

Companies Announcements Office

Australian Securities Exchange

Date 4 August 2010

**Subject: Half Year Results Presentation**

Please find attached the presentation with speaking notes to be made by Mr Nigel Dews, CEO of Vodafone Hutchison Australia, to media and analysts this afternoon regarding the Company's half year results.

Yours faithfully



Louise Sexton  
Company Secretary

# Hutchison Telecommunications (Australia) Limited

## 2010 Half Year Results

Nigel Dews

Vodafone Hutchison Australia

Chief Executive Officer

4 August 2010



# Financial Highlights

- HTAL profit for 1<sup>st</sup> half \$17.9 million
  - \$53.0 million improvement
- HTAL's share of VHA results
  - Customer service revenue of \$1,070.9 million, up \$207.8 million or 24.1%
  - 36.0% increase in half year operating margin
  - EBITDA \$222.7 million, an increase of 127.0%

Unless otherwise stated, all % and \$ increases are on the prior corresponding period, HTAL 2009.

To be read in conjunction with ASX Half year information - 30 June 2010

**HTAL** = results for HTAL the Company

**HTAL Share** = 50% of the combined 2010 VHA and results for 5 months of the consolidated 3 business and 50% of the 1 months of combined 2009 VHA

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

# VHA Operating Highlights

- 7.4 million customers end of June up 17.8%, 539,000 customers added in 1<sup>st</sup> half
- 58.0% of base postpaid up from 55.5%
- 2.3 million 3G services customers, up 150.2%
- Post paid handset churn steady at 1.3%
- Average customer acquisition cost per customer of \$155
- ARPU \$53.48, 39.4% from 3G Services

# VHA Key Financials

<i>(HTAL's Share - \$million)</i>	Half Year to 30 Jun 10	Half Year to 31 Dec 09	Half Year to 30 Jun 09	YoY Change
Total revenue	1,179.1	1,127.6	912.5	29.2%
Service revenue	1,070.9	1,021.4	863.1	24.1%
EBITDA	222.7	77.1	98.1	127.0%
CAPEX	124.1	130.9	105.3	17.9%

Unless otherwise stated, all % and \$ increases are on the prior corresponding period, HTAL 2009.

To be read in conjunction with ASX Half Year information - 30 June 2010

HTAL = results for HTAL the Company

HTAL Share = 50% of the combined 2010 VHA and results for 5 months of the consolidated 3 business and 50% of the 1 months of combined 2009 VHA (3 & Vodafone)

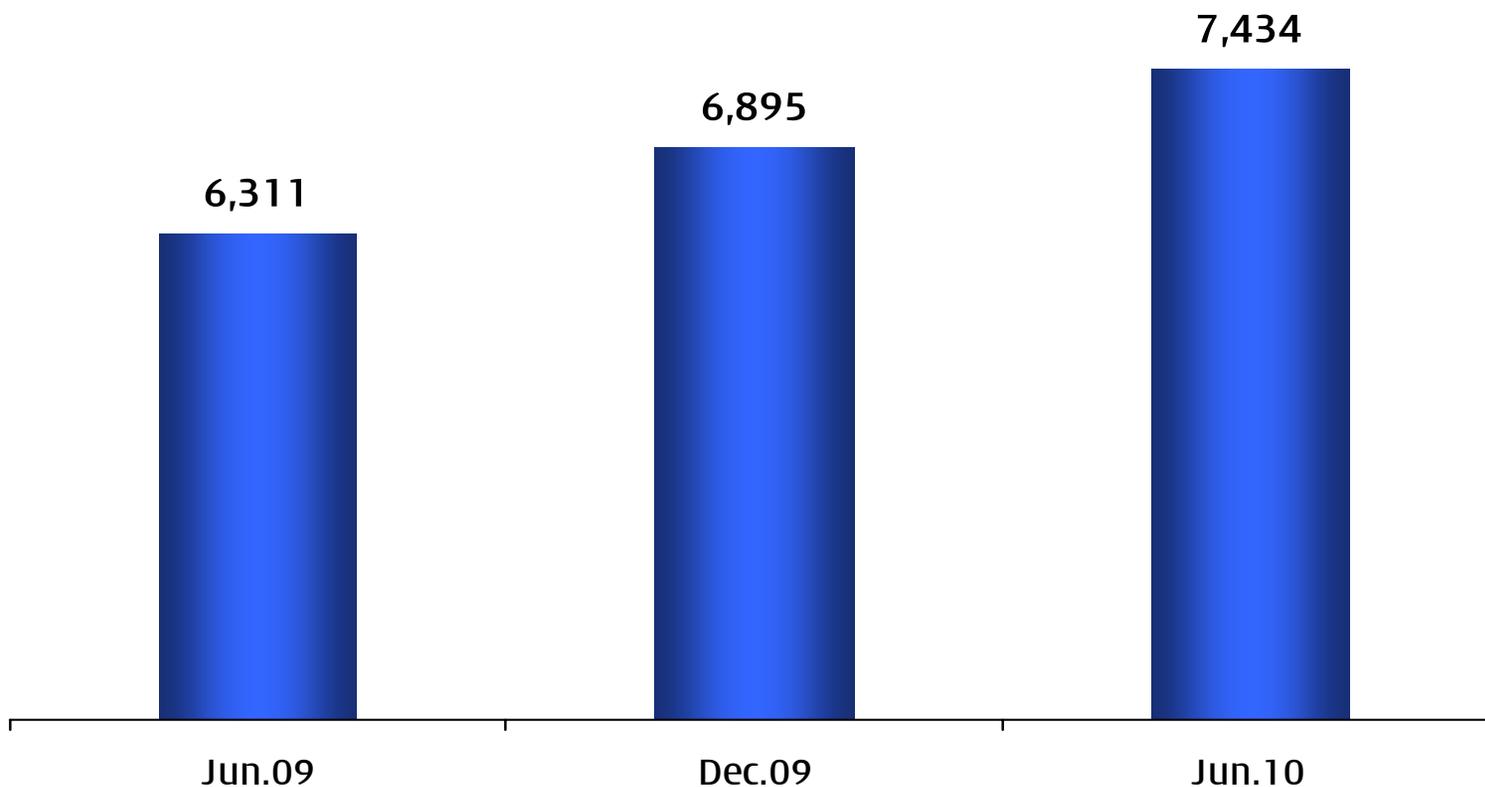
VHA = results are 100% of the underlying operating entity

