TPG Telecom Limited

ABN 46 093 058 069

and its controlled entities

ASX Appendix 4D and Half Year Financial Report 31 January 2018

Lodged with the ASX under Listing Rule 4.2A

Contents

TPG Telecom Limited
ASX Appendix 4D

Half Year ended 31 January 2018
(Previous corresponding period: Half Year ended 31 January 2017)

Results for announcement to the market

Earnings - reported

				$m
Revenue	up	0.8%	to	1,252.0
Profit for the period	down	11.2%	to	199.9
Profit for the period attributable to owners of the Company	down	11.3%	to	198.7
Earnings per share attributable to owners of the Company (basic and diluted)	down	18.6%	to	21.5 cents
Earnings before interest, tax, depreciation and amortisation (EBITDA)	down	11.7%	to	418.2

Earnings - underlying[1]

				$m
Underlying revenue	up	1.4%	to	1,252.0
Underlying profit for the period	up	5.0%	to	218.9
Underlying profit for the period attributable to owners of the Company	up	4.9%	to	217.7
Underlying earnings per share attributable to owners of the Company (basic and diluted)	down	3.8%	to	23.5 cents
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	up	0.1%	to	418.2

Dividends

	Amount per security	Franked Amount
This period:		
Final dividend for FY17	2.0 cents	100%
Interim dividend for FY18 (payable 22 May 2018)	2.0 cents	100%
Previous corresponding period:		
Final dividend for FY16	7.5 cents	100%
Interim dividend for FY17	8.0 cents	100%

For the FY18 interim dividend the record date for determining entitlement to the dividend will be 17 April 2018.
The Company's Dividend Reinvestment Plan (DRP) will again be available for this dividend. The DRP allows shareholders to elect to receive all or part of their dividend in the form of TPG Telecom shares. The issue price of the shares will be the average of the daily volume weighted average market price for the Company's shares sold on the ASX on each of the 5 consecutive trading days commencing the second trading day after the record date. For the FY18 interim dividend, a 1.5% discount to the price will apply.

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[1] Refer page 5 for reconciliation between reported and underlying results. The above table of underlying results comprises non-IFRS financial information that has not been subject to audit or review but is extracted or derived from the financial report for the period ended 31 January 2018 that has been reviewed by the Group's auditors, KPMG. The table of underlying results is provided because, in the opinion of the directors, it provides additional information about the underlying performance of the Group by excluding material non-recurring and/or non-cash items.

TPG Telecom Limited
ASX Appendix 4D

Half Year ended 31 January 2018
(Previous corresponding period: Half Year ended 31 January 2017)

Net Tangible Assets

	31 Jan 2018	31 Jan 2017
Net tangible assets per security	$(1.41)	$(0.81)

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 2018

The directors present their report together with the condensed consolidated financial report for the half-year ended 31 January 2018.

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 *Executive Chairman* *Chief Executive Officer*	Director since 2008
Denis Ledbury *Non-Executive Director*	Director since 2000
Robert Millner *Non-Executive Director*	Director since 2000
Joseph Pang *Non-Executive Director*	Director since 2008
Shane Teoh *Non-Executive Director*	Director since 2012

Review of operations

Reported Results

Reported financial results for the TPG Telecom Limited Group for the half year ended 31 January 2018 ("1H18") include the following highlights:

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period of $418.2m;
- Net Profit After Tax attributable to shareholders ("NPAT") for the period of $198.7m; and
- Earnings per share ("EPS") of 21.5 cents per share.

Underlying[2] Results

The 1H18 EBITDA result includes no material irregular items and is therefore representative of underlying EBITDA for the period. By contrast, as reported last year, the 1H17 EBITDA result benefitted from $55.8m of favourable non-recurring items (predominantly a profit realised on sale of an investment).

Therefore, although there is a $55.2m decrease in reported EBITDA between 1H17 and 1H18, underlying EBITDA in fact increased slightly in 1H18 from $417.6m to $418.2m.

