

Companies Announcements Office

Australian Stock Exchange

Date 23 August 2006

Subject: Half Year Results Presentation

Please find attached the Company's press release regarding its half year results together with a copy of the presentation (with speaking notes to be made by the CEO, Mr Kevin Russell, to media and analysts this afternoon.

Yours faithfully



Louise Sexton
Company Secretary



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Media Release

23 August 2006

Hutchison Continues Strong 3G Growth

- **3G operation now EBITDA positive**
- **Service revenue up 16% to \$423.6 million**
- **284,000 2G customers upgrade to 3G**
- **3G base nearly doubles from 30 June 2005 to 1,044,000**

Sydney, 23 August, 2006: Hutchison Telecommunications (Australia) Limited (ASX:HTA) today announced results for the first half of 2006, reporting continued improvements in financial performance, including service revenue growth buoyed by non-voice services and the rapid expansion of **3**'s customer base, which nearly doubled from 30 June 2005. **3** now has over one million customers including 284,000 customers that upgraded from its 2G CDMA network, which closed on 9 August.

Service revenue for the period increased by 16% on the previous corresponding period to \$423.6 million. Non-voice revenue increase supported that growth as customers continued to access more content and data with **3**. **3**'s non-voice ARPU grew from \$16 to \$19 by the corresponding period in 2005, while the average monthly margin per customer across the combined customer base was steady at \$48.

As revenue increased and costs reduced, the business achieved positive EBITDA of \$1.3 million for the period, before accounting for the one-off impact of the 2G upgrade activities. Excluding these 2G upgrade costs, operating expenditure fell by \$70 million, or almost 18%, on the previous corresponding period to \$321.1 million despite the overall increase in the customer base. Similarly, the average cost of customer acquisition was reduced by 38% from \$427 in the previous corresponding period to \$265, on the back of lower handset prices and an improved range of handsets.

Hutchison Chief Executive, Kevin Russell, said Hutchison's performance demonstrated strong service revenue growth, and tight cost control.

"We entered 2006 in a very good position: with solid sales momentum and recognised leadership in providing 3G services," Mr Russell said. "In line with our expanding customer base, we have seen an increase in service revenue and, notably, the improvement of ARPU from content services and strengthening non-voice margins."

3's customer base rose from 532,000 at 30 June 2005 to 1,044,000 at 30 June 2006, with 922,000, or 88.3%, of **3**'s customers being post-paid. Customers using **3**'s content services



have also increased. During the period, 57% of 3's customers were actively generating billable content events.

"The increased use of 3's content services is a strong endorsement of our product offering. Customer demand for access to news, sport and weather, as well as new products like mobile TV, is growing and with increases in content usage, customers are changing the way they use their mobiles," Mr Russell said.

3's Mobile TV service expanded during the first half of 2006 to include new channels such as SBS and MTV. Customers were also able to enjoy live action from the soccer World Cup with SBS live coverage and see the official FIFA video highlights on their 3 mobile – customers watched over 900,000 World Cup moments.

3 also provided 24/7 coverage of Network Ten's Big Brother show, and again saw increased usage over last year, with 3.5 million streams accessed during the show's season.

Overall, usage of content services grew from 19.6 million events in the previous corresponding period to 41.6 million events.

The closure of Hutchison's 2G CDMA network and business is complete and largely accounted for in the reporting period. The benefit of savings related to its closure is already being seen in the business, as is the focus on a single brand and business - 3.

"As the 2G market continues to decline, we expect the growth of Australia's mobile revenues from 3G to rapidly increase over the coming 12 to 24 months. We are well placed to continue to take advantage of our leadership position," Mr Russell said.

Financial and operating highlights compared to the prior year corresponding period include:

- 16% increase on corresponding period in service revenue to \$423.6 million
- Positive EBITDA of \$1.3 million
- 3's non-voice monthly ARPU up from \$16 to \$19
- Average monthly margin per customer of \$48, for all customers
- 43% decrease in CAPEX to \$84 million
- 18% decrease in running operating expenditure to \$321 million
- 284,000 customers upgrading from 2G to 3G
- Increase in 3G customer base from 532,000 to 1,044,000
- Over 88% of 3's customers are post-paid customers

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Hutchison Telecommunications (Australia) Limited

2006 Half Year Results

Kevin Russell
Chief Executive Officer
23 August 2006



Telecommunications operations of
Hutchison Whampoa Limited



Highlights

- **Over 1 million high margin 3G customers**
- **Service revenue of \$423.6 million, up 16%**
- **Average non-voice revenue per customer per month in the 3G business increased from \$16 to \$19**
- **Positive EBITDA of \$1.3 million for the period, a function of growth in revenue and margin and tight cost management**
- **During 2006, 284,000 customers upgraded from 2G to 3G prior to 2G CDMA network closure on 9 August**



Financial Highlights

<i>(\$million)</i>	Half Year to 30 June 06	Half Year to 30 June 05	Change
Service revenue	423.6	364.4	16%
EBITDA (loss)	1.3	(122.6)	n/a
Underlying NPAT (loss)	(225.5)	(305.3)	26%
Impact of CDMA network closure	(299.2)	-	n/a
Reported NPAT (loss)	(524.7)	(305.3)	-72%
CAPEX	(84.5)	(147.9)	43%

Service revenue excludes handset revenue, interest income and other income

EBITDA excludes depreciation and amortisation, and includes the immediate expense of all customer acquisition costs. It also excludes CDMA network closure costs.

Underlying NPAT represents **Reported NPAT** less both the customer upgrade costs and the site decommissioning costs (\$125.9 million) and the accelerated depreciation and amortisation charges (\$173.3 million) for the remaining net book value of the CDMA assets, excluding the 850MHz spectrum licence.

