

# Hutchison Telecommunications (Australia) Limited

## 2011 Half-Year Results

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Vodafone Hutchison Australia

2 August 2011



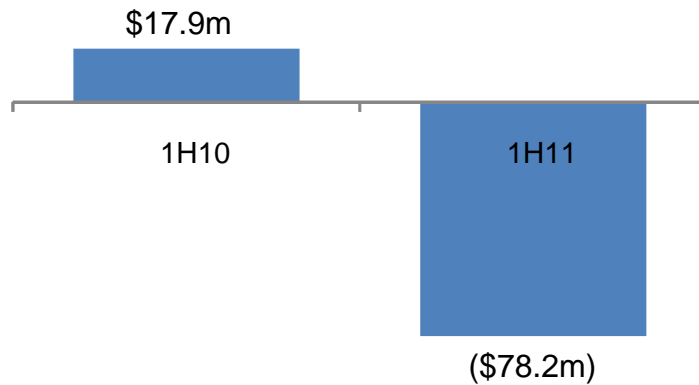
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Telecommunications operations of  
Hutchison Whampoa Limited



# Financial results

## HTAL profit / (loss)



## HTAL's share of VHA results:

- **Customer service revenue decreased 3.0% to \$1,038.5 million**
- **6.6% decrease in half-year operating margin**
- **EBITDA \$140.8 million, a decrease of 36.8%**

Unless otherwise stated, all % and \$ increases are on the prior corresponding period, HTAL 30 June 2010  
To be read in conjunction with ASX half-year information – 30 June 2011

**HTAL** = results for HTAL the Company

**HTAL Share** = results are 50% of VHA, the underlying operating entity

**VHA** = results are 100% of the underlying operating entity

# VHA operating summary

- **Total customer base declined 375,000 to 7.2 million**
  - **Prepaid base down 347,000 to 3.0 million<sup>1</sup>**
- **Postpaid customer base unchanged at 4.2 million<sup>2</sup>**
- **3.2 million 3G services<sup>3</sup>, up 36% YoY**
- **Operating expenditure tightly controlled at \$625.0 million<sup>4</sup>**
- **Integration cost synergies on track**
- **Customer acquisition cost per connection \$144, down 7%**

<sup>1</sup> Includes a one-off adjustment of 78,000 arising from reporting changes. Compared to 31 December 2010

<sup>2</sup> **On an underlying basis** after adjusting for a one-off reduction of 32,000 arising from reporting changes. Compared to 31 December 2010

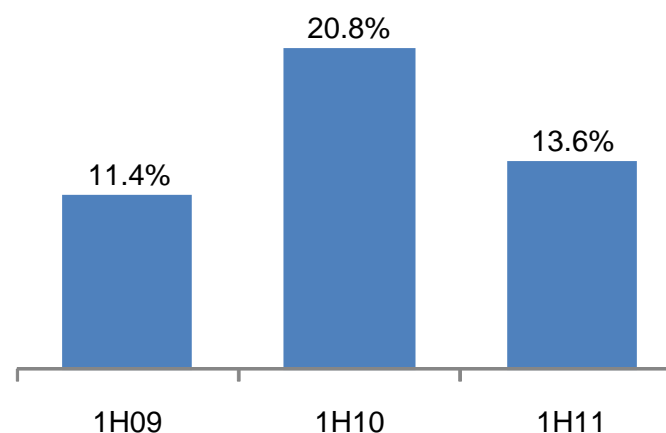
<sup>3</sup> **3G services** includes content or data accessed via a handset, mobile broadband cards, USB modems, Netconnect Cards and embedded broadband SIMs

<sup>4</sup> 50% share of VHA attributable to HTAL

# HTAL's share of VHA key financials

(\$millions)	1H11	1H10	\$ var
Total revenue	1,137.6	1,179.1	(41.5)
Service revenue <sup>1</sup>	1,038.5	1,070.9	(32.4)
EBITDA <sup>2</sup>	140.8	222.7	(81.9)
Share of net profit / (loss) from VHA <sup>3</sup>	(78.8)	(0.6)	(78.2)
Capital expenditure	162.1	124.1	38.0

