Market Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Sydney, 20 August 2021

**TPG Telecom Limited Results for Half Year Ended 30 June 2021 – Appendix 4D**

TPG Telecom Limited (ASX: TPG) today releases its results for the half year ended 30 June 2021.

Please find attached TPG Telecom's Appendix 4D and Half Year Report.

A results presentation will be webcast live at 10.00am (Sydney time) on Friday, 20 August 2021.

The webcast link is as follows: http://www.openbriefing.com/OB/4342.aspx

A replay of the webcast will be available via the same link in the afternoon following the presentation.

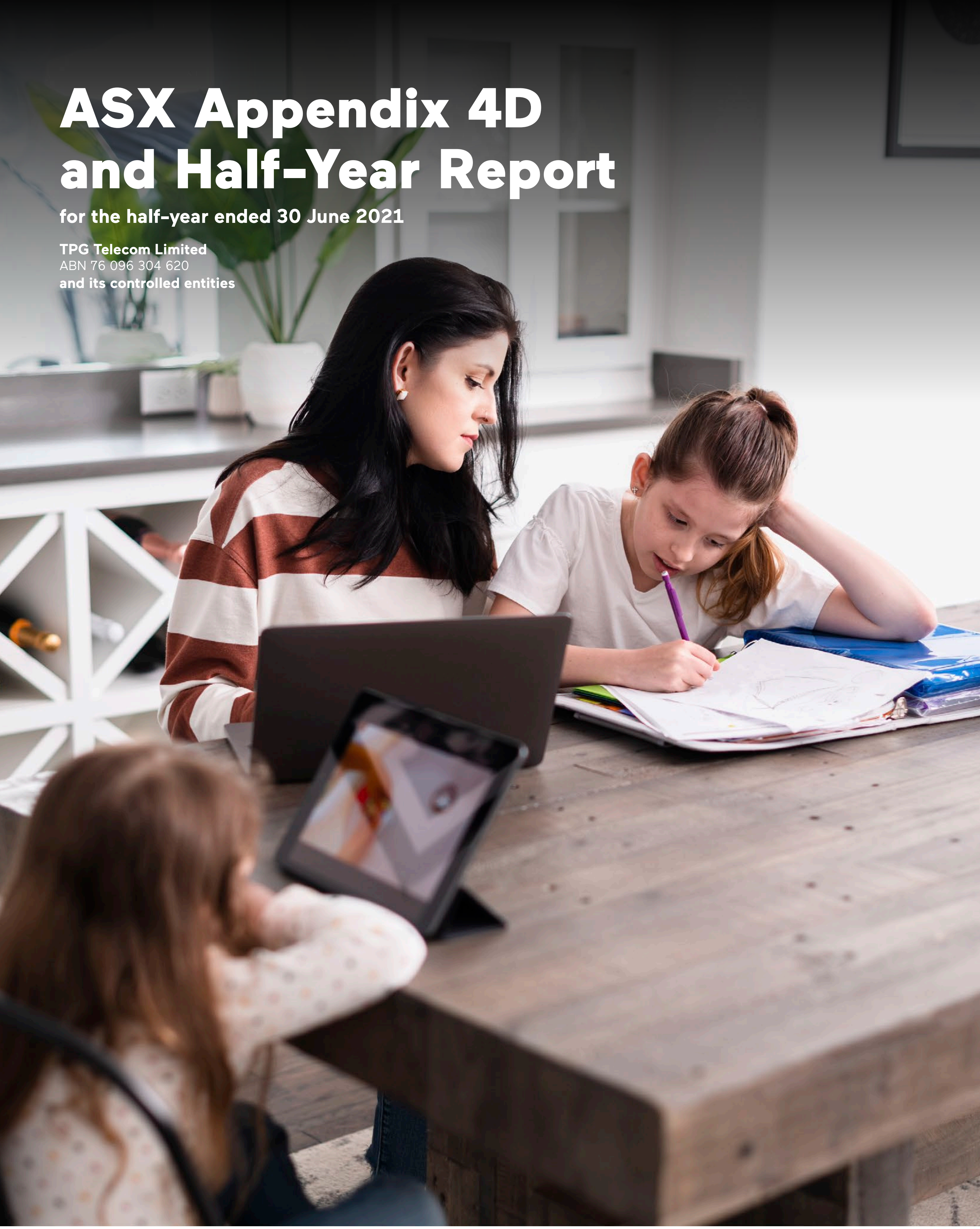
Authorised for lodgement by:

Trent Czinner
Company Secretary
TPG Telecom Limited
Investor.Relations@tpgtelecom.com.au

# ASX Appendix 4D and Half-Year Report

for the half-year ended 30 June 2021

**TPG Telecom Limited**
ABN 76 096 304 620
**and its controlled entities**



tpg TELECOM

# Contents



All amounts are presented in Australian dollars unless stated otherwise.

Lodged with the Australian Securities Exchange ("ASX") under Listing Rule 4.2A.

The ASX Appendix 4D and Half-Year Report covers the group consisting of TPG Telecom Limited ("TPG Telecom", "the Company") and its controlled entities (the "Group"). Vodafone Hutchison Australia Pty Limited ("VHA") converted to a public company on 19 June 2020 and changed its name to Vodafone Hutchison Australia Limited. On 29 June 2020, the Company changed its name from Vodafone Hutchison Australia Limited to TPG Telecom Limited.

The comparative reported financial performance for the half-year ended 30 June 2020 for TPG Telecom includes the full six months' results of the company formerly named VHA and four days' contribution from TPG Corporation Limited (the company formerly named TPG Telecom Limited (ASX: TPM)), post the merger accounting effective date of 26 June 2020.

# ASX Appendix 4D

**Half-year ended 30 June 2021**

(Previous corresponding period: Half-year ended 30 June 2020)

## Results for announcement to the market

### Reported results

| | | 30 JUNE 2021 | 30 JUNE 2020 | MOVEMENT % |
|---|---|---|---|---|
| Revenue from ordinary activities | $m | 2,630 | 1,540 | 71% |
| Profit from ordinary activities after tax for the half-year attributable to owners of the Company | $m | 76 | 83 | (8%) |
| Net profit for the half-year attributable to owners of the Company | $m | 76 | 83 | (8%) |
| Basic and diluted earnings per share attributable to owners of the Company | $ | 0.04 | 0.19 | (79%) |
| Earnings before interest, tax, depreciation and amortisation | $m | 886 | 531 | 67% |

Commentary on the half-year results is provided in the attached Directors' Report.

### Dividends

| | AMOUNT PER SECURITY | FRANKED AMOUNT % |
|---|---|---|
| This period: | | |
| Final dividend for FY20 | 7.5 cents | 100% |
| Interim dividend for FY21 | 8.0 cents | 100% |

The interim dividend for FY21 has a record date of 15 September 2021 and will be paid on 13 October 2021. There were no ordinary dividends paid or declared by the Company in the previous corresponding period.

### Net Tangible Assets

| | | 30 JUNE 2021 | 30 JUNE 2020 |
|---|---|---|---|
| Net tangible assets per security | $ | (1.45) | (1.65) |

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.

## Details of entities where control has been gained or lost during the period

| | | | EQUITY HOLDING | |
|---|---|---|---|---|
| | COUNTRY OF INCORPORATION | DATE OF CONTROL GAINED/LOST | 30 JUNE 2021 % | 31 DEC 2020 % |
| **Name of entity** | | | | |
| TPG Finance Pty Limited | Australia | 30 April 2021 | 100% | – |
| Tech2 Business Solutions Pty Ltd | Australia | 1 February 2021 | – | 60% |
| Tech2Home Proprietary Ltd | New Zealand | 1 February 2021 | – | 60% |
| Tech2Home Pty Ltd | Australia | 1 February 2021 | – | 60% |
| Tech2Home(Communications) Pty Ltd | Australia | 1 February 2021 | – | 60% |
| The Tech2 Group Pty Ltd | Australia | 1 February 2021 | – | 60% |

## Details of investments in joint ventures

| | | EQUITY HOLDING | |
|---|---|---|---|
| | COUNTRY OF INCORPORATION | 30 JUNE 2021 % | 31 DEC 2020 % |
| **Name of entity** | | | |
| 3GIS Pty Limited | Australia | 50% | 50% |
| 3GIS Properties (No 1) Pty Limited | Australia | 50% | 50% |
| 3GIS Properties (No 2) Pty Limited | Australia | 50% | 50% |
| Tovadan Pty Limited | Australia | 50% | 50% |
| Mondjay Pty Limited | Australia | 50% | 50% |

# Directors' Report

The Directors present their report, together with the Half-Year Financial Report of TPG Telecom Limited for the half-year ended 30 June 2021 in compliance with the provisions of the *Corporations Act 2001*.

