



TPG Telecom Limited

ABN 46 093 058 069

and its controlled entities

ASX Appendix 4D and Half Year Financial Report 31 January 2017

Lodged with the ASX under Listing Rule 4.2A

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TPG Telecom Limited

ASX Appendix 4D

Half Year ended 31 January 2017

(Previous corresponding period: Half Year ended 31 January 2016)

Results for announcement to the market

Earnings

| | | | | \$m |
|--|----|-----|----|------------|
| Revenue | up | 8% | to | 1,241.8 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | up | 8% | to | 473.4 |
| Profit for the period | up | 10% | to | 225.0 |
| Profit for the period attributable to owners of the Company | up | 11% | to | 224.0 |
| Earnings per share attributable to owners of the Company (basic and diluted) | up | 8% | to | 26.4 cents |

Dividends

| | Amount per security, fully franked |
|---|------------------------------------|
| This period: | |
| Final dividend for FY16 | 7.5 cents |
| Interim dividend for FY17 (payable 23 May 2017) | 8.0 cents |
| Previous corresponding period: | |
| Final dividend for FY15 | 6.0 cents |
| Interim dividend for FY16 | 7.0 cents |

For the FY17 interim dividend the record date for determining entitlement to the dividend will be 18 April 2017. The Dividend Reinvestment Plan (DRP) is currently suspended until further notice.

Net Tangible Assets

| | 31 Jan 2017 | 31 Jan 2016 |
|----------------------------------|-------------|-------------|
| Net tangible assets per security | \$(0.81) | \$(1.00) |

Net tangible assets are calculated by deducting the value of intangible assets from the net assets of the Group. It should be noted that valuable assets owned by the Group such as mobile spectrum licences and indefeasible rights of use of bandwidth capacity are classified as intangible assets and are therefore excluded from the Group's net tangible assets.

Commentary on results

The Company has provided a commentary on the results in its Review of operations which accompanies this report.

TPG Telecom Limited and its controlled entities

Directors' report

For the half-year ended 31 January 2017

The directors present their report together with the condensed consolidated financial report for the half-year ended 31 January 2017.

Directors

The names of directors of the Company in office at any time during, or since the end of the half-year are set out below:

| Name | Period of directorship |
|---|-------------------------------|
| David Teoh <i>Executive Chairman</i> <i>Chief Executive Officer</i> | Director since 2008 |
| Denis Ledbury <i>Non-Executive Director</i> | Director since 2000 |
| Robert Millner <i>Non-Executive Director</i> | Director since 2000 |
| Joseph Pang <i>Non-Executive Director</i> | Director since 2008 |
| Shane Teoh <i>Non-Executive Director</i> | Director since 2012 |

Review of operations

Reported Results

Reported financial results for the TPG Telecom Limited Group for the half year ended 31 January 2017 ("1H17") include the following highlights:

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period increased by 8% to \$473.4m.
- Net Profit After Tax attributable to shareholders ("NPAT") for the period was \$224.0m, an increase over 1H16 of 11%.
- Earnings per share ("EPS") increased by 8% to 26.4 cents per share.
- Interim dividend per share increased by 14% to 8.0 cents per share.

TPG Telecom Limited and its controlled entities

Directors' report (continued)

For the half-year ended 31 January 2017

Review of operations (continued)

Underlying¹ Results

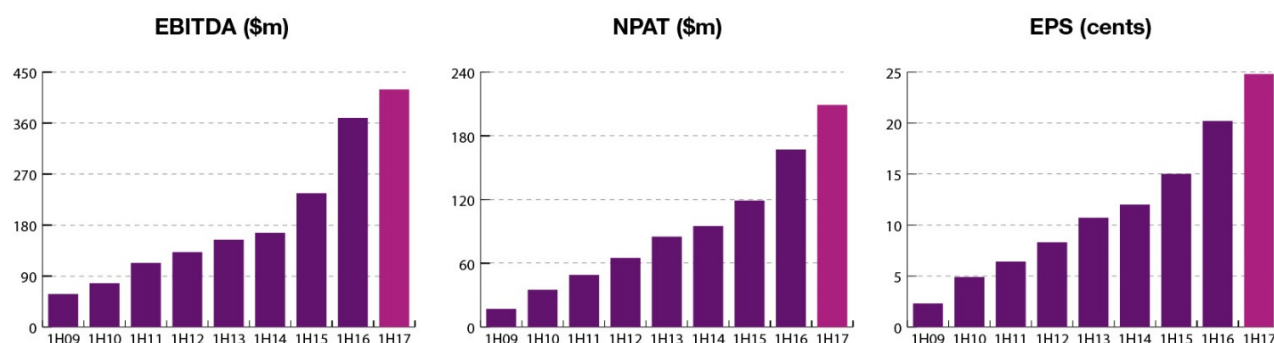
The 1H17 reported results include the following irregular items:

- \$48.8m profit realised on the sale of equity investments (\$35.3m post tax).
- \$7.0m non-recurring revenue earned by the Group's Consumer Division (\$4.9m post tax).

