

# Optus Investor Day: Fixed Business Overview

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Director Strategy & Corporate Development

5 July 2010

## Forward looking statements - important note

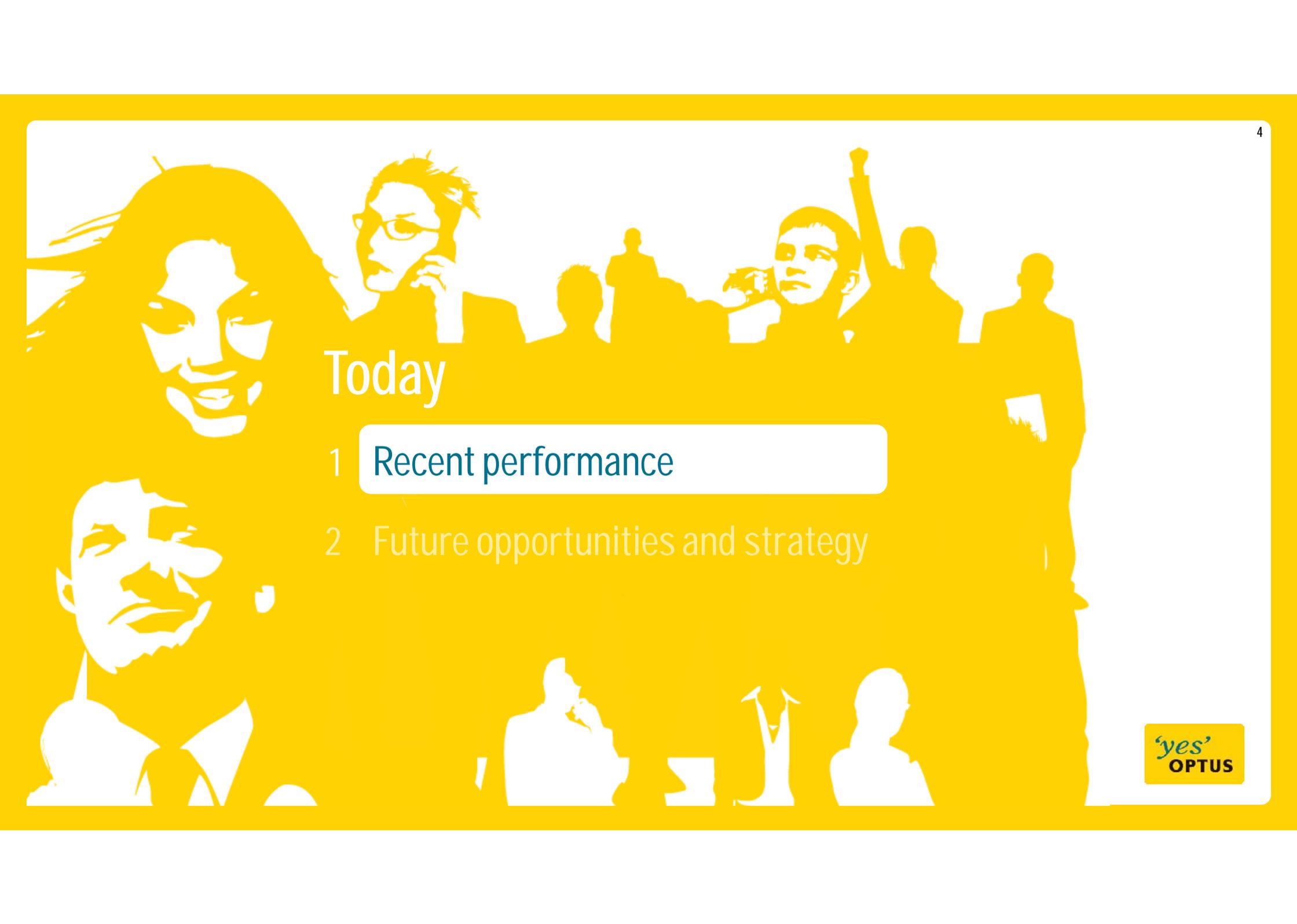
The following presentation may contain forward looking statements by the management of SingTel Group relating to financial trends for future periods, compared to the results for previous periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingTel Group. In particular, such targets should not be regarded as a forecast or projection of future performance of SingTel Group. It should be noted that the actual performance of SingTel Group may vary significantly from such targets.



