

## **Optus drives mobile and fixed customer growth with exclusive content, ongoing network investments, and innovative products**

**Australia** – Against a backdrop of heightened competition, Optus reported quarterly EBITDA of \$650 million. EBITDA margin improved 1.3 percentage points to 29.5%.

Net profit for the quarter of \$188 million was affected by device repayment plan service credits and one-off items in the corresponding quarter last year.

With its compelling range of offers, including data-free TV and movies, music, and the Premier League, Optus had another strong quarter of mobile handset customer growth. Optus added 153,000 mobile customers in the quarter, bringing the total number of mobile customers to 9.57 million. Postpaid handset subscribers grew by 90,000 while the Prepaid segment returned to growth this quarter with net additions of 43,000 subscribers.

Operating revenue declined 9.3% due to the Australian Competition and Consumer Commission's mandated reduction of industry mobile termination rates, higher service credits associated with device repayment plans, and one-off items in the corresponding quarter last year.

From 1 January 2016, mobile termination rates declined from 3.6 cents per minute to 1.7 cents per minute for calls, and 7.5 cents to 0.03 cents for SMS. The lower mobile termination rates have minimal impact on profitability.

Excluding the impact of mobile termination rates and device repayment plan credits, consumer blended mobile average revenue per user (ARPU), was stable year-on-year.

In Mass Market Fixed, operating revenue increased 3%, reflecting strong demand for Optus' home broadband entertainment bundles and NBN plans. Optus now has 192,000 broadband customers on the National Broadband Network and a total of 1.13 million broadband customers.

Free cash flow for the nine months ended December 2016 was \$298 million, up 15% year-on-year.

Allen Lew, Optus Chief Executive Officer said, "Optus is responding to moderating market conditions with an intense focus on innovative products, unique entertainment offers, and a strong network proposition."

During the quarter, Optus continued to focus on enhancing network capacity and extending its 4G footprint to 95.9% of Australians. Optus' network investment program is yielding results with its networks independently recognised. For the 16<sup>th</sup> consecutive month, Netflix has rated Optus as Australia's leading ISP for content streaming, while the P3 CommsDay Benchmark ranked Optus as number one for voice services in Australia.

Demand for 4G mobile services continues to grow with 270,000 new sign-ups this quarter. As at 31 December 2016, Optus' total 4G mobile subscriber base reached 5.54 million and accounts for 58 per cent of its mobile base.

## Media release

“Our network strategy, which is focused on delivering reach, capacity and reliability in both metropolitan and regional areas, is delivering real choice for customers. With our continued commitment to investing in regional areas, which has been boosted by the recent Mobile Black Spots Funding announcement, we are expecting to make further network improvements in 2017 and beyond,” Mr Lew said.

### Financial Highlights

	Quarter		YoY Chge %	Nine Months		YoY Chge %
	31 Dec			31 Dec		
	2016 A\$ m	2015 A\$ m		2016 A\$ m	2015 A\$ m	
Operating revenue	2,207	2,433	-9.3	6,318	7,042	-10.3
EBITDA	650	685	-5.2	1,928	2,032	-5.1
EBITDA margin	29.5%	28.2%		30.5%	28.9%	
EBIT	307	356	-14.0	915	1,034	-11.5
Underlying net profit	191	228	-16.3	569	657	-13.5
Net profit	188	227	-17.3	544	653	-16.7
Free cash flow	(22)	147	n/m	298	259	15.2
Adjusted Free cash flow <sup>(1)</sup>	112	147	-23.9	432	259	66.9

Note <sup>(1)</sup> Excluding the payment made to the Australian Taxation Office for amended assessments currently under dispute.

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