Excluding these irregular items and the \$68.5m (\$66.8m post tax) irregular items that benefitted the 1H16 reported EBITDA, the Group's underlying EBITDA for 1H17 has increased by \$48.8m (13%) to \$417.6m.

The Group's underlying NPAT grew by \$45.2m (28%) in 1H17 to \$207.5m due primarily to the EBITDA growth plus a \$17.0m (pre-tax) decrease in net financing costs due to a reduction in the quantum and cost of the Group's bank debt.

Underlying EPS² increased by 25% to 24.5 cents per share.



TPG Consumer Division

The TPG Consumer Division's EBITDA for 1H17 was \$142.2m compared to \$125.6m for 1H16.

This result included \$7.0m of one-off revenue earned through a key supplier arrangement. Even excluding this irregular item, the Division achieved EBITDA growth of \$9.6m (8%) driven by NBN and FTTB subscriber growth.

TPG Corporate Division

The TPG Corporate Division achieved 1H17 EBITDA of \$141.1m compared to \$131.9m for 1H16, representing growth of \$9.2m (7%) driven by continued strong data and internet sales and margin expansion.

Investment has also been made during the period in expanding the Corporate Division sales force for future growth.

¹ A reconciliation of reported to underlying profits is set out on page 6.

² Underlying EPS incorporates the same adjustments as set out for underlying NPAT.

TPG Telecom Limited and its controlled entities

Directors' report (continued)

For the half-year ended 31 January 2017

Review of operations (continued)

iiNet

iiNet contributed EBITDA of \$141.7m in 1H17 compared to \$107.1m for the five and a quarter months post acquisition period in 1H16. The drivers of the \$34.6m growth in 1H17 were (i) \$4.0m of integration costs incurred in 1H16 not repeated in 1H17, (ii) \$15.9m from the three extra weeks' contribution in 1H17, and (iii) \$14.7m organic EBITDA growth.

The organic EBITDA growth was driven by broadband subscribers which increased to 990k in the period as well as by the ongoing realisation of financial benefits from integration activities which helped lift iiNet's EBITDA margin to 26% in 1H17 compared to 22% in 1H16 and 18% prior to the acquisition. These growth drivers more than offset the adverse impact of the continued decline of legacy fixed voice business and a lower contribution from Tech2.

Singapore

During the period the Group was the successful bidder at the new Entrant Spectrum Auction in Singapore and in the three months since the auction has made a strong start to its mobile network rollout.

Cashflow, Capital Expenditure and Gearing

The Group delivered another strong cashflow result in 1H17 with \$434.8m cash generated from operations (pre-tax).

The Group's 1H17 Capital Expenditure of \$330.2m comprised \$108.0m in relation to Singapore and \$222.2m in relation to the Australian business, up from \$133.4m for the previous corresponding period. This increase was driven by (i) acceleration in the fibre expansion for the Vodafone fibre contract which is running to schedule and within budget, and (ii) the acquisition of additional international capacity.

Cashflows in the period were also boosted by \$124.5m of proceeds from the sale of equity investments and the Group reduced its bank debt at the end of the half year to \$1,313m representing a net debt to annualised EBITDA leverage ratio of ~1.6x³.

Dividend

In light of the Group's strong cashflow and earnings growth, the Board of Directors has declared an increase to the interim FY17 dividend by 14% to 8.0 cents per share (fully franked), payable on 23 May 2017 to shareholders on the register on 18 April 2017.

³ Based on annualised 1H17 underlying EBITDA and including IRU debt within net debt.

TPG Telecom Limited and its controlled entities

Directors' report (continued)

For the half-year ended 31 January 2017

Review of operations (continued)

FY17 Guidance

The directors reaffirm the guidance provided in September 2016 for underlying EBITDA for the Group for the full year FY17 to be in the range of \$820-830m.

| | 1H17 Actual \$m | FY17 Guidance* \$m |
|---------------------|-----------------------|--------------------------|
| Underlying EBITDA | 417.6 | 820-830 |
| Non-recurring gains | 55.8 | |
| Reported EBITDA | 473.4 | |

* As originally provided in September 2016, and now reaffirmed.

