

Companies Announcements Office

Australian Stock Exchange

Date 27 February 2007

**Subject: Annual Results Presentation**

Please find attached a copy of the presentation to be made by the Chief Executive Officer, Nigel Dews, to media and analysts this morning.

Yours faithfully

Louise Sexton  
Company Secretary

# Hutchison Telecommunications (Australia) Limited

## 2006 Full Year Results

**Nigel Dews**  
**Chief Executive Officer**  
**27<sup>th</sup> February 2007**



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Telecommunications operations of  
Hutchison Whampoa Limited



# Operational Highlights

- **Positive EBITDA of \$30.2 million for the period, a turnaround of \$195.8 million from 2005**
- **Average monthly margin for 3 increased from \$28.7 million in 2005 to \$53.3 million in 2006**
- **Over 1.2 million 3 customers, an increase of 90.4% – 1.1 million of whom are postpaid**
- **Service revenue of \$924.9 million, up 22%**
- **3 non-voice revenue at \$235.8 million, an increase of 109.6%**
- **Average CAC for each new 3 customer at \$274 compared to \$402 in 2005, a reduction of 32%**
- **Completion of migration of 2G customer base to 3G in 7 months**



# Financials

<i>(\$million)</i>	Full Year to 31 Dec 06	Full Year to 31 Dec 05	Change
<b>Service revenue</b>	<b>924.9</b>	<b>758.2</b>	<b>22%</b>
<b>3 service revenue</b>	<b>848.9</b>	<b>482.9</b>	<b>76%</b>
<b>Accounting EBITDA (loss)</b>	<b>30.2</b>	<b>(165.6)</b>	<b>n/a</b>
<b>Underlying NPAT (loss)</b>	<b>(451.5)</b>	<b>(547.3)</b>	<b>18%</b>
<b>Impact of CDMA network closure</b>	<b>(307.9)</b>	<b>-</b>	<b>n/a</b>
<b>Reported NPAT (loss)</b>	<b>(759.4)</b>	<b>(547.3)</b>	<b>-39%</b>
<b>CAPEX</b>	<b>(203.8)</b>	<b>(207.1)</b>	<b>2%</b>

**Service revenue** excludes handset revenue, interest income and other income

**Accounting EBITDA** represents service revenue less interconnect cost and running operating expenditure plus capitalised incremental direct acquisition and retention costs in accordance with AIFRS.

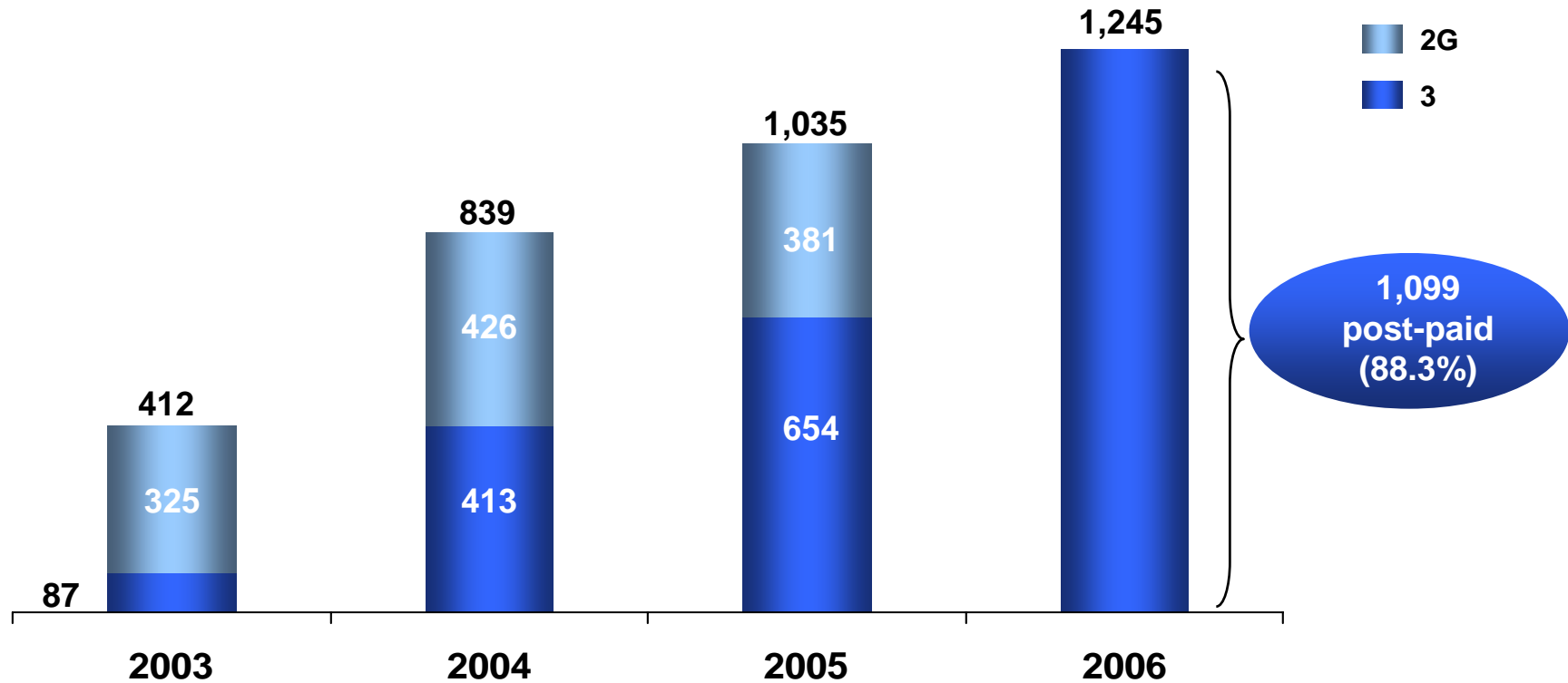
**Underlying NPAT** represents **Reported NPAT** less both the customer upgrade costs and the site decommissioning costs (\$134.6 million) and the accelerated depreciation and amortisation charges (\$173.3 million) for the remaining net book value of the CDMA assets, excluding the 850MHz spectrum licence.

