

To Companies Announcements Office
Australian Stock Exchange

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Subject: Annual Results Presentation

Please find attached a copy of the presentation to be made by the Chief Executive Officer, Kevin Russell, to media and analysts this afternoon.

Yours faithfully

Louise Sexton

**Hutchison Telecommunications (Australia) Limited
2002 Full Year Results**

**Presentation by Kevin Russell
Chief Executive Officer
18 February 2003**

Slide 1 – Introduction

Welcome everybody. Thanks for joining us.

2002 was a challenging, but ultimately very successful year for Hutchison Telecoms.

Slide 2 – 2002 Overview

We had two clear objectives 12 months ago. One, get Orange positioned to generate cash flow, and two, establish a physical and strategic edge over our competitors in the provision of new wireless multimedia services.

In Orange, we delivered on our forecast and hit EBITDA positive for the 2nd half year. We did it by focusing on the basics of profitable growth.

Acquiring the right customers, at the right cost, and delivering a quality but cost effective service.

In **3**, we ended 2002 in a clear leadership position in the countdown to the introduction of 3G services in Australia. The building blocks are in place, and I will outline later our significant achievements in infrastructure build, product, handsets, operational readiness and our go-to-market strategy.

Slide 3 – Key Financial Data

In terms of cash and operational success, the outstanding feature of the financial data is the turnaround in Orange Mobile.

Orange mobile revenue grew by \$68.4 million, or 55%, to \$192.7 million. More significantly, the EBITDA loss in the Orange business for the year turned around dramatically from a \$112.9 million loss in 2001 to a \$14.1 million loss in 2002. This near \$100 million improvement clearly was not achieved by revenue growth alone, we also delivered a huge reduction across the board in customer acquisition and operating costs.

You will note that net profit did not reflect this dramatic turnaround. The reason is that the NPAT figure includes an \$84.7 million write-off of surplus network sites and pre-operating costs for **3** and increased depreciation for Orange Mobile.

On network sites, \$39 million of capital costs incurred on cell site acquisition have been expensed. The relevant sites were included in the network radio frequency plan prior to the acquisition of network assets from Lucent Technologies in the first half of last year. In step with the integration of the Lucent sites in the second half of the year, the radio frequency plan was revised, resulting in some sites being deemed surplus.

Against this write-off, we estimate that the Lucent transaction will reduce the cost of our network build by about \$100 million, resulting in a net cash saving in our business plan of over \$60 million.

The second major aspect of the write-off is a \$45 million charge which relates to pre-launch activity in systems and process development which, under our accounting policies, are expensed, not capitalised.

It should be noted that while these accounting policies will continue until launch of **3**, they will not adversely affect the peak funding previously advised as being up to a maximum of \$3 billion.

I would now like to walk you through the key financial and operating trends in our Orange business.

Slide 4 – Orange EBITDA

EBITDA breakthrough is a critical milestone for every wireless business. Orange has broken through in just over 2 years of operation. Good by any international benchmark, and impressive given where we were in the first half of 2001.

Our EBITDA has improved solidly over the past 18 months and we estimate by the time of next year's report, will fully cover our 2G interest costs. At that point, Orange would be self funding.

Slide 5 – Orange Mobile Subscribers

Overall in 2002, the Orange base grew by over 70,000. This growth is pure post paid and as I will demonstrate, has been acquired at a cost consistent with the ARPU. In simple terms, it is solid profitable growth.

While solid, our growth slowed in the 2nd half. Over the past 6 months, we have seen competitor activity on handset subsidies that is inconsistent with today's mature post paid market. Current subsidy levels represent a financial model that we, and most global wireless markets, do not understand.

Slide 6 – Subscriber Acquisition Costs

In contrast, we have continued to focus on tightening subscriber acquisition costs. This behaviour is consistent with the maturing 2G market conditions.

Our acquisition costs represent a restructured distribution mix and effective removal of consumer handset subsidies. They set a benchmark for the industry today.

I would be interested to review comparable disclosure from our competitors for the second half of last year, particularly against the incremental ARPUs generated on the customers acquired.

By avoiding consumer subsidies, and holding a steady hand on advertising, Orange is currently avoiding the competitive aggression in the mid to low end consumer market. We will review before the end of March whether we selectively step back in. However, I can say with conviction that we have no intention of offering \$0 handsets on \$5 monthly commitments.

Slide 7 – Outgoing Minutes of Use

We have continued to significantly improve our mix of mobility and local zone minutes. In the second half of 2002, 52% of Orange call traffic was at mobile rates, compared with only 24% for the comparable second half of last year. A dramatic change in business model.

Slide 8 – Average Revenue per User

Average revenue per customer has dropped slightly, consistent with the significant reduction in local zone usage. However.....

Slide 9 – Weighted Average Outgoing Tariff per Minute

..... the compensating benefit in average yield on each minute of traffic over our network is clear to see.

Our outgoing weighted average tariff per subscriber increased for the fourth consecutive half year, up by 40% compared to the comparable period 12 months ago.

This trend is critical to ensure that we both maximise the profitability of, and minimise additional capital investment in, our CDMA network.

Slide 10 – Orange Employees

As with customer acquisition costs, it is critical for us to get our operating costs right.

After extensive restructuring in the second half of last year, we have reduced our employee numbers by a further third through 2002.

Key changes came in our call centre operation, distribution channels and technical operations.

In January of this year, we also implemented a major managed services contract with Ericsson for provision of all our Orange and 3 technical services.

The impact of this arrangement is not reflected in these numbers.

It is a credit to the commitment, flexibility and energy of our staff that we were able to achieve all these changes without any significant adverse impact on customer support and network performance.

In 2002 we improved customer service, reducing direct call processing time by 30% and resolving a higher proportion of customer issues in the first call.

On network quality, we continued to demonstrate industry-leading performance, with a call drop-out rate of less than 1% and a call congestion rate of 0.003%.

Slide 11 – Orange Capital Expenditure

Another important factor in our improved financial performance was the dramatic reduction in capital expenditure on the Orange Mobile network, down from \$254 million in 2001 to \$31 million last year.

