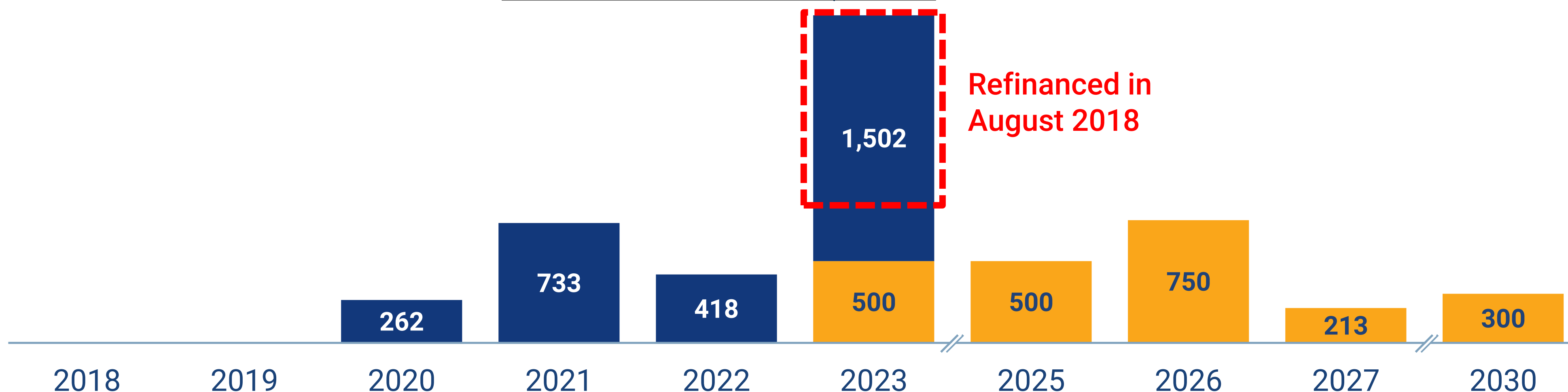
Debt Maturity Profile

(US\$ million)
 ■ Bank Loans
 ■ Bonds

As of June 30, 2018



As of December 31, 2018



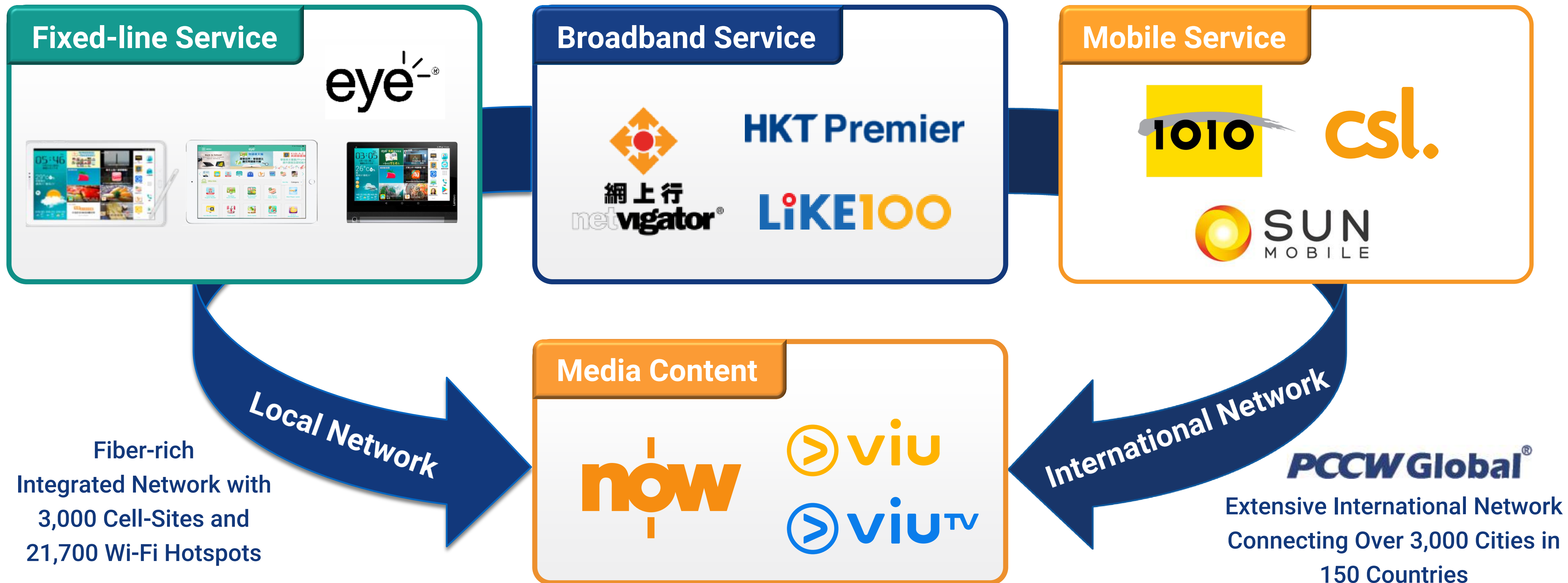
- Refinanced maturing debt in August 2018 and extended the average maturity to 5 years
- Current mix of floating and fixed rated debt is approx. 50:50
- Effective interest rate was approx. 3.0% in 2018

Business Review

Susanna Hui
Group Managing Director

The Only True Quad-Play Service Provider in Hong Kong

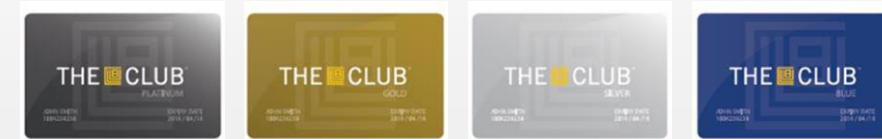
HKT Offers a Unique Integrated Quad-Play Experience
Delivering Media Content through its Local and International Networks



Largest Customer Base in Hong Kong

Deepening the Engagement with our Immense Base of Consumer and Enterprise Customers
Through Enhanced Customer Experience and New Service Offerings