**Reported NPAT** represents net loss after tax attributable to Hutchison Telecommunications (Australia) Limited after minority interest.



# Mobile Customer Base

(Mobile Customers '000)

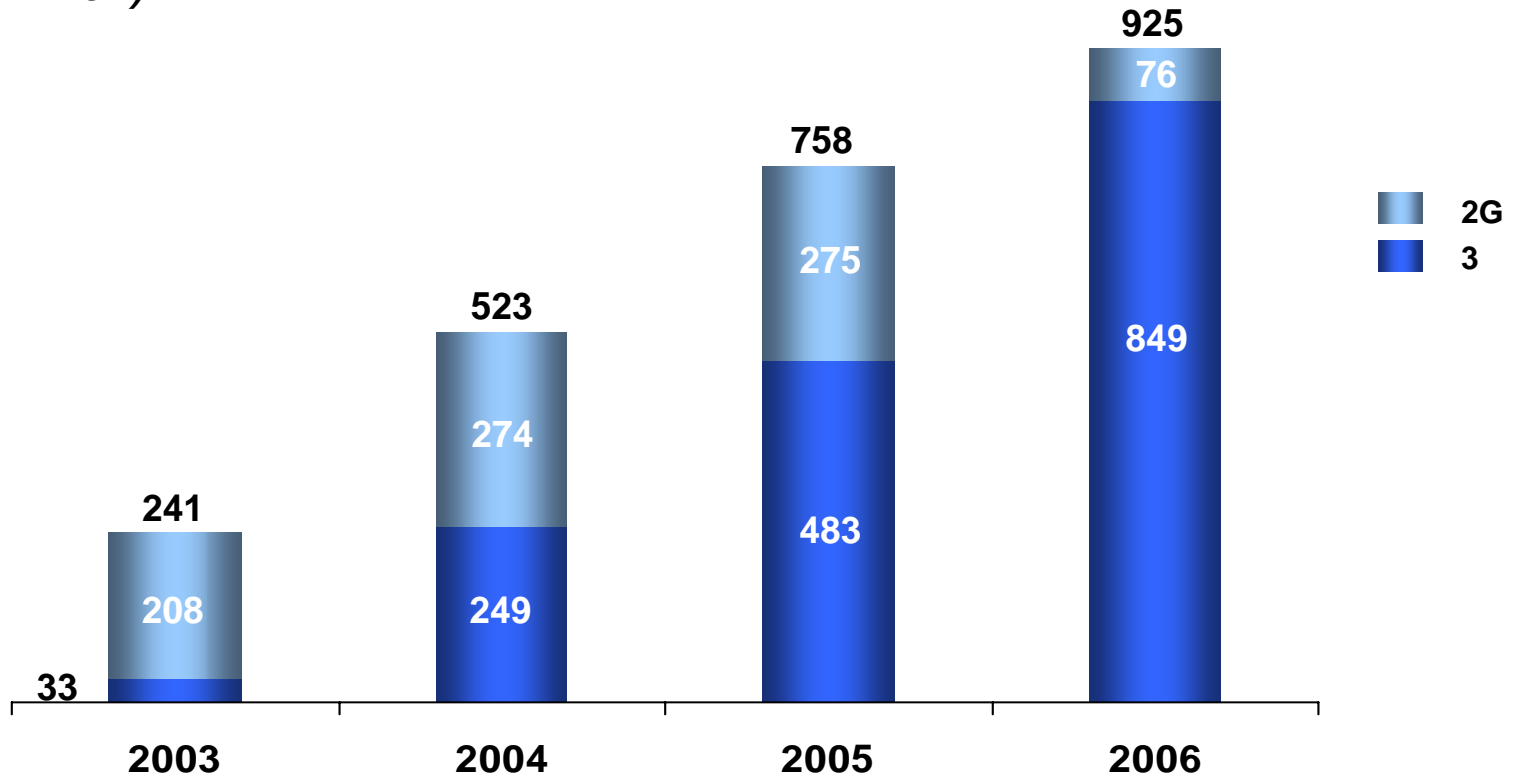


Step change in scale for 3



# Service Revenue

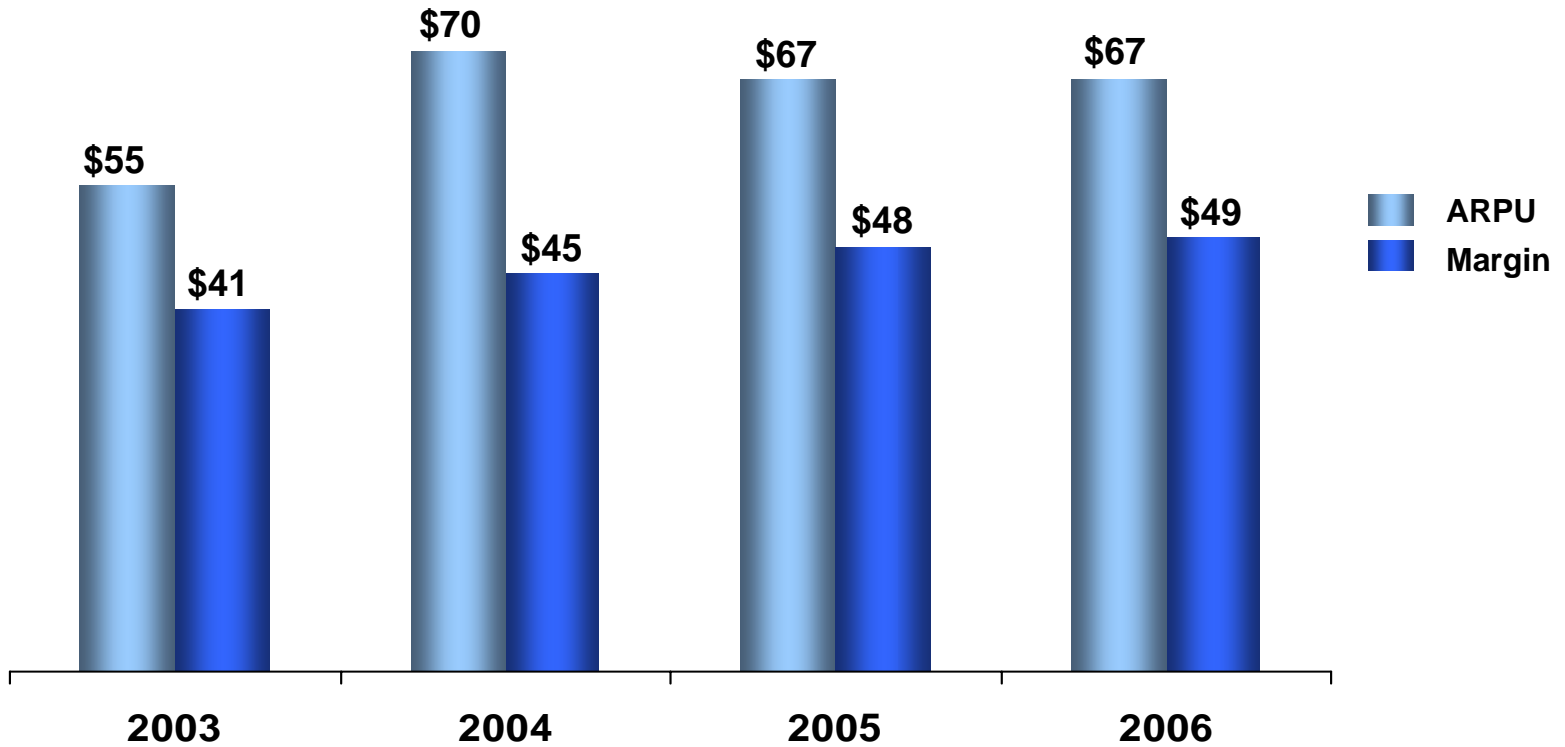
(\$million)



