TPG TELECOM LIMITED (ASX: TPM)

FINANCIAL RESULTS COMMENTARY

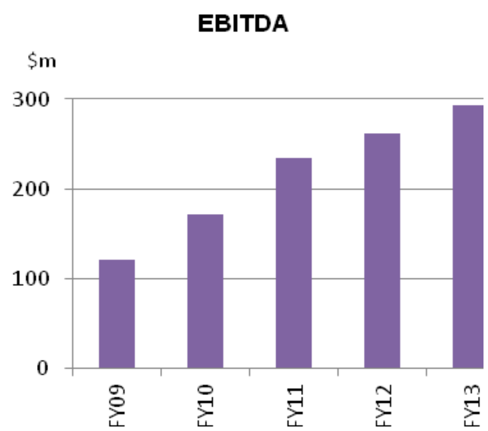
YEAR ENDED 31 JULY 2013

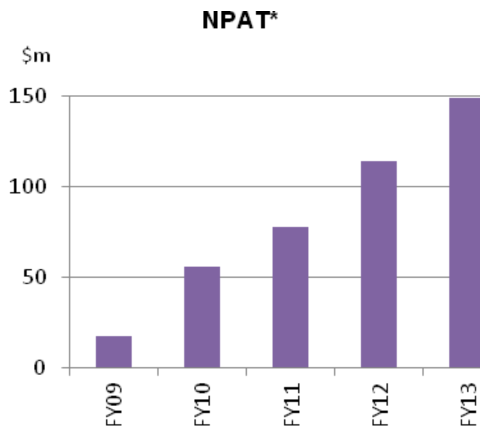
TPG Telecom reports another year of strong organic growth

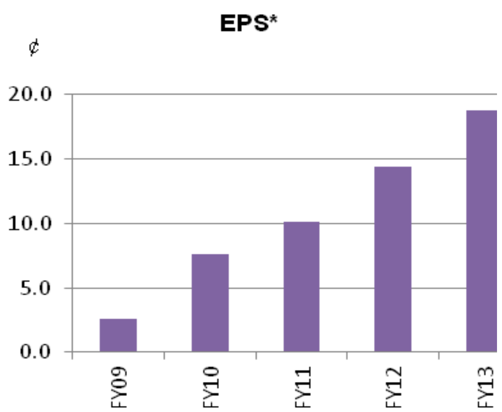
- **EBITDA up 12% to $293.1m**
- **Reported NPAT up 64% to $149.2m**

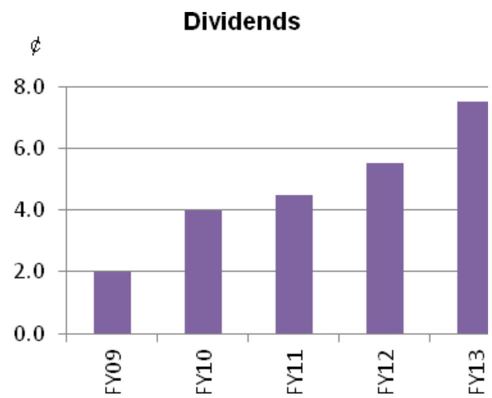
TPG Telecom Limited has today announced its financial results for the year ended 31 July 2013 ("FY13"), which include earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year of $293.1m, up by 12% from FY12, and above the top-end of the upgraded guidance of $285m-$290m provided in March 2013.

The Group's reported net profit after tax ("NPAT") for the year of $149.2m is 64% higher than in FY12, although the prior year's result was adversely affected by a $23.2m one-off tax expense which arose from a retrospective tax legislation change. Excluding the impact of this from the prior year numbers, the FY13 result still represents a 31% increase in NPAT, and also in earnings per share ("EPS") which grew to 18.8 cents for the year.









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* In the charts FY12 NPAT and EPS are normalised to exclude a $23.2m one-off tax expense incurred by the Group as a result of a retrospective change in tax legislation that was enacted in June 2012. The purpose of providing these normalised measures is to remove the distortion of the Group's NPAT and EPS results created by the one-off impact of the retrospective legislation change.

Consumer business

The Group's consumer division achieved organic growth of its broadband subscriber base of 76,000 in FY13 compared to 47,000 in FY12. This growth comprised a net increase of 130,000 subscribers to the Group's home phone and broadband bundle plans, partially offset by the reduction in standalone on-net (40,000) and off-net (14,000) subscribers.