## Today

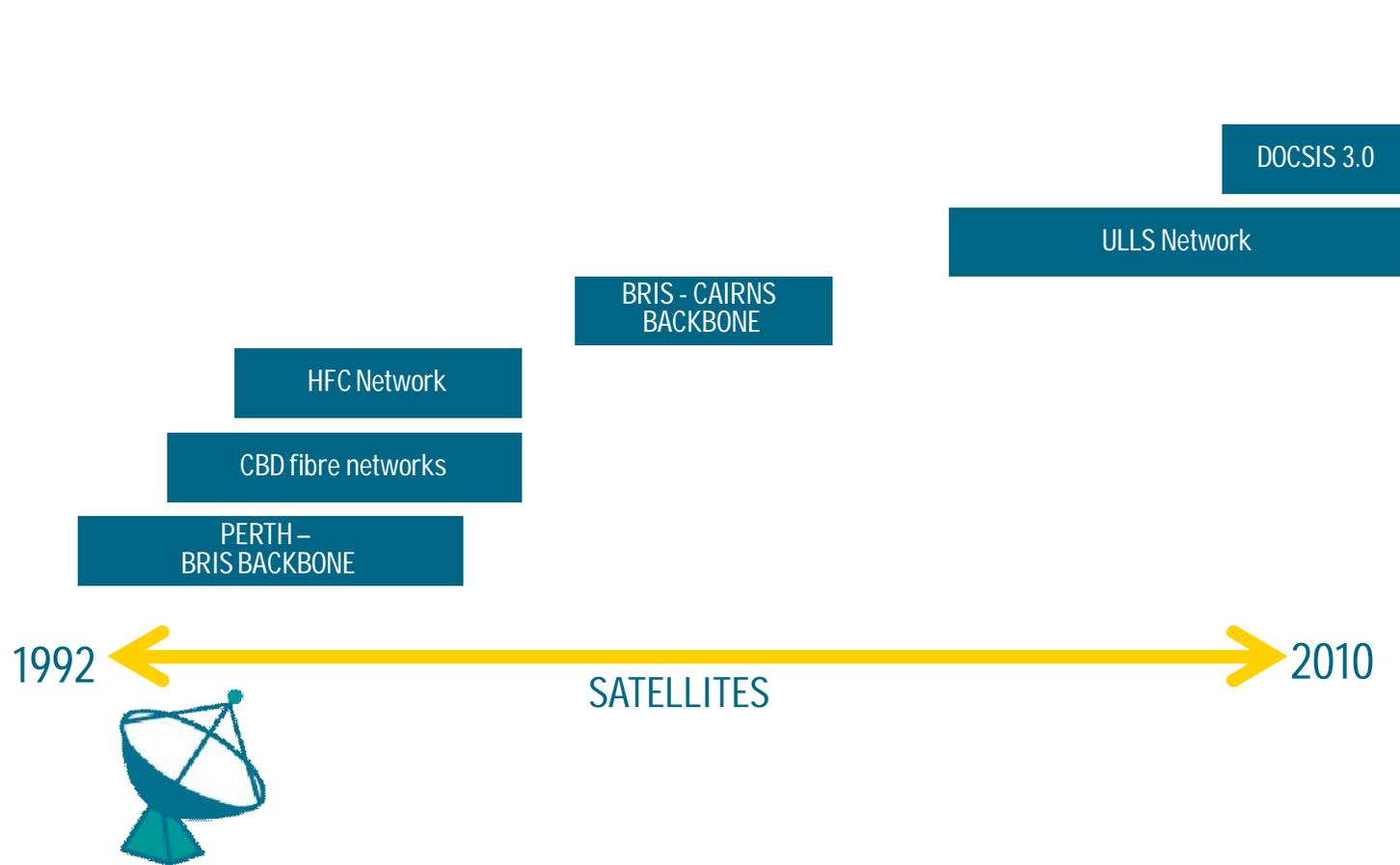
- 1 Recent performance
- 2 Future opportunities and strategy



## Today

- 1 Recent performance
- 2 Future opportunities and strategy

# Optus has invested to deliver Australia's main competing fixed line network

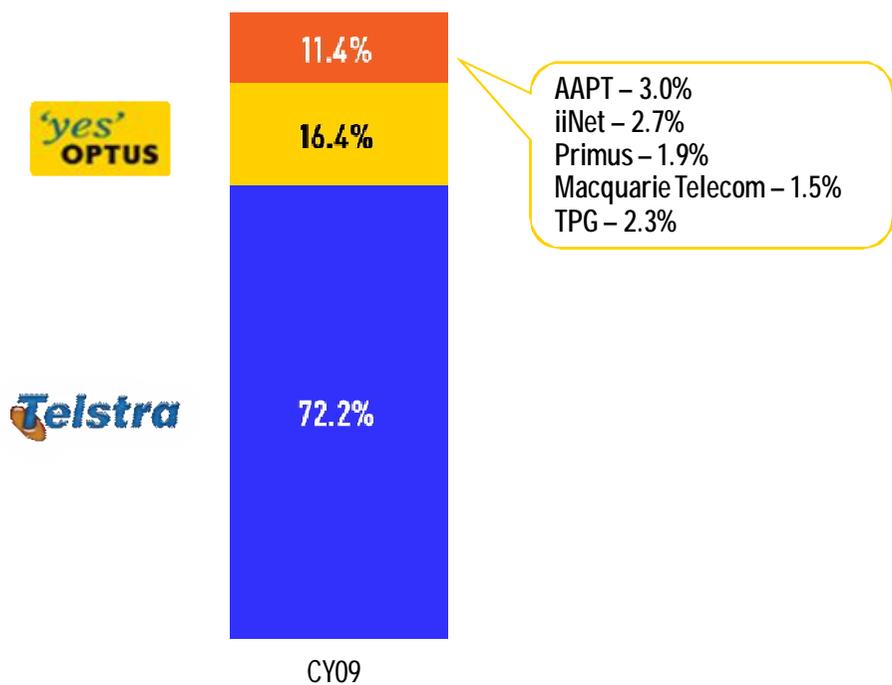


- Over 17,400 corporate premises connected
- 4.3m premises covered
- Over 11,000 km of intercity fibre: Perth through to Cairns
- Over 26,000 km of HFC coaxial cable
- 371 ADSL2+ exchanges
- 5 satellites serving Australia & NZ
- Ownership of/access to 15 International Cables
- 17 Exchanges, 6 Satellite Earth Stations, 1 Dedicated Hosting Site and 1 Dedicated Data Centre

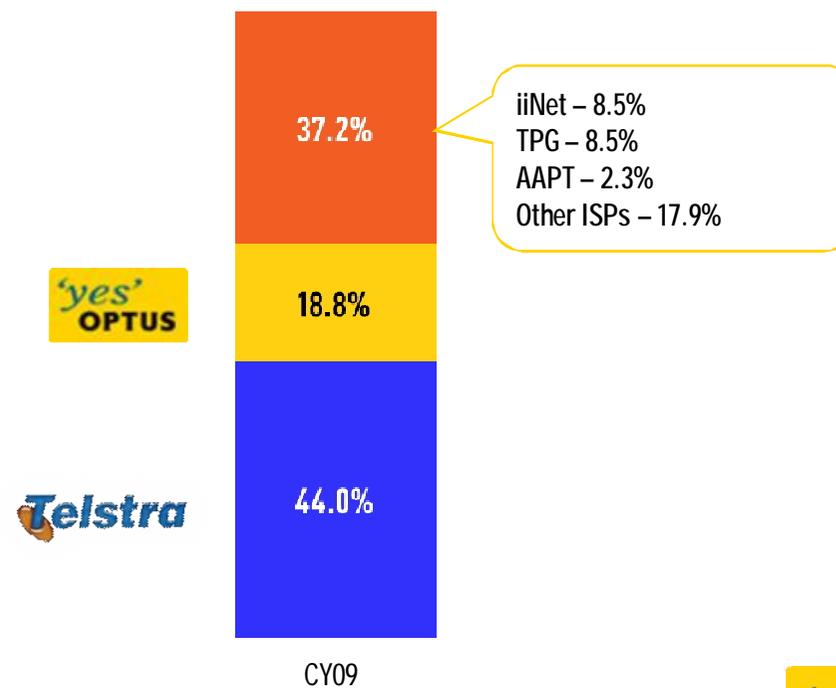


# As a result of its investments, Optus is the key scale competitor in fixed line services

FIXED REVENUE MARKET SHARE\*



BROADBAND SUBS MARKET SHARE\*



\* Source: JP Morgan

'yes'  
OPTUS

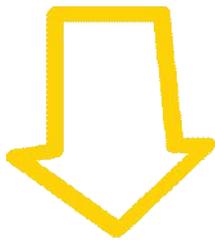
However, it has not been a level playing field