Capital expenditure was primarily on enhancements to the Orange network following on from the bulk of network development carried out in 2001.

We believe that in 2003 capital expenditure can be reduced below \$10 million, whilst still managing strong subscriber growth and maintaining performance standards.

Slide 12 – Orange in 2003

Going into 2003, Orange is largely where we want it to be.

It has broken through to positive EBITDA, has established a sustainable cost structure and has minimal capital expenditure requirements.

We are concerned about current 2G market promotion, however we believe that financial reality should dictate more rational behaviour through the course of the year.

Our approach will be to continue to pursue profitable growth by maintaining Orange Mobile's market-leading value proposition with minimal CAPEX and ongoing internal cost discipline.

We also see significant opportunities for Orange to leverage off our **3** offering through extra distribution reach, incremental sales opportunities and cost synergies.

Now, let me turn to **3**.

Slide 13 – 3 Launch Readiness

Like any new cutting edge technology deployment, wideband CDMA has presented us with daily challenges to overcome.

It is an enormous credit to the quality of people at Hutchison and Ericsson and their level of commitment, that **3** remains on track to launch, within budget, by the end of the first quarter this year.

We are tracking closely behind the **3** rollouts in the UK and Italy, particularly Italy, which is also deploying Ericsson infrastructure. Our plan remains to fast follow the launches in these markets.

3 external user trials will commence here at the end of February with a key focus on improving performance and stability of the products. Internal testing and trials have been underway for a number of weeks.

Now to the status of some of the key rollout areas.

Slide 14 – 3 Network Implementation

As of today, we already have 96% of our launch network built and integrated across Sydney, Melbourne and Brisbane.

Two weeks ago we commenced optimisation of these sites. From personal experience of two days of drive testing Sydney at the weekend, I fully expect that we will have strong coverage at launch.

Our switch centres in Sydney, Melbourne and Brisbane are operational, as is our product data centre in Sydney.

We are also well advanced in the construction of our Adelaide and Perth wideband CDMA networks. These are both targeted for launch in quarter 3 this year.

Slide 15 – 3 Network Readiness

At launch we will deliver mobile video service to 70% of our licence area population.

To complement that extensive coverage, we have a roaming agreement in place to provide national coverage for 2G voice and messaging services on Vodafone's GSM network.

3 will provide not only dual mode services allowing a 3 user to roam onto other domestic networks but also dual mode international roaming capability.

We have 32 international GSM roaming agreements in place. At launch, technical capability will be in place in 10 of those 32, covering 90% of Australia's international roaming usage.

We will have inter-carrier SMS nationally and internationally with MMS set to follow.

At launch, we will also have international video calling connectivity to our sister operations in the UK, Italy and Hong Kong. In view of our population make-up and business links with these three countries, this will be a tremendously exciting capability.

Slide 16 – 3 Technical Readiness

No surprise, handsets have been our number one technical challenge over the past year.

We are anticipating launching with two handsets.

Their functionality will include dual mode capability; still and video camera; point-to-point video telephony; Mpeg4; audio and video download and 30 megabyte user memory.

It is important to note that battery life, one of our original key concerns, has improved significantly and is in good shape for commercial launch. Within three months of our launch we expect to strengthen our handset range with handsets including email access, bluetooth connectivity and GPS.

On services, our voice service is testing well with excellent quality.

Key differentiators, point-to-point video calling and video messaging capability, are working well and content based services are being optimised with a priority to services utilising video.

Slide 17 – 3 Operational Readiness

In terms of operational readiness, we have made strong progress.

End-to-end testing of billing systems has been completed, provisioning systems are in testing, and customer relationship management systems have been installed and initial call centre testing is progressing well.

As you are aware, our network operations are now managed by Ericsson and that relationship has bedded down quickly, with system testing in our Network Operations Centre now in final stages.

In launching a new service, it is often the more mundane operational support areas that are neglected. We have really benefited here from our learnings in Orange and we are operationally on track to support the launch of 3 services.

Slide 18 – Go To Market Strategy

In launching 3 we are clearly going to focus on standing out from our mobile competitors.

We will lead with a fresh new brand....3.....which offers tremendous scope for creativity in marketing executions, and will grow through 2003 into a well recognised local and global multimedia brand.

I will talk more on service pricing immediately prior to launch. For now, suffice to say that we do not believe that \$0 handsets is a long term sustainable model, but we do believe that we have the pricing flexibility to capture existing voice revenues and to stimulate growth of new revenue streams.

On services, we will lead with video based offerings.

Having experienced video calling I will be first in line to purchase handsets for my family in the UK and my wife in Sydney. Mobile video calling internationally and within Australia is a groundbreaking new service.

On video messaging we will offer customers the ability to send short videoclips to other 3 handsets and, importantly, to email addresses. This service is a quantum leap forward from SMS and picture messaging.

We will offer video, audio and text content covering key information segments.

3 will offer services at launch that are clearly differentiated from our competitors. We must focus on the performance and stability of these services and through 2003 continue to broaden and strengthen them.

Slide 19 – Go To Market Strategy

Strong, targeted distribution for 3 will be in place at launch.

You may have noticed recent media reports of our recruitment campaign for sales staff for our new stores in Sydney, Melbourne and Brisbane.

We will have more than 20 new company controlled **3** stores at launch. The store design is sleek, modern, with multi-media displays and changing interior colours matching our dynamic **3** logo.

By the end of 2003, we will have up to 70 company stores, complemented by our dealerships. We recently signed a letter of intent with leading wireless distributor, Strathfield Group, incorporating Strathfield Car Radio and Brisbane Car Radio.

We will also build upon our existing commercial sales team in New South Wales and Victoria and seek to leverage our call centre and online capabilities.

Slide 20 – 3 Capital Expenditure

Consistent with Orange, we are keeping a tight rein on capital expenditure.

Our total CAPEX for **3** in 2002 was \$379 million – well within the budget estimates which build up to our projected maximum \$3 billion funding requirement.