Reported NPAT represents net loss after tax attributable to Hutchison Telecommunications (Australia) Limited after minority interest.



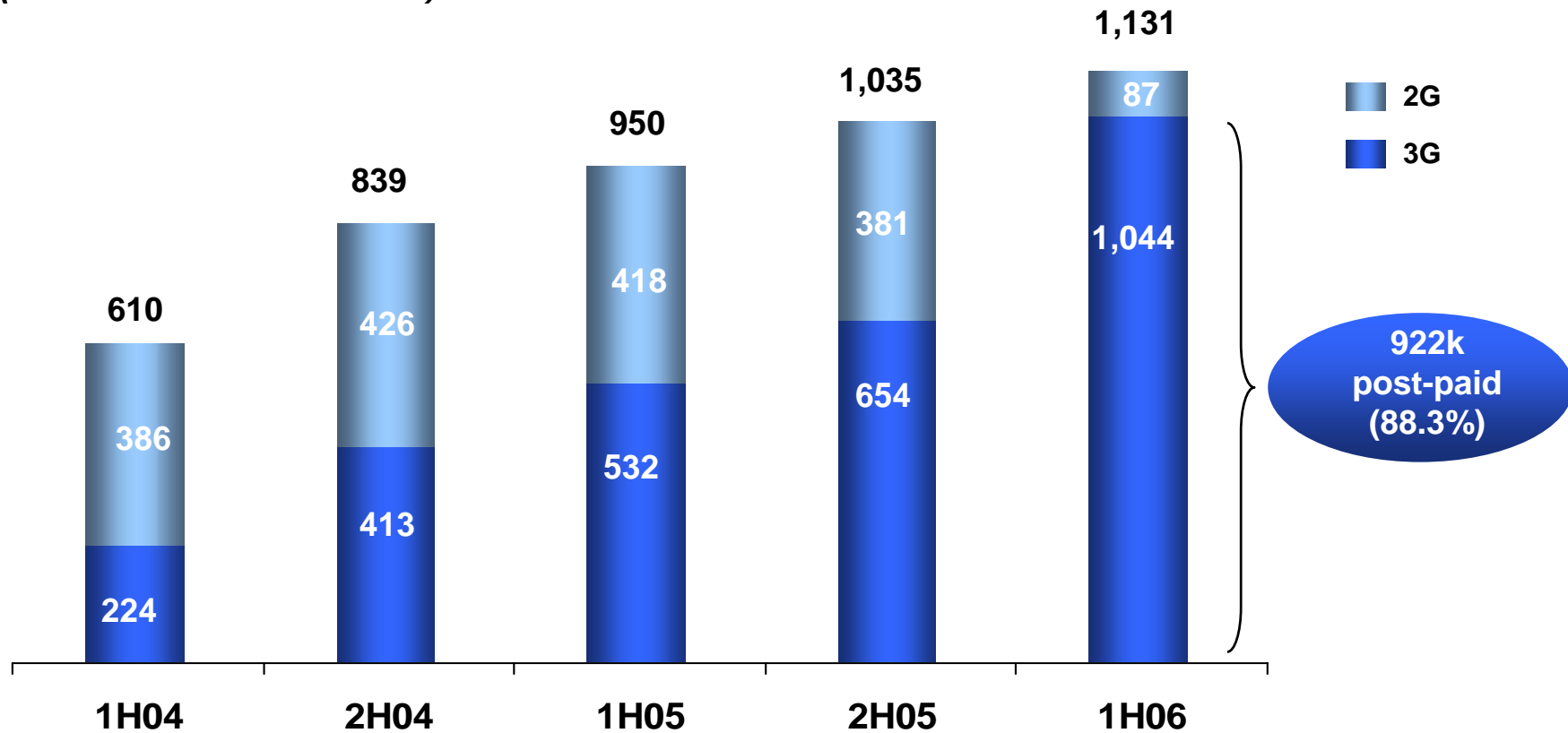
CDMA Network Closure Costs

	Half Year June 2006	
	\$m	\$m
<u>Upgrade costs</u>		
Handset subsidy	71.5	
Commissions	7.7	
Other indirect expenses	<u>18.7</u>	97.9
<u>Site decommissioning costs</u>		28.0
<u>Depreciation and amortisation</u>		
Accelerated depreciation	131.6	
Accelerated amortisation	<u>41.7</u>	<u>173.3</u>
Total CDMA network closure costs		<u>299.2</u>



Mobile Customer Base

(Mobile Customers '000)