## Board of directors

Details of Directors of the Company who held office at any time during or since the end of the half-year period are set out below:

| Name | |
|---|---|
| Fok Kin Ning, Canning (Chairman) | |
| Iñaki Berroeta | |
| Pierre Klotz | |
| Diego Massidda | |
| Robert Millner | |
| Antony Moffatt | appointed 26 March 2021 |
| Dr Helen Nugent AO | |
| Frank Sixt | |
| Arlene Tansey | |
| Jack Teoh | appointed 26 March 2021 |
| David Teoh | resigned 25 March 2021 |
| Shane Teoh | resigned 25 March 2021 |

## Review of operations

### 1. Introduction and business overview

TPG Telecom is a provider of telecommunications services to consumers, business, enterprise, government and wholesale customers in Australia.

The Group owns significant network infrastructure throughout Australia (as well as a subsea cable connecting Australia to Guam with onward connectivity into the US and Asia) that facilitates the provision of fixed and mobile telecommunications services.

The Group markets its services through multiple well-known brands including Vodafone, felix, TPG, iiNet, Lebara, Internode and AAPT.

The Group has over 5,000 employees across Australia and the Philippines and the business is also supported by outsourced service centres in India and South Africa.

### 2. Prior year merger with TPG Corporation

The merger of the Company and TPG Corporation became effective for accounting purposes on 26 June 2020 and was completed on 13 July 2020.

The structure and timing of the merger mean that, whilst the results for the half-year ended 30 June 2021 (HY21) include a full six months' results for the merged Group, the comparatives for the six months ended 30 June 2020 (HY20) shown in this report only include four days' contribution from TPG Corporation. Therefore, any comparison between the Group's HY21 and HY20 results is impacted by the merger.

Therefore, in order to assist users of the accounts to obtain a better understanding of the underlying performance of the Group, the Company has separately prepared pro forma results for HY20 simulating what the Group's results would have been if the merger had been effective throughout that period. A comparison of the HY21 results with the pro forma HY20 results is included in a Financial Results Commentary and Investor Presentation that have been separately posted on the ASX on 20 August 2021 and are also available on the Group's website at tpgtelecom.com.au/investor-relations.

## 3. Analysis of reported results for the half-year ended 30 June 2021

Whilst acknowledging the limitations described above of comparing the reported results of HY21 and HY20 due to the impact of the merger, the following sections provide an overview of the reported results. Users of the accounts seeking to obtain a better understanding of the underlying performance of the Group should also refer to the pro forma results included in the HY21 Financial Results Commentary and Investor Presentation available on the Group's website at tpgtelecom.com.au/investor-relations.

### 3.1. Consolidated Income Statement Overview

| | NOTE | HY21 $m | HY20 $m | CHANGE $m |
|---|---|---|---|---|
| Revenue | | | | |
| Service revenue | | 2,195 | 1,173 | 1,022 |
| Handset revenue | | 435 | 367 | 68 |
| **Total revenue** | | **2,630** | **1,540** | **1,090** |
| Other income | | 8 | 6 | 2 |
| Cost of telco services | | (973) | (371) | (602) |
| Cost of handsets sold | | (413) | (364) | (49) |
| Employee benefits expense | | (188) | (112) | (76) |
| Other operating expenses | | (178) | (168) | (10) |
| **EBITDA** | 1 | **886** | **531** | **355** |
| Depreciation and amortisation | 2 | (696) | (479) | (217) |
| **Operating profit** | | **190** | **52** | **138** |
| Net financing costs | 3 | (81) | (195) | 114 |
| **Profit/(loss) before tax** | | **109** | **(143)** | **252** |
| Income tax (expense)/benefit | 4 | (33) | 226 | (259) |
| **Profit after tax** | | **76** | **83** | **(7)** |
| **Earnings per share (cents)** | | **4** | **19** | |

1. **Earnings before net financing costs, tax, depreciation and amortisation (EBITDA)**
   The Group's EBITDA for HY21 was $886 million, $355 million higher than HY20. Service revenue and operating expenses all increased substantially due to the inclusion of TPG Corporation's results for the full six months in HY21 compared to only four days in HY20.
2. **Depreciation and amortisation**
   Depreciation and amortisation expense increased by $217 million in HY21. This increase includes $80 million of amortisation relating to the TPG Corporation acquired customer base that was recognised as an intangible asset in the Group's balance sheet as a result of the merger acquisition accounting. This is an accounting expense that has no associated cash outflows. The remainder of the increase is driven by depreciation/amortisation of TPG Corporation's property, plant and equipment and intangible assets (including spectrum licences) acquired through the merger.
3. **Net financing costs**
   Net financing costs decreased by $114 million in HY21. This was driven primarily by the fact that the Group's borrowings were substantially lower as at 30 June 2021 than as at 30 June 2020 due to the debt restructure that occurred as part of the merger implementation in July 2020.
4. **Income tax**
   The Group's HY20 income statement included a one-off, non-cash, $226 million accounting credit to income tax expense reflecting the recognition of deferred tax assets in respect of temporary timing differences between book and tax accounting, whereas the HY21 income tax expense simply represents the Group's profit before tax multiplied by the applicable corporate tax rate of 30%.

# Directors' Report continued

## 3.2. Consolidated Balance Sheet Overview

Set out below is a condensed version of the Group's balance sheet as at 30 June 2021 and as at 31 December 2020, summarised in a manner to highlight some key points. Commentary on some of the material movements and balances is set out below the table.

| | NOTE | 30 JUN 2021 $m | 31 DEC 2020 $m | CHANGE $m |
|---|---|---|---|---|
| Cash | 1 | 79 | 120 | (41) |
| Trade and other receivables | 2 | 525 | 441 | 84 |
| Other current assets | | 168 | 132 | 36 |
| **Total current assets** | | **772** | **693** | **79** |
| Trade and other receivables | 2 | 248 | 110 | 138 |
| Property, plant & equipment | 3 | 3,214 | 3,258 | (44) |
| Right-of-use assets | 4 | 1,264 | 1,012 | 252 |
| Spectrum licences | 5 | 2,307 | 2,325 | (18) |
| Other intangible assets | 6 | 10,964 | 11,144 | (180) |
| Deferred tax assets | 7 | 277 | 264 | 13 |
| Other non-current assets | | 30 | 28 | 2 |
| **Total non-current assets** | | **18,304** | **18,141** | **163** |
| Trade and other payables | | 756 | 927 | (171) |
| Lease liabilities | 4 | 65 | 92 | (27) |
| Other current liabilities | | 462 | 447 | 15 |
| **Total current liabilities** | | **1,283** | **1,466** | **(183)** |
| Borrowings | 1 | 4,460 | 4,330 | 130 |
| Lease liabilities | 4 | 1,317 | 1,051 | 266 |
| Other non-current liabilities | 5 | 184 | 95 | 89 |
| **Total non-current liabilities** | | **5,961** | **5,476** | **485** |
| **Net assets** | | **11,832** | **11,892** | **(60)** |
| Contributed equity | | 18,399 | 18,399 | – |
| Reserves | 8 | (6,567) | (6,507) | (60) |
| **Total equity** | | **11,832** | **11,892** | **(60)** |

1. **Net debt**
   As at 30 June 2021, the Group had net borrowings of $4,381 million (borrowings of $4,460 million less cash of $79 million) up from $4,210 million (borrowings of $4,330 million less cash of $120 million) as at 31 December 2020. The $171 million increase in net debt, as reflected in the cash flow section below, is driven by net cash outflow before dividends during the period of $34 million and payment of the FY20 final dividend of $139 million.

2. **Trade and other receivables**
   Total trade and other receivables (current and non-current) as at 30 June 2021 were $222 million higher than as at 31 December 2020 driven by an increase in handset receivables. Handset receivables are amounts owed by customers for the purchase of mobile handsets which they typically pay for over 24 to 36 months. The Group customarily sells a proportion of its handset receivables to, amongst other things, assist with managing working capital. However, in HY21, the volume of handset receivables sales was much lower than in prior periods. This was only due to timing with sales that would ordinarily have been made in HY21 being delayed into 3Q21.