Key elements were \$233 million for core network and network deployment; \$93 million for business and operating support systems; and \$54 million for products and enablers.

CAPEX in 2003 will principally comprise of payments for the completion of the launch network and the network build for the second phase of launch in Adelaide and Perth.

Slide 21 – 3 Funding

On funding, our messages are consistent with our half year announcement.

We have \$1 billion of the \$3 billion project peak funding already invested, following last year's \$600 million convertible note issue and the total \$400 million equity contribution by Telecom Corporation of New Zealand.

The remaining funding of \$2 billion will be arranged at the appropriate time going forward. We will clearly obtain better terms and conditions once **3** uptake is successfully demonstrated, and we have the flexibility, provided by Hutchison Whampoa's backing, to wait until the timing is right.

Slide 22 – Summary

To recap, in 2002 we have achieved our two key goals for the year – breaking through to EBITDA positive for Orange in the second half of the year and preparing **3** for launch by the end of the first quarter this year.

Working through the turnaround in Orange and the challenges faced in building **3**, we have built a determination and culture at Hutchison Australia which will be invaluable through the course of this year and beyond.

We are looking forward to getting **3** in the market, and to building momentum through the year and into 2004.

Thank you. Any questions?

Hutchison Telecommunications (Australia) Limited

2002 Full Year Results

Kevin Russell
Chief Executive Officer
18 February 2003

2002 Overview



- delivery of EBITDA positive in 2H

- the right customers
- the right customer acquisition cost
- the right operating cost structure



- leadership in 3G service provision

- infrastructure build
- product readiness and handset delivery
- operational readiness
- go to market

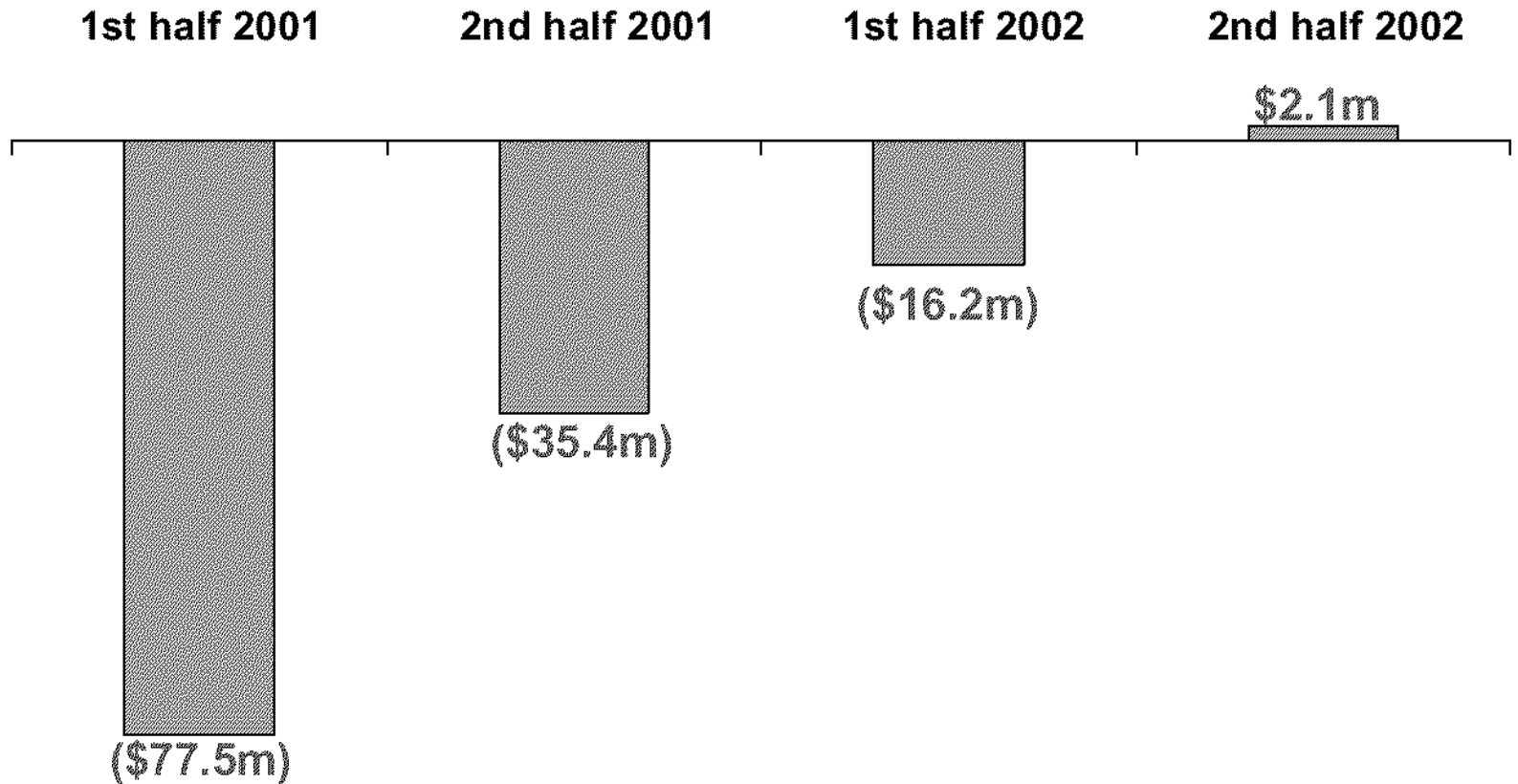
Key Financial Data

\$ million	Full Year 31 Dec 2001	Full Year 31 Dec 2002
Orange Mobile revenue	124.3	192.7
Total revenue from operating activities	418.6	227.3
EBITDA (*)		
Orange	-112.9	-14.1
3	-	-84.7
EBIT	-127.6	-175.8
NPAT (**)	-137.0	-197.3

(*) EBITDA includes all subscriber acquisition costs (including those subscriber acquisition costs capitalised in accordance with UIG 42) and excludes the impact of sale of the GSM business in the half year to 31 December 2001.