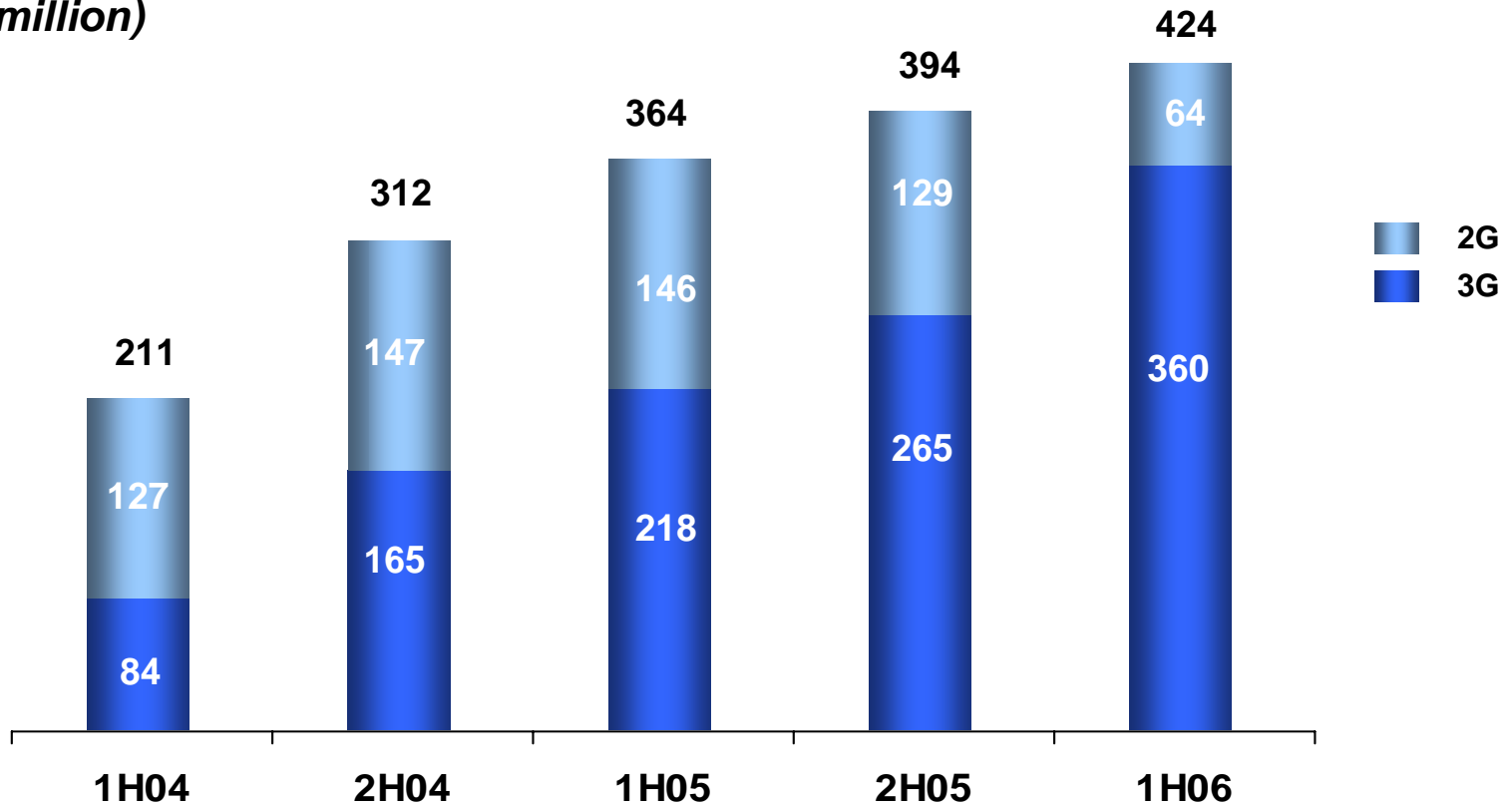


Step change in scale for 3



Service Revenue

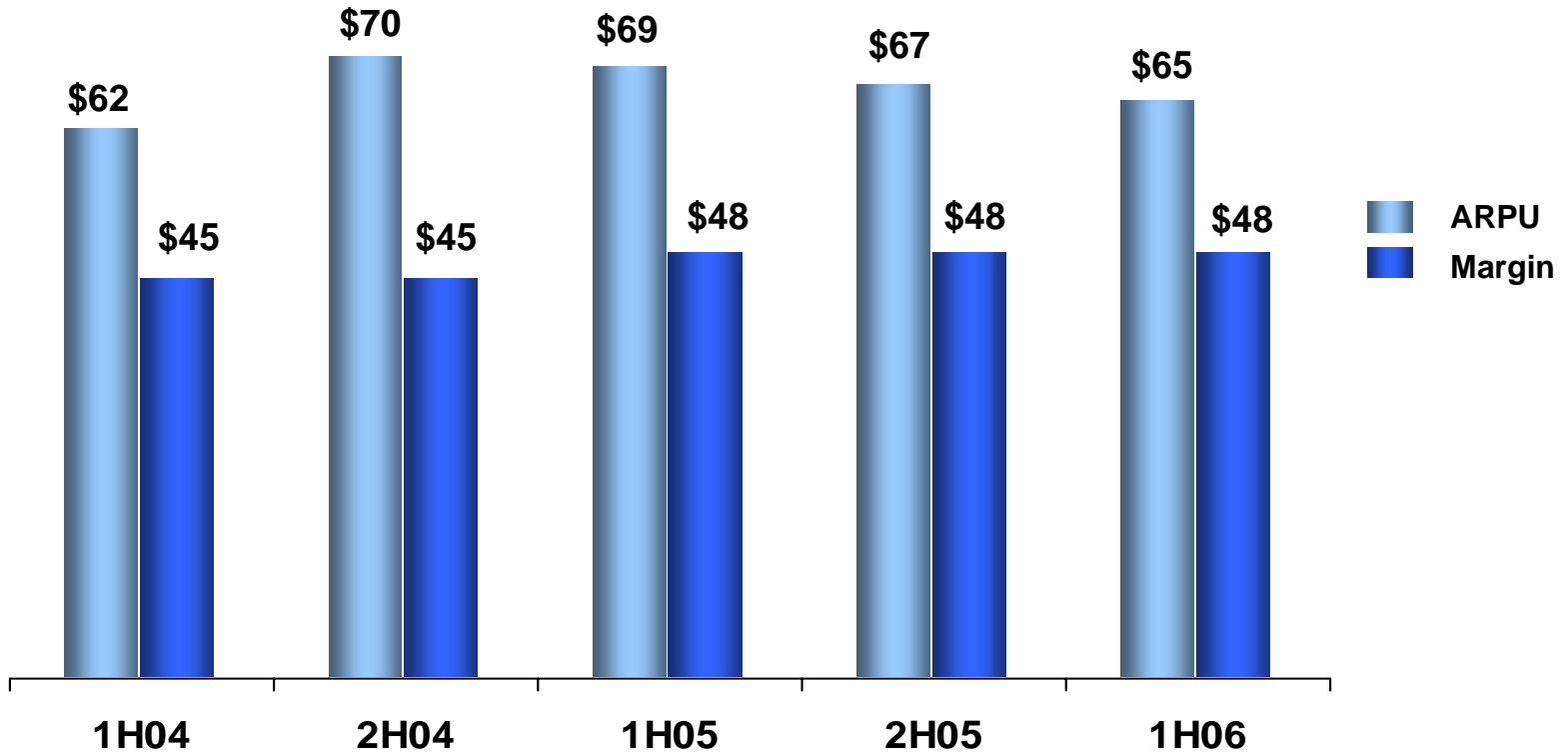
(\$million)