**76% increase in 3 service revenue**



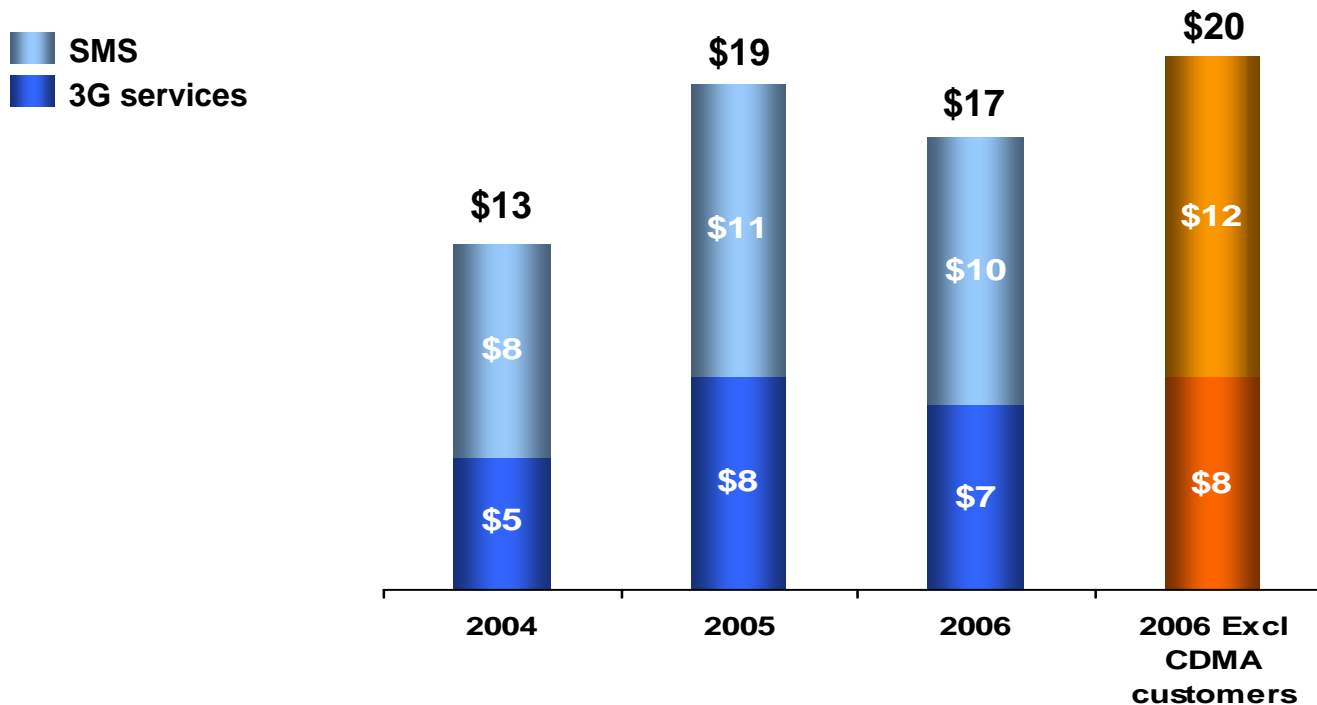
# Margin and ARPU



**Margins supported by strong contribution from non-voice services**



# Non-voice strength



- 56% of base generating billable content events, compared to 53% in 2005
- 930,000 monthly subscription services at 31 December 2006, up from 521,000 at 31 December 2005
- 92.5m content events vs 49.4m for FY 05