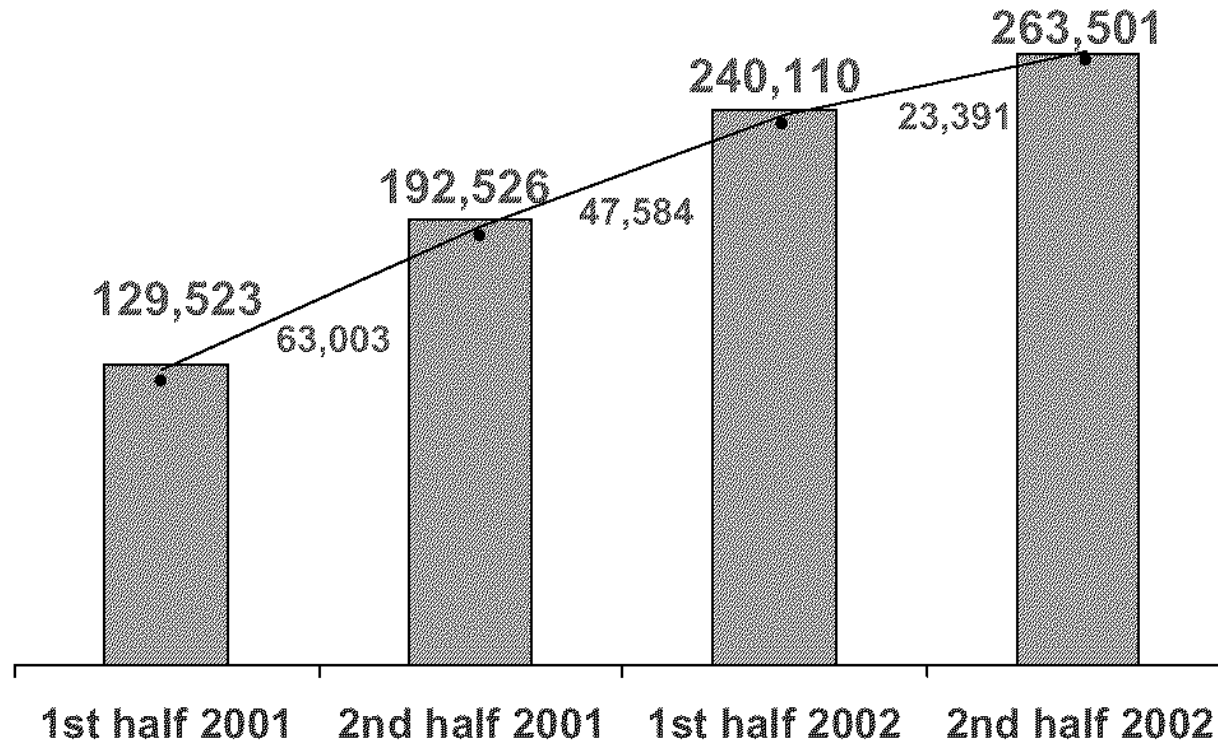
(**) NPAT attributable to Hutchison Telecommunications (Australia) Limited after outside equity interests.