3G market provides the growth opportunity



ARPU and Margin

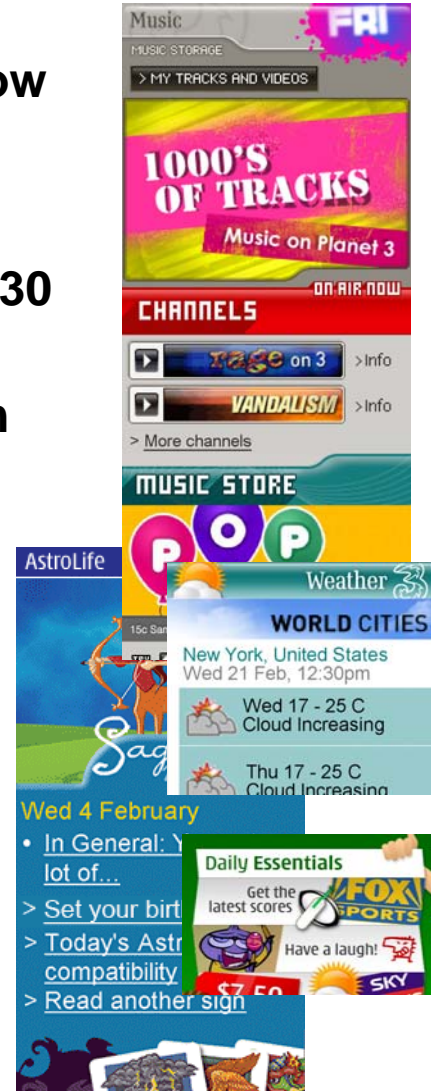
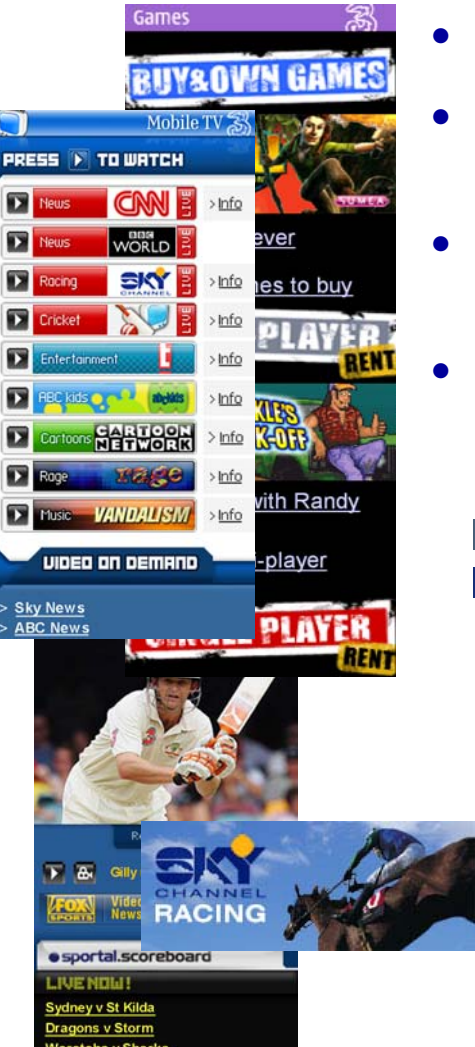
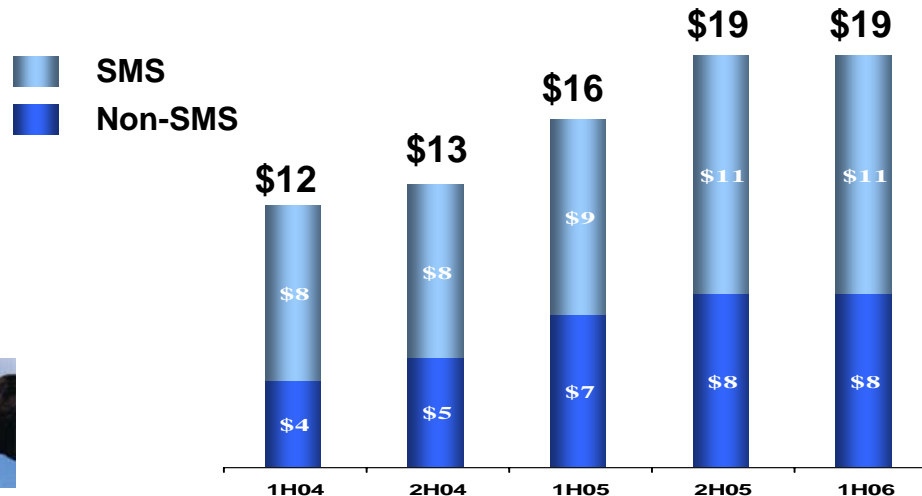