Reconciliation of Reported to Underlying Profits

| | 1H17 | | 1H16 | |
|--|--------------|--------------|--------------|--------------|
| \$m | EBITDA | NPAT | EBITDA | NPAT |
| Reported | 473.4 | 224.0 | 437.3 | 202.5 |
| <i>Less: Profit on sale of equity investments</i> | (48.8) | (35.3) | (9.7) | (6.8) |
| <i>Less: Gain on previously held interest in iiNet</i> | - | - | (73.1) | (73.1) |
| <i>Less: One-off revenue</i> | (7.0) | (4.9) | - | - |
| <i>Add: One-off iiNet acquisition transaction costs</i> | - | - | 10.3 | 10.3 |
| <i>Add: Non-recurring iiNet re-organisation costs</i> | - | - | 4.0 | 2.8 |
| <i>Add: Acquired customer base intangible amortisation</i> | - | 23.7 | - | 26.6 |
| Underlying | 417.6 | 207.5 | 368.8 | 162.3 |

TPG Telecom Limited and its controlled entities

Directors' report (continued)

For the half-year ended 31 January 2017

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 26 and forms part of the directors' report for the half-year ended 31 January 2017.

Rounding off

The Company is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191 dated 24 March 2016 and, in accordance with that instrument, all financial information presented in the consolidated financial statements and directors' report has been rounded to the nearest hundred thousand dollars unless otherwise stated.

Dated at Sydney this 21st day of March 2017.

Signed in accordance with a resolution of the directors:



David Teoh
Chairman

TPG Telecom Limited and its controlled entities

Consolidated interim income statement

For the half-year ended 31 January 2017

| | <i>Note</i> | 31 Jan 2017 \$m | 31 Jan 2016 \$m |
|--|-------------|--------------------------------|--------------------------------|
| Revenue | 7 | 1,241.8 | 1,153.0 |
| Other income | 8 | 48.8 | 83.2 |
| Network, carrier and hardware costs | | (592.2) | (571.4) |
| Employee benefits expense | | (130.4) | (136.7) |
| Other expenses | | (94.6) | (90.8) |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | | 473.4 | 437.3 |
| Depreciation of plant and equipment | | (69.6) | (67.1) |
| Amortisation of intangibles | 12 | (52.8) | (58.3) |
| Results from operating activities | | 351.0 | 311.9 |
| Finance income | | 0.8 | 0.6 |
| Finance expenses | | (30.7) | (47.5) |
| Net financing costs | | (29.9) | (46.9) |
| Profit before income tax | | 321.1 | 265.0 |
| Income tax expense | 9 | (96.1) | (61.2) |
| Profit for the period | | 225.0 | 203.8 |
| Attributable to: | | | |
| Owners of the Company | | 224.0 | 202.5 |
| Non-controlling interest | | 1.0 | 1.3 |
| | | 225.0 | 203.8 |
| Earnings per share attributable to owners of the Company: | | | |
| Basic and diluted earnings per share (cents) | 15 | 26.4 | 24.5 |

TPG Telecom Limited and its controlled entities
Consolidated interim statement of comprehensive income

For the half-year ended 31 January 2017

| | 31 Jan 2017 \$m | 31 Jan 2016 \$m |
|---|-----------------------|-----------------------|
| Profit for the period | 225.0 | 203.8 |
| Items that may be reclassified subsequently to profit or loss, net of tax: | | |
| Foreign exchange translation differences | (2.5) | - |
| Net loss on cash flow hedges taken to equity | (0.6) | (2.0) |
| Net change in fair value of available-for-sale financial assets | (16.7) | 20.0 |
| Available-for-sale financial assets reclassified to profit or loss | (34.2) | (56.8) |
| Other comprehensive income, net of tax | (54.0) | (38.8) |
| Total comprehensive income for the period | 171.0 | 165.0 |
| Attributable to: | | |
| Owners of the Company | 170.0 | 163.7 |
| Non-controlling interest | 1.0 | 1.3 |
| | 171.0 | 165.0 |