Orange EBITDA



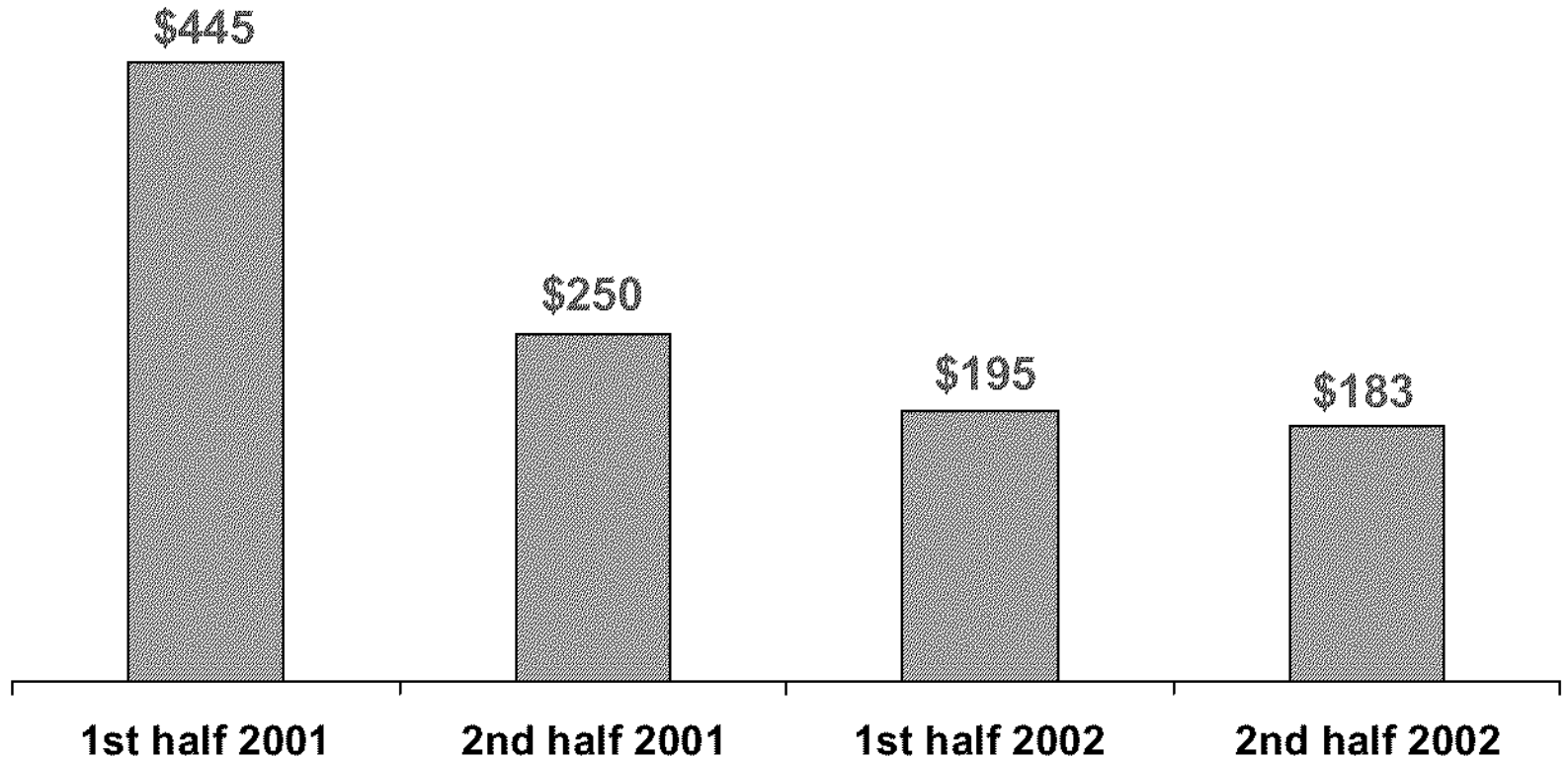
EBITDA breakthrough after 2 years

Orange Mobile Subscribers



Solid growth, slowing in 2nd half

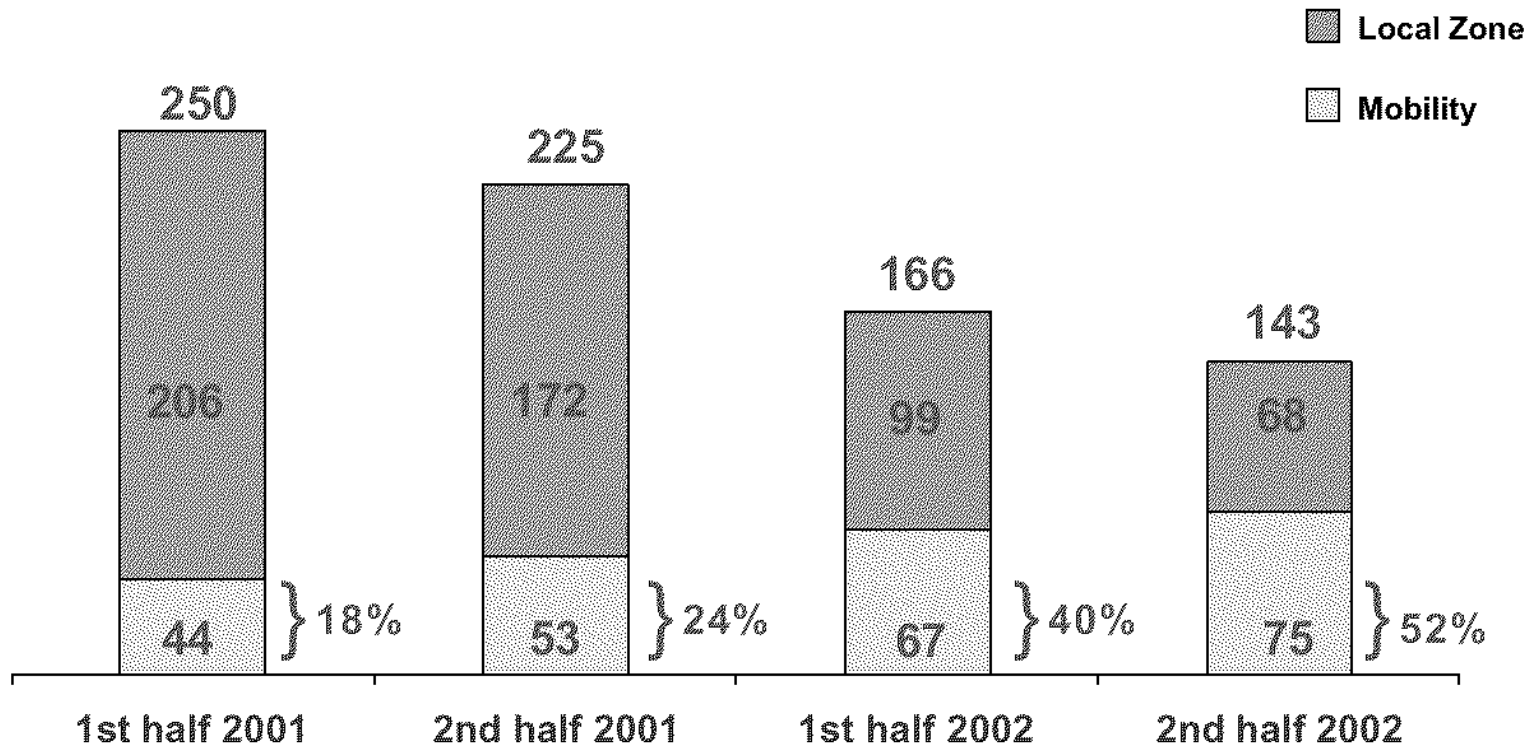
Subscriber Acquisition Costs



Focused reduction in acquisition costs

SAC represents the average direct costs, including commissions and handset subsidies, if any, (before capitalisation) associated with acquiring each new subscriber for the period

