

Optus delivers resilient Q1 results

Australia – Optus today reported a quarter of stable results as it continues to transform its business through compelling content, network investments, and plans that capitalise on the growing demand for mobile data.

EBITDA grew 0.7% to A\$645 million for the quarter ended 30 June 2016, despite a 13% decline in operating revenue. EBITDA growth was affected by device repayment plan service credits, which were partly offset by the refund of GST related to prior periods.

Net Profit for the quarter was A\$173 million. Excluding exceptional items relating to a provision for workforce restructuring, underlying Net Profit declined 1.9% due to higher financing costs. EBITDA margin improved 4.4 percentage points to 32.3%.

Operating revenue declines were driven by the Australian Competition and Consumer Commission's regulated reduction of industry mobile termination rates from 1 January 2016, higher service credits associated with device repayment plans, and lower equipment sales.

Adjusted for the impact of mobile termination rates and device repayment plans, postpaid mobile average revenue per user (ARPU) increased 4% year-on-year.

Operating expenses for the quarter fell 20%, driven by lower domestic interconnect costs associated with reduced termination rates, lower equipment costs, lower customer acquisition and retention costs, and a reduction in advertising spend.

Free cash flow for the quarter was A\$99 million, up A\$58 million.

Optus continued its postpaid customer growth with net additions of 19,000 for the quarter. Higher churn from the introduction of customer identification verification regulations contributed to a decline in the prepaid customer base of 24,000.

Demand for 4G services continues to grow strongly, with a further 1.2 million customers joining Optus' 4G network over the last 12 months. Optus added 257,000 4G customers during the quarter, reaching a total of 4.93 million 4G customers at the end of June. 4G Plus customers now account for 53% of Optus' total mobile customer base.

In Consumer Mass Market Fixed, quarterly operating revenue grew 4%, due to take-up of Optus TV, growth in Optus' NBN customer base and NBN payments, and strong demand for resale DSL in regional markets. Optus now has 136,000 NBN Broadband customers, up from 54,000 customers a year ago. Optus has a total of 1.08 million broadband customers.

Allen Lew, Chief Executive Officer at Optus said, "This was a very busy quarter, as price competition remained intense, especially in the MVNO market. We've competed effectively with our branded, wholesale and fixed line products, and have focused on delivering a quality live video experience, starting with the launch of the Optus Sport channel in early July. We have already received some very positive responses from customers who've seen our first live broadcast of international soccer games."

During the quarter, Optus made progress towards building an even better mobile network for customers. Optus' 4G Plus network is now available at 5,155 regional and metropolitan sites, and reached 95% of Australians at the end of July. Optus also began the roll out of Voice over LTE (VoLTE) technology which allows customers with compatible devices to make and receive calls over the 4G network. During the quarter, Optus gained recognition for its network leadership when

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it was ranked first in the monthly Netflix Internet Service Provider Index for the tenth consecutive month.

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“In the coming quarters, Optus will continue to strengthen and expand its national 4G network and enhance its fixed network to deliver a market-leading, multi-media entertainment experience for customers,” Mr Lew said.

Financial Highlights

	Quarter		YoY Chge %
	30-Jun		
	2016 A\$ m	2015 A\$ m	
Operating revenue	1,999	2,295	-12.9
EBITDA	645	641	0.7
<i>EBITDA margin</i>	<i>32.3%</i>	<i>27.9%</i>	
EBIT	313	308	1.9
Underlying net profit	194	198	-1.9
Net profit	173	196	-11.9
Free cash flow	99	41	138.1

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