

**Hutchison Telecommunications (Australia) Limited**  
**2007 Full Year Results**  
**26 February 2008**  
**Chief Executive's Address**

During this call I will take you through the financial results for Hutchison Telecoms for the full year to 31 December 2007.

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

***Turning to Slide 2***

In 2007, we have achieved significant improvements in both the financial position and underlying operating results of the Company. This reflects the strong and sustainable momentum we have in our business.

Our total revenue increased 24.6% on the previous year to over \$1.3 billion. This reflects both strong growth in customer numbers and increased usage of non-voice services, including mobile broadband services to access the internet.

As a result, we have continued to grow our margin. Total margin is \$911.9 million, up 29.5% and average monthly margin increased to \$76 million, up from \$58.6 million, year on year.

We have also achieved strong growth in EBITDA and a significant reduction in our net loss position. EBITDA increased by \$84 million to \$114 million. The net loss position was reduced significantly, to \$285 million – \$474 million less than in the 2006 reported result.

In June, we completed the recapitalisation of the Company repaying debt and reducing interest accordingly.

Despite aggressive marketing and increased subsidies from our competitors, our acquisition cost per customer reduced to \$251 in the second half of 2007, making that \$263 as an average for the full year, down from \$274 in 2006.

We also exited the year operating cash flow positive.

***Slide 3 shows our operating highlights***

We added 333,000 customers to the 3 customer base over the year, bringing the total number of customers to 1.578 million, an increase of 27%. 89% of 3's total base was postpaid. Consistently strong customer growth coupled with a steady, low level of churn underpins this result.

The number of Mobile Broadband subscriptions (which includes accessing the internet via a card or modem, via a handset or with an X-Series subscription) grew by an enormous 138% in six months to 195,000 subscriptions at year end – up from 82,000 at the end of June. Our focus on innovative offers and services delivering consistently

good value to customers has been instrumental in this dramatic increase in uptake and usage of our data services.

In addition to encouraging data growth from mobile broadband subscriptions, our content portal Planet 3 continued to grow. During the second half, 767,000 customers generated at least one billed content event each month, up from 635,000 customers in the first half.

Supporting our focus on customer care, we opened '3 Service Centres' in Sydney, Melbourne, Brisbane, Adelaide and Perth which allow our customers to have their handsets repaired directly by 3. This has improved their handset repair experience – notably by reducing handset turnaround times.

**On Slide 4**, the summary of financials, there are a couple of items I'd like to comment on.

Our EBIT position has improved by nearly 75%, from a loss of \$494.6 million to \$123.9 million. This substantial improvement, and the underlying momentum in the business, means that we expect to exit 2008 EBIT positive.

We have begun to realise the benefit of the recapitalisation, with interest costs falling by \$104 million in 2007. The recapitalisation delivers annual interest savings of \$250 million and an overall improvement in the net debt position. This has also reduced our exposure to the current volatility in credit markets.

**Slide 5 shows** the solid growth in our customer base has continued. In the second half, we grew our total customer base by 173,000 to 1.578 million, an increase of 12.3% half on half. Total customer growth for the year was 333,000, an increase of 26.7%.

While our competitors shift their focus to the growing 3G market and work to migrate their 2G customers with highly subsidised offers and aggressive marketing, we continue to steadily build momentum and scale, benefiting from the market shift towards 3G.

**Turning to Slide 6.**

3 service revenue rose by 36% to \$1.156 billion, up from \$849 million last year. The strong second half, up 14% on the first half, is primarily driven by the uptake and usage of mobile broadband USB modems and internet access via handsets.

We increased revenue at a similar rate to customer growth. As a result, ARPU and the more important margin per customer were maintained.

**Turning now to Slide 7.**

We continue to report margin per customer as this is the most useful metric in an industry with an increasing share of capped plans and falling interconnect rates. We are pleased to report that margin per customer across the whole base has remained steady at \$52 per month.

ARPU also remained steady at almost \$69. Both the ARPU and margin results are significant as they have been achieved despite a 40% decrease in mobile termination rates.