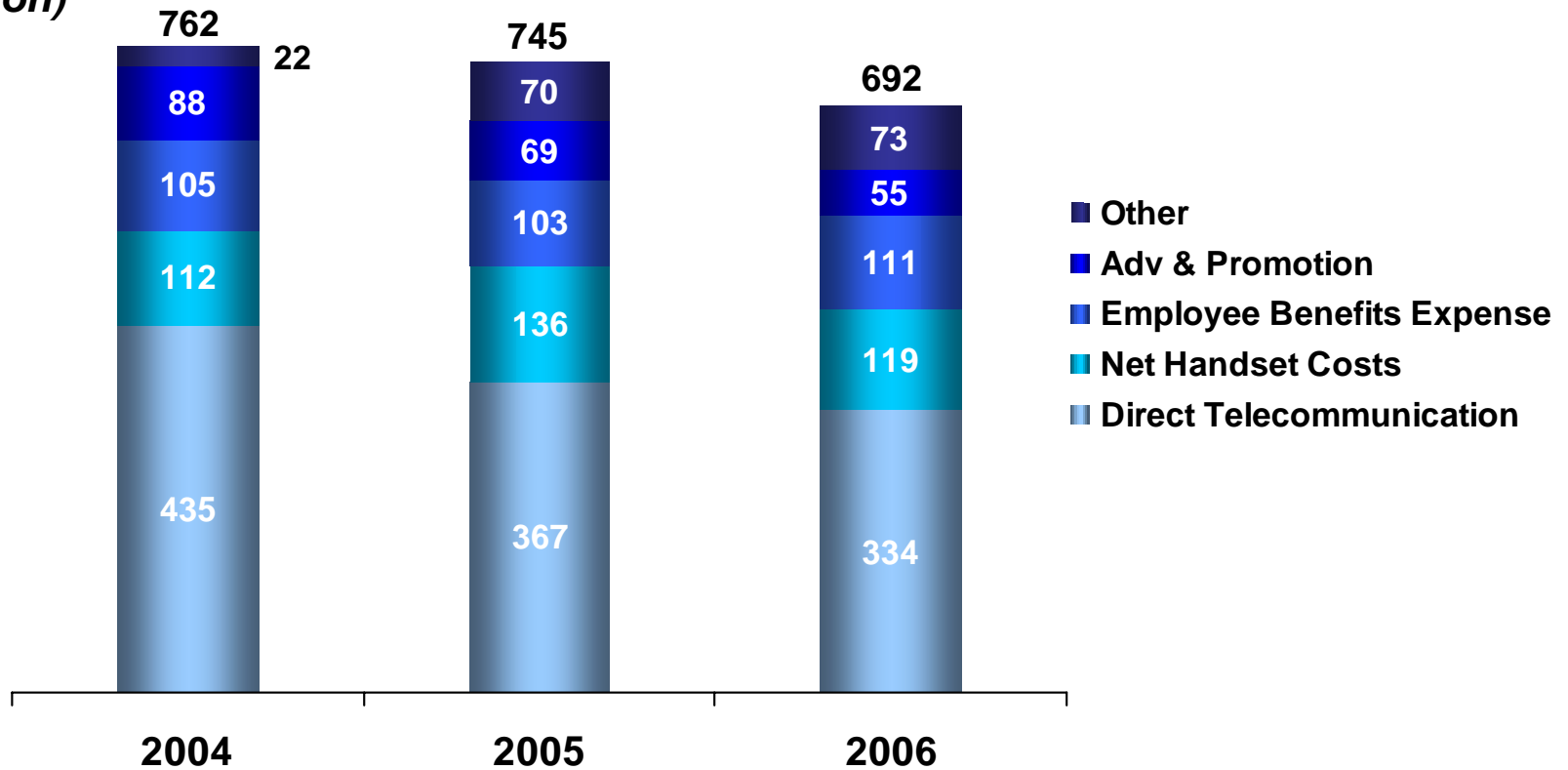
**Industry leading 3G services (non-voice non-SMS) ARPU at \$7  
10% of