3. **Property, plant and equipment (PP&E)**
PP&E as at 30 June 2021 was $3,214 million, a decrease of $44 million compared to 31 December 2020, which is explained by net PP&E additions of $291 million (driven primarily by the purchase and installation of network equipment and other infrastructure), less transfers (to intangible assets) of $38 million and depreciation expense of $297 million.

4. **Right-of-use assets and lease liabilities**
Right-of-use assets and total lease liabilities increased by $252 million and $239 million respectively during HY21. The primary reason for the increase in both is that a key network site access arrangement was renegotiated during the period which included an extension of the lease term of the sites by an initial 19 years.

5. **Spectrum licences and other non-current liabilities**
The net book value of spectrum licences held by the Group declined by $18 million in HY21. This was driven by the purchase of 26GHz (millimetre wave) spectrum licences at auction in April 2021 for $110 million, offset by amortisation of $128 million. The purchase price of the 26GHz licences is payable in five equal annual instalments of $22 million from June 2021. The $88 million remaining to be paid as at 30 June 2021 is the primary explanation of the $89 million increase in other non-current liabilities in HY21.

6. **Other intangible assets**
Excluding spectrum licences, other intangible assets decreased in the period by $180 million. The drivers of this decrease are (a) $53 million decrease in goodwill upon finalisation of the merger acquisition accounting (offset primarily in deferred tax assets), (b) $35 million of additions (primarily contract costs), (c) $38 million of transfers in from PP&E, and (d) amortisation of $200 million.

7. **Deferred tax assets**
Deferred tax assets increased by $13 million in the period. The principal drivers of this movement were a $46 million increase upon finalisation of the merger acquisition accounting (offset in goodwill), partially offset by utilisation of carried forward tax losses during the period.

8. **Reserves**
Reserves decreased by $60 million in the period as a result of the $76 million net profit after tax for the period plus $3 million movement in other reserves offset by the $139 million dividend.

### 3.3. Consolidated Cash Flow Statement Overview

A comparison of the Group's HY21 and HY20 cash flow statements is affected by the fact that HY20 includes only a four day contribution from TPG Corporation compared to a full six months' contribution from TPG Corporation in HY21. A condensed version of the cash flow statement is set out below together with some commentary below the table highlighting some key points.

| | NOTE | HY21 $m | HY20 $m | CHANGE $m |
|---|---|---|---|---|
| Operating cash flow | 1 | 567 | 318 | 249 |
| Income taxes paid | 2 | (4) | – | (4) |
| Capital expenditure | 3 | (413) | (266) | (147) |
| Mobile spectrum payments | 4 | (22) | (205) | 183 |
| Merger transaction costs | | (1) | (14) | 13 |
| **Net cash flow before financing activities** | | **127** | **(167)** | |
| Lease principal repayments | 5 | (68) | (63) | (5) |
| Financing costs – leases | 5 | (31) | (50) | 19 |
| Financing costs – debt | 6 | (62) | (79) | 17 |
| **Net cash flow before dividends** | | **(34)** | **(359)** | |
| Dividends paid | 7 | (139) | – | |
| Divestment of Tech2 | | 2 | – | |
| **Net cash flow** | | **(171)** | **(359)** | |

# Directors' Report continued

1. **Operating cash flow**
   Operating cash flow for HY21 of $567 million was $249 million higher than in HY20 due primarily to the inclusion of TPG Corporation's results for the full six months in HY21 compared to only four days in HY20. The $567 million of operating cash flow was $319 million lower than the EBITDA reported for the period due to an adverse movement in working capital. This was primarily driven by the timing of handset receivables sales (refer to commentary on 'trade and other receivables' above).
2. **Income taxes paid**
   Prior to the merger, the Company was not generating taxable profits and hence no income tax was payable in HY20. Subsequent to the merger, the Group is generating taxable profits but is currently able to utilise its carried forward tax losses to offset against those taxable profits meaning no income tax was paid in HY21 other than a $4 million final FY20 payment made by TPG Corporation relating to the pre-merger period.
3. **Capital expenditure (capex)**
   Capex comprises payments for property, plant and equipment and for intangible assets (excluding spectrum payments). Capex for HY21 of $413 million was $147 million higher than for HY20 due principally to the inclusion of TPG Corporation's results for the full six months in HY21 compared to only four days in HY20. Capex primarily represents investment in the Group's mobile and fixed telecommunications network infrastructure and business support systems.
4. **Mobile spectrum payments**
   In HY21 the Group paid the first of five $22 million annual instalments for the purchase of 26GHz (millimetre wave) spectrum licences acquired at auction in April 2021.
5. **Lease payments**
   The Group's total lease payments (principal plus interest) were $14 million lower in HY21 than in HY20 despite HY21 including a full six months of TPG Corporation compared to only four days in HY20. This counter-intuitive decrease is explained by the fact that, prior to the merger, the Company had a commercial arrangement with TPG Corporation to lease fibre to its mobile towers. $34 million of lease payments pertaining to this arrangement were paid in HY20, whereas no such payments are included in the Group's HY21 cash flow statement because, due to the merger, they are now eliminated on consolidation of the merged Group's results.
6. **Financing costs – debt**
   Debt financing costs were lower in HY21 than in HY20 driven primarily by the fact that the Group's borrowings were substantially lower as at 30 June 2021 than as at 30 June 2020 due to the debt restructure that occurred as part of the merger implementation in July 2020.
   However, debt financing costs for HY21 were also slightly higher than usual in HY21 due to the following two factors:
   a) Timing of interest payments. Payments covering a period of greater than six months were made in HY21; and
   b) One-off costs incurred in HY21 re debt refinancing. During HY21, the Group's $5.25 billion of debt facilities were refinanced on improved pricing terms and extended by one year.
7. **Dividends paid**
   The $139 million dividend in HY21 reflects the fully franked final dividend for FY20 of 7.5 cents per share paid in April 2021.

### 3.4. Segments

The Group recognises two operating segments; the Consumer and Corporate Segments.

| | |
|---|---|
| Consumer Segment | Fixed and mobile services to consumers and small business customers. |
| Corporate Segment | Fixed and mobile services to business, enterprise, government and wholesale customers. |

Results by operating segment are set out below:

| | CONSUMER | | CORPORATE | | UNALLOCATED | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | HY21 $m | HY20 $m | HY21 $m | HY20 $m | HY21 $m | HY20 $m | HY21 $m | HY20 $m |
| **Revenue** | **2,144** | **1,356** | **486** | **184** | **–** | **–** | **2,630** | **1,540** |
| Other income | – | – | – | – | 8 | 6 | 8 | 6 |
| Cost of telco services | (845) | (329) | (128) | (42) | – | – | (973) | (371) |
| Cost of handsets sold | (368) | (345) | (45) | (19) | – | – | (413) | (364) |
| Employee benefits expense | (134) | (100) | (54) | (12) | – | – | (188) | (112) |
| Other operating expenses | (159) | (128) | (23) | (16) | 4 | (24) | (178) | (168) |
| **EBITDA** | **638** | **454** | **236** | **95** | **12** | **(18)** | **886** | **531** |

The increase in revenue and EBITDA for both segments reflects the inclusion of TPG Corporation results for the full six months in HY21 compared to only four days in HY20. The HY21 financial results commentary and investor presentation available on the Company's website at www.tpgtelecom.com.au/investor-relations set out a comparison of the segment results for HY21 with the pro forma HY20 segment results, prepared as if the merger had been effective throughout HY20, to assist users of the accounts to gain a better understanding of the underlying performance of the segments during the period.

## Events occurring after the reporting period

### COVID-19 Pandemic

Since the reporting date, containment policies by the Australian Government and governments around the world remain in force to prevent the spread of COVID-19. Restrictions and measures to limit movement into and out of Australia, and also domestically, are ongoing, and continue to impact inbound related connections, visitor revenue and international roaming revenues. While there remains uncertainty as to the extent and duration of the COVID-19 pandemic, it is reasonably likely that the pandemic will continue to have an impact on the Group's operations and results in future periods.

### Sale of handset and accessories receivables

In July 2021, the Group entered into a new arrangement which allows for the sale of certain handset and accessories receivables to a third party. Under this agreement, $154 million of receivables were sold in July 2021. The sale of these receivables will be accounted for in accordance with the Group's accounting policy as disclosed in Note 9 of the 2020 Annual Report.