TPG Telecom Limited and its controlled entities

Consolidated interim statement of financial position

As at 31 January 2017

| | <i>Note</i> | 31 Jan 2017 \$m | 31 July 2016 \$m |
|---|--------------|--------------------------------|---------------------------------|
| Assets | | | |
| Cash and cash equivalents | | 44.7 | 39.2 |
| Trade and other receivables | | 125.0 | 145.2 |
| Inventories | | 10.2 | 12.0 |
| Investments | 10,11 | - | 139.1 |
| Current tax assets | | - | 3.8 |
| Derivative financial instruments | 11 | 5.2 | 5.4 |
| Prepayments and other assets | | 16.8 | 13.9 |
| Total Current Assets | | 201.9 | 358.6 |
| Investments | 10,11 | 7.1 | 16.3 |
| Derivative financial instruments | 11 | 2.7 | 6.4 |
| Property, plant and equipment | | 982.1 | 895.1 |
| Intangible assets | 12 | 2,574.1 | 2,485.2 |
| Prepayments and other assets | | 9.5 | 9.4 |
| Total Non-Current Assets | | 3,575.5 | 3,412.4 |
| Total Assets | | 3,777.4 | 3,771.0 |
| Liabilities | | | |
| Trade and other payables | | 261.3 | 298.0 |
| Loans and borrowings | 13 | 30.4 | 27.1 |
| Current tax liabilities | | 30.3 | - |
| Employee benefits | | 26.4 | 28.1 |
| Provisions | | 14.2 | 16.6 |
| Accrued interest | | 2.0 | 1.6 |
| Deferred income and other liabilities | | 141.8 | 142.5 |
| Total Current Liabilities | | 506.4 | 513.9 |
| Loans and borrowings | 13 | 1,298.3 | 1,350.4 |
| Deferred tax liabilities | | 26.3 | 62.7 |
| Employee benefits | | 2.5 | 2.4 |
| Provisions | | 32.2 | 36.0 |
| Deferred income and other liabilities | | 28.4 | 26.4 |
| Total Non-Current Liabilities | | 1,387.7 | 1,477.9 |
| Total Liabilities | | 1,894.1 | 1,991.8 |
| Net Assets | | 1,883.3 | 1,779.2 |
| Equity | | | |
| Share capital | 14 | 1,051.9 | 1,051.9 |
| Reserves | | (13.8) | 41.2 |
| Retained earnings | | 841.4 | 681.0 |
| Equity attributable to owners of the Company | | 1,879.5 | 1,774.1 |
| Non-controlling interest | | 3.8 | 5.1 |
| Total Equity | | 1,883.3 | 1,779.2 |

The condensed notes on pages 13 to 22 are an integral part of these consolidated interim financial statements.

TPG Telecom Limited and its controlled entities

Consolidated interim statement of changes in equity

For the half-year ended 31 January 2017

| Note | Attributable to owners of the Company | | | | | | | | Non-controlling interest | Total equity |
|--|---------------------------------------|--------------------------------------|------------------------------|--------------------|-------------------------|----------------|-------------------|----------------|--------------------------|----------------|
| | Share capital | Foreign currency translation reserve | Share based payments reserve | Fair value reserve | Cash flow hedge reserve | Total reserves | Retained earnings | Total | | |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Balance as at 1 August 2015 | 516.9 | 0.4 | (3.4) | 79.5 | - | 76.5 | 409.8 | 1,003.2 | - | 1,003.2 |
| Profit for the period | - | - | - | - | - | - | 202.5 | 202.5 | 1.3 | 203.8 |
| Other comprehensive income | - | - | - | (36.8) | (2.0) | (38.8) | - | (38.8) | - | (38.8) |
| Total comprehensive income for the period | - | - | - | (36.8) | (2.0) | (38.8) | 202.5 | 163.7 | 1.3 | 165.0 |
| Issue of shares | 538.1 | - | - | - | - | - | - | 538.1 | - | 538.1 |
| Share-based payment transactions | - | - | (2.5) | - | - | (2.5) | - | (2.5) | - | (2.5) |
| Share issue costs | (3.1) | - | - | - | - | - | - | (3.1) | - | (3.1) |
| Acquisition of non-controlling interest | - | - | - | - | - | - | - | - | (0.1) | (0.1) |
| Dividends paid to shareholders | - | - | - | - | - | - | (49.0) | (49.0) | - | (49.0) |
| Balance as at 31 January 2016 | 1,051.9 | 0.4 | (5.9) | 42.7 | (2.0) | 35.2 | 563.3 | 1,650.4 | 1.2 | 1,651.6 |
| Balance as at 1 August 2016 | 1,051.9 | 0.3 | (4.0) | 46.9 | (2.0) | 41.2 | 681.0 | 1,774.1 | 5.1 | 1,779.2 |
| Profit for the period | - | - | - | - | - | - | 224.0 | 224.0 | 1.0 | 225.0 |
| Other comprehensive income | - | (2.5) | - | (50.9) | (0.6) | (54.0) | - | (54.0) | - | (54.0) |
| Total comprehensive income for the period | - | (2.5) | - | (50.9) | (0.6) | (54.0) | 224.0 | 170.0 | 1.0 | 171.0 |
| Share-based payment transactions | - | - | (1.0) | - | - | (1.0) | - | (1.0) | - | (1.0) |
| Dividends paid to shareholders | - | - | - | - | - | - | (63.6) | (63.6) | (2.3) | (65.9) |
| Balance as at 31 January 2017 | 1,051.9 | (2.2) | (5.0) | (4.0) | (2.6) | (13.8) | 841.4 | 1,879.5 | 3.8 | 1,883.3 |