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

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

# VHA Customer Base

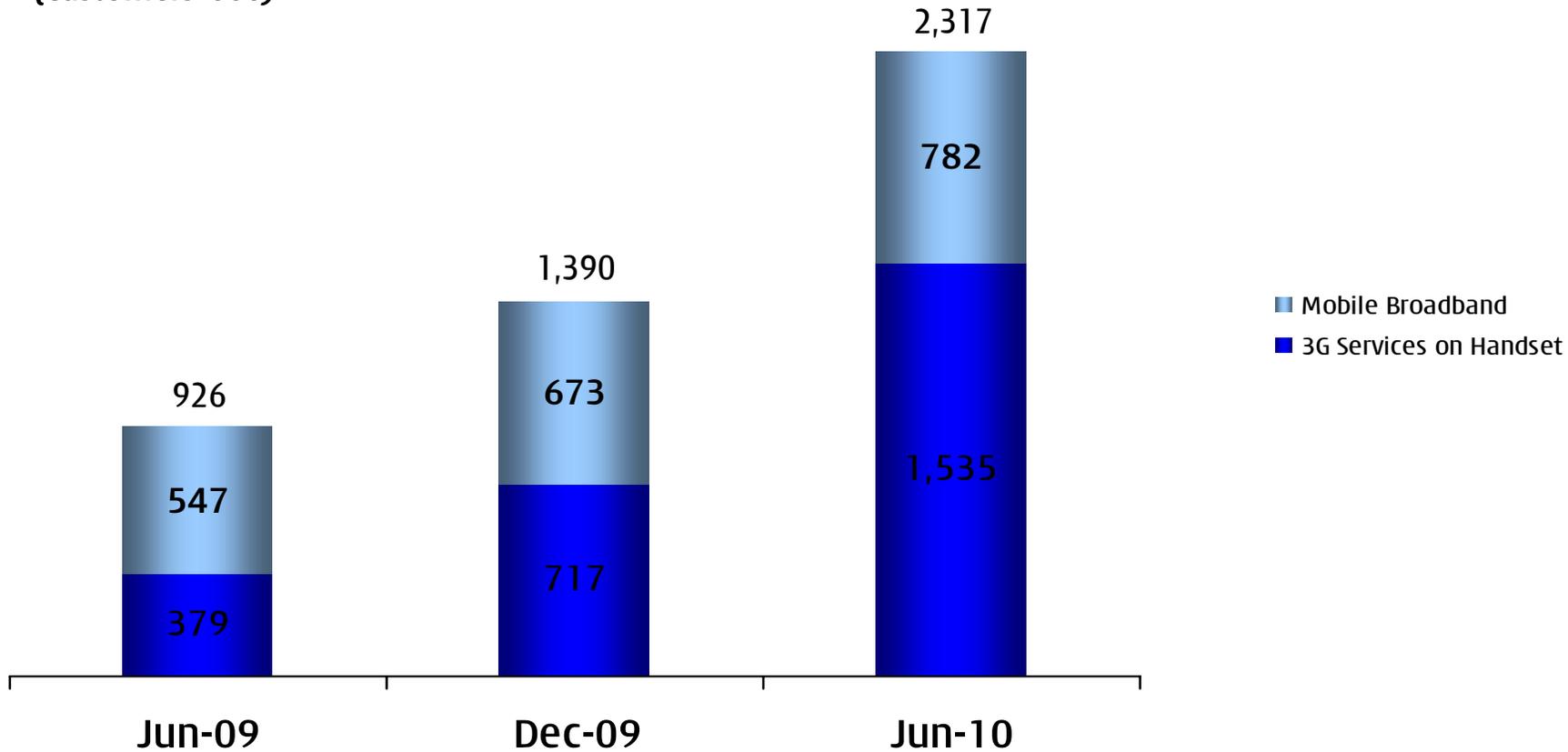
*(Customers '000)*



