



Hutchison
Telecoms

HALF YEAR REPORT 2003



HUTCHISON TELECOMMUNICATIONS (AUSTRALIA) LIMITED
ABN 15 003 677 227

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2002 and any public announcements made by Hutchison Telecommunications (Australia) Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

financial highlights

	HALF YEAR 30 JUNE 2002	HALF YEAR 31 DEC 2002	HALF YEAR 30 JUNE 2003
Revenue – 3	–	–	13.6
Revenue – Orange Mobile	93.9	98.8	101.7
Revenue – Other Orange Services	18.9	15.7	15.2
Total Revenue ⁽¹⁾	112.8	114.5	130.5
Operating Expenses – 3	-4.0	-80.7	-85.2
Operating Expenses – Orange	-131.0	-116.3	-104.7
Total Operating Expenses	-135.0	-197.0	-189.9
EBITDA – 3	-4.9	-79.8	-76.4
EBITDA – Orange	-16.2	2.1	12.2
Total EBITDA ⁽²⁾	-21.1	-77.7	-64.2
EBIT	-55.2	-120.6	-119.9
NPAT	-72.7	-124.6	-129.4

(1) Total revenue from operating activities and excludes interest income and other non-operating revenue.

(2) EBITDA includes all subscriber acquisition costs (including those subscriber acquisition costs capitalised in accordance with UIG 42)

Total EBITDA was assisted by a second consecutive half of positive EBITDA result in the Orange business. In the **3** business, EBITDA reflected start-up losses consistent with the business' early stage of development.

Total Operating Expenses in the half for both the Orange and **3** businesses increased by 41% compared to the first half of 2002. Orange operating expenses declined by 20% compared to the corresponding half last year reflecting continued focus on cost reduction across the business. In the **3** business, increased operating expenses reflect the launch of services in Sydney and Melbourne and the associated network operating expenditure, customer acquisition and customer care costs.

Total Operating Revenue in the half increased by 16% compared to the corresponding half last year, mainly due to the new revenue streams from **3** and expanded customer base in the Orange Mobile business.

DIRECTORS REPORT

directors' report

Strong **3** launch and second consecutive half of positive EBITDA result for Orange

Dear Shareholder,

The last six months have been tremendously exciting for Hutchison, with the successful launch of our new **3** services and continued improvements in the operation and profitability of Orange.

On 15 April our third generation (3G) network launched in Sydney and Melbourne, as part of the Hutchison Whampoa global 2003 rollout of 3G networks and services, which also includes the UK, Italy, Sweden, Austria, Hong Kong and Denmark. On 1 July we extended our **3** network to cover Adelaide, Perth, Brisbane and the Gold Coast.

This launch, and a 3% growth in Orange Mobile revenue, increased our total operating revenue by 14% to \$130.5 million compared to the half year ended 31 December 2002.

Despite tightening market conditions, Orange reported a positive EBITDA result for the second consecutive half. Orange EBITDA for the first half of 2003 was \$12.2 million, compared to a positive EBITDA of \$2.1 million in the six months ended 31 December 2002 and an EBITDA loss of \$16.2 million in the six months to 30 June 2002.

As expected, we incurred start-up losses in the **3** operation as it began to build up a customer base and revenue stream. This business recorded a negative EBITDA of \$76.4 million in the half year, reflecting the very early developmental stage of this business.

As a result of the **3** start-up losses, our net loss after tax for the period was \$129.4 million compared to a loss of \$124.6 million in the six months ended 31 December 2002 and a loss of \$72.7 million for the six months to 30 June 2002.

Total payments on capital expenditure for the Orange and **3** businesses in the six months to 30 June was \$298.9 million compared with \$243.2 million in the second half of 2002.

The majority of this capital expenditure was invested in the development of the **3** business.

Total operating expenditure for the six months to 30 June was \$189.9 million compared with \$135 million in the first half of 2002, reflecting the launch spend for **3**. We reduced total operating expenditure in the Orange business by 20% compared to the first half of last year, bringing it down to \$104.7 million. By contrast, total operating expenditure in the **3** business was \$85.2 million compared with \$4.0 million in the first half of 2002.



The Orange business continued to deliver EBITDA and mobile revenue growth in a tight basic voice market, with continued focus on cost structure rationalisation.

Orange recorded its second consecutive half of positive EBITDA performance, as a result of solid revenue growth and ongoing improvements to the cost structure, delivering \$116.9 million of revenue and an EBITDA result of \$12.2 million for the half.