**VHA EBITDA**  
(% Service Revenue)



<sup>1</sup> Service revenue excludes handset revenue, interest income and other income

<sup>2</sup> EBITDA represents service revenue less interconnect cost and running operating expenditure plus capitalised incremental direct acquisition and retention costs in accordance with AIFRS. Interest income has been reclassified to finance cost

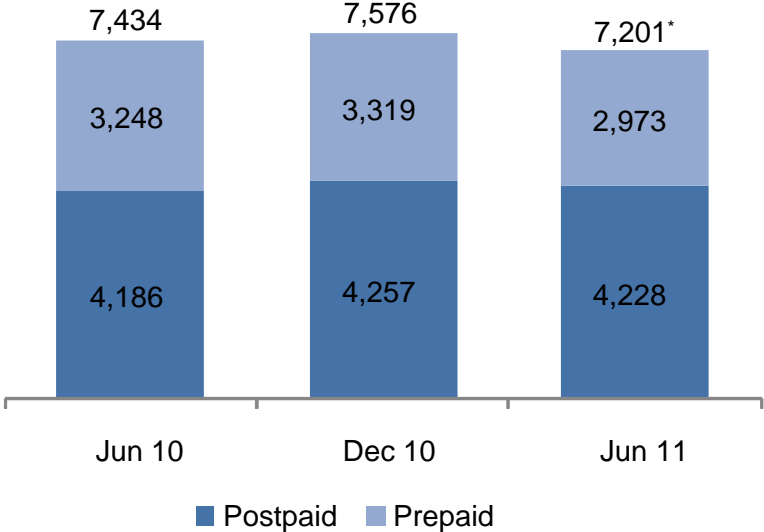
<sup>3</sup> Share of net loss from VHA represents the share of net loss attributable from jointly controlled entities and partnerships as reported in the financial statements of HTAL, measured under equity accounting rules prescribed by AASB 128

