



Growing EBITDA while transforming the business

- Q4 and full year EBITDA up 3% and 1% respectively, as Optus continues to execute transformation strategy to deliver sustainable growth
- Significant transformation of the brand and customer experience well under way

Australia, 15 May 2013 – Optus today reported stable financial results for the quarter ended 31 March 2013, with EBITDA growing 3% to A\$700 million against a backdrop of negative revenue growth in the Australian mobile industry.

EBITDA grew despite a 5% decline in revenue, reflecting its strategy of strong cost management and yield improvement. EBITDA margin improved 2.7 percentage points to 32.2%.

In response to industry changes, Optus is positioning its brand with a focus on customer experience, enhancing 3G and 4G network investments, restructuring its retail network and online capability, and making significant service improvements.

In the quarter, operating expenses declined 9% to A\$1.49 billion driven by lower acquisition and retention costs, workforce restructuring to drive productivity improvements and improved cost discipline.

For the financial year ended 31 March 2013, Optus reported a 1% increase in EBITDA to A\$2.38 billion, despite a 5% decline in revenue. This reflects Optus' strong cost control. EBIT declined 2.3% due to higher depreciation and amortisation charges from increased network investments and acquisition of Vividwireless in June 2012.

Optus' free cash flow for the full year declined 4% to A\$1.07 billion as a result of higher working capital, reflecting higher receivables on handset repayments, partly offset by lower tax payments.

Highlights:

	Quarter		YOY Chge %	Year		YOY Chge %
	31 Mar			31 Mar		
	2013 A\$ m	2012 A\$ m		2013 A\$ m	2012 A\$ m	
Operating revenue	2,173	2,296	-5.4	8,934	9,368	-4.6
EBITDA	700	676	3.4	2,381	2,357	1.0
EBITDA margin	32.2%	29.5%		26.7%	25.2%	
EBIT	408	405	0.7	1,241	1,271	-2.3
Underlying net profit	257	267	-3.6	764	800	-4.5
Net profit	249	267	-6.9	728	787	-7.5
Free cash flow	549	370	48.2	1,068	1,111	-3.9

Kevin Russell, Chief Country Officer Australia said, "Optus is focused on driving sustainable, profitable growth and positioning itself to capitalise on mobile data revenue growth.



“We are committed to a sustainable business model and to rekindling the spirit of the Optus brand with a transformation program that fundamentally improves the services we deliver to our customers.

“Customers are already experiencing the impact of this transformation through an increased focus on our branded retail footprint, usage alerts which help them manage their spending and caps on excess data. Such initiatives are already making an impact with mobile postpaid retail churn reducing to 1.6%, versus 1.8% during the preceding quarter,” Mr Russell said.

Optus is building a strong, highly competitive mobile network through investments that are delivering enhanced 3G in-building coverage and 4G services in major population centres. In line with this strategy, Optus successfully secured spectrum from the Digital Divided Auction.

Optus won bids for 2 x 10 MHz of paired spectrum in the 700 MHz band nationally and 2 x 20 MHz of paired spectrum in the 2.5 GHz band for a total amount of A\$649 million, which is required to be paid in FY15.

“The amount of spectrum secured from the auction reflects Optus’ strategy of meeting growing customer needs for connectivity by optimising investment in spectrum and in cell sites, supported by maximising opportunities to share infrastructure.

“Optus is very well-placed to execute a major combined network rollout that will support a strong and sustainable experience for our customers moving forward,” Mr Russell concluded.

In **Mobile**, Optus reported an increase in margin and EBITDA despite lower operating revenue. The lower revenue has not adversely affected EBITDA, as the continuing effect of mandated reduction in mobile termination rates reduced traffic costs, equipment sales delivered lower margins and the service credits under the device repayment plans were offset by lower device subsidy costs related to these plans in the quarter.

Optus continued to grow its postpaid mobile customer base with net additions of 28,000 for the quarter. Postpaid customers now comprise 57% of the total base, up 2 percentage points from a year ago. Prepaid subscribers remained stable at 4.09 million. Optus grew the number of 4G mobile handsets on its network to 785,000.

In **Business and Wholesale fixed**, EBITDA improved A\$10 million while EBITDA margin increased 2 percentage points mainly due to recognition of A\$25 million of non-recurring contracted revenue invoiced in the quarter and lower operating expenses.

In the **Consumer and SMB fixed business**, EBITDA increased by 9.3% on lower operating expenses. The lower ARPU from discounted bundled plans has resulted in on-net revenue declining by 4.8%. As the NBN rollout continues, Optus Consumer has restructured and created a separate division to focus on mass market fixed revenue opportunities and cost optimisation to improve product profitability.

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