	MARKET STRUCTURE	COMPETITIVE OUTCOME
<b>MOBILE</b>	Multiple separate competing end-to-end networks	✓
<b>FIXED</b>	Monopoly ownership of only access network to most premises	✗

# As a consequence, Optus' strategy has been to focus on-net; exiting unprofitable resale services

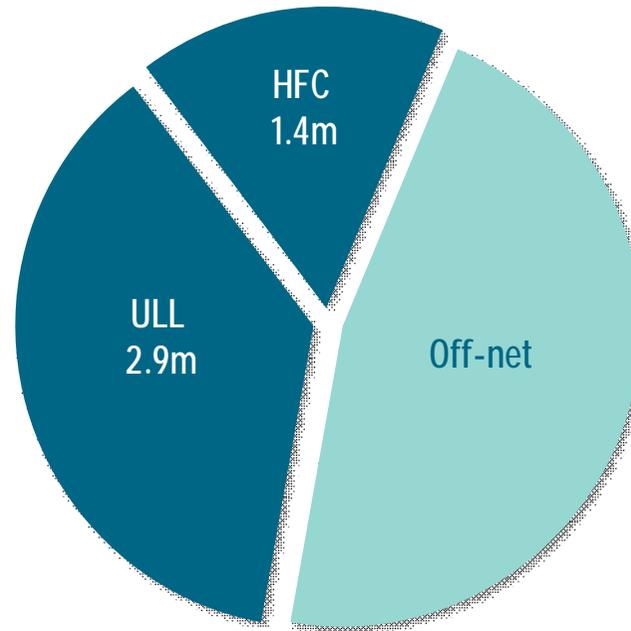
## ON-NET

- Grow share to match mobile market share
- Migrate current resale customers who are/will be covered by the ULL footprint



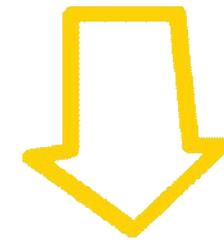
- ✓ Improved economics
- ✓ Improved customer experience

**ON NET COVERAGE  
4.3M PREMISES**



## OFF-NET RESALE

- Exit unprofitable resale business that our own network is unable to address



- ✓ Cost savings
- ✓ Reduce out-payments to incumbent

# Improved economics has enabled Optus to become substantially more disruptive in fixed mass market



**UNLIMITED**  
Broadband\* and  
Standard Calls\*  
Local • National • To Optus mobile

**\$99\***  
PER MONTH OVER 24 MONTHS

— Connect without limits —

Call 1800 XXX XXX

**yes**  
OPTUS

\*\*See over for terms and conditions.



Think bigger.

**\$59.99\* = 150GB\***  
BROADBAND (75GB peak + 75GB off-peak)  
Per month over 24 months when combined with an eligible Optus product

Call 1800 780 168

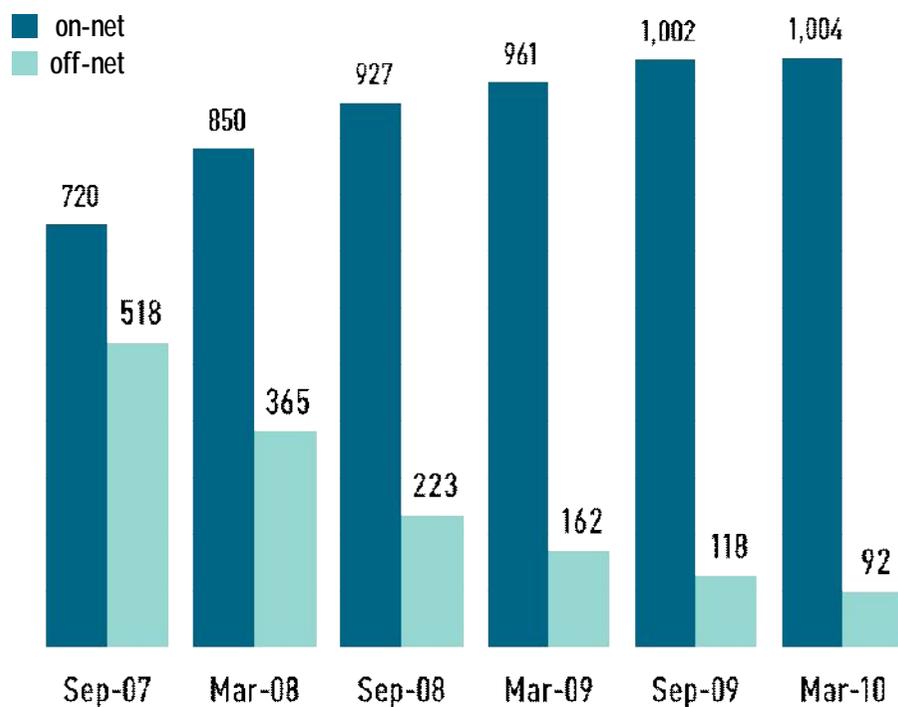
**yes**  
OPTUS

\*Min. Cost = \$2,064.71 (bundled). \*\*Speed limited once peak data exceeded.  
\*\*\*See over for terms and conditions and min. cost.