**Net adds of 539,000 in 1<sup>st</sup> half**

# VHA Mobile Broadband customers

*(Customers '000)*



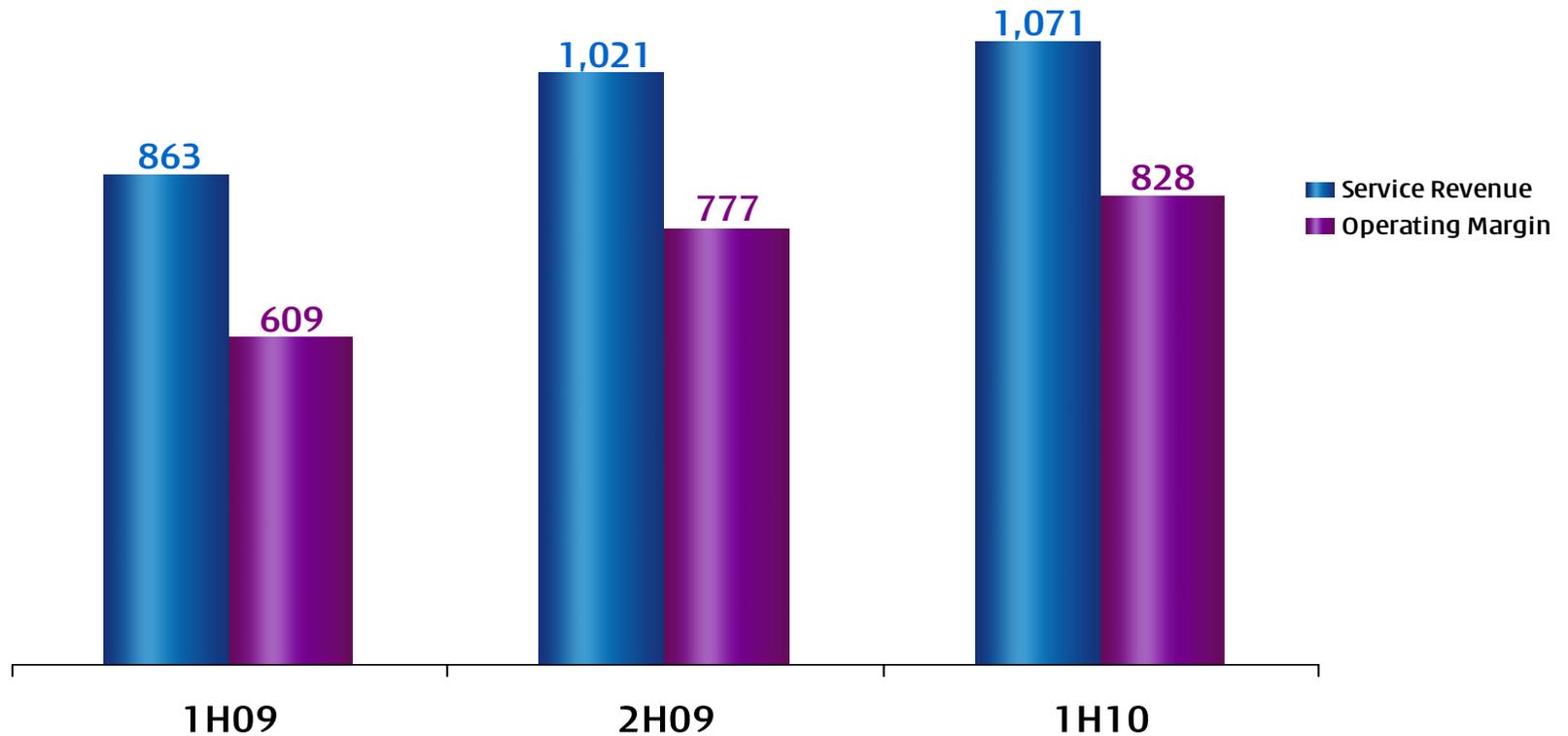
**150.2% increase in MBB customers**

**Mobile Broadband customers** = Mobile Broadband cards, USB