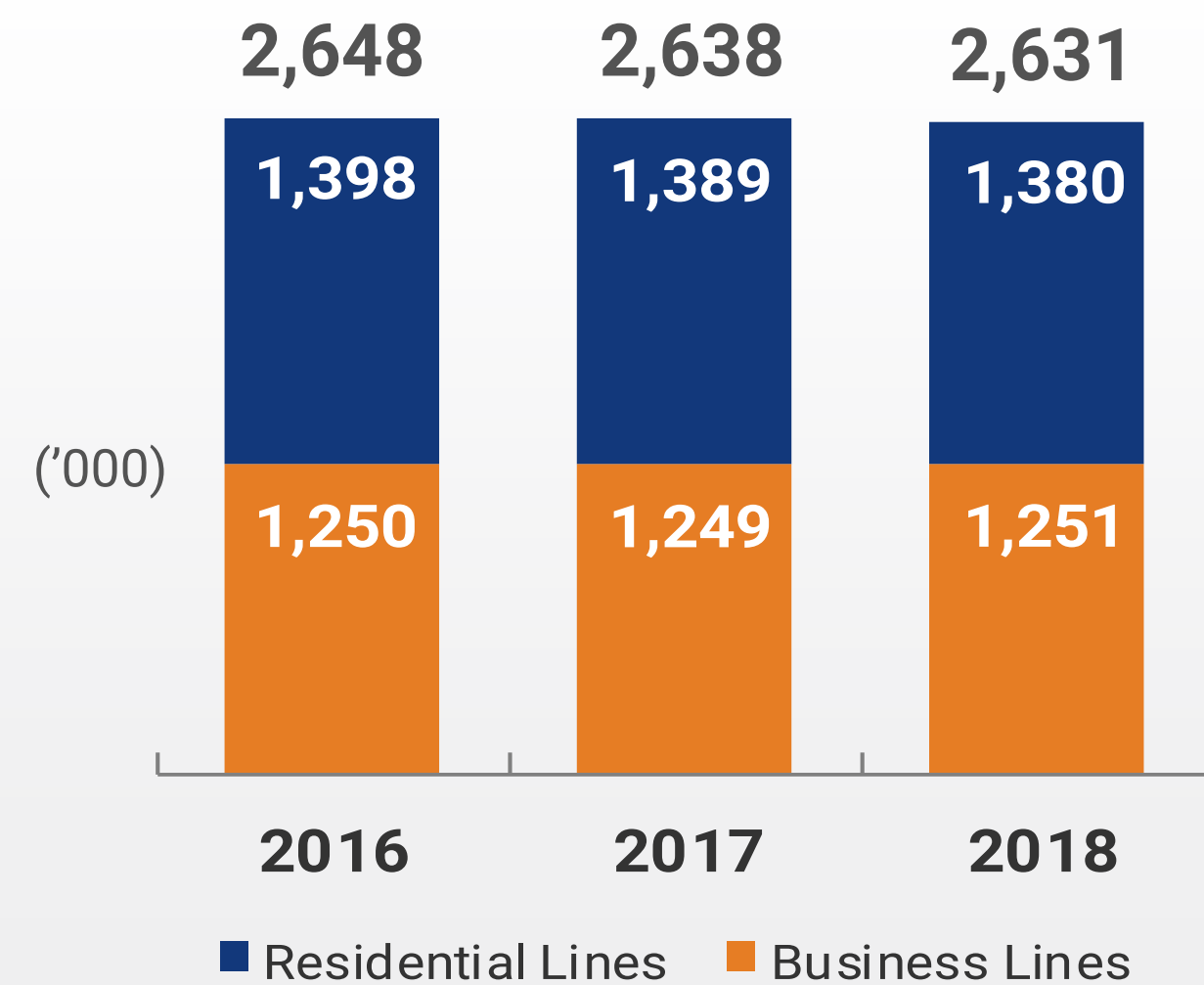
THE CLUB®



Over 2.7 million
Members

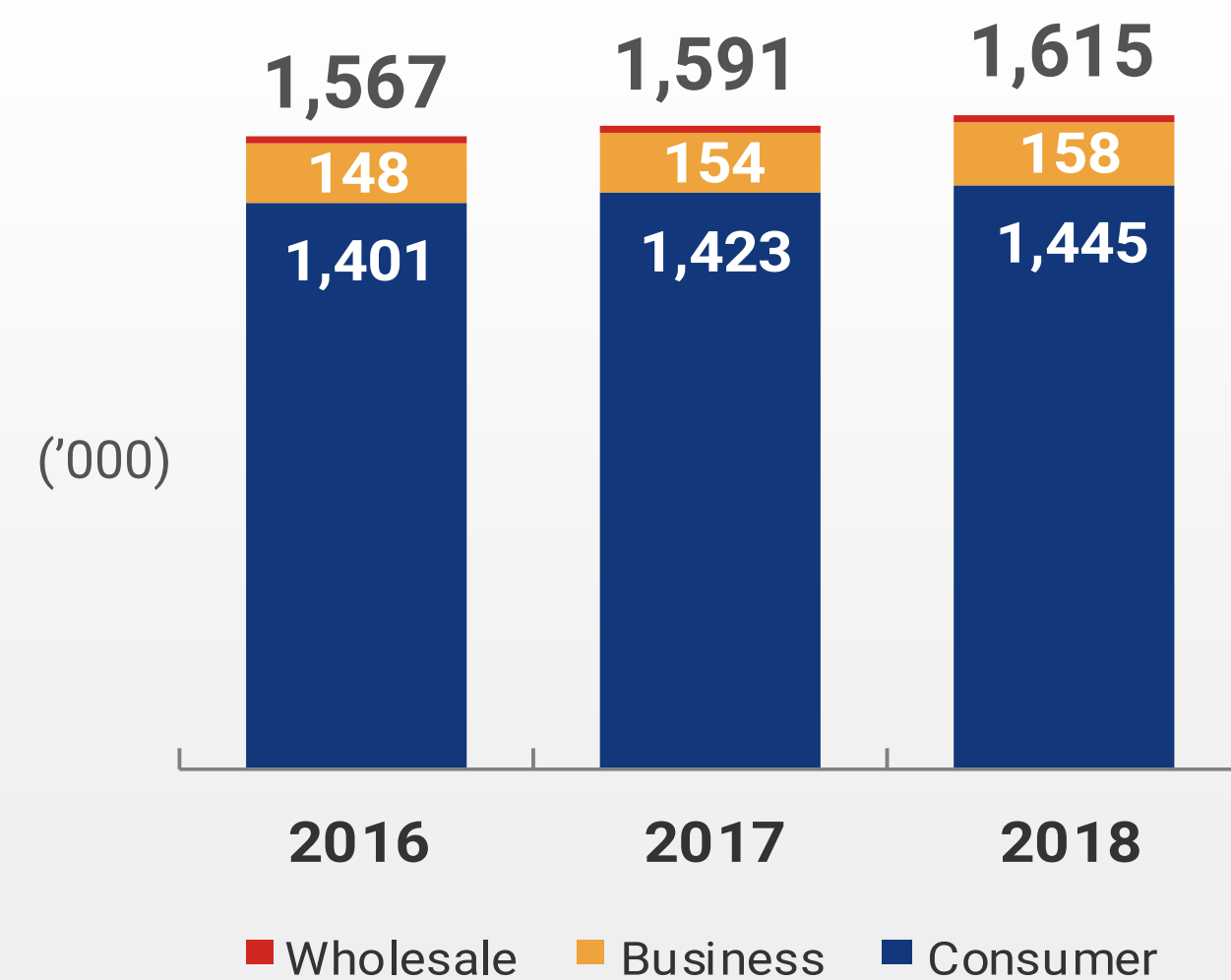
Fixed-line Customers

Stable



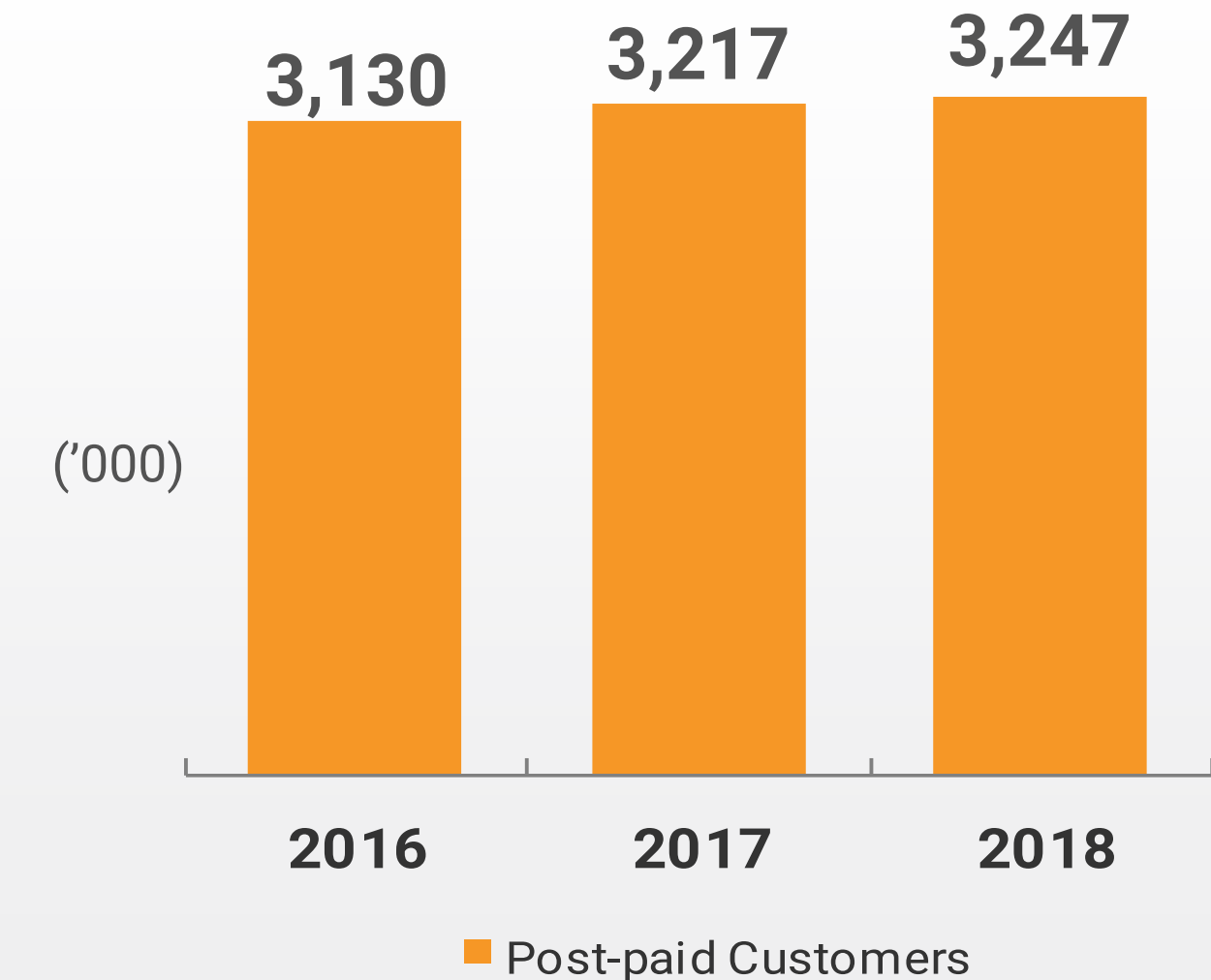
Broadband Customers

+2%
YoY



Mobile Customers

+1%
YoY



Most Extensive Fiber Network in Hong Kong

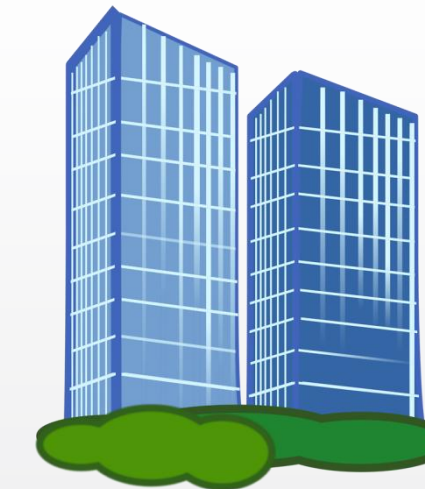
