

Review of Operations



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During 2008, strong sales momentum and take up of non-voice services continued with non-voice usage and revenue both increasing significantly.



Non-Voice Services

Non-voice ARPU increased by 13.4% to \$20.76. This also contributed to 27.4% growth in margin. Non-voice services contributed 31.2% of ARPU.

3G ARPU (non-voice ARPU excluding SMS) increased by 32.6% to \$10.30.

Customers who were billed for non-voice services, excluding SMS, rose to 68.4% of the customer base with 1,289,000 customers being billed for Planet 3 content or mobile broadband events in the second half of the year. This was up from 1,084,000 in the first half of the year.



Mobile Broadband

Data and mobile broadband growth was a highlight for the Company in 2008, with 526,000 subscriptions to Mobile Broadband services (which includes X-Series, Mobile Broadband card & USB and handset as a modem), up 169.7% on 2007.

Growth was fuelled by 3's continued focus on delivering high value data plans, making Mobile Broadband more accessible and affordable to consumers. 3's continued expansion of the Mobile Broadband device range and improvements to accessing data services on mobile phones were also contributing factors.

At the start of 2008, 3 introduced a half price mobile broadband promotion for a limited time and throughout the year increased data allowances on plans, attracting more customers and driving use of data.

3 Prepaid Mobile Broadband was also introduced towards the end of 2008, offering customers another option for fast, flexible and affordable internet access.

Average data usage across the network increased from 121 terabytes per month in the first half of the year to 263 terabytes per month in second half of the year. At the same time the number of customers accessing data rose to 25.9% of the total customer population, up 170.7% on 2007.



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Planet 3 and Mobile Internet

In 2008, 3 launched a new-look Planet 3 to make it easier for customers to access all their favourite internet services from their mobile.

The new look Planet 3 includes four tabs:

- NEW - features all the latest news, sports scores, gossip and more;
- FIND - displays the most popular sites including Facebook, Hotmail and YouTube;
- MINE - provides quick and easy access to help manage account information such as account balances;
- FUN - to surprise and delight.

In the second half of the year, 3 refreshed its X-Series Packs and increased data allowances on some of these packs. In addition to increased data allowances, 3 also provided all X-Series customers (with compatible handsets) Skype-to-Skype minutes to use every month. We expect VoIP services to continue to grow.

Cap Plans and Voice Service

Having pioneered Cap plans in Australia in 2005, 3 introduced a new breed of Cap plan in 2008, which included more talk value and a choice of unlimited 3G content. The new Caps include up to 25% more value in voice and text services, over 50% more 3 to 3 calls, and for the first time included a choice of unlimited News, Sport or Fun content from popular brands including Sky News, Fox Sports and Project Runway.

New Prepaid Caps were also introduced in 2008 and featured a range of new recharge options including \$29, \$49, \$69 and \$99. The new Prepaid Caps added value and flexibility, allowing customers the freedom to use their credit for what they want - talk, text or Mobile Internet. Including Mobile Internet in Prepaid Caps allows 3's Prepaid Cap customers to browse Facebook, MySpace or Google without the hassle of extra subscriptions or additional costs.

Data access increase

Customers accessing data rose to **25.9%** of the base

Non-Voice services

68.4% of customers paid for non-voice services each month



Handsets

Continuing 3's lead in innovation and recognising the explosion of social networking, messaging and VoIP, 3 launched the first handset from INQ Mobile, the new manufacturer owned by Hutchison Whampoa.

INQ¹ is exclusive to 3 and for the first time fully integrates Facebook, VoIP, email and instant messaging, and supports the use of non-voice services and unlimited use of Facebook at a mass market price point. INQ¹ was recently awarded a prestigious GSMA award for 'Best Mobile Handset or Device'.

With over 250,000 visitors to Facebook on the mobile by 3's customers each week, social networking on 3 is set to grow as the experience improves significantly with the release of the INQ¹.

In 2008, 3 continued to offer a wide range of handsets with 30 introduced to the range including models from Nokia, LG, Sony Ericsson, RIM (BlackBerry), Samsung, HTC and INQ Mobile. The majority of 3's new handsets are HSDPA enabled providing customers with a faster data experience which has been key in the increased data usage on handsets and mobile broadband modems.

Customer Care

In addition to maintaining strong customer growth, external churn remained at industry-low levels with post-paid churn at 1.2% for the 12 months of 2008. Customer satisfaction levels, as measured by both internal and external surveys, have further improved.

3's Service Centres in Sydney, Melbourne, Brisbane, Adelaide and Perth continued to meet our customers' need for a simpler and quicker way to have handsets repaired.

3 continued to deliver its award-winning self-care system 'My3' during the year. Accessible from handsets and on-line, 'My3' allows customers more visibility and control over their 3 account and continues to reduce the number of customer calls to 3Care for account information and other services.



Review of Operations continued.

Network

Throughout 2008, the 3GIS joint venture (with our partner, Telstra Corporation Limited) added a further 61 sites into the network bringing the total number to 2,680.

The key network focus in 2008 was on delivering capacity to the network and infrastructure to support rapid customer and data growth by infilling the existing coverage footprint.

Customers currently experience a typical downlink speed of between 600Kbps and 3.0Mbps with a theoretical maximum in some parts of the network of 7.2Mbps, and an uplink speed of 1.4Mbps. Higher typical downlink speeds will be available where capacity expansions have been implemented. Network speed upgrades will be in line with capacity needs and the availability of mass market devices to support those speeds.

During the second quarter of 2009, 3 will provide its customers with high speed access to 3G services in areas covering 96% of the population, further enabling growth and expansion of the use of 3G services.

Data usage growth

Data usage increased from **121** terabytes per month in the first half of the year to **263** terabytes per month in second half of the year.





Planet 3 Content and Mobile Broadband events

199 million Planet 3 Content and Mobile Broadband events were experienced

Sponsorships

2008 saw 3 continue as a Platinum Partner of Cricket Australia and sponsor of the Australian Test Cricket team, as well as a sponsor of the Essendon Football Club.

3's sponsorship of the Australian Test Cricket team and the Test Series has been hugely successful. It is one of the most well recognised sponsorships in Australia, and in 2008 it was awarded Australia's best current sponsorship by the Australasian Sponsorship Marketing Association.

Following the success of 3's cricket association, 3 extended its sponsorship of the team until 2013. 3's association with the McGrath Foundation has enabled us to integrate our community work with our cricket sponsorship.

3 ended its sponsorship of Essendon Football Club at the end of the 2008 AFL season.

3 continued to sponsor television content, providing opportunities for brand exposure in core demographic areas and access to content for streaming onto 3 mobiles. A notable example was Project Runway, in partnership with Foxtel's ARENA TV.

3 cheers for your support!

"I've been completely overwhelmed by the level of support we've received during the 3 Mobile Test Series. On behalf of myself, Tracy Benson and entire team, we'd like to thank everyone involved. I truly believe that together we have made a difference!"
Glenn McGrath (Test Captain)

Thanks.

We want to say a big thank you to everyone who supported the McGrath Foundation throughout the 3 Mobile Test Series. As guests with the 3 Mobile experience, online donations and actions, we're lucky in many of our ways.

You can still help.

Look a limited edition 3 Men of Letters calendar, featuring some of our beloved cricketers in 4 colours or less until they're gone - now only \$19.95 at 3mobile.com.au or from your nearest 3 store.

It's a proud privilege to be a member of the McGrath Foundation. Together we are making a difference. Visit mcgrathfoundation.com.au for more information or to make a donation.

McGrath Foundation **3 TEST SERIES**