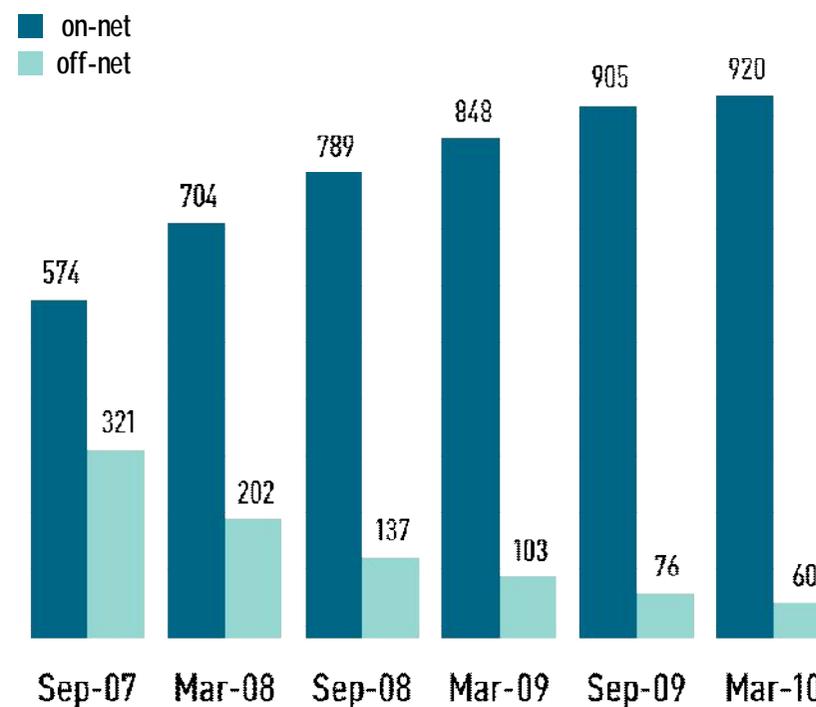


# This focus has driven growth in Consumer & SMB on-net fixed customers

## TELEPHONY CUSTOMERS (000s)



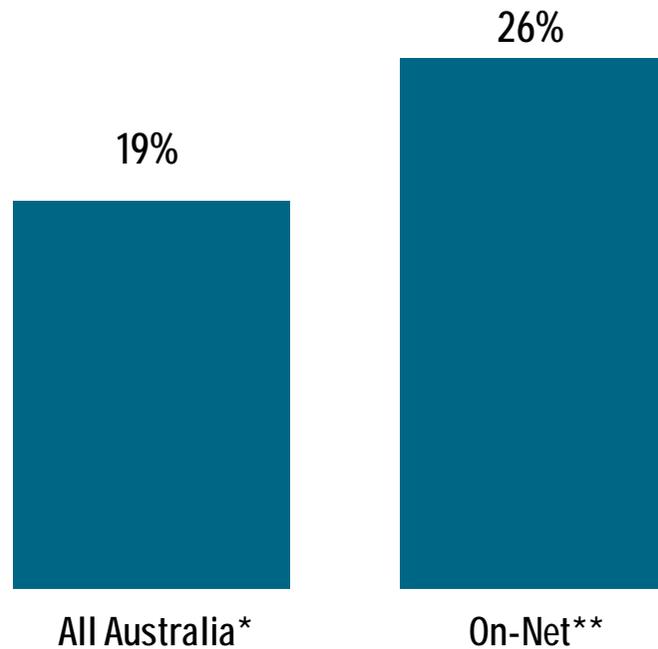
## BROADBAND CUSTOMERS (000s)



This in turn has delivered a substantial

**#2 MARKET SHARE POSITION  
IN ON-NET AREAS**

BROADBAND SUBSCRIBER SHARE – DEC 2009



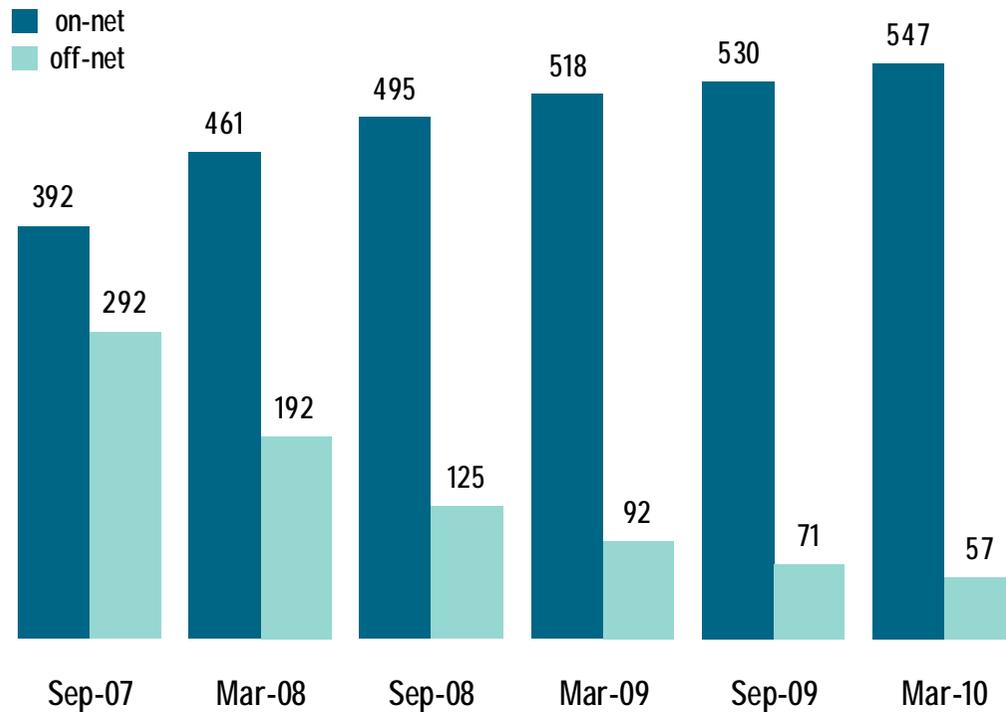
\* JP Morgan

\*\* Optus estimates, based on 4.3m premises on-net footprint and a broadband penetration of 67% (national penetration of 62%)