As at 30 June, the Orange Mobile subscriber base had grown by 5.8% to 278,861, with 15,418 customer net post-paid additions and a net reduction in the pre-paid customer base of 58 in the reported half. This represents a 6.2% growth in the post-paid customer base since 31 December 2002.

Strong customer appeal

During the period, we saw growing signs of saturation in the basic voice market with a slowdown in high-value customer acquisition and increasingly aggressive acquisition offers.

In this highly competitive market, Orange Mobile's leading value voice proposition continued to demonstrate solid customer appeal. Underlying revenue grew by 2.9% compared with the half year ended 31 December 2002. This was driven by market promotions introduced in February 2003, including new rate plans designed to encourage increased use through a combination of on-net (Orange to Orange) and fixed line (Orange to land-line) price incentives.

Enhanced profitability

Customer profitability was enhanced by continuing efforts to promote mobile rather than location-based usage of the Orange Mobile service. Planned migration of customer usage toward full mobility resulted in a reduction in Local Zone average monthly minutes of use per post paid subscriber from 68 minutes in the second half of 2002 to 44 minutes in the reported period. Higher value average mobility based minutes climbed 11%, from 75 minutes to 83 minutes per month.

The decline in lower margin Local Zone minutes as well as the introduction of call credit and call rate incentives contributed to a 6.7% decline in Orange Mobile post-paid average revenue per user to \$56 per month. However, the continuing re-weighting of the Orange Mobile customer base towards higher value mobility services delivered improved average tariffs and network margins. The decrease in local zone traffic continues to improve the average outgoing tariff per minute, which rose one cent to 29 cents.

Average subscriber acquisition costs have increased to \$214 due to re-weighting of our dealer commission payments. We are comfortable with this level relative to competitors' more aggressive offers in the market place where large handset subsidies, Mobile Number Portability credits and other accessory 'giveaways' are common promotional activities.

Average monthly churn levels continued to be in line with the previous half year at 2%.

Tightly controlled cost structure

The successful implementation of managed service arrangements for both technical services and Australian based call centre

operations dramatically reduced Orange employee numbers to only 207 at 30 June 2003.

These managed service arrangements form part of a significant period of restructure over the past two years during which Orange has reduced its employee numbers from a peak of approximately 1,600.

Total capital expenditure for the Orange business for the reporting period was \$2.3 million, reflecting the minimal upgrade and expansion requirements for the network in 2003.

Orange Paging and Messaging

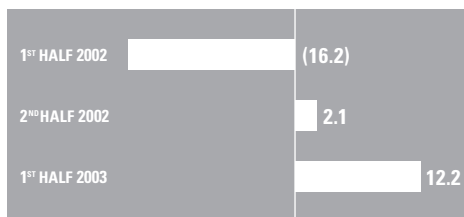
Orange continues to be one of the leading paging operators in Australia, with 46,432 subscribers using the network as at 30 June. This business remains under pressure from competing products and delivered \$10.4 million of revenues in the reporting period, compared to \$10.8 million in the second half of 2002 and \$11.6 million for the six months to 30 June 2002. This is in line with the decline in overall market demand for this mature product.

We continued to maintain a strong market share with the Pocketwatch product, a portable financial information service, generating \$2.2 million of revenue compared to \$2.6 million in the second half of 2002 and \$2.6 million for the six months to 30 June 2002. The Pocketwatch product had a closing customer base of 2,737 at 30 June.

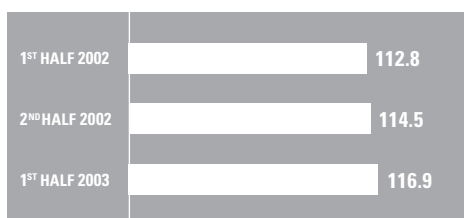
Outlook

In Orange, we will maintain our focus on managing cash flow, acquiring the right customers at the right cost and minimising the operating cost base. Through the remainder of 2003, the Orange Mobile value proposition will continue to accommodate an existing need in the market for simple, low cost voice and basic data services.

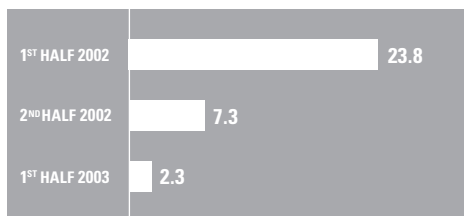
ORANGE EBITDA (\$m)



ORANGE REVENUE (\$m)



ORANGE CAPITAL EXPENDITURE (\$m)



ORANGE MOBILE SUBSCRIBERS





The highly successful launch of **3** was a significant milestone for the company, stimulating strong consumer take-up. With a superior offer attracting high value customers, **3** is very well positioned to benefit from the growing demand for 3G services.