total 3 ARPU**





# Running Operating Expenditure

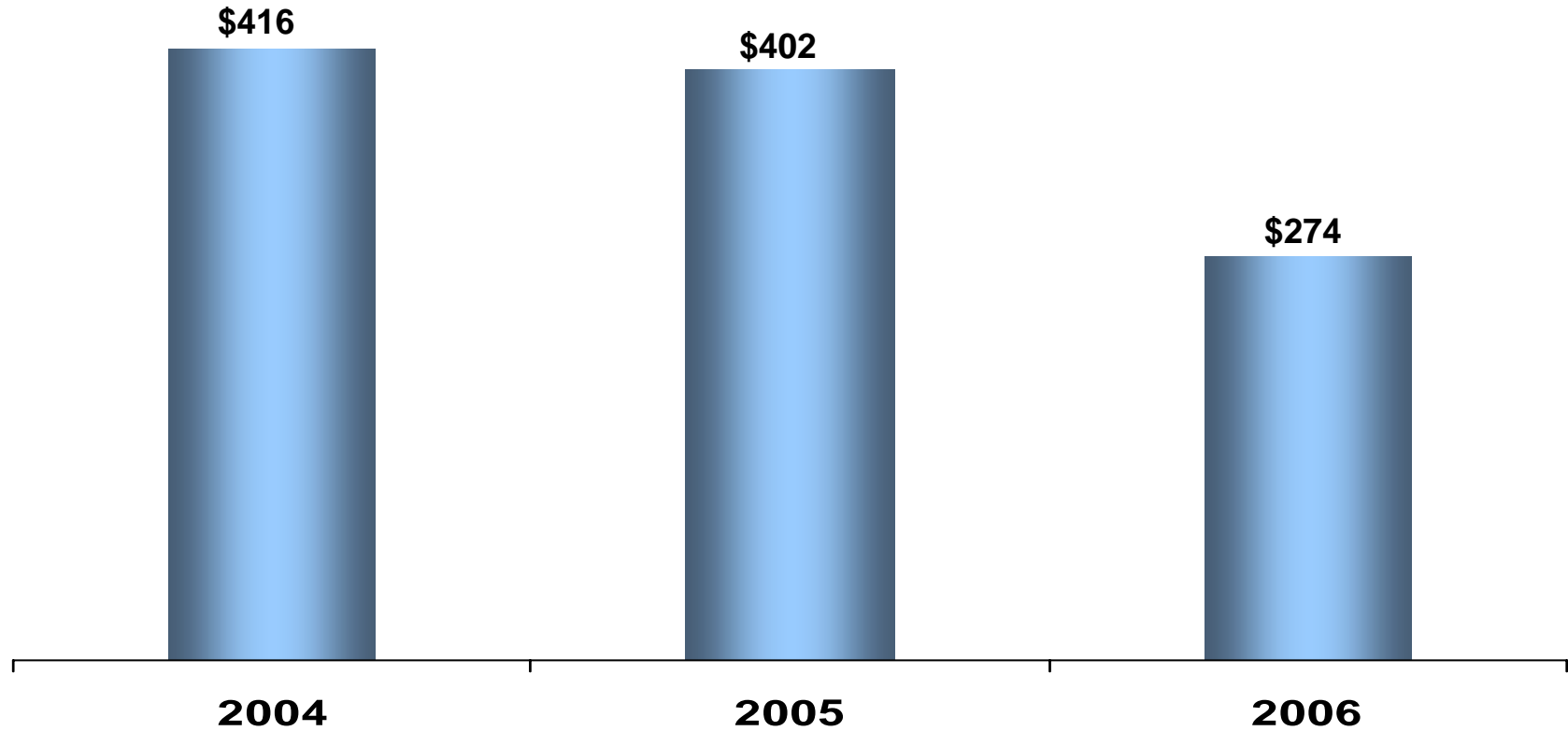
(\$million)