TPG Telecom Limited and its controlled entities

Consolidated interim statement of cash flows

For the half-year ended 31 January 2017

| | Note | 31 Jan 2017 \$m | 31 Jan 2016 \$m |
|---|-------------|--------------------------------|--------------------------------|
| Cash flows resulting from operating activities | | | |
| Cash receipts from customers | | 1,382.7 | 1,271.5* |
| Cash paid to suppliers and employees | | (947.9) | (931.6)* |
| Cash generated from operations | | 434.8 | 339.9 |
| Income taxes paid | | (74.7) | (66.2) |
| Net cash from operating activities | | 360.1 | 273.7 |
| Cash flows resulting from investing activities | | | |
| Acquisition of property, plant and equipment | | (170.0) | (125.4) |
| Acquisition of intangible assets | | (160.2) | (8.0) |
| Proceeds from disposal of investments | 10 | 124.5 | 45.7 |
| Acquisition of subsidiaries, net of cash acquired | | - | (1,151.3) |
| Special dividend paid under Scheme of Arrangement | | - | (106.7) |
| Costs incurred on acquisition of subsidiaries | | (1.5) | (8.6) |
| Payment of contingent consideration | 11 | (3.8) | - |
| Dividends received | 8 | - | 0.4 |
| Net cash used in investing activities | | (211.0) | (1,353.9) |
| Cash flows resulting from financing activities | | | |
| Payment of finance lease liabilities | | (13.5) | (9.4) |
| Proceeds from borrowings | | 108.0 | 1,879.7 |
| Repayment of borrowings | | (145.0) | (960.9) |
| Transaction costs related to borrowings | | (3.4) | (51.0) |
| Issue of shares | | - | 326.9 |
| Share issue costs | 14 | - | (4.4) |
| Interest received | | 0.7 | 0.4 |
| Interest paid | | (24.6) | (36.9) |
| Dividends paid | 16 | (63.6) | (49.0) |
| Dividends paid to non-controlling interest | | (2.3) | - |
| Net cash (used in)/ from financing activities | | (143.7) | 1,095.4 |
| Net increase in cash and cash equivalents | | 5.4 | 15.2 |
| Cash and cash equivalents at beginning of the period | | 39.2 | 23.7 |
| Effect of exchange rate fluctuations | | 0.1 | (0.1) |
| Cash and cash equivalents at 31 January | | 44.7 | 38.8 |

* Refer to note 5

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2017

1. Reporting entity

TPG Telecom Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 January 2017 comprises the accounts of the Company and its subsidiaries (together referred to as the 'Group').

2. Basis of preparation

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the Group's 2016 Annual Report, which is available on the Company's website at www.tpg.com.au/about/investorrelations.

The condensed consolidated interim financial report was approved by the Board of Directors on 21 March 2017.

The Group is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191 dated 24 March 2016 and, in accordance with that instrument, all financial information has been rounded to the nearest hundred thousand dollars unless otherwise stated.

3. Significant accounting policies

Accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its 2016 Annual Report. There have been no new or revised Accounting Standards or Interpretations that have become effective for annual reporting periods beginning from 1 August 2016.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied in the Group's 2016 Annual Report.

5. Prior period comparatives

In the statement of cashflows on page 12 the prior period comparative numbers for 'cash receipts from customers' and 'cash paid to suppliers and employees' have been restated to net down an incorrect grossing up of these figures in the prior period report. This restatement does not result in any change to 'cash generated from operations'.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2017

6. Segment reporting

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Executive Chairman (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The Group recognises three segments as follows:

TPG Consumer

The TPG Consumer segment provides retail telecommunications services to residential and small business customers.

TPG Corporate

The TPG Corporate segment provides telecommunications services to corporate, government, and wholesale customers.

iiNet

The iiNet segment provides telecommunications and technology services to residential and business customers.