**Slide 8 shows** total monthly non-voice ARPU. Non-voice ARPU was up 6.3% to \$18.31, which represents 26.7% of the total monthly ARPU. 3G ARPU (non-voice ARPU excluding SMS) increased by 11.3% to \$7.77.

SMS usage also remained strong and in 2007 increased by 82% with 1.4 billion SMS sent.

**On Slide 9** we provide an update on our non-voice usage.

Year on year, the percentage of customers paying for at least one content event each month from our Planet 3 portal continues to grow, with penetration up to 64% in 2007, from 56% in 2006.

We continued to deliver popular branded content services including mobile TV, sport and news. Customers experienced 120 million content events, up from 92.5 million in 2006. This included downloading 1.65 million games and experiencing 5.7 million music events. 3's mobile TV continued to expand with new programs including South Park and the ABC's Summer Heights High.

At the end of December 2007, 3 had 195,000 Mobile Broadband subscribers (using a Mobile Broadband card, USB modem, their phone as a modem or with an X-Series subscription), up from 82,000 at the half year. X-Series and Mobile Broadband have given customers the ability to take advantage of the data capability and increased speed of our network. The completion of the HSDPA and HSUPA roll-outs across our network during the year have increased data speeds significantly, making using the internet a much better experience.

### **Now to Slide 10**

In the second half, against customer growth of 12.3% and revenue growth of 14%, operating expenditure increased by only 3.8% to \$430 million from \$414 million in the first half.

The variable costs, made up of net handset costs and direct telecommunication charges, have increased as a result of strong sales and greater retention activity in our larger customer base. Within direct telecommunication charges, both domestic and international roaming costs are in line with the growth in the customer base.

**On Slide 11 we show** the downward trend in average cost of acquisition (CAC) for each new 3 customer. At the end of 2007 CAC was \$251, down from \$276 at the half year.

Having a leading range of handsets is critical for success in what is increasingly a style-driven market. 3G handsets at 2100 MHz are the leading handsets in the mobile market in terms of the available range, form factor and functionality. In 2007, we added 20 handsets to 3's range from leading manufacturers. There were particularly strong offerings from both Nokia and Sony Ericsson, as well as the exclusive 3 Skypephone, launched in November. The 3 Skypephone is the first free VoIP service on a mobile and

gives customers thousands of free Skype-to-Skype minutes each month at the touch of a button.

3G handset functionality continued to evolve, with 2 megapixel cameras becoming standard. Higher-end devices with 5 megapixel cameras and increasingly popular GPS capability also became available.

Currently, we have 30 handsets in our range plus a Mobile Broadband Card and USB modem, with 16 of these devices HSDPA enabled. We continue to benefit substantially from the 3 Group's global purchasing power for devices.

**On Slide 12**, capital expenditure for the second half of the year was in line with guidance given in August that we would have a level of expenditure similar to the first half. Total CAPEX for the year was \$268 million.

The majority of the CAPEX was for network capacity and software licensing, a function of the strong customer growth during the year and anticipated increases in data usage.

***Finally, turning to slide 13***

In 2008, we will continue to grow strongly in what we expect to be a highly aggressive and competitive market.

With an early leadership established in Mobile Broadband, we will focus on further developing this space, including mobile broadband access via USB modem devices as well as making accessing the internet through the mobile a better experience.

Having brought a number of innovative services to the market this year we will continue our leadership in non-voice services. Increased usage and penetration of these services will drive increased revenue growth.

With low levels of customer churn, maintaining our focus on customer satisfaction will be key. A number of successful initiatives in this area are well under way.

We will continue to upgrade our network in line with the release of attractive handsets and devices for our customers. With the upgrade of the network to HSDPA and HSUPA complete, the next speed increase to 7.2Mbps will begin in 2008 in line with devices able to take advantage of these speeds becoming available.

With strong customer growth continuing, further introduction of exciting non-voice products and services and the full benefit of changes to our debt position, we will continue to build momentum and see significant improvements in our operating and financial performance. As a result, we expect to exit 2008 EBIT positive.

Thank you, I will now take questions.