Modems and NetConnect Cards

**3G Services on Handset customers** = Customers with billed 3G services on handset

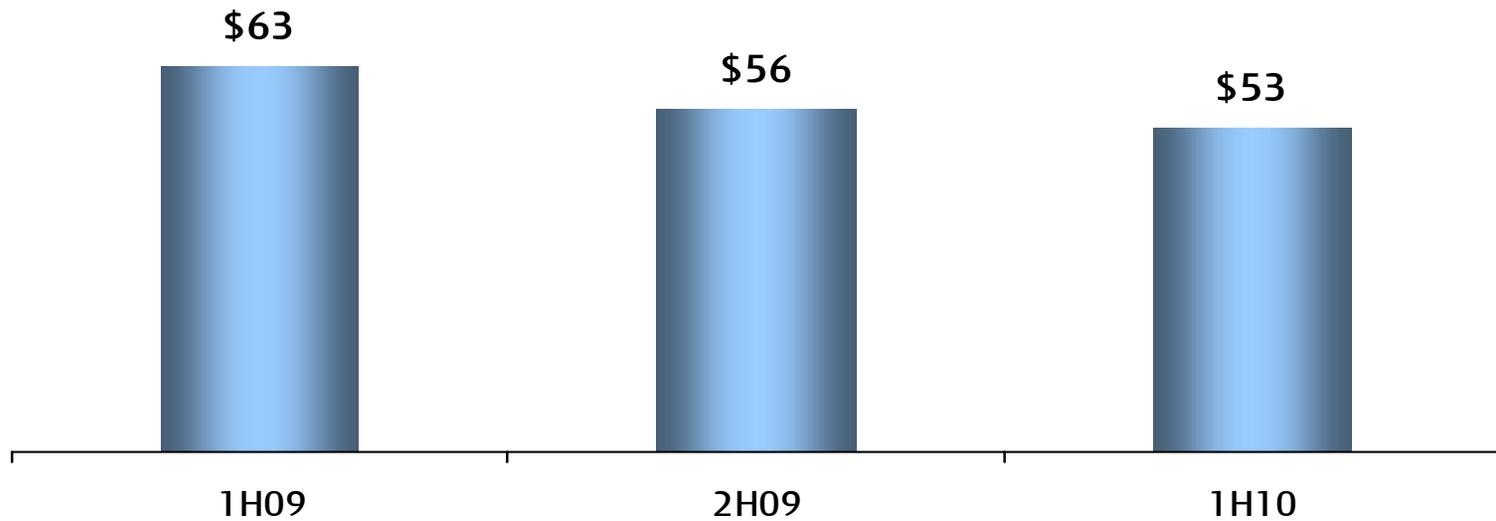
# Service Revenue & Margin

*(HTAL Share - \$ million)*