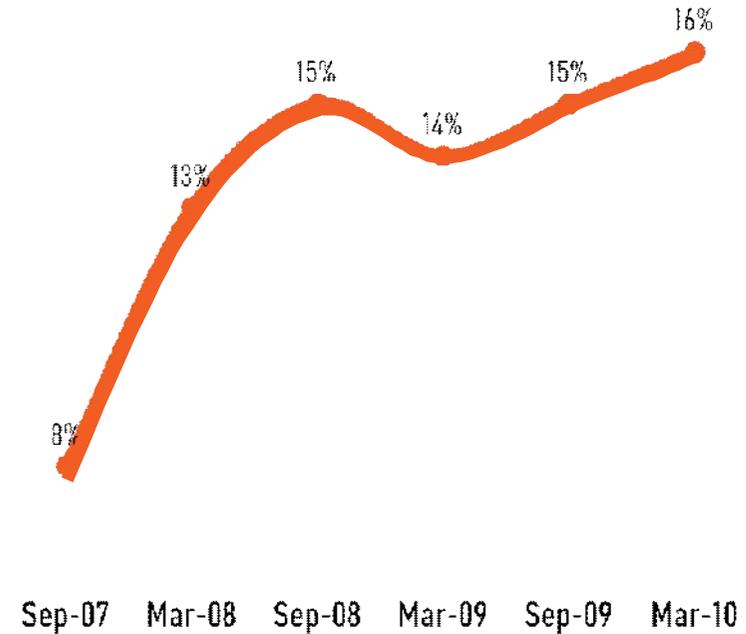


## Results: as we have grown on-net and exited unprofitable resale, our margins have improved

CONSUMER FIXED REVENUE (A\$ MILLION)  
(Six months to)

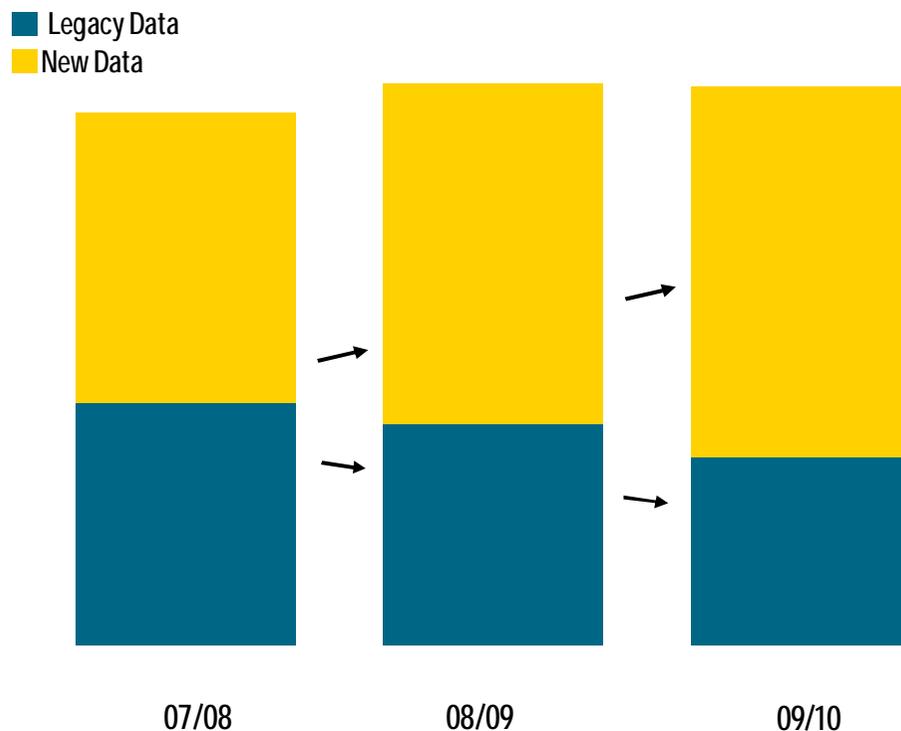


CONSUMER & SMB EBITDA MARGIN  
(Six months to)



## In the corporate market, we are also exploiting the shift to IP

### MIGRATION FROM LEGACY TO IP REVENUE



### LEADING IN INTEGRATED IPVPN NETWORK SERVICES

- Leading provider of IP VPN services in Asia (through SingTel) and market leader for Ethernet in Australia
- Evolve™ Layer 3 network - modular, future proof architecture; continually being enhanced to provide additional capabilities

### EVOLVE™ APPLICATIONS

- January 2010 - launched Evolve™ Video: enabling a low cost, managed video based communication over the IP network
- June 2010 - launched Evolve™ Telepresence: low upfront capital option for High Definition video communication carried over the Evolve™ IP network



## We are also undertaking a substantial transformation of our fixed business

### EXTENDING FOOTPRINT



- Leveraging Ethernet over Copper technology to increase on-net footprint
- Increase service bandwidth on ULL from 4MB/s to up to 20MB/s

### SIMPLIFYING PRODUCT SET



Substantial reduction in the number of Products offered to focus on IP and Ethernet

### RE-ENGINEERING OSS / BSS SYSTEMS



Simplify Service activation by automating our Operational Support & Business Support IT Systems

## We have also broadened our business to offer complementary ICT and Managed Services to our customers

### OPTUS MANAGED SERVICES

CAPABILITIES THAT REDUCE YOUR LOAD AND GIVE YOU PEACE OF MIND.



- Optus Managed Services consolidates billing reports, provides centralised support and manages contractual agreements
- Includes Facilities Management, Vendor and Contract Management and Service Support

### NETWORK ICT SERVICES

HELPING YOUR BUSINESS WORK BETTER IN A NETWORKED WORLD.



- Optus' fully owned ICT Services arm, Alphawest, offers a diverse range of Managed Services, eg Managed IP Telephony, Managed Security Services
- First Service Provider to deploy the VMWare vCloud capability and first to have an end user customer running on a live vCloud platform globally

### HOSTING SERVICES

WITH SECURE HOSTING YOUR BUSINESS CAN BE MORE AGILE.