Complementing the growth in broadband, TPG's mobile phone subscriber base increased by 105,000 in FY13 compared to 54,000 growth in FY12.

As at 31 July 2013 the Group had 671,000 broadband subscribers and 360,000 mobile phone subscribers.

This strong subscriber growth helped the consumer division achieve an EBITDA result for the year of $180.6m, up $31.1m from last year, although as noted at the half-year this growth included approximately $10.0m of one-off benefits arising from back-dated credits received pursuant to the ACCC's determinations for wholesale DSL and IIC charges levied by Telstra.

Corporate business

The Group's corporate division achieved EBITDA of $110.3m for FY13 which is in line with FY12. However, the accounting gains from IRU sales of $10.5m included within this year's result are $10.2m lower than in FY12, meaning that the division's underlying recurring earnings (ie excluding IRU gains) again grew strongly, by over 10%.

This earnings growth has been achieved in a highly competitive environment in corporate, government and wholesale sales, and is largely attributable to improved margins resulting from the Group's previous and ongoing fibre network investment detailed below.

Infrastructure investment

The Group's extensive infrastructure provides significant benefits in financial performance and growth. In FY13 the Group continued to invest in expanding its DSLAM and fibre network infrastructure, whilst managing to reduce its overall capital expenditure by 10% to $58.3m for the year.

Domestic fibre
The Group's domestic fibre network footprint grew by over 800km in the year to greater than 3,800km, with more than 300 additional buildings becoming directly connected to the network, leaving total on-net buildings now exceeding 1,600.

International fibre
The Group's international fibre infrastructure includes its own submarine cable ("PPC-1") linking Australia to Guam, as well as capacity on other cable networks linking Australia directly with New Zealand, USA, Japan, Hong Kong, Singapore and Philippines. In August 2013 the Group issued a Letter of Intent to submarine cable group Hawaiki Cable Limited confirming its intention to acquire capacity on the Australia-US and Australia-NZ segments of the planned Hawaiki submarine cable system. This would provide a significant addition to the capacity and diversity of the Group's international network which, once activated, should deliver cost savings to the Group. The expected capital expenditure in relation to this project is between US$10m and US$20m for each of the next three financial year commencing FY14, prior to the cable's expected activation in FY16.

Spectrum
A new addition to the Group's network infrastructure was announced during the year with the Group's successful bid at the digital dividend auction for 20MHz of spectrum licences in the 2.5GHz band across the country. The acquisition of spectrum will complement the Group's

fixed infrastructure, giving it opportunities to offer innovative, value-adding products to further enhance its existing product suite. The spectrum will only become available for use from October 2014, with the $13.5m purchase price payable in September 2014.

Data security software
The Group also invested $10m in the year to acquire (i) a 15% equity stake in data security software business Cocoon Data Holdings Limited (CDHL), and (ii) an exclusive licence to distribute certain CDHL products in Australia and New Zealand. CDHL's Covata Secure Objects technology can be used to protect data in transit and in storage and is expected to enable the Group to add further value to its consumer and corporate product offerings.

Fibre to the building
The Group is planning to increase the number of buildings directly connected to its fibre network in metro areas. With the evolution of new technologies now enabling speeds of up to 100 Mbps this will enable the Group to commence offering very high-speed broadband services to its customers at ADSL2+ prices.

Cashflow

The quality of the Group's earnings result was again reflected in its cashflow performance, with $318.0m cash being generated from operations (pre-tax) in the year. After tax, interest and capital expenditure, the Group had free cashflow of $174.5m.

Out of the free cashflow, the Group made debt repayments of $107m in the year, whilst making the $10m investment in CDHL and paying an increased dividend.

The Group's net debt at 31 July 2013, after netting off cash at hand of $26.1m, was down to $15.9m.

Dividend

In light of the Group's strong cashflow and earnings growth, the Board of Directors has declared an increased final FY13 dividend of 4.0 cents per share (fully franked) payable on 19 November 2013 to shareholders on the register at 15 October 2013, bringing total FY13 dividends to 7.5 cents per share (fully franked), an increase of 36% over FY12.

FY14 Guidance

The directors forecast continued organic growth for the Group in FY14 with EBITDA expected to be in the range of $290m-$300m, as set out in the table below:

	FY13 Actual $m	**FY14 Guidance $m**
Regular EBITDA	272.6	290-300
IRU gains	10.5	-
One-off credits	10.0	-
Total EBITDA	293.1	290-300

David Teoh
Executive Chairman
17 September 2013