Extensive Residential Building Coverage



FTTH Coverage
88.3%

* FTTH coverage means HKT can provide FTTH service to customers within 4 days

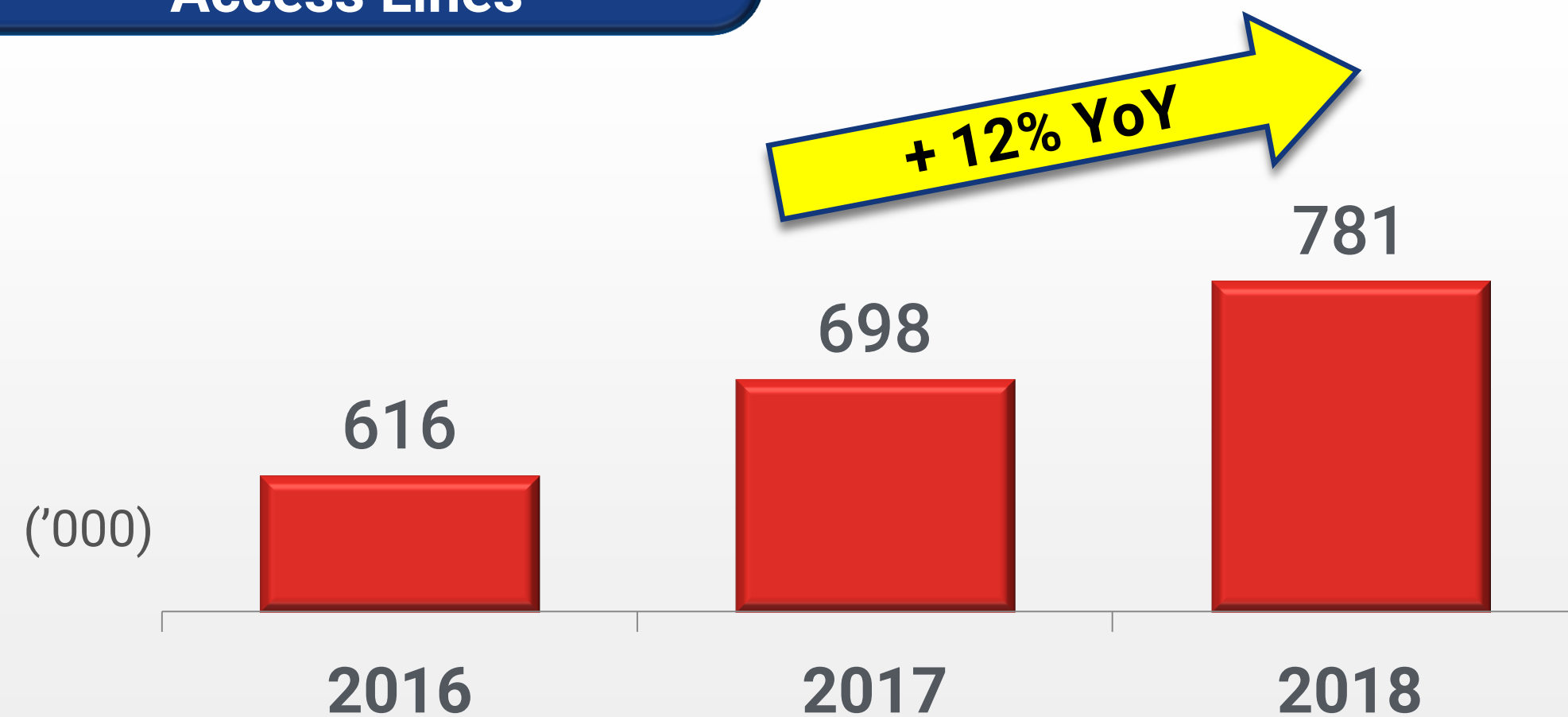
Extensive Non-Residential Building Coverage



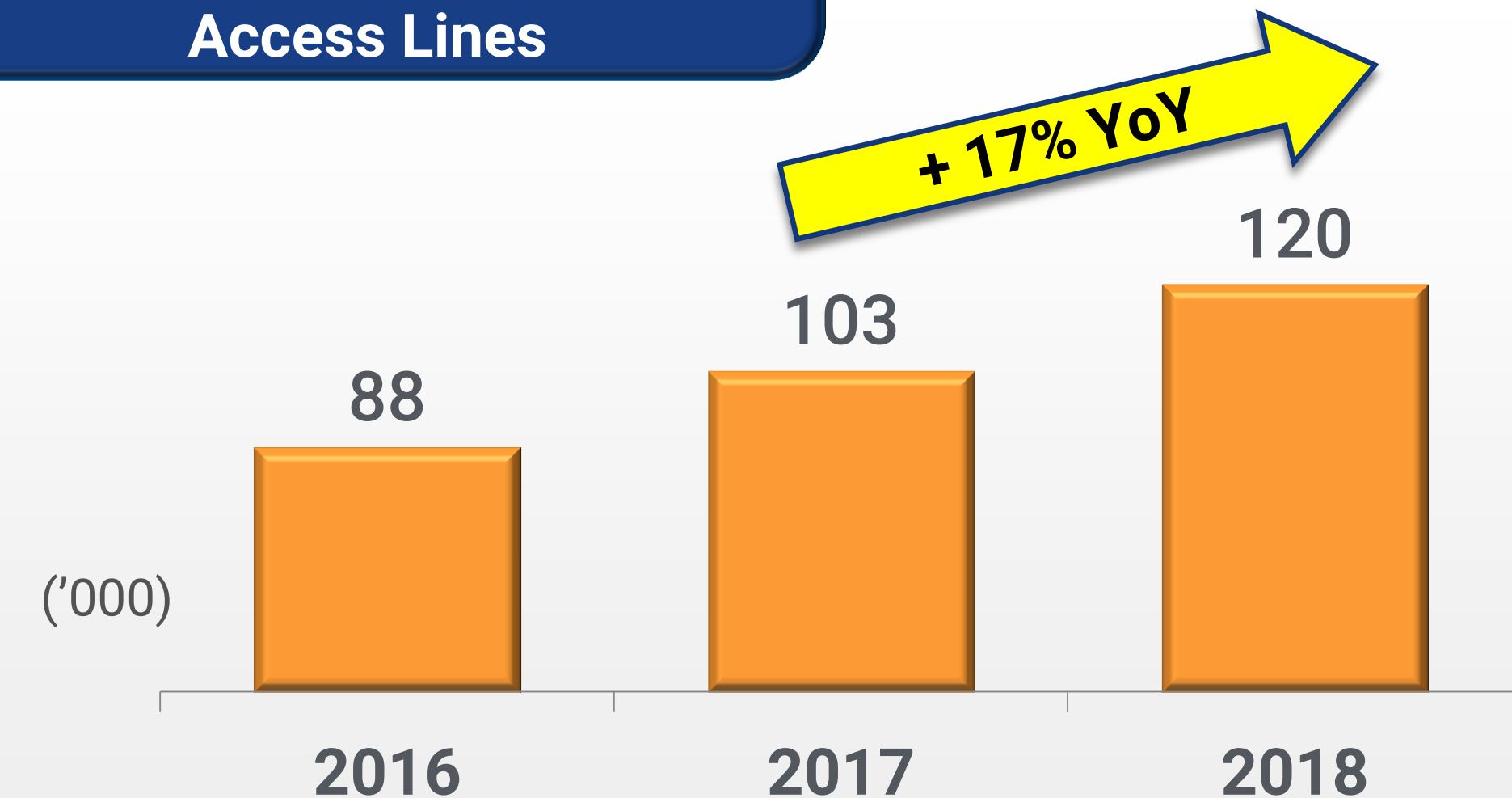
Approx. 7,400
Non-Residential Buildings [^]