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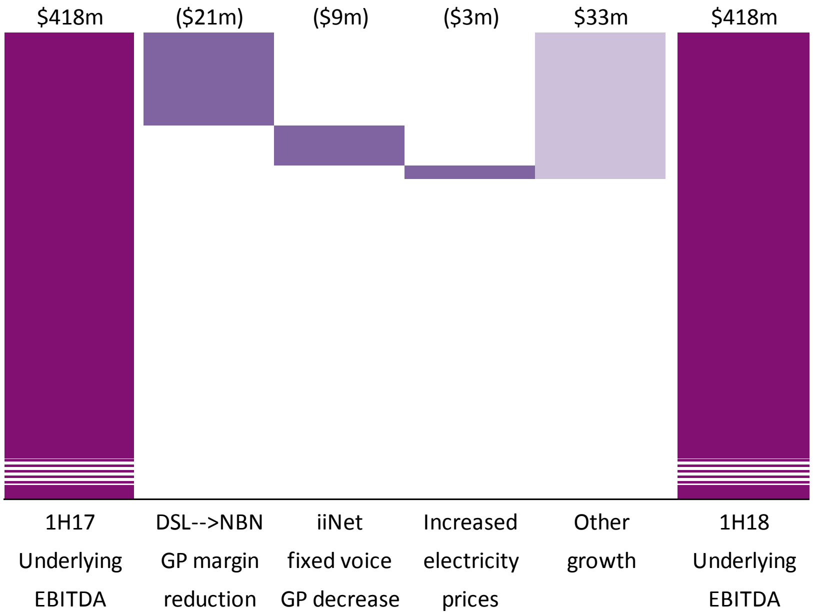
[2] A reconciliation of reported to underlying profits is set out on page 5.

As shown in the chart below, this small EBITDA increase has been achieved despite the significant headwinds that were experienced in 1H18 from the migration of DSL customers to lower margin NBN services, loss of gross profit from home phone services as customers migrate to NBN bundled services and electricity price increases.

Bridge between underlying 1H17 and 1H18 EBITDA



The adverse profit impacts of the headwinds shown in the chart above were all in line with, or slightly less than, expectations, whilst the strong $33m of other EBITDA growth achieved relative to 1H17 was pleasing. The main contributors to this growth came from the Corporate Segment, TPG FTTB ('fibre to the building') services, and cost savings from the ongoing integration of iiNet.

Reconciliation of Reported to Underlying Profits

	1H18		1H17	
$m	EBITDA	NPAT	EBITDA	NPAT
Reported	**418.2**	**198.7**	**473.4**	**224.0**
Less: Profit on sale of equity investments	-	-	(48.8)	(35.3)
Less: One-off Consumer Segment revenue	-	-	(7.0)	(4.9)
Add: Acquired customer base intangible amortisation (non-cash)	-	19.0	-	23.7
Underlying	**418.2**	**217.7**	**417.6**	**207.5**

Segment Results

The Consumer Segment's EBITDA for 1H18 was $260.2m compared to $267.8m for 1H17. As reported last year, the 1H17 result included $7.0m one-off revenue, excluding which the underlying movement is a small ($0.6m) decrease from 1H17 to 1H18. This movement comprises an $11.8m decrease in gross profit offset by an $11.2m decrease in employment and overhead costs. The gross profit decline is driven by broadband gross margin erosion and loss of home phone voice revenue, both due to the NBN rollout. The significant decrease in employment and overhead costs reflects the results of further integration of iiNet operations within the broader group.

The Corporate Segment achieved EBITDA of $158.9m for 1H18 compared to $157.2m for 1H17. It should be noted that $3.5m of EBITDA related to FTTB that was included in the Corporate Segment's 1H17 EBITDA is recognised with the Consumer Segment in 1H18. Therefore, although reported 1H18 EBITDA for the Corporate Segment is only $1.7m higher than 1H17, the comparable EBITDA growth for the segment was in fact $5.2m. This EBITDA growth has been driven by continued strong data and internet sales offsetting ongoing declines in voice revenues.

Cashflow, Capital Expenditure and Gearing

The Group delivered another strong cashflow result in 1H18 with $417.2m cash generated from operations (pre-tax).