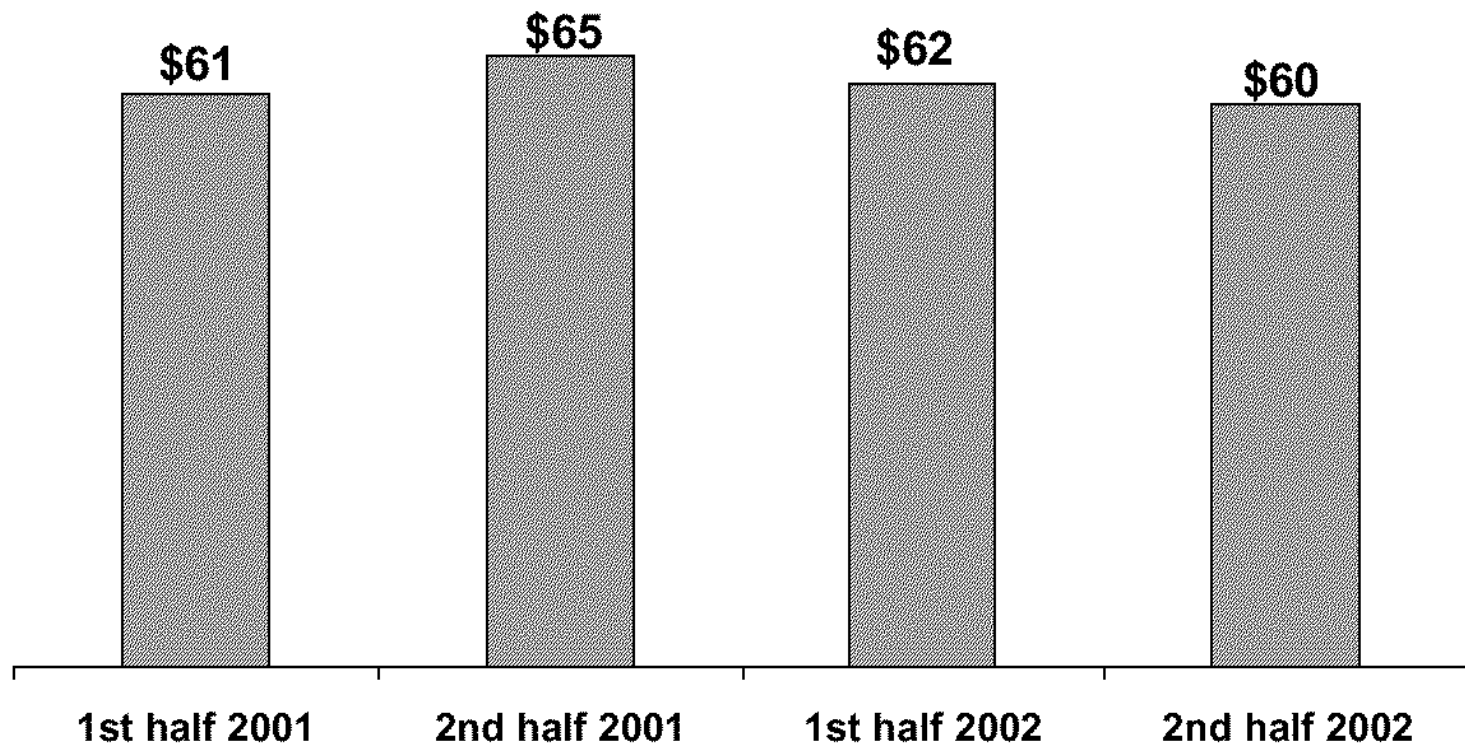
Outgoing Minutes of Use



Improving mix of mobility minutes

minutes usage per customer represents the monthly average number of outbound minutes of usage per Orange Mobile post paid subscriber for the period

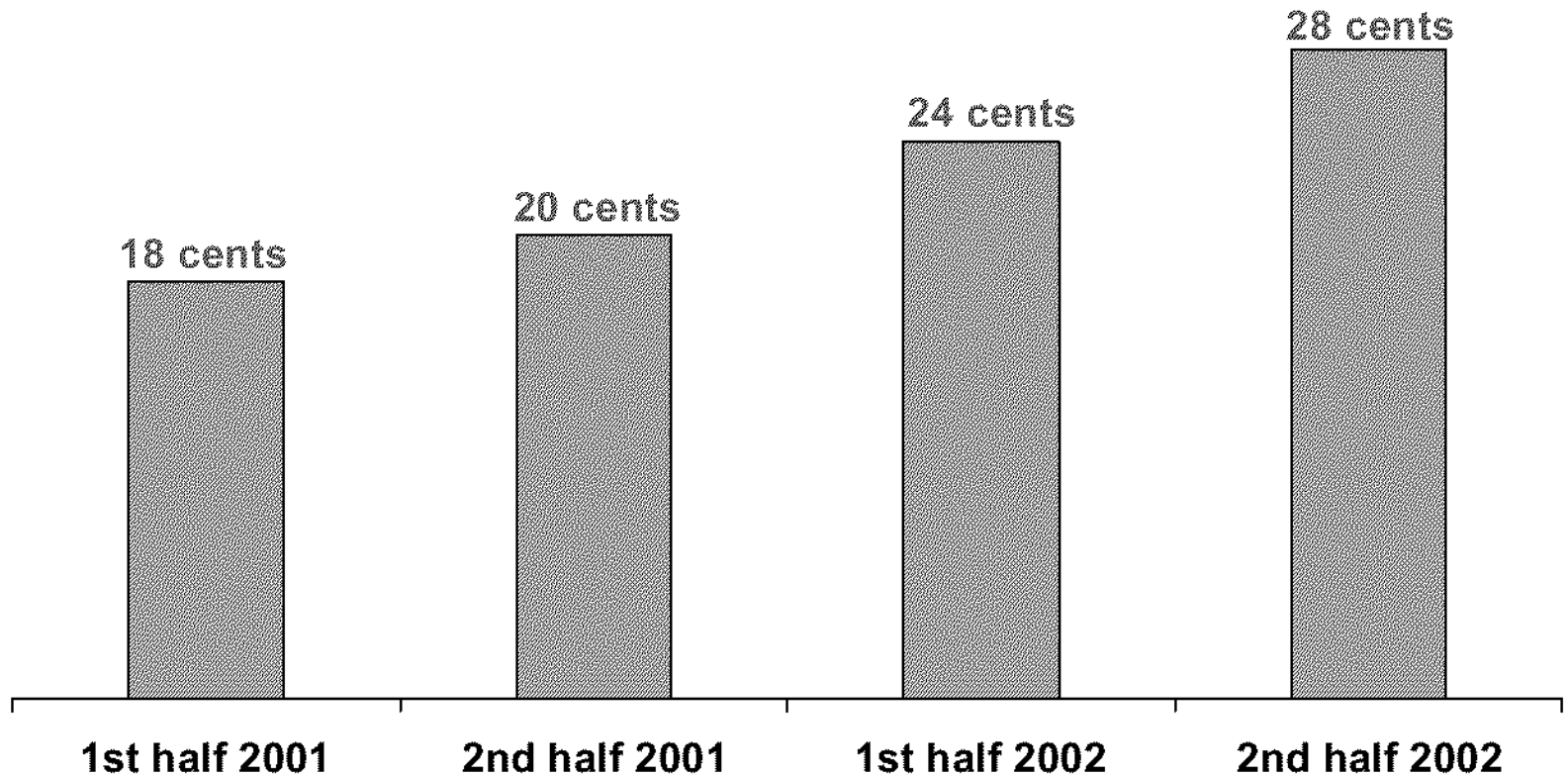
Average Revenue per User



ARPUs marginally lower. However....