[^] Includes commercial office buildings, shopping malls, mixed-use buildings, industrial buildings, hotels, government buildings, schools and universities

Fiber-to-the-Home ("FTTH") Access Lines

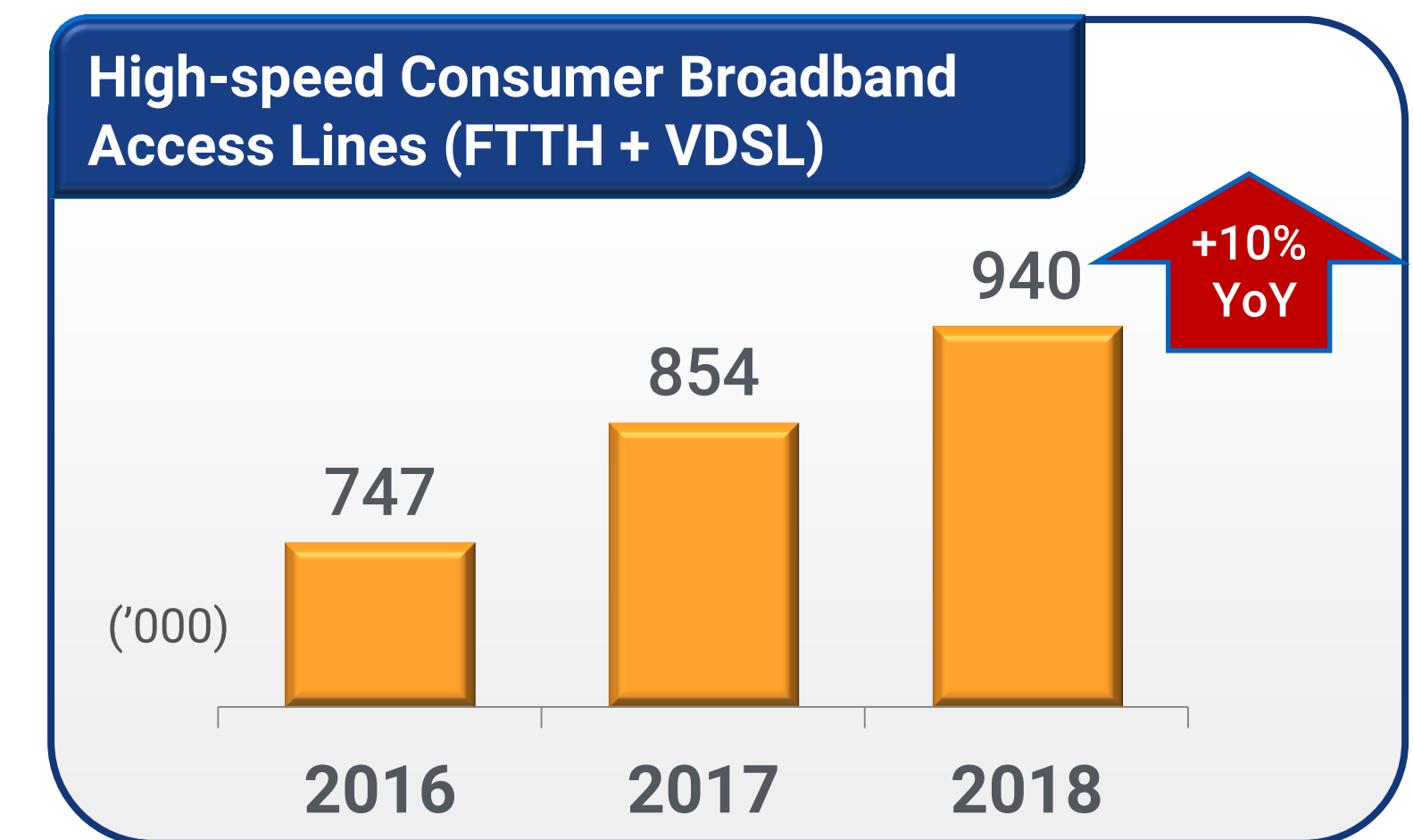
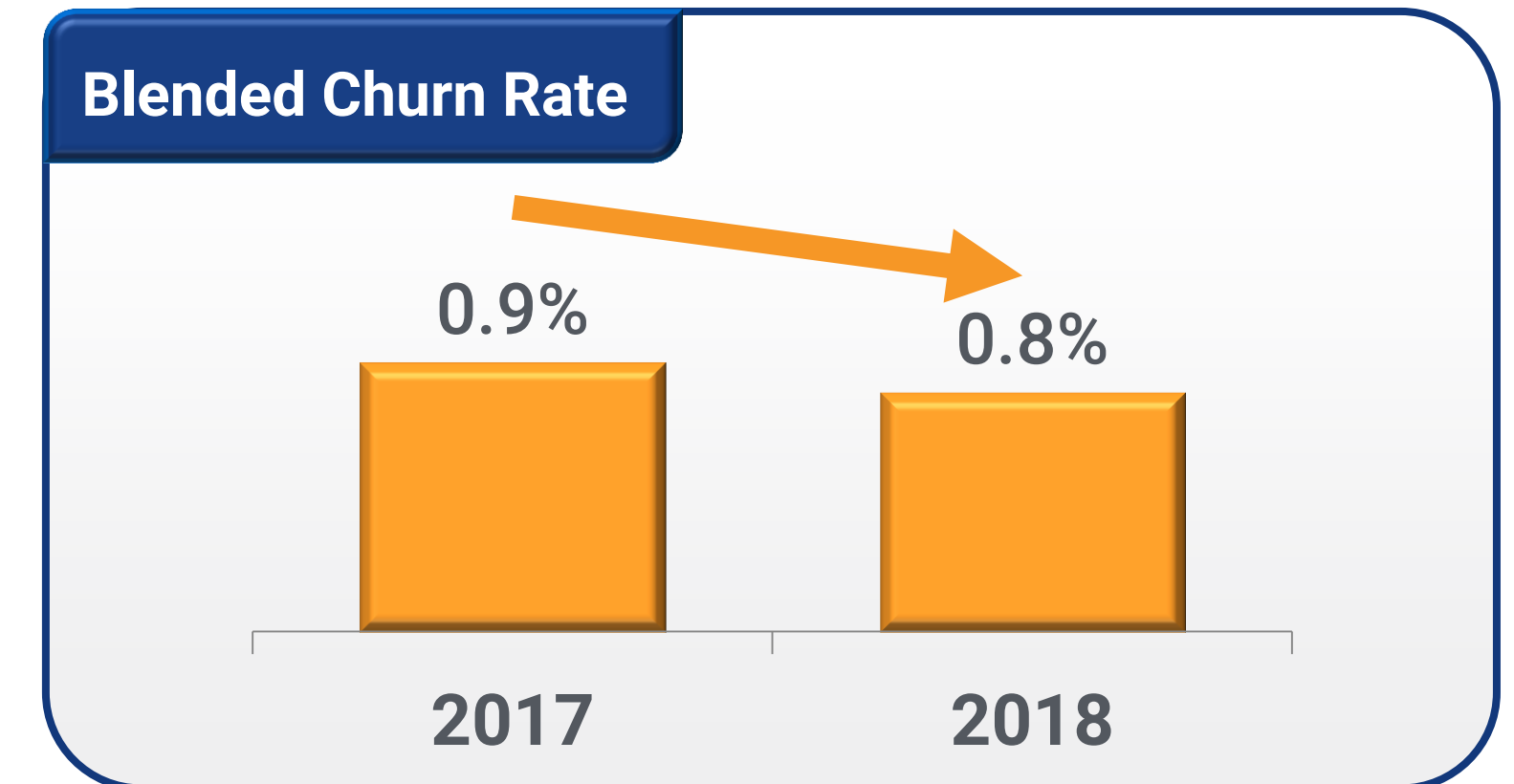
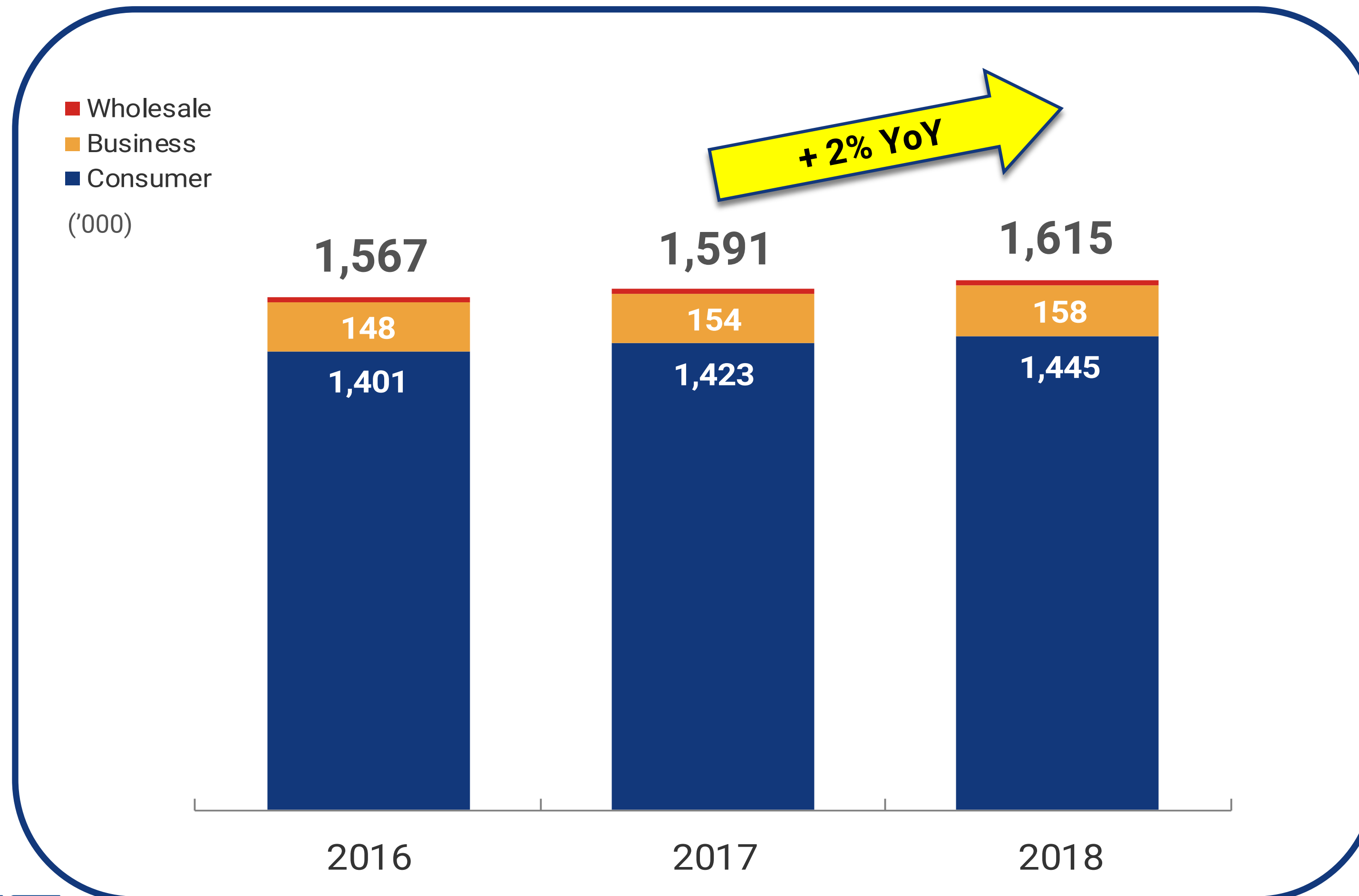