Total capital expenditure for the half year of $791.7m included a $594.8m instalment for the 2x10MHz of 700MHz spectrum acquired at auction last year and $33.8m invested in the mobile network builds in Singapore and Australia. The remaining 'business as usual' capital expenditure of $163.1m was $59.1m lower than 1H17 as the fibre expansion for the Vodafone fibre contract neared completion.

At the end of 1H18 the Group had bank debt (net of cash) of $1,394.3m, which represents a leverage ratio of ~1.7x EBITDA, and had undrawn headroom of over $900m in its debt facilities to fund its remaining mobile network investment.

Mobile Strategy Update

The mobile network builds in Australia and Singapore continue to progress well. The projected capital expenditure on both projects remains in line with original forecasts. Small cell deployment in Australia is well underway with sites already installed in Sydney and Melbourne.

Dividend

The Board of Directors has declared an interim FY18 dividend in line with the final FY17 dividend of 2.0 cents per share (fully franked), payable on 22 May 2018 to shareholders on the register on 17 April 2018. For this dividend, the directors again invite shareholders to reinvest in the Company through its Dividend Reinvestment Plan, for which the discount will be 1.5%.

FY18 Guidance

In light of the first half performance the directors have upgraded the guidance for underlying EBITDA for the Group for the full year FY18 to now be in the range of $825-830m, as shown in the table below.

	1H18 Actual	FY18 Guidance Original	FY18 Guidance Updated
Underlying EBITDA ($m)	418.2	800-815	825-830
BAU Capex ($m)	163.1	270-310	270-310

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 27 and forms part of the directors' report for the half-year ended 31 January 2018.

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 20th day of March 2018.

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 2018

	Note	**31 Jan 2018 $m**	**31 Jan 2017 $m**
Revenue	*6*	1,252.0	1,241.8
Other income	*9*	-	48.8
Network, carrier and hardware costs		(619.2)	(592.2)
Employee benefits expense		(124.2)	(130.4)
Other expenses		(90.4)	(94.6)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**418.2**	**473.4**
Depreciation of plant and equipment		(68.8)	(69.6)
Amortisation of intangibles	*11*	(51.3)	(52.8)
Results from operating activities		**298.1**	**351.0**
Finance income		0.6	0.8
Finance expenses	*7*	(19.2)	(30.7)
Net financing costs		**(18.6)**	**(29.9)**
Profit before income tax		**279.5**	**321.1**
Income tax expense	*8*	(79.6)	(96.1)
Profit for the period		**199.9**	**225.0**
Attributable to:			
Owners of the Company		198.7	224.0
Non-controlling interest		1.2	1.0
		199.9	**225.0**
Earnings per share attributable to owners of the Company:			
Basic and diluted earnings per share (cents)	*15*	21.5	26.4

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

For the half-year ended 31 January 2018

	31 Jan 2018 $m	31 Jan 2017 $m
Profit for the period	**199.9**	**225.0**
Items that may be reclassified subsequently to profit or loss, net of tax:		
Foreign exchange translation differences	1.9	(2.5)
Net gain/(loss) on cash flow hedges taken to equity	4.5	(0.6)
Net change in fair value of available-for-sale financial assets	(0.3)	(16.7)
Available-for-sale financial assets reclassified to profit or loss	-	(34.2)
Other comprehensive income, net of tax	**6.1**	**(54.0)**
Total comprehensive income for the period	**206.0**	**171.0**
Attributable to:		
Owners of the Company	204.8	170.0
Non-controlling interest	1.2	1.0
	206.0	**171.0**

The condensed notes on pages 13 to 23 are an integral part of these consolidated interim financial statements.