Scalable cost base



# 3 Customer Acquisition Costs

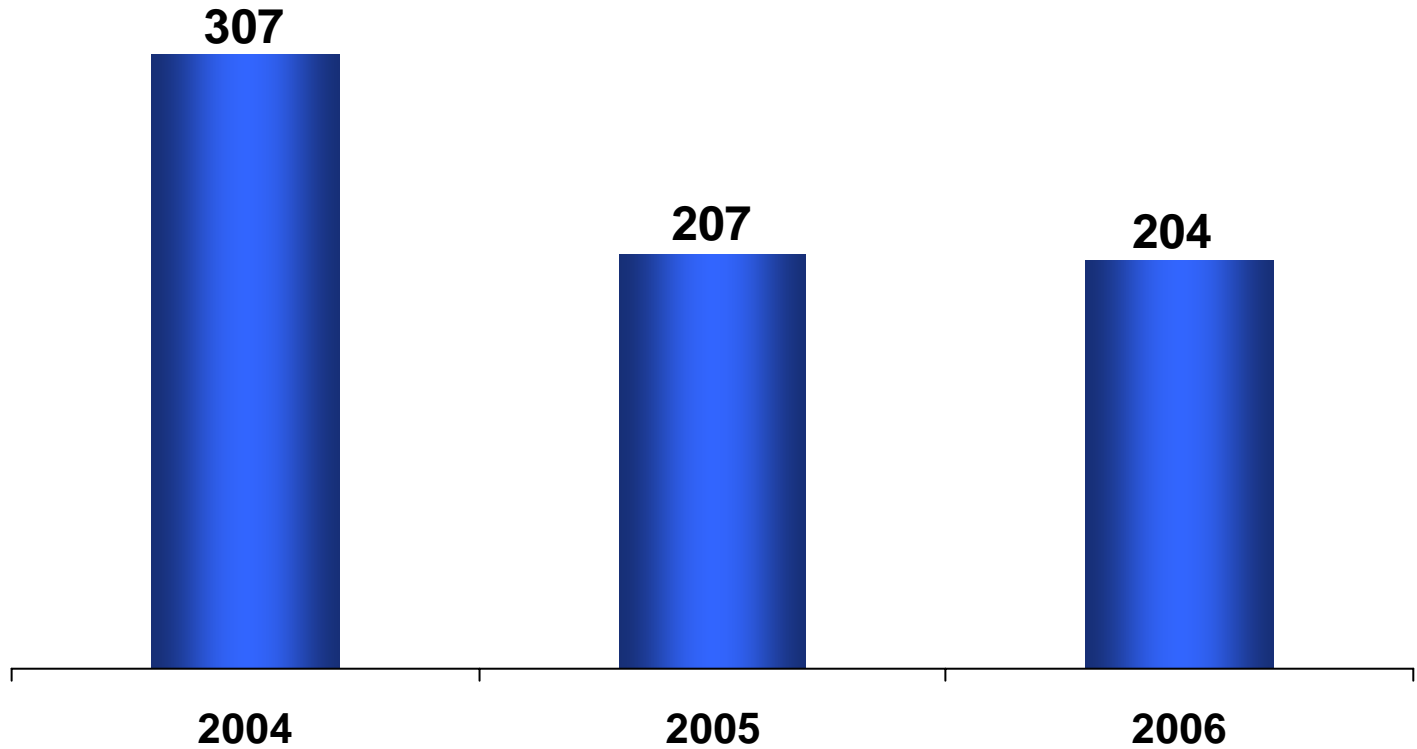


**Significant reduction in handset subsidies**



# CAPEX

*(\$million)*



**CAPEX stable**



# What to Expect in 2007

- **Exit with positive operating cashflow**
- **Capital structure optimised**
- **3G market growth will accelerate**
- **HSDPA upgrade in line with device roadmap**
- **Significant innovation in mobile broadband services**

**Well positioned for growth with improved financial performance**





**Hutchison Telecommunications (Australia) Limited**  
**2006 Full Year Results**  
**27 February 2007**  
**Chief Executive's Address**

***Slide 1 – Introduction***

During this call I will take you through the financial results for Hutchison Telecoms for the twelve months to 31 December 2006, and provide some direction for 2007.

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

***Slide 2 – Operational Highlights***

It is very pleasing that we report a positive EBITDA of \$30.2 million for the full year of 2006, a turnaround of \$195.8 million on 2005.

Our top line margin in **3** has increased very strongly from an average of \$28.7 million per month in 2005 to \$53.3 million in 2006. The Company's clear objective over the course of 2007 is to continue to grow margin because this, together with tightly controlled running operating expenses, will improve EBITDA and lead to positive operating cashflow, which is our next financial milestone.

In 2006 our customer base rose to over 1,245,000 3G customers, an increase of over 90% compared to December 2005. That means 591,000 customers joined **3** in 2006. 1.1 million, or put another way an industry leading 88% of **3**'s base are contracted postpaid customers.

Service revenue grew by \$166.7 million or 22% to \$924.9 million on the back of the growth in subscriber numbers. Service revenue in **3** increased by 76% to \$849 million.

Improving the contribution from non-voice services to overall revenue continues to be a key focus for **3**. We are extremely pleased with the increase in non-voice services revenue which has grown from \$112.5 million in 2005 to \$235.8 million in 2006, an increase of almost 110%, with a dramatic increase in the usage of content.

The Company's cost of customer acquisition per customer (CAC) has declined over the year by 32%, a function of both lower handset subsidies and distribution costs.

A little over twelve months ago we announced that we had made the strategic decision to upgrade our 2G CDMA customers to our 3G network, with the aim of closing the 2G network once a significant number of those high margin customers had moved across. Having upgraded 287,000 CDMA customers we closed the 2G CDMA network in August, seven months after we began.

This has enabled us to focus quickly on one brand and one business. With the rest of the industry now beginning 3G migration we expect there will be more intense competition providing a great opportunity for **3**.

Overall we are very pleased with the underlying operating results for the Company and there is significant momentum being carried into 2007.

### ***Slide 3 – Financials***

Service revenue growth of 22% reflects the increase in the customer base and, importantly includes the 76% growth in **3** services revenue driven by the continued growth of 3G services usage and revenue.

As the performance in the business strengthened, the combined operation reported positive EBITDA of \$30.2 million prior to the one off cost impact of the closure of the 2G business.

This result represents an improvement of \$195.8 million on the EBITDA loss in 2005 and a \$406.0 million improvement when compared to 2004.

For 2006, the Company recorded a net loss after tax of \$759.4 million which includes a one off closure cost of \$307.9 million related to the CDMA network. Without this one off cost the Underlying NPAT loss was \$451.5 million.

Capital expenditure (CAPEX) for the reporting period of \$203.8 million is marginally down when compared to 2005.

### ***Slide 4 – Mobile Customer Base***

During 2006 we grew our total customer base by 210,000, an increase of 20.3%. At the end of 2005 we had 654,000 3G customers and at the end of 2006 we had 1.245 million – of which 1.1 million or 88% were contracted postpaid customers. The increase to the **3** customer base of 591,000 has provided **3** with critical mass and momentum which has translated into revenue growth and more importantly margin growth. Of these 591,000 customers, 304,000 are new customers that did not upgrade from the 2G CDMA network.

**3** added 537,000 postpaid subscribers during 2006, which is more than 90% of **3**'s total net adds.

Our share of the net adds in the market for 2006 was 20.0%, which is higher than the prior year of 13.6%.