# Directors' Report continued

## Dense Air spectrum acquisition

On 2 August 2021, the Company entered into an agreement to acquire Dense Air Australia which owns spectrum licences in the 3.6 GHz band. As part of the transaction, the Group will also sell its 2.6 GHz spectrum band licenses to Dense Air Networks Australia. The agreements for both the 3.6 GHz spectrum transaction and the 2.6 GHz spectrum transaction are subject to conditions precedent, including that the two transactions are completed concurrently, and receive approval by the Australian Competition and Consumer Commission. Following satisfaction of the conditions, the transactions are expected to complete in September 2021.

There has been no other matter or circumstance that has arisen after the reporting date that has significantly affected, or may significantly affect:

i. the operations of the Company and of the Group in future financial years, or

ii. the results of those operations in future financial years, or

iii. the state of affairs of the Company and of the Group in future financial years.

## Dividends

During the half-year ended 30 June 2021, a fully franked final FY20 dividend of 7.5 cents per share was paid on 14 April 2021. No other dividends were declared or paid during the half-year (30 June 2020: nil).

Subsequent to the half-year end, on 19 August 2021, the Board of directors have declared a fully franked interim FY21 dividend of 8.0 cents per share. The interim FY21 dividend has a record date of 15 September 2021 and will be paid on 13 October 2021.

## Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 11.

## Rounding of amounts

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 Half-Year Financial Report and Directors' Report has been rounded to the nearest million dollars, unless otherwise indicated.

This Directors' report is made in accordance with a resolution of the Directors on 20 August 2021.

**Fok Kin Ning, Canning**
Chairman
20 August 2021

**Iñaki Berroeta**
Chief Executive Officer and Managing Director
20 August 2021

# Auditor's Independence Declaration

## *Auditor's Independence Declaration*

As lead auditor for the review of TPG Telecom Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of TPG Telecom Limited and the entities it controlled during the period.

S Prakash
Partner
PricewaterhouseCoopers

Sydney
20 August 2021

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# Half-Year Financial Report

## About this report

The Half-Year Financial Report covers the group consisting of TPG Telecom Limited (formerly named Vodafone Hutchison Australia Limited) ("TPG Telecom", "the Company") and its controlled entities (the "Group"). Vodafone Hutchison Australia Pty Limited ("VHA") converted to a public company on 19 June 2020 and changed its name to Vodafone Hutchison Australia Limited. On 29 June 2020, the Company changed its name from Vodafone Hutchison Australia Limited to TPG Telecom Limited.

TPG Telecom Limited is a for-profit company limited by shares, which is incorporated and domiciled in Australia and listed on the Australian Securities Exchange ("ASX"). Its registered office and principal place of business is:

Level 1, 177 Pacific Highway
North Sydney NSW 2060

The Half-Year Financial Report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. In accordance with AASB 134, this Half-Year Financial Report does not include all information included within an annual financial report and should be read in conjunction with the Group's 2020 Annual Report, which is available on the Company's website at www.tpgtelecom.com.au, and other announcements made on the ASX.

# Contents

# Consolidated Income Statement

**for the half-year ended 30 June 2021**

| | NOTES | 30 JUN 2021 $m | 30 JUN 2020 $m |
|---|---|---|---|
| Revenue from contracts with customers | 3 | 2,630 | 1,540 |
| Other income | | 8 | 6 |
| Cost of provision of telecommunication services | | (973) | (371) |
| Cost of handsets sold | | (413) | (364) |
| Employee benefits expense | 4 | (188) | (112) |
| Other operating expenses | 4 | (178) | (168) |
| **Earnings before interest, tax, depreciation and amortisation** | | **886** | **531** |
| Depreciation and amortisation expense | 4 | (696) | (479) |
| **Results from operating activities** | | **190** | **52** |
| Finance income | 4 | 1 | 2 |
| Finance expenses | 4 | (82) | (197) |
| Net financing costs | | (81) | (195) |
| **Profit/(loss) before income tax** | | **109** | **(143)** |
| Income tax (expense)/benefit | 5 | (33) | 226 |
| **Profit for the half-year** | | **76** | **83** |
| Attributable to: | | | |
| Owners of the Company | | 76 | 83 |
| Non-controlling interests | | – | – |
| | | **76** | **83** |

| | | cps | cps |
|---|---|---|---|
| **Earnings per share for profit attributable to owners of the Company** | | | |
| Basic and diluted earnings per share | 14 | 4 | 19 |

The above consolidated income statement should be read in conjunction with the accompanying notes.

# Consolidated Statement of Comprehensive Income

**for the half-year ended 30 June 2021**

| | 30 JUN 2021 $m | 30 JUN 2020 $m |
|---|---|---|
| **Profit for the half-year** | **76** | **83** |
| **Other comprehensive income** | | |
| **Items that may subsequently be reclassified to the income statement, net of tax:** | | |
| Net gain on cash flow hedges taken to equity | 2 | – |
| **Other comprehensive income for the half-year, net of tax** | **2** | **–** |
| **Total comprehensive income for the half-year** | **78** | **83** |
| Attributable to: | | |
| Owners of the Company | 78 | 83 |
| Non-controlling interests | – | – |
| | **78** | **83** |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

as at 30 June 2021

| | NOTES | 30 JUN 2021 $m | 31 DEC 2020 $m |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 79 | 120 |
| Trade and other receivables | 6 | 525 | 441 |
| Inventories | | 75 | 51 |
| Derivative financial instruments | | 1 | – |
| Prepayments | | 92 | 79 |
| Assets held for sale | | – | 2 |
| **Total current assets** | | **772** | **693** |
| **Non-current assets** | | | |
| Trade and other receivables | 6 | 248 | 110 |
| Property, plant and equipment | 8 | 3,214 | 3,258 |
| Right-of-use assets | 9 | 1,264 | 1,012 |
| Intangible assets | 10 | 13,271 | 13,469 |
| Deferred tax assets | | 277 | 264 |
| Prepayments | | 30 | 28 |
| **Total non-current assets** | | **18,304** | **18,141** |
| **Total assets** | | **19,076** | **18,834** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 756 | 927 |
| Contract liabilities | | 295 | 281 |
| Lease liabilities | 9 | 65 | 92 |
| Provisions | | 91 | 84 |
| Derivative financial instruments | | – | 1 |
| Other current liabilities | | 76 | 81 |
| **Total current liabilities** | | **1,283** | **1,466** |
| **Non-current liabilities** | | | |
| Contract liabilities | | 24 | 25 |
| Borrowings | 12 | 4,460 | 4,330 |
| Lease liabilities | 9 | 1,317 | 1,051 |
| Provisions | | 68 | 64 |
| Other non-current liabilities | | 92 | 6 |
| **Total non-current liabilities** | | **5,961** | **5,476** |
| **Total liabilities** | | **7,244** | **6,942** |
| **Net assets** | | **11,832** | **11,892** |
| **EQUITY** | | | |
| Contributed equity | 13 | 18,399 | 18,399 |
| Reserves | | 4 | 1 |
| Accumulated losses | | (6,571) | (6,508) |
| **Equity attributable to owners of the Company** | | **11,832** | **11,892** |
| Non-controlling interests | | – | – |
| **Total equity** | | **11,832** | **11,892** |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

for the half-year ended 30 June 2021

| | | ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | | |
|---|---|---|---|---|---|---|---|
| | NOTES | CONTRIBUTED EQUITY $m | RESERVES $m | ACCUMULATED LOSSES $m | EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY $m | NON-CONTROLLING INTEREST $m | TOTAL EQUITY $m |
| **Balance at 1 January 2021** | | **18,399** | **1** | **(6,508)** | **11,892** | **–** | **11,892** |
| Profit for the half-year | | – | – | 76 | 76 | – | 76 |
| Other comprehensive income, net of tax | | – | 2 | – | 2 | – | 2 |
| Share-based payments | 16 | – | 1 | – | 1 | – | 1 |
| Dividends paid | 15 | – | – | (139) | (139) | – | (139) |
| **Balance at 30 June 2021** | | **18,399** | **4** | **(6,571)** | **11,832** | **–** | **11,832** |
| | | | | | | | |
| **Balance at 1 January 2020** | | **6,047** | **(1)** | **(7,248)** | **(1,202)** | **–** | **(1,202)** |
| Profit for the half-year | | – | – | 83 | 83 | – | 83 |
| Other comprehensive income, net of tax | | – | – | – | – | – | – |
| Non-controlling interest acquired | | – | – | – | – | 7 | 7 |
| Shares issued during the half-year | | 12,352 | – | – | 12,352 | – | 12,352 |
| **Balance at 30 June 2020** | | **18,399** | **(1)** | **(7,165)** | **(11,233)** | **7** | **11,240** |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