**36.0% increase in half year margin**

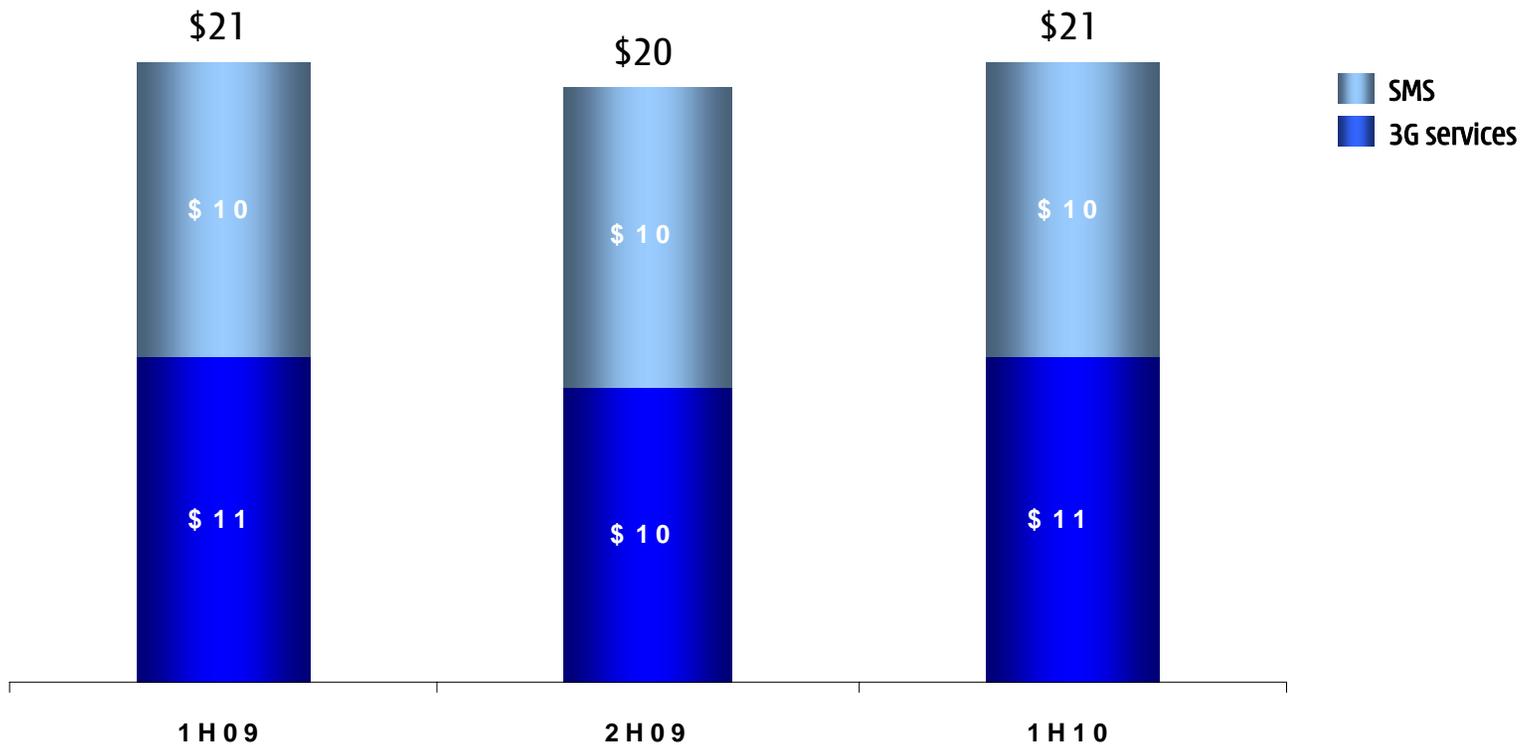
# ARPU



**Underlying ARPU steady**

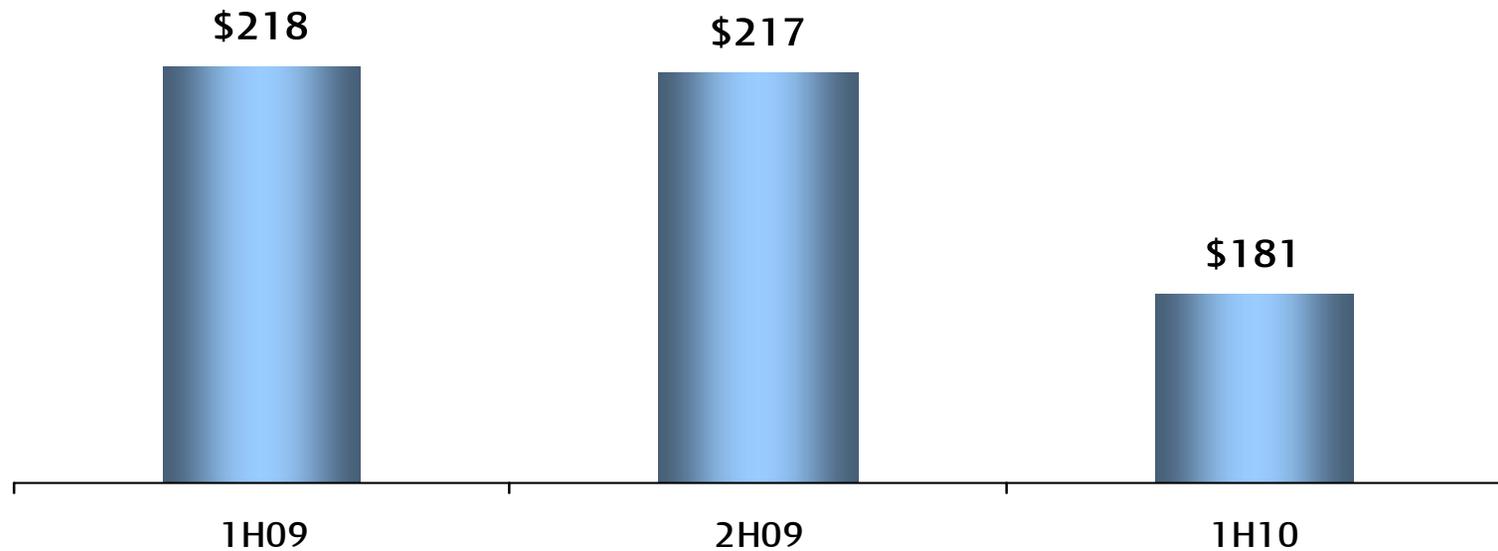
ARPU represents the rolling 12-month average revenue per user.