### ***Slide 5 – Service Revenue***

Service revenue in **3** rose by 76% from \$482.9 million in 2005 to \$848.9 million, and contributed 91.8% of the Company's total service revenue.

This growth included strong contribution from non-voice services of \$235.8 million, an increase of \$123.3 million, or 109.6%.

2G revenues declined to \$76.0 million, consistent with the upgrade programme to **3**.

### ***Slide 6 – Margin and ARPU***

Blended average monthly margin per customer increased from \$48 in 2005 to \$49 in 2006.

Total monthly ARPU was stable at \$67, despite the decrease in mobile interconnect rates from 18 cents to 15 cents effective 1<sup>st</sup> January 2006.

### ***Slide 7 – Continued Strength in 3 Non-voice***

**3** continued to provide exciting content which our customers are using at increasing levels, driving revenue which has more than doubled.

Over the course of the year, our customers have experienced more than 92.5 million content events compared to 49.4 million in 2005, an increase of 87.3%. Of our total customer base, 83% access the Planet 3 portal at least once per month and 56% generate a chargeable event each month. Both measures are up on 2005.

3G services ARPU (non-voice, non-SMS) was \$6.98. Non-voice ARPUs, excluding those for customers who upgraded from the closed 2G network, increased from \$19 in 2005, to \$20 in 2006, with more customers using non-voice services than ever. In the year, this ARPU was 60 cents less than in 2005. This was a result of a dilutionary effect of our more voice centric former 2G customers that we foreshadowed during our half year results. Excluding these customers 3G services ARPU rose from \$7.58 to \$7.87.

At the end 2006 there were 930,000 monthly subscription services up from 521,000 at the end of 2005.

During the first half of 2007 we will bring the **3** Group's X-series to Australia, which was first launched by **3** UK in December 2006. This will add new, exciting and innovative internet content brands to our 3G services which will continue to grow our revenue and usage.

Our 3G services ARPU is 10% of total ARPU, which leads the industry (based on publicly released data).

SMS usage also remained strong. SMS usage increased by 131% with 791.2 million SMS being sent in the year, compared to 342.4 million in 2005. That equates to 53 SMS sent per customer per month.

### ***Slide 8 – Running Operating Expenditure***

Operating expenditure fell by \$53.3 million, more than 7%, to \$691.9 million.

Approximately \$113 million was saved as a result of the 2G CDMA network closure, offset by an increase of \$60 million in the 3G operations which was predominantly attributable to 3 main drivers. Firstly, roaming costs as a result of higher customer numbers. Secondly retention costs, which have driven lower churn, and thirdly, employee costs due to increased customer support related roles combined with the effect of a tightening labour market.



### ***Slide 9 – 3 Customer Acquisition Costs***

The cost of acquisition (CAC) for each new **3** customer fell significantly from \$402 in 2005 to \$274 in 2006. The decline is due to falling handset prices and lower distribution costs.

As handset manufacturers continue to produce handsets with improved features and functionality, handset costs are not expected to decline significantly over the coming year. We anticipate CAC to remain around this level during 2007, subject of course to market dynamics.

Handset range continues to increase from all major manufacturers. 3G handsets at 2100 MHz are now clearly the leading handsets in the mobile market across range, form factor and functionality.

Additionally we continue to benefit from the **3** Group's global purchasing power.

### ***Slide 10 – CAPEX***

Capital expenditure for the period of \$203.8 million is marginally down on the CAPEX in 2005. CAPEX for the period is principally attributable to the development and expansion of the 3G network shared with our partner Telstra.

### ***Slide 11 – What to Expect in 2007***

2007 is shaping up as another year of strong growth for **3**, combined with continued improvement in financials.

Having achieved a positive EBITDA position, the Company is now focused on exiting 2007 with positive operating cash flow. We expect to shortly finalise our review of options for the capital structure of the business going forward, and implement this within the next few months.

With 3G market growth accelerating, and as migration activity from competitors 2G networks increasing, we are well placed to attract more customers to **3**. Operationally we will strengthen our 3G market leading position with the highest levels of content and other non-voice service usage and innovative new services.

From a technology perspective HSDPA rollouts are already complete in Sydney, Brisbane and Canberra and will be complete across all other cities by the end of March 2007 with data speeds ranging from 600 kbps to 1.5 Mbps, with theoretical maximum speeds of up to 3.6 Mbps. Further upgrades already planned for later this year, which will provide network speeds in timeframes consistent with the expected availability of appropriate handsets and datacards.

With customers experiencing faster data speeds with our mobile broadband services and uptake already very encouraging, we expect this space to present further exciting opportunities as the services we can provide our customers at **3** continue to evolve and set the benchmark for 3G services in Australia.

Thank you, I will now take questions.