**for the half-year ended 30 June 2021**

| | 30 JUN 2021 $m | 30 JUN 2020 $m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 2,676 | 1,752 |
| Payments to suppliers and employees | (2,117) | (1,440) |
| | 559 | 312 |
| Other revenue | 8 | 6 |
| Income taxes paid | (4) | – |
| **Net cash generated from operating activities** | **563** | **318** |
| **Cash flows from investing activities** | | |
| Net cash acquired as a result of merger | – | 99 |
| Payments for property, plant and equipment | (344) | (228) |
| Payments for spectrum licences | (22) | (205) |
| Payments for other intangible assets | (69) | (38) |
| Transaction costs relating to merger | (1) | (14) |
| Receipts on disposal of non-controlling interest in investment | 1 | – |
| **Net cash outflows from investing activities** | **(435)** | **(386)** |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | 1,030 | – |
| Repayment of borrowings | (900) | (4) |
| Repayment of principal element of leases | (68) | (63) |
| Finance costs paid | (93) | (131) |
| Interest received | – | 2 |
| Receipts on settlement of loan with non-controlling interest in investment | 1 | – |
| Dividends paid | (139) | – |
| **Net cash outflows from financing activities** | **(169)** | **(196)** |
| **Net decrease in cash and cash equivalents** | **(41)** | **(264)** |
| Cash and cash equivalents at 1 January | 120 | 734 |
| **Cash and cash equivalents at 30 June** | **79** | **470** |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Half-Year Consolidated Financial Statements

## Note 1 Basis of preparation

TPG Telecom Limited (formerly named Vodafone Hutchison Australia Limited) ("the Company") is a for-profit company limited by shares, which is incorporated and domiciled in Australia and listed on the Australian Securities Exchange ("ASX").

The half-year financial statements as at, and for the half-year ended, 30 June 2021 comprise the accounts of the Company and its controlled entities (together referred to as "the Group").

The Half-Year Financial Report was authorised for issue in accordance with a resolution of the Directors on 20 August 2021.

The Half-Year Financial Report is a consolidated interim financial report for the half-year reporting period ended 30 June 2021, and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

In accordance with AASB 134, the Half-Year Financial Report does not include all information included within an annual financial report and should be read in conjunction with the 2020 Annual Report, which is available on the Company's website at www.tpgtelecom.com.au, and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted by the Group in the Half-Year Financial Report are consistent with those adopted by the Group in its 2020 Annual Report, except for the accounting policies required for new share-based payments transactions during the half-year, and the adoption of new accounting standards applicable to the Group from 1 January 2021.

Amendments have been made to certain prior period comparatives to enhance comparability.

### Net current asset deficiency

At 30 June 2021, the Group had a deficiency of net current assets of $511 million (31 December 2020: a deficiency of $773 million). The Group is satisfied that it will be able to meet all its obligations as they fall due, due to its history of generating positive operating cash flows, its expected future profitability as a merged Group, and existing cash reserves and available debt facilities.

### Rounding of amounts

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 presented in the Half-Year Financial Report and Directors' Report has been rounded to the nearest million dollars, unless otherwise indicated.

### New accounting standards and Interpretations

#### New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

#### AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2

In September 2020, the AASB made amendments to AASB 9 *Financial Instruments*, AASB 139 *Financial Instruments*: *Recognition and Measurement*, AASB 7 *Financial Instruments*: Disclosures, AASB 4 *Insurance Contracts* and AASB 16 *Leases* to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one. This amendment became effective for the Group from 1 January 2021 and no material impact was identified for the half-year ended 30 June 2021.

### New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

In April 2021, the International Accounting Standards Board ratified an IFRIC interpretation of IAS 38 with regard to costs incurred in the configuration or customisation of a cloud computing arrangement. This decision does not have a material impact on the Group's capital and operating expenditure associated with cloud computing arrangements as at 30 June 2021.

## Key accounting estimates and judgements

### Summary of key accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group's key accounting estimates and judgements are disclosed in Note 2 of the 31 December 2020 financial statements. Management has not identified any significant changes or updates to its accounting judgements and estimates, including the impacts of COVID-19, when reflecting latest information available during the half-year ended 30 June 2021, other than those disclosed in the following notes:

- Note 5 Recognition of deferred tax assets
- Note 7 Accounting for business combinations
- Note 10 Impairment of intangible assets with indefinite lives

## Note 2 Segment reporting

The Group determines operating segments based on the information that is internally provided to the senior management team, who are the Group's chief operating decision makers.

During the second half of 2020, in light of integration activities following the merger between the Company and TPG Corporation, the senior management team decided to adopt revised reporting segments, being the Consumer and Corporate segments, to reflect how the Group is managed. Comparative balances have been restated to reflect the updated reporting structure.

| SEGMENT | PRINCIPAL ACTIVITIES |
|---|---|
| Consumer | Provision of telecommunications and technology services to residential and small business customers. |
| Corporate | Provision of telecommunications services to corporate, government and wholesale customers. Mobile small business customers have been categorised in Corporate. |
| Unallocated | Unallocated includes certain head office costs and transaction costs relating to the merger in the comparative period. |

# Notes to the Half-Year Consolidated Financial Statements continued

## Note 2 Segment reporting continued

| | CONSUMER $m | CORPORATE $m | UNALLOCATED $m | TOTAL $m |
|---|---|---|---|---|
| **For the half-year ended 30 June 2021** | | | | |
| Revenue from contracts with customers | 2,144 | 486 | – | 2,630 |
| Other income | – | – | 8 | 8 |
| Cost of provision of telecommunication services | (845) | (128) | – | (973) |
| Cost of handsets sold | (368) | (45) | – | (413) |
| Employee benefits expense | (134) | (54) | – | (188) |
| Other operating expenses | (159) | (23) | 4 | (178) |
| **Results from segment activities** | **638** | **236** | **12** | **886** |

| | CONSUMER $m | CORPORATE $m | UNALLOCATED $m | TOTAL $m |
|---|---|---|---|---|
| **For the half-year ended 30 June 2020** | | | | |
| Revenue from contracts with customers | 1,356 | 184 | – | 1,540 |
| Other income | – | – | 6 | 6 |
| Cost of provision of telecommunication services | (329) | (42) | – | (371) |
| Cost of handsets sold | (345) | (19) | – | (364) |
| Employee benefits expense | (100) | (12) | – | (112) |
| Other operating expenses | (128) | (16) | (24) | (168) |
| **Results from segment activities** | **454** | **95** | **(18)** | **531** |

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

| | 30 JUN 2021 $m | 30 JUN 2020 $m |
|---|---|---|
| Total segment results | 886 | 531 |
| Depreciation and amortisation expense | (696) | (479) |
| **Results from operating activities** | **190** | **52** |
| Net financing costs | (81) | (195) |
| **Profit/(loss) before income tax** | **109** | **(143)** |

## Geographic information

The majority of the Group's revenues are derived from Australian based entities, and no single customer generates revenue greater than 10% of the Group's total revenue.