Margins supported by strengthening contribution from non-voice services



Continued Strength in 3 Non-voice

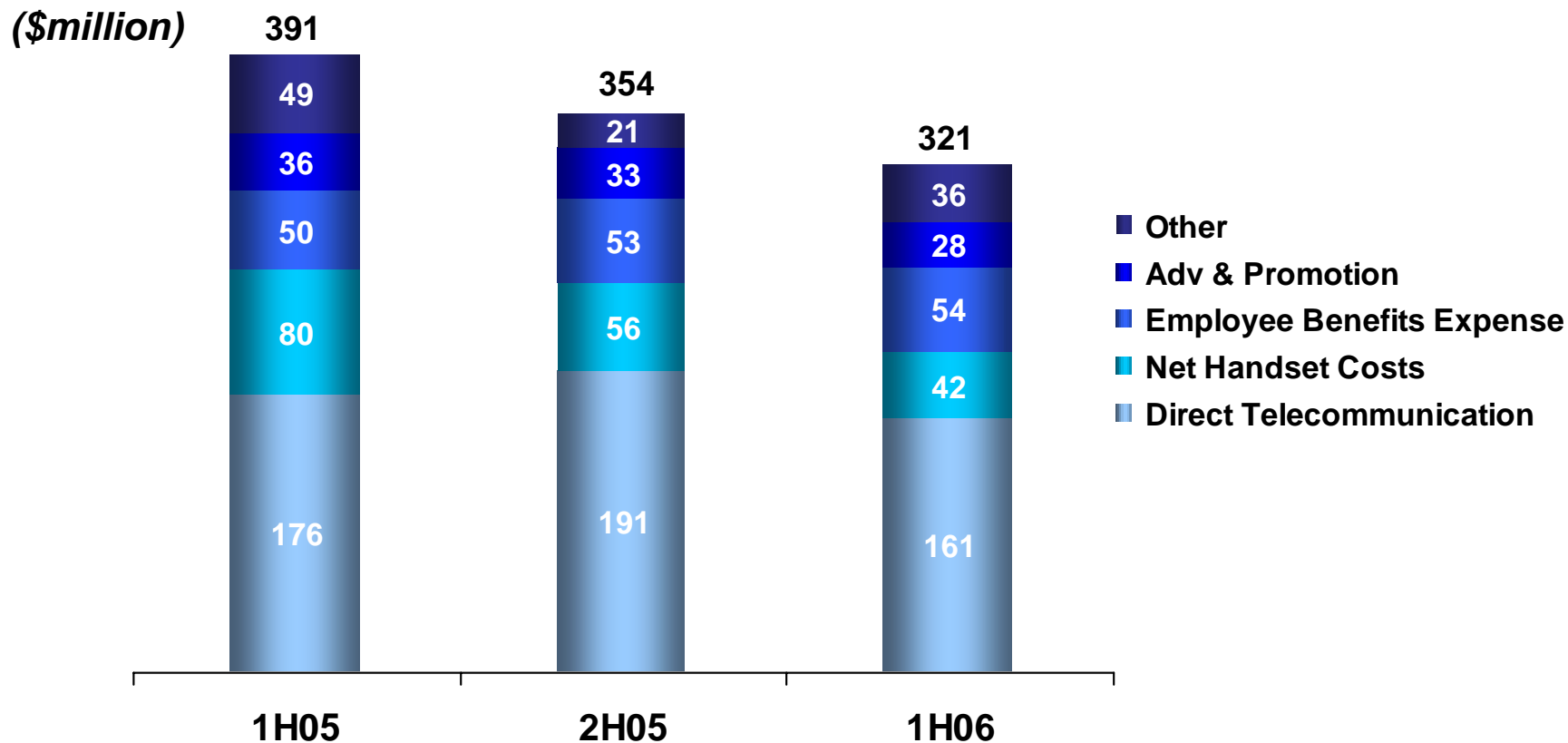
- Non-SMS services usage continues to grow
- 57% of base generating billable content events
- 770,000 monthly subscription services at 30 June
- 1H06 41.6m content events vs 1H05 19.6m