TPG Telecom Limited and its controlled entities
Consolidated interim statement of financial position

As at 31 January 2018

	Note	31 Jan 2018 $m	31 July 2017 $m
Assets			
Cash and cash equivalents		79.8	46.3
Trade and other receivables		131.9	131.6
Inventories		6.3	6.4
Derivative financial instruments	*10*	0.6	1.3
Prepayments and other assets		16.1	25.6
Total Current Assets		**234.7**	**211.2**
Investments	*9,10*	2.4	2.9
Derivative financial instruments	*10*	5.9	-
Property, plant and equipment		1,147.3	1,055.5
Spectrum assets	*11*	1,475.1	216.3
Goodwill and other intangible assets	*11*	2,420.1	2,416.2
Prepayments and other assets		7.5	8.9
Total Non-Current Assets		**5,058.3**	**3,699.8**
Total Assets		**5,293.0**	**3,911.0**
Liabilities			
Trade and other payables		300.2	289.4
Loans and borrowings	*12*	16.3	32.5
Spectrum liability	*13*	335.9	-
Current tax liabilities		32.1	54.4
Employee benefits		27.1	28.2
Provisions		10.3	11.7
Accrued interest		4.7	1.4
Derivative financial instruments	*10*	0.7	-
Deferred income and other liabilities		148.4	150.0
Total Current Liabilities		**875.7**	**567.6**
Loans and borrowings	*12*	1,440.1	872.4
Spectrum liability	*13*	319.4	-
Deferred tax liabilities		1.0	10.1
Employee benefits		2.3	2.4
Provisions		33.7	33.6
Derivative financial instruments	*10*	1.3	1.2
Deferred income and other liabilities		24.6	24.4
Total Non-Current Liabilities		**1,822.4**	**944.1**
Total Liabilities		**2,698.1**	**1,511.7**
Net Assets		**2,594.9**	**2,399.3**
Equity			
Share capital	*14*	1,458.5	1,449.4
Reserves		(11.2)	(18.1)
Retained earnings		1,143.5	963.3
Equity attributable to owners of the Company		**2,590.8**	**2,394.6**
Non-controlling interest		4.1	4.7
Total Equity		**2,594.9**	**2,399.3**

The condensed notes on pages 13 to 23 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 2018

	Note	Share capital	Foreign currency translation reserve	Share based payments reserve	Fair value reserve	Cash flow hedge reserve	Total reserves	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to owners of the Company									
		$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
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	*16*	-	-	-	-	-	-	(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**
Balance as at 1 August 2017		**1,449.4**	**(3.7)**	**(3.5)**	**(7.0)**	**(3.9)**	**(18.1)**	**963.3**	**2,394.6**	**4.7**	**2,399.3**
Profit for the period		-	-	-	-	-	-	198.7	198.7	1.2	199.9
Other comprehensive income		-	1.9	-	(0.3)	4.5	6.1	-	6.1	-	6.1
Total comprehensive income for the period		**-**	**1.9**	**-**	**(0.3)**	**4.5**	**6.1**	**198.7**	**204.8**	**1.2**	**206.0**
Issue of shares	*14*	9.1	-	-	-	-	-	**-**	9.1	**-**	9.1
Share-based payment transactions		-	-	0.8	-	-	0.8	-	0.8	-	0.8
Dividends paid to shareholders	*16*	-	-	-	-	-	-	(18.5)	(18.5)	(1.8)	(20.3)
Balance as at 31 January 2018		**1,458.5**	**(1.8)**	**(2.7)**	**(7.3)**	**0.6**	**(11.2)**	**1,143.5**	**2,590.8**	**4.1**	**2,594.9**

TPG Telecom Limited and its controlled entities
Consolidated interim statement of cash flows