# Non-voice ARPU



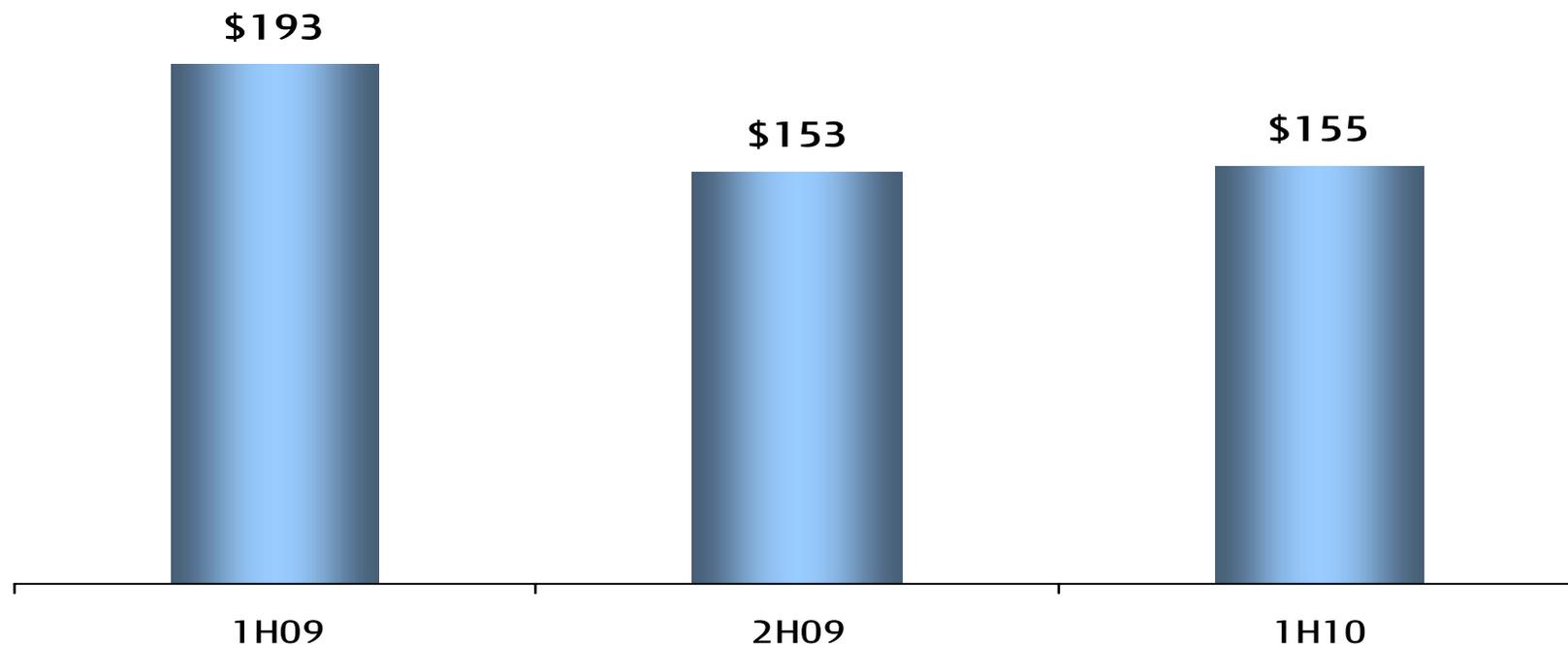
**Non-Voice ARPU remains strong**

# Operating Expenditure per Customer



Leveraging scale

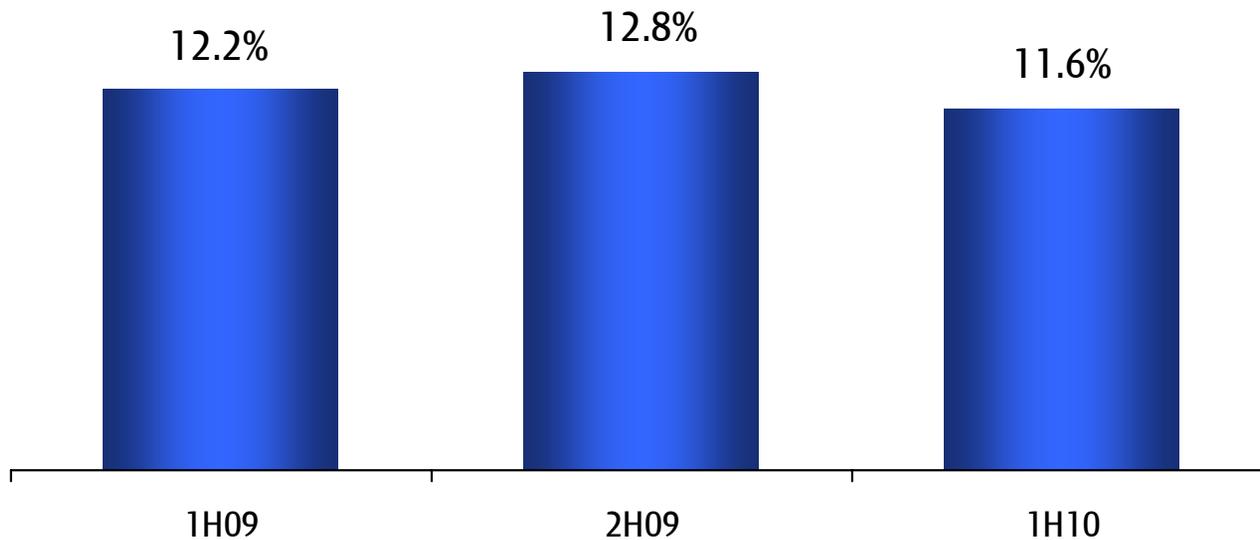
# Acquisition Costs per Customer



Acquisition costs under control

# CAPEX

*(% Service Revenue)*



Capex will increase in second half

# Progress on Merger

- Good progress through first half 2010 including;
  - Head and State offices consolidated
  - Vodafone network assets utilised for '3' customers
  - Transmission, core network and network managed services vendors appointed
  - Consolidation of contact centre operations in Hobart and Mumbai nearing completion
  - IT systems integration underway and progressing well
  - Distribution costs reduced and retail sales efficiencies emerging
- Remain on track to achieve NPV \$2 billion worth of synergies
- Realising benefits for customers, including free calling between Vodafone and 3

**Integration delivering benefits**

# 2010 VHA Outlook

- Continued focus on business integration throughout 2010 and 2011
- Steady growth in customer acquisition fuelled by innovative offers
- Intense price competition expected to continue
- Maintain focus on customer satisfaction to keep churn low
- NBN shaping up well, priority for base station connection critical
- Remain free cashflow positive in 2010, excluding costs associated with merger

**Consistent growth through merger implementation**



# Hutchison Telecoms

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Telecommunications operations of  
Hutchison Whampoa Limited



**Hutchison Telecommunications (Australia) Limited**  
**First Half Results 2010**  
**Nigel Dews Speech**  
**4 August 2010**

***Introduction***

Good afternoon, and thank you for joining us on the call.