Results for the period for each operating segment are set out in the table on the next page. In the table, expenses in the 'Unallocated' column comprise professional fees incurred in relation to business combinations, start-up expenses in relation to the Group's Singapore operations and other corporate costs.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2017

6. Segment reporting (continued)

| | TPG Consumer | TPG Corporate | iiNet | Unallocated | Total results |
|---|-----------------|------------------|--------------|-------------|------------------|
| For the half year ended 31 January 2017 | \$m | \$m | \$m | \$m | \$m |
| Revenue | 363.0 | 337.5 | 541.3 | - | 1,241.8 |
| Other income | - | - | - | 48.8 | 48.8 |
| Network, carrier and hardware costs | (174.1) | (128.7) | (289.4) | - | (592.2) |
| Employee benefits expense | (23.0) | (52.5) | (54.9) | - | (130.4) |
| Other expenses | (23.7) | (15.2) | (55.3) | (0.4) | (94.6) |
| Results from segment activities | 142.2 | 141.1 | 141.7 | 48.4 | 473.4 |

For the half year ended 31 January 2016

| | | | | | |
|--|--------------|--------------|--------------|-------------|--------------|
| Revenue | 330.9 | 325.2 | 496.9 | - | 1,153.0 |
| Other income | - | - | - | 83.2 | 83.2 |
| Network, carrier and hardware costs | (162.9) | (128.5) | (280.0) | - | (571.4) |
| Employee benefits expense | (22.9) | (50.7) | (63.1) | - | (136.7) |
| Other expenses | (19.5) | (14.1) | (46.7) | (10.5) | (90.8) |
| Results from segment activities | 125.6 | 131.9 | 107.1 | 72.7 | 437.3 |

Reconciliation of segment results to the Group's profit before income tax is as follows:

| | 31 Jan 2017 \$m | 31 Jan 2016 \$m |
|--|-----------------------|-----------------------|
| Total segment results | 473.4 | 437.3 |
| Depreciation of plant and equipment | (69.6) | (67.1) |
| Amortisation of intangibles | (52.8) | (58.3) |
| Results from operating activities | 351.0 | 311.9 |
| Net financing costs | (29.9) | (46.9) |
| Profit before income tax | 321.1 | 265.0 |

Geographic Information

All of the Group's revenues are derived from Australian based entities, except for \$13.4m (2016: \$6.6m) derived from overseas customers.

All of the Group's non-current assets are located in Australia, except for assets amounting to \$127.5m (2016: \$124.4m) that are located either overseas or in international waters.

TPG Telecom Limited and its controlled entities
Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2017

7. Revenue

| | 31 Jan 2017 \$m | 31 Jan 2016 \$m |
|-----------------------|--------------------|--------------------|
| Rendering of services | 1,228.0 | 1,135.6 |
| Sale of goods | 13.8 | 17.4 |
| | 1,241.8 | 1,153.0 |

8. Other income

| | 31 Jan 2017 \$m | 31 Jan 2016 \$m |
|---|--------------------|--------------------|
| Gain on previously held interest in iiNet | - | 73.1 |
| Profit on sale of investments | 48.8 | 9.7 |
| Dividend income | - | 0.4 |
| | 48.8 | 83.2 |

9. Income tax expense

| | 31 Jan 2017 \$m | 31 Jan 2016 \$m |
|---|--------------------|--------------------|
| Current tax expense | 109.1 | 65.5 |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | (13.0) | (4.3) |
| Income tax expense | 96.1 | 61.2 |

Numerical reconciliation between tax expense and pre-tax accounting profit

| | 31 Jan 2017 \$m | 31 Jan 2016 \$m |
|---|--------------------|--------------------|
| Profit before income tax | 321.1 | 265.0 |
| Income tax using tax rate of 30% | 96.3 | 79.5 |
| Decrease in income tax expense due to: | | |
| Non-deductible and non-assessable items | (0.7) | (18.5) |
| Under provided in prior periods | 0.5 | 0.2 |
| Income tax expense | 96.1 | 61.2 |

TPG Telecom Limited and its controlled entities
Condensed notes to the consolidated interim financial statements
For the half-year ended 31 January 2017