For the half-year ended 31 January 2018

	Note	31 Jan 2018 $m	31 Jan 2017 $m
Cash flows resulting from operating activities			
Cash receipts from customers		1,373.6	1,382.7
Cash paid to suppliers and employees		(956.4)	(947.9)
Cash generated from operations		417.2	434.8
Income taxes paid		(111.6)	(74.7)
Net cash from operating activities		**305.6**	**360.1**
Cash flows resulting from investing activities			
Acquisition of property, plant and equipment		(149.4)	(170.0)
Acquisition of spectrum assets	*13*	(594.8)	(108.3)
Acquisition of other intangible assets		(47.5)	(51.9)
Proceeds from disposal of investments	*9*	-	124.5
Costs incurred on acquisition of subsidiaries		-	(1.5)
Payment of contingent consideration		-	(3.8)
Net cash used in investing activities		**(791.7)**	**(211.0)**
Cash flows resulting from financing activities			
Payment of finance lease liabilities		(16.4)	(13.5)
Proceeds from borrowings		927.7	108.0
Repayment of borrowings		(353.6)	(145.0)
Transaction costs related to borrowings		(10.8)	(3.4)
Interest received		0.5	0.7
Interest paid		(16.5)	(24.6)
Dividends paid		(9.4)	(63.6)
Dividends paid to non-controlling interest		(1.8)	(2.3)
Net cash from/(used in) financing activities		**519.7**	**(143.7)**
Net increase in cash and cash equivalents		33.6	5.4
Cash and cash equivalents at beginning of the period		46.3	39.2
Effect of exchange rate fluctuations		(0.1)	0.1
Cash and cash equivalents at 31 January		**79.8**	**44.7**

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 2018 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 2017 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 20 March 2018.

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 2017 Annual Report. In the current reporting period, there are no new or revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current reporting period and are relevant to the Group. Standards that have been issued but are not effective yet, and have not been early adopted by the Group are as follows:

Financial instruments (Revised AASB 9)

AASB 9 will be applicable to the Group from 1 August 2018. The revised standard contains a new classification and measurement approach for financial assets. AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The standard eliminates the existing categories of: held to maturity, loans and receivables, and available for sale.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 January 2018, would have had a material impact on its accounting for trade receivables and investments in equity securities that are managed on a fair value basis. At 31 January 2018, the Group had equity investments classified as available-for-sale with a fair value of $2.4m that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of AASB 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognised in the income statement and no gains or losses would be reclassified to the income statement on disposal. In the latter case, all fair value gains and losses would be recognised in the income statement as they arise, increasing volatility in the Group's results.

Under the revised standard, impairment of financial assets will be calculated using an expected credit loss model replacing the current 'incurred loss' model. AASB 9 will also provide simpler hedge accounting requirements and will help align accounting treatment more closely to the Group's risk management strategy.

The Group's assessment of the impact of this standard on its consolidated financial statements is on-going and the likely impact on adoption is not yet known.

Revenue from contracts with customers (AASB 15)

AASB 15 will be applicable to the Group from 1 August 2018. The standard contains a single model that applies to all contracts with customers. Under that model an entity must determine the various performance obligations under the contract, allocate the total contract price amongst the performance obligations, and recognise revenue when the performance obligations are satisfied.

The Group has undertaken a detailed review including:
- reviewing material contracts to determine the transaction price and to consider the appropriate allocation of the transaction price to the performance obligations;
- identifying costs that are incremental to obtaining a new contract; and
- identifying costs that qualify as fulfilment costs.

The Group's assessment of the impact of this standard on its consolidated financial statements is on-going and the likely impact on adoption is not yet known. However, the following expected implications have already been noted:
- For certain products, set-up revenue charged to customers and connection costs incurred by the Group, both of which are currently recognised on installation, will instead be spread over the life of the contract.
- Incremental sales commission costs incurred in acquiring new contracts, which are currently recognised on contract inception, will be spread over the life of the contract.

Leases (AASB 16)

AASB 16 will be applicable to the Group from 1 August 2019. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees.
From an initial assessment of the potential impact on its consolidated financial statements, the Group has noted the following:
- a number of lease contracts currently disclosed within note 20 ('Operating lease commitments') to the 2017 Annual Report, which currently give rise to recurring expenses within operating expenses, will in future be recognised on the balance sheet as 'Right of use assets';
- a corresponding lease liability reflecting the Group's commitment to make payments to third parties under these contracts will also be recognised on the balance sheet;
- the Group will depreciate the 'Right of use assets' with a charge to the income statement over the shorter of the assets' useful lives and the lease term;
- the Group will recognise an interest expense on the liability as a finance cost in the income statement.
- the profile of the overall expense in the income statement will change as the interest expense will be more front-loaded compared to a straight-line operating lease rental expense.

The Group's assessment of the impact of adopting AASB 16 on its consolidated financial statements is on-going and the quantitative effect will depend on, amongst other things, additional leases that the Group enters into up until date of adoption of the new standard, the transition method chosen and, the extent to which the Group uses the practical expedients available under the standard.