# VHA customer base

Underlying postpaid base unchanged

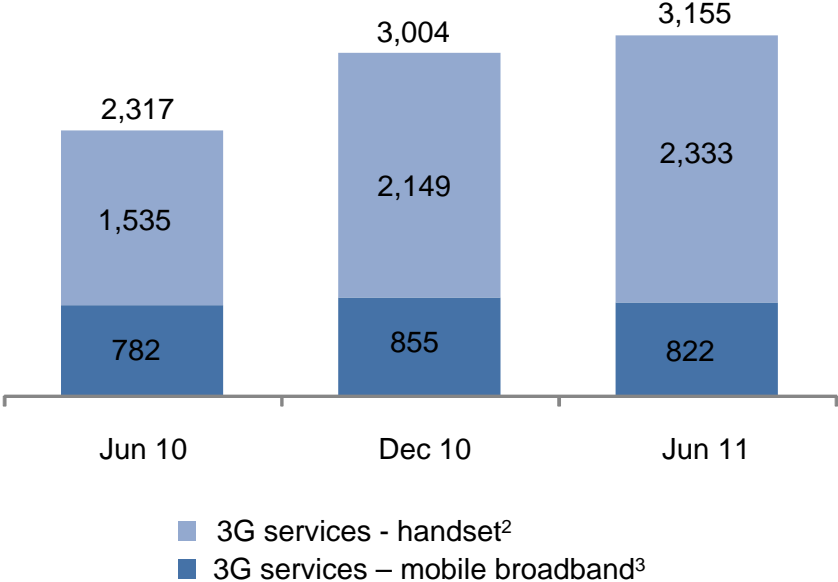
Continued growth in data users

Total customer base ('000)<sup>1</sup>



\* includes one-off adjustments due to reporting improvements

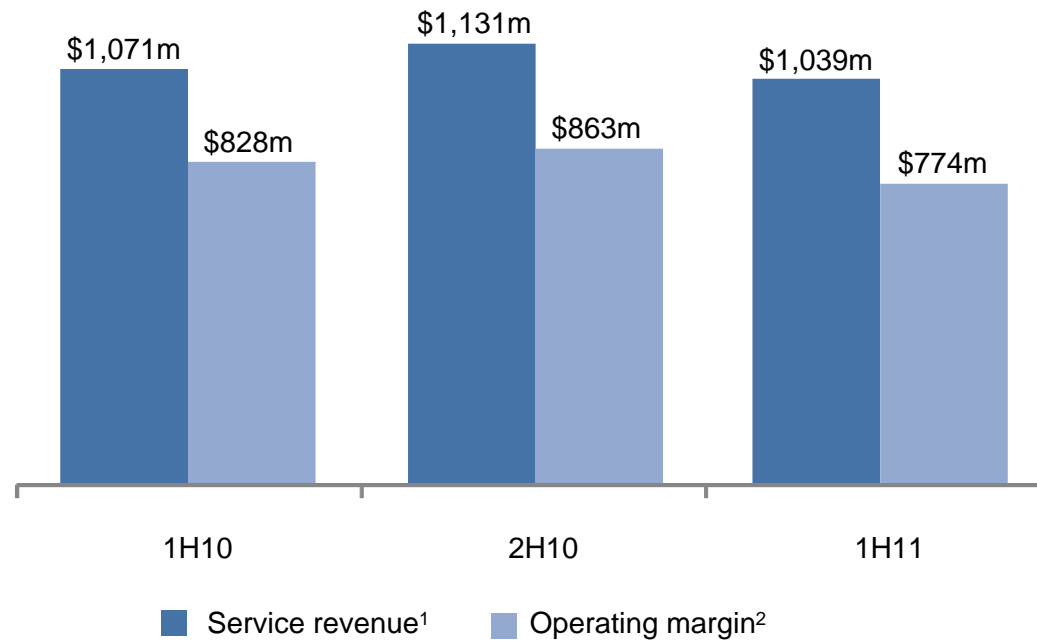
3G services ('000)



<sup>1</sup> VHA customer base = active customers (including MVNO customers)  
<sup>2</sup> 3G services - handset = includes customers with billed 3G services on handset  
<sup>3</sup> 3G services - mobile broadband = mobile broadband cards, USB modems, NetConnect Cards and embedded broadband SIMs

# HTAL's share of VHA service revenue & margin

Higher credits and interconnection costs



<sup>1</sup> Service revenue excludes handset revenue, interest income and other income

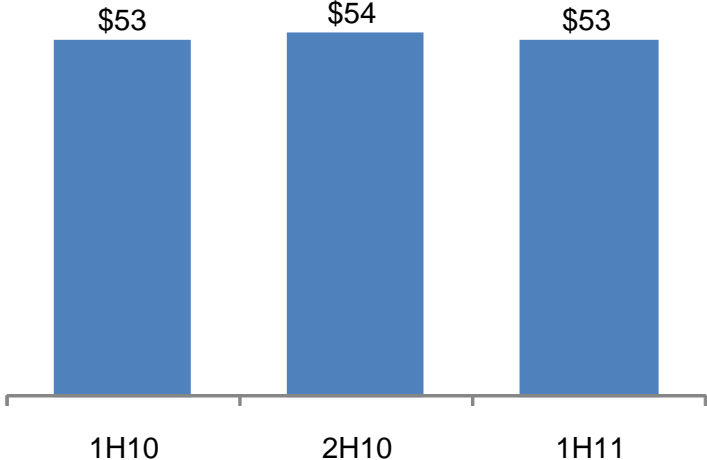
<sup>2</sup> Operating margin represents service revenue less interconnect and variable content costs

# VHA ARPU

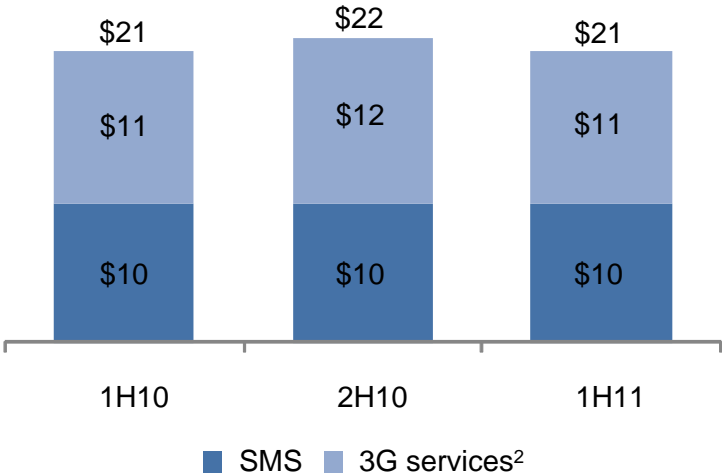
Slight reduction in ARPU...

