

Hutchison Telecommunications (Australia) Limited
2008 Annual General Meeting
19 May 2008
Chief Executive Officer's Address

Thank you Mr Chairman. Good morning ladies and gentlemen.

At the time of last year's AGM, the increasing take up of 3G mobiles was really just beginning. Our result in 2007 reflects a year of accelerated growth. The advantage of our leadership was evident in the growth of our customer numbers, the growth of our revenue, the growth of our non-voice ARPUs and the improvement in our EBITDA and NPAT positions. Our customers' experience improved too, both in terms of the choice of products and the service they received, resulting in our highest ever customer satisfaction levels and the industry's lowest published level of customer churn, at 1.1% (postpaid). More customers than ever are choosing to move to and stay with **3**.

In 2007, our customer base grew to 1.6 million, a 27% increase on the 2006 customer base. Of these, 1.4 million, or 89%, are high value post-paid customers. In the first half of the year, our post-paid customer base grew more than any of our competitors', a result of the strength of our brand, the strength of our product and services, and the strength of our offers and retail distribution. We grew even more strongly in the second half, improving net additions by a further 8%. This brought our total net additions for the year to 333,000.

We delivered new and innovative 3G services including X-Series, Mobile Broadband and good value, high-speed internet access from handsets. Our services attracted customers and proved disruptive in the market.

As a result, we continued to experience strong uptake and usage of non-voice services. 64% of our customer base generated at least one billed content event each month, up from 56% in 2006. In total, customers experienced 120 million content events, up from 92.5 million in 2006. This included 5.7 million music events and 1.7 million games.

SMS use also remained strong throughout the year increasing by 82% with 1.4 billion messages sent.

We launched high-speed data access on our network in early 2007, bringing to life the substantial benefits of Mobile Broadband with speeds up to 3.6 Mbps. Data usage increased dramatically towards the end of 2007 when we combined a large quantity of data, a simple device and a fast network in an easy to understand, high value offer.

The number of subscribers to Mobile Broadband (which includes accessing the internet through a data card, a USB modem or a handset) increased 138% on the previous six months to 195,000, making mobile broadband a significant contributor to **3**'s non-voice growth. This growth has continued and I can now report that at the end of April we had 288,000 Mobile Broadband subscribers, a further 48% increase on the year-end figure. With our 7.2 Mbps network upgrade now underway and a continued focus on high value offerings, we expect this growth to continue.

After closing our 2G network in 2006, we have been 100% focused on 3G. It's enabled us to extend our leadership in 3G and generate more non-voice revenue per customer in 2007 than any other carrier. Our ARPU and margin results are underpinned by the strong uptake and usage of 3G services.

At 31 December, our ARPU was \$68.61 per month, the highest reported ARPU in the industry. Of this, \$18.31 or 27% was non-voice ARPU. By comparison, our closest competitor reported \$12.88 from non-voice services.

Total annual margin increased by 30% to \$912 million, and our average monthly margin increased from \$59 million to \$76 million. This result was achieved in a highly competitive market despite a 25% decline in regulated call termination rates and capped plan pricing, which continue to place general downward pressure on industry margins.

Improved growth and strong EBITDA performance has contributed to a significant improvement in our net loss position to \$285 million, which is \$474 million better than 2006.

In 2007, the strong growth in customer numbers was coupled with a low 1.1 % churn rate, a direct result of improvements in customers' experience and satisfaction. Our rising customer satisfaction levels are supported by our continued investment in customer care and retention. We have improved customer life-cycle management, offered new and upgrading customers a market leading range of handsets and given them the ability to quickly check and manage their own accounts with our award-winning self-care product My3.

In addition, we established exclusive Service Centres during the year, branded 3 Service, creating a simpler, faster and more efficient way to repair handsets, reducing turnaround times and improving our customers' experience.

In an increasingly style-driven market, it is important that we continue to offer a wide range of handsets with improved design, features and functionality. In 2007, we added 20 handsets to the range, including the exclusive 3 Skypephone, which was launched in November.

Since January we have added 8 new devices to the range. On Wednesday this week, we'll add 2 more, bringing our total to 37 handsets and 3 high-speed Mobile Broadband devices for our customers to choose from.

I'd like to take this opportunity to say thank you to the great people we employ for the enormous effort they put in to growing our leadership in 3G and driving our progress towards financial success. Through the team, we have created a unique culture that makes 3 an increasingly desirable place to work, full of highly engaged employees as measured by external surveys. I have no doubt that the continued development of our culture is central to our ongoing competitive success.

Our people, the continuing strength of our 3G services, our company-owned 3 stores and the 3 brand are key assets. In addition, we have a strategic portfolio of 2100 and 1800 MHz spectrum licences in the mainland capital cities and major metropolitan areas and a national footprint of 850 MHz spectrum. All 3 spectrum licences will be very important for us as we continue to plan for growth and achieve scale, particularly in bandwidth-hungry mobile broadband.

Our business has continued to perform well as the competition for 3G customers has intensified in 2008. That strong growth is reflected in our updated customer numbers which show that, at the end of April 2008, we had grown our base to 1.7 million customers in total, 9.2% up on our year end figure for 2007.

While mindful of some economic indicators showing signs of a consumer led slow-down in the economy, we believe the strong momentum in our business looks set to continue. We remain focused on achieving our financial goals while we grow a business capable of generating significant returns for our shareholders. Thank you.