- Optus EXPAN Hosting Services offer a scalable range of cost effective and reliable hosting services
- Includes securely hosting IT equipment at the gateway to the Internet, managing dedicated servers and reliable hosting for websites

# Optus is the key alternative provider to Australian corporate and Government customers

## EXISTING CUSTOMERS

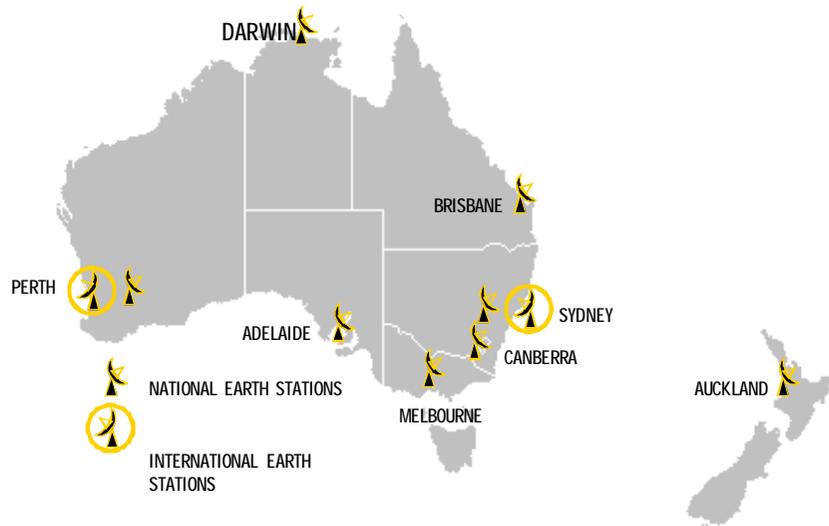
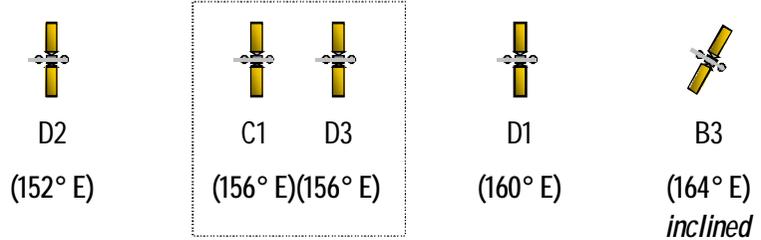


## RECENT WINS



# Optus also owns and operates Australia's main satellite fleet, where we have just added 30%+ more capacity with the launch of D3

- Leading player in Australia/NZ satellite industry
- 5 Optus satellites in orbit
- Australia & New Zealand 'hot' Bird locations
- 9th successful launch with D3 in August 2009
- Customer base



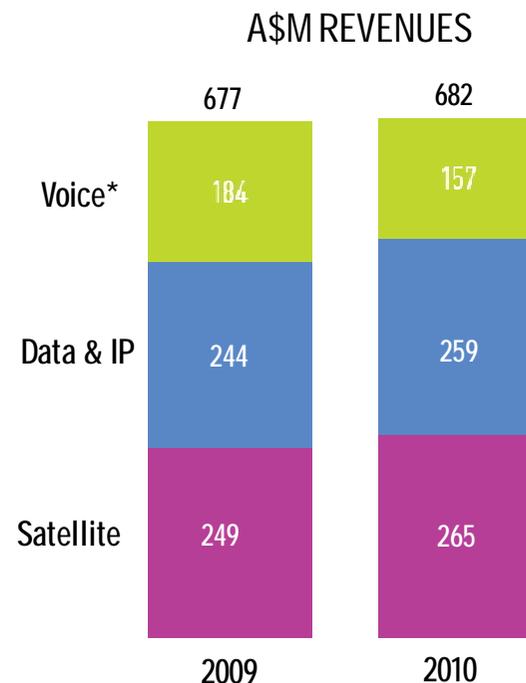
# Optus Wholesale & Satellite Fixed: solid Data & IP and Satellite growth

**FIXED REVENUE**  
(EXCLUDING INTL VOICE) **\$394m**

**9%**

**SATELLITE** **\$265m**

**7%**

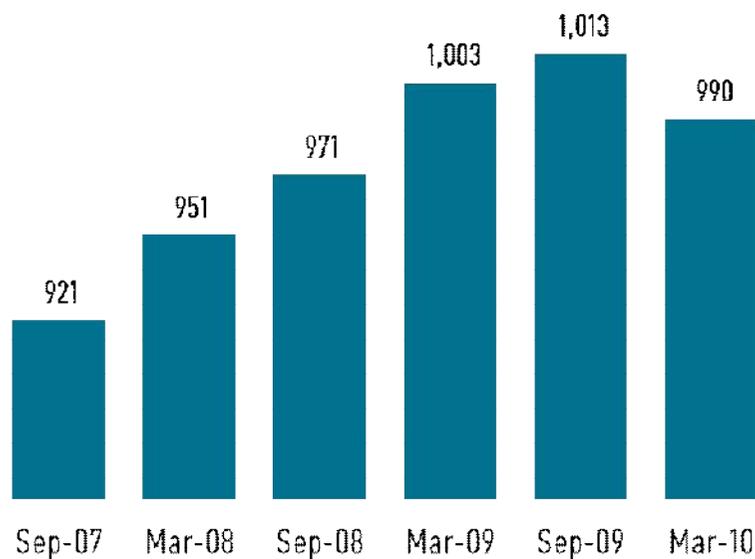


\* Including International Voice



## This has helped deliver margin expansion in our OB & OWS fixed portfolio

OB & OWS FIXED REVENUE (A\$ MILLION)  
(Six months to)