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 2017 Annual Report.

5. 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 the following segments:

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

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

Following the acquisition of iiNet on 24 August 2015, the Group reported iiNet as a separate operating segment up to and including the half year ended January 2017. However, as a consequence of the integration of iiNet's operations, iiNet's results are now integrated within the Consumer and Corporate Segments based on customer segmentation. In the tables on the following page the prior period comparatives have been restated accordingly.

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 in the current period comprise start-up expenses in relation to the Group's Singapore operations and other corporate costs.

5. Segment reporting (continued)

	Consumer	Corporate	Unallocated	Total results
For the half year ended 31 January 2018	$m	$m	$m	$m
Revenue	878.0	374.0	-	1,252.0
Other income	-	-	-	-
Network, carrier and hardware costs	(477.6)	(141.6)	-	(619.2)
Employee benefits expense	(68.0)	(56.1)	(0.1)	(124.2)
Other expenses	(72.2)	(17.4)	(0.8)	(90.4)
Results from segment activities	**260.2**	**158.9**	**(0.9)**	**418.2**
For the half year ended 31 January 2017				
Revenue	868.0	373.8	-	1,241.8
Other income	-	-	48.8	48.8
Network, carrier and hardware costs	(448.8)	(143.4)	-	(592.2)
Employee benefits expense	(75.7)	(54.7)	-	(130.4)
Other expenses	(75.7)	(18.5)	(0.4)	(94.6)
Results from segment activities	**267.8**	**157.2**	**48.4**	**473.4**

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

	31 Jan 2018	31 Jan 2017
	$m	$m
Total segment results	**418.2**	**473.4**
Depreciation of plant and equipment	(68.8)	(69.6)
Amortisation of intangibles	(51.3)	(52.8)
Results from operating activities	**298.1**	**351.0**
Net financing costs	(18.6)	(29.9)
Profit before income tax	**279.5**	**321.1**

Geographic Information

All of the Group's revenues are derived from Australian based entities, except for $15.4m (2017: $13.4m) derived from overseas customers.

A geographic analysis of the Group's non-current assets is set out below:

Country	31 Jan 2018	31 Jul 2017
	$m	$m
Australia	4,771.8	3,450.5
Singapore	160.6	122.1
Other	125.9	127.2
Total	**5,058.3**	**3,699.8**

'Other' predominantly relates to submarine cables located in international waters.

6. Revenue

	31 Jan 2018 $m	31 Jan 2017 $m
Rendering of services	1,231.4	1,228.0
Sale of goods	20.6	13.8
	1,252.0	**1,241.8**

7. Finance expenses

	31 Jan 2018 $m	31 Jan 2017 $m
Interest expense	9.9	23.0
Borrowing costs	9.3	7.7
	19.2	**30.7**

Interest expense in the current period excludes $5.5m of interest incurred that is directly attributable to the construction of the Group's network and which has therefore, in accordance with the Group's accounting policies, been capitalised as part of the cost of the network.

8. Income tax expense

	31 Jan 2018 $m	31 Jan 2017 $m
Current tax expense	**91.2**	**109.1**
Deferred tax expense		
Origination and reversal of temporary differences	(11.6)	(13.0)
Income tax expense	**79.6**	**96.1**

Numerical reconciliation between tax expense and pre-tax accounting profit

	31 Jan 2018 $m	31 Jan 2017 $m
Profit before income tax	279.5	321.1
Income tax using Australian tax rate of 30%	83.9	96.3
Non-deductible and non-assessable items	(4.3)	(0.7)
Under provided in prior periods	-	0.5
Income tax expense	**79.6**	**96.1**

9. Investments

	31 Jan 2018 $m	31 July 2017 $m
Available-for-sale financial assets		
Current		
Carrying amount at 1 August	-	139.1
Disposals	-	(124.5)
Change in fair value	-	(14.6)
Carrying amount at end of period	**-**	**-**
Non-current		
Carrying amount at 1 August	2.9	16.3
Change in fair value	(0.5)	(13.4)
Carrying amount at end of period	**2.4**	**2.9**

The Group made a profit of $48.8m on sale of investments in HY17.