10. Investments

| | 31 Jan 2017 | 31 July 2016 |
|--|--------------------|---------------------|
| | \$m | \$m |
| Available-for-sale financial assets | | |
| Current | | |
| Carrying amount at 1 August | 139.1 | 151.6 |
| Disposals | (124.5) | (60.0) |
| Change in fair value | (14.6) | 47.5 |
| Carrying amount at end of period | - | 139.1 |
| Non-current | | |
| Carrying amount at 1 August | 16.3 | 115.6 |
| Acquisitions | - | 3.0 |
| Deemed disposal on acquisition of iiNet | - | (97.3) |
| Change in fair value | (9.2) | (5.0) |
| Carrying amount at end of period | 7.1 | 16.3 |

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2017

11. Classification of financial instruments

Fair value hierarchy

There are three possible valuation methods (or 'levels') for financial instruments which are measured at fair value. Those different levels are as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

The Group's financial instruments which are measured at fair value are categorised as follows:

| | 31 Jan 2017 | | | 31 July 2016 | | |
|--|-------------|---------|---------|--------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | | |
| Investments | 7.1 | - | - | 155.4 | - | - |
| Foreign currency forward contracts | - | 7.9 | - | - | 11.8 | - |
| Financial liabilities | | | | | | |
| Contingent consideration on acquisition of Tech2 group | - | - | - | - | - | (3.8) |

The Group's investments, being ASX listed securities, are categorised as Level 1 as they are valued at quoted market prices.

Foreign currency forward contracts are categorised as Level 2 as they are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.

The fair value of the contingent consideration is determined using the discounted cash flow method and hence it is categorised as Level 3.

TPG Telecom Limited and its controlled entities
Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2017

12. Intangible assets

| | Non-Amortising | | Amortising | | | | Total |
|---|-----------------|---------------|--------------------------------------|---|-----------------------------|-------------------------------|----------------|
| | Goodwill \$m | Brands \$m | Acquired customer bases \$m | Indefeasible rights of use of capacity \$m | Spectrum licences \$m | Other intangibles * \$m | \$m |
| Costs | | | | | | | |
| Balance 1 August 2015 | 546.1 | 20.1 | 247.9 | 106.4 | 13.5 | 10.5 | 944.5 |
| Additions | - | - | - | 20.2 | 15.4 | 12.4 | 48.0 |
| Acquisitions through business combinations | 1,364.9 | 70.5 | 316.8 | 52.3 | - | 62.2 | 1,866.7 |
| Balance 31 July 2016 | 1,911.0 | 90.6 | 564.7 | 178.9 | 28.9 | 85.1 | 2,859.2 |
| Balance 1 August 2016 | 1,911.0 | 90.6 | 564.7 | 178.9 | 28.9 | 85.1 | 2,859.2 |
| Additions | - | - | - | 34.5 | 97.9 | 9.3 | 141.7 |
| Balance 31 January 2017 | 1,911.0 | 90.6 | 564.7 | 213.4 | 126.8 | 94.4 | 3,000.9 |
| Amortisation and Impairment | | | | | | | |
| Balance 1 August 2015 | - | - | 219.1 | 33.9 | 0.9 | 5.0 | 258.9 |
| Amortisation for the period | - | - | 74.5 | 10.6 | 1.3 | 28.7 | 115.1 |
| Balance 31 July 2016 | - | - | 293.6 | 44.5 | 2.2 | 33.7 | 374.0 |
| Balance 1 August 2016 | - | - | 293.6 | 44.5 | 2.2 | 33.7 | 374.0 |
| Amortisation for the period | - | - | 33.9 | 5.9 | 1.0 | 12.0 | 52.8 |
| Balance 31 January 2017 | - | - | 327.5 | 50.4 | 3.2 | 45.7 | 426.8 |
| Carrying amounts | | | | | | | |
| At 31 July 2016 | 1,911.0 | 90.6 | 271.1 | 134.4 | 26.7 | 51.4 | 2,485.2 |
| At 31 January 2017 | 1,911.0 | 90.6 | 237.2 | 163.0 | 123.6 | 48.7 | 2,574.1 |

* Other intangible assets include software, subscriber acquisition costs, development costs and other licences.

TPG Telecom Limited and its controlled entities

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For the half-year ended 31 January 2017

13. Loans and borrowings

| | 31 Jan 2017 \$m | 31 July 2016 \$m |
|---|--------------------|---------------------|
| Current | | |
| Indefeasible right of use (IRU) lease liabilities | 30.3 | 26.5 |
| Other finance lease liabilities | 0.1 | 0.6 |
| | 30.4 | 27.1 |
| Non-current | | |
| Gross secured bank loans | 1,313.0 | 1,350.0 |
| Less: Unamortised borrowing costs | (32.1) | (34.2) |
| | 1,280.9 | 1,315.8 |
| IRU lease liabilities | 17.4 | 34.5 |
| Other finance lease liabilities | - | 0.1 |
| | 1,298.3 | 1,350.4 |

As at 31 January 2017 the Group had debt facilities of \$1,685.0m of which \$1,313.0m was drawn down.

