Hutchison Telecommunications (Australia) Limited
2008 Full Year Results
19 February 2009
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 2008.

Turning to our Financial Highlights on slide 2

In 2008, Hutchison continued to grow strongly in an increasingly aggressive market. We report double-digit revenue growth to $1.6 billion, up $305.0 million or 23.1%. Our 27.4% increase in operating margin, to $1.2 billion, reflects the growing proportion of 3's customers using data services.

Average monthly margin increased to $96.8 million up from $76.0 million.

Strong increases in revenue and margin has resulted in an EBITDA of $200.0 million, an increase of $86.0 million.

A net loss of $163.1 million is a $122.0 million improvement on the 2007 result.

Despite a market characterised by heavy handset subsidies, the average cost to acquire new customers fell to $238 from $263.

With strong customer growth, revenue and margin, the Company was EBIT positive during the fourth quarter of 2008.

Turning to our Operating Highlights on slide 3

The total customer base reached 2,036,000 customers at the end of 2008, an increase of 29% with net additions of 458,000 for the full year and 228,000 in the second half of the year.

90.6% of the base is post paid and external churn remains at industry-low levels of 1.2% due to our continued focus on customer service and retention.

A large part of our customer growth was fuelled by mobile broadband with subscribers reaching 526,000, up 169.7% for the full year and 52% for the second half.

The popularity of our non voice services drove up non-voice usage and revenue, with 1,289,000 customers billed for Planet 3 content or mobile broadband in the second half of the year, up from 1,084,000 in the first half.

Slide 4 shows Revenue and Margin

Revenue continued to increase strongly, with a significant contribution from non-voice services, particularly mobile broadband. This has resulted in a total margin increase of 27.4% to $1.2 billion in the year, against total revenue growth of 23%. Service margin is up 15% in the second half compared to total revenue growth of 13% in the same period.

The Key Financials are shown on slide 5

Improvements continued in the key financial measures of EBITDA, EBIT and NPAT, with positive EBIT achieved in the fourth quarter of 2008.

Capital expenditure of $200.2m was 25.3% lower than 2007 and in line with previous guidance.

Following recapitalisation in 2007, finance costs fell by $56.6 million to $104.6 million in 2008. With the support of Hutchison Whampoa, the company repaid $1.1billion in external funding in December 2008. An amount of $1 billion owed to HWL is re-payable on demand and is currently interest free.

Slide 6 illustrates the continued improvement of EBITDA, EBIT and net loss over the last 3 years with strong year on year performance as the Company's operations continue to grow.

Slide 7 shows the customer base growth, reaching over 2 million customers in 2008. Despite high handset subsidies and significant competitor advertising, the **3** customer base grew by 458,000.

Service revenue continued to increase strongly as you can see on ***slide 8*** with a 25% increase in full year service revenue. Within that non-voice revenue increased 65% year on year to $464.2 million.

Turning to ***slide 9***, margin remained resilient in an aggressive market with an increasing proportion of customers taking lower priced mobile broadband plans.

ARPU and margin were both underpinned by the strong performance of non-voice services.

Slide 10 shows non-voice ARPU. In 2008, **3**'s customers continued their strong uptake of non-voice services. Non-voice ARPU rose 13.4% to $20.76 and non-voice ARPU, excluding SMS, grew to $10.30, an increase of 32.6%. Non-voice services now contribute 31.2% of ARPU.

Slide 11 shows that non-voice usage excluding SMS continues to increase with 68.4% of customers billed for non-voice services such as Planet 3 and mobile broadband. The number of customers billed for Planet 3 content and mobile broadband rose to an average of 1,289,000 per month in the second half up from 1,084,000 in the first half.

Slide 12 gives us a good indication of significant increases in usage. In 2008, 199 million Planet 3 content and mobile broadband events were experienced as customers continued to enjoy using 3G services.

Data and mobile broadband growth was a standout for 2008 as shown on ***slide 13***, with more than half a million mobile broadband subscribers at the end of December 2008.