10. 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 2018			31 Jul 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	$m	$m	$m	$m	$m	$m
Financial assets						
Investments	2.4	-	-	2.9	-	-
Derivative financial assets						
Interest rate swap contracts	-	5.9	-	-	-	-
Foreign currency forward contracts	-	0.6	-	-	1.3	-
Financial liabilities						
Derivative financial liabilities						
Foreign currency forward contracts	-	(2.0)	-	-	(1.2)	-

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

Interest rate swap contracts are categorised as Level 2 as they are valued at the present value of the estimated future cash flows. Estimates of future floating rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty.

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.

11. Intangible assets

	Goodwill~	Brands~	Acquired customer bases	Indefeasible rights of use of capacity	Other intangibles *	Sub - total	Spectrum licences #	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Costs								
Balance 1 August 2016	1,911.0	90.6	480.5	178.9	84.2	2,745.2	28.9	2,774.1
Additions	-	-	-	36.9	20.4	57.3	197.9	255.2
Effect of movements in exchange rates	-	-	-	-	-	-	(4.6)	(4.6)
Balance 31 July 2017	**1,911.0**	**90.6**	**480.5**	**215.8**	**104.6**	**2,802.5**	**222.2**	**3,024.7**
Balance 1 August 2017	1,911.0	90.6	480.5	215.8	104.6	2,802.5	222.2	3,024.7
Additions	-	-	-	35.5	15.4	50.9	1,260.4	1,311.3
Effect of movements in exchange rates	-	-	-	-	-	-	2.7	2.7
Balance 31 January 2018	**1,911.0**	**90.6**	**480.5**	**251.3**	**120.0**	**2,853.4**	**1,485.3**	**4,338.7**
Amortisation and Impairment								
Balance 1 August 2016	-	-	209.4	44.5	32.8	286.7	2.2	288.9
Amortisation for the period	-	-	62.4	11.6	25.6	99.6	3.7	103.3
Balance 31 July 2017	-	-	**271.8**	**56.1**	**58.4**	**386.3**	**5.9**	**392.2**
Balance 1 August 2017	-	-	271.8	56.1	58.4	386.3	5.9	392.2
Amortisation for the period	-	-	27.1	7.1	12.8	47.0	4.3	51.3
Balance 31 January 2018	**-**	**-**	**298.9**	**63.2**	**71.2**	**433.3**	**10.2**	**443.5**
Carrying amounts								
At 31 July 2017	1,911.0	90.6	208.7	159.7	46.2	2,416.2	216.3	2,632.5
At 31 January 2018	**1,911.0**	**90.6**	**181.6**	**188.1**	**48.8**	**2,420.1**	**1,475.1**	**3,895.2**

~ Goodwill and Brands are non-amortising intangible assets as they have indefinite useful lives.

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

\# Spectrum licences includes a right to acquire a licence for two lots of 10MHz of 700MHz spectrum on 1 April 2018.

12. Loans and borrowings

	31 Jan 2018 $m	31 July 2017 $m
Current		
Indefeasible right of use (IRU) lease liabilities	**16.3**	**32.5**
Non-current		
Gross secured bank loans	1,474.1	900.0
Less: Unamortised borrowing costs	(34.0)	(27.6)
	1,440.1	**872.4**

During the half-year, in order to finance its planned mobile network builds, the Group entered into new agreements to increase, amend and extend its debt facilities. The facility limit was increased by $744.3m to $2,379.3m (includes a Singapore dollar denominated facility of S$100m which is translated to AUD using the 31 January 2018 spot rate) and the tenor of the facilities was extended such that as at 31 January 2018, the maturity profile of the facilities is now between 2.7 and 6.7 years, with a weighted average of 4.1 years.

As at 31 January 2018 $1,474.1m of the debt facilities were drawn down leaving $905.2m undrawn.

The outstanding loan balance as at the reporting date is shown in the statement of financial position net of unamortised borrowing costs of $34.0m.