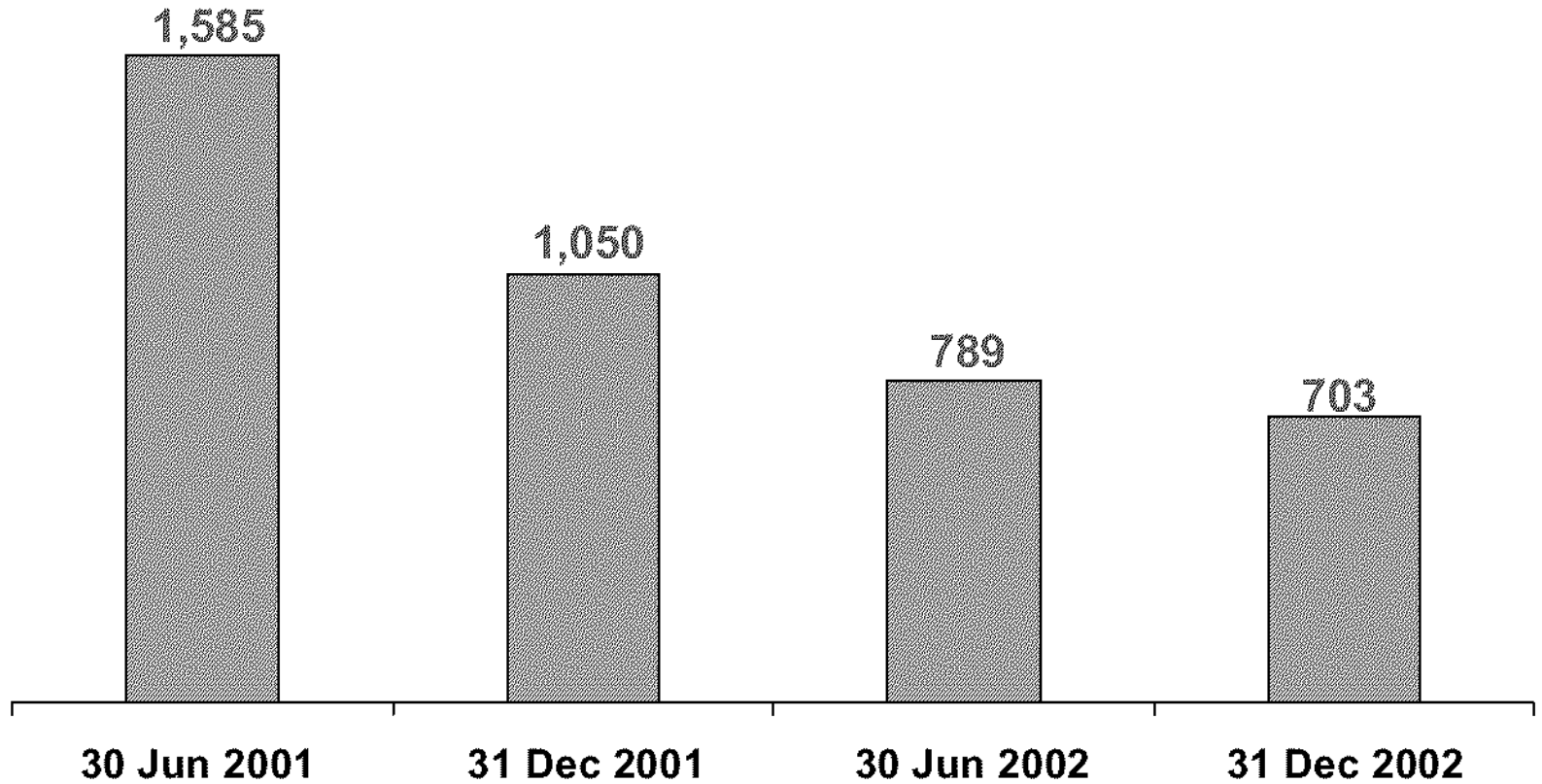
ARPU represents the monthly average revenue per Orange Mobile post paid subscriber for the period. Prior period ARPUs restated include all customer call credits