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

| | 30 JUN 2021 $m | 31 DEC 2020 $m |
|---|---|---|
| Australia | 18,021 | 17,847 |
| Other | 283 | 294 |
| | **18,304** | **18,141** |

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

## Note 3 Revenue from contracts with customers

### Major product categories

| | | CONSUMER | | CORPORATE | | TOTAL | |
|---|---|---|---|---|---|---|---|
| | **TIMING OF REVENUE RECOGNITION** | **30 JUN 2021 $m** | **30 JUN 2020 $m** | **30 JUN 2021 $m** | **30 JUN 2020 $m** | **30 JUN 2021 $m** | **30 JUN 2020 $m** |
| Mobile – Postpaid | Over time | 667 | 739 | 114 | 122 | 781 | 861 |
| Mobile – Prepaid | Over time | 223 | 199 | – | – | 223 | 199 |
| Fixed | Over time | 834 | 64 | – | – | 834 | 64 |
| Data & Internet | Over time | – | – | 267 | 9 | 267 | 9 |
| Other service revenue | Over time | 18 | – | 57 | 34 | 75 | 34 |
| Handsets and accessories | Point in time | 387 | 348 | 48 | 19 | 435 | 367 |
| Other hardware revenue | Point in time | 15 | 6 | – | – | 15 | 6 |
| | | **2,144** | **1,356** | **486** | **184** | **2,630** | **1,540** |

# Notes to the Half-Year Consolidated Financial Statements continued

## Note 4 Other profit and loss items

| | 30 JUN 2021 $m | 30 JUN 2020 $m |
|---|---|---|
| **Employee benefits expense** | | |
| Superannuation expense | 17 | 9 |
| Other employee benefits expense | 171 | 103 |
| | **188** | **112** |

During the half-year ended 30 June 2021, employee benefits expense included termination benefits expense of $175,000 (30 June 2020: $994,000) and share-based payments expense of $841,000 (30 June 2020: nil) relating to key management personnel.

| | 30 JUN 2021 $m | 30 JUN 2020 $m |
|---|---|---|
| **Other operating expenses** | | |
| Advertising and promotion expenses | 44 | 31 |
| Consulting and outsourced services costs | 67 | 52 |
| IT and facilities expenses | 16 | 8 |
| Transaction costs associated with the merger | (4) | 24 |
| Administration and other expenses | 55 | 53 |
| | **178** | **168** |
| **Depreciation and amortisation** | | |
| Depreciation of property, plant and equipment | 297 | 240 |
| Depreciation of right-of-use assets | 71 | 81 |
| Amortisation of intangible assets | 328 | 158 |
| | **696** | **479** |
| **Net financing costs** | | |
| Finance income | | |
| Interest income | (1) | (2) |
| Finance expenses | | |
| Amortisation of borrowing costs | 5 | 9 |
| Interest and finance charges for borrowings and lease liabilities | 77 | 188 |
| | **81** | **195** |

## Note 5 Income tax

### Numerical reconciliation between tax expense and pre-tax accounting profit/(loss)

| | 30 JUN 2021 $m | 30 JUN 2020 $m |
|---|---|---|
| Profit/(loss) from operations before income tax | 109 | (143) |
| Income tax (expense)/benefit using the Australian tax rate of 30% (30 June 2020: 30%) | (33) | 43 |
| Tax effect of amounts which are not deductible/taxable in calculating taxable income: | | |
| Tax losses incurred during the half-year, not recognised | – | (43) |
| Initial recognition of deferred tax assets | – | 226 |
| **Income tax (expense)/benefit** | **(33)** | **226** |

### Critical Estimates and Judgements: Recognition of deferred tax assets

Management judgement is required to determine the recognition of deferred tax assets, which is reviewed at the end of each reporting period. The carrying amount of deferred tax assets is only recognised to the extent that it is probable that sufficient taxable profit will be available in the future to utilise this benefit. This assessment requires assumptions about the generation of future taxable profits derived from management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the Consolidated Statement of Financial Position and the amount of tax losses and temporary differences not yet recognised.

## Note 6 Trade and other receivables

At 30 June 2021, the Group carried a trade and other receivables balance of $773 million (31 December 2020: $551 million). This includes $470 million of handset and accessories receivables (31 December 2020: $261 million). In July 2021, the Group entered into new arrangements which allow for the sale of certain handset and accessories receivables to a third party, under which $154 million of receivables were sold in July 2021. The sale of these receivables will be accounted for in accordance with the Group's accounting policy as disclosed in Note 9 of the 2020 Annual Report.

# Notes to the Half-Year Consolidated Financial Statements continued

## Note 7 Business combinations

### Critical Estimates and Judgements: Business combinations

The merger of the Company and TPG Corporation became effective for accounting purposes on 26 June 2020 and was completed on 13 July 2020.

Management judgement is required to determine the fair value of identifiable assets and liabilities acquired in business combinations. A number of judgements have been made in relation to the identification of fair values attributable to separately identifiable assets and liabilities acquired, including customer relationships and brands. The determination of fair values requires the use of valuation techniques based on assumptions including future cash flows, revenue growth, margins, customer attrition rates and weighted-average cost of capital.

The initial accounting for the acquisition of TPG Corporation was provisionally disclosed at 30 June 2020 and 31 December 2020. In accordance with AASB 3 *Business Combinations*, the Group had twelve months from the date of acquisition to finalise the purchase price accounting and allocation of fair value to goodwill and other indefinite life intangible assets. During the half-year ended 30 June 2021, management has completed this exercise, and the below table now reflects the final fair value of the acquired assets and liabilities and the resulting value of goodwill arising from the merger.

The assets and liabilities recognised as a result of the acquisition are as follows:

| FAIR VALUE RECOGNISED ON ACQUISITION | PROVISIONAL $m | FINAL $m | MOVEMENT $m |
|---|---|---|---|
| Cash and cash equivalents | 99 | 99 | – |
| Trade and other receivables[1] | 124 | 123 | (1) |
| Inventories | 7 | 7 | – |
| Deferred tax liabilities[2] | (557) | (511) | 46 |
| Other assets | 25 | 25 | – |
| Property, plant and equipment | 1,491 | 1,491 | – |
| Right-of-use assets | 99 | 99 | – |
| Intangible assets | 3,431 | 3,431 | – |
| Trade and other payables[1] | (272) | (264) | 8 |
| Contract liabilities | (194) | (194) | – |
| Borrowings | (2,047) | (2,047) | – |
| Lease liabilities | (115) | (115) | – |
| Provisions | (89) | (89) | – |
| | 2,002 | 2,055 | 53 |
| Assets classified as held for distribution | 512 | 512 | – |
| Acquired pre-acquisition dividends payable | (991) | (991) | – |
| Net identifiable assets acquired | 1,523 | 1,576 | 53 |
| Less: Non-controlling interests acquired | (7) | (7) | – |
| Add: goodwill | 6,155 | 6,102 | (53) |
| **Purchase consideration** | **7,671** | **7,671** | **–** |

1 Decrease of $1 million in trade and other receivables and $8 million in trade and other payables represent adjustments to reflect the best estimate of accruals and provisions required on acquisition date.

2 Decrease of $46 million in deferred tax liabilities relating to additional temporary differences on copyright within brand names.

## Note 8 Property, plant and equipment

| | LAND AND BUILDINGS $m | LEASEHOLD IMPROVEMENTS $m | NETWORK EQUIPMENT AND INFRASTRUCTURE $m | ASSETS UNDER CONSTRUCTION $m | TOTAL $m |
|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | |
| Cost | 43 | 111 | 6,037 | 416 | 6,607 |
| Accumulated depreciation | (1) | (85) | (3,259) | (4) | (3,349) |
| Net book amount | 42 | 26 | 2,778 | 412 | 3,258 |
| **Cost** | | | | | |
| Balance at 1 January 2021 | 43 | 111 | 6,037 | 416 | 6,607 |
| Additions | – | 2 | 93 | 213 | 308 |
| Transfers | – | – | 148 | (186) | (38) |
| Retirements | – | – | (69) | – | (69) |
| Balance at 30 June 2021 | 43 | 113 | 6,209 | 443 | 6,808 |
| **Accumulated depreciation** | | | | | |
| Balance at 1 January 2021 | (1) | (85) | (3,259) | (4) | (3,349) |
| Depreciation | (2) | (8) | (269) | (18) | (297) |
| Retirements | – | – | 52 | – | 52 |
| Balance at 30 June 2021 | (3) | (93) | (3,476) | (22) | (3,594) |
| **At 30 June 2021** | | | | | |
| Cost | 43 | 113 | 6,209 | 443 | 6,808 |
| Accumulated depreciation | (3) | (93) | (3,476) | (22) | (3,594) |
| **Net book amount** | **40** | **20** | **2,733** | **421** | **3,214** |

## Note 9 Right-of-use assets and lease liabilities

At 30 June 2021, the Group had right-of-use assets of $1,264 million (31 December 2020: $1,012 million), and lease liabilities of $1,382 million (31 December 2020: $1,143 million). The increase in right-of-use assets and lease liabilities during the half-year ended 30 June 2021 included lease remeasurements arising from the renegotiation of its network site access arrangement with Axicom during the period. Under the terms of the agreement, the lease term of existing network sites was extended for an initial period of 19 years.