The launch of **3** in April 2003 has clearly been a great success in terms of service delivery and customer acquisition. There has been a strong take-up of **3** services, with 18,435 services in use on the network as at 30 June, growing to 43,650 services as at 4 August 2003.

Entering the second half of the year, **3** had comprehensive coverage across Australia's five leading capital cities, with national voice and SMS roaming coverage outside these areas covering 92% of the Australian population.

Our **3** Video Zone is now available in most areas of Sydney, Melbourne, Adelaide, Perth, Brisbane and the Gold Coast.

Across all five cities, our underlying sales momentum has been strong and has exceeded expectations.

Distinctive and rapid distribution rollout

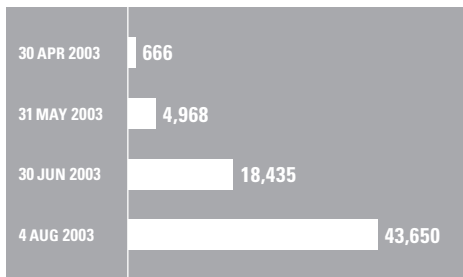
The launch of services was supported by the opening of distinctive company-operated **3** shops in CBDs and key suburban shopping centres in all mainland state capital cities and the Gold Coast. With existing Orange Mobile

dealerships and additional dealer arrangements, including the Strathfield Group and Allphones, **3** services are currently being sold through over 200 points of presence, growing to more than 250 by the end of the year.

Our retail rollout has been well executed, delivering attractive branding, prime selling locations and a refreshing approach that sets us apart from competitors. Our products and brand have stimulated further distribution demand, and additional attractive distribution opportunities are opening up for us.

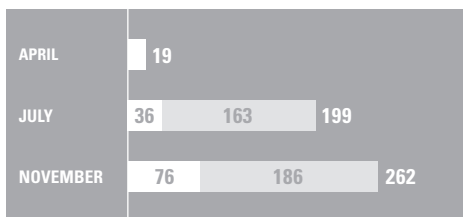
The quality and breadth of the distribution network has allowed us to achieve an acquisition cost consistent with the value of the customer, even with partial handset subsidisation.

3 SUBSCRIBERS



DISTRIBUTION REACH

□ 3 SHOPS ■ DEALERSHIPS





Attractive launch offer

The 'First on **3**' launch offer provides affordable pricing for the service's distinctive core products – video calling, messaging and video based content services, as well as attractive pricing for its basic voice service. The pricing plan is designed to encourage customers to adopt new services, including usage caps and price incentives with no requirement for a minimum monthly usage commitment.

Initial customer feedback, both from consumer and small business markets, has been encouraging, supporting success in our aim of driving differentiation in terms of functionality and value.

3 services are currently supported by handsets from leading global manufacturers

Motorola and NEC. The existing range will be enhanced with new and upgraded models in the second half of the year.

Higher spending customers

Our rapid customer acquisition is being driven by the groundbreaking functionality of video calling and other market leading video-based content services and attractive voice pricing.

Our distinctive \$99 monthly cap is attracting higher spending customers to **3**. These customers are 100% post-paid, supporting an early trend of average revenue and usage significantly above the current market average.

Approximately 60% of our customer base has ported a mobile number from one of the incumbent operators, with the rate trending upwards. There has been a strong uptake by

younger users who tend to be earlier adopters of new technology and also by consumers interested in the benefits of video calling to friends and relatives in **3** markets interstate and overseas.

Funding on track

Funding for **3** is tracking within our business plan. During the first half of 2003, we raised \$200 million of bank debt to support the **3** business. Free cash flow in the period of negative \$352 million mainly comprised \$76.4 million of start-up EBITDA losses and \$252.9 million spent on capital expenditure.

Capital expenditure accrued for the reporting period on the development of the **3** operation totalled \$296.6 million for site deployment, network, IT systems and product development.

Depreciation and amortisation totalled \$25.5 million reflecting the post launch commencement of depreciation and amortisation of licence and network costs.

Further debt funding requirements of approximately \$600 million are expected in the second half of 2003 and will cover ongoing operation and customer growth in **3**, as well as outstanding capital expenditure for the network infrastructure.