With new USB stick devices and continued improvements to the network during 2008, demand for **3** Mobile Broadband grew strongly and average network data traffic increased from 121 terabytes per month in the first half of the year to 263 terabytes per month in the second half.

Turning to slide 14, running operating expenses for the year.

Total running operating expenditure increased by 19.8% while service revenue increased by 25.2%.

Increases in direct telecommunication costs were due to the increased volume of international and domestic roaming and the impact of the falling exchange rate on international roaming costs and handset costs. Within net handset costs are device subsidies for more than 1,350,000 customers either acquired or retained in the year.

Employee benefits expense increased 13.1% reflecting a 12.4% increase in headcount mainly in customer sales, support and retention roles.

Expenditure on advertising and promotion increased by $4.2 million.

Customer acquisition costs are detailed on ***slide 15***. Despite the highest levels of handset subsidies in the market from competitors since the launch of **3**, CAC for the full year was $238, down from $263 in 2007, although up slightly in the second half reflecting the impact of the exchange rate and high end handset subsidies.

Capital expenditure (CAPEX) is detailed on slide 16

Capex for the year was $200.2 million, $25.4 million lower than 2007 representing 12.3% of total revenue.

The focus was on delivering capacity to the network and infrastructure to support rapid customer and data growth by infilling the existing coverage footprint. The 3GIS joint venture (with our partner, Telstra) added a further 61 sites into the network bringing the total number at the end of the year to 2,680. The Company has undertaken additional network expansion on the fringe areas of our coverage in and around Sydney and Melbourne. Coverage is also being expanded over 2009 and 2010 in new areas of high roaming, in Newcastle and the Central Coast of NSW.

Turning to the outlook for 2009 on slide 17

We expect continued growth in 2009 fuelled both by handsets and mobile broadband.

Our leadership in non-voice services, particularly mobile broadband will continue to be a focus in 2009. Network speed upgrades will be in line with capacity needs and the availability of mass market devices to support those speeds. During the second quarter, with 3G roaming access to parts of Telstra's 850MHz network, **3** will provide its customers with high speed access to 3G services in areas covering 96% of the population, further enabling growth and expansion of the use of 3G services.

Customer satisfaction will remain a key focus as we aim to keep churn low.

Less favourable foreign exchange rates have, and will continue to, affect the Australian dollar price of handsets and offshore services. However, with the current economic conditions the Company is well placed to continue growing as a value player in mobiles and as a leader in the embryonic mobile broadband market. However, should the global financial crisis and its impact on the real economy worsen there may be some impact on future results.

Slide 18 is a summary of the proposed merger with Vodafone that we announced last week. We plan to merge our Australian telecommunications businesses, 3 and Vodafone Australia, to form a 50/50 joint venture called VHA. The merger is subject to shareholder, ACCC and Foreign Investment Review Board approval. VHA will have over 6 million customers, revenues of about $4 billion and a market share of 27% - each metric more than double that of 3 today.

VHA will lead with the Vodafone brand and leverage 3's strengths of innovation, value and being a challenger.

The merger will mean a much larger scale business with significantly enhanced profitability that will build on our combined and complementary strengths.

There will be significant cost savings from the merger. The net present value of operating expense and capital expenditure synergies is currently expected to be in excess of A$2.0 billion, net of integration costs.

The transaction is expected to enhance HTAL's adjusted earnings per share from the first full year post completion after synergies and excluding the impact of intangible asset amortisation and one-off costs.

The joint venture's ability to operate with a lower cost base and substantially improved economies of scale will ensure we continue on the strong growth path already established as a value player in the almost six years 3 has been operating in Australia. Combined we will be well placed to be number two in the Australian mobile market.

In summary, 2008 has seen over 25% growth in customer base, service revenue, and margin, resulting in continued improvements in the Company's financial position. This strong trajectory has placed us in a very exciting position to further improve the value of Hutchison Telecoms.