# Notes to the Half-Year Consolidated Financial Statements continued

## Note 10 Intangible assets

| | BRAND NAMES $m | SPECTRUM LICENCES $m | COMPUTER SOFTWARE $m | CONTRACT COSTS $m | CUSTOMER BASE $m | IRUS $m | GOODWILL $m | TOTAL $m |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | | | |
| Cost | 425 | 2,945 | 852 | 105 | 1,689 | 201 | 8,568 | 14,785 |
| Accumulated amortisation | (1) | (620) | (543) | (60) | (82) | (10) | – | (1,316) |
| Net book amount | 424 | 2,325 | 309 | 45 | 1,607 | 191 | 8,568 | 13,469 |
| **Cost** | | | | | | | | |
| Balance at 1 January 2021 | 425 | 2,945 | 852 | 105 | 1,689 | 201 | 8,568 | 14,785 |
| Finalisation of purchase price accounting | – | – | – | – | – | – | (53) | (53) |
| Additions | – | 110 | 4 | 31 | – | – | – | 145 |
| Transfers | – | – | 36 | – | – | 2 | – | 38 |
| Retirements | – | – | – | (33) | – | – | – | (33) |
| Balance at 30 June 2021 | 425 | 3,055 | 892 | 103 | 1,689 | 203 | 8,515 | 14,882 |
| **Accumulated amortisation** | | | | | | | | |
| Balance at 1 January 2021 | (1) | (620) | (543) | (60) | (82) | (10) | – | (1,316) |
| Amortisation | – | (128) | (76) | (34) | (80) | (10) | – | (328) |
| Retirements | – | – | – | 33 | – | – | – | 33 |
| Balance at 30 June 2021 | (1) | (748) | (619) | (61) | (162) | (20) | – | (1,611) |
| **At 30 June 2021** | | | | | | | | |
| Cost | 425 | 3,055 | 892 | 103 | 1,689 | 203 | 8,515 | 14,882 |
| Accumulated amortisation | (1) | (748) | (619) | (61) | (162) | (20) | – | (1,611) |
| **Net book amount** | **424** | **2,307** | **273** | **42** | **1,527** | **183** | **8,515** | **13,271** |

During the half-year, the Group, through its wholly owned subsidiary, Mobile JV Pty Limited, was successful in securing holdings in all available licence areas in the 26 GHz (millimetre wave) band auction for $110 million. The licence was issued to the Group on 29 June 2021 and commences from 15 July 2021 for a period of 15 years. The Group intends to pay for the spectrum in five equal annual instalments of $22 million, with the first payment made in June 2021. At 30 June 2021, the Group has recorded the remaining liability of $88 million in other liabilities.

### Impairment testing for intangible assets with indefinite useful lives

Indefinite life intangible assets, such as goodwill and brand names, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows known as cash generating units ("CGU").

| | 30 JUNE 2021 | | | 31 DECEMBER 2020 | | |
|---|---|---|---|---|---|---|
| | BRAND NAMES $m | GOODWILL $m | TOTAL $m | BRAND NAMES $m | GOODWILL $m | TOTAL $m |
| Consumer Group | 326 | 6,386 | 6,712 | 326 | 6,449 | 6,775 |
| Corporate Group | 98 | 2,129 | 2,227 | 98 | 2,119 | 2,217 |
| | 424 | 8,515 | 8,939 | 424 | 8,568 | 8,992 |

### Critical Estimates and Judgements: Impairment of goodwill

Goodwill is not subject to amortisation and is assessed for impairment at least on an annual basis, or whenever an indication of potential impairment arises. During the half-year, management noted that the carrying amount of its net assets is lower than its market capitalisation which is an indicator of potential impairment as described in AASB 136 *Impairment of Assets*.

Management judgement is required to determine the recoverable amounts of the Group's CGUs, which have been determined using a value-in-use calculation. The following key assumptions have been used in determining the recoverable amount of the CGUs with allocated goodwill:

- Cash flow projections – cash flow projections are based on five-year board approved forecasts. These include EBITDA related assumptions (such as expected customer subscriber growth rates, average revenue per user, product and pricing mix changes, direct costs to deliver telecommunication services, forecast employee headcount and wage inflation, marketing costs and other overheads), capital expenditure and spectrum. These assumptions are determined based both on an extrapolation of historical performance and future company plans. The customer growth rate and average revenue per user assumptions also rely on separate assumptions about the timing of the eventual relaxation of current international travel restrictions.
- Discount rate – a pre-tax discount rate has been used to discount the projected cash flows of the CGUs and is based on the Group's weighted average cost of capital adjusted to reflect an estimate of specific risks assumed in the cash flow projections.
- Terminal value growth rate – a long term growth rate is applied to extrapolate a CGU's cash flows beyond the five-year forecast period. This growth rate is based on expected long-term performance in the market.

| | 30 JUNE 2021 | | 31 DECEMBER 2020 | |
|---|---|---|---|---|
| | CONSUMER | CORPORATE | CONSUMER | CORPORATE |
| Discount rate | 9.46% | 9.32% | 9.27% | 9.14% |
| Terminal growth rate | 2.5% | 2.5% | 2.5% | 2.5% |

Sensitivity analysis on all of the key assumptions employed in the value-in-use calculations has been performed. From this, management has concluded that a reasonable possible change in discount rate, terminal growth rate or EBITDA could cause the carrying amount of each CGU to exceed the recoverable amount. The following table summarises the required changes in key assumptions for the estimated recoverable amount to equal the carrying amount for each of its CGUs:

| | CONSUMER | CORPORATE |
|---|---|---|
| Discount rate | 0.4% | 0.9% |
| Terminal growth rate | (0.4%) | (1.1%) |
| Cumulative Annual Growth Rate ("CAGR") of EBITDA | (0.7%) | (1.7%) |

Due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to movements, to mitigate downsides and take advantage of upsides, as circumstances allow. Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and, hence, to estimate the likelihood, or extent, of impairments, or reversals of impairments, under different sets of assumptions in subsequent reporting periods.

# Notes to the Half-Year Consolidated Financial Statements continued

## Note 11 Commitments

### Capital commitments

Commitments for the acquisition of property, plant and equipment and intangible assets contracted for at the reporting date but not recognised as liabilities:

| | 30 JUN 2021 $m | 31 DEC 2020 $m |
|---|---|---|
| Not later than 1 year | 439 | 346 |
| Later than 1 year and not later than 5 years | – | 20 |
| Later than 5 years | – | – |
| | **439** | **366** |

## Note 12 Borrowings

| | 30 JUN 2021 $m | 31 DEC 2020 $m |
|---|---|---|
| **Non-current** | | |
| Bank loans (unsecured) | **4,460** | **4,330** |

### Refinancing activities during the period

In March 2021, the Group refinanced $500 million of its existing $5,250 million loan facility. Loan establishment fees of $2 million arising from the refinancing have been capitalised in prepayments and will be amortised over the new loan period. Existing loan establishment fees of $1 million relating to the original facility (now reduced to a $4,750 million facility) were expensed immediately upon the refinancing during the period.

In June 2021, the Group entered into an agreement to reduce the margin of, and extend by one year, its $4,750 million loan facility. Loan establishment fees of $5 million relating to the amendment and extension of the loan facility have been capitalised in prepayments and will be amortised over the revised loan period. Existing loan establishment fees of $19 million unamortised at the date of the amendment relating to the original facility will be amortised over the revised loan period.

### Available facilities

At 30 June 2021, the Group has total loan facilities of $5,250 million (31 December 2020: $5,250 million) and a committed overdraft facility of $35 million (31 December 2020: $35 million). The total amount of undrawn borrowing facilities as at 30 June 2021 was $825 million (31 December 2020: $955 million).

The Group's bank loan facilities contain undertakings to comply with financial covenants. These require that the Group operates within certain financial ratios. The financial covenants that the Group is subject to are Leverage and Interest Coverage. Additionally, the Group is required to ensure that the Total Assets and EBITDA of the guarantors meet minimum threshold amounts of Total Assets and consolidated EBITDA of the Group.

There were no breaches of financial covenants during the half-year ended 30 June 2021.