OB & OWS EBITDA MARGIN



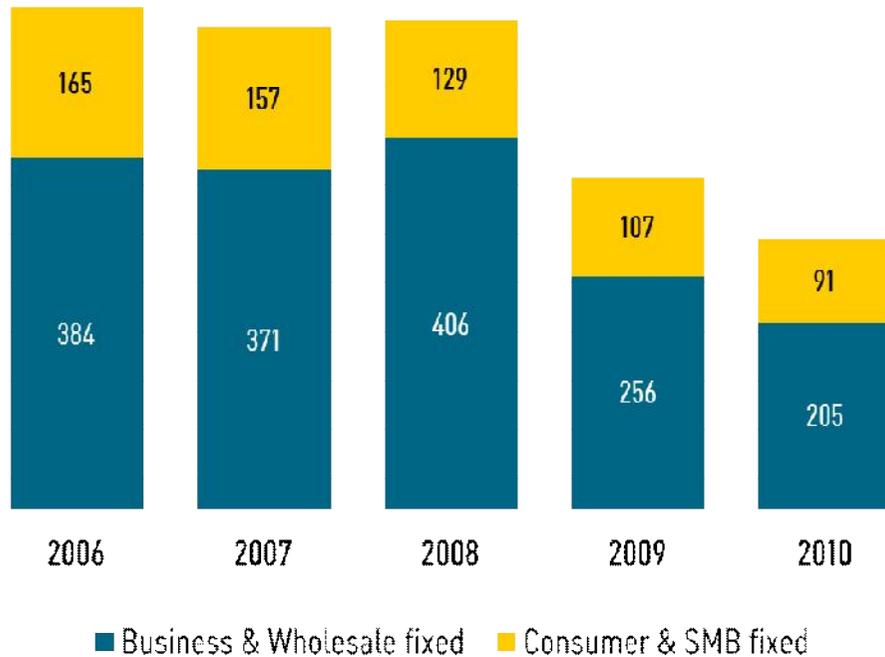


# Today

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- 2 **Future opportunities and strategy**

## Looking forward we are investing in on-net growth in targeted areas

FIXED CAPEX (A\$ MILLION)

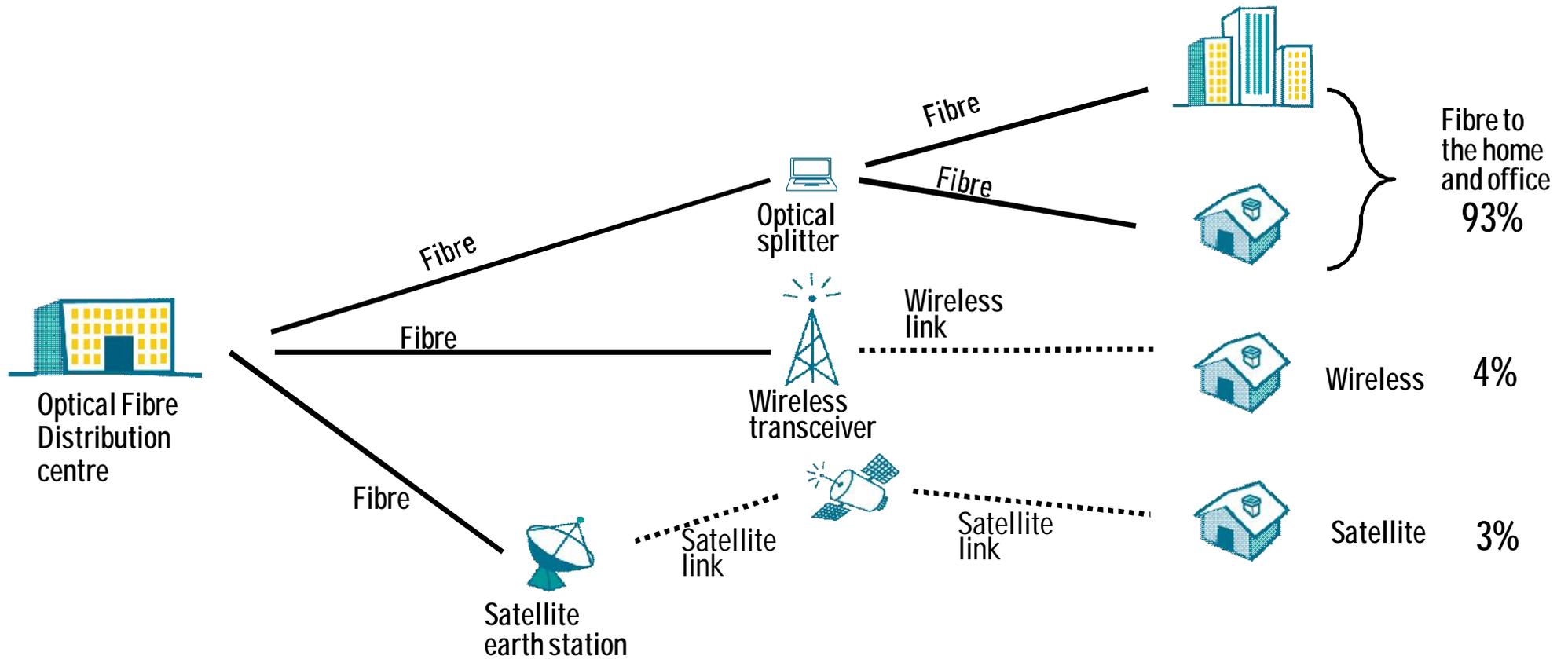


Rollout of the DOCSIS 3.0 upgrade to our HFC network is already underway - A\$25 million