Non-voice non-SMS ARPU at \$8 or 10% of total 3 ARPU



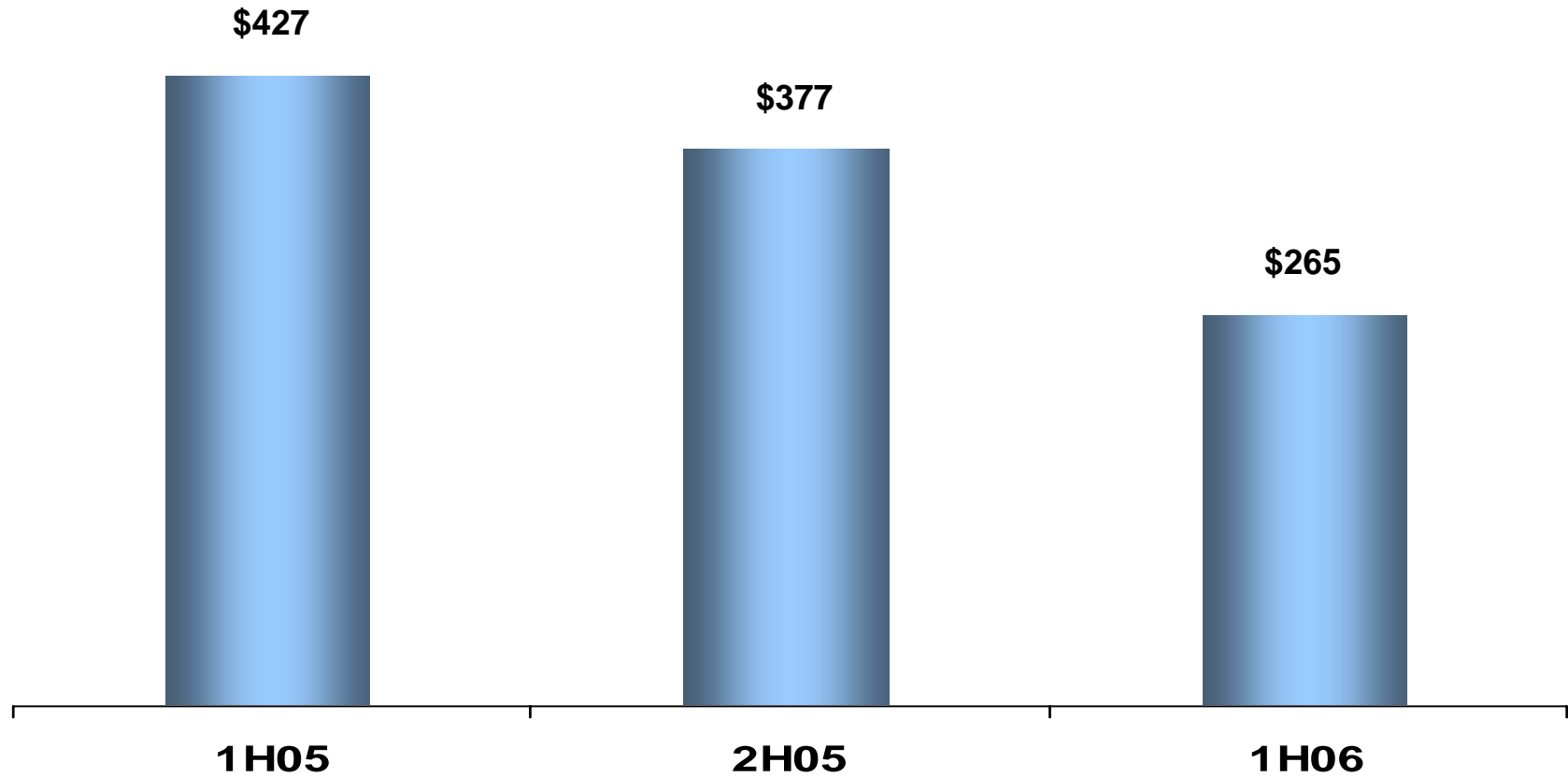
Running Operating Expenditure



Scalable cost base together with 2G savings being realised



3 Customer Acquisition Costs

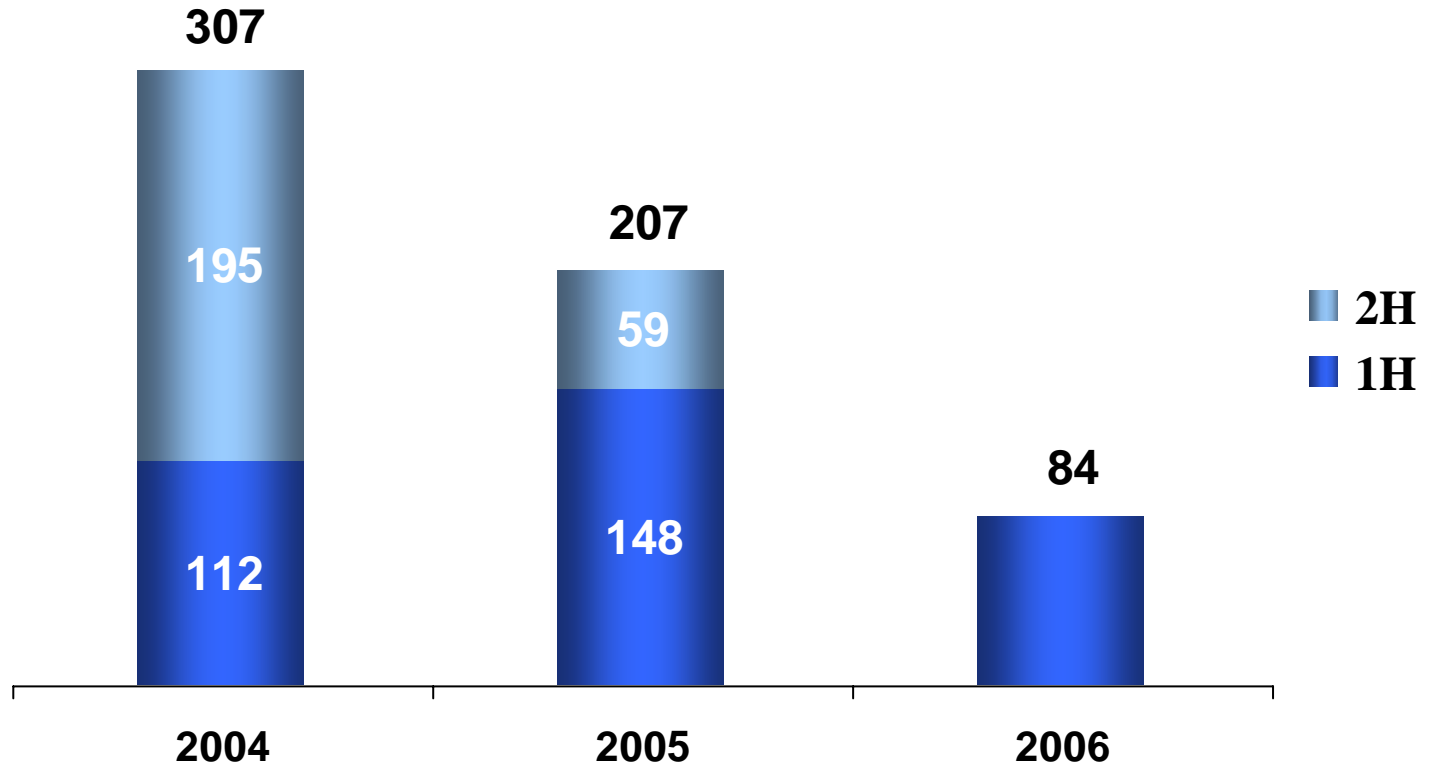


Significant reduction in handset subsidies



CAPEX

(\$million)