Weighted Average Outgoing Tariff per Minute



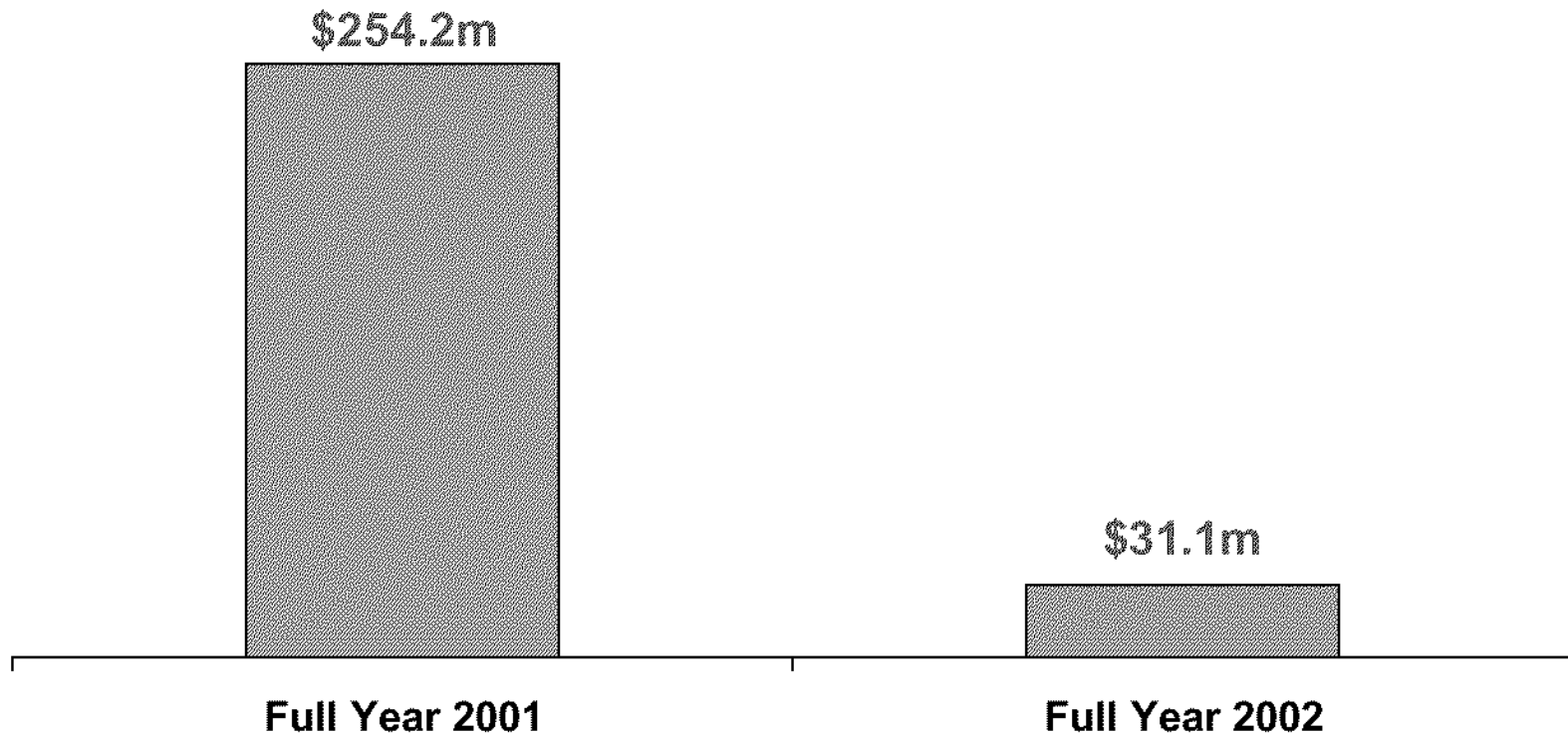
....usage yield improved significantly

Orange Employees



Ongoing tightening and restructuring

Orange Capital Expenditure



Leveraging existing capital investment

Orange in 2003

- Continue to differentiate Orange Mobile as a market leading value proposition
- Continue to pursue profitable, rational growth
- Ongoing cost discipline
- Minimal CAPEX investment required

Positioned for cash flow and profitability

3 Launch Readiness

- On track for launch end Q1 2003
- Australian launch to follow 3 service launch in UK/Italy
- User trials start end February

Launch plan on track

3 Network Implementation

- 96% launch network built and integrated
- Network optimisation underway
- Switch centres in Sydney, Melbourne and Brisbane operational
- Product data centre in Sydney installed and operational
- Adelaide and Perth network construction underway

Network implementation well advanced

3 Network Readiness

- **Launch network capabilities**
 - 70% licence area population covered by video service
 - national roaming coverage for voice and messaging
 - international voice roaming covering 90% of all Australian international roaming traffic
 - inter-carrier SMS between national and international roaming partners, MMS set to follow
 - international video calling to UK, Italy and Hong Kong

High quality network

3 Technical Readiness

- **Handsets**

- a choice of handsets at launch
- basic functionality includes: dual mode, point to point video, still and video camera, Mpeg4, audio and video downloads, 30 Mb user memory

- **Services**

- excellent voice quality
- point-to-point video calling and video messaging working well
- content based services being optimised

Handsets and services on track

3 Operational Readiness

- **Back office business support systems**
 - **Billing systems**
 - end to end testing conducted successfully
 - **Provisioning systems**
 - business readiness testing underway
 - **Customer Relation Management (CRM) systems**
 - systems installed and initial call centre testing progressing well
 - integration of systems to the Network Operation Centre completed and being tested

Support systems on track

Go To Market Strategy

- **Strong global brand**
- **Innovative service offerings**
 - video calling (national and international)
 - video messaging
 - video entertainment, news and sport
- **Priced to stimulate usage**

Focus on market differentiation

Go To Market Strategy

- **Distribution**
 - 20 prime location company owned stores at launch
 - retail recruitment underway
 - dealership agreements to complement company stores
 - Letter of Intent in place with Strathfield Group
 - leverage existing commercial sales team and call centre capabilities

Strong distribution model

3 Capital Expenditure

- **2002 capital expenditure of \$379.4 million**
 - \$232.9 million for core network and network deployment
 - \$92.6 million for business and operating support system
 - \$53.9 million for products and enablers
- **2003 CAPEX**
 - payments for the completion of launch network
 - 2nd phase network build (Adelaide and Perth)

CAPEX within budget

3 Funding

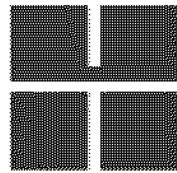
- **Peak funding requirement of up to \$3 billion**
 - \$600 million equity contributed by HTAL
 - \$400 million equity contributed by TCNZ
 - up to \$2 billion of peak funding required
- **Address further needs at the right time**

Ongoing support of Hutchison Whampoa

Summary

- **Achieved twin goals**
 - Orange EBITDA positive
 - 3 on track for launch
- **Well positioned for next wave of growth**

Clear window of opportunity



Hutchison Telecoms

Telecommunications operations of
Hutchison Whampoa Limited