Benefit of a global launch

Our ability to launch 3G services significantly ahead of other competitors in the market is largely due to the backing of Hutchison Whampoa. Hutchison Whampoa is leading the global launch of 3G mobile services, rolling out networks in nine markets covering a potential footprint of over 170 million people. Its support has assisted us financially, technically, in branding and product development and, critically, in the delivery of handsets.

Outlook

With a superior service and customer offer in the marketplace, **3** is very well positioned to benefit from growing demand as the sales momentum for 3G services continues to build



in Australia. Video calling and enhanced video based content services, supported by a broader choice of handsets, will increasingly appeal to a wider range of potential customers.

We will capitalise on this demand and continue to aggressively build our customer base by developing our product offering in handsets and service functionality, and strengthening our service offering in network and customer care.

We will continue to enhance network coverage with ongoing network optimisation and the implementation of a further 50 sites by the end of 2003. With the dedicated efforts of the Hutchison and Ericsson global teams, our network performance will strengthen through the course of this year. In 2004, we will look to expand selectively into new coverage areas.

New handset models, lead by the Motorola A920 arriving in September, will help further raise the attractiveness of our service offering in the run up to Christmas.

Over the next 12 months we have the opportunity to continue to enhance our leadership position on 3G services in Australia – a lead that provides us a significant break on competitors. Our aim is to capitalise on this advantage and deliver the type of sales momentum that will create increasing value and benefit to our shareholders.



Fok Kin-ning, Canning
Chairman



Consolidated Statement of Financial Performance

for the half-year ended 30 June 2003

	HALF-YEAR	
	2003 A\$'000	2002 A\$'000
Revenue from operating activities	130,498	112,801
Other revenue	4,304	1,447
Revenue from ordinary activities	134,802	114,248
Cost of sales	(108,623)	(73,906)
Depreciation and amortisation	(60,348)	(27,108)
Employment cost	(33,281)	(33,761)
Borrowing costs	(33,241)	(19,656)
Advertising and promotions	(21,869)	(9,039)
Repairs and maintenance	(5,433)	(2,559)
Bad debts	(2,770)	(5,578)
Rents and rates	(2,747)	(1,833)
Consulting and professional fees	(2,670)	(1,205)
Other	(12,698)	(13,263)
Loss from ordinary activities before income tax	(148,878)	(73,660)
Income tax	–	–
Loss from ordinary activities after income tax	(148,878)	(73,660)
Profit (loss) from extraordinary items after income tax	–	–
Net loss	(148,878)	(73,660)
Net loss attributable to outside equity interest	19,516	988
Net loss for the period attributable to members of Hutchison Telecommunications (Australia) Limited	(129,362)	(72,672)
Total revenue, expenses and valuation adjustments attributable to members of Hutchison Telecommunications (Australia) Limited recognised directly in equity	(129,362)	(72,672)
Total changes in equity other than those resulting from transactions with owners as owners	(129,362)	(72,672)
	CENTS	CENTS
Basic earnings per share	(19.1)	(10.7)
Diluted earnings per share	(19.1)	(10.7)

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2003

	30 June 2003 A\$'000	31 December 2002 A\$'000
Current Assets		
Cash	118,863	296,156
Receivables	67,566	50,347
Inventories	15,866	3,842
Other	50,014	11,680
Total Current Assets	252,309	362,025
Non-Current Assets		
Receivables	6,961	5,818
Property, plant and equipment	1,092,834	885,146
Intangibles	1,018,758	1,015,160
Other	52,896	46,876
Total Non-Current Assets	2,171,449	1,953,000
Total Assets	2,423,758	2,315,025
Current Liabilities		
Payables	185,106	130,572
Borrowings	200,000	–
Provisions	8,705	4,187
Other	805	1,121
Total Current Liabilities	394,616	135,880
Non-Current Liabilities		
Borrowings	1,221,176	1,222,079
Provisions	1,114	1,336
Total Non-Current Liabilities	1,222,290	1,223,415
Total Liabilities	1,616,906	1,359,295
Net Assets	806,852	955,730
Equity		
Contributed equity	1,031,244	1,031,244
Reserves	54,887	54,887
Accumulated losses	(585,448)	(456,086)
Equity attributable to members of the parent entity	500,683	630,045
Outside equity interest in controlled entities	306,169	325,685
Total Equity	806,852	955,730

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the half-year ended 30 June 2003