Fiber-to-the-Office ("FTTO") Access Lines

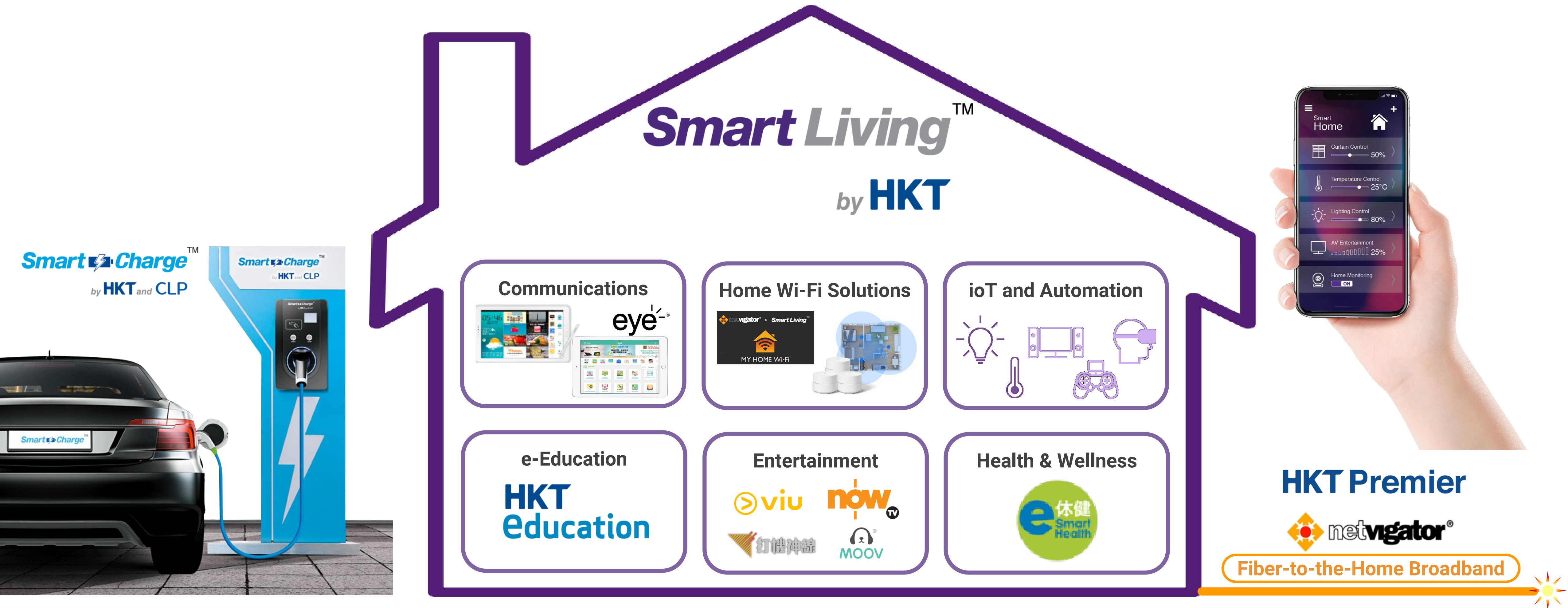


Strengthened Position in Broadband

Customer Base Grew Across Both Business and Consumer Segments
Successfully Reduced Churn to 0.8%



Helping Customers Build a Smart Home



Smart Home Solutions Extending the Relationship Beyond Connectivity

Smart, Digital Solutions for Enterprises

Digital Solutions to Enhance Operational Efficiency and Gain Business Insights



Finance



Insurance



Retail



Manufacturing



Construction



Education

Empowering Different Industries



Artificial Intelligence



Internet of Things (IoT)