...and non-voice ARPU steady

ARPU<sup>1</sup>



Non-voice ARPU



<sup>1</sup> ARPU represents the rolling 12 month average revenue per user per month at the end of the period across prepaid and postpaid customers

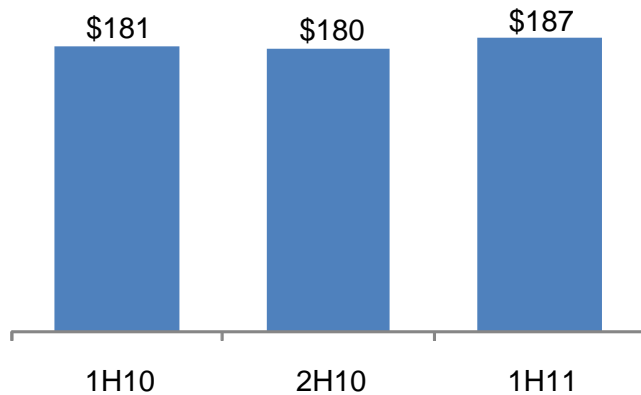
<sup>2</sup> 3G services includes all non-voice services with the exception of SMS

# VHA operating and acquisition costs

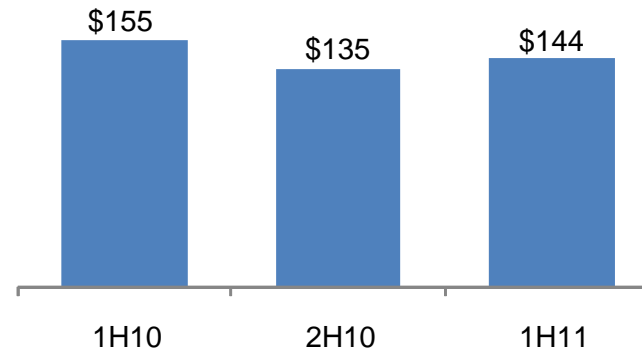
Focus on retaining customers...