Efficiencies of W-CDMA mean greater capacity at lower cost



What to Expect in 2H06

- **CDMA closure now complete with more savings being realised**
- **100% focused on 3G growth**
- **3G market growth will continue to accelerate**
- **Significant evolution of mobile broadband offering**
- **EBITDA positive for the second half**

Well positioned for growth to continue





Hutchison Telecommunications (Australia) Limited
2006 Half Year Results
23 August 2006

Chief Executive's Address

Slide 1 - Introduction

Good afternoon everyone – welcome and thank you for joining us today.

During this call I will take you through the financial results for Hutchison Telecoms for the half year from 1 January 2006 to 30 June 2006, and provide some direction on the next six months.

The presentation, this speech, our ASX release and the media release are posted on our website.

Slide 2 – Highlights

Six months ago, we outlined our expectations for Hutchison in 2006. We wanted to continue to set the pace in 3G, successfully execute our 2G customer and margin migration to 3G, and improve the underlying financial performance of **3**. Reviewing our half year highlights, it has been a very good start to the year.

In May, on the back of strong new sales in **3** and momentum in the 2G upgrade programme, **3** passed through the one million customer mark. Growth was driven by good margin post-paid customers.

Despite the increased executional risk associated with the 2G upgrade programme, our service revenue to June showed growth of 16% or \$59.2 million up to a total of \$423.6 million.

Non-voice monthly ARPU in the 3G business increased from \$16 to \$19, helping to support overall margins in a tightening mobile market.

Service revenue growth and reduced operating costs meant that the business reported an underlying positive EBITDA result of \$1.3 million for the period, before the impact of the 2G upgrade programme. This is a very significant financial breakthrough for our business.

From 1 January through to 9 August, when our 2G CDMA network closed, 284,000 customers upgraded to our 3G service. This result was marginally above our expectations but, notably, the speed of customer uptake meant the closure date was significantly earlier than we anticipated.

The successful upgrade of those customers and the closure of the 2G business was a clear priority for Hutchison in 2006. We are now in a unique and strong position to focus solely on growing our 3G business.

To the half year financial highlights.

Slide 3 – Financial Highlights

Service revenue of \$423.6 million for the six months to 30 June grew by 16% compared to the corresponding period in 2005, reflecting the increase in the customer base and, importantly, the continued growth of 3G non-voice services usage and revenue.

As the performance in the business strengthened, the combined operation reported positive EBITDA of \$1.3 million prior to the cost impact of the closure of the 2G business. This result is a continuation of the trend seen over the last two half year periods and represents a significant improvement on EBITDA losses reported for those periods. During the first half, the Company recorded an Underlying NPAT loss of \$225.5 million. This loss is an improvement on the NPAT loss reported at the end of June 2005 by almost \$80 million.

The first half Reported NPAT loss of \$524.7 million included \$299.2 million of costs and accounting charges related to the upgrading of our 2G customer base and the closure of the 2G network. I will cover these in more detail in the next slide. These costs and charges are consistent with our estimates provided at the annual general meeting in May this year.

Capital expenditure (CAPEX) for the period of \$84.5 million is well down on CAPEX this time a year ago, and is principally attributable to network capacity enhancements and incremental site build to continue to strengthen the 3G network.

Slide 4 - CDMA Network Closure Costs

Upgrading 2G customers to 3G has been a significant milestone, with the speed of the migration and subsequent closure of the 2G network driven by strong customer demand for the new service. The result now is a business with scale and a singular focus on the growth opportunity in 3G.

The financial impact of upgrading customers to **3** totalled \$299.2 million, of which \$173.3 million is non-cash impacting depreciation and amortisation charges. All 2G non-current assets have now been fully written down except the 850MHz spectrum licence. The bulk of the cash costs relate to handset subsidies and other costs including commissions, staff costs and cell site decommissioning.

As a result of our 2G business closure, significant cost savings will be realised, evidenced already by approximately \$58 million of reduced running operating costs in the 2G business for the current six month reporting period as compared with the corresponding period last year. With additional savings in future reporting periods expected, the final cost savings achieved will result in a payback on the cash closure costs of less than two years.

Slide 5 – Mobile Customer Base

In the first six months of this year, supported by the upgrade programme and strong sales momentum, the 3G customer base grew by 390,000, an increase of 60%, and totalled 1,044,000 by the end of the period. 922,000 or 88.3% are post-paid customers. Crossing that one million customer mark is a step change for **3** that not only represents scale but credibility.

In recent days, our 3G post-paid base has passed one million, which, we believe, positions us as the number three post-paid mobile operator in Australia.

Slide 6 – Service Revenue

Service revenue in our 3G business rose by 65% from \$218.1 million in the first half of last year to \$360.1 million in the reporting period, and contributed 85% of the Company's total service revenue. This growth included strong contribution from non-voice services of \$79.4 million, an increase of almost 70% over the corresponding period.

2G revenues eroded significantly to \$63.5 million for the half, consistent with the upgrade programme to 3G.