I'm Nigel Dews, CEO at Vodafone Hutchison Australia.

I'll be taking you through the financial results for Hutchison Telecoms for the six months to 30 June 2010.

HTAL accounts for its investment in VHA as an equity investment. References to VHA financial results reflect the 50% share of VHA attributable to HTAL. References to customer metrics reflect the total customer base of VHA. Comparative figures for June 2009 are as previously reported being 5 months of the former H3GA '3' business and 1 month of the 50% share of VHA attributable to HTAL.

***Turning to our Financial Highlights on slide 2***

In the first six months of this year, Hutchison recorded a profit of \$17.9 million, compared to an underlying net loss of \$35.3 million for the first six months of 2010.

VHA has continued to grow strongly across key financial metrics in a highly competitive market, particularly in the postpaid and mobile broadband segments.

Hutchison's share of service revenue was \$1.1 billion, up \$207.8 million or 24.1% year on year.

Operating margin year on year was up 36.0%, and Hutchison's share of VHA's EBITDA was \$222.7 million, up 127.0% year on year.

***Slide 3*** shows VHA's operating highlights:

In a competitive market we've continued our strong growth with over 7.4 million customers at 30 June, a 17.8% increase year on year. Our postpaid base now represents 58.0% of our total base, up from 55.5% this time last year.

Customers using 3G services on a handset or mobile broadband device reached 2.3 million, up 150.2% year on year.

Our monthly postpaid handset churn remains low at 1.3%.

Customer acquisition costs are steady at \$155 per customer compared with the second half of 2009 and down from \$193 a year ago.