Video & Speech Analytics



Contact Center & Chatbots



Smart Office Applications



Mobility Management



Corporate Training

Integrated Enterprise Solutions



Fixed & Mobile Connectivity



Cloud Platforms



Cybersecurity Protection



Sky Exchange



System Integration



Enterprise Support Services

Business Transformation Enablers

Total Solutions Suite for Retailers to Boost Productivity and Deliver A Unique Experience to Customers

Digital Retail Solutions

Market Trends/Drivers



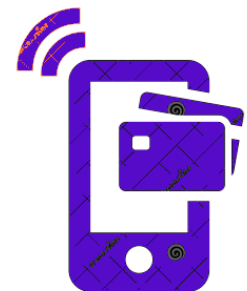
Multi-channel commerce



Personalized experience



In-store digital experience



Mobile POS & payment



Hassle-Free **Enterprise Support Services**

Integrated **Digital Retail Solutions**



Cloud-based CRM



Cloud-based POS & Payment



IoT



Customer Analytics



Digital Signage



Crowd/Queue Management



Surveillance



Virtual advisors



Secured **Cloud Platforms**

Ubiquitous and secured
Fixed and Mobile Networks



Customer Benefits



Transact anytime, anywhere



Receive most relevant offers



Shop easier, better shopping experience



Transact faster, shorter queue

e-Parking Solutions to Provide Digital, Personalized Service for Consumers

e-Parking Solutions

Market Trends/Drivers



Omni-channel & digital customer experience



Difficult to find parking space in HK



Tenants need to serve VIP



Popularity of mobile payment



Hassle-Free **Enterprise Support Services**

Integrated Smart Parking Solutions



IoT



Car Queue Management



Traffic & Customer Analytics



Mobile Payment



Cloud-based CRM



Carpark Management Portal



Mobile App & API Integration



Outdoor & Indoor Navigation



Secured **Cloud Platforms**

Multiple Connectivity

Fixed and Mobile Networks



NB-IoT



iBeacon

Customer Benefits



Big data for more personalized member service



Remote advanced carpark reservation



Draw returning loyal customers



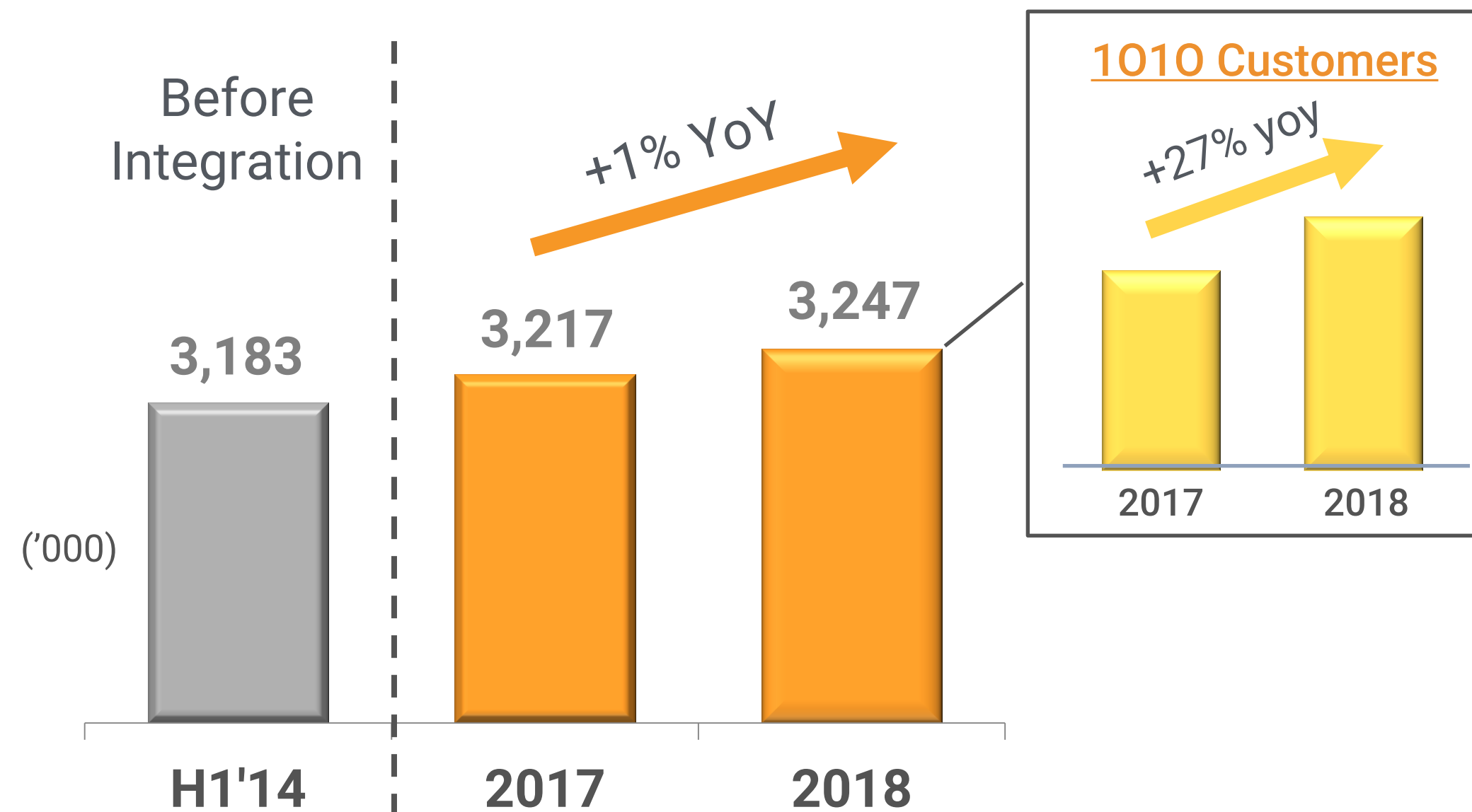
Hassle-free payment through mobile apps

Leading the Mobile Market

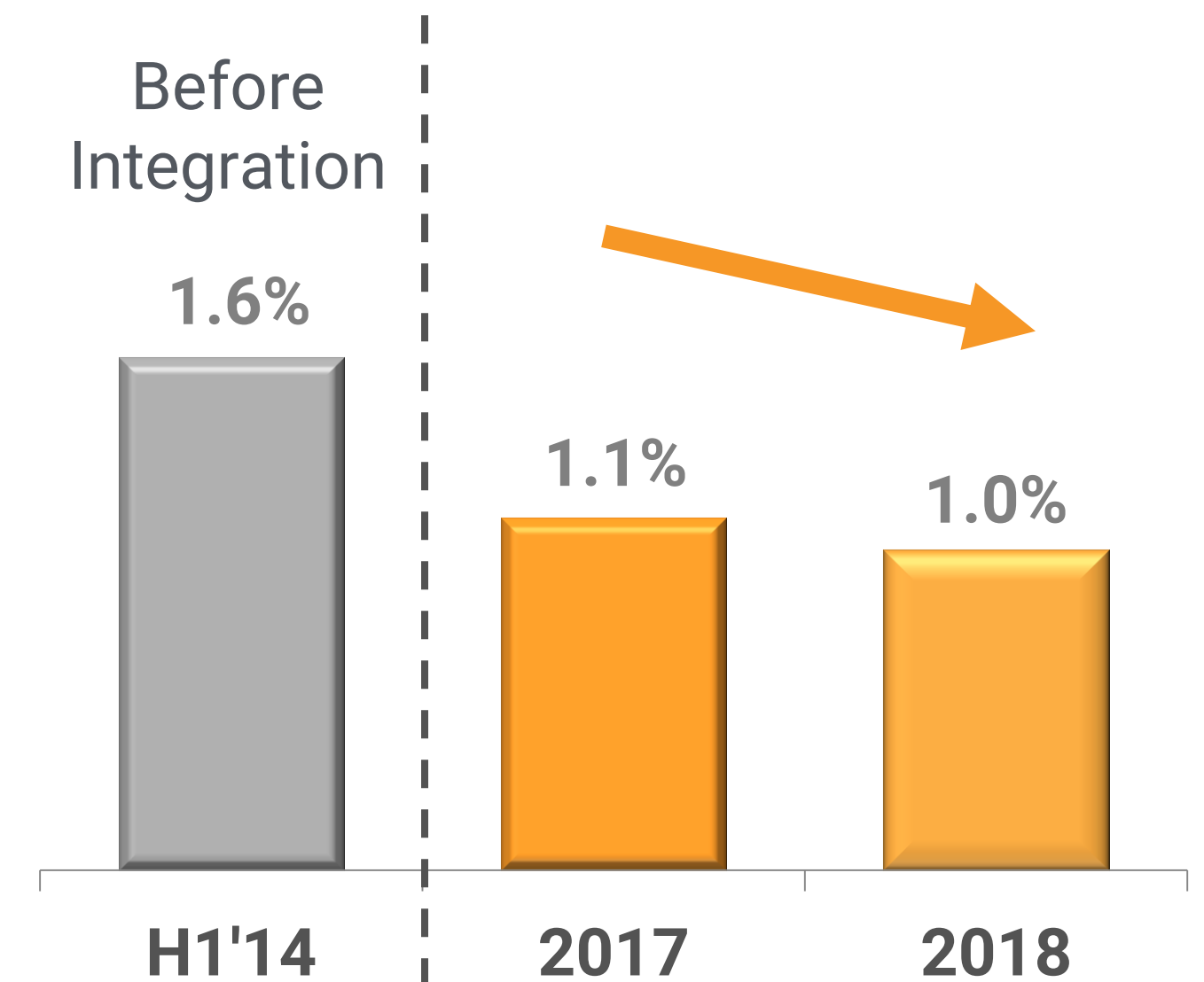
Expanded Market Share in Post-paid Segment While Retaining Focus on Profitability
Further Improved Customer Retention