Slide 7 – ARPU and Margin

Total monthly ARPU declined from \$69 in the same period last year to \$65 - a result of a drop in voice ARPU, which has been impacted by the decrease in mobile interconnect rates from 18 cents to 15 cents in the current half year.

The average monthly margin per customer across the 2G and 3G operations of \$48 has been maintained at a similar level achieved for the same period a year ago as a result of improved non-voice margins.

Given the executional risk of losing high margin 2G customers to competitors during the upgrade programme, and the industry trends of declining mobile margins, we are pleased with the stable margin performance in these first half results.

Slide 8 – Continued Strength in 3 Non-voice

In the six months to June 2006, **3** has continued to provide new and exciting content services to its customers. Key events have provided customers with a great opportunity to experience what 3G can deliver, such as live mobile TV. Customers watched over 900,000 World Cup moments through accessing the official FIFA highlights or watching SBS coverage live on their **3** mobile. Network Ten's Big Brother show again captivated **3** mobile customers, with over 3.5 million streams accessed during the show. **3** also launched new mobile TV channels including MTV and E! Entertainment, and, in addition to a broadening portfolio of Mobile TV, customers also enjoyed news, music, and sports content on Planet 3.

During the period, 57% of our customers regularly paid for content, and there were 770,000 monthly subscription services. Usage of our content services grew from 19.6 million events in the first half of 2005 to 41.6 million events in the same period this year. **3**'s total non-voice revenue grew by almost 70% from \$46.8 million to \$79.4 million.

In the 3G business in the first six months of 2006, the contribution to monthly ARPU from non-voice services, including messaging, multimedia content and high-speed data access, grew to \$19 from \$16 in the half year to June 2005. Of particular significance is the non-voice, non-SMS ARPU of approximately \$8, which represents more than 10% of **3**'s total ARPU, an industry leading benchmark.

In the first half, there has been a dilutionary effect to non-voice ARPU as a result of voice centric 2G customers having upgraded to 3G. Our 2G customers have averaged \$3 of non-voice ARPU in recent reporting periods, compared to **3**'s average of \$19 in the six months to December 2005. There is a real opportunity in increasing usage of non-voice services by these newly upgraded customers and the process has started to educate and encourage the take-up of these services.

During the second half of 2006, content services from **3** will continue to be promoted to our customers and used to attract new customers. We are eagerly looking forward to the **3** Mobile Ashes Series which will be shown live on **3** and will be a flagship product.

Slide 9 – Running Operating Expenditure

Excluding the customer upgrade and network closure costs of \$125.9 million, operating expenditure fell almost 18% to \$321.1 million compared to the first six months of 2005. Approximately \$58 million of the overall decrease of \$70 million is attributable to lower costs in the 2G business as a result of the wind down of the 2G CDMA network. In addition to savings in the 2G business, the lower 3G cost base is a significant achievement during a period when the customer base continued to grow strongly. A scalable 3G-only focused cost structure is a key asset for the Company and, together with increasing scale, will assist in improved cashflow generation and bottom line growth.

Slide 10 – 3 Customer Acquisition Costs

The cost of acquisition ("CAC") for each new 3G customer in the first half of 2006 fell significantly to \$265, down from \$427 in the first half of 2005. This was also a significant reduction on the \$377 reported for the six months ended 31 December 2005. The decline is due to falling handset prices as the major manufacturers expand their production of 3G handsets and to having a broader range of handsets at a variety of price points which allow the overall acquisition cost to be more effectively managed. The blended CAC of \$265 in the period reflects both underlying acquisition volumes as well as 2G upgrade activity. Despite further reductions in handset buy prices, CAC for the second half of 2006 is expected to remain at a similar level to the first half as competition in the 3G market grows and handset subsidies become a key lever in both acquisition and retention

activity. With global purchasing power on our side, we are well placed to aggressively compete in this area and maximise our opportunity to gain further scale.

Slide 11 – CAPEX

Capital expenditure for the period of \$84.5 million is well down on the CAPEX from this time a year ago and is principally attributable to network capacity enhancements and incremental site build. A similar level of CAPEX requirement is expected in the second half of this year as new sites and more capacity are introduced.

Slide 12 – What to Expect in 2H06

With the closure of the 2G CDMA network now complete, savings are being realised and we will see a rapid payback on the closure cost. **3** is now uniquely positioned in the mobile market, with 100% focus on 3G.

This places us in a very strong position as the 2G market continues its decline and the 3G market growth accelerates. We estimate that in December 2005, approximately 5-6% of Australia's mobile revenues were on 3G. Today, we believe, that's more than doubled in just eight months to between 12-15% - helped along by our competitors' push to begin their customers' migration to 3G. That growth rate will accelerate over the coming 12 to 24 months.

Looking ahead, **3** will position its offering to better capitalise on increased data speeds in 3G and evolving customer behaviours in fixed broadband.

Of particular note and interest is the imminent upgrade to HSDPA, which is expected to be available for use by our customers in many parts of the network by the end of the year, and installed across the entire network by the end of the first quarter of 2007. The initial upgrade will enable download speeds of over 1 mbps with later software releases into the network providing maximum theoretical download speeds of 14 mbps before the end of next year, subject to handset availability.

With the upgrade of our 2G base to 3G now complete and associated costs accounted for in the current reported results, over one million high margin customers, and the 3G business in a solid position to continue its strong underlying performance, we expect to enhance our EBITDA positive position in the second half. Similarly, with no further charges relating to the CDMA network closure, the second half NPAT loss should be better than the Underlying NPAT for the first six months of the year.

With our single-minded focus on 3G, and our financial performance improving, **3** is well positioned to continue to grow.

Thank you, I will now open up for questions.