ARPU stands at \$53.48, compared to \$62.62 in June 2009. 39.4% of ARPU is from mobile broadband and non-voice services on our handsets, up from 33.8% in the first half.

***Turning to slide 4 that shows VHA's key financial metrics***

We are pleased with our strong growth in customer service revenue driven by customer acquisition and increased uptake of data services.

Our EBITDA result of \$222.7 million is very pleasing, and we remain operating free cash flow positive in line with expectations.

We will run through more detail on these metrics later.

***On to slide 5***

We are pleased with the solid growth in our customer base. Throughout the half this has been supported by competitive new plans, an attractive handset range, strong distribution and high priority given to customer service.

In the first-half of 2010, VHA added 539,000 customers, taking the base to over 7.4 million. Our active customer base has increased by more than 1.1 million customers since the merger. The double digit growth of our postpaid handset customer base has resulted in an increase in the overall postpaid mix to 58.0%.

***Slide 6 shows customers using mobile broadband or 3G services on their handsets***

2.3 million customers are now using mobile broadband or 3G services on their handsets, up by 150.2% compared to June 2009.

VHA's mobile broadband offers continue to be among the most competitive in the market, with increased data allowances, low prices and innovative products.

***Turning to slide 7 which shows Service Revenue and margin***

The HTAL share of service revenue grew by 24.1% year-on-year to \$1.1 billion. Operating margin increased by 36.0% from \$608.9 million to \$828.1 million as a result of increased data revenues and leveraging our network assets. Operating margin as a percentage of service revenue increased from 70.5% to 77.3% year on year, and average monthly operating margin for 2010 was \$138.0 million up from \$101.5 million per month in the first half of 2009.

***Slide 8 shows ARPU, or Average Monthly Revenue Per User***

Total ARPU reflects the change in mix towards lower ARPU prepaid customers as a result of the merger and mobile broadband customers. Underlying ARPU is steady.

***Turning to slide 9***

VHA has continued to provide a range of value-leading plans which include generous data allowances. These have proved attractive to customers, particularly with the increase in the popularity of smartphones. Non-voice ARPU has held steady at \$21 year on year despite the different mix in the customer base before the merger.

SMS usage continues to remain strong.

***Slide 10 shows a significant reduction in Operating Expenditure per customer,***

down to \$181 for the first-half of 2010 from \$218 a year ago. The reduction reflects the progress made on integrating our business and includes benefits from procurement, restructuring and retail consolidation.

***Turning to Customer Acquisition Costs on slide 11***

Despite reducing prepaid handset subsidies, acquisition costs per new customer remain stable half on half at \$155. The year on year reduction from \$193 to \$155 is attributable to a higher mix of prepaid and mobile broadband customers.

We would expect acquisition costs to increase to some extent with the introduction of the iPhone 4 and new Android phones that will launch in the second-half of 2010, although minimal subsidies are likely to continue on prepaid handsets..

***Slide 12 shows capex as a percentage of service revenue***

CAPEX as a percentage of Service Revenue was 11.6% in the half.

Investment is focused on network, IT and distribution. We expect capex to increase in the second half, in line with our integration plan.

***Slide 13 updates progress on the merger for 2010.***

We have completed the consolidation of Head and State office premises and increased utilisation of Vodafone network assets for 3's customers.

Vendors for new transmission services, core network integration and network managed services have been appointed, enabling greater cost efficiencies and an improved customer experience as VHA continues to grow.

The consolidation of our contact centre operations in Hobart and Mumbai are largely complete.

The large and complex IT systems integration is underway and progressing well. Distribution costs have reduced following warehouse consolidation and our retail footprint has been optimised.

We remain committed to achieving synergies with a net present value of \$2bn and are pleased with the progress made so far.

New benefits for customers of Vodafone and 3 following the merger include free calling between our two networks for postpaid customers, the alignment of 3 and Vodafone plans including the launch of the \$19 cap on Vodafone, and the recent expansion of Vodafone into all 3 stores and dealers.

***Finally on slide 14, looking at our focus areas for the second half***

Business integration is a high priority and we expect it to remain a focus throughout 2010 and 2011.

We remain committed to be the value leader for our customers, despite recent moves by competitors to play more aggressively in this space. Our brands clearly stand for the best value in the market and we will maintain this position with a leading range of smartphones and plans.

We will maintain our focus on customer satisfaction and keeping our churn low.

And we will continue to urge the government and NBN Co to ensure mobile base stations are able to connect to the national broadband network so that the full benefits of the NBN can be realised.

Consistent with our full year guidance given in February, VHA expects to maintain its free cash-flow positive position, excluding one-off costs associated with the merger.

Thank you. We will now take questions.