## Note 13 Contributed equity

Where any Group company purchases the Company's equity instruments, for example as a result of a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

| | 30 JUN 2021 SHARES | 31 DEC 2020 SHARES | 30 JUN 2021 $m | 31 DEC 2020 $m |
|---|---|---|---|---|
| Ordinary shares (fully paid) | 1,859,341,669 | 1,859,341,669 | 18,399 | 18,399 |
| Less: Treasury shares | – | – | – | – |
| | 1,859,341,669 | 1,859,341,669 | 18,399 | 18,399 |

## Note 14 Earnings per share

| | | 30 JUN 2021 | 30 JUN 2020 |
|---|---|---|---|
| Basic and diluted earnings per share | cents | 4 | 19 |
| Profit attributable to the owners of the Company used in calculating basic and diluted earnings per share | $m | 76 | 83 |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share | number | 1,859,341,669 | 445,946,834 |

## Note 15 Dividends

During the half-year ended 30 June 2021, a fully franked final FY20 dividend of $139 million (7.5 cents per fully paid share) was paid on 14 April 2021. No other dividends were declared or paid during the half-year (30 June 2020: nil).

Subsequent to the half-year end, on 19 August 2021, the Board of directors have declared a fully franked interim FY21 dividend of 8.0 cents per share. As the interim dividend was not declared or resolved to be paid by the Board as at 30 June 2021, the dividend has not been provided for in the Consolidated Statement of Financial Position. The interim FY21 dividend has a record date of 15 September 2021 and will be paid on 13 October 2021.

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

## Note 16 Share-based payments

Share-based compensation benefits are provided to executives and eligible employees via the short-term incentive ("STI") and long-term incentive ("LTI") schemes.

The fair value of shares granted to employees for nil consideration is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on non-market vesting conditions (i.e. achievement of performance conditions that are based on the Group's operations) as opposed to market vesting conditions (e.g. the Group's share price). The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

The Group has in place deferred share rights and performance rights plans as detailed in the Remuneration Report in the 2020 Annual Report.

Shares required to meet the deferred share rights and performance rights obligation will be acquired by an employee share trust on market and are held as treasury shares until such time as they become vested. No shares were acquired on market during the period while the trust was being established, however, shares will be acquired in the next period.

## Note 16 Share-based payments continued

### Deferred share rights – STI

A 2021 STI scheme has been established for executives and eligible employees. Under the newly established STI scheme, executives and eligible employees receive 60% of the annual STI achieved in cash, and 40% in the form of rights to shares of the Company. To date, allocation of deferred share rights has only occurred for the CEO in relation to the 2020 performance year as approved by the shareholders at the AGM on 6 May 2021. The rights are granted in the following year, with 50% of the deferred share rights vesting after one year from the grant date, and the remaining 50% of the deferred share rights vesting after two years from the grant date. They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives and eligible employees do not receive any dividends and are not entitled to vote in relation to the deferred share rights during the vesting period. If any executive or eligible employee cease to be employed by the Group within this period, the rights will be forfeited, except in special circumstances (including redundancy, retirement, death or total and permanent disability or as otherwise agreed by the Board).

### Performance rights – LTI

Under the LTI scheme, the CEO and executives are granted a LTI amount in the form of rights to shares of the Company. The rights are granted in the first year, and subject to the achievement of the LTI scheme performance conditions, will vest after three years from the grant date. They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives do not receive any dividends and are not entitled to vote in relation to the performance rights during the vesting period. If any executive ceases to be employed by the Group within this period, the rights will be forfeited, except in special circumstances (including redundancy, retirement, death or total and permanent disability or as otherwise agreed by the Board).

The number of rights granted or outstanding during the half-year ended 30 June 2021 are set out below.

| | 30 JUN 2021 NUMBER OF RIGHTS | 30 JUN 2020 NUMBER OF RIGHTS |
|---|---|---|
| At 1 January | – | – |
| Granted during the half-year – LTI 2021-2023 | 954,671 | – |
| Granted during the half-year – STI 2020 | 54,709 | – |
| Vested during the half-year | – | |
| Forfeited during the half-year | – | – |
| At 30 June | **1,009,380** | **–** |

The number of rights to be granted is determined based on the value of the LTI amount or the achieved STI divided by the weighted average price at which the Company's shares are traded on the ASX over the five days following announcement of the annual results.

The fair value of the rights at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received by the executives and eligible employees on their rights during the vesting period.

| GRANT DATE | PLAN | WEIGHTED AVERAGE FAIR VALUE | SHARE PRICE |
|---|---|---|---|
| 7 May 2021 | LTI 2021-2023 | $4.86 | $5.43 |
| 7 May 2021 | STI 2020 – Tranche 1 | $5.27 | $5.43 |
| 7 May 2021 | STI 2020 – Tranche 2 | $5.08 | $5.43 |

At 30 June 2021, an estimate of how many rights are likely to vest based on the continuous employment and financial performance conditions has been updated. The fair value of the number of rights expected to vest has been expensed in proportion to how far through the vesting period the rights are at that date. The amount expensed in the half year was $1 million (30 June 2020: nil).

## Note 17 Fair value measurement of financial instruments

### Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivative, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2021 and 31 December 2020 on a recurring basis:

| | LEVEL 1 $m | LEVEL 2 $m | LEVEL 3 $m | TOTAL $m |
|---|---|---|---|---|
| **At 30 June 2021** | | | | |
| **Financial assets** | | | | |
| Forward foreign exchange contracts | – | 1 | – | 1 |
| Handset and accessories receivables | – | – | 348 | 348 |
| | – | 1 | 348 | 349 |
| **Financial liabilities** | | | | |
| Forward foreign exchange contracts | – | – | – | – |
| **At 31 December 2020** | | | | |
| **Financial assets** | | | | |
| Handset and accessories receivables | – | – | 153 | 153 |
| **Financial liabilities** | | | | |
| Forward foreign exchange contracts | – | 1 | – | 1 |

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels during the period.

### Valuation techniques used to determine fair values

Foreign currency forward contracts 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 handset receivables is determined using the implicit interest rate on handset receivable sale arrangements to external parties at the balance date.

# Notes to the Half-Year Consolidated Financial Statements continued

## Note 18 Events occurring after the reporting period

### COVID-19 Pandemic

Since the reporting date, containment policies by the Australian Government and governments around the world remain in force to prevent the spread of COVID-19. Restrictions and measures to limit movement into and out of Australia, and also domestically, are ongoing, and continue to impact inbound related connections, visitor revenue and international roaming revenues. While there remains uncertainty as to the extent and duration of the COVID-19 pandemic, it is reasonably likely that the pandemic will continue to have an impact on the Group's operations and results in future periods.

### Sale of handset and accessories receivables

In July 2021, the Group entered into a new arrangement which allows for the sale of certain handset and accessories receivables to a third party. Under this agreement, $154 million of receivables were sold in July 2021. The sale of these receivables will be accounted for in accordance with the Group's accounting policy as disclosed in Note 9 of the 2020 Annual Report.

### Dense Air spectrum acquisition

On 2 August 2021, the Company entered into an agreement to acquire Dense Air Australia which owns spectrum licences in the 3.6 GHz band. As part of the transaction, the Group will also sell its 2.6 GHz spectrum band licenses to Dense Air Networks Australia. The agreements for both the 3.6 GHz spectrum transaction and the 2.6 GHz spectrum transaction are subject to conditions precedent, including that the two transactions are completed concurrently, and receive approval by the Australian Competition and Consumer Commission. Following satisfaction of the conditions, the transactions are expected to complete in September 2021.

### Dividends declared

On 19 August 2021, the Board of directors have declared a fully franked interim FY21 dividend of 8.0 cents per share. As the interim dividend was not declared or resolved to be paid by the Board as at 30 June 2021, the dividend has not been provided for in the Consolidated Statement of Financial Position. The interim FY21 dividend has a record date of 15 September 2021 and will be paid on 13 October 2021.

There has been no other matter or circumstance that has arisen after the reporting date that has significantly affected, or may significantly affect:

(i) the operations of the Company and of the Group in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the state of affairs of the Company and of the Group in future financial years.

# Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 13 to 32 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulation 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

**Fok Kin Ning, Canning**
Chairman
20 August 2021

**Iñaki Berroeta**
Chief Executive Officer and Managing Director
20 August 2021

# Independent Auditor's Review Report

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

### *Report on the half-year financial report*

#### *Conclusion*

We have reviewed the half-year financial report of TPG Telecom Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### *Basis for conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### *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 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

***PricewaterhouseCoopers, ABN 52 780 433 757***
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*Auditor's responsibilities 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. ASRE 2410 requires us to conclude whether 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 30 June 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

S Prakash

S Prakash
Partner

Sydney
20 August 2021

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# Corporate Directory

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