Post-paid Customers

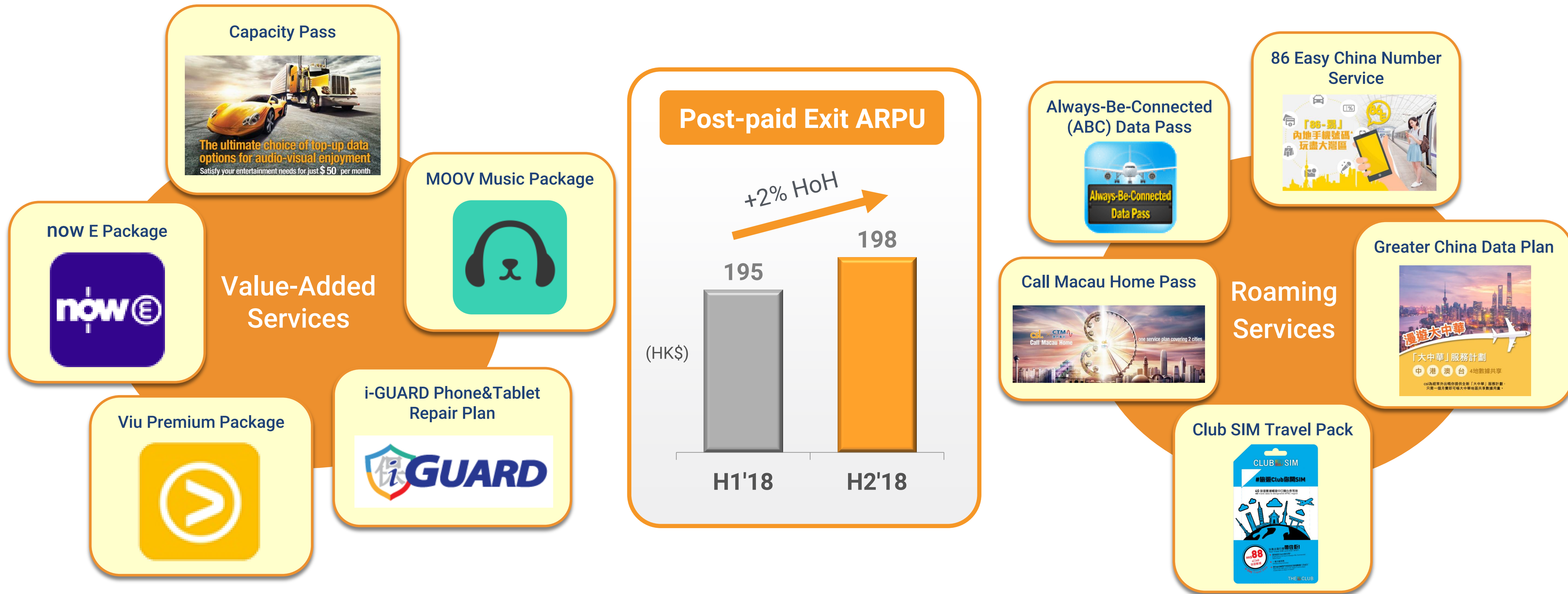


Post-paid Churn Rate



Driving Increased Customer Spending

Focus on Customer Profitability Through Reinstated Capacity Pass Charge and
Affordable, Easy-to-Use Value Added Services



Preparing Network for 5G Rollout



Field Test of 5G @ 28GHz

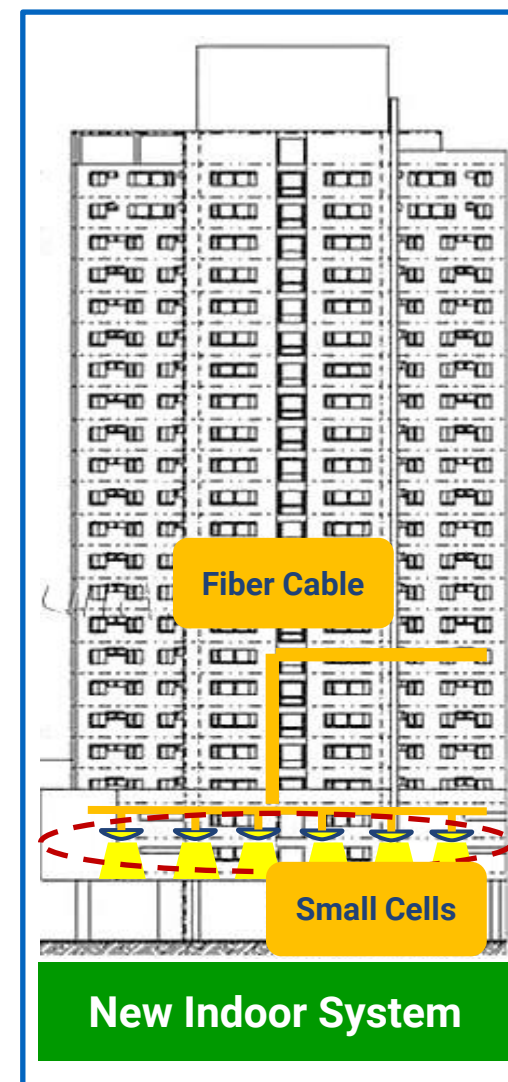


Core Network Transformation :
Virtualization and Cloudification

Use of AAU - Direct fiber to site :
Simple upgrade to 5G

Indoor Digitization :
Use of fiber backhaul to small cells

Massive rollout of 10G backhaul to sites



Preparation

Preparation

Preparation

Preparation

26/28GHz

3.3/4.9GHz

3.5GHz

5G Network Rollout

2016

2017

2018

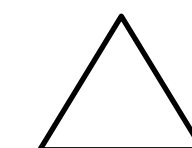
2019

2020

2021

2022

2023



Spectrum Release
(upon OFCA schedule)

5G Enabling a Smart City

Smart City Applications for the HKSAR Government and Public Sector

Public Safety

- Crowd Management
- Police Service
- Fire Service
- Rescue Service
- Ambulance & Emergency Medical Services

Utilities

- Smart Lighting
- Smart Metering
- Electricity Consumption
- Smart Waste Management
- Leakage Detection & Control

Environmental

- Air Pollution Monitoring
- Weather Photos / Rainfall Map
- Noise Control on Road Surface
- Environmental Control at Construction Sites

Transport

- Autonomous Vehicles
- Traffic Management
- Smart Parking
- Real-time Public Transit Information



