

Hutchison Telecommunications (Australia) Limited ABN 15 003 677 227 Level 7, 40 Mount Street North Sydney, NSW 2060 Tel: (02) 8579 8888 Fax: (02) 8904 0457 www.hutchison.com.au

Companies Announcements Office

Australian Securities Exchange

Date 2 August 2011

## Subject: Half Year Results Media Release

Please find attached a Media Release relating to the Company's results for the half year to 30 June 2011.

Yours faithfully

Louise Sexton Company Secretary



Hutchison Telecommunications (Australia) Limited ABN 15 003 677 227 40 Mount Street North Sydney NSW 2060 Tel: 02 8579 8888 Fax: 02 8904 0457 www.hutchison.com.au

# **Media Release**

# Hutchison Telecoms Announces Half Year Results

## VHA performance includes:

Postpaid customer base unchanged at 4.2 million Customers using 3G services up 36% year-on-year to 3.2 million Integration cost synergies on track

**Sydney, 2 August 2011:** Hutchison Telecommunications (Australia) Limited (ASX: HTA) today announced results for the first six months of 2011. While Vodafone Hutchison Australia's (VHA) revenue and customer numbers were impacted by network and customer service issues experienced at the end of 2010 and early 2011 and a highly competitive mobile market, VHA's postpaid customer base remained largely unchanged at 4.2 million. Customers using 3G services increased to 3.2 million and integration cost synergies are on track.

The decline in VHA profitability following the network and customer service issues, and HTA's \$15.6 million decrease in interest income following the repayment of shareholder loans by VHA in 2010, has resulted in Hutchison Telecoms reporting a loss of \$78.2 million for the first half of 2011. HTA's share of VHA's EBITDA was \$140.8 million, down 36.8% year-on-year. Share of VHA's service revenue decreased by 3.0% year-on-year to \$1.039 billion, and half year operating margin was down 6.6% year-on-year to \$774 million.

Canning Fok, Chairman of HTA, said: "VHA has our full support and we have accelerated investment in the network. VHA has moved quickly to fix the network issues and improve its customer service performance and we are confident that this will support VHA's return to profitable growth."

VHA recorded a small underlying increase in the postpaid handset and mobile broadband (MBB) base, although the total customer base declined by 375,000 to 7.2 million customers at 30 June 2011. This was primarily driven by a decline in the prepaid base (including MVNO), and one-off adjustments contributing 110,000 to the net base decline.

Nigel Dews, CEO of VHA, said: "Our focus on network and service improvements is having a positive impact on customers and operationally, we have turned the corner."

With nearly half of the total handset customer base now using smartphones, the number of customers using data on their handsets continued to grow and exceeded 2.3 million customers, up 52.0% year-on-year. Non-voice Average Revenue Per User (ARPU) was steady at \$21.17.

VHA's operating expenditure increased to \$625 million for the first half of 2011 compared to \$590 million in the first half of 2010. Better economies of scale on handset procurement, a broader range of lower cost smartphones, and increased customer contributions resulted in a reduction in customer acquisition costs from \$155 to \$144 per customer year-on-year. This, combined with the delivery of merger savings, partly offset increases in retention costs.

To support network improvement plans, HTA's share of capital expenditure in the first half of 2011 was \$162.1 million, 30.6% higher than the corresponding period in 2010. VHA is ahead of schedule in the delivery of its network plans announced at the end of 2010, and by the end of 2011 expects to have built 1,000 sites on Vodafone's new 3G 850MHz network, upgraded 1,330 sites on the existing 2G and 3G networks, replaced equipment at more than 4,000 sites and added 500 new sites across the country to improve coverage, signal strength and overall network quality.

VHA has also launched initiatives to improve customer service including adding 300 Vodafone customer service staff, extending care hours to 24/7 for prepaid and postpaid customers, introducing greater flexibility for customers to be called back by customer care, extending Twitter and Facebook customer support, launching a customer community forum, enhancing online coverage checkers and real time network performance tools and providing more empowerment for retail staff to resolve customer service issues in store.

Integration is progressing well and cost control has been tightly maintained. VHA is on track to deliver the integration cost synergies identified at the time of merger.

A number of major integration milestones were delivered in the six months to 30 June 2011 including the appointment of a new vendor for IT managed services, consolidation of voicemail platforms to a single vendor, and improvements to IT systems. Retail store consolidation is largely complete and VHA is two-thirds of the way through a refit and upgrade of Vodafone stores.

 $^{*}$  Unless otherwise stated, all % and \$ increases are on the prior corresponding period, HTAL half year 2010. **HTAL Share** = 50% of VHA result

## - Ends -

### **Notes to Editors**

VHA is a 50:50 joint venture between Hutchison Telecoms and Vodafone Group Plc and operates Vodafone, 3 and Crazy John's in Australia.

For further details of the financial results for HTA please visit <u>www.hutchison.com.au</u> and see the Company's results as released to the ASX.

### For more information, contact:

#### **Media Relations**

Greg Spears Head of PR & Corporate Communications, VHA Phone: +61 (0) 406 315 014 email: greg.spears@vodafone.com

Edwina Elliott Corporate & Business PR Manager, VHA Phone: +61 (0) 412 431 635 email: <u>edwina.elliott@vodafone.com.au</u>

#### **Investor Relations**

Rob Doyle Investor Relations General Manager, VHA Phone: +61 (0) 406 663 406 email: rob.doyle@vodafone.com.au

Ross Hayes Investor Relations Manager, VHA Phone: +61 (0) 451 988 634 email: ross.hayes@vodafone.com.au