During the half-year, the Group entered into agreements to amend and extend these facilities, securing improved pricing and terms and extending the tenor such that the facilities now have a maturity profile of between 2.5 and 4.5 years.

The outstanding loan balance as at the reporting date is shown in the statement of financial position net of unamortised borrowing costs of \$32.1m.

14. Share capital

| | Ordinary shares | | \$m | |
|--|--------------------|--------------------|----------------|----------------|
| | 31 Jan 2017 | 31 July 2016 | 31 Jan 2017 | 31 July 2016 |
| Balance at start of period | 848,473,118 | 793,808,141 | 1,051.9 | 516.9 |
| Ordinary shares issued during the period | | | | |
| - Consideration for acquisition of iiNet | - | 23,212,554 | - | 211.2 |
| - Institutional share placement | - | 28,846,154 | - | 300.0 |
| - Share purchase plan | - | 2,606,269 | - | 26.9 |
| Share issue costs (net of tax) | - | - | - | (3.1) |
| Balance at end of period | 848,473,118 | 848,473,118 | 1,051.9 | 1,051.9 |

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2017

15. Earnings per share

| | 31 Jan 2017 Cents | 31 Jan 2016 Cents |
|--|----------------------|----------------------|
| Basic and diluted earnings per share | 26.4 | 24.5 |
| | \$m | \$m |
| Profit attributable to owners of the Company used in calculating basic and diluted earnings per share | 224.0 | 202.5 |
| | Number | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share | 848,473,118 | 827,796,018 |

16. Dividends

Dividends recognised in the current period were as follows:

| | Cents per share | Total amount \$m | Date of payment |
|-----------------------|--------------------|------------------------|-----------------|
| 2017 | | | |
| Final 2016 ordinary | 7.50 | 63.6 | 22 Nov 2016 |
| 2016 | | | |
| Interim 2016 ordinary | 7.00 | 59.4 | 24 May 2016 |
| Final 2015 ordinary | 6.00 | 49.0 | 17 Nov 2015 |

All dividends declared or paid were fully franked at the tax rate of 30%.

On 21 March 2017 the directors have declared a fully franked interim 2017 dividend of 8.0 cents per share. The dividend has a record date of 18 April 2017 and will be paid on 23 May 2017. As the interim dividend was not declared or resolved to be paid by the Board of directors as at 31 January 2017, the dividend has not been provided for in the consolidated interim statement of financial position.

The Dividend Reinvestment Plan (DRP) is currently suspended until further notice.

TPG Telecom Limited and its controlled entities

Condensed notes to the consolidated interim financial statements

For the half-year ended 31 January 2017

17. Capital commitments

| | 31 Jan 2017 \$m | 31 July 2016 \$m |
|---|--------------------|---------------------|
| Contracted but not provided for in the financial statements | 278.0 | 343.7 |

Capital commitments at 31 January 2017 are comprised mainly of commitments in respect of:

- IRU agreements for international capacity (US\$83m*);
- Spectrum licences purchased in FY16, payable in April 2017 (\$72m); and
- Domestic fibre construction projects.

*translated into AUD at the prevailing spot rate at 31 January 2017 of \$0.75.

18. Subsequent events

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

TPG Telecom Limited and its controlled entities

Directors' declaration

For the half-year ended 31 January 2017

In the opinion of the directors of TPG Telecom Limited ("the Company"):

1. the financial statements and notes set out on pages 8 to 22, are in accordance with the *Corporations Act 2001* including:
 - a. giving a true and fair view of the financial position of the Group as at 31 January 2017 and of its performance for the half-year ended on that date; and
 - b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 21st day of March 2017.

Signed in accordance with a resolution of the directors:



David Teoh
Chairman



Independent auditor's review report to the members of TPG Telecom Limited

We have reviewed the accompanying condensed consolidated half-year financial report of TPG Telecom Limited, which comprises the consolidated interim statement of financial position as at 31 January 2017, consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 January 2017 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of TPG Telecom Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of TPG Telecom Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 January 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'Chris Hollis'.

Chris Hollis
Partner

Sydney

21 March 2017



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of TPG Telecom Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 January 2017 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to read 'Chris Hollis'.

Chris Hollis
Partner

Sydney

21 March 2017