

Hutchison Telecommunications (Australia) Limited
CEO Announces Plans for Orange
1 February 2006

Introduction

Today we are making a significant announcement, and one that unequivocally establishes Hutchison's focus in the Australian mobile market.

We are joining our Orange and 3 services under the single brand of **3**, are proactively upgrading our customers to 3G, and, from today, will exclusively sell 3G.

Going forward we will review the future of our 2G CDMA network, which our Orange customers use, once a critical mass of customers have upgraded.

For our customers upgrading, we believe the service and experience will be superior to the one they experience on the 2G network, and that the opportunity to change their service will be attractive. In the month of January alone, following campaigns to select segments of our 2G base we have seen over 20,000 2G customers upgrade to 3G.

For our business, moving to a single network will provide cost savings and improved profitability, with the removal of duplicate infrastructure.

Our single focus on 3G

At Hutchison, we are focused on **3** and 3G, because the future is 3G.

There are some simple reasons for this, which we have stated before:

- The technology is a multiple more efficient than 2G, allowing us to deliver voice calls at a lower cost, thereby stimulating usage. That is driving customers to look to their mobile service as a viable alternative to the fixed line at home,
- 3G's data speeds and capacity efficiencies deliver a greater range of non-voice services that 2G infrastructure cannot effectively support. The penetration and usage of our non-voice services at 3 indicates that customer behaviour towards rich media services is not a niche opportunity. Services such as live mobile TV, news, sport and entertainment news and full length audio and video music tracks have been subscribed to and actively used by our customers. In fact in December last year, approximately 70% of our 3 customers accessed our content portal Planet 3.
- Finally, 3G has a standardised roadmap with a global commitment to its continued development with data speeds of up to 2 megabits per second available within the next 12 months and further enhancements after that.

3G ready for prime time

As 3G awareness and take-up grows in Australia, we believe that the 2G market has now peaked in service revenue terms.

We expect to see this trend accelerate over the next two to three years – driven by 3G handset improvements across range, functionality and form factor, expanded network coverage, general consumer awareness and demand, and, of course, marketing campaigns from the four operators to drive customer acquisition and retention.

Development of 3G handsets is a key catalyst for this trend.

3G handsets are now at a stage where the majority are comparable to or superior to GSM handsets in terms of form factor and feature set, from a range of manufacturers. Pricing has also come down significantly.

For **3**, remarkable progress has been made. Early model handsets helped introduce 3G in Australia, but, importantly, in late 2005 and, more so in 2006, handset manufacturers such as Nokia, Sony Ericsson, LG and Motorola have invested significantly in the development of 3G phones, and models that have broader market appeal.

Today's announcement coincides with **3**'s launch in channel of the first mainstream 3G Nokia in Australia – the 6280. The market impact of a mainstream Nokia shouldn't be underestimated. Given that the majority of our 2G base are Nokia users, a feature rich, affordably priced Nokia will be a very attractive offer. Couple that with super slim LGs and feature rich Sony Ericssons, and you have a great line up for a handset-sensitive market.

Growing awareness of 3G is also increasing consumer demand. Certainly the 3G launches by incumbent 2G operators late last year have contributed, and we would expect to see their marketing and retention initiatives to grow in supporting their 3G service in the months ahead, as their product offerings improve.

A market ripe for upgrade

The combined impact of the trends we have seen in our own customer behaviour, improved 3G handsets and lower pricing, network quality, and increasing market awareness of 3G signal that the time to upgrade our 2G customers to 3G is now.

The upgrade process

From today, and over a short period of time, we will rebrand Orange to **3** - specifically 3 CDMA.

Any existing CDMA or 3G customers with free on net calls can now use those calls across both the CDMA and 3G networks. So, the pool of free calls is expanded to over one million customers.

Customers will see a logo change on their bill, and if they call customer care, the phones will be answered as **3**. Essentially nothing else changes for now.

Very shortly, 3 CDMA customers will receive exclusive offers to upgrade to 3G, including waivers on all remaining Orange handset instalments, and plans that can give customers the same or better value than they've been currently enjoying.

Upgrading will be a simple process, completed either in store, over the phone or on the web.

The future of the CDMA network

With the upgrade offers we have for our 3 CDMA customers, the quality of the 3G network, range and form factor of 3G handsets, richness of services and the focus Hutchison has on **3** and 3G, we believe there will be a very positive response from our 2G base.

Telstra has effectively put a timestamp on CDMA in Australia, with their announcement last year that the network will be replaced by a national 3G network in approximately three years – effectively closing their CDMA network. We are likely to see that happen sooner for our CDMA network, and we will review plans for continuing to operate our 3 CDMA service once a critical mass of customers have upgraded.

Interestingly, Telstra's announcement that they will proceed with 3G as their single national network and migrate their customers from CDMA was another positive affirmation for 3G. At **3**, we can offer our CDMA customers greater certainty with a clear, low cost, low risk, high value upgrade path to a proven, high quality 3G network today.

The impact to Hutchison Telecoms – building scale, reducing cost

Clearly, having a single focus will enable Hutchison to more effectively channel resource and energy to growing the 3G business, which is where we see our greatest opportunity.

Upgrading our CDMA customers to 3G will accelerate **3** building customer scale on 3G.

This initiative is also timely with respect to our improving financial position. Whilst we haven't yet closed off our January results, our expectation is that our core business has now broken through into EBITDA positive territory in January, before the costs of internally upgrading 2G customers to 3G. We will provide greater clarity around our financial results at our full year announcement on 7 March.

Longer term, this direction will reduce cost in the business with the removal of duplicate infrastructure and associated operating costs, but we anticipate minimal impact on headcount. Our operations in the 3 business are very scalable, with only small increments in cost as the customer base expands. As such, our returns are significantly enhanced as the revenue builds. At the same time, for the Hutchison Telecoms consolidated position, we will improve operating efficiencies by focusing on selling, marketing and servicing one brand.

Confidence in 3 and 3G

We believe that 3G is the future. For our 2G customers, they will be receiving unbeatable offers. For our staff, they will be focused on one brand, in one family, with significantly greater opportunities than before. For our business, we'll be further enhancing our revenue opportunity and cost structure to create more value for our shareholders.

Thank you, I will now take questions.