

Optus Delivers Full Year EBITDA and Net Profit Growth

Australia – Optus today reported a 15% increase in Net Profit for the financial year ended 31 March 2014, as it continues to transform its business to drive profitable growth, improve customer experience and capitalise on the growing demand for mobile data.

The growth in full year profits was despite a 5% decline in revenue, reflecting Optus' strategy of strong cost management and yield improvement. EBITDA margin improved 2.8 percentage points to 29.5%.

Optus' free cash flow for the full year declined 15% to A\$903 million as increased cash flow from operations were offset by higher tax payments and mobile investments.

Paul O'Sullivan, Country Chief Officer, Australia, said, "Optus' strong full year earnings performance demonstrates we are taking the necessary steps to transform and restructure the business strategically for sustainable profit growth."

Quarterly Performance

Revenue declined 5% for the quarter, reflecting lower equipment sales, lower fixed revenues and lower incoming service revenues from a further industry-mandated decline in mobile termination rates that came into effect on 1 January 2014.

Optus' quarterly EBITDA fell 6% while Net Profit declined \$26 million as depreciation and amortisation charges increased from a higher level of investments in the mobile network. The profit result was also impacted by a cautious business environment and the recognition of \$25 million non-recurring contracted revenue in the corresponding quarter for the prior year.

Improving Customer Experience

Optus' focus on improving customer experience is having a positive effect on customers' engagement. For the second consecutive quarter, Optus achieved a Market Net Promoter Score of +5, while average monthly postpaid churn fell from 1.6% to 1.3% this quarter, taking churn to its lowest level in more than seven years.

"We have built a solid foundation with our customers by raising service levels and significantly lifting customer satisfaction. This reflects major investments in customer experience and networks. Our focus now is to leverage this strengthened position to drive renewed customer growth," Mr O'Sullivan said.

"Optus will continue to differentiate its brand with new products and services that lead in flexibility and value and which build momentum for Optus' data and customer growth," Mr O'Sullivan said.

Network Momentum in Metropolitan and Regional Centres

Optus continues to invest in its mobile network, with the 4G network now reaching 75% of the metropolitan population, while our 3G coverage reaches 98% of the national population.

During the quarter, Optus added 342,000 4G mobile customers*, bringing the 4G customer base to 2.15 million, up from 1.81 million a quarter ago.

“The 2015 availability of 700 MHz and 2600 MHz nationally means we are preparing our network to provide 4G services nationally including key regional areas,” Mr O’Sullivan said.

Financial Highlights

	Quarter		YOY Chge %	Year		YOY Chge %
	31 Mar			31 Mar		
	2014 A\$ m	2013 A\$ m		2014 A\$ m	2013 A\$ m	
Operating revenue	2,066	2,173	-4.9	8,466	8,934	-5.2
EBITDA	657	700	-6.1	2,502	2,381	5.1
<i>EBITDA margin</i>	31.8%	32.2%		29.5%	26.7%	
EBIT	351	408	-14.1	1,290	1,241	3.9
Underlying net profit	227	257	-11.9	842	764	10.2
Net profit	223	249	-10.2	835	728	14.6
Free cash flow	387	549	-29.4	903	1,068	-15.4

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*Note to editors: Defined as 4G handsets on the Optus network.