The Group has entered into interest rate swap contracts to hedge the interest rate risk on $800m of its debt facilities. These contracts will enable the Group to convert its borrowings from floating rates to fixed rates for 5 years starting from December 2019.

13. Spectrum liability

	31 Jan 2018 $m	31 July 2017 $m
Current	335.9	-
Non-current	319.4	-

The Group acquired a licence for two lots of 10MHz of 700MHz spectrum at an auction in April 2017 for a purchase price of $1.260 billion, payable in three annual instalments starting from 31 January 2018. The licence will be available from 1 April 2018. $10.0m of the first instalment was prepaid in FY17 and the balance of $594.8m was paid in the current reporting period. The present value of the remaining two instalments is disclosed as a spectrum liability in the statement of financial position.

14. Share capital

	Ordinary shares		$m	
	31 Jan 2018	**31 July 2017**	**31 Jan 2018**	**31 July 2017**
Balance at start of period	924,719,448	848,473,118	1,449.4	1,051.9
Ordinary shares issued during the period:				
- Institutional entitlement offer	-	15,242,739	-	80.0
- Retail entitlement offer	-	61,003,591	-	320.3
- Dividend reinvestment plan	1,781,961	-	9.1	-
Share issue costs (net of tax)	-	-	-	(2.8)
Balance at end of period	**926,501,409**	**924,719,448**	**1,458.5**	**1,449.4**

15. Earnings per share

	31 Jan 2018 Cents	**31 Jan 2017 Cents**
Basic and diluted earnings per share	21.5	26.4
	$m	**$m**
Profit attributable to owners of the Company used in calculating basic and diluted earnings per share	198.7	224.0
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	925,416,737	848,473,118

16. Dividends

Dividends recognised in the current period were as follows:

	Cents per share	Total amount $m	Date of payment
2018			
Final FY17 ordinary	2.00	18.5	21 Nov 2017
2017			
Interim FY17 ordinary	8.00	67.9	23 May 2017
Final FY16 ordinary	7.50	63.6	22 Nov 2016

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

On 20 March 2018 the directors have declared a fully franked interim FY18 dividend of 2.0 cents per share. The dividend has a record date of 17 April 2018 and will be paid on 22 May 2018. As the interim dividend was not declared or resolved to be paid by the Board of directors as at 31 January 2018, the dividend has not been provided for in the consolidated interim statement of financial position.

The Company's Dividend Reinvestment Plan (DRP) will again be available for this dividend. The DRP allows shareholders to elect to receive all or part of their dividend in the form of TPG Telecom shares. The issue price of the shares will be the average of the daily volume weighted average market price for the Company's shares sold on the ASX on each of the 5 consecutive trading days commencing the second trading day after the record date. For the FY18 interim dividend, a 1.5% discount to the price will apply.

17. Capital commitments

	31 Jan 2018 $m	31 July 2017 $m
Contracted but not provided for in the financial statements	143.9	1,482.9

Capital commitments at 31 January 2018 are comprised mainly of commitments in respect of:

- IRU agreements for international capacity (US$54.8m*);
- Domestic fibre construction projects;
- Mobile network builds.

*translated into AUD at the prevailing spot rate at 31 January 2018 of 0.81.

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 2018

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

1. the financial statements and notes set out on pages 8 to 23, 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 2018 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 20th day of March 2018.

Signed in accordance with a resolution of the directors:

David Teoh
Chairman

KPMG

Independent Auditor's Review Report

To the shareholders of TPG Telecom Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of TPG Telecom Limited.

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:

- giving a true and fair view of the ***Group's*** financial position as at 31 January 2018 and of 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*.

The ***Half-year Financial Report*** comprises:

- Consolidated interim statement of financial position as at 31 January 2018
- 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
- The Directors' Declaration.

The ***Group*** comprises TPG Telecom Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year Period.

Responsibilities of the Directors 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*
- 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 for the review of the Half-year Financial Report

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 2018 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.

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

KPMG

Chris Hollis

Partner

Sydney

20 March 2018

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 2018 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.

KPMG

Chris Hollis

Partner

Sydney

20 March 2018