...and controlling costs

**Opex per customer<sup>1</sup>**  
(\$/customers)



**Acquisition cost<sup>2</sup>**  
(per new customer)



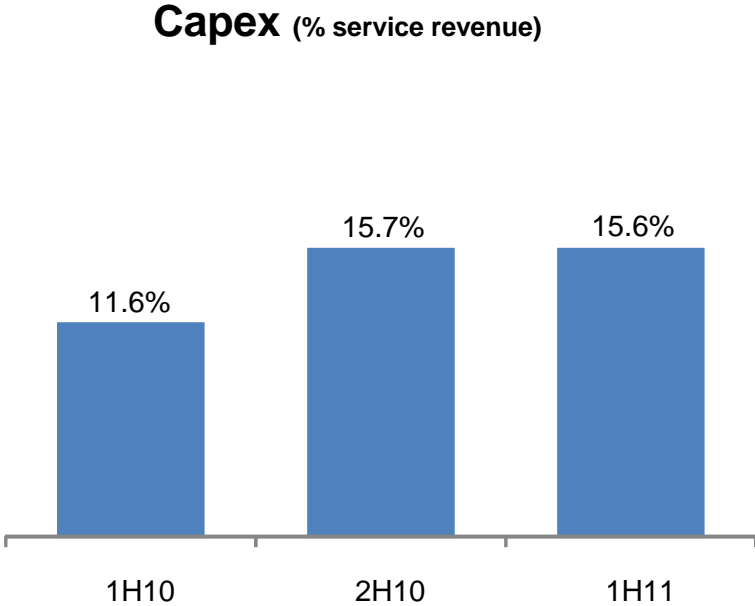
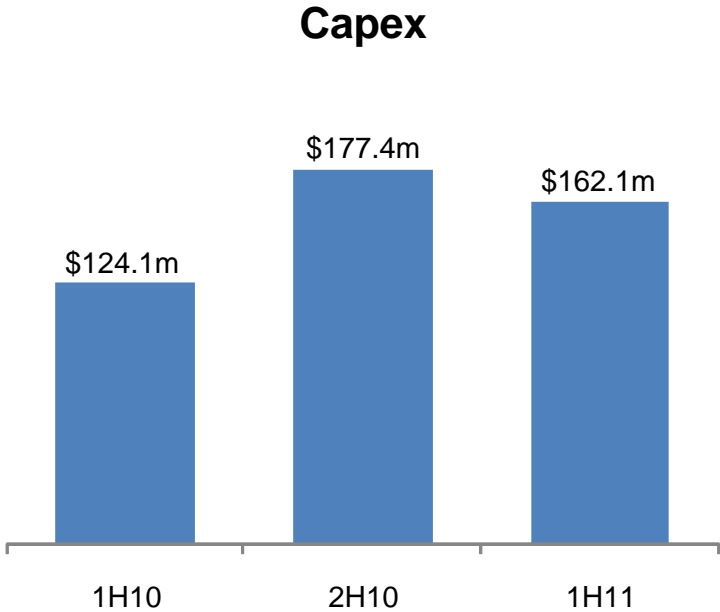
<sup>1</sup> **Operating expenditure per customer** includes other direct costs of provision of telecommunication services, employee benefits expense, advertising and promotion expenses, net of other income and share of profits of jointly controlled entities and partnership accounted for using the equity method (3GIS) and excludes one off restructuring costs associated with the merger

<sup>2</sup> **Customer acquisition costs per new customer** represents the average direct costs, including commissions, promotional credits and handset subsidies associated with acquiring each new customer for the period

# VHA capital expenditure<sup>1</sup>


Accelerated investment...

...in strengthening the network



<sup>1</sup> HTAL's share of VHA capital expenditure

# Network improvement

VHA network plan ahead of schedule	Network plan	Progress
	Short-term performance issues	
	New 3G 850MHz network	In progress
	Upgrade existing 2G and 3G network	In progress
	Replace network equipment across all sites	In progress
	Upgrade core and transmission network	In progress
	New sites to increase coverage	In progress
	LTE capable equipment	In progress

	Total announced	Live now	Total FY11 <sup>2</sup>
3G 850MHz	1,500	788	1,000
Upgrade 2G & 3G network <sup>1</sup>	Ongoing	815	1,330
Equipment replacement	8,000	292	4,000
New sites	3,000 <sup>3</sup>	35	500

<sup>1</sup> Combination of hardware and software upgrades, to deliver capacity and/or performance improvements

<sup>2</sup> FY11 site numbers are cumulative

<sup>3</sup> 1,400 locations

# Customer service improvement

## Call centres

- adding 300 customer service staff
- 24/7 support

## Call back

- customer call back option now available

## Online support

- extension of Twitter and Facebook customer support

## Community forum

- customer forum to provide support and answers

## Coverage checkers

- enhanced coverage checker
- real-time network performance tools

## Retail – 1<sup>st</sup> point resolution

- empower stores to resolve more customer service issues

# Progress on integration

On track to deliver integration cost synergies

- Appointed new vendor for IT managed services
- Voicemail platform consolidated
- Improvements to key IT systems
- Retail store consolidation largely complete
- Retail store refit and upgrade two-thirds complete
- Consolidation of RAN, core and transmission underway

# 2011 VHA outlook

Operationally turned the corner

- Continue network upgrade and expansion plans
- Launch further customer service improvements
- Further churn improvements expected
- Continue participation in fixed-line service trials with NBN Co
- Engaged on ACMAs 'Reconnecting the Customer' initiative
- Engage with Government on the mobile terminating access services review and spectrum renewal
- Cash flow positive before financing for 2011



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Telecommunications operations of  
Hutchison Whampoa Limited



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