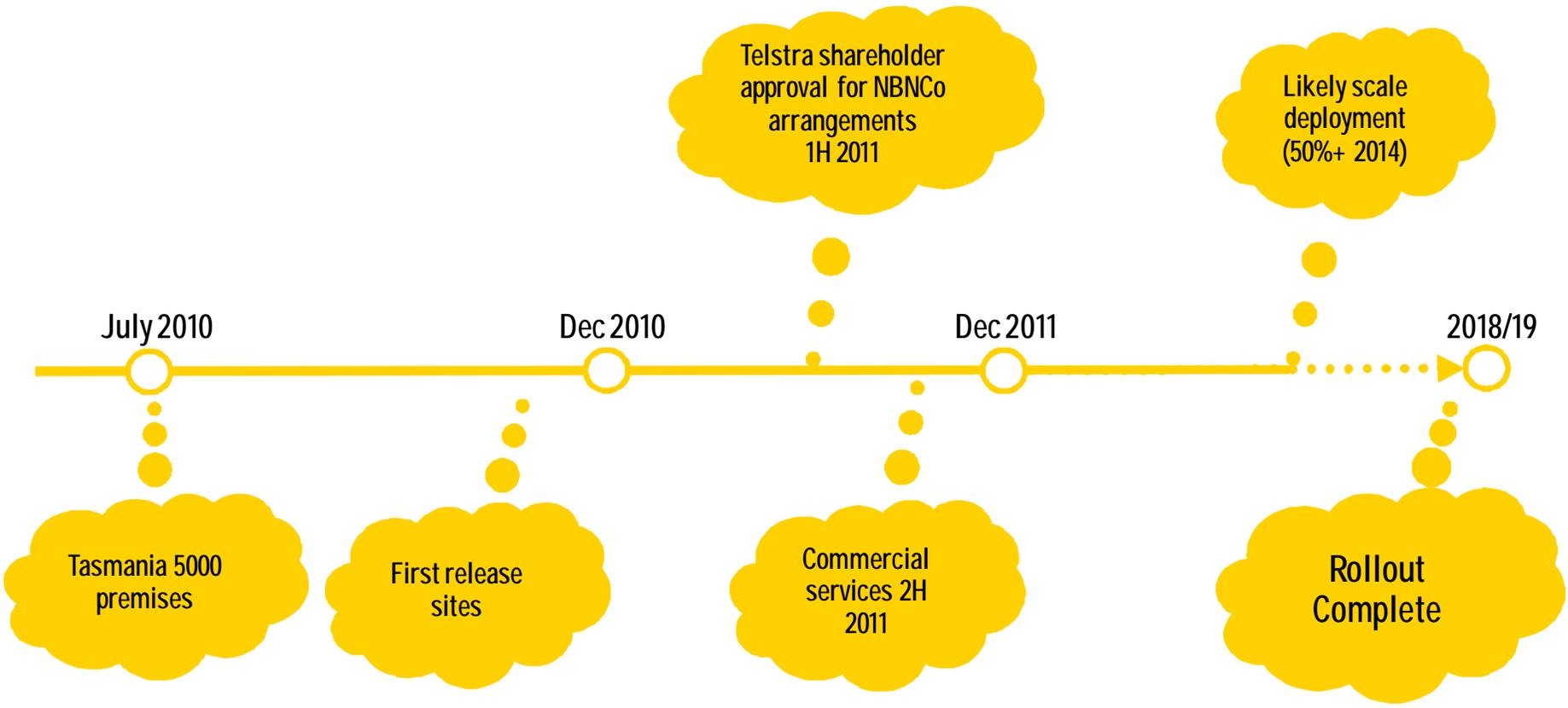
Selective ULL capacity upgrades at existing exchanges

Customer growth

# The NBN will change the game; now a step closer to reality

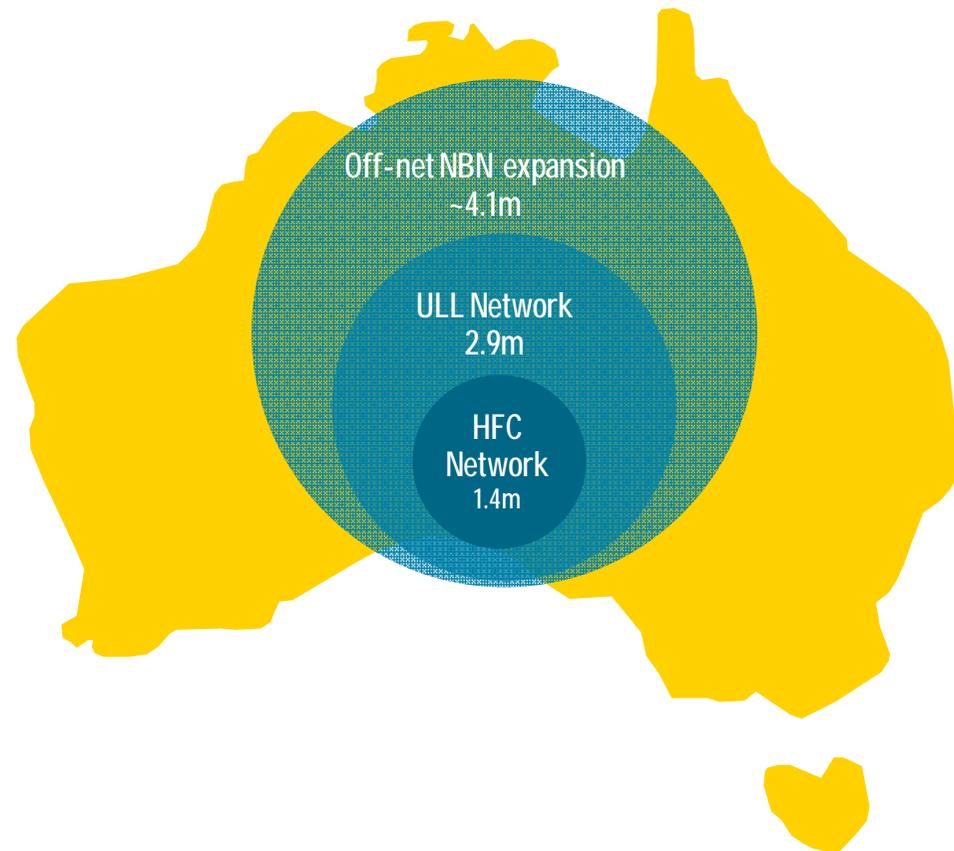


# NBN timeline: what we expect



# The NBN opportunity: a game changer for Optus

- ✓ Substantial customer base through existing ULL & HFC networks that can be served on NBN
- ✓ Significant potential from new profit pools, particularly regional markets
- ✓ Level playing field for access to businesses and consumers
- ✓ Increased access to competitive fibre backhaul for our mobile network
- ✓ Short term commercial opportunities to assist NBNCo rollout
- ⚠ New competitive entrants likely



# The NBN opportunity: a game changer for Optus

ON DEMAND  
WEB CONTENT

Fixed  
location

Home  
School  
Work



Customer



On the go

- Wireless led converged access – any device in any location
- Deeply personalised, relevant converged services
- Low-cost converged network

'yes'  
OPTUS

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