HKT Embracing Digital Transformation

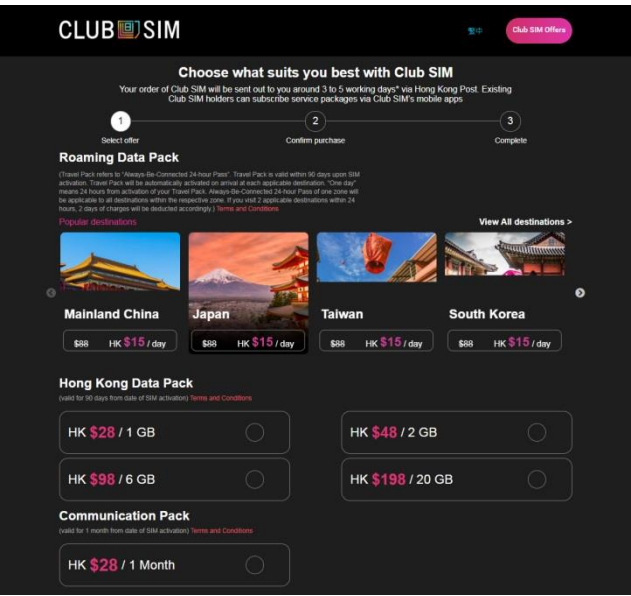
Using Digital Transformation to Enhance HKT Business Operations and Customer Interactions

Interacting
Digital Touchpoints
with Customers

Consumer Customers



My HKT app
Single Click to Access
All HKT Services

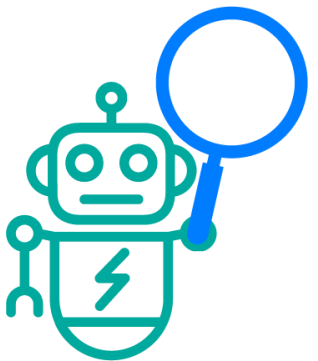


Club SIM
Digital Self Provisioning

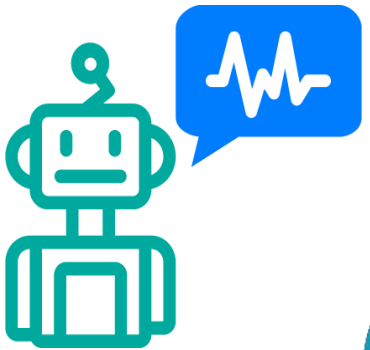
Enterprise Customers



Omni-Channel &
Speech Analytics



Robo
Advisor



Voicebot



Console
Connect

Embracing Digital
Technology to Redefine
Business Processes

Reduce
Time To Market for
New Products

Improve
Customer Experience

Reduce
Operating Costs

Open up
New Revenue
Opportunities

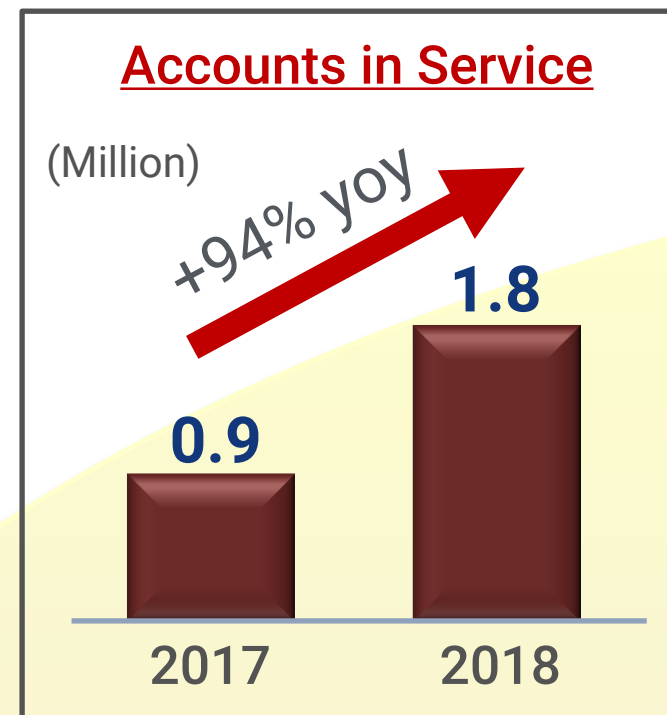
Virtualizing
Core Networks

Fixed-Line and Fiber Broadband

Mobile

Digital Ecosystem to Connect Consumers and Merchants

Enhance Customer Experience, Drive New Revenue Streams and Deliver Synergies to Existing HKT Businesses

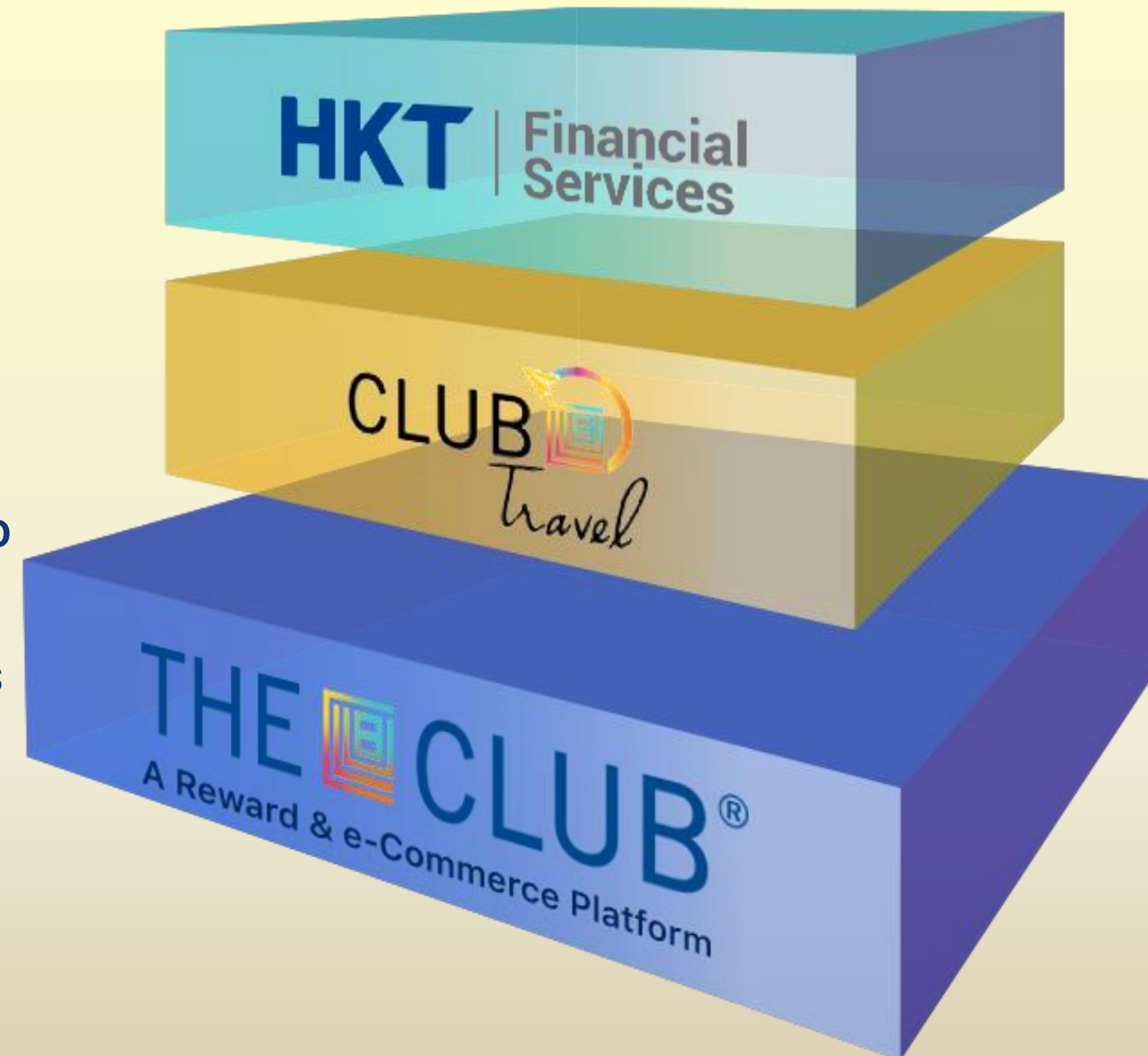


Tap & Go™

Payment Platform to Facilitate Digital Transactions Securely



Consumers



HKT Merchant Services

Payment Acceptance Solutions for Merchants to Conveniently Transact



Merchants

2018 Highlights

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Preparing for 5G and Actively Participating in the Smart City Vision to Create New Business Opportunities and Improve the Quality of Life in Hong Kong