

Optus Gains Pace in Operational Transformation Improves Profitability

Australia, 14 August 2013 – Optus continues to aggressively transform its mobile operations to position itself to maximise future revenue potential from growth in mobile data usage.

Transformation activities for the quarter included extensive restructuring of the retail footprint, ground-breaking new mobile retail plans eliminating unfair breakage fees, new sustainable pricing for wholesale mobile data services and a fundamental renewal of the Optus brand.

The focus on cost efficiencies and profitable growth meant Optus reported improved financial results for the quarter ended 30 June 2013, with EBITDA growing 5% to A\$572 million.

Although revenue declined 5%, operating expenses for the quarter dropped 9% to A\$1.56 billion, driven by lower selling and administrative costs. EBITDA margin increased 2.6 percentage points to 27%. Net profit for the quarter grew 8% to A\$167 million.

Free cash flow for the quarter was A\$22 million lower as a result of working capital movements.

Highlights:

	Quarter		YOY Change %
	30 June		
	2013 A\$ m	2012 A\$ m	
Operating revenue	2,120	2,239	-5.3
EBITDA	572	545	4.9
<i>EBITDA margin</i>	<i>27.0%</i>	<i>24.4%</i>	
EBIT	275	268	2.6
Underlying net profit	167	161	3.6
Net profit	167	155	7.7

In Mobile, revenues declined 6% due to the continuing effect of the mandated reduction in mobile termination rates, decreased equipment sales as device subsidies were reduced and higher service credits associated with device repayment plans.

Optus has led the way in customer experience by introducing more sustainable data pricing. The launch of the market-leading My Plan responds to customers' growing demand for higher speeds and more data, whilst eliminating their exposure to penal data breakage charges. My Plan positions Optus to take advantage of future revenue growth opportunities arising from consumers' increasing demand for data.

Kevin Russell, Country Chief Officer, Australia said, "We now have strong momentum behind the key operational changes that will differentiate the Optus brand and ensure a market-leading service experience for our customers.

"The launch of My Plan this quarter was a critical step in eliminating unfair breakage costs and bill shock for Australian consumers whilst establishing a sustainable platform for 4G data revenue growth."

"It's also important to see our improving customer engagement, with mobile postpaid retail churn down on the preceding quarter and a 36% decline in the number of new complaints to the Telecommunications Industry Ombudsman (TIO) for the year ended 30 June 2013."

"It is encouraging that our improving profitability is being delivered during a period of extensive operational restructuring and change," Mr Russell said.

Optus is building a strong, highly competitive mobile network. After major network deployment over the last year, focused on improving 3G in-building coverage, the Optus network now reaches 98 per cent of the Australian population.

In the coming year, Optus will focus on continuing to strengthen the 3G network, and extending the 4G network to reach over 70 per cent of the metro population by mid-2014. Optus' network rollout plans will also include preparing its mobile network for the new 700 MHz and 2500 MHz spectrum it acquired in the recent spectrum auction.

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