	HALF-YEAR	
	2003 \$A'000	2002 \$A'000
Cash Flows from Operating Activities		
Receipts from customers (inclusive of GST)	122,063	164,102
Payments to suppliers and employees (inclusive of GST)	(195,106)	(187,691)
	(73,043)	(23,589)
Dividends received	13	–
Interest received	4,361	990
Borrowing costs	(24,630)	(14,110)
Net cash outflow from operating activities	(93,299)	(36,709)
Cash Flows from Investing Activities		
Payment for purchases of property, plant and equipment	(255,215)	(99,327)
Proceeds from sale of property, plant and equipment	66	–
Payments for intangibles	(28,845)	(51,673)
Net cash outflow from investing activities	(283,994)	(151,000)
Cash Flows from Financing Activities		
Proceeds from borrowings	200,000	99,707
Repayment of borrowings	–	(116)
Net cash inflow from financing activities	200,000	99,591
Net Decrease in cash held	(177,293)	(88,118)
Cash at 1 January	296,156	103,690
Cash at 30 June	118,863	15,572

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

for the half-year ended 30 June 2003

Note 1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 30 June 2003 has been prepared in accordance with Accounting Standard AASB 1029 Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in accordance with the annual report for the year ended 31 December 2002 and any public announcements made by Hutchison Telecommunications (Australia) Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

	ORANGE A\$'000	3 A\$'000	CONSOLIDATED A\$'000
Note 2. Segment information			
Primary reporting – business segments			
Half year 2003			
Total segment revenue	119,663	15,139	134,802
Segment result	(50,809)	(98,069)	(148,878)
Half year 2002			
Total segment revenue	114,248	–	114,248
Segment result	(68,717)	(4,943)	(73,660)

Directors' Declaration

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.
- 2 This report, and the accounts upon which the report is based, use the same accounting policies.
- 3 This report gives a true and fair view of the matters disclosed.
- 4 There are reasonable grounds to believe that Hutchison Telecommunications (Australia) Limited will be able to pay its debts as and when they become due and payable.
- 5 This report is based on accounts which have been subject to audit review.
- 6 The entity has a formally constituted audit committee.



FOK Kin-ning, Canning

Chairman

5 August 2003

Independent Review Report

Independent review report to the members of Hutchison Telecommunications (Australia) Limited Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, set out on pages 12 to 16, is not presented in accordance with:

- the Corporations Act 2001 in Australia, including giving a true and fair view of the financial position of the Hutchison Telecommunications (Australia) Limited Group (defined below) as at 30 June 2003 and of its performance for the half-year ended on that date
- Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and the Corporations Regulations 2001.

This statement must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the half-year ended 30 June 2003 is the responsibility of the directors of Hutchison Telecommunications (Australia) Limited. It includes the financial statements for the Hutchison Telecommunications (Australia) Group (the Group), which incorporates Hutchison Telecommunications (Australia) Limited (the Company) and the entities it controlled during the half-year ended 30 June 2003.

The auditor's role and work

We conducted an independent review of the financial report in order for the Company to lodge the financial report with the Australian Securities & Investments Commission and the ASX. Our role was to conduct the review in accordance with Australian Auditing Standards applicable to review engagements. Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly a view in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, the Corporations Regulations 2001 and ASX Listing Rules relating to half yearly financial reports, which is consistent with our understanding of the Group's financial position, and its performance as represented by the results of its operations and cash flows.

The review procedures performed were limited primarily to:

- inquiries of company personnel of certain internal controls, transactions and individual items
- analytical procedures applied to financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board. In addition to our statutory audit and review work, we were engaged to undertake other services for the Group. In our opinion the provision of these services has not impaired our independence.



PricewaterhouseCoopers
Sydney 5 August 2003



David Whale
Partner

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW).

Directors

FOK Kin-ning, Canning
LUI Pok-Man, Dennis
Barry ROBERTS-THOMSON
CHAN, Ting Yu
Justin H. GARDENER
Holger KLUGE
Frank John SIXT

Company Secretaries

Edith SHIH
Louise SEXTON

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Auditor

PricewaterhouseCoopers
Chartered Accountants
201 Sussex Street
Sydney NSW 2000

Stock Exchange Listing

Hutchison shares are listed
on the Australian Stock
Exchange Limited
ASX Code: HTA

Investor Information

Tel: (02) 9964 4885
www.hutchison.com.au



**Hutchison
Telecoms**

Telecommunications operations of
Hutchison Whampoa Limited



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